

# business insurance

## update: Moran, underwriter plead not guilty

LONDON—Christopher John Moran, managing director of Christopher Moran & Co., and Lloyd's of London underwriter Derek James Walker pleaded not guilty last week to charges that they tried to defraud Lloyd's and its members.

Prosecutor Michael Hill told the court that between October 1974 and January

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### Communication.

It can be as important to the success of an employee benefit plan as the benefits themselves, and for the ninth year, *Business Insurance* is recognizing companies that have been especially successful in getting the word out so their employees understand what benefits their company is providing for them.

Winners of this year's Employee Benefit Communications Awards competition, which included five categories and attracted 159 entries from 129 companies, are announced on Page 13.

## Alcohol: Companies are learning it pays to help workers beat the bottle

By EILEEN NORRIS

Industry pays \$55 billion a year for alcoholic and drug-addicted workers, but that's where employer involvement usually begins and ends.

But for the 600 mostly large U.S. companies that are reaching out with in-house or contracted employee wellness programs, the victories have been impressive:

- Kennecott Copper Corp. in Salt Lake City estimates it has achieved a 6-1 benefit-to-cost ratio from its "Insight" program, which was started in 1969.

A study of 150 men who spent almost 13 months in Insight—the name of the counseling program that also serves as an acronym for the company's 24-hour telephone hot line—found a 52% improvement in attendance, a 75% decrease in non-industrial health and accident insurance and a 55% reduction in hospital, medical and surgical costs.

Alcoholism is one of the top four prob-

lems of the 7% of Kennecott's 7,000 active employees who are Insight members.

Dependents of alcoholic employees are urged to be a part of outpatient family counseling—a support aid that has proved successful in rehabilitation of alcoholics.

- Illinois Bell Telephone Co. in Chicago, which started one of the first alcoholism programs back in 1950, switched its emphasis in 1962 to a health evaluation program.

It estimates that out of every 500 health evaluations performed, half of the employees will need psychiatric counseling, 150 or more will be referred to a rehabilitation program for problem drinkers and 30 to 40 will be referred to Bell's drug abuse program.

Of the company's 38,000 employees in 1980, some 360 workers were asked to take a health evaluation examination, usually because of a performance or attendance problem.

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Illustration: Richard Bernal

## Breaking in American risk manager helps Lloyd's write banks' computer crime policy

By STACY SHAPIRO

LONDON—With help from the risk manager of a major U.S. bank, Lloyd's of London has finally introduced its computer crime policy for financial institutions.

"Our approach was to support the K.F. Alder Syndicate at Lloyd's to build up this kind of policy," said Burton J. Carbino, risk manager at Irving Trust Co. in New York. "Banks are increasingly acting as financial data intermediaries, which involves terminals and, therefore, much greater opportunity for third-party fraud."

"We had an early role to impress underwriters of this need to insure against such risk," said Mr. Carbino, who purchased the first policy written.

The underwriters at K.F. Alder carefully listened to Mr. Carbino and other financial

institution risk managers concerned about computer security.

"When our clients first came to us and the wording on the banker's blanket bond to include computers, we realized we didn't understand computers," said Colin Spreckley, lead underwriter for the policy at K.F. Alder. "So we started research on the computer and it was a horrendous task so we dropped it. We didn't appreciate the magnitude of the exposures then."

But risk managers did know the size of the risks and, like Mr. Carbino, voiced their concern.

"So we began to sit down with U.S. risk managers who came over here, and we went over to New York and eventually developed with them this computer insurance package," said Mr. Spreckley. "And we know

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Illustration: Amy Palmer



## New satellites covered despite sky-high loss

By RHONDA L. RUNDLE

NEW YORK—When RCA Corp. launches the first of five planned communications satellites from Cape Canaveral this week, the eyes of many anxious underwriters will be aimed toward the sky.

Satcom IIIIR is fully insured for \$89 million against launch failure or loss and for a near-equal sum prior to Nov. 19 ignition. The launch and life insurance coverage is part of a \$452 million, five-satellite package.

The letter R in Satcom's name stands for "replacement" and is a ready reminder that its predecessor is lost in space. The disappearance of the first Satcom III soon after liftoff two years ago cost underwriters \$77 million—the largest satellite claim ever (BI, Dec. 24, 1979).

Both Satcom IIIIR and IV, to be launched in January, will be used by the cable television

industry, reports Dennis Elliot, vp of finance for RCA American Communications, which owns and operates the satellites. Another RCA unit builds the one-ton spacecraft.

"Two other orbiting RCA satellites and the original Satcom III were individually insured but this one we did on a different basis," explains David M. Whatnough, director of general insurance for RCA Corp.

To make the risk bigger and more attractive to underwriters, the five satellites in the RCA Satcom Series Decade 80s were packaged together, he says. RCA set the rate and cost it was willing to pay and asked broker Marsh & McLennan to make the placement.

The risk has been offered in the market since last December and the placement was completed about a month ago, said Mr. Whatnough. It might have gone faster if RCA had not insisted on its own cost objectives, he

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- PBGC offers compromise on withdrawal liability claims** Page 2

NEWSPAPER

## update:

### Moran pleads not guilty

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1979, reinsurance transactions between Mr. Moran, Mr. Walker's two syndicates and offshore reinsurance companies "did not represent genuine, honest, bona fide business."

Retrocessions, stop-loss policies and aviation "tonner" reinsurance totaling about \$1.8 billion passed to and from Northern Guaranty Ltd. in Guernsey and Geneva Reinsurance Co. in Switzerland during that period, he said, adding that the reinsurers were Mr. Moran's "babies," created for his own use.

The money that ended up in these "depositories" helped pay off a 200,000 pound loan Mr. Moran owed Williams & Glyn's Bank Ltd. in 1975, the prosecutor said.

"The reality is that the only function of the Northern Guaranty and Geneva Reinsurance was to act as a depository for premiums and claims from syndicates 290 and 295" controlled by Mr. Walker, Mr. Hill said.

### AMC seeks loan from workers

SOUTHFIELD, Mich.—American Motors Corp. is seeking to borrow \$150 million from employees' future wages and benefits to help develop new products during the continuing industry slump.

The unusual proposal, the latest in a series of discussions related to wages and benefits in the automobile industry, was submitted to the United Auto Workers last week. It calls for workers in AMC assembly plants to give up 10% of their wages and benefits over a 22-month period.

The money that would be received from the AMC workers would be repaid with 10% annual interest, beginning as early as 1984, according to the manufacturer.

The exact impact on AMC benefits is not yet known, according to the company, because the loan structure and payback plan will have to be negotiated with the union. The UAW board is expected to discuss the proposal at its regularly scheduled meeting on Dec. 3.

### Railroads, unions draft contract

WASHINGTON—A tentative agreement calling for numerous health and welfare benefit improvements has been negotiated by six railway unions and the National Labor Railway Conference, the bargaining arm for most major railroads.

The 39-month agreement, which also calls for a 32.5% pay increase, includes increases in life insurance and accidental death and dismemberment, miscellaneous hospital expense allowance, surgical expense, major medical and dental benefits.

The pact must be ratified by some 240,000 members of the six unions, including members of the Brotherhood of Railroad & Airline Clerks.

The agreement is retroactive to April 1 and runs to June 30, 1984.

### Insurer wants ruling in libel case

OVERLAND PARK, Kan.—The insurer for the National Enquirer has filed suit to determine if paying punitive damages in the Carol Burnett libel case would violate California public policy.

Employers Reinsurance Co. of Overland Park, Kan., filed the suit Oct. 26, naming the Enquirer and the California Insurance Commission as defendants, said John Connelly, Employers Re general counsel.

The action follows a suit brought by the Enquirer against Employers Re for failing to honor its \$2 million libel insurance policy. Earlier this year, a California jury awarded Ms. Burnett \$1.6 million in general and punitive damages, ruling the National Enquirer libeled her in a 1976 story. The award was later cut to \$800,000.

Mr. Connelly said a court ruling is necessary because the company could be subject to sanctions and possibly lose its license if it paid the punitive damages in violation of the state's public policy.

The state has indicated an intent to enforce its public policy and has taken the position that insurers may not circumvent state rules on punitive damages through out-of-state activities.

### N.J. Blues revise rate proposal

NEWARK, N.J.—Small employers with fewer than 100 workers would be hit hardest by a request for a 43.5% rate increase filed by New Jersey Blue Cross.

If the request, a revision of an increase requested earlier this year, is denied by the state Insurance Department, officials at Blue Cross estimate a \$12.8 million deficit by the end of this year and a \$122 million by the end of 1982.

The increase would affect some 827,000 of the plan's community-rated subscribers, most of which are firms that include between four and 100 covered workers.

Insurance Commissioner James J. Sheeran has not yet acted on the earlier request for an average 31% increase in rates.

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# Withdrawal liability claim not due until appeal heard

By JERRY GEISEL

WASHINGTON—An employer that leaves a multiemployer pension plan cannot be forced to pay the full amount of a withdrawal liability claim while he is fighting the claim, a federal agency says.

Multiemployer pension plans do not have the right to demand the entire claim while an arbitrator is evaluating a claim's validity, according to the Pension Benefit Guaranty Corp.

"This is an attempt to find a middle ground between the warring factions," said Baruch Fellner, associate general counsel of the PBGC, the federal agency that guarantees workers' pensions through an insurance program. "To paraphrase Shakespeare, we are saying, 'Get thee to a solution.'"

The PBGC's new interpretation of the right of a multiemployer pension plan to demand enormous payments from employers who leave the plans came in briefs filed last week in several lawsuits challenging the constitutionality of the Multiemployer Pension Plan Amendments Act of 1980.

That law says that an employer who leaves a mul-

tiemployer pension plan must pay a share of the plan's unfunded benefits to be determined by the trustee.

Because employers' contributions often failed to match the benefits promised, many of the plans are badly underfunded. This means employers who now want to withdraw from a plan face huge withdrawal liability bills.

For example, when Johnson Motor Lines Inc. of Charlotte, N.C., went out of business and withdrew from the Central States, Southeast and Southwest Areas Teamsters' fund, it was hit with a withdrawal liability bill that is more than double its net worth (BI, July 20).

The multiemployer law, which Congress passed last year to shore up financially weak plans, has resulted in a torrent of litigation. Some 28 lawsuits have been filed challenging the constitutionality of the act. And the rate of litigation shows no sign of slowing down: At least one new lawsuit challenging the act is being filed each week.

The act also is under attack in Washington. A group of employer trade associations has banded together to

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## Insured ape prepares to monkey around

By JAMES LAWSON

PHILADELPHIA—Ramar couldn't find romance in the city of brotherly love.

Deeply depressed, intimidated by the females and bored with his cagey surroundings, Ramar lost his mating urge at the Philadelphia Zoo so the 13-year-old, 350-pound lowland gorilla was transferred to a new open-air zoo in Florida.

Now the new keeper, Metro Zoo in Dade County, isn't taking any chances that the change in environment will be too much for the reluctant Casanova. It has purchased a \$100,000 mortality insurance policy in case Ramar dies during his orientation period.

Zoo officials estimate it could cost \$60,000 to \$100,000 to replace Ramar, who is owned by the North Carolina Zoo, which engineered the move.

The insurance policy, the first separate mortality policy Metro Zoo has taken out on an animal, was written for 30 days because the first month in his

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Photo: Wide World

Ramar the gorilla is now insured for \$100,000.

# Airline group wants to raise liability limits to \$750 million

By BILL DENSMORE

An aviation trade group is trying to convince its members to band together to increase by roughly 50% the maximum limits of liability insurance carried by the world's airlines.

A consortium of four London-based aviation insurance brokers has come up with a pooling plan for the International Air Transport Assn. if airlines will participate.

The plan, originally sought two years ago by the IATA and packaged by Stewart Wrightson Aviation Ltd., would enable airlines to purchase group excess liability coverage of up to \$750 million per carrier per aircraft per incident, said Tony Kelly, the Geneva-based manager of industry monetary affairs for the IATA.

"We're talking about bringing the entire industry up to coverage of \$750 million per aircraft at rates that could be better than the biggest airline could get individually," Mr. Kelly said. Most airlines now have coverage of \$400 million to \$500 million.

The only question now, Mr. Kelly said, is whether enough airlines will subscribe to the plan to get it off the ground.

Mr. Kelly and Alan H.C. Colls, chairman of Stewart Wrightson, estimate about 1,700 aircraft must

be insured to make the plan worth underwriting. IATA has 113 member airlines with about 3,500 aircraft among them.

Besides Stewart Wrightson, London brokers participating in the

proposed plan are Sedgwick Group, C.T. Bowring and Willis Faber, said Mr. Colls.

He said the IATA originally solicited six London brokers to de-

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## Asbestos-exposed workers suing employer, 32 others

By RHONDA L. RUNDLE

LOS ANGELES—Thirty-one workers who discovered they were exposed to asbestos six weeks into a building remodeling job are suing their employer for both civil damages and workers compensation benefits.

Pacific Telephone & Telegraph Co., which employs the workers, and 32 asbestos makers are named in the civil lawsuit filed Aug. 17 in Los Angeles Superior Court. Each of the 31 plaintiffs is asking for unspecified general damages and \$1 million in punitive damages.

The suit follows a recent string of California cases in which employees have successfully broken through the exclusive remedy rule of workers compensation to sue their employers in state courts (BI, May 11).

Since none of the plaintiffs currently has an asbestos-related disease—only fear of eventually developing it after exposure—the case also appears to be a new thorn in the thicket of asbestos litigation.

The plaintiffs were told following medical examinations that each of them is "subject to developing the condition known as asbestosis and as a result thereof will require medical attention for the rest of their lives," say court documents.

Plaintiff attorney Lloyd Robinson cites a recent California case as

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# MARKETS

## Feds may investigate INA-CG merger plans

By JOHN W. MILLIGAN and BILL DENSMORE

NEW YORK—The federal government will want to investigate the antitrust implications of the largest insurance company merger ever, *Business Insurance* has learned.

While stock analysts and insurance brokers say the \$4.3 billion marriage of property/casualty leader INA Corp. and life/health leader Connecticut General Corp. is made in heaven, an FTC source says the creation of a new North American General Corp. "is not something that is going to go right through the fingers."

One state regulator also worried that federal regulators will use the pending merger as an excuse to weaken the tradition of state control over the industry established by the McCarran-Ferguson Act.

Either the FTC or the Justice Department could investigate the merger. "The numbers are significant enough that we would investigate and take more than just a casual look at it," said the source, who asked not to be identified.

A lengthy FTC investigation and promise to challenge the planned merger of two Factory Mutual System companies three years ago killed that merger (*BI*, March 5, 1979).

(But the probe begun then of possible antitrust violations arising from cooperation among the four FM companies was finally dropped last summer.)

North American General would become the sixth-largest insurer in the nation, with combined 1980 net written premiums of \$6.2 billion. It will trail, in order, Aetna Life & Casualty, Prudential, State Farm, Travelers and Metropolitan.

INA, with net property/casualty premiums of \$2.55 billion and net life/health premiums of \$779 million, controlled 1.7% of the nation's insur-

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## Third-quarter results show more declines

By LISA BERGSON

Third-quarter operating income of the major insurers at best stayed the same and in some cases fell, but insurers appear resigned to a tough market for another year.

In report after report, the 16 leading insurers surveyed bemoaned cutthroat competition, high interest rates and a dull economy for their lackluster results.

Indeed, a shocking 50% of the 16 property/casualty insurers analyzed by *Business Insurance* reported a third-quarter decline in operating income, with a quarter of them falling more than 20% from the third quarter of 1980.

Twelve of the 16 had combined ratios of more than 100%. In addition, the average combined ratio for all the companies surveyed was 104.3%, a jump from 102.6% in the third quarter of 1980.

(All insurers' combined ratios are expressed by *Business Insurance* after dividends to policyholders, although some insurers release the lower ratio compiled before dividends to policyholders.)

Already in the spotlight because of its announced merger with INA Corp., Connecticut General Corp. led the pack with a 37.6% increase in operating income over the third quarter of 1980. Its combined ratio for the third quarter stood at 109.3%, a scant improvement

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### Insurers: Biggest winners & losers in third quarter

Company	Operating income in millions	% Change from 1980	1981 combined ratio	1980 combined ratio	Investment income in millions	% Change from 1980
<b>Top Five</b>						
Conn. Gen'l (Prop./Liab.)	\$16.5	37.6	109.3	110.3	\$33.8	22.4
Crum & Forster (Prop./Liab.)	\$44.3	34	99.7	102.9	\$60.7	20
St. Paul Fire & Marine	\$40.5	25	102.5	103.5	\$56.4	23
Kemper Corp.	\$13.2	18	103.5	103.9	\$18.4	17
Mission Ins. Group	\$12.2	17	100.3	98.5	\$9.9	26
<b>Bottom Five</b>						
Continental Corp.	\$9.6	-47	110.1	107.3	\$70.9	9.1
Aetna L&C (commercial)	\$27.3	-35.9	114.7	104.5	\$68.1	30
U.S.F.&G. (Prop./Cas.)	\$40.6	-29	104.6	95.4	\$64.4	24
The Travelers (Prop./Cas.)	\$33.1	-28	107.3	105.9	\$105.4	18
SAFECO	\$20.6	-16	99.9	98.2	\$22.4	15.27



Photo: Margaret LeRoux  
Martha Chansky, right, and another staffer examine one of the program's posters.

## Textile firms learn how to cut losses from arthritis

By MARGARET LeROUX

CHAPEL HILL, N.C.—A rehabilitation program in North Carolina is using management techniques to teach employers and employees in the textile industry how to reduce losses from arthritis.

The disease is the industry's leading cause of lost work days. In 1980, days lost due to arthritis cost the industry \$1 billion in disability payments and cost employees \$5 billion in lost wages, according to the Arthritis Foundation.

Arthritis, the foundation says, afflicts more than 31 million Americans. People with arthritis suffer various degrees of pain, weakness and limited range of motion in their joints.

"They're the formerly 'good' employees who suddenly become 'bad' when arthritis causes their productivity to fall and their absenteeism to rise," said Dr. Kenneth Mitchell, director of the Arthritis Rehabilitation in Industry program.

One of the goals of the ARI is to reduce disability costs by educating employers and employees about arthritis. Other objectives include identifying an arthritic

condition at the onset—before it prevents an employee from doing his or her job.

If an employee cannot continue, ARI would like employers to modify job procedures or retrain arthritic employees for alternative jobs, instead of allowing them to retire on disability.

Dr. Mitchell heads a team of rehabilitation experts that is working with Burlington Industries on the nation's first arthritis rehabilitation program.

"It's the first time anyone has applied the concept of management to a disability such as arthritis," Dr. Mitchell said. "We take a pro-active approach; identifying the problems before they become a crisis rather than the reactive methods that have been traditionally used to handle disabilities."

With the cooperation of Burlington's corporate medical staff, the ARI program has reached more than 350 employees in five textile plants since May. Visits to six more Burlington plants are scheduled for later this year and early 1982.

"We've had to market our concept to the decision makers at each plant," said

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## Hospital malpractice claims, premiums increase: Survey

By ESTHER FRITZ KUNTZ

Hospitals' professional and general liability insurance premiums are creeping up again after declines in 1980, Modern Healthcare's 1981 Risk Management Survey found.

Hospital malpractice claims are on the upswing nationwide. In 1980, the number of claims reported increased 19%, according to the survey by Modern Healthcare, which, like *Business Insurance*, is published by Crain Communications Inc. The number of claims settled with payments jumped 28%. Average settlements were up only 1% in 1980, reaching \$9,772, compared with \$9,647 in 1979, the survey showed (see chart, page 43).

But hospitals expect to be less affected by a malpractice insurance crisis than doctors.

As reported in *Business Insurance* May 25, doctors are finding they can still easily get insurance coverage—unlike the situation in the mid-1970s when the market for medical malpractice insurance closed up—but prices are soaring.

The New York Insurance Department this month approved a 21.3% rate increase for the Medical Liability Mutual Insurance Co., which covers about 18,000 New York doctors and had requested a 52% increase; it also approved a 27.8% rate increase for the Medical

Malpractice Insurance Assn., which covers 21,000 doctors and had first requested a 357.8% increase. A 107% rate increase had been recommended by an independent actuary hired by the insurance agency.

Rate increases in effect this year range from 7.5% in Colorado to 20% in California.

Doctors and hospitals are finding that this second crisis in the cost of medical malpractice insurance is the result partly of steps taken to mitigate the mid-1970s crisis.

The main example is the move to claims-made policies for medical malpractice insurance, broadly introduced during the last malpractice crisis. About 63% of occupied beds and 70% of hospitals responding to the Modern Healthcare survey were covered by claims-made policies.

Claims-made policies cover malpractice claims filed in a given year of coverage rather than all incidents that occur during that year, as do the traditional occurrence policies.

During the first few years a risk is written on a claims-made form, many of the reported claims are actually covered under previous occurrence form policies, reducing the liability of the claims-made insurer. The rate charged reflects this reduced liability.

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### Average premiums for hospital malpractice insurance

	Premium per bed			Premium per hospital		
	'81	'80	'79	'81	'80	'79
<b>Commercial insurance</b>						
Claims-made	NA	\$225	\$291	NA	\$22,000	\$23,793
Occurrence	NA	396	499	NA	84,404	98,284
<b>Captives sponsored by state hospital associations</b>						
Claims-made	NA	473	622	NA	71,623	119,630
Occurrence	\$535	608	818	\$ 61,762	73,776	126,073
<b>Captives owned by multihospital systems</b>						
Claims-made	457	457	714	42,308	45,161	62,292
Occurrence	881	619	940	135,035	95,416	109,904

Source: Modern Healthcare Survey/October 1981

# Legal battles stall federal benefit spree

## benefit beat

The federal government has delayed the traditional "open season" that allows more than 9 million people enrolled in federal health insurance plans to change plans at the end of each year.

The open season was postponed by the Office of Personnel Management, the federal agency that oversees the 126 federal health plans, because of continuing legal battles over the plans.

OPM first found itself embroiled in controversy this fall when Executive Director Donald Devine ordered the plans not to offer benefits for voluntary abortions.

A U.S. district court judge later ruled that Mr. Devine had no authority to order such a cut; 57 plans are expected to offer abortion benefits next year.

The OPM also is battling several

major plans that have sued the agency over benefit cuts the agency has ordered them to make.

The continuing uncertainty over the kinds of benefits to be offered forced the delay in the open season, which allows federal employees to shop around for plans with better benefits or lower costs.

The delay, though, is a boon to several major plans, like Blue Cross/Blue Shield, that are expected to announce rate hikes of between 30% and 50% next year. BC/BS could have lost tens of thousands of subscribers to other plans, like health maintenance organizations, that have been more successful in keeping costs down

and are proposing smaller rate hikes.

Currently, an employee who opts for the most popular federal health insurance plan—BC/BS high-option family coverage—pays a monthly premium of \$61.04, with the government paying an additional \$71.28 per month.

For individual high-option BC/BS coverage, the employee pays \$29.68 per month and the government pays \$30.42.

### Mandatory vacation

An employer can require its employees to take a certain amount of vacation in the year they reach the

mandatory retirement age instead of giving the employees a lump-sum payment, a federal court has ruled.

The 8th Circuit Court of Appeals in St. Louis said a collective bargaining agreement that requires pilots at Northwest Airlines to take all their vacation before they reach the mandatory retirement age of 60 instead of receiving a lump-sum payment for that time does not discriminate against the older employees on the basis of age.

Until 1973, retiring Northwest pilots were allowed to schedule all vacation days for dates after their retirement. As a result, the pilots were able to collect a lump-sum payment to compensate for vacation they didn't take.

But under Northwest's 1978 collective bargaining agreement with

the Air Line Pilots Assn., pilots approaching age 60 are required to take a vacation that matches the credit accrued in the year of retirement.

That provision treats retiring pilots the same as other pilots who expect to work for the entire year.

Older pilots said they were discriminated against because the ban against receiving lump-sum payments instead of actual vacation time doesn't apply to pilots who retire before age 60.

But the court noted that only a handful of Northwest pilots retire before age 60. The few pilots who retire early do so mainly because of unexpected medical or disciplinary problems, the appellate court ruled in overturning a decision by the U.S. District Court for the District of Minnesota.

## Court says workers vest at retiring age

By JERRY GEISEL

WASHINGTON—A worker has a right to the pension benefit he has accrued at the time he reaches a plan's normal retirement age even if he hasn't met the plan's vesting requirements, a federal court says.

In a case involving the rights of older workers to receive a pension, the U.S. Tax Court affirmed an Internal Revenue Service ruling that disqualified a pension plan for favorable tax treatment because the plan required all workers to work for 10 years before they could vest.

The New York Hotel Trades Council & Hotel Assn. pension fund, like most other defined benefit plans, requires a pension plan participant to work for 10 years before he is entitled to a retirement benefit.

In April 1980, the IRS issued its final adverse determination letter in which the agency refused to recognize the hotel association plan as a qualified pension plan because employees who reached the plan's normal retirement age and hadn't worked 10 years were denied a benefit.

That violated section 411 (a) of the Employee Retirement Income Security Act which requires full vesting of a participant's accrued benefit when he reaches the plan's retirement age, the IRS said.

The plan conceded that its 10-year vesting requirement has the effect of denying the right to a benefit to a participant who reaches the plan's normal retirement age with fewer than 10 years of service the right to a benefit.

But the association argued in its appeal to the tax court that the 10-year vesting requirement didn't violate section 411 (a) because that provision only requires that the benefit to which the participant is entitled be non-forfeitable when he reaches the normal retirement age.

But the tax court refused to accept that line of reasoning. ERISA required that an employee be 100% vested in his accrued benefit when he reaches the pension plan's normal retirement age, the court said.

The court did note that Congress was concerned that "unduly rapid" vesting requirements would discourage employers from hiring older workers. Congress dealt with this potential problem by allowing employers to exclude from their pension plans workers who are within five years of the plan's retirement age when they are hired.

But the hotel association went beyond what Congress allowed, according to the court.

# The Winning Combination

## It's a matter of teamwork.

To win in the pros you have to play *team* football. If you let your quarterback try to do it all, you'll probably lose.

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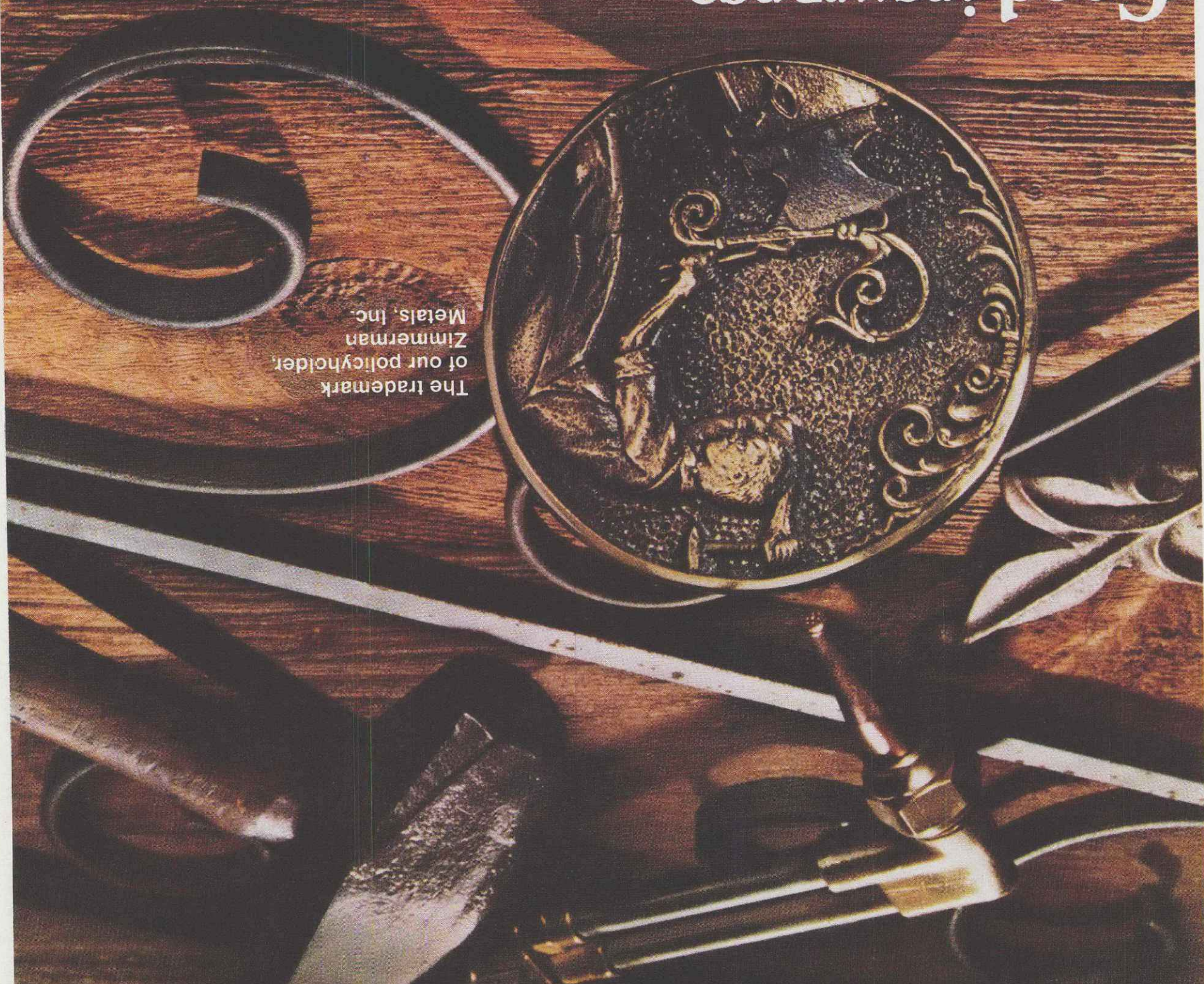
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## “Good insurance partnerships” are wrought.

Zimmerman Metals, Inc., of Denver, really tests Wausau's mettle. This fabricator of architectural metal and structural steel is known for uncommonly promising quality, and a willingness to accept challenges. Exactly the characteristics they look for in an insurer.

Working with Zimmerman, Wausau developed a proposal that simply but precisely spelled out our services and coverage up front. We offered premium credits because of Zimmerman's good experience.



### WAUSAU INSURANCE COMPANIES

Wausau, Wisconsin 54401

Now we handle five lines of coverage for Zimmerman. In the words of President George L. Zimmerman: “We never really received service before we changed to Wausau. There was no dedicated person to contact with questions or problems. But that kind of service is built right into Wausau's structure.” He continues, “Wausau's partnership idea of insurer and insured working together to minimize losses is the best way to save money.” We're looking for more good policyholder “partners” like Zimmerman. Why not see what we can work up together?

# Withdrawal liability claims delayed

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lobby for changes in the multiemployer law (BI, Oct. 5).

In addition, Sen. Orrin Hatch, R-Utah, chairman of the Senate Labor and Human Resources Committee, has introduced legislation that would allow most employers to withdraw from multiemployer plans without having to pay a share of the pension plan's unfunded benefits (BI, Nov. 2).

One of the employers' biggest objections to the act is that if they believe a withdrawal liability claim is inflated and bring the claim to an arbitrator for an independent decision, they still are liable for the entire amount due if they fail to make a scheduled installment payment during arbitration.

"You are presumed guilty until found otherwise," one angry pension attorney said.

For example, if Johnson Motor Lines failed to make any one of its monthly withdrawal liability payments of \$280,680.50, the Team-

sters' plan had the right to demand the entire claim due: \$16.7 million.

To avoid being hit with these enormous penalties, employers have been forced to go to federal court to seek temporary restraining orders barring the plans from taking any punitive action until their claims are resolved.

By not allowing this punitive action against the employers, the PBGC hopes to keep the courts out of nuts-and-bolts disputes such as whether multiemployer trustees used the correct formula in determining the amount of a claim against a company.

"It is an ingenious attempt by PBGC to channel more disputes into arbitration and away from the federal courts," said Peter Turza, a former Senate aide specializing in pension law and an attorney with Gibson, Dunn and Crutcher.

"It also cuts down on the appearance of unfairness," he added.

However, this concession probably won't be

enough to make employers drop their battle to have courts declare the Multiemployer Amendments Act of 1981 unconstitutional.

Johnson Motor Lines, for example, in its brief filed in U.S. District Court in Chicago challenging the Teamsters' withdrawal liability claim, contends that the Constitution guarantees a right to a jury trial before property can be taken away.

Other employers say the act's retroactivity violates the due process clause that bars Congress from imposing severe penalties without warning.

President Carter signed the Multiemployer Amendments Act on Sept. 23, 1980, but it applies to all withdrawals from plans after April 28, 1980.

The PBGC may have "cut the string on one constitutional issue, but many other issues remain," said Frank Cummings, an attorney with Marshall, Bratter, Greene, Allison & Tucker.

# Arthritis program

Continued from page 3

Martha Chansky, senior rehabilitation counselor, "because the entire program is voluntary. We've educated plant managers about the effects of arthritis in industry, then worked with them to reach employees."

There are more than 100 different arthritis-like conditions but only two main types of the actual disease. Osteoarthritis is a localized disease, afflicting a particular joint and rheumatoid arthritis is a systemic disease that attacks the entire body, causing pain in different joints at different times.

After a brief presentation to employees on all three shifts at plants participating in the ARI program, team members return for a free screening for arthritis. "We tell employees if they hurt, arrange to see us," Ms. Chansky said.

The screenings are done in the plant by one of the team's two rehabilitation counselors and take from 15 to 30 minutes.

Of the 350 employees screened so far, 15% had "some sort of physical impairment that affected their job performance," Dr. Mitchell said. "A majority of them have soft tissue problems such as bursitis or tendonitis rather than arthritis. Finding out they don't have arthritis is a relief for most employees."

After the initial visit with the rehabilitation counselor, an employee who is in pain or whose work performance is affected is seen by the team's medical personnel: a rheumatologist, physical therapist and an occupational therapist.

Sessions are held over a period of time instead of during one lengthy examination, "not only to save time off the job for the employer, but to get a better overview of the disease," said Dr. Mitchell.

"Arthritis is a hard disease to understand," Ms. Chansky added. "If you have it, you can't predict what days you'll feel good and what days you'll be in pain."

Another key member of the team is a work evaluator who observes employees with arthritis while they work and notes how the disease affects their performance.

Some of the recommendations the work evaluator made at the textile plants are simple: lowering stacks of materials to be fed into a machine so the employee isn't constantly reaching up and straining an arm and using good body mechanics when bending and lifting.

The result of the screenings and recommendations of the work evaluator are taken back to plant managers for discussion with the ARI team.

"We recently presented 19 cases of employees with arthritis to plant supervisors," Ms. Chansky said, "and the recommendations we made were really very simple things—a minor alteration in a piece of equipment, for example, and a few changes in motion for job procedures. None of them would be a bid expense to implement."

Any changes recommended by the ARI team are at the discretion of plant managers, Dr. Mitchell says.

The ARI team expects to be able to show dollars and cents results from their program within a year. So far, the cost to Burlington has been minimal, as the ARI program is supported by a three-year federal grant from the Rehabilitation Services Administration.

"We're taking a wait and see attitude," said Dr. Donald Hayes, corporate medical director at Burlington Industries. "The results of the program are still in very preliminary stages, but in general, we're hoping for a better productivity rate."

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## editorial opinions

# Don't change the blank

WE HOPE THE FULL membership of the National Assn. of Insurance Commissioners decides insurers should report the market value as well as the amortized value of their bond portfolios.

We're disappointed that the NAIC committee working to revise the reporting form for insurers decided to remove the market-value column from the blank, which even now by tradition doesn't reveal the market value of insurers' bond holdings.

The only argument against reporting market value is the information could unduly concern policyholders.

Hogwash.

Everyone knows that the market value of long-term bonds is less than their amortized value in this period of higher short-term interest rates. And that is causing some concern already among regulators and insurance buyers who wonder if insurers could be forced in the future to start selling these bonds to cover their underwriting losses if short-term interest rates fall quickly.

There will be more concern in response to mounting underwriting losses if insurance buyers, stock analysts and most of all regulators don't know the market value of the bond portfolio. One always imagines the worst.

The regulators should give sophisticated insurance buyers and financial analysts studying the annual statement of an insurer credit for being smart enough to consider the market value of an insurer's bond holdings in perspective with other information on its loss and expense ratio and cash-flow position. The less sophisticated are unlikely to even pick up an annual statement of an insurer.

While a depressed market value of the bonds will not signal problems for many insurers, it could. Thus, this information is needed by insurance regulators and interested policyholders.

Insurance commissioners often complain they don't have the resources to properly

monitor the solvency of insurers operating in their states. Why then make it even more difficult for the regulators to get their hands on what could be vital information about an insurer whose cash-flow position is weakening and may be forced to start selling bonds at a loss to cover insured losses?

The regulators should not buckle under industry pressure on this issue when they consider it at their meeting next month.

## It can't be ignored

ALCOHOLISM.

The word rings with a stigma that years of medical science proving that it is a disease haven't eliminated.

Employers, however, must be among the more progressive and recognize that alcoholism and drug abuse as serious illnesses that is damaging both to their employees and their corporate profits.

Some employers have made this leap, as Associate Editor Eileen Norris reports in her stories on the cost of alcoholism and the corporate response to it.

But they're all too few.

All employer-sponsored medical plans should cover the cost of treatment for alcohol and drug abuse. Don't wait for states to mandate the coverage. Do it now.

And if you can afford it, establish in-house employee assistance or counseling programs to help these employees. A sampling of such programs is presented in this week's report.

Small employers who can't afford in-house staff could band together to share a staff specialist. They should at least have a list of reputable community service agencies available to employees who need help.

An employee with a broken leg is afforded corporate health benefits and assistance to get back on the job.

An alcoholic deserves no less.

## letters

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

## Health plan competition needed

To the editor: Your editorial on the so-called competition health insurance proposals (BI, Oct. 26) surprised me greatly.

There are only two ways to regulate an industry as far as I know. One is regulation through effective competition; the other is bureaucratic regulation. Since you apparently reject the idea of strengthening marketplace competition, you must then be supporting bureaucratic regulation as a way to help control costs in the health care industry. Taking such a position would be contrary to most of the editorial opinions published over the years by *Business Insurance*.

You stated that you felt employers had a strong incentive to control health costs since they were paying for most of the costs of these benefits. That would seem logical. Unfortunately, however, that incentive has not proven to be strong enough to cause many employers to do anything about it.

More specifically, while many employers now offer health care choices to their employees, a large share of those employers pay the full cost of whichever option the employee selects, thus eliminating price competition altogether.

My support for the pro-competition legislation comes from the fact that it will provide an incentive for employees to select more cost-effective programs. That incentive does not now exist in many groups.

Offering choices is clearly more difficult to administer. Additionally, when offered choices, some people will invariably make the wrong choice. If you believe in a free society, however, neither of

these disadvantages should so alarm you as to cause you to reject the idea of competition altogether.

And, from a purely economic standpoint, health care certainly appears to be one industry where the cost associated with providing additional choices will be more than outweighed by the cost savings which accrue to the employers that provide those choices.

All of this would be unnecessary, of course, if employers decided to pay for health benefits in the same fashion as most other compensation. If an employer decided to pay an employee \$100 a month for health benefits this year, that \$100 could be adjusted for next year in line with the basic compensation adjustment that employee receives. If an employee receives a 10% raise next year, for example, the contribution towards health benefits could increase to \$110 per month. If the employers' health insurance plan rates increased, the employee would be faced with an increase in living expense that exceeded his or her raise. The employee would obviously be interested in encouraging the employer to provide additional choices so that the employee might not have to bear this additional expense.

In any case, health care expenses would be treated by the employer the same as all of the employee's other living expenses: The employee's compensation is based upon the company's success and the employee's contribution toward that success.

A. Charles Bredesen III  
Nicollet/Eitel Health Plan  
Bloomington, Minn.

## Put opinions where they belong

To the editor: Normally I find the reporting in your publication helpful, informative and above all, objective.

But the item on page 2 of the Nov. 2 issue referring to the bill sponsored by Sen. Orrin Hatch to amend the Multiemployer Pension Plan Amendments Act of 1980 is a disappointment.

I fear the author of this article strayed from the path of an objective reporter and editorialized.

A reporter certainly is entitled to his opinion concerning the effect of the Hatch bill if enacted.

However, such an opinion would be more properly expressed on the editorial page if that opinion represents the views of the publication's publisher.

Robert H. Keane  
Director of industrial relations  
Condec Corp.  
Old Greenwich, Conn.

## Hospital loss-control plans alive and well

To the editor: Your article on hospital risk management in the Perspective section (BI, Oct. 19) is not completely accurate as to the type of loss-control programs available to hospitals; especially in New York state.

As a JUA, Medical Malpractice Insurance Assn. has had a comprehensive loss-control program for the past five years.

Utilizing health care practitioners as field consultants and a systems approach, our efforts have been geared towards the control of identified areas of potential errors

directly associated with the care of patients.

In concurring with one portion of the article, our experience has already shown that by analyzing potential exposures and developing defensible practices, it is possible to reduce the chances of involvement in negligence litigation or at very least offer assistance should it occur.

Mary Lou Portney  
Director of risk control services  
Medical Malpractice  
Insurance Assn.  
New York

## Risk management won't become routine

To the editor: While it is true computers are playing an important part in the risk management function, I strongly disagree with James Mascarella's belief that computer technology eventually will transform risk management into a routine financial function (BI, Oct. 26).

Computer analyses of loss history, exposures and retention levels are valuable tools for management, but to suggest this information can be handled as a routine financial

function frightens me somewhat.

As the risk management profession becomes increasingly sophisticated, with emphasis on continuing education in the profession, this reasoning seems paradoxical to me. People must make the decisions, and the day-to-day decisions, at least in my office, are far from routine.

D.L. Ballentine  
Risk management analyst  
Central Illinois Public Service Co.  
Springfield, Ill.

# business insurance

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THE TRAVELERS

# Cream of benefit communications judged

When Northern States Power Co. decided to implement a flexible benefits program for its employees, it knew that it had a massive communications task ahead of it.

The electric utility, which serves Minnesota, Wisconsin and North and South Dakota, began a six-step program in June 1980 to explain the new program to its 3,400 employees. The learning process continued into 1981, but the plan apparently hit the mark.

Besides getting the word out to its employees, the program won Northern States Power Co. the top award in the total communications program category of the 1981 *Business Insurance* Employee Benefit Communications Awards competition.

Fifteen other companies also won first-, second- and third-place awards in the annual competition that judges how well a company explains its benefits program to its employees, but does not rate the benefits offered.

A panel of 13 judges with back-

grounds in benefits, advertising and communications selected winners in five categories: total communications programs, booklets, personalized correspondence, audiovisual presentations and special projects.

Developed with consultant Hewitt Associates of Lincolnshire, Ill., the Northern States Power program included a series of newsletters sent every two weeks to employees in an effort to present the new material in an easy-to-read, piecemeal format, according to Tom Grass, flexible benefits administrator.

Employees also received summary books of the compiled newsletters and attended meetings where they received personalized workbooks that detailed information including prices and benefits available. They also saw a slide presentation.

Following the employee's election of benefits, a statement confirming his choices and a summary plan description were distributed.

Mr. Grass said the company received many compliments from employees on the way the new program was communicated. The judges of the *BI* contest agreed, calling the program "a marvelous way to explain a difficult subject." They said the communications program was "well-organized and lively; very people-oriented—audience was not talked down to; approached on a realistic level."

The second-place winner in the total communications category was Heublein Inc. in Farmington, Conn. Its communications manager, Patrice English, worked with Hewitt Associates to design the program.

Two companies tied for third place: Chemplex Co. of Rolling Meadows, Ill., and E.I. Du Pont de Nemours & Co. of Wilmington, Del. Vp William L. Reeve was in charge of the program at Chemplex and worked with consultants Meidinger Inc. At Du Pont, benefit consultant Richard M. Morris headed the program with the assistance of Hewitt

Associates.

## Booklets

Late in 1980, New York-based Salomon Brothers perceived the need for a new booklet on employee benefits to replace one that was out-of-date.

"It was a good (benefits) program," said Jane P. Metzroth, manager of benefits and compensation. "But we needed to update and communicate it in a more attractive manner."

The result was a distinctive-looking loose-leaf booklet that captured first place in the booklet category of the *BI* contest. It was developed with Hewitt Associates.

More than six months on the drawing board, the booklet was unveiled June 15 to the more than 2,500 employees worldwide.

Created in a fashion to match the conservative nature of investment banking, the loose-leaf binder, which will be updated periodically, explains how the company's total benefits program works.

"It's been very successful," Ms.

Metzroth says, noting that it has considerably reduced the number of basic questions about employee benefits.

The judges praised the Salomon Brothers booklet for the way it suited its "sophisticated, educated" audience. They called it "an excellent presentation with substance—elegant and impressive."

The second-place winner in the booklet category is St. Joe Minerals Corp. in New York. Vp John W. Hanselman was in charge of the project with consultants William M. Mercer Inc. assisting.

The third-place winner is First Bank System Inc. in Minneapolis. Merle Flaata was in charge. Hewitt was the consultant.

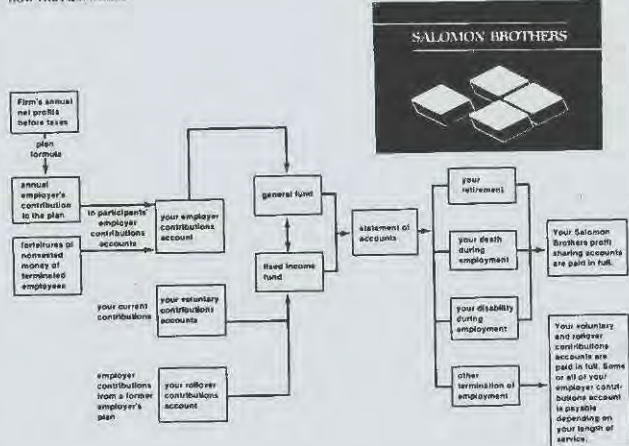
## Audiovisual

"You just kept paying the bills, and we just kept having the kids."

That's how just one employee of Holly Farms Poultry Industries Inc. in Wilkesboro, N.C., characterized company benefits in the audio-

*Continued on next page*

### HOW THE PLAN WORKS



## Booklets

1. Salomon Brothers  
New York, N.Y.
2. St. Joe Minerals Corp.  
New York, N.Y.
3. First Bank System Inc.  
Minneapolis, Minn.

Salomon Brothers

## Personalized Correspondence

1. Texas International Airlines  
Houston, Texas
2. The Northern Trust Co.  
Chicago, Ill.
3. Aerospatiale Helicopter Corp.  
Grand Prairie, Texas



Texas Instruments

## Audiovisual

1. Holly Farms Poultry Industries  
Wilkesboro, N.C.
2. Miller Brewing  
Milwaukee, Wis.
3. Bank of America  
San Francisco, Calif.

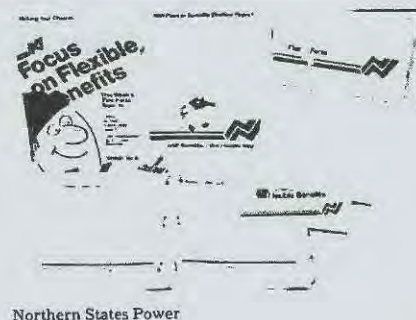
## Special Projects

1. Citibank  
New York, N.Y.
2. Hammermill Paper Co.;  
Erie, Pa.
3. Berol Corp.;  
Danbury, Conn.

Citibank

## Total Program

1. Northern States Power  
Minneapolis, Minn.
2. Heublein Inc.  
Farmington, Conn.
3. Chemplex Co.  
Rolling Meadows, Ill.



Northern States Power

DuPont & Co.  
Wilmington, Del.

Continued from preceding page  
visual presentation that won first place in that *BI* contest category.

The father speaking on the tape was a 20-year employee and one of 11 workers from the company's nine regional plants in Virginia, North Carolina and Texas that gave personal testimonials in the presentation.

All told stories of how a different aspect of the company's benefit program applied to them. Their testimonies were combined into the audiovisual presentation and shown to the company's 10,000 employees.

The idea for the presentation came from discussions with employees.

The company began working on the project in November 1980 and completed it on March 1. It was created with consultant William M. Mercer, which did much of the technical work on the project including photography and rec-

## Four firms to sponsor college

NEW YORK—Two insurance companies, an insurance auditing and inspecting firm and a bank have announced they will sponsor The College of Insurance.

The insurance companies that have pledged to sponsor the college are California Mutual Insurance Co. of Monterey, Calif., and Puritan Insurance Co. of Stamford, Conn.

In addition, Atwell Vogel & Sterling in Atlanta, an insurance auditing and inspection firm, and Impe-

ording, said A. Gerald Lankford, company personnel director.

"By using the endorsements, the audiences became more aware of the family angle, communicating the true value of the package," said the judges. "Very human and realistic, excellent visuals," they added.

The second-place winner in the audiovisual program category was Miller Brewing Co. in Milwaukee. Miller's corporate benefits reports and communications analyst is Jean Dart, who worked with Hewitt Associates on the program.

Third place went to Bank of America in San Francisco. The senior communications officer is Patricia Haddock. The consultant on the project was Emcom Group.

### Personalized Correspondence

Texas International Airlines had a "damn good benefit program," according to Sammie Hope, supervisor of pension and program administration, but most employees

didn't perceive it. "They didn't know what they had."

To remedy this, the airline, which has more than 3,500 employees, came up with a personalized benefit report that won first place in the *Business Insurance* contest.

Working with A.S. Hansen Inc., which helped calculate the benefits and prepare the individualized statements, the reports are distributed to employees each June.

This year was the second time the company had distributed the personalized brochure.

The statements have made employees much more aware of their benefits and generated more inquiries. "We never had anything this explicit which told us on an individual basis what our benefits are," Ms. Hope said.

"Clear, direct and readable" is how the contest judges described the brochure. "The graphics tie into the total company image," they added.

The Northern Trust Co. in Chicago won second place. Shirley McLane, second vp, was responsible for the project. A.S. Hansen was the consultant.

Third place went to Aerospatiale Helicopter Corp. in Grand Prairie, Texas. Zona Stauffacher, in charge of company employee services, and consultant William M. Mercer Inc. worked on the project.

### Special Projects

Citibank won first place in the special projects category for a program designed to show staff members that they could better manage

their health. It explained how they can do it and reduce the costs for both themselves and the corporation.

"It was one of those 'everyone wins' situations," said Alan Turetz, assistant vp in charge of the project.

A great deal of research, planning and testing went into the program, which was developed by the company from April 1979 to December 1980.

Included in the project was a three-ring binder on "Managing Your Health" that was sent to administrators who would implement the program.

It contained monthly articles by the company medical director, in-depth brochures and listings of special health events like clinics on hypertension and smoking cessation.

Films and video cassettes were also made available, along with a 16-page brochure called "Looking Good," which details how best to use walking, running, swimming and bicycling to improve fitness.

The program was introduced worldwide last July and will ultimately affect the company's more than 50,000 employees.

"This excellent communications program utilizes a variety of media each to its best advantage to achieve the admirable corporate goal of better health for all employees," said the judges.

"This material is educational, highly entertaining and shows an appreciation of fine-quality creative and production techniques," they added.

Second-place winner was Hamermill Paper Co. of Erie, Pa. Vp Dan A. Moss was in charge and Meidinger was the consultant. Third place went to Berol Corp. in Danbury, Conn. Benefits manager is Julia Hicks. Hewitt was the consultant.

This year's contest, which was the ninth sponsored by *Business Insurance*, attracted 159 entries from 129 companies. This included 27 entries in the booklet category; 34 in audiovisual; 45 in personalized correspondence; 36 in special projects; and 17 in total communications.

Twenty consultant firms were represented. Consultants advised on 126 of the programs entered by companies. Thirty-three of the entries were prepared totally in-house by the companies.

Entries were judged according to objectives, persuasion, organization, communication, content, tone, packaging, motivation and adaptability.

In addition, each entrant had to include a supplemental statement that explained the objective of the project, description of the audience, method of distribution and feedback from employees or effects of the program. The judges used this information to decide if the particular project would do what the benefits manager was hoping to achieve.

Next year's competition—the 10th—will be held in the spring. Entry forms and rules are available from Ronnie Drachman, director of communications, at 212-210-0132. ■



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# 13 judges graded contest entries

Judges for the *Business Insurance* Employee Benefit Communications Awards competition included corporate benefit, communications and personnel professionals and advertising agency personnel. The 13-member panel evaluated the entries and selected winners in five categories.

The judges were:

- Marianne Birch, benefit communication and compliance manager for McGraw-Hill Inc. in New York. She is responsible for the management of all employee benefit communication and compliance projects. She was formerly public relations director for the Foreign Credit Insurance Assn. and a communication specialist at Mutual Life Insurance Co. of New York.

- Constance A. D'Agosta, employee benefits manager for Puritan Fashions Corp. in New York. She has full responsibility for Puritan's employee benefit programs, including pension, life, health, disability and dental plans. Before joining Puritan, Ms. D'Agosta prepared communications materials for Patriot Life Insurance Co. of New York, now American General Life Insurance Co.

- Ronald M. Foster Jr., manager of human resources communications and second vp of the Chase Manhattan Bank in New York. Before joining Chase Manhattan, he was manager of employee communications for Merrill Lynch.

- Kenneth A. Klein, vp/account supervisor for Geer Dubois, a New York advertising agency. He has responsibility for the INA Corp. account. He was formerly an account supervisor at Trout & Rees.

- Sid Osofsky, assistant treasurer for Grand Union Co. in Elmwood Park, N.J. He is responsible for insurance and employee benefit programs for the entire chain of stores. He was formerly director of insurance for Sun Chemical Co. in New York.

- Ernest J. Reach, group insurance manager for U.S. Industries Inc. in Stamford, Conn. He is primarily responsible for planning and directing the functions of the corporate group benefits department at USI. He formerly worked for Prudential Insurance Co., CNA and American Mutual Insurance Co.

- Lois A. Rowe, benefits specialist in planning, design and communication at Supermarkets General Corp. in Cranford, N.J. She was formerly employed at Blue Cross & Blue Shield Plans in Washington, D.C.

- Frances M. Scott, personnel manager at Crain Communications Inc. in Chicago. She was formerly with the personnel department at Moser Lumber Inc. in Naperville, Ill., and taught philosophy at Maria College and LeMoyne College, both in New York state.

- Alfred Sileo, communications

consultant in the group marketing services department at Metropolitan Life Insurance Co. in New York. He has worked for Union Labor Life Insurance Co., USLife Insurance Co., Guardian Life and Mutual of New York.

- Cathleen B. Stewart, vp and management supervisor at Della Femina, Travisano & Partners advertising agency in New York. She is responsible for the Connecticut General and Chemical Bank accounts. She formerly worked for C.T. Clyne Co. in New York as a vp and account supervisor.

- Denis P. Stone, manager of personnel research and information at Richardson-Vicks Inc. in Wilton, Conn. He is responsible for communication of employee benefits and compensation. He formerly worked for Equitable Life Assurance Society.

- William van Es, account executive at Needam, Harper & Steers in New York. He is the account executive for American International Group account. He was formerly employed by Smith Greenland, Olivetti and Communications Diversified Advertising in Montreal.

- Janis K. Wilson, director of marketing services at Pension & Investment Age in New York. She is responsible for advertising sales and editorial promotion, research and publicity. She was formerly promotion manager at Advertising Age in New York.

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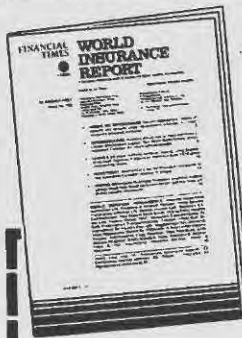
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# Southern states back longshore reform

By JERRY GEISEL

## washington

WASHINGTON—The Southern Legislative Conference, a council of 15 state governments, has endorsed legislation that would cut benefits and reduce the scope of the costly and controversial federal Longshoremen's and Harbor Workers' Compensation Act.

Labeling the act a "threat to the stability of every boat builder and shipyard in the country," the con-

ference has backed H.R. 25, introduced by Rep. John Erlenborn, R-Ill., which would place a 3% cap on annual benefit increases. Currently, benefits are boosted every October to match the increase in the national average weekly wage.

Rep. Erlenborn's bill also would limit jurisdiction of the act to the

"point of rest," the spot where the cargo comes off a ship and is put on the ground. Such a provision would overturn recent court decisions that have extended longshore coverage to workers employed in dockside warehouses.

The act has "strayed so far afield of its original purpose that now

coverage might be extended as far as downtown Houston," Rep. Erlenborn said.

Similar legislation, S. 1182, which was introduced in the Senate by Sen. Don Nickles, R-Okla., cleared the Senate Labor subcommittee late last month and is now pending before the full Labor and Human Resources Committee (BI, Nov. 2).

No action has been taken on Rep. Erlenborn's longshore bill.

## Migrant workers

A U.S. district court judge has ordered the Occupational Safety and Health Administration to make a "good faith" effort to write a regulation in the next 18 months that would require portable toilets, drinkable water and handwashing facilities in the fields for the nation's migrant farm workers.

Judge June Green said OSHA's actions to develop field sanitation rules for 5 million migrant workers "have been and continue to be irrational and taken in bad faith. OSHA's timetables belong in Alice in Wonderland's tales: Each step forward brings two steps backward."

OSHA contends that it needs another five years to set a field sanitation standard, even though it has been studying the issue since 1973.

But Judge Green questioned why OSHA needs so much time to determine if unsanitary field conditions cause disease "when the question has been answered for over a hundred years."

An OSHA spokesman said the agency was disappointed in Judge Green's ruling, "which failed to recognize the necessity of OSHA's timetable... as a reasonable and good-faith schedule in light of other agency priorities and resource limitations."

OSHA is now deciding whether to appeal the ruling.

## PBGC premiums

The Pension Benefit Guaranty Corp. still hasn't decided whether it will ask Congress for authority to raise termination insurance premiums for employers with pension plans.

Robert Nagle, the PBGC's executive director, says a decision on whether to seek an increase will depend on whether Congress approves pending legislation that would make employers fully liable for their pension promises.

That legislation, H.R. 4300, proposed by Rep. John Erlenborn, R-Ill., would require employers that terminate their pension plans to fund all of its unfunded vested benefits over a 15-year period.

Currently, if an employer terminates its pension plan, the PBGC can only collect up to 30% of the company's net worth to pay for benefits that were promised to participants, but not funded.

If employers' responsibilities to pay for pension benefits were increased, as Rep. Erlenborn proposes, PBGC exposures to paying unfunded benefits would be reduced. This would decrease the need for a premium increase.

Termination insurance premiums for single employer plans were last increased in Jan. 1978 when the premium was hiked to an annual rate of \$2.60 per plan participant, up from \$1 per participant. ■

## British fire losses down so far in 1981

LONDON—Fire damage at British businesses cost about 26.2 million pounds during September, the British Insurance Assn. says.

The most expensive fire loss was at a Yorkshire shopping complex with 1.75 million pounds of damage.

Eleven other blazes incurred more than 250,000 pounds in damage, and 85 fires cost businesses more than 50,000 pounds apiece.

Total fire property losses, not including consequential loss, lost production or lost business, total 257.5 million pounds through nine months of 1981, down from 387.3 million pounds during the same period in 1980. ■



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Photo: Kathryn J. McIntyre

Those at the NAI meeting could gather at the swimming pool and make deals in a tropical setting.

# NAI meeting

## Small turnout, fewer deals are signs of soft market

By KATHRYN J. McINTYRE

HONOLULU—There will be more trips, telexes and telephone calls to negotiate next year's reinsurance contracts than in previous years.

Attendance at the annual meeting of the National Assn. of Independent Insurers Nov. 2-4 declined this year to 1,500, including 600 spouses.

Some 2,300, and fewer spouses, showed up last year.

The long trip to Hawaii kept away the large contingent of London brokers who normally attend the annual NAI meeting. Besides

not wanting to spend a day traveling, many a London broker, with more and more North American business lost to lower-pricing U.S. companies, couldn't afford a trip that offered few prospects.

But even the American reinsurers, while represented, turned out in smaller numbers than usual, and there were fewer U.S. brokers registered or even touring the lobbies and hallways to meet prospects and set the stage for new business deals.

"A trip to Hawaii doesn't look good in this market," one reinsurer explained.

The tropic vacation atmosphere and warm sunny days also lured conference participants to the pool, beaches and golf courses and away from the restaurants and lobbies where they usually gather in the afternoons to meet business contacts.

Even those who wanted to make contacts found it difficult to mill around the lobby of the Sheraton Waikiki, which is designed to move people in and out and not to accommodate small groups looking for a private place to sit and discuss business.

Nevertheless, some deals were struck in the privacy of hospitality suites, at poolside or at the outdoor cafes.

Prices are still falling, report those who conducted business. One reinsurer generalized that rates for 1982 are off about 15% from 1981, but others reported both larger and smaller rate cuts, depending upon the type of risk.

No one reported signs of major pricing changes in the reinsurance business, which would signal a change in primary insurance prices.

Mostly, they shook their heads over continuing high interest rates that keep almost everyone underwriting insurance to a losing combined ratio.

"Where is this going?" they asked in dismay.

And they worried about the Keene asbestos decision, which allows a policyholder with claims for long-latent injuries caused by its product to claim coverage under policies issued from the time of exposure through the time of manifestation.

Reinsurers, especially, wonder how many times they could get hit with claims, if they reinsured companies that had issued policies during exposure and other companies that had issued policies during manifestation.

Even the formal program of the meeting was short on insurance discussion except for one morning session.

Instead, panelists discussed international developments and their impact on the U.S. economy (mostly bad) and regulatory trends in the 1980s (mostly good if you favor less regulation).

The insurers and reinsurers in attendance, however, took some solace in the remarks of E.E. Swoford, president of Aloha Airlines, who described how airline deregulation and the resulting competition has fueled airline price wars, driving down the cost of a ticket between Oahu and Maui to \$10.95 from \$51.

Insurers and reinsurers aren't the only ones who are cutting prices, they realized as they headed for the beaches, pools and golf courses to enjoy Hawaii even if they could not enjoy the business this year.

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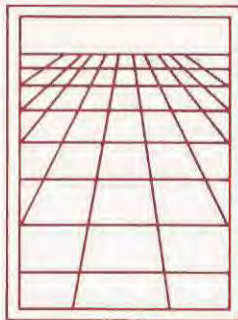
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# Insurers are deluded by results: Analyst

HONOLULU—The better-than-expected results of insurance companies this year are creating delusions of profitability and are prolonging the cheap insurance market, an analyst says.

Although premium growth is flat and combined ratios are increasing, the results aren't bad enough to make insurers increase rates, said Myron Picoult, a vp at Oppenheimer & Co. in New York. Commercial rates especially are staying low, he noted.

Insurers had better "wake up or you're not going to have any companies to manage," he said.



Mr. Picoult

As it is, Mr. Picoult told the members of the National Assn. of Independent Insurers, half of the property/casualty insurance companies today won't be around in 10 years; they will have been acquired by larger insurers.

"In primary and reinsurance, the big will get bigger and the small will disappear," he predicted.

Mr. Picoult's predictions for the industry this year include: a 107.5% combined ratio, higher than the third-quarter results would suggest because year-end reserve requirements will drive up losses; a 13.5%

increase in investment income and a 7% decline in operating earnings; and a 108.5% combined ratio in 1982 with a 10% increase in investment income and a 2% decline in earnings.

There will not, however, be "the

traditional all-encompassing underwriting wipeout this time," he said. Some companies may lose more than others because of their mix of business or underwriting ineptitude, he said.

While others are waiting for a

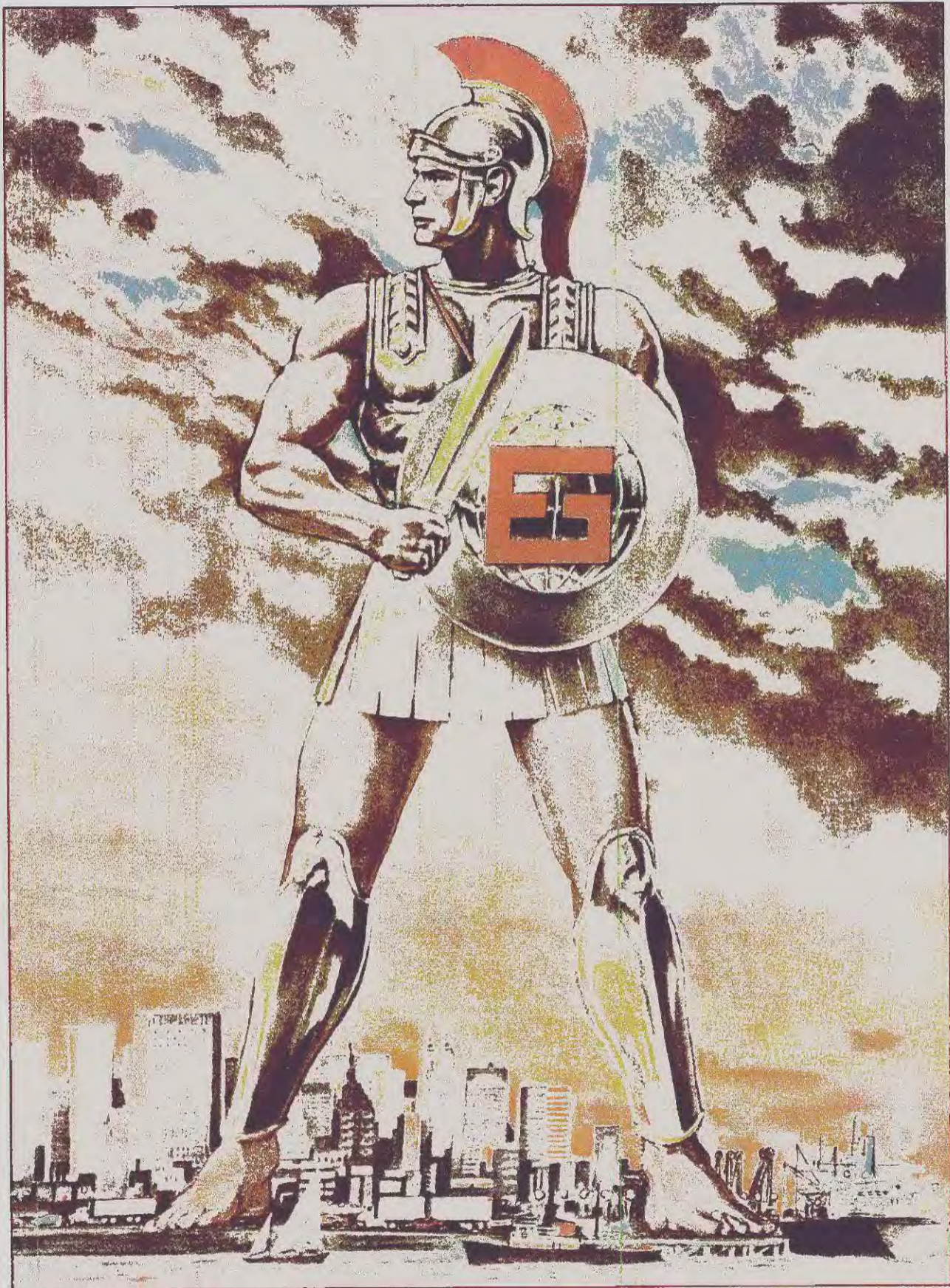
natural disaster to swamp insurers with huge losses and force an increase in rates, Mr. Picoult predicts the market will change as a result of a combination of factors:

- A drying-up of cash-flow concomitant with a precipitous decline

in interest rates.

- Some cracks in the reinsurance markets becoming fissures.

- Problems festering in some medical malpractice mutuals and state joint underwriting associations.



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### NAII attracts 'senior captives'

The National Assn. of Independent Insurers represents 509 member insurers with an annual premium volume of \$24 billion, heavily personal lines.

Some members, however, are increasing their underwriting in commercial lines like workers compensation.

The association also has attracted the senior captives: insurance companies originally formed to underwrite only the risks of affiliated companies but that have developed into commercial insurers.

Those captives underwriting insurance in the United States must subscribe to a statistic-gathering organization, and the innovative companies that underwrite specialized programs for major American corporations don't really need the rate-filing services of the other insurance company associations. Since they file their rates individually, the independent insurance association was their best choice.

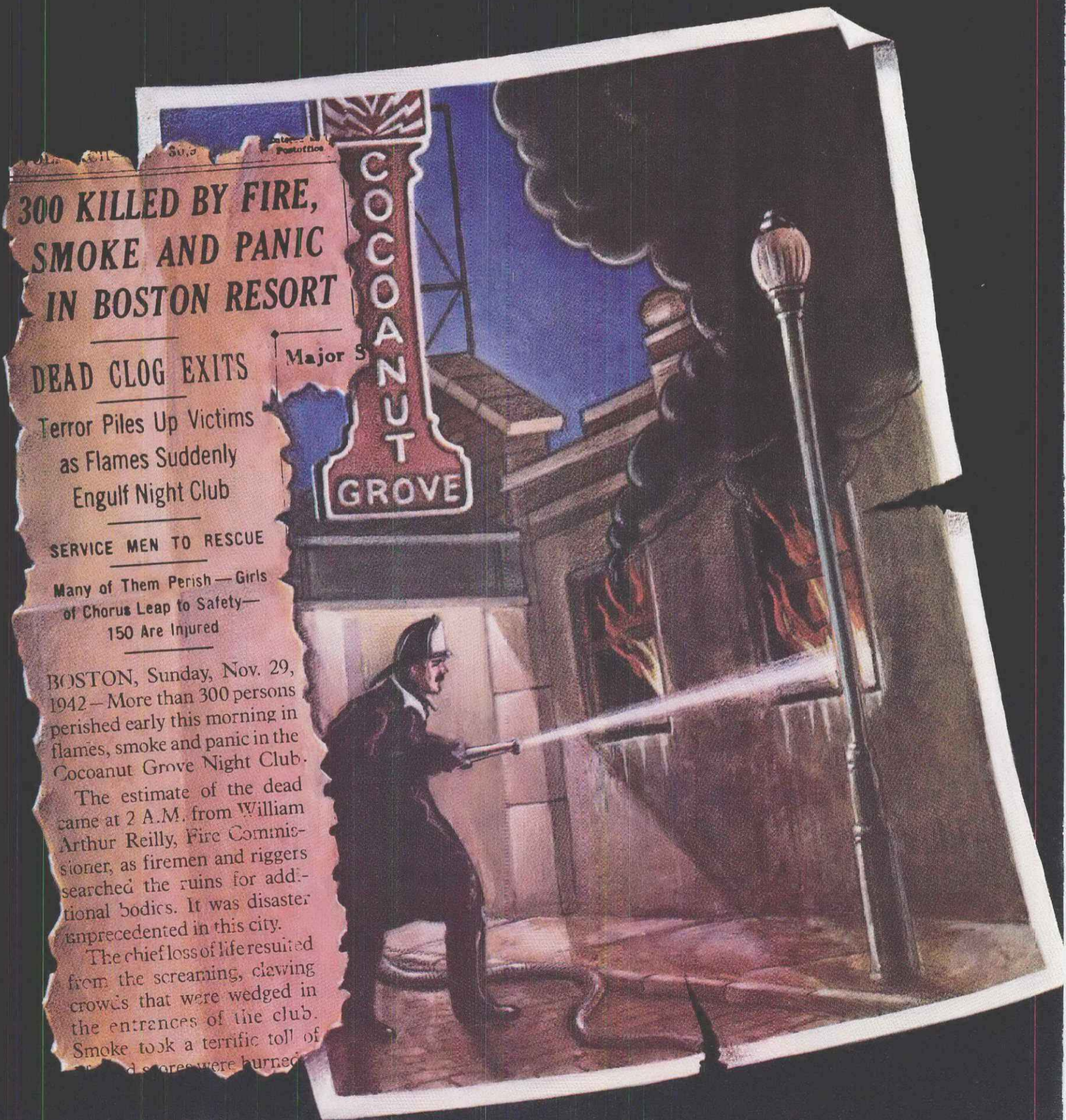
Among the "senior captives" who are members of NAI are Ideal Mutual Insurance Co. and Midland Insurance Co.

Republic Steel's Kingsley International Ltd., a Bermuda-based company slated for expanded underwriting, is a member, as is Belk Stores Insurance Reciprocal, the captive of Belk stores.

The NAI's leadership will change in 1982 with the retirement of President Arthur C. Mertz. Lowell R. Beck, who has been executive vp of the association since July 1980, assumes the presidency Jan. 1.

The association's insurance industry officers for the 1981-1982 term include Sol Tversky, director of insurance services at Automobile Club Inter-Insurance Exchange in St. Louis, chairman; and Perry D. Inhofe Jr., chairman and president of Mid-Continent Casualty Co. in Tulsa, Okla., vice chairman.

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## North Sea Oil Platform Collapse

LONDON, Friday, March 28, 1980—An oilfield platform with more than 200 people on board collapsed in the storm-lashed North Sea, tossing many into the water and trapping an estimated total of 50 in a section that appeared to be submerged. More than 60 people were believed to be missing.

A large-scale rescue operation, which was to include the use of diving bells, was under way in the disaster, one of the worst in the history of offshore oil operations. As of early this morning, 91 survivors had been plucked from 30-foot waves. British helicopters search operations were resumed this morning after being called off because of poor visibility, high waves and strong winds.

208 people were aboard the structure when it collapsed.

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# Regulators may examine captives, self-insurers

By KATHRYN J. MCINTYRE

HONOLULU—State insurance commissioners must re-evaluate their hands-off regulatory approach to the alternative risk-funding mechanisms like self-insurance and captive insurers, says the president of the National Assn. of Insurance Commissioners.

Not only are the self-insurance and captive insurance plans virtually unregulated for solvency, they also operate at an unfair ad-

vantage against licensed insurers, said William H.L. Woodyard III, NAIC president and Arkansas insurance commissioner.

Although not ready to specify what kind of regulations states might make for companies self-funding or using captives, Mr. Woodyard maintains that long-range planning requires that insurance commissioners "evaluate what we are doing to the industry and what is happening to non-traditional risk-sharing mechanisms."

This first public call for consideration of new domestic regulations over captives, most of which operate offshore, and self-insurance plans, which are unregulated except for satisfying workers compensation laws, was made in a speech at the National Assn. of Independent Insurers meeting Nov. 2-4.

Noting the growth of self-insurance and captives, Mr. Woodyard asked, "What should be our interaction with them? Should we have

regulatory authority? I don't know the answer."

He did assert that "we don't want the regulatory imbalance that drives premium from insurers who are subject to regulation and participation in guaranty funds.

"The alternatives for correcting this are either less regulation of the standard markets or increased regulation of self-insurers and captives."

He said he hasn't decided which approach to support.

Mr. Woodyard is concerned about the financial solvency of self-insurance and captive plans and the possible backlash against insurance regulators if a company didn't pay its losses.

"Which government agency will be called on the carpet?" he asked. "We don't have the jurisdiction, but that's not an acceptable answer." Therefore, insurance commissioners must consider added regulation, he said.

Other insurance commissioners share his concern, he said.

Mr. Woodyard also took issue with the Risk Retention Act, which the NAIC opposed but stopped lobbying against when it decided the act would pass.

Relieving state insurance departments of regulation over the self-insurance pools invites federal regulation, he indicated.

There should be a guaranty fund for these pools, he later said, disagreeing with proponents of the act who say that the pooling option makes more money available to pay losses than is available when

companies simply don't purchase any insurance because it is too expensive or unavailable.

"I don't believe that's true," he said.

Regarding commercial insurance, Mr. Woodyard said that insurance commissioners, under tight budgets, are most concerned with the solvency of insurers. Their concern is broadening beyond primary insurers to encompass reinsurers, he noted (BI, Nov. 2).

"We don't effectively regulate reinsurance," he said. "We need to know who is writing what and will they be around to pay?"



Mr. Woodyard

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## Federal government may quit insurance business: Official

HONOLULU—The federal government wants out of the insurance business.

The administrator-designate of the Federal Insurance Administration, who is awaiting congressional confirmation, plans to raise rates to eliminate federal subsidies of insurance programs so commercial insurers can compete for the business and eventually take it over.

And, he wants to overhaul the federal flood insurance program in hopes of selling it off to the commercial insurance industry.

Jeffrey S. Bragg cautioned in a speech to the National Assn. of Independent Insurers, however, that his goals are his own until he is confirmed.

The three federal insurance programs—crime, riot and flood—generate about \$500 million annually in premiums and federal subsidies to pay losses.

The largest is the flood insurance program, which needs to be overhauled to operate as an insurance company that would be an attractive acquisition for the industry, he said.

Although commercial insurers don't write flood insurance now, the entire federal program, with 2 million policies, has enough spread

of risk to make it attractive, he maintained.

About 13% of the policies issued under the flood insurance program are issued to business.

"I don't know if we will be able to turn it over to industry, but my goal is to make it actuarially sound," Mr. Bragg said.

The riot insurance program has already increased rates to about 25 cents per \$100 from two cents per \$100 to become solvent and to be in line with commercial rates, Mr. Bragg noted.

The rate hike decreased demand for the coverage from 300 companies who had said they needed it to just 23 that purchased it. "We hope to eliminate the program," Mr. Bragg said.

The crime insurance program, with 65% of its policyholders in New York and other large metropolitan areas, is also ripe for elimination, he said, because commercial insurers could underwrite the business.



Mr. Bragg

## Preventive health study funded

PRINCETON, N.J.—A leading philanthropic foundation has joined with an insurance industry group to finance a study of the effectiveness of preventive health procedures.

The Robert Wood Johnson Foundation of Princeton has granted \$400,000 to Lifecycle Preventive Health Services, a three-year program originally funded by several of the nation's life and health insurers through INSURE, a non-profit organization.

The study is intended to develop and test a series of preventive health procedures, based on a "lifecycle" or age-grouping approach, that can be applied efficiently and economically by practicing physicians.

The Lifecycle project will announce next month the selection of six study sites where research will be conducted.

The experiment seeks to motivate people to improve their health by dieting, exercising, cutting down on smoking and controlling the use of alcohol and drugs. It also will study whether insurance companies and employers should include preventive health services in employee benefit plans.

The study works on the basis that specific professional services are appropriate for the maintenance of good health at different stages in life. Other medical tests and services may be wasteful depending upon the patient's age and sex, some doctors believe.

To prove this point, the Lifecycle project has defined a different package of preventive procedures for each of 10 age groups.

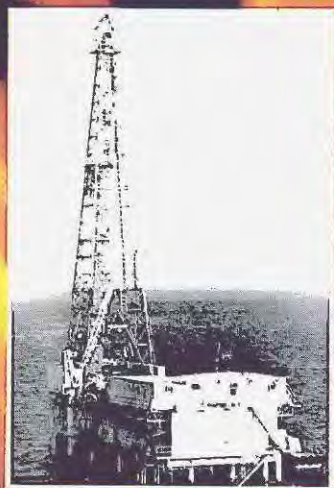
The program also emphasizes counseling and education about the lifestyle and health-related behavior of the patient.

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## datebook

**NOV. 23-25. The A-Z of Captive Insurance Companies** seminar in Brussels, Belgium, sponsored by Management Centre Europe of Brussels. W.F. Sennett, Director, European Risk Management Ltd., E.R.M. House, 31/33 Monument Hill, Weybridge, Surrey, KT13 8RS, England.

**NOV. 23-25. Effective Risk Management** course in London, sponsored by the Risk Research Group Ltd., approximately \$537, plus \$80.55 value-added tax. Course Coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England.

**DEC. 24. Second National Arson Legislative Conference** in Dallas, sponsored by the National Legislative Conference on Arson; \$85. Nancy R. Tidwell, National Legislative Conference on Arson, Box 09604, Columbus, Ohio 43209; 614-235-1922.

**DEC. 3-4. Management of Guarding Operations** seminar in Arlington, Va., sponsored by the American Society for Industrial Security. ASIS members, \$220; non-members, \$285. ASIS Education & Seminar Programs Department, Suite 651, 2000 K St. N.W., Washington, D.C. 20006; 202-331-7887.

**DEC. 3-4. Nuclear Litigation** program in New York City, sponsored by the Practising Law Insti-

tute; \$285. Practising Law Institute, Department ULC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**DEC. 3-5. Alternative Captive Domiciles** conference in Hollywood, Fla., sponsored by Risk Planning Group Inc.; \$550, \$475 for each additional registrant from same company. Nicki Briskin, Director of Conferences, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

**DEC. 4-9. 27th Annual Educational IFEBP** conference in Acapulco, Mexico, sponsored by the International Foundation of Employee Benefit Plans, \$360. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**DEC. 8-9. Safety Management—A Behavioral Approach** conference in Tucson, Ariz., sponsored by Don Petersen, management consultant, \$275. Don Petersen, 9236 E. Walnut Tree Drive, Tucson, Ariz. 85715.

**DEC. 8-10. General Liability Insurance** conference, sponsored by the International Risk Management Institute; \$450, which includes set of general liability manuals, or \$295 if manuals have been purchased. International Risk Management Institute, Suite 208, Building IV, 10300 N. Central Expressway, Dallas, Texas 75231.

**DEC. 9. Insurance Perspectives 1981** symposium in Dallas/Ft. Worth, sponsored by Peat, Marwick, Mitchell & Co.; free. Keith Tucker or Paul Zucconi, Peat, Marwick, Mitchell & Co., Suite 1500, 2001 Bryan Tower, Dallas, Texas 75201; 214-747-8911.

**DEC 9-10. Mine Accident Liability** in Arlington, Va., sponsored by The Energy Bureau Inc.; \$50. Also **Jan. 18-19** in Las Vegas. Robert W. Nash, Executive Director, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

**DEC. 10-11. Interest Rate Risk Management** seminar in New York, sponsored by New York University's School of Continuing Education; \$655, plus \$95 registration fee. Registrar, 14th Floor, University Conference Center, 360 Lexington Ave., New York, N.Y. 10017; 212-953-9022.

**DEC. 14-16. 1981 EDP Conference** in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**DEC. 14-16. Product Liability of Manufacturers** program in New York, sponsored by the Practising Law Institute; \$325. Also **Jan. 21-23** in Los Angeles. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**JAN. 7-8. Products Liability, Defense Techniques and Trial Tactics** seminar in Houston, sponsored by the Defense Research Institute Inc.; members, \$210; non-members, \$235. Tony Karpowitz, Public Relations, Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233.

**JAN. 15. Risk Management Information Systems** seminar in Denver, sponsored by the Public Risk & Insurance Management Assn. and Warren, McVeigh & Griffin; PRIMA members, \$95; non-members, \$170. C.C. (Bud) Griffin, President, Warren, McVeigh & Griffin Inc., 1420 Bristol St. N., Newport Beach, Calif. 92660; 714-752-1058.

**JAN. 18-20. Physical Security** workshop in Orlando, Fla., sponsored by the American Society for Industrial Security; members, \$295; non-members, \$375. ASIS, Education and Seminar Programs Department, Suite 651, 2000 K St. N.W., Washington, D.C. 20006; 202-331-7887.

**JAN. 19-21. Financial Analysis for Risk Management Decisions** seminar in Dallas, sponsored Cozzolino Associates Inc.; \$685. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091.

**JAN. 25-28. Industrial Safety Awareness** course in Los Angeles, sponsored by the University of Southern California; \$525. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523.

**JAN. 25-28. National Insurance & Protection Conference of Financial Institutions** in New Orleans, sponsored by the American Bankers Assn.; financial institution employees, \$375; non-financial institution employees, \$475. Shelly Davis, Program Coordinator, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4048.

**FEB. 8-9. Practical Law and the Security Manager** program in Arlington, Va., sponsored by the American Society for Industrial Security; ASIS members, \$240; non-members, \$325. ASIS, Education for Seminar Programs Department, 2000 K St. N.W., Suite 651, Washington, D.C. 20006.

**FEB. 8-12. Recognition of Occupational Health Hazards** seminar in Los Angeles, sponsored by the University of Southern California; \$415. Office of Extension and In-Service Programs, Institute of Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90007.

**FEB. 17-18. Product Safety Management** course in Washington, D.C., sponsored by Technology Management Inc.; \$590. Richard White, George Washington University, Continuing Engineering Education, Washington, D.C. 20052; 202-676-6106.



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# Public agencies' E&O problems studied

WASHINGTON—Among public agencies in Michigan, colleges and universities appear to be the most prone to suits or claims alleging mistakes in daily operating decisions, a survey by the Wyatt Co. shows.

Some 32% of the colleges and universities surveyed reported they were hit with an errors or omissions claim from 1976 through 1980, according to the survey. In contrast, only 6% of the school districts, 12% of cities and townships and 29% of counties reported handling a claim.

The median claim sought in such cases was \$400,000, according to the consulting and actuarial firm.

The 193 respondents to the survey were among 888 Michigan public entities mailed questionnaires by The Wyatt Co. in the first of six surveys aimed at gathering information about the growing impact of public liability suits. Besides colleges and universities, respondents included counties, cities or townships and school districts. The survey was conducted between May and August.

"Michigan was chosen (for the first survey) because it has had one of the highest incidence of multimillion-dollar liability awards in the country," according to the survey by Kenneth E. Beres, a risk management consultant in the firm's Detroit office.

Wyatt says insurance coverage for errors and omissions liability exposures is an unsettled area for public entities. It says it plans a composite report on all six surveys when they are completed.

"As distinct from other forms of liability which generally involve direct bodily injury or property damage through negligence or malice, the errors and omissions exposure involves potential suits arising out of controversial aspects of daily operating decisions," the firm's survey says.

Respondents to the Michigan survey reported that 41% of claims filed resulted from the dismissal of employees and another 18% resulted from hiring employees.

"This leads to the conclusion that if your organization purchases public officials liability or school board errors and omissions, avoid policies hav-

ing hiring and firing exclusions," the survey advises. "Most basic policies we have reviewed do not contain this exclusion, but some do, mostly by endorsement."

Failure to provide service, at 8%, was the next most frequent claim after hiring and firing complaints, the survey found. Employee disciplinary actions, failure to follow legally mandated procedures and treatment of suspects or prisoners each were involved in about 6% of claims.

Minor categories included purchase of goods or services, quality of service and sale of land.

One claim was reported in each of seven other categories, described in the survey as administration of grants, antitrust, transportation, denial of diploma, reverse discrimination, Title VII discrimination and

zoning or rezoning.

The survey also found that:

- Respondents were faced with 23 claims that involved outside legal expenses with a median legal cost per claim of \$3,587. The largest legal bill for an individual claim was \$78,700. Two other claims were reported with defense costs of \$50,000 or greater. No comparable figures for in-house legal work were provided.

- Smaller public agencies tended to be more likely to purchase errors and omission insurance with the most prevalent liability limit being \$1 million.

- For counties, median premiums paid were a low of \$4,772 for \$1 million in coverage with a \$7,500 deductible for agencies with fewer than 250 employees to \$11,187 for \$1 million in coverage with a \$1,000

deductible for agencies with more than 1,000 workers.

- For cities, the lowest premium reported was \$1,300 for \$300,000 of coverage with a deductible of \$2,500 for a city with 250 or fewer employees. On the high end, one city with more than 1,000 employees reported paying \$52,000 for \$1 million in coverage with a deductible of \$15,000.

- For colleges or universities, the lowest premium reported was \$675 for a \$1 million policy with a \$2,500 deductible for an institution with 250 or fewer employees. The highest premium for similar coverage was \$2,226 and the median was \$1,361.

For higher education institutions with more than 1,000 workers, the premiums for a \$5 million policy with a median \$6,667 deductible

jumped to a median of \$16,668 with the highest premium reported at \$39,000.

- For school districts with fewer than 250 employees, those with a \$500,000 policy with a \$250 deductible did best on premiums. The median premium of six districts reporting was \$652, the highest \$704 and the lowest \$379. The highest premium reported by any school district was \$6,200 for a \$3 million policy with a \$5,000 deductible covering a district with more than 1,000 employees.

More than 85% of the survey participants identified their errors and omissions insurer.

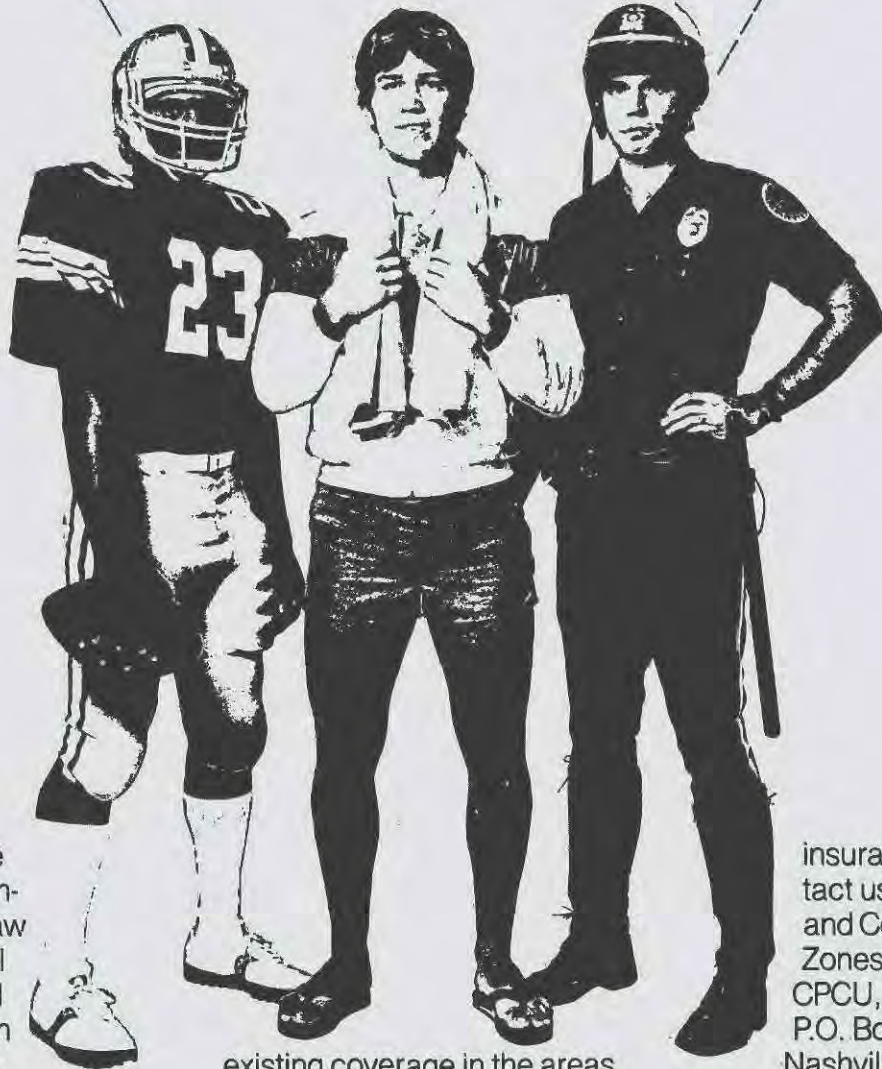
Of the 193 respondents, 40 were covered by The St. Paul, 35 by International Surplus Lines and 35 by CNA. Eleven had insurance with Great American Surplus Lines. ■

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615-361-4065 For Mountain and Pacific Time Zones: Joel Ganze, PENCo WEST, 3580 Fifth Avenue, San Diego, CA 92103, 714-297-6825.

### Insurance college to offer courses for actuary exams

NEW YORK—A program of courses to prepare individuals for the May 1982 actuarial examinations will be offered by The College of Insurance starting the week of Jan. 11 and continuing until the examinations are held.

The courses will cover material for parts 1, 2, 3 and 4 of the examinations of both the Society of Actuaries and the Casualty Actuary Society, and part 6 of the Casualty Actuary Society examination only.

The course for part 4 also covers material for the basic examination of the Joint Board for the Enrollment of Actuaries.

For the times and costs of the courses, contact The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111. ■



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For more information, please write: Mr. Charles Ruoff, Pres., **Continental Risk Services**, 80 Maiden Lane, New York, NY 10038.



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# Lawsuit may help increase health costs

By CAROL G. BLITZER

SACRAMENTO, Calif.—Hospitals may opt to conduct tests that are only marginally necessary and thus increase the cost of inpatient care because of a recent California medical malpractice lawsuit.

The University of California—Davis Medical Center in Sacramento paid a \$900,000 out-of-court settlement to a woman who claimed she should have been offered a test to see if the fetus she was carrying suffered from Down's syndrome.

Plaintiff Marie Aragon was not offered the procedure, called amniocentesis, and subsequently gave birth to a child with Down's syndrome. She later testified she would have consented to the test if she had known about it.

The case, Aragon vs. the Regents of the University of California, was in court for 30 days before the regents settled, still denying liability but agreeing to pay, explains Fred Schwartz, an attorney for the medical center.

The UC-Davis Medical Center participates in the California Hospital Assn. insurance program, a risk-sharing reciprocal, along with 400 other hospitals. The first \$125,000 layer of liability insurance is written by Truck Insurance Exchange and managed by Farmers Insurance Group. The next \$1 million layer is insured through Lloyd's of London, reports Woody Anderson, risk manager for the University of California.

The California Hospital Assn. is the world's largest hospital risk reciprocal, says David Odell, president of the CHA's Insurance Services Corp. The broker for the program is Gerald Sullivan & Associates in Los Angeles.

"Because of the increase in the total cost of care, there are tremendous pressures upon us not to give tests, not to give care, not to provide procedures in marginal cases," says CHA President Paul Ward. "At the same time, the other pressure is on us to provide every bit of testing and due care that seems merited because if we don't, we're going to get sued."

"The dilemma is, do you provide treatment and care in marginal situations or don't you? Our conclusion was that you provide it because not to provide it almost always means you're going to get sued," he says.

"If we're going to err on anything, it would probably be on doing the procedure and offering everything that's available," agrees Keith Walling, a CHA staff attorney.

Ms. Aragon was 36 years old when she became pregnant in 1978. At that time, the hospital's prenatal

care standards were changing, Mr. Schwartz explains. Amniocentesis was then routinely offered to women 40 and older, but the hospital genetics department was pushing to lower the age to 35.

Mr. Schwartz points out that only 20% of the women in California who were eligible for the test took it in 1978 (and only about 25% this year), but that it was only offered

to half of those eligible that year. Some women choose not to undergo amniocentesis because religious or philosophical reasons would forbid them to proceed with an abortion, he says.

The test itself offers some risk, both to mother and child, explains Mr. Schwartz. The probability of having a Down's syndrome baby increases from one in 350 at age 35

to one in 100 at age 40 and one in 50 to 30 by age 45. About one in 200 fetuses are harmed by the test procedure.

When the risk of giving birth to a baby with Down's syndrome is more than the risk to the fetus that accompanies the test, then amniocentesis is worthwhile, he says. There is still some controversy about just what the risks are to

which the test exposes a mother and baby, he explains, but there's less risk than there was in 1978.

Now, the medical center not only questions if it should offer the costly procedure to patients receiving state Medi-Cal benefits, but also if it has the facilities to offer abortion procedures and subsequent care if required, Mr. Ward explains. ■

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CONSTANCE	sp	10 28 42	01 01 78	99 5	2	
BENJAMIN	ch	03 27 77	01 01 78	99 5	3	
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## Insurance college holds registration

NEW YORK—The College of Insurance will hold spring semester registration on Dec. 7 and 15 and Jan. 5, 6 and 7.

The December registration hours will be noon to 1 p.m. and 4 to 5 p.m. Registration in January will be held 11:30 a.m. to 2 p.m. and 4:30 to 6 p.m. Registration will be held on the college campus, 123 William St. in New York.

The college also will accept registration by mail until Dec. 1.

The college offers degree programs at the associate, bachelor and master's levels. It also offers certificates in 10 areas and conducts review courses for professional designation programs.

For more information contact the Registrar's Office, The College of Insurance, 123 William St., New York, N.Y. 10038. ■



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## info

• **"Product Liability Guide for Manufacturers,"** a 20-page publication written by manufacturers and attorneys, is available from the Hand Tools Institute. It is tailored to meet the needs of manufacturers and employees responsible for handling product liability lawsuits from the initial claim notice to the final settlement. The publication provides hints on how to avoid unnecessary settlements in

laymen's language. A \$5 value, the publication is available for \$3. Write Hand Tools Institute, 707 Westchester Ave., White Plains, N.Y. 10604. Payment must accompany the order.

• The 1980 **"Public Employee Conference Proceedings Book"** was recently published by the International Foundation of Employee Benefit Plans. The 114-page

paperbound book includes the remarks of seven speakers at the one-day conference. Topics included in the book are "A Legislator's Perception of Public Funds," "PERISA, FASB and Other Potential Regulations and Their Impact on Collective Bargaining," "Pension Plan Design and Funding Issues," "What You Should Know About Performance Measurement," "Supplemental Benefit Plans—Alternatives," "Management Selection" and "Fiduciary Responsibility Considerations for Public Employee Plans and Com-

munications." The cost of the book for foundation members is \$6, or \$5 for five or more copies. The cost to non-members is \$10, or \$9 for five or more copies. Contact International Foundation of Employee Benefit Plans, Box 69, Brookfield, Wis. 53305; 414-786-6700.

• The **"1981-82 CEBS Catalog of Information"** about the Certified Employee Benefits Specialist program is also available from the IFEBP. The 24-page catalog contains details about the 10 college-level courses that make up the cer-

tification program, which is co-sponsored by the foundation and the Wharton School of the University of Pennsylvania. The catalog lists spring semester dates, dates of examinations and filing deadlines. A list of the universities and colleges offering CEBS classes is also included, along with general registration and examination information. The catalog is free. Write CEBS Department, International Foundation of Employee Benefit Plans, Box 69, Brookfield, Wis. 53305; 414-786-6700.

• The KAIROS Co., a product safety and liability prevention company, has published a free **capabilities brochure**. Write The KAIROS Co., 10480 Pacifica Drive, Suite D, Cupertino, Calif. 95014.

• The **1982 Risk Manager's Survival Kit**, including a 1982 risk management calendar, four risk management loss-prevention cards, two recent issues of Smart's Insurance Bulletin and "Surviving a Hotel Fire" stickers, are available free from Darrell Heppner, Smart's Insurance Bulletin, 1120 E. 14th St., Suite F, San Leandro, Calif. 94577.

• The results of a testing program conducted in a full-scale mock-up of a municipal solid waste shredder are available from the Society of Fire Protection Engineers. The program was conducted to assess the impact of dangerous materials that enter shredders, often a step in resource recovery, incineration or landfill operations. Full details on the test program—including the shredder structure, test procedures and instrumentation, explosion test results and comparisons with existing design guidelines—are given in **"Explosion Venting Test Program for Municipal Solid Waste Shredders"** (TR 81-9), written by Dr. Robert G. Zalosh and John P. Coll of Factory Mutual Research Corp. The report costs \$3.75. For a copy write Society of Fire Protection Engineers, 60 Battery March St., Boston, Mass. 02110.

• **"Workers' Compensation: Perspective for the Eighties"** is the subject of a 1981 monograph published recently by the Society of Chartered Property & Casualty Underwriters. The 133-page publication contains 10 articles on different phases of workers compensation insurance and is designed to help agents, brokers, risk managers, underwriters, claims personnel and students keep current in the field. The authors are nationally known workers compensation experts. Of special note is a 28-page article by Dr. George L. Head, director of risk management and loss control education at the American Institute for Property & Liability Underwriters. He outlines the responsibilities of the risk manager in controlling workers compensation exposures. Other articles cover Florida's wage-loss law, increasing benefit trends, underwriting and a state-by-state analysis of recent legislative changes. The cost is \$24.50 per copy in the United States and Canada (Pennsylvania residents add 6% sales tax), and \$29.50 per copy in all other countries. To order the publication, specify the workers compensation monograph and write The Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355. Payment must accompany the order.

• Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? *Business Insurance* will describe your material as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with a cost and a mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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## perspective

# Drinking

## Many employers don't really know the on-the-job indications of alcoholism

By Thomas R. Bond

**T**HE NATIONAL Council on Alcoholism reports that 6% to 10% of employees at companies it surveyed were alcoholics.

If the lower end of that range, 6%, is applied to a current U.S. working population of approximately 85 million, then more than 5 million men and women in the workforce suffer from alcoholism.

The economic impact of alcoholism on members of the business community is very substantial. It has been reported that at least 10% of the employees in the United States are operating at substandard levels of efficiency due to alcoholism. Studies have disclosed that alcoholics are absent from work 16 times more frequently than non-alcoholics.

In dollars-and-cents terms, it has been estimated that heavy drinking costs American industry \$15 billion a year. The National Council on Alcoholism calculates that each problem drinker costs an employer an average of \$3,000 a year in sick pay, accidents, loss production and, especially in the case of executives, bad judgment.

Employers might be surprised to learn that intoxication, generally speaking, does not bar injured employees from receiving workers compensation benefits even though they became intoxicated in clear violation of the employer's rules.

Further, it is significant to note that an employer might not be allowed to assert the affirmative defense of employee intoxication if the employer in any way helped cause the intoxication of the employee.

For example, courts have held that when an employer permits a Christmas party to take place on his premises and pays for the drinks, he cannot assert immunity from workers compensation liability on the basis that the employee was intoxicated at the time he sustained accidental injuries or death.

Many experts in the field of alcoholism treatment have pointed out that it is a disease for which, interestingly enough, the patient does not want to be treated. It was only in 1956 that the American Medical Assn. recognized alcoholism as a disease. Since then, the World Health Organization, the American Psychiatric Assn. and the American Bar Assn. have followed suit.

Recently, an attorney describing his encounter with alcoholism noted that it so affects the mind and emotions that it is the last disease that anyone will admit they

have. This attorney pointed out that by its very nature, alcohol tells the drinker that everything and everybody—the economy, the administration, the boss, his partner, wife or secretary—is to blame for his misery and that alcohol is still his best friend. Obviously, as the attorney pointed out, "Alcohol is a liar!"

Alcoholism cuts across socioeconomic lines. It has been estimated that 9% of the nation's lawyers will be afflicted with alcoholism. Several studies have shown that there are exceptionally high rates of alcohol-related problems in executives, seamen, service personnel and commercial travelers.

Alcoholism manifests itself in many different ways within the business world. The employer should be aware of some of the most prevalent signs so that corrective and protective measures can be quickly implemented.

The most common sign of the presence of alcoholism is a deteriorating pattern of job performance. This pattern is manifested in factors like absenteeism, poor judgment, erratic performance, excessive material spoilage, decreasing productivity, poor interpersonal relationships, lateness and early departures, customer complaints, failure to meet schedules and countless other instances of poor performance.

It has been discovered that these patterns of deteriorating performance are easily identifiable long before the supervisor has the slightest evidence that a drinking problem exists.

Other factors that should alert the employer to the possibility of alcoholism are extended lunch hours and excessive breaks. Also, a disproportionate share of accidents constitutes a warning signal.

Despite the high prevalence and detrimental impact of alcoholism, the vast majority of businessmen still insist that they have no need for an alcohol control program. A consultant with a major insurance company has observed that very intelligent executives will frequently say "We don't have this problem" or "We only have a few alcoholics."

Some treatment experts say employers have an unwritten rule that an employee with an alcohol problem will not be disciplined or fired as long as he is able to successfully conceal his alcoholism.

Continued indifference with respect to the problem of alcoholism and a continued failure to recognize the extent of the problem within the workplace is clearly not in the best interest of employers. The problem should be approached in an aggressive manner.

It has been observed that we are still a very work-oriented society and that, accordingly, work is a very significant

part of our lives. It has been clearly demonstrated that people tend to "buckle down" and improve their work once the deficiencies are brought to their attention. Following suitable treatment, alcoholics report a marked improvement in job satisfaction and, interestingly enough, continue to retain their desire to improve their job status even after the fear of dismissal has vanished.

In a study of 101 employees of General Motor's Oldsmobile Division who were actively participating in its "Recover and

Rehabilitation Program," it was shown that, following treatment, there was an 82% drop in job-related accidents and a 30% decrease in sickness and accident benefits paid.

Any program established by an employer to deal with alcoholism should contain a clear dichotomy between management and the problem counseling functions.

Management should not get involved in the diagnosis and treatment of alcoholism;

*Continued on page 38*

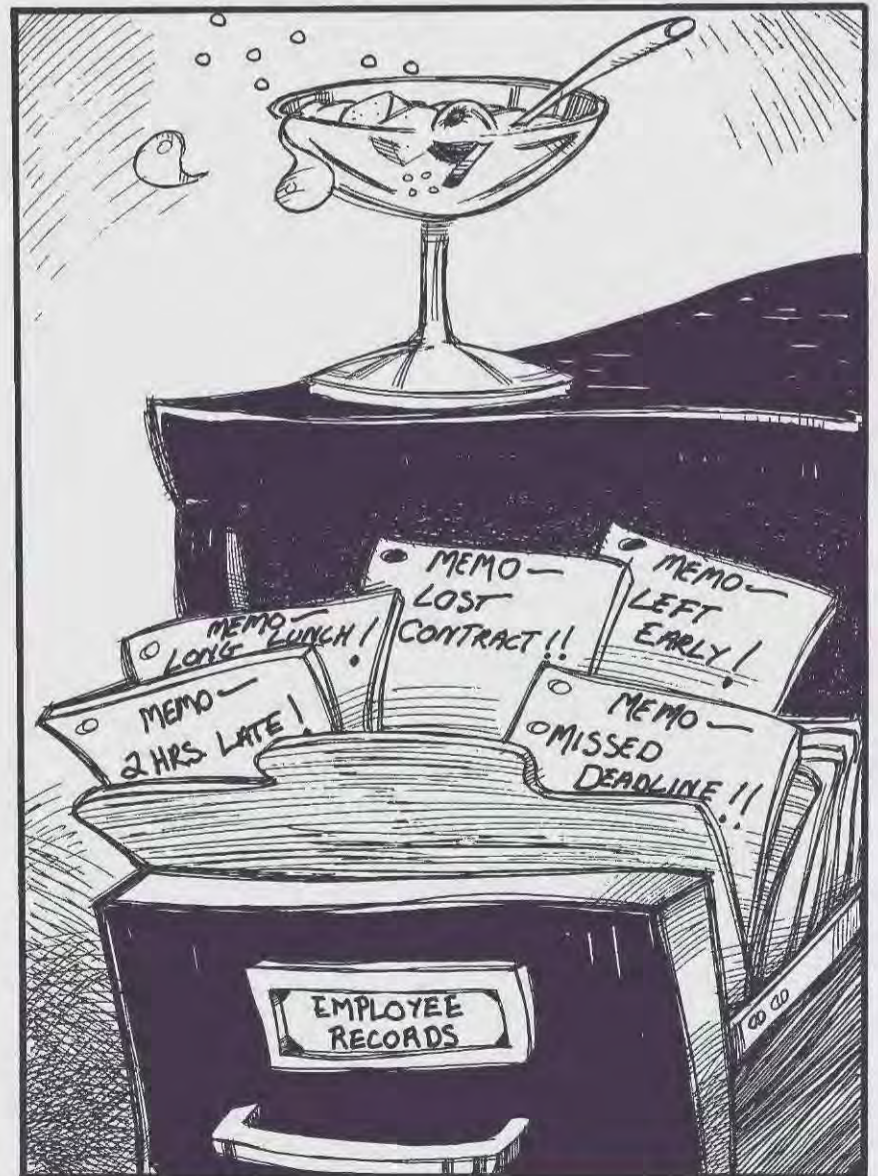


Illustration: Richard Bernal

## perspective

# Task performed before shift begins is work-related and compensable, Oregon Court of Appeals rules

### legal briefs

**T**HE OREGON COURT of Appeals held that an employee's injury to his finger, sustained while altering employer-furnished work clothes, was work-related and compensable under the state's Workers Compensation Act.

Luther Bailey was employed as a "hydroblaster," a sand-blasting job entailing the use of a high-pressure water hose. Such workers normally wear rain gear. The gear was generally stored in a "drying shack" provided by the employer.

A copy of the entire decision may be obtained by sending \$5 to Cases Unlimited, in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the case number.

Mr. Bailey was issued new rain gear by his foreman.

The following morning he arrived at work early to alter the suspenders on the rain gear to prevent them from slipping off his shoulders while working. Mr. Bailey cut his finger while slitting the suspenders and filed a claim. He was denied compensation.

The appellate court reversed the ruling, concluding that there was a relationship between the injury and the employment sufficient for the injury to be compensable. According to the court, the injury occurred within a reasonable time prior to Mr. Bailey's shift while he was on the premises and engaged in preparation for work.

*Matter of Compensation of Bailey*, Court of Appeals of Oregon, March 30, 1981 (BI/05/0.-\$5).

### Group disability

New York's highest court ruled that where one or more insurers have assumed the same risk in a group disability insurance plan, each must contribute to the payment of the claims.

Control Data Corp. insured its employees under a group disability policy issued by Continental Casualty Co. that expired on June 30, 1976. Under the policy a recurrence of a disability was deemed a continuation of a prior disability except when there was a six-month intervening period. On July 1, 1976, Control Data placed its group disability policy with

Equitable Life Assurance Society. This policy did not exclude employees who had suffered a previous disability. Each of the companies claimed the other was responsible to make payments for such "recurring" disability claims. The trial court concluded only Continental was liable.

The appellate court said both insurance companies had contracted to insure against the same risk and either or both could fairly be made to pay the claims at issue. However, the court concluded that each insurer must contribute payment of the claims, but as the benefit provisions of the two contracts were not the same, the share each would pay should not be precisely equal. *Continental Casualty Corp. vs. Equitable Life Assurance Co.*, Court of Appeals of New York, Feb. 24, 1981 (BI/01/N.-\$5).

### Employers need to take measures to prevent alcoholism

Continued from page 37  
it should restrict its involvement to proper and legitimate concerns. By maintaining the separation between management and counseling functions, the illogical and non-productive practice of a suspected employee being "confronted" by a group of unqualified laymen about his "drinking problem" is eliminated.

If the performance of an employee drops below acceptable standards and regular corrective procedures fail to restore the acceptable performance, consideration should be given to referring the employee to a professional counselor. It should be made clear to the employee, however, that should he refuse to participate in the treatment program, he will be dismissed from his position.

Employers should not only institute programs to deal with established alcoholics but also devise preventive measures. The senior officers in a company should not set an example with the junior employees whereby they conclude that excessive drinking is the expected norm.

Lack of supervision, problems at work and boredom are among the main workplace-related causes of alcoholism. Therefore, it would seem that the employer would be well-advised to create a stimulating and structured work environment wherein the objective measures of job performance can be clearly identified by his employees.

The high prevalence of alcoholism in the workforce and its adverse impact warrant the creation and application of corrective and preventive measures by employers. If these measures are not instituted, negative legal and economic consequences will assuredly befall the employer.

# Treatise helps design professionals to reduce severity of liability claims

By Ronald S. Ohsner

### "Untangling the Web of Professional Liability"

By Edward B. Howell and Richard P. Howell  
Risk Analysis & Research Corp.  
231 pages

**T**HIS BOOK PROVIDES design professionals with a comprehensive treatise that emphasizes short-term solutions with immediate effects in reducing the frequency and severity of professional design liability claims.

The book, written by Edward B. Howell and Richard P. Howell of Risk Analysis and Research Corp., points out that the broad scope of professional design liability includes not only the actual lawsuit but also the damage caused by adverse publicity and financial burdens imposed by professional liability insurance rates.

The authors note that errors will never be completely eliminated and lawsuits will always occur because no loss-prevention program can protect against the initiation of meritorious suits. However, the writers believe the number of claims can be reduced by:

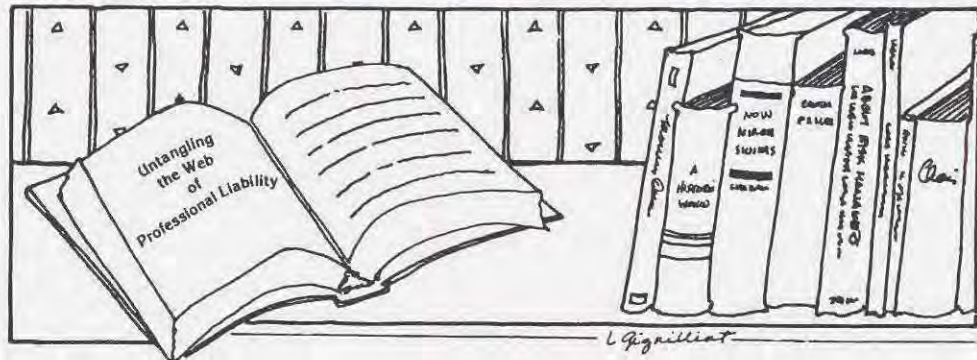
- Eliminating the causes of claims.
- Educating the public, the legislative bodies, the courts and the client so professional duties and responsibilities are understood.
- Self-policing so those who do not meet professional standards are exposed.

The first part of the book discusses professionalism and challenges the present methods of attaining professional status. The authors believe this status should only be conferred after years of educational and practical experience rather than only college graduation.

Additionally, the writers say, design professionals must band together against

Ronald S. Ohsner, CPCU, CLU, is an independent risk management and insurance consultant in Columbus, Ohio, and a frequent contributor to *Perspectives*.

### books & ideas



those forces in society who want to destroy professional status and privileges.

Interpersonal relationships and conflict resolution are dealt with in the second part of the text. The writers attribute most professional liability losses to ineffective human relations and unresolved conflicts. This chapter discusses the personality traits of both the design professional and the parties he deals with in an attempt to demonstrate possible areas of human error and conflict. Additionally, behavior under stress is closely examined and modern theories of conflict resolution are analyzed.

The third and fourth parts of the book emphasize business and technical procedures that can reduce the chance and size of losses. These business activities and technical aspects can greatly alter the exposure of the design professional to professional liability claims. These chapters discuss a myriad of procedures that can be used. Overall, these methods are detailed and well-defined.

The high quality of these recommendations are further enhanced by graphics that clearly illustrate the various exhibits necessary to effectively implement the procedure. These sections are meticulously written and provide the design professional with many concrete ideas on how to cushion his organization against professional liability claims.

The final chapter focuses on insurance.

Although all the other elements discussed in the book can reduce exposure, the chance of loss can never be totally eliminated. Thus, professional liability insurance provides the last defense. General policy provisions along with tips on how to negotiate insurance rates and coverages are clearly and concisely discussed.

Furthermore, this section goes into great detail concerning the relationship between construction injuries and the liability of the design professional. Finally, an entire section is devoted to selecting an attorney.

Although inappropriately titled, this work provides the design professional an excellent reference for loss control. The publication is well-written, easy-to-read and provides immediate solutions to potential problems. Not only are these solutions provided, but also methods of implementing them and implementation problems are explained. Furthermore, the exhibits are the key to the excellence of the book. They are innovative, concise and clear.

"Untangling the Web of Professional Liability" takes a complex subject and deals with it in an orderly and succinct manner. This is not a book to be casually read, but rather one to be studied. It provides solid concepts and methods in reducing design professionals' exposures and should be kept in the library as a reference book.

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The MetRe Facultative team: (l-r) Herbert John, Casualty Mgr., Chicago; Catherine Conigliaro, Property Mgr., New York; Nicholas Licato, Casualty Mgr., New York; and Vice President, George Spelios.

# Injury awards increase 11.7% in Illinois

CHICAGO—The average personal injury award in Illinois in the 1980-81 court term was 11.7% more than in the previous term.

The average award was \$83,214, up from \$79,813 in 1979-80, the Illi-

nois Insurance Information Service said in its Illinois Jury Verdict Reports.

While the size of awards is increasing, plaintiffs are also winning more battles in court, a trend the

report attributes to a recent Illinois Supreme Court decision that makes it easier for accident victims to collect damages.

The Illinois Insurance Information Service, an association of property/casualty insurers in the state, periodically compiles jury verdicts for its members based on information provided by insurers and attorneys in Downstate Illinois and from statistics compiled by the Cook County Jury Verdict Report.

During the last court term, plaintiffs won 56% of the 1,225 cases that reached a final verdict, up from 49.1% in the 1979-80 court term.

The increase in plaintiffs' awards may be the result of Illinois' adoption this year of the doctrine of comparative negligence for dividing damages in disability cases, the

report said.

Under a "pure" comparative negligence doctrine, such as the one Illinois adopted last April (*BI*, Aug. 3), a plaintiff can recover damages even if he is 99% negligent; the doctrine allows juries to apportion damages among plaintiffs and defendants according to their relative percentages of fault.

By contrast, under the old contributory negligence rule, which the Illinois Supreme Court scrapped on April 17, a plaintiff, even if he is only the slightest degree at fault, could not recover anything.

"We cannot continue to ignore the plight of plaintiffs, who because of some negligence on their part, are forced to bear the entire burden of their injuries," the court ruled

last April.

In Downstate counties, the defense won 41% of the cases that reached a final verdict, a decrease from 52% in the previous court term. The average award in the 265 cases tried was \$58,255, up from an average of \$41,814 in 1979-80.

In Cook County, juries awarded in favor of the plaintiffs in 55% of the 960 cases that reached a final verdict. In 1979-80, plaintiffs won 49.1% of the 853 personal injury cases tried.

The average Cook County personal injury award was a record \$98,387, up from \$90,008 in 1979-80 a 9.3% increase. Total awards to plaintiffs topped the \$50 million mark, substantially higher than total awards of \$36.9 million last year.

Other findings in Cook County, which encompasses Chicago, include:

- A total of 1,400 medical malpractice suits were filed during the most recent court term, up from 1,249 the year before.

- The average medical malpractice award climbed to \$2,504,000, up from \$473,711.

- The number of product liability suits filed increased 6% to 920 cases from 860.

- Fifteen product liability suits resulted in guilty verdicts in 1980-81 with an average award of \$144,420. In 1979-80, the average product liability award in Cook County was \$410,855 in 16 judgments.

Although the verdicts seem high, plaintiffs' attorneys point out that jury awards usually are much larger than settlements—the amount a plaintiff receives after the appeals process has been exhausted.

For example, in 1977, the Insurance Services Office, the insurance industry's statistical and ratemaking organization, found in a national survey that the average product liability settlement was less than \$5,000 (*BI*, Oct. 31, 1977).

## Profit Sharing Council officers

Robert W. Brose, associate manager of personnel administration at Procter & Gamble Co. in Cincinnati, was elected chairman of the Profit Sharing Council of America at its 34th annual meeting in Atlanta last month.

Other officer for the coming year are: Frank L. Mason, president of Mason Corp. in Birmingham, Ala., first vice chairman; Richard A. Liebig, president of Moorman Manufacturing Co. in Quincy, Ill., second vice chairman; and William J. Hagenah, vp of the First National Bank of Chicago, Chicago, Ill., treasurer.

Directors elected to a three-year term at the annual meeting are: Park A. Davidson, assistant vp of finance at Burlington Industry Inc. in Greensboro, N.C.; Ray A. Killian, vp of Belk Stores Service Inc. in Charlotte, N.C.;

Also, Robert R. Midkiff, president of American Trust Co. of Hawaii Inc. in Honolulu, Hawaii; Merlyn R. Scroggins, vp of DeLuxe Check Printers Inc. of St. Paul, Minn.; and Richard V. Wolohan, chairman and chief executive officer of Wolohan Lumber Co. in Saginaw, Mich.

The terms of the newly elected directors will end in October 1984.

The Profit Sharing Council of America is an association of more than 1,400 large and small companies in the United States that maintain profit-sharing plans for their employees. The council's offices are located at 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

## business insurance

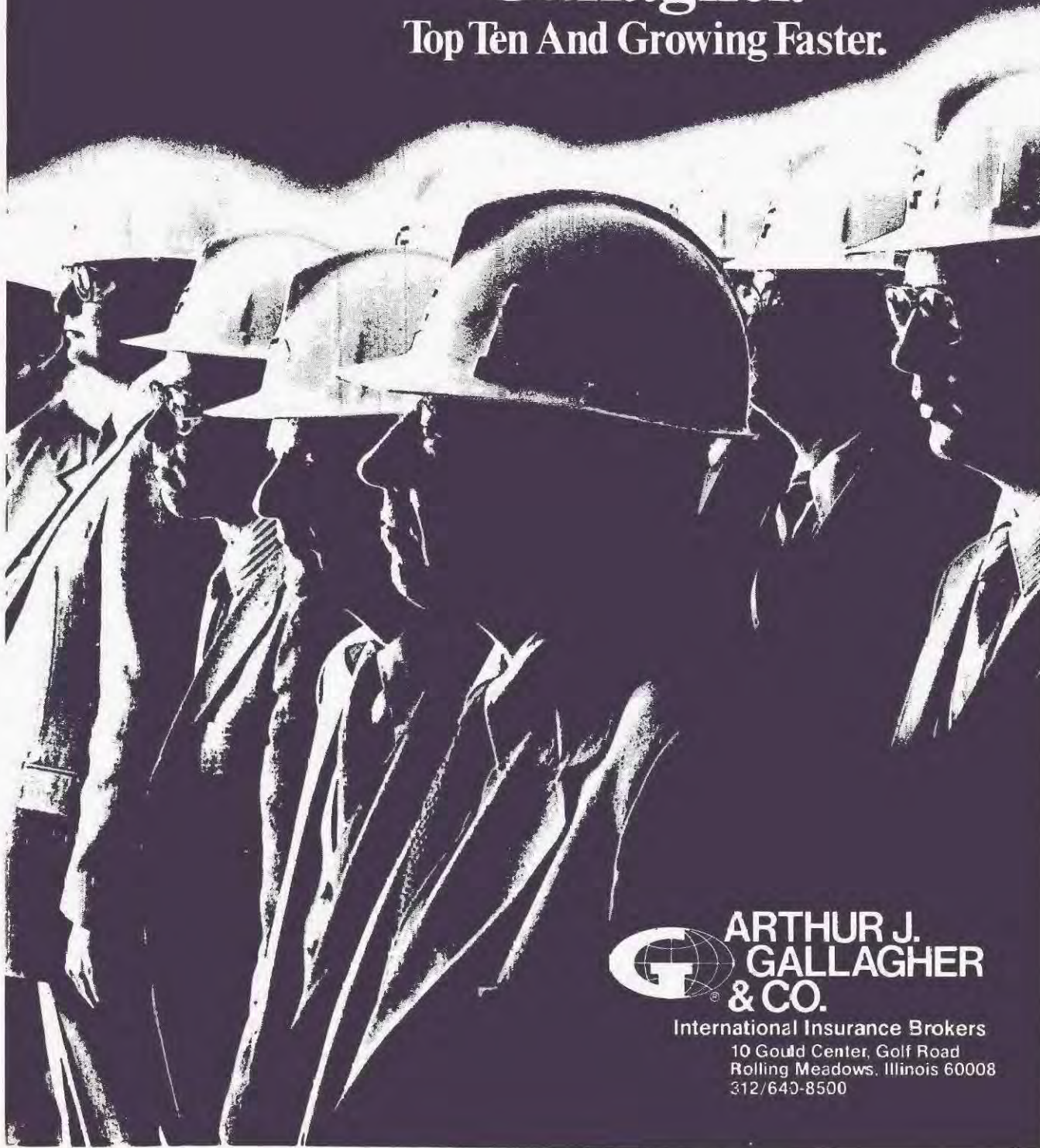
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# Hospitals may escape new malpractice crunch

*Continued from page 3*

Premium rates for the first year of coverage under a claims-made policy are generally about 30% of the rate for an occurrence policy. But after a few years, enough losses develop under the claims-made form for exposure to equal that under the occurrence form.

Although the premiums hospitals pay on claims-made policies are still less than those for occurrence policies (see chart, page 3), they are likely to approach the occurrence rates in the next few years.

On top of this, more claims are being filed against medical providers as legislated restraints on malpractice suits are eroded by the courts.

The American Medical Assn. re-

ports state supreme courts have thrown out limits on awards in Illinois and North Dakota. Pretrial screening panels were banned in Florida, Illinois and Missouri. Limitations on physicians' individual liability were thrown out in Kentucky and North Dakota.

But the large rate increases these situations have prompted against doctors haven't shown up for hospitals and aren't likely to.

**Although about 80%** of malpractice incidents leading to claims settlements occur in a hospital, the hospital is held responsible only 25% to 30% of the time, said Donald G. Steffes, president of Pennsylvania Hospital Insurance Co. in Camp Hill, Pa., a captive of the Pennsylvania Hospital Assn.

The frequency of suits brought against physicians is much higher than the frequency against hospitals.

Several other factors also are likely to modify the impact of a malpractice crisis on hospitals.

Annuity settlements "are the new and coming thing," according to Robert Nugent, vp of underwriting at Hospital Underwriters Mutual Insurance Co. in Tarrytown, N.Y. "They would save everyone a lot of money."



Mr. Steffes

Plaintiffs' attorneys tend to resist annuity, or structured, settlements, however, because they reduce the amount of the initial award and consequently, the attorney's fee, he said. A smaller sum is deposited in an annuity fund to assure lifetime payments.

Although Hospital Underwriters hasn't made any structured settlements yet, it expects about three in 1982.

Respondents to the Modern Healthcare survey report that less than 1% of their settlements are made on an annuity basis. Annuity settlements are practical only for extremely large claims, usually those more than \$100,000, they say.

The age of the claimant is also important. These settlements work best for children who have a longer remaining life span over which to collect the dividends. An entire award, however, is rarely deposited in an annuity fund. Structured settlements usually include a lump-sum payment to cover medical bills and lawyers' fees.

**Another factor** that may hold down hospital premiums is increased competition among insurers. Some captive insurance companies sponsored by state hospital associations are expanding into other states. PHICO has expanded into nine states outside Pennsylvania and the District of Columbia since 1980. This allows the company to spread the risk over a larger area, Mr. Steffes said. It has also forced commercial carriers in those states to lower their premiums. PHICO has been admitted to sell insurance in Delaware, Virginia, Maryland, Indiana, Colorado, Vermont, New Hampshire, Maine and Wyoming through its subsidiary Pennsylvania Casualty Co.

Large hospitals are increasing their deductibles to lower their premiums. Aetna Life & Casualty Co. in Hartford, Conn., is insuring about 25 hospitals that are carrying deductibles of about \$250,000, says Robert E. Grimes, director of commercial underwriting. This reduces premiums to about 25% of the average rate, he noted.

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Hospitals with more than 500 beds typically carry deductibles of \$100,000, according to William H. O'Bryan, president of Missouri Professional Liability Insurance Assn. in Jefferson City.

**Multiple hospital** systems often carry more coverage for their hospitals than is standard. This accounts for the high premiums shown for the systems in the chart. Hospital Corp. of America's Parthenon Insurance Co. in Nashville, has a \$10 million limit of liability on each of its hospitals, said Robert Reeves, its president.

Some hospitals are buying more insurance than they need because current premiums are low compared with a few years ago, said Howard Cohen, an actuary with The Wyatt Co, a leading risk management consulting firm.

Chances are slim that they'll have a \$10 million claim, but as long as the rates are reasonable, they get the extra coverage, Mr. Cohen explained.

Inflation has cushioned the impact of rising malpractice insurance costs.

"As interest rates increase, there's a potential to make money on malpractice," said Mr. Grimes. But many insurers are losing 25 cents to 35 cents on each dollar they write and are beginning to raise their rates, according to Missouri Professional Liability Insurance Assn.'s Mr. O'Bryan.

Some captive insurance companies sponsored by state hospital associations, like MPLIA, will be able to hold their rates down because they were organized at the peak of the last malpractice crisis when rates were highest ever, Mr. O'Bryan noted.

MPLIA was formed in 1976 and "had the benefit of starting with high premiums, while other companies had to run off their low-rated policies." The industry had overreacted to the malpractice crisis and raised rates too much so between 1976 and 1980 rates fell substantially, he continued.

"MPLIA reduced reduced its rates to about half as much as it could have, so its present rates are adequate to ride out the mini crisis," Mr. O'Bryan explained.

**The average** annual premium for hospitals insured by PHICO dipped to \$126,000 from \$223,000 in 1976. Claims and settlements, however, continue to rise substantially in Pennsylvania, as they do nationwide.

The state-run Catastrophe Loss Fund will pay out \$19.5 million in settlements on Jan. 1, 1982, compared with \$8.8 million last January.

The CAT fund covers all claims of between \$100,001 and \$1 million. PHICO provides primary liability coverage to hospitals up to \$100,000.

Because of the dramatic jump in the amount the CAT fund owes in malpractice settlements, Thomas Judge, director of the fund, says he anticipates a premium surcharge of

about 38% on policies written after Dec. 31, compared with the current 22%.

The surcharges finance the CAT fund.

Hospital professional liability premiums are also likely to rise in Pennsylvania by 1983 because the CAT fund will most likely owe more than \$20 million in settlements for 1982, Mr. Judge explained.

Amendments to the Pennsylvania Health Care Services Malpractice Act, passed in October 1980, call for hospitals to increase their primary insurance coverage to \$150,000 per occurrence from the current \$100,000 the year after the amount payable by the fund exceeds \$20 million.

**The CAT fund's** yearly settlement payments are suddenly mushrooming, partly because it has been in business just long enough to start receiving a number of the claims filed against it, Mr. Judge

believes.

The state Legislature set up the fund in 1975 to lessen the impact of the medical malpractice insurance crisis.

Another reason for the upsurge in settlements is that the majority of malpractice cases in Pennsylvania have been held up in arbitration for four years, according to Mr. Steffes. The number reached more than 3,200 by the end of last year. These cases are now coming to court.

Many attorneys also held up lawsuits awaiting the state Supreme Court's decision on mandatory arbitration enacted by the state legislature, Mr. Steffes commented.

After the court ruled mandatory arbitration unconstitutional and upheld only voluntary arbitration, malpractice cases started coming to court.

Modern Healthcare's 1981 insurance survey covered about 37% of U.S. hospitals and about 23% of the beds.

**Average insurance settlements**

	Settlement	
	'81 (to date)	'80
<b>Captives sponsored by state associations</b>		
Hospital Underwriters Mutual Insurance Co. Tarrytown, NY	\$12,360*	\$14,854
Pennsylvania Hospital Insurance Co. Camp Hill, PA	10,067*	12,300
North Carolina Hospital Assn. Trust Raleigh, NC	4,730*	12,074
Missouri Professional Liability Assn. Insurance Jefferson City, MO	1,871*	3,322
Ohio Hospital Insurance Co. Columbus, OH	1,616*	8,224
<b>Captive owned by multihospital system</b>		
Parthenon Insurance Co.* Nashville, TN	NA	7,728
<b>Commercial insurance carrier</b>		
St. Paul Fire and Marine Insurance Co. St. Paul, MN	9,500*	9,900

\*Subsidiary of Hospital Corp. of America  
\*Figures for first half of 1981  
\*Figures through August 1981

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To deal with rising medical malpractice insurance rates, hospital risk managers are tackling their jobs in different ways. One concentrates on the people involved and stresses loss control to them (page 48), another is considering self-insurance as a way to cut costs (page 46) and a third is turning to computers for help in spotting possible trouble areas that could bring the hospital into a lawsuit (page 49).



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Photo: St Luke's Hospital, Kansas City

Risk manager Mark Haskins of St. Luke's Hospital in Kansas City hopes to set up a self-insurance program.

# Hospital risk manager to fight high rates with self-insurance

By DAN RUCK

KANSAS CITY, Mo.—When hospital malpractice liability insurance premiums shoot up again, Mark Haskins, a husky, 31-year-old former college football linebacker, has a good idea how he'll tackle the problem.

The risk manager at the 665-bed St. Luke's Hospital in Kansas City, Mo., will recommend that his institution self-insure the first \$1 million per occurrence.

The cutback in commercial coverage will slash St. Luke's medical malpractice coverage costs by as much as \$300,000 a year, Mr. Haskins estimates.

Self-insurance isn't a new idea,

of course, but only three Missouri hospitals self-insure. One of them recently bought excess coverage, in part because the insurance was cheap.

Mr. Haskins says St. Luke's liability track record has convinced him that self-insurance will be cheaper than its current commercial coverage.

"We have a very good record here," he says. "It is hard to say for sure because of the way legal matters have of dragging on year after year, but I wouldn't imagine our malpractice liability insurer will have to spend money for anything more than attorneys' fees this year."

St. Luke's hasn't switched to self-

insurance yet because it hasn't accumulated the approximately \$1 million in reserves that it needs, Mr. Haskins says.

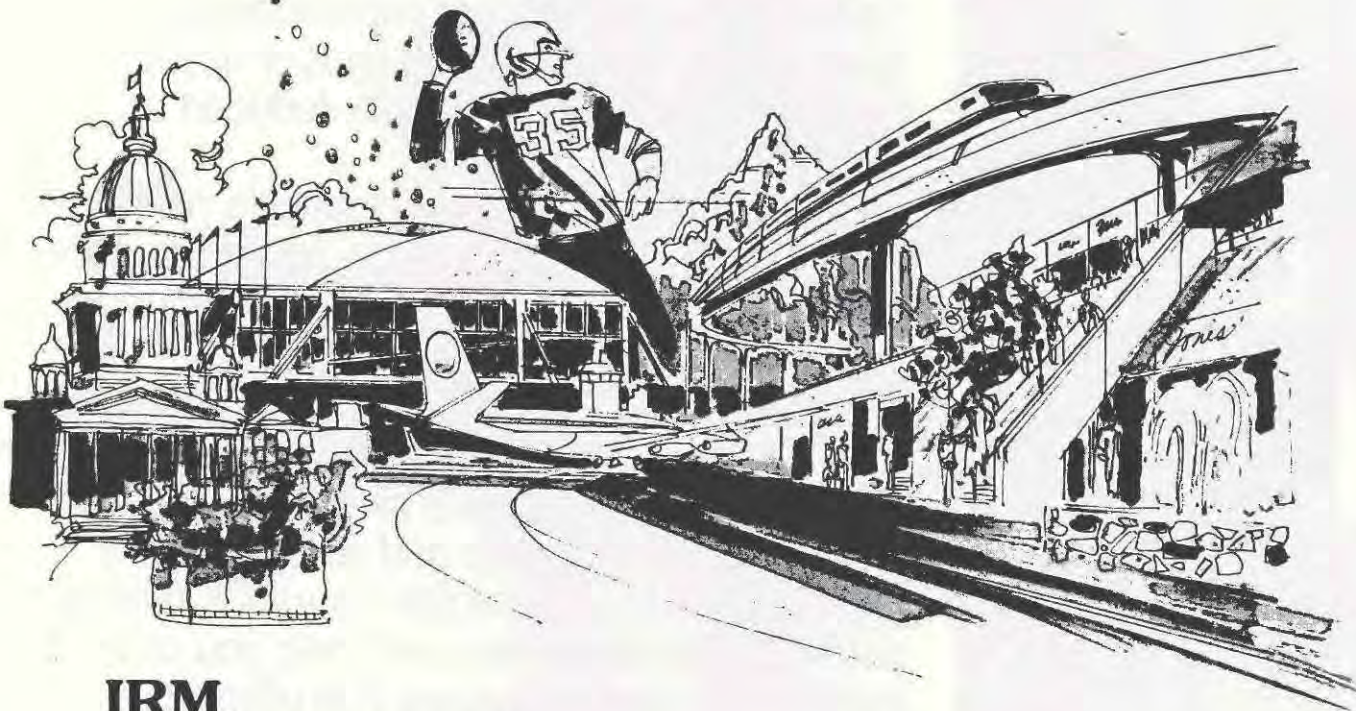
The risk manager, who has held his job for less than a year, heads a one-man department with the general assignment of overseeing practically every aspect of hospital insurance. His duties range from deciding whether a patient should be paid for a pair of lost dentures to advising top management about insurance policies. He spends less than 0.1% of his time filling out claim forms.

"St. Luke's executives had a hunch before they hired a risk manager that they could cut their malpractice liability insurance costs," Mr. Haskins says. "But no one had a grasp on what their risks were, or what could be done about it."

Initially, Richard Hastings, a hospital administrator, switched St. Luke's from full liability coverage to a 45% quota-share plan and then to higher deductibles of \$100,000 per claim and \$300,000 in aggregate exposure per year, Mr. Haskins says.

Those changes have saved the hospital, the largest in Kansas City, about \$250,000 in malpractice coverage premiums a year, Mr. Has-

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'St. Luke's executives had a hunch before they hired a risk manager that they could cut their malpractice liability insurance costs,' Mr. Haskins says.

kins says. Under the quota system, St. Luke's paid 45% of all legal settlements and defense costs. St. Luke's malpractice liability insurer, Missouri Professional Liability Insurance Assn. of Jefferson City, Mo., now pays all legal defense costs.

In addition to lower insurance costs, St. Luke's now benefits by having all insurance matters funneled through what amounts to a central clearinghouse, Mr. Haskins says.

"Before, people in the different departments weren't all that insurance-conscious," he says. "If a piece of equipment were lost or broken, the department head would just swallow hard and add the costs of it to his next year's budget. They weren't all that aware that a claim might be made for the loss."

If St. Luke's does eventually switch to self-insurance, excess coverage probably will be purchased, he says.

St. Luke's carries excess coverage now, and most hospitals that claim to be self-insured actually only accept a limited amount of risk, preferring to purchase a commercial excess policy to protect themselves against enormous claims, Mr. Haskins explains.

Mr. Haskins joined St. Luke's in 1980 and was promoted to head of the department this year after Robert Beachboard, his predecessor, left to take a similar position at the 1,300-bed Methodist Hospital in Houston.

Mr. Haskins, a graduate of Baker University in Baldwin City, Kan., worked as a claims adjuster for a suburban Kansas City insurance underwriter before joining St. Luke's.

He says he prefers the busier, more intense hospital work because "there's something new and different going on every day."

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# Anthropology put to use in hospital program

By MARGARET LeROUX

CHAPEL HILL, N.C.—Since people—patients and employees—are a hospital's major risks, it should come as no surprise that Ross Oglesbee, risk manager for North Carolina Memorial Hospital in Chapel Hill, brought a degree in anthropology to her risk management job.

As the major teaching and referral hospital in the state, the 633-bed hospital deals with a diverse population on a daily basis, from premature babies in critical condition to severe burn victims who are treated in a new \$2.3 million square-foot facility.

"My background was in the study of man, and as a pre-med student I learned the scientific aspects of some of man's behavior," Ms.

Oglesbee said. "That's not at all inconsistent with hospital risk management."

North Carolina Memorial Hospital hired its first risk manager in 1977, the same year Ms. Oglesbee joined the department as an incident investigator. She worked with three different risk managers at the hospital as the program gradually took root. Ms. Oglesbee became risk manager in July 1980.

"We've overcome the initial reservations some of the staff had about risk management," she said, "but we've always had the support of the hospital's executive director."

NCMH is a 27-year-old hospital that employs nearly 3,300 people and has 825 physicians on the medical and resident staff. In 1980, almost 100,000 patients were treated

at the facility in central North Carolina.

NCMH is a teaching hospital affiliated with the University of North Carolina and is funded in part by the state Legislature, factors that present unique challenges to the risk management staff. The threat of malpractice is one that taxes both their insurance management and risk management capabilities.

The risk manager at NCMH acts as a liaison between the physicians and the hospital's primary malpractice insurer, St. Paul Fire & Marine Insurance Co. The hospital is self-insured for malpractice risks in excess of the primary policy.

"We are currently studying a plan to totally self-insure for malpractice," said Ms. Oglesbee, who favors the self-insurance approach. "Our premiums and reserves are

higher (for the primary policy) than what our experience has shown (they should be)."

In seminars with the hospital's staff physicians and nurses, the risk management staff and the malpractice insurer have outlined procedures to be followed when something happens that could lead to a malpractice claim.

For example, if there is an error in medication that prolongs a patient's stay, the hospital files a claim with its malpractice insurer, who in turn pays that portion of the patient's bill.

Because NCMH is a state-funded institution, it doesn't have the freedom to write off bills to patients. In the case described above, the hospital would hold the bill until the insurance company paid the claim before sending it to the patient. The bill then shows the extended stay is paid.

Not everything presented in the hospital's malpractice seminars meets with a receptive audience. "Sometimes the doctors haven't liked what we've told them," Ms. Oglesbee said. "When an error occurs, the natural tendency for some is to apologize, say 'It's all my fault,' or 'This should never have happened.'"

"We caution doctors to refrain from making such statements," she continued. "It's all right to express concern and apologize, but they have to consider the impact of what they say as it might sound in court."

As part of an ongoing educational program, the risk management staff meets with nurses once a month and new employees twice a month to explain loss-control procedures.

Unlike her counterparts in other industries, the NCMH risk manager is not responsible for property risks nor risks covered under comprehensive general liability insurance. Those are handled by safety and security staff and other administrators.

"We're preparing a proposal for the hospital's board of directors that all insurance be included in the legal services department with risk management," Ms. Oglesbee said. "It makes much more sense to have it all under one department."

As structured at NCMH, the risk manager is under the direction of the hospital attorney, who in turn reports to the executive director. "It wouldn't work unless we had easy and fast access to the top," Ms. Oglesbee said.

The risk management program at NCMH was initiated by the hospital's attorney who later left to establish a similar program at Duke University Medical Center in Durham, N.C.

The NCMH risk management department includes two other attorneys, one who is on the state attorney general's staff and is responsible for all litigation involving the hospital. The department also includes a paralegal staff member, an incident investigator who is a former head nurse with seven years' experience and two secretaries.

The foundation of the risk management program at NCMH are the patient incident reports, which record everything from medication errors to falls. The reports are made on pre-printed forms and are sent to the risk management department.

Completed reports contain the patient's name, condition and location at the time of the incident. What occurred is briefly described, as is any treatment given to the patient as a result of the incident.

There is also a 24-hour dictaphone number so staff can phone in incident reports to the risk management department for transcrip-



Ms. Oglesbee brings an anthropology background to her job.

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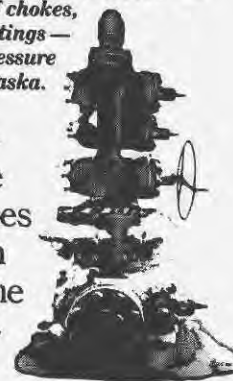
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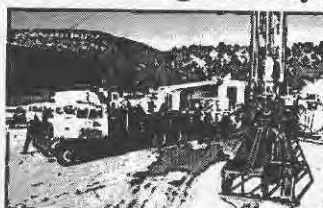
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# Computer helps hospital detect potential suits

FORT LAUDERDALE, Fla.—The more time that slips by between an accident involving a patient and the handling of the case by a hospital, the angrier the patient gets and the higher the cost of the settlement soars.

Speed is of the essence, and hospitals are finding that computers can clear the confusion of paperwork that bogs down their risk management efforts.

Computers can help a hospital catch a potential compensable incident "at a much earlier stage of the game," says Frank Milanese, risk manager at the 597-bed Holy Cross Hospital in Fort Lauderdale, Fla. "The sooner you can attack these problems, the better."

For three months, Holy Cross has been testing a risk management program developed by Shared Medical Systems Inc. of King of Prussia, Pa. The program is part of

SMS' Command system, an on-site patient information system that is linked to the company's shared financial system.

The speed with which the risk management program compiles current and historical data gives Holy Cross a head start in meeting with patients and working on their problems before they leave the hospital and head for their lawyer's office.

The computer also helps the hospital react to incidents that haven't been reported by hospital staff, Mr. Milanese says. Armed with computer reports, he's able to detect cases where patients had to return to surgery or the emergency room, signs of potential problems. In the past, if reports weren't filed, the hospital wouldn't find out about the problems until it was sued, Mr. Milanese explained.

The computer simplifies the identification and tracking of risks, freeing Mr. Mi-

lanese's time so he can deal with claims more quickly. The computer also turns out reports that Holy Cross would never be able to compile manually. Mr. Milanese plans to develop the following kinds of risk management reports:

- Monthly, quarterly and annual summaries of loss experiences, which can be broken down by department.
- Loss to reserve ratios.
- Loss experiences by type of incident.
- Summaries of incidents and losses based on age, admitting diagnosis, nursing station, attending physician, etc.
- Cross-referencing of specific kinds of incidents with variables like hospital location, time of day, operating surgeon, etc.
- Detailed recapitulations of the in-hospital experiences of individual patients involved in potential liability incidents.
- Response time between incident and

patient contact with a physician.

Risk data can be pulled up on a video display terminal, and reports can be printed either in-house or at SMS' Pennsylvania data center. The computerized program also stores data for historical use, helping Holy Cross negotiate with its insurers, he says.

Holy Cross has contracted with SMS for computer services for about seven years and is using the company's financial management, data entry and communication and patient information reporting systems.

Two years ago, the hospital developed its own in-house, minicomputer-based risk management program. But it was only a simple program that recorded incident reports and didn't have the capacity to analyze data to help the hospital make risk predictions, Mr. Milanese said.

SMS developed its risk management program at the request of client hospitals.

tion by the secretaries. Of approximately 150 incident reports received by the department every month, about four of them will result in a claim against the hospital, according to Ms. Oglesbee.

Most claims are settled before they come to trial, and even though the trend is toward increasing litigation by claimants, the hospital has successfully defended itself whenever it has been in court.

"There has never been a malpractice judgment against the hospital," Ms. Oglesbee said.

The hospital's computer is another component of the risk management program. Data from the incident reports is coded and fed into the computer where it "is invaluable for analyzing loss trends and is the basis for loss prevention studies," the risk manager noted.

While the risk management staff is enthusiastic about the collection of loss data, "we don't believe in gathering information without sharing it," Ms. Oglesbee explained.

The incident reports are also used as the basis for what she described as small audits of major hospital departments during the course of risk management committee meetings.

The committee includes representatives of every major department in the hospital. Each department is presented with loss data from the incident reports at least once a year.

"We'll take all the incident reports pertaining to a particular department, summarize what's happening with them and see if we can determine a trend or cause," Ms. Oglesbee said.

"That's where the computer is invaluable. Sometimes we're able to trace a number of incidents to a piece of equipment or even a particular time of day.

"We're very careful about what we recommend," Ms. Oglesbee continued. "We don't point a finger; we're not peer review. We let the appropriate people know if there are problems."

When a rash of medication errors in incident reports showed that codeine and phenobarbital tablets that were being dispensed were identical in size and color, the risk management department appealed to the hospital pharmacy to change the color of one of the drugs.

Since the staff's efforts at loss prevention include a lot of behind-the-scenes work, "sometimes we have a problem in projecting a positive image," the risk manager said. "The preventive things we do aren't as well publicized; we're the ones the doctors call when something goes wrong."

But NCMH's risk manager has no problem thinking of her work in a positive light.

"The knowledge that what we do really does make a difference in patient care is the best part of the job for me," Ms. Oglesbee said. ■

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# E/S industry faced with 'invasion': Consultant

CORONADO, Calif.—The future of the excess/surplus lines industry is gravely threatened by an invasion of its markets from outside the insurance community, a management research consultant warns.

"While we worry about the insurance neighborhood, the markets are collapsing around us," declares Dr. Michael E. Hogue, a senior associate at Insurance Research Services Ltd., a Philadelphia-based consulting firm.

Some excess/surplus companies that have invested in people and systems to give them a competitive and cost edge will survive as specialty operations. Others that have become complacent will lobby for legislation to assure their markets.

"No legislation will solve your problem. If you can regain your old image of 'lean and mean,' you may

make it," Dr. Hogue told industry representatives at the recent annual meeting of the National Assn. of Professional Surplus Lines Offices in Coronado.

New entrants into financial services, personal lines and other market segments are edging out the indigenous competitors in those markets—triggering a ripple effect, Dr. Hogue explained.

Before the 1970s, new entrants were absorbed by market growth. But this phenomenon has accelerated with the sheer size and speed with which financial giants are now invading property/casualty and life insurance, personal investing and other markets.

National retail brokers are "crowding out" many insurance companies, for example. It is often difficult to recognize when a bro-

ker acts as an intermediary or in direct competition with the insurers they represent, he said.

The long-term growth and profitability of personal lines insurers also has been threatened by the entry of life insurance companies into their markets. Direct writers like Allstate and State Farm have in turn penetrated the small-business market.

Caught between the heightened competitive activity in the small-business and the large markets, medium-size accounts began to feel pressure from both ends.

From the low end of the market, the direct writers began to go after the smaller middle-sized accounts. The big brokers started carving out some of this market through formation of trade association programs.

The national account-type brokers and insurers began to focus attention on the medium-sized risks to regain premium volume lost to self-insurance and other new risk-funding techniques.

"The pressure on the commercial market will intensify as more crowding out causes another domino to fall in another market—namely the personal financial services market," he said.

To meet the needs of a heterogeneous workforce, employers are moving toward a cafeteria of benefits to give employees a greater choice in selecting how their benefit dollars will be spent.

Automobile insurance is a strong example of the type of benefit that could be added to the cafeteria line that would appeal to dual income families as well as young and mi-

nority employees.

These benefits can quickly be added to the tax excludable list, Dr. Hogue said. The young would subsidize the old in health insurance, while the old would subsidize the young in automobile insurance.

The cost of deciding who will pay among the various insurers of health, long-term disability, workers compensation and automobile personal injury protection is an inefficient allocation of resources, he said.

Continued inflation will accelerate this drive toward efficiency. This is a strong case for the demise of workers compensation and automobile insurance as traditional property/casualty industry products, Dr. Hogue said.

"Don't forget a recent phenomenon that is equally important as a catalyst to expanding benefit programs: convenience and quality-of-life concerns," he added. For two-career families and single people, time is precious.

"The growth in use of money access cards for banking shows the importance of convenience. The consumer wants one-stop financing—and what better place than through the employer?"

"Why devote even one evening to shopping for insurance or writing premium checks if they can be handled by an employer?" Dr. Hogue asks.

But there exists another group willing to take the place of the employer in this role.

"I can stop at Sears and set up my money market fund, Dean Witter will handle my stock portfolio and Coldwell Banker will see to my real estate investment," he said. The list goes on: Merrill Lynch, Prudential, ARMCO, Commercial Credit and many more offer complete services.

"The point is that there is more competition in our markets than ever before and the major source is from outside the normal group of competitors," Dr. Hogue said.

The net result is that the traditional property/casualty personal lines market and the individual life markets may in fact become commercial accounts as the employer, a real estate company or a bank sells portfolios of individual coverages to insurance companies.

"Needless to say, the market will not need as many salespeople to solicit and service such accounts. I would also suspect that a higher degree of self-insurance will evolve as the aggregate account size grows."

Dr. Hogue expects the decade to end with a few large financial cartels and many small, highly specialized companies. "Your services will continue to exist, but there will be many changes," he told excess/surplus industry representatives.

All insurance and financial service providers will seek to improve efficiency. The market will not pay for a one-on-one distribution system, he said.

As banks, savings and loan institutions and other organizations add insurance programs and sell them wholesale to the insurance industry, underwriters will shift into three groups—those who underwrite risk portfolios, those who review risks rejected by computers and those who will become account representatives.

Excess and surplus lines brokers, underwriting managers and surplus lines insurers may fulfill this last need.

"Thus the competition domino theory will reach the E/S industry, causing increased pressure on profits and market share. This will be in addition to the continued pressure on prices in the current markets," Dr. Hogue said. ■

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# S.C. strikes down charitable immunity doctrine

GREENVILLE, S.C.—The South Carolina Supreme Court has ruled that charitable institutions are no longer protected by a doctrine of charitable immunity that shields them against liability exposures.

The court struck down the doctrine in a case involving the Greater Greenville YMCA and a youth injured at a camp under its operation.

South Carolina was one of the few states to still have a law granting charitable immunity to such institutions, although a gradual erosion of that defense had already occurred.

The YMCA's attorney, Robert C. Wilson, is awaiting word from The St. Paul Cos., its insurer, on whether to appeal the case to the U.S. Supreme Court.

The case involves a youth, Matthew Barlow Fitzer, who attended the YMCA's Camp Greenville in 1979. The youth was hit in the head with a rock following an argument with another boy, sustaining an injury that required eight stitches.

The youth's parents sued the YMCA for \$2,500 in damages. During the trial, the circuit court granted the defendant's motion for summary judgment, citing the established defense of charitable immunity.

But the case was then appealed by the plaintiff to the state Supreme Court. The plaintiffs' petition to rule on the law, which is required in South Carolina, was denied.

Mr. Wilson later argued the merits of the suit itself before the court, with only passing reference to the question of charitable immunity and that came upon a brief question from one of the justices.

Mr. Wilson was very surprised that the court later struck down the doctrine and sent the case back to the lower court for retrial.

"They told me they weren't going to do it (rule on charitable immunity), and then they turned around and did it," said Mr. Wilson.

One thing is clear, Mr. Wilson says: Churches, YMCAs, civic organizations, hospitals and other charitable institutions had better purchase liability insurance.

He said the court did not say if the decision is retroactive to 1979, so institutions do not know how far back their immunity goes.

The Greenville YMCA had purchased liability insurance from The St. Paul because the court had already started chipping away at the doctrine of immunity for charitable organizations.

In a case several years ago involving a South Carolina hospital, Mr. Wilson said, the court ruled that a hospital may be sued for damages up to \$100,000 when its actions are clearly negligent.

The attorney has recommended that St. Paul not settle out of court and hopes the insurer will allow him to appeal the case to the Supreme Court.

## New commissioner

COLUMBIA, S.C.—The state Industrial Commission has named Rogers T. Smith as new chief insurance commissioner. He replaces John W. Lindsay who resigned Sept. 3.

Mr. Smith, who was deputy chief insurance commissioner and deputy Insurance Department commissioner since 1969, had been serving as acting commissioner.

He will fill Mr. Lindsay's unexpired term, which runs until 1984. Mr. Smith has been with the state Insurance Department for 20 years.

## Warning notices

NEW YORK—The state Insur-

## around the states

ance Department has issued a new regulation requiring insurers operating in New York state to place standard warning notices on various commercial and personal insurance forms.

The warnings, required on all commercial insurance application

forms and all claims forms used for both personal and commercial insurance, specify that misleading statements and omissions on the forms constitute the crime of insurance fraud.

The regulation also requires licensees to report apparent fraudulent activities to the Insurance Frauds Bureau.

## Alcoholism benefits

HARRISBURG, Pa.—Legislation has been introduced in the state

House that would require health insurers to provide coverage for alcoholism treatment.

The measure, which is supported by Pennsylvania Gov. Richard Thornburgh and state insurance commissioner, would require health insurers to cover an annual minimum of 15 days for detoxification and 50 days of treatment, including outpatient care.

Rep. Mary Ann Arty is the main sponsor of the bill, which has been referred to the House Insurance Committee.

## Commissioner named

RICHMOND, Va.—James M. Thompson, a Virginia lawyer and politician, has been appointed by the state's Board of Corporations to be Virginia's next insurance commissioner.

Mr. Thompson, an Alexandria, Va., attorney, served as majority leader of the Virginia House.

He replaces James M. Newman who resigned Oct. 14 to become senior vp at the American Insurance Assn. in New York.

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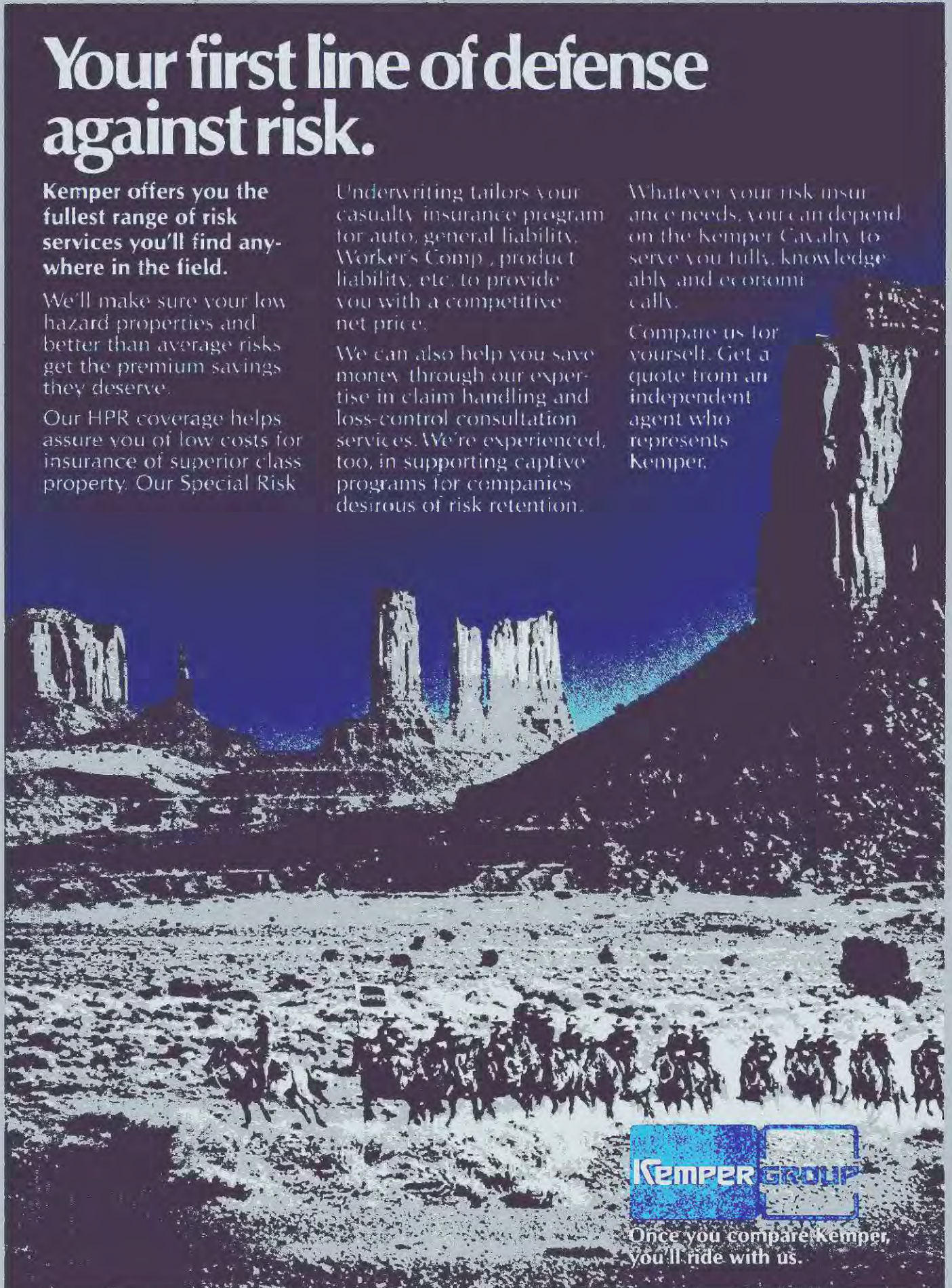
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# Alcoholism comes out of the corporate closet

Continued from page 1

A study that covered 752 employees involved in the program between 1969 and 1978 found that 58% were rehabilitated (stopped drinking for one year) and 19% improved to the point where they could satisfactorily operate on the job.

The number of on-the-job accidents in this group dropped to 143 in the five years following referral, compared with 370 accidents in the five years preceding enrollment in the program.

The number of absent days saved in this group totaled 31,806, which at an average wage replacement of \$40 per day represented a savings to the company of \$1.27 million—just in reduced absentee costs.

New York Telephone found it could save at least \$1.56 million annually if 300 new cases of alcoholism could be identified, treated and successfully rehabilitated 85% of the time.

• In 1972, General Motors in Detroit began its Substance Abuse Recovery Program, which is open to both workers and their families. Some 48,000 employees and dependents have been seen by counselors in the past nine years.

A recent study of 117 hourly workers showed a 49% reduction in lost hours, a 29% decrease in disability payments and a 56% decrease in sick leave costs for those who went through the program.

National estimates show the alcoholic employee is absent from the job an average of 22 days a year, but the absentee rate at GM was almost three times that before the program got off the ground.

Overall, GM estimates its Employee Assistance Program produced at least a 3-1 return on dollars invested.

To some degree, alcoholism and drug abuse have come out of the corporate closet, but only a handful of the estimated 500,000 employers in the United States with 100 or more workers offers employee assistance programs.

Most that do offer help are larger, union-strong employers that are self-insured for their health benefits and, therefore, have a strong incentive to keep their workers both mentally and physically healthy.

Other employers are deterred from jumping into such programs because the cost can be prohibitive for the small and medium-sized employer and most of their group health insurance programs do not cover the cost of such treatment.

The history of low industry involvement in mental wellness, the category under which alcohol and drug abuse falls, is complicated by the employee's unwillingness to seek help.

The President's Commission on Mental Health found in 1978 that of the 10 million people who report alcohol-related problems, only 1 million receive treatment.

When they do seek medical aid, few group health insurance policies will cover much more than a seven-day drying-out period for the alcoholic or drug addict.

Because of this, doctors and hospitals unwillingly add to the dilemma of identifying problem workers by helping them hide their alcohol or drug dependency from their employers, says Tom Delaney, executive director of the Assn. of Labor & Management, Administrators & Consultants on Alcohol, based in Arlington, Va.

It's not at all uncommon, he says, for physicians to lie about a diagnosis so that the employee with a substance abuse problem walks out of the doctor's office with a fictitious physical ailment that is covered under the employee's group health insurance plan.

"As a doctor, I can assure you the current treatment offered most employees is ineffective," says Dr. Joseph Pursch, a member of the National Assn. of Insurance Commissioners' task force on Alcoholism, Drug Addiction and Insurance.

Dr. Pursch is the U.S. Navy psychiatrist who treated former first lady Betty Ford and astronaut Edwin Aldrin for alcoholism.

Under model legislation adopted last June by the NAIC, health insurers would be forced to expand their benefit offerings to include

treatment for alcoholism and drug addiction (BI, June 15).

Very little uniformity exists among the 29 states that do have such legislation.

Fifteen states have mandated benefits, which means insurance companies cannot write a health policy without including benefits for alcoholism and drug abuse. Others require only that the benefits be offered to employers, who can decide if they want them.

Under the NAIC's proposed benefit package, an additional 28 days

of treatment in a rehabilitation center would be included in the coverage.

Patients also would be entitled to a maximum of 30 outpatient visits, including family counseling, in one calendar year.

Beyond the basic humanitarian reasons for establishing employee mental health programs, there are fundamentally sound economic reasons, says Walter B. Writson, chairman of Citicorp in New York.

"The cost of mental illness to society is barely suggested by the ex-

penditure each year (by employers) of more than \$10 billion on drug abuse and \$13 billion for the medical treatment of alcoholism. The non-medical costs of alcoholism, which include lost productivity, absenteeism and accidents, accounts for another \$30 billion more," he says in a foreword to "Mental Wellness Programs for Employees," a book coordinated by the Washington Business Group on Health.

The Washington Business Group on Health is an organization of 155

Continued on next page



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# Business helping to rehabilitate alcoholics

Continued from previous page  
major employers who provide medical benefits to more than 35 million employees, retirees and their dependents and has been instrumental in a re-evaluation of the total health care system.

"Industry's reluctance to initiate and support programs is partly due to old myths about the place of personal life on the job," according to the group. "It is difficult for managers to get a grasp on the concepts and techniques of these programs that have an inherent 'social service' foundation. Despite these difficulties, programs are slowly but surely taking hold in work settings."

Continental Illinois National Bank in Chicago used to call its Employee Counsel Service an EAP or Employee Assistance Program,

but too many workers thought the "assistance" meant they could get a loan, says Steve Nahrwold, a psychiatrist and director of the service, which sees an average of 950 employees a year.

"We've destigmatized the program by not identifying it with one problem or another," he says. Workers seek help with one specific problem, but through therapy may discover they've been using alcohol or drugs to medicate or mask their real concerns.

About half of the employees seek help for emotional, marital or family problems, 20% come in with financial trouble and only 3% to 4% actually are referred by their supervisor or seek help for a substance abuse problem, he says.

"These things rarely fall into a clean category," he says.

Indeed, Kennecott Copper Corp. found that "65% of the workers came to us with a problem that wasn't their primary problem," says Otto Jones, a psychiatric social worker who started an EAP program at Kennecott before going off to start his own business. (See accompanying story on page 58.)

The thrust of Kennecott's Insight program, Mr. Jones says, is to discover employee drinking and drug problems in the early stages.

"Many people associate alcoholics with skid row, but most are still married and employed. They may miss a few days of work or get picked up for drunken driving once or twice, but alcoholics are not always so obvious," he explains.

Illinois Bell's Alcoholic Rehabilitation Program has had the benefit of being a long-running plan that

has had good success.

"No longer is alcoholism considered a stigma or a moral issue. The supervisor at Bell understands that alcoholism is a serious illness that impacts on the business and also destroys the individual employee," says Dr. Fern E. Asma, assistant medical director at the company.

There are currently 700 active employees in the program and about 100 family members of employees who receive counseling, which is offered in-house by two full-time counselors and Dr. Asma.

One trend Illinois Bell has noted in its alcoholism rehabilitation program is the increase of problem-drinkers who have a cross-addiction to Valium or Librium.

"We see this primarily in the female referrals," says Dr. Asma, who adds that seven of eight fe-

male referrals to the alcoholism program are cross-addicted to Valium.

Bethlehem Steel in Pennsylvania just started an Alcohol and Substance Abuse Program, or ASAP, on Sept. 1. That program has already enrolled 200 workers.

But a grassroots sort of campaign has been going on quietly at Bethlehem Steel for the past two years. It was started by Bob Gerhart, chairman of the union grievance committee, who saw that many workers had job problems because of drinking and drug abuse.

Mr. Gerhart, who the steel company has now tagged as the coordinator of ASAP, says his previous efforts resulted in 39 workers rehabilitated and only one lost to the disability list.

He suspects three out of every 10 of the company's 16,000 workers has an alcohol or drug problem.

"We have mostly alcoholism problems," he says, "but I've seen guys on heroin, marijuana, speed, you name it. It doesn't matter what they're on. If their reflexes are less than 100%, it's no good."

The steel company has agreements with two suburban Pennsylvania treatment clinics where Blue Cross/Blue Shield is willing to pay for the cost of a 28-day rehabilitation program, he says.

It's exactly that kind of program that more employers should be offering through their insurance companies, says Mr. Delaney of the Assn. of Labor & Management, Administrators & Consultants on Alcohol, which is holding its yearly convention Nov 17-20 in San Diego to address those kinds of problems.

"Treatment for alcoholism and drug abuse should be part of every company's basic group health policy," he says. "If it's sold as a rider, the coverage runs into competition with other add-ons, like dental coverage. The employer is going to make a choice based on what the majority of its employees are apt to want in the way of benefits."

But for many small to medium-sized employers, deciding what benefits to offer can often be a non-decision, especially when high health care costs have caused many to cut planned benefit increases.

Experts say an employer with fewer than 1,500 workers usually cannot justify the expense of an in-house social worker or mental health professional, but there are ways of getting around that.

GM's Employee Assistance Program's associate director suggests employers look into working with other companies on a consortium basis where they could use the same resources to save money.

"Together, a few medium-sized employers can justify the expense of hiring an outside social worker who can service all on a per diem rate," says GM's Dr. Daniel Lanier.

An employer that wants to offer help to its employees can also contact a local community mental health center, which can provide a professional to serve employee needs at a very nominal rate, he says. The National Council on Alcoholism can make referrals to agencies across the country.

A smaller company can even less afford to ignore employees with problems, says Dr. Sheila Akabas, director of Columbia University's Industrial Social Welfare Center, the only center where future EAP directors can receive training (see related story, page 57).

The more dependent an employer is on its workforce, the more it has to depend on them for high productivity and good attendance, she says.

Industry, and especially the smaller employer, may be driven to develop its own resources even more in the future, she predicts. ■

## CROSSWORD PUZZLE

### ACROSS

1. Primary property coverage in which insurers accept stated percentage of risk, 2 words pl.
9. Auditor of accounts, abbr.
12. Person who runs a business, abbr.
13. E.g. Eskimo and pizza
14. A kind of session
15. The first one occurred in New Mexico on July 16, 1945, comp.
19. Am. dramatist, *The Man Who Came to Dinner*
20. Insurance payment
22. What one does with initial stated portion of insurance claim
23. Compass point
24. Musical compositions intended mainly for practice of technique
26. U.S. Attorney General, 1961-1964, initials
27. Island of immigration entry
29. Shortened version of girl's name
30. Realistic, practical
32. \_\_\_ and behold
33. You might have one of these in the fire
35. Type of excess insurance coverage, abbr.
36. Leader in underwriting management of excess and surplus lines
41. Cubic meter, abbr.
42. Capital of Tarn, France
43. \_\_\_id, Roman poet
44. Agreement between primary insurer and reinsurer
45. Section of playing field, abbr.
46. Cowboy
48. New England state, abbr.
49. One of President Reagan's principal advisers, first initial and last name
52. British scientific institution, abbr.
53. Vertical windows projecting from sloping roof
55. Baccala & Shoop's northwesternmost city
58. God of love

60. Duke or Day, 2 words
  61. \_\_\_ Paulo
  63. In a \_\_\_ jiffy
  65. Actor Colman
  66. Dutch airline, abbr.
  67. When an insurance company has not been licensed in a state, comp.
- DOWN**
2. Commercial casualty coverage insuring third parties against any risk
  3. Stare at
  4. Trolley
  5. Unit of mechanical energy, abbr.

6. N. \_\_\_ national insurance organization
7. Insurance prefix
8. Affirmative, Sp.
9. What Baccala & Shoop is known as, 2 words
10. Go separate ways
11. Urban living spaces, abbr.
15. Vaulted semicircular recess in building
16. Midday rest
17. For shame!
18. Mail a letter a second time
19. Exclamation of joy
21. Stan the Man
22. Plaza \_\_\_ Toros
25. Free of wear or decay

28. Place to store belongings during athletic participation, 2 words
31. Affirmative, a la Gary Cooper
34. Where Kings and Red Wings play, 2 words pl.
36. Louisville Slugger
37. Payments in accordance with insurance policies
38. How excess coverage is structured, pl.
39. Division of risks among insurance companies
40. Commitment by insurer beyond normal capacity
47. Salmon eggs and lobster coral

50. Title prefixed to woman's name that does not indicate marital status
51. Red or Dead
53. Office furnishing
54. Spoken
56. Act for which injured party is entitled to compensation
57. Gait between a walk and a run
59. \_\_\_ culpa
62. Attendant of sick, abbr.
63. Chemical symbol for tin
64. Money market instrument, abbr.

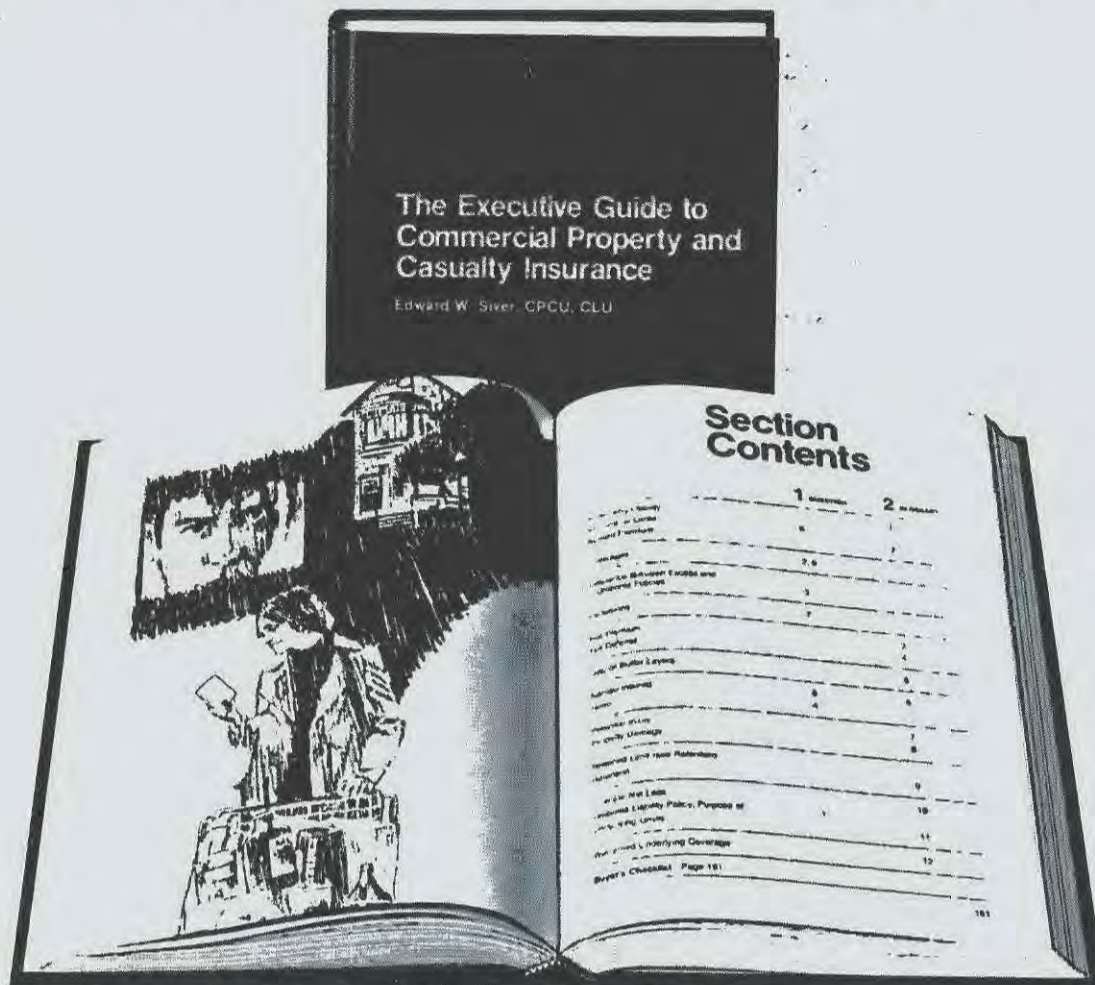
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## About the Author

Ted Siver, CPCU, CLU, the founding principal of E. W. Siver & Associates, has been very active in the insurance industry for over 25 years as a broker and consultant. He has contributed numerous articles to such publications as *Business Insurance*, *Agent & Broker*, and others.



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## 40 frequently occurring symptoms of drinking

- \*1. Hangovers on the job
2. Showing up intoxicated
3. Red or bleary eyes
- \*4. Hand tremors
5. Flushed face
6. Swelling of the face
7. Loud talking
- \*8. Increased nervousness; irritability
9. Sensitive to opinions about his drinking
10. Indignant when his drinking is mentioned
11. More resentful of fellow workers
12. More aggressive toward fellow workers
13. More suspicious of fellow workers
14. Tendency to blame other workers
15. Putting things off
16. Less even, more spasmodic work pace
17. Neglecting details formerly attended to
18. Lower quantity of work
19. Lower quality of work
20. More mistakes or errors of judgment
21. Leaving post temporarily
22. Wanting a different job assignment
23. Avoiding boss or associates
- \*24. Drinking in the morning before going to work
- \*25. Drinking at lunch time
26. Drinking during working hours
27. Morning tardiness
28. Taking longer lunch periods
29. Leaving work early
- \*30. Absenteeism, half-day or full day
31. More unusual excuses for absences
32. Lost time—accidents off the job
33. Lost time—accidents on the job
34. Minor accidents on the job
35. Increase in minor illnesses
36. Sleeping on the job
37. Borrowing money from employees or association
38. Less neatness in dress or appearance
39. Unnecessary long-distance calls
40. Changed mood after lunchtime or other drinking

\*Among the first drinking signs to appear

# Detecting drinkers often is not easy for the employer

Alcoholism can be as destructive as cancer if it's not detected early, but exactly when should an employer make it a company problem?

The answer isn't always that clear, as Illinois Bell Telephone Co. found out when analyzing the track record of just one alcoholic employee.

A 51-year-old male executive was referred to the company medical department for a health evaluation in 1970 because of poor job performance, poor morale and unexplained absences from the job.

The employee, who had a master's of business administration, had undergone a medical examination the year before when the offer was made to all management personnel.

During the 1969 exam, the executive admitted using alcohol only three to four times weekly and said he had no job or home problems. His blood chemistry tests, however, revealed a modestly elevated alcohol level.

During the second exam in 1970, the worker still denied he drank excessively, but his blood tests showed an even higher level than the previous year's tests. He was confronted and offered help.

"He then revealed that alcohol had been a severe problem for about 10 years," said Dr. Robert R.J. Hilker, medical director for Illinois Bell.

It was decided that the employee should be hospitalized, to which he readily agreed as a way to save his job.

He also finally admitted to family problems with his wife and children, and a follow-up examination of his family found that his wife was also a far-advanced alcoholic. The children were counseled and became members of ALANON, a support group for families of alcoholics.

Both the employee and his wife were hospitalized in different facilities, but neither was rehabilitated the first time. It wasn't until the worker's second hospitalization that he finally realized he was an alcoholic, Dr. Hilker says.

The employee is now a regular member of two Alcoholics Anonymous groups, sees the company counselor regularly and visits with the physician in charge of Bell's rehabilitation program.

Once back on the job, the employee explained his problem to his co-workers and once again gained their respect. "His job performance is excellent and his wife has also achieved a successful rehabilitation," Dr. Hilker adds.

"Most alcoholic employees are hidden and protected. The family or the immediate supervisor may try to deal with the problem in their own way," he says.

It's estimated that 4% to 6% of employees in any company are problem drinkers—workers who have a compulsive, uncontrollable urge to drink. The drinking interferes with the worker's normal lifestyle by creating problems in his daily life.

By identifying the problem drinker early enough, there's a chance for rehabilitation, Dr. Hilker says.

Alcoholism, he says, can be easily defined and understood by a busy supervisor as habitual poor job performance resulting from excessive drinking.

An employee's drinking becomes a company problem when:

- His work is reduced in efficiency and dependability.
- The employee's drinking affects his health.
- The employee's drinking affects his personal relations on the job.
- He has alcohol on his breath during working hours.
- He has an attendance problem.
- There are complaints from customers or other employees.
- There are frequent on-the-job or off-the-job accidents.
- There are unexplained disappearances from work assignments.

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# Lloyd's introduces computer crime cover

Continued from page 1

Burt and could ring him up through his brokers and get a direct answer from him while we conducted our research."

The resulting policy is designed for financial institutions because of Mr. Carbino's cooperation, said David Newman, a deputy underwriter.

"The wording at the moment for the computer crime policy is designed for banks. But the response from all sectors of business has been unbelievable. Clients are extremely interested," he said.

"The policy shouldn't be difficult to adapt to commercial enterprise. We just need a Carbino in the commercial world."

The electronic and computer crime insurance policy presently covers banks for up to \$25 million against theft through computer fraud. But underwriters hope the limit per occurrence will soon reach \$100 million dollars.

The policy, underwritten by Lloyd's and Chubb Group, insures against unauthorized access to terminals, fraudulent preparation of tapes or computer programs and unauthorized access to a bank's communications lines.

Activities of independent consultants, engineers and programmers and former employees with a knowledge of the bank's computer also will be covered. Fraudulent use of other electronic communications systems by which messages are altered or the sender uses a fictitious identity can also be included in the policy.

Bank employees, however, are not included in the policy, Mr. Spreckley said, because employee fraud is insured under the banker's blanket bond coverage that most banks carry. Liability is also not covered, he said, because it would take still more research for such a broad risk.

"This policy has been geared as a partner to the banker's bond," said

Mr. Spreckley. "As far as we are concerned, this policy is about crime, not about something like computer leasing. A thief these days doesn't need a welder and a bag of tricks to steal from a bank."

The policy's deductible, however, will probably be high, said Mr. Carbino who is a senior vp at Irving Trust. "Deductibles for the policy will be in the millions. But this is determined by the size of the candidate."

"These deductibles will be comparable to the banker's bond, which is upwards of \$2 million."

Not all banks will be able to buy the computer crime policy. Eligibility will depend on the bank's security and risk management techniques.

"We firmly believe in risk management and have gone to extraor-

dinary lengths to incorporate risk-management techniques," Mr. Spreckley said.

A company interested in the policy must first fill out a detailed questionnaire about its computer and security system. The underwriters want to know whether the system is centralized or decentralized, in-house or operated by an outside computer service. They also are interested in the functions the computer performs, the software security system and the bank's data processing budget.

From this the underwriters will quote a premium, subject to revision after another, more detailed survey is conducted within 60 days. The premium may be high but, Mr. Newman asked, "When some New Yorkers transfer \$100 billion daily,

what is expensive, really?"

Wood, Butkow & Kemp, a consulting firm, prepares the questions for the second questionnaire by analyzing the answers from the first. They point out specific areas on which the underwriter and risk manager should focus. The risk manager helps out by identifying certain high-risk areas. "This doesn't necessarily mean it's a bad risk, but it's concentrated in these areas," Mr. Newman said.

When this process is completed, an advisory team visits the bank or company and examines the security controls on the high-risk areas to make sure they are as secure as possible.

"If this computer insurance program fails, it won't be because we didn't do our homework," Mr. Spreckley said.

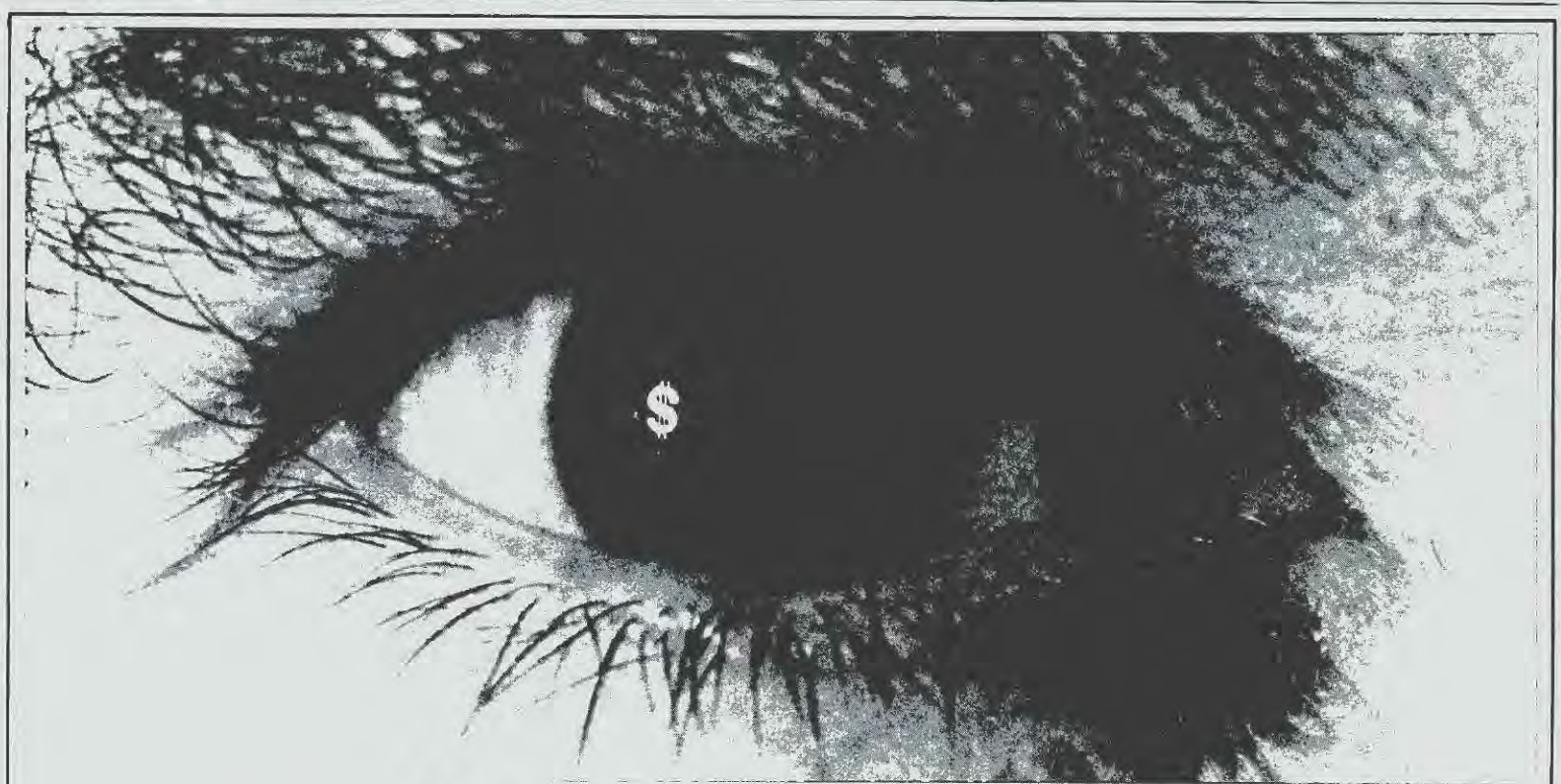
A lot of the security information will pass directly to the insurers because of its sensitivity, the underwriters say. "It will be treated in the same way as kidnap and ransom," Mr. Newman said.

But for all its built-in risk management and complicated wording, the policy is still in a development stage.

"We are presenting risk managers with a little bit of a challenge," Mr. Newman said. "The wording is flexible. We are, therefore, knocking the ball back into the risk manager's court. We, the insurer, will consider anything, though we may not agree with everything."

"I don't think the new product is absolutely perfect yet," Mr. Carbino said, "but it is an important start."

"It's something to build on and that's the hope."



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# Airlines group wants higher coverage limit

Continued from page 2  
velop the plan and eventually chose Stewart Wrightson.

"The genesis of the idea came from IATA itself," Mr. Colls commented.

London's top three aviation underwriters, Ariel, Orion and British Aviation Insurance Group, have agreed to lead placings at the specified rates, Mr. Colls said.

"We don't see any hostility in the (insurance) market to what we are doing," Mr. Kelly said.

"They (the insurers) would be

getting more premium volume and we would be getting a better premium, so it's one of those things that benefits everybody," Mr. Kelly explained.

The primary beneficiaries of such a plan would probably be the flag carriers of smaller Third World countries that have tiny fleets and cannot currently afford the premiums for more than \$250 million in coverage, sources in the insurance and aviation industry said.

Airlines generally carry aircraft

liability for passengers and third-party claims and aircraft physical damage in one policy.

**Airlines with** the greatest potential losses are those with wide-body aircraft that fly regularly into busy airports, industry officials said.

However, the IATA-Stewart Wrightson plan calls for a basic per-aircraft rate regardless of size.

Premiums would vary, however, according to the mix of wide-body to standard-size aircraft in an indi-

vidual airline's fleet and according to the total number of aircraft in the fleet. The excess coverage could cost anywhere between \$250 and \$2,500 per aircraft, Mr. Kelly said.

The excess premium for a typical airline with a 50-plane fleet might be between \$75,000 and \$100,000, Mr. Colls said. The minimum premium for an airline wishing to purchase \$500 million in excess coverage above \$250 million would be about \$25,000, he added.

The rates and estimates of likely premiums have been circulated to

IATA members, but would be available to any commercial air carrier, including domestic U.S. airlines, Mr. Colls said.

**Among U.S.** airlines that have been approached by IATA on the group plan are United, Braniff, Eastern, Pan Am, TWA, American and Flying Tiger.

Representatives of U.S. airlines, which are reportedly not among the original backers of the group excess plan, appeared to be adopting a wait-and-see attitude toward the IATA's proposal.

"We're studying it right now," said Michael G. Stoeckert, manager of corporate insurance administration for American Airlines Inc. in Grand Prairie, Texas.

Mr. Stoeckert acknowledged that among the large airlines' concerns is whether the overall rate they would have to pay for added coverage would be greater or smaller than what they could achieve individually.

"It's not a big deal, nothing that firm, just an idea," says Howson Johnston, the Montreal-based air transport director for the Aviation Transport Assn. of America, an organization of 33 U.S.-based carriers. He said the ATA members are considering "whether we should use our own devices to carry this excess coverage."

"We're considering additional limits, but we don't think \$750 million is needed," says Gordon E. Gilbert, insurance manager for Northwest Airlines Inc. in Minneapolis. "Right now I'd say we're not interested in \$750 million... (but) there's capacity out there and if we wanted to go out and buy \$750 million, we could."

Northwest and American both have large B-747 and DC-10 fleets. American is a member of IATA; Northwest is not.

Airline sources say early support for an excess liability group plan came from two international carriers, Japan Air Lines and Qantas Airways.

Both airlines have traditionally been concerned about liability risks although they carry more than adequate insurance themselves, the sources added.

Various sources estimated that current liability limits for worldwide scheduled air carriers—with the possible exception of some U.S. commuter airlines—range from a low of \$250 million for small, regional airlines or Third World carriers to a high of \$600 million for the largest international airlines.

**But even those amounts** might not be sufficient if a wide-body airline "came down in an industrial complex near an airport," warned Mr. Kelly. "We estimated that could cost \$1 billion to \$2 billion."

The biggest concern of the IATA, Mr. Kelly said, is not with passenger claims, which can be quantified fairly easily based on previous claims experience, but where a disabled aircraft comes to rest on the ground.

Among the worst-case scenarios painted by Mr. Kelly, Mr. Colls and others are:

- If an aircraft landing or taking off collided at a major airport with several other aircraft waiting to do the same.

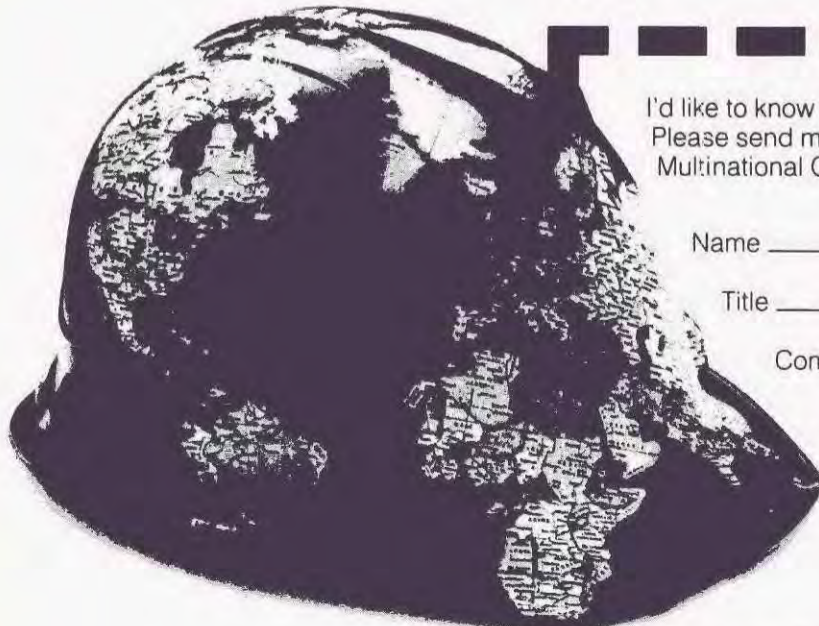
- If two aircraft collided in mid-air over a major metropolitan area such as New York City and did extensive third-party damage on the ground.

Mr. Kelly's scenario almost occurred in early October in Holland, Mr. Colls said, when a twin-engine turboprop aircraft operated by a subsidiary of KLM-Royal Dutch Airways crashed within 500 yards of a major oil refinery.

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## IRI. We can help.

# Center trains future EAP personnel



Ms. Akabas

NEW YORK—Future employee assistance program directors are being churned out every year at Columbia University's Industrial Social Welfare Center.

It's one of the few professional training schools of its kind in the United States. Every year, 30 to 40 social workers graduate as specialists in helping employers find solutions to problems that save them people and money.

"Our training is designed to help staff people at a company identify who has a problem—regardless of what the problem is," said Dr. Sheila H. Akabas, director of Columbia's center.

The broad approach in the workplace minimizes the stigma attached to an employee assistance program, she says, because emphasis is placed on counseling employees with a wide range of personal difficulties, from alcoholism and drug abuse to family and financial problems.

"We, as a society, need a new coping pattern for our population," she told other mental health experts at the General Mills American Family Forum held in Washington last May.

"And since the neighborhood, the church and even the family are not what they used to be, we need a replacement—a new gray mare.

"I would like to suggest to you that that new gray mare can be help without hassle at the workplace," she said.

Columbia University's Center, she said, is set up to help employers establish a system of self-referral for employees with problems.

Research has shown that workers who seek help on their own bring their problems to the forefront earlier than problems in reticent workers, which are recognized and forced into the open by an employer. Research also has demonstrated self-referrals are much more comfortable talking about their problem than those "called on the carpet."

One way of making it known that a company does have some sort of employee assistance program is to insert short memos in workers' paycheck envelopes. That way, an employee's spouse might see that he or she can get help for the worker, who might not want to admit he has a drinking problem.

"Over the long run, I'd like to see self-referrals increase so much that I would be out of a job," Dr. Akabas said.

Another major component of Columbia's student program, she said, is to train on-line supervisors and middle management to detect changes in behavior and performance of workers who are trying to quietly cope.

The annual cost of in-house or contract services ranges from \$12 per employee to a high of \$80, but the average annual cost is about \$15 for every eligible employee, says the Washington Business Group on Health, which has studied the cost of mental wellness.

"If an employer has a person with a suspected drinking problem, the sooner he or she is confronted, the better it is," Dr. Hilker says.

"Don't cover up for him. One of the underlying facts about this illness is that the victim can recover only with outside assistance. The earlier the treatment, the greater the hope for rehabilitation."

The employee should be told, Dr. Hilker says, that he or she is in serious trouble and that his behavior will no longer be tolerated.

The employer should forget about finding the "right" time to discuss excessive drinking with an alcoholic employee, according to the American Management Assns.

"If you have an alcoholic on your staff, you may say to yourself 'Do I have the right to invade this man's privacy?'" the AMA says in its booklet, "What to Say to an Alcoholic."

"A little thought should make a supervisor realize that the employee's drinking on or off the job is no longer a private matter. The responsibility for handling the problem will probably end up in the supervisor's lap.

"If there is a company medical department, they may be able to help. But often the employee will simply ignore its advice or warnings. If the man is in top management, it's unlikely that the medical department will openly label him an alcoholic."

A supervisor should not urge a problem drinker to be "moderate" or tell the worker he'll die of liver trouble if he doesn't lay off the bottle, the AMA adds.

He's heard scare tactics before, at home or with friends. He needs to be told that his drinking—and nothing else—is causing problems in your operation and that the company will not stand for it.

The employee should be told that he must consult a psychiatrist or contact Alcoholics Anonymous immediately, the AMA suggests. ■

## HSP certification exams scheduled

SEABROOK, Md.—The International Healthcare Safety Professional Certification Board has announced a partial schedule of Healthcare Safety Professional certification examinations for next year.

The examination will be held June 9 in Washington, D.C., and Oct. 20 in Chicago.

Applications for certification must be received by the HSP board no later than 60 days before the examination.

For information about other examination dates, the HSP Academy and other activities, contact the International Healthcare Safety Professional Certification Board, 9413 Jones Place, Seabrook, Md. 20706; 301-984-8969. ■

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## Firm helps employees solve problems

MURRAY, Utah—Some companies are buying employee maintenance programs that leave the fixing to the professionals and the profitable results with the employer.

One such program, developed by the former director of a pre-treatment intervention program for alcoholic workers at Kennecott Copper Corp., is called Human Affairs Inc.

Its president, Otto F. Jones, left Kennecott in 1973 and has since sold his program to 21 companies that service some 410,000 employees in the United States and Canada.

Employee problems, says Mr. Jones, quickly become employer problems if left unresolved.

The concept of the employee assistance program he devised allows employees, retirees or dependents to use the Human Affairs staff of counselors for any problem they may have, at any time of the day or night.

The counselor will meet with the worker wherever the person is most comfortable—to remove as many barriers as possible, Mr. Jones

said.

"By calling a program an alcohol or drug program, severe limitations are placed on the scope of those who will seek help," Mr. Jones said.

To use such a program, a person would first need to identify himself as an "alcoholic" or "drug abuser" and in most cases, "a person will deny that until it reaches the severe stage," he said.

He promises that employees with problems that use the program will show attendance improvements of 50% to 60%; employer hospital, medical and surgical costs will decrease about 40% to 60%; and accident costs will decrease at least 40%.

"Dollar return on investment varies with circumstances, but ordinarily it ranges from 3-to-1 to as high as 6-to-1," the program's director explained.

Human Affairs Inc. promotes self-referrals, but if, for whatever reason, the person does not

request assistance, a friend, neighbor, supervisor or any concerned person can try to get the employee some help.

When an employer contracts with HAI, regular publicity notices are delivered to workers, advising them of the counseling service.

Monthly and yearly reports are also made available to the employer showing the number of workers using the program, the type of problem presented and if the employee was referred for treatment.

Human Affairs also provides financial reports to the employer to show how absenteeism, sickness and accident benefits and hospital, medical and surgical costs will drop once the program is in force.

Professional liability insurance for all of the counselors is purchased so that the Human Affairs Inc. assumes all liability for the program.

The average cost for the entire program averages from \$1 to \$1.50 per employee per month.

## markets

### Underwriting management firm formed

A new surplus lines underwriting manager in Chicago will specialize in professional liability insurance.

Professional Managers Inc. has been formed by John Van Cleave, formerly president of INAX in Chicago, the INA subsidiary specializing in professional liability. Mr. Van Cleave formed PMI with other former INAX employees who all decided not to move when INA moved the entire INAX operation to New York.

PMI has exclusive authority to underwrite and administer non-medical professional liability programs on behalf of Fremont Indemnity Co. of Los Angeles. This is a new line for Fremont, which is best known as a workers compensation insurance underwriter on the West Coast that has been expanding its business interests.

PMI will specialize in coverage for architects, engineers, lawyers, accountants, insurance agents and brokers, actuaries, real estate agents, school boards and public officials, Mr. Van Cleave said. It has a capacity of \$5 million per risk.

Other officers include Guy Calhoun, executive vp and chief operating officer; Madeline Payne, senior vp; and Daniel Ryan III, vp.

PMI is available as a market through retail and wholesale agents and brokers in 25 states where Fremont Indemnity or its surplus lines subsidiary, Comstock Insurance Co., currently operate. Applications pending in the other states should be approved by mid-1982, Mr. Van Cleave said.

PMI is located at 2 North Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101.

### Closes doors

Scor Risk Management Inc., the Irving, Texas, based risk management consulting subsidiary of Scor Reinsurance Co., has closed its doors to new clients after two years in business.

Founded in 1979 to provide risk management and captive management services, Scor Risk Management had six employees and 15 clients when the parent company decided late last month to deactivate it by the first of the year.

The decision was based on a "review and re-emphasis in corporate marketing strategy," said Scor Reinsurance Assistant General Counsel Malcolm Robinson. "It's not totally dissolved; it could be reactivated in the future."

The risk management company was breaking even on its own expenses, but not meeting corporate overhead costs, said former president Tom Miller.

Current clients will continue to receive the services they contracted for, Mr. Robinson said, although Scor Re expects some clients to move to other consultants, he admitted.

Scor Risk Management is being wound down under the direction of Vp Jim Bass, who has been offered a position with the reinsurance company.

Mr. Miller has established his own risk management consulting and captive management company in the Dallas area called ETM Management Co. With a staff of three, ETM already is servicing two former Scor Risk Management clients and plans to concentrate on alternative risk-funding mechanisms.

ETM Management Co. is located at 1701 Greenville Ave., Richardson, Texas 75081.

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**A. Rollins Burdick Hunter.**

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## Workers file asbestos claim

*Continued from page 2*  
 a precedent for legal action outside the workers compensation system when an employer's fraudulent and intentional concealment of a hazardous condition caused aggravation of a disease.

The California Supreme Court ruled last year in an asbestos-related case against Johns-Manville Products Corp. that a worker suffering an industrial disease can sue this employer for fraudulently concealing the disease and its cause (BI, July 28, 1980).

"Pacific Telephone & Telegraph Co. intentionally failed to reveal its knowledge of said (asbestos) risk and consciously and actively concealed and suppressed said knowledge from its employees," the lawsuit contends.

Pacific Telephone had no prior knowledge of hazardous conditions, counters a company spokesman.

As soon as the possible presence of asbestos fibers was brought to the company's attention, work stopped and air samples were sent to an environmental laboratory for analysis, he said.

Subsequent on-site testing conducted by the telephone company found that asbestos levels did not exceed safe levels set by the Occupational Safety and Health Agency, the spokesman added.

The other defendants, who are asbestos manufacturers or distributors, are charged with conscious disregard for the safety of product users.

They had specific prior knowledge that there was a high risk of injury resulting from exposure to asbestos but did not try to protect or warn users of the danger, says the suit.

All of the 31 plaintiffs have filed workers compensation cases as well as civil suits, confirmed Pacific Telephone. The first case will be heard before the Workers Compensation Appeals Board in January and is expected to set a strong precedent for the others.

The exposure occurred over a six-week period from May through June 1980 in a 30-year-old building where Pacific Telephone was remodeling a switching office. Large cables containing telephone wiring that were lodged between two floors had to be torn out.

An asbestos product was used to insulate the cables between the floors and workers had to dig it out to dislodge the telephone cables. No breathing apparatuses or other safety equipment were used.

"None of the employees knew what the stuff was until two employees of Western Electric saw what was going on and told them," Mr. Robinson said. Before that time workers were not aware that exposure to asbestos presented any risks.

Asbestos makers and distributors named in the suit include: Johns-Manville Corp., Fibreboard Paper Products Corp., Owens-Corning Corp., GAF Corp., Combustion Engineering Inc., The Celotex Corp., Unarco Industries Inc., Raybestos-Manhattan Inc.

Also, Standard Asbestos Manufacturing & Insulation Co., The Flintkote Co., Armstrong Cork Co., J.P. Stevens Inc., Thrope Insulation Inc., Crown Cork & Seal, Sepco Corp., Nicolet Industries, Amatex, Claremont Inc., Eastern Refractories, H.R. Porter Co., Pittsburgh Corning Corp.

Also, Rock Wool Manufacturing Co. Inc., Atlas Asbestos Co., Eagle-Picher Industries Inc., 48 Insulation Corp., Acands Inc., Munder Cork Inc., Ruberiod Co., Keesby & Manhattison Co., Phillip Carey Manufacturing Co. and Pabco.

## Insurance placed for RCA satellites

*Continued from page 1*  
 added.

Mr. Whatnough admitted the cost of coverage was very slightly higher than before the Satcom III calamity—which plunged the line into the loss column. The change in the ratio of premium to insured value is hardly material, he said.

RCA declined to give the price of the package, but brokers who had seen the risk circulating in the market put the cost at about \$50 million. Premium in approximately equal portions is payable prior to launch of each satellite.

Mr. Whatnough described the coverage as "highly complicated" but said it contains three basic elements: ground-property or pre-ignition coverage, combined launch failure and life insurance (business interruption coverage) and no-claims bonus insurance (BI, Aug.

10).  
 If the five satellites are successfully launched and operate without a hitch, there is a 20% no-claims bonus payable at the end of the policy period. And RCA has purchased no-claims bonus insurance to assure it gets that amount back even if there is a loss.

A surplus lines broker told *Business Insurance* he saw this separately written coverage offered for \$3.5 million.

Mr. Whatnough said the terms and conditions of the package policies are not much different than they have been for individual satellites with a few exceptions:

When Satcom I went up in 1975 there was no such thing as satellite life insurance. RCA was the first to buy it before Satcom II was launched and the coverage was also extended to include Satcom I, al-

ready in orbit.

Originally, launch and life insurance were two separate policies, now they are combined, said Mr. Whatnough. This change eliminates the potential for a coverage dispute when a loss occurs—during the launch or later in its life.

The largest part of the \$452 million risk is placed with Lloyd's underwriters and British insurers, Mr. Whatnough said. Lexington Insurance Co. has the next biggest chunk and is one of 15 non-British insurers underwriting the risk.

The five satellites are each fully insured for slightly different amounts. Both Satcom III and IV are valued at \$89 million. The next satellite, to go up in October 1982, is the first of a new generation built by RCA and is valued at \$93 million. The fourth and fifth satellites are valued at \$91 million apiece and

are set for launch in March and September of 1983.

RCA collected insurance against the loss of Satcom III promptly and according to policy provisions, Mr. Whatnough said. The claim was paid within 60 days after submission of proof of loss to insurers.

According to terms of the policy, the satellite was determined to be lost if it was not at a prescribed point in its geosynchronous orbit at a prescribed time. U.S. Defense Department and RCA tracking stations lost sight of Satcom III shortly after takeoff.

Mr. Whatnough praised the expertise of Marsh & McLennan's aviation department, which he said pioneered satellite insurance and has kept a leg up on the competition. M&M has placed all of RCA's satellite coverage, starting with its first launch in December 1975. ■

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ISSUE NUMBER

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AD CLOSING

<p><b>50.</b> EMPLOYEE BENEFITS GROUP INSURANCE</p>	<p>DEC <b>14</b></p>	<p>DEC <b>1</b></p>
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## more to come :

	ISSUE DATE	AD CLOSING
47. CANADA MARKET REPORT	NOV 23	Nov 11
48.	NOV 30	Nov 18
49.	DEC 7	Nov 24
50. EMPLOYEE BENEFITS/GROUP INSURANCE	DEC 14	Dec 1
51.	DEC 21	Dec 9
52.	DEC 28	Dec 15
1. MARKET PREVIEW/INFO FOR BUYERS	JAN 4, '82	Dec 21, '81
2.	JAN 11	Dec 28
3. Risk Management Board Survey	JAN 18	Jan 6, '82
4. SELF-INSURANCE	JAN 25	Jan 12
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## Gorilla cover

Continued from page 2

new home will be the most critical for Ramar. "A lot of times animals are susceptible to stress," said Al Fontana, the zoo's assistant director. "We were concerned that there could be stress and Ramar would be more susceptible to disease. Ordinarily, we do not take out such policies."

Ramar's policy, which expires Dec. 3, covers all perils Ramar could encounter except injury by

another animal.

To head off any fatal trouble with the gorilla and encourage him to dabble in love again, an entourage of dieticians, a caretaker, a private handler, veterinarians and therapists are catering to the ape.

However, zoo officials apparently aren't convinced Ramar's bashfulness is an uncharging condition. On his way to the Metro Zoo, a \$1 million third-party liability insurance policy covered Metro Zoo for any damages the gorilla might do to others enroute to his new home.

Both coverages are underwritten by the Nutmeg Insurance Co., a division of Hartford Specialty Co, a subsidiary of The Hartford. Total premium was \$2,750.

Coverage was placed by Marsh & McLennan Inc.'s Coral Gables, Fla. office.

Ramar's love odyssey began 2.5 years ago when North Carolina zoo officials loaned him to the Philadelphia Zoo, hoping to provide the right romantic setting.

Even the Philadelphia Zoo nestled in scenic Fairmount Park failed to do the trick.

"When he finally met his first female, he was intimidated and cowered," recalled Frances Hanrahan, the Marsh & McLennan broker who handle the coverage.

"He couldn't stand up to the females," added Ms. Hanrahan relating stories about the timid ape.

"Mating gorillas is not an easy process," said Metro Zoo's Mr. Fontana. "We believe sometimes a change of environment, the climate and an open-air setting can make a difference."

In his new home, dieticians will dish out nutrient-laden foods to

build his sperm count. Therapists will hope to cook up a mind-easing solution to Ramar's lovemaking problems. Veterinarians will monitor his vital signs and Ramar will be allowed to ape around on his jungle gym, wade in his new pool and roam around his spacious open paddock that's designed to resemble the West Africa habitat Ramar left years ago.

Zoo officials said it will be at least one month before Ramar will come into contact with another gorilla. And when he does, they hope he monkeys around.

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<b>Financial Management:</b> chief financial officers, vps of finance, secretaries, treasurers, etc.	9,335
<b>Insurance Management:</b> vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,112
<b>Government, Associations, Unions, Educational Institutions</b>	952
<b>Commercial Consumers Sub-total</b>	<b>22,034</b>
<b>Insurance Agents &amp; Brokers</b>	9,486
<b>Insurance Cos.</b>	4,486
<b>Financial Institutions</b>	292
<b>Actuaries, Attorneys, Adjusters, Appraisers &amp; Consultants</b>	2,135
<b>Others allied to the field</b>	752
<b>TOTAL</b>	<b>39,185</b>

\*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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## INA-CG merger

Continued from page 3  
 ance business in 1980, according to statistics from the National Assn. of Insurance Commissioners.

CG, with net life health premiums of \$1.86 billion and property/casualty premiums of \$1 billion, controlled 1.5% of the market, the NAIC says.

Since INA is relatively weak in life lines but CG has significant property/casualty business where INA is strong, federal regulators worried about antitrust will probably focus on property/casualty lines.

A *Business Insurance* analysis of market share statistics from the NAIC revealed several lines in which the merged company would be a significant competitor in concentrated markets. The key question, as a Justice Department spokesman pointed out, is what the Reagan administration would choose to regard as "concentrated" under antitrust laws.

"The antitrust division has guidelines that define four firms sharing 75% of a market as 'highly concentrated,'" said Thomas M. Stewart, the spokesman. "There have been court cases, however, where the courts have applied that definition where there are as few as four companies with 30% to 40% of the market."

Mr. Stewart noted that the antitrust guidelines are those established by previous administrations and are under review by the Reagan administration.

The NAIC figures show that:

- North American General would lead in the commercial multiperil line with 10% of the business, followed by Fireman's Fund, Aetna and The Home Insurance Co. of New York. Together, these top four companies would control 25.9% of that line, up from 22.8% among the current top four. A total of 517 firms competed for \$6.8 billion in premiums in that line during 1980.

- In the ocean and aircraft combined lines, North American General would also lead all other insurers with 16.1% of the market, with the closest competitor, Continental, garnering 11.7%. The top four firms would then be writing 38.6% of the premiums. Overall, 225 writers shared \$1.2 billion in ocean and aircraft premiums last year.

- In the expanding reinsurance market, where Connecticut General was not a major factor in 1980, INA already writes 10.7% of the premiums compared with the leader, General Reinsurance, at 26.5% and the runner-up, Prudential, at 12%. The top four reinsurers, including Kemper, controlled 53.8% of the market in 1980. Overall, 329 writers garnered \$2.7 billion in reinsurance premiums.

- North American General would become the fourth-largest workers compensation insurer based on 1980 NAIC figures, with 4.9% of the market behind Liberty Mutual, Aetna Life & Casualty and Travelers. The top four would then be writing 25.8% of those premiums, which totaled \$13.8 billion last year.

"There is also a possibility of regional markets where the market shares might be considerably larger," the FTC source added.

INA and CG officials say they do not expect any antitrust or regulatory problems to stop their merger from completion within six months. They say a proxy statement will be completed in about six weeks.

Both the Pennsylvania and Connecticut insurance departments, which must approve the mergers as the domiciles of INA and CG respectively, are awaiting the formal filings to make their reviews.

The states' laws requires that the insurance commissioners consider if the merger would affect competi-

tion within each state.

And Connecticut Insurance Commissioner Joseph C. Mike noted, "Obviously, one of the areas that has to be examined in this particular proceeding is the impact on the market. They are large enough, so we have to ask about the effect on the market."

Robert D. Kilpatrick, CG's president and chief executive officer, however, said response from regulatory agencies has been good.

"We're confident that we're going to put something together here that will be a leader in the business," said Ralph S. Saul, chairman and chief executive officer of INA.

The merger combines INA's strong property/casualty and international operations with CG's quality group health and life insurance business, strengthening the weaknesses of each company.

The combination also could create a strong contender to offer true group auto and homeowners insurance, a package policy of property/casualty and life/health insurance and a new international benefits network.

Analysts and brokers describe the merger as a "perfect fit."

INA is a giant in the property/casualty field but has lacked a group operation in a market dominated by big accounts. It could have spent years developing such a presence, noted A. Micheal Frinquelli, an analyst with Salomon Brothers. But now, with CG, INA becomes a strong contender in "one shot."

The merger also gives INA the opportunity to broaden its product base to a less cyclical mix than the traditionally topsy-turvy property/casualty business, noted John A. Bogardus, president and chief executive officer of Alexander & Alexander Services Inc.

For CG, the merger offers not only INA's international operation, but also new strength for CG's small property/casualty company, Aetna Insurance Co.

Robert Brokaw, an analyst with Mabon, Nugent, said that "Little Aetna," as it is called, is not large enough to afford the new technology that will be required to provide an adequate level of service at a reasonable cost. The merger gives this company the necessary resources to stay competitive, he said. INA also may very well bring some innovation to the new company, noted Sam Alcorn, senior vp at broker Bayly, Martin & Fay in Los Angeles. INA underwriters are "very dynamic" on major accounts, he said, a reputation that CG has not developed. "I would expect a little of that innovation to cross-breed," he said.

The commercial insurance buyer will be dealing with a "stronger, more flexible company," said Johnson & Higgins President and Chief Executive Officer Robert Hatcher.

Several analysts and brokers predict that North American General may be the first major insurer to offer true group auto and homeowners insurance.

The merger gives both companies the capacity to provide group property/casualty insurance and explore the international group market, confirmed Mr. Kilpatrick. And a large opportunity exists for each company to cross-sell to the others customers, he added.

The group property/casualty programs most likely will be INA products offered through CG's group network of clients. INA has the product and claims expertise in property/casualty insurance that CG lacks, Mr. Kilpatrick said.

He stressed, however, that any group property/casualty product is probably five to 10 years away.

The key to such new products is the distribution system, said James Stradtner, a securities analyst with Alex Brown & Sons in Baltimore. Here, North American General

will benefit from CG's strong group operation, providing access to employees at their place of work, with the employer's endorsement.

The merger also may create a new international group benefit market through the combination of INA's international operation and CG's group business.

Leandro S. Galban, a vp at the New York investment firm of Donaldson Lufkin & Jenrette, cautioned, however, that American International Group dominates the group insurance market serving U.S. companies with foreign operations and does it "very well."

Commercial insurance buyers also may be able to purchase all their property/casualty and group insurance from North American General in a joint underwriting action, similar to that which is available now through The Travelers and Aetna Life & Casualty.

Mr. Hatcher at Johnson & Higgins said the new company eventually may offer such a package at

a discounted price.

Neither Mr. Kilpatrick nor Mr. Saul would commit the new company to a joint underwriting product. The decision has not been made, they said.

Mr. Brokaw at Mabon Nugent & Co. predicted that consolidation of insurance companies will be the "hallmark" of the 1980s as other insurers merge, either out of "self-defense or instinct." The cost of doing property/casualty business will be very high due to the cost of necessary hardware alone.

Other group health and life companies without access to the property/casualty market might want to acquire such a company, Mr. Galban said, but there are few quality companies still available. The Chubb Group, The St. Paul Cos., USF&G Corp. and Continental Corp. are "obvious choices," he said, but they probably would "fight like hell" against any takeover.

Under the agreement between

the two companies, brought together by Goldman, Sachs & Co., Connecticut General shareholders will get a share in the new company for each share they hold. INA shareholders would receive 0.8534 of share of the new stock for each of their common shares and 0.158 of a new \$25 liquidation-value convertible preferred stock. Each share of the new preferred would be exchangeable after six months for 0.42212 of a share of the new company's stock.

Mr. Kilpatrick, 57, and Mr. Saul, 59, will become co-chief executive officers and will report to a combined board of directors. Mr. Saul will become chairman of the new company and Mr. Kilpatrick will take the duties of president and chairman of the board's executive committee.

Corporate personnel will remain in Philadelphia and Hartford, although a smaller corporate staff will be located somewhere in a New York suburb.

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# Insurers' troubles don't ease in third quarter

Continued from page 3  
over last year's 110.3%.

For its part, Continental Corp. sank deeper into the abyss. With a 47% decline in operating income to \$9.5 million, it made the bottom of the list for the second quarter in a row.

The company's combined ratio of 110.1% compared poorly with last year's 107.3%.

If anything, the ongoing troubles of many of the companies have prompted a change in attitude. While in the second quarter quite a few insurers were speaking optimistically of price hikes on the horizon, they have since abandoned that language.

In the face of continued stiff competition and a demand-choking recession, the insurers have grown more resigned. Most foresee at least another year of soft prices, high losses and slow-to-negative premium growth.

As a result, efforts to combine forces and diversify into a full and profitable range of financial services have become an increasingly attractive strategy. The recently announced merger of Connecticut General and INA may signal more than two name changes on the list by the fourth quarter.

Here are the results of the 16 insurers, listed in alphabetical order. The third-quarter performance of each company's property/casualty division is highlighted:

## Aetna Life & Casualty

Aetna's commercial insurance

division took a brutal beating in the third quarter. Operating income plummeted 35.9% to \$27.3 million, and the combined ratio rose to 114.7%, compared with 104.5% in last year's third quarter.

Worse, operating income for the first nine months declined 50.2% to \$63.7 million. The combined ratio swelled to 114.7% from 103.8% last year. Aetna cited "substantial" pre-tax underwriting losses of \$241 million, quadruple that for the year-ago period, as the basis for this poor showing.

Indeed, only investment income showed predictable improvement, soaring 30% to \$68.1 million in the quarter and to \$191.3 million from \$159.8 million in the first nine months.

At the same time, Aetna's consolidated earnings rose 20.2% to \$136.9 million in the third quarter—checking a quarterly earnings slide that dates back to the third quarter of 1979.

This was attributed to gains in group insurance, personal property/casualty lines and its reinsurance subsidiary.

However, nine-month earnings were down to \$344.6 million, compared with \$374.5 million last year, while investment income rose a tidy 21% to \$2.4 billion.

## AIG

Operating income from American International Group's general insurance division grew at a 16.6% clip in the third quarter to \$78.9

million.

The combined ratio stood at 96.9%, a tad more than last year's 96.6%. And underwriting profits fell 8.1% to \$15.1 million on an 8.6% increase in premiums written of \$477.7 million.

Investment income spurted ahead by 13.8% for the quarter to \$63.7 million and by 22.8% for the first nine months to \$237.1 million.

Operating income for the first nine months grew to \$237.1 million, an increase of 13.8%. A combined ratio of 95.7% was off only slightly from last year's 95.2%. Meanwhile, underwriting profits fell 9% to \$53.7 million on premium growth of 7.7% to \$1.5 billion.

After-tax consolidated earnings, which take in life insurance and agency income, soared 23.8% to \$87.5 million for the quarter and 22.9% to \$247.3 million for the first nine months.

These sizable increases highlight the effect of AIG's extensive foreign operations on its effective tax rate.

## Chubb Corp.

In the third quarter, the property/casualty division's operating income slipped 5% to \$21 million, while the figure for the first nine months slid 2% to \$62 million.

The third-quarter combined ratio rose to 100.6% from 98.8% last year. The rise was attributed to severe losses in commercial auto, casualty, multiperil and property lines.

The division showed an investment income increase of 7% to \$23.1 million in the quarter and 11% to \$68.9 million in the first nine months over corresponding 1980 periods.

Chubb Corp.'s total operating income, including life and health insurance, was \$25.9 million for the quarter, down from \$26.9 million in the third quarter of 1980. For the first nine months of 1981, consolidated operating income slipped to \$71.4 million from \$77.1 million last year.

## CNA Insurance Cos.

For the third quarter, CNA's operating income was \$30.1 million, 5% higher than last year's period. The first nine months also reflected a gain, with operating income of \$94.5 million, compared with \$87.5 million in 1980.

Nonetheless, combined ratios ran very high—to 112.3% from 106.9% in a quarter-to-quarter comparison. Over the first nine months, this indicator hit an uncomfortable 110.3%, compared with 105.2% for the same period last year.

These ratios resulted from severe underwriting losses. Those losses in the third quarter jumped to \$60.1 million from \$39 million. And in the first nine months they leapt to \$150.1 million from \$88.6 million.

However, investment income continued to sustain operating income. Third-quarter investments produced income of \$86 million, compared with \$58.5 million last year. And in the first nine months, investment income grew to \$226.6 million, compared with \$163.8 million in the comparable period of 1980.

## Connecticut General

At first glance, Connecticut General's property/casualty division showed an extraordinary operating income gain of 37.6% to \$16.5 million for the quarter. But Augustine Demeo, director of investor relations, was quick to deny that it had very much to do with insurance acumen.

He pointed to a 22.4% rise in the division's investment income, as "clearly the most significant fac-

tor" behind the leap.

On the other hand, he found no cause for cheer in the division's 109.3% combined ratio for the quarter, barely less than last year's 110.3%.

For the first nine months of 1981, property/casualty operating income rose 26% to \$49.2 million on a 21% upswing in investment income to \$98.1 million. The combined ratio for the period was 108.1% versus last year's 108%.

The entire corporation's operating income for the quarter rose 10% to \$101 million from \$92.1 million in the third quarter of 1980. In the first nine months of this year, these earnings were \$234.2 million, also 10% higher than the year-ago period.

Consolidated revenues, which include premium, investment and other income, totaled \$1.4 billion for the third quarter—a 3% increase over last year's third quarter. For the first nine months, revenues grew 7% over 1980 to \$4.1 billion.

## Continental

Property/casualty third-quarter operating income sank by a whopping 47% to \$9.6 million from \$18.2 million.

The year-to-year nine-month comparison was even more dramatic: a 68% drop to \$23.4 million from \$73.6 million.

An adjusted underwriting loss for the third quarter of \$61.3 million fed a combined ratio of 110.1%. This compared to a 1980 loss of \$46.8 million for a combined ratio of 107.3% in the third quarter.

For the first nine months, the insurer's underwriting loss was \$182.7 million with a combined ratio of 108.9%, compared with an underwriting loss of \$123.9 million and a combined ratio of 106% in 1980.

Meanwhile, investment income for the division was only fair. It increased 9.1% in the third-quarter to \$70.9 million from \$64.9 million.

The Continental Corp. did little better, with a 19% drop in operating income for the first nine months of the year to \$135.4 million from \$166.1 million. The third-quarter results were more even: \$50.3 million versus 1980's \$49.7 million.

Revenue growth was sluggish. Third-quarter revenues totaled \$908.2 million, up 5% from last year. Nine-month revenues were \$2.6 billion, up 4%.

## Crum & Forster

Crum & Forster's property/casualty sector showed considerable improvement in the third quarter, with operating income rising 34% to \$44.3 million on written premiums of \$407.6 million. The combined ratio declined to 99.7% from 102.9%

and investment income rose 20% to \$60.7 million.

The sector's results for the first nine months maintained this pattern. Operating income for the period rose 25% to \$138.9 million on written premiums of \$1.2 billion. The combined ratio fell to 98.6% from 100.2%. And net investment income was up 21% to \$178.9 million.

Crum & Forster's consolidated results for the third quarter showed a faint decline with total revenues of \$482 million versus \$485.3 million last year. Investment income ballooned 26% to \$68 million from \$53 million. Moreover, operating income gained by 36% to \$47.1 million.

Nine-month consolidated results revealed a 1% rise in total revenues to \$1.4 billion. Investment income rose to \$196.5 million, a 23.7% increase over last year. Operating income grew 19.4% to \$139.2 million.

## Fireman's Fund

For the third quarter, the property/liability subsidiaries increased their operating income a handsome 7.5% to \$55 million. And operating income for the first nine months rose 10% to \$161 million from \$146 million.

At the same time, the combined ratio for the third quarter improved slightly to 101.6% from 101.8% last year. For the first nine months, the group enjoyed a ratio of 102.4% down from 1980's 103%.

Myron Du Bain, president and chairman of Fireman's Fund, cited a "commitment to reasonable pricing in the face of unreasonable competition" as the key to his company's relative success.

It's just as well that the company is preoccupied with underwriting profits, since investment income for the third quarter rose a meager 9% to \$71 million from \$65 million. For the first nine months, the 14% rise in investment income to \$222 million was more in tune with the times.

Fireman's Fund Insurance Cos. as a whole performed nicely in the third quarter, with an 8.5% year-to-year rise in operating income to \$58 million on revenues of \$761 million.

Also, for the nine months, corporate earnings swelled 9.1% to a record \$169 million on revenues of \$2.2 billion.

## INA

Although third-quarter revenues for the property/casualty group rose to \$879.6 million from \$857.5 million in 1980, operating income was down to \$45.4 million, compared with \$52.7 million in the third quarter of 1980. Echoing this refrain, operating income,

Continued on facing page

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Continued from previous page  
for the first nine months plunged to \$136.8 million from 1980's \$149.5 million.

As a consequence, the combined ratio in the third quarter was 104.8%, in contrast with 103.3% in 1980's third quarter. And for the first nine months, a combined ratio of 104.7% compared unfavorably to 1980's 102.7%.

The group's investment income swelled 18.8% to \$104.9 million in the third quarter from \$88.3 million for the same period in 1980. And it rose to \$299.4 million in the first nine months from \$258.1 million last year.

INA Corp., including the company's profitable life group, showed improvement over the third quarter of 1980. Revenues rose from \$1.2 billion to \$1.3 billion in the third quarter. And operating income was \$73 million, compared with \$68.5 million for the last year's period. Nine-month operating income rose to \$217.4 million from \$206.9 million in 1980.

### Kemper Corp.

Third-quarter results for Kemper's property/casualty division were a cut above those for last year's period. Operating income gained 18% over 1980's third quarter to \$13.2 million, while the combined ratio dipped to 103.5% from 103.9%.

Least anyone get the wrong idea, Joseph Luccke, Kemper's chairman and chief executive officer, said, "The improvement in this category should not be taken as a signal that the underwriting cycle has turned for us." Instead, he said, heavy weather-related losses in 1980's third quarter made the just-ended period look good by comparison.

"Still, we're heartened by favorable results in certain lines, such as workers compensation," he added.

These results were not strong enough to save the property/casualty operating income for the first nine months from dropping 11% to \$33.7 million from \$38 million. Nor could they offset a combined ratio that hit 104.5%, compared with last year's 102.3%.

Only investment income showed the expected improvement, with a 17% rise to \$18.4 million for the quarter and a 13% rise to \$53.5 million for the first nine months.

Broadly, Kemper Corp. includes property/casualty insurance, reinsurance, life insurance, investment services and safety consulting. While year-to-year operating earnings for the third quarter rose 19% to \$22.9 million, the nine-month results were flat at \$62.1 million despite a 37.9% increase in overall sales to \$1.4 billion.

The firm's diversified operations, which include money management and insurance services operations and a 25% investment in a California savings and loan association, lost

\$1.9 million in the first nine months, compared with a \$721,000 loss in first nine months of last year.

### Mission Insurance Group

The Mission Insurance Group's operating income grew a healthy 17% to \$12.2 million for the quarter. But, while the firm's after-tax investment income surged by 26% to \$9.9 million, its combined ratio pierced the 100% barrier, moving to 100.3% from 98.5%.

In the first nine months, Mission's operating income grew 16% to \$35.1 million. The combined ratio rested at a more satisfactory 91.1%, compared with last year's 90%. And investment income swelled 31% to \$30.9 million from \$23.7 million.

### Reliance Group

Year-to-year third-quarter comparisons of Reliance's property/casualty operations show little change. Operating income was \$19.2 million, compared with \$19.6 million a year ago. The combined ratio was 103.5%, compared with 104.3%. And investment income rose 17% to \$36.6 million from \$31.2 million, offsetting a third-quarter underwriting loss of \$5.6 million.

Similarly, nine-month operating income dribbled to \$59.9 million from \$65.8 million. The combined ratio was 102.1%, compared with last year's 102.3%. And investment income increased to \$104.2 million from \$90.7 million.

### SAFECO Corp.

Property/casualty operating income for the third quarter plummeted 16% to \$20.6 million from \$24.8 million. Concurrently, the third-quarter combined ratio rose to 99.9% from 98.2%.

The poor results were largely due to a \$5.4 million hailstorm loss in Calgary, Alberta, SAFECO reports, adding that the region, "never before suffered severe hailstorm losses."

In the same vein, property/casualty operating income for the first nine months dropped 18% to \$72.4 million from \$88.9 million in the corresponding period of 1980.

Again, investment income both in the third quarter and in the first nine months showed substantial growth. For the quarter, it increased 15.2% to \$22.4 million, compared with \$19.5 million in the third quarter of 1980. In turn, high interest rates spurred an 8.3% gain to \$64.6 million in the first nine months.

For SAFECO Corp. as a whole, third-quarter operating income fell to \$26.3 million from \$27.1 million. For the first nine months,

it fell to \$79.4 million from \$87.3 million.

These earnings stem from life and health insurance, title insurance, real estate, credit operations, computer services and corporate investment income, as well as property/casualty insurance, which accounts for 70% of SAFECO's revenues.

### St. Paul Fire & Marine

Property/liability operations managed to produce greater earnings on less premium. The company reported income of \$40.5 million on written premiums of \$398.7 million, compared with \$32.4 million on written premiums of \$405.8 million in the third-quarter of 1980.

By the same token, nine-month operating income of \$122.8 million on written premiums of \$1.13 billion were an improvement over operating income of \$98.3 million on written premiums of \$1.14 billion in 1980.

A 102.5% combined ratio for the quarter reflected a decline in underwriting losses to \$14.6 million from \$17.2 million in the third quarter of 1980, when the combined ratio hit 103.5%.

But underwriting results for the first nine months were, in the company's terms, "unprofitable." A loss of \$40.2 million for a combined ratio of 103.5% topped the \$39 million loss in the first nine months of 1980 that prompted a combined ratio of 103.4%.

On the other hand, investment income proved a bonanza, yielding 23% over the third quarter of 1980 or \$56.4 million, compared with \$45.5 million. For the first nine months, investment income totaled a hefty \$163.3 million versus \$129.8 million in 1980.

The St. Paul Cos.' consolidated results include property/liability insurance, life insurance, investment products and investment banking. Chairman Carl Drake pointed to improved operating income in both the property/liability and life insurance businesses as integral to the 25% rise in third-quarter operating income.

For the period, St. Paul generated \$43.4 million on revenues of \$486.2, compared with third-quarter 1980 results of \$35.1 million on revenues of \$467.7 million. In the first nine months, operating income totaled \$132.8 million on revenues of \$1.46 billion, against last year's \$107 million on revenues of \$1.37 billion.

### The Travelers

The company's property/casualty business suffered a 28% drop in third-quarter operating income to \$33.1 million from \$46.2 million. This contributed to a 13% drop in operating income to \$112 million for the first

nine months of 1981.

Equally dismal, the property/casualty combined ratio for the third quarter was 107.3%, compared with 105.9% for the third quarter of 1980. For the first nine months, the combined ratio was 107%, compared with last year's 106.2%.

Third-quarter investment income climbed to \$105.4 million from \$89.1 million. And, for the first nine months, this nest egg grew to \$304 million from \$273.9 million for the corresponding period of 1980.

Consolidated operations, which include property/casualty, group operations and personal lines, generated third-quarter operating income of \$88.6 million on record revenues of \$2.5 billion. But operating income was 6% less than the \$94.7 million reported in 1980.

Third-quarter investment income for combined operations grew 29% to a record of \$495.6 million. It grew 23% during the nine months to \$1.4 billion. Revenues for the nine-month period grew at a 13% clip to \$7.4 billion.

### U.S. Fidelity & Guaranty

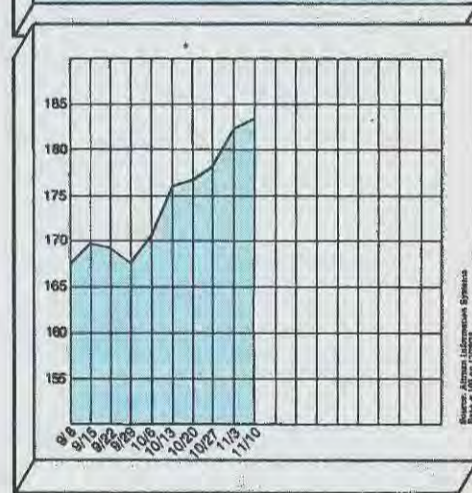
USF&G reported a 29% third-quarter drop in operating income for property/casualty operations to \$40.6 million from \$57.2 million in the third quarter of 1980. The combined ratio increased to 104.6% from 102.1%.

These figures darkened nine-month results, wherein property/casualty operating income eroded 30% to \$127.4 million and the combined ratio rose to 95.4% from 93.5%.

A "deterioration in all lines of insurance" caused by price competition and inflation caused these grim results, the company reported.

Investment income was a saving grace. In the third quarter alone, it rose 24% to \$64.6 million, dashing ahead of the nine-month increase of 20.5% from 1980.

### BI Insurance Index



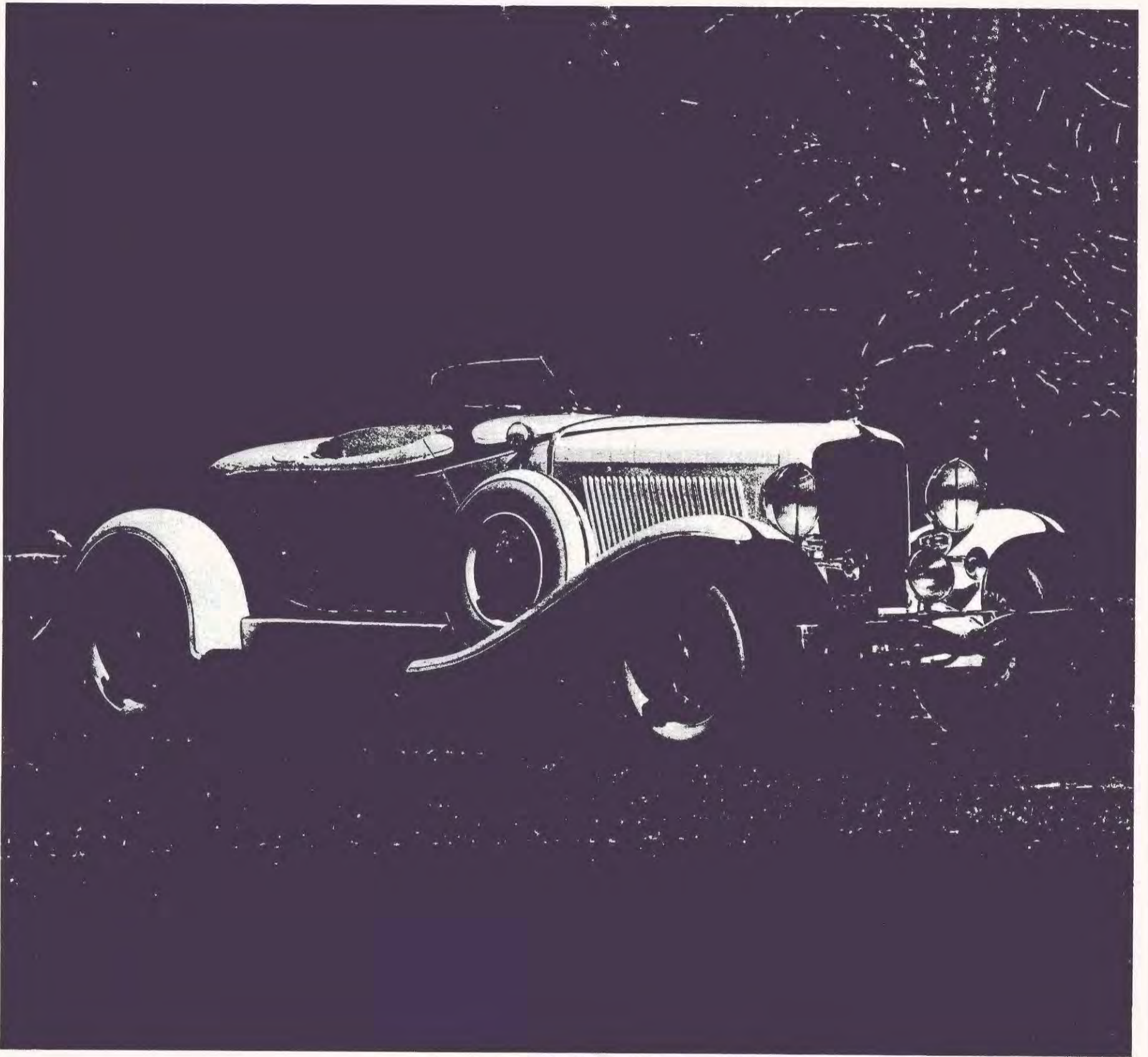
Insurance industry stocks had another good week as the *Business Insurance* stock index increased 1.1 points to 183.6 from 182.5. It was the sixth consecutive advance. Thirty-seven issues posted gains, 24 stocks declined and 12 were unchanged. The largest gains were: Provident Life & Accident Co., 14.4%; Reed Stenhouse Cos. Ltd., 11.9%; Old Republic International Corp., 10.8%; Hanover Insurance Co., 7.3%; Combined International Corp., 5.7%. The largest declines were posted by: Frank B. Hall & Co. Inc., 9.4%; Aneco Reinsurance Ltd., 9.1%; Connecticut General Corp., 6%; Crum & Forster, 4.6%; Armco Inc., 4.3%. The *BI* index, which rose 0.6%, outperformed the three major stock market indexes.

## BI Industry Stock Report

Insurance Cos.	NOV. 10, 1981					11/4/81 THRU 11/10/81					NOV. 10, 1981					11/4/81 THRU 11/10/81										
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		
Aetna Life & Cas Co	NYSE	44.63	0.6	7.5	2.32	5.2	44.63*	42.75	1,840.2	Tokio Marine & Fire Ins Co	OTC	109.50	-0.2	8.7	1.00	0.9	111.38	107.75	4.9							
American Bankers Ins Group	OTC	7.00	3.7	13.2	0.44	6.3	7.00	6.50	108.9	Travelers Corp	NYSE	46.75	0.5	5.8	2.88	5.9	48.75	48.13	358.2							
American Gen Ins Co	NYSE	43.25	-2.3	6.3	2.00	4.6	43.25	42.00	165.2	United Fire & Cas Co	OTC	33.00	4.8	8.6	1.00	3.0	33.00	32.50	0.4							
American Indty Fintl Corp	OTC	13.75	0.9	5.8	1.12	8.1	13.75	13.63	1.6	United States Fid & Gty Co	NYSE	43.63	-1.7	7.1	3.20	7.3	44.88	43.63	108.1							
American Intl Group Inc	OTC	65.25	0.8	11.9	0.40	0.6	65.50*	65.25	397.7	United Svcs Life Ins Co	OTC	15.00	1.7	5.8	1.00	6.7	15.00	14.88	19.8							
American Natl Ins Co	OTC	13.63	1.9	5.8	0.76	5.6	14.00	13.50	51.7	Unifire Corp	NYSE	24.13	2.7	5.7	0.80	3.3	24.13	23.50	176.1							
American Sts Life Ins Co	OTC	17.50	4.0	5.6	0.72	4.1	17.50	17.50	2.0	Washington Natl Corp	NYSE	20.25	-3.6	6.1	1.08	5.3	20.63	20.00	56.7							
Aneco Reins Ltd	OTC	2.50	-9.1	0.0	0.00	0.0	2.75	2.50	6.1	Zenith Natl Ins Corp	OTC	16.25	0.0	8.5	0.60	3.7	16.50	16.25	4.7							
Appalachian Natl Corp	OTC	2.31	0.0	0.0	0.00	0.0	2.31	2.31	0.1	INSURANCE COMPANIES					AVERAGE											
Avemco Corp	AMEX	9.00	-1.4	6.2	0.50	5.6	9.13	9.00	11.4	AGENTS/BROKERS																
Banks Iowa Inc	OTC	46.00	2.2	6.7	1.24	3.1	47.00*	44.50	14.9	Alexander & Alexander Svcs	OTC	29.75	3.5	10.5	1.84	6.2	29.75	29.00	168.0							
Biteco Corp	OTC	37.50	4.2	5.3	2.16	5.8	37.50	36.00	5.5	Baldwin & Lyons Inc	OTC	31.75	0.0	5.5	0.80	2.5	31.75	31.75	0.1							
Carolina Cas Ins Co	OTC	6.75	0.0	6.8	0.32	4.7	6.75	6.75	4.4	Corroon & Black Corp	NYSE	20.13	1.9	11.9	1.76	8.7	20.13	19.88	16.8							
Central Natl Fintl Corp	OTC	31.75	2.0	10.3	0.65	2.0	31.75*	31.25	1.8	Crum & Forster	OTC	12.00	-1.0	14.1	0.40	3.3	12.25	12.00	33.8							
Chubb Corp	OTC	49.63	2.8	6.1	2.68	5.4	49.63	48.25	150.2	Hall Frank B & Co Inc	NYSE	23.75	-9.4	10.8	1.66	5.8	31.00	28.75	191.6							
Combined Intl Corp	NYSE	23.13	5.7	6.3	1.80	7.8	23.13*	21.88	147.7	Integrated Res Inc	AMEX	15.63	-3.8	6.9	0.00	0.0	16.63	15.63	27.1							
Connecticut Gen Ins Corp	NYSE	52.88	-6.0	6.7	1.76	3.3	56.25	52.25	627.8	James Fred S & Co Inc	NYSE	25.00	-2.0	11.7	1.60	6.4	25.25	24.75	80.4							
Continental Corp	NYSE	26.75	-0.9	8.4	2.40	9.0	27.25	26.75	121.7	Marah & Helmsen Cos Inc	NYSE	35.00	0.0	11.3	2.00	5.7	35.75	34.75	123.6							
Crawford & Co	OTC	15.00	1.7	11.6	0.52	3.5	15.00	14.75	7.0	Pennecorp Fintl Inc	NYSE	6.00	6.7	10.7	0.16	2.7	6.00	5.25	192.8							
Crown Life Ins Co	OTC	88.50	-3.8	9.6	2.80	3.2	88.50	88.50*	1.5	Poe & Aasoe Inc	OTC	10.00	0.0	8.7	0.80	8.0	10.00	10.00	2.7							
Crum & Forster	NYSE	33.63	-4.6	5.5	1.64	4.9	35.00	33.63	564.8	Reed Stenhouse Cos Ltd	OTC	11.75	11.9	9.3	0.60	5.1	11.75	10.50	33.3							
Employers Cas Co	OTC	34.50	1.5	5.5	1.20	3.5	34.50	34.00	2.6	Rollins Burdick Hunter Co	OTC	23.00	-2.6	13.1	1.32	5.7	23.50	23.00	5.6							
Equipax Inc	NYSE	22.00	-3.8	4.9	2.40	10.9	23.00	22.00	12.9	AGENTS/BROKERS					AVERAGE											
Exoelstior Ins Co	OTC	17.00	1.5	14.7	0.70	4.1	17.00	16.75	1.2	CONGLOMERATES/HOLDING COS.																
Farmers Group Inc	OTC	29.00	0.4	9.0	1.12	3.9	29.38	28.88	284.5	American Express(Fireman's Fd)	NYSE	46.50	0.5	8.3	2.00	4.3	47.63	45.50	728.7							
First Colony Life Ins Co	OTC	58.00	0.9	16.5	1.00	1.7	58.00	57.50	1.5	Anderson Clayton(Ranger/PanAm)	NYSE	26.63	7.0	5.5	1.20	4.5	26.88*	25.50	46.8							
Foremost Corp Amer	OTC	26.75	0.9	7.6	0.80	3.0	26.75	26.50	12.6	Araco Inc	NYSE	25.00	-0.3	2.9	1.80	7.2	26.00	25.00	158.2							
Great West Life Assurn Co	OTC	241.00	-0.4	9.7	10.00	4.1	241.00	240.00	0.0	City Investing Co. (Home Ins.)	NYSE	33.25	-5.1	6.7	1.60	6.9	24.50	23.25	255.2							
Hanover Ins Co	OTC	36.50	7.4	4.4	0.72	2.0	36.50*	34.25	44.0	CNA Fintl Corp (CNA)	NYSE	13.13	0.0	5.7	0.00	0.0	13.13	12.88	5.5							
Hartford Steam Boiler Inapnt	OTC	45.50	-0.5	8.0	2.60	5.7	45.50	45.50	3.9	Control Data (Comm. Credit)	NYSE	39.25	-3.7	9.2	0.50	1.3	40.50	38.50	916.6							
Jefferson Natl Life Ins Co	OTC	34.75	0.7	20.0	0.																					

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