

business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.25 a copy; \$45 a year

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Marioni named president of Mission Insurance Group

LOS ANGELES—Louis F. Marioni, 55, is the new president and chief executive officer of Mission Insurance Group Inc., succeeding E. Richard DeRosa who announced his early retirement in May.

Mr. Marioni, a 22-year veteran of the company, has been Mission's executive vp and chief operating officer since 1972. His promotion to the top post by unanimous election of the

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risk management board

Computers burgeon in risk departments

By KATHRYN J. McINTYRE

CHICAGO—Computer terminals are popping up in risk management departments around the country, churning out claims reports and analyses at the push of a button.

The immediate access to information is helping risk management departments design loss-prevention programs and risk-financing plans and to alert operating units and top management to the results of risk management efforts.

Of 52 risk managers responding to a recent *Business Insurance* survey, 20—or 38%—have computer terminals in their offices.

Another 18 of the risk managers intend to have computer terminals in their offices—16 plan to have them by year-end 1985.

If these 16 succeed, almost 70% of the 52 risk managers responding to the survey will have computer terminals in their offices by year-end 1985.

Another three departments, or 6%, will have terminals in their offices if their studies and current projects are fruitful.

Only eight risk managers, or 15%, have decided against installing terminals, five because they are satisfied with their insurer's or broker's computerized claims service and three because they found them too expensive. Only two risk managers, or 4%, haven't even studied the issue.

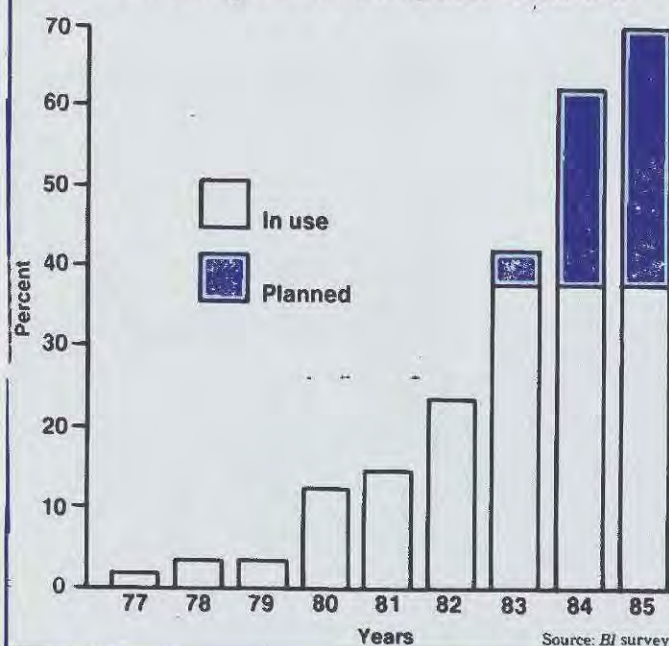
One risk manager is satisfied with using the in-house mainframe for risk management information reports without installing a terminal in the department.

The 52 risk managers responding to the survey are members of the *Business Insurance* Risk Management Board. Risk managers in companies of all sizes, government entities and institutions have volunteered to respond to periodic surveys from BI.

Only very recently have computer terminals turned up in risk

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Growing use of computer terminals



Stearns-Roger loses captive insurer tax case

By RHONDA L. RUNDLE

DENVER—Uncle Sam again is the winner in a court battle involving tax deductions sought by a U.S. corporation for premiums paid to its captive insurance company.

More than \$6 million in premiums paid from 1974 through 1978 by Stearns-Roger Corp. Inc. to its Colorado captive are not tax-deductible as business expenses because the insured risks never left the parent company's "economic family," a U.S. District Court judge in Denver ruled earlier this month.

While other courts around the country are not bound to follow the decisions of courts in other districts, the scarcity of rulings on captive tax issues makes this a powerful one, attorneys say.

Stearns-Roger, a worldwide manufacturer of mining, petroleum and power generation plants headquartered in Glendale, Colo., filed its suit against the government to seek a refund for taxes it had already paid. Previously, the company had been audited by the Internal Revenue Service, which disallowed the deductions.

Last week, Stearns-Roger said it had not yet decided whether it would appeal the decision to the Tenth Circuit Court of Appeals.

Stearns-Roger is only the second taxpayer with a captive to obtain a court ruling on the premium deduc-

tibility issue, although other suits are pending around the country. Mobil Corp., for example, is awaiting a decision in its case tried recently in the U.S. Court of Claims in New York (*BI*, Aug. 1).

More than two years ago, the Ninth Circuit Court of Appeals affirmed a lower court decision for the Internal Revenue Service and against Carnation Co., which was denied tax deductions for premiums paid to an offshore captive (*BI*, March 16, 1981).

However, many tax attorneys have rejected Carnation as a precedent-setter because of unusual circumstances surrounding the parent corporation's relationship with its captive. Carnation had a guarantee agreement with its

'If you are insuring only the risks of the parent, then according to Stearns-Rogers, it is not insurance,' observed Sidney Pine. 'There's very little solace here for the taxpayer.'

Bermuda captive to furnish additional capital as needed to pay losses.

"This (Stearns-Rogers) is a much cleaner decision than Carnation," observed Sidney Pine, a captive authority and partner in the New York law firm of Trubin Sillocks Edelman & Knapp.

"If you are insuring only the risks of the parent, then according to Stearns-Rogers, it is not insurance," he explained. "I'm afraid there's very little solace here for the taxpayer."

Stearns-Roger did have an indemnification agreement with its captive that might be compared with the Carnation guarantee, but it wasn't of any significance

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J&J excess insurers file suit against Johnson & Higgins

By BILL DENSMORE

NEWARK, N.J.—Johnson & Higgins is to respond by Nov. 28 to a third-party lawsuit involving its role in brokering \$60 million in excess and umbrella liability coverage for Tylenol manufacturer Johnson & Johnson.

Six of the New Brunswick, N.J., drugmaker's excess liability insurers say they should be indemnified by the broker if they are required to pay any of J&J's approximately \$110-million claim for the voluntary recall of 31 million containers of Extra-Strength Tylenol capsules following the September 1982 poisonings of seven Chicago-area residents (*BI*, Jan. 10, July 11).

They say J&J's lead umbrella policy was "drafted, negotiated and arranged" by Johnson & Higgins and its London-based corresponding broker, Willis Faber & Dumas.

In the first count of the suit filed Oct. 6, the insurers claim Johnson & Higgins knew of differences between the language proposed for the excess policy and that contained in J&J's underlying coverage, yet failed to convey that knowledge to excess insurers and/or rein-

surers.

In the second count, the insurers charge J&J had "constructive knowledge" that J&J's excess coverage wasn't intended to cover a voluntary recall but failed to convey that knowledge to Johnson & Johnson.

A J&H spokesman said the broker believes it conducted itself properly in all respects as Johnson & Johnson's broker.

"We have seen and read the filing and we find the claims sought to be asserted by the insurance companies to be completely groundless," said the spokesman.

The six insurers are among nine insurers named in a civil action filed 11 months ago by McNeilab Inc. of Ft. Washington, Pa., the Johnson & Johnson unit that makes Tylenol.

McNeilab sued J&J's property and excess liability insurers demanding that its \$110 million in recall-related expenses be covered either by the excess liability insurers or under the terms of a \$50-million, all-risk extended property, business interruption and extra-expense policy written by Affiliated FM Insurance Co.,

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Lloyd's next chairman will make himself heard
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Marioni promoted at Mission

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board of directors last week ends months of speculation about who would follow Mr. DeRosa (BI, Oct. 31).

A search committee interviewed a number of candidates from outside the company and concluded that Mr. Marioni's ability, experience and knowledge were such that he clearly merited this opportunity, said Edward A. Smith, chairman of the board.

Mr. DeRosa continues as a director of the group and chairman of the executive committee of the board.

Vermont takes over insurer

MONTPELIER, Vt.—The Vermont Insurance Department is evaluating the assets and liabilities of Ambassador Insurance Co., a multiline property/casualty insurer that was placed under rehabilitation earlier this month, says Insurance Commissioner George Chaffee.

Ambassador, the largest subsidiary of the New Jersey-based Ambassador Group Inc., had underreserved for liabilities produced by several poor classes of business, including medical malpractice and substandard automobile insurance, said Mr. Chaffee, who was appointed receiver of the insurer on Nov. 10.

The extent of those liabilities is unknown at present, but could easily exceed the insurer's approximately \$160 million in assets, he said.

Ambassador, rated B-plus or "very good" by the A.M. Best Co. rating service, underwrote about \$48 million in personal and commercial property and liability premiums in 1982. It is the parent of Horizon Insurance Co., which was also placed under the supervision of the state.

No way related to Ambassador or the Vermont action are Horizon Insurance Co. Ltd. based in Bermuda and First Horizon Insurance Co. in Minneapolis, wholly owned subsidiaries of Cargill Inc.

Pension bill amended

WASHINGTON—A House committee last week approved legislation to make it easier for women to collect pension benefits, but only after removing a provision that could have required hundreds of firms to offer faster vesting schedules.

The legislation, H.R. 4280, originally would have set new "safe harbors" to protect pension plans from a finding of discrimination. Plans now are protected from discrimination charges if they offer a 4-40-vesting schedule in which a participant is 40% vested after four years of service.

The safe harbors removed from the bill would have protected plans from discrimination charges only if they offered either 100% vesting after five years or 30% vesting after three years.

The measure, introduced by Rep. William Clay, D-Mo., and approved by the House Education and Labor Committee, lowers the minimum age for vesting purposes to 18 from 22 and makes it easier for a spouse to collect a survivor's benefit (BI, Nov. 7).

Firestone not found liable

BEAUMONT, Texas—A state court jury has found Firestone Tire & Rubber Co. negligent for not warning workers of the danger of benzene but did not assess any damages against the company for the death of a worker exposed to the chemical.

The widow of Harold Springfield brought a suit against Firestone seeking \$5.5 million in damages. Mr. Springfield, a pipefitter, died of leukemia, which has been linked to exposure to benzene.

Firestone attorneys argued that even if Mr. Springfield was exposed to benzene at the Firestone plant, he worked there for such a brief period of time that the exposure there did not cause his death, said Robin Steele, Mr. Springfield's attorney with the Groves, Texas, firm of Provost, Umphrey, McPherson & Swearingen.

Mr. Springfield was an independent contractor who worked at the Firestone plant for 11 months over a 10-year span.

Prior to the verdict, a number of other defendants in the Springfield suit settled for a total of slightly more than \$500,000. They are Mobil Oil Corp., Mobil Chemical Corp., E.I. du Pont de Nemours & Co., Gulf Oil Corp., Gulf Oil Chemical Division, Atlantic Richfield Co., Atlantic Refining Co., Arco Polymers Inc., American Petrofina Co., American Petrofina Co. of Texas, Texaco Inc. and Neches Butane Products Co.

Longshore bill advances

WASHINGTON—The House Education and Labor Committee last week unanimously approved legislation, S. 38, to overhaul the federal Longshoremen's and Harbor Workers' Compensation Act.

The measure, which now goes to the House floor, would cap benefit increases at 5% a year and eliminate death benefits to survivors of workers who die from causes unrelated to an on-the-job injury.

A similar bill has been approved by the Senate.

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Federal right-to-know law to be published this week

By SALLIE J. DRURY

Manufacturers are going to get the federal hazard communication standard most of them want.

But states that have passed similar laws of their own are expected to balk at federal pre-emption of their laws.

The federal law to guarantee employees' right to know if they are handling a hazardous material was approved Nov. 9 by the Office of Management & Budget and will be published in the Federal Register this week.

The law, which was proposed by the Occupational Safety & Health Administration in March 1982, would make it mandatory for all manufacturing companies to let their workers know if they are working with a hazardous substance.

Container labels would have to list hazardous ingredients and carry hazard warnings, like flammable. The law also would require workers to be trained in the proper handling of the potentially harmful substances.

The regulations, which would cost employers about \$600 million initially and \$160 million annually, would initially affect about 320,000 employers in the manufacturing sector and about 14 million employees.

Under the proposed federal rules that were sent to OMB for approval:

- Chemical manufacturers would be required to as-

sess the hazards of the chemicals they produce and all employers that use these chemicals would have to provide information to their employees about the hazards. Labels, placards, material safety data (MSD) sheets and training and education programs are required.

• Hazardous substances are defined in the list of approximately 600 OSHA regulated substances, plus any
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Nominations due soon

The Dec. 5 deadline for nominations to the Business Insurance Risk Manager of the Year competition is rapidly approaching.

These awards recognize outstanding achievements in the field of risk management. The winners, selected by a panel of insurance experts, will be announced April 2. Besides naming a Risk Manager of the Year, Business Insurance also names a Risk Management Honor Roll to recognize other outstanding persons.

If you already have a nomination form, please complete it immediately and send it to Risk Manager of the Year, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. If you need a form, contact Diane Kastiel at 312-649-5398.

Tankers report new pollution cover

By STACY SHAPIRO

LONDON—Operators of at least three dozen tankers that travel in U.S. territorial waters informed the U.S. Coast Guard last week that their mandatory pollution insurance coverage is no longer written by their protection and indemnity club, Oceanus Mutual Underwriting Assn. (Bermuda) Ltd.

Nearly all of them are now insured for tanker pollution risks by The International Tanker Indemnity Assn. in Bermuda, an oil pollution P&I Club which formerly reinsured Oceanus' pollution risks, said Albert J. Klingel Jr., chief of the financial responsibility division of the Office of Maritime Environment & Systems in the Coast Guard.

The Coast Guard had informed all tanker operators on Oct. 14 that they should switch their pollution insurance from Oceanus to a Coast Guard-approved insurer by Nov. 14. As of Nov. 14, Oceanus is no longer an approved insurer for pollution liability for tankers, the Coast Guard said.

However, the pollution insurance for the tanker operators already had been switched from Oceanus to ITIA by Oceanus in August, says Michael Summerskill, a partner at Thomas R. Miller in London which manages ITIA. Oceanus decided to stop underwriting pollution insurance, he said.

Repeatedly, Business Insurance tried to reach

Oceanus' London consultant John Laing of John Laing (Management) Ltd. for comment but he was unavailable.

The Coast Guard was never informed that Oceanus had stopped writing the coverage, said Mr. Klingel. As a result, the Coast Guard issued its Oct. 14 notice to tanker operators. The Coast Guard also will not accept Oceanus as a pollution insurer for any new vessels—tankers or non-tankers—just entering the P&I club, Mr. Klingel said.

The Coast Guard is, however, allowing non-tanker vessels to be insured for pollution coverage by Oceanus "for the moment," said Mr. Klingel. "But the matter is under review."

Oceanus is a P&I club in which its member ship-owners pool funds to protect themselves against marine liabilities. Financial and membership information about the club was not made available to Business Insurance.

The Clean Water Act requires all vessels traveling in U.S. waters to carry evidence that they have pollution coverage to pay for cleanup if there is a spill.

This evidence, called a Certificate of Financial Responsibility, is issued by the Coast Guard when the insurer writing the pollution coverage is acceptable to the Coast Guard. The Coast Guard "requires concrete evidence of acceptable reinsurance and that the company

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Debate continues over MGM claim

By BILL DENSMORE

LAS VEGAS, Nev.—A former construction vp of MGM Grand Hotels Inc. once said MGM's \$211 million insurance claim for property losses in a 1980 Las Vegas fire was inflated by about \$60 million, says an attorney for one of MGM's insurers.

The lead counsel for Insurance Co. of North America, a CIGNA Corp. affiliate that underwrote a \$50 million excess of \$175 million layer of property coverage for MGM, made that statement in court papers filed in U.S. District Court here last week.

The papers were filed in answer to MGM's request that U.S. District Judge Harry E. Claiborne remove INA's lead counsel and his law firm and attorneys for American Protection Insurance Co., another MGM property insurer, from the case for alleged unethical conduct (BI, Nov. 7).

Info section planned Jan. 9

The annual Info special section will appear in Business Insurance Jan. 9, 1984, listing informational booklets and brochures available to readers free of charge.

In order to have material included in this special section, you must submit a copy of the booklet or brochure and a special "Info" form to Business Insurance by Dec. 12.

If you need a form, contact Diane Kastiel at Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5398.

MGM says the attorneys attempted to cause the "defection" of George L. Morris, MGM's former vp of construction, by offering him a \$495,000 consulting contract.

The insurers say they made no such offer, but add that such an offer would have been ethical anyway. The two law firms involved are Cozen, Begier & O'Connor of Philadelphia, representing INA, and Robins, Zelle, Larson & Kaplan of Minneapolis, which represents American Protection.

Mr. Morris supervised both the construction of the original MGM Las Vegas hotel and the reconstruction after the fire that killed 84 and injured almost 600. He resigned from MGM in 1982, at which time he reached a consulting agreement with MGM. He terminated that contract at the end of August, after his attorney began talks with a lawyer representing INA.

MGM said the former executive was helping it prepare to go to trial Dec. 6 against the two property insurers over a dispute concerning property insurance coverage for the November 1980 fire.

MGM last year sued INA and American Protection for failing to reimburse it for the full \$211 million cost of rebuilding the hotel. MGM claims it is still owed \$69 million (BI, March 1, 1982; Aug. 1).

The two insurers, however, charge that MGM fraudulently inflated the costs of rebuilding the hotel by including the cost of improving and expanding the facility in its claim. American Protection is seeking return of \$92 million it already paid MGM and INA is trying to prove losses were less than claimed so that its layer of coverage is not pierced.

Both sides agree Mr. Morris will be a key witness in
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Broker results reflect rebound of economy

By LEN STRAZEWSKI

Commercial insurance brokers are beginning to feel the benefits of economic recovery and expense control programs begun last year, executives say, but rate competition is still slowing their growth.

In the third quarter of this year, most of the major publicly held insurance brokers reported significant gains in both gross revenues and net income as rebounds in the construction industry and a reduction in the nation's unemployment rolls helped offset the effect on premiums of continued rate reductions from commercial insurers.

The quarter, however, was not without its disappointments and at least one industry observer notes that despite signs of economic improvement, rate competition is still the single strongest force affecting the brokers.

"The rate environment is still terrible for brokers," remarks Leonard Wilson, senior analyst with L.F. Rothschild, Unterberg, Towbin in New York. "And rates are still the major force with which they have to contend. But cost control has grown into a big issue for the brokers and the big brokers seem to be containing their costs much better."

Cost control, he observes, was one of the major factors behind the rebound of Corroon & Black Corp., the nation's sixth largest brokerage. C&B nearly doubled its earnings in the third quarter and increased gross revenues slightly.

Corroon & Black reported \$45.9 million in gross revenues for the third quarter of this year, up 3.1% from about \$44.5 million for the same period

last year as net income increased to \$8.3 million, up 98.3% from about \$4.2 million in 1982. Earnings per share in the third quarter increased comparably to \$1.02 from 52 cents last year.

ticker

C&B's third quarter results reflect a non-recurring gain of \$710,000 from the sale of a book of business in Greenville and Kingsport, Tenn.

For the first nine months of 1983, Corroon is also reporting earnings gains, despite some slippage from its 1982 revenue pace. The brokerage reported gross revenues down about 0.7% to \$129.9 million from \$130.8 million for the same period last year. Net income, however, increased 24.2% to about \$15.4 million from about \$12.4 million. Earnings per share for the first nine months of 1983 grew to \$1.90 from \$1.55 for the same period last year.

"We are encouraged by the improvement in revenues and earnings, which compared favorably with the prior-year period even before giving effect to a non-recurring gain," noted Chairman and Chief Executive Officer Robert F. Corroon. "We are cautiously optimistic that coming months will show a similar improvement."

Senior Vp and Chief Financial Officer Stephen Crane was more effusive. "After seeing some of our competitors' results, I'm beginning to wonder if we didn't add up our numbers wrong. Seriously though, we were both pleased and surprised by the strong third quarter."

"Three of our four operating divisions, brokerage services, employee benefits services and reinsurance services, all reported significant gains in the third quarter," he continued. "And even though we haven't seen any change in the property/casualty rate environment, we have seen a change in corporate purchasing."

Mr. Crane says that various signs of economic recovery, including expanding payrolls and a rebound in the construction industry, have helped

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New Lloyd's chairman

'I plan to make a bloody nuisance of myself'

By STACY SHAPIRO

LONDON—"I had a genuine reluctance about taking the job," says Peter North Miller.

"The reasons were personal—because of the stage of my career, my age, the position of my firm, those kinds of things."

"But for anybody who is as committed to Lloyd's as I am who is asked to be chairman of Lloyd's, there is only one answer you can give."

He will succeed Sir Peter Green as chairman of Lloyd's of London Jan. 1 when Sir Peter retires after four years as head of the exchange.

And, although Mr. Miller, chairman of Lloyd's brokerage Thomas R. Miller & Son (Insurance) Ltd., may have been reluctant at first to accept his new post, he already knows what he wants to do as chairman and makes it quite clear that he will be a very visible leader.

"I plan to make a bloody nuisance of myself," he quipped. "I even wrote a memo the day I was elected chairman. It said, Make a bloody nuisance of yourself, and I plan to do just that."

And, he has no plans to take a back seat to anyone, even Lloyd's Chief Executive Ian Hay Davison, who has become a formidable figure at Lloyd's in the past year.

"Mr. Davison is Chief Executive of the Civil Service, if you like, and I am the Prime Minister," the 53-year-old Mr. Miller said the day he was elected chairman.

"Me, a figurehead? Not a chance!"

He will be heard and seen regularly by the Lloyd's market, Lloyd's members, Lloyd's brokers and the British Parliament, he says.

He will devote more time to answering questions from the public.

He will be open to suggestions from all sectors, especially from his team of deputy chairmen Frank Barber and Murray Lawrence.

He will take care of the Lloyd's technical matters,

like the completion of the new Lloyd's building and installation of a computer system.

He will look for new ways to attract business to Lloyd's.

And he is expected to do it all with an openness and straightforward style not always part of Lloyd's in the past.

However, Mr. Miller's top priority will be to conclude the investigations into Alexander Howden Group P.L.C. and PCW Underwriting Agencies Ltd., which have been under way for more than a year.

In these investigations, several underwriters and broking executives have been accused of filtering syndicate funds into offshore reinsurance companies for their personal gain.

The investigations are being handled by a Lloyd's subcommittee and not by the chairman, but, "Insofar as it lies within my power, I will try to get these disciplinary matters finished as quickly as possible," says Mr. Miller.

"Speed there is difficult, but it is necessary. I have not found out yet what kind of timetable I have to work with, but I will. It is a matter of urgency and I will do what I can to speed it up."

In his post as chairman, Mr. Miller also will be putting the final

touches on Lloyd's new constitutional framework. And for this, he is especially well-prepared.

For the past few years, Mr. Miller has devoted much of his time to being a member of the Lloyd's Committee, which governed Lloyd's until the establishment of the Council of Lloyd's in January, and was the instigator in getting the Lloyd's Act of 1982 through Parliament.

"Sir Peter Green was the leader of the Lloyd's team, which pushed the bill through Parliament, but I was in charge," he said.

"And I think I can fairly say that I know more about Lloyd's Act of 1982 than anybody else, in all its aspects."

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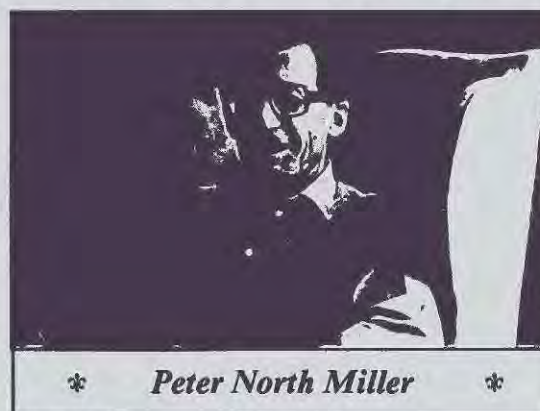


Photo: Stacy Shapiro

Peter North Miller

Communicating benefits to employees

Don't say 'salary reduction' when you explain 401(k) plan

By SALLIE J. DRURY

CHICAGO—Benefit managers, don't tell your employees about the hottest opportunity in benefits today. They'll think they don't want it.

"Salary reduction is hot! But the first rule is don't say 'salary reduction' because no one wants a pay cut," said Robert C. Penzkover, director of benefits for the Quaker Oats Co. in Chicago, which has had a salary reduction program since 1967. "You might say income deferral, or salary reduction or convertible compensation," he suggested.

What all these terms mean is taking advantage of section 401(k) of the Internal Revenue Service tax code to give employees a new benefit for comparatively little cost to the company.

This section provides the opportunity for employees to set aside part of their salaries in a company-sponsored, tax-deferred savings plan, thus lowering the employees' tax brackets. In the final analysis, employees have more after-tax money in their pockets.

Mr. Penzkover discussed the advantages of salary reduction plans with attendees of the 1983 Business Insurance Communicative Employee Benefits Conference held Nov. 1 and 2 in Chicago.

According to Mr. Penzkover, when a company institutes such a savings plan, the messages transmitted to employees must answer why the plan was begun and how an employee can use the plan to personal advantage.

And, he says, when this is properly communicated, the messages an employee receives are: I, as an employee, must take personal responsibility in planning my financial security; the employer is giving me freedom of choice; this is a great opportunity; because of this, I have a good employer.

"Over the last 15 years, the design of benefits has been to provide an ever-thicker security blanket," Mr. Penzkover said. "But that blanket is becoming an unbearable burden."

The company is being suffocated by higher benefit costs and the workforce is being suffocated by benefits that no longer meet the needs of its changing demographics, he pointed out.

Continued on next page



Mr. Penzkover

This year's Business Insurance Communicative Employee Benefits Conference Nov. 1 and 2 at the Knickerbocker Hotel in Chicago was like a swap meet.

"I know we're competitors, but I'll send you guys copies of my stuff if you'll send me yours," one benefits communications manager was overhead saying to another.

Ideas were shared during the whole conference, but especially during the lunches and at the "you-be-the-judge" session where participants rated three employee benefit audiovisual presentations (see story, page 28).

More than 120 persons, including benefit managers, insurers and consultants, attended this year's conference.

A full report on the sessions continues through page 28.

Information about next year's communication conference, which is tentatively scheduled for New York in the summer, will be available soon from Ronnie Drachman, director of communications, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017.

Employee attitude surveys can be well worth the effort

By CAROL CAIN

CHICAGO—Good employee attitude surveys have some method to their apparent madness, according to two professionals who have used them before a new benefit program was introduced.

"We call them listening devices; you can listen to the attitudes of your employees," said James B. Weitzul, a consultant in the communications division at Johnson & Higgins in New York.

"Surveys require skills and resources for design, testing, analysis and reporting and they require a commitment to utilization of the findings," said Rhonda Karp, associate dean and professor of cytotechnology at the College of Allied Health Sciences of Thomas Jefferson University in Philadelphia. She recently was chairwoman of a subcommittee for an employee attitude survey that was part of a universitywide study on the feasibility of flexible benefits.

Employees may be surveyed to incorporate their preferences and needs into a new benefits program, but they shouldn't be given false expectations through the survey questions, Ms. Karp told participants at the recent Business Insurance Communicative Employee Benefits Conference.

For instance, a survey should not ask employees if they would like a company car, if that possibility is remote.

A survey taker who knows the attitude of senior management shouldn't ask questions that go against that philosophy, she added. For example, if management believes that employees should pay part of their health care premium, then employees shouldn't be asked whether they want to or not.

In addition, attitude surveys can be used to increase employees' interest in or knowledge of a particular benefit or program, she said. "They also can serve as an opportunity to remind employees about something they already have," she added.

Surveys are time-consuming, Ms. Karp noted, but they also can be time-saving, Mr. Weitzul said.

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Mr. Weitzul

Don't call them 'salary reduction' plans

Continued from previous page

And, "Some blankets are not as secure as they were made out to be," he said, referring to some moth holes in Social Security and Medicare.

But, benefits plans that encourage employees to participate in their own welfare are a healthy development, he says, and they are replacing those old security blankets. One such concept is flexible benefits.

"I am convinced that flexible benefits are the right way to go," Mr. Penzkover said. "It allows benefits to hit their targets better and gives you the maximum appreciation for your benefits."

"But some companies aren't ready to dive into a flexible program. It is a major commitment.

For them, a salary reduction plan is a good way to start."

A salary reduction plan is similar to a flexible benefits plan because it offers employees a chance to be involved in decision making and heightens their perceived value of their benefits because they had a say in them.

"Benefits already offer employees more value than cash because they're not taxed," Mr. Penzkover said. "For every \$1 you spend on salary, the average employee gets 65 cents. But a dollar of benefits delivers a dollar. With a salary reduction plan, the dollar delivers at least a dollar. With some kinds of profit-sharing or savings plans, it delivers more."

But, the success of salary reduction plans hinges on one tenet: An

'I am convinced that flexible benefits are the right way to go,' said Mr. Penzkover of Quaker Oats Co.

employee's total compensation is comprised of both salary and benefits. That principle must be thoroughly and effectively communicated to employees if they are to value the benefits offered them and make wise decisions when given a choice.

"Here's how to use your benefit' is the tone you should adopt in your communication of salary-reduction plans," Mr. Penzkover said. "The

service you are delivering borders on financial counseling. The communication should be very 'you oriented,' he said.

The job of communicating the advantages of salary-reduction plans is easier today than it was in 1967 when Quaker introduced its cash or deferred profit-sharing plan, Mr. Penzkover said. "With all the advertising for Individual Retirement Accounts, employees are more aware of tax advantages through retirement planning," he said.

However, an employer should point out the differences among the various savings plans, such as IRAs, 401(k) plans and aftertax investments.

"There are different restrictions on each type, and different plans

are appropriate for different circumstances," he said.

For example, one difference involves the penalties for early withdrawal of money. An employee could withdraw money before age 59½ from an IRA, but would have to pay a 10% tax penalty in addition to the taxes due on the money withdrawn.

In a salary-reduction plan, however, the employee would be able to withdraw the money only under certain conditions and would not pay a penalty. However, taxes would still have to be paid on the amount withdrawn. The special conditions for withdrawal are: financial hardship; funding for higher education; and funding for the purchase or maintenance of a primary residence, Mr. Penzkover said.

"The definition of financial hardship is a bit sticky at Quaker; we don't like to get that involved in employees' personal finances," Mr. Penzkover said. "We try to get very simple explanations and because we have such a high participation rate in our salary-reduction program, we have a lot of requests for withdrawals. We grant about 90% of those requests."

One way to avoid so many withdrawal requests is to allow employees to take loans on the money they have invested in a salary-reduction savings plan. Quaker does not have such a loan provision presently, but "We're considering one. I think it's a great idea," Mr. Penzkover said.

Finally, an aftertax investment made by the employee, for example, in stocks or real estate or a profit-sharing plan could be withdrawn at any time with no penalty, and taxes would already have been paid.

"You need to make all these differences clear to employees," Mr. Penzkover said. "Some employees are just not in a position to invest in salary-reduction plans. They simply can't afford it; they need the cash."

Employers should be aware of this, he said, and present a balanced view of salary-reduction plans so that employees do not lock away money they need.

However, companies must get a balanced participation rate to enjoy the tax advantages a salary-reduction plan offers, according to the IRS tax rules.

"The IRS is not wild about losing all that revenue, so they've put some restrictions in," Mr. Penzkover said. "There is the one-third/two-thirds discrimination test." The maximum amount the highest-paid one-third of employees can contribute is determined by the average amount contributed by the lower-paid two-thirds. "I am concerned that Uncle Sam isn't saying, 'I want you to save,' any more because of the vast revenue losses," Mr. Penzkover said. "And, I would like to know what Washington is going to say about the companies going ahead with (flexible benefit) plans, most of which include a salary-reduction vehicle."

"There is a fear in Washington that employers are running away with the salary-reduction concept. We may soon see more limiting legislation," he said. The IRS is expected to release final regulations on the 401(k) plans sometime this month.

Mr. Penzkover urged employers to write their representatives to express their opinions on benefit legislation as it pertains to salary-reduction plans.

"You don't know how long you'll have the advantages you have now," he said. "But I guess we have to make hay while the sun shines."



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Attitude surveys can be worth the effort

Continued from page 3

He gave the example of an employer that was planning to install a flexible benefits plan but after surveying employees, found out they didn't want it.

Before changing a benefits package, Mr. Weitzul said it's good to take employees' attitudes into consideration.

Before doing the actual survey, Ms. Karp recommends some preparation:

- Gain senior management's general support.
- Find a representative group of employees (about 10) to look at the direction and need for the survey. Include the benefit consultant in this group to lend credibility to the process.
- Review the survey draft with another employee/senior management group. Include even those employees who may not have a knowledge of benefit programs, because they legitimately represent a portion of the employee population.
- Include demographic questions (age, sex, length of employment) in the survey so that responses can be studied from a variety of angles.

- Send out a letter of support from the chief operating officer. Again, this lends credibility to the survey.

- Identify a random sample of employees to answer the survey if it was not intended for employees.



Ms. Karp

Ms. Karp also noted several items to think about in relationship to the survey. For instance, "Make sure you have an accurate mailing list," she said. And if the survey will be distributed in-house, make sure people are still at the same desk or in the same office before sending the surveys out.

"Otherwise, it will delay the response," she said.

Surveys should be readable and they should include simple directions, such as "continued" or "over", when there is more than one page, she said.

"If it's not done, people don't turn the page."

Surveys also should include a "Not applicable" category in the responses. Without it, surveyed employees sometimes feel frustrated if they are unable to put down an answer.

And if some sections don't apply to all employees, the survey should note that employees may skip specific sections, she added.

Though the paper/pencil method of taking surveys is usually the most recognized, surveys also can be done through small group discussions, Mr. Weitzul said.

"But the problem with groups is that frequently the results are biased by the group leader," he added.

And survey takers should think about whether the whole group will be surveyed or just a sample portion.

"Surveying the whole group is good for morale, but expensive," Mr. Weitzul said.

Both speakers also noted the importance of confidentiality of surveys, especially with the answers. Locked ballot-type boxes for surveys often are used, and results are sent off premises to be tabulated, Mr. Weitzul said.

He observed that this approach adds validity to the survey process.

"When you get the responses, aim for a 50% return," Ms. Karp said. And comparing responses, especially answers that fall into the

extremes, is one way to obtain accurate results, she said.

"Dig deeper—beyond the obvious results," Mr. Weitzul stressed. Initially, an overview of survey responses may result in one conclusion, while a more careful study of each response will result in an opposite or more detailed conclusion.

Both speakers stressed the importance of communicating the results of the survey to employees.

"It doesn't have to be positive, but you have to tell them something," Mr. Weitzul said

'Anticipate a genuine interest and concern from the employees. Also anticipate response time,' said Ms. Karp, associate dean and professor of cytotechnology at the College of Allied Health Sciences of Thomas Jefferson University.

If arriving at the results is going to take a while, Ms. Karp suggests a note or letter thanking those who participated and informing them

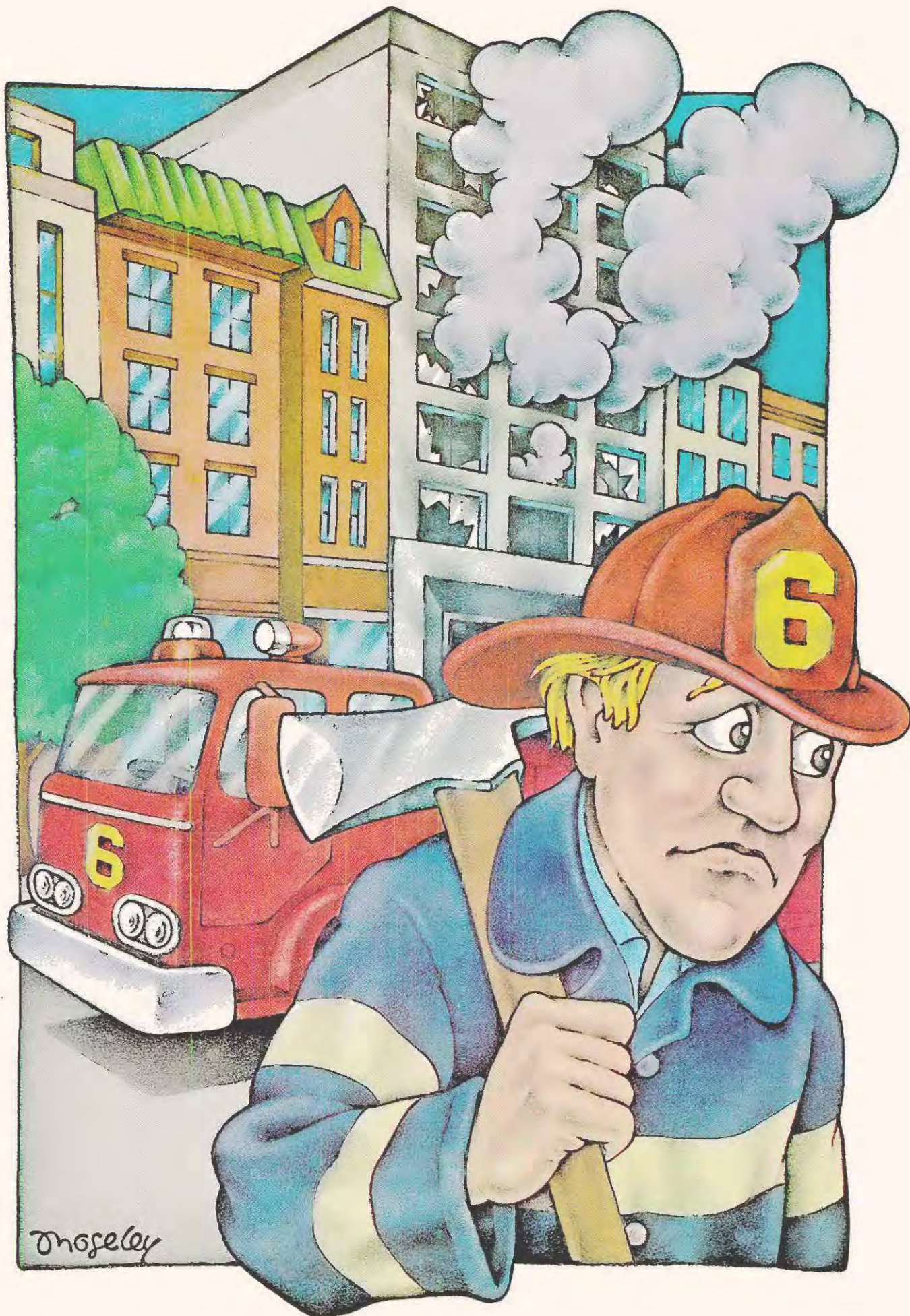
that the results are being analyzed and are forthcoming.

"Anticipate a genuine interest and concern from the employees,"

Ms. Karp said. "Also anticipate the response time."

Mailing out surveys can take up to a week and may take longer for multiple mailings, she said. It also will take a week to fill out and two to three weeks before all the returns are in, she added.

And surveys often result in inquiries from employees about related items. Departments within a company that might be recipients of these questions should be warned ahead of time, Ms. Karp said.



Benefit SPD wording snags some employers

By CAROL CAIN

CHICAGO—Attorneys are concerned that benefit communicators go beyond requirements under the Employee Retirement Income Security Act and put too much interpretation into their benefit handbooks and summary plan descriptions, according to a Chicago attorney in the compensation field.

"There are cases that tell us this can result in liability to the company," said Jon Grogan, a partner with Mayer, Brown & Platt in Chi-

cago. Mr. Grogan was one of the speakers at this year's *Business Insurance Communicating Employee Benefits Conference*.

"We have pages of regulations telling us what summary plan descriptions must contain, but a lot of our clients include that and much more," he said, pointing out that some statements tend to interpret what an employee is entitled to instead of just stating what the benefits are.

"They (benefit communicators) should make an extra effort to in-

clude a disclaimer with the summary plan description," Mr. Grogan said.

The disclaimer should say something to the effect that the SPD is merely a description of the plan, and that the provisions or the official text controls the employees' rights in all instances, he said.

"And you should include the labor statement of ERISA rights in your SPD," he added. This model statement, designed by unions, often is avoided by employers because it reads "rather coldly and

boldly," he said.

For instance, the labor rights statement often explains in detail the employees' rights and what they can do if something unexpected happens at work. Employers hesitate to give out that kind of information, especially in a handbook, Mr. Grogan said.

Summary plan descriptions also should contain a provision that requires employees to exhaust administrative remedies before litigation is pursued.

"That provision is rarely found

in plans," he said.

One of the areas of law seeing the fastest changes is the "employment at will" doctrine, he said. Under this ancient doctrine, it is understood that in the absence of a contract, an employee can be discharged at will or that an employee may leave at will.

"This is being eroded. There are more and more cases where the employee manual is used as evidence (to show that an employee was discharged unfairly)," Mr. Grogan said. He fears that employee benefit books, if they are not worded carefully, may also be cited as evidence in similar cases.

Along with adding a disclaimer and labor rights statement with the SPD, Mr. Grogan suggests including the actual text of the plan, which may be referred to within the SPD.

"A good number of our clients are including both an SPD and a full copy of the text of the plan," he said. This is costly, he noted, because it's difficult to make changes in the full text and "you have to stay on top of board action and get out changes," he said.

"Implied contract theory" is another area of the law in which employee benefit booklets can work to an employer's disadvantage.

For example, during the hiring process, an employee is told, "You do the job and you've got a job with us for life." Later that employee is let go. "The courts reach to comments, interview comments and employee manuals," Mr. Grogan said. "While the courts haven't done so yet, attorneys believe the courts will look at employee benefit handbooks also. It's a ripe area for potential litigation," he said.

"As a lawyer, I would love to see a legal document" instead of a simple summary plan description written in layman's terms, Mr. Grogan said. "In the benefits area, everyone has a job. Our firm does not draft SPDs and we don't speak in layman's terms," he said.

Benefit managers and consultants attending the conference questioned how they can both protect the company and make sure the employees are able to read the text. One person noted that in some states "laymen's language" is required by law.

"Don't depart from the way you write... but write a big fat disclaimer in the book that participation in the plan does not constitute a contract of employment or exclude the right to discharge," Mr. Grogan advised.

"The problem of explaining very, very technical rules and procedures in layman's language is nearly unsolvable," he said.

Many of the requirements Mr. Grogan referred to come under Title I of ERISA.

"Nothing much is happening currently under ERISA," Mr. Grogan said, noting that because of its complex nature, the courts are not enforcing penalties under Title I.

"So the courts are working in your favor," he said.

"In one specific case, the court said it was very complex... even the court didn't understand it."

And in another instance, the court said it really didn't know the difference between pension plans and retirement plans, Mr. Grogan said.

But attorneys believe that once judges become educated, the situation will be different; that's why there is a concern with the language in benefits material, he said. ■



Mr. Grogan

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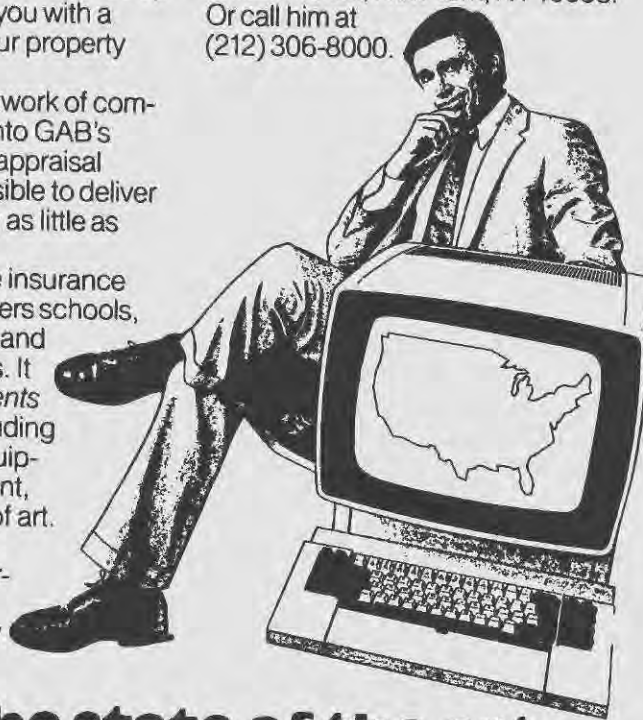
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opinions

Rally those employees

BENEFIT MANAGERS should listen to the advice of Ed Davey, executive director of the Assn. of Private Pension & Welfare plans.

He says that legislation changing the nature of employee benefit plans in our country is going to be introduced time and again and eventually will be passed by Congress unless legislators are pressured to leave benefit plans alone (see story, page 24).

It's not so much that Congress is seeking to redress any perceived abuse of benefit plans or inequities in the system.

Rather, Congress is looking to raise revenues to decrease the federal deficit, he explains. As a result, the legislation will be the kind that removes tax breaks for benefits, thus diminishing the value of employee benefit plans and eventually threatening the valuable benefit system that has developed.

The only way to repel unwanted changes in laws governing benefit plans is to let legislators know—loud and clear—that the legislation is unwanted, Mr. Davey says.

The best persons to lobby on the behalf of benefits are seldom tapped—employees.

Employees are voters. Legislators respond to voters. It's that simple.

Look how quickly the airline workers were able to ground legislation that would have taxed them for the value of free flights on airlines other than their employer's that they enjoy under reciprocity agreements

between airlines.

Think how effective employees could be in defending the status of their benefit plans—if employers would just tell them about proposals that threaten to diminish the value of the health care and other benefits they already enjoy.

The proposed tax on health care plans that exceed a certain value is certainly one issue employees would get excited about if they were told it's going to cost them more in taxes.

Rallying employees to lobby to protect their benefit plans is a brilliant idea.

But, we don't think employers should rely only on their employees to lobby on benefits legislation. There certainly will be times when employers and employees won't agree on proposed legislation and employers' views should be heard.

Regrettably, we think current representation in Washington on benefit issues is weak. Too many of the organizations that research and study benefit issues stop short of lobbying.

And, too few employers are putting enough time and money into the organizations that do lobby on benefit issues to make them more successful.

It's up to benefit managers to change this sorry state of affairs.

They must get both employees and their companies involved in lobbying on benefit issues.

"It's not too late to get involved," as Ed Davey says.

letters

Those assertions could destroy good names

To the editor: Underwriters at Lloyd's were fortunate in having a forum and an articulate spokesman, Charles W. Havens, to respond to attacks by Albert B. Lewis (BI, Oct. 24).

At a reinsurance society meeting several months ago, I deplored the assertions of Mr. Lewis that all underwriting managers are suspect, if not downright crooked. I characterized his statements as demagoguery, likely to incite lynch-mob psychology that could destroy the good names of many honorable people.

Following a later conversation, Mr. Lewis volunteered to write an article explaining that he did not believe all under-

writing managers are untrustworthy and lack integrity.

Immediately before his appearance at the National Assn. of Independent Insurers, I reminded Mr. Lewis his promised article had not appeared. Consequently, I proposed he take the opportunity to publicly profess his belief to the group he was about to address. His reply? "It doesn't sell."

Mr. Lewis seems to have concluded insinuation, calumny and playing on fear is a better seller than truth. We shall do our business a disservice if we continue to offer him a market.

Mr. Havens described some of Mr.

Lewis' remarks as "cheap shots." Lamentably, not true. Those shots have an effect. Innocent people pay an outrageous price.

Because they were written by an Englishman, Mr. Lewis will surely be too cynical to heed Iago's words about reputations.

Garrett Redmond
President
G. Redmond Inc.
San Francisco

■ *Iago said: "Reputation is an idle and most false imposition; oft got without merit, and lost without deserving: you have lost no reputation at all, unless you repute yourself such a loser."*

Concern on condoning a 'hidden' pregnancy

To the editor: I am offended by your article concerning an employee of Solomon Brothers in New York, Jane Metzroth, who scheduled to renew the group health insurance for her firm, but due to complications of pregnancy was confined to her bed for several weeks (BI, Oct. 17).

Ms. Metzroth had an assistant tell the insurer's representatives that she was in Florida at a convention. The story further indicates that she had even phoned her mother in Florida to find out about the weather in case she was asked.

You seem to be condoning a blatant lie

and misrepresentation by Ms. Metzroth. Further, you seem to condone the misstatements and falsehoods perpetuated by Ms. Metzroth in your editorial entitled "Turning Adversity into Creativity." You go so far as to say that she "kept the extraordinary circumstances a secret from the insured so as not to compromise her company's position in any way. We compliment her for a job well done." She kept the information secret by lying!

Granted, most of your editorial lauds Solomon Brothers for the upright way they dealt with the health problems of Ms. Metzroth. I agree with this. Yet, are

you condoning a blatant lie and misrepresentation? Could you have at least mentioned your disapproval of the episode portrayed by Ms. Metzroth?

I await your response to my letter and honestly feel that a printed retraction of your opinion is due.

Richard W. Wooldridge
Account Executive
Arthur J. Gallagher & Co.
St. Louis

■ *Material facts involving the insurance program were not misrepresented. We stand by our opinion.*

A case of the pot calling the kettle black

To the editor: I read with great interest your report on the "spirited discussion" involving Albert Lewis at the recent National Assn. of Independent Insurers conference in Las Vegas last month (BI, Oct. 24). I was at the meeting and met Mr. Lewis at an earlier cocktail party and was advised that the seminar that he was participating in was not going to be eventful. I am now sorry that I did not get to hear his speech.

When I later heard that Mr. Lewis criticized the foreign and alien markets—including underwriters at Lloyd's—regarding solvency, I must ask him and his predecessors the obvious question as to why a significant number of licensed New York

insurers under the control of the superintendent have become insolvent. Is the pot calling the kettle black?

I do not believe that anyone, including the former New York superintendent, can name one insured or claimant of underwriters at Lloyd's that has sustained a dollar loss as a result of a problem or a long delay in payment. Can the same hold true for insureds and claimants involving domestic insolvent insurers?

Further, the former superintendent of insurance is obviously aware that all of the "thieves" who have caused problems for underwriters at Lloyd's were, for the most part, citizens, residents or doing business in New York and should have

perhaps been under the control of the New York superintendent. Possible lack of control may have contributed to the scandals that the superintendent touched upon.

Alan Jay Martin
Abrams & Martin
New York

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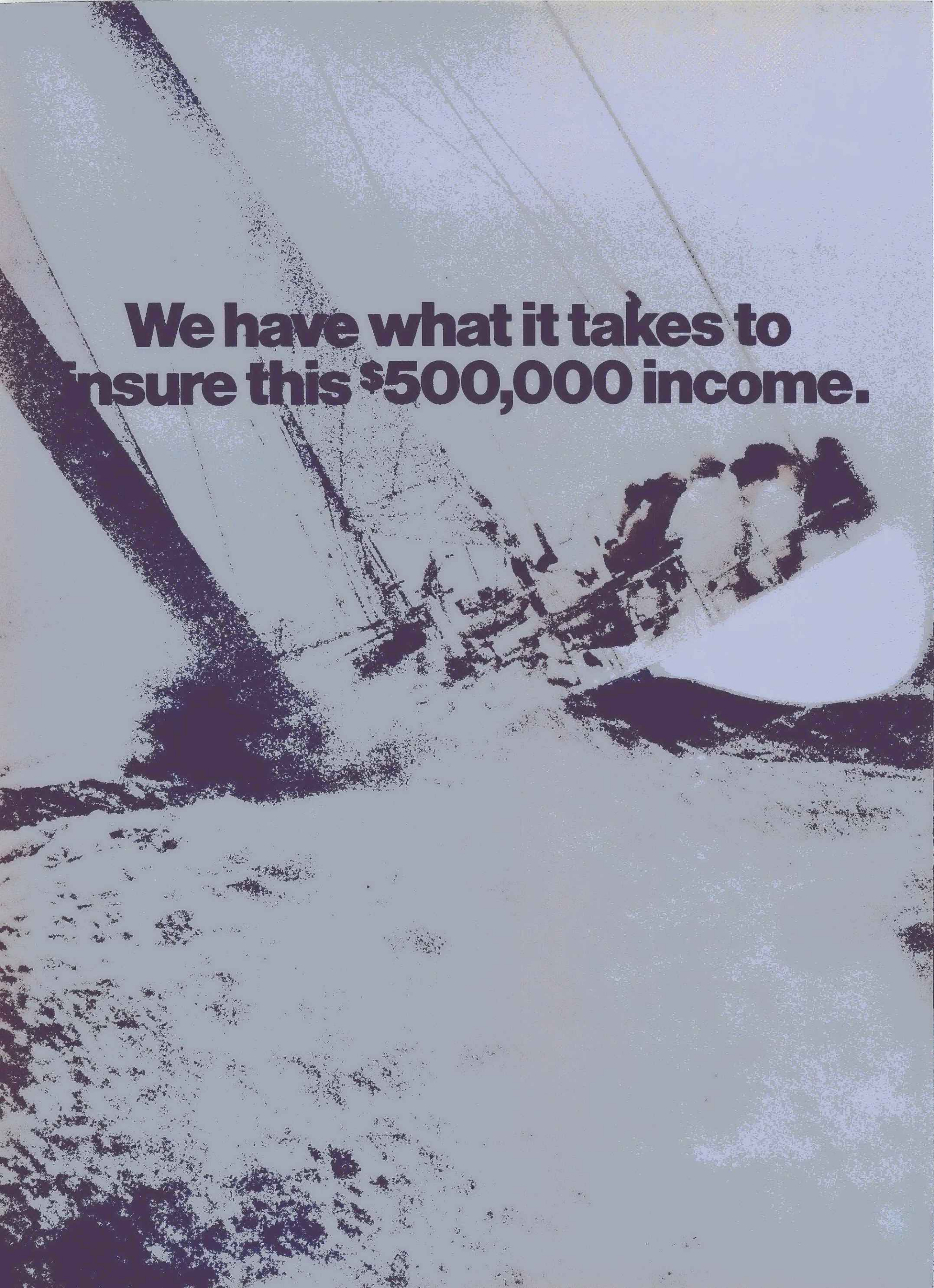
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Workers need all the facts on sharing health care costs

By SALLIE J. DRURY

CHICAGO—When a company asks employees to share in the costs of health care benefits, it can try to make the new costs more palatable, but it also must be as straightforward about the bad news as the good news.

That was part of the message delivered by Joseph W. Duva, director of employee benefits and compensation at SCM Corp., and his broker, Dennis B. McKoy, vp of Johnson & Higgins, both in New York, at the *Business Insurance* Communicating Employee Benefits Conference earlier this month in Chicago.

"We were talking about increased deductibles and coinsurance," Mr. Duva told the audi-

ence. "Our goal was for a balance and sharing of cost responsibility. We told it the way it was, and I believe that is what made our program a success."

The program Mr. Duva refers to was a complete benefit program revision that was formulated, approved by upper management, communicated to employees and implemented within nine months (*BI*, Jan. 3).

And, the success he refers to is the six-month results that indicate a slowing of health cost increases, one of SCM's goals.

"Our program has succeeded because employees have cooperated," Mr. Duva said.

"We really had very little employee resistance or negative feedback. Over a period of time, the new program was accepted. There was no backlash because what is really important to employees is credibility. We told it the way it was."

Although certain benefits were added to "sweeten the pot"—namely, increased life insurance, accidental death and dismemberment insurance, reduced premiums for long-term disability coverage, a 401(k) salary reduction plan and more flexibility in enrollment—the new benefits plan at SCM was asking its 10,000 salaried employees to pitch in a bit more money, plain and simple.

"We decided there would be no wool job," said Mr. McKoy of Johnson & Higgins. "We would deal with these (changes) in a straightforward manner."

"You need to apply basic management principles to managing benefit costs," he continued. "And, the benefits philosophy should parallel the company's overall management philosophy."

The benefits communication had a two-fold purpose: to let employees know why they would be responsible for shouldering part of the burden of higher health care costs and to let them know that the company was also assuming greater costs because it sincerely values its employees.

To do this, SCM summoned all its in-house resources—which are extensive—to produce a videotape explaining the benefit cost crisis, a letter from the president of SCM, a presentation to the company's senior staff, a slide/sound presentation to describe the new benefits program, a brochure, a leader's meeting guide and a two-day training session for the company's divisional directors.

The investment of time and money for the communication project was justified by the great amount of money SCM devoted to benefits.

"If we spend that much money, our employees should have a better understanding of what benefits are all about," Mr. Duva said.

"Up until this point we had always told employees when benefits were improved. We were committed to continue communication even for so-called bad news," he said.

And, the investment has begun to pay off.

"The financial impact of the changes we made has been much more than we thought possible," Mr. Duva said. "We have \$800,000 in additional employee contributions we didn't have before."



Mr. Duva



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Use fresh, innovative ideas to communicate benefits

By CAROL CAIN

CHICAGO—Innovative ideas can come in any size, shape or color.

"Color can be a major innovator. It's an excellent way to categorize the parts of an employee benefits program," said Polly Carpenter, president of Carpenter Graphic Design Inc., a multifaceted design company in New York.

"The only negative with any innovator is the added cost. But color is worth every penny," she told participants at the Business Insurance Communicating Employee Benefits Conference held earlier this month.

Oversized or odd-sized booklets

and pamphlets are also innovative, but designers should keep in mind that these items usually go on a bookshelf or in a drawer. They should be designed to fit into these holding places, Ms. Carpenter said.

Paper, die-cut shapes on brochure covers and illustrations also were listed as innovations by Ms. Carpenter.

Photography can do the job just as well as illustrations, but it's difficult to get just the right background and image in a photo and it can be expensive, Ms. Carpenter said.

She recommended using stock photos from companies that specialize in this service. The fee can start at \$100 and go up. It depends on how the photo will be used and

by whom, Ms. Carpenter said.

She advises haggling over the price with the company, which usually is eager to sell its photographs.

Another innovation can be language, but "Simple language is a must," she said.

And typeface can be innovative, both in its style and size.

"Leave some white space on every page. An overloaded page is hard to read," she said.

Packaging the product is another innovation... "expensive, but worth it," Ms. Carpenter said.

She showed examples of folders and portfolios that had multiple pockets for several different booklets on benefits.

"You can get anything designed and made, but make sure you know what you want ahead of time, or it's money foolishly wasted," she said.

Of all the potential innovations, concept is usually the biggest, Ms. Carpenter said.

"The concept is a strong idea that will tie all of the programs together—a theme," she said.

All of these innovations can be worked into a benefits communications program, usually by the designer.

Before deciding how to present a benefits program, Ms. Carpenter suggests that the designer, writer and benefits manager get together and discuss other companies' projects. There are no new ideas, she said, "You just build on old ones."

Setting the objectives for a communications package becomes its foundation, said Andrew Corn, an executive producer at Admaster Inc., an audiovisual production house in New York.

"Then you get a ploy or a game to get your point across; something entertaining, but also informative," Mr. Corn said.

The size of the audience should be taken into consideration when trying to determine what medium to use, he said. For instance, print is good, but can usually be read by only one person at a time.

Slides are good for small groups and are easy to update, Mr. Corn said.

Filmstrips are cheaper but also harder to update, he said, adding that hardly any company uses this type of medium.

Multiple slide and video programs are among the most popular now, but they may not be the best way to get the message across. He believes that a combination of both of these methods will be the wave of the future.

Using animated characters is one good way to get a benefits message across and the use of humor is effective, according to both speakers, but benefit managers said this kind of approach usually was the hardest one to sell to upper management.

Humor, however, should not be used when it comes time in the program to discuss numbers, Mr. Corn said. "Once we get to the numbers, it has to be the cleanest and clearest."

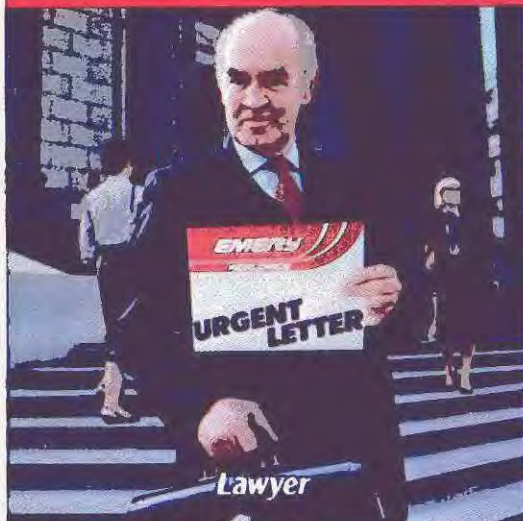


Ms. Carpenter

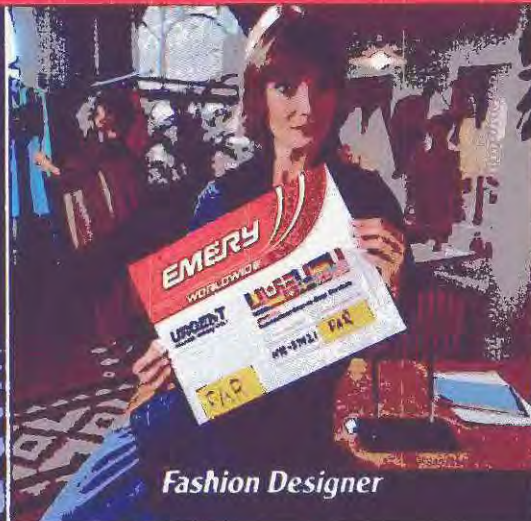


Mr. Corn

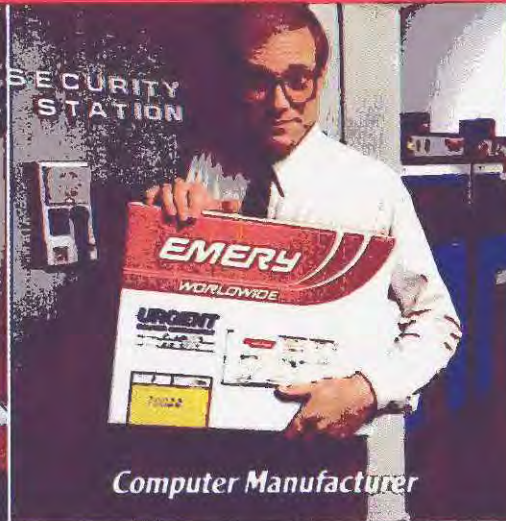
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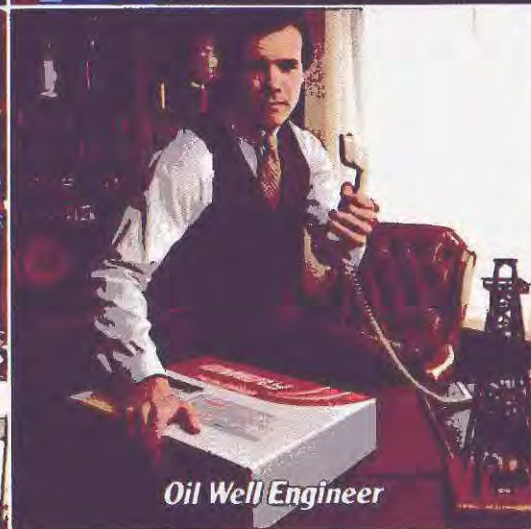
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Q. What advantages does the Starscan approach have over traditional group benefit plans?

A. Starscan provides the flexibility needed to meet the more complex and varied insurance needs of employees today. It gives employees an important say in benefit programs by letting them select which benefits they prefer among traditional coverages such as life, medical, dental, disability, and pensions. But the Starscan approach can also incorporate emerging, non-traditional coverage choices as well. And it lets employees—within limits—select levels of coverage.

Other advantages include more effective and efficient use of employer contributions, the opportunity to contain escalating benefit costs, greater employee appreciation of benefits, reduced pressure for across-the-board increases in benefits, and a progressive employer image. Not least, Starscan helps employers recruit and retain employees.

Q. How does the Starscan flexible benefit approach work?

A. In the way best suited to meet the needs of you and your employees. For example, existing benefits might be kept as they are, or

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reduced to a standard core for all employees. In either case, employees would be given credits to purchase additional benefits to fit their needs. Benefits beyond those the credits would buy could be purchased through payroll deductions.

Or, set benefits might be offered with different levels of coverage. By choosing a higher level of one benefit and a lower level of another, employees could match benefits more closely to their needs.

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Q. What about cost?

A. Obviously, changing a traditional benefit program to a tailored flexible plan involves initial costs. But selecting only those items you need from the Starscan menu can make those costs much lower than you might expect. And the kind of synergy involved in this approach has a real impact on bottom-line results, and can lead to significant cost savings over traditional group benefit plans.

Q. How can I get a brochure describing Starscan?

A. Just write to Starscan, Special Markets Department B, 8 Griffin Road North, Griffin Office Center, Windsor, CT 06095. Or call David Washburn, Director of New Products, at (203) 683-8435.

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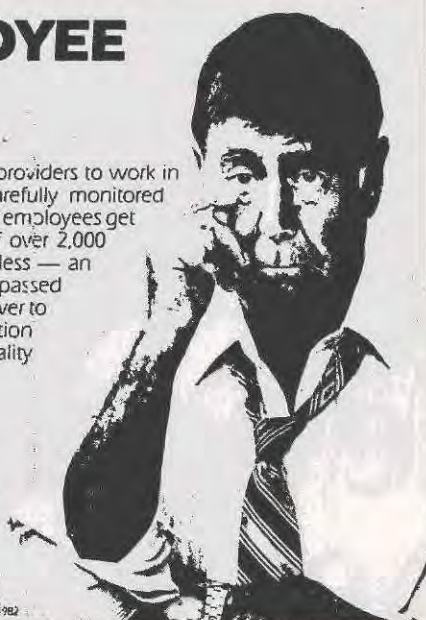
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*California Health Facilities Commission, 1982



Tongue-tied? Ad executive has some tips for speakers

By CAROL CAIN

CHICAGO—When benefit managers are given the additional job of communicating the company's benefits plan to employees, they become "presenters" of sorts.

And, "A presenter deserves the audience he gets," said Ron Hoff, a former actor who is creative director of Foote, Cone & Belding Corporation, an advertising agency in New York.

Mr. Hoff gave pointers on being a better presenter or speaker earlier this month to participants at the Business Insurance Communicator Employee Benefits Conference.

"What is a presentation? It's a showcase for yourself, where you are going to be judged more quickly than anywhere else in your life,"

Mr. Hoff said.

To illustrate some of the dos and don'ts of presentations, Mr. Hoff interviewed scores of people in the business world and asked them their main gripes about presentations. Some of the responses and Mr. Hoff's suggestions are:

- Every audience has a secret hope that they will leave inspired by the presenter.

- The presentations never seem to be as interesting to the audience as they are to the presenter. Is that because the presentation is about the presenter and not about the people to whom it's being aimed?

- Don't tell the audience what it already knows. Most presentations should start about halfway through their texts.

- It all comes out in the voice: joy, nervousness, anticipation, authority, boredom. The voice gives the audience its first clue about the presenter, yet the voice is most often neglected.

- On panels, speakers often repeat what somebody else just said. Avoid, "What I think he was trying to say is..." Anticipate the questions and rehearse the answers with everyone that will appear.

- Make sure the person who will operate the audiovisual equipment understands when it will be used. Give that person a script.

- Avoid a lack of coordination between visual exhibits and your words. Too many presenters act like they don't know what slide is coming up next. Rehearse.

- When a presenter doesn't know the answer to a question, he or she shouldn't try to dance around it. Questions are often asked as a test by someone who knows the answer already.

- Slide presentations can be a hazard to someone's optical health. Avoid slides with tiny type, or slides with lists. "The second you put a slide up on the screen, the audience is going to read it no matter what you're saying," Mr. Hoff said.

- Don't read from scripts. It cuts off all contact between the presenter and the audience. Sometimes the audience wonders if the speaker actually wrote the speech.

- Every presentation should have a burning issue. Presenters too often fall far short of that.

- Too many speakers try to present a style they aren't comfortable with. Self-acceptance must precede public acceptance. "Find out what your best point is and become more of that—like analytical, charming, a father figure."

- Speakers who wear glasses shouldn't stand behind lecterns with lights. It makes them look like the "Star Wars" android C3PO.

- Presenters who don't know the first thing about eye contact seem to be looking at some distant star instead of the audience.

- Presenters who can find some way to work a baby into the presentation have got it made.

Being a speaker is not an easy task. According to the results of a study that asked 3,000 people: "What are you most afraid of?" some 41%, the highest response, said speaking before a group.

Only 19% answered death, Mr. Hoff said, noting the often-heard phrase: "I'd rather die than get before a group to speak."

And, "We now live in a visual society. Business is done not on the basis of facts and statistics. Computers do that. Business is done today on chemistry: do I like that person," he said.



Mr. Hoff

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December 26		December 14

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REINSURANCE DATA

RAA's 1983 study highlights experience and loss development

By W. James MacGinnitie

UNDERWRITERS, BROKERS, accountants and actuaries who deal with excess casualty insurance and reinsurance are all familiar with the long delays in claims emergence. Widely known as the long tail, the phenomenon is often underestimated.

A new edition of the Reinsurance Assn. of America's "Loss Development Study" provides a great deal of valuable information on the long-tail phenomenon.

The study contains data on loss developments dating back to the late 1950s and shows that excess losses for workers compensation and for general

liability continue to emerge for more than two decades after the date of loss. It also shows that even after five years, more than half of the ultimate excess losses in those lines remain unreported.

Automobile liability excess losses emerged more rapidly, with almost three-quarters of the excess losses emerging in three years. But the remaining 25% of the automobile losses emerged slowly over the rest of a decade.

And while auto liability emerged more rapidly than general liability or workers compensation, medical malpractice liability was considerably slower. The earliest accident year for medical malpractice in the study is 1968, and it increased by 25% in the past two years alone.

The study also convincingly shows that the tail grew substantially longer over the years. In automobile and in general liability, the tail has increased in the past few years. While the increase in workers compensation, recently has been fairly small the increase was quite significant in the mid-1970s.

The RAA study was based on data submitted by 26 reinsurers (see charts). Only excess of loss experience was studied, but both treaty and facultative experience are included. The contributing reinsurers

include most of the major domestic markets, but none of the London or other overseas reinsurers.

The major lines of casualty business covered individually are automobile liability, general liability and workers compensation. Information on medical malpractice liability is available. General liability also is shown, both including and excluding medical malpractice. There is also a "not otherwise classified" category in the RAA study.

While all the data was contributed by reinsurers, it is of interest to others who write excess insurance including captives, excess/surplus lines underwriters and umbrella underwriters because they can expect a similar pattern of loss emergence.

The 1983 RAA study contains a new section with data contrasting the reporting patterns of primary and excess insurers.

As expected, the primary insurers exhibit much more rapid reporting of losses, with 80% to 100% of their losses reported by the fourth year. Excess losses, on the other hand, are less than 50% reported within that time, except for auto liability.

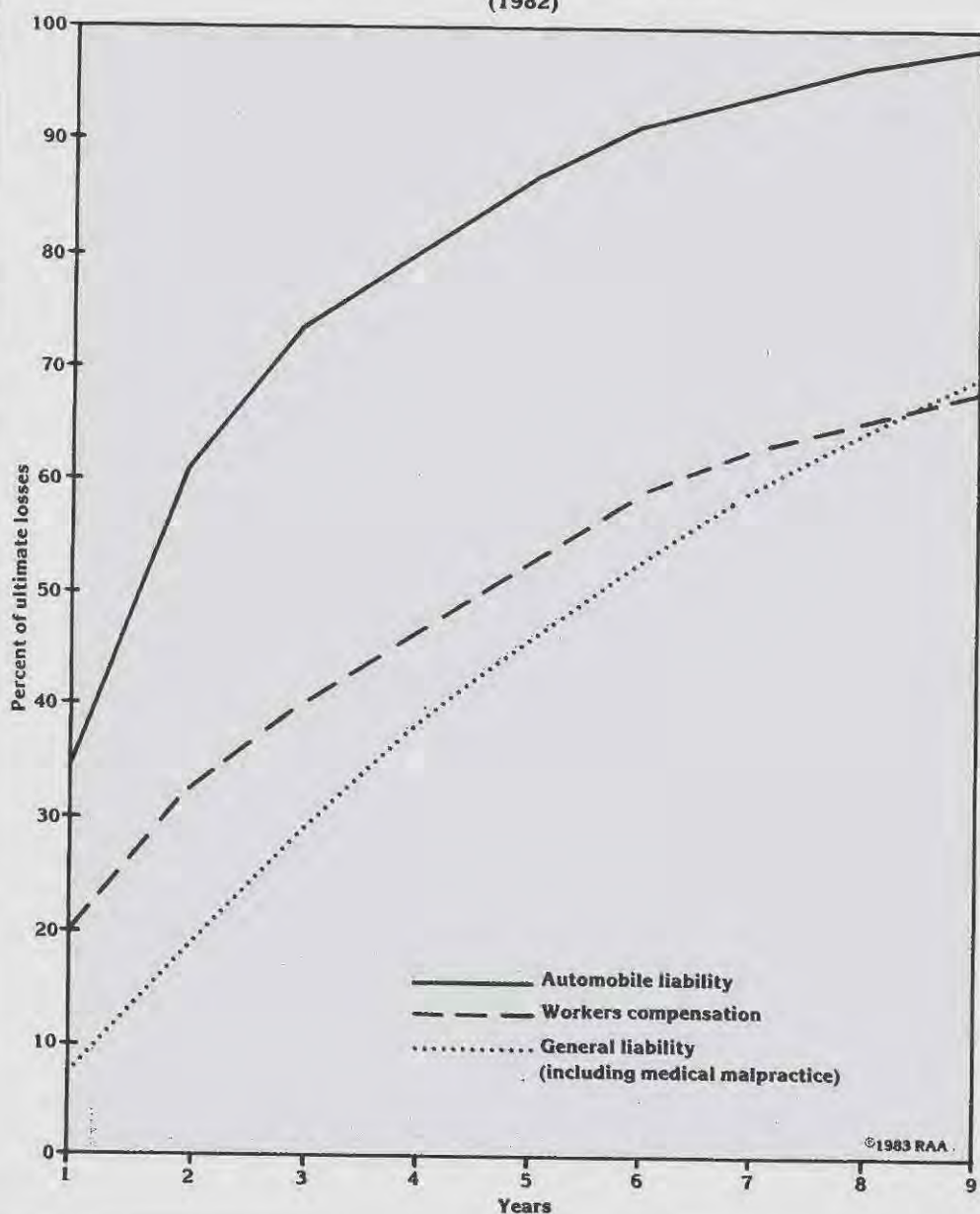
Of considerable interest in the current edition of the study is the comparison of brokered vs.

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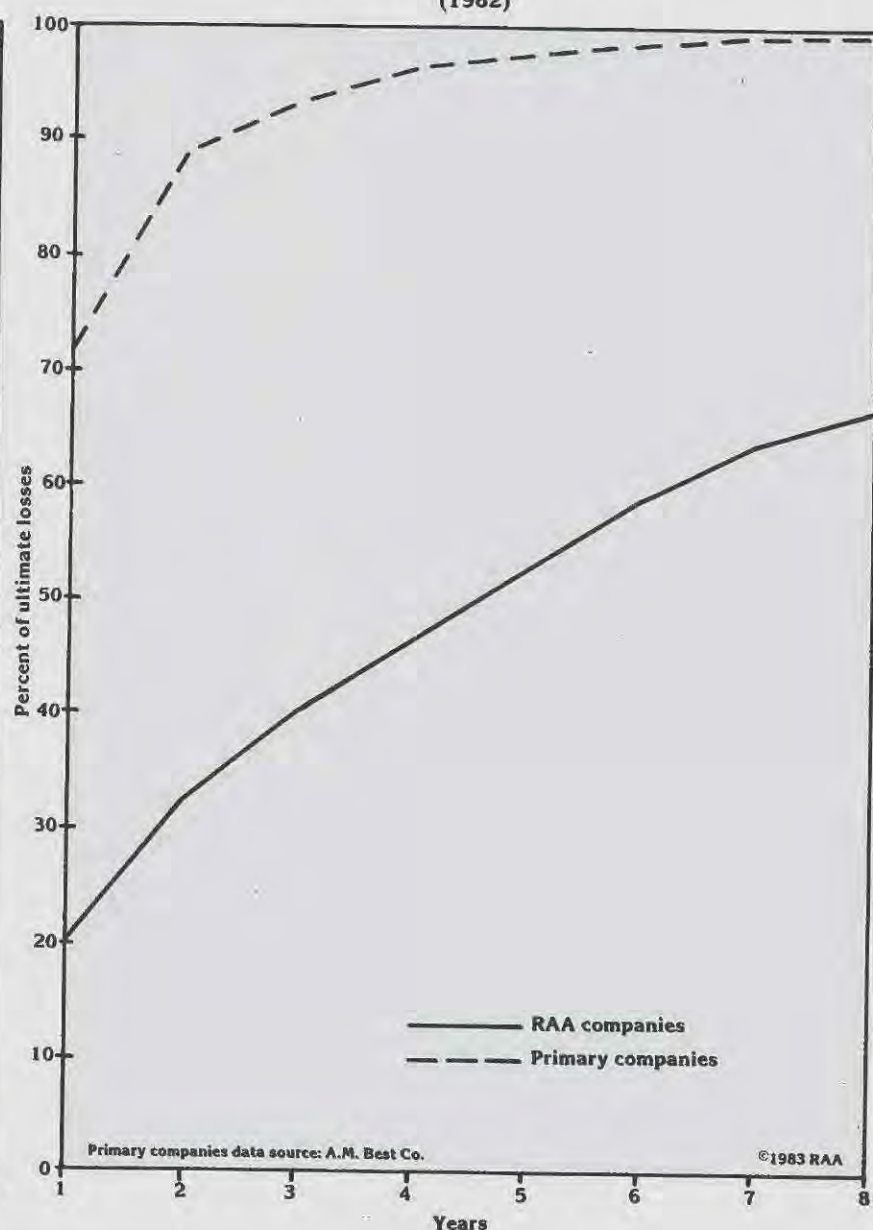
W. James MacGinnitie is a managing principal of the casualty division of Tillinghast, Nelson & Warren Inc. in Atlanta.



Reinsurers loss development (1982)



Reinsurers vs. primary insurers loss development for workers compensation (1982)



A guide to the puzzle of business interruption

By Claudette Dampier

"Business Interruption Insurance—How It Works"

Third edition

By James R. Jorgensen

BJ Publications and Seminars

P.O. Box 16791

San Antonio, Texas 78216

92 pages; \$7.95 paperback;

\$8.45 closed ringbinder

BUSINESS INTERRUPTION is one coverage that, at best, is confusing. Just what it covers and what it pays for aren't always clear to the policyholder.

Realizing that, Mr. Jorgensen interprets the coverage on the first page of "Business Interruption Insurance—How It Works." His definition reads:

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

books & ideas

"Business interruption insurance pays when fire, wind, hail (or any other peril you insure against), causes partial or total interruption of your business, and you lose dollars as a result. Properly written, it pays you the dollars necessary to leave you in the same net operating position you would have been in had the interruption never occurred."

The clue here is *net operating position*. In figuring dollars lost, at least for a retail operation, an insurer looks at three facets: cost of merchandise sold, other costs or expenses of doing business and profit.

Business interruption insurance is designed to keep the business owner in the same net position as if no loss had occurred. Therefore, reimbursement is made for any profit that would have been made, plus all costs that continue during a shutdown. However, no reimbursement will be made for costs that do not continue, nor is any payment made for the cause of the interruption, for instance, a fire.

A rule of thumb to use in calculating the

amount of loss recovery, Mr. Jorgensen notes, is total net sales less the cost of the merchandise sold equals gross earnings.

Based on this gross earnings, the standard insurance contract is drawn up and, depending on individual policies, will provide the most coverage per premium dollar, he writes.

Gross earnings provides the base for arriving at loss recovery. But, just when it seems loss recovery is fully explained, the matter of *how much* business interruption coverage you need pops up.

How much deals with the time element of coverage—the volume of your future income flow and the length of time that flow of dollars would be interrupted.

Naturally, an insurer also will consider the time element along with gross earnings in drawing up a policy.

Within this format, Mr. Jorgensen shows how to calculate gross earnings, time element and reimbursement from a total or partial shutdown.

After the formula explanations,

instructions are given on setting a policy limit and determining its price. The book contains "workbook" pages with sample business interruption forms and ratings and limit-setting guides filled in, with step-by-step details.

Up to this point, the basics are tapped. Then further considerations, like coinsurance and endorsements, are covered, in addition to earnings insurance, rental insurance and extra expense insurance. A 17-page section on leasehold interest (interest or right in a property arising out of the existence of a lease) explains the coverage and also includes workbook examples.

Each section on the business interruption elements is short and concise. This book does not contain clinical explanations; it is definitely for the reader who has to have a good grasp of the basic concept in a short time.

The "step A, step B—now try it yourself" format of the book is an excellent idea for business interruption coverage. It's a step in the right direction to answering those what-it-covers and what-it-pays questions.

Handicap discrimination in group policy is unlawful

A PROVISION IN a group health insurance policy that discriminated against the handicapped was found to be unconstitutional by a Florida appellate court.

Crown Life Insurance Co. issued a major medical group insurance policy to the employer of Faustino Garcia. Mr. Garcia's 7-year-old son, Vicente, was afflicted by Down's syndrome and was disabled.

The Crown policy disqualified coverage until completion of a 31 consecutive-day waiting period during which a claimant was not disabled. Thus, Crown denied coverage for Vicente.

Mr. Garcia sued to recover the cost of the hospitalization of Vicente and won in the trial court.

The appellate court also affirmed, but on a different basis. Under Crown's definition, the court said, a medical benefit otherwise payable would not be afforded, because Vicente was permanently and irremediably disabled by a condition that he was born with, and he could never be eligible to receive them.

Since this provision contravened a state law forbidding discrimination against the handicapped, the appellate court said it could not be enforced. *Crown Life Insurance Co. vs. Garcia*, District Court of Appeals of Florida, Dec. 21, 1982, rehearing denied, Jan. 28, 1983 (BI/02/D.-\$5).

Timing dependent coverage

Does the date an employee "acquires" a dependent, according to a group health policy clause, mean *each* such date or the *first* such date?

A federal court in Virginia decided that it meant each date.

Calvin Cochrane was insured under group health coverage for his employer by The Travelers Insurance Co. Mr. Cochrane was unmarried at the time the policy was issued.

legal briefs

The policy eligibility clause provided that dependents became eligible for insurance on the date the employee became eligible "or on the eligibility date next following the date he or she acquires a dependent. . . ."

Mr. Cochrane subsequently married, but did not apply for dependent coverage for his wife because she was covered under her employer's policy.

When his wife became pregnant, Mr. Cochrane applied for dependent coverage; however, the application reached Travelers after their son was born. The child was born with a congenital birth defect.

Travelers denied the application for dependent coverage because Mr. Cochrane's wife was deemed uninsurable during her pregnancy. Thereafter, Mr. Cochrane applied for dependent coverage for his wife and son. Now Travelers agreed to cover his wife, but declined to cover his child because of insufficient evidence of insurability. Mr. Cochrane sued.

The federal court concluded that Travelers was obliged, under the policy, to cover Mr. Cochrane's dependents as per his second application.

According to the court, Mr. Cochrane applied for dependent coverage within the grace period allowed for the first dependent even under the insurer's own policy interpretation. *Cochrane vs. Travelers Insurance Co.*, U.S. District Court for the Eastern District of Virginia, Sept. 28, 1982 (BI/03/Ju.-\$5).

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

RAA study highlights experience

Continued from previous page
direct excess experience.

As might be expected, the losses on brokered business emerged more slowly for general liability and, to a lesser extent, for workers compensation liability. For auto liability, however, the experience was reversed and direct business manifested the slower emergence of losses. This reversal on automobile may be attributable to differences in the type and geography of business underwritten. There are substantial variations in the attachment points and lengths of layer and also in the amount of excess no-fault benefits.

Not all insurers experience the same reporting pattern.

A new section in this year's study contains data on variation by company. It shows that when about 50% of the general liability losses are reported, one-quarter of the companies will have less than 30% or more than 70% of their losses reported. This is the 75% confidence interval.

The study also contains information on the 50% confidence interval. The variation in individual company results is widest in workers compensation. The variation is less in general liability and the least in automobile liability.

While it should be acknowledged that there are many limitations in the study, it is the only published source of data on the emergence of excess losses. Among the limitations is the fact that underlying retentions have increased over the two and a half decades of losses covered. These increases have not progressed evenly, but rather have been influenced by both capacity and price. The retentions of the contributing reinsurers have also increased, and virtually all of the contributed data is net of retrocessions.

Another limitation is the increasing proportion of facultative business in more recent years. While no separate

data on facultative experience is included, it is our experience that facultative losses emerge more slowly than treaty losses. This may be a function of the greatest relative exposure of most facultative risks. It may be due to the fact that most reinsurers maintain an active claim function that routinely audits ceding company claim files in an effort to speed reportings.

Clearly, it is more difficult to audit facultative business than treaty business. The contributing companies report that the greatest portion of loss emergence results from claims unreported to the reinsurer, rather than from adverse development on known claims.

In recent years there has been some development of new coverage techniques that may also affect the loss emergence data. Index clauses and commutation clauses are examples of such coverage modifications.

A major reason for the lengthening tail is the high inflation rate that prevailed during recent years.

Because reinsurers' exposures are excess above a fixed retention, the impact of inflation is highly leveraged, or magnified. This process not only dramatically increases the amount of excess loss but also increases the number of losses that exceed the retention. And, since the inflation in liability costs has been significantly greater than general price inflation, it is quite understandable that excess losses continue to emerge many years after the date of the accident.

How to order RAA study

Copies of the 58-page booklet, "Loss Development Study," 1983 edition, are available from the Reinsurance Assn. of America, 1025 Connecticut Ave. N.W., Suite 512, Washington, D.C. 20036. The cost is \$10.

Compatibility: A consultant's selling point

By CAROL CAIN

CHICAGO—After several years of "going it alone" as the corporate staff manager for employee benefit communications at Boise Cascade Corp. in Boise, Idaho, LaRue Foster realized it was time to work with a consultant.

"Because of the growth of the company and federal legislation, I felt the need to get outside help," Ms. Foster said. She and J. Frank Swygert, founder and president of BenefitsMedia Inc., a benefits consulting firm in Nashville, Tenn., conducted a workshop on essential elements of benefits communications and working with suppliers earlier this month during the *Business Insurance Communicator* Employee Benefits Conference.

In trying to determine whether to hire a consultant, Ms. Foster said several things should be considered, including:

- In-house staff resources.
- The workload.
- Frequency of benefit plan changes.
- The budget.

"What do you have? What do you need? Are you looking at a consultant on an ongoing basis or for an occasional project?" are among questions benefit managers should ask themselves, Ms. Foster said.

Selecting a consultant is a time-consuming and potentially costly project, she said. Ms. Foster sent to several consulting firms proposals with her timetable, the kind of projects scheduled and what would be needed from a consultant. She took time to interview those that were interested and then invited a few back to Boise Cascade for intensive interviews.

The consultant she finally chose is Towers, Perrin, Forster & Crosby.

True compatibility is essential in finding a consultant, Ms. Foster said, "but that decision becomes a very subjective judgment."

Planning together, communicating, talking and listening are all ingredients to successfully avoiding future problems with a consultant, Ms. Foster said. Long-range planning doesn't have to be ironclad, but it makes it easier to juggle things if changes occur.

And defining terms, identifying billing practices, setting deadlines are among the types of things that should be talked about upfront, Ms. Foster said.

Continuing a good relationship with a consultant takes a lot of effort. Ms. Foster offered a few keys to a lasting relationship. They include:

- Communicate early.
- Practice "future think." Plan where you're going with the communication piece.
- Know where you've been. Constantly re-evaluate the projects.
- Meet every few months, even if you're not working on a specific piece, to know where you stand, review new legislation and find out what other companies are doing.

"The problems facing a benefits communicator today are greater than in the past, especially since the competition is keen," Mr. Swygert said, referring to the thousands of messages in the mass media that bombard employees daily.

Sometimes, the initial problem with a benefits communication project is getting approval from upper management, Mr. Swygert said. He suggested going straight to the bottom line to make the pitch.

"Benefits are not 'fringe' any more," he said. Generally, benefits account for more than 38% of payroll, according to a recent survey.

After getting the OK from management, step one in designing a communication piece is putting the objective in writing, Mr. Swygert

said. The next step is identifying the audience by items such as educational level and earnings.

"If you can analyze your employees, you can get the job done better," he said. "Look at their perception."

Using perceptions, there are a variety of methods to get the message across, but Mr. Swygert pointed out that no audiovisual material and no teleprompter were used in the Gettysburg Address.

Yet that speech was successful because it was:

- Beautifully written.
- Appropriate to the time.
- Meaningful to the audience.

These same keys should be used for all benefits communications pieces today, Mr. Swygert said.

In discussing different types of materials that can be used, Mr. Swygert offered the following tips:

- Highlight brochures—single sheet, two-fold brochures—can be used for anything. This piece usually can be done in-house.
- Three-ring binders are the most popular form of employee

handbooks these days, since changes can be made quickly and fairly inexpensively. Stitched binders are less expensive initially, but costly to change.

• There should be some consideration of a benefits logo. A logo usually requires a minimal cost.

• Audiovisual is the tool that's used the most today, because audiences are accustomed to television and movies. The beauty of this medium is that each time it's used, the same message gets across.

• Personalized reports are prob-

ably the most difficult of all projects to do in-house. They are either mailed to employees' homes or handed out in the office. Those delivered at the office may be stuffed in a desk drawer and never read.

• According to a recent survey, employee meetings are the most widely used communications tool.

• If you go to the trouble and expense of developing an employee benefits communications program, find out if it's working. Surveys may be used to assess attitudes about the program. ■



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Employers should be girded for pending benefit changes

By SALLIE J. DRURY

CHICAGO—If benefit managers fear the benefit legislation they've seen so far, they had better fortify themselves for what is to come, a Washington observer says.

And, they had better communicate to their management and employees what could occur and encourage them to tell their legislators what they want and don't want.

"A number of key legislators have made public comments that indicate that massive changes are at hand, all in the name of (federal) deficit reductions," said Edward J. Davey, executive director for the Assn. of Private Pension & Welfare Plans. The APPWP, a Washington-based trade group, lobbies on a wide range of benefit issues for employers.

Mr. Davey spoke at a luncheon during the *Business Insurance* Communicative Employee Benefits Conference earlier this month.

"Our (association's) primary goal is to contribute to the survival of the private benefits community, which is being threatened by legislation," Mr. Davey said. "I say community rather than industry because as an industry it is very weak in Washington, although it's possi-

bly one of the biggest industries in the country."

The reason benefits now hang in the balance is because they have moved in Washington's perception from a welfare issue to a tax issue.

"With the threat of a \$200 billion (federal) deficit, additional revenues must be raised," he said. As a result, "the tax status of employee benefits will be reconsidered."

The security of workers has always been a desirable national goal, Mr. Davey said, and tax laws have favored private employee benefits. But, changes are being sought.

"Democrats and Republicans alike have embraced the concept of 'tax expenditures,' of which benefits is one," he said. The Congressional Budget Act defines tax expenditures as revenue losses that occur when federal tax laws provide a special exclusion or a preferential tax rate.

The revenue stemming from pension plans is the single largest tax expenditure. More than \$56 billion in revenue will be lost in (fiscal year) 1984 due to tax exclusions involving pension plans. By comparison, revenue loss for home mortgage interest deductions is only half that, at \$27.9 billion.

"Congress is saying to the Treasury that these are actual revenue losses," Mr. Davey continued. "This is what we are up against. It's a severe problem."

The search for revenue is not new, he said. It inspired the Tax Equity and Fiscal Responsibility Act of 1982. "And TEFRA contained 13 changes to employee benefit policy."

But, the search is becoming more intense. Proposals such as the tax cap that would limit the amount of tax-free health care benefits employees can receive or limitations on benefits that can be offered through flexible benefit plans press at the benefit manager's door.

"Key legislators are making comments (on the tax status of benefits) without a full review of the important public policy questions that created the employee benefits system," he said. He named:

- Sen. Robert J. Dole, R-Kan., quoted in *Fortune* as considering whether pension contributions should be treated as taxable compensation when made rather than when received.

Also, Sen. Dole suggested in an April letter to Alice Rivlin, director of the Congressional Budget Office, that IRA incentives be increased by reducing tax incentives for company-sponsored retirement plans.

- Sen. John Heinz, R-Pa., who has publicly expressed concern about the projections of the increasing share of non-taxable compensation coming through benefits.

- Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, wants to extend a freeze on maximum pension benefits and employer contributions.

Now, the maximum annual contribution an employer may make per person to a defined contribution plan is \$30,000. The maximum annual benefit that a defined benefit plan may pay per person is \$90,000.

Under TEFRA, these limits are frozen until 1986, but Rep. Rostenkowski wants to extend it till 1987.

- Rep. Barber B. Conable Jr., R-N.Y., who has called for a comprehensive review of the taxation of fringe benefits.

Mr. Davey warns that this type of legislation could be passed because there is no political constituency for benefits. "How many of you are in the process of dealing with your (congressional) representatives?"

Mr. Davey admitted that it is difficult to get top management involved in fighting for benefits with legislators. Therefore, it is up to the benefit manager to represent his or her company and to communicate with the employees and other employers to build a constituency and to communicate with legislators.

The so-called women's bill, or the pension equity bill (H.R. 2769), for example, would, among other things, lower pension participation and vesting ages, and increase women's chances to collect pensions.

"That bill is going to pass," he said, "but I think in some ways it is merely a political bill, and will not really prove to be advantageous for women but only drive up employer costs," (*BI*, Nov. 7).

Employers must not take the position that legislation is too complicated to communicate to employees, Mr. Davey warned. "If that's your attitude, you will never build a constituency, and you are at the mercy of Washington."

He cited legislative proposals "on the front burner, which you had better start communicating on." They are:

- The Ways & Means Committee tax bill, H.R. 4170, which would for the first time require retirees to pay taxes on the premiums paid by their former employers for group term life insurance. Currently, the premiums employers pay for group life insurance are not counted as taxable income for retirees. Under H.R. 4170, however, retirees would be taxed on premiums paid on coverage exceeding \$50,000, just as employees are so taxed.

- Sen. Dole's proposal to include as taxable income an employer's health care insurance contributions that exceed \$250 a month for family coverage or \$100 a month for individual coverage. He already has introduced a bill, S. 640, that would cap contributions for family coverage at \$175 a month and individual coverage at \$70.

- Tax action on 401(k) salary reduction and cafeteria plans. "There will either be a dollar limitation or a percentage of compensation limitation," he predicted.

However, a lot of companies are taking a gamble with these plans. "By January, 150 to 200 companies will have gone ahead with flexible benefits," which often include 401(k) provisions, Mr. Davey said.

The Internal Revenue Service is expected to issue final regulations for 401(k) plans yet this year.

Further ahead, he predicted, Congress will try to counteract the trend among employers to terminate overfunded defined benefit plans in order gain access to excess funds.

While some in Congress "are coming to view that a company shouldn't be allowed to terminate a plan," others are suggesting deterrents, such as an "enormous excise tax on terminated plans."

Mr. Davey also expects to see mandatory five-year vesting. If that occurs, along with mandatory participation at age 21 and service recognition at age 18, "we're creating a severance benefit."

"It's not too late to get involved in any of this legislation. But remember, change is going to have to be an ongoing process. Not just this year, but for the next four or five years, there will be a struggle in Washington with benefits."

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Wellness can be the solution to rising health care costs

By SALLIE J. DRURY

CHICAGO—The cure for high health care costs must be applied to the source of the problem, not to its symptoms, experts say.

"The symptom is that one-third of a trillion dollars was spent on health care last year, up from one-quarter of a trillion the year before," said William E. Hembree, director of the Health Research Institute in Walnut Creek, Calif.

HRI is a non-profit research organization that assists companies with health care cost containment and health improvement planning.

"The problem is that people get sick in the first place, as simple as it sounds," he continued. "Were it not for the demand on the medical care system, we wouldn't have to pay that third of a trillion."

The solution, Mr. Hembree contends, is wellness. Wellness and wellness programs were the topics of one of the sessions of the 1983 Business Insurance Communicat-

ing Employee Benefits Conference earlier this month in Chicago. The discussion panel included Mr. Hembree and representatives of two companies with wellness programs, CIBA-Geigy Corp. of Ardsley, N.Y., and Continental Illinois National Bank & Trust Co. of Chicago.



Mr. Hembree

"To come to an understanding of wellness," Mr. Hembree said, "you first need to know what it is and what it isn't."

"Wellness is not a program, although a program is an important component. Wellness is not a short-term solution. It is not more of the same kind of cost-containment measures you've all been doing."

"Most of all," he added, "wellness is not just the opposite of illness."

"Wellness is a state of positive well-being for the body, mind and spirit. It is an exercise of personal responsibility for health."

"With wellness, you have increased productivity and increased morale," said Dr. Joseph C. King, director of employee health services at Continental. "You also have an increased quality and quantity of life."

"And, you have reduced (employee) turnover and reduced health care costs," he said.

To achieve wellness, companies and their employees need to combat certain common factors that inhibit a healthy lifestyle, Mr. Hembree said. These are an inability to cope with stress, insufficient exercise, inappropriate diet and cigarette smoking.

"But to act on these factors," he said, "you need a few things."

First, a company needs the data and information to determine what inhibits wellness among its particular employee group. Is there a workplace hazard? Do many employees smoke? Do many eat at their desks?

CIBA-Geigy gathered this information through a task force comprised of corporate, division, plant and site representatives. This task force studied the economic, medical and environmental forces behind rising health costs.

Second, a company needs to select an appropriate program once its problems are targeted.

The CIBA-Geigy program, called Takin' Care, is a three-pronged attack on costs. Benefit plan design was modified to encourage more cost-efficient care; employees were given incentives to take steps toward wellness, such as reimbursement for health club membership; and the

company committed itself to working with hospitals, physicians and legislators to lower the cost of health care in the market place.

Third, a company must commit itself long-term to wellness. "You are getting employees to change their behavior," Mr. Hembree said.

"In order to do that, employers have to persuade and innovate for wellness programs to work."

One important persuasive component of a wellness program is communication of the benefit. This includes clear directions for the employees on how to improve their own health.

"We had seven communications objectives at CIBA-Geigy," said Denise Maleska, director of human resources at CIBA-Geigy's Greens-

Continued on page 28

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JAN 7		Dec 19, '84	JAN 7	Dec 17, '84
JAN 14	MARKET PREVIEW/INFO FOR BUYERS	Dec 26		

* year end double issue.

NOTE: Editorial information is subject to change.

FULL-RUN AD CLOSING DATES: Last advertising forms normally close in Chicago on Wednesday, 12 days preceding date of publication. However, certain issues will close as indicated: M for Monday, T for Tuesday.

MARKET REPORTS: Special Market Report Sections will be published as integral parts of two issues of Business Insurance during 1984.

AGENT/BROKER TOPICS DEMOGRAPHIC SECTION: The section appears in the first issue of every month. Last advertising forms for this demographic section close in Chicago, on Monday, 3 weeks preceding date of publication.

Wellness may be solution to high health costs

Continued from page 25
boro, N.C., location.

"First, we wanted to express the company's long-term commitment to health care management," she said. "Second, we wanted to stress CIBA-Geigy's health care philosophy and direction. Third, we wanted to encourage maximum use of our new program."

"Fourth, the media we selected had to be flexible enough to reflect CIBA-Geigy's diversity, yet it also had to express one consistent corporate message. Fifth, it had to reflect the company's position in labor nego-



Ms. Maleska

tiations. Sixth, we wanted built-in measurement and evaluation devices. And seventh, we wanted to provide recognition for those involved in Takin' Care."

The result was a comprehensive communication program, including an audiovisual presentation, posters, booklets and accessories bearing the Takin' Care logo to keep the program in employees' minds (BI, July 4).

There are still other creative techniques to encourage employee wellness.

For example, Continental has a medical clinic in each major building and at least one nurse in every office. It also has company-sponsored counseling for mental health, smoking cessation, fitness and financial matters.

And, the company offers special

programs, one of which is a monthly health seminar. "We have a good deal of employee interest in these programs," Mr. King said.

The company also sponsors cardiopulmonary resuscitation and first-aid classes for all employees. One worker on each floor of the bank's 10 buildings must be certified in CPR and first aid.

All these services are among the many at Continental to encourage an employee's total well-being.

Obviously, they, together with their communication, are a major investment in corporate time and



Mr. King

money. But Dr. King and Ms. Maleska are confident that the investment will yield an enormous return, even though hard evidence is not yet available.

"It's very difficult to quantify the return on these (programs) as yet, but I feel we will be able to see some return soon in terms of fewer admissions to hospitals, better morale and so on," Dr. King said.

"We are now into phase two at CIBA-Geigy, which is the evaluation of our work so far," Ms. Maleska said.

Although CIBA-Geigy hasn't seen the results of this review yet, it has received encouraging feedback. For one thing, employees speak very positively of the program. And secondly, the company has received almost 200 requests for additional information on

Takin' Care from other companies.

All the panelists agreed, however, that the important results are not immediate.

"You need time for certain programs to prove their effectiveness," Mr. Hembree said. "And, you need to know whether the program is working in the way it should be, so you need to measure the results."

"Lower costs and better health both take time to develop," Dr. King said.

And now's the time to begin working on lower costs and better health, the panelists agreed.

"We here in the United States are going to get health care costs under control," Mr. Hembree said. "And if we in private industry don't do something, our friends in Washington will. And I'm not sure that would be the best thing." ■

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Conference views, rates audiovisuals

CHICAGO—It wasn't the movie review show "Sneak Previews," but employee benefit communicators had a chance to play critics after viewing three audiovisual programs entered in the *Business Insurance* Employee Benefits Communications Awards competition.

The critique session was part of the *BI* Communicating Employee Benefits Conference earlier this month in Chicago. The audiovisuals shown were not first-place award winners, but were considered worthy of consideration by the judges.

"The fundamental principles of effective communication are all basically the same," said Herbert Zeltner, marketing and communications consultant with Herbert Zeltner Inc. in New York, who acted as moderator of the evaluation session.

"It doesn't matter whether you're talking about consumer products or a political candidate or employee benefits." The key to effective communication is for the seller to always think in terms of his target audience, he said.

Attendees rated the audiovisuals in five broad areas: objective, strategy, content, presentation and effectiveness. Total scores were compared and discussed, revealing wide variations in viewer response.

Mr. Zeltner suggested that participants apply what they liked and didn't like in the three audiovisuals to their own programs.

"Make sure you start communications by stating what you want to do," he said. "When planning your strategy, ask yourself what the fundamental concept is. How are you going to go about getting it across?"

"When you begin to put the communications together," he continued, "ask yourself if all the elements are properly weighted and balanced. Is there too much or too little detail?"

"And ask yourself if it is clear. Is it as clear as you can make it given your budget vs. time vs. the peculiarities of your audience? Is your presentation interesting? Is it too hokey? Don't think you have to be another Art Buchwald and make jokes.

"Finally," he said, "evaluate the overall effectiveness. In your view, will the program work when the employees finally see it? Will it be remembered? If you can get only one point across, but if it is remembered, it's more than most people can hope for."

And, he advised, seek to get the results your management wants in style consistent with management's style. ■

Right-to-know law published this week

Continued from page 2

substance not listed that could cause property damage or bodily damage.

- Container labels would have to carry a chemical identifier, which could be either a common name or a chemical name, plus a hazard warning.

- Employers would have to provide material safety data sheets to employees and purchasers of a hazardous substance. The MSD sheets must contain the common and specific chemical name for the substance and more detailed information on the hazards and handling requirements, but it would not have to list non-hazardous ingredients.

- There is a separate set of rules for labels and MSD sheets on substances that are trade secrets. For example, if a worker were taken to the hospital in the case of an emergency, the employer would have to tell the nurse or physician the specific identity of the substance to which the worker was exposed. In a non-emergency situation, an employer may have to disclose the specific identity of trade secret chemicals if a party provides information in writing proving that a substance is hazardous.

In both cases, trade secrets are protected either through the use of generic names or through confidentiality agreements.

- An employer is required to produce a company manual describing the company's hazard communication program, including a list of hazardous substances used by the company.

- Employers would have to offer training sessions to inform employees about the hazards inherent in certain substances and how to properly work with them.

The two-step compliance will begin two years after publication of the standard in the Federal Register. By then, chemical manufactur-

ers will have had to evaluate all chemicals they produce and have issued MSD sheets on all they determine to be hazardous. These sheets must be given to the manufacturers' own workers as well as the industrial buyers of these chemicals.

Then, six months later, the chemical manufacturers and all other companies in the manufacturing sector will be required to meet all the regulations.

At present, 16 states and some municipalities have "right-to-know" laws, but the standards vary from state to state making compliance costly for companies operating in more than one of these states. For this reason, employers are applauding the federal standard.

"I don't know really what it's (the federal standard) going to cost, but there's no question it will be less costly than (complying with) the different state standards," said Ralph Engel, president of the Chemical Specialties Manufacturers Assn. in Washington, D.C.

"In general, I think people prefer a federal standard, even if it's not totally acceptable, to a web of totally different state standards," said Ronald Lang, executive director of the Synthetic Organic Chemical Manufacturers Assn. in Scarsdale, N.Y.

The different state standards "interfere with the movement of goods from one state to another," he said, "and it's time the feds step in at this point."

However, how much the federal law will ease employers' ability to comply with a right-to-know standard will depend on whether it pre-empts existing state laws. Many say this issue will be decided in courts.

"Pre-emption is written into the standard," an OSHA attorney said. "Even if a state has so-called more stringent standards, OSHA will still have to approve each state's stan-

dards. If a company decides to follow the federal law rather than state hazard communication standards, a court will have to determine whether the OSHA standard is pre-emptive."

Some aren't sure the federal regulations would come out on top.

"Saying that (the OSHA standard) pre-empts state laws is highly questionable from a legal standpoint," said John Bransford, president of Occupational Health Services Inc. in New York, an on-line data base producer of information on hazardous substances.

"After the (OSHA) benzene standard came out, Maryland wrote its own standard, which was tougher in some respects than the OSHA rule. The U.S. Supreme Court said that the standard which was more stringent, which was the state's, would prevail."

So far, California, Illinois, Massachusetts, New Jersey, New York, South Carolina, Alaska, Connecticut, Maine, Minnesota, Michigan,

New Hampshire, Oregon, Rhode Island, West Virginia and Wisconsin have right-to-know laws.

And, regulations are pending in Pennsylvania and Virginia.

Mr. Bransford said regulations in California, Illinois, Massachusetts, New Jersey, New York and South Carolina are tougher than the proposed federal standard.

For example, all New York employers are subject to the state law but the OSHA standard applies only to manufacturers.

Also, some states may require the container label to carry more detailed information than OSHA requires. "Our emphasis is definitely on the MSD sheets," the OSHA attorney said.

Employers may object to carrying this information on the label because disclosing such detailed information could expose certain trade secrets.

The federal regulation is "performance-oriented," points out an OSHA attorney.

"Rather than giving employers a list of the substances we define as hazardous, the employer is responsible not only for the list of the 600 or so substances we have already defined as hazardous, but also any others which are later determined by scientists to be hazardous," he explained.

OSHA says some unions have complained that the trade secrets provision in the federal regulations is merely a loophole for employers not to disclose information to workers, and thus poses a threat to worker health.

"We haven't seen the exact standard yet, but if it does what we've heard it does, we're not at all satisfied with this standard," pointed out Dan C. Edwards, director of the health and safety department of the Oil Chemical & Atomic Workers International Union in Denver.

"This standard lets companies decide what is hazardous, and we are not satisfied with the trade secret language."

Tankers report new pollution cover

Continued from page 2

is in sound financial condition," Mr. Klingel said.

The Coast Guard decided to stop accepting Oceanus as a tanker pollution insurer after The Coast Guard was unsuccessful in obtaining "concrete" and "updated" information about the P&I Club's reinsurance and financial conditions, said Mr. Klingel.

Mr. Klingel says that the 1981 audited Oceanus report the Coast Guard has is not sufficient and it wanted the 1982 audited report.

Repeatedly, the Coast Guard was told that the information was coming, said Mr. Klingel. "But it never came," he said.

In addition, the Coast Guard had learned that Oceanus was taken off the Insurance Division of Alaska's list of eligible, unauthorized insurers in October 1982. The department took its action because Oceanus did not increase its trust fund held for U.S. policyholders from \$550,000 to Alaska's required \$1.5 million, said Kenneth Moore, director of the division.

The Coast Guard warned Oceanus on Sept. 9 of the action it would take if Oceanus did not produce updated information.

The telex to Oceanus, signed by Mr. Klingel, said:

"Confirming my early telephone advice, I regret to advise that after the close of business today, we will no longer accept new pollution risks underwritten by Oceanus.

"This action is based on Oceanus' failure to obtain acceptable reinsurance coverages for tankers and non-tankers, and failure to submit current financial statements audited by chartered accountants.

"If new, acceptable reinsurance is not obtained for pollution risks by Sept. 26 (which was extended to Oct. 14 for tankers and is under re-

view for non-tankers), it will become necessary for the U.S. Coast Guard to withdraw its approval of Oceanus as an acceptable underwriter for pollution purposes."

Since then, Mr. Klingel says, Oceanus has produced "no concrete evidence" to prove that it has sound reinsurance arrangements for pollution risks and is in healthy financial condition.

Also, Mr. Klingel said he has no evidence that Oceanus has altogether stopped underwriting tanker pollution risks.

The Oct. 14 letter from the Coast Guard sent to 15 companies representing 39 to 40 tankers read:

"This note refers to Certificates of Financial Responsibility (Water Pollution) issued by the Federal Maritime Commission (and taken over by the Coast Guard Sept. 19) to tanker vessels, which according to our records are entered with the Oceanus Mutual Underwriting Assn. (Bermuda) Ltd.

"Certificates of Financial Responsibility issued on the basis of insurance written by Oceanus will become invalid on Nov. 14, 1983, unless before that date we receive evidence of new pollution insurance written by an insurer acceptable to the Coast Guard.

"Vessels carrying invalid certificates are not permitted to use U.S. waters and are subject to automatic detainment. Accordingly, please immediately instruct your insurance broker to place insurance for U.S. pollution claims with a new insurer acceptable to the Coast Guard."

The Coast Guard has been notified of new insurance for all but four tankers, Mr. Klingel said. Those four, however, are probably not operating in U.S. territorial waters, he said.

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Risk managers' computers

Continued from page 1

management departments. Of the 20 departments with terminals today, eight got them this year and five in 1982. The earliest one was installed in 1977, followed by one in 1978, four in 1980 and one in 1981.

Of the 18 risk managers who intend to have computer terminals in their offices, two expect them by year-end 1983, 10 by the end of 1984 and four by year-end 1985. Two haven't targeted a date.

Risk managers with computer terminals in their departments link them to mainframes inside and outside the company and some use microcomputers that stand alone.

Versatility varies with the system, but overall the risk managers are satisfied with their systems and say the results save their employers more money than the systems cost.

These risk managers say the biggest advantages of their systems are: instant access to information; accurate reports now and for the future; good report formats, especially when designed by the risk management department; and speed of analysis.

Of the 20 risk managers with terminals in their offices now, seven link them to an in-house mainframe. Five companies are linked to an independent computer specialist's mainframe. Another five companies use both terminals linked to a mainframe and a micro or personal computer standing alone—four of the mainframes are in-house and one belongs to an insurer.

One company uses only a terminal linked to its insurer's mainframe.

Two companies use only a microcomputer or personal computer—both purchased just this year.

The 20 risk management departments use their systems anywhere from a low of one hour a week at a government entity linked to a vendor's mainframe to a high of 65 hours per week at a manufacturer using an in-house mainframe. The average weekly use is 21 hours, the median is 15 hours and the mode is 10 hours.

The systems are used for both claims handling (storage and sometimes payment) and claims information (analysis) by 15 departments. Three use them only for claims information, one for claims handling and one did not answer.

By use, the systems for which this information was supplied are used an average of 11.5 hours a week and a median of 6 hours a week for claims handling, compared with an average of 11.6 hours a week and a median of 8 hours a week for claims information.

Twelve departments can design their own claims reports forms—five that are linked to their in-house mainframe, five that use a combination of microcomputer and in-house mainframe, one with its own microcomputer and one company linked to its insurer's mainframe.

Eight departments are limited to preprogrammed report formats—the five companies linked to independent computer specialists, two linked to in-house mainframes and one with a personal computer.

Eleven of the risk managers can manipulate the claims information that is stored by asking "what-if" questions to help pinpoint causes of losses or to analyze risk-financing techniques. These include the five companies that are linked to the in-house mainframe and have a stand-alone personal or microcom-

puter, two linked to vendors, two linked to their in-house mainframe and the two owning microcomputers.

All 20 use their systems to store and summarize information, for example, to prepare lists and aggregates by size of claims, cause of loss and location.

But, three of the systems can't analyze the claims data by comparing claims activity during periods of time, by location or by trend analysis. They are two of the companies linked to in-house mainframes and the company using only a terminal linked to its insurer's mainframe.

Generally, using both terminals linked to the in-house mainframe and stand-alone microcomputers appear to offer the most additional capabilities, although terminals linked to the company mainframe are also versatile, the risk managers say.

Seven of 13 systems that analyze loss development belong in these categories as do five of the eight that forecast losses, six of the 10 that allocate insurance premiums/loss costs to profit centers and seven of the 10 that generate graphs to support reports.

Fewer than half the 20 on-office systems are used to produce checks to claimants (five), financial modeling (four) and to compare insurance quotes (two).

Most risk managers—19 of the 20—use the computer-generated information to identify causes of losses to develop loss-prevention programs. Eighteen of the 20 use the information to show top management the results of their risk management programs.

Fourteen of the 20 risk managers send computer-generated information to their profit centers/divisions to heighten awareness of loss costs.

Twelve use their systems to judge the performance of their self-insurance or captive insurance company programs. Ten use their systems to negotiate insurance renewals and eight use their systems to select self-insured retention levels.

The risk management department at a forest products company with \$3 billion in sales uses its stand-alone microcomputer/personal computer and terminal linked to the company's mainframe computer to analyze the effectiveness of loss-control efforts. The department has "recorded recommendations by inspectors by category for each plant location" to track the effectiveness of the loss-control recommendations.

The risk management department of an educational and research organization with an \$850 million budget uses the department's microcomputer and terminal linked to a mainframe to send and receive electronic messages and to prepare MSDs (material safety data sheets) information.

With terminals at their fingertips, few risk management departments involve anyone else in inputting claims information. Only three rely on their outside claims administrator, two involve their broker and one accepts a tape from its insurer.

The risk management departments, for the most part, also closely guard their claims information from outside suppliers. Only four allow a claims administrator access, three allow their broker access, one its captive insurer and one its consultant.

Workers compensation claims and casualty claims are most often stored on the computer—by 16 companies for each risk. Eleven companies also store property claims information and two other respondents store information re-

garding other lines, including ocean marine, cargo and boiler and machinery.

Only three of the respondents say that their systems are portable enough to take home or use in the field and only one risk management department has availed itself of this portability.

The risk management department of an air carrier with \$360 million in annual revenues which uses a stand-alone personal computer and a terminal linked to its insurer's computer says the computer system has been used outside the office at claims review meetings and at safety and loss-control meetings.

A conglomerate with \$5 billion in annual sales says its microcomputer that is linked to its insurer's mainframe also can be used in the field, but hasn't been tried yet.

Only about half the potential of these in-house systems is being used, according to the risk managers. Sixteen estimated their use of the potential of their systems from 10% to 100%, with an average of 47%, a median of 50% and a mode of 50%.

And, only eight respondents say they are using the information accessed to its fullest advantage. Ten admit they are not. One says it is too soon to tell and another did not answer.

Overall, the risk managers are fairly satisfied with the flexibility of their systems. On a scale of 1-5, with five being highest, the risk managers gave their systems an average score of 3.8, a mean of 4 and a mode of 4.

The initial costs of these systems range from a low of \$500 for a personal computer and using the company mainframe at one company to a high of \$300,000 at another company for linking terminals to

Continued on facing page

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Unions, Educational
Institutions 1,024

Commercial Consumers
Sub-total 23,176

Insurance Agents
& Brokers 9,639
Insurance Cos. 5,384
Financial Institutions 385
Actuaries, Attorneys,
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Continued from facing page
the company's mainframe. Annual operating costs range from a low of "peanuts" in the first case to a high of \$70,000 in the second.

The least expensive system was installed at a shipping, oil and gas, real estate and manufacturing company in 1982. It is used to analyze claims information that is transferred by cassette and/or disc from the company mainframe where it is stored. The manager of insurance did not specify how often the system is used.

The company spending the most on computers—a manufacturer with \$3 billion in sales that uses its terminals linked to an in-house main frame 65 hours a week—set up its system in 1983. The annual operating budget covers about 50 hours a week of system time for claims handling and another 15 hours a week for information projects.

The assistant treasurer of the company noted that his department uses the system for additional "applications that are just as critical as claims management—such as actuarial measurements, certificate issuance and monitoring, facility management (values, PMLs, MFLs, addresses, telephone numbers, appraisal characteristics), policy digests (regarding brokers, primary, secondary and tertiary carriers, expiration dates, limits, rates) and word processing."

One other risk manager—for a financial services company with \$534 million in sales—says his system of a stand-alone microcomputer and terminals linked to the in-house mainframe also "maintains property values; maintains lists of property locations; certificates of insurance and other property exposure data." The system, installed in 1982 at a cost of \$9,500, is used about 28 hours a week at an annual operating cost of \$4,000.

The cost of hooking into an in-house mainframe was provided by two risk managers.

At a financial institution, the risk management department linked up a terminal to the mainframe this year at a start-up cost of \$2,500. It's budgeting \$6,000 a year in operating costs to use the system about 16 hours a week, 10 hours for claims handling and six for information projects.

The risk management department for a state with a \$4.5 billion budget linked a terminal to a mainframe in 1980 at a cost of \$58,000. It spends \$40,000 annually to use the computer about 40 hours a week strictly on information projects—to identify the cause of losses, to show results of risk management programs, to negotiate insurance renewals and to judge the performance of self-insurance programs.

Two companies linked to independent computer specialists quoted start-up and annual operating costs.

A consumer services conglomerate with \$2.2 billion in sales spent \$20,000 in 1977 to set up its system and spends \$60,000 annually for an average of 40 hours a week of systems work—30 hours on information projects and 10 hours on claims handling.

A county government with an annual budget of \$420 million spent \$12,000 to set up its link with an outside vendor in 1981 and spends \$24,000 annually to use it about six hours a week—five hours for claims handling and one hour on information projects.

The two companies that purchased microcomputers this year spent \$12,500 and \$18,000 on start-up costs, but have not determined annual budgets or weekly use yet.

Most of the respondents had adequately budgeted for these costs. Eleven reported their start-up costs and annual operating expenses were as budgeted. Two came in under budget on start-up costs and three are finding annual operating costs to be less than expected. Only

one department spent more than it expected on start-up costs. Six respondents did not answer.

Fourteen of the 20 respondents say they are saving more money in one or more areas with their system than it costs. One admits that the link to an outside vendor's mainframe costs more than it is saving, noting that the most disappointing feature is "lack of use by our staff" at a county government.

One risk manager says it is too soon to measure the cost/benefit and four didn't comment.

Twelve risk managers say the systems help save money because risk management departments are making better decisions. Seven respondents say their systems have reduced claims-handling costs and two departments were able to reduce staff—one by three persons, a manager and two clerical people; another by making one employee part-time. Six departments said their systems allowed them to do more work without expanding staff and two departments attributed lower claims costs to their systems.

Estimated annual savings ranged from \$6,500 to \$500,000, according to the seven risk managers who quoted figures.

The manager of safety and training at an office furniture manufacturer with \$400 million in sales that bought a microcomputer for \$18,000 this year commented, "The dollar savings was not considered. Main objective was to get better information on a timely basis."

But, the manager does believe the system is saving more money than it costs. "In the past, 40 hours per month were spent in reporting calculations and publications. Currently less than 15 hours is spent. When fully implemented, will be less than 10 hours."

And, the reports are more timely—within 15 days of the end of the month instead of 30 to 45 days later. "We are also, even with our current limited use, able to identify problem individuals and departments before severe problems develop."

And, the department is planning to access the company mainframe in 1984.

Among the other 19 risk management departments with terminals in their departments, only a few other are planning to alter or expand their current systems. One company using an outside computer vendor plans to add a microprocessor for internal inputting and programming in 1984.

Another company wants to add loss-forecasting and loss-development analysis to the functions its company mainframe and department personal computer perform.

One risk manager of the 52 responding to the recent survey gets reports from the in-house mainframe, but does not have a terminal linked to it.

The assistant finance director for a public service agency with a \$100 million budget uses the agency's mainframe for claims information projects and can design the format of reports.

The main frame stores claims data, summarizes it, analyzes it, and allocates insurance premiums/loss costs to profit centers using internally developed formats.

The information generated saves the agency about \$5,000 to \$10,000 annually because it improves the director's ability to make decisions, the director says.

Risk managers and buyers of property/casualty insurance are invited to join the Business Insurance Risk Management Board. Just send a card with your name, title, company and address, noting you would like to join the Risk Management Board, to Kathryn J. McIntyre, Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. You will receive four surveys during the year on risk management and property/casualty insurance issues.

Advice from 'old hands' to computer novices

CHICAGO—Risk managers with computer terminals in their offices offer plenty of advice to those just thinking about plugging into computers.

"Look for a system that is more than a claims handling/claims information system. Exposure information and word processing make for a complete system," says the risk manager for a financial services company whose department gets those additional services from its stand-alone microcomputer/personal computer and access to the company mainframe.

The system also should be able to allocate premiums to divisions, the risk manager adds.

"Be in from the beginning in designing how you want to input and what type, and in what form, you want to receive information," says a government entity risk manager that is linked by a terminal to a computer specialist's mainframe.

"Have a risk management information system study done by an outside firm (report only); then obtain proposals for a system based on your specs," advises the director of corporate risk management for an electronic data processing manufacturing and services and financial services company with \$4.5 billion in sales.

Risk managers want system control

CHICAGO—Risk managers planning to install computer terminals in their departments want control over their systems.

All of the 18 risk managers responding to a recent *Business Insurance* survey who said they plan to install terminals in their departments want to be able to manipulate the claims information by asking "what-if" questions to pinpoint the causes of losses or to analyze risk-financing techniques.

And 14 of the 18 risk managers want to be able to design the formats of their computer-generated reports.

Ten of the risk managers want systems for both claims handling (storing data and paying claims) and information, including claims analysis and other risk management decision-making projects.

Seven are interested strictly in claims information systems and only one wants a system strictly for claims handling.

All the risk managers want to store claims information and receive summaries of it. Sixteen want the systems to analyze the claims data and allocate insurance premiums to divisions or profit centers.

Fourteen want to analyze loss development, 13 want financial modeling capability to compare risk-funding alternatives and 12 want their systems to forecast losses based on available data.

Eleven want their systems to generate graphs to support reports.

Only six want their systems to be able to compare insurance quotes and only two want their systems to produce checks to claimants.

All the risk managers want to use the computer-generated information to identify the causes of losses to develop loss prevention plans. Sixteen want to use the reports to show top management the results of risk management. Fourteen want the computer-generated information to send to profit centers or divisions to heighten awareness of loss costs and to use when negotiating insurance contracts.

Twelve want to use their systems to select self-insured retention levels and 11 want to better judge the performance of self-insurance or captive insurance programs.

One risk manager wants to monitor loss-prevention efforts by location.

The risk managers want the systems for all types of claims: workers compensation (16), casualty (15), property (12), health (two) and miscellaneous (three).

terminal to an in-house mainframe.

"Get started with a successful provider who is independent of a broker or an insurance company," advises the vp and director of risk management for a consumer services company with \$3 billion in sales that is linked by terminal to an independent computer specialist.

There is a difference of opinion over which method is preferable when linking up with an outside mainframe: dial-up modem or dedicated line.

"Forget the dial-up modem," says the risk manager for a restaurant chain with \$454 million in annual sales. "There is lots of static, and you cannot use it all day because of user load—expensive."

The risk manager of a county government with a \$420 million annual budget, however, is going to drop the dedicated line and go to dial-up access. "Don't overbuy," the risk manager advises.

"Know what you want before you buy a unit. Some are better at analysis while others generate better reports," advises the manager of safety and training at an office manufacturing company.

"Be patient, don't expect it to all fall into place overnight," says a director of risk management who uses a main frame and a microcomputer.

—By Kathryn J. McIntyre

Review several programs prior to selection. Discern actual needs/usages. Take time in selecting," says the risk and insurance manager for a state government whose department is linked by a

Twelve of the risk managers expect their systems to save more money than they cost, but six aren't so hopeful. One of the six expects indirect savings to make the system cost-efficient.

All 18 risk managers are looking forward to making better decisions with computer-generated information in hand. Another six expect to cut the cost of claims handling and five expect to be able to reduce staff. One says the staff will be better utilized.

The risk managers expect to spend anywhere from \$2,500 to \$100,000 to start up their computer systems and anywhere from \$500 to \$50,000 annually to operate them.

—By Kathryn J. McIntyre

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Lloyd's chairman will make himself heard

Continued from page 3

Also, as a broker and a scholar on the Lloyd's act, he is versed in Parliament's requirement that all Lloyd's brokers must sell off Lloyd's managing underwriting agencies within four years.

"I am particularly well placed to deal with the divestment issue because I can truly claim to be impartial. Our agency at T.R. Miller has always been a members agency (not a managing underwriting agency) as a matter of conviction. So I am not affected one way or the other financially by divestment."

Born to a family that has been in Lloyd's for more than 100 years,

Mr. Miller knows his way around Lloyd's.

He started his Lloyd's career when he joined the family firm, Lloyd's broker Thomas R. Miller & Son (Insurance) Ltd., in August 1953—working in the brokerage's mailroom.

T.R. Miller (Insurance), Lloyd's specialty marine broker, is an offshoot of a protection and indemnity association started by Mr. Miller's grandfather, Thomas R. Miller, in the 1880s as Thomas R. Miller and Son Ltd.

"The most difficult thing in Lloyd's in gradual entry. I can say this from deep experience," Mr.

Miller pointed out, referring to his beginnings in the brokerage's mailroom. "You have to start right at the bottom and it is jolly frustrating and you sit there thinking, 'My God, this is boring.'"

"But with a bit of luck, you get out into the market very soon."

"And, very soon indeed, the fascination of the Lloyd's market takes over."

Mr. Miller persevered to become the chairman of Thomas R. Miller & Son (Insurance).

But he will give up that chairmanship when he becomes the chairman of Lloyd's.

"I should not be an active broker

when I am the chairman of Lloyd's," he said. "From the underwriter's point of view, I wonder how they would feel if the person who was chairman was also the person who fights them on behalf of his clients."

"Also, other brokers at Lloyd's could feel very uneasy if one of their number were in a very privileged position at Lloyd's being chairman and, at the same time, pursuing his activities of client retention and client getting."

The election of Mr. Miller by the Council of Lloyd's to assume the chairmanship in January surprised many people at Lloyd's.

The unofficial favorite seemed to be Murray Lawrence, past deputy chairman of the market, chairman of an underwriting agency, Bowring Agencies Ltd., and a well-known non-marine underwriter.

However, Mr. Lawrence, who has been named a deputy chairman, says that he was asked very early on if he would stand as chairman and, for reasons he will not comment on, declined to accept the post.

In the end, Mr. Miller was the only person nominated for the job, and the Council of Lloyd's and Mr. Lawrence wholeheartedly supported him.

A look at the personal side of the new Lloyd's chairman

There's a neighborly kind of feeling when you walk into the modest but elegant home of Peter North Miller, the next chairman of Lloyd's of London.

When you enter the home, located on a quiet cul-de-sac in a London suburb, you know that the exquisite furnishings were chosen first for comfort, that the kitchen is used for big family powwows and that the study houses lots of personal memories.

The homey atmosphere is very different from the formal baroque chambers of Lloyd's that Mr. Miller will use come January. But Mr. Miller, who is comfortable in either a pin stripe suit or open-collar shirt and slacks—or even a jogging suit—fits in both settings.

He is a man who thrives on action. He already has his priorities as Lloyd's chairman mapped out (see story, page 3) and away from Lloyd's, he is an avid runner and a skier.

Every Saturday, Mr. Miller runs nine miles with friends through Wimbledon Common and Richmond Park near his home.

"I wouldn't be surprised if some day I am found jogging through Lloyd's," he said.

Mr. Miller's devotion to running, in fact, stirs his only regret about accepting the Lloyd's chairmanship.

Time will not allow him to continue to be "carver and commissary general" at the world's oldest running club—the Thames Hare and Hounds.

"That means the chap who sees they get enough to eat," said Mr. Miller, explaining the post. "I'd love to have been that and chairman of Lloyd's at the same time, but it wasn't to be."

The new chairman actually did not always want to be a "Lloyd's man."

He wanted to be a barrister—a lawyer who only works in front of the court—just like his parents Cyril and Dorothy North Lewis and a brother and half-sister.

"The idea of being dressed up in a scarlet robe, sitting up on a raised platform, telling people what to do without their being able to answer back, was something that rather appealed to me," Mr. Miller said.

Barristers, however, earn their living by their caseloads and at the beginning have to live on their own income to make a name for themselves.

"I would love to have gone to the bar, but I had no money," he said.

But being surrounded by lawyers did help him learn one thing: "One should be imbued with a healthy disregard for what lawyers tell you, combined with a knowledge of when you have to listen to them," he says.

"In America, to my mind, the lawyer has become too influential in the conduct of business."

"I have got to cope with it (as Lloyd's chairman), but I just do not want to see Lloyd's come to a grinding halt, or rather reduced to a snail's pace of progress, by overcautious legal advice."

J&J excess insurers suing J&H

Continued from page 1

an Allendale Mutual Insurance Co. subsidiary.

The insurers' joint complaint against Johnson & Higgins was filed as a part of the McNeilab suit, which is being heard by U.S. District Judge Frederick B. Lacy here.

The six insurers involved are North River Insurance Co., a Crum & Forster Inc. affiliate; Transit Casualty Co.; Employers Insurance of Wausau; First State Insurance Co., a part of the Hartford Insurance Group managed by Cameron & Colby; American Centennial Insurance Co.; and Northbrook Excess & Surplus Insurance Co., part of the Allstate Group.

J&J's other two excess liability insurers—Aetna Casualty & Surety Co. and Granite State Insurance Co., an American International Group Inc. affiliate—did not join in the third-party complaint. They wrote shares of a \$25 million excess of a \$30 million layer and a \$25 million excess of a \$55 million layer.

A spokesman for Aetna said the insurer decided on the basis of the policy it had issued and its "relationship" with Johnson & Higgins not to sue the broker "at this time."

Granite State had no comment on why it did not sue J&H.

The six excess insurers also had sought to name Johnson & Johnson's Bermuda-based captive, Middlesex Assurance Co. Ltd., as an additional defendant, but the judge denied that request. Middlesex wrote the first \$5 million of J&J's products liability coverage for an annual premium of \$2 million. It also shared in the first and second excess layers.

It was managed at the time by J&H Ltd., Johnson & Higgins' Bermuda-based captive manager, which is also named a defendant in the insurers' action.

The suit by the six insurers makes no accusations involving Willis Faber.

Key to the insurers' allegations—and to Johnson & Johnson's general dispute with insurers over its products liability coverage—is the meaning of a so-called sisterhood clause that appears in both the primary Middlesex policy and in the lead excess and umbrella policy issued by North River.

The wording is slightly different in the two policies.

Johnson & Johnson claims its primary Middlesex policy was intended to cover first-party expenses from a product recall. The drugmaker says the language in the North River policy—and all fol-

lowing-form policies excess to it—does not bar such coverage.

The excess insurers, in suing Johnson & Higgins, are arguing that London-based reinsurers backing North River—which negotiated the terms of the North River policy—were never told about the broad-form Middlesex coverage underlying North River.

As a result, they say, the excess insurers and/or reinsurers were never on notice that they should review and possibly restrict their language.

A key figure in the dispute is Peter S. Wilson, a managing director of H.S. Weavers (Underwriting) Agencies Ltd. in London, who is alleged by all parties to have negotiated with J&H, J&J and Willis Faber on behalf of North River's reinsurers.

The six insurers argue that J&H knew or should have known that language proposed on behalf of Johnson & Johnson to Peter Wilson "was not intended to permit recovery by Johnson & Johnson, or any of its subsidiaries, for costs of plaintiffs' recall."

The insurers say J&H's failure to disclose this knowledge to the Tylenol manufacturer has exposed the excess carriers to significant potential liability.

Insurers respond to move to disqualify their attorneys

Continued from page 2

the trial.

In a Nov. 14 reply to MGM's move to have the lawyers disqualified, INA and Stephen Cozen, INA's lead counsel, term MGM's motion to disqualify Mr. Cozen and his firm "a desperate and unfounded strategical maneuver" and an attempt by MGM "to rid itself of formidable opponents who are prepared to demonstrate methodically the false and fraudulent nature of MGM's claims."

The INA brief says Mr. Morris, his lawyer, Mr. Cozen and two of his associates met in Chicago Aug. 9 after Mr. Morris expressed an interest in quitting his post as a consultant with MGM and joining INA's defense effort.

"... Mr. Cozen was advised by Mr. Morris that his consulting services would establish a compensable loss by MGM of approximately \$150 million, or over \$60 million below that being claimed by MGM," the INA brief states.

If Mr. Morris' assertion were to be proved true, MGM would be entitled to only about \$8 million of the \$69 million in additional payments it seeks and the total loss would be about \$25 million below INA's trigger level of \$175 million. MGM has already received \$142 million from its insurers.

Mr. Cozen, Mr. Morris and Mr. Morris' attorney, Gerard J. Bongiovanni of Las Vegas, have given sworn depositions about their recollections of their August Chicago meeting.

Mr. Bongiovanni says he made no independent notes of the meeting, and there is no mention in Mr. Morris' deposition of MGM's property losses being only about \$150 million instead of \$211 million.

Mr. Morris testified in his deposition that he told Mr. Cozen while he didn't believe there was any fraud on the part of MGM in its \$211 million insurance claim, he was satisfied some of the reconstruction subcontractors had fraudulently billed MGM.

Mr. Cozen's recollection includes not only the Chicago meeting, but also a telephone conversation with Mr. Morris.

"... (O)ne of the things that he told me (on the phone) was that he was concerned that the insurance company should not have to spend any more money than MGM was really entitled to," Mr. Cozen testified.

"He also said that if we met and we did not reach any agreement as to his acting as a consultant for me, that if I ever questioned him at depositions he would deny that he ever had any such conversation

with me."

At the Chicago meeting, Mr. Cozen said he described to Mr. Morris how INA had hired a technical consultant to review reconstruction records to look for any fraudulently billing.

"... (J)ust off the top of his head he (Mr. Morris) felt he could demonstrate quite clearly that it was at least \$15 million below the \$175 million, and with some work he could demonstrate to us that it was \$20 million to \$30 million below \$175 million," Mr. Cozen testified.

In its reply, American Protection says MGM is trying to "neutralize perhaps the most knowledgeable fact witness in this case because he revealed to counsel for INA that MGM's compensable loss under the insurance policies at issue is about \$50 million to \$60 million less than what MGM is claiming."

"MGM seeks in one stroke to suppress the knowledge of a key fact witness which will demonstrate that MGM has grossly overstated its claims to the insurers and to deny those same insurers the right to be represented by counsel of their choice on the very eve of trial," the American Protection reply adds.

American Protection's main lawyers are Lawrence Zelle and Richard L. Voelbel.

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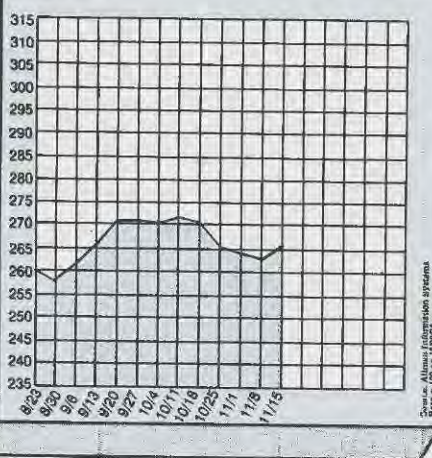
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BI Insurance Index



Insurance industry stocks rebounded during the five-day trading period ending Nov. 15 as the *Business Insurance* stock index jumped 2.9 points from 263.9 to 266.8. The index had previously reported a drop for four consecutive weeks. Thirty-five stocks were up, 14 were unchanged and 15 closed down. The largest gains were reported by Aneco Reinsurance Ltd., 14.3%; Integrated Resources Inc., 13.0%; Fremont General Corp., 10.5%; SRI Corp., 6.3%; and USLife Corp., 5.7%. The largest losses were reported by Northwestern National Life Insurance Co., 9.0%; Carolina Casualty Insurance Co., 7.1%; Frank B. Hall & Co. Inc., 7.0%; Crawford & Co., 5.0%; and Optimum Holding Corp., 4.3%. The *BI* index posted a gain of 1.1% for the week while the Dow Jones 30 industrials reported a 2.7% increase for the same period.

British Issues

15 Nov Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low	
					pence	
Comm Union	185	30.8	16.86	9.1	186—	174
Eagle Star	650	19.7	24.29	4.3	665—	608
Geni Accident	443	13.0	24.29	6.0	445—	420
Gdn Royal Exch	503	13.2	27.26	6.1	503—	470
Phoenix	397	17.5	25.00	6.5	397—	363
Royal	495	12.7	37.86	7.9	516—	490
Sun Alliance	1375	15.8	68.57	5.7	1425—	1375

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

Improved economy helps brokers

Continued from page 3

generate expanded revenues for the brokerage services division.

"Reinsurance was also very strong," he remarked about the reinsurance intermediary subsidiary G. L. Hodgson. "Several start-up offices, Atlanta and Minneapolis, for example, had been a drag on profits but have recently begun to mature and contribute to earnings."

Also posting improved results in the third quarter was Poe & Associates Inc. of Tampa, Fla. Poe, 13th-largest among commercial insurance brokers, stopped reporting combined results for its brokerage and underwriting operations earlier this year when it announced a plan to split the business into separate companies.

Since the announcement, Poe has been reporting steady improvements in its continuing brokerage operations but terrible results for its discontinued Whiting National Insurance Co. Though the combined results still show losses, the growth in income from continuing operations seems to indicate that a corporate restructuring and expense control program is beginning to take effect.

In the third quarter of this year, continuing operations generated gross revenues of about \$7.2 million, up 14.9% from about \$6.2 million for the same period last year. Net income from continuing operations was \$951,000, nearly triple the \$319,000 posted in 1982. Earnings per share grew to 33 cents, triple the 11 cents reported in 1982.

Discontinued operations, however, continued a string of terrible quarters. Whiting National produced a net loss for the quarter of \$966,000 or 34 cents per share, compared with a \$64,000 profit or earnings of 2 cents per share in 1982. The combined results for the third quarter yielded a net loss of \$15,000 or 1 cent per share for Poe, down from a net profit of \$382,000, or 13 cents per share in 1982.

For the first nine months of 1983, Poe's gross revenues from continuing operations grew 3.2% to about \$19.1 million from about \$18.5 million for the same period in 1982. Net income grew 5.6% to slightly more than \$1.2 million from slightly less than \$1.2 million in 1982. Earnings per share increased to 43 cents from 41 cents last year.

Nine-month results for discontinued operations include a net loss of \$1.3 million or 46 cents per share, compared with a net profit of \$71,000 or 3 cents per share in 1982.

Poe's combined operations for nine months yielded a net loss of \$71,000 or 3 cents per

Third quarter broker results
(in millions of dollars)

	Gross revenues	% change	Net income	% change
Corroon & Black	\$45.9	3.1%	\$8.3	98.3%
E.H. Crump	15.4	-2.3	0.9	20.2
Emett & Chandler	7.8	3.3	0.8*	2,230.0
Frank B. Hall	84.9	-3.4	1.7	-52.8
Marsh & McLennan	233.3	5.2	28.1	-1.0
Poe & Associates	7.2	14.9	0.9	198.1

* Emmett & Chandler reported a non-recurring income gain of \$936,000 in the third quarter.

share compared with a net gain of about \$1.6 million or 13 cents per share in 1982. Both third-quarter and nine-month results were positively affected by the sale of National Underwriting Co., which provided a net gain of 22 cents per share for both periods.

As a result of the overall net loss, Poe's board of directors voted to omit a dividend for the third quarter.

Another of the smaller publicly held brokers, 12th-ranked Emmett & Chandler Cos. Inc. of Los Angeles, also reported improved results in the third quarter, but profits were significantly affected by the last step in its phasing out of reinsurance underwriting.

As a result of reinsuring the remaining liabilities of its Transworld Insurance Co. subsidiary, Emmett & Chandler was able to take a non-recurring gain of \$936,000 in the third quarter that boosted its net income to \$846,000, up dramatically from \$38,000 reported in the third quarter of 1982.

The company's third-quarter gross revenues, however, tell a more realistic story about its brokerage operations. Revenues were up 3.3% to \$7.8 million from about \$7.5 million last year. Earnings per share in the third quarter totaled 47 cents, up from 2 cents last year.

For the first nine months of 1983, Emmett & Chandler's gross revenues also reflect an upward trend for the year, increasing 4.6% to \$23.3 million from about \$22.3 million. Net income from the period, which also includes the impact of the non-recurring gain, grew to \$858,000 from \$161,000 last year. Earnings

per share jumped to 46 cents from 9 cents for the same period last year.

Ninth-ranked E.H. Crump Cos. managed to boost its income significantly in the third quarter of this year, even though its gross revenues slipped a bit from last year's pace. Crump reported gross revenues of about \$15.4 million, down 2.3% from about \$15.8 million last year. Net income, however, grew 20.2% to \$870,000 from \$724,000 last year. Earnings per share increased to 22 cents from 18 cents.

For the first nine months, Crump seems to be doing better in all categories. The brokerage's gross revenues for this period were up 2.7% to just over \$42 million from \$40.9 million and net income advanced 4.8% to \$2.5 million from \$2.4 million. Earnings per share increased to 64 cents from 62 cents.

One of the reasons for Crump's overall improvement is the rebound of its subsidiary Southern American Insurance Co. It posted a third quarter net profit of \$289,000, up from a net loss of \$635,000 last year, and a nine-month net profit of \$907,000 compared with a net loss of \$64,000 last year.

"The earnings of our insurance operations during the third quarter reflect an encouraging response to our programs of new business solicitation and expense control as well as the improvement in the nation's economic conditions," adds Sidney A. Stewart, Crump president and chief executive officer.

"Offsetting these better insurance operating results, however, was a loss recorded in connection with an unprofitable venture," he says. The loss in the investment in another agency was not disclosed.

BI Industry Stock Report

NOV. 15, 1983 11/9/83 THRU 11/15/83

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	36.88	2.8	9.4	2.64	7.2	36.88	36.38	892.6
American Bankers Ins Group	13.50	4.9	9.9	0.50	3.7	13.50	12.75	38.8
American Gen Ins Co	23.13	1.1	7.9	0.80	3.5	23.50	23.13	663.1
American Indty Finl Corp	17.63	0.0	9.4	1.12	6.4	17.63	17.63	8.1
American Intl Group Inc	60.88	-3.0	10.2	0.44	0.7	61.75	60.25	2,011.1
American Natl Ins Co	20.88	4.4	7.6	0.96	4.6	20.88	19.75	74.4
American Sts Life Ins Co	47.25	2.2	12.9	0.88	1.9	47.25	46.13	0.0
Aneco Reins Ltd	3.00	14.3	21.4	0.00	0.0	3.00	2.63	15.3
Avenco Corp	20.13	-1.8	12.4	0.58	2.9	20.50	20.13	9.2
Banks Iowa Inc	47.50	0.0	15.3	1.52	3.2	47.50	47.50	1.1
Banco Corp	18.00	2.9	0.0	1.33	7.4	18.00	17.25	8.1
Carolina Cas Ins Co	6.50	-7.1	0.0	0.20	3.1	7.00	6.50	6.0
Chubb Corp	64.13	-1.0	8.4	3.12	4.9	64.75	63.75	161.4
Combined Intl Corp	41.63	3.4	12.4	2.00	4.8	42.00	41.00	435.3
Continental Corp	28.50	-0.4	38.5	2.60	9.1	29.00	28.50	503.0
Crawford & Co	14.25	-5.0	10.6	0.60	4.2	15.00	14.25	14.1
Crown Life Ins Co	119.63	0.1	7.8	3.20	2.7	119.63	119.50	0.0
Employers Cas Co	32.50	-0.8	7.2	1.20	3.7	32.75	32.50	3.4
Equifax Inc	29.88	2.1	12.4	1.60	5.4	29.88	29.38	34.0
Excelsior Ins Co	20.75	1.2	17.4	0.00	0.0	20.75	20.50	0.0
Farmers Group Inc	40.75	0.0	10.1	1.36	3.3	40.88	40.75	114.4
Foremost Corp Amer	28.25	5.6	8.6	0.88	3.1	28.25	27.25	79.3
Fremont Gen Corp	14.50	10.0	0.0	0.48	3.3	14.50	13.00	372.1
Great West Life Assurn Co	300.00	0.0	10.8	11.00	3.7	300.00	300.00	0.0
Hanover Ins Co	55.75	1.8	7.1	0.88	1.6	55.75	54.25	8.7
Hartford Steam Boiler Insptn	58.50	0.0	11.4	3.00	5.1	58.50	58.00	2.1
Jefferson Natl Life Ins Co	41.00	1.2	13.8	0.76	1.9	41.00	41.00	10.4
Kemper Corp	37.50	2.0	8.1	1.80	4.8	37.50	36.75	76.9
Lincoln Natl Corp Ind	64.38	3.2	9.3	3.36	5.2	64.38	62.00	215.4
Mission Ins Group Inc	28.00	0.0	11.3	1.00	3.6	28.50	28.00	81.3
Nationwide Corp Ohio	41.75	0.0	15.3	0.70	1.7	0.00	0.00	TRADE
Northwestern Natl Life Ins	34.00	-9.0	22.5	1.50	4.4	37.38	34.00	165.3
Ohio Cas Corp	47.50	-0.3	8.8	2.52	5.3	47.88	47.50	61.1
Old Rep Intl Corp	31.00	0.0	6.9	0.90	2.9	31.00	31.00	6.7
Orion Cas Corp	27.63	1.4	13.3	0.66	2.4	28.00	27.50	40.1
Preferred Risk Life Ins Co	20.13	0.0	7.7	0.67	3.3	20.13	20.13	2.0
Optimum Life & Acc Ins Co	63.50	1.6	7.8	2.60	4.1	63.50	62.50	21.8
St Paul Cos Inc	54.13	-3.3	7.3	2.80	5.2	55.00	54.13	339.8
SAFECO Corp	56.25	0.7	11.1	2.60	4.6	56.25	56.25	115.0
Sri Corp	17.00	6.2	7.4	0.68	4.0	17.00	16.00	132.9
Seibels Bruce Group Inc	20.63	-1.8	11.7	0.80	3.9	20.63	20.25	31.7
Statesman Group Inc	10.25	-3.5	7.1	0.15	1.5	10.75	10.25	41.9
Tokio Marine & Fire Ins Co	106.25	0.5	17.0	0.96	0.9	106.25	105.75	0.8

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	33.25	2.7	8.4	1.80	5.4	33.25	32.88	736.6
United Fire & Cas Co	32.25	0.0	11.5	0.88	2.7	32.25	32.25	1.2
United States Fid & Gty Co	57.50	2.9	10.1	3.84	6.7	58.13	55.75	236.7
United Svcs Life Ins Co	22.50	0.6	6.6	1.00	4.4	22.63	22.38	8.9
USlife Corp	28.00	5.7	8.0	0.96	3.4	28.13	26.88	143.8
Washington Natl Corp	22.75	1.7	10.8	1.08	4.7	23.50	21.75	124.5
Zenith Natl Ins Corp	16.00	1.6	11.3	0.60	3.8	16.00	15.75	18.7
INSURANCE COMPANIES	AVERAGE		10.3		3.7			
Agents/Brokers								
Alexander & Alexander Svcs	20.25	1.2	0.0	1.00	4.9	20.25	19.63	249.7
Baldwin & Lyons Inc	37.50	0.0	15.6	0.80	2.1	37.50	37.50	0.0
Corroon & Black Corp	24.63	2.6	15.5	1.80	7.3	24.63	23.63	32.8
Crump E H Cos Inc	9.88	0.0	13.5	0.40	4.1	9.88	9.88	5.4
Emett & Chandler Cos Inc	10.63	0.0	0.0	0.00	0.0	10.63	10.63	0.5
Hall Frank B & Co Inc	25.00	-7.0	22.7	0.00	0.0	26.50	25.00	262.6
Integrated Res Inc	34.75	13.0	11.2	0.00	0.0	35.63	32.38	156.7
Marsh & McLennan Cos Inc	48.00	3.8	14.0	2.20	4.6	48.13	46.75	258.3
Poe & Assoc Inc	6.00	0.0	0.0	0.00	0.0	6.00	6.00	1.1
Reed Stenhouse Cos Ltd	12.75	4.1	21.2	0.60	4.7	12.75	12.25	7.4
AGENTS/BROKERS	AVERAGE		18.4		3.0			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	33.75	0.7	9.8	1.28	3.8	34.50	33.00	6,056.5
Anderson Clayton(Ranger/PanAm)	28.00	-3.0	13.0	1.32	4.7	28.88	28.00	33.9
Arco Inc	17.38	0.0	0.0	0.40	2.3	17.75	17.00	464.4
Baldwin Ut Corp	2.75	-8.3	0.0	0.00	0.0	3.13	2.75	335.9
CIGNA Corp	43.00	-2.3	7.4	2.48	5.8	45.38	43.00	829.5
City Investing Co. (Home Ins.)	34.13	-0.4	10.0	1.80	5.3	34.63	33.75	403.8
CNA Finl Corp (CNA)	21.50	-2.3	7.0	0.00	0.0	21.88	21.50	52.9
Control Data (Comm. Credit)	46.25	0.8	11.3	0.60	1.3	46.88	46.25	900.9
General Re Corp	64.13	3.4	13.6	1.28	2.0	64.13	62.00	535.4
Gulf Ut Corp	30.00	2.6	9.2	1.32	4.4	30.00	29.63	403.5
ITT (Hartford Group)	42.75	1.2	9.6	2.76	6.5	43.00	41.75	2,886.0
Optimum Hldg Corp	5.50	-4.3	17.7	0.00	0.0	5.75	5.50	0.1
Sears Roebuck & Co. (Allstate)	40.63	3.8	11.7	1.52	3.7	41.50	40.00	2,523.4
Teledyne Inc (Argonaut)	165.13	2.6	15.3	0.00	0.0	167.50	163.13	727.6
Transamerica Corp								
(Occidental & Fred S. James)	29.00	-0.4	9.5	1.56	5.4	29.38	29.00	516.9
CONGLOMERATES/HOLDING COS.	AVERAGE		15.8		2.7			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

The most stable of the commercial insurance brokers continues to be the largest and most diversified brokerage company, Marsh & McLennan Cos. Inc.

M&M reported third-quarter gross revenues of \$233.3 million, up 5.2% from about \$221.7 million for the same period last year. Net income for the quarter, however, was off slightly, dipping less than 1% to \$28.1 million from about \$28.4 million. Earnings per share fell to 79 cents from 81 cents last year.

For the nine-month period, gross revenues grew 3.4% to about \$729.3 million from \$705.5 million while net income increased less than 1% to about \$95.4 million from \$94.8 million. Earnings per share over nine months increased to \$2.69 from \$2.62 last year.

The biggest loser of brokers so far reporting for the third quarter was Frank B. Hall & Co. Inc. of Briarcliff Manor, N.Y. Hall is the nation's third-largest brokerage company.

Hall reported gross revenues for the third quarter down 3.4% to \$84.9 million from \$87.9 million last year and net income down 52.8% to \$1.7 million from \$3.6 million in 1982. Third-quarter earnings per share dropped to 14 cents from 31 cents last year.

Nine-month results were not much better. Gross revenues for this period fell 3.6% to \$270.2 million from \$280.4 million in 1982. Net income fell more than 47.8% to \$10.9 million from \$20.9 million and earnings per share dropped correspondingly to 91 cents from \$1.80 in 1982.

How The Hartford helps reduce insurance costs.

"Our Claims know-how kept a \$170,000 loss from turning into a million-dollar loss."

Claude Glaser, Senior Vice President, Claims Department, explains how The Hartford's fast, expert Claims service can minimize the size of a loss and cut insurance costs.

Q. How can The Hartford's Claims capability help reduce a company's insurance costs?

A. The lower a company's losses, the lower its insurance premiums. And at The Hartford, we have an impressive track record for minimizing losses. One example involved an explosion at a California oil refinery. A corrosive substance spewed into the air and covered some 2,000 automobiles. If it wasn't removed quickly, all 2,000 cars would have needed repainting at a cost of \$500 each—a potential million-dollar loss.

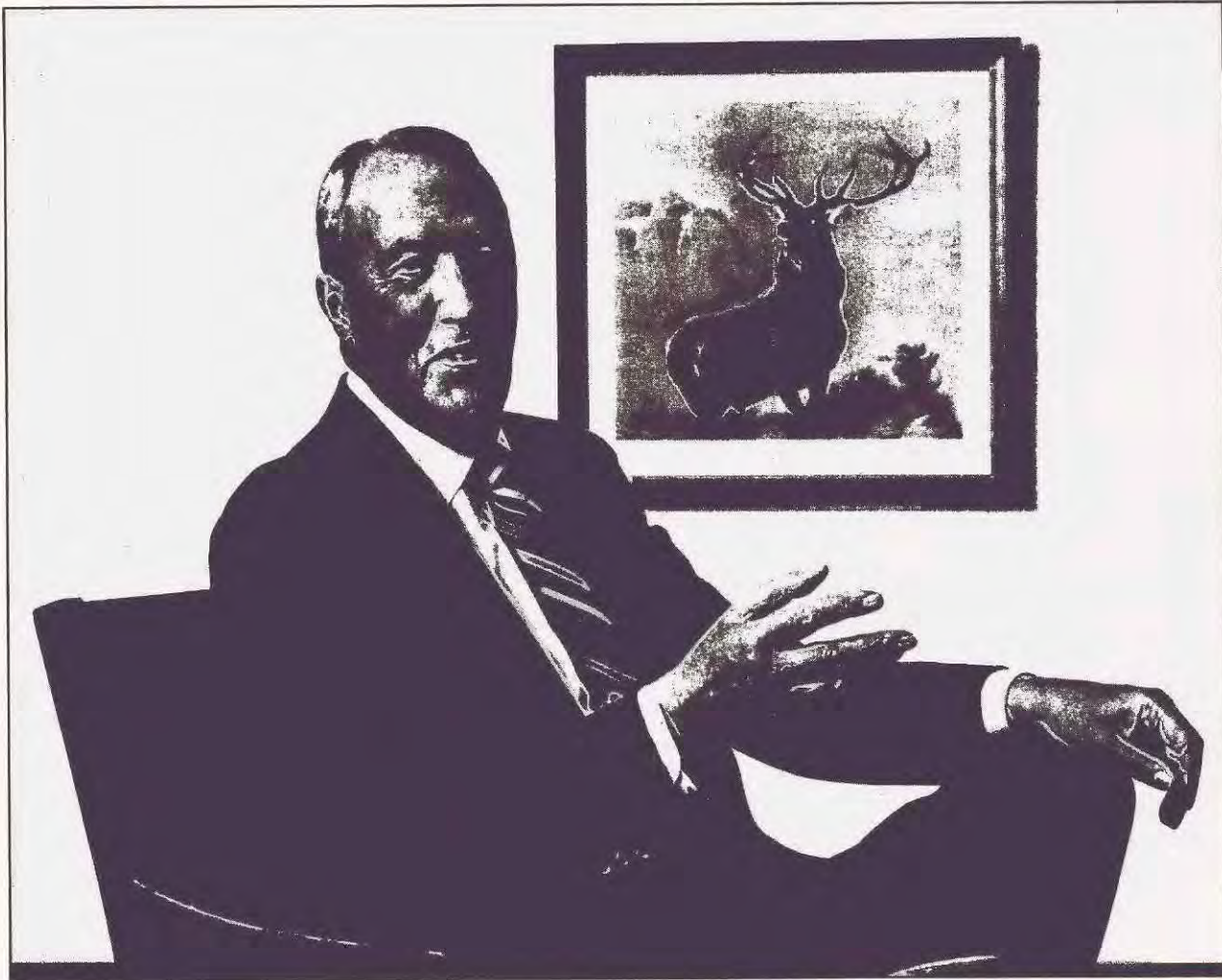
Our Claims people responded quickly and decisively. They had the substance analyzed and authorized its immediate removal with a special cleaning process. The cost? Just \$85 per car for a total of \$170,000—less than one-fifth the loss that would have resulted from routine claims handling. That minimized the impact of the loss on the refiner's premiums.

Q. Why is The Hartford able to respond to a claim more quickly and effectively than other insurers?

A. Unlike many insurance companies, we handle about 99% of our claims with our own staff. We have over 200 fully automated Claims offices and some 4,200 Claims personnel—including experts in a wide range of specialized loss areas, and a countrywide staff of registered nurses who work full-time for the medical, social, psychological and vocational rehabilitation of claimants. So we have the people in place, ready to respond. And there's no add-on charge for outside claims service.

Q. How can effective rehabilitation cut insurance costs?

A. It can speed up the return of injured employees to productive work. In a recent case, a heavy-equipment operator suffered a severe back injury which prevented him from returning to his job.



We arranged for his medical treatment and also coordinated and helped finance his retraining as a meatcutter. We even advanced him funds to open his own retail butcher shop. He became productive and self-sufficient once again. And our insured was spared the negative impact that some \$300,000 in anticipated disability payments would have had on its premiums.

Q. Can I use The Hartford's Claims expertise even if I self-insure?

A. Sure. Through our subsidiary, Hartford Specialty, we're currently providing "unbundled" claims service to some of the country's largest corporations. You can get any level of claims service you need, independently of insurance coverages. You can also get OSCARSM, the revolutionary up-to-the-day, on-line claim

reporting system that lets you break out claims on the spot using criteria you select on the spot.

Q. How can I put The Hartford's Claims capability to work for my company's benefit?

A. Just contact a broker or an independent agent who represents The Hartford.



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