WEEK OF NOVEMBER 23, 1981

business insurance®

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update:

DC-10 builder, airline lose bid to cut awards

CHICAGO—American Airlines Inc. and McDonnell-Douglas Corp. have lost their bid to have wrongful death awards in the May 1979 crash of a DC-10 near Chicago reduced by the amount of income taxes a crash victim would have paid in his lifetime.

U.S. District Court Judges Hubert L. Will

Continued on next page

Helmet companies want benefit pool for sports injuries

By BILL DENSMORE

Football helmet manufacturers that want to beat steep product liability costs are huddling to work out a new no-fault medical benefit pool for injured players.

Under their proposal, college and professional athletes who suffer serious injuries in football or any other sport would be compensated automatically for medical expenses and loss of income from a $20 million no-fault insurance pool.

But in return for tapping the pool, they would waive their right to sue helmet or other sports equipment manufacturers.

An ad hoc panel of supporters will meet Dec. 2 in Kansas City to determine whether such an insurance pool could be financed from a surcharge on sporting event ticket sales, a fee charged to players, contributions from sporting goods manufacturers or some combination of the three, *Business Insurance* has learned.



Illustration: Amy Palmer

A meeting of supporters of the pool plan and National Football League Commissioner Pete Rozelle is scheduled for Nov. 24 in New York, participants say.

The National Football League Players Assn. already has contacted the office of Vice President George Bush, seeking support for the proposal, and wants Justice Department assurance that the pool would not violate antitrust laws, says John D. Macik, sports medicine coordinator for the players' group.

"We've gone to Aetna (Life & Casualty Co.) for some start-up administrative money," Mr. Macik says, "but we have not had firm commitments from any insurance groups."

The only way to attract broad underwriting interest in the plan, says a major broker handling sports risks, is to spread coverage and premiums over all high school, collegiate and professional sports—not just football.

"I think the proper place for this is with the insurance industry and not self-funded or with a foundation idea," says Douglas O. Ruedlinger, whose Topeka, Kan., insurance services firm, Doug Ruedlinger Inc., already manages a protection trust for state high school athletic associations. It covers catastrophic medical costs for injured teen-age athletes in partici-

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The turkey risk

Turkey processing can be hazardous to your health, Hudson Foods discovers, if accidents hurt morale, gobble up profits and raise workers compensation costs. But loss prevention and better communication can make for a better Thanksgiving. A risk management profile: Page 3.

Photo: Len Strazewski

Hyatt insurer files suit to force others to pay

By RHONDA L. RUNDLE

KANSAS CITY, Mo.—Even as Hyatt Corp.'s insurers manage $3 billion in claims arising out of the July 17 collapse of two skywalks in the lobby of the Kansas City Hyatt Regency Hotel, they are pressing other defendants' insurers to pitch in and do their part.

Northbrook Excess & Surplus Lines Insurance Co. of Northbrook, Ill., Hyatt's first-layer excess insurer, filed a lawsuit Oct. 26 in the Cook County, Ill., Circuit Court to resolve a single burning issue in a coverage quandary involving many parties and their insurers.

"The question is whether Hyatt's insurers are primary or excess with respect to insurers of Hallmark Cards Inc. and Crown Center Redevelopment Corp., owners of the hotel," summed up Ronald A. Jacks, one of Northbrook's attorneys. Hyatt Corp. manages the Kansas City hotel.

Northbrook recently took over the Hyatt's defense and claims settlement efforts after primary insurer Occidental Fire & Casualty Co. of North Carolina exhausted its $1 million limits (see related story).

But two other lines of insurance providing coverage to Hallmark and Crown Center "have elected to do nothing," Northbrook charges.

Commercial Union Insurance Co., Hallmark's primary insurer, and The Home Indemnity Co., primary insurer of Eldridge & Sons Construction Co., have not come forward to investigate, defend or settle claims against their policyholders, Northbrook complains.

"To do so would be in violation of our contract with Hallmark and Crown Center," counters William E. Bailey, Commercial Union's senior vp. Hyatt's management contract provided that it undertake responsibility for all liability insurance after it started running the hotel.

Commercial Union underwrites a $1 million primary and $10 mil-

Continued on page 40

Hyatt settlements paid

KANSAS CITY, Mo.—Three wrongful death claims totaling nearly $700,000, plus about two dozen other settlements exceeding $500,000, have been paid to heirs and victims of the Kansas City Hyatt Regency Hotel disaster.

The settlements have been paid by the Hyatt's primary liability insurer, Occidental Fire & Casualty Insurance Co. of North Carolina, which says it has now exhausted the limits of its $1 million policy.

"We're out of the picture—our limits are expended," declared H.R. Brandell, Occidental's senior vp in Denver.

He emphasized that settlements had been reached without determination of responsibility for the July 17 skywalk collapse. Occidental has now passed defense reponsibilities in a "well-coordinated and orderly transfer" onto the next layer, he noted.

The Northbrook Excess & Surplus Insurance Co., Hyatt's first-layer excess insurer, confirms that it will pick up the loss adjustment and settlement reins. But it also has filed a lawsuit to determine the obligations of insurers of the hotel owner and builder (see related story).

"We question whether the defense has actually been transferred to the Northbrook," said Thomas E. Deacy Jr., the Hyatt's attorney. "The Occidental has not gotten contributions from other primary

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NEWSPAPER



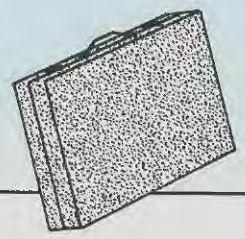


Vancouver finds forests a knotty problem. Page 32.



Montreal generates big risks. Page 21.

Toronto carries risk management responsibility. Page 17.



Calgary cowboys dig oil risks. Page 30.



update:

Airline, DC-10 builder lose suit

Continued from previous page
and Edwin A. Robson ruled Nov. 17 that Illinois' Wrongful Death Act, not federal rules, apply to the tax question. They concluded that Illinois law requires no consideration of the tax issue. Lawyers for American and McDonnell-Douglas plan an appeal.

The effect of the ruling is to increase by millions of dollars the total amount of compensatory damages juries are likely to award families of crash victims in the 33 cases still pending in Chicago. Many other cases have been settled out of court and others have been transferred to state courts in California.

The two companies argued that federal rules of evidence require juries be told about the net effect of taxes in reducing the money a crash victim would have had to support surviving next-of-kin. Moreover, they said, juries should also be told about provisions that exempt the principal of death benefits from taxation.

The two companies earlier agreed to split compensatory damage liability for the May 25, 1979, crash of the Chicago-to-Los Angeles flight, which killed 273 people (*BI*, Aug. 3).

Illinois exchange plans opening

CHICAGO—The Illinois Insurance Exchange now has $9 million in capital from its first syndicates and plans to open next month.

The exchange hopes to have even more syndicate members when it officially opens its doors in late December, said James Skelton, the acting director of the exchange.

The three syndicates that have put together some $9 million in backing include Midwest General Syndicate, LWB Syndicate and Century Illinois Syndicate. Six would-be syndicates have formally applied to the exchange or have written a letter of intent, he said.

Operation of the exchange had been delayed while it awaited approval of its certificate to operate, which Insurance Director Philip R. O'Connor was expected to sign Nov. 19. Now, the exchange is grappling with staffing before it officially opens, Mr. Skelton said.

A&P pension move challenged

NEWARK, N.J.—A former executive of the Great Atlantic & Pacific Tea Co. has filed suit against the grocery store chain in U.S. District Court, charging that it is wrongfully seizing $200 million in excess pension fund assets and converting them to its own use.

A&P announced last month that it is terminating its defined benefit pension plan and will replace it with a defined contribution plan. The financially troubled company says the old plan will have a $200 million surplus upon termination (*BI*, Nov. 2).

The suit, filed by William I. Walsh, retired president of supermarket systems for A&P, claims that the pension plan provisions require that excess assets be distributed to plan beneficiaries upon termination.

No Sasse criminal charges

LONDON—Evidence is insufficient to pursue criminal proceedings in London against anyone involved in the Sasse scandal, according to the director of public prosecution.

But criminal litigation could take place in foreign countries like the United States, a DPP spokesman said. Lloyd's of London can also pursue disciplinary proceedings against the syndicate and others involved, the spokesman said.

Lloyd's will not take any action against Sasse employees until outstanding civil litigation is settled, a Lloyd's spokesman said.

However, Donald Green, an attorney at LaBoeuf, Lamb, Leiby & McRae, said he knows of no civil or criminal litigation pending in the United States or in London involving Sasse employees and the scandal, which resulted in some $51 million in claims outstanding against the Sasse syndicate (*BI*, June 22).

Computer loss estimate hiked

LONDON—Computer leasing insurance losses incurred by Lloyd's of London and other insurer will probably soar to at least $444 million, according to a new report.

The new loss forecast by the law firms of Lord Day & Lord in New York and London and Elborne Mitchell & Co. in London does not take into account, however, legal costs and other expenses in handling more than 20,000 claims. With these costs included, the losses may cost insurers as much as $500 million, sources say, the largest loss in Lloyd's 300-year history.

An original forecast by First National Bank of Boston—where the loss reserves are being held—said losses would be $400 million.

But the new forecast reflects "the amount of cash which underwriters could be obliged to pay to settle all the claims, the salvage opportunites in a market which continues to decline and variation in the rates of exchange between the currencies involved," a Lloyd's spokesman said.

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Asbestos makers increase claims against government

By STEPHEN TARNOFF

Asbestos manufacturers are rapidly increasing their claims against the federal government for money to help them pay massive settlements and judgments to workers with asbestos-related diseases.

Suits by asbestos makers seeking indemnification from the government are increasing by about 5% a month and have doubled in slightly more than a year, said Peter Nowinski, the government's lead counsel on asbestos litigation.

As of Nov. 6, the government had been named either directly or as a third party in 809 suits in 22 federal jurisdictions.

The actual number of asbestos claims involved in suits against the government is much higher, however. For example, Keene Corp. of New York is seeking in just two direct suits against the government to recover for the thousands of suits that have been brought against the company.

So far, Keene has been named in more than 10,000 of the estimated 45,000 product liability claims pending against asbestos manufacturers.

In addition to Keene, other asbestos manufacturers and Commercial Union Insurance Co. also are seeking to make the government liable for all or part of the claims against them (*BI*, Sept. 28).

The suits were filed by Keene in the U.S. Court of Claims and in a federal district court in New York. The manufacturer says the government violated tort, contract and admiralty law.

Most of the employees who are suing Keene worked for the government in U.S. Navy shipyards or were employed in private shipyards under contract to the Navy.

Keene is seeking to recover from the government the amounts awarded injured employees and costs incurred by Keene as a result of the claims process, including increased insurance costs and the cost of executive time

Continued on page 41

Contractors lay groundwork for Bermuda-based captive

By KATHRYN J. McINTYRE

DALLAS—Three contractors and an insurance consultant here are building a new Bermuda-based group-owned insurance company with room for 12 more owner/participants.

American Risk Transfer Insurance Co. Ltd., dubbed ARTIC, is already committed to underwriting $4 million in reinsurance premiums on the liability risks of three owner/members: Pepper Construction Co. of Chicago, Williams Brothers Construction Co. of Houston and Don Love Inc. in Houston.

Although commercial insurance rates are cheap right now, ARTIC was formed with vivid memories of the mid-1970s insurance crunch when prices were high, says William S. McIntyre, the president of ARTIC and a shareholder. Mr. McIntyre, formerly president of risk management consultants RIMCO, is a respected expert in contractors' risks and insurance needs.

The contractors are looking for a stable insurance market and a chance to profit from good loss experience.

For starters, ARTIC is reinsuring at least the first $100,000 of loss under workers compensation, employers liability, general liability and auto liability policies issued to Love and Pepper by St. Paul Fire & Marine Insurance Co., which is the fronting insurer for ARTIC.

Williams policies will start Jan. 1.

Eventually, the company may reinsure risks related to other lines, including life insurance, builders risk/installation floaters, and contractors' equipment, according to a private placement memorandum dated Sept. 15. It may also underwrite insurance for non-owners.

Now, the initial shareholders are constructing a list of hot prospects, hoping to attract at least six more owner/participants needed so the Bermuda insurance company is not

Continued on page 44

Nominate risk managers now

Only two weeks remain to complete nominations for the *Business Insurance* Risk Manager of the Year competition.

All nominations must be received in *Business Insurance's* Chicago office by Dec. 7.

Ten prominent leaders in the insurance and risk management profession will judge the nominations using nine pre-established criteria for rating the risk management accomplishments of the nominees. The candidate with the highest aggregate score will be named the 1982 *Business Insurance* Risk Manager of the Year.

In addition, the nominations will be segregated by type of employer: large corporation, small corporation, not-for-profit institution and government entities. The highest scoring candidate in each of the three groups not represented by the Risk Manager of the Year will be named to the Risk Management Honor Roll.

The competition, now in its fifth year, is designed to recognize outstanding performance in the profession of risk management, not only before risk management peers but also before senior management.

The 1982 winners will be announced in the April 19 issue of *Business Insurance*.

For additional information contact Claudette Dampier, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5298. Nominations should be sent to the same address in care of the Risk Manager of the Year competition.

Non-medical malpractice suits are increasing, new study shows

By STEPHEN TARNOFF

SOLON, Ohio—Malpractice judgments against lawyers, psychiatrists and government bodies were the highest outside of medical malpractice awards during the last five years, a study by an Ohio research company shows.

But large awards also were assessed often against dentists, druggists, nursing homes, beauty parlors, rental agencies and those that made negligent repairs or installations, the report found.

The study, conducted by Jury Verdict Research Inc., tracked the number and size of malpractice awards, excluding medical malpractice judgments, since 1975.

Although until recently little data has been available on the number of suits and size of awards, the number of malpractice cases in virtually all professions appear to be increasing.

"It does appear the number of cases are on the rise," says Janet Elder, research director at Jury Verdict Research. "They appear to be occurring with more frequency."

The study found that the average award was $250,000 for psychiatric malpractice, $200,000 for legal malpractice and $403,000 for negligence by governmental bodies.

In many individual cases, however, verdicts were much higher. A $3.6 million verdict was rendered in a psychiatric malpractice case, for example, after a 23-year-old woman diagnosed as schizophrenic suffered severe brain damage because of improper care she received in a mental hospital.

A $2.3 million verdict came down against an attorney and his law firm for failing to properly handle an accident claim for a client.

What the study calls an "abnormally large number of high verdicts" was brought against local governments for malpractice. Forty-six percent were for more

Continued on page 42

errors & omissions

• An incorrect telephone number for the Philadelphia World Insurance Congress, to be held April 25-28, was listed in the Aug. 17 issue. The correct number for information about the event is 215-563-5815.

Thanksgiving

Trimming the risks at turkey plant feathers poultry processor's profits

By LEN STRAZEWSKI

SPRINGFIELD, Mo.—Turkeys can be hazardous to your health.

That's what Hudson Foods of Rogers, Ark., discovered when it purchased a turkey processing plant in Springfield early in 1979. It bought loading docks, conveyor belts, feather pluckers and a flock of workers compensation problems that it didn't have in its mainstay chicken business.

Hudson, originally a portion of Ralston-Purina that was divested, has 2,250 employees working in 30 plants in nine states with annual sales of some $200 million.

Getting into the turkey business cost the firm:

- A $4.5-million renovation.
- Almost $6,000 a month in workers compensation costs.
- More than 200 accidents a year.
- A turnover rate even higher than the poultry industry average of 50% a year.



Changes at the turkey plant have improved workers' morale, including this butcher.
Photo: Len Strazewski

How risk and employee services manager Kent Doss and plant manager Bob Bell halved costs and accidents and turned its problem into a corporate safety model is a Thanksgiving story worth telling.

"When we bought the plant, we essentially had a seasonal multi-purpose operation," relates Mr. Doss. "The management at that time operated only six to seven months a year with about 295 employees. We wanted to work year-round with more than 400 employees."

Although turkey processing was its main business, the new Hudson plant, formerly Empire Foods, had been used for a variety of poultry functions: egg-breaking, dehydrating and freezing. It had never been used for a full processing cycle that included cutting and forming turkey products.

"In the first month of operation, we had 26 accidents," Mr. Doss noted. One worker even got a turkey feather stuck in his ear, which required medical help to remove.

That was the first tip-off that the plant had serious problems. Under the previous management, workers compensation was commercially insured and plant operators did not keep records of workers compensation experience.

"If it was insured, they didn't worry about it and didn't care much," Mr. Doss says.

But Hudson self-insures workers compensation, maintaining a $150,000 self-insured retention in Missouri and a $50,000 retention in Arkansas. Excess insurance is underwritten by a Cayman Island captive insurer, Dallas Re, which is owned by Hudson and seven other poultry firms and run by broker Johnson & Higgins.

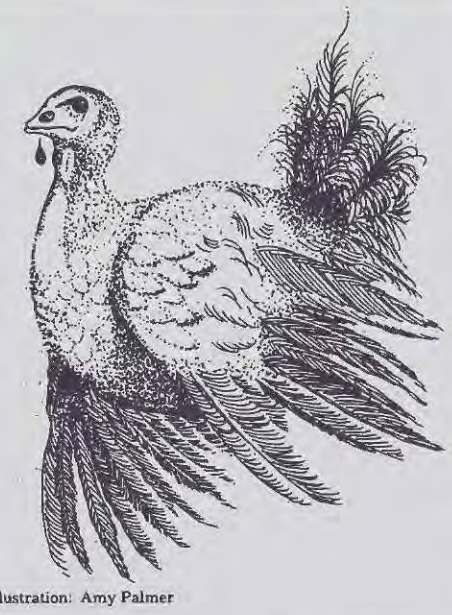


Illustration: Amy Palmer

Hudson also has a different philosophy than the plant's previous management. It worries about its employees' safety as well as its costs, says Mr. Bell, the plant manager, who was put in charge of the operation in early 1980.

"We just didn't have the turkey experience," he recalls. "We needed to learn how turkey processing is different from broiler (chicken) processing and here's what we found:

"Muscle strains, especially in new employees, are a problem. There's lots of cases of tendonitis and ligament strains. . .also a lot of scratches. Most of them occur on the live dock where turkeys are taken off trucks and wrestled onto a conveyor rack. It's not easy to grab a 30-pound turkey, turn it upside down and stick it in a rack. The turkeys don't like it.

"Turkey processing is also less mechanized. We don't have machines to cut up turkeys. It is done by hand. So the most common injury is a cut," Mr. Bell notes.

Turnover contributed to the problem. Inexperienced workers seemed to have the most accidents, an idea later confirmed by a consultant study that found that employees with six months or less on the job had 51% of the accidents. The study also confirmed that dermatitis and slipping accidents were big exposures in a plant that uses 500,000 gallons of water every day.

"We knew we didn't have just one big

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Louisville teachers to choose benefits from flexible pool

LOUISVILLE, Ky.—Jefferson County public school teachers can choose additional benefits from a new flexible benefit pool.

The teachers, who are in the third year of a three-year master contract negotiated in 1979, obtained the pool in annual negotiations on salary and benefits.

Teachers may select dental coverage, health care coverage for their families, a tax-deferred annuity or a reduction in their individual contribution to the state's Teachers' Retirement System from the new benefit pool.

Jefferson County teachers already receive group health, life and long-term disability insurance.

The school district contributes funds equal to 1% of each teacher's annual salary for purchase of additional benefits, says Claude Purvis, director of contract administration for the Jefferson County Public Schools.

The teachers must select at least one of the four benefits, Mr. Purvis says. This prevents teachers from purchasing, for example, one-half of both the dental and family coverages.

Since the dental coverage costs less than 1% of salary, however, the teacher may select this benefit and apply the balance toward one of the three remaining benefits.

Of the basic group benefits that all Jefferson County teachers receive, health insurance is provided by the state through Blue Cross/Blue Shield. Group term life and long-term disability insurance is provided by the school district through outside suppliers, Mr. Purvis says.

The dental coverage portion of the benefit pool is provided by Compdent Dental Plan of Louisville. The plan pays 100% of preventive dental care, including office visits, X-rays, teeth cleaning and local anesthetic.

The plan also pays benefits for corrective dental needs, including fillings and inlays, gold restoration, orthodonics, crowns and bridges and oral surgery, according to a fee schedule.

The dental plan costs $54.50 for individual coverage and $167.50 for family coverage.

Family health coverage from the pool is provided either by Blue Cross/Blue Shield of Kentucky or Health Care of Louisville, a local health maintenance organization.

The BC/BS family coverage carries a $400 annual deductible, after which it covers 80% of medical costs up to a maximum of $250,000. The family health coverage costs $718.08 a year.

Those teachers who choose a reduction in their contribution to the Teachers' Retirement System will contribute 6.84% of their salary instead of 7.84% as required by state law, with the district contributing the additional 1%.

The teachers have sought a flexible benefit pool for the past five years, Mr. Purvis says, but an agreement could not be reached until recently.

The teachers had wanted to place all benefits in a pool, a move the county resisted since it wanted to keep individual health, life and long-term disability in a large group to keep costs low. The teachers dropped their demand, making the agreement possible, he says.■

Brokers deny layoffs despite poor results

By LEN STRAZEWSKI

Brokers are trimming the fat from sales staffs and trying to pump new life into risk management service departments in the wake of poor third quarter financial results, sources in and outside the industry say.

But the brokers are denying layoffs, even though they think they probably should eliminate waste.

All the publicly held brokers were able to boost third quarter revenues over the same period last year, but their net income dropped or grew only slightly, reflecting growing expenses.

And one of the key ways to control costs is to control personnel.

"There's a lot of restructuring, reorganization and weeding out going on at the brokers," reports Richard Gay, president of Insurance Personnel Recruiters Inc., an Atlanta-based recruiter. "What brokers seem to be doing is cutting from their sales staffs and restructuring to provide more risk management services."

Another Sun Belt recruiter, Donald Delaney of Risk & Benefit Recruiters in Dallas, says brokers are making cuts at all levels but are especially reviewing moderately productive sales and account executives.

"The employees being terminated are just not good sales executives," Mr. Delaney noted. "In better times they would've been OK, but that's all."

The brokers are eliminating account executives as client caretakers who earn salary by just handling renewals, he adds.

"The brokers seem to want to move into the two-tiered system used with success by firms like Xerox. They want high-powered sales executives to go out and sell the firm and separate service personnel to handle the client's needs.

Alexander & Alexander Services Inc., Corroon & Black and E.H. Crump were most often cited by recruiters and industry sources as laying off most aggressively. Marsh & McLennan and Johnson & Higgins also reduced staff, but gradually over a period of several months, sources report.

All of the brokers denied wholesale layoffs and plans to cut back staffs in specific areas around the country.

Alexander & Alexander, for example, was rumored to be preparing a major layoff in its Dallas and Houston offices.

"It's hogwash," remarked Dewitt Waltmon, Alexander & Alexander of Texas executive vp. "In fact, we are looking for good people. This area of the country is notorious for the competition for experienced personnel."

Tinsley H. Irvin, executive vp and chief operating officer of Alexander & Alexander Services Inc., the parent firm, agrees.

"The rumors are absolutely untrue. The Southwest region is one of the strongest in A&A's system. The economy of the area is booming and A&A's production is at a record

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Public Brokers: The Third Quarter

	Gross revenues in millions	% change from 1980	Net income in millions	% change from 1980
Alexander & Alexander	$111.9	6.3	$13.0	-6.5
Corroon & Black	40.5	4.0	4.0	-29.0
E.H. Crump	7.5	11.0	0.4	-18.9
Frank B. Hall	85.3	12.0	6.7	—3.0
Fred S. James	60.0	22.0	4.7	-5.0
Marsh & McLennan	206.9	10.0	30.4	12.0
Poe & Associates	4.7	23.0	0.1	-80.0
Rollins Burdick Hunter	19.0	12.0	1.7	-15.0

A&A announces major restructuring

By LISA BERGSON

NEW YORK—Alexander & Alexander Services Inc. is restructuring itself for expansion in the 1980s.

The nation's second-largest insurance broker last week revealed a new plan designed to position A&A for domestic diversification, international growth and coordination with Alexander Howden Group Ltd., the British brokerage firm with which it will merge in January.

For buyers of insurance, the plan signals greater uniformity and availability of service, A&A believes.

Meanwhile, the firm's top competitors, Marsh & McLennan Inc., Frank B. Hall & Co. Inc. and Johnson & Higgins, may find themselves with a more streamlined, versatile and ubiquitous rival.

In broad terms, A&A will divide the firm, from the holding company down, into three separate units: A&A Overseas Inc., A&A Inc. and Alexander Howden Group.

The rearrangement is similar to the re-

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EPA again told to draft toxic waste rules

washington

WASHINGTON—The Environmental Protection Agency must produce regulations by February detailing how toxic chemical dumps should be cleaned up, a federal judge says.

U.S. District Court Judge Gerhard Gesell rejected the EPA's request for two more years to formulate regulations governing landfills used as dump sites for hazardous chemicals.

The agency already has missed two court-ordered deadlines since December 1979.

EPA Administrator Anne Gorsuch said the agency needed more time to develop regulations because of the complexity of the issues involved, an argument that didn't convince Judge Gesell.

"The agency may fulfill its mandate to issue regulations as well as satisfy its lingering technical and policy concerns by issuing regulations and later consider revisions if the agency's understanding and expertise expand," he said.

Pension regulation

A major business group doesn't want a new federal agency to administer the pension reform law.

"The creation of a single new agency might increase, rather than decrease, paperwork. I can't think of anyone who consciously wants to do that," says Irvine Dearnley, a vp with Citibank of New York.

Speaking on behalf of the National Assn. of Manufacturers before the Senate Labor subcommittee, Mr. Dearnley said the creation of one agency would lead to compliance problems.

"The Department of Treasury would continue to assess and collect taxes. The Department of Labor would continue to oversee labor unions and multiemployer plan interests.

These continuing responsibilities would make the establishment of a single agency to administer ERISA a difficult goal at best," Mr. Dearnley pointed out.

His remarks came as the Labor subcommittee is considering legislation, S. 1541, introduced by Sen. Don Nickles, R-Okla., that would consolidate the ERISA responsibilities of three federal agencies—the Labor and Treasury departments and the Pension Benefit Guaranty Corp.—into one new federal agency, the Employee Benefits Administration.

Public pension plans

Rep. John Erlenborn, R-Ill., wants to give some of the same protections that private pension plan participants now enjoy to participants in the nation's 7,000 public pension plans.

Mr. Erlenborn's Pension Retirement Income Security Act of 1981, H.R. 4298, would require public plan administrators to furnish to participants a summary of rights and obligations.

An administrator also would furnish to any participant who leaves a plan a statement that lists accumulated contributions, pension benefits and vesting status.

In addition, public plans would be required to hire an independent certified public accountant to audit the plan on a regular basis. ■

American Risk Management Group

New International Management Team



William F. Nehls, Cleveland, Ohio
John J. Ryan, Fort Lee, N.J.
Bryan D. Murphy, Shannon, Ireland
MacVicker Snow, Fort Lee, N.J.
Donald J. Westmoreland, Cayman Islands, B.W.I.
William F. Sennett, Weybridge, U.K.
Alan E. Chilvers, Hamilton, Bermuda
Arthur H. Deters, Hamilton, Bermuda
Fredrick M. Reiss, Hamilton, Bermuda

American Risk Management Group, through its Chairman, Fredrick M. Reiss, announces a new management structure with the appointment of Arthur H. Deters as Group Chief Operating Officer and a Group Executive Committee, members of which are pictured above.

Leading World Manager of Captives

KEY OPERATING FACILITIES

American Risk Management, Inc.*
Fort Lee, New Jersey

American Risk Management, Inc.
Cleveland, Ohio

International Risk Management Limited
Hamilton, Bermuda

European Risk Management, Ltd.
Weybridge, U.K.

Transnational Limited
Cayman Islands, B.W.I.

Compass Limited
Cayman Islands, B.W.I.

Universal Management Ltd.
Shannon, Ireland

Transnational (Guernsey) Limited
St. Peter Port, Guernsey

CAPTIVE DOMICILES IN CURRENT USE

Kentucky
Minnesota
Michigan
Tennessee
Vermont
Bermuda
Caymans
Guernsey
Ireland
Sweden

For information:*
American Risk Management, Inc. (d.b.a. Armrisk, Inc.)
One Executive Drive, Fort Lee, N.J. 07024 Telephone: (201) 592-7100

benefit beat

Pan American trades ESOP for pay cuts

Employees of Pan American World Airways have accepted a 10% wage cut and a one-year freeze on wages in exchange for an Employee Stock Ownership Plan to help their troubled employer overcome financial difficulties.

Pan Am spokesman Merle Richman said details and a start-up date for the ESOP are still being worked out. The new ESOP will be the first such plan for Pan Am employees.

The wage concessions will save Pan Am an estimated $200 million, thus allowing it to meet a requirement for a $200 million line of credit with a group of banks.

Pan Am lost $248 million last year and posted a $240 million deficit during the first half of 1981.

Under the concession agreement, all employees will have their wages cut by 10%. The pay cut is retroactive to Oct. 1.

Medical plan

The United Fishermen of Alaska has a new medical and hospitalization plan provided by Blue Cross of Washington and Alaska.

The plan covers some 850 UFA members who, until recently, received health benefits from the state. The fishermen lost those benefits through state budget cuts.

The plan covers only commercial fishermen in Alaska.

Under the major medical portion of the plan, members pay 20% of costs up to a maximum of $1,500, after which the plan pays 100%.

Major medical coverage includes physicians' calls, surgery, in-patient consultation, doctors' visits, X-rays and radium treatments. Chiropractic services are covered with a $500 annual maximum.

Major medical coverage also covers 50% of mental and nervous condition and alcoholism treatments, with a $2,000 annual maximum.

Hospitalization coverage is paid in full by Blue Cross, and includes a semiprivate room for 365 days, intensive care unit expenses, hospital extra expenses, accident coverage, minor surgery and medical emergencies.

This portion of the plan has a $1 million lifetime maximum.

Family coverage also is available.

Cost of the plan to an individual subscriber under the age of 30 is $34.90 a month. During the plan's first year, all subscribers must pay the full premium in advance.

Military benefits

Members of the armed forces have the right to designate any beneficiary for their military life insurance policies, the Supreme Court says.

In a 5-3 decision, the high court said earlier this month that a serviceman's right to have absolute freedom of choice in selecting a beneficiary supersedes state court rulings awarding benefits to a former spouse or to children of a dissolved marriage.

The absolute right to designate the policy beneficiary is personal to the service member alone, Justice Harry A. Blackmun said.

The Supreme Court decision overturned a Supreme Judicial Court of Maine ruling that said as a matter of state law, the three children of a divorced Army sergeant were entitled to the proceeds of his $20,000 Serviceman's Group Life Insurance policy when he died a year after the divorce. ■



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THE TRAVELERS

Sensibility

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editorial opinions

Tackling a liability problem

HOW ABOUT soccer?

At least one small school district we know of switched its fall sport to soccer from football, primarily because the equipment is cheaper but also because the local doctor on the school board argued that soccer is less dangerous than football.

Sunday afternoon soccer, however, doesn't have the ring of Sunday afternoon football, making a nationwide conversion to the sport of the motherland implausible.

After witnessing the bloody mess soccer players can make of each other, we're not so sure that we believe the doctor's assessment of the dangers of the two sports, either.

But the nation's dwindling football helmet manufacturers are telling us that if we want to rally around the goalposts, something has to be done about their liabilities for injuries not prevented or indeed aggravated by football helmets.

Absolving football helmet manufacturers of any responsibility for their product's safety as proposed by a coalition of the manufacturers (see story page 1) probably isn't feasible. But some compromise position, such as making a no-fault benefit fund primarily liable for equipment-related injuries, might help the manufacturers.

And there has to be a recognition among athletes, their coaches and their families that athletic competition is dangerous and that the players are assuming that risk—and some of the liability for it—by running out on the field.

We applaud the ingenuity of the helmet manufacturers that are proposing some solution to their product liability problems. And we can see the wisdom in charging spectators of the sport for a contribution to an injury benefit trust, as well as the players and the equipment manufacturers.

Their proposal should be given serious consideration while there are still more than one helmet maker and some options to consider. Waiting to solve the problem until there is only one helmet maker will create a fourth-down crisis.

Then soccer, instead of punting, could be the right call.

Looking to the north

IT'S EASY TO ASSUME in an English-speaking country that the customs and business practices will be the same as in the United States.

How many times does an American in London look the wrong way for oncoming traffic and hear the screech of tires as the car coming from the "wrong" direction had to stop abruptly?

Business Insurance Senior Editor Len Strazewski points our heads in the right direction to grasp the development of risk and employee benefit management in Canada in this week's Spotlight Report.

We can find signs of what we have done and what we need to do reflected in the different and similar approaches taken by professionals working in the neighboring country to the north.

Although our colleagues in Canada do not have exactly the same liability, workers compensation and health insurance problems that risk and benefit managers in the United States do, they are following similar lines of professional development for similar but subtly different reasons. Risk and benefit managers around the world can learn from Canadian developments.

In some ways, the United States is responsible for the growth of risk and benefit management in Canada because U.S. decisions—liability awards, labor settlements and technical innovation—slip over the border and affect our neighbors.

Now the trend may be reversing. As Canadian companies increase their investments in U.S. business, reversing the flow of U.S. money to the north, it's important for U.S. business executives to know the risk and benefit management customs in Canada. Whether it's to help a new Canadian colleague or to converse with new Canadian investors, knowing Canadian business practices will be helpful.

Also, there may be a lesson to be learned from the Canadian insurance marketplace, which arrived at intense rate competition sooner and is holding it longer than our own. By watching Canada, we may be able to foresee what will happen when our own insurers reach rock bottom.

Most of all, our report reflects the continued growing importance of commercial insurance management in all countries, not just the United States, and the influence national economies and business practices have on one another.

letters

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

Education of a risk manager

To the editor: In the past year, I have read with interest articles and letters regarding the background needed or desired for a risk manager. Some say a financial background is the best, others say insurance and still others mention loss control/safety.

While my own background is insurance, I submit for consideration the opinions of Dr. George Head, director of risk management/loss control education at the Insurance Institute of America. In the January 1980 issue of "Risk Management" under the title of "Risk Management Heralds a New Renaissance," Dr. Head proposes, and I heartily agree, that "universal awareness is the quintessential characteristic of an effective risk manager."

In other words, a risk manager should be a true "Renaissance person"—one who is skilled in many, if not all, of the known arts and sciences and is intellectually knowledgable.

With this in mind, one's educational background becomes secondary. The primary thrust is in acquiring and absorbing disciplines other than those acquired in one's initial education. The real education is the continuing effort to be "universally aware."

Robert F. Healey
Risk manager
City of Duluth
Duluth, Minn.

Insurers follow dangerous path

To the editor: We agree with Myron Picoult stating that malpractice insurers may be "bad news" for all involved (*BI*, Oct. 26). We also agree that the problems with the malpractice insurers are that they are trying to handle yesterday's and today's claims through today's cash-flow underwriting, which is going to create problems for the future. This is no different than the problems currently facing the Social Security system.

We firmly believe that the insurance companies are their own worst enemies with current cash-flow underwriting, dropping rates for competitive reasons.

We have long predicted an insurance crisis that not only will affect the standard insurance companies, but also the operation of the cooperatives, joint underwriting associations and reciprocals.

We suspect, however, that the insurance companies will take their usual position when rates double and triple: They will complain about the high cost of claims handling and the high judgments being rendered as opposed to their own underwriting foolishness.

Frederick J. Fisher
Vp
Miller & Gilbert
Culver City, Calif.

U.S. ski racers want support

To the editor: Your article on the upcoming International Insurance Ski Races at Courchevel, France, (*BI*, Oct. 19) invited American insurance personnel and asked those interested and wanting to *learn how* to ski to contact Jeff Greenberg of AIU in Houston.

This year the Lloyd's Ski Club organized its first International Insurance and Reinsurance Ski Race to coincide with two French insurance races. The U.S. team was represented by myself (a Frank B. Hall employee gaining London experience), an English-American and two Italians who didn't make the Italian team, although both have been skiing and racing for 10 years!

I hardly think anyone who hasn't been skiing and/or racing before would want to enter the three events involved.

Next year Jeff and I hope to put together a competitive American team that the U.S. insurance market will be proud of. This is not to say that those who wish to learn would not be able to attend. Their support is needed and would be greatly appreciated.

My hope is that the U.S. insurance market will support this event where one can meet those of other countries in the same business and share a common interest in a sport. We hope it will be an annual event, which could be held next year in the United States.

The total cost for myself last year was approximately $700 (departing from London), which makes sponsorship helpful, and I'm sure with the additional cost of a flight from the United States, it would be a necessity.

We leave from London Jan. 23. Correspondence should be sent to:

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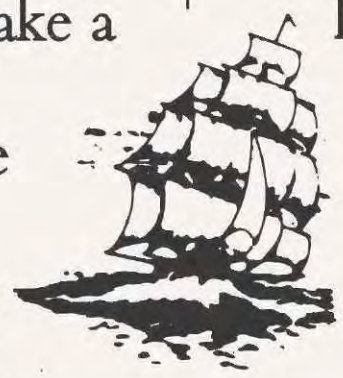
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CANADA MARKET



Illustration: Amy Palmer

Economy spurs risk management

By LEN STRAZEWSKI

Sweeping grandly but thinly across the top of the North American continent, Canadian industry stands poised on the brink of change.

The new energy and foreign investment policy of the Canadian government is encouraging local firms to expand south into the United States. Oil companies, including the giant Dome Petroleum, already own U.S. subsidiaries and real estate developers such as Olympia & York Properties now control giant chunks of commercial property in major U.S. cities.

More industries, from breweries to pulp and paper manufacturers, are anxiously eyeing the stronger American dollar and the hungry U.S. consumer as an answer to slow internal economic growth.

Canadian natives, however, may have to learn some new tricks to cope with the lawsuit-happy U.S. and the liability-prone American business.

With international economic developments come a series of growing pains that is spurring the development of the risk management profession and sustaining one of the most competitive insurance markets in the world.

"We don't have many of the risk concerns here that you have in the U.S.," notes one of Canada's premier risk managers, Eckart Russell of Alcan Aluminum Ltd. in Montreal, Quebec. "We do not have private workers compensation insurance. We do not have malpractice or product liability problems.

"We are a much smaller economy and so we do not have much of a multinational environment," he says.

Mr. Russell is one of a handful of exceptions to the fiercely nationalistic risk management community that generally shuns complex self-insurance plans, high deductibles, captive insurers and global concepts.

Alcan is one of the Canadian firms that has already grown past its national boundaries and has processing plants in more than 30 countries.

With a captive insurer and a global insurance package plan, the firm stands in the forefront of risk management so Mr. Russell views his base country with the eye of a senior statesman.

"In a domestic environment, a very competitive insurance market here does not foster self-insurance," he explains. "Without long-tail casualty risks, you don't have much need for a captive. You don't have enough cash flow.

"For property insurance, rates have been extremely low for a long time. Why not lay them off if someone is willing to take them?"

Canadian corporations also tend to buy smaller amounts of coverage than U.S. firms if they do not do business with American consumers. Liability insurance limits of $100 million (Canadian) or more are strictly for giant companies that sell products in the states. Only the biggest firms would tap self-insured retentions of more than $500,000 and many large firms have deductibles of as little as $25,000.

"Why take on the risk if the premium credits don't make it worth it?" Canadian risk managers ask. "The insurance market has been very competitive for years."

Prices are low and have been since the mid-1970s. When the U.S. was still in a market crunch over medical malpractice and product liability insurance, Canadian underwriters already had begun to cut prices.

With little or no provincial regulation and virtually no regulation of rates and forms, Canadian insurers changed prices and coverages at will, teasing brokers and buyers with their ability to come back with reduction after reduction until everyone came to believe that the industry had no bottom.

The insurers, mostly foreign-owned firms like the Royal Insurance Co. and Commercial Union Insurance Cos., and U.S. competitors like Allstate and the Factory Mutual Sys-

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Risk management grows



Eckart Russell of Alcan Aluminum

Continued from previous page

tem, started with a round of 20% premium reductions that only this year began to disappear, brokers and risk managers say.

Now rates are leveling off as losses start to pile up.

With a 1981 estimated premium of less than $6 billion, the Canadian insurance market ranks in size with that of California. Losses in 1981 are expected to reach $1 billion and industry watchers are predicting rate increases by mid-1982.

Experts also fear insolvencies. Two insurers, Strathcona General and Pitts Insurance Co., already have hit hard financial times.

Employee benefits seem to be less of a pressing concern. With the single biggest benefit, health care, controlled by a government monopoly, benefits focus on pensions and supplemental care.

Growing in size and needs, Canada is growing up professionally.

"There is a certain degree of backwardness in risk management thinking in Canada but the profession is more mature here than it is in Europe," says Mr. Russell. "Advancement in risk management is contingent on a firm's management situation. In a more mature structure, I can see the risk manager advancing because the job will have a corner on the advanced planning techniques Canadian corporations will need."

Benefits

Taxes, health care stall new benefits

By EILEEN NORRIS

Canadian employers are beginning to think twice about sweetening employee benefit packages with services not included in the government-sponsored health plan.

As economic pressures grow, even skimpier portions of dental, drug and other supplemental medical services are expected to be dished out in 1982.

And benefit experts say employers that do offer extra benefits for workers may pull back on the perks following the release of the national budget which is expected to mandate that add-on benefit contributions be treated as taxable income beginning Jan. 1.

Before, such contributions were not taxable in the hands of employees and so were a way of compensating workers without increasing their taxable income.

Also starting in the new year:

- Employers that provide company cars for their executives will see an increase to 30% (from 12.5%) on how much of the car's purchase price is added to taxable income.
- Low-interest employee loans that had been taxed at a rate of 4% will be subject to a 12% rate as a $50,000 housing loan exemption and $500 general exemption is removed from tax laws.

"Employers are not rushing into anything new," says Laurence Coward, director at William M. Mercer Ltd. in Toronto.

"There's an awful lot of legislation to be decided in the next couple of years and employers don't want to offer something that may not be required later," he adds.

New benefits are being looked at by employers, says Pierre Demaris, president of Reed Stenhouse Associates Ltd. in Toronto. But with tax shelters closing up, many employers are putting much more emphasis on cash compensation for their employees.

Tax issues even affect Canada's renowned socialized health care. Cost varies from area to area. In eight of Canada's 10 provinces, the cost for basic medical care and hospitalization is split between the federal government and the particular province.

The worker and employer don't pay premiums or deductibles, but they do pay for medical services indirectly through Canada's general tax scheme.

And, if they want additional benefits such as prescription drugs, dental or eye care coverage, most workers have to kick in an additional contribution every month.

British Columbia and Ontario are the two provinces that require employee contributions for basic health insurance of about $15 a month for a single person or $30 for a family.

But, the province will agree to reduce or waive premiums for low-income residents, says Guy Jobin, a consultant for Johnson & Higgins/ Willis Faber Ltd. in Montreal, Quebec.

All the provinces do cover routine as well as catastrophic expenses so that Canadians do not have to fear bankruptcy because of an illness or injury.

Medical and hospitalization benefits are administered by each particular province, but the benefits vary in all of the 10 plans.

Canadians wonder why national health insurance has not flourished in the U.S. and they express outrage when told that an illness or injury could make a poor citizen penniless. However, there are diffences even among Canadians as to what benefits should be offered.

Of the 10 provinces, only the Ontario government picks up a portion of the ambulance service a citizen would require in an emer-

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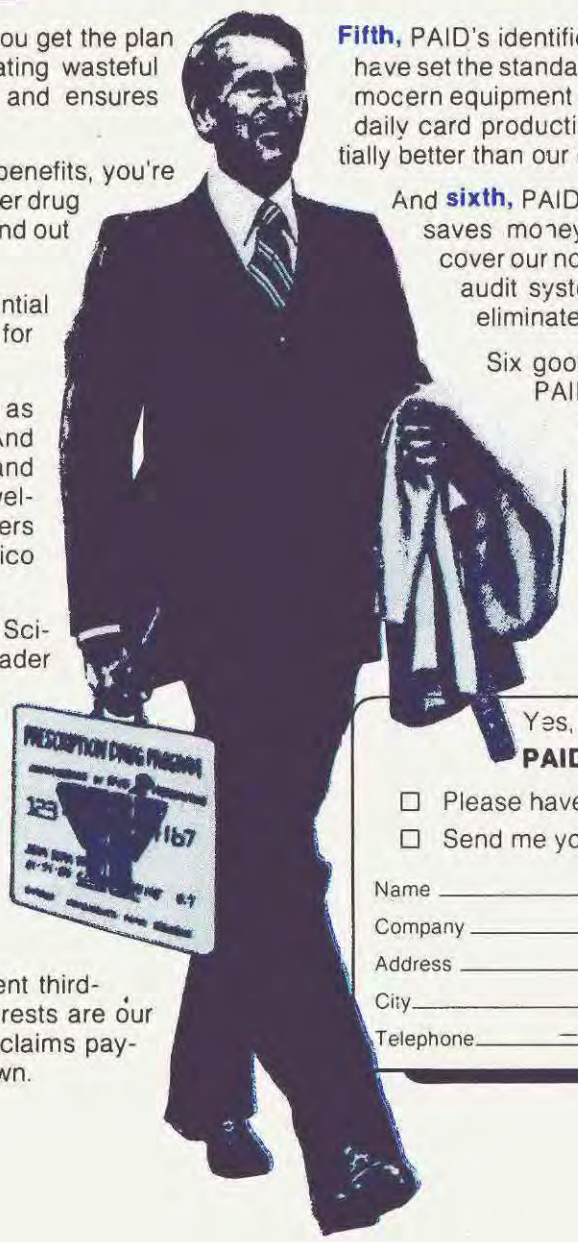
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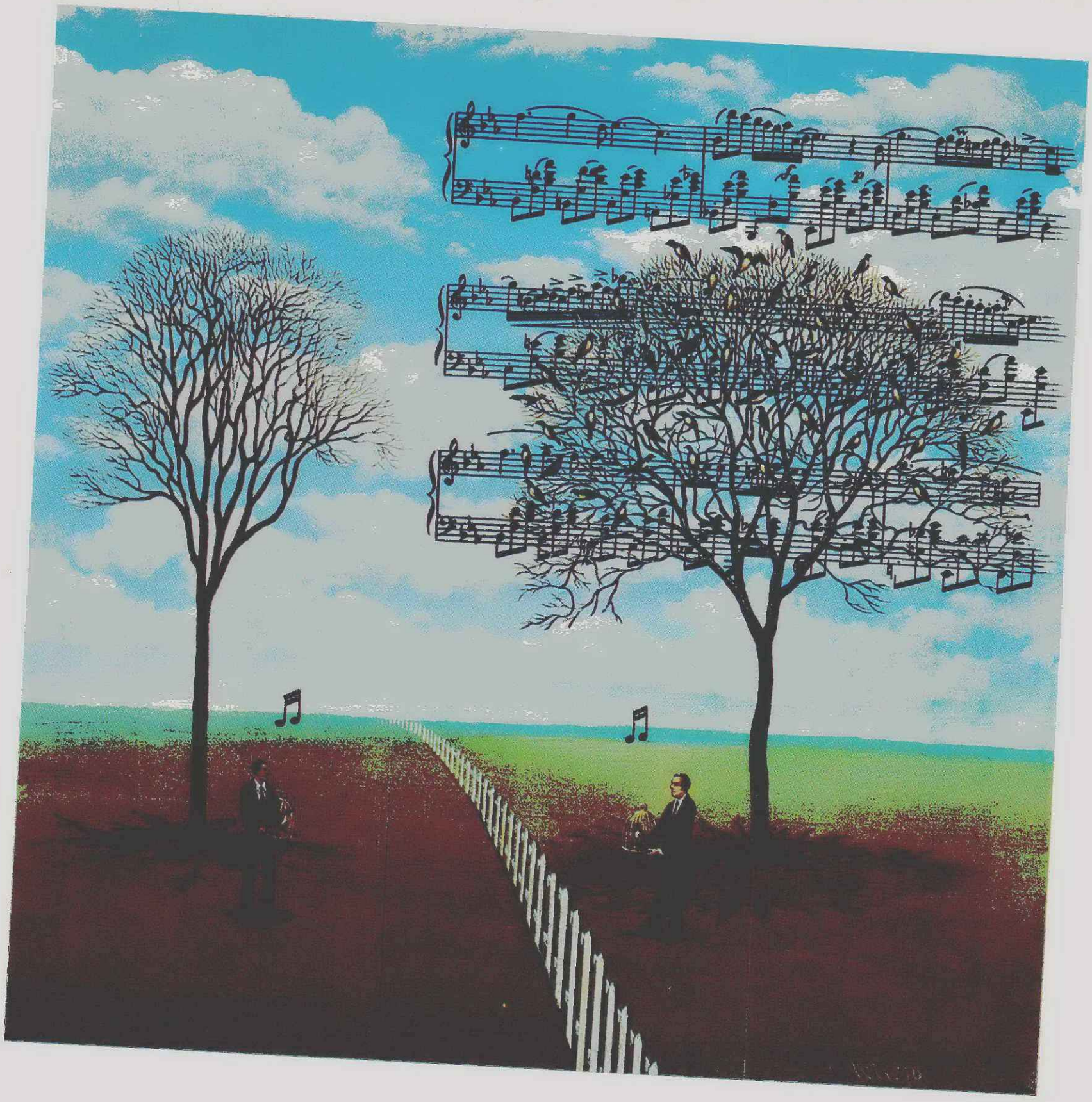
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Taxes threaten growth of new benefits

Continued from page 12

gency. The resident pays a maximum of $25 for each trip.

In all 10 provinces, anesthetics are paid for by the government only when deemed medically necessary, while chiropractic treatment is not covered by most of the individual provincial plans.

In several of the provinces, dental treatment is covered for children ages 4 to 14 or for persons aged 65 and over, but not for individuals caught between those two generations.

Diagnostic services, which include X-rays, are paid for by the government plan when medically necessary.

Eight of the 10 provinces, excluding Prince Edward Island and New Brunswick, include benefits to pay for all or a portion of the drugs, supplies and equipment prescribed for persons over the age of 65.

All of the 10 provincial governments pay for the complete cost of obstetric care and most, excluding Newfoundland and Prince Edward Island, pay for a yearly eye exam.

Four of the plans provide for a yearly physical exam when deemed medically necessary while the remaining six provinces pay for it yearly regardless of the necessity.

Benefits are usually managed by the personnel departments, says Laurence Coward of Mercer

In addition to shaping benefits, national health insurance shapes benefit management. Because most provinces provide the basic medical and hospitalization for residents —even those that are unemployed —there are very few employers that have a staff person exclusively hired to handle employee benefits, says Laurence Coward, a director for William M. Mercer Ltd.

In all but the very large Canada corporations, employee benefits are handled by the personnel manager or the vp in charge of financial affairs, adds Mr. Coward.

Canadians are offered a wide variety of group life insurance coverage. Some plans offer employees the option of increasing the amount of coverage under a supplementary provision of the plan.

But in many instances, participation in a group life insurance plan is not a mandatory condition of employment.

The Pay Research Bureau in Canada surveyed 172 industrial employers in Canada and found that 100% of the companies provided group life benefits with more than 50% bearing the complete cost.

Approximately 18% indicated that costs were shared equally by both employer and employee and 16 employers (or 9.5%) reported that they paid all of the premium up to a certain percent.

Of all the employers providing group life insurance plans, some 47.9% also provided supplementary provision for employees in the management/professional category, while 41.7% and 28% said that the additional provision was available to employees in office and non-office categories, respectively.

In 1980, 98% of employees in the management/professional category, 95% in the office category and 90% in the non-office category received supplementary health care coverage from their employers.

Even though Canada's new tax laws may put supplemental benefits on the back burner for many of the country's employers, there is work going on among consultants to bring even more special services to employees.

Group legal aid and group automobile insurance are currently offered to employers for their workers and consultants predict the special lines will grow as soon as the laws stabilize. ■

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Consultant began on shoestring

TORONTO—William M. Mercer started his consulting business in 1945 with two ingredients: himself and a $1,000 loan.

The rest of the story is a classic tale of entrepreneurism.

Today William M. Mercer Ltd. of Canada has almost 600 employees spread across its 13 offices in Canada. Another 72 offices are scattered worldwide.

It continues to be the biggest Canadian and U.S. consultant that specializes in employee benefits, pension plans, employee communications, retirement counseling and financial planning.

Mr. Mercer's idea to take off on his own came to him when he worked for Powell River Paper Co. in Vancouver as the company's economist and so-called "troubleshooter." He was charged with devising a pension plan for the firm's employees.

He decided he could do the job he was doing for others—and make money—so he opened his own consultant's office in Vancouver, says David Maynell, one of William M. Mercer Ltd.'s directors.

The business grew at a steady rate and in 1958, Mr. Mercer sold his interests to Marsh & McLennan, the U.S. brokerage and service firm which is now Mercer's parent company. Mercer's founder died in 1961 at the age of 41.

With an arm lock on Canadian benefit consulting, Mercer plans to maintain its hold by doing more of the same: pension and benefit consulting, says Mr. Maynell, who works from Mercer's Toronto headquarters. There is still room for growth.

Employee communications, other forms of direct and indirect compensation, retirement counseling and financial planning are all areas pegged for expansion, he adds.

—Eileen Norris



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Benefit consultants looking for new talent

TORONTO—In a hotly competitive marketplace with special expertise at a premium, it's hard to find good staff members without raiding competitiors, according to Donald Brown, president and chief executive officer of Johnson & Higgins/Willis Faber Ltd.

One of Canada's largest brokerage houses, the joint venture of U.S. broker Johnson & Higgins and British broker Willis Faber Dumas Ltd., has a special place in the employee benefit consulting business.

Behind the dominance of William M. Mercer Ltd., Canada's largest benefits consultant, J&H/WF has a higher percentage of benefits business than any of the other major Canadian brokers.

J&H/WF, Mercer, Reed Stenhouse Associates Ltd. and other brokers and consulants regularly swap employees and bid for talented consultants and acutuaries.

In addition, the demand for specialists in both the benefits divisions and property/casualty insurance divisions puts a strain on relations with local industry, because in order for the insurance personnel base to grow, executives have to be recruited from outside the insurance business.

The law is part of the problem. Although Canadian companies can tap some expertise from U.S. allies or parent companies, Canadian immigration law makes it difficult to hire or transfer full-time help.

To hire a non-Canadian citizen, companies have to prove that a resident citizen is unavailable or that the necessary special skills are not avialable locally.

Adding to the difficulty for J&H/WF is that the company is considered a foreign-owned because of Johnson & Higgins' 80% ownership, so acquisition possibilities are very limited under the strict Canadian regulation of foreign-owned companies.

'As the program continues, we will be adding to the new talent,' Mr.Brown says.

"About 2½ years ago, we decided it would be nice to develop our own talent instead of raiding our competitors," Mr. Brown explained. "So we set up a recruiting plan with a local university that would introduce students to the business.

"You know, if you go to the business schools in Canada and survey the students, you find that only about 2% have any interest at all in insurance. And they view the business as a kind of last resort," he continued.

"But after we had a chance to talk to students and tell them about what we really do —especially as brokers and consultants—we find them much more interested," Mr. Brown said.

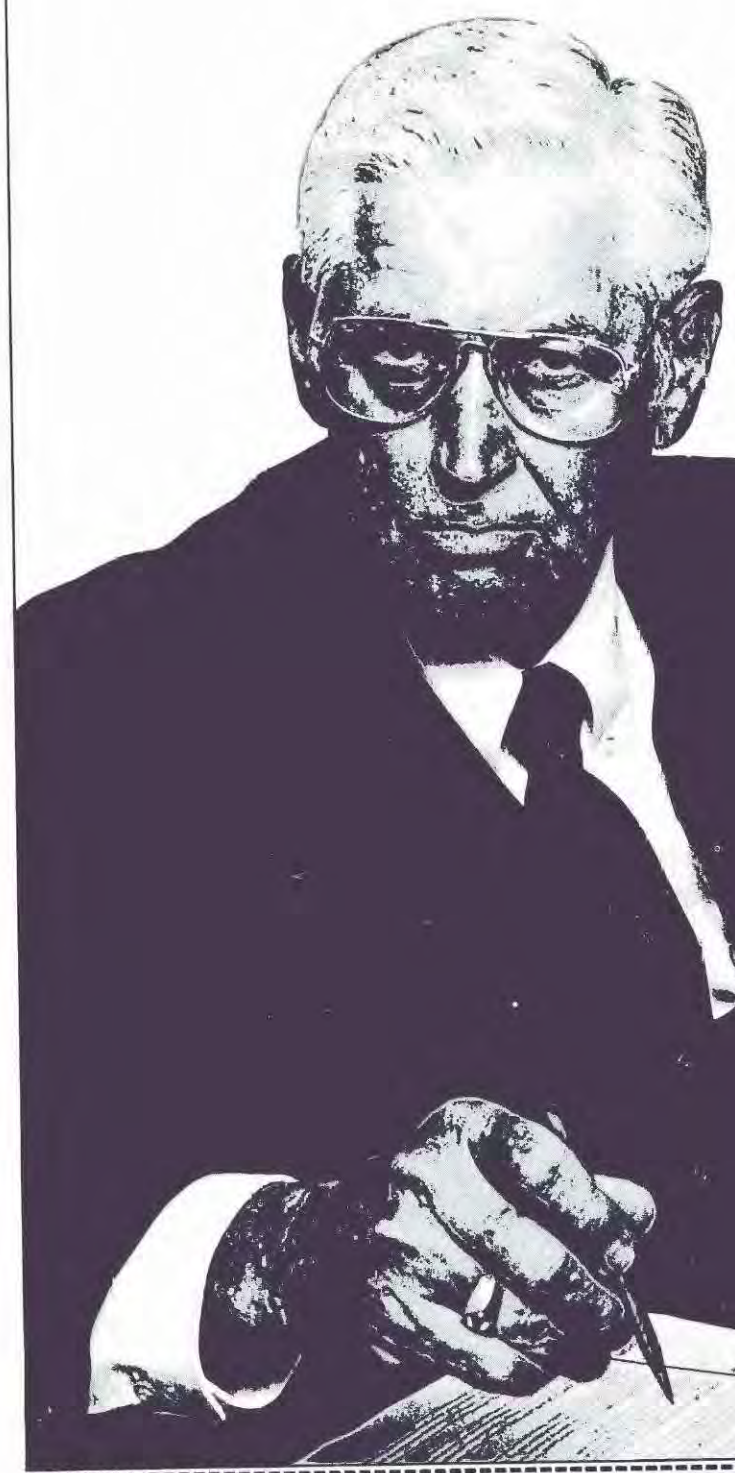
The program has landed 19 new employees for J&H/WF since it began, tallying a 95% recruiting success rate, according to Mr. Brown.

"We lost only one person that we wanted," he noted.

"I suppose as the program continues, we could lose more to our competitors, but at least we will be adding to the pool of new talent in the country," he said.

J&H/WF has 475 employees across Canada with offices in Vancouver, British Columbia; Edmonton, Alberta; Calgary, Saskatchewan; Winnipeg, Manitoba; Montreal; Quebec City, Quebec; Halifax, Nova Scotia; and Toronto. The corporate office is in Toronto, but the principal benefits consulting office is in Montreal. ■

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From Toronto, risk management shots are called

By LEN STRAZEWSKI

TORONTO—More than anything ise, Toronto wants to be the Canadian equivalent of New York. It is ne business and finance center, nome base for the leading corporaons and underwriting center for foreign insurers that dominate e Canadian marketplace.

Toronto is also the professional ıter of Canada, home office for e largest brokers and employee nefit consultants.

Despite the concentration of cap-al and expertise in this 2.5-mil--person metropolitan area in province of Ontario, the genal air of cutthroat competition is cking—to the satisfaction of the ɔulace.



Mr. Horrick

Toronto is definitely the most rth American-thinking city in ɔnada, much more so than Moneal, for example. But we can't ally be compared with a New rk or Chicago," explains James Horrick, executive vp of Reed enhouse Ltd., Canada's largest ɔker and the largest in the Toto area.

We are much more like San ancisco," he says. "Because of r smaller population, corporaons expect a more personalized ıd of service. Consequently, we ve a more personal relationship h insurers, too.

And because we have little or provincial regulation to get in way, we can handle national ograms from Toronto," he says.

hat makes Toronto the Cana-n city in which risk manageıt is practiced to its fullest. Most the risk management decisions Canadian-based corporations e made in Toronto, even if most the holdings are elsewhere in anada. For example, risk manags for Eaton's and Simpson Sears, o of Canada's largest retail ıins, are based in Toronto.

Several oil companies, whose ggest risks are in western Cana, keep their corporate base in East and make risk manageıt decisions in the city that uses the underwriters.

With more than 100 members, e Ontario Risk & Insurance Manement Society is one of the five gest chapters in North America.

"We've got a particularly strong apter here and a group of risk ıanagers who easily meet the me professional standards as risk ınagers in the United States," tes Don M. Stuart, retired risk ınager of Canadian Packers and MS coordinator of Canadian activities.

Mr. Stuart is practically a legend in the Ontario chapter. One of the founding members who recalls when the number of Canadian risk managers could be counted on the fingers of one hand, Mr. Stuart is a senior statesman of the profession and the source of advice and counsel for those entering risk management.

At ORIMS chapter meetings, he holds court at a back table, answering questions about placement,

Continued on next page

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Toronto RMs develop skills

Continued from previous page
negotiation with brokers and insurers and presentations to top mana ers. The risk management profession in Canada is young and taps every bit of experience and expertise from colleagues as it comes into its own within the Canadian corporate structure.

"Of course, there are still a lot of corporations in Toronto that are essentially U.S. owned, so the risk management decisions are made in the States. But the local staff of those companies, the people who handle claims and coordinate loca loss prevention, are usually active members of our chapter," Mr.



Mr. Stuart

Stuart says. "Someday, they may be making all the decisions."

This year's president of ORIMS Jean-Guy Huneault, risk and insurance manager of Traders Grou Ltd., agrees.

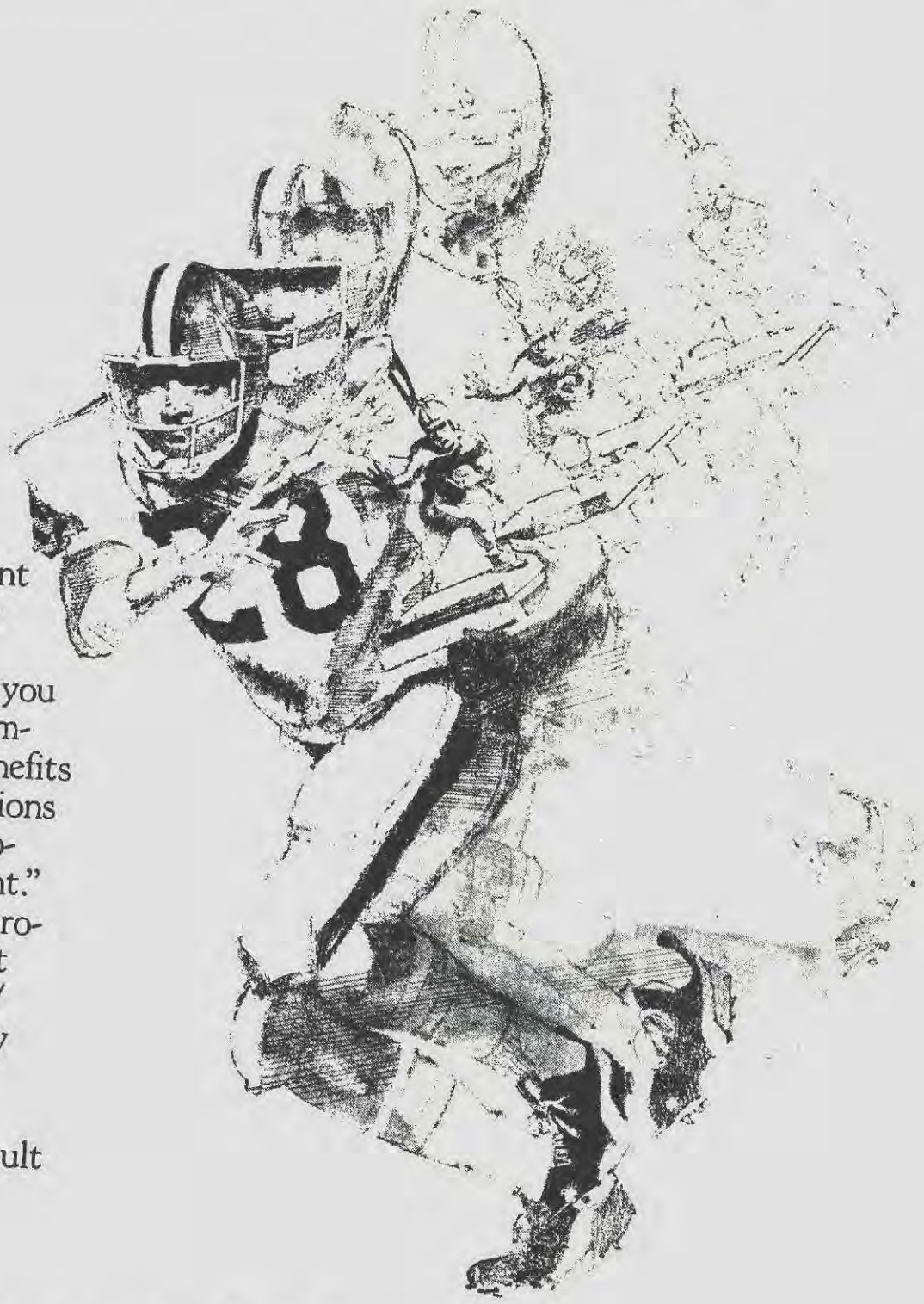
"The profession has grown bot in members and expertise, thoug we may not be quite up to th United States. But then, thank goodness, we don't have the same problems with liability and work ers compensation. From here, risk management decisions are made for everywhere in Canada. What Pamela Dixon, risk manager of Suncorp., says here affects holdings all over Canada."

Technique, too, has develope over the years, according to Toronto risk managers. Though small deductibles and standard policy forms tend to reign over much of Canada, high deductibles, high limits and manuscripted policies similar to those developed in the U.S. are the rule in Toronto.

During a recent workshop on real estate risk management and the problems of leasing contracts, ORIMS members laughed at the idea of a major firm still having a co-insurance clause in its property insurance policies. In the case study, the leasing firm that owned a shopping center got socked with a

Continued on page 20

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Photo: Len Strazewski
J.A. Yvon Menard, (left) of Marathon Realty and Ken Joyce of Reed Stenhouse at ORIMS meeting.

Toronto brokers stress service

Continued from page 18
massive penalty when stores it leased space to did not meet the insurance requirements of the lease.

"Though the problem may seem remedial to most of us in Toronto, the case study was real and not very old, involving a shopping center not very far from Toronto," explained ORIMS Program Chairman J.A. Yvon Menard, manager of risk and insurance for Marathon Realty Co. Ltd. "Though we have grown, there are still a lot of problems."

Captive insurers are not common in Canada, which doesn't have the consistent cash flow of workers compensation and the big-dollar long-tail liability reserves. However, Eaton's and Suncorp. both have captives for their widespread risks, a sign that the conservative Canada tradition of dumping, not holding, risk may be changing.

The insurance brokers also have grown, developing stronger services and more competitive urges as more and more risk decisions are made by Canadian professionals. Though Reed Stenhouse is the largest in the Toronto area with more than 200 employees locally, it is tracked closely by Marsh & McLennan Ltd., Johnson & Higgins/Willis Faber, Tomenson Saunders Whitehead, Dale & Co. and Morris & McKenzie.

With the exception of the Quebec province that is dominated by Gerard-Parizeau, the new parent of Dale & Co., the broker lineup holds true across Canada, with Morris & McKenzie winning the title of most aggressive and surprising independent brokerage.

William M. Mercer Ltd. dominates the employee benefit marketplace, followed by J&H/WF and Reed's benefit and actuarial division.

Few local insurers are active in the Toronto market, with the exception of Canadian Indemnity Co. (see related story, page 36). The Royal Insurance Co. and Commercial Union Insurance Cos. are the two local leaders, dominating in price and service, brokers say.

"What we are seeing is that Canada is developing an unusual amount of international and Third World business. This means that the corporations are looking for U.S. and international brokers and insurers who can help service their internationalization," noted Paul O'Donoghue, national director of Marsh & McLennan Ltd.

"As part of this, the risk manager has become a solid member of the service management team in his or her corporation. Risk managers are more demanding of their brokers and are seeking a higher quality of professional response."

Risk managers also are very price conscious as the Canadian economy falters. Economists predict only a 2% increase in the Canadian gross national product as its currency falls in the international market. Toronto, as the financial and underwriting center, feels the economic pressure the most. Though insurance rates are down, so is income for many corporations, especially in Toronto's construction business.

"Canada is not the most competitive insurance market in the world, but it is close, second only to Australia," adds M&M senior vp Sheldon Rankin, manager of the 200-person Toronto office. "We've seen



Mr. Rankin

premium reductions here by at least as much as you've seen in the States. There's no end in sight for 1982, either.

"The inflation, which could boost income for the insurers, is going right down the drain with cash-flow underwriting."

Though continuing low prices may be good for the corporate buyer, the low insurance prices may be hurting the quality of service they tap from their brokers at a time when service is needed.

"Lots of brokers don't have the full bag of risk management tricks, the financial technique and the loss prevention services," says Mr. Rankin. "We can provide full risk management technique so that gives us an edge. Most good risk managers aren't shopping for price only, though. They are prepared to pay for what they get."

But other brokers contend that Toronto risk managers are even more price conscious than the rest of Canada and review their insurance portfolio, including their brokers, annually. They look for expanded loss prevention and financial service at a lower price.

"What we see a lot is a company asking us to come in, learn about their company and write a report for them," noted a major Toronto broker. "They get a lot of free expertise that way." ■



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Isolated Montreal finds major risks are out of town

MONTREAL—Mixing bits of Old World Europe with the hardy energies of Canadian business, Montreal seems like the ideal town to practice risk management.

Isolated from day-in, day-out exposure to the United States, Montreal risk and insurance executives, with a few exceptions, seem more relaxed and less worried about incremental growth in liability and expansion of Canadian firms into the United States.

Unlike Toronto, the hottest issues in Montreal are not whose firm has made a giant investment in U.S. real estate or whose construction firm is failing, but why the hometown baseball favorites didn't win the pennant.

Though Montreal is the home of several major companies including Alcan Aluminum, Consolidated-Bathurst and Bell Canada and has a metropolitan population of more than 1 million, the major risks are out of town. The mines, forests and hydroelectric plants owned by Montreal firms are in British Columbia, Ontario or far Northern Quebec, leaving the homefront quiet.



Mr. Balcer

Unlike Toronto, Montreal does not want to be another New York City, but far-reaching risk management decisions are made here.

"It's great to be a risk manager in Montreal," says Georges Balcer, insurance manager for pulp and paper conglomerate Consolidated-Bathurst.

"The markets are soft and have been for several years so you can buy anything you want.

"There is very limited regulation so you can get any kind of form you want. We don't have the big liability awards you have in the United States and we don't have to worry about workers compensation because that is out of our hands. So I get to play squash three times a week, play hockey once a week, use the company box occasionally for baseball games and take one trip a year to Europe to review our holdings there.

"I try to keep costs down and my budget stable."

Though Mr. Balcer, president of the Quebec Risk & Insurance Management Assn., talks of simplicity, the real key to his success at Consolidated-Bathurst is preparedness.

After 6½ years as risk manager, he has programs and procedures already prepared to protect the firm's more than $2 billion in assets with large retention plans for both property and liability and an inactive Bermuda captive insurer waiting for the insurance markets to become less competitive.

Although the official language of Quebec is French, Consolidated-Bathurst policies are prepared in English because most of the risks are out of the province.

"We're a big company. You can't worry about every little loss that can occur when you have a large firm to protect," says Mr. Balcer.

"I hear lots of stories about risk managers getting phone calls at 4 a.m. whenever there's a little loss. It's just not necessary. You are not going to be able to reach your broker at 4 a.m. and your broker is not going to be able to reach your underwriters."

Though the Quebec province where Montreal is located does not have the same high profile as the corporation-heavy Ontario, it does have some of Canada's largest risks. The James Bay energy project in Northern Quebec, for example, involves three powerhouses and a change in direction for two rivers. Total value of the project tops $14.5 billion and total insured values hit $7 billion, according to Montreal-based Mark Darby, director of risk management and insur-

Continued on next page

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Brokers share Quebec energy project

Continued from previous page
ance for Societie De La Baie James.

"Liability per se is not a great exposure for us here," explains Mr. Darby, who is also vp-business and industrial liaison for the Risk & Insurance Management Society in New York. "But remember, we are building whole towns and industrial centers in the middle of nowhere, 450 miles from the nearest mining community.

"We have an exposure of injury and damage to natives, but our biggest concern is the substantial builder's risk policy that should handle most of the liabilities. We are trying to insure most of our risks with two manuscript policies: the builder's risk and a wrap-up plan."

The coverage is currently going through renewal for Jan 1, he noted. The project is using a consortium of brokers called Depuis, Parizeau & Tremblay, which includes participation from most of the largest of Canadian brokers, though Gerard-Parizeau of Montreal and Stewart Smith of the United Kingdom lead the project.

The decision to use a broker group rather than one broker-of-record was made in 1973 when the project was being conceived and before Mr. Darby joined the project.

"I wasn't really too pleased because I have never used a consortium before," he recalls. "But because of the project's size, this is a good opportunity to tap as much expertise as possible."

Brokers primarily shop the markets for the project, according to Mr. Darby, and that is typical for most firms in Montreal and the Quebec province.

"Of course, we are interested in safety and loss prevention," notes Mr. Darby, "but hydroelectric construction is a very specialized field. Broker and insurance company engineers can't really help us during the major construction phase.

"If we didn't already have the best engineers in the business on staff we would never be able to

Bell's liability watcher

MONTREAL—Claire Winyard, risk and insurance manager for Bell Canada, is a liability watcher.

It's not a hobby, but an essential part of her job as corporate liability grows, influenced by the lawsuit-happy United States and new Canadian court decisions.

"Liability is definitely on the increase," she explains. "Quebec recently passed a bill that allows class action suits. It hasn't been much of a threat yet, but corporations should be aware and ready."

Since the bill became law two years ago, about 30 class action suits were filed, according to Ms. Winyard. About 19 were withdrawn, eight were thrown out and three were allowed to proceed.

"Cost is an issue. In order to file a class action suit, upfront money is needed since lawyers can't earn contingency fees here. But Quebec may begin sponsoring some suits with a fund for plaintiffs who can't afford court costs. That would make more suits continue."

Traditionally, even if lawsuits reach full term, court awards are small, set by judges, not juries. That, too, may be changing, according to Ms. Winyard.

"There are now some cases in which a plaintiff can elect to have a jury, though it is not common. But if it becomes common, we could be seeing higher awards."

Most large firms in Canada buy liability coverage comparable to the amount purchased by U.S. firms of the same size. Firms with 1,000 employees or more will purchase umbrella liability policies with limits of $50 million to $100 million, she says.

Professional liability, however, is sometimes overlooked as a large risk. Even a large engineering firm, for example, may purchase only $500,000 to $1 million in professional liability coverage. Bell Canada is currently building a twin tower office building in Montreal so design and construction coverage are very much a part of Ms. Winyard's work load.

"In these cases, you are dealing with a project manager under a budget. It is difficult to convince him that his designers and contractors should have $25 million in errors and omissions coverage," she says.

LANDMARK DECISIONS...One of a series



build what we need," he says.

Mr. Darby, like almost every businessperson in Montreal, is bilingual in French and English.

Though the clash between Anglophones and Francophones is almost legendary in the Quebec province and Montreal proper, the political conflict seems to have little effect on the practice of risk management, but it may have some effect on business choice.

The sales of services are heavily influenced by language, as Montreal brokers report.

The largest brokerage in Montreal and the strongest competitor in Quebec province is an almost exclusive French-first firm. For years, Gerard-Parizeau Ltd., with offices in the heart of old Montreal, has had an armlock of French-Canadian business and European investors in Canada. But the firm has had little chance to grow outside of the province where firms with British or Scottish names seem to have an edge.

To counter that situation, Gerard-Parizeau more than a year ago bought one of the larger brokers with spread outside of Quebec, Dale & Co.

"In Montreal, we were able to develop the depth," explains Gerard-Parizeau Chairman Pierre Chouinard. "Now with Dale, we had the breadth (see related story)."

For G-P's competitors, the situation is even more difficult. Large brokers with a firm foothold across Canada can't seem to break into Quebec province where the large hydroelectric construction projects are ripe business. Reed Stenhouse, for example, admits it is beaten in that area and Marsh & McLennan is trying to make headway by using a French-name subsidiary. "We are still primarily an English office," explains M&M managing director Guy De Repentigny. "Our major accounts are all English-speaking firms. But now we are emphasizing our French side under a subsidiary name Pratt, Morrisette Ltd."

M&M began changing its focus to respond to an exodus of large corporations from Montreal.

"In the long run, this loss can be made up with smaller accounts and that's where we now have chosen to specialize. These accounts have need of our technical services and we have need of them," he says.

Mr. De Repentigny's own French name may provide some new leverage with the French-Canadian firms, but he plays down the politics of language.

"I consider myself a multinational," he says. That is the right perspective for the insurance business, which has always been international, he adds. ■

Broker taps specialities for business

MONTREAL—Poised for expansion across Canada with the acquisition of Dale & Co., Gerard-Parizeau Ltd. would like to reach into its depth of brokerage specialities to help boost sales.

Known for marine and professional liability insurance expertise, G-P is trying to integrate this skill with the Dale offices through a national services organization based in Montreal.



Mr. Chouinard

"We are trying to join forces while retaining individual identity and autonomy—a kind of marriage by consent," notes chairman Pierre Chouinard.

"But management by consent is not easy. As a local firm, we have been able to find solutions to coverage problems on a local level, using local markets. As a national firm, it could be more difficult."

G-P is researching a variety of new insurance products that its clients have asked about which seem to be marketable nationally.

"Our work in environmental coverages has put us on the frontier of the business risk coverage," Mr. Chouinard explains.

"Clients are asking more and more about various kinds of strike insurance, cost overrun protection and financial guarantees of all sorts.

"Here in Canada, I believe we could find a market for these kinds of coverages if we can define the risk carefully enough.

"Since we have less regulation, insurers are more interested in stopping and looking at these kinds of risks. The question is, should we be trying to insure these kinds of risks?" he says.

G-P also would like to grow in the marine insurance business where it has a developed Atlantic Ocean specialty. Robert Simpson, vp-marine, has helped develop the brokerage's contacts in the European and London market and sees plenty of capacity, despite the hull rate increases.

"It is an illusion that the marine market is difficult. It has been competitive since 1974. I have heard lots of talk about rising hull rates, but I have also seen a major hull risk with an indifferent loss record go for six times less than the burning point (traditional level at which premium income meets loss payouts)," he says.



The Case of the Innocent Bystander

Palsgraf vs. LIRR

On a warm morning in 1924, a young man was hurrying to catch a train. He jumped aboard as the train began to move and seemed about to fall. Two railroad employees tried to help. In their haste, they knocked a wrapped package out of the man's arms.

Unfortunately, the package contained fireworks. When it hit the tracks, it exploded with some violence. Or certainly enough violence to shake the entire railroad platform.

At the other end of the platform, a set of hanging scales started to sway with the impact. The chain connecting them to the rafters snapped and the scales fell. Right on an innocent bystander waiting for another train.

The innocent, and injured, bystander was Mrs. Palsgraf. She held the Long Island Railroad Co. responsible for the accident and sued claiming negligence. Sparking a famous courtroom battle about the extension of duty and liability where actions result in "unforeseeable" consequences.

In this Landmark Decision Judge Cardozo, in a 4-3 majority, ruled that no risk to Mrs. Palsgraf could reasonably have been foreseen. Therefore, the Railroad had no duty—nor negligence—toward her. In effect, this precedent restricted responsibility to "foreseeable" or predictable events rather than the unpredictable.

However, this opinion still generates controversy. It has been cited no less than 367 times in subsequent cases and continues to be cited in current ones. Which is why this case is as relevant today as it was in 1924.

At GAB, legal precedents form the basis of what we do. Landmark Decisions like Palsgraf vs. LIRR have taught us there are often gray areas in cases that appear to be black and white. And these gray areas, brought out by a thorough investigation, can make the critical difference in the successful conclusion of any claim.

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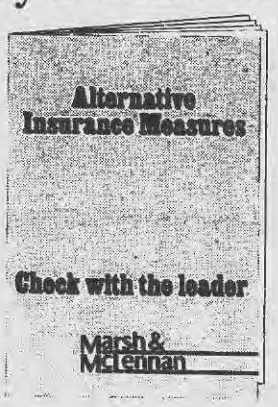
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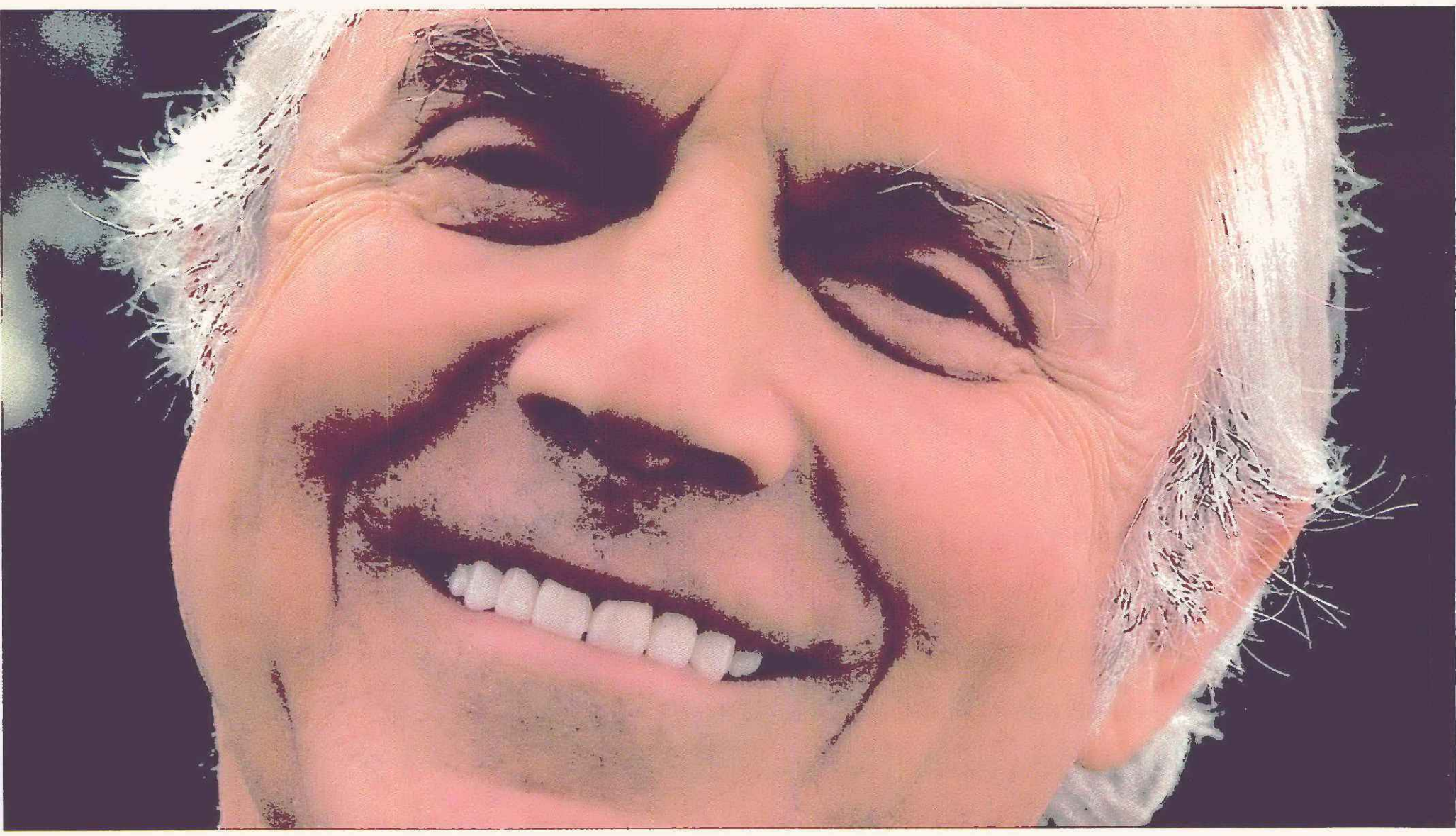
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ANOTHER REASON WHY THE TRAVELERS IS A LEADER IN INSURING SMILES.

perspective

A knotty problem

Logging risks test risk manager's mettle

By W.S. Tully

WOOD WAS ONE of man's earliest building blocks, a familiar and useful tool even during the early centuries of civilization.

Those early builders and craftsmen quickly discovered that the tree had unlimited potential, and today, Western North America, between the Rocky Mountains and the Pacific Coast, contains some of the finest forests of softwood trees in the world.

Harvesting trees and moving the wood to mills is a complex industrial operation requiring a great deal of knowledge and many skills. And like all complex industrial operations, insurance and risk management plays an important part in protecting the company's product.

Moving logs to mills along the Pacific Coast in Canada is a tough job because of the great size of the trees and the mountainous terrain. Along the coast, bundles of logs are often chained into huge rafts (called booms) and towed in the ocean before they are sorted on land.

Logging companies have log loss-control guidelines that list the proper steps to be taken while the logs are bundled, "boomed," stored and towed. Forest products firms have a series of complex insurance needs that touch unusual risks, regulations and insurance markets you wouldn't normally link with trees.

The province of British Columbia has its own rules. It has its own Marine Insurance Act, a replica of the British Marine Insurance Act of 1906 with minor adjustments. Under this act, it is the duty of a policyholder to disclose all material facts and circumstances that he knows regarding the risk to be insured. He is also expected to be aware of any facts relevant to his particular business.

A material fact is further defined as anything that may influence the judgment of an underwriter in either accepting the risk or arriving at a premium. However, the act does not require the risk manager to disclose facts that are common knowledge.

In British Columbia, more than half the total economy is dependent upon the forest products industry, and if one stops to consider that no coastal highway system exists, he will realize that the coastal waters are the main transportation line for lumber products. Therefore, it's not difficult to appreciate the importance of marine cargo insurance to the region.

Small log operators must avail themselves of the "Marine Insurance—Logs" contract. It provides coverage to logs in transit, either in booms or on barges against all risks, subject to certain exceptions.

There are many steps to be insured between the time a tree is felled, buckled, transported and arrives at the mill site for conversion into wood products.

Once logs are in the water, they have to be boomed and stored until they are towed or barged down the coastal waters to the mill. From the time they are put in the water after logging until they arrive at the mill, marine cargo underwriters carry the risk.

Another situation that sometimes occurs, and which can be a nightmare to underwriters and risk managers, is the sale of the logs to another party while they are en route. This is covered by the Assn. of Marine Underwriters of British Columbia's form which clearly states: "Should the interest insured hereunder be sold at an intermediate storage ground, cover ceases immediately unless permission to assign the cover is granted by the underwriters or their agent at an additional premium."

One of the challenges facing a forest products company is getting the right logs to the right mill at the right time. The problem is complex in coastal British Columbia.

There is a traditional loss of logs towed from a logging camp in a flat raft. Invariably, due to rough weather, weight or other factors, a certain percentage of logs would drop out of the boom and either wash up on shore or float in the channel, posing a hazard to navigation.

Several years ago, conscious of the environmental and economic impact of transporting logs, companies began using bundle booms. Individual logs are securely strapped into bundles weighing up to 80 tons and then are made up into booms for towing. Log losses are now reduced to a minimum.

Another major problem that faces insurers of log booms and that can be a thorn in a risk manager's side is that contracts between the tug owners and the forest products company can vary from no liability to restricted liability on the part of the tug owners.

The most frustrating situation is usually when no contract exists. All appears well until a loss occurs. Then suddenly the risk manager finds that all agreements were "understood" to be subject to the "usual" terms! Woe betide the risk manager who does not allow for such contingencies.

In rough water, like along the Pacific Coast of Vancouver Island, logging companies use large log barges that will safely carry up to 8,400 tons of logs in bundles at one time. Hauling by barge means that logs are not lost in tow.

Specialized watercraft are also used in the industry: self-loading/self-dumping log barges, flat-deck scows, logging equipment and barges with ramps for loading at otherwise inaccessible areas on the coast. Marine hull and protection and indemnity insurance must be arranged for these vessels.

When the conversion process from logs to a finished product is complete, the byproducts, like tons of chips, bark and sawdust, must be moved. This is done with special chip barges in addition to railroad cars. In addition, there is the complex task of moving massive volumes of finished products to all parts of the world. Such movements are often insured under package policies.

All lumber and plywood products are insured, whether loaded on or under deck. It is common practice today for underwriters to insure plywood and kiln-dried lumber provided that they are wrapped and encased by packages of lumber.

Wood pulp, newsprint and similar products are insured whether they are loaded under deck or on deck.

The open cargo type of policy coverage that many large forest products companies use today has many advantages. They are tailor-made; there is automatic protection; it's not necessary to negotiate insurance terms on each shipment. The logging company controls the insurance; and last but not least, the worldwide facilities of surveyors, adjusters and others enable fast, efficient claims settlement.

The policyholder and insurer must determine the amount of insurance needed before a shipment is made. The agreed amount will cover all expenses plus a percentage, usually 10%, to allow for anticipated profit and any higher value of merchandise when it arrives at its final destination.

Risk managers also must keep in mind that as general average values are often based on the value of goods saved, enough insurance must be purchased because in the event of a general average loss, the policyholder may find that he is a coinsurer for part of the cargo.

However, the required insurance depends on the terms of the sale. And of course, there is a required length of time for which the insurer will be responsible for the goods. Products may be insured from the time they leave the warehouse at the point of shipment until they are delivered at the warehouse at the point of destination.

However, in the open cargo policy, unless special arrangements are made, there are two clauses that determine the period of coverage. First, there's the warehouse-to-warehouse clause, in which coverage ceases 30 to 60 days after discharge from the steamer or when delivered to the final warehouse, whichever occurs first. Then there is the marine extension clause, which as the name suggests further extends the coverage to exceed the time limitations imposed by the previous clause.

In the integrated forest products industry, and particularly on the West Coast, companies must purchase a variety of additional coverages, including Panama Canal blockage, fumigation for lumber, press room extension for newsprint, diversion expenses and others. ■





W.S. Tully is manager of risk and insurance at British Columbia Forest Products Ltd. in Vancouver, British Columbia. This article is excerpted from a speech he delivered to the Board of Marine Underwriters of Canada last year.

perspective

Two insurance companies' recent problems opening the eyes of Canadian risk managers

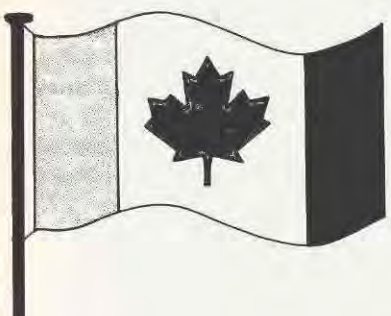
By Peter Armour and C.R.E. Allen

INSURER SOLVENCY is suddenly a popular subject among Canadian risk managers and brokers. The entire post-war generation has been operating in the confident knowledge that with the quality of federal and provincial supervision, insurer failure just can't happen in Canada.

And then suddenly, within seven months, Strathcona General Insurance Co. and Pitts Insurance Group have had assets frozen by the federal superintendent of insurance (*BI*, April 20).

Before these two problems, since 1977 or 1978, corporate buyers of insurance in Canada have been operating in a buyers' market that is the product of several factors including:

- A depressed Canadian dollar attracting foreign insurers and reinsurers to fight over a somewhat limited market ($5.6 billion in 1980).



- High interest rates sparking a scramble for premium dollars to reap investment income close to 20%.
- A marketplace relatively unfettered by regulatory forms and rates, enabling underwriters and brokers to almost write their own ticket in quest of this bountiful investment income, ignoring loss ratios, which in a period of normal interest rates would have been punitive.

An underwriting loss of $591 million in 1980 was offset by total investment income of $811 million, but if one excludes return on shareholder equity, the bottom line as an underwriting venture is anything but healthy.

The ready availability of reinsurance has been a license for small marginal insurers to ride the coattails of this growth period with minimum retention and with ceding commission as an important source of income.

A significant feature of this period has been the degree of price leadership a few relatively small insurers have been able to impose on the marketplace, perhaps with assistance from some of the major brokers, which until this year were aggressively protecting their own accounts and bird-dogging their competitors by maximum use of these marginal insurers.

Occasional efforts have been made by major insurers to counter this trend with upward price leadership, but these efforts have been short-lived, particularly on large corporate risks.

But with the Strathcona freeze and the absence in Canada of a guarantee fund, Reed Stenhouse and Marsh & McLennan initiated and managed a hat-passing exercise among Canadian brokers and insurers to cover the shortfall. In the process, the executive man hours incurred by both these offices have not gone unnoticed. The brokers and all the principal brokerage offices are now actively monitoring, much more than before, the financial health of a number of insurers that are also potential candidates for trouble.

One now sees some brokers quietly phasing marginal insurers off risks at renewal, and others requesting policyholder input in whether to retain an insurer whose balance sheet, in the words of Damon Runyan, may be less than somewhat.

One inevitable result of this recent development is that some of the major insurers will be encouraged to try again to raise rates. This will provide some firming in the soft marketplace, but the more significant upward rate pressures will probably be triggered if and when there is a sustained downturn in interest rates.

Since a Washington sneeze indicates a Canadian cold, it is fair to say that any increase in Canadian insurance rates will be determined on the banks of the Potomac.

The composition of the marketplace will also influence trends in 1982 and beyond. The Canadian insurance business is dominated by subsidiaries of large foreign insurers, with British- and U.S.-owned insurers controling the biggest markets. After Washington, London and Hartford will also have a great influence on Canandian rates and premiums.

Regulatory authorities are not bystanders in this game. Insurers in Canada have two alternative routes to becoming licensed. The majority are federally registered, submitting regular reports of financial status to the federal superintendent of insurance. Federal registration is then supplemented by licensing in each province in which the insurer wishes to operate. Alternatively, an insurer may operate by virtue of provincial licensing only, and a minority of insurers follow this route.

The system has worked well. But the two failures of federally registered insurers within the year will undoubtedly result in stiffer security.

Strathcona General Insurance Co. was founded in February 1978 with paid-up capital of $1.5 million. In 1979 it retained only 6% of premium writings of more than



$27 million. Its failure earlier this year isattributed to its inability to collect substantial sums of reinsurance on some large industrial losses.

Strathcona's capitalization and retention and those of several other insurers fall short of current federal guidelines, which recommend $5 million capitalization and retention of 15% of the first year's business after reinsurance, with retention growing at 5% per year to a minimum of 35% after five years.

The operative word here is "guidelines," since failure to comply is not a violation of any legislation. Federal authorities are re-examining the whole subject, not specifically because of Strathcona, but more on account of the recent growing practice of newly established insurers retaining only a token percentage of their business, relying on ceding commissions for most of their income.

The more recent failure of the Pitts Insurance Group will expedite regulatory review. Although we can anticipate more stringent guidelines from Ottawa, the real discipline may be expected from within the marketplace. ■

Peter Armour and C.R.E. Allen are risk management consultants at Peter Armour Insurance Counseling Ltd. in Toronto.

legal briefs

Water damage doesn't constitute a flood

IN A CASE only recently reported, a federal court in the Virgin Islands ruled that damage to the upper floors of a hotel caused by rain accumulating on balconies and seeping into rooms was not as a result of a "flood," as defined in the standard flood insurance policy.

The Caravelle Hotel in St. Croix was covered under the policy issued under the Naional Flood Insurance Act. It insured the hotel against all "direct loss by flood." Flood was defined as inundation of normally dry land areas from an overflow of inland or tidal waters or an accumulation or runoff of surface waters.

In October 1977 the hotel sustained damage on all three floors from the rain which accumulated on the balconies. Because drains could not handle the water, it backed up into the rooms. The hotel filed a claim but was allowed only about $500 for ground-floor damage. The hotel then sued to recover nearly $22,000.

The court agreed that as defined in the policy, there was no flood damage to the hotel's upper floors. The court said that since flood waters did not rise from the ground floor to reach the upper floors the water which affected those floors did not emanate from the "inundation of normally dry land areas" as required by the policy. *Cross Queen Inc. vs. Director, Federal Emergency*, U.S. District Court for the Virgin Islands, Sept. 24, 1980 (*BI*/02/N.-$5).

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

Workers compensation

The Supreme Court of Florida held that a claimant who experienced stress at his job because of pressure from his superiors to retire failed to establish that his heart attack had been caused by a specifically identifiable event.

Montague Rosenberg, age 69, had been an attorney for 50 years. In 1972 he began work as an assistant city attorney for the City of Miami. Starting in 1976, he began to experience pressure from his superiors to retire, including a transfer from his usual assignment to one he had little experience with, assignment to a small office shared with another attorney and threats of firing. In October 1976 Mr. Rosenberg suffered an acute myocardial infarction. He had no symptoms of a heart condition prior to the six-month period immediately preceding the heart attack. Sometime during that six months, however, he had moved some heavy boxes. The Industrial Relations Commission concluded there was a compensable injury.

The appellate court reversed because it did not believe that moving of the boxes was a sufficient "specifically identifiable event" on which to award compensation. Emotional strain alone, the court observed, "is too elusive a factor to be utilized, independent of any physical activity" in determining a causal connection between a heart attack and a claimant's employment. *City of Miami vs. Rosenberg*, Supreme Court of Florida, March 12, 1981 (*BI*/03/N.-$5). ■

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THE SPECIALISTS



Photo: Calgary Tourist & Convention Assn.

Calgary booms with investments and country music.

Calgary cowboys shy on risk management

CALGARY, Alberta—Think cowboys and oil barons in this western Canadian city. Calgary is the Houston of Canada, booming with investments and roaring with country music.

The city of Calgary holds about 600,000 persons, but by 1990, experts predict a population of more than 1 million.

Sophistication is coming more slowly, however. When businessmen sit down to talk deals, they roll up their sleeves, order Jack Daniel's Tennessee whiskey and beer and offer each other rides in their personal aircraft.

It's not who you know or what language you speak, Calgarians say, but what you can do and how much it will pull in after taxes.

But the Calgary entrepreneurs don't talk risk management much. Large oil companies, including Gulf Oil and Sun Oil (Suncorp.), keep risk management offices near the banks in Toronto. Smaller companies leave the insurance planning to their brokers.

That's how Reed Stenhouse Ltd. became the powerhouse in this town, by picking up clients who grew from one drill rig to 100 in the last five years.

The business has been so good to the brokerage that although its corporate offices are in Toronto, the real clout of the firm is here in the prairies. The international division of Reed Stenhouse is based in Calgary and 15 of the firm's 40 loss-prevention consultants are in the 225-person office.

Some brokerage sources suggest that nearly half of Reed Stenhouse's revenues are drawn from the oil and gas business based in Calgary, a figure the broker hotly denies. But Reed officials are proud to say that oil and gas risks are what they are all about in western Canada.

"There are 500 to 600 oil companies in Alberta and most of them are still run by the original entrepreneurs," explains Allan Cole, senior vp in charge of Reed Stenhouse Ltd.'s local office.

"The large firms are on the cutting edge of risk management technology, but there are a great many small firms that completely rely on their brokers as risk managers. That's where we see ourselves," he said.

Reed Stenhouse grew into the role. Though Reed Shaw & McNaught was doing business in Canada since 1876, nothing much was happening on the Alberta plains. Cattle ranches were the biggest business, but that wasn't enough to support major offices of the big brokerage firms that were over the mountains in Vancouver.

Then the Reed forerunner expanded into Edmonton and Calgary, just as oil and gas was becoming a business. By the 1950s and 1960s, the firm already was in place and had merged with Stenhouse, the United Kingdom brokerage.

"When the oil business boomed, we were there with markets available," notes Mr. Cole.

The risks of the oil and gas business are manifold and drilling rig operators soon learned that there is more to protecting their assets than one simple insurance policy.



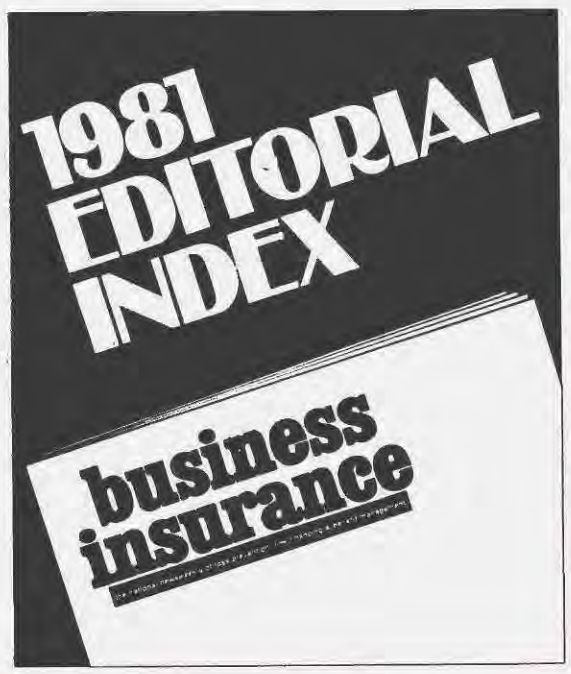
'Small firms rely on brokers as risk managers,' says Allan Cole.

Larger oil firms need up to $100 million in umbrella liability insurance, a need hard to explain.

Property coverage is easier to promote. The property values on even small oil exploration teams run into the millions of dollars and pollution and environmental liabilities are likewise large.

"In the last three years, inflation has hit this area hard," says Mr. Cole. "We can't use the traditional indices, they are 20% to 40% off what is going on here. Also the replacement cost of specialized equipment is enormous. Equipment always is being improved and, therefore, going up in price; also, most of

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the equipment is made in the United States and we have been doing terribly on the U.S. dollar exchange rate."

Oil companies tend to share investment and while that complicates insurance management, it does help keep property insurance values proper. "Most of our clients own storage tank facilities, so we can compare values. If one firm is rating its tanks at much less than all the others, we inquire. But that seldom happens because oil people generally know the value of oil and their investment in facilities," Mr. Cole says.

Once the brokers have defined coverage for their clients, "we usually can purchase anything we want at a reasonable price," notes Stewart Hislop, Reed senior vp-international. "We don't have the high liability insurance premiums here in Canada that you have in the United States and the insurance markets have been extremely competitive. However, we are not seeing as many reductions in premium as we have in the past so the market could be changing."

Lloyd's of London is frequently a possible market, but a couple of Canadian insurers are also aggressive. Canadian Indemnity Co. is considered a prime market for oil and gas industry liability coverages and the Commonwealth Insurance Co. of Vancouver is often competitive for property risks.

Small risks can be handled through branch offices in Calgary, but any major underwriting decisions must be made in Toronto, brokers say.

"We usually invite the local head of the office to come with us as a courtesy, but the branch managers just don't have the authority to commit millions of dollars of capacity," Mr. Cole adds.

Marsh & McLennan Ltd. is the younger brother in the insurance business of Calgary. With a 70-person office, it is "nowhere near the size of Reed Stenhouse," according to M&M Senior Vp and Director Ronald T. Knight.

"We have been in Calgary a long time, too, but I guess we haven't been as entreprenurial as Reed. That's important," he said. "It's partly true that I am in charge of this office now because I am more entreprenurial than your average M&M office manager."

Mr. Knight confirms the Reed Stenhouse view of Calgary. M&M also tends to serve as risk manager for hire as well as broker.

"It's like this. Two or three geologists and somebody with some money get together and drill for oil. If they are unlucky, we never hear of them. If they are lucky, they become Dome Petroleum," he says.

"If they become institutionalized firms, they hire risk managers. But the actual risk manager here is a relatively new creature. Usually we are working with the vp-finance or treasurer who relies on us because he just can't handle the load along with his other burdens."

To entrepreneurs, of course, cost is very important and service, like loss-prevention engineering, clearly takes second place to price. Safety is traditionally not a major concern of the wildcat oil driller and for the most part they have been untouched by regulation, according to Mr. Knight.

"We have our Factory Acts which tend to follow your Occupational Safety & Health Act, but the regulations haven't been enforced very firmly. We are a long way from Ottawa," he notes.

"Small oil companies frequently don't recognize the quantum of their liabilities, either," he continues. "A three- or four-person partnership may have as little blowout or well-control coverage as $5 million when $10 million is the minimum required. Bigger firms may have $25 million to $50 million, but that may be inadequate. It's difficult to get the firms to anticipate their needs."

Though to the world, Calgary means oil and gas production, it's industry contains much more. Agriculture, including the remnants of the Canadian cattle industry, is the town's second biggest business. The annual Calgary Stampede brings more than 1 million visitors through the gates for a taste of the wild West and a forkful of Alberta beef. A steak, however, may cost more in Calgary than in Toronto because of higher inflation.

Calgary brokers and insurers also serve industries hidden along the Bow River that winds its way out of the Canadian Rockies. Cement factories and mineral processing plants are part of the overall economy that is drawing international attention to this area. ■

—By Len Strazewski

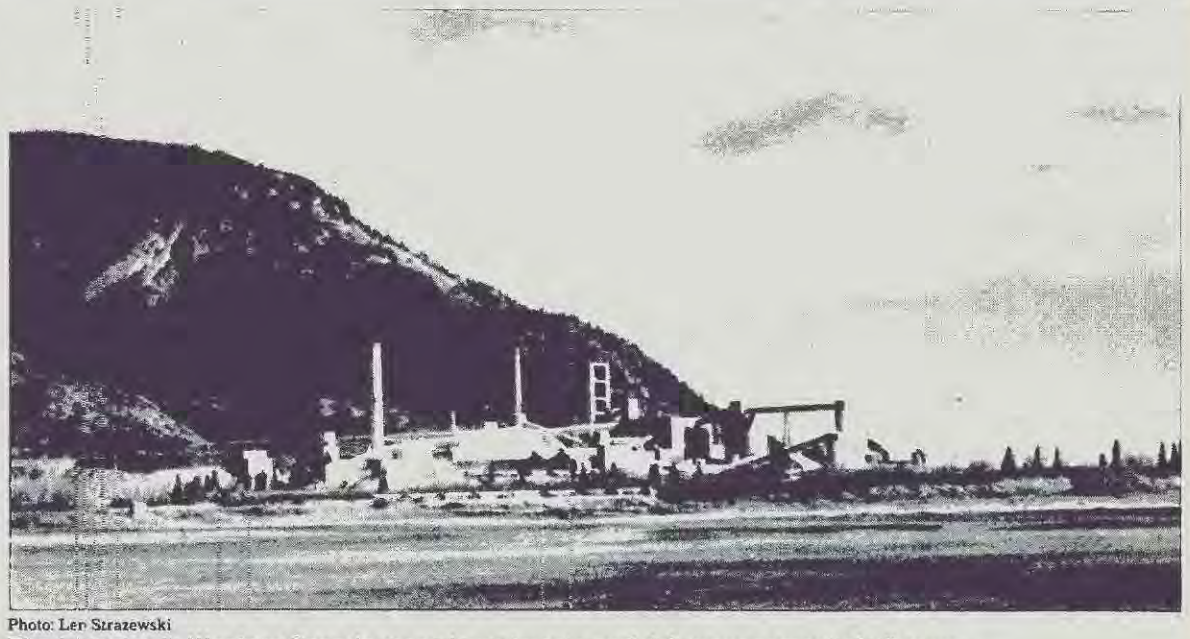


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Photo: George McNutt
Growth of business means growth of risk management in Vancouver.

In Vancouver, trees grow into forests of complex risks

VANCOUVER, British Columbia —Across the mountains and next to the Pacific Ocean, this city is unmatched in western Canada for its broad-based economy and mixture of old and new business culture.

From Gastown, the 1890s-like shopping area in the old waterfront area, to residential islands, Vancouver is a complex business marketplace that continues to grow when other coastal cities are shrinking.

The growth of business means more growth of risk management, too. The discipline is expanding beyond the mature forestry industry into developing conglomerates.

W.S. Tully discusses the forest products marine insurance needs in detail in Perspectives, page 27.

Forestry leads the industries of the area. More than 2,000 forest product companies in British Columbia employ more than 96,000 people, the Chamber of Commerce reports. Canadian forest industry exports during 1980 reached $13.3 billion.

Mining and fishing follow forestry in economic importance. The total value of mines and contents topped $2 billion in 1980, according to the chamber, and the total value of province's fishing catch topped $560 million last year.

The British Columbian trees, however, cause the most perplexing risk management problems, demanding a combination of property, liability and marine coverages to protect the area's main business.

"Environmental impairment coverage is our big worry now," explains W.S. Tully, manager of the risk and insurance department of B.C. Forest Products. "In other liability areas, we follow behind the United States, so $50 million is proably enough coverage for most firms. We don't sell to the public, so product liability isn't one of our main problems.

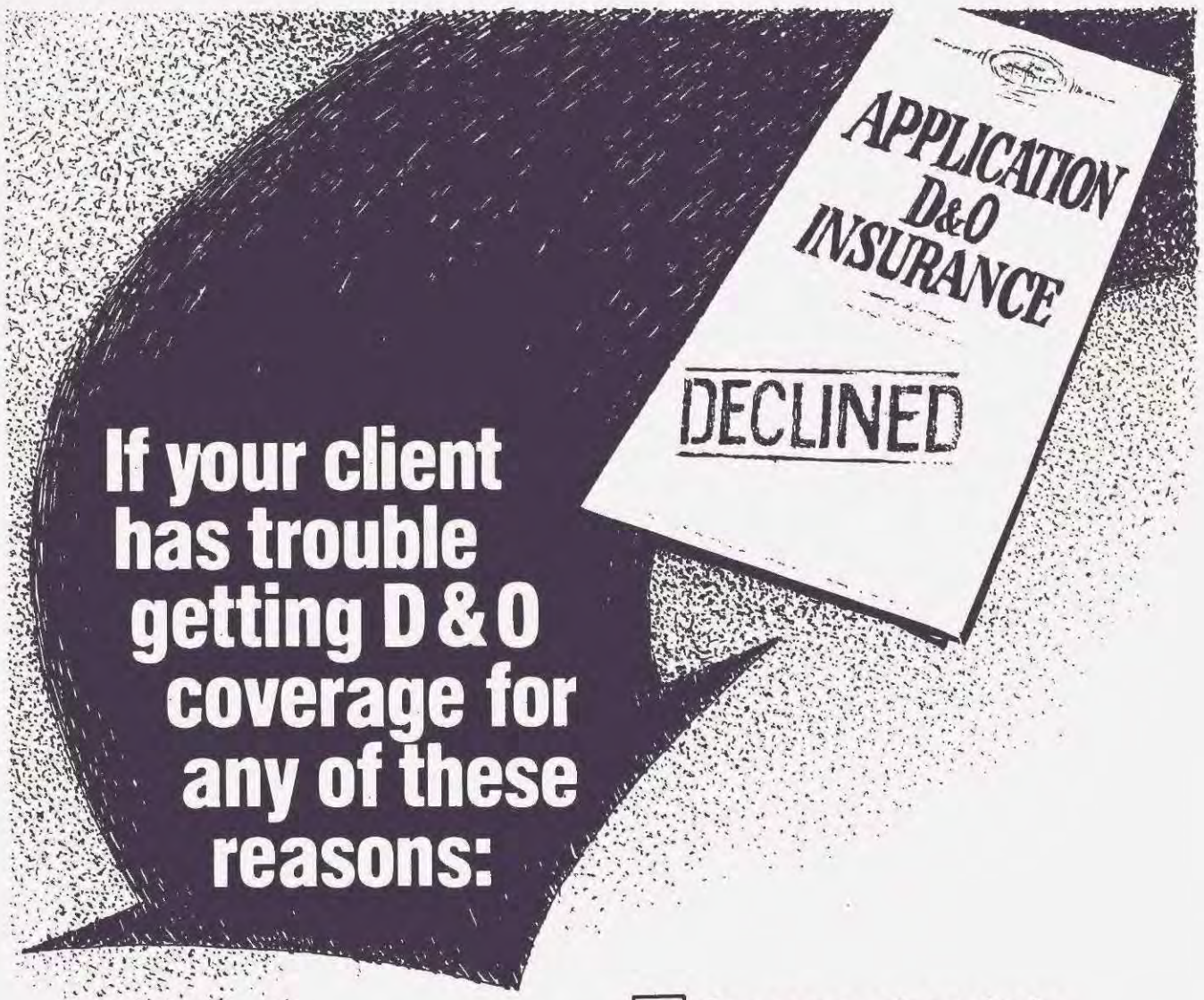
"But pollution is a big threat. The comprehensive general liability policy only covers sudden and accidental pollution, so you have to find coverage for what remains. When you build a new plant, pollution coverage takes a very high priority."

Also, a risk-management priority here is what to do when a plant must close down, even for a short time. Because many of the forest products from British Columbia are used in the U.S. construction business, the Canadian industry is hurt by the U.S. construction slump. Less productive mills occasionally have to be shut down.

Security and fire protection are important to protect the capital investment in the shut down plant, notes Mr. Tully. BC Forest Products has its own fire protection engineering staff, but also taps the engineers of its insurer, Allendale Mutual Insurance Co. of the Fac-



Photo: Tourism British Columbia
A statue of "Gassy Jack" stands in Gastown, Vancouver.



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Photo: Len Strazewski

British Columbia Forest Products risk manager W. S. Tully says marine insurance is a key problem for pulp and paper manufacturers.

tory Mutual System. Most of BCFP's property is sprinklered and, therefore, qualifies as highly protected risks.

Economic problems also require the risk management department apply extra vigilence in claims processing, Mr. Tully notes.

"When the pulp and paper markets are soft, you can expect claims to go up. In fact, you can almost get a feel for the forest product market by watching your claims rate. When more small claims are beginning to come in from customers, you can bet that they are hurting and the business is having trouble," he says.

Some coverages are always difficult. BCFP's brokers are constantly scanning the marketplace for standing timber coverage, a difficult placement. Marine coverage is also a traditional sore spot for the pulp and paper risk manager, Mr. Tully notes.

"Remember, the straits and sea lanes around here are our highways," he says. "We have log barges and booms, tow boats and everything else that can float."

Although some of the protection and indemnity insurance can be purchased from local Canadian insurers, the London market provides most of the answers.

Outside the forestry industry, risk management in Vancouver and British Columbia is not quite as sophisticated yet. Many of the diversified firms have never had a professional risk manager and have delegated insurance responsibility to local managers. In the quest for more economical methods of doing business, however, many Canadian companies are trying to consolidate insurance purchases.

But the job of reordering insurance for a large corporation can be a headache.

Ask John Roberts, risk manager of Versatile Corp, who has been on the job for six months.

Formerly a marine underwriter with Insurance Co. of North America, Mr. Roberts is in the middle of what may be a two-year task of properly ordering insurance coverage for the multifaceted company. Oil and gas, financial services, storage and agriculture are already among its 20 subsidiaries producing more than $600 million in revenues in 1980. And the company is still looking for more acquisitions.

"Because most of the risk management was in the hands of the individual subsidiaries and coordinated here by the treasury department, as do most firms around here, the coverages are all over with limits that vary widely," he says.

Most of the property insurance is with the Factory Mutual System, but a large portion doesn't qualify as highly protected risk and is insured by others. Some of the casu-

Continued on next page

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3	3	Royal Dutch/Shell Group	The Hague/London	59,418,580	6,474,283
4	5	Mobil	New York	44,720,908	2,07...
5	4	Ford Motor	Dearborn, Mich	...	
6	7	British Petroleum	...ndon		
7	6	Texaco			
8		...			

Loss prevention gets attention

Continued from previous page
alty risks are with Canadian Indemnity, but the limits are inadequate in some of the cases.

"What I have to do is a step-by-step review to bring limits up to what we need to function in the United States where we have subsidiaries and set policy for future risk management decisions."

Mr. Roberts is starting with a risk management policy statement, still in draft form, that places the first emphasis of risk identification on the individual subsidiaries. Loss prevention also becomes a local concern.

The importance of loss prevention is growing. "Workers compensation in Canada is evolving to the extent that companies will be able to influence workers comp costs with their loss history," said Mr. Roberts.

"Though most loss history discounts are negligible, there are proposals in Ottawa that would grant refunds of one-third to 50% of premium for good safety records. I think they will pass and it wouldn't surprise me if Canada evolved into a private work comp insurer situation before too long," he says.

"If this happens, we want to be ready" ■



Photo: Len Strazewski

Risk manager John Roberts says workers comp may change.

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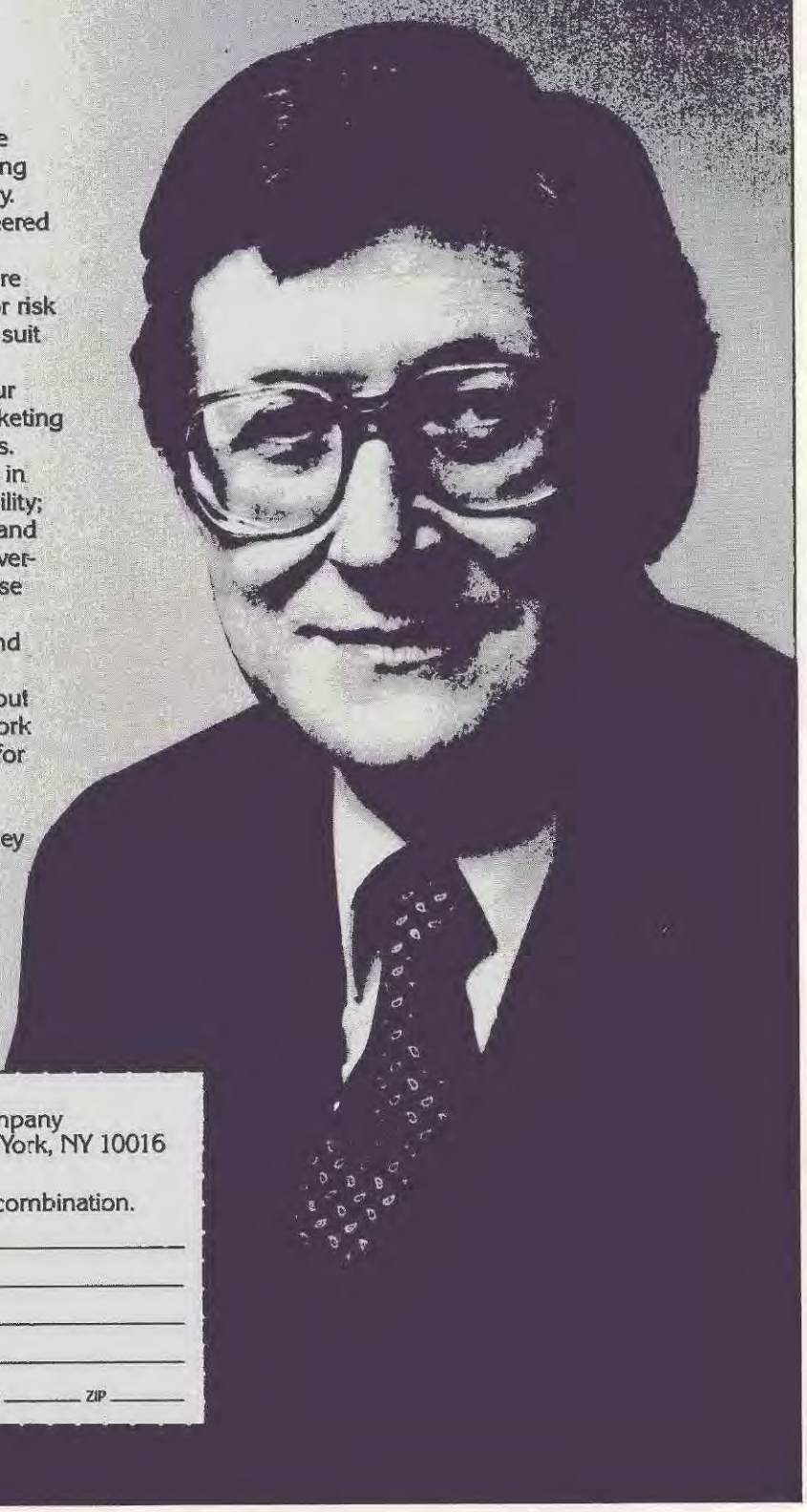
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Worry grows over product liability risks

VANCOUVER, British Columbia —Hotly competitive insurance markets lately have made brokers the bearers of happy tidings, but some brokers are carrying bad news to their clients.

Though most forest industry risk managers agree with W.S. Tully of B.C. Forest Products and say that product liability is not much of a problem, Alan R. Thom, senior vp of Marsh & McLennan Ltd. here, has spotted a worrisome product liability trend.

"There's a developing concern in product liability for this industry, everything from the delamination of plywood to the structural impairment of machined timber. Though we don't have much of a lawsuit problem here—$100,000 is still a very big award—there are suits coming in from the United States that bear watching," he says.

M&M has a long-standing relationship with McMillan-Bloedel, Vancouver's largest forest product firm, and leases space in the M-B building.

With 75 staffers, the Vancouver office of M&M is second only to the Canadian giant, Reed Stenhouse Ltd.

The gap, however, is substantial. Reed Stenhouse's office here employes 200.

"Our biggest push is in directors and officers liability insurance," notes Cyril Penn, senior vp of Reed Stenhouse. "Though most of the major publicly held firms in Canada have it, many of the smaller but growing firms don't. We don't naturally think of lawsuits here so some companies just haven't considered it."

"Our biggest capacity problem is with earthquake insurance," he continued. Vancouver lies along a major fault line and contains a variety of risks, including mines and paper mills, that are very vulnurable to earthquake damage.

"Present markets run out at about $350 million and we have a few clients with risks of more than $1 billion," he said. "Right now, if there is a loss that is underinsured, all we can do is make sure that everyone knows we have done our best. The whole province is earthquake-conscious so everyone knows the problems we all face."

Other brokers active in the Vancouver area include Tomenson Saunders Whitehead, generally accepted as third-largest, Johnson & Higgins/Willis Faber as next-largest and Dale & Co. as fifth-largest, but most likely to be more aggressive as new capital from its acquisition boosts its prospects. ■

Insurers

Tougher regulation of industry predicted

OTTAWA—Expect more regulation of insurers.

That's the one clear industry response to the recent failure of two Canadian insurers, according to an informal survey of brokers and risk managers.

"And there's bound to be more (failures)," noted an executive of one of Canada's largest brokerages.

"The industry is predicting a $1 billion underwriting loss when our premium volume is less than $6 billion. There's got to be more trouble brewing."

When one Canadian insurer can't pay claims, everyone in the insurance industry here begins to squirm. When two insurers hit the skids, the squirming turns to worry.

Freedom from regulation is this marketplace's claim to fame, and anyone or anything that threatens that freedom scares the industry.

The financial problems of the Strathcona General Insurance Co. and Pitts Insurance Co. are the cause for worry and one of the hottest topics in the Canadian insurance industry.

When the Strathcona General Insurance Co. fell into financial trouble earlier this year, Canadian brokers and insurers came to its support with about $5 million to help it pay some $35 million in claims owed to sawmills and woodworking firms (*BI*, April 20).

> 'There's got to be more trouble brewing,' believes one brokerage exec.

The problem was unlicensed reinsurance and a management that allowed the insurer to grow from a premium volume of nothing to $40 million in just three years.

Strathcona is collecting on most of its reinsurance treaties, but about $3.5 million in recoverable losses is still outstanding.

The insurer's temporary management expects payment to be slow.

One month ago, Pitts, a small commercial underwriter, was put under the conservatorship of the federal insurance authority until the records are audited.

Though the federal superintendent of insurance has not yet proposed changes in insurance regulation, industry watchers expect it. They see harder capitalization requirements, more conscientious reporting rules and some regulation of unlicensed reinsurance—Strathcona's bane.

Some sources are predicting that insurers will be required to list facultative reinsurers on insurance policies.

"Until any changes take place, the insolvency cases are making insurers check their own security more carefully," notes John Watson, president of Commonwealth Insurance Co. of Vancouver, British Columbia.

Commonwealth reluctantly contributed to the Strathcona bailout fund and is actively supporting closer internal financial review among insurers.

"In that sense, the problems have a good side because they have made insurers and consumers more aware," Mr. Watson says.

"People should know who insures and reinsures them. Risk managers must satisfy themselves for major risks. There is no substitute for security." ■

—Len Strazewski

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Commonwealth captures more of premium



Photo:Len Strazewski
Commonwealth Insurance Co. President John Watson wants to expand his insurer's business in the United States.

VANCOUVER, British Columbia —Western Canadian firms that don't want to pay a deposit premium to the Factory Mutual System of insurers could turn to another of the foreign-owned insurers that dominate the Canadian insurance marketplace.

But since the early 1970s, more and more of the Canadian property insurance premium has been going to a one-office insurer in downtown Vancouver—The Commonwealth Insurance Co. It has grown from less than $5 million in gross written premiums in 1971 to a projected $130 million in 1981.

And now the Commonwealth is turning its underwriting south, seeking U.S. risks, according to President and Chief Executive Officer John Watson.

"You couldn't say that our growth has been phenomenal. Rather, it has been consistent and controlled," he notes. "We have been growing a little bit each year since the mid-1970s when we introduced a primary all-risk property package when other insurers were loathe to do so.

"That concept started bringing in substantial premium, but, of course, the risk was severe. Now, because of the increased capacity and market competition, the traditional market is practically a blank check and we are fighting the brokers who want very broad coverage at practically no premium. But we are still making a profit."

As business grew and Commonwealth was purchased from a holding company by its underwriting manager Reandex Ltd., Commonwealth also began following some risks across the border into the United States.

Today, about 20% of the insurer's gross premium comes from U.S. risks and an additional 5% is drawn from overseas business. Its combined ratio just tops 100.

"We are certainly committed to growing in the United States," says Mr. Watson. "Within five years we are projecting a premium volume of $300 million to $400 million and a business spread of 50% Canada, 40% U.S. and 10% worldwide.

"We are licensed in Delaware and an authorized nonadmitted insurer in 40 states. The rest of the states are coming soon and I expect that we will be forming or acquiring a U.S. subsidiary company in the not-too-distant future," he says.

Commercial property will continue to be the insurer's specialty. More than 95% of the premium volume is drawn from commercial property policies with an average premium of $50,000. Focusing on Western Canada's oil and gas business, Commonwealth has an energy resource underwriting facility from which it can sell $25 million in coverage directly or package up to $200 million in offshore coverage using facultative reinsurance.

"Packaging got us into the big leagues and we are still trying to be innovative at Commonwealth, but it is difficult. Coverage is so broad now and rates are so low that there is little room for innovation. There is only competition," Mr. Watson remarks.

While most insurers link the hot competition in the United States and Canada to a competitive reinsurance market, Commonwealth treads carefully in the markets behind the markets.

The insurer does use unlicensed reinsurers, the tactic that helped cause the demise of the Strathcona General Insurance Co. earlier this year. But, unlike the Strathcona, Commonwealth holds back $18 million in reinsurance premium owed to these markets to guarantee payment of claims.

"We believe that unlicensed reinsurers can still be a useful market if handled properly and not overused," explains Mr. Watson. "They have been for many year.

"We can cover our claims, even without the reinsurance," he says.

Commonwealth, however, learned the hard way. Company officials admit that the insurer "learned hard lessons" in the London reinsurance market during the capacity crunch of the mid-1970s. Though it paid all its claims at the time, Commonwealth is still suing Seguros La Republica, a Mexican reinsurer, over claims during that period.

Commonwealth also was one of several insurers interviewed by the London Police Fraud Squad as part of an investigation of two London reinsurance intermediaries.

Still, Commonwealth would not like to see additional regulation of insurers and reinsurers in Canada, says Mr. Watson.

"It depends on what the government wants to do. I expect we will see a new emphasis on registered Canadian reinsurance and new encouragement to use more Canadian-based underwriters," he predicts.

"We will work within the framework that Ottawa creates. It just becomes our responsibility to respond as well or better than our competitors. But there are a lot of U.S. insurers that make the risks we take look miniscule by comparison," he says. ■

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CI, part of the large holding company United Canadian Shares Ltd., holds an unusual place in the Canadian insurance marketplace for daring to compete with the large international insurers that dominate.

Though the two British insurance giants, Royal Insurance Co. and Commercial Union Insurance Cos., command much of the commercial liability premium, CI is the most often-mentioned Canada-born competitor.

Though CI refused to be interviewed by *Business Insurance*, its annual report tells an interesting story of a slow, but steady growth and a corporate strategy that is looking toward expansion in the United States despite the hazards of competition.

After a substantial jump in gross premium income from 1976 to 1977, when premiums rose to $125.3 million from about $103 million, CI has been growing at a rate of about $5 million a year. In 1980, gross premium income hit $140.3 million, up from $135.1 the previous year.

Just less than one-third of the premium volume, about $43.4 million, came from the United States and the remainder, about $96.9 million, came from homegrown policyholders. Growth since 1979 came mostly from Canada, despite a more aggressive push to serve Canadian firms expanding in the U.S. and licenses to operate in New York, Nevada and Colorado.

While the Canadian business has been good to CI, the U.S. has not been quite so hospitable, according to the annual report.

"As a result of severe competition, the underwriting results deteriorated on a year-over-year comparison," Chairman Conrad S. Riley and President Harley B. Vannan told shareholders in the annual report. "In Canada, the company had an underwriting profit of $347,000, whereas in the United States, we suffered an underwriting loss of $1.13 million.

"Combined, the underwriting loss of the company was $787,000 compared with an underwriting profit the previous year of $6.38 million," they said.

Investment income, however, increased from about $7.4 million in 1979 to about $9.8 million, according to the annual report.

Despite the underwriting losses, the insurer still plans to expand its share of U.S. business, according to the executives' statement, and late last year it took an additional step in that direction by investing in the South Place Syndicate on the New York Insurance Exchange.

Cox to be INA Corp. chief operating officer

Senior Executive Vp **John R. Cox** will become chief operating officer of INA Corp., effective Nov. 25. He will be responsible for the corporation's insurance operations.



Mr. Cox

INA says the new management structure is designed to position the company's operations for its planned merger with Connecticut General Corp. (*BI*, Nov. 16).

Mr. Cox joined INA in 1975 as executive vp and chief financial officer. The following year he assumed responsibility for INA's property/casualty operations and also was named president of Insurance Co. of North America. He was elected senior executive vp of INA Corp. in 1980.

Donald G. Heth will head the INA insurance marketing and underwriting operations and will continue as chairman of INA life operations. **David W. Schrempf**, senior executive vp, will head the international group. **Paul J. Kardos** will head the retail group and become a senior executive vp. Mr. Kardos is now president of the Horace Mann Division. **Thomas F. Gaffney** will become a senior executive vp on Insurance Co. of North America and head the wholesale group.

Senior Executive Vp **Guy K. Patterson** will head the Services Division, which will incorporate INA's claims activity, INA Reinsurance Co., INAC Corp., Recovery Services International Inc. and INA Loss Control Services Inc. Mr. Patterson also will continue to direct INA's reinsurance operations.

The Operations Division will be headed by **Allan Z. Loren,** who will become a senior executive vp. The division will combine INA Service Co., an in-house unit that serves the corporation and its subsidiaries, with the operations division of the property/casualty group and related activities of the Life and Group Division.

Other insurer changes:

Richard W. Tongen has been elected senior vp of the executive division of St. Paul Fire & Marine Insurance Co, a new position.

Mr. Tongen will have supervision over Atwater McMillan, the St. Paul surplus lines/specialty risk company, and St. Paul Risk Services. In addition, the claims, actuarial and risk management services divisions of St. Paul Fire & Marine will report to him.

Mr. Tongen was formerly vp of casualty underwriting at St. Paul Fire & Marine. **Monty J. Ferguson** has been named to succeed Mr. Tongen. He was formerly vp of personal lines underwriting.

John T. Unipan appointed group division vp of the Provident Mutual Life Insurance Co. in Philadelphia.

Ian D. Murray named Canadian manager for Reliance Insurance Co. Mr. Murray was assistant manager and marine manager in the Canadian department in Toronto.

Three promotions were announced at Industrial Risk Insurers. **G. Wayne Crawford** promoted to senior vp on the national staff. Also, **Christopher C. George** and **H. Sam Robinson** promoted to vps and regional managers. Mr. George is manager of the eastern region, while Mr. Robinson manages the western region.

Dean T. White appointed senior vp of Stonewall Insurance/Dixie Insurance Cos. of Birmingham, Ala. Mr. White previously was vp at Colonial Insurance Co. of California.

Robert B. Miller elected vp for claims operations at U.S. Insurance Group in Morristown, N.J., a Crum & Forster subsidiary.

comings & goings: industry

Agents/brokers

Theodore J. Fuller elected senior vp of Johnson & Higgins of California. Mr. Fuller was previously manager of the Costa Mesa branch office. ■

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Aneco Re adds Crawley to boost business

markets

HAMILTON, Bermuda—Aneco Reinsurance Co., the publicly held reinsurance company here that has failed to develop much reinsurance business, is poised to put business on the books with the addition of a well-respected Bermuda underwriter.

Jonathan Crawley, formerly executive vp of Beneficial International in Bermuda, joined Aneco late last month as executive vp to direct Aneco's treaty reinsurance underwriting in Bermuda.

Mr. Crawley and former Beneficial treaty underwriter Stephen Norris joined Aneco after Beneficial decided to stop underwriting unrelated international reinsurance business.

Mr. Crawley had underwritten $18 million in new premiums for Beneficial since joining the company in 1979 and hopes some of that business will follow him to Aneco as it comes up for renewal.

"I hope Aneco's immediate growth will come from being able to take up some of the Beneficial business treaty-by-treaty as it comes due for renewal," Mr. Crawley said. "It is a personally developed book of business," he noted, hoping that the insurance industry adage that it is the people who matter will hold true.

Beneficial pulled out of the international reinsurance business because the results on business written before Mr. Crawley joined the company were not as good as the results on reinsurance of its international credit risks, *Business Insurance* learned. Last March, in an interview with *BI*, Mr. Crawley said he had canceled the former treaties and was running off the former business while developing a new book of business.

Sources in Bermuda say Beneficial was not willing to wait for development of the business Mr. Crawley had underwritten while the older business continued to produce losses.

Beneficial would confirm only that it will limit its underwriting activity to reinsurance of Beneficial's credit risks.

After joining Aneco, Mr. Crawley immediately embarked on a worldwide tour of reinsurance intermediaries in the United States and London to personally announce his affiliation with Aneco and to seek the support of intermediaries he had known since his days as a London broker.

Before moving to Bermuda, Mr. Crawley had been chief executive officer and managing director of Bradstock, Blunt, Crawley Ltd., Lloyd's of London brokers.

Mr. Crawley hopes to underwrite about $7 million in premium volume in 1982, largely accounts he had underwritten at Beneficial. It will be entirely treaty reinsurance, breaking down about 60% casualty and 40% property, he said. About $1 million of it will be reinsurance of Bermuda-based captives, he projects, with the rest generated by United States and London sources.

This business will double in 1983, he predicts.

Mr. Crawley will be underwriting against a 1980 year-end capital and surplus of $9.1 million, which to date has been tapped to underwrite only a little more than $2 million in net premiums in 1981.

Aneco's reinsurance underwriting was limited in the past by its underwriting organization, Mr. Crawley contends. Formerly, underwriting was done in the United States by Atrein, an Aneco subsidiary, and not in Bermuda. Intermediaries traveling to Bermuda would not find an underwriter there and intermediaries in United States were reluctant to see an underwriter in the United States for a Bermuda-based company, Mr. Crawley conjectures. And, after Edward Mallozzi left Atrein last spring as its chief underwriter, the underwriting capability was reduced (*BI*, July 20).

Now, Atrein's role will be restricted to managing the Aneco syndicate on the New York Insurance Exchange, which will underwrite about $1 million in facultative reinsurance premiums in 1982, Mr. Crawley said.

"Aneco is alive and well and living in Bermuda," Mr. Crawley boasts, which will be his theme as he promotes Aneco and the Bermuda market. Mr. Crawley maintains that Bermuda insurers must promote themselves in London and the United States or they won't get good risks to underwrite.

While anxious to develop Aneco's reinsurance business, Mr. Crawley notes that two of the company's subsidiaries are growing well: Anexco, the excess/surplus lines brokerage and underwriting manager in Boston, and Aneco Mutual, the subsidiary formed to allow companies to buy interest in a Bermuda insurer and use it as their own captive.

Aneco Mutual has grown dramatically this year from just $3 million in premiums on a few owner/participants in the spring to $11 million in annualized premiums generated by 12 owner/participants.

The financial results of this growth, however, aren't available until the third-quarter report is issued this week.

It's too soon to tell if investors will respond to the addition of Mr. Crawley to the Aneco staff. Current bids for Aneco are around $2.50, compared with a book value of $4. Aneco's stock prices have been hurt by unwanted takeover attempts and the demise of its stock underwriter, John Muir.

The unwanted takeover attempts appear over. Federated Reinsurance Co. can't increase its almost 16% interest in Aneco without the approval of the Bermuda Monetary Authority and Cayman Reinsurance Co. has pulled back from its takeover attempt. Aneco now holds the proxy on the Cayman Re investment in Aneco as part of the settlement terms ending litigation between the companies.

While Bermuda underwriters applaud the addition of Mr. Crawley to Aneco because it heralds development of the Bermuda-based reinsurer, investors aren't expected to respond quite so quickly. Francis J. Mulderig, president and chief executive officer of Aneco, concedes that ultimately investors will react to earnings, not to the volume of business added at Aneco.

PLIA ready

The Pollution Liability Insurance Assn. has announced that it will begin reinsuring pollution and hazardous waste coverages effective Jan. 1.

PLIA is an organization of property/casualty insurers that have banded together to offer reinsurance for hazardous waste and pollution liability coverages (*BI*, Oct. 12).

The PLIA board of directors has also awarded a management contract to American Mutual Reinsurance Co. of Chicago.

Risk act group

Fred S. James & Co. Inc. has formed a Risk Retention Act task force to advise clients on the benefits and effects of the new product liability pooling law.

As part of its activities, the group will sponsor orientation meetings to explain the Risk Retention Act. The first will be held on Dec. 3 in Washington. Several more are scheduled for next year.

For more information contact Fred S. James & Co., 230 W. Monroe St., Chicago, Ill. 60606; 312-726-4080.

Holding company

A.S. Hansen Inc., an employee benefits consulting firm, has formed Hansen International Ltd. in the Cayman Islands.

Hansen International will serve as a holding company for the company's operations outside the United States. Several new associations and joint ventures will be announced in the near future, according to Hansen Chairman William N. Bret.

International plans

AEGEN International Inc. has been formed by Aetna Casualty & Surety Co. in conjunction with Assicurazioni Generali of Trieste and Venice, Italy, and Taisho Marine & Fire Co. of Tokyo.

Headquartered in New York, the new company will initially be responsible for the final marketing and servicing of overseas property/casualty insurance programs for U.S. multinational companies produced by U.S. agents and brokers.

Increased capacity

Professional Reinsurance Office Inc., an affiliate of E.H. Crump Cos. Inc., a brokerage firm based in Memphis, Tenn., has increased its reinsurance capacity to $1 million for property/casualty risks.

Professional Reinsurance maintains offices in Dallas, Atlanta and New York.

Acquisitions

National Technical Services Inc. of Worthington, Ohio, has acquired **Guardian Reports Inc.** of Warsaw, N.Y., an insurance inspection and audit service.

The St. Paul Cos. Inc. of St. Paul, Minn., has agreed to purchase **Seaboard Surety Co.** from **The Home Insurance Co.** for $84.5 million. Specializing in contract surety bonds, Seaboard is a wholly owned but independent Home subsidiary with 1980 premiums of $20.3 million. Seaboard will maintain its New York headquarters and will continue to operate independently.

Alexander & Alexander Services Inc. of New York has acquired **Meredith Associates**, a personnel consulting firm in Westport, Conn., for $5 million under a pooling interest transaction. Meredith will join Alexander & Alexander's existing management consulting division.

New offices

Victor O. Schinnerer & Co. Inc., underwriting managers and insurance program administrators, is moving its Chicago office on Dec. 1 to Three Illinois Center, 13th Floor, Chicago, Ill. 60601; 312-565-2424.

Baccala & Shoop Insurance Services has moved its corporate offices from Los Angeles to 4400 MacArthur Blvd., Suite 900, Newport Beach, Calif. 92660; 714-851-2374.

Pacific Compensation Insurance Co. has moved its San Francisco office to Four Embarcadero Center, Suite 3560, San Francisco, Calif. 94111; 800-852-7585.

Progressive American Insurance Co. has opened a new office. Its address is Box 3483, St. Augustine, Fla. 32084; 904-824-2234.

David C. White Agency Inc. has moved its corporate headquarters to 298 Sunrise Highway, P.O. Box 8888-C, Rockville Center, N.Y. 11571; 516-763-1000, 212-347-2999. ■

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P&I club says bring home injured seamen

LONDON—The need to repatriate foreign seamen back to their own countries if they are injured in the U.S. is stressed in the annual report of the U.K.'s West of England P&I (Protection & Indemnity) Club.

It explains that humanitarian considerations merit this course, as hospital treatment "is always depressing" in a foreign land.

But on top of this, heavy insurance costs can be avoided if the overseas victims are flown quickly out of reach of "ambulance-chasing" U.S. lawyers, the club agrees.

It has both large and small shipowners from 65 different countries in membership, representing 13,600 ships with gross tonnage of nearly 50 million tons, and claims more vessels in membership than any other P&I club in the world.

After declaring that "any reduction" in the chances of seamen starting lawsuits in the U.S. must benefit shipowners and their insurers, the West of England Club comments:

"Medical escort companies are now able to repatriate even the most seriously injured seamen. Cases in which only a few years ago the idea of repatriation was entirely unthinkable are now practical propositions, and are being undertaken almost every day of the week.

"The equipment available to these organizations means that the transportation of injured seamen rarely presents an insurmountable problem, and they have built up an extremely good relationship with air companies and airport authorities.

"Their importance to shipowners and to P&I clubs means that the removal of injured seamen from hospitals in the U.S. reduces the opportunity for lawyers to contact them and persuade them to start proceedings in the U.S. courts.

"Such lawyers are aptly described as ambulance-chasers. Sick or injured seamen, feeling somewhat lonely in a foreign hospital, must become susceptible to approaches by these lawyers with promises of vast sums of money, resulting in expensive litigation often to the benefit of no one but the lawyers." ■

Football helmet makers favor benefit pool

Continued from page 1
pating states.

The proposed "Sports Rehabilitation Foundation" would go a step further, however, in providing continuing support payments to permanently disabled athletes who can't support themselves, proponents say. And, obviously, the football helmet makers hope the existence of such a fund will make them less liable for the injuries.

One of the plan's chief backers is James M. Galbraith, president of Bell-Riddell Inc., the Santa Monica, Calif.,-based parent company of Riddell Inc. Riddell of Elk Grove Village, Ill., claims to be the largest manufacturer of football helmets.

"We put together training films and coaches won't even show them in some places because it interferes with their image of the game," says Mr. Galbraith, a former Los Angeles attorney who bought Bell-Riddell a few years ago hoping he could lick the liability problem and turn the business around. "It's impossible for us to interview every kid and say, 'Look, do you realize you can break your neck?'"

The helmet manufacturers' interest in the plan was heightened by the Nov. 5 award of $5.8 million by an Indiana state court jury to a 21-year-old former high school football player who was left paralyzed below the arms by a neck injury sustained when he tackled an opponent during a 1973 scrimmage.

Named as defendant

Named as a defendant in the Johnson County, Ind., suit was a Riddell competitor, Rawlings Sporting Goods Co. of St. Louis, which manufactured and sold the helmet the youth wore when he was injured.

The two other major U.S. helmet manufacturers are Southern Athletic, a Colgate-Palmolive subsidiary that markets Bike helmets, and Medalist Industries, which makes Gladiator helmets.

Rawlings, which beat a similar lawsuit two years ago in Massachusetts, is remaining tight-lipped about its insurance coverage. However, lawyers in the Indiana case confirmed that the company's first layer of coverage is underwritten by The Travelers with excess coverage from another unidentified insurer.

Rawlings is owned by Figgie International Inc., based in Willoughby, Ohio. Bruce Fowler, corporate risk manager, would say only that the company's insurance "was adequate" to handle the award. The company's lawyer says the judgment will be appealed.

The award is one of the largest of a series of multimillion-dollar awards by juries in the last few years against helmet manufacturers, creating worry that a bevy of similar suits are awaiting trial. The manufacturers say the awards scare commercial insurers and have caused the manufacturers' liability premiums to skyrocket in the 1970s. At least three firms—MacGregor, Spaulding and Wilson—have bailed out of the helmet business because of liability problems.

"The last three (big) verdicts exceed the annual sales of the whole industry," argues Bell-Riddell's Mr. Galbraith. He says industry sales are between $20 million and $25 million annually.

While the amounts of jury awards may be large—Mr. Macik of the NFL Players Assn. estimates the total at $18.6 million since 1970 with $13.8 million of those judgments in 1980 and 1981 alone—the number of cases isn't.

Paralyzed athletes

The National Operating Committee on Standards for Athletic Equipment, which tests and rates helmets, estimates that football injuries have left about 270 players of all ages and types quadraplegic since 1970. Just 16 of those players have filed suits. Seven were resolved in favor of the helmet makers. Eleven athletes who never filed suit settled for amounts totaling $3 million, he adds.

George H. Gangwere, a Kansas City attorney, is general counsel for the National Collegiate Athletic Assn. and a member of the ad hoc committee proposing the foundation concept. He says he doesn't yet know whether collegiate officials who make up the National Collegiate Athletic Assn. will back the idea of a ticket surcharge.

In addition, supporters of the plan realize that the waiver-of-right-to-sue provision could be vulnerable to a constitutional challenge or might remove the incentive for helmet manufacturers to make their products safer.

"You'll always become a quadraplegic in football if the point of contact for a moderately severe blow is the top of the helmet if the head and neck are lined up in a certain way," says Detroit attorney Harry M. Philo, who represented the paralyzed player in the Indiana case. "For 19 years the helmet makers have been scared to death to tell people that. The damn helmets are grossly inadequate to protect against moderately severe blows."

Helmet warnings

Mr. Philo, past president of the Assn. of American Trial Lawyers, accuses helmet companies of negligence in failing previously to include written warnings with their helmets about their inability to protect against neck injuries from "spearing" an opponent in a head-down position. Helmets now bear such a warning inside, but they didn't until the spate of suits began in the mid-1970s.

The helmet manufacturers argue that football is by nature a violent sport in which 10 to 20 players out of the 1.4 million participating will suffer serious injuries each year. Thus, they argue, a youth playing supervised football on a fall afternoon is statistically safer than he would be riding in an automobile. And, they say, providing absolute protection against a head-on collision with another running player would require so much padding that the helmet would look more like a mattress than a piece of sports equipment.

Finally, they say, litigation is not an efficient way to get money to a paralyzed youth because lawyers and courts eat up much of the award.

"I have seen the futility of trying to settle this thing in court," says Voigt R. Hodgson, a professor of biomechanics at Detroit's Wayne State University, who has testified for helmet makers. "In one part of the country a boy will get $5 million; in another part, he'll get nothing for the same injury."

Mr. Philo acknowledges that lawyers' contingent fees of 30% to 50% of an award are typical in helmet cases. He has handled eight such cases and has five pending. Of the eight, four ended in cash settlements, in another the jury ruled for the plaintiff and the defendants won the other three.

Mr. Philo and other plaintiff's attorneys, on the other hand, argue that the most important thing the manufacturers can do is make helmet warnings more explicit by putting them outside the helmet instead of inside. They argue manufacturers should put aside concerns about cutting helmet sales and mount advertising campaigns to warn of helmet dangers. If lawsuits are threatening the survival of football, they say, then maybe that says something about the inherent violence of the sport.

Spearing

Although the National Football League, college and high school leagues outlaw spearing, the practice continues. An NFL official says a half-dozen players have been privately fined "in four figures each" by Commissioner Rozelle so far this season when post-game films or videotapes showed spearing.

"It's not a case of clubs teaching this," says Jan A. VanDeuser, director of operations for the NFL in New York.

A representative of the helmet makers has scheduled a meeting with Mr. Rozelle to discuss formation of a compensation pool, Mr. VanDeuser says. "We've heard a little bit about this, but we're certainly willing to listen.

"We're very concerned every time we see another helmet manufacturer going out of business because we don't want to have to make the equipment ourselves."

Bell-Riddell's Mr. Galbraith, whose company also makes motorcycle helmets under the Bell name, says his company paid a whopping $1.5 million in product liability insurance premiums between April 1979 and April 1980. Now the premiums "are a fraction of that," he says.

Several factors contribute to the decrease, he says. First, Bell-Riddell used a captive insurance subsidiary, Santana Ltd. in Bermuda, last year to gain direct access to the reinsurance market.

Second, the captive has been able to promote the quality of Bell-Riddell's loss-prevention efforts, which include vigorous defense of any suits filed against the manufacturer (*BI*, Nov. 10).

Riddell—and competitors—now include a written warning inside helmets that says death, paralysis or brain damage can result from using the helmet to spear or butt an opponent. Most of the pending suits involve incidents that occurred before the warnings were added by manufacturers.

"Since 1975, we've had 22 settlements at very nominal amounts," says Mr. Galbraith. "We have won eight verdicts and lost one."

That one, however, was costly. It was a $7 million judgment by a Florida jury in a football neck-injury case. It was later reduced by the judge to $2.3 million. ■

Four appointed to advisory board

WASHINGTON—Four new members have been appointed to three-year terms on the Labor Department's Advisory Council on Employee Welfare & Pension Benefit Plans.

The new members are:

- Roy M. Brewer, a Tarzana, Calif., labor consultant. Mr. Brewer will represent employee organizations.
- John Casey, a partner at Scudder, Stevens & Clark of New York. Mr. Casey will represent the general public.
- Myron Mintz, a Washington, D.C., attorney with the firm of Dickstein, Shapiro & Morin. Mr. Mintz will represent multiemployer pension plans.
- Barbara Schlicher, vp at Midlantic National Bank Co. of Edison, N.J. Ms. Schlicher will be the representative of the investment management community.

In addition, Charles Moran, chairman of the board of Lionel D. Edie & Co. of New York, was reappointed for another three-year term, representing corporate trusts on the board.

The 15-member council was established in 1974 to advise the secretary of labor on problems relating to the Employee Retirement Income Security Act. ■

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Hyatt insurer sues to force others to pay

Continued from page 1
lion excess policy for Hallmark and Crown Center. The insurer believes its coverage is excess to the Occidental/Northbrook $200 million line of coverage.

Occidental and Northbrook claim the Commercial Union line providing $100 million in total liability coverage is either primary or should share in damages on a prorata basis.

In its petition for a declaratory judgment filed in Illinois, Northbrook names as defendants 23 insurance companies plus Hyatt, Hallmark and Crown Center. The lawsuit follows by about three weeks Hyatt's own petition for declaratory judgment filed in Kansas City in Jackson County Circuit Court (*BI*, Oct. 19).

Northbrook claims, however, that it lost the "race to the courthouse" after it disclosed to Hyatt its intention to file suit in Illinois.

"The Hyatt's petition raises many collateral issues," said Mr. Jacks. "We decided to go ahead and file in Illinois with a suit that focuses on the crucial issue."

But the crucial issue for Northbrook, which underwrites a $25 million excess liability layer on Hyatt, may not be paramount with its policyholder. Hyatt wants to maximize total coverage available under its own and Hallmark's policies—the sequence in which insurers pay losses is academic.

"The primary vs. excess issue is important—but there are other important questions raised in our petition," says Thomas E. Deacy Jr., the Hyatt's attorney in Kansas City.

"The chaos is incalculable," he added. "It is a Tower of Babel with all the insurers speaking in different voices."

To block further action on Northbrook's petition, the Hyatt has obtained a preliminary injunction from Circuit Judge Timothy D. O'Leary in Jackson County. A hearing to decide whether that injunction will become permanent is slated for Dec. 15.

"To permit Northbrook or any of the other insurers to file separate causes of action in other jurisdictions and to require (Hyatt) to scurry to each of such other jurisdictions, retain counsel and appear to defend against such oppressive and harassing actions must be prevented," the Hyatt pleaded in its motion to bar Northbrook's Illinois petition.

This point was underscored when Occidental's attorney stood up during the preliminary injunction hearing Nov. 10 and said he had been thinking of filing a declaratory judgment action in North Carolina, Mr. Deacy said.

But there was no showing of irreparable harm to Hyatt as a result of Northbrook's proceeding in Illinois, Mr. Jacks noted. The Hyatt risk manager could not point to a single case of claims processing impairment caused by the coverage dispute, he stressed.

"I stepped forward in open court and said that Northbrook is ready, willing and able to do what is necessary to settle just claims," Mr. Jacks reported.

He also told *Business Insurance* that such settlements would be paid without admitting liability on the part of Hallmark, Hyatt or Crown Center and are subject to contribution and indemnity from other defendants.

Commercial Union has declined to participate in a fund proposed by Northbrook to settle claims because it maintains that Hallmark and Crown Center are protected by the insurance obtained by Hyatt.

"It's a very standard arrangement that insurance coverage be purchased by the management out of operations cash flow," noted Mr. Bailey. He stressed that such insurance would cover all liabilities, including those arising out of possible design or building defects.

Under terms of their management agreement, Hyatt put the coverage out to bid, explains Mr. Bailey. It was less costly to name Hallmark and Crown Center as additional insureds on Hyatt's policy than for the owners to directly purchase the insurance.

In a memorandum filed with the Jackson County court, Commercial Union and Republic Insurance Co., a low-layer Hallmark/Crown Center excess insurer, support Hyatt's effort to block Northbrook's lawsuit in Illinois.

A key argument in the memorandum is that Marsh & McLennan Inc. is not named as a defendant in the Illinois action. All of the Commercial Union line of insurance policies was placed by Marsh & McLennan in Kansas City and the Hyatt's policies were placed by the same broker's Chicago office.

"That may have been a strategic move on Northbrook's part to exclude Marsh & McLennan, which knows it was its job to add Hallmark and Crown Center to the Hyatt policies as additional insureds," noted Mr. Bailey.

"If Marsh & McLennan didn't do that, it could have a very serious errors and omissions problem on its hands," he said.

Northbrook similarly complains in its opposition to the preliminary injunction that neither Hallmark nor Crown Center is a party to the Hyatt's declaratory judgment action. The petition merely asks for guidance on Hyatt's coverage.

The petition "seeks no declaration as to Hallmark's and Crown Center's coverage or, more importantly, as to the duties which Commercial Union and Home owe to those two insureds," Northbrook pleads in court documents.

Asked why the Hyatt's petition omitted the hotel owners, Mr. Deacy explained that Hyatt had been reluctant to sue its business partners. But he pointed out that Hallmark and Crown Center have told the Jackson County court they will join the action on or before Nov. 24.

"Without question, Hallmark and Crown Center's insurers must be a part of the final resolution of insurance coverage," he acknowledged.

Mr. Deacy also expressed satisfaction that the Hyatt's petition had gotten all the insurers to talk together in a neutral forum.

"They can't get up and walk out in a huff when they are called into the courtroom," he observed.

It also appears that Northbrook's Illinois petition may have in part achieved its objective by focusing the Jackson County court on the primary vs. excess controversy. In an order issued Nov. 12, Judge O'Leary directs the parties to "proceed with all deliberate speed to a determination" on these issues:

- What insurance policies and coverage are available to pay claims against parties to the Hyatt disaster litigation?
- Who are the insureds on those policies?
- Which of those policies are primary, which are excess and which are contributing?
- Which insurer(s) have the duty to defend the various parties, at whose cost, in what order and under what terms and conditions?

"There's an important lesson for risk managers in this experience," underlined Mr. Deacy. "They should insist that they don't want 20 different policies. If excess coverage is provided, it should offer the same terms and conditions as the primary policy." ■

Settlements paid in some Hyatt suits

Continued from page 1
insurers so we're not satisfied that their duty to pay out $1 million for the Hyatt is fulfilled," he explained.

Depending upon eventual assignment of blame for the accident, other defendants whose insurers might contribute to damage payments include Crown Center Redevelopment Corp., Hallmark Cards Inc., PBNDML Architects Planners Inc., Havens Steel Co., Midwest Mechanical Contractors, Smith & Boucher Inc., Concordia Project Management Ltd., Gillum Colaco Consulting Structural Engineers, Fordyce Concrete Inc., the city of Kansas City and possibly others.

So far about 130 lawsuits arising out of the Hyatt disaster have been filed in Kansas City courts—90% in Jackson County Circuit Court and the rest in U.S. District Court, reports Mr. Deacy. Some legal observers believe up to 100 additional suits may be filed.

Several plaintiff and insurance company attorneys told *Business Insurance* that the amounts of the wrongful death and personal injury settlements are no surprise.

"Each case stands on its own—I don't think there are any clues as to how future cases will be settled," said Occidental's Mr. Brandell.

Mr. Deacy agreed, but pointed out that the first three wrongful death settlements were for about 5% of damages originally sought by plaintiffs. "When press reports talk about $3 billion in lawsuits, these settlements help put everything in a more realistic perspective," he noted.

The best estimate of insurers that have studied the question seem to be that the total cost of losses arising from the disaster will be about $120 million, said an attorney for one of the defendants.

To date the largest wrongful death settlement of $600,000 went to the widow and four children of 51-year-old Henry O. Botnen, a $33,000-a-year staff supervisor at American Telegraph & Telephone Co. Patricia Botnen received $286,000 and each of her children received $47,750. Attorney fees were $122,500.

The settlement releases Hyatt Corp., Hallmark Cards Inc. and Crown Center Redevelopment Corp. from further claims in the wrongful death suit that originally sought $10 million. But the terms reserve to the plaintiffs the right to proceed against other defendants.

The dead man's wife, who was injured in the accident, has a separate lawsuit for her injuries seeking another $10 million, according to a copyright story in The Kansas City Times. Mrs. Botnen's attorney could not be reached for confirmation.

In two other wrongful death settlements, $45,000 was awarded to the brother of a woman who was killed and $25,000 each to a half brother and half sister of her husband. Both lawsuits had asked for $2 million in damages.

"Since the couple that died were both in their 60s and there were no children, there was no question here of people dependent upon the decedents for support," noted C.W. Crumpecker Jr., attorney for the plaintiffs.

"We were contacted to settle very quickly after the accident by Crawford & Co., which is handling claims adjustment for Occidental," said Mr. Crumpecker. The lawsuit had not even been filed at the time, but the plaintiffs decided to go ahead with it.

"Two years ago my clients probably could not have brought their claim," noted Mr. Crumpecker. In 1979, Missouri changed its wrongful death statute to permit recovery of non-pecuniary damages for such reasons as loss of companionship or guidance.

Two other large settlements were disclosed by insurance company attorneys last week. The mother of an Overland Park, Kan., teacher who was killed was awarded $130,000 on a wrongful death claim.

The first structured settlement arising out of the disaster was awarded to a hospital employee who suffered multiple fractures and other injuries that complicated an existing lung disease.

Sheila McQueenie received $100,000 in cash and $2,000 a month for the rest of her life. The payments are guaranteed unitl 1991 even if she dies before that date.

—By Rhonda L. Rundle

Father of Dallas girl trapped in elevator sues Hyatt Corp.

By STEVE SHERWOOD

DALLAS—The father of a young girl who scrambled for her life down seven floors of elevator cable in the Dallas Hyatt Regency Hotel is suing Hyatt Corp. and two other companies for $1.7 million.

The suit, filed by Charles Crontz of Denton, Texas, on behalf of his 9-year-old daughter Michelle, asks for $1.2 million in actual damages against the hotel's operator, Hyatt Corp. of Rosemont, Ill.; Woodbine Development Corp. of Dallas, the operating arm of Hunt Investment Corp., which owns the Dallas hotel; and Otis Elevator Co. of Farmington, Conn., the elevator's manufacturer.

The suit asks for an additional $500,000 in punitive damages against the Hyatt Corp. for the alleged failure of its employees to promptly search for the missing girl.

The suit follows some $3 billion in negligence lawsuits filed against Hyatt, Hallmark Cards Inc. of Kansas City, Mo., and a Hallmark subsidiary after two skywalks in the Kansas City Hyatt Regency Hotel collapsed July 17, killing 113 people (see related story).

Hyatt has $200 million of liability insurance coverage available per occurrence. The corporation's primary policy of $1 million is written by Occidental Fire & Casualty Co. of North Carolina. The first excess layer of $25 million is written by Northbrook Excess & Surplus Insurance Co. of Northbrook, Ill., and the remaining $175 million is spread among 19 other insurers (*BI*, Oct. 19).

Woodbine Development Corp.'s liability insurer is U.S Fidelity & Guaranty Co. of Baltimore. A spokesman for Hunt Investment Corp. would not disclose policy details.

Coverage details for Otis Elevator are not known.

According to the Crontz suit, filed Oct. 28 in 116th State District Court in Dallas, Michelle was one of a group of children who paid an admission on July 5, 1980, to ride the elevator to the 500-foot-high observation deck on top of the hotel's Reunion Tower.

When Michelle, the first to enter the elevator, stepped inside, the doors closed and she was left alone, the suit says.

The elevator then rose to the seventh- or eighth-floor level before stopping at a point with no landings, it says.

Michelle managed to open the doors in an attempt to exit and fell into the shaft, the suit says. She was caught between the elevator and the shaft wall, hanging by her right cheek and lower left skull, but was able to get loose and slide down a cable to the bottom of the shaft, the suit says.

In the process, she received injuries to her face, hands, fingers, legs and chest, it says. Tendons and nerves in the fingers of her right hand were severed.

Further, the suit claims, she suffered great mental anguish, fright, change of personality, great pain and suffering.

Michelle was at the bottom of the elevator shaft for about 1½ hours before being rescued by firefighters who responded after the adult leader of her group, Nancy Winkle, heard Michelle's cries for help coming from the shaft, the suit says. The firefighters pounded a hole in the shaft wall to rescue the girl.

According to the suit, Ms. Winkle pleaded with hotel employees to begin an immediate search for Michelle, but they did not do so. "Such disregard under the circumstances constituted gross negligence and is a cause of the additional pain, suffering and mental anguish suffered by Michelle," the suit says. Based on these allegations, the suit claims $500,000 in punitive damages against Hyatt Corp.

The suit also contends that all three companies were negligent in the operation and maintenance of the elevator in the hotel and that Otis Elevator Co. was negligent by manufacturing an elevator that would stop where there was no landing and allow a child to open its doors.

This alleged negligence was the cause of actual damages to Michelle, the suit says, in the amount of $1.2 million.

Ms. Winkle, the group leader, is also suing the companies for $25,000.

Ms. Winkle claims that she suffered and continues to suffer great mental anguish as a witness of the accident.

She has required psychological therapy to aid in the relief of the memories of the incident and "has remained affected by the sight of the child in the elevator shaft so that she continues to relive the horror," the suit claims. ■

Suits against government

Continued from page 2

expended on the claims.

In its suits, Keene says the government:

- Breached an implied warranty that the asbestos fibers (which the government specified be included in thermal insulation products it purchased from Keene) were safe for their intended use. The design specifications were defective.
- Breached its contractural duty to disclose the superior knowledge it had concerning the potential danger of exposure to asbestos.
- Breached a contractual obligation to exercise due care in using asbestos products safely by failing to enforce health and safety requirements that the government's own surveys had established were minimum.

Keene's most recent petition in the Court of Claims argues that the manufacturer should be able to recover from the government since many employees collected compensation from Keene after being compensated under the Federal Employment Compensation Act.

Since the employees had to return the money collected from the government, Keene should be indemnified because of the government's culpability, said Jerold Oshinsky, an attorney for Keene with the Washington, D.C., law firm of Anderson Baker Kill & Olick.

The tort claim in U.S. District Court in New York was recently dismissed on a procedural technicality but a reconsideration is being sought, he said. An appeal will be filed if the dismissal is upheld.

That suit alleges a number of breach of warranty, strict liability and negligence claims, seeking indemnity from the government.

The Court of Claims suit alleges that beginning in the 1930s, the government knew many of the dangers of asbestos, yet it continued to use the product, ignoring many health recommendations.

"Defendant failed to disclose to KBPC (Keene Building Products Corp., a former subsidiary of Keene) and its predecessors its superior knowledge of the allegedly harmful character of asbestos fibers and the improper manner in which asbestos-containing thermal insulation was being utilized and installed in facilities subject to its control and regulation in violation of its own safety standards," the suit says.

"Despite this knowledge, defendant continued to specify the inclusion of asbestos in thermal insulation for use by or for the benefit of defendant."

Mr. Nowinski, however, contends that the government is not liable for any of the claims. "I think the government is entitled to, will and should prevail," he said.

The government promptly and fully disseminated the information it had about asbestos and that the asbestos industry had a legal duty to be aware of the effects of its product on the plaintiffs, Mr. Nowinski contends.

In addition, Mr. Nowinski said that the government's role in issues like asbestos did not significantly increase until the passage of the Occupational Safety and Health Adminstration Act in the early 1970s.

"Some of the standards that people look to now just weren't authorized at the time," he said.

The number of suits against the government probably will rise. "People will continue to search and press for theories against the government," said Dennis H. Markusson, legal counsel for Johns-Manville Corp. in Colorado.

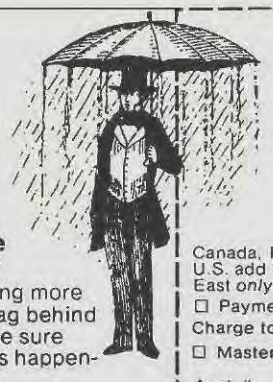
Johns-Manville is one of the companies that has sued the government and is contemplating more litigation. The biggest problem is determining whether the government can be sued and what its liability is, Mr. Markusson said.

A recent ruling by the District of Columbia Court of Appeals that significantly expanded the coverage under insurance policies purchased by asbestos manufacturers (*BI*, Oct. 12 and 26) is not expected to reduce the number of suits against the government.

Even if it were assured that manufacturers would be covered by insurance for their huge losses, then the insurers might take up the fight to bring in the government.

Mr. Oshinsky, who is uncertain what effect broader insurance coverage will have on Keene's suits against the government, speculated that if the decision is upheld by the U.S. Supreme Court, the insurance companies would likely sue the government. ■

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Malpractice

Continued from page 2

than $200,000, and six more exceeded $1 million.

Most of the awards stemmed from wrongful death claims or serious injuries like paralysis or brain damage.

They mostly involved auto accidents in which the government was alleged to be responsible, but also included cases where government responsibilities for the safety of roads or other property allegedly were not met. Approximately 8% of the suits involved the police as defendants

One of the largest increases in size of awards involved malpractice cases against dentists. The study says verdicts against them "have been steadily rising over the years."

Since 1975, 78% of the verdicts against dentists have been for more than $10,000 compared with 48% before then. "Apparently, juries are giving more weight to the claims made against dentists for their improper care," the study says.

There were three wrongful death cases against dentists, one brought by the family of a 3-year-old child who died as a result of swallowing stannous flouride used in a routine cleaning procedure. The hygienist failed to tell the child not to swallow the solution.

In two professions the size of awards appears to be declining. The midpoint verdict (the point at which 50% of the verdicts are higher and 50% lower) for druggists has dropped since 1975.

While the average amount of an award against druggists has climbed to $24,000, compared with $7,850 in 1975, one case involving a man given female hormones instead of a drug for his circulation problems ended with an award of $135,000.

Also on the decline are awards for beauty parlor negligence, claimed by victims suffering injuries due to a beautician's improper application of hair bleaches, dyes or permanent wave solutions. The average award of about $3,000 is less than the average award of $3,720 in the 1975 survey.

The awards compiled are for compensatory damages awarded by juries only and do not include punitive damage, loss of services and property damage awards. Bench verdicts and out-of-court settlements are also excluded.

Where a jury award is subsequently reduced by a judge, the unreduced figure is used.

The study considered only personal injury cases. Malpractice cases resulting in financial losses were excluded.

Jury Verdict Research Inc., is a legal research and publishing company that collects personal injury verdicts rendered throughout the country.

It publishes a 12-volume set of 200 studies called Personal Injury Valuation Handbooks that is continuously updated. The studies are used primarily by attorneys and insurance companies. ■

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,112
Government, Associations, Unions, Educational Institutions	952
Commercial Consumers Sub-total	**22,034**
Insurance Agents & Brokers	9,486
Insurance Cos.	4,486
Financial Institutions	292
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,135
Others allied to the field	752
TOTAL	**39,185**

*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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See page 44

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Turkey processor trims risks

Continued from page 3

problem. We had a lot of little ones that were hard to get at," says Mr. Bell.

Renovation was the first step. Hudson cleaned, painted, cleared, lighted, heated and added whole new sections to the factory, including an employee lunchroom. Carefully, the risk manager and plant manager brought the plant up to Occupational Health & Safety Administration standards. Lynn Crabtree, assistant to the plant manager, was appointed safety director.

Accidents continued

By mid-1980 "we had done just about everything to comply with OSHA regulations and we were seeing some improvement. But people were still cutting themselves, slipping and having dumb accidents," recalls Mr. Bell. "We still had no safety guidelines."



Mr. Doss

Risk manager Doss suggested they get help.

"Corporate management was extremely flexible," says Mr. Bell. "I wasn't told that a consultant was coming in to review us. I was asked if I thought it would be a good idea. At the time, I felt that eventually we could handle the problem on our own, but I knew that if somebody could help us do it faster, it would be a good idea.

"If you are the best, you can afford to be resistant to change. If you are less than satisfactory, you can't afford not to change," he remarks.

Mr. Doss called upon James Sybert, then assistant vp of Fred S. James Technical Services and now national operations director of risk control services for Crawford & Co. of Atlanta.

The result was a 24-page report that not only analyzed safety problems but also examined management's ability to control them.

Hudson's performance index, a measure of its management ability to respond to exposures, was terrible. Of a possible 12 points (three each for operational, motivational, historical and internal resistance responses), the plant earned two points for a 17% index (see related story).

Program not working

The report repeated much of what the plant operators already knew about what caused accidents, but it also showed Hudson that its safety program wasn't reaching deep enough into the workforce.

"We found out that our communication wasn't going as far down as we thought it was," says Mr. Bell. "We had good ideas that were getting to superintendents but then weren't completely reaching line supervisors. Even less information was reaching the line workers. Then nothing was coming back from the floor.



Mr. Bell

"I guess safety is something that must be continuous," he explained. "People's awareness was not lasting."

Working with Mr. Sybert, who continued as a Hudson consultant after he left James, the plant and risk managers set a series of goals:

- Monthly meetings with supervisors, bypassing superintendents to relieve worries about retribution for complaints. Superintendents would then meet with workers within two days after their meeting to discuss communicating goals to workers.
- Quarterly meetings directly with workers on safety.
- A plant manager "open door" policy.
- A safety committee with representatives from all departments.
- 50% fewer accidents in one year.

The International Loss Control Institute's five-star safety rating program was considered and tabled until more remedial improvements were made. Mr. Doss hopes the Springfield plant will eventually attempt an ILCI rating as a pilot program for the whole company.

Hudson also changed its medical policy, expanding the service of a full-time nurse and changing company doctors.

Medical service

"The doctor retained by the past management was OK," Mr. Doss says, "but he was busy and never had time to come into the plant and see exactly what our problems were. He always required a second visit to do things that our company nurse could do and he didn't really have a feel for when an injured worker could return with a lighter duty."

The new doctor helped lower basic medical costs, and the safety committee produced a steady stream of safety improvements.

"First, we had trouble getting them to talk," recalls safety director Mr. Crabtree. "Now we have trouble getting them to shut up."

With the help of employees, the company added special training programs for heavy equipment, eliminated water risks with non-skid floor coatings, reduced occupational disease exposures through job rotation and increased safety awareness and absenteeism with a prize drawing.

The company made a lot of little changes to match its variety of little problems. And they worked.

Accidents, costs cut

"We met our goal. We reduced frequency (of accidents) by 50%. We cut our monthly workers compensation costs to less than $2,400. We saw what a continuing effort could produce. Something that happened here hit home," says Mr. Doss.

Turnover fell to about 1% a month, less than a quarter of the industry average. Productivity increased to the goal of 30,000 turkeys in an eight-hour shift and sometimes the goal is met early.

"We still have some silly accidents, and we did have one big loss in which the worker admits it was his fault. But now we have a system for setting new goals and maintaining the efforts. We'll get rid of the silly mistakes, too," Mr. Bell explains.

Hudson's performance index, improved to 75%, indicating that future problems can be analyzed and dealt with by the new management system.

Hudson Foods' workers and management are having a happy Thanksgiving. ■

Rate your risk-control program

How well can you control losses?

Crawford & Co., an Atlanta-based claims adjuster and consultant, is promoting a new series of risk-control techniques that emphasize how well mangement systems respond to a company's exposures.

The Performance Index tells how well a company functions now and how much it can expect to improve. It can be compiled by rating a company on a scale of one to three in each of four areas:

- **Resistance** or that influence within any organization that does not allow it to achieve goals. Low rating: no safety policy. Higher rating: functioning safety committee.
- **Operational** or physical exposures acting against your operation. Low rating: a plant in need or repair. High rating: Renovations.
- **Motivational** or influences acting on employees at all levels that form human behavior and attitudes. Low rating: favoritism or nepotism. Higher rating: Successful equal opportunity policy.
- **Historical** or known results of the company's previous control record. Low rating: no collection, accident or workers compensation experience. Higher rating: Regular loss analysis and accident investigation.

Hudson Foods first scored two points—one for historical response and another for its operational improvements—of 12 possible points for a 17% Performance Index. At the end of its first year, it scored two points for eliminating resistance, two points for improving operations, two points for improving motivation and three points for putting statistics to work. Total: nine of 12 points for a Performance Index of 75%.

"When you know where you stand, you can start correcting your weak points first," advises James Sybert, Crawford's national operations director in risk control. "It will start to pay off."

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A&A announces a major restructuring

Continued from page 3
structuring other brokers have been pursuing for the past few years. Marsh & McLennan, for example, separated its international business several years ago, and last year Fred S. James established separate internal responsibilities for brokerage, services, benefits and international risks.

By breaking out domestic and foreign operations, which are now under the direct purview of the holding company, A&A aims to better define the responsibilities and goals of each segment.

Notably, Alexander Howden will preserve control over all its operations, both domestic and foreign.

Once it merges with A&A in January, the only immediate change will be the presence of John Bogardus Jr., A&A's president and chief executive officer, and Richard Lynn, a senior vp, on the Howden board of directors.

"All of Howden's operations are so interrelated, they'll continue to report back to Howden," says Tinsley Irvin, executive vp and chief operating officer of A&A.

More specifically, the domestic unit—A&A Inc.—will acquire its own newly created board, made up of people from its ranks. "We're going to improve the control of management, improve communications and give operating management more involvement in decision making," comments Mr. Irvin.

Further, A&A Inc. will divide into geographic, product and service segments to "improve coordination of regions, services and functions," Mr. Irvin explains. Under two major categories, the Southwest and the Northeast, there will be 11 regions, including two new additions in the fast-growing Sun Belt.

Within these regions, employees will report to more than one supervisor under A&A's new concept of "shared management."

"This will enhance service coordination and deliver expertise to our clients without any internal structural impairments," he notes.

Although Mr. Irvin will not elaborate on what obstacles exist currently, he explains that under shared or "matrix" management, knowledge and resources can be evenly spread from region to region.

For example, as A&A diversifies into financial services like its new money market fund, the marketing can be handled by the established brokerage network and coordinated by the new non-insurance services committee.

While A&A will continue the domestic growth that has characterized its operation for the past 12 years, it views the '80s as a time for protracted effort abroad. Clearly, foreign economic development and increased activity on the part of multinational corporations present the brokerage with new opportunities.

A&A will pursue these via an all-out attempt to gain equity positions in foreign brokerage firms. According to Mr. Irvin, partial ownership provides greater homogeneity and profit-sharing potential than the correspondent relations A&A presently enjoys with all but a handful of its foreign brokers.

"It's the same strategy we followed to expand in the U.S.," he says, referring to A&A's 185 domestic mergers over the past dozen years. Now, he contends, "by 1990, we want to have the same penetration in the world that we now have in the U.S."

Once in place, the new plan will lead to the promotions of at least 60 managers. Those immediately affected within the top ranks are the newly appointed executive vps: Bob Cline, director of "Group A—Southern-Western," and Richard Page, the director of "Group B—Northern-Central"; the new managing vps: James Dunard of Los Angeles, Jerry Bland of Fort Worth, Texas, Harry Boggs of San Antonio, Texas, Charles Taylor of Nashville, Tenn., and Robert Morris of Atlanta; and the new regional directors: Edmund Langhorne for Greater New York, W. Travis Oxford for the Southeast region, Giles Madray Jr. for the Gulf Coast, J. Ray Taylor for the Southwest and Paul Colony for the Pacific-South.

The organizing principles behind these changes were mapped out by A&A's own management consulting division. According to Mr. Irvin, more than 45 managers, including all senior line managers and division heads, were interviewed on structural alternatives. ■

Contractors lay groundwork for captive

Continued from page 2
considered a controlled foreign corporation whose income on business related to U.S. risks is immediately taxable to its owners as Subpart F income.

The shareholders are aiming for at least 11 owner/participants, however, to be sure they will be considered a bona fide insurance company by the Internal Revenue Service, leaving no question that the premiums paid to the captive are tax deductible to the owner/participants, says Mr. McIntyre.

The company ownership/participation is structured to also give the owner/participants the best tax advantage on their insurance cost savings.

The owners will not receive any dividends from the company but will let its earnings accumulate in the tax-free offshore domicile. Only when the participant wishes to stop insuring with the company will it sell its shares, generally possible after only six years. The proceeds it receives upon sale of its stock, based on the company's historical premiums, will then be considered long-term capital gains and taxed at a lower rate than ordinary income.

"We're going for the whole Christmas tree," said Mr. McIntyre, "deductibility, no U.S. taxes until repatriation—and then as long-term capital gains."

So far, however, Mr. McIntyre admits "we don't have claw marks at our door from people trying to get in." The current shareholders are betting that "there are 12 more people out there who remember the last tight market," he says, referring to the company's ultimate goal of no more than 15 owner/participants.

"Anybody smart in any business plans rather than being reactive. Our company will be more desirable when the market tightens," he added.

Ownership in the company is related to the premium volume each owner/participant generates. In addition to the $25,000 each new owner pays to become a Class B common stock holder, debentures in the principal amount equaling 12.5% of the modified standard reinsurance premiums to be paid to ARTIC by the primary insurer in the first policy year must be purchased from the company.

For example, Don Love Inc. has purchased debentures in the principal amount of $125,000. With the other two original shareholder/participants and McIntyre Financial Services, $500,000 in debentures have been purchased.

In addition, at any time after the first day of its first policy year with ARTIC, an owner/participant may be called upon by the board of directors to make capital available to the company—in cash, an irrevocable letter of credit or a combination of the two.

The calls will be made pro rata based on the owner/participants' premium volume with ARTIC and the cumulative amount of all such calls may not exceed an additional 12.5% of the modified standard reinsurance premiums paid or accrued on the owner/participants' insurance by the primary insurer for the first policy year.

All the shareholders may resolve to call for a special contribution to the capital of the company. Any such call would also be pro rata among the owner/participants on the basis of their premiums multiplied by 85.1%. McIntyre Financial Services, which as a Class A stockholder owns 14.9% of the shares, would be required to contribute 14.9% of the call.

These calls will be used to satisfy capital and solvency requirements under Bermuda law and the provision for the call ensures that any debentures issued to the participants qualify as "debt" instruments for United States income tax purposes, the memorandum says.

"This is like a corporate Lloyd's approach. They—and I—are putting up money but if more money is needed, we can get it," Mr. McIntyre explained.

Also to avoid tax problems, Mr. McIntyre intends to resign as president of the insurance company after a U.S.-based insurance agency is created to deliver services to the shareholders. Mr. McIntyre, who has a six-year employment agreement, will become president of the agency. Until this agency is formed, the insurance company will file U.S. income tax returns.

Each investor is required to maintain certain minimum amounts of insurance with the primary insurer for a minimim of six years, although there is an escape clause after three years.

The minimum coverage requirement with the primary insurer, a portion of which will be reinsured with ARTIC, begins in the first policy year after the owner has purchased its stock. The minimum coverage is either two of the three lines of workers compensation, general liability or auto liability or at least enough coverage to generate a modified standard premium of at least $500,000.

However, a new shareholder doesn't have to place insurance with ARTIC if the final proposal from the primary insurer costs 10% more than the same coverage cost the year before—taking into account changes in business and experience modifiers. The $25,000 initial investment is then returned.

If, however, the primary insurer's quote comes in at below 110% of the previous cost and the investor chooses not to place insurance with ARTIC, it loses its $25,000 investment and ownership in the company.

After three years, the owner/participant can stop placing the minimum required insurance with ARTIC if it will pay for the next three years an expense reimbursement equaling 2.5% of the average modified standard reinsurance premium paid by the primary insurer to ARTIC in the first three years.

Each owner/participant is issued his own, specially designed insurance policy by St. Paul. Generally, the policies will be retrospectively rated or loss sensitive with higher risk layers, generally more than $100,000 to $250,000, insured under a guaranteed cost plan.

St. Paul will reinsure relatively the same lower layers of risk with ARTIC for all its participants. St. Paul will deduct from gross premiums paid by participants its fronting fee ranging from 5% to 20%, according to the memorandum.

The remainder of the premiums will be paid to reinsurers, including ARTIC.

The insurance for Don Love Inc. is described as an example:

Love paid St. Paul $1.2 million for workers compensation, employers liability, general liability and auto liability insurance. McIntyre/Davis & Co., in which Mr. McIntyre is a partner, is paid $2,500 a month for brokerage services by St. Paul out of its 10% fronting fee of $120,000.

Outside reinsurers receive 5.4% of the premium, or $65,000, for covering workers compensation losses exceeding $100,000 to $1 million and for $400,000 of insurance excess of ARTIC's $100,000 retention on the other lines.

Umbrella reinsurance in excess of a $500,000 combined single limit on comprehensive general liability and auto liability and in excess of $100,000 on employers liability is also purchased.

St. Paul also receives 12.5% of the premium for catastrophe reinsurance which covers workers compensation costs exceeding $1 million per occurrence.

ARTIC receives 83.3% of the premium, or $1 million, for reinsuring the first $100,000 of any loss in any one occurrence under the workers compensation, employers liability, general liability and auto liability policies issued to Love by St. Paul. ARTIC has annual aggregate stop loss insurance to limit its losses to either $1 million or 80% of the annual policy premium paid by Love in a year, whichever is greater.

"The reinsurance is structured so that in any one year it would be almost impossible for us to lose more than the amount of our debentures," Mr. McIntyre explained.

Pro Re of Dallas, a unit of E. H. Crump, has arranged ARTIC's reinsurance in the U.S. market, Mr. McIntyre said. Marsh & McLennan (Bermuda) Ltd. is managing ARTIC's Bermuda affairs. St. Paul will provide claims and engineering services.

ARTIC was organized last summer by the three contractors and Mr. McIntyre. It is a reorganization of a Bermuda company, Contractors Casualty Ltd., formed by Pepper but never activated.

The offering is expected to remain open until May 1, 1982, but could be completed or terminated sooner. ■

Work comp rate hike sought

TOWSON, Md.—Workers compensation insurers operating in Maryland are seeking a 3.7% rate increase.

The increase would go into effect Jan. 1 for new, renewal and outstanding policies.

A spokesman for the National Council on Compensation Insurance, which filed the request with the state insurance commissioner on behalf of the insurers, blamed the increase on mandated increases in workers compensation benefits that take effect Jan. 1 and an assessment change that went into effect July 1.

Workers compensation benefits in Maryland are computed as a fixed percentage of the average weekly wage in the state.

It is estimated that the average weekly wage in Maryland will increase to $267 from $248 on Jan. 1, accounting for 3.1% of the increase in work comp rates, the NCCI spokesman said.

The remainder of the proposed increase, 0.6%, can be attributed to a recent law mandating an additional assessment insurers must pay to the uninsured employers fund, he added. ■

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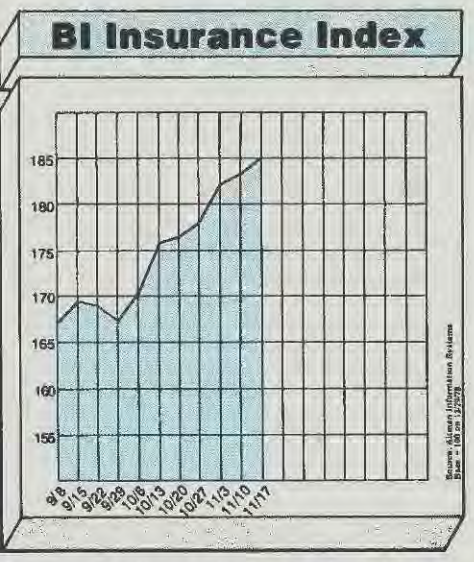
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BI Insurance Index



Insurance industry stocks continued to rise last week as the *Business Insurance* stock index rose 1.6 points to 185.1 from 183.5. Thirty-five issues posted advances, 22 stocks declined and 16 were unchanged. Issues posting the largest increases were: United Services Life Insurance Co., 11.7%; American Indemnity Financial Corp., 10.9%; Farmers Group Inc., 9.5%; Foremost Corp. American, 6.5%; and Avemco Corp., 5.6%. Stocks suffering the largest declines were: Gulf United Corp., 8.4%; USLife Corp., 7.8%; Washington National Corp., 4.9%; Reed Stenhouse Cos. Ltd., 3.2%; Northwestern National Life Insurance Co., 3.2%. The *BI* index increased 0.8%, which outpaced the major stock market averages.

British Issues

11/17 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Commi Union	126	8.4	16.07	12.8	134—122
Eagle Star	315	10.1	21.43	6.8	315—308
Genl Accident	348	8.1	21.07	6.1	352—342
Gdn Royal Exch	314	8.2	23.21	7.4	320—308
Phoenix	260	8.5	22.43	8.6	262—252
Royal	362	9.7	35.00	9.7	375—355
Sun Alliance	905	9.0	53.57	5.9	949—900
Brokers					
CE Heath	303	11.0	15.00	5.0	312—302
Hogg Robinson	109	8.7	8.57	7.9	111—107
Alex Howden	141	10.8	10.71	7.6	145—141
JH Minet	139	11.6	6.80	4.9	142—138
Sedg Grp	142	10.4	7.50	5.3	145—141
Stenhouse Hldg	95	8.7	6.64	7.0	95— 93
Stew Wrightson	223	11.1	17.14	7.7	227—222
Willis Faber	378	13.0	17.85	4.7	385—377

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

Brokers deny rumors of layoffs

Continued from page 3

clip," he says.

"As a company, we have no intention of keeping deadwood, but wholesale layoffs would be self-defeating," he added.

E.H Crump also was rumored to be cutting staff but admits only a wage and hour freeze in its Memphis headquarters.

"I just returned from our Southern managers meeting and told them that we in Memphis had a wage and hour freeze on and were planning to fill positions open through attrition with current employees," explained Crump Vice Chairman James M. Power. "But even with this goal, we are still looking for three high-level employees that will probably come from outside."

Some Crump offices are cutting back, he admits, but others are adding staff. By the end of the year, Crump personnel levels will probably be about 2% down from 1980 through attrition, he said.

Corroon & Black also denied major layoffs.

"Our chairman, Robert Corroon, just spent the quarterly shareholders meeting explaining why we haven't made personnel cutbacks considering our less than satisfactory third-quarter results," noted C&B Treasurer Robert Kaiser. "Obviously, we haven't been firing."

Corroon & Black was once again the big loser, boosting revenues only 4% from the same period last year to $40.5 million. Net income dropped 29% to $4 million from $5.6 million for the third quarter of 1980. Per share earnings dropped to 50 cents from 72 cents in last year's third quarter.

Nine-month results were not much better. Revenues dropped slightly compared with the first nine months of 1980, to $117.6 million from $117.7 million. Net income for the nine months of 1981 dropped 35% from last year to $10 million from $15.2 million in 1980. Per share earnings for this period stopped at $1.27 compared with $1.95.

Poe & Associates, a Florida-based brokerage, was the next-biggest loser with the largest drop in income, but a gain in third-quarter revenues. Poe's third-quarter revenues grew 23% to a record $4.7 million (including some from an August acquisition of Panamerican Insurance Agency) from $3.8 million last year. Net income, however, plummeted 80% to $106,000 from $529,000 in 1980. Per-share earnings fell to 6 cents from 32 cents last year.

A spokesman credited new business production for the revenue gains and blamed substantial losses in the company's insurance company subsidiary, Whiting Insurance Co., for the income drop. He says the firm expects better results next quarter.

Nine-month results emphasize the revenue gains and play down the third-quarter income drop. Poe's revenues for the first nine months of 1981 grew 27% from the same period last year to $14 million from $11 million in 1980. But net income dropped 22% to a little more than $1 million from nearly $1.4 million, and earnings per share fell to 58 cents from 83 cents.

Fred S. James & Co. Inc. also boosted revenues substantially in the third quarter but watched net income fall. Third-quarter revenues grew 22% to $60 million from $49.1 million last year but net income fell 5% to $4.7 million from almost $5 million. Per share earnings dropped to 52 cents from 55 cents.

Nine-month revenues also grew 22% to a record $183.6 million, it reported, from about $150.5 million in 1980. Net income for the period fell to about $15 million from a bit more than $16.3 million last year. Earnings per share for the first nine months of 1981 fell to $1.66 from $1.85 last year.

Though new business was strong, according to Chairman Charles A. O'Malley, expenses continued to rise and rates fall.

"Profit margins continued to shrink, due to a combination of the ongoing effect of insurance rate competition and the effect of inflation on operating expenses," he said.

Wigham Poland, James' London operation, also contributed strongly to revenue growth, adding $29 million to the nine-month results and $8 million for the third quarter, while slightly diluting earnings.

E.H. Crump encountered a similar effect. Third-quarter revenues grew 11% but net income dropped 18.9%. Revenues from July through September topped $7.5 million, up from $6.7 million, but net income fell 19% to $410,000 from $505,000 last year.

Earnings per share dropped to 16 cents from 20 cents in the same period last year.

For the first nine months of 1981, however, revenues grew only 3% to $22.4 million from $21.7 million. Net income for that period fell 35% to $1.6 million from $2.4 million. Earnings per share dropped to 63 cents from 94 cents last year.

Frank B. Hall, Alexander & Alexander and Rollins Burdick Hunter followed suit with better revenue gains than net income results. At RBH, a 12% revenue growth yielded a 15% drop in net income.

RBH revenues for the third quarter of 1981 grew 12% to $19 million from $17 million in 1980, but net income fell to $1.7 million from $2 million last year. Per-share earnings for the quarter were 40 cents in 1981 compared with 45 cents last year.

Nine-month results show smaller revenue growth and greater income declines. January through September revenues grew only 7% from last year to $59.6 million from $55.7 million. Net income for the period declined 19% to $6.2 million from $7.6 million. Earnings per share fell to $1.40 from $1.72 in 1980.

At Alexander & Alexander, revenues grew more than 6% while net income dropped more than 6% in the third quarter. From July through September, revenues reached nearly $112 million, 6.3% more than $105.2 million in 1980. Net income fell 6.5% to just about $13 million from more than $13.9 million. Earnings per share dropped to 68 cents from 73 cents.

Nine-month revenues rose 5.8% to nearly $339 million from $320.3 million for the first nine months of 1980 while net income decreased 8.1% to $41.9 million from $45.6 million. Nine-month per-share earnings amounted to $2.18, a drop from $2.38 at the same time last year.

Hall's revenues for the third quarter grew to $85.3 million from $76.2 million in 1980. But net income fell 3% to $6.7 million from $6.9 million last year. Earnings per share in the third quarter fell to 59 cents from 62 cents in 1980.

Nine-month results look a bit better. Revenues improved 16% to $260.8 million from $225.5 million in 1980 and net income grew 3% to $24.5 million from $23.9 million. Earnings per share, however, fell to $2.13 from $2.21 at the same time last year.

Marsh & McLennan Cos. Inc. had the most balanced results with both revenue and net income gains.

At M&M, operating revenue for the third quarter reached $206.9 million, up 10% from $187.6 million last year. Net income grew 12% to $30.4 million. Earnings per share gained in the quarter to 83 cents from 74 cents.

Nine-month results were even better as revenues for the period grew 30% to a record $641 million from $492.2 million in 1980. Net income grew 20% to $93.5 million from $77.7 million. Earnings per share grew slightly to $2.55 in 1981 from $2.52 last year.

The 1981 nine-month results, however, include a full nine months of operation of C.T. Bowring while 1980 results reflect Bowring revenues only in the second half of the year.

Myron M. Picoult, who regularly analyzes the financial condition of the property/casualty marketplace for *BI* Ticker, was on vacation. His column will appear next week.



BI ticker

BI Industry Stock Report

Insurance Cos.		NOV. 17, 1981 Price	% Chg.	P-E	$ Div.	% Yld.	11/11/81 THRU 11/17/81 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	44.50	-0.3	7.5	2.32	5.2	45.00*	43.88	547.0
American Bankers Ins Group	OTC	7.25	3.6	7.7	0.44	6.1	7.25	6.88	123.0
American Gen Ins Co	NYSE	43.75	1.2	6.4	2.00	4.6	44.25	43.63	39.3
American Indty Finl Corp	OTC	15.25	10.9	6.4	1.12	7.3	15.25	13.75	19.5
American Intl Group Inc	OTC	65.50	0.4	11.4	0.40	0.6	65.50	64.75	161.4
American Natl Ins Co	OTC	13.88	1.8	5.9	0.76	5.5	13.88	13.63	18.6
American Sts Life Ins Co	OTC	17.00	-2.9	5.4	0.72	4.2	17.50	17.00	2.0
Aneco Reins Ltd	OTC	2.50	0.0	0.0	0.00	0.0	2.50	2.50	189.4
Appalachian Natl Corp	OTC	2.31	0.0	0.0	0.00	0.0	2.31	2.31	4.0
Avemco Corp	AMEX	9.50	5.6	6.5	0.50	5.3	9.50	8.88	7.5
Banks Iowa Inc	OTC	47.00	2.2	6.8	1.44	3.1	47.00	46.00	10.2
Bitco Corp	OTC	39.00	4.0	4.6	2.16	5.5	39.00	37.50	5.7
Carolina Cas Ins Co	OTC	6.75	0.0	6.8	0.32	4.7	6.75	6.75	8.5
Central Natl Finl Corp	OTC	31.75	0.0	10.3	0.65	2.0	31.75	31.75	0.6
Chubb Corp	OTC	51.63	4.0	6.4	2.68	5.2	51.63*	49.38	302.4
Combined Intl Corp	NYSE	23.25	0.5	6.0	1.80	7.7	24.00*	23.13	275.0
Connecticut Gen Ins Corp	NYSE	55.50	5.0	7.1	1.76	3.2	56.75	53.75	331.4
Continental Corp	NYSE	26.38	-1.4	8.3	2.40	9.1	27.25	26.38	177.4
Crawford & Co	OTC	15.50	3.3	12.0	0.52	3.4	15.50	15.00	11.0
Crown Life Ins Co	OTC	88.50	0.0	9.6	2.80	3.2	88.50	88.50	0.0
Crum & Forster	NYSE	33.50	-0.8	5.5	1.84	5.9	33.88	32.75	326.5
Employers Cas Co	OTC	34.50	0.0	5.5	1.20	3.5	34.50	34.50	2.1
Equifax Inc	NYSE	22.50	2.3	5.1	2.40	10.7	22.88	22.25	18.9
Excelsior Ins Co	OTC	16.75	-1.5	14.4	0.70	4.2	17.00	16.75	0.1
Farmers Group Inc	OTC	31.75	9.5	9.3	1.12	3.5	31.75	29.75	308.2
First Colony Life Ins Co	OTC	57.50	-0.9	16.3	1.00	1.7	58.00	57.50	3.7
Foremost Corp Amer	OTC	28.50	6.5	8.1	0.80	2.8	28.50	27.00	20.8
Great West Life Assurn Co	OTC	241.00	0.0	9.7	10.00	4.1	250.00	241.00	0.1
Hanover Ins Co	OTC	36.00	-1.4	4.8	0.72	2.0	36.50	35.50	17.5
Hartford Steam Boiler Insptn	OTC	45.50	0.0	8.0	2.60	5.7	45.50	45.50	0.7
Jefferson Natl Life Ins Co	OTC	34.50	-0.7	19.8	0.64	1.9	34.75	34.50	3.4
Kemper Corp	OTC	33.50	1.9	5.3	1.60	4.8	33.50	32.75	33.4
Lincoln Natl Corp Ind	NYSE	42.50	4.9	6.6	3.00	7.1	42.50	40.50	94.4
Mgic Invt Corp	NYSE	39.50	0.6	9.8	1.28	3.2	41.00	39.00	558.0
Mission Ins Group Inc	NYSE	35.75	-1.4	6.3	1.00	2.8	36.63	35.50	47.0
Nationwide Corp Ohio	OTC	24.63	0.0	7.6	0.70	2.8	24.63	24.63	0.3
Northwestern Natl Life Ins	OTC	23.00	-3.2	4.9	1.36	5.9	24.13	23.00	43.5
Ohio Cas Corp	OTC	44.25	1.7	6.8	2.04	4.6	44.25	43.50	37.3
Old Rep Intl Corp	OTC	19.75	2.6	4.8	0.92	4.7	20.50*	19.75	239.3
Pinehurst Corp	OTC	8.63	3.0	0.0	0.00	0.0	8.63*	8.38	6.4
Preferred Risk Life Ins Co	OTC	21.00	-1.2	5.6	0.80	3.8	21.25	21.00	6.4
Provident Life & Acc Ins Co	OTC	52.00	1.0	6.8	2.20	4.2	52.00*	52.00	27.1
Ryan Ins Group Inc	OTC	18.50	-2.6	8.0	0.12	0.6	19.00	18.50	4.2
St Paul Cos Inc	OTC	52.63	0.7	8.5	2.32	4.4	52.63*	52.00	159.9
Safeco Corp	OTC	38.75	0.6	7.4	2.20	5.7	38.88	38.00	119.4
Sri Corp	OTC	23.50	-3.1	4.7	1.00	4.3	24.00	23.25	27.0
Seibels Bruce Group Inc	OTC	26.63	12.1	15.0	0.80	3.0	28.50*	23.75	93.6
Statesman Group Inc	OTC	6.88	3.8	6.0	0.15	2.2	6.88	6.75	10.4
Tokio Marine & Fire Ins Co	OTC	113.75	3.9	9.1	1.00	0.9	113.75	109.50	2.8
Travelers Corp	NYSE	48.50	-0.5	5.7	2.88	5.9	49.25	48.00	94.8
United Fire & Cas Co	OTC	33.00	0.0	8.6	1.00	3.0	33.00	33.00	0.0
United States Fid & Gty Co	NYSE	43.25	-0.9	7.0	3.20	7.4	43.75	43.13	92.4
United Svcs Life Ins Co	OTC	16.75	11.7	6.5	1.00	6.0	16.75*	15.88	115.9
Usife Corp	NYSE	22.25	-7.8	5.3	0.80	3.6	23.50	22.00	215.2
Washington Natl Corp	NYSE	19.25	-4.9	5.8	1.08	5.6	19.75	19.25	46.9
Zenith Natl Ins Corp	OTC	15.75	-3.1	8.2	0.60	3.8	16.25	15.75	20.7
INSURANCE COMPANIES	AVERAGE			6.4		4.0			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	29.50	-0.8	10.4	1.84	6.2	30.00	29.25	167.6
Baldwin & Lyons Inc	OTC	31.50	-0.8	5.5	0.80	2.5	33.50	31.50	5.5
Corroon & Black Corp	NYSE	20.13	0.0	11.9	1.76	8.7	20.13	20.00	7.6
Crump E H Cos Inc	OTC	12.00	0.0	14.1	0.40	3.3	12.00	12.00	65.9
Hall Frank B & Co Inc	NYSE	29.63	3.0	11.2	1.66	5.6	29.63	27.13	142.9
Integrated Res Inc	AMEX	16.00	2.4	6.5	0.00	0.0	16.50	15.25	26.0
James Fred S & Co Inc	NYSE	25.38	1.5	11.9	1.60	6.3	26.63	24.88	55.7
Marsh & Mclennan Cos Inc	NYSE	35.50	1.8	11.4	2.00	5.6	35.50	34.88	89.9
Penncorp Fincl Inc	NYSE	6.00	0.0	8.7	0.16	2.7	6.50	6.00	213.7
Poe & Assoc Inc	OTC	10.00	0.0	8.7	0.80	8.0	10.00	10.00	3.0
Reed Stenhouse Cos Ltd	OTC	11.38	-3.2	9.0	0.60	5.3	12.00	11.38	11.8
Rollins Burdick Hunter Co	OTC	23.00	0.0	13.1	1.32	5.7	23.00	23.00	2.7
AGENTS/BROKERS	AVERAGE			9.5		5.2			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	46.25	-0.5	8.2	2.00	4.3	47.50	46.00	528.1
Anderson Clayton(Ranger/PanAm)	NYSE	26.00	-2.3	5.4	1.20	4.6	26.75	25.88	44.9
Armco Inc	NYSE	25.75	3.0	3.0	1.80	7.0	25.75	25.25	180.4
City Investing Co. (Home Ins.)	NYSE	22.25	-4.3	6.4	1.60	7.2	23.13	21.75	198.4
CNA Finl Corp (CNA)	NYSE	13.25	1.0	5.5	0.00	0.0	13.38	13.25	14.5
Control Data (Comml. Credit)	NYSE	38.75	-1.3	9.1	0.50	1.3	39.88	37.75	539.8
General Re Corp	NYSE	82.75	0.3	10.6	1.76	2.1	84.25*	82.00	95.7
Gulf Utd Corp	NYSE	20.50	-8.4	7.1	1.32	6.4	22.50	20.50	334.8
IMA Corp (Ins. Co. of NA)	NYSE	48.00	2.9	6.7	2.40	5.0	49.25	47.00	1,932.9
ITT (Hartford Group)	NYSE	28.88	3.1	7.6	2.68	9.3	29.00	28.25	1,421.3
Optimum Hldg Corp	OTC	11.00	0.0	14.1	0.00	0.0	11.00	11.00	9.0
Reliance Group Inc	NYSE	93.00	4.9	10.1	3.00	3.2	93.00	88.63	99.9
Sears Roebuck & Co. (Allstate)	NYSE	17.25	1.5	8.6	1.36	7.9	17.25	16.75	763.9
Baldwin Utd Corp	NYSE	54.63	0.0	9.4	1.60	2.9	55.50	53.25	59.4
Teledyne Inc (Argonaut)	NYSE	144.75	-3.8	7.5	0.00	0.0	150.25	143.50	330.8
Transamerica Corp (Occidental)	NYSE	23.38	-3.1	6.8	1.40	6.0	24.13	23.25	172.5
CONGLOMERATES/HOLDING COS.	AVERAGE			7.6		3.2			

*Record high/low since Jan. 1, 1981. System design: Altman Information Systems

Financial Briefs

British insurers

Two of Britain's largest insurance companies have shown underwriting losses in the third quarter.

Royal Insurance Co., the largest British insurance company, reported a third-quarter underwriting loss of 64.5 million pounds, compared with a loss of 25.3 million pounds in last year's third quarter.

Commercial Union Assurance Co. Ltd. reported an underwriting loss of 98.1 million pounds in the third quarter, compared with a loss of 39.1 million last year.

Royal's pretax profits dipped ever so slightly to 91 million pounds from 91.9 million pounds. Investment income for the quarter rose to 142 million pounds from 106 million pounds.

At Commercial Union, however, before-tax profits dipped to 60.2 million pounds in the third quarter from 81.7 million. Investment income soared to 150.1 million pounds from 113.4 million. ■

Experience and scope keep A&A pre-eminent in the energy field.

For over half a century, the innovative leader in energy insurance brokerage has been Alexander & Alexander.

Early on, we pioneered new insurance coverages for the developing coal and gas businesses. Played a catalytic role in helping to create the insurance capacity needed to cover incredibly high-cost energy risks. And met the burgeoning and increasingly complex global and domestic needs of demanding oil clients, from integrated multinationals to smaller independents.

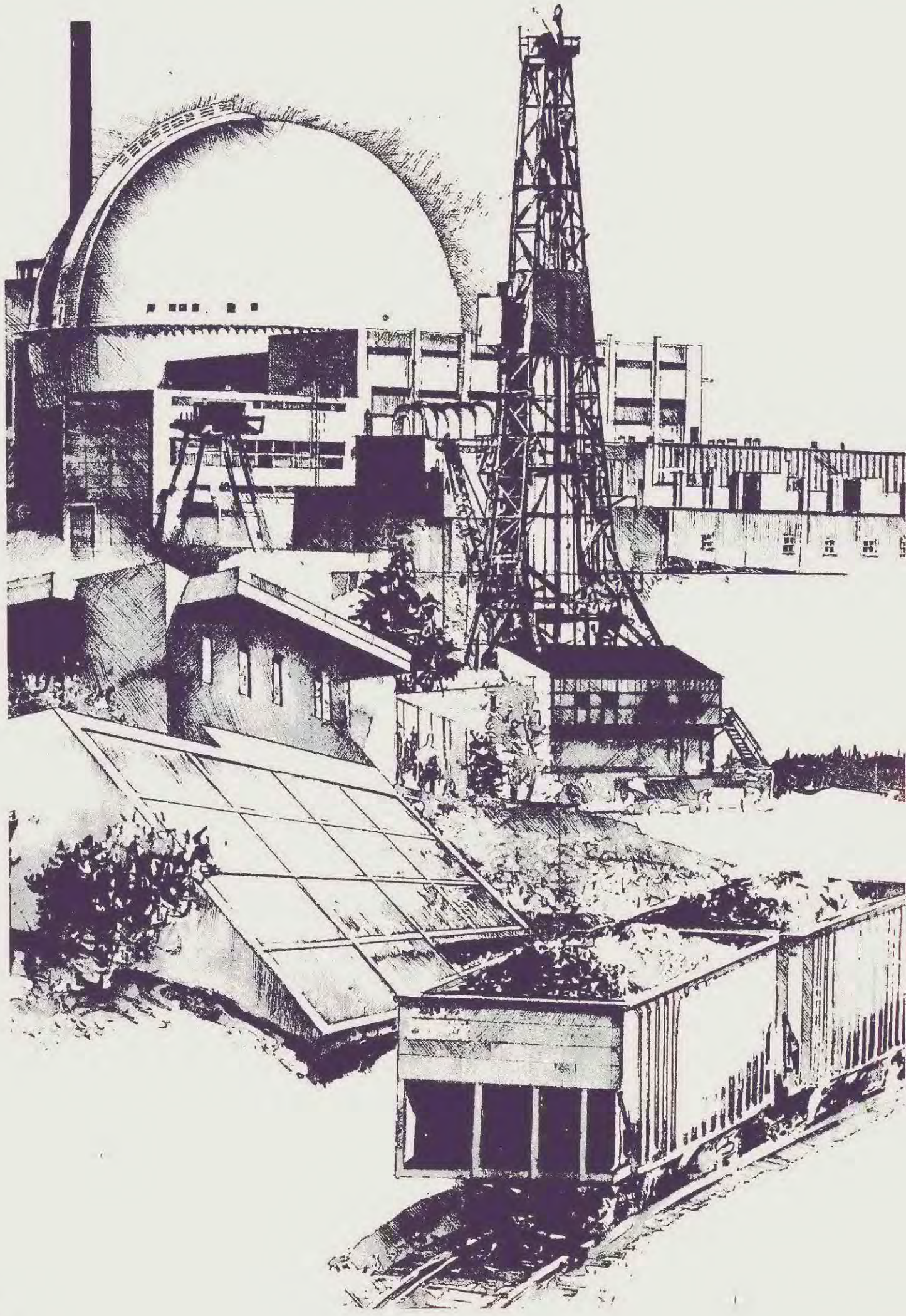
Today, our National Energy Division keeps A&A the foremost energy insurance broker. This crack team of technical experts offers you the most comprehensive services available, with in-depth experience in every energy area. Oil. Gas. Coal. Utilities. Nuclear power. Shale oil. Tar sands. Synthetic fuels, solar and other alternative energy sources. Pipelines. Marine. Storage and distribution. And contractor and supplier services.

Energy services pinpointed to client needs.

Because members of our National Energy Division are strategically located at key energy centers across the country, it is easy for local offices to draw upon the expertise you need, no matter what energy area you specialize in. Together, we'll help analyze, design and service custom-made, cost-efficient risk management programs.

In energy, as in other industries, we view financial risk through the client's eyes.

We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view.



Alexander & Alexander

From the client's point of view.