



Marine risks page 22
The president of a barge towing company told a marine insurance seminar that underwriters are not sufficiently involved in marine safety programs. He called for insurer recognition of good loss control and safety programs.

Pension law page 40
Fiduciary liabilities are the subject of the third article in a series on the impact of pension reform. The article discusses alternative methods of managing new exposures.



Banks page 42
A risk management consultant recently told the Bank Administration Institute that most bank insurance programs need changing.

Sears page 12
In the first known major corporate benefit change to come out of the federal pension law, Sears directors met Nov. 11 and voted to have immediate 10 year vesting retroactive to Oct. 1 for all those eligible for the supplemental pension plan. Thus, many long-time Sears employees currently being laid off in nationwide personnel cutbacks are protected.



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business insurance

the national newsmagazine for buyers of employe, property and liability protection and financial services

Top execs: Risk managers' influence climbing

BI survey discloses many high-paid risk managers report directly to top

By SUSAN ALT

CHICAGO—Eighty-two of the 600 largest U.S. corporations spend an average of \$12,240,000 a year for commercial insurance. The risk/insurance managers responsible for spending that money and administering insurance departments are well paid, and apparently are gaining status within their corporations, a *Business Insurance* risk management survey disclosed.

The sampling of the nation's largest corporations also showed:

- Most corporations have three

separate managers responsible for handling property/casualty risks and insurance, group insurance and benefits, and safety/loss control.

- Insurance managers' titles have remained insurance managers, although the risk manager title is gaining popularity.

- Insurance managers generally report to a corporate vp, although the vp may be in any one of a dozen departments scattered throughout the company.

- A large, and possibly growing, number of insurance and risk managers are reporting to

top executives, from vp-finance and vp-treasurer on up to executive vp and even president or chairman of the board.

- The majority of risk managers for these large firms are paid more than \$25,000 a year. A significant number make over \$30,000 a year and even \$35,000 a year.

- The highest paid risk managers are in a wide variety of industries, but manufacturers and multi-industry conglomerates appear to be top-payers.

QUESTIONNAIRES FOR this magazine's first risk management survey were mailed to 600 of the nation's largest industrial and non-industrial companies. They were sent to top financial execu-

tives or other senior corporate officers, one rung up the ladder from risk and insurance managers, in an attempt to profile risk/insurance management responsibilities from the perspective of those who control budgets.

Eighty-two of the questionnaires were returned, resulting in a sample totalling 13.6% of the mailing.

The assets of 82 survey participants amounted to a staggering total of \$115.2 billion. The range for individual company assets was from \$135 million to \$37 billion, and assets averaged \$1.6 billion. Annual revenues as reported by the firms which returned the questionnaire ranged from \$22 million to \$4 billion, averaging \$392.4 million.

Many of the 82 firms participating in the survey were manufacturers (17) and banks/finance companies (14), followed by multi-industry conglomerates (11), utilities (9), food processors/meat packers (9), retailers (6), textile firms (3), chemical manufacturers (3), forest products suppliers (2), and mining (2). One response was received from companies in each of the follow-

ing industries: Air transportation, building materials, health and medical supplies. Three companies did not disclose industry classifications.

Risk and insurance managers were found to operate, for the most part, with small staffs. Most departments consist of one to five people, although a few giants can be found.

NEARLY 75% OF the responding firms have typically small departments, although nearly one out of four corporations said they have six to 10 people in risk/insurance management departments. This may indicate growing importance and broadening responsibilities of these departments to overall corporate activities.

Risk managers were found generally to have been with their companies a long time, one as long as 40 years. The average length of time as a risk/insurance manager was indicated to be five and a half years, although the median time was a lower three and a half years. The average length of time with their companies was close to 12 years.

Continued on page 27

National Student Marketing cases

May mean more risks for auditors

CHICAGO—Insurers of professional liability are becoming increasingly skittish about the loss potential of accountants and attorneys among their policyholders. Their causes for concern are the apparently broadening liability risks arising from professional services rendered to corporate clients.

The latest decision which may portend a glum future for auditors, in particular, was an Oct. 28 New York federal district court ruling. A jury found two

Peat, Marwick, Mitchell & Co. auditors guilty of stock fraud in the landmark National Student Marketing Corp. (NSM) case.

The fraud conviction came as the climax of a criminal action against the auditors. Peat, Marwick was quick to note that it was not named specifically as a defendant, nor was it named as an unindicted co-conspirator. No damages are involved. Yet, still pending are numerous civil suits against NSM, its directors, officers, auditors, counsel and others,

seeking compensation for losses suffered by officers and shareholders of acquired firms as well as shareholders of NSM.

To date, plaintiffs have not defined a dollar amount sought as damages in their class action suits. But damages will, no doubt, be astronomical in view of the fact that NSM shares once sold as high as \$150 and sank to only \$1.50 after problems befell the company in late 1969. The shareholders charge NSM and the other defendants with misrepresentation of the corporation's sales and earnings, thereby artificially inflating the market price of NSM stock and violating federal securities laws.

DAMAGE FIGURES ranging as high as \$180 million have been tossed around by sources close to the suits and the company, although in the end the figure is almost certain to be lower. NSM is not financially able to pay damages of that magnitude. It has already proposed a settlement which involves issuance of additional company shares.

"So the rest of it—the heart of the lawsuit for the purpose of collecting dollars—is against the accountants and the lawyers," said a source close to the plaintiffs. The eventual dollar settlement, either in or out of court, will be determined by "practical" considerations such as ability of the accountants to cover damages.

Continued on page 2



18,000 potential bombs

The Federal Railroad Administration believes there are about 18,000 potential bombs sitting in freight yards and riding the rails around the country. They are tank cars, lacking puncture shields at the ends of the cars, but carrying dangerous materials such as flammable gases. A number of major catastrophes have already occurred, involving such tank cars. Heavy losses and very large risks are emerging. (Story on page 16.)

FM hikes its charges; Allendale rate up 19%

By MARGARET Le ROUX

NEW YORK—Cutbacks in return on unabsorbed premium deposits, effectively raising rates, were announced by three of the Factory Mutual System insurance Companies, *Business Insurance* learned.

Philadelphia Manufacturers and Protection Mutual Insurance Companies informed policyholders of rate changes to go into effect November 1. Allendale Mutual's rate changes will go into effect December 1.

A fourth FM company, Arkwright-Boston Manufacturers Mutual, is considering rate changes, according to a Factory Mutual source, but Arkwright-Boston's spokesman declined to comment on any proposed rate changes at this time.

Allendale will increase its rate of absorption on outstanding fire and supplemental premium deposits from 1.3% per month to 1.55% per month, according to a letter from William Godall,

chairman and chief executive officer, to the company's policyholders.

"Stripping away the technicalities," the letter states, "this means that a higher charge will apply on fire and extended coverage deposits for the month of November and each succeeding month thereafter." Allendale's rate hike will mean generally higher costs for most of the firm's clients.

THE INCREASE amounts to about 19.2% per year, an Allendale spokesman said. "On an average premium deposit of \$100,000 (with the old absorption rate of 1.3%) we retained \$1,300 per month, or an average \$15,600 per year."

With the new absorption rate, the Allendale spokesman went on to explain, the monthly retention would average \$1,500 and the retention for the year would average \$18,600.

The letter cited "spiraling" *Continued on page 2*

Student . . .

Continued from page 1
in the plaintiffs' views.

This case is also achieving landmark status because of strong reports circulating among underwriters and brokers close to Lloyd's which say this case has been "reserved" by Lloyd's to the tune of \$5 million for defense costs alone.

Lloyd's is reportedly the underwriter for several, if not all, of the defendants. Lloyd's is known to be the professional liability insurer for Peat, Marwick. It also underwrites coverage for White & Case, NSM's lawyers during the period in question, and a named defendant in civil suits. Lord, Bissell & Brook of Chicago, defendant because of an association with an NSM subsidiary, is thought to have at least part of its coverage with Lloyd's.

There wasn't any directors' and officers' liability insurance involved in the case of NSM corporate officials. At least two underwriters are known to have declined to write a D&O policy for the firm as litigation was impending.

Attorneys close to the NSM suits believe that out-of-court settlement negotiations are a better possibility following the fraud conviction of the Peat, Marwick auditors. But Peat, Marwick steadfastly maintains its full support of the auditors in their appeal of the decision. Insurance industry experts believe the appeals will go all the way to the Supreme Court in this case, and in any future adverse trial outcome on the civil cases.

CIVIL SUITS are not expected to come to trial inside of a year, possibly in late 1975.

Asked about the impact of the NSM case on its professional liability insurance, a Peat, Marwick general counsel said the firm did not lose its insurance as a result of the latest verdict.

All of the suits against NSM

and its accountants and lawyers have been consolidated in federal district court in Washington, D.C.

The Securities and Exchange Commission is also pressing an action against these same defendants which "will make legal history, and will change the whole picture of liability risks for accountants and lawyers, because the SEC is attempting to change the rules regarding client-lawyer confidentiality," a leading surplus lines broker close to the London market summed up.

As underwriters view the emerging risks, if auditors and attorneys are obligated to report certain client situations to the SEC, it could raise new liability issues, and prompt a surge in shareholders' actions against auditors and corporate counsel.

THE AUDITORS believe they are being put in an unfair position on this issue. A spokesman for one of the nation's leading accounting firms said: "There's a discrepancy about what the obligations of auditors and lawyers should be in a case like this (NSM) case. If we disclose something that shouldn't be disclosed, then isn't the accountant or lawyer liable to the client? And if we are forced to disclose certain information that clients give us, then the clients won't disclose this information to their lawyers or accountants."

Several of the general counsels for large public accounting firms said they are interested in getting transcripts of the judge's instructions to the jury in the criminal case against the Peat, Marwick auditors. Federal Judge Harold R. Tyler several times instructed the jury to continue deliberating, even when the jury said it could not reach a decision. These instructions, say the auditors, will give a clue as to the court's interpretation of fraud and negligence.

Peat, Marwick responded to the verdict with a statement that "We believe the jury didn't understand the complicated account-

ing and disclosure questions in the case, as indeed one juror stated to the court midway through the trial."

Roy Wetterhall, a partner in Touche, Ross & Co., thinks that the NSM proceedings "could possibly" broaden the liabilities of accountants, particularly if the SEC case is successful in obtaining an injunction prohibiting auditors from withholding some client information from the regulatory agency.

BUT, OF THE impact on professional liability insurance markets, Mr. Wetterhall said, "I think the people writing this insurance are sophisticated people and that they know there will be claims."

Carl D. Liggio, general counsel for Arthur Young & Co. said that he foresees a trend toward more cross-suits by directors and officers against lawyers and accountants when corporate officials are sued by shareholders. He made his remarks at the Advanced Management Research Conference on liability and exposure of corporate directors and officers.

Arthur Andersen & Co.'s M. Paul LeBlanc, speaking at the same New York conference, said corporate "directors are looking at their accountants as a shield" in liability cases. He is vice chairman of Arthur Andersen.

Mr. LeBlanc is expecting a continuation of SEC investigations of accounting firms. "We have a very activist, sanction-oriented commission," he stated. He further acknowledged that "it's going to be a case of greater assumption of responsibility" by auditors in the future.

Peat, Marwick doesn't concede that this case "has any implications for the other suits now pending," according to Victor Earl, general counsel.

But his auditor peers, as well as lawyers, the insurance industry, and insurance brokers are watching closely. ■

Court rules more funds for White Motor plan

By PAUL R. MERRION

MINNEAPOLIS—An arbitrator's ruling that White Motor Corp. had to make pension fund contributions until the union contract expired at two shut-down plants was upheld by an appeals court November 12.

The court's unanimous decision would mean an additional \$2.8 million contribution to the United Auto Workers' (UAW) pension fund, which was depleted in early June this year, a company spokesman said. Since the fund's depletion, White Motor Corp. has paid some 1,100 retirees full pension benefits, totaling \$694,000, pending the disposition of the case, he said.

The make-up contribution is expected to maintain payment of full benefits until February 1976, according to the UAW.

The company cut off contributions to the pension fund when it shut down two plants in Minneapolis and Moline on June 30, 1972. The union maintained that contributions should have continued until the contract expired on May 1, 1974.

Arbitrator Peter Seitz's decision required that the company make normal contributions until contract expiration, pay full benefits rather than guaranteed minimums, and restore a supplemental allowance for early retirees. The company voluntarily complied with the latter two parts of the ruling because "it was the right thing to do even though we thought we had a legal reason not to," the company spokesman said.

THE U.S. circuit court of appeals in St. Louis upheld the arbitrator's decision because it was based on the history of collective bargaining at the plants, a precedent established by the U.S. Supreme Court, according to John A. Fillion, UAW general counsel. The high court also has indicated in the past that the decision of arbitrators should be final and binding, he added.

The court's affirmation of the

ruling means that retirees will receive monthly pension benefits between \$7.25 and \$7.75 per year of service, depending on wage level at retirement, until the funds are completely used up.

At that time, White Motor Corp. will pay guaranteed minimum benefits out of its own pocket. These previously negotiated monthly payments will be based on \$2 per year of service prior to 1963, when the company bought the plant, and \$6 per year thereafter.

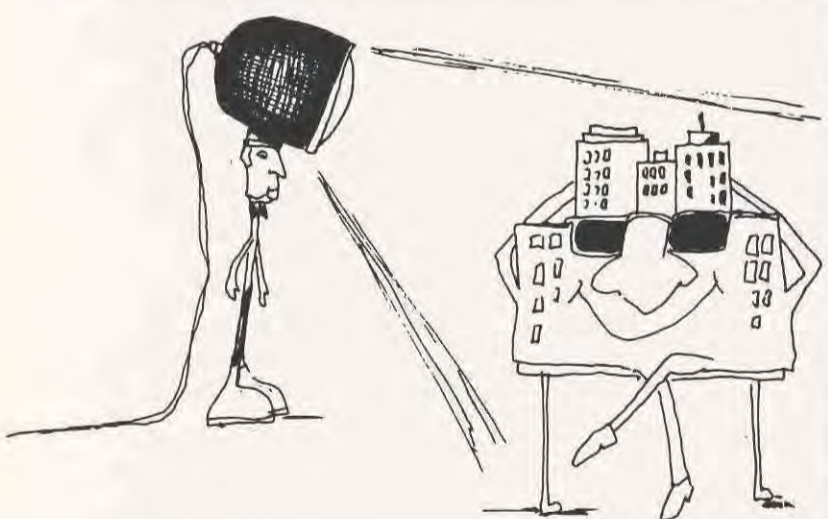
An allowance that supplements the reduced benefits of early retirees until they are eligible for Social Security benefits will be discontinued completely when the funds dry up, according to the farm equipment manufacturer's representative.

WORKERS AT the now defunct plants were fully vested at age 40 after 10 years of service, with no partial vesting. Early retirement was allowed at age 60 after 10 years of service or at age 55 with 85 points (comprised of age plus years of service).

White Motor Corp. will continue to pay full monthly benefits "pending the resolution of the situation," the spokesman said. The company is deciding whether to petition the appeals court for a re-hearing, take the case to the U.S. Supreme Court, or stop legal action and pay the required contribution, he said. In any case, the benefits being paid now, which amount to about \$140,000 per month, would be subtracted from the supposedly withheld contribution, according to White Motor's representative.

The company's 1972 earnings were adjusted to provide for payment of the full contribution, the spokesman said, adding that there would be no impact on earnings if it is eventually paid.

The unfunded liability was being amortized over 35 years at the time when contributions stopped, he said. No figures are available on the unfunded liability at the time the plan was terminated. ■



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Rate hike . . .

Continued from page 1

increases in losses and costs coupled with a severe decline in the value of our investments" as reasons for the increase.

A company spokesman explained, "To be realistic, this has been a horrible year . . . the double-digit inflation has hurt the industry." There's just no way we can pay today's losses with last year's dollars," he added.

A spokesman for Protection Mutual agreed that "the general setate of the economy," was a major factor in raising the company's absorption rates.

Since the change is in the absorption rate, it is "not a flat, across the board premium increase," the Protection Mutual spokesman said. "The increase will vary according to each risk," so that insureds with improved loss experience would not feel as great a pinch as policyholders with poor loss experience. ■

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Offices around the world A Union America Company

Proposed coal contract would improve benefits

WASHINGTON—The coal industry, in a landmark proposal, offered to pump \$1.9 billion into the United Mine Workers Welfare and Retirement Fund over the next three years, to pay for sharply increased pension, death and disability benefits.

The contract proposal would also bring large numbers of new beneficiaries into the \$83 million fund's self-insured medical programs.

And, significantly, the industry and the union have agreed to undertake a long overdue restructuring of the fund's financial underpinnings with its first step aimed at taking the fund off the coal tonnage royalty system, *Business Insurance* learned from sources close to the negotiations.

The proposal would continue the royalty system for miners already retired, but would establish a financial system based on hourly contributions for future retirees, the sources said.

THE CONTRACT offer would replace the present 20 year vesting schedule with a 10 year vesting system by 1976, to meet the requirements of the pension reform law.

It would also eliminate the present flat rate pension benefit system with new formulas based on years of service.

The safety conscious union leadership also negotiated a flat \$10,000 benefit, in addition to any other death benefit, for the spouse of any miner killed in a mine accident. The payment of this amount would be immediate.

There is even a flat dollar inflation adjustment of \$10 a month

to be added in 1977 to the pensions of coal miners who retire in 1976.

The pensions, themselves, will be going up dramatically from the present \$150 a month at age 55 for a miner with 20 years service.

The new maximum pension benefit for already retired miners will hit \$250 a month by the end of the three year contract in 1977.

THE BULK OF this new benefit program will be financed by nearly doubling the present 80 cents a ton royalty to \$1.55 a ton over the length of the contract. It's estimated this would produce about \$1.9 billion in revenue.

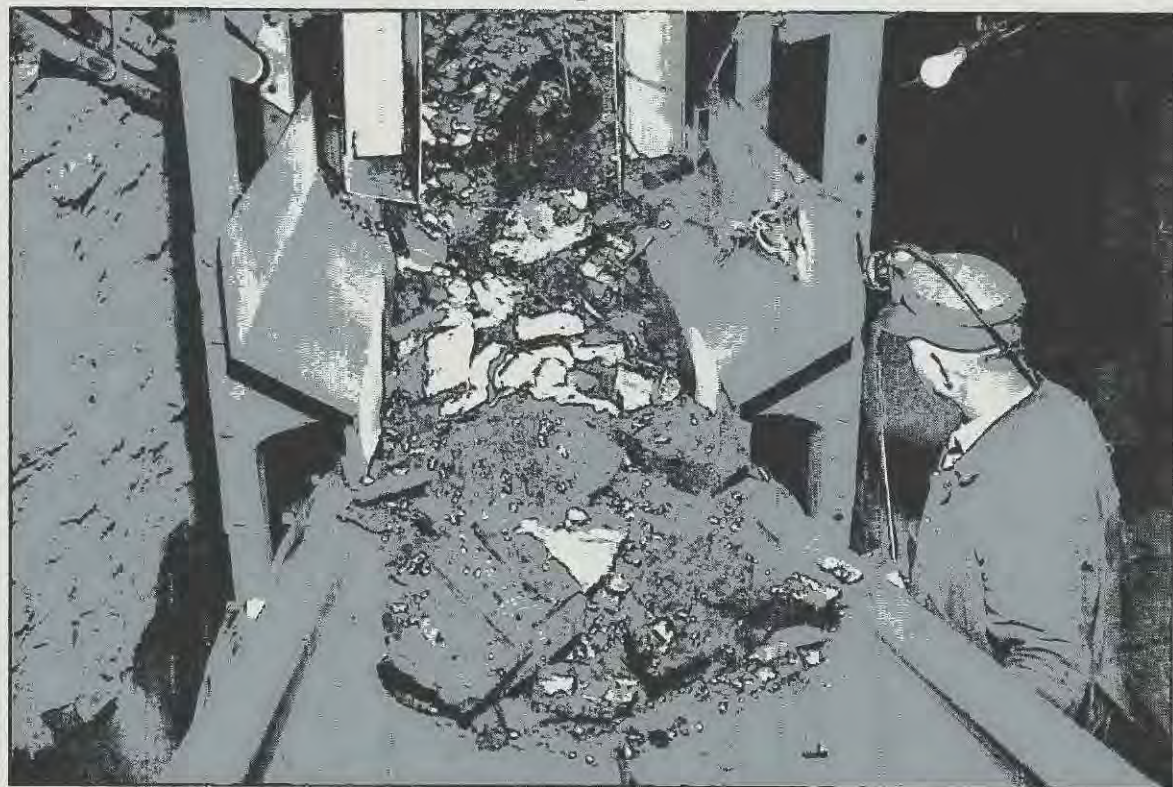
Many of the significant benefit changes in the contract proposal affect disabled miners and the spouses of deceased miners.

The proposal would give to any miner totally disabled in a mine accident as far back as 1946 a pension of \$125 a month, regardless of length of service, and life time access to the fund's health services. The fund was established in 1946.

Spouses of deceased miners now receive no survivors' annuity, and only 22 months use of the fund's health services. The proposal would give, beginning in 1976, a 50% survivors annuity to the surviving spouse plus use of the health card for life, or until remarriage.

For the spouses of already deceased miners, there would still be no survivors annuity, but use of the health card would be provided for life, or until remarriage.

The spouse of a miner killed in a mine accident would immediately qualify for a \$100 a month benefit, exclusive of other death



In addition to wages, coal miners are striking for improved benefits and safer working conditions.

benefits, even if the miner were not yet qualified to receive a pension.

IN CASES where the miner was qualified for a pension, the survivor of a miner killed in a mine accident would receive 50% of a pension.

There were also sharp increases in regular death benefits. The proposal would provide \$7,500 when an active miner with one to

five dependents died, whatever the cause. That is up from \$5,000 at present.

Where there are more than five dependents, the benefit would be increased to as much as \$10,000, at the rate of \$500 per dependent.

Should a working miner die with no dependents, \$2,000 would be paid to his designated survivor. That amount would jump to \$7,500 if he were killed in a mine accident.

The death benefit for a pensioned miner, with dependents, would be increased to \$2,500, under the proposal, up from \$2,000.

In the regular pension area, the new benefit formulas will provide most miners, both active and retired, with an immediate pension increase to \$200 a month.

The flat rate system will be scrapped in 1976, however, in favor of service related benefit formulas. In 1976, this formula would provide \$12 per month times years of service for the first 10 years of service.

The amount would be \$12.50 a month per year of service for the second 10 years, \$13 a month for the third ten years of service, and \$13.50 a month for any service in excess of 30 years.

THESE AMOUNTS would be increased by 50 cents in each category in 1977.

For miners who retire before 1976, there would be two annual increases—from \$200 to \$225 and then, in 1977, to \$250 a month.

The pension increases would be less for miners who receive state or federal benefits for black lung diseases. In these cases, the pension would top out at \$225 a month in 1977.

The contract also proposed a first time sickness and accident protection policy providing up to \$100 a week for 52 weeks depending on years of service.

The structural changes within the fund, itself, may prove to be more important in the long run than the monetary changes in benefits, however.

The fund is expected to change its name, soon to the United Mine Workers Health and Retirement Funds, a move more important than just a change in wording.

For the first time, the fund would be handling separately its health services and retirement services accounts. They now draw on the same pool of money.

The move toward vesting and a

financial system based on hourly rate contributions is also an important step toward setting up a funding strategy that will be necessary in the future.

The fund which now operates on a pay-as-you-go basis, has never been tax-qualified, and has found its financial resources severely strained in recent years.

The pension reform law will require the fund to amortize its past service liabilities on a 40-year basis in order to qualify for tax-exempt status.

One official estimated the past service problem to be in the neighborhood of \$2 billion at the present \$150 a month pension rate. ■

Survey sees West Coast hit

Agency predicts mammoth quake

WASHINGTON—Earthquakes with about 30 times the energy and twice the intensity of shaking of California's 1971 quake should be expected in the northern San Fernando Valley, 20 miles northwest of Los Angeles, the U.S. Geological Survey said this month.

"The exact time, location, or magnitude of earthquakes cannot yet be predicted," the government agency said, but a study of the geologic history and features of the area can determine the expected earthquakes.

In the case of the San Fernan-

do Valley, USGA experts said the maximum expectable earthquake would be about 7.7 on the Richter scale. That compares to about 6.5 on the Richter scale for the 1971 California earthquake, but represents about 30 times more energy.

THE USGS report also said that an even greater earthquake, of magnitude 8 or larger, is expectable on the San Andreas fault 75 miles away.

The Geological Survey report is part of a two-year study on be-

half of the Federal Disaster Assistance Administration, and was particularly concerned with the effects of future earthquakes on the earth dams that hold back the Van Norman Reservoirs in the San Fernando Valley.

The 1971 quake, while causing extensive damage elsewhere, caused severe damage to two Van Norman dams and came close to causing severe flooding in part of the densely populated valley below.

The USGS findings relate that the Van Norman reservoirs are in an area "permanently deformed" by the 1971 earthquake; that larger earthquakes have occurred in the past; and that they should be expected in the future.

Such an earthquake, the report said, would be accompanied by "very severe shaking" and could result in large displacements of the land surface due to faulting and tilting—effects that would impose severe strains on an earth dam.

A study on the possible damage from severe quakes in the Los Angeles and Orange county area, released earlier this year, estimated loss of life at anywhere from 3,000 to 40,000 persons.

The figure depended upon which of two fault lines in the areas was involved, the San Andreas or the Newport-Englewood. The 1933 quake which struck Long Beach was caused by the Newport Englewood fault, which runs through a more populous area than does the San Andreas.

The number of homeless from severe quakes in the two county area could range between 46,000 and 182,000, according to the Geological Survey study. ■



Officials of the California state highway department inspect damage caused by the 1971 San Fernando earthquake.

Insure TV transmission of Ali fight

NEW YORK—Though a knockout wasn't insured for the millions of viewers who watched Muhammed Ali regain the world heavyweight boxing championship in Zaire last month, tv transmission of the event was insured.

National Union, a member of American International Group, put together a \$25 to \$35 million mechanical breakdown package for Video Techniques Inc., New York, which transmitted the fight.

The package insured the closed circuit telecast from the point of origin to destinations in approximately 400 viewing locations in the U.S.

Coverage started when Video Techniques turned on its six ring-side cameras, followed the picture to a relay station in Zaire and up to a communications satellite which sent it across the Atlantic Ocean.

The video was received by a switching station in New York and A.T.&T. long lines carried the signals to six regional relay stations.

To minimize the chance of losing the picture, backup systems were established for almost every leg of the transmission, including a standby facility to project an instant replay of the fight.

"There were a few breakdowns," during the course of the eight-round fight, a National Union spokesman said, "but the percentage was pretty low."

Finally, an optimistic view of the market

RYE, N.Y.—Offering a more optimistic outlook than most of his fellow insurance industry spokesmen, the president of the American Insurance Assn. (AIA) predicted improved insurer operating results in the third quarter of this year.

Speaking at an association staff conference here, T. Lawrence Jones said he thought it "premature to hang crepe over an entire business that has nearly \$17 billion in surplus and that produced over \$300 million in policyholder dividends in the first six months this year."

IN RECENT weeks other insurance industry officials—regulators and insurance company executives alike—have expressed alarm over

the financial difficulties of the industry.

Mr. Jones called for "decisive action by company management and pricing flexibility on the part of state regulators, to offset the current economic travail of the property-casualty insurance business."

He urged insurance company management to improve the accuracy and speed of financial data. "The business is now beginning to receive operating results by line and by state," he said.

"This is very important to proper pricing of the insurance product. It is no longer sufficient to make rate adjustments based on experience of two or three

years ago, especially when computations include trend factors which have been invalidated by the current rate of inflation."

Mr. Jones also urged companies to exercise restraint in restricting the availability of insurance.

"The test of state regulation is one of whether or not it is flexible enough to deal successfully with the new set of symptoms facing it," he said.

MR. JONES also emphasized that regulators must be aware that through inaction or by refusing warranted price increases, "They are subjecting the insurance business to price control at a time when there is no effective cost control."

He suggested further that this is "no longer a business-as-usual atmosphere." It is, instead, he stated, "a time for strong, affirmative, selective action by insurance company management and by state regulators." ■

IRS publishes rules for lump sum distributions

WASHINGTON—The Internal Revenue Service (IRS) this month has made available new instructions for computing the tax liabilities of recipients of lump sum distributions from profit-sharing and retirement plans.

The new instructions apply to IRS Form 1099R. The instructions for using this form have been changed by passage of the Employee Retirement Income Security Act of 1974.

The pension reform bill provides new rules for determining the capital gain and ordinary income portions of lump sum and distributions from qualified pension, profit-sharing and stock bonus plans, the IRS said.

These new rules are effective

for distributions made in taxable years to the recipient beginning after 1973.

In general, the new rules provide that the portion of a lump sum distribution attributable to active participation in a plan before 1974 receives capital gains treatment, while the portion attributable to active participation after 1973 is taxed as ordinary income under a special 10-year averaging method.

EMPLOYERS must supply lump sum recipients' names with the new information required on Form 1099R if the recipient cannot do so himself.

Recipients and employers who have already issued form 1099R for 1974 using the old instructions should issue corrected forms 1099R, and so mark them, using the new calculations.

Fiscal year taxpayers who receive lump sum distributions during 1974 in their taxable year which began in 1973 are not subject to the new rules. The prior rules must be used to compute the capital gain and ordinary income elements in the lump sum distribution.

Details of the new instructions are available on IRS Technical Information Release 1315. ■

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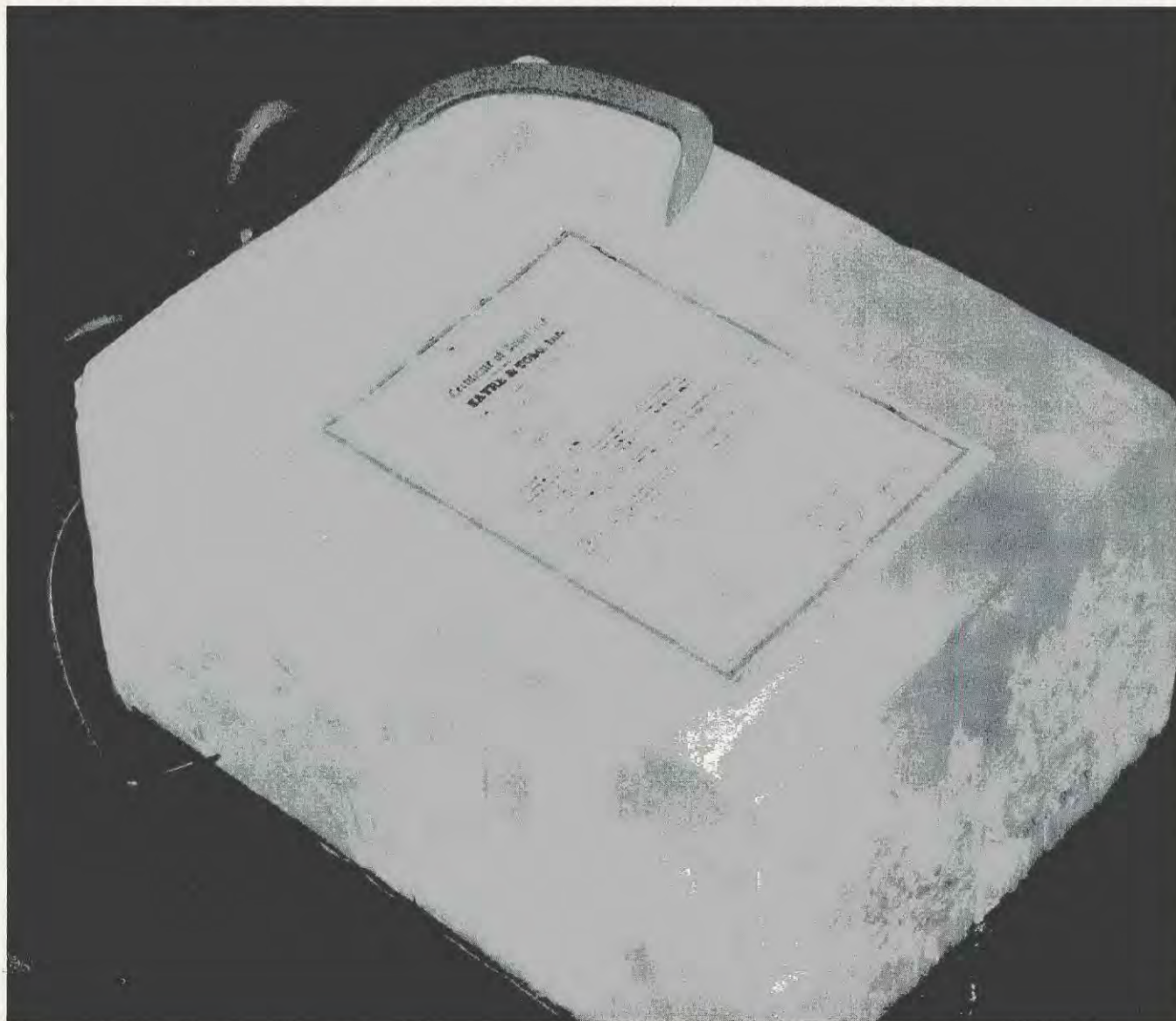
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Fleet training program cuts losses 50%

NEW YORK—Decision driving programs, one of Liberty Mutual Insurance Co.'s driver education programs, has cut fleet operators' loss ratios as much as 50%.

A tobacco manufacturer paid \$199 for coverage on each of its vehicles for a one year period prior to taking the training program.

Liberty Mutual followed the firm's rate schedule for a period of four years after the firm took the course. The rate reached a low of \$68 per vehicle.

A packer's delivery tractor trailer operation experienced "70% of total dollar losses prior to any training," Liberty Mutual said. After three years (and the training course) accidents accounted for only 30% of total losses. This year (after four years), the loss ratio was down to 20%.

The course is "a comprehensive training session focusing on the safe and proper use of tractor trailer equipment. It stresses both the mechanical and human limitations that are involved in controlling accident producing situations," the insurance company said.

CONTENTS OF the program include engine design, transmission and power trains, brake systems, decision driving concepts, behind the wheel training, skid control, night driving, emergency procedures, commentary driving, practice teaching, driver responsibilities, and emergency reaction driver training.

As early as the 1920s "a specific service plan was adopted which included safety education of drivers, vehicle inspection and maintenance and other related measures. By the mid-twenties, these early efforts had achieved notable results, reducing accident rates among Liberty's commercial fleet policyholders by as much as 50%," the insurer said. ■

How to "chop down" a 185-foot smokestack

When long-time policyholder Al Paschke Construction Company Inc., of Ephraim, Wisconsin, came to us for coverage on their plan to dynamite a 19-story high, steel-reinforced concrete smokestack . . . well, candidly, we were a bit apprehensive. Especially because it had to drop *between* buildings containing hundreds of thousands of dollars worth of goods and equipment.

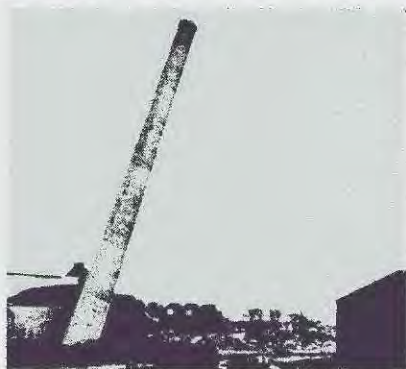
However, Paschke has a reputation for both skill and safety. And we have a reputation for sticking with our clients, and providing them with practically *any* kind of insurance that any kind of business could need.

So we studied the plan, helped develop the operating safety procedure, and provided our

own on-site safety consultant for the duration of the operation.

And, as always, they pulled off a perfect job. Using a technique similar to notching a tree on the "fall" side, Paschke severed it from its base with a carefully measured charge. The giant shivered momentarily, then fell in a slow, stately, heart-stopping arc that ended precisely where planned. No injuries, no damaged property, no sweat!

Paschke's case illustrates our assertion that we help our policyholders for all we're worth. And the degree of help you get is just exactly what an insurance company *is* worth. At Employers of Wausau, we make sure insurance works for you.



**Come to the source
Get the Wausau Story**

Employers Insurance of Wausau
Wausau, Wisconsin



Employees deprived of basic coverage until advent of Texas Hospital Assn.

By LINDA MOSKOWITZ

AUSTIN, TX—Until the formation of the Texas Hospital Assn. (THA), Texas hospital employees were frequently deprived of such basic coverage as life insurance and pension plans due to poorly organized employee benefit programs.

A three year study conducted by THA determined that there was a need for shared insurance programs for Texas hospitals and their employees.

Among the conclusions of this study were:

- Health insurance costs for many hospitals were much higher than for employees of industries in the same community and trade area.

- Employee life insurance was often non-existent in hospitals.

- Pension plans, the ultimate in fringe benefits, were almost non-existent.

- The fire and allied lines programs and casualty programs, including workmen's compensation, general and professional liability, were in many instances incorrectly written as to coverages, causing rates to be many times higher than were available.

- Many hospitals had not upgraded their employee benefit programs for years.

- Competition in the marketplace for hospital and hospital employee insurance was on a local community basis with no outside force providing healthy competition; therefore, many hospital insurance programs were out of date, expensive and many times not correctly written.

TODAY MORE than \$20 million in premiums are handled by the THA, an affiliate of the National American Hospital Assn. Comprehensive insurance programs are offered to member hospitals.

"The THA committee on insurance constantly seeks broader and better insurance coverages at economical rates for hospitals and their employees," said Claude L. Webster, director of THA insurance programs.

"Because of the sharing or pooling of premiums, participating hospitals benefit from broad coverages at reasonable rates," he continued.

Once the need for more effective insurance programs was determined by the THA study, specifications were drawn and various insurance carriers were given the opportunity to bid on the programs. The Boon-Chapman Agency, group insurance specialists, were named THA's insurance consultants.

This agency works under the direction of the THA committee on insurance which is comprised of seven hospital administrators and the THA staff. All final decisions regarding the programs are approved by the THA board of trustees.

"**THIS PROCEDURE** has been successful and has kept the programs competitive," explained Mr. Webster. "This has been made possible as complete control of the programs is held by the association."

Exclusive THA control of the insurance programs has resulted in the following benefits for members, according to Mr. Webster:

- more buying power, as the larger the account, the better the position of the association for bargaining with insurance carriers;

- a better market for hard to place lines of insurance;

- competition;

- introduction of new procedures;

- a service which members of the association recognize;

- a place where members can question the rating, loss payment, engineering and underwriting of the insurance carriers.

All programs are custom designed to meet the needs of individual members.

Health and dental insurance for the association are underwritten by Blue Cross and Blue Shield of Texas. There are 359 hospital groups participating in this program, with 70,172 employees covered. Annual premiums for

health insurance alone were computed to be \$15.5 million as of June, 1974.

All member hospitals are required to pay a minimum of 25% of the employees' insurance cost. This measure was undertaken after "it was determined that a business with a financial involvement would be much more concerned with improper utilization" of insurance programs, according to Mr. Webster.

TO FURTHER insure the hospital administrations' involvement in the health programs, each member is required to maintain an active health insurance cost control committee and furnish minutes of quarterly meetings to

the association.

A computer printout of case listings is distributed quarterly to each committee.

Information provided in these reports includes name of patient, doctor number, case number, diagnosis code, date of service, number of days actually covered by claim, drug, lab, x-ray and other charges, type of room, the actual charges and insurance benefits paid.

Committees must study this statistical data "to determine if proper and judicious use is being made of the employee group health benefits," explained William R. Cotner, chairman of the committee on insurance in a memo to members.

The THA recommends to its members that the health insurance cost control committee consists of the hospital administrator, one or more members of the medical staff, the director of nurses, a medical representative,

and hospital personnel director.

In addition to furnishing the THA committee on insurance with a copy of the minutes of each meeting, these committees have responsibility for instituting educational programs to orient employees and physicians in regard to the purpose and proper usage of the program, determining that usage of the benefits are proper and necessary, and identifying and eliminating areas of improper or unnecessary usage.

ADDITIONAL forms of coverage presently available to THA members include life, employee dependent life, disability, accidental death and dismemberment, and pension. These lines are all underwritten by Group Life and Health Insurance Co.

Tax-sheltered annuities are also offered and are underwritten by Travelers Insurance Co.

The Arkwright-Boston Insurance Co. is the insurer for fire

**Some
straight
talk about
The Maryland's
Direct Bill System.**

coverage. Workmen's compensation, general and professional liability are available too, and are handled through the Argonaut Insurance Co.

Several innovative features which have been developed by THA for their insurance programs have had positive effects on various insurance markets, Mr. Webster maintains.

For life and health groups, stop-loss provisions which cover a group for all claim payments over a certain percent are available.

Refund provisions are also offered in the life and health programs. The life group provision may provide for the group to have a 1001 loss ratio and receive a refund and no rate increase. Health groups, however, could receive refunds, but would receive a rate increase as well.

Such measures have helped to insure competition in these areas

of insurance coverage, explained Mr. Webster.

"Workmen's compensation, general and hospital professional liability insurance were lines of insurance which were and continue to be the most volatile in Texas," commented Mr. Webster. "The THA shared casualty insurance programs have helped to stabilize this market in Texas."

STABILIZATION of these lines of coverage is attributed to certain requirements of THA programs. A list of safety-engineering deficiencies are furnished to the association by members, so that the association can help the carrier gain compliance with reasonable suggestions.

Furthermore, such coverage may not be cancelled by the carrier without concurrence of the association.

Additional services offered to members include individual representation service and analysis

SHARED INSURANCE PROGRAMS

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	NUMBER HOSPITAL GROUPS	NUMBER COVERED EMPLOYEES	ANNUAL PREMIUMS
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Life (Permanent)	67	1,953	149,000.00
Life (Employee-Dependent)	48	4,735	415,000.00
Disability	28	8,674	127,000.00
Accidental Death-Dismemberment	15	35,249	27,000.00
Pension	25	3,500	960,000.00
Tax Sheltered Annuity	7	80	61,000.00
Fire	27	—	125,000.00
Workmen's Compensation-Liability	142	—	2,000,000.00
Totals	942	165,291	\$20,409,000.00

and survey service.

"These two new programs were approved by the association after it was determined that the master plan programs of the association, designed to accommo-

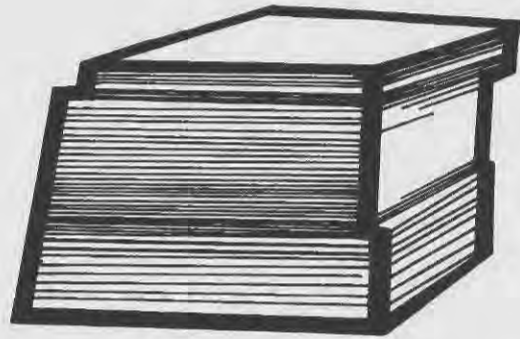
date the needs of the majority of hospitals did not, in every case fit the needs of every member," Mr. Webster said.

Under individual representation service a member may ask that

the Boon-Chapman Agency, THA's insurance consultants, represent the hospital in the marketplace as agent for the hospital through a letter of authority.

The "analysis and security service" may be contracted on a pre-determined fee basis, and provides professional services to survey risks, analyze policies, make rate comparisons and evaluate insurance agency and company potential.

Refunds to participants in the THA shared employee benefit health and life programs have been over \$3,500,000 since inception of the programs in 1968 to June, 1974.



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Insurance at Polaroid won't feel cost cuts

CAMBRIDGE, MA.—In an effort to cut exorbitant overhead costs, 1,000 Polaroid Corp. employees have been laid off.

The layoffs are only one facet of companywide cost-cutting efforts.

The layoffs should save the company "well over \$10 million" next year, the company said. Polaroid saved about \$30 million in overhead and capital expenses this year by tightening its budget belt, the company added.

The insurance department has not been affected by Polaroid's efforts to curtail costs. Insurance programs will be continued, Business Insurance learned. Galt Grant is Polaroid's risk manager. He heads a four-person risk management department.

In an effort to ease the financial strain on the former employees, a number of benefits will be continued, paid by Polaroid, the firm said. Depending upon the individual employee's option, the plans could continue up to one year.

Extended benefits include medical, life insurance and retirement plans. In addition, Polaroid has set up a placement service, actively seeking jobs for the former employees in the Boston area.

People were laid off in virtually all areas, the firm said. The manufacturing operation was least affected by the move. Marketing, finance and services departments were hit hardest.

Polaroid does not expect a quick return to the high profit margins of several years ago, a company newsletter reported. "The signals now are not optimistic" for any bonuses for eligible employees either, the company explained.

Bonuses stopped two years ago. Prior to that, bonuses had been given since the 1950s. The bonus is usually paid out of any pretax profit exceeding 12% of the domestic operation's net worth.

"The divisions are being asked to develop their 1975 plans with budget levels no higher than what they actually spend this year," a company official said.

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Report cautions use of captives under two sections of ERISA

CHICAGO—The new federal pension reform law has two different sections which raise questions about the use of captive insurance companies to insure or reinsure employee benefits, says H. Felix Kloman, of Risk Planning Group.

In his sixth Risk Management Report, published by *Business Insurance* but researched and produced separately from the magazine, Mr. Kloman urged risk managers with benefits captives to consult a lawyer about these provisions of the law.

Under section 408 of the law, a party in interest (subsidiary of the employer) is prohibited from underwriting an employer's pension or benefits plans if the pre-

miums are more than 5% of the total premiums written by the company, he points out.

"The reference is to an employer placing insurance directly with the owned insurance company, which may affect some captives, although most captives probably participate through reinsuring an admitted insurance company," Mr. Kloman noted.

"**WHETHER OR NOT** this means the provision would not apply to reinsurers may rest on a decision by the government permitting a fiduciary to accomplish by indirect means what is prohibited as a direct transaction," he also said.

Mr. Kloman went on to point

out that even if this hurdle for captives is overcome, it is still necessary "to deal with" section 406 of the law, which prohibits the transfer of any assets of the plan to a party in interest for its use or benefit. This apparently would include insurance company transfers of premium reserves to a captive under a reinsurance agreement.

Section 403 of the law "treats only the reinsurance contracts of a qualified insurance company as assets of the plan and not any part of the insurance company's assets. It would be significant then to determine whether the act considers surplus (perhaps only temporary surplus) insurance premiums plan assets," Mr. Kloman believes.

"As of this writing, a major insurance company that reinsures group health and life plans with captives has taken no position on the point," he stated.

Mr. Kloman said in the current Risk Management Report that his plans for the six 1975 reports include:

- an update of captive insurance companies and a list of captives and their parents;
- an economic analysis of the insurance industry—cycles, capacity, cash flow, etc.;
- the insurance manual . . . what it should contain, its distribution, and a prize to the best manual currently in use;
- the corporate social audit—what part, if any, should the risk manager play?
- international risk management in Asia, Africa, the Middle East and South America.

MR. KLOMAN also urged risk managers to determine their brokers' "floats," or dollars paid by clients which are free to be invested by brokers at a profit. "These are your dollars and they should be accounted for," Mr. Kloman urged.

The results of Mr. Kloman's first two surveys were also published in the latest reports. The first survey was on product safety, which indicated that risk managers generally don't have responsibility for quality control but often do have responsibility for compliance with product safety laws. None of the respondents now carry product recall insurance, and only one reported a product recall case, he noted.

He also cited product liability insurance costs as reported in the survey, and a range of deductibles used.

The second survey dealt with annual reporting, and found that nearly three-fourths of all respondents submit annual reports, most frequently to committees of the board of directors. A very small group, though, receive annual reports from brokers or underwriters, Mr. Kloman said. ■

A&A acquires agency

Alexander & Alexander Inc., the nation's second largest insurance brokerage firm, recently acquired Barton, Curle & McLaren Inc., the largest independent insurance agency in Indianapolis, In. The agency, established in 1896, has roughly tripled in size over the past five years, according to a spokesman. The acquisition will give Alexander & Alexander representation in Indiana, where they formerly had no office, and will provide Barton, Curle & McLaren with increased facilities and service capabilities particularly for its clients in California, Arizona and Texas.

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Medical malpractice market may evaporate

CHICAGO—"A crisis does exist in medical malpractice coverage," said Waverly G. Smith, president and chairman of St. Paul Fire & Marine Insurance Co.

"The insurance market is definitely shrinking: Fewer and fewer companies are willing to write this coverage," he told his audience at the recent meeting of Chartered Property and Casualty Underwriters (CPCU) here.

"When the market reaches a crisis like it has now, if we don't solve it, someone else will," he said. "Government is often sought out as the solution to a problem," he added.

St. Paul Mercury Insurance Co., one of the handful of firms left which underwrites malpractice coverage, recently withdrew from the Maryland market because it couldn't get approval for a rate increase there, Mr. Smith said.

"We want to stay in the market provided we can make a profit," he explained.

The trend toward evaporation of the malpractice insurance market will continue unless some solutions are found, Mr. Smith said. "Even then, it may be too late to solve some of the problems."

DOCTORS ARE fallible—they're human beings. They're not like Dr. Welby (of the television series)," he said. "Right now they're being held to an increasingly rigid standard, but it will get worse in other (professional) areas too, such as in accounting and law," he said.

Mr. Smith suggested solutions in these areas: Prevention of malpractice damage suits, arbitration rather than trial proceedings, changes in the policy structure and certain kinds of legislation.

"We must educate doctors to avoid malpractice suits by practicing defensive medicine," Mr. Smith said. Better communication with patients and more effective record-keeping would

help, he explained.

Arbitration of malpractice claims rather than trial proceedings is another type of solution which Mr. Smith suggested. He recommended that an arbitration panel consisting of two lawyers, two doctors and one layman hear malpractice claims instead of taking the case through a formal trial which is time-consuming and costly to both sides.

"Wildcat suits against a doctor for alleged treatment errors or omissions—which are probably not valid—tend to increase the settlement amounts and frequency," he explained, emphasizing that an arbitration panel might be more fair as well as more effective in settling charges.

Different interpretations regarding the length of the statute of limitation makes it more difficult to find witnesses who can remember crucial details, he said. Also, a lapse in time between treatment and trial generally causes the dollar settlement to be higher.

The so-called locality rule which requires a doctor to maintain the medical treatment standards of his community can also be a problem, Mr. Smith pointed out. "What if an expert is called in from Boston to testify on the appropriateness of a procedure used in Pine Bluff, Ar., where community medical procedures may be quite different?"

Another reason malpractice cases are getting more difficult to defend is that consent forms must now be "informed consent," Mr. Smith said. That means that all the risks, even those which are remote, must be explained to the patient and alternative forms of treatment must also be discussed.

Mr. Smith suggested changing the insurance policy structure for medical malpractice, as a third solution to the problem of a shrinking market. "The policy should be rated one year at a time so that the doctor is insured for events reported which occurred or were settled in that calendar year. The next year the policy would be rated the same way except that the premium would be increased somewhat to reflect higher costs due to inflation and the individual's loss experience," Mr. Smith continued.

Mr. Smith also suggested legislation as a solution. He admitted that it might be necessary to legislate new procedures in areas affecting malpractice claims such as changing the policy structure, altering the locality rule and standardizing informed consent forms. ■

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• **Practical Risk Management: a Guide for the Part-time Risk Manager or Insurance Buyer** compiles 12 articles by Edward W. Siver that originally appeared in *Risk Management* magazine. Topics include insurance management, loss prevention, risk retention and catastrophe planning. Copies are \$2.00, available from the American Society of Insurance Management, Dept. RM, 205 East 42nd St., New York, N.Y. 10017. Bulk prices are available.

• Bi-Hex Inc. has introduced a computer-based cross-reference index to the new pension law. Called the **Pension Key*Dex**, the index groups 4,000 entries under some 400 key words used to describe the law and its provisions. Single copies are \$25 or the annual subscription is \$90. For more information write to Robert W. Grathwohl, C.L.U., vp of marketing, Bi-Hex Inc., 123 E. 37th St., New York, N.Y.

• **Leased Fire Protection Systems** explores the alternatives to outright purchase of sprinkler systems. The booklet covers the effects of leasing on insurance premiums, capitalization and taxes. For a free copy write to Manager of marketing services, "Automatic" Sprinkler Corp., 1000 E. Edgerton Rd., Cleveland, Oh. 44147.

• Plan termination insurance is the subject of a question and answer pamphlet prepared by Connecticut General Insurance Corp. based on their interpretation of the new pension law. The pamphlet is specially designed to help small employers understand this subject. For a free copy write to Gordon Fogg, Marketing Services, Connecticut General Life Insurance Corp., 900 Cottage Grove Rd., Hartford, Ct. 06152.

• **Photographic Identification Services** details the need for a position identification system and how the Wackenhut photo ID system is utilized by business, industry, institutions and the professions. For a free copy of this booklet write J. C. Bachmann,

Wackenhut Corp., 3280 Ponce de Leon Blvd., Coral Gables, Fl. 33134.

• Fire prevention tips for restaurants, whether they serve exotic flaming concoctions or hamburgers, are listed in **Insurance and Restaurant Fires**, published by the Insurance Information Institute. The booklet also explains how a restaurant's construction, type of cooking facilities, decor and location are evaluated by insurance companies in calculating fire insurance premiums. For 25 cents a copy, the booklet may be obtained by writing the institute, 110 William St., New York, N.Y. 10038. If you order over 10 copies, the cost is 20 cents each.

• The Walter Kidde & Co. Inc. has a new brochure titled **Fire Extinguishing Systems and Equipment**. The 12-page publication covers carbon dioxide, Halon 1301, dry chemical, Hi-Ex foam and Sentinel pre-engineered dry chemical extinguishing systems. Advantages, applications and system components are described in details. For a free copy write Advertising Mgr., Walter Kidde & Co., Inc., 675 Main Street, Belleville, N.J. 07109.

• **Product Liability Re-Underwriting** is discussed in a reprint article by Bernard J. Daenzer, president of Wohreich & Anderson Ltd. It considers the new demands for this coverage, in fluences of the Consumer Product Safety Act, and the lack of underwriting experience in this area. It also urges utilizing the broader underwriting experience of reinsurers regarding product liability and provides a detailed check-list of underwriting factors. Free copies are available by writing Anthony Bova, Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• **Protection for Your Computer Systems** details some of the potentials for losses due to failure to take essential steps to protect computer equipment and records. For a free copy write B. Gorrill, Wackenhut Systems Corp., 3280

Info for Buyers issue

If you have not yet submitted data or literature for publication in Jan. 13, 1975 Info for Buyers Issue, please return the coupon below for forms and instructions. All material for publication must be in the hands of the editors no later than Dec. 1, 1974.

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Please rush me forms and instructions for submitting data for publication in your Jan. 13, 1975 Info for Buyers Issue. I understand that there is no obligation on your part to publish the items submitted, nor is there any cost or obligation to my firm if they are published.

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● **Guide to Property Conservation** by the Kemper Insurance Group is a 16-page booklet which discusses loss prevention programs in a general way, making it applicable to the responsibilities of risk managers in almost any plant. The guide outlines how to react after a loss as well as how to prevent one. Pre-planning for emergencies is also covered. For a free copy write Public Relations, D-1, Kemper Insurance Group, Long Grove, Il. 60049.

● Koppers Co. Inc. has made available to *Business Insurance* readers a brochure called **Questions and Answers on Non-Com Fire Protected Wood**. This 14-page brochure contains complete information on specifications. Write Linn Noah, Koppers Co. Inc., Koppers 1900 Bldg., Pittsburgh, Pa. 15219.

● The Institute of Life Insurance and the Health Insurance Institute have released the 1973 edition of a **List of Worthwhile Life and Health Insurance Books**. The List contains a selection of material currently in print which are available from commercial publishers and special publishing agencies. Copies may be obtained by writing the Institutes, 277 Park Ave., New York, N.Y. 10017.

● **Burned Out Shopping Centers Lose Customers and Profits**, an Improved Risk Mutuals shopping center information sheet, is free to *Business Insurance* readers. This eight-page brochure contains suggestions on protecting shopping centers from fires and other perils. For your free copy write to the advertising manager, Improved Risk Mutuals, 15 N. Broadway, White Plains, New York, N.Y. 10601.

● A brochure available from Justin S. Lencke and Assoc. describes the company's consulting and engineering services as respects these insurance coverages: property, casualty, life, accident and health, hospitalization and engineering. For a free copy, write the company, 2528 Columbus Way South, St. Petersburg, Fl. 33712.

● Improved Risk Mutuals has released a particularly timely brochure called **How to Prepare for a Power Blackout**. It provides a list of procedures for before the emergency exists and what to do when a power cut occurs. For a free copy write the Advertising Dept., Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

● **Seedsman Errors and Omissions**, underwritten by Lloyd's of London, discusses a specially developed insurance program exclusively for members of the American Seed Trade Assn. For a free copy of the brochure write Richard Ruhe, Il. R. B. Jones, 175 W. Jackson Blvd., Chicago, Il. 60604.

● The Insurance Buyers Council Inc. publishes a monthly digest of developments and ideas concerning employe benefits. As a special offer to *Business Insurance* readers, they will send to you the next 12 issues for \$3.00, to cover the cost of mailing and handling. Send your name and address, along with a check, to the Council, 22 West Rd., Towson, Md. 21204.

● The Illinois Assn. of Independent Insurance Adjusters has made available a pamphlet containing information concerning membership in the organization. A free copy can be obtained by

writing any member of the Yanor Co., 955 Second St., P.O. Box 141, La Salle, Il. 61301.

● Kwasha Lipton Inc. has made available **Benefit Communications**, a booklet describing the company's approach to total benefit communications. It includes a definition of communication objectives, program analysis and design, media selection, production, program implementation and follow-up. For a copy of the booklet write Leonard Zimmerman, Kwasha Lipton Inc., 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

● A 16-page booklet from Lawyers Title Insurance Corp. gives **Thirty-One Questions and Answers About Title Insurance**. The booklet also includes a glossary of real estate terms. For a copy of the booklet, write H. Randolph Farmer, Lawyers Title Insurance Corp., P.O. Box 27567, Richmond, Va. 23261.

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CONNECTICUT GENERAL LIFE INSURANCE COMPANY, HARTFORD

Pension law and layoffs prompt major vesting changes at Sears

CHICAGO—Sears, Roebuck & Co. directors voted Nov. 11 to make major changes in the vesting provisions of the company's \$177-million pension plan. It is the first large corporation known to have substantially revised a benefit plan in the wake of the new federal pension law.

According to *BI's* sister publication, *Pensions & Investments* magazine, the board of directors decided to establish 10-year vesting and make it retroactive to Oct. 1. This was a timely decision, intended to protect employees affected by Sears recent nationwide personnel cuts, which began "after Oct. 15," according to a Sears spokesman.

"The vesting rules were changed

Nov. 11 primarily to cover employees involved in the layoff," Daniel L. Fapp, a Sears' spokesman, told *Business Insurance*.

"We had 15 months to do it," said Ernest L. Arms, public relations director, referring to the Jan. 1, 1976 federal compliance deadline requiring pension plans to adopt any one of the law's three vesting provision alternatives.

Under the revised plan, Sears employees making \$15,000 a year or more will be fully vested after 10 years of service.

PREVIOUSLY, benefits were paid out only because of death or disability after age 40 and 10 years of service, or because

of termination or retirement after age 55 and 20 years of service.

Asked how many employees will be immediately affected by the change, Mr. Arms said "a substantial number of our executive staff" but said he did not know the precise figure at this time.

Some pension industry officials expressed surprise that Sears hadn't already adopted more liberal vesting, in spite of the one year-plus grace period remaining to make plans comply with the federal law.

"I'm amazed," one leading pension official said. Another observer noted that for the past 10 years Sears has had some

problems with employees who thought they had more vesting protection than they did.

"Sears simply does not want anybody to go out of here—and some have—without any coverage," Mr. Arms said about the change in pension policy.

Historically, Sears' management officials have tended to maintain long service records thus easing the cost impact of the old vesting provisions, according to Theodore Bower, tax attorney at Sears.

DESIGNED TO supplement the company's \$3 billion profit-sharing plan, Sears' fund is the nation's 97th largest retirement plan.

The supplemental pension plan covers some 10,514 active participants making over \$15,000 a year. It paid \$6.98 million to 1,817 retirees in 1973. "Large numbers" of these people will be immediately vested under the

new 10-year provision, although specific numbers and specific costs have not yet been made available by the pension plan's actuary, A. S. Hansen of Chicago, Sears said.

Early reports put the number of Sears layoffs as high as 500 at the company's headquarters here, but company spokesmen contend that less than 200 will be fired.

Nationwide, estimates have been that as many as 2,000 Sears employees might be dismissed. "It will be less than that," countered a Sears official, noting that cut-back decisions for Sears' 800 retail stores and other units will be made at the local level.

These are the first major cut-backs at Sears since the 1950s. According to Mr. Fapp, the layoffs here "essentially are complete (but) I don't know about the rest of the nation."

A Sears official said a 10-year vesting schedule was chosen because it would be the easiest alternative for participants to understand, since the Sears profit-sharing plan has had 5-year vesting since the 1920s. Besides, the executive added, "the rule-of-45 (another alternative) doesn't make much sense."

Both the supplemental pension and profit-sharing plans require one year of service before commencing service credit accumulation for benefits.

According to Mr. Arms, the purpose of the regularly-scheduled Nov. 11 board meeting was to consider other business as well and was not held primarily to change Sears vesting provisions. ■

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The Knowledge Broker

Bank urges caution on health bill

NEW YORK—Congress should be careful to avoid voting on a national health insurance bill that would create an excessive demand for medical services, soaring costs and the wasteful use of health care resources, according to First National City Bank.

Serious gaps do exist in the nation's medical coverage and these should be filled, the bank recently noted in its monthly economic letter. But it warned against "proposals that would free the consumer of any out-of-pocket payment of medical bills."

The supply of medical resources, particularly the supply of medical resources, "cannot be expanded at the stroke of a pen."

GAPS IN coverage could "probably be met by providing insurance to meet the basic health needs of the poor and for catastrophic insurance," the bank said. It noted that only the Long-Ribicoff bill would restrict coverage to these areas.

"The likely rise in medical costs will depend on which approach is adopted" by Congress, the bank's economists said. "The key factor here is the impact on the health care market."

The newsletter said that coverage for catastrophic illness alone or a large increase in hospital care benefits would probably not significantly spur demand.

"But there are services for which demand could increase more sharply. These include treatment in doctors' offices and in outpatient facilities, ancillary services, dental care and prescription drugs," the bank said.

It recommended that Congress pass a bill "that encourages Americans to make the free market concept work in the health care industry. ■

AIA blasts study concluding Texas no-fault law should not be enacted

AUSTIN, TX.—A no-fault study recently released by the LBJ School of Public Affairs, which contends that no-fault should not be enacted in Texas, was severely criticized by a spokesman for the American Insurance Assn.

Appearing at a news conference to argue the issue, Frank G. Tucker, regional vp of the AIA charged that the study's research material did not support the conclusions reached.

The report's inaccuracy stemmed from two factors, the vp said. First, excessive influence by opponents of true no-fault, and second, the inexperience of the student researchers in understanding insurance principles and the science of actuarial study.

The LBJ study concluded that no-fault should not be enacted in Texas, and that the present \$2,500 personal injury protection plan plus \$10,000/\$20,000 bodily injury liability coverage should be made compulsory for all Texas motorists.

Citing other no-fault studies, Mr. Tucker stressed that the LBJ study arrived at conclusions opposite to these "and other objective studies completed on the reform of the auto accident compensation system."

In 1973, the state legislature passed a pseudo no-fault plan.

Ontario may get enlarged no-fault rule

TORONTO—The Ontario government supports the ideas of a privately operated no-fault auto insurance program, Premier William Davis has told the Ontario Insurance Agents and Brokers Assn.

In outlining to the association "current government thinking" on no-fault auto insurance, the premier said he believes the limited form of no-fault insurance in effect in the province since 1972 can be expanded in a manner that would provide even more benefit to the consumer and "at a lower cost."

(In 1972, the Ontario government introduced mandatory accident benefits, which compensate auto accident victims up to a maximum of \$5,000 regardless of fault).

"With respect to cost, however, we do not believe the government should set or control insurance rates," he said, adding he expects an expansion by the insurance industry of the current Ontario no-fault system will mean improved benefits to accident victims.

"As a government, we are determined to see that the consumer continues to get a fair deal."

PSRO in Montana

The Health, Education, and Welfare Department (HEW) will finalize its agreement designating the Montana Foundation for Medical Care Inc. as the professional standards review organization (PSRO) for Montana. PSROs are committees of doctors that monitor medical practices of physicians to control medical care costs. They currently review treatment given to Medicare patients, but are expected to play a large cost-control role under an eventual national health insurance plan.

In essence, it provides for coverage of \$2,500, including medical expenses and loss of income to be added to the present liability insurance policy," Mr. Tucker explained.

IT WAS SHOWN that this plan actually hiked insurance costs instead of cutting them down.

"It was estimated by Charles F. Cook, chief actuary of United Services Automobile Assn., San Antonio, that the combination of costs of the pseudo no-fault law plus the change in the guest statute and comparative negligence laws cost Texas motorists an additional \$60 to \$70 million per year," the vp contended.

If the legislature had passed a

true no-fault bill, there would have been a savings of \$50 million for motorists," he added.

"Thus, we are talking about a 'swing' in savings between the pseudo no-fault law and true no-fault bill of \$100 million," he explained.

The LBJ report states that "it is difficult to ignore or even disprove many criticisms leveled against the present fault insurance system and that there are fairly substantial drawbacks requiring corrections: i.e., the need for determining of legal fault before a party can recover for his injuries," the vp continued.

But, the report makes "no recommendations to change the fault system," he contends.

The study also states that one of the criterion for a good auto insurance system should be the "provision for maximum efficiency in delivering benefits to the accident victims," Mr. Tucker said.

But, "again, their recommendations do nothing to improve and increase the efficiency of the auto repair system by changing to the fault system to eliminate wasteful legal and adjustment expenses," he said.

Turning to the question of savings under a true no-fault system, Mr. Tucker said the report failed to point out that during the first two years of no-fault in Florida, there was a savings of more than \$100 million to policyholders.

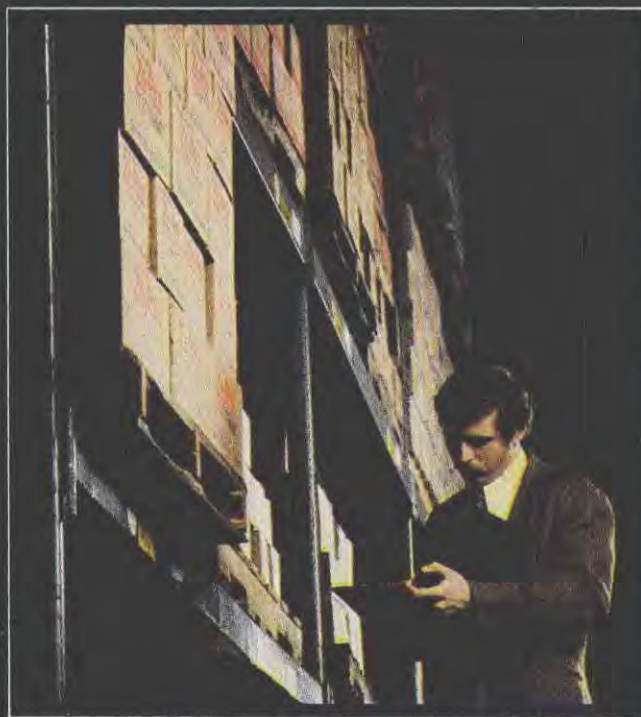
"THE LBJ REPORT adds also that a good automobile insurance system should provide for rehabilitation of auto accident victims and that the rehabilitation

process should at all times take precedence over adversary process in which one party seeks to minimize its loss, while the other party seeks to minimize the plaintiff's gain. I applaud this specific point," Mr. Tucker said.

"However, with first-party benefits of \$2,500 recommended by the LBJ study, how can a seriously injured victim have enough benefits unless he or she goes to the lengthy lawsuit route seeking to recover for injuries and rehabilitation? With high first-party benefits, including unlimited costs for medical and rehabilitation services, as have been adopted in many of the 15 states with true no-fault laws, this problem is dramatically reduced," he said.

The Texas legislature should repudiate the study's recommendations, Mr. Tucker believes "because they will benefit only one group—the trial lawyers of Texas."

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Drake's ship is insured the second time around

NEW YORK—A full-scale replica of the ship that carried Sir Francis Drake around the world is back on the high seas—and this time it's insured.

The Travelers Insurance Companies has insured the Golden Hinde for \$1 million under a marine Protection & Indemnity (P&I) policy.

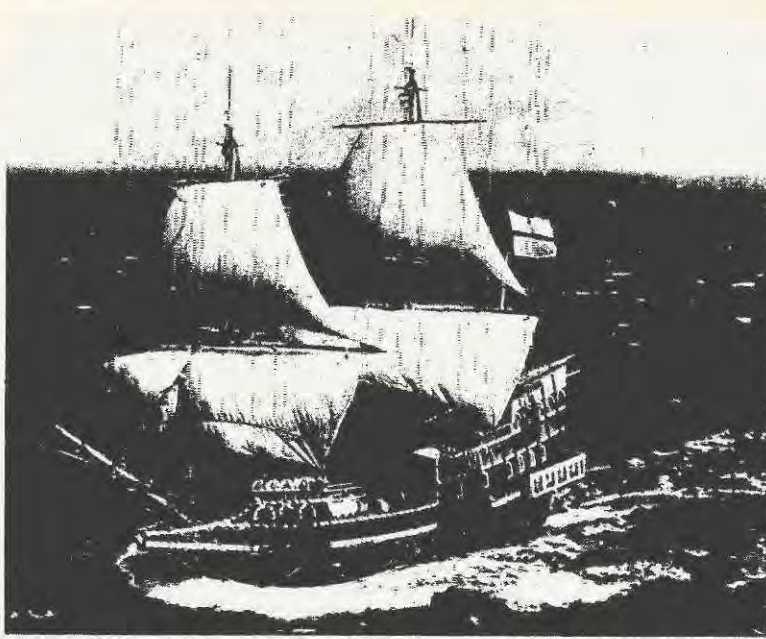
The insurance company has also issued the crew an accident policy for the duration of the four and one-half month journey to America from England.

UNDER THE accident policy, the captain of the ship, Captain Adrian Small, a 43-year old veteran of recreated sailing ships, will be insured for \$12,000. The

chief mate and engineer will both be covered for \$7,000 under the policy. Crew members will be insured for \$5,000.

The Golden Hinde set sail in late September from Plymouth, England for a permanent stop-off in San Francisco. Once the ship docks at Fisherman's Wharf, it will become a permanent tourist attraction, according to the ship's owner, Golden Hinde Ltd. of San Francisco.

Although the ship was built according to Elizabethan specification, the Golden Hinde has been modernized a bit. It now carries life rafts and a radio. In addition, below the deck is a diesel engine, in case the sails needs some assistance.



Now on the high seas, the Golden Hinde sailed from England, Sept. 29 and is scheduled to arrive in San Francisco by mid-February.

FRA says 18,000 tank cars pose bomb threat

WASHINGTON—There are about 18,000 potential bombs sitting in freight yards and riding rails across the country, the Federal Railroad Administration (FRA) estimates.

They are tank cars, unequipped with shields at the ends of the car, but carrying such dangerous compressed flammable gas, as Butadiene.

The FRA has ordered new rules for the handling of these cars, particularly in switching operations in freight yards. The fine for violations can be as much as \$2,500.

The real penalty is what happened at Houston, Tx., where leaking Butadiene is believed to have caused an explosion which killed a locomotive engineer, injured 66 other persons, and left 300 expensive freight cars either damaged or destroyed.

THE SOUTHERN Pacific Transportation Co., operator of the yard, faces a loss in the neighborhood of \$10 million. The railroad is self-insured, with additional umbrella liability coverage, including third party liability, with limits of \$50 million and a \$1 million deductible. (*Business Insurance*, Sept. 30.)

All new tank cars must be equipped with the head shields, but existing tank cars can operate without the shields until Jan. 1, 1977.

The FRA's answer to the tank car problem in the meantime is this:

- No shieldless tank car shall be cut off from its locomotive and allowed to coast on to a switchyard track, a common operation in freight yards.
- No car shall be allowed to coast into a shieldless tank car carrying compressed flammable gas.
- Even in using a locomotive to couple a tank car with another car, the speed of the locomotive will be subject to rigid control.
- All shieldless tank cars carrying compressed flammable gas shall be specially marked to indicate their needs for special handling.
- And railroad employees must be informed of the presence of these cars and instructed to handle them in accordance with the new order.

SUCH BLASTS are not uncommon this year. A tank car was punctured by the coupler of another freight car in Decatur, Ill., which led to a blast in the Norfolk & Western Railway yard that killed seven employees. (*Business Insurance*, Aug. 5.)

In September, the federal hazardous materials regulations board turned down rail and shipper protests that the head shields were unnecessary, arguing that an improved car coupler would be sufficient.

The board replied, however, that a significant number of recorded tank car accidents could not be prevented merely by the coupler improvement.

Federal officials said costs for fitting tank cars with the shields could run from \$400 per car to \$2,000 per car. At the higher figure, the total refit of the 18,000 car fleet would cost \$36 million.

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When a loss occurs in home waters, any insurance company can handle your claim. And you can negotiate insurance rates and coverage at any local agent's office. That's all fine. If your risk is all at home.

But, what happens when a cargo is lost to spoilage on the dock at Tangier? Who's going to protect your property when a ship runs aground somewhere in the South China Sea?

That's why your ocean marine insurance company should be an international insurance company. Because oceans are international. When

you wind up with some foreign affiliate, your claim can get bogged down in intercontinental paperwork. And without a strong international organization with its own overseas staff, you could wind up on the back burner. Commercial Union is an international

insurance company. With more ocean marine experience. With offices in over 100 countries. With an international claims handling capability that means on-the-spot resolution almost anywhere in the world. That's why we're one of the leading ocean marine insurance companies in the world.

Lots of companies sell ocean marine insurance. But only an international insurance company can take better care of you whenever and wherever you need them.

It's as simple as this. Your risk is international. So, an international insurance company provides you with the best coverage. Commercial Union is that company.



Commercial Union. One of the largest international insurance groups in the world.

See property/casualty market in crisis state

NEW ORLEANS—The property/casualty market is in a crisis, an insurance executive said at the annual meeting of the Society of Actuaries here recently.

"Would anyone in his right mind think of entering the property and casualty business under today's conditions," Roy Anderson, vp, Allstate Insurance Co. said.

Excessive competition in recent years in the commercial market, double-digit inflation on loss costs, inadequate rate levels and a sharp decline on the securities market have all attributed to the present state of the property/casualty market, he claimed.

Inflation will also effect the insurance business, particularly the prospects of national health insurance and no-fault.

"I don't see any form of comprehensive national health program enacted in the next few years. Medicare and Medicaid may be expanded, but I don't see a full-scale comprehensive program," the vp projected.

He pointed out some reasons for this.

"THE REASON is that Congress will—in increasing in the next few years—be devoting its attention to problems that are related to inflation. Of all of the rates of inflation, those pertaining to medical care costs are among the highest. And thanks to Medicare and Medicaid, Congress knows that a further expansion of the national health care system would create even greater rates of inflation."

"In my judgment Congress will recognize that this nation cannot afford a comprehensive program of national health insurance—until they are willing to enact a program which would involve direct control of the medical profession. We're a long way from that drastic action," Mr. Anderson added.

He pointed out another reason why he felt national health insurance would not be enacted in the near future.

"The great majority of the public itself is satisfied with the present system of health care and

AIG offers coverage for Iran ventures

NEW YORK—American International Group (AIG) entered into a joint venture with Iranian investors to write all lines of general insurance plus life, group and personal accident coverages.

The formation of Iran-American International Insurance Co. "reflects the confidence that AIG has in Iran, a country with a very vital economy and a most important position on the international scene," AIG president M. R. Greenberg said.

ONE IMPORTANT objective of the new company is the training of Iranian nationals for supervisory, management and executive positions in the company, Mr. Greenberg said.

"AIG is a firm believer in the promotion of local employes to positions of increasing responsibility, and has carried out this practice all over the world," he said.

Authorized capital for the new company is \$15 million, with initial paid up capital half that amount. AIG will own 35% of the firm, the Iranians 65%. ■

is not really interested in socialized medicine."

Inflation will have its toll on federal no-fault, as well the executive contended.

"I don't believe we'll have a federal no-fault law, despite the fact that the Senate passed S.354 this year. The real appeal of no-fault is price savings. Now, the experience is coming in. Substantial rate increases are needed in states with no-fault laws, such as Florida and New Jersey. Some of the legislated rate reductions were not justified. Even where rate reductions were justified by a no-fault law, the amount of the reduction has been inundated by the inflation in loss costs," he concluded. ■

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editorial opinions

Changes in the organization chart

ELSEWHERE IN THIS issue we report detailed findings of a risk management survey we undertook a few weeks ago. The results are significant.

For one thing, we've attempted to profile the risk or insurance manager from a different perspective. Our survey was directed not at risk and insurance managers themselves, but rather at the corporate executives these managers report to. In so doing, we think we've avoided the natural biases that occur when you ask people to grade themselves. (Of course, we've probably picked up some new biases, but no matter). Our survey went to the nation's leading corporations.

In the broadest possible way, we've learned that the corporate management chart is making room for a risk management executive, but ever so slowly. And perhaps that's good for few things survive that are hastily devised. Proponents of risk management may be impatient, but there was little reason to believe there would ever be a shotgun wedding between the evolving discipline and top corporate management.

Nonetheless, there is good evidence that the courtship is progressing nicely, for example, a substantial number of respondents (16%) reported that the person buying insurance and managing risks reports directly to senior corporate execs—senior vp's, executive vp's, senior vp-general coun-

sel. Even more surprising was that 6% of respondents report directly to the chairman, president or chief executive officer. That's getting pretty close to the throne. Far closer, certainly, than that not-so-distant past when the insurance buying function was relegated to little more than purchasing agent status.

But perhaps even more significant—and somewhat surprising to us—is the survey finding that almost 60% of our respondents said their risk/insurance manager earns in excess of \$25,000 a year (the questionnaire was answered in nearly all cases by the boss, remember). And a substantial number of these earn more than \$30,000 or \$35,000 annually.

That makes us think of the line from a national advertisement that says something like, "Top, decision-making management begins at \$25,000 a year."

Risk and insurance management, it seems, is gaining. True, there is much to be done. Our survey indicates, for instance, that most firms still have not centralized in one manager the authority and responsibility for the task of implementing a property and casualty risk management/insurance program, buying group insurance policies and handling safety and loss control.

That's not surprising, for in reality such an assignment is a tall order indeed and risk management has not yet defined its pedigree.

Another warning of tight markets

YET ANOTHER WARNING that insurance markets may soon tighten up was sounded on these pages in the last issue of *Business Insurance* by John B. Ricker Jr., chairman of Marine Office Appleton & Cox and recently named president of Continental Corp.

Writing in our Perspective section, Mr. Ricker told risk managers that marine insurance markets could shortly shift from a buyer's to a seller's market. Rough weather ahead for the corporate insurance buyer with marine risks, in other words.

While Mr. Ricker addressed his remarks to the marine field, they certainly have application of all property and casualty insurance markets. And what he says will happen in the marine market has already happened in some other lines of commercial insurance.

Mr. Ricker, in very simple terms, expressed the problem quite well, and we feel his comments are worth re-emphasizing here.

"For over 300 years, the London market has kept books on a three year runoff basis . . . this means that underwriters don't really know until 1974 what happened to their figures in 1971. When the effect of two or three poor years comes together, the inexperienced newcomer feels frustrated and withdraws from the market. This reduces capacity and creates an undependable image for our industry which we 'long timers' feel very keenly.

"Secondly, managers watch the ratio of premium writing to their companies surplus or free reserves. In a bullish economy where surplus is increasing steadily as well as investment income, they look for cash flow and stretch this ratio to the limit. Under these circumstances, underwriters look for 'gold' classes of business, which marine insurance is sometimes considered. Thus, capacity is enhanced.

"Conversely, when the surplus account or free reserves contract during a bear market such as we have today, or a recession or depression, written premiums must be brought back to a reasonable ratio in order to stay solvent and have enough money to pay losses.

"As underwriters restrict their writing, this reduces capacity, not only on new risks, but on risks that have been around for some time. In addition, if underwriters have to accept less business because of unfavorable conditions, they logically will ask for higher rates in order to make a profit and maintain their enthusiasm for staying in marine insurance. . . ."

There you have it. Yet another not-so-subtle indication that upward pricing pressures are building.

Still, there's no reason to believe the insurance marketplace won't stay as competitive as it's been right along, for insurers more than anyone know the cyclical nature of their business demand they maintain a profile during bad markets that will hold them in good stead when the cycle turns.

letters

This column is a readers' forum. Letters are welcome. Address letters to the Editor of *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

Comes the consultant

To the Editor: Judging from the unquestioning audience given insurance consultants these days, they have convinced the insurance press and buyers in general that they are (by definition yet) clothed in the saintly garb of objectivity and are here to rescue the unsuspecting buyer from the grisly clutches of the broker.

So Balderdash already!

Most of the consultants I have known favor direct writers ad nauseam, for very subjective reasons:

- The broker is his enemy. With no broker, he has little or no competition.

- He needs buddies in the insurance biz, to keep him up-to-date on what's happening. Certainly the brokerage firms won't be all that friendly to him.

- Getting rid of a broker is an easy way to point out a saving to the client.

So, I say: Stop giving the broker a bum rap—and let's stop fooling ourselves with the belief that consultants don't grind axes. We all have axes, and nobody, but nobody is beyond the pale.

James R. Taylor

Springfield, Pa.

Aviation safety

To the Editor: We have read with intense interest your editorial in the October 14, 1974 issue of *Business Insurance* entitled: "A Blot On Aviation History." We share your thoughts on aviation safety and find it difficult to understand the reluctance of the insurance industry to play a more active role in prevention.

The Aviation Safety Institute (ASI) is deeply concerned with the inaction of the Federal Aviation Administration. We have an inkling of an understanding of why this inaction exists. Rather than expand on this point, let us assume, a priori, that inaction is present in many FAA functions and return to the mandate given FAA in 1958. The agency was, and continues to be, chartered with the responsibility of providing safe movement of aircraft while promoting the development of aviation. In our opinion, these two aspects of the charter frequently produce counteracting performance and result in a nullification of both safety and growth.

ASI was formed on the premise that not enough was being done to treat the daily problems of aviation safety. Too many people

Continued on page 20

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letters

Continued from page 18

were assuming that the "flight boys" and the FAA were taking care of the shop. The National Transportation Safety Board was, and continues to be, deeply entrenched in accident investigation as the means for accident prevention. (Understand that ASI feels that accident investigation is a useful tool for prevention—if valid recommendations are followed.) ASI believes that a more logical approach to prevention is the prediction of accidents and not ex post facto investigations as the basis for prevention. Prediction implies an understanding of behavior.

ASI has begun a program whereby data is received from professional sources indicating what errors are committed; what

events occurred; and what severity resulted. If errors can be defined, ranked and put into the critical path that leads to a potential accident, a set of methods for "short circuiting" the critical path can be devised. Hopefully, then, accidents can be prevented.

In January 1974, ASI gained the cooperation of the Professional Air Traffic Controllers Organization in the reporting of unsafe acts and conditions within the National Airspace System. ASI has also begun a reporting system that involves anonymous reporting by pilots, mechanics, cabin attendants and even management personnel.

The anonymous reporting system works. It has revealed a broad range and intensity of National Airspace System problems. It has pinpointed the cause of errors to pilots, controllers, mechanics, FAA management, airport operators, et al. It shows that humans make errors. It shows that people both unintentionally

and willfully violate the federal air regulations and operating manuals. It points out that the FAA and some airport managers are reluctant to communicate about known long-standing problems.

The ground warning system you editorially discussed is but one of many burning issues not being properly treated. Take time to learn about the new narrow band radar system (also called radar data processing—RDP) which is being "shaken down" using the air traveler as its guinea pig.

Be aware of the large number of near misses that occur each day and you will soon ask: "Why hasn't the FAA implemented the long-delayed airborne collision avoidance system?" The greatest threat to air travel is the mid-air collision. Consider the large number of aircraft that take off each day above gross weight limits. Because of this, aircraft violate the required accelerate-stop distance limits on many runways.

This means that there is not sufficient runway surface remaining to stop the aircraft in event of an engine failure. Likewise, ASI continues to receive reports of airliners being operated with passengers aboard with severely damaged landing gear.

The list of problems is very large. We are convinced that corrective action is possible. We have influenced some action already. But, we are a small entity in the gigantic aviation industry. We are at a decision point—either plug along from day to day or get the support from those who benefit from a safe National Airspace System.

We have received token support from one major aviation underwriter and lots of lip service from the others. Apathy and non-involvement are the characteristics of most to whom we have spoken.

John B. Galipault

President, The Aviation Safety Institute, Worthington, Oh.

Labor's role in limiting captives seen as passive

NEW YORK—The section of the Employee Retirement Security Act limiting the use of captive insurance companies as insurers or reinsurers of pension or welfare benefits for their parent companies has "low priority" status for enforcement by the Department of Labor, *Business Insurance* learned.

A "monumental staffing problem" means the department is not likely to enforce that section of the complex and comprehensive bill for "two to three years," according to a Washington, D.C. source.

As it stands now, Section 408 of the law requires that no more than 5% of a captive's premium income may be derived from insuring the parent company's employee benefits.

The limitation on the use of captives for this purpose goes into effect Jan. 1, 1975, but a three year extension to phase out existing arrangements that exceed the 5% limit is included in the law.

"**MOST CAPTIVES** probably participate through reinsuring an admitted insurance company," S. Peter Law, vp and corporate director of insurance, U.S. Industries, observed. But whether or not this means the provision would not apply to reinsurers "may rest on a decision by the government permitting a fiduciary to accomplish by indirect means what is prohibited as a direct transaction," he added.

"It's clear the intent of the law is to make the fiduciary responsible to those for whom the benefits plan is set up," a risk management source said.

"The law was intended to prohibit kickbacks or employer profiting from group insurance plans," another industry spokesman believes.

But the spirit of the law may not be reflected in its language, according to yet another risk manager.

"**THE INTENT** may not be to prohibit use of captives to insure employee benefits, but the language of the law does prohibit it," he said.

"It would be prudent for any risk manager involved in a situation similar to ours," Mr. Law said, referring to U.S. Industries reinsuring employee benefits through a captive insurance company "to apply to the Secretary of Labor for a waiver."

Congress recognized that the abuses the act was intended to eliminate may not exist under certain transactions which the Act may prohibit, Mr. Law explained, and section 408 (a) of the bill allows for application for exemption to the Secretary of Labor.

Swiss Life expansion

Swiss Life Insurance and Pension Co., major insurer of multinational group health and pension plans, announced market expansion plans, including establishment of a stock company in Spain and coordinating offices in New York. The Spanish subsidiary will be the first stock company for Swiss Life, a mutual organization headquartered in Zurich. The company reported total assets of \$2,357,100,000 at the end of 1973.

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Charge marine underwriters neglect employe safety

HOUSTON—The president of a domestic marine barge towing company charged that marine liability underwriters are not concerned enough about maritime employe safety problems.

Frank Stegbauer, vp of Southern Towing Co. and also an official of the firm's James R. Moore Insurance Agency subsidiary, said marine underwriters in the workmen's compensation field are less involved in employe safety issues than work comp underwriters in shoreside industries. "Shoreside industries can get, and many do get, without even asking, safety inspections and safety recommendations from their comp underwriters," but "this is not prevalent in the marine underwriting field," he complained.

This is just one of the problems an employer in the maritime industry wrestles with, as outlined by Mr. Stegbauer at the ninth annual Houston Marine Insurance Seminar.

IN HIS WIDE-ranging speech presenting the towing company operator's views of marine underwriters, Mr. Stegbauer made these points:

- Marine underwriters should give more consideration, and correspondingly favorable premium rates, to insureds for superior hull risks as the result of good loss control programs.

- Marine underwriters should require higher deductibles in order to provide an incentive to an insured to practice better loss control.

- The Environmental Protection Agency will soon require that all vessels have devices which eliminate the discharge of engine emissions into the atmosphere, so that hydrocarbon vapors are reduced to negligible levels. This rule, said Mr. Stegbauer, will be very costly for ship operators.

- An increasingly important kind of insurance coverage for towing companies today, and all ship operators, is the wreck removal clause in the property and indemnity policy, "as the government has a policy that you just cannot sink a vessel and forget it. This policy is even being extended to vessels sinking outside of any channel."

- There is a growing problem with liability for spills of non-removable hazardous materials into the water, because there will soon be a maximum penalty of \$5 million for a spill, "and for which, we are told, you will not be able to get any insurance."

Southern Towing Co. is engaged in towing operations on the Mississippi River and its tributaries, as well as the Gulf Intracoastal Canal, west and east of New Orleans, Mr. Stegbauer explained.

AS A PART OF Mr. Stegbauer's discussion of the specific insurance coverages essential to a towing firm, he said that in his opinion, underwriters "all too frequently overlook" factors in pricing a hull insurance policy which would enable an operator to obtain better premium rates. "Some of these are: What kind of preventative maintenance program does the assured have; does the assured have some type of owner-operated maintenance and repair facilities; what kind of fire protection does the vessel to be insured have . . . over the minimal requirements of the U.S. Coast Guard; and how is the housekeeping on the vessel?"

He said both underwriters and towing operators have lacked the proper emphasis on loss control, and said he believes that underwriters "should require higher

deductibles."

While this may work a hardship on a small operator, it does give an incentive to practice accident prevention and loss control, Mr. Stegbauer said.

HE CALLED on underwriters to become more involved in maritime employe safety issues by pro-

viding experience and statistics on safety problems to towing operators needing help with a safety program. Towing operators "that have a formal safety program and a full-time safety director with broad authority, backed by management, receive little recognition for the efforts and almost no guidance from under-

writers," Mr. Stegbauer contended.

A TOWING company's property and indemnity policy includes coverage for damage done to other parties as a result of operations, he said. He espoused prevention of these accidents, but told fellow seminar participants that to con-

trol the extent of a loss as the result of an accident that does occur, he would suggest these steps based on his own experience:

- When an accident occurs, pin down the extent of the damage, gather minute details of the accident soon after the event, and use a good surveyor for this chore.

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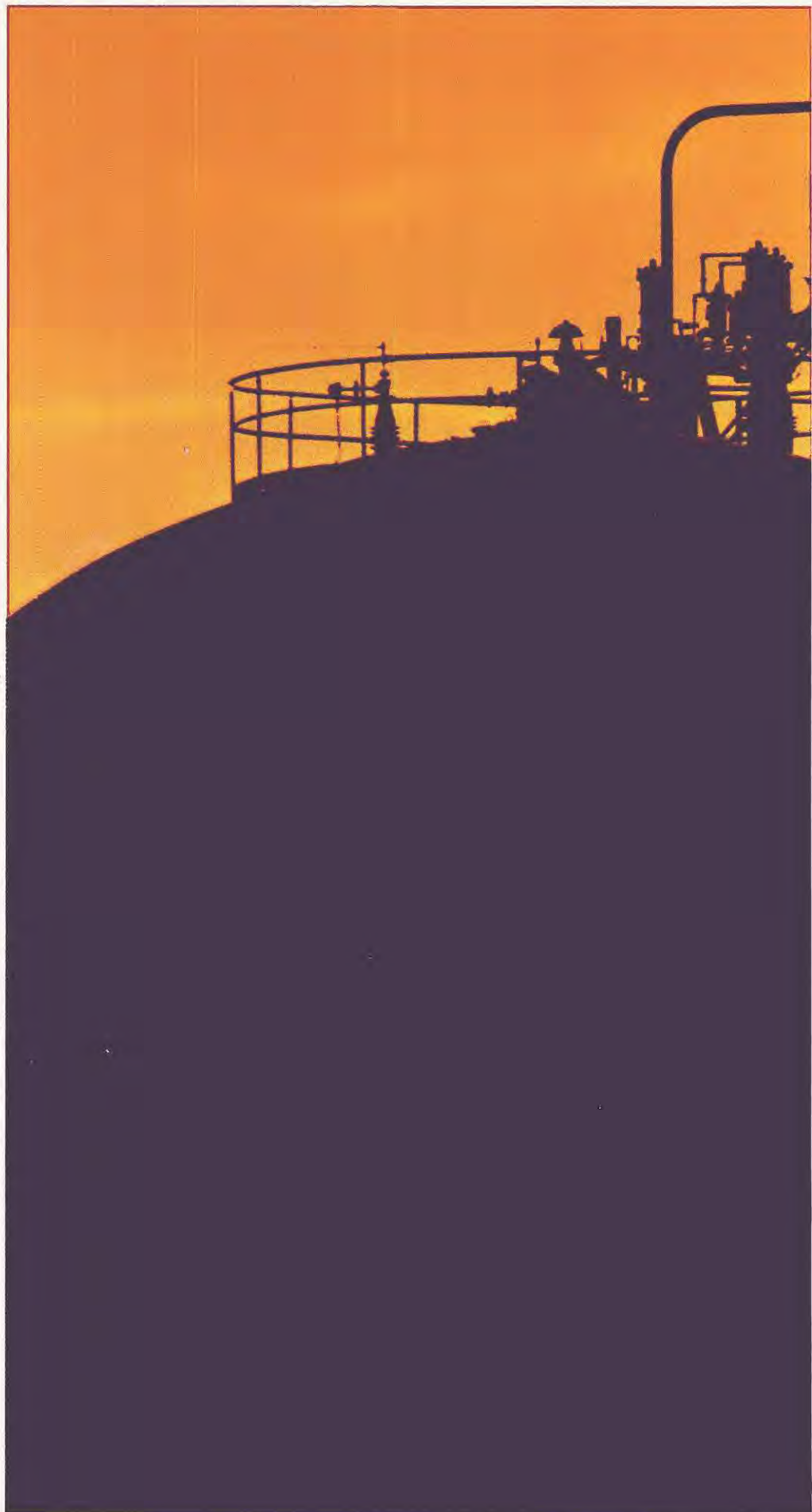
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• Gather statements from all persons involved, preferably using an attorney, ignoring no one who may have any knowledge of the accident.

• "When a claim is presented, firmly resist the amount of the claim, bargain for a reduction for voluntarily paying. The savings in money of a lawsuit, and getting the money immediately will include the claimant to take less than his original demand."

He went on to note that ex-

cess insurance coverage, tied in with other specific basic hull and P&I policies, is becoming more important for shipping operations. "Our own company policy is to take out enough excess to give us insurance values equal to the total value of our company," he asserted.

MR. STEGBAUER explained that this guideline "we dreamed up" is based on the fact that Southern Towing has seven ves-

sels towing in the ammonia trade and three in the oil trade, both considered hazardous areas.

He criticized the Water Quality Insurance Syndicate for setting water pollution liability insurance rates based solely on gross tonnage of the vessel to be covered, and no other factors. "This is unrealistic," he claimed. "Everyone knows that the amount of liability for clean-up from a spill is a product of the quantity of the spill, the type of product spilled, and where it is

spilled." He called it "manifestly wrong" that WQIS makes no premium distinction between a gasoline spill and an oil spill, or between a double-skin oil barge and a single-skin oil barge.

MR. STEGBAUER acknowledged that it's tough to argue with WQIS, however, because it's the only game in town." Other underwriters have agreed not to write cleanup coverage in deference to WQIS, he complained, so WQIS

has an effective monopoly.

"We did receive an announcement letter last year from an insurance group trumpeting their entry into the oil removal liability market to compete with WQIS, at reduced rates. However, when we got down to the fine print we found that they would only be in a position to cover dry cargo barges," he said.

Under Public Law 92-500, section 311 towing company operators will soon face a \$5 million penalty for the spill of non-removable hazardous materials in waters, Mr. Stegbauer noted. "WQIS says there will be no coverage available," he told the audience.

Voters split on police/fire pension issue

SAN FRANCISCO—Voters were split on two police/fire pension improvement proposals.

Proposition H, affecting 1,800 men who already are retired, held a narrow lead.

Proposition M, affecting current and future policemen and firefighters trailed.

Policemen and firemen's union and retired groups waged a vigorous and highly visible advertising campaign for the two measures.

There was no organized opposition.

Propositions H and M together could cost \$20 million a year, it was pointed out, if pay for active policemen and firefighters continues to increase at its current rate of 6% a year.

Put another way, the city's cost for police and fire pensions could increase to 60 cents for every dollar of pay to active officers. The current ratio is 32 cents retirement money for each \$1 of pay.

The retired policemen and firefighters based their "yes on H" campaign on the problem of men who retired with low wage bases in the 1940s and 1950s.

ABOUT ONE THIRD of the 1,800 persons affected by proposition H currently get less than \$400 per month in retirement benefits, they said.

Proposition H offered two improvements: refiguring of benefits so they are based on the pay for active officers of the retired person's rank as of next July 1.

A cost of living formula increasing pensions in the future years by one half of the salary increases given active police and firefighters. Currently, retirees get 2% cost of living increases annually.

The police officers association and firefighters local 798 headed the campaign for proposition M.

They said it would provide retirement benefits already enjoyed by some other safety officers and public employes in California.

These features are: a maximum pension similar to that in proposition H. A cost of living formula based on 75% of the officers final year's pay. The current limit is 70%.

Canadian division

The Equitable Life Assurance Society is forming a Canadian life insurance company subsidiary in Toronto. The firm's board of directors authorized the allocation of up to \$10 million to cover capital needs of the new company. The new company, Heritage Life Assurance Co. will begin operations in Ontario, gradually expanding into other provinces with an eventual nationwide operation.



No-fault saves N.Y. consumers \$100 million a year

NEW YORK—No-fault auto insurance is working in New York. It is predicted that New Yorkers will save at least \$100 million in auto insurance premiums next year, a report disclosed by the state insurance department contends.

"New York's no-fault automobile law has saved New York consumers \$100 million a year on the cost of auto insurance. The no-fault automobile law is working and its initial implementation has been accomplished with relatively few problems," Governor

Wilson said.

The eight-month old no-fault law was designed to:

- provide up to \$50,000 in medical, rehabilitation and wage loss benefits to each auto accident victim regardless of fault;
- remove thousands of small auto accident claims from the court system;
- lower the cost of auto insurance;
- encourage the prompt and fair settlement of no-fault claims by setting the nation's highest claims settlement standards, and by im-

posing the nation's strictest penalties for non-compliance.

The report disclosed that the promises of the law are slowly being fulfilled.

THE REPORT cited a National Assn. of Insurance Commissioners survey of the gross number of auto insurance claims filed in New York against 23 large auto insurers. It shows that:

- the number of liability claims in New York declined by 45% from the second quarter of 1973 to the second quarter of 1974;

- the number of claims for no-fault benefits made in the same period is less than half of the number expected.

In summing up the first eight months of no-fault in New York, the report concluded that "so far, it has performed the way its sponsors (including the insurance department) said it would. Continued careful monitoring and thoughtful consideration of possible ways of extending or improving the law should help to assure that these good beginnings can be translated into substantial contin-

uing benefits."

No-fault has generated very few consumer complaints, the report contends. During the month of August, the insurance department received only 25 no-fault complaints. Only half of these involved claims settlements disputes. Under the old liability system, the insurance department received an average of more than 250 such calls each month.

"**MANY NEW** Yorkers have purchased additional insurance protection to augment basic no-fault benefits, but few have opted for cost saving deductibles," it was said.

About 50% of New York drivers bought the optional out-of-state no-fault coverage, and about 25% purchased optional higher levels of no-fault benefits, the report said.

If optional benefits would not have been purchased, annual no-fault savings on a statewide basis would have been \$130 million, rather than the \$100 million actually saved by New Yorkers. Only five percent of New York policyholders opted for a deductible.

In addition, the insurance department has acted to eliminate duplication of no-fault benefits by health insurers.

The department has prohibited "not-for-profit health plans like Blue Cross and Blue Shield from requiring their community rated subscribers to purchase coverage duplicating that provided by no-fault and has encouraged the elimination of duplicated coverages elsewhere," the report disclosed. ■

Sues city as result of her son's death

MOSES LAKE, WA.—Mrs. Shirley Holt has filed a million-dollar damage suit against the City of Moses Lake in the death of her 15-year-old son who was shot to death by a neighbor in a slaying-suicide.

City officials said they have referred the claim to their insurance company and the firm, which provides \$1,000,000 blanket liability coverage for the city, will have to act.

Mrs. Holt said in the claim that city police showed "negligence, misfeasance and wanton disregard" when they failed to arrest the man who shot her son.

Leonard Kopinski was shot in the back Oct. 11 by Larry Newby, 21, who later took his own life with a shotgun, it was reported.

MRS. HOLT said she told police two hours before the shooting that Mr. Newby had used a shotgun to fire upon her home.

She said officers were admitted to the Newby home and found a freshly fired shotgun. She claimed officers asked Mr. Newby and the other occupant of the house, Richard Yurian, only whether they owned the shotgun. They did not question whether the firearm had been fired at the house.

The suit said officers knew that the two had been drinking, that young Yurian was a minor and that a pheasant shot out of season was in the house. But, she claimed, they did not arrest anyone.

Mrs. Holt said she then asked that the shotgun be seized and that Mr. Newby be arrested but was refused, it was reported. ■

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Insurers, government must formulate nat'l. health plan together

CHICAGO—Health insurers must unite with the Ford Administration in formulating national health insurance specifications, if the pluralistic health care system is to remain intact.

That was the urgent message delivered to those attending the Health Insurance Assn. of America conference here recently.

"If we fail to unite over these principles, then other viewpoints will prevail. If they do, then the private health insurance industry may no longer exist, with all the benefits that have meant so much to so many people," said Casper W. Weinburger, secretary of Health, Education and Welfare.

Those who want legislation that would "gnaw away" at the foundation of a pluralistic health care system "are looking hopefully toward next year as a time when their views will prevail," he said.

"My fear is that, unless there is a willingness to unite with us behind a proposal which includes those basic principles we both believe in, then this part of the private sector may be an endangered species," Mr. Weinburger warned.

He urged the insurers to support these principles:

- build on the strengths of our private health care system, rather than replace it;
- the new program of national health insurance must offer every American access to health insurance;
- ensure that in a new program, all coverage is comprehensive and on a uniformly high level;
- use public financing only when private financing is either inadequate or unavailable, and not use federal administration of the system;
- continue to rely on fiscal incentives to reach a more effective and balanced use of our health care system.

"A national health insurance program offers a tempting vehicle for imposing more government control and dominance. I strongly oppose it. That is why I ask that you do everything within your

power as an industry to help moderate the rise in health care costs, and I know that is very much in your interest," Mr. Weinburger said.

Charges that the health insurer is "reaping windfall profits" is "wild," the secretary insisted.

"The facts simply do not support that. Recent data shows that people get back 90 cents on the dollar for their health insurance premiums and that profits have been only about 1 per cent. I think that demonstrates self-restraint within your industry," he concluded. ■

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Name field men for new pension law

WASHINGTON—The Labor department has announced promotions of two field staff officers who will be responsible for implementation of the Employee Retirement Income Security Act of 1974.

In Newark, N.J. Thomas B. Daly, 53, was named area director of the department's labor management services administration (LMSA). Mr. Daly had been assistant area administrator in that office since 1971.

In Chicago, Thomas J. Sheehan, 45, has been named associate assistant regional director in the labor management services administration regional office.

Mr. Sheehan, a former Chicago police detective, had been assistant administrator of the Chicago area office since 1971.

The Labor department, through a new office of employe benefit security within LMSA, will be responsible for reporting and fiduciary rules under the law. ■

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PERSPECTIVE

Survey profiles risk managers' responsibilities in largest firms

"Despite the obvious trend toward broadened responsibilities under the risk management umbrella, and the evolution of an insurance manager who affects the bottom line, only five companies said risk management is the responsibility of vp-level executive. And only one of those five is a vp of insurance."

Continued from page 1

Despite much conversation about corporate consolidation of tasks on the fringes of risk management—easily classifiable as those areas which affect risks or insurance—only five companies out of the 82 which responded presently have centralized risk management departments cutting across property/casualty insurance buying, group policy buying and safety/loss control.

Those five firms (6%) indicated that one person is responsible for all three areas.

Substantial involvement for each of these three managers, however, is found in other areas. Some 26 firms (32%) listed one person as responsible for managing both property/casualty risks and insurance, and insurance coverage. The responses were nearly evenly split between companies with assets over \$1 billion and companies with assets under \$1 billion.

Furthermore, 25 companies (31%) have a property/casualty insurance manager who also handles safety and loss control, or at least whose function overlaps into that area of responsibility. Two additional firms noted that the property/casualty manager and the safety/loss control manager report to the same person in the organization. More companies in the under-\$1 billion asset group noted this dual function.

Insurance buying

Property and casualty insurance buying remains primarily the responsibility of a corporate middle manager called insurance manager or director of insurance, usually reporting to a corporate vp-treasurer, the survey found.

Out of 82 responses, 48 companies (59%) have managers with insurance in their titles buying property and casualty coverages: 27 of these are insurance managers and another 14 are directors of corporate insurance. Twelve more are managers with insurance in the title, e.g. insurance officer, coordinator of insurance, manager of taxes and insurance, manager of insured risks. About half of these are managers with several responsibilities as indicated by combined titles such as assistant secretary-manager of insurance, secretary-manager of insurance, assistant treasurer-director, insurance and loss prevention.

Risk managers or managers with risk in their titles accounted for another 18 (22%) of the responses to a query about responsibility for buying property/casualty coverages. Most frequently mentioned in this function was corporate risk manager, followed by director of risk management. Other titles included risk and insurance manager, corporate risk and safety director, director-risk management and real estate, and administration-risk management.

Despite the obvious trend toward broadened responsibilities under the risk management umbrella and the evolution of an insurance manager who affects the bottom line, only five companies said risk management is the responsibility of a vp-level

executive. And only one of those five is a vp of insurance. Two of the five are vp-treasurer. Another one is shown to be an assistant vp of insurance.

The remainder of the responses noted that property-casualty insurance buying is handled by the assistant treasurer, treasurer, controller comptroller, assistant controller, and manager of the financial services department.

More than one-third of all insurance managers (34%) report to vp-level executives in their corporations, the survey disclosed. Most frequently mentioned as superior was vp-treasurer, followed by vp-finance, vp-employee relations, and vp-taxes and accounting.

Another 30% of the risk and insurance managers report to corporate treasurers and assistant treasurers.

POSSIBLY INDICATIVE of a trend, a surprisingly large number of insurance managers report directly to senior corporate executives, either senior vp's or executive vp's (16%). In this category, the superior most frequently mentioned was senior vp-finance or senior vp-general counsel, or executive vp-finance.

In this same pattern, 6% of the corporations responding have the person responsible for buying insurance report directly to the chairman, president or chief executive officer.

Just over 7% of the firms participating in the survey said property/casualty insurance buyers report to the controller of the corporation, while another 5% noted that the buyers report to the secretary, assistant secretary or personnel manager of the firm.

Also mentioned in the reporting hierarchy were director-administration, vice chairman of a holding company, manager-corporate services and taxes/insurance manager.

Group insurance policies

Responsibility for buying group insurance coverages within most corporations is split almost evenly between insurance/risk managers, personnel/employee relations managers and managers of employee benefits, each with about 27-28% of the responses. Several corporations noted that two people have overlapping responsibilities in this area.

Ten percent of the responses noted that financial managers are responsible for buying group policies, with vp-treasurers and treasurers mentioned most frequently, followed by vp-finance.

Although managers-employee benefits were mentioned most frequently as being responsible for buying group policies, they were closely followed by manager/director of risk management/insurance, and vp or director of personnel.

Only one corporation noted that it self-insures group benefits.

Nearly half of all employee insurance buyers report to a vp of personnel, employee relations, treasurer, industrial relations, administration or finance—in that order of response frequency. Nearly one out of three group policy buyers reports to a senior or executive vp, again covering the gamut of departments within the corporation.

Managers responsible for buying group policies sometimes report to the treasurer, assistant treasurer or controller (10%), the survey found. And a few (6%) even report to the president.

Only two such buyers report to an insurance manager, in one case a director of insurance and in the other, the taxes and insurance manager.

Safety and loss control

Out of 82 respondents, 33 different titles were given for the person responsible for safety and loss control. Four companies left the question unanswered, indicating that no one is responsible. Still another firm said outright that "no one in the company is responsible for safety and loss control." One firm said a safety committee is responsible.

Nearly all of the firms which answered that question named two managers responsible for safety and loss control. The biggest group (45%) said a manager or director of corporate safety and/or loss prevention is responsible. Another 26% said the risk manager or insurance manager is in charge of safety and loss prevention. Another eight firms (10.3%) put safety and loss control under a manager in the personnel or employee relations department.

Nine firms (11.5%) said safety and loss control is a "decentralized" function. Others listed the responsibility with loss control engineers, director of facilities planning, vp-methods, safety directors, director-environmental health and assistant vp-office services.

Just as there is a lack of uniformity in who's responsible for corporate safety and loss control, there is also a disparity in who safety managers report to. Eight

Continued on following page

RISK MANAGEMENT DEPARTMENTS

(Relationship of risk management administrative budgets to annual property/casualty premiums)

Staff/administrative budget	Property/casualty premiums	Staff/administrative budget as a percent of premium	Staff/administrative budget	Property/casualty premiums	Staff/administrative budget as a percent of premium
\$150,000	\$110,000,000	0.14%	\$100,000	\$ 3,500,000	2.9%
70,000	17,000,000	0.4	150,000	5,000,000	3.0
150,000	32,000,000	0.5	120,000	3,900,000	3.1
125,000	23,000,000	0.5	200,000	6,000,000	3.3
35,000	2,200,000	0.5	84,000	2,500,000***	3.4
85,000	9,000,000	0.9	40,000	1,100,000	3.6
50,000	5,500,000	0.9	100,000	2,750,000	3.6
250,000	24,000,000*	1.04	400,000	11,200,000*	3.6
30,000	2,500,000	1.2	500,000	13,500,000	3.7
40,000	3,000,000	1.3	80,000	2,100,000	3.8
90,000	5,838,000	1.5	200,000	5,000,000	4.0
80,000	5,000,000	1.6	20,000	500,000	4.0
240,000	15,000,000	1.6	25,000	600,000	4.2
175,000	11,000,000*	1.6	200,000	4,500,000	4.4
165,000	9,400,000**	1.8	50,000	1,000,000	5.0
32,400	1,520,000	2.1	100,000	1,900,000	5.3
50,000	2,225,000	2.2	85,000	1,500,000	5.7
35,000	1,500,000	2.3	150,000	2,500,000	6.0
70,000	3,000,000	2.3	180,000	3,000,000	6.0
350,000	15,000,000*	2.3	10,000	159,000	6.2
190,000	8,000,000	2.4	60,000	950,000	6.3
100,000	4,000,000	2.5	150,000	2,250,000	6.7
75,000	3,000,000	2.5	160,000	2,255,000	7.1
122,000	4,500,000	2.7	150,000	1,500,000	10.0
110,000	4,000,000	2.8	90,000	900,000	10.0
28,500	1,000,000	2.9	100,000	600,000	16.7

*includes self-insurance funds

**includes group insurance coverages

***net of self-insurance funds

business insurance

PERSPECTIVE

Survey . . .

Continued from preceding page

firms left this question blank and several others listed dual reporting responsibilities.

Most safety and loss control people (45%) report to vp's, followed by directors of personnel/labor relations/industrial relations. Another 14.5% report to top executives: President, chief executive, senior vp or executive vp. Six firms said this person reports to the director of insurance or risk management. Three said the superior is director of safety engineering. Seven firms classify this responsibility under the treasurer, assistant treasurer or controller.

Although a hefty number of safety and loss control managers report to vp's, the easy classification ends there. In order of response frequency, these vp's were in 11 different functional areas of the corporation: Personnel, treasurer, operations, human resources/employee relations, manufacturing, industrial relations, finance administration, engineering, corporate development and corporate relations.

Insurance manager's job responsibilities

There is a definite trend toward broadened responsibilities for the risk and insurance managers of corporations, the survey disclosed. Out of 82 responses, fully 29 (35%) went beyond the traditional job responsibilities of insurance managers to note specifically, new areas of analysis and control being handled by insurance managers. Twenty-two firms (27%) said the risk manager's responsibilities are not changing.

Nearly every company outlined the basic job responsibilities of the property and casualty insurance/risk manager as analyzing risks, formulating and implementing insurance and self-insurance programs, placement of insurance, negotiating policy renewals, solving insurance and cost problems and working with brokers.

Eight firms said a risk manager's job involves analyzing all exposures to financial loss and initiating or recommending action. Claims settlement negotiations was a responsibility prominently mentioned, along with more cost analysis regarding the trend toward retention of risk. Four firms said they expect their insurance managers to act as employee benefits consultants on group benefits funding and insurance policy problems.

INSURANCE ACCOUNTING and cash management were new responsibilities each mentioned by two corporations. Three others said involvement in loss control is becoming essential.

Formulation and implementation of long-term plans for risk and loss funding is a responsibility noted by two firms.

Risk managers are also responsible for more negotiations involving policy contract language, companies said.

Five questionnaires noted that risk managers are putting more time into administering their programs and departments, as part of the trend toward centralization of insurance/risk management.

Nearly 10% of the firms said risk/insurance managers now are more involved in foreign insurance programs.

Risk managers are also more responsible for communication—with top corporate executives, subordinates, other departments, and with brokers and underwriters. As the financial executive of an \$800 million company put it, "The corporate risk manager is the control point for managing all elements of accidental loss, including coordination and communication in the area of loss prevention and asset preservation."

Salaries

Salaries of property/casualty insurance/risk managers are, for the most part, higher than *Business Insurance* anticipated. Nearly two-thirds (62%) of all firms

responding pay a risk/insurance manager over \$25,000 a year.

Of the 82 survey respondents, 38 were companies with assets over \$1 billion. In this group of larger corporations, two-thirds said the risk insurance manager makes more than \$25,000 a year, compared with 57% of the risk managers for corporations with assets under \$1 billion in this salary range.

Salary findings for risk managers of companies having assets over \$1 billion are:

\$10,000 to \$15,000	(2)
\$15,001 to \$18,000	(2)
\$18,001 to \$20,000	(3)
\$20,001 to \$22,000	(3)
\$22,001 to \$25,000	(2)
over \$25,001	(25)

One firm did not answer the question.

Five of the companies paying the highest risk manager salaries were utilities; five were in manufacturing; five in banking and finance; two in foods; one an airline; one a retailer; two conglomerates; two mining operations; and two in chemicals.

Twenty-four of the firms with assets under \$1 billion said the risk manager earns over \$25,001 a year. Another 10 indicated salaries in the \$20,001 to \$25,000 brackets, which reflects a substantially bigger portion than the same category in the larger corporations.

Findings for the firms with under \$1 billion in assets were:

\$10,000 to \$15,000	(2)
\$15,001 to \$18,000	(3)
\$18,001 to \$20,000	(3)
\$20,001 to \$22,000	(5)
\$22,001 to \$25,000	(5)
over \$25,001	(24)

The firms paying the highest salaries included six multi-industry conglomerates, five manufacturers, four food processor/manufacturers, three retailers, two forest

products firms, a building materials supplier, a chemical company, a bank, four manufacturers, and a health/medical products supplier.

There were 10 respondent companies under \$1 billion in assets but with over \$1 billion in annual sales. Seven of these 10 pay their risk/insurance managers more than \$25,000 a year.

The buck stops here

Responsibility at the highest corporate level for risk and insurance management was indicated by 36 of the firms, with specific titles. Nine listed corporate risk/insurance managers as having ultimate responsibility. They further indicated that these risk managers make over \$30,000 a year and in a number of cases over \$35,000 a year.

Of the 18 companies which said overall risk management responsibility rests with the manager one rung above the risk manager, all 18 said this higher official makes over \$35,000 a year.

In the group of companies with over \$1 billion in assets, risk/insurance managers with overall management responsibilities (and making over \$30,000 a year) included: insurance manager for a company with \$3.4 billion assets, \$35,000-plus; director, risk management for a firm with over \$1.5 billion assets; \$35,000-plus; director of insurance for an airline, \$35,000-plus; administrator-risk management for a firm in fabricated metals industry, \$30,000-plus; department manager-financial services for a saving and loan, \$30,000-plus.

In companies with less than \$1 billion in assets: Director-risk management for food processor, \$35,000-plus; insurance manager for forest products operation, \$30,000-plus; director, insurance department for apparel producer, \$30,000-plus; director-risk management for conglomerate with sales of over \$1 billion, \$35,000-plus.

Risk management departments

Nearly three out of four firms responding to the survey said they have small risk management and insurance departments

having one to five people. Nearly one out of four firms has six to 10 people in its risk/insurance department. Only two firms said they have 11 to 20 people in the department, and one other said the department is over 20 strong.

The three largest departments are run by three of the highest-paid risk managers, in companies over \$1 billion in asset size. There appears to be a direct relationship between the size of the company, the size of the risk management department and the salary of the risk manager.

Over half of the 82 companies responding said all department personnel are in the home office of the corporation. Three firms noted that three department employees were in the field, two firms have one insurance department employee each in the field, and one firm has three department members in the field.

Department budgets

Six corporations out of 82 said they have no risk/insurance departmental budgets. Fourteen said staff/administration budgets were not available. But of the 62 responses on staff/administration budgets, the range was \$10,000 a year to \$500,000 a year.

For the 38 firms with assets over \$1 billion, the range of staff/administration costs was \$12,000 a year for a firm without a risk manager (use a consultant and this figure includes the consulting fee), up to \$500,000 a year.

Total annual premiums for the larger companies was \$500,000 to \$110 million; average annual premium was \$18.7 million.

The average staff/administration budget for this group of larger corporations was \$136,000; the median budget was \$100,000.

One of the two departments with 20 people only had a staff/administration budget of \$250,000 (for 16 people in the home office and 4 in the field), putting staff/administration costs at 1.04% of total annual premiums. The other 11-20 department has a \$350,000 staff/administration budget. It also lists four functional field offices. But its staff/administration costs as a percentage of premiums tally at 2.3%.

Continued on page 34

What does the risk manager do?

Editor's note: Three major corporations responded to the Business Insurance risk management survey by enclosing formal job descriptions for risk managers/insurance managers. The following outline of a corporate risk manager's responsibilities is the most comprehensive of the three, and is from a firm with assets of approximately \$400 million and revenues of about \$500 million. The corporate risk manager for this firm manages a three-person staff.

RESPONSIBILITY:

Responsible for the administration of the corporate insurance department, whose function is to protect the corporate structure on a total involvement basis within the framework of policy laid down by management.

SPECIFIC DUTIES:

1. Risk analysis of all exposures inherent in the operation of the company, both foreign and domestic.

2. Plans and recommends suitable insurance coverages and makes arrangements for the assumption of risk for all segments of the corporation, both foreign and domestic.

3. Determines the professionalism of insurance companies and brokers to the end that all coverage is placed judiciously.

4. Prepares ocean marine instructional directives to the company export facilities on the preparation of marine insurance certificates, declaration forms and premium computations; ad-

vises on the insurance provisions of letters or credit, and assists in the settlements of claims.

5. Studies trends in insuring practices, and sources of premium savings, such as rate make-up reviews; and coordinates with the activities of corporate and divisional safety in the removal or protection of hazards directly affecting insurance costs.

6. Maintains a central distribution facility for all insurance carrier reports; and establishes procedures for answer and compliance.

7. Coordinates the insurance program with the corporate secretary's office in order that there shall be:

(a) a mutual understanding of the extent of insurance coverage as provided in the liability policy contracts;

(b) a review of all lease agreements entered into by the company, pointing out objectionable insurance clauses and the economic effect of hold harmless agreements, assumption of contract liability, and waiver of subrogation provisions;

(c) a joint legal-insurance effort relative to the establishment of risk control on terms and conditions of purchase orders, machine rental agreements, invoices, and similar documents;

(d) a joint legal-insurance effort in the development of insurance contracts for which no standard forms exist;

(e) a close communication on all claims against the corporation that are in litigation by acting in the

capacity of a central information service between our insurance carrier and our own corporate counsel.

(f) a joint legal-insurance effort regarding risk control on construction contracts, janitorial service agreements, etc.

8. Negotiates and finalizes all insurance losses and claims with adjusters, brokers, or carriers, and issues cash analysis crediting the proper branches, divisions, and subsidiaries.

9. Secures all types of bonds and handles the fidelity bonding of all company employees, world-wide.

10. Allocates premium costs to the divisions and subsidiaries.

11. Reviews and approves evidence of insurance submitted by vendors and contractors.

12. Prepares insurance certificates required by contract, rental agreements and customers' purchase orders.

13. Maintains experience records.

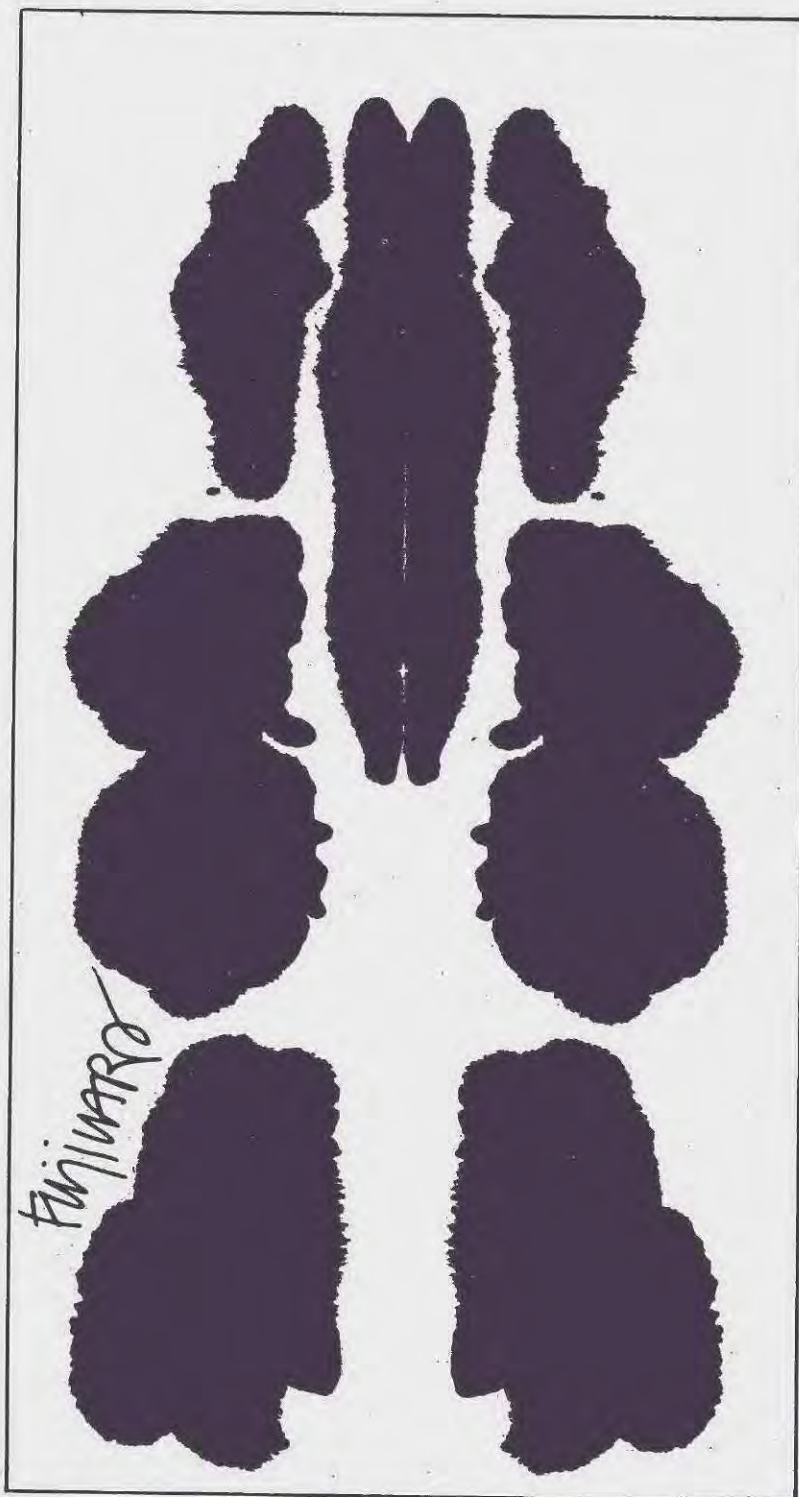
14. Insurance administrator of the auto fleet policy; and mediator between the auto fleet safety committee and the insurance carrier regarding driver acceptability.

15. Disseminates knowledge of the corporate insurance program by way of bulletins, procedure directives and insurance manuals.

ACCOUNTABILITY:

Is directly responsible to the corporate treasurer, but shares in the decisions and insurance planning which results in the protection of corporate assets and operations.

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There's an original way of looking at everything.

See more executives opting for cash rather than deferred compensation

CHICAGO—Executives facing stiffer tax laws in the future will probably opt for more cash rather than various forms of deferred compensation.

A lawyer and an actuary told a seminar on executive compensation at the 37th Annual Insurance Conference here that, in their opinion, many forms of deferred compensation will soon be subject to a 70% maximum tax, which makes earned income's 50% tax look desirable.

Chances for passage of a tax reform law within two years that will include this provision are "good to excellent," according to James C. Shanley, an associate attorney with Seyfarth, Shaw, Fairweather & Geraldson, Chi-

cago. He bases this prediction on careful reading of current publications dealing with tax matters.

The primary objective of executive compensation must be savings on tax costs because of the high taxes faced by those in upper income brackets. Inflation is another impetus toward receiving income now, said Charles G. Thacher, senior vp and actuary, S. M. Hyman Co.

CASH MAY also be preferred because of the recent pension legislation, which limits the yearly pension under a defined benefit plan to \$75,000, said Mr. Thacher. If an executive retires at 55, he has an actuarial potential of receiving \$2 million over the rest

of his life, but if he retires at 65, that amount may be reduced to \$1.5 million, Mr. Thacher said.

"Even if the executive received a total of 10% more when he retired, it would mean that each year he worked past 55 increased his pension by only one percent," he said.

More cash payments will create a need for another kind of compensation: financial counseling, Mr. Thacher said.

Executives do not have the time to do their own financial planning because of the demands of their job, the complexity of tax laws and the difficulty in finding competent advisors, said Mr. Thacher.

Financial counseling may also

be provided because competitors are doing it, he said.

However, many companies may not use this compensation because they feel it amounts to meddling in the executives' personal affairs. Also, the company may be held liable for any bad advice that is given, he said.

FINANCIAL counseling usually includes advice on estate planning, tax shelters, investments and insurance. Also, the company advisor may help the executive decide what compensation options he should take.

The cost for this service may range from \$2,500 to \$5,000 per executive plus any additional legal, commission or other expenses, according to Mr. Thacher. Many executives are required to pick up part of the fee, he said, which is usually 30% to 40% of the initial fee during follow-up years.

Mr. Thacher quoted a survey

of the Fortune 500 which said that 30% of those responding (80 out of 269) had an executive financial counseling program and 24 more companies were considering it.

Most of the companies that have the program are in the upper half of the Fortune 500, he said. The average company cost for the program is \$38,000 per year, with a high of \$150,000, he added. Most of the firms limited participation to executives making over \$50,000 a year.

S&L firms getting into insurance

SEATTLE—Savings and loan firms are continuing to enter the insurance business, in the wake of Federal Home Loan Bank authorization last year for thrift houses to form service corporations for entering other areas of business.

One of the latest S&Ls to join this trend with a multiple line insurance agency is Seattle's Metropolitan Federal Savings & Loan Assn. "Other S&Ls have chosen to get into fields such as property management. We thought we'd try insurance since it is too closely related to financial matters," says James M. Tomich, manager of Metropolitan Federal's new subsidiary, Metropolitan Statewide Service Co., which opened its doors in September.

Metropolitan will act as agent for carriers including Safeco, Uniguard, American States, Continental, National Auto and Casualty and Hartford. Rates will be comparable to those offered by other agents.

MR. TOMICH says it will take about a year for his firm to glean enough experience and data to know which lines to place future focus on, although now, "emphasis is on individual and personal lines," he said. "But we could change our direction after a year of evaluation." Other lines include auto, homeowners, commercial, mortgage disability, individual life, etc.

"We view this as part of the total package we can offer through our savings and loan operations," says Mr. Tomich. "A service tie-in is the key." Many of the S&L's present customers and clients are potential insurance users, he says, but adds that marketing to these existing clients will be "subtle."

Initially, the program will be offered only in the Seattle area where Metropolitan Federal has six branches. "Our goal, though, is to eventually carry the program statewide," Mr. Tomich says.

Plans for the new subsidiary began in January, 1974, and Mr. Tomich came aboard as manager in August. Officers and directors of the subsidiary include Judson S. Shorett, chairman and president; Ferris L. Dracobly, executive vp; Richard H. Shorett Jr., vp; J. P. Firnstahl, vp; and Glenn O. Fykerrud, secretary-treasurer.

Mr. Tomich said that in setting up the program, Met Fed officials were influenced more by the bank's guidelines than by the example of other S&Ls which have set up similar programs.

NAII membership

Three companies have been accepted into membership by the National Assn. of Independent Insurers (NAII). They are: American Fidelity Fire Insurance Co., Woodbury, N.Y.; Midland Mutual Insurance Co., Juneau, Wi. and Western World Insurance Co., N.J.

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Survey . . .

Continued from page 28

For the firms with assets under \$1 billion, the range of staff/administration budgets was \$10,000 to \$240,000. Annual premiums paid by these firms ranged from \$159,000 to \$15 million for a firm which included pension costs.

These firms with smaller assets, had an average staff/administration budget of \$97,568; the median was \$85,000. Average premiums paid were \$3.3 million, and the average staff/administration budget as a percent of premiums was 4.2%.

The only discernible relationship between these figures seems to be between staff/administration budget as a percent of premiums related to asset size. Of the 11 firms with the lowest staff/administration budgets as a percent of premiums, all but two were firms with over \$1 billion in as-

sets. The range of their staff/administration budgets was 0.14% of annual property/casualty premiums to 1.5% of annual premiums.

And of the 11 firms having the highest staff/administration costs as percentage of premiums, all but two were companies with less than \$1 billion in assets. The range of their administrative costs was from 5.3% of annual premiums for a business machine manufacturer and distributor, to 16.7% for a textile manufacturer.

For all companies responding, staff/administration costs averaged 3.54% of total annual property/casualty premiums. (see table on page 27.)

Spending for insurance policies

Seventy-six companies provided *Business Insurance* with their figures on annual cost of property and casualty insurance, and another 56 companies told what

they pay in annual group insurance premiums.

Premium costs for property and casualty coverages ranged from a low of \$50,000 a year to a high of \$20 million. The average annual property/casualty premium cost for all firms reporting was \$3.7 million. For the firms with assets over \$1 billion, the average was higher, at \$5.25 million a year, while it was only \$2.23 million for firms with assets of less than \$1 billion.

Annual group insurance premium costs ranged from a low of \$29,000 to a high of \$280 million. The average for all companies was \$8.58 million a year although, again, there was a wide gap between the average for the largest firms (\$13.43 million) and the average for firms with assets under \$1 billion (\$4.06 million).

In most cases, group insurance coverages were shown to be substantially larger than property/casualty coverages for the firms

with assets over \$1 billion. Twenty-one out of 26 of the biggest firms indicated that at least 30% more is spent, and in one case 12 times more, for group coverages.

Of the 30 smaller firms providing information on group and property/casualty coverages, 19 showed they spend the same to 15 times as much on group insurance as on property/casualty.

The highest-paid risk managers for both groups of corporations were, without exception, with the firms having the highest property/casualty premiums annually. The two biggest risk management departments, both in firms having assets over \$1 billion, were in a firm paying \$8 million a year for property/casualty (excluding marine coverage), and \$17 million a year for group policies; and an air transportation firm paying \$16 million a year (including self-insurance costs) for property casualty and \$30 million a year (plus pensions) for group coverages.

Self-insurance

Seventy of the companies answering the questionnaire said they self-insure against one or more risks; 10 said they do not self-insure anything.

The most frequently mentioned area of self-insurance was workers' compensation (29 responses), and the vast majority said they have self-insured in this area for two and a half years or more.

Nineteen said auto physical damage is self-insured. Most firms have operated this way for five to 25 years, and only one company noted that a change was made within the last year.

Nearly half of the respondents said property and casualty risks are self-insured to the extent that the companies are using deductibles. One company specifically noted a move to \$50,000-\$100,000 deductibles in casualty areas.

Two firms said they are self-insuring aircraft and aviation products. Three others mentioned self-insurance against fidelity losses. Five firms noted they self-insure against crime losses.

Four self-insure against marine losses. One noted a move to self-insurance of computer liability.

Use of captives

Of the 81 firms answering this question, an overwhelming 83% (67 respondents) said they do not have a captive. Fourteen firms said they do have a captive insurance underwriting subsidiary. One firm with \$800 million in sales said it is considering starting a captive, and another in the \$1 billion-plus sales bracket said it is starting a captive.

Four companies with captives use their corporate insurance managers to manage the captive; other captives are managed by captive management companies or outside consultants (4), managers in Bermuda (1), the president of a subsidiary insurance company (2), and the manager of a subsidiary insurance agency (1).

Risk managers' history

Risk and insurance managers are, apparently, very loyal and very steadfast. Firms in the over-\$1 billion assets group said their risk managers have been with the company as long as 40 years, with the average length of time at the firm nudging 12 years.

Firms in the second group said risk managers have been somewhat more mobile, ranging from two months to 30 years with the firm, and averaging five and a half years. The median is a lower three and a half years.

Out of 77 firms responding to this question, 34 said the risk manager has been with the company six years or less. Some 23 of those joined the company at the risk manager level.

Where did these risk managers come from? From outside the company, said 40% of the corporations. Six specifically mentioned the risk manager came from an outside underwriter, and another five noted the risk manager came from an insurance brokerage firm.

Risk managers also came from financial departments within the company (25%). Another 17% were already in the insurance department, and moved up. A few came from manufacturing, operations, sales, employee relations, industrial or employee benefits.

Based on what corporate executives now have in mind for risk managers, they would consider ideal an education in risk management, insurance, general business, accounting/finance or law, (in that order). They would seek a job history which includes risk management, insurance brokerage, underwriting, or accounting/finance (in the order of their importance). ■

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Saxbe warns of federal no-fault if states don't act

MIAMI—Attorney General William Saxbe has endorsed nationwide adoption of no-fault auto insurance plans and encouraged exploration of a no-fault system for product defect law suits.

Mr. Saxbe did not, however, endorse any of the federal no-fault insurance bills now pending in Congress, particularly the Senate-passed National No-Fault Motor Vehicle Insurance Act, because of administration concern that they may be unconstitutional.

Speaking to the Life Insurance Marketing and Research Association, he warned that if the states do not move quickly on their own no-fault programs, "I have little doubt the federal government some day will create a bill that is constitutional.

"The states will thus have lost another important initiative," he said.

A JUSTICE department spokesman said Mr. Saxbe was speaking, not on his own behalf, but for the administration. His remarks had been cleared through the White House Office of Management and Budget.

The White House repeated what it said last month (*Business Insurance*, Oct. 14, 1974): President Ford favors the no-fault concept, but does not favor federal legislative action.

Mr. Saxbe, however, spelled out what he saw as one benefit that would be forthcoming under a national no-fault auto plan.

"No one can predict the impact of a nationwide no-fault insurance system," he said. "But one benefit is seen in one of the 13 states that have enacted such laws.

"In Massachusetts, prior to its no-fault law enacted Jan. 1, 1971, two-thirds of the civil suits in the state superior courts were motor vehicle damage disputes.

"The impact of the Massachusetts no-fault legislation was dramatic—a drop in auto liability cases of from 40% to 60% in superior courts in a six month period.

"SIMILAR RESULTS might be achieved in other states under a nationwide no-fault system. The implications seem quite clear: No-fault insurance coverage would eliminate a major burden on the civil dockets of the nation's courts, and free judicial resources to deal more effectively with pressing criminal case loads," he said.

He also said the no-fault plans could aid in the fight against inflation by eliminating expenses for legal proceedings connected with proving liability.

"My overall view is that no-fault automobile insurance enacted nationwide would result in greater industry efficiency, savings to the consumer, and savings to the taxpayer," he said.

Mr. Saxbe pointed out that a new problem is developing, however, that could well negate the bonuses of no-fault auto plans. That is the growing number of product liability cases in the courts, and he said these, too, could be amenable to a no-fault approach.

"In the past year, civil cases filed under the Consumer Protection Act more than doubled—and with few exceptions, these cases involved damages incurred by consumers from defective products," he said.

"With consumer advocacy increasing, the implications for federal and state court resources seem clear. It does no good to institute no-fault automobile insurance just to have the benefits of such action eliminated by an

increase in the number of civil suits in other areas."

MR. SAXBE suggested a no-fault proposal of University of Illinois professor Jeffrey O'Connell, under which insurance buyers could elect whether or not to subject their product liability claims to no-fault proceedings.

"Should producers feel that a no-fault payment plan would be too costly, they could continue using the present system," he said.

"What producers presumably would weigh in deciding whether to choose the no-fault package is the cost of the system. If an industry gets only infrequent,

large complaints, contesting them through litigation would probably cost less than paying slightly lower claims automatically.

"On the other hand, if an industry were subjected to many small claims, it might be cheaper to pay under the no-fault plan. Under this system, a firm could select no-fault for a portion of claims, the small ones, and leave the large ones to litigation. Innovative thinking like this is needed—especially in the area of product liability."

He cautioned that "I do not suggest that no-fault systems are a panacea. The concept does have its critics, and the proposed systems do have their problems.

"But proposals for extending no-fault insurance coverage to areas other than motor vehicle liability should be explored," he said.

It appears that the Ford Administration will not be confronted this year with a decision to accept or veto a federal no-fault auto insurance bill.

LEGISLATION IS now bottled up in the commerce and finance subcommittee of the House Interstate and foreign commerce committee. And it is likely to stay there, according to one House expert on the legislation.

"I don't think it looks too promising right now," the staff

man told *Business Insurance*. "This is a major untested piece of legislation that has not even been considered by the subcommittee yet."

With only six weeks in the current "lame duck" session that starts this week, he said the committee has seven other bills already in conference.

Additionally, there is H.R. 5050, the bill to establish a central securities market, now pending before the full House, which will undoubtedly require still more time from committee members, who authored the legislation.

Chances for House action next year on a federal no-fault bill appear good, however. ■



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Benefits competition is underway Jan. 1

CHICAGO—The third annual Employe Benefits Communications Awards Competition sponsored by *Business Insurance* will be underway Jan. 1, when entries will be accepted.

Awards will be presented at a special luncheon during the American Society of Insurance Management 1975 risk management and employe benefits conference next spring in Dallas.

The competition is open to employers and others involved in the communications process. This includes employe benefits consultants who will be recognized for their work on behalf of clients.

Entries may be submitted in one or more of four categories: Booklets, personal communica-

tions such as letters and statements, audio-visual materials, and a total communications program. A total program entry may be a combination of any or all of the other three categories, or any additional elements necessary to communicate benefits.

Judging will be done by a panel of communications experts, chosen by *Business Insurance*. They will not necessarily be involved in the communication of employe benefits.

Awards will be made based on graphic appeal, effectiveness of copy, the amount of information provided, continuity of communications, and the use of innovative techniques in communicating the company benefits.

Entries may be submitted any time after Jan. 1, and before Feb. 24. Presentation of awards is scheduled for Tuesday, Apr. 22 at the ASIM conference in Dallas.

Entry blanks, rules and other materials about the competition are available by sending in the coupon on this page.

Names of judges for the 1975 competition will be announced at a later date.

Institute is publicizing industry plight

NEW YORK—Inflation's impact on the property and casualty market is being dramatized by insurance industry spokesmen in a film shown at 40 special inflation briefings sponsored by the Insurance Information Institute in various parts of the country.

The film stresses the need for "adequate rates" to ease the effects of "unrelenting inflation" on the property-liability insurance business, and features statements by four major insurance company officers.

John H. Washburn, chairman of The Home Insurance Co. observed that property and liability underwriters have found themselves "caught between inadequate rates to pay rising claims costs and a dwindling surplus that threatens our capacity to provide a full market."

Frank E. Raab, president of Insurance Co. of North America, pointed out that a healthy rate environment is necessary.

"We in the insurance industry are basically middlemen," he said, "When we pay out claims, we have to have enough rates and premiums to cover these claims . . . inflation is the culprit."

RATES ARE directly affected by inflation because of the very nature of the pricing process, said Waverly Smith, president and chief executive of St. Paul Fire & Marine Insurance Co.

"A rate that is considered totally adequate now—and many are not—may quickly become inadequate during the term of the policy," Mr. Smith noted. "If there is a gap between the underwriting experience of yesterday and the reality of today's economy climate the result is inadequate pricing."

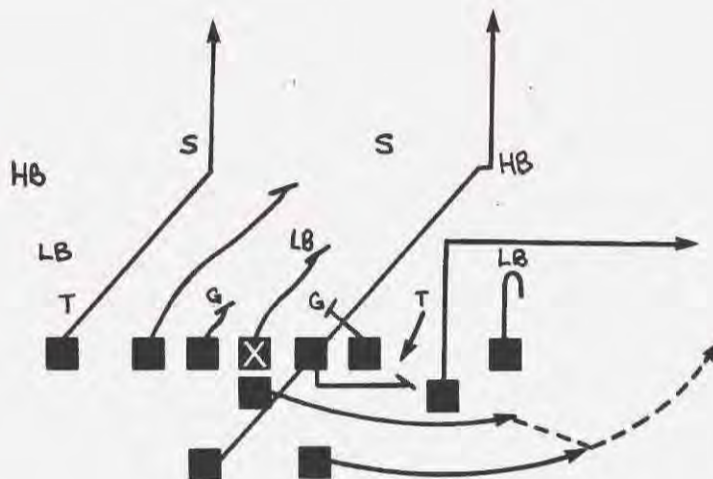
He urged the insurance industry to:

- Gather experience data faster and take action on it quicker.
- Make sure rates cover not only the current level of inflation but also the forecasted inflationary trend.
- Design long-term contracts responsive to rising costs.
- Communicate the need for insurance to value for property coverage.
- Be sure deductibles are adequate.
- Work for more competitive rating laws to enable insurers to quickly adjust prices, either upwards or downward, as dictated by economic and market conditions.

Herbert P. Schoen, president and chief executive of Hartford Insurance Co., said it is up to the insurance consumer, insurance companies and insurance regulators to understand that the industry must be able to charge a rate commensurate with the losses which have to be paid.

"The price of our product cannot be held immune from the ravages of increasing costs," he said, "nor can our dwindling surpluses be deemed a substitute for an adequate rate for the insurance we afford."

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ABA members offered new disability benefits

CHICAGO—American Bar Assn. members are being offered an additional \$440 in monthly disability benefits protection for \$3 more in premium under the newly revamped income protection program of the American Bar Endowment (ABE).

At the same time, their hospitalization indemnification program is expanded to allow members up to \$80 a day for benefits instead of the former \$20 to \$40 a day allowance. Current participants can upgrade their coverage without submitting evidence of insurability.

Mutual of Omaha has been the underwriter of the ABE's insurance programs "for five or six years," according to Richard S. Breiner, administrator of ABE. It is a mass marketed form of coverage available to other professional groups, he explained.

"They're making no concessions," he said, in offering the additional coverage at a low price. "We've had good experience up to now and we're passing it on to bar members."

APPROXIMATELY 16,000 to 18,000 individuals are currently enrolled in the income protection program and are covered for an average of \$600 a month in disability benefits, according to Mr. Breiner.

The income protection plan, which reimburses a lawyer for periods of disability in which he cannot work (after certain waiting periods), has been altered to grant, for example, \$1,440 in monthly benefits at a semi-annual cost of \$108. Previously, a member with \$1,000 in monthly disability benefits paid a semi-annual premium of \$105.

The hospitalization indemnification plan is available to all bar members without age limitation, according to Mr. Breiner. The income protection insurance is available to all members under 60 years old.

The ABE's prime purpose, explained Mr. Breiner, is to solicit contributions from insurance programs to make grants to non-

profit legal groups. Any forthcoming dividends as a result of good loss experience are payable to the ABE, he said. "Members sign a waiver automatically when they apply," he added.

In fiscal 1974, Mr. Breiner said the ABE awarded grants in the amount of \$3.5 million. The total grants from ABE are in excess of \$16 million, he said.

The insurance programs are the primary source of the grants, Mr. Breiner explained. "But we're also the recipient of grants through wills occasionally."

Mr. Breiner said all billing, collection and promotion for the programs was handled in the Chicago office of the ABE. Claims are processed by Mutual of Omaha. ■



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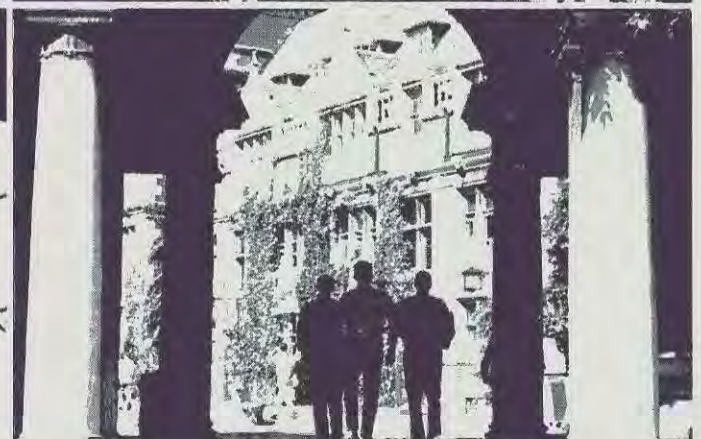
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What do they all have working for them?



Malpractice is not limited by law: Judge

SPOKANE—The Washington State court of appeals, division III, has remanded back to the Spokane County superior court a malpractice suit against Rockwood Clinic, Spokane, and two physicians.

Appeals judges ruled Donald N. Olson, superior court judge was wrong when he dismissed the suit because he determined it violated the statute of limitations.

Claude T. Yerkes sought damages from the clinic and Drs. E.V. Johnston and Rex T. Hoffmeister for alleged failure on their part to inform him of what "certain procedures and treatment" would mean to his physical well being.

Though the surgery in question was performed in 1965, plaintiff did not file action until 1972. Judge Olson ruled that violated the three-year statutory limitation on suits of that nature.

But the appellate court held the statute of limitations in malpractice cases begins to run when the injured party becomes aware of the alleged negligent conduct. That did not occur in Mr. Yerkes' case until 1970.

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labor beat

Benefits not key issue in white collar union effort, but will be in future

NEW YORK—Office and technical employees at the University of Michigan moved to unionize in what may be the largest single unit white-collar victory for the United Automobile, Aerospace and Agricultural Employment Workers of America (UAW).

Although the movement was not significantly based on increased fringe benefits, improvements in this area will be coming in future negotiations between the university and the union.

Through the secret ballot elec-

tion conducted by the Michigan Employment Relations Commission, 1,114 employees voted for unionization, 920 for no union and 127 challenged the move.

"This is by far the largest single white-collar organizing victory I can recall," Douglas Fraser, director of the UAW's Technical, Office and Professional (TOP) organizing department, said.

The UAW slogan for the white-collar workers throughout the year-long campaign was "catch up, keep up and get ahead".

Toward the end of the campaign job security became an issue of debate. The governor of Michigan spoke about budget cuts at the university which would result in lay-offs of a number of technical and clerical employees. The UAW is promising some improvements in this area.

BEFORE WHITE-COLLAR employees will see any benefit improvements, however, the UAW must familiarize itself with present plans.

"The UAW will have to get plans that the university sets and then see if they meet the standards. Are benefit levels equitable? Are they getting the most out of the plan for what's invested?" said Hubert Emerick of the TOP organizing department.

But, the first move is "to organize a local union and decide what the demands are going to be and set the priorities," he added.

The thrust of the white-collar workers' frustration is "simply the clericals' feelings of inflation. They were not getting their share of the pie, not in fact meeting the cost of living," the University of Michigan's personnel director William Neff told *Business Insurance*.

"The UAW had little to criticize in the benefit area," William Neff said, adding that "we're competing with a General Motors, UAW type of benefit program." Hot issues to be debated in fu-

ture negotiations will be dental plans and prescription drugs, according to Don Thiel, manager of staff benefits at the university.

"Dental plans will be negotiated. It's a very expensive proposition, but it'll be on the table, I'm sure," he presumed.

THE ONLY problem the benefits manager foresees in future negotiations is "probably our health insurance. We stack up pretty well in other benefit areas."

As a matter of fact, the university benefit program was cited in a study conducted by the University of Missouri as one of the top university benefit plans around.

The white-collar employees (under the university's plan) are entitled to 365 days in the hospital under the Blue Cross-Blue Shield Plan.

On top of that is a major medical plan with a limit of \$50,000. There are hopes that come Dec. 1, the limit will be raised to \$250,000.

The plan is subject to a \$100 deductible. The employee is reimbursed for 80% of expenses up until \$5,000. Anything above that limit is absorbed by the university.

Employees at the university are also entitled to both short and long-term disability benefits.

Under the short-term plan, employees are entitled to accumulate one sick day per month, with a maximum 150 days per year.

Automatic long-term disability coverage is given an employee after five years of service. There is no employee contribution. The plan pays the employee 50% of his pay for both mental and physical disabilities, the benefit manager said.

MAXIMUM BENEFITS under the long-term disability coverage is \$1,000 per month. This is integrated with Social Security benefits. The employee, cannot receive more than 75% of pay between the two plans.

Employees also carry life insurance under a contributory plan. Under age 40 the life benefit pays three times salary. Between the ages of 40-49 the benefit pays two and one-half times pay. From age 50-65, the insurance pays two times salary.

Both health and life insurance benefits continue through retirement, Mr. Thiel said.

White collar employees also receive vacation time. During the first five years of employment, the worker receives one vacation day per month. Between five to eight years the worker receives one and one-half days per month. After eight years of service, two days per month are given.

During the year, employees are paid for nine holidays.

They are covered under a travel/accident policy. The limit under this policy is \$50,000.

In addition, employees are permitted three days off to make funeral arrangements, in case of a death in the family.

The retirement system is comprehensive.

"It was held up as a model plan under the new pension law. It's very flexible. If they leave, they take the plan with them. It's portable," the benefit manager told *Business Insurance*.

Elect assn. officers

John R. Walbridge, Insurance Co. of North America, was elected chairman of the Cargo Reinsurance Assn. He succeeds Walter G. Perry, Fireman's Fund American Insurance Cos. Mark Wei, Chubb & Son was elected vice chairman. The Cargo Reinsurance Assn. was founded in 1965 to reinsure ocean marine cargo risk.

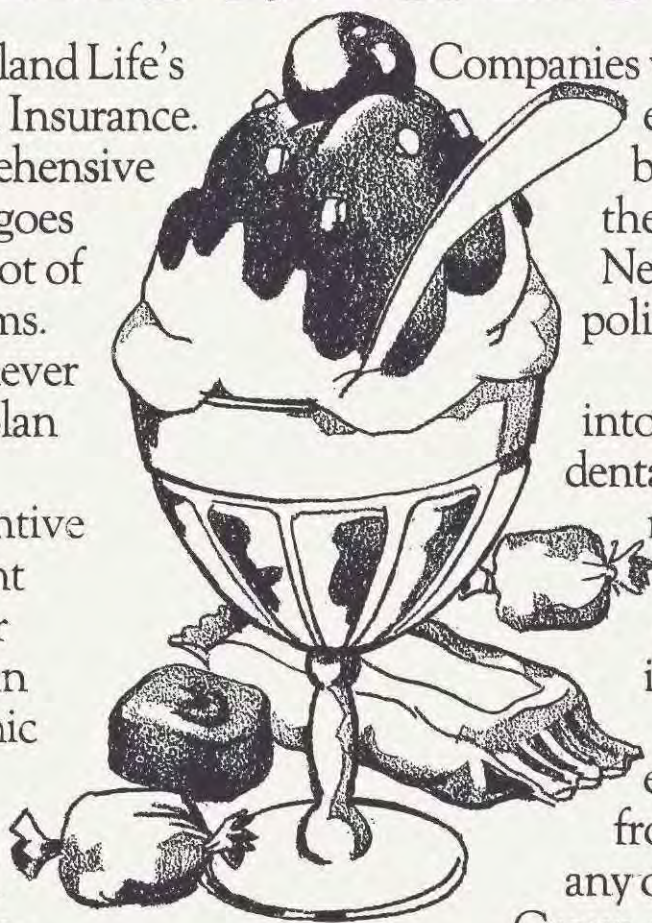
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Utility self-insured for bomb blasts by 'J. Hawker'

PORTLAND—The recent arrest and guilty pleas by two suspects ended a standoff between the Bonneville Power Administration and extortionists who threatened to black out the Portland area by dynamiting transmission line towers unless officials paid \$1 million.

The trouble began in late September when "J. Hawker" began a series of systematic explosions which damaged 11 BPA towers. All were within a 100-mile radius of Portland's 385,000 citizens, but no serious power outages resulted. Unexploded bombs were found on three of the other 65-foot towers.

Jayhawker was the name given anti-slavery guerillas in Kansas and Missouri during the Civil War.

In mid-October, J. Hawker made the \$1 million extortion demand. But instead, the BPA offered a \$100,000 reward for information leading to Hawker's capture and conviction, and refused to pay the extortion money, afraid it would set off a series of similar demands to other power companies. No bombs have since exploded, but the BPA's stubborn resistance is costly: officials estimate it's paying \$20,000 a day in added security.

GEORGE TUPPER, BPA area manager in Seattle, says it will cost about \$250,000 to repair or replace the damaged towers. "The extortionist only blew holes in some and the structures remained intact, so for those, it was a matter of repairing small breaks. But the lines were temporarily down on four others."

Even so, Mr. Tupper says this damage is less than that incurred during a Columbus Day, 1962, storm "when millions of dollars worth of power lines were down in the Northwest."

As an arm of the U.S. Department of the Interior, BPA, like many other governmental agencies, is self-insured. "We have 12,500 miles of transmission lines. Even if we found an insurance company that would be willing to insure us, can you imagine what

County won't manage flood risks; aid cut

WASHINGTON—A North Dakota county's inability to manage its flood risks forced the federal government to rule that 20,000 residents in 50 townships are no longer eligible for federal flood insurance.

Cass County, North Dakota, had been in the flood insurance program since March, 1971. But they were unable to adopt flood plain management measures on a county-wide basis, as the government requires.

The Federal Insurance Administration, which administers the program, froze the issuance of any new policies on Oct. 1. The coverage is designed for homeowners and small businessmen unable to purchase flood protection from commercial underwriters.

Individual townships will have to demonstrate their flood control management ability in order to obtain eligibility for residents because of the failure of the county officials, the government said.

Once eligible for the coverage, residents will have to purchase it for buildings in defined flood prone areas as a condition of federal financial assistance for construction purposes. ■

a huge premium an insurer would charge for that coverage, figuring we could potentially have huge losses?" says Mr. Tupper.

Mr. Tupper says that the BPA normally has "around \$100,000 a year in continual damage, caused by vandalism, wind, hunters shooting out transformers, etc.

"THE DAMAGE costs come out of special reserves and revenue," he says, "but since this extortion damage is a precedent, it is too early yet to tell what it will do to our potential reserve needs. This may mean that we will have to have greater reserves on hand. And incidents like this will eventually have an effect on our cost of doing business, since more people will be involved in guarding our lines and property."

Part of these extra protection

measures are now being used because the extortionist has threatened to start a fire in the BPA watershed. But officials say that since the BPA self insures, that if the \$100,000 reward is paid, it will either come out of their reserves or revenues.


Mr. Tupper notes that of the lines recently damaged by the explosions, the "typical high voltage tower contains about \$20,000 in steel alone, with about another \$25,000 in wire, hardware, insulators, etc. Then, actual construction costs come to another \$25,000 per structure, so we're talking about \$75,000 total costs when a tower is destroyed." Since the steel is on special order, "it could take a long time before these towers are in full, permanent operation. Until we get the replacement steel, we build a wood

pole structure and make do," says Mr. Tupper.

DON HODEL, administrator of the federally owned utility, notes that "if they (the extortionists) are determined to do it, they could knock out power to Portland and

the nearby vicinity." But he has warned hospitals and other institutions to check their emergency generating systems.

BPA produces power for industry, but its lines are used by private utilities to get power from generating facilities into the city. ■



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For reasons like these, USAIG believes in and only works through licensed insurance agents and brokers in arranging aviation coverages. This doesn't mean we'll always write your business, but it guarantees you — the Insured — the best all around protection and service money can buy.

So, next time you need aviation insurance, check with your local agent. And while you're at it, ask him about the USAIG 360° protection plan — it's a lot more than just another insurance policy.

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Term now applies to all with discretionary powers

Pension reform law defines fiduciary obligations

This is the third of a series of articles on the impact of the Employee Retirement Income Security Act of 1974. Others will look at actuarial and funding changes and communications and disclosure provisions. Because of its value to financial and benefits managers, the series is being run in Business Insurance and its sister publication, Pensions & Investments.

By NEIL A. BURGER
vp, Martin E. Segal & Co.,
New York

Prior to the Employee Retirement Income Security Act of 1974 there was no comprehensive uniform federal standard for fiduciary

conduct related specifically to the establishment and maintenance of various types of employee benefit plans.

There have always been some standards to control the conduct of fiduciaries in each state. In some cases this was solely the applicability of the common law; in others it was a combination of common law and state statutes dealing specifically with fiduciary and trustee standards, such as the Estates Powers and Trust Law in New York; and in a few states fiduciary conduct was controlled within the framework of the common law, specific state fiduciary statutes, plus statutory law related specifically to employee bene-

fits—such as the law governing reporting and disclosure in New York and several other states. And, since 1958 there has been the Federal Welfare and Pension Plans Disclosure Act which, although principally regulated reporting and disclosure, had some regulation over fiduciary standards.

All of these things—the general fiduciary statutes, specific regulatory reporting and disclosure statutes and the prior federal statute—are pre-empted by the new act. Even the common law to a great extent has been derogated by the new law, although we may find in some instances that it will be used as precedent for law suits that will be brought under the act. However, the primary measure of a fiduciary's duties and responsibilities in the operation of employee benefit plans will be the new law. (Naturally, generally applicable criminal statutes as for forgery or embezzlement are still applicable).

CERTAINLY THE most significant provisions of the act are those that are concerned with vesting, funding and termination insurance. Clearly, these provisions will have the most impact because, in the case of many plans, they will result in a sizeable increase in cost. But in terms of the day-to-day operation of plans, the provisions concerned with fiduciary responsibility will probably prove to be more troublesome.

Most of the new legislation is concerned with safeguarding pensions against the usual hazards of the marketplace—such as loss of pension rights due to termination of employment, or loss of financial ability to support the plan. The

fiduciary sections are aimed at safeguarding pension and welfare funds from losses resulting from malfeasance and misfeasance, or even imprudent, though honest, error.

THE ACT broadly defines a "fiduciary" as a person who exercises any discretionary authority or control over the administration or the management of a plan, or exercises any authority or control over the management or disposition of the plan's assets, or renders investment advice for a fee or other compensation, or has any authority or responsibility to do so. The term person in this case includes, in addition to natural persons, corporations, partnerships and like organizations.

To identify all of the fiduciaries affiliated with a classically organized multi-employer, collectively bargained pension plan should not be a difficult task in most cases. The trustees and any administrator who has any discretionary authority obviously are fiduciaries. Identifying all of the fiduciaries of a single employer plan might be more difficult, particularly in the case of large conglomerate organizations in which the parent company sponsors a single plan for many subsidiary companies but where the administration of the plan for each subsidiary's participation is handled at the local level or where each subsidiary sponsors its own plan but the financial control of the plan rests with the parent. It is possible in these cases that fiduciaries for a particular plan might be found in the parent company as well as at subsidiary company levels.

More specifically, the term fiduciary not only includes the trustee under the plan but also

the members of the pension committee, retirement board or other group who administer the plan, possibly the company's director of personnel or controller, if they have discretionary authority with respect to the plan, any investment committee which has the power to direct plan investments and investment advisers. Additionally, the individuals who have the power to appoint or remove any of the foregoing, such as the company's board of directors, appear to be fiduciaries and are subject to the duties and liabilities of the act in exercising these powers. Because of the broad scope of the term fiduciary and the associated responsibilities and liabilities, companies may want to review their procedures related to the administration of pension plans to limit individuals with discretionary powers.

THE GENERAL standard that controlled fiduciary conduct under the old law was the so-called "prudent man rule." This rule, which stems from the common law, was always quite vague and subject to various interpretations when applied to a specific set of circumstances. The law codifies and extends the prudent man rule. The rule requires that a fiduciary act "with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." Because the rule requires that a fiduciary act with the care and skill of a prudent man familiar with such matters, the rule has been described probably more accurately as the "prudent expert" rule. The implication is that the rule now requires a higher standard of conduct than in the past.

One of the most immediately obvious areas where the prudent man rule will come into play is in the investment of a plan's assets. The law implies that diversification of investments is one of the precepts of the prudence standard. Diversification is required so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. Although the law does not generally require or prohibit investment in any particular medium, it does restrict to 10% of the plan's assets investments in the sponsoring or a contributing employer's securities and in real estate to be leased to the employer.

THE ACT ENUMERATES certain prohibited transactions. Generally, a fiduciary is prohibited from dealing with the plan in any way in his self-interest, except as a participant or beneficiary receiving the same benefits provided all other beneficiaries. More specifically, a fiduciary is prohibited from:

- Dealing with the assets of the plan in his own interest or for his own account.
- Representing anyone who stands to gain from doing business in connection with the plan.
- Receiving any money or other consideration from someone who does business in connection with the plan.
- Permitting a transaction between the plan and any party-in-interest—a party-in-interest includes any fiduciary, person providing services to the plan, an employer who has employees parti-

Continued on page 41

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Continued from page 40

participating in the plan, and any officer or owner of the employing company or firm, a union which has members participating in the plan, and any relative of any of the foregoing individuals from:

- Selling or buying anything or receiving a gift from a party-in-interest.
- Allowing the plan to lend money or any other asset to a party-in-interest.
- Allowing the plan to buy, sell, exchange or lease property to or from a party-in-interest.

There are provisions in the law that allow for exceptions from prohibited transactions under certain limited circumstances.

One of the more interesting aspects of the law is that it not only establishes a liability for losses that result from the personal acts or commissions of a fiduciary, but that it also creates a liability for the losses that occur from the acts or omissions of a co-fiduciary. A fiduciary is charged with the responsibility of assuring that no co-fiduciary breaches his obligations, but if he does, he is expected to take affirmative action to correct the breach. Of course, any fiduciary who participates in a breach with a co-fiduciary, or attempts to conceal a breach of a co-fiduciary, would himself be liable.

FIDUCIARIES who breach any of their obligations under the new law are personally liable to the plan for losses resulting from the breach and for profits made through the use of plan assets and are subject to other appropriate equitable relief, such as removal.

Parties-in-interest who participate in prohibited transactions are subject to a 5% excise tax on the amounts involved in the transaction. If the transaction is not corrected in a timely manner following notice from the U.S. secretary of labor, a party-in-interest is subject to a 100% excise tax on the amount involved.

Many plans, or their related trust agreements, provided for the legal defense of fiduciaries when they are sued personally, rather than as representatives of the plan. Moreover, trust documents frequently contain exculpatory provisions that relieve a fiduciary from personal liability for losses that result from his acts, short of gross negligence or dishonesty. So until now, a trustee or member of the pension committee, for example, could feel reasonably confident that, having exercised reasonable care in making a decision, or relying on the advice of an attorney, accountant, consultant, or investment adviser, he would not be personally liable if that decision resulted in a loss to the plan. The new act dramatically changes this. Exculpatory clauses are explicitly void under the law.

In view of this change, the question naturally arises as to how a fiduciary can limit his personal liability. First, the law permits a fiduciary to delegate his responsibilities for managing the investment of a plan's assets to an investment manager. In this case, the fiduciary would not be held liable for losses sustained by the investment manager provided that

the manager is properly and prudently chosen and his performance is under continuing review by the delegating fiduciary. Allocation of other specific responsibilities and duties among co-fiduciaries is also permissible under the law and may be an effective means of limiting the liability.

SECONDLY, and perhaps more importantly, the law permits the purchase of insurance to insulate the fiduciary against personal liability. A fiduciary may personally purchase insurance to cover his liability; an employer, union, or association may purchase insurance to cover fiduciaries; or insurance may be purchased out of plan assets to cover the plan for losses that result from breaches by fiduciaries. However, if insurance is purchased by the plan, the policy must permit recourse or rights of subrogation against the fiduciary in case of a breach of a fiduciary obligation. Although this

would be effective in preserving the assets of the plan, it would seem of no value to the fiduciary to cover his personal liability.

A somewhat related topic is bonding. The bonding requirements of the Welfare and Pension Plans Disclosure Act have been carried over into the new law. Briefly, the law requires that every fiduciary and every person who handles the funds or property of an employee benefit plan is to be bonded in an amount that is equal to 10% of the funds handled, but not less than \$1,000, nor more than \$500,000.

One group of individuals whose business practices may be significantly affected by the new law are investment managers. Some claim that the exposure to personal liability for an investment manager under the new law is no greater than it was under the old law. There are compelling arguments against this position. First, the law establishes certain specific

standards for investments within which the investment manager is to act—for example, diversification of investments, restrictions on investing in an employer's securities, and the more rigid prudent man rule. As a result, many traditional business practices of financial institutions may now run afoul of these new standards.

SECONDLY, ONE might argue that the individual legal rights of a plan participant in relation to an investment manager have not increased under the new law; employees have always had the right to seek legal relief for the mismanagement of the funds of the plan in which they participate. But until now, there was no comprehensive uniform federal standard for fiduciary conduct related to the establishment and maintenance of employee benefit plans. The laws varied from state to state and it was difficult for an individual to clearly define his

rights. The new law defines these rights.

Perhaps even more significant is that the new law, having received such wide publicity, has made many employees feel that their rights have increased. This feeling alone may give more impetus to employees to litigate where investment decisions and practices are in question.

The provisions of the act relative to the fiduciary standards are generally effective Jan. 1, 1975. The applicability of certain sections, particularly those which require amendments to plans and trust agreements, can be postponed upon application to and approval by the secretary of labor, but the postponement may not go beyond January 1, 1976. ■

Mr. Burger joined Martin E. Segal in 1966. He is a graduate of Fordham University Law School and a member of the New York State Bar.



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Hall replaces Ingram

Asaph H. Hall will take over the burden of handling some of the nation's railroad safety problems as the new acting administrator of the Federal Railroad Administration. Mr. Hall replaces John W. Ingram, who resigned this fall to become president of the Rock Island railroad. Before joining the Transportation department in 1969, Mr. Hall spent 12 years with Westinghouse Electric Corp.

Banks advised to use blanket and package policies for their risks

CHICAGO—"Our experience is that very few banks—or most other companies for that matter—have an overall plan of insurance or risk management," according to Harry C. Anderson, president of Corporate Policyholders Counsel Inc., an independent insurance consulting firm.

"Banks often purchase insurance on a crisis basis," he told those attending the Bank Administration Institute's convention at the Palmer House recently.

"Obviously there is something wrong with this arrangement and it ought to be changed," he urged.

"The most obvious symptom is a large number of insurance policies," Mr. Anderson said. "Whenever we see (this) we can generally be certain that the program is unplanned and can be improved."

THE "BEST" insurance programs are those with the fewest policies (which) are broad and automatic," he stated. "The best coverage is generally simple and blanket in scope."

Another symptom of an unplanned program, Mr. Anderson said is inconsistency such as \$100,000 self-insured retention under a banker's bond but first dollar coverage for low loss exposures such as plate glass and automobile collision.

He presented results from a Bank Administration Institute survey of bank insurance to back up his conclusions.

Property insurance is not being handled in the most advantageous manner, Mr. Anderson said, because 25% of the banks responding to the survey said they use more than one broker for their fire and extended coverage in-

an accident, Mr. Anderson believes. "Over the years the insurance company is going to want approximately \$2.00 premium for every dollar of loss. This sort of dollar trading is uneconomic and should be avoided," Mr. Anderson said.

Commenting on directors and officers liability coverage for banks, Mr. Anderson said that "the market is competitive which serves to reduce cost and improve coverage." Any bank which attempts to attract outside directors to their board will feel increasing pressure to carry the insurance, he added.

"If you have not explored the market recently I suggest you do so," he urged.

"ONE OF THE greatest problems banks face in developing a sound coordinated plan of insurance is the broker problem," he said. "As long as the commission is split on the basis of deposits, banks are going to have serious problems with their insurance."

He called the practice of splitting commissions "archaic" and said banking associations should work on "abolishing . . . this pernicious practice" among brokers. "If different brokers are to be awarded business, make certain that they are awarded insurance only along natural insurance lines such as:

- all workmen's compensation, public liability and automobile insurance should be with one broker;
- all property lines should be with one broker;
- all bank bond coverages should be with one broker.

If one broker is to handle various lines of insurance and split his commission with others, make certain he retains enough commission so that he will have the necessary incentive to properly service the account, he said.

Instead of buying a policy as the need arises, the emphasis should be on developing an overall plan for treating risk. Unless this is done, he said, "the end result is usually an uncoordinated mish-mash of unrelated policies."

Mr. Anderson explained that the policy statement should then indicate what management considers to be the maximum uninsured loss that the bank can comfortably self-insure in any given year.

"THERE SHOULD be a clear understanding that the bank expects to absorb all normal year-in and year-out losses because to insure these losses would merely be "trading dollars" with the insurance company charging you for the privilege. "A bank can make better use of its money," he said.

He advised that banks make a careful inventory of all exposures that they are subject to. "After exposures are itemized they should be evaluated as to how frequently claims can be expected to occur, and, if they do occur, what the probable range of anticipated loss is. It should be a continuing effort since laws and bank operations are continually changing," he said.

"There can't be good risk management unless there is a good risk manager," Mr. Anderson said. "It's important for this person to have a good working knowledge of bank operations and be able to ask lots of questions rather than have a background of insurance experience," he said.

The risk manager should also play an important role in any bank program for security and safety since risk management is concerned with conservation of assets, whatever the assets might be, Mr. Anderson said.

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people

Clough named benefits chief at Fibreboard

Malcolm T. Clough was named manager of employee compensation and benefits for Fibreboard Corp., San Francisco. He replaces Shari Arnold, who left to join Boise Cascade Corp. as manager of salary administration. Mr. Clough was formerly a benefits consultant for Standard Oil Co. of Indiana, Chicago, in the employee benefits department.

John Roskopf was named insurance administrator for Chicago-based CF Industries, a large diversified chemical fertilizer manufacturer. His position is newly-created. He reports to Leo Milota, risk manager. Mr. Roskopf was formerly with the Chicago office of Johnson & Higgins as a junior account person.

Donald D. Dominski was named director of claim training for Employers Insurance of Wausau,

which he will add to his responsibilities as corporate insurance manager for the underwriter. He has been corporate insurance manager since 1969.

Cal B. Rosenbaum was elected corporate vp of risk management and insurance for Wometco Enterprises Inc., Miami, Fl. Mr. Rosenbaum was formerly director of corporate risk management and insurance, a position he has held since 1973. The board of directors' action was taken Nov. 4.

Lewis R. Pape was named manager of risk and insurance for Up-John Co., Kalamazoo, Mi. He replaces Dan McCoy, who left the company several months ago to join Super Valu Stores in Hopkins, Mn. as reported. Mr. Pape was formerly assistant manager of insurance.

Anthony J. Burlando was appointed administrator of corporate risk management for Joy Manufacturing Co., Pittsburgh, Pa. Mr. Burlando previously was senior account analyst for the property/casualty department of Travelers Insurance Co. Mr. Burlando's position is newly-created, and he will report to Thomas V. Hallett, corporate risk manager of the company.

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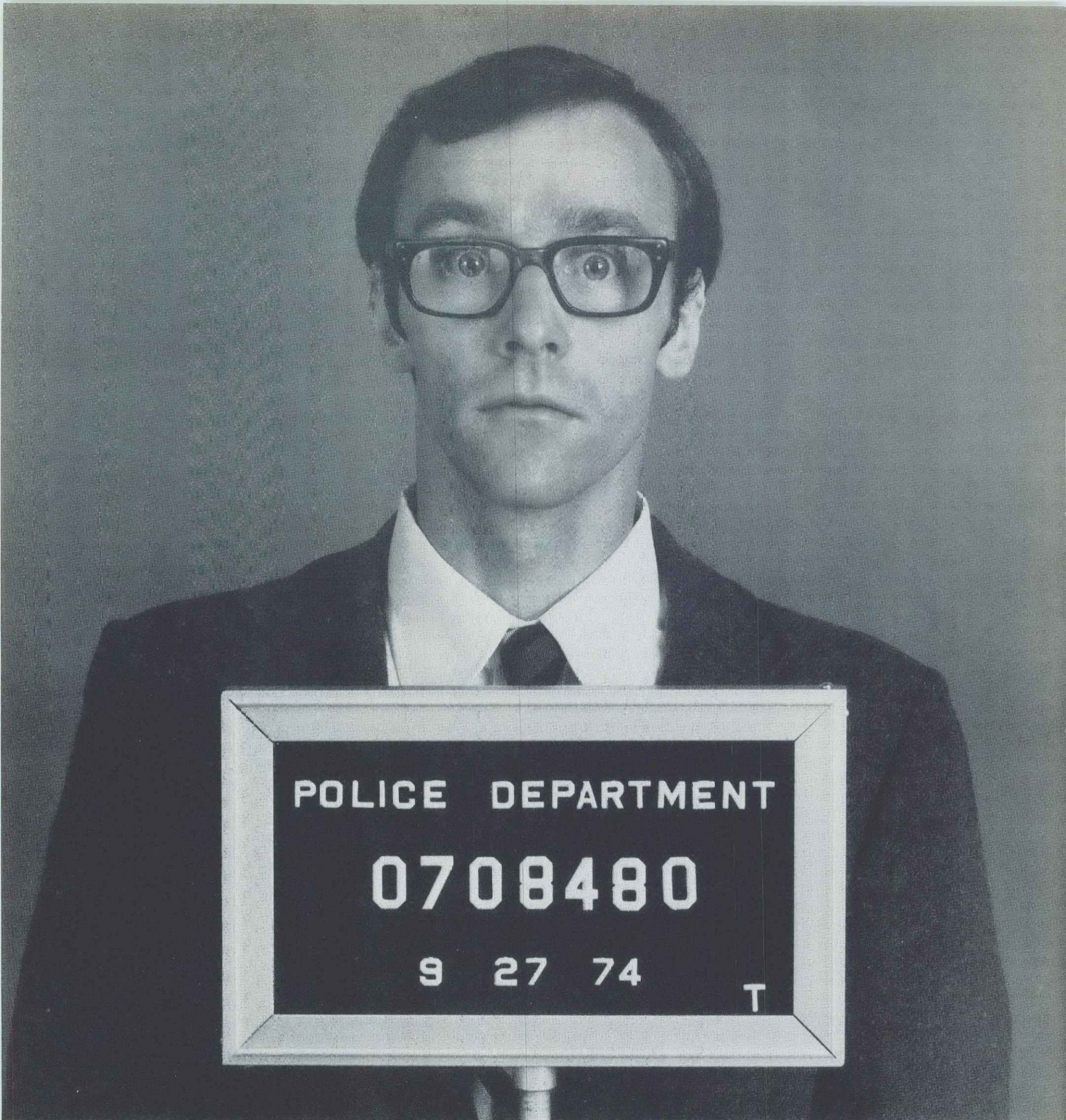
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