

Campus risk plan flunked, manager fights for promotion

By MARGARET LeROUX

BERKELEY—While the University of California is advertising for a director of risk management, the man who currently holds risk management responsibilities for the institution is considering legal action because he wasn't promoted to the position.

Both actions follow a report by an inter-university task force that concluded savings of \$18 million to \$19 million could be realized if workers compensation and malpractice coverages were self-insured. Now the university is buying first dollar workers compensation coverage and taking only a modest deductible on malpractice.

Stephen J. Deness, who as-

sumed the working title of systemwide risk manager when the university's risk and insurance manager resigned three years ago, believes "he's been done a preposterous outrage" by the report and the job advertisement, according to his attorney.

Mr. Deness had been assistant to Irwin Nicholas, risk and insurance manager, before Mr. Nicholas resigned and joined the Fred S. James & Co. brokerage firm in San Francisco in July 1975.

Mr. Nicholas said he initiated the concept of self-insurance in presentations to the administrators of one of the largest and most complex state university systems in the nation, before he resigned. But he was told self-insurance was not fi-

nancially feasible, he said.

Mr. Deness continued plans for self-funding of university risks. In 1976, he described for *Business Insurance* a program of self-assumption of risk with various excess coverages to which he gave the acronym, "SAVE Plan."

Because of a hiring freeze imposed by the new University of California president when he took office in 1977, no replacement was hired for Mr. Nicholas after he left. The 5-person staff, which was supposed to coordinate risk management for all nine campuses in the system, was reduced to Mr. Deness, claims manager Robert Dressler and two clerical assistants.

Continued on page 54



Photo: Wide World

183 Moslem pilgrims killed

Sri Lanka officials examine the wreckage of an Icelandic Airways DC-8 crash Nov. 15 at Colombo, which killed 183 and hospitalized 43 of the 79 survivors. Lloyd's and U.K. companies insured the craft for \$13 million, but expect liability losses of \$7 million at the outside, less than in other international disasters because the passengers were Moslem pilgrims.

Insurers seek break on price guidelines

By REBECCA A. FANNIN

NEW YORK—While insurers are greeting President Carter's anti-inflation guidelines with enthusiastic support and even national full-page ads proclaiming its merits, they are also warning that insurers may have greater difficulty than others decelerating price increases as called for in the wage and price controls plan.

The industry maintains that the pricing of its product is unique, requiring that special consideration in the form of leniency be shown.

Premiums are based on administrative costs and claims costs, they note. Though admitting administrative costs can be controlled easily, the insurers complain claims costs are beyond control because insured losses reflect the economics of so many other businesses.

If the costs of medical care or auto repairs increase, individual claims will be higher, forcing up premiums, they illustrate.

The President's council has set up a special committee to address these concerns. No exemption from the voluntary price guidelines will be made, but special rules may be developed for the insurance industry, a council staff member said. (The council is also giving special attention to banks, colleges, the food and retailing businesses.)

The special committee consists of insurance industry trade groups and two staff members from the council. Representatives of the insurance industry include members of the American Insurance Assn., Federal Insurance Administration, American Council of Life Insurance and the Health Insurance Assn. of America (HIAA).

The price guidelines allow an exemption for workers compensation since it is a government mandated program. All other lines of insurance, however, must curb price increases at a half percentage

Continued on page 53

business insurance

Week of November 27, 1978

the national newsmagazine of loss prevention, risk financing and employee benefit management

*Entire contents copyright 1978 by Crain Communications Inc. All rights reserved.

75c a copy; \$15 a year

Buyers ax expensive item in work comp retro plans

By JOANNE GAMLIN

PHOENIX—Until about two months ago, a corporate risk manager in Arizona, alarmed about the rocketing cost of workers compensation insurance and searching for a new plan design that would at least increase cash flow, would have studied both self-insurance and its nearest cousin, a retrospective rating plan.

After much indecision, he would probably have opted for self-insurance, because like risk managers in 37 other states, he would have frowned on the idea of choosing a retrospective rating plan in

workers compensation. Such a plan included something he did not like at all: A retrospective loss development factor.

Now he may want to reassess his decision because insurers are dropping the factor in the wake of a decision last summer by the National Council on Compensation Insurance to let individual insurers decide whether or not to impose the loss development factor.

Major workers compensation insurance writers such as Employers of Wausau, CNA and Kemper Insurance say they will ignore the factor in their plans. Liberty Mutual Insurance Co. does not intend

to use the loss development factor at the moment, a spokesman said, but the company may use the factor under "unusual conditions."

The Continental Insurance Co. and Aetna Life & Casualty Co. haven't decided what they are going to do, they said.

Adopted by the national council in June 1977, the retrospective loss development factor made retro plans so expensive in the 38 states where workers compensation is rated by the national council that buyers were increasingly drawn to self-insurance, insurers believed. Fearing a loss of more business in

Continued on page 52

Costs upstage benefit story

By MARY ELLEN McKEE

CHICAGO—Corporations do not agree about how to budget for benefit communications, but they do agree that communication costs are rising steadily each year, a survey at the *Business Insurance* Employee Benefit Communications Conference here indicates.

Out of the 12 benefit communicators interviewed, seven said that their companies don't set aside a percentage of the total employee benefit costs for communications and five have allocated budgets ranging from 0.1% to 1% of the total benefit costs. Communication cost increases were estimated to range from 10% to three times the costs of last year.

A special report on the BI Employee Benefit Communications Conference begins on page 13.

Susan Culler, benefits coordinator for R.J. Reynolds Inc. of Winston-Salem, N.C., said her company doesn't set aside a percentage of total benefit costs for a reason—the budget is adjusted according to the need.

This year, for example, R.J. Reynolds introduced a "desk top" approach to communications.

R.J. Reynolds supervisors now explain benefits with a flip chart on an easel, which outlines each benefit step-by-step in large graphics and bright colors. "With

this approach, supervisors can answer questions immediately and can relay any feedback to us," Ms. Culler said.

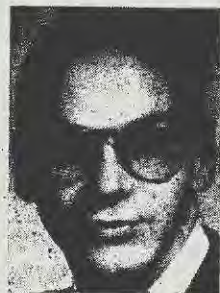
The "desk top" approach to communications cost R.J. Reynolds a "substantial" amount of money, she noted, because supervisors had to be trained. "We zeroed in on a need in the communications process and adjusted the budget."

Many companies, however, are not as inclined to siphon off dollars to benefit communications. A benefit manager for a multi-million dollar international company headquartered in the East with 8,000 employees said that her company did not even consider allocating any money for benefit commu-

Continued on page 13

The inside story

Bank invests in risk management



Burton J. Carbino virtually got a blank check three years ago to design Irving Trust's risk management program. Today he's reporting to the president about a department that embraces data security, loss prevention and insurance, tapping the skills of 40 people to propel the country's largest bank risk manage-

ment program. **Page 6.**

A&A forges link to Lloyd's

Alexander & Alexander is hammering out an agreement that would link the second largest broker in the U.S. with the largest Lloyd's broker. In the fire is the merger of two leading Lloyd's brokers, Sedgwick Forbes and Bland Payne. **Page 3.**

The people column
page 58

Assn. hotline answers small pension plan cry

WASHINGTON—Small pension plans now have someone to help them battle the pension reform law as well as a lobbying group to help them change the pension reform law.

The National Assn. of Small Retirement Funds will provide a telephone hotline service to assist small pension administrators, who need fast help on ERISA-related problems, says association president Judy Diamond, an 18-year veteran in the insurance and pension research field.

Some of the problems that small plans face and that the association will provide answers to include: how to file summary annual reports, when to file the reports,

where to file the reports and who to talk to in the Labor Department when a problem crops up, Ms. Diamond said.

"I'll try to find the right person in the Labor Department who can give a member a straight and quick answer so the member doesn't have to go through all that red tape," Ms. Diamond says.

Aside from offering informational services, the association will lobby on behalf of small plans—those with less than 100 participants—for legislation that will ease the administrative burden of ERISA for those plans.

For example, Ms. Diamond says the association will fight for simplified reporting requirements for small plans.

The association will publish a newsletter four times a year to keep members up-to-date on ERISA developments on Capitol Hill and in regulatory agencies.

Annual membership dues will be \$65.

For more information contact: Judy Diamond, National Assn. of Small Pension Funds, 533 National Press Building, Washington, D.C., 20045 or call Ms. Diamond at 202-638-1984.

errors & omissions

A recent people column inaccurately reported Robert Walters' move. Mr. Walters, who is noted for the self-insurance program he developed for the city of San Diego, is the new risk manager for the county of San Diego.

McIntyre promoted to BI news editor

CHICAGO—Kathryn J. McIntyre, 27, was promoted to news editor of *Business Insurance*, announced editor Susan Alt. She replaces Greg David, who left the newsmagazine to join Crain's Chicago Business, a sister publication, as managing editor.

Ms. McIntyre has been with *Business Insurance* since January 1977 as associate editor, performing general reporting duties and becoming a specialist in captive insurance companies and the tax aspects of captives and self-insurance, along with devoting extra time to the subject of health maintenance organizations.

As news editor, Ms. McIntyre coordinates the editorial staff of the magazine and prepares stories to be included in the magazine. She will also determine layouts and coordinate editorial production.

Ms. McIntyre graduated magna cum laude from Syracuse University in 1974 with degrees in journalism and English and worked as a reporter for *The Lake Placid News*, *Time Magazine* and the *Chicago Tribune* before joining BI. She is a member of Phi Beta Kappa.



Photo: Mary Cairns

Kathryn J. McIntyre

LUKIS STEWART PRICE FORBES & CO. LTD.

International Insurance and Reinsurance Brokers
announces

that the Company name has been changed to

LUKIS STEWART SEDGWICK FORBES INC.

to emphasize its association with the
SEDGWICK FORBES Group of Companies

The Directors remain

Antoine Lamarre,
Chairman & Chief Executive Officer, Montreal

J. Douglas Paterson,
President & Chief Operating Officer, Toronto

E.D. Armstrong, Vice-President, London, England
J. Albert Caty, Vice-President, Montreal
J. Kenneth Cheyney, Vice-President, Vancouver
Matthew W. Nesmith, Vice-President, Montréal
Alan Parry, Vice-President, London, England
J. Patrick Redmond, Vice-President, Toronto
R. Stewart Sinclair, Vice-President, Toronto
Robert Topple, Vice-President, London, England
Robert S. Wright, Vice-President, Secretary-Treasurer, Montreal

MONTREAL • OTTAWA • TORONTO • CALGARY • EDMONTON • VANCOUVER
and offices throughout the world

for your information

Broker: Legislate for captives to solve product liability problem

NEW YORK—State insurance legislators should encourage formation of captive insurance companies, David D. Holbrook, president of the National Assn. of Insurance Brokers, says, because captive insurers offer immediate relief to businesses troubled by the scarcity of product liability insurance.

Mr. Holbrook told the conference of state legislators they can help solve the product liability insurance problems with tort reform, but it is "difficult, lengthy and costly." Residual market mechanisms "are not conducive to premium cost decreases and add to the administrative and bureaucratic burden of the state," he complained.

A simpler and more efficient method of resolving the dilemma, the senior vp and director of Marsh & McLennan said, is the establishment of captives, obviously suggesting that more states should pass enabling legislation.

He noted that captive insurers can free capacity of commercial insurers, making capital available to provide higher limits on catastrophe exposures.

Among the advantages captives offer to their parents are financial stability, by stabilizing insurance coverage and costs, and more concern about safety of products, because losses are paid by an owned insurance company.

Congress loses 2 tort reformers

WASHINGTON—Two of the leading warriors for product liability reforms won't return to the next session of Congress.

Rep. Ronald Sarasin (R-Conn.), who introduced several bills that would have changed the tort law as it affects product liability, ran for governor of Connecticut and was decisively defeated by Gov. Ella Grasso. Mrs. Grasso was first governor to veto a product liability reform bill passed by a state legislature.

Rep. Charles Whalen (R-Ohio), the author of a measure that would have permitted tax deductions for businesses with product liability problems, is retiring.

On the other hand, Sen. John Culver (D-Iowa), who probably has displayed a more consistent interest in product liability issues than any other senator, will be returning to Congress in January. His term does not expire until 1980.

Rep. John LaFalce (D-N.Y.) was easily reelected to his third term. Rep. LaFalce introduced a variety of reform measures this year and intends to introduce similar measures next year, according to his staff aide.

Organizers alter N.Y. exchange

NEW YORK—Changes in the draft constitution and by-laws of the New York Insurance Exchange, apparently made to ward off broker opposition to the document, will allow representatives of broker-managed underwriting syndicates to sit as underwriting representatives on the exchange's board of governors.

However, at its November meeting the Committee of 13, which is drafting the document, also reduced the number of broker seats on the board to two from three and increased the seats of underwriting members to six from five.

In addition, underwriting-controlled broker members of the exchange will be permitted to serve as broker members of the board, said New York insurance superintendent Albert B. Lewis, who chairs the committee.

Underwriting and broker members of the board will serve along side four public members. Four public members will be jointly elected by a unanimous vote of the underwriting and broker members of the board, the committee decided, instead of brokers and underwriters each separately electing two public board members, as had been proposed.

Public hearings will be held on the draft constitution and by-laws on Dec. 15, 18 and 19 in New York.

Senator eyes no-fault malpractice

WASHINGTON—Sen. Daniel Inouye (D-Hawaii) will introduce legislation next year to establish a federal no-fault medical malpractice compensation system.

The federal program would be financed by health care providers who participated in the program as well as from general revenues.

The malpractice fund, which would be administered by HEW, would provide no-fault coverage to patients and federally backed malpractice insurance for health care providers.

Similar legislation was introduced in the last session but failed to make it out of committee.

Board cites sabotage in train wreck

WASHINGTON—The National Transportation Safety Board ruled sabotage was the probable cause of a Florida train wreck last February in which eight persons died from the deadly chlorine gas that leaked from a ruptured tank car.

The safety board, on a 3-0 vote, accepted a staff finding that a rail was "intentionally displaced," forcing the derailment of an Atlantic & St. Andrews Bay Railroad freight train in the Florida Panhandle.

index

Editorial opinions.....	8	Vol. 12, No. 24—Business Insurance is published every other
Perspectives.....	33	Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill. and New York, N.Y. Copyright 1978 by Crain Communications Inc.
Around the states.....	38	
London Line.....	42	
Dates.....	47	
Info for buyers.....	48	
Legal briefs.....	49	
Riskwatch.....	57	

A&A forges link with two merging Lloyd's brokers

By REBECCA A. FANNIN

NEW YORK—Alexander & Alexander Services Inc. is forging a link with two leading Lloyd's brokers, Sedgwick Forbes Holdings Ltd. and Bland Payne Holdings Ltd., who are planning to merge and become the largest Lloyd's broker.

The three firms are stressing improved service to clients as a result of their association, while London brokers view the move as one more in a chain of such agreements they expect to see in the next decade.

A&A's relationship with the merged Lloyd's brokers would be in the form of a contractual profit sharing arrangement rather than a stock exchange, according to John A. Bogardus Jr., A&A's chief executive officer and chairman of the executive committee.

The intended method of combining their operations follows the pattern set by Marsh & McLennan's proposed link without any equity ownership with C. T. Bowring, now the largest Lloyd's broker.

"It looks like a carbon copy to me (of the Marsh & McLennan method)," said Lenord Wilson, a securities analyst who follows the brokerage business for Drexel Burnham Lambert.

Neither A&A nor Marsh & McLennan have formalized any percentages on how profits will be shared with their London associates. But Mr. Wilson noted that A&A's proposed deal with the

merged U.K. broking firms might follow a 50-50 profit split since their profits are nearly equal. M&M, however, earns three times that of its proposed English partner and their sharing of profits might follow that proportion, the analyst suggested.

Mr. Bogardus noted that the proposed merger of Sedgwick Forbes and Bland Payne was a factor in A&A's decision to explore a link with the merged U.K. broking firms. But the London merger wasn't necessarily the motivating force behind the firm's decision, he added.

A&A has long had a close working relationship with Sedgwick Forbes, doing much of its Lloyd's brokerage business through that firm. Observers have recently speculated that A&A was seeking a link with Sedgwick Forbes alone, a logical development.

Marsh & McLennan currently has a 20% interest in Bland Payne, a subsidiary of Midland Bank Ltd. To set the stage for the merger, M&M will sell its minority interest for cash to Midland Bank, making Midland Bank the sole owner of Bland Payne.

The merger will then be implemented by a stock issue by Sedgwick Forbes to Midland Bank in exchange for shares comprising the Bland Payne Group interests.

Mr. Bogardus said Bland Payne's severance of M&M's minority interest and proposed future link with A&A wasn't the re-



The proposed merger of Sedgwick Forbes and Bland Payne was a factor in A&A's decision to explore a link with the merged U.K. broking firms, but not necessarily the motivating force behind A&A's decision.

—John A. Bogardus

sult of any competitive pressure between the two U.S. brokers.

But a conflict of interest may have developed between the two large U.S. brokers if M&M's minority interest wasn't purchased as envisaged, he said. "It seems clear to me that this purchase is needed to have a clean merger between the two Lloyd's brokers."

Sedgwick Forbes and Bland Payne were sought because of their strength in reinsurance, an area Mr. Bogardus admits isn't A&A's strong suit. Bland Payne's surplus lines operation in the U.S. is also attractive to A&A, he said, as is Sedgwick Forbes' strong retail organization with many local offices internationally.

The two Lloyd's brokers complement each other. For example, both are strong in reinsurance, but

their reinsurance specialties lie in different areas, said A&A's chief executive officer.

While the proposed coordination would allow the three brokers to fully collaborate, no exclusive arrangement would be made. Existing trading relationships are highly prized and their continuation and development are in the best interest of clients, A&A said. Mr. Bogardus noted, "We must have alternatives to this arrangement."

The chairmen of the two London brokerage firms are making the same point in London, where the proposed link-up came as a shock to the Lloyd's market despite previous announcements of other transatlantic agreements.

"We will not turn anybody away

just because we will be having future links with Alexander," said Sedgwick Forbes chairman Peter Wright. "There is already keen competition in getting the right rates and this will go on."

Bland Payne chairman Neil Mills said, "The new combination will give expertise and strength that will be to the advantage of insurance buyers, but we will at all times be behaving sensibly and responsibly as we do at present in our efforts to get the right rating levels at Lloyd's and elsewhere in world markets."

Francis Perkins, chairman of the British Insurance Brokers Assn., responded to the new agreement with the prediction, "American influence in the London market will increase even more over the next five to 10 years."

Midland Bank foresees retaining a significant interest in the merged U.K. company, but the level of continued shareholding will involve a very substantial divestment, A&A said. Ordinary shareholders and convertible loan stockholders of Midland Bank will be afforded an opportunity to participate in this divestment.

A&A said that dealings in the shares of Sedgwick Forbes should be suspended for now. Sedgwick Forbes shareholders will be kept fully informed of developments.

Discussions on terms will take place when forecasted 1978 profit results have been completed for the two London firms, A&A said.

the benefit beat

Johnson & Johnson aids new Borden dental plan

Borden Inc. in Columbus, Ohio, is getting some help from Johnson & Johnson in introducing a dental plan to almost half of the food company's 32,000 employees. Johnson & Johnson is spending approximately \$7,000 to provide Borden with toothbrushes, dental floss, gum stimulator (a relatively new product) and packets of information about dental care.

Borden employe benefit manager Lawrence C. Schlosser said the New Jersey-based company is collaborating with Borden because of the opportunity to advertise its products. Mr. Schlosser contacted Johnson & Johnson about providing the supplies when it began planning to implement dental care benefits.

The dental plan is underwritten by Metropolitan Life Insurance Co. on a minimum premium plan, with Borden handling claims. Borden's cost of providing the coverage is \$2.5 million, Mr. Schlosser said.

The plan, available to 12,000 salaried employees and 3,000 hourly, non-bargaining employees, provides both preventive and diagnostic benefits as well as restorative benefits. The maximum benefit per year is \$750 for all work except orthodontic care. The maximum lifetime benefit for orthodontic work is \$500.

A deductible of \$25 applies to restorative work such as crowns, bridges and fillings. Preventive and diagnostic care has no deductible.

The dental program provides for a 90% reimbursement for all reasonable and customary expenses. An average 55% reimbursement applies for orthodontic care.

Borden is introducing the plan to its employees with large posters displaying lips underlined by the slogan: "Kiss off those health care worries." In the second phase of the introduction, employees will receive toothbrushes and an invitation to attend a meeting where the dental plan will be discussed. The plan is to be in operation by Jan. 1.

Nurses win new benefits

San Francisco nurses, denied pay raises because of a freeze on municipal salaries in the wake of Proposition 13, were granted a package of benefits costing about the same as the 8% pay increase they sought. Nurses had threatened a strike and a mass exodus from San Francisco General Hospital to more lucrative private positions, which prompted the city to negotiate the new benefits which included picking up the nurses' contribution to the municipal employees health plan, an average cost of \$55 per year. The city also gave the nurses a \$250 annual uniform allowance and a \$200 contribution toward a continuing education program all nurses in California are required to take. Other benefits for the nurses are an \$11 per month transportation allowance and a \$3 daily meal allowance.

Mental health care expanded

North Kingstown teachers, Old Stone bank employes and members of local Teamsters union 251 of Rhode Island will enjoy benefits under an expanded Blue Cross and Blue Shield mental health care program.

Under the program, subscribers will receive full coverage for 120 days hospitalization, 75 days of inpatient therapy and 120 visits with a physician during hospitalization.

Subscribers to the plan will also be reimbursed up to 80% for outpatient visits to a psychiatrist or physician-supervised care from a licensed clinical psychologist.

The plan, limited to groups of 50 or more, costs 43 cents a month for individuals and 94 cents a month for families.

Calif. firm opts for trust

Electronic Memories & Magnetics Inc., Encino, Calif., will establish a 501(c)(9) trust for its self-funded group health plan, effective Jan. 1, according to a company spokesman. The 501(c)(9) trust is being trustee by the Bank of America. Prudential Life Insurance will provide administrative services for the trust, the spokesman said. EM&M, which generates about \$1 million a year in health care premiums, was formerly insured by the Equitable Life Assurance Co., but is moving to the trust arrangement for better cash flow and the investment return on the trust promised by the bank.

N.H. firm adds dental

Seppala & Aho Construction Co. is bolstering its benefit program for its 520 employees with dental insurance coverage. The New Ipswich, N.H., firm said the plan will pay at least 50% of all expenses for major dental-related problems. Employees may also elect dependent coverage. The firm provides a completely company-paid benefit program including Blue Cross/Blue Shield major medical to \$1 million.

PBGC ups maximum benefit

The Pension Benefit Guaranty Corp. (PBGC) is boosting the maximum benefit it will guarantee to participants whose pension plans terminate. In 1979, the monthly maximum benefit will be raised to \$1,073.86, up from the current maximum payment of \$1,005.68 per month. PBGC benefits are paid when a pension plan terminates without enough assets to pay the basic benefits to participants.

HMO finds members satisfied

Most individuals join the Central Essex Health Plan, an HMO serving central New Jersey, because they like the cost

advantages, the comprehensive coverage, the emphasis on preventive medicine and the convenience of having one location for most services. The HMO surveyed its members to discover that 74% of the members said they had no serious problems with the HMOs, although 6% were concerned with appointments, 4% disliked the reception staff and 3% felt emergency and after-hour services were inadequate.

Forty-one percent said they waited from one to three days for a routine appointment, 20% reported waits of four to six days, 10% said they were delayed for seven to 10 days and 7% said a routine visit was put off for more than 10 days. However, 73% said they had been seen on time at the HMO. An overwhelming number (94%) said the medical care they received was good or excellent, while 5% felt that their care was only fair. Eighty-six percent said they intended to remain with the HMO while 7% were not certain.

Indiana favors deductibles

Most Indiana residents (79%) favor deductibles in health insurance coverage and a majority want mandatory coverage for catastrophic health care, according to a public attitude poll by the Indiana Hospital Assn.

Prescription abuses

PAID prescriptions, an administrator of third-party drug benefit programs, says abuses by ineligible members can be streamlined with a simple recovery letter.

The success of this approach rests on a master list of eligible members that must be kept current by the sponsoring groups. Under this program, the group must notify PAID when an employe is terminated or an ID card expires.

Since the computer checks the member number on all claims against the master list of eligible members, unauthorized use of the ID card is caught in the processing stage.

In the event that a member number is not found on the master list; the computer produces a recovery letter. This letter is first sent to the sponsoring group to verify misuse of the ID card. If the member is actually ineligible for the benefit, then the employer forwards the letter to the individual.

PAID experience shows that only 2% of ineligible members use their ID cards, but since using recovery letters over 60% of the money represented by this 2% is returned to the group.

Benefit Beat keeps risk managers and employe benefit managers abreast of changes in plans around the country as well as other important developments. We'd like to know if you've made any changes or know of any significant developments. Write Kathryn J. McIntyre, Business Insurance, 740 N. Rush St., Chicago, Ill., or call (312) 649-5286.

Chairman denies Lloyd's depletes the U.S. economy

By JOHN H. MILLER

LONDON—Money flows both ways across the ocean, Lloyd's chairman Ian Findlay says taking aim at suggestions that Lloyd's is depleting the U.S. balance of payments when it takes large shares of American business.

"It's sad for me to read these attacks on our business, for nothing is further from the truth," he declares.

Also reacting to the suggestion that the New York free trade zone and insurance exchange will benefit the U.S. economy by capturing some of the business now going to London, Mr. Findlay warns, "The reckoning can easily go the other way in a loss year, such as the occasion in 1965 when hurricane Betsy cost Lloyd's more than \$100 million in one night.

"Even in a good year, the great majority of premiums paid are paid back in claims," he maintains.

Furthermore, Lloyd's maintains an American Trust Fund invested almost wholly in U.S. stocks, Mr. Findlay told senior U.S. businessmen working the U.K. The fund, set up in 1939 in case the threatened war affected the position of U.S. policyholders, has risen to \$2 billion from just \$40 million when the war broke out, with only ascertained profits repatriated to London.

Addressing Lloyd's attitude toward the New York insurance market developments and the desire of U.S. brokers to be admitted to Lloyd's approved lists, the chairman said, "There is no question that the insurance industry will have to find sources of greatly increased capital in the years ahead.

A sense of humor?

Lloyd's is maintaining a sense of humor while facing the prospect of competition from the New York free trade zone.

Going one up on AIG, which is running an advertisement featuring Betty Grable that says, "After years of leg work we can cover any risk as easily as Lloyd's of London," Lloyd's chairman Ian Findlay revealed, "Lloyd's has just insured a whiskey firm against paying a 1 million pound sterling prize to anyone finding genuine evidence of a UFO.

"So AIG may have its feet on the ground," he smiled, "but the future of Lloyd's is in the stars."

The whole field of consumer protection and product liability is already stretching markets to the utmost.

"If the private sector of the industry fails to meet this challenge, then the pressure for government

intervention will be irresistible. The demand for most forms of insurance continues to grow, apart from occasional setbacks, and it is in this context that the New York initiatives for a free trade zone and insurance exchange should be

seen," he suggested.

"As yet we know too little about these ventures to form judgments, but healthy competition across frontiers is something that Lloyd's understands," he said.

"The Lloyd's market," he continued, "wants to remain as unfettered as possible. Its formidable array of checks and balances is expressly designed to take care of the security and smooth running of the market so that underwriters can be free to rate risks according to their commercial judgment, relieved of unnecessary bureaucracy.

"We've all seen what happens when a market becomes over-regulated. It isn't just the climate that persuades U.S. and other insurance companies to set up in Bermuda, but the fact that they can operate with far less government intervention than at home.

"The same reasoning has no doubt given added impetus to the New York projects which, though still attached to the mainland, retain something of an offshore connotation," he observed.

The rules for the admission of Lloyd's brokers were explained by Mr. Findlay, who feared that at times they had been misrepresented.

"Our prime consideration is to preserve the independence of all Lloyd's brokers under our self-regulatory system," he said. "Our authority would be dangerously eroded if the directors of a Lloyd's broking firm were asked in the market's interests to pursue a course of action that conflicted with their overall holding company's policy. The Lloyd's board might wish to accede, but would have to refer the matter to their controlling stockholder.

"Even if the parent board in, say, the U.S. were to agree—and they might not—they might lay themselves open to action by their own stockholders. So we have introduced the 20% rule for an outside interest, though this can be varied up or down at the committee's discretion.

"The Lloyd's working party which made these recommendations was at pains to eliminate all issues of nationality," he stressed, "so it was unfortunate that the first two applications when the report was being considered were from the U.S. It may have appeared that Lloyd's was being anti-U.S., but this was emphatically not the case and we would have responded in exactly the same way to applications from the U.K. or anywhere else in the world.

"The committee was just being pro-Lloyd's. But Lloyd's has prospered for nearly 300 years before; it is always ready to keep an open mind, and that is still the case. The entry door can always be opened further, but it is difficult to close it once it has been opened too far," he cautioned. "If the committee were to be satisfied that conditions over entry can be modified without weakening the vital elements of control in London in any way, then I'm sure the position could be reviewed."

Mr. Findlay welcomed the willingness by both Frank B. Hall and Marsh & McLennan, in their projected arrangements with Leslie and Godwin and C.T. Bowring respectively, to accept the Lloyd's committee's ruling. ■

A&A officer elected

New officers have been elected for the joint board of directors of the Assn. of Lloyd's Brokers and the Lloyd's Surplus Line Brokers Assn. of Illinois. Peter H. Wood of Alexander & Alexander will serve as chairman of the Assn. of Lloyd's Brokers. Robert Slaughter of Marsh & McLennan is chairman of the surplus lines group.

How will a captive perform for you? J&H can give you a preview now.

In one way or another, your company is probably retaining larger and larger portions of its liability exposures.

However, choosing the optimal funding arrangement for such risk assumption requires extremely careful risk management analysis.

Consider, for example, the complexities of the captive approach alone. What risks should it accept? Should it be set up off-shore? What about the IRS? Is adequate reinsurance available?

Ignoring any of the variables can cause big problems. For instance, a group of teaching hospitals recently found that its proposed captive could not arrange needed excess coverage from reinsurers. Johnson & Higgins was then invited to study the problem and spotted the organizational flaw. The coverage was soon obtained.

If you want the best possible help in forming a captive, call J&H. Our advanced risk management techniques include exclusive software programs that instantaneously preview your working captive. There is no need to guess about choosing the funding alternative that makes the most sense for you. The nearest J&H office can give you full details.

Johnson & Higgins

The private insurance broker.
We answer only to you.



A group of J&H risk management specialists in captive funding: Richard J. Rice, New York; Patrick J. T. Stephenson, Bermuda; Roger Thomas, Los Angeles; and George H. Shattuck, Jr., Boston.

INSTANT PREMIUM REDUCTION. JUST ADD WATER.

WAUSAU STORY

"When Employers of Wausau took over as our property insurance carrier," says Wrede Smith, President of American Pop Corn Company,



President Wrede Smith, in the corn crib loft.

"they dug into our problems and alerted us to a situation that made a big difference in the premiums we would be paying."

This policyholder, the makers of famous Jolly Time® Pop Corn, is located in Sioux City, Iowa. The city is assigned a class three fire insurance rating. But we discovered the company's facilities only merited a class six rating. That difference was costing them a lot of extra money in insurance premiums. At our recommendation, the policyholder installed three fire hydrants in strategic locations and earned a class three rating.

As a result of the improvements, the policyholder will save more in insurance premiums in the first year alone than the entire cost of the hydrants.



Don Townley, left, of American Pop Corn Company, and Jim Sparks, Property Consultant for Employers of Wausau, conduct a hydrant flow test.

And they will continue to benefit year after year because of the action they took.

Don Townley, Treasurer of American Pop Corn, says, "We're not a big company but we're a growing company. And our growing insurance expenses became of greater concern to us. Whereas five or ten years ago insurance received attention

when premiums came due, we now try to work closely with our insurance company the year around and to do our part to help hold down rising insurance costs."



Jennifer Hanke enjoys why Jolly Time® is the largest selling single brand of pop corn in the world.

At Employers, that's the kind of a policyholder we like. American Pop Corn Company has performed as a conscientious partner and we're glad to work hard to help them. It's not the size of the policyholder that matters to us, it's the size of the partnership effort that counts.

Come to the source



Wausau Insurance Companies
Employers Insurance of Wausau



Employers of Wausau also provides worker's compensation insurance to this policyholder. Here, our Senior Safety Consultant, Lou Wagman, left, checks the canning operation with plant safety manager, Lawrence Bruyer as Eldora Thoreson works on the line.

Risk anticipation principle pays dividend for bank

By REBECCA A. FANNIN

NEW YORK—"We like to think of ourselves as the conscience of the bank," said Burton J. Carbino, vp of the newly structured risk management department at Irving Trust Co. here.

Indeed, the risk management department does have an eye on the actions of every department in the bank. It works not only to manage the risks of every department but to also do more—anticipate those risks and alleviate them where possible, Mr. Carbino said.

Mr. Carbino has coined the phrase "risk anticipation" for the work his department performs because of its ability to safeguard against computer fraud and other large security risks known to the banking industry.

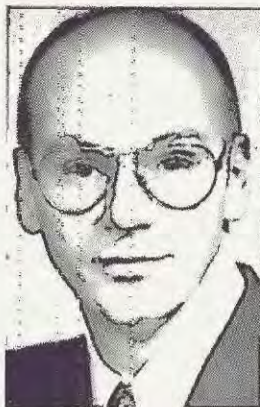
The department's potential for

anticipating risks is heightened by a reorganization Mr. Carbino conceived and implemented one year after he was recruited to revamp Irving Trust's loss prevention and insurance functions.

Mr. Carbino, oddly, was recruited in 1975 from a non-banking concern, Schlumberger Ltd. to spearhead the formation of a risk management department at the bank.

Irving Trust's personnel department had studied other banks for several months to learn how they managed their risks. But finding that other banks had not been innovative enough to pattern their own department, the bank hired Mr. Carbino to begin from scratch.

Irving Trust's top management had become more concerned about risk management after the



'Reporting to the president helps get the attention of senior management so problems can be handled directly and quickly. But we're so visible that when mistakes are made, the response is also quick.'

—Burton J. Carbino

bank's insurance costs began rising steeply. More important, the bank had just launched an accelerated movement into automation

and needed greater protection against fraud and other losses.

The bank had been a follower before 1975 in implementing new

electronic methods, but more recently was the first bank to link up with the Federal Reserve by computer.

Mr. Carbino, who prepared an inch-thick report full of recommendations on greater loss prevention, suggested that several functions be combined within risk management.

One year after he came on board, a risk management department was created. It embraces data security, loss prevention and insurance, which previously were operations far-flung throughout the bank.

The consolidation under one risk management roof gives the department what Mr. Carbino calls "synergy," or greater efficiency through working together. It also has given Irving Trust a risk management staff of 40, the largest risk management department of any bank, Mr. Carbino noted.

The department probably has more visibility and responsibility than those at other banks. Mr. Carbino, reports directly to the bank president, meeting with him weekly.

"Reporting to the president helps get the attention of senior management so that problems can be handled directly and quickly. But we're so visible that when mistakes are made, the response is also quick," Mr. Carbino said.

The bank's increased emphasis on risk management has paid off. After the department was created, the bank saw a dramatic increase in the recovery of stolen securities and a decrease in external frauds against the bank, the risk manager reports.

These early successes helped give the department more status, Mr. Carbino believes. "Early on we had to do an awful lot of spade work to become accepted as a crucial bank function." Now more departments are consulting him before introducing new functions, such as the automated teller machine, which dispenses cash to those with a personal identification number and a plastic card.

With the great risks of computer frauds at banks, data security has become an important function of the risk management department at Irving Trust.

Headed by assistant vp, Steven J. Ross, the data security department must give approval to every new computer program plugged into the whole system.

Mr. Ross has developed several principles that the computer system must meet. For instance, no one person should operate an entire computer activity, all audits must be traceable and back-up systems should be ready in case of computer breakdown.

Mr. Ross emphasized, however, that procedures aren't as important as the people operating the system in protecting against frauds.

Mr. Carbino has organized the risk management department so that it branches directly into retail banking insurance and corporate banking insurance as well as security. Under security fall data security, loss prevention and investigation and systems.

Mr. Carbino believes the reorganization's success will be apparent in the long term, when the department becomes a training ground for young managers.

"New employees in risk management are already told early on that they have a "full opportunity to migrate into other areas or into risk management," Mr. Carbino said. Even moving up to president from risk manager shouldn't be scoffed at, he argues. "Risk management is an ideal training ground for upper management because of the wide variety of disciplines it embraces."

looking for new risk management techniques? ask reed shaw stenhouse.

Certainly clinging desperately to the hands of the clock as time sweeps by is not an intelligent approach to the search. New computer techniques, mathematical modeling and engineering developments are changing the face of risk management on an almost daily basis.

At Reed Risk Management our analysts are constantly refining their techniques and researching the latest advances in risk management around the world. Our global involvement with major industrial

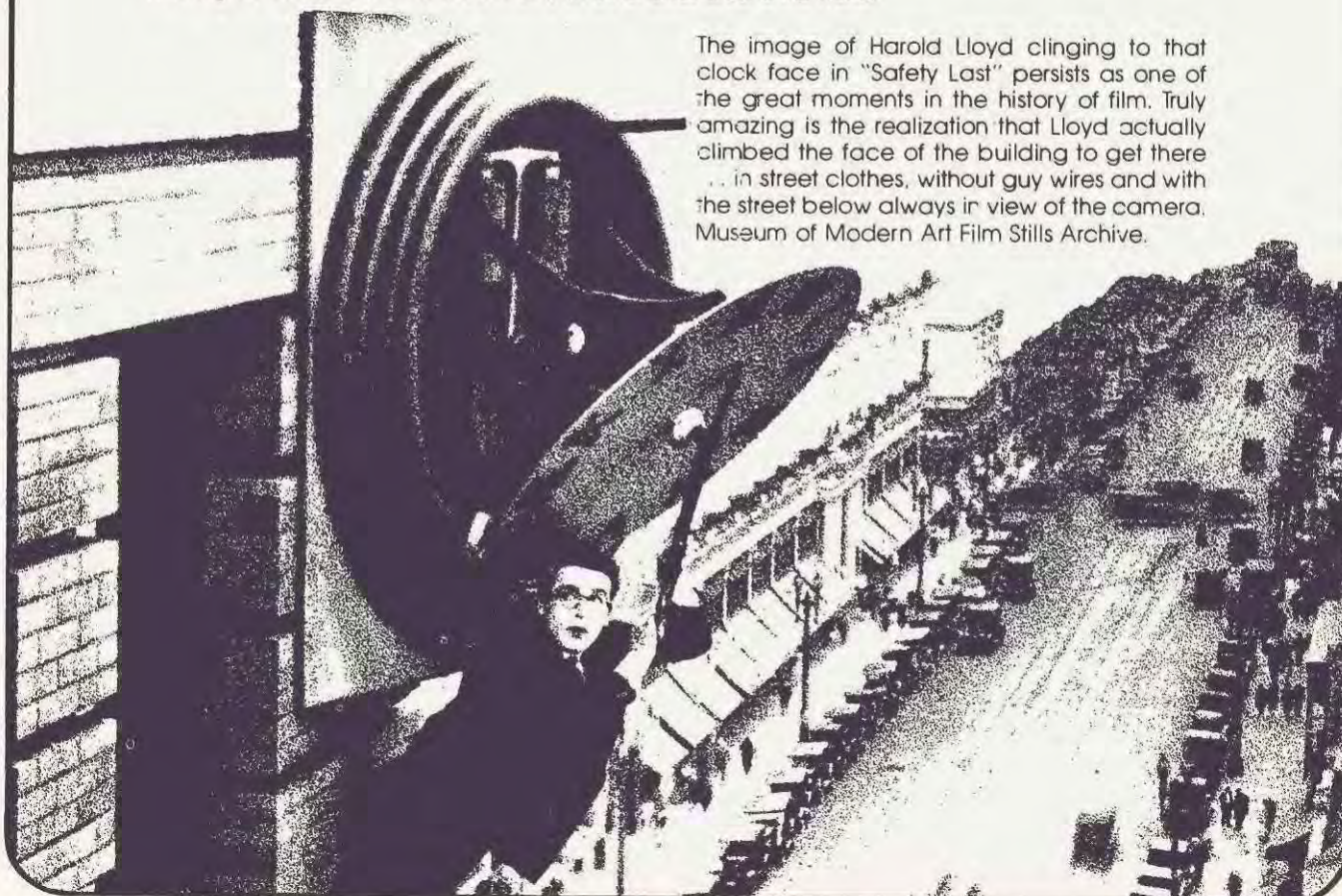
clients guarantees that wherever a new technique is developed it can be made immediately available to all our clients.

Whether your concern is in making accurate projections of worker compensation losses over the next ten years, in choosing the optimal self-insured retention level for your company or any of the myriad other aspects of risk management, if you want to use the most advanced techniques available, ask Reed Shaw Stenhouse.

REED SHAW STENHOUSE

INTERNATIONAL INSURANCE BROKERS

With offices in Anchorage, Boca Raton, Boston, Chicago, Denver, Ft. Lauderdale, Honolulu, Houston, Kansas City, Los Angeles, New York, Oakland, Orlando, Palo Alto, Pittsburgh, Portland, San Francisco, Seattle, St. Louis, Washington, D.C. and one hundred twenty-six other cities around the world.



The image of Harold Lloyd clinging to that clock face in "Safety Last" persists as one of the great moments in the history of film. Truly amazing is the realization that Lloyd actually climbed the face of the building to get there in street clothes, without guy wires and with the street below always in view of the camera. Museum of Modern Art Film Stills Archive.

A MOST UNUSUAL GO COMPANY



**ARKWRIGHT-
BOSTON
INSURANCE**

There are a lot of advantages in locating certain operations overseas. Insurance coverage isn't one of them.

In fact, most insurance companies can't begin to duplicate the property coverage they provide in North America. But we can.

We can cover all your operations in fifty

countries around the world with a fire, boiler and machinery policy. We'll give you a blanket limit worldwide. That's protection that is protection.

Talk to us. The tougher the problem, the more we can help.

Regional Offices: Boston, Cleveland, New York, Chicago, Atlanta, San Francisco.



editorial opinions

Post-ERISA digressions . . .

FOR ALL THE HOOPLA about how ERISA has burdened employers with onerous funding and reporting obligations, a recent survey by Alexander & Alexander of California may indicate something's fishy here. Is it possible that much of the howling is simply because business reacts viscerally to more government intervention?

Judge for yourself after considering these facts. Some 450 California employers told A&A in answer to a survey that they want the federal pension law to be simplified and amended, particularly because they resent having to do any reporting at all to the government about their benefit plans. Nearly all the participating companies said they'd had some difficulty complying with the law. But a large majority of the firms surveyed, however, said they thought the overall effect of ERISA was minor.

This appears contradictory and we're not quite sure what it means. But we would venture to guess that what it means is the threat of a pension law and the thought of more regulation by government was more abhorrent to corporations as a matter of principle than really warranted. Things may be settling down somewhat as time goes on, which is good.

On the other hand, a story in this issue points out that Washington benefits researcher sees a real need for an organization that'll represent smaller employers in their continuing fight to get out from under ERISA's requirements. So the backlash hasn't disappeared yet.

One very positive outcome of ERISA, and in our minds the clearest justification for the law in the first place, is that most companies are now doing their utmost to communicate employee benefits to workers in ways that will "pay off" in employee satisfaction, productivity and loyalty. For example, the A&A survey in California found that 90% of the 450 employers polled are doing more communications as a result of the pension law.

Over the long run, communicating benefits to employees establishes a better relationship between management and labor. Without ERISA, most companies probably wouldn't have bothered to tell their workers what benefits they receive as part of their employment. It's only the "burden" of ERISA that has prompted compa-

nies to see that their communications are effective, that they help "sell" the company to workers and that communications dollars are spent wisely.

Although we've favored some ERISA amendments ourselves, it's time for employers to recognize that the federal pension law isn't the main problem in the benefit field. The critical problem is inflation, principally in the health care industry. We have yet to see employers concentrating enough energy on cost containment measures to hold down benefit cost increases.

It's time to focus on the key problem rather than use ERISA as a scapegoat.

Benefit costs

EXXON'S RECENT STUDY of companies represented in the Council on Employee Benefits was frightening. As a story in our last issue pointed out, Exxon expects, as a result of its poll of 101 benefit managers in CEB, that benefits will cost an enormous 55% to 60% of payroll by 1990.

Yet, too many companies consider benefit costs (e.g. health insurance premiums, health care inflation, dental costs and so on) beyond their control.

Often overlooked in the quest for ways to stem benefit cost increases are physical fitness and workers compensation. These seemingly unrelated areas bear heavily on every employer's ultimate benefit outlay. Only a few companies reward employees for staying physically fit or encourage fitness by having fitness and recreation centers available for workers. And until recently, we hadn't heard of many firms having the courage to ask employees not to smoke cigars, pipes or cigarettes at work in the interest of good health.

Workplace accidents affect employer benefit costs, depending on how much of the treatment and disability cost ultimately gets picked up by a workers compensation program or whether the employee benefit claims for reimbursement under a company benefit plan. Employee benefit managers, risk managers and safety managers should discuss the relationship between claims and work accidents, since loss control measures applied to operations can have a positive effect on employee benefit expenses (as well as on work comp experience).



letters

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

Cousteau inspiring

To the editor: Your article titled "Risk Management" authored by Jacques Cousteau (Oct. 30) was inspiring. In addition to an industry career, I am a Cousteau Society member and diver.

The indifferences tolerated on our waterways are inordinate. Mr. Cousteau's dedication for survival of humanity and preservation of the sea should be an attitude instilled in all colleagues of our industry or apathy and greed will bury us. His suggestions of reform are well stated.

Harry Truman said, "The buck stops here," we, also, have ultimate responsibility.

Joan Hansen
Streamwood, Ill.

E&O policy

To the editor: Regarding the letter from Charles T. Colarullo about the policyholder's errors and omissions coverage offered by Capacity Managers International Inc. (Oct. 30).

We share Mr. Colarullo's desire to have statistics, but they are unavailable for two reasons: this cover was not previously available and insureds are extremely reluctant to publicize the failure of their

insurance, and insurers are even more reluctant to publicize denials of coverage.

While statistics are not available, those of us who are brokers or underwriters are aware of such problem areas as for example, the reporting of losses in a self-insured layer, sprinkler warranties and substitute pilot warranties.

With respect to the cost of the PHEO coverage, and in view of the potential for serious loss, a rate of approximately three eighths of one percent of the policyholder's insurance budget (subject to minimums) seems very reasonable.

By referring to this cover as "risk managers E&O" rather than "policyholders E&O," Mr. Colarullo perpetuates the existing confusion surrounding the purposes of this policy.

Those "errors" for which the policy would respond, can be caused by any one in the insured's employe, from the chairman of the board to a person in the mailroom.

Abe Snyder
Assistant vp, Capacity Managers International Inc., New York, N.Y.

Can anyone help?

To the editor: I have just read your article in the Oct. 30th issue of
Continued on page 10

business insurance

the national newsmagazine of loss prevention, risk financing and employee benefit management

G.D. CRAIN JR.
founder (1885-1973)

MRS. G. D. CRAIN JR.
chairman of the board
RANCE CRAIN
president and editorial director
DAVID J. CLEARY JR.
senior vp-group publisher

S. R. BERNSTEIN
chairman, executive committee
KEITH E. CRAIN
secretary-treasurer
ALFRED MALECKI
vp-publisher (New York)

SUSAN ALT, ARM, CPCU, editor (Chicago)

KATHRYN J. McINTYRE, news editor (Chicago)

Associates: New York—REBECCA A. FANNIN, ELLIS SIMON, Washington—JERRY GEISEL, Los Angeles—JOANNE GAMLIN, Chicago—MARY ELLEN McKEE, LEN STRAZEWSKI, Editorial production chief: Chicago—MERRILL SALTZMAN, Art director: JOE FARACI, Correspondents: London—JOHN MILLER (01)946-4215, Seattle—HARRIET KING (206-888-2340), San Francisco—MARGARET LeROUX (415-525-5082).

DONALD A. WALSH, Advertising director (New York)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST; Chicago—ROBERT L. NIESSE, Production manager: Chicago—FRAN PRYBYLO, Promotion manager: New York—RONNIE I. DRACHMAN, Assistant to the publisher: Chicago—CELIA MALOUHOS; New York—JOYCE BAIDA.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing, KEITH E. CRAIN, secretary-treasurer; M.A. HARTENFELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, assistant secretary.

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-658-5500); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 75 cents a copy. \$15 a year in U.S. Foreign \$5 a year additional. WILLIAM STRONG, vp-circulation, PAMELA JANOUSEK, circulation manager; ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611. Telex number 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA

Member of Business Publications Audit of Circulation

ABP

WE'VE GOT OUR NAME ON SOME OF THE BIGGEST MINING RISKS.

Lexington Insurance is digging into the mining business by taking on high capacity risks. Risks that others turn down, or can't handle.

Earth graders. Borers. Multi-ton dump trucks. Anything big and expensive. For underground or strip mines.

We have both high capacity and the ability to provide necessary coverages at reasonable rates. And we may include flood, earthquake, explosions and even business interruption coverage in the deal.

For more information send the coupon today.

LEXINGTON INSURANCE COMPANY

Dept. A, 100 Summer St., Boston, Mass. 02110

Please send me more information on Lexington's Program.

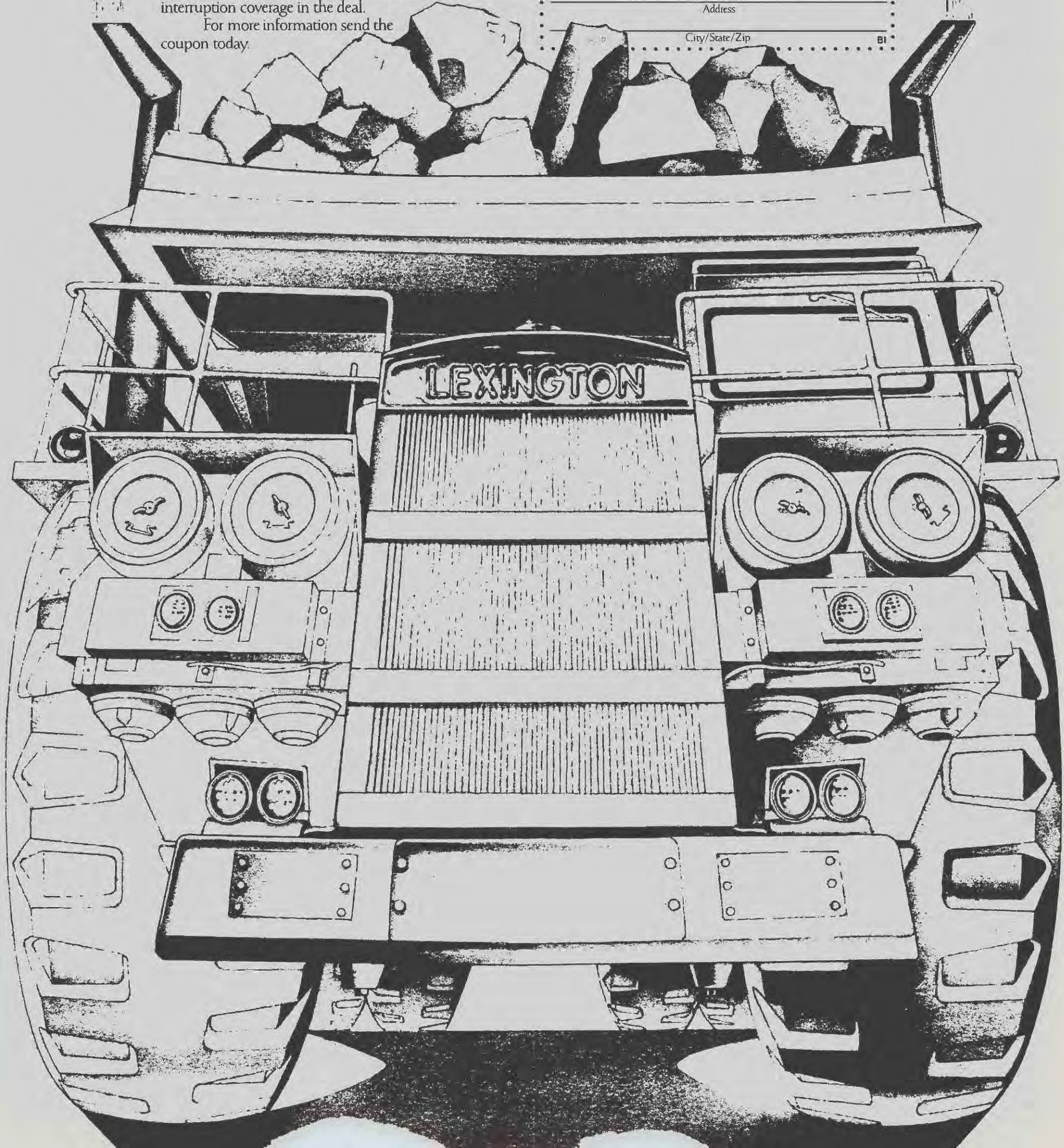
Name

Company

Address

City/State/Zip

BI



TIRED?

Maybe we can be of help

We are interested in purchases and mergers with Fire & Casualty Agents in Texas and Oklahoma.

We Value Agencies on basis of one to two times average 3 year commissions. We purchase with cash and interest bearing notes.

We want to retain current owners as part of our management team. We have excellent markets, financial strength and manpower.

Contact: **LARRY FARLEY, CPCU**
FARLEY-QUINN & ASSOCIATES
 7676 Woodway, Suite 112
 Houston TX 77063
 (317) 780-3358

More letters . . .

Continued from page 8
 Business Insurance entitled "Slopes, Trampolines—Recreation Boom Exercises Some Falls For Cities," by Mary Ellen McKee.

I was most interested in the comments by Bob Bieber, risk manager for the County of Westchester, N.Y., concerning the use of toboggans and the controls his city has set up.

Our city has a problem with a newly constructed go cart track for which we have been unable to obtain liability coverage through normal risk channels. It would seem as though the go cart tracks would be hazardous exposure and I was wondering whether you would have any information concerning accident experience pertaining to them.

I would be happy to furnish whatever information I could con-

cerning the safety measures we are taking to avoid the chance of injury or damage as a result of their use.

Don Hoffpauir
 Administrator, risk management,
 Lafayette, La.

Mr. Hoffpauir can be contacted by writing the risk and property management division of the department of administration, City of Lafayette, 512 Midway, Lafayette, La. 70502.

Newcomer's view

To the editor: As a neophyte risk manager, newly thrust into the world of risk management and insurance, I often question the way that things are done, as they often appear to be done certain ways simply because they have always been done in those ways. This was brought home to me very strongly when I recently bid group term life insurance for the county employees.

My first inclination, in examining any risk, is to retain as much risk as is possible myself, insuring those risks which I cannot prudently financially handle. Was I surprised to learn that the IRS taxes death benefits over \$5,000 paid directly to beneficiaries by employers, but that the benefit was not taxable if channeled through an insurance company. I am certain that there was a reason for this limit on taxable death benefits, but with the amount of supervision the federal government exercises in hiring and personnel practices, the need for such a limit on non-taxable, directly-paid death benefits certainly is unnecessary.

What surprises me even more is the apparent lack of pressure put on our senators and representatives in Congress to get this regulation changed. Perhaps with the support of professional groups, such as RIMS, this limit can be eliminated, and life insurance can be equitably restored to the realm of self-insurance.

Kenneth Bush
 Risk and insurance manager, office of the controller, Grand Rapids, Mich.

Story appreciated

To the editor: The story published in your Oct. 30 issue (Virginia broker hopes to tackle athletic injuries for colleges) written by Jerry Geisel is most sincerely appreciated. This form of underwriting is not an easy program to grasp and has been misunderstood by many people in insurance. He had told me that his quest was to get the truth and report the facts as they are and let the chips fall where they may and he most certainly did that. Factual journalism is always respected.

We have had a number of inquiries due to the article and we expect to have others. Once again, we appreciate your interest in our program.

Edward K. Phillips
 Pembroke Realty & Insurance Agency, Inc., Virginia Beach, Va.

DRI to offer legal listing

MILWAUKEE—The Defense Research Institute is offering a product liability exchange listing the names and addresses of attorneys who defend product liability cases.

The service is added to the institute's individual research service for members of the institute, a group of more than 7,000 defense lawyers.

Further information is available from the DRI, 1100 W. Wells St., Milwaukee, Wis. 53233.

\$3 billion in commercial property coverage says Charter can handle it.



No matter what your commercial property insurance needs, you can count on Charter to give you the plan most likely to reduce premiums and administrative costs, and expand coverage.

The fact that we provide insurance on more than three billion dollars in property worldwide tells you we have the experience, the contacts with carriers, the trained personnel and the competitive pricing you want. And Charter is an industry leader in designing innovative and efficient approaches to coverage.

Present customers include property management companies, financial institutions, property

owners property partnerships, real estate trusts, pension funds and both corporate and private aircraft owners.

We'd like to show you the kind of service that's made them Charter customers. So give us your commercial property coverage problem. Over \$3 billion of experience says Charter can handle it. Charter Insurance, Inc. is a member of the Charter Insurance Group, which is a subsidiary of The Charter Company.



The Charter Company ranks 178th on Fortune's list of the top 500 American Corporations.

Agents/Brokers · 220 N. Main Street · Jacksonville, Florida 32202 · 904/358-4325 · TELEX 56-350

We know the ropes.

Kemper offers the corporate risk many customized alternatives.

When it comes to providing protection and service for corporations with unique insurance needs, nobody rides as hard as the Kemper Cavalry.

We help make sure your corporate program is complete. We have the flexibility to work with you and your captive, shoring-up weak spots, avoiding expensive exchanges of premium and loss dollars, developing the right blend of supplementary policies all for the right premium.

We're one of the few outfits willing to talk about facilitating insurance arrangements for self-insureds. And, we can help you develop a custom package of loss prevention and claim handling services.

The Kemper Cavalry has already come to the rescue of many clients with captive programs. We know the risks of riding alone, and we'll never let you get stranded.

If this is the kind of service you've been looking for, contact your nearby Kemper agent or broker.



We're riding hard to serve you better.

Higher limits for large law firms.

You can now offer law firms of 35 attorneys or more liability insurance from a U.S. firm whose policy now provides limits to \$20 million. And higher limits are possible if required. SEC coverage is also part of this special program for large law firms.

Best of all: with this Shand, Morahan Lawyers Liability program, agents and brokers can place this insurance—and earn commissions for themselves—on behalf of their law firm clients.

Shand, Morahan is the largest underwriting manager for this coverage, and the list of leading law firms we insure grows larger and more impressive each year. It's not surprising when you consider our program.

Under our large law firm program insureds may elect to handle their own defense or a defense counsel may be selected by mutual agreement with the insurer. The policy is noncancellable by the insurer within the term of the coverage. And Shand, Morahan will work closely with you to custom tailor this coverage to the needs of individual law firms.

More and more leading law firms are acknowledging the advantages (including competitive rates and prompt service) of insuring with the leading domestic market for their liability needs. And they are recognizing Shand, Morahan & Company as that market.

Why not support the trend yourself and earn substantial new commissions in the process.

For more information, call or write today.

A strong case for choosing Shand, Morahan.



Shand, Morahan & Company, Inc.

One American Plaza Evanston IL 60201 312/866-2800 Cable Shanmor Telex 72-4328

communications conference

Communications answer: A greater personal touch

By KATHRYN J. McINTYRE

CHICAGO—An employe wants to know about his or her benefits when they are needed, not when the booklets are issued, the audio-visual program shown or the personalized benefit statement mailed, benefit managers agree.

But how to write the booklets, script the audio-visual program or design the benefits statement so an employe can look up the answer to a specific situation still eludes benefit executives, they admit.

The answer isn't in more devices, but people, suggest consultants from Olanie, Hurst & Hemrich of Los Angeles.

Supervisors are the key to communicating benefits to employes, argued Clay Hurst and Kelly Coy at the *Business Insurance* Employe Benefits Communications Conference.

The personal touch of an informed supervisor answering an employe's benefit question can be "the glue and lubricant" of a company's benefit communication program, holding it together and keeping it running smoothly, said Mr. Hurst, principal of the consulting firm which is merging with broker Fred S. James & Co. of Chicago.

Three premises of employe benefits communications underpin this contention:

- It's not what is said, but what is done.
- It's not what is said, but how it's said.
- It's not what is said, but who says it.

Illustrating these premises, the consultants played tapes of parodies of benefit managers and employes discussing the issues.

Actors playing benefit managers were recorded as complaining, "There used to be a time when good pay and benefits were appreciated. . . . It's not that we don't provide good benefits, employes just want more. . . . Commu-

nication with the rank and file is scary. . . . They're very difficult to talk to. We don't have much in common. . . ."

But when one actor/employe benefit manager suggested, "I think they'd rather hear it from their supervisors," others countered, "I disagree. They'd just cause more confusion."

Not so, argued the consultants. "Supervisors can make it understandable," Mr. Hurst claimed. Moreover, the supervisor knows when to explain a benefit, when it's needed.

The supervisor, for example, will respond when he learns a young man on the line is about to become a father. "He then explains the maternity benefits.

"The supervisors know when everything you always wanted to know about the company benefits are in two paragraphs in a big manual," Mr. Hurst said. Of course, the supervisor would also lead the young father-to-be to the personnel department for further details.

Not only is the supervisor's awareness of employe need crucial, but the supervisor's credibility with the employe, which outpaces management's credibility, is also crucial.

To emphasize how little faith employes have in management, the consultants offered a tape of what they believe to be typical employe comments about management. "He says what he thinks we want to hear. . . . They never do anything for us. . . . It would be nice if they do what they say they will. . . ."

"Most of the time I don't understand what they're talking about at those meetings. . . . It's all part of a master plan to keep us ignorant."

Managers, the consultants complained, get hung-up with specifics and "legalese." The problem, Ms. Coy said, is "management has been talking to itself."

But supervisors, added Mr. Hurst, have credibility with employes along with a common lan-

guage. "Supervisors come from the rank and file. They are management's links" to the line employes, he offered.

Management's concern that the supervisor can't explain the benefits adequately is "management paranoia," the consultants charged.

"Give supervisors the tools they are comfortable with," suggested Mr. Hurst. While management may feel comfortable with manuals, he observed, supervisors require summaries of the benefit plans that "make it understandable, entertaining," he said.

"This isn't treason," Ms. Coy maintained. "Now that you've done the slide shows and booklets, what's wrong with talking to employes?" she demanded.

Recalling the adage that students are the best teachers, Ms. Coy suggested "supervisors are the best communicators" with employes. "They'll have trust in a person instead of a manual," she added.

Countering the argument that supervisors explaining benefits can only lead to misunderstandings and lawsuits over misrepresentation, Ms. Coy said, "If the benefits are presented primarily with reasoning, there is less chance for resentment to build up."

Tapping supervisors to communicate employe benefits doesn't mean companies should throw their benefit manuals away, Mr. Hurst cautioned. "Manuals are necessary. They just aren't the panacea."

"Go back to basics," he urged. "Talk to one another and listen. People want to go to other people for answers, not booklets."

While some benefit managers remain skeptical of using supervisors to communicate benefits, others from companies where the line supervisor is seen as keeping the business on track praised the approach.

Robert M. Bird of DuPont said



Photo: Kathryn J. McIntyre

Painting a pretty picture

Graphically appealing benefit communications booklets can be produced while still meeting the letter of the law as this one shows, suggests consultant Judy Karam at the *Business Insurance* Employe Benefits Communications Conference. See story on page 24 of this special report on how to tell the benefits story.

the chemical company relies on its supervisors for answering benefit questions and for leading the employe to the benefit experts when necessary.

But another benefits manager complained that while many su-

perisors can do a "super job" in the role of benefit communicator, others are "just terrible."

The later group can be helped along with the right tools and instruction, maintain the consultants.

Benefit story budgets growing, survey reveals

Continued from page 1
nications until the home office received frequent complaints about "confusing insurance booklets and lousy fringe benefits."

Whether companies establish a budget or not, they are spending more on benefit communications. Eleven benefits specialists said this year's expenditures are significantly higher than in 1977.

Charles Davis, employe benefits communication manager for Evans Products Co. of Portland, Ore., said he's spending almost three times more than last year on communicating benefits.

However, Mr. Davis indicated that the higher costs cannot only be attributed to a change in the program, but also to higher postage and printing costs.

Ms. Culler of R.J. Reynolds estimates that her company's postage and printing costs for benefits have risen 10% in the last year.

At Crompton & Knowles Corp. of New York, expenditures for benefits, communications have doubled in the past year, said Eileen Monaghan, administrator of



compensation and benefits.

"The cost of producing the communication devices have risen 100%," she observed. "Inflation is responsible for that. For a decentralized company like Crompton & Knowles, with 3,100 international and domestic employes, larger expenditures each year are unavoidable."

James L. Bittles, employe benefit

Money that could be spent on improving employe benefit communications is going to pay soaring printing and postage costs, complains Susan Rhoades of the Upjohn Co., right, and Eileen Monaghan of Crompton & Knowles Corp., left.

specialist for Kraft Inc. of Glenview, Ill., fixes an increase of 20% in expenditures over last year.

"When you have a great need to refine programs with a strong intent to inform people about what benefits they have, you are going to be constantly refining and improving your tools," he suggested. Maintaining good benefit communications is as important as imple-



menting a new program, according to Mr. Bittles. "If a company didn't have a rise in total expenditures, I would guess that they weren't doing their job."

Despite increased benefit communication spending, five of the employe benefit communications people interviewed fear their communication programs are ineffective. Five others consider their

communications programs adequate, but admit they could stand some improvement. Only two were confident their programs are successful.

Mr. Davis of Evans Products said that probably one of the biggest problems facing a decentralized company is "the only way you know if a company's devices aren't working is if you get a lot of complaints. Complaints, unfortunately, are a very poor yardstick for benefit communicators."

Mr. Bittles of Kraft said, "the company has not done enough in the benefit communications field to really know if the program is effective and most companies are in the same ball park."

"Our company did not wait for ERISA," said Susan Rhoades, public relations associate for the Upjohn Co. of Kalamazoo, Mich. "We realized that benefits had to be explained in lay language. However, we are not totally satisfied with the communications program. We need to improve our technique and constantly refine successful formulas."

Legal rules, readability tough to balance

By MARY ELLEN McKEE

CHICAGO—Booklets, summary plan descriptions and personalized benefit statements, which are becoming increasingly important benefit communication devices, pose a double-edge challenge to benefit communications personnel.

The printed media must maintain a balance between meeting ERISA requirements and at the same time making the message concise and easily understood, say communication specialists.

Communication experts offered advice and ideas to benefit communication people from across the nation attending *Business Insurance* communications conference workshops designed to grapple with this problem.

"You must first remember that most of the people you are trying to reach with this printed material about benefit programs are not readers," says Donald L. Sheppard, assistant vp of communications for William M. Mercer Ltd. of Toronto. "By the time most of these employes graduated from college they had already watched approximately 18,000 hours of television and films."

You can invite readership, according to the Mercer communications specialist, "by putting the message into colors, utilizing white space to sharpen readability and employing an imaginative use of type sizes and styles to set a compelling stage for some dry information for the reader."

Content, Mr. Sheppard warned, cannot be totally ignored because of some "jazzed up" format. He offered benefit managers some guidelines to follow when writing a company booklet:

- Booklets on employe benefit programs must answer two questions before they can work: What do I get and how do I get it? This must be done efficiently, clearly and with a minimum of jargon.

- Keep the content of the booklet as simple as possible, but make the book specific. The employe must know that if something happens to him he will be covered by certain benefits for certain dollar amounts.

- The organization of the booklet should reflect the image and philosophy of the company.

- All communication devices should play on the building of trust between the employe and the company.

Mr. Sheppard and the other benefit communicators agree graphics can enhance and detract from a communications effort.

"Anything that is the least bit complicated will cause your reader to give up before he has finished reading," Mr. Sheppard noted. Therefore, try to avoid extensive use of the tabular format.

Blue type on a white background can weaken a booklet. Workshop participants agreed that a three-ring binder with blue print on a white background takes on the appearance of mimeographed sheets.

Mr. Sheppard suggested that benefit managers capitalize on the "personal touch" in their booklets. "Pictures of the executives of the company or even pictures of employes in the factories can draw a person into the booklet when normally he would have filed the booklet in the bottom of his lunch box."

Never use smaller than eight point type for text, says Mr. Sheppard. Anything that resembles a legal document is automatically branded as too complicated to read. "So even if the booklet is extremely well-organized and well-written, it doesn't do much good if

you can't bring the reader into the text." Type should stay, instead, within the 10 to 12 point range, Mr. Sheppard noted.

The book should be compiled so that it opens easily and lies flat on a table or desk.

"If you are going to package a group of employe benefit booklets in a cardboard holder or binder," Mr. Sheppard warned, "the front and back of the cardboard box or binder should be used to advertise what's inside."

A summary plan description should not only be designed to comply with the law, but also designed so that the employes can appreciate it, says David M. Gladstone, a consulting actuary for Hazlehurst & Associates Inc.

The actuarial consultants guidelines to follow when preparing a

communications conference

summary description plan include conferring with legal experts in the company to make sure that it is thorough and accurate. The information must clearly state the employe's rights and employer's responsibilities without referring to the actual plan document.

To add a little variety and give designers a "graphics playground," tack an introductory page in front of the summary plan description, Mr. Gladstone suggested. "Use this space to explain the tax advantages involved in joining benefit programs and compare the company's benefit pro-

grams with competitors," Mr. Gladstone suggested.

"Don't steer away from using terminology completely," Mr. Gladstone advised. Repeat definitions of some terms (final average pay), or add a glossary to the document to familiarize employes with the terms without scaring them off, the actuary explained.

A summary of each section of the document is helpful, interspersed with example of events, according to Mr. Gladstone. The summary plan document should tell the employe how missing work due to an injury will affect other benefits and what benefits he is entitled to because of the injury, he noted.

Mr. Gladstone recommends that employe benefit communication personnel test everything that they

write by asking few employes to read the document and answer some questions to find out if they retained any pertinent information. "If they haven't, you've failed in communicating."

House organs, benefit newsletters and bulletin boards are good ways to inform employes of any updates or adjustments in the benefits program, Mr. Gladstone said.

Lee A. Carlson, executive director of the Benfo division of M&R Services believes a personalized computer statement should clearly indicate personal and company contributions to the program, giving the employe a view of the value of his total compensation program.

Someone, however, should spot check the figures with some hand calculations to make sure that the amounts printed are correct," Mr. Carlson added. "Even though most personalized benefit statements are computer printed, a mistake can be made when feeding information into the computer." ■

In case of emergency, break open.

Proper planning for an emergency before it happens can save hundreds of thousands of dollars and many production days. Our experience shows, however, that prior to an accident few plants have made any formal, in-depth plans to get back into production.

Hartford Steam Boiler's pre-emergency and recovery program, PREPARE, outlines prescribed action plans for electrical, mechanical, and pressure equipment, as well as certain production machinery. Its purpose is to reduce the length of time between the accident and the return to normal operations. This data collection system can trigger a financial savings by minimizing production delays and repair expenditures.

PREPARE's effectiveness

relies heavily on prior data collection, classification, and periodic updating of all pertinent information. When properly maintained, PREPARE can result in a quick, effective recovery from an otherwise crippling accident.

PREPARE, designed and field tested by our engineering staff, is a valuable risk management tool for our policyholders who need to formalize their pre-emergency plans. It's one more way Hartford Steam Boiler is providing its insured with building blocks for establishing and maintaining effective in-house risk management programs.

A special issue of *The Locomotive*, our quarterly engineering publication, elaborates and emphasizes the benefits of pre-emergency planning. A free

copy can be yours by sending this coupon.

I realize that PREPARE is reserved only for Hartford Steam Boiler insureds, but please send me a free copy of *The Locomotive* so I can learn more about pre-emergency planning.

Name _____
 Title _____
 Company _____
 Address _____
 City _____
 State _____ Zip _____

Send coupon to:

**HARTFORD
 STEAM BOILER
 INSPECTION AND
 INSURANCE**

56 Prospect Street, Hartford, CT 06102

**We help more risk managers
 manage risks better.**

Armco employs different strokes for different folks

CHICAGO—Armco Inc. benefits manager David C. Wineland maintains he doesn't consciously communicate benefits differently to hourly employees compared with the salaried group.

But when he reflects on how he decided to tell 30,000 hourly employees about a new thrift plan and how he chose to renew interest among 10,000 salaried employees in their thrift plan, he admits he took different tacts.

"For the \$35,000-a-year accountant and the \$35,000-a-year maintenance man, we did explain it differently, though the result was the same," he said during a panel discussion at the *Business Insurance Employee Benefits Communications Conference*.

Mr. Wineland explained his practical reasons for approaching salaried and hourly employees dif-

ferently about the thrift plans, while the two other panelists argued on principle for addressing the two employee groups in the same manner.

Armco instituted a thrift plan for hourly employees to convince them to forego their 10 additional weeks of vacation time that had been negotiated to be available over every five-year period. The additional time off was costing the company skilled workers and scheduling hassles.

At the same time, participation was falling among salaried workers in their thrift plan.

Though Bruce Sidebotham of General Tire & Rubber argued "you can say it the same" to hourly and salaried employees "if the benefits are the same," Mr. Wineland countered that the two groups

posed different communication challenges.

"Our hourly employees are scattered over 10 different sites," he explained. They work on continuously changing shifts while salaried employees are on a routine schedule and concentrated in the Middletown, Ohio, home office.

Mr. Wineland also learned from experience that "material gets thrown away by hourly workers." That problem prompted him to be sure information on the thrift plan was sent to the hourly employees' homes for the spouses to see.

The company maintained a "come clean approach" with the hourly workers, explaining the advantages to the company as well as the employees of the thrift plan, Mr. Wineland noted.

That's important, observed consultant George F. Way of George B.

Buck consulting actuaries. "Hourly employees know when they're being had," he warned. "There is little reward and no need for stereotyping the hourly worker."

Aware that rumors spread quickly among hourly workers, a problem not so often experienced with salaried employees, Mr. Wineland set up a 24-hour hotline to answer the hourly workers questions about the thrift plan.

Salaried employees, however, who tend to ask specific questions, needed the attention of one person to communicate the plan, he decided. Supervisors were pressed into service to meet one-on-one with the salaried workers to discuss such aspects as the tax advantages of joining the thrift plan.

Though some union leaders



"We don't talk down to hourly employees," says Armco's David Wineland, but the approach is special.

were skeptical of Armco's motives in offering the plan, one union president was enthusiastic. "He said he'd sell it and we had over 70% participation at that plant," Mr. Wineland reported.

Interestingly, one communication device Mr. Wineland thought would help the hourly employees understand the thrift plan was also demanded by the salaried workers when they heard about it.

The Armco benefit chief designed a paper-mechanical calculator to show how much could be saved over the years in the plan considering both the employees' and company's contributions. The hourly version was revised to fit the base pay schedules of salaried workers when they started asking for the calculator.

Not everything in the communication plan was used though, Mr. Wineland lamented. He had intended to send a phonograph record alluding to the savings plan to hourly employees at home. And he had devised a special promotion to get them to attend screenings of an audio-visual program.

But a bureaucratic bungle by the Internal Revenue Service, which delayed approval of the plan, cost the company valuable lead time for communications and ultimately shelved these two programs.

Posters were still hung in the hallways to remind employees about the plan, explanatory material was mailed and the audio-visual was shown, without the fanfare.

Armco enlisted 40% of its hourly workers in the thrift plan, a percentage the benefit chief expects to increase over time. An additional 10% of the exempt salaried workers joined their thrift plan for a 93% participation and enrollment by non-exempt salaried personnel grew to 75% from 58%.

Mr. Wineland stressed, however, that even though the communications approaches were different, "we do not talk down to hourly employees."

That, the three panelists agreed, is a cardinal rule.

Polaroid's way to aid 'keeping'

CHICAGO—Polaroid discovered that its employees were having a hard time keeping track of all the brochures, plan descriptions and annual reports the company was sending them.

The solution: A giant folder emblazoned in blue letters with the words: "Your Polaroid Employee Benefits."

The folders have been sent to all locations and are handed to new employees at orientation or to current employees during meetings discussing employee benefits.

PREPARED
Pre-Emergency Plan
and Recovery

NORTH STAR REINSURANCE CORPORATION



A Truly Flexible Market for Treaty Reinsurance, Casualty Facultative Reinsurance and Excess Covers.

CALL (212) 248-2400

Wall Street Plaza, 88 Pine Street, New York, N.Y. 10005

Less is more in films telling about benefits

CHICAGO—Too much information squelches the high emotional impact of an audio-visual presentation, counsels a multi-media specialist.

"Don't overload them with information," advises Ira Kerns, chairman of the Creative Establishment Inc., producers of audio-visual aids. "We suggest A/V be used for high impact and printed material for details and reference. To duplicate the printed details is madness," he believes.

Many audio-visuals produced to communicate employe benefits are crammed full of facts and figures because "the client stuffs it in there," he complained. Instead of trying to relay details, shoot for



Clients should stop "stuffing" audio-visuals full of too many facts and figures, says media specialist Ira Kerns.

leaving the viewer with four or five concepts he told A/V fans at the Business Insurance Employee Benefits Communications Conference.

Another typical fault of A/Vs produced for benefits communications is starting off with a great 30 seconds of a grabber theme and then burying it for the next 25 minutes until it is resurrected for a catchy ending. A good story line used at the beginning of a presentation should be carried all the way

communications conference

through the program, Mr. Kerns recommends.

But even with a bright theme, the A/V shouldn't be dragged on longer than 15 minutes, he says. If it will take 20 minutes to present the necessary information, "cut it up into two 10-minute shows with a break in-between."

Of the various kinds of audio-visual forms available, a slide and script is the least expensive, with slides costing about \$30 each. The talent of the narrator determines how lively the usually dull slide show will be.

Slides accompanied by a sound track offer much more flexibility, "but there's a problem of gaining momentum" to be overcome, Mr. Kerns says. A 12-to-15 minute slide and tape show will cost at least \$5,000 to \$6,000 and can run as high as \$15,000, with the average cost at \$8,000 to \$9,000.

The slide and tape program is expensive to duplicate compared to a film strip and cassette program. Film strips, produced for \$400 to \$800 from a slide show, sacrifice the quality of the image for lower costs.

Professionally produced motion pictures should be considered only by those with healthy budgets. Even without special effects or animation, a minute of a motion picture costs between \$2,000 and \$4,000, Mr. Kerns said.

Professional quality video tapes cost almost as much as motion pictures, if not more, Mr. Kerns observed. Since in-house video components can't turn-out quality productions, the use of this twentieth century medium is leveling off, he added.

Whatever the cost, don't kill the power of sound and pictures offered by an audio-visual program: by projecting the image onto a "dinky screen" or using back speakers, Mr. Kerns advises.

Report from Number One Wall Street

Irving innovates—you profit. The fully protected **Securities Lending** service.

You may have considered securities lending as a way of increasing portfolio return...and held off because of potential risk, or the time and money it takes to develop an in-house capability.

If so, we've just eliminated your concerns. Our new Securities Lending service opens the door to extra income, with full protection and no work.

Put idle securities to work. Vaulted securities have it too easy. Why should they? You don't let idle funds sit

around gathering dust. You put them to work. And our Securities Lending service does the same for the stocks and bonds in your portfolio. Food for thought and for your handy calculator: How much extra income would a daily average loan balance of \$5 million earn you in short-term investments?

No matter what interest rates you use, it's added income available no other way.

There's no risk. Almost every investment decision you make has some risk. But our Securities Lending service is risk-free. Irving protects you against loss on any security loan.

We sow. You reap.

We act as your agent and solicit requests for loans of securities from a

large but carefully selected group of top brokerage firms.

We handle all the monitoring, checking daily and collecting additional collateral when required.

We collect all your dividends and interest payments and credit them to your account on payable date.

We act as your custody bank, providing the full range of



safekeeping and reporting services.

We can serve as your short-term money manager to invest cash collateral in appropriate instruments for optimum yield, safety and liquidity.

In short, we do all the work. You get extra income and you still retain full control over the management of your holdings. A securities loan can be terminated on 5 business-days notice.

Interested? Ask for our brochure describing this innovation in extra income. Call your Irving account representative or Robert R. Alberti—212/487-6284.

With Irving working for you, you can work your portfolio a lot harder.

Robert R. Alberti
Assistant Vice President,
Securities Product Officer



Irving Trust Company. Nationwide. Worldwide.

A CHARTER NEW YORK BANK

THE OFFICIAL BANK OF THE 1980 OLYMPIC WINTER GAMES.

Member F.D.I.C.



We look, but do we see?

What you see here is sand. What you don't see is water. The fact is, nearly all of the sand in this photo is under water.

This sand bar, off the coast of McKay, Australia, looks like any sand bar, anywhere in the world. But if one were to examine the chemical makeup of the sand and water, one would find elements characteristic of that area exclusively.

The same type of close examination is necessary when evaluating the protection of industrial properties. On the surface, a warehouse in Little Rock, for instance, looks no different than a warehouse in Sydney. But subtle differences do exist. Local considerations that must be dealt with on an individual basis when it comes to protection requirements.

Allendale International brings loss prevention philosophy and techniques to foreign lands, tailoring protection to conform with local restrictions and conditions.

It's not coincidental that we chose this photo to exemplify our foreign interest, since Australia represents one of our newest areas of activity.

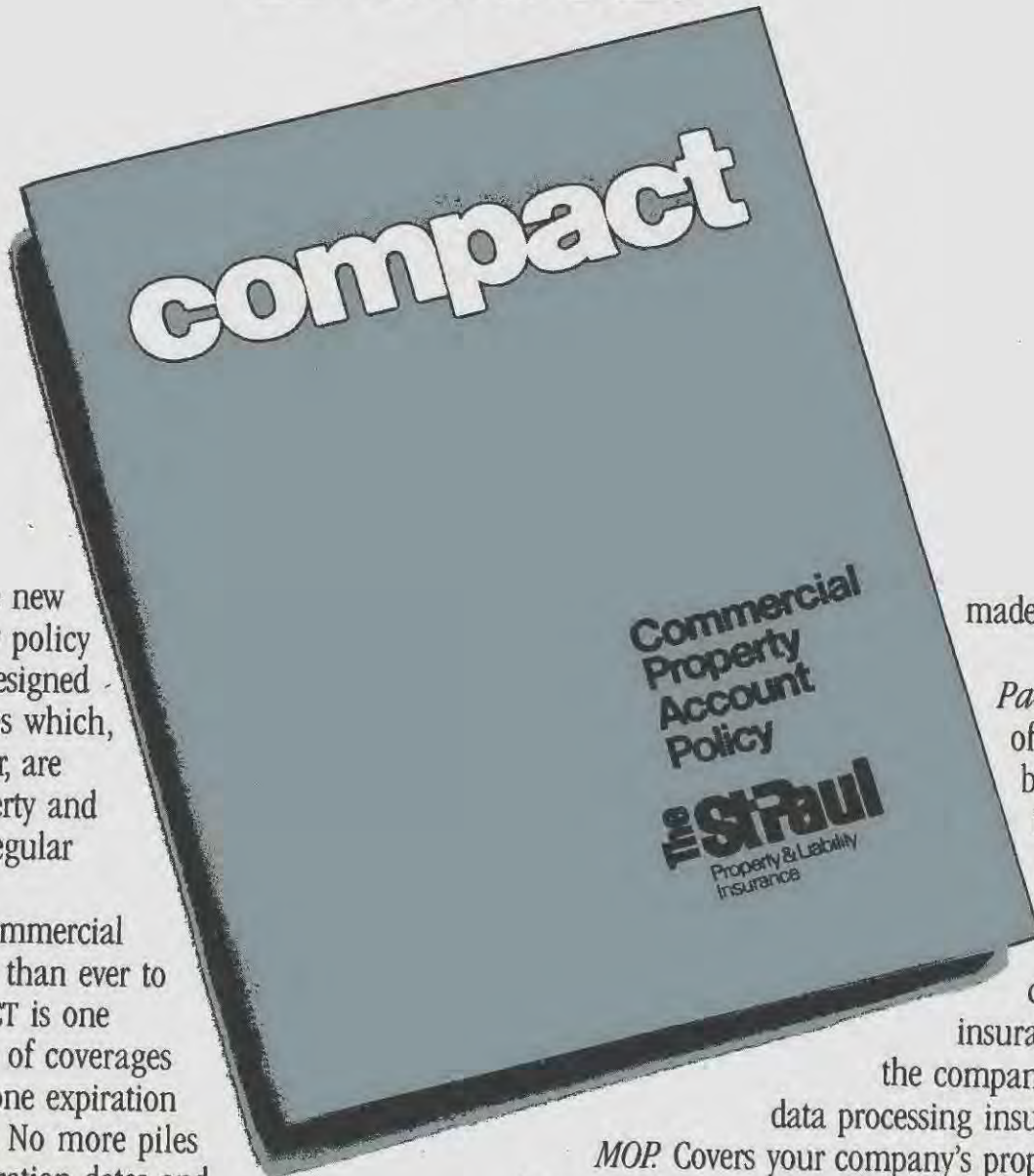


Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

**What would you call
a new policy that
covers your building,
all of its contents
and can include
inland marine exposures,
business interruption
and glass
in one simple
portfolio?**

Better.



Introducing COMPACT, the new simplified, property-only policy from The St. Paul. It's designed specifically for businesses which, for one reason or another, are unable to combine property and liability coverages in a regular package policy.

COMPACT makes commercial property insurance easier than ever to manage. Because COMPACT is one simple, flexible portfolio of coverages with one premium and one expiration date from one company. No more piles of policy paperwork, expiration dates and several different insurance companies to keep track of.

COMPACT can be tailored to fit your needs. Buildings only or contents only can be insured. Or, you can cover both together. Basic coverage can include named peril or all risk on real and personal property. You can expand your COMPACT coverages to include time element, inland marine and glass.

An optional single occurrence account deductible from \$250 to \$75,000 is available for all perils covered. And \$1,000 transit and \$1,000 extra expense are included automatically.

Want more information? Get in touch with your Independent Insurance Agent representing The St. Paul. He's listed in the Yellow Pages.

Here's more business insurance we've

made better:

Plain English Package. A variety of property/liability business coverages in one policy, without all the gobbledygook.

EDP. All-risk computer insurance from the company that originated data processing insurance.

MOP. Covers your company's property exposures in transit, in storage or in-plant, all in one policy.

Umbrella Excess Liability. One million dollars excess liability coverage on small businesses for as little as \$200 per year. Can also handle larger accounts with limits up to \$20 million.

Commercial Auto. The St. Paul has the expertise, people, resources and stability to back you strong in this coverage.

Inland Marine. We're one of the largest across the board writers. We've built expertise since 1853.

We keep making insurance better.



Serving you through Independent Agents. St. Paul Fire and Marine Insurance Company/St. Paul Mercury Insurance Company/The St. Paul Insurance Company/St. Paul Guardian Insurance Company/The St. Paul Insurance Company of Illinois. Property and Liability Affiliates of The St. Paul Companies Inc., Saint Paul, Minnesota 55102.

Expert unveils test for effective films

CHICAGO—When the lights go out and the projector rolls, how does one judge the effectiveness of an audio-visual presentation? By the number of heads that don't roll to one side? By the absence of jeers or the response of applause?

Herbert Zeltner, a marketing specialist, offers more scientific yardsticks for measuring the communications effectiveness of an audio-visual program.

The president of his own market planning and business development company in New York outlined the criteria he believes should be used in rating an audio-visual production and showed attendees of the *Business Insurance Employee Benefits Communications Conference* how he uses them.

He challenged the conference attendees to rate three audio-visual

programs with him, demanding to learn their scores before divulging his. Mostly the audience seemed to catch on to his criteria and apply them similarly.

A **Hanes Corp.** program on its new retirement plan, for example, was rated in the 40 to 60 point range by most of the audience while Mr. Zeltner scored it at a 55, almost halfway between poor at 10 and excellent at 100. The presentation failed to capitalize on the opportunity to sell Hanes, he complained.

The pension plan at North American Philips Corp. was described in an audio-visual presentation that Mr. Zeltner gave a 57, with most of the audience also in the 41 to 60 point range. The communications expert complained that the show was "over organized," with too much arithmetic shown.

communications conference

A program that opened with a 1950s beat and setting to explain the benefits offered by U.S. Leasing International Inc. earned an 83 from Mr. Zeltner, but was judged more harshly by the audience voting heavily in the 61 to 80 point range. While the audience was overwhelmed by facts and the half-hour length of the film, Mr. Zeltner praised the organization and art work.

Mr. Zeltner's criteria for judging the audio-visuals, only from a communications and not benefits point of view, are.

- Are the objectives clear-cut,

sensible and capable of being met? Is the presentation on target?

- Does the presentation persuade the viewer, with a good sales pitch thrown by presenting the elements as favorably and strongly as possible?

- Are the elements arranged for easy understanding? Is the sequence logical, the emphasis and recap appropriate?

- Is the content understandable, with elements explained correctly?

- Are the facts, figures, relationships and projections shown interestingly, with the meanings clearly explained?

- Is the tone of the presentation believable, acceptable? Will the viewer empathize?

- Are the graphics designed to help, not hinder, the message?

- Does the presentation involve



"Does your audio-visual show for benefits also sell the company?" asks Herb Zeltner.

the audience, calling for a particular action or change in attitude? Does it tell the viewers what to do next?

- Does the audio-visual have staying power? Can it be adopted to serve different employe groups and can it be updated over time?

- Does the presentation capitalize on the opportunity to sell the company?

Revlon finds a good plan isn't easy

CHICAGO—The road to creating an effective audio-visual program is seldom a smooth one. Harold L. Hudson, manager of corporate benefits for Revlon Inc., learned this lesson the hard way.

Last year, Mr. Hudson and consultants Hewitt Associates started work on an audio-visual to sell Revlon's stock purchase program to enough employes to qualify the plan under Internal Revenue Service regulations.

Nine months and 17 drafts of the script later Revlon finally had a finished product, Mr. Hudson told attendees at the *Business Insurance Employee Benefits Communications Conference*.

The animated audio-visual was sent to 16 of Revlon's 32 subsidiaries, according to Mr. Hudson, costing the company \$50,000 or one-fifth of 1% of the total employe benefit budget. Mr. Hudson estimates that the revisions, which were made to satisfy legal requirements, cost Revlon approximately \$17,000.

"Since security is a hard concept to pin down and explain, we emphasized that an employe could set money aside while automatically becoming a part-owner in the company that he was helping to build," Mr. Hudson said. "Most people can relate to putting money aside. We capitalized on that point."

The audio-visual addresses not only the single, "foot-loose and fancy-free" employes, who don't feel compelled to save now for later, but also the employe who would simply like to make an investment, the employe who is worrying about retirement years and even the employe with a family or building expenses.

Revlon needed to show employes that one doesn't have to be rich to invest, Mr. Hudson explained. "Based on increased enrollment in the program, the audio-visual proved that message home to employes," Mr. Hudson added.

However, communicating the stock purchase program hasn't stopped. The audio-visual is now shown twice a year to lower paid employes to reinforce the message.

some things are best left to the experts^{T.M.}



...like loss control and risk management.

We're experts in...

- Accredited Industrial Hygiene Laboratory Analysis
- Air and Water Pollution
- Claims Management
- Fire Protection Engineering
- Industrial Hygiene

- Noise and Vibration
- Occupational Health
- Product Safety
- Safety
- Training and Education
- Ventilation Design

Call NATLSCO TOLL-FREE: 800-323-9585

Consultants to management.

NATLSCO
National Loss Control Service Corporation
Long Grove, Illinois 60049 • 312/540-2400

a subsidiary of



Survey employe needs to avoid costly mistakes

CHICAGO—No benefits communication device will work if the employes don't want the benefits, according to an employe benefits communication consultant.

One way to find out what the employes want is to ask them through a survey, says John Kerney, vp of the communications division at Kwasha Lipton.

"Companies are now mandated to give out booklets and present audio-visuals to clarify benefit programs, but there is still a gray area in the benefit communications field," Mr. Kerney believes. "Communications people are still uncertain about how much the employe knows about his benefits, what benefits he wants and how often the communication devices should be used to be effective."

Companies must steer away from the common management perception that benefits are good just because they are expensive, Mr. Kerney told attendees of the *Business Insurance* employe benefits conference here.

According to Mr. Kerney, a small bank in New York recently made the mistake of offering a program without surveying their employes' wants and needs.

The bank adopted a savings plan for its employes which matched one-for-one for three years money saved by the employe and later provided for a company contribution of half of the employe's savings.

"It would be a great benefit for some people," Mr. Kerney said. "However, the bank's employes showed absolutely no interest in the plan because most of the bank's employes were teller-types who could not afford to put away 1% of their earnings."

A company in the Midwest, however, found that they were overpaying their employes, who were farmers who had lost their farms and were working to save money to buy a new farm.

The company conducted a survey which indicated that "instead of saving the money to buy the farm, the farmers' standard of liv-



Even a fancy video won't sell benefits employes don't want, says John Kerney.

the survey can as much as double.

- Utilize existing channels within the company, such as computers, to get information for the survey.

A survey is not the only alternative an employer has in tapping the employe response to benefits.

Mr. Kerney told the benefit communication managers that one company included a question on its individual employe benefits statements which asked how an employe would distribute \$1 if it were added to the employe benefit program.

Through this device the company discovered that its employes placed a great deal of importance on life insurance plans, disability coverage and dental programs. As a result, the company increased life insurance coverage and offered a dental plan.

To: **Our Prospective Group Policyholders**

IF YOU ARE LARGE ENOUGH TO BE EXPERIENCE RATED WITH US . . .

YOU RECEIVE A WRITTEN EXPERIENCE RATING AGREEMENT WHICH SPELS OUT WHAT WE DO WITH EVERY PENNY OF YOUR MONEY . . .

AND IT ALSO INCLUDES OUR COST FACTORS FOR ADMINISTRATION WHICH CAN NEVER BE CHANGED EXCEPT BY MUTUAL CONSENT . . .

AND ISN'T THAT A PRETTY IMPORTANT FEATURE IN A CONTINUING INFLATIONARY ECONOMY?

BENEFIT TRUST LIFE
CAN PROVIDE YOU
WITH THE
COMPETITIVE EDGE

**BENEFIT TRUST LIFE
INSURANCE COMPANY**
established in 1913
1771 HOWARD ST.
CHICAGO, IL. 60626
312 / 274-8100

communications conference

ing was rising with the paycheck. He was buying a new house and several cars," Mr. Kerney said.

In response to the survey, the company implemented a savings plan, allowing the employes to save money over a 10-year period.

"If these companies had surveyed the needs of their employes earlier," Mr. Kerney added, "thousands of dollars would not have been wasted on compensation that was not appreciated."

A few decisions must be made, however, before a company can launch into a survey, according to Mr. Kerney.

- Determine who can conduct the survey. A third party is often used when employers are launching a new and extensive benefit program or when the company is large and decentralized.

- Decide whether the survey should be quantitative or qualitative. The qualitative survey, Mr. Kerney noted, is more expensive, but much more reliable.

- Get a commitment from management that the survey results will be filtered back to the employes and implemented.

- Choose an internal coordinator for the survey. If an internal coordinator is not used, the cost of



Can you spot an embezzler by the color of his collar?

No!
Embezzlement losses are estimated in the billions of dollars and they occur in every department from the mail room to the executive suite.

That's why it's so

important to protect yourself from damaging losses at all employee levels with Honesty Insurance from F&D.

Ask your agent or broker to get you all the facts. Do it now.

Fidelity and Deposit Co.

Nation's pioneer bonding experts
Baltimore, Maryland 21203





inter-
national
captive insurance
company conference:
March 20, 21 and 22, 1979
Hamilton, Bermuda
The Princess and Bermudiana Hotels

This important event draws speakers and participants from all over the world to a three-day intensive study of captives and the Bermuda insurance market. Topics will include: REINSURANCE, "OUTSIDE BUSINESS," TAX CONSIDERATIONS, GROUP CAPTIVES, and other subjects.

A SPECIAL FEATURE of this year's conference will be a CASE STUDY—"ANATOMY OF A CAPTIVE," demonstrating the factors and forces which come into play in the development of a successful captive insurance company.

This conference is designed for risk and insurance managers, financial executives, those involved in international business and others who have a practical involvement in the insurance industry.

Fee: \$525

For further information and reservations contact

**Conference Coordinator,
RISK PLANNING GROUP, INC.**

722 Post Road, Darien, Connecticut 06820
(203) 655-9791 Telex: 996358

Consultant urges benefit execs

Tackle special projects to improve work, status

CHICAGO—Employee benefit departments can broaden their horizons and employees' understanding of their benefits by taking on special communications projects, challenges a consultant.

Judith A. Karam, director of communications at Martin E. Segal Co., suggests a host of projects the benefits department can attack ranging from communicating with the new employee at recruitment and orientation to staging contests for employees.

"Look at special projects as a chance to consider the creative aspects, to put aside the legal prob-

**communications
conference**

lems," she urges.

Benefit departments should establish a "closer liaison" with the company's recruiters and orientation personnel, Ms. Karam suggested at a seminar at the *Business Insurance* Employee Benefits Communications Conference. The benefit department should be certain that the information about a company's benefits is presented accurately by the first people a prospective or new employee meets, she stressed.

"You can sum up a summary plan description in a brochure for recruitment and orientation," she proposed, without meeting the legal requirements for information to be included in the SPD. "It will pay off later," she promised.

But even SPDs "can be fancy," she proposed. "Integrate graphics with content to enhance the content. Use colors to highlight the information." Above all, she stressed, "Keep the plan text out."

Holding up a flashy summary plan description issued by the International Brotherhood of Painters & Allied Trades—a brochure chock full of photographs with a rustic theme, highlighted with beige and brown inks—Ms. Karam pointed to the back page, which tells the plan member "how to estimate your pension." Though the how-to steps refer to earlier pages of information and walk the reader through a formula, Ms. Karam said the booklet does it with "a jazzed up, relaxed approach."

However, the benefits communicators don't always win against the lawyers' concerns for dotting all the i's and crossing all the t's, the consultant conceded. A booklet that was at first intended to sell the Communication Workers of America on a savings and retirement trust was "turned into an SPD" by the lawyers, Ms. Karam lamented. Still, using colors to key special headings to the age of the reader throughout the booklet should work to sell the program, she hopes.

In communicating employee benefits, communicators shouldn't ignore the paycheck envelope or the employee lounge bulletin board. "But be original—don't go with stock posters," Ms. Karam warned. To be effective, the poster pinned on the bulletin board has to be so attractive that employees won't start pinning up "for sale" notices on it, she stressed.

Contests, provided they are carefully planned, can work too. "Ask employees how much they think it costs their company to provide their benefits and reward the employees who come the closest," she offered. "Release the annual benefit statement at the time the winners are announced," she advised, and the company will profit most from the heightened employee interest in benefits generated by the contest.

First employer plan

The first private pension plan for employees, financed solely by an employer, was established by the American Express Co. in 1875, reports the American Council of Life Insurance.

**HANSTAR:
SEEING IS BELIEVING.**



HANSTAR is John Hancock's computerized group accident and health claim payment system. A proven system that's so advanced, you need to see it in action to understand all it can do for you.

First, you'll see how HANSTAR saves your company time. With our national on-line system, we can answer policy and claim questions immediately, even if your company has regional divisions. Second, HANSTAR is accurate. It has built-in controls that reject invalid information and claims duplication. And it automatically calculates benefits, including reasonable and customary charges, and assures uniformity of contract application with maximum claim cost containment effectiveness.

Popularity with employees is another key HANSTAR feature. Employees appreciate the fast response and the complete Explanation of Benefits, or HANSTAR-generated letter, clearly detailing the disposition of the claim.

Reports on claim frequency, utilization and plan adequacy are available to assist you in considering appropriate plan revisions.

HANSTAR's flexibility in claim administration extends to the full spectrum of fully insured, MPA and ASO plans.

See what HANSTAR can do for you. Call Paul H. Gregg, Vice President, at (617) 421-6205 and ask for a HANSTAR demonstration. Seeing is believing.

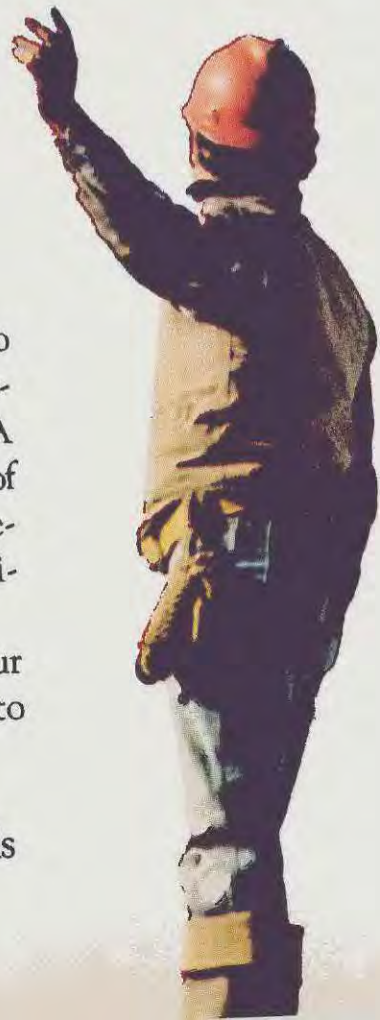
John Hancock

Mutual
Life Insurance
Company
Boston, Mass.

INA is taking a hard professional look at the hard liability risks.



In building demolition, the answer is yes.



Yes, we'll quote. And we'll do something that's perhaps even more important. INA specialists will work with you in developing approaches to solving complex and increasingly expensive insurance problems such as building demolition. These are difficult markets. Their inherent risks and hazards have steadily inflated insurance costs... or even made insurance unavailable. Such markets present a very real threat of serious loss.

But there is a counterbalance. The willingness of INA to undertake experienced

professional evaluations in a serious effort to come up with sound, cost-efficient coverages. This is what distinguishes today's INA in the field of hard liability risks. A sense of purpose backed by one of the most comprehensive lines of products and services in business insurance.

For complete details, simply contact your nearest INA service office...or write to
INA, 1600 Arch St.,
Philadelphia Penn-
sylvania 19101.

INA
The Professionals

At Levi Strauss

Film animates employees to take stock

CHICAGO—Levi Strauss & Co. introduced a new benefit which corporate officials thought would be really appreciated—awarding a share of stock for every year of service to employes on their fifth anniversary.

The company was more than a little surprised to find shares of the all-American jean company's stock lining trash baskets after they were passed out, admits benefits manager Ernest Griffes. Employes who thought the paper was worth something were selling it to each other in the hallways—setting their own prices.

Since 40% of the Levi's stock distributed to employes was sold within four months, the company realized that employes didn't think

too much of their new benefit, Mr. Griffes said at the *Business Insurance Employee Benefits Communication Conference*.

Mary Beth Moorad, a multimedia specialist now part of the Levi's benefits communications staff, was called on to develop a program that would convince Levi's employes that company stock is valuable and an investment in the company they are helping to build.

Ms. Moorad wrote a script for an animated audio-visual presentation that depicts an old miner coming to town to ask a Levi's staffer what the "piece of paper" (stock) was that he received in return for testing jeans.

The 12-minute audio-visual pre-

communications conference

sentation builds on a company employe explaining stock ownership and Levi's to a crusty—but charming—old miner. The sprinkling of humor that spices up the dialogue and colorful drawings could catch the attention of the most inattentive employe.

When stock was distributed the second time around, employes were shown the slide presentation. This time, only 18% of the stock distributed was sold in the first

four months, Mr. Griffes said.

The total cost for the project was \$5,000 for the 50-slide program with copies sent to each of the Levi plants, Ms. Moorad noted.

Two local actors who created the characters of the old gold miner and the Levi's employe were paid \$300, while sound studio costs averaged about \$30 for every hour in the studio.

Since a large percentage of Levi's employes speak only Spanish, the audio visual was translated by Berlitz for approximately \$300 and a person from the local television station provided the voices for a \$150 fee.

The remainder of the costs went to animate the audio-visual and to make the slides.



Levi's workers know their stock benefit is valuable after seeing Mary Beth Moorad's A/V show.

Levi's success in communicating the value of its benefits is not accidental. The company channels 10% or \$150,000 of the \$1.5 million it spends on benefits to communicate them to employes. With a staff of eight already, a goal has been set to expand so that one benefits staffer will serve each thousand employes.

The key to a good benefits communications program is to get ahead of the game, rather than let it creep up on you, says manager, Mr. Griffes.

"The employe benefits communications field is an exciting and growing field. One success will lead to others, providing an 'un-surmountable opportunity' to benefits communications managers," he maintains.

Continental offers new risk facility

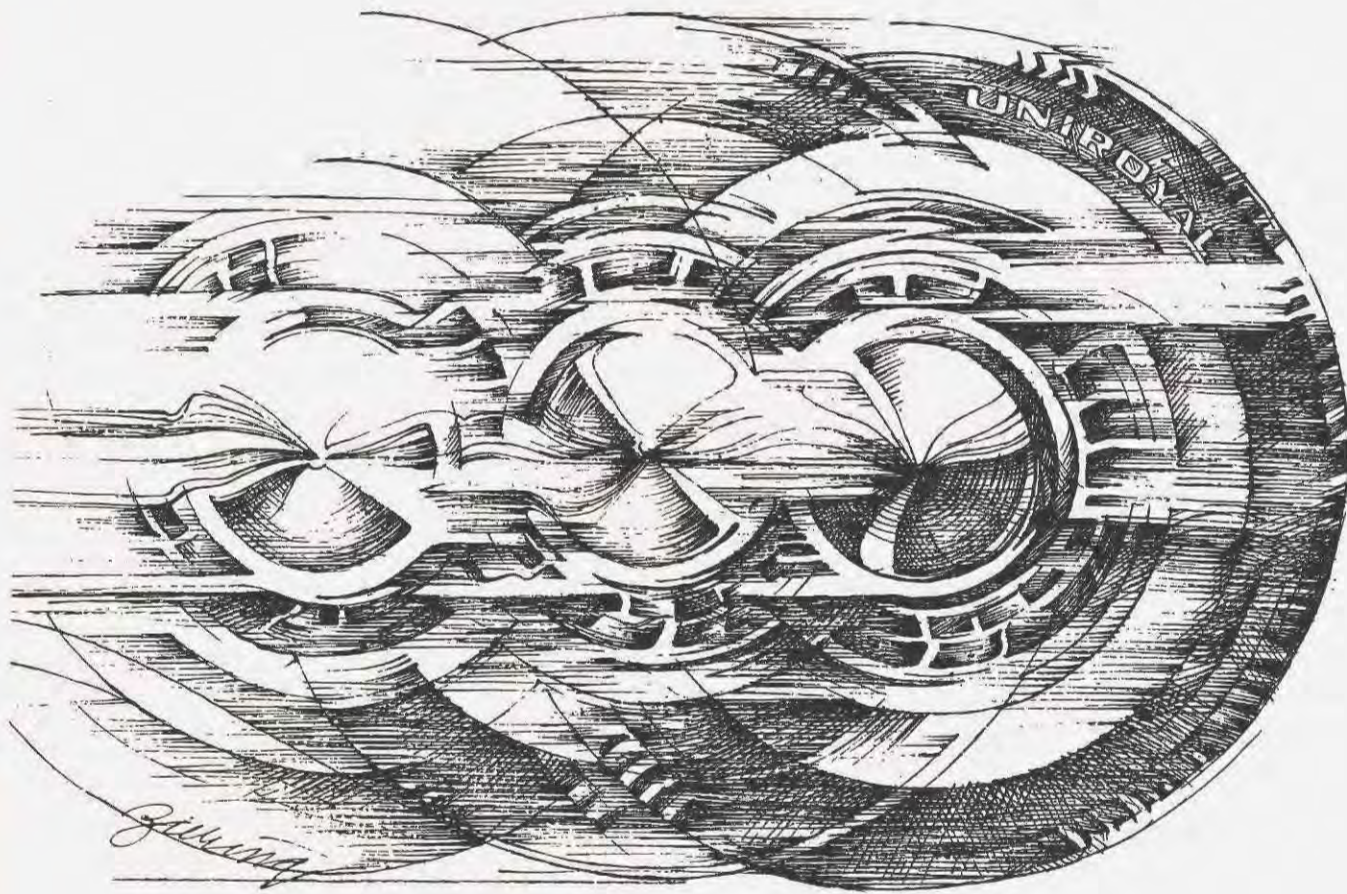
NEW YORK—The Continental Insurance Cos. have formed Special Risk Underwriters to serve the risk management needs of large industrial and commercial risks.

With regional offices in New York, Chicago, San Francisco and Dallas, the new profit center expects to handle about \$100 million in revenues during its first year of operation.

Vp Mark R. Patton will head the unit that will devise plans for self-insurance and captives.

Other services provided will be primary and excess coverage, claims service, engineering and loss prevention, investment services, data processing and premium finance.

Supplementary services will be drawn from Continental Affiliates.



Uniroyal and The Equitable: 52 years and still rolling.

At Uniroyal, Inc., a leading worldwide manufacturer of chemical, rubber and plastic products, Equitable group insurance has passed the toughest test of all—the test of time. The reasons are simple.

Flexibility—We grow with each client. Every plan is designed to meet special needs. We work hard to keep innovating and adapting.

Service—We measure ours in layers: group field specialists give personalized local attention—backed by Home Office support and resource staffs; service centers and benefits-paying offices are strategically located to provide at-hand response for smooth plan operations and claims handling; and the bottom layer—our insistence on the latest in computer technology.

Cost Containment—An Equitable commitment and major concern. We believe the best approach is a coordinated contractholder/Equitable effort toward the mutually agreed-upon goal. It begins

with effective plan design and is sustained by efficient claim administration.

Equitable group insurance has been a long-standing asset at Uniroyal, and it is becoming a newfound advantage for even more companies. In the last four years, The Equitable has been #1 in sales of new group life and health insurance and pensions (measured by new premiums and considerations)—a tradition with a growing future.

To find out more about making Equitable group coverage a working asset for your company, contact your local Equitable representative.

America's #1 group company for the 4th year in a row.



The Equitable Life Assurance Society of the United States, N.Y., N.Y.

It's A Big Bargain.

26 Issues Full Of Vital News About Your Business.

BUSINESS INSURANCE JUST \$15 A YEAR.

business insurance

740 N. Rush St.
Chicago, Ill. 60611
312-649-5221

HOW DO YOU KNOW IF YOU HAVE THE RIGHT FIDUCIARY LIABILITY POLICY?

THE INSURANCE BUYER'S ERISA QUIZ

- Does your policy limit coverage to persons defined as fiduciaries?
- Does your policy limit coverage to wrongful acts of insureds only?
- Does your policy provide defense costs within the limits of liability?
- Does your policy limit loss to damages by definition, and exclude non-pecuniary claims?
- Does your policy by definition exclude employee benefits liability losses?
- Does your policy include outside persons as insured fiduciaries?
- Does your policy contain a limited retroactive acts exclusion?
- Has your policy been purchased without the advice of competent legal counsel who has rendered an opinion in writing as to which contract he felt offered the broadest coverage?

If the answer to *any* of the above questions is "Yes," the chances are you have probably purchased the wrong policy. And the real problem is that you will probably never know until you have an uninsured loss.

How do you know you have the right fiduciary liability policy? There's only one way — to *compare*. Remember — *all policies are not created equal*. While all contracts may appear to be similar, there can be substantial differences in their terms and conditions — differences which can be very significant — and costly. And, unfortunately, it's impossible to compare policies without a thorough understanding of the law. (ERISA)

The Professional Indemnity Agency, direct Lloyd's correspondents, is one of the very few insurance underwriters qualified to make sound recommendations. Fiduciary liability coverage is our business — our *only* business. We understand this is a difficult business — and we refuse to take the easy way out. Combining a Fiduciary Liability and a Directors and Offi-

cers Policy may serve the best interests of the insurance carrier and the broker, but it may *not* serve *your* best interest because it may not give your people the complete protection as provided by the P.I.A. form. The responsibilities of persons covered under each policy are quite different; in fact the law (ERISA) *mandates* this conflict. P.I.A. does not deal directly with insureds, but we will be happy to make our facilities available to your agent or broker.

Before the enactment of ERISA, your sole responsibility was the guarding of corporate assets. But now, because of this law, (ERISA) you are faced with the tremendous additional responsibility of protecting the personal assets of your directors, officers and other employees. You've got to be *sure*. You've got to *compare*. You've got to talk to the experts... NOW!



Professional Indemnity Agency

3901 North Meridian Street
Indianapolis, Indiana 45298
Tel (317) 924-5311

Professional Liability Agency

110 East 59th Street
New York, N.Y. 10022
Tel (212) 421-2033 Telex 14-8435

How do you insure a Moppertim?



If your client has a Moppertim, it's probably very valuable. Because it's known for the high limit jewelry it wears, a Moppertim needs a quality PERSONAL PROPERTY FLOATER.

So if you have a client or prospect with HIGH VALUED JEWELRY or other PERSONAL PROPERTY, call for:

- \$100,000 in-house capacity
- Fine Arts and professional musical instruments
- Assured prompt telephone response
- California & Arizona Risks Only

Call Debbie McCarthy

Beech Street Insurance Services

BEECH STREET AT 6TH AVENUE, SAN DIEGO, CA 92101
 TELEPHONE: 800-854-2234 OR 800-854-2294
 CALIFORNIA: 800-522-1533

Consultant offers don'ts for benefit statements

CHICAGO—Consultant Gary Bradshaw of The Wyatt Co. offers a "dozen don'ts" for benefit managers preparing comprehensive employe benefit statements in-house.

"Don't take short-cuts in regard to accuracy," he suggests, but "don't try to duplicate your plan booklets. There is not enough room to reflect all the provisions and exceptions" to the plan.

"Don't show the average company cost when you are letting the employe know how much the company is paying for his benefits. Program the cost as accurately as possible for each individual," he advises.

"Don't try to save money on



"Spend a few extra bucks" to make benefit reports look important, says Gary Bradshaw.

artwork and paper quality—spend a few extra bucks." Since benefit statements are an important piece of communication, they should look important and attractive, he argues.

"Don't forget ERISA," when preparing the statements. Likewise, "don't ignore Social Security retirement, death and disability benefits."

But don't use a salary scale in projecting benefits and don't project profit sharing account balances. Sick with the current situation, he recommends.

When using examples to explain coverages, "don't highlight miscarriage, polio and dismemberment, use positive examples."

"Don't show too much information," he cautioned. "The compre-

communications conference

hensive statement is not a summary plan description."

When getting down to mechanics, "don't forget to talk with your computer systems personnel" but don't let them computer print the whole benefit statement.

Finally, "don't use a complicated fold" so that it takes an engineer to figure out how to open up the statement and fold it together again. "Make it simple," the consultant stressed.

Task force hits differing standards

WASHINGTON—The National Institute of Building Standards is asking government agencies to agree on building standards. Currently the regulations for the building industry conflict.

In addition, NIBS formed a task force to study the mushrooming problems of product liability in the building industry. According to NIBS chairman David S. Miller these problems inhibit every level of the housing and building delivery system.

NIBS is planning a seminar for congressional staffs to advise them on the development of "consensus standards."

NIBS is a nongovernmental, nonprofit organization created by Congress to encourage better regulation and new technology for the building industry.

The tougher the
 insurance problem,
 the more
 we can help.

ROLLINS BURDICK HUNTER

Multinational Insurance Brokers

World Headquarters

10 South Riverside Plaza

Chicago, Illinois 60606

Execs seek Soc. Sec. overhaul

NEW YORK—A majority of top management favors an overhaul of Social Security to alleviate the increasing financial burden imposed by the system, according to a survey by William M. Mercer.

Faced with increased payroll taxes for Social Security in upcoming years, executives favor specific revisions such as raising the benefit eligibility age, making Social Security strictly a retirement program and limiting benefits to only what an employe contributes in order to reduce the system's cost, the survey said.

The survey also found that a majority of the executives favor using tax incentives to increase the number of persons covered by private pension plans. About 65% of workers are currently covered under private pension plans, the survey noted.

In another cost containment measure, 60% said they would strongly support expanding Social Security coverage to 6 million federal and state employes so that they could help shoulder some of the costs of the system.

The executives oppose, by 68% to 27%, use of general treasury funds rather than increased Social Security taxes to close the gap between what current taxes cover and what is paid out in benefits.

Use of other taxes, such as ones on crude oil, cigarettes or alcohol, to support Social Security were also rejected by 65% to 31%.

Requiring employes to pay a larger share of Social Security taxes was also rejected by 57% of the executives polled.

In addition, employers overwhelmingly claim that they will not be willing to pay for the Social Security system in future years given current projected tax rate increases.

"While the immediate problem appears to be totally financial in nature, the crux of the issue is the population ratio of workers to retirees," said A. Haeworth Robertson, a former chief actuary of the Social Security system and now a vp of Mercer, the employe benefit unit of Marsh & McLennan Cos. Inc.

To alter that ratio, Mr. Robertson advocated keeping employes in the workforce beyond age 65 to help ease the financial strains on the system.

In addition, he said, people should alter their concept of work to think more in terms of second and possibly even third careers.

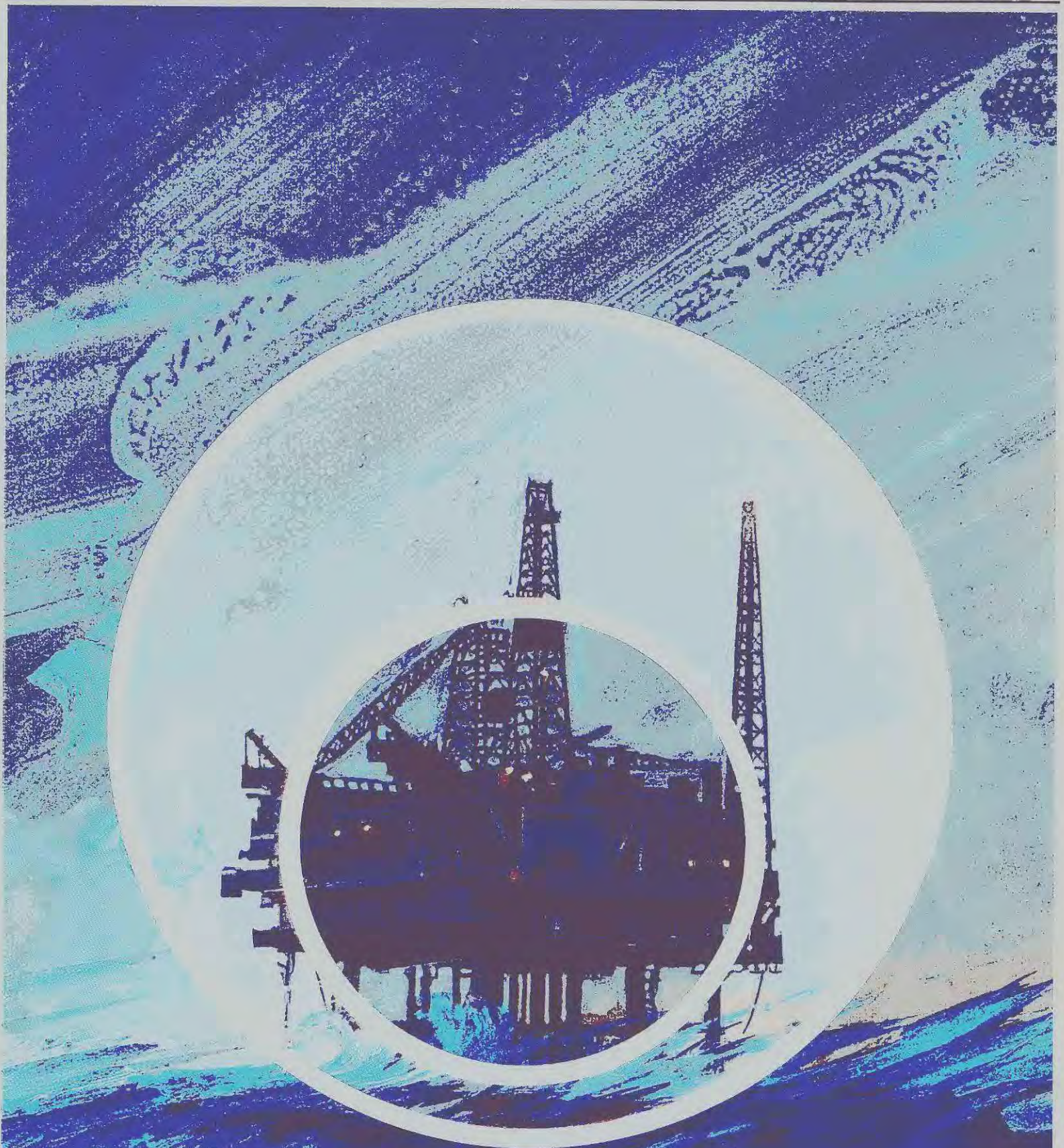
He pointed out that more executives in the survey favored the concept of additional careers than was expected considering the newness of the concept. However, 63% still don't favor employers preparing employes for second and third careers. ■

Variable annuity plans growing

WASHINGTON—Variable annuity pension plans are growing.

More than 2.1 million Americans were covered under variable annuity plans last year, reports the American Council of Life Insurance, an increase of 5%.

Variable annuities are retirement income plans under which payments usually vary according to the investment results of the funds set aside to provide the annuity. Common stocks are a primary investment vehicle for variable annuities, says the Council. ■



CIRCLE OF PROTECTION

As the billions of dollars invested in exploration and production of oil continue to increase, Southern Marine keeps pace in capacity, reliability and service. Top executives and tough guys in the Oil Patch tell how Southern Marine provides protection for their investment and contributes to safety through engineering. We are proud of the confidence in Southern Marine's Circle of Protection—and every day we work hard to deserve it.



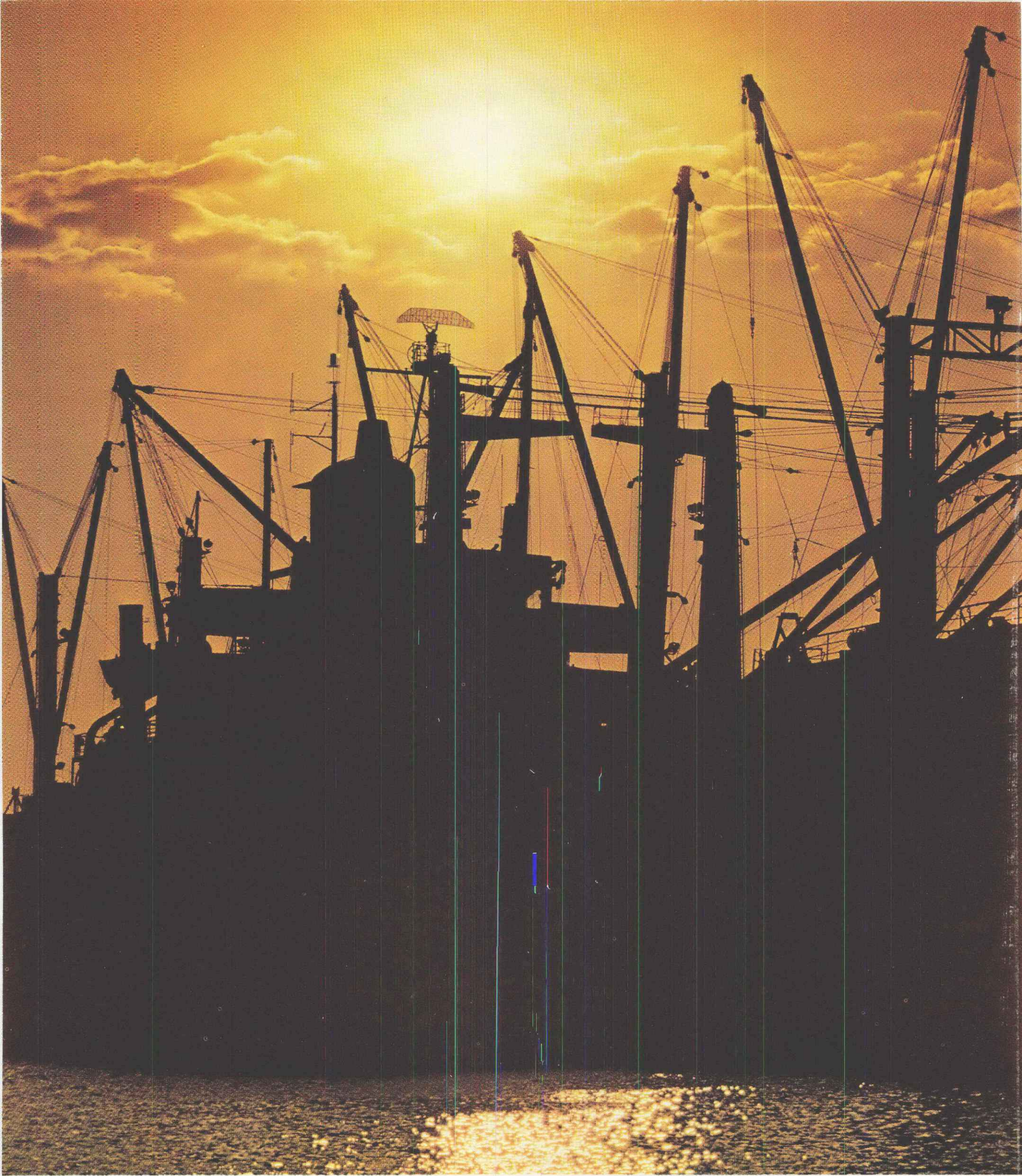
**SOUTHERN
MARINE &
AVIATION**

UNDERWRITERS, INC.

610 Poydras Street · New Orleans, Louisiana 70130 · (504) 524-4131

Branch offices in Los Angeles/Houston/Atlanta/Tulsa

Serving insurance agents and brokers only—no direct business



The **INN** foreign poli



5.

The single port of call: it should be a reality in securing worldwide coverage of marine cargo risks.

The complexities and risks of multinational shipping are of a different order of magnitude than even a few years ago. A U.S.-based firm, for example, may have manufacturing plants in many overseas locations – and cargo from these plants may move through dozens of different countries to worldwide destinations.

Securing coverage for U.S. exports and imports, as well as cargo originating overseas, needn't involve approaching insurance carriers in foreign countries. INA can be your "single port of call" for a Multinational Trade Program that gives comprehensive control over all U.S. and foreign cargo exposures through a single policy. Gaps and overlaps in your client's coverage are effectively eliminated.

The Multinational Trade Program, available through INA's Marine facilities, provides worldwide claims and loss control services... and offers INA's unexcelled recovery, subrogation and salvage facilities. Active in 110 countries, INA is recognized for its expertise and innovation in worldwide marine cargo insurance.

For details and the latest edition of "Ports of the World," write to INA: 1600 Arch St., Philadelphia, PA 19101. Or contact an INA Marine office: Los Angeles, CA; San Francisco, CA; New Orleans, LA; Cleveland, OH; Philadelphia, PA; Boston, MA; New York, NY; Chicago, IL; Seattle, WA; Atlanta, GA; Houston, TX.

INA International, whose network of worldwide facilities is the largest of any single U.S.-based insurance company, has developed a number of operating standards that should prove of interest and benefit to agents and brokers.

This is the fifth in a series.

cy policy.



Sar-Cheshmeh isn't your run-of-the-mill mining town

for our specialists-on-the-spot,
the uncommon is commonplace

Sar-Cheshmeh is in rugged, mountainous terrain 600 miles southeast of the Iranian capital of Tehran. And well worth the trip if you want to see history in the making. The Ralph M. Parsons Company is there, working with the Iranian government to engineer and construct one of the world's largest copper mining projects. Swett & Crawford Group is there, too, working with Parsons' broker, evaluating such insurance considerations as earthquake, flood and windstorm potential. Arranging international coverages, especially in the London market. Providing blanket builder's all risk insurance for Parsons and its subsidiaries.

No, Sar-Cheshmeh isn't your run-of-the-mill mining town. But Swett & Crawford Group isn't run-of-the-mill, either. With more

than 50 years of experience, the Group is renowned for its ability to sell, service, insure and reinsure large and unusual commercial risks—in the fields of energy, transportation, construction and manufacturing. Swett & Crawford Group: a unique combination of capabilities and organizations working together to serve the domestic and international insurance and reinsurance fields.



Swett & Crawford Group

a subsidiary of The Continental Corporation

For more information about Swett & Crawford Group write our President, Mr. W. F. W. Fellows, 4201 Wilshire Boulevard, Los Angeles, California 90010.

PERSPECTIVE

Is self-insurance justified?

Sometimes,
but less than
many think

By Charles A. McAlear, CPCU

IT SEEMS THAT every business person with a pinstripe suit has now heard of the keen new way to save product liability premium dollars. A retention is assumed by the insured, no company is being paid to shoulder the burden of paying claims in the retention area, so—bingo—the insured is money ahead.

Of course, the higher the retention the more money saved. For that reason a currently fashionable retention is about half a million dollars. Great idea—if it works.

This office is and has been in the business of creating retention programs. We do a lot of them, arranging excess over anything from ten thousand to several million dollars. Yet we continue to actively discourage most insureds from going this route. A retention is not for everyone; a large retention is for hardly anyone at all. A half-million dollar retention is definitely "Fortune 500" class.

When considering a retention program:

- The premium saved should be more than—and preferably a multiple of—the retention. Thus, a \$100,000 premium savings does not justify a \$500,000 retention. It may not justify \$50,000.

- The only clear sign that a retention is indicated is substantial frequency of claims within the level to be retained. Savings can accrue if "dollar trading" with a carrier is brought to a halt. With product liability this is true of very few insureds.

- Any program should have some kind of an aggregate limit on the retention to limit the annual liability of the insured within the retention.

- Any decision should be reversible as the market or the risk's financial condition changes. This means, usually, the employment of an experienced and reputable service organization to handle claims and maintain creditable data. This will be essential if a commercial underwriter is to be approached at a later date when circumstances dictate.

- The self-insurer must have free access to cash, not tied up in the business to meet the potential demands within the retention for each year that it is assumed. A bank line of credit at a high rate of interest or a possible second mortgage may not fulfill this requirement. If the cost of servicing such additional debt could make the self-insurer uncompetitive, any illusory advantage created by not buying primary coverage would be quickly erased and the self-insurer's ability to function effectively would be impaired. Thus, one of the first rules of risk management implicit in the term—the ultimate protection of the financial integrity of the risk being managed—could be violated.

- "For each year the retention is assumed" is a critical phrase. Although steps might be taken to change this (by expanding potential liability in the current or last year of the program), the insured's liability increases by the amount of aggregate retention with each passing year. Thus, a \$500,000 retention becomes one million exposed in year two, one and one half million in year three and so on.

- Premiums paid for primary insurance are fully deductible for federal income tax purposes. Thus, for a profitable company,

Charles A. McAlear, president of surplus lines brokers McAlear & Associates Inc. in Grand Rapids, Mich., is known for his pointed comments on the state of the insurance business.



Balancing the size of a self-insured retention against the premium saving can make a risk manager feel as though he or she is walking a tightrope, liable to be pulled down with burdensome insurance costs but also subject to a crash if a heavy loss falls.

Yes, even if
claims are
infrequent

By Peter Downes

AS I GET OLDER I find that there are an increasing number of things which irritate me. At one extreme there are trivial things such as thoughtless use of split infinitives and at the other those barbarians who pollute single malt scotch whisky with ice or a mixer. And somewhere in there are dogmatists who proclaim that things always happen or never happen, according to their prejudices of the moment.

Thus, it is that I find myself taking exception to a couple of things Charles McAlear has to say in his article, apart from any split infinitives. For example, he says that a \$100,000 premium savings may not justify a \$50,000 retention, which is perfectly true. But he also says that a \$100,000 premium saving does not justify a \$500,000 retention, which may be completely untrue. I grant that the occurrence would be rare, but it is by no means impossible.

Again he says that "the only clear sign that a retention is indicated is substantial frequency of claims within the level to be retained." For my own part I think that this may well be the only clear sign for a great many people simply because they know no better. However, for a real risk manager this would be an inexcusable line of thought.

In terms of limits and retentions, anybody who manages an insurance program is always concerned with four things—limit per occurrence and in the aggregate over a period of time, and likewise, deductibles or retentions on an occurrence and aggregate basis.

In practice, aggregate limits have largely disappeared from many forms of insurance. In days gone by, for example, the aggregate limit on a fire insurance policy for all practical intents and purposes was the sum insured, but the automatic reinstatement condition has nullified this. Aggregate limits still exist in certain forms of coverage, however, such as flood, earthquake and, of course, product liability. Other than this, aggregate limits are largely determined when the underwriter invokes the cancellation clause.

Aggregate retentions are not wholly commonplace either and in some instances are no more than window dressing. The best known use of aggregate retentions are the maximum premium in a retrospective policy and the point at which stop loss protection takes over in self-insurance programs. Indeed, when one of these systems may be adopted, an insured need only consider which of the two will be most economical.

In cases like this a mere casual inspection is often enough to determine suitable limits and retentions and whether to be insured or not is an elementary decision. Of course, if one wishes to blind one's customers or one's boss with science, one may compose such things as elaborate regression analyses and T statistics, but the results do not seem to differ significantly from when one uses common sense.

I was taught to do this kind of thing 25 years ago and there is absolutely nothing wrong with doing it in suitable cases today. However, I do think it wholly wrong to suggest that these are the only methods which may be adopted. In theory, any insured can afford a retention of some kind on any risk. In practice, it may be decided to forego a retention when it is impracticable for some

Continued on page 36

Peter Downes, the articulate manager of insurance at American Trading & Production Corp. in Baltimore, is a frequent contributor to these perspective pages.

McAlear's rules too rigid

By Ron Seaver

IT WOULD BE DIFFICULT to argue with the basic premise that a move to self-insurance for product liability should be undertaken only after a careful examination of the potential consequences and that retention programs tend to become more viable as the size of the insured increases.

Certainly, a decision to self-insure should not be irrevocable and the importance of retaining qualified claim administration services cannot be overstated.

Equally important is a strong cash position and the ability to withstand the full effect of losses up to the retained limit in each of the years the program is in effect.

I do, however, find Charles McAlear's position regarding the relationship between the amount of the retained limit and the premium savings a bit too rigid to be practical and I cannot agree that "the only clear sign that a retention is indicated is a substantial frequency of claims within the level to be retained."

He states that premium savings should be more than, and preferably a multiple of, the retention. Although this is often true, there are numerous examples of grossly inflated premiums being charged virtually loss-free manufacturers of very

innocuous products. In such cases, I believe there can be sound justification for a retention program even though the premium savings may be substantially less than the amount of the retention.

Similarly, those same risks demonstrate that there can be situations where retentions are appropriate, even though there is no frequency of claims.

Companies with a substantial flow of losses at relatively low dollar values which can effect better than a dollar-for-dollar trade of premium for retention are the most likely candidates for a product liability retention program. I just don't think the risk manager of a firm which does not measure up to Mr. McAlear's criteria in all respects should necessarily cast aside an alternative which may very well fit his or her company's philosophical and financial objectives.

Ron Seaver is vp of Chicago-based Corporate Policyholders Counsel Inc., helping clients of all sizes since 1970 to decide whether to self-insure their risks, particularly in the casualty area.

Uncle Sam picks up half of the expense. On the other hand, under current law, if premiums saved by going to a retention are translated into profits, Uncle Sam takes his cut in the year of the saving, leaving less to accumulate to meet potential losses.

Most retention programs in the product liability area were not created to save the insured money; they were engineered to see that the manufacturer or producer of hazardous products or materials became a co-insurer with the excess carrier. In short, they

came into being to create markets where none existed. The level of retention was set by the underwriter and increased as the underwriter perceived that conditions warranted. Few risk managers would recommend the retention levels some companies have been forced to assume.

Those who buy primary product liability insurance sleep well. Their balance sheets accurately reflect their current position to management, suppliers, customers and stockholders alike. They should think very carefully before giving that up.

PERSPECTIVE

Trend-setting union retirement plans establish benefits you'll be offering

By Lawrence T. Brennan, FSA

MANY NEW IDEAS are developed for—and accelerated by—the employe benefit programs negotiated by major unions. Some of these potential trends can be seen in recently negotiated pension plans.

We've summarized the current provisions of the pension plans for hourly-paid employes of representative companies in three key industries—auto (General Motors), steel (U.S. Steel) and rubber (Goodyear).

Some of the major pension changes which emerged from this round of negotiations are as follows:

Auto Plan. Because the pension improvements negotiated in 1973 were more costly than all previous improvements put together, the term of the pension agreement, normally three years, was extended to six years. As you can see from the summary of plan provisions, the last of these improvements roll-in for employes who retire on or after October 1, 1978. These result in a basic monthly benefit rate of \$11.50 per year of service and, for employes who retire with at least 30 years of service, a total benefit of \$700 per month payable until age 62, \$430 per month from age 62 to age 65 and a lifetime supplement of \$100 per month at age 65.

The 1973 pension agreement did, however, specify two areas which would be open for negotiations in 1976—improvements in surviving spouse benefits and payments of Medicare Part B premiums. Both areas were improved with the percentage continued to the surviving spouse increased from 55% to 60% and the employer payment for Medicare Part B premium raised from \$6.30 to \$7.20.

The 1976 negotiations also resulted in an agreement to provide a one-time bonus payment for retirees, equal to \$20 per year of service up to a maximum of \$600, payable prior to Jan. 1, 1978. Surviving spouses received 55% of this benefit. The payment of the bonus was not financed through the pension plan but, rather, through diversion of one cent per hour from each of the six cost-of-living adjustments between June 1977 and September 1978.

Steel Plan. Regular pension benefits were increased by \$1.50 per month per year of service for retirements on or after August 1, 1977 and an additional \$1 for retirements on or after August 1, 1979. For a 30-year employe, this amounts to an increase of about 21% in regular benefits under the minimum formula during the term of the agreement.

For employes who retire on the percent formula from Aug. 1, 1977 to July 31, 1980, the pension was increased by 5%. (Under the 1974 agreement, the 5% addition was applicable to both the percent and minimum formulas.)

Lawrence T. Brennan, FSA, is chairman of the actuarial standards committee at Kwasha Lipton.

Monthly Retirement Benefits Compared*

	Auto (General Motors)		Steel (U.S. Steel)		Rubber (Goodyear)	
	\$ Amount	% of Pay	\$ Amount	% of Pay	\$ Amount	% of Pay
Projected pay at retirement**	\$1,435	100%	\$1,595	100%	\$1,290	100%
Retirement at age 65						
Pension from plan	435	30%	428	27%	382	30%
Primary Social Security benefit***	501	35%	501	31%	496	38%
Total	936	65%	929	58%	878	68%
"Voluntary" retirement at age 60						
If employe qualifies for "unreduced" benefits						
Pension 60 to 62	700	49%	428	27%	450	35%
Pension 62 to 65	430	30%	428	27%	375	29%
Pension 65 on	435	30%	428	27%	382	30%
Actuarial equivalent level pension from age 60 on	483	34%	428	27%	393	30%
If employe does not qualify for "unreduced" benefits						
Pension 60 to 62	509	35%	366	23%	339	26%
Pension 62 to 65	284	20%	366	23%	339	26%
Pension 65 on	291	20%	366	23%	346	27%
Actuarial equivalent level pension from age 60 on	330	23%	366	23%	343	27%
"Involuntary" retirement at age 60						
If employe qualifies for "unreduced" benefits						
Pension 60 to 62	700	49%	728	46%	750	58%
Pension 62 to 65	430	30%	428	27%	750	58%
Pension 65 on	435	30%	428	27%	382	30%
Actuarial equivalent level pension from age 60 on	483	34%	484	30%	535	41%
If employe does not qualify for "unreduced" benefits						
Pension 60 to 62	603	42%	728	46%	750	58%
Pension 62 to 65	328	23%	428	27%	750	58%
Pension 65 on	335	23%	428	27%	382	30%
Actuarial equivalent level pension from age 60 on	384	27%	484	30%	535	41%

*All "pension" benefits illustrated above are company pensions (exclusive of Social Security) and are based on the benefit rates which will be in effect a year from now. The plan benefits are for married employes and reflect the "normal" form of benefit payment: Auto—95%/60% survivor benefit; Steel—modified 50% continuation to surviving spouse (i.e. reduced when spouse reaches age 60); Rubber—\$1,000 lump sum death benefit to surviving spouse and pension payments guaranteed for 60

months. The calculations use a multiplier of 30 years of credited service.

**Based on recent industry averages, projected to 1979, assuming 40 (straight-time) hours worked per week.

***Based on historical industry averages and the Social Security law as currently in effect.

The pension cap is now first applied when the retiree reaches age 62. Previously, it was applied at actual retirement, whether or not the retiree was eligible for Social Security benefits.

The supplement payable until age 62 (or, if earlier, eligibility for unreduced Social Security benefits) for "70/80" retirement (i.e.,

"involuntary" early retirement; 15 years of service if over age 55—80 "points" if under age 55) or disability retirement was increased from \$230 to \$300 per month effective Jan. 1, 1978.

Effective Jan. 1, 1978, employes with at least 20 years of service who lose their jobs due to plant shutdown, extended layoff or

disability may retire if their age plus service totals 65 or more ("Rule of 65") and the company does not provide suitable long-term employment. The benefit is the same as for "70/80" retirement—unreduced regular benefits plus the \$300 per month supplement until age 62. The "Rule of 65" effectively

Continued on page 36

How to prepare compensation statements

By Leonard Zimmerman

THE ANNUAL EMPLOYE total compensation (formerly benefit) statement has quickly become one of the most popular tools in the field of employe communications.

The success of the total compensation statement is generally attributed to its use-

Leonard Zimmerman, now with Hay Associates as head of the benefit communications consulting division, has spent over 20 years building the 17 skills he thinks are necessary to prepare benefit communications statements for corporate clients.

fulness as a tool for speaking directly to the employe on a one-to-one basis. The employe is told exactly what his or her benefits are worth, and when added to the employe's annual salary, the dollar value of the employe's total compensation is given. (Thus, the "total compensation" statement—one step beyond benefits reporting.)

When the corporate philosophy permits, additional salary administration information can be included on the statement. Such information can conceivably include salary ranges, performance appraisal and merit increase guidelines.

Many organizations currently in the pro-

cess of deciding whether or not to begin providing total compensation statements to their employes are also debating the possibility of producing the statements internally or to use an outside organization specializing in such services.

By exploring the comparative advantages of producing statements internally or externally, we will see the various stages of producing the statement, the potentially critical aspects of producing the statement and the great diversity of skills which must be managed in order to produce an effective statement. This also will provide a checklist of the various types of costs to be evaluated when estimating the total cost of the project.

Insight into the magnitude of the project of producing a total compensation statement can best be gained by identifying the various types of skills required of the individuals involved in the project. The following skills inventory lists the abilities necessary for the production of statements:

- Effective written communications experience.
- Thorough understanding of all the company's benefit plans and the manner in which they are administered.
- Benefit plan experience.
- Actuarial skills.
- Legal knowledge.

Continued on page 36



*For facultative reinsurance
that spans the world
American Re has the faculty.*



AMERICAN RE-INSURANCE COMPANY

One Liberty Plaza, 91 Liberty Street, New York, N.Y. 10006

CHICAGO
(312) 263-4085

SAN FRANCISCO
(415) 981-2950

DALLAS
(214) 747-7565

HARTFORD
(203) 728-6855

LOS ANGELES
(213) 385-7261

NEW YORK
(212) 766-6700

PHILADELPHIA
(215) 574-9530

ATLANTA
(404) 393-1910

TORONTO
(416) 863-9850

PERSPECTIVE

Self-insurance debate . . .

Continued from page 33

reason to do otherwise or when an underwriter, rightly or wrongly, comes up with an offer which cannot be refused.

A substantial frequency of small claims is indeed a clear indication of the viability of a retention. But how about a much lesser frequency or larger claims—would this permit a suitable retention? The answer, of course, is yes, and risk managers use them all the time, notably in fire insurance programs. It may then be said that this is all very fine for things like fire insurance, but product liability is much too volatile a risk even to consider such a method.

In individual cases, this may be the case. Thus one may well find oneself limited to using retrospective plans and similar devices in an effort to minimize costs. But consider the firm that started off with \$5 million in sales 15 years ago and now stands at \$65 million. During this period precisely three claims were notified, one of which was settled for a little less than \$300,000, another successfully defended and a third is still in the works.

In cases like this, one can usefully get scientific about the whole thing. Firstly, the aggregate experience over many years does not take the characteristic form of a J curve

and if one graphs the function, frequency is wholly coincident with the Y axis. And then, lo and behold, the tail of the curve or severity is pretty close to the X axis. Obviously a retention makes sense. But is there any technique for determining what this should be?

In the words of the textbooks, we have here a large number of possible losses with homogeneous exposure units, exactly paralleling the classic example of Prussian soldiers' death from horse kicks. In modern terms, one merely feeds a Poisson frequency distribution into one's calculator and then, by using simple arithmetic, can work out a risk-adjusted cost without even troubling about probabilities.

Merely because we've now generated a probable distribution does not guarantee that real events will happen precisely as projected. In my own experience, however, I find that the fit is very close. Secondly, assuming insurers know what they are doing in the first place—which is often doubtful—they may as a result of their own experience offer premium credits, which will make it profitable for the risk manager to retain a much smaller amount than he would normally be prepared to do. Or indeed it can go the other way and a substantial retention



It is the ability to use techniques of decision analysis that separates the men from the boys, whether they claim to be risk managers, consultants or whatever.

—Peter Downes

may be demanded, which a corporation is unable to afford.

In this latter case, decision analysis is a very useful tool since it enables a manager to distinguish between what the company can actually afford as opposed to what it is obliged to accept. At this point the true risk manager really starts earning his keep because he will be obliged to find means of coping with the problem. And if the entity is too small to employ a risk manager, then this becomes the problem of the agent, broker or consultant who purports to offer risk

management services.

I have not looked at the syllabus for a risk management diploma lately, but I would hazard a guess that this kind of knowledge will be required of candidates before too long, if it is not already. The reason is not far to seek since the indiscriminate use of high retentions is every bit as bad as having none at all. In the meantime, if the ladies will pardon the use of an old fashioned expression, it is precisely the ability to use such tools as decision analysis which separates the men from the boys, whether they claim to be risk managers, consultants or whatever. ■

Pension costs compared . . .

Continued from page 34

includes the younger, shorter service (as compared to prior requirements) employees under the more favorable shutdown provisions. It can be quite costly as seen from the recent write-offs by some steel companies.

Since the 1974 negotiations, the plan was changed effective Jan. 1, 1976 in several respects to meet ERISA requirements. Vesting, which was age 40 with at least 15 years of service (40/15), was changed to 40/15 or 10 years of service regardless of age. In both cases, the pension can start as early as age 60.

In addition, the pre-retirement and post-retirement death benefits under the 1974 agreement did not satisfy ERISA—since the 50% surviving spouse's benefit was reduced by 50% of the widow's (or widower's) Social Security benefit after the surviving spouse reached age 60. As part of the ERISA update, the plan added the appropriate required death benefit provisions (on an approximately actuarially equivalent basis) and left the present provisions unchanged.

In effect, a married employee who retires is entitled to a "free" post-retirement death benefit (which provides 50% continuation to the surviving spouse until such spouse attains age 60 and then reduced amount) plus a "paid for" post-retirement death benefit providing 50% continuation to the spouse (the employee can opt out of the latter).

Rubber Plan. The 1973 pension agreement at Goodyear generally provided lower benefits than those negotiated at the other

major rubber companies.

Goodyear settled in April, 1973 and the pension agreement included a monthly benefit rate of \$8.50 per year of service, early retirement reductions from age 62 and a supplement of \$200 per month payable until age 62 for employees who retire with 30 or more years of service. After a strike, B. F. Goodrich settled in May, 1973 on a contract providing a monthly benefit rate of \$9.50, increasing to \$9.75 on May 1, 1974 and to \$10 on May 1, 1975.

Early retirement benefits were similar to those at Goodyear except that the supplemental benefit was lower. The other rubber companies followed suit although General Tire went immediately to the \$10 benefit rate and agreed to unreduced retirement after age 55 with at least 30 years of service. Obviously, at least with respect to pension benefits, rubber was not a pattern industry in 1973.

Goodyear settled in August, 1976 following a four month strike between the union and the industry's Big Four. The agreement with the other rubber companies followed the economic pattern agreed to at Goodyear.

The pension benefit rate at Goodyear was increased from \$8.50 (\$10 at the other companies) per month per year of service to \$11, with further increases to \$11.75 for retirements on or after May 1, 1977, but before May 1, 1978 and \$12.50 for retirements on or after May 1, 1978.

Unreduced retirement benefits are payable for voluntary retirement after age 55

with at least 30 years of service (previously age 55 with 37 years) and the supplemental benefits are now determined from an age/service schedule instead of a flat \$200 per month.

Some comments on the plans follow:

• **Normal retirement benefits**—For a 30-year employee retiring at age 65, auto and steel provide about the same dollar amount of retirement benefit, with rubber somewhat lower.

• **Earlier retirement benefits**—All three provide for unreduced retirement at age 62 or after 30 years of service (age 55 required for rubber).

For voluntary early retirements, auto (regardless of service) and rubber (for 30 or more years of service) provide temporary supplemental benefits. Steel does not.

• **Recognition of wage levels**—Steel has an alternate benefit formula which directly reflects the employee's earnings. To some extent, auto benefit levels are also based on the employee's earnings. Rubber benefit levels are the same for all employees, regardless of earnings.

• **Maximum benefits**—Steel has a pension cap related to the employee's earnings and Social Security benefit. For auto and rubber, supplemental benefits are subject to an earnings test.

• **Death benefits**—Auto provides both pre-retirement and post-retirement surviving spouse benefits on an automatic basis at a nominal charge to the employee. Steel provides similar benefits on an automatic basis at no charge but at reduced levels after the surviving spouse reaches age 60.

• **Medicare supplements**—Auto and

rubber pay a supplemental amount of pension intended to cover the cost of the Medicare Part B premium. Steel does not.

• **Pensioner increases**—While not included in the plan summaries, it should be noted that all three plans continue to provide negotiated increases for retired employees.

We have also compared the current 1978 figures for wages and benefits with the 1968 figures. A comparison of the percent increases in these items, together with the increases in Social Security and consumer price index, over the past 10 years is as follows:

	% Increase in Last 10 Years
Average for auto, steel & rubber combined:	
Wage levels	115%
Benefit levels (age 65)	130%
Social Security:	
Maximum taxable wage base	125%
Maximum age 65 benefit	210%
Consumer price index	85%

Obviously, wage and benefit levels for the three industries have fared very well when measured against the consumer price index for the same period. Social Security levels have increased even more rapidly—particularly the benefit levels. ■

Compensation statements . . .

Continued from page 34

- ERISA experience.
- Social Security Laws experience.
- Salary Administration knowledge.
- Performance Appraisal experience.
- Data preparation knowledge.
- Comprehensive data validation and error detection and correction experience.
- Systems analysis knowledge.
- Programming skills.
- Creative and mechanical art experience.
- Knowledge of commercial printing standards, products and techniques.
- Mass mailing requirements and technical knowledge.
- Project management skills.

Having identified the required skills, we also must consider the objective or objectives to which those skills are to lead us. Examples of expected objectives or combinations of objectives to be achieved by the total compensation statement might include:

concisely presents the amount and value of all major company-sponsored and Social Security benefits as they apply to the individual employee and his or her family.

• To have an attractively designed statement with a high aesthetic appeal.

• To have an effective statement at the lowest possible cost.

• To produce a statement in such a fashion as to minimize the use of employees from the various departments of the company to work on the statement.

• To produce a statement in such a fashion as to also develop in-house experience in this type of communication.

This is not to suggest that any or all of the above objectives are appropriate. They are mentioned to draw attention to the fact that many organizations have different types of objectives, and therefore two separate organizations could easily be expected to arrive at entirely different objectives.

The first step toward achieving our objective is to appraise the skills inventory and determine which skills presently reside in-

house and which ones must we assign externally.

After determining the skills which reside in-house, we assign a degree-of-difficulty and effectiveness factor to each skill. This is a two-fold process. First, estimate the time necessary for the skilled individual (or individuals) to apply the necessary skills to the appropriate phase of producing the statement. Next, make a subjective judgment regarding the individual's effectiveness or the degree of difficulty associated with applying a generic skill to an esoteric task.

Suppose we decide to utilize an individual from our advertising department, who usually writes copy on new products, for the task of composing the wording for our total compensation statement. Our advertising copywriter must first acquire a thorough understanding of the benefit plans, their objectives and their value to the employee and the manner in which they reflect the compensation of our organization. Our copywriter must also acquire a familiarization with salary administration and how benefits and salary work together to provide total compensation.

When drawing on in-house talent to prepare the annual employee total compensation statement, the company must consider the lost value in removing a skilled worker from his or her customary environment to an unfamiliar project.

—Leonard Zimmerman

Make an allowance for the lost value to the company which occurs whenever a skilled individual is removed from his or her customary environment where the application of his or her skill is optimized. For example, a systems analyst is normally more valuable to an organization when working as a systems analyst than when reading the Social Security Act.

This process should be followed for each required skill that will be utilized from the pool of existing employees. Then an estimate of the internal costs associated with the project can be made. ■

Carter signs major tax bill liberalizing IRA limits

WASHINGTON—President Carter this month signed into law legislation effective Jan. 1 allowing employers to contribute to an employee's individual retirement account instead of setting up costly corporate retirement plans. Under the legislation, which was

sponsored by Sen. Lloyd Bentsen (D-Texas) and attached to the major tax cut bill that Mr. Carter signed, corporations will be able to contribute up to \$7,500 or 15% of an employee's compensation, whichever is less, into each employee's IRA.

If the employer, however, contributes less than \$1,500, the employee will be allowed to make a tax deductible contribution to boost the total amount contributed to the IRA to \$1,500.

But if the employer contributes more than \$1,500, the employee

would not be allowed to contribute that year to the IRA.

Benefit experts believe the appeal of an employer-funded IRA system probably will be limited to small firms—with less than 20 employees—that want to avoid the burden of paperwork associated

with the pension reform law.

In addition, the bill prohibits self-insured medical plans from providing more benefits to executives than ordinary workers and says employees selecting benefits currently taxable under cafeteria plans will be taxed. ■

Every Day 34 New Companies Trust Us With Their Lives.



They save money in the bargain. By buying Group Life insurance from Phoenix Mutual. For 2 employees or 2,000 or more, our Group Life plans made sense to 8,656 company presidents last year alone. That's an average of 34 every business day. They banked on our reputation for the sake of their employees. And on our price for their bottom line.

Why not trust your employees' lives — and your budget — to the company that protects both. Phoenix Mutual, Hartford, CT 06115.



Phoenix Mutual
We're saving a lot of people a lot of money.

around the states

Calif. requires certificate for public self-insurers

SACRAMENTO—Calif. Gov. Jerry Brown has signed legislation requiring public entities that want to self-insure workers compensation to secure a certificate from the director of industrial relations.

The bill also allows the director of industrial relations to revoke a certificate of self-insurance for cause, such as insolvency or financial weakness of the employer. Certificates may also be revoked for frequent or flagrant violations of the state safety and health codes.

A self-insured entity will also be required to provide a surety bond or securities for incurred liabilities. Self-insureds will also pay for the administration of the new sys-

tem through license fees.

Malpractice rates cut

TRENTON—A major slash in medical malpractice insurance rates for hospitals in New Jersey will reduce premiums by an average of 58%.

Gov. Brendan Byrne said the Health Care Insurance Exchange, the non-profit company sponsored by the New Jersey Hospital Assn., will also refund \$3.5 million in premiums to the 72 hospitals taking part in the exchange.

St. Paul Fire & Marine, the other malpractice insurer in the state, reduced rates for the 28 hospitals it

insures. St. Paul's rates are 9% higher than the exchange's rates.

State liability law

TOPEKA—Kansas Gov. Robert Bennett says he will support legislation to allow state and local governments to be sued by individuals injured by government employees.

Gov. Bennett said the measure should contain a time limit on the notification of an injury, a time limit on the filing of a lawsuit and a limit on damages.

"The court cases, as I understand them, are saying the states and local units of government can develop reasonable rules for the limi-

tation of liability," he said. "But the total application of the concept of sovereign immunity is inappropriate."

Whether the state should purchase insurance or self-insure the liability is undecided.

No-smoking award

LOS ANGELES—A 27-year-old woman here has received a \$6,500 workers compensation award for migraine headaches caused by the airborne cigarette smoke of fellow employees.

Jacqueline Scheck was employed in 1974 at Warner Bros. Studios in Los Angeles. She said that

in previous jobs fellow workers had put out their cigarettes at her request, but that even a fan did not help at Warner Bros.

Blues restricted

LANSING—The Michigan supreme court says the state insurance commissioner may not tell Blue Cross and Blue Shield not to increase payments to doctors and hospitals.

The court did say the commissioner can set "fair and reasonable rates" and that it may deny rate increases if Blue Cross and Blue Shield are wasteful.

The decision stems from a suit filed in 1975 by Blue Cross and supported by the state medical society after the insurance commissioner denied a \$45 million rate increase for Blue Cross. Wasteful practices and an increase in payments to physicians were cited in the rate denial.

Physician captive

BANGOR—Maine physicians are forming a physician-owned insurance company to provide state physicians with malpractice insurance.

William H. Maxwell, president of Medical Mutual Insurance Co. of Maine, said the state's \$36 per claim payout is one of the lowest in the nation. California's payout per claim is \$903.

Dr. Maxwell said 400 physicians have purchased loan certificates for the new insurance company. The state created a joint underwriting association in 1975, but the JUA will expire in July 1979.

Work comp maximum

SPRINGFIELD—The maximum weekly compensation for an injured worker in Massachusetts is now 66% of weekly wage to a maximum of \$211. The new maximum is a 40% increase from 1977.

The new figure represents an increase in the average weekly wage in the state.

OSHA panel sets report

WASHINGTON—The Occupational Safety and Health Administration's (OSHA) advisory committee on cutaneous hazards will meet here Dec. 18 to report on the development of guidelines for future regulations.

The committee was established last March to help identify occupational exposures which are hazardous to the skin and eyes and to develop guidelines for OSHA to use in drafting a proposed standard.

Skin disorders account for 42.6% of all occupational illnesses reported in 1976 and are the most prevalent on the job illness. About 140,000 eye injuries or disorders occurred in American industry in 1975, according to the National Safety Council.

The public meeting will begin at 9 a.m., in Seminar Room No. 2, C-5515, Dept. of Labor Building, 3rd St. and Constitution Ave., N.W., Washington, D.C. 20210.

Broker expands

Anderson & Anderson Inc., a commercial broker headquartered in Newport Beach, Calif., will open a new branch in Laguna Hills, Calif. Edward W. Griffith, vp, will head the new office.

PLAY YOUR PART IN CRIME PREVENTION

Bring CU's new teaching kit
to local schools.



Create some meaningful drama and excitement in your neighborhood schools... and put *your agency* in the spotlight, too.

Introduce teachers and students of grades five, six and junior high to CU's "Play a Part in Crime Prevention" kit.

This unique kit brings to life crime problems in a series of short skits students can act out in their

classrooms or before a school assembly. Besides the skits, there are basic reading exercises that spell out the social and financial impact of crime. A colorful comic book that educates *future policyholders* about the costs of crime on insurance. A poster... puzzles... and lots more!

So take a cue from Independent Agent, Joe Cook. Send for your *free* kit today.

Help unlock America... take action against crime.



**Commercial Union
Assurance Companies**

Box 417, Cathedral Station
Boston, Massachusetts, 02118

Please send me your *free* "Play a Part in Crime Prevention" kit.

Agency Name _____

Address _____

City _____

State _____

Zip _____



Gloria

can lead more Chicago insurance business in your direction. She'll help you reach a market of 120,000 businesses with a publication dedicated to the people who make Chicago the city that works: Crain's Chicago Business. More than 30%* of our subscribers influence insurance purchases at their firms. And our affluent audience is a prime target for personal insurance, too. A market dynamic enough to rate its own news weekly devoted exclusively to business is important enough to rate additional advertising. Start making the city that works work harder for you. Start talking to Gloria. You can reach her at 312-649-5365.

Crain's
Chicago / THE WEEKLY
Business / NEWSPAPER FOR
MID-AMERICA

*Leo J. Shapiro & Associates, July 1978

london line

U.K. eyes \$10 million vaccine payments

By JOHN H. MILLER

LONDON—Legislation is being brought by the U.K. government to provide between \$10 million and \$15 million in compensation from public funds for children who have suffered brain damage from whooping-cough vaccine in the past 30 years.

This move follows the discovery that up to 700 children may have been affected by the vaccine before its unique risks, which can cause brain damage in a small number of victims, were brought to light by campaigning parents.

It is thought that brain damage has been found in only 1 in 25,000 to 1 in 50,000 cases of children vaccinated against this disease. The U.K. Committee on Safety of Medicines is actively checking 1,300 cases of brain-damaged children.

The U.K. government was pressed to provide voluntary compensation because the children were vaccinated under its own state health schemes as a precaution against catching whooping-cough, which can become fatal.

Medical experts are still undecided over the merits of this type of vaccination. Recently there was a scare the disease might spread again as cases among children rose sharply to 32,000 earlier this year against only 3,700 last year. This followed a dramatic drop in the overall number of child vaccinations from 556,000 to 240,000 in less than three years because parents were worried over brain damage risks.

The danger point in the disease is during the first six months of a child's life, so many medical men urge that babies should be vaccinated unless they have a family history of epilepsy or brain convulsions.

"Fears that brain damage can be suffered on an extensive scale are irrational, as it only occurs in a comparatively small number of children compared with the total vaccinated," a U.K. government health officer said.

Marine losses high

Figures compiled by Lloyd's Shipping Register show that total world marine losses last year reached 1,073,127 tons, the second highest ever recorded and only 83,000 tons below the previous year's all time peak.

International trends set out for marine insurers disclose that traditional "flag of convenience" countries like Cyprus, Panama and Singapore all suffered proportionately high losses, as did Greece.

The U.S.-registered fleet came out well in its casualty experience with losses representing only 0.04% of its tonnage, compared against a world average of 0.27%.

Damage by fire leaped to 477,409 tons, representing nearly half the world's marine casualties, compared with only 229,354 tons in 1976.

Fiery bankruptcies

Many more firms in the U.S. go

New firm to serve Midwest

INDIANAPOLIS—Pilot Management Co. has opened a new underwriting service office. This new office will serve property and casualty firms in the Midwest.

Thomas Bloom, CPCU, is president of the home office located in Grand Rapids, Mich. ■

bankrupt through disastrous fires than is the case in Britain where business interruption policies are handled differently, warns Jack R. Redfern, currently president of the London Insurance Institute.

This is because consequential loss coverage lasts up to two years in the U.K. after the catastrophe, so that the insured businessman is protected against many extra expenses over premises and loss of gross profit up to the time his business returns to its prior level of performance.

Mr. Redfern, top executive with loss adjusters Robins Davies & Little in London, pointed out in a survey of worldwide claims processes

that in the U.S. the business interruption policy normally ceases once premises and plant are reinstated, even if the insured client has lost all his customers in the meantime.

"So it is to be expected that many more businesses go the wall in the U.S.," he suggested.

Claims adjusters in the U.K., he pointed out, normally give insurers a "pessimistic reserve" of the likely claims within hours of a fire to cover all eventualities, but may amend that figure within a week or so.

"It is by no means clear that a serious claim in the U.S. gets the immediate attention it deserves,"

he argued. "For there, each co-insurer has the right to appoint his own adjuster. I see no merit in that at all. Co-insurers can be perverse and this is an added complication."

More loss prevention

Marine insurers in South Africa are hoping for greater loss prevention measures for tankers after the collision between two 152,000-ton vessels, the Venoil and Venpet, each valued at \$28 million, off its coastline last December.

The beach was seriously polluted by 15,000 tons of oil and it is possible legislation will be introduced to enforce separate shipping

lanes for the large tankers which regularly go around the coast.

James L. Rowe, chairman of the local marine insurers, says oil companies internationally are being consulted over the proposal, which may lead to definite procedures being adopted by the South African Government's Marine Advisory Council.

New Lloyd's names

Lloyd's announces that 3,200 new names will be elected underwriting members from Jan. 1, hiking the total membership by 20% to 17,000. This is below the 1977 elections of 3,636 new members. But the fall is not regarded at this stage as significant since it is the available market capacity that is the most important factor and this can vary from time to time according to members' inclinations. Capacity is still likely to rise by at least \$1 billion next year to more than \$5 billion. ■



Long Beach exec self-insures multiple, off-beat risks

By JOANNE GAMLIN

LONG BEACH, Calif.—Despite a Grand Prix Formula auto race, the Queen Mary, a marine stadium and an airport, a gas utility is the most explosive risk for this city.

Risk manager John H. Williams, who has headed the insurance function for this city of 380,000 near Los Angeles since 1974, believes in risk management. He is allocating only about \$500,000 of his current \$8.5 million budget to purchase insurance.

The rest is earmarked for a self-insured liability retention, a self-insured workers compensation program, a large percentage of self-insurance in the property program and an occupational health and safety department and legal and safety services.

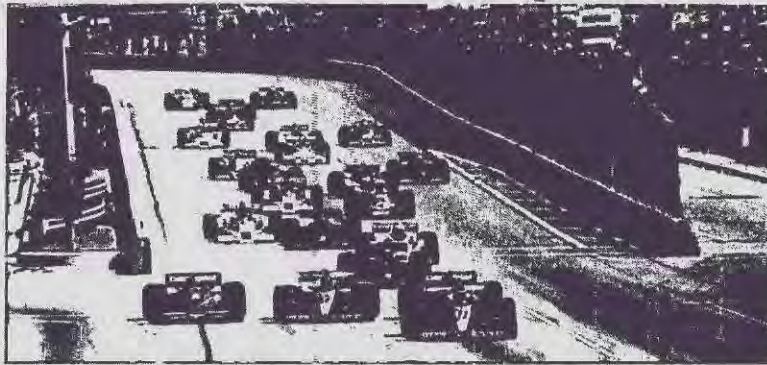
The gas utility, which has had a

difficult time with insurance, is now under Long Beach's \$1.5 million self-insured retention (SIR) for comprehensive general liability, said Mr. Williams. Northbrook Insurance Co. fronts the coverage and covers the first \$1 million of loss over the retention, Granite State Insurance Co. has the next \$3.5 million and Midland Insurance Co. has the top \$4 million.

The city has been in the gas production and distribution business in a modest way since the early 1920s, noted Mr. Williams.

But none of the other special risks disturbs Mr. Williams much. He is quick to acknowledge the challenge of arranging the coverage for the Grand Prix races.

"It was a lot of fun putting that package together," he recalled during an interview with *Business In-*



Long Beach risk manager John H. Williams protects the city during the famous Grand Prix auto race through a hold harmless agreement with the race association.

urance. "It was my job to identify the exposures and to locate the coverage."

The coverage for the races is not actually purchased by the city,

however. It has an agreement with the Long Beach Grand Prix Assn. under which it is protected by a hold harmless agreement. Mr. Williams said that the race promoters

are required to provide, at their own expense, \$10 million of liability coverage, including malpractice, aviation coverage and product liability. In addition there is a complete subsidiary health and accident package for race participants.

"The promoters' basic obligation to the city is for liability," the risk manager underscored.

M&M, a Fort Wayne, Ind., insurance agency, helped in developing the Grand Prix coverage.

The marine stadium in east Long Beach is also insured by its boat owners in much the same fashion by providing the city with hold harmless agreements.

The Queen Mary, a tourist attraction of waning popularity, is a special risk for which Mr. Williams buys insurance in conjunction with the private enterprises that operate businesses on the ship. His office buys property and liability coverage and the cost of the insurance is allocated on the basis of a revolving formula depending on the square footage of leased areas. Principal private businesses aboard the Queen Mary are Hyatt House and Speciality Restaurants Corp.

Another special risk, the Long Beach airport—deemed by many to be the fourth busiest in the United States, because of general aviation—is insured for catastrophic coverage by Lloyd's. The risk manager explained that he switched to Lloyd's in July after relying on USAIG for the previous three years. The reason: Lloyd's is the long-time underwriter of the \$100 million liability policy for the city's traffic/patron helicopters.

Also in the special risk corner are the city's public health clinics. Mr. Williams does not consider them a high risk exposure. The clinics have been bare in malpractice insurance for two years and probably will remain that way in the future.

"They administer shots and not a lot more," he noted.

Bayly Martin & Fay (BMF) of Los Angeles, acts as the broker for the city's insurance. However, it works with the Long Beach Insurance Assn., which takes a modified broker-of-record approach to the marketplace for the city. Composed of independent agents, the association provides certain technical services on the basis of one-year contracts. In addition, Don Jack, an attorney and former risk manager for The Bekins Co. of Los Angeles, acts as a liaison person for the city in its external insurance program.

Standing at the heart of the city's risk management program is its two-year-old internal insurance pool. It supplies everything except coverage for the helicopters, the airport and the Queen Mary.

Mr. Williams, who acts as the manager of the pool, said that it operates as an insurance company, charging premiums to every department, division and program in the city's government structure. He said that each of these areas adds the premium cost to their own budgets and then the sums collected in this way are used to pay expenses, including part of Mr. Williams' salary, part of the salary of the attorney who works in the insurance department and all of the expense of the safety department. Further, the pool pays all self-insured losses as well as the cost of excess insurance.

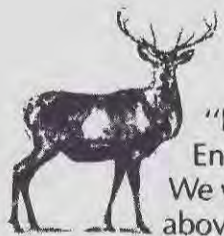
To do the computer work with the pool, Long Beach uses Corporate Systems of Amarillo, Tex.

Use of the pool has permitted the city in its 1978-79 year to save 55% in workers compensation and 42% in liability, underlined Mr.

Continued on following page

The Hartford Insurance Group, Hartford, Connecticut 06115

"A Hartford loss prevention program prevented the loss of my life."



"I was on the job for Bradley Environmental Constructors.

We were putting up a roof 30 feet above a concrete floor when I slipped and fell. Down below, it was filled with heavy equipment and exposed steel reinforcing rods. If it wasn't for that safety net, well, I don't know where I'd be today."

Steve Brown is living proof that The Hartford's loss prevention programs save more than just premium dollars. The net that prevented a

personal and financial tragedy for the Brown family was suggested by a Hartford loss prevention specialist. It was one of the recommendations in a loss prevention survey made by The Hartford when Infantine Insurance Inc., an independent agent who represents us, was analyzing the Bradley company's account. And the safety conscious staff at Bradley promptly followed through and made it a reality.

Hartford agents can call on the expertise of The Hartford's more than 500 loss prevention professionals. Located throughout the land, they include engineers, chemists, industrial hygienists, specialists in product liability, fire safety,

transportation, construction and health care.

And like the Bradley company, more and more businesses of all sizes and shapes are finding that a Hartford loss prevention program can be most effective in making their insurance protection more efficient. Because reducing accidents, injuries, thefts and fires can cut losses and when losses go down, rates don't have to go up.

Of course, loss prevention is just one part of the total insurance protection The Hartford provides. For Bradley that protection included:

Worker's Compensation, General Liability, Commercial Auto, Builder's Risk Coverage and Inland Marine Installation Floaters.

So let one of the independent agents representing The Hartford build prevention into your business insurance protection. Because

protection plus prevention is your best policy. Check the Yellow Pages for your local independent agent who represents The Hartford. Make the call for help today. It could be a lifesaver.

The best protection is prevention.

THE HARTFORD



**Horan, Goldman
Companies**

**Managing General
Agents
Excess-Surplus
Underwriters**

Two Bryn Mawr Avenue, Bryn Mawr, Pa. 19010 • (215) 527-4400
414 Severn Bldg., 8600 LaSalle Road, Baltimore, Md. 21204 • (301) 821-5900
1020 Kings Highway North, Cherry Hill, N.J. 08034 • (609) 667-9600
105 Loudon Road, Concord, N.H. 03301 • (603) 224-4009
111 John Street, New York, N.Y. 10038 • (212) 964-4500



Long Beach risks . . .

Continued from preceding page
Williams. The \$8 million figure, the estimated budget for his department for the year, represents a doubling from \$4,232,487 for the previous 12 months.

Mr. Williams explained that the figure doubled because the city is now reserving for workers compensation's unfunded liability. Long Beach has been self-insured for workers compensation for 11 years; now planning to reserve 100% in that area with the aim of compensating for past years of relying on a pay-as-you-go system.

The city's immediate goal: To reduce workers compensation unfunded liability by one-third in the first of a three-year program.

Meanwhile, Long Beach's property insurance program is moving out of self-insurance.

With the aim of bringing all property coverage into one big package, the city is currently on an interim program where it takes a \$50,000 deductible on a program underwritten by six insurers: Industrial Indemnity, Hartford, Fireman's Fund, Employers Mutual, Aetna and Pacific Indemnity.

"The limit of the coverage now stands at \$250 million of assets," he said, \$36.5 million of which is for the relatively new convention center. For the next 12 months, the limit should remain about the same, he said.

Mr. Williams related that the decision to move out of self-insurance in the property area was made last spring in a shrewd forecast of the passage of Proposition 13. Although Long Beach had not felt uncomfortable with its self-insurance program in property, it did experience difficulties in financing the rebuilding of structures that were threatened with destruction.

"At any rate, I think property coverage is a good bargain if the deductible is high, that is, \$50,000," he observed.

One part of the all-risk property program that Mr. Williams does not regard benignly is earthquake coverage. Because deductibles range from 4% to 10% of the value of the property, the insured is forced to absorb nearly all the losses, he contended.

What's even worse, Mr. Williams believes the coverage is "outrageously priced." Long Beach, famous for its brutal tumbler of 1933, boasts only \$1.25 million in earthquake coverage.

Property and special risk insurance account for the bulk of the \$500,000 to \$600,000 in premiums that will be spent in 1978-79.

Proposition 13 has certainly not been demon force for the risk management department. In fact Mr. Williams believes it is bringing about some positive changes, including the higher insurance levels in property.

"While it is true that there has been a staff reduction, we are able to get along with the personnel we have," he elaborated. "The important thing is the fresh significance of risk management and loss control under Proposition 13. The concept of risk management is cost avoidance and everything you don't lose, be it a claim or a loss, is money to finance services that may have to be slashed under Proposition 13."

Planning needed before retirement

WASHINGTON—On average, a man age 65 will live 14 more years and a woman the same age is expected to live 18 more years, says the American Council of Life Insurance.

This means retirement is apt to last a long period of time for many people. Yet a 1977 survey by the Council shows that only 34% of non-retired respondents had given a good deal of thought to retirement finances and 34% said they had given very little thought to planning for their financial needs at retirement.

Moseley elected

Jack Moseley, president of U.S. Fidelity & Guaranty Co., was elected vice chairman of the American Insurance Assn. to fill the unexpired term of Robert H. Tullis Jr., former president of The Home Co. Concurrently, The Home was elected to the association's board of directors, filling the vacancy created by the election of Mr. Moseley.

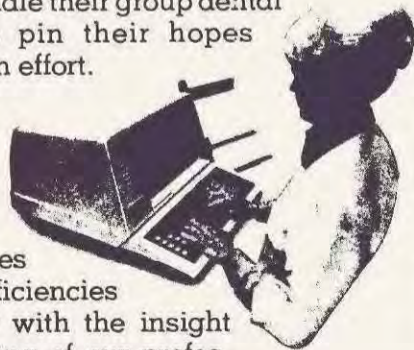
WHAT PUTS THE BITE IN OUR GROUP DENTAL COVERAGE?

Our System.

Some insurance companies rely on computers to handle their group dental claims. Others pin their hopes mainly on human effort.

The Travelers has its own unique system. Our group dental program combines the speed and efficiencies of the computer with the insight and understanding of our professional people.

Our computer network helps cut the cost of claims administration. And our claim forms carry the names and phone numbers of our claim representatives, so your employees can deal with people—not machines. You'll appreciate the savings. Your employees will appreciate the ease, convenience and human touch in receiving their dental benefit payments.



Perhaps our system is the reason last year we were the number one group dental insurance company—both in number of cases written and in employees covered. Or, maybe it's our 116 field offices across the country, staffed with the best group people in the industry, providing support services for clients with from four to more than two-million lives.



In either case, if you want to put some bite in your group dental program, our system can help. Contact your Independent agent or broker or The Travelers Group Field Office nearest you.



The Travelers Group Department—offering professional products, services . . . and the people to support them.



THE TRAVELERS

SOME COMPANIES HAVE FOUND A BETTER WAY TO PROTECT THEIR EMPLOYEES' HEALTH.

These businesses wisely reason that if they can keep their employees healthy, they can keep the cost of health coverage from going up even more.

So all across the country, giant companies, medium-sized companies, even small companies are instituting programs to keep their employees fit.

These programs range from screening programs for hypertension to health information programs (like one in use by Armco).

In addition, an amazing number of companies have begun on-the-job fitness programs. These programs range from exercises employees are encouraged to perform at their desk, to workouts at nearby YMCAs, to medically supervised fitness activities at extensive company facilities (like those provided for their employees by Xerox and Kimberly-Clark).

These bold and imaginative companies realize that preventive medical programs have the potential of returning enormous dividends in greater health and happiness for their employees. And greater productivity from them.

It also stands to reason that if your company can institute a program that is actively designed to keep your employees healthy and well, your company's health care costs can possibly be lowered.

As you know, Blue Cross and Blue Shield Plans are fighting a nationwide battle to keep costs from running away.

Programs such as second surgical opinion, medical necessity programs, home care, health maintenance organizations, same day surgery, pre-admission testing and the like are in use in many Plans with positive money-saving results. As successes are achieved, the results are shared so that knowledge gained by solving local problems can be applied on a wider basis.

We're encouraged. The average length of hospital stays for Blue Cross Plan subscribers under age 65 dropped by almost a day between 1968 and 1977. That may not sound like much. But if the length of stay were the same today as it was in 1968, we would be paying an additional \$1,249,869,813 a year. In addition, the rate of hospital admissions for these subscribers dropped by 4.9%, representing \$554,938,847.

But controlling health care costs without sacrificing quality is a complex problem. One we all need to work on together.

Blue Cross and Blue Shield Plans would like to help you. If you would like more information about employee fitness programs, write for the free booklet "Building a Healthier Company," Box 8008, Chicago, IL 60680.



ALL OF US HELPING EACH OF US.

Broker allegedly pocketed premiums

Lloyd's denies coverage in policy dispute

NEW YORK—Lloyd's of London is disclaiming any liability for losses under 125 excess insurance policies a St. Louis broker told his agency he had placed in the London market while allegedly pocketing the premiums himself.

An investigation conducted by Lloyd's U.S. general counsel confirmed that Lloyd's underwriters had not accepted any risks under the policies Donald J. Kubovchik said had been placed in London for him by an E&S Insurance Agency of Memphis (BI, Oct. 2).

Associated Underwriters, where Mr. Kubovchik headed the excess and surplus lines department, is trying to rebuild its business which has been cut in half by the departure of agents and their accounts in the wake of the allegations.

The New York law firm of LeBoeuf, Lamb, Leiby & MacRae has sent the Lloyd's disclaimer of lia-

bility to "each of the approximately 125 alleged insureds, located in approximately 16 jurisdictions, to whom we believe Mr. Kubovchik delivered, or caused to be delivered, insurance documents incorrectly naming Lloyd's underwriters as the security," a spokesman for the firm said.

Insurance regulators in the states where policyholders were allegedly duped were also notified that Lloyd's "disclaims any and all liability arising out of or in conjunction with the issuance of such insurance documents."

From 1975 until his operation was uncovered by associates at the agency last summer, Mr. Kubovchik issued or ordered issued cer-

tificates of insurance to buyers ranging from municipalities to small businessmen to a Las Vegas hotel when he is believed to have not placed the insurance at all. A certificate of insurance, one source said, is "more than a binder, but not a policy per se."

Associated Underwriters is not a Lloyd's correspondent and has no authority to bind the London underwriters to a risk.

Mr. Kubovchik paid out over \$100,000 in losses during the last three years and a few claims have surfaced recently. Associated Underwriters has purchased a \$2 million insurance policy to cover incurred but not reported claims.

Refunds on unearned premiums were made to some buyers when

the agency started canceling the policies after discovering the scheme, but refunds were halted when the money relinquished by Mr. Kubovchik to the agency was turned over to the Missouri insurance department. No more refunds will be made "until this is all sorted out," says Missouri's director of insurance Jerry B. Buxton.

The director also declined to guarantee that new claims will be paid, but indicated he is working on a solution to the entire problem that could solve it better than anyone would have imagined could be done.

Associated Underwriters, down to a premium volume of \$4.5 million after losing agents recently, "is

still going to function," said chairman Edward P. Reardon. Though looking for agents to replace those who have left, the chairman stresses, "We won't bend over backwards to get producers to join the agency."

"You have to be very careful about who you take," he continued. "Kubovchik came to us with very little production."

Instead, Mr. Kubovchik had a stint with the marine department at Aetna Insurance Co. and then experience in the E&S department at Lawten-Byrne-Bruner Insurance Agency in St. Louis. "He came with us and started producing," Mr. Reardon recalled.

When the insurance markets started tightening a few years ago and brokers were forced more and more to tap the surplus lines houses, "with his experience in E&S, he was the likely person to handle it" for Associated Underwriters, Mr. Reardon explained. ■

Ex-execs set Bermuda unit for captives

NEW YORK—Five young executives who left General Reinsurance Corp. are launching a reinsurance venture in Bermuda that will market its services primarily to captives expanding into third-party business.

The reinsurance facility, known as Trenwick Reinsurance Co. Ltd., is patterned after General Reinsurance in that it will accept both property and casualty reinsurance. But it will be more improvisational, according to Mark N. Hinkley, senior vp, secretary and director of the new facility.

While Trenwick Reinsurance will offer claims services, feasibility studies, consulting and actuarial work to captives, its primary focus is to offer underwriting services to risk managers who want to expand their captives into third-party business but do not have enough underwriting knowledge to do so. Trenwick intends to specialize in liability insurance underwriting.

"That's principally where our talents lie and that's what we hope to profit from," Mr. Hinkley said.

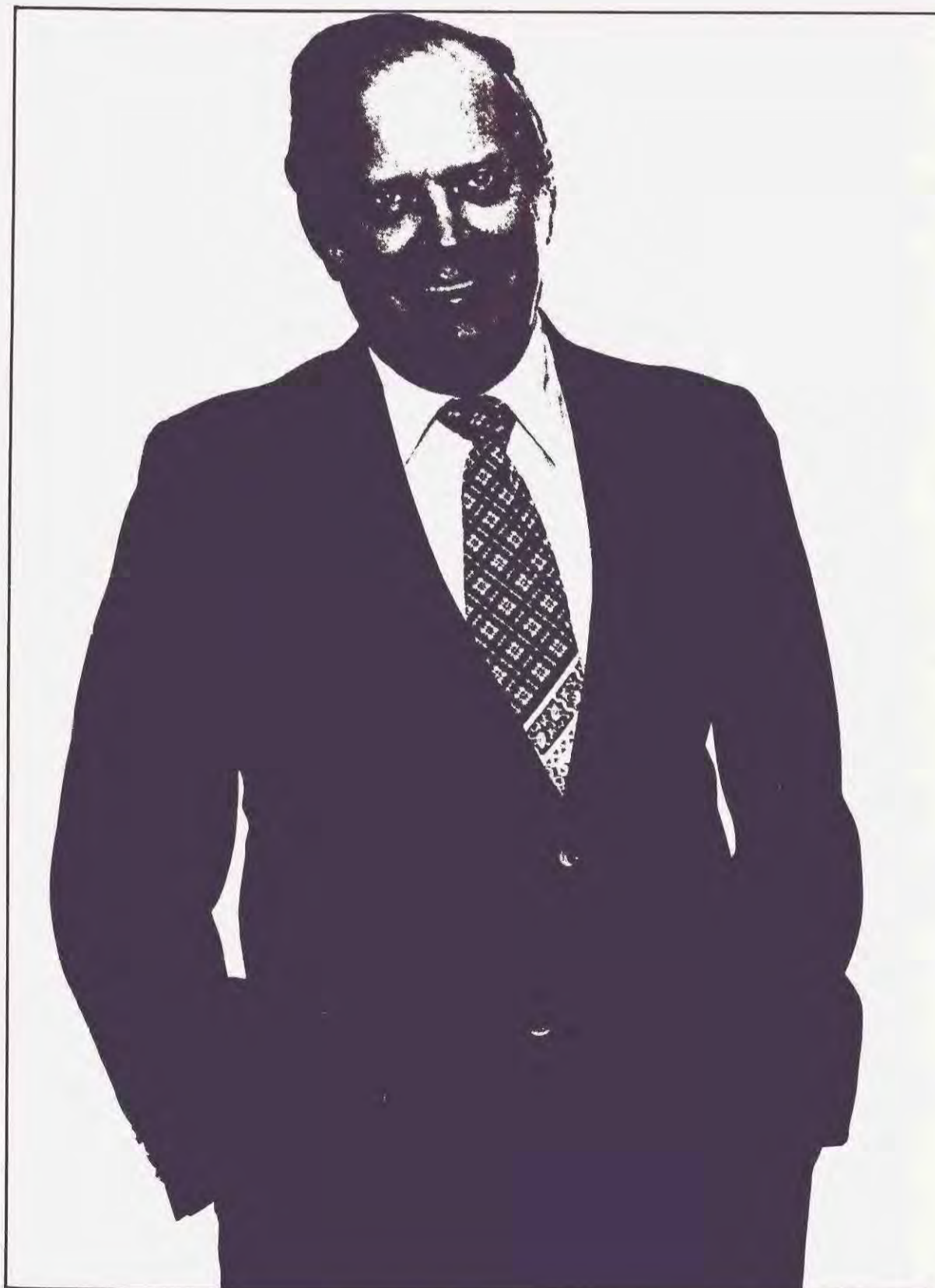
Trenwick Reinsurance, which is a subsidiary of Trenwick Inc., a Delaware corporation licensed as underwriting managers in the U.S., will be heavily involved in facultative reinsurance.

"The talents in facultative reinsurance are in scarce supply," Mr. Hinkley observed.

Although Mr. Hinkley said the reinsurance venture will be designing new products, he noted that the company is so new that some of the ideas haven't been formalized. The company hasn't been fully capitalized yet.

The average age of the ex-General Re employees is 31 years of age, with approximately 36 years of accumulated reinsurance experience. They left General Reinsurance, Mr. Hinkley said because they "wanted to do something within a smaller operation." "We consider our combination of talents rare," he added.

Those involved are James F. Billett Jr., president and managing director of Trenwick Reinsurance, Brian M. O'Hara, senior vp and director; Angus Robinson, senior vp and director; and Kent K. Winford, senior vp, treasurer and director and Mr. Hinkley. ■



Most want ERISA modified, not repealed, survey shows

LOS ANGELES—A survey of 450 California companies, conducted by the Los Angeles office of Alexander & Alexander of California, indicates that most companies want the federal government to simplify and overhaul the reporting regulations of ERISA but they stop short at wanting the law thrown out.

The survey on ERISA regulations dealt with communications, new rules on what data must be disclosed to employees, how it must be disclosed and what reports must be filed with the federal government.

Martin G. Strieter, vp of employee benefit operations for A&A in Los

Angeles, said that nearly 25% of those queried responded in detail to the ERISA survey with results that were not entirely expected by the A&A experts.

"Although those of us in the industry hear many complaints surrounding this very complex law, we found that only 8% of the companies said they would eliminate ERISA entirely," he elaborated. "However, the majority of those we questioned were not fully satisfied with the way the law presently reads and want it simplified."

"Indeed, 70% said they wanted to eliminate all government reporting, which is the most time-

consuming and complicated portion of the ERISA regulations," Mr. Strieter continued. "Almost 90% indicated they had 'moderate to great' difficulty complying with this aspect of the law."

Mr. Strieter pointed out one of the more disturbing aspects of the survey was that 40% of those questioned said they had either eliminated or postponed implementing new employee programs because of the complexities of ERISA.

Moreover, of the larger companies in the survey, 41% said that the law had had a "major" impact compared to only 21% of the companies with under 500 employees.

However, 75% characterized the overall effect of ERISA as a minor one.

Not surprisingly, 90% of the firms reported doing more communications as a result of the pension law. Noting that 70% said they had added staff and increased their administrative budgets, Mr. Strieter said the reason was probably the increase in communications work. He said that 60% of the companies had to increase their administrative budgets on account of ERISA.

When asked about the need for outside consultants to assist with government reporting requirements, 70% identified more use of their attorneys, 63% reported an increase in the use of actuarial time and 59% said they used additional broker services.

Fully 30% said they received unsatisfactory service from one or more of these and other advisers. ■

dates for buyers

DEC. 14-15. How to profit from the **London market** by improving coverage and lowering costs is the title of a RIMCO seminar to be repeated by popular demand in New Orleans. Another seminar will be held in San Francisco, **Jan. 17-18.** The program will cover an introduction to Lloyd's, the "other London companies," the role of the Lloyd's broker, the role of the surplus lines broker, collecting a loss, role of a Lloyd's agent and how to present a risk for a London placement. Cost: \$396, team fees available. Contact RCI Communication Inc., Suite 350, Building V, 10311 North Central Expressway, Dallas, Tex. 75231; phone 214-363-9656.

JAN. 22-28. The Cardio-Metrics Institute and the Human Performance Laboratory are the sponsors of a symposium on **health and preventive medicine in the corporate setting** to be held in Hollywood, Fla. The symposium will cover the role of industry in the control of preventable disease and health abuse with particular emphasis on the areas of stress, nutrition, physical activity, heart disease and alcoholism. Current research findings will be presented and discussed by medical authorities and selected corporate health programs will be reviewed. Cost: \$475. Contact Cardio-Metrics Institute, 295 Madison Ave., New York, N.Y. 10017.

JAN. 29-FEB. 1. Financial Costing in Risk Management is an advanced seminar to be offered by The University of Dallas. The seminar will examine the impact and timing of risk management accounting decisions with an emphasis on the identification of accounting decisions in self-insurance and captive operations, the allocation of risk management costs to various divisions and the building of a risk management operating budget. Cost is \$345 for RIMS deputy members and \$375 for others. Contact Professor Bruce Evans, The University of Dallas, Management Laboratories of America Inc., Irving, Tex. 75061; phone 214-438-1123 ext. 360 or 214-438-5765.

FEB. 7. The International Foundation of Employee Benefit Plans is offering a comprehensive one-day program examining **current problems and important issues in the employe benefit field** in Seattle, Wash. Future programs will be held in San Francisco, **Feb. 8;** Columbus, Ohio, **Feb. 23;** Pittsburgh, **March 1;** St. Louis, **April 25;** Chicago, **April 26;** Milwaukee, **July 18;** Bloomington, Minn., **July 19;** Buffalo, **Aug. 1,** and Boston, **Aug. 2.** The program will cover the end of mandatory retirement, effective benefit communication programs, legislative and regulatory developments. Cost is \$90 for members and \$115 for non-members. Contact The International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; phone 414-786-6700.

IRS approved 35,000 plans

WASHINGTON—In 1977 the Internal Revenue Service approved more than 35,000 new retirement plans established by employers to provide pension benefits for five million workers, the American Council of Life Insurance says.

The government also approved 113,250 plan amendments to existing retirement programs, the Council reports. ■

Why should a risk manager consider the Bellefonte Companies?

Wayne Newman, Vice President-Corporate Risks, answers:

Because he'll find a group of people intent on developing a positive long term relationship with him and his agent or broker. He'll work with a corporate risk department that will provide a market not only this year, but next year, too . . . and the year after. And he'll get sensitive; sensible handling of primary insurance programs involving Worker's Comp, General and Automotive Liability.

The corporate risk group is located in Dallas, home office for Bellefonte's insurance activities. Bellefonte® is a top 100 U.S. insurer and a top 10 reinsurer.

We'd like to tell you more about us; and we'd like to know more about you. Write to me for more information. Bellefonte Insurance Company, Twelfth Floor, Texas American Bank Building, P.O. Box 45568, Dallas, Texas 75245.

The Bellefonte Companies

info for buyers

• A monograph titled **Self-Insurance: A Risk Management Alternative** contains articles discussing how self-insurance is a successful tool to deal with workers compensation, FASB-5, banker's blanket bond, medical malpractice and product liability problems. Other topics covered in the monograph are controlling self-insurance costs, investment management and insurance subsidiaries. Cost is \$10. Write The Society of Chartered Property & Casualty Underwriters, Kahler Hall, Providence Rd., Malvern, Pa. 19355.

• The National Assn. of Insurance Commissioners is now offering the 1978 edition of the **Financial Review of Alien Insurers**. The 800-page book gives current in-

come statements for each company, notes to the financial statements and a copy of the auditor's report. In addition, the book provides an overview of the alien company's U.S. trust account with the location, amount, expiration date and basic terms and conditions of enforceability included. Write James H. Ryan, Nonadmitted Insurers Information Officer, National Assn. of Insurance Commissioners, 633 West Wisconsin Ave., Suite 1015, Milwaukee, Wis. 53203.

• Do you know all about the **landmark cases and procedural defenses in liability insurance**? If not, Swett & Crawford is offering seven videocassette programs that could give you the information you need. The programs provide analy-

ses of the American Motorcycle case, the Lear Siegler case and the Skinner vs Reed-Prentice case. For a free brochure on the videocassette programs write Swett & Crawford Group, Corporate Communications Dept., 4201 Wilshire Blvd., Los Angeles, Calif. 90010.

• Are your employees over 65 confused about how they can supplement their Medicare coverage? If so, the private health insurance industry has compiled a "plain language" booklet describing the kinds of health insurance policies available from commercial companies, Blue Cross/Blue Shield plans and retirement organizations. The booklet titled **Retirement Health Insurance Booklet** also describes how to use the Medicare program effectively, where the gaps in coverage exist and how different policies fill these gaps. Write the Health Insurance Institute, Dept. RH, 1850 K Street, NW, Washing-

We want your info

Business Insurance is seeking Info for Buyers items for next year. The Info for Buyers column provides *BI's* risk manager and benefit executive readers with easy access to informational brochures, studies and reports and other sources helpful to their jobs. The items must be either free or for a nominal cost (less than \$10). Persons wishing to submit material for the column should send a copy of the brochure, information on where it may be obtained and the cost to Mary Ellen McKee, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611. Items submitted last year must be resubmitted to be listed next year.

ton, D.C. 20006.

• **Insurance Buyer's Checklist for Manufacturers** offers guidelines to determine the best insurance program for manufacturers. The 18-page booklet is designed so the insured can request his insurance agent to schedule coverages pres-

ently carried as well as outlining his recommendations or modifications. A copy is \$10. Write Ronald J. Jones, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

• Scarborough & Co., Chicago-based insurance counselors to banks, has updated **Insurance and Protection Handbook**. The 20-page handbook provides a description of services, rules for buying financial institution insurance and highlights of policies available through Scarborough. A loss prevention index has been added that lists many causes of loss, cites the insurance coverages designed to cover them and suggests operational safeguards to reduce risks. For a free copy write Robert W. Marshman, vp-Marketing, Scarborough & Co., 222 N. Dearborn St., Chicago Ill. 60601.

• **Unisex Tables and Private Pension Plans**, a six-page newsletter from Kwasha Lipton, uses a hypothetical case history to set pension problems in perspective. For a free copy write Dept. M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• RIMCO tells how to **Analyze Risks to Get Better Insurance at Less Cost** in the construction field, for both highway and heavy construction contractors. Two reprints of articles are offered free. How to request bids, how to get coverage in monopolistic states and cash flow arrangements are some of the topics covered. For a free copy of the articles, write William S. McIntyre, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex., 75231.

• **Insurance Consultant's Society Brochure** includes information on risk management services provided by members of the society. There is also a listing of the member companies. For a free copy write William S. McIntyre, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

• A new manual, combining available information along with analysis and explanations of **workers compensation**, is now available from RIMCO. The manual is written in layman's language and designed for use by insurance buyers, agents, underwriters and auditors. Cross-referenced with both numerical and alphabetical listings, the manual contains rules, classifications and interpretations for all states except monopolistic fund states. For a free brochure describing this \$75 manual write William Beck, RIMCO Inc., 10300 North Central Expressway, Suite 180, Dallas, Tex. 75231.

• **A Risk Managers Guide to Goods in Transit**, a 16-page booklet prepared by the Insurance Co., of North America for risk managers of corporations that sell and ship goods domestically and overseas, discusses ways to identify, measure and handle the risk and implement a risk management program. For a free copy write Dept. R, INA, 1600 Arch St., Philadelphia, Pa. 19101.

Looking for ways to conserve working capital?



Don't overlook premium financing.

Premium financing. It's good for your business.

Today, with insurance costs becoming a major cash outlay, more and more companies are finding it makes sense to finance their premiums.

This way they pay for insurance as they use it. They conserve their working capital. Open up an additional line of credit. And improve their cash flow.

How about your company? Can you find better uses for your cash than pre-paying your insurance? AFCO premium financing can be arranged quickly and easily—with payment plans tailored to your special cash flow needs.

Your agent or broker can show you how to consolidate the financing of all your risks with premium payments handled through one central office. Or how to arrange individual financing for each of your locations. Arrangements can be made for foreign locations, too.

Talk over the benefits of premium financing with your agent or broker. Or contact us for an explanatory booklet with an example of how premium financing may help your cash flow.

Paul M. Holland, Vice President-Marketing, AFCO, 108 John Street, New York, New York 10038.

legal briefs

Court orders Safeco to defend punitive damage suit

THIS CASE PRESENTED the question of an insurance company's responsibility to reimburse its insured for reasonable attorney fees and other costs spent by the insured in successfully defending a claim for punitive damages. The Virginia Supreme Court held the insurer liable because of the broad language of the insurance contract.

Safeco Insurance (Safeco) issued a blanket liability insurance policy to a partnership operating a shopping center. The policy required Safeco to defend any suit against the insured seeking damages on account of bodily injury or property damage "even if any of the al-

legations of the suit are groundless, false or fraudulent..."

The policy was in force when a suit was brought against the shopping center seeking to recover compensatory damages in the amount of \$50,000 and punitive damages in the amount of \$500,000. Safeco advised the center it would defend only the claim for compensatory damages.

The underlying damage suit ended in favor of the shopping center on the issue of punitive damages. In the present suit the shopping center sought to recover \$4,111 spent for attorney fees and costs in defending the punitive damage suit. The trial court ruled

The abstracts published in this column were prepared by Cases Unlimited Inc., Evanston, Ill.

for Safeco.

On this appeal, Safeco argued that it had no duty to defend against a claim for punitive damages because public policy prohibited insurance against indemnity for such damages. The court sidestepped the public policy issue because it concluded that the policy language with regard to the duty to defend established the insurer's obligation to defend as broader than its obligation to pay. According to the court, under such a pro-

vision the insurer's obligation to defend arises whenever the suit alleges facts and circumstances, some of which would, if proved, fall within the risk covered by the policy.

Thus, the court held that Safeco's refusal to defend the punitive damage claim constituted a breach of contract to defend for which it was liable. *Lerner v. General Ins. Co. of America*, Supreme Court of Virginia, June 9, 1978. (BI/01/D.-\$4).

Exclusion for fraud

The question for decision in this case before the Minnesota Su-

preme Court was whether a loss sustained by a bank when its customer defaulted upon loans secured from the bank was covered by a policy of insurance issued by St. Paul Fire & Marine Insurance Co. (St. Paul).

The policy obligated St. Paul to indemnify the bank for loss occurring through larceny, theft, false pretenses or credit extended on the faith of written instruments which were counterfeited or forged. The policy excluded losses by reason of default of any loan or on any note acquired by the bank whether procured in good faith or through "trick, artifice, fraud or..."
Continued on following page

Industrial Risk Insurers

Agents and Brokers... Company Risk Managers...

New Profitool: IRI

REGIONAL OFFICES

Eastern Region

85 Woodland Street, Hartford, CT. 06102
C.C. George, Manager (203) 525-2601

Western Region

175 W. Jackson Blvd., Chicago, Illinois 60604
H.S. Robinson, Manager (312) 663-4050

Pacific Region

One Embarcadero Ctr., San Fran., CA. 94111
A.J. Wert, Manager (415) 434-3356

FIELD OFFICES

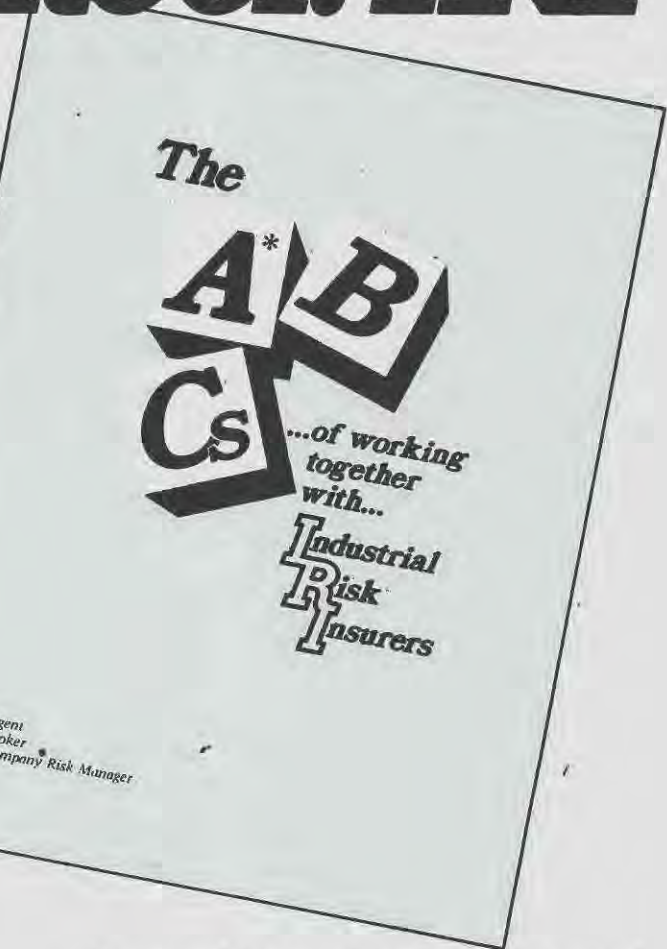
Atlanta, Georgia 30341
3300 Northeast Expressway (404) 451-8446
Baltimore, Maryland 21204
305 W. Chesapeake Avenue (301) 825-6676
Boston (Wellesley), Massachusetts 02181
20 William Street (617) 237-4506
Buffalo (Williamsville), New York 14221
5820 Main Street (716) 634-5900
Charlotte, North Carolina 28202
200 South College Street (704) 333-1108
Chicago, Illinois 60604
175 West Jackson Boulevard (312) 663-4050
Cincinnati, Ohio 45202
309 Vine Street (513) 241-8040
Cleveland, Ohio 44113
614 Superior Avenue, West (216) 621-9088
Columbus, Ohio 43215
394 Oak Street (614) 224-4278
Dallas, Texas 75206
8350 N. Central Expressway (214) 692-7631
Detroit (Southfield), Michigan 48075
16900 West Eight Mile Road (313) 275-5296
Grand Rapids, Michigan 49506
1331 Lake Drive, South East (616) 459-0277
Hartford, Connecticut 06102
85 Woodland Street (203) 525-2601
Houston, Texas 77024
974 Campbell Road (713) 461-1363
Indianapolis, Indiana 46204
320 North Meridian Street (317) 634-2583
Kansas City, Missouri 64111
406 West 34th Street (816) 931-5995
Los Angeles (Anaheim), California 92805
300 South Harbor Blvd. (714) 778-4580
Milwaukee, Wisconsin 53226
2401 North Mayfair Road (414) 475-1775
Minneapolis, Minnesota 55402
12 South Sixth Street (612) 339-0474
Nashville, Tennessee 37204
2934 Sidco Drive (615) 254-1658
Newark, New Jersey 07102
Gateway I (201) 643-1005
New York, New York 10038
85 John Street (212) 233-2495
Philadelphia, Pennsylvania 19106
Fifth and Market Streets (215) 925-5050
Pittsburgh, Pennsylvania 15220
875 Greentree Road (412) 922-6440
Richmond, Virginia 23230
4906 Fitzhugh Avenue (804) 353-8958
St. Louis, Missouri 63137
9021 Riverview Drive (314) 869-7800
San Francisco, California 94111
One Embarcadero Center (415) 434-3356
Seattle, Washington 98119
200 First Avenue, West (206) 282-4141
Syracuse, New York 13202
677 South Salina Street (315) 472-7511

At Industrial Risk Insurers, knowledgeable underwriting and experienced loss prevention engineering help protect both property and profits. Our new production and profit kit "The ABC's of Working Together with IRI" discusses how.

When making insurance recommendations, IRI considers the full range of a customer's business from manufacturing to marketing, from inspecting rooftops to protecting bottom lines. This kit discusses why.

Since 1890, IRI's underwriting and engineering staff, working with leading agents and brokers, has encouraged company risk managers to follow fire prevention and loss control practices. Regardless of the industry, our message is the same: follow recommended good practices and qualify for favorable underwriting and premium consideration through reduced loss potential.

An association of 45 leading insurance companies, Industrial Risk Insurers underwrites domestic and foreign property in excess of \$400,000,000,000. We offer enlarged capacity, engineering-in-depth, price/value underwriting and a commitment to productivity and profits that our customers (and their shareholders) welcome.



Our new kit contains underwriting and engineering information that can help an agent or broker produce more, and help a company risk manager protect the bottom line. For a copy of "The ABC's of Working Together with IRI," contact one of our offices listed adjacent to this message, or send us this coupon.

Industrial Risk Insurers

Industrial Risk Insurers, Communications Department
85 Woodland Street, Hartford, Conn. 06102

Please send me your kit - "The ABC's of Working Together with IRI."

Name _____

Title _____

Company _____

Street _____

City _____ State _____ Zip _____

Legal briefs. . .

Continued from preceding page
false pretenses. . ."

It was established that the customer in this instance secured the loans from the bank with the intent not to repay them. St. Paul rejected the bank's claim of loss. The bank sued and lost in trial court.

The appellate court affirmed concluding that the fact that one who secured a loan from a bank did so with a subjective intent not to repay it does not avoid an insurance policy exclusionary provision on the type here. *Franklin Nat. Bank v. St. Paul Fire & Marine*, Supreme Court of Minnesota, June 2, 1978. (BI/02/D.-\$4).

"Sensitivity" session

Is an employee's mental collapse triggered by a "sensitivity" session attended on behalf of the employer

an injury arising out of employment for purposes of workers compensation? Maine's highest court said that it was compensable because although the employee was susceptible to schizophrenia, the special type of stress involved in the group sensitivity session was a precipitating factor causing the injury and therefore the injury arose out of his employment.

Richard D. McLaren, while employed as the director of social service at Webber Hospital, attended a week-long sensitivity group training seminar for executive development. Mr. McLaren attended at the request of his employer which paid all the seminar fees as well as his regular salary while at the seminar. Mr. McLaren crumbled under the stress of the emotionally tense atmosphere generated at the group, requiring

his hospitalization for several months. He filed for and received compensation for total incapacity.

On this appeal, the employer and its insurance carrier, St. Paul Mercury Insurance Co., disputed that the injury had been sustained in the course, and arose out of Mr. McLaren's employment.

The Supreme Judicial Court of Maine upheld the award. The court believed that as Mr. McLaren was at the seminar to advance his employer's interest that there was no question that the injury occurred in the course of his employment. The court was also satisfied that there was a sufficient proximate causal connection between the circumstances of the employment and the injury to support a finding that the injury arose out of the employment.

"The existence of a preexisting condition or weakness," the court said, "... does not change the basic rules as to proximate causation. . ." *McLaren v. Webber Hospi-*

tal Assn., Supreme Judicial Court of Maine, May 25, 1978. (BI/03/D.-\$4).

"Physical" defined

The Supreme Court of Oregon has held that the use of the word "physical" within a comprehensive general liability policy which defined property damage as "physical injury to or destruction of tangible property" indicated that the policy was not intended to afford coverage for consequential or intangible damages.

Wyoming Sawmills Inc. (Wyoming), a lumber manufacturer, sold 2x4 studs to North Pacific Lumber Co. which, in turn, sold them to a building contractor. The latter used the studs in the construction of buildings. Subsequently, Wyoming learned that some of the studs had warped, twisted or were otherwise defective requiring replacement. Wyoming was covered under a compre-

hensive general liability policy issued by the Transportation Insurance Co. (Transportation).

Transportation rejected a tender of the damage claim on the basis of a policy exclusion for damages to the named insured's products. Wyoming settled claims against it by covering the labor expenses in replacing the defective studs and then sued Transportation. The trial court held Transportation responsible.

The appellate court reversed agreeing that any expense incurred by the removal and replacement of Wyoming's products was not the result of property damage as contemplated by the policy. To recover under this policy, the court believed, required the insured to show that there was physical damage to the rest of the buildings by the defective studs and that the labor cost was for the rectification of any such damage.

The court ordered that there be a determination of what, if any, part of the labor costs were for repairs to the building necessary to get at the studs. This portion of the costs, the court said, would be recoverable under the "physical damage" clause. *Wyoming Sawmills v. Transportation Ins. Co.*, Supreme Court of Oregon, May 23, 1978. (BI/04/D.-\$4).

Alcoholism

An employee sued his employer claiming he was entitled to disability benefits for alcoholism under his employer's pension and disability plan. The Supreme Court of Minnesota, while recognizing alcoholism as a disease, ruled that the employee was not entitled to benefits since his period of disability was caused by his failure to persist in proper treatment.

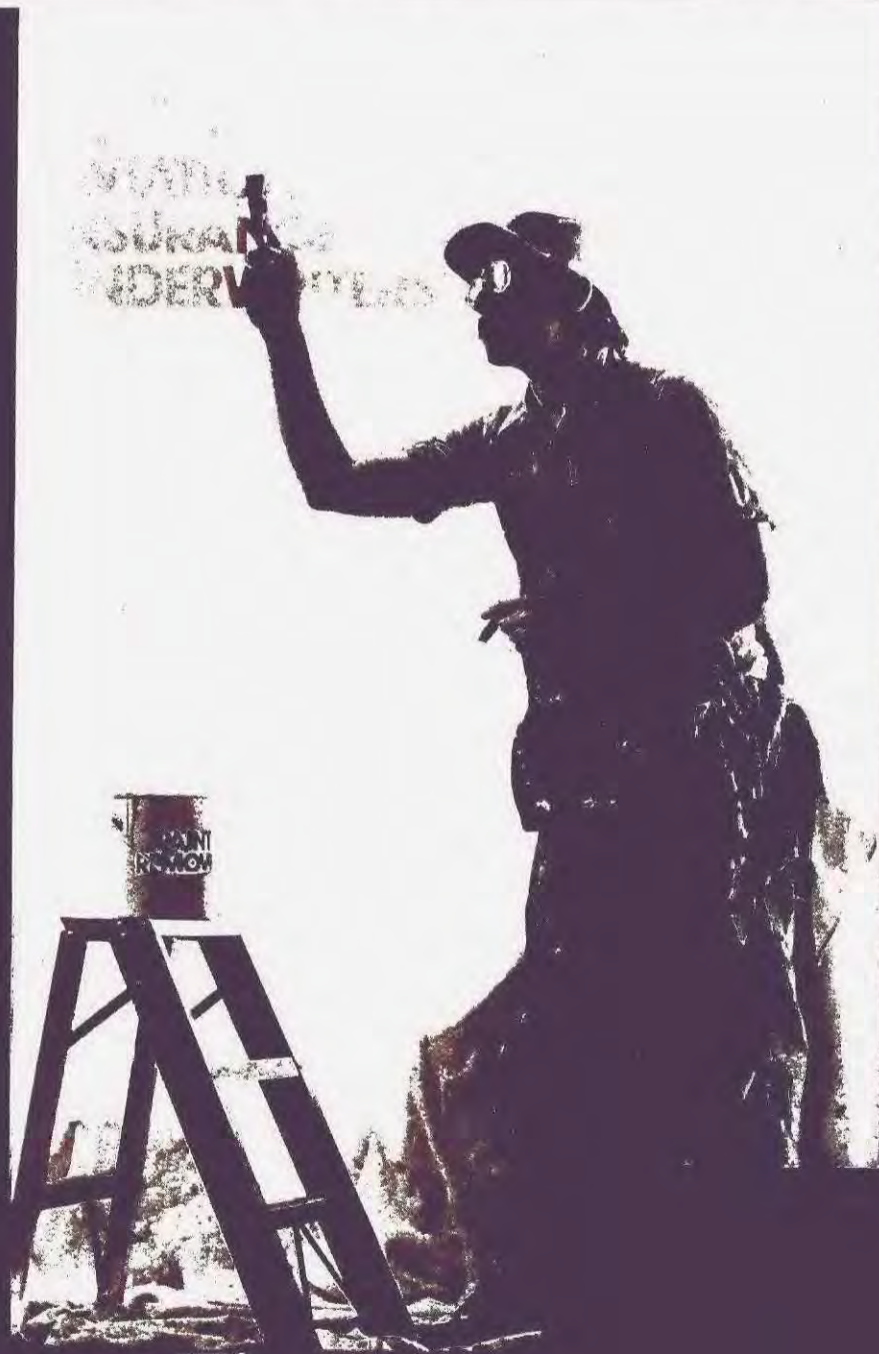
Robert L. Melin (Melin) was employed by the Northwestern Bell Telephone Co. (Northwestern) from 1945 to 1971 when he was dismissed from his position as an engineer because of alcoholism. Northwestern maintained a non-contributory disability and pension plan for its employees. During the years of his employment, Mr. Melin received frequent treatment for alcoholism and was institutionalized several times.

In 1976, he was reemployed by Northwestern after furnishing information that he had maintained sobriety for at least one year. In this action, Mr. Melin claimed that he was entitled to sickness disability benefits and a disability pension for two periods, one of which was when he had been hospitalized. The trial court denied benefits.

The appellate court held, initially, that the plan provided by Northwestern was not a gratuity but part of the employee's compensation which the employer was contractually obligated to pay. The court pointed out that under the plan basic requirements for benefits were sickness, disability and a causal relationship between the two. Also, the court noted that the plan required that disabled employees must take proper care of themselves.

The court recognized that treatment of an addictive disease such as alcoholism was possible. The court was satisfied that Mr. Melin was not disabled during periods of treatment and became disabled when he failed to avail himself and persist in proper treatment.

Therefore, the court agreed Mr. Melin was not entitled to benefits under the plan during either period. *Melin v. Northwestern Bell Tel. Co.*, Supreme Court of Minnesota, May 5, 1978. (BI/05/D.-\$4).



BEWARE OF THINGS THAT GO WEAK IN THE NIGHT.

You've signed with an aviation insurance company that claims to have you covered. They talk big about their credentials, coverage, and rates. But you're still not sure they're not a fly-by-night operation. And you lose sleep over it.

If you were insured with us, you could rest easy. We're Associated Aviation Underwriters, and we've been in the business since 1929, insuring everything from satellite launches

and corporate fleets to private aircraft and fixed base operators.

We've translated 49 years' experience into the practical know-how we use to handle your claims with fast, fair service. Our competence is evidenced by the fact that we're backed by more than 35 of the nation's leading property and casualty companies. Ask your agent or broker about us today, and get a good night's sleep tonight.

AAU
Associated Aviation Underwriters
90 John Street, N.Y., N.Y. 10038

Business Insurance

*is pleased to invite you
to participate in the second annual
Risk Manager of the Year
awards competition.*

*Nominate an outstanding individual
for exceptional performance
in the field of risk and insurance management.*

*Nominations are being accepted now
through the end of December, 1978*

RSVP

*For a copy of the nominating
form, judging criteria and procedure,
call or write Business Insurance,
Editorial Department, 740 N. Rush St.,
Chicago, Ill. 60611
(312) 649-5278 or 5279*

Retro plans . . .

Continued from page 1

the future, the insurers repealed their mandate for the factor.

Not since the Insurance Services Office was forced early this year to repeal an exclusion for punitive damages in liability insurance policies only a few months after adopting it has commercial insurance buyers' clout been so evident.

Buyers have objected to the loss development factor in retro plans for two reasons. The factor was based on state averages, so it was not a reliable predictor of losses in an individual plan, they complained. Moreover, the factor made buyers pay more up front for their workers compensation insurance than they thought necessary.

"The retrospective loss development factor meant that retro plans were becoming unsaleable," asserted Employers Insurance of

Wausau's vp for commercial casualty, Les Baumer.

"For accounts that were borderline between retro and self-insurance," he said, "the retrospective loss development factor shoved them over the fence to the later."

But insurers wanted to impose the loss development factor because of what they saw to be a problem in retro plans. Under the retrospective rating plan concept, the insured and the companies make a determination in advance that the insured will pay for his own claims, within certain limits. Because at the time an accident occurs it is usually unclear what the cause of it was or what the total cost will be, the plan includes periodic adjustments. Usually from one to five adjustments are made until the insured and the under-

writer arrive at a settlement agreement.

That is, retrospective rating is really a type of cost-plus plan, where there is agreement to pay certain minimums and to cap losses at annual maximums that will be charged in any period. In between these parameters, the policyholder pays for his own claims. An often prolonged period of adjustment, then, is needed so that the two parties can arrive at a settlement to which both sides can agree.

Defense offered

Over the period of these adjustments, the amount of incurred losses sometimes exceeds what had been originally anticipated. And this fact led to problems for insurance companies, they say.

"What we have been doing for years is giving money back to risks at the end of the first or second adjustment. Then, as losses matured and upward development took

place, we've had to go back and collect again," said Paul Scheel, executive vp of United States Fidelity & Guaranty, Baltimore.

He indicated that having to reassess the losses and recollect the money is a hassle that USF&G, for one, does not relish.

"The purpose of the factor is to make settlements easier," said Frank Harwayne, research director of the National Council on Compensation Insurance in New York. The final price of a workers compensation claim settlement, he added, won't be affected by the presence or absence of the retrospective loss development factor.

However, enough companies found that the loss development factor makes retro plans unattractive—even so undesirable as to be completely uncompetitive with its biggest rival, self-insurance—that a majority of the members of the national council who had voted to use the factor in June 1977, voted late last summer

to make it optional.

And even Mr. Scheel of USF&G, who said that his company continues to support the theory of the factor, had to agree that by making the factor optional, the council was turning it into a dead issue. Indeed, executives for companies such as Employers of Wausau, CNA and Kemper Insurance all told *Business Insurance* that they will ignore the factor in the future.

The essence of these vociferous objections was voiced by W. Edward Couch, director of insurance and employe benefits for the California Chamber of Commerce.

"Retro cannot be applied on broad state averages," he asserted.

Buyers complained

When the national council, troubled by complaints about how to deal with rising incurred losses over the second to third adjustments, decided to adopt the factor, it also decided it had no choice but to use state averages as the basis for insurer calculations.

But insurance companies faced growing opposition from risk managers who resented being penalized by broad averages that didn't reflect their own companies' loss pattern, explained Don Satterfield, of the statistical actuarial department of Kemper Insurance in Chicago.

"Even though we know that in a given state, state averages would indicate that the losses are increasing by, say, 10% a year, individual risks might retort, 'Why, that pattern doesn't fit me at all because my losses are going down,'" he continued. "So it has been difficult to sustain the program with the retrospective loss development factor."

Mr. Baumer of Employers of Wausau illustrated why he believes the factor made retro plans absolutely unsaleable. "Take an account with a good loss ratio, a premium size of \$50,000 a year and situated in New York. Suppose that he had elected a 125% retro maximum. With New York's retrospective loss development factor of 19.6% on the first adjustment, this account would have hit the maximum on his first adjustment at a loss ratio of less than 45%."

Dissident insurers

"That would be way over standard premium writing. How are you going to sell that?" he mused.

Mr. Baumer believes these situations merely compounded the appeal of self-insurance for so many accounts.

Employers of Wausau, which had always been against adoption of the factor, is pleased the move to make it optional was retroactive, meaning that the factor will have never been actually applied.

CNA underwriter Larry Wakefield pointed out two other reasons why dropping the factor makes sense. First of all, he said, CNA doesn't impose loss development factors on its general liability business. Consequently, CNA insurance plans that combine general liability and workers compensation contain a real inconsistency. But more important, Mr. Wakefield said, retro ratings were developed in order to assure that premiums would reflect the individual makeup of an insured.

"The individual characteristics in every risk are the main asset of retrospective rating," he said. "To come in with a loss development factor under a broad brush concept philosophically doesn't parallel this concept."

Not everyone apparently agrees though.

"All you are trying to do in using the retro loss development factor is to try to properly state your account's incurred losses," said Mr. Scheel of USF&G. "Logically, it still makes sense to do that." ■



Insuring a grain elevator takes an organization that can look at the whole picture.

In addition to the grain elevator, you've got to insure the grain tanks. The grain itself. And the vessels that take it out.

Then there are the lives that could be lost, and third party losses that could result. It's a

very complex picture indeed.

Which is why you should look to J. H. Blades & Co., Inc.

For more than 25 years we've assembled insurance programs on very nearly everything. From crop dusters to offshore rigs.

So we know how to make the complex simple.

For an insurance package that's just right for you, have your agent call Ellis Welch, our Commercial Property Manager. He'll get you covered.



J.H. BLADES & CO., INC.

P.O. Box 22003 Houston, Texas 77027 713/526-6551. Cable: "BLACOINS" Telex: 775-426.
Other offices in San Antonio, Tulsa and Bermuda.

Price guidelines . . .

Continued from page 1
 point lower than the average price increase of the two previous years. Compliance will be based on the insurer's total book of business, or an average, rather than increases for a specific line of insurance.

Although insurers are confident they will hold their administrative costs in check, some insurers were reluctant to confirm whether claims costs can be controlled. They indicated, however, that they intend to comply with the guidelines.

Concerns aired

Among the insurance companies still studying the guidelines without adopting a formal plan of compliance are the Hartford Insurance Group, Kemper Insurance Cos. and the Insurance Co. of North America.

More definite about complying with the guidelines are the Travelers Insurance Co. and Aetna Life & Casualty.

The Travelers said, "We expect 1979 prices for major insurance products will show a deceleration from the base period consistent with the guidelines. As was the case under the 1971 program of controls, details need to be worked out to deal with some of the unique aspects of insurance prices."

Under President Nixon's program of mandatory controls, the insurance industry was permitted in effect an exemption from the controls. The program provided that uncontrollable costs of raw materials, or claims for the insurance industry, could be used as a factor in increasing insurance premiums, within a certain profit margin limit.

A spokesman from Aetna Life & Casualty said the company is "quite certain" that price increases can be decelerated to comply with the program.

Representatives from the American Council of Life Insurers and the HIAA aired their concerns about compliance recently in a one-hour meeting with the Council on Wage and Price Stability (COWPS).

Kenneth D. Allen, executive vp of Southwestern Life and one of the four representatives, noted that the "council must give us some flexibility or this will be blown out of the tub."

Benefit issue

He said employe benefits are becoming more expensive to provide because of government mandates, including equitable pregnancy disability benefits and full benefits to workers until 70 years of age. COWPS was also alerted to problems in decelerating costs for health, accident and disability insurance in light of rising medical costs.

The cost of medical benefits has increased 18.4% in the first six months of 1978 over the same time period for 1977, according to David Robbins, vp and director of research at the HIAA.

COWPS is taking comments about its guidelines until Dec. 2, when it will issue a final version.

Another insurance industry group, the National Assn. of Insurance Commissioners, is forming a subcommittee, chaired by Indiana commissioner W. P. Hudson, to study how the group can monitor

Buffalo gains capital

Policyholders' surplus increased by \$15 million at Buffalo Reinsurance Co. to more than \$31 million. The company specializes in treaty and facultative reinsurance in the U.S. and Canada. Offices are maintained in Los Angeles, Chicago, New York and San Francisco.

compliance with the program. In the Nixon years, price compliance was checked through rate filings in individual states.

Optimistic about insurer's compliance with the program is Mavis A. Walters, vp of the Insurance Service Office who formerly worked as director of the insurance division for President Nixon's Cost of Living Council.

"They should be able to comply quite easily even without any special guidelines," Ms. Walters said.

Under Nixon's mandatory program, life insurance, reinsurance, ocean marine and inland marine were exempted from complying. Life insurance was exempted because its rates are not based yearly while the others were excluded because they involved international business.



EST. 1899

DAVIS, DORLAND & CO. INSURANCE BROKERS

TWO WORLD TRADE CENTER, NEW YORK, N.Y. 10048

TEL: (212) 432-8800

**Prudential Reinsurance Company. Property. Prudential Reinsurance Com
 Casualty. Prudential Reinsurance Company. Marine. Prudential Reinsurance
 surance Company. Aviation. Prudential Reinsurance Company. Bonds
 Prudential Reinsurance Com. Prudential Reinsurance Company
 Reinsurance Company. Prudential Reinsurance Company. Aviation
 Casualty. Prudential Reinsurance Company. Prudential Reinsurance
 Prudential Reinsurance Company. Marine
 Company. Aviation
 Reinsurance Com. Prudential Reinsurance Company. Casualty
 Prudential Reinsurance Company. Prudential Reinsurance
 Marine. Prudential Reinsurance Company. Property
 Reinsurance Co. Prudential Reinsurance Company. Bonds
 Prudential Reinsurance Company. Prudential Reinsurance
 Company. Property
 Reinsurance Co. Prudential Reinsurance Company. Aviation
 Prudential Reinsurance Company. Prudential Reinsurance
 Bonds. Prudential Reinsurance Company. Marine
 Company. Casu
 Reinsurance Co. Prudential Reinsurance Company. Casualty
 Prudential Reinsurance Company. Prudential Reinsurance
 Property. Prudential Reinsurance Company. Property
 Company. Marine. Prudential Reinsurance Company. Bonds
 Prudential Reinsurance Company. Prudential Reinsurance
 Reinsurance Company. Prudential Reinsurance Company. Aviation
 Company. Bonds. Prudential Reinsurance Company. Aviation
 Aviation. Prudential Reinsurance Company. Prudential Reinsurance
 Prudential Reinsurance Com. Prudential Reinsurance Company. Marine**



Prudential Re. The Rock in Reinsurance.

FACULTATIVE-TREATY-INTERNATIONAL
 Property • Casualty • Marine • Aviation • Bonds

Home Office: 213 Washington St.
 Newark, N.J. 07101
 (201) 877-8000

Prudential Reinsurance Company
 Subsidiary of The Prudential Insurance Company of America



Campus risks . . .

Continued from page 1

Mr. Deness and his attorney, Edward J. Nevin, have written to the university president and executive officers insisting they withdraw the current job listing and appoint Mr. Deness director of risk management. The basis for the demand is his past performance, superior rating in evaluations by his superiors and his standing in the first recruitment for the newly created position earlier this year.

Mr. Deness asked university officials for an administrative review "where we could have it set forth," he said.

"We have a duty to attempt to resolve the matter internally before taking legal action," Mr. Nevin said. Should legal action be taken, the attorney continued, "we can consider the fact that Mr. Deness is a Hungarian immigrant and is

therefore a minority (group member)."

The inter-university task force, which made a number of recommendations about coordinating the risk management function at the university system, did not name Mr. Deness, although he claims the report "libels" him by implications. The report, delivered in March by insurance and risk management representatives from five of the university's campuses, noted that the risk management function has been poorly received in the university system.

"You've got to wonder if it could be better managed," said a member of the task force.

Mr. Deness' personal situation as well as the decimated condition of the risk management department at UC, highlight the problems involved in managing "the most complex and difficult risks in the world . . . at an institution where risk management is neither understood nor supported by the university administration," according to a source within the university.

Diverse exposures

The university has an annual operating budget of \$2.5 billion and pays \$35 million annually in insurance premiums. Exposures at UC include workers compensation for 70,000 employees; malpractice for five teaching hospitals; ocean marine for Scripps Research Institute, the seventh largest ocean-going fleet in the world; a nuclear reactor, and a nuclear accelerator.

Add to that a mass of 126,000 students on nine campuses throughout the state and "you've a situation that in no way emulates corporate risk management," a university source said. "As a public institution, we have all the problems and exposures of a large corporation plus we're under terrific public and political scrutiny for everything we do."

Two years ago, the university severed a six-year relationship with broker Fred S. James and appointed the Risk Management Group (RMG) headed by San Francisco insurance consultant Gordon Beamer to handle the brokerage function on a fee basis.

Several alternatives to insurance for the university's risks, including computer analysis of claims in a self-insured program, were proposed but were not implemented. Mr. Deness said he recommended that RMG be asked to resign; Mr. Beamer said the group resigned late in 1977 "because we couldn't make it happen."

The Oakland, Calif., firm of Saylor & Hill, formerly associated with RMG, took over most of the brokerage responsibilities under the direction of Robert Wells, semi-retired managing partner.

Resources lost

"I'm disappointed the university's relationship with RMG did not work out," Mr. Nicholas said. When the consulting group left, the risk management department "lost all their resources; it destroyed their capability of doing anything," he said.

Even critics of the university's risk management department admit it has been operating under adverse circumstances for the last three years. "Steve got in over his head" was the assessment of a risk manager for another California public entity.

While sympathetic to the problems encountered by Mr. Deness others in the insurance and risk management community in Northern California observed that Mr. Deness apparently hasn't been persuasive enough to enlist the co-

operation of people throughout the university to carry out risk management recommendations. In any organization, a risk manager is a staff person without authority to implement all the necessary programs, faced with the task of convincing people at all levels that it's in their best interest to assist the risk manager. UC is not different and UC's risk manager will have to have these talents.

"You can't direct risk management from Berkeley," a member of the task force said. "For one thing, the function is carried out by different job titles on almost every campus."

Risk management is carried out by campus police, health and safety personnel and plant managers as well as the risk management coordinator named on each campus.

Administration of workers compensation, for example, is handled differently on almost all the campuses. At some it is the responsibility of personnel, at others payroll and at still others it is assigned to environmental safety and health. "There is no involvement between the campuses on matters of insurance and risk management, let alone any coordination of the efforts," a university source said.

Because the campuses take diverse risk management approaches, the task force recommended establishing the position

of coordinator rather than director of risk management.

"We're talking about a super-salesman who knows what's going on and who can work with all the campuses. Someone who can be a friend to all of them so they'll call him when a question arises rather than the risk manager being the one to ask all the questions," a member of the task force said.

Alternatives

"The university has a wealth of expertise within it; we just need someone to coordinate all the talent," another source said.

The task force also recommended a self-insured approach to malpractice and workers compensation risks. The university currently pays \$18 million into the state workers compensation fund and \$20 million in malpractice premiums to the California Hospital Assn. A \$5,000 deductible for malpractice was instituted last July 1.

"With an operating budget as large as the university's, even a big malpractice loss could be handled on a self-insured basis," according to a Northern California risk management consultant.

Some people within the university and risk management communities questioned whether the university can attract the high caliber risk manager described in recent classified ads listing the job,

despite the attractive \$40,000 to \$48,000 salary.

The salary is considerably higher than \$30,000 to \$35,000 offered for the same position when the university advertised earlier this year. The amount also tops the average \$28,000 salary paid to risk managers as identified by a survey commissioned this year by the Risk & Insurance Management Society.

During the first recruitment effort, the university is known to have made an offer to its top candidate, who reportedly turned down the job because the salary wasn't high enough. Mr. Deness, who also applied for the position, said he was told he was one of the three finalists.

"There is no justification for the university to continue to search without offering the job to Mr. Deness," his attorney said.

"We want to recruit someone at the executive level," said Warren Levin, assistant vp-business management, to whom the director of risk management will report. He added that he encouraged Mr. Deness to reapply for the position when ads were run for the second time.

Although a strong coordinated effort at the administrative level is apparently lacking, "a sort of invisible risk management program is going on at the campus level," said sources in the university. ■

The industry's only
LOCALNATIONAL
Surplus Line Broker



With our exclusive "Localnational" approach to serving independent agents and brokers, you get all the advantages of quick, local contact and service. Each local office is autonomous. And, a local company President calls the shots. He's his own top decision maker. He can give your accounts immediate attention. And, he does.

Today's excess and surplus business requires careful planning and the right markets. Only a firm with national buying power can deliver the markets necessary to do the job. On those occasions when your account requires extra effort to obtain the results you need, there's strong, national, cooperative support from the Presidents of all five locations: You can bet one of them has a solution to your problem.

It's easier to do business with the "Localnational" company. Immediate local response from a top decision maker with substantial national support. When you need us, we respond with solutions, not excuses.



H & W
INSURANCE SERVICES

Excess/Surplus Line Brokers

HOME OFFICE

16255 Ventura Blvd., Encino, CA 91436
(213) 990-3040

Atlanta Philadelphia
(404) 262-2240 (215) 925-6070

Chicago San Francisco
(312) 726-7055 (415) 391-3080

Los Angeles Miami
(213) 385-7341 (305) 592-8066

Security Guard, Detective and Patrol Services - Burglar and Fire Alarm Monitors and Installers



HASN'T
ANYBODY
TOLD
YOU
ABOUT
COVER X...?

If you have a current or potential client involved in security work and haven't told them about Cover X Corporation, odds are your competitor will.

As one of the leading underwriters of this class of business in the U. S., Cover X has the necessary expertise, facilities and authority to provide the prompt, efficient and competitive responses required by both broker and insured.

Our comprehensive liability product, together with limits of liability up to \$5,000,000 (in most States) makes a Cover X quote a must for any insurance professional.

For further information or applications call or write . . .



COVER X CORPORATION

30161 Southfield Road, Southfield, Mich. 48076 - Tel.: (313) 644-3200, Telex 23-5635

How to say "Merry Christmas"

to your associates, employees or your most valued clients

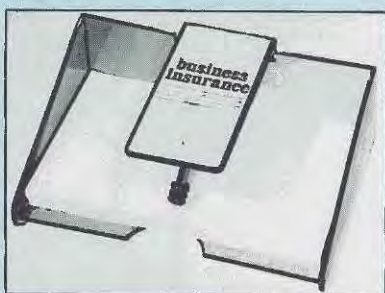


This year, wrap up your toughest business gift problems with an idea that's easy for you, profitable for the recipient.

Cut shopping time to a few minutes by cutting out the coupon below. Use it to start sending Business Insurance and its exclusive information and news to your associates, employees or your most valued clients.

We'll take care of all the details—including sending a gift card in your name. (We'll also include the valuable bonus described below to everybody on your list.) Yet your total cost for this easy way out of the Christmas rush is just \$15 per person.

Your Gift Starts With The Noteable



The Noteable is the distinctive smoked lucite notepaper dispenser. Its unique vibrating system ejects a single sheet at a light touch. Initial notepaper supply is included.

business insurance 740 Rush Street/Chicago, Illinois 60611

Your Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Please send a one-year (26 issues) gift subscription to BUSINESS INSURANCE at \$15 a year, the Noteable notepaper dispenser and a hand-signed gift card to the following:

Name _____ Title _____

Company _____ Nature of Business _____

Address _____

City _____ State _____ Zip _____

IF YOU WISH TO ADD MORE NAMES, PLEASE ATTACH A SEPARATE SHEET.

Enclosed is a \$_____ check for _____ gift subscriptions

Bill me Bill my company (\$15 per gift subscription)
Europe & Middle East, add \$10 per year, per subscription (jet-speeded delivery). All other foreign, add \$5 per year, per subscription (surface delivery).

classified advertising

RATES AND CLOSING TIME: \$3.00 per line, minimum charge \$15.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Friday, 10 days preceding publication date. Published every other Monday. Display classified takes card rate of \$36.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.

HELP WANTED

PROPERTY UNDERWRITING MANAGER
Insurance Management Group seeking individual with heavy Commercial Property experience to manage national programs. Tampa location-Salary Open-Relocation Paid. Contact R. P. O'Neill, Coverage Management Corp., Box 24863, Tampa, FL 33623, (813) 870-0020.

Wanted by a CLU-CPCU a reliable Group Health Insurance Market for Coal Stripping Operations in PA & OH
Box 209, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

INSURANCE ACCOUNT EXECUTIVE
Commercial agency needs executive with property/casualty experience for account service and development. Salary open subject to qualifications. Our Western Massachusetts location with its recreational and cultural advantages is also a great place to live. Send resume to Gilbert A. Haberman, James C. Haberman, Inc., 146 Chestnut St., Springfield, MA 01103

INSURANCE MANAGER

Growth opportunity with dynamic diversified corporation for individual with a minimum of 5 yrs. casualty claims and prevention experience to function in areas of self-insurance administration, risk analysis, claims supervision and loss control. Excellent starting salary and benefits package. In strict confidence send resume including salary history to William M. Bauer.

Alco Standard Corporation
Valley Forge, Pa. 19482
Equal Opportunity Employer

BUSINESS OPPORTUNITIES

FOR SALE
Southern California Inspection Co. In operation a little over two years. Already has volume of 100K per year and growing. 40%-60% profit factor. \$145,000 cash only. P.O. Box 127 Encino, Ca. 91426

MISCELLANEOUS

PRIME OFFICE SPACE AVAILABLE
In New England's most prestigious office building . . . Landmark Hill in Brattleboro, Vermont. Located in the center of New England; next to an interstate; majestic country setting. Excellent labor pool. Windham Realty, Inc. Brattleboro, Vt.

UNDERWRITERS

Established Excess & Surplus/Managing General Agent needs property/casualty underwriters. If you have 2-5 years of underwriting experience with a standard carrier, are willing to relocate and are looking for a real challenge/growth position, please contact:

Ms. Mary Marines, V. Pres.
Horan, Goldman Companies, Inc.
Two Bryn Mawr Ave.
Bryn Mawr, Pa. 19010
215-527-4400

Openings in Bryn Mawr, Pa., Cherry Hill, N.J. & New York City offices.
An Equal Opportunity Employer

Property/Casualty Producer

Position open in New York City Brokerage Firm. You must have a brokers license and be a self starter. We are growing rapidly. Income and opportunity commensurate with results-Salary plus Commission. If you are a successful professional and want an exceptional opportunity call Mr. Smith at 212-432-1234.

Large Midwestern Agency desires to purchase Casualty/Property Agency with minimum \$500,000 commission in Minnesota, Iowa or Nebraska. Buyer willing to pay good price and very flexible on terms. Reply in confidence to:
Box 205, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

ACCOUNT EXECUTIVE

The Corporate Sales Division of Corroon & Black of Ohio, Inc., one of Central Ohio's largest full service agencies, needs an individual having 5 or more years property/casualty sales or risk management experience to handle large corporate clients. The successful applicant will have excellent communication skills, an above average knowledge of commercial multi-line coverages, and will be a proven performer. Corroon & Black offers excellent starting salaries, incentive programs, and employee benefits.

If this sounds like the job for you, send resume in confidence to:

Mr. L. J. Pendleton
Manager, Corporate Division
Corroon & Black of Ohio, Inc.
50 West Broad Street, Suite 1400
Columbus, Ohio 43215

RISK MANAGEMENT

RISK MANAGER TO \$40,000+
Internationally respected energy related firm \$300MM sales is creating their first RM program. Property/casualty, W/C, self-insured experience desirable.

RISK MANAGER TO \$30,000+
Leading medical center, medical school, and community hospital complex staffing their first RM program. Self-insured and loss control experience desired.

FINANCIAL ANALYST TO \$32,500
Top five risk consulting firms now seeks solid educational credentials plus exp. in self-insured, captive, loss and cost studies. Excellent corporate exposure.

LOSS CONTROL TO \$27,000
New Listing. Will manage Southeastern zone for 2 billion dollar firm. Must have solid corporate or quality insurance co. experience.

INSURANCE ANALYST TO \$23,500
Major risk department of prestige co. adding one "outstanding" risk and insurance analyst to be developed in all areas of their RM program.

CONTACT: DONALD DELANEY
PARTIAL LISTING

ALL FEES PAID
INSURANCE RECRUITERS, INC.
3707 Rawlins, Suite 416, Dallas, Texas 75219 (214) 528-0090

Professional Risk Management Tools

Automated information systems for controlling and administering cost of risk.

corporate systems

BOX 31780 AMARILLO TEXAS 79120 800 258 4351

FIRE MARK COLLECTION FOR SALE

30 Fire Marks from U.S., England and Europe. Some over 100 years old. \$2950. Ideal display for insurance agency or company. Send \$1.00 for pictures and list to: Fire Marks, Suite 1645, 10 Broadway, St. Louis, Mo., 63102.

INSURANCE MANAGER

International Corporation, headquartered in Midwest, is seeking an individual to assume responsibility for its total Insurance Program. This includes all property and casualty as well as Group Insurance. Applicant should meet the following qualifications:

- College Graduate (prefer major or minor in insurance)
- 3 or more years experience handling bodily injury and property damage claims
- Insurance buying experience including group health and life (preferably at Corporate level)

Salary negotiable based on experience. Send resume, including current salary information to:

Box 206, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
An Equal Opportunity Employer

BROKERAGE

BROKERAGE ACCOUNT EXEC . . .
low 20's Tenn. broker seeks person to assist in servicing and placement of some \$500,000 in commissions. Strong comm. casualty bkgd. and should be solid technician. Excellent training position for lightweight wanting advancement.

BROKERAGE PRODUCER...\$40K+
Southeast firm seeks individual with successful sales record in commercial lines. Self-insurance and/or captive experience desirable. National accounts exposures a plus. Excellent incentive program for top producer.

COMMERCIAL SALES (Dallas) \$30/35K+
Leading agency/brokerage seeks candidate with proven sales record of commercial accounts. Will have at least 5 years of sales experience, preferably with an agency or brokerage, but direct writer sales talent will be considered.

MARKETING ACCOUNT EXEC \$27K+
Texas client seeks solid casualty technician to market medium-to-large commercial risks. Requires 5+ years casualty underwriting background. Previous placement experience preferred.

CONTACT: JIM GILBERT

Senior Administrator Corporate Risk Management

Control Data Corporation, a large international computer and financial services company has an opening for an individual with risk management background on its corporate staff. Responsibilities of this position include the administration of all casualty property claims worldwide, departmental accounting, participation in renewal programs and providing counsel to divisions and subsidiaries. Requirements include a college degree preferably in Business Administration, a background in commercial casualty property insurance and relevant experience in risk management environment within the industry is helpful. For immediate and confidential attention please write or call:

Peggy L. Bernhardt
Headquarters Personnel
CONTROL DATA CORPORATION
P.O. Box 0 HONOIC
Minneapolis, Minnesota 55440
(612) 853-5289



An Affirmative Action Employer M/F

Work comp suits drop in Calif.

SAN FRANCISCO—The number of workers compensation cases adjudicated is declining in California, says the workers compensation institute here.

A statewide survey found that applications for adjudication of claims in the quarter ending June 30 has averaged 7.4% of new claims reported, a 9% decrease from the corresponding period of 1977. Combined with a 4% decline in 1977, the decrease in litigation produces the lowest litigation rate since the 6.4% figure recorded five years ago, according to the institute.

The survey results were compiled by 38 insurers accounting for 80% of California's workers compensation premiums.

The slide was most apparent in Southern California where the litigation rate was down 13% from 1977 and down 21% from 1976 when there were 9.9 applications for adjudication per 100 new claim reports.

Although the institute has no single explanation for the turnaround, it speculates that part of the reason may be the effect of a law passed in August 1977, which transferred cumulative trauma claims to the last employer. The bill could mean that fewer insurance companies are incurring files on the same cases, the institute points out.

Part of the reason for the drop in litigation may be the attitude of applicants' attorneys who, faced with delays at the appeals board, are forging stronger efforts to settle without adjudication, the institute suggests. Yet it notes that records of the division of industrial accidents do not support this notion.

The good news aside, the institute notes that every 14th workers compensation claim, both indemnity and medical-only, continues to be litigated.

INSURANCE BID INVITATION

Fire and Liability Lines
Excellent history: 12% loss ratio in previous 5-year period. No political or geographic hindrances for bidders.

Call or Write for Specifications.
R.I. Jones, Purchasing Agent
Palm Beach Junior College
4200 Congress Ave.
Lake Worth, FL 33461
(305) 965-8000, ext. 277
BID OPENING DECEMBER 18, 1978
This ad will not be repeated.

RISK MANAGEMENT

NYSE transportation equipment leasing company offering dynamic growth and international exposure needs experienced risk manager to assume a new position reporting directly to top management. We seek a qualified professional with experience in property, marine, casualty and workers' compensation insurance as well as in depth risk analysis experience. Responsibilities will also include supervising claims, self insurance, property and casualty policy administration and relations with brokers both in U.S. and overseas.
Salary open and a full range of employee benefits are provided. Send resume to:
Box 208, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

EXCESS AND SURPLUS LINES REGIONAL MANAGER

- Growing Excess and Surplus Lines carrier seeks aggressive professional self starter to establish, staff and manage new regional office facility.
 - Strong casualty property underwriting background essential with broad based experience in all phases of underwriting.
 - Competitive starting salary with excellent fringe benefits, including stock ownership, bonus package and solid career path opportunities.
 - Must be willing to relocate to this position.
- Send letter with detailed resume in complete confidence to:

President
Box 197, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

Corporate Risk Manager

We are a billion dollar, diversified Fortune 500 New York City based company seeking an innovative, well-rounded executive to head up our corporate risk function. Candidate selected will be responsible for running a highly centralized operation covering all aspects of risk to provide a full range of services to all divisions.

Excellent salary, incentive bonus and immediate profit sharing plan.

If you are well above average and can work in a very creative environment with a profitable growth company, send your letter or resume, in confidence to:

P.O. Box 1815, Grand Central Station
New York, New York 10017

Equal Opportunity Employer M/F
our employees are aware of this ad

Supervisor

Employee Benefit Funding and Support

We are seeking an experienced career-oriented professional to supervise the preparation and maintenance of plan documentation, reporting, funding and other administrative activities required to support the various employee benefit programs of our Corporation and its subsidiaries. While reporting to the Corporate Risk Manager, the responsibilities of this highly visible position require coordination with the Corporate Legal, Personnel, Industrial Relations, and Accounting Departments.

A Fortune 500 company, we are involved in the design, manufacture and sale of sophisticated mechanical and electronic products for a variety of advanced technology markets.

Our Corporate offices are in a medium-sized and growing Midwestern city with easy access to Chicago and to the recreational areas of Southern Wisconsin. We offer an excellent salary and benefits package including an extensive medical and dental plan.

Please send resumes in confidence to:

Box 207, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

An Equal Opportunity Employer M/F

riskWatch

By SUSAN ALT

Turbine, generator or insurance, purchase rules apply: risk exec

Imagine spending 12 years as a corporate purchasing agent buying capital goods ranging from cutting and corrugating machines to computers and then being made insurance manager, thrust into the waiting clutches of brokers after years of going direct to suppliers.

That's the background of Jim Charpie (pronounced as in sharp) who took over Container Corp.'s insurance department just six months ago. Shouldering responsibility for spending nearly \$5 million a year in premiums, he's formed some strong impressions about the insurance business since then, perceiving some close correlations and some striking dissimilarities between what he's done for 12 years and what he's doing now.

Not knowing the conventional approaches to insurance management when he was promoted has been both a bane and a boon for Mr. Charpie, who thinks insurance buying should be viewed the same as any other capital purchase. After being on the job a few months, he acknowledges that he's doing the same job analyzing insurers' proposals to fit them to Container Corp.'s needs as he did when he bought turbines and generators. Moreover, skills honed as a negotiator buying printing presses and computers stand him in good stead "because there's a lot of negotiating to be done when buying insurance."

What are his strengths as a negotiator that'll be most useful in his new job? "You might say I'm v-e-r-r-y difficult to intimidate," he says quietly.

Among the faults of the insurance business, compared to industries he's dealt with previously, are the inflexibility of brokers and underwriters and a tendency to be locked in the past, says Mr. Charpie. "I get the feeling insurance premiums are a lot less flexible than equipment prices and some underwriters just don't have the flexibility that suppliers in other industries have. They're much more rigid, which I think comes from tradition. The insurance industry is too steeped in tradition, and too few people challenge the system. All I ever hear is that 'It's never been done before. We can't do it.' Brokers, too, tend to fit the mold of being too tradition-bound," he thinks, grinning as he concedes "there are a few exceptions."

To be a successful negotiator, Mr. Charpie concentrates on being prepared when he talks with Container's insurers and brokers. "You have to do your homework and know as much as you can about your own position and as much as you can about your opponent's position. The person who goes in best prepared wins. The unprepared sometimes lose without even knowing what they've given up."

He's presently girding himself to include under a master policy several non-HPR properties that Container's two HPR insurers haven't wanted. "These two orphans are under a separate policy right now, and I don't want to continue that way. We want them under the master contract. Our two HPR carriers have put some non-HPR risks into their HPR plans, but not these remaining two properties." He cites this as an example of inflexibility on the industry's part.

There are times, however, when insurance vendors can be very, very innovative, Mr. Charpie acknowledges, citing Mobil Oil's recent renewal discussions in Bermuda where Marsh & McLennan and Alexander & Alexander competed for the business, with Sedgwick Forbes in attendance as the cooperating London broker. They came up with "all kinds of creative ideas for things that had never been done before, like programs combining property and liability coverage." Mobil, of course, is Container Corp.'s parent company.

Being insurance manager after 12 years as a purchasing agent might require Mr. Charpie to break some old habits, after spending years devising ways to circumvent middlemen to go direct to suppliers of capital equipment. Now, suddenly he's plunged into a business where buyers often verge on being captives of their brokers. His reaction to this situation can only be described as amazement.

Mr. Charpie may believe in long term relationships with suppliers (in the case of insurance this would be three policy periods or longer) but he doesn't believe in letting them bask in the limelight of success without competition. Shopping the market every year for at least one competitive insurance quote is essential, he thinks. That way, if the incumbent keeps the business, he can be proud of it and the process keeps everybody on his toes.



Susan Alt

Only clients should manage risks, brokers should advise: Forbes exec.

RIO DE JANEIRO—Risk management techniques are now being developed into a "full-blooded consultancy role" for many brokers, Alan Parry of the U.K.'s Sedgwick Forbes broking group told Brazilian insurers.

"One of the most pleasing parts of a broker's life is the opportunity to get right inside a prospective client's business and then develop an insurance philosophy which is communicated right through the organization," he told them.

Mr. Parry, chairman of Sedgwick Forbes North America Ltd. and a recently-named member of the committee of Lloyd's, told insurance brokers in Rio de Janeiro, "The concept of risk management, first formalized in the U.S., was then developed by one or two leading brokers for their customers in the '60s.

"Risk management can, of course, only be practiced by the client himself. Brokers can only act as risk management advisers by studying a client's operations and spending time with him, so as to build up a philosophy which becomes part of the management theme.

"The overall object must be one of cost benefit. This means achieving the minimum total cost of insurance premiums, uninsured payments, loss prevention expenditures and associated administration.

"But with the growth of consum-

erism in mind, this strict analysis must be tempered by the need to maintain good relations with the public at large."

Restrictive legislation led to problems which could not always be solved by insurance, Mr. Parry pointed out. But he felt it was part of a broker's duty to advise clients how their liabilities could be prop-

erly limited to the greatest extent that was allowed by such legislation.

Temptation to use a "cheap market" for coverage sometimes tempts brokers, but claims settlements are the end-product and clients must have their interests protected by their business being placed in markets with sound underwriting attitudes.

AGENTS— GENERAL AGENTS WITH CASUALTY LICENSES

MUST HAVE STRONG WORKING CREDIT UNION AFFILIATIONS, TO MARKET A SPECIALIZED NATIONAL PROGRAM THAT FULLY COMPLIES WITH N.C.U.A. REGULATIONS. ENDORSED BY NAFCU SERVICES CORPORATION AND MAJOR CREDIT UNION LEAGUES.

REPRESENTATIONS WANTED FOR ALL STATES.

QUALIFIED AGENTS WILL CONCLUDE NEGOTIATIONS AT COMPANY HEADQUARTERS IN NEW JERSEY.

CONTACT: WILLIAM B. HARRIS
(201) 272-8400

OSHA earns security clearance

WASHINGTON—Field officers from the Occupational Safety and Health Administration (OSHA) will have access to the Army's conventional ammunition plants run by private contractors, the Labor Department announced this month.

Under the Labor-Army agreement, OSHA officers will be required to have prior security clearance in order to be admitted to classified areas of the ammunition plants.

There are creative solutions to products liability problems.

Schiff Terhune

Insurance Brokers/Risk Management Services

Write or call any of our offices or contact Frank Schiff, Chairman, at Executive offices: 100 William Street, New York, NY 10038. 212/425-3010.

Task force to study women

WASHINGTON—Nearly half (47%) the nation's married women are in the labor force today compared to 17% in 1940, says the American Council of Life Insurance.

Because of this tremendous increase, which is projected to con-

tinue, a new government Task Force on the Treatment of Women Under Social Security has been created to study retirement problems affecting women and recommend improvements in the present Social Security provisions for women.

World-Wide Well Control Specialists

Insurance against disaster... control of well, clean up and containment expenses, seepage and pollution liability, re-drilling expenses and physical damage. Land and offshore, anywhere in the world.

The Wetzel Company, Inc.
 2000 South Post Oak, Suite 2400
 Mailing Address: P.O. Box 66452
 Houston, Texas 77006
 Telephone: 713/626-3240
 Telex: 76-2053

Only through Agents/Brokers

people

Pittsburgh firm promotes two, emphasizes risk management

Consolidated Natural Gas Co. in Pittsburgh has shifted the philosophy of its insurance department to risk management. The company promoted **A. Gordon Hanau**, 60, to assistant vp of risk management from manager of insurance. Mr. Hanau has logged 20 years of experience at Consolidated Natural. Promoted to insurance manager is **Frank R. Tierney**, 30, the former assistant manager of insurance for five years. A new assistant will be hired. The risk management department, which reports to **H. P. Sullivan**, vp and general counsel, will focus on identifying and managing risks of accidental damage and interruption of services.

Donald T. Browne, vp and manager of the insurance division of First National Holding Corp., has been appointed chairman of the Insurance Committee of the American Bankers Assn. Mr. Browne is also currently director of the Atlanta Chapter of RIMS and is chairman of the property and casualty program committee for RIMS 1979 national conference in Chicago.

Elected chairman of the National Assn. of Independent Insurers is **A. Grant Whitney**, executive vp of Belk Stores Insurance Reciprocal in Charlotte, N.C. He succeeds **Robert Tebben**, chairman of Pekin Insurance Co. in Pekin, Ill.

Martin Tannenbaum, 25, has joined Data General Corp. in Westboro, Mass., as corporate claims specialist in a new position. He is responsible for the investigation,

adjustment and settlement of all claims worldwide, reporting to Charles T. Colarullo, corporate risk and insurance manager. Mr. Tannenbaum was formerly with Liberty Mutual Insurance Co., responsible for public liability, auto and workers compensation claims.

A new health care planning department has been created at Caterpillar Tractor Co. in Peoria, Ill. **Ronald A. Hurst**, 48, is the new manager of the department, which was formed to study health systems agencies, health maintenance organizations, and other methods of containing health care costs. Mr. Hurst has worked at Caterpillar for 22 years, most recently as employee relations manager.

Mobil Oil Corp. in New York has hired two additional staff members in its international compensation and benefits department. **William A. Weiler**, 55, was hired as a compensation and benefits adviser, assisting the manager of that department in reviewing group insurance and pensions. **Dorothy M. Goley**, 30, is also new to the department as a compensation and benefits adviser, in charge of compensation internationally. Both report to W. M. Freidle, international compensation and benefits manager. Mr. Weiler previously was international benefits manager for Bechtel Co. in San Francisco. Bechtel has combined international benefits with domestic and doesn't plan to replace Mr. Weiler. Ms. Goley previously was international compensation and benefits manager for Johnson & Johnson in New Brunswick, N.J. That position has been filled by **Ann L. Dexter**, 29, who reports to Melvin L. Benjamin, director of international benefits. Ms. Dexter previously was benefits and compensation administrator for international benefits at McGraw-Hill in New York. McGraw Hill hasn't hired a replacement.

The new risk manager at Toyota in Torrance, Calif. is **Larry N. Casey**, 56, who reports to Bruce W. Owens, corporate counsel. Mr. Casey replaces **Joe Popovits**, who retired. Mr. Casey previously was corporate insurance administrator for West Gate California Corp. in San Diego. West Gate recently filed for bankruptcy.

James McLees, who has been the state of Washington's first risk manager since April 1977, has been promoted to the post of assistant

director for state services in the department of general administration. Mr. McLees, who worked for several public agencies and corporations in Southern California before accepting the job in Olympia, Wash., will have five divisions reporting to him in his new position. Among these are risk management, personnel and data processing.

Washington is currently in the process of recruiting Mr. McLees' successor, who will receive between \$25,000 and \$32,500.

William D. Ritchie, 30, who was hired last February as the first risk manager for Whatcom County in Washington and resigned three months later, has been rehired by the County. In the interim, Mr. Ritchie was manager of insurance and risks at Service Corp. International in Houston. That position hasn't been filled.

In a new position at Hanes Corp. in Winston-Salem, N.C., **Thomas R. McCants Jr.**, 35, has been hired as director of compensation and benefits. Hanes created the position after merging the compensation and benefits department. Mr. McCants reports to vp of human resources, **Robert C. Radcliffe**. Mr. McCants previously was vp of personnel services at South Carolina National Bank. **J.H. Richardson**, former manager of employee relations, has been promoted to fill the position.

Keith Grand, 36, was plucked from a field of six serious candidates to become the first risk manager of the city and county of San Francisco. Mr. Grand assumes his new position this month after two years as the risk manager for the county of Alameda, Calif. He has also worked in the risk management department of the Clorox Co. in Oakland. Working on a contract basis instead of as an employee of the city and county, Mr. Grand will pay for his own benefits and Social Security costs out of the \$41,000 annual salary. He will report to chief administrative officer Roger Boas.

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Rebecca A. Fannin, Business Insurance, 708 Third Ave., N.Y., N.Y. 10017 or call 212-986-5050. We'd also like to receive pictures of those involved.

TAILORED

WORKERS' COMPENSATION SELF-INSURED PLANS BY GATES, McDONALD

Businesses, like yours, need services tailored to their wants and needs. Gates, McDonald has been tailoring workers' compensation administration plans for businesses since 1929. Our tailored services include: customized systems to administer your workers' compensation plan efficiently, review and processing of all claims, a high quality of medical care for employees, and assistance in the development of employee information and rehabilitation



services. Add loss control services, safety programs, and tailored management reports and you have administrative services tailored to your business. Go ahead — be particular — contact Gates, McDonald, or your insurance broker.

GMD GATES, McDONALD
 CORPORATE OFFICE ONE NATIONWIDE PLAZA
 P.O. BOX 1944
 COLUMBUS, OHIO 43216
 614/227-7211

Broker markets services

LOS ANGELES—Penn General Services Corp., a new wholly-owned subsidiary of Penn General Agencies Inc. here, is now selling services to self-insureds of workers compensation and employe benefits in California and Florida, said William J. Nietschmann, vp for marketing at the brokerage firm.

Formed in January, Penn General Service Corp. already has offices in Michigan and Maine, offering services to corporations or public entities self-insuring workers compensation or group health plans. The services include claims administration, reinsur-

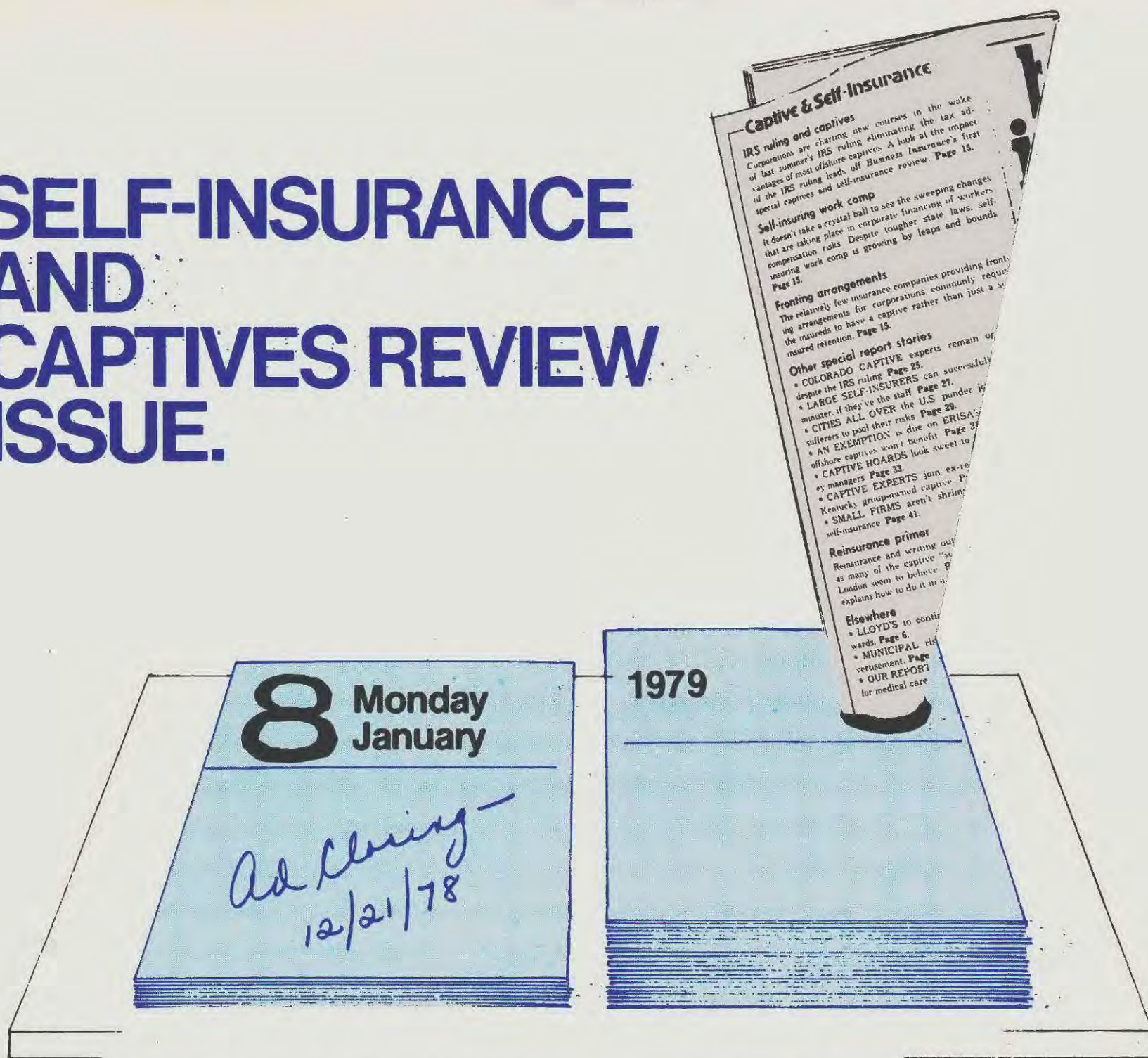
ance and loss prevention/safety engineering.

In California, the group's first client self-insuring workers compensation is National Medical Enterprises Inc. of Los Angeles.

Penn General Agencies has been offering these services to its Michigan clients for six years, Mr. Nietschmann said. "In that state, 50% of the work force is under self-insured workers compensation plans and we insure 40% of the employers who have such programs."

The new unit is also introducing audio-visual presentations in its loss prevention/safety engineering services, he said.

SELF-INSURANCE AND CAPTIVES REVIEW ISSUE.



Last year's special report on Self-Insurance and Captives was an editorial blockbuster. For the first time alternative risk funding methods were thoroughly examined.

Since much has happened in past months to change the shape of things, the publishers of **BUSINESS INSURANCE** plan to kick off the new year with its second annual **SELF-INSURANCE AND CAPTIVES REVIEW ISSUE**.

On **JANUARY 8, 1979** the editors will report what has happened as well as what lies ahead with captives and self-funded programs. They'll look at the response by insurers to having policyholders get into the insurance business. And, they'll probe the mushrooming growth of domiciles for captives, both onshore and offshore.

This special report will deal with questions such as: What's the level of interest in new captives and self-insurance programs when there aren't any insurance crises to spur their

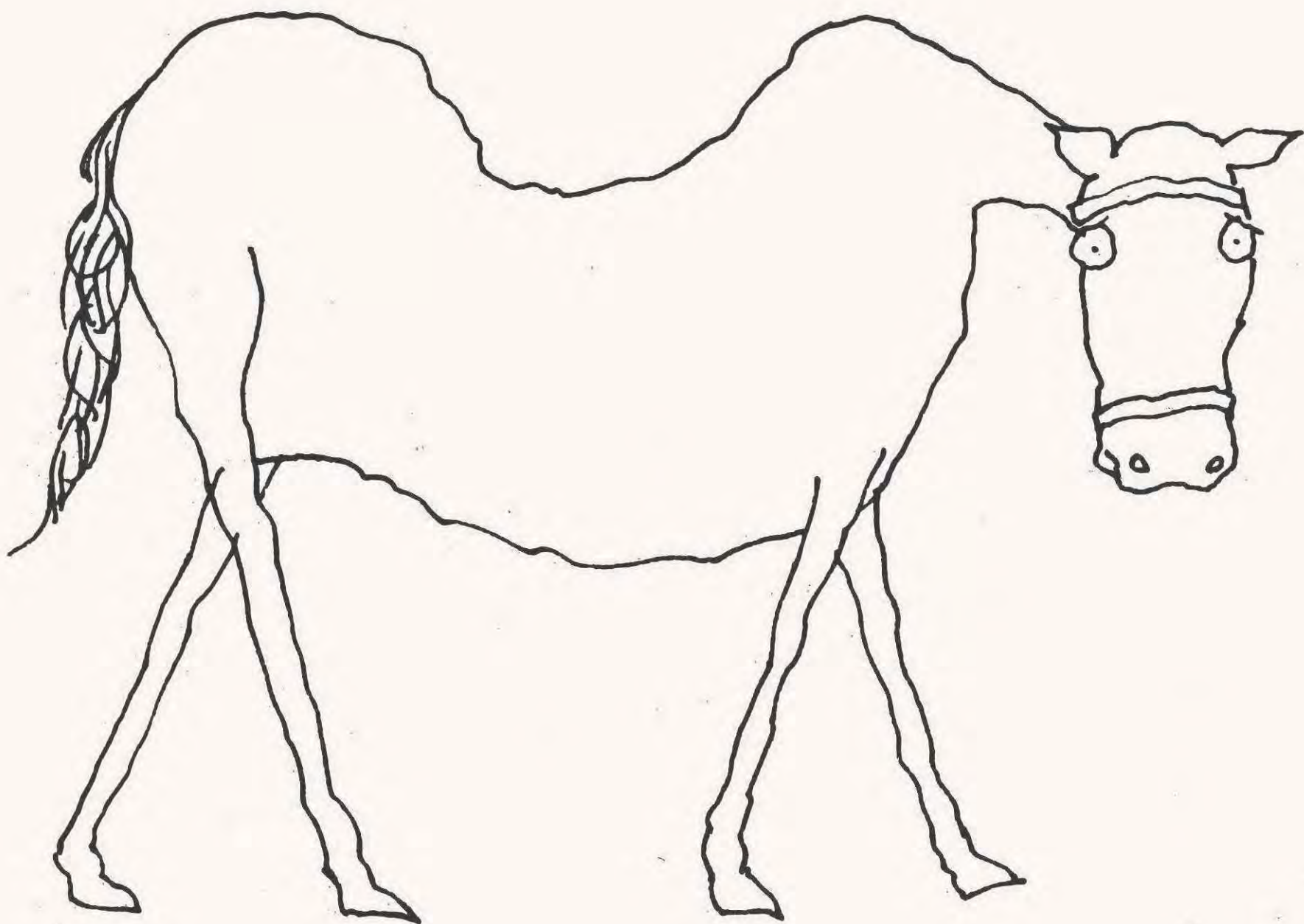
growth? Who's using new and sophisticated banking or cash flow plans? What's the status of self-funding in the benefit business? What are small businesses to do when they need captives and self-insurance?

Nearly 100,000 Business Insurance readers—risk managers, financial and employee benefits executives, insurance agents and brokers as well as captive insurance company captains and their underwriters—will be reviewing and studying this special report with keen interest.

If your company has products or services geared to this influential audience, the January 8, 1979 issue is an outstanding opportunity to reach the decision-makers.

Mark your calendar now! **Advertising closing date is December 21, 1978.** For more information contact Don Walsh, Advertising Sales Director, at (212) 986-5050, or one of our sales offices listed below.

business insurance



**If your Workers' Comp program
has no back-up support,
that's un-American.**

At American Mutual, we back up your coverages with periodic safety engineering and loss control consultations to help you achieve the lowest WC premium possible.

And we do it all without being nagged. That's the American way, the American Mutual way.

**American
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

We want to keep you safe, and sound.