WEEK OF NOVEMBER 29, 1982

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1 a copy; $40 a year

update:

Hyatt coverage dispute lands in American's lap

KANSAS CITY, Mo.—American Insurance Co. now is in the hot seat in the insurance coverage litigation stemming from the Kansas City Hyatt Regency Hotel skywalks disaster.

The Fireman's Fund Insurance Cos. subsidiary insurer, which underwrote a $50 million umbrella liability insurance policy

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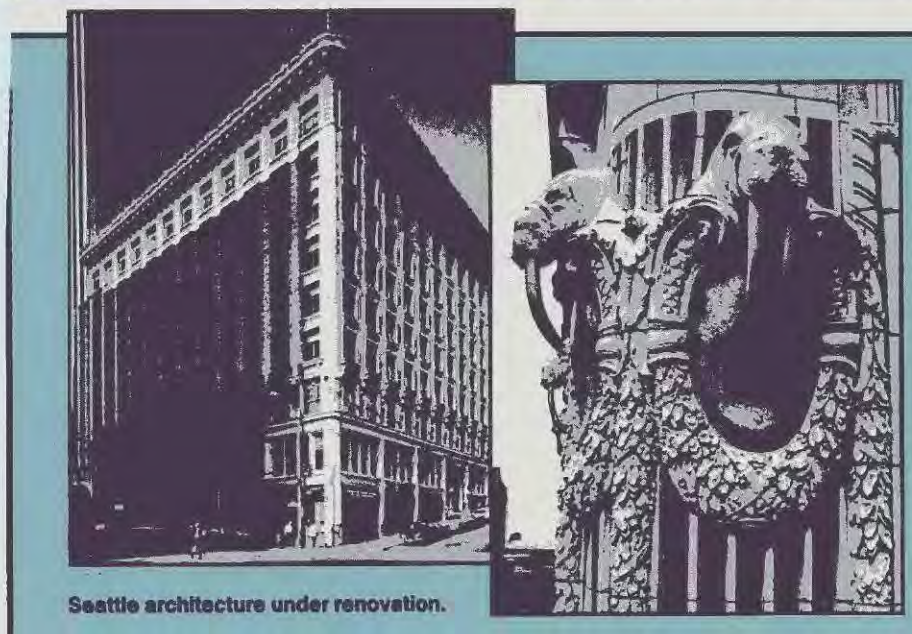

Seattle architecture under renovation.

Preserving history

Some insurance practices make it difficult

By BETSY SHARKEY

SEATTLE—Preserving history may mean some age-old insurance practices like setting values have to be revised.

And, recent tax incentives to restore historic buildings are creating a need to rethink these practices.

How do you set a value when you insure the restoration of a century-old work of craftsmen whose art added irreplaceable dimension and character to a building? And how do you value a claim if that work is damaged or destroyed during a rehabilitation?

These are some of the problems encountered by Carma Developers (Washington) Inc., the U.S. subsidiary of Canadian-based Carma Developers Inc., which renovated two historic buildings in Seattle, the Alaska and the Arctic.

And they are problems many others probably will encounter as more corporations move to restore historic landmarks.

Like Carma, more than 2,000 corporations nationwide began projects this year due to the significant tax incentives for historic preservation included in the 1981 Economic Recovery Tax Act, which took effect in January 1982.

Another 2,500 project applications are expected to be filed next year due to the tax benefits.

Seattle's aging Alaska and Arctic buildings, treasures of the city's early 1900s architecture, are among the first renovation projects to qualify for newly allowed tax credits.

Essentially, the law allows a corporation to get a direct tax credit equal to 25% of the cost incurred in renovating a building that has been listed in the National Register of Historic Places.

An additional incentive written into the new provisions also allows corporations to

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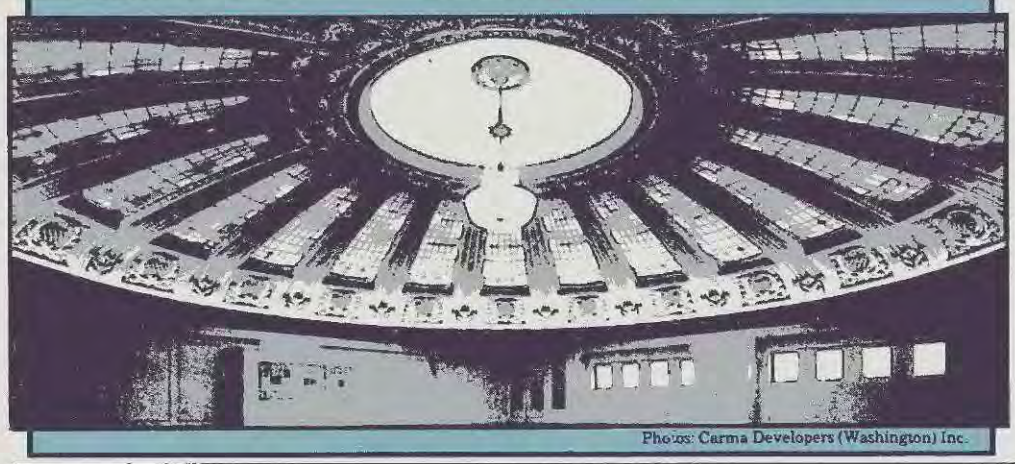

Photos: Carma Developers (Washington) Inc.

Comp claims multiply from California jobless

By EILEEN NORRIS

The explosion of workers compensation claims filed by laid-off workers in California is both frightening and frustrating employers.

The mounting problem has employers huddling to swap strategies and lament this latest play knocking them for a loop. Defensive actions are being discussed to combat future claims, but no one strategy is being adopted against current claims.

A conservative estimate is that at least 6,000 "cumulative trauma" claims have been filed against employers since 1981 by workers who have lost their jobs in a plant closing or relocation.

Some 4,000 of those claims have come in the last six months, and more are expected as the trend snowballs, says the California Chamber of Commerce.

For example, General Motors in August said it was investigating 750 claims from among the 2,500 workers it laid off at its Fremont, Calif., plant in March (*BI*, Aug. 9).

Now it reports that number has grown to 1,000, and it has been notified that another 1,000 are still coming from workers laid off in April at its Southgate, Calif., plant.

In the last several months, other employers have reported they, too, have been inundated with hundreds and, in a few cases, thousands of post-layoff workers compensation claims.

Since California employees, including laid-off workers, have one year to file a work comp claim from the date they have "knowledge" of a job-related injury, more claims may still be coming.

These claims are not based on one specific accident or injury, but a succession of slight injuries over time whose "cumulative effect" results in a disability, according to the workers.

The exact number of cumulative trauma claims filed in California is not known. Many employers are reluctant to talk about their experience, saying they fear more publicity will feed the growing problem. Others don't want to openly admit that they have been quietly settling the claims for about $3,000 a piece rather than risk the "unknown liability" in the courts.

Still others, like GM, have declared an all-out war against the mass filings, most of which have been filed through the Los Angeles law firm of Donald Von Mizener and Ken Dig.

Usually filed for a combination of hearing, vision, lung and back problems, the "repetitive or cumulative trauma" claim has been compensible under California law since 1959.

But the law is being rediscovered by laid-off workers. Besides GM, others hit by a significant number of claims include:

- Goodyear Tire & Rubber Co., which received more than 500 cumulative trauma claims after it closed a plant in California. The company says it doesn't know where that number will "top out."
- Firestone Tire & Rubber Co., which had 1,500 claims filed against it from workers laid off at plants in Celinas and Los Angeles.

The company refuses to comment further.

- Kaiser Steel Corp., which is in the process of closing its Eagle Mountain mine, already has been hit with what it terms a "mass filing."

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More fiduciary liability claims are reported by employers

By RHONDA L. RUNDLE

CHICAGO—Fiduciary liability claims that arise out of administration of employee benefit plans are climbing at a rapid clip, a recent survey shows.

Twenty percent of the participating businesses with benefit plans that cover 25,000 or more employees have experienced at least one fiduciary liability claim compared with only 10.9% two years ago.

Increases in the percent of businesses experiencing claims also was reported among companies with fewer covered employees, although the increases were not quite as large, according to the "1982 Wyatt Comprehensive Report on Directors and Officers Liability and Fiduciary Liability."

For example, 16% of surveyed businesses with 10,001 to 25,000 covered employees have faced a fiduciary liability claim, compared with 10.4% in 1980. Among companies with 2,501 to 10,000 employees, the percent of employers who had claims grew to 6.3% in 1982 from 4% in 1980.

The smallest increase was recorded among businesses with fewer than 2,501 employees. In 1982, 1.1% reported a claim while in 1980, only 0.8% did.

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Hyatt hotel coverage dispute

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for Hallmark Cards Inc., owner of the hotel, is under pressure to agree to pay one-third of the cost of all claims.

Jackson County Circuit Court Judge Timothy D. O'Leary said Nov. 24 that his previous order apportioning liability in the disaster, one-third to Hallmark's insurers and two-thirds to Hyatt's insurers, was intended to apply retroactively and not only to all future claim payments as Hallmark's primary insurer, Commercial Union, had proposed (*BI*, Nov. 15).

American could have to pay as much as $10 million more under a retrospective application of the formula than if the formula were applied only to future settlements, attorneys say. American's $50 million is excess of CU's $11 million in policies.

Columbia Casualty Co., the CNA Financial Corp. subsidiary that wrote a $25 million excess of $51 million umbrella policy for Hyatt, stands to save as much as $10 million under a retrospective application of the formula.

American's local counsel said he had to consult the insurer before saying if American would agree to the retrospective application of the formula. Judge O'Leary said he cannot enforce his order. Hallmark, however, could sue for the coverage.

Attorneys for Hallmark told Judge O'Leary that it is essential that insurers end their squabbling because the underlying liability suits could then be settled.

The largest group of plaintiffs' lawyers has confidentially told lawyers for Hyatt and Hallmark that they would be willing to settle their clients' remaining claims for a total of about $32 million.

Hallmark and Hyatt face a Jan. 10 trial date in federal court unless they are able to settle all the outstanding cases. To date, about 200 cases gave been settled for at least $32 million.

Bermuda investigates insurer

HAMILTON, Bermuda—The Bermuda government is investigating Dover Insurance Co. Ltd., which underwrites medical malpractice insurance for more than 600 New York podiatrists.

The probe, according to Bermuda Minister of Finance David Gibbons, began earlier this month following a New York Insurance Department order barring surplus lines brokers from doing business with the company.

The New York department, however, would not confirm that it is conducting an investigation of its own, but did say it had received several complaints about the insurer.

None, however, were from New York podiatrists who allegedly complained to Bermuda authorities that Dover was not paying claims, a New York insurance department official said.

Dover is managed by a San Francisco-based surplus lines broker and reinsurance intermediary, Monitor Intermediaries, part of the Pacific American Group, according to the California Insurance Department. Pacific American's chairman Irving Pfeffer, a Dover shareholder, did not return calls from *BI* regarding Dover.

Longshore vote due this week

WASHINGTON—The House Education and Labor Committee this week will vote on legislation, S. 1182, to overhaul the federal Longshoremen's and Harbor Workers' Compensation Act.

The legislation, which already has been approved unanimously by the Senate, would limit benefit increases for injured workers to 5% a year. Currently, benefits are raised every Oct. 1 to match the annual increase in the national average weekly wage.

In addition, only salary would be considered wages in computing a weekly benefit to an injured worker.

Other provisions would cap maximum survivors' benefits at 200% of the average national weekly wage and eliminate death benefits payable to survivors of injured workers who die from causes unrelated to an on-the-job injury.

If the committee clears the bill, the full House could still act on it before Congress adjourns in mid-December.

Agent loses surplus license

NEW YORK—The New York and New Jersey insurance departments have revoked the license of Stanley G. Siebenberg, owner of New Jersey surplus lines agency S&L Associates, for violations of state insurance codes that include placing risks with an unlicensed brokerage, the now-defunct Global Underwriters of Miami, Fla.

The coverage, placed in 1979 and 1980, included a variety of long-haul trucking and substandard property insurance that was later denied by underwriters at Lloyd's of London who said Global had no authority to bind the risks.

Mr. Siebenberg had previously participated in investigations conducted by several authorities, including the Federal Bureau of Investigation, regarding long-haul trucking physical damage coverage first underwritten by the liquidated Highlands Mutual Insurance Co. of Lexington, Ky., and later replaced through Mr. Siebenberg and Global Underwriters (*BI*, April 14, 1980).

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Resignation from Minet unnerves London marke

By STACY SHAPIRO

LONDON—People in the Lloyd's of London market are nervous.

The resignation last week of another chairman of a top Lloyd's brokerage amid news of inside reinsurance deals is raising questions about how many other directors of Lloyd's companies could tumble in the future over disclosure of inside business deals.

Last week, John Wallrock, chairman of Minet Holdings P.L.C., resigned because he had personal interests in reinsurance arrangements of two Minet underwriting agencies. These agencies are subject to investigation by the Committee of Lloyd's, the Department of Trade and the City of London police fraud squad.

Mr. Wallrock's resignation follows the troubles at Alexander Howden Group P.L.C., where another ex-chairman, Kenneth V. Grob, and four ex-Howden directors have been accused of misappropriating millions of dollars for their own gain (*BI*, Nov. 8). It was a report from Howden to the Committee of Lloyd's that prompted the investigation of Minet.

"Where will it end?" asked a director of a Lloyd's broker.

This sentiment is being reflected in the London stock market where the prices of shares in insurance brokers are declining.

Some of the decline is in line with the overall slump in the stock market, notes Phil V. Olsen, stock analyst at Kitcat & Aitken. But part of the fall in prices reflects the shaky confidence investors have in the London market. "The mere action of the share prices shows there is a nervousness," he said. "First there is Howden, then Minet. People may wonder: well, who's next?"

The resignation last week of Mr. Wallrock, who had been chairman of Minet for 11 years, followed his disclosure to Minet executives that he had personal interest in the reinsurance arrangements of two Minet underwriting agencies. In an emergency board meeting on Sunday, Nov. 21, the board of directors asked Mr. Wallrock to resign.

His interest in the reinsurance arrangements of P.C.W. Underwriting Agencies Ltd. and W.M.D. Underwriting Agencies Ltd. may have earned him substantial amounts of money, sources in the market say.

Mr. Wallrock said he ordered any profits he made from these transactions to be paid to the agency's account. This was done before he told Minet executives about his interests. "He had already taken steps to see that any profits derived from such arrangements due him were fully credited to the syndicates concerned," Minet announced.

"I deeply regret the embarrassment which I have occasioned to Lloyd's, which I have endeavored to serve faithfully for 30 years, and to my colleagues, friends and all employees of Minet who have supported me in times past and whom I have endeavored to serve

Continued on page 2

Info section deadline nears

Business Insurance will publish its annual Info special section Jan. 10, 1983, listing informational booklets and brochures available free to readers. To have such materials listed, suppliers must submit their material and a description on a special form by Dec. 13. If you have not received your form, contact Sallie J. Drury, Business Insurance, 740 Rush St., Chicago, Ill. 60611; 312-649-5398.

NAIC likely to adopt model bill curbing risk retention groups

By JERRY GEISEL

DALLAS—The National Assn. of Insurance Commissioners this week is expected to adopt a model bill that effectively could bar manufacturers from forming new product liability risk retention groups.

A special NAIC task force will recommend that the NAIC adopt a model bill revamped only slightly from an earlier version, despite warnings from legal experts that the bill clashes with federal law and could render worthless the coverage provided by risk retention groups.

Like the earlier version (*BI*, Oct. 25), the latest draft would restrict a risk retention group to funding only those product liability risks that are recognized under the laws of the state in which it is chartered. This provision could leave some risks of multistate manufacturers uninsured if the state in which the risk retention group is chartered does not recognize all the product liabilities of another state in which the manufacturer operates.

The latest draft of the model bill will be presented at the NAIC's winter meeting in Dallas this week. Although an NAIC model bill is only advisory and would have to be adopted by the states, this model bill will serve as guidance for state insurance commissioners who are concerned about how they should regulate groups formed under the Risk Retention Act. So far, only Vermont has passed any law that provides for regulation of risk retention groups, and in that state it is liberal regulation under a recent law designed to encourage the formation of captive insurers.

Attorneys and congressional staffers say the NAIC model bill limiting a risk retention group's coverage to risks defined by state law clearly conflicts with the broad definition of product liability contained in the 1981 Risk Retention Act.

"Congress expressly intended that the Risk Retention Act would pre-empt state law with respect to any matters covered by the act," according to a staff memorandum prepared by the Senate Commerce Committee, which drafted the landmark 1981 law.

As a result, state definitions of product liability, which is the primary risk a risk retention group can insure, are pre-empted by the federal definition, said Victor Schwartz, a Washington attorney who helped draft the Risk Retention Act when he chaired a federal product liability task force.

The federal definition of product liability, which includes liability for damages from any personal injury, death, emotional harm, consequential economic damage or property damage, is considerably broader than the definition of product liability in most states. Thus,

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Oregon taps SAIF surplus for deficit

By DANIEL BRIGHAM

SALEM, Ore.—Oregon's State Accident Insurance Fund looks so much like a fat cash cow that the state will milk it for $81 million to cover an unexpected budget deficit.

By June 30, SAIF must surrender $81 million of its enviable $167 million surplus to the state general fund.

In addition, there could be new operating limitations placed on the quasipublic workers compensation insurer. The proposed limitations have sparked mass resignations by SAIF officials.

The fund transfer order came during a special, joint House-Senate legislative session in early September. SAIF's $600 million-plus loss reserves, however, were untouched.

To prevent SAIF from fighting the action, the Legislature added a proviso that it would assess a special, one-time $81 million tax against SAIF if it litigated the transfer.

Nevertheless, the ordered transfer of the funds has sparked litigation and cross-litigation, controversy, resolutions and dire warnings.

"We've got about 40,000 policyholders," said SAIF Vp Jim Randall in an interview before he had resigned his post in protest of new proposed operating limitations. "A lot of them got on the horn to find out what was going on with their money" when they heard about the transfer to the state general fund.

Many policyholders thought the $81 million should go to them as dividends, although SAIF has already paid upward to $50 million in dividends this year.

But Oregon's insurance commissioner did not object to tapping the surplus.

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errors & omissions

- The chart detailing the limits of directors and officers liability insurance purchased in the U.S. should have noted that the limits were expressed in thousands of dollars. The comparison was between the years 1980 and 1982.

nsurer results show decline easing

By BILL DENSMORE

[EW YORK—Operating income at major ımercial property/casualty insurers de- ıed for the third straight quarter in 1982 ıpared with 1981, but not as much as in first two quarters of this year.

At nine months, the insurers' operating in- ne is 10.5% below a year ago, a *BI* review 25 insurers shows (see chart).

The third-quarter results posted by the 25 ıjor property/casualty insurers bring the ›up's after-tax operating results down only % for the third quarter of 1982 compared th the third quarter of 1981. That is better ın the 13.2% decline registered at the end six months and the 11.6% drop at the end of the first quarter compared with the corresponding periods in 1981.

"The quarterly results were better than people expected," says analyst Norman L. Rosenthal, a vp of Morgan Stanley & Co. in New York. "The wind didn't blow."

Catastrophe losses were $33 million in the third quarter compared with $45.7 million a year earlier. It also was a turnabout from the first six months of 1982 when such losses were at an historic high. For the nine months, catastrophe losses totaled $1.20 billion, up from $635 million in 1981.

In the third quarter, underwriting losses continued to grow faster than investment income and premium volume was nearly flat.

At the end of nine months, the combined ratio of 25 companies surveyed rose to 110.2%, up from 106.0% for the same nine months a year earlier.

During the same period, net underwriting losses of 25 companies surveyed rose a whopping 73.1% to $3.08 billion, up from $1.78 billion a year earlier, an additional $1.3 billion in underwriting losses.

Although the percentage increase in underwriting losses at nine months is smaller than the 101.1% increase in underwriting losses at mid-year, growth in investment income is slowing.

For the nine months ended Sept. 30, after-tax investment income at 26 companies surveyed by *BI* rose 12.9% to $3.86 billion from $3.42 billion a year earlier, a $440 million gain. The after-tax investment gain was only 9.5% in the third-quarter comparison. Compared with investment income gains of 17% at the end of 1981 and 14.8% at midyear, the third-quarter increases are bad news.

Forecasts are for a dip of another two or three points in investment income growth during the fourth quarter, to as low as 7%.

At nine months, net written premiums grew an anemic 2.1% or to $30.17 billion from $29.55 billion, a gain of only $628 million. For the quarter, the growth was even smaller, less than a half percent. Both numbers are evidence of the slack economy and depressed renewal rates.

The decline in operating income due to ris-

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Summary of major property/casualty insurer nine-month results, 1982

(all figures in thousands)
(ranked by change in operating income)

		Corporate				Property/casualty operations							
Rank 1982		Consolidated revenues 1982	Aftertax[1] operating income 1982	Aftertax[1] operating income 1981	Percent change 1981-1982	Combined ratio 1982	Combined ratio 1981	Net premiums written 1982	Percent change 1982-1981	Pretax underwriting income (loss) 1982	Percent change 1982-1981	Aftertax net investment income 1982	Percent change 1982-1981
1	American Int'l. Group Inc.	2,606,395	298,704	247,323	20.8	97.6	95.7	1,681,695	11.3	26,593	(50.5)	200,088	13.9
2	General Re Corp.	1,109,336	150,094	127,017	18.2	101.0	99.1	612,700	4.2	(9,300)	275.4	127,000	13.9
3	American General Corp.	2,131,000	142,900	122,600	16.6	104.5	107.3	612,700	15.8	(19,700)	(41.2)	74,700	6.7
4	CNA Financial Corp.	2,388,500	90,567	83,554	8.4	118.0	112.8	1,176,700	(0.6)	(224,400)	49.5	273,900[2]	20.9
5	The St. Paul Cos.	1,590,659	143,172	132,876	7.8	105.7	103.9	1,165,340	3.1	(66,198)	64.4	194,023[2]	16.8
6	Aetna L&C Co.	10,469,800	372,400	345,800	7.7	114.2	111.6	2,719,100	(7.4)	(384,200)	18.5	339,800	8.2
7	Old Republic Int'l. Corp.	N/A	32,579	30,379	7.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	Fireman's Fund Ins. Cos.	2,400,000	179,000	169,000	5.9	104.6	102.4	1,900,000	5.6	(86,000)	100.0	219,000	20.3
9	Mission Ins. Group Inc.	322,882	35,405	35,068	1.0	101.1	99.8	252,070	(5.3)	(1,524)	544.3	32,772	15.2
10	The Home Group Inc.	1,687,239	93,874	93,371	0.5	114.9	112.4	1,317,216	1.2	(182,724)	(0.5)	216,251	23.0
11	SAFECO Corp.	1,120,058	79,031	79,421	(0.5)	101.5	98.7	630,217	(0.3)	(9,271)	219.1	65,058	8.8
12	Reliance Ins. Co. & subs.	872,358	52,899	59,912	(11.7)	106.5	102.6	810,180	12.8	(38,229)	154.9	127,299[2]	22.1
13	Kemper Corp. (incl. life)	1,447,471	54,910	62,194	(11.7)	108.3	104.4	722,861	16.4	(58,370)	116.3	49,600	3.8
14	The Travelers Corp. & subs.	8,629,900	210,900	259,800	(18.8)	110.4	107.0	2,363,400	6.2	(268,800)	47.5	247,100	6.9
15	The Hartford Ins. Group	3,791,620	165,274	210,664	(21.6)	110.6	107.9	2,370,365	(3.9)	(252,014)	30.3	309,666	3.4
16	Crum & Forster	1,487,333	102,344	139,245	(26.5)	111.7	102.7	1,262,223	3.7	(156,423)	362.1	182,765	16.8
17	Ohio Casualty Corp.	630,872	40,987	56,693	(27.7)	105.6	99.3	605,839	0.9	(34,719)	—	58,390	10.2
18	CIGNA Corp. (pro forma)	8,555,721	333,113	461,956	(27.9)	114.4	107.7	2,900,184	(3.4)	(423,197)	116.8	322,335	6.7
19	The Continental Corp.	2,589,171	104,448	146,710	(28.8)	110.7	108.9	1,988,028	4.1	(245,301)	35.4	228,417[2]	10.8
20	The Chubb Corp.	1,126,343	49,647	77,049	(35.6)	111.7	102.3	854,749	6.5	(43,451)	433.7	75,130	9.1
21	USF&G Corp.	1,714,127	73,442	125,543	(41.5)	113.1	103.8	1,493,198	(2.3)	(185,420)	383.6	179,999	15.7
22	Armco Ins. Group Inc.	492,610	13,886	24,780	(44.0)	112.3	107.4	437,343	6.7	(28,907)	75.2	45,020	8.9
23	Hartford Steam Boiler	159,005	2,801	11,937	(76.5)	99.3	92.0	N/A	N/A	740	(91.4)	12,290	8.0
24	Fremont General Corp.	331,285	2,443	21,839	(88.8)	121.3	100.0	196,253	(3.9)	(41,889)	—	27,370[2]	6.3
25	Royal Group (U.S. subs.)[3]	N/A	200	32,700	(99.4)	113.3	105.1	955,800	14.2	(137,700)	107.4	119,000[2]	9.8
—	Commercial Union Ins. Cos.[3]	N/A	N/A	N/A	N/A	117.1	109.6	1,144,700	11.1	(207,300)	66.5	133,200[2]	20.1
	Cumulative	19,548,652	2,825,020	3,157,416	(10.5)	110.2	106.0	30,172,881	2.1	(3,077,704)	73.1	3,860,173	12.9

N/A: Not available.

[1]Hartford Steam reported pretax.

[2] Pretax.

[3]Statutory results.

Fronting fees for credit life captives vary

By LAURENCE H. GROSS

PHOENIX, Ariz.—Fees charged by insurance companies battling to become fronting insurers for automobile dealers, banks and mortgage companies in the lucrative credit life insurance market vary greatly.

J. Steve Mailho, an El Toro, Calif., consultant who has helped establish more than 70 offshore credit life captives for bank holding companies and automobile dealerships, says insurance companies serving as fronting companies for lending institutions offer similar services, but they are charging lenders fronting fees varying from 4% to 20% of premium volume.

"Charging 20% of net premium volume to serve as a fronting company is ridiculous," Mr. Mailho told about 50 bank and insurance company executives attending the Banking and Insurance Forum sponsored earlier this month by Risk Planning Group Inc. of Darien, Conn.

Generally, the fronting fee charged ranges from 4% to 15%, with the larger premium volume companies paying the lower fees.

Fronting insurers serve as paperwork processors and claims agents for bank holding companies, mortgage companies, automobile dealerships and other consumer lenders that have established credit life, accident and health captives.

Wayne L. Sawyer, executive vp for American Security Insurance Group in Atlanta, told conference participants that his company serves as the licensed "fronting company" for 44 credit life insurance companies owned by lenders. Fronting companies can provide underwriting information, claims services and annuity products to the lending institutions in addition to processing paperwork for the captive credit life or accident and health company, he said.

Other insurers that front for credit life companies, according to Risk Planning Group, are Union Security Life Insurance Co. of Atlanta, American National Insurance Co. of Texas in Galveston and Voyager Life Insurance Co. of Jacksonville, Fla.

Attracted by loss ratios on credit life as low as 15%, investment income from premiums and favorable tax treatment accorded life insurance companies, bank holding companies have organized more than 200 captive credit life insurance companies since the early 1970s, according to Risk Planning Group consultants.

The banks or other lending concerns are able to collect underwriting and investment income profits from reinsurance ceded to the captive on the credit life or accident and health insurance they sold with consumer

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Arizona wants stricter regs

PHOENIX, Ariz.—Arizona will consider more stringent regulation of profitable consumer insurance lines underwritten by the state's captive credit life insurance companies.

Banks, automobile dealerships and other lending institutions have been taking advantage of consumers, said J. Michael Low, director of insurance for Arizona and keynote luncheon speaker at the Banking and Insurance Forum sponsored by the Risk Planning Group Inc.

"When a consumer goes to a bank and gets a loan on a car or vacation, he is not there to buy credit life insurance," said Mr. Low. "I am not against credit life insurance, but the consumer shows up for one product and is sold another."

Mr. Low said the Arizona Department of Insurance placed a ceiling on credit life insurance premium rates of 44 cents for every $100 outstanding on the consumer's loan balance. Despite the low rate—one of the lowest in the nation—insurers have maintained a 38% loss ratio on credit life insurance.

"Credit insurance has, in many ways, been a disgrace," Mr. Low said. "Rates here (in Arizona) are about one-half those in Tennessee,

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Grain elevator damage, deaths covered

By RHONDA L. RUNDLE

RAYMOND, Neb.—Raymond Cooperative Grain Co., owner of a 100-foot-tall wooden grain elevator that exploded Nov. 15, is protected by property, liability and umbrella excess insurance.

The fiery blast killed four people at the scene and another person died in the hospital. Two survivors are in critical condition at a nearby medical center burn unit.

Three of the victims were employed by the co-op, which is jointly owned by local farmers.

Industries Mutual Insurance Co. in Omaha, Neb., underwrote the property insurance on the grain elevator valued at about $250,000 by local authorities. There also was some damage to surrounding buildings and the grain contents of the elevator.

"I think $250,000 might be a high estimate of the value," said John Shuey, general manager of Industries Mutual Insurance Co.

He declined to discuss the co-op's property insurance limits, but said they would be adequate to cover the damage arising out of the accident. The policy provides first-dollar coverage with no deductible.

General liability and umbrella insurance covering the grain elevator is provided by Tri-State Insurance Co. of Minneapolis in Luverne, Minn. The co-op carries first-dollar general liability insurance and umbrella coverage with an undisclosed self-funded retention.

Tri-State also provides the co-op's workers compensation insurance. The insurer confirmed that it underwrites coverage for the co-op, but would not reveal limits of its policies.

The maximum statutory workers compensation death benefits in Nebraska are $180 per week for the lifetime of a surviving spouse. Those benefits are divided among surviving dependents in the event of the death of both husband and wife.

One of the dead employees is survived by her husband, who also worked for the co-op and was critically injured in the blast. It is not known if they have dependents. The elevator manager also died in the fire that followed the explosion.

Investigators of the accident believe they have traced the explosion to a leak in a buried plastic gas line that connected a propane tank to a grain dryer. They speculate that a fuel oil heater located below the grain elevator office may have ignited fumes escaping from the faulty gas line.

"There were actually two explosions, probably one from the gas tank and the other from the elevator," said State Fire Marshal Wally Barnett.

The wooden grain elevator is situated on the southeast edge of Raymond, a small farming community of about 200 people that is 10 miles north of Lincoln, the capital city of Nebraska.

benefit beat

School boar adds dental vision care

The Putnam County Board Education in Winfield, W. Va., established a new dental plan t includes built in cost-cont features and a new vision care b efit for its 850 full-time employe

The new benefit plans, which underwritten by Hartford Insu ance Co., will cost $261,000. T school board will pick up the f tab.

Under the dental plan, whi went into effect Oct. 1, employe are required to have their dent submit a treatment plan to Har ford for approval before underg ing restorative, periodontic, orth dontic and prosthodontic dent work that exceeds $200.

"We added the (pre-approva provision for protection to mak sure employees weren't spendir too much for services," explair Robert K. Smith, coordinator purchasing for the Putnam Count Board of Education.

The plan pays 80% of all charge for restorative and periodontic ser vices like fillings, oral surgery an extractions.

It pays 50% of all charges fo orthodontic and prosthodontic ser vices like crowns, inlays, denture and bridgework. Employees mus pay a $25 annual deductible for in dividual coverage and a $50 annua deductible for family coverage fo these services.

The plan also pays 100% o charges for preventive and diagnostic work like examinations and fluoride applications. Employees do not have to pay a deductible on these services.

The new vision care plan, which also went into effect Oct. 1, pays a maximum of $30 per person every 12 months for an eye examination.

It also provides $60 every 24 months for a pair of single-vision glasses, $69 for bifocals, $65 for trifocals and $96 per person for lenticular (double convex lenses) glasses. The plan pays a maximum of $60 every 24 months for contact lenses.

Benefits improved

The Cocalico School District in Denver, Pa., has improved hospitalization and major medical benefits for its 250 employees and has agreed to extend dental benefits to dependents in the third year of a three-year contract.

The improved hospitalization plan pays $15 a day up to a maximum of 70 days for inpatient physician visits. Previously, the plan paid only $12 a day for 70 days.

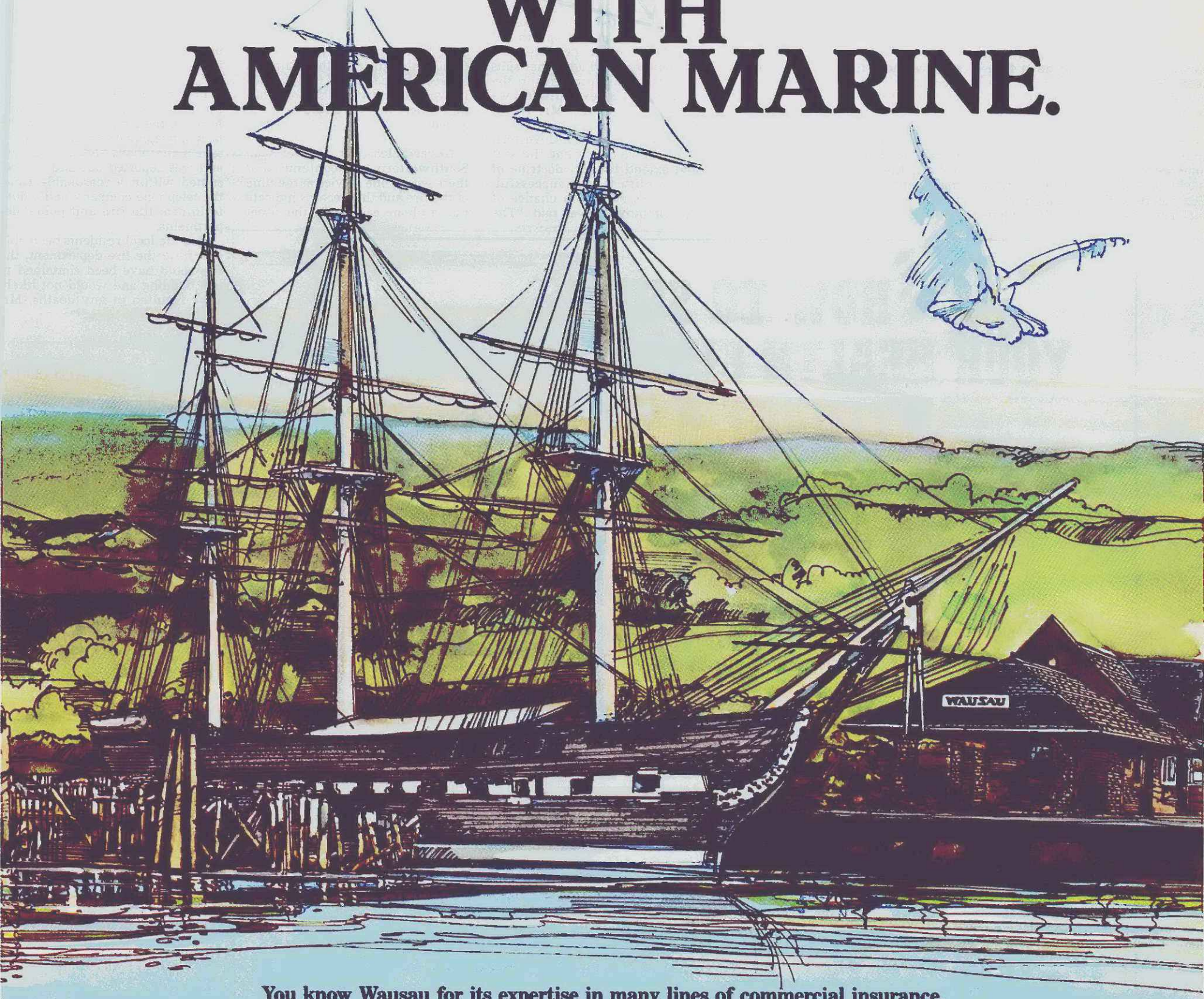
The school district also has increased the major medical lifetime maximum to $200,000, up from $150,000. The major medical plan pays 80% of all charges up to $2,000 and 100% after that.

Dental coverage is being extended to dependents effective Sept. 1, 1984. Under the current dental plan, employees are provided 100% coverage for diagnostic and preventive care. The plan pays 80% of all restorative charges up to an annual maximum of $750.

Employees do not have to pay a plan deductible or share in the cost of premiums for dental coverage but they do share 10% of the annual hospitalization and major medical insurance premium cost through payroll deduction, explains Clifford Behrendt, Cocalico School District superintendent.

The Cocalico school district currently spends $170,000 annually to provide health, major medical and dental benefits for its employees. ■

WAUSAU GOES TO SEA WITH AMERICAN MARINE.



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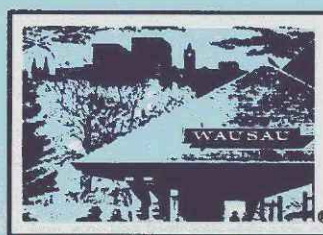

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Phone company fighting liability in fire

By STEPHEN TARNOFF

HOT SPRINGS, Ark.—A local telephone company is fighting a lawsuit charging the company is liable for damages caused by a spreading fire when a breakdown in telephone service delayed firefighters.

Seeking to expand the legal doctrine of negligence, 13 plaintiffs charge that Southwestern Bell Telephone Co. should have foreseen the deaths and injuries that resulted. It also alleges that the company had a duty to inform police and fire departments that telephone service was unavailable so that the area could be patrolled more closely.

The suit, filed in U.S. District Court here, seeks $1 million in actual damages and $20 million in punitive damages, naming Southwestern Bell and its parent company, American Telephone & Telegraph Co.

Four persons died and numerous others were injured in the fire which swept through an apartment building and spread to four other buildings in Hot Springs on Oct. 9, 1980.

Phone service was out prior to the fire and persons in the vicinity were unable to contact the fire department, the suit alleges.

The case could have ramifications for phone companies and possibly for equipment suppliers to phone companies who may be liable in the future if equipment malfunctions result in the inability to report a fire, the plaintiff's attorney said.

The suit seeks to extend the tort doctrine of foreseeability by asserting that it was foreseeable to the phone company that an incident like this could occur, explained plaintiffs' attorney Q. Byrum Hurst Jr. of Hot Springs.

In addition to negligence, the suit alleges that the phone company breached some contractual obligations it had with the apartment building for providing service.

"I could not find any other suits like it. There are problems in the case because it is new, but I feel we will be successful," Mr. Hurst pointed out.

An attorney for Southwestern Bell acknowledged that the suit would extend the tort doctrine of foreseeability if it is successful. "But there's not much chance of that," Timothy Brewer said. "The suit has no merit factually or legally."

There is no basis in law for saying that a phone company had a duty to report to police and fire departments a phone service failure, he contended.

Seeking to recover damages as a result of the local phone service being out goes "far beyond anything done before," Mr. Brewer said. There are 10 to 15 cases that dispute the doctrine the plaintiffs are seeking to enforce, mostly dealing with an individual's phone failing rather than an entire area, he added.

Nevertheless, Mr. Brewer said, Southwestern Bell contends that there was phone service at the time of the fire and that records indicate that a phone call across the street from the blaze got through to t fire department.

The defendants have filed m tions to dismiss in the suit.

Southwestern Bell is self-insur up to $3 million and is believed have excess insurance with Lloy of London.

The suit against the phone co pany is being brought by the estat of two persons who died in th blaze and 11 others who were i jured.

Regarding the contention th the phone company should hav foreseen the danger created by th lack of telephone service, Mr. Hur said if the phone service was ou and was reported out and not re sumed within a reasonable tim the telephone company had a dut to inform the fire and police de partments.

Had the local residents been abl to inform the fire department, th fire could have been contained t one building and would not likel have resulted in any deaths, Mr Hurst contends.

Instead, the fire was reported by someone who happened to see i from a rooftop a great deal of dis tance from the blaze. An exact ad dress could not be given and the fire department was delayed in get ting to the scene of the fire, Mr. Hurst says.

The phones were out of service prior to the fire, but it is not yet certain for how long a period.

There are really only two ways to report a fire, either in person at the station or using the phone, Mr. Hurst said.

"It's illogical to walk into the fire department and report it. The only logical way to report it is by telephone."

Cities used to have fire alarm boxes and other means for reporting fires but in many places such as Hot Springs, they no longer exist, he added. ■

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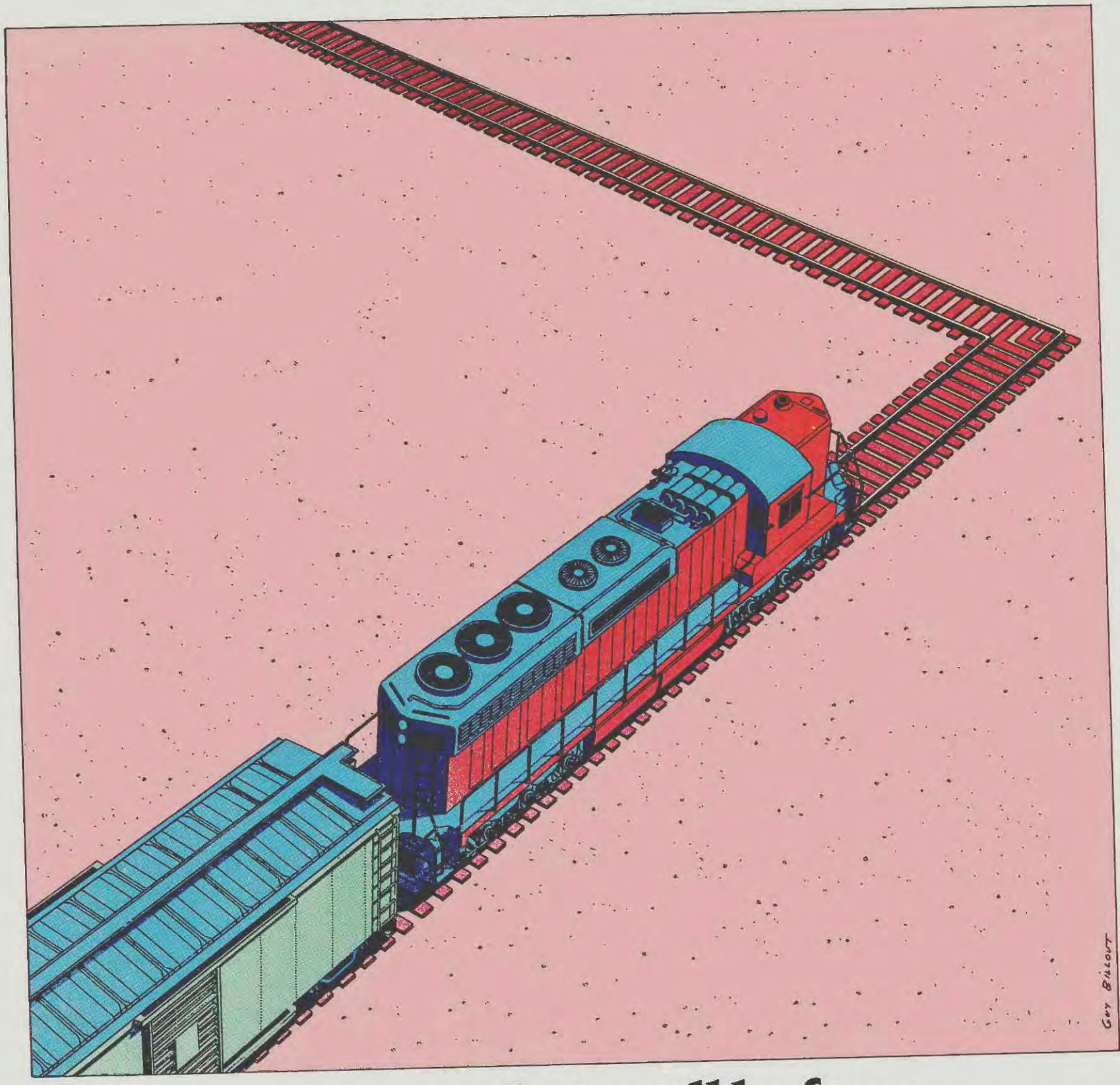

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editorial opinions

Wait! There might be a way

Not so fast, please.

The closing of a plant and the resulting increased exposure to workers compensation claims from laid-off workers require slow and careful analysis producing a plan of action. California's cumulative trauma law, which is being sadly abused, also deserves attention.

Unfortunately, some employers are acting too quickly on both points.

Can you imagine an employer in its haste to shut a plant also destroying all the personnel and accident records? At least one employer in California did, wiping out all evidence that could be helpful in defending the company against subsequent workers compensation claims.

Beyond keeping existing records, employers shutting down plants should heed the advice offered by attorneys and insurers in our report on the explosion of cumulative trauma claims in California following plant closings and relocations (see story, page 1).

California may be the only state with a cumulative trauma law per se, but Michigan employers are exposed to the same kinds of claims and employers in other states are subject to variations on cumulative trauma claims, such as claims for hearing loss.

Employers closing a plant also should build evidence, including reports on workplace conditions and jobs performed at the time the plant was closed.

If and when the claims do come, we advocate General Motor's position of paying valid claims and fighting those that are not valid. Rushing into settlements to avoid costly legal bills only encourages more claims in the future. Employers could try to control their legal costs by negotiating with the same law firm for legal services. Volume could reduce per unit costs.

Finally, we think the California Chamber of Commerce is a bit hasty in dismissing out of hand any suggestion that the state's cumulative trauma law could be changed to prevent laid-off employees from routinely filing for workers compensation benefits. We submit that a well organized campaign to expose this abuse of the system could convince lawmakers that some changes are necessary.

We encourage all those attorneys, insurers and employers who have suggested excellent defenses against mass filings of workers compensation claims by laid-off workers now to devote some time and thought to how the law could be changed.

letters

Use uniform qualifications

To the editor: Regulators use an incredibly diverse range of procedures for evaluating and guaranteeing a self-insurer's ability to respond to employees' claims.

We applaud the concern expressed by the committee of the International Assn. of Industrial Accident Boards & Commissions (*BI*, Nov. 1) and hope it will result in more stringent and uniform qualification procedures.

I would like to take issue with the committee's recommendation that regulators give greater consideration to requiring letters of credit as security. My concern is based on the following factors:

- The guarantees required are of an indeterminate length of time, and are cumulative in nature. Over an extended time, this will impose a severe curtailment of available credit, or require regulators to make some determination of the future loss development and gradually reduce security requirements.

For example, we have recently received notice of, and established, a sizable reserve ($75,000) on a claim that resulted from employment between 1957 and 1959. The company ceased operations in 1972 and the corporate charter was surrendered in 1979. Here we are dealing with a class of risk that probably suffers from a longer claims-development pattern than any other exposure.

- A bank issuing the letter of credit will not measure the ability of an employer to self-insure, but will merely charge the amount of the letter against the approved line of credit.
- In the event an unacceptable financial condition develops or the employer fails to make payments as they fall due, the regulator will find himself in the position of having to administer and pay existing and future claims.

A far more viable solution is a surety bond issued by an insurer licensed and regulated by the state. The bond underwriter is specifically interested in guaranteeing the principal's ability to perform, rather than financing the performance. The conditions of the obligation can be stated so as to fully protect the employees on a perpetual and cumulative basis. It is not uncommon to condition the bond to require that the surety immediately assume and continue the claims-handling function, i.e., to stand in the place of the principal.

The typical cost of this bond is about 1.5% of penalty, which compares favorably with the cost of a letter of credit, particularly when one considers that the premium charge is non-recurring as opposed to a bank's fee that would continue to increase in size and amount.

It would be indeed unfortunate if the huge financial resources and highly skilled underwriters of the surety industry were not utilized in selecting and qualifying those employers who have the financial resources, long-range viability, integrity, claims-handling expertise, and credit worthiness to perform this extremely long-term obligation.

Bruce B. MacCready
MacCready & Gutmann
Insurance Services Inc.
San Francisco, Calif.

Slight incongruity

To the editor: As secretary of the British Columbia chapter of the Canadian Risk & Insurance Management Society, I would like to take this opportunity, on behalf of the chapter, to express our discomfort with some comments made by your correspondent in your Oct. 11 issue.

The offending paragraph was contained in an article on the recent Canadian RIMS conference held in Calgary. This paragraph read: "For those who did attend the conference, Calgary offered its Western-style welcome—a big 'Yahoo' from 'the last cow town left in Canada.' Many RIMS members at the conference spent their evenings dancing and getting a taste of real Western barbecue."

We felt such a paragraph was slightly incongruous following the preceding paragraph's comments on "tight economy" and "corporate travel budget cuts."

Realizing your publication is more widely read than just by members of the risk management profession, i.e., senior vps of finance and others in management positions in control of corporate travel budgets, it seemed to us that the paragraph does nothing to advance the cause of risk managers who are fighting such cuts in an attempt to attend educational seminars.

Even read in context of the article, we cannot help but feel that our budget approvers would end up with a somewhat jaundiced view that all risk managers spend their time at conferences wasting corporate funds on diverse pleasures.

We would most strongly urge that more discretion be shown by your correspondents in their reportings.

C.E.H. Port
Vp/secretary
British Columbia Risk
& Insurance Management Assn.
Vancouver, B.C.

Eliminate the choice

To the editor: We have sent the following comments to the Insurance Services Office regarding the proposed comprehensive general liability insurance policy (*BI*, July 26, Nov. 15):

The choice between claims-made and first-discovery coverage should be eliminated. One of the major advantages to both insurance companies and insureds with a standardized policy is uniformity of terms and coverages. This is bound to lead to confusion, lawsuits and severance of long-standing business relationships among those involved with the policies. We can see no good from the use of two very different policies, but we certainly see a great deal of harm from it.

In regard to paragraph 7, definition of covered personal injury, list of covered offenses. We feel that mental anguish should be an identified covered offense.

Paragraph 10, Coverage B-medical payments (c) is confusing to us. The statement that "the bodily injury would be covered bodily injury. . .under the rules of Section 11A." This leads to confusion as the section 11A refers to reasonable expenses for "first aid at the time of an accident," not for covered "bodily injury."

Comments are necessary regarding the claims-made policy provision following Section 11. Part (d) requires 15 days' notice "after the end of the policy term." The required claim reporting period should be 60 days rather than 15 days.

Section 12 Exclusions. "The business risk exclusion applies to (a). . .repair or replacement or the named insured's products." Should the last or be changed to of?

A standard endorsement should be available for 2) Definition of Persons Insured(e)(1) bodily injury. . .to a fellow employee.

Dave Jaffe
Harris-Shcolnik & Associates Inc.
Phoenix, Ariz.

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

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Banks grab 24% of the credit life market

Continued from page 3
loans.

Risk Planning Group estimates banks have grabbed 24% of the $43 billion credit life insurance market through the organization of captive companies.

"The automobile dealer or banker wants to enjoy the underwriting and investment profits coming from the credit life they sold with the loan package," says Mr. Mailho. "And for some of them, profits from the captive insurance company exceed their profits from loans or selling cars.

"The automobile dealer, for example, may be restricted by state regulations on the commissions he can collect as a credit life agent. The dealer can effectively add to the commissions by collecting underwriting profits from the automobile dealership's captive reinsurance company," he said.

Automobile dealers, bank holding companies, mortgage companies and some insurance companies with direct consumer loan divisions can create a new insurance company in the state where the lender is doing business. But they must meet state insurance regulations, often requiring large outlays for minimum capital and surplus, says Mr. Mailho.

Even then, because an automobile dealership does not have the expertise to establish mortality reserves or process claims, another insurance company operates the lender's captive company.

The second alternative, which requires little or no capital and surplus, is to establish a captive reinsurance company in a more favorable regulatory environment, using a licensed insurer in the lender's home state as a fronting comp
Under a reinsurance agreem
the fronting company agree
cede all credit life sold by the b
or automobile dealer to the lenc
reinsurance company.

In addition to the fronting
the fronting insurer may ear
portion of the investment inc
generated by unearned premi
reserves.

Historically, most credit life
surance companies have been
miciled in Arizona, which forme
required only $37,500 in capital
surplus to create a credit life c
tive. Nearly 400 banks, automo
dealers and insurance compan
chose Arizona to establish their
insurance captives.

State regulators recently rais
capital and surplus requirements
$150,000, forcing reinsurance sub
diaries offshore, said Mr. Maill
The Turks and Caicos Islands
the Caribbean are a choice locati
Mr. Mailho said, because the isla
government imposes no capital a
surplus requirements on capti
credit life insurance companies.

Mr. Sawyer of American Sec
rity says banks and automobi
dealerships should be collecti
$200,000 to $300,000 in annual pr
miums to establish a successf
credit life captive, and banks mu
have a bank holding-compan
mechanism in place before creatir
a reinsurance subsidiary.

"There are only three basi
agreements you need to establis
the captive—a service agreemer
with the fronting company, a rein
surance treaty and a trust fun
agreement (for unearned premiur
reserves)," Mr. Sawyer said.

Although some companies hav
sought the so-called "exotic" cap
tive arrangement, Mr. Mailho doe
not believe exotic companies to b
the best company format.

Exotic credit life insurance com
panies are joint ventures among in
surance agents, banks or othe
lenders that do not want to individ
ually supply the minimum capita
and surplus for licensing, but are
willing to share the start-up costs.

Mr. Mailho says participants in
the exotic life companies may lose
individual choice on tax considera
tions, and face problems if one
member of the partnership leaves
the operation.

Mr. Sawyer said the Federal Re
serve Board also has frowned upon
several banking operations jointly
forming a captive credit life insurer
because of federal antitrust regula
tions. Ventures across state lines
present regulatory problems.

Although the Federal Reserve
Board will not allow bank holding
companies to form credit life insur
ance subsidiaries unless they can
prove the public will benefit, the
regulators generally will be satis
fied if the bank offers rates below
maximums under state regulations.

"If you are in a $1 (annual pre
mium per $100 loan) state, an 85
cent rate may be enough to satisfy
the Federal Reserve," he said. ■

College starts mail registration

NEW YORK—The College of Insurance is accepting mail registration for the spring term, which starts Jan. 7, 1983. Students who attended the college before can register by mail.

Undergraduate tuition fees are $114 per credit hour for evening students who are employees of college sponsors. Graduate fees are $138 per credit hour. For other students, fees are $129 per credit hour and $150 per graduate credit hour. Mail registration deadline is Dec. 3. For details contact The College of Insurance, 123 William St., New York, N.Y. 10038. ■

nsurers building on change will be industry survivors

By LAURENCE H. GROSS

HOENIX, Ariz.—The insurance istry resisted development of insurers, ignored the booming ive trade, fought the interming of insurance and banking ers and is facing less dependency he agency system, but the surors will be companies that capize on opportunities these nges create.

hat was the often-emphasized me of the Banking and Insure Forum sponsored by the Risk nning Group Inc. of Darien, n.

lthough featured speakers at conference did not reach a forl consensus, most indicated they not expect the future of comrcial or personal lines to resemthe insurance lines of today.

H. Felix Kloman, president of k Planning Group, told about 50 nference participants that he enions a corporate financial officer ing at a computer terminal, deding insurance needs on a nthly basis.

'Captives will be used for both ort- and long-term losses, and % of insurable losses will be nded internally," Mr. Kloman edicted. "Executives will use an surance futures market to allow em to purchase retroactive insurance to protect the balance sheet."

Mr. Kloman also predicted that the recently enacted Depository Insitutions Amendments of 1982, which prohibit most bank holding companies from entering the insurance business, will be changed to allow banks to enter the insurance field and to offer a broader spectrum of financial services.

"Insurance is like a pre-funded line of credit," Mr. Kloman said. "The challenge of consumer demands and growing sophistication of the consumer are the single most important factors in the wave of new competition."

Although banks entering insurance fields present concern to groups like independent agents, Peter B. Lewis, board chairman for The Progressive Corp., a Cleveland-based property/casualty insurer, said banks will find a niche in the insurance market.

"They won't be able to write property/casualty as well as we can, just as we cannot evaluate credit risks as well as they can," Mr. Lewis said.

"Insurance companies that survive are the ones that put together the best claims organizations. This whole business is one of risk measurement and pricing ingenuity."

Mr. Lewis, one of the conference's featured speakers, said the trend of merging financial conglomerates may not be to the ad-

Continued on next page

Group sales for all: Tobias

PHOENIX, Ariz.—Assailing the insurance industry and its regulators as inefficient, author Andrew Tobias urged insurers to promote group sales of all personal insurance lines.

Mr. Tobias, who wrote "The Invisible Bankers: Everything the Insurance Industry Never Wanted You to Know," told 50 participants at the Banking and Insurance Forum that savings and loans and commercial banks should be allowed to sell term life insurance and that automobile property/liability coverage should be sold on a group basis.

"Insurance agents say savings banks life insurance doesn't work, but it does work," says Mr. Tobias. "Sure, savings banks could make easier sales (than agents), but pricing will still prevail. Motivated buyers will buy cheaply."

Noting that most states prohibit group sales of automobile insurance, Mr. Tobias said the market would work better and insurance might be cheaper if group sales were allowed.

"In the first 90 days that people were allowed to buy Individual Retirement Accounts, more than 14 million people participated and not a single house call was made," said Mr. Tobias. "Why sell auto insurance one policy at a time?"

Mr. Tobias said the insurance industry in most states "can usually get what it wants" and it should seek to change laws prohibiting group sales of automobile policies.

Arizona wants tougher regs

Continued from page 3

yet loss ratios are still low. Companies are still making a good profit."

Mr. Low also said that the apparent tie-in relationship between consumer loans and credit life insurance has "upset the balance of the marketplace.

"The plain fact is that these transactions present grave potential for ignoring or neglecting ordinary market forces," Mr. Low said. "As much as I hate it, more government regulation is needed to ensure fairness. I am not being an obstructionist about banks entering the insurance business, but hopefully, as changes come about (through deregulation), it will not create anti-competitive behavior."

Bank and insurance executives were polite during Mr. Low's presentation, but were not enthusiastic about more regulation in the credit life market. Credit life and accident and health insurance is one of the few insurance fields that bank holding companies are allowed to underwrite through their subsidiaries.

During conference sessions after Mr. Low's presentation, at which the regulator was not present, industry officials criticized Mr. Low's analysis.

One banking official said lending institutions generally do not create a tie-in relationship between credit insurance and loan approval for the consumer.

Another industry official said Mr. Low's analysis of huge profits by credit insurers was not valid because the new lower rates in Arizona had been in effect for less than a full year. He said that without at least one year's rating experience, Mr. Low could not know if the credit life rates were proving as profitable as they had in the past.

Insurers building on change will survive

Continued from previous page
vantage of large institutions.

"I don't know that adding Prudential (Insurance Co. of America) and the Bache (Group Inc.) makes two," says Mr. Lewis. "It may only be 1½. Nothing I see in the services business makes size an unusual advantage—just a disadvantage."

He anticipates that future merger activity will leave fewer insurance groups, but more insurance companies, to deal with specialized segments of the market.

Thomas B. Hitchcock, Citibank vp in charge of the insurance industry department, said the industry itself should be blamed for tremendous growth in the self-insurance and captives market.

"I suspect the industry... failed to meet the needs of the insured," Mr. Hitchcock said. "Whole new industries are emerging from the solitary needs of buyers."

Mr. Hitchcock said although there were only 150 captive companies in 1971 writing less than 3% of the world premium volume, there are now at least 1,500 captives accounting for about 10% of the global volume. He said Citibank analysts believe that 50% to 60% of the global premium volume will be collected by captives by 1987.

"As we evolve through various stages of change, we hear hues and cries from various organizations that don't want change," Mr. Hitchcock said. "Those of us that can manage change will be the survivors."

Mr. Hitchcock sees continuing and increasing need for banks to provide clean, irrevocable letters of credit for unearned premium reserves, and for insurance companies' increased uses of trust funds in U.S. banks.

Frequently attacked during the two-day conference for their resistance to change were independent insurance agents.

"The insurance agents' group has been retrogressive," said Mr. Kloman during his opening remarks to the conference. "Agents had an opportunity to ally themselves with small banks, but they missed the chance. Now, instead of a slow demise of agents with the small banks, I see a more rapid demise."

Mr. Lewis, whose company depends almost exclusively on independent agents for distribution, says he becomes very uncomfortable when looking toward the future of distribution systems.

"Most companies will have an awful lot of control, or total control, over distribution of their products in the future," Mr. Lewis said. He later added that trying to gradually change his company's distribution systems could cause independent agents to boycott his company, creating the problem of developing an efficient distribution system without an interruption of business.

Jeffrey M. Yates, executive vp and general counsel for the Independent Insurance Agents of America, defended the group's position.

Overemphasizing the integration of financial services is a mistake for insurance companies because not all companies ca competitive in all areas, he "Where it works, we can tr benefit from it."

Mr. Yates, whose organiz vigorously lobbied Congress for visions to prohibit banks from e ing insurance markets, said b have an unfair advantage for ir ance sales, particularly in the c life insurance area. He said b can keep track of the expira dates of credit insurance policies can easily renew their policies.

Despite the changes in insura marketing and consumer orie tion, Mr. Yates said he does not lieve there will be a shakeout in agency system. There may be c solidation of agent offices, but large-scale move to other distri tion systems, he predicted.

Work deaths drop in 1981, according to Bureau of Labo

By JERRY GEISEL

WASHINGTON—Workplaces are becoming safer, recently released federal statistics show.

The number of work-related deaths dropped last year to 4,370, down from 4,400 in 1981, according to a Bureau of Labor Statistics survey.

The survey, which covered employers with more than 10 workers, found that the workplace fatality rate in 1981 dropped to 7.6 per 100,000 workers, compared with 7.7 in 1980.

"This kind of progress benefits everyone," said Secretary of Labor Raymond Donovan. "It means greater workplace productivity, better government service for tax dollars and—most importantly—better protection for American workers," he said.

Other key findings include:

- The number of job-related injuries in 1981 fell to 5.3 million, down from 5.5 million the year before.
- About 39.2 million lost workdays resulted from work-related injuries last year, down from 40.9 million in 1980.
- The number of injuries involving lost workdays declined to 2.4 million in 1981, compared with 2.5 million in 1980.
- Of the 72 major industry groups surveyed, injury rates decreased in 50, increased in 14 and remained at the 1980 level in eight others.
- The insurance, finance and real estate industries had the lowest occupational injury and illness rate, 1.9 per 100 workers, down from two per 100 workers in 1980.

The construction industry had the highest injury and illness rate in 1981, 15.5 per 100 workers, compared with 15.7 in 1980.

Meanwhile, in another safety development, the Mine Safety and Health Administration said coal mine fatalities increased this year, but the injury rate declined slightly.

During the first nine months of 1982, 101 coal miners died in accidents, up from 92 fatalities during the first nine months of 1981.

However, the rate of nonfatal injuries in the coal mining industry during the first nine months of 1982 declined to 8.25 per 200,000 employee-hours worked, down from 8.88 during the same period in 1981.

Leaving pension post

The executive director of a major pension group is leaving his post to join an insurance company.

Jeff Hart will join the pension marketing department of Equitable Life Assurance Society in New York this week after directing the Assn. of Private Pension and Welfare Plans for two years.

During Mr. Hart's two years with APPWP, he helped shape the 600-member association of employee benefit managers, attorneys, pension plan sponsors and accountants into a more effective lobbying organization.

Washington-based APPWP has not found a replacement for Mr. Hart.

Data base suggested

The federal government should develop a data base from the employee benefit financial reports employers file with the Treasury Department, a benefits research group says.

"The lack of reliable and timely information on private pension plans and other private employee benefit programs has always hindered effective policy discussion of major issues related to the public and private employee benefit systems," said the Employee Benefit Research Institute.

EBRI says a data base derived from Form 5500, which lists a benefit plan's financial condition a operations, would give polic makers a better understanding the importance of private pensi plans in comparison with Social S curity.

"The failure to appropriate a proximately $1 million per year make this (developing a Form 55 data base) possible seems to be case where the government being penny-wise and pound-foo ish," EBRI said.

Meanwhile, EBRI, which i funded by employers, benefit cor sulting firms and accountants, ha prepared its own analysis of prob lems confronting the Social Secu rity system.

The Employee Benefit Researcl Institute study analyzes the growth of Social Security as well as the ef fects of possible changes to the fi nancially troubled program.

Copies of "Social Security: Perspectives on Preserving the System" are available for $15 each from the Employee Benefit Research Institute Education and Research Fund, 1920 N St. N.W, Suite 520, Washington, D.C. 20036.

Social Security

The National Commission on Social Security Reform will meet one more time before delivering its final recommendations to Congress and President Reagan.

The 15-member commission, which President Reagan set up late last year after his proposals to shore up Social Security foundered, will meet Dec. 10 in the Washington, D.C., area. A specific time and meeting place have not been set yet.

The commission would like to reach a consensus on needed changes at that meeting so it can send a report to Congress and the administration by the end of the year. ■

Utah law changes due in 1983

SALT LAKE CITY—A state commission rewriting Utah's insurance law will release its proposed changes in early January.

The Insurance Law Revision Commission wanted to submit the new code to the 1983 legislature for approval, but a commission spokesman said such an early date would not give the public or industry time to comment on proposed changes.

Among the more significant changes being considered is a provision for assessment financing of the state insurance department. Through this step being considered, insurance companies and agents will bear the operating expenses for the regulatory agency.

The commission also is considering requiring agents to purchase errors and omissions coverage along with surety bonds before they are licensed in Utah.

The revision commission, a group of 20 gubernatorial appointees, has not yet voted on the proposals, now in final draft form.

Spencer L. Kimball, executive director of the commission and a principal author of the new code, refused to comment before a draft is published. ■

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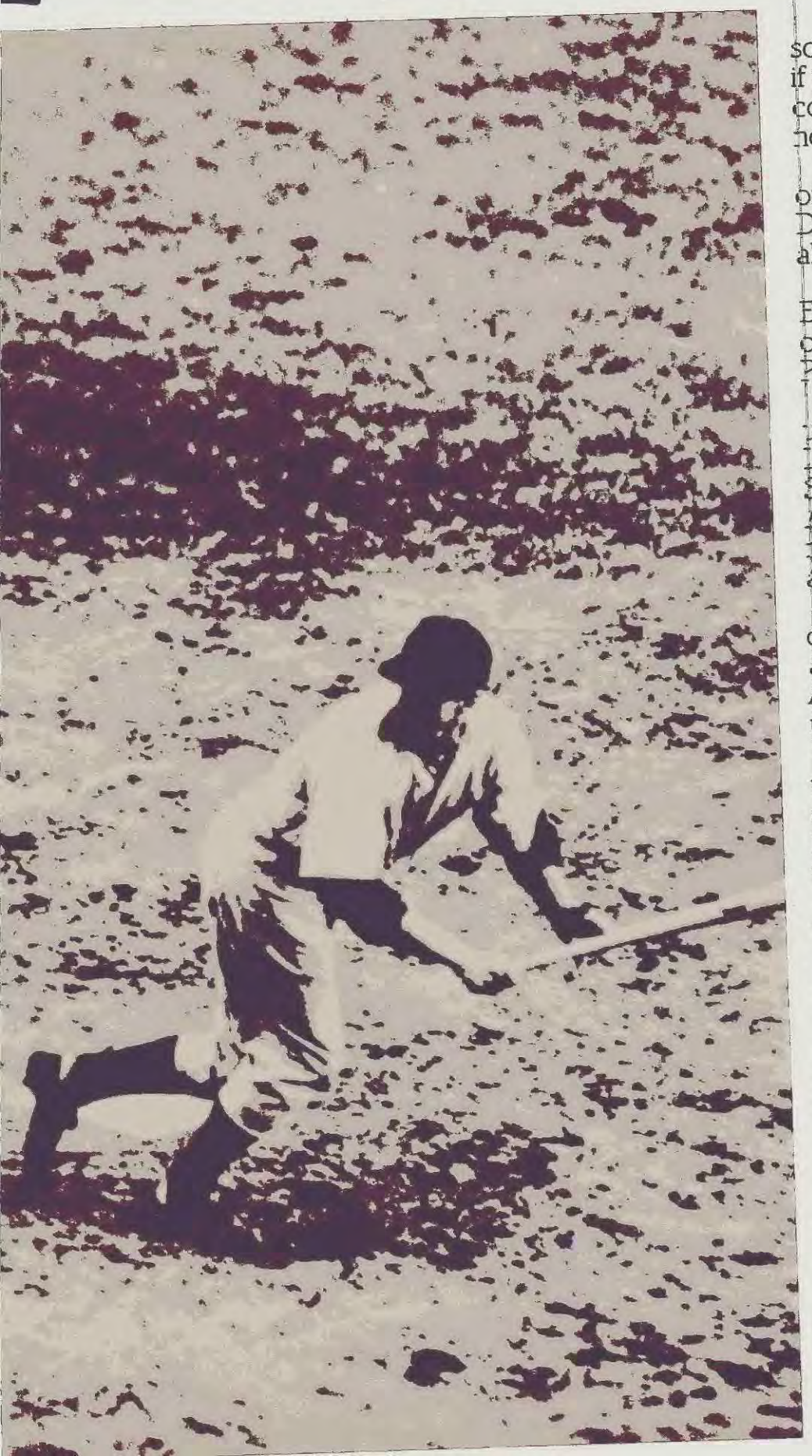

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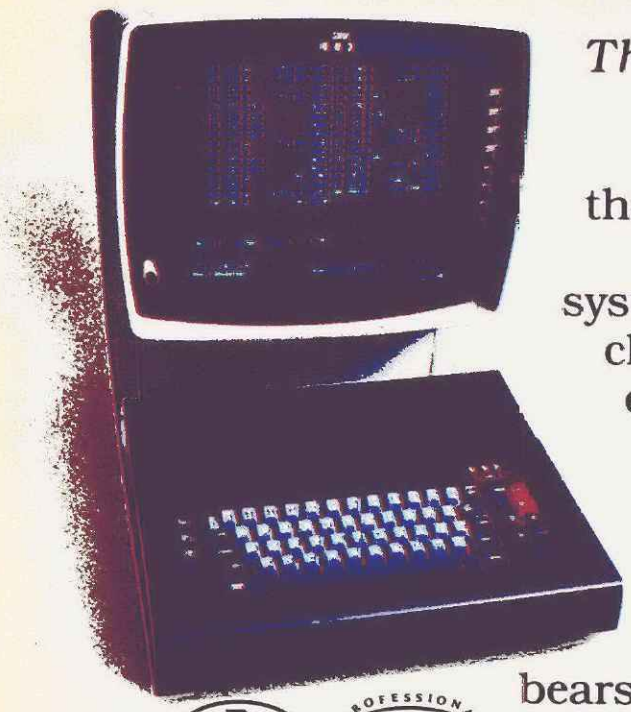

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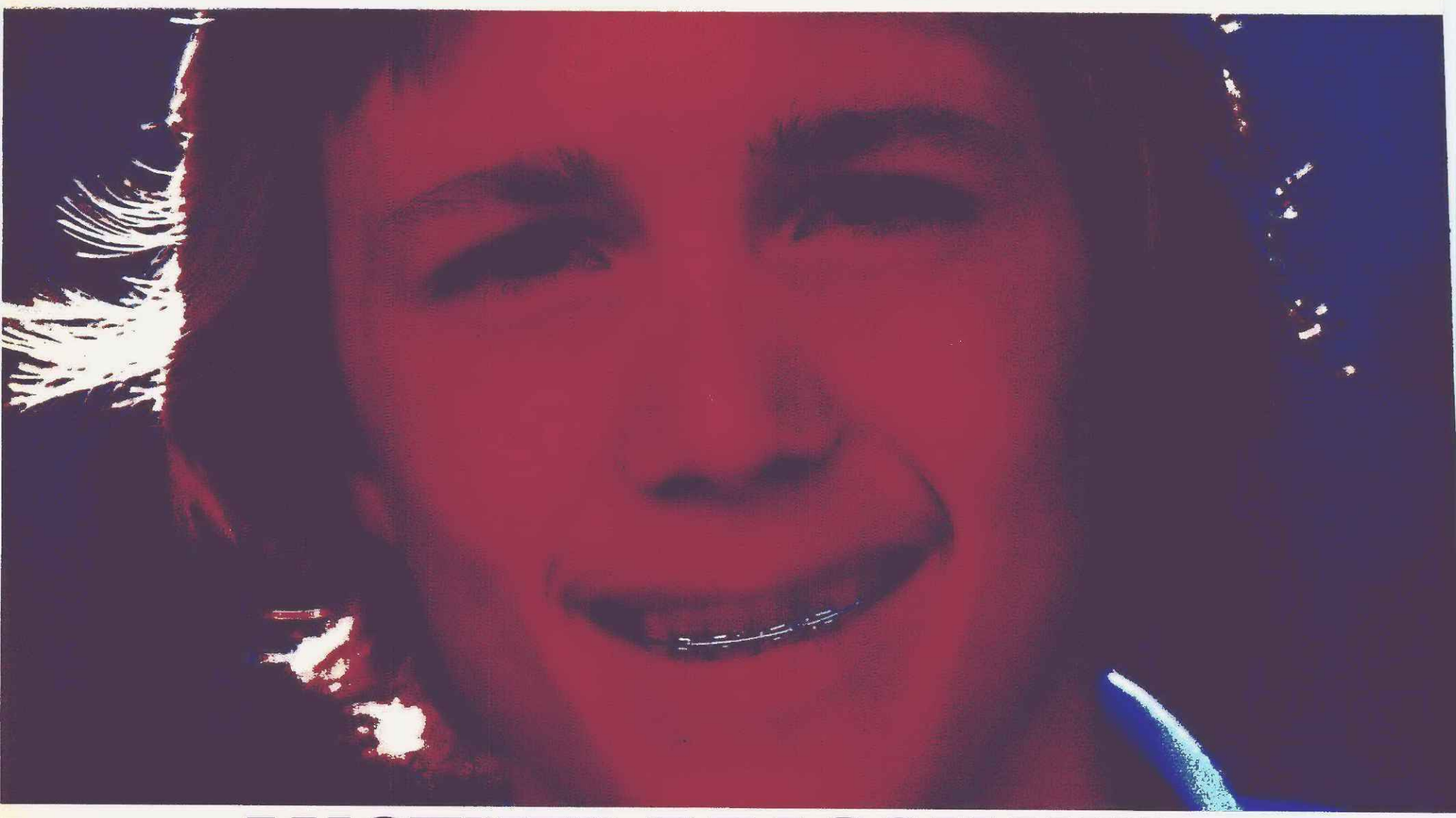


ANOTHER REASON WHY THE TRAVELERS IS A LEADER IN INSURING SMILES.

perspective

ISO'S CGL PROPOSAL

Policy draft draws response from PRIMA

Business Insurance is publishing complete reports by industry organizations on the Insurance Services Office's proposed comprehensive general liability policy. The ISO-proposed policy appeared July 26 in Business Insurance and its Executive Summary of the draft appeared in the Aug. 30 issue.

The Risk & Insurance Management Society and the Society of Chartered Property & Casualty Underwriters reports were published in Business Insurance Nov. 15. The last reports appear in this issue. The first is from the Public Risk & Insurance Management Assn.; the second from the Independent Insurance Agents of America; and the third is by the National Assn. of Insurance Brokers.

THE PROPOSED drafts incorporate two major conceptual changes: (1) revising the timing provisions for coverage determination and (2) imposing overall aggregate limits on all coverages of the form.

The proposed policies contain two timing mechanisms for determining coverage—a first-discovery mechanism and a claims-made mechanism. Under the first-discovery version, coverages for all injury and damage sustained by any one person as a result of an occurrence is assigned to the policy in effect at the time of first discovery. The claims-made version assigns the coverage to the policy in effect when the first claim is made for that injury or damage.

The concept of first discovery makes the insured's coverage contingent on the claimant's level of awareness when the injury or damage was first discovered, rather than the date of the occurrence. This seems to run counter to an earlier revision of the general liability policy that defined occurrence as ". . .continuous or repeated exposure to conditions. . ." This earlier revision recognized that injury or damage is not always immediately apparent. The new proposal seems to return coverage to the old "accident" concept while continuing to say "occurrence."

An illustration of how this new language might restrict coverages can be demonstrated in the pollution exclusion. In current general liability forms, sudden and accidental pollution is covered; gradual pollution is not. In the proposed policies "sudden" is covered only if the resultant injury or damage is "immediate." How soon is immediate? Most releases into the air or water have to travel to someone's person or property in order to generate a claim. It isn't instantaneous or immediate. Sudden and accidental pollution coverage, therefore, is virtually eliminated.

The claims-made draft provides less uncertainty for the underwriter but greatly restricts the insured. The Executive Summary provided with the proposed policies states that "the new timing triggers will not substantially change the current claims-handling and settlement patterns for the vast majority of cases." The experience of many insureds with claims-made policies does not support this contention.

The choice of either the first-discovery or claims-made policies may cause conflicts with umbrella policies that are usually occurrence forms. A claim occurring in one policy year, but not first discovered, or a claim not filed until the next policy period could result in no coverage for the primary layer if the policy were not renewed, unless the extended coverage option was purchased. Even then, the optional three-year tail might not be long enough. Coverage for minors who have until age 18 to file claims, claims with long-discovery periods and latent injuries would not be available.

As with the current general liability policy, the proposed policies impose an aggregate limit on payment for products-completed operations losses. It also imposes separate aggregate limits of liability collectively on all other coverages of the policy. Beneath the dual policy aggregates there are various occurrence and per-person limits which force the insured to pay coverage roulette—trying to guess the right spot to place adequate coverages limits. . .personal injury, medical, products, etc. The current general liability form was once revised to eliminate the per-person limit for bodily injury—a beneficial move. These new drafts take a step backward by splitting total limits into separate pieces instead of letting the insured use the general aggregate limits wherever needed in a loss.

The aggregate limit may eliminate coverage for multiple catastrophes in a single policy year. This would leave the insured bare.

Both proposals, first-discovery and claims-made, are severe restrictions of coverage that leave the insured with insurance that does not last as long as the legal liability under various statutes of limitations. Those affected most might well be those who retire from business or change insurers but do not purchase the extended-period option. Even if the extended-period option is bought, it is for only three years and is contingent upon the insurer's cancellation or refusal to renew.

Both policy drafts state that the first-named insured may request the three-year tail if the company cancels or refuses to renew. A change in premium, however, "shall not be deemed a refusal to renew it." One wonders how many actual cancellations or non-renewals there will be when it is much simpler to get rid of the exposure.

It appears from a review of the proposed policies and the accompanying Executive Summary that one of the major purposes of these new forms is the avoidance of liability of certain risks that are now covered. For example, "damages" are limited in the proposed drafts to include loss of use of tangible property that has been physically injured, while the current general liability forms include loss of use of tangible property without physical injury. A business cut off by a street excavation may not be physically injured, but it would definitely suffer monetary damages from loss of use or access. Such reductions in coverage are undesirable and will probably serve to further erode the insurance industry's position and increase the need and desirability of self-funding, pools and captives.

These forms will not be used by larger organizations that self-insure. Instead, buyers will include the smaller organizations and entities that often have no risk manager to review the coverages and are not financially capable of pursuing alternative funding mechanisms.

Along with the avoidance of liability, the change from the occurrence form to the first-discovery or claims-made form is the intention to limit the long tail on claims, thereby allowing for better projection of costs by the insurance industry.

This suggests that if cost is a major motivation for changing the general liability forms, might it not be better to adjust the pricing structure of the occurrence form rather than to market what many see as an inferior product? Might it not be better to pay more for broad coverage that could be filed away and forgotten rather than to save a few dollars, perhaps, on a coverage riddled with time limits and aggregates that are constant sources of worry?

If insurance companies are losing money in a price war over the current product, change the price—not the product.

The language of these drafts is somewhat clearer than the current general liability forms, except to those who are used to reading current policy language, but the use of that language is often unacceptable as in such statements as "we many investigate and settle all claims and suits as we think fit" and "we may give the named insured reports. . . ." Such language is unnecessary.

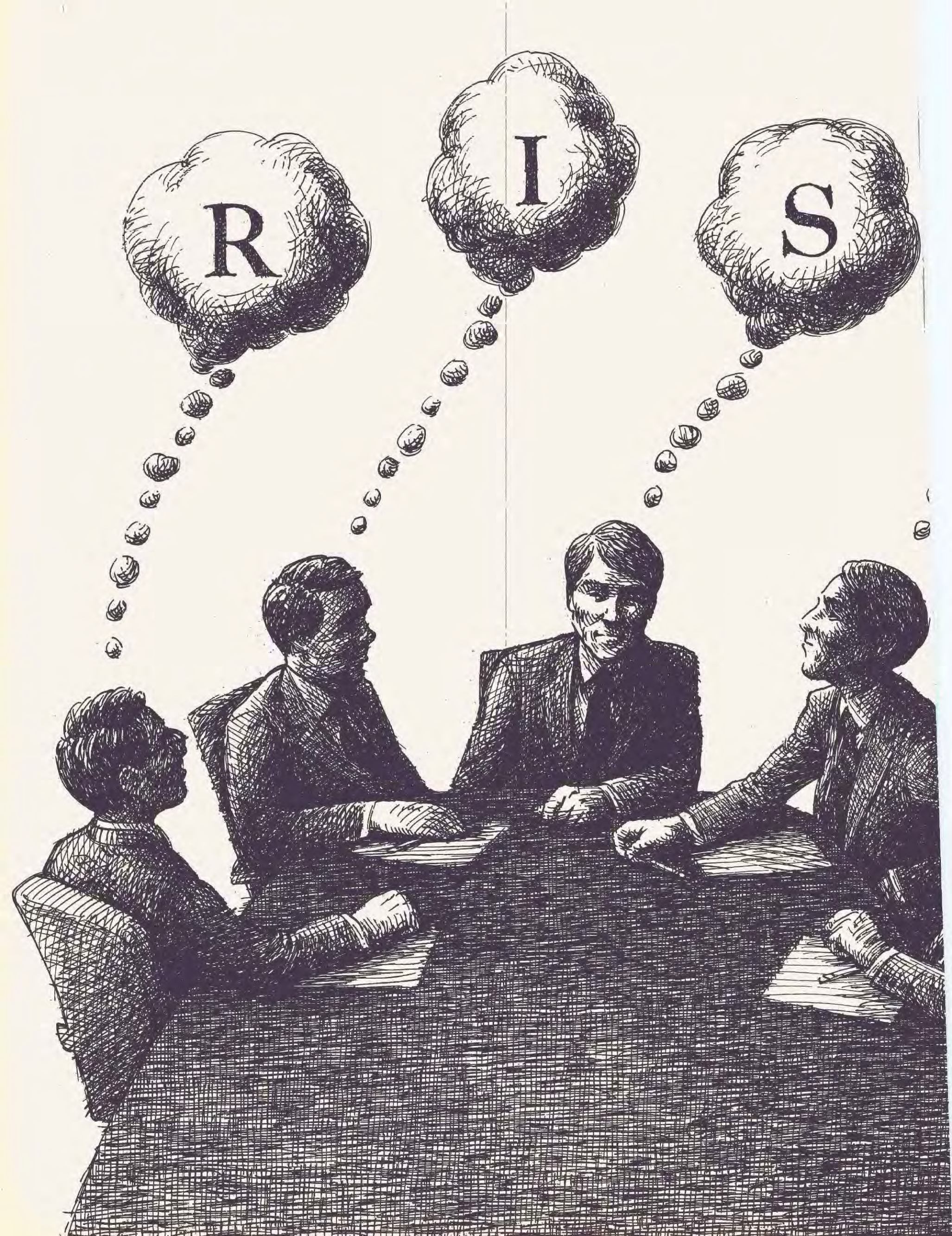
It is difficult to review the proposed policies without some understanding of the rating and classification system to be used. The Executive Summary very briefly addresses this with the statement that the policies will use a "simplified and streamlined rating system" using what is termed "a single inflation-sensitive basis of exposure" and is being designed for "maximum compatibility with automated systems requirements." Again, the language makes it obvious that the policies are being designed to support the insurance industry and not to provide maximum service and benefit to policyholders.

The Review Committee unanimously agrees that the policies proposed by the ISO will certainly be advantageous to the insurance industry and at the same time detrimental to the best interests of the majority of policyholders.

The need for such policies is unclear and undemonstrated. Of course the insurance industry is not known for its adherence to the laws of supply and demand, but perhaps the problems they are trying to solve with these policies could be alleviated by a careful review of rating and better underwriting.

When the insurance industry finally decides to respond to the needs of its customers, perhaps a product will then be developed that will offer the maximum advantage to all concerned.

With this in mind and recognizing that it is always easy to criticize, the Review Committee recommends that PRIMA offer to assist the ISO in any way it can to develop a product that will better serve both the industry and its customers. ■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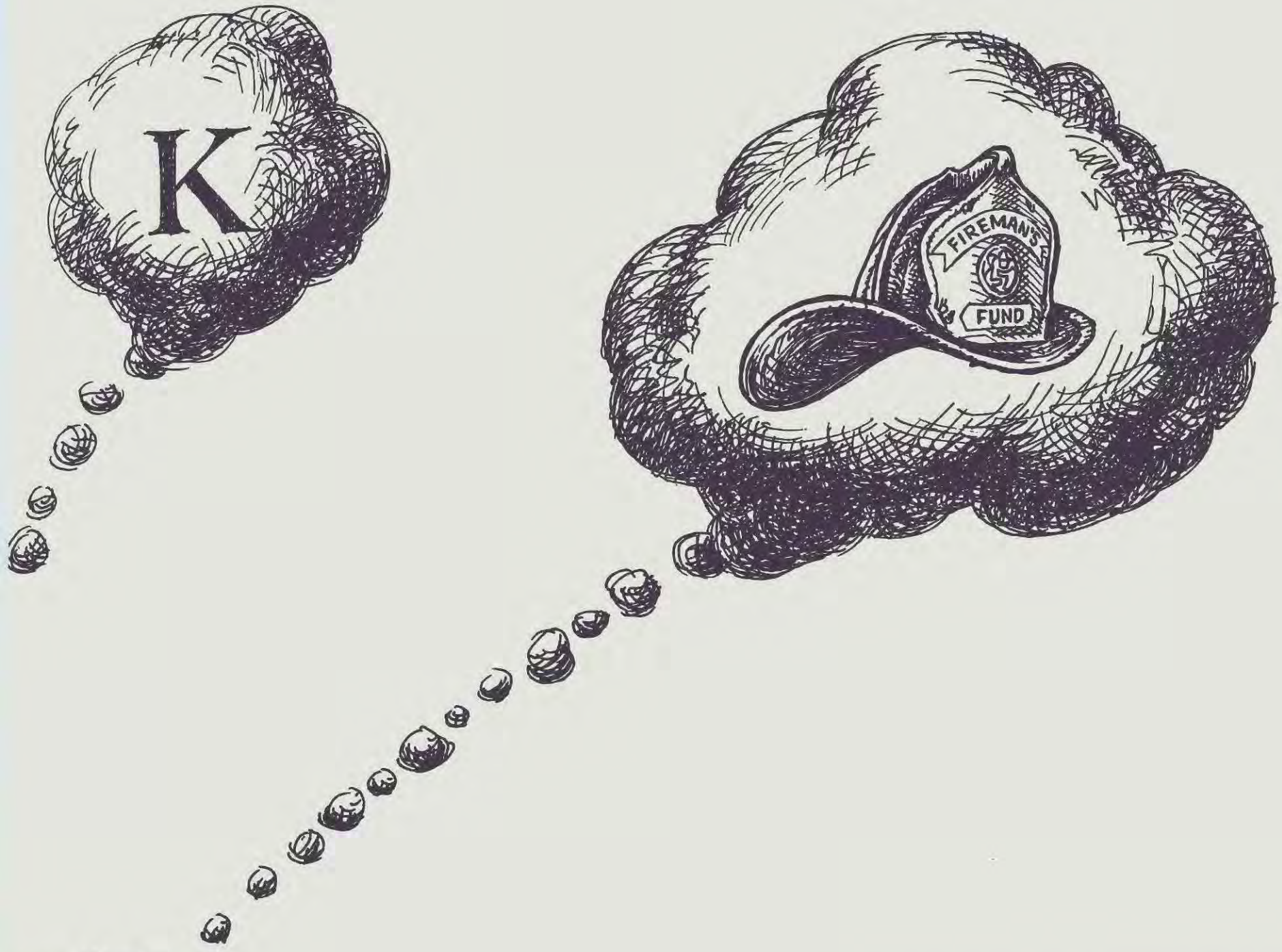

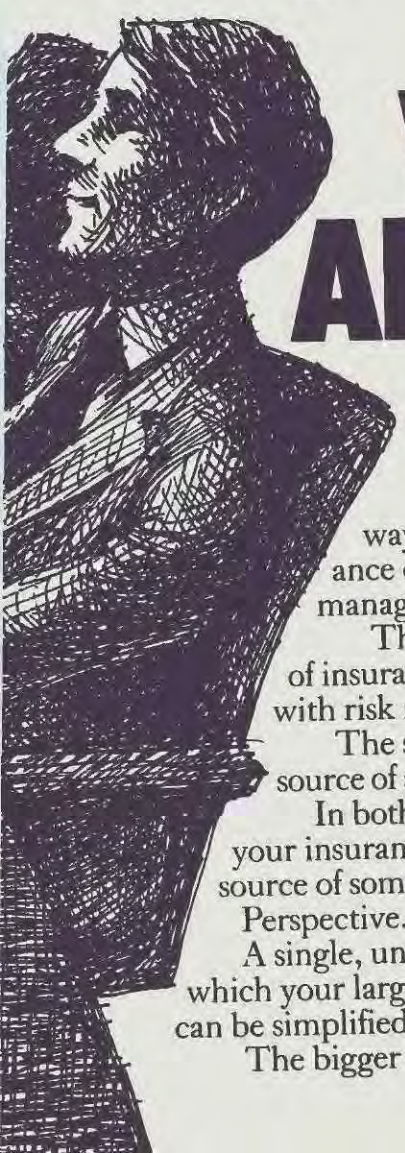

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perspective

Agents' group is concerned over changes

THE INDEPENDENT Insurance Agents of America voiced a number of major concerns during a recent meeting with the Insurance Services Office to discuss the proposed revision of the comprehensive general liability policies now being developed.

ISO is designing the new policies in an effort to produce a straightforward presentation of coverages and to introduce new coverage triggers for clear-action cases and exposure-type cases to prevent stacking or pyramiding of limits.

Commenting on ISO's proposed comprehensive general liability policies, William E. Brady, CPCU, chairman of IIAA's Commercial Lines Committee, questioned the validity of developing a completely new product to accommodate the needs of what he estimated were approximately 5% of the insureds who fall into the manifestation or discovery category of claimant.

"The producers understand the company need to prevent stacking and pyramiding, of fixing absolute limits and of ridding themselves of long exposure claims, but does it require a whole new system that must be learned by buyers, sellers, members of producer organizations, claims persons and the legal profession?" questioned Mr. Brady.

Specifically, Mr. Brady and Producer Liaison Committee member John F. Reilly, CPCU, took issue with a number of key elements of ISO's proposed commercial general liability policy.

Under ISO's new policy provisions, an overall policy aggregate limit would be established. When excess or umbrella coverage applies over this proposed form, significant coverage gaps would occur every time a claim or reserve is set up on the primary policy, noted Mr. Brady. The current commercial general liability policy does not contain an aggregate for occurrences, only for product situations. Mr. Brady has strongly encouraged ISO representatives to retain that concept of coverage as producers were not aware of abuse in this area.

Additionally, Mr. Brady noted many companies will retain the occurrence trigger, thus subjecting producers to greater competition from the excess and surplus lines market and creating a market dislocation as specialty companies expand their writings, using the established occurrence form.

Mr. Brady also recommended that ISO develop one comprehensive policy rather than the two policies currently under consideration. "If there are two policies from which to choose, the burden of that decision will fall on the producer," said Mr. Brady. "Such a tremendous responsibility in an area, very often ambiguous, would unnecessarily subject the producer to severe consequences where no clear choice can be made."

Other portions of the liability policy which the IIAA Commercial Lines Committee representatives found unsatisfactory involved ISO's proposed three-year limitation of the extended-discovery period and the language used in the actual policy.

"We believe the three-year discovery period will be inadequate in many cases and have encouraged ISO to reconsider their proposed three-year limitation," said Mr. Brady. "We believe the language used in many areas of the policy is vague and should be presented in a much more direct, simplified format."

Mr. Brady pointed out that the proposed policy currently contains 116 references to the "insured" and the insured is never clearly identified, a situation which could result in unnecessary litigation in the event of a claim.

According to Mr. Brady, IIAA is working closely with ISO to develop a commercial general liability policy "acceptable to everyone concerned—the buyer, our association's membership, and Independent Agency System companies." Mr. Brady went on to commend ISO for their industry appeal for comments. He noted, "This is the first time ISO has gone to the industry for input—including producers, who are on the front line selling the product. Although IIAA has many very valid concerns regarding the revised comprehensive general liability policy, we do appreciate the opportunity to participate in this significant industrywide product."

Mr. Brady added that IIAA, via its state technical liaison group, is currently soliciting responses and reactions to ISO's proposed policy from IIAA's membership countrywide. IIAA's Commercial Lines Committee will also meet in several weeks to discuss in depth the commercial general liability policy and to prepare a formal statement for presentation to ISO representatives. ■

Brokers' group suggests CGL modification

THE NATIONAL Assn. of Insurance Brokers is gratified that the Insurance Services Office has demonstrated its willingness to work with commercial producers in shaping an acceptable resolution to a complex situation. We agree with ISO that modification of the standard commercial general liability policy is in order and further we agree with ISO's stated objectives in achieving such modifications:

- That existing language in the comprehensive general liability policy needs clarification.
- Policy forms can be further simplified (obviating the need for supplemental endorsements).
- Modifications which do occur should take place with minimum disruption and avoid uncertainty (and unnecessary litigation).
- Finally, we are fully in accord with the premise that changes should be made only where they are needed.

At the request of the Insurance Services Office, and as a service to our members and the commercial brokerage community at large, the NAIB established a special task force to analyze ISO's CGL "exposure draft" and to comment on its viability and acceptability within the insurance marketplace. We believe that the brokers' perspective, as principally representing buyer interests, is of critical importance and we welcome the opportunity to provide constructive comment.

Working through NAIB's Research and Development Committee, the special task force was assembled with designated representatives from our member firms. In fact, representatives from the majority of national brokerage houses as well as a broad cross section of specialty and regional broker members and state associations have contributed their expertise in reviewing the exposure draft and its recommended changes. Finally, all commentary was discussed at length within NAIB's Executive Committee at a meeting on Sept. 9 in New York.

While we sympathize with ISO's objectives in attempting to update and simplify the existing CGL form, we are convinced that the proposed changes go much too far and will not be found acceptable to many insurance buyers.

- Larger clients often seek manuscripted policy forms which suit their own needs.
- Many risks will go to non-ISO forms used by admitted and non-admitted markets in order to find coverage comparable to that which they enjoy today. Occurrence remains the "buyers choice."
- Small buyers and those with limited market choice, in the main, will be penalized by the restrictions and limitations in coverage proposed by the ISO.

We foresee extensive problems for our clients in attempting to mesh excess and umbrella occurrence coverages with non-occurrence primary coverage policy forms. The result: (1) gaps in coverage and unpaid claims, (2) umbrellas forced to drop down to pay claims in the working liability layer, (3) chaos in rating and (4) continuing litigation.

Although we received a large number of specific comments and recommendations on various sections of the ISO exposure draft, our principal recommendations are directed toward two major concerns. While we stand ready to share these specific comments with ISO, we wish to stress, in our opinion, that further fine tuning of the proposed policy forms is not the answer and is not supported by the members of this association.

(1) ISO should withdraw both its claims-made and first-discovery trigger. Our broker members believe these would create extensive difficulties for buyers and brokers alike if they are employed. But of more immediate importance is our expectation that buyers will continue to demand that they have the broader protection to which they have become accustomed. As a consequence, we would anticipate a much greater demand for utilization of non-ISO liability forms and manuscript policies.

(2) Our members are unanimous in their conviction that the existing occurrence-based CGL form should be modernized, simplified and consolidated. To this end, the occurrence trigger now in use should be maintained.

From our perspective, occurrence fits at least 95% of all CGL liability claims incurred today, so why discard the entire policy and its supporting statistical plan when the problem is with the other 5%? By analogy, when you need to fix a problem on the top floor of a building, you don't demolish the whole structure. ■

PRIMA is located at 1120 G St. N.W., Suite 707, Washington, D.C. 20005. The IIAA is located at 100 Church St., New York, N.Y. 10007 and the NAIB is at 311 First St. N.W., Suite 700, Washington, D.C. 20001.

'utting a value on history is unique risk

:inued from page 1

'eciate the value of the building the cost of the improvements a 15-year period.

3ut the unanswered question in of this really is 'What happens n you've got a landmark build- or portions of it, destroyed ring renovation)?' Craftsmen 1't even available to replace it," Jeff Thompson of Carma De- opers (Washington) Inc. and ject manager for the Alaska and tic buildings.

You insure the building for a ue, but how do you really estab- that value?"

Establishing a value for historic ldings is only one hurdle. Find- someone to underwrite this e of exposure is the next.

n Carma's case, the insurance npany that provided the deve- er with $30 million in general perty coverage on the buildings s not interested in the restora- n risks. Other markets had to be plored.

While some prospective insurers ere wrestling with the value estion, others were unsure the ctic and Alaska structures could en survive the renovation.

This was of particular concern nce Carma donated the facade sements (the exteriors) of the ildings to the city of Seattle.

Although the building owner olds the facade in trust for perpe- ity and retains direct responsibil- y in situations like this, no one as quite sure who would be re- onsible for losses if those exteri- rs were damaged or destroyed uring restoration.

"Obviously, these buildings had veathered several earthquakes and ome of those earthquakes had one quite a bit of damage in the eneral vicinity," said Aldo Vettori, p at Reed Stenhouse Inc. in Seat- le, Carma's broker. Within the last ew years, another building in the rea had collapsed while undergo- ng renovation, he added.

"What we had to overcome with he underwriters was this stigma, and convince them that the build- ings were sound and could with- stand the refurbishing," Mr. Vet- tori said.

After a series of negotiations on behalf of Carma Developers, Reed Stenhouse was able to get CIGNA Corp. (the product of the merger of Connecticut General and Insurance Co. of North America) to under- write the specialized risks involved in the Alaska and Arctic buildings' renovations.

Although the $30 million general property coverage continues, each building had an additional $8 mil- lion in coverage under a course of construction policy. The construc- tion policy was designed to respond to virtually anything that could happen during the renovation pro- cess. For instance, the policy not only covered traditional perils like fire and vandalism, but also more exotic perils like earthquakes, floods—and falling walrus tusks.

Because Carma wanted to mini- mize its rehabilitation liabilities, it sought an extremely low deductible for the course of construction cov- erage, which eliminated a number of potential underwriters.

A $5,000 per occurrence deduct- ible applied to all perils except earthquake and fire, which had de- ductibles of 2% of the value of the building at the time of the occur- rence.

Additionally, the walrus tusks became a sensitive issue with some insurers that considered under- writing the renovation coverage.

The third-floor exterior of the Arctic building was originally adorned with walruses whose large, carved ivory tusks extended over the entryways into the build- ing. The walruses survived through the years, but most of the tusks had broken off during a 1949 earth- quake.

Part of the restoration proposal called for putting new tusks on the walruses, a requirement that left some underwriters with an uneasy feeling.

"Since the tusks are hanging free-form over people entryways, you have to be sure that another earthquake isn't going to come along, knock them loose and drop them on the people below," noted Arthur Weatherford, senior vp of Reed Stenhouse. "We had to be concerned with people safety as well as property safety."

Thus, blending current under- writing safety- and loss-prevention requirements with the stringent guidelines that restorations retain the historic character of the build- ing often becomes a difficult task. However, in the case of the Arctic building, all requirements were met and the tusks were re-created, as imposing as ever.

While there were few actual problems during the renovation of the Alaska and the Arctic, the one significant loss Carma did encoun- ter is typical of the property loss a company might experience with this type of project.

"In the beginning of the project on the Alaska building, water on the roof dammed up and burned out one of the elevator motors," said Mr. Thompson. The $30,000 loss was the result of an existing condition that was scheduled to be rectified early in the project.

The course of construction poli- cies continued until Nov. 15 when the restoration was completed. The buildings recently received certifi- cation from the National Park Ser- vice, which was the final stage in qualifying for the tax credit.

"Before the new law, what you'd get into was a Catch-22 when you owned something that old," said Mr. Thompson. "The tax act filled a gap and made renovation an af- fordable thing to do."

For example, Carma owned the two structures, but without the tax credits the cost of renovation might have prohibited redevelopment, he explained. At the same time, the cost of tearing down the old build- ings and constructing new ones also was prohibitive.

The Alaska, built in 1904, was al- ready in Seattle's Pioneer Square Historic District and included in the National Register of Historic Places. The 1914-built Arctic lies just outside the border of the his- toric district and had to be added to the National Register to get the res- toration credit.

Once a building has been desig- nated a historic landmark, the pro- cess is fairly straightforward. The building's current value is estab- lished—$100,000, for example. This figure excludes the value of the land.

To qualify for the tax credit, the company must "substantially" re- habilitate the building, which means the expense of renovating the building must exceed the cur- rent value—in this case, of at least $100,001.

Finally, the rehabilitation must be certified by the National Park Service as being "consistent with the character of the building."

The new tax credits also are pro- viding financing alternatives for corporations trying to initiate such projects.

Since the tax credits are substan- tial, corporations are finding it is easier to attract joint-venture part- ners to share in both the renovation expense and the resulting tax ad- vantage. On the other hand, these joint ventures open the door for new fiduciary liabilities for the trustee of the joint renovation funds.

In a typical case, a company would form a limited or general partnership that would exist only while the building was being res- tored. During that time, ownership of the building would temporarily shift from a single corporate owner to include all the partners so the tax credit could be prorated among the investors.

Once the renovation was com- pleted, ownership of the building would revert to the original corpo- rate owner.

In these situations, the difficulty in finding restoration coverage can be compounded by the fiduciary as- pects of a joint venture agreement, according to Mr. Weatherford. "It (establishing a joint venture syndi- cate) could put a company in a unique fiduciary capacity," he said.

But, the tax advantages for the renovators might overcome their fears of additional fiduciary liabil- ity.

"The new tax incentives are more substantial than the older ones and should attract more inter- est," said Ward Jandl, chief-techni- cal preservation services for the National Park Service in Washing- ton, D.C., which oversees and certi- fies restoration of these historic landmarks. "The number of appli- cations also would indicate the new law is more advantageous than the old law."

While there were some incen- tives for corporations to renovate historic structures under a 1976 law, the broader 1981 provisions are drawing an increasing number of companies into the renovation business.

Since 1976, there have been 4,300 to 4,500 such renovation projects. Of that total, more than 2,000 projects were initiated following the new tax credit provisions. An- other 2,500 applications for projects are expected to be filed this year.

"The tax advantages are the prime attraction to doing rehabili- tation," said Mr. Jandl. "But there's a subsidiary benefit because you wind up with a building that has a lot of character, that has architec- tural distinction, with detailing that can't be replicated today." ■

Photo: Carma Developers (Washington) Inc.

The historic Alaska Building in Seattle, built in 1904.

Site set for international conference

NEW YORK—Monte Carlo again will be the site for the second International Risk Management Conference Oct. 16-19, 1983. The conference is jointly sponsored by the Risk & Insurance Management Society and the Association Eu- ropeene des Assures de L'Industrie.

The program committee plans to focus on topics like environmental impairment and freedom of inter- national trade in service industries.

International panels will dis- cuss political risk management, fi- nancing retained risk, pros and cons of in-house brokers and other risk management issues. The com- mittee co-chairmen are Jean- Claude Cusset of ELF Aquitaine in Paris and Eckart Russell of Alcan Aluminium Ltd. in Montreal.

RIMS represents the risk and in- surance managers of more than 3,700 corporations in the United States and Canada. Association Eu- ropeene is an organization of risk management associations in Bel- gium, France, West Germany, Italy and Great Britain. ■

California jobless cause surge in claims

Continued from page 1

• Max Factor & Co., which laid off 700 workers from its Hawthorne plant at the end of August, received soon afterward 266 workers compensation claims.

• Amstar Corp.'s Spreckels Sugar Division, which received 400 claims after it laid off 500 employees from its Celinas plant in July.

Employers are outraged at "this ultimate abuse," says the California Chamber of Commerce, which is helping affected employers contact other employers that are experiencing the same problem.

"There's a terrible story to tell in California," agrees Richard Cummings, safety manager at Goodyear and the company's coordinator for the mass filings.

"We have well over 500 claims from a plant closing in California, but that's all I can say. We don't know where they're (the number) going to top out."

"The cumulative trauma law in California is simply horrendous," says Russell Guy, director of workers compensation for Bethlehem Steel Corp. It is shutting down a plant in Los Angeles at the end of December and fears a surge of workers compensation claims.

All of these employers, except Spreckels Sugar, are self-insured and all have union workers. Spreckels Sugar was self-insured until last January when it bought workers compensation insurance from Liberty Mutual Insurance Co.

Employers stunned by the mass numbers of filings are given little hope things will soon improve.

The California Chamber of Commerce and other business groups say the political realities in California are such today that any vocal effort to change the state's workers compensation law in the legislature would fall on deaf ears.

"This is an abuse of the system. There's no doubt about that, but we have no legislative remedy," says Susan Boyd Cavazos, manager of employee benefits for the California Chamber of Commerce.

"And the chamber has no legal standing on which to deal with the ethics of an attorney," she added, referring to Mr. Mizener, who is handling all the cases the chamber says it knows about.

Instead of depending on statute changes, business groups are networking to share strategies so that a company about to close up shop in a California location can take precautionary measures to prevent a barrage of workers compensation claims.

The California Self Insurers Assn. recommends its members latch onto an aggressive attorney who will help them sum up their exposures, says Joseph Markey, executive director.

Adds Ms. Cavazos of the chamber, "The best advise we can give employers is to try to get on record the injuries or ailments employees have before a plant closing so that some defense will be available if the employer closes a plant and has a mass filing."

In hindsight, GM's attorney Richard Kelly of the San Francisco law firm of Hanna & Brophy now recommends employees be asked to take a physical exam before a plant closing so the findings can be used to evaluate the validity of later claims.

Most important, he says, employers should not be overwhelmed by the numbers of claims filed. It's imperative to use good sound claims practicies and take each claim on a case-by-case basis, he adds.

Documenting the safety of the workplace before the plant closing also might discourage suits. Mack Trucks Inc. terminated 3,000 employees when it shut down its Hayward, Calif., plant in June of 1981 and expected to see a mass filing of workers compensation claims.

But to date, says corporate insurance director Daniel Perna, there have been only a few batches of workers compensation claims.

He attributes this good record o the company's good working relationship with employees and a decision to physically document the safety environment before closing down the plant.

Some employers faced with claims don't quite know what to do —or what they can say—without fear of reprisal.

For example, Max Factor & Co. hasn't decided if it will settle or fight the 266 claims filed against it from among the 700 workers terminated when the company moved its Hawthorne, Calif., plant to North Carolina.

"I wish I could say more," said risk manager Michelle Hogan. "But right now, I'm working with senior staff to decide what direction to pursue."

Post-layoff claims hit Michigan, too

LANSING, Mich.—Michigan employers can understand the problems caused by mass filings of cumulative trauma claims in California.

Michigan does not have a cumulative trauma injury category in its workers compensation law, but its law does allow compensation for a series of injuries not related to a single event that occur over a number of years and ultimately lead to the employee's disability.

And workers take advantage of this law.

"When a plant shuts down in Michigan, you can expect that 50% of the laid-off workers will file a post-layoff claim," says Tom Chuhran, executive secretary of the Michigan Self Insurers Assn.

"We call them occupational disease claims and they are interpreted very liberally in the courts," he said.

Michigan's law is very close to a cumulative trauma law, adds James Brakora, state director of workers compensation.

It's something the state has been "battling" for the last 10 years, but there really hasn't been any increase in the filing of post-layoff claims in recent years, said Mr. Brakora.

Just recently, however, nearly 70 teen-age workers who were laid off by the City of Detroit because of budget cuts filed workers compensation claims alleging a variety of ailments.

The City of Detroit, which is self-insured fo workers compensation, would not discuss the claim with *Business Insurance* over the telephone. Bu the Michigan Chamber of Commerce confirmed re ports that Detroit is planning to fight the claims i court, if necessary.

Michigan sees more workers compensation claim after a business shuts down in metropolitan area because labor unions are heavily involved and em ployees in large cities tend to be more sophisticate and knowledgeable about workers compensatio benefits, said Mr. Chuhran of the self-insurers asso ciation.

"It's strange that we don't see a lot of these claims in different portions of the state," he added.

Mr. Churhan offers advice to employers in Michigan facing mass filings of claims:

Ask workers to take a physical exam before a plant shuts down and to get an employee's history of work injuries during an exit interview. The employee also should be asked to sign a form, swearing to the validity of his health that day.

"A large number of cases are filed and settled, rather than risking a long court battle," he said. The average "shakedown" settlement runs about $3,000 a case, he said.

Of all the employers hit with cumulative trauma claims, GM has been hit the hardest. It is also fighting back the hardest.

"We have received 1,000 claims and every day that gets added to," says GM attorney Mr. Kelly. "Those claims that appear compensible, we'll try to resolve short of litigation, but those that don't will get litigated," he said. "We would like to resolve these claims, but we don't plan to give money away."

Some employers who have been hit with mass filings have settled out of court for about $3,000 a claim because they believe it is cheaper than going through the lengthy legal process of fighting claims and it avoids adverse publicity with labor groups and the general public, sources say.

But, Mr. Kelly says those that choose to settle should be careful.

Some employers have accepted the plaintiff's attorney's promise that they will be able to "settle (the claims out of court) for peanuts," he said. "They soon find out that that doesn't match with what the attorney has told the claimants," he added.

"He tells the employer the workers will settle for $500 to $1,000 each but he tells the workers they can get $500 for every year worked," said Mr. Kelly.

GM has had one heartening experience.

Mr. Kelly received a number of calls from workers at GM's Fremont plant saying they have no intention of filing a workers compensation claim. "They say they only were interested in the free medical exam they saw advertised in material sent out by a few of the United Auto Workers locals who held a meeting about compensation benefits," said Mr. Kelly.

Under the union contract, GM must pay for all medical exams when an employee claims an injury.

That alone will be costly for GM. The automaker estimates it will pay out as much as $3 million just to cover the doctor bills for the specialists who will have to examine the 1,000 claimants who have filed claims so far.

The $3 million figure is based on an average of three injuries alleged by each claimant and the cost of having the employee examined by doctors representing both GM and the employee.

Mr. Kelly estimates it will take several months before all 1,0 claimants will have been examin for their alleged disabilities. A then it could take five years befo they are claims are settled if t number does hit the expected 2,50 he added.

"It will take two years for eac side to get its medical evidence an another few years before the Cal fornia workers compensation a peal board can hear the case."

Mr. Von Mizener, whose Los An geles firm is representing 90% o the workers from the two Califo nia plants, did not return phon calls from *Business Insurance*. H did tell *BI* in early August tha claims were being pursued only fo workers with legitimate injuries.

California, which is the only state that recognizes cumulative truama per se on the job as compensible, started to recognize the "cumulative effects" of the job-related stress and strain on the body over a period of time back in 1959.

That was the year the state supreme court said, "While a succession of slight injuries in the course of employment may not in themselves be disabling, their cumulative effects in work may become a destructive force." ■

Insurers suggest ways to prevent claims

By EILEEN NORRIS

SAN JOSE, Calif.—A large manufacturer insured by EBI Co. for its workers compensation risks hit bottom one day in 1978 and abruptly closed its doors.

Within the next few days, EBI Co. had 225 workers compensation claims dumped in its lap from disgruntled laid-off employees.

It was "a nightmare," recalls Liz Foley, EBI's workers compensation claims manager.

Today, when a policyholder has an inkling that it might have to close a plant, EBI has a plan that it snaps into action to help protect it and the employer against post-layoff injury claims.

And the workers compensation insurer is definitely seeing more CT, or cumulative trauma claims, says Ms. Foley, who thinks the upswing in filings might be tied to the poor economy.

But like other workers compensation insurers who call these type of claims a steady problem, EBI thinks an employer's best defense against mass filings of claims after a layoff is good employee injury and accident records.

"If the employer that closes a plant has no additional locations in California where it can store records detailing personnel and industrial injuries, we help them find proper storage," said Ms. Foley.

EBI also suggests keeping an up-to-date list of the plant's management's home addresses and phone numbers so that if testimony is needed to defend a claim, the worker's supervisor or the plant nurse might be able to provide it.

"We also might recommend noise levels be measured and studied before an operation closes so that there is some concrete evidence if the employer is hit with a mass filing of comp claims alleging hearing loss, for example," she said. "Or we might determine that some jobs should be videotaped prior to a shutdown."

A worker with a back injury may allege he cannot do a similar job anymore—a basis for the employee to receive vocational rehabilitation under California law, says Ms. Foley.

"If the worker requests rehab and we can show the doctor the videotape and he agrees the worker is able to do the job, it can save a lot of money," she said.

> The best defense against mass filings of claims is good employee injury and accident records, says Ms. Foley of EBI Co.

"We have to recreate what was going on at the time of the plant closing and that's why records are so important," she added.

Employers also may want to conduct up-to-date surveys of the plant and videotape jobs performed by workers, says John Antonakes, vp of workers compensation for Liberty Mutual Insurance Co.

He said Liberty Mutual has videotaped jobs where the description of the job might make one assume the worker did a lot of heavy lifting. "Instead, we're able to show the worker using mechanical devices that do the lifting."

It may be hard to believe, Mr. Antonakes adds, but there have been instances of plant closings where all the personnel and injury records have been, without much thought, destroyed the day the plant closes.

"Employers should preserve all their safety records and surveys on noise levels, dust concentrations and lighting levels," advises Mr. Antonakes.

"When we know to expect a mass filing of comp claims, we'll have the attorney who will end up in court on the case visit the plant himself so he can get a better feel for the work environment," he said.

One of the most elementary things an employer with a plant closing should do, said Mr. Antonakes, is try to place laid-off employees in other locations or assist them in finding new jobs.

"Assist, and the mass filings diminish. If you lay off and do nothing, you're leaving the worker to his or her own devices," he said.

"Understand, it's not a question of preventing these claims, it's a matter of defending them if it's warranted," said Mr. Antonakes.

"Voluntary settlements are not always a bad idea," he stresses. One employer made a settlement with workers before they were actually laid off, he said.

Employee injury records are important, agrees Bill Trapp, workers compensation claims manager for Fremont Indemnity Co. in Los Angeles.

But, he stresses, there really is no way to get around the "litigious nature" of southern California, "where workers have close ties to the powerful labor unions."

"There is no magical cure (to prevent a cumulative trauma claim)," he adds.

How does an employer know to expect a mass filing when a plant or operation is shut down?

"In California, you expect claims unless you have reason not to," sums up Mr. Antonakes of Liberty Mutual.

But, "It helps to take care of the worker and run a clean shop." ■

IMMEDIATE ACCESS TO INDUSTRY INFLUENTIALS

UPCOMING ISSUES

	ISSUE DATE	AD CLOSING
EMPLOYEE BENEFITS: IN RETROSPECT	DEC 13	Nov 30
Employee Benefits Board Survey	DEC 20	Dec 8
	DEC 27	Dec 14
	1983	
Risk Management Board Survey	JAN 3	Dec 20
MARKET PREVIEW/INFO FOR BUYERS	**JAN 10**	Dec 27
	JAN 17	Jan 5, '83
	JAN 24	Jan 12
SELF INSURANCE/FINANCIAL SERVICES	JAN 31	Jan 18
	FEB 7	Jan 26
	FEB 14	Feb 2
RISK MANAGEMENT SERVICES	FEB 21	Feb 8
Employee Benefits Board Survey	FEB 28	Feb 15

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Survey tallies 97 fiduciary liability claims

Continued from page 1

In this fifth Wyatt report on fiduciary liability claims, 97 such claims were reported by 73 of the 1,979 companies that participated in the full survey, including the D&O portion. In 1980, 65 claims were reported by 57 companies.

Fiduciary liability became a serious exposure for employers after the Employee Retirement Income Security Act (ERISA) took effect on Jan. 1, 1975. Fiduciary liability insurance covers the legal liability of fiduciaries for a company's pension, profit-sharing, thrift and other benefit plans.

Although the survey clearly shows the incidence of fiduciary claims is increasing substantially, the survey sample was too small to predict an annual rate of increase, the survey points out.

Since the last Wyatt survey in 1980, fiduciary liability insurance costs have declined an average of about 28%. The reduction has been greater on high-limit policies and lower on small policies.

However, the tendency by many corporations to increase policy limits because of the competitiveness of the market has offset in part the savings they would have realized from lower insurance rates.

Despite the bad news about a speedup in fiduciary liability claims, employers could take heart in a leveling of the rate of increase of new directors and officers liability actions. Wyatt predicts only a 6.7% increase in D&O claims this year over 1981 (*BI*, Nov. 22).

"While D&O claims continue to outnumber fiduciary claims by about 5 to 1, the frequency inflation rate of fiduciary claims is presently higher than D&O claims," according to the report.

The Wyatt survey focuses on corporate benefit plans and does not reflect the experience of multiemployer organizations. The incidence of fiduciary liability claims would be even higher if such policyholders were included, the survey suggests.

The vast majority (92%) of fiduciary liability claims were brought by employees or their families against a current or former employer. Denial of benefits was the most frequent allegation (52%), followed by the charge of an administrative error (25.8%).

Employers may be doing a better job of explaining benefits, however. Only 14.4% of the reported claims involved communication of plan benefits, a drop from 20% two years ago.

Other circumstances giving rise to claims included reduction of plan benefits (5.2%), termination of plans (5.2%), merger of plans (3.1%), making a loan (2.1%) and transaction with party in interest (2.1%). Nearly 20% of the claims fell into the miscellaneous category, suggesting that a very wide variety of circumstances surround fiduciary liability claims.

The likelihood of a claim rises sharply with the size of the business and the size of its benefit plan. The percentage of companies reporting claims ranged upward to 10.2% for those with more than $1 billion in assets from 1.3% for those in the $25 million-to-$100 million category.

Not a single claim was reported in the 1982 survey among the 258 participant companies with total assets of under $25 million. There were only three claims pending among 573 participants with plan assets of under $5 million.

While frequency of claims appears to be a function of company and plan asset size, the same is not true of the severity of fiduciary claims. Large claims and their associated legal costs appear without any particular pattern among organizations whose plan assets exceed $5 million.

Wyatt calculates the average claim-loss cost to be $10,800. This excludes one jumbo claim that was settled for more than $20 million.

"The large claim settlement indicates the potential liability of fiduciary claims," the survey authors point out.

Based on the current disposition of reported claims, Wyatt predicts that 52% of them will close without payment, another 35% will close for less than $20,000 and the remainder will be settled for more than $20,000.

Employers defending such claims also can expect to pay an average $33,500 in legal costs based on survey data for 63 of the 97 reported claims. The highest defense cost paid was $500,000. The report does not say whether this cost was incurred by the same employer who paid the $20 million claim.

Almost 80% of the survey participants buy insurance to protect against fiduciary liability. Nearly 63% carry separate fiduciary liability insurance, 14% buy the coverage as an endorsement to a D&O policy and 3% obtain an endorsement to another policy.

Fiduciary liability insurance should not be confused with related types of coverage, the survey authors stress:

- Fidelity insurance is required by law and reimburses the plan and its beneficiaries for losses due to dishonesty of the plan trustees or administrator. It does not protect the trustees against legal liability claims.
- Employee benefit liability policies or endorsements to general liability policies respond to errors and omissions in the administration of a plan, but do not cover all situations of fiduciary responsibility.
- Trust surcharge liability policies are purchased by financial institutions to insure against fiduciary liability exposures related to customer business.

Of the 1,572 participating companies protected by fiduciary liability insurance, 554—about 35%—carry limits of $10 million or more compared with 27% in 1980. Thirty-five companies this year, compared with 14 in 1980, report limits of $40 million or more. The highest limit was $100 million.

Sixty-seven of the 97 reported claims were covered by insurance, about 5% more than in the 1980 study.

There was a significant shift to first-dollar coverage among this year's survey participants. Nearly 34% said their coverage carries no deductible compared with about 10% in 1980. Another 60% reported deductibles of $1,000 or less.

Among the 282 companies using the D&O policy as the vehicle for covering fiduciary liability, about one-third indicated that the same deductible applied to both D&O and fiduciary liability claims. At least one company reported t the deductible for any directo officer was the same, but the ductible for any other emplo covered under the fiduciary lia ity section of the policy was $1,0

American International Gr and Aetna Casualty & Surety continue to dominate the fiduci liability insurance market wit combined market share for b primary and excess coverage 55%, a decline of 9% since 19 Chubb Corp. fulfilled Wyatt's 1 prediction by becoming the thi ranked fiduciary liability insu by estimated premium volume, f lowed by Lloyd's of London a MGIC Indemnity Co.

Northbrook Excess & Surplus l surance Co. continues to lead t list of excess fiduciary liability i surers, although its primary bo of business is quite small a pushes it down to the sixth spot the combined rankings.

Canadian companies with d mestic operations have only minor common law exposure to f duciary liability because Canac does not have a law comparable ERISA.

Many Canadian companies hav found it possible to insure the U.S. operations against fiduciary l ability under their general liabilit or conventional D&O program without a significant additiona premium charge.

More group life

The amount of group life insurance purchased in the United States in September rose to $23 million, a 25.1% increase compared with the same period in 1981.

During the first nine months of 1982, group life insurance purchases totaled $164 million, an increase of 10.4% from 1981, according to the Life Insurance Marketing & Research Assn. ■

The climb in fiduciary liability claims

Number of covered employees	Number of participating employers	Number of claims	% of employers with claims 1982	1980
Under 2,501	1,114	12	1.1%	0.8%
2,501 - 10,000	476	30	6.3%	4.0%
10,001 - 25,000	181	29	16.0%	10.4%
Over 25,000	130	26	20.0%	10.9%

Source: 1982 Wyatt Co. survey

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Circulation Breakdown*

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Administrative Management: owners, presidents, vps, etc.	6,497
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,634
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,948
Government, Associations, Unions, Educational Institutions	1,004
Commercial Consumers Sub-total	**23,083**
Insurance Agents & Brokers	9,629
Insurance Cos.	4,944
Financial Institutions	314
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,408
Others allied to the field	854
TOTAL	**41,232**

*Source: Business/Occupational breakdown of qualified circulation, May 3, 1982 issue, as submitted to BPA for June 1982, BPA Publisher's Statement.

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...IF funds tapped

...inued from page 2

...he governor asked if we felt ...taking $81 million from SAIF's ...us would affect its solvency," ... Oregon Insurance Commis...er Josephine Driscoll. "Their ...ings are at a 1-1 ratio, and we ...that the fund could go to a 3-1 ... and still be solvent."

...Governor Victor Atiyeh vowed ...he special legislative session ...he will veto any more tapping ...AIF's surpluses.

...While Mr. Randall agrees with ...missioner Driscoll that the ...sfer won't disrupt SAIF, "re...al of these funds would have ...dverse effect on our ability to ...pete and on our credibility," he ...

...n top of the fund transfer, a ...t legislative interim task force ...posed that SAIF surplus levels ...uld be set, that SAIF should not ...allowed to use subsidiary com...ies to give preferred rates to the ...t risks and that the board of ...ectors be eliminated. The task ...ce also is to comment on SAIF's ...ure as a quasipublic entity.

...Complaining that these proposals ...uld prevent SAIF from compet... with other insurers, officials of ...IF resigned recently. Among ...m were President and Chief Ex...tive Officer Charles B. Gill Jr. ...d vice presidents in charge of the actuarial and underwriting division, claims and legal division, corporate and employee relations and the chief financial officer.

SAIF's five-member, governor-appointed board, meanwhile, is pursuing a lawsuit it filed in Marion County Circuit Court to stop the $81 million fund transfer.

Fast on the heels of that complaint came counter-litigation from Oregon Attorney General Dave Frohnmayer. He was able to get a judgment that SAIF, as a state agency, must rely on Attorney General Frohnmayer's office for legal services.

But SAIF's board believes the attorney general, who had already said he favored the fund transfer, "has an inherent conflict of interest." On Oct. 25, the board appealed the ruling on legal services to the Oregon Court of Appeals.

A key question in the transfer is the status of SAIF, a monopolistic state agency until 1965 when Oregon moved to a three-way workers compensation system, including the state fund, private insurers and self-insurance.

From that point, SAIF gradually became more autonomous and more like a private insurance company. In 1979, it became an independent public corporation, a hybrid combining qualities of public and private entities.

SAIF, because of its public characteristics, is spared some of the taxes private companies must pay, but on the other hand has its own board of directors, pays premium assessments to the state and hires its own non-state employees.

In the last couple months, SAIF also has come under fire by the local media.

The Oregonian newspaper in several issues in October said SAIF has solicited to write workers compensation risks for out-of-state companies in apparent violation of the legislative intent that SAIF only serve Oregon business; that two former SAIF auditors were fired when they became too aggressive in exposing underpayment of premiums by major logging firms with a lot of political clout and that it frequently paid commissions to both its own salaried employees and outside brokers for sales of the same policies.

SAIF officials responded in the newspapers that there were instances in which a major portion of SAIF policyholders' work forces were situated outside Oregon but they were authorized to write the business. SAIF also admitted that in some cases there was an overlapping of broker commissions when disagreements arose over who should be paid for the business.

Concerning favorable treatment of big clients, SAIF officials said there were valid reasons for excusing or reducing debt claims found in audits.

Governor Atiyeh now has ordered a special task-force to probe SAIF's operations, specifically so-called "sweetheart" deals.

SAIF's concern over the transfer of some of its surplus funds to the state general fund is shared by the American Assn. of State Compensation Insurance Funds, which coincidentally held its 40th annual business meeting in September at Oregon's Gleneden Beach.

According to the group's Chairman and President Glen Adams, Colorado's fund manager, the association unanimously resolved to be "unalterably opposed to the appropriation and confiscation of workers compensation insurance trust funds for any purpose, however noble, that is not in the interests of policyholders."

Situations similar to the tapping of SAIF's surplus have arisen in other states.

"Our sordid story began in 1976," relates Floyd Lugenbill, manager of the Michigan State Accident Fund.

That state fund had been autonomous, but in 1976 Michigan's attorney general issued an opinion that the accident fund is a state agency, and, therefore, should turn over all its real estate and other assets to the state.

The accident fund refused and the question slid until last May when the insurance commissioner was ordered to reclassify all accident fund employees as state workers.

The litigation that followed resulted in a two-part court ruling: first, the assets of the fund belong to the policyholders; and second, the accident fund is a state agency, so its workers should be state employees.

In New York, two suits are pending to stop implementation of a law signed by Governor Hugh Carey in April authorizing transfers from four state insurance funds (*BI*, April 19).

The legislation authorizes the transfer of $190 million from the State Insurance Fund, $87 million from the Property and Liability Insurance Security Fund, $50 million from the Aggregate Trust Fund and $67 million from the Stock Workmen's Compensation Security Fund.

The American Insurance Assn. and a host of other insurance industry plaintiffs are suing in New York Supreme Court for County of New York to stop the later three transfers.

In addition, Methodist Hospital of Brooklyn also has sued in the same court to stop the $190 million transfer. The state insurance fund has sided with Methodist Hospital in the suit. ■

...NAIC likely to adopt risk retention bill

...ntinued from page 2

...der the NAIC model bill, risk re...ntion groups could not cover ...me risks defined as product lia...lity in the federal act, or in other states, for that matter.

For example, under the federal law, a risk retention group can cover property damage arising out of the manufacture of a product. By contrast, in Delaware damage to a product itself rather than damage caused by a product is considered property damage, not product liability. This difference already has delayed certification of a risk retention group set up by a national home builders association (*BI*, June 28).

In a brief analysis to justify its position, the NAIC says its proposal to make state definitions of product liability apply is an attempt to balance what it believes are two conflicting provisions in the Risk Retention Act.

While one provision in the Risk Retention Act broadly defines product liability, another provision says the Risk Retention Act shall not interfere with state tort law, the NAIC says.

Mr. Schwartz, though, doesn't see a conflict. He says the broad definition of product liability only preempts state law to the extent necessary to faciliate the formation of risk retention groups. It has no effect on a state's tort law.

The NAIC also included in its latest draft bill the previously criticized provision that every policy an insurance agent places with a risk retention group should carry the warning in "not less than 10-point bold red type" that risk retention groups are not protected by a state's guaranty fund.

Mr. Schwartz has said that under the Risk Retention Act, states only could require such a warning if similar warnings also are required for other kinds of insurance policies.

Since all states do not require a "no guaranty fund" warning to be placed on excess/surplus lines policies, such a warning would discriminate against risk retention groups, a violation of the 1981 federal law, Mr. Schwartz says.

However, William Pugh, a Media, Pa.,-based consultant to the NAIC, says more states are requiring such warnings on excess/surplus lines policies.

The latest draft of the NAIC risk retention bill also makes it clear that states should treat a risk retention group just like an "insurer." An earlier version was ambiguous on whether risk retention groups could be treated differently from commercial insurers.

As a result, under the new draft, states would be free to pass laws, like Vermont's, that set lower capitalization and other requirements for risk retention groups than for commercial, multiline insurance companies that issue policies to the general public.

Other portions of the NAIC model bill repeat sections of the federal law that Congress passed in 1981 to make it easier for manufacturers and wholesalers to set up self-insurance groups, called risk retention groups, or purchase product liability insurance as a group, called a purchasing group. The federal law protects both groups from certain restrictive state regulation.

The act, which received widespread support in the 1981 vote, allows companies that receive an insurance charter in Bermuda, the Cayman Islands or any state to operate as a risk retention group as long as they meet the insurance capitalization requirements of at least one domestic state.

Risk retention groups can only cover member-owners' risks and cannot insure the public.

Recently, the National Assn. of Wholesaler-Distributors tapped the act and set up a purchasing group to provide general liability coverage, including product liability coverage, to its members (*BI*, Nov. 15). No risk retention groups are operating yet. ■

Resignation at Minet ...nnerves Londoners

...ontinued from page 2

...aithfully," Mr. Wallrock said in a ...ublic statement after his resigna...ion.

Mr. Wallrock held a minor per...entage of what he said he was in...ormed would be a "very compli...ated" reinsurance arrangement ...with P.C.W. and W.M.D. "Before ...participating, I was assured that ...his proposal had been approved by ...both lawyers and accountants pos...sessing specialized knowledge of Lloyd's practice," he said. He added he has no detailed knowledge, however, of the reinsurance program in which he participated for eight years.

Mr. Wallrock did not tell the Minet board of directors of his interests until after the two underwriting agencies became the target of investigation by Lloyd's of London, the Department of Trade and the City of London police fraud squad. The investigations were prompted by reports from Alexander Howden Group P.L.C. regarding a $40 million reinsurance program for the Minet agencies.

Mr. Wallrock has pledged his cooperation in the investigations.

Ray Pettitt has been appointed chairman and chief executive of Minet. Simon R. Arnold is now group managing director and continues in his post as chairman of J.H. Minet Co. Ltd.

Two of Minet's main shareholders have apparently been taken by surprise at this latest announcement.

Robert Corroon, chairman and chief executive officer of Corroon & Black Corp., which owns 20% of Minet, flew into London just before Mr. Wallrock resigned. He did not return calls *Business Insurance* made to him at the Minet offices.

"We were surprised at this latest incident," said Jim Boudreau, treasurer of The St. Paul Cos. Inc., which also owns 20% of Minet. When troubles broke out several weeks ago at Minet, St. Paul made inquiries but no one at Minet told St. Paul that Mr. Wallrock was in any way involved, said Mr. Boudreau. In fact, at that time, Mr. Wallrock had taken control of the entire affair.

"To the best of my knowledge, we did not know of Mr. Wallrock's involvement," said Mr. Boudreau, "and we were surprised."

Mr. Boudreau says he is "not enthusiastic" about the recent events at Minet. He adds, "We took an investment position when we bought Minet shares and I do not think this will be affected over a period of time." ■

Connecticut's verdicts drop

SOLON, Ohio—The size of injury verdicts in Connecticut is declining, bucking the nationwide trend of higher verdicts, a research firm here says.

According to Jury Verdict Research Inc., verdicts in Connecticut average 1% below the national average. Previously, verdicts in Connecticut exceeded national norms by 15%.

The researchers also found:

In Kentucky, where average verdicts had been 4% below the national norm, average verdicts are now 11% below this norm. All five jury verdicts exceeding $1 million have been awarded, however.

In Oregon, awards in personal injury cases exceed the national average by 10%, although only in the last five years have awards exceeding $1 million been made. ■

Insurers face cash-flow squeeze

Continued from page 3
ing losses, less investment income growth and flat premiums are putting a damper on the industry's fierce rate-cutting fever, analysts say. Many companies are caught in the cash-flow squeeze predicted by analysts earlier this year (*BI* April 5, May 24, Aug. 30). "Cash flow is definitely plummeting, and it will be worse next year," observes Mr. Rosenthal of Morgan Stanley.

But, insurers are too fearful of losing business to hike commercial rates significantly. "A lot of companies are pushing for it but if they start to lose business, they don't follow through," says Michael A. Lewis, vp and financial stock analyst at E.F. Hutton & Co. Inc. of New York.

Mr. Lewis and others agree that multiline insurers now are hiking rates across-the-board for personal auto and homeowners insurance, which will help them slow operating declines during 1983.

All this leads to the forecast for commercial insurance buyers: Although the days of slashing bargain-basement renewal rates may be drawing to a close, no dramatic hikes are visible. And buyers should continue to monitor the financial solvency of their insurers.

"Staying on the road we're on now makes some insolvencies a real probability," says Fred R. Macon, executive vp of the Insurance Services Office, an industry-wide data-gathering and rate advisory organization.

BI ticker

Insurance company executives appear to agree that rates are bottoming out.

"The ferocity of price competition will abate but not disappear," William O. Bailey, president of Aetna Life & Casualty Co., told insurance agents during a Nov. 4 meeting in Boston. Mr. Bailey says insurers probably are permanently adjusted to the concept of "total-return pricing" rather than traditional underwriting profits. Under the total-return theory, an insurer attempts to more than balance any underwriting losses with investment income or profits from fee-based services.

"What I have said before a couple of small groups recently is that I see rates have bottomed out, but I don't see them going up," John R. Cox, who heads property/casualty operations at CIGNA Corp., said in an interview.

Mr. Cox says insurers are always competing on selected accounts, pricing their product below cost.

"They've been giving it away on every account for the last few years," he says. "That's not happening as much anymore." But Mr. Cox says any change in pricing competition is already too late to turn around insurers' 1982 results.

"We are saying that we have not seen signs yet that any change is taking place," says P. Adger Williams, a vp and actuary at The Travelers Corp., who is the company's liaison with investors. "If there are signs, they are so slim that we don't see it as anything firm," added Mr. Williams, the incumbent president of the American Academy of Actuaries.

"Many of the buyers are realizing that security is a little more important than price," says Gavin H. Arton, a vp of investor relations for American International Group Inc. Mr. Arton says AIG executives are somewhat optimistic about a trend towards less rate cutting. "But there is still some suicidal stuff going on out there."

Trying to predict the year-end results of property/casualty insurers, analysts are studying how much underwriting losses can be shielded from the bottom line by tax benefits and whether insurers will be forced to add to their loss reserves during December.

The third-quarter results at Aetna focus on the tax issue.

Aetna posted the sixth largest quarterly operating gain, up 10.4%, due to its controversial decision to book as an asset $203.3 million worth of tax-loss carry-forwards (*BI*, Nov. 8).

Without the benefit of the tax-loss carry-forwards, Aetna officials acknowledge, operating earnings would have been $169.1 million for the nine months, down 46%. Such a result would have ranked Aetna No. 23 among the surveyed insurers, instead of No. 6. Aetna executives note, however, that had they abandoned the accounting technique they could have adjusted their investment portfolio to reduce substantially the resulting earnings decline.

Use of the tax-loss carry-forward accounting rules allow Aetna and other insurers to shave the underwriting peaks and valleys from their operating results. In effect, Aetna gains earnings for the present, but may sacrifice earnings when the underwriting outlook improves.

"At many companies, underwriting losses are now at a record level, but tax credits have shielded the bottom line from the full impact of underwriting losses," says Ernest G. Jacob, a senior analyst at Alex. Brown & Sons, the Baltimore-based stock brokerage.

Executives at The Travelers Corp., a fellow Hartford, Conn.-based company and competitor of Aetna's, say they are trying to avoid having to record large tax-loss carry-forwards on their balance sheets and instead are offsetting underwriting tax benefit purchasing more taxable inv ments.

"We suspect much attention be paid to the industry's tax p tion over the next several q ters," says analyst Myron L. coult, a vp of Oppenheimer & in New York who follows ins ance stocks. Mr. Picoult sugg the tax position of Crum & For may have contributed to its d sion to accept friendly acquis by Xerox Corp.

"Most insurers are adding t able investments to their portfo because of the cyclical buildup underwriting losses that can used to offset taxable investm income," adds Denis J. Callaghan first vp at Dean Witter Reyno Inc., which, like the Allstate Ins ance Cos., is owned by Sears, R buck & Co.

Senate Finance Committ Chairman Robert Dole, R-Ka also is interested in the tax top On Oct. 6, he asked the Gen Accounting Office to prepare a r port on the taxation of pro erty/casualty insurers in conjun tion with the panel's work on li insurer taxation.

Continued on facing pa

Model fire safety law is under study

By DOUGLAS McLEOD

NEW YORK—Little action has been taken by state legislatures to strengthen fire safety laws since the 1980 MGM Grand Hotel fire, several state legislators agree.

But a tough New York City fire safety ordinance may serve as a model for similar legislation across the nation.

The suitability of New York's Local Law 5 was the subject of a recent hearing sponsored jointly by the Conference of Insurance Legislators and the National Legislative Conference on Arson in New York.

The hearing was part of the 14th annual meeting of COIL, an organization of state legislators who deal with insurance matters.

A COIL task force will review Local Law 5 to decide if the law or any of its provisions should be used in drafting model fire safety legislation. If COIL as a whole approves model legislation, it will then be up to the individual COIL members to pursue the draft law with their respective insurance departments and legislatures.

Last year, COIL approved model legislation that would have made payment of fire insurance claims contingent upon the insured's compliance with building and fire codes. This model law ran into stiff opposition from the insurance industry, according to Sen. Wilson, and has not gone beyond the draft stage in any state.

Several witnesses at the Nov. 11 hearing stressed the need for stricter fire codes.

Only "limited progress" has been made in combating the danger of high-rise building fires in the last decade, said John L. Jablonsky, a vp with the American Insurance Assn., who also testified on behalf of the Alliance of American Insurers and the National Assn. of Independent Insurers.

"We've reached an 'acceptable' level on fire deaths, and there's not a heck of a lot going on to do something about it," Mr. Jablonsky said.

Missouri state Sen. Truman E. Wilson, D-St. Joseph, said that while the MGM fire and Kansas City Hyatt Regency Hotel skywalk collapse have prompted the Missouri Legislature to look at new ideas for building safety codes, no action has yet been taken.

"We are still guilty of passing the buck," said Indiana Rep. Carolyn B. Mosby, D-Gary.

Rep. Mosby added, however, that the Indiana Legislature did pass some new fire safety laws in the 1981 session, partially in response to the MGM fire.

These new rules require smoke detectors in all hotels and motels without sprinkler systems; emergency exit signs in all hotels, motels and apartment buildings with more than three units and elevators that automatically return to the ground floor in case of fire in all mercantile buildings.

A new rule also established penalties for the intentional blocking of emergency exits.

New York's Local Law 5, passed in 1973 and applied retroactively to all office buildings over 100 feet high, requires that the buildings have:

- Elevators that return to the ground floor automatically in case of a fire.
- Fire containment walls or complete sprinkler systems.
- Two-way alarm communication systems.

The law also sets forth requirements for smoke venting, emergency signs and smoke detectors.

Only Nevada and the city of San Francisco have fire codes comparable in scope to Local Law 5, according to New York state Sen. John R. Dunne, R-Long Island, the outgoing COIL president.

Undermining the intended effect of such laws is the problem of enforcement, several of those attending the hearings agreed.

In New York, only 176, or 20%, of the 852 office buildings covered by Local Law 5 are presently in full compliance with the law, reported Irwin Fruchtman, commissioner of the city's building department. Owners of an additional 311 buildings are in the process of making improvements, and work permits have been issued for another 178, Mr. Fruchtman said.

This compliance record is "not satisfactory but not bad," Mr. Fruchtman said, considering the size of the problem in New York City.

But Mr. Jablonsky said enforcement of the law had been "sidetracked and delayed." He added that lack of adequate enforcement of such laws and public apathy to fire safety were the two biggest roadblocks to an early solution to the problem.

Sen. Wilson said that insurance companies and legislators have "failed miserably" in convincing the public of the need for strict fire safety regulations and in the enforcement of existing regulations, especially against arsonists. ■

Insurer promotes health tests

HARTFORD, Conn.—Screening employees on the job for high blood pressure can promote good health and may help contain health care costs, The Travelers Corp. says.

Each case of high blood pressure brought under control through early detection saves an estimated $260 annually in medical costs, says Michael J. Manley, director of product development and promotion in The Travelers group department.

Under one screening program conducted under The Travelers' guidelines, 17% of tested employees were referred to physicians for further testing. Half of the employees referred were found to have high blood pressure, a common but serious health problem. ■

nued from facing page

roperty and casualty companies sell
products similar to those sold by life
ance companies and are often affiliated
life insurance companies, but they are
l in a substantially different manner,"
Dole said in a statement.

iother factor which will affect insurer
ts in 1982 and 1983, analysts agree, is the
nt to which companies must supplement
loss reserves at year-end or next year.
the analysts don't reach similar conclu-
s on this question.

surers reserve funds to pay future losses,
on reported claims and incurred-but-
reported claims. Any addition to reserves
ices operating income during the quarter
additions are made.

surers use complicated formulas to de-
ine to the satisfaction of their own ac-
ies and state regulators what their re-
es should be. Inflation is a key factor af-
ing these calculations.

uring times of rapid inflation, such as
ing the last decade, insurers must calcu-
reserves assuming the future loss ex-
ses will be inflated along with the rest of
economy. A period during which the rate
nflation is declining, as over the last few
nths, could result in overreserving by in-
ers, the analysts say.

'Reserves are looking a little lean, more so
n a year ago," says Mr. Jacobs, analyst at
ex. Brown & Sons. "But it will turn out not
e a problem area if inflation stays down."

Mr. Jacobs believes any reserve strength-
ng by insurers can be postponed into 1983.
t he cautions that one factor could change
picture—the effect of asbestos liability on
surer reserves. An unfavorable ruling by
U.S. Supreme Court could force insurers
th asbestos exposures to add to their re-
rves for such losses if they haven't been
serving on a worst-case basis.

While deflation could add to the real value
reserves, competitive rate cutting is result-
g in lower reserves being established.

Reserves traditionally have been estab-
hed on the basis of premiums written on
e theory that premiums reflect the risk as-
med by the insurer. But what happens
hen "units of exposure" are rising faster
an premiums? Some analysts fear insurers
e failing to account for the effect of rate
mpetition in their reserving formulas.

"My concern on all these companies is
hen they're going to take a bath on the re-
erves (to correct for this problem)," says Jo-
eph H. Dowling, first vp at Drexel Burnham
ambert Inc.'s Westport, Conn., office.

"Reserves continue to weaken," says Rob-
rt V. Brokaw Jr., a senior analyst at Mabon,
Jugent & Co. in New York. "People continue to relate the incurred-but-not-reported losses to the growth in premiums, instead of to liabilities."

Who were the big winners and losers in the third quarter and first nine months of 1982?

CIGNA Corp., with the largest property/casualty premium volume of any insurer, continued to chip away at its shocking first-quarter operating decline of 49.3%. Its third-quarter after-tax operating income of $154.7 million was a decline of only 12.2% from the combined results of INA and Connecticut General in 1981.

CIGNA's operating decline was still almost double the average 5.4% operating income decline posted in the third quarter by the 25 companies surveyed. And the improving nine-months operating income wasn't enough to notch CIGNA any higher than its No. 18 first-half finish.

Biggest third-quarter gainers in operating income were CNA Financial Corp. (up 33.4%), SAFECO Corp. (27.0%), the St. Paul Cos. (24.6%), General Re Corp. (21.7%) and American International Group Inc. (16.2%).

St. Paul's result prompted one analyst to upgrade his rating of the midsized property/casualty insurer and forecast strong earnings next year. General Re said its result was just a recovery from an uncharacteristically bad second quarter.

At nine months, the biggest gainers in operating income with double digit gains were American International Group (20.8%), General Re (18.2%) and American General Corp. (16.6%).

The Home Group Inc., which was No. 1 in operating gains at the end of June, dropped to No. 10 at nine months as the effect of underwriting losses overshadowed the one-time gain on the sale of Seaboard Surety Co. to St. Paul that boosted the first half.

The largest decline in operating income for nine months was registered by Royal Group Inc., the U.S. operations of the large British-based insurer. Royal said its net operating income plummeted to $200,000 from $32.7 million for the nine months a year earlier, a 99.4% drop.

Other declines in operating income at nine-months were reported by Fremont General Corp. (88.8%) and Hartford Steam Boiler (76.5%).

Royal reported that its underwriting losses more than doubled, up 107%. Other insurers reporting underwriting losses for nine months had more than doubled losses at nine months in 1981 were General Re Corp., Mission Insurance Group Inc., SAFECO Corp., Reliance Insurance Cos., Kemper Corp., Crum & Forster, CIGNA Corp., The Chubb Corp. and USF&G Corp.

Two others who had previously reported underwriting profits—Ohio Casualty Corp. and Fremont General Corp.—posted negative underwriting results at nine months. Ohio Casualty went from a $667,000 gain for the first nine months of 1981 to a $38.5 million loss. Fremont General, the California-based workers compensation specialist, went from a $42,000 gain to a $41.9 million loss.

The two flip-flops leave only AIG and specialty insurer Hartford Steam Boiler with an underwriting profit among 25 companies reporting. AIG reported a profit of $26.6 million, down from $53.7 million for the same nine months of 1981. Hartford Steam reported a $740,000 underwriting profit for the first nine months, compared with 8.6 million in the first nine months of 1981.

At the end of 1981, four companies were still showing underwriting profits—General Re, Ohio Casualty, Fremont and SAFECO.

Two insurers, however, reported lower underwriting losses at nine months in 1982 than in 1981. They were American General Corp. and The Home.

The highest combined ratio at nine-months was reported by Fremont General Corp., with 121.3%. CNA Financial Corp. was second at 118%, followed by Commercial Union Insurance Cos. at 117.1% and The Home at 114.9%.

Only six of surveyed insurers reported double-digit gains in new written premiums for the nine months. They were Kemper Corp. (16.4%), American General (15.8%), Royal Group (14.2%), Reliance (12.8%), AIG (11.3%) and Commercial Union (11.1%). Such growth is not always a sign of good financial health, warn analysts, if insurers are writing poor risks at below break-even premiums.

Aetna Life & Casualty Co., apparently still suffering from its announced attempt to raise rates last year, reported a 7.4% decline in premiums written for the nine months—the largest decline of the 26 companies checked. Other net declines were posted by Mission (5.3%), The Hartford Insurance Group (3.9%), Fremont General (3.9%), CIGNA Corp. (3.4%), USF&G Corp. (2.3%), CNA Financial Corp. (0.6%) and SAFECO Corp. (0.3%).

Five insurers reported investment income gains of more than 20% for the first nine months of 1982 compared with 1981: The Home (23%), Reliance Insurance (22.1%), CNA (20.9%), Fireman's Fund (20.3%) and Commercial Union (20.1%). Twelve insurers reported investment income growth below 10%.

Complete financial results are not available for all companies surveyed by BI.

British-based Commercial Union Assurance Co. P.L.C. doesn't report operating results for its U.S. subsidiaries, Commercial Union Insurance Cos.

Old Republic International Corp., the Chicago-based parent of Old Republic Insurance Co., which writes workers compensation and related coverage on mining operations, releases only certain information in quarterly shareholder reports.

In a Securities and Exchange Commission quarterly report filed two weeks ago, Old Republic reported a 7.2% gain in operating income to $32.6 million and a quarterly gain of 1.2% to $11.9 million. Net premiums earned for the nine months totaled $221.6 million, an increase of 36.2%, and $76.1 million for the quarter, up 37.1%. Net investment income for the nine months was up 1.4% to $52.9 million; for the quarter it was down 1.0% to $17.7 million. The company does not reveal its combined ratio or underwriting results in the SEC report.

The results of two major property/casualty insurance companies which are mutuals also are not contained in the *BI* chart.

Only one major commerical property/casualty insurer, Wausau Insurance Cos., declines to release any quarterly underwriting results. The results of individual companies under the Wausau umbrella are reported to state insurance departments.

A second mutual company, Liberty Mutual Insurance Co., says its figures are not comparable with those of public stock companies because its figures are prepared according to statutory accounting principles for state insurance departments and not according to generally accepted accounting principles used for investor-owned companies.

For the first nine months of 1982, Liberty Mutual reported net premiums written of $2.2 billion, up 1.5% from the same period a year earlier, and a pretax underwriting loss of $251.0 million, up 45.4% from the same nine months of 1981. Pretax investment income rose 21.8% to $366.8 million. Liberty Mutual's combined ratio for the nine months was 117.0, up from 113.4. ■

British Issues

23 Nov Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	128	21.3	16.86	13.2	129—	126
Eagle Star	330	11.8	21.43	6.5	340—	330
Genl Accident	346	11.5	23.21	6.7	350—	346
Gdn Royal Exch	358	9.1	25.00	7.0	360—	358
Phoenix	300	11.5	24.00	8.0	302—	300
Royal	432	10.5	10.70	8.4	437—	432
Sun Alliance	870	12.4	12.10	7.1	875—	865
Brokers						
CE Heath	295	8.4	18.71	6.1	320—	295
Hogg Robinson	98	7.5	8.57	8.7	99—	98
JH Minet	100	8.3	5.43	5.4	112—	100
Sedg Grp	190	10.9	8.57	4.5	199—	190
Stenhouse Hldg	98	8.7	7.28	7.4	100—	98
Stew Wrightson	215	7.7	18.57	8.6	225—	215
Willis Faber	483	12.1	21.43	4.1	500—	483

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

BI Industry Stock Report

NOV. 22, 1982 11/17/82 THRU 11/22/82

Insurance Cos.		Price	% Chg	P E	$ Div	% Yld	High	Low	Vol. (000)
etna Life & Cas Co	NYSE	40.00	-6.4	6.5	2.52	6.3	43.50	40.00	1,306.7
erican Bankers Ins Group	OTC	10.25	-7.9	8.0	0.50	4.9	11.13	10.25	133.3
erican Gen Ins Co	NYSE	56.38	1.8	7.8	2.20	3.9	57.00	56.38	381.1
erican Indty Finl Corp	OTC	19.63	18.0	15.0	1.12	5.7	19.63*	17.00	39.6
erican Intl Group Inc	OTC	80.75	-1.5	11.9	0.24	0.3	82.50*	80.75	173.1
erican Natl Ins Co	OTC	14.88	2.6	6.6	0.84	5.6	14.88	14.50	36.2
erican Sts Life Ins Co	OTC	20.50	2.5	6.2	0.80	3.9	20.50*	20.50	4.9
neco Reins Ltd	OTC	3.00	-4.0	0.0	0.00	0.0	3.13	3.00	25.7
veaco Corp	AMEX	12.88	-2.8	7.4	0.58	4.5	13.00	12.88	5.7
anks Iowa Inc	OTC	43.00	0.0	10.5	1.48	3.4	43.00	43.00	1.0
ltco Corp	OTC	31.50	0.0	5.2	1.92	6.1	31.50	31.50	6.0
arolina Cas Ins Co	OTC	7.25	3.6	7.2	0.32	4.4	7.25	7.00	7.9
hubb Corp	OTC	52.13	0.5	8.4	2.92	5.6	52.50*	52.00	335.1
ombined Intl Corp	NYSE	27.38	0.0	8.2	2.00	7.3	28.25	27.25	86.3
ontinental Corp	NYSE	27.13	-2.3	8.6	2.60	9.6	27.88	27.13	318.3
rawford & Co	OTC	19.25	13.2	14.1	0.56	2.9	19.25*	17.25	16.0
rown Life Ins Co	OTC	79.50	0.0	5.2	3.10	3.9	79.50	79.50	0.0
rum & Forster	NYSE	51.75	-0.2	10.7	1.76	3.4	52.13	51.63	519.7
mployers Cas Co	OTC	32.00	3.2	14.5	1.20	3.8	32.00	31.00	7.3
quifax Inc	NYSE	25.63	4.6	13.5	1.32	5.2	26.00	24.50	25.3
xcelsior Ins Co	OTC	11.25	0.0	0.0	0.70	6.2	11.25	11.25	0.0
armers Group Inc	OTC	36.88	-2.6	10.2	1.24	3.4	37.88	36.88	55.6
oremost Corp Amer	OTC	38.50	2.7	11.7	1.12	2.9	38.50*	37.75	56.5
reat West Life Assurn Co	OTC	190.00	-4.5	15.5	10.00	5.3	199.00	190.00	0.0
anover Ins Co	OTC	35.00	0.4	5.2	0.88	2.5	36.00	35.00	43.6
artford Steam Boiler Inspctn	OTC	42.25	-1.2	9.0	2.80	6.6	42.50	42.25	9.1
efferson Natl Life Ins Co	OTC	40.00	1.3	11.2	0.76	1.9	40.50	39.50	37.6
emper Corp	OTC	39.50	-4.5	7.5	1.80	4.6	41.38	39.50	70.8
incoln Natl Corp Ind	NYSE	46.25	2.8	8.3	3.00	6.5	46.25*	45.00	90.5
lission Ins Group Inc	NYSE	27.25	-2.7	6.4	0.80	2.9	28.00	27.00	167.8
lationwide Corp Ohio	OTC	39.75	1.3	11.8	0.70	1.8	39.75*	39.25	0.1
orthwestern Natl Life Ins	OTC	24.63	-1.5	13.4	1.50	6.1	25.75	24.63	25.7
hio Cas Corp	OTC	48.63	6.9	9.1	2.36	4.9	48.63*	46.38	110.8
ld Rep Intl Corp	OTC	24.00	3.8	5.6	0.92	3.8	24.00	23.50	83.8
referred Risk Life Ins Co	OTC	24.38	0.5	7.2	0.92	3.8	24.38	24.25	1.6
rovident Life & Acc Ins Co	OTC	46.50	-3.1	7.1	2.44	5.2	48.00	46.50	87.3
t Paul Cos Inc	OTC	60.38	-0.4	7.5	2.60	4.3	60.75	60.38	232.7
afeco Corp	OTC	53.13	1.4	9.1	2.40	4.5	53.38*	53.13	397.4
ri Corp	OTC	35.00	-2.8	7.3	1.12	3.2	35.75	35.00	50.6
eibels Bruce Group Inc	OTC	27.38	0.0	20.1	1.00	3.7	27.38	27.25	51.0
tatesman Group Inc	OTC	6.88	-1.8	6.1	0.15	2.2	6.88	6.75	6.4
okio Marine & Fire Ins Co	OTC	94.25	6.2	7.5	0.92	1.0	94.25	89.75	1.9
ravelers Corp	NYSE	25.75	-1.9	7.0	1.64	6.4	26.75	25.75	479.7
nited Fire & Cas Co	OTC	31.75	0.0	8.3	0.88	2.8	31.75	31.75	0.0

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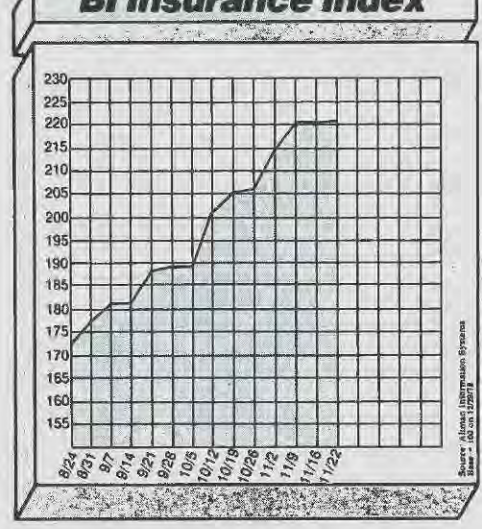
		Price	% Chg.	P E	$ Div.	% Yld	High	Low	Vol (000)
United States Fid & Gty Co	NYSE	39.63	-3.1	9.7	3.60	9.1	41.38	39.63	174.0
United Svcs Life Ins Co	OTC	19.38	-0.6	6.2	1.00	5.2	19.75	19.38	19.1
Usilife Corp	NYSE	23.38	0.5	5.1	0.88	3.8	24.25	23.38	249.6
Washington Natl Corp	NYSE	19.38	0.0	9.5	1.08	5.6	19.63	19.25	59.4
Zenith Natl Ins Corp	OTC	17.50	4.5	8.0	0.76	4.3	17.75	17.00	41.6
INSURANCE COMPANIES	AVERAGE			8.7		4.3			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	24.38	0.0	10.9	1.94	8.0	25.00	23.50	190.5
Baldwin & Lyons Inc	OTC	38.00	0.0	6.3	0.80	2.1	38.00	38.00	0.0
Corroon & Black Corp	NYSE	28.88	-0.4	14.2	1.80	6.2	29.13*	28.63	45.9
Crump E H Cos Inc	OTC	10.13	0.0	17.2	0.40	4.0	10.13	10.13	43.3
Emett & Chandler Cos Inc	OTC	10.13	12.5	33.0	0.00	0.0	10.13*	9.75	12.7
Hall Frank B & Co Inc	NYSE	31.00	8.3	13.4	1.70	5.5	31.63*	29.13	404.3
Integrated Res Inc	AMEX	31.88	-1.5	9.6	0.00	0.0	32.25	31.88	116.6
James Fred S & Co Inc	NYSE	33.25	0.0	16.8	1.60	4.8	33.25	33.25	423.9
Marsh & McLennan Cos Inc	NYSE	41.75	0.6	13.0	2.20	5.3	41.75	41.13	219.2
Penncorp Fincl Inc	NYSE	12.38	2.1	7.7	0.16	1.3	12.38	12.13	313.7
Poe & Assoc Inc	OTC	11.50	0.0	11.3	0.80	7.0	11.50	11.50	0.5
Reed Stenhouse Cos Ltd	OTC	12.75	-10.5	18.5	0.60	4.7	13.75	12.75	33.5
Rollins Burdick Hunter Co	OTC	24.25	0.5	20.0	0.00	0.0	24.25*	24.13	28.1
AGENTS/BROKERS	AVERAGE			11.7		3.9			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	64.75	-1.1	11.1	2.20	3.4	68.50	64.75	1,366.9
Anderson Clayton(Ranger/PanAm)	NYSE	24.00	1.1	6.6	1.32	5.5	25.38	24.00	49.7
Armco Inc	NYSE	16.50	-7.0	31.1	1.20	7.3	17.75	16.50	451.7
City Investing Co. (Home Ins.)	NYSE	28.75	0.9	8.9	1.70	5.9	29.88*	28.75	658.8
CNA Finl Corp (CNA)	NYSE	17.13	3.8	6.7	0.00	0.0	17.50	16.88	19.3
Control Data (Comml. Credit)	NYSE	36.63	-5.2	9.0	0.55	1.5	39.38	36.63	522.8
General Re Corp	NYSE	60.50	-3.2	13.3	1.08	1.8	62.75	60.50	163.6
Gulf Utd Corp	NYSE	25.75	1.5	9.0	1.32	5.1	26.13	24.63	386.0
Cigna Corp	NYSE	46.50	-3.6	6.8	2.30	4.9	48.25	46.50	395.2
ITT (Hartford Group)	NYSE	30.38	-4.7	6.9	2.76	9.1	31.88	30.38	975.8
Optimum Hldg Corp	OTC	7.50	11.1	7.2	0.00	0.0	7.50	6.75	9.4
Sears Roebuck & Co. (Allstate)	NYSE	29.50	-0.4	13.4	1.36	4.6	31.13	29.50	1,831.7
Baldwin Utd Corp	NYSE	46.50	2.5	9.1	0.88	1.9	48.13	46.50	402.0
Teledyne Inc (Argonaut)	NYSE	126.00	-4.7	7.6	0.00	0.0	132.88	126.00	525.9
Transamerica Corp (Occidental)	NYSE	21a50	-9.5	7.5	1.50	7.0	23.75	21.50	394.4
CONGLOMERATES/HOLDING COS.	AVERAGE			8.8		3.1			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

BI Insurance Index



The *Business Insurance* stock index rebounded to a new high during the week ending Nov. 23, closing at 222.6, up from 221.2 last week and up from a previous high of 222.5. Twenty-nine stocks gained, 26 reported losses and 12 were unchanged. The largest gains were reported by American Indemnity Financial Corp., 18%; Crawford & Co., 13.2%; Emett & Chandler Cos. Inc., 12.5%; and Optimum Holding Corp., 11.1%. The largest losses were reported by Reed Stenhouse Cos. Ltd., 10.5%; American Bankers Insurance Group, 7.9%; Armco Inc., 7%; and Aetna Life & Casualty Co., 6.4%. The 0.6% gain in the *BI* index bested the Dow Jones 30 Industrials and the New York Stock Exchange, which both declined.

"The Hartford will even do a Loss Control analysis before it quotes the business."

An interview with Bill Nebraska, Vice President, Loss Control Department, The Hartford.

Q. How can a Hartford prequote Loss Control analysis cut business insurance costs up front?

A. Our Loss Control professionals will research the company and help develop a program tailored to the situation. We'll show how The Hartford can help the company control losses. By coming in before we make a quote, we can explore ways of reducing losses up front to help customers control their insurance costs.

Q. What is the scope of The Hartford's Loss Control capability?

A. Our range of Loss Control services is one of the broadest in the industry. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing...you name it. And we're one of the few companies equipped to handle security and crime prevention.

We have the people, too–some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. Is that tremendous capability available to companies across the country?

A. Absolutely. We're ready to respond on an "as-needed" basis anywhere in the U.S. And we'll bring in whatever level of expertise the situation demands.

Q. Is it available to big risks on an unbundled basis?

A. Yes, through our subsidiary, Hartford Specialty. Some of the largest corporations in the country currently take advantage of The Hartford's Loss Control capability on an unbundled basis.

Q. It sounds like The Hartford has made a major commitment in the Loss Control area.

A. Yes. And an ongoing commitment. We're always trying to improve the scope and quality of our Loss Control services. For example, we recently doubled the size of our industrial hygiene lab and added sophisticated new equipment to increase our effectiveness in this key area.

Q. How can insurance buyers find out more about The Hartford's Loss Control capability?

A. By contacting their broker or independent agent who represents The Hartford.

Don't make a decision on business insurance without a quote from The Hartford.

YOUR Insurance Independent AGENT serves you most

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AUTO
LIFE

Let us protect your world. **THE HARTFORD**

The Hartford Insurance Group, Hartford, Connecticut 06115.