WEEK OF NOVEMBER 3, 1980

business insurance

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update:

Lloyd's to absorb most Sasse losses

LONDON—Sasse Syndicate members will be liable for only $15 million of the $51.5 million losses from U.S. and Canadian business in 1976-77, thanks to a new agreement with Lloyd's of London.

Lloyd's will use its reserves to meet the remaining $36.5 million, but that

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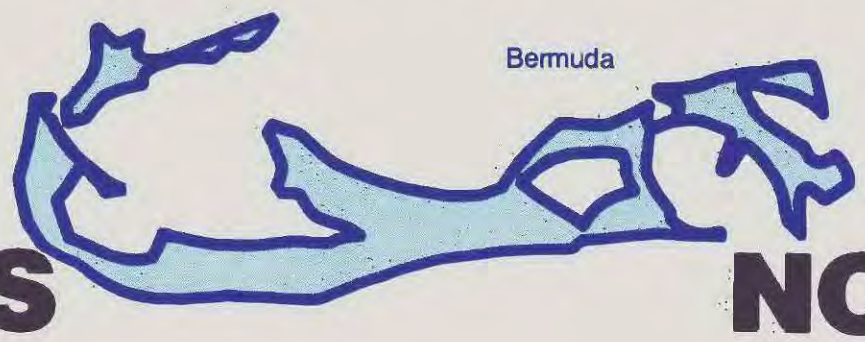
Captives



YES NO

Coal firms delve into black lung risk

By KATHRYN J. McINTYRE

PHILADELPHIA—Risk managers at 20 coal companies are digging into a project insurers have abandoned as a bad venture: underwriting black lung risks.

Fifty people from 20 major coal companies met here late last month to begin organizing a Bermuda-based mutual insurer that could develop into the largest group-owned captive.

Potential premium volume of Coal Operators Assurance Ltd. exceeds $100 million, says one broker close to the project.

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2 companies pull benefit prgrams

By JERRY GEISEL

WASHINGTON—Two major U.S. corporations have pulled ashore benefit programs reinsured through their Bermuda captive insurance companies.

Sambo's Restaurants Inc. of Santa Barbara, Calif., had been using its Bermuda captive, SAMCO, to reinsure group health and life benefits insured through Prudential. It now has switched all its group life and health insurance to Aetna Life & Casualty Co. following a Labor Department investigation.

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Court restricts policies available for latent injuries

By ELLIS SIMON

CINCINNATI—Insurance policies written over the years when workers handled asbestos are the only source of funds to pay today's claims for recently discovered diseases, says the federal appeals court here.

This is the highest court decision in the hotly contested issue of exposure versus manifestation theories for indemnification for long latent injuries.

In its decision Oct. 22 in INA vs. 48 Insulations Inc., the court chose the exposure theory. It rejected the theory favored by 48 Insulations that would prorate liability among all insurers from the time of exposure to the time of injury discovery.

INA, which prefers the manifestation theory, is expected to seek a rehearing or appeal to the Supreme Court.

The decision could have far-reaching implications for other manufacturers of products used years ago whose harmful effects are just appearing.

Manufacturers of the drug DES and other chemicals could find their insurance coverage for claims interpreted under this decision.

Manufacturers that bought lower limits of insurance years ago compared with higher limits purchased today or have already used up all their insurance from those years will suffer under this exposure theory. Others with good records of old insurers and available coverage will benefit.

One analyst says if the exposure theory is applied universally to other hazardous product liability cases, U.S. insurers would pay out $2 billion to $3 billion more annually in payments to their policyholders.

Under the exposure theory, the insurer who wrote the manufacturer's liability policy when a person was exposed to the hazardous substance is liable for claims. The manifestation theory says the insurer writing the liability policy when the disease is discovered must pay claims.

A combination of both theories, prorating liability from exposure to the discovery of injury, would

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Hospital controls save $3.1 billion

By DAVID SPERLING

NEW YORK—Proponents of state regulation of hospital costs have new ammunition to escalate their battle when legislatures reconvene next year.

A new study shows six states saved $3.1 billion in three years because of mandatory cost controls. Those statistics, coupled with predictions that health care costs will increase another 40% next year, could give legislators and lobbying insurers and benefit managers all the reinforcement they need for a cost-containment victory.

Many are saying more state regulation of hospital costs is now inevitable.

"Many states have no choice but to consider rate devices and rate controls," said Richard Merritt, staff director for human resources at the National Council of State Legislatures. The battle for and against rate controls will be "the paramount concern in state legislatures in 1981," he predicted.

Supporters of controls were encouraged by the study by Johns Hopkins Center for Hospital Finance and Management that showed mandatory controls imposed in New York, New Jersey, Connecticut, Massachusetts, Maryland and Washington apparently are working.

The study said in those six states hospital rates rose an average of 11.2% a year from 1976 to 1978. In

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Photo: Mary Cairns

Benefit story can be told in many ways

A good mime can tell a story without words. While benefit communicators might not want to go that route, they can follow the mime's example of clear, simple communication. The mimes at left performed at the *BI* Communicating Employee Benefits conference last week in Chicago. A conference report begins on Page 31.

NEWSPAPER

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Loss prevention plan doesn't convince insurer
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Outer space insurer launches rocketboat
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Lloyd's to absorb Sasse loss

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cost may be offset if Lloyd's wins lawsuits against its reinsurers, scheduled for U.S. court hearings in 1981.

Litigation is still being pursued against Instituto de Resseguros de Brazil, the Brazilian state-run insurance group, for between $17 million and $18 million, and against Lloyd's Meacock Syndicate for $3.3 million on quota-share reinsurance.

Sasse Syndicate members, facing near-bankruptcy, sued Lloyd's for help in meeting claims after complaining there were grave irregularities in some of its contracts for fire risks placed through Den-Har Underwriting Agency in Florida (*BI*, Feb. 11).

Besides paying claims for the fire risks, Lloyd's also will take over responsibility for computer leasing claim losses in 1977.

HMO closes permanently

HOUSTON—The permanent closing and liquidation of one of Texas's largest health maintenance organizations was ordered Oct. 28.

The injunction, ordered by state district court judge Tom Blackwell, places the 11,000-member Texas Prepaid Health Plan Inc. into receivership. The state board of insurance has begun liquidation procedures, seeking proof of outstanding debts.

"We are certain that liabilities will far exceed assets," said Patrick Cantilo, legal assistant in the insurance office liquidation department. He estimated outstanding debts at $3 million.

The insurance board has been investigating the financial stability of Texas Prepaid for several months. The HMO has been operating under a temporary injunction since Sept. 30 (*BI*, Oct. 27).

Bill to fight industry liability

SACRAMENTO—A new bill to overturn industrywide liability, a theory set by the California supreme court and recently upheld by the U.S. Supreme Court (*BI*, Oct. 20), will probably be introduced in the California general assembly early next year, said a spokesman in the office of assemblyman Alistor McAlister.

Mr. McAlister, chairman of the assembly finance, insurance and commerce committee, sponsored a bill (A.B. 3344) that would have prevented the landmark high court decision involving cancer victims of DES, the anti-miscarriage drug. The bill was defeated last August.

A modified bill expected early next year will protect the state's tort system and at the same time provide relief and consideration for DES victims, said the spokesman.

Tampon maker issues warning

NEENAH, Wis.—Kimberly-Clark Corp. here has begun sending notices to some 250,000 doctors informing them of the symptoms of toxic shock syndrome, a condition related to use of tampons.

The company also said it will place a warning statement on boxes of Kotex tampons shipped after Oct. 31 telling users to discontinue using the product and consult their physicians if fever, vomiting or diarrhea occur during their menstrual periods.

The Food and Drug Administration has proposed that all tampon boxes carry such warnings (*BI*, Oct. 27).

Carter seeks Love Canal study

WASHINGTON—President Carter has asked Congress to approve a request for $3.8 million to fund a Center for Disease Control study of residents of the Love Canal area in New York.

Former and current Love canal residents will undergo tests to determine possible health problems they may have developed.

"This will be the comprehensive study that has been sought," said an aide to Rep. John LaFalce (D-N.Y.). President Carter hopes Congress will approve his request for Love Canal funds during the lame duck session, which begins Nov. 12.

City launches arson program

CHICAGO—The city's safety department will start a new computer program next month designed to try to snuff out arson fires before they start.

The department will use the Computerized Arson Prediction System to identify buildings in arson-prone neighborhoods that are likely targets for the crime. The information will then be passed on to community leaders, who will warn property owners of the danger.

Program officials hope to spot potential arson targets by using information on previous fires, building code violations, tax problems, vacancy rates and property transfers.

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Lee Taylor hopes to set a new world's record for water speed with U.S. Discovery II.

Policy floats speed run

By STACY SHAPIRO

LAKE TAHOE—It takes a landlocked broker and an outer space-minded insurer to launch a potentially record-breaking rocketboat.

Lee Taylor, former world water speed recordholder, will attempt Nov. 12 to regain his title by piloting the rocket-powered U.S. Discovery II at more than 372 mph. His craft, a 16,000-horsepower speedboat resembling a Star Wars fighter, is insured for $500,000 by Lexington Insurance Co., the biggest U.S. insurer of satellites and space vehicles.

Rollins Burdick Hunter's drydocked Oklahoma City office won the race to place the coverage for the speed run.

"It's insured for a total loss," said Roy Seikel, president of U.S. Discovery Inc. and a cousin of the pilot. "But at 400 mph, we would expect a total loss."

The U.S. Discovery II will attempt to top the current record by more than 54 mph. Australian Ken Warby holds the present water speed mark of 317.6 mph.

For a $63,000 premium, the U.S. Discovery II has a $1 million protection and indemnity policy and a $1 million spectator liability policy, said RBH of Oklahoma Inc. president Coy Hollingshead.

"We would have recommended $10 million for P&I, but all the money in this corporation is outgo," said Mr. Hollingshead.

Mr. Hollingshead is considering consolidating the total insurance program—including Lee Taylor's $1 million life insurance policy—after the speed record run.

But the insurance policy is just a buoy for a loss no one expects, adds Mr. Seikel. "The ship itself is designed for safety," he said.

Though the hydrogen peroxide fuel is unstable, it's not explosive, he adds. Throttle mechanisms and safety valves control it.

Two drag chutes to slow the water ship have never been used in the trial runs.

"We were going to put in a catapult seat, but it takes two-tenths of a second to work. By that time the boat's over and you'd shoot him into the water instead of the air," Mr. Seikel said.

But the insurance will float any other losses, unlike Mr. Taylor's other flights, said his cousin. Twelve years ago, Mr. Taylor ran ashore at Lake Tahoe and broke half his boat. The Marines were on maneuvers there and picked him up in a helicopter.

But on the way back, the helicopter crashed and broke the other half of the boat. Mr. Taylor didn't have any insurance then. ■

Illinois exchange plan stalls

By EILEEN NORRIS

CHICAGO—The choke is pulled out all the way, but plans for the Illinois Insurance Exchange just keep stalling.

The exchange, which was to start up last July 1, probably won't open its doors until Jan. 1, says James M. Skelton, interim executive director.

However, the state legislator from Chicago who sponsored the bill that created the exchange thinks the venture could be operating by the end of November.

Rep. Bernard E. Epton says the formation of his syndicate—one of two needed to legally open the exchange—should be completed sometime after the Nov. 4 election. Rep. Epton is a senior partner in the law firm of Epton Muller Miller & Druth Ltd.

The other hangup in the start of the exchange could be unhooked if the Internal Revenue Service rules favorably on whether exchange syndicates, which underwrite risks, will be given the same tax status as insurance companies.

However, that ruling also has been delayed (*BI*, Sept. 15).

So far only the First Management Syndicate, owned by the Bliss group of Illinois, has fully capitalized the $2 million required to join the exchange. It must have $4 million in capital before it can start business.

Mr. Skelton admits that although the exchange could operate with just two syndicates, it would take at least 10 to make the exchange a viable underwriting enterprise.

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Loss control plan can't save insurer

By ELLIS SIMON

ATLANTA—American International Marine Underwriters is canceling Gold Kist Inc.'s marine insurance even though Gold Kist says loss-prevention efforts almost eliminated claims the last year.

Robert Rich, director of risk management and insurance, says Gold Kist's loss-prevention efforts have been a success.

The agriculture cooperative began concentrating on loss control in September 1979 after a loss-run report showed the account had a 200% combined ratio.

"We felt we did everything possible," he said.

Robert Rich

The insurer, an AIG unit, notified Mr. Rich last month it will cancel coverage Dec. 9. Mr. Rich and his broker, Nausch, Hogan & Murray Inc. of New York, are seeking a new underwriter.

Gold Kist moved its marine account to AIG in May 1978 and received its first loss report in August 1979, Mr. Rich recalls. For the first policy year, losses and expenses were twice the premium, which Mr. Rich did not disclose.

Peanuts shipped abroad by Gold Kist frequently were damaged by water and infestation and shipments of frozen chickens were pilfered, Mr. Rich says. Loss frequency was around 45% of the 50 to 100 weekly export shipments made by Gold Kist, but most losses were small, he says.

AIG wanted a 100% rate increase, a deductible or combination of both to keep the risk, Mr. Rich said. Rates on the aproximately 100 commodities shipped by Gold Kist ranged from 3 cents to $1.21 per $100 of goods.

The company shipped $215 million in peanuts, soybean products and chickens during 1979, making it the 48th largest exporter, according to Fortune magazine.

Mr. Rich assigned a staff risk analyst to study the loss problem. The analyst found container shipments were being released without inspection for leaks and other defects.

At an August 1979 meeting wth the underwriters and broker, Mr. Rich asked for four months to implement a loss-prevention program and measure the results. If the program failed, he would agree to a rate increase and/or deductible retroactive to September 1979, he told them.

To implement the program, Mr. Rich sent a directive to the company's exporting plants, truck lines and steamship companies explaining the problems and standards for accepting containers.

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Benefit spending rides profit tide

WASHINGTON—Recession-hit industries curtailed spending on employee benefits in 1979 but profit-strong industries continued to increase spending on benefits more than on cash compensation.

The 1979 U.S. Chamber of Commerce survey details benefit spending in 19 specific industries and two miscellaneous categories.

Compared with their 1978 spending on benefits as a percent of payroll, 12 industry groups spent more on benefits in 1979, eight spent less and one is spending the same percent of payroll.

For the first time in a decade the average percent of payroll spent on benefits by the entire surveyed group dropped from the preceding year (*BI*, Oct. 27). The 1979 average is 36.6%, down from 36.9% in 1978.

The machinery industry, hard-hit by the recession, decreased spending on benefits as a percent of payroll to 36.9% in 1979 from 38.4% in 1978. But the profit-strong petroleum industry increased spending to 44.5% from 42.3% of payroll, maintaining its position as the biggest spender on employee benefits.

The Chamber survey also identified by industry the percentage of total benefit costs companies are forced to spend by the government compared with: the percentages spent on pensions, insurance and other agreed-upon payments; paid rest periods and lunch; payments for time not worked, and profit-sharing, bonuses, etc. (See chart).

Petroleum companies also spend the most on pensions and insurance of any employer group: 17.2% of payroll. Spending the least are wholesale and retail traders, excluding department stores: just 7.2% of payroll. Hospitals, which spend the least on all benefits as a percent of payroll, spend just 8.2% on pensions and insurance.

Instruments and miscellaneous manufacturing industries, however, spend the most on profit-sharing and other bonus plans:

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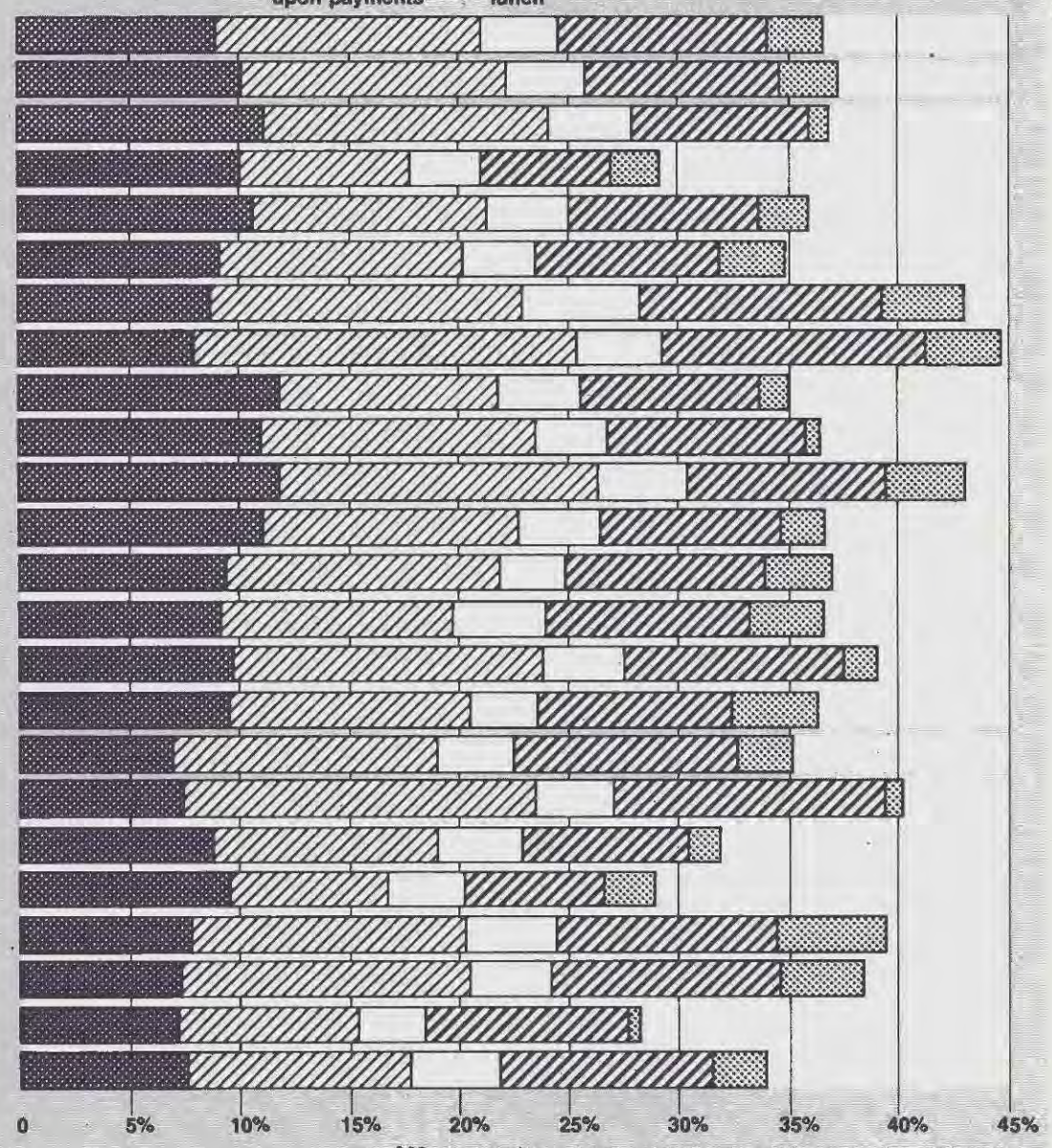
Employee benefits as percent of payroll by industry groups 1979

Industry group	Percent of payroll
Total, all industries	36.6
Total, all manufacturing	37.2
Manufacture of:	
Food, beverages and tobacco	36.9
Textile products and apparel	29.2
Pulp, paper, lumber and furniture	36.1
Printing and publishing	35.0
Chemicals and allied products	43.1
Petroleum industry	44.5
Rubber, leather and plastic products	35.0
Stone, clay and glass products	36.4
Primary metals industries	43.0
Fabricated metal products	36.4
Machinery (excluding electrical)	36.9
Electrical machinery, equipment and supplies	36.7
Transportation equipment	39.0
Instruments and miscellaneous manufacturing industries	36.4
Total, all nonmanufacturing	35.7
Public utilities (electric, gas, water, telephone etc.)	40.6
Department stores	31.7
Trade (wholesale and other retail)	28.8
Banks, finance companies and trust companies	39.4
Insurance companies	38.3
Hospitals	28.2
Miscellaneous nonmanufacturing industries*	34.4

*Includes research, engineering, education, government agencies, mining, construction, etc.



922 companies Source: U.S. Chamber of Commerce Survey Center

Chart: Toby Roberts

Rental chain program cleans up claims woes

By RHONDA L. RUNDLE

LOS ANGELES—When risk manager Louis J. Ciarimboli joined United Rent-All 2½ years ago, the franchise chain was getting creamed on claims.

Broker service was poor and claims payments through London were slow. Only 35% of URA's 150 stores participated in the parent-sponsored insurance program.

The other "total rental department stores" scrambled to buy on their own, typically paying too much for too little. Some bought the wrong coverages, leaving United Rent-All open to catastrophic liability losses. Individual claims numbered about 100,000 a year.

Mr. Ciarimboli was hired to clean up the claims problem. But once he arrived, "lights started popping off in my head," he recalls. He saw the potential for a unique risk management program that would protect URA's corporate exposures and give franchisees top value for their royalty dollars.

Two years later, Mr. Ciarimboli transformed insurance into one of URA's most popular services for storeowners. More than 90% of the locations have joined the corporate plan, up from 13 charter members in September, 1978.

Photo: Rhonda L. Rundle

Rental business risk management isn't easy, Louis Ciarimboli found.

The cost of insurance to franchisees dropped to about 4% of gross sales, down from 6% two years ago. An average store produces about $180,000 in annual revenues, says Mr. Ciarimboli. A risk management manual and other training aids for storeowners are also starting to pay off in reduced losses.

Not only are franchisees happy, but URA has been able to substantially reduce its corporate coverages over uniform limits carried by its stores. The parent company is also a named insured on all franchisee policies.

Risk management for the rental business isn't easy, Mr. Ciarimboli discovered soon after coming to URA from the risk management department at Dart Industries. A survey of the tools and equipment for rent at a URA store would send almost any underwriter running.

Hedge trimmers, chain saws and lawn mowers as well as medical equipment, patio furniture and rollaway beds are among most stores' inventories. The homeowners and other customers who rent the equipment often lack experience using it. That means trouble, he notes.

Some customers rent tools but never return them. The rental contract gives them temporary legal title to the goods, which apparently clouds the status of unreturned equipment in the eyes of local law enforcement agencies. They don't treat unreturned merchandise as stolen goods. Recovery is tough

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Panel of experts will judge contest for top risk exec

CHICAGO—The 1981 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll will be selected by a panel of 10 eminent judges representing diverse segments of the insurance community.

The winners will be those whom the judges decide best fulfill the nine criteria established to measure a risk manager's performance.

Nominations for the *Business Insurance* Risk Manager of the Year competition are being accepted in the Chicago editorial headquarters of *Business Insurance*. The deadline for sending nominations is Dec. 15.

Six new judges are joining four who served on last year's panel.

E. William Alstaetter, staff vp for pension, insurance and risk management at Rockwell International Corp. in Pittsburgh, is joining the panel representing the risk management community. Mr. Alstaetter is a former national president of the Risk & Insurance Management Society and a recipient of that organization's Goodell Award.

Also representing the risk management community is Ralph E. Gentry, insurance manager at Times Mirror Co. in Los Angeles and also a past national president of RIMS.

Thomas V. Hallett, the 1980 *Business Insurance* Risk Manager of the Year, joins the panel this year, keeping up a tradition of the past winner judging the next year's entries. Mr. Hallett, risk manager at General Motors Corp. when he won the 1980 award, is now vp and director of risk management for broker Frank B. Hall & Co. in Briarcliff, N.Y.

Robert Clements, president of broker Marsh & McLennan, is new to the panel this year, representing the insurance brokerage community.

Also representing brokers is William C. Cohen, president of In-

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Orchestra tunes up for higher pension

ORCHESTRA MEMBERS at the Metropolitan Opera in New York have won pension improvements and a new dental plan in a four-year pact between the Met and the American Federation of Musicians.

The musicians will now be eligible for retirement at age 60 with 30 years service, rather than at age 65. Pension benefits will be increased an estimated 14%. The improvements take place the third year of the pact.

The dental plan will begin in the third year of the contract. The Met was unable to give any more details of the plan.

Rate increases

Subscribers to Genesee Valley Medical Care Inc., the Rochester, N.Y., area Blue Shield plan, will pay a total of $9.5 million more in premiums for Oct. 1, 1980, through Dec. 31, 1981.

Monthly rates for group remittance on various contracts are: $5.37, up from $4.32 for individual surgical, inpatient medical and obstetrical coverage, and $14.86, up from $12.12, for family coverage; $1.17, up from $1.01, for 80/20 diagnostic X-ray rider coverage for individuals and $2.84, up from $2.37, for families, and $1.42, up from $1.12, for the prolonged illness protection rider for individuals and $3.33, up from $2.57, for families.

Genesee Valley Medical Care Inc. serves Monroe, Wayne, Livingston, Seneca, Ontario and Yates counties.

benefit beat

Mental health

Thirty-six groups in Rhode Island covering 33,988 persons have added supplementary mental health benefits, Blue Cross & Blue Shield of Rhode Island reports.

The monthly cost of the rider is 43 cents for individuals and 94 cents for families. Coverage includes:

- An additional 75 days of specialty hospital care, bringing to 120 days the length of time a patient receives fully paid inpatient coverage for each hospital admission.
- An additional 75 fully paid visits for hospital day care therapy.
- An additional 75 inpatient visits by a physician.
- An increase to 80% from 50% coverage in major medical payments for psychiatric outpatient care, including care by a licensed clinical psychologist.

Dental, vision

Dental and vision coverages have grown rapidly in recent years, the Bureau of Labor Statistics reports.

Between 1974 and 1977, the proportion of employees covered by dental insurance at least doubled, while vision care coverage increased about 50%. Costs rose 7.7% a year for dental care and 5.3% for vision care between 1977-79.

In a study of 85 dental care plans, the BLS found that all provided diagnostic, preventive, restorative and prosthodontic services, while 56 covered orthodontia.

Diagnostic and preventive care was fully paid by 34 of the 85 plans using nonscheduled cash allowances. Restorative services were paid at 80% to 85% of the reasonable and customary charge, while prosthodontic and orthodontic services were paid at 50% to 60%.

Out of 46 vision plans studied, 45 provided at least partial coverage for eyeglasses, and most covered eye exams, lenses and frames.

•

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

"I know the matter is urgent and I'm sure our president will have that information for you shortly. I see he's consulting with our staff in the Research Department right now."

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High court to decide on award

RALEIGH, N.C.—The North Carolina supreme court will decide whether to award workers compensation benefits to a 51-year-old former textile worker who contends her brown lung disease was caused by cotton dust in her work environment.

The woman, Pauline C. Hansel, is appealing her case to the state high court after a North Carolina court of appeals overturned a decision of the state industrial commission that she was entitled to partial benefits.

William Stephenson, state industrial commissioner, said the commission's decision was based on the fact that the woman was exposed to cotton dust in her work as a weaver at Sherman Textile Co. in Dallas, N.C.

But her employer appealed, saying the link between the job and the woman's condition was not strong enough because she also suffered from asthma and smoked cigarettes, said Mr. Stephenson. The appeals court agreed.

But a dissenting opinion in the judges' findings gave the woman the right to appeal.

The woman is receiving no benefits pending the supreme court decision.

Smoking appears to be the key variable in whether textile workers who have brown lung disease develop disabling illnesses such as chronic bronchitis or emphysema.

Duke University researchers Dr. Siegfried Heyden and Dr. Philip Pratt argue that brown lung does not become a chronic obstructive lung disease among textile workers who do not smoke cigarettes.

The two researchers, writing in the Journal of the American Medical Assn., contend emphysema occurs almost equally among textile and non-textile workers. The key factor is whether the workers smoke. ■

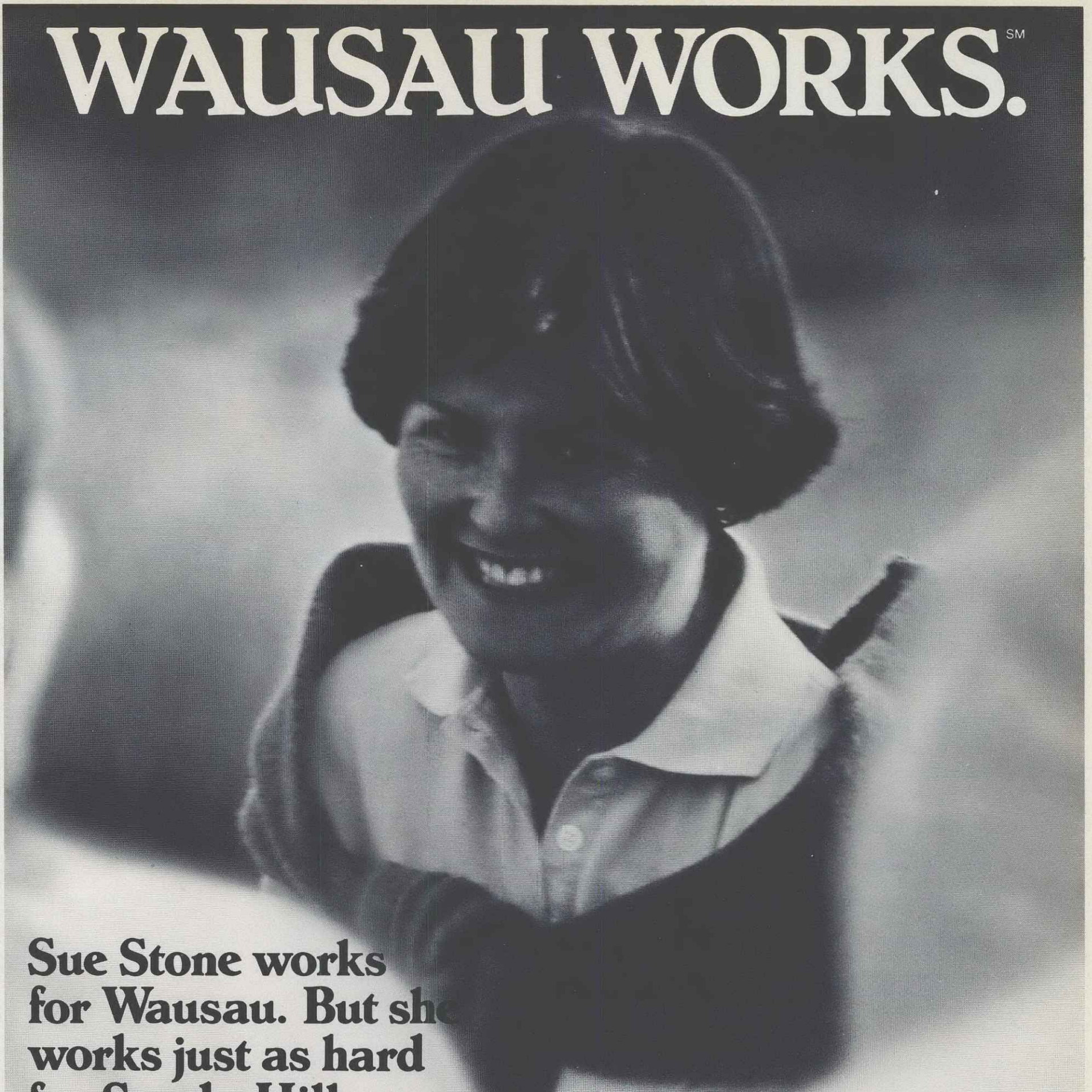
Class prepares for safety exam

LOS ANGELES—A 19-week course to prepare for the Associate Safety Professional examination begins Dec. 15 at The College of Insurance here.

Tuition is $400.

For more information, contact The College of Insurance-Western Division, 1200 Wilshire Blvd., Los Angeles, Calif. 90017; 213-492-4361.■

WAUSAU WORKS.℠



Sue Stone works for Wausau. But she works just as hard for Sandy Hill Corporation.

The Sandy Hill Corporation of Hudson Falls, New York, is the third largest paper-machine manufacturer in the country. Many employees have worked there 25 years or more. Some are fourth generation employees.

Floyd Rourke, Sandy Hill's president, is proud of that special relationship, and points out: "Our deep concern for our employees and the complexity of our business necessitate that we have the best employee benefit coverage available."

That's Sue Stone's specialty. "I like being with policyholders — the *people* part of my job is the best part," says Ms. Stone, Senior Employee Benefits Consultant of Wausau's Syracuse Region. "I feel we're part of Sandy Hill's family, too. We've been with them 34 years."

Sandy Hill's employee benefit coverages from Wausau include group health, dental, workers compensation and disability insurance. Ms. Stone recently devised a service contract that was advantageous to Sandy Hill. Mr. Rourke says, "Because of it, I figure we saved $100,000 last year — a tribute to Sue Stone for her innovative and professional approach to meet our standards." Sandy Hill wants the best employee benefits program possible. And Wausau wants more good insurance partners like Sandy Hill. Because we've got more good people like Sue Stone — all across the country.

WAUSAU INSURANCE COMPANIES

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editorial opinions

Reach out to all

REACH OUT and touch someone. You should hum that commercial jingle as you review your employee benefit communications program.

Does it touch your audience?

If it leaves you cold, you're leaving your audience cold, too.

To effectively communicate your message about employee benefits, you have to do more than cram a booklet or audiovisual program with facts. You have to strike the responsive chord in your employees.

Speakers at the *Business Insurance* Communicating Employee Benefits Conference stressed this theme. Articles in this issue give you ideas on how to do this.

■ One point overlooked by the speaker, however, is crucial to striking the positive and not negative chord in your audience: Make sure your benefit communications program speaks to all your employees—men and women, young and old, married and single, parents and the childless. Too many benefit communications programs clearly are speaking to the working man with a wife and child at home.

Look at your work force, or just your own staff. How many of the employees fit that description? We bet no more than half, since more than half of married American women are now working.

■ A working woman looking at an audiovisual program explaining how great the company benefits are in the context of how they help the traditional nuclear family is going to be alienated. To understand the benefit program, she must ask herself how the benefits are useful to her as a working mother, for example.

If she has to make that leap, your program isn't going to touch her. Or even worse, you have offended her by ignoring her as a member of your employee group.

It's easy to write a communications program that touches all of your work force. Avoid using stereotypes in your examples, or temper them by using examples from less typical family situations, too.

When your communications program reaches out to touch your employees, make sure it touches everyone.

Put ideas to work

DO YOU HAVE safety showers in your plants?

Welders?

Wonder how to develop a more successful safety program?

The three winners of The Hartford Insurance Group/National Safety Council loss-prevention awards competition have some great ideas for you.

After reading about their ideas in last week's issue, you already may be fast at work adopting one or all of them in your safety program. If not, sit down today and consider how you can put them to work in your company.

■ That is a great benefit of this kind of competition: Widespread dissemination of good ideas. It is as important as the recognition given the safety program leaders.

Get alarms installed in your safety showers as plant nurse Mary W. Smith did at U.S. Industrial Chemicals Co. in Deer Park, Tex. If you do, your employees will be assured of help when they need it.

Are your welders always protected against the damaging ultraviolet light of their torches? If not, you may want to look into James Madden's invention at Bell Telephone Laboratories in Naperville, Ill.

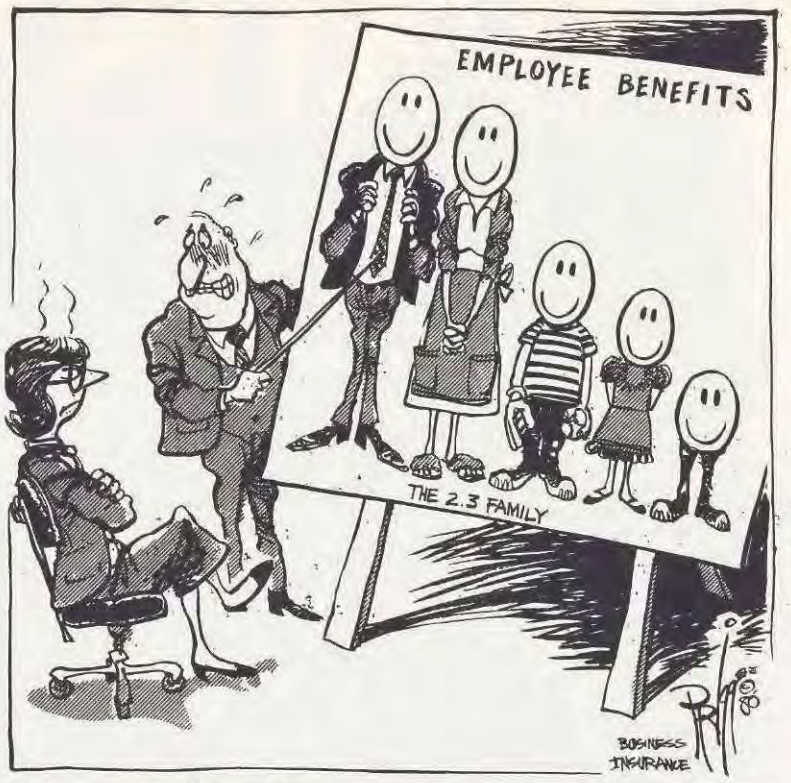
Looking for new ways to improve safety in your plants? James Ignizio, a Pennsylvania State University professor, suggests you solicit safety ideas from employees and reward them with more than the traditional token safety prizes.

■ The employee with a good safety idea should receive a bonus or paid time off equal to the amount of money saved by eliminating a hazard after subtracting the cost of corrective measures, he says.

Professor Ignizio admits the program is untried. Although he is thrilled to have won first place in the competition, he says he will be even happier when someone successfully implements the idea.

How about it? Should you give it a try at your company?

If you do, let us know the results.



action line

Lease liability varies

My company is involved in leasing many facilities—three file drawers full. I have reviewed most of them and determined the extent of our liability. However, the more I read about hold harmless agreements, contractual liability coverage and "care, custody and contractual" exclusions, the more confused I get.

How should this exposure be handled, especially on the existing leases I can't do anything about?

J.P. Thomson
Manager of risk administration
Comshare Inc.
Ann Arbor, Mich.

Contractual liability insurance has no strict guidelines, according to risk management consultants and lawyers we contacted.

"You have to learn how to read the lease," said Felix Kloman, president of Risk Planning Group, a risk management consulting firm in Darien, Conn.

The American Bankers Assn. in Washington, D.C., asked Mr. Kloman to write a guide for risk managers reviewing a lease. The guide published in Risk and Insurance Management Guide for Financial Institutions, says to consider:

- Names and addresses of the lessee and the lessor, the building's location, the term of lease and expiration and the rent.
- Regulation subleasing. Is a bonus paid for the lease? Is there a renewal option?
- The obligation for building services. What is the current cost of comparable premises?
- The rent abatement provision.
- Insurance provisions. Do they include fire, plate glass and liability insurance? What's the increase in the fire rate?
- What the lease says about the responsibility for damage.
- Whether the landlord's fire policy has a waiver of subrogation.
- Whether the tenant is relieved in advance of liability for fire or other casualty losses in excess of payments received from fire insurance, whether or not they are caused by the tenant's negligence.
- Whether the tenant is required to hold the landlord harmless from liability for injury or damage that is not caused by the tenant or his employees' negligence or that is caused by the tenant's failure to comply with all lease provisions.

If you're interested in other tips, contact the American Bankers Assn., 1120 Connecticut Ave., Washington, D.C. 20036; 202-467-4000. Cost of the 113-page booklet is $25 for members and $35 for nonmembers.

The Risk Planning Group has published other articles on hold harmless agreements and contractual liability. If you are interested in these, contact the Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9791. Volume 3, 1976, issue 6, deals with hold harmless. You also may be interested in volume 2, 1975, issue 2 and volume 3, 1976, issue 4. Cost of past issues is $30 each.

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Have a question regarding insurance or your profession? Write Action line, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

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LONG & SHORT TERM PLANS ■ DISABILITY PENSION ■ DISABILITY WAIVER

Malpractice suits filed in courts jump 44% in '79

By JERRY GEISEL

washington

WASHINGTON—The trend to make physicians and hospitals defend malpractice suits continues to grow.

Medical malpractice complaints filed in U.S. District Courts took another leap for the second year.

In fiscal 1980, which ended June 30, 720 medical malpractice cases were filed in federal courts, a 44% increase over fiscal 1979, when 500 cases were filed, according to the administrative office of the U.S. Courts.

The 500 cases filed in fiscal 1979 is a 22.9% increase from fiscal 1978, when 385 were filed.

Explosion probes

The Occupational Safety and Health Administration investigations of grain elevator explosions have been a disaster, a prestigious research oganization says.

OSHA investigations have been of "little value" in preventing future explosions because the investigations were performed by incompetent investigators, says the National Academy of Sciences.

"By and large, qualified personnel are not used. As a result, an independent agency ahould be established to take over investigations of grain elevator disasters," the report said.

Since 1976, 99 persons have died in scores of grain elevator explosions, including 36 in a blast at Continental Grain Co.'s facility in Westwego, La. (*BI*, Jan. 9, 1978).

OSHA chief Eula Bingham took issue with the report, noting that all the explosions the NAS examined took place before the agency set up a special grain elevator training program for compliance officers in April 1978.

Reproductive rights

The Occupational Safety and Health Administration says it will appeal an administrative law judge's dismissal of a major case involving reproductive rights.

The case involves sterilization of five women employed at American Cyanamid Co.'s Willow Island, W. Va., plant. The Oil, Chemical and Atomic Workers union charged the women were forced into the action to keep their jobs.

OSHA cited and fined American Cyanamid $10,000 for barring women of childbearing age from working in its pigment department. The company fears exposure to lead could harm unborn children (*BI*, Oct. 24, 1979).

Administrative law judge William Brennan turned his thumbs down on the penalty, saying a time limit for issuing a citation had expired. In addition, jurisidiction of the case belonged to the Equal Employment Opportunity Commission, which has proposed guidelines on the treatment of women of childbearing age (*BI*, Feb. 18).

Judge Brennan's decision will be appealed to the three-member Occupational Safety and Health Review Commission, an independent agency that rules on OSHA enforcement decisions.

Pension rights

The Supreme Court has agreed to consider whether a military pension is community property to be divided between spouses in a divorce settlement.

Seven state courts have ruled that a spouse's military pension, like a house or other property, belongs in part to the other spouse. Four state courts have disagreed.

The case the high court will consider originated in California, where that state's supreme court ruled the vested retirement benefits of Richard J. McCarty should be divided with his ex-wife, Patricia Ann McCarty. ■

The sensible approach to Partial Self-Funding

The employer wishing to partially self-insure employees' group health benefits will find that there are several approaches. A member of the staff could be used to administer claims for the self-funded portion of the plan, but that ties up personnel.

A third-party administrator could be brought in, but then there's a problem coordinating the insured and the self-funded portions of the plan.

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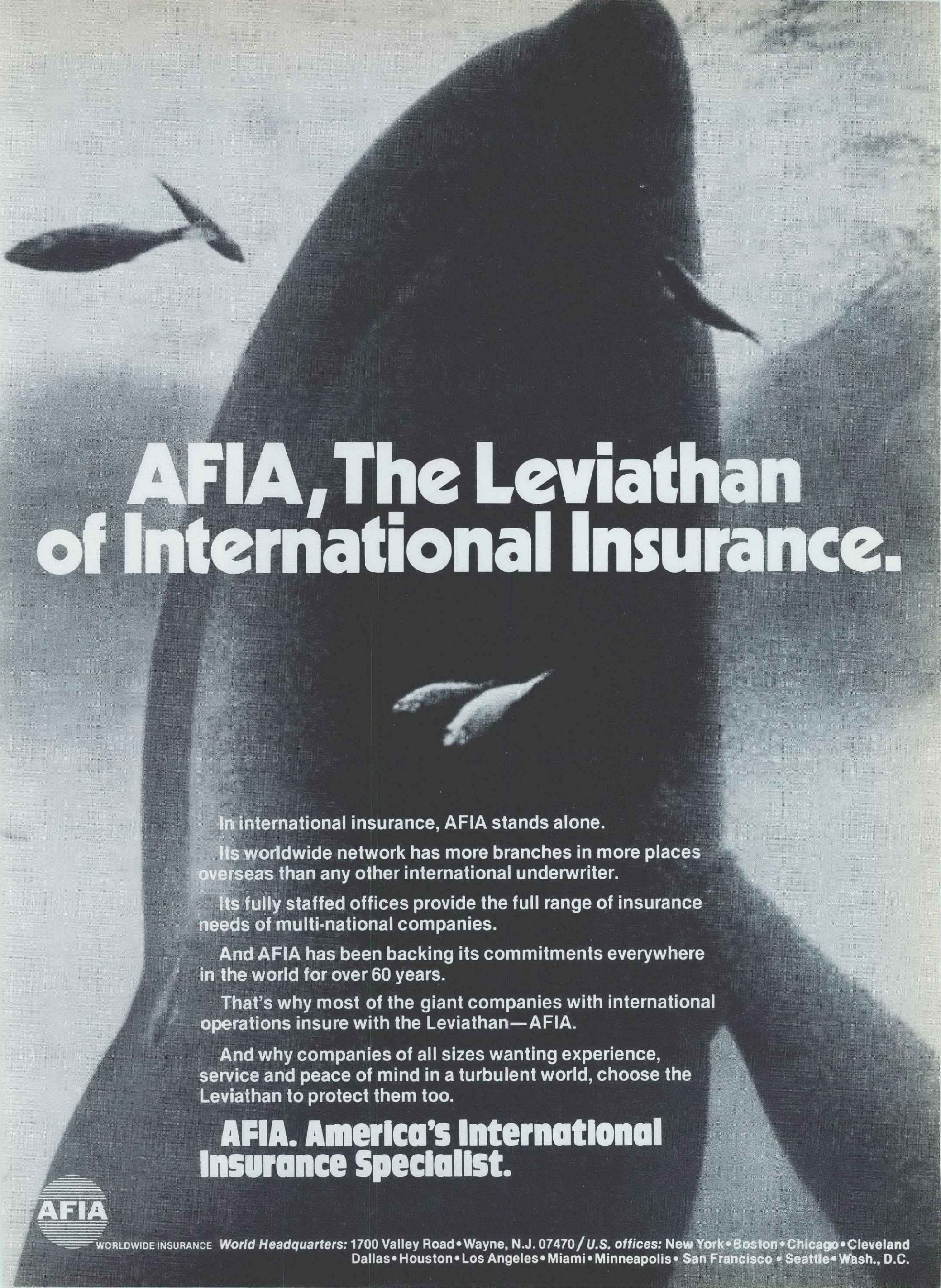

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ISO seeks stay of suspension, fine in Wyoming

CHEYENNE—The Insurance Services Office has asked a court for a stay of a $2,500 fine and 180-day suspension of its license by the Wyoming insurance department.

The department ordered the fine and suspension after it reviewed two private passenger filings this summer and found they were not in compliance with state law. The filings were made in November 1976 and were approved by the department at that time.

The department charged the ISO with "bad faith" and "a willful withholding of information." The ISO will not be able to make rate filings while its license is suspended.

The appellate court will review the case, said Kelly Davis, staff attorney for the insurance department. The case is not likely to be resolved for close to a year, he said.

around the states

Stubbed toe

CHICAGO—The Cook County board has approved a $3,463 workers compensation award to a former assistant state's attorney who stubbed his big toe while rushing to answer a telephone.

James Heinzel, the former prosecutor, filed suit with the Illinois industrial commission after Cook County state's attorney Bernard Carey refused to permit the county to settle the claim for the June 1979 accident. A commission arbitrator made the award.

The arbitrator based the award on a calculation that the $3,463 amounted to 40% of a healthy toe.

'Citicaid' plan

NEW YORK—A five-year, $108 million federal, state and city program is planned to provide health maintenance organization-type care for some 300,000 residents of Harlem.

The program, dubbed "Citicaid" by New York mayor Edward Koch, will be based in East Harlem's Metropolitan Hospital. It will cover both Medicaid recipients and other poor persons who are not covered by private insurance but are ineligible for Medicaid.

About $5.9 million in capital improvements are slated to convert the municipal hospital into an outpatient facility.

Premium refund

DOVER—The state of Delaware and its employees have split a $3.7 million health insurance premium refund from Blue Cross & Blue Shield of Delaware Inc., thanks to good experience in fiscal 1977-79.

The state's 15,000 workers received $1.5 million, or 40% of the windfall, equal to their share of payroll deductions, said state treasurer Thomas R. Carper. Each employee received about $100, which was returned by declaring a moratorium on health insurance contributions this spring.

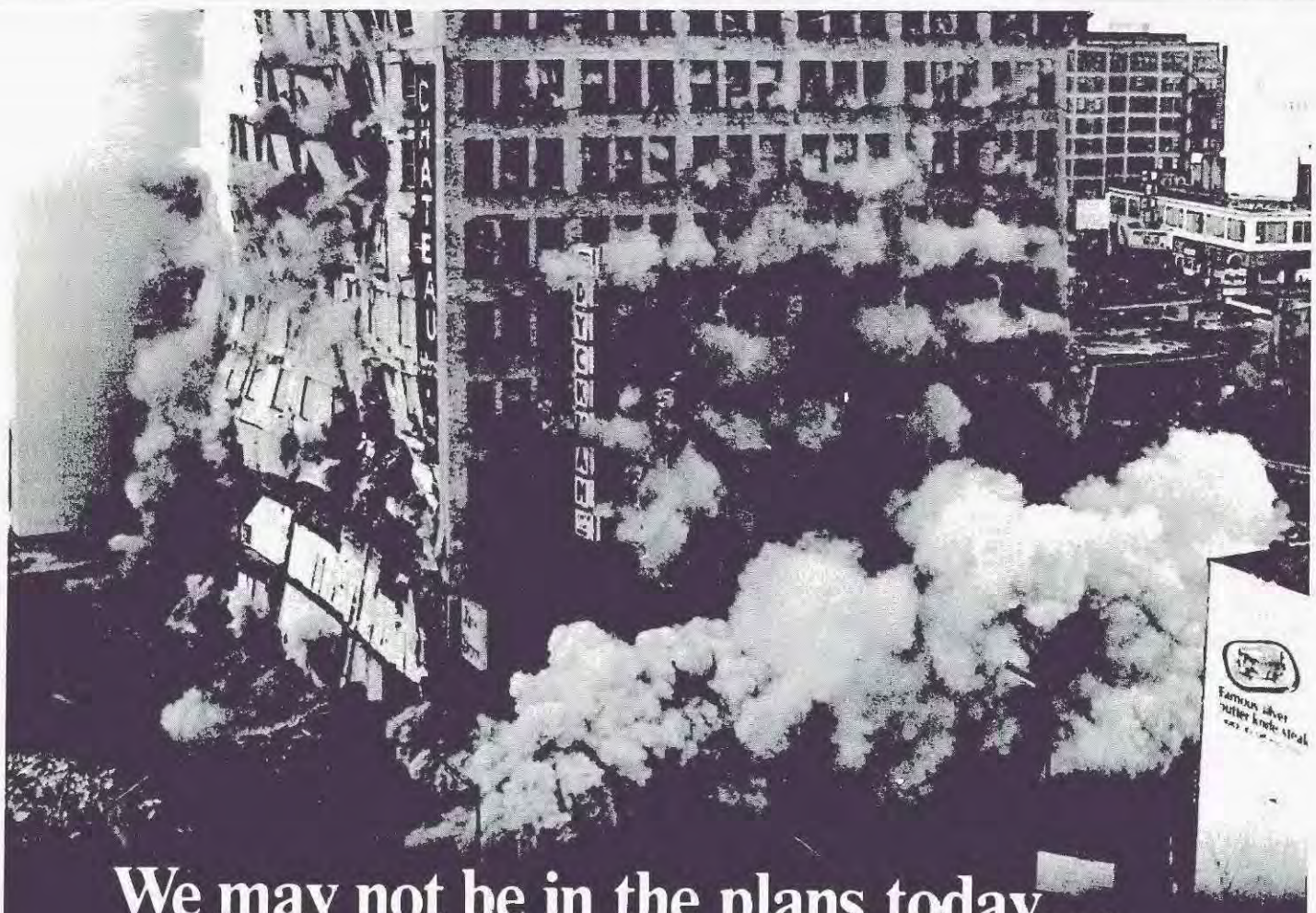
Another $1.5 million went to the state general fund for the state's share of the contract and the rest was returned to special accounts covering state employees who are paid through federal funds.

The contract with Blue Cross & Blue Shield cost about $40 million for fiscal 1977-79.

'Low cost' proof

ALBANY—Insurers here contending their policy forms, policy portfolios or operations are "low cost" better be prepared to prove it.

The New York insurance department amended regulation 34A to require insurers using the phrase "low cost" to furnish evidence that their product is inexpensive, upon request by the superintendent. ■



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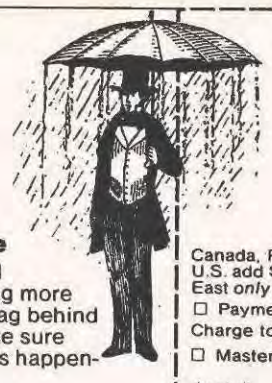

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Court restricts available policies

Continued from page 1

provide the most insurance coverage to manufacturers.

"The industry is fighting this out to establish the principle for other cases," says analyst Robert Brokaw of Mabon, Nugent & Godsell of New York.

He expects the financial impact on insurers will be felt more in cases involving DES, toxic waste and Agent Orange and other hazardous substances that injure large numbers of people.

Mr. Brokaw can't estimate the cost to insurers under the manifestation theory but predicts it would be less than under the exposure theory. The exposure theory gives manufacturers the opportunity to call on perhaps 30 years of insurance policies while the manifestation theory cuts off liability to the year of manifestation, he explains.

But how much a manufacturer benefits from the exposure theory depends on the limits he had on early policies and the continuity of his insurance program.

48 Insulations Inc., however, wanted the court to follow the pro-rata theory because the company did not have insurance for all the years its workers were exposed to asbestos.

Its coverage with INA dates back only to 1955. 48 Insulations would have to pay any claims caused by exposure before 1955.

Under the pro-rata theory, all policies in force since exposure began would share the claims. The theory contends that the hazardous substance remained in the body long after exposure, causing harm.

Attorneys for 48 insulations said the use of the exposure theory will bankrupt the company.

In a similar case, Eagle-Picher Industries of Cincinnati is suing its insurer, Liberty Mutual Insurance Co., for use of the manifestation theory to settle asbestos liability claims.

It is fighting its case in the U.S. district court in Boston.

Court records show Eagle-Picher had no insurance for asbestos product liability before 1968, says its attorney, Brian T. Kenner of the law firm Nutter, McClennan & Fish.

"The exposure theory would deprive Eagle-Picher of the insurance it has bought since 1968," he said.

But the Cincinnati court ruling was welcomed by Johns-Manville Corp., the nation's largest asbestos producer.

The company, which also has the biggest potential asbestos liability, is suing 27 excess insurers and reinsurers to have its claims paid under the exposure theory (*BI*, April 7).

J-M's primary insurer, Travelers Insurance Cos., supports the exposure theory, says Travelers second vp Floyd Knowlton.

Travelers, which insured 48 insulations for 10 months from 1975-76, was a codefendant in the Cincinnati case. ■

Plans stall

Continued from page 2

He told the Midwest Regional Seminar of the Risk & Insurance Management Society Oct. 23 that the exchange board also would like to have 10 syndicates before opening.

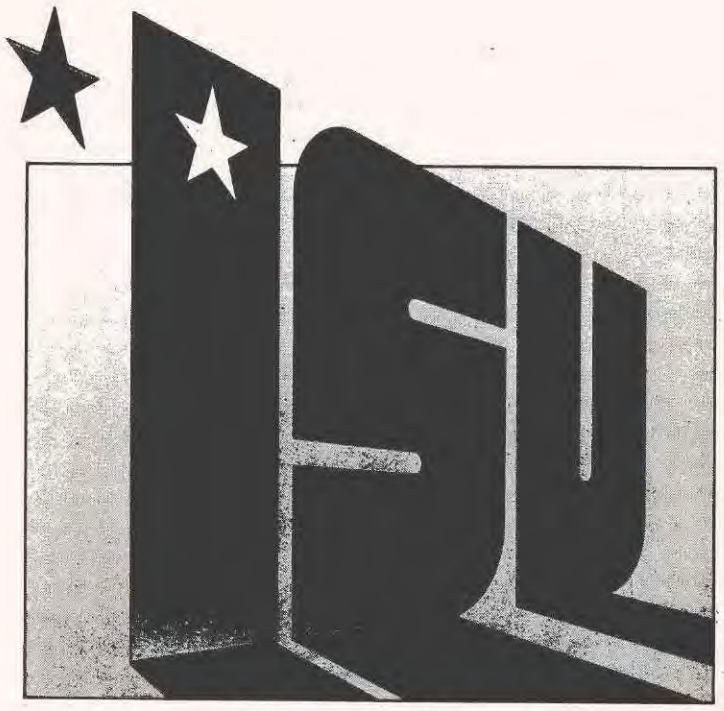
That feeling is shared by one of Rep. Epton's partners.

"My colleague feels we should try to get 10 syndicates to come in the year at once," Rep. Epton said. "But I'm willing to take a chance and be the second syndicate.

"My patience tells me Jan. 1 is too far away and at this point I feel we have to put up our money or fold our tent," Mr. Epton added. "I'm not willing to fold up the tent."

Mr. Skelton said the exchange will apply for a certificate to operate after it gets two syndicates firmed up, but he laments that the "capacity won't be there to take high risks" until the exchange has more syndicates.

He said many insurers are interested in joining the exchange, but want to wait until the venture is operating. ■



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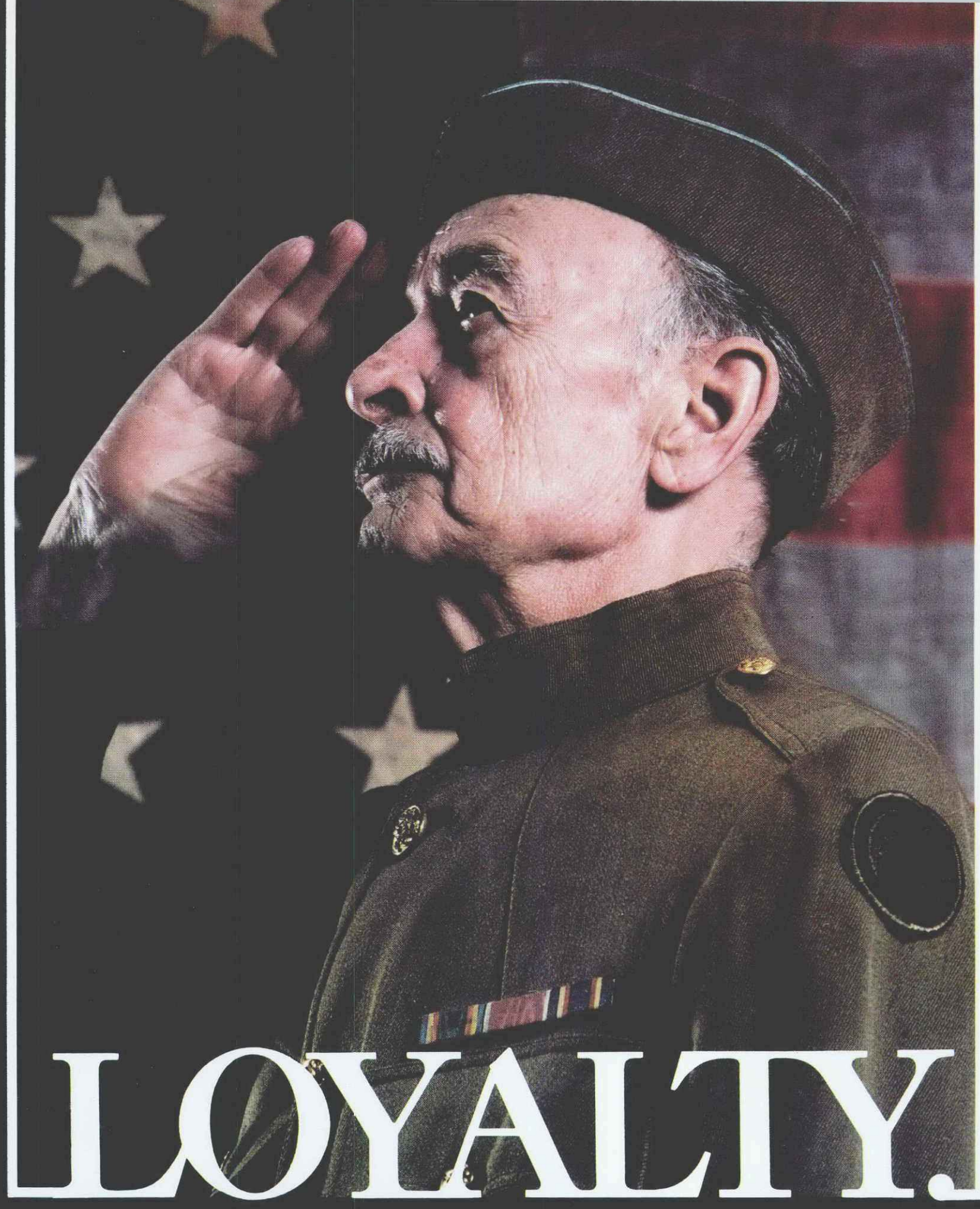

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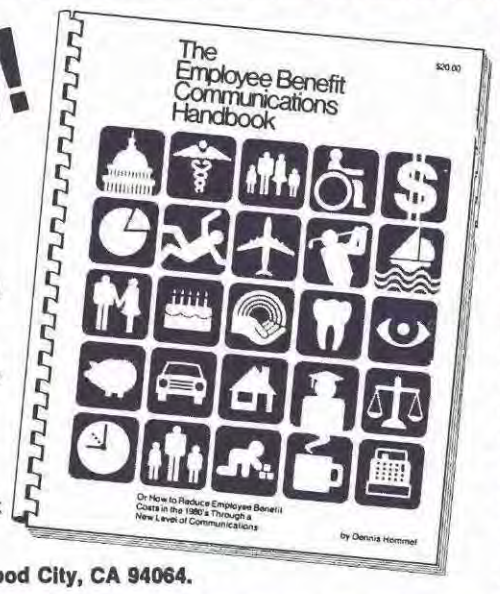

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San Francisco will host RIMS

SAN FRANCISCO—You may leave your heart in San Francisco, but you'll come away from the 1981 RIMS Conference with new ideas and information to help you in your job as a risk or benefit manager.

The April 5-10 conference kicks off Sunday night with a Golden Gate Gala and exhibitions and winds up Friday morning with a farewell from columnist Art Buchwald.

Sandwiched in between are:

- At least 34 industry risk management sessions Monday and Tuesday.
- A session for benefit managers on health care cost containment Monday morning and panels and mini-seminars on other employee benefit topics Monday afternoon, Tuesday and Wednesday.
- General management sessions Tuesday and Thursday mornings on techniques to make managers more effective.
- A Tuesday luncheon with Wall Street analyst Louis Rukeyser speaking.
- Risk management panels and mini-seminars Tuesday afternoon, Wednesday and Thursday.
- The RIMS annual membership meeting at Wednesday breakfast.
- A risk management general session Wednesday morning with chief executive officers of top U.S. brokerages.

The cost of the conference for members is $395 for a full week and $325 for a partial week if registered before Feb. 23, $420 for a full week and $350 for a partial week if registered later. For nonmembers, the cost is $495 for a full week and $400 for a partial week if registered before Feb. 23, $520 for a full week and $425 for a partial week if registered after.

Registration fee for the guest program is $50 for the first guest, $75 for each additional guest.

Persons canceling before March 21 will receive a refund. Later cancellations are subject to a $100 fee.

Registration forms and hotel rate cards are available from RIMS, 205 E. 42nd St., New York, N.Y. 10017. ■

info

- Babcock & Wilcox has updated a brochure to help fire protection purchasers, specifiers and other decision-making personnel select insulating products. The eight-page **insulating product data** brochure details temperature-use limits, composition, application strength, density, size, shape and handling characteristics of products suitable for high-temperature environments. For a copy of brochure number R931-3031, write Harold Koon, Manager, Marketing Communications, Insulating Products Division, Babcock & Wilcox, P.O. Box 923, Augusta, Ga. 30903; 404-798-8000.

- Jefferson National Life Insurance Co. has compiled an employee benefit **self-funding administrators kit** designed to give a brief overview of self-funding, an explanation of the company's stop-loss products and a checklist for establishing a new self-funded plan. For a free copy of this kit, write Jefferson National Life Insurance Co., Group Dept., 1 Virginia Ave., Indianapolis, Ind. 46204.

- A new six-page folder describes **IRI's past, present and future involvement with energy-producing organizations.** This involvement ranges from conventional petroleum facilities to coal gasification plants. The folder describes perils, kinds of coverage and types of alternative fuel-producing properties. For a free copy, contact Communications Department, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102. ■

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Lloyd's brokers support draft bill on restructuring

london line

By JOHN MILLER

LONDON—Lloyd's brokers have promised full support for the draft Parliamentary bill to restructure Lloyd's that will be put to a vote by all 18,500 market members Tuesday.

Many brokers had been concerned that they will have to shed their underwriting links with Lloyd's in the next five years if the bill passes. But the bill allows for veto powers over any major changes instituted by the new Council of Lloyd's which will decide the broker-underwriter issue.

"We have no intention of frustrating the passage of the bill through Parliament, as we think its basic principles are of great value to everyone in the market," said Douglas C. Lyon, chairman of Lloyd's Insurance Brokers Committee.

"We can always talk about divestment in another 12 months once the new council takes office."

The draft bill, based on recommendations of the Fisher Report (*BI*, June 30), would set up a 25-member Council of Lloyd's to replace the current Committee of Lloyd's. Lloyd's members could veto a council decision if at least 5% call for a special meeting and a majority of those present vote for the veto. At least a third of the members would have to attend the meeting, however.

The Fisher Report has recommended that brokers and underwriting agents break their financial ties, but this recommendation was not included in the draft bill after brokers protested the idea (*BI*, Sept. 22).

The bill is due in Parliament by Nov. 27 to ensure action in 1981. Parliament is expected to approve the bill in mid-1981, giving Lloyd's more disciplinary power over brokers, underwriters and members.

Repair costs

Repair costs for U.S. ships rose 18% in the past year, the U.K. Salvage Assn. reports.

New York shipyards logged a cost increase of 29%, while cost hikes in Jacksonville, Norfolk, Seattle and San Francisco ranged 16% to 18%.

Repair costs rose 38% in Greece and 47% in Taiwan. In Holland and Germany, however, costs remained relatively stable, registering only 8% increases. Italy and Sweden saw hikes of 15%.

Although U.S. ship repair costs may not have increased as much as those in other countries last year, they are among the highest in the world.

"Underwriters are noting with concern that in most countries, ship repair costs continue to rise," the U.K. Salvage Assn. reports. "So it is only right to point out that shipowners ought not to delay repairs unnecessarily to their vessels even if they are not immediately required."

Shipyard accidents

Accidents in U.K. shipyards are reaching high levels, although fatalities are declining, reports the U.K. Health and Safety Executive's office.

"The shipyard worker is still more likely to have an accident than other plant operatives," said Jim Hammer, chief industrial executive. "Corporate executives must ensure they are able to adopt adequate safety measures."

More than 40% of shipyard accidents are caused by falls, largely through tripping over hoses, cables or other objects left on the decks of ships, the report warns. ■

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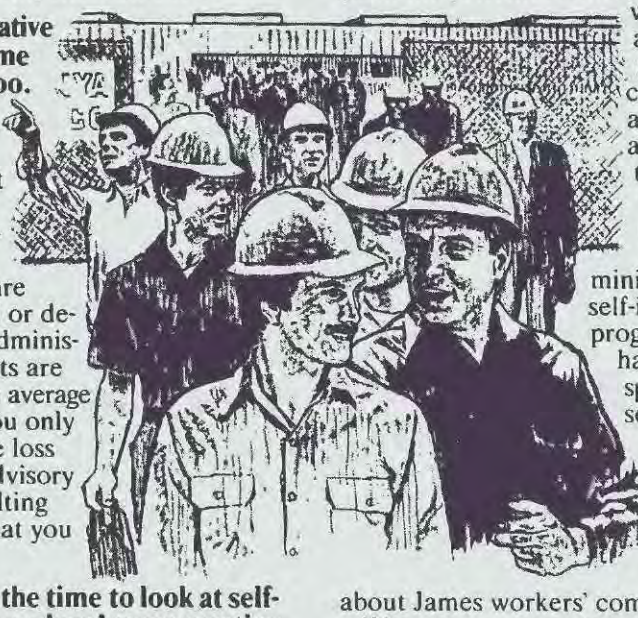

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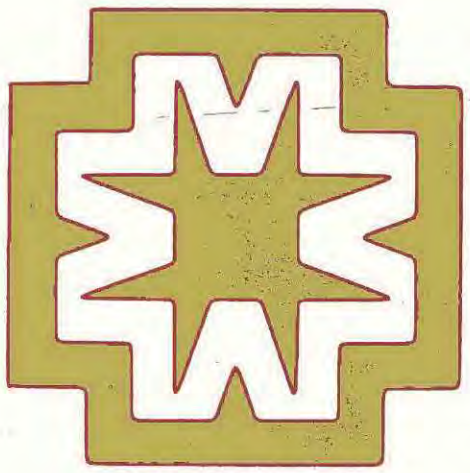

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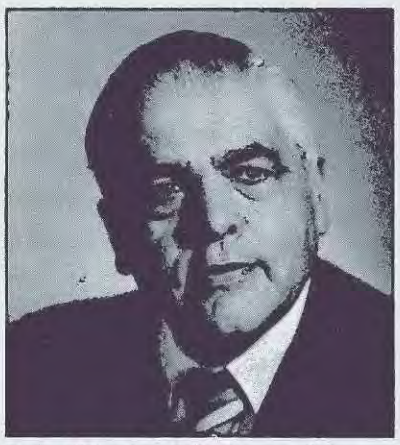

BY WAY OF INTRODUCTION... *Charles C. Hewitt, Jr.* is President of Metropolitan Reinsurance Company. Well-known in the industry, Mr. Hewitt was associated with a number of prominent insurers before joining Metropolitan Property and Liability Insurance Company as Vice President and Actuary in 1973. He became President of MetRe in 1978 and is a Director of both companies.

Mr. Hewitt's background includes actuarial and underwriting experience in both commercial and personal lines. He has guided Metropolitan's reinsurance programs in the property and liability field since 1973. A member of a number of local, national and international actuarial organizations, he has, at various times, been an officer or director of most of them and has contributed numerous technical articles to actuarial journals.

Franklin D. Haftl is Senior Vice President and a Director of Metropolitan Reinsurance Company.

Before joining MetRe in 1978 as Vice President, Mr. Haftl was Vice President of a large, nationally known insurer with responsibility for all reinsurance operations. He is widely known and respected both in the United States and abroad as one of the top underwriters in the business.

Mr. Haftl's services and advice are frequently sought by, and afforded to, various underwriting pools and associations of which MetRe is a member. He is a personal member of several underwriting groups and is on the Panel of Arbitrators of the American Arbitration Association. He was a contributor to the recent text "Reinsurance", published by the College of Insurance.

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Pension chief sees smoother system

Photo: Jerry Geisel

"No longer can you identify a fault in the system and cure it with money," says Ian Lanoff. "We have to make sure it makes sense."

By JERRY GEISEL

WASHINGTON—The road ahead for the U.S. pension system won't be bump-free, but the nation's chief pension administrator sees fewer roadblocks and bottlenecks.

In an interview with *Business Insurance*, Ian Lanoff observed that the administration of the complex Employee Retirement Income Security Act has improved greatly and the number of new pension plans is far ahead of the number of terminations.

However, work still ahead includes decisions on faster vesting for pension benefits, better understanding among workers of pensions and further crackdowns on pension violations, says Mr. Lanoff, administrator of the Labor Department Pension and Welfare Benefit Programs.

When Mr. Lanoff came to the Labor Department in May 1977, his first priority was getting the administration of pensions in order.

At the time, the U.S. private pension system, which has 500,000 pension plans and 30 million participants, was in the early stages of federal control.

Employers groaned over what they said was an unbearable amount of paperwork and tangle of regulations. Plan terminations for the first time outnumbered new plans.

In 1980, the carping about ERISA has almost ceased. Mr. Lanoff, a Phi Beta Kappa graduate of the University of Michigan and a former associate counsel of the Senate subcommittee on labor, credits a series of Labor Department reforms. They include:

- Elimination of the plan description form. The six-page form, which was required when a plan first came under ERISA jurisidiction and then at 10-year intervals, was found unnecessary.
- Streamlining of the summary annual report. A new format has been developed, making it easier and cheaper for employers to prepare annual reports.
- Requiring plans with fewer than 100 participants to file full financial reports only every three years, instead of annually. This cuts small plan administrators' costs.
- Simplifying a plan's major financial report, Form 5500. A major change was that plans no

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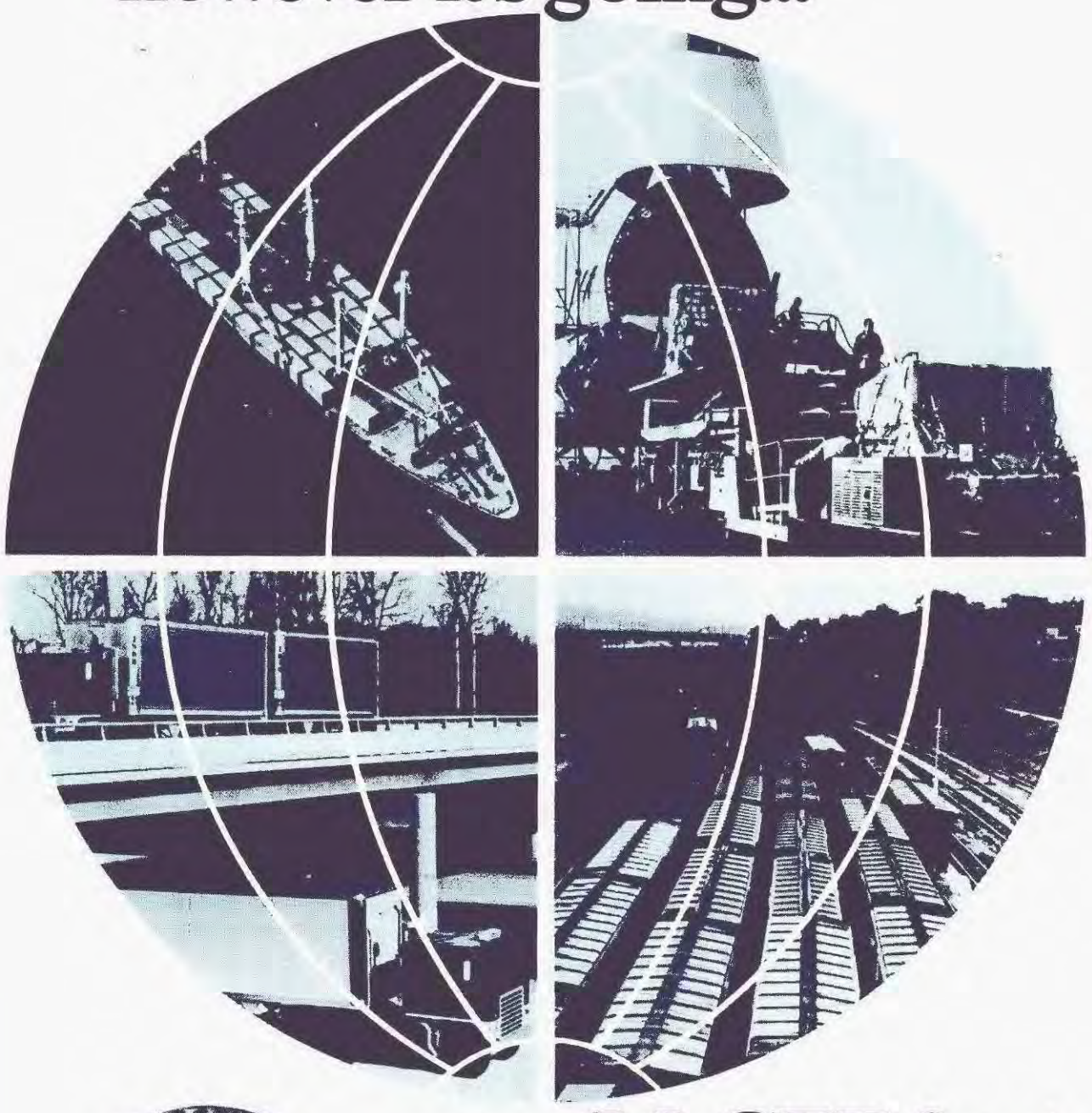

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MET probe not stalled: Lanoff

WASHINGTON—The federal government says it isn't blocking state regulators from investigating self-funded multiemployer trusts.

"It is distressing to me to hear, usually from second- or third-hand sources, that at least some insurance commissioners continue to assert that the (Labor) Department is standing in the way of their efforts to regulate METs," said Ian Lanoff, administrator of the Labor Department Office of Pension and Welfare Benefit Programs.

Growth of the self-funded METs, which provide comprehensive medical and hospital benefits, mushroomed during the late 1970s. Third-party administrators who organized the trusts and solicited members said they offered a new health insurance market to small businesses.

The METs filed with the federal government as employee benefit plans and argued that a pre-emption clause in ERISA barred state regulation of them.

The Labor Department, though, initially failed to set standards for the METs or to clarify their status for regulation. At the same time, the trusts in some cases filed suit in court to block state regulation. As a result, the trusts operated in a regulatory void.

Several trusts went bankrupt, leaving thousands of persons with unpaid medical claims. The failure of self-funded METs has been attributed to poor reserving practices, inadequate rates and using too many premium dollars to pay high commissions to agents soliciting members.

But Mr. Lanoff says the Labor Department is doing its part to end the regulatory void. In the last year, it has issued more than 20 advisory letters on the legal status of METs.

In every case, the department has determined that the METs are not employee benefit plans, he says.

These letters are given great weight by courts and give state regulators a powerful edge when they sue to shut down the multiemployer trusts as unauthorized insurers.

Although the Labor Department may have once been dragging its feet in issuing the letters, the letters are now coming out at a fast clip.

In addition, state insurance commissioners do not need Labor Department approval to regulate an MET, Mr. Lanoff stressed. ■

longer had to report their assets at both book and market value.

Mr. Lanoff does not deny that ERISA caused increased complexity "but that is not necessarily a bad thing," he said. Congress wanted tough safeguards because of pension fund abuse, he added.

It was not administration per se that caused so many plans to terminate during the first few years after ERISA was enacted, Mr. Lanoff argues.

Many of the plans that died had been employer tax shelters. Lengthy vesting features often made it impossible for participants to receive benefits.

For example, in one multiemployer coal miners pension fund, a participant had to work his or her last year before retirement in a union mine to receive a pension.

"You could work for 40 years and then through no fault of your own be laid off and have to work in a non-unionized mine and then be denied a benefit," Mr. Lanoff said.

Once such plans came under federal regulation and the sponsors had fiduciary regulations, employers were not interested in offering them.

Sponsors of plans that flunked basic ERISA vesting and participation regulations often established new, better plans for their employees, Mr. Lanoff pointed out.

Mr. Lanoff worries that some employers and service providers still don't realize a pension fund is for the exclusive benefit of the participants.

"There are too many fiduciary violations and prohibited transactions," he complained. Being a "pension cop" is a title Mr. Lanoff accepts reluctantly. As pension violations continue, the department has no choice but to step up enforcement actions, he said.

But Mr. Lanoff is encouraged that many employers are taking a much broader interest in pension issues. "It's almost thrilling to go to a meeting of the President's Commission on Pension Policy and hear vital issues such as vesting and coverage discussed," he said.

He says 10-year vesting for pensions has failed to cure a system that leaves many retired American workers without adequate retirement income.

But he will not recommend any other prescription until he is sure the cost of the cure won't exceed the benefits.

"It has become apparent since ERISA was enacted that 10-year vesting is not doing the job it should be doing for large numbers of people," Mr. Lanoff said.

Women in particular have been hurt by long vesting requirements because family responsibilities often force them to leave the work force before vesting.

But Mr. Lanoff cautions that the cost of faster vesting is a factor.

"No longer can you identify a fault in the system and cure it with money," he said. "We have to make sure it makes sense."

One major pension reform that could come soon is mandatory joint and survivor benefits. Currently, a spouse can be denied a survivor benefit if the vested worker died before reaching the plan's early retirement age, usually 55.

"It is difficult not to believe that these benefits should not be transferred to the widow," he said. "It's a key reform that could be enacted without making drastic changes to ERISA."

The Labor Department's next major goal is to help workers understand their pensions before they retire and to impress upon plan sponsors and service providers what the purpose of their plans is.

An improved research capability is also being developed to help pension policymakers make better informed decisions. ■

Study charts expected plan growth

WASHINGTON—Despite the financial instability of several major plans, multiemployer pensions are expected to expand significantly in the next 20 years.

The number of participants in multiemployer plans is expected to climb to 13 million by 1990, up from 8.8 million in 1975. By the year 2000, about 20 million workers will be covered by such plans, according to a new study.

Consultants Towers, Perrin, Forster & Crosby, in a study for the Labor Department, analyzed 246 multiemployer plans.

A defined benefit plan establishes a set benefit payment to an employee while a defined contribution plan spells out how much a firm will contribute.

The study cited the tremendous impact ERISA has had on the vesting requirements.

Before ERISA, more than 30% of defined benefit multiemployer plans had no vesting standards or required more than 10 years of service for vesting.

Today, more than 80% of defined benefit multiemployer plans offer full vesting after 10 years. Under ERISA, participants under the slowest vesting schedule must be 50% vested after 10 years of service and 100% vested after 15 years.

Defined contribution multiemployer plans also have speeded up their vesting schedules.

Before ERISA, 45% of multiemployer defined contribution plans offered immediate vesting. Today 86% provide immediate vesting.

The study shows:

- About 94% of multiemployer plans are noncontributory.
- About 90% of multiemployer plans offer defined benefits.
- In 91% of defined benefit plans, a participant must be 65 and have worked 10 years to receive a benefit.
- The average pension paid to retirees in defined benefit plans has jumped to $10 per month per year of service, up from $8 in 1974.
- The average employer contribution to defined contribution plans increased to $1.50 per hour per employee, up from $1.10.
- About 46% of multiemployer defined benefit plans permit participants to change jobs and retain pension credits.

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Copies of the "Study of Multiemployer Plans" can be purchased for $13 from the National Technical Information Service, Department of Commerce, Springfield, Va. 22161; 703-557-4650. Specify No. PB80-219223.

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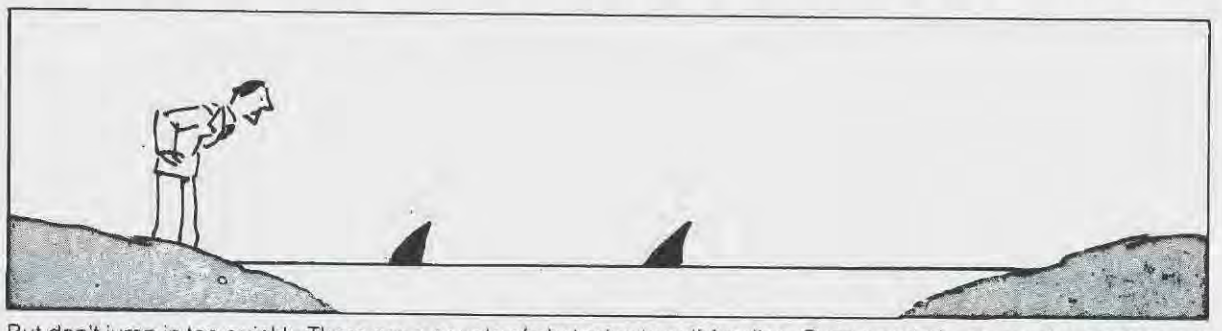

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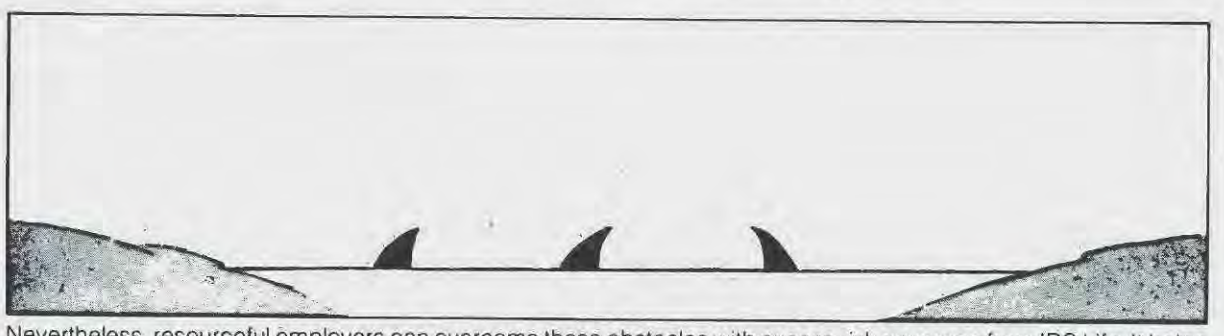

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Big buyers rank large brokers, franchises best

SAN FRANCISCO—Large corporate insurance buyers prefer national brokerages and network-affiliated agents to independent agents by a wide margin, according to a new survey of risk managers in four major cities.

The study, commissioned by ISU Cos. Inc. as part of its franchise marketing research, roughly supported the recent Louis Harris survey of Fortune 1,000 insurance buying practices (*BI*, Oct. 27).

The ISU study, however, polled 106 risk managers culled from the Risk & Insurance Management Society membership lists in Los Angeles, Chicago, New York and San Francisco. The risk executives represented firms paying $200,000 to $24 million in annual premiums.

Large commercial consumers, according to the survey, value insurance and risk management knowledge more than any other insurance vendor attributes and are slightly less cost-conscious than smaller buyers. A previous ISU study of commercial buyers paying $200,000 or less in premiums showed price was the highest seller value (*BI*, July 21).

Big brokers, however, are most likely to provide the required knowledge level, the new study revealed. Using the ISU franchise network as a 100-point baseline, risk managers ranked national brokers highest with 166 points.

Independent agents unaffiliated with a service or franchise network drew only 16 rating points.

Divided into subgroups, the survey respondents reported that financial firms were more highly in favor of national brokerages than any other group. Government risk departments were more likely to support an affiliated or independent agent. The survey showed:

- Financial, real estate or insurance firms ranked the national brokers with highest favor, 234 points, but also ranked independent agents slightly higher than the average, with 19 points.
- Manufacturing or processing firms ranked the national houses closest to the average response with 160 points and gave independent agents 21 points.
- Wholesale or retail firms leaned slightly in favor of national brokerages over affiliated agents, ranking the brokerages 18 points higher than the network baseline of 100 points. But they strongly resisted independent agents, giving only two points.
- Government agencies reported even less distinction between the large brokers and affiliated agents, rating the national firms with 112 points and independent agents with 9 points.

Risk managers for California firms tend to rank national insurance brokers higher than their New York and Chicago counterparts, placing the conglomerates at 177 points compared with 150 points combined from Chicago and New York. Response to independent agents, however, varied only slightly at 17 and 14 points, respectively.

The buyers for firms with $1 billion or more in annual revenue also ranked national brokers high at 165, a point less than the group average. Independent agents, however, earned only 11 points.

A producer's specialized knowledge of a firm's business also drew buyer favor. The extra expertise ranked third, behind risk management knowledge and cost.

Though national insurance brokers consistently ranked ahead of franchise networks like ISU, Donn McVeigh, vp-risk management service for the San Francisco-based franchiser, said the results of the survey indicated a network affiliation can close the value gap between brokers and independent agents.

The Independent Insurance Agents of America had not received a copy of the poll, but said it was studying franchise group advantages and disadvantages. ■

How buyers rank agent attributes

	Risk managers with $200M-$24MM prem.	Commercial consumers with $10M-$200M prem.
Insurance and risk management knowledge	3.0	2.4
Premium costs	2.9	3.0
Producer knowledge of client business	2.5	2.2
Producer training	2.2	2.2
Producer affiliation	2.2	1.9
Automated systems	1.7	2.4
Contract services availability	1.7	N/A
Ownership of producer or network	1.6	1.8
Financial information analysis capability	1.6	N/A
Producer compensation methods	1.3	N/A
Service locations	1.2	1.1
Mass marketing	1.1	1.6

Results from a previous ISU study taken by John B. Morton Co.
The utility value rating reflects the relative appeals of each attribute on a three point scale.

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Employers reduce plan contributions

By VALERIE BERG

LINCOLNSHIRE, Ill.—As the economy continues its slump, employers are contributing less money to profit-sharing plans compared with their net profits and large employers are contributing proportionately less than small employers.

Those are the results of the 1980 Profit-Sharing Survey compiled by Hewitt Associates here and the Profit-Sharing Council of America in Chicago.

Plan contributions averaged 22.9% of net profit in 1979, a drop from 26.2% in 1978. Contributions as a percentage of pay decreased slightly in 1979, to 9.84% from 9.89% in 1978.

"We've been in a recession for more than a year and it makes sense that contributions would be decreasing somewhat, either as a percentage of net profit or pay," said Martin S. Solhaug of the Hewitt Associates research center.

Plans with fewer than 100 employees, however, reported an average contribution of 33.2% of net profit in 1979, while plans with 5,000 or more workers reported an average of 9.6%. Smaller employers spend more on profit-sharing "probably because it's their only retirement vehicle," said a Hewitt spokeswoman.

The report surveyed 513 member companies of the Profit-Sharing Council, of which two-thirds had fewer than 500 employees. Total employee population of surveyed companies was 2 million, 50.7% of whom participate in the profit-sharing plans.

Employers contributed more than $990 million to surveyed plans in 1979 and more than $198 million in cash was distributed to participants. Market value of plan assets exceeded $7.9 billion.

Employee contributions were permitted by 55% of the plans.

In 203 or 41.2% of the companies—particularly the smaller ones—employer contributions were decided solely at the company's discretion. This method was used most often in three company size groupings: 61.7% with 99 or fewer employees; 38.4% of those with 100 to 499, and 34.5% of those with 500 to 999.

The discretionary method was second choice among companies with 1,000 to 4,999 employees, with 23.8% using this method.

Ninety-five or 19.3% of the plans used a specific percentage of profits to determine their contribution. This was used most by plans with 1,000 to 4,999 employees, 34.9%, and by those with 5,000 or more, 32.7%. Plans with 500 to 999 employees chose this method second most often, with 27.3% doing so.

Sixty-six or 13.4% of the plans used a specific percentage of profits in excess of the amount reserved for return on stockholder equity, or another method of reserving. This was the second most favored option among companies with 5,000 or more employees, at 28.6%.

Other contribution formulas included a specific percentage of participants' deposits; specific percentage of the profits and discretionary addition on part of the employer, and specific percentage of participants' pay, or others.

The survey also found that:

- The presence of a pension in addition to a profit-sharing plan has little impact on the profit-sharing contribution as a percentage of pay.
- Plan operating expenses other than investment expenses are usually paid by the employer, rather than the trust fund, although there was a slight move toward payment by either the trust fund or by both the trust and the employer.
- The average annual turnover of profit-sharing participants remains at about 13%.

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Copies of the report "1980 Profit-Sharing Survey" are available free from Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015, 312-295-5000, or the Profit-Sharing Council of America, Suite 722, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

Employer profit-sharing contributions

Number of Employees		0-99	100-499	500-999	1,000-4,999	5,000 and over	All plans	No. of plans
Contributions as % of Net Profit	1978	39.1%	21.7%	23.5%	15.1%	11.9%	26.2%	383
	1979	33.2%	22.5%	20.3%	15.1%	9.6%	22.9%	336

If this is your definition of reinsurance, we've got a lot more to show you

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We're Bellefonte Re Insurance Company, a member of the Armco Insurance Group.

We know that providing a responsive market for property and casualty reinsurance demands a fine blend of two often opposing factors—consistency and flexibility. Not a compromise, mind you, but an ability to operate within established underwriting guidelines, while allowing our underwriters the flexibility to develop original and imaginative solutions to client needs.

We're a self-contained operating unit of the Armco Insurance Group, fully accountable for underwriting management. Flexibility is maintained by locally responsive underwriters assigned to specific geographic regions.

There's more to how we define reinsurance at Bellefonte Re. To find out, write for a copy of our capabilities book. Bellefonte Re Insurance Company, Dept. 260, 11370 Reed Hartman Highway, Cincinnati, Ohio 45241. 513/745-8000.

ARMCO BELLEFONTE RE INSURANCE

Surveillance battles claims

MILWAUKEE—"Surveillance can provide the defense with either a sword or a boomerang" in battling false or exaggerated injury or disability claims," says Ronald W. Eubanks. But if surveillance is used effectively, it rarely backfires.

The Omaha, Neb., attorney discusses the topic in "Using Surveillance in Defending Litigation," an article appearing in the July 30 issue of For the Defense, the monthly magazine of the Defense Research Institute here.

Before beginning, the attorney should review relevant state and federal laws and advise the investigator of his rights within these laws, the author says. Practical aspects of the proposed investigation also should be reviewed beforehand to maximize its effect if the case goes to court.

Unnecessary investigations into credit references, traffic and other minor offenses can backfire before a jury, the author warns. Rather, counsel should be accused of filming the plaintiff only when it was advantageous for the defendant, thus discrediting the defense, Mr. Eubanks explains.

Reprints are available for $1 through the Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233. ■

Financial Strategies In Business Insurance

An INA Series

A case where timing means money.

- Paterson, Foley, Tengi & Kurtz' George Paterson

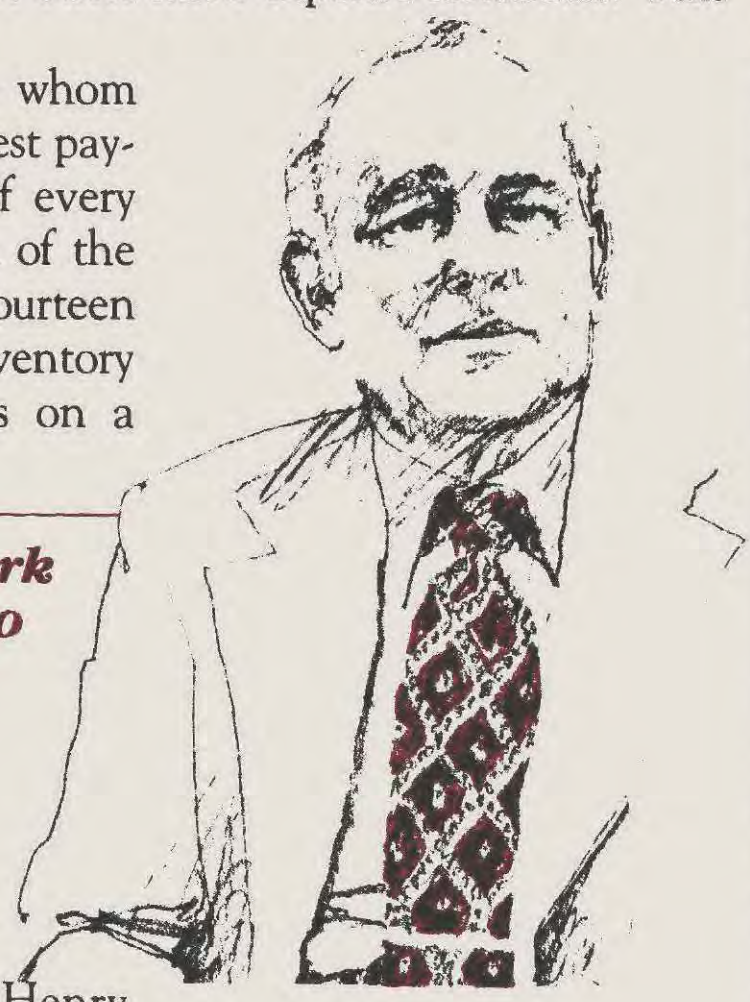
Lump-sum payment of insurance premiums can profoundly affect a business's cash-flow position. One way to soften the impact: premium financing.

George Paterson, Vice-President of the Paterson, Foley, Tengi & Kurtz agency in Freehold, New Jersey, explains, "By paying its premium in monthly installments, a company can keep dollars working that otherwise would be taken out of action."

Working through INAC, an INA company, Paterson is able to arrange financing with virtually any carrier, often at lower interest rates than the insured would pay at a conventional lending institution. Importantly, this method of financing does not affect the client's credit relationship with its bank.

Paterson continues: "INAC also allows the client to establish a monthly payment date that fits smoothly with other fixed-expense schedules. This flexibility can translate into bottom-line savings."

One example is a large automobile dealership for whom Paterson's company supplies coverage. The dealer's interest payments on his floorplan inventory were due the first of every month. By setting his insurance payments for the 15th of the month, and earning interest on the earmarked funds for fourteen days, the dealer shaved a full percentage point off his inventory finance rate. "That saving," says Paterson, "continues on a month-after-month basis."



Solid groundwork on marine cargo coverages.

- Rohm and Haas' Henry Taylor

A multinational chemical firm, Rohm and Haas Company, takes the position that its marine cargo insurance has two basic functions. The first is protection of assets. The second is the ability to enhance customer relationships.

The company's Corporate Insurance Manager, Henry Taylor, notes: "Our ocean risks are underwritten largely on a first-dollar basis through INA."

The result is optimum protection for valuable cargoes shipped in many forms.

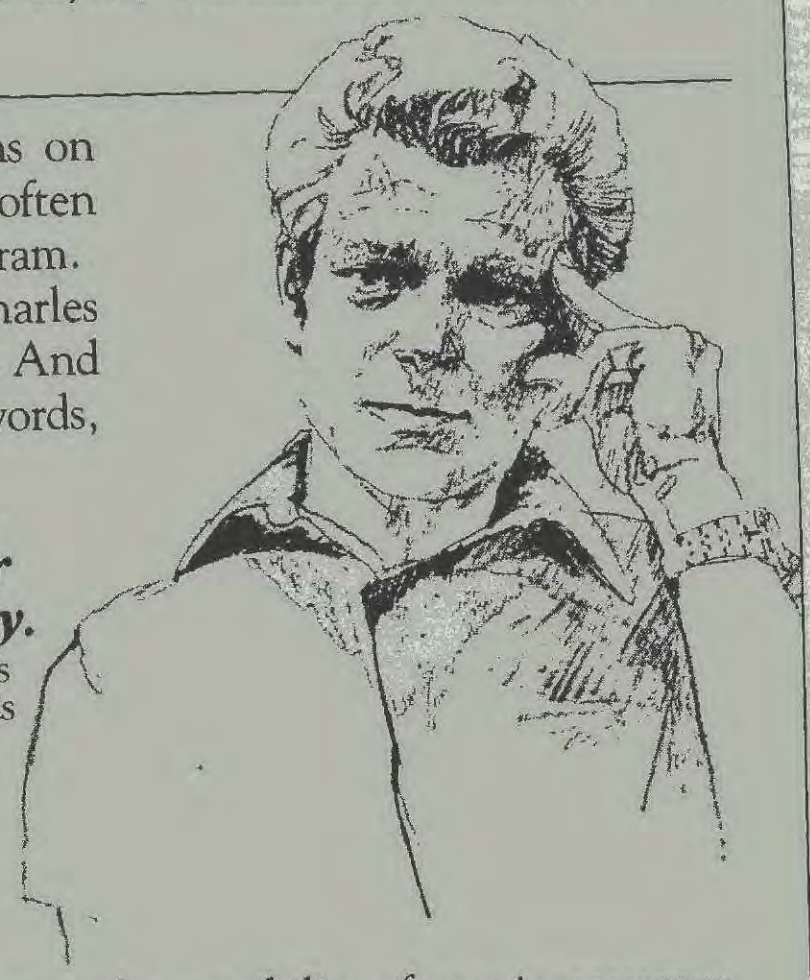
For over a decade, this underwriting relationship has been bolstered by INA's special concern for loss control. "We have always been impressed," says Taylor, "with INA's safety innovations in packaging, handling and stowage."

Together with on-the-spot claims service in virtually every part of the world, Taylor feels that these loss-control steps have a positive effect in building customer confidence. In the vast majority of cases, Rohm and Haas' products arrive at foreign destinations free of damage–thus fulfilling both the requirements and timetables of end-users.

As a result of the company's excellent loss record, reductions in premiums have been achieved over the past several years. "This demonstrates," concludes Taylor, "the benefit of working closely with INA on all levels."

For retail jewelers, completing separate applications on each risk is a time-consuming process, and one that often results in higher premiums than with a consolidated program.

With INA's new Jewelers Package Policy, however, Charles Rhoads has achieved a 33% reduction in insurance costs. And the convenience of its simple two-page form is, in his words, "an outstanding bonus."



More protection for less money.
–Rhoads & Son's Charles Rhoads

Rhoads, a member of the Florida Retail Jewelers Association Insurance Committee, owns Rhoads & Son, a group of stores specializing in gems, karat gold and custom work.

He recently played a key role, working with INA, in the development of the Package Policy for his field of retailing. Practical and cost-effective, the policy embraces all aspects of jewelry store operation and eliminates the possibility of gaps in coverage.

"My principal problem with traditional jeweler's insurance–which hasn't changed essentially since 1906–was the difficulty of completing its long and complex application, and then spending more time on other coverages," Rhoads explains. As many as six different policies were needed for total protection. "Now all that paperwork is a thing of the past."

Rhoads cites another advantage of INA's comprehensive jeweler's coverage. Since the policy is "not warranted," claims can't be denied if the application contains honest errors; the insured's signature is not even necessary to bind the policy.

Decision-making in business insurance has never been more complex. And the financial implications have never been greater. Today, devising cost-effective insurance programs requires knowledge, experience, capacity–and a complete range of products and services. Flexibility and the willingness to innovate are also essential.

INA's ability to combine these elements can assist you in developing practical solutions, new approaches, and better strategies. Consult the professionals. Write directly to John Cox, President, INA Property-Casualty Group, Department M, 1600 Arch Street, Philadelphia, PA 19101 or call (215) 241-2729.

The resources to do it all, the strategies to do it right.

INA
The Professionals

State Farm names two to risk posts

STATE FARM MUTUAL Automobile Insurance Co. in Bloomington, Ill., has made two changes in its risk management staff. **Phillip E. Colbert** has been named assistant superintendent-risk management for State Farm Insurance Cos. Mr. Colbert first joined the insurer as an underwriter and has held various positions in its risk management unit. He received a bachelor's degree in business from Southeastern Oklahoma State University in Durant and did graduate work at Southern Methodist University's school of business administration in Dallas. He is a CPCU candidate. **Gregg E. Watson** has joined the risk management unit as junior analyst-risk management. Mr. Watson was commercial account underwriter in State Farm's Illinois commercial division. He is a graduate of Illinois State University and a CPCU candidate. Both men report to Hal Johnson, director-risk management.

* * *

Hobart Corp. in Troy, Ohio, has named **Mark Bravard** supervisor of insurance and risk management to replace **William J. Sullivan,** who left the company as reported. Mr. Bravard, who reports to vp and treasurer H.L. Mischler, was previously an insurance analyst at Hobart. He received his bachelor's degree in risk management and insurance from the University of Georgia.

* * *

Theodore Kolb has been promoted to assistant vp and head of the newly formed risk management department of Hospital Trust National Bank in Providence, R.I. Mr. Kolb joined Hospital Trust in May 1978 as corporate insurance manager and was named financial control officer in October of that year. He is a graduate of the University of Chicago and holds a master's in business administration in marketing from Stetson University in De Land, Fla. He is a member of the Rhode Island chapter of the Risk & Insurance Management Society and an instructor of marketing in the graduate school of Bryant College in Smithfield, R.I. He reports to Robert W. Powers, senior vp of administrative services.

Kolb

* * *

International Telephone & Telegraph Corp. in New York has hired **Kathryn Turck** as assistant casualty manager to replace **Joseph Rinaldi,** who left the company as reported Ms. Turck, who reports to casualty manager George Lazovsky, previously worked for Herbert Jamison & Co., a New York brokerage house. She has a bachelor's degree in business administration from Baruch College and a CPCU designation.

* * *

Faberge Inc. in New York has named **Joseph T. Palazzolo** insurance manager to replace **Isaac Proser,** who left the company. Mr. Palazzolo, who reports to treasurer Frederick A. Brunn, previously was an assistant treasurer in the insurance department at Chase Manhattan Bank. He has a bachelor's degree from Pace University in New York and a master's in business administration from The College of Insurance.

* * *

Tampa Electric Co. in Tampa, Fla., has named **Thomas Myers** manager of insurance to replace **Howard E. Higgins,** who has joined the Tennessee Valley Authority in Chattanooga as a power financing analyst. Mr. Myers, who reports to treasurer Alan Oak, previously was the director of insurance at U.S. Home in Houston. He has ARM and associate in loss control management designations from the Insurance Institute of America Inc. Mr. Higgins, in his newly created position, is responsible for risk management at TVA. He has a bachelor's degree in business administration from the University of Miami and reports to Paul Sanderford, chief of the power financing staff.

* * *

Rockwell International Corp. in Pittsburgh has named **Alfred J. Spigarelli** manager of executive benefit programs to replace **David Lyle,** who joined J&L Steel as reported. Mr. Spigarelli, who reports to Edwin C. McManus, staff vp of employee benefits, previously worked for General Motors and Chrysler Corp. At Chrysler, he was manager of security investment and credit facilities. He has a bachelor of arts degree in marketing and finance and a master's degree in business management from Michigan State University.

* * *

Interspace Corp. in Parsippany, N.J., has named **Sharon Regelski** to the newly created position of insurance administrator. Ms. Regelski, who reports to risk manager John A. Mancuso, was a clerical assistant before her promotion.

•

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y. 10017 or call 212-985-5050.

comings & goings: buyers

Health bill hits $212.5 billion

WASHINGTON—The nation spent a record $212.5 billion on health care last year, a 12.5% increase from the $118.6 billion spent in 1978, says the Department of Health and Human Services.

Health care expenditures amounted to $943 per person in 1979, up from $845.53 in 1978.

The nation's health care bill included $54.4 billion in private health insurance premiums, mainly paid by employers, $60.9 billion in federal payments and $30.4 billion in state and local government outlays. ■

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cayman islands captives...

A two-day seminar
December 5 and 6, 1980

Special Pre-Seminar Workshop
December 4, 1980

The Cayman Islands have developed into an important alternative domicile for captive insurers. Superior banking facilities, a less restrictive regulatory climate and tight secrecy laws have contributed to the growth in the number of Cayman captives.

This year's seminar will explore some of the more important facets of Cayman-based captives as well as issues facing captives wherever domiciled.

The program is directed to those who have a thorough working knowledge of captives and wish to enhance their understanding of the Cayman Islands as an important emerging domicile; and who want an in-depth review of the important worldwide issues facing captives, their parents, brokers and insurers.

The pre-seminar workshop will review the fundamentals of captives, provide a briefing on the important economic, tax and other issues which should be considered prior to captive establishment, and provide examples of how captives are employed within the context of an overall corporate risk and insurance management program.

FEES: Two-Day Seminar: US$495. Second and subsequent from same company—US$450. Special Pre-Seminar Workshop: US$95. Hotel and airline information will be sent upon registration.

The seminar sponsor is:
Risk Planning Group, Inc.
722 Post Road, Darien, CT. 06820
(203) 655-9791 Telex: 996358

CAYMAN ISLANDS CAPTIVES

Mail to: Director of Conferences
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December 5-6, 1980
Workshop Dec. 4, 1980

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Vice President, Casualty-Property Commercial Lines Department.

THE TRAVELERS

The Travelers Indemnity Company and Affiliated Companies, Hartford, Conn. 06115

Unionmutual introduces small group LTD coverage

products & services

UNIONMUTUAL has announced a new "Mini-Group" program that offers long-term disability coverage to firms with five to nine employees.

Mini-Group will enable small firms to offer employees a complete and competitive benefit package, said Stephen L. Smith, vp for group products.

The company's 60%-of-salary plan offers an overall maximum benefit of $2,500 per month, up to $30,000 a year for disabled employees, with a group life maximum of $150,000 per employee.

Mini-Group is available to firms in the following professional fields: legal, medical, advertising, computer processing, research and development, management consulting, public relations, engineering, architecture, accounting and auditing.

For more information, contact Unionmutual, Portland, Maine 04122; 207-780-2280.

Risk services

The Armco Insurance Group has expanded and consolidated services for professional risk managers and brokers through a realignment of its Bellefonte Management Corp. division. To reflect the addition of corporate risk financing services, Bellefonte has been renamed Armco Insurance Management Inc.

The realignment gives clients a single source to meet needs ranging from risk management consultation and captive insurer services to cash-flow retrospective rating programs and other risk-financing techniques, the company says.

The new risk management unit is responsible for designing corporate risk-financing programs, placing insurance with properly qualified insurers and complete administration of both client and insurer needs.

For more information, contact Armco Insurance Management Inc., 11380 Reed Hartman Highway, Cincinnati, Ohio.

Medical screening

A medical screening program for employees is being marketed by Vitascan Inc. of Elgin, Ill.

The program is designed to "screen out" individuals who may have undetected hypertension, heart or lung disease. It encourages them to consult their personal physicians for further treatment.

The program can be adapted to suit the needs of both the rank-and-file employee and the executive, Vitascan says. The base cost is $35 per employee, with tests conducted at the workplace.

For further information, contact Vitascan Medical Screening, 707 A Davis Road, Elgin, Ill. 60120; 312-888-4178. ■

Bill to limit inspections stalls in panel

WASHINGTON—Legislation barring safety inspections of most small firms by the Occupational Safety and Health Administration remains bottled up in a Senate committee.

The House last summer approved an amendment by Rep. Beverly Byron (D-Md.) that would prohibit OSHA safety inspectors from conducting routine worksite inspections of companies with fewer than 11 employees.

The amendment was attached to the Labor Department/Health and Human Services appropriations bill (H.R. 7998) and approved by the House by a wide margin (*BI*, Sept. 8).

But that measure, along with more than a dozen other appropriations bills, has been deadlocked in the Senate.

Instead of passing individual bills to fund the various federal agencies, as is usual, Congress this session passed one continuing resolution to keep all the agencies afloat for the next few months.

Business groups, though, are optimistic the Senate Appropriations Committee and the full Senate will approve the appropriations bill with the Byron amendment in the lame duck session. That session begins Nov. 12 and probably will run until the middle of December.

Although several business groups, such as the National Federation of Independent Business, back the Byron amendment, the Carter administration fears its adoption would hamper efforts to protect the safety of workers at small firms. ■

Government speeds rulings on exemptions

WASHINGTON—The Labor Department is picking up speed.

During the first three years of the pension reform law, an angry pension community charged the federal government took forever to rule on its requests to engage in transactions normally barred by ERISA.

But the situation has changed, says the Labor Department, and the agency has figures to back up its boast.

In 1978, federal officials took an average of 15 months to rule on an exemption request. By June 1980, the average processing time was reduced to three to four months, says Alan Lebowitz, assistant administrator in the Labor Department's Office of Fiduciary Standards.

The Labor Department ruled on 653 exemption requests compared with 178 in 1978.

The Labor Department credits a 1979 reorganization plan, known as Reorganization Plan No. 4, for cutting exemption request processing time.

That reorganization plan divides and defines jurisdiction of ERISA between the Labor Deaprtment and the Internal Revenue Service. Jurisdiction had been confused before.

EVERYBODY'S TALKING ABOUT HEALTH CARE COST PROBLEMS. WE THOUGHT YOU'D LIKE TO HEAR A FEW SOLUTIONS.

St. Paul forms Texas Lloyd's syndicate

ST. PAUL FIRE & Marine Insurance Co. has formed a Lloyd's underwriting syndicate to give the insurer greater rating flexibility on high-value and specialty risks in Texas.

The organization of a Lloyd's company consists of a group of underwriters and an attorney-in-fact appointed by the underwriters (*BI*, Sept. 22). A. Ted Cajacob, St. Paul's general manager for the Dallas area, is attorney-in-fact for St. Paul Lloyd's.

Other officers of the company will serve in trusteeship capacities as St. Paul Lloyd's underwriters.

"The state's laws regulating insurance structures like a Lloyd's differ from those of conventional insurers and alllow us the kind of flexibility we need to serve a variety of insurance needs," said Thomas F. McCann, St. Paul's senior vp-underwriting.

"The greater rating flexibility of a Lloyd's also allows us to meet insurance needs with less expense. We, therefore, are able to be more competitive with Lloyd's affiliates of other companies."

St. Paul Lloyd's will primarily underwrite commercial fire and allied lines policies. Its principal office will be with St. Paul Fire & Marine at 611 Ryan Plaza Drive, Arlington, Tex.

markets

Computerized claims

A new computerized claims payment system offered by The Hartford Insurance Group will speed service to group health policyholders, the insurance company reports.

The System to Automate Group Claims will handle calculations and payments for medical, dental and disability claims.

"The system stores information on coverages for each group policyholder, claims histories for each claimant and other necessary data, such as prevailing fees by area," said David T. D. Sandstrom, secretary of group claims.

"The claims processors need only apply judgment in such areas as pre-existing conditions and coordination of benefits," he said.

A detailed explanation of benefits will accompany each claims payment.

Consultants link

Two risk management consulting firms, Corporate Insurance Consultants and Peet & Isenberg Inc., have affiliated, with offices at 6600 France Ave. S., Edina, Minn. 55435; 612-920-0106.

Acquisitions

Alexander & Alexander has acquired **Peck & Co. Inc.** of Casper, Wyo. Peck represents more than 365 Wyoming clients involved in oil exploration and other energy-related businesses.

Corroon & Black has reached an agreement in principle to acquire the **Holton Insurance Agency Inc.** of St. Louis. The Holton Agency, which will be acquired with an undisclosed amount of cash, handles property/casualty insurance with a particular specialty in aviation coverages. The business operations will be combined with the operations of Corroon & Black of St. Louis.

New offices

Marsh & McLennan (Bermuda) Ltd. has relocated to Marsh & McLennan House, Front and King Streets, Hamilton, Bermuda; 809-295-3278.

Massachusetts Plate Glass Insurance Co. has opened a casualty department office at 1 Penn Plaza, Room 5028, New York, N.Y. 10001; 212-695-6310. ■

When a problem is talked about as much as this one, it's sometimes difficult to see the progress that's being made.

The fact is, significant progress has already been made in controlling the rising cost of health care by Blue Cross and Blue Shield Plans.

A BREAKTHROUGH.

In the past decade, programs we support like out-patient diagnostic and same-day surgery have helped cut the average hospital stay of our subscribers by one full day. And saved $1,250,000,000 last year alone.

Blue Cross and Blue Shield Plans often have special arrangements with hospitals and physicians supporting a wide range of cost containment initiatives. This means value added and *lower* benefit costs to enrolled groups.

You see, we believe that the solution to the problem lies in controlling all your costs.

90 to 95% OF YOUR HEALTH CARE DOLLAR USUALLY GOES TO BENEFIT COSTS. AND THAT'S WHERE WE CAN MAKE THE BIGGEST DIFFERENCE.

THE EXPENSIVE ASSUMPTION.

Some buyers make the assumption that the cost of benefits will always be the same. After all, the same people will get sick and incur the same costs, no matter who the carrier is.

But the fact is, there can be a big difference. The cost of health care coverage is actually two costs. The cost of benefits. And the retention costs (everything from administrative costs to reserves). But all too often, only retention costs get much attention.

Benefit costs are where most of your health care coverage dollar goes. Controlling benefit costs can have a real impact on your bottom line. Which is why we're so committed to containing them.

So before you make a decision about your group's coverage, contact your Blue Cross and Blue Shield Plan Marketing Representative. Otherwise, trying to save a little money could end up being very expensive.

Write for the free booklet: "The Most Effective Health Care Protection For Your Employees." Blue Cross and Blue Shield Associations, Box 8008, Chicago, IL 60680.

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datebook

DEC. 4-5. Nuclear Litigation Program in New York, sponsored by the Practising Law Institute; $275. PLI, Department NZC, 10 Seventh Ave., New York, N.Y. 10019; 262-765-5700.

DEC. 7-10. Public Employees Conference in Monterey, Calif., sponsored by International Foundation of Employee Benefit Plans; $300 for members, $375 for nonmembers. IFEBP, P.O. Box 69, 18700 Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

DEC. 7-12. Managing Legal Liability Exposures Course in London, sponsored by Risk Research Group Inc. Alison Rayner, RRG, Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

DEC. 8-9. Synfuel Environmental Impact Course in Houston, sponsored by Assn. of Energy Engineers; $385 for members, $440 for nonmembers. AEE, 4025 Pleasantdale Rd., Suite 340, Atlanta, Ga. 30340; 404-447-6424.

DEC. 8-10. Fundamentals of Employee Benefits Course in Arlington, Va., sponsored by American Management Assns.; $555 for members, $635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

DEC. 8-10. Advanced Course on Employee Benefits in San Francisco, sponsored by American Management Assns.; $555 for members, $635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

DEC. 8-10. Techniques of Employee Benefits Course in New Orleans, sponsored by Risk & Insurance Management Society Inc.; $225 for members, $325 for nonmembers. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

DEC. 8-10. Fundamentals of Insurance Course in Los Angeles, sponsored by Risk & Insurance Management Society Inc.; $225 for members, $325 for nonmembers. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

DEC 8-10. Techniques of Risk Management Course in Atlanta, sponsored by Risk & Insurance Management Society Inc.; $225 for members, $325 for nonmembers. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

DEC. 8-10. Fundamentals of Marine Insurance Course in New Orleans, sponsored by the American Management Assns.; $555 for members, $635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

DEC 9-10. How to Use Insurance Checklists and Exposure Surveys Program in Dallas, sponsored by the International Risk Management Institute; $435. IRMI, Building IV, Suite 208, 10300 North Central Expressway, Dallas, Tex. 75231; 214-363-9656.

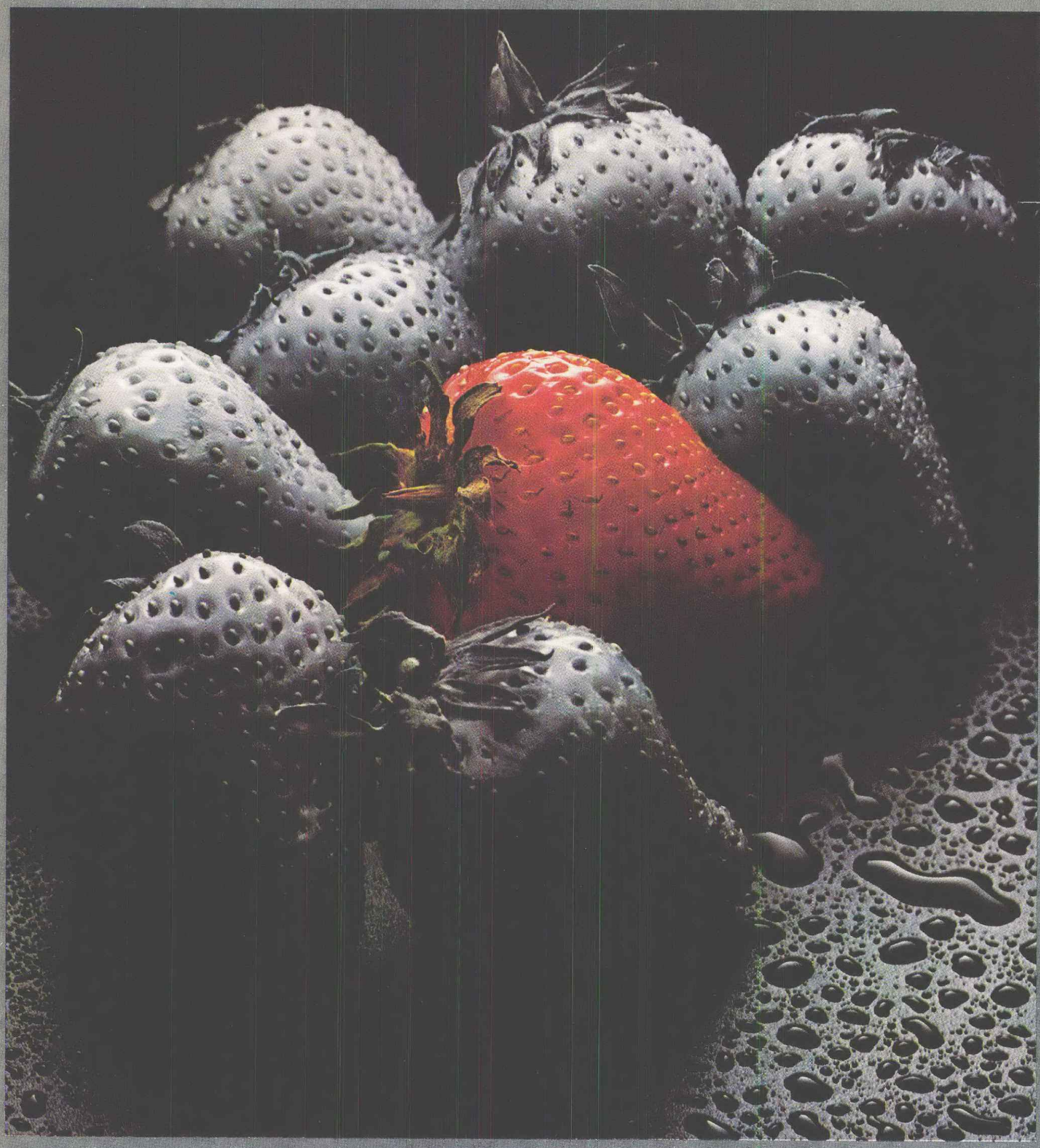
DEC. 10-12. Finance and Accounting Course in Portland, Ore., sponsored by Risk & Insurance Management Society Inc.; $225 for members, $325 for nonmembers. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

DEC.10-12. Self-Insurance and Risk Retention Course in New York, sponsored by the American Management Assns.; $510 for members, $585 for nonmenbers. American Management Assns. 135 W. 50th St. New York, N.Y. 10020; 212-586-8100.

DEC 11-12. Creative Executive Perks Course in Arlington, Va., sponsored by American Management Assns.; $460 for members, $525 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

DEC. 11-12. Pension Fund Money Management Seminar in Dallas, sponsored by the Wharton School; $595 plus $75 registration fee. Heidi E. Kaplan, Dept. 20NR, University Conference Center, 360 Lexington Ave., New York, N.Y. 10017; 800-223-7450.

DEC. 11-12. Introduction to Qualified Pension and Profit-Sharing Program in New York, sponsored by the Practising Law Institute; $250. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700. ■



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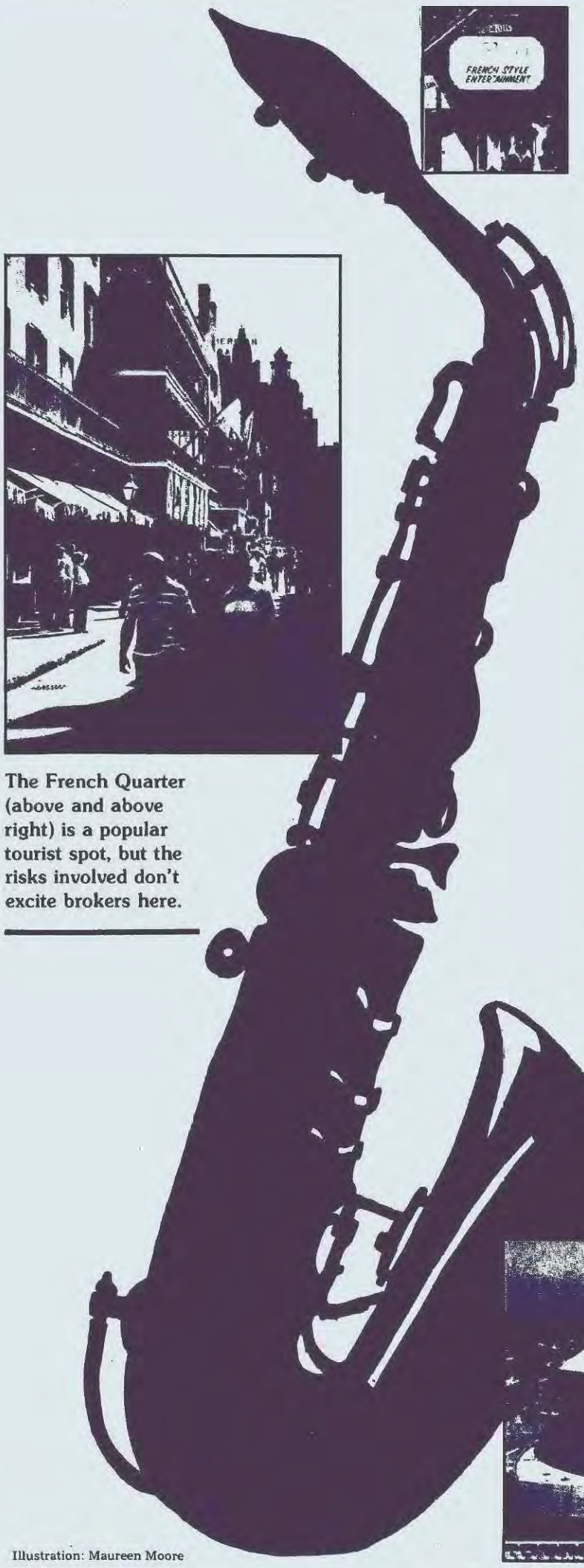
agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS



The French Quarter (above and above right) is a popular tourist spot, but the risks involved don't excite brokers here.

Illustration: Maureen Moore

'The Texacos and Amocos aren't headquartered here. But the industries that serve them are.' —A&A's Maurice Hatrel

New Orleans: Oil, music & marine

By DAVE GALANTI

NEW ORLEANS—Jazz music fills the air day and night in this delta town, but for insurance brokers it is drowned out by the sounds of boats docking and oil rigs pumping.

Energy and marine risks, not the smaller businesses associated with the tourism industry, make big brokers and smaller independents sing. Though the depth of the national brokerages makes them strong competitors in this old Southern town, specialists from the alphabet houses spin off to start their own marine-or oil-based agencies fueled by old-time connections.

New Orleans has idiosyncrasies that trace back to its history as an old river town. Most of the big brokers came to New Orleans through acquisitions, and most of the executives in these offices today were there 10 or 20 years ago.

Skyscrapers do not yet dominate the skyline, although the energy companies such as Amoco, Exxon and Shell are doing their best to build them. Big brokerage offices are unusual for their ilk. The Alexander & Alexander office is not the slick, garish affair buyers see around the country. Marsh & McLennan occupies the first floor of a former furniture store.

But turn-of-the century seediness is losing to the 20th century. Construction of the Superdome northwest of the downtown and French Quarter areas has caused a new office building boom in what used to be a warehouse area. New office space is tight, and Alexander & Alexander officials are concerned that they might not find suitable space when the firm moves next year.

Most brokers, however, turn their efforts toward the Mississippi River, where the docks are, and further south to the Gulf of Mexico, where the oil is.

The larger brokers in New Orleans estimate 65% to 75% of their business comes from these industries. Marsh & McLennan's office is a good example, says senior vp E. Theodore Laborde.

"It's hard not to do that kind of business because the flavor of oil and marine runs through so much of the business down here, ' Mr. Laborde says. "We don't want to be seen as only an energy broker, but because of our location we seemed blessed with that type of business.

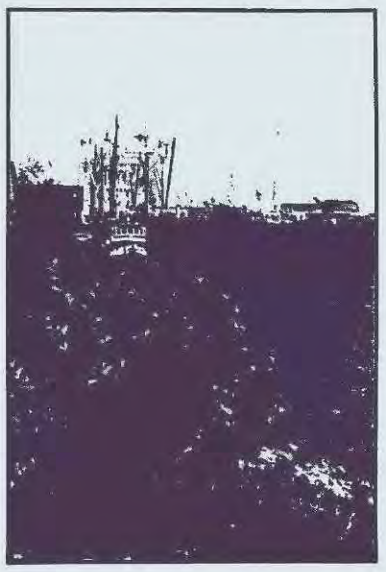
"Our competitors are the same," he adds. "I don't think that there are any major houses down here that don't have a profile of business similar to ours."

That 65% to 75% can be misleading, however, says D. Edwin Blackwell, vp of the local Johnson & Higgins office.

"The risks in this area tend to be the larger-ticket items in town, so in terms of the number of risks, it probably isn't that high of a percentage," Mr. Blackwell says. "We think we have a balanced book of business, but the rate of growth is only average in areas other than the port and energy. Energy is the boom area."

Both big brokers and independents agree the type of marine and energy risks headquartered in New Orleans facilitate the move of veterans from the nationals to

Continued on page 30B



The Superdome (left) has brought new development to a former warehouse area northwest of the existing downtown area. Meanwhile, marine insurance resulting from New Orleans's port (above) and energy-related risks put optimistic grins on the faces of agents and brokers.

Photos: Dave Galanti

INSIDE

Bank holding bill faces uphill battle . . . page 30E

IIAA convention report . . . page 30J

Photos: Dave Galanti

The Independents:

A.L. Schlesinger and Ronald S. Faulin, of veteran real estate and insurance broker Latter & Blum Inc. (left photo), say they will emphasize personal lines in the coming year. On the other end of the spectrum, Richard L. Simmons and Daniel J. Gieseler Jr. say they formed Gieseler Simmons Corp. to handle large energy-related risks.

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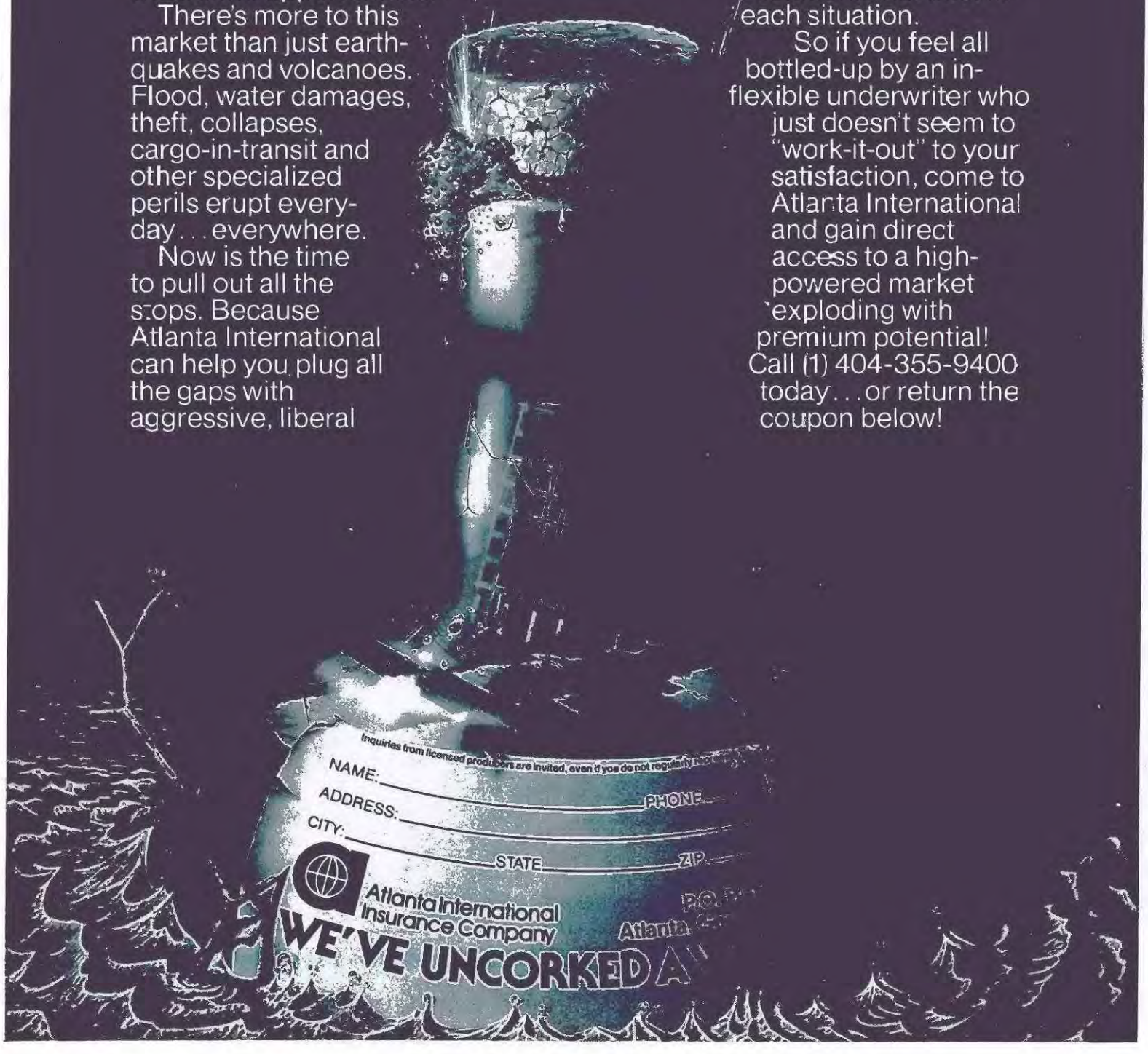


Oil, music

Continued from previous page
their own operations.

"In Houston, you have the main headquarters for many energy companies," Mr. Blackwell says. "Here there are a lot of smaller firms that play a support role. There are so many of these that smaller agencies often attempt to go after that type of business."

One group recently split off from the local Corroon & Black office to begin its own business, Gieseler Simmons Corp. Daniel J. Gieseler Jr. and Richard L. Simmons say they definitely aren't going after the small stuff, however.

"We didn't leave C&B because we were unhappy employees," Mr. Simmons says. "We just felt that we could do more starting a new firm. Our principal focus will be oil-related risks—oil, marine related to oil and oil-field construction. As such, our goals will be more oriented toward outside of the city."

Mr. Simmons says he and Mr. Gieseler are looking for "high-priced" talent who can go out and maintain the big accounts. Like many independents, the two feel they can offer clients a high level of service.

"We feel we can do as well in reaching the markets as anybody, because we know where they are and how to use them," Mr. Gieseler says. "Perhaps the only advantage the big boys have is that they can get people from all over the country to march down here and get a risk. But if these experts then turn it over to a local group that doesn't know what they are doing, it doesn't matter all that much."

From a different perspective, Marsh & McLennan senior vp Mr. Laborde agrees it isn't always barbecued shrimp and beer to be a national broker in New Orleans.

"The national brokers are considered outsiders, even though we have been here since 1954 through an acquisition," he says. "Sometimes we have trouble identifying ourselves as a local operation. But we do have roots here. M&M has been here since '54 and I'm only the second manager.

"We're heavily involved in energy accounts and that doesn't have the old ties that the marine accounts may follow," he adds. "We like to think we're the premier brokerage in this area in this town, and we rely on a lot of the scope of services of M&M. Still, we don't always flaunt it because it doesn't always give the best impression."

For a big broker in New Orleans, an account of $500,000 to $1 million in premium is worth pursuing. The normal risk, however, is closer to $50,000 to $100,000, Mr. Laborde says.

The Alphabets

Energy and marine-related risks are the name of the game in New Orleans, say representatives of three major brokerages here, including Kennard B. Ross and D. Edwin Blackwell, Johnson & Higgins (left photo); E. Theodore Laborde and Donald L. Pesquie (center), Marsh & McLennan; and Maurice F. Hatrel Jr., Alexander & Alexander (right).

Photos: Dave Galanti

& marine

There are other risks besides oil and energy. Ask Kenneth E. Newburger, president of Kessler-Bodenheimer Inc. Soon to be acquired by Corroon & Black, Kessler-Bodenheimer has concentrated on the more traditional property/casualty coverages.

"We think we were desirable to C&B because we had a lot of those type of accounts," Mr. Newburger says. "Our accounts include liquor wholesalers and contractors. Twenty percent to 30% of our business comes from mass marketing."

Like the other big brokers, C&B has been heavy in oil and marine. With the addition of Kessler and the loss of former C&B principals Mr. Gieseler and Mr. Simmons, the mix will change. Marine and oil will probably make up only about 30% of premium after the addition, Mr. Newburger says.

The Latter & Blum organization is another independent with a broader base of operations. Primarily a real estate operation, the insurance department specializes in property risks, says assistant secretary Ronald S. Paulin. The firm is also strong in contracting risks, but personal lines will play an increasing role in future plans.

"A few years ago we looked at our operation and found that we were about 89% commercial lines," Mr. Paulin says. "That was a shame because it showed we weren't taking advantage of our real estate contacts. So we hired four people to develop personal lines accounts and are making good progress.

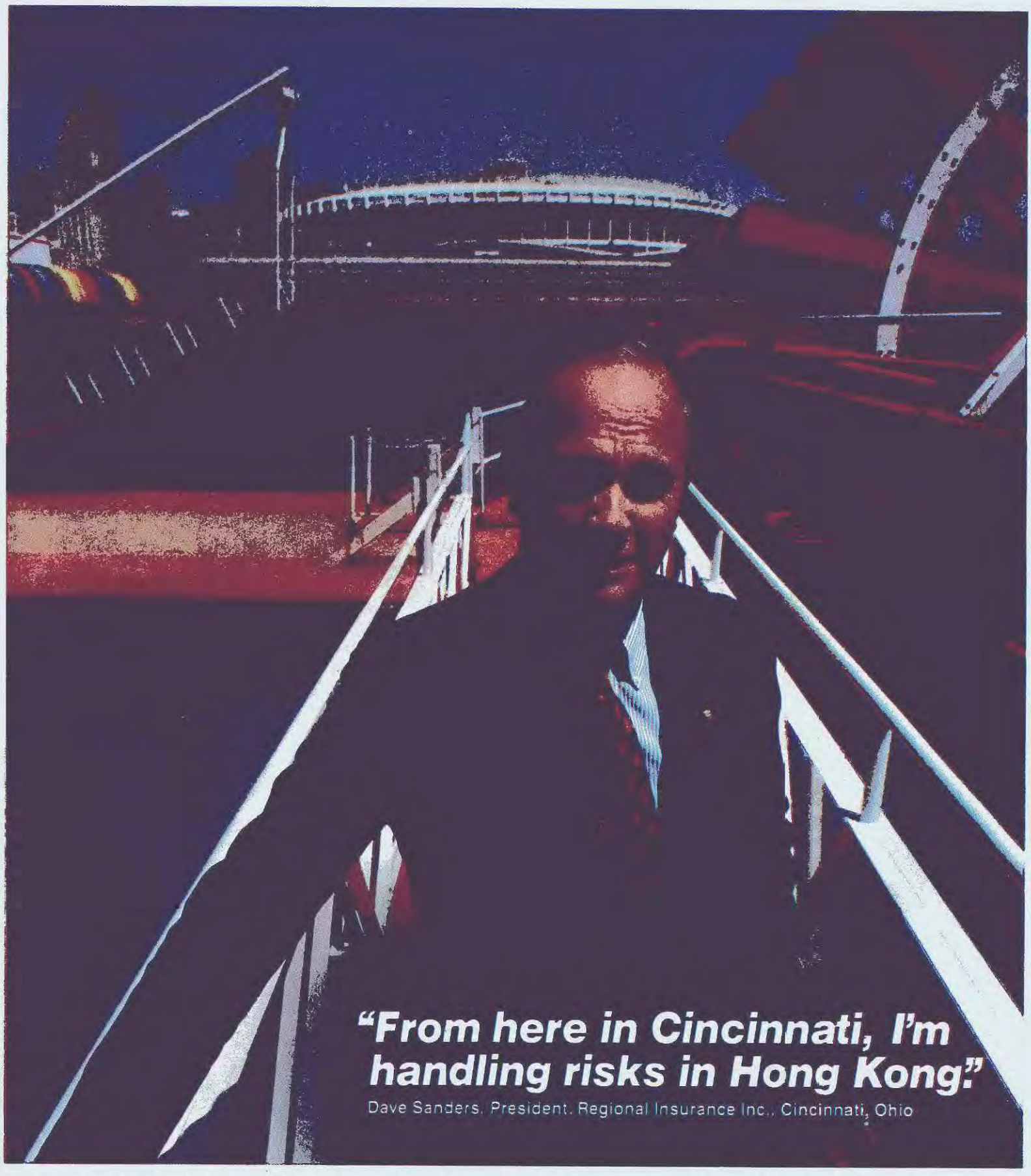
"The property risks here are high because of the windstorm rates," he adds. "A homeowner with two autos here can be a $1,500-a-year account. With a 20% commission, that's not too bad."

Offices like Latter & Blum and Kessler-Bodenheimer are in the minority, however, says Alexander & Alexander's managing vp Maurice F. Hatrel.

"The Texacos aren't here," Mr. Hatrel says. "But the industries that serve them are. Smaller drilling contractors, directional drilling contracts, offshore supply boats, towboats, oil and chemical risks and caterers. They are here.

"The port will continue to be important," he says. "Tourism is growing faster than inflation, but those types of accounts don't bring in big premium. In general, I think people who can be innovative with the medium-sized risks will be increasingly successful here.

"I don't see any one competitor dominating this market," he concludes. "We run into both nationals and locals, especially outside the city." ■



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"I feel I have the experience from my past jobs to go up against any of the alphabet houses," says John Kastner.

Insurance, police work

Cop walks a double beat

By DAVE GALANTI

NEW ORLEANS—Insurance was John Kastner's first love, but it isn't his only love. He's a cop.

By day, and by night as well, Mr. Kastner works at two full-time jobs: one as a producer for the Hughes Walmsley & Co. insurance agency here, the other as assistant to the deputy chief of the New Orleans police department in the technical services bureau.

Most of Mr. Kastner's time is spent shuffling between jobs and his two offices, one in a partly renovated building in an old warehouse district west of the downtown area, the other in the newer police department headquarters not far from the Superdome.

A/B/T local leader

"I got out of the Marines in 1960," Mr. Kastner says. "At that time, I decided to start working at an agency part-time. That turned into a full-time job about two years later when I got married and needed the money.

"The agency I originally worked for was an old managing general agency," he adds. "That was a real advantage for me because I was forced into getting a broad range of experience. The MGA did everything, so I did too."

Mr. Kastner left the MGA in 1963 for a job as an automobile underwriter at what is now Kemper Group. From there he moved into the bond and casualty departments.

"Then in 1965, the hurricane came and Kemper moved everything to Jackson, Miss.," he says. "I chose not to move, so I went over to INA as a workers compensation underwriter and account supervisor. They moved me to Philadelphia and put me in the truck department, then I went to Indianapolis."

During this time, however, his police career was developing as well.

"I had been a reserve policeman since 1963," he says. "And about the time I came back to New Orleans in 1969, I began to get a little disgusted with the insurance industry. It was in the middle of tough times and business wasn't going the way I thought it should. There was a negative attitude.

"So I joined the police department here in 1970," Mr. Kastner says. "I went to the police academy and everything. Then I started on the street and worked up to where I am today via the detective bureau."

As a result, Mr. Kastner says his life is full of beeper calls and walkie-talkie communications from his technical services bureau office. And during a ride from the insurance office to the police department, he speaks with pride of the new paint jobs on the police cars, cost-containment measures and a refurbished underground gasoline tank.

His negative feelings about the insurance industry have faded, however.

"The agency I am with, Hughes Walmsley, has been around for about 50 years," he says.

The agency wrote about $4 million in premium last year. Commercial lines make up about 80% of its business, Mr. Kastner adds.

He says he can do an innovative job of serving clients, thanks to his experience at INA.

"During the period I worked for them here, I think they were very innovative in oil-and gas-related accounts. That helps me here," he says.

He is also confident he can go up against the big brokers, despite the agency's size.

"Here in New Orleans, we can do the same thing with a small office as a broker like Johnson & Higgins can with a large one," Mr. Kastner says. "We know the same markets and may have the same expertise. The alphabets have a continual turnaround problem. A producer with from five to eight years experience tends to go into business for himself or work for the independent houses.

"In my case, I feel I have the experience from my past jobs to go up against any of the alphabet houses," he adds. "I thrive against competition from them. They're my friends, but I think I can beat them."

Smallness has its advantages, Mr. Kastner adds.

"I know a business where the two sons who were running it decided to get out and leave it to the mother," he says. "She really didn't know anything about the business, so one of things she wanted to find out was how it was insured.

"One of the alphabet houses went in, talked all kinds of legal and insurance jargon and confused her. All she wanted was for someone to explain to her what insurance coverage she had. I was able to do that and might land the account." ■

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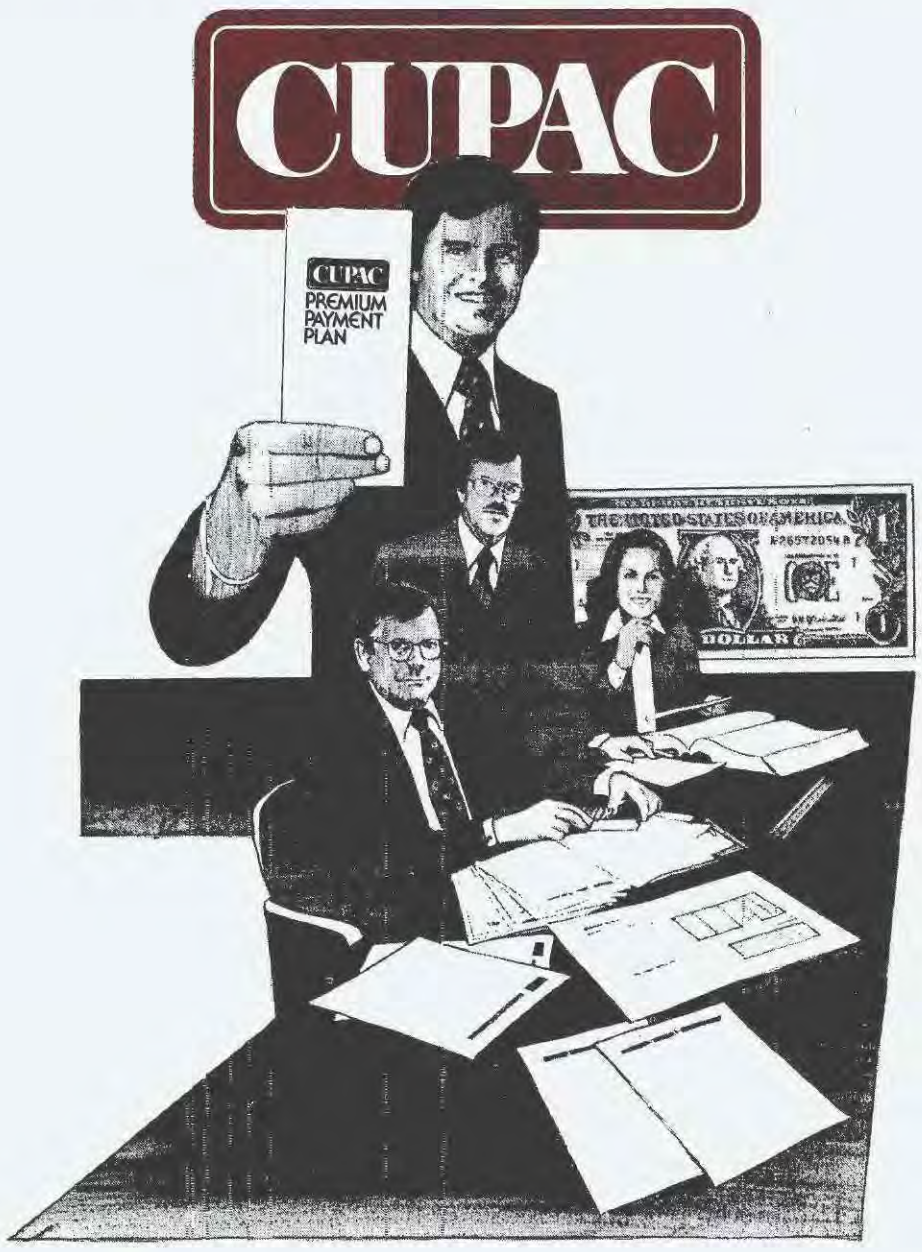

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Bank holding bill has little chance for final approval

By JERRY GEISEL
and DAVE GALANTI

A/BT

WASHINGTON—For 10 years, insurance agents have been battling for federal legislation to get banks out of the insurance business.

And although agent groups remain optimistic, it looks like the agents will have to keep on fighting this year.

The chances are slim Congress will give final approval during the short lame duck session beginning Nov. 12 to a measure (H.R. 2255) that restricts insurance activities of bank holding companies.

The bank holding insurance bill, introduced by Rep. James Hanley (D-N.Y.) and Rep. Fernand St. Germain (D-R.I.), was approved by the House in June by a 333-25 vote.

Then the problems began. By the time the Senate Banking Committee completed action on the measure in late July, so many amendments had been attached that the Senate version no longer resembled the original House-passed bill.

If the full Senate approves the bill during the lame duck session, the measure has to go to a conference committee to resolve the differences.

The lame duck session is not expected to last more than five weeks, so it is unlikely all the differences could be settled before the session expires.

Despite the unfavorable odds, agent groups remain optimistic. Senate Majority Leader Robert Byrd (D-W. Va.) has assured agents that the measure will be taken up by the Senate, says Harold Eberle, director of governmental affairs for the Independent Insurance Agents of America.

The association would probably prefer the stronger-worded House bill, but the IIAA will take whatever it can get, Mr. Eberle says.

"There are a lot of bills introduced each year and only so many get passed," he says. "Of those that do get passed, most are administration sponsored. That means if we get any legislative help at all, it will be a big achievement.

"We'll be satisfied to take the Senate version as it now stands and we think it has a good chance of getting through."

If for some reason the bill doesn't pass, the IIAA will have to look at the situation to see how to proceed.

"Even if it doesn't pass outright, a lot of different things can happen," Mr. Eberle says. "It would all depend on how it didn't go through as to what we would do then."

The feelings of the National Assn. of Professional Insurance Agents are similar.

"If Congress decides to consider the issue this session, we think the chances of passage are very good," says PIA president Russell A. Howard.

"One of the reasons there was little action in the Senate was there was a controversial unrelated bill tacked onto the bank holding measure."

The House-passed bill would, with several exceptions, bar bank holding companies from selling property/casualty insurance.

In towns of less than 5,000, bank holding companies could continue their insurance operations. The sale of credit life insurance would not be affected by the legislation and banks with assets of less than $50 million could continue their insurance operations.

The Senate bill, however, would allow bank holding companies now selling insurance to expand operations in the bank's home state or adjacent states. Agent groups oppose this amendment by Sen. Jack Garn (R-Utah). ■

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Franchise growth speeds up ARM plans

WASHINGTON—The growing number of agency franchise groups and membership organizations (*BI*, July 28) has sped up plans for a full-time international base for the Associated Risk Managers.

State ARM organizations recently voted to allocate $100,000 for ARM International's budget for 1981, allowing the group to hire a full-time executive director. ARM president William P. Wallace, of Bennett, Wallace, Welch & Green in St. Petersburg, said the move was made to get the international organization on firm footing.

"So far, on the international level we've been able to get by with a very good executive secretary in our Washington office. The rest of the work has come on a volunteer basis," Mr. Wallace says. "The time has come that if we are going to make meaningful progress, we have to increase our budget and hire a full-time executive director."

ARM hopes to develop many of the services that franchise groups offer within the coming two years, but with a "spirit of cooperation" unique to ARM, Mr. Wallace says.

The specific purpose of ARM is to research, plan, develop, place and manage individual insurance programs for members of trade associations and franchise groups and to provide coverage on the most favorable terms and lowest costs. The organization is completely owned and operated by its shareholder members. Each of its 30 groups sponsors its own programs and operates independently.

Members, however, try to cooperate and exchange information across state and regional lines. A marketing program successful in one state may be exported to another.

"We want to keep the whole group moving, and for that you need an executive director," Mr. Wallace says. "We hope to be able to start to talk to top candidates soon and get going shortly after the first of the year."

This is a crucial period in ARM's development, Mr. Wallace says.

"The first goal is to get the remainder of the state organizations going," he says. "For instance, we need to reactivate the North Carolina group and organize state organizations in South Carolina, Mississippi, Alabama and Texas. Pennsylvania is a state that is coming along, but not quite there yet."

ARM membership totals nearly 400 agents and brokers now, but Mr. Wallace would like to see 500 to 550.

"The second goal is to get each state organization self-supporting financially," Mr. Wallace adds. "Each state organization needs its own executive that can produce business for the group and put the organization in the black. We have that in Florida, New York and other areas, but we need it nationwide."

Mr. Wallace says these plans had been in the works before the outbreak of new franchise groups.

ARM, he says, has been a "sleeping giant," and leaders believed it was time to make more aggressive changes. The plans were sped up slightly to compete against the new groups. ■

A/BT

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ACORD asks agents for help

ORADELL, N.J.—ACORD wants volunteer agencies to help the research organization test future products and re-evaluate current programs.

The 10-year-old agency believes it has gone as far as it should without direct input from agency principals and employees directly connected with ACORD services, says operations director Gregory A. Maciag.

"We've reached a point where we are putting out products so quickly that we feel it is necessary to reach down to where the action is," Mr. Maciag says. "We get feedback and information currently from our ACORD state chairmen and the companies, but it just doesn't take the place of getting down to the agency level.

"What we want to do is establish a base for research, primarily in the Northeast but in other regions as well," he adds. "We're setting up another base of agencies in California at their request, and we're interested in finding agencies that want to work with us no matter where they are located."

The program, which Mr. Maciag says will be operating by next year, takes an informal tack and will not require lots of time from individual agents.

"This isn't a test-tube situation where we will march in with five people and pour over every little detail," he says. "We will send out questionnaires to principals and those lower down who use our forms. ACORD has already completed the easy tasks that take little research. Now we have to spend more time familiarizing ourselves with agency-company problems, then decide whether we want to get involved."

Mr. Maciag says the number of agencies involved will vary from month to month. Not every agency will be involved in every project, he adds.

"The exact program hasn't been finalized yet, but we don't see any major costs associated with it—maybe a few thousand dollars for mailing and other administrative chores," he adds.

"We'll probably concentrate on areas that ACORD plans to tackle next year," Mr. Maciag says. "We'll be looking at claims forms in terms of revising the old ones or adding new ones. We'll also be looking at uniform declaration pages, cancellation procedures, direct billing systems and premium audit procedures." ■

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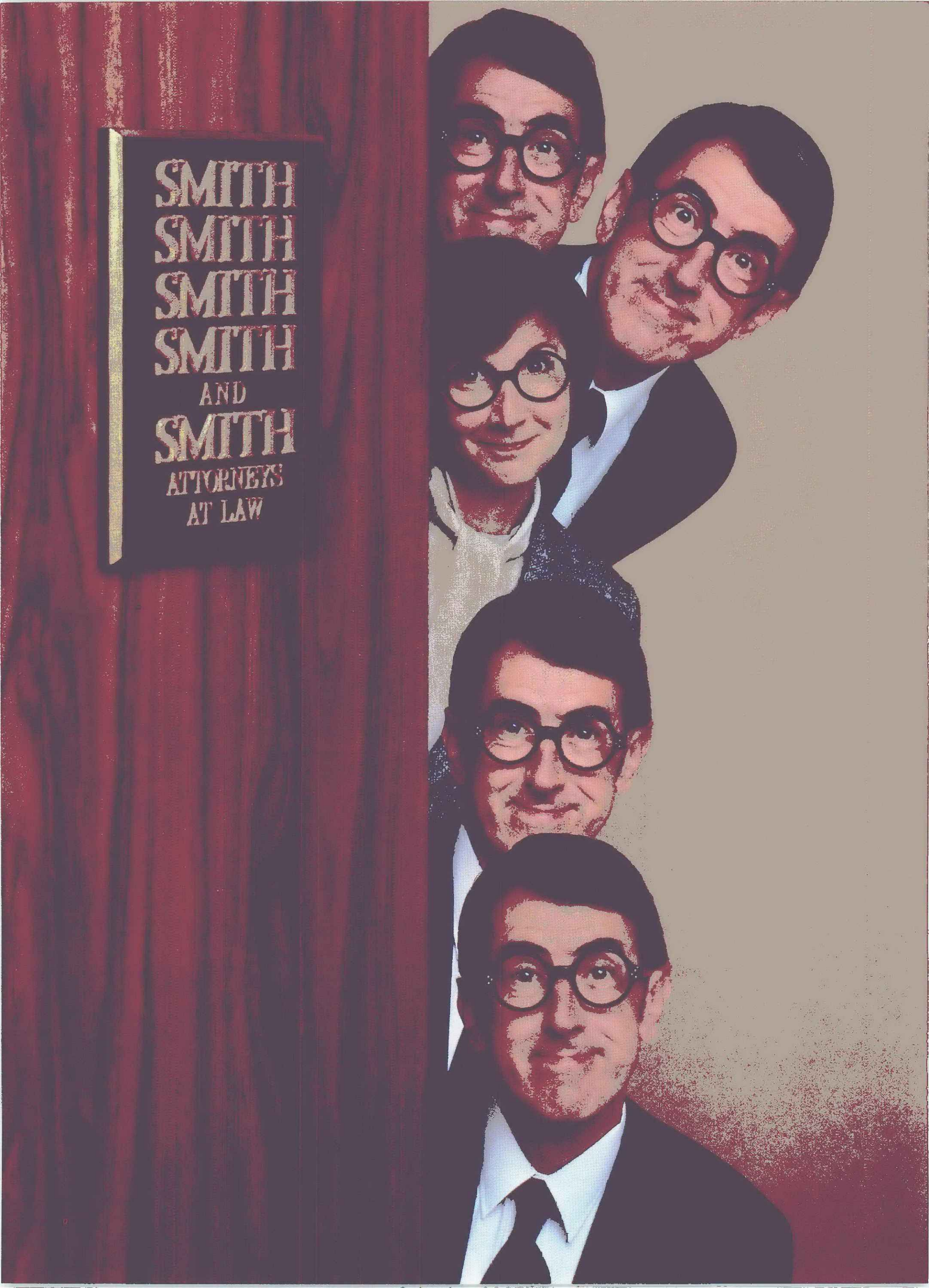
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IIAA wrapup

Officers stress cooperation with insurers

NEW ORLEANS—Cooperation and negotiation are the best ways to smooth over agents' traditional love/hate relationship with insurers, officers of the Independent Insurance Agents of America stressed to members at the IIAA's annual convention here.

The association showcased its Joint Agency/Company Marketing Program as an example, but the 4,000 agents and insurer representatives also heard pep talks from a variety of speakers including management experts and Republican vp candidate George Bush.

New IIAA president Robert Reynolds of Pittsburgh stressed the theme of the convention's general sessions by saying negotiation rather than confrontation with insurers is the order of the day. In this "spirit of cooperation," Mr. Reynolds said, "we will find solutions."

"We must recognize that while we might not be absolute partners, we are part of the team—the insurance industry team," he said. "Our threat is not and cannot be each other. Our threat is big government, our threat is the unfriendly

A/B/T **IIAA wrapup**

media, our threat is the uninformed."

The Joint Agent/Company Marketing Program, which includes network television advertising, is a tool for the independent agent to use against its foes, Mr. Reynolds continued.

"Legislators and congressmen see television," he said. "They see our 'Big I' trademark. They understand the voting strength of 176,000 local voters who have community influence. It is a message given—a message received—a trademark of independence recognized."

The IIAA, however, must not try to force insurer participation in the joint-funded project, Mr. Reynolds added.

"We acknowledge this cooperation and we are deeply appreciative of the company sensitivity in being a part of these programs," he said. "(But) I also want to emphasize that I recognize that the companies have an independent right of corporate decision to be a part of, or not be a part of, any cooperative program.

"We disavow any intent to pressure participation," he added. "I will not tolerate such tactics."

Speaking immediately before Mr. Reynolds, outgoing IIAA president Donald Brain said he believed agency-insurer cooperation in recent months had led to the formation of more competitive products for the agent to sell.

"With great satisfaction, I can report that companies are taking steps to ensure that agents have products priced competitively, and are taking steps to cooperate with qualified agents to develop both innovative products and innovative marketing methods. Agents have contributed to the development of these competitive products," Mr. Brain said.

Federal legislative efforts will remain a No. 1 priority. Government, he said, is "looking for new worlds to conquer."

"There will be no respite in the foreseeable future," Mr. Brain said about the fight against federal legislation other than the bank holding bill in Congress. "Our society . . . has increasingly looked to Washington for solutions to its problems. We must do all in our power to present our point of view."

Mr. Bush, Republican vp nominee, told agents inflation hits the insurance business as hard as any other business. Republicans, he said, would try to ease inflation by limiting federal spending.

In other sessions:

- Buoyed by new contributions to the JAM advertising program by INA Corp., the IIAA national board of state directors voted to continue the advertising program for another year.

New IIAA president Robert Reynolds said the association has raised $3 million from insurers so far and hopes to spend an estimated $6.5 million on JAM in 1981.

The INA contribution is $25,000 plus ongoing bonus contributions based on INA premium volume generated by new agents who sign on with the company during the coming year.

- Robert R. Treweek of Gainesville, Fla., was elected president-elect of the IIAA and chairman of its executive committee. Mr. Treweek is past president and past state national director of the Florida Assn. of Insurance Agents. ■

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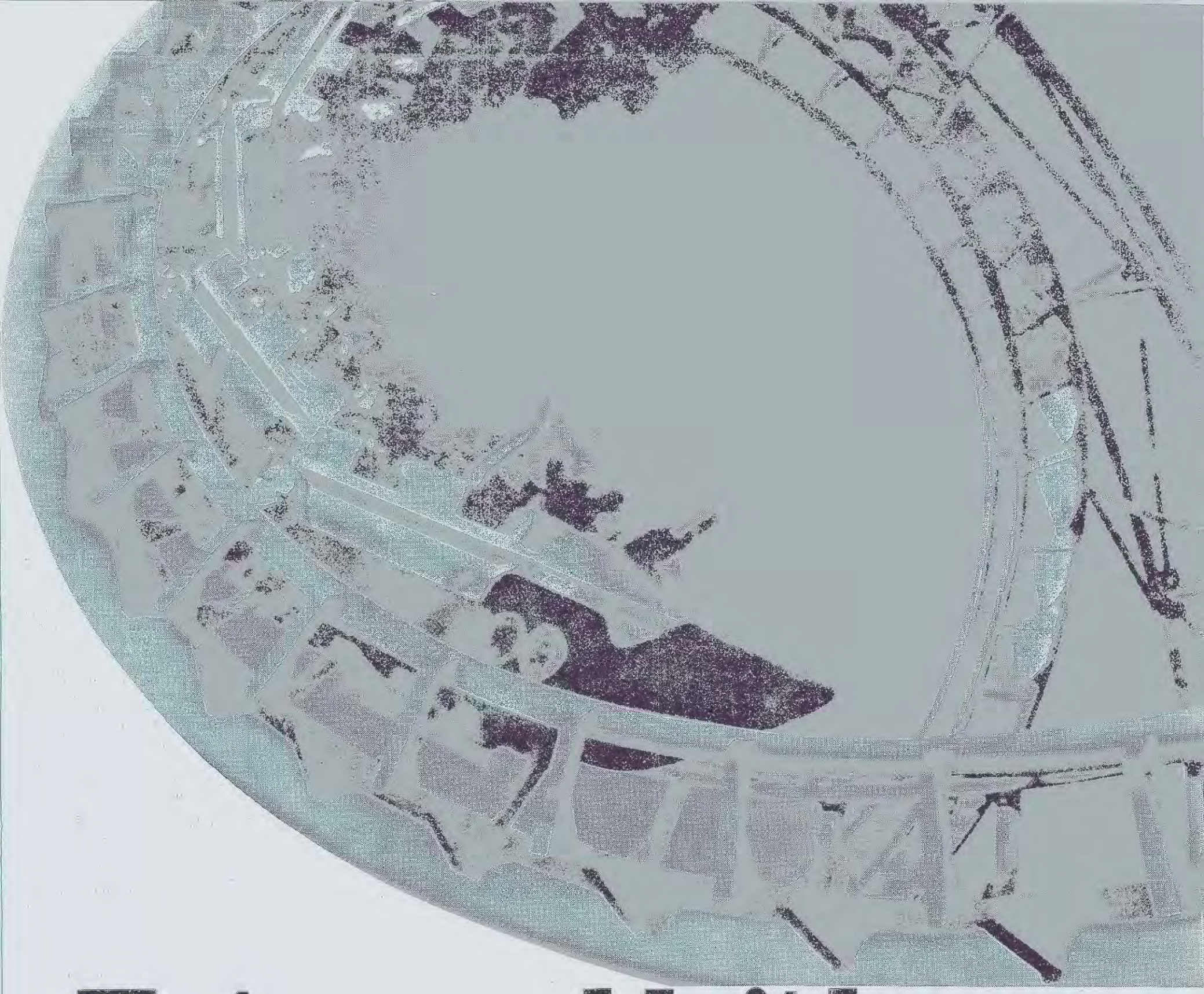
More coverage

Care needed to sell contracting risks . . . **page 30L**

Package plans may be misused . . . **page 30M**

Examine risks before selling BOP . . . **page 30O**

New training course for producers . . . **page 30P**



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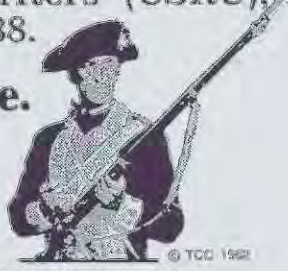

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Photo: Dave Galanti

"To beat problems, you have to take a completely professional approach with your clients," says Carl Ernstrom.

Agent can be risk exec for contracting firms

NEW ORLEANS—Contractors need risk management more than any other small businessmen, says agent Carl Ernstrom. And it's the agent who should offer the expertise.

"Contractors are the last entrepreneurs," he explained to Indepedent Insurance Agents of America conventioneers. "They pay more for insurance and performance bonds than any other kind of business per $100 of receipts. The risks are incredibly high."

Most contractors lack professional risk management expertise, too, compounding the problem, he said.

A/BT **IIAA wrapup**

"One person usually controls the insurance buying—the president or owner. He usually just wants the lowest possible coverage for the lowest possible price. He may not even understand his total exposures."

The builders also have "an accounts receivable" problem, Mr. Ernstrom explained. Often employed seasonally, many contractors build up significant debts or tend to transfer what could be profits into material for personal use.

One contractor insured by Mr. Ernstrom's own agency, Ernstrom Associates in Binghamton, N.Y., almost lost coverage when the owner built himself a $300,000 home with his firm's supplies.

"The insurer wanted to know what happened to this guy's consistent profits. He just kept overbuying supplies until he had enough to build the house he wanted. He owned the firm. He just assumed that any materials he purchased were for whatever purpose he wanted."

But the accounting made it seem like the contractor's solvency was precarious.

"To beat these problems, you have to take a completely professional approach with your clients. You have to get involved with the client's exposure and aid him in a cash analysis," he said.

Mr. Ernstrom recommends an insurance agent explain a bit of risk management theory to a contractor client to warm him up for risk-funding alternatives.

"A lot of agents are reluctant to recommend various kinds of risk assumption, self-insurance or big deductibles. Clients just don't understand them," he said.

A good agent then walks his client through exposure analysis that carefully details every exposure the contractor should insure. The client will be surprised.

"Many firms will not recognize the large exposure their direct assets are, including office equipment, any data processing equipment, yard materials and their auto physical damage insurance needs," Mr. Ernstrom explained.

"They will keep thinking that just about all they need is a performance bond."

The firms also need to understand the risks that they take with performance bonds and other consequential exposures. These risks can be compounded by potentially adverse judgments against the contractor.

For example, Mr. Ernstrom noted, in most states contractors have statutory insurance requirements for workers compensation and disability coverages. A lawsuit against the firm can expand its liability for personal injury or physical damage to another's property, possibly creating a need for higher limits.

"We also prepare a summary of existing coverage for the client, explaining each kind of coverage in less than a paragraph," Mr. Ernstrom said. "This summary is also useful for us later on when the client calls with a question. We should be able to tell if he's covered at a glance."

Using the summary, the agent can then explain his own recommendation, which in many cases includes expanding coverage.

Despite the careful risk management and sales approach, some contractors are just too difficult to deal with. If a firm will not give the agent enough financial information to plan an insurance recommendation, Mr. Ernstrom says the agent might be better off looking for business elsewhere.

"When we take on a new client, we ask to see a financial statement," he said. "We feel that we need that kind of information to evaluate his cash flow sufficiently. If the owner won't give us the information, we tell him that we just can't help him." ■

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Package policies aren't always best for seller, buyer

A/BT IIAA wrapup

NEW ORLEANS—Package policies, often touted as the agent's small business salvation, may be the salesman's downfall, says Ed Kraine, general manager of McGowan & Co., an Ohio agency.

"The business owners policy is being misused all around the country," he told independent agents here. "The parameters are getting broader and squeezing out other policies like the special multiperil policy."

For the agent, part of the trouble lies in commissions. The BOP policy tends to pay less in commission for broad-form coverage that may not be precisely what the small business owner needs.

Independent agents could do better for their clients and themselves by working with the SMP to more clearly define coverages the owner needs and earn a bit higher commission, he says.

"You have to take a big broker approach to your marketing philosophy," Mr. Kraine advised. "Sales is a philosophy that demands attitude and action. Don't settle for less commission if you don't have to."

Instead of ritually asking for the basic package policy, Mr. Kraine also advises agents to evaluate the package plans available. The SMP package, for example, seems to be weighted toward greater property coverage. The commercial businessman's package offered by some insurers tends to offer more casualty coverage.

If neither policy has what the client needs, Mr. Kraine says the agents should go directly to the underwriter for the rate and coverage the client needs.

"You've got to work with the underwriter to get the right coverage and the price you think the plan will go for," he said. "Be as aggressive as you can possibly be without breaking their arms off.

"If you know what you're doing and they don't know what they are doing, you are going to get what you want," he said.

The strategic plan of attack is essential in competing against the big brokerage houses, he added, because that's exactly what they do. As a former Johnson & Higgins account executive, Mr. Kraine says he knows how difficult it is to match big broker impressiveness.

"I was out calling on a client when I heard a helicopter buzz over my head," he related. "It was the manager of one of the nearby alphabet houses calling on my client at the same time.

"I don't know how you can compete with someone who flies from client to client in a helicopter, but I tried. I got the account. Unfortunately, it didn't have anything to do with my aggressive marketing. My client just didn't like the idea of his insurance agent landing on his flower bed with a helicopter."

Lacking helicopters, independent agents have to rely more on personal service and complete research, Mr. Kraine said. The agent should give small businesses the same level of care he would give a bigger account.

"That means that the agent should present the company underwriter with a completely researched file on the risk including construction information, occupancy records, data on what protection systems the risk has and a compilation of whatever exposures the business risk might have," Mr. Kraine said.

"Then you can be confident in asking the underwriter for the premium price that you think will sell the client."

Mr. Kraine is the former director of research and education for the Independent Insurance Agents of Ohio. While in that position, he introduced Ohio agents to the Commercial Lines Manual. ■

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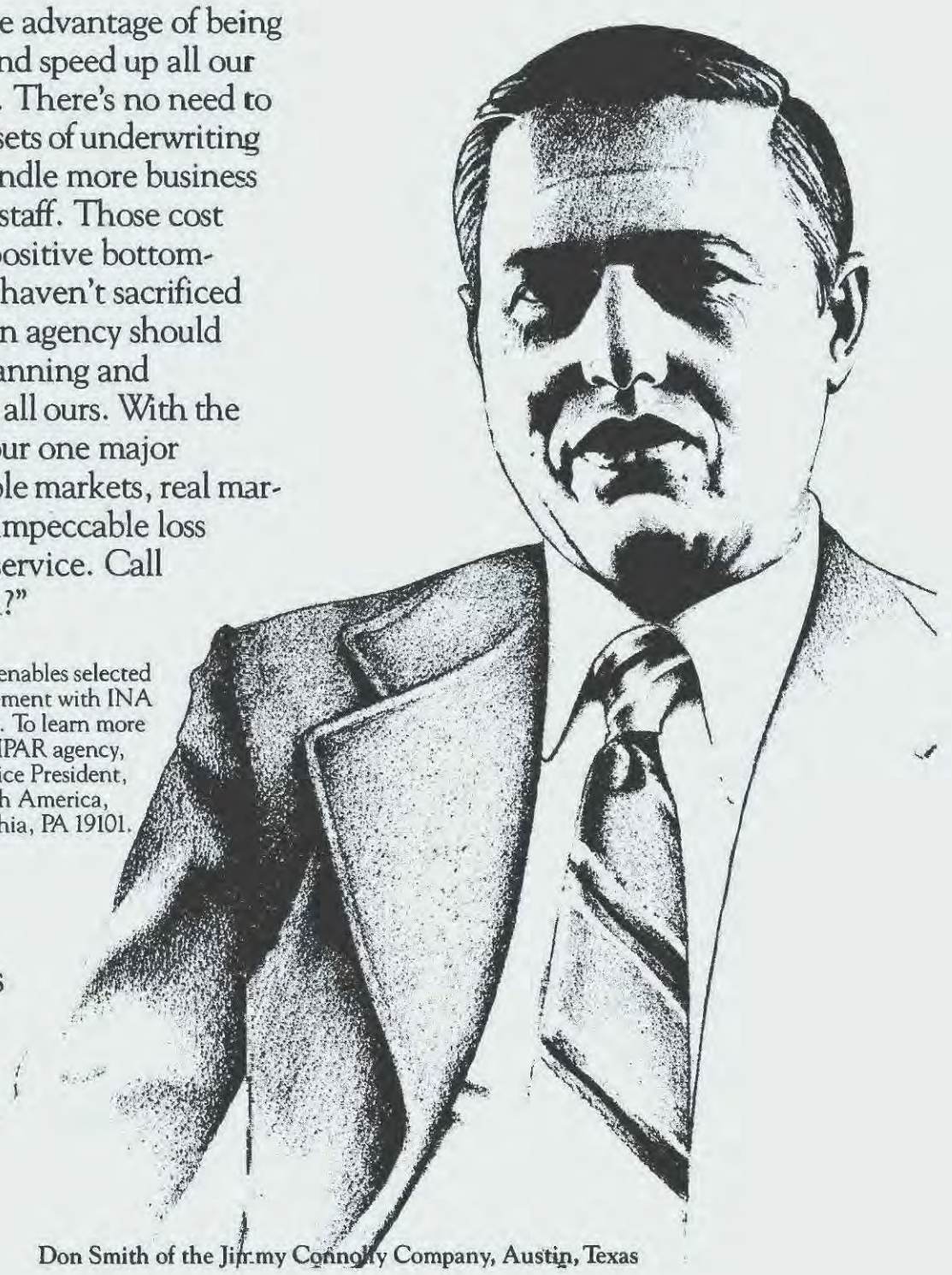

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INA
The Professionals

"There's a difference between efficiency and effectiveness," says Emmett J. Vaughan.

Clean out the old files: Vaughan

NEW ORLEANS—Agents who complain they are drowning in back files have only themselves to blame, says Emmett J. Vaughan, agency management educator. Usually there's no legal or logical reason to keep tons of files.

"I've been giving office management tips to agents for several years," he told independent agents here. "And every time I suggest that agents throw out some of the stuff they've collected over the years, someone stands up and tells me that in their state the law says they have to keep them.

"That was perplexing until I spoke once in my home state of Iowa. Of course, someone got up to say that in Iowa the insurance code required holding files for six years," he said.

The Partington Professor from the University of Iowa was shocked.

"Wait a minute. I wrote that insurance code. It's not in there. I swear," he responded.

The obvious misunderstandings about what files an agency needs to keep for long periods of time led Mr. Vaughan to survey the 50 states about their requirements.

"Most of the states didn't know what I was talking about," he reported. "We found out that only 13 states had any filing requirements at all. Those that did have requirements usually did not demand agents to hold all files for any great length of time."

Most agents, he said, could handle most record requirements with its payment ledger that lists when and if premiums were paid and the policy number. Insurers will retain more records longer in case of claims.

A/BT **IIAA wrapup**

"If the insurers don't find their records fast enough, just tell them that you think the policy had a $5 million limit on liability. They'll find it right away."

Agents, he added, should re-evaluate what data they must have to continue business. The remainder should be thrown away.

"There's a difference between efficiency and effectiveness. It's a myth that you have to file it all. Agents should re-evaluate the cost of maintaining files versus the value of having the files at all."

Agents can also be more efficient with their use of files and the refiling of information, Mr. Vaughan said.

"Outcards are a must," he noted. "If you are not using them, you should. If you think you don't have to, you are wrong."

Lost files are as good as no records at all and take extra time and personnel to find and refile. Outcards tell the office manager who has what.

Mr. Vaughan is also author of the IIAA Agency Management Service and director of the university's insurance education and research institute.

He holds a Ph.D. in economics and insurance from the University of Nebraska and is the only male Certified Professional Insurance Woman. ■

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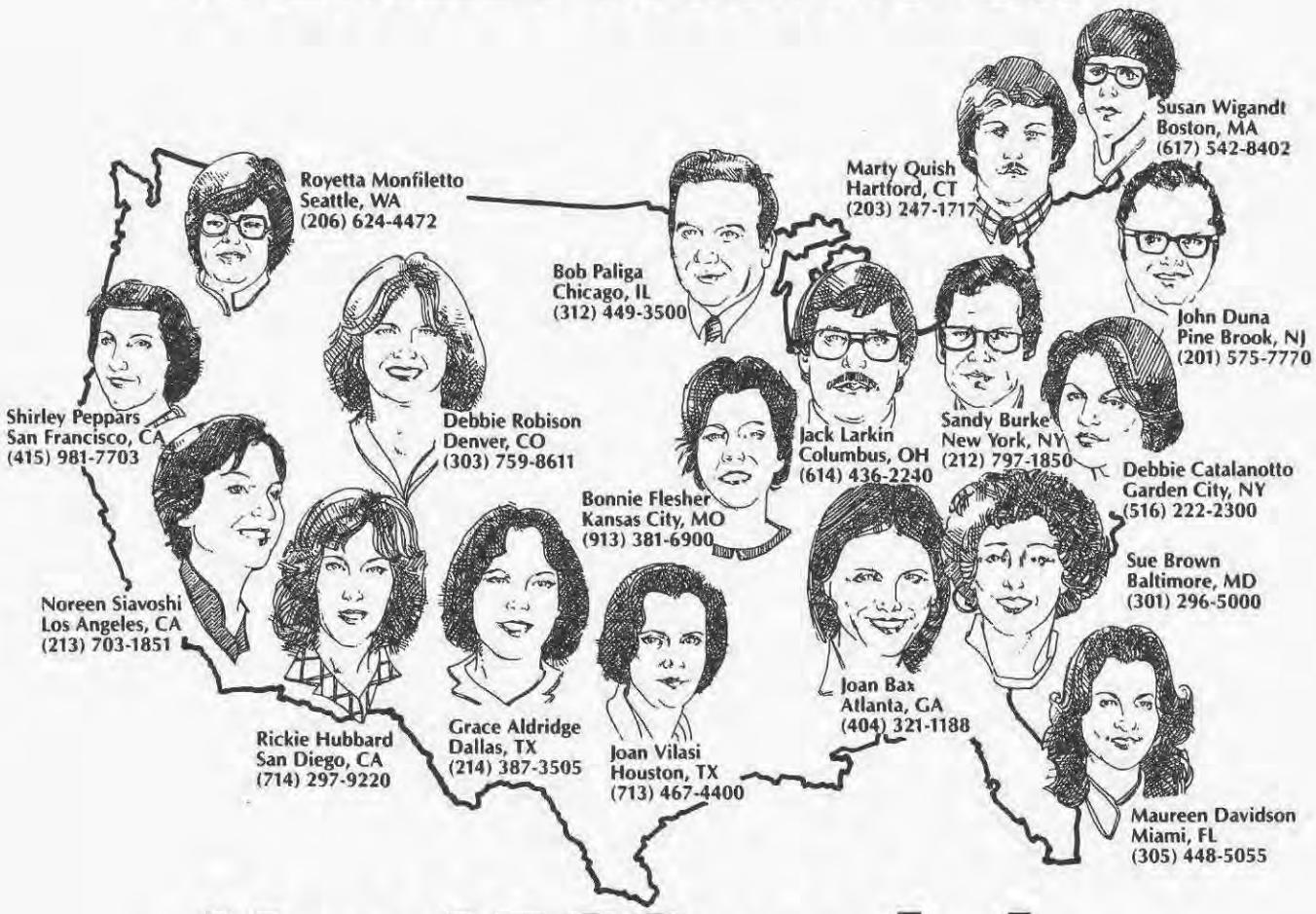

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Get ready for boom in buying

NEW ORLEANS—Insurance producers should be ready to take advantage of a consumer spending boom, says one of the nation's foremost long-range planning experts.

"Savings patterns in the United States are changing," Michael J. Kami, former corporate director of long-range planning for IBM, told independent agents here. "Formerly, Americans saved about 7% of their income, but now they are saving less than 4%.

"That's about $90 billion in additional spending. That means more room in the budget for everything—including insurance."

Mr. Kami, now president of his own consulting firm, Corporate Planning Inc., advises agents to spend their own money to get ready for this boom and to seek a specialty or niche in the marketplace that will attract customers.

"One of the key questions to ask yourself is, 'What is my specialty or place in this business?' If you don't have one, find one. If you have got one, exploit it."

Agents must learn inflation management. For many, that means increased spending. "Be a spendthrift," Mr. Kami advised. "Spend all you earn and borrow more. Borrow right up to your limits."

Inflation, he said, has made borrowing money a wise business prospect because cash spent today is repaid in inflation-diminished dollars—cheaper for the borrower. The best hedge against inflation, he added, is talented personnel.

"Get talented people," he advised. "Overpay them. Overmotivate them. But get them."

All businessmen should prepare for rapid changes in government regulation and be prepared to make changes with virtually no notice to cope with new regulations.

"Anticipate regulation," he said. "And don't trust government predictions and forecasts. They will be wrong.

"But I cannot give you stronger advice than to seek a niche or specialty yourself. Specialization and the 'something different' of independent businessmen will be valued in the coming years," he said.■

IIAA officers set

Charles P. Bundy Jr. of Baltimore and Jack Payan of Palos Heights, Ill., were named vps of the Independent Insurance Agents of America at its convention.

Guide for smaller risks

Agents should scan exposures

NEW ORLEANS—You still have to review all potential exposures when selling a small commercial client a business owners' policy.

A careful scan of potential exposures is the key to proper pricing and selection of insurance contracts for smaller commercial risks, an agency consultant said here.

A point-by-point evaluation of potential losses should be the first step in the process of determining which limits should be used, which exposures to insure and which insurer to select, says Richard A. Dempsey, partner at Risk & Insurance Education of Hartford, Conn.

The consultant lectured on the benefits of the business owners policy to about 300 people here at the Independent Insurance Agents of America convention.

The BOP, Mr. Dempsey says, is a good tool for agents. The policy, aimed at commercial risks with less than $1 million in sales, offers pricing and other advantages over other forms, he adds.

"These days, agents have to look at their accounts and make sure that they are going to keep them," Mr. Dempsey says. "To ensure that they do, the trick is to challenge the companies to innovate and use the specialized contracts once they become available."

Although the BOP contract is easy to use, Mr. Dempsey cautioned agents that its use does not relieve the agent of the responsibility for examining all potential exposures closely. Such planning is essential no matter which contract is used, he added.

"Even though the BOP is a composite policy, agents have to look at the critical items first," he says, "This tells you whether you should use the standard BOP, the deluxe BOP or no BOP. It also tells you whether company A's contract is better than company B's in this particular insurance or whether it might be worth paying more for a more complete contract.

"This survey also shows to an agent's clients that he is a professional that takes the time necessary to look at the risks involved and identify potential losses."

Mr. Dempsey says RIE studied 40 BOP contracts from various insurers and found the provisions went "all over the place." Because of that, he adds, some contracts may be the right one for certain risks, not right for others.

Usually the standard policy is a named peril contract, with a $300,000 single limit for liability and an eight-month time limit on loss of earnings. It covers the replacement cost of the building and actual cash value of contents.

The deluxe policy usually is an all-risk policy for building and contents, with a $1 million single limit and 12-month limit on loss of earnings. The deluxe contract also includes replacement cost of both building and contents, plus coverage for employee dishonesty, glass and money and securities.

Optional coverages for both contracts include crime, exterior sign and glass, boiler and air conditioner, machinery damage, transit coverage, earthquake and newly acquired locations.

To decide which policy to use, Mr. Dempsey suggested an exposure checklist to identify potential insurance-related problems. The list includes property exposures, business, personal property exposures, a perils survey, income and expense loss potential, liability exposures and other insurance considerations.

The property exposure survey takes into account such items as machinery (boilers, food lockers, etc.), yard fixtures, trees, glass, signs and value of the building to be insured.

The business personal property survey allows agents to look at such items as furniture and fixtures, mechanical drawings and manuscripts, money and securities, employee property, raw materials, scientific equipment, watercraft, animals and jewelry.

"Agents should also look at the fine art exposures in businesses today," Mr. Dempsey says. "More and more firms are getting into

A/BT IIAA wrapup

that. If the agent doesn't realize that the Oriental rug in the owner's office is worth $14,000. that agent can be in trouble.

"Also look closely at watercraft, automobile and animal risks," he adds. "You may find that there is a better place to insure them than in the BOP."

As far as perils coverages are concerned, agents must be careful to inventory all exposures, Mr. Dempsey says.

"Some aren't covered by the BOP, such as earth movement, but you must inventory them anyway," he says. "Everything is insurable somewhere, although you may not want to pay for it.

"Look at what perils the risk is subject to, then note your contract's language," he adds.

"Look for words like 'unless, however, ensuing loss,' and that will show you what is not included. Some contracts don't extend far enough to meet your needs. The way to tell that is to examine your perils first, then backtrack to the contract language."

No matter what decision is reached on a contract, the checklist forces agents to think ahead, Mr. Dempsey says. ▪

"This survey also shows clients that the agent is a professional," says consultant Richard Dempsey.

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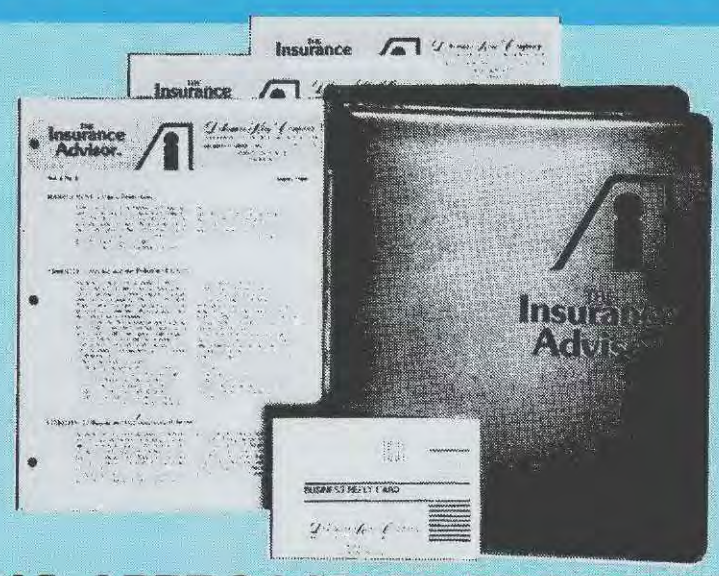

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"We can give those producers a starting place so they can earn a living," says Peter Kensicki.

Courses train rookie producers

NEW ORLEANS—Training new producers can be a problem for agents (*A/BT*, Sept. 29), but the Insurance Institute of America is trying to ease that burden with a new designation program.

The designation, Accredited Adviser in Insurance, can be a refresher course for veteran producers but is intended for new sales personnel and potential producers, says Peter R. Kensicki, director of producer education for the Malvern, Pa., organization.

"The main idea behind the program is that specialists should have special education efforts that are not CPCU per se but are technically proficient for what they are trying to accomplish.

"We're trying to emphasize the parts of CPCU that pertain to different career paths," he continues. "Where we might study an entire contract in the CPCU program, the AAI program will emphasize the part of the contract that pertains to producers."

The designation was developed at the urging of the Independent Insurance Agents of America and other agents, he said.

"For at least the past six or seven years, we've been hearing agents tell us that they need courses to help new producers get accustomed to the business," Mr. Kensicki says. "They said they wanted something that would attract and train the bright new faces out of college."

The result is a three-part program based on product knowledge, knowledge of markets and sales techniques. Completion of each course will be by national examination. The exams will be given in May and December.

A/BT **IIAA wrapup**

Preparation for the exams can be handled in a number of ways, Mr. Kensicki said:

- A formal class sponsored by an association or other industry group.
- An informal study group within an agency or brokerage.
- An informal study group with persons from a number of agencies or brokerages.
- Intensified or review classes for experienced producers.
- Independent or self-study using the text, course guides and review questions.

The last option is not especially recommended, Mr. Kensicki says.

"You could do it alone and have a good chance of passing the exam," he says. "But you will miss something by doing it that way. This course is about learning how to sell, and I think it is important for producers to listen to others tell about how they sell. You can't get the flavor of selling without doing that."

The course tries to get producers to think about their jobs.

"We want the students to start thinking about who he or she wants to sell to and then what does he or she want to sell them," he says.

"Those questions are often difficult to answer when a given producer represents 15 insurers. We can give those producers a starting place so they can earn a living right away, at least in a narrow area."

Textbooks, Mr. Kensicki says, are in the works right now. The first is due out in January. The first test will be in May, he added.

"At first, we'll probably be seeing a high percentage of people taking the exams that want to teach the course at a later date. We're probably going to have to wait a year or so until we are going at full speed."

Mr. Kensicki hopes state affiliates of the Independent Insurance Agents of America will adopt the program and sponsor its administration. It's essential that producers rather than academicians teach the courses so new producers can learn from those who have sold successfully before, he said. So far, 20 state IIAA organizations have agreed to do so.

A continuing education provision will be built into the designation, but Mr. Kensicki said the IIAA hasn't determined yet what form it will take.

Tuition will be $65 per course plus any locally charged tuition for class attendance. The $65 includes the examination fee, course guide and text. ■

PIA holds Las Vegas convention

LAS VEGAS—Nearly 2,500 independent agents are expected to come here Nov. 9-12 for the 49th annual convention of the National Assn. of Professional Insurance Agents.

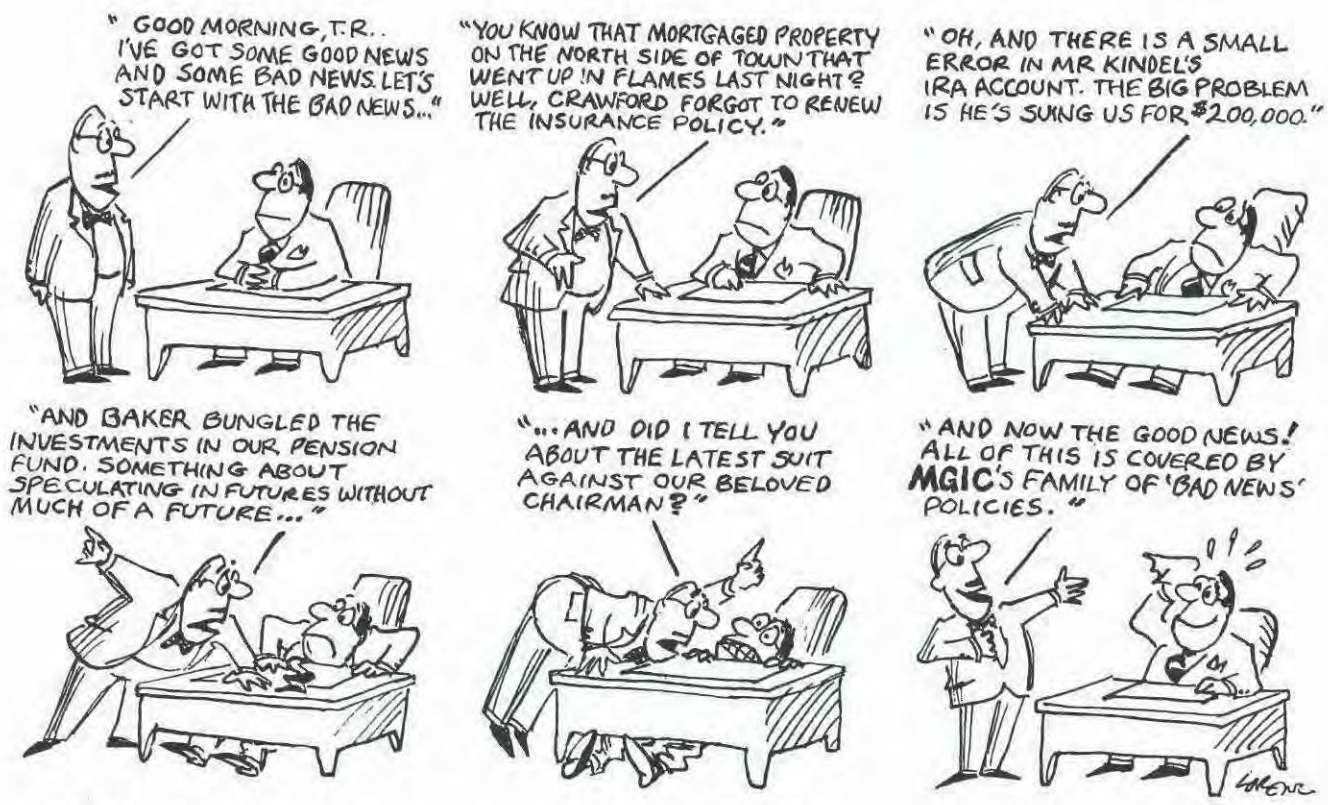
CBS network newsman Charles Kuralt will be the keynote speaker for the meeting, which will be held at Caesar's Palace. The convention will also feature the PIA's annual business meeting and displays by insurance trade companies and suppliers.

The convention will offer a series of agency workshops Nov. 11. Sessions include "Prevent the Error and Save Your Agency," "Taxes Can Kill You," "How Good is Your Agency Contract?" "Time Management," "Team Building," "Handling People," "Business Interruption Insurance" and "Prospecting—Systemizing Client Building."

A general session Nov. 12 will feature a panel discussion on agency contracts. A Hoover Dam tour and other entertainment will round out the package.

The conference will be led by such speakers as Wilburn L. Holland of ARM of Georgia and Gerald Lenrow of Coopers & Lybrand in New York. ■

Good news. MGIC now offers "really bad news" insurance.



MGIC has now expanded its coverages for the "really bad news" situations that can face financial institutions and their directors and officers.

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Spelling out b-e-n-e-f-i-t-s

Poorly written summaries invite audit

By KATHRYN J. MCINTYRE

CHICAGO—Poorly written summary plan descriptions are inviting the wrath of the Labor Department.

Half the summary plan descriptions, which are supposed to describe a benefit plan in language an employee can understand, are incomplete or inadequate, says Terry Toth, director of communications services for Buck Consultants Inc. in New York.

Buck reviewed a sample of summary plan descriptions and judged half to contain too little information or to be too confusing. The Labor Department is reviewing some summary plan descriptions and also is finding that half of them don't do the job.

The bad results of these spot-checks is going to spur the Labor Department to "seriously review these, and when they are found inadequate, the Labor Department is going to shoot them back to the employer to redo," Mr. Toth told a seminar during the *Business Insurance* Communicating Employee Benefits conference Oct. 26-29 in Chicago.

Summary plan descriptions of insurance programs are consistently the most poorly written, Mr. Toth noted. Too many employers are merely reprinting the insurer's summary of the coverage, which many in the audience agreed can be nearly incomprehensible even to benefit specialists.

Summary plan descriptions are just one tool in a benefit communications system, Mr. Toth stressed.

He outlined the four phases of what he considers a benefit communications system.

The four-phase successful benefit communications system does more than is required under the Employee Retirement Income Security Act, Mr. Toth contended.

It convinces employees the company is competitive in the labor market not only in salary but also in benefits. It maintains the employer's credibility with employees. And it provides the employer with a return on the huge investment in benefits by making employees appreciate them.

• Introductory communication is the first contact with employees about their benefit programs. During new employee orientation, benefits must be addressed not in detail, but enough to leave the employee with the impression that the company has a good program. The employee should be told whom to talk to about specific concerns.

The open enrollment periods for joining the health, savings and pension plans are more opportunities to introduce the employee to benefit programs. This time the benefits should be described in greater detail.

• Reference communication is the second element of a benefit communications system. The reference materials include the summary plan description, the summary of material modifications and summary annual reports.

Summary plan descriptions don't have to fail as half of them now do, Mr. Toth suggested. A good summary plan description passes a four-point test:

It is logically organized either by describing all the benefits that come into play with a certain event, like sickness, or by type of benefit. It is written in a personal tone, using pronouns like "you" instead of jargon like "beneficiary." It is simplified, using lots of examples to explain complex concepts such as vesting or return to service. And it is free of legal jargon.

If corporate lawyers fight a simplified summary plan description and insist on inserting legal jargon, consider preparing a separate description of the plans that will allow you to explain the benefits more clearly.

Under any circumstance, try to incorporate summaries of benefits, perhaps in chart form. "People do not read summary plan descriptions," Mr. Toth lamented. "You have to do all you can to spoon feed the information."

Summary of material modifications, which explains changes in

Continued on page 37

Benefits Communication Mini-Audit

Prepared for: _____

By: _____ Date: _____

	Satisfactory Now	Update Required	Needed Later
Introductory Communication			
Orientation Program:			
Audio-visual presentation			
Benefits highlights folder			
Enrollment Meetings and Materials			
Reference Communication			
Single-Source SPDs:			
Single-bound booklet			
Packet of booklets			
Looseleaf handbook			
Summary Annual Report:			
DOL standard form			
Compliance-plus			
SMM Communication:			
Announcement letter/folder			
Employee Meetings			
Reinforcement Communication			
Personalized Benefit Statements:			
Pension-only			
Comprehensive (all-benefits)			
"Overview" A/V Presentation:			
Charts/slides			
Film/videotape			
Special Communication Materials:			
Publication articles			
Posters (bulletin boards)			
Paycheck stuffers			
Other			
Pre-Retirement Communication:			
Retirement benefits booklet			
Retirement benefits A/V			
Retirement planning statement			
Retirement preparation program			
Measurement & Planning			
Communication Audit			
Action Plan			

BUCK CONSULTANTS

A checklist can help benefit communicators assess their programs and assign dates for improving efforts that are found lacking.

Don't let the facts get in way of emotions

CHICAGO—Note to employee benefit managers everywhere: Don't let the facts of your business get in the way of your emotions.

It's OK to act like a human being and find out what your employees are hungering for—like the relevance behind those employee benefit facts.

"In fact, the facts are only mildly important," says Richard T. Whitman, partner at Kwasha Lipton, an employee benefit consulting firm in New Jersey. "The emotional issues are more important."

He bases his thinking "on the fact that there are too many facts for employees to remember," he said at the *Business Insurance* Communicating Employee Benefits conference in Chicago.

"Employees reach the factual saturation point," Mr. Whitman said. "What actually happens is people reach a threshold of trust with their employer, so what we're really talking about is the concept of employee benefits."

Once the "threshold of trust" is reached, facts, like an excess amount of vitamin C in the body, just pass through.

As a representative for Corn Products Corp. of New Jersey, Mr. Whitman put together a communications campaign for the company based on an animated cartoon approach.

He said CPC wanted to entice the employees into learning about their individual employee benefit statements and to use the annual statement of benefits as an index for further information.

"An Unexpected Visit," the name of the film CPC developed, focuses on the Doe family and its initial lack of interest in benefits.

The color animation takes the employee through his benefit program without sounding overly authoritative, Mr. Whitman said.

"CPC wanted to give its employees a sense of identity and give the family the comfort of knowing they too are taken care of under the benefit program," he said.

"Management functions logically, but employees have a thousand things competing for their attention," he said. "If the information is important, it should be treated as such."

Human contact in communications also has worked well for NW Ayer ABH International-Chicago, says, Robert P. Zabel, president.

Mr. Zabel said his company, which has marketed commercials for such clients as Illinois Bell, 7-Up and Pan Am, has had the "nothing happens until you make human contact" philosophy for 111 years—since the company's inception.

"Sooner or later you have to make human contact," Mr. Zabel said. "Reach out and touch someone," he said with a nudge, using one of the company's most remembered Illinois Bell ad campaigns.

Grocer puts show on the road

By EILEEN NORRIS

CHICAGO—Slide shows didn't do the trick for Jewel Food Stores Inc. The grocery store chain had to put its benefit communications show on the road.

The chain, based in the Chicago area, has some 20,000 employees in its 11 food and drug divisions in several states.

That diverse audience required a "traveling road show" of explanation, said Kathy Groon, personnel manager of Jewel T Discount Foods in Barrington, Ill.

Ms. Groon spoke on the rewards of well-targeted communications at the *Business Insurance* Communicating Employee Benefits conference.

Besides having many workers in different states, Jewel has the distinction of having employees that are very young: 65% are under 30. Ninety-six percent are blue-collar workers, and 77% of these are part-time.

"It was difficult to get people together," Ms. Groon said, "and the slide shows didn't work well and were boring.

"We decided we'd try to take off on equipment the company had already purchased that outlined employee benefits," she said.

The mini-television-type equipment is portable and more "appropriate to the learning style of our employees," Ms. Groon said.

Jewel's workers listen to cassettes and filmstrips on programs designed to give them benefit information on vision, dental and prescription drug plans, she said.

"Our typical employee is young and won't be with us more than 24 months," she said. "So we believe using the TV format they're accustomed to learning has really helped communication."

Indeed, an employee attitude study done in 1977 listed company benefits as being "good to loww" on a rating scale, while a 1979 study found employee satisfaction with benefits "near excellent," Ms. Goon said.

Because most of the food stores have stockboys filling the grocery shelves during the night, the company decided to institute a hotline that workers could call at any hour to get benefit and payroll information.

The hotline has been extremely successful, she said. A staff specially trained in benefits receives about 500 to 600 calls a month.

She said the staff has built up a rapport with its insurer, which in turn has expedited many claims that took twice as long to process before the hotline. ■

Bible could be good plan guide

By STACY SHAPIRO

CHICAGO—The Bible can be a guide to the good employee/management rapport and well-prepared benefit packages that offset workers' attraction to unions.

"Adam and Eve had good benefits," said Thomas F. Masloski, director of communications at Source Inc. here. "Their facilities were good, prices were low and the retirement benefits were excellent.

"But they weren't allowed to use the executive dining room—so the following Monday was the first lockout," he said.

Making sure that corporate benefit packages are as desirable as those offered through labor unions can head off unionizing within a company, he said.

A combined effort of the communications and insurance departments to relay the advantages of corporate employee benefits is important.

"Begin utilizing, trusting and cooperating with the talent you have internally," he suggested to employee benefit communicators. "There are extremely capable and talented (people) in the communications and audiovisual departments. Use them.

"Communication in its simplest form is the transference of information from one living being to another," he said. But sometimes corporate communications break down between management and employees and among company departments.

Garden Inc. presented Adam and Eve a great employee benefit package to show that management respected them, cared for their welfare and took an active interest in the staff.

"Corporations don't seem to understand this simple concept and fail to communicate with employees," he said. ■

Message saturation wins workers over

CHICAGO—Walter D. Legrow of Control Data of Canada Ltd. has been in the enviable position of telling employees their benefits were increasing.

But he had a dilemma: The employees were dubious about the new, improved perks.

"They had a right," said Mr. Legrow, director of personnel services. "Employee pension benefits had changed three times since 1955. The employees were dubious about getting a better plan."

Mr. Legrow decided it would be best to "saturate" the company's 2,000 workers with communications.

"We formed a committee of the company's three divisions to explain the pension plan change and to help enhance the company's image," said Mr. Legrow, a speaker at the *Business Insurance* Communicating Employee Benefits conference here last week.

Because Control Data employees had misgivings about the old pension plan, which was based on the employee's average income for total years of service, they had even more misgivings about a new plan, he said.

The new plan, which the company started in January 1979, used the average of the employee's last three years of salary to compute the monthly retirement salary.

"There had always been a mistrust of the benefits," he said. "When an employee neared retirement, the benefit person would say, 'Don't worry, we'll take care of you,' and then the employee would be quite unhappy with his monthly check.

"I decided to follow Legrow's first law in preparing them for another change: When left on their own, employees will always assume the worst."

'When left on their own, employees will always assume the worst,' says Walter D. Legrow, director of personnel services for Control Data of Canada.

The "saturation" of communication began with a bulletin notifying employees about the change in benefits. A brochure followed, outlining the plan in greater detail.

An audiovisual presentation and a booklet were next. The booklet described all the company benefits so the worker would have all information in one package.

More benefit bulletins were used to tell employees about changes.■

Accent positive to avoid lawsuits

CHICAGO—Benefit managers can expect more employees to sue them in the future, but communicators can cushion the blow by creating an environment of trust and knowledge in the workplace.

That's the picture as it shapes up today, says Robert W. Ridley, an attorney and partner with the firm of Forster, Gemmill & Farmer in Los Angeles. Mr. Ridley spoke at the *Business Insurance* Communicating Employee Benefits conference.

An increasing amount of employee-initiated litigation is inevitable as the plaintiff bar association, also known as the Assn. of Trial Lawyers of America, grows, he said.

Mr. Ridley said the courts are being strict in interpreting the Employee Retirement Income Security Act. "The courts aren't expanding the law," he said. "It's only when the facts are really bad that the judge rules in favor of the plaintiff."

Companies cannot avoid being sued by employees, he said, but they can work on diffusing the impact.

"Benefit managers that are doing the best job they can (in communicating benefits) cannot get burned. It helps to be knowledgeable and have the trust of your employees, though," Mr. Ridley said.

"If a judge sees that bad facts were given an employee, the case screams out for relief."

Most of the lawyers who represent employees want the matter to come before the state court, Mr. Ridley said, while the employer's attorney will prefer the case be moved to a federal court.

"The plaintiff's lawyer is usually not familiar with the federal courts, while the counsel for a company is usually very familiar with the higher branch. The first thing most do is file a motion to get the case in an atmosphere they're most familiar with," he said.

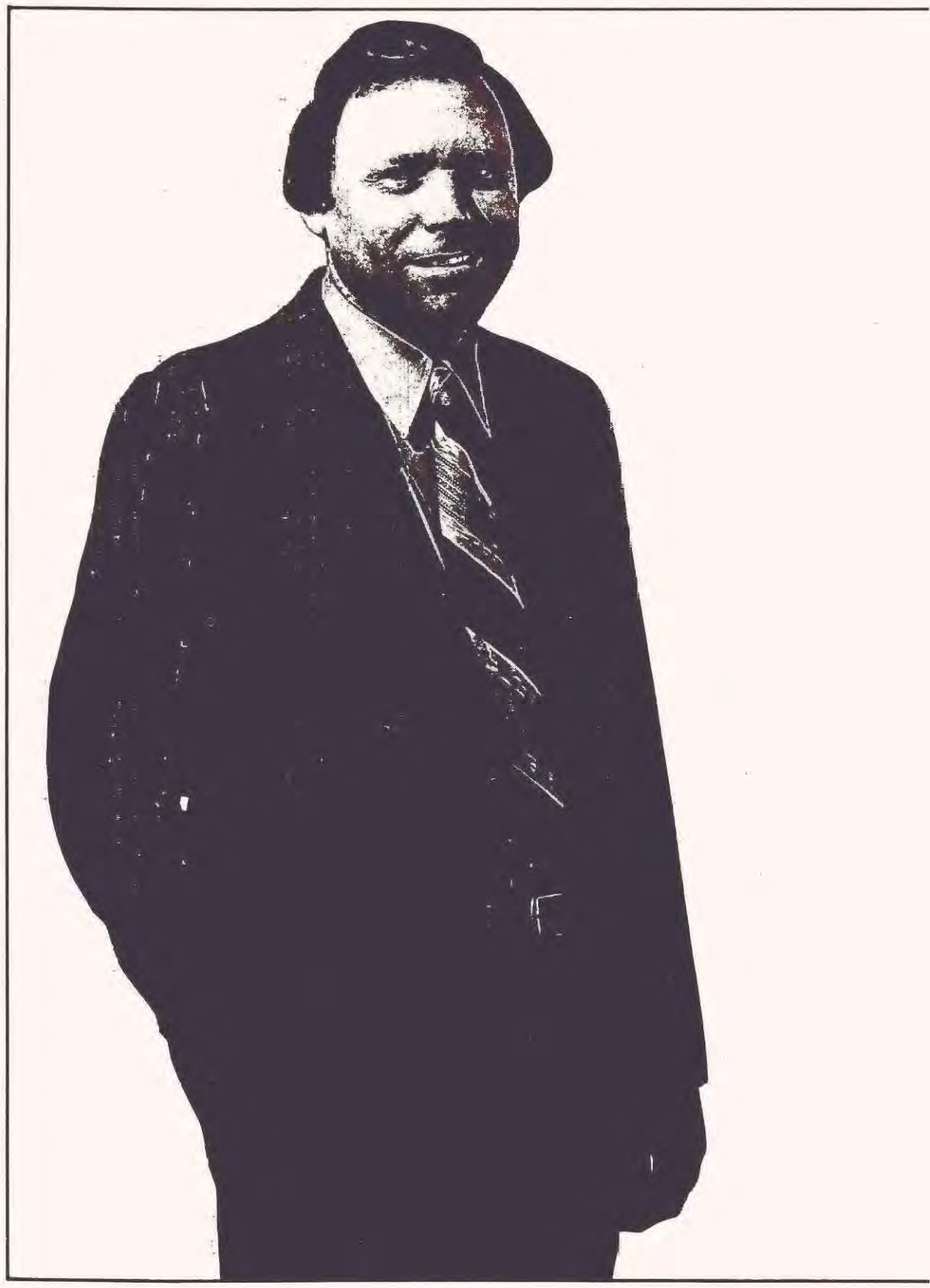
Employers can try to cover themselves from lawsuits that arise out of faulty communication, Mr. Ridley said, by having a disclaimer clause in an employee benefit booklet.

That disclaimer, he said, "will tell the employee, 'This isn't the total package and you have to go somewhere else for more detailed information.' "■

ASIS elects new board

WASHINGTON—The American Society of Industrial Security has elected seven security professionals to serve as new members on its executive committee for 1981.

Elected chairman of the board was Albert S. Davis of Owens-Illinois Inc. Also elected were: Louis A. Tyska of Timex Corp. in Waterbury, Conn., president; Salvatore Gallo of Martin Marietta Corp. in Orlando, Fla., first vp; Arthur A. Kingsbury of Macomb County Community College in Mount Clemens, Mich., second vp; Richard A. Wright of Lockheed Aircraft Service Co. in Ontario, Calif., third vp; Gordon Kettler of General Motors Corp. in Detroit, secretary, and Loren E. Newland of Ramada Inns in Phoenix, Ariz., treasurer.■



Pacing can get message across: Exec

By STACY SHAPIRO

CHICAGO—"Short" doesn't mean "best" when it comes to communicating employee benefits, said John G. Willard, acting relocations administrator for Rockwell International.

"You can use the shortest words and still come out with incomprehensible garbage," he told members of the *Business Insurance* Communicating Employee Benefits Conference here.

Keeping a benefit explanation short can lead to misinterpretation of insurance policies and deletion of important legal jargon.

An employee was dumbfounded when he was denied an insurance claim for a broken leg because the doctor put on a rubberized cast, Mr. Willard said. His oversimplified policy deleted the clause that excluded "experimental surgery."

An employee will take the time to understand his or her benefits if you explain them properly by pacing the content, he said.

"Place and space words to give employees enough time to digest the important words.

"Communication is not a goal. It is a method."

Mr. Willard said there are three things an employee wants to know after he or she has read the benefit booklet or walked out of a benefit presentation: How he or she gets into the benefit program and stays in it, what's covered and how he or she is insured.

Mr. Willard uses the bubble theory to tell employees how they're insured. The big bubble is broken by telling them what you're going to tell them. The smaller bubbles are the examples to explain how they're insured. And the "soap scum" from the breaking bubbles is the summary of what you've already told them.

"Technical terms are not the problem. It's the sentence structure that a benefit communications consultant should tackle.

Pacing also allows an employee time to digest what he or she has learned.

"When you write your presentation, imagine your favorite newscaster reading your copy cold," he told his attentive audience.

Then tape your presentation or have an assistant read it back to you and be objective.

"If you have to think twice, your pacing's too tight," he said. And if your brain pauses while your assistant's talking, it's too loose.

Then find a bathroom where the walls are smooth and clean and the echo is just slow enough to sound like a radio station. "You'll be able to hear a natural flow—if you'll pardon the pun—to the tone.

"The solution is to space out your important, unusual, key or out-of-context words so that about 1½ seconds lapse from the beginning of one such word to the beginning of the next," he said.

Expert stresses simplicity

By EILEEN NORRIS

CHICAGO—Alan Siegel knows how to carve away at the fatty words that weigh heavy in communicating employee benefits.

Stressing simplicity as the key to delivering information on employee benefits, Mr. Siegel said there is "nothing important that cannot be stated in plain language."

Mr. Siegel, an expert in business language communications and president of Siegel & Gale Inc. of New York, demonstrated some of his gourmet cuts at the *Business Insurance* Communicating Employee Benefits conference last week in Chicago.

Too often employee reading material is a "turn-off" with much too technical language, he said.

Mr. Siegel encouraged benefit and communications managers attending the three-day conference to begin the simplification process by analyzing what they want to convey.

Once goals and methods are in hand, the communicator can draft the language he wants to use to best deliver the message, Mr. Siegel said.

In his work with governmental agencies and businesses, Mr. Siegel has reduced words in documents by 75%, he said. A 200-word sentence can sometimes be reduced to 10 to 15 words—if one concentrates on the meat of the message, he added.

"I always take a zero-base approach," he said. "I listen to no one, look at the content in the report or booklet and then decide how to get the message across.

"To do that, one has to have knowledge of the subject you're writing about and know who your audence is," he warned.

He suggested using a good outline before drafting the text of the message.

"People won't read an entire document, so follow the pattern of the user," he said. "If it's an employee benefit booklet, give an overview with a definition of coverage—something that will match the needs of the employee. Shift the administrative information to the back.

"And keep out those formal words," he said. "Keep it short, informal and direct. Break up the long sentences and put the thoughts in simple grammar."

Mr. Siegel suggested using current and ordinary words instead of technical terms, which should be used only when absolutely necessary.

But employee benefit managers should not blindly trim messages to the bone, he stressed. "Oversimplified material can be a real barrier in communication.

"Just remember that if an employee is bound by something, he should be able to understand it."■

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perspective

Benefit communications

IS IT clear? Does it persuade? Does it have staying power?

Those are just three questions *Business Insurance* employee benefit communications awards judges asked while evaluating 139 entries in the annual employee benefits communications competition.

For the winners listed below, the answers are "yes."

Business Insurance received 36 booklet entries, 29 personalized correspondence samples, 28 special projects, 34 audio visual programs and 12 total communication packages for evaluation.

Twenty-seven employee benefit consultants who helped prepare the communications for their clients were represented in the competition entries. Winners were asked to keep results confidential until award presentations on Oct. 28.

Booklets

1st place **Baxter Travenol Laboratories Inc.**
Deerfield, Ill.
Mary Barber, benefit communications specialist

2nd place **The Grand Union Co.**
Elmwood Park, N.J.
V.J. Veninata, senior vp of supermarket services
Kwasha Lipton, consultant

3rd place **Davy McKee Corp.**
Cleveland, Ohio
Ralph Leighten, director of marketing communications
Kwasha Lipton, consultant

Personalized correspondence

1st place **American Can Co.**
Greenwich, Conn.
Mark Slicker, director of compensation
Hewitt Associates, consultant

1st place **Tennessee Farmers Cooperative**
LaVergne, Tenn.
William Davis, director of personnel
M&R Benfo, consultant

2nd place **Miller Brewing Co.**
Milwaukee, Wis.
Jean A. Dart, corporate benefits analyst
Hewitt Associates, consultant

3rd place **Xerox Canada Inc.**
Don Mills, Ontario
J.H. Macaulay, manager of compensation
Hewitt Associates, consultant

Special projects

1st place **S.C. Johnson & Son Inc.**
Racine, Wis.
James R. Russell, employee benefits manager
Paul Hermann, director of personnel
Hewitt Associates/Alternate Choice Inc., consultant

2nd place **Carter Hawley Hale Stores Inc.**
Los Angeles, Calif.
William F. Tidwell, director of employee benefits
Hewitt Associates, consultant

3rd place **Levi Strauss & Co.**
San Francisco, Calif.
Mary Beth Moorad, media manager

Audiovisual presentation

1st place **Northern Natural Gas**
Omaha, Neb.
Barbara Schoenberger
Benefacts Inc., consultant

2nd place **Motorola Inc.**
Schaumburg, Ill.
Dennis Siebold, manager of employee benefits communication and planning
Perry Communications Inc., consultant

3rd place **Dana Corp.**
Toledo, Ohio
Larry Kolhorst, employee benefits administrator
Booke & Co., consultant

3rd place **Northern States Power Co.**
Minneapolis, Minn.
Dick Collier
Hewitt Associates, consultant

Total communications program

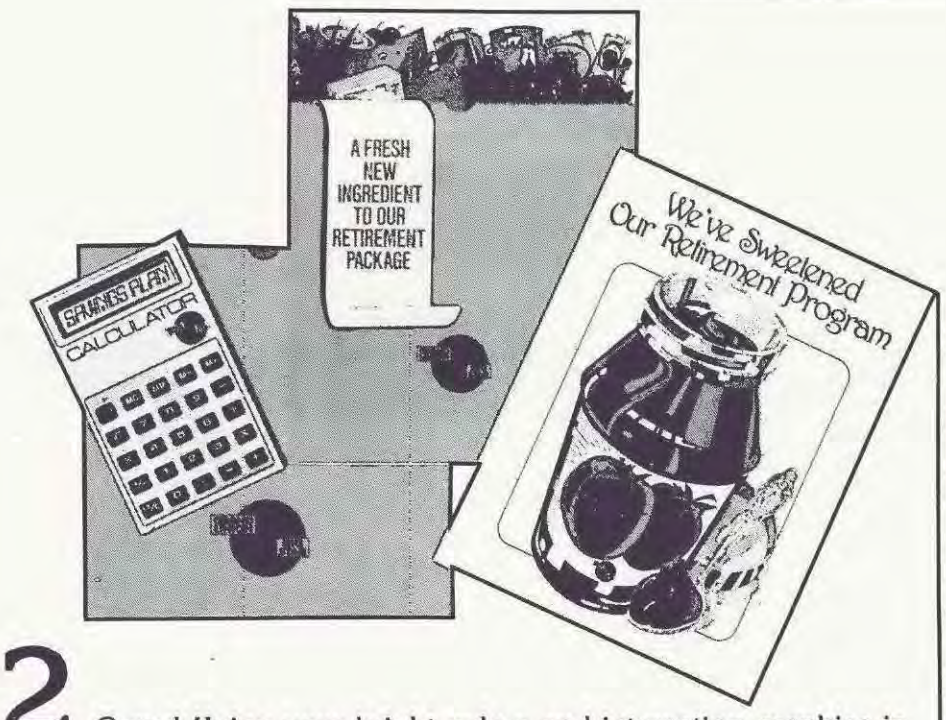
1st place **Miller Brewing Co.**
Milwaukee, Wis.
Jean A. Dart, corporate benefits analyst
Hewitt Associates, consultant

2nd place **First Oklahoma Bancorporation Inc.**
Oklahoma City, Okla.
Michael Sterkel
Hewitt Associates, consultant

3rd place **IBM Corp.**
Armonk, N.Y.
Robert E. Slack, manager of personnel communications

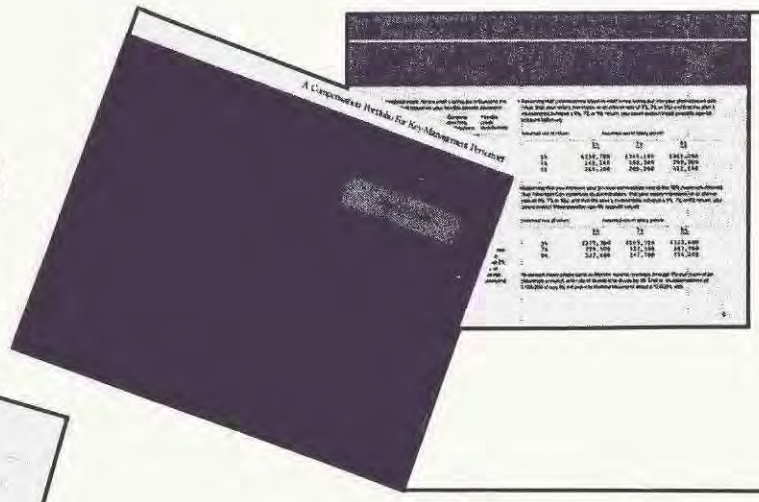
Benefit booklets

1 Baxter Travenol organizes all its illustrated benefit information in a ring binder that is indexed for easy reference. Color-coded sections announce

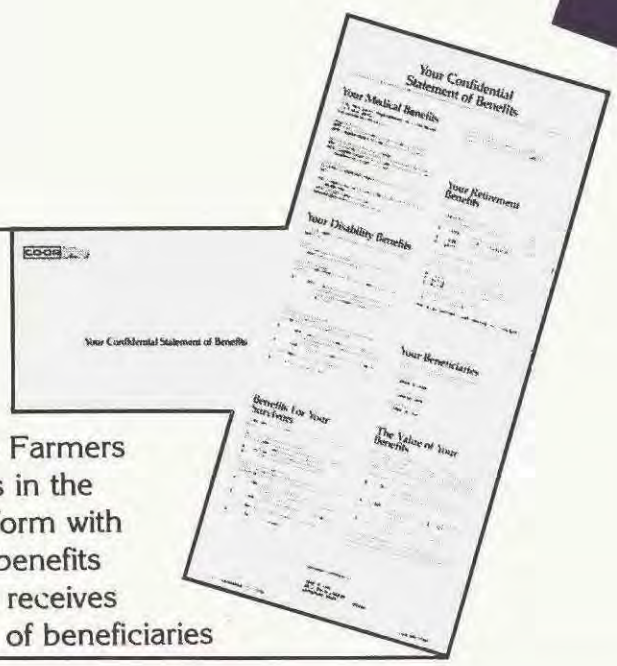


2 Grand Union uses bright colors and interesting graphics in its booklets on the company's retirement and savings plans.

Personalized correspondence



1 Key management employees at American Can receive information on the rate of return they can expect from their capital accumulation plan as well as other information to aid in financial planning.



1 The Tennessee Farmers Cooperative fills in the blanks on this form with the amount of benefits each employee receives and the names of beneficiaries

3 Xerox Canada Inc. asks its employees for feedback on this new confidential, individualized report on benefits.

that take the BI prize

information on retirement, medical, dental, survivor and disability benefits that are explained with photo illustrations.

3

Davy McKee uses sketches of architectural instruments as well as graphs to illustrate this explanation of its thrift plan.

Entry categories

ENTRIES TO THE *Business Insurance* Employee Benefit Communications Awards competition included a brief description of the program's application to the overall benefit communications effort.

Program objectives, a description of the audience, method of distribution, feedback on effectiveness and other relevant comments about the entry helped present the program.

Definition of Categories

- **Booklets:** Material may be submitted either on one specific topic; an overview of one or more benefits; an update of one or more benefits; summary plan description, or several benefits in a packaged booklet format.
- **Personalized correspondence:** Material may be submitted either in a computerized statement or booklet format. It is important that prototype data be supplied for a John or Jane Sample employee. Employee newsletters may not be submitted in this category but may be entered along with other elements in the total communications program category.
- **Audiovisual presentation:** Material may be submitted either on one specific topic; an overview of one or more benefits; an update of one or more benefits, or an announcement of one or more benefits. No supplemental material may be submitted along with the audiovisual presentations in this category. No script/visual programs may be submitted.
- **Special projects:** Material may be submitted either in print, audiovisual or a combination of both. Programs in this category are considered "special projects" in that they have been developed to meet unusual problems or that the creative execution is unique. Programs that include print material as an integral part of an audiovisual presentation may be submitted in this category.
- **Total communications program:** Material may be submitted either in print, audiovisual or combination of both but must be complete benefit communications effort covering all benefit areas offered by the company.

Here's the rundown on the 14 professionals who served as judges

FOURTEEN CORPORATE benefit, communications and personnel professionals helped evaluate programs for the *Business Insurance* Employee Benefit Communications Awards.

They include:

- Mary Beth Gibbons, benefit analyst for Monroe, The Calculator Co. in Morris Plains, N.J. She works on pension administration, company handbook, special projects and has prepared ERISA compliance reports for Walter Kidde Co. in Clifton, N.J. She was formerly benefit supervisor at Crum & Forster Insurance Cos.
- James M. Franklin, vp of finance and administration at Crain Communications Inc. in Chicago. He oversees accounting, investments, planning and budgeting, legal, personnel, purchasing and office management and has operating responsibility for Crain's printing division. He previously was assistant to the chairman for Avery Corp. in Chicago.
- Thomas D. Meisner, benefit planning consultant for Merrill Lynch, Pierce, Fenner & Smith Inc. He is responsible for coordinating benefit communications projects, conducting surveys and studying program improvements. He has worked as benefit coordinator for Philip Morris Inc. and as corporate benefit administrator for Johnson & Johnson.
- George Tuccio, partner and a cofounder of Weltman Augay advertising agency in New York. He serves as the agency's executive vp in charge of finance, operations and sales and has a background in economics and computer science.
- Barbara A. Bauer, director of corporate communications for American International Group since 1975. She joined AIG in 1969 after working in television and for The Continental Insurance Co.
- Margaret M. Gagliardi, vp of employee benefits/U.S. with American Express in New York. She is responsible for planning, design, financial operations and communications of benefit programs for U.S. employees of American Express and its subsidiaries. She previously worked as manager of benefits and personnel policy for American Broadcasting Co.
- Jane E. Sayers, manager of domestic benefit policy, communications and training for Mobil Oil Co. She has 12 years experience in benefits, compensation, labor relations, communications, safety, recruiting and training. She has been with Mobil five years and worked previously with the New York City Health & Hospitals Corp. and Pfizer, a recruiting firm.
- Susan Jacobs, manager of employee communications at North American Phillips Corp. since 1976. She develops internal corporate communications programs including newsletters, booklets and audiovisual presentations along with recruiting materials and employee orientation programs. She previously worked in personnel communications for Aetna Life & Casualty Co.
- Kenneth H. Rabin, associate professor of public relations and director of the PR graduate program at American University in Washington, D.C. He previously worked as foreign service information officer in the U.S. Information Agency, did public relations work for the University of Tennessee at Chattanooga and at the Meharry Medical College in Nashville. He has published numerous articles and does outside consulting work in public relations.
- George W. Wallace, director of trade relations and merchandising for Reader's Digest since 1975. He joined Reader's Digest in 1951 as promotion director for international editions and later became director of merchandising for the U.S. edition. In 1962, he became director of trade relations. Mr. Wallace previously worked in advertising, planning and research for National Broadcasting Co.
- Paul E. Wish, head of corporate communications for the Atlantic Cos. in New York. He plans the Atlantic Cos.' advertising, public relations and internal communications and previously worked as vp of a publications and advertising company in New Jersey.
- Robert J. Davis Jr., personnel director of the Bergen Evening Record Corp. in Hackensack, N.J. He previously worked as personnel director of the Airtron division of Litton Industries for five years and spent 13 years with General Precision Inc., rising to personnel director.
- Robert Rickner, specialist in advertising and sales promotion for the Chubb Group Insurance Co., where he has spent 10 years. He is a 30-year insurance industry veteran and has had extensive experience in corporate research and development.
- David Bart, manager of employee benefits for Avon Products. He is responsible for communication, design and administration of benefit programs. He previously worked for Singer Co. in both domestic and international benefit administration, for Champion International in employee benefit development and Sperry Rand Corp. in employee pension plan administration. ■

Goodbye, Dr. Welby—it's time to shop

riskWatch

By LORRIE GAWLA

Goodbye Dr. Welby, Dr. Kildare and Ben Casey.

The breakup of America's love affair with its health care providers is one sequel movie distributor Tylie Jones probably would like to market.

Her North Hollywood, Calif. company, Tylie Jones Communications, sells and leases motion pictures that suggest solutions to contemporary issues. They've looked at the upward mobility of women, prejudice toward minorities, burnout and, this year, health care cost containment.

In "Medi$ense," a 20-minute documentary introduced to business and government agencies eight months ago, producer Robert Drucker spells out all the reasons why the American consumer, like an unrequited lover, should drop his or her relationship with the American health care system as we know it today. The movie says:

- The health care system in America is out of control. Because of the special relationship Americans have with doctors, our health care system has been given preferential treatment that has been abused. Consumer demands and competition do not affect this BIG business.

Gawla

- Health care is the major cause of inflation. In 1965, each person spent an average of $198 for health; in 1979, the cost was $980 a person. The cost accounted for 6% of the gross national product in 1969, but 9% of the GNP in 1979.
- The consumer, and only the consumer, really pays all the nation's health bills through taxes, lost wages and increases in the cost of other services and goods. For example, when you buy a car, you are paying more for the cost of the autoworker's health care than the price of the steel in your new vehicle, the film says.
- The consumer is not getting his money's worth out of this relationship. The quality of care he receives has not improved in proportion to the increase in his costs.

"Medi$ense," like all the Tylie Jones Communicatons films, has one viewpoint. There is only one solution to today's social problems: the individual. He can and must make a difference.

And Ms. Jones says there is only one way to spur the individual to action: You have to spell out—or communicate—to him what the problems are and how he can solve them.

"We made the decision to concentrate our efforts on these 'issue' films because this is where effective communication is essential and because of the lack of quality audiovisual material dealing with these complex subjects," she said.

"Medi$ense," narrated by award-winning broadcast journalist Joseph Benti, proposes to convince the consumer that he holds the key to controlling health care costs by:

- Questioning the cost of treatment as a concerned consumer.
- Not overusing the system through unnecessary tests, surgery and treatment.
- Exploring alternative delivery systems including prepaid health maintenance organizations.
- Practicing preventive medicine through good health habits and periodic examinations.

Not all the benefit communicators in the audience at the opening session of the *Business Insurnce* Communicating Employee Benefits conference Oct. 26-29 in Chicago were ready to cash in on the "Medi$ense" message after viewing the film.

Several said the message was above the intellectual level of the laborers in their work forces and only suitable for middle management.

Others rejected the idea that the consumer is educated enough to challenge intellectually his doctor's diagnosis or know where to turn for a second opinion.

Others said getting a second opinion is not possible in their small towns and not cheap or easy when it means going out of town.

Several feared that unions would expect cost savings on health care to be put into a larger paycheck.

Still others said the movie's admonition to try alternative health care systems, like HMOs, would make employees leery that the company was trying to talk them out of their current insurance.

But there was one point no one disputed:

Finding the right words or pictures or music to communicate the explosion in health care costs is a "contemporary issue" with benefit communicators.

The news that health care costs could increase another 40% next year brought the problem home.

A personnel director at a Midwest company this week has to tell her employees about a 59% health insurance rate increase and how that will affect their insurance plans. For her the need for effective communication is very real.

"I've got a 59% increase coming up," she said. "It means we have to revise our health care plans and our employees' use of them. I'm here to find out how to communicate those changes most effectively."

That's some task. It would be for anyone trying to convince the average American that his personal physician could be wrong and that it is OK to shop for health care the way you would for a new car—according to price and quality.

The answer doesn't lie in one movie, but if a movie spurs benefit communicators to consider the task ahead of them, it's the first step in a long journey.

After all, how do you convince a believer that Marcus Welby is not a saint? ■

Jazz up communications to grab employee interest

By EILEEN NORRIS

CHICAGO—Face it. Corny little filmstrips of stick figures talking to each other about employee benefits don't make it. Employees want to be entertained with some show biz action.

That's the message from our "design-conscious" society today, says William J. O'Connor, executive vp of Source/Inc. in Chicago. Mr. O'Connor spoke last week at the *Business Insurance* Communicating Employee Benefits conference.

"How you deliver the message is frequently more important than the message itself," said Mr. O'Connor, who is a specialist in marketing services. "If it's not an interesting delivery, it won't get communicated.

"Messages in this day and age have to be intrusive to get through the employee's other clutter," he said. "The employee is saying, 'Make me like it' and 'Turn me on' with the message."

Even though most businesses can't afford to stage an employee benefit production, Mr. O'Connor said many employers could stand to jazz up their communication methods a little.

"Visual communication design is an important tool in getting the attention of employees who need, but don't really want, to be lectured on their benefits," Mr. O'Connor said.

"Remember to keep the message simple," he said. "Less is more when it comes to this type of communicating. Use audiovisual equipment to get their attention and printed material to spell out the details," he said.

Benefit managers should "tell employees what they're going to be told, tell them and then tell them what you've already told them" when communicating benefits, Mr. O'Connor said.

That message was also driven home by David A. Williams, president of Williams Communications Inc. in Chicago, who shared the podium with Mr. O'Connor.

Benefit managers should experiment more with audiovisual equipment to deliver vital information to employees, Mr. Williams said.

"Audiovisual is a people medium," Mr. Williams said. "The information you try to sell should relate to the employee as an individual."

Communicators will be more successful in channeling benefit information if they create an identification between the viewer and the subject matter, he said.

"It's best to use printed information, audiovisual equipment and a real live person who can answer questions," he said. ■

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Poorly written summary plan invites audit

Continued from page 31
the benefit plan, can be handled in three ways, Mr. Toth suggested.

A simple letter can be sent to all plan participants. Folders can be used to announce changes. And audiovisual presentations can be prepared to hype major changes in plans.

"If there are real big changes, make a fuss about it," Mr. Toth advised.

Summary annual reports, the most controversial communication tool required under ERISA, are still shunned by some companies so opposed to all the work entailed that they refuse to prepare and distribute them, Mr. Toth said.

Sympathizing with employer dislike for the report, Mr. Toth called the report in the present required form "absolutely worthless." Unless a company introduces the financial information in the summary annual report, it's a wasted effort.

A cover letter saying the plan is in healthy financial condition and that the following report is required under law should be attached to the report, Mr. Toth suggested.

• Reinforcement communication includes all the communication efforts directed at employees during their working careers. Employees need to be reminded of their benefit programs, Mr. Toth stressed.

A good overview of the entire benefit program is useful for reminding employees what their benefits are. With careful preparation this audiovisual program can be the one shown new employees, Mr. Toth said.

The personalized benefit statement is the single most important feature of a benefit communications system, Mr. Toth said. The statement that tells the employee exactly what his or her benefits are, how much pension benefit has been accrued and when the benefit will be fully vested goes the furthest in convincing employees they have a good package, he said.

Preretirement communications programs are catching on among companies as a special communication project, Mr. Toth continued.

• Measurement and planning is the fourth phase of a benefit communications system. "If you're doing all three phases, you're probably doing a good job of communicating," Mr. Toth said.

To help the benefit communication specialists assess their programs, he offered a one-sheet Benefits Communications Mini-Audit (see chart on page 31). Benefit communications specialists should check off the elements they think are done well now and assign dates for improving the communication methods they consider out-of-date or inadequate, he suggested. ■

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Continued from page 2
At first, one out of three containers delivered to Gold Kist were rejected for being below standard. Truckers and steamship companies picked up rejected containers and delivered good ones at their own expense.

"In three weeks, the rate dropped from one out of three containers being bad to one out of 20," Mr. Rich said.

Gold Kist also began tighter monitoring of its procedures for container and bargeload fumigation.

The firm also asked freight forwarders and stevedoring firms to help their efforts by supervising the loading of containers and barges onto oceangoing ships, Mr. Rich said.

Gold Kist had AIG establish local contact with the co-op's major overseas customers so losses could be investigated immediately rather than after waiting several weeks.

Mr. Rich says his efforts paid off—losses were sharply curtailed. Before, almost one in two shipments had some damage, but under the loss-prevention program only two claims were made between November 1979 and February 1980, he said.

But AIG canceled Gold Kist's policy anyway, citing adverse loss experience and insufficient premium.

Mr. Rich counters the charge of insufficient premium, noting that many of Gold Kist's customers had orders shipped on a cost-plus-freight basis. They indicated they could obtain cargo insurance on their own at lower cost.

He also says AIG could have done a better job on salvaging damaged shipments.

Thomas Dincecco, the AIG underwriter who supervised the Gold Kist account, left the insurer in August, Mr. Rich says. Mr. Dincecco's replacement was less enthusiastic about loss prevention, Mr. Rich says.

Gold Kist's broker, Matt Hogan, says he believes the loss-control approach would have proven itself after another year and AIG would have begun making money on the risk. Mr. Hogan agrees AIG's salvage efforts could have been better.

American International Marine Underwriters president William Mack would not comment on Gold Kist, saying it was against company policy to discuss any individual account.

Mr. Dincecco, who now is employed by Royal Insurance Cos., would not comment on the Gold Kist situation.

However, a source familiar with foodstuff cargo accounts says they are highly susceptible to damage and because losses are often small, salvage efforts and attempts to recover damages from shipowners are often not economical.

In the Gold Kist case, the marine insurance expert said the number of losses and the length of the loss-prevention program were insufficient to determine a trend toward improved experience. ■

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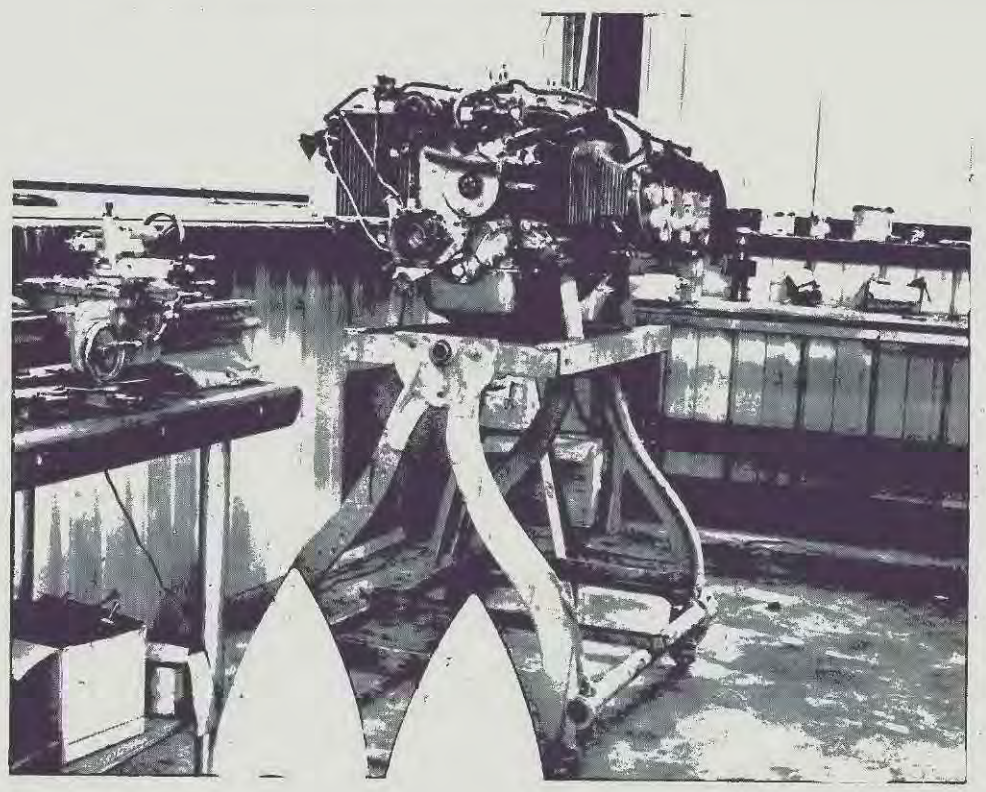

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"We did our groundwork. Now we're taking off."

Coal firms delve into black lung risks

Continued from page 1

"It will be bigger than Oil Insurance Ltd.," agreed Duane Allen, assistant treasurer at Hanna Mining Co. in Cleveland and cochairman of the steering committee organized to oversee development of the mutual. Oil's premium volume on property insurance policies for big oil companies is more than $170 million.

First-year premiums of COAL, expected to begin operation in mid-1981, will be in the tens of millions of dollars, Mr. Allen said. But once it gets going, premiums will total "hundreds of millions," he predicts.

There is big money—about $2 billion a year—in claims for black lung disease because high benefits are generously awarded by the federal government (*BI*, Oct. 13).

Cochairman of the steering committee with Mr. Allen is Richard D. Rivers, vp and general counsel of Berwind Corp. in Philadelphia. Also on the committee are James B. Crawford, executive vp at A.T. Massey Coal Co. in Richmond, Va.; Larry Correll, director of personnel at Westmoreland Coal Co. in Philadelphia, and James O'Grady, who is vp-finance at Barnes & Tucker Coal Co., a subsidiary of Alco Standard Corp. in Valley Forge, Pa.

Special underwriting provisions that will allow retroactive assessments on COAL member companies will allow the new black lung mutual to succeed where commercial insurers have failed, Mr. Allen says.

Retroactive rate adjustments will be made as necessary to compensate for changes in the black lung compensation law and regulations. Commercial insurers, which generally can't impose this retroactive rate adjustment, don't want the risk because they have no confidence in their pricing, Mr. Allen said.

Each of the 20 companies represented at the Oct. 23 meeting in Philadelphia has been asked to contribute $5,000 to a definitive study needed to lay the groundwork for COAL. If not enough companies proceed with the idea, the cost to member companies could go up to $10,000 to pay for the $100,000 study by Trenwick Inc. in Westport, Conn.

The study, expected to be finished in about three months, will include actuarial information on the black lung risks at potential member companies to project expected claims and determine the necessary funding. Coal companies also will be surveyed to determine what kind of financing plans they want.

COAL will "be flexible to provide for differences in claim expectancy among mines and states," Mr. Allen noted. "We want equity in pricing among the coal companies."

Companies will use a fronting insurer, especially Old Republic Insurance Co., which fronts many self-funded plans now, or use their own captive to reinsure the risks with COAL. The mutual could buy reinsurance from member captives and will buy catastrophe reinsurance.

The operation of COAL will not affect state funds because they will still be needed by smaller coal companies that don't have the financial strength to make a commitment to COAL, Mr. Allen says.

Primarily Eastern coal companies with both surface and underground operations will use COAL, he adds.

COAL got its start when two groups interested in black lung risks got together.

Coal companies had been discussing the idea for some time. The major coal companies currently either insure the risk in their captive insurers, self-fund the risk in trusts, buy insurance from state-operated funds or don't fund the risk at all, Mr. Allen notes.

A mutual offers the companies an improved risk-funding mechanism, Mr. Allen says.

Meanwhile, Corporate Insurance & Reinsurance Co. Ltd., the group-owned liability reinsurance captive in Bermuda, decided it needed to separate the funding of black lung claims from other liability claims.

Black lung claims are reserved for on a present value basis, instead of final claim amount as used for other claims, Mr. Allen said. That means the money reserved to pay a black lung claim is less than the total projected payout by the amount of interest the company expects the principal to earn.

For other liability claims, however, the amount reserved today is the total expected payment. Interest income accrued on the reserves is credited to total annual income each year.

CIRCL will have a separate funding program by year-end for the black lung risks it now reinsures, Mr. Allen said. CIRCL has to decide if it will continue to hold the risks in that separate program or reinsure the black lung risks with COAL.

The legal adviser to COAL is James Cameron, an attorney with Baker & McKenzie in New York who has advised the organization of many group-owned captives. Actuarial advice will be provided by J. Hugh Briscoe & Associates in Chicago and Conning & Co. in Hartford.

Bruce Ferguson, president of Underwriters Safety & Claims in Louisville, Ky., will advise the group on claims administration. ▪

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Two pull benefit plans from captive

Continued from page 1

U.S. Industries Inc. of New York also has agreed to stop using its Bermuda captive, Diversity Insurance Co. Ltd., as a reinsurer of group life and health plans also insured with Prudential.

Instead, USI anticipates setting up within the next few weeks an administrative services only plan or a minimum premium payment benefit plan. Prudential is expected to get the new account.

The two decisions effectively close the door on widespread use of offshore captives to fund corporate benefit programs.

Last year, the Labor Department said a U.S. insurance subsidiary could underwrite group benefit programs for its parent company's employees if the business didn't account for more than 50% of the subsidiary's total business (*BI*, Aug. 20, 1979).

But that rule, which increased the limits from 5%, only applied to domestic insurers' subsidiaries. The Labor Department prohibits the direct insurance of benefit programs with offshore insurers.

The exemption also did not permit insurance subsidiaries to reinsure benefit plans underwritten by licensed insurers. Reinsurance arrangements would be judged case by case, the department said.

USI had requested an individual exemption to continue to use its captive, but Sambo's apparently never notified the government it was using its Bermuda captive to reinsure Prudential policies.

Neither firm faces legal penalties, but ERISA does require a company to notify the government if its employee benefit plans are engaging in party-in-interest transactions.

In 1975, SAMCO began reinsuring group health and life policies for 35,000 employees with Republic National Life of Dallas.

Prudential won the $3 million Sambo's account in April 1979. Like Republic National, it laid off most of the risk with SAMCO.

The Labor Department earlier this year (*BI*, March 10) began investigating Sambo's benefit plans after it learned, through a *BI* report, that Sambo's was reinsuring benefits through its offshore captive.

A Sambo's benefit official interviewed by *Business Insurance* following the release of the class exemption last summer, however, seemed unaware of the government rule on the use of a captive to write a parent's benefit business.

The labor department did not take legal action against the restaurant chain because there was no evidence plan participants had been harmed.

However, the department believes that if the reinsurance arrangement had been allowed to continue, "there would have been damage to the plan," a department spokeswoman said.

Sambo's is the target of at least 10 lawsuits by former restaurant managers charging Sambo's changed their compensation programs and "adversely affected the managers' retirement plans."

Sambo's also lost almost $45 million in the first nine months of 1979, according to its report filed with the Securities and Exchange Commission.

A Sambo's spokesman declined to estimate how the company's benefit costs may have been affected by dropping SAMCO as a reinsurer.

The USI case is much less turbulent. USI requested an individual exemption allowing it to continue to use Diversity to reinsure the Prudential policies. At year-end 1979, Diversity reported premiums of about $16 million, with 60% related to parent company risks. Its group health and life insurance business was about $1 million.

USI noted the relationship between Diversity and Prudential is "a mechanism to reduce the cost of the plans, enabling USI to offer greater benefits." The plan covers 12,000 employees.

But the Labor Department rejected USI's plea. The department says it opposes offshore captives insuring benefits because they are difficult to regulate and not as safe as domestic insurers.

S. Peter Law, vp-insurance at USI, expressed disappointment at the decision. "It was clearly demonstrated that employees have not been the least compromised by the arrangement."

"These changes are not anticipated to produce any changes in U.S. Industries benefit arrangement or planning," Mr. Law said.

Chamber study results

Continued from page 3

3.9% of payroll.

The single largest drop in the percentage of payroll spent on benefits in 1979 compared with 1978 occurred among miscellaneous nonmanufacturers, including those in research, engineering, education, government agencies, mining and construction. The percentage of payroll spent fell to 34.4% from 38.6% of payroll.

Among manufacturers, the following industries decreased the percentage of payroll spent on benefits in 1979 compared with 1978: chemicals and allied products, to 43.1% from 43.4%; stone, clay and glass products, to 36.4% from 37.7%; fabricated metal products, to 36.4% from 38.7%; electrical machinery, equipment and supplies, to 36.7% from 37.1%, and transportation, to 39% from 40.5%.

Manufacturers that increased spending on benefits as a percent of payroll in 1979 compared with 1978 included: food, beverages and tobacco, to 36.9% from 35%; textile products and apparel, to 29.2% from 28.8%; pulp, paper, lumber and furniture, to 36.1% from 34.4%; printing and publishing, to 35% from 34.3%; rubber, leather and plastic products, to 35% from 32.6%; primary metal to 42% from 41.6%.

Among nonmanufacturing groups, most increased spending on benefits as a percent of payroll in 1979 compared with 1978. The bigger spenders include public utilities, to 40.6% from 40.2%; department stores, to 31.7% from 31.5%; banks, finance companies and trust companies, to 39.4% from 39.2%, insurance companies, to 38.3% from 38.2%, and hospitals, to 28.2% from 27.1%. ■

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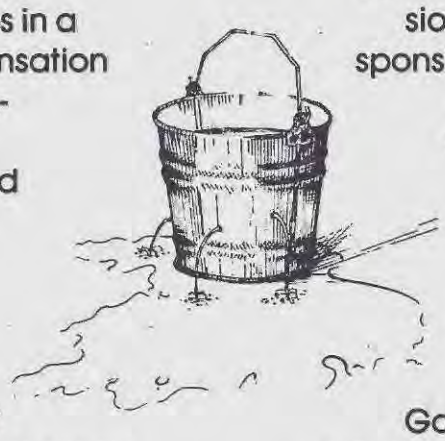

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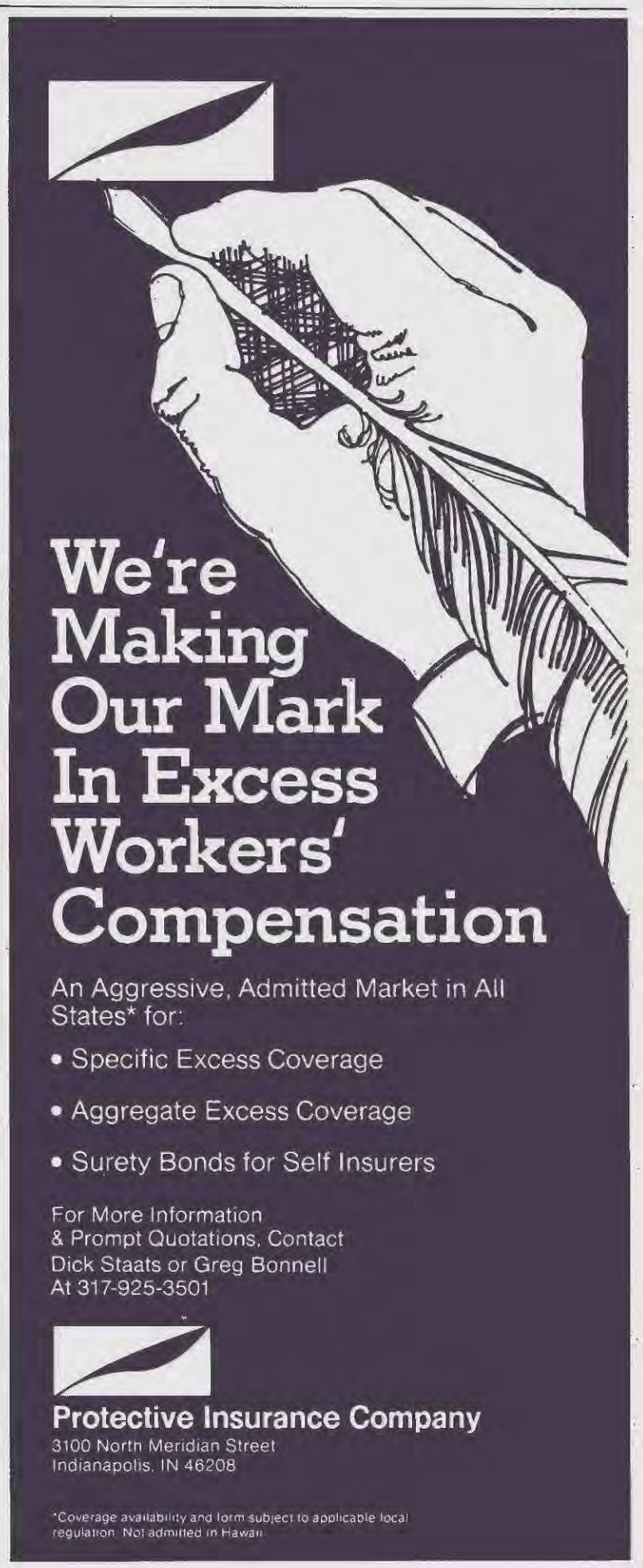

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Hospital regulations trim $3.1 billion

Continued from page 1
the other 44 states, costs went up 14.3%.

Most of the savings came through controls on Medicaid and Medicare programs. However, the rate structure has also had some impact on the prices for medical care paid for through private insurance.

In 1978, Maryland hospitals reduced rates to all patients by 2%, said Louis Orsini, vp of the Health Insurance Assn. of America. This is in contrast to a 14% to 16% nationwide increase, he said.

Blue Cross rate increases in the state averaged in the mid-teens during the middle 1970s, but have been limited to 7% to 8% in recent years, a spokesman said. He said hospital controls were a factor in keeping the rate increases down.

Graham Atkinson, statistician for the national study on cost controls, said the controls have successfully stabilized increases in health insurance premiums in Maryland, the state where the mandatory system has been viewed as most effective.

The controls vary from state to state, but all utilize a prospective method of reimbursement. Charges for hospital procedures are set at a certain rate and then adjusted periodically for inflation, increases in medical malpractice insurance and other factors.

Supporters argue these controls are needed as an incentive for doctors and hospitals to keep prices down.

Although the Nov. 4 elections will determine most which states seriously consider imposing mandatory controls, Mr. Merritt said the chances were best in the Northeast and Midwest.

These states are most affected by the economic recession, and therefore have more incentives to keep down costs, he said. They also are "more sensitive to the regulatory approach than Western or Southern states," he said.

There are signs, however, even states with good economies may look at cost controls more favorably.

"California has dealt with rate-setting for the past four or five years, but the hospital industry has always managed to beat them back," Mr. Merritt said.

"But now Medicaid there is reaching crisis proportions, which may be a trigger for cost controls."

As states consider controls, the possibility grows that the federal government also might directly regulate medical costs. The Carter administration has been unsuccessfully pushing for that, but some observers say the Johns Hopkins study should boost efforts.

Not everyone agrees with the wisdom of mandatory controls, however. Some argue natural competition is better.

"The notion that by slapping rigid prospective reimbursement schedules on community hospitals ... enormous savings will result with little or no consequence for the patient is both simplistic and unrealistic," James Sammons, executive vp of the American Medical Assn., told a recent gathering of the Life Insurance Medical Directors of America.

"The price for all this so-called success is hospital closings, bankruptcies and deteriorating access to quality health care," said a spokeswoman for the Greater New York Hospital Assn. She said 29 hospitals have closed in New York City since 1976.

Other critics argue that the benefits are not as great as they might seem at first glance, especially in states where the controls are primarily imposed on Medicare and Medicaid patients.

New York's cost-control system charges private patients an average of 20% to 30% more than Medicaid patients, according to the study. The HIAA has charged that the "arbitrary and ridiculously low limits (for Medicaid) force hospitals to inflate charges to private patients to recover their expenses."

Even supporters conceded the savings of mandatory controls may be less than expected. But they add there are other benefits.

Some Maryland employers say the cost savings from the controls are "hard to quantify," but the regulatory structure gives employers access to hospital data and a more active role in reducing health care costs.

The Maryland Health Care Coalition, which represents 120 employers, is working with the rate commission to identify areas of possible waste.

"We're trying to cooperate with each other rather than beating each other over the head," said Patrick Renaud, chairman of the coalition and assistant personnel supervisor at Bethlehem Steel. "In three to five years, we hope to see the impact of our efforts in a downward trend in hospital costs."

Other supporters, such as Johns Hopkins' Mr. Schram, argue that the controls, while not perfect, offer at least a stop-gap method of controlling health costs.

"This regulatory interlude is necessary until patients start paying a greater portion of health care through higher deductibles or more coinsurance or turn to alternative methods of health care." ■

N.Y. shows largest savings

NEW YORK—Of the states that have imposed mandatory controls on the rates charged by hospitals, New York has had the largest savings, according to a study by the Johns Hopkins Center for Hospital Finance and Management.

The study showed New York saved $2.3 billion over three years.

But that savings, which represents what patients might have paid for hospital care if rates had been allowed to rise at the national average between 1976-78, resulted largely from controls placed on Medicare and Medicaid payments.

Critics of state controls on hospital rates say private patients were forced to pay higher rates to make up the difference.

In five other states where the controls were imposed more equally on public and private patient care, the savings were less but still substantial

New Jersey saved $284 million, Massachusetts $182 million, Maryland $167 million, Connecticut $128 million and Washington $32 million.

In New York, hospital rates are set by the state on a per diem basis. A panel of independent health economists establishes a semiannual inflation factor.

Rates are based on the size, location, sponsorship and teaching status of the hospital and are compared with peer institutions.

In Maryland, a state commission analyzes individual hospitals' data on costs, volume and case mix. It compares costs with those of other hospitals in the state after accounting for regional price differences.

Similar commissions have been set up in Connecticut, Massachusetts and Washington.

In New Jersey, regulators are testing what has proven to be a controversial method. Hospitals are paid a fixed amount based on the average costs incurred in treating patients with a particular diagnosis, rather than for the days a patient is in the hospital or the number of services provided to him (*BI*, Sept. 8). Some insurers complained they were paying more for some treatment.

Program cleans up claims

Continued from page 3
and losses costly.

To establish uniform coverages among URA stores, one of Mr. Ciarimboli's first priorities was to draft a list of insurance specifications to meet both the needs of franchisees and the parent company. He asked broker Walter Kaye to find domestic markets for the package.

"We can't force franchisees to buy our program," Mr. Ciarimboli said. "But we can set up standards we require them to meet. And we figured if we could offer the best coverage at the lowest price, they would come along.

"It got to be a month away from renewal and we realized the broker was not doing what we wanted," Mr. Ciarimboli recalled. "They came back with the same old coverages, only the price had gone up. So we decided to switch brokers."

A new broker search ended with the selection of Emett & Chandler in Los Angeles. Ted Sanford at E&C found domestic markets for URA's risks, something the former broker and Mr. Ciarimboli on his own had been unable to do.

"Emett & Chandler recommended we build a deductible program," Mr. Ciarimboli said. "I proposed we develop a co-op loss trust."

It was agreed that United Rent-All would do all billing and collection of claims, as well as in-house loss adjustment. Claims technically are paid through R. L. Kautz, the claims administration arm of Emett & Chandler.

"Afterall," Mr. Ciarimboli noted, "we know the rental business better than anybody in the insurance industry. We know exactly what it costs to replace lost inventory; we stand to lose directly if claims are not handled efficiently."

So far, URA has not had a claim that pierced its $10,000 deductible layer, funded by franchisee contributions to a trust fund and fronted through Covenant Mutual.

"We've been very successful in laying claims back to manufacturers in product liability-type cases," he observed. "These are nine out of 10 of our liability claims.

"We contact plaintiff attorneys and emphasize we are not going to pay product liability claims. We provide the attorney with the name of the manufacturer of the equipment that caused the injury."

The layered liability package includes primary limits of $500,000, excess limits of $1 million and umbrella limits of $10 million, all underwritten through Central National Insurance Co.

Property insurance through the Harbor Insurance Co. features replacement cost coverage—highly unusual in the rental industry, Mr. Ciarimboli says.

The package excludes vehicle coverage, which URA hopes to include in the near future.

For the time being, URA uses regional brokers to handle those risks state-by-state.

The United Rent-All Insurance Agency is also developing a variety of other coverages including workers compensation, group health and life and personal lines. To track down missing rental equipment, URA recently initiated a tracing service for stores.

The department handles about 1,000 insurance policies for franchisee and corporate exposures—comparable to the load of a small agency with a three-person staff.

At the corporate level, URA's insurance is modeled on that of its stores, although it is separate. "We are named on our franchisees' policies, but we also incur separate liability," Mr. Ciarimboli noted. On its corporate exposures, URA carries a $25,000 deductible with $15 million umbrella limits.

United Business Insurance Co. Ltd., URA's Cayman captive, is also reducing insurance costs. ■

Franchisees get lesson

United Rent-All franchisees get a lesson in risk management even before they sign a license agreement.

Prospective investors visit the home office and meet the department heads of purchasing, advertising and risk management. At that time they are given an application to apply for participation in the co-op trust.

Risk manager Louis Ciarimboli provides a variety of risk management aids for franchisees, who as small business owners tend to view insurance as a necessary evil.

"They view losses as something they have no control over," Mr. Ciarimboli said. "We try to overcome that attitude."

URA's risk management manual gives franchisees a total concept of loss prevention and control. Show a customer how to operate a chain saw, Mr. Ciarimboli advises. Tag equipment as safe after it has been inspected. Train employees to instruct customers on how to use equipment.

These risk management tools appear to be reaping loss-prevention dividends for franchisees. In the past two years, URA has paid only $5,000 in bodily injury claims. ■

Experts to judge contest

Continued from page 3
surance Management Associates Inc. in Wichita, Kan., a panel member last year.

The insurance company representatives on the panel are new.

Joseph P. DeAlessandro, president of National Union Fire Insurance Co. of Pittsburgh, an American International Group company, is representing stock insurance companies. George R. West, chairman and president of Allendale Mutual Insurance Co. in Johnston, R.I., is representing mutual insurers.

The risk management consulting community is represented this year by Bud Griffin, president of Warren, McVeigh & Griffin in Newport Beach, Calif.

Returning from last year's panel to represent insurance educators is Thomas B. Morehart, associate professor of insurance at Arizona State University's College of Business Administration.

Also returning to the panel representing corporate senior management is Kenneth F. Reimer, executive vp of operations at Dallas-based Lehndorff Group of Cos., a real estate holding and development company.

The judges will score each nomination against the nine criteria. The highest scorer will be named the Risk Manager of the Year.

New to the competition this year is the Risk Management Honor Roll. After the judges have selected the Risk Manager of the Year, all the nominees will be separated into four categories:

- Large corporations with sales of $300 million or more and/or employing more than 1,000 people.
- Smaller corporations and businesses with sales of less than $300 million and/or employing fewer than 1,000 people.
- Government entities.
- Tax-exempt and not-for-profit institutions of all sizes.

The Risk Manager of the Year competition was instituted by *Business Insurance* in 1978. It is designed to heighten awareness of the importance of risk management and to further development of the profession by recognizing outstanding programs.

Besides Mr. Hallett, winners have been Howard T. Webber, director of insurance at 3M Co. in St. Paul, in 1978 and Edward Erickson, director of insurance at ABC Corp. in New York, in 1979.

Anyone practicing the profession of risk management for an organization can be nominated, regardless of title.

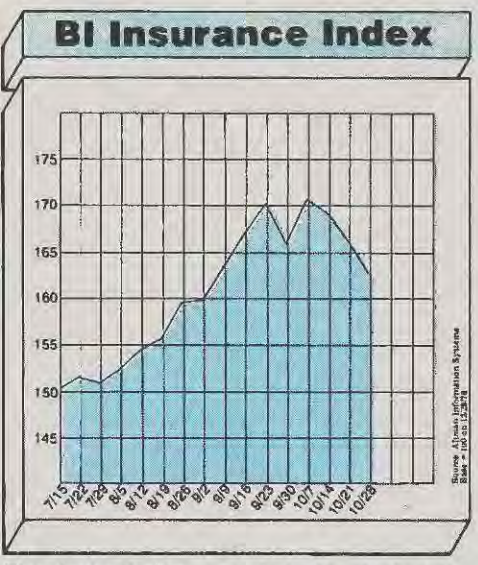
Nominations may be submitted to *Business Insurance* by anyone in the fields of risk management or commercial insurance.

Forms and instructions for nominating candidates may be obtained by writing *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611, Attn.: Risk Manager of the Year; or call 312-649-5398.

All nominations are kept confidential by the judges and only the winners are announced.

Persons nominated in previous years are eligible for the 1981 competition, but the nominating statements must be updated and resubmitted.

BI Insurance Index



The slump for insurance industry stocks continued last week with the *Business Insurance* index dropping 3.3 points to 162.7 from 166. The base of 100 was at year-end 1978. Fifty-one stocks declined, only 11 increased and another 11 remained the same. Among the largest declines were: American Indemnity Financial Corp., 9.7%; Pinehurst Corp., 9%; The Travelers Corp., 8.3%; American Financial Corp. of Ohio, 6.6%, and St. Paul Cos. Inc., 5.6%. Avemco Corp., at 5.4%, showed the largest increase. The remaining increases were all less than 5%. However, the index decline of 2% was not as sharp as the drops in the New York Stock Exchange and Standard & Poors averages, 2.8%, and the Dow Jones Industrial, 2.2%.

British Issues

10/28 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	167	8.4	14.63	8.8	167—163	
Eagle Star	276	9.2	14.28	5.2	276—262	
Genl Accident	366	9.1	18.24	5.0	366—342	
Gdn Royal Exch	364	9.6	20.71	5.7	364—342	
Phoenix	296	8.2	20.00	6.8	296—286	
Royal	457	9.6	32.17	7.0	457—438	
Sun Alliance	804	10.3	42.14	5.2	804—784	
Brokers						
CE Heath	207	10.3	13.80	6.7	210—203	
Hogg Robinson	124	9.2	8.14	6.6	124—122	
Alex Howden	100	6.3	10.00	10.0	100— 98	
JH Minet	99	11.0	6.45	6.5	100— 98	
Sedg Grp	128	11.7	7.14	5.6	128—124	
Stenhouse Hldg	91	8.3	6.46	7.1	91— 89	
Stew Wrightson	222	9.2	17.14	7.7	222—215	
Willis Faber	277	12.3	16.14	5.8	277—272	

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

Health care expansion helps INA turn a profit

By STUART EMMRICH

THESE ARE NOT the best of times to be in the insurance business, concedes INA Corp. chairman Ralph Saul.

Competition continues to drive premium prices down, taking favorable underwriting results with them.

At INA, for example, underwriting losses in the third quarter totaled $30.5 million, compared with a $23.5 million loss in the same period for 1979. Only a 19% jump in investment income was able to offset that loss enough to show an 11% increase in earnings.

And the immediate future offers no great hope of positive change.

"The industry is heading for a very tough year in 1981. It can't help it," Mr. Saul said.

"The competition will continue to be as fierce next year. The only way things will change to end the present cycle is if there is a big shock next year, possibly a bearish stock market over an extended period of time or an even sharper increase in the rate of inflation."

But INA is finding other ways to make a profit, especially through expansion into the health care industry.

INA has become the world's largest manager of nonprofit hospitals. The insurer owns or operates 169 hospitals and skilled nursing facilities with a total of 22,000 beds.

The company also has grown since 1978 into the largest prepaid health care provider in the country, with more than 400,000 people enrolled in its HMOs in California, Arizona, Texas, Florida and Washington.

Rehabilitation services have been an important part of INA's health care group since 1970. It has handled more than 80,000 cases for clients in the past 10 years.

Results have been excellent, Mr. Saul says. The company's health care group last year increased its pretax income by 48% to $41.6 million and revenues by 39% to $553 million. In this year's third quarter, the health care group was the fastest growing segment of the company's business, with earnings increasing 19% to $6.8 million.

"The time is good to be a more dominant force in the delivery of health care," Mr. Saul said. "It is a business we know and it has an excellent rate of return."

One advantage in expanding into health care is the ties to the insurance business. Knowledge of one area can often help the operation of the other, Mr. Saul said.

"Hospital management is not directly related to insurance, but as an insurer, we know a great deal about health care costs, where some of the problems might be and where efficiency can be put into the system," he said.

Mr. Saul is also optimistic about the chances for growth in the new fields INA is exploring.

"The rehabilitation of disabled workers is a very important service in trying to reduce workers compensation costs. In fact, we believe it will be used much more than it is right now," he said.

INA's International Rehabilitation Associates last year helped 20,000 disabled persons through a nationwide network of 500 caseworkers on behalf of more than 700 clients. Mr. Saul said IRA is the largest private provider of rehabilitation counseling and related services.

HMOs rank near the top of Mr. Saul's prides.

"I don't think you can say that HMOs are a fast-growing business right now, but it is a business that is growing, and once it is understood it will grow more rapidly," he said.

"I don't think most employers understand it. They see it as a nuisance because they have to offer it as an option. They really don't make an effort to market it.

"But we think that will change," Mr. Saul added. "HMOs offer the greatest potential in the long run for reducing health care costs."

Mr. Saul foresees INA playing an increasingly important role in the delivery of health care services.

"We see a growth of multinational health care companies. A few will be dominant, with operations all over the world," he said.

While INA is aggressively tackling the health care market, it is not downplaying its role as one of the nation's largest property/casualty insurers.

INA is trying to reverse a trend that Mr. Saul says is too common in the insurance industry: a tendency to lose good people.

"For a long time now, the insurance industry has not been able to attract and keep many top-quality people," he said. "Part of the problem is the way we have been treating them, not like professionals, but like bureaucrats and ciphers.

"We have also not paid a lot of attention to the education and training of our personnel, especially compared to other industries. The insurance industry has lagged and we think it is about time we try to really upgrade the quality of our people," Mr. Saul said.

As a part of this effort, INA recently opened a $17 million conference center in the hilly country outside of Philadelphia that the company said will become a focal point for INA's management and professional training programs.

The center, which looks like a country club, will be used for regular training sessions for INA employees, as well as INA-sponsored seminars for agents, brokers and sometimes risk managers.

But the key to the center, Mr. Saul said, is to give INA employees an incentive to improve their standing in the insurance business.

"Rather than sticking them in a motel somewhere, we are putting them in a place where they will feel comfortable. It is all part of a process of improving employee morale and treating these people with respect," Mr. Saul said.

"It is our feeling that people have to be treated more like professionals if they are going to be attracted to the insurance business," Mr. Saul said.

"The insurance industry is catching up in this regard, but it has a long way to go."

BI ticker

BI Industry Stock Report

Insurance Cos.		OCT. 28, 1980 Price	% Chg	P.E.	$ Div.	% Yld.	10/22/80 THRU 10/28/80 High	Low	Vol (000)
Aetna Life & Cas Co	NYSE	35.63	-3.7	5.0	2.12	6.0	36.63	35.63	215.3
American Bankers Ins Co Fla	OTC	8.25	-2.9	5.6	0.44	5.3	8.50	8.25	42.3
American Finl Corp Ohio	OTC	19.38	-6.6	5.3	0.50	2.6	21.00	19.38	15.7
American Gen Ins Co	NYSE	37.00	-2.0	5.8	1.00	2.7	37.63	36.38	158.2
American Indty Finl Corp	OTC	15.12	-9.7	4.6	1.12	7.4	16.75	15.13	18.0
American Intl Group Inc	OTC	71.25	-2.1	10.5	0.50	0.7	73.25	71.25	86.1
American Natl Ins Co	OTC	13.88	0.0	5.5	0.62	4.5	14.00	13.88	89.0
American Sts Life Ins Co	OTC	20.00	0.0	8.3	0.64	3.2	20.00	20.00	0.0
Aneco Reins Ltd	OTC	5.62	0.0	0.0	0.00	0.0	5.63	5.50	22.9
Appalachian Natl Corp	OTC	2.12	0.0	6.1	0.05	2.4	2.13	2.13	2.8
Avemco Corp	AMEX	9.75	5.4	7.0	0.50	5.1	10.38	9.75	14.9
Banks Iowa Inc	OTC	26.75	0.9	4.2	1.32	4.9	27.00	26.50	2.8
Bitco Corp	OTC	37.50	-5.1	5.7	1.68	4.5	40.50	37.50	14.5
Carolina Cas Ins Co	OTC	8.50	1.5	3.1	0.32	3.8	8.50	8.38	0.5
Central Natl Finl Corp	OTC	10.75	-4.4	4.2	0.50	4.7	11.25	10.75	3.3
Chubb Corp	OTC	38.25	-0.6	4.8	2.40	6.3	38.25	37.13	176.5
Combined Intl Corp	NYSE	18.63	-3.9	5.3	1.60	8.6	19.38	18.63*	61.3
Connecticut Gen Ins Corp	NYSE	43.63	-4.4	6.6	1.52	3.5	45.25	43.63	334.7
Continental Corp	NYSE	24.63	-4.4	5.3	2.20	8.9	25.63	24.50	287.5
Crawford & Co	OTC	18.50	0.0	14.5	0.48	2.6	18.75	18.50	25.5
Crown Life Ins Co	OTC	87.50	-1.1	63.4	2.40	2.7	90.00	87.50	5.7
Crum & Forster	NYSE	28.62	-4.2	5.0	1.44	5.0	29.75	28.63	43.7
Employers Cas Co	OTC	39.50	-1.3	6.5	1.20	3.0	40.00	39.50	3.3
Erc Corp	OTC	93.50	0.0	10.5	1.40	1.5	0.00	*******	0.0
Equifax Inc	NYSE	22.63	-1.6	7.4	2.40	10.6	23.00	22.63	7.2
Farmers Group Inc	OTC	29.13	-4.9	9.3	1.00	3.4	30.50	29.13	194.8
First Colony Life Ins Co	OTC	37.50	2.7	12.9	0.80	2.1	38.00*	36.50	6.5
Foremost Corp Amer	OTC	20.50	0.0	7.3	0.60	2.9	20.50	20.50	13.6
General Reins Corp Del	OTC	50.25	-5.6	7.6	1.40	2.8	53.00	50.25	308.7
Great West Life Assurn Co	OTC	180.00	-5.3	8.9	8.00	4.4	180.00	180.00	0.0
Hanover Ins Co	OTC	47.00	-5.5	4.4	0.72	1.5	49.50	47.00	14.8
Hartford Steam Boiler Insptn	OTC	31.50	-1.6	6.7	2.40	7.6	32.00	31.50	11.3
Integon Corp	NYSE	26.37	5.0	9.6	0.48	1.8	26.38	24.88	67.4
Jefferson Natl Life Ins Co	OTC	66.75	-1.8	19.9	0.64	1.0	68.00	66.50	23.5
Kemper Corp	OTC	32.62	-3.7	4.6	1.40	4.3	33.75	32.63	68.2
Lincoln Natl Corp Ind	NYSE	39.50	0.6	5.5	3.00	7.6	39.50	39.25	215.8
Mgic Invt Corp	NYSE	27.62	-5.6	7.8	1.12	4.1	28.75	27.63	130.6
Mission Ins Group Inc	NYSE	33.75	-0.7	7.2	0.80	2.4	34.00	33.63	35.3
Nationwide Corp Ohio	OTC	19.75	-3.7	5.2	0.66	3.3	20.25	19.75	2.7
Nn Corp	OTC	51.00	0.2	10.6	2.00	3.9	51.25*	50.88	90.7
Northwestern Natl Life Ins	OTC	30.25	-2.0	5.7	1.25	4.1	31.00	30.25	27.9
Ohio Cas Corp	OTC	36.00	-4.0	5.5	1.76	4.9	37.13	36.00	47.2
Old Rep Intl Corp	OTC	15.38	-5.4	3.7	0.92	6.0	16.00	15.38	63.0
Pinehurst Corp	OTC	6.25	-9.1	9.3	0.00	0.0	6.88	6.25	42.0
Preferred Risk Life Ins Co	OTC	19.00	-1.3	6.9	0.64	3.4	19.25	19.00	9.0
Provident Life & Acc Ins Co	OTC	45.00	2.3	5.7	1.88	4.2	45.00	44.50	43.0
Republic Natl Life Ins Co	OTC	23.62	-0.5	14.6	0.70	3.0	23.75	23.63	250.1
Ryan Ins Group Inc	OTC	26.00	0.0	7.9	0.12	0.5	26.00	26.00	1.8
St Paul Cos Inc	OTC	35.38	-5.7	4.8	2.00	5.7	37.25	35.38	135.3
Safeco Corp	OTC	36.50	-2.0	5.5	1.80	4.9	37.38	36.50	148.3
Sri Corp	OTC	25.50	2.0	5.0	1.00	3.9	25.50	25.00	34.2
Seibels Bruce Group Inc	OTC	22.37	-1.1	9.1	0.80	3.6	22.88	22.38	87.8
Statesman Group Inc	OTC	6.25	-2.0	4.9	0.15	2.4	6.38	6.25	9.3
Tokio Marine & Fire Ins Co	OTC	155.75	-4.2	17.2	1.03	0.7	162.00	154.00	0.8
Travelers Corp	NYSE	39.88	-8.3	4.4	2.48	6.2	43.25	39.88	318.8
United Fire & Cas Co	OTC	27.25	0.0	7.4	0.90	3.3	27.25	27.25	2.0
United States Fid & Gty Co	NYSE	40.12	0.0	4.5	2.80	7.0	40.25	39.88	137.3
United Svcs Life Ins Co	OTC	16.75	-0.7	5.9	0.96	5.7	16.88	16.75	23.8
Uslife Corp	NYSE	19.88	-3.6	5.0	0.70	3.5	20.13	19.63	274.4
Washington Natl Corp	NYSE	37.38	3.1	7.6	1.50	4.0	37.75*	36.50	68.0
Zenith Natl Ins Corp	OTC	15.50	-3.1	8.2	0.50	3.2	15.50	15.00	17.4
INSURANCE COMPANIES	AVERAGE			7.3		3.7			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	31.75	-3.8	10.4	1.64	5.2	33.00	31.50	127.5
Baldwin & Lyons Inc	OTC	30.25	-0.8	5.6	0.80	2.6	30.50	30.25	6.2
Corroon & Black Corp	NYSE	25.00	-2.0	10.1	1.72	6.9	26.00	25.00	14.6
Crump E H Cos Inc	OTC	14.75	3.5	12.8	0.36	2.4	14.88	14.75	57.2
Hall Frank B & Co Inc	NYSE	26.50	-1.4	8.7	1.54	5.8	26.63	25.75	46.1
Integrated Res Inc	AMEX	19.88	0.0	10.9	0.00	0.0	20.00	19.63	52.0
James Fred S & Co Inc	NYSE	24.75	-2.9	9.3	1.60	6.5	25.38	24.25	111.2
Marsh & Mclennan Cos Inc	NYSE	65.75	-2.2	10.4	3.60	5.5	67.63	64.50	113.4
Penncorp Fincl Inc	NYSE	7.75	-4.6	5.0	0.16	2.1	8.13	7.75	185.2
Reed Stenhouse Cos Ltd	OTC	11.00	-1.1	9.2	0.56	5.1	11.50*	11.00	26.2
Rollins Burdick Hunter Co	OTC	25.50	-4.7	11.6	1.24	4.9	27.00	25.50	22.0
AGENTS/BROKERS	AVERAGE			9.2		4.7			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	33.00	-6.4	6.4	2.00	6.1	35.00	32.88	648.2
Anderson Clayton(Ranger/PanAm)	NYSE	23.25	0.5	5.8	1.20	5.2	24.25	23.25	26.6
City Investing Co. (Home Ins.)	NYSE	24.25	-3.5	5.4	1.50	6.2	25.13	23.88	527.3
CNA Finl Corp (CNA)	NYSE	18.88	-0.7	4.6	0.00	0.0	19.25	18.88	33.3
Control Data (Comml. Credit)	NYSE	68.50	-5.0	8.8	0.60	0.9	71.75	66.25	363.0
INA Corp (Ins. Co. of NA)	NYSE	39.13	-2.5	5.6	2.20	5.6	40.00	38.75	169.6
ITT (Hartford Group)	NYSE	29.50	-2.9	10.2	2.40	8.1	30.13	29.13	529.0
Reliance Group Inc	NYSE	68.50	-1.8	2.8	3.00	4.4	69.63	68.50	26.3
Sears Roebuck & Co. (Allstate)	NYSE	15.75	-1.6	7.6	1.36	8.6	16.13	15.63	1,200.4
S & H Co. (Bayly Martin & Fay)	NYSE	16.25	-4.4	8.0	1.00	6.2	17.25	16.25	5.8
Teledyne Inc (Argonaut)	NYSE	187.75	-2.5	8.4	0.00	0.0	193.88	185.38	224.4
Transamerica Corp (Occidental)	NYSE	18.75	0.7	5.2	1.28	6.8	19.38	18.75	351.3
CONGLOMERATES/HOLDING COS.	AVERAGE			6.0		3.0			

System design: Altman Information Systems

Financial briefs

Fireman's Fund

Fireman's Fund Insurance Cos. reported net operating income of $54 million for the year's third quarter, an increase of 12%. Revenues totaled $729 million, an increase of 5.3%.

For the nine months ending Sept. 30, earnings for the company reached $155 million, up 16% over 1979. Revenues increased 7.4% to $2.2 billion.

Fireman's Fund's property/liability subsidiaries reported operating income of $52 million for the third quarter, a 13% increase. Premium earned reached $608 million, up 4.2% for 1979's third quarter. Operating ratios were 101.8% for the quarter and 102.9% for the nine months, compared with 101.8% and 102.7%, respectively, for the same periods a year ago.

Myron DuBain, chairman and president, said the company is continuing to reach its goal of increasing net income and maintaining a stable operating ratio. "I'm pleased to say this was accomplished in the face of ongoing inflation and very tough competition. More important, it demonstrated the effectiveness of our policy to maintain realistic pricing."

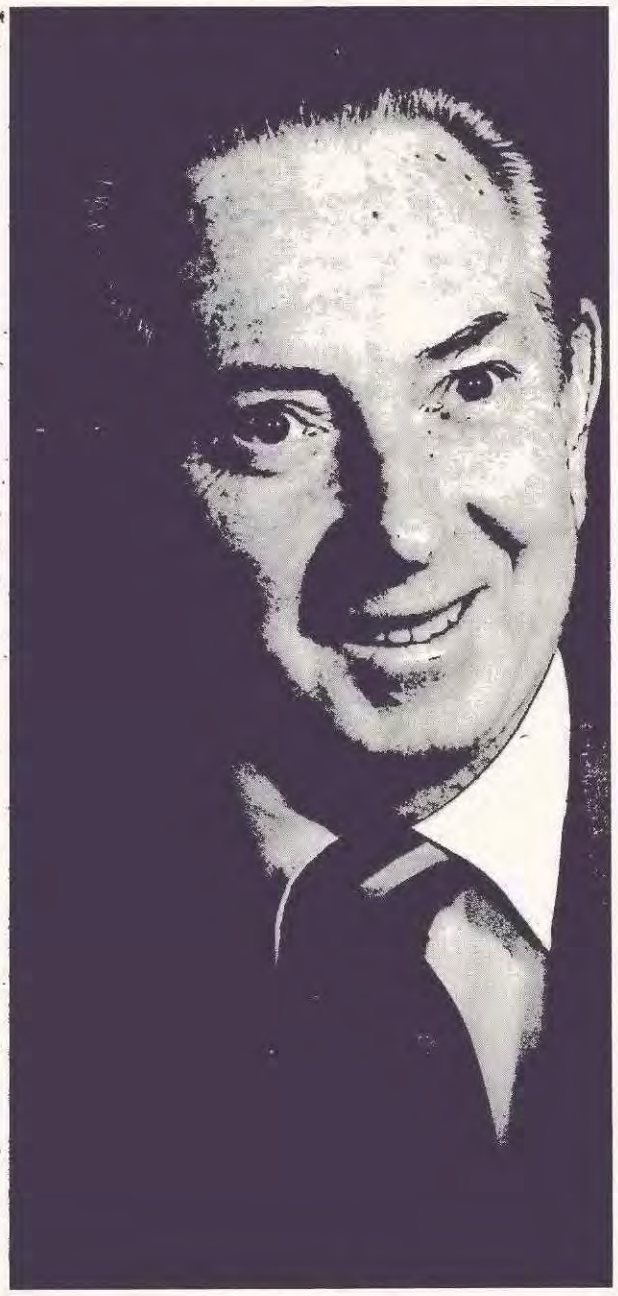
Corroon & Black

Corroon & Black Corp.'s third-quarter operating income dropped 1% to $5.3 million from $5.4 million, while net income, including security transactions, dropped 3% to $5.4 million from $5.6 million.

For the nine months ending Sept. 30, operating income dropped 11% to $14.5 million from $16.4 million. Revenues increased 6% to $37.7 million. ■

THE WINNERS

FIRST PLACE
Dr. James P. Ignizio
Professor of Industrial and
Management Systems Engineering
The Pennsylvania State University
State College, Pennsylvania
$16,500 for a program to lower accident rates in hazardous occupations through systematic worker involvement.



SECOND PLACE
James J. Madden
Engineer, Bell Telephone Laboratories
Naperville, Illinois
$13,500 for a method of
preventing eye burns in arc welding.

THIRD PLACE
Mary W. Smith, R.N.
Plant Nurse, U.S. Industrial Chemicals Co.
Deer Park, Texas
$11,500 for an emergency alert system
tied in with safety showers
and safety eye baths.

Announcing the results of The Hartford's $75,000 National Loss Prevention Awards Competition.

Last October, as part of its long-standing commitment to loss prevention and control, The Hartford announced a national competition to stimulate new and creative thinking on how to improve safety in American business and industry. The competition was administered by the National Safety Council.

The response was gratifying. 1,300 entries were received. A distinguished panel of judges representing government, business, labor, and education chose the winners. Chairman of the panel was The Honorable Abe Ribicoff, U.S. Senator from Connecticut, a leader in safety legislation.

In all, 74 entries were selected for cash awards totaling more than $75,000. For a summary of the top award-winning ideas, write: Loss Prevention Ideas, Corporate Relations Department, The Hartford Insurance Group, Hartford, CT 06115.

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