Annual EBC Awards...Page 3

NOVEMBER 7, 1983

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1.25 a copy; $45 a year Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

update

Kawasaki says it's covered for $43 million jury award

HOUSTON—Kawasaki Motors Corp. USA says it is covered for a $43 million award won by eight Texas police officers injured in motorcycle accidents. The officers claimed that flaws in the motorcycles' design caused their accidents.

The jury in 334th District Court in Harris County found that design defects in Kawasaki's Z1P 900 and KZ 1000 "police special" motorcycles,

Continued on next page

Manville offering claimants average of $15,000 each

By STEPHEN TARNOFF

NEW YORK—If Manville Corp. files a reorganization plan today, it will offer $400 million—or an average of $15,000 each—to about 26,000 claimants with asbestos-related diseases.

It also will propose that claims be paid according to a predetermined formula, that jury trials be barred for plaintiffs with pending claims and that the U.S. Bankruptcy Court rule on the amount of contingent fees plaintiffs' attorneys will receive.

A claims handling facility also would be set up to dispose of both present and future claims. However, future claimants would retain the right to sue the company in the courts.

Elements of the plan were revealed at a bankruptcy hearing late last month and in a statement issued by Manville last week.

The plan provides that present claimants will receive interest on their claims and will have the right to apply for additional compensation if their impairment worsens.

Manville intends to fund its plan by spinning off a new company (referred to in the plan as M2) that would assume all of the company's non-asbestos business and fund the existing Manville (referred to as M1). M1 would retain the company's asbestos liability.

"Free cash flow" from the company's U.S. operations would be split: 50% going to M1 for asbestos victims and 50% to M2 to pay commercial creditors.

"Free cash flow" is the money left over after Manville funds operations to keep M2 going, a spokesman for the company said.

After all commercial creditor claims are paid, all of the free cash flow money would go to asbestos victims. M1's assets also will include reimbursement received from Manville's insurers.

Continued on page 42

Shell Oil sues insurers for waste cleanup costs

By RHONDA L. RUNDLE

HOUSTON—Shell Oil Co. wants its liability insurers to pay part of the multimillion-dollar bill that government agencies have presented to the giant oil company for cleanup of two hazardous waste dumping sites.

About 270 primary and excess insurers from around the world that provided liability coverage to Shell from 1947 through the present are named as defendants in a lawsuit, filed by the oil company on Oct. 5 in the Superior Court for the County of San Mateo, Calif.

Shell's suit for declaratory relief asks the court to rule on the insurers' coverage within their policies for cleanup costs imposed on the oil company by the U.S. Environmental Protection Agency, the U.S. Department of the Army and the California Department of Health Services (DOHS).

Illustration: Jim Bakasetas

These agencies, under a variety of state and federal laws, have recently notified Shell of its potential liability for so-called "contamination response measures" at the 27-square-mile Rocky Mountain Arsenal outside Denver and the 6-acre McColl site in Fullerton, Calif.

Hundreds of other companies have received similar letters over the past three years from government authorities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and other laws to remove hazardous wastes that were generated, transported or stored by private industry.

These companies will be watching the Shell case with keen interest to determine if their comprehensive general liability policies include coverage for such cleanup costs. If so, insurers could be socked with billions of dollars in future claims.

"The Shell case could blow the lid or close the door on this issue," declares Ernest A. Merklein, senior vp with broker Alexander & Alexander Services Inc. in Shreveport, La.

Indeed, the Shell suit could be the first major test of the CGL policy on the cleanup issue, although legal and insurance experts report that there has been a handful of earlier precedents involving slightly different facts, fewer parties and smaller damages.

They predict that other policyholders that manufacture or transport chemicals, pesticides or fertilizers will be following Shell into court.

"I think it's a trend we're going to see more of, especially as government-mandated cleanups get into full swing," observes Ridgway Hall, a partner who special-

Continued on page 45

Congress considers radical benefit changes

By JERRY GEISEL

WASHINGTON—Benefit developments are exploding on Capitol Hill.

In a week that employee benefit observers describe as one of the most frenzied ever, legislators last week almost daily unveiled new plans that would radically affect employers' benefit plans.

The new developments include:

- Senate Finance Committee Chairman Robert Dole, R-Kan., is making a new effort to convince Congress to pass legislation that would make employer contributions to group health insurance plans taxable income to the employee.
- Reps. James Florio, D-N.J., and John Dingell, D-Mich., have begun a new drive to enact unisex legislation that would bar insurers and employers from using sex as a rating factor in setting prices for insurance policies and providing benefits.
- A House Education and Labor subcommittee passed legislation that could force thousands of employers to offer faster vesting schedules (see accompanying story). That legislation, referred to as the Pension Equity for Women Act, also would require employers to allow workers to participate and earn vesting credits sooner in their pension plans.
- Legislators are discussing tacking onto the women's pension legislation—which is expected to pass easily—a controversial bill, H.R. 3930, that would make it much more expensive for an employer to terminate an underfunded pension plan (*BI*, Oct. 31).

Benefit lobbyists are trying to catch their breaths as they attempt to keep up with the furious pace of benefit activity in Washington.

"Things are going berserk around here," said Edward Davey, the executive director of the Assn. of Private Pension & Welfare Plans.

"Situations are getting out of control," added Michael Romig, the director of employee benefits at the U.S. Chamber of Commerce. "Things are moving too fast."

Time pressures are a major reason why some members of Congress want to move quickly on some major benefit proposals.

For example, Sen. Dole is anxious to get Finance Committee approval—before the extended congressional break at Thanksgiving—on a comprehensive legislative package that would reduce federal budget defi-

Continued on page 46

'Women's bill' to cost employers

By JERRY GEISEL

WASHINGTON—Congress is on the verge of approving legislation that women's groups say would allow more women to collect pension benefits but would also impose costly burdens on employers with pension plans.

Both the Senate Finance Committee and the House Labor-Management Relations subcommittee have passed, without opposition, bills that would force employers to scrap provisions in pension plans that some say make it difficult for women to collect benefits.

And the bills, sponsored in the Senate by Finance Committee Chairman Robert Dole, R-Kan., and in the House by Labor Management Relations subcommittee Chairman William Clay, D-Mo., won't face any obstacles as they wind their way through Congress, experts say.

The measures "have a 98% chance, maybe a 100% chance of passage," predicts Marjorie Kulash, a consultant in the Washington office of The Wyatt Co., an employee benefits and risk management

Continued on page 46

NEWSPAPER

INSIDE:

MGM fighting insurers over official's 'defection' Page 2

Replacement of ship not fully covered Page 2

update

Kawasaki covered for award

Continued from previous page

manufactured between 1975 and 1979, caused the motorcycles to wobble at high speeds. It also ruled Kawasaki had negligently failed to warn buyers of the instability problem.

The award included $7.65 million in actual damages for all eight officers, plus $20 million in punitive damages. The Texas Deceptive Trade Practices-Consumer Protection Act allows for trebling of actual damages, which brings the verdict to $43 million.

Kawasaki has notified excess liability insurers that provided coverage over a $250,000 self-insured retention for the years the accidents occurred, says Douglas R. Anderson, vp-administration at Kawasaki USA in Santa Ana, Calif., though he said one insurer, All-Star Insurance Corp. of Milwaukee, is now in liquidation.

Mr. Anderson would not detail how much excess coverage the company had purchased and did not identify the other underwriters, but he did say Kawasaki had enough insurance to cover the full award.

A court hearing was set for this week in which Kawasaki was expected to ask Judge Ken Harrison to deny punitive damages or the trebling of actual damages. Late last week, however, Kawasaki filed to have the case removed to federal court, which could delay any arguments in state court.

OSHA sets asbestos standard

WASHINGTON—The Occupational Safety and Health Administration last week issued an emergency rule that slashes the amount of asbestos fibers to which a worker can be exposed.

Under the emergency rule, which went into effect Nov. 4, a worker may be exposed to no more than one-half fiber per cubic centimeter of air during an eight-hour work day, compared with the former limit of two fibers per cubic centimeter.

The emergency standard, which affects about 375,000 workers, is expected to remain in place for about six months. By then, OSHA is expected to complete a permanent asbestos exposure standard.

Zurich off Raymark risk

CHICAGO—Zurich Insurance Co., the insurer that has provided most of Raymark Corp.'s defense and indemnity for asbestos claims, said last week that its coverage has been exhausted.

Zurich said it has paid out more than $30 million in defense and compensation costs, while Raymark has paid more than $19 million.

Raymark attorney Frank Heap asked Cook County Circuit Court Judge James C. Murray to order the company's other primary insurers, Commercial Union Insurance Co. and Federal Insurance Co., to help pay the continuing costs of asbestos litigation. CU has paid less than $300,000, Mr. Heap said.

Raymark is seeking the funding in light of a recent decision by Judge Murray that triggers coverage for Raymark if insurers were on the risk when workers were exposed to asbestos and also when symptoms of an asbestos disease are manifested (*BI*, Oct. 17).

Bank insurance legislation

WASHINGTON—Sen. John Heinz, R-Pa., said last week that he plans to introduce legislation to plug loopholes in federal statutes that have permitted state-chartered banks to engage in activities, like insurance underwriting and sales, that are barred for federally chartered institutions.

"This bill would effectively preclude states from following in the footsteps of South Dakota," Sen. Heinz said. South Dakota enacted a law in March that allows state-chartered banks to both sell and underwrite insurance (*BI*, March 7, Sept. 12).

B.A.T. bids for Eagle Star

LONDON—B.A.T. Industries, the huge British tobacco company, is joining the takeover battle for Eagle Star Holdings P.L.C.

Last week, B.A.T. offered 800 million pounds ($1.2 billion) for Eagle Star, topping the hostile takeover bid of 692 million pounds ($1.04 billion) from Allianz Versicherungs A.G., the large West German insurer (*BI*, Oct. 31). Eagle Star has urged shareholders not to tender their shares to Allianz, claiming the bid is too low.

Nicaragua war risk rates hiked

LONDON—Increased fears that the United States could invade Nicaragua is prompting London insurers to raise war risk insurance rates for cargo headed for the Central American nation.

The Joint Cargo War Risk Rating Committee last week raised rates for cargo shipped by air to Nicaragua to 12.5 cents per $100 of value for war risk coverage and 25 cents per $100 of value for combined war risk, strike and civil commotion coverage. Combined coverage for marine cargo rose to 12.5 cents per $100 of value.

Prior to last week, Nicaraguan cargo rates had been set at the minimum of 2.5 cents per $100 of value for all forms of transport.

index

Classifieds 44
Insurance services guide 46
Legal briefs 28
Letters 8
Markets 34
Opinions 8
Perspectives 27
Ticker 47
Washington 39

Vol. 17, No. 45—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1983 by Crain Communications Inc.

MGM fighting insurers over official's 'defection'

By BILL DENSMORE

LAS VEGAS, Nev.—MGM Grand Hotels Inc. says lawyers for two of its property insurers attempted to cause the "defection" of a former MGM construction executive by allegedly offering him a $495,000 consulting contract.

MGM is asking a federal court in Las Vegas to disqualify the law firms for approaching the former executive who MGM says it was using to prepare for trial.

The latest allegation comes as MGM and its property insurers prepare to go to trial Dec. 6 over a dispute concerning property insurance coverage for the November 1980 fire at the MGM Grand Hotel in Las Vegas that killed 84 and injured almost 600.

MGM last year sued its upper-layer property insurers—American Protection Insurance Co. and Insurance Co. of North America—for failing to reimburse it for the full $211 million cost of rebuilding the hotel. MGM claims it is still owed $69 million (*BI*, Aug. 1).

The two insurers, in turn, charge that MGM fraudulently inflated the costs of rebuilding the hotel by including the cost of improving and expanding the facility in its claim. They are seeking return of $142 million already paid MGM and want its insurance contracts with MGM voided.

Now, MGM says attorneys for the two insurers tried to recruit George L. Morris, MGM's former vp for construction who supervised both the construction of the original hotel as well as its reconstruction after the 1980 fire.

Both sides in the litigation apparently believe Mr. Morris' knowledge or testimony could be important to their case.

Mr. Morris resigned from MGM in 1982, at which time he reached a consulting agreement with MGM. He terminated that contract at the end of August, after his attorney began talks with a lawyer representing INA, a CIGNA Corp. affiliate.

In a deposition filed with the U.S. District Court in Las Vegas, Mr. Morris says he broke with MGM after he became disillusioned because the hotel company failed to offer his consulting firm an opportunity to bid on contracts.

MGM filed papers Oct. 27 seeking to have the court

Continued on page 41

Lloyd's names sue Howden

By STACY SHAPIRO

LONDON—Lloyd's of London names who formerly belonged to two syndicates managed by underwriter Ian R. Posgate want two Alexander Howden Group P.L.C. units to pay them at least 5 million pounds (about $7.5 million).

About 300 members of Lloyd's Syndicates 126 and 127, represented by Alexander Syndicate Management Inc., are suing Alexander Howden Underwriting Ltd. and Alexander Howden Insurance Brokers Ltd. for wrongfully and negligently placing reinsurance for the two syndicates.

Alexander Syndicate Management is a managing agency set up by Alexander & Alexander Services Inc., Howden's parent company, to safeguard the interests of members of Syndicates 126 and 127.

Alexander Howden Underwriting is the Howden unit formerly headed by Mr. Posgate, while Alexander Howden Insurance Brokers is Howden's main Lloyd's brokerage unit.

Continued on page 43

Rath's bankruptcy petition could cost PBGC millions

By JERRY GEISEL

WASHINGTON—An Iowa meatpacking company's bankruptcy petition, filed last week, could sock the Pension Benefit Guaranty Corp. with one of its biggest losses ever.

And, that loss could underscore the need for a proposed increase in the premiums that employers with pension plans must pay to the federal agency.

Rath Packing Co. of Waterloo, Iowa, last week filed for reorganization under Chapter 11 of the Federal Bankruptcy Act. A Chapter 11 filing gives a company protection from its creditors while it attempts to reorganize its debt.

The filing came just three weeks after Rath received more time from the PBGC to repay a massive pension debt it owes the federal agency in return for the PBGC's takeover of three underfunded Rath pension plans last year (*BI*, Oct. 17).

Now that Rath has filed under Chapter 11, "it remains to be seen" how much the PBGC will be able to collect from Rath, said Edwin Jones, the PBGC's executive director.

According to its latest annual report, the PBGC has booked the termination of Rath's plans as an estimated $33.9 million loss. However, that figure does not take into account any money that the agency might be able to recover from Rath through the bankruptcy proceedings.

A loss of that magnitude would be one of the largest the PBGC has incurred in its nine-year history. The largest estimated loss resulted

Continued on page 43

Drilling ship's coverage worth only 50% of replacement cost

By STEVE TARAVELLA

HOUSTON—Global Marine Inc., owner of the oil drilling ship that sank off the coast of China Oct. 25 with 81 men aboard, has about $35 million in property insurance from U.S. and Lloyd's of London insurers.

That is $6 million more than Global paid for the 11,000-ton Glomar Java Sea eight years ago, but only about half of the cost of building a comparable ship today, reports a source in the shipbuilding industry.

Although rescue ships continued to search for the missing men late last week, hopes were dimming they would be found alive. The vessel apparently sank during typhoon-like weather conditions, but the exact cause of the accident has not been determined.

Divers are investigating the sinking with the aid of underwater television cameras. The cause of the incident may determine whether Global or Atlantic Richfield Co., which had leased the vessel, is responsible for liability claims likely to follow in the wake of the accident.

The drill ship was leased to ARCO in January to explore for oil about 60 miles south of China's Hainan Island. The crew was drilling its third well when the storm struck the area. Communication between the Glomar Java Sea and land forces ceased Oct. 25, and the ship was found at the drill site Nov. 1, 300 feet below the surface.

If the vessel sank because of the severe weather conditions, then survivors would seek seaman's benefits through U.S. admiralty and maritime laws. Seamen do not normally fall under the aegis of workers compensation, although employers sometimes insure maritime

Continued on page 44

errors & omissions

- A Perspective article chart in the Oct. 24 edition incorrectly reported 16 insurers' dividend payments. The figures, which were for calendar year 1982, included both shareholder and policyholder dividends, not just shareholder dividends as indicated on the chart. In addition, the chart indicated an incorrect A.M. Best Co. rating for Great American Insurance Co. The company's correct rating is A-plus: XV (see letter to the editor, page 8).

- S&H Insurance Co. Inc. of California, a subsidiary of MGIC Investment Corp., has been released from a Florida court order that appoints the state Insurance Department as ancillary receiver of several insurance affiliates of Baldwin-United Corp. and gives the department possession of their assets (*BI*, Oct. 10).

Annual EBC Awards

Are employee benefits just a game?

Not really, but two of the winners in the 11th annual *Business Insurance* Employee Benefits Communications Awards competition used games to explain complex benefits plans. The EBC competition honors superior employee benefits communications efforts in five separate categories—total communication programs, special projects, booklets, personalized statements and audiovisual presentations.

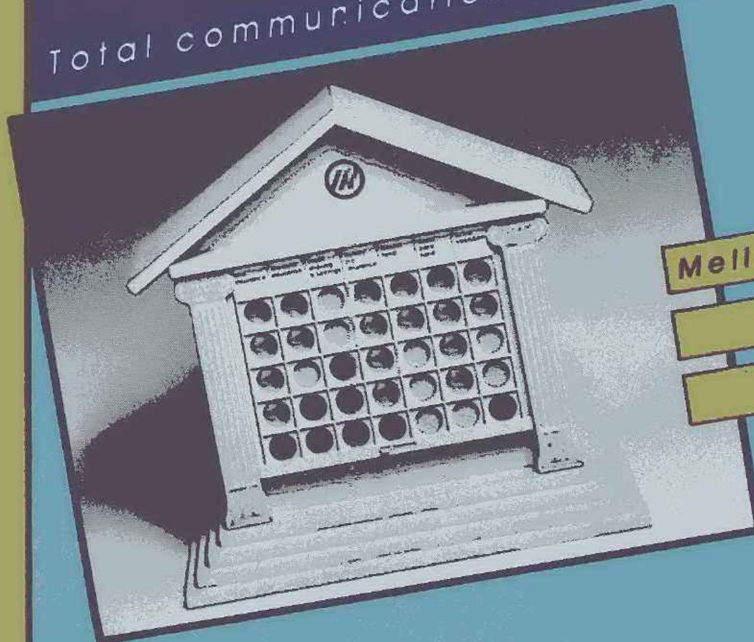
Many of the approaches were inventive, to say the least. For instance, Mellon National Corp. borrowed similarities from a popular game called "Connect Four" to develop the Mellon Benefit Bank, which illustrates its flexible benefits plan. Mellon's efforts won it two separate first-place awards.

And, TransCanada Pipelines Ltd., the winner in the audiovisual category, used dominoes as the theme of a film explaining its wide array of benefits.

Although the high quality of the winners was no different from past years, the 1983 EBC contest was a little different from prior competitions. The judges divided the personalized correspondence category into four groups—best introduction of flexible benefits, best traditional benefit statement, best booklet-bound statement and best statement on a single benefit—and awarded first-place prizes for each grouping.

Profiles of the winning EBC entries begin on the next page.

Total communication program

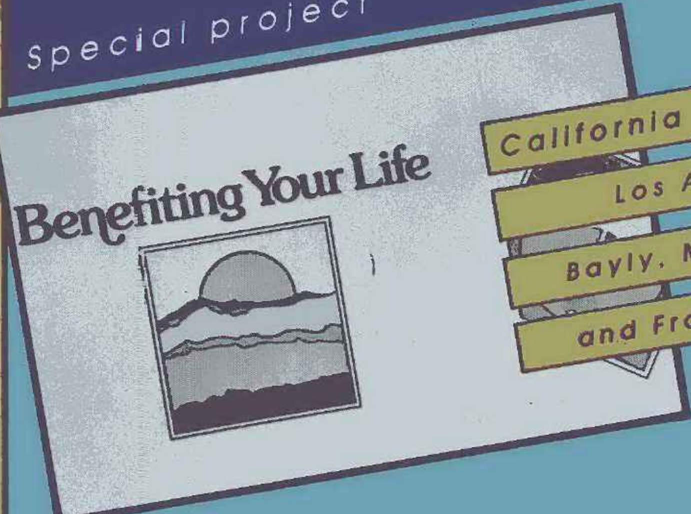


Mellon National Corp.
Pittsburgh
Meidinger Inc.

Booklet

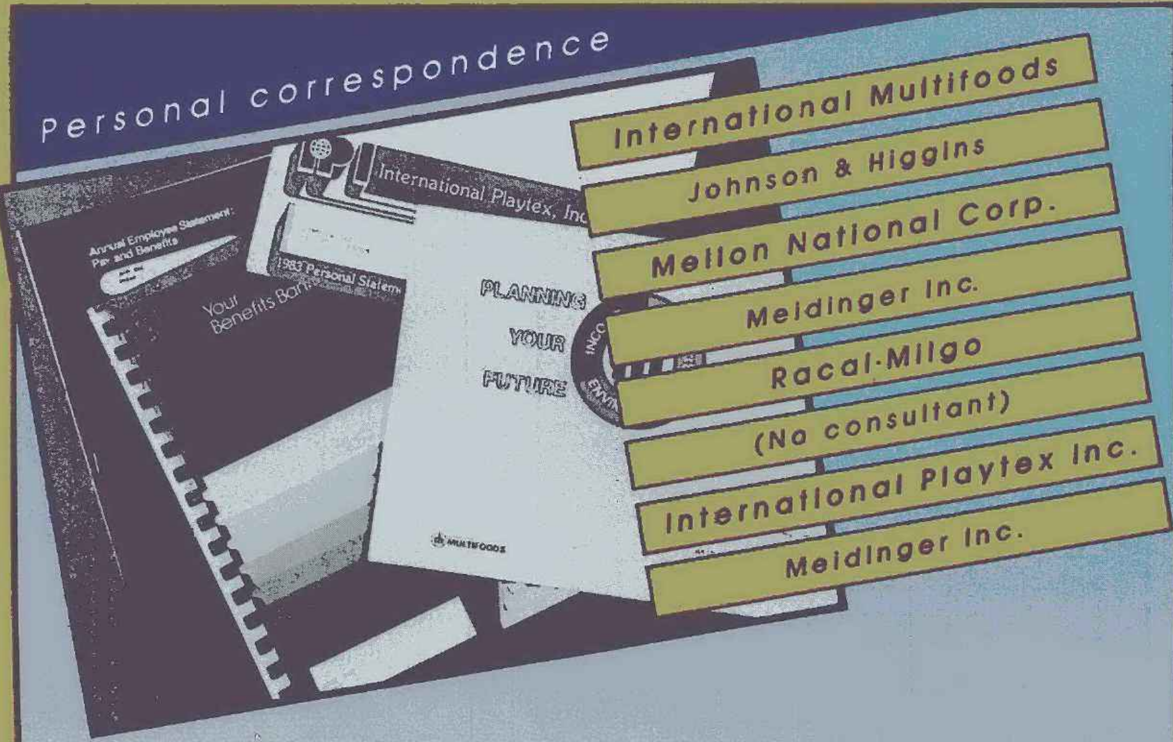
Dart & Kraft Inc.
Northbrook, Ill.
Bagby Design Inc.

Special project



California S&L League
Los Angeles
Bayly, Martin & Fay
and Frame One Inc.

Personal correspondence



International Multifoods
Johnson & Higgins
Mellon National Corp.
Meidinger Inc.
Racal-Milgo
(No consultant)
International Playtex Inc.
Meidinger Inc.

Audiovisual

TransCanada Pipelines
Toronto
TA Associates

Photos: Mary Herlehy

Mellon turns flexible plan into a game

Photo: Mary Herlehy

By SALLIE J. DRURY

The complexities of flexible benefits are child's play at Mellon National Corp.

The Mellon Benefit Bank, a modification of the Milton Bradley Co. Connect Four game, is used to simplify and illustrate the concept of flexible benefits for bank employees, who are called associates at the bank.

And, the bank also is a logo used on all the benefits information, from the personalized statements to the audiovisual presentation to the posters and descriptive brochures.

"We wanted to use a game to illustrate the investment of funds into different benefit areas, and originally thought of Monopoly money," said Robert E. Mathieu, assistant vp of benefits at Mellon.

Mellon gave that idea to Meidinger Inc., consultant for the communications project. "Meidinger went out to the store and bought about 20 games and played with them all to see what ideas would work with flexible benefits" Mr. Mathieu said.

"One of the games was Milton Bradley's Connect Four. And someone said, 'Hey, there are seven columns in this game, and seven benefits to work with. This is great!'

"So we went with that game, and used the green checkers you drop in the columns as the contributions the company makes for the associate, and the red checkers as the contributions an associate makes for himself or herself," he said.

From there, the basic game was modified to resemble the classical architecture of a bank with Corinthian columns; the Mellon logo was added on the pediment.

"Before we thought of the AV program (which featured the bank), we were interested in finding some graphic device that would create interest in the program," said Richard J. Knapp, vp of Meidinger Inc. in Louisville, Ky.

The bank was that device. As an explanation for the bank's flexible benefits program, and as a unifying theme, the Mellon Benefit Bank communications program won first place in the *Business Insurance* Employee Benefits Communications Award contest in the total communications program category.

Also, Mellon was one of the winners in the the personalized statement category, claiming the award for best introduction to flexible benefits with its Benefit Bankbook (see story, page 17).

Mellon decided to revamp its benefit communications program concurrent with a complete benefit redesign. The company dedicated 15 months to the project, though the time investment is really greater when one considers the preliminary attitude survey Mellon undertook, which led the bank to change its approach toward benefits.

That survey, conducted in 1980, revealed that only 48% of Mellon employees felt that their benefit plan met their needs. And as a result of that dissatisfaction, some Mellon employees had shown interest in union organizing.

At that point, Meidinger's services were engaged to communicate the results of the attitude survey. "We believe that open communications is the key, and so we reported the results of that survey right to the employees," Mr. Mathieu said. "We told our associates the problems that were discovered. The ones we could correct immediately, we did. For instance, we immediately improved vacation benefits.

"And, we told associates that these problems would no longer occur. We made it clear that management would respond to their needs over the long-term as well, and that's when we began studying flexible benefits."

Mr. Mathieu and his benefits staff maintained open communications as a priority throughout the introduction and implementation of Mellon's flexible benefits program.

"If you don't communicate openly, people are going to be suspicious. Open communication dispels rumors and brings an associate into the team effort," he said. "Our goal was to better meet employee needs, and so make them feel good about their benefits and about their employer."

Statistics bear out that Mellon was able to meet that goal. Now, 97% of the employees are satisfied with their benefits.

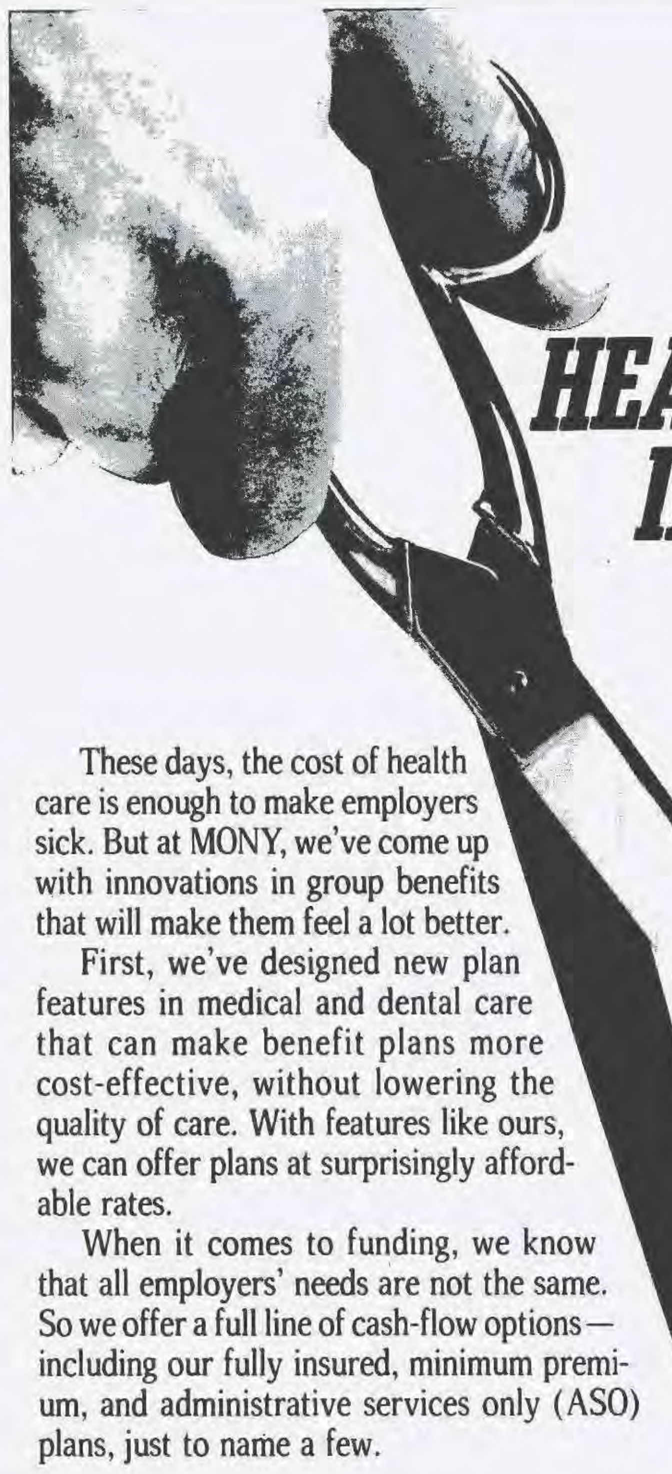
Also, the study shows that the method of communicating this potentially confusing program was effective; 99% of the employees understood the new flexible program concept after their orientation. Further indications of how well the employees grasped the new concept emerged as 94% took advantage of the flexibility of the program to create benefit plan configurations that differed from their old plans.

But Mellon's goals for communicating the program were more ambitious than simply explaining flexible benefits well.

It also wanted to:

- Educate the employees on the implications of the choices they might make in selecting those benefits.
- Help them make informed decisions.

Continued on page 6



YOU CAN LOWER HEALTH CARE COSTS IF YOU JUST KNOW WHERE TO CUT.

These days, the cost of health care is enough to make employers sick. But at MONY, we've come up with innovations in group benefits that will make them feel a lot better.

First, we've designed new plan features in medical and dental care that can make benefit plans more cost-effective, without lowering the quality of care. With features like ours, we can offer plans at surprisingly affordable rates.

When it comes to funding, we know that all employers' needs are not the same. So we offer a full line of cash-flow options—including our fully insured, minimum premium, and administrative services only (ASO) plans, just to name a few.

Of course, the best way to cut costs is to prevent illnesses from happening. So at MONY, we've developed our Health Education Program for employees. It's a series of colorful brochures with tips on how to stay healthy—and make sound decisions on medical treatment should it become necessary.

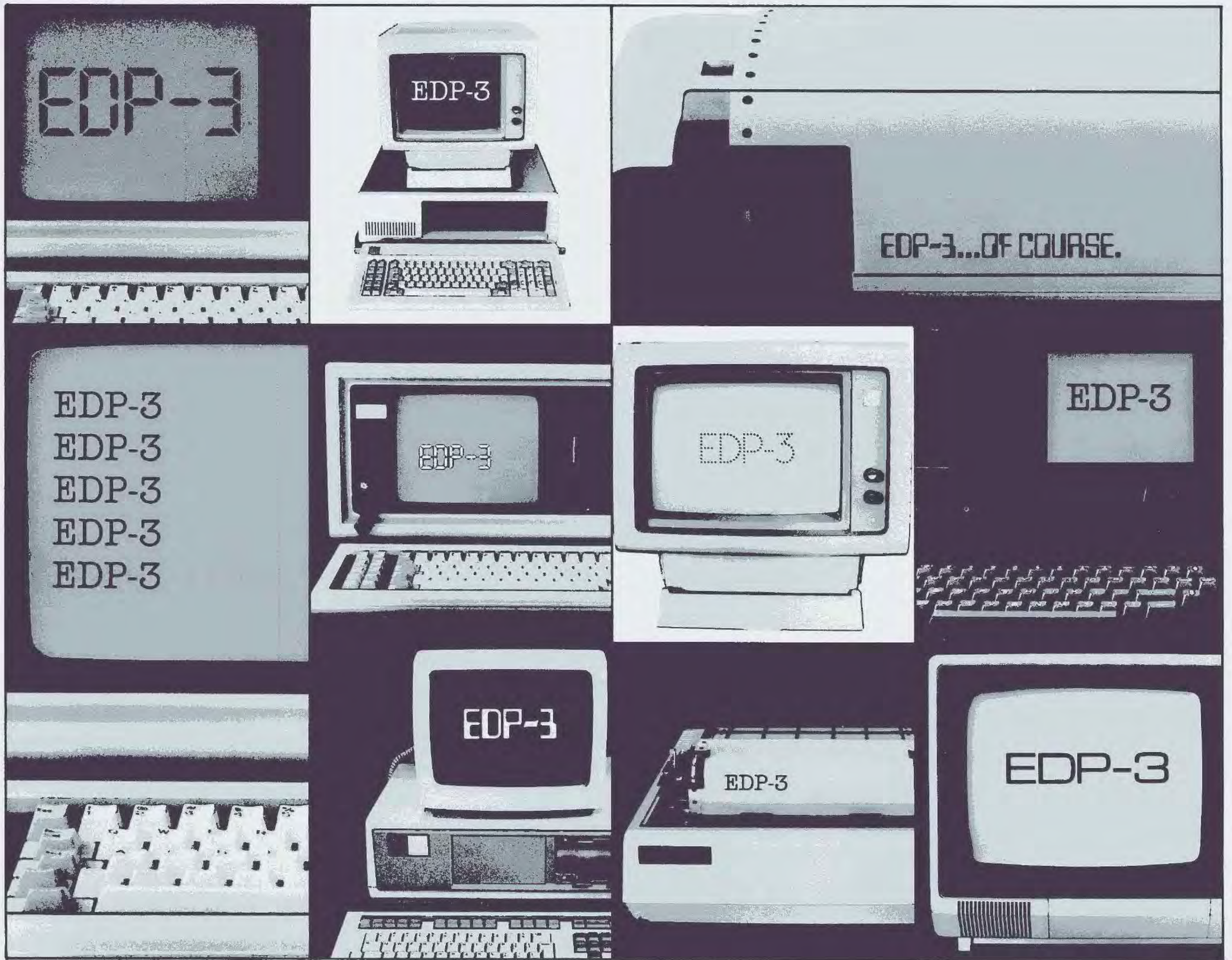
There's a lot that can be done to lower the cost of health care. And it starts when you mail the coupon to MONY. We think you'll see that when it comes to saving money on group benefits, we're a cut above the others.

MONY
A family of financial companies.
WE HELP PEOPLE MANAGE THEIR MONEY.

Mr. Jack Williams, Divisional Vice President
MONY Mail Drop 14-1, 1740 Broadway, New York, New York 10019 (212) 708-2614
Please send me more information on MONY's Group Insurance Programs.
☐ Life Insurance ☐ Dental Insurance
Medical Insurance ☐ Disability Insurance
☐ Conventional Funding
☐ Alternate Funding
Name
Title
Company
Address
City State Zip
Phone

MONY
THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK
1740 BROADWAY
NEW YORK, NEW YORK 10019
BI

We asked some famous computers which policy they would choose for themselves.



Smart computers wisely choose Affiliated/Appalachian EDP-3 every time.

So do smart risk managers. You'd be hard put to find broader data processing coverage or a more flexible policy anywhere.

With Affiliated/Appalachian EDP-3 you are covered for magnetic erasure from short circuit, blow out, brown out or power surge – with no special deductible. Our EDP-3 covers air conditioning accidents that cause rust, corrosion, or change-in-temperature damage to your computer. Off premises storage of data or media is automatically covered to $100,000. You are protected against employee damage to electronic data processing equipment, data or media. And you can elect coverage for everything else, from computer fraud to business interruption.

Ask your own computer which policy to choose. We'll be expecting your call.

Affiliated FM Insurance Company

Appalachian Insurance Company

Associated with Allendale Mutual Insurance, a member of the Factory Mutual System

Allendale Park, P.O. Box 7500, Johnston, RI 02919, Telephone (401) 275-3000

Flexible benefits

Continued from page 4

- Appeal and respond to the diverse audience that makes up the bank's workforce, especially the great numbers of young women.
- Strengthen the relationship between management and associates.
- Increase the value benefits hold for associates.
- Convey that benefits and pay are linked to make up an associate's total compensation.

Prodigious as these objectives were, contest judges believed they were achieved.

"The communication tools used were effective in meeting objectives," affirmed one judge. The goals, said another, were "well-stated, clear and appropriate." Others said: "Effectively linked benefits and pay in a total compensation concept. Results were documented by objective research study;" "The amount of material was appropriate and concise;" "Well-presented, good continuing theme, excellent graphics."

Those graphics were one important part of the program that made flexible benefits so easy to understand. The Benefit Bank game, for example, was not only used as an illustration on the brochures and posters, it also was the subject of the audiovisual presentation.

In the presentation, a couple is playing a game of Connect Four and the wife, a Mellon bank employee, uses the game to show her husband how Mellon's new flexible benefits work. Each slot of the game is labeled with a different benefit and the checkers are used to represent the amount devoted to funding a particular benefit.

"This game reminded me about the new flexible benefits program," she says. "It gives me a chance to pick the kinds of benefits we want in the levels of coverage we need."

Benefit by benefit, the flexible concept is explained to a wisecracking husband. "Some associates thought the AV was a little too cute, but it got the message across," Mr. Mathieu said. As proof, 97% of employees surveyed said the slide show was helpful in understanding the new program, and 94% said they liked the way the Benefit Bank was used to explain the program.

The bank game also was used in the small group meetings so employees could learn how to distribute benefit dollars—in the form of checkers—just as the husband did in the audiovisual program.

Another graphic aspect that explains the new benefit program so clearly is what Mr. Mathieu terms the "yellow brick road" approach. That is, associates would fold out the back page of their Benefit Bankbook to reveal a flexible benefit worksheet. Each benefit is color-coded and has a section devoted to it in the bankbook. A color stripe leads from the edge of the page to a matching stripe on the folded-out worksheet, which indicates the appropriate line to write down benefit dollar apportionments for the different benefits.

Once an employee has worked through the booklet stripe by stripe, the worksheet is completed, and—on the last page—a final set of stripes show the employee where to transfer the information from the worksheet to the actual enrollment form, which is then torn out of the booklet and mailed to the benefits department.

Everything is contained in one booklet, including all of the associate's personalized information, like salary, earned vacation and the number of benefit dollars he or she is entitled to in each category.

After the evaluation form was completed and mailed in, associates received a confirmation statement so they could check what the benefits department programmed into the computer against what they had filled out on their worksheets.

And, when the program was implemented, associates received a personalized benefit statement. This booklet describes the amount of coverage an associate has in each benefit area, based on the choices that associate made. This includes not only insurance benefits, but also the number of vacation days the associate selected, the amount of money the employee elected to contribute to either the health care or child care funds through salary redirection and the percent of salary the employee elected to contribute to the profit-sharing or thrift plans.

But before this all took place, before the audiovisual program and the small group meetings and the enrollment period, Mellon devoted a great deal of time to planning. First, the chairman sent a letter to the managers of all the departments throughout the company explaining that a new benefits program was being developed. Two weeks later, each employee received at home a letter from the chairman with the news.

The company then formed two committees to develop the program. Information was gathered from these committees and from the two mock-enrollment sessions conducted with a test group of 300 associates.

Also, the company distributed folders bearing the Benefit Bank logo to hold seven special newsletters devoted to explaining the new plan; these newsletters were distributed over a six-month period. Meeting leaders were selected, and each of those leaders received a training and resource book, also imprinted with the logo and color-coded.

Finally, the company opened a flexible benefits hot line that employees can call for answers to their benefit questions.

Such a program is unquestionably a huge investment of time and money. But, "The 15 months put into this were well-spent," said one judge, and another: "Lavish use of money, but used well."

The complexity of Mellon's flexible program, too, required this investment. "This project represented communication of one of the most sophisticated flexible benefits programs in the country," said David M. Kieffer, senior vp at Meidinger. "When you get a wide-ranging program like this, you have to explain a lot of concepts that are inherently interesting to most employees, and make them interesting."

To meet this challenge, Mr. Mathieu said he was glad to have contracted with a consultant. "A consultant brings a lot of expertise as an outsider. Often, as an insider, you can't see the forest for the trees," he said. "The consultant is a member of the team."

Mr. Mathieu stressed that the team approach was one important ingredient in the success of the Benefit Bank. For instance, The Wyatt Co. consulted on plan design while Meidinger concentrated on communications. "There wasn't any friction having two consultants; everyone realized it was a team effort," he said.

Mellon relied heavily on its consultant team for the first year of the new program and for the introductory communications, but the company will be more of a free agent in 1984.

"We developed the concept. And we did a lot of things for Mellon that they'll do for themselves in the future, like computer imprinting the booklets," Mr. Kieffer said. "Next year they'll have a feature on their computer that gives them the capability of imprinting the personalized benefit information. They'll be doing almost the entire project in-house."

Although the complexities of handling such a program in-house are staggering, Mr. Mathieu remains undaunted. "When we can see such a turnaround in employee attitudes, it's all worth it." ■

"USE OUR GROUP MEDICAL PLAN TO BOOST CASH FLOW? YOU'RE KIDDING."

Just when many medical plans are raising premiums, New York Life has an idea that may reduce your costs and improve cash flow.

It's our Minimum Premium Plan—a plan that combines many of the best features of a fully insured contract and a self-funded arrangement.

Your company assumes direct responsibility for a portion of your medical care benefits each month up to an annual limit. New York Life assumes responsibility for benefits in excess of this limit.

Because normal claims reserves may not be required, your cash flow could be improved. In addition, lower-than-expected claims mean immediate cash savings.

We also provide full actuarial and administrative services, including a computerized claims system whose speed and accuracy help cut costs and minimize employee complaints.

For all the details, ask your local New York Life Group Representative.

"ASK ME."

New York Life Insurance Company, 51 Madison Avenue, New York, New York 10010. Life, Group and Health Insurance, Annuities, Pension Plans.

TransCanada hopes film makes workers remember benefits

By CAROL CAIN

The music playing in the background is the French cancan. On the screen—in bed with a teddy bear, ice pack and balloons—is an obviously sick person, talking about his private duty nurse, one of the benefits available to employees of TransCanada PipeLines in Toronto.

The image is memorable and that's just what TransCanada had hoped for when it contracted to have a new employee benefits film made last year.

The new film, "Your Benefits," won first place in the audiovisual presentation category of this year's *Business Insurance* Employee Benefits Communications Awards competition and was shown last week during the annual *BI* benefits conference.

The Canadian-based natural gas transmission company had been using a film for years to explain its extensive benefits program. "But that film was too complicated; it was putting people to sleep," said Jean King, supervisor of benefits.

So TransCanada went back to its communications consultant, TA Associates in Toronto, and asked for a new product. The result is a humorous, yet all-encompassing series of scenes depicting events in which employees might have use for the company's benefits. And it's all set to music, ranging from an adaption of the theme from "Jaws" to Grieg's "Peer Gynt."

"The soundtrack represents at least 50% of any film's impact," said Steven Sokolowski, vp of communication for TA. "Music, in just a few seconds, can create humor and drama," he said.

"I think by adding a little humor, it's better to get our message across," said Erv Wittrock, supervisor of human resource development for TCPL.

For instance, while the narrator is briefly telling the audience about TCPL's dental benefits, a kicking teen-ager is being pinned down in a dental chair by a dentist and an assistant. As the dentist is nursing his finger, freshly bitten by the teen, the narrator is trying to talk about the company's special dental benefits, like orthodontics, which he is having trouble pronouncing.

In another scene, the narrator, this time dressed in a gangster-style fedora, hovers over a chessboard while describing the company's savings program. He winds up his monologue on planning by reminding employees that details of the savings plan are in the employee handbook.

About 2,000 employees saw the benefits film when Ms. King visited each of the company's 37 field stations throughout Canada.

"At first (before using films), I just talked and talked...that's an awful lot of stations," she said.

With the new film, Ms. King shows it first and follows up by stressing some of the points. To explain the more detailed benefits, like the savings and pension plans, she supplements the presentation with overhead slides.

Getting the new film shown to all employees and their spouses took about 1½ months, with Ms. King holding about two meetings a day at the various stations. Each meeting, on company time, took about two hours, she said.

A copy of the 15-minute film was left at each field station, which is equipped for video presentations. That's one of the ways headquarters communicates everything to the employees, she said.

"We have a great many isolated locations, compressor stations," Mr. Wittrock said, noting the video system also is used in the company's training program.

"(The new) film's been very good, especially out in the field...this way the employees feel they are not forgotten," Ms. King said.

Selling top management on the idea of producing a new $60,000 film was not a pushover proposi-

Continued on page 10

English & Associates
Insurance Marketing, Inc.

Settlement Annuity Specialists

ARRANGING SETTLEMENT ANNUITIES FOR THE INSURANCE DEFENSE INDUSTRY NATIONWIDE

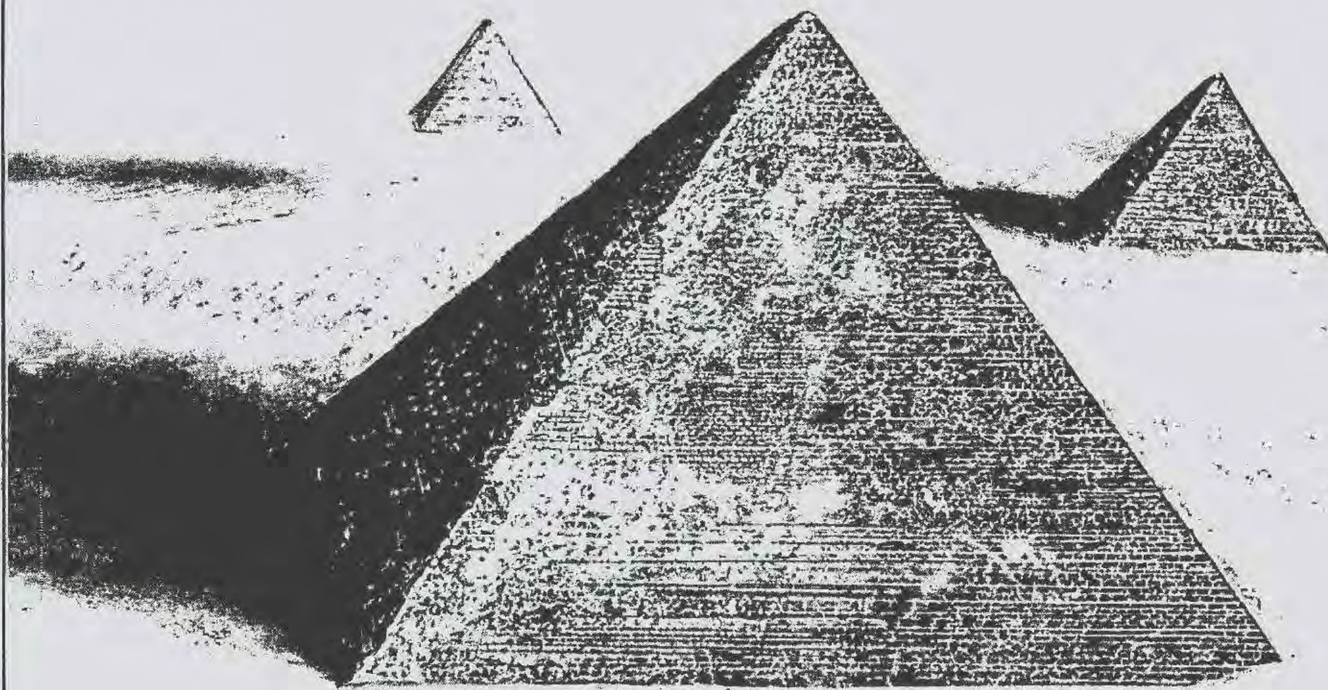
BRANCH OFFICES

SOUTHERN CALIFORNIA
27285 Las Ramblas
Suite 230
Mission Viejo, California 92691
(714) 643-2144

EAST COAST
One Greentree Center
Suite 201
Marlton, New Jersey 08053
(609) 596-8585

NORTHERN CALIFORNIA
1660 School Street
Moraga, California 94556
(415) 631-0610

Stability:
The strength to stand and endure



CNA's Group LTD program offers stability you can count on

One of the most important criteria in choosing a Group Long Term Disability carrier is the insurer's record of stability and strength in the marketplace. When you turn to the CNA Insurance Companies, you get the benefit of stability, consistency and expertise developed through *40 continuous years* as a leader in the marketplace.

With CNA, you get Group LTD features that meet your needs, including:

- Quick, accurate proposals
- Highly competitive rates, with cases installed at *quoted* rates
- Broad contract with war the only exclusion
- Pre-x coverage for groups with as few as ten lives

Put CNA's stability to work for you. For more information on our Group LTD program, contact your CNA agent or return the coupon below.

INSURANCE FROM CNA
For All the Commitments You Make

Mail to:
Special Risks Division
CNA Insurance Companies
CNA Plaza
Chicago, IL 60685

Name________
Agency________
Address________
City________ State________ Zip________
Business Phone________ Best time to call________

opinions

Better late than never

IF EVEN THE slightest chance still exists that Manville Corp. and attorneys for asbestos victims could agree on a consensual reorganization plan to compensate the claimants, U.S. Bankruptcy Judge Burton Lifland today should extend for yet a 10th time Manville's deadline for filing a reorganization plan.

Nothing positive will be accomplished by having Manville meet today's deadline if it means filing a reorganization plan that does not have the support of the plaintiffs' attorneys. While Manville's filing would close the door on one segment of the reorganization process, it also would open the floodgates to more and more and more litigation over Manville's compensation proposals for asbestos victims and the victims' demands.

That would profit no one.

Manville would still be in reorganization and no closer to resolving the asbestos claims that sent it there in the first place.

The asbestos victims would be further away from receiving any compensation for their illness. For many, more litigation could well mean they will die before they are compensated. Many of the victims need the money now for medical care.

Manville's other unsecured creditors—those who provided goods and services to Manville but have no liens on any of Manville's assets—will also have to wait longer to receive what they are rightfully owed from Manville.

The main reason Manville filed for bankruptcy was to cut through the thicket of asbestos litigation that would slowly strangle the company, it says. It would be ironic now in bankruptcy court to plant the seeds for yet another thicket of lawsuits.

If it is in Judge Lifland's power, he should order Manville and the attorneys for the asbestos plaintiffs back to their negotiating table and order them to bargain in good faith to reach a consensual plan—in a specified length of time.

And, if the two sides find that no matter how hard they try they keep reaching roadblocks, would it not be possible for them to agree to bring in a third party to help them mediate their differences? A mediator is often the key to a breakthrough in some of the most bitter labor disputes.

We don't necessarily agree that deadlines are made to be broken but, in this case, not breaking the deadline won't mend anything, either.

How much is too much?

IF YOU DIVIDE $280 million by 100, the quotient is $2.8 million.

That's $2.8 million.

According to testimony in U.S. Bankruptcy Court, that is what the 100 or so attorneys pleading the asbestos victims' cases in the Manville Corp. bankruptcy could *each* earn on the average in contingent fees if Manville paid the plaintiffs the $700 million sought by their attorneys and the attorneys got a 40% fee on top on that.

However, one of the lead plaintiffs' attorneys in the bankruptcy denied that the attorneys were seeking this much when contingent fees were discussed in court last month.

While we are certainly relieved to hear this, we still hope Manville's final reorganization plan—whether it is a consensual one worked out with the plaintiffs' attorneys or Manville's own plan—includes a review by the bankruptcy court of attorneys' fees.

This, of course, has met with opposition from the plaintiffs' attorneys, but we think such action makes sense.

The court must approve what Manville pays the asbestos claimants.

And, the court must approve what Manville pays its other creditors.

It seems only right that the court also approve what Manville, in essence, will be paying the plaintiffs' attorneys, even if it is not $280 million.

letters

Separating shareholders from policyholders

To the editor: My Perspective article and the accompanying chart on "die-hard dividends" (*BI*, Oct. 24) contains several errors.

The principal error is my failure to split out dividends to policyholders from the shareholder dividends listed on the chart. The 16 companies listed earned investment income—less underwriting losses—of $33.9 million and declared shareholder dividends of $613.5 million, which equaled 1,809% of earnings. They also declared $164.5 million in policyholder dividends.

This error doesn't affect my general conclusions or the cumulative effect of dividends on insurer surplus. The article was not intended as a study of an individual company's policies, but as a study of an apparent trend.

Other errors in the story and the chart include the listing of Fireman's Fund Insurance Co. instead of Firemen's Insurance Co. of Newark, N.J., a unit of Continental Corp. In addition, Great American Insurance Co., a unit of American Financial Corp., carries an A-plus rating from A.M. Best Co.

Also, none of the companies surveyed cut shareholder dividends in 1982, and only one company paid fewer dividends to policyholders last year.

Charles McAlear
Chairman
McAlear Associates Inc.
Grand Rapids, Mich.

Kaiser Steel decision could have wide significance

To the editor: The Court of Appeals affirmation of the Kaiser Steel decision regarding deductions for workers compensation reserves (*BI*, Oct. 17) has widespread significance and a potential role in the evolution of tax law.

Key precedents in the Kaiser Steel decision are the aggregate accrual of reserves and court recognition of methods for meeting the "reasonable accuracy" test required for deductions.

Although the Kaiser Steel case concerned reserves for uncontested, self-insured workers compensation cases, the cited precedents are general and could readily extend to other areas of self-insurance. This logical extension is illustrated by the following scenario of possible related decisions.

- Contested cases—allowance of reserves for contested cases as part of accrued losses.
- IBNR cases—allowance of reserves for incurred-but-not-reported cases as part of accrued losses.
- Assessments and loss adjustment expense—allowance of reserves for assessments and loss adjustment expenses attributable to unpaid losses as part of the accrued deduction.
- Exposures other than workers compensation—allowance of accrued deductions for self-insured liabilities other than workers compensation.
- Tax equity in addition to reasonable accuracy—allowance of accrued deductions by small self-insurers provided the deductions are determined using techniques deemed reasonably accurate for large self-insurers.

In the first four instances, run-off tests and arguments paralleling those in the Kaiser Steel case might be employed. The fifth case would overcome retrogressive taxation implicit in any tax deduction deriving from the statistical law of large numbers. "Reasonable accuracy" for purposes of taxation is not necessarily synonymous with "reasonable accuracy" for purposes of statistical analysis or financial reporting.

The scenario culminates in treating the costs of a self-insurance program in essentially the same manner as any accruable expense.

This trend is being realized on several fronts. For example, H.R. 2642, if passed, would have substantially the same effects. The importance of the Kaiser Steel case is that the decision supports the general trend and affords legal arguments that contribute to its momentum.

Alfred O. Weller
Vp
B.R.I Coverage Corp.
New York

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A. R. M. *(Chicago)*
Managing Editor: Lorrie Gawla *(Chicago)*
Assistant Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Len Strazewski *(Chicago)*
CHICAGO: Carol Cain *(Associate Editor)*
Stephen Tarnoff *(Associate Editor)*
Sallie J. Drury *(Staff Reporter)*
Pamela DeFiglio *(Agent/Broker Topics Associate Editor)*
Claudette Dampier *(Assistant Copy Editor)*
Merrill S. Saltzman *(Graphics Editor)*
Amy Palmer *(Graphic Artist)*
Jim Bakasetas *(Graphic Artist)*
Dorothy Parr Riesen *(Proofreader)*
Diane Kastiel *(Editorial Assistant)*
LONDON: Stacy Shapiro *(Associate Editor)*
LOS ANGELES: Rhonda L. Rundle *(Bureau Chief)*
Steve Taravella *(Staff Reporter)*
NEW YORK: Bill Densmore *(Bureau Chief)*
Douglas McLeod *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Todd E. Fandell *(Corporate Editor)*
Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Beverly J. Kluxdal *(District Manager)*
Fran Prybylo *(Production Manager)*
LOS ANGELES: Sue Eisenberg *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Nancy Ellen Zelman *(District Manager)*
Marianne J. Dueweke *(Financial Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
London: 01-831-9681
Los Angeles: 213-651-3710
New York: 212-210-0100
Washington: 202-638-5300
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice-chairman
S.R. BERNSTEIN
Chairman/executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
JAMES M. FRANKLIN
Vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.25 a copy. $45 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $41 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $90 per year expedited delivery. WILLIAM STRONG, *vp-circulation*. DOUGLAS A. RIEMER, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

Member of Business Publications Audit of Circulation

IF YOU PLAY YOUR CARD RIGHT, YOU COULD SAVE YOUR COMPANY A LOT OF MONEY.

The card is a whole new kind of health care ID card from Ætna.

And what a card!

It not only saves time, trouble and money, it actually makes piles of paperwork disappear.

Here's how it works:

Your employees present their new Ætna ID card when they are hospitalized. Their claims are sped to the National Electronic Information Corporation (NEIC) – an organization expressly established as a clearing house for medical claims data.

Once the information is screened and sorted, NEIC electronically transmits it to Ætna.

This system is so efficient, it gives Ætna all the up-to-date data needed to apply its cost containment standards and quality controls.

And because there's a lot less paperwork, there's a lot less chance of errors – less chance of invalid claims being paid.

What's more, the system helps us build a better data base for claims management and control.

NEIC is just one more way Ætna is working to hold the line on health care costs by holding down the cost of claims administration.

With all the paperwork waiting on your desk to be checked out and sent out, a paperless claims system probably sounds too good to be true.

But it's all in the cards.

YOU'LL BE GLAD YOU MET ÆTNA.

Ætna Employee Benefits Division

ÆTNA LIFE INSURANCE COMPANY

TransCanada set objectives before filming

Continued from page 7

tion, but it wasn't very difficult, either, because "we had been through this process before, about four or five years ago, and they realize the value of the program," Mr. Wittrock said.

TransCanada has video and film production capabilities in-house but went to TA because, as Mr. Wittrock put it, "We feel something as important as this, if it's not produced the best, then don't do anything at all."

The $60,000 budget paid for the initial print only, he said. Copies of the film, one for each field station, also were produced by an outside company to get top-quality results.

The film took about four months to produce, from the initial idea at TransCanada to the making of a print, Mr. Wittrock said.

TA brainstormed with TransCanada at the beginning of the project, but then worked independently, he said.

"We developed a great relationship with TA. They invited us to sit in on any stage, but we have so much confidence in them that we really didn't hang in until the end. We're pretty busy and the novelty of the production house wore off after the first film," Mr. Wittrock said.

"But if I were working with an unknown company, I would be with them all the way," he added.

During the planning stage, it was important to communicate the company's objectives to the consultant, Mr. Sokolowski said.

The objectives identified included:

- To replace the existing employee benefits film with one that provided lasting images of the central features of the benefits plans.
- To avoid the often confusing plan details and place emphasis on those coverage areas most used by employees.
- To foster the employees' understanding and appreciation of their benefits package.
- To discourage employees from relying wholly on the automatic coverages and to focus their attention on various "life-events," like marriage or birth, that should be taken into account when considering optional coverages.
- To emphasize the employee handbook as the employees' central source of benefits information.
- To encourage employees to engage in preretirement planning early on in their careers.
- To provide the information in an entertaining fashion that captures and maintains the employees' attention and creates a strong interest factor for spouses.

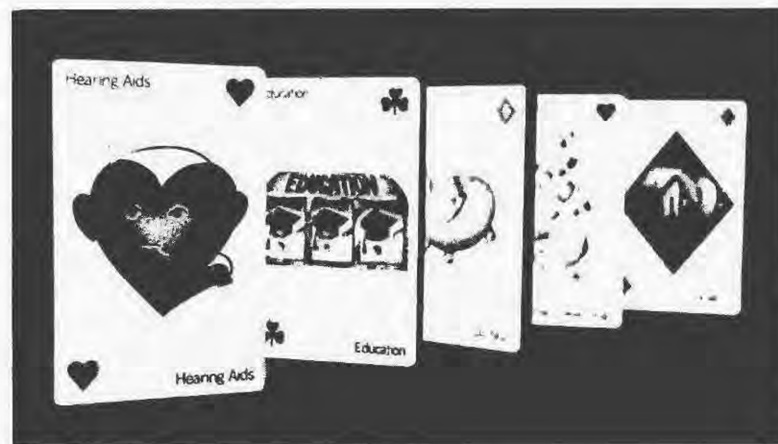


Photo: TA Associates

"We needed a format that would draw attention to the benefits program that hadn't been done before," Mr. Sokolowski said.

Organizing the film by life events was a key concept, he said.

For instance, the image of a baby with a new tooth was the lead-in to the explanation about the company's dental plan.

"TransCanada was having a real problem getting people to remember their benefits. Employees would call with the question, 'Do we have a dental plan?' when they had one for 12 years," Mr. Sokolowski said.

"We wanted to create unforgettable scenes, like the dentist office. We wanted a format like Life magazine: not a lot of details but a stark image, unforgettable photos," he said.

When first discussing the idea, the concept of games evolved.

"When we started talking about benefits, we were talking about cycles of life. . .and chance elements. You don't know when you're going to need to use a benefit. . .and for some you have to choose certain options, a strategic kind of game. That's the way we started thinking," Mr. Sokolowski said.

Using Monopoly or the Game of Life were two early thoughts, but dominoes were finally chosen. Dominoes are used graphically to start the film rolling. . .one domino knocking down another and another, until there's a gap and the camera focuses in on a picture on a domino of a life event, like a new baby. The scene pans to the narrator, who was a professional actor dressed in an appropriate costume for each skit.

When the message is over, the camera goes back to the falling dominoes, until the action stops again for another scene.

"Things don't always fall in a predictable pattern," and that was an underlying message in using the dominoes, Mr. Sokolowski said.

One of the final scenes had to relay one of the most important messages: planning for retirement.

"We thought we needed a little more emotional impact at that point and nothing would have been more emotional to employees than to see one of their colleagues telling them about all the planning to be done," Mr. Sokolowski said.

This soft, gentle scene showing close-ups of an elderly couple giving advice to those still at work preceded a final quick sequence of past shots of all the dominoes flashing quickly to review the different benefits, with Rossini's "William Tell Overture" accompanying them.

The very last shot has hundreds of dominoes falling in sync to the music to form the company's initials: TCPL.

"Hollywood qualities," exclaimed one of the judges. "Takes negative subjects, such as retirement and sickness, and handles them in an upbeat manner," another said.

This is the second year in a row that an entry designed by TA Associates won in the *BI* competition. Last year, the consulting firm won second place for a communication package of posters, film and brochures for Canterra Energy Ltd. of Calgary, Alberta.

TA Associates was started in 1972 as an employee benefits actuarial and compensation consulting firm and branched into communications in 1976. ■

Now you can contain health care costs better than ever before.

With WrapAround Plus. It's a revolutionary approach to group medical coverage that builds cost containment right into the package.

To do this, we designed a fee schedule linked to the Consumer Price Index. More than 10,000 doctors in the New York area agreed that this was sensible and fair, and the doctors joined us in a commitment: Future increases will be linked to changes in the Consumer Price Index, not the skyrocketing costs of health care.

But that's not all. WrapAround Plus eliminates most out-of-pocket expense, because the agreed fees are accepted as payment in full. And it cuts out tiresome paperwork. Doctors just file a simple form and then they're paid directly by Blue Cross and Blue Shield.

Last but not least, WrapAround Plus offers broader protection than we've ever offered in a single program. So if you want to see your employees get the best in benefits, without watching costs go through the roof, call the number below and ask about WrapAround Plus. Or write Blue Cross and Blue Shield of Greater New York, Attn.: Peter Mulligan, V.P. Marketing, Box 5401, Grand Central Station, New York, N.Y. 10017.

1-800-554-PLUS

Blue Cross Blue Shield of Greater New York

Medical science has dazzled us for years with technological breakthroughs. But today we have a medical crisis science can't solve.

A crisis of money. In fact, if we don't begin to control the rampantly rising costs of medical care, businesses may soon not be able to afford medical benefits for their employees. That's why, at Connecticut General, we've taken the lead and developed programs to contain your benefit plan costs as well as encourage corporate initiatives to bring down health care costs in your local communities.

We've created MediCom.℠ An extraordinary online system that not only settles claims accurately and efficiently, but also reports medically significant data so that you can see exactly how and where your dollars are being spent.

Then once you know where the money goes, our REMEDI® program recommends needed plan design changes and teaches your employees how to use their benefits much more efficiently. In many cases, millions of dollars more efficiently.

In addition, we strongly support business coalitions on health care. Around the country, these coalitions are being formed by the businesspeople who foot the bill for employee benefits. And working side by side with us gives them the influence in the community that will go a long way toward holding down costs.

These programs aren't theories we hope will work. They are real breakthroughs in the way the medical care system is used.

So if you haven't had the benefit of the newest thinking in employee medical plans, call your broker, a Connecticut General representative, or write us c/o Dept. B-247, Hartford, CT 06152.

We've found a way to make sure your medical plan can lead a long and healthy life.

WE'LL PUT YOU ON THE ROAD TO RECOVERY.

Connecticut General Life Insurance Company
a CIGNA company

CIGNA

What American Gr
a tornado wa

If there's one thing American Greetings can tell you about, it's tornados. Because it wasn't too long ago when a tornado ripped through one of their greeting card warehouses.

That was in December of 1982. They have since fully recovered.

The reason being, they did a very intelligent thing immediately following the disaster: they called their insurance company, Arkwright-Boston.

<u>WE'RE RESPONSIVE. AND THAT'S NOT A LOT OF HOT AIR.</u>

American Greetings is fast approaching total revenues of $1 billion. They've been climbing steadily in the Fortune 500 and are the world's largest publicly owned greeting card company. Obviously, a company of that size can't afford to fool around with an insurer who doesn't offer airtight, comprehensive coverage. Or an insurer who isn't responsive.

We are both of these things. As the American Greetings story bears out.

It all started in McCrory, Arkansas, Christmas Eve, 1982. A tornado tore across the state. Taking with it a sizeable portion of the American Greetings plant, including the entire roof.

Our adjuster was on the scene the next morning, and stayed for weeks making the recovery process as painless as possible. And our claims manager was there to make sure the policy was interpreted to everybody's satisfaction.

Something else American Greetings appreciated. Once we know we're going to adjust a loss, it's our philosophy to advance our clients the money they need to get back on their feet. So we advanced them $2.5 million.

This way, their cash flow remained unaffected during the recovery period. And they were able to begin cleaning up, move merchandise out and lease new warehouse space.

eetings would do if s in the cards.

To make a long story short, the recovery and repair of the plant went so well, that it was fully operational after only five months.

WE'RE TAKING THE INDUSTRY BY STORM.

To us, it's not so remarkable that the plant was back in action so soon. Because our experience has been that when you pay close attention to details before a disaster occurs, you're not in for any surprises afterwards.

Case in point. The policy for American Greetings includes fire and extended coverage for natural disasters (like tornados); boiler and machinery coverage; DIC for exposures such as floods, theft, transit; and business interruption, which proved invaluable during the plant's five month shutdown.

Another thing that proved invaluable. The Policy Workshop that we encourage all our insureds to attend. It enabled American Greetings to learn how coverages apply to a loss before it even occurs.

With thoroughness like this, it's not too hard to see why American Greetings feels secure with us. And why our other clients feel that way, too.

But don't take our word for it. Ask WestPoint Pepperell. Or Digital Equipment. Or French's mustard. We've designed programs for their individual needs, too. At a competitive cost.

So if the idea of a company that covers you from head to toe intrigues you, call or write us. But do it soon. Because if a disaster hits before we get together, you may not be able to weather it.

Arkwright-Boston Insurance, Marketing Services, 225 Wyman St., Waltham, MA 02154 1-617-890-9300, Ext. 3295.

Ziggy® cards © 1982 Universal Press Syndicate. Other cards © 1979-1983 American Greetings Corporation.

ARKWRIGHT
BOSTON
INSURANCE

Group tailors handbooks to fit members' plans

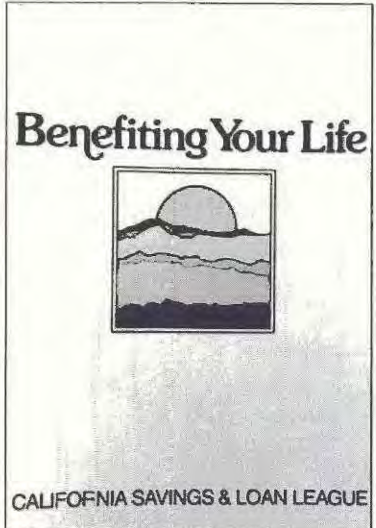


Photo: Mary Herlehy

By CAROL CAIN

Member companies of the California Savings & Loan League get to pick the benefits they will offer their employees, just like hungry diners at a smorgasbord get to fill their plates to match their palates.

"That's great from a sales point of view, but it's murder from an administration view. And communication? That's even harder," notes Sandie Riggio, assistant vp with broker Bayly, Martin & Fay Inc. in Los Angeles, the league's communication consultant.

There are about 200 members in the league and some 135 of them are in the self-insured benefits program, said Fran Elward, senior vp of the 93-year-old legislative and lobbying organization.

Each member gets to choose from a variety of options, including two basic life plans, five supplementary life plans, dependent life coverage, four health care plans, dental and vision plans and long-term disability, she added.

Each time the league grew or a new benefit was added, another booklet was developed.

"A new employee got a pile of handbooks and brochures in all different sizes. It wasn't a compact, ready-reference for their benefits," Ms. Riggio said.

And the audiovisual material being used was, in Ms. Riggio's terms, "a yawn."

The solution to this enigma came in 1980, when the league and BM&F, its consultant since 1965, decided that the only way to reorganize the pile of material was to use a loose-leaf binder approach.

"We reached a time when we needed to doll the whole package of the plan up; and we were at a time when we were making so many benefit changes that it seemed appropriate," Ms. Riggio said.

The league's new "dolled-up" benefits handbook and audiovisual presentation won first place in the special project category in this year's *Business Insurance* Employee Benefits Communications Awards competition.

Both the handbook and slide show are modular—elements can easily be added or replaced—and are put together according to whatever benefits that particular savings and loan offers its employees, Ms. Riggio said.

"In reviewing all the different booklets that we saw out there and the cost, we decided to go with a loose-leaf binder," Ms. Elward said.

Printing and reprinting costs were major considerations in deciding on the loose-leaf approach, Ms. Riggio said. With this method, it would be much easier to update and change parts of the plans, Ms. Elward said.

For the first press run, 50,000 copies of handbook pages were printed, paid out of interest from a 501(c)(9) trust and are given at no cost to plan members.

The audiovisual show, either slides or video, is sold to members for the cost of duplication, which averages $100, Ms. Riggio said. Because of its modular characteristics, the show can be customized and assembled within a day to fill an order, she said.

The total program took about six months to develop and cost less than $400,000, which included the initial 50,000 copies and all development costs, Ms. Elward said.

"It's a very impressive project, thoughtfully put together. Best I've seen in the multiemployee plan area," one of the judges noted.

"It's an excellent method of providing communications for various users with varied programs. Pick and choose is a perfect solution," another said.

Getting to that finished project was a harmonious effort by Ms. Elward and Ms. Riggio in Los Angeles and Mary Ann Pakosta at Frame One Inc., a graphics company in Chicago.

Frame One worked with Meidinger Inc., a benefit consultant based in Louisville, Ky., to produce a preretirement portfolio and audiovisual presentation for Borg-Warner Corp., which won first place in the special projects category in last year's competition.

"Initially, I was concerned with the distance between us and Frame One, but that turned out never to be a problem" Ms. Elward said.

"Frame One understood benefits. They had a fairly good immediate grasp of our problem," she added.

Ms. Pakosta distinctly remembers her first week on the project.

"It was a nightmare," she notes, referring to the variety of benefits offered. "It took a whole week to sort and figure it out, what was generic and what wasn't. I looked through hundreds and hundreds of their benefit booklets."

The text of the handbook was written by both BM&F and Frame One. But Prudential Insurance Co. of America, which underwrites the league's life insurance coverage, insisted that most of the wording in the life section remain in "insurance language," Ms. Riggio said.

"Most of the language was very technical and legal—in other words, unintelligible. To aid the employee, we wrote capsule summaries of the particularly wordy areas and used a split-page format. In this way the employee could read a condensed and easy-to-understand summary of the technical information in the text."

The booklet itself is broken down into sections by oversized divider pages with such labels as: eligibility, life, health care, long-term disability, dental care, vision care, summary plan description and trust agreement. A different graphic is used on each of these section pages, which are of a heavier paper than the rest of the pages.

Because of its loose-leaf binder design, the individual members can also use it for other material, like retirement plans and personnel practices, Ms. Elward said.

The employee feedback on the new format has been favorable, according to Ms. Riggio. "The presentation appealed to all the different levels in the savings and loan associations, from teller level to vice president," she said. ■

FASTRAK
CAS
ACES
DIMED
CAPS-T-L
CAPS
CLAIMS
COGNAC
CLAIMFACTS

LOST~ IN THE HEALTH CLAIMS MANAGEMENT SYSTEM JUNGLE?

Things are tough out there in the employee benefits administration world. Cutting through a thicket of computerized claims systems... evaluating the need for a system ...replacing an inadequate system...lots of confusion.

At RIMS and MDS Qantel, our commitment to the Employee Benefits Administration Profession has resulted in more than 50 QicClaim installations in two short years. Third Party Administrators, insurance companies and other organizations are coming to RIMS and finding **solutions...service...** and **support**...at a very affordable price.

Find your way out of the jungle. Get the facts today. Send for this **FREE** management report and systems evaluation checklist published by a noted employee benefits/computer consultant, entitled "Making Dollars and Sense From Your Health Claims Management System."

QicClaim™
HEALTH CLAIMS MANAGEMENT SYSTEM

RIMS™ RESOURCE INFORMATION MANAGEMENT SYSTEMS, INC.
2015 Spring Road, Suite 220,
Oak Brook IL, 60521
312/789-0230

MAKING DOLLARS & SENSE FROM YOUR HEALTH CLAIMS MANAGEMENT SYSTEM

COME OUT OF THE JUNGLE.
Free Management Report & Systems Evaluation Checklist.

Name ____ Title ____
Company ____
Address ____ City/State/Zip ____
Mail to: RIMS, 2015 Spring Road, Suite 220 Oak Brook IL 60521

ENDORSED BY:
MDS QANTEL BUSINESS COMPUTERS
A Mohawk Data Sciences Company

Dart & Kraft project proves notebooks can be effective

By SALLIE J. DRURY

No notebooks.

That's what Dart & Kraft Inc. in Northbrook, Ill., decided when it set out to revise its benefits booklet.

Benefits personnel had studied communications programs at other companies and came to one certain conclusion: The popular notebook format had too many organizational disadvantages to meet its needs.

"Notebooks are very common and easy to make, but we found out people don't update them. It's too much trouble to remove old pages 15 and 16 and replace them with new pages 15 and 16. Employees tend to dump all the updates in the back of the notebook," said Stephen M. Wasserman, director of benefit communications and training for Dart & Kraft.

"We wanted something easy to update and reference, so an employee could consult the booklet for information rather than calling up a benefits administrator. It's easier for the employee and easier for the company," he said.

Dart & Kraft did achieve that objective. Ironically, the solution is a notebook, but this notebook has a new twist.

It is a scaled-down, laminated three-ring binder. However, the pages in the binder are really heavy-stock pockets, color-coded by benefit and tabbed for instant reference. In each pocket is a booklet with information on a particular benefit.

Dart & Kraft employees can open the cover of their benefit notebook, see the blue-coded tab that reads Plus Pension and place updated information on the company's pension plan in the folder without ruffling through loose pages.

With organization and reference this easy, employees should be self-sufficient when seeking information on a particular benefit, the company believes.

This innovation earned Dart & Kraft and the project's designer, Bagby Design Inc. of Chicago, the first prize among benefit booklets in the 1983 *Business Insurance* Employee Benefits Communications competition.

Contestants are judged on their communications' ability to meet its objectives. Attractiveness, ease of reading, updating and accessibility of information were some of Dart & Kraft's goals.

Clearly, the glossy four-color binder with its spectrum of pockets, each livened by photos, makes the notebook attractive and well-organized.

"Inventive packaging," one judge remarked.

And, the clarity of the language in the booklets also was noted by the judges.

Some comments: "Easy-to-read language; nice conversational tone;" "Written text excellent;" and "Definitions of common dental terms—wonderful. The sections on what your benefits do not cover are very valuable to the employee. The language is clear and easy."

"There is no question that the graphics are breathtaking and the use of color superb. However, this cannot hide the fact that the content is highly worthy as well," summed up one judge.

Said another, "Congratulations! The manner and care of presentation indicates to readers that they're important, and also matches importance of benefits provided by Dart & Kraft."

"We had another goal," Mr. Wasserman said. "We wanted everything in our benefits program to look like it had a uniform theme or tone. We wanted a communications system with everything tied together."

The theme that evolved is PlusBenefits. It is expressed by a grid of plus signs on the cover of the binder and by the use of the word plus before each benefit name on the notebook's tabs, such as Plus Medical, Plus Dental and Plus Disability.

PlusBenefits is aimed at 15,000 to 20,000 of Dart & Kraft's 80,000 employees, those of four domestic divisions. And the word PlusBenefits is on every type of material distributed to employees that could be associated with the program, from updates to ID cards and statements. The booklets also bear the name

Continued on next page

WHY CRY OVER EMPLOYEE HEALTH COSTS?

Do something about them instead.

We can help. With Preferred Health Network, you can put our preferred providers to work in your self-insured health program. You can get locked-in rates and carefully monitored utilization, and your benefits can stay comparable to your current plan. Your employees get Southern California's leading health care institutions and their choice of over 2,000 physicians. Preferred Health Network's non-profit hospitals already cost less — an average of 18 percent less* — than their competitors. That savings can be passed right along to you, and we guarantee our rates for one full year. So, the answer to rising health benefits costs isn't tears. It's the preferred provider organization that meets your needs for cost control and your employees' desire for quality care.

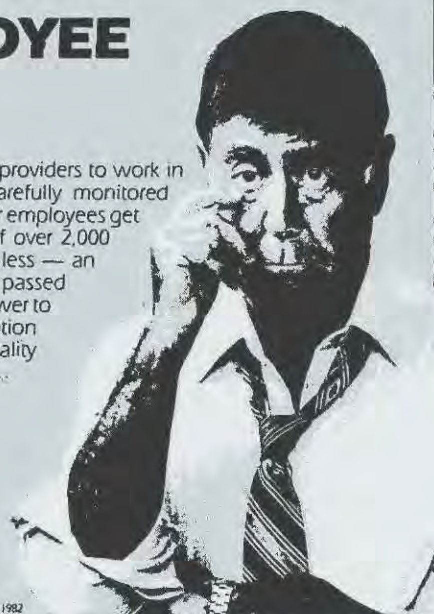
Write us for your free, no obligation copy of our guide to choosing and using a PPO.

Preferred Health Network

We'll make you smile again.

637 So. Lucas Avenue, Los Angeles, California 90017

*California Health Facilities Commission 1982



If You Write Corporate Risks This Offer Couldn't Have Come At A Worse Time.

We live in a time when brokerage profits, already depressed, are being even further eroded. A time when the battles between broker and insurance company for shrinking profits lead to defections and fissures.

The fact is, conditions have rarely been worse.

Now's when you need someone special

Today, you need a dependable partner, capable of providing responsible corporate risks insurance.

But to think and act responsibly in the face of all these pressures takes someone special: Armco Special Risks.

The offer

We'll make it as easy as possible for you to bring someone special into your life. Send us the coupon. Or call Charlie Jones, Vice President, Marketing, at 214/689-8186. We'll send you free our brochure describing all the programs and services of our corporate risks operations.

In this free brochure, you'll learn about the mix of products, services and character of Armco Special Risks that we feel makes us special.

The right coverages.

We offer the coverages a corporate risk manager needs to protect his company's assets, plus the responsible judgements and services that have allowed us–and our broker clients–to maintain successful underwriting through both good times and bad.

Our list of products includes workers' comp, general liability and automobile liability; underwritten for a wide range of industrial and commercial businesses, services firms, contractors and utilities.

In addition to normal incurred loss retros, we also offer more sophisticated loss-sensitive plans, such as paid loss retros, compensating balance plans, and large deductibles.

And, just as important as providing the right coverage, we make sure that it carries with it the right price.

The right price

With a corporate risks program from Armco Special Risks, you can be assured of paying the right price. That's not to say that ours will always be the lowest. For in today's scramble for premiums comes widespread price and service cutting that, in the short run, may offer immediate savings.

But with this lower price is often carried a higher risk factor. Risk inherent in improper loss control engineering, poorly organized or disjointed claims handling procedures, and hasty underwriting judgements, all made in the race to capture fewer premium dollars.

When we at Armco Special Risks complete our underwriting, claims and loss control analysis, you can be sure that the price you pay is right for the coverage and services you need to protect your client's interests tomorrow as well as today.

ARMCO

ARMCO SPECIAL RISKS

Please send me your Corporate Risks Plans Brochure

Name ____________________

Title ____________________

Company ____________________

Street ____________________

City __________ State __________

Zip __________ Phone __________

Mail to: C. R. Jones
Vice President, Marketing
Armco Special Risks
1221 River Bend Drive
Dallas, Texas 75234

ARMCO

Notebook format works for Dart & Kraft

Photo: Mary Herlehy

Continued from previous page
and particular benefit plan information for each separate division.

"Everything holds together," said Gretchen Frederick, senior designer at Bagby.

The word PlusBenefits was selected for a variety of reasons. "We conceived of the 'plus' idea with Dart & Kraft, in part because benefits are a real plus to employees, an important part of (the employee's) total compensation," said Steven D. Bagby, president of Bagby Design. "Originally, the idea was CompensationPlus, and from there PlusBenefits evolved."

Also, the company wanted to focus on the positive presentation of benefits. Photos of happy, healthy people were used to show how benefits maintain wellness and help plan for a happy future.

"We wanted to make it a very positive image, not people in dental chairs or hospital beds or ambulance scenes," Mr. Bagby said. "We want to project a happy, healthy outlook about the benefits program."

By communicating the value of benefits and presenting them in a positive light, Dart & Kraft hopes to maximize the worth of its benefit expenditures.

"We wanted to get the biggest bang possible out of our benefit dollars," Mr. Wasserman said. "The booklet reinforces how much the company spends on the employee for benefits, so the employee can better appreciate their value. And it better explains and, in some cases, highlights cost-saving measures that were already in our benefits program but that most employees did not know about or understand, like outpatient surgery."

Dart & Kraft stresses that teamwork—from conceptualization to production—is what made PlusBenefits a success.

"We worked very closely and successfully with Bagby on this project," said Sarah B. Bornstein, senior communications specialist at Dart & Kraft. "And, the designer and the printer had a good, ongoing relationship. It's a team effort."

"It's a problem-solving process," Mr. Bagby said. "We don't just design a page, we design a communications solution for the company.

"To solve those problems, the company needs to work with us, and Dart & Kraft did. First, if a company has any materials available, like the present communications package or some other ideas, the design firm will want to see it.

"Then, we need to come to a basic understanding of what the company wants. We need to know about any limitations they see in the beginning," he continued. "Steve and Sarah did that. They came with a whole list of things they wanted and didn't want—like 'no notebook,'" Mr. Bagby said with a chuckle.

"It's funny that a notebook is the very thing that helped Dart & Kraft meet their objectives."

Mr. Bagby also stressed the importance of teamwork for a successful program. "It all comes down to the input a designer gets from a company," he said. "That helps us channel our energy in the direction the company wants to go."

After communicating its needs to Bagby, Dart & Kraft relied on the designer for graphic ideas and on an outside printer to produce the booklet, yet retained a good deal of creative and production responsibility in-house.

For example, Dart & Kraft engaged its own staff to write the copy for the booklet and printed the personalized compensation and benefit information on the employee benefit statements, using its own computer.

"They're almost at the point where they can do everything in-house except for the preprinting," Mr. Bagby said. "But if you design a program well, the company *should* be able to eventually do it all in-house."

However, had Dart & Kraft not contracted with an outside design firm, it's likely the project would not have sped through as quickly or as smoothly as it did.

"We knew what we wanted, but we needed a designer for graphic expertise," Mr. Wasserman said.

Although the company devoted a year to the planning and approval process in 1981, the actual production of the booklet moved much more quickly. Dart & Kraft contacted Bagby Design in late January 1982. Within three weeks, the design firm had a mock-up notebook, closely resembling the finished product with its color-coded pockets and plus-sign grid on the cover, along with a proposed budget for the project.

By April, the binder and pockets, and some of the minibooklets, were ready for distribution.

"Production takes no time, even for as ambitious a booklet as this, compared to design time," Mr. Bagby said. "The hardest part is developing the concept."

"When you're developing the concept, you have to constantly evaluate as you're going along," Mr. Wasserman said. "If I could tell one thing to another company considering a project like this, it's to be flexible."

And, plans also may need to be modified to remain within budget. For example, double laminating—laminating both the inside and outside of the binder cover—was chosen for greater durability. But also, since a double-laminated cover will use a lighter stock paper, it is a less costly production method.

And, Dart & Kraft was able to take advantage of the economies of scale. Although the four divisions for which this new notebook is targeted all have personalized versions, it was designed with as many common elements as possible so other versions could be mass-produced at a lower cost.

With such economy measures, Dart & Kraft was able to hold down costs for this project to between 0.25% and 0.50% of the corporation's benefit budget.

"We still have some (mini) booklets to be distributed, and those should be out by the end of the year," Mr. Wasserman said. "And, the benefit administrators at the divisions can distribute the booklets when and how they feel it is appropriate." ■

In Workers' Comp, the difference is service.

The source is EBI.

EBI specializes in workers' comp. Nothing else. We use our expertise to help growth oriented producers put new comp business on their books. And to service that business very well.

The EBI product features competitive pricing plans. Plus sophisticated loss control and loss analysis techniques, and responsive claims management. With services like rapid turnaround on quotes and on-line policy issuance, designed to give our producers the competitive edge in both new workers' compensation business and renewals.

And, EBI brings you the greater resources of the Orion Group companies' insurance specialties, all working to make a difference in *your* business.

Specialists in Workers' Compensation

EBI COMPANIES

Farmington, CT 06032

Personalized correspondence

Stripes help bank workers select benefits

By SALLIE J. DRURY

Photo: Mary Herlehy

The brightly colored stripes are more than decoration on the Benefit Bankbook at Pittsburgh-based Mellon National Corp.

The Bankbook was designed to provide a brief explanation of Mellon's new flexible benefits program and personalized benefits information for each associate, or Mellon employee. It also is the workbook and enrollment form associates use in selecting their levels of benefit coverage.

And the stripes lead employees, step-by-step, through choosing their own benefits and the levels of each they want. "We wanted to make this complex procedure, which our associates were not familiar with, easier and less frustrating," said Robert E. Mathieu, assistant vp of benefits at Mellon. "This yellow-brick-road approach did that."

Judges for the *Business Insurance* Employee Benefits Communications Awards agreed, for this colorful, easy-to-follow approach earned Mellon the award for best introduction to flexible benefits in the personalized correspondence category.

For winners in the other personalized correspondence categories—best traditional benefits statement, best booklet-bound benefit statement and best statement on a single benefit, see pages 20-22.

The glossy, spiral-bound notebook carries a rainbow of stripes across its black cover, each stripe representing one of the seven flexible benefits in Mellon's program. And, there is a photo of the Benefit Bank, a graphic device used on every part of Mellon's total communications program, also an award-winner (see story, page 4).

A window on the cover reveals the associate's name. To begin to use the booklet, the associate folds out the back cover to reveal a color-coded worksheet listing Mellon's seven flexible benefits.

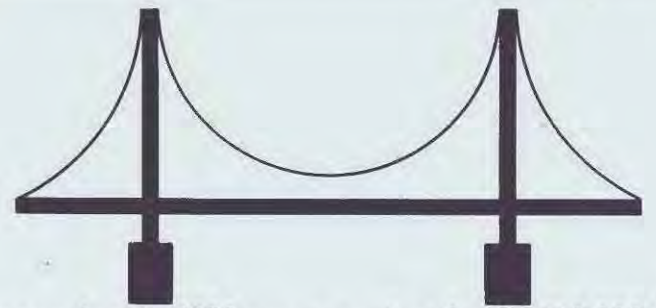
Each benefit is described in a section of the booklet; at the end of each section is the appropriate stripe for that benefit: life insurance is yellow, medical insurance is orange and vacation time is royal blue.

An associate can read through the information on life insurance, for example, which includes personalized dollar values for coverages that would equal multiples of salary. Then, the yellow life insurance stripe winds to the edge of the page, meeting the yellow life insurance stripe on the worksheet. As easily as that, the associate is guided through step-by-step decision-making in creating a personal benefits package.

The annual deposits required by the different selections also are personalized in the Benefit Bankbook. For example, under the profit-sharing plan, the booklet tells what percent of final pay the associate is eligible for from the Mellon Retirement Plan and from Social Security. It tells how much the associate currently has in the profit-sharing plan and calculates future contributions in three ways, based on three personalized percentages of pay.

After completing the worksheet, the associate turns to the final page, which is the enrollment form. This form mirrors the worksheet, although the associate's name, Social Security number and available benefit credits are preprinted on

Continued on next page



Announcing for 1983 new capacity of up to $10,000,000 for both property and casualty in our Domestic Facultative operation. Our experienced staff—long providing superior service in treaty reinsurance—looks forward to meeting your facultative needs as well. A call to any of our three offices—New York, Chicago and San Francisco—will bring prompt, quality service to you anywhere in the country. San Francisco (415) 929-2100, New York (212) 553-0741, Chicago (312) 580-6004

SAN FRANCISCO REINSURANCE COMPANY

To win in the pros you have to play *team* football. If you let your quarterback try to do it all, you'll probably lose.

It's the same in the insurance business. Winners rely on teamwork. That's why Argonaut works exclusively through independent agents and brokers. We want our insureds to have the combined expertise and experience of *two* insurance professionals.

Whether you need workers' compensation, hospital liability, or other commercial casualty lines, we're always ready with affordable, quality coverage.

Independent Agents, Argonaut, and You.

The winning combination.

Argonaut
Where people take your business seriously.
250 Middlefield Rd., Menlo Park, CA 94025

Booklet makes flexible benefits understandable

Continued from previous page
the enrollment form. Worksheet numbers are then simply transferred to the enrollment form, and the form can be torn out and sent to the benefits department in an envelope provided in the Bankbook.

"The personalized correspondence was a real breakthrough," said David M. Kieffer, senior vp at Meidinger Inc. of Louisville, Ky., communications consultant for the project. "Historically, flexible benefit enrollment forms are in two parts or more. This is the first time everything you need to know has been integrated into one form."

The Bankbook is also "fleshed out," Mr. Kieffer said, by the case studies featured in each benefit category. Photographs of one or more associates follow explanations of the benefits, with statements on their choices of coverage.

"When we were testing the program, we had a trial enrollment. The people in this year's Bankbook are from the trial enrollment," Mr. Mathieu said. "Next year, we'll feature people who actually selected and lived with those benefits."

For instance, one associate says that as a young single woman with no dependents, she likes the freedom to travel or take long weekends so she has used benefit credits for extra vacation days.

Another associate is married with two children and chooses the benefits credits for broad life insurance coverage.

"The instruction, background, worksheet and evaluation sheet, personalized data—and also these case studies—really make this a one-of-a-kind piece," he said.

Associates and contest judges agreed.

The Bankbook was the highest-rated element of Mellon's total communications program. A follow-up evaluation showed that 100% of Mellon's associates said they understood the workbook, 97% said it was helpful in explaining the new program and 98% mentioned the clarity of instructions on how to fill out the enrollment form.

And the judges, who evaluate the programs based on attainment of their stated objectives, said: "Beautifully executed," "Fantastic job" and "Probably one of the most effective descriptions of flexible benefits I've ever seen. Congratulations!"

One judge elaborated: "Wonderful, wonderful piece. Clear, easy to read, informative. Surely gives the impression that a lot of time and consideration went into this product."

The organization and use of color-coding was frequently noted by the judges. One praised: "Use of worksheet, which stays with book as flap on the cover plus identical color-coded enrollment form is excellent. Very clear relationship between coverage and cost."

Admittedly, the project did require a great deal of planning and testing, and was part of the 15-month communications project Mellon undertook.

"When we were imprinting the personalized benefits information, we ran lots of test runs before the major run," said Richard J. Knapp, vp at Meidinger. "In the end, it was all worth it. We had several ulcers, but no errors, when the booklets were distributed."

Most important to Mellon was that associates perceived the care that went into the production of the workbook. "When we thought about a personalized piece, we said to ourselves, 'What or who are your objectives?'" Mr. Mathieu said. "The answer is: your associates.

"There are 14,000 or so banks in the United States and they're all in the same business. The only thing that makes them different is the people," he said. "We want our people to know how important they are to the bank. Flexible benefits was the way to go to meet all their different needs, and communication is what makes flexible benefits work." ■

OCEAN MARINE INSURANCE

HULLS-OCEAN
Hull and Machinery, Increased Value etc., Builders Risk, War Risk, and Miscellaneous Commercial Craft.

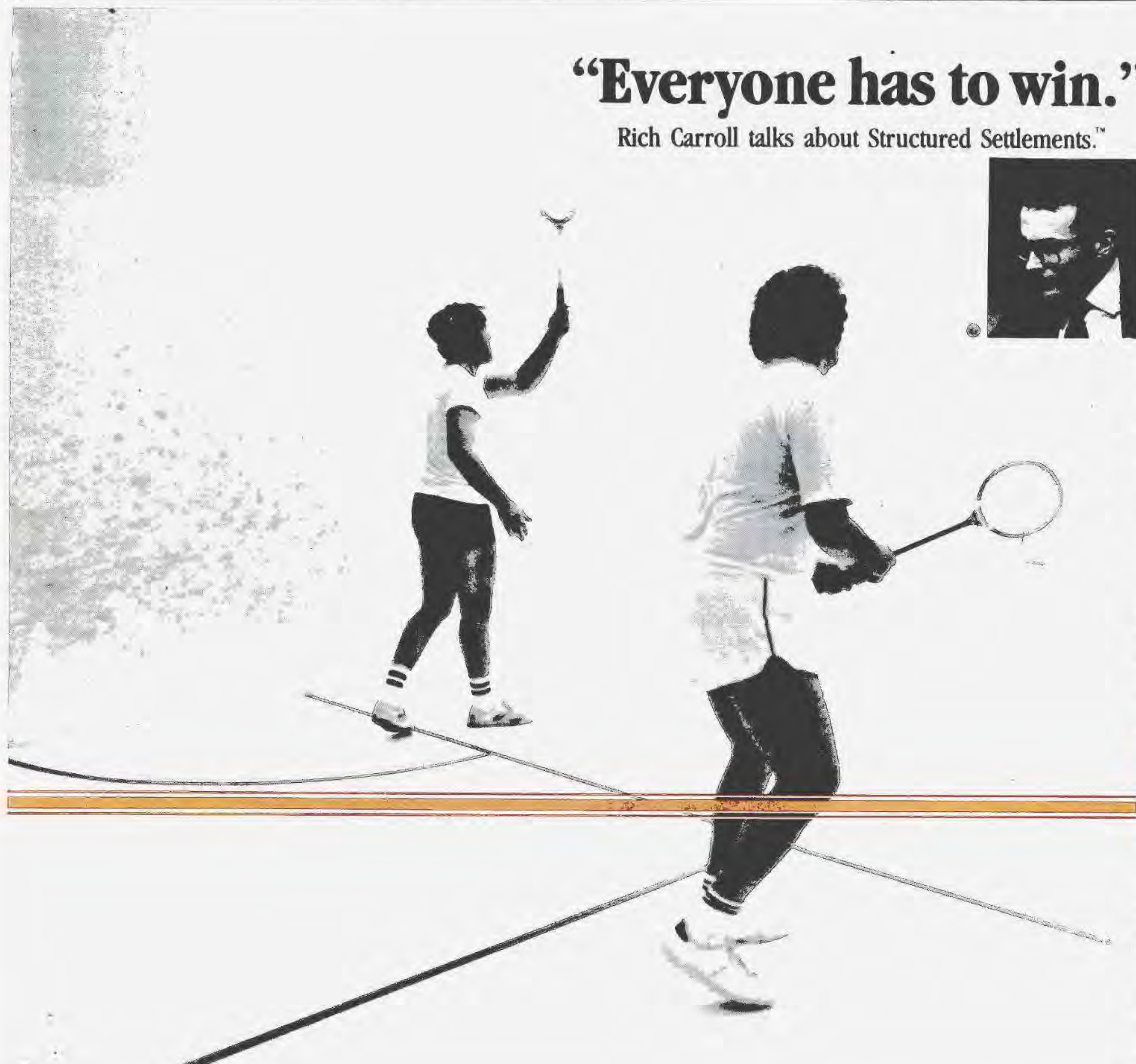
CARGO
Import/Export, River, Coastal. By Vessel or Airplane, Cargo Liabilities. War Risk Including Block War, Bunkers, Collect Freight.

MARINE LIABILITIES
Charterers, Shiprepairers, Stevedores, Terminal Operators, Wharfingers; Cargo Legal Liability, Excess Marine Liabilities, Marine Bumbershoot, Water Pollution Liability, Offshore Liabilities.

ENERGY
Drilling Vessels, Rigs, Platforms, Pipelines, Supply Vessels, War & Political Risks, and Other Related Exposures.

MARINE REINSURANCE
All Forms of Marine Risks.

New York Marine Managers, Inc.
Underwriters and Managers representing American Companies
123 William Street New York, N.Y. 10038 Phone: 212-349-1600 Telex: 129200NYMM NYK
Producer inquiries invited.

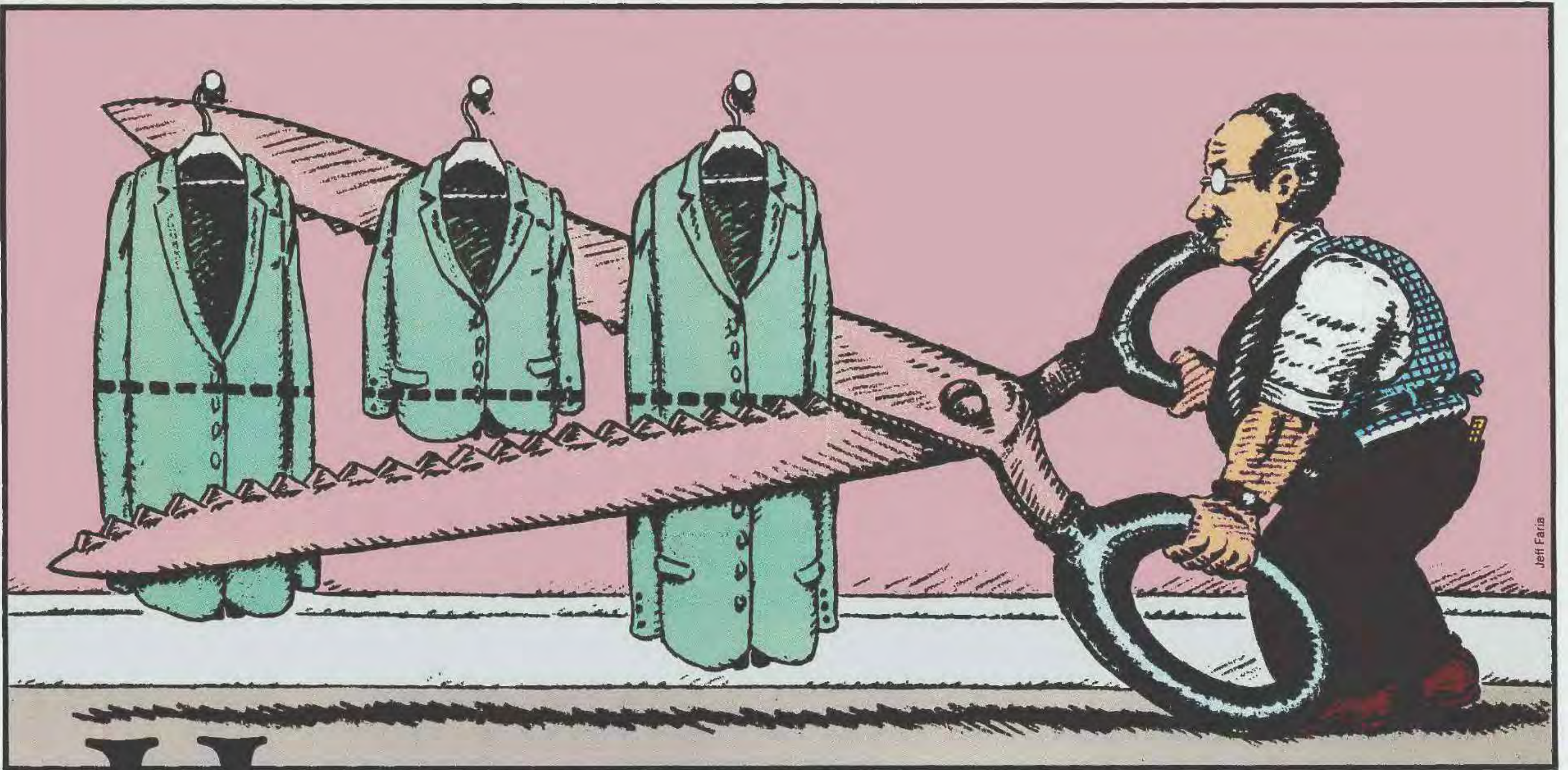


"Everyone has to win."
Rich Carroll talks about Structured Settlements.™

Rich Carroll is as highly talented on the squash court as he is a Structured Settlements negotiator. "The only similarity between my game and my work," says Rich, "is the fact that there are no pretenses. Squash is a one on one sport—a game you can't hide in. Negotiating a Structured Settlement is an honest game, too. The service we offer is very real, very concrete. All parties concerned can see the effort, and have to understand its direction."
"A Structured Settlement isn't anything like a one on one game. It's a process where everyone has to win—everyone has to feel successful within the context of the settlement."

THE STRUCTURED SETTLEMENTS COMPANY™

5757 West Century Boulevard
Los Angeles, California 90045
East Coast Office: 800-237-6361
West Coast Office: 800-421-2022
In California: 213-642-1999
In Florida: 813-823-2666
Offices in: Los Angeles • San Francisco • St. Petersburg • Toronto



HOW DOES YOUR INSURER TAILOR A PROPERTY POLICY?

You hear a lot about tailoring.

But most insurers will only custom-make a property policy if your client is extra-large or irregular.

And you have to settle for regular, humdrum insurance for your regular clients...Or do you?

At American Home's Inland Marine Division, we'll custom-make you a policy no matter how "standard" your client is.

And give that account the same attention as the complex, out-of-the-ordinary risks we're so famous for handling.

As our underwriters see it, there isn't a single client who's too plain to profit from fresh thinking and creative design.

Or a single broker who doesn't have a competitive edge with a really customized policy that no one else can pull off the shelf.

What's more, our stubborn insistence on underwriting excellence and creativity gives you plenty of other benefits too.

Like the financial strength we give your client.

Stable, long-term relationships a little adversity won't shake.

And innovative products like Products Integrity Insurance that you can sell with confidence.

All of which make American Home the kind of strong, creative market you need in today's fiercely competitive environment. For your ordinary as well as your difficult property risks.

Call one of our convenient, local offices and let our creative underwriters show you what we mean by tailoring.

After all, if we "tailored" like everyone else, we wouldn't be what we are today:

America's largest, most successful Inland Marine insurer, rated Number One by Best's for a record-breaking 11 years in a row.

ONCE AGAIN
THE ANSWER IS AIG.

For more information about Inland Marine Insurance from The AIG Companies, write Dept. A, American International Group, 70 Pine Street, New York, N.Y. 10270

NAME/TITLE ____________

COMPANY ____________

ADDRESS ____________

PHONE ____________

High-tech firm's project aided by computers

By CAROL CAIN

Racal-Milgo uses a high-tech printing process for its first employee benefits statements, but that seems only right since the Miami-based data communications firm produces some of the latest computer technology at its nine facilities across the country.

Because of Racal-Milgo's in-house computer capabilities, the statement was produced without the aid of an outside consultant, but it did take the coordination of several departments within the company, said Jane W. Lohmeier, senior compensation and benefits specialist.

"It is possible to do it yourself and get a good product if you have support from others, but it does take a time commitment," she said.

That commitment was reflected in a benefits statement that won one of four first-place prizes in the

Photo: Mary Herlehy

personalized correspondence category in this year's *Business Insurance* Employee Benefits Communications Awards competition. Racal-Milgo won for the best booklet-bound benefits statement.

Integral to the project were several software packages that contained all the employee data needed to put together the statement, Ms. Lohmeier said.

The company's payroll and benefits information already was in its computers and that data was used with a special benefit statement program sold on the market.

The result was an eight-page, 8½-by-11-inch booklet, wrapped by a slick blue cover with red and white lettering. The same colors, along with black, are used throughout the booklet to spotlight the graphics and section titles.

One of the judges said: "The more I look, the more I'm impressed. . .Graphics and conversational tone make a perfect match."

The finished product was a team effort, to say the least. Racal-Milgo's benefits department did the writing, the corporate relations department came up with the layout, its print shop produced the preprinted pages and the computer department—using the new laser-printing process—added the variable data for each employee.

Only the graphics were done outside the company, Ms. Lohmeier explained.

The last page of the book notes that company-sponsored benefits are a key part of an employee's financial security, but they are only a part. "Your personal program is also important—your savings, insurance, etc.," the copy reads.

The same page has space for names, addresses and phone numbers of an employee's attorney, executor of a will, insurance adviser, personal banker and stockbroker. There also is space for listing important information, like checking and savings accounts, safe-deposit box location and insurance policies.

"The last page is a very important insertion in giving the piece an individual touch," one of the judges noted.

Racal-Milgo decided to produce a benefits statement this year because of a void in its prior communications efforts.

"We had a pension plan that never was communicated before. We felt a need to let people know what was available to them. We wanted to let them know and to introduce the idea of total compensation, another part of the paycheck you never see," Ms. Lohmeier said.

Employees seemed to like the statement, which was conceived last September and delivered by supervisors to employees in April.

A questionnaire was sent along with each statement asking if the information was understandable and clear. It also asked the company's 3,200 employees to recommend improvements.

"More than 80% of those employees who replied said it was easy to understand and they were happy to get it," Ms. Lohmeier said, adding that a small percent asked, "Why did you waste your time?'

"It was easy to read and understand. Employees couldn't help but be impressed," one of the judges said.

"Next year, we may change the color scheme or we may change the whole thing since we're adding a 401(k) savings plan, but the big work is done because the (computer) programming is done," she said.

Employers that don't have benefit statement software can have a computer programmer write a program for the company, "but it does definitely take coordination," Ms. Lohmeier said.

By having the different software components in-house, Racal-Milgo is able to generate other reports on employees. "For instance, we're doing a solicitation to see if everybody's address is right," she said.

The booklet "achieved all stated objectives with a good-looking, high-quality product," one judge said. ■

Playtex statements traditional, but excellent

By CAROL CAIN

The idea for an annual personalized benefits statement at International Playtex Inc. started at the top.

"It was done initially because of the chief executive's feeling that this kind of information should be communicated to management employees," said Charles R. Reynolds, director of pension, profit-sharing and insurance administration for the Dover, Del.,-based company.

Now, Playtex's almost 2,500 salaried employees look for the statement each year, especially those employees reaching retirement age. The statement contains a section that reveals the amount in the employees' profit-sharing retirement account, Mr. Reynolds explained.

Playtex's statement won one of the four first-place awards in the personalized correspondence category for the best traditional benefits statement in this year's *Business Insurance* Employee Benefits Communications Awards competition.

The 8¾-by-23-inch printed form that folds to fits in an 8¾-by-8¾-inch cover was rated by one judge as "Clean, clear, easy to use and read."

"Good graphics. Pleasing use of color and type," said another.

A personalized benefits statement is not an inexpensive communication to produce, Mr. Reynolds said. Playtex's effort cost in the neighborhood of $10 for each statement, he said, though other consulting firms quoted prices for products as low as $2.50 each.

Playtex produced its first benefits statement totally in-house in 1971. Two years later, it shared some of the printing responsibilities with a forms printer before using its first consultant at the insistence of Rapid-American Corp., its parent company at the time. Since then, Playtex has switched consultants three times and has used Meidinger Inc. for the past three years.

"It's very important that when you are looking at a consultant to do this, you carefully look to the personalities and qualifications of the people who are going to work directly with you," Mr. Reynolds said. "It's important you get a good team to work with."

When Meidinger took over the Playtex account, it took the existing benefits statement and revised the appearance and wording, said Harvey Jacobs, a consultant with the Louisville, Ky.,-based company.

That first year the project took between four to six months to complete, but now it takes about six weeks, Mr. Jacobs said.

Personalized statements are not mandated by federal law, but Mr. Jacobs sees more employers using them as a communications device.

For the money invested in a personalized statement, employers can expect to see employees understand their benefits better, Mr. Jacobs said.

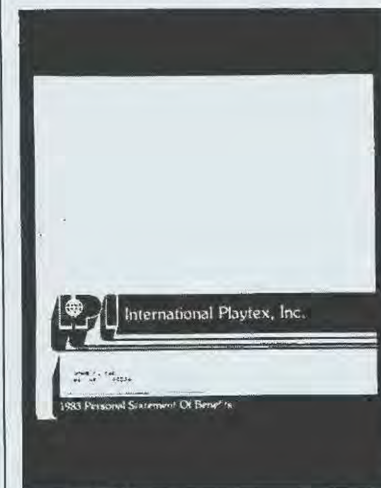


Photo: Mary Herlehy

"(Statements) also help retain good employees and attract new ones," he added, noting that since the statement spells out the cost of benefits other than salary, an employee—or potential employee—sees the true compensation picture.

The data that is published in the statements is generated by Playtex's computers in a raw form. Meidinger then compiles and prints all the information to fit the layout of the statement. It also checks the figures for accuracy. After all the computerized information is printed in the right places on the form, the sheets are sent to a local print shop where the text is printed, Mr. Jacobs said.

Many companies do exactly the opposite, completing the preprinted forms ahead of time and printing the personalized data last. But the process used at Meidinger and Playtex works well for both client and consultant, Mr. Jacobs said, noting that Playtex has eight different versions of the statement for its different divisions, like Danskin and Pennaco Hosiery Inc.

"We don't get a lot of errors," Mr. Reynolds said, "but we do get a lot of questions that are difficult to answer."

He explained that since the personalized statements contain information about potential accumulated savings in retirement accounts, employees who are close to retirement ask about projected monthly annuity rates and monthly balances, which are not listed on the statement.

There is no formalized printed information about Playtex's retirement benefits, but each location has an employee relations officer who counsels employees nearing retirement, Mr. Reynolds said.

The printer also collates and puts the statements into windowed envelopes, Mr. Jacobs said. Supervisors deliver the finished product to employees, either personally or through interoffice mail. ■

Why lock up 90% more working capital in your claims deposit than you have to?

Every company with a self-insurance program is all too aware of the hefty deposits required to cover projected claims. Those dollars come straight out of working capital.

Now GAB has a way to reduce claims deposits by as much as 90%. It's called ACT, the Automated Cash Transfer system. And only GAB, the nation's leading Claims Management service, offers it.

One of our largest clients switched to ACT and cut their loss/claim fund deposit from $1 million to $100,000—putting $900,000 in working capital back to work.

ACT eliminates the need for high initial deposits because it speeds reimbursements. Monies needed to cover claims payments are triggered automatically by the paid check and only as needed.

The system combines GAB's exclusive on-line claims information service with state of the art electronic funds transfer. Processing that used to take weeks is accomplished in hours. And the time that ACT saves translates into real dollars for you.

Most claims management firms demand two months of claim fund deposits. With ACT, as little as four days of claim fund deposits are all that's required. And GAB clients get the full benefit of float.

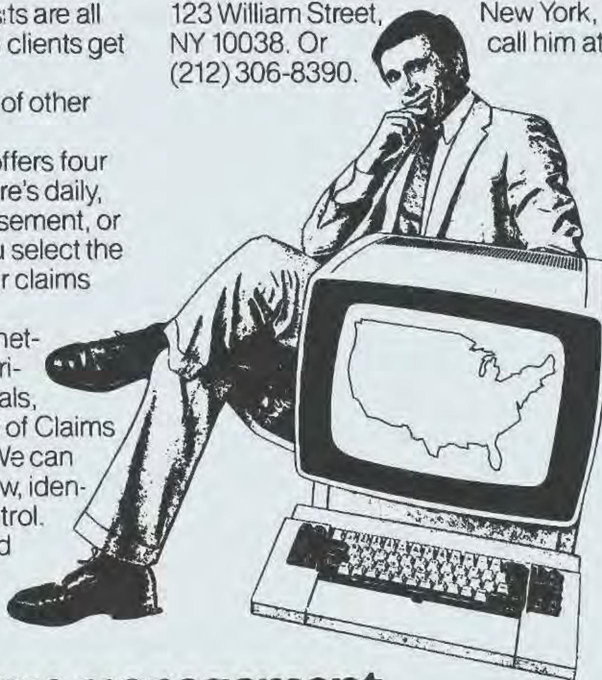
ACT is *years* ahead of other systems.

What's more, ACT offers four funding alternatives. There's daily, weekly, monthly reimbursement, or trigger point funding. You select the option that's right for your claims program.

With its nationwide network of offices and experienced claims professionals, GAB offers the full range of Claims Management services. We can help you control cash flow, identify risk, and aid cost control. We also offer a diversified selection of claims *handling* services.

If you'd like to find out more about how ACT can unlock the capital imprisoned in your current claims deposit, contact GAB.

Write to: Paul Dougherty, Senior VP, Claims Management Division, GAB, 123 William Street, New York, NY 10038. Or call him at (212) 306-8390.



GAB The state of the art of claims management.

Photo: Mary Herlehy

Food company's statements clarify retirement plan options

By CAROL CAIN

International Multifoods is taking some of the complicated calculations out of retirement planning for its employees.

This year, with the help of consultant Johnson & Higgins, the 91-year-old Minneapolis-based diversified food company, designed a new type of personalized retirement statement, one that gives employees some solid comparison figures for three different retirement ages.

"We wanted to give people relevant, useful planning information," said Nancy Platt Jones, a J&H vp. Most of the retirement planning material already on the market projected life-only benefits when a person retired at age 65, she said.

"Employees would ask, 'What if I want to retire at 62?' They couldn't figure it out," Ms. Jones said.

Another design on the market was a grid that showed 15 different retirement ages and six options. "It's a mass of numbers, too complicated," Ms. Jones said.

International Multifoods' statement, which projects figures for three retirement-age options for employees older than 50, won one of four first-place awards in the personalized correspondence category for best statement on a single benefit in this year's *Business Insurance* Employee Benefits Communications Awards competition.

The 23½-by-10½-inch, multifolded statement fits into a pocket at the front of an accompanying 16-page booklet. Another part of the communications effort, a newsletter, fits into a pocket at the back of the booklet.

The three retirement ages for which benefits are calculated are usually 55, 62 and 65, but if the person is older than 55, the statement then will show three older retirement ages. For instance, the employee who is 58, would receive information for ages 59, 62 and 65, says William R. Johnson, manager of corporate employee benefits for the food company.

The statement also takes into consideration whether the employee is married or single by including information not just for life-only options but for a joint-and-survivor option or a 10-year certain and life option.

But the uniqueness of the statement lies in the figures, Ms. Jones said. A real rate of return is used to project the savings plan. "It takes inflation out entirely," she said.

In the accompanying booklet, employees are told that the effect of inflation is removed from the figures and that projections are shown in today's dollars. "This permits you to assume that you are retiring today and compare the money you would need today with the amounts shown on the statement," the booklet reads.

"This is the kind of calculation employees can't do for themselves," Ms. Jones said.

Designing such a statement, with the accompanying booklet, really solved a major problem for International Multifoods, Mr. Johnson explained.

About 350 of its 7,800 employees

Continued on page 30

ANOTHER TECHNOLOGICAL ADVANCE FROM SHARP.

SHARP HAS DEVELOPED THE COMPUTER SYSTEM THAT LETS YOU DEVELOP THE CHIPS.

Are you a custom program developer looking for a cost-effective way to put your programs in module form?

Or an executive looking for a way to get your company's custom programs into the field?

If so, Sharp has the simplest and most direct development system available.

Introducing, the Sharp PC-1500A Computer, the CE-165 Writer and the CE-160 Memory Module.

The PC-1500A is an 8K portable computer programmable in BASIC, making it the ideal computer to take your completed programs into the field. It also serves as the input for the chip development process.

When used with the CE-165 Writer, the PC-1500A gives you the ability to write and verify your own programs into 16 8K-byte memory modules all at the same time and all in an incredibly fast 8 seconds! It also erases 16 chips in only 10 seconds!

With this kind of simplicity and speed, you can control your own delivery schedule, inventory and distribution.

And finally there's the small matter of the chip. It's another big plus for our system. The Sharp CE-160 Memory Modules are made with CMOS technology and lithium batteries that assure years of retention. They're even made with a security circuit that guards against "L-LIST" commands.

All in all, the remarkable system gives you the ability to develop your own chips while retaining control and confidentiality over your own programming.

To find out more or to learn how this system can be customized to meet your needs, call Sharp at (800) 526-0264 or (201) 265-5600. Ask for Systems Division, Vertical Marketing Group.

FROM SHARP MINDS
COME SHARP PRODUCTS

Sharp Electronics Corp., 10 Sharp Plaza, Paramus NJ 07652

Why you should separate the Texas portion of your workers' comp coverage.

In 1982 alone, Texas Employers' policyholders saved $79 million on their workers' comp coverage. We passed those savings along in the form of dividends, premium discounts, and retrospective savings to our customers.

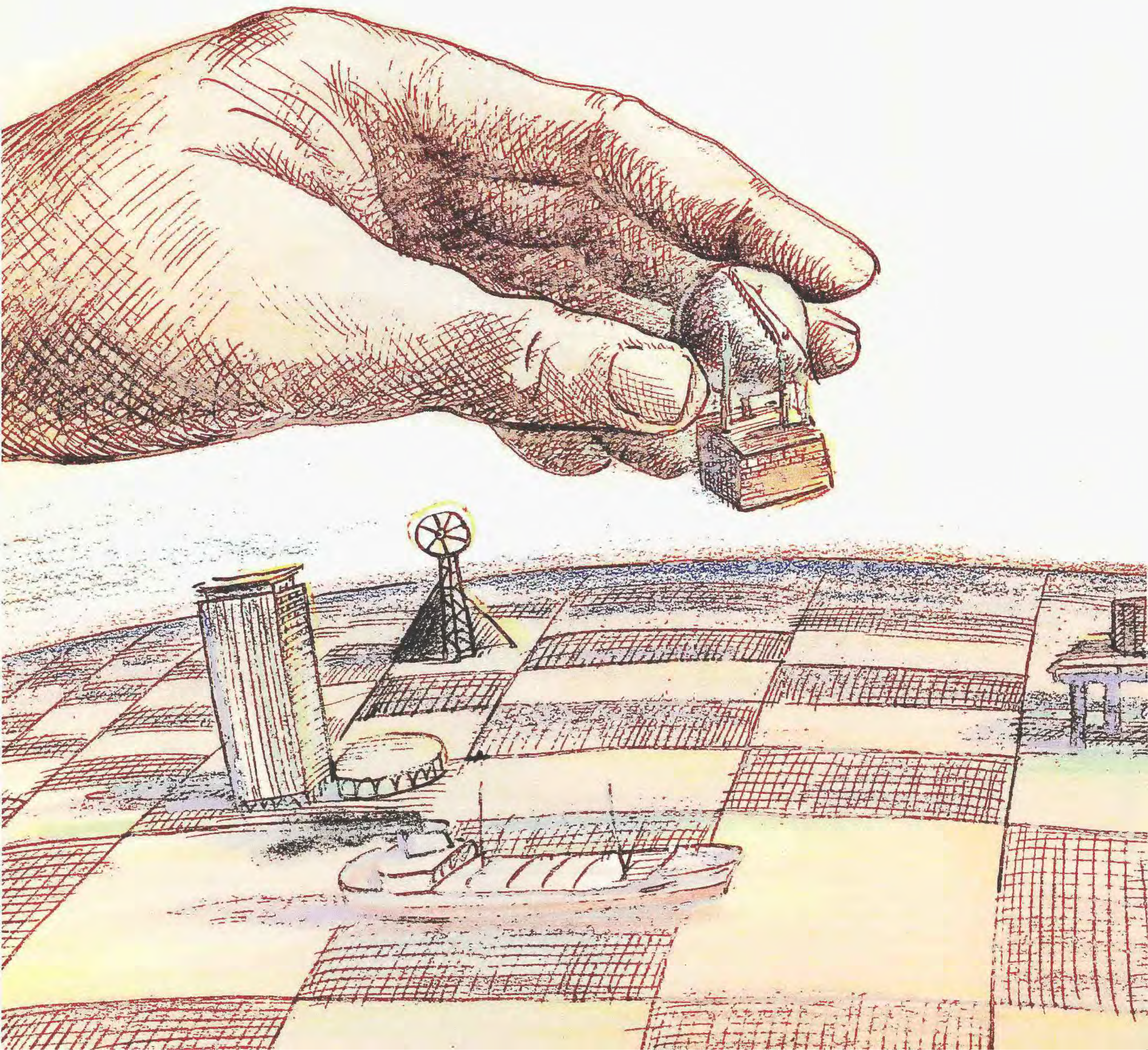
By putting the expertise of our safety engineering and industrial hygiene staffs to work, your potential for savings may be larger.

All of which makes a good reason for putting the Texas portion of your workers' compensation coverage with Texas Employers'. For details, call our National Accounts Division at (214) 760-6435.

Texas Employers' Insurance Association
P. O. Box 2759
Dallas, Texas 75221

Employers Insurance of Texas:
Texas Employers' Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

Multinational businesses are definitely not getting any simpler. But, because of AFIA's Global Programs, insuring them certainly is.



By definition, international business is a complicated proposition. Keeping track of your worldwide interests requires a tremendous amount of time and energy. And as the world of business becomes more complicated, there's the absolute necessity of staying on top of constantly changing local laws and regulations all over the world, which is at best difficult, at worst, next to impossible.

All of these responsibilities and influences not only affect the way your business is run, but also inevitably affect the way you must insure your business. That's why an AFIA Global Insurance Program may be the best way for your company to get a firm grip on your worldwide insurance needs.

Having global insurance means your company is covered by one uniform program both abroad and in the U. S. In short, global insurance can help you accomplish two of your most basic insurance goals–greater control of your insurance, at a lower cost.

And if you are covered by an AFIA Global Program, you will be backed by the unparalleled expertise and capabilities of AFIA, combined with the strengths of its member companies–Aetna, The American, Fireman's Fund, The Hartford, The Home and St. Paul Fire and Marine.

At AFIA, we've been protecting the world since 1918. We have more than 230 offices serving the world, so we know the local laws and business conditions wherever you operate. And our Global Programs reflect that knowledge.

Of course, deciding whether a Global Program is right for your company is no simple process. No two multinational companies have the same worldwide insurance needs. And, since the global concept is relatively new, many people are unfamiliar with what it can and cannot do for a multinational company.

At AFIA, we'll use our unequalled expertise to help you decide if a Global Program makes sense for your company. And if it does, we'll show you exactly how it can simplify your worldwide insurance coverages.

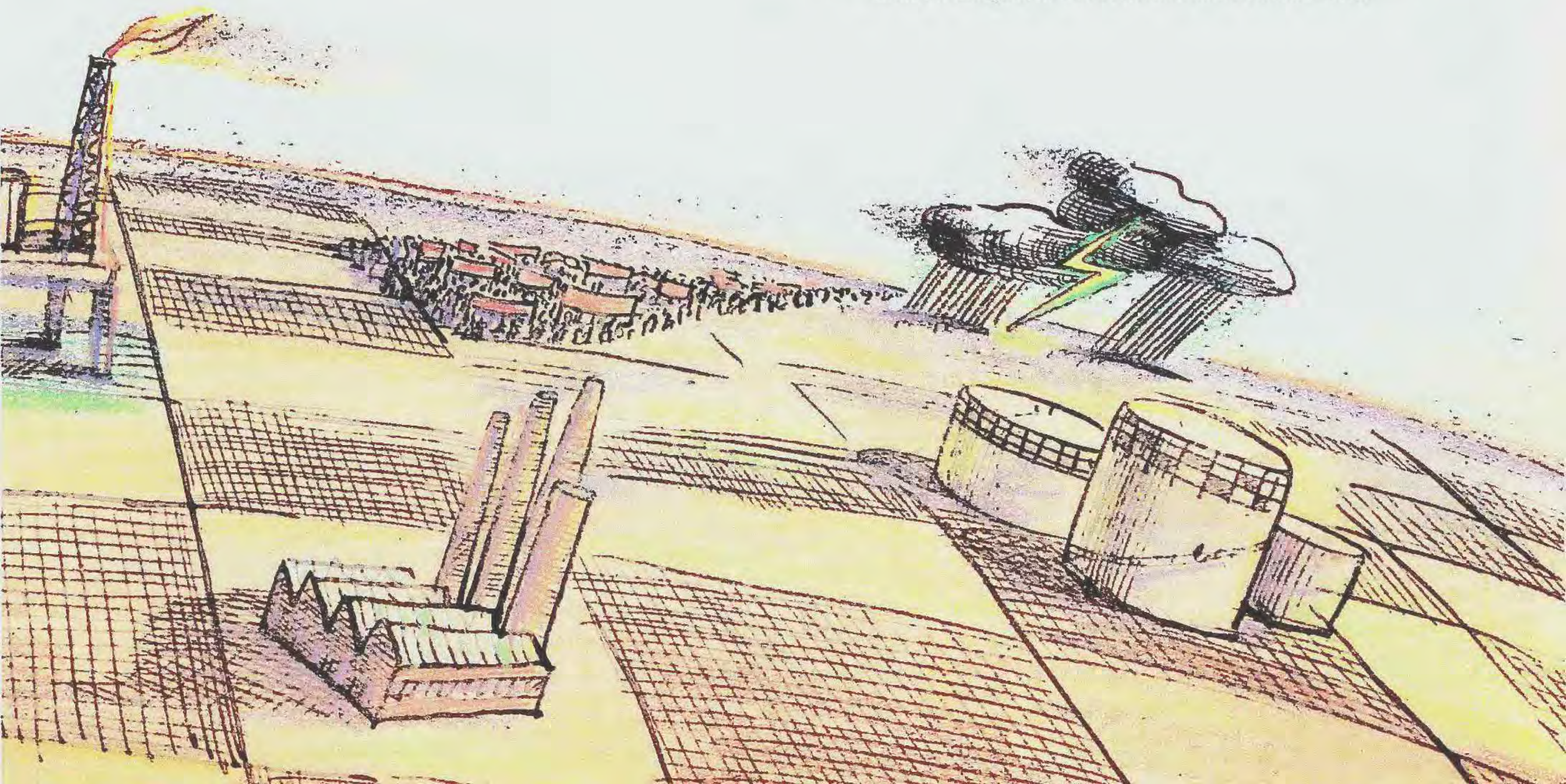
As the world of international business becomes more complicated, figuring out how to streamline your worldwide insurance doesn't have to be. Talk to AFIA.

AFIA

WORLDWIDE INSURANCE

The older we get the younger we think.

AFIA, 110 William Street, New York, NY 10038, Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.



Test your ideas, not your patience.

information you have in The Travelers data bank. This means that individual claim descriptions can be available at the push of a button. Or grouped together by date. Or by a given dollar amount. Or by type of accident. Or by location. Or by any combination of these. It's up to you.

And this information becomes more meaningful since reports are produced and designed by you. You and your staff spend less time thumbing through, and manually creating reports because CARMA does the work for you. The result: a more productive workforce.

What's more, CARMA is more than a decision support system. It's a decision development system. Ask a question. If the answer suggests yet another question, ask it. Because CARMA can answer your questions as fast as you can think them up, it can actually aid your thought process. As you explore options, CARMA molds data into information and eventually, decisions. As a result, when your needs extend beyond mere claim facts to financial planning, accident analyses, or even monitoring your safety program, CARMA can help.

And if you've ever been intimidated by the high tech world and jawbreaking jargon of computers, you'll especially like CARMA. It can be very user friendly. You use simple English language commands. Your answers come back the same way. So you don't need a data processing background to understand what CARMA tells you.

As the simple practice of buying insurance has evolved into the complex science of managing risk, the risk management function has assumed ever-increasing importance to a company's stability and financial well-being. And, as anyone involved in the risk management process knows, in order to forge an efficient and effective program, you must make the right decisions at the right time.

This is where The Travelers can help. Our new Client Access Risk Management Analysis "CARMA"SM System can put the information you require to make decisions where you need it, when you need it. At your fingertips. Immediately.

CARMA gives you direct, on-line access to claim

Best of all it's from The Travelers. We've been a leader in the insurance industry for over a century. As the needs of our clients have changed, so have we. As a result, for CARMA customers, the handwriting is on the wall. Increased speed and flexibility. Improved efficiency. Even better, the data is on the terminal screen. In your office. At your convenience.

For more information about CARMA, contact Linda Sundram, The Travelers, One Tower Square, Hartford, CT 06115. (203) 277-6943. Or send us the coupon below:

To:
The Travelers
One Tower Square
Hartford, CT 06115

Att:
Linda Sundram

Please send more information about the CARMA system to: BI 11/7/83

Name ____________________

Company ____________________ Phone ____________________

Address ____________________

City ____________________ State ____________ Zip __________

"CARMA" is a servicemark of The Travelers Indemnity Company

The Travelers

The Travelers Indemnity Company
and its Affiliates
Hartford, Connecticut 06115

COMBINED AGGREGATE PLANS

Programs companies should look into now

By Robert M. Currey

FOR AS LONG AS insurance has been sold, it has been marketed by product line. In the early days, hazards of the sea were of primary concern.

Later, workers compensation, general liability and a hundred or so other specialized coverages developed to meet the public's needs. Each of these policies evolved because someone perceived a need that was not being properly handled by coverages existing at the time. The fact that this was and is a costly and inefficient means of handling a corporation's insurable exposures seemed to be of minimal import.

The unavoidable result of these marketing strategies is that commercial insureds end up with an array of policies, each covering a separate and distinct area of exposure. Individual deductibles are set after a proper cost/benefit analysis and a review of the company's attitude toward risk assumption. Little if any thought is given to what could happen if the firm sustained a proliferation of small claims that in the aggregate would have a devastating effect on the earnings per share.

On the other hand, too much coverage is bought in the so-called working layers, leaving the finite insurance budget strapped at the more economical catastrophe levels.

Like it or not, just about the only thing the insurance industry does well is spread catastrophic risks. Everyone in the business has been warned about trading dollars with their insurers, and for good reason. Administrative and sales allocations consume such a substantial portion of every premium dollar that buyers are being shortsighted if they insure an exposure they could easily absorb. That is, unless they have no choice.

Wouldn't everyone, individual and corporation alike, be better off if they could go to one insurance company to cover all insurable exposures over an agreed-upon aggregate retention?

For individuals, that might be $2,500 per year and for large corporations, the figure could be $10 million or even more. The way insurance is sold today makes this a pipe dream for all but a small fraction of the nation's insureds. Those firms that have the administrative, data processing, loss-handling and financial resources to approach the marketplace on this basis, however, would do well to consider it.

In 10 years, I believe the combined aggregate approach will be used by a substantial and rapidly growing segment of the corporate world. But why wait? Many should evaluate the option immediately.

The average insurance program can be simply described. As many as 20 or 30 contracts profess to cover all the firm's property/casualty exposures. Deductibles and limits vary greatly and most companies have little protection against the unexpected accumulation of losses falling within a given large deductible. Absorbing one $250,000 claim has been contemplated but few have thought about what would happen if 10 such incidents were to occur in a given year.

These insurance products form a jigsaw puzzle that for the most part includes mutually exclusive pieces. Potential problems in such an approach include:

- Uninsured gaps in coverage because of differing terms and conditions.
- Premium redundancies.
- Inability to maximize purchasing leverage because different markets are used providing various coverages.
- Administering the program is unnecessarily difficult and time-consuming. A risk manager must worry about frequent renewals, varying reporting provisions, etc.
- Finally, unattractive cash flow results when insurance retentions are established by line of coverage rather than based on the firm's ability to absorb all such losses in the aggregate. Some dollar trading, the bane of any good professional, is almost guaranteed.

There is an alternative. Unfortunately, it is available only to large commercial and institutional clients. The combined aggregate concept is predicated on the assumption that corporations are better able to contain their risk costs by using the insurance industry only to provide true insurance.

Services normally contemplated within the premium—like claims, loss control, management information, etc.—are unbundled and purchased from providers with demonstrated expertise in the discipline. No longer are insurers expected to conduct facility inspections and to adjust claims. Instead, the insured takes over these obligations. The most persuasive arguments suggest that it can do them more efficiently at lower cost.

In the long run, these changes will be valuable to the insured and insurers alike.

The corporation will absorb and handle the vast majority of its own claims. They will use the best suppliers and employees they can find and develop a consistent attitude toward claims management. They will also gain an expertise in responding to the type of claims most prevalent in their business, something no insurance claim department will ever hope to accomplish.

The insured will expect its insurer to respond when all losses in the aggregate exceed a predetermined level or if it should have a single major incident. Risk transfer is used only on infrequent, unpredictable and catastrophic losses. Sound practice dictates that this is the insurance industry's only rightful place in the risk management continuum.

The first step is the accumulation of detailed, supportable loss data from previous years. Only then can you establish at what level the aggregate insurance should attach.

In today's world, luck is kept to a bare minimum. Just about every major broker has the ability to assimilate massive amounts of raw data on prior claims and extrapolate them into the future. Given a basic set of assumptions, the underwriter and client have a very good feel for what a company's predictable losses are likely to be next year and in the future. Armed with this data, it is then relatively easy to structure the annual per occurrence and aggregate deductibles.

Unfortunately, many companies are not in a position to implement such a program quickly. The CAP concept, as Johnson & Higgins describes it, implies a total revision in the way the average risk manager operates. Instead of relying on various insurers to handle losses covered by their policies and then issuing annual or quarterly loss runs, you will have to do it yourself or contract with outside vendors that specialize in the area.

The claims services are essential. After all, the insurer writing the combined aggregate protection may not provide these services and the management information system is the only vehicle you or your insurer have to monitor loss activity to determine if and when the aggregate threshold is pierced.

One other point: I have never met an underwriter willing to provide aggregate protection of any kind unless it has confidence in the claims staff being used. Once these disciplines are established, however, the concept is amazing in its simplicity.

The average program will have three basic parts:

- The primary or working layer. This sector will have both per-occurrence and annual aggregate limits, which are generally retained entirely by the insured.

Continued on next page

Robert M. Currey is a lawyer, independent risk management consultant and the publisher and writer of The Boston Journal of Risk Management. This article was reprinted from The Boston Journal of Risk Management, Vol. II, No. I.

perspective

Failing to file timely proof precludes suit

legal briefs

FAILURE TO FILE a detailed proof of loss within 60 days after discovery of burglary losses, as required by a federal crime policy, precludes suit against an insurer that refuses to adjust losses, according to a federal court.

Havemeyer Textile was insured against burglary under a crime policy issued by the Federal Insurance Administration.

Havemeyer sustained burglary losses at its business premises Sept. 8 and Oct. 5, 1981. The first burglary was reported to the administration Sept. 23 and the second Oct. 26. However, first proof concerning the claimed losses was not sent until Dec. 14, 1981.

Thereafter, a claims adjuster was assigned to investigate the validity of the loss. The adjuster was unable to verify certain receipts submitted and on April 23, 1982, the administration notified Havemeyer that its claims were being denied. Havemeyer brought this suit for breach of contract.

The federal trial court agreed with the administration that the suit should be dismissed inasmuch as the policy clearly required submission of proof of loss within 60 days after discovery of the loss.

According to the court, it had to give effect to terms established by the government as a condition precedent to an action against it. *Havemeyer Textile vs. Federal Insurance Administration*, U.S. District Court for the Eastern District of New York, Jan. 25, 1982 (*BI*/02/N.-$5).

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy editor Claudette Dampier. She can be reached at 312-649-5282.

Binder acts as policy

An insurance binder that provided coverage in case of fire was not ambiguous and was intended as an expired policy renewal; thus, an insured was bound by the policy's one-year limitation on suits, according to the Supreme Court of Utah.

Jerry Hibdon operated a clothing business, which was insured under a fire policy issued by Truck Insurance Exchange. It provided that any suits on the policy had to be commenced within 12 months after a loss. This policy expired.

Two days before a fire, Mr. Hibdon was issued a binder that also provided fire coverage. The binder bore the same policy number as the expired policy, noted that a policy had been applied for and that it was binding for 60 days.

Mr. Hibdon sued the insurer more than 12 months after his loss. The insurer succeeded in having the suit dismissed.

On appeal, Mr. Hibdon argued that he was not subject to the original policy because the binder was intended to bind coverage under a new policy that the insurer failed to issue to him.

Therefore, he maintained the original policy's one-year limitation period was inapplicable and he was governed by a six-year limitation for actions brought under instruments in writing.

But the court said the binder was not ambiguous and clearly was intended to renew the expired policy. *Hibdon vs. Truck Insurance Exchange*. Supreme Court of Utah, Jan. 24, 1983 (*BI*/04/N.-$5).

Covered and excluded risks

The crucial question presented here was whether a comprehensive liability insurance policy provided coverage for an accident caused jointly by an insured risk and by an excluded risk. A California appellate court ruled that it did not.

J.L. Alberts Concrete Construction owned a pickup truck. Alberts was covered under two separate insurance agreements issued by Allstate Insurance Co. under a single policy.

The automobile agreement provided coverage for bodily injury or property damage arising out of maintenance, use, loading and unloading of any automobile. The automobile liability section provided coverage with limits of $100,000 per person injured and $300,000 per occurrence.

The comprehensive coverage was for bodily injury or property damage caused by an occurrence except for those arising from the operation, use, loading or unloading of an automobile. This provided limits of $300,000 per occurrence.

Alberts' pickup, negligently loaded wih 20-foot metal bars, was involved in a collision with an auto driven by Robert H. Jones. Mr. Jones eventually died from injuries sustained in the accident. Mrs. Jones also was injured.

Allstate brought this suit to determine whether the general liability section of the comprehensive policy afforded Alberts coverage. The trial court said that it did.

On appeal, Alberts argued that when two such risks constitute concurrent proximate causes of an accident, the insurer is liable as long as one of the causes was covered by the policy.

The court said it concluded that both of the acts of negligence here, loading and driving, which caused Mr. Jones' death, were auto-related. Thus, the insured's actions, the court said, fell within the policy's exclusion.

Further, the court said it would strain reason to conclude that Alberts expected its general liability policy to provide coverage when two acts of negligence involving its vehicle concurred to cause Mr. Jones' death. *Allstate Insurance Co. vs. Jones*, California Court of Appeals, Jan. 19, 1983 (*BI*/05/N.-$5). ▪

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for $5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

Combined aggregate programs make sense

Continued from previous page

• The next or combined insurable risk policy superimposes protection over all exposures—it is the key ingredient. This contract responds to a large single loss exceeding the working layer's limit or provides first-dollar protection once the aggregate deductible has been reached.

The manuscript form generally will be written on an all-risks basis with very few exclusions. It can be tailored to include as many of your insurable exposures as you'd like and because of the retentions, you may be able to negotiate protection generally unavailable in the primary marketplace.

The policy will respond excess of an aggregate loss level, so some attention must be provided to the cancellation clause. The last thing you want is your insurer issuing legal notice as soon as a proliferation of claims leads you to think coverage may be necessary.

The best technique I have heard about includes a non-cancellable three-year policy. Ideally, the premiums will be guaranteed for the entire period; alternatively, increases should be mandated only by increased exposures.

• Since capacity for the manuscripted all-risks form is relatively modest ($40 million to $50 million), excess coverage is purchased for exposures requiring higher limits than available under the preceding layer.

It should be noted that there is a great deal of flexibility in the approach. Very large concerns probably will leave the working layer totally self-insured while others may wish to transfer some exposures and retain others. This makes it possible to implement the program slowly keeping important insurance relationships in place while capping your aggregate costs in any one year.

The premium efficiencies are obvious. The company uses insurance only for large and unpredictable variations in their anticipated losses. Claims are handled by specialists outside the insuring mechanism and losses, for the most part, paid as incurred. The premium dollars spent by the insured become relatively modest and their resulting program is probably somewhat insensitive to the wild swings in the underwriting environment.

At first blush, readers unfamiliar with the concept will be struck by its simplicity and they are correct. The resulting risk management program is much easier to administer. There are but a few significant policies to negotiate each year. The claims and information systems are so sophisticated that the insured almost daily knows how much money the company has lost and axiomatically how close the aggregate protection is to attaching.

Over the next few years, many companies will structure their risk management program around this idea. The end result will be a system providing:

- Adequate catastrophic protection.
- Cost efficiencies.
- Maximum cash flow benefits.
- Administrative simplicity.
- The best possible claims, loss-control and MIS services tailor-made to respond to the client's idiosyncratic needs.
- A known maximum cost for a company's risk management program (insurance and retained losses).
- Broader coverage terms than individually placed contracts.

This sounds almost too good to be true. Aren't there any disadvantages? The answer is yes, but very few and none that aren't faced in a standard insurance program to some extent.

First, clients will be relying on the core market to a far greater extent than most firms have ever done before. Consolidating one's purchasing power has some pluses and minuses. Any corporate client basing its risk management decisions on a continuing relationship with any single market is vulnerable.

If that insurer ever decides it is no longer interested in your business, you could have a hard time duplicating what you worked so hard to implement, especially if the underwriting environment for aggregate programs becomes distressed. Right now, the worldwide capacity for such a program is about $40 million to $50 million. Engendering interest with insurers selling their wares in a more conventional way may be hard even for the best of firms.

Also, the client must be prepared to take on a great deal of administrative responsibilities normally subcontracted to the insurance industry (claims administration, loss control, etc.).

As mentioned previously, no aggregate underwriter will attach until it is convinced the insured's self-insured losses are being properly handled and are supportable if the aggregate annual retentions are ever reached. A sophisticated management information system should be established to help keep track of these losses as well.

To dismantle a traditional insurance program is no easy matter and the time required to set up the necessary disciplines should not be underestimated. Those using the technique have found the minor aggravations worthwhile. They are closer to the "ideal" risk management program than others buying standard line-oriented coverage. ▪

Food Processing.

We understand the risks, because we understand the business.

Everything works better when an insurance company knows your business.

You get expert help with loss control. Claims are processed more efficiently. And, most important, you get imaginative rating techniques that effectively match your premiums to exposures.

You'd expect an insurance company to know the insurance business.

We've taken the time to learn the food processing business.

As one of the nation's largest insurers, we can design programs for all of your casualty, property, life and health insurance needs.

If you'd like to see the benefits of working with people who understand your business, give our business a call.

Call our National Accounts office at 715/346-6863.

Sentry Insurance
National Accounts Department
Sentry World Headquarters
1800 North Point Drive
Stevens Point, WI 54481

AGENTS: What do you do when a client asks about long-term auto leasing insurance?

Be sure—take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves your time, cuts your costs, satisfies your customer. We do the work, you get the credit!

- **Lessors Excess Liability**
- **Lessors Contingent Liability**
- **Contingent Physical Damage**
- Primary Physical Damage
- Primary Liability coverages
- Interim Car Coverages

We invite your inquiry and your business.
Call or write **Ron Ruane**.

PAIGE-RUANE, INC. INSURANCE
The Irwin Building
460 N. Gulph Road
King of Prussia, PA 19406
(215) 265-4170

Physical Damage by

The Insurance People from General Motors

Statements clarify retirement options

Continued from page 22

are nearing retirement age, but they're scattered at the nearly 70 locations throughout the United States.

"We have agricenters in some rural communities and there may be only one or two salaried people there," Mr. Johnson said. "We ruled out the approach that many employers take—meetings," he said.

"That's why we developed the type of program we did. We needed a package that would stand alone, yet be in a manner that would motivate them to do some planning," Mr. Johnson said.

The material was mailed to the homes of all employees older than 50 who had at least two years of service with the company.

"We wanted to give it to them at an age and point in their career where there was time to do some financial planning," Mr. Johnson said.

The project itself seemed to take forever, because "we couldn't settle on what type of approach to use," he explained. Once that was determined, it took about six months to develop the statement, he added.

Ms. Jones thinks that this type of approach to retirement benefit communications may catch on, adding that she believes the J&H-International Multifoods product is the first of its kind in the market.

Retirement planning programs have waned in recent years because of the economy, Ms. Jones said, but she expects this area to grow once again grow.

Neither she nor Mr. Johnson could come up with cost figures for the project, though Ms. Jones said the costs would vary from company to company based on the number of employees and the number of retirement options available to them.

Because J&H was already working with International Multifoods on its personalized benefit statements, it had a lot of data in its computers, which made the project easier and less costly, Mr. Johnson said.

Writing the text for the booklet was a joint effort, but dealing with the vendors, like the printers, was left up to the consultant, he added.

Could the project have been done in-house?

"Some employers, given the staff and computer time, might be able to accomplish it in-house, but it's probably most cost-effective to hire someone from the outside," Mr. Johnson said.

International Multifoods had enough blank statements and booklets printed to last three years, which should make the job simpler now that the computer program to generate the data has been written, he said.

The only part of the program that will change is a quarterly newsletter that just started with this benefit communications package. The first newsletter, just a single 10½-by-7-inch sheet printed on both sides, tells employees about the new program. The second issue, which just came out, talks about Social Security benefits.

"The newsletter is an important part because it's an ongoing communication," Mr. Johnson said. "It allows us to deal with subjects that are timely and to focus material to this group of employees."

Judges of the competition liked the newsletter, too. "It was a nice touch," one of them said.

Since the first newsletter appeared, employees have suggested topics, such as estate planning, for upcoming issues, said Mr. Johnson.

Employees, he added, are taking their statements with them when they meet with their financial and tax advisers. ■

From The Reprint Department Of:
business insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
220 E. 42nd St.
New York, N.Y. 10017
212-210-0131
212-210-0229

*New prices effective 1/1/83

"I'VE GOT TOO MUCH AT RISK TO TAKE A CHANCE ON RISK MANAGEMENT."

At risk is your company's reputation in the marketplace. Your standing in the community. The well being of your employees. And, of course, your physical plant.

The St. Paul brings an entire staff of professionals to the task of helping you minimize risk to these precious assets.

A St. Paul Risk Management Consultant will work closely with you, backed by graduate engineers, chemists, industrial hygienists, industrial psychologists and computer specialists... along with experts in such diverse fields as fleet safety, workers' comp, product liability, property protection and hazardous waste disposal.

Many have had nationally accredited designations awarded for professional insurance and risk control experience and continued education. Included are Certified Safety Professionals, Certified Industrial Hygienists, Associates in Risk Management, Registered Professional Engineers, and Chartered Property Casualty Underwriters.

Call an independent agent representing The St. Paul. They're in the Yellow Pages.

THE RISK MANAGER'S RISK MANAGER

The St. Paul
Property & Liability Insurance

St. Paul Fire and Marine Insurance Company / St. Paul Mercury Insurance Company / The St. Paul Insurance Company / St. Paul Guardian Insurance Company / The St. Paul Insurance Company of Illinois: Property and Liability Affiliates of The St. Paul Companies Inc., Saint Paul, Minnesota 55102

© 1983, St. Paul Fire and Marine Insurance Company

Flexible, 401(k) plans focus of many entries

The number of benefit communications programs being developed for flexible benefit plans and 401(k) savings plans is tremendous, according to the entries submitted to the 11th annual *Business Insurance* Employee Benefits Communications Awards competition.

"It was especially shown in the personalized correspondence category. We saw more than just the personalized statement. We saw a number on flexible benefits," said Donna Drachman, *BI's* director of communications and the contest's coordinator.

Employers are also producing more integrated communications efforts, rather than just a single project, she said, noting 50 entries were received this year in the special projects category, up from last year's 40.

Some 124 companies submitted 15 entries in this year's competition, with 19 consulting firms working on the entries.

Mr. Ayache

According to category, there were 27 booklets entered, 25 personalized correspondence entries, 32 audiovisual presentations, 11 total programs and the 50 special projects.

The overall number of entries is down a bit from last year, but Drachman believes the reason is in the timing of the competition.

"We stuck to our deadlines and a lot of people were still completing their programs. One of our rules is that the communication (tool) must be in use and have been seen by employees," she said.

First-, second- and third-place winners were selected in all the personalized correspondence category.

Mr. Bower

Judges had a difficult time selecting only one first-place winner in that category since the entries covered so many types of plans, Ms. Drachman said. The judges finally came up with four subcategories and selected a single winner for each.

Those subgroups were: best introduction of flexible benefits, best traditional benefits statement, best booklet-bound benefits statement and best statement on a single benefit.

Mr. Coates

The winners were recognized Nov. 1 at an evening banquet in Chicago during *Business Insurance's* Communicating Employee Benefits Conference.

Twelve judges had the eye-stimulating task of selecting which entries met the contest's criteria and were the best in their category.

A clear-cut, specific and easily communicated program was a key point in the judges' scrutiny. Other qualities the judges looked for were objectiveness, organization, communication, content, packaging, persuasive elements, believability and whether the program presented a good working relationship between employer and employee.

Many of the judges were impressed with the way some of the programs clearly mapped out the companies' benefits plans. Some of these judges are in the graphics rather than benefits field, yet were able to follow along.

On the other hand, some entries were so difficult to understand that even those judges who deal with benefits every day wondered what they were trying to say.

The judges were:

- Robert Ayache, director of benefits for General Host Corp., a diversified corporation in Stamford, Conn.
- Earle Bower, president of Earle Bower Associates Inc., an advertising agency in New York.
- Colby Coates, New York bureau chief for Electronic Media, a magazine based in Chicago.

Continued on next page

ANDREWS LITIGATION REPORTERS

CONCERNING:

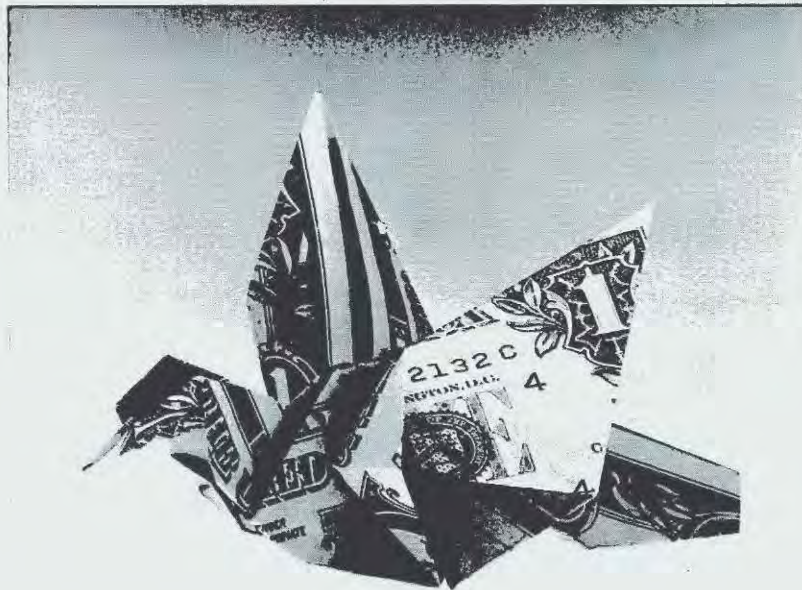
Asbestos—Automotive—Aviation
Computer Industry—DES—Hazardous Waste
Iranian Assets—OB/GYN—Toxic Chemicals

We publish twice-monthly highly authoritative, often cited, *Litigation Reporters* in each of these specialized litigation areas. These national journals of record carry the latest significant opinions, orders, rulings, pleadings and filings. We publish texts within days.

Subscribers include plaintiff and defense attorneys, insurers, federal judges, magistrates, government agencies and corporate counsel. The subscription renewal rate for our journals is constantly near 100%. Call or write to subscribe, or for more information.

ANDREWS PUBLICATIONS, INC.
P.O. Box 200, Edgemont, PA 19028 (215) 353-2565
The Pioneer in Litigation Journals

Are You Using Your Benefit Dollars Creatively?



If your corporation is in the fold of a cost control dilemma, our organization's Group Management Division (GMD) can help. As an employer, you can now enjoy greater use of your own international benefit dollars by employing funding strategies that will maximize your company's cash flow and allow you the use of your money until your employees have claims.

These strategies are yours without a wrinkle. They are simple for you to implement because GMD does the paperwork and coordination with our organization's wholly-owned and managed facilities in over 130 political jurisdictions, worldwide.

If you'd like to learn more about the creative use of your employee benefit dollars, call Mr. C. C. Gamwell III, Vice President, at (212) 770-5060 or 770-7407. Or mail the coupon.

GMD is a division of American International Life Assurance Company of New York, a member company of American International Group.

Group Management Division
American International Group
70 Pine Street
New York, NY 10270

Please send me more information on multinational benefit cost control. I'm interested in:

☐ Group Life ☐ Group Medical ☐ Voluntary Life
☐ International Pension ☐ Group AD&D ☐ LTD
☐ Third Country National Coverage ☐ Overseas Personal Liability ☐ Savings Through Multinational Pooling

Name ______ Title ______
Company ______
Nature of Business ______
Address ______
City ______ State ______ Zip ______
Telephone (____) ______

B-11/7

GMD. BENEFITING THE WORLD WITH COST CONTROL IDEAS.

Judges praise communications efforts

Ms. Gold

Continued from previous page

• Jane Deuvall, assistant vp of direct compensation and benefits for Loews Corp., a hotel and entertainment corporation based in New York.

• Paul K. Dougherty, senior vp of GAB Business Services Inc., a diversified service company for the insurance industry based in New York.

Mr. Merriam

• Rhonda L. Gold, benefits planning supervisor for Squibb Corp. in Princeton, N.J.

• Bruce Lefkowitz, sales representative for The Presentation Department, a film service and graphic design studio in New York.

• Nicholas H. Merriam, manager of personnel data systems for Pfizer Inc. in New York.

• Jane Metzroth, vp and director of human resources for Salomon Brothers Inc., an investment banking firm in New York.

Ms. Metzroth

• Jane Shannon, vp of communications, personnel planning and development for Citibank and Citicorp in New York.

• Barbara Seerman, assistant advertising manager for American International Group Inc. in New York.

• Mary Lou Smith, president of M.L. Smith Marketing Services in New York.

"I was impressed with the quality of the entries overall. If we could have had eight winners in each category it would have been much easier " Mr. Merriam noted.

Ms. Seerman

The beauty of some of the entries remained with the judges after their job was done. For instance, Ms. Shannon said, "What particularly struck me was the improvements that have been made over the years in personalized correspondence. The mix of new technology to create the individual pieces. . .was much more meaningful to the recipients.

Ms. Shannon

"For years we saw really ugly things," she said. The old ones were like grocery store advertisements. Your eye didn't know where to go first. Now, the graphics, the organization, they're more meaningful."

"The sheer beauty they can have in a communication device and still get the information across to the employee" was what impressed Mr. Merriam.

Some of the entries were obviously expensive to produce. "The winner was probably truly expensive," Mr. Ayache said of one entry. But another winner proved the contrary, he said.

"For the ones that we judged as the best, the amount of material and the way it was presented got them their money's worth in the communications program. They got a lot of mileage by spending a little extra," Ms. Metzroth said.

"I remember one dud," she added. "It looked like a first attempt ever. It was obvious that it had a low budget. And there was too much copy and material all jumbled in there, you got lost," she said.

Other judges also noted faults with some of the entries.

Ms. Smith

"The ones that weren't so good? They were too complicated or they moved too quickly," Ms. Deuvall said.

"Certain ones were vague," Mr. Lefkowitz said.

"For one, the main objective was to cut costs. But what they ended up with was an unappealing product. . .they wasted everything," Ms. Smith said.

"Some of them were overwhelming. There was too much information at one time," noted Ms. Gold.

"A lot didn't come out as well. They were boring, difficult to understand," Mr. Ayache said.

There were more entries in the audiovisual category this year, an interesting development since several speakers at last year's *BI* communications conference said more employers will use this medium to communicate their benefit plans.

"The most effective ones didn't give you too much detail; they let the booklet handle the details," Mr. Ayache noted of the audiovisual entries.

But they must be kept to less than 15 minutes and they've got to get the audience interested in the beginning, he added.

Ms. Metzroth agreed with the time limitation.

"Some AVs ran 30 minutes. That's too much. Twelve or 15 minutes should be the most, even if the message is important," she said.

Audiovisual presentations also need diversification, she said.

One entry was all information, with no music and only one narrator.

"Boring," Ms. Metzroth summed up.

"They should be unusual, but not in a ridiculous way," Ms. Seerman said.

Persons interested in judging next year's competition may contact Ms. Drachman at *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017. Potential judges should be from the New York metropolitan area.

Deadlines for next year's competition have not been determined, Ms. Drachman said, but entry forms and rules should be available in January. The entry forms may be obtained from Ann Vazquez at *Business Insurance's* New York office. ■

Your need:
• guaranteed future value of equipment
• asset write-up for improved earnings
• creative leasing structures

The solution:
Asset Value Insurance

The Specialists:
CLARENDON GROUP SERVICES, INC.
655 Madison Avenue, New York, NY 10021
(212) 758-1522 Telex: 125266

Risk managers, qualified brokers and interested parties are invited to call or write today for detailed booklet on how Clarendon Group Services can help meet your insurance needs.

business insurance...
• property/marine
• casualty/bonds
• employee benefits
• risk management

american business insurance agency, inc.

CHICAGO (312) 397-5010 ■ CLEVELAND (216) 777-3003 ■ DALLAS* (214) 661-5644 ■ FT. LAUDERDALE (305) 771-9720
MINNEAPOLIS (612) 830-3030 ■ KANSAS CITY (913) 362-6110 ■ ST. LOUIS (314) 434-7210

A Subsidiary of ABI Group, Inc.
*american business insurance of texas, inc.

...our business is, insurance for businesses.

Hospital cost increases moderate in Minnesota

ST. PAUL, Minn.—Daily hospital charges for acute inpatient care in Minnesota rose 18.3% from July 1, 1982, to June 30, 1983, Blue Cross & Blue Shield of Minnesota reports.

Charges rose 21.6% in the area during the previous 12 months.

Minnesota hospitals' average billed charges for BS/BS subscribers were $423.79 in 1982-83, compared with $358.30 in 1981-82.

Hospital room-and-board charges rose 14.1% in 1982-83 to $163.43 per day. Ancillary charges averaged $260.36, up 21%.

In 1981-82, room-and-board charges rose 15.7%, while ancillary charges leaped 25.9%.

Nationally, room-and-board charges rose 11.5% in 1982-83 and 16.2% in 1981-82.

The average charge per hosptial stay in Minnesota in 1982-83 was $2,553.66, an 18.4% increase from 1981-82's average charge of $2,156.61.

In the seven-county Twin Cities area, daily billed charges increased 21.4% in 1982-83 to $489.83. For 1981-82, the average daily billed charge was $403.62, up 22.5% percent from the previous year.

Room-and-board charges in the Minneapolis-St. Paul area rose 15.9% to $184.47, and ancillary chages rose 24.9% to $305.36. This compares with 1981-82 increases of 15.8% for room and board and 27.3% for ancillaries.

The aveage charge per stay was $3,657.90, compared with $3,018.87 in 1981-82. This 21.2% increase compares with a 19.6% rise in 1981-82.

Minnesota hosptials outside the Twin Cities area raised their charges less sharply than the metropolitan hospitals, the BC/BS study found.

The average charge per day rose 15.3% in 1982-83 to $355.19 from $308.11 in 1981-82, when these costs rose 21.6%.

Room-and-board charges averaged $141.56 in 1982-83, up 12.8%, and ancillary charges averaged $213.63, up 17%. The previous year's increases were 16.6% for room and board and 25.3% for ancillary.

The charge per stay for outstate hospitals rose 16.9% in 1982-83 to $1,782.77 from $1,627.74 in 1981-82, when these costs increased 19.9%.

Outpatient charges, which acount for 8% of total charges by health care facilities, increased statewide by 19.9%.

BC/BS of Minnesota, which has about 770,000 subscribers, compiles figures semi-annually from claims data for its subscribers less than 65 years old. ■

87th annual IIAA convention . . . Page 32E

agent/broker topics

A regular editorial section exclusively for agents and brokers

Becoming a modern-day classic

Illustration: Roger Schillerstrom

WHAT MAKES A GOOD AGENT

AGENTS & BROKERS SAY:
- INVOLVED IN INDUSTRY
- KNOW COVERAGES, CLAIMS MANAGEMENT
- MAKE ACQUISITIONS
- COMPETITIVE PRICE
- CLOUT WITH INSURERS
- SPECIALIZATION

INSURERS SAY:
- HAVE UNDERWRITING ACUMEN
- FINANCIAL HEALTH
- SELL ACTIVELY
- MATCHMAKE CLIENTS/INSURERS
- KEEP UP WITH TECHNOLOGY
- INCREASE AGENCY SIZE

RISK MANAGERS SAY:
- UNDERSTAND CLIENT'S NEEDS
- DECENTRALIZED STRUCTURE
- MARKETING ABILITY
- ABILITY TO MANUSCRIPT COVERAGE
- INFORM CLIENTS OF NEW PRODUCTS
- SPECIALIZATION

CPCU

AGENTVS SVPERIORIVM

SCHILLERSTROM

Clients want service from their agencies, but insurers stress sales

By PAMELA DeFIGLIO

Are you doing the best job you can?

Whether you respond with a yes, a no or possibly a vague feeling of uncertainty depends on what you feel an ideal agent or broker must do to burst the barrier of mediocrity and break into the realm of excellence.

You probably have already set goals for yourself. But what about others? What do your clients—especially risk managers—think you should be doing? What do your insurers think? And, does the agent down the street have loftier ideals than you do?

To find out, *Agent/Broker Topics* contacted agents and brokers, risk managers, insurers and consultants around the nation to learn what they thought makes a person—or for that matter, a business—excel in the brokerage industry.

Naturally, various segments of the industry look for different characteristics in an agent or broker, but they concur on many of the basics, such as providing high-quality service to the client, knowing the market thoroughly, increasing efficiency through automation and attaining professional designations.

However, risk managers, agents and brokers recommend that agents specialize, while insurers were hesitant about that notion. Insurers stressed that agents and brokers should concentrate on increasing sales, while risk managers were more concerned about the type of service they provided.

In fact, one risk manager explained that the qualifications of a good agent in detail, then paused and said, "You know, I guess what I'm really talking about is service," a point echoed by most of the others.

Another noted that service is the very reason agents and brokers exist.

But good service, according to the risk managers, can encompass everything from knowledge of the marketplace to returning phone calls to automating the agency or brokerage.

"Agents and brokers should have a thorough knowledge of the *general* market, not just what they're pushing," says John O'Connell, executive director/risk manager of Holy Cross Shared Services Inc. in Notre Dame, Ind., and the 1983 *Business Insurance* Risk Manager of the Year.

"They must be innovative and imaginative and must be willing to take the risk manager's requirements into battle with the insurer in order to change and modify policies and force change in the insurance industry," he explains.

"Generally, that's not what they do, however. I think it's almost a given that the insurance industry doesn't make many innovative changes. They just sell what's been sold for years.

Continued on next page

Agent quality different things to different people

Continued from previous page

"Agents and brokers should be in the forefront. They should go back to insurers and show them the need for change," he says.

Mr. O'Connell adds that he wants his broker to tell him about any new policy that comes to the market, whether or not the broker thinks Mr. O'Connell would buy it.

Arthur Bostwick, risk manager at Stone Container Corp. in Chicago, says that since insurance is a "contract to perform future services," agents and brokers must provide top-notch service, including marketing ability, or the expertise to present a client's program as favorably as possible to insurers.

An agent or broker must "know the condition of the market, make sure the account gets to the proper markets and seek concessions on behalf of his client," he notes.

One risk manager says having more than one employee at a brokerage familiar with his account is a measure of good service.

"If the producer isn't in, as often they're not, it's important that there's someone there who knows your account," says Robert L. Sinclair, director of the Office of Risk and Insurance Management at Vanderbilt University in Nashville, Tenn., and a member of the 1983 *BI* Risk Management Honor Roll.

"I don't like it when you call and the sole person who knows your account is out of town for three days."

The broker Mr. Sinclair retains assigns four people to his account, so that he can always get answers the same day he calls.

However, Mr. O'Connell doesn't think such high accessibility is necessary. He says he reads all policies carefully and only calls the broker if he has a question. "And I'll find him wherever he is," he adds.

Another ability Mr. Sinclair likes to see in a broker is the know-how to manuscript coverage. "Standard forms tend to categorize risk too much. I like to modify them—that's where you need the expertise of an in-house marketing man," he says.

Even though he carefully thinks through his needs, Mr. Sinclair says that a good broker usually finds some problems and pitfalls that haven't occurred to him.

"I don't know everything by any means, and I welcome their suggestions," he notes.

Gregory Berg, vp for administration at the Connecticut Interlocal Risk Management Agency in New Haven, Conn., which advises Connecticut municipalities on risk management, says the size of his broker—one of the alphabet houses—enhances the service he receives. Mr. Berg says he can usually reach the person he wants to talk to if he has a question or a claim, and he likes the variety of services that his brokerage can provide.

"(It) is large, but decentralized," he says. "So we get the resources of a large broker, but the accessibility of a small broker."

Mr. Berg's broker must provide services like claims administration and loss control for the cities his organization serves, he notes.

"I think one of the most important aspects of a good broker is a thorough understanding of clients' needs," he said. "And a good broker is one you can trust. That's a very important part of the relationship."

Not one risk manager defined a good broker as the one who had the cheapest prices. For instance, Spencer J. Traver assistant treasurer at The BFGoodrich Co. in Akron, Ohio, advises looking for a broker who is intelligent, responsive to clients, technically skilled and oriented to management-by-objective.

"If you get these characteristics, the fee will take care of itself."

Mr. Bostwick of Stone Container Corp. comments that price is an important factor but "you get pretty much what you pay for."

And, Mr. Sinclair said he realizes brokers and agents have to earn their fair share and often asks how much commission they make on his account. "I'll determine whether I think what the broker's making is adequate," he says, adding that he's willing to pay more if he receives extra service in return.

"I don't believe in a straight commission approach," Mr. Sinclair says. "Sometimes a percentage may be too much or too little money for the broker."

Since the risk managers say they won't balk at paying on a fee basis if they receive top-notch service, how can a broker prove that he or she is qualified to provide such help? Agents, brokers, risk managers and insurers all endorsed professional credentials, like the Chartered Property & Casualty Underwriter designation, as a measure of knowledge and dedication.

"I view credentials very favorably; they demonstrate to the public that the agent or broker is concerned about being professional," says Ron Mays, vp for agency services at Fireman's Fund Insurance Cos. in Novato, Calif.

"I would expect a CPCU (from an agent)," adds Mr. O'Connell of Holy Cross. "I really wouldn't work with an agent or broker if a number of people in the office didn't have the designations."

While risk managers define a good agent or broker in terms of the services they provide, insurers define producer excellence on the basis of the sales they generate.

"A good agent is concerned with selling, not simply maintenance of accounts," notes Joe Roth, manager of Continental Insurance Co.'s Livingston, N.J., branch.

Mr. Roth says he finds two distinct attitutes among agents: Some believe they're doing fine just the way they are, while others are constantly gunning for new business.

"We're concerned about growth. We want the agent that's sales-oriented, not the one that's complacent," Mr. Roth said.

Fireman's Fund's Mr. Mays says that financial well-being is important for an agency or brokerage as far as insurers are concerned. "They have to have good business skills, and they must strike a balance between the operation of a small business (management) and selling, or being growth-oriented.

"They can't be just salesmen or administrators," he adds.

A good agency should be "growth-oriented, always looking to increase its market share," Mr. Mays said. "It should have underwriting acumen, knowing what its carriers are looking for, what their expertise is and matching up appropriate risks with the capabilities of that carrier."

Many insurers say the size of an agency is an important attribute.

"It gets down to the issue of long-term survival," says Mr. Roth. "I think agents with $1 million or less in premium volume will have a tough time. Agents who have $2 million or more will have an easier time. We'd like to see some of them merge."

Mr. Roth tempers his remarks by adding that Continental treats smaller agencies no differently from larger ones.

Three things distinguish excellent agencies and brokerages from merely ordinary ones, according to Norman Kemp, vp of corporate marketing for Travelers Insurance Co. in Hartford, Conn. They are:

- Being attuned to technological changes that are going on.
- Stressing continuing education for their employees. "They tend to have creative, innovative responses to client needs," he says.
- Taking part in community affairs, being interested in their clients, having a love for the business and having integrity.

"It's the old cliche about cream rising to the top," Mr. Kemp remarks. "Agents who are interested in serving will work harder and be more dedicated, and people will seek them out."

What about the players themselves? What attributes do agents and brokers think help members of their profession rise to the top?

"To understand the marketplace and be able to seek out competitive quotes for your clients," says

Continued on page 32D

HULL & COMPANY, INC. 1983: THE 21st YEAR.

When is an agent too small to benefit from worldwide contacts?

Put it this way: When is *your* client not good enough to benefit from the best possible protection at the best possible rate? Hull & Company's world-wide markets are at your fingertips no matter how large or small the premium. We invite you to give us a call. Hull can handle it.

Hull & Company, Inc.

2150 S. Andrews Avenue
Fort Lauderdale, FL 33316
(305) 525-2081

9400 Fourth Street, N
Lake Bldg. Suite 107
St. Petersburg, FL 33742
(813) 577-5775

208 S. LaSalle Street
Chicago, IL 60604
(312) 346-3840

1441 E. 17th Street
Santa Ana, CA 92701
(714) 953-4488

2000 N. Loop West,
Suite 116
Houston, TX 77018
(713) 957-1345

Also: London, Paris, Cayman.

STRAIGHT UP.

(MANHATTAN LIFE!)

One measure of Manhattan's dramatic growth is the year-to-year standings as reported in the July, 1983, issue of *Best's Review* comparing 1982 vs. 1981. The growth is, simply, **STRAIGHT UP!**

CATEGORY	1982	1981
Total group sales	**10**th	20th
Group in force	**31**st	53rd
Insurance issued	**25**th	47th
Insurance in force	**59**th	87th

Additionally, we were **9**th in gain of in-force and **28**th among leading mutual companies on an in-force basis. We're **outstanding** in voluntary-spouse, true group insurance, and bringing **creative solutions** to your needs.

Remember: If you don't get a quote from Manhattan, you'll keep losing those cases to us!

Call your Manhattan general agent today. Or call Bill Flynn, CLU, Chief Marketing Officer, (212) 484-9329.

The Manhattan Life Insurance Company
111 West 57th Street, New York, NY 10019
a company of Manhattan National Corporation

Classic agents composed of wide variety of attributes

Continued from page 32B

Edward Lawrence, president of Wheelock Insurance Agency Inc. in Warwick, R.I. "But it's more than money—it's service.

"It's very important to have clout with insurance companies," he adds. "We have to do a dual selling job—selling the client and then the insurance company."

"Being a good salesperson doesn't mean being a good agent," comments Robert Regan, vp of Regan Insurance Agency Inc. in Tavernier, Fla. "A good agent has to provide proper service to customers. Someone who's good at sales can sell a policy and not know the contents."

Mr. Regan also stressed that agents should know what's going on in the industry by being active in trade associations.

John Pacholick, managing director of Marsh & McLennan Group Associates Inc. in Chicago, thinks a good agent or broker is "an individual who's able to inject himself into a client's operations and know the client's attitudes about financial structure. Some are risk-adverse, others are risk takers."

A good agent should study the markets because "there are so many deals on the street and so many companies jumping in and out of the marketplace," says Tom Braniff, vp and secretary of Jas. J. Braniff & Co. in Houston.

All of the agents, brokers, risk managers and insurers surveyed agreed that automation will streamline agency and brokerage operations and will increase the efficiency of a good agent.

"Automation is inescapable, and it will be an answer to back-office processing problems," says Continental's Mr. Roth. Automation will allow agents and brokers to become more cost-efficient, he adds.

Should good agents and brokers specialize? The insurers don't necessarily think so.

For instance, Mr. Roth says producers who specialize cut themselves off from other potential business. "When others try to capture the agent's business, the agent sees his business being eroded and he has no fallback position."

Risk managers and agents, however, say that specialization can be desirable.

Vanderbilt University's Mr. Sinclair notes that he buys insurance for both a university and a medical complex and must deal with a broker who has specialists in those areas.

"To carve out a niche or grow faster than their competitors, a firm must work on and be a specialist in a certain cover or industry," says Robert L. Jones, senior vp and branch manager of Reed Stenhouse Cos. Ltd. in San Francisco. "That way, when people think of the industry, they think of that firm."

Service, education, automation, sales, specialization and price are all ingredients that go into making a good agent or broker, though no two people probably will ever agree on a precise recipe.

What do *you* think?

Consultant labels agents 'mediocre'

ST. PETERSBURG, Fla.—"Mediocre" is the way Ted Siver describes most independent agents.

Two years ago, the St. Petersburg-based risk management consultant, who was once an independent agent, wrote a scathing Perspective article (*BI*, June 29, 1981) in which he said agents don't live up to many of the ideals they sell themselves on, including professionalism.

"It has been my experience that, on average, independent agents are anything but professional," wrote Mr. Siver, principal of E.W. Siver & Associates Inc.

In the two years since the article appeared, Mr. Siver says that independent agents have only gotten worse.

Because the competitive insurance market has reduced the amount of revenue agents earn, they have less motivation to work hard and, thus, are doing an even poorer job, he contends.

Mr. Siver

Mr. Siver says that agents and brokers who want to remain in business 15 to 20 years from now should plan for change and think about specializing, adding that most independent agents are traditional, stubborn and resist change.

"As simple a thing as issuing a new policy every 12 months is absurd," he said. "But they refuse to change and, as a consequence, they get left at the gate. By the time they realize something's happening, it's already happened."

A classic example of being behind the times can be seen in the direct writers' encroachment into the personal lines business.

"It's a splendid business to run in absentia. An independent agent may have made a sale in 1977, but he renews his client's policy every year. For all the policyholders know, the agent could be out playing golf," he says.

Mr. Siver also says agents don't help their clients enough. Many policyholders, he says, are often confused by insurance jargon, and agents are either unaware of their ignorance or don't think it's important enough to explain.

"Communication is probably the single most-important thing," says Mr. Siver. "Agents are dealing with technical jargon and terms not understood by the layman. They must have the patience to organize information in a logical format and to explain things to clients who don't understand."

Mr. Siver says he is tired of hearing agents moan about the soft market, adding that he agrees with the attitude of Albert J. Tahmoush, chairman, president and chief executive officer of Frank B. Hall & Co. Inc., who says agents and brokers should clean up their operations, cut expenses and be satisfied that their clients are getting a good deal (*A/BT*, Aug. 1).

Pride, initiative, creativity and willingness to perform at a high level of professional competence is what makes a good agent or broker, Mr. Siver says.

"Those are rare qualities in anybody," he explains. "Most people get suffocated with detail in an agency business. Even if they have good intentions, they don't get around to doing the things they want to do." ■

Aviation insurance for down-to-earth fliers.

Unconventional coverage for the conventional. And beyond. Decades ago, a handful of devil-may-care postwar fliers took their spirit, judgment and intuition just a few feet off the ground. A special breed of fliers known as cropdusters. Today, men who till the land depend on the airborne technology seeded by those masters of calculated risk. And the best of the aerial applicators have come to trust Aviation Office of America to cover their awesome maneuvers. Just as corporate, private, and commercial aircraft, balloons, satellites, airports, flight schools and helicopters have. So chances are, your clients' needs can be covered by one of A O A's many policies. Covered expertly, quickly and competitively.

Because our underwriting specialists know your business and your clients' needs, we tailor policies individually at competitive rates for virtually any flying machine. And with six offices nationwide, you can rely on the personal attention of A O A anywhere for speedy policy assistance, same day quotes and prompt claims service.

The fact is, A O A can cover you from the moment you leave the ground. With protection as limitless as flight itself.

Home Office: Love Field Terminal Building, Dallas, (214) 353-1400. Branch Offices: Atlanta, (404) 252-1905; Kansas City, (816) 221-1955; Los Angeles, (213) 246-8410; Morris Plains (NJ), (201) 538-9668; San Francisco, (415) 391-9050.

Aviation Office of America
Incorporated

Protection above and beyond.

87th annual IIAA convention

Hartford program hurts agents: New leader

By PAMELA DeFIGLIO

SAN FRANCISCO—The new president of the Independent Insurance Agents of America says Hartford Insurance Group overstepped its bounds by direct marketing personal lines insurance to an affinity group.

But a Hartford executive, on a panel with the agent and four other insurers at the annual IIAA convention, held Sept. 26-29, countered that the program is increasing sales for the insurer, which is more than agents are doing.

However, the insurer executives, seated onstage before nearly 4,000 independent agents attending the convention, were generally conciliatory about some insurer actions that have angered the agents.

One of those actions was Hartford's decision earlier this year to offer insurance through the mail to members of the American Assn. of Retired Persons at rates lower than agents are able to offer (*A/BT*, Sept. 5). The IIAA quickly issued a position paper criticizing Hartford's action, charging that the AARP program competed unfairly with Hartford's own agents.

Although the program is aimed at consumers who buy through the mail, Richard Teubner, vp and treasurer of Rich & Cartmill in Tulsa, Okla., and the new IIAA president, commented: "The world's not that simple. People don't group themselves into neat piles, like those who buy through the mail and those who buy through independent agents."

When consumers see advertising, they see the insurer name, he said, but aren't sophisticated enough to say, "Hey, that's a direct mail product and I don't want to do business that way." Instead, they very well may see the Hartford name, look up a Hartford agent in their telephone book and ask about the new program they saw advertised by AARP, he continued.

But Donald Frahm, president and chief operating officer of Hartford's property/casualty operations, defended his company's actions. "One of the critical elements of the future of the agency system, which includes The Hartford, is the ability to sell insurance. I think both the companies and the agents haven't done as well as we should, and our direct-writer competitors have done much better.

"Clearly, we have to become much more effective. In the commitment to the AARP program, we have the capability of developing the type of sales support to our agency plant that we think will go far beyond what we've had up until now and beyond most of our competitors."

Acknowledging the agents' irritation, Mr. Frahm said that Hartford had not felt any loss of business by agents who might want to retaliate against the insurer, but that it was really too early to tell if that could actually happen.

"We feel what's going on with our agency plants is that they're taking a wait-and-see attitude," he said. Agents want to see what the difference in price will be between the AARP program and other products that The Hartford plans to introduce in most states, he said.

When questioned about the AARP's ownership of its members' policy expirations, Mr. Frahm responded that the AARP insisted on that condition, and The Hartford had to structure the program that way or not sell it at all.

"We felt the pluses outweighed the negatives," he said.

Another insurer that has inspired agents' wrath in recent months is The Continental Insurance Co. The IIAA's Mr. Teubner explained that Continental representatives visited agents with three-year loss ratios exceeding 55% and offered them two choices. The first was to be cut off from selling Continental's products; the second was to sign a rehabilitation agreement requiring them to meet certain criteria.

"The rehabilitation agreement was absolutely unworkable," commented Mr. Teubner. "There's no agent in this room that could function with that company under that rehabilitation agreement."

Continental was pleased with the number of agents that signed the rehabilitation agreement instead of accepting termination, he said.

"Well, I would've signed it, too, and 10 minutes later, started seeking out a place to replace that book of business," he added.

Mr. Teubner rallied to agents' defense in light of changes and experimentation insurers are undertaking to improve their profits. Customers don't benefit from such activity, since they know little about insurance to begin with, and agents don't benefit either, he said.

"Companies fail to see the multitude of non-revenue producing activities that agents go through," he commented, adding that agents must often spend a lot of time explaining coverages, particularly new products, to customers.

"It seems that they recognize only a sale—but there's so much more to it than a sale," he said.

David J. Prentiss, president of CIGNA Corp.'s Retail Division, interjected that every business must cater to consumers' desires. If Hartford hadn't designed an insurance program for AARP, he said, some other company would have—and it might not have been an insurance company.

He agreed with the other insurers that there was no clear-cut line between what insurers should and shouldn't do. "Companies will do what's in their best interest, and agents will do likewise," he said.

One action that some agents feel is in insurers' best interest is offering computer systems that do not interface with other insurers.

But, Mr. Teubner said he felt better about the situation now than a year ago. "Then, we had concerns about whether companies that had computer systems would try to determine for us who'd be within the framework of our company representation," he said.

Frans Eliason, president of Armco Insurance Group Inc. commented that he now feels somewhat better about insurer-agency

Continued on next page

Introducing the Lincoln National Take-Charge Strategy. It puts you back in charge of helping your clients (even groups with as few as 50 lives) contain their group life and health insurance costs.

The Lincoln National Take-Charge Strategy. You can offer these take-charge tools to clients who want to take action against "out-of-control" costs:

- MANAGEMENT INFORMATION REPORTS—accurate, automatic plan benefit evaluations of cost effectiveness, claim experience, utilization.
- COST-SAVING FUNDING METHODS—flexible funding vehicles to maximize client cash flow and minimize administrative expenses, premium taxes and claim reserves.
- INNOVATIVE PRODUCTS—custom-tailored group life, medical and dental plans... including Cost Fighter,™ which can reduce your clients' group health premiums 20%, 30% or more.
- STAY-WELL PREVENTIVE PROGRAMS—educating client employees to become smart health care consumers and encouraging health awareness. Effective cost containment.

Take charge with the Lincoln National Take-Charge Strategy. **Call toll-free 1-800/228-8828 x 51. In Nebraska, 1-800/642-5018 x 51.**
Not available in all states

Take Charge.

LINCOLN NATIONAL
GROUP INSURANCE
Fort Wayne, Indiana

We put you back in charge.

Lincoln National Life Insurance Company/Lincoln National Health & Casualty Insurance Company/
Lincoln National Administrative Services Corporation/Members of Lincoln National Corporation.

IIAA president, insurers square off

Continued from previous page

interfacing, adding, "We decided long ago that we couldn't afford having agencies with separate hardware and separate systems for all their companies, and I still believe that. I think we need more participation in IVANS."

IVANS, or the Insurance Value Added Network Service, is a system that will allow various industry computer systems to interface with one another.

The panel moderator, Frederick B. Karl, general counsel for the Florida Assn. of Insurance Agents, noted that IVANS is ready to go into operation.

On another computer-related subject, Mr. Teubner said that an agent who buys an in-house computer and uses it only for accounting is wasting money, since using a batch accounting firm would be cheaper. He said agents could justify the expense of a computer with marketing functions by using them to produce more business.

A common system agencies can use is an in-house microcomputer with rating and other functions in combination with a batch accounting service, he added.

All of the participants in the panel belonged to Future One, a group made up of representatives from the IIAA and 23 insurers. Future One addresses agency-insurer relations and sponsors task forces on issues like marketing and self-insurance.

Agents must plan, market and sell to survive: Payan

SAN FRANCISCO—Survival now depends on an agency's ability to plan, market and sell, the outgoing president of the Independent Insurance Agents of America told the IIAA convention.

Jack Payan, president of Payan-Stitt Corp., an agency in Palos Heights, Ill., explained that an agency with a competent staff used to be able to grow and profit by serving its client needs and finding new customers through the three Rs—relatives, renewals and referrals.

Those days are over for good, Mr. Payan said, despite the fact that many agents are still hoping they will return. He told the agents that they must use skills like planning, marketing and selling if they are to remain in business.

"In fact, those skills are now more important than ever to provide the value added to attract and retain accounts over the long pull," Mr. Payan said. "If it sounds like I am telling you it will be even more difficult to compete in the future, then you've gotten the message."

A second challenge for agents is to enter and compete in the world of financial services, Mr. Payan suggested. "There is no question but that marketplace changes will dominate the insurance scene for the next several years.

"There will definitely be a transformation in the way that insurance is sold and serviced, and addressing these changes will require foresight, imagination and innovation."

In his address to the agents, Mr. Payan recounted some of the IIAA's activities in the past year, many of which were designed to assist agents in coping with the changes in the industry.

"In my opinion, the biggest bad news of the year was the continuation of a poor economy and a soft market, which has shaken the very roots of the system under which we operate.

"If our members have ever experienced a rockier road, it predates my experience and I have been an independent agent for nearly 30 years," he said.

As evidence of the IIAA's assistance to agents in such difficult times, he cited the association's legislative efforts, planning support and emphasis on developing agents' marketing, selling, personnel training and management.

The IIAA has generally been successful in its work on insurer-agent relationships, Mr. Payan said, but failed in one instance when an insurer, Continental Insurance Co., offered its agents a choice between a stringent "rehabilitation" program and termination.

Mr. Payan

"Additionally, we have been stunned this year by heretofore stalwart American agency system companies that have embarked on marketing programs or acquired direct-writing companies that compete with their own independent agents. On the other hand, there is substantial evidence that many companies are much more in tune with their agency plants," he said.

"These companies are beginning to realize that serving their independent agents' needs over the long pull is the only way that they are going to survive. These forward-thinking companies are truly listening to their agents through extended producer councils and through direct communication and consultation with (IIAA) leadership," Mr. Payan continued.

"The newest and potentially most important development (in agent-insurer relationships) was the greening of Future One, which has dramatically changed the relationship between independent agents and the major carriers."

The IIAA's Future One program is a mutual effort between insurers and agents to address the issues confronting them. Five task forces, made up of both agents and insurer executives, are now studying various problems to strengthen the independent agency system.

One of the biggest issues the association tackled during the past year, according to Mr. Payan, was the attempt by banks to enter the insurance business.

"The best good-news event came early on when Congress passed our Title VI amendment to the Garn-St. Germain Depository Institution Act of 1982," Mr. Payan commented.

Title VI, for which the IIAA has lobbied for more than 10 years, restricts national bank holding companies from expanding their insurance activities.

Continued on facing page

Leading edge computer technology to keep you ahead of the competition. From the only company with all the tools.

It takes more than just a better product line to give you a competitive edge today. It takes better support. The kind of support that New England Life offers its agents and brokers. Support that puts a nationwide on-line telecommunications network at your disposal. Support that offers you advanced computer software and instantaneous access to sales aids, prospect lists, client records and more. In short, the kind of support that helps you sell new prospects and service your existing clients in the most efficient way possible.

Here's how NEL's sophisticated computer technology can help you sell:

- A complete array of on-line sales illustrations with access to other illustration services through the NEL network.
- State-of-the-art pension proposal and administration services.
- Mutual fund status inquiries immediately available through NEL's telecommunications network.
- A library of diskettes to facilitate prospecting and client tracking.
- Automated pre-approach letter-writing.

And here's how it can help you service:

- Immediate access to client records.
- Instantaneous communication between field and home office via electronic mail.
- Updates protection for existing policyholders through amendment offers.
- Faster electronic underwriting and policy issue with daily status reports.
- Master Service Account–an all encompassing payment vehicle for insurance and other NEL financial services.

In addition, New England Life offers total field support in training and applications development. To find out how NEL's state-of-the-art computer technology can keep you ahead of the competition, contact your nearest NEL agency.

New England Life

Continued from facing page

However, that good news was overshadowed by banks' attempts to enter the insurance business on the state level, an attempt that was successful in South Dakota (*A/BT*, Aug. 1).

And, the Treasury Department has introduced a bill now pending in Congress that would allow bank holding company subsidiaries to sell insurance and other financial services.

Turning to another subject, Mr. Payan also cited advances in computer technology fostered by the IIAA.

In January, the Insurance Institute for Research merged with the Agency-Company Operations Research & Development Corp., two organizations originated by the IIAA, to form IIR/ACORD.

"The creation of IVANS (the Insurance Value Added Network Services, an agency-insurer computer link) was still another highlight and we all look forward to the fruits of these all-industry efforts to provide paper and electronic standards for a more productive system," Mr. Payan said.

The association is still stressing professional education for its members, Mr. Payan said. While the numbers of enrollees in insurance courses are down due to hard times, he noted, the quality of the courses is being maintained.

In December 1982, he noted, 749 insurance professionals completed the three-part Accredited Advisor in Insurance program and became the first chartered Accredited Advisors in Insurance.

IIAA's advertising and marketing program, which is sponsored cooperatively by agencies and insurers, continued in full force during the past year (see story, page 32L). Mr. Payan called the Joint Agency/Company Marketing program "the biggest single joint effort by IIAA and supportive American agency system companies."

> 'There will definitely be a transformation in the way that insurance is sold and serviced,' Mr. Payan says.

Although the insurance distribution system will see many changes in the next few years, Mr. Payan sees no threat to independent agents' survival.

"The independent insurance producer system will not go away and the fruits will continue to be there for the dedicated professional who is productive and can sell and who will plan for eventual change," he said.

"There is no question but that insurance will be only one large part of a broad-based financial services industry, but there will continue to be a place for the highly specialized agency or producer who does a few things very well in a specific, targeted marketplace."

Changes in the industry will force the IIAA to re-examine its role and who it will represent, Mr. Payan continued, adding that it could take three different approaches to expand its membership:

- It could represent producers who sell financial services and otherwise blur traditional agent distinctions.
- It could include life insurance producers, excluding agents who deal with a single insurer.
- It could open its doors to any licensed agent or broker, no matter what type of company they represent.

But, "Our annual convention would have to be held in the Superdome" if the IIAA chose the third option, he said.

Mr. Payan stressed that he was not recommending any of these approaches but merely pointing out that the association would have to think about how it, like the agents it represents, will change in the future.

As the convention concluded, Mr. Payan turned his gavel over to Richard D. Teubner, vp and treasurer of Rich & Cartmill in Tulsa, Okla.

Mr. Payan assumed the post of immediate past president.

Frederick J. England, president of Hastings-Tapley Insurance Agency Inc. and chairman of Lane England Associates, a consulting firm, both in Cambridge, Mass., became president-elect of the association.

Richard G. Taylor, president of Grant-Hatch & Associates Inc. in Salt Lake City, was elected senior vp and Dwight Dillon, principal of the Dillon Insurance Agency Inc. in Bassett, Va., became vp. ■

Important new coverage that no college can afford to be without.

You may have provided your college clients with Comprehensive General Liability coverage, but the trustees and staff still face the risks which arise from a negligent act, error or breach of duty.

Now through an exclusive arrangement with one of the country's largest insurance groups, H&R Phillips, Inc., permits you to protect them with a special Educators' Errors and Omissions Liability policy. This essential coverage supplements the CGL policy. No educational institution can afford to be without it. And it is commissionable to brokers.

Send for applications today or call Phyllis Kelty at (212) 949-9100 for further information.

H&R Phillips, Inc., 622 Third Avenue, New York, NY 10017

If you're an Agent or Broker whose client is a community antenna television system—

CATV Liability Insurance isn't an option— it's a must!

At a time when defense costs are soaring and damages resulting from libel, slander, defamation, and invasion of privacy or other claims can be astronomical, your client simply can't afford to be without CATV Liability Insurance.

We specialize in it.

SEABOARD
SEABOARD SURETY COMPANY
90 William Street, New York, N.Y. 10038
(212) 943-7440

OFFICES IN MAJOR U.S. CITIES AND IN LONDON

Agents share secrets of their success

SAN FRANCISCO—Have you ever wanted to know other agents' secrets for making money?

The money-making methods of nearly 20 agents from around the nation were revealed in a seminar titled "Almost Everything New in Marketing. . .and What's About to be New" at the Independent Insurance Agents of America convention last month.

The first speaker, Ed Overmyer, president of Berwanger-Overmyer Insurance Inc. in Columbus, Ohio, said planning provides the necessary organization for his agency to make money.

"Nothing works without a plan," Mr. Overmyer said. "Planning is more than budgeting, it's the power to manage, be profitable, make decisions and have fun with your business.

'Nothing works without a plan. Planning is more than budgeting, it's the power to manage, be profitable, make decisions and have fun with your business. If you fail to plan, you plan to fail,' says Ed Overmyer of Berwanger-Overmyer Insurance Inc.

"If you fail to plan, you plan to fail," he said.

Before Mr. Overmyer discovered the value of planning, he said his agency had found that its investment returns were inadequate and its decision makers were increasingly frustrated by their inability to get a handle on financial affairs.

"So, we embarked on a five-year plan," Mr. Overmyer said.

The most important aspect of planning, though, is to follow through, he told the agents, though they must remember that nothing about the plan is carved in stone.

"The plan is alive. Changing technology and other factors would affect it, so it had to be flexible.

"Solving problems and providing purpose was our philosophy in creating a plan," Mr. Overmyer told the agents, "but you must find your own philosophy."

Mr. Overmyer recommended that the agents get away from their office to get a fresh viewpoint when thinking about and developing their plans. And bringing in an outsider, like a certified public accountant or a lawyer, also can be useful in getting an objective point of view, he noted.

When the plan is developed, share it with your employees, Mr. Overmyer suggested. This kind of communication will boost their morale and motivate them to help put the plan into effect.

"The power of planning made decision making fun again," Mr. Overmyer concluded.

Doug Schultz, a former agent for a direct writer, is now co-owner of The Insurance Connection of Minneapolis. He told agents he increased his company's profits with the aid of a personal computer.

Profits began to improve after one of the agency's programmers developed a rating program on an Apple personal computer, which St. Paul Fire & Marine Insurance Co. later bought, he noted.

Soon, the agency was able to plan its growth around the computer. He hired a producer away from a direct writer and with the computer's rating speed, she is producing four times the amount of business she did for the direct writer, he said.

"We find using (it) helps personnel," said Mr. Schultz. "Rating and quoting aren't boring, like they were before."

Bill Crowder of Crowder Insurance in Tampa, Fla., explained he uses a "new-business center" concept to boost earnings.

Under this system, a marketing coordinator obtains some basic information about prospective clients from such sourcebooks as "Contacts Influential." She then phones prospects for the expiration dates of their present coverage. She succeeds in obtaining about 94% of the expiration dates she asks for, Mr. Crowder said.

The information is filed by expiration date so the marketing coordinator can send prospects a short letter at the proper time, reminding them that she spoke with them earlier in the year. Representatives then make the sales calls and bring back photographs and information on the insurable property.

"We closed 17 out of the last 23 accounts we presented," Mr. Crowder said.

"The most important thing the new-business center gives us is control. The marketing coordinator makes it possible for the producers to do what they should do—sell."

Dennis Lofton of Jones, Hill & Mercer, an agency in Savannah, Ga., agreed that a sales center concept can work, but he pointed out that certain factors determine its success.

Are your producers willing to work with this concept, he asked the agents. If they're not and you've decided on the sales center strategy, you must replace them.

Mr. Lofton stressed that a sales center also must be cost-effective. "You must have automation that can generate prospect letters, prospect lists and customer profiles."

He recommended sending simple, short letters to prospects after every contact as a means of positive reinforcement.

"Does it work?" Mr. Lofton asked. "Last week, one of our producers had nine appointments and he got four quotes and two return appointments for accounts over $100,000. Six months ago, I wouldn't have believed it!"

Jerry O'Kane, executive director of the Independent Insurance Agents & Brokers of California, told agents about marketing insurance through two-way television. With this system, agencies advertise and viewers respond directly to buy their products, he explained.

"Videotex is a way of selling through television with a two-way interactive communications device," he said. "Consumers type in keyboard commands and have instant access to shopping, banking or whatever."

Another system, called Teletex, provides one-way information from the advertiser to the buyer, Mr. O'Kane said, though consumers need television sets and special decoders to receive the information.

Continued on facing page

Bob Johnson of First Security hires superior security officers and pays them more —

Brownyard's wage freeze endorsement rewards First Security with lower liability rates!

Bob Johnson, president of First Security Services in Boston, knows that to provide superior service, he has to hire superior security officers, and *pay them more*. However, under normal circumstances, liability rates are based on total payroll. That means First Security would be *penalized* with costlier premiums for doing a better job!

Not so with Brownyard. We apply a special WAGE FREEZE ENDORSEMENT that cuts off premium escalation at a given level, so if your client decides to pay his guards twice the minimum wage, he won't pay double!

The Wage Freeze Endorsement – one more "competitive edge" Brownyard provides agents and brokers with Security Service clients. Rely on Brownyard for complete insurance coverage for your Security industry insureds and prospects. For full details, call or write today.

BROWNYARD BROTHERS

20 Fourth Ave., Bayshore, N.Y. 11706 Toll Free 800-645-5820 (except in New York), In New York (212) 343-3333

Continued from facing page

The benefit of selling insurance with these systems, he said, is that they provide target marketing. For example, agents can buy access to consumers who subscribe to certain services like the Dow Jones News Retrieval Service.

Donald E. Martin, president of Cal-Surance in Torrance, Calif., said that his agency boosted its income by adding claims management and engineering services.

Cal-Surance formed its claims management division only 1½ years ago, yet it's expected to take in more than $1 million in fees in 1984, he said.

For every $1 million in premium an agency sells it can collect 10%—or $100,000—in fees, he added.

Many insurers are reluctant to allow agencies to manage claims because they fear they'll handle them incorrectly, but agencies with enough clout can often persuade insurers to let them try, he said.

If an agency has its own loss-control engineering service, it can maintain more control than if it had to hire an outside service and still bring in another 2.5% of premium volume, he continued. Thus, with both a claims management service and an engineering team, agencies can rake in an extra 12.5%, he explained.

Mr. Martin also advised agents to specialize and look for particular niches in the market. An agent who specializes has knowledge and experience and speaks a language the clients understand, picking up their buzzwords.

Cal-Surance found a niche in the errors and omissions liability insurance market for life insurance agents three years ago, put together

> 'We find using (a computer) helps personnel. Rating and quoting aren't boring,' Mr. Schultz says.

a policy and found an insurer to write it.

"We didn't have any life agent clients then, and now we have 50,000," Mr. Martin said.

Jim Buttitta, principal of United California Insurance Agency in North Hollywood, Calif., also is a big fan of specialization. "But you must have a geographic area and a specialty. The lines should be difficult to place, but not impossible," he said, adding that it's critical to find insurers that wish to grow in your area of specialty.

Mr. Buttitta specializes in jewelers block insurance in the Hollywood-Los Angeles area. "I've become an insider in that industry. Talk their language and immediately they have more confidence in you," he said.

Participate in the industry you specialize in, Mr. Buttitta advised the agents. This may include going to the industry's conventions and subscribing to its publications. A good way to become known as the insurance expert in the industry, he suggested, is to write articles on insurance for industry publications.

After hearing money-making tips from a variety of their brethren, the agents then got some advice from a member of the "enemy," a direct writer.

Cosmo Conte, a State Farm Insurance agent in Cleveland, has generated the highest sales volume of any State Farm producer for 13 of the last 15 years, according to George Nordhaus, a consultant with Insurance Marketing Services of Santa Monica, Calif., who moderated the seminar.

In a taped interview, Mr. Conte told the agents how he is able to sell so much insurance.

When he started at State Farm about 25 years ago, Mr. Conte said he was urged to "sacrifice six months of your life and follow the State Farm system. Then if it doesn't work, do it any way you want."

The State Farm system consisted of obtaining 20 auto coverage expirations a day-not 19 one day and 21 the next-but precisely 20 each day.

Mr. Conte said he had to psyche himself each day to go out and get the expirations, and occasionally had to resort to asking people at shopping centers. "But I didn't do it for six months—I only did it for four, because it worked. I started selling," he commented.

"People are still more willing to change their insurance at expiration time than many other times of the year, but 95% of agents have no expiration-dating program," added Mr. Nordhaus.

—By Pamela DeFiglio

JUST IN CASE...

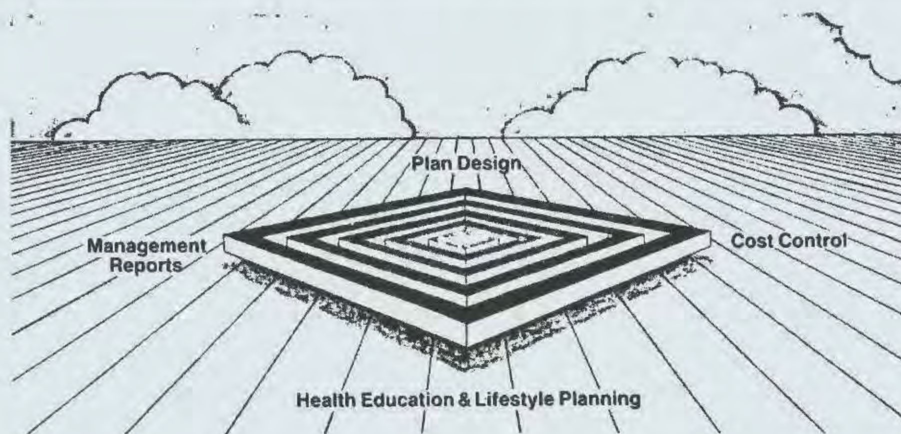
you are the Holding Broker on a couple of AUTO DEALERS and you are concerned that your coverage won't stand up to the competition, give us a call!

213·540·9221

DEALER COVER INC • 21535 HAWTHORNE BLVD • SUITE 322 • TORRANCE, CA 90503

PILOT ANNOUNCES FOUR-POINT PLAN TO CUT MEDICAL INSURANCE COSTS.

RISING COSTS COULD VERY WELL UNDERMINE THE HEALTH CARE STRUCTURE OF AMERICA. HERE'S WHAT PILOT IS DOING TO HELP REVERSE THE TREND.



The explosion of medical technology, combined with an increased use of medical services, is producing a parallel explosion in medical costs that could put proper sickness care beyond the financial capacity of the average family. Until recently, medical insurance has filled the gap. But costs are rising so rapidly that premiums are becoming prohibitive.

Pilot Life shares the national concern for this situation and has taken positive steps toward corrective action. Most recently Pilot put into effect a Four-Point Health Plan embracing the following concepts.

PLAN DESIGN

Americans have become used to insurance plans which, because of their low deductibles, high maximums and broad coverage, tend to encourage excessive use. What is needed are plans designed to encourage prevention more than cure. Plans which encourage more concern for cost and efficiency by both the insured and the medical community. Plans which make use of alternative, low-cost service.

Pilot was a pioneer in providing such plans with its Control-Med program specifically designed to encourage less costly outpatient treatment, second opinions for surgery and the like. Other innovative plans are in the works and will be announced soon.

MANAGEMENT REPORTS

Pilot's state-of-the-art, on-line claims system, P.A.C.E., not only provides fast handling of claims, it also generates a wide range of reports which enable employers to audit their insurance programs. To compare charges of the various providers of medical services, for example, to see which are most efficient. Or to see which kind of illnesses or accidents are most common among their employees. Armed with this information, employers are better equipped to negotiate for more efficient care and to counsel employees seeking medical help.

COST CONTROL

A special Cost Control unit has been set up at Pilot which concentrates on reviewing unusually large claims, auditing charges of hospitals where services seem inconsistent with treatment, or where costs seem out of line. They are in constant contact with Professional Standards Review Organizations, and other auditing organizations across the country, seeking more effective means of cost control.

HEALTH EDUCATION & LIFESTYLE PLANNING

The best way to cut medical costs is not to get sick in the first place. That's why Pilot has inaugurated Health Education & Lifestyle Planning, a program designed to assist employers in developing health maintenance programs for their employees. It addresses such problems as overindulgence in eating, drinking and smoking, drug use, hypertension detection, stress management, and the general problem of staying physically fit. It involves everything from pamphlets and payroll stuffers to worksite classes and exercise facilities to nutrition programs and blood pressure testing.

Pilot managment has also taken an active leadership role in the campaign for health cost containment promoted by industry groups such as the American Council of Life Insurance and the H.I.A.A.

Just as there is no single cause for the inflation of medical insurance costs, there is no single solution. But we feel our Four-Point Plan is an important first step in controlling those costs for our policyowners. If you'd like to know more about our group plans and our cost control program, please contact Pilot Regional Group Office, or the Group Division, Pilot Life Insurance Company, P.O. Box 20727, Greensboro, NC 27420. Or call (919) 299-4720.

We're Pilot Life. In the top 3% of the world's leading insurers offering Life, Group, Health, Pensions and Equity Products. And proud of it.

Pilot Life

A Jefferson-Pilot Company

WE'RE LOOKING FOR BETTER WAYS TO HELP YOU THROUGH LIFE.

Consultant expects personal lines boom

SAN FRANCISCO—The insurance market will grow because Americans are saving less and spending more on insurable assets, a corporate planning consultant predicts.

Michael Kami, the founder and president of Corporate Planning Inc. in Lighthouse Point, Fla., analyzed the current and future economy and how it will affect agents and brokers during his talk at the Independent Insurance Agents of America's annual convention.

"The reason the insurance market will grow is that the United States is getting to have the lowest savings rate in the world. It's 5%, going down to 4%."

By contrast, Mr. Kami said, Canadians save 12% of their incomes and the British save from 10% to 14% of theirs.

"We have more spenders and fewer savers," Mr. Kami deduced. "In the future, Americans will have more properties and fewer reserves and will want to protect their belongings with insurance."

Thus, he told the agents to look toward personal lines for areas of growth.

Because agents have lost market share of personal lines to direct writers, Mr. Kami said, they went after commercial lines business, which became highly competitive. "Review your strategy!" he urged agents. "The people who'll make money in the next 10 years are in two categories."

First, he said, businesses that can sell large commodities of a product, including insurance, can sell on the basis of cheap prices. Those that do not have the volume to compete on the basis of price must find a niche and market their specialty, competing on the unique services they provide and the value they render to their clients.

"The problems of today's marketplace won't disappear," Mr. Kami commented, "because they're not problems. You have to think, 'Hey, this isn't a problem, it's just a new condition. I have to tackle it.'

"There are different demographics, different customers, different competition and distribution systems, new federal regulations and deregulations out there. Be unemotional about it and change with the times."

Mr. Kami said his marketing philosophy developed from working on business strategies for large corporations, but agents could learn a thing or two from these tactics.

"The lessons from the biggies apply to the smallies," he said.

"Why do some operations lose and some win? Today, for every winner, there's a loser and vice versa. Why do people have big winnings and big losses? It has to do with management.

"What's the difference between Braniff, Eastern, and Continental airlines, which are going broke from high labor costs, and Delta, which has no unions?

"The lesson here is that you don't act unreasonably with your employees."

He explained that Delta has always trained its employees thoroughly and treated them well. It never fostered the discontent that caused other airlines' employees to turn to unions.

While some financially troubled airlines are now squaring off against their unions, Delta employees have contributed about $1,700 apiece to the company—enough to buy a new Boeing 767 jetliner—in appreciation for the good treatment they received from their employer during the recession in the airline industry.

"Three years ago, how many of you would have put all your money into Chrysler stock?" Mr. Kami continued. "I really thought they'd go under. But Lee Iacocca managed to reduce the break-even point. He had to, because of heavy competition.

"Doesn't this sound a little like commercial lines? What are you doing to reduce your break-even point?"

Mr. Kami then delved into the area of how new products and services get their start. "Why do customers now like one-stop shopping?" he asked. "Sears didn't think of it, nor did Shearson/Amex. The customers wanted it. They were tired of dealing with 15 or 20 vendors."

On the other hand, a product or service that consumers no longer want is doomed. "Polaroid's self-developing movie film, a $500 million investment on the company's part, was obsolete when it was introduced," Mr. Kami said, because home movies were on the way out, while videotape systems were becoming increasingly popular.

"The independent agent, to me, is the last remaining symbol of American entrepreneurship," Mr. Kami commented to the agents' applause. "Independent agents own their own shops, make their own decisions and/or their own mistakes."

He named some key questions that agents must examine in order to flourish. "You must ask yourself: Where am I? Who are my customers and potential customers? What's my market? Whom do I sell to and not sell to?

"What are the key factors affecting me? Where do I want to be in the future? Do I want to quit, or sell?"

Mr. Kami said the key forces affecting the agency business in the next five to 10 years are markets, competition, insurers, products, services and customers.

"The personal lines, in my opinion, will grow. But whenever a business starts growing in the United States, people go after the business."

For the future, Mr. Kami predicted that companies will dedicate billions of dollars to one-stop financial supermarkets. He also said that mass marketing will continue to become popular, to exploit economies of scale.

Government insurance programs and state funds will encroach not only on specialized insurance areas but also on regular business in the future, he added, and direct writers will continue to fight and blur the distinctions between themselves and independent agents.

Employers will start marketing personal lines of insurance to employees through payroll deductions, he noted. "Become the expert that advises them," he told the agents.

"Insurance companies won't be nice to you. They have to cut their own expenses. You have to be smart enough to deal with them, but you also have to have a low break-even point, by cutting expenses." ■

This is a reduction of an advertisement that appeared recently in The Wall Street Journal

We speak for 220,000 insurance people when we say:

Here's proof that the independent insurance agent continues to be the most vibrant, vital force in protecting Americans and American businesses!

Once and for all - let's set the record straight!

Fact: The Independent Insurance Agency System represents *hundreds* of the strongest, oldest, most reliable insurance companies in the country — and *by far* provides more businesses and more individuals with insurance protection and insurance services than any other group in the world!

Fact: The Independent Insurance Agency System writes *7 out of 8* commercial insurance policies written in the country today!

Fact: The Independent Insurance Agency System in 1982 created a significant *market share increase* in two of the key insurance categories in the United States: Workers' Compensation and Commercial Auto Insurance!

Fact: Nearly 1700 Independent Insurance Agencies have been contracted to represent one of the major direct insurance writers because the one-company agent principle simply *does not work* across the board!

Fact: Independent Insurance Agencies have doubled their automation capabilities between 1980 and 1982 and are likely to *redouble* them by the end of 1984!

Fact: One out of every eight existing Independent Insurance Agencies started business *after* 1978. That's 8,000 *new firms* — easily offsetting acquisitions, mergers and retirements.

Does that sound like "business as usual?" You bet not! And every insurance consumer knows that over the past few years — just as for the past *150* years — Independent Insurance Agents have provided the most comprehensive insurance protection and services — *at the most competitive rates!*

And more to the point, they will continue to do so for the next 150 years!

We know, as in any competitive endeavor, there is room for improvement, and we speak for our membership when we say that constant strides are being made to strengthen the system so we can continue to be the most vibrant, vital force in protecting Americans and American businesses.

For professional counsel and in-depth risk management techniques for your business and personal needs — see your Independent Insurance Agent identified by this symbol.

Independent Insurance Agents of America
INCORPORATED
100 Church Street, New York, NY 10007

FTC chief says government shouldn't 'straitjacket' industry

SAN FRANCISCO—The federal government should keep the marketplace, including the insurance industry, fair and competitive, and should not tell businesspeople how to do their jobs, the head of the Federal Trade Commission says.

FTC Chairman James C. Miller III also told agents attending the annual Independent Insurance Agents of America convention that he would take a personal interest in studies on the life and auto insurance industries that the FTC is compiling for a House committee.

Mr. Miller admitted to the agents that the Reagan administration's approach to business regulation has been viewed as controversial, but he defended it to the hilt.

"Some critics have portrayed the Reagan administration as mindlessly opposed to all restraints on business," Mr. Miller noted.

"Phooey! The Reagan administration has always recognized that some regulations are essential to the smooth functioning of our economy and the protection of our citizens.

"But just as importantly, the Reagan administration has recognized that excessive regulation can burden the economy and, rather than protect citizens, can put them in a Big Brother straitjacket," Mr. Miller said.

"The proper role of government, as we see it, is *not* to tell businessmen and businesswomen how to run their enterprises. . . .Rather, it is to ensure that the market remains viably competitive and free of unfair and deceptive practices."

One of the ways to accomplish these goals is for the FTC to work more closely with the businesses it regulates. For instance, Mr. Miller said the commission would encourage the insurance industry, including agent and broker groups, to play a part in the drafting of its upcoming studies of life and auto insurance.

"I can assure you that we welcome your input. We plan to tell it as it is. We do not enter the work with preconceived notions of what the conclusions will be or whether the story will include villains of any sort. Such an approach is part of the Reagan regulatory philosophy," Mr. Miller commented.

The House Energy and Commerce Committee has requested that the FTC study three specific areas:

- The advantages and disadvantages of the various types of life insurance policies that insurers offer and whether consumers receive adequate information about the policies they buy.
- Whether consumers interested in buying auto insurance receive adequate information.
- The impact of state rating bureaus and other collective ratemaking practices for auto insurance on competition and consumers.

The congressional committee requested the studies by Jan. 1, 1985, and the FTC has completed formal work plans for each question. Mr. Miller invited agents to submit their comments on the work plans or on drafts of the study, which he said will be available late next summer.

At that time, he continued, the House committee or other interested parties, including agents, will be able to comment on the studies before the final report is submitted to Congress.

Mr. Miller told the agents that he thought the FTC has not always been as open to industry input as it is under the present administration. He remarked that, after he became chairman of the commission in 1981, it embarked on a "return to basics" after what he called its "crisis" and "moralistic posturing" of the late 1970s.

"Complaints about the FTC's overzealousness aroused so much concern in Congress that in 1980 the commission was actually shut down for a day when Congress refused to approve its budget in time," he explained.

Referring to the FTC's philosophy during the 1970s, he said, "It seems to me altogether arrogant to say that the entire business community was wrong, that Congress was wrong, that public opinion was wrong—that only Ralph Nader and the FTC knew what they were doing!" ▪

Agents:

Is your business profitable?
We can increase your contingent commission.
We can give you investment income on premiums.

Amberco Management Limited
PO Box 1230
Hamilton 5 Bermuda
Tel 809 29 5-9191 Telex 3741 AMBCO BA

We Make the Market

In Animal-Related Insurance

AND IN—children's camp coverages • ski area coverages (including shops/touring) • gymnastics schools & clubs • college & university student accident & sickness coverage • martial arts schools & tournaments • amateur youth sports • accident coverage for group activities • dance/exercise/fitness schools • Broker Member N.Y. Insurance Exchange

For Specialty Risks—Call the Specialist

Rhulen AGENCY, INC.
217 BROADWAY, MONTICELLO, N.Y. 12701
(914) 794-8000
in New York City: (212) 924-1950
Outside New York State call toll free: 800-431-1270
Offices in principal cities coast to coast and Toronto, Canada

Agents advised IIAA spokesman

SAN FRANCISCO—A regular patron of a coffee shop catty-corner from the San Francisco Hilton Hotel burst into the restaurant one afternoon, grabbed his usual place at the counter and announced, "Hey, I just saw Raymond Burr walking down the street. At least I think it was Raymond Burr."

He paused to gulp some water. "Nah, it must have been. How could you mistake a guy that size?"

There was no mistake. It wasn't an old "Ironsides" rerun.

Mr. Burr

Raymond Burr was back in San Francisco to attend the Independent Insurance Agents of America convention. The actor, who won two Emmy awards for his portrayal of attorney Perry Mason, is the spokesman for IIAA's Joint Agency/Company Marketing program.

During a speech to the agents, Mr. Burr explained that he was one of two finalists for the job of IIAA spokesman. The other, former CBS anchorman Walter Cronkite, wasn't available for the job, so he was selected, the actor joked.

When IIAA representatives offered him the job, Mr. Burr said he decided to call his own insurance agents, located in three different cities, to see what they thought. It turned out that all of them were independent agents, and they thought Mr. Burr would make a great spokesman for the industry.

"They gave me advice not only for my insurance needs, but for my career as well," he quipped.

During the past year, Mr. Burr has taped more than two dozen public service announcements promoting independent agents, which have been aired for free by more than 1,600 television stations nationwide. A new series began last month, he added.

Mr. Burr has also been featured in numerous television and radio commercials, as well as print advertisements, plugging the IIAA and is now working on a new series of advertising projects, which will debut next year.

IIAA members endorse merger talks with PIA

SAN FRANCISCO—Will the Independent Insurance Agents of America and the Assn. of Professional Insurance Agents merge?

Delegates at the IIAA convention in San Francisco endorsed a report by a group called the New England Task Force, made up of representatives from both associations, which recommended that the IIAA initiate consolidation talks with PIA by January.

agent/broker briefs

IIAA radio show

NEW YORK—Members of the Independent Insurance Agents of America will be able to sponsor "Crime Line," a 90-second syndicated radio program, for broadcast in their area. Each taped program will allow time for local agents to insert an advertisement.

Dr. Georgette Bennett, formerly New York City's deputy assistant director for the administration of justice and presently a crime prevention consultant, will narrate the program. The 130 programs (five a week for 26 weeks) will feature crime prevention tips for consumers.

Insurer advertisers

NEW YORK—Which insurers spent the most on television advertising last year?

Allstate Insurance Cos., which spent $17 million, captured the No. 1 spot, according to the Television Bureau of Advertising.

Following Allstate were Prudential Insurance Co. of America, Colonial Penn Life Insurance Co., State Farm Life Insurance Co., Nationwide Life Insurance Co., Blue Cross/Blue Shield Plans, Aetna Life & Casualty Co., Travelers Insurance Co., Capital Holding Corp. and Kemper Group.

Senior citizen program

HOPKINTON, Mass.—Two New England agents groups are helping senior citizens enter the insurance business.

The Professional Insurance Agents of New England and the New Bedford (Mass.) Agents Assn. are sponsoring a federally funded program that will train 12 individuals over age 55 in personal lines underwriting and rating.

After four weeks of classes, the groups will assist placing the participants in the Basic Insurance Agency EXTRA School of Seniors program with agencies in the New Bedford area.

Sales development

WASHINGTON—Twelve insurers have agreed to support the Agency Salespower Development program, a producer training program sponsored by the National Assn. of Professional Insurance Agents.

The 10-point program starts with recruiting qualified candidates and includes producer education and motivation classes. It also provides for periodic on-the-job review.

The insurers committing technical and financial support are Auto-owners Insurance Co., Chubb Group, Continental Insurance Co., Harleysville Mutual Insurance Co., Hartford Insurance Co., Insurance Co. of the West, Pennsylvania National Mutual Casualty Insurance Co., Royal Insurance Co. of America, Selected Risks Insurance Co., Transamerica Insurance Corp. of America, Travelers Insurance Co. and Worcester Mutual Insurance Co.

Broker birthday

SAN FRANCISCO—Johnson & Higgins' San Francisco office celebrated its 100th birthday Sept. 20 with a party on the waterfront. Mayor Dianne Feinstein was among the dignitaries to address the guests at the fete, which included officers of the city's 93 other 100-year-old businesses.

The brokerage broke with tradition by giving—instead of receiving—a present. J&H is providing funds for a sculpture to be placed in the city's waterfront area. ■

Don't waste time phoning around... when one call can do it all.

If you call Schinnerer first for all your construction industry professional liability insurance needs, you'll save yourself a lot of time. When it comes to specialized coverage for your client's professional liability—we've got the construction industry covered.

From our traditional CNA professional liability policy which still protects more architects and engineers than any other—to "state of the art" coverages like our Owners' Project or Multi-Project policies, there is really only one call you need to make for the best coverage available.

If you don't like to waste time—call us.

- Architects' & Engineers' Professional Liability
- Project Insurance
- Owners' Multi-Project Insurance
- Design/Build Professional Liability
- Surveyors' Professional Liability
- Landscape Architects' Professional Liability

Coverage provided by Continental Casualty Company, one of the CNA Insurance Companies.

Victor O. Schinnerer & Company, Inc.

The first is still the best

Program Administrators & Underwriting Managers

5028 Wisconsin Ave., NW Washington, D.C. 20016 (202) 686-2850

303 E. Wacker Drive Three Illinois Center Chicago, IL 60601 (312) 565-2424

40 Wall Street New York, NY 10005 (212) 344-1000

595 Market Street San Francisco, CA 94105 (415) 495-3444

Other top-notch entries noted by EBC judges

"Innovative," "eye-catching" and "very imaginative" were accolades for some of the communications programs that did not claim top awards in this year's *Business Insurance* Employee Benefits Communications Awards competition, but did rank as second- and third-place winners or received honorable mentions by the competition's judges.

The praises judges heaped on these runners-up are indicative of the high quality of contestants in this year's competition, which included 145 entries from 127 companies.

Four of the five contest categories had second- and third-place winners and two received honorable mentions. Those categories are:

Total communications program

• Second place: Hyatt Corp. of Rosemont, Ill., for its program, There's More than Meets the Eye.

The program is comprised of posters, a videotape, a highlights folder, booklets in a box-like folder, training materials and golf shirts distributed to create enthusiasm for their total benefits program.

The elements were used to reach a 15,000-member audience, many of whom did not speak English as a first language. Thus, the program was created to avoid the language barrier by appealing to employees' emotions.

"Precisely meets objectives," "Tone was 100% appropriate to audience" and "Excellent motivational tools" were some of the judges' comments.

H.K. Mueller, director of employee benefits administration, coordinated the project at Hyatt and Karen C. Weeder, principal at Towers, Perrin, Forster & Crosby of Chicago, consulted.

• Third place: LTV Corp. of Dallas for its program, Design Your Benefits.

Elements of the program are: a letter from the president of LTV, posters, an ongoing benefits newsletter entitled "Highlights," a videotape, a benefits planning kit consisting of eight color-keyed booklets, a workbook and enrollment forms for LTV's flexible benefits plan, a weekly compensation statement on an employee's paycheck stub and a follow-up survey.

"Good graphics—strong posters," one judge said. "Well-organized in good format; easily followed by employees," said another.

Coordinator of the project at LTV was Peter A. Biggins, director of personnel planning. Betty J. Barnett of Towers, Perrin, Forster & Crosby in Dallas, was the consultant.

Special projects

• Second place: The Quaker Oats Co. of Chicago for The Quaker Health Incentive Plan, a cost-containment plan that provides monetary incentives for employee wellness.

Posters, an audiovisual presentation, a plan brochure, a claims kit in a folder containing an expense account/reimbursement form, ID card, plan summary and medical claims form and a wellness booklet. A copy of the hardback book on personal health care, "Take Care of Yourself," was included.

One judge said: "Print material excellent—not packed with type copy which can discourage reader. Slide program also excellent. Material was simply presented, with good repetition of important items."

"Solidly constructed," "Good approach to problem," and "Good positive tone," other judges said.

Jeffrey T. Starzec, coordinator of benefits planning and communication, oversaw the project at Quaker.

• Third place: The St. Paul Companies Inc. of St. Paul, Minn., for communications of its flexible compensation program, Flex.

The campaign included weekly posters, newsletters, workbooks and an audiovisual presentation that used a food cafeteria to explain cafeteria benefits.

"Excellent print campaign. Best of any this far. Terrific Av idea—best of any," said one judge. "Cafeteria line very well done," "Consistent and novel theme," "Great print," said others.

Continued on next page

Coming Up!

Environmental Liability & Loss Prevention

Issue Date: November 28, 1983
Ad Closing: November 15, 1983

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk, employee benefit and financial executives.

The Retirement Plan Puzzle

We help you put the pieces together.

The Tax Equity and Fiscal Responsibility Act (TEFRA), the Social Security Act amendments of 1983 and the Supreme Court Norris decision have made it important to review the terms of every retirement plan. Most will need to be adjusted.

If those responsible for keeping your plan in compliance have not talked to you recently, you'd be wise to see if all is in order. Many insurance and other companies have cut back on actuarial and other services to concentrate on just money management. This could leave plan sponsors with a problem they may not know exists.

Not us. The Bankers Life of Des Moines welcomes the opportunity to help you bring your plan into compliance with the new requirements. You can still get the plan design, administrative and actuarial services you need from the company that has written more group retirement plans than anyone in the industry. Just as we offered help with ERISA and ERTA, we're ready to assist you with the new laws.

It's the kind of help you expect from a company with over 700 pension specialists handling $7 billion of retirement assets for 15,000 corporate customers.

As part of this commitment to service, we are offering a special report that will help you better understand *"Current Changes in the Small Retirement Plan."* For your free copy, mail the coupon. Or call your Group Office of The Bankers Life of Des Moines listed in the Yellow Pages.

THE BANKERS LIFE, Consumer Services, Des Moines, IA 50307
Please send me your report "Current Changes in the Small Retirement Plan."
Name
Company
Title
Address
City State Zip
Telephone ( )
BI 113

THE BANKERS LIFE
BANKERS LIFE COMPANY DES MOINES, IOWA 50307

Judges praise other EBC entries

Continued from previous page

Carol Beatty, compensation administrator at The St. Paul, coordinated the project.

• Honorable mentions: Integrity Entertainment Corp of Gardena, Calif., (The Wyatt Co., San Francisco); Days Inns of America Inc., Atlanta.

Audiovisual presentations

• Second place: Miller Brewing Co. of Milwaukee for its retirement preparation seminar, The Course of Your Future.

The two-day seminar consisted of three slide/sound presentations describing health care and medical benefits for retirees, financial planning and survivor benefits. Miller's objectives were to present this material sensitively and interestingly.

"Should be highly successful," one judge predicted. "Forces one to think and plan for retirement," said another judge. "Innovative," "Good concept," "Meets objectives," were other comments.

Coordinating the project was Jean A. Dart, Miller's corporate benefits supervisor.

• Third place: Modular Computer Systems Inc. of Ft. Lauderdale, Fla., for its presentation of a tax-deferred savings plan.

The audiovisual format was a two-projector slide show explaining the concepts of long-term capital accumulation and encouraging employee participation. Employee excitement, positive attitude toward the company and employee participation were some of the objectives of the company.

One judge commented: "Fast-paced, slick and professional and powerful." "Related well to audience," "Strong, vital music and sound effects," "Modern and dynamic," said others.

Hollis Nelson, vp of personnel at Modular Computer Systems, coordinated the project. Fred Halperin and Marcia Smith of consultant Hewitt Associates in Lincolnshire, Ill., assisted.

Booklets

• Second place: Humana Inc., Louisville, Ky., for the benefits booklet titled "It's Caring that Counts."

The booklets covering Humana's plans for medical, dental, life, thrift, retirement and disability benefits are packed into a folder. A highlights folder also briefly described each of the plans. Humana needed to appeal to a female audience and convey that the company appreciates its employees.

"Well-thought-out. Well organized," "Beautifully designed," "Good use of type, color and white space," some of the judges said.

John R. Gundersen, director of compensation and benefits, coordinated the project at Humana.

• Third place: Pomona Valley Community Hospital in Pomona, Calif., for its 1983 benefits calendar.

The calendar focuses on two themes: the benefit program itself and the employees for whom the benefits were designed. The calendar takes a family-album approach. With this format, Pomona Valley wanted employees to have a reminder of benefits year-round and pay tribute to its employees with the "spotlight" photographs.

"Great, simple idea, extraordinarily well-done," a judge said. "Shows you don't have to spend a fortune to make a great impact," said another. "Not something that would end up on a shelf only to be looked at when something goes wrong."

Dennis O. Phelps is personnel director at the hospital. The program was produced by Judy R. Lerner, consultant with Hewitt Associates in Newport Beach, Calif.

• Honorable mentions: Varian Associates Inc. of Palo Alto, Calif., (Hewitt Associates, Newport Beach, Calif.); The Federal Reserve Employee Benefits System, New York (Hewitt Associates, Rowayton, Conn.)

—*Sallie J. Drury*

"Firestone looks for cost control and effective administration of our benefits. That's why we chose Vision Service Plan."

—Lowell Jones, Director Employee Benefits
The Firestone Tire & Rubber Company

Vision care is an attractive employee fringe, but employers ought to get some benefits, too. And with Vision Service Plan, you do.

We're a network of non-profit corporations. Employees are free to choose their own doctors, and out-of-pocket costs are controlled. Plus, there's a regional office near you to handle all the paperwork.

It doesn't take new glasses to see why we've become the largest underwriters of quality vision care in the country.

For more information on how Vision Service Plan can satisfy your needs like we satisfied Firestone's, please call 1-800-325-8499 today.

Vision Service Plan
1000 Des Peres Rd.
Suite 280
St. Louis, MO 63131

CIGNA agrees to purchase Kemper's Brazilian units

CIGNA Corp. has reached an agreement in principle to acquire the Brazilian insurance operations of Kemper Group for more than $7 million.

The Kemper companies involved in the transaction are Kemper Empreendimentos E. Participacoes Ltda., a holding company; Lloyd Industrial Sul Americano Cia. de Seguros, a life and property/casualty insurance company; and Kemper Companhia de Seguros, a property/casualty insurance company.

Together, the three produced $10 million in gross premiums in 1982.

The acquisitions have been approved by the boards of both insurers but are still subject to Brazilian regulatory and governmental approvals.

CIGNA says its new companies will add to the capabilities of Companhia COLINA de Seguros, a subsidiary that has been writing property/casualty insurance in Brazil for 25 years.

Kemper says the sale of its Brazilian operations will allow it to concentrate on writing property coverages in the Far East and Western Europe.

Kemper launched its Brazilian operations in the 1950s after the company's founder, James S. Kemper, served as ambassador to Brazil during the Eisenhower administration.

markets

HMO plans

HealthAmerica Corp. of Nashville, Tenn., has announced plans to develop a network of health maintenance organizations in North Carolina.

The HMO administrator has received a preliminary certificate of authority from the North Carolina Insurance Department and plans to operate in the Winston-Salem, Raleigh-Durham and Charlotte areas. The three areas have a combined population of 2 million.

The primary care HMOs would provide medical care in conjunction with community physicians and hospitals.

Also, HealthAmerica said it has received a certificate of authority from the Florida Insurance Department to begin operating a health maintenance organization in Tampa.

HealthAmerica currently operates 19 HMOs in 10 states with a total enrollment of 400,000.

NYIE syndicate

Brougher International Inc., a privately owned insurance holding company based in Greenwood, Ind., has formed a new subsidiary, Brougher Syndicate Inc., which has been accepted as a member of the New York Insurance Exchange and will be licensed to write property/casualty and health risks.

The new firm is located at 116 John St., Suite 3112, New York, N.Y. 10038; 212-608-0798.

Home reorganization

The Home Insurance Co. has formed a new home office division, Home Group Special Risks, to combine the operations of its risk management services, major casualty lines, global and special accounts divisions.

The reorganization, which will eventually extend to the field office level, is intended to improve service to large commercial casualty accounts. Fred Mina, a Home senior vp, said the changes signal the company's interest in going after larger casualty accounts

The combined activities of Home Group Special Risks account for $400 million of the insurer's $2.3 billion in revenues.

Energy risks

Colonial Penn Insurance Co. has named Resource Insurance Services Inc., a Houston-based managing general agency, as its exclusive agent for underwriting energy-related risks.

Colonial Penn announced it will enter the energy insurance business with a $10 million capacity per risk.

New name

CIGNA Corp.'s Miami-based health maintenance organization, formerly known as INA Healthplan, has changed its name to CIGNA Healthplan of South Florida Inc.

Loss-control services

Rockwood Insurance Co. of Rockwood, Pa., has formed a loss-control division within its safety engineering department.

Loss-control engineers in the new division will work with policyholders to develop safety programs and will make periodic visits to plants to present slide and film programs, provide safety information and conduct inspections.

New company

A new firm, Brennan & Associates Risk Management & Insurance Services Inc., has been formed in the San Francisco area to fill corporate and individual insurance needs.

Brennan & Associates is located at 1330 Broadway, Suite 500, Oakland, Calif. 94612.

Consultant opens

A new risk management and insurance consulting firm, S.U. Insurance Program Management Inc., has been formed in Milwaukee.

The new firm, headed by Greig K. Forrest, is located at 4669 North Port Washington Road, Milwaukee, Wis. 53212; 414-964-9910.

New offices

Memphis-based **Dunavant-Donnaud Insurance Agency Inc.** has opened a new office specializing in aviation and other property/casualty lines at 7600 Southland Blvd., Suite 100, Orlando, Fla. 32809; 305-855-7055.

PCS Inc., an administrator of prescription drug benefit plans and subsidiary of **McKesson Corp.**, has moved to new corporate headquarters at 9060 E. Via Linda, Scottsdale, Ariz. 85258; 602-951-0700.

AFIA Worldwide Insurance has opened a Nigerian office as a joint venture with **Taisho Marine & Fire Insurance Co. Ltd.** and Nigerian business leaders. The new office, **Fire, Equity & General Insurance Co. Ltd.**, is located at P.O. Box 5774, Lagos, Nigeria.

Emett & Chandler Cos. Inc. has established a new subsidiary, **Emett & Chandler Missouri Inc.**, at The Board of Trade Building, 127 W. Tenth St., Kansas City, Mo. 64105; 816-842-8580.

Alliance Insurance Group of Illinois Inc., a managing general agency subsidiary of Alliance Insurance Group Inc., has opened a new office at 150 S. Wacker Drive, Suite 1000, Chicago, Ill. 60606; 312-269-0099. ■

Nobody does it better.

If you're considering self-insurance for your organization, you're talking risk. You owe it to your bottom line to talk to the people who know what managing risk is all about. Arthur J. Gallagher & Co., international brokers of insurance and risk management services. Nobody does it better.

We do it better because we've put 20 years into building the most comprehensive risk management service in the industry.

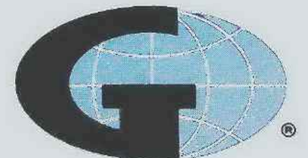
We do it better by working directly with you through Gallagher Bassett, our service organization. Gallagher Bassett can function either as an extension of your in-house insurance department or as your full-service claims administration organization.

We do it better because we are seasoned professionals in loss control and claims management service. And by aggressively pursuing subrogation, posting property and casualty loss recoveries that far exceed the industry average.

And, we do it better with RISX-FACS™, an on-line computerized reporting system that provides both ordinary and extra-ordinary information to you. You'll have everything you need to know to manage your program. And you'll have it when you want it, in the form you want it.

When it comes to managing risk, ask someone who knows what it's all about. Arthur J. Gallagher & Co.

Write or call us today. Find out for yourself why nobody does it better.



**Go for it.
You're with Gallagher.**

Arthur J. Gallagher & Co. • 10 Gould Center, Golf Road • Rolling Meadows, IL 60008 • 312/640-8500

FIREMAN'S
FUND

OUR BEST ADVERTISEMENTS ARE THE PEOPLE WE DO BUSINESS WITH.

Over the years, we've made a number of friends in the construction industry—from the largest international contractors to the smallest local firms.

No matter what their size, they all have one thing in common: the need for a surety company with the capacity, experience, dependability and stability that today's demanding owners and lenders insist upon.

They've turned out to be good friends. Friends with whom we've worked closely—along with their independent agents and brokers—to establish long-term surety relationships.

We think our specialization in long-term relationships makes us a better company to do business with.

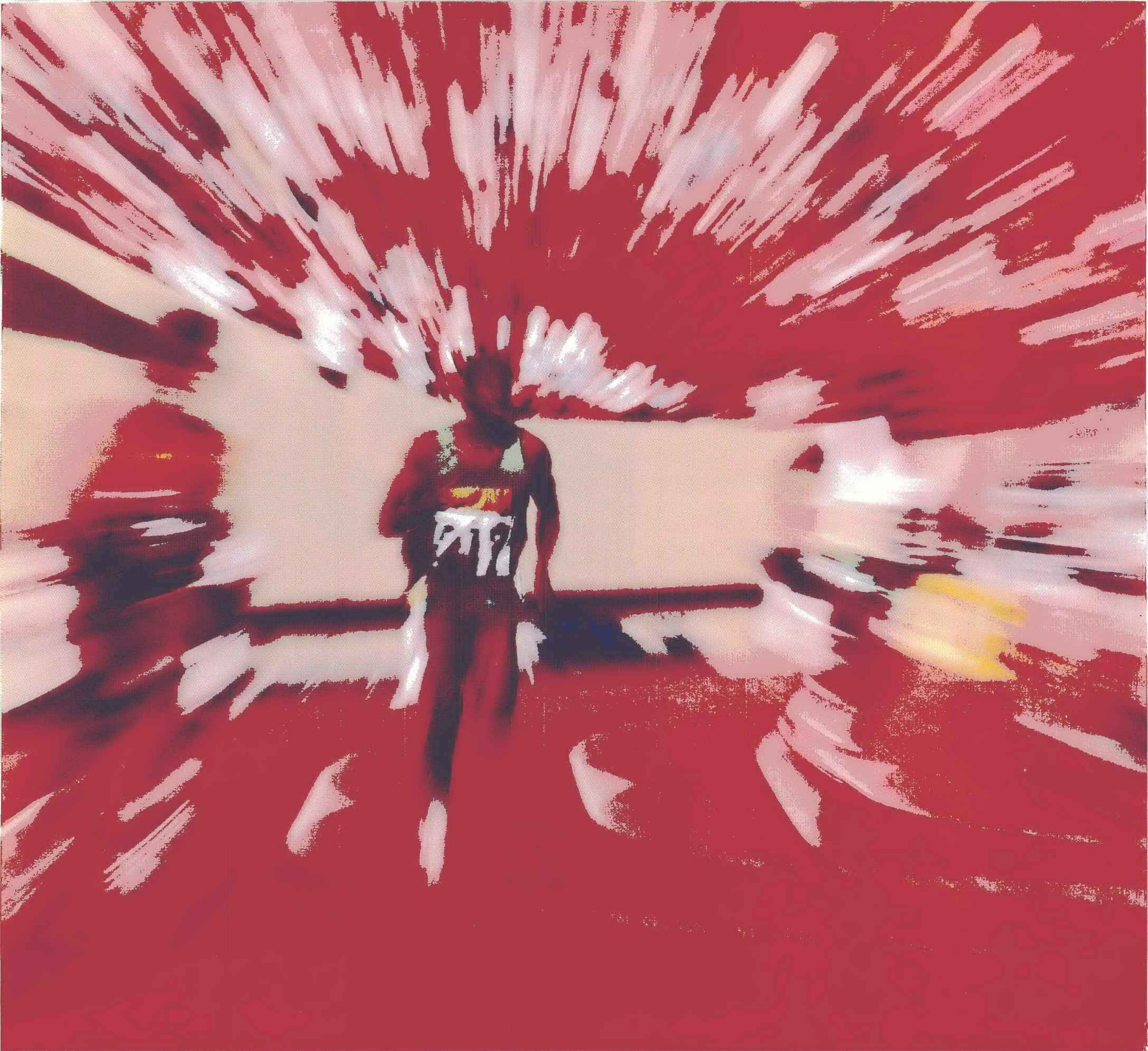
When our people get to know your people, we're both better off. It makes us faster when you're in a rush to bid a job. And it makes both of us better at anticipating problems before they can turn into trouble.

In fact our reputation for quality and service is the direct result of good business relationships with our clients.

But don't just take our word for it. Ask our clients.

And ask your agent or broker. We don't mind having you check our references. We encourage it.

FIREMAN'S FUND
An American Express Company



MOMENTUM

When you're coming into the final stretch, that's no time to slow down! To maintain momentum, you've got to give it your all... every step of the way.

With the "final stretch" of 1983 approaching, you've got to keep up the marketing momentum you've built throughout the year... and get 1984 off to a running start.

The weekly pages of **Business Insurance** offer you frequency for your advertising, and a receptive, well-defined audience of your influential prospects.

Every one of these remaining 1983 issues represents an opportunity to reinforce the impact you've made on the marketplace... and give your products and services high visibility... just as your prime prospects are planning what they'll buy in 1984.

Now is the time to build your momentum for a strong finish!

Publishing Date	Advertising Opportunities	Closing Date
November 14	International Risk Management / Insurance	November 1
November 21		November 9
November 28	**Market Report: Environmental Liability & Loss Prevention** **This issue will focus on regulation of environmental impairment liability insurance... U.S. and London markets... the cost of insurance... how to handle hazardous materials... how to analyze and reduce environmental exposures.**	**November 15**
December 5		November 21
December 12		November 30
December 19	Employee Benefits: In Retrospect	December 6
December 26		December 14

business insurance

A Publication of Crain Communications Inc.

New York: 220 East 42nd Street, NY 10017 (212) 210-0133
Chicago: 740 Rush Street, IL 60611 (312) 649-5276
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Employers to pay higher FICA taxes

By JERRY GEISEL

washington

WASHINGTON—Employers will pay higher Social Security taxes next year, the Social Security Administration says.

On Jan. 1, employers will be hit with a higher FICA tax rate and an increase in the taxable wage base.

The tax rate will rise to 7% from 6.7%, while the first $37,800 of an employee's wages will be subject to the FICA tax, up from $35,700.

The increase in the tax rate and taxable wage base will raise the maximum tax paid by employers to $2,646 per worker, up from $2,391.90. an increase of $254.10.

Employees will also be paying more toward Social Security, but not quite as much as employers. While the tax rate for employees also will rise to 7%, employees will receive a one-time tax credit of 0.3% for their contributions.

As a result, the effective tax rate for employees will remain at 6.7% in 1984, while the taxable wage base for employees will rise to $37,800. That will mean that the maximum FICA tax an employee will pay will increase to $2,532.60, up from $2,391.10, a rise of $140.70.

Other Social Security changes that will go into effect on Jan. 1 include:

- The maximum tax for the self-employed will increase to $4,271.40, up from $3,029.40, a hike of $933.45. Congress passed legislation earlier this year that raised the tax rate to 14% from 9.35% for the self-employed, but included a 1984 tax credit of 2.7%, making the effective tax rate 11.3%.
- An increase to $5,160 from $4,920 in the maximum salary a beneficiary under 65 can earn without losing benefits.
- An increase to $6,960 from $6,600 in the maximum salary that beneficiaries between ages 65 and 69 can earn without having benefits reduced.
- Making contributions to 401(k) salary reduction plans subject to FICA taxes, a point included in the Social Security legislation passed earlier this year (*BI*, April 4).

Pension limits

The chairman of the House Ways and Means Committee wants to extend a freeze on maximum pension benefits and contributions.

Rep. Dan Rostenkowski, D-Ill., may attach an amendment to pending legislation, H.R. 4170, that would extend until 1987 a cap on how much an employer may contribute to a defined contribution plan and how large a benefit can be paid from a defined benefit plan.

The current maximum contribution an employer may make annually to a defined contribution plan, like a profit-sharing plan, is $30,000. The maximum benefit that a defined benefit plan may provide is $90,000 a year.

Under the Tax Equity and Fiscal Responsibility Act of 1982, these limits are frozen until 1986, afterwhich the limits are supposed to be raised to match the increase in the Consumer Price Index that year.

Multiemployer rules

The Pension Benefit Guaranty Corp. says it is working on a series of regulations to help employers comply with the Multiemployer Amendments Act, the 1980 law that requires companies that withdraw from multiemployer pension plans to pay for a share of the plans' promised, but unfunded, benefits.

Regulations that are under development by the PBGC include:

- How withdrawal liability is to be computed when there is a mass exodus of employers from a multiemployer plan.
- How disputes between a multiemployer plan and an employer are to be arbitrated.
- How plan assets and benefits are to be valued when there is a mass withdrawal of employers from a plan.
- How plans are to notify employers of the amount of money they owe for withdrawal liability when they leave the plans.
- What the responsibilities of a plan sponsor are when a plan is terminated by a mass withdrawal of employers. ▪

Business Insurance puts more into it so you'll get more out of it.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $45	
Canada	☐ $59	☐ $95
Bermuda *(Air only)*		☐ $90
Europe/Middle East *(Air only)*		☐ $86
All other foreign	☐ $59	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 25%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

This isn't the only way to make it to the top.

You can make it with MONY in Westchester. Where the grass is greener. And the hours are flexible. And there's plenty of room to grow.

We're moving our Group Operations to our brand new Westchester office in mid-1984. And if you're experienced in Group Insurance, Pensions or E.D.P., we'd like you to come with us. We can offer you an attractive salary and benefits that are hard to match. Like our investment plan, liberal holidays and vacations, and tuition refund plan, to name a few.

Until our new place is completed, you'll work at MONY headquarters in mid-town Manhattan. If you live in the Westchester area and this temporary placement increases your commuting costs, we'll pay the difference, up to $100 a month.

So why not call us at (914) 683-MONY. Or send your resume to our Group Operations Employment Office at 2 Gannett Drive, White Plains, NY 10600. And find out how MONY's move up to Westchester could mean a big move up for you.

MONY in Westchester. It's a nicer place to work.

MONY is an Affirmative Action Employer.

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK
1740 BROADWAY
NEW YORK, NEW YORK 10019

Business Insurance
is available in Microform

University Microfilms
International

300 North Zeeb Road, Dept. P.R., Ann Arbor, Mi. 48106

PPOs not just a passing fad: Doctor

By CAROL CAIN

CHICAGO—Preferred provider organizations are not just a craze, according to one expert who is studying the scores of PPOs popping up across the country.

"PPOs are not a fad, but I don't know what they are yet," Dr. Richard H. Egdahl told about 160 benefit managers and insurers attending last month's National Conference on Health Care Cost Containment.

The annual event, sponsored by the National Assn. of Employers on Health Care Alternatives, this year focused on PPOs.

"The main reason PPOs are catching on now is the health care cost crisis and the doctor surplus, the hospital overbedding and the intense marketing of health services," said Dr. Egdahl, director of the Boston University Medical Center.

And, PPOs should be around for sometime in the future, agreed a PPO administrator.

"There will be even more competition among providers because of the surplus of beds and physicians," said Tobie Miller, executive director of Mountain Medical Affiliates, a PPO affiliated with Presbyterian/Saint Luke's Medical Center in Denver.

Networking and joint ventures between hospitals and physicians also are expanding, adding fuel to the PPO movement, she said.

A PPO usually is described as a group of health care providers—like physicians, hospitals or dentists—that contracts with employers, insurers or other third-party payers to deliver health care services at reduced fees (*BI*, May 30).

Employees are not obligated to use the preferred provider, but there usually is an economic incentive, like first-dollar coverage, for doing so.

But giving employees an incentive to use the PPO isn't the only thing necessary to make a PPO work, Dr. Egdahl noted. Rigorous utilization mangement, by peer review and by selection of physicians, will be key to a successful PPO, he said.

The way doctors have been practicing medicine "is the problem today," he said. "There haven't been incentives to cut costs."

Younger doctors do learn cost-containment practices in medical school, he explained, but during residency, after working side-by-side with seasoned physicians, they tend to pick up these role models' bad habits and order excessive amounts of care, Dr. Egdahl said.

But there's pressure to cut down on overutilization of medical care, he noted.

"The pressures of employers and government are causing an agonizing reappraisal of how medicine is practiced," Dr. Egdahl said.

For example, he noted that long hospital stays were the rule in one particular town. But, the employers told doctors and hospitals there that they would not be paid unless something was done to cut costs, Dr. Egdahl said.

"Doctors who cut lengths of stay. . .some of these will be perceived as leaders in the future, but they're not perceived that way now," he said.

Utilization review will give clues that can be used to change staff as well staff behavior, he added.

One employer represented at the conference, Security Pacific National Corp. of Los Angeles, thinks its new involvement with a PPO will pay off.

Security Pacific is anticipating saving a minimum of $806,000 through its membership in MedNetwork, a California PPO, said Vp Alan M. Jeffery (*BI*, Oct. 31).

To evaulate the success of its PPO, Mr. Jeffery said that each claim is coded separately on the computer base for items like length of stay and cost per stay.

To secure confidentiality, numbers rather than names are used in the coding, he said.

After a period of time, Security Pacific will have two separate groups of employees—those who use the PPO and those who don't—to compare on all types of statistics, Mr. Jeffery said.

When Security Pacific was deliberating over which PPO to join, it had three requirements, Mr. Jeffery told fellow benefit managers:

- Statewide coverage in California, since the financial institution's 25,000 employees are based throughout the state.
- An acceptable track record. It wanted to join a PPO that's been up and running for a while.
- Additional cost-containment procedures in place, like utilization review, concurrent review and second surgical opinions.

Dr. Egdahl of Boston University agreed that not every component of the typical PPO works well. For instance, many PPOs pay for services according to a DRG—diagnosis-related group—system, but DRGs have their faults, he noted.

A DRG is a category created to include all the patients who are about the same age, have similar diagnoses, require similar medical procedures and have similar discharge status. Flat fee payments are established according to the patient's DRG.

For example, a patient suffering from lung cancer and treated with radiation therapy may fall into one DRG, while a patient with lung cancer who undergoes surgery falls into a different DRG.

"The problem with DRGs is that there's no intensity index, no volume control," Dr. Egdahl said.

He gave the example of a patient with a fever after an operation.

"A temperature of 100 degrees is a fever, and technically that's a complication," he said. Because the fee for an operation is higher when there is a complication, physicians will note the 100-degree temperature, even though a slight temperature is expected after surgery, he said.

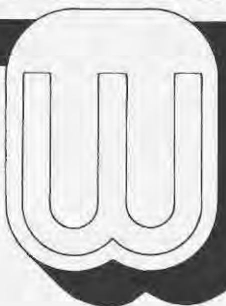
"If we get paid this way, we'll record every temperature. There are ways to work those DRGs into complications," he said. "And that's just one of 50 to 100 things that I find need an intensity index," he added.

"It's just like tax avoidance. . .evasion's illegal, but avoidance isn't," he said.

Other speakers at the conference included Charles D. Weller, an attorney with Jones, Day, Reavis & Pogue in Cleveland, Ohio; Peter Fox, vp with Lewin & Associates Inc. in Washington, D.C.; Alice Bunker, senior consultant for evaluation of health care services for Control Data Corp. in Bloomington, Minn.; Jack Horn, director of alternative delivery systems at Humana Inc. in Louisville, Ky.; Roger M. Smith, vp of employee benefits at Aetna Life & Casualty Co. in Chicago; and Edward M. Bosanac, vp of the Greater San Diego Health Plan in San Diego.

William C. Deans, manager of health care benefits for Du Pont Co. in Wilmington, Del., and president of NAEHCA, delivered a keynote address. Helen Lewis-Wistner, manager of employee insurance for W.R. Grace & Co. in New York and president of the NAEHCA Foundation, was a session moderator, along with Richard Emerick, director of employee benefits for The Mead Corp. in Dayton, Ohio. ■

The Wetzel Company, Inc.
Excess and Surplus Lines Reinsurance, Treaty and Facultative



P.O. Box 66452
Houston, Texas 77266
AC713/523-3003
Telex: 76-2053

Norwood Tower, Suite 300
114 West 7th Street
Austin, Texas 78701
AC512/480-8231
Telex: 76-7134

Administrator took funds, Labor Department charges

LOS ANGELES—The U.S. Department of Labor is suing an employee benefit plan administrator for allegedly taking more than $211,000 in assets from two pension plans he admininistered.

Morton Finkelstein is accused of fraudulently taking funds in violation of provisions of the Employee Retirement Income Security Act, the department alleges in a civil suit filed Oct. 20 in the U.S. District Court in Los Angeles.

Mr. Finkelstein owns and operates National Research Administrators Inc., a Canoga Park, Calif.,-based administration firm that is also known as Nationwide Pension Planners Inc. and National Research & Concepts Inc.

The Labor Department alleges that Mr. Finkelstein took $170,000 from pension and profit-sharing plan assets he managed for Malouf Industries Inc., a garment manufacturer in Burbank, Calif., and more than $41,000 from pension assets he managed for York Engineering Inc., of Eagle Rock, Calif.

He held fiduciary authority for both plans. The York plan has about 12 participants, and the Malouf plan has 25 to 30 participants, the suit says.

The case was brought to the attention of the department's Labor-Management Services Administration office when York filed a complaint, says a Labor Department investigator in Los Angeles.

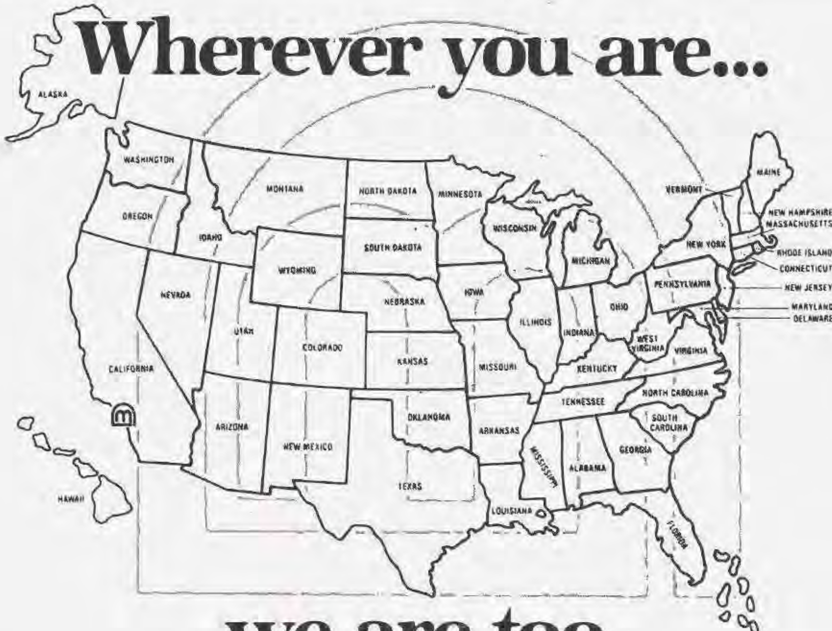
Mr. Finkelstein manages the pension or profit-sharing plans of approximately 125 other businesses, all in California, the investigator says, although he would not discuss their total assets.

The investigator says his department would like to examine Mr. Finkelstein's management of these other plans, but has had difficulties obtaining accurate records and information from Mr. Finkelstein. The department is asking the court to prohibit Mr. Finkelstein and his companies from serving as a fiduciary to any ERISA-covered employee benefit plan for 10 years, and from handling assets of any employee benefit plan for any reason, including transmitting funds to an insurance company.

The department also asks that Mr. Finkelstein return to York and Malouf the funds he allegedly used to his own advantage, with interest, and to make restitution to their plans for any other losses.

In addition, the suit asks that he pay for court costs. ■

Wherever you are...



we are too.

As a member of Best-rated A+:XV Mission Insurance Group, Mission Risk Management Services specializes in captive fronting, self-insured plans and specialty programs, nationally. Fronting is on an unbundled basis and our offshore subsidiary may be used as a rent-a-captive.

MISSION RISK
MANAGEMENT SERVICES
Professionals in Captive, Self-Insurance and Specialty Programs
2600 Wilshire Boulevard
Los Angeles, California 90057
(213) 381-6811

MEMBER, MISSION INSURANCE GROUP

MGM fighting underwriters over officer's 'defection'

Continued from page 2

order the disqualification of law firms representing INA and American Protection, a Kemper Corp. affiliate.

The two law firms are Cozen, Begier & O'Connor of Philadelphia, representing INA, and Robins, Zelle, Larson & Kaplan, of Minneapolis, which represents American Protection.

"George Morris was MGM's retained expert and consultant," MGM says in its brief supporting the motion to disqualify the two firms. "As such, it was improper for INA/AMPICO's counsel to attempt to persuade him to quit his contract with MGM and join them in their efforts to defeat MGM's claim.

"What the insurers are dealing for here is not George Morris' talent or his percipient knowledge: They are bargaining for his confidential opinions, information, analyses and the trial strategy developed by MGM's attorneys, other consultants and key officers since the inception of this litigation," MGM's brief adds.

Neither insurer has had a chance yet to respond to the allegations in court papers. But the lead attorney for INA issued a statement last week to *Business Insurance*, alleging that MGM tried in mid-September to bring Mr. Morris back into the MGM fold by offering him an $800,000 consulting contract.

MGM says it was Mr. Morris who first raised the $800,000 figure at a Sept. 11 meeting, adding that the hotel company was unreceptive to the deal.

> 'Nobody caused his defection except himself,' says Mr. Cozen. 'He wasn't offered anything.'

Steven S. Cozen, INA's lead attorney, denies he ever offered Mr. Morris a consulting position. But, he does acknowledge that he held discussions with Mr. Morris' lawyer about what value INA might place on the former MGM official's services if he first severed all ties with MGM.

"Nobody caused his defection except himself," says Mr. Cozen. "He wasn't offered anything; he wasn't paid anything."

Mr. Cozen calls the disqualification motion "unprofessional" and a "last-minute tactical maneuver, which MGM finds necessary in order to avoid a trial on the merits of what we have alleged and intend to prove is a false and fraudulent claim made against its property insurers."

Depositions show that the amount that MGM claims INA offered Mr. Morris for his services—$495,000—evolved during a series of discussions among Mr. Morris, Mr. Cozen and Gerard J. Bongiovanni, Mr. Morris' Las Vegas attorney. The talks were held between June and mid-September.

All three men agree in the depositions that Mr. Cozen repeatedly expressed his intention to act within the bounds of legal ethics and that the INA lawyer worried that Mr. Morris' "defection" might be arranged by MGM to cause Mr. Cozen to be removed from the case.

Among the other documents filed with the court is a four-page excerpt of the Sept. 11 conversation between Mr. Morris and Fred Benninger, president of Tracinda Corp. As of last year, Tracinda Corp. owned 45% of MGM Grand Hotels Inc. Mr. Benninger, who formerly was chairman of MGM Grand Hotels and is still a member of the MGM board, taped the conversation.

The excerpt is part of a 16-page transcript submitted to U.S. Magistrate Philip M. Pro by MGM Grand's lawyers. The magistrate allowed only four pages to be released to the public.

In the transcript, Mr. Benninger asks Mr. Morris if the INA attorney contacted him with the alleged $495,000 offer.

"No, I contacted him," replies Mr. Morris. "I had an attorney contact him. . .to see if he wanted my services."

Mr. Morris is quoted as telling Mr. Benninger that the INA attorney had gathered "2 million pieces of paper that he doesn't understand" relating to MGM's $211 million claim for the fire loss. "And I know more about them. . .papers than anybody walking around."

"That's probably true," responds Mr. Benninger. "That I agree with you. But (you) mean to tell me that he would offer you $500,000 to have you tell him his pieces of paper aren't worth a. . ."

Later, Mr. Morris discusses the terms under which he claims Mr. Cozen was to have considered payment of the consulting fee.

"And one of the ground rules for my conversation with this man was that I am gonna deny the conversation if he brings it up to try and impeach me as a witness," according to Mr. Morris. "And he said fine under those ground rules, this is strictly off the record."

The tape lasted 45 minutes, though Mr. Benninger said his conversation with Mr. Morris continued for a total of more than an hour.

Both Mr. Morris and Mr. Benninger also say they discussed a possible payment of $800,000 by MGM to Mr. Morris, though that portion of the conversation was not part of the transcripts released by the court. Mr. Morris' and Mr. Benninger's recollections, however, differ slightly in separate depositions.

In his deposition, Mr. Morris says he outlined his request for $800,000 and, after sitting in silence for awhile, Mr. Benninger responded "OK." Mr. Morris testified that he assumed Mr. Benninger indicated he approved of the contract and would discuss it with MGM executives.

In his deposition, Mr. Benninger says he told Mr. Morris that he couldn't put a price on Mr. Morris' services. Moreover, says Mr. Benninger, he never intended to rehire Mr. Morris but rather just wanted to find out his state of mind.

"What I wanted to find out from him is exactly what the heck does he want from MGM," testified Mr. Benninger. "Does he want to work for them? Does he not want to work for them? Does he want a price? Does he not want a price? Does he want a consulting contract? What does he want? Does he want to call me a dirty name or not? That is what I asked him, 'What do you want?' "

Spokesmen for Robins, Zelle, Larson & Kaplan, American Protection's law firm, were unavailable for comment. Mr. Bongiovanni, Mr. Morris' attorney, says he and his client each maintain that Mr. Morris had a right to solicit employment with the law firms.

"I think anybody's got the right to work for anybody, that's our position," says Mr. Bongiovanni. "MGM is trying to make it seem like they (the insurance lawyers) were trying to buy his testimony," he adds. "That's what MGM is trying to do, but it's way off base." ■

Winning three awards is just icing on the cake.

We're delighted to have helped our clients win three top awards in the 1983 Employee Benefit Communications competition sponsored by Business Insurance magazine.

In the category of personalized correspondence, International Playtex won for the traditional benefit statement; Mellon National Corporation won for the best introduction of flexible benefits.

And Mellon's flexible benefit communications also took first place for a total communication program.

We're proud of these awards because they deal with something we think is very important: communicating benefit programs to employees. Good communication makes sure that expensive benefit programs are worth their cost. Because it isn't a benefit unless employees understand and appreciate it.

No matter what your employee communication needs — from traditional benefit statements to the introduction of complicated new benefit programs — Meidinger can help.

Meidinger

Helping employers make the most of their human and financial resources.

Meidinger, Inc.
2600 Meidinger Tower
Louisville, Kentucky 40202
502 561-4500

Manville offers $400 million

Continued from page 1

M1 will provide the claims handling facility and be a subsidiary of M2, which would be immune from any future asbestos liability.

M1 also will pursue the company's claims against its insurers and the U.S. government to recover moneys to help pay asbestos disease victims.

Under the plan, asbestos injury claimants would be required to file proof of claims that show the results of medical examinations quantifying physical impairment and offer information on individual circumstances.

Based on this data, claims would be grouped into similar categories and the bankruptcy court would be asked to approve a claims handling procedure to establish the amount payable to persons in each.

Manville intends to retain certain defenses such as statutes of limitation and medical causation, but has waived most others to simplify the claims procedure.

Also under the plan, Manville will seek to get a "bar order," which would prohibit any claims from present claimants to be made after a certain point in time.

While Manville proposes under the reorganization plan to pay claimants about $15,000 each, it says plaintiffs were receiving only about $12,000 each before it filed for reorganization.

These disclosures are part of the formal reorganization plan Manville is expected to file today unless it has reached an agreement with asbestos plaintiffs' attorneys on funding the thousands of asbestos claims.

On Oct. 27, Manville was granted another 11-day extension for filing a reorganization plan in hopes it could work out a consensual agreement with plaintiffs.

Manville's non-asbestos commercial creditors are also hoping a consensual plan will be agreed upon to resolve the asbestos issue so that they do not have to wait still longer for debts owed them by Manville.

But a major obstacle to agreement on a consensual plan has been how to resolve the thousands of claims brought by asbestos victims.

So far, Manville and plaintiffs' attorneys have been unable to agree on a lump-sum settlement for the pending claims. Manville has offered $400 million to fund the claims; the plaintiffs are seeking more than $700 million.

In addition, Manville has sought to have specific levels of compensation assigned for specific injuries, leaving little room for individual differences.

Plaintiffs have maintained that claimants have to be treated individually and not go through a "computerized" formula that assigns levels of compensation for injuries. Plaintiffs' attorneys also say claimants' right to jury trials should be maintained even if most cases are settled.

A breakthrough was thought to have been reached at meetings between the parties, including Manville corporate directors, over the weekend of Oct. 15 and 16.

At that time, the parties agreed to consider claims resolution procedures that would address claims on a case-by-case basis rather than according to categories of injuries.

At the Oct. 27 hearing, however, Manville bankruptcy attorney Michael Crames of the New York firm of Levin & Weintraub & Crames said negotiations had broken down two days before.

"At the meeting Tuesday afternoon (Oct. 25) it was stated to us (by plaintiffs) that what we had discussed in those weekend meetings did not appear to be a fruitful basis for continuing discussions."

Instead, plaintiffs' attorneys wanted a lump-sum arrangement again, he added.

Plaintiffs reportedly were concerned that negotiating with Manville on individual cases would result in the same settlement negotiating problems they faced before Manville filed for bankruptcy.

In addition, they were also concerned that if claims are individually adjudicated, Manville might not have the money to fund the claims as they were finally settled.

"It might very well be that down the line when the claims came in and the values were set, there might not be the money to pay them," explained John Jerome, attorney for the unsecured creditors committee who summarized the plaintiffs' concerns.

However, according to one attorney, plaintiffs' attorneys and Manville were to meet last Friday to discuss a flexible procedure for handling claims so that individual cases would be taken into consideration and also the possibility of allowing jury trials.

If a plan is filed today that does not have the plaintiffs' approval, it is almost certain to spark substantial litigation.

"If a consensual resolution cannot be obtained, what will happen here is that we will have in our view years of litigation," warned Mr. Jerome at the Oct. 27 hearing.

Litigation will be "on every available legal premise they (plaintiffs' attorneys) can find," said Mr Crames.

Manville's request that the court approve plaintiffs' attorneys' contingent fees is one point that would certainly spark litigation.

Contingent fees are the percentage that plaintiffs' attorneys get from awards or settlements received by plaintiffs. In its reorganization plan, Manville attorneys say they will ask U.S. Bankruptcy Judge Burton Lifland to address that issue.

Mr. Jerome said that plaintiffs' attorneys are seeking from 25% to 40% of the $700 million settlement they have proposed, or as much as $280 million.

"Manville is not willing to pay the attorneys' fees," he said. "We would hope that this issue can get resolved without litigation because if we litigate that issue, we will be here for years."

However, Robert J. Rosenberg, representing plaintiffs' attorneys, last week denied that plaintiffs' attorneys were seeking $280 million. He contended that contingent fees are limited by state law and are part of private contracts between the plaintiff and his attorney.

"Manville wants to undermine state law and decide what victims should get," said Mr. Rosenberg of the New York firm of Moses & Singer.

Manville filed for reorganization on Aug. 26, 1982, citing the thousands of asbestos claims it was facing and the thousands of more it expects to be filed in the future. ■

Asbestos victims get role in negotiations

NEW YORK—As the hearing on the Manville bankruptcy came to a close Oct. 27, a man approached the bench of U.S. Bankruptcy Judge Burton Lifland.

James Vermeulen, a member of Asbestos Victims of America, told the court he is dying of an asbestos disease and that he and all other victims of asbestos disease had been lost in the shuffle of the Manville bankruptcy.

A former employee of Johns-Manville Corp., the predecessor of Manville, Mr. Vermeulen said that he never has been apprised of what was going on during the many months of negotiations between Manville and the asbestos plaintiffs' attorneys.

"We are caught in a power struggle between money and influence," Mr. Vermeulen told the court. "I resent the fact that we are being used as pawns between two great forces of economy making one segment of our society extremely wealthy while we die penniless.

"I am speaking of the legal profession."

Mr. Vermeulen found a sympathetic listener in Judge Lifland, who suggested that a representative with an asbestos-related disease should be placed on the asbestos litigants committee, a group made up of plaintiffs' lawyers.

(Mr. Vermeulen was placed on the litigants committee last week, according to one plaintiffs' attorney, and attended a meeting.)

"You have my sympathy more than any of the other groups here," Judge Lifland said.

The judge also expressed his frustration over the entire negotiation process and criticized all the parties for not concerning themselves more with the plight of asbestos disease victims.

He pointed out that the victims are not directly represented, but rather represented by their attorneys—"attorneys who have to some extent their own interest, their own pecuniary interests tied up."

Judge Lifland said that progress has been made in many areas that earlier were perceived to be insurmountable.

"What we are left with right now is the factionalism and inability to sit down and bargain earnestly with the ultimate view of the victims and the victims alone as being part and parcel of the solution here and the fastest delivery system," Judge Lifland added.

"If it is not going to be consensual (a consensual reorganization plan) and if it's going to have to be a litigation problem that drags in every aspect of contention between the parties over the last 10, 20, 30 years, there will never be a solution. . . ."

—By Stephen Tarnoff

Dive into a profitable source of new business.

Introducing Marine Insurance by the Numbers.

If selling marine insurance is unknown waters to you, we can calm your fears. And make it as easy as 1,2,3, with our Marine Insurance by the Numbers.

One. Our simplified application forms for every type of marine insurance are fast and easy to complete.

Two. Once completed, our underwriting marine specialists can usually "rate" your policy right away. Frequently, right over the phone.

Three. We'll service you all the way. Promptly and efficiently. Making sure your clients are neither under-covered nor over-covered. And handling claims, worldwide, without delay.

So let the specialists at Commercial Marine Group help you increase your agency's business without increasing your overhead.

You'll come up a winner.

Commercial Marine Group

P.O. Box 530830/9700 N.E. 2nd Ave./Miami Shores, FL 33153
305/756-8500/Toll-Free 800-327-8793/Telex: 807049

Branch Offices: New York, NY • Encino, CA • Seattle, WA.

Cincinnati has met our demands.

Before we open an office, we demand the right people, the right facility, the right preparation—everything that is necessary to assure the fairest, fastest most efficient service.

Through our new Cincinnati office, you'll get all of the service you've come to expect from the originators of the Structured Settlements™ system.

THE STRUCTURED SETTLEMENTS™ COMPANY

Call: Stephen Hussey or Albert Duplace, Jr.
(513) 861-6200 (800) 247-6200
2354 Kemper Lane
Cincinnati, OH 45206

Offices in Los Angeles • San Francisco • Cincinnati • St. Petersburg • Toronto

Rath's bankruptcy could sting PBGC

Continued from page 2

from the 1982 termination of pension plans sponsored by White Farm Equipment Co., which was booked at $50.3 million (*BI*, Oct. 4, 1982).

If Rath cannot pay its debt to the PBGC, other employers will have to pick up the costs.

Under the Employee Retirement Income Security Act, which created the PBGC, employers with defined benefit pension plans must pay premiums to the PBGC to guarantee pension benefits for workers and retirees whose companies collapse, or whose companies terminate insufficiently funded plans.

That annual premium is now $2.60 per plan participant, but the PBGC has endorsed a provision in legislation, H.R. 3930, that would raise the premium to $6, retroactive to Jan. 1, 1983 (*BI*, Oct. 31).

The PBGC says the increase is needed because the agency is taking over more underfunded plans than it anticipated.

The PBGC's problems with Rath began last year when the meatpacker told the agency that it intended to terminate three underfunded pension plans with 6,300 participants. At the time, Rath said it wanted to fold the plans because it could no longer afford to operate them.

In exchange for a quick PBGC takeover of the plans, Rath agreed to pay the PBGC about $13 million and turn over a share of future pretax profits.

Under the agreement, Rath was supposed to pay the PBGC $1.8 million in 1982, as well as $1.7 million this year, to cover the minimum contributions Rath was supposed to have made to the plans in 1980. The Internal Revenue Service had given Rath permission to temporarily waive the 1980 contributions.

Rath paid the $1.8 million to the PBGC last year. But, in July, Rath sought permission to delay for one year the $1.7 million that was due on Sept. 15, explaining that it couldn't afford to make the payment.

Instead of paying the $1.7 million in one lump sum, the PBGC gave Rath permission to make monthly payments of gradually increasing amounts, the total to be repaid by Sept. 15, 1984.

As part of the agreement, on Oct. 7, Rath made a wire transfer payable to the PBGC for the first installment payment of $87,473.06.

The second installment payment of approximately $87,000 was supposed to have been made Nov. 1, the same day Rath filed for bankruptcy. That payment did not arrive.

Aside from repaying the pension plan contributions that should have been made in 1980, Rath also promised to pay the PBGC $750,000 each year for 13 years beginning in 1985.

In addition, Rath promised the PBGC that it would give the agency a share of the company's profits, if any, between 1985 and 1997.

Earlier this year, Rath officials estimated that the company could lose more than $10 million in fiscal 1983.

In the six-month period ended April 2, Rath lost $6.6 million, compared with a loss of $3.5 million during the corresponding period of the previous fiscal year.

While Rath's bankruptcy filing does not automatically abrogate Rath's earlier agreements to pay the PBGC, it does throw into doubt how much Rath will be able to pay and when those payments will finally be made.

Rath, when it files a reorganization plan with the bankruptcy court, could seek a much longer payment schedule.

And, no one knows how much the PBGC would ultimately receive if Rath is unable to reorganize and thereby is forced to liquidate.

According to a PBGC attorney, the agency currently holds liens on Rath properties that are valued at $4 million to $5 million.

The PBGC says Rath's bankruptcy filing will not affect what it pays to current Rath pension participants.

For instance, this year the PBGC expects to pay about $6.8 million to the Rath participants. ■

Lloyd's members sue Howden affiliates

Continued from page 2

The suit, filed in the Chancery Division of the High Court in London, does not state how much the Lloyd's names are seeking, but David Tudor-Williams, a director of Alexander Howden Underwriting, says he believes that the names are "not seeking less than 5 million pounds."

The latest suit joins several others filed in London courts over the last 13 months since A&A charged that five former Howden officers, including Mr. Posgate, had misappropriated about $56 million in Howden funds, largely through questionable reinsurance transactions (*BI*, Sept. 27, 1982).

Since then A&A has filed suit against the former officers—Mr. Posgate, former Chairman Kenneth V. Grob and former Directors Ronald C. Comery, Alan J. Page and Jack H. Carpenter—as well as several of Howden's former accounting firms.

The latest suit, however, is a new twist because it pits one Howden unit against others that are even headquartered in the same London building.

"The issues addressed in the writ are in essence those arising out of the alleged mismanagement of Syndicates 126 and 127 by certain former Howden officers and directors prior to our acquisition of Howden (in early 1982)," A&A Chairman John A. Bogardus Jr. said last week.

"This action does not affect our working relationship with (Alexander Syndicate Management) and we will continue to protect the legitimate interests of the names," Mr. Bogardus explained.

Mr. Tudor-Williams of Alexander Howden Underwriting noted the suit was unusual in that one Howden affiliate was suing other Howden units, but noted the suit is designed to protect the interests of the syndicate members.

"Everyone here is seeking to resolve this situation properly for the names," he said. "The writ is the basis for this.'

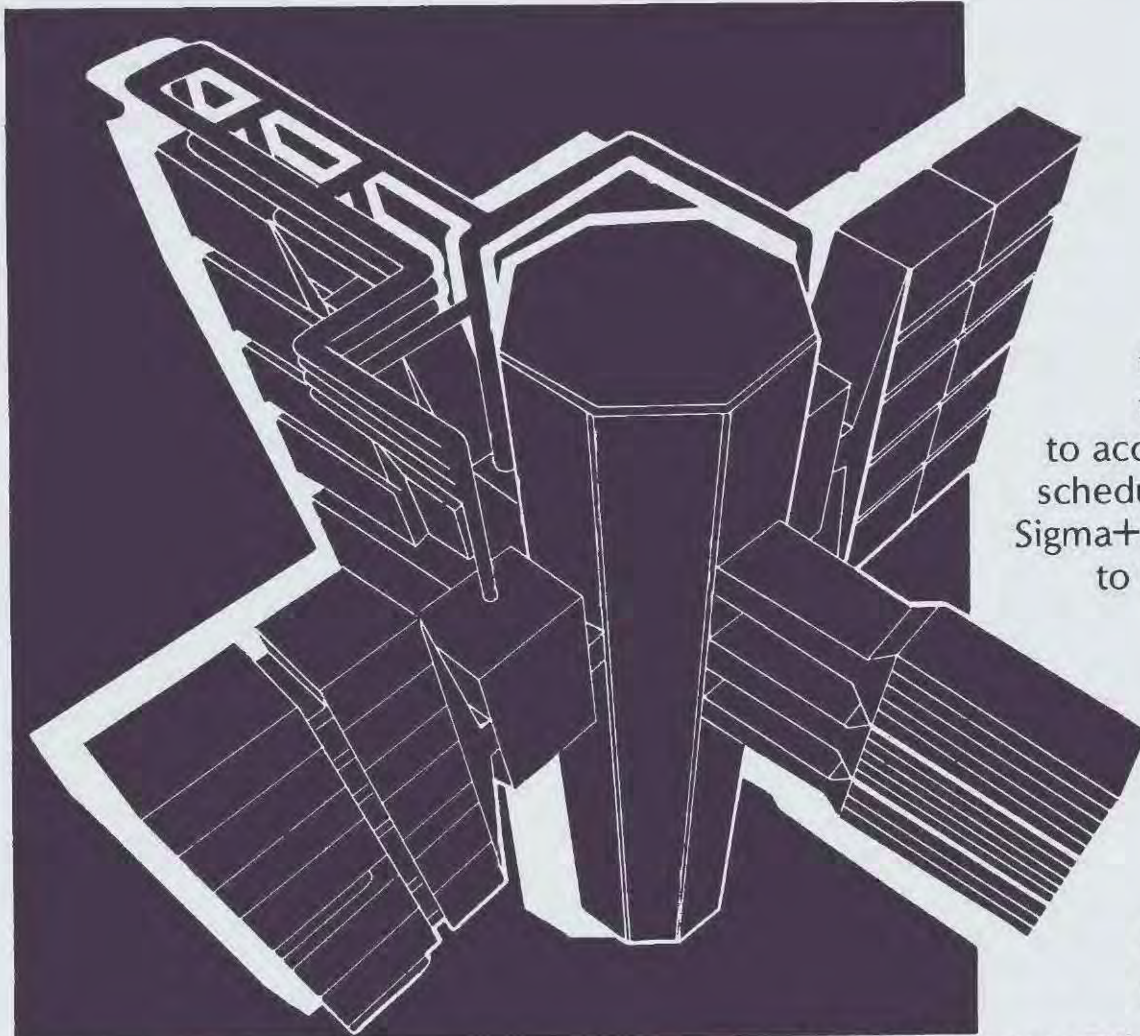
According to the suit, the Lloyd's names are seeking damages for:

- "Wrongful and ineffective purported reinsurance" placed for the syndicates by Alexander Howden Underwriting and Alexander Howden Insurance Brokers with Southern International Reinsurance S.A., a Panamanian company in which some of the former Howden officials allegedly had interests.

Southern International Re, according to the writ, "was not a bona fide insurance company of any kind."

- Wrongfully placing reinsurance with Sphere Drake Insurance P.L.C., a Howden underwriting subsidiary, "at terms less favorable to the syndicates than could have been obtained from a reputable reinsurance (company) had risks been properly reinsured."
- Negligent and wrongful dealing by Alexander Howden Underwriting concerning the placement of two quota-share reinsurance treaties dating from 1976 to 1980 and a war risk stop-loss insurance policy.
- Wrongful dealing by Alexander Howden Underwriting with a stop-loss reinsurance policy placed with American International Underwriters Overseas Ltd. ■

Bringing art & science together through information.



Sigma+System is a sophisticated risk management information service designed for users having little or no training in use of the computer.

This service provides a user with a new generation of data management and analytical capabilities, to complement or replace the voluminous "loss runs" they have received in the past. Much like the terminals utilized by airlines personnel to access vast amounts of data concerning flight schedules, routings, fares, status reports, etc., the Sigma+System allows risk management personnel to have similar access to data concerning the status of claims and loss reserves, claim payments, incident reports, loss control information and exposure data. A user may then perform unit cost allocation, risk analysis, loss forecasting and financial modeling utilizing their own data base.

Sigma+System

Risk Sciences Group[2] INCORPORATED

■900 Bridgeway■Sausalito, California 94965■415-331-5900■

■260 Madison Ave., 7th Floor■New York, NY 10016■212-696-0585■

Supported exclusively on the National CSS Computer Network.

Drilling ship sinks

Continued from page 1

employer liability coverage under a workers compensation policy for seaman.

But if it is determined that the ship sank because it was operated in an unseaworthy manner, then the operating companies may be sued for negligence under the Jones Act (the Federal Employer Liability Act of 1920), which sets no limit on compensation for workers' deaths.

Compensation for death or injury of employees aboard drilling ships is normally structured under contract so that each company aboard is responsible for its own people, but this can vary, insurers and brokers explain.

Liability for property and equipment aboard also varies according to contractual arrangements.

However, neither ARCO nor Global Marine will discuss contract arrangements.

Global's property coverage is believed to be about evenly spread between the British and U.S. markets. The portion that was assumed by the London market was placed by broker Thomas R. Miller & Son Ltd., sources say.

As is common in such coverage, Global Marine carries no property deductible, says its risk manager, Ronald C. Baron.

Neither Mr. Baron nor Global Marine's broker, Houston-based Energy Insurance Inc., will reveal what property insurers are on the risk in the American market.

All American Marine Slip, the offshore marine underwriting giant, has "a small involvement, but there are certainly other underwriters involved as well," says Jerry Vasquez, an assistant vp in New York.

He added that the company has none of the liability risk.

New York Marine Managers Inc., a syndicate composed of U.S. insurance companies that offer offshore marine coverage, has about $2.3 million of the property risk, says Norman A. Tucker, manager of the syndicate's energy department.

Mr. Tucker says the syndicate also writes some of Global Marine's liability coverage.

American International Group Inc. also writes some of the liability risk. "We are involved in the liability, but not for a significant amount," a spokesman says.

He would not say which of the group's companies holds portions of the risk, but said the company does not expect its loss to exceed $1 million.

Mr. Baron said the company's liability insurance deductible is less than $1 million. The coverage is spread over at least five layers, of which Lloyd's underwriters have a major portion.

London sources say the first $10 million in liability coverage is in the American market.

Should Global Marine be liable for any claims, the company "is more than adequately insured," Mr. Baron says.

"Nobody really knows right now who's liable," says a spokeswoman for ARCO in Los Angeles. ARCO is legally "the operator" of the ship.

"It's just not a cut-and-dried situation."

"Most of the crew liability is to the owner, not the operator, unless you can prove the operator was negligent," says J. William Sherar, president of Sherar, Cook & Gardner, a New Orleans brokerage specializing in offshore and marine insurance. "Otherwise, I don't see an awful lot of liability for ARCO."

Typically, he explained, the owner of the drilling vessel is considered the employer.

While some think severe weather caused the sinking, Richard D. Vermeer, Global Marine's vp-control and administration, doesn't think so. He says the Glomar Java Sea withstood more severe weather conditions as recently as a month ago.

"Something happened. Someone did something wrong—there was an accident or something," he hypothesizes.

Of the 81 people aboard, 60 were employees of Global Marine, 3 were ARCO employees and 17 were employees of service companies contracted for labor, including Dresser Industries Inc. in Dallas, New York-based Schlumberger Ltd., Halliburton Co. in Dallas and Subsea International Inc. in New Orleans.

Subsea is a subsidiary of Ocean Drilling & Exploration Co., owners of the Ocean Ranger, the semisubmersible drilling rig that capsized last year off the coast of Newfoundland, killing all 84 people aboard (*BI*, Feb. 22, 1982).

Because the Glomar Java Sea sank in Chinese waters, the Chinese government may ask that the vessel be removed from its territory, suggests Roy Taylor, vp at Rush Johnson Associates, the Houston-based adjusting firm assessing damage to the ship. The vessel has not yet been declared a total loss.

When a government demands that a sunken vessel be removed from its waters, he explains, the owner of the vessel is usually liable for the cost of raising it or blowing it up, thereby scattering its debris.

Global Marine does not at this point intend to replace the vessel, nor does it envision attempts at raising the ship.

"It may cost more to raise it than the ship is worth," says Mr. Vermeer. "We didn't insure it to replace it, but just to have adequate protection."

But the $35 million apparently wouldn't cover replacement costs anyway.

The vessel, which Global Marine purchased in 1975 for $29 million, has depreciated to its present book value of $13 million, a spokesman says. A Texas shipbuilding source estimates that replacing a vessel of the size and magnitude of the Glomar Java Sea would cost between $60 million and $70 million.

ARCO leased the Glomar Java Sea from Global Marine on several previous occasions for drilling in the Gulf of Mexico and off the coast of California. ■

classified advertising

RATES AND CLOSING TIME:

Rates: Display classified is $65.70 per column inch, minimum of one inch. Straight classified is $6.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $12.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classifed Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

CLAIMS MANAGER

Hillenbrand Industries, Inc., a $400 million NYSE company with three major subsidiaries, each a market leader of its manufactured product, has a newly created Insurance Claims Manager position opening within its Corporate Risk Management Department.

The individual selected will assume responsibility for adjusting self-insured worker's compensation losses in Indiana and will work closely with insurance company adjusters in the handling of all property, liability and worker's compensation claims throughout the company while developing a continuing program of claims management and an EDP system of recording and reporting loss statistical data.

The ideal candidate will have 8-10 years of commercial property/casualty claims experience with a multiple line insurer or adjust firm. A college degree and management skills are required.

Hillenbrand Industries Inc. offers a very competitive pay and benefit package. Please forward your resume and salary history in strictest confidence to:

Mr. Dave Raver
HILLENBRAND INDUSTRIES INC.
Batesville, IN 47006
An Equal Opportunity Employer M/F

Inventions, ideas, technology wanted! Industry presentation/national exposition. 1-800-528-6050. X831.

HELP WANTED

MEDICAL MALPRACTICE MANAGER
Professional Liability Underwriting Manager expanding to include Medical Malpractice. Seeking 10 years experience, preferably with insurer or MGA. Experience in non-medical E&O a plus. An aggressive, confident individual with technical background and marketing ability will have opportunity to manage department and develop nationwide territory. Chicago and Atlanta location possibilities. Salary negotiable and commensurate with experience. Attractive benefits. Send resume in complete confidence to P.L.U., Inc. ("The Professional Liability Underwriters"), P.O. Box 5558, Akron, OH 44313 (Admin. Office).

This established agency, through planned growth, seeks to add to their commercial marketing dept. Ideal candidate will have come through the primary ranks as a casualty underwriter and will now have 2-5 years of agency/brokerage marketing/underwriting background. Located in Mid-Eastern area. This key position starts in low-to-mid $40,000 range. Contact **INSURANCE RECRUITERS, INC.,** 6060 N Central Expressway, Suite #470, Dallas, Tx. 75206. AC 214-361-9323.

We are currently seeking a Supervisor of Safety who will be responsible for the development and administration of programs designed to provide and maintain a safe working environment for all employees within the District. Interested candidates should possess a minimum of two years experience in the administration of safety programs in areas of employee safety, public liability and property conservation with knowledge of loss control principles/practices and CAL-OSHA laws and regulations. Strong oral and written communications skills are highly desired. Interested applicants should direct their resumes with salary history to:

Orange County Transit District
P.O. Box 3005
Garden Grove, CA 92642

EMPLOYEE BENEFIT OPPORTUNITY
Well-established mid South agency seeking qualified, professional individual of excellent character, possessing initiative, imagination and experience, to lead expansion of employee benefit division. Send resume in confidence to Box 971, Business Insurance 740 Rush Street, Chicago, Illinois 60611.

BI Classifieds assure top quality results!

INSURANCE AGENCY PRODUCER

Unique opportunity for the individual seeking a career and ownership potential with a professional insurance agency.

The individual must have a college degree, a proven record in marketing and underwriting, innovative talents, a thorough knowledge of property and casualty insurance, and determination for self improvement including CPCU designation.

Please submit a resume to:

John R. MacLennan, CPCU
MACLENNAN & BAIN INSURANCE
8585 Broadway
Merrillville, IN 46410

Business Insurance Circulation Breakdown*

Commercial Consumers

Category	Circulation
Administrative Management: owners, presidents, vps, etc.	5,861
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,426
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,865
Government, Associations, Unions, Educational Institutions	1,024
Commercial Consumers Sub-total	**23,176**
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
Others allied to the field	1,020
TOTAL	**42,383**

*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

WANTED MARKETING DIRECTOR

Aggressive P&C agency. Salary commensurate with experience and abilities. Profit sharing and ownership opportunities. Send resume to: R. A. Brunson, Brunson Bonding & Insurance, 7747 Tom Drive, Baton Rouge, La. 70806

EQUIPMENT

CAUGHT IN A RATRACE? OR . . . PAYING IBM TOO MUCH FOR THEIR EQUIPMENT? Call us for the best price! As IBM EQUIPMENT BROKERS we have created savings for our clientele, whether buying or selling, since 1956. Also as an Authorized TELETYPE DISTRIBUTOR, we market their complete line of IBM compatible CRTs and printers.
Call FRED or RUSS @214/826-3290
COMPUTER CLEARING CORPORATION
2101 North Haskell Avenue
Dallas, Texas 75204

POSITION WANTED

Position wanted: MBA ARM 5 yrs exp corp Risk Mgt/Ins seeks challenging opportunity in corporate, broker, or consulting environment. Presently located suburban NJ. Will relocate. Box 973, Business Insurance, 740 Rush St., Chicago, IL 60611.

INSURANCE AGENCY PRODUCER

A recently created insurance agency subsidiary of north American Van Lines is seeking an individual to handle mass marketing of property-casualty and group life and health to its agency family.

The preferred candidate will have at least 2 years experience marketing and selling insurance; be licensed; and have a 4-year degree or its equivalent.

We offer a salary in the upper 20's plus a bonus opportunity and an excellent fringe benefit package.

Qualified candidates should submit a recent resume to:

M. Jetter
Employee Relations—Dept. I
P.O. Box 988
Fort Wayne, IN 46801

An Equal Opportunity Employer m/f/h/v

northAmerican.
VAN LINES

RISK ANALYST INSURANCE ADMINISTRATOR

International Oil & Gas Company

A dynamic Denver-based oil & gas company is seeking a well qualified assistant for the Risk Manager. Position will involve identifying and evaluating loss potentials, determining cost effective risk financing levels and alternatives and administering the corporate insurance program.

Qualified candidate will be a proven self-starter, highly analytical, well organized, extremely attentive to detail with a demonstrated ability to develop solutions to unique situations. Requirements include a college degree plus two to four years experience in the energy industry or in a substantial brokerage or underwriting office servicing the energy industry.

Please send resume and current salary in confidence to:

Personnel (RISK)
PO Box 5870,
Denver, CO 80217

An Equal Opportunity Employer M/F

Pollution cleanup

Continued from page 1

izes in toxic torts with the Washington law firm of Crowell & Moring.

Shell is one of about 20 companies, including several other major oil companies, to receive "Notice of Liability and Request for Payment" letters from the EPA and DOHS stating that they may be responsible for cleanup costs at the McColl site, used by the oil industry during World War II.

The DOHS estimates that excavation and removal of the oil refining and drilling waste materials will cost $18 million to $22 million, adding that it hopes to begin cleanup operations next month. If the EPA and DOHS cannot reach a settlement with the potentially responsible parties by that time, they are threatening to sue.

The McColl site is one of 546 locations around the country that has been identified for cleanup through the $1.6 billion Superfund, which was created by CERCLA. The EPA, in turn, is seeking recovery of Superfund expenditures from responsible parties.

So far, the EPA has reached settlement agreements with responsible parties at about 30 of the sites.

"We prefer to settle, but we will sue non-settling parties," said an EPA spokesman in Washington.

The Department of Defense has authority for implementing CERCLA as it applies to pollution at military installations like the Rocky Mountain Arsenal and has delegated that responsibility to its various branches, including the Department of the Army.

The arsenal is an Army installation owned by the government and used for the manufacture and disposal of munitions and chemical warfare agents, including nerve gas. From 1947 through 1982, however, Shell and a predecessor company named Julius Hyman & Co. leased certain buildings and facilities at the arsenal for the manufacture of agricultural chemicals.

More than $43 million has already been spent to control contamination and an estimated $1.8 billion will be required to clean up damage to water and other natural resources at the arsenal, according to a recent report by the Army.

Last month, the Army brought a claim against Shell under CERCLA seeking to recover these past and the future costs of cleanup. In its suit against its insurers, however, Shell points out that waste disposal facilities at the arsenal were the property of the Army and—with a few exceptions—were subject to Army control.

"Shell anticipates that negotiations and/or litigation with the Army will encompass not only the obligations of Shell asserted by the Army, but also the obligations of the Army to Shell" regarding its handling of hazardous wastes, the oil company states in its suit.

All of the claims against Shell made by the Army, EPA and DOHS—arising out of substances allegedly generated by Shell and deposited at the McColl and Rocky Mountain Arsenal sites—are "predicated upon 'occurrences' within the meaning of the Shell policies," the complaint continues.

In addition, Shell states that each of the insurers is jointly and severally liable, subject to applicable deductible provisions and limits.

A Shell spokesman said he did not know and could not estimate the total amount of coverage provided under all the defendants' policies. However, it is currently common for major oil companies to purchase liability limits in the hundreds of millions of dollars.

Before filing the suit, Shell insurers were notified of cleanup claims against the oil company. Some of the insurers denied coverage, while others refused to either admit or deny coverage in response to Shell's request, the suit says.

Last week, Shell risk management and legal executives from Houston were in New York and Hartford, Conn., to discuss the objectives of their suit with some of their insurers, say industry sources. These Shell executives knowledgeable about the suit could not be reached for comment.

William S. Boyd, an attorney with the San Francisco law firm of Brobeck, Phleger & Harrison, which filed Shell's suit, referred all questions to Shell corporate headquarters in Houston.

"Many of the defendants are still trying to pull together all of their policies and sort them out," reports Robert A. Zeavin, an attorney with the Los Angeles law firm of Buchalter, Nemer, Fields, Chrystie & Younger, which is representing about a dozen of Shell's excess insurers.

"The coverage issues at the two sites are very different," he points out. At the Rocky Mountain Arsenal, for instance, Shell was a lessor—more like an owner. At McColl, Shell was one of a number of different non-owner generators.

Also, there is an important distinction between Shell's policies written prior to and after 1973, when insurers adopted an exclusion for pollution coverage in the standard comprehensive general liability policy. This exclusion states that the policy does not contain coverage for non-sudden, gradual seepage situations.

Shell probably will be able to collect under its pre-1973 policies because they did not exclude gradual leakage, observed a manager in the environmental impairment liability department of The Home Insurance Co., one of Shell's liability insurers.

However, other industry observers disagreed with this assessment.

"The insurance industry is not going to pay the bill for cleanup of hazardous waste sites," said A&A's Mr. Merklein.

"Cleanup is an obligation imposed by the government, and I think insurance companies should pay—but the underwriters don't think so," adds the risk manager for a major corporation with pollution exposures.

Since roughly 1980, environmental impairment liability insurance designed to respond to gradual, non-sudden pollution exposures has become widely available on a claims-made basis.

But, even if Shell had an environmental impairment liability policy in force, it probably would not cover cleanup since EIL insurance cannot be purchased to cover Superfund sites where there are known claims and losses. Nor does the coverage pay cleanup or neutralization costs at disposal sites, says William A. Mahoney, a vp at Marsh & McLennan Inc.

Shell's suit does not present in detail the arguments likely to be raised by the oil company to support its claim for indemnification from insurers. However, legal and insurance experts surmise that definitions of the terms "occurrence," "property damage," "intentional act," "sudden" and "accidental" will figure in the case.

"The insurance industry will say that cleanup is not property damage," sums up an attorney representing defendants in the litigation. And, waste disposal at the cleanup site was an intentional act, not an accident, he points out.

"That's true, but the insured will argue that the damage to tangible property was unintended and therefore accidental," observes Alexander Wayne, senior vp for Wrightson & Co., a Chicago underwriting manager.

There are even legal stratagems available to attorneys to find coverage for Shell under post-1973 policies containing the pollution exclusion, continues Mr. Wayne.

The legal principle of adhesion, for example, could be used by Shell to suggest that the court disregard the literal meaning of the policies, including the pollution exclusion, and rule that cleanup coverage exists.

Through the adhesion principle, the court could reason that since insurance contracts are generally prepared by insurers and offered to policyholders on a "take-it-or-leave-it" basis, there is no true equality in bargaining power between the parties. Therefore, a strict construction of the policies might be rejected by the court.

"That argument might be used, but insurance policies negotiated between insurers and powerful corporations like Shell ought not to be deemed policies of adhesion," says Jonathan Bank, another attorney at Buchalter, Nemer, Fields, Chrystie & Younger.

He points out that many of Shell's policies were manuscript forms and therefore the "take-it-or-leave-it" basis does not figure into the contracts.

Indeed, in a battle between an oil company and the insurance industry, the courts may be hard-pressed to determine who has the deeper pocket, many observers note.

Shell's argument for coverage under the post-1973 policies also could focus on definitions of sudden and non-sudden, gradual and non-gradual and accidental.

If the courts find coverage for non-sudden pollution in the comprehensive general liability policy, then underwriters probably will put a mandatory exclusion in the CGL policy for all pollution coverage, predicts Mr. Merklein. ■

Insurers named in Shell lawsuit

According to court papers, the following insurers are defendants in the Shell Oil Co. lawsuit:

Accident & Casualty Insurance Co. of Winterthur (successor to Accident & Casualty Co.); Accident & Casualty Insurance Co. of Winterthur, No. 2 account; Accident & Casualty Insurance Co. of Winterthur, No. 3 account; Adriatic Insurance Co.; Aetna Casualty & Surety Co.; Ago Schadeverzedering MIJ N.V.; AIU Insurance Co.; American International Underwriters; Alba General Insurance Co.; Allianz International Insurance Co. Ltd.; Allianz Versicherungs Aktiengesellschaft; Ambassador Insurance Co. Inc.; American Excess Insurance Co.; American Home Assurance Co.; American Reinsurance Co.; Amsterdam London Verzekering MIJ N.V.; Andrew Weir Insurance Co. Ltd.; Anglo French Insurance Co. Ltd.; Anglo Saxon Insurance Assn. Ltd.; Argonaut-Northwest Insurance Co.; Arkwright-Boston Manufacturers Mutual Insurance Co.; Arrow Life Insurance Co. (successor to Slater Walker Insurance Co.); Assicurazioni Generali; Assurances Generales de France, AGF; Assurances Generales de France, I.A.R.T.; Atlantic Mutual Insurance Co.; Aviation General Insurance Co.; Bellefonte Reinsurance Co. (successor to Bellefonte Insurance Co.); Bermuda Fire & Marine Insurance Co. Ltd.; Birmingham Fire Insurance Co. of Pennsylvania; Bishopsgate Insurance Co. Ltd.; Bishopsgate Insurance P.L.C., Q account; British Aviation Insurance Co. Ltd.; British Commercial Insurance Co. Ltd.; British Law Insurance Co. Ltd., No. 2 account; British Merchants Insurance Co. Ltd.; British National Insurance Ltd. (successor of British National Life Insurance Society Ltd.); British Traders Insurance Co. Ltd. (No. 5); British & Overseas Insurance Co. Ltd.; Brittany Insurance Co. Ltd.; Bryanston Insurance Co. Ltd.; Caisse Patronale Societe Anonyme Compagnie Belge D'Assurances Contre Tous Risques; California Union Insurance Co.; Centennial Insurance Co.; The Central National Insurance Co. of Omaha; Chemical Insurance Co.; Chubb & Son Inc.; City General Insurance Co. Ltd.; Colonial Assurance Co.; Columbia Casualty Insurance Co.; Compania Agricola de Seguros (Colombia) per Estudio Consultivo de Seguros S.A.; Compagnie D'Assurances Maritimes Aeriennes et Terrestres; Compagnie Europeene D'Assurances Industrielles S.A.; Compagnie Euro Belge de Reassurances S.A.; Continental Casualty Co.; Cornhill Insurance Co. Ltd.; Corifrance Cie De Reassurance D'Ile; CNA Reinsurance of London Ltd.; Dart Insurance Co.; Dart & Kraft Insurance Co. Ltd.; Delta Lloyd Autoverzekering; Delta Lloyd Non Life; Delta Lloyd Schadeverzekering N.V.; Dominion Insurance Co. Ltd.; Drake Insurance Co. Ltd.; Economic Europa Verzekerings Maatschappij N.V.; Economic Insurance Co. Ltd.; Economic Insurance Co. Ltd., M account; Edinburgh Assurance Co. Ltd.; Edinburgh Assurance Co. Ltd., No. 2 account; Eisen und Stahl Rucksversicherungs Aktiengesellschaft; El Paso Insurance Co.; Employer's Fire Insurance Co. (successor to Employer's Commercial Union Insurance Co. of America); Employers Liability Assurance Corp. Ltd.; Employers Mutual Casualty Co.; Employers Reinsurance Corp.; English & American Insurance Co. Ltd.; English & American Insurance Co. Ltd., MS2 Group; English & American Insurance Co. Ltd., M1; English & American Insurance Co. Ltd., T account; European General Reinsurance Co. of Zurich; Europeesche Goederen en Reisbagage Verzekering Maatschappij N.V.; Excess Insurance Co. Ltd.; Excess Insurance Co. of America Ltd.; Falcon Insurance Co. (successor to Employers' Surplus Lines Insurance Co.); Federal Insurance Co.; Fidelidade Insurance Co. of Lisbon; Fidelity & Casualty Co. of New York; Fine Art & General Insurance Co. Ltd.; Fireman's Fund Insurance Co.; First State Insurance Co.; Folksam International Insurance Co. (U.K.) Ltd.; Friends' Provident Life Office (successor to Southern Insurance Co.); Generali; General Insurance Co. Helvetia Ltd., St. Gall; Gerling Konzern Allgemeine Versicherungs Aktiengesellschaft, Koln; Gibraltar Casualty Co.; Globe Indemnity Co.; Granite State Insurance Co.; Great American Insurance Co.; Great Atlantic Insurance Co.; Gresham Insurance Society Ltd.; Group Josi Re; Hafez Insurance Co. (Teheran, Iran); Hansa Marine Insurance Co. (U.K.) Ltd., T Group; Harbor Insurance Co.; Hartford Accident & Indemnity Co.; Hawk Insurance Co. Ltd.; Heddington Insurance Co. (U.K.) Ltd.; Helvetia Accident Swiss Insurance Co.; Highlands Insurance Co.; Home Insurance Co.; Hull Underwriting Assn. Ltd., A account; Imperio Companilla de Seguras; Indemnity Insurance Co. of North America (successor to Stuyvesant Insurance Co.); Insco Ltd.; Insurance Co. of North America; Insurance Co. of North America (U.K.) Ltd.; Insurance Co. of the State of Pennsylvania; The Insurance Corp. of Ireland Ltd.; Interlloyd Verzekering Maatschappij N.V.; International Insurance Co.; International Surplus Lines Insurance Co.; Iron Trades Mutual Insurance Co. Ltd.; K.G. Poland & Others Underwriters at Lloyd's; La Fonciere; La Preservatrice Compagnie Anonyme D'Assurances; La Preservatrice Compagnie Anonyme D'Assurances Contre les Accidents L'Incendie et les Risques Divers; La Royale Belge I.R. S.A. D'Assurances; Landmark Insurance Co.; Le Assicurazioni D'Italia; Le Assicurazioni D' Italia Societa per Azioni; Les Assurances Nationales, Iard; L'Etoile Sa Belge D'Assurances; Lexington Insurance Co.; Lombard Marine & General Insurance Co. Ltd.; London & Edinburg General Insurance Co. Ltd.; London & Overseas Insurance Co. Ltd.; London & Overseas Insurance Co. Ltd., A account; Louisville Insurance Co.; Ludgate Insurance Co. Ltd.; Lumberman's Mutual Casualty Co.; Magdeburger Nederland Verzekering Maatschappi, N.V.; Malvern Insurance Co. Ltd.; Mentor Insurance Co. (U.K.) Ltd.; Midland Insurance Co.; Minster Insurance Co. Ltd.; Minster Insurance Co. Ltd., 3 account; Mission Insurance Co. (successor to Mission Equities Corp.); Mutual Fire, Marine & Inland Insurance Co.; Mutual Reinsurance Co. Ltd.; National Casualty Co.; National Casualty Co. of America Ltd.; National Casualty Co. of Detroit; National Provincial Insurance Co. Ltd.; National Union Fire Insurance Co. of Pittsburgh, Pa.; Nationale-Nederlanden Schadeverzekering Maatschappij N.V.; Nationwide Mutual Insurance Co.; New Hampshire Insurance Co.; New India Assurance Co. Ltd.; NRG London Reinsurance Co. (successor to New London Reinsurance Co. Ltd.); The Nippon Fire & Marine Insurance Co. Ltd. (U.K.); Nippon Fire & Marine Insurance Co. Ltd. (U.K.) TI A/C; Nisshin Fire & Marine Insurance Co. Ltd.; North American Reinsurance Co.; North Atlantic Insurance Co. Ltd.; North River Insurance Co.; North Star Reinsurance Co.; Northbrook Excess & Surplus Insurance Co. (NESCO) (successor to Northbrook Insurance Co.); Northumberland General Insurance Co.; Norwich Union Fire Insurance Co. Ltd.; Ocean Marine Insurance Co. Ltd.; Old Colony Insurance Co.; Orion Insurance Co. Ltd.; Orion Insurance Co. Ltd. (Aviation); Orion Insurance Co. P.L.C., T account; Pacific & General Insurance Co. Ltd.; Pacific Indemnity Co.; Pacific Marine Insurance Co. (successor to Charter American Insurance Co.); Peerless Casualty Co.; Pine Top Insurance Co. Ltd.; Planet Assurance Co. Ltd.; Prudential Assurance Co. Ltd.; Prudential Assurance Ltd., Trust account; Prudential Reinsurance Co.; Reaseguradora Nacional de Venezuela Compania Anonima; Reaseguradora National de Venezuela; Reliance Fire & Accident Insurance Corp.; Rheinland Versicherungs A.G.; Riunione Adriatica di Sicurta, Milan, Italy; River Thames Insurance Co. Ltd.; River Thames Insurance Co. Ltd., No. 2 account; Road Transport & General Insurance Co. Ltd.; Rotterdamse Assurantiekas N.V.; Royal Scottish Insurance Co. Ltd.; Scan Re-Insurance Co. Ltd.; Sea Insurance Co. Ltd.; Security Casualty Co. (successor to Security Mutual Casualty Co.); Skandia U.K. Insurance Co. Ltd., T account; Southern American Insurance Co.; Sovereign Marine & General Insurance Co. Ltd.; Sovereign Marine & General Insurance Co. Ltd., C account; Sovereign Marine & General Insurance Co., No. 8 account; Sovereign Marine & General Insurance Co. Ltd., H.D.N. account; Sovereign Marine & General Insurance Co. Ltd., N account; Sphere Insurance Co. Ltd.; Sphere Insurance Co. Ltd., B account; St. Helens Insurance Co. Ltd.; St. Katherine Insurance Co. P.L.C.; St. Katherine Insurance Co., No. 2 account; St. Katherine Insurance Co., X account; St. Paul Fire & Marine Insurance Co.; Storebrand Insurance Co. (U.K.) Ltd.; Storebrand International Reinsurance Co. Ltd. (Oslo); Stronghold Insurance Co. Ltd.; Sumitomo Marine & Fire Insurance Co. Ltd.; Sun Insurance Co.; Swiss National Insurance Co. (Basle); Swiss Reinsurance Zurich; Swiss Union General Insurance Co. Ltd.; Switzerland General Insurance Co.; Taisho Marine & Fire Insurance Co. (U.K.) Ltd.; Terra Nova Insurance Co. Ltd.; Threadneedle Insurance Co. Ltd.; Tokio Marine & Fire Insurance Co. (U.K.) Ltd.; Travelers Insurance Co.; Trent Insurance Co.; Turegum Insurance Co.; Unionamerica Insurance Co.; Unionamerica Insurance Co., B account; Union-America Reinsurance Co.; Union Atlantique D'Assurances S.A.; United Standard Insurance Co. Ltd.; United States Fire Insurance; Vanguard Insurance Co. Ltd.; Vesta (U.K.) Insurance Co. Ltd.; Victoria Fire Insurance Co.; Walbrook Insurance Co. Ltd.; Winterthur Swiss Insurance Co.; World Auxiliary Insurance Co. Ltd.; World Marine & General Insurance Co.; Yasuda Fire & Marine Insurance Co. Ltd. (U.K.); Yasuda Fire & Marine Insurance Co., T account; Yorkshire Insurance Co., Zurich; International Limited, Hamilton, Bermuda; Underwriters at Lloyd's, London in the syndicates listed on Exhibit A hereto and does 1 through 750, inclusive, defendants. ■

Specialists in
ASSUMED TREATY
REINSURANCE
Including Pools and Associations

The Monarch Insurance Company of Ohio
Incorporated 1864
A Wholly-Owned Subsidiary of Pearl Assurance p.l.c., London
19 Rector Street, New York, N.Y. 10006
Telephone: 212-422-1850 Telex: 12-6899

Congress considers big benefit changes

Continued from page 1

cits by $100 billion to $120 billion over the next three years through a combination of spending cuts and tax increases.

As one way of doing this, Sen. Dole is pushing a revised proposal that would tax employer contributions to group health care plans.

Under Sen. Dole's latest plan, an employer's health care insurance contributions that exceed $3,000 a year for family coverage and $1,200 for individual coverage would be counted as taxable income to the employee. Sen. Dole estimates that such a cap could raise $1.9 billion in new tax revenue by 1986.

Many benefit observers thought the health care tax cap was dead and buried when the Senate Finance Committee rejected a proposal that would fund extended health insurance benefits for the unemployed by taxing health insurance benefits.

At that time, the Finance Committee was considering a bill, S. 640, also introduced by Sen. Dole, that would count as taxable income employers' health care contributions that exceed $2,100 a year for family coverage and $840 for individual coverage. That proposal would have affected about 30% of employees covered under employer-provided plans.

The latest Dole plan, with the tax cap kicking in at a higher level, would not affect as many workers, but experts say the proposal would be just as disruptive and cause just as many administrative problems for employers.

For example, experts question how an equitable premium would be charged to individual employees in self-funded plans.

Benefit managers also wonder how administrative costs, such as their own salaries, would be calculated in determining the cost of a self-funded plan.

In addition, employers that self-fund often don't know their total health care costs until many months after the end of a year. That's because many claims are incurred near the end of a year and are not reported and paid until the next year.

As a result, the employer would not be able to calculate the cost of its health care program on a per-employee basis until several months following the end of the year.

Benefit lobbyists warn that even if Sen. Dole fails once again to obtain Finance Committee approval for his health care tax, the proposal could keep coming up.

"As long as you have an administration, the chairman of the Senate Finance Committee and hospitals pushing for the tax, it will always be alive," said James Dorsch, Washington counsel for the Health Insurance Assn. of America, an industry trade group.

Similarly, another proposal, one that would bar insurers and employers from using sex as a rating factor in pricing insurance policies and providing benefits, is back on the front burner.

Reps. Florio and Dingell have overhauled legislation, H.R. 100, to remove the bill's retroactive provision.

As introduced, the measure would have required, among other things, that whenever there is a difference in benefits between women and men, the benefit of the disadvantaged sex would have to be "topped up."

For employers sponsoring defined contribution plans that provide different levels of benefits to men and women through annuities that typically pay women smaller amounts per month assuming they live longer, women's monthly benefits would have to be raised to equal men's benefits.

For example, if a woman received $300 a month in pension benefits and a man $350, the woman's benefit would have to be raised to $350.

Under the revised Florio-Dingell bill, benefits no longer would have to be equalized for men and women retirees who are already receiving annuity benefits. However, benefits would have to be equal for current employees covered under retirement plans.

That provision goes far beyond what the Supreme Court mandated when it handed down the Norris decision in July (*BI*, July 11). In that decision, the court ruled that men and women's retirement benefits must be equal only for contributions made after Aug. 1.

In addition, the bill still would bar insurers from using sex as a rating in selling individual insurance coverages, like automobile and life policies.

Currently, women generally pay less for auto and life insurance than men because, on average, they have fewer accidents and live longer.

While some employers may have thought that the unisex issue was resolved by the Norris decision, lobbyists say Congress may act on its own.

"The unisex issue is far from being over," said Les Cheek, vp-federal affairs for Crum & Forster.

"Rep. Florio is a resourceful politician who will look for any way possible to get a bill passed that he wants," another lobbyist said.

Lobbyists also point out that backers of legislation, H.R. 3930, which would make it more costly for employers to fold underfunded pension plans, are looking for new ways to get the bill passed.

They say that a move may be made to attach H.R. 3930 to legislation that would make it easier for women to collect a pension.

The women's pension legislation has no major opposition and will likely pass, in some version, during the current session.

By contrast, H.R. 3930 is controversial and will face a tough battle if supporters try to have it passed on its own. Attaching H.R. 3930 to the popular women's pension legislation would increase its chances of passage.

A move may be made to attach H.R. 3930 to the women's pension legislation when the House Education and Labor Committee considers the women's bill, possibly this week, observers say. ■

'Women's bill' to increase pension costs

Continued from page 1

consulting firm.

Although the two bills, H.R. 2769, backed by Sen. Dole, and H.R. 4280, sponsored by Rep. Clay, aren't identical, the measures would force changes in the same areas. Those areas include:

- Participation age. The Dole bill would lower the minimum participation age in pension plans to 21 from 25; Mr. Clay's bill also generally lowers the participation age to 21.

However, under the Clay bill defined benefit plans would be given the option of retaining age 25 as the minimum participation age, but service for benefit accruals would have to be credited at age 25 as if the employee actually were covered at age 21.

For example, employees who began working at age 21 for a company with a pension plan that requires 10 years of service for first and full vesting would be 100% vested in a 10-year benefit when they reach age 31.

- Vesting. Both bills would lower the minimum age for vesting purposes to 18 from the current 22.
- Election of survivors' benefits. Under both bills, survivors' benefits would automatically be provided to the spouse of a plan participant unless the participant's spouse gave written consent to waive the right to receive the benefits.
- Automatic survivors' benefits. Unless a spouse has specifically chosen not to receive a survivors' benefit, Rep. Clay's bill requires that a plan participant's spouse receive a survivors' benefit if the participant dies with at least 10 years of vested service.

Under the Dole bill, automatic survivors' benefits are required after a participant reaches age 45 and has 10 years of vested service.

Currently, many pension plans provide an automatic survivors' benefit when a plan participant reaches the plan's early retirement age, which is usually age 55.

- Divorce. Both bills make clear that courts have the authority to distribute, if they so choose, a portion of the participant's pension to the spouse as part of a divorce settlement.

> 'You're not delivering a. . .lot of benefits, but you are incurring a lot of costs,' Mr. Klein says.

In addition, Rep. Clay wants to set new "safe harbors" that would protect pension plans from a finding of discrimination.

So-called discrimination can occur if an employer has such rapid turnover that few employees, other than senior management, vest in a benefit.

Under the Clay bill, plans would be protected from charges of discrimination if they chose one of two vesting schedules: 100% vesting after five years; or 30% vesting after three years.

Those schedules are faster than the current "4-40" vesting schedule that many employers now use as a safe harbor. Under a 4-40 vesting schedule, a plan participant must be 40% vested in a benefit after four years of service.

As a result, if the Clay bill were enacted, thousands of employers currently using 4-40 vesting schedules would have to adopt new, faster vesting plans.

Both bills have been endorsed by women's groups. They say the legislation would force pension plans to adopt provisions that make it easier for women to collect pensions.

On the other hand, some benefit experts label the bills as "window dressing" that won't produce a significant increase in women's benefits, but will boost employers' pension costs.

"These are symbolic benefits," contends James P. Klein, an attorney with consultant Towers, Perrin, Forster & Crosby in New York. "You are not delivering a whole lot of benefits, but you are incurring a lot of administrative costs."

For example, even if the participation and vesting ages are lowered, large numbers of women still won't vest, experts say, because young employees frequently change jobs and don't stay with one employer long enough to vest, even under the proposed requirements.

On the other hand, lowering the participation age will boost employers' costs.

For example, companies will have to pay additional pension termination insurance premiums to the Pension Benefit Guaranty Corp. since there will be more pension plan participants. Currently, the annual premium is now $2.60 per plan participant, but the PBGC wants Congress to raise the premium to $6.

In addition, employers will incur the administrative costs of distributing pension plan documents to the new, younger plan participants, points out Theresa Stuchiner, a partner at Kwasha Lipton, an employee benefits consulting firm in Fort Lee, N.J.

Women's groups have also expressed their support for the survivors' benefit provisions in the legislation, complaining it is unfair that a surviving spouse doesn't receive a portion of the participant's vested benefit if the spouse dies before reaching the plan's early retirement age.

But others question how much of a benefit a survivor would receive if a young worker dies after only 10 years of service.

"How much of a benefit is there?" asks TPF&C's Mr. Klein. "The benefit may be next to nothing."

While the survivors' benefits may be small, employers would face the administrative costs of paying PBGC premiums, distributing plan documents and writing small monthly checks to the survivor.

Consultants say a young survivor would be in better financial condition if he or she received the proceeds of a life insurance policy rather than a tiny survivors' benefit.

"The 41-year-old widow is better served with a substantial life insurance benefit than, say, a $32-a-month pension benefit," Mr. Klein explained. ■

YOURS

for the asking!

A free copy of SIIA NEWS,

the official publication of the Self-Insurance Institute of America, the leading educational association for self-insurers, administrators, brokers, corporate executives, and risk managers.

Complete the coupon below, or mail your business card today to: SIIA • P.O. Box 15466 • Santa Ana, CA 92705 (714) 979-6318.

YES, I would like a complimentary copy of SIIA NEWS. Please send it to:

Name ______

Title ______

Company ______

Address ______

City ______

State ______ ZIP ______

Telephone (___) ______

insurance services guide

ATWOOD & CO.
Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

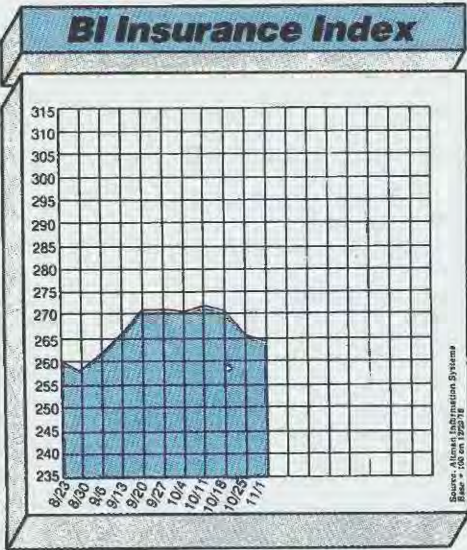
GYORY ASSOCIATES, INC.
PROFESSIONAL RISK MANAGERS
Risk Financing
Insurance-Risk Consulting
Latent Disease Product Liability Management
172 Franklin Avenue, Ridgewood, N.J. 07450 (201) 445-8350

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
- Statutory letters of opinion on loss and loss expense reserves.

12300 Olive Boulevard
St. Louis, MO 63141
(314) 878-5002

Benefits News Analysis
The magazine for benefits managers
Analysis of corporate benefit practices.
Flexible Benefits | Cost Containment
Savings/401 (k) | Communication
Systems/Admin. | International
Free copy—203/393-2272
Box 4033 New Haven, CT 06525

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340



Insurance industry stocks faltered during the five-day trading period ending Nov. 1 as the *Business Insurance* stock index dropped 0.9 points to 265.0. Twenty-six issues closed up, 15 were unchanged and 23 stocks closed down. The leading gainers were American States Life Insurance Co., 6.5%; Reed Stenhouse Cos. Ltd., 6.3%; Lincoln National Corp., 5.3%; Ohio Casualty Corp., 4.7%; and Great West Life Assurance Co., 4.0%. The largest losses were reported by Bitco Corp., 13.6%; Carolina Casualty Insurance Co., 11.4%; Fremont General Corp., 7.9%; Kemper Corp., 7.9%; and Provident Life & Accident Insurance Co., 4.7%. The *BI* index reported a 0.3% decline for the period ending Nov. 1, compared with the 1.9% drop in the Dow Jones 30 industrials average.

British Issues

NOV. 1 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	170	170.0	16.86	9.9	170— 158
Eagle Star	528	18.9	24.29	5.3	535— 520
Genl Accident	412	10.7	24.29	6.4	4'2— 408
Gdn Royal Exch	472	11.8	27.26	6.5	472— 468
Phoenix	348	15.1	25.00	7.5	348— 338
Royal	485	12.1	37.86	8.1	485— 475
Sun Alliance	1313	15.1	68.57	6.0	1313—1288
Brokers					
CE Heath	285	7.1	21.07	8.0	268— 285
Hogg Robinson	131	10.1	8.57	7.2	131— 125
JH Minet	125	9.6	6.50	6.1	125— 122
Sedg Grp	220	11.0	10.00	5.2	220— 218
Stenhouse Hldg	98	8.9	7.86	8.5	99— 98
Stew Wrightson	252	8.4	20.43	9.0	255— 250
Willis Faber	557	11.6	25.00	5.4	557— 550

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

Stocks, bonds bolstering insurer profits: Experts

By BILL DENSMORE

THE COMMERCIAL insurance industry soon may be skating on pretty thin ice, two industry experts say.

But at the moment, they point out, the industry is sliding along pretty nicely.

Both experts—an investment banker and the president of the Insurance Services Office—share similar views of the market. As long as the stock and bond markets remain stable or climb, insurers can perform as well as other U.S. companies, and insurer managements are feeling no great pressure to stem huge underwriting losses.

And, for the risk manager attempting to figure out when property/casualty insurance rates will ever rise, they say it may be more important to watch insurers' investment results than their underwriting data.

Of the two messages, the most startling analysis comes from Leandro S. Galban Jr., a senior vp of the investment banking division of Donaldson, Lufkin & Jenrette. Mr. Galban, a former stock analyst who has followed insurers since 1961, now helps find financing for insurance industry mergers.

"The industry is becoming increasingly high-risk from a growth and capital standpoint because of its reliance on the stock market," Mr. Galban told an Oct. 28 meeting of the New York Chapter of the Society of Chartered Property & Casualty Underwriters.

At the same time, however, he says he sees "no collective movement to higher rates."

The industry, he notes, has typically tried to scare buyers with talk about underwriting losses, and then attempt to follow by increasing rates. But the current financial strength of insurers suggests that underwriting losses are no longer a proper gauge of profitability, he explains.

"It is a fact that the industry is in the strongest financial position today than it's been since almost before I became an analyst," Mr. Galban said. "Most companies are making it and are perfectly willing to underwrite business at these (premium) levels."

Insurer willingness to accept underwriting red ink stems from the performance of the stock and bond markets, which have dramatically strengthened insurer balance sheets in the last 18 months, he notes.

Insurers carry bonds at an amortized value related to their purchase costs, instead of their market value. In the past, the difference between the two was "scary," says Mr. Galban. "But today, the bonds' (amortized values) are not far from market (value)."

Mr. Galban projects 3% premium growth for 10 major property/casualty lines in the next year. The industry's combined ratio will rise from a current figure of about 110% to about 112% in 1984, then will dip back to 111% in 1985, he forecasts.

Although industry earnings will be $4.5 billion in 1983, $4.5 billion again in 1984 and $5.5 billion in 1985—about $2 billion below the peak reached during the 1970s—the amount of capital invested in the business as a whole will continue to swell from $63 billion at the end of this year to $75 billion at the end of 1985, he says.

"Therefore, you will continue to have substantial underwriting capital in this business over the next few years," he noted.

Because of the strong stock market, he says, insurers right now have $21.5 billion more capital than they need to support their underwriting.

"What kind of a business is the insurance business if it has to depend on the stock market for its capital growth?" he asks. "The answer is that it is a financial business."

But just because the horizon is bright at the moment doesn't mean that the good times will last forever, he says.

Underwriters, according to Mr. Galban, have learned they do not have to achieve a 100% combined ratio to keep their jobs, but he also notes that they don't have any idea of what level of losses can be accepted before investment income no longer supplies an overall profit.

"It makes no difference whether (an underwriter) makes money or loses," says Mr. Galban. "Very often, his results are poor and there is no adverse affect on the company or his career. . . .There is still no systematic way of determining how much an underwriter should be held responsible for his losses.

"I think the underwriter has got to be told what loss ratio he can write at and still makemoney for the company," Mr. Galban says.

As an example, Mr. Galban cited what he said were recent aggregate combined ratios for major property/casualty lines and then estimated the return on equity the ratios were yielding. For instance:

- The recent general and miscellaneous liability combined ratio yields a return on equity of about 2%.
- The recent workers compensation combined ratio of 107% yields an ROE of 14%.
- The recent private-passenger auto combined ratio of 107% yields an ROE of 8%.
- The recent commercial auto combined ratio of 123% yields a negative ROE of 16%.
- The recent commercial multiperil combined ratio of 120% yields a negative ROE of 4%.
- The recent homeowners combined ratio of 104% yields an ROE of 10%.

A key spokesman for the property/casualty insurance industry appears to agree with Mr. Galban's bottom-line analysis as well as his warning that the ice is becoming increasingly thin.

Daniel J. McNamara, president of the Insurance Services Office, an insurance industry advisory organization, says that despite the industry's record underwriting loss of $10 billion in 1982, its return on net worth was 9.6%, compared with a 10.2% return for the Fortune 500.

"The industry's return on net worth continues to benefit from high interest rates and a healthy stock market that is producing solid investment gains," Mr. McNamara told a meeting of Chicago insurance executives last month. "But there are storm clouds on the horizon, which should be carefully watched."

Mr. McNamara says the industry's reliance on capital gains to aid earnings must stop. "In the first six months of this year, half the industry's increase in investment gains came from realized capital gains—gains which are notoriously volatile," he says.

He also warned that new players in the reinsurance arena may not be as reliable as many insurers think.

Mr. McNamara's final point is more subtle. He warns that for the first time since the mid-1970s, the ratio of reserves to paid losses decreased significantly in 1982 compared with the previous year. The ratio at the end of 1982 stood at 1.56-to-1, down from 1.50-to-1 at the end of 1981.

The implication that can be drawn from this statistic is that insurers are not adding to reserves as quickly as losses are growing.

As long as the stock market remains bullish, such a trend doesn't pose serious problems.

If the market drops, however, insurers will be looking for ways to supplement earnings. That will increase pressure to hold back on additions to reserves.

Carried to its extreme, there are then only two logical results: Either insurers will have to raise rates or they will have trouble paying future losses.

Either way, insurance buyers will be wise to watch the numbers, he says. ■

BI Industry Stock Report

NOV. 1, 1983 10/26/83 THRU 11/1/83

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.38	1.7	9.3	2.64	7.3	36.88	36.00	777.1
American Bankers Ins Group	OTC	12.88	0.0	10.1	0.50	3.9	12.88	12.75	57.7
American Gen Ins Co	NYSE	22.75	1.1	8.2	0.80	3.5	22.75	22.38	705.4
American Indty Finl Corp	OTC	17.75	0.7	9.5	1.12	6.3	17.75	17.63	7.1
American Intl Group Inc	OTC	63.00	0.4	10.6	0.44	0.7	64.75	63.00	359.1
American Natl Ins Co	OTC	20.50	1.9	7.4	0.96	4.7	20.88	20.50	55.0
American Sts Life Ins Co	OTC	44.75	6.5	12.3	0.88	2.0	45.00*	42.38	5.2
Aneco Reins Ltd	OTC	2.88	0.0	71.9	0.00	0.0	3.00	2.88	25.2
Avemco Corp	AMEX	20.50	1.2	12.7	0.58	2.8	20.63	20.13	26.2
Banks Iowa Inc	OTC	47.50	-2.1	17.4	1.52	3.2	48.25	47.50	0.3
Bitco Corp	OTC	17.50	-13.6	7.5	1.33	7.6	20.00	17.50*	31.4
Carolina Cas Ins Co	OTC	7.75	-11.4	0.0	0.32	4.1	8.75	7.75	0.6
Chubb Corp	OTC	61.25	1.7	8.0	3.12	5.1	61.25	60.63	260.0
Combined Intl Corp	NYSE	36.00	-3.0	11.5	2.00	5.6	36.38	35.75	295.0
Continental Corp	NYSE	29.25	0.9	39.5	2.60	8.9	29.25	28.50	276.1
Crawford & Co	OTC	15.00	1.7	11.1	0.60	4.0	15.00	14.75	45.2
Crown Life Ins Co	OTC	119.50	-4.4	7.8	3.10	2.6	125.00	119.50	0.2
Employers Cas Co	OTC	33.25	0.8	6.8	1.20	3.6	33.25	33.00	3.0
Equifax Inc	NYSE	28.38	2.3	11.8	1.60	5.6	28.38	28.00	72.9
Excelsior Ins Co	OTC	20.50	0.0	17.2	0.00	0.0	20.50	20.50	0.0
Farmers Group Inc	OTC	40.00	2.2	10.1	1.36	3.4	40.00	39.13	338.0
Foremost Corp Amer	OTC	29.00	-0.9	8.8	0.83	2.9	29.25	29.00	131.6
Fremont Gen Corp	OTC	11.63	-7.9	52.8	0.48	4.1	11.75	11.25	243.5
Great West Life Assurn Co	OTC	260.00	4.0	9.4	11.00	4.2	260.00*	250.00	0.9
Hanover Ins Co	OTC	56.00	-1.8	6.9	0.88	1.6	56.50	56.00	11.0
Hartford Steam Boiler Insptn	OTC	57.00	5.6	11.1	3.00	5.3	57.00*	54.50	15.2
Jefferson Natl Life Ins Co	OTC	41.00	0.0	12.7	0.76	1.9	41.00	41.00	0.9
Kemper Corp	OTC	36.38	-7.9	7.8	1.80	4.9	39.88	36.38*	111.8
Lincoln Natl Corp Ind	NYSE	60.13	5.3	8.7	3.00	5.0	61.00*	58.00	124.4
Mission Ins Group Inc	NYSE	29.00	-0.9	10.8	1.00	3.4	30.13	29.00	148.5
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC	36.00	-0.7	23.8	1.50	4.2	36.25	36.00	24.5
Ohio Cas Corp	OTC	47.50	4.7	8.8	2.52	5.3	47.50	46.00	55.5
Old Rep Intl Corp	OTC	30.75	0.0	7.1	0.90	2.9	30.75	30.75	70.0
Orion Cap Corp	NYSE	28.25	-3.4	14.1	0.66	2.3	28.50	28.25	69.6
Preferred Risk Life Ins Co	OTC	20.13	-0.6	7.7	0.67	3.3	20.50	20.13	3.3
Provident Life & Acc Ins Co	OTC	61.50	-4.7	7.8	2.60	4.2	64.50	61.50	26.8
St Paul Cos Inc	OTC	55.63	-2.4	7.5	2.80	5.0	58.00	54.75	447.3
SAFECO Corp	OTC	55.63	-2.8	11.0	2.40	4.3	57.25	55.38	86.1
Sri Corp	OTC	18.50	-2.6	6.9	0.56	3.0	19.25	18.50	176.6
Seibels Bruce Group Inc	OTC	22.13	-1.7	5.9	0.80	3.6	22.38	22.13*	126.3
Statesman Group Inc	OTC	11.00	0.0	7.7	0.15	1.4	11.25	11.00	100.5
Tokio Marine & Fire Ins Co	OTC	103.75	-3.5	16.6	0.96	0.9	107.25	103.75	9.3
Travelers Corp	NYSE	31.25	0.8	7.9	1.80	5.8	31.50	30.63	576.6
United Fire & Cas Co	OTC	32.25	0.0	11.5	0.88	2.7	32.25	32.25	1.2
United States Fid & Gty Co	NYSE	56.00	0.0	11.1	3.84	6.9	56.13	55.25	205.5
United Svcs Life Ins Co	OTC	22.38	0.6	6.6	1.00	4.5	22.63	22.25	6.3
Uslife Corp	NYSE	27.00	0.0	7.7	0.96	3.6	27.25	26.63	130.7
Washington Natl Corp	NYSE	26.25	-0.5	11.6	1.08	4.1	27.25	25.75	97.6
Zenith Natl Ins Corp	OTC	16.00	0.0	11.3	0.60	3.8	16.00	16.00	15.1
				=====		=====			
INSURANCE COMPANIES	AVERAGE			9.8		3.8			

Agents/Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Alexander & Alexander Svcs	NYSE	20.75	-1.2	0.0	1.00	4.8	21.25	20.75	99.9
Baldwin & Lyons Inc	OTC	37.50	-2.6	15.6	0.80	2.1	38.50	37.50*	0.2
Corroon & Black Corp	NYSE	24.38	2.6	16.8	1.80	7.4	24.38	23.75	30.3
Crump E H Cos Inc	OTC	9.88	0.0	13.5	0.40	4.1	9.88	9.88	12.0
Emett & Chandler Cos Inc	OTC	10.63	0.0	0.0	0.00	0.0	10.63	10.63	5.2
Hall Frank B & Co Inc	NYSE	27.38	2:8	21.6	1.70	6.2	28.50	26.75	273.9
Integrated Res Inc	AMEX	32.00	0.8	11.9	0.00	0.0	32.00	31.50	121.2
Marsh & Mclennan Cos Inc	NYSE	45.00	-1.6	13.1	2.20	4.9	45.50	45.00	233.9
Poe & Assoc Inc	OTC	6.00	0.0	0.0	0.00	0.0	6.00	6.00	0.0
Reed Stenhouse Cos Ltd	OTC	12.75	6.2	21.2	0.60	4.7	12.88	12.00	4.6
				=====		=====			
AGENTS/BROKERS	AVERAGE			18.9		3.8			

Conglomerates/Holding Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
American Express(Fireman's Fd)	NYSE	33.00	-5.4	9.6	1.28	3.9	34.50	32.75	3,407.9
Anderson Clayton(Ranger/PanAm)	NYSE	27.88	-1.8	15.9	1.32	4.7	27.88	27.25	50.8
Armco Inc	NYSE	17.25	-5.5	0.0	0.40	2.3	17.25	17.13	451.8
Baldwin Utd Corp	NYSE	3.25	30.0	0.0	0.00	0.0	3.25	2.25*	1,039.3
CIGNA Corp	NYSE	46.25	2.8	7.4	2.48	5.4	46.25	45.13	832.4
City Investing Co. (Home Ins.)	NYSE	35.00	2.6	10.3	1.80	5.1	35.00	34.13	602.5
CNA Finl Corp (CNA)	NYSE	22.38	0.6	7.7	0.00	0.0	22.38	22.00	19.6
Control Data (Comml. Credit)	NYSE	47.50	5.6	11.6	0.60	1.3	47.50	45.13	667.6
General Re Corp	NYSE	64.00	0.4	13.5	1.28	2.0	66.00	64.00	999.3
Gulf Utd Corp	NYSE	28.88	-0.4	8.9	1.32	4.6	29.00	28.75	267.1
ITT (Hartford Group)	NYSE	41.13	-2.7	8.8	2.76	6.7	42.13	40.75	2,294.3
Optimum Hldg Corp	OTC	5.75	0.0	18.5	0.00	0.0	6.00	5.75	5.3
Sears Roebuck & Co. (Allstate)	NYSE	39.13	-2.8	11.3	1.52	3.9	40.63	39.13	2,106.4
Teledyne Inc (Argonaut)	NYSE	162.25	-1.1	15.1	0.00	0.0	164.63	161.75	376.6
Transamerica Corp (Occidental & Fred S. James)	NYSE	29.13	-0.4	9.5	1.56	5.4	29.50	29.00	555.5
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			14.5		2.7			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

Financial briefs

American Indemnity

American Indemnity Financial Corp. of Galveston, Texas, has declared a regular quarterly cash dividend of 28 cents per share of common stock, payable Nov. 15 to shareholders of record Nov. 7.

American Family

American Family Corp. has announced a six-for-five stock split to be distributed on Dec. 15 to shareholders of record Nov. 25. The company currently has more than 13.64 million shares outstanding.

In addition, American Family has announced a fourth-quarter cash dividend of 15 cents per share of common stock, payable Dec. 15 to shareholders of record Nov. 25. The cash dividend will be paid both on existing shares held on the date of record and on the new shares issued as a result of the stock split, a 20% increase in cash dividends. ■

"How'd you like an important say in how our claims are handled? And someone important to say it to?"

With Hartford Specialty, you get to participate in your claims process in a big way. Because the Account Claim Executive (ACE) who works with you to tailor a claim program to your needs is also responsible for making sure it lives up to his promises—and your expectations. The ACE has the experience and know-how to troubleshoot your account, and the authority to take action. And you can call him anytime with questions, problems and suggestions.

Deal yourself a bigger hand in your claims process. For information, write Hartford Specialty Company, Hartford Plaza, Hartford, Conn. 06115.

Don't make a decision on any specialty business without a quote from Hartford Specialty.

HARTFORD SPECIALTY

Performance is our specialty.

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.