

business insurance

update:

Posgate sues Howden to get former job back

LONDON—Suspended Lloyd's of London underwriter Ian R. Posgate is suing Alexander Howden (Underwriting) Ltd. to get his old job back.

In a suit filed in London last week, Mr. Posgate claims he was unfairly dismissed Sept. 20 as a director of the underwriting unit of Alexander Howden Group P.L.C.

Continued on next page

Entire contents copyright 1982 by Crain Communications Inc. All rights reserved.

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

How tax law is affecting benefits

	Percent of employers
Forced to reduce contributions to defined benefit plan	30%
Forced to reduce contributions to defined contribution plan	22%
Prompted to introduce new non-qualified excess pension plan	16%
Prompted to introduce new supplemental executive retirement plan	13%
Forced to alter health care plan to cover workers over 65	54%

Firms make sure law doesn't cut pensions

By LORRIE GAWLA

Employers are taking extra steps to guarantee that their higher-paid employees do not end up with smaller pensions as a result of the new federal Tax Equity and Fiscal Responsibility Act.

Fifty-five percent of the benefit managers responding to a *Business Insurance* Employee Benefit Board survey said the tax act's new lower maximum benefit levels for qualified pension plans would reduce benefits available to some retirees.

To restore these lost benefits, 64% of those whose plans are affected said their companies will funnel the excess pension money into non-qualified pension plans. Non-qualified plans do not afford employers the tax deductions allowed for money contributed to pension plans qualified under the Employee Retirement Income Security Act and Internal Revenue Code.

In all, an additional 33% of the employers surveyed now have implemented non-qualified pension plans, compared with those who had them before the 1982 tax act became law.

Continued on page 4

Health care costs rise

Health care costs at one management services company with 5,500 employees will be going up at least \$50,000 this year.

The culprit isn't spiraling medical costs or employees who abuse medical benefits. It's the Tax Equity and Fiscal Responsibility Act.

Under the law, which was passed by Congress in August, all employers with 20 or more employees will have to include workers between the ages of 65 and 69 in corporate group health insurance plans beginning Jan. 1.

Currently, these workers' health benefits are mainly provided through the federal Medicare program. Employers sometimes round out benefits for these workers with a supplemental plan that is secondary to the Medicare coverage. Under the new law, the employers' health plan becomes the employees' primary insurance and Medicare becomes secondary.

For the majority of the companies polled in the most recent *Business Insurance* Employee Benefit Board survey, the number of employees over age 65 is minimal—maybe just one or two—so the cost to include them in the company's health insurance program is negligible.

Continued on page 4

Judge says Hallmark's CU should share Hyatt claims

By BILL DENSMORE

KANSAS CITY, Mo.—Hallmark Cards Inc.'s insurer should pay at least one-third of claims arising from the Kansas City Hyatt Regency Hotel skywalk collapse, a Missouri circuit court judge has ruled.

In reaching his decision, Jackson County Circuit Court Judge Timothy D. O'Leary stressed that it is the contract language that counts in an insurance coverage dispute and not the unwritten intentions of the parties when the contract was negotiated.

In so ruling, he rejected arguments by Hallmark's insurer, Commercial Union Insurance Co., and broker Marsh & McLennan Inc. that Hallmark's insurance was excess to the coverage of Hyatt Corp. Hyatt operates the Kansas City hotel, while Hallmark owns the hotel through subsidiary Crown Center Redevelopment Corp.

The ruling could cost Commercial Union \$10.8 million, its share of the \$32.4 million in claims that has been paid out. So far, it has not paid anything toward claims. However, the judge does not specifically order Commercial Union to start paying liability claims, leaving the execution of the order in the air.

Attorneys for both Hyatt and Hallmark are apparently pleased that the judge determined they both are insured under each other's general liability policies as well as their own.

"This is a great victory for us and a great defeat for

the Commercial Union people," said Thomas E. Deacy of the Kansas City law firm of Deacy & Deacy, which represents Hyatt.

"I think it's great and it's right and it will play," said Judith Whittaker, associate general counsel of Hallmark, the Kansas City-based greeting card giant.

"I hope it means that everyone's covered all the way up and that settlements will continue," she said.

Attorneys for CU said they are evaluating the impact of the ruling.

"Obviously, it's not the result we were seeking," said Robert R. Reeder of the Philadelphia law firm of Cozen, Beger & O'Connor, which represents CU. "It took the judge five months to write the opinion and we're going to take more than a few days to review it."

One possibility, sources said, is that CU may seek some technical means by which it might quickly appeal Judge O'Leary's decision even though the judge himself describes it as "interlocutory," or not immediately appealable. Another possibility is that CU might seek to revive parallel insurance litigation filed in Cook County Circuit Court in Chicago and seek a more favorable ruling there.

The coverage disputes stem from the July 17, 1981, collapse of two suspended concrete-and-steel walkways during a tea dance at the hotel that killed 114 people and injured at least 200 others.

Continued on page 34



Shand, Morahan hikes rates for professional liability covers

By KATHRYN J. McINTYRE

EVANSTON, Ill.—A leading underwriter of professional liability insurance is raising rates for most lines 10% to 30% to ward off underwriting losses next year.

Shand, Morahan & Co. Inc. of Evanston is raising rates for professional liability coverages for lawyers, architects and engineers, insurance agents and brokers and Realtors. It also is raising rates for product liability insurance.

"We've concluded the time has come. Rates must go up regardless of what the rest of the world thinks," Chairman and Chief Executive Officer Joseph E. Morahan Jr. said during an interview.

Rates will be increased on a selective basis after studying the loss history for each risk by specialty, size of firm, geographic location and other risk characteristics. Rates are not being increased across the board, Mr. Morahan said.

The highest rate increases of 30% will be imposed on structural engineers that have suffered the biggest losses. A structural engineering firm with \$500,000 in billings today pays \$15,000 to \$25,000 for its insurance.

Other professionals can expect rate increases of

around 10%. "There won't be many 2% increases," Mr. Morahan said.

As an underwriting manager, Shand, Morahan rates and issues policies on behalf of seven insurers that are supported by 107 reinsurers. Shand, Morahan's compensation for its work is based on the underwriting profit its markets earn on the business.

Without the rate increases, about 60% of the more than \$200 million in premiums written by Shand, Morahan would produce underwriting losses for insurers for the first time, Shand, Morahan says.

The rate increases will be felt by a large number of professionals around the country. Shand, Morahan estimates that it insures 40% of the attorneys and architects and engineers buying professional liability insurance. It underwrites the largest insurance agents' errors and omissions program for the Professional Insurance Agents with Utica Mutual Insurance Co. It also has the sponsorship of 29 state boards of Realtors.

The only major professional liability line underwritten by Shand, Morahan that is not going up in price is the new coverage for financial institutions. The new policy, which includes coverage for directors and offi-

Continued on page 32

INSIDE:

Supreme Court will decide pension question
Page 2

Don't waive those rent-a-car deductibles
Page 3

Firms make sure law doesn't cut pensions

Continued from page 1

The results of the Employee Benefit Board survey, which polled board members on the effects of both the pension and health care provisions of the tax act, showed that 84% of the respondents are affected in some way by the new law. (The health care results are analyzed in a story on page 1.)

The Employee Benefit Board is composed of executives of companies, institutions and government entities who administer employee benefit plans and have volunteered to respond to regular BI surveys. Seventy-six—or 52%—of the 147 board members responded to the latest survey on the new tax law.

The tax legislation, which was passed by Congress in August to tighten many areas of corporate

and personal tax law including some affecting employee benefits, reduces to \$30,000 from \$45,475 the maximum annual contribution an employer can make to a defined contribution plan, like a profit-sharing plan.

Likewise, it reduces to \$10,000 from \$136,425 the maximum annual pension a worker can receive from a defined benefit plan.

These maximum limits, which almost exclusively affect a company's highest-paid executives, will remain in effect until 1986.

In addition, the maximum benefit level from combined pension plans is now limited to 125% of the single-plan limit, down from 140%.

Twenty-two percent of the survey respondents said they will have to reduce contributions to defined contribution plans as a result

of the new \$30,000 limit on annual contributions.

Almost a third of the respondents (30%) said they will have to reduce annual benefit payments under defined benefit plans.

Another 18% will be forced to cut benefits to employees because of the new cap on the maximum benefit level for combined pension plans, the survey shows.

But these employers are not merely accepting the provisions of the new law and cutting the pension benefits of their highest-paid executives, who are most affected by the new limits.

Instead, 27 are funneling the money that can no longer be paid under qualified pension plans into non-qualified pension plans that are funded with aftertax dollars. Two said they are funneling the

money into other benefit areas outside pensions and four are putting it into non-benefit areas.

Twenty-two of the survey respondents had non-qualified ERISA excess plans and 14 had supplemental executive retirement plans before the new tax act became law.

Eighteen percent of the survey respondents said the old maximum pension plan accrual limits (\$45,475 for defined contribution plans and \$136,425 for defined benefit plans) had affected their pension plans, forcing them to introduce non-qualified plans.

But now, with the even lower maximum limits on pension benefits that can be paid under qualified plans, 12 more of the survey respondents, or 16%, have introduced non-qualified ERISA excess plans and

five are considering such plans.

Another 10 companies, or 13%, have introduced supplemental executive retirement plans as a result of the new tax law and seven are considering such a plan.

In addition, one-third of the 22 that had non-qualified ERISA excess plans in place before the new tax law have had to expand them as a result of the new benefit limits. Fourteen percent of those with supplemental executive retirement plans in place before the tax act have had to expand them.

Although more employers are offering non-qualified pension plans to restore benefits lost due to the tax act, consultants point out that non-qualified plans do not offer employees the security built into ERISA-qualified plans.

Continued on page 6

WE PICK-UP TRUCKS.

New Unigard excess and surplus line coverage picks up where standard insurance leaves off. Written through Unigard Specialty Associates (USA), it provides tremendous growth potential for your business. Because it allows you to write extended coverage.

For example, through USA, you could insure the load on a truck, (and any potential damage it could cause). You could provide an umbrella policy on an office tower or excess property coverage on an apartment complex.

USA will even write specialty insurance, such as a hole-in-one tournament or basketball hoop shoot.

If you're ready to pick up business where others leave off, consider the potential in excess and surplus lines. Ask a USA wholesaler to provide quotes for you, or call the

UNIGARD

wholesaler to provide quotes nearest Unigard branch.

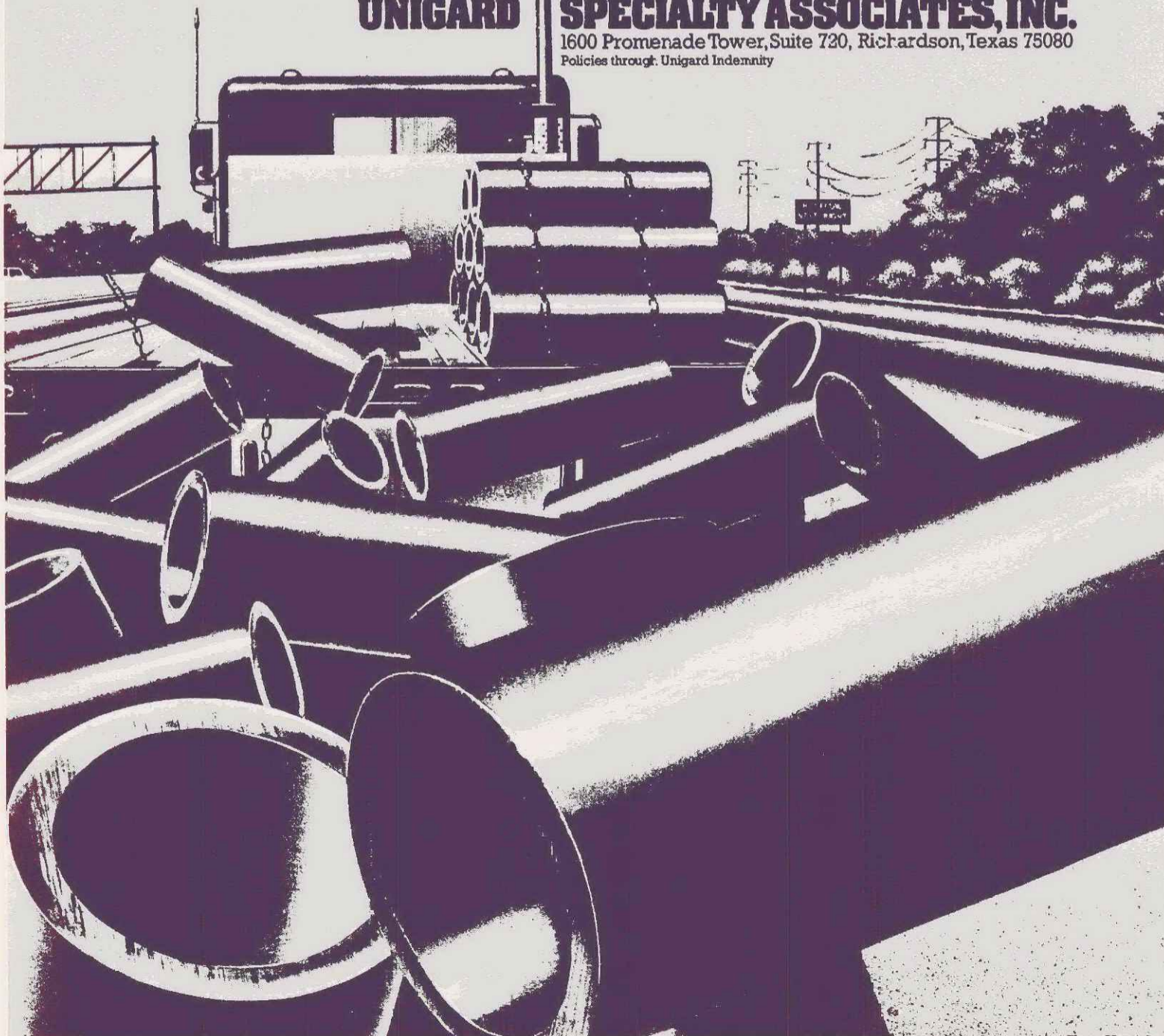
SPECIALTY ASSOCIATES, INC.

1600 Promenade Tower, Suite 720, Richardson, Texas 75080
Policies through: Unigard Indemnity

USA

SPECIALTY ASSOCIATES, INC.

1600 Promenade Tower, Suite 720, Richardson, Texas 75080
Policies through: Unigard Indemnity



Health care costs

Continued from page 1

ble. But for some companies, like the management services firm with 5,500 employees, the number of workers over age 65 is much higher and the corresponding increase in health insurance premiums is dramatic because older persons are more prone to serious illness than younger persons.

The management services firm says the new mandate on coverage for workers over 65 will cost it \$50,000 more for health benefits in 1983 because it has 44 employees between ages 65 and 69.

A glass manufacturer with 20,000 employees, which did not specify how many of its workers are over 65, says the health care provision in the new tax act will increase its health insurance premiums 40%.

And, an industrial controls manufacturer with 10,000 employees says its health insurance premiums will go up 35% because it has to include its workers who are 65 to 69 in its group health insurance plans.

However, as many benefit consultants pointed out when the tax law was passed, the companies that will be hit with significant premium increases because of the health care provision are in the minority. The Employee Benefit Board survey backs this up.

Fifty-four percent of the 76 survey respondents said they would have to change their health insurance plans to include the older workers, but only the three companies mentioned above said they would experience a sizable increase in premiums.

A life insurance company with 750 employees and a textile firm with 20,000 employees both said their health insurance premiums would go up 5%, but the majority of the survey respondents said their premium increases would be less than 1% and several just answered "negligible impact."

Others showed exactly how small the impact would be. They said their premiums would increase: 0.25%; 0.003%; 0.1%; 0.3%

Fifteen of the survey respondents, or 20%, said they already include workers of 65 to 69 years of age in their group health insurance plans and did not expect the new law to affect them at all.

Another 20% said they did not have any workers between the ages of 65 and 69 to add to their health insurance plans.

Employee benefit managers and buyers of employee benefit plans are invited to join the Business Insurance Employee Benefit Board. Just send a card with your name, title, company and address to Kathryn J. McIntyre, Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611. You will receive six surveys during the year on benefit issues.

Why sign up for an ordinary IRA when one stands out?

If you think all IRAs are the same, we
beg to differ.

Wausau's Individual Retirement An-
nuity can help you glean the most from
your tax-deductible and tax-deferred plan.
First of all, we guarantee your rate of
return for twelve months. The rate is ad-
justed annually and guaranteed for the
year to follow.

And, unlike most IRA plans, Wausau
can guarantee a lifetime income for you
and your spouse.

We also have an option that makes
your IRA contributions for you if you're
disabled for more than six months.

And to make things simple, talk to
your company about making your IRA
contributions on a Wausau payroll deduc-

tion plan. If you currently have an IRA,
we'll show you the advantages of our plan.
For more information, call your
nearby Wausau insurance office, listed in
the White Pages, or write: Wausau IRA,
2000 Westwood Drive, Wausau, WI 54401.

Underwritten by Employers Life Insurance Company of Wausau. Sub-
stantial penalties for early withdrawal. This plan is not available in New
York State.

WAUSAU WORKS.



More employers form non-qualified plans

Continued from page 4

Unlike qualified retirement pension plans that are advance-funded, excess plans are unfunded. An employer makes a contribution and can only receive a tax deduction at the time a benefit is actually paid.

As a result, whether benefits will be paid depends on the stability of the company.

Besides adding non-qualified plans, two of the survey respondents say they have added a new qualified defined contribution plan because of the new limits on bene-

fits and three say they are considering new defined contribution plans. None of the respondents is considering a new defined benefit plan.

Overwhelmingly, the new limits on pension plan accruals affect only higher-paid employees, reflecting a very limited number of a company's total employees, the survey shows.

Only three expected anyone but top executives to be affected by the new limits.

The director of employee bene-

fits for a transportation service company with 14,000 employees said the company's lower-paid employees with long service could be affected because its pensions are based on a career-average plan and employees' salaries double every seven years.

"Lower-paid employees may be affected if they elect early retirement prior to age 60, depending on tables yet to be issued," said the director of employee benefits for a diversified retail/manufacturing holding company. "Company has

'excess' plan, so no benefits (will be) lost but certain tax shifts may adversely affect net usable income."

The manager of benefit plan administration for a consumer product manufacturer with 15,000 employees said initially only higher-paid executives will be affected by the new benefit limits but eventually middle managers would also be affected.

Of the 17 companies that said they would have to reduce contributions to defined contribution

plans, eight said less than 1% of their employees would be affected. Two said between 1% and 2% would be affected and another two said between 2% and 4% would have their benefits trimmed under qualified plans.

But, a consumer products company with 600 employees said 20% of its employees would be affected, a diversified holding company with 75,000 employees said 7% of its executives would feel the new limits and a fertilizer, energy and metals company with 7,000 employees said 5% of its employees would be affected.

The consumer products firm and the fertilizer firm are introducing new non-qualified ERISA excess plans and supplemental executive retirement plans to restore the lost benefits. The holding company had both non-qualified plans in place even before the new tax law.

Of the companies whose defined benefit plans are affected by the new benefit limits, 18 said less than 1% of their employees are affected. The rest said 1% to 3% of their employees would have benefits cut.

Of the companies whose employees will have benefits limited under combined pension plans, all said 1% or fewer of their employees would be affected.

Pension coverage increases: Study

WASHINGTON—The number of retirees who will collect private pensions will soar during the next 25 years, according to a survey.

By the year 2004, some 85% of married couples and 66% of individuals who retire will receive benefits from private pensions, says the American Council of Life Insurance, an industry trade group.

"In short, the study shows that the private pension system is working and will get better," said David Hurd, vp of Bankers Life Co. of Des Moines, Iowa, and chairman of a special ACLI task force that examined future pension growth.

There are several major reasons why more workers will earn pensions in the future, according to the ACLI study, which is based on a massive survey of 30,000 households. They include:

- Workers retiring in the future will have spent their entire careers since Employee Retirement Income Security Act took effect.

- Under ERISA, which was passed in 1974, most employers with pension plans offer 10-year vesting. Prior to ERISA, many plans, especially multiemployer pension plans that cover an entire industry, required an employee to work 15 or 20 years before he or she earned a benefit. Those long-vesting schedules made it very difficult for a worker who frequently changed jobs to ever earn a benefit.

- The rising number of married women in the workforce. With both husbands and wives working for companies with pension plans, the chances that at least one spouse will end up with a pension benefit significantly increase.

The ACLI's finding that the number of people collecting pension benefits will significantly increase in the future clashes with earlier conclusions by a pension commission appointed by former President Carter.

That panel found that pension coverage had stagnated. Just half of the workforce was covered by private plans and only 25% of workers had earned pensions.

As a result, the only way to boost pension coverage and take some of the burden off the Social Security program was to require every employer to offer a pension plan, the commission said.



Risk. There is no substitute for knowledge.

You can't get intelligent risk management solutions without asking intelligent questions. That's how we feel. So we offer our clients a unique perspective of the risks they face. Utilizing the kind of technological and human resources that you'd expect from us, one of the world's largest insurance brokers.

It's this full-service approach to business insurance that has served our clients successfully for over 75 years. Wherever in the world they do business. So, contact us. We'll give you the answers, not excuses.

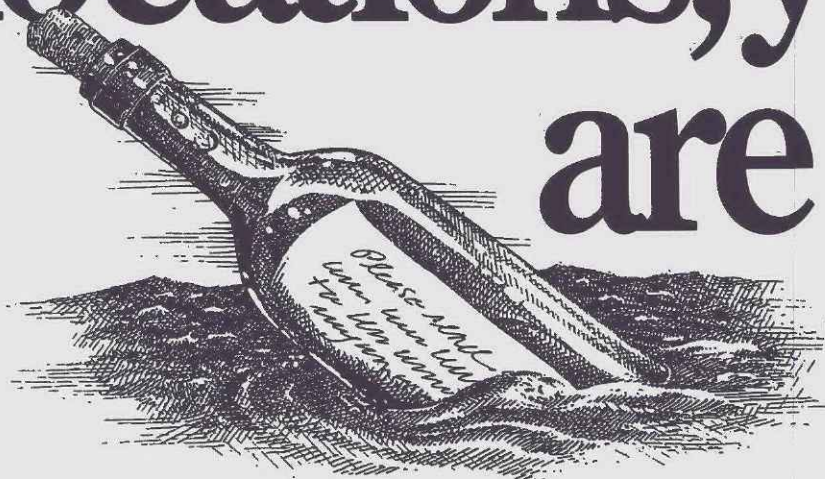


CORROON & BLACK

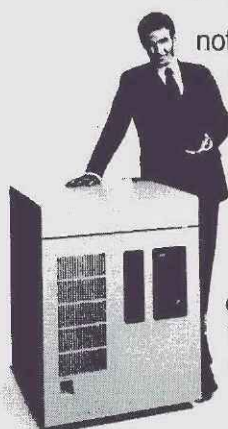
Putting insurance risks into perspective.

Wall Street Plaza, New York, N.Y. 10005 • 212-363-4100

If you're not considering a Wang VS computer for your remote locations, you really are out of touch.



If your remote locations aren't getting the data they need from headquarters, it's time you got a Wang VS (Virtual Storage) computer. Because the VS is compatible with most home office mainframes, it gives your branch offices, factories and warehouses immediate access to the corporate information they need. Vital data like order processing and inventory can be exchanged and updated in seconds, so decision making is improved and productivity increased.



Wang VS 25

The multi-functional VS not only gives headquarters greater control, but gives your branches all the data processing and word processing capabilities they need to run their own operation more efficiently.

The Wang VS. It can keep you in better touch, no matter how fast you grow — or how far you go.

For a demonstration of the Wang VS computer, call **1-800-225-0643** (in Massachusetts call 1-617-459-5000, extension 5711). Or send this coupon to: Wang Laboratories, Inc., Business Executive Center, One Industrial Ave., Lowell, MA 01851

Name _____
 Title _____
 Company _____
 Address _____
 City _____ State _____ Zip _____
 Telephone (_____) _____

WANG A 464

The Office Automation Computer Company

editorial opinions

No cause for alarm

NO ONE, NEITHER insurers nor policyholders, should panic over the rate increases for professional liability insurance announced by underwriting manager Shand, Morahan & Co.

Indeed, the rate increases are a significant development in the commercial insurance market, which is why we printed the story on page 1. But, only time will tell if these rate increases are the beginning of the end of cheap commercial insurance prices. At this juncture, one can't jump to conclusions.

The Shand, Morahan announcement does raise issues about changes in prices and how they are handled that deserve consideration.

To its credit, Shand, Morahan appears to be using sound data and methods in determining the rate increases. It is capitalizing on the improved data-collection capabilities available to insurers today. Its actuaries are analyzing loss information churned out of computers to determine what rates are needed. The rates appear to be based more on fact than fear, which is more than can be said about the last time insurers raised rates in the mid-1970s.

Shand, Morahan's rate increases also are not large enough to cause alarm. Certainly, a 30% rate increase could be hard to swallow at some structural engineering firms whose revenues are falling in the current building slump, but at least we are not yet wit-

nessing the 100% or 300% rate increases imposed the last time insurers raised rates.

We also want to compliment Shand, Morahan on a professional public relations maneuver. It alerted all its major producers that the rate increases are imminent while simultaneously contacting the press to get the word out to the buying public. Shand, Morahan plans to explain the rate increases to magazines serving those professionals whose liability insurance rates are going up. Such concern for getting the news out accurately and to those who buy the insurance is a welcome development in the insurance industry.

Finally, the Shand, Morahan announcement that it is raising rates presents a challenge to both its competitors and policyholders to respond ethically and with good business judgment.

Other underwriters of professional liability insurance should examine their own loss statistics to determine if their rates are adequate and proceed according to their own underwriting judgment. They should neither raise rates just because they think they can now make them fly nor maintain low rates to grab market share.

Buyers of professional liability insurance should carefully analyze all proposals they receive on their next renewal and weigh not only price but also service and stability of the marketplaces.

United's 'friendly' benefit

UNITED AIRLINES is flying right.

It has taken its "friendly skies" slogan a step farther to make life easier for its pilots, flight attendants and other traveling employees who may take off from their home city feeling fine only to land 2,000 miles later with a case of the flu and not have a doctor to turn to for medical care.

As the story on page 3 points out, United is the first private employer to take advantage of a nationwide HMO network established by Blue Cross/Blue Shield of Illinois. Employees who are members of any one of the 24 participating HMOs can receive emergency and

non-emergency health care at any of the network HMOs simply by showing their HMO card.

The employee does not pay any money at the time of treatment. The "surrogate" HMO treats the employee and then sends the paperwork to the "home" HMO where payment details are worked out, eliminating a lot of headaches for the traveling employee.

We applaud United for taking this step to make things easier for its employees, whose travels certainly must make life a little extra hectic, and for making it easier for employees to use prepaid medical groups that are often more conscious of cost containment.

letters

Insurers commit 'business suicide'

To the editor: I read all the insurance magazines, and I will say yours is the best by far. It isn't easy to hold this position since the market changes constantly and it's hard to stay on top of things.

After 36 years in the business, I see things that possibly those less observant would pass over. Currently, I feel insurance companies are close to committing business suicide. They are writing at combined loss and expense bordering close to 117%. Winter is coming. If another Hurricane Agnes or David hits, or a very major earthquake rocks the West Coast, I want to go into the tissue business as the tears will flow.

We have the added problem of losses in the tubes that are yet to come and reinsurers in the background biting their nails. I see a serious constriction of markets and an overemphasis on investment income that is drying up, but you still have companies writing \$11,000 premiums for \$2,500. I wasn't aware that the exposure base could erode so quickly. Then I see the regulators tearing up the book that said: Rates are to be adequate.

Taken on the whole, the business is in trouble. The capacity glut combined with cash-flow underwriting could bring a beautiful industry to its knees.

Charles P. Phelan
Silver Spring, Md.

Key issues not clear

To the editor: In the article "D&O premium rates should fall, broker says," (BI, Oct. 4), key points are only partially illustrated.

I did say that D&O rates have been falling 30% to 50% in certain justifiable situations, like a good risk or an overpriced premium, in this current soft market. I did not mean that these rate decreases are universal. They also may disappear if the market starts to turn.

I'd also like to note a point that was omitted. Many innovative features are now available that heretofore were steadfastly refused, such as deletion or a great reduction in the coinsurance feature.

More important, one point concerning the type of coverage needs clarification. This insurance covers the corporation only to the extent it covers the corporation's obligations to reimburse directors and officers for their costs of defending lawsuits and paying judgments. It covers defense costs with respect to illegal acts only when the individual is exonerated.

I would like to think I am considered somewhat of an expert in this field and the article does not do me justice.

Michael P. Tilton
Executive vp
Fred S. James & Co. of New York Inc.
New York

E/S market outlook

To the editor: The article "E/S companies told future is bright" (BI, Oct. 4) indicates that I estimated that 5% of all property/casualty premiums are underwritten by excess and surplus lines insurers. This is not a correct interpretation of my remarks.

I estimated that 5% of all property/casualty insurance is serviced by the wholesale marketplace, which includes approximately 2% of all property/casualty premiums as excess and surplus lines business, with the balance being property/casualty premiums placed with licensed insurers through excess and surplus lines brokers and/or managing general agents.

Further, I did not indicate a significant growth for E/S marketers but a significant growth for the wholesale marketplace, which not only includes E/S business, but today even greater amounts of business placed with licensed insurers.

William Goldman
President
Horan, Goldman Cos.
Bryn Mawr, Pa.

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

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)

Senior Editor: Len Strazewski (Chicago)

CHICAGO: James M. Burcke (Copy Editor)
Eileen Norris (Associate Editor)
Stephen Tarnoff (Associate Editor)
Donna L. Yanish (Agent/Broker Topics Associate Editor)

Claudette Dampier (Assistant Copy Editor)

Merrill S. Saltzman (Graphics Editor)

Amy Palmer (Production Assistant)

Jim Bakasetas (Production Assistant)

Dorothy Parr Snowden (Proofreader)

Sallie J. Drury (Editorial Assistant)

DALLAS: Larry Gross (Bureau Chief)

LONDON: Stacy Shapiro (Associate Editor)

LOS ANGELES: Rhonda L. Rundle (Bureau Chief)
Betsy Sharkey (Associate Editor)

NEW YORK: Bill Densmore (Bureau Chief)

James C. Lawson (Associate Editor)

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: Don Mahmeister (District Manager)

Emily A. Webb (District Manager)

Fran Prybylo (Production Manager)

LOS ANGELES: Sue Sayre (District Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Timothy O'Hara (District Manager)

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

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-528-3561

London: 01-831-9696

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

DAVID J. CLEARY

executive vp/general manager

JAMES M. FRANKLIN

vp/finance

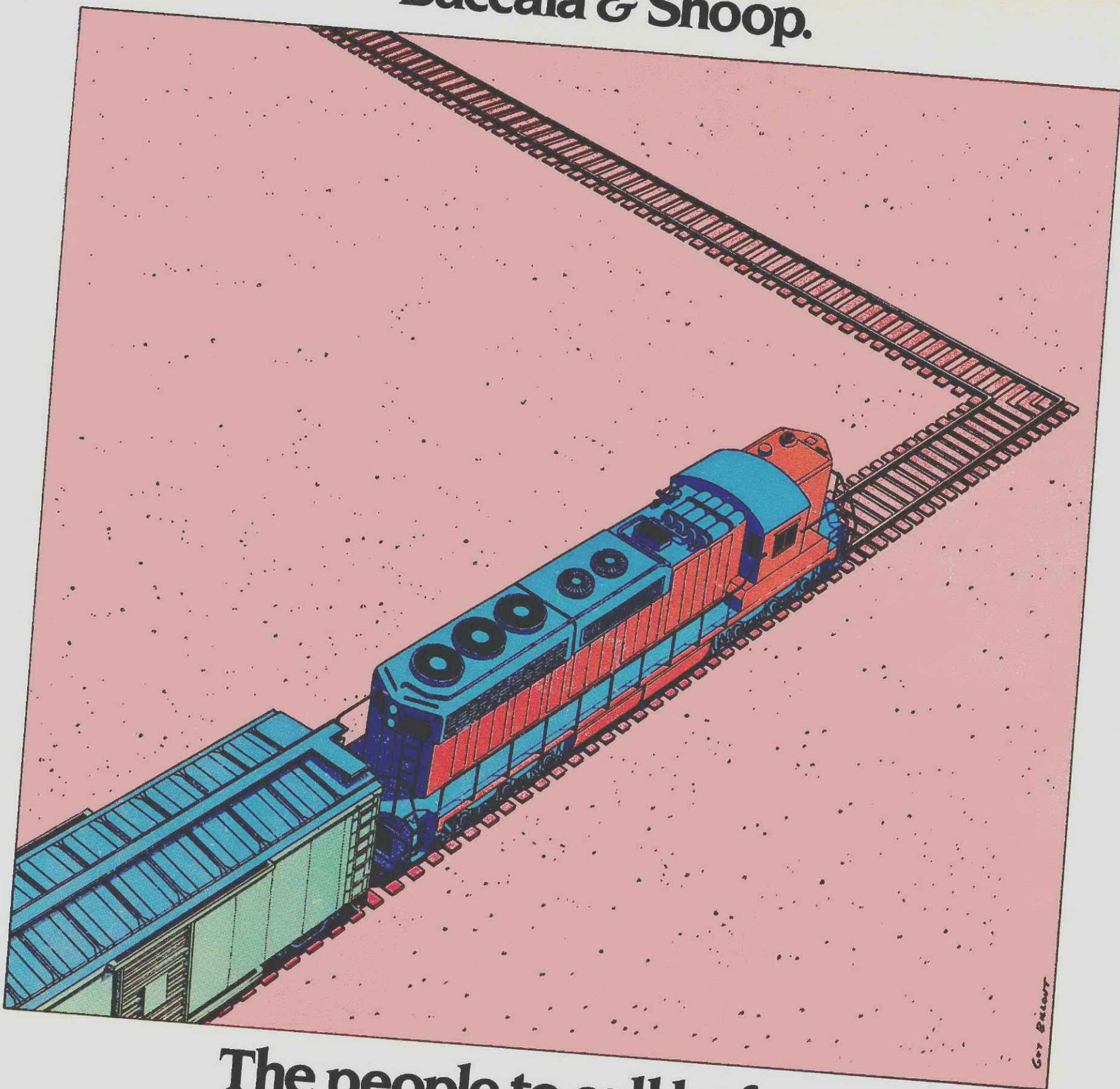
Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 20-22 Bedford Row, London WC1R 4EB, England. \$1 a copy, \$40 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$35 for air delivery. First-class mail to U.S. and Canada only, add \$50. Bermuda only, \$85 per year expedited delivery. WILLIAM STRONG, vp-circulation. DIANNE WALSH, 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.



Member of Business Publications Audit of Circulation



Baccala & Shoop.



The people to call before business takes a different turn.

Our track record in the face of changing markets makes us the compelling choice. Stable and consistent underwriting, with the strongest carriers, gives our brokers what their clients demand.

Baccala & Shoop
The crack troop in underwriting management

4400 MacArthur Blvd., Suite 900 • Newport Beach, CA 92660 • Tel: (714) 851-2374
Atlanta • Chicago • Columbus, OH • Dallas • Houston • Los Angeles • Minneapolis • New York • Philadelphia • San Francisco • Seattle



**"Check out
The Hartford.
I don't think
you'll find
finer dental plans,
better automated
claims, or more
responsive
service!"**

Larry Lance, Senior Vice President, Group Department, talks to benefit plan managers about The Hartford's total commitment to group dental insurance.

Q. How can your dental plans meet my company's unique group needs?

A. All our dental plans have built-in flexibility. So whether you want a "starter" program or more complete protection, you can tailor coverage to your situation. For example, you can choose comprehensive or scheduled coverage, and select from a broad range of deductibles and coinsurance options. A two-year rate guarantee can be elected by many groups. And the plans are available by themselves, apart from any other insurance coverages.

Q. What incentives do your plans offer to encourage preventive dentistry?

A. Preventive dentistry keeps costs down for the employee and the employer. You can elect to have your plan pay 100% of the cost of preventive services—with no deductibles. Or up to 85% of the cost of basic dental care. Lifetime deductibles of as little as \$25 for basic services are also available.

Q. How does your improved automated claims system stack up? And how does it make my job easier?

A. We've taken one of the best automated claims systems in the business and made it truly state-of-the-art. You can measure its effectiveness by what you *don't* get—namely, delays, mistakes, and frustrations. What you *do* get is precise, up-to-date record keeping. And claims payments that are fast, accurate and consistent.

Q. What are some of the capabilities of your automated claims system?

A. It has superb on-line capability—for inquiries, claim coverage and history updating. It provides eligibility and provider verification, claim calculation with tooth chart edit and update, and predetermination of benefits. It also handles correspondence, draft production, explanation of benefits, and automatic updating of exceptional situations such as refunds and stop payments.

Q. How is your service superior to that offered by other insurance companies?

A. In addition to our experienced sales staff, we have highly qualified service reps across the country whose sole job is to solve problems and answer questions for agents and benefit plan managers. Many insurance companies simply don't offer our kind of in-depth service. And it doesn't end there, because our service reps can call in additional specialized help—from the home office, if necessary—to address difficult or unusual situations.

We also have a national network of dental consultants who review proposed treatments and—on a case-by-case basis—suggest alternative treatments that may be more appropriate and cost-effective.

Q. To what extent is that superior service available to small groups?

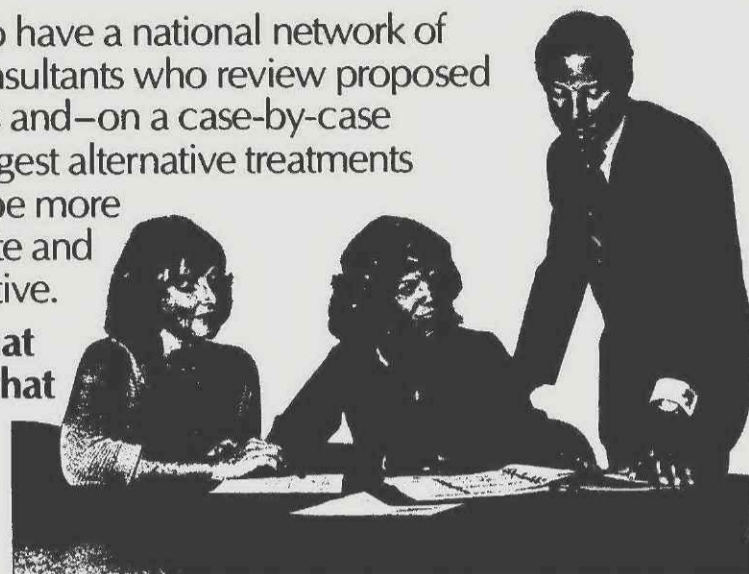
A. It's available without

qualification to groups of *all* sizes. We pride ourselves on being able and willing to give small groups the same kind of attention and quality service we give to large groups. The fact is, many insurance companies simply aren't equipped or motivated to deliver the kind of service we provide to smaller groups.

Q. How can I take advantage of your group dental capability?

A. By contacting your broker, consultant or an independent agent who represents The Hartford.

Or you can call Foster R. Drury, Vice President, Group Sales, at 203-683-8599.



Broker, client and Hartford service rep discuss the many options available with The Hartford's dental plans. (l. to r.) Pamela Hyder, Administrative Service Rep., The Hartford; Christine W. Roberts, Director of Employee Benefits, National Medical Enterprises, Inc., and D. Keith Colwell, V.P., Employee Benefit Planning Department, Johnson & Higgins, Los Angeles.



Don't make a decision on any employee benefit program without a quote from The Hartford.

**BUSINESS
HOME
AUTO
LIFE**



Let us protect your world. THE HARTFORD

The Hartford Insurance Group, Hartford, Connecticut 06115.

Verlan to become Vermont's third captive

Continued from page 2

& Insurance Management Society Conference in Washington that Verlan members were interested in repatriating their association captive, partly for patriotic reasons (BI, May 3).

Verlan will use Green Mountain Captive Management Co. in Barre, Vt., to manage the affairs of its captive, which should write about \$3 million in premium volume during 1983, says Harry R. House Jr., the president of both Verlan of Bermuda and Vermont.

Mr. House says William A. Bours III, the recently retired vp and general manager of the coatings and finishes division of E.I. du Pont de Nemours & Co., is serving as chairman of the Vermont captive.

The majority of the approximately 150 companies insured by

Verlan's Bermuda operation qualify under Vermont's law as "industrial insureds" and their direct premiums will be transferred to the Vermont company, Mr. House said. Verlan of Vermont will then reinsure those risks partially with the Bermuda parent and partially with unrelated U.S.-based reinsurers.

Those companies with fewer than 25 employees or otherwise unable to qualify under the Vermont law will continue to be insured directly by the Bermuda captive.

Premiums paid to the Bermuda captive are subject to a 4% federal excise tax on premium, Mr. House noted, while the Vermont law imposes only a 1% premium tax. Thus, the tax differential is about 3%. However, he cautioned that other differences in regulations or operating costs could cause other

fluctuations in the relative premiums charged by the Bermuda and Vermont companies.

Verlan Ltd. maintains an office in Washington, D.C., from which about 20 employees administer loss-prevention activities, Mr. House said.

Under Vermont's law, a captive may be formed by a single parent or by an association. An association captive may be established under the basic law or as an industrial insured, in which all the members of the association must insure similar risks in the same industry. Financial requirements are least strict for industrial insureds.

Mr. Chaffee told participants at RPG's corporate risk financing and insurance conference that Vermont insurance regulators are considering "four or five" active applica-

tions for formation of captives and have numerous other applications on file. He said captive formation activity has surged in the last month, adding that his office receives about two telephone inquiries each day.

As many as 10 captive insurers may be formed in Vermont by the end of 1982, Mr. Chaffee explained.

Of the active applicants, he said one is a foreign company involved in construction and chemicals that has decided to set up a surety captive in Vermont, while another is an association of small utilities. Mr. Chaffee did not characterize the others.

Mr. Chaffee said he turned away a prospective captive parent that wanted to set up a credit-life insurance subsidiary under Vermont's captive law on the theory that the

captive would not be insuring the business of its parent. The commissioner said such an arrangement wasn't intended by the Legislature, which would want such an insurer to be licensed under regular insurance laws.

"We expressed some doubts about that and ultimately they have gone to Arizona or offshore," he added.

Mr. Chaffee said it takes his department 60 to 90 days to license a captive, although it could take as long as 120 days if the number of applications continues to rise.

He said the state now has eight captive management companies, five approved captive accountants and at least two dozen lawyers who have expressed an interest in handling captive insurance company legal matters.

Your Best Benefit Package Includes PAID

By adding PAID Prescriptions — you get the plan that saves you money by eliminating wasteful abuse, minimizes clerical errors and ensures tighter claims controls.

If your plan doesn't have PAID's benefits, you're missing a lot. And if you have another drug or vision claims processing plan, find out what you're missing.

PAID Prescriptions adds that essential "plus" factor that does much more for you.

First, we cover vision and hearing as well as pharmaceutical claims. And because we pay claims quickly and accurately, the PAID card is welcomed by more than 60,000 providers in the 50 states, Canada, Puerto Rico and Guam.

Second, we're part of Computer Sciences Corporation, the world's leader in information services. Our financial stability means we'll be here when you need us.

Third, through our remote computer network, INFONET, we are able to verify eligibility for benefits online so that you have access to this important information when you need it.

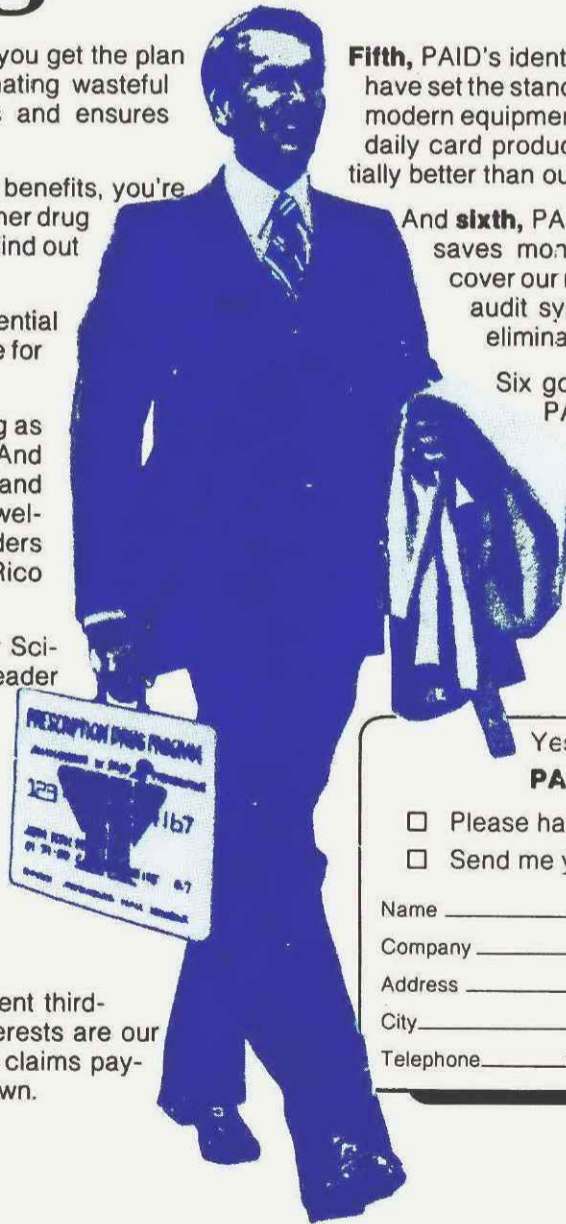
Fourth, we're a totally independent third-party claims processor. Your interests are our interests, and we'll manage your claims payment dollars as if they were our own.

Fifth, PAID's identification card production facilities have set the standard for the industry. With the most modern equipment and thoroughly trained staff, our daily card production turnaround time is substantially better than our competitors.

And **sixth**, PAID's computerized audit of claims saves money — often it saves enough to cover our nominal administrative fee. PAID's audit system reduces invalid claims and eliminates over-charging and errors.

Six good reasons to learn more about PAID. If you don't your competition will.

Get your information package by calling (800) 631-1679. Or, mail the coupon to P. O. Box 434, Paramus, New Jersey 07652.



Yes, I'd like to learn more about PAID Prescriptions. . .

- Please have a salesman call
- Send me your brochure

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone _____



PAID PRESCRIPTIONS

A Subsidiary of Computer Sciences Corporation
Major Offices and Facilities Throughout the United States

Allendale reinsuring after losses

By BILL DENSMORE

WARREN, Vt.—A string of costly warehouse fires, including the destruction of a K mart Corp. facility in Pennsylvania and a Ford Motor Co. parts depot in West Germany, have forced Allendale Mutual Insurance Co. to heavily reinsure warehouse exposures to avoid crippling claims, its president says.

"What we've done, candidly, is go out into the facultative market and net ourselves down," John J. Carey, Allendale's president and chief operating officer, said. "There's not much of our money involved anymore."

Mr. Carey spoke earlier this month at a Risk Planning Group Inc. conference on corporate risk financing and insurance. He detailed several recent property losses, omitting specifics and dollar amounts, and commented generally on conditions in the commercial insurance market.

"Warehouses may be the biggest catastrophe exposure we face today," said Mr. Carey.

An insurer that wants to reinsure his exposure on a single, large risk seeks what is called facultative reinsurance, as opposed to "treaty" reinsurance, which is designed to back up an entire book of business.

Although Mr. Carey did not cite Ford by name in his talk, he did discuss relations between Allendale and the huge automaker in response to a question from one of the conference participants and signaled that the relationship was something less than rosy.

An Oct. 22, 1977, fire at Ford's Merkenich, West Germany, parts depot resulted in a "nine-number loss" said Mr. Carey, or one in excess of \$100 million. Ford officials do not dispute the loss figure but decline to elaborate.

He said that when the depot was first insured by Allendale, a member of the Factory Mutual System, it contained mostly metal parts. But over time, he said, Ford increasingly stored more flammable items like motor oils and tires. In addition, he acknowledged, increasing use of plastic instead of metal parts in autos may have added to the fire risk.

"We had an ongoing dialogue with Ford about the changing nature of the occupancy," Mr. Carey said. He added, though, that Allendale never threatened to cancel Ford's coverage on the facility, which he acknowledged represen-

Continued on page 15

FRANK B. HALL & CO.



Creative insurance services. We've got what it takes.

Frank B. Hall, the world's most inventive insurance services firm, offers a wide range of capabilities for improved corporate risk management. From cost-efficient insurance placements for all lines of off-shore and domestic captives. Full data processing services. Complete claims facilities. Scientific risk analysis and toxic pollution/rehabilitation. Global protection, loss control and excess/surplus coverages. For total protection, call on Hall. We'll put our Enterprise to work on your enterprise.

**to manage
Corporate
Risks.**



**It takes real
Enterprise**

Slainte go America

(Good Health to)

Now one of the world's leading insurance groups, Insurance Corporation of Ireland, has an American branch office.



We can provide immediate service to qualified brokers on risks and costs for surplus and excess lines as well as reinsurance questions. We're aggressive, knowledgeable, experienced and now we're *here*. You don't have to be Irish. Call us. Slainte.



INSURANCE CORPORATION OF IRELAND

200 South Wacker Drive Chicago, Illinois 60606
(312) 559-0509

datebook

NOV. 1. Alternative Methods of Funding Employee Health and Disability Benefits course in New York, sponsored by the Society of Actuaries; members, \$200; non-members, \$235. Also **Nov. 5** in Chicago and **Nov. 16** in San Diego. Society of Actuaries, Box 9.901, Chicago, Ill. 60693; 312-236-3833.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by *Business Insurance*; \$475; 10% discount for additional participants from same company. Ann Vazquez, *Business Insurance*, 220 E. 42nd St. New York, N.Y. 10017; 212-210-0137.

NOV. 1-5. Practical Reinsurance course in London, sponsored by Risk Research Group Ltd.; 660 pounds (approximately \$1,112). RRG Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD England; 01-236-2175; telex, 8811336 RRG G.

NOV. 1-5. Accredited Safety Auditor course in Atlanta, sponsored by the International Loss Control Institute; \$625. Also **Jan. 17-21** in Atlanta. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 3-4. Risk Financing seminar in Chicago, sponsored by St. Paul Risk Services Inc.; \$335. Kathleen Moriarty, St. Paul Risk Services Inc., 230 Hamm Building, 408 St. Peter St., St. Paul,

Minn. 55102; 612-221-7763.

NOV. 4-5. Product Safety Concepts and Practice course in Washington, sponsored by the International Institute of Safety & Health; \$245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 5-6. The Banking and Insurance Forum in Scottsdale, Ariz., sponsored by Risk Planning Group Inc.; \$600. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

NOV. 7-10. Health Care Cost Containment seminar in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, \$390; non-members, \$465. IFEBP, 18700 W. Blue-mound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 8-12. Introduction to Risk Management course in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 8-12. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$535. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

NOV. 8-12. Modern Safety Management course in Atlanta, sponsored by the International Loss Control Institute; \$575. Also **Jan. 10-14** in Atlanta. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 9. Accident Investigation and Analysis seminar in Portland, Ore., sponsored by the International Safety Academy; \$150. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

NOV. 8-12. Eighth Annual Computer Security conference and exhibition in New York, sponsored by Computer Security Institute; \$575; group rates available. CSI, 43 Boston Post Road, Northboro, Mass. 01532; 617-845-5050.

NOV. 9-12. An Ergonomic Approach to Materials Handling seminar in Long Beach, Calif., sponsored by the International Safety Academy; \$375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

NOV. 10. Effective Safety Committees seminar in Portland, Ore., sponsored by the International Safety Academy; \$150. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 66024; 613-932-9400.

NOV. 11-12. Exempt Organization: Tax Strategies and Legal Problems program in San Francisco, sponsored by the Practising Law Institute; \$325. Also **Dec. 9-10** in New York. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

NOV. 11-12. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; \$285. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

NOV. 15-17. Advanced Safety Management course in Atlanta, sponsored by the International Loss Control Institute; \$350. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 15-18. Inspector Training seminar in Houston sponsored by the International Safety Academy; \$490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

NOV. 15-19. Practical Risk Management course in London, sponsored by Risk Research Group Ltd.; 590 pounds (approximately \$1,000). Elspeth Jones, RRG Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD England; 01-236-2175; telex, 8811636 RRG G.

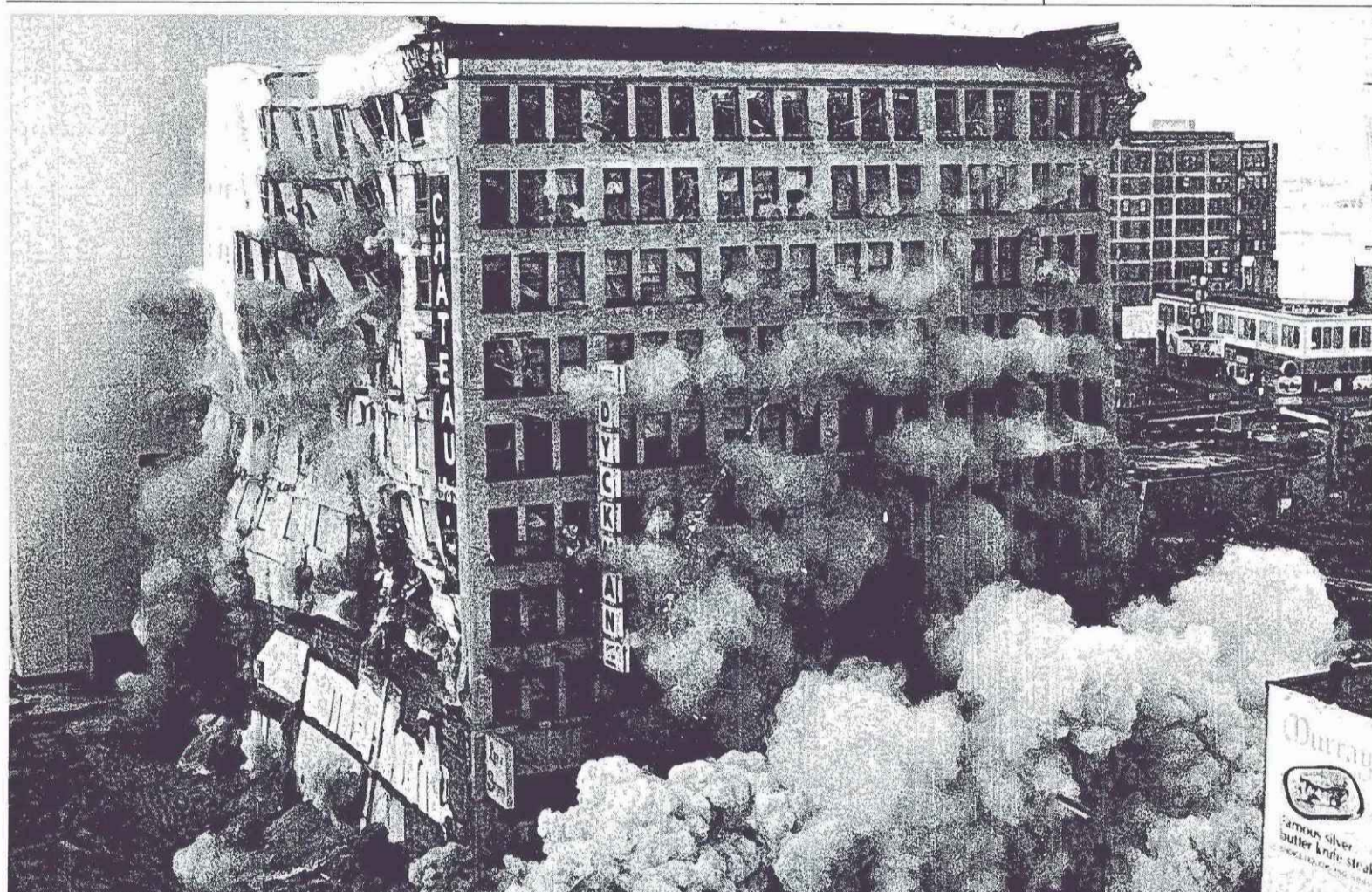
NOV. 15-19. Assets Protection course in Saddle Brook, N.J., sponsored by the American Society for Industrial Security; members, \$595; non-members, \$650. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

NOV. 16-19. Construction Insurance second annual conference in Dallas, sponsored by the International Risk Management Institute; \$435. IRMI, Building III, Suite 208, 10300 N. Central Expressway, Dallas, Texas 75231; 214-363-9656.

NOV. 18-19. Techniques of Risk Management seminar in Washington, sponsored by the International Institute of Safety & Health; \$245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 19. Loss Avoidance seminar in College Park, Md., sponsored by Shand, Morahan & Co. and the University of Maryland School of Architecture; architects/engineers insured through Shand, Morahan & Co. Inc., One American Plaza, Evanston, Ill. 60201; 312-866-0765.

NOV. 21-24. Apprenticeship and Training institute in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, \$390; non-members, \$465. IFEBP, 18700 W. Blue-mound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.



We may not be in the plans today...
but we could be tomorrow

Tomorrow the dust will clear. Bulldozers and cranes will remove the debris, and new construction will replace the demolished buildings. With this will come the need for many specialized insurance coverages.

On such a tomorrow, when your client confronts a difficult risk problem, you can confidently turn to the Crowther People for the solution.

John H. Crowther, Inc. is a leader in writing excess and surplus lines insurance coverage, including demolition and construction contractors, and such other difficult placements as umbrella, products or professional liability. When it's your client's tomorrow for the surplus lines market, make sure John H. Crowther, Inc. is in the plans.

Minneapolis 612/333-0361	Des Moines 515/243-1221	Omaha 402/393-2040	the Crowther People			
Springfield 417/887-0354	Bismarck 701/223-1112	Billings 406/248-7183				
Topeka 913/267-1222	Salt Lake City 801/328-3133	Portland 503/224-5081	Boise 308/336-7131	Denver 303/696-7117	Madison 608/833-4567	

Photo courtesy Minneapolis Tribune

Allendale buying reinsurance

Continued from page 12
ted a tremendous premium volume for Allendale.

"It's tough for some underwriter to have courage to walk in and say, 'If you don't do this, that or the other thing we're going to cancel,'" observed Mr. Carey. "We should have been more aggressive."

Robert L. Ozmert, corporate insurance manager at Ford Motor Co. in Dearborn, Mich., declined to comment on Mr. Carey's comments regarding the fire. "We believe Allendale is a fine company and we think very highly of them," he said.

Allendale's review of the June 21 fire at the K mart distribution center in Morrisville, Pa., (BI, July 19) suggests that the fire probably resulted from the careless disposal of smoking materials, Mr. Carey explained.

The retailer originally stored general merchandise in the 1.1 million-square-foot warehouse, but increasingly stocked material composed of plastics and aerosols (BI, July 19).

"That was not at the time of the loss what we would have insured," Mr. Carey noted.

The K mart warehouse was insured for \$113 million, mainly through Protection Mutual Insurance Co. of Park Ridge, Ill., another Factory Mutual affiliate, *Business Insurance* learned. FM member companies retained \$25 million to \$32 million of the risk and reinsured the rest, according to BI estimates.

Looking at the overall commercial property insurance market, Mr. Carey said he sees no current changes in the market that would presage a raising of property insurance rates.

He said any one of three factors might produce an upturn: a major catastrophe hitting all insurers, a continuing decline in investment yields or an in-

crease in utilization of plants and equipment if the recession eases.

"Any combination of these events would contribute to an immediate and probably drastic change in the market," said Mr. Carey. "We believe that rates will firm; however, we do not see rates returning to their 1978 highs."

Mr. Carey also cited Allendale's concern about security of reinsurers and warned that the increasing influence of financial considerations on the corporate risk management process "have complicated an already difficult task of effectively communicating with senior management regarding loss prevention."

Mr. Carey cited several factors that could cause a permanent change from the traditional boom-or-bust underwriting cycle:

- A blurring of distinctions be-

tween underwriting, consuming and distribution functions. "This trend is best illustrated by a number of major insurance organizations which have quietly taken steps to acquire agencies and brokers in order to protect their delivery channels."

- The pace of technological change. "Process and distribution industries have embraced plant designs which make maximum use of economies of scale. This fact introduced a transfer of risk to underwriters not fully appreciated by most parties."

- Influence of pure financial considerations on risk management. "As long as insurance capacity is plentiful and rates are low, there is little incentive for the corporation to consider alternatives with its resultant increase in exposure to catastrophe loss."

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
Motors Insurance



The Insurance People from General Motors

WHEN THE PAST COMES BACK TO HAUNT YOU, GET A PAL AT NORTH STAR



If inflation, recent court awards or corporate mergers or acquisitions are increasing your exposure for past years, our Prior Acts Liability (PAL) is what you need.

A PAL today can improve your past performance and protect your future cash flow.

Don't let inadequate past coverage come back to haunt you, get a PAL at North Star.

- New York (212) 248-2400
- Chicago (312) 346-7890
- Los Angeles (213) 383-7734

Business accepted through appointed surplus lines brokers.



© 1982 North Star Reinsurance Corporation

Health costs to be discussed

NORMAL, Ill.—Controlling health care costs through competition will be one of the topics discussed at the 21st Annual Insurance All-Industry Day sponsored by the Central Illinois Chapter of the Society of Chartered Property & Casualty Underwriters.

The program will be held Oct. 29 in Braden Auditorium at Illinois State University in Normal.

A three-member panel will discuss controlling health care costs through competition as well as other topics. The panel will consist of Dr. Geraldine Alpert, a senior consultant at National Economic Research Associates Inc. in New York; James Dorsch, associate counsel at the Health Insurance Assn. of America in Washington; and William H.L. Woodyard, Arkansas' insurance commissioner.

Richard E. Stewart, president of Stewart Economics in New York, will be the luncheon speaker. The CPCU designation will also be conferred on new members.

Tickets cost \$11. For more information contact John Hullett, CC Services Inc., Box 2020, Bloomington, Ill. 61701; 309-557-3816.

Changes forthcoming: Miller

Continued from page 3

At even half that predicted volume, M&M would be selling more insurance than Hartford Insurance Group (\$2.7 billion in premium), Insurance Co. of North America (\$2.6 billion), Fireman's Fund Insurance Cos. (\$2.3 billion) and Crum & Forster (\$1.6 billion), according to Mr. Miller.

"Did it ever occur to you that M&M was the size of Aetna Life & Casualty? It isn't in terms of assets, net worth or total revenues. But in terms of the property/casualty insurance business, we are talking about a major change in which many distributors are now managing blocks of business that are much greater than many insurance companies."

The largest brokers are also underwriting large chunks of business themselves, through insurance company subsidiaries, Mr. Miller

added. This purportedly minor aspect of these brokerages' business is larger than the total operations of some of their competitors.

"Marsh & McLennan's underwriting volume exceeds \$80 million. That's bigger than all of Rollins Burdick Hunter," he said.

"Already, every single one of the public brokers has an underwriting facility, and I would say that they know what they are doing. At least, they are learning about what they are doing very quickly."

Brokers and direct-writing insurers now control about 63% of the total insurance marketplace, he said, and that calculation should be making traditional stock insurance companies very nervous.

"The distribution network is growing more and more out of their control. Imagine the possibilities! How powerful of a company would be formed by a merger be-

tween Marsh & McLennan and State Farm?

"Insurance companies themselves are finding out that they must get into the distribution system. The market is going to belong to those that see themselves as overall financial money managers," he added.

As insurers battle the market pressure, buyers can also expect:

- More insurers following the lead of Aetna Life & Casualty Co., Home Insurance Group, Travelers Corp. and Reliance Insurance Group to buy at least partial control of commercial agents and brokers.

"The insurers will be buying a lot more and in bigger pieces," he said.

- More insurers trading low-interest loans to agents in exchange for larger volume guarantees.

"The insurer gets an assurance of flow and agents get strong financing so that mid-sized ones can continue to expand and be locally strong yet have close relationships with a handful of insurance com-

panies," Mr. Miller said.

- More brokers underwriting and delivering insurance policies on behalf of insurers, a sort of "modified managing general agency," according to Mr. Miller.

- More agencies joining insurance franchise groups that promise greater clout with insurers and products targeted for specific industries.

"My company helped start one of the first of the major franchise groups, ISU Cos. We found out that many of the philosophical and strategic underpinnings we had were dead wrong. But after some restructuring, we have found out that ISU and other agency franchise groups are now selling franchises at a weekly rate," Mr. Miller said.

Part of the refocusing of franchise groups in general has been a new interest in mass marketing. "We've been talking about the coming era of mass marketing for years. Well, I think it is here," Mr. Miller noted. ■

Brokers' may narrow

WHITE SULPHUR SPRINGS, W. Va.—Will risk managers soon purchase commercial coverages from financial conglomerates like American Express Co.?

Not likely, say commercial agency and brokerage leaders.

National insurance brokers will rise above the expected consolidation of the financial services business, predicts a brokerage executive.

But big brokers will also have to consolidate their business, possibly by abandoning small commercial accounts and focusing with renewed vigor on large risks, according to J. Bransford Wallace, president of Corroon & Black Corp.'s brokerage division, who spoke at the joint annual meeting of the National Assn. of Casualty & Surety Executives and the National Assn. of Casualty & Surety Agents.

Mr. Wallace rebutted speeches by James Robinson, president of American Express, and Richard Haayen, president of Allstate Insurance Co., both of whom predicted the consolidation of financial services and the gradual flow of personal and small commercial lines of insurance to financial service conglomerates.

Mr. Wallace's rebuttal, however, turned into a concession of the personal lines market and some small commercial risks to conglomerates or smaller insurance agents.

"We, the national brokers, must add value to the products and services that come through our hands," he said. "Personal and small commercial lines will be transmitted in a very different manner in the future—faster and cheaper. We can add very little, if at all, to these products."

The big brokers may be able to assist medium-sized accounts with "value added," but the focus of business will be large risks and their associated problems.

Large brokers must continue to "marshal our resources for special projects" and provide risk managers with advanced services unavailable directly from insurers or financial conglomerates like American Express, Sears, Roebuck & Co. or the new Xerox/Crum & Forster combination, he said.

Fee-for-service business is likely to expand and, in fact, must expand as a natural extension of the path brokers have chosen to follow.

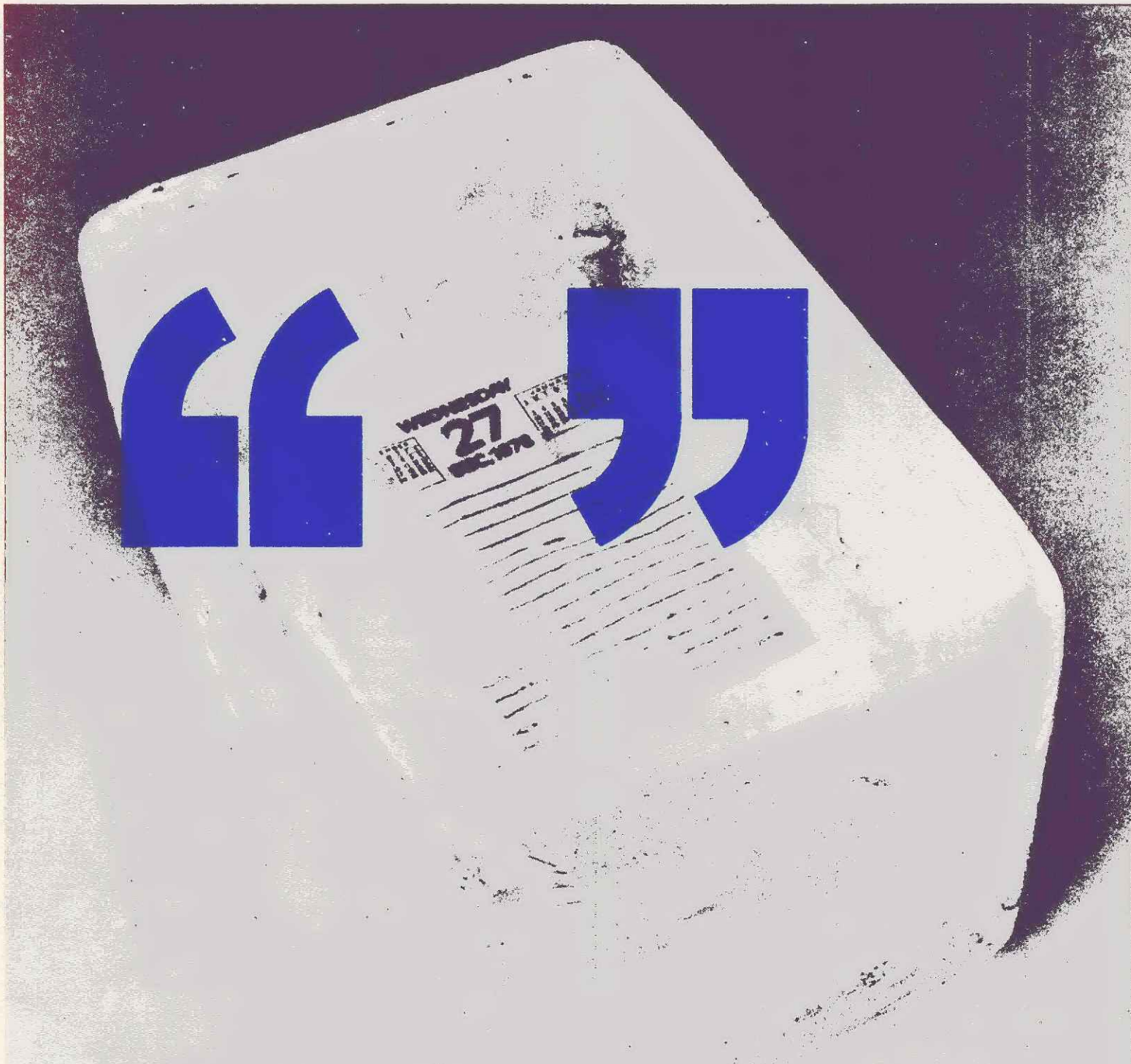
"By supporting the captive insurance company movement in the 1970s, we have dramatically increased our own competition and negatively impacted our own bottom line," he said. "However, we have created our own opportunities, too, with such things as financial analysis services, risk management information services, claims handling for self-insured clients and captive management support."

"Our new competition will come from a corporation's in-house systems, independent service firms and other integral suppliers."

John Sommer, president of Warren & Sommer Agency, a large independent agent/broker in Denver, took a more positive stance on small to medium-sized risks. Sold aggressively, personal lines can still be profitable and small commercial risks are accounts that independent brokers can add value to.

"These are troubled times for independent brokers, but the small and medium-sized brokers can still succeed and help their clients if they develop industry specialties, tailored policies and trade-association connections to an advantage," he said.

Small commercial agents and brokers must reduce the number of insurers they now represent to gain greater clout and commission, he added. ■



CAS froze our administrative cost for health claims where it was in 1978. We handle our own claims, using the computerized Claims Administration System. Our contract runs five years, and it's for a fixed amount per claim, not a percent of each. So even with skyrocketing medical and dental bills, our administrative cost stands still.

And overhead is slashed. With CAS, each adjuster can process some 120 claims a day. We cut the staff in half, while handling more claims, faster.

Administrative costs can run to 10% of claims. Ours averages 3%. Because of CAS.

Discover why over 40 major organizations have switched to CAS.

For full information, clip coupon to your letterhead or business card and mail today. Or call direct.

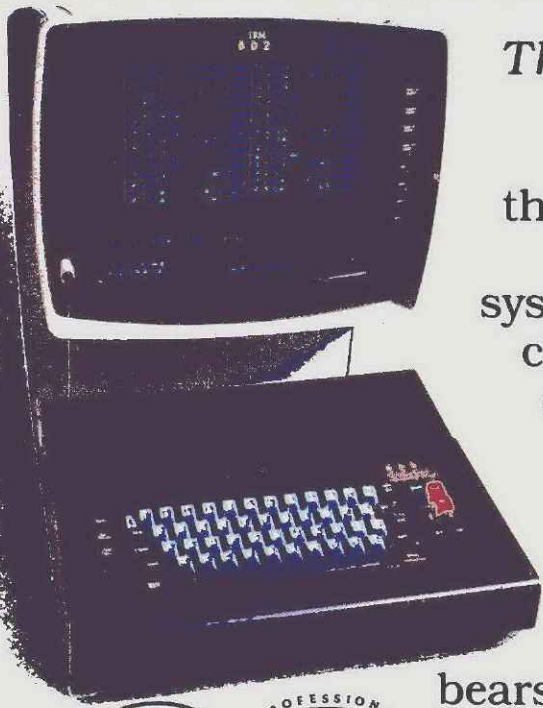
System Development Corporation (Claims Administration System)
2500 Colorado Avenue, Santa Monica, CA 90406 (213) 820-4111

Please send me details of the CAS technique of automating medical and dental claims administration for large organizations.

NAME _____

TITLE _____ MAIL STOP _____

SDC
System Development Corporation



The Computer . . .

There isn't an insurance company worth its premium that doesn't depend on the computer.

The Travelers maintains a very sophisticated computer system that, when teamed with our professional dental claim specialists, results in the most efficient and effective dental claim service in the industry.

It allows our independent agents to maintain their individual contact with their insureds, while eliminating the costly paperwork generally involved in handling most claims.

And each of our Explanation of Benefits forms bears the name and telephone number of the claims specialist responsible.

If your employee has a question or needs a benefit clarification, he or she can call and get an answer immediately.

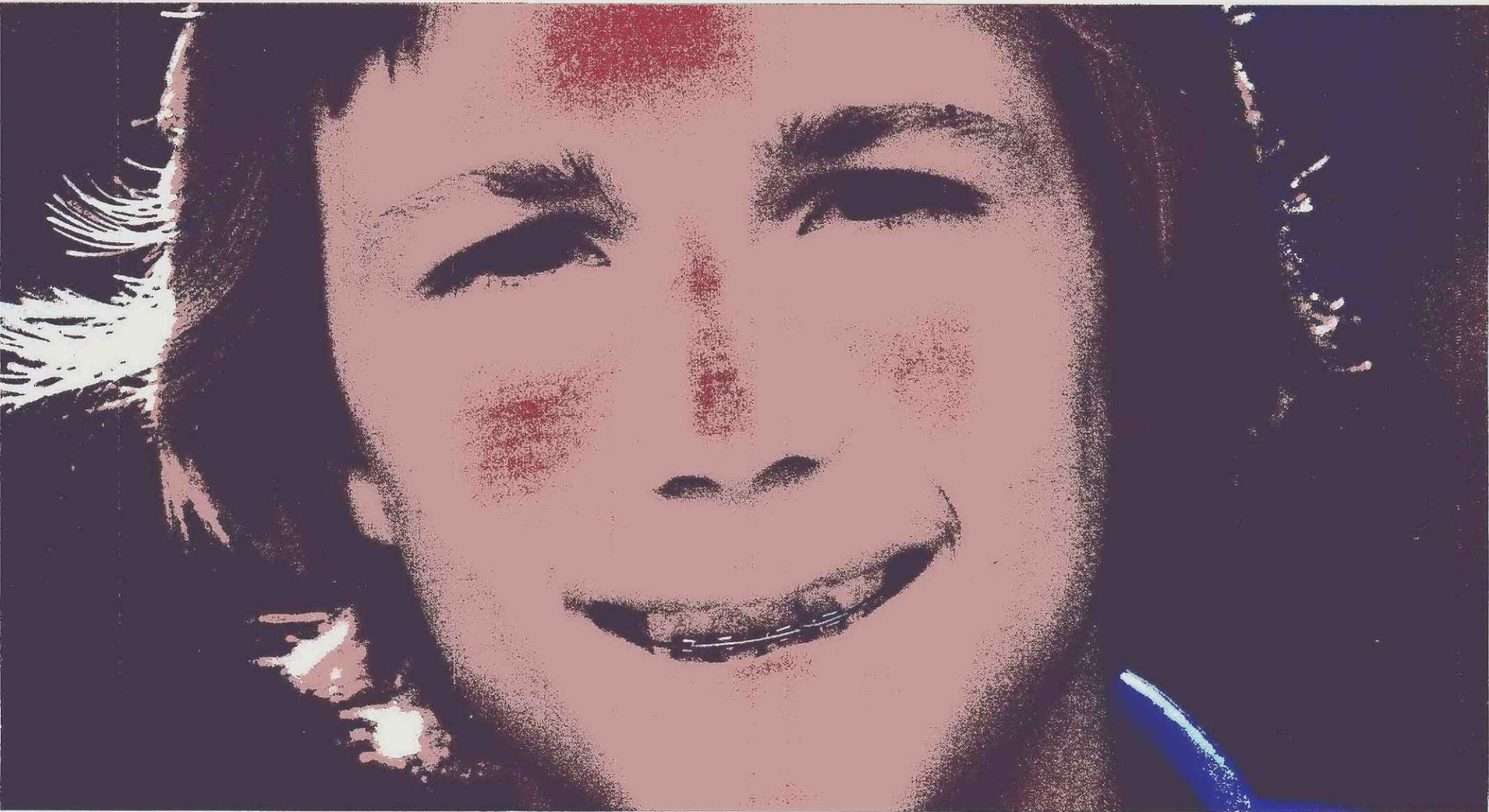
Simple. Fast. Direct. It's what you'd expect from The Travelers, a *leader* in Group Dental Insurance.

We're out front and pulling away.



THE TRAVELERS

The Travelers Insurance Company and Affiliated Companies, One Tower Square, Hartford, Connecticut



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

Insurers must write for profit: Greenberg

By **LEN STRAZEWSKI**

WHITE SULPHUR SPRINGS, W.Va.—Commercial insurance rates could rise overnight, according to a panel of insurers, reinsurers and brokers.

But don't expect it to happen as competition continues unabated, they added.

"If everyone went out and did what they had to do, the insurance market would change overnight," Maurice R. Greenberg, chairman of American International Group

Inc., told the joint annual meeting here of the National Assn. of Casualty & Surety Executives and the National Assn. of Casualty & Surety Agents.

"But, everyone is too afraid of losing market share," he added.

Insurers, however, will have to face the end of rate cutting, he explained, because profits are beginning to shrink and insurer insolvencies could be forthcoming.

Insurance company shareholders are also getting worried, he noted.

"Paid claims are rising, expenses

are going up and cash flow is turning negative. If this competition continues, we face solvency problems," he said.

"The industry has to come back to underwriting to a 100% combined ratio (the break-even point) or less," Mr. Greenberg explained. "The theory that under-100% underwriting is destroyed forever is not true. Shareholders will have something to say about it."

N. David Thompson, president of North American Reinsurance

Corp., agreed—in part.

"From my reinsurance perspective, I see no change in rates whatsoever at this point," Mr. Thompson said. "But the system is so strained, so poor and so underperforming as an industry that there is some feeling among reinsurers that fear will triumph over greed."

"One catastrophe, one big-bang event, could call in reinsurance and create a swift and not-so-happy end of positive results for reinsurers," he said.

That event, however, would not

necessarily signal the end of cheap commercial insurance rates, he stated.

"I have to reject the idea that reinsurance directly relates to direct insurers' competition. It depends upon the line of insurance, of course, but reinsurance is only about 9% of the total market and most insurers do not reinsure major portions of their coverages," he noted.

Other panelists argued that a variety of additional factors bearing on the insurance industry will have a dampening effect on rate increases.

"We can expect more association/trade group insurance plans on a national level; more self-insurance, especially of workers compensation; more captive insurers of comprehensive general liability and professional liability; more cash-flow schemes; and more unbundling of services," noted Charles Counselman Jr., president of Counselman, Michaels & Downes Inc. of Baltimore, a regional brokerage.

Buyers will also be demanding more comprehensive plan designs with large deductibles, another broker said.

"Large risks are getting increasingly complex, so the brokers must work directly with buyers in developing new coverages. The buyers will be seeking more gross lines coverages that will wrap up most of their property/liability insurance needs in one package of a \$1 million, \$2 million or \$3 million deductible," added Joseph Johnson, senior vp of Frank B. Hall & Co. Inc.

"However, I don't believe that insurers compete only on price. Service, security and stability remain important factors for any insurance buyer to consider," Mr. Johnson added.

The brokers' comments drew quick rebuttal from Mr. Greenberg, who acknowledged the previous growth of captive insurance companies, but predicted a slowdown in that segment of the industry.

"About 15% to 25% of the commercial marketplace is now in captives because in the mid-1970s it became a fad," he said. "There are captives out there that just don't deserve to be. Now, they are getting into unrelated business and reinsurance, so if the major insurers aren't underwriting well, the captives will be worse off, too."

"Already, we are seeing the movement slow down," he added. ■

Checklist For Buying Aviation Insurance

USAIG
the aviation insurance professionals

WE'RE HELPING YOU SELL MORE AVIATION INSURANCE

USAIG believes local, independent agents can provide better deals on aviation insurance than direct writers can offer.

We also believe aviation insurance buyers should understand the coverages contained in their policies.

That's why we've published this booklet. It contains the answers to key questions an aviation insurance buyer should ask before making a purchase decision.

In many cases, the answers to questions on hull, liability and medical coverages are taken intact from our All-Clear 360° Aircraft Policy—the aviation insurance industry's first plain language policy. Copies of this booklet are free for the asking. And we're announcing its availability with full page color ads in major aviation magazines.

As an insurance professional, we're sure you'll want a copy for reference. To get one, complete the coupon below and send it to: USAIG, Marketing Department, 110 William Street, New York, New York 10038.

Please send me a copy of Checklist For Buying Aviation Insurance

Name _____

Company _____

Street _____

City _____ State _____ Zip _____

USAIG

UNITED STATES AIRCRAFT INSURANCE GROUP
110 WILLIAM STREET, NEW YORK, N.Y. 10038

New York • Atlanta • Boston • Chicago • Dallas
Denver • Houston • Los Angeles • Memphis
Minneapolis • Orlando • Phoenix • Pittsburgh
Richmond • Seattle • St. Louis • San Francisco
Toledo • Wichita

You may be overpaying your workers' comp insurance in Texas.

If you have separate coverage for the Texas portion of your national workers' comp program, there's a very good chance you're paying too much.

Because, in Texas, even though your national carrier's workers' comp insurance rates are the same as ours, we may be able to save you money if you place the Texas portion with us—through dividends and retrospective savings.

And because we're a Texas-based company, we're closer to your Texas operation with solid service.

Find out what we may save you this year. Call our National Accounts Division at (214) 653-8100.



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

What makes John Hancock's International Group Program the best in the world? Ask Derek Chilvers.

Derek Chilvers, Vice President International Group Department,
is one of the key people responsible for the formation and development of IGP.

WHAT SETS IGP APART FROM THE COMPETITION?

The first thing you'll notice is our staff organization. For example, in the Sales and Service Division, we use an approach that's quite unique in the business. Our staff of account executives, research and support personnel is organized into teams. This offers the clients served by each team more resources to draw from as well as continuity of service.

This arrangement also allows us to rotate travel schedules so there's always a team member in the field to help clients deal with local problems.

YOU MENTION PROBLEMS. HOW INVOLVED DO YOU GET WITH YOUR CLIENTS' PROBLEMS?

We feel that one of our primary responsibilities is to help our clients and their advisers work together with our Associate Insurers to maintain an effective program. Although problems don't arise often, when they do we get as involved as necessary to bring about a quick and satisfactory solution.

Which brings me to another point that separates us from the rest: *flexibility*. If a client asks for something, our people know that they're to do everything possible to get it done. Even if it's never been done before.

And if it's a problem on the local level, we go as far up the ladder as necessary with our Associate Insurer to work it out. It's understood. We do it automatically, every day, no question.

So, as far as our clients are concerned, they'd say what really sets us apart is our people and how they work.

BESIDES THIS FLEXIBILITY, IS YOUR STAFF REALLY ANY DIFFERENT?

Definitely.

First, we have more people than anyone else, which translates into better, more comprehensive service. But more important, there isn't another international network that compares with our staff in experience and overall competence.

WHERE DO YOU GET PEOPLE WITH THIS KIND OF EXPERIENCE?

Through our own training program. It allows future account executives to spend two or three years working with one of our teams before they assume responsibility for a client. It's been a very successful program.

Particularly in the field of international networks we feel experience is important. Because while our clients are very sophisticated people, the international concept is still rela-

tively young. So they depend on experienced account executives to guide them through the intricacies of this new business. Not just to service them.

HOW CAN YOU RUN AN ORGANIZATION LIKE THIS AT A COMPETITIVE COST?

Well, we're not always the cheapest, if that's what you mean. But at year end, when you add up all the money you save by eliminating the hidden costs inherent in a less efficient program, we feel we've got everyone beat. Most of the biggest multinationals — and many smaller ones — agree. If they didn't, we wouldn't be handling their business.

Actually, it's the classic difference between getting the lowest price and getting the most for your money.

HOW WOULD YOU SUMMARIZE THE ADVANTAGES OF IGP?

In two words: our people.

Their experience. Their flexibility. And their ability to develop and maintain competitive, effective programs. But to see how true this really is, you should talk to them. Just call (617) 421-2548. Then you'll see what makes IGP the best in the world.

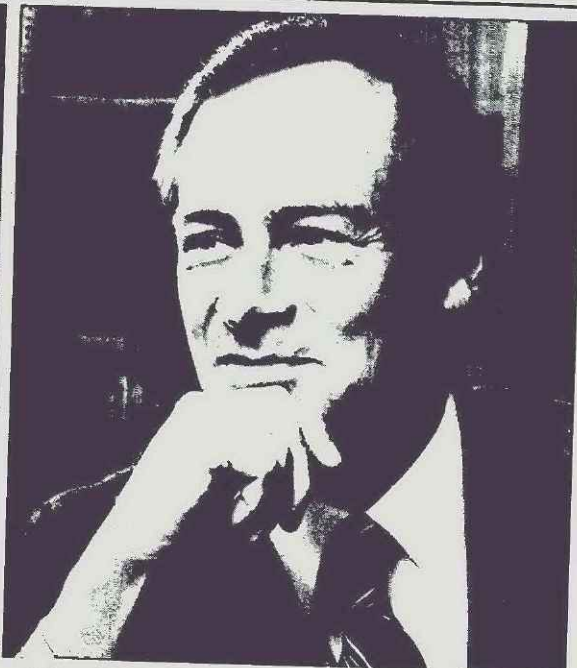
John Hancock
International Group Program



"We have more than 50 people with a lot of experience, the largest staff in the international employee benefits field. Naturally, we can offer better and more comprehensive services. We play a whole different kind of ball game."



"Unfortunately, many multinationals just consider up front costs. They don't see the hidden costs of a less efficient program. In the end, they could spend as much or more. And get much less."



"People perceive insurance companies, and I think rightfully so in many cases, as a bunch of people who simply go by the book. If it says 'XYZ', you say 'XYZ'. We don't operate that way at all."

WE'RE IMPROVING SERVICE WITH PAPERLESS CLAIMS TO MEET YOUR NEEDS FOR THE FUTURE.

With the expansion of our new electronic data exchange systems, Blue Cross and Blue Shield Plans can now process your claims with maximum speed and accuracy. These growing paperless systems, made possible by our unique relationships with hospitals, physicians and pharmacists, processed over 53 million claims last year alone. Not only do they save time and minimize error, they can also allow for on-line corrections. And because the systems' efficiency helps to reduce administrative costs, your money is used where it should be. In paying benefit costs.

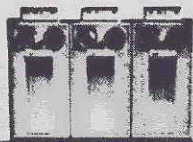
But paperless claims processing represents only one dimension of our new approach to meeting your specific needs — The Blue Cross and Blue Shield Metamatrix System. With increased benefit flexibility, flexible financing, effective cost containment and uniquely-trained professional representatives, the Metamatrix System represents the latest innovation in health care protection from the largest, most experienced source.

For more information on America's leader in health care coverage, contact your local Blue Cross and Blue Shield Plan.

AMERICA'S #1 GET WELL CARD



*Registered Service Marks of the Blue Cross Association
*Registered Service Marks of the Blue Shield Association



perspective

MULTIEMPLOYER PLANS

How MEPPA works to save pensions

By Thomas K. Custis

THE MULTIEMPLOYER Pension Plan Amendments Act has changed the face of a number of multiemployer pension plans. But what are the basic concepts introduced or modified by this act? What is the impact of these changes on employers who contribute to these plans?

The idea behind the imposition of withdrawal liability was to protect plans and remaining contributing employers from potential losses that arise when another employer's obligation to contribute to a plan ceases. An unfunded liability exists for vested benefits earned for service with the withdrawing employer. Whether an employer ceases operations, a union is decertified or a plant is moved, a complete or partial withdrawal is likely to occur. In such an event, the liability for unfunded benefits is allocated among the employers, and the withdrawing employer is obligated to continue contributing to the plan until its allocated portion of the unfunded liability is satisfied.

The act specifies a test relating the assets of the plan to the value of its vested benefits and its other funding requirements. If a plan's funding status is in bad shape, this test will cause the plan to be in reorganization. In this event, even more stringent funding standards must be met; certain restrictions are placed on plan amendments and benefit amounts may be reduced.

Premiums will increase per participant over a nine-year period to \$2.60 from 50 cents.

Generally, in the event of a plan termination, benefit guarantees will be less than under single-employer plans. No phase-in of benefit increases was adopted in the five years preceding termination. There will be a 100% guarantee of benefit rates up to \$5.00 a month per year of service, 75% guarantee of the next \$15.00 of benefit rates and zero guarantee of rates exceeding \$20.

The definition of plan termination has been substantially altered. Basically, the plan terminates when all future service credits, for benefits or vesting, cease. This can be through voluntary action (changing to defined contribution plan), through mass withdrawal or through a Pension Benefit Guaranty Corp. initiative.

The events under termination are also significantly modified. In short, employers must continue to fund, PBGC provides financial assistance (loan or payments on behalf of bankrupt employers) and benefits are reduced to guaranteed levels but are paid from the trust, not by the PBGC.

Congress recognized that the threat of withdrawal liability may tend to keep new employers from agreeing to contribute to multiemployer plans. Accordingly, they made it possible under

certain circumstances for employers to get into plans without the threat of withdrawal liability for a period of six years. Under the "Free Look Rule," an employer first entering a plan would not be subject to withdrawal liability, in the case of complete or partial withdrawal, if the following conditions are met:

- The employer was first obligated to make plan contributions after the date of enactment of the bill.

- The employer was not required to make plan contributions for more than the lesser of six consecutive plan years preceding the date of withdrawal or the number of years required for vesting under the plan.

- For each plan year that contributions by the employer were required, the employer's contributions were less than 2% of all employer contributions to the plan for that year.

- The employer did not previously have the benefit of this exception with respect to the plan.

In addition, the exception applies only if the plan provides for its application; the plan provides that benefits of participants accrued on the basis of service for the employer before the employer was required to contribute to the plan may not be payable if the employer ceases contributions to the plan; and the ratio of plan assets to benefit payments during the plan year preceding the first plan year for which the employer was required to make plan contributions was at least 8-to-1.

The rule requiring that a plan provide for cancellation of benefits where the employer ceases contributions to the plan would not require any reduction of benefits to participants or beneficiaries whose benefits are in pay status at the time of the cessation and who are not working in employment covered by the plan.

The act allows for the establishment of Withdrawal Liability Payment Funds. The concept is to set up a risk pool to provide for the payment of liability amounts over and above those allocated to employers which are able to pay. It is an insurance scheme intended to help the financial stability of these plans. Time will tell if this concept will be unworkable like the Contingent Employer Liability Insurance program for single-employer plans.

MEPPA codifies and expands the authority residing in the boards of trustees of multiemployer plans. Now, more than ever before, the responsibilities and options that reside in the boards of trustees have much more direct impact on contributing employers. Trustees' actions regarding benefits, investments and administration can directly affect an employer's contribution requirements and perhaps—more importantly—its potential withdrawal liability.

The presumptive method is generally used unless the trustees specifically adopt one of the three alternative methods. Under this method, unfunded vested liability (UVL) is first determined as of the end of the plan year ending before April 28, 1980. This amount, decreasing by 5% of the initial balance each year, is allocated among contributing employers on the basis of contributions made during the five-year period ending April 28, 1980. In each subsequent year, the "new" UVL, which is the difference between the computed value and the value remaining from earlier determinations, is allocated on the basis of contributions in the year of determination and the four preceding years. This means that eventually there will be 20 different bases, each allocated over contributions of different five-year periods.

Compared to the other methods, this procedure would tend to favor employers who have a disproportionately large number of older long-service employees. It would also favor employers who began contributing to the plan in the late 1970s.

Another alternative is the modified presumptive method. The starting point for this method is the same as for the presumptive method. The pre-1980 UVL base is then amortized over 15 years. The entire new UVL, the difference between the computed amount and the remaining balance of the original UVL, is allocated on the basis of employer contributions over the last five plan years.

Like the presumptive method, this method would tend to favor employers with older long-service employees. Administratively, it is somewhat easier to handle than the presumptive method.

Under the rolling five-year method, the entire UVL at any time is allocated on the basis of the employer contributions over the last five years. Administratively, this is the simplest of the methods. It also will allocate larger portions of the liability to recently entering employers.

Under the direct attribution method, the intent is to allocate the UVL directly to the employers whose employees give rise to it. In concept, this is the most equitable approach. It is generally not too difficult to determine the liability by source, but in most cases direct allocation of assets is extremely difficult, if not impossible. The law does provide a couple of alternative approaches for dealing with the assets. UVL not directly attributable to any current employer is allocated proportionately over the UVL that is directly allocable.

The act does allow for the adoption of a method which is not one of the four prescribed alternatives. Such a method must be approved by the PBGC before being implemented, however.

The amount of potential liability to any one contributing employer is dependent upon several factors such as the total UVL of the plan, the method of

determining withdrawal liability adopted by the plan trustees, the relationship of the employer's contributions to those of all employers over a length of time (at least five but up to 25 years) and plan amendments affecting contribution levels vs. past and future benefit accruals.

The potential withdrawal liability can have a significant impact on the operations of an employer. It can affect credit ratings; opportunities to buy, sell or merge; even decisions to shut down or move a production facility. It can also make union decertification an undesirable event.

Contributing employers should take steps to determine and monitor the potential impact of a plan withdrawal. This does not have to involve extensive and costly calculations. With moderate effort, information essential to such an audit can be determined. The current funding status of the plan should be reviewed, particularly its unfunded vested liability and the recent trend in the UVL amount. The total contributions to the plan in recent years should be compared to the employer's contributions for those years. The trend in the employer's percentage of the total should be analyzed. The withdrawal liability method adopted by the trustees of the plan also should be carefully reviewed.

Given a thorough analysis of those items, a reasonable estimate of the current and expected withdrawal liability amounts for the employer can be developed. Once this information is gathered, it can become important for future operating decisions and financial projections. It should be considered when reviewing expected sales of plants, divisions or subsidiaries; when analyzing the potential impact of anticipated changes in employment in your company or in the industry; or when making projections for company financial statements.

This information also can be used in developing strategies to manage future pension costs and in negotiating possible contribution increases. The occurrence of withdrawal liability can result in significant financial impact when viewed in conjunction with any of these events. The very least an employer should do is be informed of the consequences and try to plan accordingly.

To the extent that an employer has any input or influence with one or more plan trustees, he can attempt to sway board action in ways which may favor his operation. If the trustees have not yet adopted their withdrawal liability method, it may behoove the employer to know which method generates the smallest value for it. It can try to influence the trustees to take responsible actions toward funding decisions that will lessen the employer's outstanding UVL. There may be certain instances where an employer can

Continued on next page

perspective

Is it ever a good time for bankers bond bids?

By John W. Twitchett

THE CURRENTLY beguiling view of the "receptive" market for financial institutions insurance, particularly in the blanket bond area, raises many questions for those who daily see mounting numbers of serious situations being reported. They may, or may not, trigger bond coverage for which we, as underwriters, are responsible.

How ironic it is that these so-called soft-market conditions seem so often to coincide with periods of near desperation on the part of traditional bond underwriters everywhere.

Remember the previous efforts of the American Bankers Assn.? A recent commentator on the subject was the driving force behind that association's excellent Controlled Group Bonding Plan at a time (can it really have been only 1977?) when the market was by no means soft. Remember when reputable and responsible banks were scrambling around for an insurer after the near collapse of the United States' bankers blanket bond market?

May I remind you why there was such a near collapse? The answer, in large part, was the previous campaign waged by those people assuming the role of guide, mentor, advisor, consultant, or what you will. They were endlessly telling risk managers, executive directors, bank accountants and buyers of the virtues of XYZ Co. Because of its flair and imagination and general desire to help (altruism being their watchword), the company, although new to the bond business, was anxious to write bankers blanket bond at a price considerably lower than that of the myopic, old-fashioned, stick-in-the-mud dinosaurs who used to be respected names in the class. All this was at a time when circumstances were very similar to today's: enormous losses, bank closures, FDIC banner headlines and multiple-loss claim situations.

There were no Brownie points for

speaking out

knowing what must happen. Prices became so cheap that almost everyone got out faster than they jumped in, with the notable exception of fewer than half a dozen insurers that stuck to the task at hand. They were part of a steady, reliable, responsible and reasonable market for the buyers. Those insurers had the long-term objective, and it was no crime to try to make a modest profit for their stockholders, underwriting names or others from their underwriting activities in a difficult class.

Let me rewrite recent opening paragraphs by Ed Armstrong that have come to my notice (*BI*, Aug. 16). They might have read: This is absolutely the worst... market for financial institutions insurance I have ever seen. This comes as no surprise to most insurance professionals, but do they even know just how bad it is? More specifically, does the average banker know what logically can be expected from competitive bidding of his insurance program today?

If some of those average bankers do not know what can logically be expected, then let me tell them. What will happen will be a rerun of 1974-79, a case of *deja vu* if ever there was one, unfolding something like this:

In our current market, insurers have recently come upon bankers blanket bond as a "money-spin" class. When they arrive face-to-face with the inevitable, frequent losses that come as surely as night follows day, with shrinking cash flow, falling interest rates and collapsing banks, they will pack their bags and steal away to the next gung-ho class where they once more will set out to change the world.

It will not just be the departure from the scene of these irresponsible market components that will do damage to the banking insurance industry, it will be the knock-on effect on the regular insurers

seeing their premium income depressed, their coverage widened to lunatic lengths through sad necessity—all forced upon them by the now-departed competition. Their reaction may well be similar to before: Most will abandon the line, perhaps forever.

Recent quotes perhaps make my case. How could anyone in his right commercial mind ever write a bankers blanket bond for a billion-dollar asset bank for \$50,000, or even \$85,000 annually, at about 2.7 times for three years? And what, may one ask, was the indemnity limit: \$5 million, \$10 million, \$25 million? Dare I ask, was the moon was a separate insuring clause?

This is not to show the traditional underwriter in too rosy a light. We, more than some, must accept criticism. We are often too slow, too apprehensive, too suspicious, too reluctant to change, too ready to claim that only we know the game. But let it be said our friends, the brokers, are never slow to point out to us our deficiencies.

However, all is not gloom. There are many bank risk and insurance managers who recognize the overwhelming reasons for continuity. They know the big loss often occurs just after a change of insurer when a track record cannot help in a difficult settlement. It seems to me that above practically all other classes, bankers blanket bond is a long-term team game where each one on the team must feel safe knowing that the one with the ball is on the same bench. We have our problems—there are sometimes recriminations all around—but at the end of the day, we do need each other.

Far be it from me, steeped as I am in the atmosphere of the free market of London, where the entrepreneurial spirit still flourishes, to suggest that competition is a bad thing. But in spite of Mr. Armstrong's recent persuasive presentation, certainly

in the case of bankers blanket bond, it is never the right time to consider competitive bidding. You may not increase the scope and almost certainly will not increase the quality of insurance coverage. You may indeed lower the immediate premium cost but in the long run, you will pay more.

Present and future bargaining positions with insurers will probably not be improved. In the underwriter's mind will always be the thought that you are out shopping again. That's not conducive to mutual confidence.

There are always times when a long relationship may be in jeopardy, when that mutual confidence may be eroded, when both sides, or even only one side, feel that they do not need the other. The buyer in any case might be wise once in a while to test the market. Nothing is forever in this world. The bottom line is a powerful siren, but can it be sensible to throw away many years of hard-won continuity for a dollar reduction and "pie in the sky?"

Buyers of blanket bonds must ask themselves whether the advice they are receiving is for the benefit of their institution, which is really all they have, or is it for the benefit of somebody else with a new angle?

Aesop in his well-known fable talks about the dog crossing a bridge carrying a bone in its mouth. The dog looked down and saw in the water a reflection of another dog with an apparently larger bone, whereupon the dog drops the bone it is carrying to seize the one below.

The ending is obvious: it finished up a hungry dog. The moral of the story: Shadows are no substitute for substance. ■

John W. Twitchett is a director of the management board of Merrett Syndicates Ltd. in London and chairman of Lloyd's United States bankers blanket bond committee.

How 1980 legislation protects employees' pensions

Continued from previous page
plan a gradual phase-out in such a manner that avoids a partial withdrawal that would trigger a withdrawal liability.

Most of all, be aware. These are not small dollar amounts being discussed. The worst thing that could happen to upset future business plans is an unexpected bill for a few million dollars.

There are few, if any, new contributing employers to the plans. Small employers may be terminating while the "de minimis" amounts still help them out. There are fewer across-the-board benefit increases. More frequently negotiated increases apply to future service only, or at least smaller increases on past service. In some cases, future benefits are related directly to contribution amounts, combating the "double whammy" created by reduced hours. Some plans are negotiating contribution increases part or all of which are directly allocated to the funding of the UVL. There is increasing scrutiny of actuarial assumptions. It is

becoming more common for management and labor trustees alike to push for higher interest rates and other more liberal assumptions. These effects are not necessarily all bad, nor are they all good. They certainly are not what the drafters of the law intended.

The law is barely a year old and already it is being attacked on at least three fronts: in the courts, in Congress and administratively through the PBGC.

Currently, there are more than 70 cases in various courts across the nation involving MEPPA. Most of these cases challenge the constitutionality of the imposition of withdrawal liability. They challenge the concept on the point of due process. They challenge the methodology: unlike single-employer plans where liability is determined by an impartial government agency, under this arrangement representatives of labor (who obviously want to exact the highest possible toll from a withdrawing employer) and representatives of

management (often from competing employers who have much to gain from the financial hardships of the withdrawing employer) are the deciding body. Since most UVL arises from service credits earned in the past, this procedure is challenged on the basis of retroactivity. Needless to say, there are many battles to face and many courts will have to rule on these issues.

Meanwhile, legislation has been proposed that would effectively pull the teeth of MEPPA. The bill, as proposed by Sen. Orrin Hatch, R.-Utah, would call most multiemployer plans now in existence defined contribution plans and, therefore, not subject to most of the provisions of MEPPA. However, no action was taken on the bill in this session of Congress.

Employer obligations to the plan would be limited to the contribution negotiated. This approach would effectively pass the entire burden of past practices back to the participants. While most informed

observers do not give the bill much of a chance in the next session, just the fact that it received serious debate shows that some legislative change might be expected.

At least two plan trustees have filed with the PBGC to be exempt from certain withdrawal liabilities. A West Coast longshoremen's plan doesn't want to impose liability unless the withdrawing employer actually continues in business. Their logic is that contributions based on tonnage will still be made by the employers that stay in the plan. An East Coast garment workers' plan doesn't want to impose liability for other financial reasons. Clearly, more exceptions will be forthcoming if these requests are granted.

Thomas K. Custis is a principal and vp of Milliman & Robertson Inc. in Brookfield, Wis. This article is adapted from a presentation at a Professional Education Systems Inc. seminar in April.

THE POWER BROKERS™



Introducing the 47 hour E & S quote.

Time is money. That's why, when you contact us, we promise to call you back in 47 hours—or less—with a competitive quote. (And that includes quotes on tough placements other brokers won't even touch.) We're the people with the resources to do it. Because The Power Brokers feature: all liability and property exposures; \$100,000,000 liability market; maximum capacity; expert service; and we pay top commissions.

So the next time you feel you don't have a second to lose, contact The Power Brokers—the people who broke the 48 hour barrier. Send in an application today. And put time on your side.



GLOBAL SURPLUS

3325 Wilshire Boulevard
Los Angeles, California 90010
Telephone: (213) 386-1200
Outside Calif.: 800-421-9544
Telex: 67-3521 GSIS LSA

1 Union Square
Suite 3412
Seattle, Washington 98101
Telephone: (206) 624-9880
Telex: 32-1138 GLOBLINS SEA

100 So. Wacker Drive
Suite 1110
Chicago, Illinois 60606
Telephone: (312) 332-1313
Telex: Via RCA 210-108 GSIS SUR

The Power Brokers is a trademark and service mark of Hallways Advertising, Inc. Copyright © Hallways Advertising, Inc., 1982. All rights reserved.

Government shares health cost hikes with workers

By JERRY GEISEL

WASHINGTON—Private employers aren't the only ones having trouble containing soaring health care costs.

Participants in the federal government's health insurance program will be hit Jan. 9 with premium increases averaging 24%. The government, which pays about 60% of most employees' health insurance premiums, will find its costs rising by about 19%.

"A continued sharp rise in medical care costs" is to blame for the hefty premium increases, according to the Office of Personnel Management, the federal agency that oversees the 119 different health insurance plans that cover about 10 million federal employees, dependents and retirees.

Employees enrolled in the most popular federal health insurance plan—Blue Cross/Blue Shield high-option family coverage—will pay monthly premiums of \$118.08, up from \$90.49, a 30.5% increase.

At the same time, the federal government will pay a monthly premium of \$103.01 for employees who opt for high-option BC/BS family coverage, compared with \$86.53 this year, a 19% rise.

The total monthly premium for this high-option coverage in 1983 will be \$221.09, a 24.9% increase from the 1982 total premium of \$177.02.

For individual coverage under the same BC/BS plan, an employee will pay a monthly premium of \$54.94, compared with \$42.76 this year, a 28.5% rise. The government's cost per employee will rise

to \$46.09 from \$37.62, a 22.5% hike.

The total monthly premium for individual BC/BS coverage will leap to \$101.03 from \$80.38, up 25.7% from this year's premium.

While some of the major insurers participating in the federal program will increase premiums by more than 25%, many of the more than 100 participating health maintenance organizations have been more successful in controlling costs.

For example, the nation's largest HMO, the Kaiser Foundation Health Plan in Oakland, Calif., which serves members in Northern California, increased its total monthly premium for family coverage to \$138.45 from \$115.18, a 20% hike.

An employee who opts for family

coverage under the Kaiser plan will pay a monthly premium of \$35.44 in 1983, compared with \$28.79 this year, a 23% rise. The monthly federal contribution will rise to \$103.01 from \$86.39, a jump of 19.2%.

Similarly, the cost of family health coverage for federal employees in another giant HMO, Health Insurance Plan of Greater New York, increased just 13.7% to \$129.78 from \$114.12.

With the federal contribution increased to \$97.34, employees will pay monthly premiums of \$32.44 for family coverage, up from \$28.53, a 13.7% rise.

Many of the plans reduced benefits. For example, the BC/BS plans next year will only pay 80% of usual and customary expenses for outpatient accidental injury care,

compared with 100% reimbursement this year. In addition, the BC/BS high-option plan no longer will provide reimbursement for dental X-rays and fluoride treatment.

The INA Health Plan of Arizona next year will boost the maximum annual co-payment for basic services to \$800 from \$225. The plan also will no longer cover syringes, needles and diabetic supplies under the prescription drug benefit.

Some plans, though, boosted benefits. For example, the Kaiser plan serving members in Southern California no longer will charge for home visits by speech therapists under the home health care benefit program. This year, there was a \$5-per-visit charge.

And, the George Washington University Health Plan, a popular HMO in Washington, D.C., will provide 80% reimbursement for drugs prescribed by plan doctors, including contraceptives, after a \$75 deductible. The plan did not offer a prescription drug benefit this year.

Federal employees who face premium hikes and benefit cuts can switch plans under the government's "open season" program. This year's open season will be held between Nov. 22 and Dec. 10. Government officials predict that HMOs will gain many new members because they've been more successful in holding down costs than other federal plans.

Next year, the federal health insurance program—the nation's largest—will cost more than \$5 billion.

Iran, Salvador, Argentina pose greatest risks

NEW YORK—Iran, El Salvador and Argentina are generally the riskiest countries in which U.S. companies can do business, according to a new survey by Frost & Sullivan Inc.

Iran and El Salvador are the nations in which international businesses are most likely to sustain losses from political turmoil in the next 18 months, according to the survey.

Other nations in which the probability of losses due to turmoil are more than 30%, according to Frost & Sullivan, are in descending order: Bolivia, Libya, Zaire, South Africa, Iraq, Zambia, Israel, Pakistan, Mexico, Philippines, Thailand and Zimbabwe.

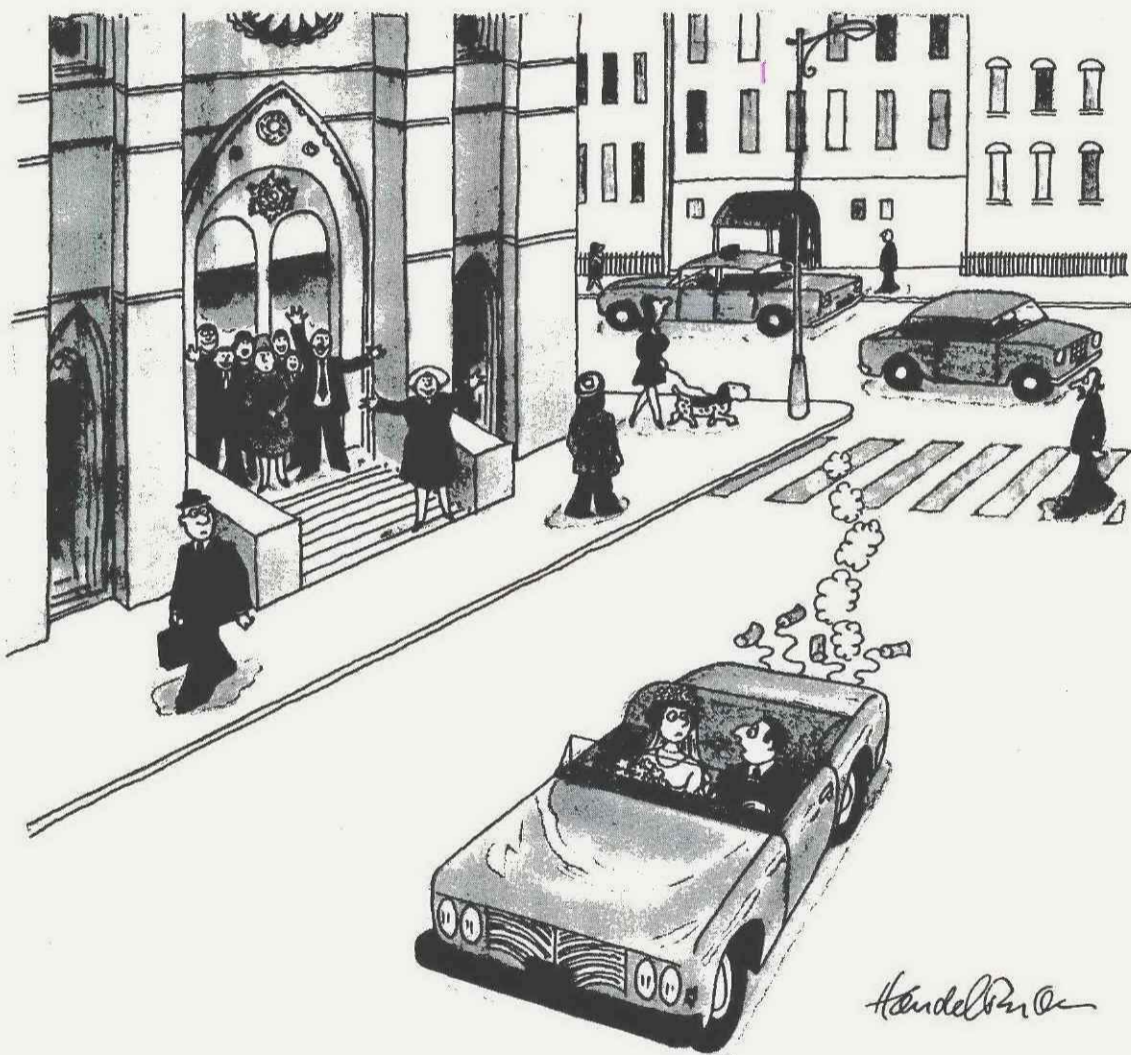
The risks are greatest to financial institutions in the next 18 months in El Salvador, according to the study. Great risks also exist in Iran, Argentina, Mexico and Bolivia.

Manufacturers have the most to worry about in the next 18 months in Iran, Argentina, Nigeria, Romania and Bolivia, according to the survey, while the risk of a loss to exporting operations is greatest in El Salvador, Mexico, Argentina, Bolivia and the Dominican Republic.

In addition to these 18-month forecasts, the company also grades nations on an A to D-minus scale on a general five-year risk assessment.

The countries that received grades of D-plus or lower are, in order of risk: Argentina, Bolivia, El Salvador, Iran, Iraq, Nicaragua, and Pakistan.

Also, South Africa, Zambia, Costa Rica, Libya, Mexico, Egypt, Philippines, Romania, Zaire and Zimbabwe.



"You mean that neither of us is in a dental plan?"

New England Life Group Dental Plans. Competitive Quotes.

Today's high dental costs are no honeymoon.

So if you're currently considering a group dental care plan for your company or your clients, consider New England Life.

Our dental plan rates are among the industry's most competitive. And our broad flexibility in plan design can meet your company's varying needs. We offer not only an initial 16-month rate guarantee but also rate discounts for employer-pay-all plans. And our plans can either stand

Please send me more information on your group dental and companion vision care plans. BI 101882

Name _____ Title _____

Company _____

Address _____

City _____ State _____

Phone _____ Zip _____

Send to:
John R. Nott
Group Marketing Director
New England Life
501 Boylston St.
Boston, Mass. 02117

**New
England
Life**

alone or be issued as part of a total life and health package.

New England Life's NELCARE computerized claim payment system provides fast, accurate claims processing. Plus statistical reports that let employers know how their benefit dollars are spent.

Find out just how competitive our group dental care plans can be. Simply fill out and return this coupon. We'll also include information on our companion vision care programs.

Most firms decline rental-car damage waivers

Continued from page 3

Cohen, manager of corporate communications with Abbott Laboratories in North Chicago, Ill.

Some drivers don't even know what a deductible is or how expensive it could be to have it waived.

"If the renter would stop to consider the rate, he wouldn't buy for more than a one- or two-day rental," said Hugh Rosenbaum, a vp with consultant Risk Planning Group Inc. in Darien, Conn.

Mr. Rosenbaum, a former employee of Hertz Corp., told of a vacationer who took the collision damage waiver for such a lengthy period that it totaled more than the deductible itself.

Waiver fees vary from \$3.75 per day to \$6 on deductibles of \$500 to \$750.

"We run a large fleet. At \$6 a day, times 250 days, that's \$1,500. It's an exorbitant cost," Mr. Traver said.

"With the number of vehicles that Bell & Howell rents in a year's time, I can buy four or five cars outright (from the money that could be spent on CDWs) so we just take our chances and self-insure," Mr. Wilson said.

Other companies, like Federal Express Corp. and Hospital Corp. of America, both based in Tennessee, have similar reasons why their employees do not take the collision damage waiver.

"We rent so many cars, it's just not a good buy," said Robert Reeves, president, HCA's Health Services Group.

"For the occasional accident, we can pay the deductible," said M.C. Shermer, vp of risk management for Federal Express.

Officials from larger car-rental agencies are aware that most business travelers decline CDWs.

John Murphy, vp of insurance with Avis Rent A Car Systems Inc. in Garden City, N.Y., said that business travelers are good risks and their companies know it.

Inevitably, all business travelers

Atlanta 'I' Day will address industry future

ATLANTA—The future of the insurance industry and its delivery system will be some of the subjects addressed during Atlanta Insurance Day '82 to be held Nov. 1.

The annual Atlanta "I" Day will begin at 8:30 a.m. at the Westin Peachtree Plaza Hotel in downtown Atlanta.

The presentation, sponsored by 11 area insurance organizations including the Atlanta Chapter of the Risk & Insurance Management Society, will feature topics of interest to risk managers, agents and brokers and insurance company personnel.

Insurance industry personnel who will speak at the event include: Jeffrey S. Bragg, chief of the Federal Insurance Administration; Lawson Swearingen, chairman of Commercial Union Insurance Cos.; Frans R. Eliason, president and chief executive officer of Armco Insurance Group Inc.; Eli Dabich Jr., vp of Maryland Casualty Co.; John A. Schoneman, chairman and chief executive officer of Wausau Insurance Cos.; and Dick Dorsey, Southeast regional vp of the American Insurance Assn.

The featured luncheon speaker will be Sen. Ernest F. Hollings, D-S.C.

The cost of the program and luncheon is \$25. For more information, call 404-256-4808.

Agencies won't disclose waiver income. . .Page 30

also are told to decline the personal accident insurance. Employees who are injured on the job are covered by workers compensation, several risk managers pointed out. If an employee wants the personal insurance for added coverage, the cost (about \$2.25 per day) is paid by the employee, rather than the company.

Many companies have overriding agreements, exclusive contracts or discount contracts with one or more of the four largest agencies—Hertz, Avis, National Car Rental Systems Inc. and Budget Rent A Car Corp.—to obtain corporate discounts.

These overriding agreements

also can specify additional insurance limits for the driver. The normal coverage is \$100,000 for each person and \$300,000 per accident, but an overriding agreement can extend the coverage to high limits, like \$1 million.

"In the United States, it may be no problem, but if you rent overseas . . . you should always have an overriding agreement worked out ahead of time with rental agencies," said Mr. Murphy of Avis.

"The safest thing to do is rent from an agency that has \$100,000/\$300,000 (coverage) worldwide, one that will give you U.S. conditions, and make sure if

you're sued in the United States from an accident overseas that you have a (car-rental) system that will back you up," Mr. Murphy added.

Discount agreements also offer the advantage of forcing employees to use the same rental agency in all locations, so the employer knows insurance exist if there is an accident.

"People should be careful when leasing from smaller agencies. In certain locales, the contracts are quite different," Mr. Shermer of Federal Express notes.

Risk managers should also be wary of liability limitations, according to Mr. Reeves. What if liability from an accident exceeds the \$100,000/\$300,000 coverage? This could happen when a corporation rents trucks on a long-term basis, he says.

"Risk managers should tailor their policy to provide for this coverage," he said, explaining that a company's traditional auto policy does not cover rental vehicles, "but a corporate motor vehicle liability policy does." This type of policy automatically would cover any vehicle rented by a company employee.

Corporations that self-insure this risk often buy excess coverage, as do the larger rental agencies.

Who pays when a loss exceeds the rental agency's limits? "That usually depends on the court, and that can vary considerably. It can be the driver, the driver's company or the car-rental agency's excess coverage," said Rolland L. Krefall, director of insurance at National Car Rental. "There is no normalcy as we used to know it."

A cast of thousands—getting larger

IIAA membership

Each year thousands of independent insurance agents across the nation join the Big "I" to become a part of the increasingly powerful force that has already demonstrated its influence in Washington through the bank holding company victory.

They are continually benefiting from IIAA's educational programs, as well as from a constant flow of information on current developments in the insurance industry provided them by the Independent Insurance Agents of America.

Which are good reasons why you should join the cast of over 126,000 members of the IIAA today. Write to: 100 Church Street, New York, N.Y. 10007. Better still, call, toll-free (800) 221-7917 for full particulars.

Independent Insurance Agents of America Inc.



GROW WITH US

Iowa claims damage waivers are insurance

Continued from page 3

referred to the collision damage waiver as insurance.

"There is insurance for \$5.50 a day called a collision damage waiver to waive the \$600 deductible," cited a clerk at the Avis counter after quoting rates to rent a mid-sized car.

The clerk from National Car Rental System Inc. of Minneapolis calculated the cost to rent a car for a week and said that was the only fee "unless you want to add insurance. It's a \$750 deductible that can be waived for \$6 a day," she said.

While listing the fees, the clerk from Budget Rent A Car Corp. of Chicago cited "\$8 on insurance, if you want it, for collision and personal accident."

"It's not an insurance product at all," noted Rolland L. Krefall, Na-

tional's director of insurance. "It's a separate transaction outside of insurance."

In the center of National's rental form is a box that deals with the collision damage waiver. Lines five and six in the box note: "CDW is not insurance."

The same notation is made in the section on collision damage waiver on Hertz's agreement envelope.

But in Iowa, "under (our) definition of insurance, it sure looks like insurance to us. The department wants them to stop (selling CDWs) or become regulated," Mr. Schrader says.

Iowa is not the first state to ask the CDW-insurance question. Texas has a memorandum dating back to 1967 that has served as the answer from time to time when the

question arises.

"Several years ago, our legal counsel held that this (CDW) was an element of bailment and not insurance," says Donald O'Brien, director of auto insurance for the Texas State Board of Insurance.

In Florida, Raymond Behling, the chief attorney for the Insurance Department, says there is a 1973 decision and an attorney general's opinion that "touches on it sufficiently that it's a collision damage waiver and not insurance."

The legal section in California's Insurance Department has determined that collision damage waivers are not insurance because there is no third party involved, says David Patterson, a rate analyst with the regulation division.

In June, the California department answered an inquiry into the

matter by noting: "It has been our position that provisions in lease agreements providing that for the payment of some consideration, the lessee will be released from liability for damage to the leased property, is not insurance...there is no third-party stakeholder holding funds that may be required to be paid pursuant to terms of the contract...that is strictly the concern of the lessor."

A Feb. 5 letter from New York Superintendent of Insurance Albert B. Lewis is sent out in response to similar inquiries.

"In the past, this department and the attorney general's office has ruled that collision damage waiver agreements do not constitute 'doing an insurance business' within the meaning of Section 41 (of the New

York Insurance Law)," the letter says.

Jack Reynolds, an associate examiner with the New York Insurance Department, says the matter is looked on by that department as a contract between a bailor and bailee, rather than insurance.

A similar assumption is held by the Illinois Department of Insurance. "My view is essentially that in those instances where the owner of the vehicle is the lender and then says, 'If you wreck my car, you're going to owe me so much money'—that's legal. If I want to say, 'If you want to pay be an additional sum of money, you won't have to pay'—that's legal, too," says Ken Smith, Illinois' deputy director of property and casualty insurance.

The acting director of the Illinois department, along with other state officials, and Hertz and its parent, RCA Corp., recently were sued by a Denver woman in a multimillion-dollar class-action lawsuit, according to Chicago newspaper reports. The suit alleges that Hertz was operating an insurance business when it sold a collision damage waiver to the woman.

Mr. Smith was unaware of that lawsuit but was familiar with the action being taken by the Iowa Insurance Department. He says if Iowa wins the case, that decision could be applied to other lease or rental agreements such as renters of buildings who, in the past, may have been able to waive fire liability.

Insurance officials in Hawaii, Wisconsin and Nevada also are following the Iowa case.

"We've taken a wait-and-see attitude," says Allan Gushiken, chief investigator with the insurance division of the Hawaii Department of Commerce and Consumer Affairs. "It was brought to our attention in the past, and we know the arguments (on both sides)," he says.

In the mid-1970s, representatives from car-rental agencies met with Hawaii officials and the attorney general issued a decision that CDWs were not a contract of insurance, Mr. Gushiken says, adding the Iowa case had "rekindled" their interest.

Wisconsin doesn't have any suits pending against car rental agencies, but they are reviewing the situation and waiting "for Iowa to settle," says John Keegan, director of the rates and forms bureau within the Wisconsin Department of Insurance.

His department is reviewing the information, but won't make a determination if CDWs are insurance unless it can win a clear decision. "I guess I'd call it a business practice at this time," Mr. Keegan says.

In Nevada, CDWs are not an issue, though the Iowa case undoubtedly will be followed, says Charles Knaus, a casualty actuary with the insurance division of the state Department of Commerce. ■

OSHA approves job safety changes

WASHINGTON—The Occupational Health and Safety Administration has approved supplements to Puerto Rico's job safety and health plan.

The supplements include a regulation on guarding of low-pitched roof perimeters, revised electrical safety rules and workplace noise standards.

The changes in the safety rules can be obtained at OSHA headquarters in Washington and the Puerto Rican Department of Labor and Human Resources, Prudencio Rivera Martinez Building, 505 Munoz Rivera Ave., Hato Rey, Puerto Rico. ■



Net Some Big Business in the New England Market

Business in New England affects markets nationwide—in industries as diverse as fishing, agriculture, tourism, electronics and computers.

From skiing to lobster trawling to managing a hotel or the benefits for thousands of employees... the diversity, wealth, and influence of this regional market requires specialized expertise in handling a wide range of insurance risks. That's why New England is a market ripe for your special products and services.

On November 8, BUSINESS INSURANCE will offer a valuable opportunity to highlight your unique business capabilities in the *New England Market Report*.

The editors will take a close look at the sophisticated insurance centers of Hartford and Boston, examining the "chain-of-risk" among corporate risk managers, brokers and insurance

companies. Within this cycle of transactions, they'll identify and interview key risk and benefit management leaders and the agents and brokers who help place their insurance needs. The editors will also review such local insurance markets as the fishing risks of upper New England, as well as coverage of the smaller city centers, and how they inter-relate to the major insurance centers.

If New England is a market you want to explore further, don't miss the boat. You'll meet top-level financial and administrative executives, corporate risk and insurance management executives, along with the major insurance agents/brokers and consultant firms who serve their needs.

Put your ad where it will be seen and acted upon by the important business influentials in New England. *Ad closing is October 26.* To reserve your ad space call one of our sales offices listed below.

If you're in the insurance business,
you belong in

**business
insurance**

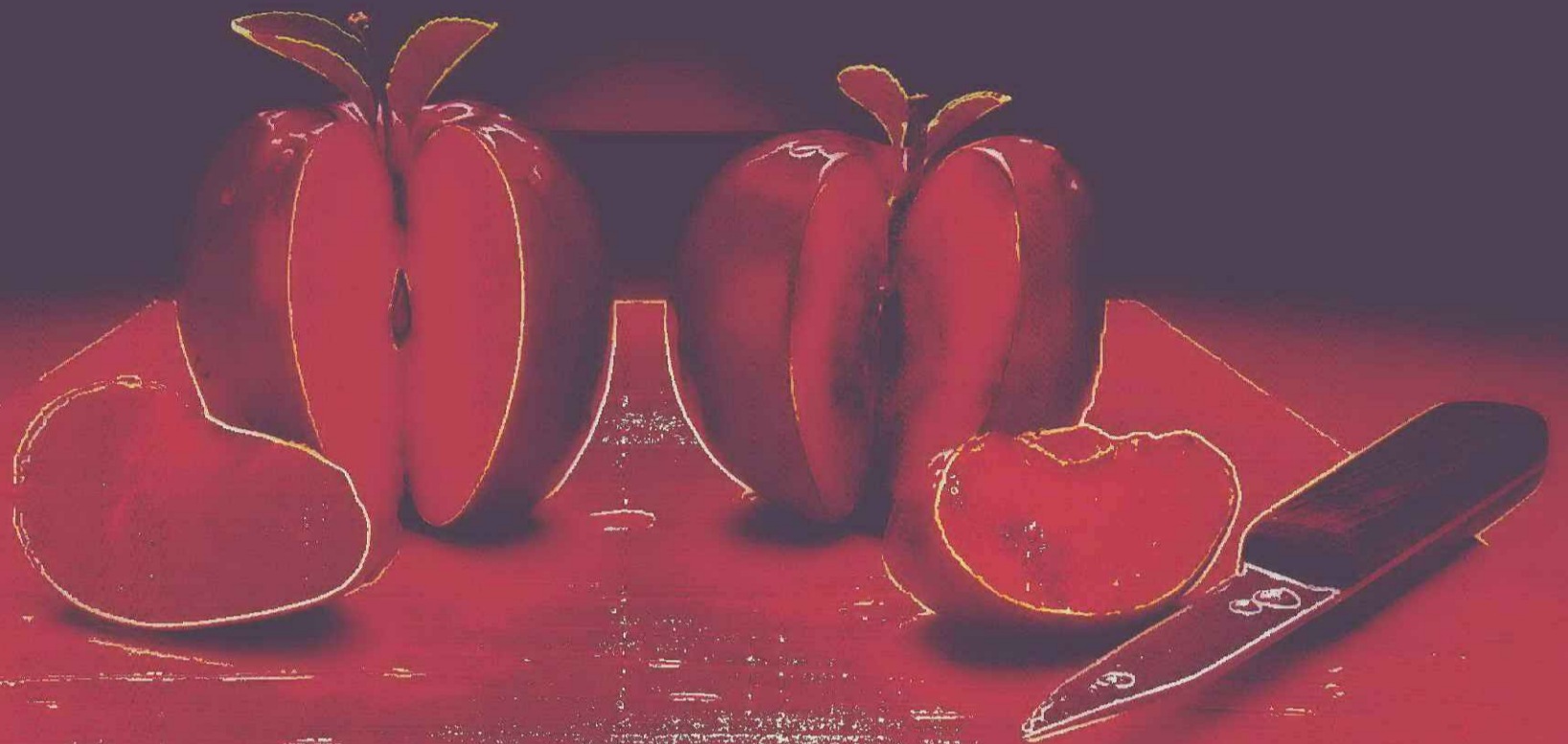
A Publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133

Chicago: 740 Rush St., IL 60611 (312) 649-5275

Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Prescription Drug Coverage -- PCS vs Major Medical?



Let's compare apples!

	PCS	VS	MAJOR MEDICAL
Cost Controls			
Employee Cost Sharing		Deductible per prescription (varies by plan)	Deductible, co-insurance (varies by plan)
Cost of Drug		Wholesale price	Retail price
Pharmacy Dispensing Fee		Set by client	Retail fee set by pharmacy
Claims Payment Control		19 Computerized Edits on every claim	Few controls (varies by plan)
Post-Payment Audit		Yes, in-house and field auditors	Rarely
Utilization Review		Computerized Activity Reports	Rarely
Claims Processing Costs		Less than 71¢ per claim	From \$5.00 to \$10.00 per claim
Visibility		Personalized plastic "Credit Card"	Minimal
Popularity		"The last benefit they would give up."	Minimal - hassle of reimbursement procedure
Cost Containment Effectiveness*		Optimal	Minimal

*The proper use of prescription drugs is one of the most effective methods of health care cost-containment. Studies indicate that proper drug therapy can actually lower employee benefit costs.

When a PCS program is adopted, some feel the resulting "first dollar" benefit will increase costs. However, good drug therapy has been proven to reduce hospital/surgical expenses and employee absenteeism.

Under a major medical plan, employees must pay cash for their prescriptions and wait for reimbursement. Estimates of the number of prescriptions written by doctors but never picked up at the pharmacy range as high as 30%. The demand for cash in advance is the primary reason. Thus, drug coverage under major medical diminishes the full cost-containment effectiveness of a drug program.

With the PCS card, employees pay only the set deductible per prescription at any of the more than 46,000 participating pharmacies throughout the nation. This low cost and convenience encourage proper drug therapy. The result? The most cost-effective drug plan available.

PCS - the "good apple" - for health care cost-containment and benefit visibility.

Over 40,000 employers have chosen PCS. You make the choice for yourself.

PCS

For further information, write or call:
Robert W. Field, CLU
Vice President, Sales and Marketing
PCS Incorporated
2005 North Central Avenue
Phoenix, Arizona 85004
(602)256-4652

To get more from your captive... cut on the dotted line.

Send for our new brochure and find out how Continental Risk Services, Ltd., can help you have a more efficiently run captive operation. We offer extensive experience in all areas of underwriting, reinsurance, claims and accounting... computer-generated statistical analyses to improve and expand your captive's capabilities... and administrative and management services that are unmatched in the industry.

Just mail in the coupon below. Or, if you can't wait, call (809) 295-6015. We'll tell you why CRS should be managing your captive.

I'd like to know what CRS can do for me. Tell me more.

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

David B. Vaughan, President
 Continental Risk Services, Ltd.
 The Warner Building • Reid & King Streets
 P.O. Box 824 • Hamilton, Bermuda

Continental Risk Services is a subsidiary of
 The Continental Corporation

Rental companies unwilling to cite income from waivers

By CAROL CAIN

People in the car-rental business know their companies "make a lot of money" on collision damage waivers, but they don't want to admit it.

Rolland L. Krefall, director of insurance at National Car Rental System Inc. in Minneapolis, which is assumed to be the third-largest rental agency, said the money raised from collision damage waivers pays for the repairs to the vehicles and the rest "we put in our pockets (to) pay taxes, pay administrative costs."

At Avis Rent A Car System Inc. in Garden City, N.Y., waiver fees collected are part of the general accounting funds, according to John Murphy, vp of insurance.

How much is raised from collision damage waivers annually?

No one would say.

What is the annual loss experience?

Again, no one would say.

How much is the annual repair bill?

"I don't want to quote that number," said Mr. Krefall, but he adds that when a company has several thousand automobiles, accidents are almost predictable.

"We inspect our cars very thoroughly today; can't say that was the case 10 years ago," he said. Loss prevention and checking out a customer's credit and the validity of a driver's license are part of a program that, according to Mr. Krefall, may be the reason for a slight reduction in accidents.

"We have somewhat stabilized the number of accidents," he said, "but the severity has been the same over the years." If someone could obtain the figures on all the accidents from Hertz, Avis and National, Mr. Krefall believes the picture would be one of stability.

"Loss experience—that's a question a lot of people ask. Compared to what?" asked Mr. Murphy. "I would say we (Avis) are a select rent-a-car company, getting a very good class of business. Our renters are good risks," he said, unable to produce any type of actual loss or claims figures.

Obtaining statistics of any kind from car-rental agencies is as difficult as trying to start a car when it's 20 below zero.

According to a 1981 study conducted by Hertz Corp., there are about 515,000 rental cars nationwide, although that figure cannot be broken down for each company.

A Hertz spokesman said his company has about 350,000 vehicles worldwide, including trucks. He wouldn't release the nationwide figure and noted the count did not include vehicles rented through Hertz franchises.

Avis would release only a figure of 250,000 automobiles worldwide. Again, this does not include vehicles at franchise locations, which could account for 20% of Avis' total.

National's locations are also about 80% corporate-owned. One person estimated National's daily rental fleet at 49,000 cars nationwide, while another offered an estimate of between 70,000 and 75,000 cars.

Budget Rent a Car Corp. of Chicago, which is considered to be the fourth-largest agency, has about five corporate offices out of 1,800 locations worldwide. A spokeswoman said the company owned about 100,000 vehicles worldwide, but that was just a guess since most of the locations are franchises.

"You're not going to go out and count cars," said John Britton, manager of public affairs for Hertz. "Any company can say anything."

Not only can the companies apparently say anything, they also

can nearly charge anything by setting their own rates and fees.

Several risk managers were surprised to learn that collision damage waivers had risen to \$5.50 per day (see story, page 3). They recalled a fee of only \$1 or \$2 a few years ago.

At least one car-rental official noted the higher initial cost of cars and higher repair costs have contributed to increased fees and rates. During the past few years, deductibles and the fee to waive them have increased, decreased, then increased again, reflecting the economy.

If a traveler calls a rental agency today for quotations on collision damage waiver and deductible, clerks will cite figures but note they could change. This tenuousness is underscored on the rental agreements, where blank spaces appear, to be filled in with collision damage waiver costs and deductibles at the time of rental.

Some of National's locations are involved in an experiment affecting the fees. Mr. Krefall refused to specify how the fees have been changed but noted an analysis of the experiment may result in a change in pricing structure.

Fees and deductibles also differ from location to location. In Chicago, for instance, National states there is a \$750 deductible that can be waived for \$6 per day. In Atlanta and San Jose, Calif., National's deductible is \$500 and the waiver costs \$5.50, while in Trenton, N.J., it's a \$500 deductible but only a \$3.50 waiver fee.

State insurance officials said such varying fees could have the potential for consumer abuse. Some believe it's time for state legislatures to investigate regulating the car-rental industry.

How do car-rental companies fund their various risks?

"It's as diversified as the companies themselves," said Seth Faison, vp of corporate affairs for Johnson & Higgins.

"We do it every way you can do it," said Mr. Murphy of Avis. "I don't like to get into details... we have a captive, carrier, retrospective plans... in Europe, local carriers. There isn't a way you can handle liability that we don't do."

Most of the larger companies maintain liability limits of \$100,000 for each person and \$300,000 per accident for bodily injury or death and \$25,000 per accident for property damage.

Portions of this risk are usually self-insured or, in a few cases, insured through a captive. Excess insurance is common.

Since most of Budget's operations are franchises, each owner obtains insurance individually. Control Risk Corp., an insurance agency owned by Budget, offers third-party liability coverage to its franchisees, although they still must shop for collision and comprehensive general liability insurance.

A Hertz spokesman said that company is self-insured to a point, but this doesn't include money from the collision damage waivers.

"CDW money never gets into insurance accounts. It's used to cover repairs and a portion of breakdowns," recalls Hugh Rosenbaum, who used to work in the Hertz's European division and now is a vp with Risk Planning Group Inc. in Darien, Conn.

National also self-insures a portion of its risks, with some funds handled by The Travelers Insurance Cos., Mr. Krefall says. National's personal accident insurance (another optional fee for renters) is underwritten by Old Republic Insurance Co. in Chicago.

Our Workers' Comp Pros get the job done right.

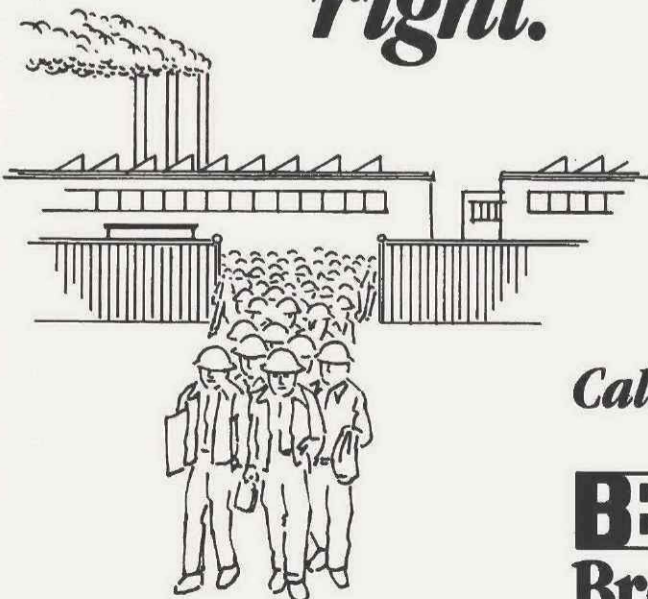
We at Brown Brothers pride ourselves in maintaining a special knowledge of the workers' compensation field. Our staff of seasoned adjusters have been around long enough to know the full spectrum of workers' comp coverages, and by keeping up on the latest state and federal regulations, we stay prepared for any large or unusual risks. For the kind of prompt, effective service that gets everybody back on the job sooner, give the pros a call. And put Brown Brothers on the job for you.

Call the adjusters you can depend on.

BBA

Brown Brothers Adjusters

Home Office: 545 Sansome Street, San Francisco, CA 94111 • (415) 392-2825
 TELEX: San Francisco—34-472 • Honolulu—63-4266 • Los Angeles—67-234



Premium volume grows in Free Trade Zone

Continued from page 2
 \$100,000 or more in premium. And they reported premium volume of more than \$23.1 million from Class II, or large, hard-to-place risks.

The top five Free Trade Zone insurers generated \$19.5 million in premium during the first six months of 1982, 45.6% more than the five leading insurers generated in the first six months of 1981.

The five licensed insurers with the largest volume in the Free Trade Zone in the first half of the year are:

- United States Fire Insurance Co., \$8.5 million.
- Allstate Insurance Co., \$3.9 million.
- General Accident of America Insurance Co., \$3 million.
- New England Reinsurance Co., \$2.6 million.
- Hartford Accident & Indemnity Co., \$1.4 million.

While many Free Trade Zone insurers have reported premium growth this year, the prospects for the remainder of 1982 look even brighter, contends Maurice Cohen, supervising insurance examiner for the New York Insurance Department.

With year-end renewals, total written premiums in the Free Trade Zone could exceed \$70 million, far surpassing the \$46 million in premium registered last year.

Mr. Cohen says that some of the growth can be attributed to the fact that the Free Trade Zone still is relatively new.

Business generated by Free Trade Zone insurers has risen steadily since its inception. Net premiums totaled \$432,072 after its initial three months of operation in 1978. In 1979, 78 licensed insurers generated \$13.4 million. In 1980, 84 insurers posted net premiums of \$27.4 million.

Currently, the Free Trade Zone has 132 licensed insurers, 22 more than a year ago. Those insurers can now write more than 320 different types of exotic risks, Mr. Cohen says.

"The growth," explains Mr. Cohen, "is in excess lines business. The increased premium volume figures tell us that excess lines business is being brought back to New York."

"A lot of that business had been going elsewhere."

While a larger membership is one reason for the zone's volume growth, broker familiarity with the zone is another factor. More brokers now understand how the Free Trade Zone works and are beginning to use it more, explains Mr. Cohen.

"The education process is finally setting in. The brokers have learned that the Free Trade Zone can be an effective marketplace," he explains.

But while the Free Trade Zone premium volume and membership has grown steadily, its results could be even better, contends Mr. Cohen.

"It's been growing more slowly than expected, mainly because the market has been soft and partly because of competition," he says.

"Because of the soft insurance market, the Free Trade Zone is considered to be just another market. Things will be better, however, when the market starts to turn a little bit. There are signs that that might be happening sometime soon."

It'll take more than a stronger insurance market, however, to produce the kind of premium growth Mr. Cohen believes the Free Trade Zone can produce.

More insurer members would help, contends Mr. Cohen. "There aren't enough companies. We're almost at the saturation point right now."

Mr. Cohen said the zone may attract more members because of legislation that went into effect July 1 that requires all insurers doing business in New York to release additional financial data to the state, although non-admitted insurers in the Free Trade Zone are not required to submit as much information.

Some non-admitted insurers, he contends, may seek Free Trade Zone licenses because that would be less complicated than changing their reporting activities.

A MISSED ISSUE IS MISSED INFORMATION



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 \$40 \$90
 Canada \$54 \$85
 Bermuda (Air only) \$75
 Europe/Middle East (Air only) \$54 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

A fly-in! A phone-in! A victory!

IIAA members made it happen.

Restrictions on the sale of insurance by bank holding companies (Title VI of S. 2879) was passed by the U.S. Congress. A fly-in of nearly 100 IIAA agents, Association officials, and key figures representing a majority of the nation's states to Washington, had its effect on the legislature. Add this to thousands of phone calls made by Association grassroots members to their Senators, and you have the ingredients that made it happen.

The IIAA and its members waged a decade-long battle on Capitol Hill and in state legislatures to protect the consumer and the interests of the independent insurance agents. Earlier this summer, the IIAA was the only agent association to conduct a court fight to challenge applications of the bank holding companies to sell insurance.

Big "I" members can be proud of their part in this victory. If you are not already a member, why not join the over 126,000 members of the IIAA today and help make it happen. Write to: 100 Church Street, New York, N.Y. 10007. Better still, call toll-free (800) 221-7917 for full particulars.

Independent Insurance Agents of America Inc.

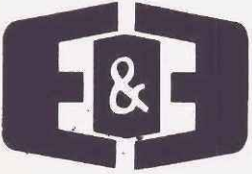


Paid for by the IIAA's Producers' Action Fund

GROW WITH US

CAN YOU GET A MEDICAL OPINION ON EACH CLAIM FROM YOUR INSURER?

With E&E you can! We are the only claims administrator in the country to offer claims-based hospital utilization review by medical professionals.



**EXECUTIVE & EMPLOYEE
BENEFIT PLANS, INC.**

Pioneers in our field, yesterday and today.

For information in cities not listed
call C. J. Wintersteller at
(614) 486-7188.

Atlanta: E. A. Hightower (404) 256-2900
Orlando: Paul Holderbaum (305) 849-6020
Columbus: C. J. Wintersteller (614) 486-7188
Cincinnati: L. S. McCrosky (513) 772-0700
Cleveland: Joseph Kral (216) 886-6800
Dallas: J. M. Bransford (214) 221-2584

Shand, Morahan hikes rates for professional liability covers

Continued from page 1

cers liability, errors and omissions, fiduciary liability and fidelity losses, has not developed losses warranting a rate increase.

Rates also will stay relatively constant for errors and omissions and directors and officers liability insurance for insurance companies, medical malpractice for the low-risk general practitioners Shand, Mcrahan accepts and excess workers compensation insurance. These lines continue to produce an underwriting profit.

Mr. Morahan and other Shand, Mcrahan officers described their analysis of the market and their pricing decisions during an interview that they requested with *Business Insurance* on Oct. 8. On the same day, Shand, Morahan employees were stuffing envelopes with letters announcing price increases to the company's 400 major producers at about 100 brokerages.

"As we move into the last quarter of 1982, we have decided that we must begin an upward adjustment in our pricing structure of professional liability and casualty classes," Mr. Morahan says in his letter. "As a leading underwriter in certain lines, we feel it is our responsibility to take action now in order to insure future continuity of

our product lines."

The exact rate increases are still being fine-tuned and will be filed with state insurance departments later this month on behalf of the admitted insurers Shand, Morahan represents. Its lead admitted market is General Accident Insurance Co. of America. Other admitted markets include American Bankers Insurance Co. of Florida, Utica Mutual on the PIA program and Insurance Co. of Evanston, which is part of the Evanston Insurance Group that is 52% owned by Shand, Morahan.

Rates for policies in the affected lines, which are written on a surplus lines basis, including all product liability insurance, are being raised now on renewal. The major surplus lines company used by Shand, Morahan is Evanston Insurance Co., also part of the Evanston Insurance Group. Other surplus lines companies represented include Mutual Fire Marine & Inland Insurance Co. and Lloyd's of London on a limited basis.

Executives at Shand, Morahan appear confident that they can raise rates without losing a large market share. "If we do it intelligently, we can retain 85% to 90% of the business," Mr. Morahan said.

Shand, Morahan's strategy includes seeking brokers' support, going public with the rate increases and taking a very selective approach to raising rates using the actuarial data bank of sub-class statistics that it has compiled on its accounts.

"The competition can follow us, go down or stay the same," observed Joseph H. Bixler, vp in charge of the actuarial department at Shand, Morahan, which is developing the new rates. "But we feel time is not on their side at the current rate levels. We think the cash-flow days are over on these lines."

To successfully rate risks on a cash-flow basis by taking investment income into account requires underwriters to accurately predict the future rate of return, future losses and how quickly the losses will be paid. "There are wild fluctuations in these lines," Mr. Bixler noted, making such success elusive.

Shand, Morahan believes its competitors must be suffering the same increasing losses and should be equally opposed to underwriting professional liability insurance on a cash-flow basis.

Given the falling operating results of so many insurance companies, Shand, Morahan also does not expect new competitors to step into its marketplace.

Even if some competitors offer lower rates, "I believe brokers will tell their clients it would be a mistake to move for a cheaper price," Mr. Morahan said. "We're hoping the brokerage community and insureds will be interested in continuity."

"We are hoping our selective approach will minimize the loss," added Mr. Bixler.

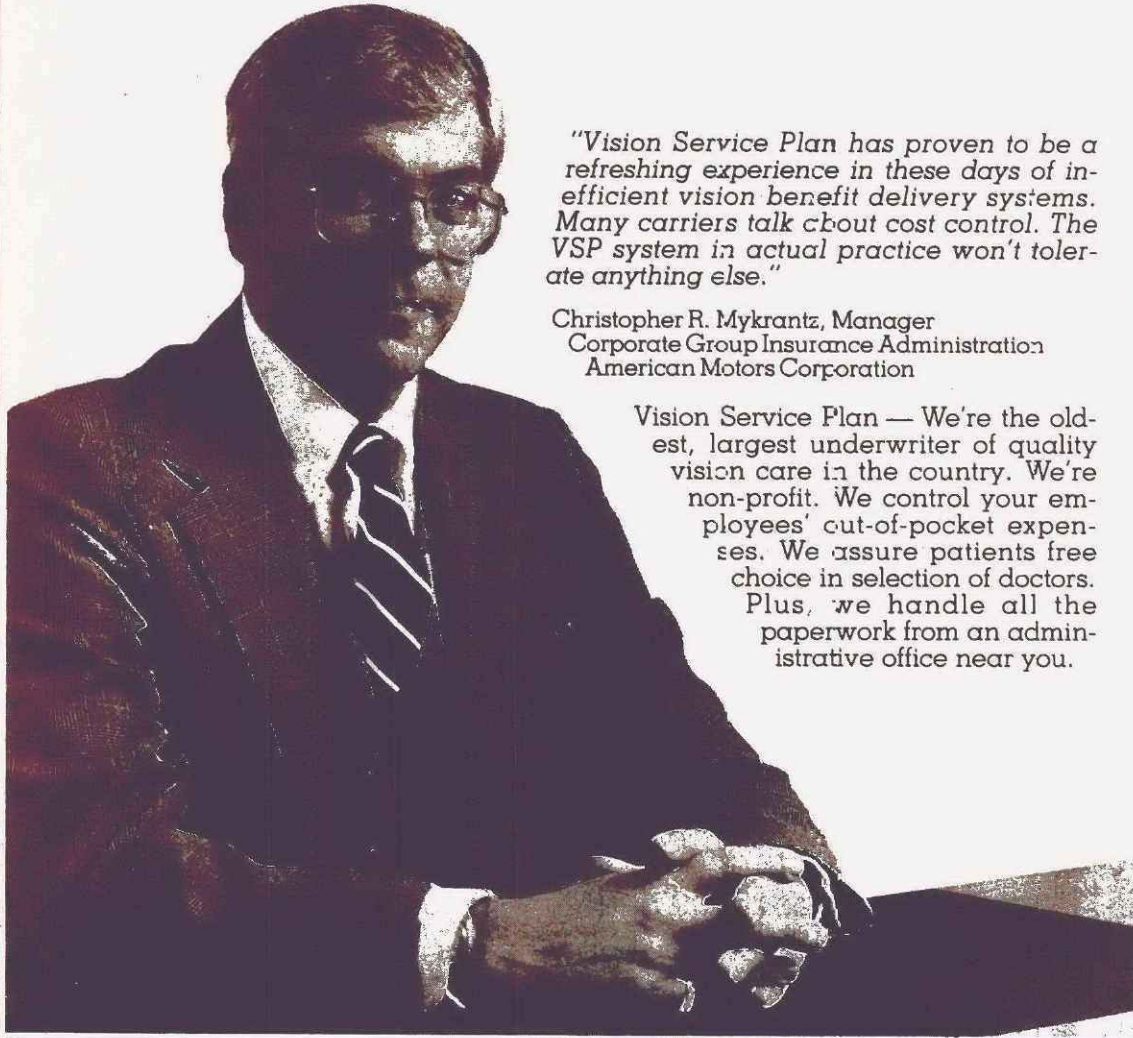
The picture that emerged this summer in Shand, Morahan's annual review of its business—including claims severity, claims frequency and payout patterns—convinced the company rates had to go up, Mr. Morahan said.

In general, losses have been increasing for the past five years while rates today are at 1977 or 1978 levels.

Claims against the 80,000 lawyers Shand, Morahan insures have been increasing 19% in number and 7% in cost per year for the last five years, while rates have fallen to 1977 levels, according to statistics provided by Mr. Bixler.

Law firms with fewer than 11 lawyers have produced a loss ratio

Continued on facing page



"Vision Service Plan has proven to be a refreshing experience in these days of inefficient vision benefit delivery systems. Many carriers talk about cost control. The VSP system in actual practice won't tolerate anything else."

Christopher R. Mykrantz, Manager
Corporate Group Insurance Administration
American Motors Corporation

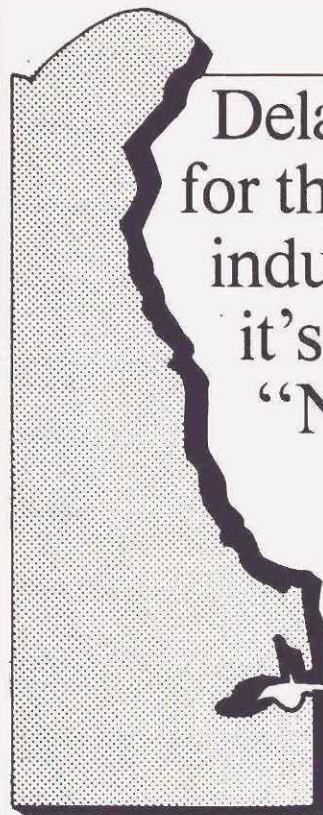
Vision Service Plan — We're the oldest, largest underwriter of quality vision care in the country. We're non-profit. We control your employees' out-of-pocket expenses. We assure patients free choice in selection of doctors. Plus, we handle all the paperwork from an administrative office near you.

**Vision
Service
Plan**

The specialists in high quality,
cost-control vision care benefits,
with administrative offices nationwide.



VSP National Association Headquarters
200 South Hanley Street • Suite 509 • St. Louis, Missouri 63105 • 1-800-325-8499



Delaware . . .
for the insurance
industry,
it's the
"No Risk" State.

Our well-regarded general corporate code, our progressive insurance code and our established history of favorable regulation and taxation of the insurance industry make Delaware the outstanding choice for location.

- Ultra modern insurance code.
- Corporation laws and a Court of Chancery nationally recognized for fairness and excellence.
- Never more than a 2% premium tax with no ad-ons for insurers.
- Within 300 miles of 1/3 of the nation's population and income.

Industry leaders such as American Life Insurance, Continental American and Insurance Company of North America live in Delaware and they like it!

Find out more about our "no risk" State. Write for literature.

WHY NOT DELAWARE COMMITTEE

900 Philadelphia Pike/Wilmington, Delaware 19809



Douglas Jetter, Sr., CLU, Chairman

Continued from facing page
nearly three times that of large law firms, Mr. Bixler noted, while plaintiffs' attorneys handling bodily injury cases produce losses 50% worse than other specialists.

Mr. Morahan attributes the falling rates charged lawyers to a correction of excessive rate hikes in the mid-1970s and more competition.

"There was an overcorrection in rates in the mid-1970s for lawyers," Mr. Morahan concedes. When suits filed against lawyers started to increase, underwriters raised rates in anticipation of the same claims explosion they saw in medical malpractice. But then the frequency of claims leveled off and rates started to come down.

"Then, more insurers came in so rates came down more," Mr. Morahan said.

Among the architects and engineers Shand, Morahan insures, claims frequency has increased 4% per year and claims severity has increased 7% per year while rates are at 1978 levels. Among the dozen disciplines, structural engineers are reporting claims producing losses 50% worse than the average.

Shand, Morahan has broken down loss history for its insured agents and brokers by size of firm. The 55,000 agents in small firms insured, which include the PIA policyholders, have been reporting 7% more claims each year and the severity of losses has increased 20% per year.

The 600 large brokerage firms insured that employ about 10,000 agents have been reporting 12% more claims each year that are costing 10% more per year. The large brokers insured include national retail brokers, surplus lines agencies and managing general agents.

The 70,000 Realtors insured by Shand, Morahan have reported claims increasing in frequency by 17% per year and increasing in severity by 9% per year.

The product liability policies underwritten by Shand, Morahan, which represent only about 5% of its business, have been producing bigger losses, too—up 11% per year in frequency and 25% per year in severity.

Shand, Morahan's markets have not pushed for the rate increases, Mr. Morahan said, but are relying on their underwriting manager's judgment.

"The general market may be waiting for that pressure," observed Vp Don Brayer.

Added Mr. Bixler, "A lot of the competition is not as well-advised of what is coming as we are." ■

OSHA repeals gas-pump rule

WASHINGTON—The Occupational Health and Safety Administration has repealed its ban on latches that allow gasoline pumps to flow freely at self-service stations.

The National Fire Protection Assn. found that customers often resorted to makeshift prop-open devices for gas nozzles and determined that this posed a greater danger of spillage than an approved latch device.

Gasoline spills could result in fire or explosion, threatening the safety of service station attendants and customers. No incidents of injury involving the use of approved latch-open devices have been reported to OSHA since the rule was revoked last month.

"Public comments strongly supported our proposal," said OSHA chief Thorne G. Auchter. "This OSHA rule has been a nuisance to millions of American motorists, unnecessary to employee safety and even potentially dangerous." ■

info

- "The Social Security System: What Really Lies Ahead" is a report by Alexander & Alexander Services Inc. Based on the long-term financial forecast of futurist and actuary Geoffrey N. Calvert, this study provides a 75-year cost projection for the **future of the Social Security system**. For a free copy, write the Public Relations Department, Alexander & Alexander Services Inc., 1211 Ave. of the Americas, New York, N.Y. 10036.

- ARMAC Inc. offers **medical and vocational rehabilitation services** in New York, New Jersey, Delaware and Pennsylvania. For a descriptive brochure, write ARMAC Headquarters, Box 239, Beverly, N.J. 08010.

- A brochure describing the

safety and security products of 3M Co. is available free by writing 3M, Department 14, Box 4039, St. Paul, Minn. 55104.

- "Limited Self-Funding Programs" is the name of a brochure from Technical Benefit Administrators that explains the **concept of limited self-funding** as well as the services offered by the company. For a free copy, write Robert N. Munao, Technical Benefit Administrators, One Paragon Drive, Suite 220, Montvale, N.J. 07645.

- A team of safety engineers, hygienists and consultants at VTR Lab have developed a series of **industrial training programs**. For a free catalog describing the programs, which range from new-worker orientation to health hazard awareness to drug/alcohol

abuse, write VTR Lab, 1188 Grove, Suite B, Anaheim, Calif. 92806.

- A guide to **industrial fire protection** is available from Ansul Fire Protection. The pocket-size booklet covers classifications of fire, elements of fire extinguishment, the extinguisher rating system, extinguishing equipment and agents, fire suppression systems and Ansul distributor services. For a free copy of the guide, write Marketing Services, Ansul Fire Protection, One Stanton St., Marinette, Wis. 54143.

- The Certified Financial Planner is a **portfolio designed to keep insurance documents in order** by consolidating information on all policies—group life/health, disability, umbrella, property/casualty—for quick reference and review. This planner also has forms for pension and profit-sharing investments and budget preparation. The 20-page planner is available

for \$6 and may be ordered by writing: Sy Wasserman, Certified Financial Planner, 40 Bluebird Lane, Plainview, N.Y. 11803.

- For a **selection of security publications**, including books on alarms, closed-circuit television, security administration, investigation, retail security, computer crime and fire protection, send for a free catalog from Butterworth Inc. Write Butterworth Inc., 10 Tower Office Park, Woburn, Mass. 01801.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? *Business Insurance* will describe material costing less than \$20 as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

business insurance

presents
an important conference
dealing with
a critical corporate issue

THE DOLLARS & SENSE OF COMMUNICATING EMPLOYEE BENEFITS

November 1 and 2
The Knickerbocker Hotel, Chicago

The BI Employee Benefits Communication Conference is a valuable investment of your time and dollars that makes sense for your company and for you as a benefits professional.

In today's economic climate, corporations are particularly sensitive to the costs of benefits and are concerned about more efficient ways to communicate these to the employee population.

Better targeting of communication, clearer understanding and efficient utilization of benefits can have a positive result on your company's bottom-line.

This conference goes to the core of the problem faced by every benefits professional... from large communication staffs to one-person operations, from outside suppliers to in-house preparation... cutting costs without sacrificing the effectiveness of your communication efforts.

AGENDA

Sessions and speakers have been selected to help you meet this challenge. General sessions will focus on:

- Budgeting for Benefits
- Reading Employee Needs To Save Time & Money
- Getting Employees To Listen & Act
- Using Audio-Visuals
- Getting Employees To Share The Cost & Responsibility
- What Makes A Winning Communication Program

Concurrent sessions afford you the opportunity to zero in on specific problems. You can attend all three of the smaller work groups dealing with:

- Communicating On Your Own
- Personalizing Benefits
- Pre-Retirement Planning

One of the highlights of this conference includes the presentation of the 10th annual EBC Awards. You will also have the chance to view some of the communication programs submitted for this Competition that will be displayed in the EBC Gallery. And the Benefits Literature Gallery makes it possible for you to collect some of the latest benefits industry information available.

REGISTRATION

The cost is \$475. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook and educational materials, one breakfast, lunches, coffee breaks, cocktail reception and the EBC Awards dinner. Payment required with registration.

Special hotel rates and discount airfares will be made available to all registrants.

For program details, registration forms, hotel and flight information write to:

The Communication Services
Department
BUSINESS INSURANCE
220 East 42nd Street, New York 10017

Call:
Ann Vazquez at 212/210-0137 or
Beth Levine at 210-0229

Judge says Hallmark, CU should pay claims

Continued from page 1

Commercial Union wrote a \$1 million primary general liability policy and a \$10 million first excess-layer policy for Hallmark/Crown Center. It has maintained its policies and the balance of insurance totaling \$101 million for Hallmark is excess of Hyatt's \$201 million in coverage.

Hyatt's first excess insurer, Northbrook Excess & Surplus Insurance Co., argues the reverse, or at the very least that the two lines should contribute together on a pro-rata basis. Northbrook wrote a \$25 million excess policy on top of a \$1 million primary policy written by Occidental Fire & Casualty Co. of North Carolina.

Judge O'Leary, in essence, adopts Northbrook's latter position on sharing claims payments on a pro-rata basis. He described this as the "most reasonable and equitable way to resolve" conflicting and competing language contained in a total of 25 insurance policies involved in the dispute.

The judge does not say in his opinion how he decided Northbrook would pay two-thirds and Commercial Union one-third. Most lawyers familiar with the case speculate that Judge O'Leary took into consideration the 2-1 ratio of the overall limits of the Hyatt and Hallmark lines—\$201 million vs. \$101 million.

"The court is bound to look at the language of the contracts in con-

struing the obligations of the parties," Judge O'Leary said.

He said an Aug. 31 ruling of the Missouri Supreme Court in Robin vs. Blue Cross Hospital, etc., establishes the principle that a court should look only at the policy language and not at other documents when considering a coverage dispute of a particular "sort."

That "sort," the judge said, is when the insurance buyer is a full negotiating partner with the insurer on the terms of the policy—that the policy is not offered in "take-it-or-leave-it" terms.

"The language in use by the (insurance) industry and the statements made in their contracts of insurance cannot be allowed to become so mysterious and unintelligible so as to require evidence of 'intent,' 'expectancy,' 'meeting of the minds of professionals' and the like on even the most basic issues of coverage," Judge O'Leary writes.

"Otherwise, the business becomes so complex and complicated as to be a morass from which it becomes impossible for reasonable people to ever interpret or make any judgments about coverage without endless litigation," he continues.

The judge thus rejects for now Marsh & McLennan's and Commercial Union's argument that Hallmark's entire line of insurance was basically intended for construction-related and owner risks and is excess of Hyatt's \$201 million

in insurance, which M&M says was primarily intended to cover hotel operational risks.

However, an M&M attorney did not indicate any displeasure with Judge O'Leary's opinion.

"Obviously, we're gratified that our clients were adjudicated to be insured as we told them they were (as additional insureds on each others' policies)," said Anthony Lynch, an associate general counsel at M&M in New York.

Marsh & McLennan is broker for both Hallmark/Crown Center and Hyatt. Court documents reveal that, at M&M's request, Occidental drew up an endorsement to its \$1 million primary Hyatt policy after the July 17, 1981, skywalk collapse, retroactively adding Hallmark/Crown Center as additional insureds.

The endorsement was executed July 20, three days after the collapse, even though Hallmark had received a certificate of insurance from M&M listing it as insured by Occidental months earlier. M&M had authority to issue certificates on Occidental's behalf.

Lawyers involved in the litigation generally agree that the ruling does not specifically order CU to pay any claims, although it concludes the insurer has an obligation to do so.

They said the next step would probably be for Hyatt, which has asked CU to indemnify it, to renew its demands to CU and then seek

court sanctions against CU if it refuses to pay.

Even if a court eventually were to order CU to indemnify Northbrook, Judge O'Leary's decision is not a clear victory for Northbrook.

Although it has already paid to the limits of its \$25 million excess policy, Northbrook must resume, at least temporarily, sharing up to \$100,000 a month in legal fees for Hallmark/Crown Center and Hyatt. Northbrook attorneys at Isham, Lincoln & Beale in Chicago decline to discuss this point in detail, apparently because of some ambiguity in Judge O'Leary's findings on the duty-to-defend question.

In one portion of his ruling, the judge orders that CU's and Northbrook's obligation to defend Hallmark/Crown Center "is not limited by the exhaustion of the applicable policy limits."

At another point, the opinion finds that Northbrook and CU "must defend all the insureds on an unlimited basis."

Attorneys reacting to the opinion differ on what the judge means by "unlimited" or "not limited" by the policy limits.

They ask: Does this mean Northbrook and CU must pay defense costs even when claims payments are being handled by insurers above them? Some of the excess insurers issued indemnity-only policies and disclaim any responsibility for legal costs.

In Northbrook's case, Bacala & Shoop Insurance Services, which is

underwriting manager for a trio of insurers that wrote a \$25 million policy excess of \$26 million, is now paying claims and defending Hyatt and Hallmark since Northbrook reached its \$25 million limit.

Another key finding by Judge O'Leary involves other insurance clauses in insurance policies. He said if the other insurance clauses contained in most of the 25 policies involved in the skywalk case were applied literally, they would exclude any coverage for anyone since each insurer would point the finger at the "other" available insurance.

Such a situation, he ruled, requires the court to declare such clauses invalid and to work out an equitable contribution scheme among insurers.

"The problem of overlapping insurance is compounded here because all of the policies, either by direct language or by adoption of the underlying insurance language, have other insurance clauses," the judge says.

"Here, the parties were sophisticated experts with outstanding backgrounds in insurance problems," he adds earlier in the opinion. "Yet, the policies contain the same old basic language as to other insurance."

Judge O'Leary's decision contains at least three clear messages for risk managers handling programs with multiple insureds:

Continued on facing page

classified advertising

RATES AND CLOSING TIME:

Rates: Display classified is \$60.00 per column inch, minimum of one inch. Straight classified is \$5.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$11.00 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: Emily Webb, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

New York brokerage firm seeks aggressive, take-charge individual with a minimum 10 years' commercial underwriting experience to manage busy commercial unit and desk. Must have thorough knowledge of coverages and markets. We offer lots of hard work, plenty of room to grow and an excellent benefits package. Salary commensurate with experience. Send resume to Jay Levy, Amalgamated Programs Corp., 161 William St., N.Y., N.Y., 10038.

MARKETING REP

Immediate opening-Dental Company-Anchorage, Alaska. Experience required in insurance and marketing. Salary DOE. Benefits. Send resume to:
J.R. Robinson
Box 4-787
Anchorage, Alaska 99509

THE CHALLENGE OF THE LUMBAR SPINE

An intensive course designed to clarify the confusion of low back pain—diagnosis, conservative care, manipulation, surgery and the industrial back dilemma. December 8-10, 1982 in San Francisco, California.

Sponsor:
St. Mary's Spine Center
San Francisco, California

Information:
Challenge of the Lumbar Spine, Inc.

331 Blackfield Drive
Tiburon, CA 94920
(415) 435-5867

For a
Concise
and
Logical
Approach
to
Risk
Management
Recruiting

LOGIC

Associates, Inc.
170 Broadway
New York, N.Y. 10038
(212) 227-8000

Claim Manager/Loss Analyst

Major brokerage firm in North New Jersey area is in need of a claims manager. Must be experienced in company reserve negotiations and self insurance programs. Please send resume with current salary requirements to:

D.F. McLaughlin, Jr.
Resident Vice President
James S. Kemper & Co.
374 Millburn Ave.
PO Box 1007
Millburn, NJ 07041

Account Executive

Major brokerage firm in North New Jersey area is in need of a commercial account executive with a heavy casualty background. Emphasis on self insurance programs a necessity. Please send resume with current salary requirements to:

D.F. McLaughlin, Jr.
Resident Vice President
James S. Kemper & Co.
374 Millburn Ave.
PO Box 1007
Millburn, NJ 07041

Insurance/data processing, super opportunity for project managers familiar with agency and reinsurance intermediary premium and information processing. Microdata, Ultimate, Pick operating system knowledge helpful. To take charge of unique wholly integrated software development.

Box 397, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

RISK MANAGER— POSITION WANTED

So. Calif. 7 years corporate RM experience—Fortune 600 Mfr. & Re. Dev. CPCU in process. RIMS member 6 years—last 2 as officer.

Bus.—(714) 851-9542
Home—(714) 847-2324

SALES MANAGER

You can put your many abilities into one excellent opportunity if you hold a Marketing degree, have management and production experience, and know all phases of property and casualty insurance.

We seek a mature person who can plan, organize data and evaluate results and motivate, recruit, train and handle business promotions. Multiple locations involves considerable travel in the southeast. Benefits and compensation are excellent. For prompt consideration, please send your resume to:

P.O. Box 56829
Dept. CD10-68
Atlanta, Georgia 30343

Equal Opportunity Employer

AT BLUE CROSS BLUE SHIELD GROUP UNDERWRITING IS... CHALLENGING

Blue Cross Blue Shield is moving in a new direction and pursuing new dimensions within our industry. We are developing unique health plans for increasingly larger and more complex accounts. As an underwriter in this challenging environment, you will be able to maximize your underwriting talents and capabilities!

CREATIVE

Utilizing the most sophisticated statistical data banks available anywhere, and working along with our Marketing staff, you will use your judgment and skill to design custom-tailored health, dental, life and disability packages that best suit the special needs of each client.

FULL OF POTENTIAL

As a company with an eye on the future, BCBS offers you room to grow. Our firm support of continuing education will enable you to develop professionally. Our promotional opportunities are exceptional.

If you have a minimum 2-3 years Group Health and Life underwriting experience as well as a Bachelor's degree, you owe it to yourself to explore our opportunities for recognition and advancement, our benefits and relocation assistance. Send your resume or call:

B. Lankton
938-6196 or 938-6344
Blue Cross Blue Shield
233 N. Michigan Ave., 12th Floor
Chicago, IL 60601

An Equal Opportunity Employer M/F

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative Management:
owners, presidents,
vps, etc. 6,497

Financial Management:
chief financial officers,
vps of finance, secretaries,
treasurers, etc. 9,634

Insurance Management:
vps, directors, managers of
insurance, risk, benefits,
compensation, safety,
security, etc. 5,948

Government, Associations,
Unions, Educational
Institutions 1,004

Commercial Consumers
Sub-total 23,083

Insurance Agents
& Brokers 9,829
Insurance Cos. 4,944
Financial Institutions 314
Actuaries, Attorneys,
Adjusters, Appraisers
& Consultants 2,408
Others allied to the field 854

TOTAL 41,232

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

Continued from facing page

• Don't depend on anything except the insurance policies themselves for guidance on what your coverage includes.

If your coverage overlaps with that of another business partner and the policies contain conflicting language, iron out the conflicts through endorsements.

Otherwise, you can count on a court doing it for you after a major loss, and it may not do rule in your favor.

In the skywalk collapse case, Hyatt and Hallmark apparently came out all right because all claims will be covered by some insurer.

• Don't assume that a retained limit and excess policy will be treated as such. Judge O'Leary notes that the first Commercial Union policy with a \$1 million limit contained language specifying that it is "excess insurance, applicable excess of the retained limit" of \$100,000.

The judge says this language "amounts to nothing more than a deductible, and does not make the policy excess." On this basis, Judge O'Leary concludes, CU's claim that its \$1 million policy is excess of the entire \$201 million Hyatt line is invalid.

• Make sure your policy makes a written distinction between "named insureds" and "additional insureds" unless you want coverage to apply equally to both. Some experts contend that a policy may be written to confer different levels of coverage for each.

They argue that an "additional insured" is only covered for liability that flows from the actions of the named insured—so-called derivative liability—and is not covered for its own acts.

Judge O'Leary in the opinion finds that there is no distinction unless the policy specifically provides one and that it is immaterial whether the claim of an injured third person is one of primary or secondary liability.

"The contention that an additional insured is covered only for derivative liability which is made by Northbrook is rejected," he says. "The cases clearly hold that an additional insured is entitled to coverage for liability arising out of his own negligence."

"... Thus, each additional insured is insured for liability incurred in a covered occurrence no matter who was at fault in causing the harm," Judge O'Leary says later in the opinion.

"The effect of this rule is that the insurer must deal fairly with both insureds and cannot prefer its named insured over the additional insured."

This aspect may become significant in the skywalks case where collapse victims have sued Hyatt, Hallmark and various other entities involved in the construction of the hotel.

The judge's ruling suggests that if a jury finds Hyatt and/or Hallmark liable for damages, it may not matter whether the liability is derivative because the insurance must still cover resulting judgments.

Judge O'Leary's ruling came in a case brought last Oct. 9 by Hyatt seeking a legal declaration of its insurance coverage.

Hyatt filed the case because it wasn't sure whether Hallmark/Crown Center's liability insurance policy included it as an additional insured.

On March 23, Northbrook asked Judge O'Leary for a summary, or expedited, judgment on the question. That request was followed May 27 by a similar petition from Hallmark seeking clarification of its coverage.

The judge ruled on both requests simultaneously. ■

Asbestos issue before court again

Continued from page 2

The high court has turned down, without stating a reason, three requests to decide the coverage question.

In December 1981, it refused to hear *INA vs. Forty-Eight Insulations Inc.* and *Porter vs. American Optical Corp.*, two cases coming out of the 5th and 6th judicial circuits that upheld the exposure theory (*BI*, Dec. 14, 1981).

Last March, the court declined to consider *Keene Corp. vs. INA*, a District of Columbia Court of Appeals decision that said insurers were liable from the time of exposure to asbestos through manifestation of the disease, also known as the triple-trigger theory (*BI*, March 15).

However, the court could change its mind because of recent developments in asbestos litigation, said Mr. Herman of the New York law firm of Standard, Weisberg, Hecklering & Rosow.

Among them are the recent reor-

ganization petitions filed by Manville Corp. and UNR Industries Inc., which stemmed from the thousands of lawsuits brought against the companies by victims of asbestos-related diseases (*BI*, Sept. 6).

Those events "will have to have an effect" on the Supreme Court's consideration of the issue, Mr. Herman said. ...

Moreover, the Eagle-Picher decision has increased the conflict among the judicial circuits concerning proper approach in interpreting insurance contracts. "There's greater confusion now than ever," Mr. Herman said.

The court may also hear the case, he added, since three justices voted to consider the Keene decision earlier this year. Only four votes are needed for review to be granted.

None of the justices voted to hear the *INA vs. Forty-Eight Insulations* and *Porter vs. American Optical* petitions.

The Froude defendants argue that exposure is the correct asbestos coverage theory and that the lower

courts in the Eagle-Picher case misconstrued the evidence presented, Mr. Herman said.

He acknowledged there is a risk involved in having the Supreme Court review the issue since a high-court decision could make the manifestation theory the law of the land.

But Mr. Herman added that many of the parties just want a resolution of the coverage question. "Lots of people want to see the issue resolved once and for all."

However, "the worst would be if the court accepted a Keene approach," he said. "Then, I cut my wrists."

American Motorists Insurance Co., part of the Kemper Group, is also a party in the Eagle-Picher case and also espouses the exposure theory.

While American Motorists is not seeking Supreme Court review of the case, an attorney for the company said that the court might well hear the case since the Eagle-Picher decision has created more conflict among the federal judicial circuits.

"If you accept the concept of unanimity among the circuits, it is ripe for the Supreme Court to grant certiorari in the Eagle-Picher case," said Frank A. Smith III of the Boston firm of Herlihy & O'Brien.

An attorney for Eagle-Picher said the company was also considering whether to file a petition for

a writ of certiorari but that no final decision has been made.

Eagle-Picher originally sought a manifestation approach at the trial court level, but it switched to the broader Keene theory before the appellate court.

The Cincinnati-based company recently filed another suit in Washington against certain members of the London market and other excess insurers seeking a Keene interpretation, according to Mr. Herman, who added that his client have sought a motion to dismiss that suit.

Eagle-Picher had no product liability coverage prior to 1968. Liberty Mutual was its primary insurer from 1968 through 1978 with limits ranging from less than \$500,000 to approximately \$2.5 million.

From June 1973 through 1978, Eagle-Picher also purchased excess insurance from American Motorists and the Froude defendants. ■

Airline's luggage liability increased

WASHINGTON—The Civil Aeronautics Board has increased airlines' liability for lost, damaged or delayed luggage to \$1,000 from \$750.

A spokesman for the board said it increased the liability limit on a 4-1 vote to account for inflation since

the liability level was last raised in 1977.

Board member George Dalley voted against the proposal, the CAB spokesman said, because Mr. Dalley said he didn't believe that an increase in the limit was necessary. ■

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION (Required by 39 U.S.C. 3685)

- Title of publication: Business Insurance
- Date of filing: 9-30-82
- Frequency of issue: Weekly
- Number of issues published annually: 52
- Annual subscription price: \$40.00
- Location of known office of publication: 740 North Rush Street, Chicago, Cook, Illinois 60611.
- Location of the headquarters or general business offices of the publishers: 740 North Rush Street, Chicago, Cook, Illinois 60611.
- Name and address of the publisher: Alfred Malecki, 220 E. 42nd St., New York, NY 10017; editor, Kathryn McIntyre, 740 N. Rush St., Chicago, IL 60611; managing editor, Lorrie Gawla, 740 N. Rush St., Chicago, IL 60611.

7. Owner (if owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given; Crain Communications, Inc. 740 N. Rush Street, Chicago, Ill. 60611; Sidney R. Bernstein, 534 Stratford Place, Chicago, Ill. 60657; G. R. Crain, 1212 Lake Shore Drive, Chicago, Ill. 60610; K. E. Crain, 1 Woodland Place, Grosse Pointe, Michigan 48230; R. E. Crain, 1390 North Lake Road, Lake Forest, Illinois 60045; L. Crain, c/o Henry S. Middendorf, 36 West 44th Street, New York, New York 10036; Harriet Fulmer, 4308 Churchill Road, Louisville, Kentucky 40207.

8. Known bondholders, mortgagees and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities. None.

9. For completion by nonprofit organization authorized to mail at special rates (Section 411.3, DMM only). The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes (Check one).

Has not changed during the preceding 12 months

Has changed during preceding 12 months.

(If changed, publisher must submit explanation of change with this statement.)

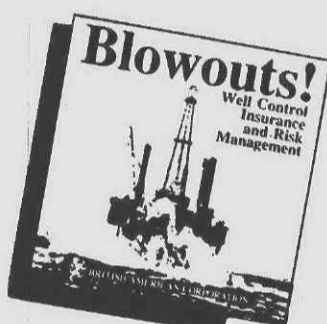
10. Extent and nature of circulation	Average no. copies each issue during preceding 12 months	Actual number of copies of single issue published nearest to filing date
A. Total No. Copies Printed (Net Press Run)	43,757	44,762
B. Paid Circulation		
1. Sales through Dealers and Carriers, Street Vendors and Counter Sales	0	0
2. Mail Subscriptions	26,802	27,177
C. Total Paid Circulation (sum of 10B1 and 10B2)	26,802	27,177
D. Free Distribution by Mail, Carrier or other means: Samples, complimentary, and other free copies	15,142	15,906
E. Total Distribution (Sum of C and D)	41,944	43,083
F. Copies not distributed		
1. Office use, left over, unaccounted, spoiled after printing	1,813	1,679
2. Returns from news agents	0	0
G. Total (Sum of E, F1 and 2—should equal net press run shown in A)	43,757	44,762

11. I certify that the statements made by me above are correct and complete.

Gertrude R. Crain

Chairman

Are you an oil and gas company executive who must purchase well control insurance? Are you an insurance executive who must provide your client with the best coverage for the money? The wrong decision could be disastrous.



Blowouts!

Blowouts: Well Control Insurance and Risk Management is the first manual of its kind anywhere and is available to you from British American Corporation. This easy-to-read manual offers the insurance industry the premier opportunity to learn about well control insurance and risk management directly from experts. **Blowouts** contains over 300 pages of text and illustrations which explain cost-saving techniques, including more than 50 coverage interpretations. The manual discusses in detail the options available in well control insurance today, as well as insurance for other oil and gas operations. This handy desk reference also explains in non-technical language the basics of oil and gas drilling and the potentials for blowouts.

Other topics covered in depth are the impact of industry contracts, analysis of insured's loss bearing capacity, blowout prevention practices, recent court rulings on the operator's extra expense policy, specialized endorsements, and underwriting/rating approaches.

This indispensable reference guide was written by Douglas B. Owen, JD, MBA, CPCU. Mr. Owen is president of Arthur L. Owen Company, Inc., a Dallas-based insurance broker specializing in insurance and risk management programs for oil, gas and petrochemical companies worldwide. He is a recognized authority on risk management and well control insurance and has used his expertise to write **Blowouts: Well Control Insurance and Risk Management**.

ORDER FORM



BRITISH AMERICAN CORPORATION
 Mercantile Commerce Building
 1712 Commerce Street • Suite 2000 • Dallas, Texas 75201 • (214) 747-7474

Yes! I Won't risk it. Please send me _____ copies of **Blowouts: Well Control Insurance and Risk Management** at \$95.00 each, plus \$5.00 for postage and handling. Check is enclosed. _____ Bill me. Note: Texas Residents add 5% State Sales Tax.

NAME _____ TITLE _____
 FIRM NAME _____
 ADDRESS _____
 CITY _____ STATE _____ ZIP _____
 TELEPHONE _____
 (area code) (number) (extension)

SIGNATURE _____

High court will decide pension case

Continued from page 2

high court noted while women as a class outlive men, there is no guarantee that an individual woman will outlive a man.

The statute's focus on the individual is unambiguous, wrote Justice John Paul Stevens in the 1978 *Manhart* decision (*BI*, May 15, 1978). "Even a true generalization about the class is an insufficient reason for disqualifying an individual to whom the generalization does not apply."

But the state of Arizona says the *Manhart* decision does not apply in *Ms. Norris'* case. Unlike *Manhart*, in which the employer required women to contribute more, the state says insurers are responsible for the payment of different annuities based on sex.

"All insurance companies available to contract with Arizona used sex-based mortality tables. . . Although the plaintiff brought her complaint against Arizona as her employer, her complaint really challenges the practices of the non-party, independent insurance carriers," the state of Arizona argued in its petition to the Supreme Court.

"If employers are held liable for the practices of the insurance industry, then many employers will cease to offer life annuities to their employees," the state added.

Although the response filed with the high court by *Ms. Norris'* attorneys concedes that the Civil Rights Act applies to the employer-worker relationship, it also notes that the Supreme Court said in the *Manhart* case that an employer cannot avoid its responsibilities by delegating discriminatory programs to others. ■

Langheld to handle benefits for Continental

John L. Langheld, 43, was promoted to vp of human resources for Continental Insurance Cos. in Piscataway, N.J., a subsidiary of Continental Corp. of New York. Mr. Langheld will oversee all human resources functions for Continental, including the company's employee benefits program.

He joined the corporation in 1974 as assistant director of personnel for Continental Data Center in Neptune, N.J. He was promoted to director of human resources in 1976 and named assistant vp of human resources in 1980.

Mr. Langheld received a bachelor of arts degree from Montclair, N.J., State College. He replaces **Vic Vogel**, now corporate vp of human resources for Continental Corp., to whom he reports. * * *

James C. Farrell, 45, is vp of insurance, a new position, at Newpark Resources Inc. in New Orleans.

Traveling workers to get care

Continued from page 3

basic benefits, the benefit packages offered by each are not identical. Some offer their members prescription drugs, dental and vision care services in addition to the base benefits.

Each network HMO, like the non-network HMOs, sets its own rates for the prepaid services.

However, United does not negotiate rates separately with each participating network HMO. Instead, it negotiates the entire cost of the program with Blue Cross/Blue Shield of Illinois.

BC/BS collects and disperses premiums and administers the program, explains Ms. Head.

"United Airlines or any other employer joining this system can realize savings because they don't have to worry about the adminis-

comings & goings: buyers

Mr. Farrell will formulate and supervise the company's insurance plans, group employee benefit plans and loss-control program.

He has been with the company for 2½ years, most recently as president of Newpark Security, a former insurance division of the company. He was also vice president of underwriting at Midcontinent Underwriters in New Orleans, and held other underwriting and brokerage positions during his 23 years in the insurance industry.

Mr. Farrell received his bachelor's degree from Holy Cross College in Worcester, Mass. He reports to Frank Deutschman, vp of administration. * * *

David E. Shuey, 33, was named director of insurance and employee benefits, a new position, at Shared

Assr. Management in Camp Hill, Pa., a subsidiary of the Hospital Assn. of Pennsylvania.

Mr. Shuey will manage the insurance programs and services available to hospitals in the association.

He formerly served as a marketing representative with Pennsylvania Hospital Insurance Co., a captive based in Camp Hill, and also with Aetna Life & Casualty Co. in Springfield, Ill.

He has also been an account representative with Christian-Baker Co. in Camp Hill.

Mr. Shuey received a bachelor of science degree in education from Lock Haven, Pa., State College and is currently studying for the CPCU and ARM designations.

He reports to D. Patrick Mazzolla, the association's executive director. * * *

Grow Group Inc. in New York has appointed **Richard G. Holcombe**, 41, as assistant secretary and corporate risk manager.

Mr. Holcombe will handle property/casualty coverage for the company and act as a liaison between corporate management and divisional submanagement. He'll also coordinate actions between insurers and the company's legal department.

Mr. Holcombe served in the risk management department at Warner Communications Inc. in New York and in the claims de-

partment of Greyhound Corp.'s New York office.

He received a bachelor of science degree from Oklahoma State University in Stillwater, Okla., and has earned the Associate of Risk Management designation. He reports to Vp and Treasurer Edward A. Smolinski. * * *

James A. Stuart, 57, was elected vp of risk management at Dynallectron Corp. in McLean, Va. He was formerly assistant vp of risk management and continues to manage property/casualty insurance coverage for the company.

Mr. Stuart joined Dynallectron in 1960 as an accountant after coming to the United States from his native Scotland. He was promoted to assistant treasurer in 1963, treasurer in 1971 and assistant vp in 1977.

While in Scotland, he attended Aberdeen Business School, and received a certificate in accounting from the School of Accounting in Glasgow. He also studied insurance and finance at George Washington University and American University, both in Washington, D.C., and at the University of Virginia in Charlottesville.

Mr. Stuart continues to report to John P. Schelling, senior vp of administration. •

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Sallie J. Drury, Editorial Assistant, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398. We would also like to receive photographs.

insurance services guide

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 expense reserves.

12300 Olive Boulevard
St. Louis, MO 63141
314-878-5002

JOE F. MOSS, President PHONE 615-329-2311
TLX 786546

The Tennessee Company
ADJUSTERS AND SURVEYORS
TN. AND ATLANTA, GA.
HOME OFFICE - 720 WEST END BLDG.
NASHVILLE, TN. 37203
35 YEARS

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

PRINTING SPECIALIST

Save your company money by having us print your business forms, checks, and prospectuses. Send sample for prompt quotation or call (800) 243-7636 x. 221, or (203) 242-0711 x. 221.

CONNECTICUT PRINTERS
55 Granby St
Bloomfield, CT 06002

LOSS RESERVE CERTIFICATION

Merger/Acquisition
Total Claim Management & Technical Services
John J. O'Connor, B.A., L.L.B., I.I.A.
J. J. O'Connor & Co.
Watch Hill Road
Watch Hill, RI 02891
(401) 348-8386 24 hour service

AN EMPLOYER'S GUIDE FOR DEALING WITH HMO FAILURES

How and why of HMO failures — Warning signs of an HMO in trouble — Evaluating an HMO—HMO financial plans—Protecting the company— Much more—\$25.00 per copy. Personnel Research Associates, 45 Oakridge Rd., Verona, N.J. 07044.

When you need help in structured settlement negotiations, contact **R. Tucker Fitz-Hugh, International Sureties, Ltd.**

— Surety Facilities in America, Canada, Europe, Asia —

International Sureties, Ltd.

CONTACT:
R. T. Fitz-Hugh,
1415 Richards Bldg.,
New Orleans,
Louisiana 70112 USA
Tel. (504) 581-6404
Telex 6821119 INSURUW

WANTED ISRAEL BONDS

We Pay Top U.S. Dollars
For State of Israel Bonds
Before Maturity.

H.L. WOLF & CO.
INVESTMENT BANKERS

120 WALL STREET 1044
NEW YORK, NY 10005
(212) 473-3504

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Emily Webb, 740 N. Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340.

Minet investment not linked to E/S plans, St. Paul says

By DONNA LEIGH YANISH

THE ST. PAUL Cos. Inc., which bought about 20% of a major Lloyd's of London broker in July, claims the purchase has nothing to do with its planned expansion in the domestic excess/surplus lines brokerage business.

The insurer purchased 19.9% of Minet Holdings Ltd. for around \$40 million "primarily for investment," stresses James L. Boudreau, St. Paul's treasurer. Management decided "here is a method to get involved in equity at the international level," Mr. Boudreau adds.

While claiming the Minet transaction is solely an investment opportunity, St. Paul acknowledges its interest in expanding into excess/surplus lines brokerages with some of its other recent purchases.

Last June, the insurance holding company, based in St. Paul, Minn., acquired both John H. Crowther Co., headquartered in Minneapolis, and IWest Insurance Managers Inc., based in Stockton, Calif. St. Paul then organized them under a new holding company umbrella called National Insurance Wholesalers Inc. (BI, Aug. 9).

St. Paul said at that time that it plans to build NIW into a national brokerage network. The combined \$65 million in premium volume tallied by Crowther & IWest in 1981 makes NIW the 11th-largest surplus and specialty lines marketer in the nation, according to *Business Insurance* estimates.

Last month, St. Paul further expanded its efforts in surplus lines marketing by purchasing Dana Roehrig & Associates Inc., a St. Petersburg, Fla., surplus marketer.

Minet, however, "wasn't a conscious purchase in light of other purchases for expansion of surplus lines," says Doug Leatherdale, St. Paul's senior vp for finance and chief financial officer. "There's no direct tie-in."

"Over time," Mr. Leatherdale adds, "there may be an opportunity in the future for us to cooperate (with Minet on business matters) but that wasn't planned out. There's nothing

BI ticker

on the drawing board."

To date, Minet brokers haven't placed any business with St. Paul, whose chief subsidiary, St. Paul Fire & Marine Insurance Co. Inc., reported \$1.5 billion in premium volume last year, with \$14.5 million of that volume coming from excess/surplus brokers.

Minet not only did not have a business relationship with St. Paul prior to the insurer's investment, but the two managements apparently had virtually no communication at all.

The London broker was only informed by St. Paul of its intentions on the day it purchased its first chunk of the Lloyd's broker on June 30, notes Brian Chapple, Minet's group finance director. St. Paul finished the transaction on July 9.

"We were surprised," Mr. Chapple notes. "There was speculation" that someone would buy a block of Minet stock, "but St. Paul's name wasn't mentioned."

Since the purchase, the two managements have "established a link" but only that which usually exists between a majority stockholder and its investment, according to Mr. Chapple. "St. Paul's senior management has been in touch but only to say what they've said publicly."

St. Paul's "laconic public statements" have the securities analysts and market watchers confused, notes Leonard M. Wilson, a vp at L.F. Rothschild, Unterberg, Towbin in New York. "There's a fair amount of ambiguity" surrounding the purchase, he adds.

It's unusual for a company to purchase 20% of another company without first seeking out management, Mr. Wilson notes. "St. Paul really had not attempted to contact Minet and tell the management their intentions."

While those intentions are claimed as investment-related only, St. Paul may be thinking of something other than financial investment.

The industry is at the tail end of the underwriting cycle, industry watchers say, which is a good time to make investments in insur-

ance-related stocks. However, they also point out, such investments are not now yielding a high return. Many other investments would currently bring a greater yield than a London broker, the experts say, adding that they have a greater potential for liquidity as well.

St. Paul may also be looking to increase its bottom line with the Minet purchase. St. Paul's aftertax net operating income for the first half of 1982 slipped 0.4% to \$89.1 million, compared with the corresponding period of 1981. The company posted consolidated revenue of \$1.03 billion for the first six months of the year.

St. Paul announced last week that it will offer \$75 million in five-year notes in the Eurobond market to pay the debt incurred by the Minet investment and the recent acquisition of Seaboard Surety Co. The notes, to be issued next month, will pay an 11.875% interest rate.

An investment for potential market power may also be behind St. Paul's purchase. Mr. Leatherdale did note that the Minet connection may give the insurer exposure to lesser-developed countries. Minet, he notes, is active in Africa, the Middle East and the Pacific Basin—areas that are growing rapidly.

St. Paul may see Minet as another door-opener as well. "To what extent St. Paul thinks (the purchase of Minet shares) will bring access to Lloyd's is unknown," Mr. Wilson says.

An investment in Minet apparently opened a door to London for another one of its major stockholders. Corroon & Black Corp., which also owns about a 20% share of Minet, does a majority of its Lloyd's business with Minet (BI, June 28).

Officials of Corroon & Black, the sixth-largest U.S. broker, were unavailable for comment on its new fellow investor in its London connection.

Will either Corroon & Black or St. Paul try to purchase all of Minet? The answer may depend on what either of the two companies are able to afford, industry analysts surmise.

"I'm not sure Corroon & Black could afford the other 80%," notes Alice L. Cornish, a securities analyst in the Chicago office of Lehman Brothers Kuhn Loeb Inc.

St. Paul says it has no interest in buying the slightly more than 80% interest in Minet it doesn't currently own.

"We have stated that we believe it's in (Minet's) best interest to remain independent," Mr. Leatherdale says.

Financial briefs

Alexander & Alexander

Alexander & Alexander Services Inc. has declared a quarterly dividend of 48.5 cents per share, payable Nov. 30 to shareholders of record Nov. 1.

The Travelers

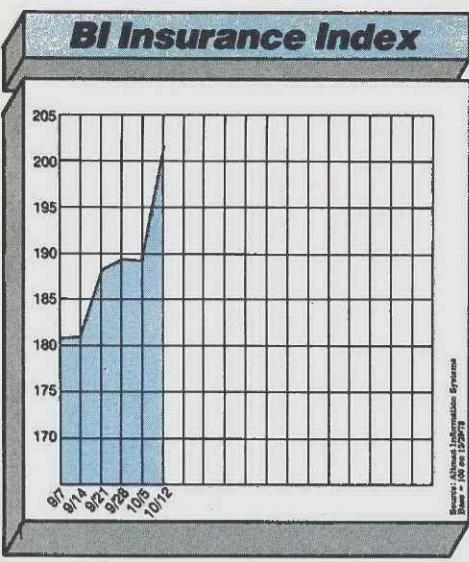
The Travelers Corp. has declared a quarterly dividend of 41 cents per share of common stock, payable Dec. 10 to shareholders of record Oct. 29.

Scottish & York

Scottish & York President William C. Wren said the injection of capital demonstrates the ability and willingness of its parent corporation, the Thompson Organization, to support the U.S. operation.

The additional capital will be used to offset 1982 underwriting losses, pay off some long-term obligations and maintain a healthy surplus-to-underwriting ratio.

The capital was raised through a private placement of preferred stock with the company's major shareholder, Standard St. Lawrence Co. Ltd., a holding company also owned by the Thompson family.



Insurance industry stocks soared during the week ending Oct. 12 as the *Business Insurance* index rose 12.2 points to set a record high of 201.8, up from 189.5. The index's previous high, 192.6, was set June 16, 1981. Fifty-one stocks gained, nine were unchanged and only eight closed down. The leading gainers were Northwestern National Life Insurance Co., 27.1%; Chubb Corp., 18.9%; Integrated Resources Inc., 16.8%; Ohio Casualty Corp., 16.8%; and Combined International Corp., 15.7%. The largest declines were reported by Gulf United Corp., 4%; Corroon & Black Corp., 3.3%; PennCorp Financial Inc., 2.2%; Carolina Casualty Insurance Co., 1.9%; and Zenith National Insurance Corp., 1.7%.

British Issues

12 Oct Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comml Union	130	13.7	16.86	13.0	130-123
Eagle Star	311	11.1	21.43	0.3	321-310
Genl Accident	310	11.5	23.21	7.5	310-298
Gdn Royal Exch	350	8.9	25.00	8.0	350-332
Phoenix	290	11.2	24.00	9.1	290-284
Royal	428	11.6	36.07	8.8	428-393
Sun Alliance	875	12.5	61.43	7.8	875-834

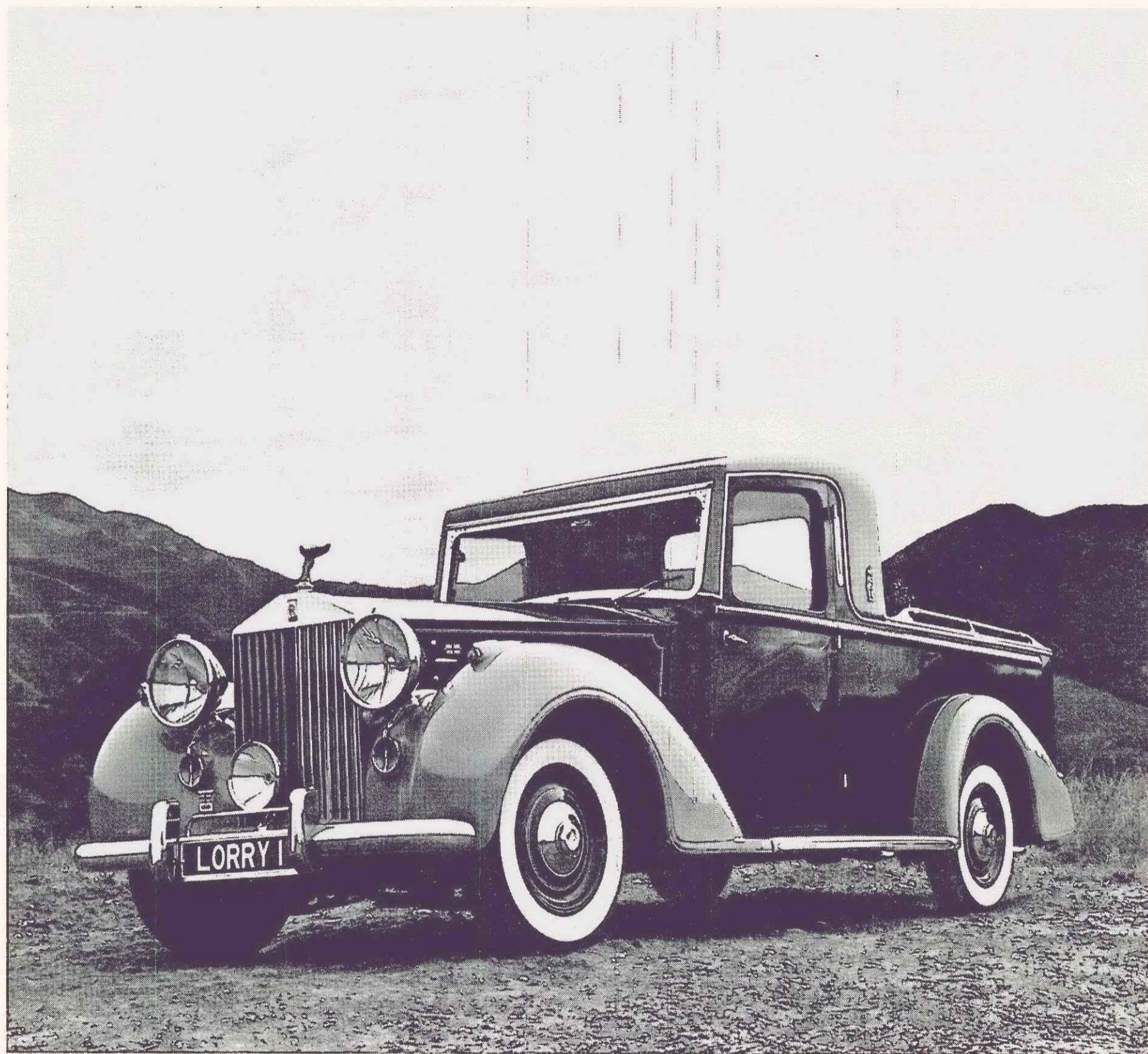
Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
CE Heath	362	9.9	18.71	5.2	362-346
Hogg Robinson	114	8.8	8.57	7.5	114-111
JH Minet	144	12.0	5.43	3.8	146-140
Sedg Grp	207	11.8	8.57	4.1	207-194
Stenhouse Hldg	102	9.0	7.28	7.1	102-99
Staw Wrightson	237	8.5	18.57	7.8	238-235
Willis Faber	502	12.6	21.43	4.3	502-481

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

BI Industry Stock Report

Insurance Cos.	OCT. 12, 1982				10/6/82 THRU 10/12/82				Vol. (000)	OCT. 12, 1982				10/6/82 THRU 10/12/82			
	Price	% Chg.	P/E	S Div.	% Yld.	High	Low	Vol. (000)		Price	% Chg.	P/E	S Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	41.63	12.5	6.7	2.52	6.1	41.75	38.00	1,921.9	41.63	12.5	6.7	2.52	6.1	41.75	38.00	1,921.9	
American Bankers Ins Group	10.50	0.0	7.8	0.48	4.6	10.75	10.25	415.9	10.50	0.0	7.8	0.48	4.6	10.75	10.25	415.9	
American Gen Ins Co	44.38	8.6	6.1	2.20	5.0	44.38*	40.88	111.7	44.38	8.6	6.1	2.20	5.0	44.38*	40.88	111.7	
American Indty Finl Corp	17.00	9.7	13.1	1.12	6.6	17.00*	16.38	34.2	17.00	9.7	13.1	1.12	6.6	17.00*	16.38	34.2	
American Intl Group Inc	80.25	7.4	12.2	0.48	0.6	80.50*	74.75	432.8	80.25	7.4	12.2	0.48	0.6	80.50*	74.75	432.8	
American Natl Ins Co	15.38	9.8	6.5	0.76	4.9	15.75	14.00	64.2	15.38	9.8	6.5	0.76	4.9	15.75	14.00	64.2	
American Sts Life Ins Co	17.00	4.6	5.4	0.80	4.7	17.00	16.25	4.0	17.00	4.6	5.4	0.80	4.7	17.00	16.25	4.0	
Aneco Reins Ltd	2.75	0.0	0.0	0.00	0.0	2.88	2.75	10.9	2.75	0.0	0.0	0.00	0.0	2.88	2.75	10.9	
Avenco Corp	12.63	7.4	7.9	0.54	4.3	12.63*	11.88	24.8	12.63	7.4	7.9	0.54	4.3	12.63*	11.88	24.8	
Banks Iowa Inc	40.00	8.1	7.6	1.48	3.7	40.00	39.00	11.3	40.00	8.1	7.6	1.48	3.7	40.00	39.00	11.3	
Bitco Corp	33.50	9.8	5.2	1.92	5.7	33.50*	31.00	9.5	33.50	9.8	5.2	1.92	5.7	33.50*	31.00	9.5	
Carolina Cas Ins Co	6.63	-1.9	6.6	0.32	4.8	6.75	6.63	1.5	6.63	-1.9	6.6	0.32	4.8	6.75	6.63	1.5	
Chubb Corp	50.38	18.9	8.0	2.92	5.8	51.25*	45.38	596.6	50.38	18.9	8.0	2.92	5.8	51.25*	45.38	596.6	
Combined Intl Corp	25.75	0.7	7.4	2.00	7.8	25.75*	22.88	1,082.9	25.75	0.7	7.4	2.00	7.8	25.75*	22.88	1,082.9	
Continental Corp	28.50	12.9	8.6	2.60	9.1	29.00*	25.75	839.5	28.50	12.9	8.6	2.60	9.1	29.00*	25.75	839.5	
Crawford & Co	15.25	7.0	11.2	0.56	3.7	15.25	14.25	14.7	15.25	7.0	11.2	0.56	3.7	15.25	14.25	14.7	
Crown Life Ins Co	75.00	0.0	4.9	3.10	4.1	75.00	75.00	1.2	75.00	0.0	4.9	3.10	4.1	75.00	75.00	1.2	
Crum & Forster	48.63	-0.3	9.4	1.76	3.6	49.25*	48.63	865.5	48.63	-0.3	9.4	1.76	3.6	49.25*	48.63	865.5	
Employers Cas Co	29.25	0.8	12.9	1.20	4.1	30.00	29.25	8.5	29.25	0.8	12.9	1.20	4.1	30.00	29.25	8.5	
Equifax Inc	20.13	7.3	11.4	1.30	6.5	20.38*	17.88	70.6	20.13	7.3	11.4	1.30	6.5	20.38*	17.88	70.6	
Excelsior Ins Co	11.25	0.0	0.0	0.70	6.2	11.25	11.25	4.7	11.25	0.0	0.0	0.70	6.2	11.25	11.25	4.7	
Farmers Group Inc	38.13	8.2	10.6	1.24	3.3	38.13*	35.50	457.3	38.13	8.2	10.6	1.24	3.3	38.13*	35.50	457.3	
Foremost Corp Amer	33.50	13.6	9.9	1.12	3.3	33.50*	29.75	57.5	33.50	13.6	9.9	1.12	3.3	33.50*	29.75	57.5	
Great West Life Assurn Co	190.00	2.7	15.5	10.00	5.3	190.00	185.00	0.5	190.00	2.7	15.5	10.00	5.3	190.00	185.00	0.5	
Hanover Ins Co	36.00	13.4	4.9	0.88	2.4	36.25*	32.75	35.3	36.00	13.4	4.9	0.88	2.4	36.25*	32.75	35.3	
Hartford Steam Boiler Insptn	40.25	9.5	8.0	2.80	7.0	40.25	37.00	63.7	40.25	9.5	8.0	2.80	7.0	40.25	37.00	63.7	
Jefferson Natl Life Ins Co	39.00	6.8	10.9	0.76	1.9	39.00	38.00	17.5	39.00	6.8	10.9	0.76	1.9	39.00	38.00	17.5	
Kemper Corp	35.13	12.4	6.3	1.80	5.1	35.13*	33.50	181.0	35.13	12.4	6.3	1.80	5.1	35.13*	33.50	181.0	
Lincoln Natl Corp Ind	42.25	12.3	7.3	3.00	7.1	43.25	39.00	149.6	42.25	12.3	7.3	3.00	7.1	43.25	39.00	149.6	
Mission Ins Group Inc	25.88	3.5	6.0	0.80	3.1	27.00	24.63	91.8	25.88	3.5	6.0	0.80	3.1	27.00	24.63	91.8	
Nationwide Corp Ohio	25.25	1.0	7.2	0.70	2.8	25.25	25.00	3.5	25.25	1.0	7.2	0.70	2.8	25.25	25.00	3.5	
Northern Natl Life Ins	28.13	2.1	6.1	1.50	5.3	28.13*	22.00	109.8	28.13	2.1	6.1	1.50	5.3	28.13*	22.00	109.8	
Ohio Cas Corp	45.25	16.8	8.3	2.36	5.2	46.75*	40.75	184.7	45.25	16.8	8.3	2.36	5.2	46.75*	40.75	184.7	
Old Rep Intl Corp	19.88	6.7	4.6	0.92	4.6	20.13	18.50	194.0	19.88	6.7	4.6	0.92	4.6	20.13	18.50	194.0	
Preferred Risk Life Ins Co	21.88	4.2	6.2	0.92	4.2	22.00	21.00	17.6	21.88	4.2	6.2	0.92	4.2	22.00	21.00	17.6	
Provident Life & Acc Ins Co	46.00	7.0	6.6	2.44	5.3	46.00	43.00	38.7	46.00	7.0	6.6	2.44	5.3	46.00	43.00	38.7	
Ryan Ins Group Inc	33.75	0.0	13.6	0.16	0.5	33.75	33.75	0.0	33.75	0.0	13.6	0.16	0.5	33.75	33.75	0.0	
St Paul Cos Inc	55.38	15.4	7.3	2.60	4.7	55.38*	49.13	988.5	55.38	15.4	7.3	2.60	4.7	55.38*	49.13	988.5	
Safeco Corp	43.63	10.4	8.1	2.20	5.0	44.38*	41.38	181.2	43.63	10.4	8.1	2.20	5.0	44.38*	41.38	181.2	
Sri Corp	27.75	5.7	6.3	1.12	4.0	29.25*	26.50	193.9	27.75	5.7	6.3	1.12					

If you were designing a Rolls Royce pickup,
you'd go to an expert.
Why buy Workers' Comp. any differently?



Expertise makes all the difference, whether you're designing a certain car or an insurance program matched to your company's needs.

Which is why you should consider American Mutual. Nearly 70% of our business is in Workers' Comp. We know it cold. And we can put our knowledge to work for you. With programs as individual as you are.

We can also customize general liability and commercial auto insurance plans for you with the same expertise. (Even if you own a Rolls Royce pickup truck.)

The point is, whatever your insurance needs, you should do business with experts. Because the risks can be high if you don't. American Mutual. We're experts.

Handcrafted, Rolls Royce, Truck/Station-wagon transformations by Clyde Cassady, Classic Coachworks, Security Park, Rancho Cordova, California 95670.

**American
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880