

business insurance

update:

Lloyd's syndicates trade financial results

LONDON—Copies of the confidential results of 92 individual syndicates at Lloyd's of London are circulating in the market, raising an uproar by breaking the time-honored tradition of keeping individual results secret.

Members of syndicates, the only people privy to an individual syndicate's results, *Continued on next page*

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Keene jackpot: \$300 million in coverage

By RHONDA L. RUNDLE

NEW YORK—The triple trigger theory proclaimed by the District of Columbia Court of Appeals to decide insurance coverage for asbestos claims is the best of all possible worlds for product manufacturers.

The court ruled Oct. 1 that Keene Corp. may tap the limits of any single liability policy covering its products over the entire period beginning with a claimant's initial exposure through diagnosis of an asbestos-related disease (BI, Oct. 13).

The court declined to choose between manifestation and exposure, the two competing theories of liability that other courts have considered. Inhalation exposure, exposure in residence and manifestation all trigger coverage, it ruled.

The insurance industry has tried to couch this issue in terms of exposure versus manifestation, noted Jerold Oshinsky, one of Keene's attorneys. "We have always held that there is another alternative that is more favorable to insureds."

The decision makes more than \$300 million in known liability insurance available to Keene, which may pick and choose which policies to assign to each of more than 10,000 pending claims (see chart).

Once coverage is triggered and Keene assigns the claim to a specific policy, the insurer must pay defense and loss costs up to policy limits. There can be no proration for periods during which Keene did not buy or cannot prove coverage.

"People around here are calling this 'one small step for justice and one large step for Keenekind!'" quipped Charles A. Foster, Keene's director of risk management.

But the next step might be difficult. "We've had no indication since the decision came through how insurers will respond," Mr. Foster said. "One problem we've had all along is getting good information from them."

Although the appellate court's decision maximizes insurance coverage available to Keene, the process of deciding which policy to assign to any individual claim will be an ad-

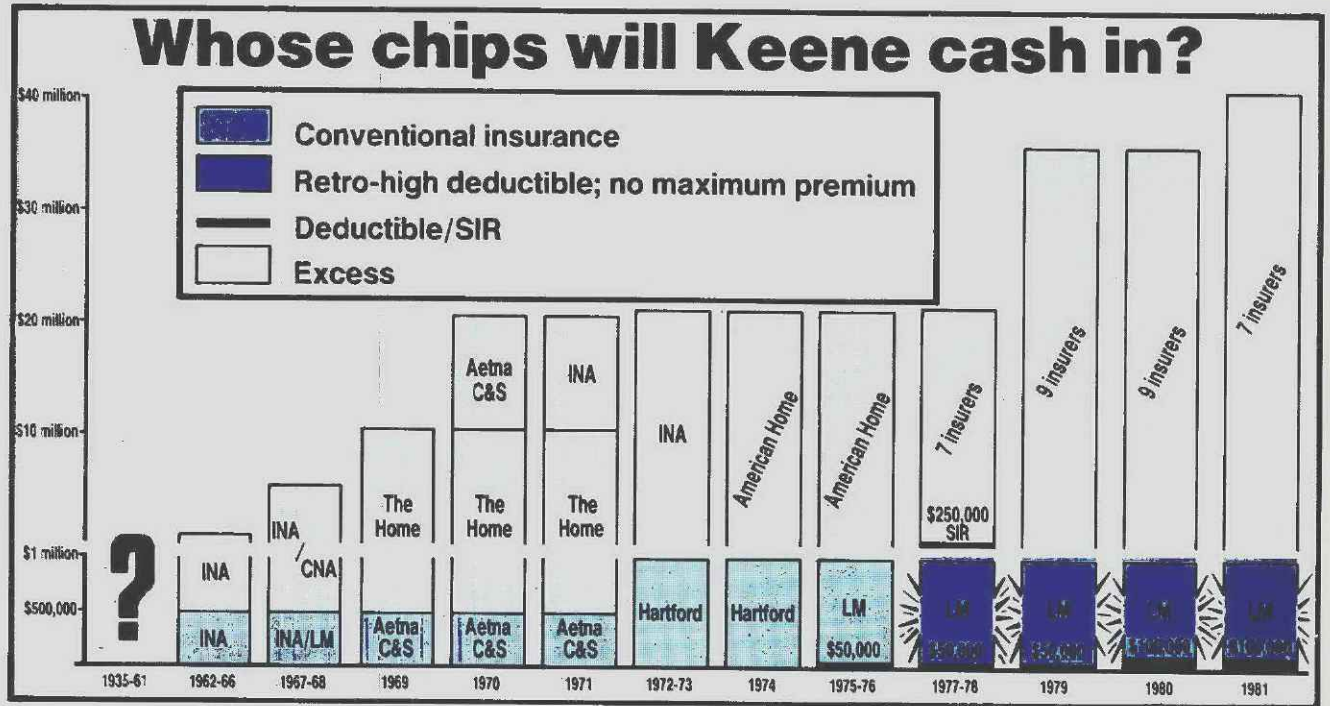


Chart: Toby Roberts
administrative puzzle.

"We've been thinking about it," said Mr. Foster, who acknowledged that computerization would probably be required.

"Even before the court ruled, we had begun talking about claims administration with Infomatics, a software and hard-

ware firm in Maryland," he said.

Under the exposure theory, Keene's liability for many claims would fall into the years before 1962, when its insurance policies are missing or in dispute. Through an acquisition, Keene inherited the exposures but not the proof of all *Continued on page 47*



No matter what the language, the words are still "risk management." Something can be lost in translating the concepts into another language and in the application in different countries—as in different companies for that matter—but only in response to the different demands put upon the practitioners.

This was apparent to the 500 risk management experts gathered at Loew's Monte Carlo Hotel in Monte Carlo, Monaco, Oct. 12-14 for the first International Risk Management Conference.

"Risk management knows no international boundaries," declared Risk & Insurance Management Society President Robert James, opening the conference. "This meeting and program are proof of that," he said, glancing up at the interpreters who translated his remarks into French and German, their voices carried by radio transmission to small transistor radio-looking boxes with earphones.

Two days later, the non-French speaking listened to translators for the closing remarks of Francois Jaeger, president of Assn. Europeenne des Assures de L'Industrie, the umbrella group of risk management organizations in Europe. "Considering the problems of our jobs and the insurance market, isolation would make our jobs extremely difficult," he said. But, the two associations brought risk managers from around the world together to exchange knowledge and friendship.

They gathered in general sessions and mini-seminars, at evening cocktail receptions and in four-star restaurants, and around the rooftop pool in view of the Monacan mountains sloping into the Mediterranean Sea. Some, with a penchant for risk off the job, hit the casinos.

As at many international gatherings, however, the Americans appeared to dominate. For the most part, the American speakers were very careful not to preach as though they had the corner on risk management. But Eckart Russell, risk manager for Alcan Aluminum Ltd. in Montreal, spoke candidly at the mini-seminar on captive insurers when asked why mostly American companies use captives.

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update:

Syndicates' results detailed

Continued from preceding page
have swapped information and compiled charts to compare the underwriting profits and losses of the syndicates for the just-closed 1977 year.

The charts, delivered only to the members who participated in the project, do not name the individual syndicates, although two large and profitable syndicates confirmed their numbers.

Ian Posgate, for example, confirmed that his syndicate made a total profit of 12.92 million pounds (\$23.9 million) on premium income of 34.02 million pounds, reinsurance underwritten for 13.83 million pounds and reinsurance purchased for 19.82 million pounds.

Similarly, Stephen Merrett didn't deny his syndicate was the one listed with premium income of 28.89 million pounds and total profit of 12.17 million pounds (\$22.5 million).

The chart, however, shows large spreads in underwriting results for the other 90 syndicates analyzed out of the 423 at Lloyd's.

The members compiling the data, calling themselves the Assn. of Members of Lloyd's, hope to expand the information next year.

U.S. replies in Carnation case

WASHINGTON—The federal government's argument against a Supreme Court review of court decisions on Carnation Co.'s use of its captive insurer denies that the previous decisions "limit the use of insurance subsidiaries, affiliated insurance companies and foreign reinsurance arrangements."

In its Oct. 8 response to Carnation's request for review, the government said the decisions "in no way limit the use of foreign reinsurance arrangements or the establishment of closely held insurance affiliates, as long as the requisite elements of risk shifting and risk distribution are present." It also cites Revenue Ruling 78-338, which recognizes group-owned captives as insurers, and Revenue Ruling 80-120, which recognizes insurance payments to a group-owned medical malpractice insurer.

The U.S. Tax Court and the 9th Circuit Court of Appeals have ruled against Carnation in its fight against the Internal Revenue Service's position that dealings with its captive insurer did not constitute insurance for tax purposes (BI, March 16).

The "insurance" on Carnation's U.S. property, provided by Carnation's wholly owned captive insurer by reinsurance of a licensed insurer, was really self-insurance because there was no risk shifting and risk distribution, the government contends.

There was no risk shifting because the ultimate risk of loss was borne by the parent company, Carnation, which promised to further capitalize the captive if needed to cover a claim under the reinsurance contract, the government argues. There was no risk distribution because the risks were all those of Carnation property.

The Supreme Court could decide whether to review the case within the next six weeks.

Divestment clause drafted

LONDON—Lloyd's of London has finished drafting the divestment clause to its self-regulation bill, which will force brokers and their close relatives to stop managing underwriting agencies.

"My own preliminary view is that the Lloyd's clause went further than we thought they would and is very strict indeed," said Ian Posgate, director of Alexander Howden (Underwriting) Ltd.

If the clause passes, brokers will not be able to own or be associated with managing agents five years after enactment.

Insurer has to pay strike claims

NEW YORK—A federal judge has dismissed Birmingham Fire Insurance Co.'s suit to escape paying claims on a \$3 million strike insurance policy purchased by a medical laboratory for losses incurred by the air traffic controllers' labor dispute.

Birmingham, an American International Group Inc. subsidiary, claimed it did not have to pay claims because the air traffic controllers' strike ended when President Reagan dismissed the strikers two days after they walked off their jobs (BI, Sept. 7).

Metpath Inc. of Teterboro, N.J. contended it was covered because it paid the full \$340,000 premium. The policy specifically covers extra expenses occurred during any strike or slowdown.

Illinois exchange progresses

CHICAGO—The Illinois Insurance Exchange will have the \$4 million in capitalization required to operate by Nov. 15, but an opening date for the exchange still has not been set.

An application for a certificate to operate will be made through the state Insurance Department no later than the middle of November. Risk taking could begin as soon as the application is approved.

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Hyatt subcontractors trade blame for design changes

By DAN RUCK

KANSAS CITY, Mo.—Several companies involved in the construction of the Kansas City Hyatt Regency Hotel are charging other suppliers with responsibility for changing the design of the skybridges in the hotel's lobby that collapsed July 17, killing 113 people.

Attorneys for Gillum-Colaco Structural Engineering Consultants Inc. of St. Louis said in a thick stack of papers filed with the Jackson County Circuit Court that Havens Steel Co. of Kansas City, the steel fabricator for the \$40 million hotel project, requested the design change.

Attorneys for Havens Steel said in documents filed earlier that a Gillum-Colaco official ordered the engineering change during a telephone conversation.

The dispute concerns the steel rods that were used to hang the 120-foot-long walkways suspended in the hotel's multistoried lobby.

As originally designed, two of the skybridges were to be supported by a single set of 45-foot-long steel rods. Shorter rods were used, however, and the second-floor walkway was hung from steel beams that supported the fourth-floor walkway, both of which collapsed.

Statements concerning the

Lawmakers link coverage, codes

By STEVE SHERWOOD

KANSAS CITY, Mo.—Can catastrophes like the fatal walkway collapse at the Kansas City Hyatt Regency Hotel be prevented by basing payment of insurance claims on the policyholders' compliance with building and fire codes?

A group of legislators has called a public hearing for 2 p.m. Nov. 1 at the Crown Center in Kansas City to address this and other issues of insurance and public safety.

The Conference of Insurance Legislators, an association of lawmakers from 38 states, is sponsoring the hearing. COIL is an educational organization started 12 years ago to ease the sharing of insurance information among legislators.

The hearing is aimed at finding short- and long-term legislative responses to events like the collapse of the Hyatt Regency walkways and fatal fires at the MGM Grand Hotel in Las Vegas and the Stouffer's Inn in Westchester County, N.Y., a COIL spokesman said.

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hotel's construction were filed with the court in response to questions prepared by attorneys representing the victims. Damage claims totaling more than \$3 billion have been sought in more than 120 lawsuits filed in Jackson County Circuit Court and U.S. District Court in Kansas City.

Gillum-Colaco's attorneys said Havens Steel personnel requested the change in the walkways' design because the steel fabricator couldn't manufacture and erect

45-foot-long rods. Court papers filed by Gillum-Colaco say that Daniel Duncan, a hotel architect and Gillum-Colaco's on-site representative, replied that he thought the change would conform with the original design, but that the Havens proposal should be formally submitted to the hotel's engineering firm and architects.

Attorneys for the general contractor in charge of hotel construction, Eldridge & Son Construction

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Big Mac war ends with FG out in front

By LEN STRAZEWSKI

CHICAGO—Financial Guardian Inc. and Great American Insurance Co., working without the help of McDonald's Corp., finished first in the sizzling competition for the fast-food franchise risks, according to *Business Insurance* tallies.

The Kansas city-based brokerage, which also underwrites as well as sells the food franchise policies for Great American, won about 1,500 of the approximately 4,000 McDonald's stores whose insurance programs were up for renewal.

FG outsold the corporation-sponsored package sold by Marsh & McLennan Inc. and the Insurance Co. of North America and a series of other independent packages sold by Frank B. Hall/Fireman's Fund, regional brokers/American International Group, Corroon & Black/Employers of Wausau and Alexander & Alexander.

Food franchise experience was the turning point in most Financial Guardian sales, according to President Donald Weber. "We've been in the fast-food franchise business since the 1970s. We do Pizza Hut and a variety of others," he explained.

"When the competition started getting intense, restaurant operators were getting four or five calls a day from brokers selling various programs. In many cases, they just got fed up and chose us because we had various other accounts and had been selling food franchise cover-

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Photo: Mary Cairns

Hall to buy trucking firm to block Ryder's plans

By LEN STRAZEWSKI

MIAMI, Fla.—Stalked by a large transportation services company, Frank B. Hall & Co. is relying on its acquisition of another trucking company and antitrust laws for protection.

That's the way insurance and investment analysts assess the nation's third-largest insurance brokerage's unexpected plan to acquire all the outstanding shares of Jartran Inc., a Miami-based truck rental company for a total investment of not more than \$20 million.

Jartran is a direct competitor of Ryder System Inc., another Miami transportation and truck rental company that late last month announced plans to acquire at least 15% of Hall's stock (BI, Sept. 28).

Although Ryder would not comment on potential takeover plans, the company did note that it was planning to invest about \$20 million in non-capital-intensive businesses, especially financial service firms.

Hall's acquisition of Jartran may be enough to prevent further Ryder stock purchases as the truck rental company runs into antitrust and Federal Trade Commission competition standards. The acquisition, observers note, is also consistent with other changes Hall has made to frighten away unfriendly takeovers.

The brokerage recently changed its Employee Stock Option Plan to call for immediate vesting if the firm's leadership changes—a costly problem for outsiders.

"It appears that this is what Hall is after—protection from a Ryder takeover," notes industry analyst Leonard Wilson of First Manhattan Corp. "The question for investment purposes is whether or not this is a good business deal."

Hall's announcement of its plans for Jartran said the brokerage was interested in reducing its effective tax rate by investing in a

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errors & omissions

• Alexander Howden stock fell to a low of 28 pence in 1974, not 28 pounds as reported in the Oct. 19 BI Ticker.

Reagan to decide competition bills' fate

By JERRY GEISEL

WASHINGTON—The future of pro-competition health insurance legislation rests with the Reagan administration.

The administration is expected to decide soon whether its strategy to cool health care costs should include endorsing legislation that would require employers to offer several health insurance plans and give employees tax incentives to opt for less-expensive plans.

"If the administration won't back pro-competition, the issue may be dead," says one lobbyist for a hospital trade association. "But if the administration drops the other shoe and supports the concept, it will be very much alive."

The administration's consideration of the pro-competition approach shows how far the drive has progressed to use the tax code to sculpt health care decisions.

In just one year, the pro-competition approach has replaced national health insurance legislation as the dominant health care issue debated in Washington.

In Congress, three major pro-competition bills have been introduced (see chart) with more legislation expected. Interest, or concern, about the concept is so great that some 75 different trade groups came to testify when the House Ways and Means Health subcommittee held hearings earlier this month on pro-competition legislation.

The interest in the legislation is understandable. If pro-competition legislation is enacted, employers, insurers and employees all would be buffeted by massive changes.

Employers would be hit with tough new choices on the kind of health insurance they should select and saddled with the administrative burdens multiple plans would bring; insurers would be forced to market new health insurance plans; employees would have to

choose the best health plan to serve their needs.

Backers of pro-competition legislation say the theory behind their proposals is simple: If employees are given a choice of health insurance plans and tax incentives to opt for low-cost plans, insurers will

Competition health insurance bills



Sen. David Durenberger
R-Minn.
S. 433



Sen. Orrin Hatch
R-Utah
S. 139



Rep. Richard Gephardt
D-Mo.
H.R. 850

	Sen. David Durenberger R-Minn. S. 433	Sen. Orrin Hatch R-Utah S. 139	Rep. Richard Gephardt D-Mo. H.R. 850
Number of plans mandated	Three different health insurance plans must be offered; one can be self-insured.	Three different health insurance plans must be offered; one must provide hospital coverage with employee coinsurance of 25%.	No number specified.
Participation	Employers with at least 100 employees.	Employers with at least 200 employees.	All employers.
Catastrophic benefits	Plans cover annual costs exceeding \$3,500.	Plans cover annual costs exceeding 20% of family income.	Plans cover annual costs exceeding \$2,900.
Preventative benefits	None mandated.	Maternity care, childhood immunizations, child vision and hearing exams, hypertension and cervical cancer screening.	Well-child care for children under 13, basic immunization, childhood ear and eye exams.
Extended benefits	One month.	Six months.	Three months.
Benefit cap	Employees pay tax on employer contributions exceeding \$125 per month for family health insurance.	Employees pay tax on employer contribution exceeding premium of most costly plan, in which at least 10% of employees are enrolled.	Employees pay taxes on employer contributions exceeding average community premiums.
Rebates	Taxable rebates to employees who opt for low-cost plans.	Tax-free rebates to employees who opt for low-cost plans.	Tax-free rebates of up to \$500 for employees who opt for low-cost plans.
Employer contributions	Must be the same for all plans.	Must be the same for all plans.	Must be the same for all plans.
Effective date	Jan. 1 following year of enactment.	Jan. 1, 1984.	Jan. 1, 1984.

compete to offer better benefits while employees, who will be paying more of the bills, will have a greater stake in controlling health care costs.

The legislation is a byproduct of the unsuccessful drive in the late 1970s to impose federal controls on

hospital cost increases.

Faced with the prospect of federal controls, hospital trade groups and their chief supporters in the House—Richard Gephardt, D-Mo., and David Stockman, then a Republican representative from Michigan and now director of the

Office of Management and Budget—argued that health care costs would decrease only if the demand for services was cooled.

Pro-competition advocates contend that tax-free health insurance benefits have fueled the tremen-

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Bill would make employers share asbestos claims burden

By EILEEN NORRIS

WASHINGTON—A bill that would set up federal benefit standards for workers with asbestos-related diseases also would force employers to share the compensation costs with manufacturers and the government.

The proposed legislation is receiving mixed reaction, but most sources privately admit the bill doesn't stand much of a chance—especially on the heels of the Black Lung Act, which many employers and insurers believe is a sham.

Those opposed to the bill, proposed by Sen. Gary Hart, D-Colo., say the legislation is a "trade-off" that would take the heat off the asbestos manufacturers and put it onto the back of the employer.

Under S.B. 1643, the workers compensation scheme established would be the sole remedy



Sen. Hart

for disabled workers seeking compensation for injuries from asbestos—a fiber that about 9 million workers have been exposed to since World War II.

The legislation calls for a totally disabled worker to receive a minimum weekly benefit of two-thirds of the average of his three highest weekly pay periods from his last five years on the job.

Sen. Hart's bill also calls for family members of the disabled asbestos worker to be eligible for benefits, which would include medical and rehabilitation benefits for the exposed worker and his family.

Under the plan, a seven-member commission of government, health, labor and industry experts would set up criteria for apportioning the awards, which would be administered under each state's workers compensation system.

Disabled workers currently can file for benefits under a state's workers compensation system, but state laws limit the filing time—a problem for workers who develop the disease anywhere from 15 to 40 years after exposure.

The strongest support for the bill, which is similar to legislation introduced by Sen. Hart last year, comes from a group of nine asbestos manufacturers that call themselves the Asbestos Compensation Coalition (see related story).

The coalition members are man-

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Asbestos firms lobby for relief

WASHINGTON—The Asbestos Compensation Coalition is a lobbying front of nine manufacturers—each paying a \$25,000 annual fee and each seeking relief from product liability lawsuits.

Two years ago, when Sen. Gary Hart, D-Colo., first introduced an asbestos health hazards compensation bill, manufacturers backing the legislation called themselves the Asbestos Forum.

The first bill went through two committee hearings, but died from lack of support, sources say.

The new coalition started up earlier this year, says spokeswoman Esther Foer, to continue the efforts of the first group and to push legislation "for this special occupational disease."

Current members include Amatex, Radner, Pa.; Lac D'Amiante Du Quebec, Canada; Celotex, Tampa, Fla.; Eagle-Picher, Cincinnati; Johns-Manville, Denver; Pittsburgh Corning, Pittsburgh; Raybestos, New York; Rock Wool Manufacturing, Leeds, Ala.; and UNR Industries, Chicago.

Critics of the proposed legislation say the bill is a "bail out" for the asbestos industry, but the coalition would refute that accusation to the hilt, Ms. Foer said.

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Lost premiums may cost PBGC millions: GAO

By JERRY GEISEL

WASHINGTON—The federal government may be losing millions of dollars in uncollected pension insurance premiums and wasting millions by requiring employers to file pension reporting forms that it doesn't need.

In 1977 alone, the Pension Benefit Guaranty Corp. may have failed to collect as much as \$5.1 million in termination insurance premiums, according to the General Accounting Office.

"The (PBGC's) major problems are unreliable information for identifying plans that do not pay premiums and no system for assuring that unpaid premiums are collected," the GAO said in a report released last week.

The PBGC, which is required by the Employee Retirement Income Security Act to collect insurance premiums from employers with pension plans to guarantee workers' vested pension benefits, says that the \$5.1 million lost premium estimate is too high.

While the PBGC doesn't know exactly how much in premiums hasn't been collected, it says the amount is "insignificant."

GAO based its premium findings on discrepancies in identification numbers on various premiums and annual report filings," said PBGC Executive Director Robert Nagle. "We reject that as a gauge on whether or not plans paid premiums."

What looked like missing premiums were really premiums filed and paid under other identification numbers, Mr. Nagle said. "We are taking steps to reduce inconsistent identification numbers."

The PBGC, which according to its most recent annual report collected about \$71 million in termination insurance premiums last year, says its year-old computerized "statement of accounts" system automatically keeps track of overdue premium payments and bills employers for late payments, penalties and interest charges.

But the GAO isn't convinced that the new computer system will guarantee that the PBGC will collect required premiums, which are now \$2.60 per plan participant per year. The GAO would like to see collection turned over to the Internal Revenue Service.

The GAO also found sloppy record keeping at the Labor Department. For example, during the first three months of 1980 and the first five months of 1981, the Labor Department could not find 21% of the summary plan descriptions requested by the public. An SPD, which employers are required to file with the department every five

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Burke moves benefit skills to Marmon

Frank J. Burke, 31, former manager of employee benefits for Trans Union Corp., has been appointed employee benefits manager for The Marmon Group Inc. in Chicago. He is responsible for the design and coordination of retirement and group insurance programs for Marmon's operating companies and headquarters personnel. Mr. Burke joined Trans Union as a personnel recruiter in 1978 and was promoted to corporate manager of recruiting and to corporate personnel manager in 1979. He was named manager of employee bene-



Mr. Burke

fits in 1980. He earned a bachelor's degree in psychology in 1972 and a master's in counseling in 1976 from Loras College of Dubuque, Iowa. He is a candidate for a master's degree in management at Northwestern University.

comings & goings: buyers

Patrice E. Bennett has been appointed manager of risk management services at the National Air Transportation Assn. in Washington, D.C. In the newly created position, Ms. Bennett will develop a risk management program through which the association will advise its air taxi, commuter airline and other member companies on minimizing exposures and protecting against financial losses.



Ms. Bennett

Ms. Bennett previously worked for brokers Rollins Burdick Hunter Co. and Reed Stenhouse Cos. in San Francisco, specializing in general aviation and multinational insurance risks. She is currently pursuing a Chartered Property & Casualty Underwriter designation. She reports directly to National Air Transportation Assn. President Lawrence Burian.

Robert E. Hancox has been elected a vp of INA Services Co., a subsidiary of INA Corp., which provides administrative support services to Insurance Company of North America operating units. He is responsible for personnel services, including the management of benefit claims processing and employee records. Before joining INA, Mr. Hancox, 38, was regional personnel director at State Farm Insurance Co. in Wayne, N.J. He was formerly an associate professor of business at Fordham and Seton Hall universities. He received a bachelor's degree from Lycoming College, a master's in business administration from Fairleigh Dickinson University and a doctorate from Pace University. He will report to Ernest S. Auerbach, senior vp at INA Services Co.

John L. Bonini has been promoted to corporate property/casualty insurance manager at Square D Co. in Palatine, Ill. Mr. Bonini joined Square D in 1972 as assistant insurance manager and has served as manager of property insurance and insurance administration since 1978. He is a graduate of North Park College and is now studying for a master's of business administration degree at Keller Graduate School of Management in Chicago. He will report to Gary Cubbison, corporate risk and insurance manager.



Mr. Bonini

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around the states

Study group on income appointed

TALLAHASSEE, Fla.—Insurance Commissioner Bill Gunter has named an advisory committee to work with the National Assn. of Insurance Commissioners to develop improved strategy for regulators to deal with insurer investment income.

Mr. Gunter, chairman of the NAIC's Task Force on Profitability and Investment Income, recently requested that 500 property/casualty insurers operating in Florida supply investment income data.

"With investment earnings of the nation's property/casualty insurance industry headed toward a record \$13 billion this year, it is essential that state insurance regulators have the actuarial and legal knowledge they need to make certain that policyholders across the country are able to share in the benefits of this unprecedented accrual of income," Mr. Gunter explained.

The advisory committee will be headed by Richard J. Haayen, president of Allstate Insurance Co. Other members are: J. Robert Hunter, president of the National Insurance Consumer Organization; Chesterfield Smith, former president of the American Bar Assn.; Dr. John Wilson, president of J.W. Wilson & Associates, Washington D.C.; Maurice R. Greenberg, president of American International Group Inc.; George Lehr, executive director of the Teamsters' Central States Pension Funds; Stephen I. Martin, vp for government relations of The Hartford Insurance Group.

Job safety plans

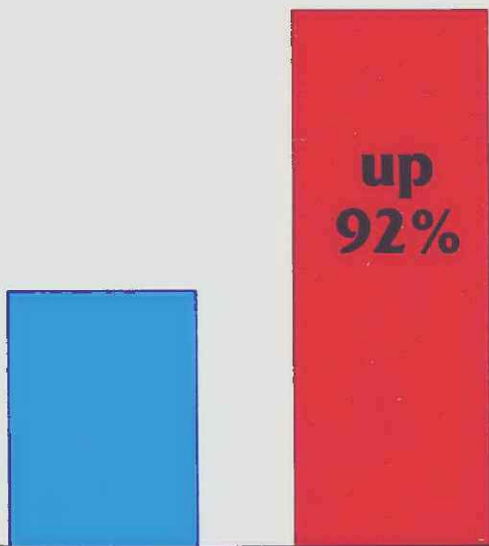
WASHINGTON—The Department of Labor has certified Arizona's job safety and health plan.

The certification means that state legislation, regulations and procedures meet federal approval.

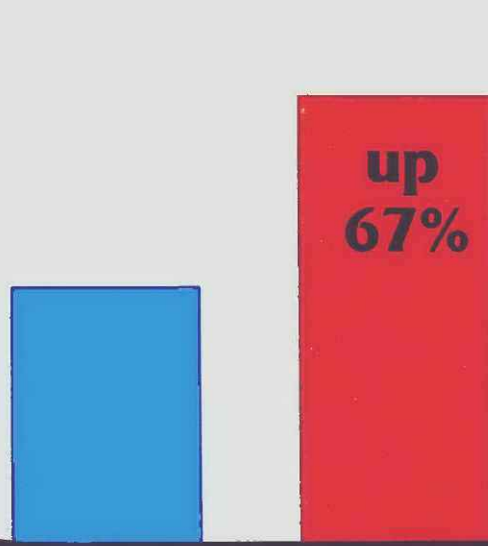
The plan now enters a final evaluation stage, during which the Labor Department will determine on the basis of actual operations whether it adequately protects the safety and health of the state's workers.

A plan must be in effect for one year before it can receive final federal approval. None of the 17 states whose plans have been certified has yet been granted final approval.

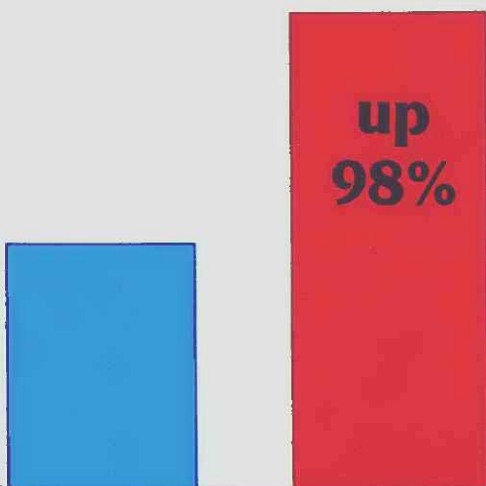
Syndicates



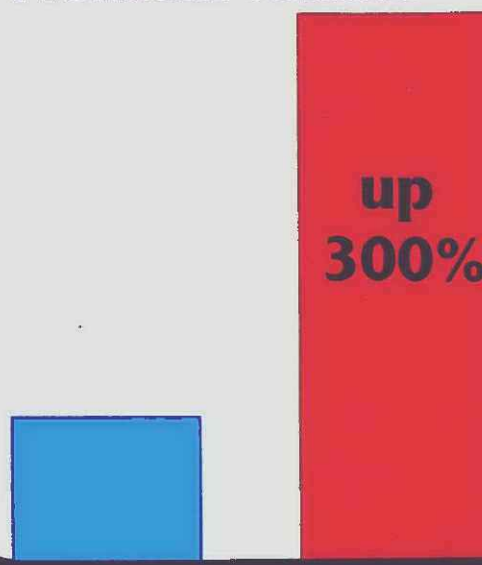
Brokers



Capitalization



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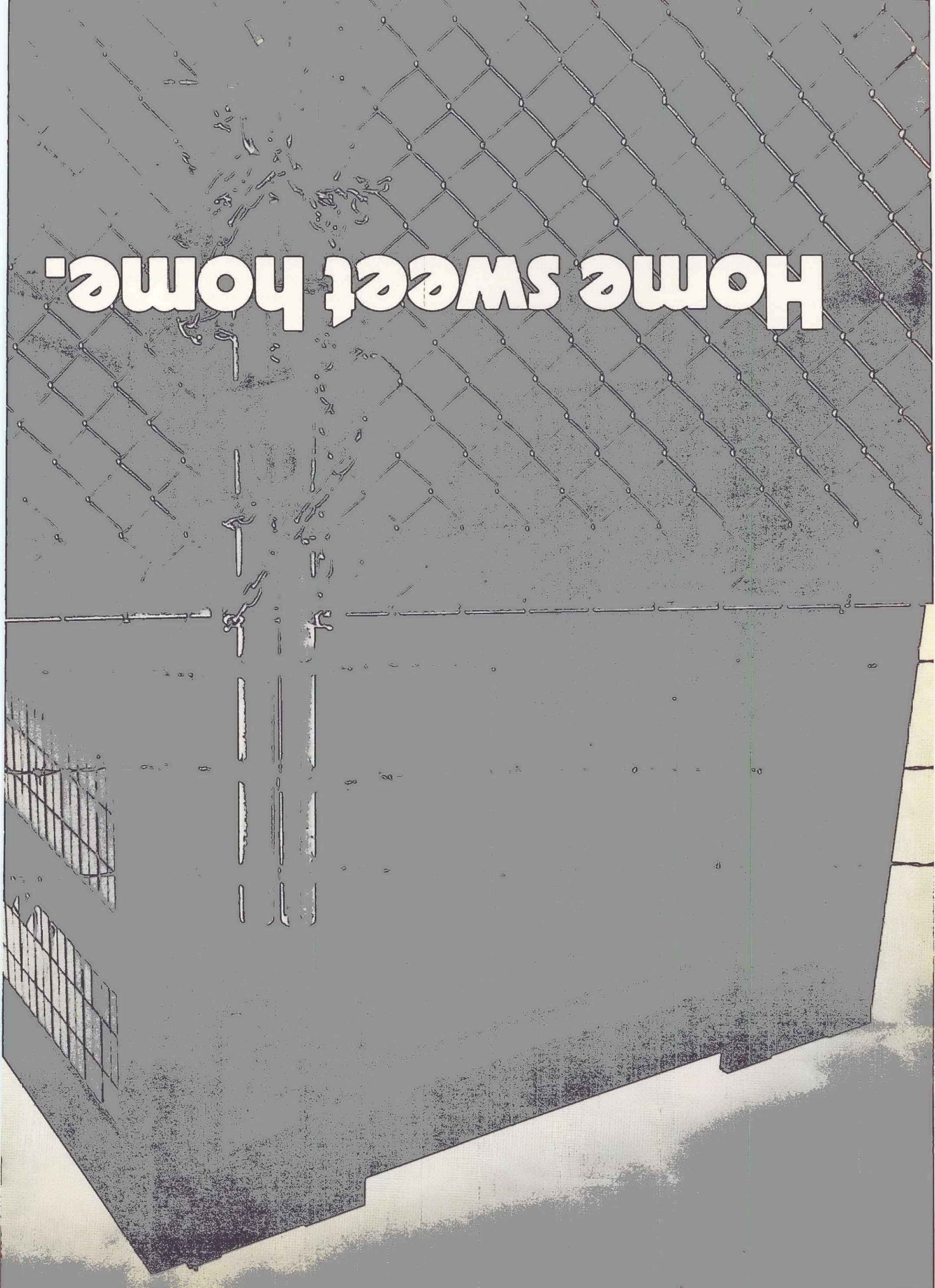
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BI 10-26

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Company _____

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editorial opinions

Prevention is best cure

THE PROBLEMS of work-related diseases, the pain inflicted on the workers and the liability costs laid on the employer deserve serious study and must be solved, but the latest proposal, recommending that a new state social program be created to compensate disease victims, boggles our senses.

John F. Burton, a professor of industrial relations at Cornell University in Ithaca, N.Y., tells us we need a Workers Disease Protection Act to provide compensation for workers stricken by disease—whether or not the disease is clearly work-related (see story, page 15).

He reasons that it is so difficult to draw the line between work-related and non-work-related disease and to determine in multiple-cause cases to what extent working conditions contributed to the disease that we should compensate every worker stricken by disease.

Guess who gets to fund this latest cradle-to-grave social program? Employers, of course, and perhaps employees, too.

Isn't this beginning to sound a bit like another social program that is already out of control—namely Social Security? Just what we need, Social Security II.

Admittedly, it is difficult to determine which diseases are work-related and which ones are not. Many will fall on the border, inviting what Mr. Burton calls "basically arbitrary decisions about who is in and who is out of the program." And he appeals to our emotions when he talks about "disassembling" the man when one tries to apportion liability for disease while the worker is suffering in pain and unable to earn a living.

But, besides our tendency to resist adopting programs designed to automatically compensate people for injuries when those paying the bills might not bear any fault, we see inherent deterrents to good risk management in this type of program.

If all employers must pay to such a fund to compensate diseased workers, where's the incentive for the employer to run a clean shop

and try to protect the workers from harmful substances? It's far too idealistic to argue that all employers would unite in safety efforts to keep the cost of such a program low. There are always those who would sacrifice safety for immediate profits if the cost of injury, occupational or otherwise, would be shared by others. Even among those morally committed to clean, safe workplaces, the prospect of also saving money with good safety practices is an extra incentive.

We appreciate Mr. Burton's study of the occupational disease problem that threatens to dump an avalanche of claims on the workers compensation system. It's a threat that's too often ignored. But let's have more study on the tough problems of how to prevent workplace disease and identify and compensate fairly when it occurs before we make the tiresome mistake of deciding that publicly collected and distributed money is the only cure.

Little incentive

TAKE A HARD LOOK at the so-called "competition" health insurance proposals explained this week by Washington Editor Jerry Geisel (see story, page 3).

If they strike you as an administrative nightmare and destructive to the economies of group health insurance plans as they do us, we again urge you to lobby against them.

Quite a debate ensued when we spoke out against the first "competition" bill more than a year ago, but we remain convinced that neither lower prices from more competition nor less use of the health care system by employees facing tax penalties for accepting fat health insurance plans will compensate for the inefficiencies forced upon an employer stuck with administering three health plans.

It's time to remind the congressmen proposing the bills that employers already have enough of an incentive to try to control health care costs: the cost they are paying to provide this most prevalent employee benefit.

letters

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. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Insurers promote wellness

To the editor: "Cashing in on wellness" (BI, Sept. 21) provides an interesting and well-written survey of the positive experiences that some major employers are enjoying as they introduce preventive health care programs to their employees and their families.

We are dismayed, however, that Business Insurance ignored the overwhelming evidence that, were it not for American insurance companies, the wealth of information about and demonstrated effectiveness of preventive health care would never have caught the public and corporate imagination.

According to the article, the 300 insurance companies that comprise and fund the Health Insurance Assn. of America will urge their group health customers to introduce major disease prevention programs for their employees.

Insurance companies and, notably, Metropolitan, have pioneered employee wellness programs and provided the impetus to the activities of most other companies in this area. In fact, five of the companies mentioned in the article—New York Telephone, General Motors, IBM, Dow Chemical and Chase Manhattan—have utilized Metropolitan's educational materials, its packaged Health Awareness Program or its consulting services as part of their own programs.

Metropolitan has urged preventive health care procedures upon its employees, its public and its client companies since 1871, when it began a series of health and safety messages in company periodicals for distribution to employees and policyholders. In 1898, Metropolitan published the first of its series of health books. Between 1909 and 1925, Metropolitan even established a visiting nurse service for its policyholders, erected a sanatorium for its employees suffering from tuberculosis, instituted annual medical examinations for employees and broadcast exercise classes to 2.5 million radio listeners in the New York area.

Metropolitan's tradition of health

education activities for employees and policyholders has continued unceasingly through the present. In 1979, Metropolitan formalized many of its employee health activities into the Center for Health Help, which conducts programs on smoking cessation, breast examination, nutrition and high blood pressure.

In January 1981, Metropolitan began its Health Awareness Program for employees nationwide. This Health Awareness Program, also adopted by several large Metropolitan group customers, was recently lauded in a U.S. Department of Health and Human Services newsletter for its adaptability to the special needs of individual companies. Besides providing educational materials, this program also offers consulting services, a needs and interest survey and an analysis of the client's claims data.

Smaller firms with Metropolitan group insurance also benefit from the company's expertise in health education.

Client companies with as few as two to 49 employees and as many as 50 to 200 employees can receive individually tailored health awareness programs consisting of printed materials, individual health hazard appraisals and an onsite health education coordinator.

We would not like your readers to imagine that insurance companies have sat back in conservatism and watched other industries progress before taking action in health education programs.

Insurance companies have been the innovators. Without them, wellness/health awareness programs might never have become a valuable tool in keeping down health care costs in the United States, and in raising employee morale and productivity in the workplace.

Clarence E. Pearson

Assistant vice president

Health and safety educator,

division of

Metropolitan Life Insurance Co.

New York

business insurance

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Indiscretion follows indiscretion

To the editor: Regarding the letter to the editor in your Sept. 21 issue, I agree that the municipal risk manager's comments (BI, Aug. 3) were quite indiscreet. However, I don't think Robert Bieber is really deserving of a public reprimand via the news media.

Also, the criticism of RIMS via Business Insurance is an indiscre-

tion in itself. That particular issue should have been addressed to Robert Judd, executive director of RIMS and the executive committee of RIMS.

So, here we are, one indiscretion after another. I'd better stop before I commit one.

A corporate risk manager
(Name withheld upon request)

Risk Retention coverage lauded

To the editor: Your well-written editorial, "A long battle won," about the passage of the Risk Retention Act is right when it says "it's about time."

While it goes without saying, your coverage of this critical insurance issue has been outstanding. Not only did you increase awareness on the part of risk managers as to the potential benefits of this legislation, but you also spoke indirectly to another important group in the process, the Washington insurance lobby.

As your editorial exhorts, we fully intend to proceed full speed ahead with action to prompt federal tort reform. Keep in mind that the Risk Retention Act will benefit not only small manufacturers but also small and medium-sized

wholesaler-distributors.

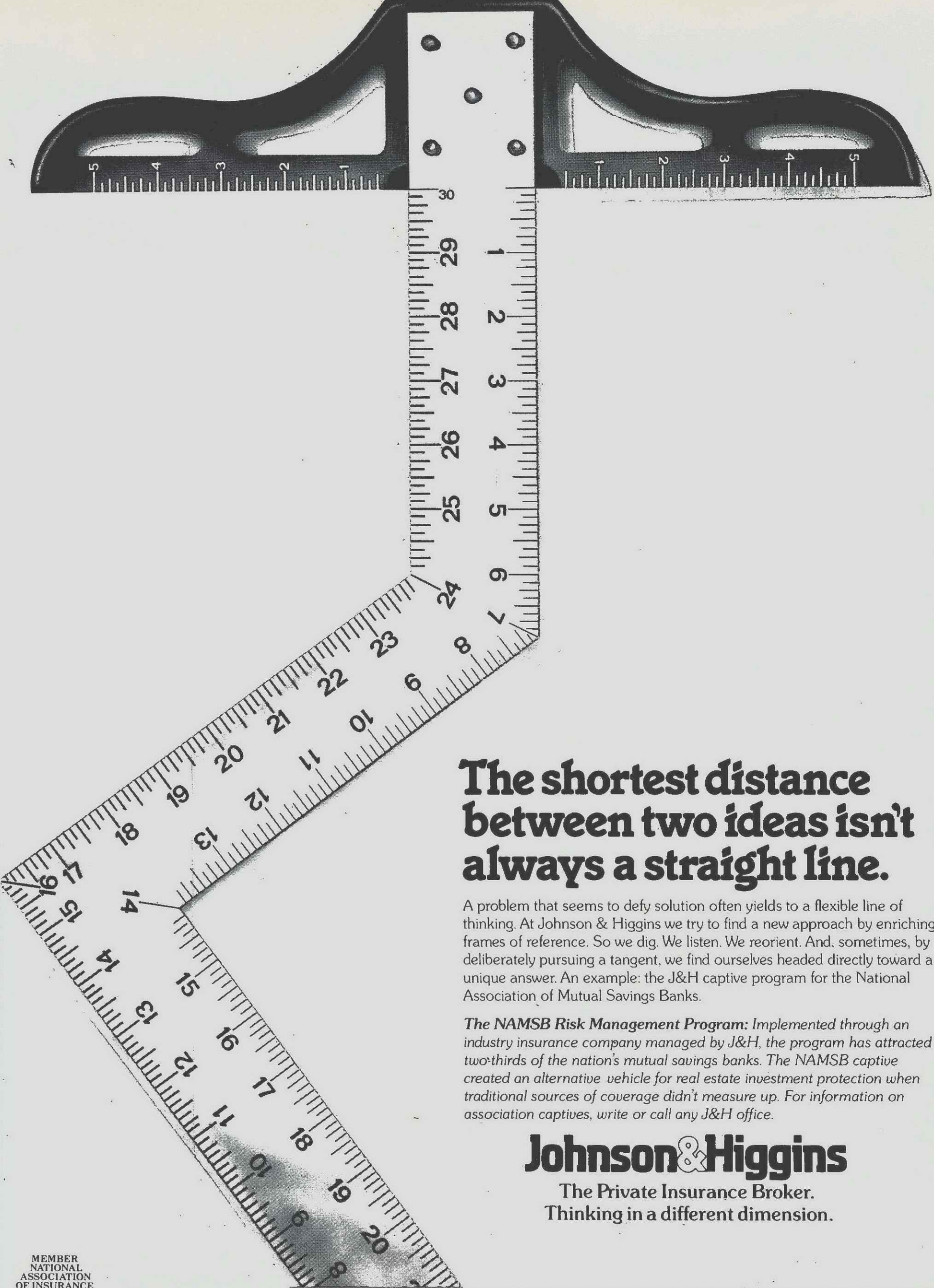
David P. Sloan

Director of
congressional relations
National Assn. of
Wholesaler-Distributor
Washington

Agony and ecstasy

To the editor: I thoroughly enjoyed reading Roland Reuger's "Confessions of a marine person" in the Sept. 14 issue of Business Insurance. I want to congratulate Mr. Reuger for having expressed our agony and ecstasy with wit and candor.

Walter D'Souza
Chicago



The shortest distance between two ideas isn't always a straight line.

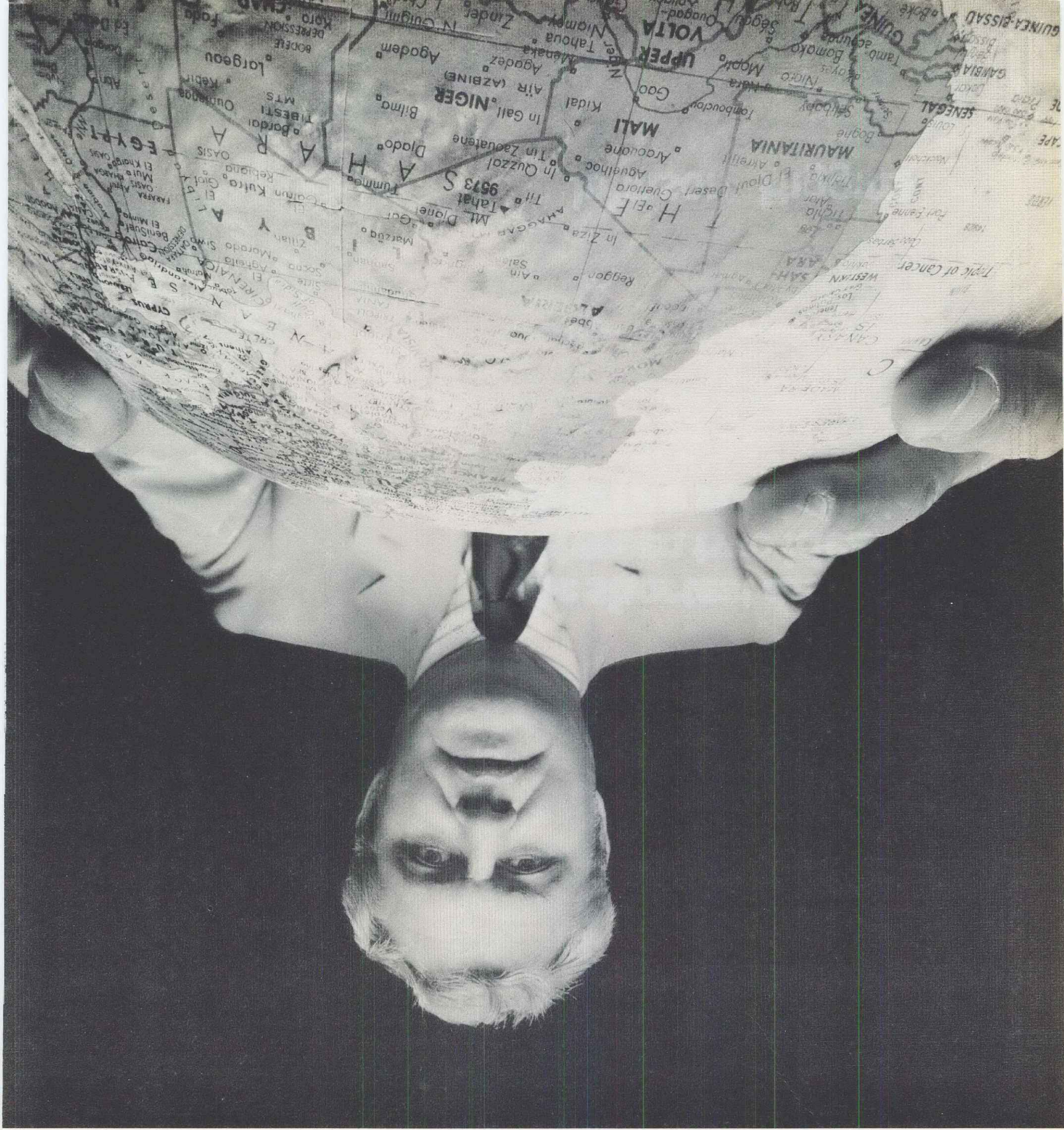
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"Finally (for this advertisement, at least) is the thing I like most about this conservative old-fashioned company. Our knowledge. Do you know, for example, that some of AFIA's offices provide information on port conditions for the American Institute of Marine Underwriters? Or that, when all else failed, AFIA was able to use our local contacts in an extremely politically sensitive North African situation to cut through

the red tape and get a surveyor to inspect the fire damage to a shipment of barley. By cutting through the massive political red tape we cut through years of litigation for our insured.

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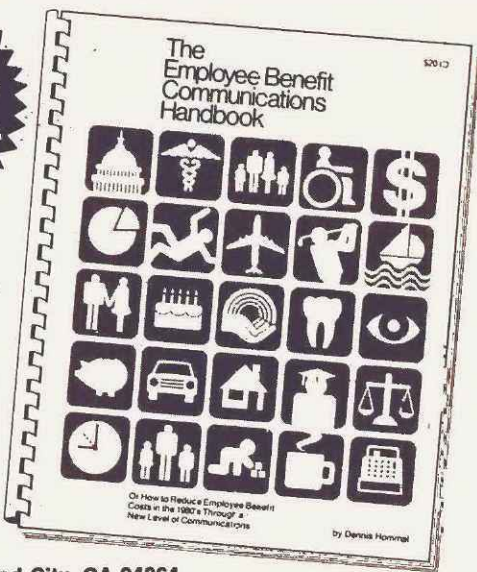
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Townsend to acquire Oakley Vaughan & Co.

By STACY SHAPIRO

LONDON—Oakley Vaughan & Co. Ltd. is being sold to John Townsend & Co. (Holdings) Ltd., another Lloyd's broker.

Townsend will acquire all of Oakley Vaughan's capital, plus 75% of its underwriting agency business, according to London sources. Oakley Vaughan's chairman, Charles St. George, will remain chairman of the underwriting company.

The two companies appear compatible, with Townsend having 10 years of strictly marine underwriting business and Oakley Vaughan spreading into non-marine, aviation and bloodstock insurance.

london line

The Oakley Vaughan sale comes only three weeks after three of its directors were banned from doing business at Lloyd's for two years. Barrymore Bowen, an aviation underwriter, Michael Whitelock and James St. George—Charles St. George's son—have also been barred from holding any executive positions at a Lloyd's affiliate for five years. The three are still employed at Oakley Vaughan.

Disciplinary proceedings will also take place soon against a fourth man, George Mountain, who worked for Oakley Vaughan and now works for the Christopher Moran Group (BI, Oct. 5).

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Bowring changes

Marsh & McLennan Cos. Inc. is taking inventory of C.T. Bowring Co. Ltd. and making some changes.

First, M&M put Bowring's finance house, Bowmaker, up for sale. Now the U.S. broker is offering to purchase the remainder of Winchester Bowring, a reinsurance brokerage.

M&M, through its purchase of C.T. Bowring last year, already owns 40% of Winchester Bowring.

M&M is offering about 1.05 shares of its stock for every nine existing shares of Winchester Bowring at a rate of 19 pounds per M&M share. A maximum of 154,159 M&M shares are being offered, making the sale price about \$3 million pounds.

"After careful consideration both the independent directors and their financial advisers believe that the terms of the offer are fair and reasonable and the independent directors unanimously recommend acceptance," said A.G. Winchester chairman of the reinsurance brokerage.

The two actions by M&M confirm its policy of keeping Bowring strictly an insurance operation. M&M has already sold Bowring's merchant bank, Singer Friedlander, and Bowring's steamship company.

Hogg Robinson

Timothy Royle, the managing director of Hogg Robinson Group Ltd., has abruptly left the company after 25 years because of a difference in management philosophy with the other directors.

"These things happen," said John Hogg, Hogg Robinson's deputy chairman. "There was a difference of opinion between the group of directors and one particular director." Mr. Hogg wouldn't say what those differences were.

Mr. Royle, who has been managing director for 18 months, was unavailable for comment.

N.J. Insurance Women to sponsor program

SADDLE BROOK, N.J.—"Risk Management...Why?" will be the theme of the Insurance Women of Northern New Jersey's State Education Day program on Nov. 14.

Representatives of the legal, risk management and insurance agency/brokerage fields will discuss the question. In addition, sessions will be held on time management and the federal Flood Insurance Program.

The fee for the program and luncheon, to be held at the Saddle Brook Holiday Inn, is \$25. For information contact Debbie Philiber, 520 Palmer Ave., Maywood, N.J. 07607; 201-635-1700.

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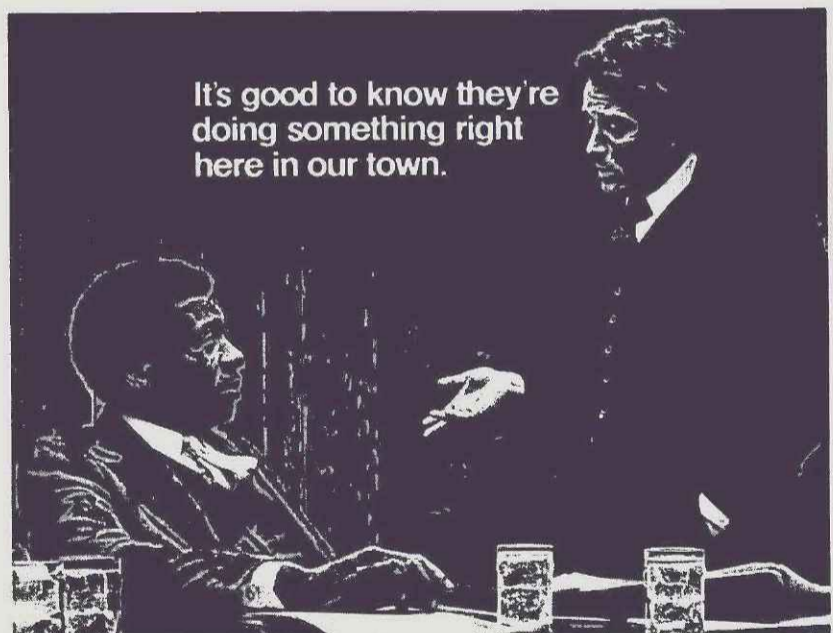
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Industrial commissioners

Professor proposes fund to pay for worker diseases

DES MOINES—Employees with cancer, heart or back disease would be provided benefits—regardless of the cause of illness—under a Workers Disease Protection Act proposed by a Cornell University professor.

There would be no work-related test for the diseases covered by the act, said John F. Burton Jr., a professor of industrial relations at Cornell University in New York. He is also a consultant to the U.S. Department of Labor on workers compensation.

The thrust of the act centers on leaving only work-related accidents and injuries to the exclusive remedy of the workers compensation system, as was the original intent, said Professor Burton.

He outlined his plan at the International Assn. of Industrial Accident Boards and Commissions conference here.

Earlier this month, he presented his proposal to the National Council on Compensation Insurance, the ratemaking organization that files rates on behalf of insurers in 30 states.

There are, he stressed, inherent limits to reform within the present workers compensation program.

"One limit pertains to the problems of drawing the proper line on the spectrum between clearly work-related and clearly non-work-related diseases. There is, unfortunately, no 'right' answer to the line-drawing task in any scientific sense.

"Realistically, the resolution becomes in large part a value judgment that reflects the views of the parties with control over a particular workers compensation program," he said.

The second limit, he said, is the lack of knowledge of what causes certain disease.

"The consequence is that no matter how we implement the decision on where to draw the line on compensability, the application of these rules will result in a number of basically arbitrary decisions about who is in and who is out of the program," said Professor Burton.

"My response to you who have a 'wait-and-see' attitude about the threat of occupational disease for workers compensation is that unbeknownst to you the occupational disease problem as a major concern in workers compensation is not for the future but for now," Professor Burton said.

Back injuries, he said, are traditionally defined as injuries rather than disease, even though research suggests low back disability is primarily caused by disease and not by injury.

It is not just one disease but a multiplicity of diseases that may be indistinguishable in practice that causes a worker's back problem, said Professor Burton.

"Workers compensation does not have the luxury of delay in dealing with occupational disease problems because it is here in the form of back cases," he said.

His proposal contains 11 precepts:

- The act would apply to diseases (possibly only cancer, heart and back disease) with work-related injuries left to the exclusive domain of workers compensation.

- There would be no work-related tests for the diseases covered.
- The Workers Disease Protection Act would only cover periods of disability that last at least six months. Workers would be able to obtain workers compensation benefits for the first six months of disability if they could meet the work-related tests in that program.

After six months, workers compensation would have no further responsibility for the employee covered by the proposed act.

- Permanent partial disability and permanent total disability benefits would be provided under the act and would be based on the actual loss of earnings.

The employer would be responsible for continuing the benefits as well as the contributions that the employer and worker would have made to the Social Security program until the employee reaches the normal Social Security retirement age. When the worker would qualify for the retirement benefits under Social Security, the benefits under the Workers Disease Protection Act would cease.

- Death benefits would also be provided by the proposed act.

- Medical benefits would be provided to workers affected by disease. These would be fully integrated with the medical benefits provided under workers compensation, private plans and Social Security. There would be no age limits for eligibility.

- The Workers Disease Protection Act would be financed by employer and employee contributions, possibly of equal share.

- The act would be a state program but the federal government would be encouraged to try with a similar plan for its own employees.

- The insurance arrangements would be similar to those in workers compensation. Employers would be free to insure their liability with private carriers or state funds or to self insure, depending upon the availability of these options under state law.

- All insurers and employers would report their loss experience under this act to the National Council on Compensation Insurance or its equivalent. Insurance companies would be free to deviate from the rates published by the NCCI.

- The Workers Disease Protection Act benefits would be the exclusive liability of the employer for claims by its employees for diseases, other than the benefits provided during the first six months of disability by other programs.

While it is hard to justify employer responsibility for the worker's entire disability when other factors may be responsible, it is also hard to justify disassembling the man, who has the same economic consequences regardless of the cause, said Professor Burton.

Lack of research complicates work comp, professor says

By EILEEN NORRIS

DES MOINES, Iowa—The lack of workers compensation data and research support has created a massive void in the \$20-billion-a-year system, a University of Connecticut professor charges.

It is the least understood major program, says Professor Peter S. Barth, who spoke at the 67th annual International Assn. of Industrial Accident Boards and Commissions convention Oct. 11-15 in Des Moines.

Adding to the lack of research and data are the self-serving interest groups who promote research only when it benefits their cause, he said.

Another complication is that workers compensation can cross so many disciplinary lines that it confuses any researcher that takes an interest in the field, Mr. Barth said.

A course in workers compensation could theoretically be offered by an instructor in any of 10 university departments. But, more realistically, the course would not be offered at all since few academics are inspired or encouraged to work in fields that cross traditional academic boundaries, he said.

The U.S. workers compensation system costs employers more than \$20 billion a year, putting it well above funding for unemployment insurance and government outlays



Photo: Eileen Norris

Peter S. Barth says work comp is very often misunderstood.

for the CETA program, Mr. Barth said.

One would think that a program that big and of such significance would have been thoroughly studied and well understood, but that would be an incorrect assumption, he said.

"Only the tiniest handful of people study and research workers compensation. Legislators privately acknowledge that they do not understand it. Practitioners lament their ignorance of the program aspects and there are virtually no courses in the subject," he said.

A lack of support for research,

with the exception of three clusters of projects between 1971 and 1981, has prevented many from working in the field and discouraged some who infer that there is no interest in the subject, Mr. Barth said.

"Federal and state government have each worked to build up reliable and consistent data bases in several areas, but by contrast the workers compensation area is still largely a wasteland in terms of data availability.

"Until that changes, the field will continue to be neglected," he said.

Adding to the lack of monetary research support is the extreme sensitivity of the various interest groups involved in workers compensation, Mr. Barth said.

"Studies are not evaluated, as they ought to be, on the basis of the analysis, the insights of the writer and the like," he said.

"Instead, studies are judged, so far as I can assess, on whether or not they support an interest group's existing position.

"Where a study does corroborate a position, the author is judged to be potential Nobel material. When it weakens or refutes a position held by an interest group, the author is suspected of being in the pocket of a group on the other side of the issue."

Such findings are discounted by all and are of little benefit to any-

Continued on page 16



Mr. Burton

Smoking, not black lung, disables miners: Doctor

DES MOINES, Iowa—Black lung is a condition created by Congress to benefit cigarette-smoking coal miners, the director of the Vermont Lung Center says.

"I don't recognize the disease they call black lung," Dr. Roger H. Secker-Walker told the International Assn. of Industrial Accident Boards and Commissions conference in Des Moines.

"The most common cause of disablement in coal workers today is cigarette smoking," he said.

Non-smoking coal workers may develop coughs and show minor abnormalities of lung function, but that disease is called industrial bronchitis and the condition is not disabling, Dr. Secker-Walker said.

After 20 to 30 years of exposure, coal miners may also develop coal workers pneumoconiosis, a condition where dust accumulates around the small bronchial tubes in the upper parts of the lung.

Very little scarring takes place, however, and lung function is scarcely disturbed, he added.

"Rarely, this may progress to complicated coal workers' pneumoconiosis and lead to disability in about 3% of the cases," he said.

He was critical of the benefits mandated under the Black Lung Reform Act of 1977, which set up a trust fund for claims of injury before 1970, with claims of injury suffered after 1970 charged against the coal operator or insurer.

He said 71% of the benefits being paid out under the Black Lung Act are "unjustified."

There are other "mischief makers," as Dr. Secker-Walker calls them, in the lungs.

Occupational asthma has become

more prevalent within the last 10 to 15 years, he said.

Once a worker develops a sensitivity to certain chemicals, asthma may result. Symptoms of wheezing, cough and phlegm may develop within 15 to 20 minutes of exposure or they may be delayed for several hours and appear in the middle of the night.

The response is usually to a specific chemical and the worker with occupational asthma will often be well aware which aspects of his work are responsible, Dr. Secker-Walker said.

Asbestos-related conditions are also becoming more of a problem to the employer and worker, affecting occupations like mining, milling, weaving and construction.

For asbestos workers who do not smoke cigarettes, the risk of lung cancer is about four or five times greater than for other non-smokers.

For the smoking asbestos work-

ers the risk is 80 to 90 times greater than a non-smoking, non-asbestos worker, Dr. Secker-Walker said.

"These lung cancers behave just like those in non-asbestos workers, and it can be difficult to decide how much blame to attach to the cigarettes and how much to the asbestos; each seems to aggravate the other," he said.

Prevention is important in attempting to limit the workers' exposure to a known carcinogen or chemical.

Dust control, good exhaust ventilation or enclosing the work area can go a long way to preventing some of these lung conditions, Dr. Secker-Walker said.

"Personal protection with special hoods for sandblasting or special masks for some of the gases can also help.

"Sometimes other materials can be substituted that are not nearly as toxic," he added.

Industrial commissioners meet

The International Assn. of Industrial Accident Boards and Commissions had its 67th conference Oct. 11-15 in Des Moines. The meeting attracted more than just industrial commissioners. Lawyers, risk managers and others also came to hear experts discuss cancer in the workplace, black lung, the need for more data on workers compensation and an idea to create a new fund to compensate workers who develop heart and back diseases or cancer—even if the disease is not work-related.

Associate editor Eileen Norris covered the conference. Her report begins on this page and continues on Pages 16 and 19. Other stories include:

- A steel executive's views on what he considers the sad state of workers compensation. Page 16.
- A professor's call for more cancer prevention programs in the workplace. Page 19.
- A look at who should be liable for a worker's heart disease. Page 19.

More workers comp research needed

Continued from page 15
one, he added.

The final insult to workers compensation research is that workers compensation is not a single program, Mr. Barth told the conference participants.

"Instead, each state has its own laws, precedents, practices and terminology," he said.

"Persons who totally know their own state's system are often totally uninformed in any other one. Researchers face the same dilemma," he continued.

"The point is simply that research in this field probably has languished due to the difficulty in having to grapple with not one program but with many."

One group that has had ongoing actuarial research into workers compensation is the National Council on Compensation Insur-

ance, a striking contrast to organized labor, business and the insurance industry, which have had virtually no active research projects on workers compensation systems, he said.

However, Mr. Barth added, the future does look brighter than the past.

The insurance industry is beginning to move more into the research arena, largely through its trade associations, Mr. Barth explained.

Individual companies, however, are not active and most will find they are poorly equipped to use any research findings when they do become available, he said.

The growing interest in occupational disease research has, however, caused bridges to be built between the health sector and researchers in workers compensation and other disciplines, Mr. Barth ex-

plained.

One answer to the problem might be to establish a clearinghouse to aid researchers and those who use the research, keep abreast of activities in the field, Mr. Barth suggested.

He encouraged the accident boards association to consider starting an eighth standing committee that would be devoted to encouraging research in workers compensation.

"The long-term neglect of research on workers compensation has been a free lunch of sorts," he said.

"We avoid paying the price to learn more about our systems for decades," Mr. Barth continued. "Yet, when these systems operate poorly, we have little to guide us either by way of diagnosis or of remedy."

Comp threatens firms' well-being: Steel executive

By EILEEN NORRIS

DES MOINES, Iowa—The real cost of workers compensation to employers has vaulted more than 220% since 1970—and that's excluding inflation, says a Bethlehem Steel Corp. executive.

"There's been progress in workers compensation, but in all honesty, I have to say the system seems to be more out of control right now than ever before," said Richard F. Schubert, vice chairman of Bethlehem Steel.

Mr. Schubert spoke before a

symposium of the National Council of Self-Insurers, which was held in conjunction with the annual convention of the International Assn. of Industrial Accident Boards and Commissions in Des Moines.

He called on business to reach out to labor "and to do it in a way that makes it clear that the workers compensation system has reached the point where it threatens to harm the economic well-being of all of us."

Workers compensation must be equitable and affordable, he said, but the later element seems to have gone astray in the past decade.

The total cost to employers for workers compensation was about \$4.9 billion in 1970. By 1978 that cost had risen to about \$17 billion and for 1981, it looks like the total cost will be \$23 billion to \$25 billion, Mr. Schubert said. "If we take the low end of that estimate—\$23 billion—that is still nearly a 370% increase from 1970.

"At most, inflation accounted for 150% of that, so even after a very liberal adjustment for rising prices, the real cost to employers went up 220%," he said.

One of Bethlehem Steel's plants, a mill in Los Angeles, is presently teetering in a precarious financial position—with no thanks to California's workers compensation system, Mr. Schubert said.

"One of the key factors that's putting the plant at a disadvantage is the higher workers compensation cost in California.

"There's excessive litigation, exorbitant medical expenses, unreasonable cumulative trauma rulings and questionable permanent partial disability awards—you name it, and it's a problem in California."

The original purpose of workers compensation—providing an employee for wages lost due to an industrial injury—has drifted away he added.

Many workers compensation problems will require new legislation to "set them right," he said.

"The guiding principle should be 'adequate compensation for true disability,'" Mr. Schubert said.

He suggested that the time for reform is "now," a time when the federal government is committed to returning responsibility to the states and localities.

New reform measures also could help to offset the possibility of an other expansion of the system in the form of occupational disease claims, he said.

"There's no question in my mind that if the workers compensation system heads into this new area without having dealt with overlapping benefits, bloated litigation costs... and other abuses, the system ultimately will do more harm to the economy and our worker than it does good," he said.

"I'm convinced that responsible reform in the workers compensation system can get the support of American labor, too," he added.

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Malpractice suits

WASHINGTON—The trend toward making physicians and hospital defend malpractice suits continues to grow in the federal courts.

In fiscal 1981, which ended June 30, 915 medical malpractice suits were filed in federal courts, a 27.1% increase over fiscal 1980 when 72 cases were filed, according to the administrative office of the U.S. courts. It was the third consecutive year the number of medical malpractice suits increased.



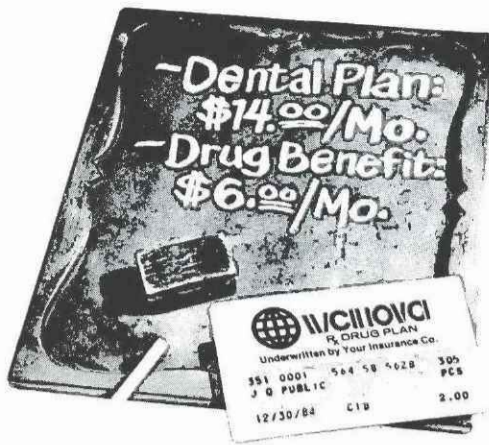
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One feature of the comprehensive form includes up to \$10,000 for expenses to recharge a Halon system.

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breakdown coverage. This provides coverage for damage to magnetic tapes and requires a \$1,000 deductible.

For details contact Garret J. Dykhouse, Royal Insurance, 150 William St., New York, N.Y. 10038; 212-553-4172.

Back injuries

Insurance Co. of the West, Woodland Hills, Calif., has introduced an program that shows employees how to avoid back injuries and stress.

Through a slide presentation and prepared script, employees are shown the causes of back injuries, the physiology of the back and how injuries occur and instruction on stress reduction and exercises.

For more information on this program contact Bill White, Insurance Co. of the West, 20335 Ventura Blvd., Suite 225, Woodland Hills, Calif. 91364; 213-704-5781.

Surgery coverage

Professional Intermediaries Associates Inc., in conjunction with Lloyd's of London, offers surgical survival insurance.

This coverage provides coverage for people facing a life-threatening operation. Any individual can apply, even if they were previously deemed uninsurable. If the patient dies from the operation within 30 days, underwriters will pay proceeds to the beneficiary.

Corporate officers and directors can obtain coverage up to a \$250,000 limit. Other employees can be covered under a minimum limit of \$25,000.

Contact Marshall Rattner, Professional Intermediaries Associates Inc., 110 E. 59th St., New York, N.Y. 10019.

Reinsurance

Pine Top Insurance Co., a subsidiary of Greyhound Corp., has expanded its reinsurance operations to include property facultative coverage.

Pine Top and Central National Insurance Co. of Omaha will be reinsurers for the property facultative business and facultative casualty coverages.

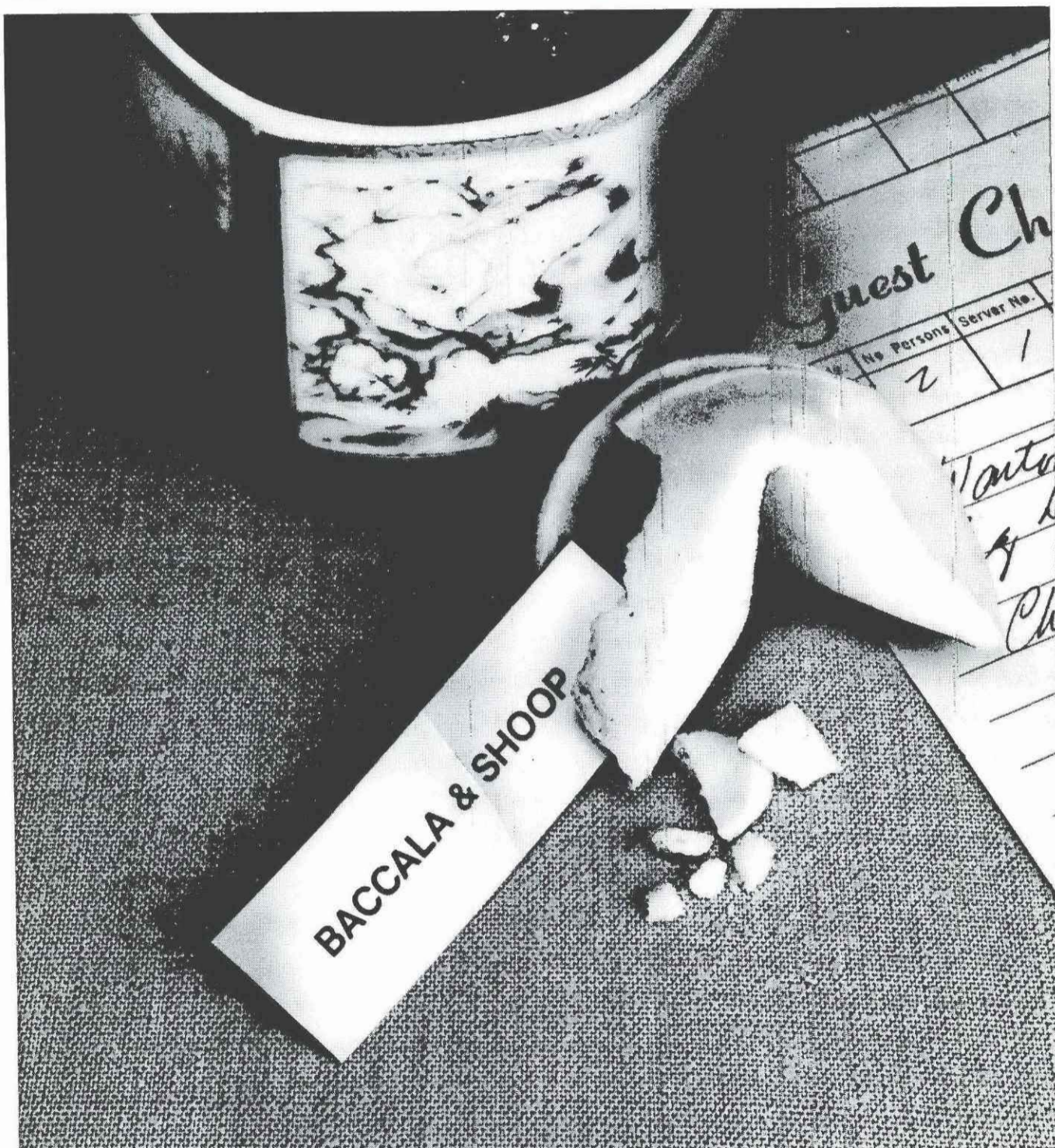
Contact Anthony G. Contreras, Pine Top Insurance Co., Greyhound Tower, Phoenix, Ariz. 85077; 602-248-5537.

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Early cancer detection important

By EILEEN NORRIS

DES MOINES, Iowa—Some 20% to 80% of all cancer in the future will be workplace-related.

And among those employees who already have been exposed to known carcinogens, as many as 50% will die from occupation-related cancer.

Those dreary facts, says Dr. John Spratt of the University of Iowa School of Medicine, are making prevention programs all the more important for employers and their workers concerned about their health.

Dr. Spratt spoke on the natural history of human cancer before the International Assn. of Industrial Accident Boards and Commissions Conference in Des Moines earlier this month.

Though the chance that a cancer will exist at any moment in the life span of man is quite low, the cumulative lifelong risk is quite high," Dr. Spratt told the audience of about 400 people.

"There must exist a genetically susceptible host, exposed to a carcinogen, early enough in life, at high enough dose, for long enough time either in the presence or absence of a cancer promoter or cocarcinogen," he said.

In most cases, the higher the amount of carcinogens and the earlier in life a person is exposed, the greater is the probability of a person developing one or more cancers, he said.

Smoking, diet, community and home environment, social behavior and exposure to sunlight may all contribute in positive and negative ways, he said.

The person with cancer may have been exposed to the triggering cause years to decades before it becomes apparent or manifests itself as a disease, he said. He told of a study by a urologist who monitored a group of chemical workers for bladder cancer and found the disease developed 10 to 30 years after initial exposure to a cancer-causing agent.

The National Cancer Institute reviewed the workplace exposure as a cause of cancer and estimated that 6 to 80% of the cancer in the future will be occupationally related," Dr. Spratt said.

But, the expansive spread of the estimate demonstrates how important both primary and secondary prevention can be in detecting and preventing cancer.

Primary prevention is defined as an avoidance effort that prevents cancer from starting while secondary prevention is the discovery and removal of pre-cancerous conditions or beginning cancer, Dr. Spratt said.

There continues to be overwhelming support to the concept that there is a causative relationship between smoking and the growing epidemic of cancers of the respiratory tract," he said.

The complexity of the tobacco problem is not only medical but is also cultural, economic, social and behavioral.

"It requires emphasis on medical health education and health counseling."

Secondary prevention consists of two major categories of intervention—detection of cancer and health counseling or health education.

A screening program for employees has to be coupled with effective treatment or the best screening program may be of negative value, he said.

Question liability for heart attacks: Doctor

DES MOINES, Iowa—It may be tough to determine whether a worker's heart attack was actually caused by job stress, but there are a few things employers can do to untangle the liability web.

The medical acceptance of a causal relationship between a particular stress or stimulus and a given cardiac abnormality requires that several questions be answered, says Dr. Elliott L. Sagall of Harvard University Medical School.

Dr. Sagall spoke to about 400 employers, heads of state industrial commissions and accident boards, attorneys and insurance personnel attending the International Assn. of Industrial Accident Boards and Commissions conference Oct. 11-15.

A diagnosis of the heart disorder must be established and confirmed by answering the following questions:

- Does the employee have heart disease and, if so, what is the complete medical diagnosis? What is the degree of functional impairment? What are the autopsy findings, if death has occurred?

- Did the employee have heart disease before exposure to the identified stress? If not, when did evidence of heart disease first appear?

- What is the nature of the stress or exposure considered as a possible cause?

- Did the employee's heart condition change after the stressful event? If there was a change, when was this change apparent and documented? Was this change more than the "natural course of the disease"? Was this change temporary or permanent?

Each case must be handled individually, in light of all available medical data, including laboratory

studies and electrocardiogram and X-ray findings. A careful reconstruction must be made of the events leading up to the heart attack, Dr. Sagall said.

"Heart disease progresses clinically silently and can be present for years before it is identified."

Dr. Sagall, a member of the American Heart Assn.'s Committee on Stress, Strain and Heart Disease, said the committee came to some conclusions on the cause-and-effect relationships of stress and heart disease.

They found that long-term, repeated, strenuous physical effort performed by a worker cannot be regarded as a causal element in the development of arteriosclerosis. That kind of activity is believed to be beneficial, the doctors and consultants found.

However, long-term, repeated,

strenuous physical effort in some people with underlying heart disease may result in the onset of heart failure sooner than might have occurred without that effort.

"But, it is not possible to determine precisely when cardiac insufficiency would have occurred during the natural history of the underlying disease or from normal 'wear and tear of life' without that stress," the committee found.

An isolated episode of physical or emotional stress in people with underlying heart disease is capable of triggering or hastening heart dysfunctions.

The shorter the time between the exposure to stress and the appearance of clinical or pathologic evidence of new heart disease or dysfunction, the more likely there is a causal relationship, said the committee.

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Senate OKs minimum Social Security benefit

By JERRY GEISEL

washington

WASHINGTON—The Senate has agreed to restore the \$122 minimum monthly benefit for Social Security recipients, but employers and employees may have to pay for it through a new FICA tax on sick pay.

The Senate voted 95-0 that Social Security recipients should be entitled to a monthly benefit of at least \$122, regardless of how little they contributed to the federal retirement program.

The Senate action only would restore the \$122 minimum benefit to about 2.7 million people who were receiving it when Congress cut the benefit last summer.

The House earlier voted to restore the minimum benefit to all people eligible for Social Security

before Nov. 1.

But to pay for the minimum benefit, the Senate said the FICA payroll tax would be imposed on disability benefits starting on the first day an employee receives sick pay. Currently, the first six months of disability benefits are exempt from Social Security taxes.

The new tax would begin Jan. 1 under the Senate bill; the House measure does not impose the new tax.

Employer groups, like the U.S. Chamber of Commerce, say the Jan. 1 effective date does not give employers enough time to prepare for the change. An employer who doesn't pay the FICA tax on dis-

ability pay on time would be subject to substantial tax and interest penalties.

If the tax on disability pay goes into effect, penalties should be waived at least until July 1, a Chamber spokesman said.

The Senate, following in the footsteps of the House, also agreed to allow the financially troubled Social Security retirement trust fund to borrow from the more robust health and disability trust funds.

Allowing interfund borrowing will give Congress some breathing space to hammer out a long-term solution to Social Security's financial problems while preventing the

retirement trust fund from going broke next year.

Pension coverage

Employers are expanding their pension coverage.

During the first half of 1980, almost as many employees were enrolled in newly created defined benefit pension plans as were enrolled in all of 1980.

Some 11,402 defined benefit plans with more than 1.72 million participants were set up between Jan. 1 and June 30 this year. By contrast, in all of 1980, 18,849 defined benefit plans with 1.78 million participants were established, according to an analysis of Internal Revenue Service statistics by the Employee Benefit Research Institute.

"The numbers indicate the continuing expansion of private pension plans," said Sylvester Schieber, director of research at the EBRI, a 3-year-old benefits research organization.

Reversing a steady downward trend of the last several years, the average size of newly created plans increased sharply. Defined benefit plans established during the first half of this year had an average of 151 participants, up sharply from 1980 when the average defined benefit plan created that year had 95 participants.

The steady growth of pension plans contradicts arguments made by groups like President Carter's pension commission that maintained that pension plan coverage had stagnated after tremendous growth during the 1950s and '60s.

comings & goings: industry

Stewart named CEO at Crump

Sidney A. Stewart Jr., president and chief operating officer of E.I. Crump Cos. Inc., has assumed the additional title of chief executive officer.

Mr. Stewart succeeds E.I. Crump Jr., who has resigned chief executive officer, chairman and a member of the board of directors. Mr. Crump will become honorary chairman of the board.

Other agent/broker changes:

Ned L. Larson Jr. joined the brokerage firm of Warren & Sommer Inc., Denver, Colo., as vp.

John J. Picarella joined Bac TerBush & Powell in New York City as vp of the marine, property and casualty claims department.

Insurers

Jay D. Porter named president of Unigard Insurance Group property/casualty companies. Mr. Porter remains Unigard chairman and chief executive officer. He succeeds Jack E. Hulburd, who died earlier this month, as property/casualty president.

George T. Viosky elected vp of The Hartford Insurance Group, New York.

INA Corp. has announced a series of promotions. G.H. Dixon, senior vp of INA Universal Corp., was named general manager and head of the European marketing area. Charles W. Barnard, senior vp of INA International Corp., succeeds Mr. Dixon as general manager and head of the Pacific marketing area. James S. Carpenter elected senior vp of INA Underwriters Insurance Co. and subsidiary, Pacific Employers Insurance Co. Five others were named resident vps of INA service offices: Joan T. Pollack, Brandwine, Del.; Thomas H. Etling, St. Louis; Michael S. Mullen, Albuquerque, N.M.; Weldon E. Tisdal, San Antonio, Texas; and Barr Reublin, San Francisco.

Excess/surplus

Robert Stein named vp at Comstock Insurance Co., a Los Angeles-based excess/surplus lines insurer and a subsidiary of Fremont Indemnity Co.

Other suppliers

Philip A. Farrington elected vp of Underwriters Salvage Co., El Grove Village, Ill.

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Firms maintain contributions to profit plans

LINCOLNSHIRE, Ill.—Although many companies found 1980 to be a rough year financially, employers managed to find enough profits to maintain their level of contributions to profit-sharing plans, according to a new survey.

Employer contributions to profit-sharing plans averaged 9.5% of payroll in 1980, only a 0.3% decrease from 1979, according to the 24th annual survey of profit-sharing plans conducted by Hewitt Associates for the Profit Sharing Council of America.

Over the past decade, employer contributions to such plans have remained relatively stable, averaging between 9% and 10% of payroll, Hewitt says.

Smaller plans seemed to receive a greater share of company profits than larger plans, the study reveals. Employer contributions to plans with fewer than 99 participants averaged 9.9% of payroll, while the average contribution to a plan with more than 5,000 participants averaged only 7.8%.

The vast majority—83%—of the 553 companies surveyed operated deferred profit-sharing plans, in which shared profits are deposited in a trust fund. None of the profits are paid out in cash.

Some 6% of the plans were combination plans, in which a predetermined portion of the profits are paid in cash in combination with a deferred plan; 7% were combination option plans, in which an optional portion of the shared profits are paid in cash while the rest are deposited in a trust; and 3% were cash plans, in which shared profits are paid out in cash.

The existence of an employer-sponsored pension plan did not greatly affect percentage of payroll contributed to a profit-sharing plan. Companies that offered a deferred profit-sharing plan by itself contributed 9% of payroll to the plan in 1980. Those that offered

both a deferred plan and a pension plan contributed 8.8% of payroll to the deferred plan.

Generally, combination-type profit-sharing plans had the highest employer contribution level—12.4%. Companies that maintained a contribution plan but did not offer a separate pension plan contributed an average of 13.5% of payroll, according to the study.

About one-third of the companies surveyed offered a pension plan in addition to the profit-sharing plan.

More than 44% of the companies surveyed used their own discretion in determining how large a share of profits would be contributed to a plan. However, only 11.4% of the plans with more than 5,000 participants were funded by such a discretionary basis. The largest number of the plans with more than 5,000 participants receive a specific percentage of profits in excess of an amount reserved for return on stockholder equity.

More companies are allowing employees to make contributions to

their profit-sharing plans. In 1980, 62% of the plans surveyed allowed such contributions, an increase from 55% in 1979 and 46% in 1978.

Of the plans that accept contributions from employees, 84% permit contributions on a voluntary basis, 10% require a specific contribution and permit additional voluntary contributions and 6% permit only a specific mandatory contribution.

Banks provide the investment management for the greatest number of plans. Some 34.8% of the plans used a bank manager, 29.9%

relied on investment advisers, 22% managed their funds internally and 12.9% contracted with insurance companies to manage their funds.

The funds surveyed averaged an 11.4% rate of return in 1980.

The Profit Sharing Council of America is a trade association composed of more than 1,400 companies that offer profit-sharing plans.

For a copy of the "1981 Profit Sharing Survey" send \$20 to the Profit Sharing Council of America, 20 N Wacker Dr., Chicago, Ill. 60606.

Atlanta groups sponsoring conference

ATLANTA—Profitability pressures, new products and a fresh look at the insurance industry of the future will be among the topics explored at the Atlanta Insurance Day Conference Nov. 2.

The half-day conference, sponsored by 11 metropolitan Atlanta insurance organizations, will open with a workshop on "Modelnetics," a managerial system designed by Harold Hook, chairman and president of American General Corp.

Four concurrent sessions will follow: "The Insurance Industry in the Next 10 Years," "Managing Risk in Today's Environment," "Universal Life Insurance—Pros and Cons," and "New Developments—Retroactive Coverage and the Insurance Exchange."

Panelists will include John R. James, president of the Risk & Insurance Management Society; Joseph Fahys, senior vp of Marsh & McLennan; Thomas Hallett, senior vp and risk manager, Frank B. Hall & Co. Inc.; and Alan Teale, chief executive officer, Insurance Exchange of the Americas.

The luncheon speaker will be Lewis Grizzard, syndicated columnist for The Atlanta Constitution. The lunch will honor recent graduates of educational programs.

The cost of the conference and luncheon, to be held at the Colony Square Hotel in Atlanta, is \$25. For more information contact Dr. Larry D. Gaunt of Georgia State University, the event's chairman, at 404-658-2725.



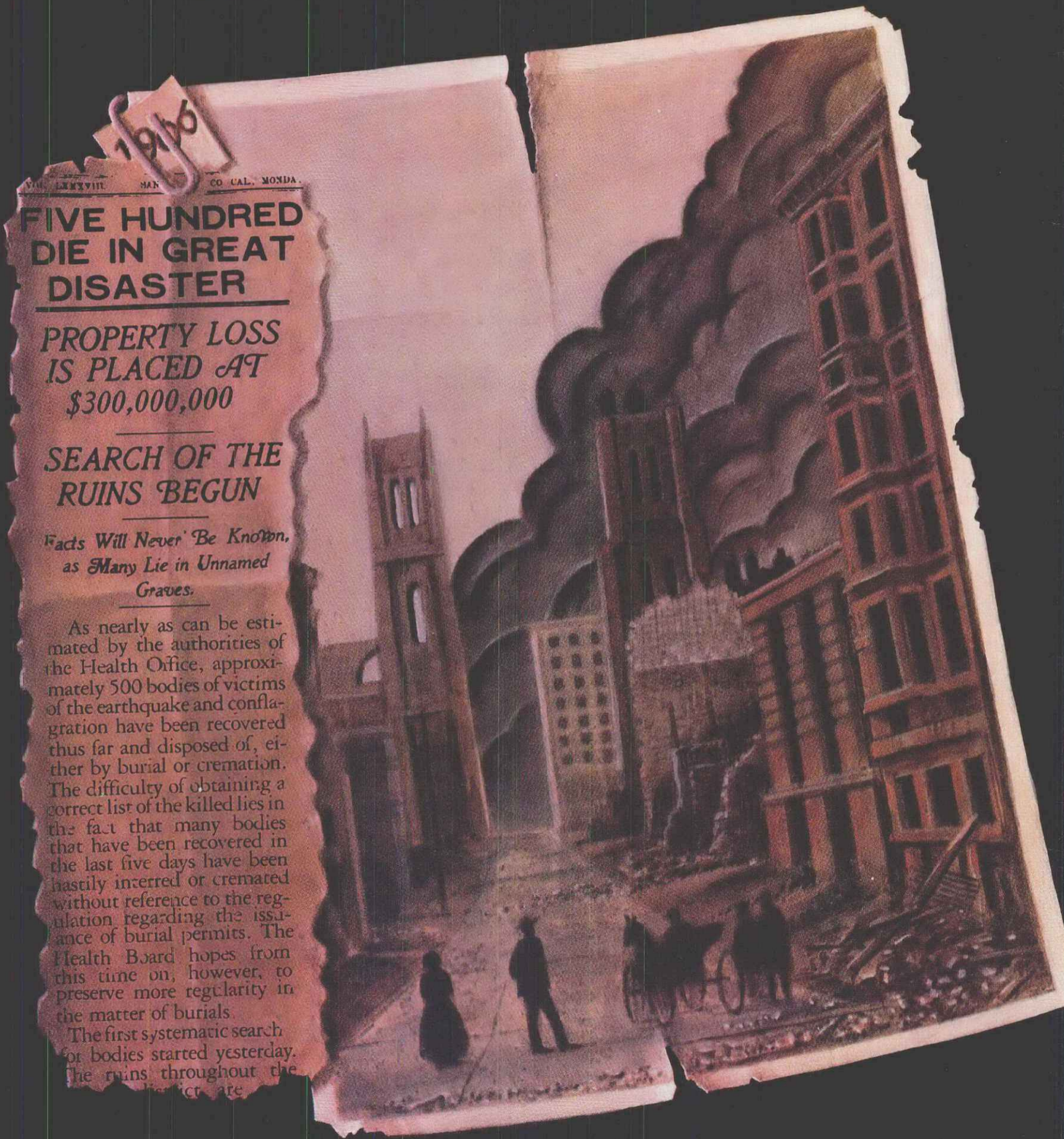
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as Many Lie in Unnamed
Graves.*

As nearly as can be estimated by the authorities of the Health Office, approximately 500 bodies of victims of the earthquake and conflagration have been recovered thus far and disposed of, either by burial or cremation. The difficulty of obtaining a correct list of the killed lies in the fact that many bodies that have been recovered in the last five days have been hastily interred or cremated without reference to the regulation regarding the issuance of burial permits. The Health Board hopes from this time on, however, to preserve more regularity in the matter of burials.

The first systematic search for bodies started yesterday. The ruins throughout the district are

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HURRICANE SMASHES MOBILE, ALA

**Fires, Power Failures,
Tornadoes Reported.**

MOBILE, ALA, Sept. 12, 1979 — Hurricane Frederic plowed ashore tonight at Dauphin Island, 25 miles south of here, wrecking small towns along the western shore of Mobile Bay with winds recorded at 100 miles an hour and causing heavy damage in this populous port city.

TORNADOES AND HIGH TIDES

There were reports of damage all along the Alabama and Mississippi Gulf Coast from hurricane-force winds, tornadoes and storm-driven tides expected to reach 10 to 15 feet above normal. Hurricane warnings were in effect along a 300-mile strip of the coast from Florida to Louisiana, and about 400,000 people had been evacuated from low-lying areas as the storm approached.

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datebook

NOV. 14. Benefits Processing Institute program in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 24. 36th Annual Meeting in Honolulu, sponsored by the National Assn. of Independent Insurers; members, \$175; non-members, \$275. NAII Convention Office, Suite 1632, 233 N. Michigan Ave., Chicago, Ill. 60601.

NOV. 23. Management of Radiation Accidents course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 23. Petroleum Loss Detection and Control seminar in Key Biscayne, Fla. sponsored by Enercon Group Inc.; \$285. Enercon Group Inc., 1110 Brickell Ave., Suite 430, Miami, Fla. 33131; 305-371-3343.

NOV. 4. Employer Health Benefit Concerns workshop in Hartford, Conn., sponsored by Personnel Research Associates and Jacqui Associates; \$150. Personnel Research Associates, 49 Cakridge Road, Verona, N.J. 07044.

NOV. 5. Workers Compensation Insurance System in Indiana seminar in Indianapolis, sponsored by the Indiana Compensation Rating Bureau; \$25. Ms. M.D. Kepner, Indiana Compensation Rating Bureau, 5920 Castlaway West Drive, Indianapolis Ind. 46250; 317-842-2600.

NOV. 5-6. Defending Intentional Tort Cases course in Kansas City, Mo., sponsored by the Defense Research Institute; members, \$235; non-members, \$270. Anthony K. Karpowitz, Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233; 414 272-5995.

NOV. 5-6. Defense of Business and Municipal Liability seminar in Atlanta, sponsored by the Defense Research Institute; \$215. Defense Research Institute, 1110 W. Wells St., Milwaukee, Wis. 53233; 414-272-5995.

NOV. 9-10. Canadian-U.S. Carrier Liability seminar in Toronto, sponsored by the Shippers National Freight Claim Council; members, \$175; non-members, \$195. Shippers National Freight Claim Council, 121 Main St., Box Z, Huntington, N.Y. 11743; 516-549-8984.

NOV. 9-10. Mining Product Liability and Safety conference in St. Louis, sponsored by The Energy Bureau Inc.; \$650. Carol Fertzoff, The Energy Bureau, Inc., 41 E. 42nd St., New York, N.Y.

10017; 212-687-3177.

NOV. 9-11 8th Annual Computer Security Conference in New York, sponsored by the Computer Security Institute; members, \$445; non-members, \$495. Computer Security Institute, 43 Boston Post Road, Northboro, Mass. 01532; 617-393-3768, 617-393-3663.

NOV. 10. Back Injury Prevention training in San Mateo, Calif., sponsored by the San Mateo County Safety Council; \$65. Back Dynamics Institute of America, 738 Edgewater Blvd., Suite 305, Foster City, Calif. 94404; 415-574-1087.

NOV. 11. Reinsurance, Arson and Hurricane seminar in Atlanta, sponsored by The Skandia Group; free. Gunder Morken, Assistant Secretary, The Skandia Group, 211 Perimeter Center Parkway Atlanta, Ga. 30346.

NOV. 11-13 Third Annual American Society for Hospital Risk Management seminar in Orlando, Fla., sponsored by the American Hospital Assn.; members, \$225; non-members, \$275. Division of Education, American Hospital Assn., P.O. Box 98946, Chicago, Ill. 60693; 312-280-6177.

NOV. 12-14. Public Employees conference in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans. members, \$360; non-members, \$435. IFEBP, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 15-17. Business Insurance Communicat-

ing **Employee Benefits** conference in Chicago, sponsored by Business Insurance. The latest tips and techniques to effectively communicate benefits to employees; \$395; \$355 for two or more registrants from the same company. Registration fee includes Nov. 16 awards dinner honoring winners of the *BI* Employee Benefits Communications competition. Valerie Adams, Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611. 800-621-6877; in Illinois, 312-649-5242.

NOV. 15-20. Hemispheric Insurance conference in Acapulco, Mexico, sponsored by the Interamerican Federation of Insurance Cos. and the Mexican Insurance Assn.; \$600 for observers. Gordon Cloney, Executive Secretary, International Insurance Advisory Council, Chamber of Commerce of the United States, 1615 H St. N.W., Washington, D.C. 20062; 202-639-6114.

NOV. 16-17. Captive of the Future seminar in New York, sponsored by the American Management Assns. AMA members, \$525; non-members, \$605. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

NOV. 16-17. Employee Theft and Fraud Prevention workshop in Arlington, Va., sponsored by the American Society for Industrial Security; members, \$220; non-members, \$285. ASIS Educational and Seminar Programs Department, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

NOV. 16-17. Risk Management and Safety seminar in Las Vegas, Nev., sponsored by Arizona Center for Occupational Safety and Health, Uni-

versity of Arizona; \$275; two or more from same firm, \$250. Herschella Horton, Coordinator for Continuing Education, Arizona Center for Occupational Safety & Health, University of Arizona Health Sciences Center, Tucson, Ariz. 85724; 602-626-6835.

NOV. 16-18. Analyzing Safety Performance course in Tucson, Ariz., sponsored by Don Petersen, management consultant; \$375. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

NOV. 17. Kentucky Workers Compensation Insurance seminar in Louisville, Ky., sponsored by the Southeastern Council on Compensation Insurance; \$25. Robert E. Maxwell, Manager, SECCI, 320 Beacon Parkway West, Box C-40, Birmingham, Ala. 35283.

NOV. 17-19. Financial Analysis for Risk Management Decisions seminar in San Francisco, sponsored by Cozzolino Associates Inc.; \$685, plus \$50 registration fee per company. Also **Dec. 15-17** in Atlanta. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

NOV. 18. Insurance Perspectives 1981 seminar in Dallas, sponsored by Peat, Marwick, Mitchell & Co.; free to clients. Keith Tucker, Peat, Marwick, Mitchell & Co., Suite 1500, 2001 Bryan Tower, Dallas, Texas 75201; 214-747-8911.

NOV. 18. Successful Selling in the '80s meeting in Chicago, sponsored by the Chicago Assn. of Life Underwriters. CALU members, \$13; NALU members, \$16; non-members, \$21. Jack Vorhauer, 65 E. South Water St., Suite 1107, Chicago, Ill. 60601; 312-853-0600.

NOV. 19-20. Basic Radiation Hazard Control seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 19-20. Safety By Objectives course in Tucson, Ariz., sponsored by Don Petersen, management consultant; \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

NOV. 20. Risk Management Information Systems seminar in Santa Ana, Calif., sponsored by the Public Risk & Insurance Management Assn. PRIMA members, \$95; non-members, \$170. Also **Dec. 4** in White Plains, N.Y. Natalie Wasserman, Executive Director, PRIMA, 1140 Connecticut Ave. N.W., Suite 210, Washington, D.C. 20036.

NOV. 23-25. The A-Z of Captive Insurance Companies seminar in Brussels, Belgium, sponsored by Management Centre Europe of Brussels. W.F. Sennett, Director, European Risk Management Ltd., E.R.M. House, 31/33 Monument Hill, Weybridge, Surrey, KT13 8RS, England.

NOV. 23-25. Effective Risk Management course in London, sponsored by the Risk Research Group Ltd., approximately \$537, plus \$80.55 value-added tax. Course Coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England.

DEC. 24. Second National Arson Legislative conference in Dallas, sponsored by the National Legislative Conference on Arson; \$85. Nancy R. Tidwell, National Legislative Conference on Arson, Box 09604, Columbus, Ohio 43209; 614-235-1922.

DEC. 34. Nuclear Litigation program in New York, sponsored by the Practising Law Institute; \$285. Practising Law Institute, Department ULC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

DEC. 3-5. Alternative Captive Domiciles conference in Hollywood, Fla., sponsored by Risk Planning Group Inc.; \$550, \$475 for each additional registrant from same company. Nicki Brisikin, Director of Conferences, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

DEC. 4-9. 27th Annual Educational IFEBP conference in Acapulco, Mexico, sponsored by the International Foundation of Employee Benefit Plans, \$360. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wisconsin. 53005; 414-786-6700.

DEC. 8-9. Safety Management—A Behavioral Approach course in Tucson, Ariz., sponsored by Don Petersen, management consultant, \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

DEC. 9. Insurance Perspectives 1981 symposium in Dallas/Ft. Worth, sponsored by Peat, Marwick, Mitchell & Co.; free. Keith Tucker or Paul Zucconi, Peat, Marwick, Mitchell & Co., Suite 1500, 2001 Bryan Tower, Dallas, Texas 75201; 214-747-8911.

DEC. 10-11. Interest Rate Risk Management seminar in New York, sponsored by New York University's School of Continuing Education; \$655, plus \$95 registration fee. Registrar, 14th floor, University Conference Center, 360 Lexington Ave., New York, N.Y. 10017; 212-953-9022.

DEC. 14-16. 1981 EDP Conference in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

DEC. 14-16. Product Liability of Manufacturers program in New York, sponsored by the Practising Law Institute; \$325. Also **Jan. 21-23** in Los Angeles. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JAN. 7-8. Institutional Investor Annual Pension conference in New York; \$725. Conference Director, Institutional Investor Pension Conference, 488 Madison Ave., New York, N.Y. 10022 212-832-8888.

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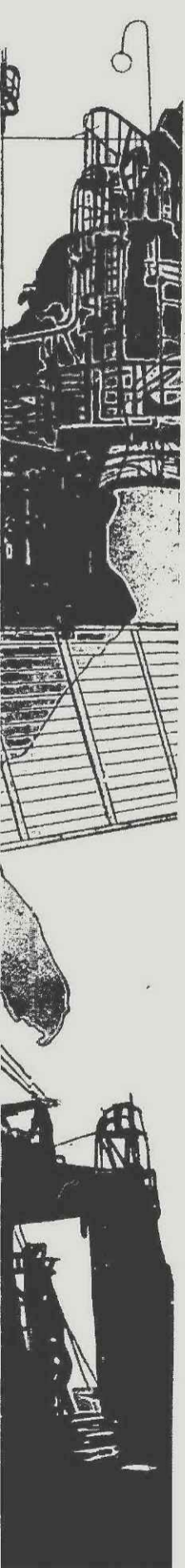
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Can the insurance industry meet the needs of America's drive for energy independence?





The transition from imported oil to new domestic energy sources is creating enormous challenges—social, political, technological, and commercial. Not the least of these is the challenge to insurance brokers with clients in the business of providing energy. It will cost at least \$100 billion in current dollars to equip the domestic syn-fuels industry, according to a leading energy company executive. But unless the risks can be managed, the investments will not be made. "We are not going to expose assets that are uninsured," the same executive said.

This \$100 billion investment will be an *additional* burden. Existing capital expenditure programs are already running at \$75 billion a year to meet the demand for new oil exploration, enhanced recovery systems, and new refinery capacity for heavy crudes.

Energy companies and their risk managers look primarily to the insurance broker to help with this enormous and unprecedented increase in the value of assets at risk. The broker must provide energy companies with all of the risk-management alternatives, including the transfer of risks to insurance markets. The broker's most important functions will be threefold: developing and providing access to new insurance capacity, developing new coverages to attract that capacity, and providing loss-control and environmental-protection services which will be essential to minimize risks and make those coverages available.

The insurance capacity crunch

Where are the new sources of capital to provide the huge catastrophic coverages that will be needed? Captive insurance companies and association insurers will play a role. New American insurance exchanges will also make a contribution later in this decade if regulatory impediments are removed. But the most important source of all will be the international insurance markets. American capital will not be sufficient to build a vast new industry and to insure it, too. Energy executives are well aware of this. "We view the broker primarily as a source of entrance into the world insurance marketplace," one of them recently commented.

Brokers must therefore have strong relationships with the worldwide underwriting community in order to reach the sources of capital and introduce the new coverages that will be required. New organization and new concepts will have to be developed, but the brokerage industry has met such challenges before. The needs of the nuclear-power industry led to the creation of special insurance syndicates, reciprocal self-insurance pools, and industry-owned mutual insurance companies, all through the efforts of brokers, underwriters, and industry. Today, the nuclear industry needs insurance capacity in

still greater amounts and in forms responsive to its particular technological characteristics.

Merely finding new capital sources is only the beginning. Completely new coverages will have to be designed to attract this capital into the markets at acceptable premiums. This will require informed risk analysis of all types of new energy installations. Obviously, processes as diverse as coal gasification, coal liquefaction, and direct combustion cannot be lumped together. The exposures they create vary enormously. Tar sands and oil shale also present different problems, as do solar installations, solid waste conversion, biomass processing, and tidal and wind-powered systems. To serve

Risk management in the eighties: an exploratory review by Marsh & McLennan

This message is the first in a series dealing with major issues likely to affect the risk-management process in the 1980s. Vast and rapid changes are taking place in our economic, political, social, and technological environment. We plan to focus on the implications of these changes for risk-management clients and on the specific role of the insurance broker. Our purpose is to provoke constructive debate. We have solicited and received opinions from a number of corporations and underwriters on these subjects which we intend to share with you in this series. If you would like to send us your views, we will be pleased to add them to the comments we already have.

Write to: Mr. Philip J. Brown, Jr., Executive Vice President, Marsh & McLennan, Incorporated, P.O. Box 839, Radio City Station, New York, N.Y. 10101.

their clients in these areas, brokers will have a greater need for loss-control and risk-management talent than ever before.

The growing need for specialized talent

Insurance capacity alone will not be enough. Unless it is available to energy companies at premiums compatible with profitability, the huge investments needed for energy independence will not be made. Loss-control engineering is therefore a *sine qua non*. Risk-management specialists will have to be involved at the earliest possible stages when new installations are being planned and designed.

Implementing the risk-management approach in any field calls for the broker to have strong teams of specialists in many engineering disciplines. To meet the future needs of clients in the energy industry, these teams will have to be enlarged and strengthened, so

that risk-analysis and loss-control specialists can evaluate any new installation, operation, or process as a whole, rather than as a series of disconnected technical problems.

Brokers will therefore have to make important investments in the training of specialists to provide the risk-management and technical services which their clients will require. It will be more necessary than ever that we "speak our clients' language," and this effort will have to be made at a time when shortage of technical talent will be aggravated by the increased planning and operational demands of the entire energy industry.

Environmental concerns

Asset-protection, though vital, is only one of the insurance problems posed by the drive for energy independence. The inevitable environmental impact will also place heavy demands on insurance capacity, new coverage development, and loss-control resources.

Certain forms of environmental liability insurance are dependent on engineering surveys conducted before coverage is provided. But energy companies and their publics must be assured that the environmental risks can be managed, or the installations will not be built. So input from brokers with extensive environmental engineering experience will be essential through all the stages of designing and planning any new energy installation.

The increased need for risk-analysis, loss-control, and insurance-brokerage skills will have an impact on every field of energy industry activity, from ocean floor to outer space. New marine coverages will have to be developed for tidal and ocean-thermal systems. Oil-rig "life insurance" is also a probability. Energy-collection by satellite will pose totally different problems.

Summary: the challenge for the insurance broker

To solve the risk-management problems of this energy transition era, a broker must have, and must continue to develop, certain major strengths in serving its clients:

- Broad access to international insurance markets to obtain the needed capacity.
- Technical capabilities: both to develop new insurance coverages and to provide loss-control services.
- Environmental knowledge and experience.
- Depth of professional talent to meet the challenges that lie ahead.

Recognizing these needs is a first step. Meeting them will take imagination, careful planning, and sustained effort. At Marsh & McLennan, we are confident that both the talent and the resources will be found.

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executives devote their full-time to this one area. In our Home Office, we have a separate staff of officers specializing in large losses with exposures of \$200,000 or more. So you buy our expertise, without buying our insurance.

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THE TRAVELERS

perspective

Coping. . .

Business has chance to make regulation less burdensome

By John P. Olsen

THERE ARE TWO ways of coping with something: simply develop the strength to endure conditions as they exist, or take steps to make those conditions less unendurable.

It may be that we have an unusual opportunity right now to exercise the second option and make regulation of business less unendurable, less unrealistic and more productive. That is the stated desire of the current administration: to reduce the regulatory burden on the public generally and on business particularly.

In response to Vice President George Bush's request in March for private-sector advice documenting "instances in which specific regulations could be changed in order to increase benefits or decrease costs, thereby generating greater net benefits overall," more than 3,000 summaries of controversial rules were submitted by the middle of July.

The Department of Commerce eventually gleaned the most troublesome or "terrible 20" of the rules that were called to its attention by the responding business community (see box).

The Reagan administration, which was clearly elected to reduce the burdens of big government, may offer a unique—and perhaps the last—opportunity to reverse the direction of the last several decades. It will be up to the business community to make sure that the opportunity is not wasted.

American industry is at a crossroads where its own credibility is being tested, and it is being given the option to prove that it is willing to conduct its affairs in a manner that is consistent with public well-being.

Historian Arthur M. Schlesinger Jr., a well-known supporter of Kennedy-style Democratic policies, recently said at a commencement address in Boston:

"History suggests that our present mood is characteristic of those recurrent moments in our national experience when the American people are just plain worn out. A glance at this century's history reminds us of the inherent rhythm in our public affairs, the continuing alternation between epochs of movement and epochs of drift. . .

"We go through seasons of action, idealism, reform and affirmative government until our energies languish. Then we long for respite and enter into seasons of withdrawal, apathy, hedonism,

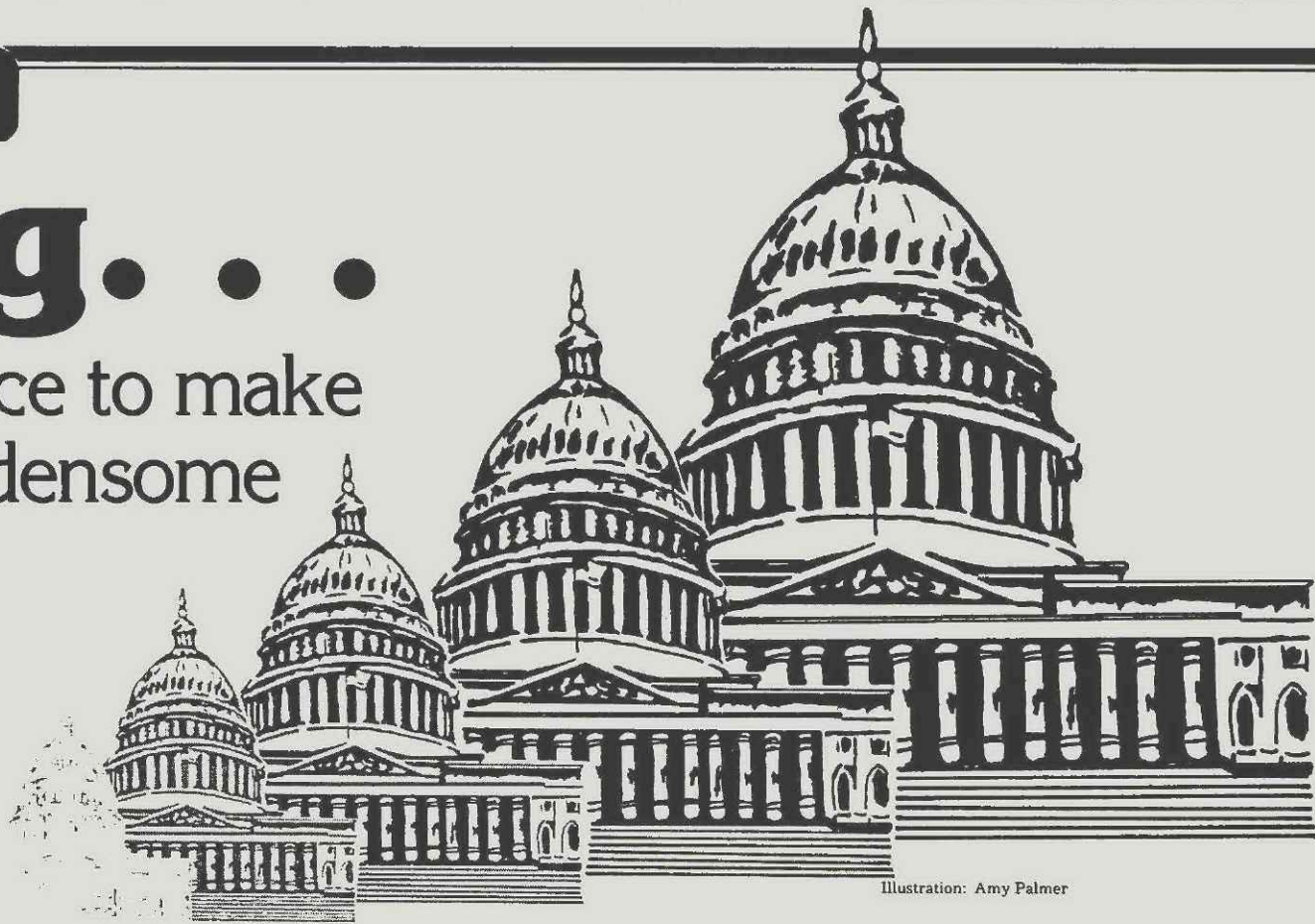


Illustration: Amy Palmer

cynicism and negative government. . ."

In the same speech, he also observed, "One may speak of the inevitability of liberalism, for inflation and energy make affirmative government a technical imperative."

Mr. Schlesinger represents the group that believes the restoration of conservative ideas in reducing the size of government and changing the methods of motivating productivity are to be defined as negative and regressive. If the business

community does not respond positively to the challenge to make private enterprise an effective method of meeting the common need, we will create a new liberal agenda by default.

Such a failure would be the essence of not coping in an environment where coping is best described as moderating what have been unbearably burdensome conditions in our marketplace.

Time magazine Editor-in-Chief Henry Grunwald observes that the key to the

American may well be:

"...the fact that Americans want just about everything, without considering or fully understanding the cost. We want freedom as well as order, individual liberty as well as equality, safety as well as the benefits of risk-taking, a wide-open society as well as less crime, material wealth as well as spiritual worth—without stopping to think that each of these values takes something away from the other.

To use an ungainly but accurate word, we have forgotten the *trade-offs*. . .the success. . .of drives (to promote special interest objectives) has demonstrated that we have an ability unmatched in any other modern democracy to organize the reshaping of society. The crucial task now is to restrain this capacity and to guide it toward broader issues, so as to make possible at least a measure of consensus and unity."

There are two essential ideas expressed here: that it is necessary to make trade-offs and that it is necessary to try to reshape our society while we can. This is the proper definition of "coping" with the economic and political life of this country right now.

The greatest hazard facing us is that American industry and commerce will behave irresponsibly when it is given the opportunity to improve its own self-regulation. The administration has made it clear that the public-policy objectives of existing legislation and regulation are not being scattered to the winds. Clean air, workplace safety, manufacturing safety standards and basic social welfare needs are not being dropped from the U.S. public calendar.

What is being offered is the more rational way of accomplishing those objectives. To the extent that private industry is able to assist in accomplishing those objectives, it will be able to make them more achievable, more effective and less costly. To the extent that it fails to rise to this challenge, it will invite the continued development and implementation of excessively complicated and excessively restrictive regulatory limitations. For this reason, the phrase "corporate responsibility" is possibly more crucial than it has ever been before in the U.S. business community. Let

Continued on next page

U.S. business is hoping to erase the 'terrible 20'

Here are the 20 rules that the Commerce Department took off the books this year:

- Hazardous waste management regulations (Resource Conservation and Recovery Act; 40 CFR, parts 260-267).
- Criteria and standards of the National Pollutant Discharge Elimination System (Clean Water Act; 40 CFR, parts 122-125).
- Nuclear licensing requirements (Atomic Energy Act; 10 CFR, part 150).
- Pre-treatment standards (Clean Water Act; 40 CFR, part 403).
- Notification and testing requirements for new chemical substances (Toxic Substances Control Act; 44 Fed. Reg. 2244, 44 Fed. Reg. 16260, 44 Fed. Reg. 59764, Fed. Reg. 74945, Fed. Reg. 8986).
- The OSHA cancer policy (Occupational Safety and Health Act; 29 CFR 1990, 101 et. seq.).
- Incremental pricing of natural gas (Natural Gas Policy Act; 44 Fed. Reg. 57726).
- "Prevailing wage" regulations (Davis-Bacon Act; 29 CFR, part 1).
- Residential Conservation Service program (Energy Conservation Policy Act; 10 CFR, part 456; 46 Fed. Reg. 1616, 46 Fed. Reg. 2522, 46 Fed. Reg. 4482).
- Coal conversion/alternative fuel guidelines (Power Plant and Industrial Fuel Use Act of 1978; Docket nos. ERA-R-19D, ERA-R-80-32).
- Building energy performance standards (Energy Conservation and Protection Act; 10 CFR, part 435).
- Mine safety standards setting and enforcement regulations (Mine Safety and Health Act of 1977; 30 CFR, parts 55, 56, and 57).
- Occupational safety: hearing conservation regulation (Occupational Safety and Health Act; 20 CFR, part 19-0, 95).
- Medicaid/Medicare regulations (42 CFR, part 405).
- Occupational exposure to hazardous substances (Occupational Safety and Health Act; 19 CFR, part 19-0, subpart Z).
- Patient package insert requirements (Food and Drug Act, 21 CFR, part 203).
- Proposed rule requiring records and reports of allegations of significant adverse reactions to health or the environment (Toxic Substances Control Act; Fed. Reg. 47008).
- Affirmative action programs (Civil Rights Act and Executive Order 11246; 4 CFR, part 60).
- Food labeling policy (Department of Agriculture, Food and Drug Administration, 9 CFR, part 317).
- Pension plan regulations (Employee Retirement Income Security Act; 29 CFR 1510, 104, et. seq.).



John P. Olsen, senior vp with Fred S. James & Co. Inc. in New York, made these remarks at the American Management Assns.' National Conference on Risk and Insurance Management.

perspective

Real estate brokers' liabilities explained

By William North

"Broker Beware"

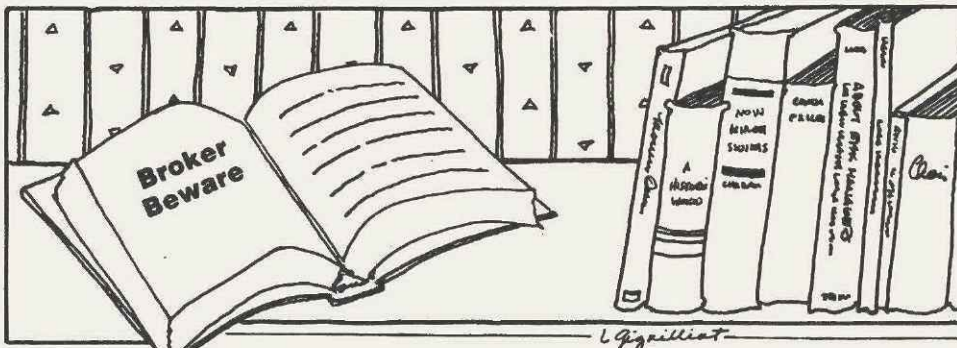
By Fredrick J. Fisher
Reston Publishing Co. Inc., 1148 Sunset
Hills Road, Reston, Va. 22090
192 pages, \$13.95

THE PUBLICATION of "Broker Beware" by Frederick J. Fisher comes at an exceptionally opportune time. The unprecedented escalation of housing prices, the lack of conventional financing sources and the greatly increased recourse to creative financing techniques have enhanced the need for brokerage services and the importance of the real estate broker to a degree never before seen in this country.

The recent chaos of the real estate marketplace has provided the broker with a unique opportunity to shed all remaining vestiges of his "Babbittonion" image as a smooth-talking guide to houses that are vacant or being vacated and to substitute,

William D. North is senior vp and general counsel of the National Assn. of Realtors in Chicago.

book & ideas



therefore, a professional image of creative financing adviser as well as expert in real estate marketing.

But this transition requires a clear and comprehensive understanding of the legal relationships and obligations that distinguish the professional from the peddler. Mr. Fisher's work is an excellent analysis of those relationships and obligations derived from the broker's status as an agent.

In simple and understandable prose, Mr. Fisher presents an intelligent and

intelligible outline of the duties of real estate brokers as fiduciaries and professionals. This is supported with both meaningful illustrations of the principles involved and legal authorities for the principles themselves.

"Broker Beware," however, does not stop with discussions of agency principles and precedent but provides the reader with practical insights and advice concerning the types of lawsuit to which the agent is most vulnerable as well as sound recommendations of ways in which

the broker can limit legal liability through contract and internal office systems.

If Mr. Fisher's work warrants criticism, that criticism should be directed to its name, which appears to this reviewer to appeal to those who prefer to be frightened rather than educated.

Mr. Fisher tends to overstate the probability that a broker will be sued for breach of his fiduciary and professional obligations. But such exaggeration is at most a harmless error considering the disastrous consequences that Mr. Fisher accurately describes if the broker is sued.

"Broker Beware" is a very good book and one worth not only reading, but retaining for ready reference. The broker who heeds its advice and counsel will not only minimize the risk of litigation but, more important to enduring success, will greatly enhance his professionalism.

Editor's Note: Fredrick J. Fisher, the author of the reviewed text, is a frequent contributor to "Perspectives." His book raises interesting points about real estate brokers' liability in general and the allied problems of insurance agents and brokers.

American business and industry must 'cope' in the highly regulated environment of today

Continued from page 29

us consider some of the items of federal activity to which U.S. business must respond.

Currently, among the major items being considered at the federal level are product liability; all of the issues of privacy as they relate to insurance and to the general management of corporate affairs; oil-spill liability and compensation; pollution liability and the management of toxic waste; nuclear liability and workers compensation and occupational disease, including reform of the most repugnant features of the Longshoremen's and Harbor Workers' Act; problems related to the Jones Act; and extended exposure issues such as those relating to asbestos.

Each of these reflects a problem that will not go away; therefore, there must be a method for dealing with the legitimate concern of each group affected by those problems.

The product liability legal forum is unstable. Sixteen states have enacted product liability reform measures, and in a number of states as well as the U.S. Congress, tort reform proposals are under consideration.

In 1980, H.R. 7921, the Product Liability Act of 1980, was introduced. It would have eliminated negligence, strict liability and breach of warranty as theories of liability and established a single cause of action for all product liability claims. It would have codified strict liability in bench defect and breach of warranty situations, but would have expressly eliminated it in design and warning cases, introducing, instead, the continued need to establish an element of negligence.

It would have created a rebuttable presumption that products complying with governmental standards or causing injury more than ten years after sale were not defective. It also dealt with the relationships between workers compensation and product liability,

punitive damages and unavoidably dangerous aspects of products.

Unfortunately, that bill was not seriously considered in the 1980 session because of the election and subsequent budgetary concern.

Also pending in that Congress was the Risk Retention Act, which would have authorized the creation of groups for the purpose of self-insuring product liability. A main feature of the Risk Retention Act was that, once the capitalization requirements of any state were met, all states would have to permit the risk retention units to provide product liability coverage for participating members in any states where those members had product liability exposures.

The Risk Retention Act was not enacted during 1980, was promptly reintroduced in 1981, and—this is the important thing—as a result of a coalition of business interests, has cleared the House and Senate and was signed by President Reagan.

That same coalition is now looking forward to working on a product liability reform law substantially similar to H.R. 7921.

The business community is beginning to learn that when it can arrive at a consensus, the consensus approach is much more productive than the historically adversarial methods that have been used in other areas. It is interesting to note, however, that while the legislative efforts had been going on at both the federal and state level to stabilize and make product liability law more uniform, case law has continued to produce inconsistent decisions and a continuing expansion of product sellers' liability.

Workers compensation presents another opportunity. National coalitions are being formed to deal with the excesses and abuses of the workers compensation law, and to try to develop a reasonable and realistic response to the legitimate problems raised by occupational-disease

related disability. These coalitions can expect to be heard at the legislative and regulatory levels so long as the solutions they propose are a legitimate response to legitimate problems.

The mandatory financial responsibility provisions of the environmental pollution regulations relating to the disposal of toxic wastes invite action. Very complex regulations were proposed under the last administration establishing the limits of financial responsibility and also mandating that such responsibility be demonstrated by the purchase of insurance. Those mandates are now being reconsidered.

Can the objective of the law be met by a different and less-restrictive method? There is consideration being given to delegating some of the standard setting to the states. These regulations are now being restudied, and everyone with an interest in the subject should be making a point of being heard.

The thought I would like to leave with you is that one copes in the current federal environment by responding to the challenge of developing private enterprise means to obtain public policy ends. Increasingly, we can expect to see federal intervention in our insurance- and risk management-related concerns by the establishment of federal power, which must then be implemented by state regulators, by state legislators or by private compliance.

To the extent that private enterprise response makes it unnecessary to generate complex, expensive and unnecessary regulations, we will have made a major change in the orientation of a free economy. To the extent that free economy is perceived to be (as it truly is) the most efficient way of satisfying the needs of the largest number of people within our political and economic community, some of the future problems of coping may well have been averted.

legal briefs

Health coverage includes diagnosis, appeals court rules

THE TERM "TREATMENT" used in a group health insurance policy was a broad term covering all of the steps taken to cure the injury or disease and included examination and diagnosis as well as application of remedies, according to a Louisiana appellate court.

Richard G. Lucito was covered under a group hospitalization policy issued by Blue Cross. The policy excluded coverage for any hospitalization that, in the opinion of the attending physician and the Blue Cross physician, was primarily for diagnostic studies.

Mr. Lucito was hospitalized by his physician with symptoms of diarrhea because he could not ascertain the cause. Tests disclosed that Mr. Lucito was suffering from a peptic ulcer. He was discharged and treatment continued at home.

Blue Cross denied Mr. Lucito coverage claiming the hospitalization was for diagnostic studies.

The court concluded the policy language was ambiguous in failing to differentiate between "treatment" and "diagnostic studies."

The court believed that diagnostic studies may be properly regarded as part of the medical treatment. Thus, the court said the policy should be construed against the insurer. *Lucito vs. Louisiana Hospital Service Inc.*, Court of Appeals of Louisiana, December 17, 1980 (BI/05/Au.-\$5).

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

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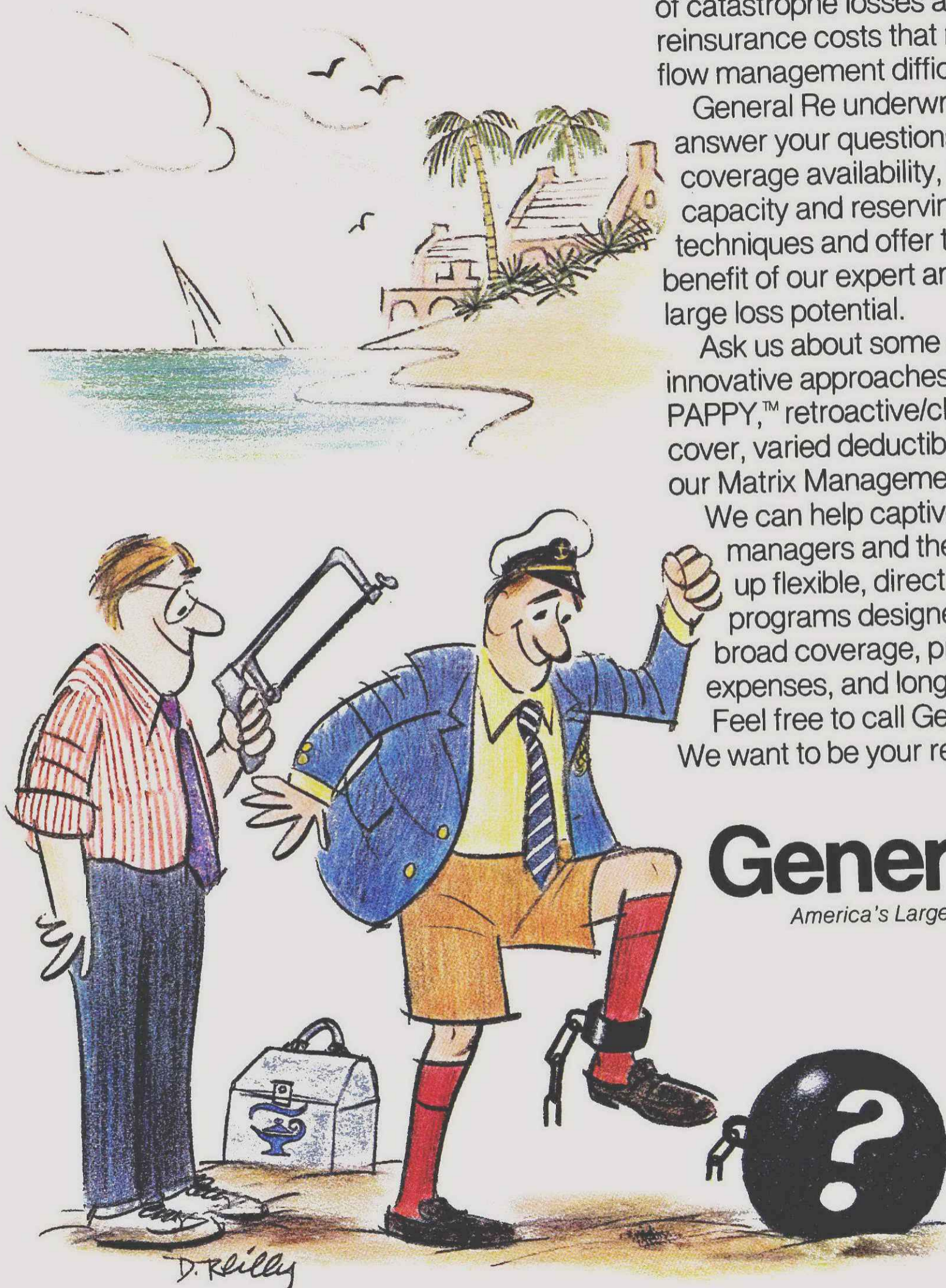
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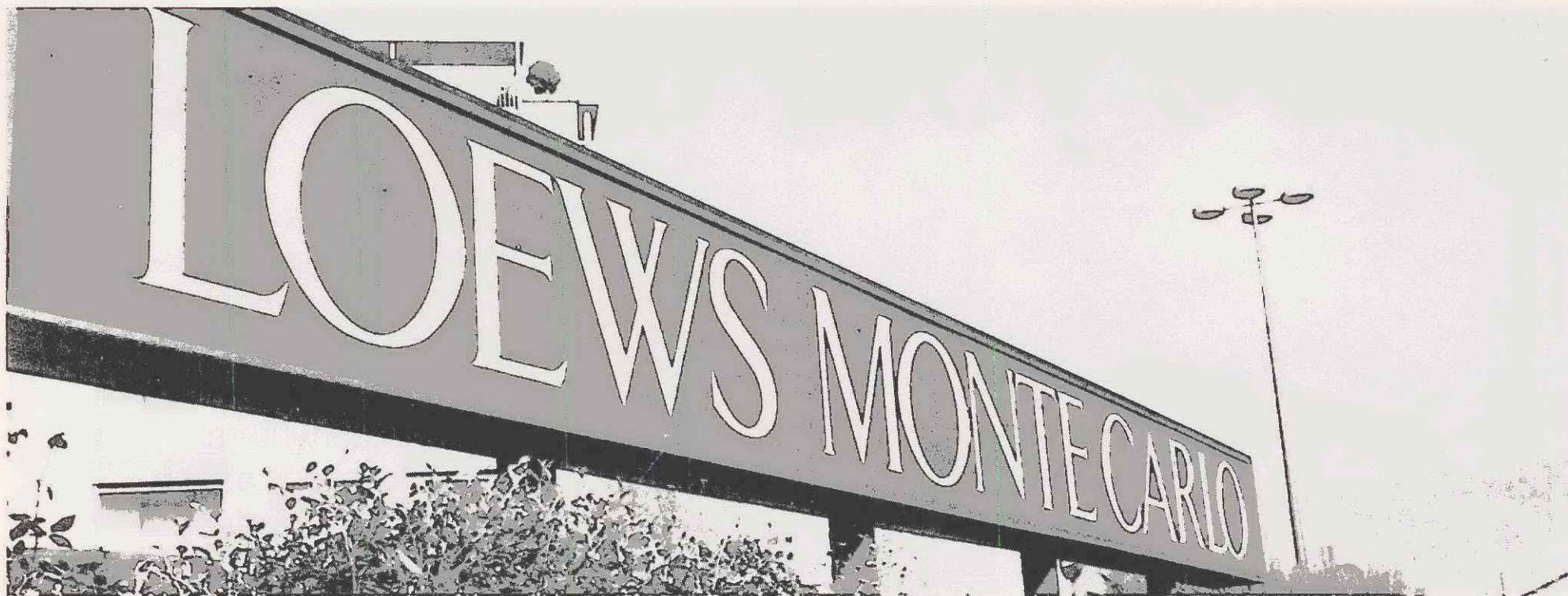


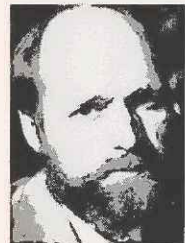
Photo: Kathryn J. McIntyre

Views on risk managing vary worldwide

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Risk management departments must be concerned with risks that offer gains as well as loss before they will be integrated with business finance and management sectors, a Swiss professor argues.

Computer technology eventually will transform risk management into a routine financial function in the corporation, a veteran American risk manager predicts.



Mr. Haller

Risk managers still need to seek the support of top management, muses an Italian risk manager relatively new to the job.

These differing viewpoints on the job

of risk management were presented during the International Risk Management Conference in Monte Carlo by speakers addressing Risk Management: The State of the Art(s).

Matthias Haller, managing director of the St. Gall School of Economics in St. Gall, Switzerland, complained that "risk management is not integrated into business finance and management." He cited as proof the dearth of articles on

risk-management topics appearing in general business journals and publications.

"Why is it so difficult to find a good risk management story in a regular business journal?" he asked. "Why is a risk management article an advertisement instead of an editorial?" he asked, referring to an advertising section in Fortune magazine that focused on risk management.

Risk management suffers isolation as a discipline for four reasons, he conjectured:

- Too much concentration on assets and direct profitability.
- Too much concentration on the technical or financial dimension.
- Separation of so-called pure risks (those involving only the chance of loss) and speculative risks (those involving loss or gain).
- Confusion between the risk management function and the function of the risk manager.

Mr. Haller suggested that instead of concentrating on assets and profitability, the risk management process be redefined to concentrate on risk processes and overall vulnerabilities of business. The risk manager should function in the complete business environment including technical, financial and social concerns, he argued.

Most important, he maintained, is that risk managers be involved in

More responsibility ahead: Canadian

MONTE CARLO, Monaco—There is more responsibility on the horizon for the sophisticated risk manager, predicts a Canadian-based risk manager with international responsibilities.

"I suggest the more advanced risk managers today will emerge in the next decade as important coordinators and applicators of risk-management techniques throughout the company at the vice-president level, with influence on long-term planning," Eckart Russell, risk manager for Alcan Aluminum Ltd. in Montreal, said in closing remarks at the International Risk Management Conference in Monte Carlo.

Reviewing the responsibilities of the risk manager today, Mr. Russell agreed that most are concerned

with the traditional risks of property, liability and personnel losses.

But the host of risks in the political, social, technical and economic arenas deserves the risk manager's attention, he suggested. Among political risks, he noted, are expropriation, inconvertibility of currency, breach of contract and export credit. Social risks include labor strikes and harm to the environment. Obsolescence is a major technical risk, and economic risks to be considered range from market conditions to currency values and credit terms to inflation.

Political risks and foreign exchange rates are the most ideal subjects of risk for the well-trained risk manager, Mr. Russell suggested.

assessing speculative risks because treating only pure risks "is too negative and management is positively oriented."

"The distinction has built up barriers for risk management to integrate fully in the area of normal management," he said. So far, only risk managers operating captive insurers have any involvement in speculative risks, he noted.

This advice, however, is not suggesting that the risk manager could assume the total responsibility for handling all risks, but that the risk manager play a decisive role of coordination for the function.

Tracing the development of the

risk manager of the 1980s from the insurance buyer of the 1950s through the insurance manager of the 1960s, Mr. Haller predicted that the risk manager involved in the analysis of all risks on an integrated basis will be considered an operational risk manager and that the risk manager of all risks based on strategic concepts, including input into the management of a risk/choice portfolio, will be considered the strategic risk manager.

James Mascarella, vp of insurance at Gould Inc. in Rolling Meadows, Ill., painted a different scenario for the future and different goals for the risk manager practicing

the state of the art.

Computer technology eventually will transform risk management into a routine financial function in the corporation, much like cash management and pension management, he said.

Information on loss exposures, loss history, corporate resources to retain loss and earnings protection goals will be fed into a computer, analyzed and reconstructed to tell management what its risk-financing program should be, he predicted.

In the meantime, the corporate and legal environment, which dif-

Continued on page 34

Many factors affect international market

By STACY SHAPIRO

MONTE CARLO, Monaco—The international insurance market is a tapestry woven by different people in different languages with different regulations.

Risk managers with international exposures must know how the international insurance market works to weave an insurance program with colors that match and won't run.

"The international insurance market is a tapestry of diversity and complexity," said John Cox, president of the Insurance Co. of North America, at the International Risk Management Conference in Monte Carlo. "There are dramatic variations and subtle differences in regions, countries, cultures, economies and language. Insurance is a function of all of these factors."

North America is no longer the king of insurance premiums in the world and its throne has been slightly shifted, Mr. Cox said. North American premiums were 64% of the world's total in 1970, but today account for less than 50%.

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Mr. Cox

Consider all pros and cons before deciding on global plan

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Assess your worldwide insurance exposures, select a method to finance them and then sell the worldwide insurance programs to your foreign affiliates with diplomacy, not as a dictator, international insurance experts advise.

"Knowing one's own turf makes people less inclined to take on worldwide insurance programs," observed Harold Christensen, vice chairman of AFIA, a consortium of insurers aligned to provide insurance internationally.

"Local purchasing power allows the purchase of inadequate insurance or too much insurance," warned John A. Bogardus, president of Alexander & Alexander, the U.S.-based international brokerage.

There are four prerequisites for developing an international insurance program, added Henk M. Groot, managing director of Bekouw Mendes B.V. in Amsterdam, the third member of a panel addressing international insurance programs at the International Risk Management Conference in Monte Carlo.

The prerequisites are:

- A clear understanding of exposures.
- A clear understanding of how they are currently handled.

- Identification of inconsistencies in these programs.

- An analysis of all exposures, methods of prevention, valuations, liabilities, existing policies, premiums charged and claims history.

Risk managers have three options when developing an international insurance program, Mr. Groot continued, and each has advantages and disadvantages.

A global program using non-admitted insurers where possible provides uniformity in rates and conditions and can be designed to fulfill all the insurance requirements established by the risk manager. However, the use of non-admitted insurers is prohibited in some countries, or there could be a tax penalty for such a program. Other disadvantages of the program include potential exchange control problems and a failure to meet local insurance requirements, Mr. Groot noted.

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Mr. Groot

Conference transcends boundaries

Continued from page 1

"I believe it's because the whole field of risk management is not as developed elsewhere as in the U.S. You have a lot of catching up to do. Get together with U.S. risk managers and improve the stature and credibility of risk management."

No one seemed offended by his bluntness, perhaps respecting his international perspective from being German-born, a German and American broker and now a risk manager in French Canada.

Cash-flow insurance plans, loss forecasting, use of captive insurance companies, expansion of the job of risk management beyond property, liability and loss of income risks are the concerns of American risk managers, while many European risk managers are still concentrating on better organizing their insurance programs to be sure fortuitous losses won't cripple their organizations.

Some attribute this to the larger risks and bigger losses in North America, with a more litigious society, more generous judges and juries and more costly workers compensation programs.

Others complain that strong insurance traditions in other countries shackle the development of risk management.

Still others say the development of risk management programs in different countries reflects the cultural biases of each country.

"Americans get things done and then deal with the mess later," explained one North American. "Europeans want all the answers first before they act," observed a European risk management expert.

While the differences were apparent, the similarities were obvious, too. Risk managers everywhere are concerned with their position in their organizations and how to develop and maintain a corporate commitment to loss control. They are frustrated by varying regulations in different countries that can hamper their loss-funding goals. They are constantly searching for better ways to control and prevent loss.

The two-day program appealed to these common concerns.

Lively debate ensued in English in a seminar on communications. The main question was how you give enough information to top management so they understand your job but not so much that they are confused. Cut out the insurance jargon and present your information in financial terms was the general conclusion.

A miniseminar on international benefits conducted in French explored the ins and outs of funding international benefits through insurer networks to cut overall corporate costs.

And the Germans gathered to debate the merits of installing sprinklers and firewalls to qualify as highly protected risks.

The general sessions, simultaneously translated for the registrants, ranged from the theoretical economic and risk management meditations of Dr. Orio Giarini, unfortunately garbled for the English-speaking audience by malfunctioning equipment, to the basics of the risk management process presented through the RIMS film on risk management.

Sometimes it took a minute to understand the translation, as when the English interpreter said "forestalling loss" for loss control or "quality/price relationship" for cost/benefit concerns.

Nonetheless, the messages came across. Risk managers from around the world went home more convinced than ever that they have to look beyond their own backyards and keep in touch with insurance,

regulatory and political developments in foreign countries.

The Europeans went home with a new understanding of cash-flow insurance plans developed in the United States and a warning from Americans that if they adopt strict liability for injuries caused by products they had better add some limitations or face the litigious nightmare of the United States.

The Americans went home with new insights about the regulation of insurance in the Common Market countries, which are inching slowly toward opening their insur-

ance markets to competition from insurers around the globe instead of forcing the purchase of insurance from local insurers as most do now.

Risk managers from all countries went home with new road maps to traveling the international insurance market, gleaned from the meetings and stops they made at foreign plants during their trip.

And a few risk managers learned about probabilities from two different sources: a session on loss forecasting and a seat at the roulette table. ■

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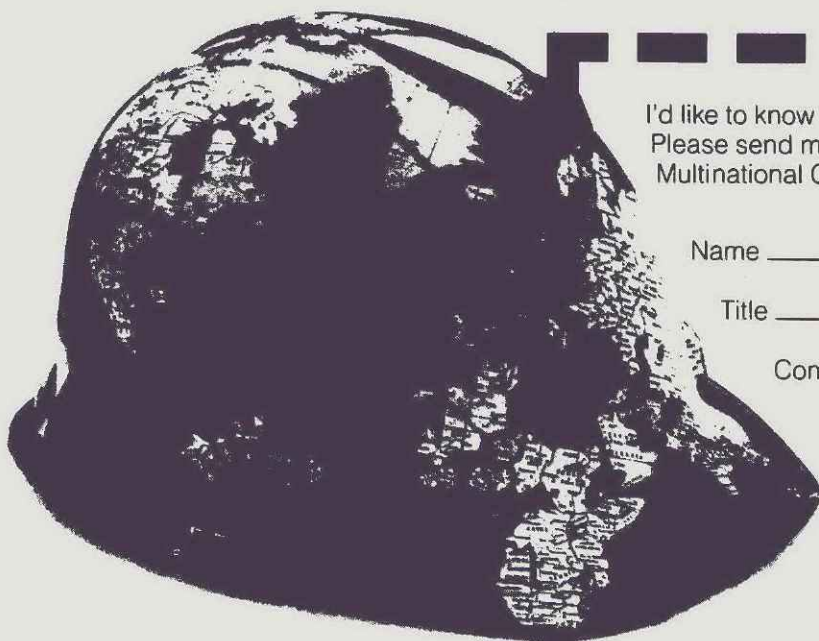
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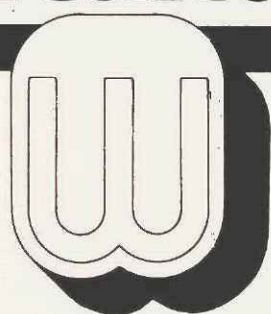
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International risk managers view profession differently

Continued from page 32

fers from company to company and country to country, determines how close to "state of the art" a risk manager can develop, Mr. Masarella said.

The 25-year veteran of risk management, who in the past year was named to Gould's operations committee, described 10 characteristics of state-of-the-art risk management in the United States:

- A well-written, precise operating plan governs the risk management function. The plan establishes 12-month and five-year goals, describes why they are important and how they will be achieved, and includes an organization plan. Updated annually, the operating plan is an effective communication tool and source of discipline.

- The attitude is anticipatory rather than reactive. Time is spent most on developing programs for future flexibility, not reacting to crises, which have been prevented by adequate preparation.

- A financial orientation dictates that costly conventional insurance is used only as a last resort after risk-retention options of deductibles, retrospectively rated programs and self-funding have been exhausted.

- A risk management information system is used to analyze exposures and loss history and to determine the most cost-effective risk financing methods and forecast the future.

- The highly centralized pro-

gram depends upon heavily decentralized administration. If safety and security are not in the risk management department, the risk manager coordinates programs with those departments.

- The risk management department reports to a key corporate officer and the risk manager exhibits management rather than technical expertise in dealings with top management.

- The manager is market-wise, knowing what the market has to offer and what the company needs, possessing the ability to negotiate openly and in good faith.

- The manager maintains an open-door policy to stay current on new market developments, but would never take the new idea of one market and give it to another to implement.

- The manager uses intermediaries to augment staff resources, negotiating their compensation for work performed, which is generally consulting work.

- The manager functions as a manager, taking the mystery out of the job for senior management by communicating clearly without jargon and with the confidence that the risk management position is not a dead end in the path to higher positions in the corporation.

Benedetto Salaroli, insurance and risk manager for Fiat in Torino, Italy, reviewed the risk management program he has developed since 1977 for Fiat, which presented a picture of textbook risk management concerned only with managing the pure risks of a corporation.



Salaroli

The former managing director of an insurance company, Mr. Salaroli centralized the risk-management process for Fiat in two companies: a risk management company based in Lausanne, Switzerland, for Fiat's international risks and a risk management company in Torino for Fiat's Italian risks. He is managing director of each company, which centralizes Fiat's insurance purchases.

Mr. Salaroli also appointed a risk manager for each of Fiat's 11 divisions; developed policy statements and systems for identifying, measuring, controlling and financing risks of property, liability and labor loss; and became involved in security and ecology issues.

The coordination of the insurance-buying function, after setting acceptable self-insurance limits, and the application of risk-management techniques have resulted in financial savings, better protection of assets and greater awareness in the company about the nature of risk and controlling loss, Mr. Salaroli explained.

To accomplish this, however, entailed overcoming such problems as the human tendency to resist change, the difficulty of finding people to build a new organization and the development of administrative systems, he said.

The Italian risk manager, presenting a European view of risk management, suggested that risk managers need to further develop their roles in companies by enlisting the support and understanding of top management and the cooperation of all employees in the organization.

Pointing out that risk is a component of all activities and demonstrating that managing risk is necessary will speed the process, he concluded.

Coming Up!

SPECIAL FEATURE

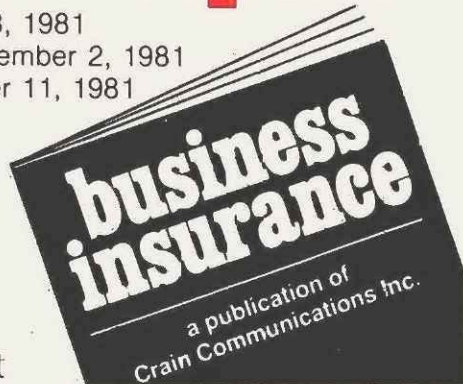


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Cost of coverage decreases

MONTE CARLO, Monaco—European manufacturers, which once paid 10 times the European rate for product liability insurance to cover goods sold in the United States, now pay only double or sometimes even the same as the European rate.

Competition among insurers and recognition that they overreacted to product liability losses in the United States are improving the cost and availability of product liability insurance for Europeans with exposures in the United States, said John Havers, group insurance manager of Dunlop Ltd. in Erdington, England.

Not only are prices down, but Europeans also can again include coverage on goods sold in the United States in European liability insurance policies, a standard practice denied when insurers started to see huge product liability losses in the United States.

At the same time, Europeans are increasing their liability insurance limits, assuming substantial deductibles protected by annual aggregate stop-loss insurance and are becoming more involved in the claims handling process, he said at the International Risk Management Conference in Monte Carlo.

"I believe this can make a substantial contribution," Mr. Havers said.

Dunlop, for example, won a product liability case in the United States by convincing the jury that it was impractical to expect that the company could manufacture a motorcycle tire that wouldn't lose air after running over a nail. An injured motorcyclist had sued, claim-

ing such a product defect.

Dunlop almost lost the case, however, for failure to warn, Mr. Havers recalled.

Product liability claims provide important information for loss control, Mr. Havers added. "There's no harm in reminding the technical staff of the results of their mistakes," he said, and European risk managers have turned this information to positive use.

Europeans don't expect any change in the cost of product liability insurance until 1983 when insurers may start increasing prices in response to underwriting losses, he said.

The European Common Market's directive on product liability, which would establish strict liability in the 10 member countries, isn't expected to pass until 1985 or 1986, he said.

Mr. Havers urged the audience, however, to recognize dangers in the current draft of the directive, especially the loss of a state-of-the-art defense. The law also should address contributory negligence, he said.

Edith Lichota, a former U.S. risk manager and now vp for governmental affairs for Insurance Co. of North America, warned the Europeans against strict liability without some limitations on liability recognizing misuse and abuse of products.

The lack of such limitations in the United States created its product liability insurance problems, she said. Without them in Europe, "you may be looking down the same tunnel we are trying to get out of," she warned.

Assess global plans carefully

Continued from page 32

The second option, using an international insurer and buying local service, offers more advantages, he contended. Local policies that provide for local premium payment and claims handling can be adapted to local practice and still provide protection in accordance with the corporate standards. The only disadvantages are that few insurance companies can provide the international service network of local service and the price may not always be competitive.

The third option is to allow local insurance purchases and have the parent corporation purchase a worldwide umbrella insurance program. This approach satisfies local needs, provides local premium payment and claims service and yet maintains overall protection in accordance with the corporate standards. The disadvantages, however, are that the amount of underlying limits that can be purchased locally in various countries is restricted, unique policy conditions or claims service can't be arranged and the bulk purchasing power of the other two programs is lost.

The results of using one of these approaches, however, should be a consolidation of insurance into a known pattern to save money and improve protection, while complying with local regulation.

In addition, the local subsidiaries should be provided with adequate local brokerage service and a multinational insurance broker consulted, Mr. Groot suggested.

Mr. Bogardus of A&A agreed that a multinational insurance broker should help the risk manager develop the corporate risk management goals for presentation to top management. "You must have authority" to take a worldwide approach, he noted.

In selecting a multinational broker, the risk manager should choose one with a capability to provide local service to all foreign affiliates, whether through an owned office or a correspondent relationship, he said. But avoid using a local broker who is really more of an agent using a small number of insurers and lacking adequate loss-control facilities, he advised.

"Seek an innovator," he added, who offers a variety of professionals and account executives who are free to travel with you to your local plants and provide advice on loss control.

The results of such an integrated worldwide approach to risk management will be lower costs and improved communications, including improved loss reporting, Mr. Bogardus said.

Mr. Christensen stressed that risk managers remember that this year's insurance program will be important for decades to come and the adequacy of insurance limits will be an issue. He recalled that he recently talked with reinsurance company executives who told how this year they had just received the first notice of a claim filed under a policy issued in 1937, another in 1948 and another in 1956.

"You have to look far ahead. You have to plot a program to deal with almost interminable liability," he advised.

Insurance markets, regulations differ widely around the world

Continued from page 32

With this shift comes the recognition that the insurance globe is round and the risk manager and insurer must be on top of it, Mr. Cox said.

"Nothing in America should leave the Europeans indifferent and the opposite should be true," agreed Pierre Esteve, president of Union des Assurances de Paris, another panel member.

"An insurer should learn the obligations of local insurance markets, for to insure a customer abroad is to help him and to relieve his difficulties."

Risk managers everywhere need to understand the different insurance regulations in different countries, both speakers agreed.

In Switzerland, Germany and Sweden, for example, the tax authorities allow insurers to build up tax-free catastrophe reserves, but in Britain all retained earnings are taxed, Mr. Cox said, which is one of the reasons why the Guardian Royal Exchange set up a reinsurance subsidiary in Switzerland rather than in London.

Risk managers should be aware that while the Middle Eastern insurers are growing in leaps and bounds, they are unstructured and unregulated, he said.

"This is partially because of religious and social taboos against insurance. In Saudi Arabia not only is insurance considered to be a form of money-lending proscribed by the Koran, but it also indicates resistance to the will of Allah," he said.

And risk managers should realize that in Latin America insurance is a byproduct of banking, said Mr. Cox, and is limited by the laws of the country.

"Risk managers are less active and play a more subdued role," Mr. Cox said. "Government policy is still telling risk managers what they can do."

Mr. Esteve tried to describe the French insurance market through translators to the non-French speaking sitting in the conference hall. At the moment France has three national insurance companies and some nationalized brokers. And all business must be done through French-based insurers unless a policy is written by Lloyd's of London.

France is one of the countries holding up a directive by the European Economic Community that would open all borders to free insurance competition. But active lobbying in Brussels by risk managers and corporate insurance buyers could help this directive take effect.

Gerard Imbert, directeur des Institutions Financiers for the EEC in Brussels and another panel member, is not too optimistic about the free competition directive. There is too much powerful opposition from countries like France that are worried that competition will lead to "snipers" in the markets.

So for now the Netherlands and the United Kingdom are the only European nations allowing open competition among insurers, he said.

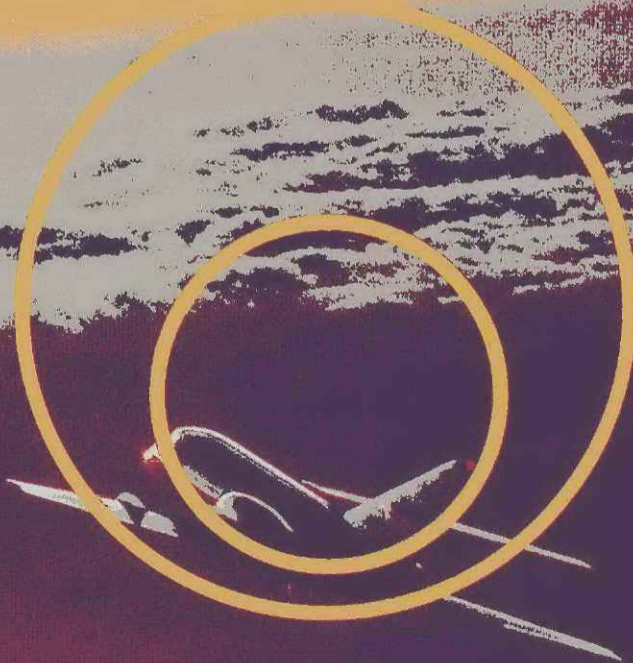
And there are other EEC directives still being discussed that can affect the future of multinationals doing business in Europe. The most well-known of these is the product liability directive, which would adopt strict liability like that in the United States and increase the already growing number of lawsuits in countries like France, Belgium and Luxembourg. The directive is open for signature by the member countries, but it may take another four years or so for it to become law.

What Europe needs, though, is some good risk management lobbying to perpetuate or avoid such directives, Mr. Cox said.

"In the European situation, there is an increasing tendency to let brokers and/or insurance companies do the lobbying. Risk managers don't get involved as individuals or through organizations that influence legislation. In Europe, risk managers are less wary of the relationship between insurance companies, brokers and the government. They think the authorities are acting in their best interests," Mr. Cox said.

Human nature, however, is to concentrate on one's backyard and not the sands of the Middle East. Mr. Cox suggested risk managers fight this tendency.

"In this room, we all know that it may be 4 a.m. on deserted Threadneedle Street. But it's high noon on the Straits of Hormuz. And in that troubled area, the Lutine Bell may well be tolling for you and for me," Mr. Cox said.



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THE SPECIALISTS

Higher brokerage payments are necessary, M&M vp says

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Be prepared for brokers to ask for more than the commission on your insurance policy to market your risks.

"Remuneration for brokers in 1981 is not enough," declared Harold R. Talbot Jr., senior vp at Marsh & McLennan International in New York in an address at the International Risk Management Conference in Monte Carlo.

While his fellow panelists debated the merits of fees vs. commissions, Mr. Talbot commented, "It's about time we negotiated payment."

"The issue doesn't get much attention in the United States anymore," he observed. "When premi-

ums were high, the subject was on the table often. In the U.S. and Canada, brokers were receptive to fees. Today, we sometimes find ourselves talking to deaf ears when we talk about needing an increase in compensation."

Large clients requiring risk management and brokerage services can look forward to some pressure to discuss higher fees. "They require more in advisory services," Mr. Talbot explained.

M&M does not advocate one payment period method over another for these large clients. "There is not one answer, one system of remuneration that is right," he said.

M&M has accepted clients' arguments for compensation on a time plus expenses basis, the method used by other service professionals

like accountants and lawyers. Many consultants say that would be the fairest way to compensate brokers. But only two of more than 900 M&M large accounts have asked and are billed on a time and expense basis, Mr. Talbot noted.

M&M also finds it is spending more to service former clients that it ever gained in commission. Just recently, \$750,000 was spent serving a claim which occurred in the 1950s, Mr. Talbot said.

In the audience, Marsh & McLennan Inc. President Robert Clements whispered, "We were paid a \$1,000 commission for a policy in 1952, which we paid tax on. And now we have three people working on the retro adjustment."

Mr. Talbot suggested that the following be considered in compen-

Safety rating gains European acceptance

By STACY SHAPIRO

MONTE CARLO, Monaco—The Georgia-born International Safety Rating program, which rates corporate safety and emergency preparedness the way critics rate films, is now making stars in Europe, its sponsor says.

The safety management technique, which ranks workplaces with one to five "stars" based on internationally applicable criteria, is being marketed in Europe by Simon Groot, managing director of Safeguard Risk Services B.V. in Amsterdam, with permission of its

creator, Frank Bird, founder of the International Loss Control Institute of Loganville, Ga.

The program, which is designed to stimulate organized management of good safety principles and worker enthusiasm for workplace safety, is gaining popularity, Mr. Groot said (*BI*, Dec. 1, 1980).

"It's remarkable how much people like to know their safety accomplishments, which is what the five-star plan measures," he told a safety workshop at the International Risk Management Conference.

"Some say it is American and won't work in Europe, but it does work here," he said.

The Mobil Oil Co. in Amsterdam only qualified for one star when it first started using the safety-rating system because Mobil's technical loss-control methods were satisfactory but not superior.

"The organizational basis failed," Mr. Groot said.

To improve its star rating, Mobil adopted a written safety program in 1981, establishing specific company policies. Now up to two stars, Mobil is pushing forward for five stars, the highest rating, he said.

Datsun, which also uses the system, has reduced losses 10% this year because of the plan, Mr. Groot said. Fiat in Italy also is inquiring about the safety program.

The new European adherents add extra credence to the technique's international claims. The rating system also is used by mines in South Africa and oil rigs and refineries owned by Gulf Oil and Esso in Canada.

Even smaller companies, which were put off by the program's complexity, are becoming more interested, according to Mr. Groot.

"Smaller firms shied away from the system because it looks too voluminous, so we shortened the procedures from 21 steps to 16 steps for them," he said.

But not everyone needs or wants the outside rating technique.

United Technologies Co., based in Hartford, Conn., does not use the five-star program and may not need to. Its risk manager stumbled on the same techniques without going through a formal checklist, Mr. Groot explained.

If measured by the safety rating program, United Technologies' performance would come close to the maximum 120-point or five-star mark, he said.

United Technologies' loss-control methods are simple for others to execute, explained Michael McDonald, the company's risk manager/administration.

First, the chief executive officer

must write a precise policy on loss control, which is distributed to all employees around the world.

Then an organization should be created to follow through with safety procedures and inspections. Financial and loss data should be collected to measure the results.

When you've revamped the management technique, which doesn't cost much money, you should start spending money on fire walls and other investments to reduce losses that can't be completely prevented.

"There's no one who can control your risk better than you can," Mr. McDonald said.

But you can get too elaborate in your methods, he suggested. "We want to keep our program simple, especially in loss control, because the people you need to talk to need to know what you are talking about."

The United Technologies' corporate policy on property conservation is only three paragraphs long, but the loss-prevention point comes across to the company's 230,000 employees because the copies they received were signed by Chairman and President Harry J. Bray, said Mr. McDonald.

The policy reads: "It is the policy of the corporation to prevent and reduce losses through various established property conservation programs to the maximum extent feasible in consonance with other corporate objectives. Planning for conservation of property shall start with design and continue through purchasing, fabrication, construction, operation and maintenance. Adequate protective and corrective equipment and measures shall be provided and used."

"The protection of the worldwide assets and earnings of the corporation against accidental loss, whether by fire or any other means, is a duty of all employees at UTC. The formulation and implementation of sound financial protection programs and to provide property conservation services to both management and employees in this area is a responsibility of the treasurer-UTC."

"The UTC Risk and Insurance Management Department and the UTC Industrial Security Department shall assist the treasurer-UTC in carrying out this policy."

Procedures for responding to floods, hurricanes and earthquakes were attached.

Once this policy was distributed, Mr. McDonald's life became easier. Now he implements the program in a quick, basic and consistent way.

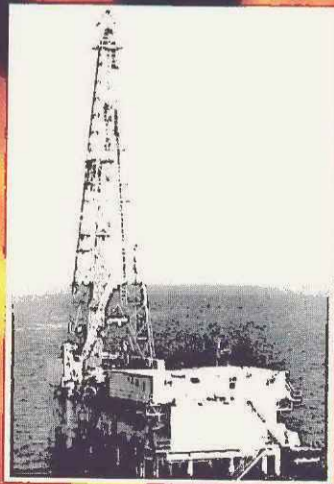
Mr. McDonald also noted that corporate safety programs should be consistent around the globe. ■

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- **Accountability.** M&M believes the client is entitled to know how much M&M is paid for handling its account.

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- **Insurers.** Some of the broker's work directly benefits them. The broker is really taking the insurer's credit risk when it collects the premium for the insurer. In addition, the broker has to check all insurance policies, and more than one-third are found to be in error.

- **Different work for different clients.** M&M can offer all the services its clients need, but it knows not all clients need all services.

- **Value added.** What additional value to the insurance and risk management function does the broker give?

Brokers and clients have to strike a correct balance, Mr. Talbot said. "If we get too little revenue for our service, we lose our shirts. If we give too little service for the revenue, we lose our clients."

The fee vs. commission issue addressed by the other panelists was debated with the familiar arguments.

Christian Dahms, vp of Jauch & Huebener, brokers in Muelheim,

West Germany, argued that it is simplistic to say fees are the only way to pay a broker for services. On a one-shot assignment, a fee may be appropriate, he said. Hourly rates plus expenses is an appropriate payment for mechanical services like computer and audit functions when the time commitment is measurable in advance.

"But it is not appropriate for professional services when the time can't be measured in advance," he argued. "A percent of something is better."

Defending the commission system, Mr. Dahms responded to common arguments against it.

The commission system does not mean the broker, which is supposed to be working for the client, is compensated by the insurer, he said. The insurer never sees the broker's commission, which he deducts before forwarding the premium.

Higher premiums for bad loss ratios do justify more commission, he continued. A premium is seldom increased because of one bad loss, but usually reflects an increase in the number as well as the cost of losses. The increased number of losses mean the broker has more work to do on claims and negotiating payment, which means he should receive more compensation.

The higher premium for larger exposures also warrants a higher commission for the broker because the more dangerous account does get more professional service and commitment, he said.

Mr. Dahms also complained that a reduction in the broker's commission would benefit only the primary insurance market, and the system would be difficult if not impossible to change.

For example, he said, out of \$1 of premium a primary insurer pays the reinsurer, the reinsurer cedes a 30-cent commission to the primary insurer, 15 cents for the insurer and 15 cents for the broker.

If, however, the primary insurer pays only 85 cents because the broker's 15 cents is already out of the premium, the reinsurer's 30% ceding commission to the primary insurer becomes 25.5 cents, all of which is retained by the primary insurer.

Commissions also better compen-

sate the broker to maintain research and development projects and professionals on staff like engineers, lawyers and economists, whose time cannot be billed. "It's too difficult to spread that out as overhead," he argued.

Fred Hayward, managing director of Lloyd's brokers R.T.C. Ltd. in London, warned that retail brokers will find their large clients by-passing them completely and negotiating directly with insurers, leaving brokers to handle medium-sized accounts and to sell services like captive management and loss control to large clients.

Lloyd's brokers, he noted, don't care how the retail broker is compensated, but advised brokers not to demand only fees or only commissions as compensation. "That would be foolish."

The broker and buyer should negotiate fair compensation, he suggested, warning the buyers that "be sure your pruning knife is not so honed to lop off an essential arm." ■

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Mr. Talbot

Q. Which insurance broker acquires new skills, not just new offices?

A. Rollins Burdick Hunter.

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Taking Risk Out Of Risk Management
Worldwide

Retro plans not very popular in Europe

By STACY SHAPIRO

MONTE CARLO, Monaco—Some European risk managers want to gamble on the "new" American games of cash flow and retro rating, but others don't want to cash in their old insurance methods.

The newfangled American ways of delaying premium payments to keep cash in-house do work, the doubters say, but they aren't necessary in European risk management.

"We see retrospective rating as a convoluted method for burning down the insurance rate," Dennis Farthing, group risk manager for Rank Xerox in London, said at the International Risk Management Conference.

"There will always be a place for the retro plans in the States with things like American workers compensation. But for the United Kingdom, it's not relevant."

This could be true, said George Betterley, president of the Betterley Consulting Group in Boston. Few risk managers in countries outside the United States have seen such massive outlays for workers compensation and product liability premiums so the need for these risk-taking plans hasn't existed in Europe.

Cash-flow plans offer buyers the biggest advantage when they are written for risks that produce claims with a long payment pattern.

Regulation in foreign countries

governing insurance company loss-reserving methods also could create difficulties in duplicating certain cash-flow insurance plans gaining popularity in the United States, one insurance company employee from Belgium noted.

Interest in retro plans is growing every day, however, and Mr. Betterley had a packed house to listen to the American evolution of self-insurance, retro rating and cash-flow plans.

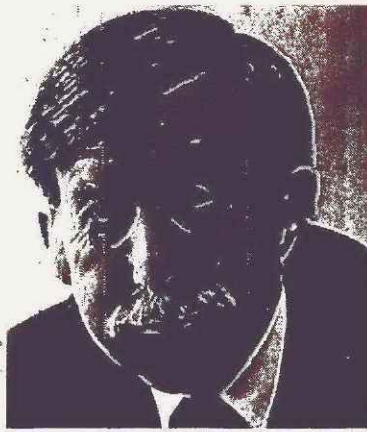
"Retro rating was the insurance industry's answer to the self-insurance programs going on in companies for workers compensation in the U.S.," Mr. Betterley said.

"The retro came first, then the captive came into being. And the cash-flow plans are the answer to the captive.

"With retrospective rating, a risk manager and the company are making decisions on where their losses will fall," Mr. Betterley said. "If you are a risk taker, with the possibility that you may pay an extra charge, then the retro plan is for you."

The retro plan adjusts the premium a policyholder will pay based on the basic premiums, actual losses, loss-handling charges plus tax, Mr. Betterley told the attentive audience. Loss-handling and basic premium charges can be negotiated and, therefore, reduced.

"The retrospective program forces the insured to control his losses and realize a premium savings through his own action," said J.H. van Male, director of the cargo



George Betterley explains retro plans.

department of Mees & Zonen Assurantiën B.V. in the Netherlands. "There is an element of risk on both sides."

Mr. van Male also explained to his continental neighbors the differences between incurred-loss, paid-loss and depressed pay-in retro plans, new terms to many in the audience.

The incurred-loss retro rating plan is adjusted to reflect actual losses, he said. The final premium can be higher or lower than the one based on predicted losses. "The plan assumes the policyholder believes there is a chance that losses will be kept to a minimum and a lower premium charged," he said.

Under the paid-loss retro plan, the policyholder pays an administrative premium and signs a promissory note to the insurer for the amount of predicted losses incurred in a year.

This allows the policyholder to

hold onto what would be the insurer's loss reserves until the insurer pays the claims.

The depressed pay-in retro plan is also based on incurred losses. "But instead of paying the forecast premium to be adjusted later as under the traditional retros, the insured pays a premium adjusted to the level after losses," he said. This keeps the premium in hand.

There is also a compensating balance plan for cash-flow purposes, said Mr. van Male, that involves banks accounts held by both the policyholder and insurer. The buyer pays a premium to cover incurred losses. The insurance company deposits these loss reserves into its bank account with the stipulation that the policyholder gets credit for the bank account to satisfy compensating balance requirements.

"The meaning of all these systems is that the money stays in the hands of the assured, who can invest it and make interest with it," Mr. van Male said.

But although these plans may be satisfactory, Mr. van Male's brokerage company doesn't offer them to its clients.

"We do not sell those retrospective plans," he said. "We are keen on innovations and modern developments, but the retrospective rating system is not readily known, certainly not on the Continent or not in England."

Europeans are most interested in ways of saving money on property and marine insurance policies rather than the workers compensation and product liability policies that brought about these plans. But retrospective rating for property

insurance isn't prevalent in the United States, Mr. Betterley said, and is not far along in its development. "The quick claims payment doesn't offer much time to capitalize on cash flow."

Mr. van Male, however, has set up a marine "retro plan" for chemical goods of a company with \$130 million in revenues each year. "The company previously bought an all-risk policy with a 1% deductible for \$325,000 annually. The new plan may save the company more than \$25,000 each year."

The policyholder, however, doesn't keep his hands on any of the premium throughout the year as under most cash-flow plans. First, the company pays a lump sum of \$100,000 for the annual premium on the goods, which includes \$18,750 for war and political risks. Then he pays the insurer another \$100,000 "as a loan" to be settled later on the basis of a 140% loss ratio during the previous year, after deductibles.

"The loan is like an escrow account, I guess," Mr. Betterley said, "where you have to give the whole amount to the underwriter."

"Claims which will be paid after the period of 12 months after the due date of a policy year will be brought over to the next policy year," said Mr. van Male. And if there's a deficit balance at the end of the year, it is brought over to the next policy year.

"The underwriters said we had to bring the deficit over into the next year," said Mr. van Male in answer to questions.

"It's not easy to buy retro plans in our insurance markets, I can tell you that."

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Experts predict mixed future

NEW YORK—The property/casualty insurance industry will see better days in 1983 and 1984, according to investment company officials.

But they predict rough going in the property/casualty sector until then.

A. Michael Frinquelli, a vp at Salomon Brothers, said 1982 "looks at best to be another drab year," citing inadequate premium rates, high interest rates and underwriting problems.

Mr. Frinquelli, speaking at the Insurance Information Institute's recent sixth research seminar, said he sees industry earnings recovering in 1983 and 1984 and predicted more emphasis on fee for service business.

But he added that he's worried about the national economic climate next year, citing the possibility of a severe credit crunch and a recession.

He said that commercial lines would be vulnerable to competitive pressures in 1982 and that workers compensation would come under significant pressure.

He said personal lines would probably be a comfortable area in which to do business.

Leandro S. Galban Jr., a vp at Donaldson, Lufkin and Jenrette, said he believes that the industry's regulators are actively promoting consumerist pricing policies that reduce the resiliency of the business.

Mr. Galban said that it takes some type of major event to create fear, and it is fear that turns underwriting cycles.

"When the turn happens—and it will—the new prosperity will not be shared equally," he said.

Mr. Galban said he believes that insurers will increasingly specialize to improve their profit pictures.

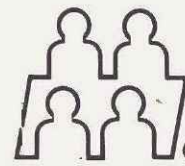
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Contingency coverage necessary: Panelists

By STACY SHAPIRO

MONTE CARLO, Monaco—The Soviets aren't very good sports when it comes to allowing contingency insurance coverage into contracts for goods in transit, said John N. Havers, insurance manager for Dunlop Ltd. in England.

The coverage, which would protect the manufacturer from liability while the products are on Russian vessels, is usually charged to the purchaser of the cargo on the contract. But the Soviets won't pay for it.

And other countries behind the Iron Curtain, along with Cuba and Iraq, bargain prices for foreign products so low that the exporter sometimes can't afford to fund the contingency cover itself.

"We didn't take a contingency cover because we were told by them that we would never need it," said Mr. Havers. Unfortunately, the Soviets recently have filed a \$100,000 claim against Dunlop for goods that were damaged in transit by water leakage.

"They say that the packaging wasn't adequate. But it's been 14 months since the stuff left Britain, and where it went after it left our docks is anybody's guess," Mr. Havers told a panel on the marine insurance global markets at the International Risk Management Conference on Monte Carlo.

"In comparison, the Chinese claims payments are prompt and fair," said J. William Sherar, president of Sherar, Cook & Gardner Inc. in New Orleans, who was listening in.

But the panelists and audience agreed that a company must demand payment for the contingency coverage on the contract for the goods and refuse to send the cargo if the premium is refused.

Another man in the audience said he had the same trouble with the Soviets and that's what he did, finally insuring with the Soviet state insurance company.

But whenever cargo is being transported by sea, the marine insurance contract should be examined carefully, all agreed. And it shouldn't be signed until both sides are satisfied with the liability arrangements.

The insurance world should have standard uniform contracts for all parties, says Jacques Borniche, marine director of the maritime and transport insurance division of C.E.C.A.R. in Paris.

"Underwriters should find a standard form for marine insurance, which should be cheaper," Mr. Borniche said.

In the new policy, he would include pilferage and theft in the all-risks category, which is excluded in French contracts. He would include coverage of fault or act of the assured unless done by a willful act, and have an all-risk coverage for on-deck containerized shipments. And he would delete some deductibles and make it simple without any loopholes.

"Brokers spend their weekends writing documents for various risks and, frankly, I'm fed up with that."

The answer to the insurance problem may lie in purchasing a global marine program that insures cargo around the world, but not too many companies are doing that, said Jan M.C. Merckens, director of the maritime department of Hudig Langveldt Group in the Netherlands. International marine law is the most complicated and diverse regulation in the world and to draw that together under one policy is pretty impossible.

"There are few worldwide programs in operation. There seem to be more covering non-marine in-

urance than marine cargo insurance. But there are advantages. There are lower rates, larger conditions obtained and gaps covered," Mr. Merckens said. And subsidiaries can be brought in as well.

The risk manager must know first what he wants covered and its destination. Do you insure the cargo from warehouse to warehouse, while it's sitting in someone else's storage or on somebody else's ship? Do you insure it for political and war risks because there it could be confiscated? And who should be covered for liability?

"It can be useful to insure the goods to the end of their journey," Mr. Merckens said. Especially if it's going to the Soviets, the others agreed.

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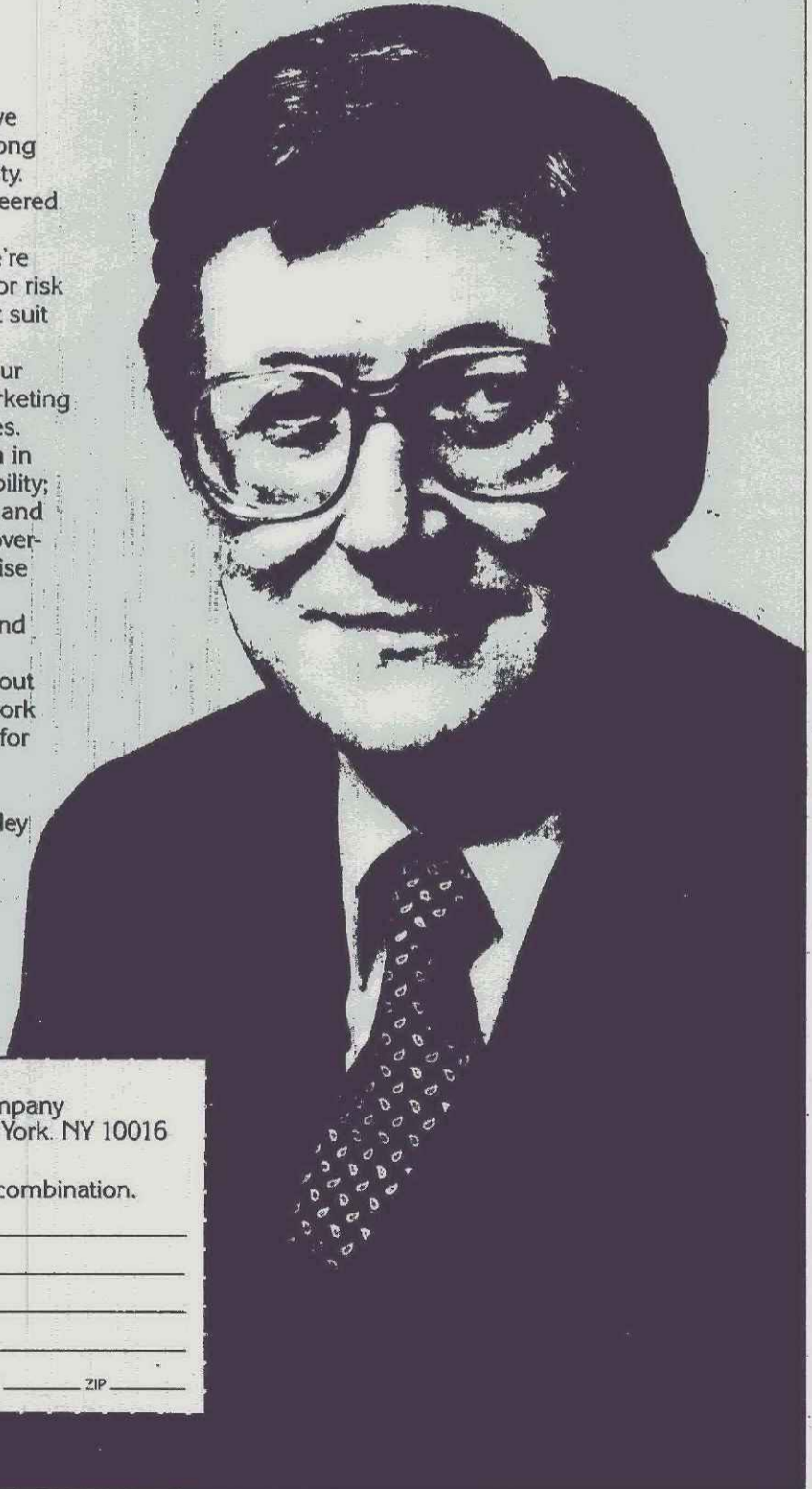
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Danish captive cuts costs, earns profits for its parent

By KATHRYN J. MCINTYRE

MONTE CARLO, Monaco—Europeans use more captive brokers than captive insurance companies, but one Danish company is developing its captive insurance company in a progressive style.

It's also suffering some of the same growth problems the U.S. companies have experienced.

F.L. Smidth & Co. A/S of Copenhagen, specialists in machinery and equipment for the cement industry, owns a Danish-based captive insurer, an insurance broker and a consultant, an insurance broker and a consultant to serve the parent company's insurance and risk management needs and also to serve unrelated companies. It is among an estimated 100 captives owned by European companies.

The development of the insurance business in the 1970s has strengthened the company's risk management program, reduced its insurance costs and is producing profits, Smidth risk manager Erik Ladelund told a seminar on captives at the International Risk Management Conference.

A member of the U.S.-based Captive Insurance Cos. Assn., Mr. Ladelund is an enthusiastic supporter of captive insurance companies as both a risk-funding



Photo: Kathryn J. McIntyre
Erik Ladelund expects Smidth's insurance operations to grow.

method and a potential profit center.

Although formed in 1919, Forenede Assurandører A/S was mostly a dormant captive insurer until 1970, when Smidth also purchased the insurance broking company Thielst to complement the company.

In 1971, the concentration was on serving the parent organization. In 1976, a risk management consulting firm, Risk Management Consult ApS, was created to work with clients on an independent consulting basis and the emphasis became profit-center oriented.

Today, a 35-person staff manages the insurance company and agency, producing gross premiums of \$9 million for the insurer and \$2 million in brokered premium for the agency. Of the \$11 million, \$8 million is for insurance for the Smidth Group.

Of the \$4 million net premium written by the insurer, \$1 million is affiliated business.

The main lines of insurance written are fire and marine, but since 1979 the insurer has been authorized to issue workers compen-

sation insurance and has written other non-life lines of business. The company also is an investor in Bermuda-based Laguna Reinsurance Co. Ltd.

Mr. Ladelund expects the insurance business to produce a pretax profit of \$1.5 million to \$2 million.

While there has been steady premium growth since 1972, underwriting profit has decreased since 1978. Losses on a treaty accepted out of London and losses on business underwritten by Laguna have hurt, Mr. Ladelund admitted.

Finding good reinsurance business to assume has been a major problem, Mr. Ladelund explained, although now he says he is seeing more promising offers from reinsurers and hopes to develop risk exchanges with other captives.

Finding qualified staff also has been a problem, he noted, a complaint shared by many managers of captives trying to grow into commercial insurance and reinsurance ventures.

And although concerned about keeping management interest in the insurance division, which is a small part of the Smidth group's \$800 million in sales, Mr. Ladelund sees increased interest in the captive because members of the parent company's board of directors sit on the captive's board.

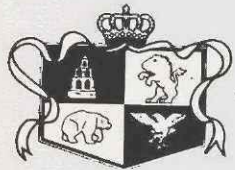
Mr. Ladelund suggested that having parent company board members on the captive board is more productive than using outside brokers and managers on the captive's board.

Future growth for the insurance division is expected through consulting services to companies outside the parent organization. The insurance needs of the parent company, under heavy competitive pressure in the world market, are not expected to increase, and the captive will not underwrite insurance in Denmark for unrelated companies.

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BY MONTH
BY BODY PARTS

Operators of private aircraft may be underinsured: Study

By JOHN MILLER

ZURICH, Switzerland—Private aircraft operators may be heavily underinsured compared with the world's major commercial airlines, according to a major survey of aviation exposures by Swiss Reinsurance Co.

Aviation damage awards are expected to continue to rise, especially in the United States, and insurance limits of \$500 million are already common, according to the Swiss Re study.

But private aircraft operators often restrict their liability coverage to what they can afford, rather than thinking in terms of the limits maintained by the major commercial airlines, the study says.

Swiss Re warns that this produces "considerable disparity" among various operators using the same airport.

"It can be argued that at such an airport the pilot of a small private aircraft with a third-party (liability coverage) limit of \$1 million is more likely to make a mistake leading to a collision than the commander of a commercial jet with a \$500 million limit," the study maintains.

"Such a collision can easily cost more than \$100 million, yet the private operator will have cover of only \$1 million.

"In such circumstances there are arguments in favor of imposing a uniform minimum policy limit for

all operators sharing the same airport."

Damage award trends in the United States will be accepted by the world's aviation insurers, the survey says, since it generates two-thirds of the world's aviation liability premiums.

"The U.S. Constitution guarantees the right to trial by jury, and after several million-dollar awards in the '70s, there is no ground for thinking that here will be any ceiling on them in the 1980s," Swiss Re adds.

The study notes that liability insurance limits available to airlines and manufacturers already exceeds \$500 million.

A typical aviation claim is more than \$100 million, the Swiss Re survey said. It is made up of a hull loss of \$60 million; passenger liabilities (300 people at \$150,000 each), \$45 million; cargo, mail and baggage, \$6 million; consequential airline expenses and lost profit, \$3 million; crew payments, \$2 million; and ground liabilities, \$1 million.

The growth of commercial satellites may lead that sector of the aerospace industry to demand the highest limits for third-party liability, Swiss Re suggests.

The only hope of restraining the trend toward stricter liability for air transport operators and suppliers is if consumer groups realize that higher liability limits will raise the cost of air service, the report says.

Bill seeks federal asbestos benefit rules

Continued from page 3

Manufacturers and miners that once made or currently do make asbestos products.

They have been saddled with product liability lawsuits from workers who were denied benefits under the workers compensation system or who want to gain more compensation than it provides.

The bill isn't perfect, says Donald W. Ungemah, associate corporate counsel for Johns-Manville Corp. in Denver, one of the largest manufacturers of asbestos materials. "But it's a start."

"The existing system isn't fair to the worker," he told the legislation committee of the International Assn. of Industrial Accident Boards and Commissions, which met in Des Moines, Iowa, earlier this month.

He said manufacturers would welcome paying their share of the benefits under the legislation, rather than continue to pay exorbitant amounts to defend product liability suits filed by workers.

"Why should the asbestos industry be free from product liability?" asked Mike Gillman, director of the Michigan Workers Compensation Board.

Asbestosis is a unique disease that is fairly easy to diagnose, unlike many other forms of occupational disease, Mr. Ungemah said.

Without federal minimum benefit standards that all responsible parties would share, the claims will continue to tax the court system, he said.

"This legislation is the first step toward finding a workable solution," he told the committee members, who are studying the proposal.

The real benefit of the legislation, said William Bailey, senior vp and claims counsel for Commercial Union Insurance Co., would be for the worker, who would get the benefits when needed.

Colorado begins investment plan

DENVER—The state of Colorado has selected the Great-West Life Assurance Co. to provide a fixed annuity investment option in a newly established deferred compensation plan for state employees.

The plan, affecting more than 56,000 state workers, allows employees to set aside up to 25% of their annual gross income—a maximum of \$7,500 per year—in tax-deferred investments.

Under the Great-West Annuity Plan, the company provides a fixed annuity with a current interest rate of 15.5%. The plan features a guaranteed rate of interest and guaranteed income at retirement.

Employees may choose from 11 income options at retirement ranging from a lump-sum cash withdrawal to guaranteed lifetime income.

The Denver-based insurer offers similar contracts in Idaho, North Carolina, South Carolina and Minnesota.

Colorado's deferred compensation plan includes two additional options.

Empire Savings, a Colorado savings and loan association, offers a savings option, while Massachusetts Financial Services of Boston provides a variable annuity option.

The state's plan will be administered by National Plan Coordinators of Long Beach, Calif.

State employees choosing to enroll in the plan may invest in more than one option.

Participation in the plan is voluntary and is in addition to the state's Public Employees Retirement Plan, which is already in effect.

"Most die first," he said.

However, the problem with the bill, Mr. Bailey said, is that the apportionment process could be a terribly complex system that would end up taxing the state compensation board as much as past litigation has the courts.

"This bill comes at a bad time," he continued. "Why would the federal government bail out industry, especially in the Reaganomics era?"

The Alliance of American Insurers is categorically opposed to the bill, said Andre Maisonpierre, senior vp.

"There's no need to create a particular asbestos law when we have existing products and workers compensation laws," he said.

"We've had enough experience with black lung (program) to know

programs like that just don't work," Mr. Maisonpierre said.

Sen. Hart's bill, which he said was "headed no place," wouldn't solve any problems, except perhaps bring some relief to manufacturers, he said.

The AFL-CIO is also critical of the bill and said employees would lose, not gain, benefits if the bill is passed.

"True, it is a burden for the worker to pursue his benefits through litigation," said Peggy Semenario, an industrial hygienist with the AFL-CIO in Washington.

"But the outcome can be very successful for the disabled worker," she said.

"What we're advocating is a total overhaul of the workers compensation system to deal with occupational disease."

Asbestos firms form lobby group

Continued from page 3

"The responsible industry would still provide the major portion of the funds needed for compensation. The asbestos industry wants to deal with the problem," she insisted.

She estimated that 7,000 lawsuits involving some 12,000 claimants are pending in courts in 40 states.

When a worker receives a settlement, attorneys' fees and expenses regularly consume 33% to 50% of the award, she said.

Cases are backlogged in the courts with for 90-day to two-year delays before trial, she said.

Some of the manufacturers are looking for relief because their insurance policy limits for product liability coverage are almost exhausted, one insurance claims source pointed out. For example, Johns-Manville's auditors qualified the company's 1980 financial report because of uncertainty over whether its insurance will cover its potential liability.

"Some of the smaller asbestos manufacturers are getting desperate," the claims source said. "It wouldn't surprise me if we see one or two of them go out of business soon."

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Reagan to decide competition bills' fate

Continued from page 3
 dous inflation in medical and health insurance costs.

Employees have sought and won increasingly generous benefit plans.

Since these employer-sponsored plans cover most exposures, employees have little incentive to control costs, boosting the demand for health services and placing mounting inflationary pressures on the health care delivery system, pro-competition supporters say.

"Restoring cost consciousness to providers and consumers is intrinsic to any solution for rising health care costs," says Michael Bromberg, executive director of the Federation of American Hospitals, the most articulate supporter of pro-competition legislation.

But opponents—including insurers, employee benefit managers

and labor groups—view the pro-competition concept as misguided, even dangerous.

"It is encouraging people to play Russian roulette with their health care," says Bert Seidman, the veteran director of the AFL-CIO's department of Social Security. "Some people would guess wrong and bankrupt themselves."

'Irreparable harm'

"By implementing something nationwide—if it doesn't work—you may have caused irreparable harm to the world's best, albeit most expensive, health care delivery system," adds Henry A. DiPrete, vp for group insurance operations at John Hancock Mutual Insurance Co. in Boston.

Of the three major pro-competition bills pending in Congress, the

most attention has focused on Rep. Gephardt's "National Health Care Reform Act of 1981," H.R. 850, which he and Mr. Stockman also introduced last year (BI, June 9, 1980).

Rep. Gephardt's plan would not mandate that an employer offer a set number of health insurance plans. Instead, employees could choose the plan offered by his employer or another federally "qualified" health insurance plan on the market.

To be qualified, a health insurance plan would have to meet certain federal requirements, such as a limit on the amount of out-of-pocket expenses an employee could incur in a year.

An employer could continue to contribute any amount it wants to an employee health insurance plan, but any contribution over the average community premium would be taxable to the employee.

Employees selecting qualified plans costing less than the employer's contribution would collect a tax-free rebate of up to \$500 annually.

Sen. Hatch's bill

Sen. Orrin Hatch, R-Utah, chairman of the Senate Labor and Human Resources Committee, has proposed in his "Comprehensive Health Care Reform Act," S. 139, to require companies with at least 200 employees to offer their employees a choice of three competing health insurance plans. He says if insurers are forced to compete, lower premiums and better benefits will result.

To encourage cost-sharing, Sen. Hatch wants one of the three plans to allow employees themselves to pay 25% of their hospital bills up to 20% of a family's income.

The employee would receive a tax-free rebate equal to the difference between the premium for the low-cost, high-coninsurance plan and the other plans offered.

For example, if a company's comprehensive indemnity plan cost the employer \$100 a month for family coverage and the low-cost plan cost \$70 a month, the employee opting for the cheaper plan would receive a tax-free rebate of \$30 a month.

The Hatch bill would limit tax-free benefits to the amount the employer contributes to the most costly health insurance plan, to which at least 10% of the employees belong.

Sen. David Durenberger, R-Minn., in his "Health Incentives Reform Act of 1981," S. 433, would

require employers with at least 100 employees to offer a choice of three different health insurance plans.

The employee would have to pay taxes on any employer contribution that exceeds \$125 a month for a family health insurance plan. For example, if a company pays \$150 a month for family coverage, the employee would pay federal income taxes on the \$25.

Rebates would be available to employees opting for the low-cost plans, but the rebates would be taxable.

The three bills all would require employer plans to pay catastrophic health insurance bills. The Durenberger bill would limit an employee's annual out-of-pocket medical expenses to \$3,500, while the Gephardt bill limits it to \$2,900. The Hatch proposal requires a plan to pick up all costs that exceed 20% of an employee's annual family income.

If an employee is laid off, the employer's plan could continue to cover the employee for three months under the Gephardt bill, one month under the Durenberger measure and six months under the Hatch bill.

While Sen. Hatch and Rep. Gephardt propose that employers provide a wide range of preventive benefits in their plans, Sen. Durenberger doesn't mandate any.

All of the bills require that the employee receive the full difference, in the form of a cash rebate, between the cost of the most expensive plan that the employer offers and the medical plan the employee selects.

Limitations on the amount of group health insurance an employee could receive and the availability of rebates for subscribing to a low-cost health plan alarm labor groups.

Plan could backfire

The AFL-CIO's Mr. Seidman says the rebate feature could backfire and add to health insurance costs. For example, an employee who selects a low-cost, high deductible plan in hopes of getting a rebate, may delay seeing a doctor. Such delays could mean more expensive treatment later for an undetected malady.

Mr. Seidman warns that employees who opt for low-cost plans could go broke when they get hit with huge health care bills and find their health insurance plans don't cover them.

Mr. Bromberg of the Federation of American Hospitals disputes this argument. The pro-competition bills now before Congress place a limit on the annual out-of-pocket expenses an employee would pay, he says.

Mr. Bromberg also notes that health insurance plans now are not required to pay for catastrophic health care costs, though most do anyway.

Employers who have already offered their employees a choice of health insurance plans say multiple offerings have resulted in benefit communication problems and ill will against the employer.

"It is difficult enough to explain one benefit package to 40,000 employees. What if you were forced to offer three different plans? The problems would increase substantially," said Gary Grove, vp of compensation and benefits at Marriott Corp. in Bethesda, Md.

Several years ago, Marriott offered employees the choice of a less expensive, low-option plan or a more costly, high-option plan.

"It was an experiment that proved unsuccessful for us," Mr. Grove said.

Employees who had elected the low-option plan and then became

ill were saddled with big medical bills. They blamed Marriott for their lack of coverage even though the company explained the benefits offered under both plans.

"We were getting the guff," Mr. Grove explained. Other benefit managers whose companies also offered the choice of plans report similar experiences.

Insurers say if employers are forced to offer several health insurance plans, the elderly and those in poor health will opt for comprehensive coverage and young, healthy workers will take the low-cost plans. This will result in adverse risk selection.

'No cost savings'

"The cost disparity between the two plans would become extreme," said John Ahearn, counsel for Aetna Life & Casualty Co. in Hartford, Conn. "There would be no cost savings."

Adverse risk selection also could limit the availability of health maintenance organizations, which traditionally have provided very broad benefits, say HMO experts.

"The sick and those anticipating substantial health care costs would be the most likely to select the comprehensive coverage offered by HMOs and other carriers," predicts Donald Schaller, vp of the Group Health Assn. of America, an HMO trade association.

Rates for HMOs would rise until they are out of reach, and the gap between them and rates for health insurance plans selected by the preferred risks would gradually widen, he says.

"Adverse selection means that the cost of health care will become prohibitive for those who need it the most," according to Mr. Schaller.

But Mr. Bromberg of the hospital trade group says there is no reason why one group of people should subsidize another group.

Although those opposed to pro-competition legislation seem to far outnumber the supporters, the issue remains very much alive. "The administration is clearly favorably disposed to the idea," the AFL-CIO's Mr. Seidman says. "The administration has pulled a number of things out of a hat before and I'm not one to underestimate the administration."

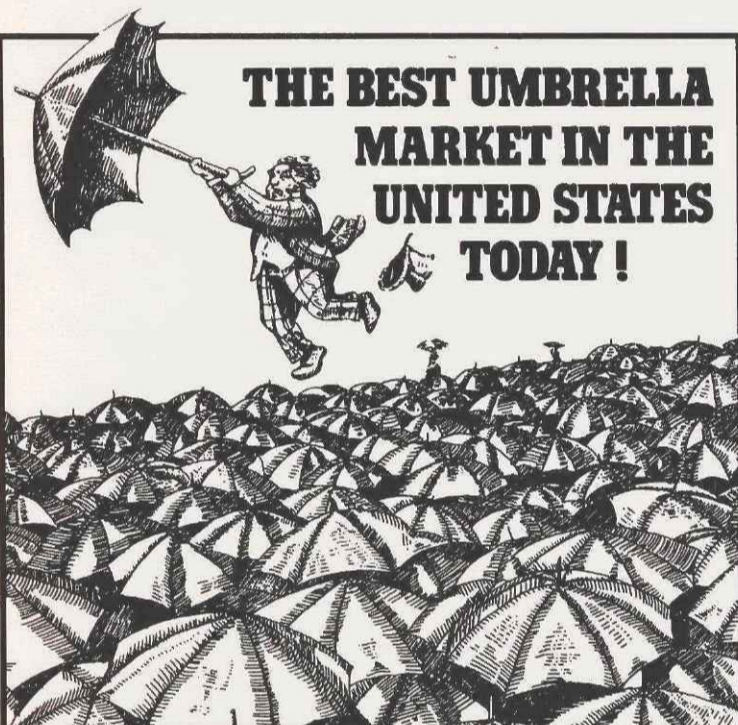
Other health experts, such as Aetna's Mr. Ahearn, see substantial revisions in the pending proposals. "We are in the learning stages of this debate where the bills are extreme and try to do everything."

During the next phase of the pro-competition debate, which will begin when the administration unveils its proposal, the measures will be much more narrowly focused.

For example, Andrew Webber, assistant director of the Washington Business Group on Health, sees pro-competition advocates making their greatest mark in the Medicare area.

For example, Mr. Gephardt and Rep. Willis Gradison, R-Ohio, have proposed in another bill that the elderly who are eligible for Medicare receive vouchers from the federal government that would allow them to buy health insurance coverage from private insurers. The Gephardt-Gradison bill wouldn't force any changes in employer-sponsored health insurance plans for Medicare.

The Federation of American Hospitals' Mr. Bromberg believes that intense business opposition has permanently derailed mandates for employers to offer multiple health insurance plans, but other aspects of pro-competition legislation, such as capping the amount of tax-free health insurance benefits, are still very much alive, he says. ■




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• As part of a continuing educational program, the National Council on Compensation Insurance has published a booklet entitled **The Basis of Premium for Workers Compensation Insurance**. The fifth in a series, it explains in non-technical language, why total payroll is used as a basis of premium for workers compensation insurance. The booklet includes discussions of necessary and desirable

characteristics of a premium base and the history of the use of the payroll base. Several appendices to the booklet include explanation of payroll limitation and effect of experience rating. Copies are \$1. Write Public Affairs Department, NCCI, One Penn Plaza, New York, N.Y. 10119.

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• Interstudy, a health care policy research firm, has established a **Competitive Health Markets Resource Center**. An information and referral service, the Resource Center can assist individuals and organizations interested in HMOs, other competitive medical plans and the competition strategy for health system reform. The Center has developed a series of four general information packets for employers, union members and consumers, physicians and hospitals. The packet for employers includes

an introduction to prepaid health care and HMOs, descriptions of different business efforts to promote competition in local health markets and an example of materials used by employers to explain HMOs to employees. The cost is \$15. Write Interstudy, Box S, 5715 Christmas Lake Road, Excelsior, Minn. 55331; or call 612-474-1176.

• BNA Communications Inc. has released a new safety film, **Fire Safety in Cutting and Welding**. Produced by the Allied Corp., the film illustrates the necessary steps to eliminate or greatly reduce the risk of fire or explosion before, during and after any cutting or welding job involving gas or electric welding equipment. A 12-page workbook with background information, questions and answers is also included. The film is a 14-minute sound and color transfer from videotape. It is available for license or rental in 16mm film, 3/4-inch videocassette, Betamax or VHS. Costs

are \$295 to license and \$95 for a three-day rental. A 24-hour preview of the 16mm film is \$30. Workbooks are \$1 each with a minimum order of 10. For further information, write BNA Communications Inc., 9417 Decoverly Hall Road, Rockville, Md. 20850; or call 301-948-0540.

• The 1981-82 edition of the **Membership Directory** of the National Assn. of Independent Insurance Adjusters is now available. The directory, known as The Blue Book, was mailed to all member firm offices, insurance company claims executives, insurance managers and allied and trade association representatives. The current edition includes the NAAIA's international associates, code of ethics, constitution and bylaws, officers, national advisory council system and committees. Additional copies can be obtained through NAAIA's Executive Office, 175 W. Jackson Blvd., Chicago, Ill. 60604.

GAO criticizes PBGC operation

Continued from page 3
to 10 years, contains basic information about company's plan benefits and design.

In addition, about 179,000 pension plans with 10 million participants either haven't filed SPDs, or they did file but the department can't find the summaries.

The GAO says the high cost of storing SPDs—so far, about \$1 million—outweighs the benefits. The Labor Department receives an average of just 950 requests to examine SPDs each year.

Because of low demand and inefficient record keeping, the GAO recommends that ERISA be amended so that employers no longer would have to routinely file SPDs with the Labor Department.

Instead, they only would be required to file plan descriptions at the Labor Department's request.

Rep. John Erlenborn, R-Ill., and Sen. Don Nickles, R-Okla., have sponsored legislation (BI, Oct. 19) that would eliminate the summary plan description filing requirement, as the GAO recommends. Their bill also would overhaul ERISA so that only one federal agency—a newly created Employee Benefits Administration—would enforce the pension law. Currently, three agencies—the PBGC, the IRS and the Labor Department—administer ERISA.

"The GAO study underscores the inefficiency, waste and duplication that continues to plague ERISA as a result of multi-agency administration," Rep. Erlenborn said.

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52.	DEC 28	Dec 15
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Hall buys Jartran to stymie Ryder's bid

Continued from page 2
 capital-intensive business.
 Hall also said it had been investigating Jartran possibilities since April.

The Hall announcement was practically a mirror-image of the previous Ryder announcement, which explained how it sought tax advantages by investing in a non-capital intensive business.

Although the Jartran acquisition probably would allow Hall to use its excess tax credits, according to Mr. Wilson, the key question is whether Jartran can make money.

"If Jartran could be made profitable, it makes sense to want to use the excess tax credits. From a management point of view, there are some similarities between an insurance brokerage and a rental or leasing firm," he said.

In 1980, Jartran had consolidated revenues of about \$79.7 million and a net loss of nearly \$32 million. In 1981, the firm discontinued some unprofitable lines of operation and in the first eight months had revenues and consolidated losses of about \$24.4 million. Losses from the discontinued lines alone topped \$26 million.

Hall had revenues of \$309.6 mil-

lion in 1980, nearly 16% better than 1979 and says it believes a restructuring of Jartran and its infusion of capital will allow the rental firm to be financially viable and remain a competitive force in its industry.

Though neither Hall, Jartran nor Ryder would comment further on the speed and structure of the latest acquisition, industry observers had predicted Hall would seek

some protection from a Ryder takeover.

Most observers, however, expected Hall to seek a safe haven with a British brokerage like Seagwick Group, which recently broke off discussions with brokerage Alexander & Alexander Services Inc. Hall, however, already owns a large U.K. firm, Lleslie & Gdwin, which has both Lloyds' and retail brokerage operations.

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Sub-total	46,068
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Keene jackpot: \$300 million in coverage

Continued from page 1

product liability insurance that was written. A \$10,000 reward offered last

year for information leading to discovery of those missing liability contracts generated a number of leads and phone calls but no poli-

cies, Mr. Foster reported (BI, Dec. 29, 1980). Keene believes that its asbestos subsidiaries were insured by New

Jersey Manufacturers Insurance Co. from 1939 through 1943 and by Pennsylvania Manufacturers Assn. Insurance Co. from 1948 through 1959. The PMA coverage is in litigation.

plies to a loss, the 'other insurance' provisions of each policy provide a scheme by which the insurers' liability is to be apportioned," the court said.

But the court's guidance on this point is not much help because it directs insurers back to policy language that is ambiguous and that got them into the mess in the first place, one insurance company attorney observed.

Keene's insurers will be reluctant to act on the decision until all available legal remedies are exhausted. The Insurance Co. of North America petitioned the Court of Appeals for a rehearing Oct. 15. If it fails, INA will most likely ask the U.S. Supreme Court to review the decision, a senior spokesman said.

Three other petitions for review of similar asbestos coverage cases already are pending before the high court. Attorneys for INA and Liberty Mutual say the Supreme Court will decide whether to grant review to two appellate court decisions—INA vs. 48 Insulations and Porter vs. American Optical Corp.—on or after Nov. 13.

With nearly 25 other asbestos coverage lawsuits pending, the insurance industry is anxious for the Supreme Court to resolve the controversy.

Insurers are predicting the worst as a result of this decision. They speculate that a manufacturer might purchase huge limits every third or fourth year and self-insure during intervening periods.

When a long-latent disease claim is presented, the manufacturer could assign the claim to an exposure or manifestation year when high limits were in force.

Because high excess layers are relatively inexpensive, this approach could be more economical than buying insurance every year.

This reasoning assumes, however, that manufacturers would be willing to risk a change in the courts' opinion on coverage for long-latent injuries.

"The Keene decision goes too far in letting the policyholder off the hook for years in which it was uninsured," said Floyd Knowlton, second vp of the casualty/property claims department of The Travelers Insurance Cos.

"It is unfair that asbestos makers should get complete protection even for years during which they didn't purchase insurance. These are large, sophisticated insurance departments that know the risks they were taking," he said.

The dollars and sense of asbestos coverage

By RHONDA L. RUNDLE

Asbestos makers now have three conflicting court rulings that explain how their insurers should pay product liability losses. But the issue is even cloudier because nobody knows for sure how these rules would work in practice.

Forty-eight Insulations Inc., Eagle-Picher Industries Inc. and Keene Corp. all benefit from their respective court rulings, which in turn proclaim exposure, manifestation and triple trigger theories of liability.

But none of the decisions is final, and insurers have not yet begun the thorny task of applying these complex theories to actual claims payment. "It would be a waste of time at this point," noted one insurance company attorney.

Until insurers begin to tackle the practical application problem, precise payment formulas are largely an exercise in interpretation of the various court opinions.

The following scenario developed by *Business Insurance* to illustrate how liability policies might respond under the three theories is based on discussions with claims attorneys for several major insurers grappling with the problem.

The hypothetical insurance program outlined below is not necessarily typical, however. Each asbestos manufacturer's insurance program and pattern of claims is different. This policyholder, for example, has the least amount of coverage under the manifestation theory. But Eagle-Picher prefers manifestation because it maximizes coverage under its set of facts.

Insurer	Policy Period	Primary	Excess	Total Insurance
A	1940-55	\$25,000 per occurrence	—	\$25,000 per occurrence
B	1955-65	\$300,000/\$300,000 per occurrence/aggregate	—	\$300,000
C	1965-71	\$500,000/\$500,000 per occurrence/aggregate	\$25 million	\$25.5 million
D	1971-76	\$2 million	\$30 million	\$32 million
E	1976-81	Cost-plus plan \$3 million limit	\$35 million	\$35 million after \$3 million per claim/aggregate loss

Typical of many comprehensive general liability policies written before the 1960s, insurer A's \$25,000 primary coverage is written on a per-occurrence basis with no annual aggregate. The insurer's liability is limited only by the size and number of valid claims presented to it.

This fictitious asbestos maker first purchased excess insurance in 1965 and steadily increased limits up to the present.

After 1976, the policyholder could no longer purchase guaranteed-cost product liability insurance

and switched to a cost-plus plan that provides \$35 million excess coverage for single claims and annual aggregate losses that exceed \$3 million.

To evaluate how the program would respond under different liability theories, assume that the policyholder is ordered to pay five \$1 million awards against it. The claimants were exposed to asbestos over a 20-year period beginning in 1951. Their asbestos-related diseases were diagnosed in 1977.

Exposure/48 Insulations:

Under this theory, all insurers that provide coverage when a claimant is exposed to the policyholder's product must defend and indemnify the policyholder if liability is found.

Insurers A, B and C share the loss prorated over their portion of the total 20-year exposure beginning

in 1951. Insurer A was on the risk for five years or 25% of the loss, B for 10 years or 50% of the loss and C for five years or 25% of the loss.

If the asbestos maker had been self-insured during any part of that 20-year period, it would pay its pro-rata defense and loss costs alongside its insurers.

Insurer	Liability	Available limits per claim	Multiple limits (5) available
A	25% = \$250,000	\$ 25,000	\$125,000
B	50% = \$500,000	\$300,000	\$300,000
C	25% = \$250,000	\$250,000	\$250,000 + \$1m excess
Total insurance available			\$2,675,000

Manifestation/Eagle-Picher:

This rule assigns liability for indemnity and defense costs to the insurer providing coverage at the time a claimant's disease is finally discovered or diagnosed.

Many asbestos makers could no longer obtain guaranteed-cost product liability insurance after the mid-1970s when claims began to be reported in vast numbers.

In this hypothetical case, the policyholder's \$35 million excess coverage is attached after \$3 million is paid out by the policyholder.

The excess coverage, therefore, provides \$2 million in insurance. The policyholder pays loss and administrative costs for each claim under \$3 million.

Total insurance available: \$2 million

Triple trigger/Keene:

Inhalation exposure, exposure in residence (the entire course of development until diagnosis) and manifestation of asbestos disease all trigger coverage under this theory.

The policyholder may assign each \$1 million claim to any insurer on the risk from initial expo-

sure in 1951 through manifestation in 1977. Insurers A through E are each potentially liable. This hypothetical asbestos maker would clearly choose to assign the claims to insurer C or D whose high limits would fully cover the loss.

Total insurance available: \$5 million

rou-tine

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Many factors hinder rehabilitation efforts

LONG GROVE, Ill.—Some 80,000 workers sustain what are considered to be permanent impairments each year. Many of them could enter rehabilitative training programs, but the way to rehabilitation is often blocked by conflicts of interest between involved parties and a lack of understanding and coordination by state agencies, a report sponsored by the Kemper Group says.

According to the report, there are three major obstacles to rehabilitation:

- Too often, those making the decisions for injured workers know little about rehabilitation and frequently work against one another. Doctors, lawyers, employers and

workers have their own viewpoints concerning the injury and the proper course of action to take.

- Many states don't officially recognize rehabilitation; instead they emphasize monetary compensation. Thus, an injured worker can sometimes receive more money by staying off the job.
- Useful coordination between state agencies is often lacking because each has a specific job. For example, a state health department usually is responsible for treatment while the state's labor agency coordinates compensation.

Changes in attitudes and approaches to workers compensation and rehabilitation are the key to solving the problem, the report suggests. It says that changes should be focused at the state level, where workers compensation programs are regulated.

Five states presently mandate rehabilitation: California, Georgia, Hawaii, Michigan and Minnesota. And, according to a study by the California Workers Compensation Institute, rehabilitation is working in that state.

Three out of four California workers that begin a vocational rehabilitation program complete it, according to the California study. Eighty-five percent of those who complete the rehabilitation program eventually return to work.

More than half of the rehabilitated employees earn as much or more than they did before their injuries, the study says. The average wage is only 5% less than the pre-injury level.

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 President

The Big Mac war ends with FG out in front

Continued from page 2
 age for a long time."

Rates also made a difference, Mr. Weber said, though he denied Financial Guardian slashed prices unreasonably as competitors charged.

"Because of the amount of franchise business we already do and our experience, we were able to create a rating program that may have been more effective than others in some areas. We rated by geography, and in some areas our rates were not competitive at all," he noted.

Financial Guardian was virtually wiped out of some states when competitors' quotations were less than half of those it filed, he said. In other states, the brokerage was untouchable.

"Because we were underwriting the program for Great American, we had an additional flexibility that our competitors might have lacked. If one of our offices needed 5% off the quoted premium to be competitive, we were able to take a chance for them," Mr. Weber explained. "But I can't say we were slashing prices."

Although competitors charged Financial Guardian had cut premiums to less than \$1,500 per store in many cases, Mr. Weber said individual premiums averaged about \$3,000.

Marsh & McLennan, selling the McDonald's-sponsored program, finished second in the sales battle, industry sources said. Although M&M did not have final results compiled, competitors estimated the INA-underwritten plan finished strong with 1,000 to 1,200 stores.

Frank B. Hall, which lost the McDonald's account in 1980, previously claimed to have retained the approximately 1,600 locations it inherited last year. But sources involved in the sales competition say that despite strong showing in select locations, especially Florida, Hall held onto only about 800 locations.

Hall Executive Vp John McCaffrey was not avail-

able to confirm the new estimates.

American International Group, which underwrote the corporation-sponsored program last year, was left without a sales force when Marsh & McLennan switched the program to INA this year, but attempted an unprecedented marketing effort through regional brokers.

Although the insurer quoted nearly 90% of the McDonald's operators, according to AIG Risk Management President Joseph Smetana, it landed only about 10% or 120 operators.

If that percentage is applied to locations, AIG would have about 400 stores.

"We don't know exactly how many locations we've got because we tallied by owner/operator," he said. "We're disappointed, but we knew that this could happen. Even if we got zero sales, we were in a position to prove that we could take a new insurance product to more than 1,400 people in three days. We did."

"In addition, we got a lot of spinoff for the effort and talked to a lot of agents and brokers that never knew AIG existed," he said.

The AIG marketing blitz was not meant as a message to major brokers to say AIG didn't need them as some competitors charged, AIG President and Chief Executive Officer Maurice Greenberg added. "We simply opened up the account to the whole brokerage community. AIG was and is still a brokerage company."

The competition held some surprises. Corroon & Black, which had several hundred McDonald's stores in New England, lost nearly all of them to Financial Guardian, according to C&B's Boston office.

Alexander & Alexander, which was not expected to be interested in the McDonald's locations, scored about 100 stores in the New York City area with a last-minute marketing effort, the brokerage confirmed.

Firms trade blame for design changes

Continued from page 2

Co. of Kansas City, said in court papers that Gillum-Coleco and the hotel's architectural consortium, Patty Berkebile Nelson Duncan Monroe LeFebvre Architects Planners Inc., were responsible for the design change.

In another set of court papers, H.R. Inspection Service Inc. of Kansas City said it inspected the ill-fated walkways, but that no instruments or equipment were used and design specifications were not checked.

Concordia Project Management

Ltd., which conducted inspections at the Hyatt, said the walkways were barricaded at one time during construction, apparently because there was "concern over safety." However, it was noted that Concordia issued no warnings about the walkways and did not seek limitations on their use.

The hotel's owner, Crown Center Redevelopment Corp., and Hallmark Cards Inc., the redevelopment corporation's parent company, said they were not responsible for the hotel's construction or the design of the walkways.

Herbert E. Duncan, one of the hotel's architects, refused to answer many of the questions posed by plaintiff's attorneys.

In answer to a number of questions that touch on Havens Steel's role in the events that led to the accident, the metal fabricator's attorneys supplied this answer:

- The steel firm's work was

done in accordance with specifications supplied by the architects and engineers.

- Havens Steel's shop details were approved by the other contractors.

- The construction work was safety inspected and found to comply with contract requirements.

Meanwhile, a Chamber of Commerce spokesman said a special report on the Hyatt's overall safety will be released in a couple of weeks.

At the Jackson County Circuit Court building, attorneys are filling a room with architectural plans, shop drawings, design specifications and thousands of other papers relating to the hotel's construction.

The documents, which are being placed in a guarded depository, will be open for view by attorneys representing the disaster victims, but will not be made available to the public.

Legislators seeking to link code compliance, coverage

Continued from page 2

The hearing will precede the group's three-day annual meeting.

In the Kansas City Hyatt Regency incident, which occurred July 17, 113 people were killed and 186 injured when two suspended walkways in the hotel's lobby crashed to the floor. The MGM Grand fire last November killed 84, and the Stouffer's Inn fire last December killed 26.

"These tragedies are still quite vivid and it seems to me if we can do anything to make buildings safer, now is the time," Missouri state Sen. Truman Wilson, D-St. Joseph, said.

As chairman of COIL's Resolution Committee, Sen. Wilson will co-chair the hearing with New York state Sen. John R. Dunne, R-Nassau County, the group's president-elect.

Although action will be based on the results of the hearing, COIL is considering drawing up model legislation addressing a number of issues, Sen. Wilson said. He emphasized that one purpose of the hearing is to determine if such action is needed.

If proposed, the model legislation would:

- Make payment of liability and fire insurance claims contingent on compliance to building and fire

codes.

- Require insurers to invest more of premiums collected from hotels and other places of public accommodation into research and development of structural and fire safety standards.

- Direct that more of the profits from hotels and convention facilities be invested in structural and fire safety.

- End any favorable tax treatment given by state and local governments to those facilities that do not comply to local and state fire and other safety codes.

The model legislation, if approved by the COIL membership, would be ready for presentation to state legislatures during the 1982 session, the COIL leadership hopes.

Also to be broached is a proposal that COIL undertake a broad study to determine "why the insurance mechanism may not be functioning in regard to advancing fire and structural safety." Spokesmen said they were not yet ready to elaborate on this issue.

"In general, these are issues I think need to be discussed," Sen. Wilson said. "We need input from anyone that would want to testify."

Those wishing to do so should contact Sen. Dunne in his Albany, N.Y. office, he said. The telephone number is 518-455-2111.

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Malpractice insurers may be 'bad news' for all involved

By MYRON M. PICOULT
Special to Business Insurance

IN A RECENT COLUMN, the property/casualty industry was referred to as the good news/bad news group (BI, Aug 24).

The good news was that first-half results were not as bad as anticipated, and we suspect that the third-quarter figures, which will be released soon, will follow that direction, too.

The bad news was that the results have precluded some companies from being as aggressive as they should in shoring up weak underwriting standards and increasing prices—particularly in the commercial arena—within a realistic time frame.

These not-so-bad results are creating a more drawn-out underwriting cycle. We call it "Chinese water torture—property/casualty, American style." While we do not predict a "do-nothing cycle" into the mid-1980s, we haven't dismissed such a prospect.

Despite the ever present optimism of some property/casualty insurance executives that the cycle will turn, we suspect that pressures will affect the current underwriting malaise. Conventional wisdom holds that the cycle's turn will be caused by one of several natural financial disasters. We see three possibilities:

- A reduction in cash flow and a precipitous decline in interest rates, leading to some cannibalization of investment funds.
- Some cracks in the reinsurance market developing into fissures.
- The surfacing of problems in some

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His column for Business Insurance appears the fourth Monday of every month.



Mr. Picoult

BI ticker

"bedpan mutuals" and joint underwriting association medical malpractice companies.

We are both fascinated and befuddled that some casualty company executives and insurance commissioners do not recognize the severity of the problems in the medical malpractice area. But, to be sure, the doctors and the trial lawyers should not be absolved of blame if the worst comes to pass.

Sharp rate increases and the curtailment of plans in 1974 and 1975 led many doctors and hospitals to organize their own companies as a means of keeping premiums low and assuring themselves of coverage. The impact of this shift is quite evident. According to A.M. Best Co., professionally sponsored companies, including direct writers, control more than half the market. Of the 50 largest writers of medical malpractice coverage, 28 are professionally sponsored facilities that accounted for 42.5% of total premiums written by this group of companies last year, Best says.

While these insurers were originally formed to provide availability and affordability, they have become political animals in many states. The problem and its implications are best illustrated by the current situation in New York.

That state has both a JUA and a professionally sponsored company. The sponsored insurer, Medical Liability Mutual, is the second-largest writer of medical malpractice insurance in the nation with \$134 million in direct premiums in 1980 and 9% of the total market. The JUA's premium volume was approximately \$26 million.

Both companies are apparently experiencing problems as evidenced by the rate increases being sought: 52% by the doctor-owned mutual and 210% by the JUA. The JUA apparently has a deficit of approximately \$100 million. Deficiencies in Medical Liability Mutual are apparently being masked by the company's cash-flow underwriting methods for now.

It would seem that if the JUA became insolvent, it would place considerable pressure on the mutual company and vice versa. A

cash-flow squeeze in the professionally sponsored insurer, perhaps precipitated by a shortening of the claims tail that is a little longer than other companies' because of court congestion, could tip the scales.

The insolvency of the New York companies probably would not create a national problem, but it would clearly pressure the liability market in New York state. However, it is the size of the New York companies and the reasons for the problems—a continuous rate deficiency—that are worth noting.

Furthermore, some interesting questions will likely be raised about whether JUAs that become insolvent fall under the provisions of the traditional Property Liability Guaranty Fund—to which all writers of liability coverages in the state contribute—once the stabilization reserve funds have been exhausted.

The pressures in the New York medical malpractice market are a microcosm of the problems that apparently exist in some medical malpractice mutuals and JUA insurers. One wonders how the phrase "caveat emptor" will sound to some doctors and insured medical facilities should insolvencies occur and questions arise about limits of coverage, not to mention the pressures that will fall on some liability underwriters.

Financial briefs

Fiduciary & General

Shareholders of Exchange Investment Corp., based in Peoria, Ill., have approved consolidation with Fiduciary & General Corp. of Carmel, Ind.

Fiduciary & General acquired control of Exchange Investment, a life insurance holding company, in January.

F&G was formed in 1979 to acquire and operate medium-sized life insurance companies. As a result of the consolidation, F&G will own two life insurers: Florida General Life Insurance Co. and Georgetown Life Insurance Co. The company has other properties.

Fireman's Fund

Fireman's Fund Inc., the holding company for Fireman's Fund Insurance Cos., plans to buy Wisconsin Employers Insurance Group, headquartered in Green Bay, Wis.

The acquisition is subject to the approval of the Wisconsin insurance commissioner and other regulators and the directors of both companies.

Wisconsin Employers Insurance Group includes a life insurer licensed in six states and two property/casualty companies licensed only in Wisconsin. Wisconsin Employers had revenues of \$118 million in 1980.

QBE Insurance Group

QBE Insurance Group Ltd. of Sydney, Australia, will underwrite liability insurance policies for Legal & General Insurance of Australia Ltd. after Nov. 30. Legal & General will discontinue all liability underwriting after that date.

Legal & General generates annual gross premiums of \$12 million Australian.

E.H. Crump/Reliance

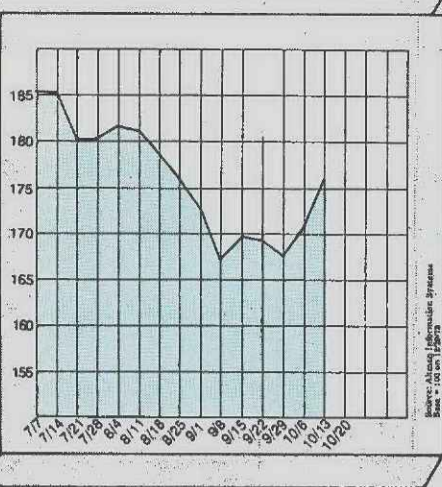
E.H. Crump Cos. Inc. of Memphis, Tenn., has completed the acquisition of two West Coast brokerage firms from Reliance Insurance Co. of Philadelphia.

Crump acquired Kinder & Lucci Insurance Brokers and LaBow, Haynes Co. Inc. for 780,000 newly issued Crump shares.

In addition, Reliance has acquired most of the Crump common stock owned by members of the Crump family, giving it about 43% of Crump's outstanding shares.

Also, Reliance has declared a regular quarterly dividend of 67 cents per share on its Series A preferred stock, payable Jan. 1. to shareholders of record Dec. 15.

BI Insurance Index



Insurance industry stocks gained slightly last week as the Business Insurance stock index rose 0.4 points to 176.7 from 176.3. Thirty issues showed increases, 26 stocks faltered and 17 remained unchanged. Leading the advances were: Avemco Corp., 13.8%; MGIC Investment Corp., 7.2%; American Bankers Insurance Group, 6.3%; Zenith National Insurance Corp., 4.8%; and Alexander & Alexander Services Inc., 4.3%. The largest declines were reported by: Crum & Forster, 7.8%; Marsh & McLennan Cos. Inc., 7.4%; PennCorp Financial Inc., 6.4%; E.H. Crump Cos. Inc., 5.2%; and Bitco Corp., 4.2%. The index, with a 0.2% increase, outperformed the major stock market indicators.

British Issues

10/20 Companies	Price	P/E	Div. %	Yield %	1 Week High-Low
Comml Union	134	9.0	16.07	12.0	135-132
Eagle Star	294	9.4	21.43	7.3	295-292
Genl Accident	320	7.4	21.07	6.6	324-318
Gdn Royal Exch	300	7.7	23.21	7.7	302-298
Phoenix	258	8.5	22.43	8.7	260-256
Royal	350	9.0	35.00	10.0	352-343
Sun Alliance	855	8.6	53.57	6.3	855-835

Brokers	Price	P/E	Div. %	Yield %	1 Week High-Low
CE Heath	280	11.0	15.00	5.3	280-275
Hogg Robinson	101	8.1	8.57	8.5	104-100
Alex Howden	142	10.9	10.71	7.5	141-135
JH Minet	145	12.1	6.80	4.7	145-140
Sedg Grp	135	9.9	7.50	5.5	135-131
Stenhouse Hldg	93	8.5	6.64	7.1	93-91
Stew Wrightson	208	10.4	17.14	8.2	208-201
Willis Faber	353	12.2	17.85	5.0	353-343

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

BI Industry Stock Report

Insurance Cos.	OCT. 20, 1981				10/14/81 THRU 10/20/81				Vol. (000)	OCT. 20, 1981				10/14/81 THRU 10/20/81					
	Price	% Chg.	P/E	S Div.	% Yld.	High	Low	Vol. (000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		
Aetna Life & Cas Co	NYSE	41.13	-1.2	7.3	2.32	5.6	41.13	40.75	398.2	Tokio Marine & Fire Ins Co	OTC	102.00	-3.4	8.1	1.00	1.0	105.50	99.75	4.8
American Bankers Ins Group	OTC	6.38	6.2	12.0	0.44	6.9	6.38	6.25	59.4	Travelers Corp	NYSE	45.63	0.3	5.3	2.88	6.3	45.63	44.88	147.7
American Gen Ins Co	NYSE	41.63	2.1	6.6	2.00	4.8	41.63	40.50	95.6	United Fire & Cas Co	OTC	31.25	2.5	8.2	1.00	3.2	31.25	30.50	1.5
American Intl Finl Corp	OTC	14.00	0.0	5.6	1.12	8.0	14.00	14.00	2.8	United States Fid & Gty Co	NYSE	43.25	3.6	6.4	3.20	7.4	43.50	42.38	177.8
American Intl Group Inc	OTC	63.50	3.3	11.6	0.40	0.6	63.50*	60.50	247.1	United Svcs Life Ins Co	OTC	13.88	-0.9	5.7	1.00	7.2	13.88	13.88	11.7
American Natl Ins Co	OTC	12.25	1.0	5.5	0.68	5.6	12.25	12.00	27.9	Unifire Corp	NYSE	22.75	0.6	5.5	0.76	3.3	23.63	22.38	113.0
American Sta Life Ins Co	OTC	18.00	-2.7	5.8	0.72	4.0	18.50	18.00	0.3	Washington Natl Corp	NYSE	23.00	2.2	6.8	1.08	4.7	23.00	21.75	68.9
Aneco Reins Ltd	OTC	3.00	-4.0	0.0	0.00	0.0	3.13	3.00	8.9	Zenith Natl Ins Corp	OTC	16.25	4.8	8.5	0.60	3.7	16.25	15.00	36.9
Appalachian Natl Corp	OTC	2.13	0.0	0.0	0.00	0.0	2.13	2.13	0.3	INSURANCE COMPANIES	AVERAGE				6.3		4.2		
Avemco Corp	AMEX	9.25	13.8	6.3	0.50	5.4	9.25	9.00	3.8	Agents/Brokers									
Banks Iowa Inc	OTC	43.00	2.4	6.8	1.44	3.3	44.00*	42.50	12.6	Alexander & Alexander Svcs	OTC	30.00	4.3	10.4	1.84	6.1	30.00	28.75	117.9
Biteco Corp	OTC	34.50	-4.2	4.9	2.16	6.3	36.00	34.00	3.5	Baldwin & Lyons Inc	OTC	31.75	0.0	5.4	0.80	2.5	31.75	31.75	0.7
Carolina Cas Ins Co	OTC	6.75	0.0	6.8	0.32	4.7	6.75	6.75	3.9	Corroon & Black Corp	NYSE	20.25	7.3	10.7	1.76	8.7	20.38	19.00	28.7
Central Natl Finl Corp	OTC	27.50	1.9	9.0	0.65	2.4	28.50*	26.50	5.8	Crump E H Cos Inc	OTC	11.50	-5.2	13.5	0.40	3.5	11.63	11.38	20.4
Chubb Corp	OTC	42.50	1.2	5.2	2.68	6.3	42.50	41.38	115.2	Hall Frank B & Co Inc	NYSE	29.00	-1.3	10.8	1.66	5.7	35.13*	29.00	1,061.4
Combined Intl Corp	NYSE	21.38	1.2	5.9	1.80	8.4	21.38	20.88	53.7	Integrated Res Inc	AMEX	14.75	-1.7	6.5	0.00	0.0	15.00	14.63	42.4
Connecticut Gen Ins Corp	NYSE	51.38	0.7	6.7	1.76	3.4	51.50	51.13	259.1	James Fred S & Co Inc	NYSE	26.13	-2.8	12.0	1.60	6.1	28.75	25.88	288.4
Continental Corp	NYSE	25.50	-1.0	8.1	2.40	9.4	25.50	25.00	92.8	Marrah & McLennan Cos Inc	NYSE	34.25	-7.4	11.3	2.00	5.8	36.00	34.00	134.0
Crawford & Co	OTC	15.00	0.0	11.6	0.52	3.5	15.00	15.00	22.0	PennCorp Finl Inc	NYSE	5.50	-6.4	9.8	0.16	2.9	5.75	5.38	163.0
Crown Life Ins Co	OTC	92.00	3.4	10.0	2.80	3.0	92.00	89.00	0.0	Poe & Assoc Inc	OTC	10.50	-2.3	9.1	0.80	7.6	10.75	10.50	0.0
Crum & Forster	NYSE	31.00	-7.8	5.4	1.64	5.3	33.25	31.00	139.8	Reed Stenhouse Cos Ltd	OTC	10.50	0.0	8.3	0.69	5.7	10.50	10.50	8.1
Employers Cas Co	OTC	34.00	0.0	5.6	1.20	3.5	34.00	34.00	3.3	Rollins Burdick Hunter Co	OTC	24.13	2.7	13.4	1.24	5.1	24.13	22.75	15.3
Equifax Inc	NYSE	23.00	3.4	5.2	2.40	10.4	23.00	21.75	7.5	AGENTS/BROKERS	AVERAGE				9.4		5.2		
Excelstor Ins Co	OTC	16.50	0.0	14.2	0.70	4.2	16.50	16.50	2.3	Conglomerates/Holding Cos.									
Farmers Group Inc	OTC	27.88	-3.9	8.6	1.12	4.0	28.88	27.50	133.0	American Express(Fireman's Fd)	NYSE	43.50	-2.0	7.9	2.00	4.6	44.75	43.50	617.1
First Colony Life Ins Co	OTC	59.50	-2.5	18.1	1.00	1.7	61.00	59.50	2.6	Anderson Clayton(Ranger/PanAm)	NYSE	23.38	1.6	5.7	1.20	5.1	23.38	22.75	28.5
Foremost Corp Amer	OTC	25.50	0.0	7.6	0.80	3.1	25.50	25.25	3.0	Arco Inc	NYSE	26.75	-3.6	6.9	1.80	6.7	27.38	26.63	115.4
Great West Life Assurn Co	OTC	243.50	-0.6	9.9	10.00	4.1	243.50	243.50	0.4	City Investing Co. (Home Ins.)	NYSE	23.50	-1.1	6.8	1.00	6.8	23.50	23.13	463.7
Janover Ins Co	OTC	29.75	0.0	4.0	0.72	2.4	29.75	29.00	12.4	CNA Finl Corp (CNA)	NYSE	13.00	0.0	5.1	0.00	0.0	13.25	12.88	16.6
Hartford Steam Boiler Insptn	OTC	45.50	2.2	8.1	2.60	5.7	45.50	44.50	2.6	Control Data (Comm. Credit)	NYSE	70.50	1.4	8.3	1.00	1.4	70.50	66.75	352.0
Jefferson Natl Life Ins Co	OTC	35.00	0.0	28.2	0.64	1.8	35.00	35.00	9.5	General Re Corp	NYSE	75.75	-3.7	9.9	1.76	2.3	77.50	75.75	30.2
Kemper Corp	OTC	31.13	2.5	5.1	1.60	5.1	31.13	30.38	32.1	Gulf Utd Corp	NYSE	21.25	0.0	7.7	1.32	6.2	21.75	21.00	160.7
Lincoln Natl Corp Ind	NYSE	39.13	0.3	6.0	3.00	7.7	39.13	38.50	131.8	INA Corp (Ins. Co. of WA)	NYSE	43.75	-2.0	6.1	2.40	5.5	43.75	43.13	254.3
Mgic Inv Corp	NYSE	37.38	7.2	9.7	1.28	3.4	37.38	34.38	218.2	ITT (Hartford Group)	NYSE	28.88	-1.7	5.2	2.60	9.0	29.00	28.50	790.3
Mission Ins Group Inc	NYSE	36.50	-1.7	6.7	1.00	2.7	37.75	36.50	6.3	Optimum Hldg Corp	OTC	10.00	0.0	12.3	0.00	0.0	10.00	10.00	1.8
Nationwide Corp Ohio	OTC	24.63	0.0	7.6	0.70	2.8	24.63	24.63	1.1	Reliance Group Inc	NYSE	83.25	-0.3	8.8	3.00	3.6	83.75	83.00	8.7
Northwestern Natl Life Ins	OTC	23.50	-0.5	5.7	1.36	5.8	23.63	23.50	8.0	Sears Roebuck & Co. (Allstate)	NYSE	17.38	-3.1	8.1	1.36	7.8	17.63	17.38	660.1
Ohio Cas Corp	OTC	40.38	1.9	6.2	2.08	5.1	40.38	39.63	55.9	S & H Co. (Bayly Martin & Fay)	NYSE	35.75	0.0	13.9	1.00	2.8	36.00*	35.75	5.3
Old Rep Intl Corp	OTC	15.38	-0.8	3.5	0.92	6.0	15.38	15.38	12.3	Teledyne Inc (Argonaut)	NYSE	149.00	3.1	7.7	0.00	0.0	151.25	142.13	495.1
Pinehurst Corp	OTC	8.13	1.6	0.0	0.00	0.0	8.13												

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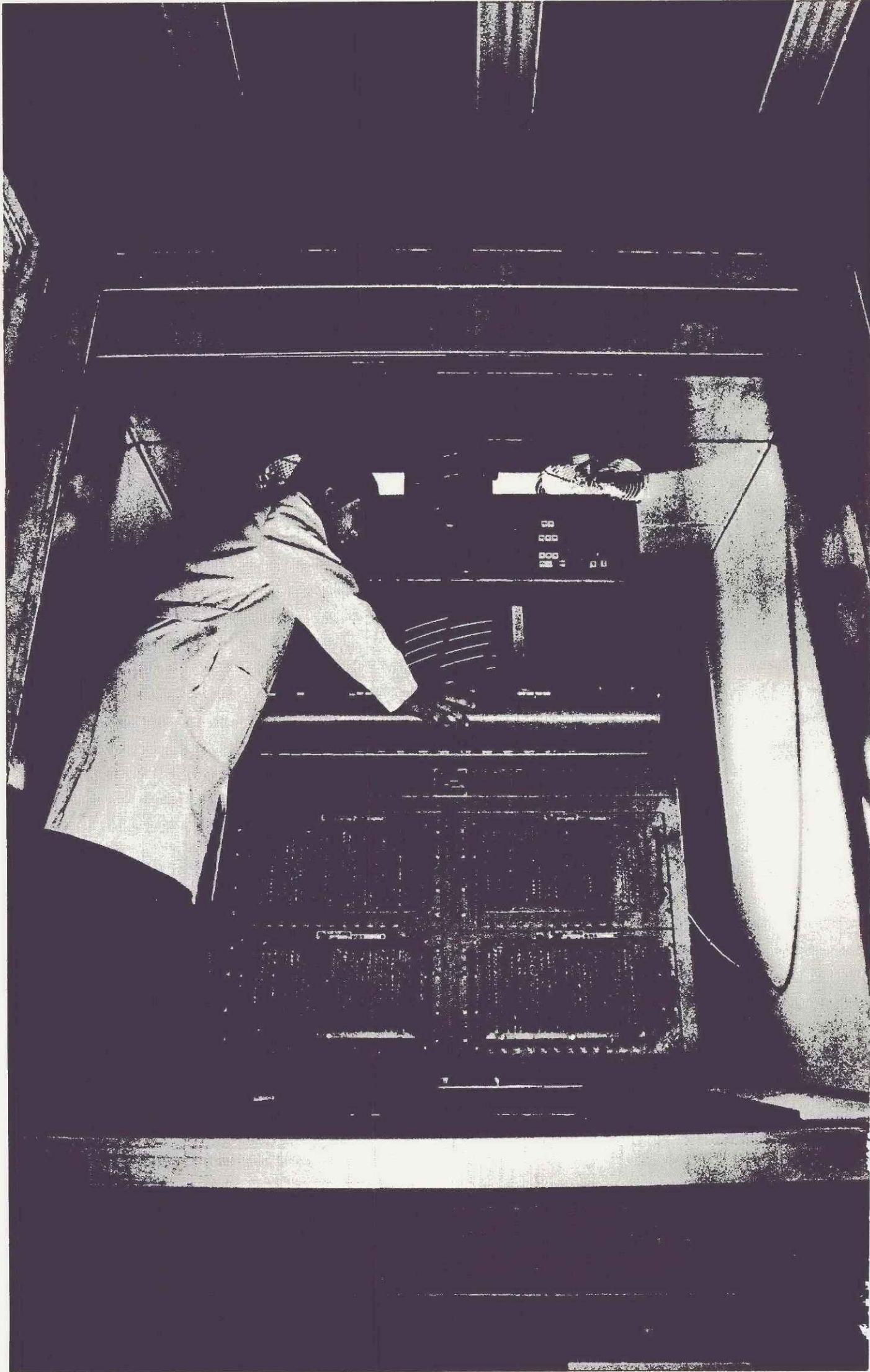
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Quality inspector testing a system at Diagnostic/Retrieva Systems, Inc., in Oakland, New Jersey

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