

Photo: Wide World

Rescue workers search for victims near where the tail engine of the Pacific Southwest Airlines 727 plummeted to the ground.

London, AIG unit cover airline for $150 million

SAN DIEGO—Pacific Southwest Airlines, the passenger airline involved in the worst disaster in U.S. aviation history, had approximately $150 million of liability coverage. Ninety-five percent of the insurance was placed in the London market with the balance placed with American Home Assurance Co., a member of the AIG group.

At least 150 lives were lost in the mid-air collision of a PSA Boeing-727 jetliner and a Cessna 172 flown by a student pilot. The fatalities included 136 aboard the airliner, the student pilot and an instructor and as many as 14 persons on the ground.

There were 38 PSA employes aboard the flight, which was en route from Sacramento and Los Angeles to San Diego, including the eight-member crew.

PSA's workers compensation coverage was placed with U.S. Aircraft Insurance Group, one of the two largest U.S. aviation pools. Statutory workers compensation death benefits in California average $55,000 per person.

The London market and American Home were also underwriters of PSA's hull coverage. A $7.5 million claim on the hull value was paid within 24 hours of the catastrophe, according to W.N. Irby, chairman of Atlanta-based South East Aviation Underwriters, the underwriting manager on the account.

The Los Angeles office of Marsh & McLennan brokered the PSA policies and Alexander Howden acted as London broker. Aviation & General Insur-

Continued on page 2

Week of October 2, 1978

business insurance

the national newsmagazine of loss prevention, risk financing and employe benefit management

©Entire contents copyright 1978 by Crain Communications Inc. All rights reserved.

75c a copy; $15 a year

Profile of alleged scheme

One risk to another: Broker turns insurer

By KATHRYN J. McINTYRE

ST. LOUIS—Donald J. Kubovchik couldn't find an insurer who would underwrite the risks of a quarry truck operator. The operator had a clean loss record and was a good risk in the judgment of the Associated Underwriters broker.

Frustrated by an unresponsive marketplace, and attracted to the apparently profitable piece of insurance business, Mr. Kubovchik thought, "Why not? I'll be the insurance company." He didn't tell his associates at the St. Louis agency what he had decided to do.

That was in 1975. Over the next three years, as additional attractive excess and umbrella insurance proposals landed on his desk in the excess and surplus lines department, "he turned to this deception," said Missouri director of insurance Jerry B. Buxton. The deception included pocketing the premiums, writing off the business to a sham E&S Insurance Agency and paying some claims, Mr. Buxton confirmed.

In relating to *Business Insurance* how Mr. Kubovchik began a scheme that apparently allowed him to appropriate an estimated $1.2 million in premiums for 125 excess insurance policies that were not placed with insurers, Mr. Buxton said he was repeating what Mr. Kubovchik had told him.

No charges have been filed against Mr. Kubovchik yet, but insurance regulators in at least four states—Missouri, Nevada, Illinois and Washington—are investigating the broker's dealings, as are the FBI and postal inspectors.

The Missouri insurance division admits it has found evidence of invalid insurance in possibly 15 states and it is continuing to inspect records at Associated Underwriters to verify insurance. It's believed Associated Underwriters has canceled all excess policies

Continued on page 45

The inside story

M&M finds a key to Lloyd's

Marsh & McLennan will gain direct access to Lloyd's under its plan to combine its operations with those of C.T. Bowring. Although many details are yet to be worked out, M&M chairman John Regan says it will be as if "we are them and they are us." Page 4.

The first risk

AIG is providing a multiperil property policy to a New York retail chain, the first risk under the state's new free trade zone. Meanwhile, the committee drafting the constitution for the Insurance Exchange hassles over whether brokers or underwriters will have the major voice. Page 40.

The people column

page 50

Guidelines limit cutbacks in older workers' benefits

By JERRY GEISEL

WASHINGTON—Labor Department guidelines on how much companies can reduce benefits for workers over age 65 clash sharply with benefit managers' plans for major cutbacks.

The guidelines to implement the law raising the mandatory retirement age to 70 call for limited cutbacks in life insurance, medical benefits and long term disability coverage. Most benefit managers had planned to slash benefits for workers staying on the job past age 65, a recent survey of *Business Insurance*'s Employe Benefit Board revealed (*BI*, July 10).

The proposal does allow employers to reduce benefits more than the guidelines if the company can furnish economic information proving that the cost of providing older workers with benefits is excessive. Such proof would have to be turned over to the Equal Employment Opportunity Commission, an agency that has been under heavy criticism for painfully slow handling of discrimination complaints.

The guidelines also appear to have created new confusion for defined benefit pension plans, an area previously thought would be little affected by the new law, benefit experts said. The regulations are unclear on whether salary increases after age 65 must be considered in determining pension benefits.

Benefit consultants stressed that the guidelines, which are contained in the Labor Department's interpretative bulletin that discusses how the recent hike in the mandatory retirement age affects employe benefits, are only preliminary. Final regulations won't be issued until after an extended comment period.

The regulations that finally emerge probably will be subjected to court tests, observed a staff member of the Senate Human Resources Committee who has been deeply involved in the mandatory retirement legislation.

Benefit experts cautioned that

Continued on page 49

Group captive deduction OK'd

WASHINGTON—Premiums paid by a U.S. company to an offshore, group-owned or industry captive are tax deductible as ordinary and necessary business expenses, provided they are "reasonable" and "based on sound actuarial principles," the Internal Revenue Service said publicly for the first time last month.

Analyzing a situation that is clearly the petroleum industry's Bermuda insurance company Oil Insurance Ltd., the IRS concluded in revenue ruling 78-338 that insurance exists in such an arrangement and that the tax deduction for premiums paid is valid.

However, with the advantage of a tax deduction afforded by the recognition of an insurance transaction comes the disadvantage of the excise tax on insurance of a U.S. risk placed with a foreign insurance company, the ruling states.

The excise tax of 4% on direct and 1% on reinsurance is not due on premiums paid by a U.S. parent company to a wholly owned foreign insurance subsidiary underwriting only the risks of its parent, the IRS ruled earlier this year in revenue ruling 78-277. Reasoning that since it ruled in August 1977 that insurance does not exist under those conditions, the IRS admitted an excise tax on insurance premiums cannot apply.

Infamous revenue ruling 77-316 that said insurance does not exist between a parent and a wholly owned insurance subsidiary insuring only the parent's risks stands, the new ruling notes.

The IRS position in its new Sept. 18 ruling didn't really surprise anyone. More than one captive observer explained that the ruling is only a confirmation of what everyone expected and a public statement of what the IRS told Atlantic Richfield Co. in a private letter ruling in 1971.

Still, some captive experts are taking delight in the ruling.

"I'm glad it's been made public," said Atlantic Richfield insurance

Continued on page 47

Plane crash . . .

Continued from page 1

ance Co. was lead underwriter on the hull and liability coverages, which were spread among 25 to 30 London insurers plus American Home, said Mr. Irby. One of the London companies involved is British Aviation Insurance Co., the third largest aviation underwriter in London.

"Everyone got hurt on this one," he added, noting that Lloyd's had approximately 17% of the risk.

Many of the passengers on the PSA flight were business travelers who regularly used the airline for intrastate travel. Because of this, the average claim settlement is expected to be high, with estimates from insurance experts ranging from $200,000 per person to $500,000 per person.

If the $500,000 figure were applied to the approximately 120 non-airline personnel who were crash victims, total liability would be about $60 million, far below the limits carried by PSA.

Hull and liability coverage for the Gibbs Flight Center, which owned the small craft involved in the collision, was brokered by Omar A. Walker Co., a San Diego subsidiary of Johnson & Higgins. Southern Marine & Aviation Underwriters were underwriting managers on the account. Joseph Grigg, vp at Southern Marine's Los Angeles office, said the insurance was not placed in the London market but would not reveal additional information.

Within the last two to three years, airline insurance premiums have decreased while capacity for airlines liability has grown to upwards of $500 million, according to Lee S. Kreindler, a New York lawyer specializing in aviation law. He added that airline rates are one-fifth of what they were five years ago.

Mr. Kreindler revealed that for a round trip domestic flight in 1977, the insurance average premium broke down into 40 cents per person for limits of $400 million per occurrence.

Which of the two craft were responsible for the collision has not been determined. A spokesman in Washington for the National Transportation Safety Board said at the time of the crash the Cessna had missed its landing approach pattern and had pulled upward again while the commercial jetliner was making its final approach to San Diego's Lindbergh Field.

In San Diego, Brad Dunbar, deputy director of public affairs for the NTSB, added that both aircraft were given traffic advisories from the control tower that they were in each other's vicinity and indicating where each craft could be spotted. However, he could not confirm whether both pilots had acknowledged the reports.

Later reports from the NTSB indicated that a third small plane was in the crash site area and that the 727 pilot might not have been alerted to the nearness of both small planes.

The NTSB has recovered the "black box" flight recorder from the jetliner and it should take approximately two weeks to extract the information it contains. A public hearing into the crash will probably be held in six weeks and the NTSB expects to release its finding within six to 10 months.

Lindbergh Field had been a long-time target of San Diego city officials because of its approach path, which passed over densely populated residential sections.

Pacific Southwest had not had a fatality prior to this crash.

The day after the crash the president of the Air Lines Pilots Assn. told a congressional committee studying aviation safety that the government has been dragging its fect on approving a collision avoidance system. ■

errors & omissions

• Howard Johnson Co. treasurer Edgar L. Andlauer believes that in light of the accounting method required by Financial Accounting Standards Board standard No. 5, "It takes a lot of guts to minimize costs over the long run through self-insurance." In a Sept. 5 article his point was muddled by a typographical error which changed minimize to maximize.

CAPTIVE INSURANCE COMPANIES

If interested in the services of a manager with a profitable underwriting record for the assumption of treaty reinsurance, please contact.....

Alliance Reinsurance Management Corporation
3435 Wilshire Blvd., Suite 1504
Los Angeles, California 90010

213/487-7200 Telex 69-1532

There are creative solutions to products liability problems.

Schiff Terhune
Insurance Brokers/Risk Management Services

Write or call any of our offices or contact Frank Schiff, Chairman, at Executive offices: 100 William Street, New York, NY 10038. 212/425-3010.

for your information

Pinto award appeal still pending; punitive damage suit hearing set

LOS ANGELES—The famous $6 million award to a California youth severly burned in an accident in a Ford Pinto remains on appeal, despite rumors circulating in insurance circles that the case had been settled out of court.

Mark P. Robinson Jr., attorney for Richard Grimshaw, said many unfounded rumors have been circulating around his well-known case against Ford and its Pinto automobile.

Richard Grimshaw was burned over 80% of his body in a 1972 crash of a Ford Pinto. Last March a Santa Ana judge reduced a jury award of $125 million in punitive damages and $3 million in compensatory damages against Ford to $3.5 million in punitive and $2.5 million in compensatory damages.

However, Ford appealed this verdict and Mr. Robinson filed a cross appeal to have the original verdict restored. In late September he said the appeal still stands.

Meanwhile, an Oct. 19 date has been set for the first hearing in Ford's lawsuit against The Home Insurance Co. and 50 other insurers over whether the insurers will have to provide coverage for punitive damage awards in the Pinto case.

Ford has said the insurers have indicated they will refuse to pay punitive claims. The insurance companies are expected to argue that the Ford complaint is legally insufficient.

Pregnancy bill gap narrows

WASHINGTON—A House-Senate conference committee has been making progress in the last two weeks in resolving differences in legislation passed by each house that would require employers to provide full medical and disability benefits to pregnant employes.

The stumbling block has been that the House conferees insist that employers not be required to pay benefits to a pregnant employe who decides to have an abortion. The Senate conferees oppose such a restriction.

Under one compromise offered, employes could elect to pay a special surcharge to have abortion coverage added to a benefit policy. This surcharge would be expected to be only a small percentage of the total cost of the benefit program.

Another conferee suggested that employes at a company should be given the option of voting on whether abortion should be covered in their group benefit program.

Panel kills OSHA exemption

WASHINGTON—A House-Senate conference committee killed a controversial amendment that would have exempted millions of small businesses from regulation by the Occupational Safety and Health Administration (OSHA).

Under that amendment introduced by Sen. Dewey Bartlett (R-Okla.), businesses with less than 11 employes no longer would have been subject to health and safety inspections by OSHA officials unless they were in industries with an average of seven or more injuries or illnesses per 100 employes.

While the AFL-CIO saluted the committee for defeating the amendment, the National Federation of Independent Business (NFIB) was "shocked and extremely dismayed" at the conference committee action.

The Bartlett amendment would have exempted more than two million companies employing about 10 million workers from OSHA inspections.

Fronting regulation still delayed

NEW YORK—The insurance department here has delayed a decision about how to restrict fronting arrangements because it is uncertain how the regulation would interact with the free trade zone and the Insurance Exchange, according to deputy superintendent Michael E. Curan.

Last spring, the department proposed a crackdown on fronting, a practice where a licensed insurer issues a policy to a corporation and reinsures the bulk of a risk with the corporation's captive insurance company. The department had argued that fronting prevents regulation of large portions of risks placed with unlicensed captive insurance companies usually located offshore.

At a public hearing of the proposed fronting regulation, opposition to the proposal was so strong that the department later conceded that its proposed remedy to correct fronting abuses was too strong.

Diplomatic immunity trimmed

WASHINGTON—The House has given final congressional approval to legislation that sharply curtails diplomatic immunity for all foreign embassy personnel here except ambassadors and their families.

The bill makes thousands of foreign embassy employes legally responsible for non-official actions. Embassy personnel could, for example, be sued if they were at fault in traffic accidents.

The measure also requires all diplomats, including ambassadors, to carry liability insurance if they operate "any motor vehicle, vessel or aircraft" in the U.S.

index

Editorial opinions 8
Perspectives 29
Around the states 34
London line 37
Info for buyers 44

Vol. 12, No. 20—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill. and New York, N.Y. Copyright 1978 by Crain Communications Inc.

the benefit beat

AMC ups pensions, benefit plan to industry level

Pension benefits are significantly improved under a new two-year contract between American Motors Corp. and the United Auto Workers. For future retirees, the new pension rate is $13 per month per year of service and will increase to $13.50 next year. For past retirees and survivors, pension benefits were raised $1 this year and 50 cents in 1979.

The new agreement, which reflects the national pattern of other UAW auto contracts, provides for an early retirement benefit or a 30-and-out supplement. This benefit has been increased to $700 from $625, which is payable until age 62. After 62, Social Security benefits apply and the maximum 30-and-out supplement is reduced to $430.

Also increased were weekly disability benefits, to $240 from $125, and life insurance benefits to $2,300 from $1,250.

The contract implements a vision benefit and payment for hearing aids for employes. Dental benefits were introduced for retirees; employes already had dental benefits for which American Motors pays the full cost. Psychiatric benefits were also increased to $1,000 from $800 yearly.

Teachers' legal plan

The Philadelphia Federation of Teachers will establish a legal services fund on behalf of its 20,000 teaching, clerical and paraprofessional members as part of a new contract with the city's board of education. According to John Ryan, chief negotiator for the union, benefits and the form of the plan will be determined by a seven-member board of trustees that will supervise the fund.

Money for the plan will come from funds now directed toward the union's health and welfare fund. The board of education currently contributes $687 per person per year to this fund; now $100 of that will now be diverted to the legal fund. The contract provides for incremental increased funding of the health and welfare plan to bring it back to current levels by mid-1980.

No reductions in health and welfare benefits are anticipated as a result of the legal fund's start-up. Mr. Ryan explained that the $100 per person funding for the legal plan had been provided for in the previous contract but was placed in the health and welfare fund when the board of education later declined to approve start-up of the legal plan.

Pensions hiked

Monthly pension benefits for union employes at Robertshaw Control Co.'s Indiana, Pa., plant were increased to $10 per year of service from $9.50 as part of a contract reached with the International Union of Electrical Workers. The agreement, which covers 900 union members at the plant, ended a seven-week strike during which the company threatened to close the plant and move out of town if the union would not accept its offer. The contract also reduces eligibility for a disability pension to 10 years from 15 and increases the ceiling on major medical benefits to $50,000.

Life insurance plan

Kent County in Western Michigan is moving its group term life insurance for 1,400 employes to The Equitable from Safeco Life Insurance Co., which provided the coverage since 1971. The county provides the majority of employes with $10,000 in life insurance and the opportunity to purchase an additional $10,000 of life insurance as well as accidental death and disability coverage. The basic cost is 26 cents per $1,000 of life insurance coverage and 5 cents per $1,000 of accidental death and disability coverage.

Risk and insurance manager Kenneth Bush said the county evaluated the retention levels of competing insurers by using a net present value method for the second, third, fourth and fifth years, discounted by 8%. Insurers often increase retentions for the first year, he said, and this results in a good looking but misleading average retention. By eliminating the first year and discounting for inflation, Mr. Bush said he could make a more accurate comparison of the insurers.

Birth control

Police officers and fire fighters in unincorporated King County in Washington state will now be reimbursed for sterilization procedures under a ruling by the retirement board. The board decided that retired and active police officers and fire fighters should be reimbursed for the procedures and that male employes should be granted up to five days off the job after a vasectomy. Reimbursement for vasectomies will be judged on a case to case basis as will reimbursement and time off for women who have a tubal ligation performed. In the only claim to date, the board approved a $175 bill for a vasectomy.

Alcohol treatment

Blue Cross and Blue Shield of New Jersey will soon expand their group insurance policies to include benefits for the treatment of alcoholism. The benefit, mandated by the state, will cover inpatient and outpatient care, rehabilitation services and a doctor's hospital visits.

Retirement counseling

Dillingham Corp. of Honolulu has instituted a one-on-one counseling program for any employe who wants advice on retirement. Roland Jones, West Coast regional director said 15 employes, all over age 55, took advantage of the program in September.

Benefit taxation

Congress has passed legislation barring the Treasury Department from taxing benefits until Dec. 31, 1979 President Carter is expected to sign the bill. ■

HANSTAR: SEEING IS BELIEVING.



HANSTAR is John Hancock's computerized group accident and health claim payment system. A proven system that's so advanced, you need to see it in action to understand all it can do for you.

First, you'll see how HANSTAR saves your company time. With our national on-line system, we can answer policy and claim questions immediately, even if your company has regional divisions. Second, HANSTAR is accurate. It has built-in controls that reject invalid information and claims duplication. And it automatically calculates benefits, including reasonable and customary charges, and assures uniformity of contract application with maximum claim cost containment effectiveness.

Popularity with employees is another key HANSTAR feature. Employees appreciate the fast response and the complete Explanation of Benefits, or HANSTAR-generated letter, clearly detailing the disposition of the claim.

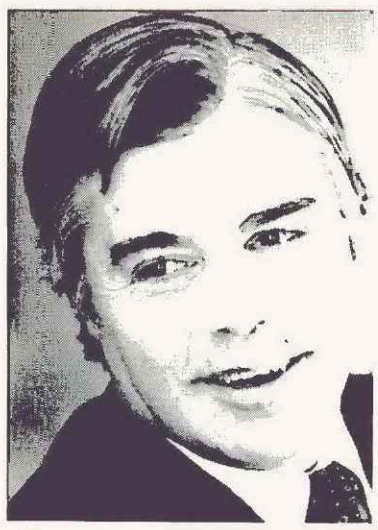
Reports on claim frequency, utilization and plan adequacy are available to assist you in considering appropriate plan revisions.

HANSTAR's flexibility in claim administration extends to the full spectrum of fully insured, MPA and ASO plans.

See what HANSTAR can do for you. Call Paul H. Gregg, Vice President, at (617) 421-6205 and ask for a HANSTAR demonstration. Seeing is believing.

John Hancock

Mutual
Life Insurance
Company
Boston, Mass.



"We won't transfer all business overnight," says M&M chairman John M. Regan. "At the same time we will maintain our commercial relationship with other Lloyd's brokers.

Many details still undecided

M&M wins Lloyd's access in Bowring deal

By REBECCA A. FANNIN

NEW YORK—By planning to combine its operations with Lloyd's broker C.T. Bowring & Co. Ltd., Marsh & McLennan Cos. Inc. gains direct access to Lloyd's without bumping up against a Lloyd's ruling that outside insurance interests can own no more than 20% of a Lloyd's broker.

Skirting the 20% ruling, however, wasn't Marsh & McLennan's objective, according to M&M chairman John M. Regan Jr. "Perhaps we could have instead worked out a compromise to own 30% to 35% of a Lloyd's broker, but our objective wasn't to fight with Lloyd's, only to become a part of them," Mr. Regan said.

The proposed link between the two brokers has been unanimously approved by the Committee of Lloyd's.

Although the method of combining the operations hasn't been fully worked out, Mr. Regan said the brokers will remain separate companies but will think of each other as "we are them and they are us." More detailed plans on how future management decisions will be made after the link is completed are still sketchy.

The New York-based broker will combine with Bowring through a contractural agreement.

"It's a novel approach the way they are joining forces without a stock transaction. It sounds ingenious to me," said Leonard Wilson, a securities analyst with Drexel, Burnham Lambert who specializes in brokerage firms.

Mr. Regan called the link with Bowring the "ultimate solution" to its search for greater access to the Lloyd's market. "It will amount to a link with the strongest broker in Lloyd's," he added.

C.T. Bowring, which currently handles about 33% of M&M's Lloyd's business, will gain more business from M&M, the "maximum amount that we see fit," Mr. Regan said.

"We won't transfer all business overnight," he added. "It will be over a period of time. At the same time we will maintain our commercial relationship with other Lloyd's brokers."

Marsh & McLennan is Lloyd's largest single supplier of business.

M&M works with two other large Lloyd's brokers in addition to Bowring as well as 20 smaller Lloyd's brokers, who act as intermediaries for M&M's access to the London market.

Likewise, Bowring will keep its intermediary relationships with other brokers who compete with M&M.

At insurance broker Frank B. Hall, spokesman Peter Ripp said working contracturally with a Lloyd's broker rather than owning it could become cumbersome for M&M.

"Neither one would be the leader and they would be constantly negotiating with each other on management decisions," Mr. Ripp said.

Frank B. Hall recently gained access to Lloyd's through a compromise with Lloyd's that allowed Hall to purchase London broker Leslie & Godwin (Holdings) Ltd. A subsidiary of Leslie & Godwin which handles Lloyd's business was spun off. Hall took 25% ownership of that subsidiary while the remaining 75% is to be owned by non-insurance interests acceptable to Lloyd's. Plans are for Rothschild Investment Trust Ltd. to accept the 75% ownership.

Mr. Ripp contended that Hall's approach in gaining Lloyd's access through ownership of a Lloyd's broker is a preferable approach. "Now that we own Leslie & Godwin, we can direct their resources as we see fit," he said.

He added that M&M apparently couldn't take the same route as Hall did, so it took the only alternative left.

Efforts by both brokers last April to acquire London brokerage firms were rejected by Lloyd's, which feared too much outside control of Lloyd's brokers. If M&M's plan to link with Bowring is finalized, both brokers will have gained the much sought-after access to Lloyd's.

While Mr. Regan called the Hall ownership approach a "step in the right direction," he noted that the contractural arrangement with Bowring is the answer M&M has been seeking rather than an ownership arrangement.

Discussions to combine the brokers are preliminary. Before a definitive agreement is reached, legal, tax and other matters must be dealt with. The plan must also be considered by respective boards of directors and submitted to shareholders.

Mr. Regan said the talks are so preliminary that Marsh & McLennan only announced the plans because of a new Securities & Exchange Commission ruling requiring firms to submit plans to acquire or merge with another firm.

Pre-tax earnings in 1977 for the Bowring Group were $65.1 million. Just over $45 million that were insurance related.

Marsh & McLennan had operating revenues of $415 million in 1977, 92% insurance related. ■

Arson's cost: $1.5 billion

WASHINGTON—Fires of "incendiary or suspicious origin" resulted in 700 deaths and more than $1.5 billion in direct property damage in 1977, according to the Insurance Information Institute.

The III says that arson accounts for 19% of all fires in cities with more than 200,000 people and is a factor in 11% of fires in cities with 50,000 to 200,000 persons. ■

The soaring cost of health care plans is enough to make you sick.

J&H can help you cope.

An estimated 180,000,000 Americans have medical coverage through their employers.

The cost of many of these plans is soaring virtually out of sight.

But there are effective ways to contain such increases. Following are several examples of how Johnson & Higgins is helping corporations cope:

- □ By designing medical benefit plans that create incentives for employees to avoid unnecessary treatment.
- □ By conducting statistical analyses to identify adverse trends and overutilization.
- □ By teaming with insurers and other third-party providers to establish realistic cost control techniques.
- □ By assisting employers in the evaluation of Health Maintenance Organizations.
- □ By educating employees to be more knowledgeable health care buyers.

In these and other ways, J&H is helping employers maintain medical plans that pay for care instead of carelessness.

Find out more about how we can help you cope by calling your nearest J&H office today.

Johnson&Higgins

The private insurance broker/benefit consultant. We answer only to you.



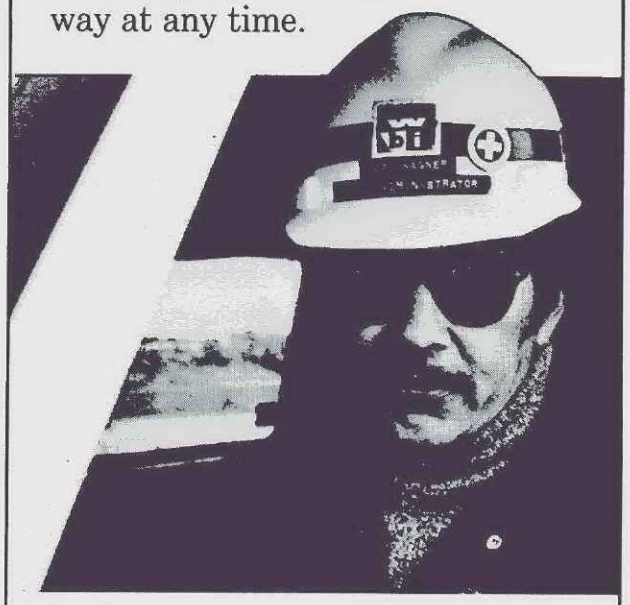
A team of J&H specialists in medical care program design and cost containment: James P. Hillegas, Atlanta; Walter H. Clemens, San Francisco; James W. McDonald, New York; Richard J. Barksdale, Portland; and James G. Harlow, New York.

EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING; RISK AND INSURANCE MANAGEMENT SERVICES THROUGHOUT THE WORLD.

HOW DO YOU PUT SAFETY TOGETHER-WHEN YOUR JOBSITES ARE SCATTERED?

A WAUSAU STORY SAFETY IDEA

How do you make sure the safety plan you have on paper is being put into practice throughout widely scattered job sites? Wisconsin Bridge & Iron, one of our Milwaukee policyholders, may have 20 or more projects under way at any time.



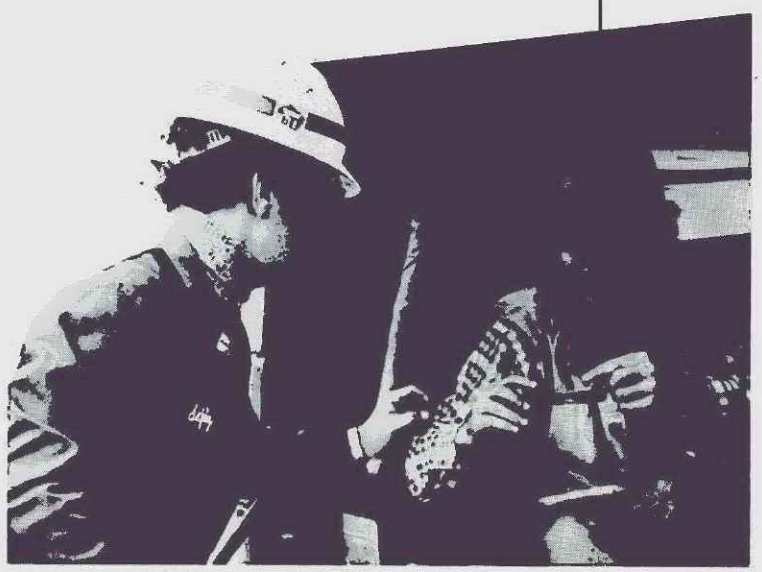
Tom Wagner—Safety Administrator

Their business is fabricating and erecting steel buildings. It's a business with plenty of potential for injury.



So, in addition to a vigorous safety program, they created an effective new approach. Tom Wagner, their safety administrator, drives to job sites in a van that's literally a safety department store on wheels.

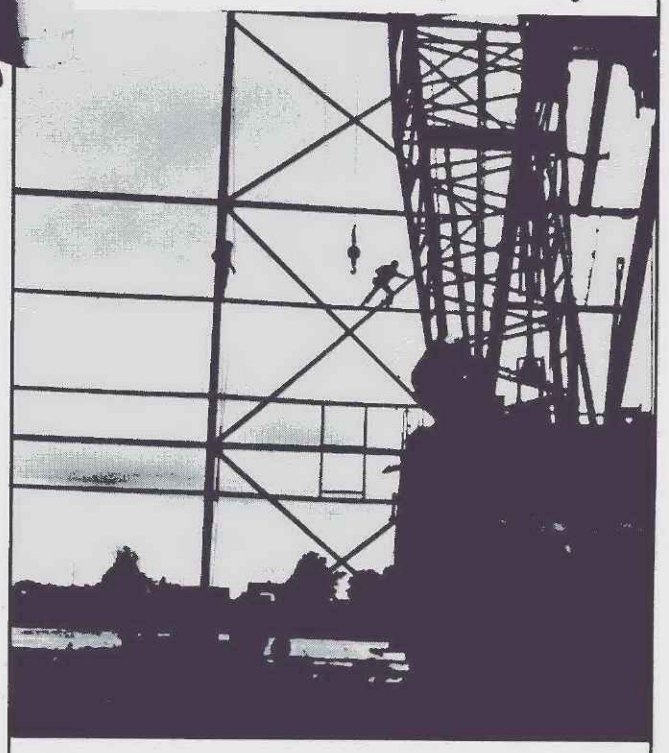
The van brings an inventory of safety glasses, replacement lenses, goggles, ear plugs and muffs, welding hoods, hard hats, warning signs and tags, plus belts and lanyards for elevated steel work. It also carries air monitors, fire extinguishers, first aid supplies, voltmeters and outlet testers. It's a traveling classroom complete with audiovisual equipment as well.





Wausau's Ed Baxa Visits WB&I Safety Van

You can easily see the van's immediate, tangible benefits. Less obviously, the van represents one part of WBI management's *total commitment* to job safety.



That commitment has driven major accidents down 60% during the last 5 years... a destination we know is well worth driving for.

Come to the source



Wausau Insurance Companies
Employers Insurance of Wausau

editorial opinions

Risk Manager of the Year

IF YOU WERE TO NAME one risk manager who's really great at his job, who would it be?

It's time to think about the Risk Manager of the Year competition.

Actually, we've never stopped thinking about it and we hope you haven't either. Our first such competition, announced on the 10th anniversary of *BI*'s founding, produced excellent nominations and resulted in the judges' choice of 3M's Howard T. Weber as the 1978 winner of the Risk Manager of the Year award.

We recognized Mr. Weber's achievements in a special April issue and continue to applaud Howard's exceptional contributions to his company and the profession.

Now the time is at hand for us to open nominations for the 1979 competition. We're trying to give both you as sponsors and our judges a bit more time in which to nominate and choose the winner. In the next few issues we'll reveal the four new judges who will join six judges who remain on the committee from last year.

Watch for our announcement in the next issue of the nine criteria the judges will use to evaluate nominees. After going through the process of selecting our first winner, we've refined our rules and the judging system. And we've established a more efficient nominating procedure, using preprinted forms for you to use in nominating your candidate.

All of the issues of this newsmagazine throughout October and November will contain details about how you can nominate a candidate for this coveted award. Our deadline for the 1979 award will be in December.

Are you a broker? A consultant? An insurance company employe? An underwriter? A risk manager or other corporate executive? If you're in any one of these positions, you're eligible to nominate an individual who buys insurance and handles risks to be our Risk Manager of the Year.

We'd like to see each RIMS chapter nominate one outstanding risk manager from its locale to receive the award. In so doing these organizations actively foster excellence in the performance of risk and insurance management duties.

Remember, we don't ever disclose who nominates the candidates.

So, if you were to think of one risk manager who's really outstanding at his or her job, who would it be? Nominate this man or woman for Risk Manager of the Year. Become involved!

For copies of the preprinted nomination forms, judging criteria and other rules, write our editorial department at 740 North Rush Street, Chicago, Ill. 60611 or call (312) 649-5278 or 5279.

Employe benefits report

WE'VE SCHEDULED our annual Employe Benefits issue for Dec. 11 this year and we'd like to hear from you if you've any story ideas for us or if you'd care to contribute an article on some phase of benefits to *BI*'s Perspective section.

For the last several years, employers have struggled to keep health care costs and their total employe benefit costs from overwhelming their organizations. Rather than continue adding new benefits, the emphasis has become one of working to contain the costs of benefits already promised to workers. As part of this year's treatise on the important subject of employe benefits, we'll probe more deeply into what cost control techniques have worked and which ones haven't had much effect.

Labor contract negotiations during 1979 will once again involve some of the nation's largest and most powerful unions, so we'll look closely at the demands likely to be placed on the table for workers and management to discuss.

The private sector of the economy (employers) competes with the public sector (governments) for workers and managers. We'll scrutinize what's happening to employe benefit plans and costs in both areas to determine how important benefits are as competitive drawing-cards.

■ These are only a few of the many subjects we'll discuss Dec. 11. You're welcome to contribute your ideas, too. Write Susan Alt, Editor, 740 N. Rush, Chicago, Ill. 60611 or call (312) 649-5278.



'I'm sure glad we're covered in the N.Y. free trade zone.'

letters

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

A clarification

To the editor: In your issue of Aug. 7, an article indicated that the firm of Nausch, Hogan & Murray was formed after Underwriters Service Inc. was acquired by Reed Shaw Stenhouse Inc.

The article is inaccurate in that the three partners of Nausch, Hogan & Murray formed their firm in July 1976. At that time, Reed Shaw Stenhouse Inc. was only one of several firms considering the acquisition of Underwriters Service Inc.

D. W. Henning
President, Underwriters Service Inc. (now part of Reed Shaw Stenhouse Inc.), San Francisco, Calif.

Pre-placement physical

To the editor: The pre-placement physical exam argument (*BI*, Sept. 4) has been going on for many years. What you can or cannot do varies with federal and state laws, but, most of all, with what an employer can afford to do. Across the board pre-placement physical exams are, as we all know, expensive if they are done properly.

I have found that one of the best and most inexpensive ways in most cases to avoid direct medical attention in pre-placement physicals is to have the employe fill out a very comprehensive health questionnaire. We realize we're dealing with credibility and we also realize that the same credibility exists when a doctor or medical person documents the prospective employe's medical history.

After the prospective employe fills out the company's medical questionnaire, it is screened to check for previous or existing medical problems which the company may want to look into. If a person gives a history of a back problem, then back x-rays may be warranted. (But we know these don't tell the whole story.)

The matter also relates to the type of work the prospective employe is expected to do. A prospective pilot must, of course, be thor-

Continued on page 50

business insurance

the national newsmagazine of loss prevention, risk financing and employe benefit management

G.D. CRAIN JR.
founder (1885-1973)

MRS. G. D. CRAIN JR.
chairman of the board
RANCE CRAIN
president and editorial director
DAVID J. CLEARY JR.
senior vp-group publisher

S. R. BERNSTEIN
chairman, executive committee
KEITH E. CRAIN
secretary-treasurer
ALFRED MALECKI
vp-publisher (New York)

SUSAN ALT, *editor (Chicago)*
GREG DAVID, *managing editor (Chicago)*

Associates: New York—REBECCA A. FANNIN, ELLIS SIMON, *Washington*—JERRY GEISEL, *Los Angeles*—JOANNE GAMLIN, *Chicago*—BARBARA JEAN GRAY, KATHRYN J. McINTYRE. *Editorial production chief: Chicago*—MERRILL SALTZMAN. *Art director:* JOE FARACI. *Correspondents: London*—JOHN MILLER. (01) 946-4215. *Seattle*—HARRIET KING (206-888-2340). *San Francisco*—MARGARET LeROUX (415-525-5082).

DONALD A. WALSH, *Advertising director (New York)*

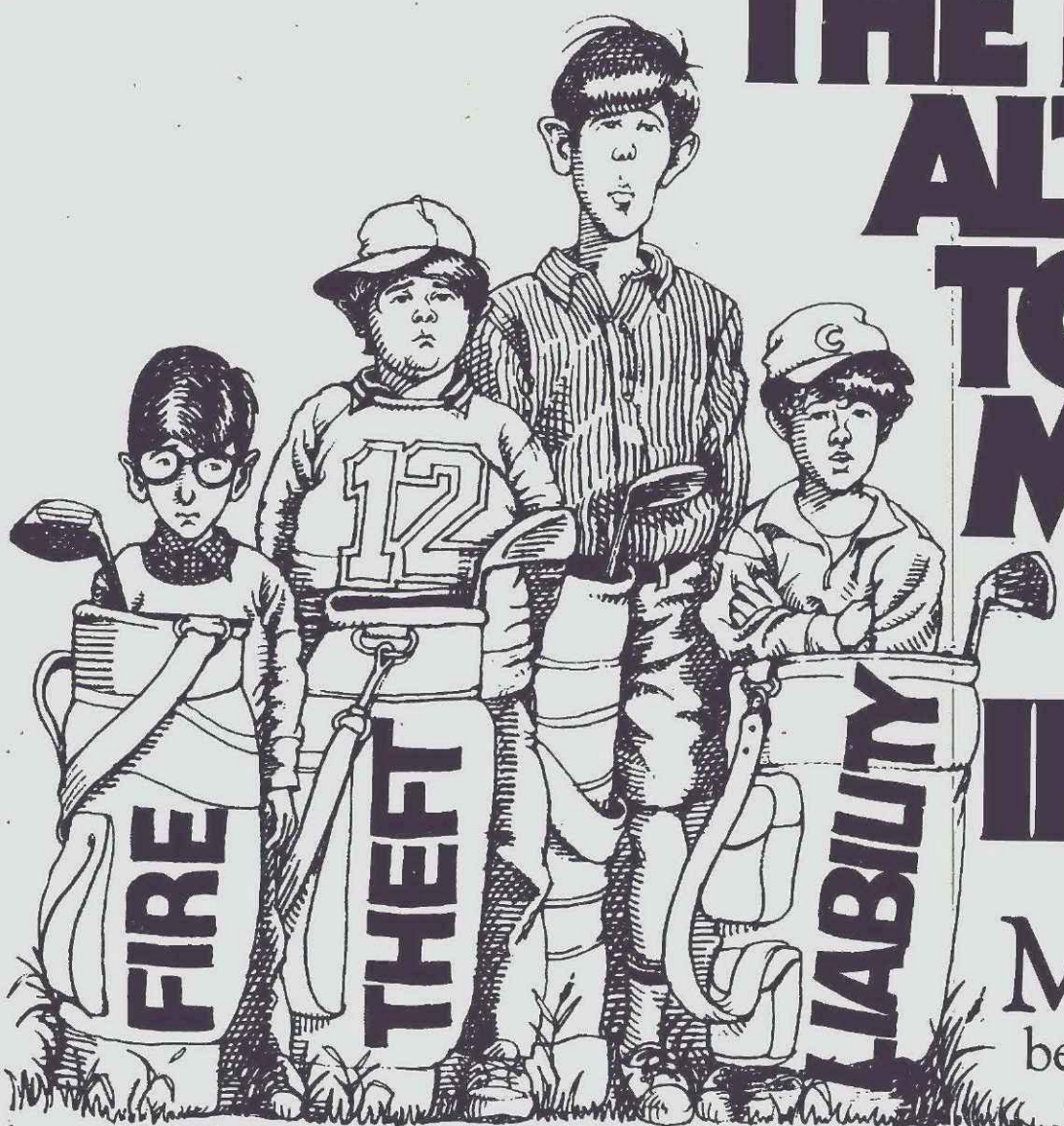
Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST; *Chicago*—ROBERT L. NIESSE. *Production manager: Chicago*—FRAN PRYBYLO. *Promotion manager: New York*—RONNIE I. DRACHMAN. *Assistant to the publisher: Chicago*—CELIA MALOUHOS: *New York*—HOLLIS PIVOR.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing. KEITH E. CRAIN, *secretary-treasurer;* M.A. HARTENFELD, *executive vice president;* D. J. CLEARY JR., *senior vice president;* ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S.E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, *vice presidents;* JAMES M. FRANKLIN, *vp-finance and administration;* MERRILEE P. CRAIN, *assistant secretary.*

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 75 cents a copy. $15 a year in U.S. Foreign $5 a year additional. WILLIAM STRONG, *vp-circulation.* PAMELA JANOUSEK, *circulation manager;* ROGER DiGREGORIO, *fulfillment director.* Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 Telex number 25-4248; Cable address: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA Member of Business Publications Audit of Circulation ABP

INTRODUCING THE LOGICAL ALTERNATIVE TO THE WAY MOST CLUBS CARRY INSURANCE.



Many private golf and country clubs carry insurance which is, quite frankly, below par. They have different policies covering different hazards. This is not only inefficient, but chances are the policies overlap, or even worse, leave gaps in important protection.

Now you can protect your entire club with a program that's specifically tailored for clubs.

Commerce and Industry's Club Insurance.

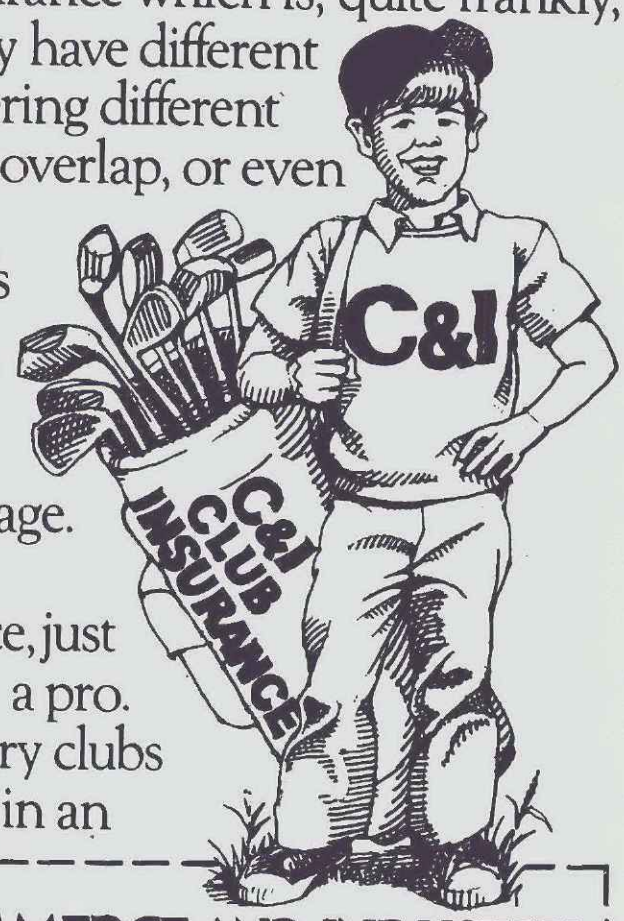
It can cover your club for fire, theft, bodily injury, property damage liability and more. We can even offer hole-in-one coverage. There's simply no better way to insure your club.

To learn more about the advantages of C&I's Club Insurance, just mail in the coupon below. And play through all the hazards like a pro.

C&I's Club Insurance is available to private golf and country clubs chartered in the United States and is not limited to membership in an organization of any sort. It's available on a brokerage basis to all licensed producers.

You don't have to be a regular producer to place business with an AIG company.

Available in most states.



COMMERCE AND INDUSTRY INSURANCE COMPANY

Dept. A, 102 Maiden Lane, New York, N.Y. 10005

Please send me more information on Commerce and Industry's Club Insurance.

Name _____

Title _____ Phone _____

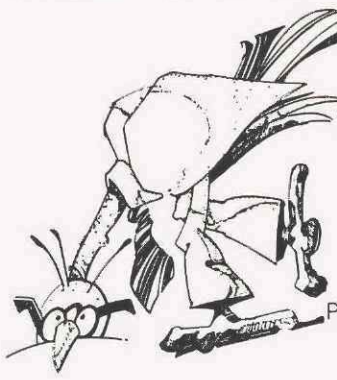
Company _____ Address _____

City _____ State _____ Zip _____

A Member Company of American International Group

BI 2

Ever see an Osterclix?



Tough markets—unrealistic pricing and complete withdrawal from the market by many insurance companies have caused a lot of agents to look like the "Osterclix" that just lost his largest account!

We'd like to work on your major accounts with you to determine the feasibility of:

- High Deductibles
- Captive Insurance Company
- Participating Retro Programs
- Layered and other high value property insurance programs

P.S. These are for the biggies. For instance, a minimum deductible of $100,000 is normally involved.

Cal Bob Gruwel

Beech Street Insurance Services

BEECH STREET AT 6TH AVENUE, SAN DIEGO, CA 92101
TELEPHONE: 800-854-2234 CR 800-854-2294
CALIFORNIA: 800-522-1533

E&O policy lags

Risk manager's policy draws inquiries, 5 sales

WASHINGTON—Despite hundreds of inquiries, only five policies have been sold for the new errors and omissions policy designed to protect corporate buyers of property and casualty insurance.

The policy, which was first unveiled in April, protects corporations against slip-ups that may nullify an insurance policy and result in an uninsured loss.

The lagging demand for the E & O policy, which so far has generated only about $40,000 in premiums, surprised brokers involved in marketing the coverage.

We expected the policies to move faster than this," said Abe Snyder, assistant vp at Capacity Managers International Inc., the managing general agent that is underwriting the policies. "We had expected $1 in premiums by January."

Mr. Snyder now believes the $1 million mark won't be reached until April or May 1979.

Mr. Snyder said sales probably have been slowed by confusion and uncertainty about the policy. Some risk managers thought the policy was designed to offer coverage only if they or other members of a company's risk management department made an inadvertant mistake that voided a policy.

The policy not only protects against risk management mistakes, but offers coverage if anyone in the insured company inadvertantly makes a mistake that impairs coverage.

Of the five policies sold, all have been purchased by large corporations—those with annual sales of more than $50 million. Mr. Snyder expects that most corporations purchasing the E & O policy will be in the Fortune 1,000.

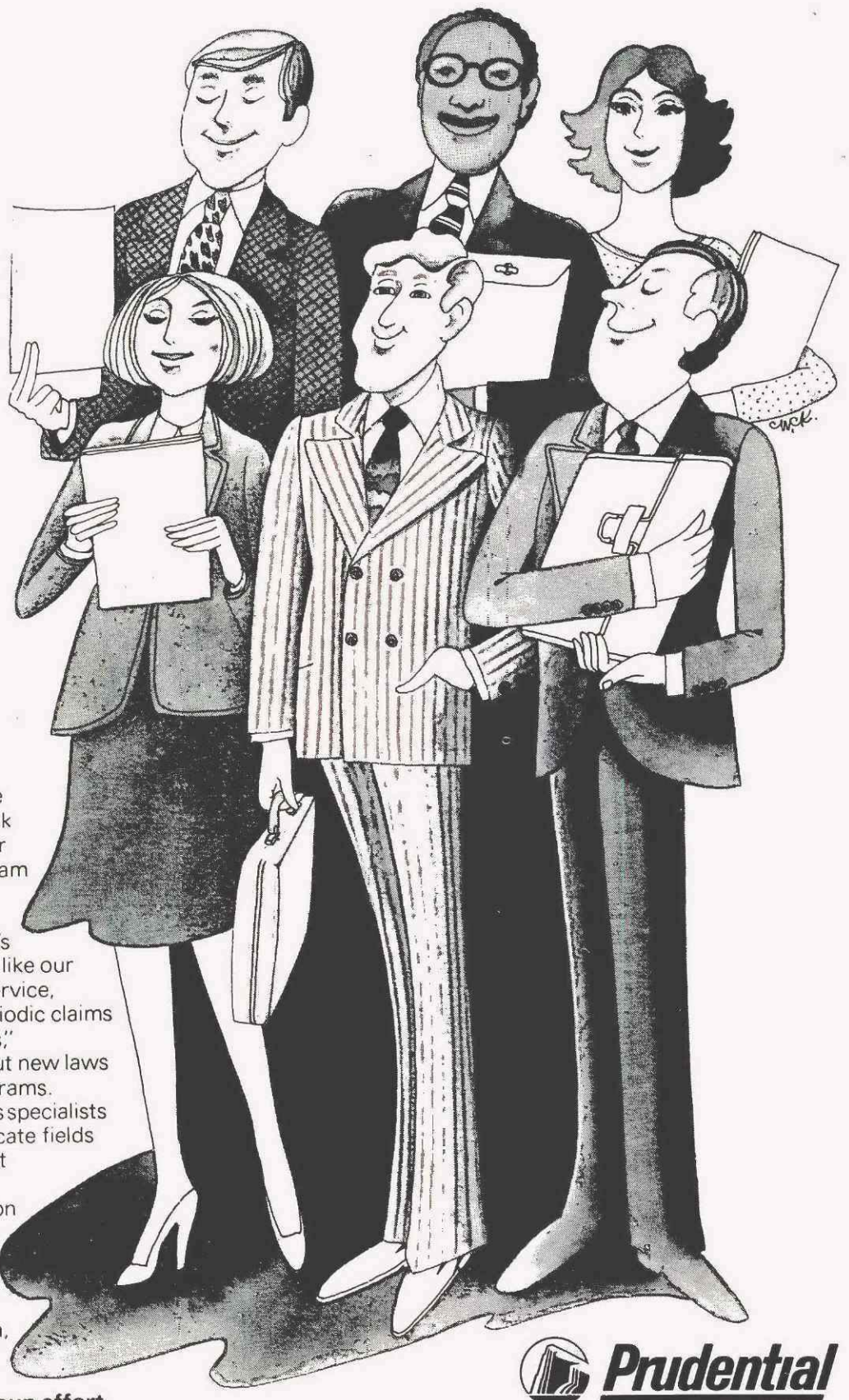
Two basic policies are currently being offered, one with a $1 million limit and the other with a $3 million limit. There is a $100,000 deductible and 10% coinsurance on the first $1 million of coverage. All policies purchased so far have been the $3 million limit type.

The rate for the policy, which is insured by First State Insurance Co. of Boston, is based on the total property/casualty premiums paid by a company.

For the $1 million policy, the model rate is $2,500 per $1 million of property/casualty premiums. On the $3 million policy, the rate is $3,750 per $1 million of premiums. However, there is a $5,000 minimum premium for the $1 million policy and a $7,500 minimum premium for the $3 million policy.

Mr. Snyder said limits of coverage may be expanded in the future. ■

Prudential's Group Insurance comes with a "Team Benefit."



The Team Benefit. It's a Prudential Group Insurance Team. Experts who will work with you and your broker or consultant to create a program that precisely fulfills your company's needs.

The Team Benefit. It's innovative services. Things like our fast, computerized claim service, flexible premium plans, periodic claims analysis, and "Group Focus," Prudential's periodical about new laws affecting your benefit programs.

The Team Benefit. It's specialists who can advise you in intricate fields like ERISA, HMO's and cost containment.

For more information about "The Team Benefit," write: Director, Group Insurance, The Prudential Insurance Company of America, 3 Prudential Plaza, Newark, NJ 07101.

At Prudential, Group Insurance is a group effort.

Prudential
Group Insurance

Labor clarifies plan distribution

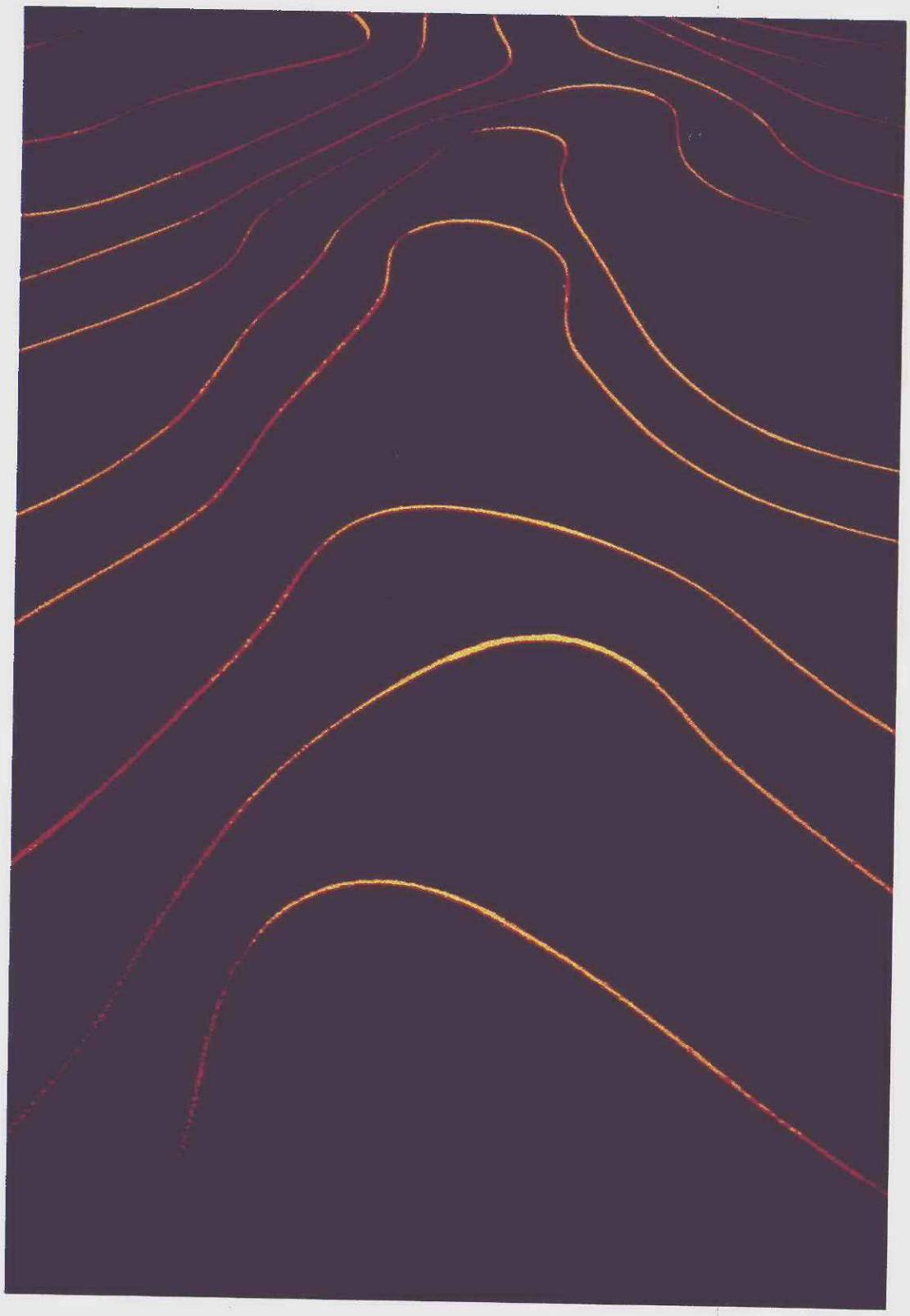
WASHINGTON—Employe benefit plans that receive extensions to file their annual reports with the government must give employes copies of the summary annual report no later than two months after the end of the extension, the Labor Department says.

The announcement was made to clear up confusion when summary annual reports must be distributed to employes in cases where a filing extension is granted.

Normally, the annual report must be filed with the Internal Revenue Service seven months after the close of the plan year and summary annual reports should be distributed to employes nine months after the end of the plan year. ■

September storm loss

The American Insurance Assn. estimates a $12.7 million loss from a mid-September storm that brought wind, hail, tornadoes and flooding to Nebraska, North Dakota, South Dakota, Texas and Arkansas. The most extensive damage, put at $4.9 million, occurred in the Little Rock, Ark., area. The storm has been assigned catastrophe number 65.



We look, but do we see?

What do you see here? You could guess, and you might be right. Then again, you might be wrong.

At Allendale Insurance, we're not satisfied with guesswork. When it comes to understanding fire, the major cause of losses in industry, we continually strive to know more. How to prevent it, control it and survive it.

As part of the Factory Mutual System, we've compiled a data bank on the subject that's second to none. Also, our unique, full-scale fire test center continually experiments with fire under the ever-changing conditions brought on by new storage techniques, new materials, and other developments that create new risks.

All industry will benefit by the knowledge we uncover. But very few insurance companies, if any, can translate that knowledge into protection the way we can. We do it for a great many of the world's large companies. We can do it for you.

By the way, this aerial photo depicts rice paddies in Sacramento, California.

Factory Mutual System

Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

Syndicate rejects blame as aviation rates tumble

By JOHN H. MILLER

LONDON—Severe rate-cutting on aviation lines in the U.K. market is being blamed on a new Lloyd's syndicate which is competing aggressively for business.

Reductions of more than 30% have been obtained by some international air operators in recent months despite fears that there is bound to be another catastrophe which will reverse market trends.

One leading U.K. company insurer complained: "There is now a sudden surge of extra capacity in the London market which is tempting airlines to insist on new rates. This means that existing insurers have to lower their premiums if they want to keep their old business. But we can't go below a certain level without getting really into unprofitable lines and the crunch will be felt soon."

Brokers claim that current market trends have enabled such major airlines as American, Continental and Air Canada to get reductions, either promised or effective, of up to 30% on renewal rates for hull cover.

But Richard Maylam, who runs the Maylam Syndicate at Lloyd's for the Alexander Howden underwriting agency, denies that he is responsible for the low rates which other insurers attribute to his "aggressive determination" to get new business.

The Maylam syndicate began operations Feb. 1 and is thought to have opened up new lines in the London market.

But Mr. Maylam, who was previously with AIU for 14 years, claims: "Rates have been down for the last five years. As I have started a new syndicate it's natural to blame the present trend on me. But I think that's quite unjustified as I'm not involved in some of the lines where there has been rate cutting in recent months."

He agreed he has led business on Eastern Airlines, which is one of those airlines supposed by other insurers to have joined in the general benefits from rate cutting, but Mr. Maylam explained that he looked after their coverage when he was in the London market for AIU until earlier this year.

"Rates were much too high for airline business a few years ago, so it's understandable that they've dropped heavily," Mr. Maylam said. "I'm still very optimistic about the situation, as I'm certain the aviation industry is reequipping for new business on many routes. But I think rates have reached rock bottom now and I've been playing a responsible part in the premium levels I've been offering."

Mr. Maylam, who was with AIU in Bermuda from 1964 to 1970, moved to London in 1970 to start its aviation underwriting division.

Neil Hill, chairman of Lloyd's Aviation Underwriters' Assn., emphasized that support from other markets must have been forthcoming for rates to have dropped as low as they have done.

He told *Business Insurance:* "There are now signs of more expansion in airline activity. More aircraft are being delivered, more hours are being flown, more passengers carried. However, while an increase of business in general must follow from this, it does look as though competition will continue to keep any profit down. Pressure in the London market is so strong that it had certainly caused a marked downward trend in rates and underwriters are pulling out of some business offered to them.

"But hull values have been rising, even though aircraft losses have stayed constant. The 1978 loss figures already look as if they will be worse than last year, even after allowing for the big Tenerife crash." ■

Group disputes chemical's toxicity

WASHINGTON—A major trade association charged that a recent government study that said as many as 1,940 persons die annually from exposure to vinyl chloride is "ludicrous to the point of absurdity."

Ralph Harding, president of the Society of the Plastics Industry Inc., said the National Cancer Institute study was a "travesty" and an "embarrassment to medical society."

Citing statistics from the federal Center for Disease Control, Mr. Harding said exposure to vinyl chloride has been responsible for only 23 deaths in 16 years.

The National Cancer Institute study also said that workplace hazards may be responsible for 20% of all cancer cases in the U.S. ■

COMING THROUGH FOR YOU...

WITH IDEAS FOR HEALTH CARE COST CONTAINMENT

Any company that provides health care benefits to its employees, knows about the zooming costs of health care. But what you might not be aware of is the fact that health care costs are going up at more than twice the rate of all consumer prices.

There are many reasons for these zooming health care costs. And many different groups are involved. Physicians, hospitals, patients and even the insurance industry itself.

We, at Connecticut General, urge all parties to help control health care costs. And we pledge to do our part.

Coming through with ideas.

At Connecticut General, we've established a permanent task force utilizing some of our brightest minds. Their assignment: to explore ways we can contribute to lower health care costs, without affecting the quality of health care services. Here are some of the directions we're moving in:

We were one of the first companies to promote the idea of Health Maintenance Organizations, and we have two successful HMO's in operation today.

The idea is that members pay a flat monthly fee, whether they're sick or well. When they get sick, virtually all their medical expenses are paid by the HMO. These arrangements have acted as a real spur for HMO's to keep people well, and control unnecessary costs.

Another way we're seeking to hold down health care costs is by encouraging second surgical opinions. This feature is available to most companies covered by our health insurance. The program pays for a second opinion on non-emergency surgery, if the patient wants it. Our own work with this program gives us hope it will cut the number of these operations up to 15%.

Keeping an eye on hospital costs.

But one of our most far-reaching actions is the Hospital Utilization Review process we're helping set up in two communities.

The objective is to assure the appropriate level and quality of hospital care . . . but no more than that. Under this program, trained medical staff work with each patient's doctor to determine the necessity for hospital care and then the length of stay that is medically required based on diagnosis, age of the patient and the severity of the problem.

We believe that the small additional expense of this Hospital Utilization Review process will be far outweighed by the savings that come from eliminating unnecessary or overlong hospital stays.

A commitment to our customers.

Even though we're working hard on a lot of new concepts, we haven't forgotten the importance of an efficient, well-managed, claim payment system.

We're committed to controlling medical claim costs.

When someone is covered by another group insurance plan in addition to ours, we coordinate with the other plan to eliminate costly overlaps. And while most claims can be handled quickly and routinely, we know it's worth the time to us and to employers to review certain cases to be sure the treatment and services provided are reasonable and customary.

What does this mean to our health insurance clients? Obviously, if our costs are reduced, it will be reflected in the insurance rates for them.

And we intend to be more than a conduit for benefit dollars. The quality of health care is still uppermost. But we think quality health care need not be synonymous with escalating costs. So we're going out of our way to prove it.

Coming through for you. . .

THAT'S WHAT CONNECTICUT GENERAL

M/F EQUAL OPPORTUNITY EMPLOYER

L.A. case ends in hung jury

Paralyzed youth sues helmet firm for $11.5 million

By JERRY GEISEL

BALTIMORE—Riddell Inc., the nation's leading manufacturer of football helmets, is facing a $11.5 million lawsuit filed in connection with a football accident that left a high school student paralyzed for life.

The suit, filed in federal district court here, contends that a design defect in a Riddell helmet led to the injury.

Riddell lost a spectacular product liability suit in 1975 when a Miami jury awarded $5.3 million to a high school football player who was left paralyzed by a football game accident. However, that case was settled out-of-court during an appeal and the amount was probably reduced.

In late 1977, the sporting goods company successfully defended a $2.5 million suit filed in Phoenix, Ariz. Riddell is the target of other injury suits involving the firm's football helmets, but a company spokesman said he did not know how many suits are pending.

And late last month, a Los Angeles superior court jury was unable to reach a verdict in a multi-million dollar suit against Riddell involving a junior college football game accident.

In the Baltimore case, Gary Bradshaw, an 18-year-old student at the Maryland School for the Deaf in Brunswick, Md., was injured making a tackle near his team's goal line. The shock of the impact was concentrated on the back of the helmet which caused the neck to snap back, fracturing the neck and resulting in paralysis, according to Bertram Goldstein, the injured youth's attorney.

Mr. Goldstein said the Riddell helmet, model HA-91, was not properly designed because its construction did not allow the shock of impact to be properly dissipated.

A Riddell spokesman described the helmet as a "good seller for us" that has been used at all levels of competition. The spokesman said the helmet is the product of "many years of research and development in which millions of dollars have been spent."

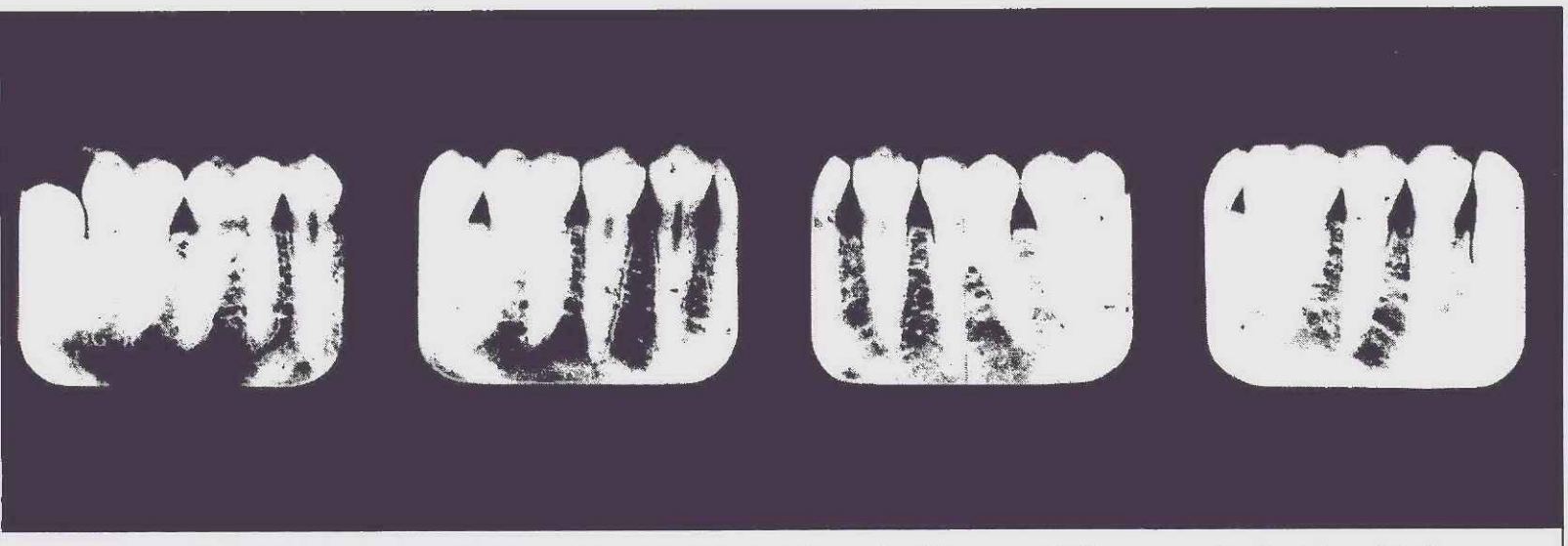
The Riddell spokesman said the company is not aware of any design defects in any of its products.

Mr. Goldstein said he is seeking $11.5 million in special and general damages to cover his client's past and expected medical expenses and to compensate for Mr. Bradshaw's lost earnings potential.

Columbia Casualty is the primary carrier in the Bradshaw case with a $300,000 limit. Excess coverage is provided by Mission Insurance Co., Maine Bonding & Casualty Co., Manhattan Fire and Marine Insurance Co., First State Insurance Co. and Lloyd's of London.

A spokesman for Wynn's International Inc., Riddell's parent company, said the Baltimore suit will be defended. He added that the suits filed against Riddell have not had an apparent effect on sales of the company's football helmets. ■

Other ways Connecticut General people come through.

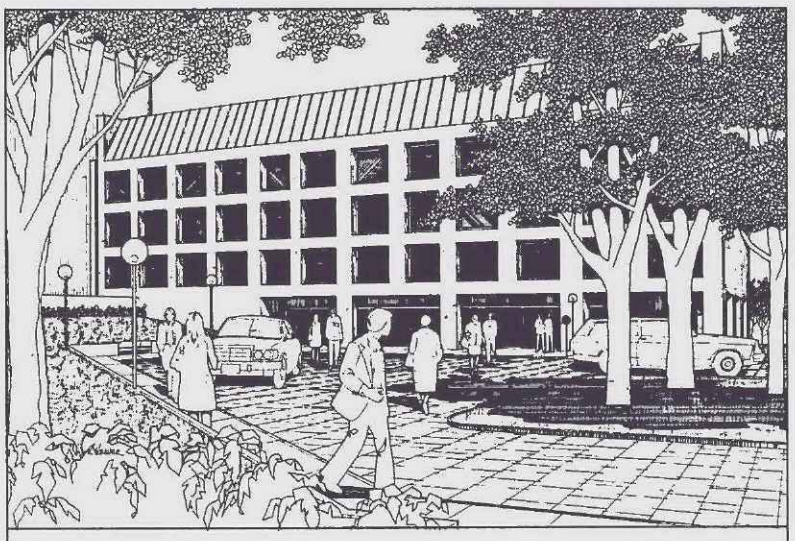


How Connecticut General's pretreatment review feature helps control the cost of group dental insurance. *Before any major dental work is done, the dentist sends in an estimate of what he recommends to our claim office. We tell him exactly what's covered. That way there are no disagreeable surprises when the bill comes, for the patient, the dentist, or the employer.*

Plan Designs help keep costs down. *Connecticut General's new group health insurance plans for employers encourage the use of less expensive forms of medical care. For example, these plans pay for certain non-hospital services and facilities such as:*

- *Pre-Admission Testing*
- *Home Health Care Visits*
- *Free-Standing Surgical Facilities*
- *Skilled Nursing Facilities*
- *Special Mental Illness and Alcoholism and Drug Abuse Treatment Centers*

The result? Employees get good solid protection. Employers get maximum value for every benefit dollar.



Connecticut General is taking a hard look at investments in hospitals. *As one of the leading lenders to hospitals, we're doing our part to avoid the building of unneeded hospitals or the purchase of unneeded equipment. Before we make a loan, we make sure a hospital needs new facilities and can pay for them without large increases in rates. The facilities must be approved by regulatory authorities and have acceptable planned utilization.*

PEOPLE DO

Connecticut General Insurance Corporation, Hartford, Connecticut

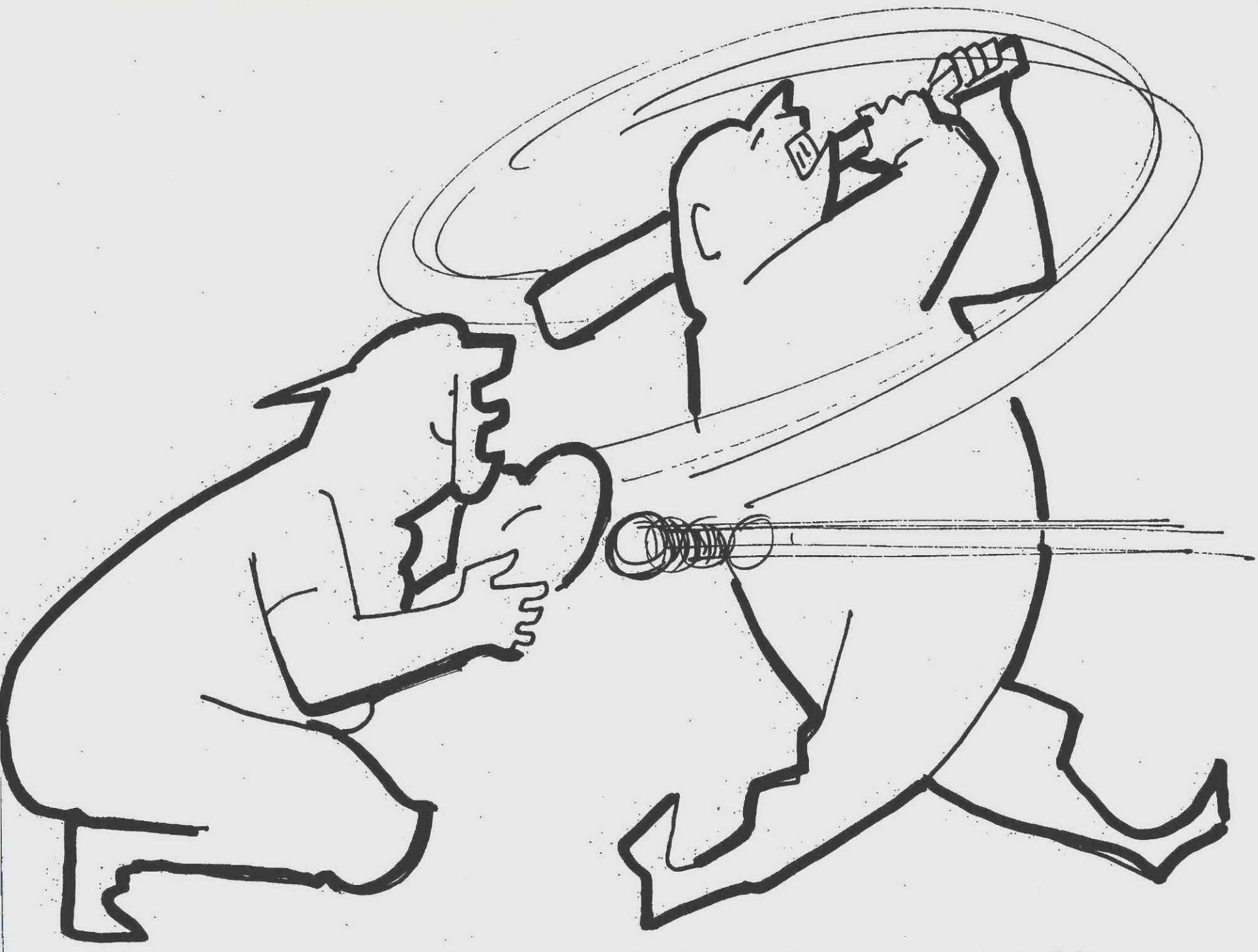
Why Texas workers' comp coverage should be written in Texas.

Only a large Texas carrier—such as Texas Employers'—with prompt local service can keep your workers' compensation coverage costs as low as possible. In 1977 alone, local service helped to provide Texas Employers' policyholders over $39.2 million in dividends, premium discounts, and retrospective savings. That's why many national companies such as yours have their Texas workers' compensation coverage written in Texas. By us. Get the complete story by calling our National Accounts Division at 214/653-8100.

TEXAS EMPLOYERS' INSURANCE ASSOCIATION
P. O. Box 2759
Dallas, Texas 75221

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

You're out if you don't have clout!



Clout. A strong word. And you get it when you become a member of the IIAA, the largest and oldest National Insurance Association in the world.

We work together with Local and State Associations to protect and advance your business. We can help you in almost any area; from preventing unfair competition by non-insurance interests to monitoring government at all levels, if you belong.

To get your 34 compelling reasons why you should belong—give us a call on the "800" action hotline. If you are a member, use the action hotline for any questions you may have.

YOUR Independent Insurance AGENT
SERVES YOU FIRST ®

Independent Insurance Agents of America, Inc.

85 John Street, New York, N.Y. 10038

Over 126,000 member agents representing 34,000 agencies. More than 250,000 dedicated employees serving America's insurance needs.

800-221-7916

Call this 24 hour, toll-free number today · In Alaska, Hawaii, and New York State call 212-285-4283 collect.

CRAVENS, DARGAN AND COMPANY
Pacific Coast of Illinois, Inc.

Risk Underwriters with innovative ideas
servicing the Midwestern States

Contact: Bob Haney, Paul Feldsher, Ken Karsted, Kandy Pinkstaff or Janet Snyder

Cravens, Dargan and Company, Pacific Coast of Illinois, Inc.

Sears, Tower, Suite 5730
233 South Wacker Drive
Chicago, Illinois 60606
(312) 876-0262

Telex: 25-4279

Some differences with ERISA

Bill would tighten rules for public pension plans

WASHINGTON—Four years to the month after the landmark pension reform law received presidential approval, legislation has been introduced that would extend to public pension plans standards that now only apply to private programs.

The legislation (H.R. 14138) was introduced by the two leading forces of pension reform in the House, Rep. John Erlenborn (R-Ill.) and John Dent (R-Pa.). The bill would establish reporting, disclosure and fiduciary guidelines for the approximately 7,000 state and local government retirement plans.

In underscoring the need for the legislation known as PERISA (Public Employe Retirement Income Security Act), Rep. Dent noted that public plan participants have often been denied vital information concerning the provisions of their plans.

"This bill provides that information in a sensible and reasonable manner," Rep. Dent said.

While ERISA clearly is the model for PERISA, there are major differences that fundamentally separate the two far-reaching reform efforts.

Unlike ERISA, which divided pension plan regulation between two federal agencies, PERISA would establish a single federal agency, an "Employe Benefit Administration," to regulate public pension plans. The bill would also abolish dual jurisdiction for private plans, an offhand way to enacting the proposal of ERISA sponsors Sens. Jacob Javits and Harrison Williams.

"By creating a single agency, we hope to provide the necessary protections and gather the necessary information without overburdening plans with needless paperwork," said Rep. Erlenborn in defending the single agency approach.

Furthermore, unlike ERISA, PERISA does not set vesting standards for pension plans. Instead an advisory council would be established to set voluntary guidelines for vesting requirements.

The legislation would only preempt state laws regarding fiduciary requirements. Otherwise, state law would hold sway except where it would prevent applications of the other provisions of the measure. This differs significantly from the broad preemption section of the 1974 pension reform law.

PERISA does establish explicit reporting and disclosure requirements. The plan administrator would have to furnish participants with a summary plan description booklet written in easy-to-understand language.

The booklet would be distributed within 15 months of the time a participant joined a plan.

Plans would file annual reports with the Employe Benefit Administration, also within 210 days at the end of the plan year. The annual report would contain a financial statement listing the plan's assets, liabilities, revenues, expenses, party-in-interest transactions and loans.

Plan fiduciaries would be expected to administer the plan for the exclusive benefit of the participants and with the same caution and skill that a "prudent" man would exercise.

However, the state or local government, not the fiduciaries, would be responsible to the pension plan for losses caused by imprudent fiduciary actions by government officials.

Aides to Rep. Dent and Rep. Erlenborn said hearings on the legislation may be held later this year. The two congressmen believe there is a chance of passage during the next session of Congress. ■

Group life declines

Purchases of group life insurance in July totaled $7.4 billion, down from the $8.8 billion purchased under new or revised contracts in July 1977. Total life insurance purchases in the month reached $28.6 billion.

Anticipation is the mark of an experienced crew.
And so it is at The Atlantic Companies.



COURAGEOUS...1977 AMERICA'S CUP WINNER/PHOTO BY STANLEY ROSENFELD

At The Atlantic Companies we take pride in our quick and thorough service, prompt and ungrudging settlement of claims and in anticipating the type of insurance coverage your business may require. For example, The Atlantic Mutual or Centennial "Safeguard" policy. An adaptable package that provides the coverages needed in business. Our "Safeguard's" flexibility of form and rate allows selected independent agents and brokers to tailor it to your precise business needs.

Take advantage of our skilled crew. We've been running a taut ship for 135 years.

YOUR Independent INSURANCE AGENT

The Atlantic Companies

Atlantic Mutual Insurance Company • Centennial Insurance Company
Insurance in the seafaring tradition since 1842.
Home Office: The Atlantic Building, 45 Wall Street, New York, N.Y. 10005

XEROX HAS SOMETHING WORTH COPYING.



To help Blue Cross and Blue Shield Plans stem the rising cost of health care in America today, more and more companies are providing health and physical fitness programs to keep their employees healthy and productive.

One excellent example of such a program is the health and recreation program open to all Xerox employees, both management and labor.

Here's how it works. An exercise stress test is recommended prior to starting the program. A lifestyle survey is taken so that the Xerox Recreation and Medical Services staff can track the progress of employees and relate that to their diet, exercise routine, smoking and drinking habits, etc. After receiving an individual exercise prescription, each participant then spends one-half hour a day, three times a week, in jogging, bike riding, or other aerobic exercise programs.

Xerox and other bold and imaginative companies realize one important thing: that fitness programs have the potential of returning enormous dividends in greater health and happiness for employees. And greater productivity from them.

It also stands to reason that if your company can institute a program to keep your employees healthy and well, your company's health care costs can possibly be lowered.

As you know, Blue Cross and Blue Shield Plans are fighting a nationwide battle to keep costs from running away.

Programs such as second surgical opinion, medical necessity programs, home care, health maintenance organizations, same day surgery, pre-admission testing and the like are in use in many Plans with positive money-saving results. As successes are achieved, the results are shared so that knowledge gained by solving local problems can be applied on a wider basis.

We're encouraged. The average length of hospital stays for Blue Cross Plan subscribers under age 65 dropped by almost a day between 1968 and 1977. That may not sound like much. But if the length of stay were the same today as it was in 1968, we would be paying an additional $1,249,869,813 a year. In addition, the rate of hospital admissions for these subscribers dropped by 4.9%, representing $554,938,847.

But controlling health care costs without sacrificing quality is a complex problem. One we all need to work on together.

While the Xerox program is an extensive one, there are health programs to fit any size company.

Blue Cross and Blue Shield Plans would like to help you. If you would like more information about employee fitness programs, write for the free booklet "Building a Healthier Company," Box 8008, Chicago, IL 60680.

Blue Cross®
Blue Shield®

ALL OF US HELPING EACH OF US.

® Registered Service Marks of the Blue Cross Association
®'Registered Service Marks of the Blue Shield Association

EST. 1899

DAVIS, DORLAND & CO.
INSURANCE BROKERS

99 CHURCH ST., N.Y., N.Y. 10007 TEL: (212) 791-2100

Study says most offer HMOs, add alcohol plan

MINNEAPOLIS—Seven out of 10 national corporations offer employes the option of joining an HMO. And about five out of 10 are also operating alcohol and drug abuse programs, self-insuring health benefits and maintaining other administrative programs to try and control rising costs, a survey of national corporations shows.

NAEHMO, the National Assn. of Employers on Health Maintenance Organizations, surveyed 247 member and non-member companies earlier this year to determine current corporate involvement with HMOs and what else corporations are doing to reduce health care costs.

NAEHMO member and non-member companies reported the same average 14% increase in health care costs in 1977 over 1976, which is less than they reported for earlier years. But health care costs were reported to represent about 25% of benefit costs for the companies responding.

HMO membership is offered to employes of 83% of the non-member NAEHMO companies and 64.5% of the NAEHMO companies for an average of 73.8% of the surveyed group that responded. Only 8% of the companies in each category are waiting to be forced under the dual option regulation of the HMO Act to offer an HMO.

Meanwhile, corporate involvement in other well known cost control programs runs from 16% to 58% of the group, with alcohol and drug abuse programs most popular and restructuring health plans the least used approach.

The 147-member companies of NAEHMO were surveyed as well as 100 non-members, selected from the membership of the Council on Employe Benefits, a prestigious group of employe benefit managers. Seventy percent of the NAEHMO members and 45% of the non-members responded.

That fewer NAEHMO companies offer HMOs than non-members is not surprising, the organization says, because companies preparing to offer the health care alternative are more likely to join the group than those with experience with HMOs.

However, NAEHMO members offered more HMOs to their employes, an average of 5.8 per company, than non-members, which offered an average of 4.3 HMOs. NAEHMO members also reported far more employes enrolling in HMOs than the non-member companies. An average of 15% of the employes of a NAEHMO member company enroll in HMOs compared with just 2.5% of the employes of non-member companies.

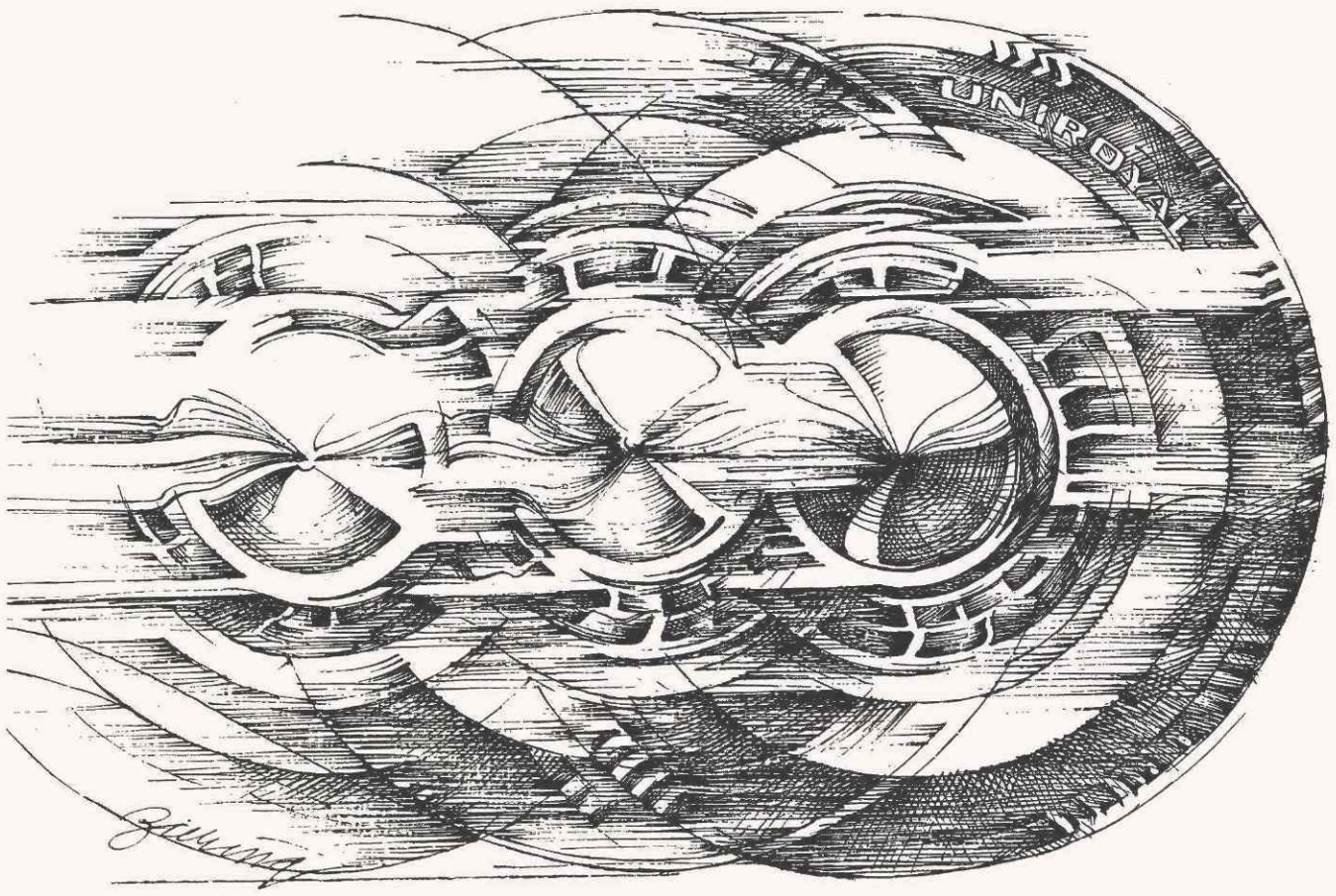
"This dramatic difference in employe participation rates may be a reflection of a more positive attitude toward HMOs by NAEHMO member companies," the organization suggests. "Clearly, companies that have a more positive attitude toward HMOs are more likely to conduct HMO meetings on company time, circulate literature and seek the best HMOs for their employes."

So few respondents were able to estimate the impact on costs of the dual choice option that NAEHMO decided the statistics would be meaningless. However, in analyzing the reports of cost increases in health care, NAEHMO found the suggestion that HMOs may be effective in cost cutting.

Non-member companies reported cost increases of 17% and 16% in 1975 and 1976 while NAEHMO member companies reported much higher health care cost increases of 21% and 20% for the two years.

So with both groups reporting a 14% increase in costs in 1977, the NAEHMO member group cut costs significantly more than non-members.

Creating alcohol and drug abuse programs may be a popular move in companies trying to control health care costs—44% of NAEHMO member companies and 58% of the non-members report such programs—because the benefits of a successful program are also reduced absenteeism, reduced accidents and improved productivity, the NAEHMO report suggests. ■



Uniroyal and The Equitable: 52 years and still rolling.

At Uniroyal, Inc., a leading worldwide manufacturer of chemical, rubber and plastic products, Equitable group insurance has passed the toughest test of all—the test of time. The reasons are simple.

Flexibility—We grow with each client. Every plan is designed to meet special needs. We work hard to keep innovating and adapting.

Service—We measure ours in layers: group field specialists give personalized local attention—backed by Home Office support and resource staffs; service centers and benefits-paying offices are strategically located to provide at-hand response for smooth plan operations and claims handling; and the bottom layer—our insistence on the latest in computer technology.

Cost Containment—An Equitable commitment and major concern. We believe the best approach is a coordinated contractholder/Equitable effort toward the mutually agreed-upon goal. It begins with effective plan design and is sustained by efficient claim administration.

Equitable group insurance has been a long-standing asset at Uniroyal, and it is becoming a newfound advantage for even more companies. In the last four years, The Equitable has been #1 in sales of new group life and health insurance and pensions (measured by new premiums and considerations)—a tradition with a growing future.

To find out more about making Equitable group coverage a working asset for your company, contact your local Equitable representative.

America's #1 group company for the 4th year in a row.

EQUITABLE

The Equitable Life Assurance Society of the United States, N.Y., N.Y.

New regulations to unsettle benefit plans

By JOANNE GAMLIN

SAN FRANCISCO—Government regulations on equal contributions and benefits in pension plans, the new mandatory retirement age and the 1977 amendments to the Social Security law add up to unsettling news for benefit plans.

Barbara Creed, an attorney with the San Francisco law firm of Pillsbury, Madison & Sutro, told the American Management Assns. annual conference here that the Social Security amendments may be as significant for retirement plans as the pension reform law.

Meanwhile, an expert from William M. Mercer warned that Labor Department regulations issued after the Supreme Court ruled contributions for pension plans may not discriminate against women may mean all pension fund options may need unisex tables.

Barnet N. Berin of Mercer noted the regulations go far beyond the Supreme Court's ruling in the Manhart case.

Since benefits are considered as wages under the equal pay act, the Labor Department regulations prohibit the use of sex-based actuarial tables because they discriminate on the basis of sex.

It is the life insurance companies that will have the most problem with the new regulations, said Conrad C. Greim, director of compensation and benefits at Crown Zellerbach in San Francisco.

The two men also said that the Labor Department regulations on the new mandatory retirement age could mean changes in pension plans, profit sharing and savings plans, health care, life insurance and long term disability.

Pension plans are left relatively untouched because under the regulation they will not have to credit any additional pensions due to retirement or employment after the plan's normal retirement age. Profit sharing and savings plans, however, will have to "credit additional employer contributions for employment after age 65 if the plan provides benefits in addition to those available at retirement or at termination of employment," the experts said.

However, they noted if the plan does not permit distribution of benefits before retirement or termination of employment, it will not have to continue contributions after the normal retirement age.

The regulations state that life insurance for workers over age 65 cannot be arbitrarily eliminated or reduced. "The key word is arbitrary," underlined Mr. Berin. He pointed out that employers can reduce gradually the amount of life coverage that is in effect immediately before an employe reaches age 65. But that reduction cannot exceed 8% for each attained age between ages 65 and 70 with complete elimination at age 70.

More drastic reduction than 8% would be permitted if the employer could demonstrate that it was needed, said Mr. Berin.

Reimbursement for medical expenses could not be eliminated or reduced for employes over age 65 except when the worker is also a Medicare recipient. Elimination of private plan coverage over age 70 or at termination of employment is permitted by the regs, however.

Yet there is the stipulation that the combined package for employes over age 65 must be at least as good as that for younger workers, both Mr. Greim and Mr. Berin emphasized.

Long term disability, which could have presented a difficult problem, was given a relatively easy formula, they continued. It states that if an employe's disability occurs on or before age 60, the plan may provide a succession of benefits until age 65. But if the disability comes after age 60, the succession of benefits must not occur before the expiration of five years or the attainment of age 70.

Urging plan sponsors to take a close look at every plan that is integrated with Social Security, including disability and survivor benefit plans, Ms. Creed said that the amendments both raise tax rates and change the way Social Security benefits are calculated.

She stressed that under the new benefit computation, the percentage of covered pay which Social Security replaces will now remain a relatively constant figure.

"It is expected that this new benefit computation will ultimately result in benefit levels approximately 5% to 8% lower than current levels," she explained. As a result Social Security benefits will be lower, especially for younger, lower-paid employes.

For pension plans using the offset method of integration with Social Security, she said reduced benefits will be pronounced at the lower end of the pay scale, meaning that higher plan costs will be concentrated at that end of the pay scale.

Yet the impact on participants in offset plans will be relatively slight, said the attorney.

Pension plans which use the taxable wage base for a step-rate formula integration with Social Security will experience a reduction in benefits due to the boost in the taxable wage base over the next five years, she continued.

"Costs will be reduced too for middle and upper income participants," Ms. Creed elaborated. "Participants continuing to earn below the taxable wage base will not be faced with changes."

She added that as more and more of the population earns below the wage base—she estimated that under the amendments fully 95% of the U.S. workforce will be in that position—these effects will level off.

For step-rate pension plans that are integrated on the basis of covered compensation or an historical composite of the wage bases for each participant in the plan, benefits will also decline, Ms. Creed said.

Other AMA conference stories include:
- **Leslie Dew** criticizes the N.Y. Insurance Exchange, free trade zone. Page 22.
- **Gallo** exec explains computers for benefits. Page 22.
- **Revised** benefits slow firm's health care costs. Page 25.

Insurers will bargain, so review excess: Daenzer

By MARGARET LeROUX

SAN FRANCISCO—Buyers should look at their excess coverage in the current loose market for liability insurance, urges the president of Howden Swann Ltd., since that's the area insurers will bargain over.

Bernard J. Daenzer told the American Management Assns. conference here that some excess underwriters are quoting premiums "below the burning cost."

Right now primary "underwriters are taking a large chunk of risk for less premium," but the insurance executive does not expect this situation to last. "In the next few years we'll see a change," he said.

Mr. Daenzer advised risk managers to resist the temptation to change insurers on primary layers of liability just to save a few premium dollars. "The company you have on primary can affect your excess coverage," he said, "and in time of a crunch, you could be stuck."

Instead, risk managers should be moving toward larger retentions or deductibles, according to the Howden Swann president. "Deductibles are still underutilized," he said. "It's easier to explain a single across the board self-retention to your company board of directors than a series of them."

Once a company goes the self-insured route, upper management assumes a different attitude, Mr. Daenzer said. "Suddenly what used to be the insurance company's money becomes their money. All of a sudden they're paying attention to complaints that could be claims . . . . suddenly they want to sell potential loss properties they hadn't wanted to before."

He urged risk managers to "use every opportunity to make management sensitive to loss potential."

The insurance executive's address drew numerous questions from the audience on captives and product liability.

Asked for criteria for capitalization of a captive, Mr. Daenzer replied, "There are all kinds of levels and arbitrary figures that have been established. Some consultants want enough money put into the captive so their fee can be justified.

"You have to think of premiums paid into a captive over a period of time," he continued. "First come to a practical decision to establish the captive, then develop a formula for funding that will satisfy the board of directors and stockholders."

The product liability crisis has peaked, according to Mr. Daenzer. "Most difficult renewals have now gone through one or two cycles. There have been reappraisals by insurers" and readjustment of "rating that was too high."

Like the malpractice crisis, "underwriters could throw away everything they did before and start all over again in a new environment" for product liability, he said.

Expect the situation to level off as underwriters refine their loss figures, Mr. Daenzer said. He noted, "It's interesting that throughout the product liability crisis, there was still coverage available. In some cases it was too expensive for the companies that needed it, but the market was still there."

The capacity situation for product liability is pretty stable, Mr. Daenzer remarked after his speech, "although if someone wants an additional $10 million over $100 million, he can probably get it."

WOODWORKING OPERATIONS
INCLUDING
AUTOMATED SAWMILLS

Property, Inland Marine and
Liability Coverages Available

Possible Savings of up to 50% over present costs

Working with people knowledgeable in the
Woods Products Industry

Broker inquiries invited — Available in most states

FOREST PRODUCTS AGENCY COMPANY
88 PALMER STREET
PHONE 203-889-2686
Telex 966438
NORWICH, CONN. 06360

If you need
Railroad Protective



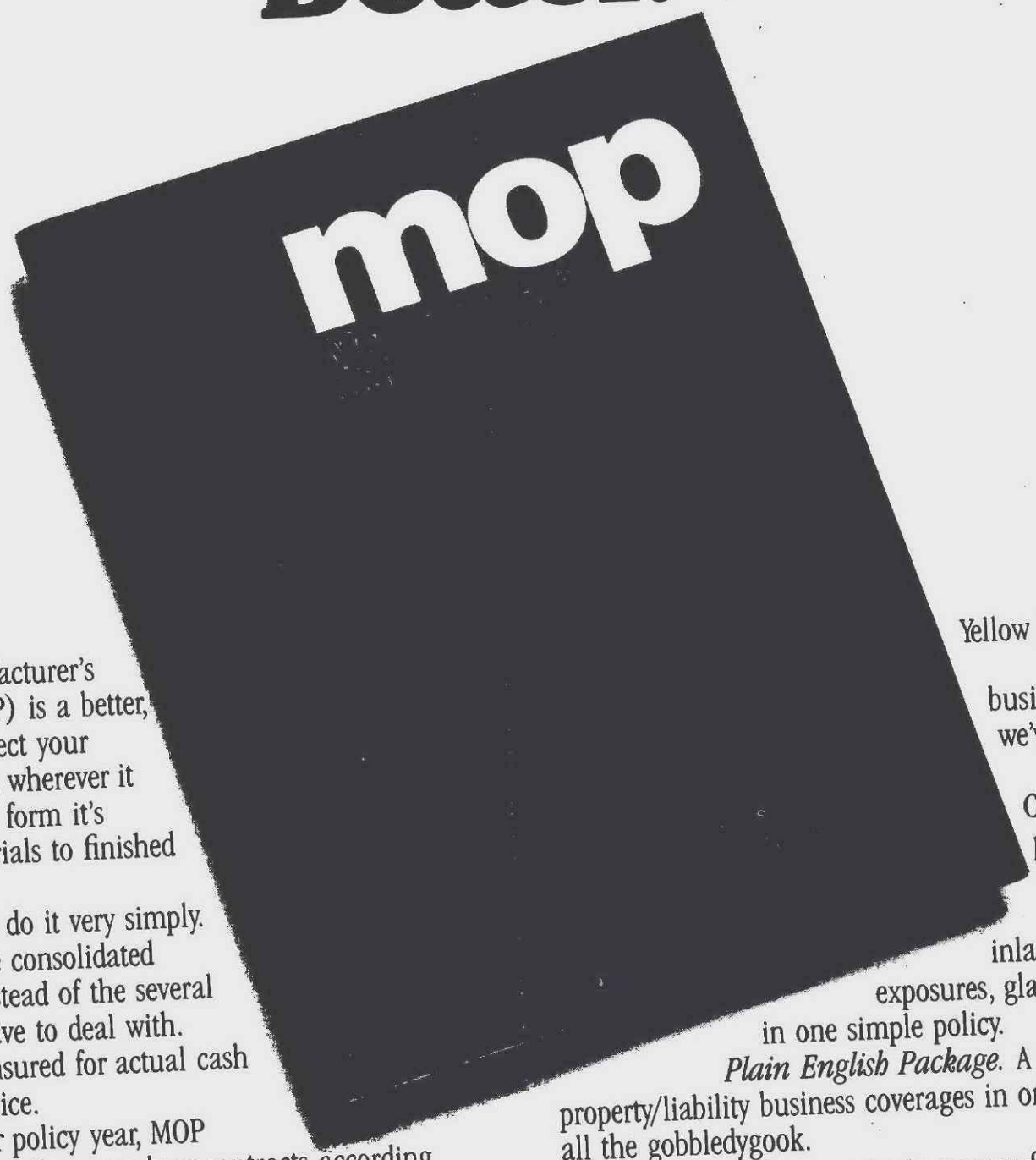
Call Richard Selmonsky
(516) 482-6215 (212) 895-7240
Out of town Call (800) 645-6286
Quotes Within 24 Hours
from
INTERNATIONAL RISK MANAGERS, LTD.
Over 30 years of service to contractors, business and industry.

INTERNATIONAL HEADQUARTERS
45 North Station Plaza
P.O. Box 689
Great Neck, New York 11022
Telex: #960273
Cable: NAPRE, GREATNECKNY

BRANCH OFFICES:
New York City
Lincoln Park, NJ
New Rochelle, NY
Ft. Lauderdale, FL

What would you call a policy that protects parts coming in, finished products going out, inventories stored wherever, and most everything in your main plant?

Better.



The St. Paul Manufacturer's Output Policy (MOP) is a better, simpler way to protect your company's property, wherever it is. And in whatever form it's in, from raw materials to finished products.

And you can do it very simply. MOP coverages are consolidated into one policy instead of the several you'd normally have to deal with. Property can be insured for actual cash value or selling price.

During your policy year, MOP coverage automatically expands or contracts according to the value of property covered. That way, your assets are protected in peak or slow times. Whether inventories are high or low. Whether your firm is receiving, shipping or storing materials. Or all of these. All in one policy. There's also automatic coverage for new non-manufacturing facilities without notifying The St. Paul.

What's more, there's usually no deposit premium, which lets you handle premiums on a pay as you go basis. Which, in turn, can help cash flow. Good loss experience and deductible options can keep your insurance costs down.

Want more information? Contact your Independent Insurance Agent representing The St. Paul. Check your Yellow Pages.

Here's more business insurance we've made better:

COMPACT. Commercial property insurance for buildings, contents, inland marine exposures, glass and more in one simple policy.

Plain English Package. A variety of property/liability business coverages in one policy, without all the gobbledygook.

EDP. All-risk computer insurance from the company that originated data processing insurance.

Umbrella Excess Liability. One million dollars excess liability coverage on small businesses for as little as $200 per year. Can also handle larger accounts with limits up to $20 million.

Commercial Auto. The St. Paul has the expertise, people, resources and stability to back you strong in this coverage.

Inland Marine. We're one of the largest across the board writers. We've built expertise since 1853.

We keep making insurance better. The St Paul 125 Years of Financial Service 1853-1978

YOUR Independent Insurance AGENT SERVES YOU FIRST

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

Dew sees little benefit in N.Y. zone, exchange

SAN FRANCISCO—New Yorkers may regret the "odd partnership" of the free trade zone and Insurance Exchange, according to Leslie Dew, head of the Bermuda underwriting agency for Insco, the insurance subsidiary of Gulf Oil Co.

The former senior deputy chairman of Lloyd's of London told risk managers at an American Management Assns. conference here, "In an attempt to solve the problems of over-regulation of insurance in New York, you may have created many more problems.

"I doubt whether the Insurance Exchange will ever get off the ground," the ascerbic insurance executive added.

"The free zone isn't free at all." Mr. Dew continued. "It's restricted to the geographic limitations of New York City." And as for the exchange, "I don't see to whose benefit it is, other than American Home (Assurance Co.)," he argued.

Defending his company, Elmer Dickinson, president of American Home noted, "Right now it's difficult for risk managers to get exactly the program they want in the U.S." The free zone and Insurance Exchange offer "the opportunity to pull everything together in one package (including primary and excess coverage). It's going to have international possibilities."

Admitting there are problems in "trying to put together an institution comparable to the 300-year-old Lloyd's of London in a very telescoped period of time," Edith F. Lichota, assistant treasurer with the Carborundum Co. and member of the commission drafting regulations for the exchange said it will be helpful to risk managers, "only if it's considered an optional market."

Mrs. Lichota said a draft constitution and bylaws for the exchange are expected by Dec. 1. Despite skepticism voiced by many in the insurance industry of the success of the exchange, "you'd be surprised how many real estate agents have offered us choice locations in New York for it," she said.

Robert Clements, vp of Marsh & McLennan, predicted that underwriting in the exchange would not actually begin until 1980. He said that two obstacles facing the exchange are the lack of underwriting talent and the reaction of the London market. ■

Computerize benefit info to your specs: Exec

SAN FRANCISCO—Employe benefits managers who are thinking about programming their employe benefit plans should consider developing their own computer systems.

T.R. Akin III, benefit manager for E. J. Gallo Winery in Modesto, Calif., told the American Management Assns. conference that the first job of an employe benefit manager is to determine what the computer system's central purpose is to be. For Gallo's computerized health care system, the primary purpose was to pay claims.

"My biggest problems were in finding out what I wanted at present and in five to seven years and in designing output," he recalled.

Gallo has three computer systems tied to employe benefits: one for its self-insured health care benefits, one for its retirement plans and a third for its self-insured workers compensation program.

Mr. Akin said Gallo estimates it cost about $19,000 to bring its automatic data processing system for its health benefit system into full operation. The system is not a true data base system, Mr. Akin said. Rather, it runs on-line and batch jobs, the former data which is sent, processed and received almost instantaneously and the latter which is not needed as rapidly.

He said employe records, claim records and provider records are all on-line at Gallo. Eligibility, cost reporting and check writing are batch jobs.

Mr. Akin said that the rough cost of administering the Gallo health care program for the first year was less than $50,000 or about $10 per check.

Mr. Akin said the computerized self-insured medical system pays claims once a month.

"Our average turnaround time is 15 days," he said.

Furthermore, the system can boast an average of 45 days from the time of an incurred loss to the point of claims payment. After 80 days, 84% of the incurred losses have become paid claims and after 100 days, 90% of incurred losses have been transformed into paid claims.

"The biggest expense claims are paid off fastest," he said.

If you set up a computerized health care program, you must discard the Mickey Mouse benefits such as partial payment of doctor office visits and benefits which create an unnecessary administrative burden," he recommended.

The computerized claims check includes a statement shown on the top of the check containing vital information.

For its retirement program, the Gallo system can project an individual's percentage of increase in salary almost instantaneously. ■

Assumptions questioned

SAN FRANCISCO—What are some of the poor assumptions that underlie employe benefit management?

Maria M. McNally, retirement plans manager for the Clorox Co. in Oakland, Calif., says three assumptions must be reevaluated.

The first is that "employe benefit plans can be improved indefinitely—just as are wages," said Ms. McNally.

A second assumption that should be questioned "is that employe contributions are a dead issue."

Finally, she said it is incorrect to believe the escalating number of holidays do not count as a benefit.

Fire losses jump

Fire losses in July caused an estimated loss of $356 million, a 14.8% jump over fire losses for the same month in 1977. The Insurance Services Office says the July figure is also $1 million more than the $355 million reported for June 1978.

Looking for ways to conserve working capital?



Don't overlook premium financing.

Today, with insurance costs becoming a major cash outlay, more and more companies are finding it makes sense to finance their premiums.

This way they pay for insurance as they use it. They conserve their working capital. Open up an additional line of credit. And improve their cash flow.

How about your company? Can you find better uses for your cash than pre-paying your insurance? AFCO premium financing can be arranged quickly and easily—with payment plans tailored to your special cash flow needs.

Your agent or broker can show you how to consolidate the financing of all your risks with premium payments handled through one central office. Or how to arrange individual financing for each of your locations. Arrangements can be made for foreign locations, too.

Premium financing. It's good for your business.

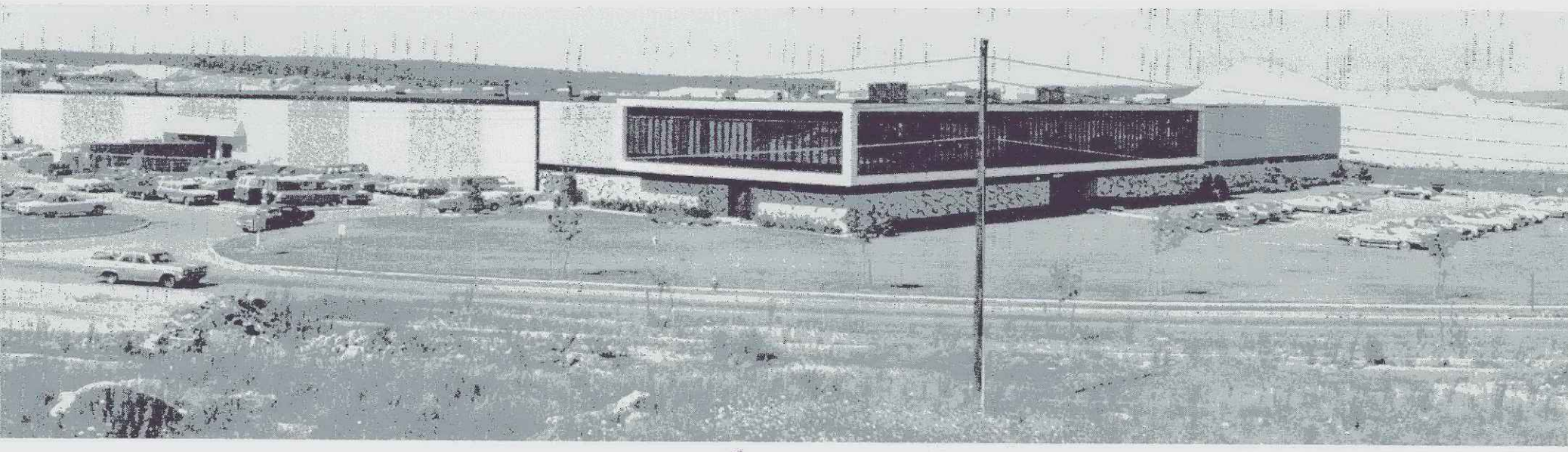
Talk over the benefits of premium financing with your agent or broker. Or contact us for an explanatory booklet with an example of how premium financing may help *your* cash flow.

Paul M. Holland, Vice President-Marketing, AFCO,
108 John Street, New York, New York 10038.

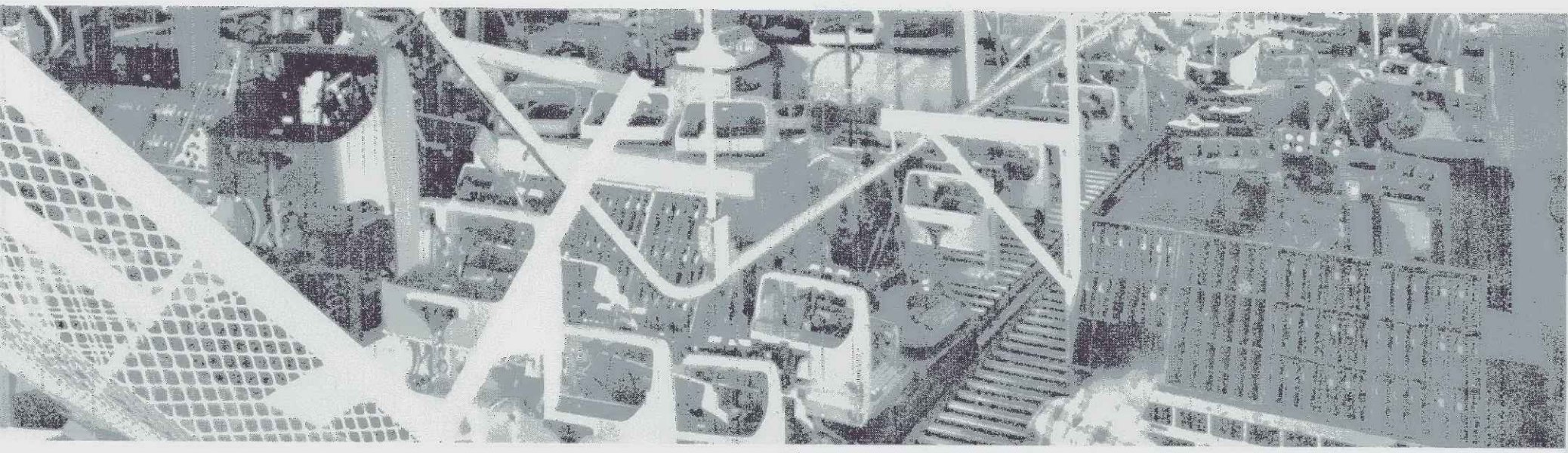
AFCO



people



plants



products

Anyone involved in a corporate insurance program is well aware of what inflation, regulation, litigation and rapidly rising court awards have done to the costs of coverage associated with people, plants and products.

For thousands of small and medium size companies the situation is particularly painful. The costs of workers' compensation insurance and employee benefits packages have skyrocketed; damage to plants and equipment can cripple production and cash flow; and product liability suits can spell bankruptcy.

Moreover, most of these companies can't afford full-time risk management personnel to identify and evaluate exposures and decide which risk management options should be exercised.

To fill this urgent need, Corroon & Black has developed a risk management program which allows a company to utilize our professional skills and personnel in administering all or part of their insurance and risk management functions.

The advantages of this program are threefold: (1) it fills the need for a well conceived, well executed risk management policy; (2) it can be geared to the specific requirements, size and financial posture of any company, and (3) it drastically reduces the fixed costs associated with maintaining a full-time risk management department.

At Corroon & Black we treat your insurance like your business depends on it.

Corroon & Black

Head Office: 150 William Street, New York, N. Y. 10038 Tel: 212-732-4900

NORTH STAR REINSURANCE CORPORATION

A Truly Flexible Market for Treaty Reinsurance, Casualty Facultative Reinsurance and Excess Covers.

CALL (212) 248-2400

Wall Street Plaza, 88 Pine Street, New York, N.Y. 10005

Lichota predicts flood of tort reforms in 1979

SAN FRANCISCO—Expect to see an outburst of product liability legislation on the state level this fall, predicts Edith F. Lichota, assistant treasurer with the Caborundum Co.

She told an American Management Assns. conference that most states will enact some form of tort liability reform but that limits and provisions of the various states' legislation will be uneven.

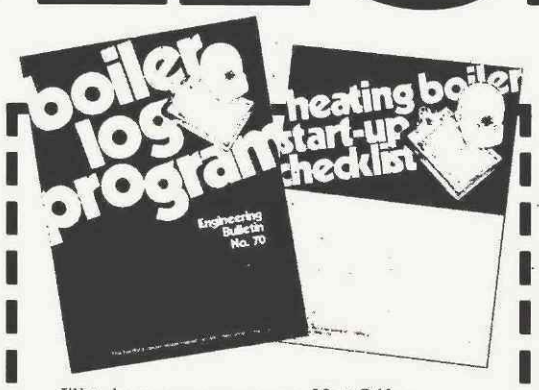
The result will be "someone like Sen: Jacob Javits (who introduced the Employe Retirement Income Security Act) will come along and lead a crusade to bring all the states up to the level of the most restrictive on liability," Mrs. Lichota said.

On the federal level, she said "we'll probably see a model act passed, but not soon" but voiced reservations that federal legislation will be a panacea for product liability problems.

"Does anyone really believe federal regulations will make things easier?" she asked.

Mrs. Lichota often represents the Risk & Insurance Management Society in legislative affairs and is a member of the group drafting regulations for the New York Insurance Exchange.

Hot offer.



I'll take you up on your Hot Offer. Please send immediately, so I can enjoy trouble-free operation this heating season.

Name _____

Title _____

Address _____

City _____

State _____ Zip _____

Send coupon to Hartford Steam Boiler Inspection and Insurance, 56 Prospect Street, Hartford, Connecticut 06102.

Hartford Steam Boiler doesn't want *you* to get all steamed up if your heating boiler *doesn't*. So we're offering a free Heating Boiler Start-Up Checklist and a free Boiler Log Program for your use this fall.

The Heating Boiler Checklist details step-by-step procedures for avoiding start-up failures because of low water, poorly maintained controls, inoperative safety devices, etc.

The Boiler Log Program provides a continuing, year-round guide to energy efficient operation and boiler accident prevention. Together, the Checklist and Boiler Log Program provide convenient ways for your key plant personnel to educate boiler operators concerning appropriate start-up precautions, maintenance and operation. Most accidents to low pressure, fire tube heating boilers involve overheating and burning. Over half of these are in the area of operating or protective control malfunctions. Many of these accidents occur because of a lack of operator training and improper maintenance of this equipment.

The Checklist and Boiler Log Program, designed and tested by our national staff of over 900 inspectors and engineers, have been routinely distributed to our insureds for years. They are just two more ways Hartford Steam Boiler is providing building blocks for establishing and maintaining an effective in-house risk management program. For free copies, simply fill out and send us the coupon.

HARTFORD STEAM BOILER INSPECTION AND INSURANCE
Hartford, Connecticut

We help more risk managers manage risks better.

Fee issue orchestrates an old song

SAN FRANCISCO—The perennial fee vs commission discussion was orchestrated again during the American Management Assns. (AMA) risk management conference here and brokers sang from familiar scores.

The representative from Johnson & Higgins defended commissions while Frank B. Hall and Alexander & Alexander spokesmen praised the fee system. Marsh & McLennan's man on the scene straddled the fence stating "what it all boils down to is our relationship with the client."

"If we're acting as a consultant resource, then it's appropriate to work on the basis that we're reimbursed for our time and expense," said John W. Elder, senior vp and director of Marsh & McLennan. "If we're asked to perform only in our traditional brokerage capacity . . . then our compensation shouldn't be of concern to the client."

"We believe the fee arrangement is the best way to go," added Justin Tierney, senior vp of Frank B. Hall. "This removes any conflict of interest."

Since brokers can't collect both commission and fee on the same account under California law, the decision to go with the fee arrangement has resulted in some reduction of income, Mr. Tierney acknowledged. "But you'd be surprised how close you come on large accounts when you add up your time."

Some of the brokerage industry's success in retaining commissions is due to laziness on the part of the buyers, observed Bernard J. Daenzer, president of Howden, Swann Ltd. "It's so easy to say, 'renew as before.'

"A lot of buyers don't want to make the value judgment that a fee is too high," Mr. Daenzer added.

"We find a lot of buyers resist fees because they don't want the clock running every time they pick up the phone to call us," said Frank L. Eblen, vp of Johnson & Higgins.

"One of the biggest stumbling blocks in relationships with clients is this lack of communication," the Johnson & Higgins vp said. "If the broker can't justify what he's charging, he shouldn't be charging it." ■

Excess broker bought

Landmark Management Corp. of Arizona, a subsidiary of the Landmark Insurance Group of Oklahoma City, has acquired Welch & Co. of Arizona.

Providers stress 'VE'

Revised benefits slow firm's health care costs

SAN FRANCISCO—Health care costs for non-union employes of Di Giorgio Corp. here were an eye popping $2 million, or one-fourth of the company's 1977 net profit, says John Wilson, manager of employe benefits and safety.

But Di Giorgio was able to reduce the increase in health care costs after revamping its program to provide 100% coverage for second opinions on surgery, increasing payment for outpatient care to 100% from 80% and instituting an alcoholism program providing 80% reimbursement for 30-day treatment at an alcoholism center.

"The cost of providing health care for our employes rose 15.9% this year, which is 1% less that it did in 1977," Mr. Wilson told a seminar on health care costs at the American Management Assns. conference here.

Di Giorgio also instituted employe contributions and a coinsurance feature to control health care costs.

Representatives of providers and insurers stressed that they are making a major effort to control health care costs without additional federal controls. The effort, called VE or voluntary effort, was created in response to President Carter's plan to institute a ceiling on hospital cost increases.

William M. Cohan, director of the division of medical practice of the American Medical Assn. in Chicago, said his organization has never been as intent on real cost control as it is now.

The good news, he said, is that a 2% reduction in the rate of health care inflation is being achieved this year.

"The AMA is supporting VE," he said, noting it will become increasingly difficult to effect further controls as fat is trimmed from the system.

Attitude changes on the part of doctors and hospitals in the Blue Cross/Blue Shield system is evident, said Neil Hollander, vp for health care services for Blue Cross and Blue Shield in Chicago.

No longer do doctors and hospitals equate quality health care with steadily climbing costs, Mr. Hollander said.

"The new idea is that good quality is consistent with cost control," according to Mr. Hollander. He noted that careful planning resulted in blueprints for new hospitals in Cleveland and Boston being scrapped. "Blue Cross said it would not pay for services for these institutions," he said.

As part of the voluntary effort at cost control, the number of hospital beds on a national basis will be kept constant this year, said Allen J. Manzano, director of the western regional office of the American Hospital Assn.

Anthony Masso, a federal official with the office of health maintenance organizations of HEW, said that the federal government is pinning its hopes for cost control on the competition HMOs will offer traditional health providers. So far, those hopes appear to be borne out by the decrease in health care costs in Minneapolis where there are seven HMOs, he said.

The federal official said that some of the 60 federally qualified HMOs may fall into financial difficulties and that of these a few may have to be decertified.

Honeywell Inc. is spending about $47 million this year on employe health care of which about $5 million goes to 25 HMOs used by 6,000 of its 56,000 workers, said manager of group insurance Harold A. Rosaasen.

Mr. Rosaasen said that Honeywell's HMO participation is concentrated in Denver, Los Angeles and Minneapolis. All the HMOs used by Honeywell is in a deficit financial position except one.

Thus far, Honeywell is not saving money with the use of HMOs, he said, pointing out that in general the poor risk remained with fee-for-service and the good health risk opted for an HMO. ■

AS AN EMPLOYER YOU PROVIDE GROUP MEDICAL, DENTAL AND LIFE BENEFITS

WHAT ABOUT A VISION BENEFIT?

When an employee does not see properly his production as well as the quality of work is reduced. What about the days lost due to eye related problems? Vision benefits are the least expensive benefit you can provide and the benefit most important to you — the employer.

FEATURES OF THE VISION SERVICE PLAN

- Eye examination each 12 months
- Lenses each 12 months
- Frames each 24 months
- Frames and lenses furnished at laboratory cost
- Available nationwide except North & South Carolina
- Broker inquires invited
- Self funded or insured plans available
- N.J. Vision Service Associates is a non-profit corporation

N.J. VISION SERVICE ASSOCIATES
P.O.Box 7286 Trenton, N.J. 08628

YES I would like to know more about a Vision Service Plan

☐ Please have a representative call me for an appointment

NAME_____

COMPANY_____

ADDRESS_____

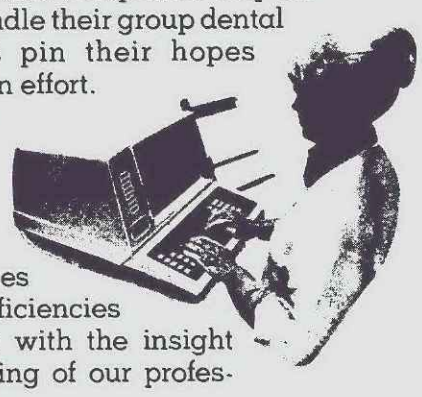
CITY_____ STATE_____ ZIP_____

TELEPHONE_____

WHAT PUTS THE BITE IN OUR GROUP DENTAL COVERAGE?

Our System.

Some insurance companies rely on computers to handle their group dental claims. Others pin their hopes mainly on human effort.

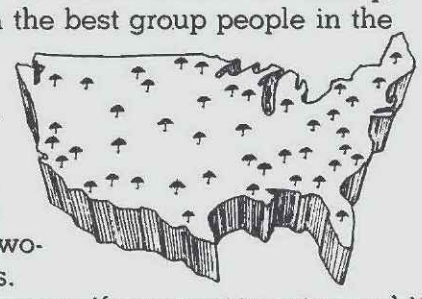


The Travelers has its own unique system. Our group dental program combines the speed and efficiencies of the computer with the insight and understanding of our professional people.

Our computer network helps cut the cost of claims administration. And our claim forms carry the names and phone numbers of our claim representatives, so your employees can deal with people—not machines. You'll appreciate the savings. Your employees will appreciate the ease, convenience and human touch in receiving their dental benefit payments.



Perhaps our system is the reason last year we were the number one group dental insurance company—both in number of cases written and in employees covered. Or, maybe it's our 116 field offices across the country, staffed with the best group people in the industry, providing support services for clients with from four to more than two-million lives.



In either case, if you want to put some bite in your group dental program, our system can help. Contact your Independent agent or broker or The Travelers Group Field Office nearest you.

The Travelers Group Department— offering professional products, services . . . and the people to support them.

THE TRAVELERS

The Travelers Insurance Company and its Affiliated Companies, Hartford, Conn. 06115



The INA foreign poli



4.

Of crucial importance to the multinational firm: the selection of an underwriter with worldwide claims service capabilities.

Securing uniform coverage in every nation where your firm does business represents only one facet of a multinational's insurance requirements. Of equal importance is the selection of an underwriter with worldwide claims service capabilities.

INA International, with 62 fully staffed service offices and an even larger network of claims facilities, is uniquely equipped to provide fast, accurate claims service. Very often this will include on-the-scene investigations, claims evaluation and working with local banks.

The INA International team is made up of nearly 2,000 people, dealing in over 80 currencies daily, and serving your needs in every language from Arabic to Swahili. All our overseas facilities are linked to eight domestic "international" offices listed below. This assures you of direct control over the disposition of claims settlements – whether paid in dollars, blocked currencies, or currency fluctuating against the dollar.

For details and a brochure write to INA International, 1600 Arch Street, Philadelphia, PA 19101. Or call: Philadelphia (215) 241-2460; Houston (713) 626-5060; Los Angeles (213) 480-4270; New York (212) 233-5010; San Francisco (415) 391-9310; Atlanta (404) 688-3228; Dallas (214) 688-0362; Chicago (312) 648-7509.

INA International, whose network of worldwide facilities is the largest of any single U.S. based insurance company, has developed a number of operating standards that should prove of interest and benefit to agents and brokers.

This is the fourth in a series.

cy policy.

Don't ride alone.

The Cavalry can help the corporate risk manager get the jump on self-insurance problems.

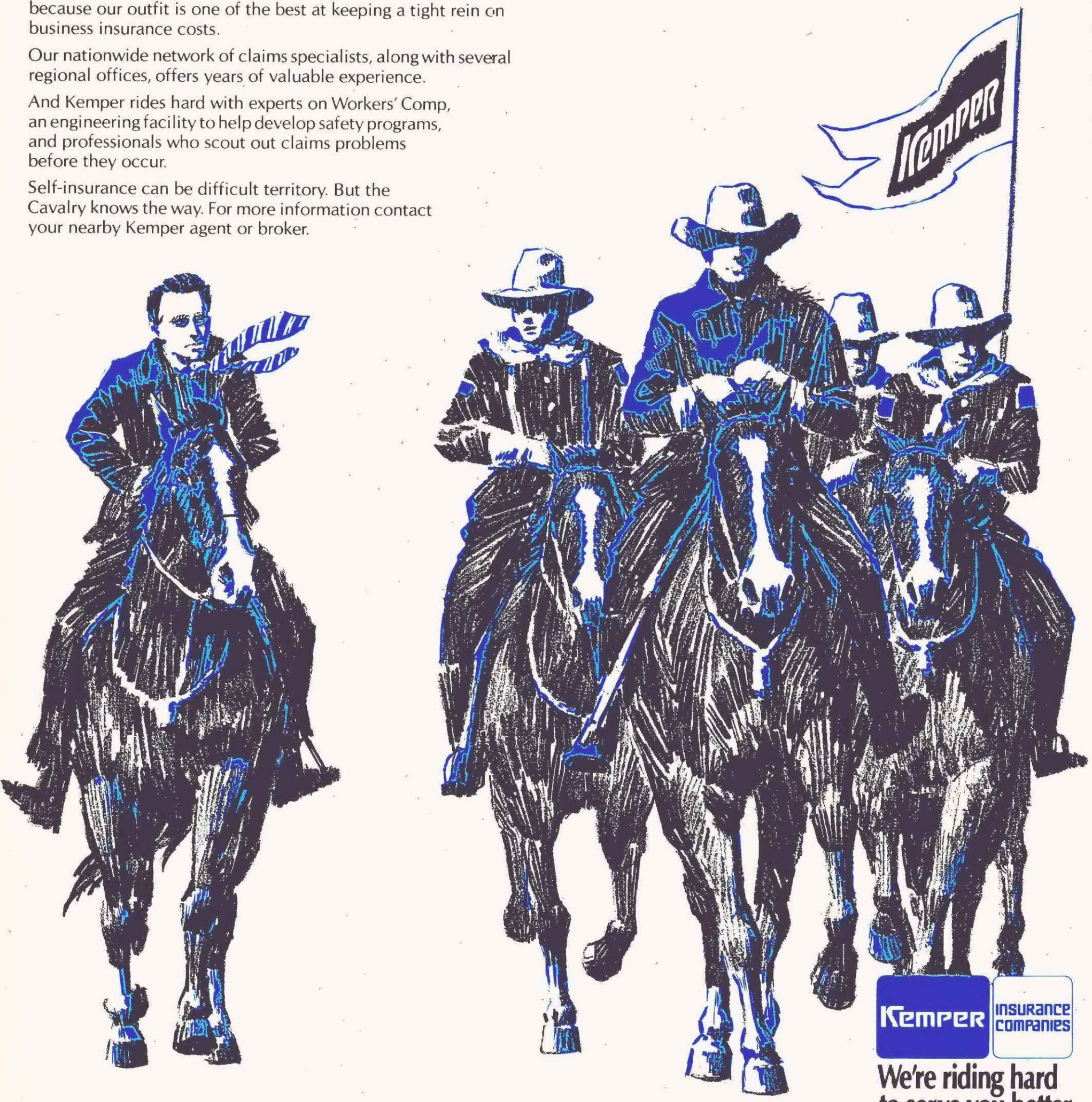
Whether or not your company is currently insured by Kemper, the Cavalry can still help to reduce the size, frequency and costs of handling your claims.

For example, Kemper already has the troops needed to administer your plan. That can keep your set-up and running costs down, because our outfit is one of the best at keeping a tight rein on business insurance costs.

Our nationwide network of claims specialists, along with several regional offices, offers years of valuable experience.

And Kemper rides hard with experts on Workers' Comp, an engineering facility to help develop safety programs, and professionals who scout out claims problems before they occur.

Self-insurance can be difficult territory. But the Cavalry knows the way. For more information contact your nearby Kemper agent or broker.



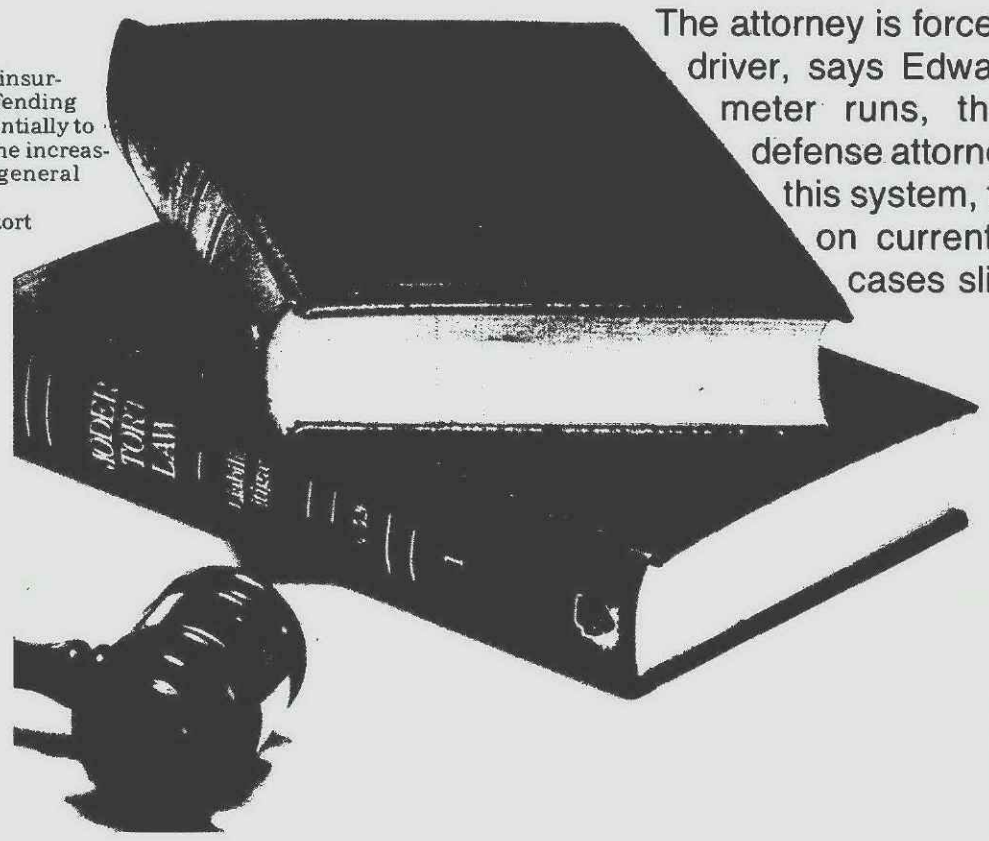
Kemper INSURANCE COMPANIES

We're riding hard to serve you better.

PERSPECTIVE

Insurers must adjust legal meters to escape mounting litigation costs

By Edward Harris



The attorney is forced into the position of a cab driver, says Edward Harris. The longer the meter runs, the more is earned. The defense attorney is only human and under this system, there is a tendency to work on current cases and let the older cases slide.

THERE IS ACCUMULATING evidence that insurers are faced with a crisis in the cost of defending lawsuits. High legal costs are contributing substantially to higher premiums for liability coverage and to the increasing unwillingness of insurers to underwrite general and product liability coverage.

Much has been said about the need for tort reform. But effective and cost-efficient administration and defense of claims and lawsuits should be the goal of insurers to bring loss expense costs and premiums under control. Ultimately, these efforts will have a beneficial impact on the price of liability coverage.

Recent studies on legal costs disclose disturbing figures. In 1977, a major property and casualty insurance carrier closed 1.25 million claims through its claim department of 3,500 people. Included were 32,000 suits. The attorneys' fees for handling the 32,000 suits amounted to $39 million. This compares with the total cost of $57 million for operating the entire claims department in the handling of the 1.25 million claims.

Of the 32,000 suits closed in 1977, only 1,575 were tried to verdicts, about 5%. Of the total attorneys' fees of $39 million, 92% was attributable to cases that were settled or dismissed prior to verdict.

Although it is well-known that product and malpractice lawsuits are the most costly to defend, the study of closed product claims by the Insurance Service Office revealed some shocking figures. Twenty-three major insurers participated in this study which involved 24,452 closed claims.

The study revealed that the average bodily injury payment was $13,911 and the average defense attorney's fee ranged from $8,083 for a suit settled before trial to $19,696 for suits which involved a verdict. Eighty-three percent of the allocated expenses for the handling of claims surveyed was spent on attorneys' fees.

Something must be done to reverse the rapidly rising costs of defending suits. It is clear there is little the insurance industry can do about the increasing willingness of the public to sue. We can expect the number of lawsuits to increase as the consumer becomes more sophisticated and the plaintiff attorneys advertise more aggressively.

If we examine the present system, we can better understand the cause for some of the high cost of defending lawsuits. A lawsuit is served upon an insured and the insurance carrier refers that suit to a defense attorney to represent the insured. The defense firm is in the business of providing a legal service for a profit on a time and expense basis. The more work the attorney puts into the case in the way of interrogatories, depositions, motions, negotiations, attending hearings, pretrials, trials, the higher the service bill and the larger the profit.

The attorney is forced into the position of a cab driver: The longer the meter runs, the more is earned. The defense attorney is only human, and under this system, there is a tendency to work on the current cases and let the older cases drag along.

On the other hand, the plaintiff's attorney and the insurance carrier have a mutual interest under this system. In most cases, the plaintiff's attorney doesn't want to spend too much time and expense on discovery as he is working on a contingency and may not recoup the time and expense. A larger profit is made on cases settled quickly. The insurance carrier is also eager to close the file early because of inflationary factors in the

Continued on page 32

Edward Harris is a vp with Underwriters Adjusting Co. in New York.

Motivating your broker: 7 tips to top management

1. Ask your risk manager to explain to you the broker's capabilities for helping your company control losses.
2. Take the time to meet the chairman or president of the brokerage firm. It makes your account highly visible in the broker's office.
3. Get to know all the members of your broker's team, "back office" people as well as account executives.
4. Invite the broker's team to give a stewardship report in your office from time to time. (They'll take a more personal as well as professional interest.)
5. Encourage your risk manager to acknowledge good brokerage work, verbally to the individual and in writing to the broker's top management.
6. Ask your risk manager and your broker to help develop contacts with the leadership of your key insurance companies to foster personal interest in and familiarity with your account.
7. Keep your broker constantly aware of management's concern and interest.

Reprinted from Johnson & Higgin's "Private Opinion," Summer 1978

Creative underwriting is in the cupboards

By Barbara Jean Gray

PRODUCER PAR EXCELLENCE walked into his agency one day to find Joe Zilch quietly sobbing at his desk. Zilch's head was resting face down on his folded arms and he was making soft choking sounds.

"Joe, what's wrong?" Producer Par Excellence asked.

Zilch raised his head and the tears fell from his cheeks to his desk. "It's the insurance company underwriters! They're terrible! No imagination! No creativity! No innovation!"

"Zilch, are you still trying to peddle that mattress factory of your brother-in-law? You've been trying to place that risk for weeks and I keep telling you that with its combined loss ratio of 150%, no sprinkler system and its location next door to a dynamite factory, you're going to have trouble. Is that what you're upset about?"

"No, that's not it. That's not the issue. It's those rummy insurance companies! Premiums go up, up, up. Commissions go down, down, down. And good underwriters are nowhere to be found!

"Most of the insurance companies are making money this year," Zilch railed on, "Why don't they put some of their money into building up their underwriting departments? It's their duty to us, their agents. We're their customers! They owe us decent underwriting staffs!"

"You're right, Zilch," Producer Par Excellence nodded in agreement. "They do."

"And furthermore," Zilch countered with more assertion, "where are we going to get our new agency people? Since you've appointed me head of the personnel development department, I've called the underwriting department of every insurance company within 200 miles. The cupboards are bare. Where have all the good underwriters gone? How will my great plan ever work?"

"What's your plan?"

"It's called Rally All Insurance Desirables. I'm calling it RAID for short. But I can't find any good company underwriters. Where have all the good ones gone?"

"Some of them went with the agency down the street," Producer Par Excellence recalled. "And another five or six went with the agency across town. And within the last year, we've hired three ourselves. I'm afraid you're going to have to start going to colleges to do some recruiting. Some companies in other industries are also having open houses for people in the neighborhood for get-acquainted sessions for prospective employes."

"But those kind of people will have to be trained. They don't know anything about insurance! You don't expect me to train them too do you?" Zilch asked incredulously.

"Sure, that's your job. You've been going to a lot of agent association meetings lately. Haven't they been the ones for personnel training?"

"Well, they've been more for social development than professional development. I mean, they haven't been insurance training PER SE, if you know what I mean."

"What do you mean social development? Zilch, have you only been going to the golf tournaments? Is that it? Tournaments?"

"Well, you've got to have well rounded employes. I mean, 'All work and no play' as the saying goes."

"Well, that's got to stop! You're going to have to start attending other functions as well."

"How about two golf tournaments? . . . One golf tournament and one racquetball tournament? . . . Can I talk you into one golf tournament, one racquetball tournament and one cocktail party?"

Barbara Jean Gray is an associate editor at Business Insurance. This column is a lighthearted look at some of the problems agents and brokers face.

PERSPECTIVE

Insurers fail to meet promises to provide effective loss control

By Daniel S. Otremba

THE OCCUPATIONAL SAFETY & Health Act (OSHA) of 1970 established the National Commission on State Workmen's Compensation Laws to make "a comprehensive study and evaluation of state workers compensation laws in order to determine if such laws provide an adequate, prompt and equitable system of compensation."

The commission offered that "the encouragement of safety" should be one of the objectives "for a modern workmen's compensation program." It recommended that "insurance carriers be required to provide loss prevention services and that the workers compensation agency carefully audit the services. The agency should insure that all carriers doing business in the state furnish effective loss prevention services to all employers, and, in particular, should determine that reasonable efforts are devoted to safety programs for smaller firms."

Daniel S. Otremba is a senior loss control consultant with Employe Benefits Insurance Co. in Santa Rosa, Calif., and an instructor of safety management at Golden Gate University.

Most workers compensation insurers claim to provide loss prevention services. But are they effective? Industry testimony before the commission indicates that carriers believe the services provided are professional and effective.

John L. Pickens of the Hartford Insurance Group represented the American Insurance Assn. (AIA) and its 230 member insurance companies before the commission. The AIA testimony is significant since it is variously estimated that member companies employ between 33% and 70% of our nation's loss prevention specialists. Moreover, the AIA publicly embraced the professional standards of the American Society of Safety Engineers (ASSE) as its own.

The standards outline the job of the loss control representative as identifying loss producing conditions, developing improved loss control methods, communicating this information to top management, assisting employers in implementing programs and engaging in a continuing evaluation of loss control efforts.

The AIA testimony suggests that member insurance company loss control representatives are expected to do these things if they are to be judged effective professionals in their field.



Loss control representatives discriminate against smaller employers in favor of larger firms.

Using the AIA/ASSE standards as a measure, the author conducted a survey of U.S. workers compensation carriers and their customers to determine if the insurers "furnish effective loss prevention services to all employers." Questions were posed to home office loss control managers who set the standards of performance, to the loss control representatives who provide services, and to the customers who receive the services.

Before the commission, the AIA insisted that loss control departments have two basic functions: "First, assisting the insured employer in preventing losses and, second, providing the company with underwriting information." Yet, 74% of the responding managers and 48% of the loss control representatives (0% of the customers) selected the insurance function as primary. How then can insurance loss control representatives be regarded as safety professionals, if "the encouragement of safety" is not the primary objective?

In the survey, twenty-two of the basic functions of the professional safety position were reviewed and in every instance home office expectations of services rendered and loss control representatives claims of services provided far exceeded customer reports of actual services received. Further, the survey showed that home office managers and loss control reps discriminate against small employers in favor of larger ones; the representatives tend to discriminate more significantly against smaller employers than their managers.

A majority of customers (77%) reported that loss control representatives seldom or never provide consultative services, but limit themselves to ineffective physical inspections of work areas. Only rarely do loss control representatives interpret the total dollar losses (so important to management) that result from accidents and pass that information on to management. Fifty-six percent of the customers asserted that loss control representatives never study the insureds' systems to define likely modes of failure; 22% indicated they seldom do so.

This study showed that the average loss control representative is not committed to studying the customers' work environment or assisting with job analyses to help the insureds with selection and placement. Only rarely does the representative assist in the development of safety policies. He is lax in compiling, analyzing, interpreting and communicating accident statistical data which can be vital to the improvement of the loss record.

The responses show that the loss control specialists are not committed to the development of methods to evaluate costs in terms of effectiveness. Finally, they are very weak in communicating information to their clients.

Such are the functions of the professional safety representative. But when responses to the survey are compared to the AIA standards, loss specialists seem to limit themselves to one function only, the "identification of loss producing conditions and practices and evaluation of the significance and the severity of these factors." This seems to be in keeping with the view that insurance loss control personnel are in the field only to provide adequate data for underwriting a risk.

This is not in keeping with the professional standards promulgated by the AIA and ASSE. Insurance loss control representatives appear to be weak in the other functions attributed to the safety professional: development of methods and programs, communication of information to top management and evaluation, especially through statistical facilities.

The insurance industry committed itself to a professional standard of excellence as far as loss control is concerned. This survey, conducted in 1976, suggests that its loss control personnel are not living up to those standards.

As the National Commission on State Workmen's Compensation Laws pointed out: "Industry spokesmen . . . have committed themselves and their companies to what must be considered a new era in workmen's compensation, one of cooperation and affirmative action." Perhaps it is time to reexamine the performance of loss control departments, decide whether they are living up to our public commitments and take appropriate action. ■

What's up in the industry

M&M loses a supporter

FOR THE FIRST TIME in four years, stock analyst Leonard Wilson of Drexel Burnham Lambert has withdrawn his "buy" signal on the stock of Marsh & McLennan Cos. Inc. Mr. Wilson, one of the few analysts that follows insurance brokers, retains his buy signal on the other large national brokers—Alexander & Alexander, Frank B. Hall, Fred S. James, Corroon & Black, Rollins Burdick Hunter.

Revenues at M&M increased 16% for the first six months, while revenues at A&A were up 21%, 22% at Hall, 28% for James and 44% at Corroon & Black, which felt overlooked in a previous column and brought their impressive results directly to *BI*'s attention.

In the research report supporting the switch to a "neutral" rating, Mr. Wilson suggests that new business must be slowing. In addition, he believes Mercer is not generating the business expected by M&M. "Mercer does not enjoy the preeminence with large corporations equivalent to that of Marsh & McLennan Inc. in insurance brokerage," he says.

Mr. Wilson told *Business Insurance* that the change in rating has been dictated as much by M&M stock's price, 14 times earnings, as by the slowing revenue growth. The other major brokers with the exception of A&A carry lower multiples, he noted.

"I think the other brokers' growth will slow in time," he adds, "but whether it slows down as much for the others remains to be seen."

Greg David

Accident program fills firms' benefit gap

By Carle F. Howell

MOST EMPLOYERS provide an adequate program of group term life insurance which they feel takes care of the immediate needs of the families of their employes. This benefit generally equals one or two times an employe's salary or has some other limited benefit which is related to salary. Although these are good benefits in relation to the employe benefit dollars available, these benefits are usually inadequate to support the employe's family for more than one or two years.

Carle F. Howell works on special risks for the Human Resources Management division of Alexander & Alexander in Dallas.

To solve this gap in the employe benefit program, some companies arrange for a whole life or additional term life program. The cost is payroll deducted and a younger employe may not be able to afford it while the older employe may only qualify for the small guaranteed issue portion because of health problems. The best solution is a combination of whole life or additional term life and low-cost guaranteed issued accidental death and dismemberment coverage.

Accidental death and dismemberment coverage, in addition to providing a death benefit, includes a dismemberment schedule. An employe can receive, in some instances, a permanent total disability benefit equal to the death benefit.

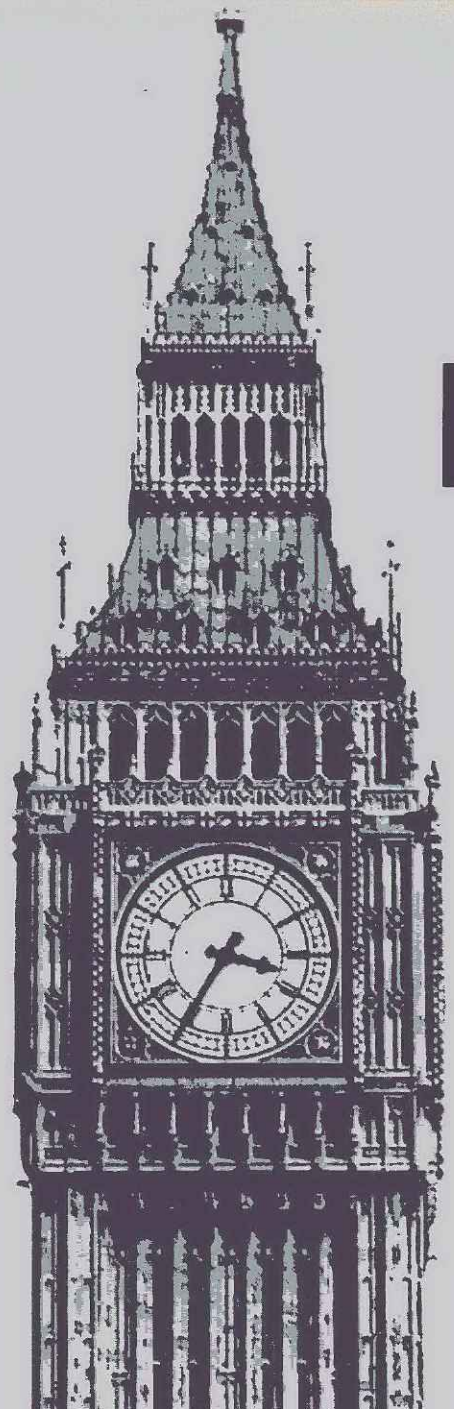
Under an accidental death and dismemberment plan, not only is an employe eligible for indemnities up to $250,000, but the spouse can be insured for up to 50% of the employe's indemnity amount (group life insurance on spouses is usually limited to $1,000, $2,000) by the state codes.

Younger employes can build a substantial death benefit with low-cost AD&D, as can older employes who might be uninsurable for high limits under a life program. Spouses can be insured for a high limit, which is a necessity in today's economy, since either the loss of income or the replacement at home would cost a great deal.

But are accidents a real concern? Do they really happen frequently enough that accident coverage is valuable for employes? The answer is yes!

Nobody is immune to accidents! There's an accidental death every five minutes. Accidents are the fourth cause of death for all ages in the United States, claiming over 100,000 persons a year. Under age 45, accidents are the number one cause of death. These are just accidental death figures and do not include the people who suffer a dismemberment or the 350,000 now suffering from permanent disability.

Voluntary accidental death & dismemberment coverage fills a definite need in an overall benefit package and would be attractive to a company's employes because of low group cost, guarantee issue, high limits that offsets the financial shock of a loss. ■



THIS USED TO BE THE EASIEST PLACE IN NEW YORK TO GET HIGH-RISK INSURANCE.

In New York, anything is possible. Unfortunately, insuring against every possibility was always easier in London.

But on September 1st, New York's Free Trade Zone Bill became the law.

Insurance companies licensed in the Free Trade Zone are no longer required to file policy form and rate in accepting unusual or large commercial risks (with premiums over $100,000).

The law also provides greater flexibility in tailoring coverages to specific and even unprecedented needs.

AIG is proud to have helped develop and implement this innovative legislation.

It's going to mean new business, new jobs and a new freedom to compete with foreign insurers. With one advantage. We're in New York.

If you'd like to know more about how the Free Trade Zone Bill can affect your business, please send us the coupon. Or call the AIG representative at (212) 770-6173 or 770-6175.

September 1st began a new day for New York businessmen. Starting then, almost anything that could happen here could be insured here.

Please provide me with information on the Free Trade Zone Bill and its positive effects on my business.

Name_____

Title_____

Company_____

Address_____

_____

Phone_____

AIG

American International Group, Dept. A
70 Pine Street, New York, N.Y. 10005

812

PERSPECTIVE

Despite consent orders, lawsuits, insurers should speak out more

By Sid Bernstein

I WAS SORRY to read that Crum & Forster Insurance Cos. has signed a consent order with the Connecticut state insurance commissioner that calls on it to refrain from further advertising that links excessive personal injury awards to escalating insurance premiums.

Crum & Forster, along with Travelers Insurance Cos., Aetna Life & Casualty and St. Paul Cos., is also a defendant in a class action suit which is also based on advertising statements and which is still being litigated.

I don't recall seeing the specific Crum & Forster ads on which all this activity is reported to be based, but I do recall seeing Aetna ads which definitely linked excessive personal injury awards with escalating insurance premiums, and the charge, which I consider totally without merit, that this advertising could be considered as jury tampering.

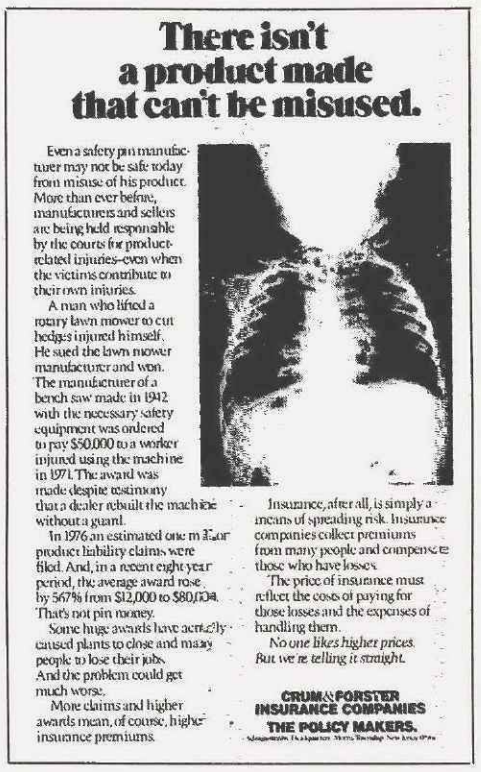
There can certainly be no doubt that the huge and often ridiculously large awards by juries in accident cases and many other kinds of suits have contributed substantially to vast increases in the cost of insurance, and I cannot understand how pointing out this fact can be stretched so inordinately far as to be considered "jury tampering"—if for no other reason than there isn't much "tampering" involved after the jury has rendered a verdict; and if I recall correctly, the advertising commented on awards which juries had already made, not on awards they were about to make.

I think there is too much reluctance as it is for individuals and businesses to state their case against excessive regimentation, thoughtless action and inordinate public and private reactions to too many situations. So I hope that the other insurance companies will resist to the utmost any further activities by anyone which are designed to dampen their ardor to state their cases, fully and fairly, in the public prints and anywhere else they are able to get a hearing. I expect them to stick to the facts and not to misrepresent in any material way, but I think there is a major infringement of their rights to free speech if they cannot express their opinions in advertising.

Advertising should be used more, not less, to air viewpoints and expound positions—not only by business but by individuals and groups who have something to say—or think they have something to say—about issues and activities, public or private, which have an impingement on the individual or collective welfare of the people. And anyone who attempts to limit that activity should be resisted to the very end, including media who occasionally lack the guts to print controversial advertising.

And that's what I hope Travelers and Aetna and St. Paul will do in this present instance. ■

This column is reprinted from Advertising Age, BI's sister publication, where Mr. Bernstein's column appears weekly. Mr. Bernstein is chairman of the executive committee of Crain Communications, publisher of Business Insurance.



This Crum & Forster ad sparked charges by the trial lawyers that the company was jury tampering.

Risk Management Notes

Guide to insurance rules for your architect

By Warren, McVeigh, Griffin

ARCHITECTS AND ENGINEERS professional liability insurance (we'll refer to the policy as A/E and the architects and engineers as A&E) covers claims arising out of negligent acts, errors or omissions of A&E's furnishing plans, specifications, advice or other professional services.

During recent years malpractice suits against A&E's have increased 20% per year with a large increase in "frivolous" suits. Consequently, A/E premium costs have risen to about 2% to 10% of A&E's gross income. The increase in claims has been partly attributed to the vigorous plaintiff's bar and partly to the 1957 ruling that A&E's can be held liable to the general public rather than the owner alone.

The question arises whether an organization using A&E services should require certificates of A/E insurance.

First of all, most A/E professional liability policies are written on a "claim made" basis. This means that the policy will only cover claims filed against the A&E during the policy period. Since claims may arise out of design error many years after a contract is completed, requiring insurance only for the term of the contract would be only partially effective.

To insure that the A&E's had professional liability coverage at the time a loss occurred, the A&E's would have to provide evidence of insurance for at least three and possibly 10 years or more beyond the date of work completion. This would be a difficult contract provision to negotiate and would certainly increase the paperwork and A&E's cost.

Work done by outside A&E's is frequently reviewed by personnel of the organization that has contracted for these services. If so, the organization could be held at least partially responsible for A/E professional liability losses. For large jobs, it may be desirable to have the A&E add the owner as an additional insured. However, the "other insurance" clause of many A/E policies states that coverage is either contributing or excess of other insurance, thus making the owner's liability policy primarily (or pro rata) liable. This issue, however, is academic if the owner's liability policy does not cover A/E exposures (most do not).

The cost of professional liability coverage is usually included as part of overhead of the A/E contract. It represents approximately 2% to 10% of contract cost, depending on the limit of liability required. For example, if the required A/E limit is $100,000, the cost for A/E coverage would be about 2% of gross revenues of the contract. Estimates of cost are:

Limits	Cost as % of Contract Revenue
$ 100,000	2%
200,000	3%
500,000	4%
1,000,000	5%
5,000,000	10%

In other words, with a total A/E contract volume of $1.5 million, the cost to the organization of requiring a $1 million limit would be about $75,000 (figured at 5% of $1.5 million).

Few insurers underwrite the risk. The major writers are Shand, Morahan in Chicago, underwriting managers for Northbrook; Victor O. Schinnerer, underwriting manager for CNA; Lloyd's; GATX; Professional Coverage Managers Inc. of New York, and Design Professionals Insurance Co. in San Francisco. Limits above $5 million are virtually impossible to get.

In summary, A/E liability coverage is desirable. Due to the high cost of this insurance and the fact that some firms may have difficulty getting it, coverage limits should be adapted to the degree of hazard of each contract. Limits of $250,000 may be acceptable for smaller, less hazardous contracts, while other contracts may require limits of $1 million or more.

To minimize the detrimental effect of the claims made form, we recommend that the organization attempt to establish long-term relationships with its architects and engineers. Certificates of insurance for the A&E's can then be maintained on a continuing basis. This will increase the probability that insurance will be in force after expiration of specific A/E contracts. ■

Warren, McVeigh, Griffin is a risk management consulting firm in San Francisco.

Controlling legal costs . . .

Continued from page 29

value of the claim and expenses.

It is obvious that the solution to this problem lies in a number of different approaches. The claims administrator must stay on top of cases, aggressively seeking settlements. Mature claims and suits should be harvested, if possible, to contain the legal expense.

Additionally, a system has to be devised where the interest of the defense attorneys and the insurers are similar, while retaining the primary obligation to properly defend the insureds under the terms of their insurance contract. Consideration should be given to some sort of a sliding scale system of compensation which will encourage the defense attorneys to complete discovery during the first year after referral. In any event, it is imperative that some alternate methods of compensation for legal services be reached, which will accomplish our goal of an effective and cost-efficient defense.

Another major problem is that all insurance carriers have been faced with defending a lawsuit which has no legal merit for the particular insured. Most often the insured is named as a codefendant in a shotgun-type suit filed by the plaintiff's attorney. The insured may eventually be dismissed, but not until the insurer has spent thousands of dollars in attorneys' fees.

Justice Knapp of the U.S. District Court of the Southern District of New York has suggested that there may be grounds for a defendant to sue the plaintiff's attorney for abuse of the judicial process.

A time will assuredly come when carriers will determine when they or their policyholders have been abused by the plaintiff's attorneys and take the appropriate action.

The insurance industry has recently experienced a rash of lawsuits for claims involving asbestosis and injury from diethylstilbestrol (DES). These suits are filed by the plaintiff against the known manufacturers and distributors of the product, often without evidence of the source or sources of the product which caused the injury. The result is a costly lawsuit from the standpoint of the insured and each defendant must be represented by counsel.

There is a DES suit in Philadelphia involving 93 defendants. The cost to the industry to prepare this case for trial will far exceed the value of the claims. Although we must consider the conflict problem and the obligation to provide a proper defense, it appears there must be a way to keep the defense costs within reason.

A partial solution to these costly multiple defendant lawsuits was initiated in a DES suit in the Boston area. After a meeting of the general counsel of the drug companies involved and the defense attorneys, it was decided that a "committee approach" would be used to complete the discovery.

A coordinating committee of four lawyers was designated and they in turn chose one law firm to handle the discovery and to act as a depository for all the pleadings.

Another area which accounts for a substantial amount of litigation expenses is the filing and the defense of cross-complaints. The typical example involves the malpractice lawsuit filed by the plaintiff's attorney against the attending physician for a poor result following surgery. The defense of the physician is referred to an attorney. In addition to filing an answer for the physician, cross-complaints are filed against one or more doctors who assisted in the operation and the hospital and nurses attendant.

These cases often result in considerable legal expenses as everyone is reluctant to initiate settlement negotiations. This reluctance stems from the belief of many claims people and defense attorneys that the party who initiates settlement discussion is admitting responsibility and will be expected to pay the largest share.

Most of these cases proceed to trial or are settled on the courthouse steps and it is not unusual for the combined defense costs of all the defendants to exceed the value of the case.

The insurance industry should be very mindful of its own contribution to the exposure of losses that have had such a substantial impact on premiums for general and product liability. We must exercise caution and good judgment in the filing of cross-complaints.

Many insurance carriers have initiated or enlarged the use of in-house counsel because of the high costs of defending lawsuits. The retention of outside legal services are generally used in the more complicated cases, but for the bulk of lawsuits the use of in-house counsel provides an effective method of reducing the high costs of defense. This method also allows the insurance carriers to defend non-meritorious cases at a price the public can afford. ■

HOW DO YOU KNOW IF YOU HAVE THE RIGHT FIDUCIARY LIABILITY POLICY?

THE INSURANCE BUYER'S ERISA QUIZ

- ☐ Does your policy limit coverage to persons defined as fiduciaries?
- ☐ Does your policy limit coverage to wrongful acts of insureds only?
- ☐ Does your policy provide defense costs within the limits of liability?
- ☐ Does your policy limit loss to damages by definition, and exclude non-pecuniary claims?
- ☐ Does your policy by definition exclude employee benefits liability losses?
- ☐ Does your policy include outside persons as insured fiduciaries?
- ☐ Does your policy contain a limited retroactive acts exclusion?
- ☐ Has your policy been purchased without the advice of competent legal counsel who has rendered an opinion in writing as to which contract he felt offered the broadest coverage?

If the answer to *any* of the above questions is "Yes," the chances are you have probably purchased the wrong policy. And the real problem is that you will probably never know until you have an uninsured loss.

How do you know you have the right fiduciary liability policy? There's only one way—to *compare.* Remember—*all policies are not created equal.* While all contracts may appear to be similar, there can be substantial differences in their terms and conditions—differences which can be very significant—and costly. And, unfortunately, it's impossible to compare policies without a thorough understanding of the law. (ERISA)

The Professional Indemnity Agency, direct Lloyd's correspondents, is one of the very few insurance underwriters qualified to make sound recommendations. Fiduciary liability coverage is our business—our *only* business. We understand this is a difficult business—and we refuse to take the easy way out. Combining a Fiduciary Liability and a Directors and Officers Policy may serve the best interests of the insurance carrier and the broker, but it may *not* serve *your* best interest because it may not give your people the complete protection as provided by the P.I.A. form. The responsibilities of persons covered under each policy are quite different; in fact the law (ERISA) *mandates* this conflict. P.I.A. does not deal directly with insureds, but we will be happy to make our facilities available to your agent or broker.

Before the enactment of ERISA, your sole responsibility was the guarding of corporate assets. But now, because of this law, (ERISA) you are faced with the tremendous additional responsibility of protecting the personal assets of your directors, officers and other employees. You've got to be *sure.* You've got to *compare.* You've got to talk to the experts... NOW!

pia

Professional Indemnity Agency
3901 North Meridian Street
Indianapolis, Indiana 45298
Tel. (317) 924-5311 (212) 421-2033

OPIC insures Congo projects

WASHINGTON—The Overseas Private Investment Corp. (OPIC) is resuming its insurance and finance programs for U.S. companies that want to begin development projects in the People's Republic of the Congo.

Insurance and finance programs were stopped in 1965 when the U.S. and the Congo severed diplomatic relations. Relations between the two countries were restored late last year.

OPIC is the federal agency that provides political risk insurance and loan guarantees. ■

SPECIALTY UNDERWRITERS
AGENCY, INC.
UNDERWRITING MANAGERS FOR HARD TO PLACE
CASUALTY • PROPERTY • TRUCKS
122 MAIN BUILDING / MILFORD, OHIO 45150
(513) 831-RISK TELEX: TWX 810-460-8322

around the states

Ski resort, its insurer drop fight on $1.5 million award

MONTPELIER—Stratton Mountain Corp. and its insurer, American Home Assurance Co., have given up fighting a $1.5 million judgment against the Vermont ski area.

The judgment was rendered last summer in a case brought by a skier who was left paralyzed by a fall on the ski area's slopes.

In the year since a Vermont superior court jury made the award to James Sunday, the supreme court here has upheld the award and the superior court refused to grant a new trial in the case. However, ski area lobbyists also succeeded in securing legislation in Vermont that restores the assumption of risk doctrine as a defense for ski areas in such liability cases.

It was a ruling by the judge in the Sunday v. Stratton Mountain case that the doctrine of assumption of risk was no longer a valid defense in liability suits in Vermont that cleared the way for the jury to make the $1.5 million award to Mr. Sunday.

Work comp impact

SHELBYVILLE—American Air Filter Co. says rising workers compensation costs in Kentucky are among the reasons it's relocating a small plant outside the state.

American Air Filter said it would close a plant employing 75 persons in mid-1979 because of "rapidly escalating workers compensation insurance costs, unemployment compensation insurance costs and taxes."

N.H. rates up

CONCORD—Workers compensation insurance will cost 10% more in New Hampshire under a decision by the state insurance commissioner. The increase will cost New Hampshire employers $2.5 million. The National Council on Compensation Insurance had sought a 37% increase or $13.5 million rate hike.

Insurance commissioner Frank Whalen warned that workers compensation insurance rates are bound to increase more in the future.

Countersuit

LOUISVILLE—Two physicians here have for the first time in Kentucky won a malpractice countersuit, with each being awarded $25,000.

The award is one of the largest granted in the U.S. in such cases, American Medical News reported.

Orthopedic surgeon Ronald J. Fadel and radiologist George F. Drasin convinced a jury that two attorneys, J. D. Raine Sr. and James H. Highland, were guilty of malicious prosecution in filing a $500,000 malpractice suit against them.

The doctors had sought a $250,000 judgment, but they reduced it to $95,000 to meet the confines of one attorney's insurance, the weekly magazine of the American Medical Assn. reported.

Malpractice claims

BALTIMORE—The Maryland Health Claims Arbitration Office says there's been a sharp increase in the filing of medical malpractice suits since the arbitration agency was declared constitutional in May by the state court of appeals.

Forty-three of the 50 cases now before it were filed in the past three months.

Benefit raised

TRENTON—The maximum weekly benefit for total disability under workers compensation in New Jersey will be raised to $156 in 1979. The new limit is a $10 increase over payments in 1978.

Rate hike opposed

CHICAGO—An attorney for an unusual coalition of employers and labor unions says a requested 25% increase in workers compensation rates in Illinois would cost companies $200 million a year.

But a representative of the Insurance Services Office said workers compensation insurers have been suffering large losses and denial of the rate request would merely result in higher future rates. ■

Consistent
Performance.
ROLLINS BURDICK HUNTER
Multinational Insurance Brokers
World Headquarters
10 South Riverside Plaza
Chicago, Illinois 60606

london line

Separate rating planned as barge transit grows

By JOHN H. MILLER

LONDON—Underwriters in the London marine insurance market are taking a new look at the growth of barge traffic in the U.S. They believe it merits a special rating in view of its popularity for moving large quantities of goods to major ports.

This trend on both the West and East coasts of the U.S. is being reviewed by underwriters, who will no longer include barge transit automatically in their cargo coverage for imported goods or industrial shipments between business centers.

They are thinking particularly of barge movements between San Francisco and Alaska on the West Coast and from New York to Baltimore, Philadelphia or other ports on the East Coast.

The growth of this form of transit in other parts of the world is also causing them concern in case it proves to be badly rated.

Until now, underwriters have usually treated it as a normal part of world cargo movements as goods from seagoing ships have been transferred to barges at times for entry at ports.

But barges are becoming larger and larger as the use of this form of transport expands, such as in the Mediterranean, where routes from Marseilles to the Middle East have been designed to avoid port congestion in some countries.

Underwriters will probably require shippers of valuable cargoes to give them adequate warning that their goods may be transported on barges at the end of their journey rather than assume this will form a normal part of coverage.

The same care over premium ratings is being applied to goods carried in "over-age" ships.

Casualty figures show that 60% of lost shipping in 1976 came under three specific flags and that 22.5% of the tonnage under these flags was more than 15 years old.

Leading Lloyd's marine insurer A. Henry Chester told shipping experts: "I'm not going to mention countries by name, but some of them have worse casualty statistics than the rest of the world."

More Sasse woes

Lloyd's is looking into the problem of large Canadian fire losses that have fallen upon the troubled Sasse group in recent months.

Already long-established Sasse syndicate 762 is trying to recoup more than $8.5 million in New York fire claims which were reinsured with the Brazilian reinsurance group, I.R.B.

The syndicate has been suspended because of its solvency difficulties over this huge payout and is currently being managed by the Merrett-Dixey syndicate.

Now it is learned that on top of the U.S. claims, which relate to business in 1975-77, there is a spate of Canadian losses estimated at $5 million that another Sasse syndicate may have to meet for 1978.

This newer syndicate, No. 828, was set up to write business from Jan. 1 this year and was arranging in advance to get business when its sister syndicate, No. 762, was suspended.

But by then it was committed to certain lines of business on which claims now must be met. The reason for the huge Canadian losses is not yet clear, but both they and the U.S. losses were among lines placed with Sasse either through U.K. brokers Brentnall Beard or by the insurance agency Den-Har Underwriters of Florida. Brentnall Beard has 20% interest through its Canadian subsidiary, the Folwell Organization, in the U.S. risks.

Because Sasse syndicate 828 never really got off the ground, as its associate syndicate 762 was suspended, the Committee of Lloyd's is trying to find ways and means of relieving the syndicate members of some of their direct liabilities.

If solutions cannot be found, full members of the Sasse group may have to pay $200,000 each to meet liability calls, with Canadian losses adding $60,000 to the $140,000 calls on the U.S. claims.

$50 million claim

Claims for a cargo container ship which caught fire at the Verolme United Shipyard in Rotterdam last January are likely to reach $50 million. The ship was severely damaged within three weeks of delivery and is expected to turn out to be the biggest construction loss in the records of marine insurers. Lloyd's and the U.K. company market may have to meet 60% of the claims, with the rest met by insurers in other centers.

Japanese coverage

Tanker interests in Japan have persuaded Lloyd's to come up with a special insurance rate for $600 million worth of tonnage which will be floating round Okinawa Bay with oil on board.

But Lloyd's will not get any premiums, except remotely by way of reinsurance. Their efforts are a goodwill gesture to help the Japanese insurance market in fixing the right war risk rates for these vessels for the next 12 months.

It is the cargo underwriting market, in association with the Institute of London Underwriters, which has been asked to help out on the deal.

The Japanese oil industry has arranged for 10 spare supertankers, which are not currently in use, to be turned into craft that can stockpile fuel in case of sharp price rises or world shortages in supply in the coming months.

It is a novel idea that relieves the country's shore based facilities, as millions of tons of oil can be stored on board the vessels, which will "slow steam" around the Japanese coast in sheltered waters without ever going out of sight of land.

Because the cargoes are valuable and the vessels are in theory on a seagoing voyage, it's been necessary to insure them through the marine market.

Japanese insurers are leading the risk, but when it came to additional coverage for war risk, they turned to Lloyd's for guidance.

Experts in the market, who set the lead for war risk rates in most parts of the world, faced the task of devising premiums for "time cargoes" instead of the normal single-transit risk which usually applies.

They recommended a rate of 18 cents per $100 insured value per year, falling to the normal global minimum of 3.75 cents if short term coverage is wanted. ■

Free enterprize publisher sued in plan violations

WASHINGTON—William Loeb, the fiery president and publisher of the Union Leader in Manchester, N.H., and an outspoken champion of the free enterprise system, is being sued by the government for misusing an employe profit sharing plan for the gain of his corporation.

According to the Labor Department suit, Mr. Loeb and three other defendants arranged for the sale of the profit sharing plan's $500,000 printing press on terms that benefited the corporation at the expense of the plan.

The suit, which was filed in federal district court in Concord, N.H., asks that Mr. Loeb and the other defendants be removed as fiduciaries of the plan and that they be required to repay to the plan any losses arising from their alleged misconduct.

Under the pension reform law, a fiduciary such as Mr. Loeb must act with undivided loyalty on behalf of the participants and beneficiaries of a pension plan and may not use control over plan assets to benefit the corporation.

Mr. Loeb was reported as saying that the suit is part of a "smear campaign" by New Hampshire politicians and the "Democratic machine in Washington." The suit is an attempt "to get even with us," Mr. Loeb added.

Aside from Mr. Loeb, who is the plan's sole trustee, the suit names the Union Leader Corp., the plan administrator, and Robert Ellis, Henry De Nies and William Hybach, members of the plan's administrative committee, as defendants.

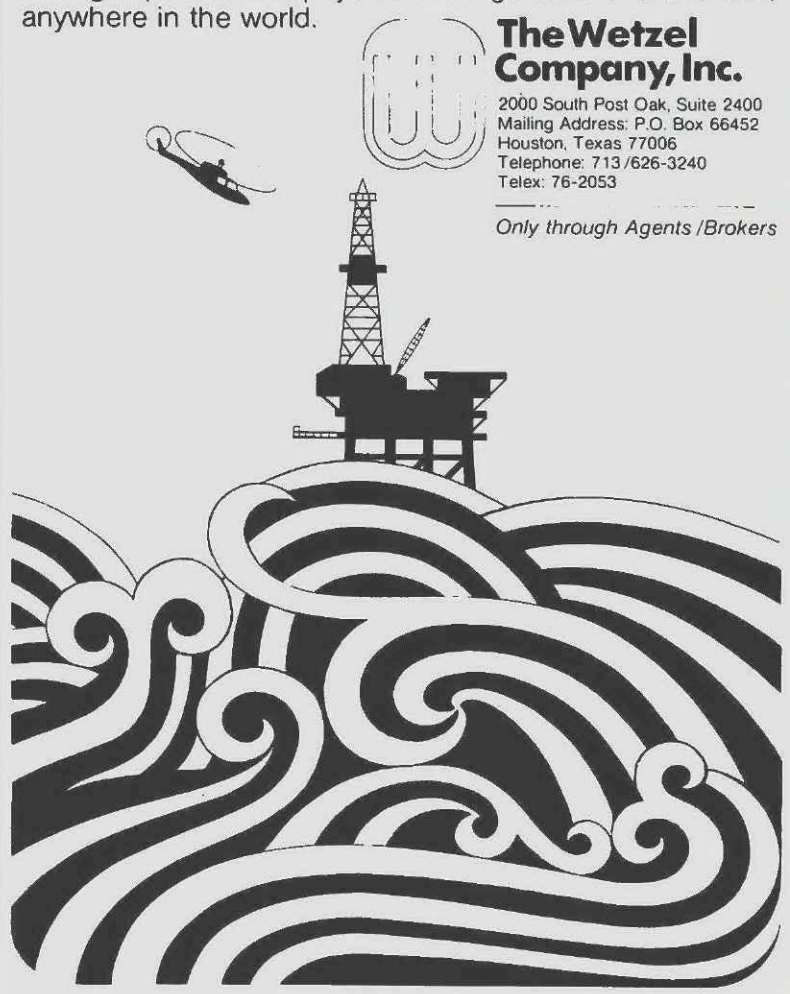
World-Wide Well Control Specialists

Insurance against disaster . . . control of well, clean up and containment expenses, seepage and polution liability, redrilling expenses and physical damage. Land and offshore, anywhere in the world.

The Wetzel Company, Inc.

2000 South Post Oak, Suite 2400
Mailing Address: P.O. Box 66452
Houston, Texas 77006
Telephone: 713/626-3240
Telex: 76-2053

Only through Agents/Brokers



FISHING IN TROUBLED WATERS?

Professional Liability



PRIMARY/EXCESS for . . .

- Hospitals
- Abortion Clinics
- Mental Health Clinics
- Diagnostic Laboratories
- Medical/Surgical Clinics
- Nursing Homes
- Emergency Rooms

Call Us . . .
Excess & Surplus Lines Specialists
Serving Insurance Agents & Companies exclusively

COVER X CORPORATION

30161 SOUTHFIELD ROAD
SOUTHFIELD, MICHIGAN 48076
TELEPHONE' (313) 644-3200
TELEX 23-5635

Affiliated Office:
AGENCY MARKETING, INC. OF COLORADO
180 Adams, Denver, Colorado 80206
(303) 321-2700

If you're involved in benefit communications, make your plans now to attend the

business insurance

EMPLOYE BENEFIT COMMUNICATIONS CONFERENCE

November 13-14, 1978

Marriott Motor Hotel Chicago

Program overviews, evaluation, case history problem solving, penetrating analysis, intensive skills development, in-depth discussion, examining alternatives . . . all combine in this unique Conference to give you the practical information, ideas, techniques, methods and inspiration you need to increase the effectiveness of your benefit communications program.

Effective benefit communications not only meets stated legal requirements, but goes beyond them to meet the unstated information needs and concerns of the men and women who work for your company. The result can be a more enlightened employer/employe relationship wherein everybody gains.

That's what the Business Insurance's two-day Employe Benefit Communications Conference is all about—developing and fine tuning your communication skills so you can make the most of this management opportunity.

To help you maximize the return on your company's benefit communications investment, this hard-working Conference puts you through the paces...

- You compare and evaluate your program with those of similar sized companies
- You roll up your sleeves and develop team solutions to an actual communication problem
- You learn how to make the best use of specific communication vehicles
- You gain valuable insight into the secrets behind successful communications
- You view and analyze dramatic visuals detailing all aspects of corporate benefits
- You discuss management alternatives available in developing and implementing effective programs
- You see why outstanding efforts won Business Insurance's coveted Employe Benefit Communications Awards
- You discuss your problems in give-and-take sessions, and get the answers you need

Conference speakers are nationally recognized benefit communications leaders, including two winners from this year's Business Insurance Employe Benefit Communications Award competition. They have proven track records and the ability to communicate their ideas effectively.

As a Conference participant, you're immersed in a total learning environment. Large general sessions. Intensive concurrents. Shirt-sleeve skills development sessions. Look. Listen. Probe. Expand your awareness. Broaden your outlook. Get the answers you need.

You return to your job armed with ideas, ready to tackle your toughest benefit communications problems.

Space at this second annual Conference is limited. Please look over the sessions offered and review the list of speakers—probably the strongest faculty ever assembled for a major communications conference. Then send in your registration quickly to avoid disappointment (all registrations are accepted on a first-come, first-served basis only). To register, fill out the coupon below or phone (312) 649-5242 collect.

Your Conference program...

- Supervisors—Your Keys to Effective Communication?
- Surveys—How to Tap Employe Feedback
- Developing a Winning Audio-Visual Program—How We Did It
- How Does Your Program Stack Up? Bring It and See... (four concurrent sessions programmed according to company size)
- You Be The Judge I
- Can You Solve This Problem? (four concurrent sessions programmed according to company size)
- You Be The Judge II
- Media Close-Up: How to Best Use Your Tools (four concurrent sessions, each focusing on a specific tool—booklets; audio-visuals; personalized correspondence and computerized statements; and special projects)
- Developing a Winning Print Program—How We Did It
- White vs. Blue—Effect of Collar Color on Communications

Your expert Conference faculty...

Russell J. Alberding,
Director of Communications,
A.S. Hansen Inc.

Gary L. Bradshaw,
Manager,
Associate Actuary, Wyatt Co.

Lee A. Carlson,
Executive Director,
Benfo Division, M & R Services

Richard M. Coffin,
Vice President, Manager,
Communications Div.
Towers, Perrin, Forster & Crosby

Kelly Coy,
Manager of Benefit Communications,
Olanie, Hurst & Hemrich

Peter A. Danielson,
President,
Benefit Consultants Inc.

Meg Franklin,
Manager, Communications,
Employe Benefits Dept.,
Levi Strauss & Co.

R. Craig Fulford, President,
Southern Employe Communications

David M. Gladstone,
Consulting Actuary,
Hazlehurst & Associates Inc.

Nanci A. Healy,
Senior Consultant, Communications,
Frank B. Hall & Company Inc.

Harold L. Hudson,
Manager, Corporate Benefits,
Revlon, Inc

Clay Hurst,
Principal,
Olanie, Hurst & Hemrich

Judith A. Karam,
Director of Communications,
Martin E. Segal Co.

John Kerney, Jr.,
Vice President, Employe
Communications Division,
Kwaska Lipton Inc.

Dennis B. McKoy,
Vice President and Manager,
J & H Communications,
Johnson & Higgins

Donald L. Sheppard,
Assistant Vice President,
Communications Services,
William M. Mercer Ltd.

D. Bruce Sidebotham,
Director, Employe Services,
General Tire & Rubber Co.

George F. Way,
Communications Consultant,
Buck Consultants Inc.

David C. Wineland,
Manager, Employe Benefits,
Armco Inc.

Herbert Zeltner,
President,
Herbert Zeltner Inc.
Marketing & Communications

Dorothy D. Zinck,
Communications Consultants,
A. S. Hansen Inc.

Mail this coupon today or phone (312) 649-5242 COLLECT!

YES! Please enroll me in the Business Insurance Employe Benefit Communications Conference. I understand that the Conference fee is $295. (Additional registrants from the same company who register at the same time earn a 10% discount off this rate.

Registration fee includes admittance to all scheduled Conference sessions and functions, resource materials including a workbook, planned meals and cocktail reception. (Hotel accommodations and travel arrangements are not included and must be made separately. Registrants automatically receive hotel reservation forms with their Conference confirmations.)

If my plans change at any time, I understand I can substitute the name of another person without penalty. Or I can receive a full refund if I cancel by October 31, 1978. (For cancellations received after October 31, there is a $50 service charge.)

☐ Enclosed is a check for $_____. ☐ Bill me

Name_____ Title_____

Company_____ Phone (_____)_____

Street_____

City_____ State_____ Zip_____

Additional Registrants:

Name_____ Title_____

Name_____ Title_____

Make check payable to Crain Educational Division. Mail today to: Crain Educational Division, 740 Rush St., Chicago, IL 60611

17 insurers obtain licenses

AIG unit writes first policy in free trade zone

By ELLIS SIMON

NEW YORK—The Insurance Co. of the State of Pennsylvania, a member of the American International Group, has written the first policy in the New York free trade zone.

AIG officials said the risk was a multiperil property line for a large chain of retail food stores, but would not reveal the insured's identity since AIG is still competing for the firm's casualty coverage. The risk was placed through Starr Associates, an affiliate of the American International companies.

The New York free zone became effective Sept. 1. Insurers licensed to do business in the zone are exempt from filing policy forms or rate approval on policies having $100,000 premium for one kind of insurance, $200,000 premium for two or more kinds of insurance or on unusual or hard-to-place risks as designated by the superintendent of insurance.

So far, 17 insurance companies have received free zone licenses. In addition to State of Pennsylvania, they are American Home, Commerce & Industry, American International Underwriters, Birmingham Fire and National Union of the AIG group; Atlantic Mutual and Centennial Insurance Co. of the Atlantic Cos.; Commercial Union and Employers' Fire of the Commercial Union Group; Insurance Co. of North America; Tokio Marine & Fire; Union Indemnity; Continental Insurance Co. and Firemen's Insurance Co. of the Continental Group; The Home Insurance Co., and Motors Insurance Co.

In addition to having written the first free zone risk, the AIG companies apparently have been the only ones to have received formal submission of risks for the free zone. INA and the Commercial Union group reported general inquiries from brokers but no submissions.

Risks submitted and the one free zone risk already written, represent potential premium of almost $2 million, said John Johnstone, resident vp in AIG's New York regional office. For the most part, the submissions have been large commercial risks with premium in excess of $100,000, but there have been some in the smaller premium, hard-to-place category, he said.

The free zone "represents an opportunity for AIG to be creative as we've been in the past and this is where it will mean something," said Mr. Johnstone. For instance, it could allow for a package combining such coverages as property and directors and officers coverage.

However, he added that the free zone does not usurp the brokers role in recommending how a risk should be covered. Risks not eligible for the free zone will be considered by AIG to be underwritten as standard risks.

Although it has yet to receive its first bonafide submission, the Insurance Co. of North America is bullish on the prospects for the free trade zone, according to Jack Morrison, president of INA's special risk division. INA reported a large number of inquiries from mostly New York brokers, but some from as far away as the West Coast.

In anticipation of large premium volume, the Insurance Co. of North America, the largest member of the INA group, was entered into the zone to take advantage of its large surplus. This was done because insurance department regulations limit free zone writings to a portion of an insurer's surplus, Mr. Morrison explained.

INA expects to attract business for both the large premium and hard-to-place classes of free zone risks. However, Mr. Morrison noted that many "jumbo" accounts do not need the free zone and can be handled using rating plans already on file.

The Atlantic Cos. have yet to receive inquiries about the free zone, but they are advising producers that they are licensed to write free

Brokers, underwriters hassle control of Insurance Exchange. Page 40.

zone risks and have assigned three underwriters to handle the business. "They're the best talent we've got," said Earl Thompson, senior vp-marketing.

"There's going to be action (in the free zone), but it's just going to be slow building up," he added. Most of the Atlantic's free zone business will probably be on large premium risks, said Mr. Thompson. While the Atlantic has not been known as a writer of unusual risks, "we may get some other ideas," he observed.

Commercial Union senior vp Richard L. Whynot offered a more cautious assessment. He said it will probably be several months before anyone can assess activity in the free zone and well into 1979 before one can project the free zone's success.

The competitiveness of current market conditions has diminished the free zone's impact, he said, explaining that it would have been more beneficial in the tight market that existed two years ago.

Commercial Union was among the first to have free zone licenses approved. Mr. Whynot said obtaining a free zone license was in line with Commerical Union's long-range business plans. ■

Hugo Lieuw used to wonder how his employee benefits were adding up.

Here's how Benefacts creates and produces personal benefit reports that help the employees of Crocker National Bank understand what their bank is doing for them.



As an employee of one of California's largest banks, Hugo Lieuw is fully aware of all the services his bank provides its customers. He and the bank's other 13,000 employees also know exactly what the bank is providing them.

About 10 years ago, Crocker Bank recognized its employees' need and asked Benefacts to create and produce personal annual benefit reports to let its employees know that they were just as important to the bank as its customers. According to John Working, Vice President of Employee Benefits at Crocker Bank, the Benefacts reports have met with "resounding success" and have become "a cornerstone in Crocker's benefits communication program."

From the bank's point of view, "Benefacts was able to custom-design a successful benefits communication program because they combine computer technology skills with a broad knowledge of benefit programs," stated Mr. Working.

Benefacts, a subsidiary of Alexander & Alexander and part of the Human Resource Management Group, can solve more than just your benefits communication problems. We'd like to tell you more about our total capabilities. Write or call Benefacts, Hampton Plaza, 300 East Joppa Rd., Dept. E4, Baltimore, Maryland, 21204 (301) 296-5500.

Benefacts

A Subsidiary of Alexander & Alexander Inc.

Benefacts, the single source for employee information systems and communication services.

Drafting panel hassles control of N.Y. exchange

NEW YORK—The committee drafting the constitution and bylaws of the New York Insurance Exchange has yet to reach a consensus on whether the controlling voice will belong to the underwriting syndicates or the brokers.

At the third meeting of the so-called Committee of 13, the committee agreed that a 19.9% limitation on an insurance company's interest in underwriting syndicates would not be applied and that use of an intermediary to conduct transactions among syndicates would not be required.

Although the meeting was closed to members of the press, minutes of the September meeting and previous subcommittee and full committee meetings were made available by the insurance department.

The membership subcommittee had been split over the question of limiting insurance company ownership of syndicates. Enabling legislation for the insurance exchange placed a 19.9% limitation on broker investment in syndicates and syndicate ownership of member brokers.

However, insurance superintendent Albert B. Lewis, who chairs the committee, noted that section 86 of the state insurance law limits an insurance company's investment in other insurers to 35% of surplus or 50% of surplus less capitalization, which ever is greater.

Subsequently, the committee agreed that the state insurance law provisions would be the only limitations applicable to insurance company ownership of underwriting syndicates.

While the committee also agreed that business coming into the exchange must be placed by a licensed broker, agent or reinsurance intermediary, it was decided that the constitution will remain silent on whether a broker would be needed for internal transactions.

This opens the door for business on the exchange "floor" to be conducted without a middleman.

In a memorandum discussing the pros and cons of eliminating the intermediary for internal transactions, membership subcommittee chairman Edith Lichota noted that use of a broker is not required to negotiate treaty reinsurance between underwriting members and an intermediary would only add to the expense of doing business in the exchange, discouraging underwriters from doing business there.

However, she cautioned that using a common slip approach meant licensed members would get an applicable portion of each risk covered. This would eliminate the "need for reinsurance of the same risks among underwriting members which, if encouraged, would create a spurious illusion of capacity."

Still to be resolved are the composition of the board of governors, voting powers of underwriting and broker members of the exchange and entry requirements for brokers. These matters were referred back to the membership subcommittee for further consideration.

The enabling legislation for the Insurance Exchange calls for a board of governors with one-third public members and the remainder from underwriting and broker members of the exchange.

Underwriting representatives to the subcommittee argued they should have a majority of the non-public seats since they are supplying the capital for the exchange while broker members contended non-public seats should be split equally between the underwriters and brokers.

The broker and public members of the subcommittee further argued that half the public members of the board of governors should be elected by the underwriters and half by the brokers. The representatives want the power to name a majority of the public members.

Underwriting representatives to the membership subcommittee favored retaining a majority of the voting power on general interest and financial matters, while the broker and public subcommittee members favored a 50-50 split between underwriters and brokers in voting power on general issues.

The underwriters also believe that underwriting members' votes should be weighted to reflect capitalization of the syndicates.

L. Patton Kline, chairman of Marsh & McLennan Inc., said multiple elections to represent the separate interests would be "unworkable." Superintendent Albert Lewis agreed, but added that areas of interest where brokers have particular concerns should be delineated.

On the question of financial requirements for broker members, the finance and administration subcommittee favored brokers be required to supply a bond or other security deemed acceptable by the board of governors. However, the subcommittee members agreed that financial requirements must not be so stringent as to prohibit small brokers from becoming members of the exchange.

Superintendent Lewis opposed the bonding requirements, stating that he wanted to prevent the exchange from becoming a "closed club." He favored permitting licensed brokers in good standing, who maintained an office in New York State to become members by paying an exchange membership fee.

Syndicates could impose their own requirements upon brokers, he added.

However, Mr. Kline said without standards and qualifications imposed by the exchange, syndicates would not be inclined to deal with other than well-known brokers.

Donald Kramer, president of Kramer Capital Consultants, said brokers should be required to comply with "non-discriminatory, fairly applied standards." By its very nature, the exchange is a limited market and participants should be expected to comply with entry requirements, he said.

Among the less controversial matters that have been resolved, it was agreed that the exchange would be organized as a not-for-profit corporation and that a salaried president of the exchange would be hired and would not serve as a member of the board of governors.

The Committee of 13 also accepted recommendations of the guaranty fund subcommittee that it be funded to a minimum of $10 million, with each syndicate pledging $500,000.

Syndicates would be assessed a minimum of 1% and a maximum of 5% of premiums written to build up the fund.

In addition, syndicates would be regulated by the exchange on risk levels, with progressive constraints, would have constraints on disbanding and the state insurance department would be the receiver in the event of a syndicate being forced into receivership. ■





Sen. Jacob Javits asked no-fault proponent Jeffrey O'Connell to draft an amendment making workers compensation the sole source of benefits.

No action expected this year

Business, labor clash on work comp bill

By JERRY GEISEL

WASHINGTON—Business and insurance groups clashed sharply with the nation's labor unions on the need for proposed legislation establishing minimum federal workers compensation benefit standards.

The business community, worried by continuing hikes in workers compensation insurance premiums, warned that federal minimum standards that would boost benefits even higher and could have a major adverse impact on economic growth.

In Michigan, for example, "substantial benefit increases would have a serious impact on the industrial climate and economic welfare," John Thodis, president of the Michigan Manufacturers Assn. told a Senate committee.

The insurance industry, while not necessarily opposed to minimum workers compensation standards, said current abuses in the compensation system must be solved before consideration is given to legislation establishing even higher benefits.

But the AFL-CIO described workers compensation as a national problem requiring a national solution. The "shameful record of state irresponsibility" demands mandated minimum benefit standards, said Andrew Biemiller, AFL-CIO director of legislation.

The dispute between business, insurers and labor came as the Senate Human Resources Committee held three days of hearings late last month on legislation introduced by Sen. Harrison Williams (D-N.J.) and Sen. Jacob Javits (R-N.Y.) that would set minimum workers compensation for the state to adopt.

Similar legislation has been introduced in previous sessions of Congress by the two senators, but all those measures died in committee.

Observers said the same fate was likely to meet this bill (S. 3060) with Congress scheduled to recess Oct. 14. Sen. Javits frequently referred to reintroduction of the bill next year, rather than predicting any progress this year.

However, while imminent action is unlikely, Sen. Javits vowed that federal workers compensation standards would become a hot legislative issue in future sessions of Congress—as hot as pension reform was in the early 1970s.

The purpose of last month's hearings was to stimulate suggestions for improving the bill rather than signaling a drive for quick passage of the legislation, said a staff aide.

Under the legislation, states would have up to two years to upgrade their workers compensation benefits to comply with the proposed federal guidelines. If a state complied with those standards, there would be no federal involvement in claims settlement.

Even if a state were not in full compliance, an injured worker's claim still would be handled at the state level. However, after the worker received his or her final award, the worker could file a claim with the Labor Department's benefit review board for supplemental compensation to make up for the difference between the state benefit and the federal standard.

Under the proposal, injured workers would be entitled to two-thirds of their average weekly wage. For low-income employes, the benefit level would be no less than 100% of the statewide average weekly wage two years after the bill's enactment and no less than 200% of the state average weekly wage five years after enactment.

The bill only covers death and total disability benefits. Possible standards for partial disability would be studied by a Labor Department task force. The task force's recommendations would be due three years after the bill's passage.

At issue during much of the hearings was how much progress the states have made in raising benefits to the levels called for by the 1972 national commission.

The AFL-CIO said while benefits have improved since 1972, substantial progress has not been achieved. Injured workers in at least 12 states, regardless of their weekly earnings at the time of injury, are limited to a maximum weekly benefit that is less than the poverty level.

"The states have done an excellent job of protecting employers, through maintenance of inadequate workers compensation programs, but an extremely poor job of protecting injured workers (due to inadequate benefits)," said AFL-CIO's Mr. Biemiller.

But the Alliance of American Insurers, an industry trade group, argued the states have made significant progress in the last six years in raising benefits.

"Benefit increases have been dramatic, far outpacing increases in national average weekly wages

Continued on following page

Why should a risk manager consider the Bellefonte Companies?

Wayne Newman, Vice President-Corporate Risks, answers:

Because he'll find a group of people intent on developing a positive long term relationship with him and his agent or broker. He'll work with a corporate risk department that will provide a market not only this year, but next year, too . . . and the year after. And he'll get sensitive, sensible handling of primary insurance programs involving Worker's Comp, General and Automotive Liability.

The corporate risk group is located in Dallas, home office for Bellefonte's insurance activities. Bellefonte® is a top 100 U.S. insurer and a top 10 reinsurer.

We'd like to tell you more about us; and we'd like to know more about you. Write to me for more information. Bellefonte Insurance Company, Twelfth Floor, Texas American Bank Building, P.O. Box 45568, Dallas, Texas 75245.

The Bellefonte Companies

independent CONSULTANTS...
insurance and employee benefits
complete analysis
we do not sell or place insurance
CPC Since 1898
CORPORATE POLICYHOLDERS COUNSEL, inc.
20 North Wacker Drive
Chicago, Illinois 60606
Phone: 312-372-8225

It's 4 pm Friday...now what?

Call us... if you've been trying all week to place...

- $1,000,000 AD&D on someone 75 years old
- $10,000,000 AD&D on an aircraft
- Stop Loss Medical without Life Insurance
- $10,000 a month disability on a professional

Correspondent at Lloyd's London
Offices in Boston and London
617-367-3234

Lockwood Dipple & Green
Incorporated
131 State Street
Boston, Massachusetts 02109
Telex 921712

Work comp bill . . .

Continued from preceding page
or increases in the consumer price index," said Andre Maisonpierre, Alliance vp.

Mr. Maisonpierre warned further that if benefits were to rise higher, as called for in the bill, "the incentive for work is bound to diminish." In addition, higher benefits and increases in workers compensation insurance rates would present some businesses with severe insurance affordability problems.

The National Assn. of Independent Insurers, a property/casualty insurance trade group, warned that the benefits review board, which would handle claims for supplemental compensation, might be inadequate to meet the task.

"We question whether the board is equipped to handle the many claims that could descend upon it," said Howard Bunn, NAII vp for workers compensation. Mr. Bunn noted that the benefits review board already has been the target of a barrage of criticism for its handling of federal longshoremen and harbor worker claims.

The American Insurance Assn. took the legislation to task for a provision that automatically raises benefits to keep pace with inflation. Under that section, benefits for total disability lasting more than two years would be adjusted to reflect increases in the statewide average weekly wage. The annual increase in benefits, though, could not be more than 6%.

Such indexing of benefits could easily result in an annual level which would exceed the expected wage the injured worker would have made, said AIA counsel Robert Flockhart.

But the AFL-CIO's Mr. Biemiller urged removal of the 6% benefit improvement cap, noting that the value of benefits would be seriously eroded during periods of rising prices and wages.

At times, as much discussion was devoted to product liability as to workers compensation benefits. Business groups, led by former Sen. Robert Taft Jr., now general counsel for the Special Committee for Workplace Product Liability Reform, suggested that the legislation be revised so as to make workers compensation benefits the sole source of remedy for employes injured in workplace accidents.

The Javits-Williams legislation lacks a sole source remedy, but does call for a product liability award to be reduced by the amount an injured employe receives in workers compensation benefits.

University of Illinois law professor Jeffrey O'Connell implored the committee to include a sole source provision, noting that everyone except trial lawyers would stand to gain by such a change. Workers would receive higher benefits without protracted legal proceedings while many employers would be free of product liability headaches.

Sen. Javits, impressed with the case that Mr. O'Connell made, directed the law professor to draft a sole source provision for the committee to consider. ■

Prudential Reinsurance Company. *Property.* Prudential Reinsurance Com
Casualty. Prudential Reinsurance Company. *Marine.* Prudential Reinsurance
surance Company. *Aviation.* Prudential Reinsurance Company. *Bonds*
Prudential Reinsurance Comp... ...udential Reinsurance Company
Reinsurance Company. *Pr...* ...ance Company. *Aviation*
Casualty. Prudential Re... ...Prudential Reinsurance
Prudential Reinsuran... ...ce Company. *Marine*
Company. *Aviatio...* ...nsurance Company
Reinsurance Com... ...ompany. *Casualty*
Prudential Reins... ...ntial Reinsurance
Marine. Prudent... ...mpany. *Property*
Reinsurance Co... ...alty. Prudential
Prudential Rein... ...mpany. *Bonds*
Company. *Pro...* ...ance Company
Reinsurance C... ...any. *Aviation*
Prudential Rei... ...l Reinsurance
Bonds. Prude... ...mpany. *Marine*
Company. *Casu...* ...ance Company
Reinsurance Co... ...pany. *Casualty*
Prudential Reins... ...tial Reinsurance
Property. Pruden... ...mpany. *Property*
Company. *Marine.* ...tion. Prudential
Prudential Reinsura... ...Company. *Bonds*
Reinsurance Compar... ...insurance Company
Company. *Bonds.* Pru... ...e Company. *Aviation*
Aviation. Prudential Re... ...Prudential Reinsurance
Prudential Reinsurance Comp... ...einsurance Company. *Marine*

Prudential Re.
The Rock in Reinsurance.

FACULTATIVE–TREATY–INTERNATIONAL
Property · Casualty · Marine · Aviation · Bonds

Home Office: 213 Washington St.
Newark, N.J. 07101
(201) 877-8000

Prudential Reinsurance Company
Subsidiary of The Prudential Insurance Company of America
Prudential

EPA proposes chemical rule

WASHINGTON—The Environmental Protection Agency has proposed permanent restrictions on the use of DBCP, a pesticide linked to sterility in human males.

Under the proposal, which is similar to current temporary restrictions, DBCP could not be used on many vegetable crops and some fruits, but its use would be permitted under tight restrictions on other crops.

If the proposal becomes final, DBCP could not be used on lettuce, tomatoes, carrots, cucumbers, cabbage, celery, melons, peppers, radishes or squash. In addition, DBCP could not be used on broccoli, brussels sprouts, cauliflower, eggplant, endive. parsnips, peanuts, turnips and some types of strawberries.

However, the proposal would allow the pesticide to be used on soybeans, cotton, ornamental plants, lawns, golf courses and citrus and other fruits including peaches, grapes and pineapples.

But where its use is permitted, DBCP only could be applied by specially trained workers wearing protective clothes and respirators. ■

Conference could teach you how to tell it right

CHICAGO—Would you like to improve your company's employe benefit communications?

A roster of 22 experts including benefit consultants, corporate benefit managers and communication experts will discuss the latest trends and techniques in benefit communication at the second annual *Business Insurance* conference.

The conference is scheduled for Nov. 13-14 at the Marriott Motor Hotel near O'Hare airport.

Business Insurance has scheduled 16 concurrent sessions led by 13 outstanding employe benefit communications consultants to analyze and discuss in smaller groups materials being used by the registrants themselves, who will be invited to submit their communications programs ahead of time. Participants will also be able to compare their programs to those of similar firms.

Concurrent sessions will probe and analyze the different media that can be used to transmit benefit information to employes, including audio-visual techniques, booklets, personalized correpondence, computerized statements and special projects.

One group of concurrent sessions will involve small-group problem solving, using a case study approach to planning and implementing an effective benefit communications program.

Registrants will be invited to participate in two audio-visual screening and critique sessions where they will judge the effectiveness of several audio-visual communications programs. Discussion will be led by Herbert Zeltner, a New York City-based communications expert who heads his own consulting company in the marketing and communications field.

Several corporate benefit managers with differing views and a benefit consultant will debate whether employe benefits should be communicated differently to hourly and salaried employes. Squaring off on this subject are David C. Wineland of Armco Inc., D. Bruce Sidebotham of General Tire & Rubber Co. and George F. Way with Buck Consultants Inc.

Presenting and discussing their winning audio-visual and print communications programs will be Harold L. Hudson of Revlon Inc. and Meg Franklin of Levi Strauss & Co.

Several general sessions are planned to discuss two subjects of broad concern to benefit communicators: Using supervisors to inform employes about their benefit programs and surveying employes to determine attitudes about benefits and to determine the effectiveness of ongoing communications programs.

John Kerney Jr. of Kwasha Lipton will present alternative approaches to surveying employes on their attitudes and knowledge about benefits. He'll discuss the importance of getting accurate feedback from the workforce.

Concurrent sessions during the two-day conference will be led by consultants from around the country, including R. Craig Fulford of Southern Employe Communications, Dennis B. McKoy of Johnson & Higgins, David M. Gladstone of Hazlehurst & Associates, Gary L. Bradshaw of Wyatt Co., Peter A. Danielson of Benefit Consultants Inc., Russell J. Alberding and Dorothy D. Zinck of A.S. Hansen Inc., Nanci A. Healy of Frank B. Hall & Co., Donald L. Sheppard of William M. Mercer Ltd., Ira Kerns of The Creative Establishment Inc., Lee A. Carlson of the Benfo division of M&R Services and Judith A. Karam of Martin E. Segal Co.

The registration fee for the conference is $295. Attendance is limited. Group discounts are offered for companies sending more than one representative; after the first registration, the fee is 10% lower for others registering at the same time.

For more information or to register, contact Taylor Lucas, Crain Education Division, 740 N. Rush St., Chicago, Ill. 60611, or call (312) 649-5242. ■

Industrial Risk Insurers

REGIONAL OFFICES

Eastern Region
85 Woodland Street, Hartford, CT. 06102
C.C. George, Manager (203) 525-2601

Western Region
175 W. Jackson Blvd., Chicago, Illinois 60604
H.S. Robinson, Manager (312) 663-4050

Pacific Region
One Embarcadero Ctr., San Fran., CA. 94111
A.J. Wert, Manager (415) 434-3356

FIELD OFFICES

Atlanta, Georgia 30341
3300 Northeast Expressway (404) 451-8446
Baltimore, Maryland 21204
305 W. Chesapeake Avenue (301) 825-6676
Boston (Wellesley), Massachusetts 02181
20 William Street (617) 237-4506
Buffalo (Williamsville), New York 14221
5820 Main Street (716) 634-5900
Charlotte, North Carolina 28202
200 South College Street (704) 333-1108
Chicago, Illinois 60604
175 West Jackson Boulevard (312) 663-4050
Cincinnati, Ohio 45202
309 Vine Street (513) 241-8040
Cleveland, Ohio 44113
614 Superior Avenue, West (216) 621-9088
Columbus, Ohio 43215
394 Oak Street (614) 224-4278
Dallas, Texas 75206
8350 N. Central Expressway (214) 692-7631
Detroit (Southfield), Michigan 48075
16900 West Eight Mile Road (313) 275-5296
Grand Rapids, Michigan 49506
1331 Lake Drive, South East (616) 459-0277
Hartford, Connecticut 06102
85 Woodland Street (203) 525-2601
Houston, Texas 77024
974 Campbell Road (713) 461-1363
Indianapolis, Indiana 46204
320 North Meridian Street (317) 634-2583
Kansas City, Missouri 64111
406 West 34th Street (816) 931-5995
Los Angeles (Anaheim), California 92805
300 South Harbor Blvd. (714) 778-4580
Milwaukee, Wisconsin 53226
2401 North Mayfair Road (414) 475-1775
Minneapolis, Minnesota 55402
12 South Sixth Street (612) 339-0474
Nashville, Tennessee 37204
2934 Sidco Drive (615) 254-1658
Newark, New Jersey 07102
Gateway 1 (201) 643-1005
New York, New York 10038
85 John Street (212) 233-2495
Philadelphia, Pennsylvania 19106
Fifth and Market Streets (215) 925-5050
Pittsburgh, Pennsylvania 15220
875 Greentree Road (412) 922-6440
Richmond, Virginia 23230
4906 Fitzhugh Avenue (804) 353-8958
St. Louis, Missouri 63137
9021 Riverview Drive (314) 869-7800
San Francisco, California 94111
One Embarcadero Center (415) 434-3356
Seattle, Washington 98119
200 First Avenue, West (206) 282-4141
Syracuse, New York 13202
677 South Salina Street (315) 472-7511

Profit Protection: IRI

When an IRI inspector scales a height, he may be protecting a bottom line. The insurance recommendations that result can affect everything from production through marketing.

At Industrial Risk Insurers, knowledgeable underwriting and loss prevention engineering help protect both property and profits. Here's how: an IRI engineer pointed out in a loss prevention report that three major production units "...are located side by side. If an incident occurred to one, there is the strong likelihood that it would involve the other two. Replacement of this machinery is estimated at one year." This risk involved hundreds of thousands of sales dollars each day. If an incident occurred, the interruption could mean a loss of market share as customers shifted to other available brands. And lost market share could affect profits for years to come. Immediate steps were taken to alleviate the risk.

Since 1890, IRI's underwriting and engineering staff, working with leading agents and brokers, has encouraged customers and prospects to carry appropriate business interruption coverage and to follow good fire protection and loss prevention practices. It's not just thorough risk management, it's also farsighted general management.

An association of 45 leading insurance companies, Industrial Risk Insurers underwrites domestic and foreign property liability in excess of $400,000,000,000. We offer enlarged capacity, engineering-in-depth, and a commitment to productivity and profits which our customers (and their stockholders) welcome.

For more information concerning IRI's underwriting and engineering services, contact your agent or broker, or one of our offices listed adjacent to this message.

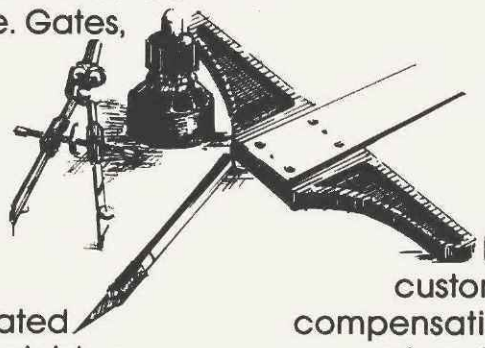
Industrial Risk Insurers



CUSTOMIZED

WORKERS' COMPENSATION SELF-INSURED PLANS BY **GATES, McDONALD**

Your company is unique and so should your workers' compensation self-insured plan be unique. Gates, McDonald's administration of your plan is customized to your needs and wants. As examples: a tailored, integrated system that administers your plan quickly and efficiently; thorough review and processing of all claims with appropriate adjustments; everything necessary to provide quality medical care for employees; and employee information and rehabilitation services. Just contact Gates, McDonald or your insurance broker for your customized workers' compensation self-insured plan. Go ahead—be particular.



GMD **GATES, McDONALD**

CORPORATE OFFICE ONE NATIONWIDE P_AZA
P.O. BOX 1944
COLUMBUS, OHIO 43216
614/227-7211

info for buyers

To receive materials listed in Info for Buyers, write to the name and address accompanying each item, mentioning that you saw the item offered in *Business Insurance*. Readers are invited to submit educational and promotional material of interest to risk managers and employe benefit chiefs for possible inclusion in the column. All items that are free and of interest to our readers are eligible; those available at a modest cost will be considered. Send a sample to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• Do you want to improve your cash flow and economize your operations in funding **group medical benefits**? IDS Life Insurance has a 10-page brochure describing the concept of self-funding and the five most common approaches to medical insurance plan funding. For a free copy write Mr. Cal Horton, IDS Insurance Co., 3400 IDS Tower, Minneapolis, Minn. 55402.

• **Strictly Mugwump** is the title of Retort Inc.'s response and analysis claimed to debunk the final report of the Interagency Task Force on Product Liability. Retort has tried to boil down the task force material, all 700 pages of it, into 50 pages of readable form. Copies are $35. Write Strictly Mugwump, Retort Inc., PO Box 131, Franklin, Mass. 02038.

• A brief summary of the **Toxic Substances Control Act** of 1976 is available from Clayton Environmental Consultants Inc. The seven-page leaflet is intended as a brochure supplement providing an overall rather than all-inclusive understanding. For a free copy write Richard J. Powals, Coordinator of Business Development, Clayton Environmental Consultants Inc., 25711 Southfield Rd., Southfield, Mich. 48075.

• INSCO Systems Corp., an affiliate of the Continental Corp., offers a brochure highlighting the array of **data processing** systems and services that the company provides. For a free copy write Business Services Dept., INSCO Systems Corp., Neptune, N.J. 07753.

• **Hull and Cargo Surveyors Inc.,** which represents underwriters and private interests in surveying and inspecting all types of marine and inland marine risks, offers a brochure describing its service specialties. For a free copy write: William J. Borrmann, Affiliate Accounts Manager, Hull and Cargo Surveyors Inc., 5th Floor, 80 Maiden Lane, New York, N.Y. 10038.

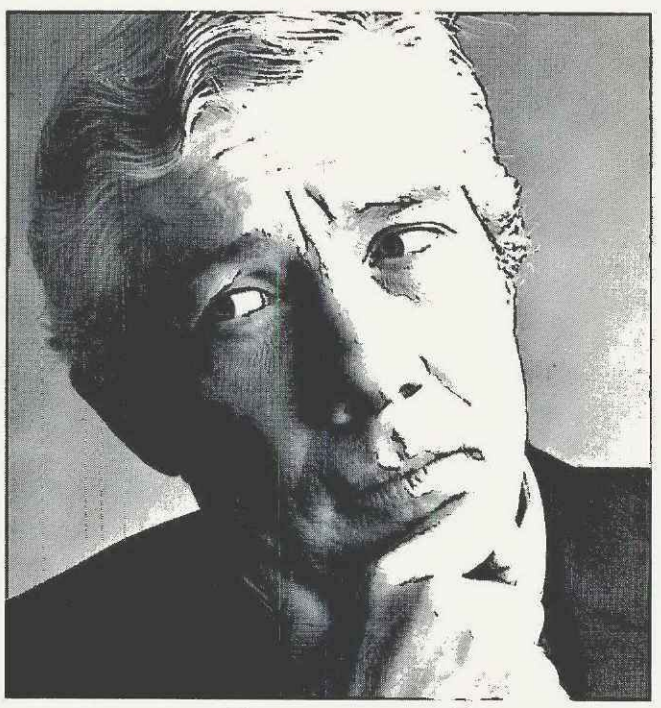
• RIMCO Inc. has prepared a **Government Insurance Buyer's Checklist** for those engaged in arranging insurance for municipalities. The booklet contains guidelines to aid in determining the best insurance program and a working section for the insured and his agent. The booklet is $10. Write Keith Kakacek, RIMCO Inc., Suite 180, 10300 N. Central Expressway, Dallas, Tex. 75231.

• The Landmark Insurance Group Inc. has assembled a complete kit detailing **The Captive Insurance Concept** for risk managers and insurance agents. Discussions include structuring of insurance to suit particular needs, financial advantages, the ability to offer unusual coverages not normally available and tax flexibility. Havens available for the formation of captives both on and offshore are covered. Also the advantages of working with a Bermuda-based affiliate management corporation are outlined. A guideline for application to form Bermuda companies writing product liability coverage and sample management and underwriting agreements are provided. For a free kit write Mr. William E. Thompsen, President, The Landmark Insurance Group Inc., 1515 Classen Blvd., Box 676, Oklahoma City, Okla. 73101.

• A research report about group legal insurance is available from Personnel Research Associates. The 38-page report is a primer for benefit managers and others interested in **prepaid legal service plans.** Copies are $11. Write Marilyn R. Udis, vp, Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.

• **Employer HMO Service** is a bimonthly report on the concept and development of health maintenance organizations published by Personnel Research Associates, *Business Insurance* readers are offered a free sample issue dealing with the 190 most frequently asked questions about HMOs. Write Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.





Can you spot an embezzler by the color of his collar?

No!

Embezzlement losses are estimated in the billions of dollars and they occur in every department from the mail room to the executive suite.

That's why it's so important to protect yourself from damaging losses at all employee levels with Honesty Insurance from F&D.

Ask your agent or broker to get you all the facts. Do it now.

Fidelity and Deposit Co.

Nation's pioneer bonding experts
Baltimore, Maryland 21203

YOUR Independent Insurance AGENT

St. Louis broker . . .

Continued from page 1

handled by Mr. Kubovchik, a former senior vp and shareholder, and has substituted new policies or returned unearned premiums.

But no one would discuss for the record who may be liable for any claims that may arise under the invalid insurance.

Sources predict protracted litigation could engulf everyone from the primary insurance brokers to the intermediary insurance wholesalers to Associated Underwriters and even to the insurers named on the cover notes.

Efforts to discuss the alleged fraud with some of those directly involved partly failed. Mr. Kubovchik would not accept or return telephone calls made to his Collinsville, Ill., home, where he returned after insurance regulators announced they were looking for him (*BI*, Sept. 18). Edward P. Reardon, chairman of Associated Underwriters, asked for "a couple weeks" to gather information for an interview. And insurance regulators refused to identify insurance buyers who they believe were sent invalid cover notes.

New disclosures

However, Mr. Buxton, the insurance regulators and agents and risk managers who dealt with Mr. Kubovchik and Associated Underwriters revealed new information, including:

- $500,000 in premiums were paid through Mr. Kubovchik by 20 insurance buyers in Nevada alone, indicating the $1.2 million estimate of the total premiums allegedly skimmed may be too low.
- Mr. Kubovchik paid over $100,000 in losses over the three year period.
- Cover notes stating insurance had been placed with such insurers as Lloyd's of London bore the name of A.U. Insurance Inc., apparently the underwriting arm of Associated Underwriters.
- Cover notes were signed by other principals of the St. Louis agency in addition to Mr. Kubovchik.
- The U.S. general counsel for Lloyd's, after a preliminary investigation, found no evidence of insurance from Lloyd's for the city of Las Vegas as was stated in the cover note to the city.
- Mr. Buxton withheld information from the public about the scheme throughout the summer because he feared a "run on the agency."
- Mr. Kubovchik turned over to the Missouri division a list of assets totaling $100,000, in addition to the $400,000 he surrendered last summer.
- Associated Underwriters carries a "sizeable" fidelity bond and purchased $2 million of insurance to cover incurred but not reported claims under fraudulent policies.

Insurance buyers in Nevada appear to be the hardest hit by the alleged insurance fraud. "We have discovered that maybe 20 individual Nevada insureds, either corporate or political subdivisions, paid $500,000 in premiums through Mr. Kubovchik for their excess layers of insurance," said Nevada insurance commissioner Jim Wadhams. Among them are the cities of Las Vegas and Reno, Clark County and the Dunes Hotel-Casino.

In other states, such as Illinois and Missouri, the bulk of the insurance handled by Mr. Kubovchik was for small businesses, said Missouri's Mr. Buxton.

Mr. Kubovchik, as the respected excess and surplus lines insurance expert at Associated Underwriters, was able to take excess risks himself, Mr. Buxton explained, by recording in his records that the insurance was being placed for Associated Underwriters by E&S Insurance Agency in Memphis, Tenn. No such agency ever existed, Mr. Buxton said.

Since Mr. Kubovchik assumed only risks of high limits, such as a $4 million policy over $1 million for King County, Washington, there were few claims, Mr. Buxton continued. On the claims that came in, "he paid over $100,000," the Missouri insurance director said. "He hired commercial adjusting firms to check out claims and then had them pay them.

"I don't know whose checks they were paid on," he admitted. "I assume those of E&S Insurance Ageny."

Some applicable taxes were even paid, the Missouri insurance division disclosed, although not all.

Insurance buyers received cover notes stating insurance had been effected with various domestic and foreign insurers. Among those named as insurers were Lloyd's of London and companies of the H.S. Weavers Group in London, whose underwriting is directed by Peter Wilson.

Cover notes

Mr. Buxton said he assumed the cover notes were prepared by Mr. Kubovchik on paper bearing the name of E&S Insurance Agency. But agents and risk managers contacted by *Business Insurance* who fear their cover notes aren't valid said their notes bear the name of Associated Underwriters and are signed by a principal of that agency, including persons other than Mr. Kubovchik.

The cover note sent to the city of Las Vegas, for example, bears the name of A.U. Insurance Inc. and the address, telephone number and telex number of Associated Underwriters. A.U. Insurance Inc. was apparently the underwriting arm of the agency.

The cover note, dated Jan. 1, 1978, was for $5 million of umbrella insurance and showed 66% of the risk was taken by Lloyd's and 34% by companies represented by H.S. Weavers. That cover note, and the later amendment changing the shares of risk, were signed by Wm. P. Carleton Jr. for A.U. Insurance Inc.

Mr. Carleton was president of Associated Underwriters, but he recently stepped down and will leave the company Nov. 1 to form a new agency, Mr. Buxton said.

The insurance director stressed he believes Mr. Carleton was acting in good faith in signing any cover notes. "He came down and made the disclosure" about Mr. Kubovchik's activities, Mr. Buxton said. "No one else was involved, we think."

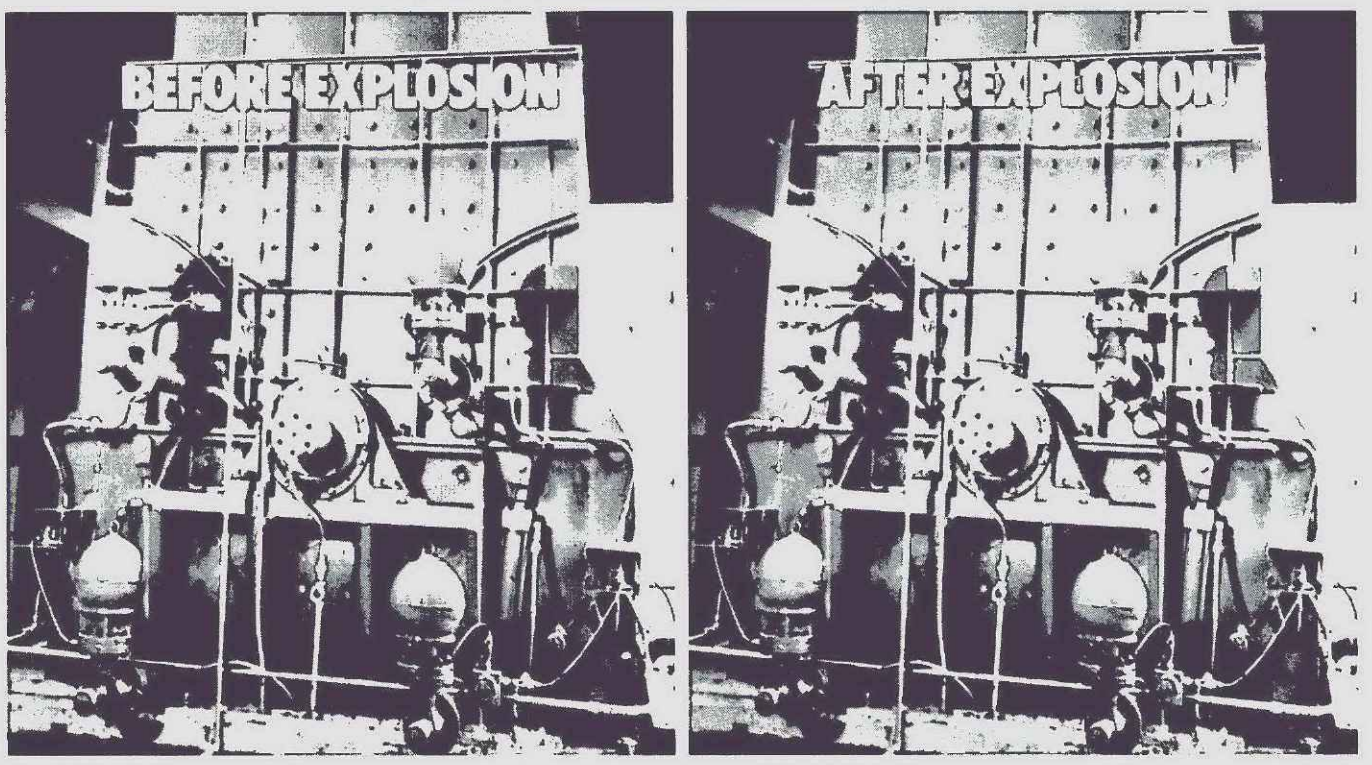
Everyone interviewed about the reputation of Associated Underwriters said it was an old, respected St. Louis insurance agency, leaving no one to question the strength of its cover notes.

In addition, risk managers believed they were holding insurance policies. But, in the case of the documents sent to Las Vegas at least, the Missouri insurance division maintains the papers issued form only a cover note. The description of terms included in the cover note could be Lloyd's forms, but the documents still do not constitute an actual insurance policy, it was explained.

The question of policy aside, Las Vegas risk manager Ted B. Willstead has been told by an attorney representing Lloyd's in the U.S. that his preliminary investigation revealed the city did not have the insurance stated in the cover note. Mr. Willstead had written to Lloyd's chairman Ian Findlay requesting assistance in determining if there were any insurance and re-

Continued on following page

CAN YOU SPARE 60 MILLISECONDS TO WATCH A FENWAL EXPLOSION SUPPRESSION SYSTEM IN ACTION?



From where you're sitting it may look like nothing's happened. But that just proves how effective Fenwal Explosion Suppression Systems are.

In less time than it took a camera to click, the Fenwal System protecting this waste shredder actually snuffed out an explosion.

It worked in the few milliseconds that elapse between the first spark of ignition and the damaging pressure build-up.

In that split second Fenwal's System discharged an extinguishing agent that enveloped the flame ball and stopped the explosion.

No damage. No injuries, no lawsuits, minimum downtime. In fact, you can't even tell there's been an explosion.

In over a thousand different applications with a variety of different explosion hazards, Fenwal Systems have successfully averted disaster.

Since a lot of people find this hard to believe, we've made a film which shows our System in action. Proof that we can stop an explosion *after* it starts.

Anyone with a potentially explosive situation is convinced by this film that they're risking a lot without Fenwal protection.

Our world-wide network of distributors can recommend a system that's right for you. But first, arrange a viewing of "Anatomy of an Explosion."

Call us at (617) 881-2000. Or write Fenwal Incorporated, Ashland, MA 01721. A Division of Walter Kidde & Co., Inc.

For installation and around-the-clock service, see our local distributors listed in the Yellow Pages under "Fire Protection."

FENWAL®

Nobody in the world has more experience in fire and explosion protection systems.

St. Louis broker . . .

Continued from preceding page

ceived a personal reply.

Despite the appearances of valid insurance, apparently some agents, buyers and their consultants started asking questions about their insurance.

Sometime in the spring or early summer of this year, when Mr. Kubovchik was out of the country, colleagues at Associated Underwriters tried to answer one or more queries regarding the insurance he had handled. Questions remained and the principals of the agency asked them of Mr. Kubovchik when he returned, Mr. Buxton said. "They confronted him, he took them to Memphis and he told them how he had handled it," Mr. Buxton reported.

Among Mr. Kubovchik's admissions, Mr. Buxton said, was that E&S Insurance was just a name on a post office box in Memphis where he collected the mail. Until then, the principals of Associated Underwriters "didn't know E&S Insurance Agency was a false agency. They never checked on it," he said.

The principals of Associated Underwriters presented these facts to Mr. Buxton in June, but it is unclear exactly when they learned them. "I had assumed it was shortly prior to them seeing me," Mr. Buxton said.

"They had debated if they should come to me," he noted. "There are a lot of decent people in that agency, prominent in the city of St. Louis. You could understand why they wanted to handle it themselves."

Disclosure delayed

Associated Underwriters came to him with a $400,000 trust from bank accounts and stocks which Mr. Kubovchik had turned over to them, Mr. Buxton said. "They wanted forebearance to take the money and get the coverage," and Mr. Buxton agreed.

The policyholders weren't notified at that time, Mr. Buxton said, though everyone reports becoming suspicious when they received cancellations of policies they had never made a claim under. "We were trying to protect the victims, which included the other people in the agency. We thought the people could quietly get insurance. I cared about the public and the agency," Mr. Buxton explained.

The insurance director also said he "didn't want to cause a panic," with a public announcement of the transactions in June. He drew an analogy to a run on the bank after an embezzlement is announced to what could have happened at Associated Underwriters in June if he had announced the facts that have only recently surfaced.

"We feared a run on the agency, cancellation of valid coverage. They were honest; they wanted leave to maintain that reputation," he said.

In some instances the unearned premium for the remaining period on the canceled insurance was returned, Mr. Buxton said, "and where they could they substituted insurance." Mr. Buxton conceded that the agency could not provide valid insurance retroactive to dates on the cover notes.

But, the agency has purchased a policy to cover incurred but not reported claims that may exist, Mr. Buxton confirmed. He declined to discuss the coverage limits, but other sources said they believe the policy is for $2 million. "I think they had to go to Lloyd's for it," Mr. Buxton said.

In addition, the agency holds a "sizeable fidelity bond," he said, which will pay the agency "for any loss they might incur for the return of premiums." Mr. Buxton has not decided whether to order a return of all premiums paid through Mr. Kubovchik. "We want to see his assets discovered first."

Nevada's Mr. Wadhams observed, "It appears only civil action will get their money back."

At least one risk manager in his state is willing to go that route. Mr. Willstead of Las Vegas, who has already received a $36,855 refund as the unearned premium on the city's $100,912 umbrella policy that was canceled four months before expiration, said, "I believe if we feel there was fraud, we should start proceedings for the balance of the premium."

In addition, Mr. Willstead believes the city should sue for $5 million, the limits of the umbrella policy he had ordered. The city is awaiting an affadavit of no coverage from Lloyd's before pursuing any legal action. Who the city will name in such a suit would be up to the deputy city attorney, Mr. Willstead said.

Possible prosecution

There are indications Mr. Kubovchik could be prosecuted by both federal and state authorities. Mr. Buxton revealed that he has discussed the affair with the FBI and the postal inspectors. Anticipating federal prosecution, possibly for mail fraud which carries a penalty of a maximum fine of $1,000 and five years imprisonment, Mr. Buxton said he doubts the state of Missouri will bring charges.

But Nevada's Mr. Wadhams promised "my files will be turned over in entirety to our attorney general and any other appropriate authority."

Mr. Buxton stressed that although he did not disclose what he learned in June to the public, he had immediately contacted the insurance commissioners in the three other states in which he believed Mr. Kubovchik held an agent's license: Illinois, Nevada and Tennessee.

"I sent the licenses to these states for cancellation that day," Mr. Buxton said. "We thought only those states were involved." Though the licenses were surrendered by Mr. Kubovchik, hearings must be held in the various states to actually revoke the licenses, it was learned. Mr. Kubovchik did not hold a current license in Tennessee, an official there said, and none of the suspected invalid insurance was written in Tennessee.

A modest man

Though some insurance industry experts have flippantly observed that "this sort of thing happens all the time," Mr. Kubovchik's alleged involvement shocked those who knew him. One Nevada insurance expert who had met Mr. Kubovchik expressed disbelief that the man he knows could be behind the alleged scheme.

"He appeared to be very nice. Quiet, not slick. No pressure. People in Nevada who met him could not believe it," this source said.

Since Mr. Kubovchik turned over only $400,000 in cash and stocks last summer of the $1.2 million in premiums he is believed to have collected and only another $100,000 in assets have been identified, Mr. Buxton admitted that $700,000 in premiums are unaccounted for. "We're trying to find additional assets," Mr. Buxton said.

But Mr. Kubovchik apparently never squandered money to the point of raising suspicions among his colleagues. "The income for most the brokers in that firm was very good," Mr. Buxton said. Mr. Kubovchik, though married, has no children and lives in a "modest house," Mr. Buxton said. As a result, even Mr. Kubovchik's purchase of "several race horses" didn't raise any eyebrows, he explained.

An able man

Furthermore, Mr. Kubovchik, the 42-year-old broker, was recognized as a man with "a great deal of ability" in financial matters, Mr. Buxton said. Evidence of that ability, even in this alleged scheme, Mr. Buxton noted, were the "substantial gains" realized on the stock he chose to invest the premiums in and his choice of insurance risks to assume.

None of the risks appear to have produced a large loss. ■

AGENTS– GENERAL AGENTS WITH CASUALTY LICENSES

MUST HAVE STRONG CREDIT UNION AFFILIATIONS, TO MARKET 2 SPECIALIZED NATIONAL PROGRAMS. ENDORSED BY 3 MAJOR STATE CREDIT UNION LEAGUES AND NAFCU SERVICES CORPORATION.

REPRESENTATIONS WANTED FOR ALL STATES.

QUALIFIED AGENTS WILL CONCLUDE NEGOTIATIONS AT COMPANY HEADQUARTERS IN NEW JERSEY.

CONTACT: WILLIAM B. HARRIS
(201) 272-8400

The industry's only
LOCALNATIONAL
Surplus Line Broker

With our exclusive "Localnational" approach to serving independent agents and brokers, you get all the advantages of quick, local contact and service. Each local office is autonomous. And, a local company President calls the shots. He's his own top decision maker. He can give your accounts immediate attention. And, he does.

Today's excess and surplus business requires careful planning and the right markets. Only a firm with national buying power can deliver the markets necessary to do the job. On those occasions when your account requires extra effort to obtain the results you need, there's strong, national, cooperative support from the Presidents of *all* five locations. You can bet one of them has a solution to your problem.

It's easier to do business with the "Localnational" company. Immediate local response from a top decision maker with substantial national support. When you need us, we respond with solutions, not excuses.

H & W
INSURANCE SERVICES
Excess/Surplus Line Brokers

HOME OFFICE
16255 Ventura Blvd., Encino, CA 91436
(213) 990-3040

Atlanta (404) 262-2240	**Philadelphia** (215) 925-6070
Chicago (312) 726-7055	**San Francisco** (415) 391-3080
Los Angeles (213) 385-7341	**Miami** (305) 592-8066



Fastest brain in the West. Our new computerized claims management and reporting system spits out numbers and facts faster than you can ask for them. Claims information . . . injury data . . . financial analysis figures . . . statistical reports. It's also flexible . . . easily customized to report what *you* want. Call Geoffrey Brown for a demonstration. **R. L. KAUTZ & CO.**

CORPORATE HEADQUARTERS, 1800 AVENUE OF THE STARS, LOS ANGELES, CALIFORNIA 90067, (213) 556-1111

Captive ruling . . .

Continued from page 1

division manager Edward J. Kettel. "A fair number of people" were aware of the private ruling his company received seven years ago, he admitted.

"I'm glad to see this ruling," said Marianne Burge, a partner at Price Waterhouse & Co. in New York who advises corporations on the tax implications of captive insurance companies. "A lot of companies are moving in this direction and it was embarrassing not to be able to tell them the tax implications of it," she confessed.

Even though Ms. Burge was aware of the private ruling to Atlantic Richfield, "because it was a private ruling issued just to that company it could not be cited as a precedent," she said. "You get a lot more comfort from a published ruling."

Sidney R. Pine, an attorney with the New York firm of Trubin Sillcocks Edelman & Knapp, recalls, "For some time the IRS has refused to give private rulings with reference to offshore joint stock companies or mutuals, stating that it was restudying its position on offshore insurance. The ruling is an encouragement to companies that wanted to enter such a venture but didn't because they couldn't get a ruling in the last six months or so."

There were a "significant number" of companies that went into a holding pattern on using this source of insurance without a ruling, he noted.

Industry sources estimate the number of offshore. group-owned insurance companies at anywhere between 25 and 75. Hugh Rosenbaum, editor of Captive Insurance Company Reports, estimates the total number of group-owned captives is approaching 100, with 25 or less domiciled offshore.

No stampede

Observers generally don't predict a rash of new group-owned insurance companies as a result of the new ruling, maintaining that revenue ruling 77-316 by omission of group-owned captives provided the incentive last year and indeed caused a flurry of activity.

"I don't think this will increase the number of group-owned captives because it is codification of the obvious," said Mr. Rosenbaum. "The previous ruling did that," he said, noting that more group-owned captives were announced in the first six months of this year than in the previous two years combined.

"This ruling is just a flag to wave in the charge," the Risk Planning Group consultant concluded.

"The ruling won't have any impact," predicted Peter Densen, president of Anistics Inc., a services subsidiary of Alexander & Alexander. "It says nothing we didn't already assume."

The ruling answers the query of a U.S. petroleum corporation which is a shareholder and insured of a foreign insurance company along with 30 unrelated corporations. The company asks if its premiums to the group-owned company are deductible as an ordinary and necessary business expense.

The IRS says in the ruling that no shareholder holds a controlling interest in the insurance company and no shareholder's individual risk may exceed 5% of the total risks insured under the by-laws of the insurance company.

The insurance company provides insurance only to its shareholders and their subsidiaries and affiliates. Covered are direct physical loss or damage to onshore and offshore property, personal injury and property damage claims arising from pollution, costs of controlling wild oil or gas wells or extinguishing oil or gas well fires and certain related risks. The premium rates "are established according to customary industry rating formulas" and include prospective premium adjustments, the ruling says.

"Because the taxpayer and the other insured-shareholders are not economically related," the IRS finds, "the economic risk of loss can be shifted and distributed among the shareholders who comprise the insured group."

'Reasonable' charges

Satisfied that the conditions to constitute insurance, risk-shifting and risk-distribution are present, the IRS rules that premiums paid are deductible as ordinary and necessary business expenses under Section 162 of the Revenue Code, "provided they are reasonable in amount for the insurance coverage and provided they are based on sound actuarial principles."

Ms. Burge of Price Waterhouse advises that corporations recognize the requirement that the premiums be "reasonable and based on sound actuarial principles," rather than relying solely on group ownership of the insurance company to claim premium deductions under the ruling. Also, the ruling deals with an insurance company which adjusts premiums prospectively, without referring to retrospective rating plans she notes.

Mr. Pine and his associate, Bruce Wright, share the concern. "We, as lawyers experienced in this field, point out that this revenue ruling does not discuss the provisions that should be included in the policies of insurance to come within the ruling and care must be exercised that the policy provisions adequately reflect the necessary elements of risk-shifting and risk-distribution," the lawyers said.

"Too many policies don't point out a sharing of risk among the group," Mr. Pine observed. "You have to do that or you put yourself in the position that you may have to demonstrate all the details in this respect."

Retro plans eyed

An IRS staffer who worked on the ruling said the IRS has seen "some experience-rated plans that seem to allow so much flexibility that a company could be paying its own losses," in effect self-insuring, which does not qualify for premium deductions. There could be "a problem under an individual experience rating plan," he said, "but that would be determined upon audit."

Another concern expressed by legal experts analyzing the ruling is how many shareholders are enough to provide the risk-shifting and risk-distribution the IRS requires for a transaction to be insurance. "There are too few cases to decide how many is enough," the IRS staffer said. "Maybe it could be as few as two. The point is there be unrelated parties and actuarily determined premiums."

This new ruling, as well as previous IRS rulings on the tax implications of captives, would apply as well to U.S. domiciled insurance companies even though it discusses a foreign insurance company, the staffer said.

The latest IRS ruling defines the tax implications of captive insurance companies "a little more narrowly," observed Ms. Burge of Price Waterhouse.

However, the question of whether the IRS will allow tax deductions for premiums paid by a parent company to a wholly owned insurance subsidiary that also insures the risks of unrelated companies remains unanswered in a revenue ruling. ■

"Until you invest in a loss prevention program, you're speculating on your company's future."

Don Moore, President



Depending on an insurance policy to protect your company's assets is a risky venture. Because if a disaster strikes, you'll never completely recoup all those hidden costs that are built into every loss. No matter how good the policy.

At PMMI, we believe in something much more important than just selling insurance. We believe that the best way to protect a property is to try to prevent the loss from happening in the first place. And the only way to do that is through a comprehensive and continuing program of loss control.

PMMI is uniquely qualified to advise you on the best safeguards to help minimize loss. As part of the Factory Mutual System, which has the most advanced research facilities in the world, PMMI can draw on the latest in fire protection and loss prevention techniques. After a careful inspection of your plant, we'll recommend a combination of loss prevention programs—and insurance coverages—tailored specifically to your needs.

It's all explained in our booklet called, **"Loss Prevention: The Best Way to Protect Your Assets."** Please send for a copy. Or, if you have specific questions, call me direct.

Find out why our loss prevention methods are a sound investment. It could just save you a fortune.

PARTNERS IN PROTECTION

Philadelphia Manufacturers
MUTUAL INSURANCE COMPANY
Box 824 8 Executive Mall
Valley Forge, Pa. 19482
(215) 687-8150

Factory Mutual System

classified advertising

RATES AND CLOSING TIME: *$3.00 per line, minimum charge $15.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Friday, 10 days preceding publication date. Published every other Monday. Display classified takes card rate of $36.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.*

HELP WANTED

RISK AND INSURANCE MANAGER
A Northeastern Commercial Bank with 60 billion dollars is seeking to fill a new position.
Responsibilities include planning organizing and directing the corporate insurance program to include establishing a risk identification classification prevention program. Position requires in depth knowledge of casualty, property and liability experience. Prefer individual with corporate risk and insurance experience.
Box 188, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
We are an Equal Employment - Affirmative Action employer

DIRECTOR
DRAKE UNIVERSITY
INSURANCE CENTER
A unique opportunity for person with exceptional background and ability. Will direct expanding, well-funded program of insurance education aimed at responding to industry's need for young professionals. Develop and administer scholarship and internship programs and student recruiting. Supervise and expand continuing education program and industry liason. Staff includes Assistant Director. Must be familiar with all lines of insurance. Ability to work with top management essential. Ph.D. not required, but experience in higher education helpful. Salary $28,000. Send confidential resume to Dean Richard Peebler, Drake University, Des Moines, Iowa 50311, before October 15.

Commercial Property Supervisor
Large agency in Rochester, N.Y. area has an excellent career opportunity for an experienced property underwriter. Liberal benefits. Salary based on experience. Send resume to:
Box 180, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

POSITIONS WANTED

Englishman, 30, Single, Company Director. 12 years claims experience at Lloyds of London. Seeks position with U.S. Broker. Preferably handling Oil & Gas related claims. Reply to:
Box 189, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

ASSISTANT MANAGER
INSURANCE
Our company is expanding its operations and has a unique opportunity for an individual with a strong background in The Insurance Field. Must be able to participate in sales and personnel development. Equal opportunity Employer.
Please send resume and salary requirements in confidence to Mary Johnson, Personnel Director, Anderson Banking Co., P.O. Box 849, Anderson, Ind. 46015.

CAREER HIGHLIGHTS

RM CONSULTANT To $50,000+
Newly established operation in SC. Background in Hospital/ Health care services & malpractice avoidance is desired. Auto plus bonus.

SALES MGR To $40,000+
Very large SE based agency/ brokerage operation. Assume responsibility for a number of producers. Direct writer or agency exper.

LARGE ACCTS SPEC To $30,000+
Major broker is expanding their casualty dept. Large account exposure with some management expertise is required. Med-size city.

LOSS CONTROL To $22,000+
A number of new situations have developed in Atlanta, Charlotte, New Orleans and other Southeast cities. Degree, CSP, PE, etc a +.

Richard Ziober-VP
ALL FEES PAID
don HOWARD
PERSONNEL SVC
40 Marietta St., NW (404) 577-9630
Atlanta, Ga. 30303
other offices: New York, Chicago, Dallas, San Francisco

Excess & Surplus Lines
Underwriting & Marketing
National opportunities with leading Reinsurers and National Brokers. Locations include Atlanta, Dallas, San Francisco, Chicago and other key cities. These positions offer excellent career growth potential and salary packages to $30,000 range. Be assured of professional and confidential service with your name and resume released only on your approval. Exclusively employer retained.

ipr
INSURANCE PERSONNEL RESOURCES
2970 Peachtree Road N.W. • Suite 622
Atlanta, Georgia 30305 • (404) 262-2972

Worker's Compensation Self-Insurance Administrator

Major industrial firm has opening in San Francisco Bay Area for experienced Worker's Compensation administrator to manage its California self-insurance program. Applicant must be certified by the State of California. Successful applicant must be able to demonstrate a thorough technical grasp of all aspects of worker's compensation administration, including knowledge of state legal requirements, computation and payment of temporary and permanent disability, disability ratings, appeals, procedures, state reporting, experience in working with legal counsel on disputed claims, and administrative ability in the management of a worker's compensation department and supervisory skill in the direction and guidance of field personnel having investigative responsibilities. Send resume to:

Box 187, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

An equal opportunity employer m/f

Buffalo Reinsurance Company

Los Angeles
Chicago
New York City
San Francisco

Our expansion has created the need for Casualty Facultative Reinsurance Underwriters in these offices.

We are seeking individuals with three years direct primary underwriting experience with a large company or five years of such experience with a smaller company. Experience should be in underwriting, not brokerage or production. Reinsurance underwriting experience is helpful but not required. Salary for these positions is open.

If you meet these requirements and want to join a dynamic, highly motivated staff, please submit your resume with salary requirement to:

Ralph W. McMahon
Personnel Director
Buffalo Reinsurance Company
4201 Wilshire Blvd.
Los Angeles, CA 90010

An Equal Employment Affirmative Action Employer

UNDERWRITER

We are a continually-on-the-grow, innovative national insurance corporation seeking underwriters in the following areas:

COMMERCIAL LIABILITY
To qualify you should have a minimum 3 years background underwriting all lines of commercial liability insurance including general and automobile liability, physical damage and workers compensation.

PROPERTY/PACKAGE
Minimum 3 years underwriting experience on property/ package lines including fire, crime, liability, marine, glass and boiler is required.

We offer excellent salary commensurate with experience and complete benefits including dental plan. Send a resume in confidence or call:

Nancy Davidson
822-5768

INSURANCE FROM CNA
175 W. Jackson
Chicago, IL 60604

An Equal Opportunity Employer M/F

CORPORATE RISK MANAGER

National Medical Care, a rapidly growing health care services corporation (NYSE) operating on a nationwide basis, is seeking a Corporate Risk Manager.

Responsibilities include corporate wide management and coordination of malpractice, workers compensation, property and auto coverages in addition to participation in management of two captive insurance companies.

Progressive insurance experience including claims underwriting in a health care setting and knowledge of all insurance markets are considered assets. BS plus MBA preferred.

We are offering competitive salaries, excellente fringe benefits and the opportunity to apply your proven skills in a dynamic, fast-paced environment.

For further consideration, please forward your resume including salary history and requirements to:

Personnel Manager

nmc
National Medical Care, Inc.
50th Floor Hancock Tower
200 Clarendon Street
Boston, Massachusetts 02116
An Equal Opportunity Employer M F

RISK MANAGEMENT OPPORTUNITY

We need an insurance professional with two to five years of corporate or property/casualty company experience for the number three position on our eight member insurance department staff.
We are a large general contractor based in a medium sized midwestern city with construction, mining, and diversified activities throughout the northern hemisphere. Our insurance department has the responsibility for designing, installing, and managing all of our surety, property, casualty, and A & H programs. This "risk management" uses all the tools—self insurance, retentions, commercial carriers, two domestic captives, and a subsidiary agency.
The position responsibilities include participation in decision making in all of the areas of the department's activities with a starting emphasis on policy coverages, premium and loss verification and allocation of costs to subsidiaries and districts.
This is an excellent opportunity to become immediately involved in all phases of risk management; to enlarge on existing skills; and to have a future where advancement in responsibility and pay are limited only by the individual's capacity. Send resume to:

Box 186, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

Benefit cutbacks . . .

Continued from page 1

while a huge number of benefit plans will have to be adjusted beyond what benefit managers planned, the cost of supplying benefits to older workers probably will be minor.

"If people over 65 continue to be just a small percentage of the work force, it is the type of cost that is easily digested," said Lloyd Kaye, vp at William M. Mercer Inc.

As expected, the proposal announced that employers do not have to give pension benefit accruals for years of service after age 65. Many defined benefit plans allow benefits to accrue until 30 years of service have been reached. After the 30-year mark is met, annual accruals cease regardless of the number of years an employe continues to work. This limitation is not affected by the proposal.

But in a stunning omission, the Labor Department failed to provide a clear answer on whether employers have to give credit for pay increases earned after age 65. The credit for pay increases over 65 directly affects pension plans in which the final benefit is based on the average highest salary earned over a certain number of years.

Not a side issue

When a Labor Department spokeswoman was asked if an employer had to give credit for pay boosts earned over 65 she said: "We have not come to grips yet with that issue." She suggested a Labor Department opinion on the matter be requested.

The lack of a clear-cut answer has aroused considerable anxiety in the benefit community. "This isn't a side issue," said Leonard Mactas, a partner at Kwasha Lipton. "It is unreasonable to leave this kind of hole in such an important document." He underscored the importance of the credit for pay after 65 issue by noting that pension plans in which the benefit is based on highest average pay outnumber any other type of defined benefit plan.

The confusion over the credit for pay boosts over 65 took added significance when a reliable source revealed that an earlier unpublished version of the guidelines said credit did not have to be given for over 65 earnings.

Employers could reduce life insurance coverage by 8% a year beginning at age 65 to cover the increased cost of this benefit for older workers, the Labor Department said.

The 8% cap on annual reductions in life insurance coverage for employes over 65 will have a significant impact on many companies. "A lot of companies have the practice of cutting off life insurance coverage at age 65 or reducing it to a nominal amount," said Mr. Kaye of William M. Mercer. Such drastic reductions would have to cease.

Major cuts planned

The *Business Insurance* Employe Benefit Board Survey found that 25% of the 90 corporate benefit managers surveyed planned to reduce life insurance benefits for workers over 65 by 50%. That course of action would appear to be in jeopardy.

The Labor Department proposal offers employers what benefit advisers called surprising flexibility in potentially costly long term disability benefits.

Benefits could stop at age 65 for an employe who became disabled before reaching 60 under the guidelines. For workers who become disabled after 60, disability benefits could continue for up to five years or until the employe reached age 70, whichever occurs first.

Mr. Kaye of William M. Mercer noted that the long term disability proposal will add costs, "but not so that it would kill your plan." He said that since limits have been placed on the length benefits could be paid, insurance companies would continue to offer such coverage.

Of all the benefits covered by the proposal, medical coverage appears to be the least affected. Employers would be free to reduce medical coverage as long as Medicare, which begins at 65, would compensate for the reduction in employer-paid benefits.

However, Mr. Kaye noted that employers now would be expected to pay the individual's Part B Medicare premium since the proposal says employers cannot require older workers to contribute more for their benefits than their younger counterparts. Part B Medicare now costs $8.20 a month per employe.

EEOC proof

The proposal offers employers a mechanism for reducing benefits below the guidelines established by the Labor Department. Employers could reduce their long term disability coverage for older workers, for example, if they provide economic proof that the cost of this benefit was excessive for the over-65 group compared to younger employes.

However, this economic justification would have to be turned over to the Equal Employment Opportunity Commission if an employe complained about a reduction in benefits.

Trying to provide that economic justification to the EEOC might prove so burdensome that employers probably would be better off following the Labor Department guidelines, suggested Kwasha Lipton's Mr. Mactas.

Some observers, such as Mercer's Mr. Kaye, described the guidelines as "fairly reasonable." Mr. Mactas said the Labor Department did a "fairly decent job with a tough assignment.

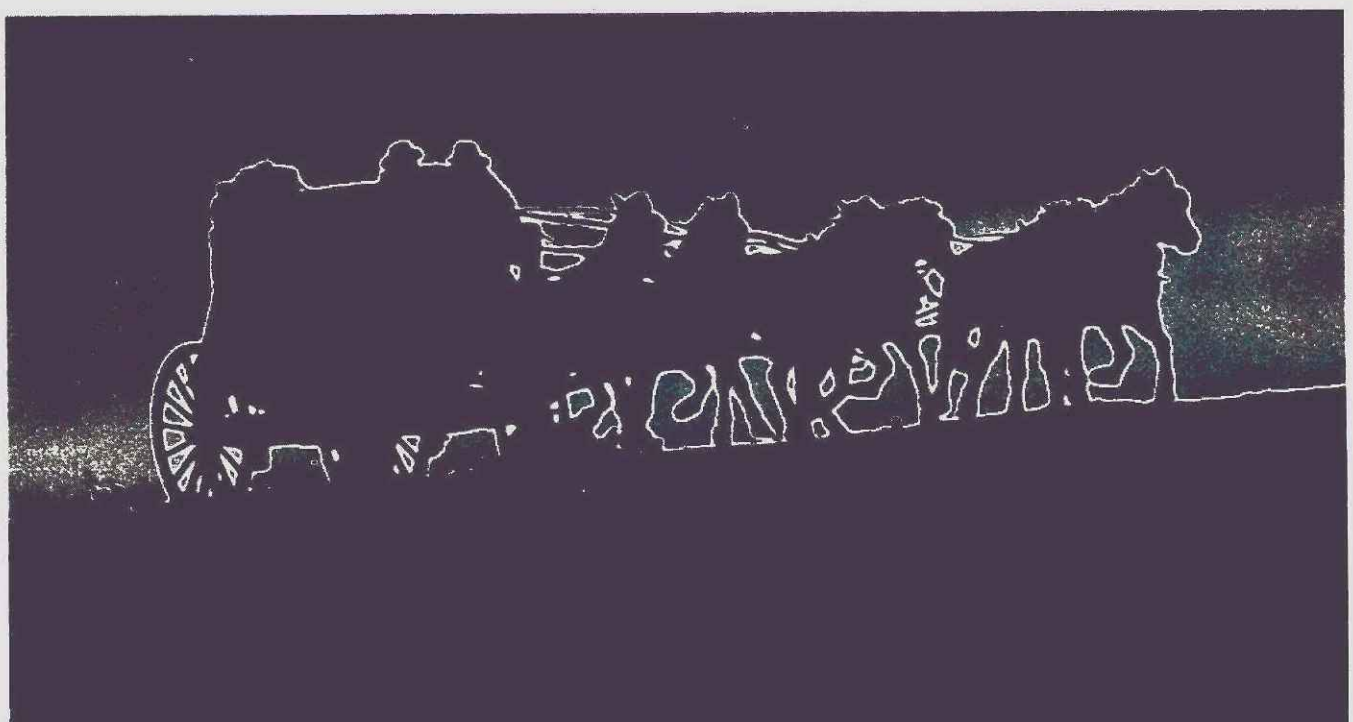
But George Pantos, counsel for ERIC, a benefits lobbying group representing many of the nation's largest corporations, said more flexibility is needed, especially in the life insurance area. ■

HELP WANTED

EMPLOYEE BENEFITS ADMINISTRATOR

$20,842-28,101.

Responsible for directing a comprehensive employee benefits program including pension, deferred compensation, disability, health and life insurance programs. Required experience and education: Three years of experience in an employee benefits program or retirement program administration, including two years of experience in an administrative or supervisory capacity, and a Bachelor's degree in Public or Personnel Administration, Accounting, Finance or a related field. Apply to: City of Phoenix Personnel Department, 10 North Third Avenue, Phoenix, Arizona 85003, Attn: Laura Blasnig. AN EQUAL OPPORTUNITY M/F AFFIRMATIVE ACTION EMPLOYER.



Get 8 years experience with the firm that stretched the day.

Wells Fargo's proven 2-coast securities processing system.

There's only one thing better than profiting by your experience: profiting by somebody else's experience. That's what happens when you process securities with Wells Fargo Bank, the outfit that originated both-coast clearance of securities eight years ago.

Time really is money.

With our system, you can start trading on the East Coast at 8 a.m. EST, and after a full 11-hour trading day ends in California at 4 p.m. PST, you know what your position – cash and securities – will be. With added time and operating room, Wells Fargo's proven system gives you extra opportunities to invest and work your balances, thereby improving cash management.

One source means less wasted motion.

Wells Fargo offers a total system – clearance, settlement and custody. No more chasing around for information or delayed deliveries. No need to worry about a place to store securities. One source offers you the full range of processing and control capabilities. You constantly get accurate execution.

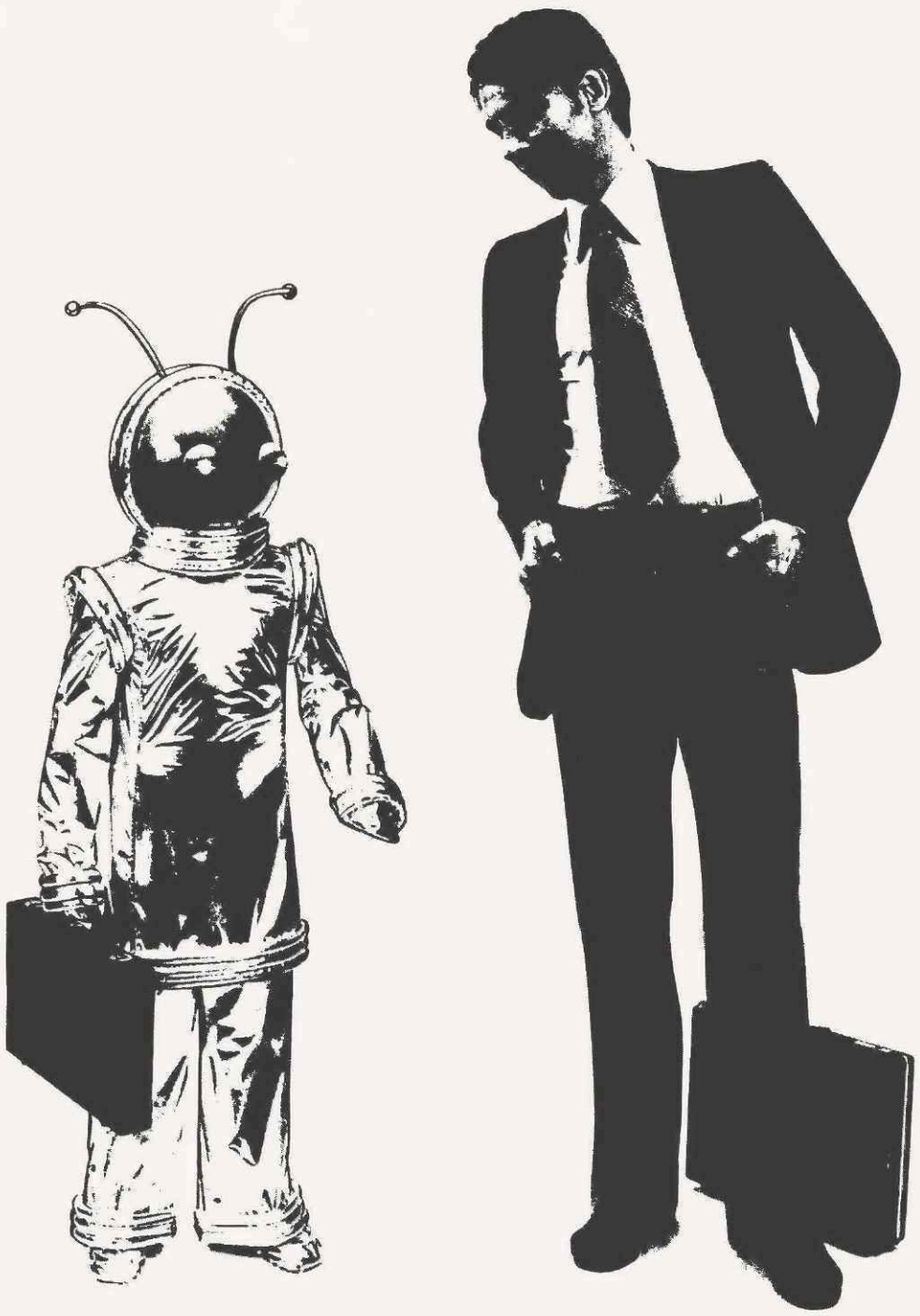
Control and experience.

Instead of trying to control cash and securities in several banks, do it in one. With us, you'll get the most experienced system available, a significant time-difference advantage, a chance to improve productivity and lower operating costs.

Quality service at a competitive price.

If your bank is often unable to settle transactions where and when you want, and you're reluctant to sell or buy for same-day settlement, our system is something you ought to know more about. It's among the most sophisticated operations available. We'd like to tell you all about it. Please call Vice President Ron Hillman at (415) 396-3602.

Wells Fargo Bank Securities Processing System.



Human Spoken Here.

The fact is a lot of insurance people speak Martian — a language incomprehensible to most humans.

The why of that, however, is a little hard to follow since humans, much more than Martians, need professional counseling on how to best protect their money, time, productivity, retirement and so on.

Take pension planning, for instance. We want you to know we have a briefcase full of flexibility in that area . . . qualified pension plans for a variety of goals at a wide range of payment schedules.

We want you to know that, sure. But even more importantly, we want you to know we speak human. Try us.

Get the most out of life with

PROVIDENT MUTUAL
LIFE INSURANCE COMPANY OF PHILADELPHIA

Home Office: 4601 Market St. Phila., Pa. 19101

people

Lindenmayer to manage Zenith insurance, payroll

Effective this month, **Judith Lindenmayer** joins Zenith Radio Corp. in Chicago as manager of corporate insurance and payroll. She leaves Sealy Inc. in Chicago where she was also risk manager. A replacement at Sealy hasn't been hired. Zenith had been looking for a new risk manager since the end of June, when **Alan E. Samuelson,** formerly manager of corporate insurance and payroll at Zenith, joined the Chicago Tribune Co. as corporate risk manager.

* * *

In a newly created position, **Teresa A. Fannin,** 31, has joined AFCO Credit Corp. as human resources director in New York. Ms. Fannin is responsible for employe benefit administration, employe benefit counseling and wage and salary administration for AFCO's 475 employes at 17 U.S. offices and its 125 Canadian employes. Ms. Fannin, who has logged 10 years of personnel experience, most recently was equal employment opportunity and labor relations specialist for Warner Communications Inc. in New York.

* * *

Global Marine Co. Inc. has expanded its risk management operations by hiring **Gordon L. Adams** as its first full-time risk manager. Mr. Adams, who reports to senior vp of finance William Thomas, previously worked for Reed Shaw Stenhouse of St. Louis. At Global, **William E. Sikare,** 32, previously assumed risk management responsibilities as manager of benefits and compensation. Mr. Sikare reports to Michael Mellin, manager of employe relations.

* * *

James D. Jones, 29, has been named risk and insurance manager at Newport News Shipbuilding, a Tenneco Inc. subsidiary in Newport News, Va. Risk management was previously handled by **William Haskins,** who will continue to work in the department and filled in as insurance coordinator after the retirement of Frank Seney. Mr. Jones has an extensive marine background, most recently with The Travelers Insurance Cos. as an ocean marine underwriter for seven years. Before that, he was a third mate for Mobil Oil Corp. and a graduate of the U.S. Merchant Marine Academy at Kings Point.

* * *

In an expansion of the risk management staff at Daylin Inc. in Los Angeles, **Ray L. Allen** has been named director of risk management. He reports to vp and treasurer Wilhelm Mallory. Previously, **John Lesar** handled both insurance and banking. With the addition to the staff, Mr. Lesar focuses solely on banking responsibilities.

* * *

Effective this month, **John F. Ross** becomes corporate risk manager for Household Finance Corp. in Chicago. **Albert C. Hassel** previously handled those responsibilities but has since become executive vp of HFC's Alexander Hamilton Life Insurance Co. in Farmington Hills, Mich. Handling the insurance duties until Mr. Ross arrives is James D. Pinkerton, vp-administration and secretary. Mr. Ross will report to Mr. Pinkerton. Mr. Ross was employed previously at NALCO Chemical Co. in Oak Brook, Ill., as director of insurance and risk management.

* * *

Brian J. Carmody, 35, has joined Atomic Energy of Canada in Ottawa as risk manager, a new position reporting to treasurer Ed Deslauriers. Previously, Mr. Carmody was insurance manager at Reed Ltd. in Ottawa which has reduced risk management functions. Assistant treasurer **William King** will assume risk management responsibilities there.

* * *

F. Arthur Roderick, 43, has joined Molson Cos. in Toronto as director of insurance, replacing Bruce Cox, who retired. Previously, Mr. Roderick was risk and insurance manager for 10 years at Consolidated Bathurst in Montreal where **Georges Balcer,** 36, replaces Mr. Roderick as risk and insurance manager. Mr. Balcer was promoted from assistant risk and insurance manager, a position he held for approximately three years. New in the assistant's position is **Raymond Lafontaine,** 30, who previously was an insurance administrator at Quebec Iron & Titanium. In an addition to the staff at Consolidated Bathurst, **Paul Hanson,** 57, has been promoted to loss prevention officer from assistant chief engineer.

•

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Rebecca A. Fannin, Business Insurance, 708 Third Ave., N.Y., N.Y. 10017 or call 212-986-5050.

letters

Continued from page 6

oughly examined, whereas a prospective assembly line worker may need only to fill out a good medical questionnaire and be advised of the legally allowable consequences if there is any falsification.

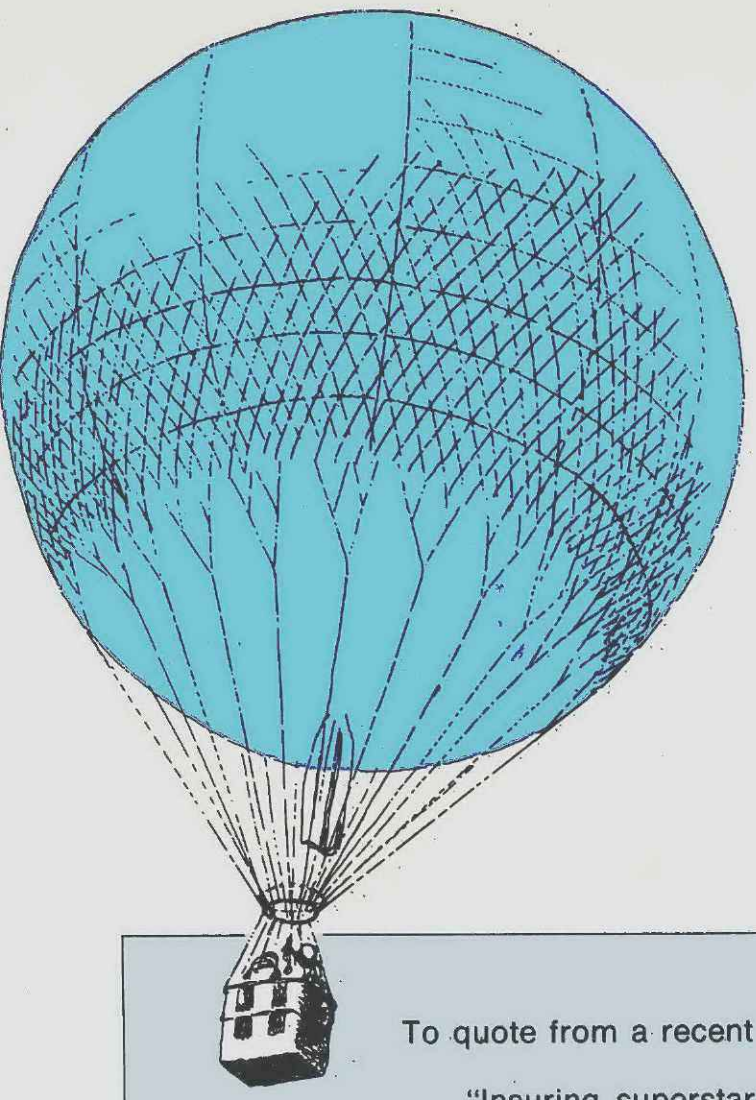
Robert W. Dressler
Claim manager, University of California, Berkeley, Calif.

Tax deductions

To the editor: We have read with interest the story appearing in (Sept. 4) *Business Insurance* "Tax breaks for self-insurance fails to stir Senate committee." The Machinery and Allied Products Institute appeared in the hearing to which the story referred and presented testimony in support of the tax deductibility proposal embodied in both S. 1611 and S. 3049.

We disagreed strongly with the testimony of both the American Insurance Assn. and the Treasury Department. As a matter of fact, our feelings on the point caused us to prepare a critique of the principal statements of both of these witnesses and submit it to the Chairman of the Senate Subcommittee for inclusion in the hearings record.

Charles I. Derr
Senior vp, Machinery and Allied Products Institute, Washington, D.C.



SPECIALTY RISKS ISSUE OCTOBER 30, 1978

What are Specialty Risks

and why will Business Insurance publish a new highlights issue about them?

To quote from a recent editorial in Business Insurance:

> "Insuring superstar Pele's ability to play soccer and tennis champ Bjorn Borg's appearance at a championship match, requires the special knowledge and skill of people who've dealt with unusual risks. Similarly, race horses, racing cars and America's Cup sailboats pose a problem demanding tailored insurance policies for events that are riskier and characters a whole lot more valuable than the usual man-in-the-street . . ."

Many businesses are faced with Specialty Risks situations, requiring extraordinary risk management expertise and insurance coverages. There are such Specialty Risks as discotheques, rock concerts, skateboard parks, amusement parks, theatrical and concert enterprises and sports events to name but a few.

B.I.'s readers are in the business of preventing losses, managing risks and financing insurance programs. Executives in over 17,000 corporations and business enterprises look to B.I. for the latest news and trends about risk management and insurance. The Specialty Risks market is an area of importance and interest to the almost 100,000 Business Insurance readers who work in corporations, insurance agencies and brokerages, insurance companies and related service organizations.

If you are a supplier of Specialty Risks expertise and insurance coverages you should benefit greatly from having your advertising message appear in this new highlights issue.

Don't miss the boat . . . reserve your advertising space now to assure your participation as a supplier of Specialty Risks insurance coverages in the **October 30 highlights issue of Business Insurance.**

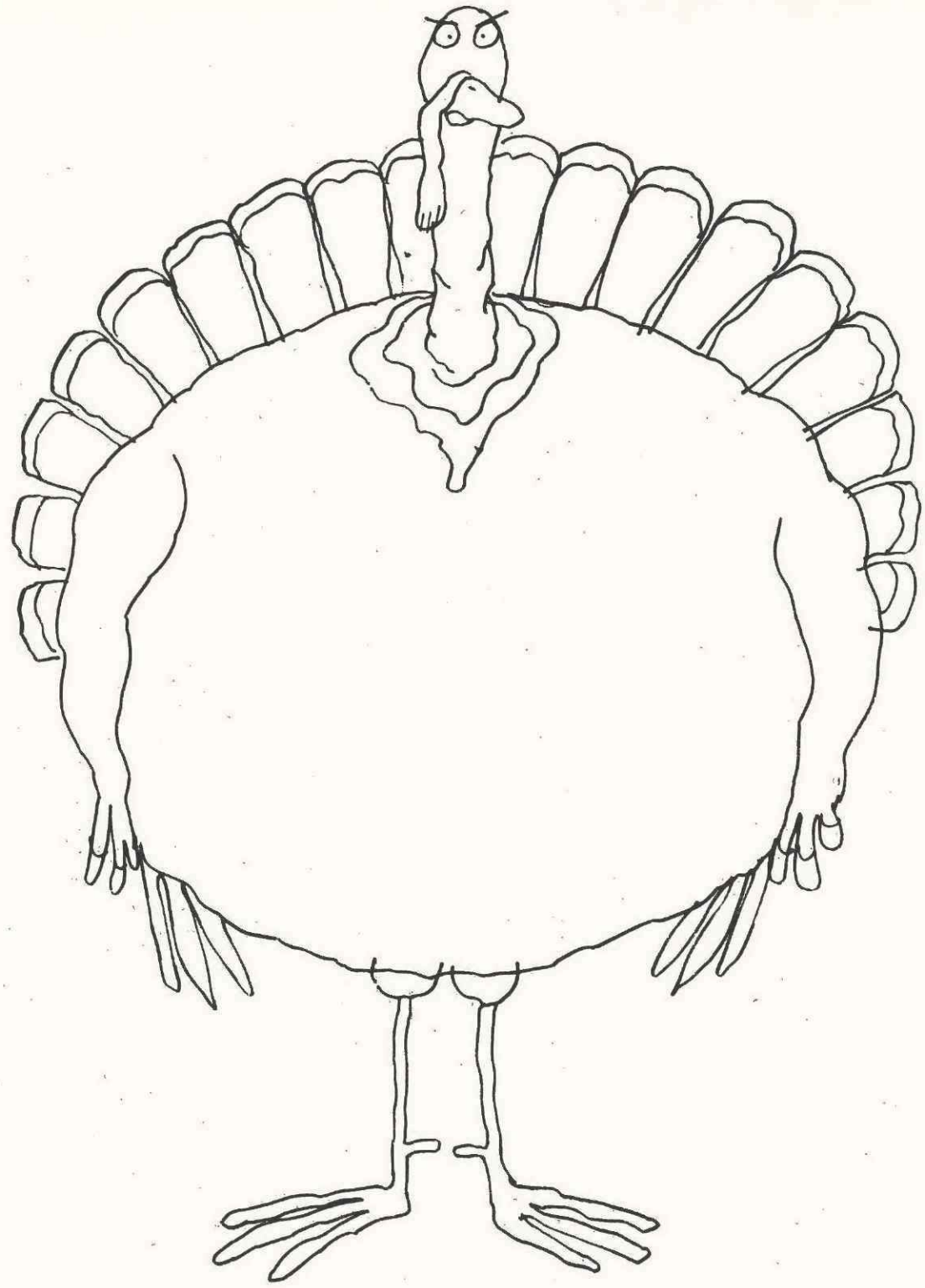
Advertising closing is October 17. For additional information call or write Don Walsh, Advertising Sales Director, 708 Third Avenue, New York, N.Y. 10017, (212) 986-5050. Or, contact any of the sales offices listed below.

business insurance

New York
708 Third Avenue
New York 10017
(212) 986-5050

Chicago
740 Rush Street
Illinois 60611
(312) 649-5275

Los Angeles
6404 Wilshire Blvd.
California 90048
(213) 651-3710



If no one will talk turkey with you about self-insurance, that's un-American.

If you're thinking about self-insurance, we're ready to talk turkey. Because American Mutual is a recognized authority in helping employers convert Group Health plans to self-insurance.

And talking turkey — with no gobbledygook — is the American way, the American Mutual way.

American® Mutual

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

We want to keep you safe, and sound.