

# business insurance

## update:

### Prudential snares group health plan

NEWARK—Prudential Insurance Co. of America, already the leader in the group health and life insurance market, has increased its dominance.

Last week, it took from Colonial Penn Group of Philadelphia the group health insurance plans for 2.5 million members of the National Retired Teachers Assn

*Continued on next page*

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$25 a year

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# Volcano claims smoldering



A few insurers are covering ash-removal charges in the wake of Mount St. Helens' eruptions earlier this year and are investigating claims for loss of earnings.

By RHONDA L. RUNDLE

OLYMPIA, Wash.—Hundreds of business interruption and ash-cleanup claims are still smoldering in the wake of four major Mount St. Helens volcanic eruptions.

Insurers are treading widely divergent paths in determining whether loss of earnings coverage exists for policyholders who shut down or could not reopen their businesses until heavy ash deposits were cleared from their premises last May. One lawsuit has resulted from denial of cleanup claims.

Nearly all insurers, on the other hand, have accepted state commissioner Richard Marquardt's view that the eruption was an explosion and have paid property damage claims within a 25-mile blast area.

"Unless the damage was caused by mud flows or flooding," said a spokesman in the commissioner's office, "these perils are specifically excluded in most commercial policies and insurers are standing firmly against paying such claims."

On this score, insurers are backed by Washington state case law that has established the direct cause of loss (mud flow or flooding) rather than the proximate cause (volcanic eruption) as the test for coverage.

In most other states, the eruption would be considered the cause of loss for insurance purposes.

Total insured losses from Mount St. Helens have topped \$14 million, says the American Insurance Assn. No exact figures on commercial losses or paid claims have been compiled.

A *Business Insurance* survey of 10 major insurers found that the number of commercial claims is running behind homeowners and personal automobile claims by about 3-to-1. Unsettled commercial claims are almost entirely for business interruption and ash-removal expenses.

Insurers are scrutinizing each of these cases individually according to tailor-made criteria established by home office claims staff.

A few insurers have decided to accept ash deposits as damage. They are paying for some cleanup charges and are investigating the possibility that their policyholder may have had a bona fide loss of earnings claim.

"We're paying for cleanup under all physical loss policies," said Jerry Leveque, Spokane claims manager for United Pacific/Reliance Insurance Cos. The insurer is denying such claims under its named perils policy, which does not mention volcanic eruption.

Those denials spurred the first major lawsuit to erupt from the volcano losses, a class-action suit filed in Grant County superior court against United Pacific/Reliance Insur-

*Continued on page 29*

## Product liability suits jump in '80, court report says

By JERRY GEISEL

WASHINGTON—The trend to make manufacturers defend the safety of their products in court continues to grow.

Product liability complaints filed in U.S. District Courts increased 26.4% in fiscal 1980 compared with fiscal 1979, according to a report by the administrative office of the U.S. courts. The fiscal year ends June 30.

The preliminary report, to be officially released later this month, shows 7,755 product liability cases were filed in U.S. courts in fiscal 1980 compared with 6,132 in 1979.

The 7,755 cases filed in 1980 are a 77% increase over the 4,372 filed in 1978.

"It (the report) is not a good sign," said Michael Dineen, director of federal government relations for Kemper Corp.

"It reinforces the need for tort reform."

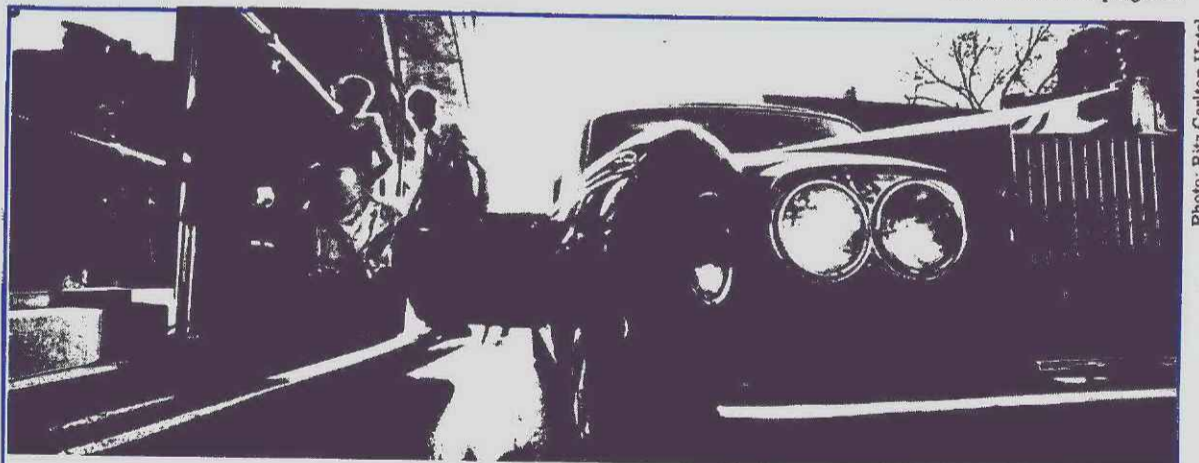
Others say the report supplies evidence for insurers that say they need to increase product liability insurance rates because of mounting losses.

"The figures (in the report) are even more frightening when you consider that some of the cases are class-action suits involving hundreds of product liability claims," said Dennis Connolly, counsel for the American Insurance Assn. in New York.

An avalanche of asbestos suits in Mississippi sent the number of product liability cases filed in its federal courts soaring 223.7% in fiscal 1980. A total of 437 suits were filed last fiscal year compared with 135 in fiscal 1979.

Many of those suits were filed by shipworkers claiming damages

*Continued on page 31*



New perks are more likely to be long-term incentives than autos or private club memberships.

## Glitter wears off exec perks

By MARY ANN MATLOCK

NEW YORK—The glitter is wearing off the "golden handcuffs" of executive benefits.

Until the economy rebounds, some companies are stalling on expansion of these programs. Others are improving the benefits, but only with strings attached.

Benefit consultants and managers agree supplemental retirement income, performance bonuses and post-retirement life insurance are as talked

about as ever. But talk is cheap.

Employers that are expanding these benefits designed to attract, retain and motivate top managers are directly tying them to the company's and the executive's performance. If profits don't surpass a predetermined level, the company has no promises to keep.

With the recession there is a lot of talk, but not a lot of new programs in executive compensation," said Paul Dorf, director of compensation services at

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# INSIDE:

Few insurers take bull by the horns  
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Risk Retention Act left hanging by Congress  
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# update:

## Prudential snares group plan

Continued from previous page and American Assn. of Retired Persons. The change is effective next July 1. The Prudential premiums will total \$300 million.

The plans, which Colonial Penn underwrote for about 25 years, represented about \$270 million for Colonial Penn, a third of its revenue.

Colonial Penn, Metropolitan Life and Allstate were finalists in the bidding. Discussion of competitive bidding began in February 1979.

## LNG settlement completed

HOUSTON—Underwriters in London and the United States have completed an agreement to award El Paso Co. a record \$300 million for three liquefied natural gas vessels being built by Avondale Shipyards Inc.

El Paso Co. will be paid \$90 million in the first of four annual installments, and \$70 million for each subsequent payment.

The ships became inoperative when cracks in the polyurethane foam insulation were detected on the first completed ship. Each ship cost more than \$100 million.

The three ships were insured under a \$210 million builders risk policy purchased by Avondale and a \$90 million owners interest policy purchased by El Paso Co. (BI, Aug. 11).

## Rely maker to issue warnings

SAN FRANCISCO—Beginning Oct. 6 and continuing for four weeks, Procter & Gamble Co. will run warning and informational advertisements to encourage women to stop using its Rely tampon.

The tampon has been linked in the last few weeks to the sometimes-fatal toxic shock syndrome. Other tampon brands also have been associated with the bacterial disease, but not as frequently.

The ad agreement, which the company made with the Food and Drug Administration, follows earlier announcements that Procter & Gamble was recalling its feminine hygiene product.

Several product liability suits, including a class-action suit here, have been filed against the manufacturer (BI, Sept. 29). Two were filed last week in federal court in Chicago seeking more than \$12 million for the death of one woman and the illness of another.

Suits are expected against other tampon makers and some third-party suits against retailers who sold the products are predicted.

## Lloyd's raises war risk rates

LONDON—Ships entering the Shatt-al-Arab, the waterway dividing quarreling Iraq and Iran, will pay \$3 per \$100 value of their hull value to obtain war risk insurance from Lloyd's of London.

The London syndicate market last week announced new rates for coverage for ships venturing through the area of heavy fighting for the last two weeks. The rate is two to four times greater than those charged a week earlier and has a three-day limit, down from seven to 14 days before.

Ships calling on ports in Iraq and Iran adjacent to the Shatt-al-Arab will pay \$2 per \$100 value for a three-day war risk policy from Lloyd's. Rates for ships calling on other Iranian and Iraqi ports would pay 10 cents per \$100 value for seven days coverage.

For ships calling on other Persian Gulf ports, such as Bahrain and Kuwait Lloyd's doubled the war risk rate to 10 cents per \$100 for a seven-day stay.

## GPU can't charge for cleanup

HARRISBURG, Pa.—The financial problems stemming from Three Mile Island continue for General Public Utilities.

A federal judge has upheld the state public utility commission's ruling that GPU cannot charge electric customers for the cleanup costs resulting from the March 1979 nuclear accident. Insurance will only pay for \$300 million of the more than \$600 million GPU estimates it will take to put the plant in working order.

A company spokesman said it would continue to explore other areas of revenue to pay for the cleanup.

## D.C. comp law overturned

WASHINGTON—A District of Columbia judge has overturned the city's five-month-old workers compensation law that slashed benefits.

The judge said the city council had encroached on a federal program when it revamped its workers compensation law last April to reduce the maximum weekly benefit to \$396 from \$426 and place a 3% cap on future annual increases. The work comp law has been administered under the federal Longshoremen's and Harbor Workers' Act.

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# Florida exchange plots slow but sure growth

By JOHN MAES

TALLAHASSEE—If the Insurance Exchange of the Americas initially makes only a tiny ripple instead of a big splash, its creators will be perfectly happy.

In fact, that's the way its board of directors prefers it.

In an interview with *Business Insurance*, several members of the exchange's charter board of directors said attempts to grow too quickly have hurt the New York Insurance Exchange. The same pattern could cripple Florida's entry into the high-risk specialty lines insurance business when the exchange opens in a year or so, they say.

"We've got to realize that this exchange must crawl before it walks and learn to walk before it runs, but we're looking for our place in the market," said Dana Roehrig, a St. Petersburg broker and board member.

There are no illusions of unseating Lloyd's of London as the dominant force in the South and Central American insurance markets. But the Florida direc-

tors believe their exchange can carve out a niche in Latin America, which has grown steadily the last several years with increasing economic stability and industrial and commercial capacity.

The board members don't buy a risk consultant's recommendation that the exchange develop other markets besides Latin America. Florida, with its new reputation as a world commerce, banking and transportation center, is in a unique position to reap substantial business from Latin America through an insurance exchange, the directors say.

Mr. Roehrig said he's already had favorable response from Lloyd's about possible joint reinsurance ventures. Such agreements could open the door to similar ventures with German and Swiss insurance firms doing business in Latin America, he said.

But to meet these goals, the exchange needs a competent, aggressive executive director, said Bill Sadowski, Florida state representative who heads the house committee on insurance where the idea was born.

"We're looking for the Don Shula of the insurance world, a leader," Mr. Sadowski said. Mr. Shula, coach of the Miami Dolphins of the National Football League, is credited with making a perennial championship contender out of a once-floundering expansion club.

The executive director will be responsible for shaping the future of the exchange. He will devise ways to develop new markets and establish the credibility of the operation among domestic and Latin American businesses, Mr. Sadowski said.

But Mr. Sadowski does not expect to find such a director cheaply or quickly. The board will have to be prepared to pay more than \$100,000 a year for the person for at least the first two years, he said. It also will take several months to find a candidate with sufficient knowledge of insurance, business and Latin American affairs. The person will need credibility among business leaders, he said.

Directors have a candidate in mind, but it's too early to tell if he will be the choice, Mr. Roehrig said. The person has not been approached, he said.

The directors say several factors are working in favor of the Florida exchange, guaranteeing it will fare better than exchanges in New York and Illinois.

Continued on page 32

Photo: John Maes



"We're looking for the Don Shula of the insurance world," says Bill Sadowski, a Florida legislator.

# Congress fails to pass risk retention measure

By JERRY GEISEL

WASHINGTON—Manufacturers will have to wait at least until after the November election to find out if they will be able to pool their product liability risks.

Despite furious end-of-session efforts, Congress did not approve the Risk Retention Act before recessing.

However, the product liability pooling measure could be taken up when Congress returns after the elections for a "lame duck" session, sources say.

The measure (H.R. 6152) was stalled when Sen. Howard Cannon (D-Nev.) combined the risk bill with legislation establishing a quasi-public company to promote foreign travel to the United States.

The administration and House members refused to accept Sen. Cannon's tourism proposal, which would aid his home state. However, House members did offer to separate the Risk Retention Act from the tourism proposal, sources said.

But Sen. Cannon refused to separate the measures, leaving the Risk Retention Act in limbo.

The Risk Retention Act makes it easier for businesses to set up insurance cooperatives to pool their product liability risks.

Congress also failed to approve three pieces of legislation that would establish superfunds—ranging from \$150 million to \$4.2 billion—to clean up oil spills and

abandoned toxic waste sites and compensate any victims of the pollution.

"The differences between the House and Senate versions were too great," said Les Cheek, vp-federal affairs for Crum & Forster in-

urance group. But Mr. Cheek does expect hazardous waste legislation to pass during the next session of Congress, which begins in January.

Congress did not give final approval. Continued on page 8

# Canadian buyers return to London

By STACY SHAPIRO

WINNIPEG—Some Canadian risk managers are moving against the stream and taking their business back to London from the North American market.

They say they have found Lloyd's to be more stable, offering better protection at reasonable rates.

"We're looking for the best protection at a reasonable cost," said Henry Maitland, risk manager for Consumers Gas in Toronto, at a recent Canadian RIMS conference here.

Lloyd's recently offered him a "very reasonable rate" on his excess casualty coverage above \$2 million. Mr. Maitland moved his policy from American Home Assurance Co. of New York to the London market.

He also bought an aircraft property and liability policy from Lloyd's after many attempts to place it in the North American market. "We couldn't get it at a reasonable rate," he said.

Lloyd's now insures the company's helicopter for almost \$5.5 million with a 20% no claims bonus at a \$342,000 premium.

Continued on page 27

Stacy Shapiro reports on product liability and other issues discussed at the Canadian RIMS conference last month in Winnipeg, beginning on page 26.

Photo: Armando Villa



Would-be cowboys must sign a waiver of liability for their spills from the bull.

# Insurers hesitate to take bucking bull by horns

By SHARON WATSON

DALLAS—Bar patrons are lining up to ride the newest amusement craze, but insurers aren't.

Thanks to John Travolta, the Urban Cowboy, the twisting, turning, unpredictable mechanical bull is drawing crowds. For a small fee, usually \$2, would-be cowboys and cowgirls can try their skills at being a rodeo star. And like real rodeo performers, thousands are ejected long before the end of their 10-second rides.

Broken bones and joint dislocations are not uncommon, and even though riders are required to sign a waiver of liability for injuries, lawsuits are kicking up trouble. One Dallas disco, Cotton-Eyed Joe's, was hit with a \$100,000 injury suit although it was later dropped.

Northeastern Fire Insurance Co., a Dallas insurer, decided to discontinue insuring the electric animals after reading of 20 injuries in one weekend at a New Orleans club, even though none of its policyholders had filed claims.

"We just decided it was too risky," said a spokeswoman for the insurer.

But if some companies are refusing to ride along, a few others are taking the risk by the horns and imposing strong safety guidelines for policyholders.

One agent, James Vanderburg of In-

surex-Gibco of Dallas, reports he had a difficult time last year finding coverage for the bull at Cotton-Eyed Joe's. But Canadian Universal Insurance Co. Ltd. was willing to underwrite the risk for a \$10,000 premium for \$500,000 limit.

This year Mr. Vanderburg has persuaded his general liability underwriter to take on the bull again because of good loss experience. The premium is \$4,500 with a \$1,000 deductible per incident.

Houtex Excess & Surplus Lines Agency in Houston, where the fad took off at the famous Gilley's bar, had turned down several requests for coverage in the past but now has found an underwriter, Amusement Business Underwriters. ABU will cover the ride whether it is in cocktail lounges or at county fairs.

"We had to put our heads together on rates," said Brigitte Williams, underwriter for ABU of Birmingham, Mich., a division of Bingham & Bingham.

"It's not like a merry-go-round. It's new, there's no experience, control is a problem."

Ms. Williams declined to give the rates, but said they are about the same as those for roller coaster rides. Her company uses a flat rate; some underwriters insure on a percent of gross receipts. ABU's liability limits are \$500,000.

Working with manufacturers of the

Continued on page 8

# Predictions:

## Bush on national health insurance

By LEN STRAZEWSKI

NEW ORLEANS—National health insurance as proposed by President Carter and Sen. Edward Kennedy (D-Mass.) would be "the single biggest piece of legislation adversely affecting inflation," says Republican vp candidate George Bush.

"Gov. Reagan and I are opposed to the Carter and Kennedy plans," he told a business press panel at the Independent Insurance Agents of America convention here.

"We believe the answer to health care concerns lies in catastrophic coverage with private insurance carriers. National health insurance is not productive at all and we will fight it."

Mr. Bush called for less federal regulation of business and industry and affirmed a Reagan-Bush preference for state regulation of the insurance industry.

American industry, in general, needs less regulation, he told reporters. "We are absolutely in favor of deregulation of the Occupational Safety and Health Administration," he said.

"But we have to make sure to examine OSHA regula-

tions carefully to avoid charges that we are against safety in general."

A preponderance of regulation, especially regarding safety, can often interfere with business productivity, he charged.

"Of course, we are against regulative redundancy. I toured a wood-burning stove factory recently and the owner told me there were three agencies telling him how to run his factory. Who are we (the federal government) to go around and tell businesses how to build a stepladder or whatever their job is?"

Federal regulation outlawing insurance redlining falls into the same category as imposing regulation, Mr. Bush added.

"The federal government shouldn't dictate the risks that a private firm should take. On the subject of redlining, Gov. Reagan and I both suggest that we should work to attract industry to these areas and elevate the area. And in that way, get rid of the problem entirely."

Mr. Bush said he did not know if a Reagan administration would continue the President's Commission on Pension Policy.



George Bush

## Toffler on employee benefit plans

NEW ORLEANS—Flextime and "tailor-made fringe benefit packages" are the first step toward a more human, less synchronized society, says Alvin Toffler, author of "Future Shock" and "The Third Wave."

"It's a clear example of the demassification of society and a sign that corporations are becoming more interested in their employees as individuals. Corporations are more interested in their employees' values, not just the corporate unit."

Corporate and employee understanding is just one example of the "third wave of civilization" the world can expect, Mr. Toffler told the Independent Insurance Agents of America convention here.

"In the near future, we will see the collapse of the second wave of civilization, the society molded by the industrial revolution. In its place will be a third society which is not concentrated, syn-

chronized and standardized." The economic failure of the Chrysler corporation is the symbol of the collapse of the second wave, he said.

Employers, he predicted, will find employees are going to be less willing to travel long distances to their workplace as energy costs increase.

The business community will evolve into an electronic college with many employees working at home instead of in the office. Workers will communicate electronically instead of face to face with their bosses.

High technology and individualism will be the cornerstone of the third wave of civilization, Mr. Toffler said.

Corporations will have to adapt more to the needs of their employees as those needs evolve because of changes still to come in business, family and governmental structures.

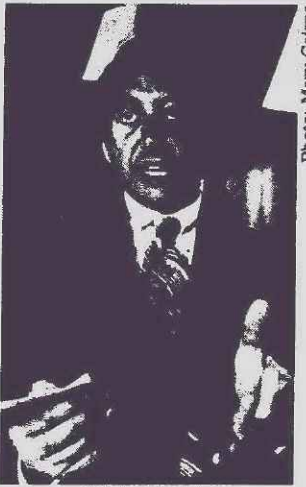


Photo: Mary Cairns

Alvin Toffler

# War on insurance fraud accelerates

By JOHN MAES

MIAMI BEACH—In Florida, \$50 million in fidelity bonds is sold to unwitting contractors who don't realize the bonds are worthless until after the seller pockets the \$85,000 in premiums.

In another state, a woman goes into the hospital for a short stay. When she checks out, she collects \$250,000 from several college alumni association health insurance policies.

Insurance fraud has increased so much that two states have established special law enforcement agencies to deal with the problem, and insurance companies are hiring professional investigators to check questionable claims.

John Maes covered the American Society of Industrial Security conference last month in Miami Beach. On Page 24, he reports on ways to fight white-collar crime, how to avoid lawsuits over employee searches and how art owners and museum directors can help the FBI track down stolen art objects by keeping on file information to identify the stolen goods.

Successful fraud schemes not only hurt the insurer, who pays out the fraudulent claims, but also all insurance buyers, who pay for the crimes through inevitably higher insurance premiums.

"I can't think of too many crimes that are as easy to commit and get away with as insurance crimes," David M. Werfel, director of program security for Blue Cross & Blue Shield of Greater New York, said at the American Society of Industrial Security conference here this month.

He said two things have made insurance fraud an easy crime. First, insurers and the buying public don't realize how prevalent the crime is and cannot detect it. They are willing to "write off" the loss.

Second, criminals know that if they are convicted of insurance fraud, they will receive light white-collar crime sentences and easy parole terms.

"We surely have to do something to stamp out insurance fraud," said Robert McKenna, director of the division of insurance fraud for the Florida state insurance department. "Any insurance company that doesn't have someone working to protect it against this kind of crime is remiss, I think."

Continued on page 24



Photo: John Maes

Information on insurance fraud and other security problems was available at the Industrial Security Conference in Miami Beach.

# Reporters win dental plan on deadline

EDITORIAL PERSONNEL at the Chicago Sun-Times are filing their stories under a new contract that includes a fully paid dental plan and other expanded benefits.

The contract between the Chicago Newspaper Guild and the Sun-Times, which was reached only an hour before strike deadline, covers 290 employees and runs through May 31, 1982.

The dental plan will pay a maximum benefit of \$1,000 per person per year and covers 80% of preventive and most basic services and 50% of major treatments such as orthodontia.

The eye-care plan was expanded to cover the cost of an additional pair of eyeglasses needed by an employee for work on the video display computer terminals.

The newspaper also will pay pre-

## benefit beat

miums for family hospitalization coverage up to \$28 a week the first year of the contract and \$30 in the second year, an increase from the current \$22.50 a week. Insurance premiums are being increased and the exact premium cost is not determined yet, said Jerry Minkkinen, executive director of the guild.

Medical coverages are underwritten by Prudential.

Pension benefits will be increased depending on the length of service of retirees, up to a maximum of 82% for long-term employees.

The cost to the Sun-Times for the benefits is uncertain, but is likely to be 3% to 3.5% of payroll,

Mr. Minkkinen estimates.

## Actors' dental

Teeth will sparkle in the camera lights if the striking actors sign their tentative three-year contract because it includes provisions for a dental plan.

The Screen Actors Guild is negotiating an additional 1% contribution from each of the television and film producers to their pension and welfare fund "specifically to fund a dental plan," said Richard Cline, the guild's administrator of pensions and welfare. But the plan won't be effective until February 1982, he said, because the

funding won't be available until then.

No specific details have been discussed for the dental plan and insurers have not been approached as yet.

The dental plan will keep those teeth whiter-than-white off the screen as well as on, said a SAG spokesman, who pointed out that more than 80% of the SAG membership earns less than \$5,000 per year and even the "stars" are unemployed between takes.

## Railroad pensions

The nation's railroad operating unions will seek additional pension contributions from the railroads during the contract talks that may begin this month, the Brotherhood of Railroad and Air-

line Clerks has announced. The contracts expire March 31.

The union is seeking a \$1.21 increase per employee per hour in contributions to the financially ailing U.S. Railroad Retirement Board, which provides retirement benefits to an estimated one million retirees in lieu of Social Security. The rate is now 92 cents per employee per hour.

About 500,000 active railroad employees are paying into the fund, which paid out \$4.5 billion in benefits last year. Retirement board projections show the board could be forced into delaying retirement benefits as early as 1982.

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

## around the states

### Bill would revise fire, police comp

HARRISBURG—Any police officer or firefighter in Pennsylvania who develops a heart ailment automatically would be eligible for workers compensation benefits under a bill pending before the legislature.

S.B. 439, which was approved by the senate state government committee, would create a legal presumption that the heart problem was the result of the "stress and danger" of the job. The measure would affect about 40,000 municipal police officers, firefighters and state police.

Sen. Vincent Fumo, chief sponsor of the bill, said workers compensation benefits were being "arbitrarily denied" to police officers and firefighters who develop heart problems. He said he introduced the bill at the request of Gary Lightman, lobbyist for the Pennsylvania Fraternal Order of Police.

Mr. Lightman said the measure was designed to shift the burden of proof in workers compensation cases involving police officers and firefighters stricken by heart problems from the employee to the governmental employer.

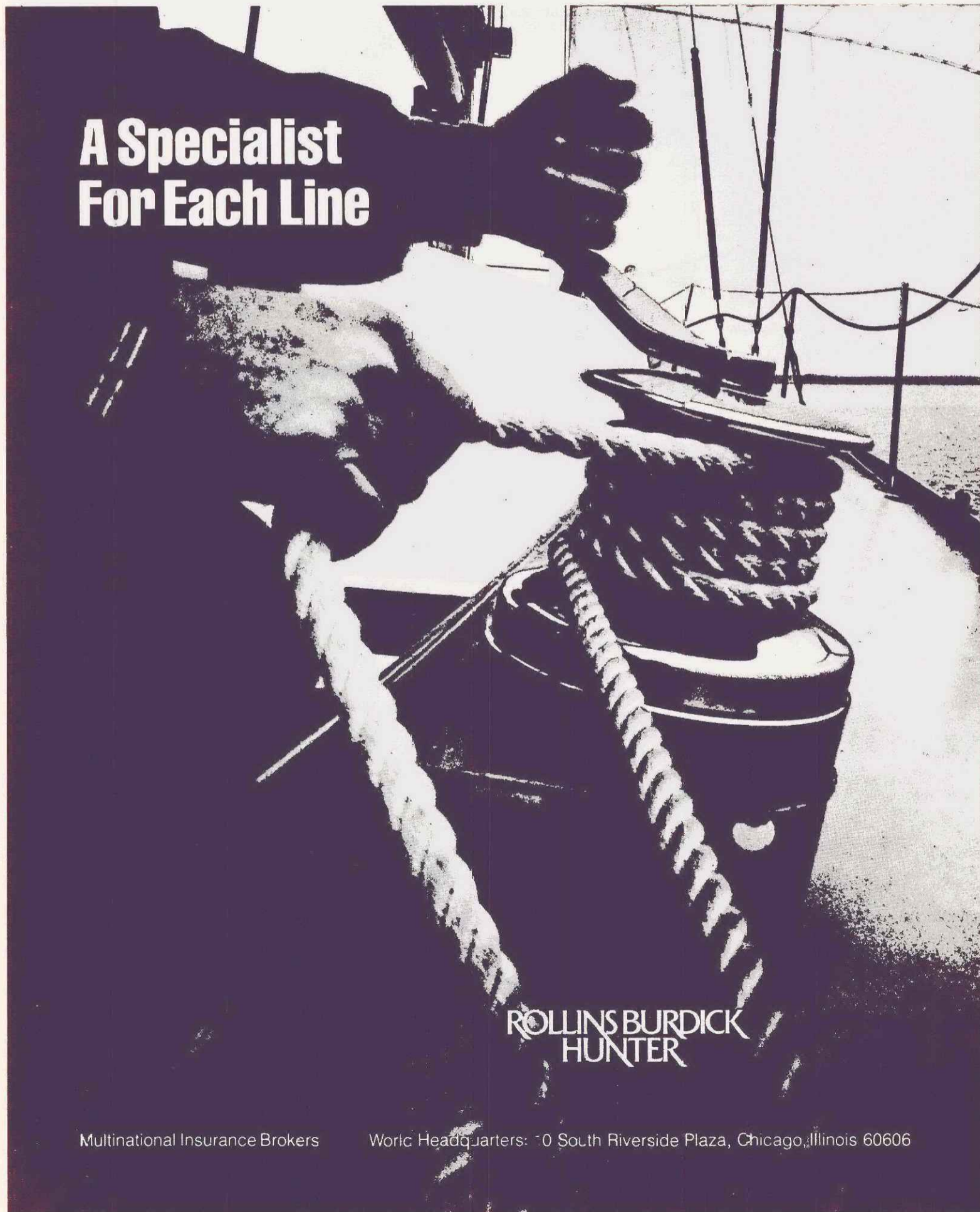
"The biggest problem is not winning these cases," Mr. Lightman said. "We have a pretty good won-lost record on appeals. The problem is that the appeals process can take years, and in the meantime the injured officer is left destitute."

### Statute upheld

RICHMOND—A Virginia statute requiring Blue Cross & Blue Shield prepaid health plans to pay for services rendered by psychologists, opticians and optometrists is constitutional in part, the state supreme court has ruled.

But the statute was unconstitutional from 1973-79 when it excluded group commercial insurance policies from the same service payment requirements.

In 1977, the state corporation commission said provisions of the Blues plans of Virginia were contrary to a 1973 law requiring prepaid medical plans to cover services from podiatrists, chiropractors, optometrists, opticians and psychologists if the same services were paid for when provided by physicians.



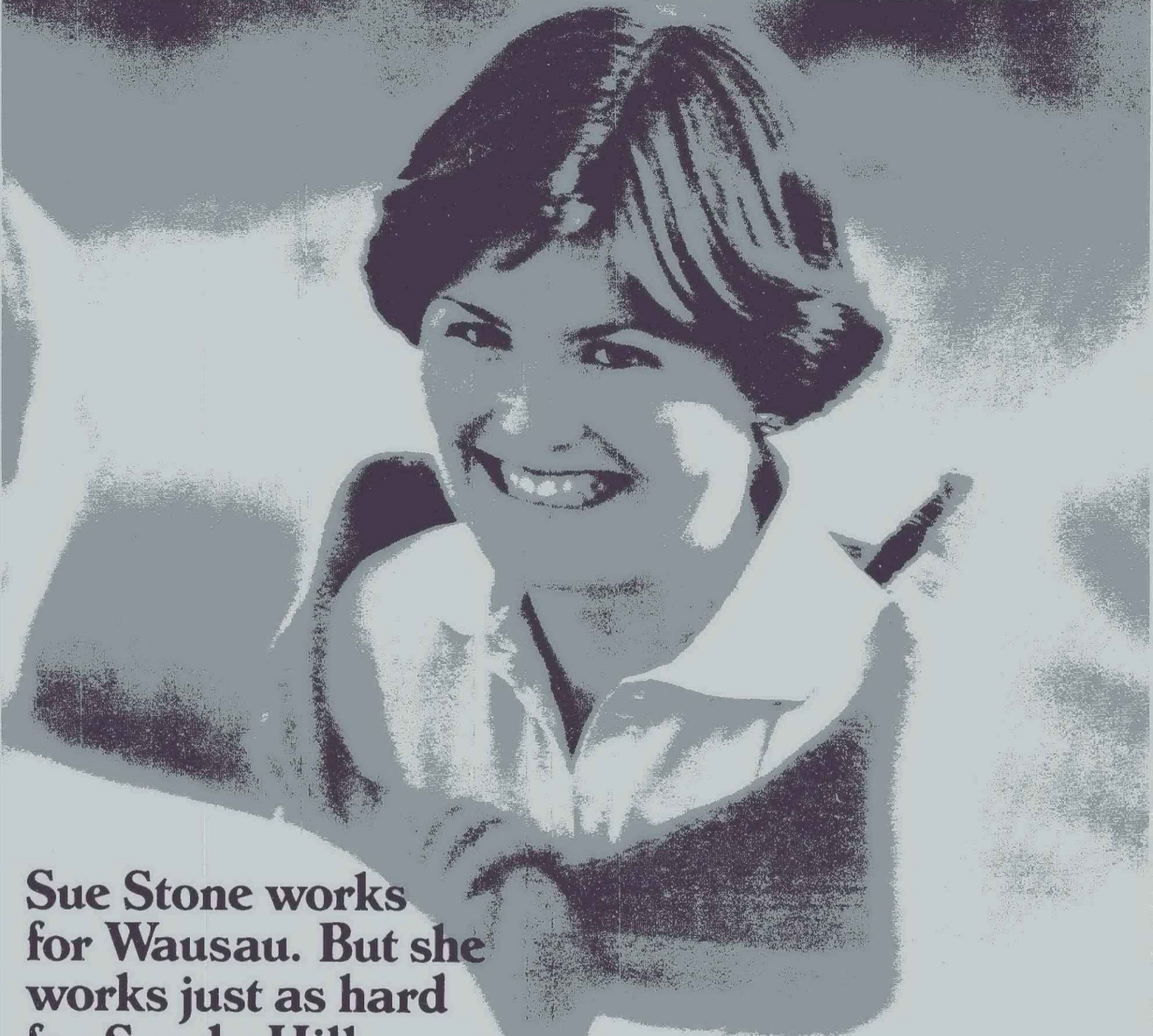
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# WAUSAU WORKS.<sup>SM</sup>



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

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

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

That's Sue Stone's specialty. "I like being with policyholders — the *people* part of my job is

the best part," says Ms. Stone, Senior Employee Benefits Consultant of Wausau's Syracuse Region. "I feel we're part of Sandy Hill's family, too. We've been with them 34 years."

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

benefits program possible. And Wausau wants more good insurance partners like Sandy Hill. Because we've got more good people like Sue Stone — all across the country.



**WAUSAU  
INSURANCE  
COMPANIES**

Employers Insurance of Wausau

# Erratic product rates cause concern

By JERRY GEISEL

HARTFORD—Continued erratic pricing of product liability insurance is causing buyers to wonder if the industry knows what it is doing when it sets rates.

Three years ago, broker Richard Newman, executive vp at Bayly, Martin & Fay of Connecticut, received a quote of \$377,000 for a \$10 million umbrella policy.

Today, for the same policy and same coverage, Mr. Newman got a quote of \$96,000.

"As agents and brokers, we try to convince buyers that the insurance industry is not guessing (about rates)," Mr. Newman said. But with such a disparity in quotes, the industry is losing its credibility, he said.



Photo: Jerry Geisel

**Buyers have the advantage now, says broker Richard Newman.**

liability conference here sponsored by the University of Connecticut Center for Insurance Education.

In the current competitive product liability market, buyers are in driver's seats. This is in sharp contrast to the crunch of the mid-1970s when a buyer was lucky to receive a quote for product liability coverage.

Now the buyers not only can find one insurer, but also several others that are willing to compete for his business, he said.

Mr. Newman offered brokers and risk managers several tips on buying product liability coverage:

- Check the financial strength of the insurer offering the coverage.
- Check the insurer's services. Many product liability insurance companies offer no loss-control services.
- Check policy forms carefully for exclusions.

## Conference background

HARTFORD—A conference on "The Outlook for Product Liability Insurance in the 1980s" brought some 80 underwriters, brokers and risk managers here last month to discuss product liability trends.

The conference was sponsored by the University of Connecticut Center for Insurance Education and Research under the direction of professor William T. Fisher.

The message for buyers at the conference was: The rock-bottom product liability rates of today will disappear next year when the market tightens.

But none of the experts expects a repeat of the 500% to 1,000% price hikes that occurred during the last liability insurance crunch five years ago.

- Check if the policy covers punitive damages. Some policies exclude them.
- Mr. Newman predicted a considerable tightening in the product liability insurance market by late 1981. This will mean the end of bargain basement prices.

## Pricing uses many factors

HARTFORD—Do insurers pull numbers out of a hat when they set product liability insurance rates?

Because of the enormous fluctuations in price and availability of product liability insurance, an increasing number of risk managers and brokers have been asking that question.

But a veteran underwriter, who spoke at a product liability conference here, says insurers consider many criteria before setting rates.

Robert Figulski, assistant secretary of general liability at Aetna Insurance Co., cited factors that help insurers decide price. They include:

- The life of the product and the age of the company manufacturing it. "A company that has been in business for 50 years will be treated differently than a new firm."
- Safety improvements. "Is there a retrofit program to ensure that old products are brought into line with new safety requirements?"
- Discontinued products. "Were they discontinued because of safety problems or just because the product became obsolete?"
- Does the risk meet industry safety standards?
- Does the policyholder design its own products or does it follow design specifications?
- Does the manufacturer maintain sales identification records so customers can be notified promptly if a product recall program is necessary?

Mr. Figulski warned manufacturers to tone down their advertising claims. "Advertising that a product 'lasts a lifetime' does increase a manufacturer's liability," he noted.

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# Manufacturers have defense, judge says

HARTFORD—Manufacturers still have powerful defenses against product liability suits despite the strict liability concept developed in U.S. courts during the last two decades.

"Strict liability is not absolute liability because several defenses are left to the manufacturer," said Connecticut superior court Judge Douglass Wright. "Strict liability never meant absolute liability."

Under strict liability, an injured consumer has to prove only that the product was defective at the time of manufacture. He does not have to establish that the manufacturer was negligent.

Speaking at a product liability conference sponsored by the University of Connecticut Center for Insurance Education and Research, Judge Wright listed several key defenses available to product manufacturers in court:

- The product must be proved to be defective and, therefore, unreasonably dangerous.
- The manufacturer must make the product. "I can't be sued for selling a (defective) used car.

That's not my business," Judge Wright said.

- The product can't be substantially changed before the accident.
  - The product can't be misused by the consumer.
- Despite the availability of these defenses, Judge Wright concedes that strict liability has opened the legal door to a lot of product liability suits.

He admits the odds are turning against the manufacturer in product liability claims. "We're getting more and more of a plaintiff's world," says the judge, who has served on the superior court the last 15 years.

Judge Wright said he was shocked at a 1978 California jury verdict that awarded \$128 million to a teen-ager who was severely burned when the gasoline tank of the Ford Pinto in which he was riding exploded after being struck from the rear. The award was later reduced to \$6 million, and Ford is appealing.

"Fortunately, juries here (in Connecticut) haven't gone that far yet," he said.

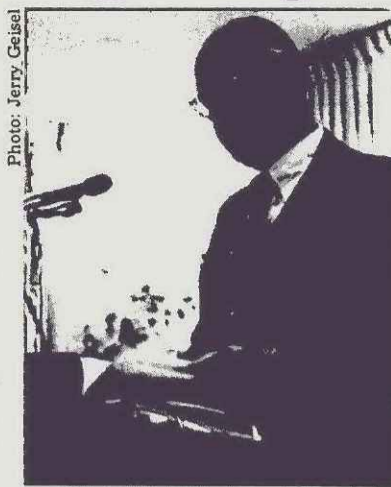


Photo: Jerry Geisel

"Strict liability is not absolute liability," says Judge Wright.

# Lawyer blames business

HARTFORD—High jury verdicts did not cause the product liability crisis of the mid-1970s, a prominent trial lawyer says.

The crisis, says William Davis of RisCassi, Davis & Linnon here, was triggered by manufacturers who put unsafe products on the market, arousing the ire of jurors.

Mr. Davis spoke at a product liability conference here sponsored by the University of Connecticut Center for Insurance Education.

"It's not surprising that a jury got mad in the Ford Pinto case," Mr. Davis said. "A business decision was made. It was decided it was cheaper to pay settlement costs than fix a product (a gasoline tank that could explode upon light impact).

"When safety is put on the back shelf... you are going to have that kind of (huge) award," he said.

Mr. Davis disagrees with the need for a statute limiting the time a manufacturer is liable for his products. Manufacturers and insurers are eagerly pushing for that tort law reform.

Manufacturers argue that lawsuits are being filed involving products 20, 30 or 40 years old. But Mr. Davis says that in his 26 years as a trial attorney, he has never seen a case involving a product more than 15 years old.

Mr. Davis also threw cold water on giving manufacturers an absolute defense in product liability cases if products were made according to industry safety standards.

"The problem there is that the industry would be able to write its own safety standards," he said.

Mr. Davis defended the U.S. legal system in which jurors, not judges, determine liability and recommend awards.

"I would rather have 12 persons of different biases decide than just one person," he said.

But the trial attorney did call for one major change in the product liability field: Insurers should be required to report their product liability underwriting results to state insurance commissioners. Insurers must do so in some 15 states.

"I do not think the evidence will disclose that jury verdicts were the cause of the crisis" that saw skyrocketing of premiums and a scarcity of coverage, he said.

In reviewing health care coverage, a lot of executives make a false assumption—that health care costs will be the same no matter who the carrier is. After all, the same people will get sick and incur the same costs. The only variable is what the carrier charges for administering the program.

## THE EXPENSIVE ASSUMPTION.

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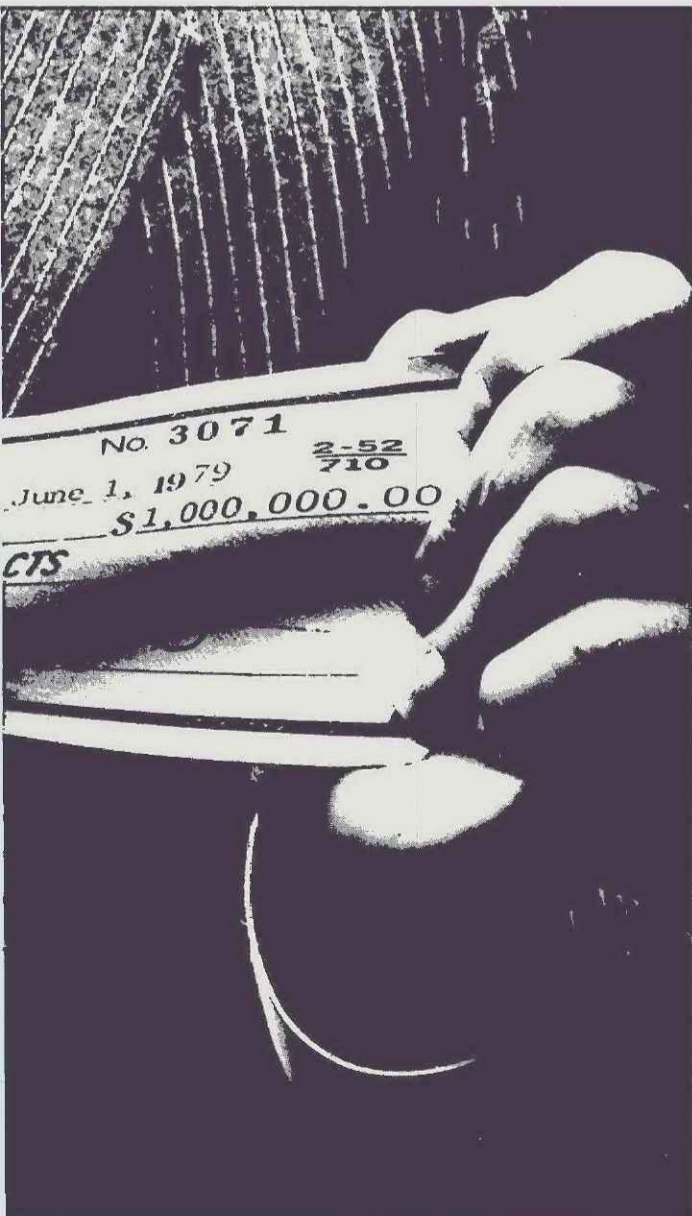
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## Congress fails to pass risk act

*Continued from page 2*

proval to legislation (H.R. 7745) to relieve coal mine operators from liability for black lung claims filed by miners who were last employed before July 1, 1973.

Under current law, mine operators are responsible for claims filed by miners employed after Jan. 1, 1970.

A special tax on coal production would finance a new trust fund to pay black lung benefits for coal miners last employed between Jan. 1, 1970, and June 30, 1973.

After a two-year battle, Congress did pass legislation (H.R. 3904) to shore up ailing multiemployer pension plans.

The bill raises termination in-

surance premiums paid by employers, reduces benefit guarantees by the Pension Benefit Guaranty Corp. and makes an employer that withdraws from a multiemployer plan liable for its share of the plan's unfunded liabilities.

President Carter signed the multiemployer bill into law Sept. 25.

Other pension proposals did not fare as well. Tax deductions for pension contributions—an idea broadly supported by the pension community—appears dead.

The legislation proposed by Sen. Robert Dole (R-Kan.) and attached to a complex tax-cut bill would have allowed plan participants to annually deduct up to \$1,000 or 15% of compensation, whichever is less. Or an employee could set up an Individual Retirement Account within these limits even if he or she is covered by a corporate plan.

Congress, however, refused to consider the tax-cut legislation before the recess. Most observers doubt if Congress will pass the tax bill when it returns after the November elections.

Other insurance and pension-related issues that appear to be dead include:

- The ERISA Improvements Act of 1980 (S. 209). This far-reaching legislation, proposed by Sen. Harrison Williams (D-N.J.) and Sen. Jacob Javits (R-N.Y.), would set up a single federal agency to administer the Employee Retirement Income Security Act.

- National Workers Compensation Standards of 1979 (S. 420). Also proposed by Sen. Javits and Sen. Williams, the measure would establish minimum federal standards for state workers compensation programs.

- Longshoremen's and Harbor Workers' Compensation Act amendments of 1979 (H.R. 2448). Proposed by Rep. John Erlenborn (R-Ill.), the measure would have placed a 3% cap on annual longshore benefit increases.

- National health insurance. Of the myriad national health proposals introduced, none made it out of a congressional committee.

## Insurers avoid bull

*Continued from page 3*

ride, ABU has set up safety guidelines:

- No homemade machines will be insured.
- Adequate supervision is required at all times.
- Riders must be over 16 years old.
- Riders must sign injury releases.
- The ride area must be cordoned off.
- Foam rubber padding (not hay) must surround the machine.

But there are still those underwriters who argue that mechanical bull is not a passive ride and not as insurable as other amusement rides.

"This is going to be the 'in-ride,'" Ms. Williams said.

"It draws people and spectators; it pulls in business. The mechanical bull is going to be around a lot longer than skateboard parks."

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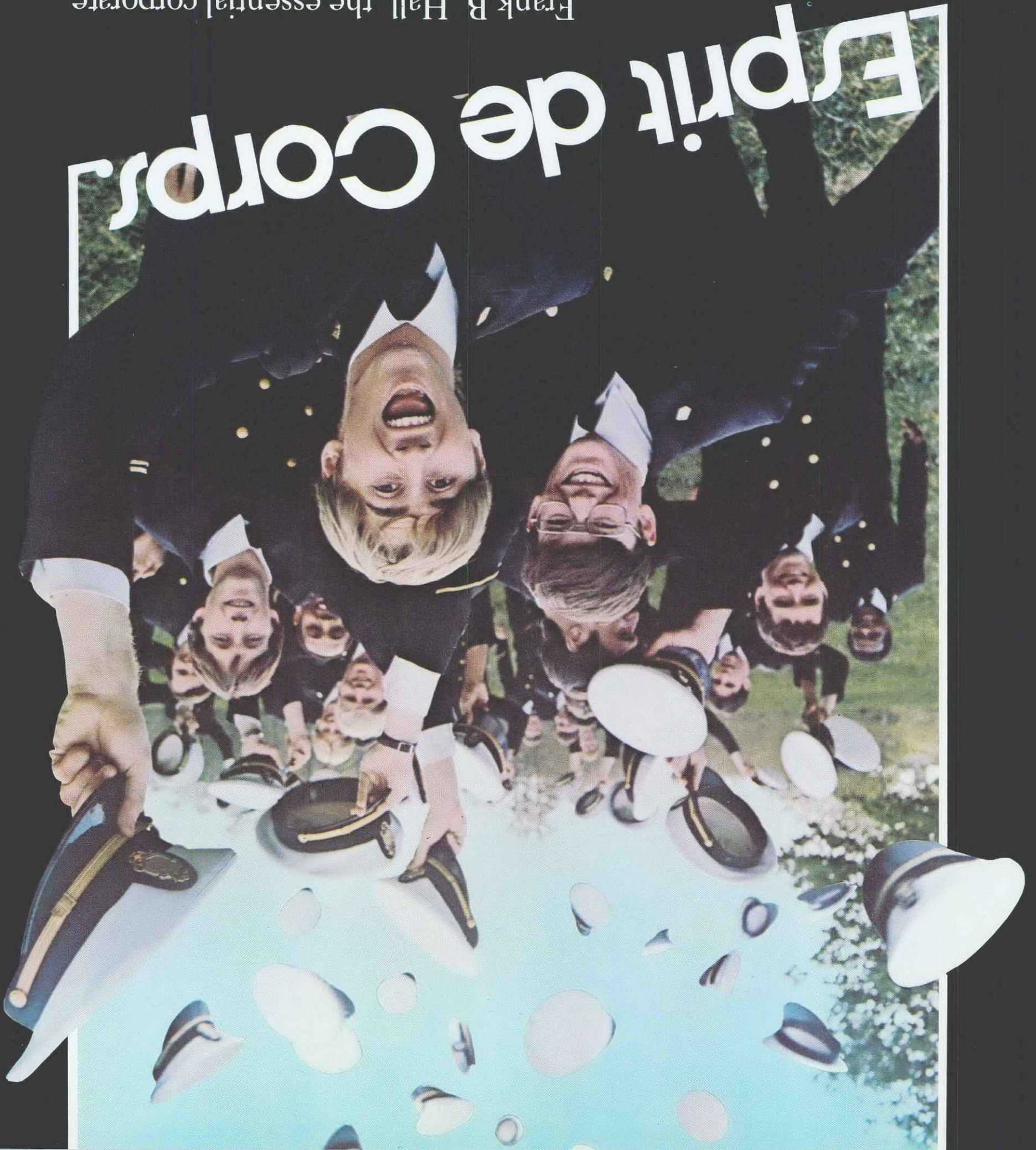


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## products & services

# OMNI package covers workers in small firms

PROVIDENT Mutual Life has introduced OMNI, a group plan for businesses with two to nine employees. The plan provides group term life insurance, accidental death and dismemberment protection, disability income and major medical benefits.

OMNI will be administered by Plan Services Inc. of Tampa. The cases will be underwritten based on Provident Mutual guidelines.

Plan Services will print and distribute certificates of insurance, handle claims administration and maintain accounting records.

For further information, contact Provident Mutual Life, Box 7378, Philadelphia, Pa. 19101; 215-472-5000.

## Impaired mortgage

An All Risk Mortgage Impairment Insurance Plan has been introduced by Hull & Company Inc. The program covers a lending institution if a loan security is damaged or lost through an insured peril such as fire, earthquake and other catastrophes, the company says.

It also provides "fill-in" coverage where the property is underinsured. Under the program, the bank or savings and loan association may recover a loss if the mortgage is improperly insured. Omissions resulting from dealing with the Veterans Administration or Federal Housing Administration, can also be covered, the company contends.

The primary plan has limits to \$1 million, with excess limits of \$4 million available on request.

For further information, contact Hull & Company Inc., 1441 E. 17th St., Santa Ana, Calif. 92701; 714-547-0793 or 213-624-8622.

## Property package

The Hartford Insurance Group has introduced a new insurance package for small and medium-size commercial accounts called "Spectrum."

The Spectrum package of property and liability insurance covers retail stores, wholesalers, offices, service outlets, apartments and condominiums.

Square-foot restrictions have been eliminated. With Spectrum, insurance can be written up to \$2.5 million on buildings and up to \$500,000 on contents.

The product was introduced in Colorado this summer and The Hartford plans to introduce it in an additional 46 states by the end of 1980. For more information, contact the insurer at Hartford Plaza, Hartford, Conn. 06115.

## Repossess plan

Burroughs & Watson Inc. has introduced port risk repossession coverage for repossessed marine vessels.

Coverage is limited to \$2 million per vessel for hull and machinery value. It includes limited towing at no added cost and protection against worldwide port risk.

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Information on rates is available from Burroughs & Watson Inc., 1335 United Virginia Bank Building, Norfolk, Va. 23510; 804-627-9243.

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# Pension panel remains unsure on forced plans

By **STUART EMMRICH**

NEW YORK—The President's Commission on Pension Policy seems to be leaning toward mandatory private pension plans, but won't commit itself yet.

Commission members, who met in New York recently, are reluctant to make any promises before their formal recommendations go to President Carter and Congress in February.

"I'm really not sure where I stand right now," said commission member Harvey Kapnick after speakers debated the pros and cons of mandatory pensions. "Frankly, I'm concerned about the cost implications of all this."

In an interim report early last summer, the commission said that "serious consideration should be given to the establishment of a universal minimum advance-funded pension system."

"We are quite alarmed by this far-reaching suggestion for enactment of a federal law to require every employer—whether they are able to or not—to maintain a baseline pension program with early vesting and full portability of benefits for all of their employees," said Van Smith, representing the U.S. Chamber of Commerce.

Other objectors disputed the conclusion of the commission's interim report that every employer would only be required to put aside 3% of its payroll for every employee over age 25 to meet mandatory standards. They contend the cost would go much higher and other benefits could be curtailed to compensate for the extra expense.

Other speakers, however, strongly endorsed the commission's initial recommendations and urged the panel to go further.

The entire pension system has to have immediate vesting to give employees immediate rights to pension benefits when they join a plan, argued Hillel Gray of the Citizens Commission on Pension Policy. That suggestion was called "absolutely ridiculous" by panel member John Lyons.

Despite the split on mandatory pensions, the speakers agreed Social Security cannot be relied on to meet the needs of retired workers.

"How can we expect a system that is already in dire financial straits to address the far more difficult task of providing a more adequate measure of income replacement for all retirees?" asked Michael Hanrahan, compensation manager for Hart, Schaffner & Marx.

Mr. Hanrahan said mandatory pensions are the only way to guarantee a minimum supplementary pension for workers. But pension plans should be contributory, with the employer having the option of picking up the employee's contributions, he added.

Savings plans, both those mandated by the government and prodded by tax incentives for the employee, also were favored by speakers on both sides of the mandatory pension issue.

"We greatly need a single, uniform rule by which every worker ... can put aside from current earnings reasonable amounts for retirement security and defer federal income tax on those savings until they are drawn in retirement," said Harrison Givens of the Employee Retirement Income Security Act industry committee.

Mr. Givens said current federal rules on savings plans do not allow savings accounts or tax incentives high enough to make the savings plan an attractive option for most employees.

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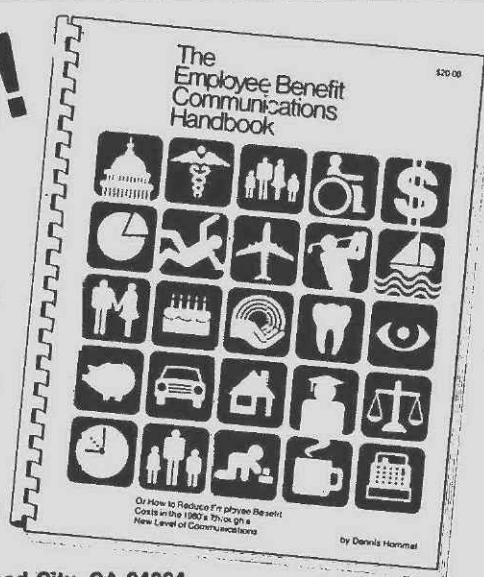
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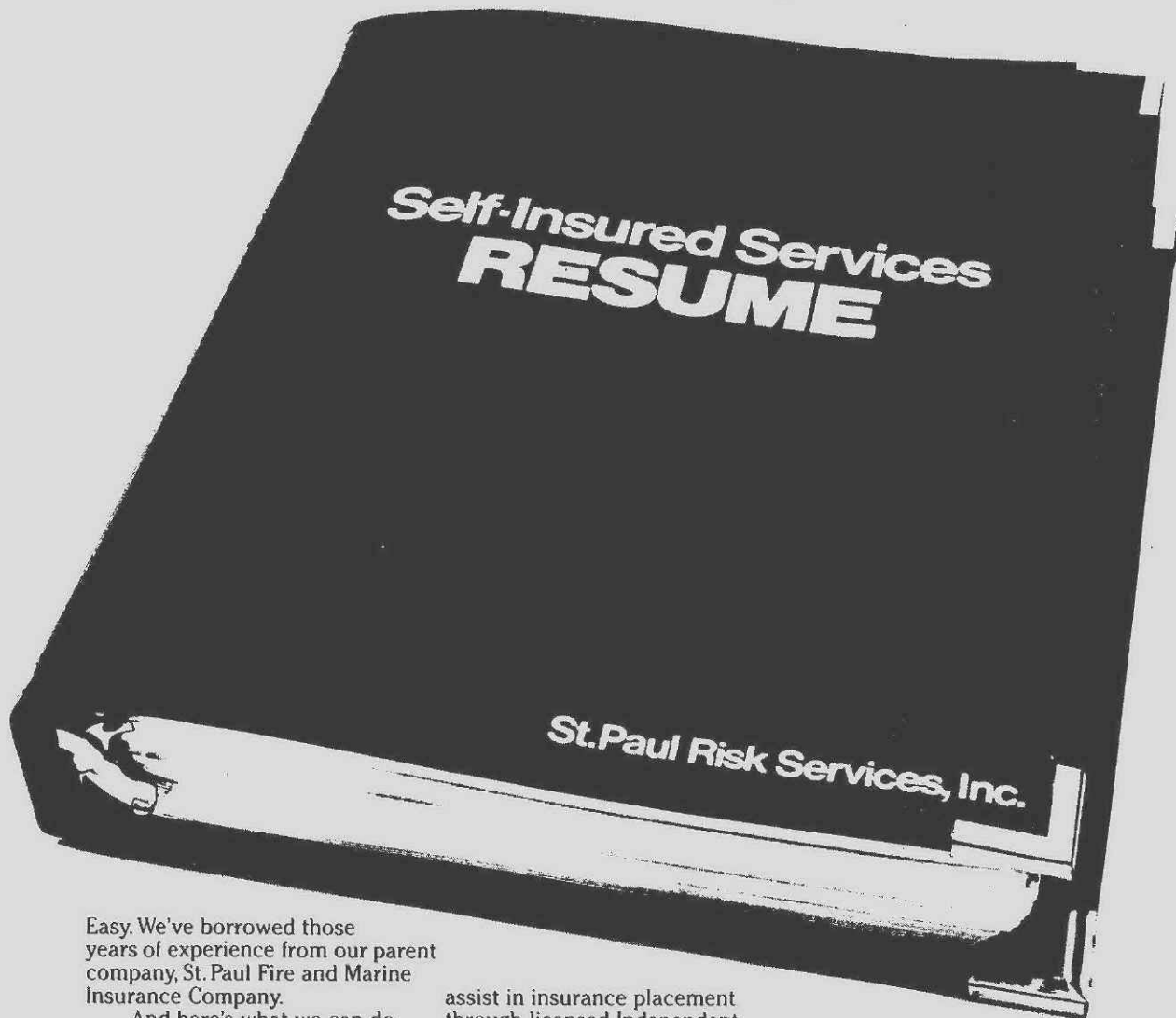
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## editorial opinions

# Competitive edge

HIGH-QUALITY employee benefit programs don't just keep you in the running for skilled employees; they also can give you the competitive edge.

This is strikingly apparent in our series of articles last week on the fight for skilled workers in the electronics industry.

Firms are adding dental and legal plans with great enthusiasm to beef up their attraction to potential employees. One-fourth of the companies provide part-time workers with medical insurance.

Providing a superior benefit package instead of one that keeps up with the competition presents bigger challenges to benefit managers. How can one know if one plan will be more enticing than another?

The benefit managers in the electronics industry are turning to the workers to help them meet the challenges. The benefit managers are asking the workers what benefit plans they want to help in the design of innovative packages.

We think this is a sure step toward providing benefits that are appreciated in relationship to what they cost employers.

Interestingly, the employees at the electronics firms aren't very interested in accruing pension benefits. As a mobile workforce, they would rather have cash-in-hand benefits.

We wonder, however, if the benefit managers at these firms aren't missing an opportunity to encourage longer terms of employment.

What if these companies started pension plans that provided some vesting after perhaps three years and gradually increased to full vesting at 10 years? If the benefits were rich enough and touted enough, employees might think twice about job-hopping and losing pension benefits.

Besides pension benefits, the firms could enrich the coverage under medical and dental plans with an employee's

length of employment. This could possibly encourage employees to stay with one firm longer.

The competition for skilled employees in the electronics business and the important role benefit programs play in attracting and keeping employees points out how vital the benefit management function is to keeping a company rolling and growing.

Each company should review its benefit program not only for adequate protection for its employees, but also for how it stacks up against the competition for skilled employees.

Even if you aren't in a bidding war for workers like the electronics industry is, every company is in a bidding war for the best employees available. Make sure your benefit package is one that could swing a good employee to choose your firm. And make sure recruiters know the benefits and sell them to potential employees.

## Conformit-ee

WE'VE SUCCUMBED to conformity on one issue recently: how to spell employee.

Yes, *Business Insurance* is now spelling employee with two e's instead of one.

The one e spelling of employee was a holdover from the preferred spelling once set forth by the Associated Press wire service, whose style manual is used by most newspapers and magazines. The old spelling was prompted by the desire to save every precious character, especially in the days of Linotype machines when each letter was molded by machine.

But now we're in the modern days of phototypesetting; we can afford to add a character here or there. So we've joined the rest of the world—including AP—which prefers to spell employee with two e's.



## 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.

### Sound advice lacking

To the editor: In the article entitled "Growing firms often waste benefits money" (*BI*, Sept. 15), some of Mr. (Jack O.) Remp's advice may be somewhat misleading.

It may be that his points are well taken in his geographic location, but I do not believe that they hold true in the Detroit area.

The following are my personal observations of each one of his points:

- Many companies will not underwrite group medical, dental or vision without the supporting group life coverage. When dealing with larger firms, many companies will offer the advantage of underwriting a participating policy and cross-experience rating the different coverages. It has not been my experience that a company will not put a "limit on how much life insurance one can buy in a major medical plan."

- Competent consultants or agents will always shop the markets and obtain several quotes and

recommend the best one to the clients.

- The magic number of 35 employees is not the turning point with most companies. Prudential, John Hancock, Equitable, CNA etc., all have different plans when a company reaches a level of 50 employees.

- Mr. Remp's comments on life insurance seem to be dealing with individual and group term. It is not clear, but it appears that he is using them as interchangeable policies. Such is not the case since they are two different policies and are taxed on a different basis. If I had been an uninformed insurance buyer, the article could have been very misleading in a few areas. I do not believe that this article is one that offers your subscribers sound advice.

Charles L. Kreitzberg

Employee benefits manager  
Huttenlochers Kerns Norvell Inc.  
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## action line

# Directory of courses can now be bought

Several months ago an article appeared in your publication regarding M.B.A. programs in risk management. The article indicated a complete directory of insurance education would be forthcoming from the S.S. Huebner Foundation at the University of Pennsylvania. Has the directory been published?

Bruce Coddling  
Risk manager  
City of Fresno

The "survey of college instruction," as it is called by the SS Huebner Foundation, is indeed published. Under the title "Risk and Insurance Instruction in American Colleges and Universities," the survey includes a listing

of all undergraduate and graduate insurance programs across the country and in Canada. It also mentions where one can find accredited CLU and CPCU courses, but does not mention ARM courses.

To acquire a copy of this survey, contact the S.S. Huebner Foundation, University of Pennsylvania, 3641 Locust Walk, Philadelphia, Pa. 19104, attn.: Mildred Brill; 215-243-7620. Cost of the survey is \$10.

Action line will answer readers requests for information. Have a question regarding insurance or your profession? Write Action line, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.



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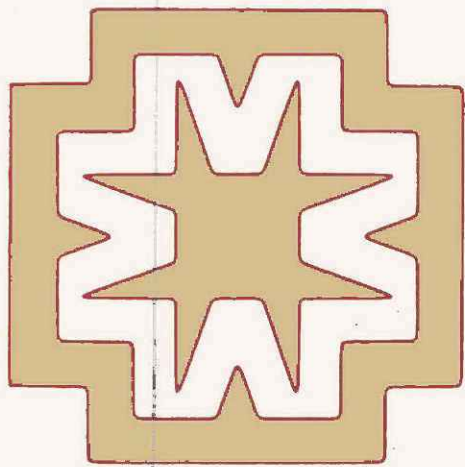
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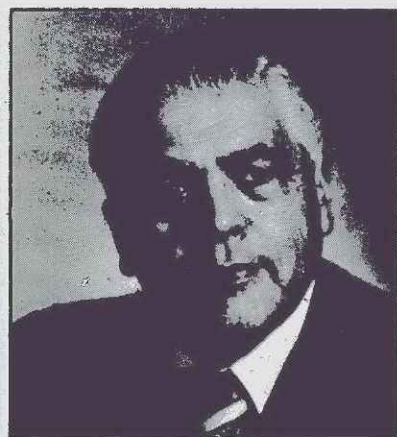
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BY WAY OF INTRODUCTION... *Charles C. Hewitt, Jr.* is President of Metropolitan Reinsurance Company. Well-known in the industry, Mr. Hewitt was associated with a number of prominent insurers before joining Metropolitan Property and Liability Insurance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

MetRe in 1978 and is a Director of both companies.

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

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

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

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



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# Senate panel rejects ban on abortion cover

By JERRY GEISEL

WASHINGTON—A Senate panel has rejected a House effort to bar federal health insurance plans from covering abortion.

The Senate Appropriations Committee struck the amendment from a House-passed appropriations bill.

## washington

The restriction would have forced federal employees and their dependents to spend an estimated \$10 million annually to pay for abortions now covered under their group health insurance plans.

Last year, about 20,000 abortions were covered by federal employee health insurance programs. The average claim was \$500.

Some federal health insurance plans, such as Blue Cross & Blue Shield, pay 100% of all abortion expenses. Other plans pay only for medically necessary abortions.

### Higher premiums

Federal employees will pay more for their health insurance coverage next year.

Health insurance premiums will rise about 15% next January, says the Office of Personnel Management.

For example, the bimonthly premium for the popular high-option family coverage plan offered by Aetna Life & Casualty Co. will rise to \$50.75 from \$43.17.

Federal health insurance plans cover about 10 million government employees and dependents.

Last year, about \$4.1 billion in premiums were paid to the 105 insurance plans covering federal employees. The government pays about 60% of the premiums and employees pay the rest.

### Age and costs

Researchers at Illinois State University in Normal will examine how changes in age distribution among the labor force affect workers compensation costs.

The study was contracted by the Labor Department.

"We intend to share the findings of these research studies so that program administrators, legislators and representatives of business, industry and labor can use the data in developing better workers compensation programs," said Assistant Secretary of Labor Donald Elisburg.

### Mine safety

The Labor Department will co-sponsor a special conference on mine safety and health Nov. 12-14.

The conference at the Colorado School of Mines in Golden will focus on safety and health issues in coal, metal and nonmetal mining.

Technical sessions include: "Safety of the Future," "Keeping Experienced Employees on the Job" and "Effective Safety Management."

For more information, contact Robert T. Reeder, director, Institute of Mine Health and Safety, Colorado School of Mines, Golden, Colo. 80401; 303-279-0300.

### Public hearings

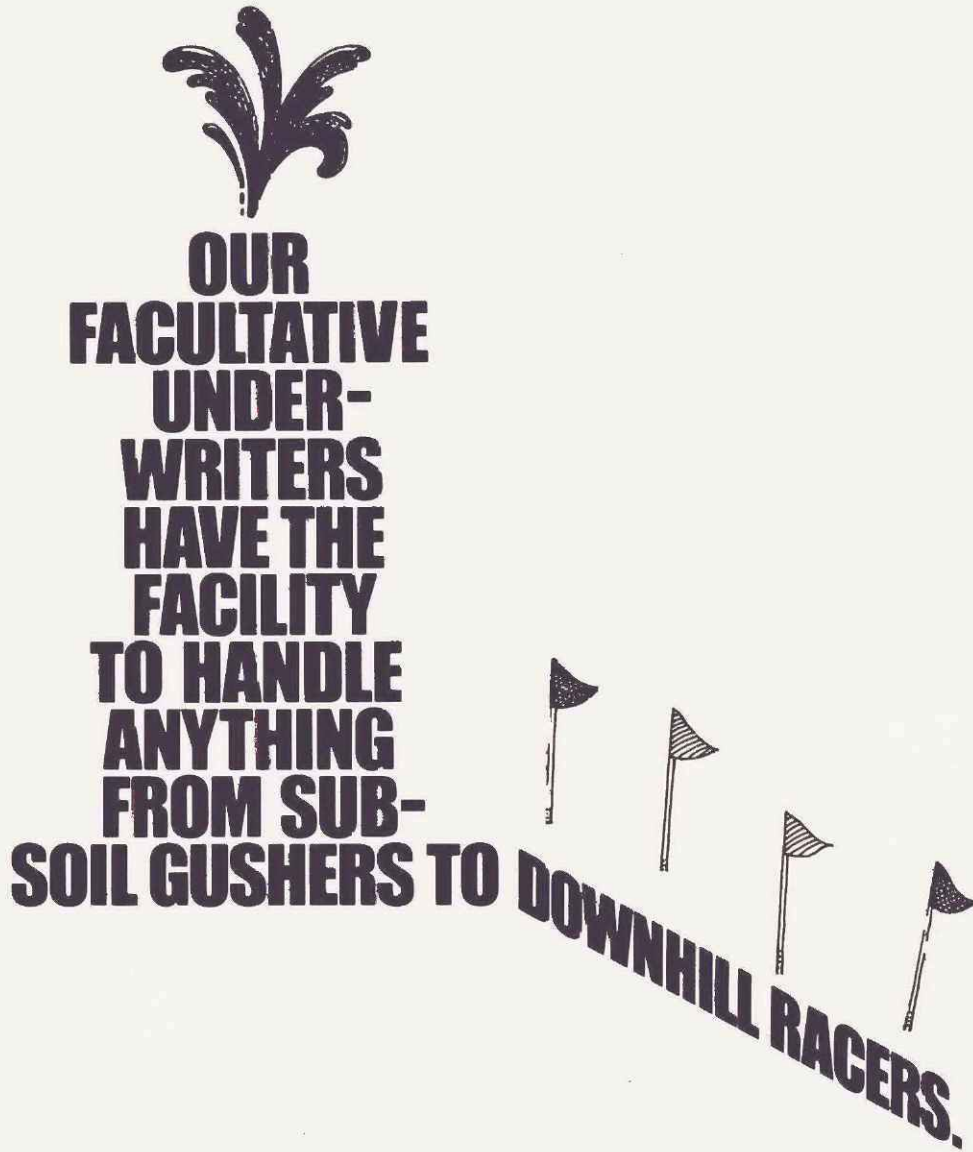
Three public hearings will be held in November to help the Labor Department develop standards to protect workers against hazards associated with activating power machines and equipment.

The meetings will be:  
Nov. 5-7—Fountain Bay Club Hotel, Carnival Suite, 4040 Tulane Ave., New Orleans.

Nov. 12-14—Best Western/Lakeshore Hotel, Lakeside Room, 600 Lake Shore Drive, Chicago.

Nov. 19-20—U.S. Department of Labor, 200 Constitution Ave., Washington, D.C.

The sessions in New Orleans and Chicago start at 1 p.m. the first day and 9 a.m. the next two days. The Washington meeting will begin at 9 a.m. both days.



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# Lloyd's files suit over payments for balloon crash

## london line

LONDON—Lloyd's is suing to be freed from liability for claims resulting from an April 20 balloon crash that killed three people in Putnam County, W.Va.

The suit was filed in U.S. District Court in West Virginia against Daniel P. O'Connor, who does business as Mountain State Balloon Adventures, and the estates of the three crash victims.

Mr. O'Connor and Richard Perkins, one of the victims, had \$300,000 coverage under a certificate issued by a North Carolina agent of Lloyd's. The insurance didn't cover damage when a balloon was being operated by a student pilot unless under the supervision of a Federal Aviation Administration certified balloon instructor, the suit says.

Mr. Perkins was licensed as a student pilot. FAA regulations prohibit a student pilot from acting as the pilot of an aircraft with passengers, the suit says.

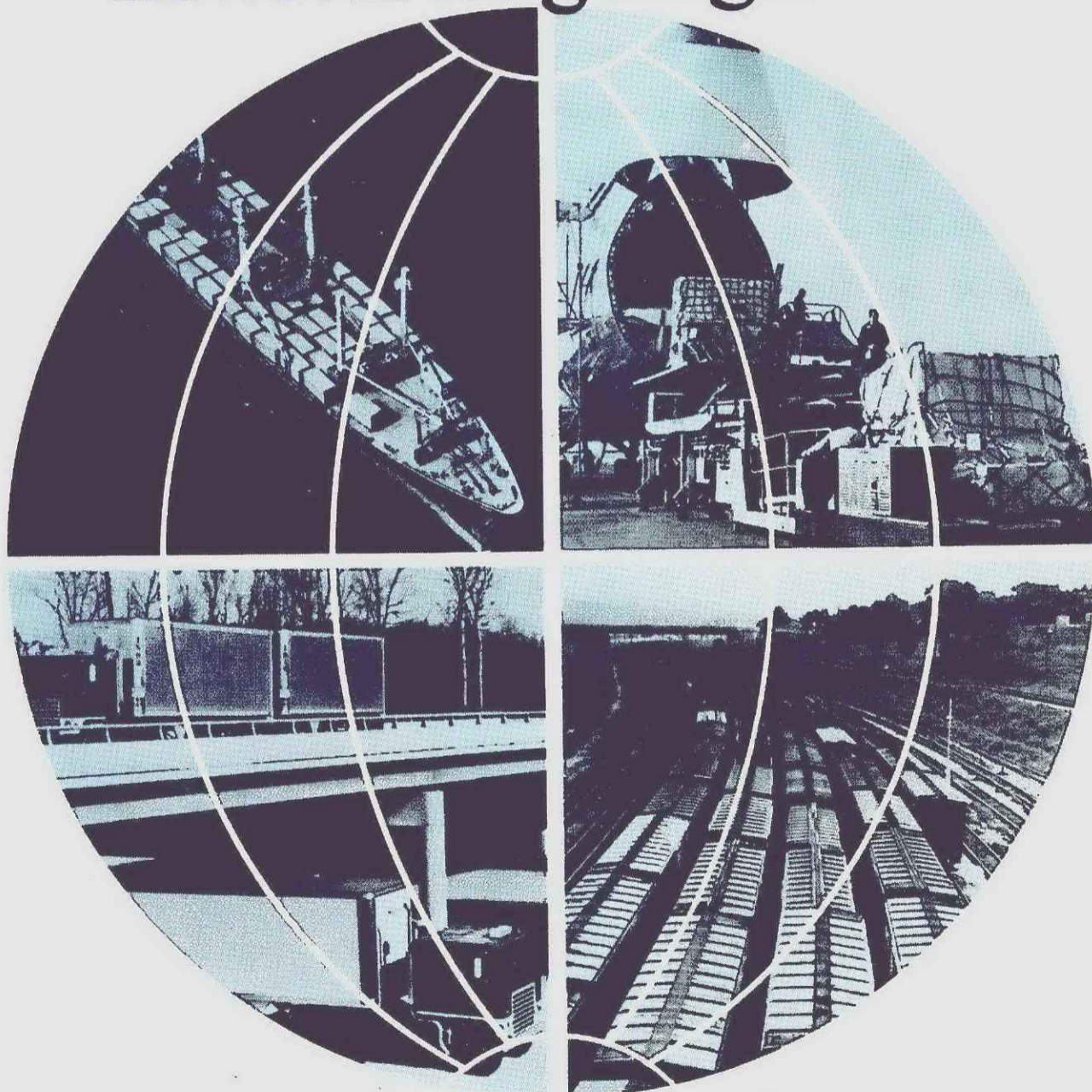
Mr. Perkins and the other two people aboard, Jerry Perkins and Angela Cargill, were killed when the balloon suddenly collapsed and crashed near Hurricane, W. Va. The suit contends Jerry Perkins and Ms. Cargill weren't balloon instructors.

Lloyd's is asking the court to declare that Lloyd's certificate of insurance didn't cover Mr. O'Connor and Richard Perkins. The suit also contends Lloyd's doesn't have to defend Mountain State Balloon in any civil action arising from the crash.

just what damage a heavy storm will do when it strikes a modern city, for there is a steady shift of population toward areas like the U.S. Gulf Coast and to other hurricane-prone areas in Japan and around Hong Kong," he said.

"Hurricanes David, Frederic and Allen each had their own peculiar features. But they are poor examples on which to base a general estimate of future storm losses." ■

# Wherever it's going, however it's going...



## Windstorm losses

Tropical storms can cause more damage to building contents than can earthquakes, says Peter Butler, the U.K. Royal Group's top expert on catastrophe perils who is preparing a series of reports on the effects of high-risk windstorms for the Reinsurance Offices Assn.

The association is gathering information from insurance sources throughout the world for a survey on tropical storms. It has already issued reports on earthquakes.

"In contrast to an earthquake, which can leave contents virtually unscathed even though the building may be severely cracked, a windstorm can cause much greater loss to the contents," Mr. Butler said.

"Well-designed buildings can withstand a force of more than 150 mph, but once wind and water get inside through broken windows, the damage can be quite devastating."

Floods are now a greater hazard of tropical storms because the changing environment in many parts of the world is eliminating trees and vegetation that once soaked up storm water.

"The big problem is to assess

## Inpatient stays drop, plan says

TRENTON—The number of inpatient hospital days incurred by subscribers to the New Jersey Blue Cross plan dropped 25% in the last decade, Blue Cross reports.

The plan's preadmission testing program was used in more than 51,000 non-emergency surgery cases last year, saving more than \$11.4 million, the plan said. Another \$1.1 million was saved through the use of the program in nonsurgical hospital stays. ■



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***Our safety standards are self imposed.***

- Swift & Company's  
Thomas Colgan

With over 8,000 employees in 25 meat-processing plants nationwide, Swift & Company has taken a series of decisive steps to control the rapidly escalating cost of workers' compensation.

Savings were achieved through self-insurance, but the problem of employee safety still had to be addressed. "Hiring additional inspectors to comply with OSHA regulations created further expenses and only provided a partial answer," observes Thomas Colgan, Swift's Manager of Loss Control.

The solution: a comprehensive loss control program, from the ESIS subsidiary of INA, which cut workers' comp costs by over 12%.

Using procedures developed by ESIS' International Safety Academy, Swift's plant managers are responsible for determining their own annual objectives in fourteen specific areas of safety. The managers' success in implementing positive steps in

each category is then monitored by quarterly audits.

Colgan comments, "ESIS' safety training sessions give managers the techniques necessary to limit work-related injuries." There is also an incentive system for optimizing safety. A manager can use insurance "savings" to fund other areas of his operation when the plant's annual accident rate is lower than projected.

---

Agricultural cooperatives, concerned with the safety of their employees, continually seek effective methods to reduce workers' compensation exposures – and thus their overall insurance costs.

Since beginning its self-insurance program in 1974, the California Almond Growers' Exchange (manufacturers and marketers of Blue Diamond brand almonds) has been extremely successful in meeting these goals. The key has been a close association with the ESIS subsidiary of INA.

***Employee safety with insurance savings.***

- McGee & Thielen's  
Robert Sanford



“Over the six years that ESIS has been involved in our workers’ compensation program, the Exchange has realized savings of more than \$1.5 million,” reports Robert Sanford, a partner in McGee & Thielen, the cooperative’s brokerage firm. “This has been the result of a dramatic reduction in both the number and severity of claims.”

The cornerstone of ESIS’ program has been meticulous attention to the details of safety engineering. On a monthly basis, ESIS loss control experts inspect the Exchange’s processing plants. After each inspection, reports listing potentially hazardous conditions are issued to management for corrective action.

“It’s the on-going relationship between ESIS and the Almond Growers’ Exchange,” Sanford concludes, “that fosters optimum safety conditions and reduced insurance costs.”

In the mid-1970’s, faced with cost increases in liability coverage for recreational products – plus difficulties in securing this protection in commercial markets – AMF went the route of self-insuring. Wayne Harrison, AMF’s Director of Risk Management: “We assumed much of our own risk, and in the process gained some important long-range benefits for the company.”

Comprehensive records were brought together on past liability claims and their disposition. This documentation has been invaluable in helping AMF prevent nuisance actions from becoming costly legal cases. Also, with data on liability occurrences by product category, “design and manufacturing could build in more safety for the consumer.

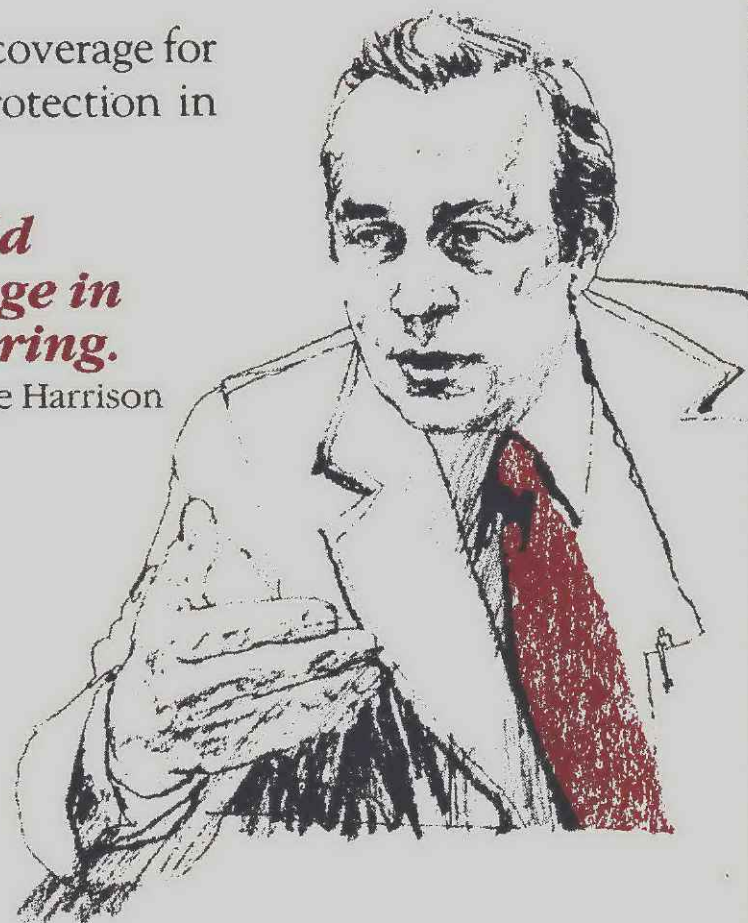
“But self-insuring is a complex process,” notes Harrison, “so, early in the program, we called on INA to enhance our in-house capabilities.”

INA assists in claims adjustment and settlement, working with AMF’s file of liability records and comparative data from related fields. “On the loss control side,” says Harrison, “INA’s ESIS subsidiary has also become a powerful ally.” ESIS’ expertise is applied in plant inspections, reports to manufacturing supervisors, and in guidance on warranty and safety instructions.

With INA and ESIS as administrative partners, the self-insurer has not only reduced liability exposures, but has gained substantially on the customer-relations side of the ledger.

***A two-fold  
advantage in  
self-insuring.***

- AMF’s Wayne Harrison



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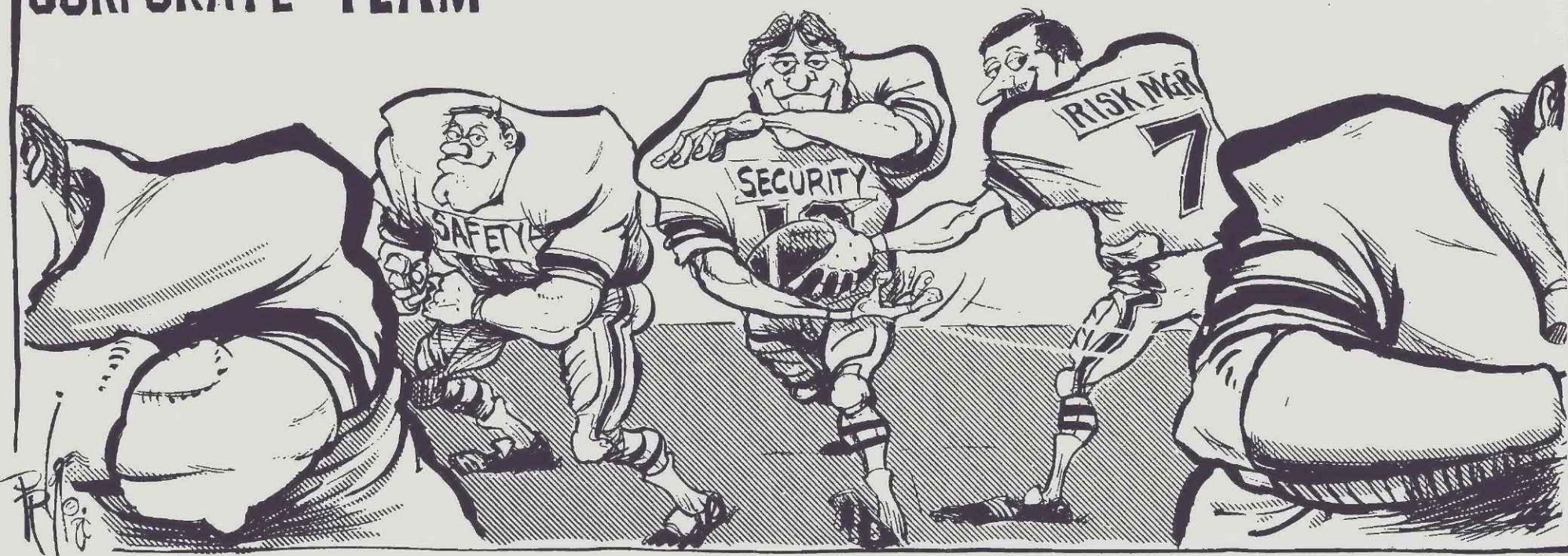
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THE  
CORPORATE TEAM

## Expanding the team

## Risk managers take on safety, security

By J. Kirk Barefoot

WITH INCREASING frequency, the corporate world has seen and heard the term "risk management." A close examination of the use of this term reveals that it does not always mean the same thing to all people. In particular, it means one thing to persons associated with insurance, while it may mean something else to those in corporate security.

In examining the various concepts of risk management, we find the more prominent concept held by the insurance industry. Here the term has gained in popularity as corporations have attempted to assume more of their insurance risks. This assumption of risk has come about through self-insurance funds, higher deductibles and the formation of captive insurance companies.

As corporations have moved more in the direction of assuming the risk, the traditional corporate insurance manager has now been replaced by a director of risk management whose job is to take on heavier responsibilities in assuming the various risks. He or his subordinates may be actively involved in the management of claims in the casualty risk area, workers compensation programs and civil lawsuits. An additional area that may come under the purview of the modern risk manager is loss prevention.

The risk manager may or may not be attempting to actively manage the risk.

Generally speaking, however, where efforts of loss prevention do exist under a modern risk management department, these efforts are usually directed toward employee and customer safety and fire prevention.

A newer use of "risk management" has come about from corporate security personnel who find themselves managing certain risks never encountered by insurance people, including the day-to-day considerations of executive protection and the problem of employee theft. Here security personnel routinely become involved in loss prevention.

In many companies today, fidelity insurance deductibles have risen to the point where, for all practical purposes, day-to-day theft by employees or outsiders is not insured and must be managed by the security department. Added to this is the impact that loss prevention efforts of a security department can have on merchandise inventories. Merchandise inventory variances are almost always either under or over and although they are influenced by many factors, including dishonesty, they are almost never insured.

The year-end physical inventory of any company involved in the manufacture, distribution or retailing of merchandise has a tremendous impact on the yearly profit-and-loss statement of that company. This is not something that can be insured against and therefore the security director is, in fact, managing what could easily be one of the largest risks a particular company may face.

At Cluett, we have attempted to integrate our risk management approach. We have brought together the activities of the corporate insurance, safety department and security departments. We are gradually assuming more and

more of the risk by taking higher deductibles on workers compensation, all-risk and also fidelity insurance and we are attempting to manage these various risks in a number of ways.

On workers compensation claims, we have entered into an understanding with the insurer. Because of our high stop-loss limits, we insist the insurer gain approval from the corporate safety manager before settling a workers compensation case involving indemnity of more than \$2,500 (not including medical and hospitalization expenses).

The rationale behind this is that the corporate safety manager is the one person in the whole corporation who is closer to industrial accidents and has the best resources to develop insight into the people involved. By fixing the responsibility with the safety manager, he is given an opportunity to make significant inroads into the annual cost of workers compensation, which runs more than \$2 million a year.

Under the joint direction of the safety manager and the company's chief investigator is a new program of investigating workers compensation cases that may suggest outright fraud or malingering.

Although this program is not yet one year old, preliminary results have been gratifying and an early evaluation would indicate the program to be extremely cost effective. Already, a number of sizable cases have been reopened and evidence presented of outright fraud on the part of the claimant. The corporate safety manager also has access to regional security personnel for his loss-prevention efforts as they relate to employee and customer safety. This takes the form of periodic safety inspections in all locations.

In addition to the obvious functions

of the corporate insurance department in the day-to-day dealings with the company's broker and various insurers, the corporate insurance manager also plays an important role in this total integration concept.

As various claims are received from the operating locations by the insurance department, it is important for the insurance manager to be able to identify claims that could have a far-reaching impact on the corporation and should be referred to either the safety or security departments for additional follow-up.

Another corporate department that plays a vital role in this integrated concept is that of plant engineering. This holds especially true in considering the requests for corrective action from the property insurers' engineers. Here there is a blending of input from the corporate insurance manager, the safety manager and the manager of plant engineering, who has the ultimate responsibility to approve corrective expenditures over a certain limit.

By working together as a team, these three individuals are in a much better position to negotiate with the property insurer for a compromise solution to requests for corrective action.

In addition to performing certain routine safety functions for the corporate safety manager, the regional security personnel of the company are charged with managing the largest single uninsured risk the company has, namely its inventory variances.

This is done in a number of ways, including applicant screening for security sensitive jobs. Many security experts will concede that good security must begin with the proper selection of employees, especially employees applying for sensitive positions.

Continued on page 23



J. Kirk Barefoot is director of risk management for Cluett, Peabody & Co. Inc. in New York.

# Carrier liability

## Congress opens way for conflicts in U.S. . . .

By William J. Augello

**T**HE LONG, hard-fought and often bitter battle over truck deregulation has come to an end, at least temporarily. In its wake, there lies a pattern of Congressional decisions regarding carrier liability for freight loss and damage that is often clear, but sometimes conflicting. Despite its overall intent to permit more competition among motor carriers and provide more freedom in ratemaking, Congress recognized that liability issues do not respond in the same manner as rates and that the public interest requires retention of regulations over carrier claim and liability rules and practices.

Congress took the following actions regarding liability issues:

- It exempted several new commodities from Interstate Commerce Commission controls, but rejected proposals to free processed foods and certain other farm supplies from all ICC regulations. This proposal would have included the provisions of the Carmack Amendment, which established joint and several liability on joint-line carriers and established a uniform, minimum time limit for filing claims and suits.

It would have freed truckers hauling these commodities from the commission's loss and damage claims regulations, which impose time limits on carriers' handling and processing of

claims and establish reasonable and uniform guidelines for settling claims on a nondiscriminatory basis.

Instead, Congress made it easier for owner-operators to obtain operating certificates by proving only "fitness" to haul processed foods. The stipulation is that at least one-half of the owner-operator's tonnage must consist of exempt agricultural products. The owner will be subject to all other ICC regulations for the processed food operations, including claims liability, statutes and rules.

**A**t the same time, Congress directed the ICC, with the cooperation of the secretary of agriculture, to prescribe minimum contract terms for agricultural movements exempt from the commission's jurisdiction, to correct the abuses arising from agricultural transportation performed without written contracts of carriage. Under the agricultural exemption, claims are usually deducted from freight charges, a practice that frequently causes severe disputes with owner-operators.

- Congress eliminated the air terminal zones concept, which formerly exempted from claim regulations motor carriers operating within a certain mile radius around airports. In lieu, Congress has extended air cargo deregulation to ground transportation when "part of a continuous movement" by air. It also codified the commission's present regulations authorizing exempt operations during adverse weather conditions and mechanical breakdowns, etc.

*William J. Augello is executive director and general counsel of the Shippers National Freight Claims Council Inc.*



The ICC is mandated to prescribe minimum contract terms for the movement of some agricultural products in order to correct abuses.

## . . . as Canadians expect ramifications

By Christine E. Hart

**T**HE MOTOR Carrier Act of 1980 has wrought substantial changes in the regulation of motor carriers engaged in interstate and foreign commerce within the United States, but what are its ramifications north of the border?

In recent years, Canadian carriers have become more aggressive about seeking from the Interstate Commerce Commission operating authority that takes them beyond the traditional border zones to inland points in the United States where their customers need to move freight.

Similarly, the Ontario Highway Transport Board and the other nine Canadian administrative tribunals that regulate the extraprovincial and the international carriage of goods have been entertaining a great many applications from carriers domiciled across the bor-

der in the United States.

Carriers on both sides of the border have been successful, and the process cannot help but result in a cross-fertilization of ideas about the regulatory system in each country.

The events leading to the passage of the U.S. Motor Carrier Act have been followed with interest by Canadians and the results are certain to be scrutinized by provincial governments with several objectives in mind.

**T**he most compelling of these would be to achieve a healthy competition among carriers while maintaining a balance among such other factors as the provision of service to all communities and all shippers, regardless of size. The latter is particularly significant in Canada because its small population is sparsely scattered once the cities within 100 miles of the border are left behind.

A second objective would be to achieve compatibility with American regulation and so promote the interna-

tional movement of goods. The comparative lull following the clamorous debate that gave rise to the new act will give the Canadian government, shippers and carriers the opportunity to examine its effectiveness in achieving its stated purpose and to borrow or adapt its provisions to their particular needs.

It is hoped that if anything is to be learned from the American experience, it is that different criteria apply to the issue of liability for freight loss and damage than to the issue of regulation of market entry.

**T**he act does not, by and large, exempt carriers from bill of lading, claim filing and liability rules merely because they carry unregulated commodities. In Ontario, however, under the Public Commercial Vehicles Act, carriers exempted from its purview—such as those carrying "farm or forest produce" from the farm or forest of origin or "fresh fruit or vegetables grown in the continental United States"—are not caught by its bill of lading or claims

liability regulations.

A bill of lading issued by such a carrier is governed strictly by the common law as to its liability for loss or damage to freight and it may contract out of virtually any liability to which it is subject as a common carrier.

If Ontario is tempted to follow the American lead and increase the list of exempted commodities, it should look very carefully at provisions designed to retain or, in some cases, institute the regulation of cargo liability claims. They were retained in the Motor Carrier Act for a very good reason: Without them and their impetus for consistent treatment, the small shipper of goods damaged in transit always loses.

International carriers have always had to contend with two different systems of law applicable to freight loss and damage liability, and this has not been changed appreciably by the U.S. act. However, it is too soon to evaluate the long-term effects of this landmark statute on cross-border traffic. They may well be significant.

These statutory exemptions will permit motor carriers to adopt the same claim and liability rules maintained by each individual airline and air freight forwarder for domestic air freight traffic. The requirements for uniformity and reason have been eliminated, although the standard of discrimination has not. Limitations on liability are now governed only by the common law, and air shippers' only forum is the courts.

• Perhaps the most significant change in carrier liability made by Congress related to the statutory limitation on carriers' ability to limit liability to a maximum value. Sec. 10730 of Title 49 U.S.C. required ICC approval of all released rates. The new law eliminates the statutory requirement for ICC approval of released rates and permits shippers and carriers to enter into such agreements, subject to all other tariff requirements.

The commission may, however, require that the carrier maintain its full value rates to offer the shipper a choice of such rates or lower released value rates.

It is interesting to note that Congress has proposed to include in the Rail Act of 1980 the same freedom to enter into released rates without prior ICC approval and to incorporate deductible clauses in the rail contract similar to the \$100 deductible introduced by the railroads in their new fresh fruit and vegetable contracts under the agricultural exemption.

Released rates place a maximum limit on carrier liability. Deductibles place a minimum limit on carrier liability and constitute a virtual license to steal up to that amount.

Substantial pressures are being brought to bear on Congress to remove this unprecedented limitation on the strict liability of for-hire carriers' as bailees.

Shippers fear cargo losses will escalate if deductibles are permitted for rail traffic, then adopted by motor carriers and air and water carriers. Cargo thefts are presently sufficient to warrant the creation of the National Cargo Security Council. Imagine the reaction of carrier and other employees having access to freight and distribution information when they learn that no claims will be filed if only a certain amount of the freight is stolen.

• Congress has defined the term "disallowance" as used in the Carmack Amendment (49 U.S.C. 11707) to prevent the unintentional outlawing of lawsuits caused by hidden insurance company declinations.

Previously, many carriers adopted a policy of compromising on a claim without specifically informing the claimant that such an offer is technically a declination of the whole claim as filed. Section 11707 provides that the two-year time limit for filing a lawsuit starts upon receipt of such a disallowance. Many claimants are unaware of this technicality and permitted the time limit to expire while they continued their negotiations for a better settlement.

Section 11707 now provides that an offer to compromise or pay only a part of a claim must be accompanied by a notice, in writing, that the remaining part of the claim is disallowed.

Furthermore, reasons for the disal-

lowance must now be given in the notice. If these two conditions are not met by a carrier, the time limit for instituting a suit shall not begin.

Another modification is intended to preclude insurers from disallowing without obtaining authority from the carrier to act on its behalf. Previously, insurers have substituted their monetary interests for the motor carrier's obligations as a bailee-for-hire. Common carriers are endowed with a public interest and must deal with all shippers indiscriminately. Therefore, liability issues must be decided by the carrier, not its insurer.

Equally significant is the House report that accompanied H.R. 6418 (Report No. 96-1069, 96th Congress 2nd session). On three occasions, the House Committee on Public Works and Transportation expressed its intent that the ICC continue to exercise its mandate to protect the public interest in carrier liability matters.

Apparently, Congress had been sufficiently alarmed at the actions taken by the airlines under air cargo deregulation and the railroads under the exemption from ICC regulations granted for fresh fruits and vegetables to express its intent to permit no further deterioration of liability and claim regulations.

Our council will establish procedures for monitoring the actions taken by motor carriers pursuant to this new legislation, as it has with respect to air and rail deregulation, and report to Congress the results of deregulation that are found to be contrary to the public interest.

Oversight hearings are mandated for the next five years, and we expect to continue the task of informing Congress, regulatory agencies and the administration of the adverse effects their new textbook theories have upon liability issues. ■

## Risk execs see teamwork grow

*Continued from page 21*

Another loss-prevention effort is security inspections. Just like safety inspections, each manufacturing and distribution location undergoes a thorough security inspection once each year (twice in a retail location).

These inspections include a review of personnel selection procedures, the monitoring of any guards or watchmen assigned to the location, key control, permanent access control, transportation security and other internal and external controls and security measures that may be necessary for the particular location.

In addition, the regional security manager also will monitor an attempt to work with the local safety/security committee that is present in almost every location. These committees meet on an average of once each month to discuss security and safety matters.

Although there are several permanent committee members, the company encourages local management to rotate production people on and off the committee so a number of individual viewpoints can be expressed. Both the corporate safety and security departments will furnish material for discussion to these committees. Occasionally

# IRS revises rules on pension vesting

By Joseph S. Robinson

THE EMPLOYEE Retirement Income Security Act prohibits qualified plans from adopting vesting schedules that discriminate in favor of highly paid employees. A plan cannot qualify unless it complies with one of the three minimum vesting standards: 10-year vesting, 5- to 15-year vesting or the rule of 45.

In 1976, the IRS added a facts-and-circumstances test (Rev. Proc. 76-11) that said that if a proposed plan indicated a vesting schedule did not discriminate in favor of highly paid employees, a favorable determination letter would be issued. Then earlier this year, the IRS issued a proposed regulation reaffirming the facts-and-circumstances test and added two "safe harbor" vesting schedules under which a plan would not be found discriminatory.

Because of overwhelming criticism of the proposal, the IRS recently withdrew that portion and suggested new guidelines. The following examples illustrate the guidelines.

A plan with 10-year vesting will qualify even though employee turnover in the prohibited group is less than that for all other employees, provided the present value of the vested benefits for officers and 5% shareholders is less than the present value for all other employees or that the vested benefits cover a reasonable cross section of employees.

A plan with 4-40 vesting will not qualify if a company has five employees, but after six years only the sole shareholder-employee has a vested

## benefit tax slants

benefit because of the high turnover rate of nonshareholder-employees.

### Business car

The tax rules have never allowed a deduction for daily commuting expenses. But if an employee uses a personal car on business assignments, he is eligible for an income tax deduction for the use of his car. Of course, if the employee is reimbursed, he has to report this on his tax return.

The government recently increased the so-called standard business rate for use of a car to 20 cents a mile for the first 15,000 miles. The IRS will allow bigger deductions if the individual employee has records to prove he has accumulated business expenses with his automobile that exceed 20 cents a mile. Expenses that qualify include the auto insurance, maintenance, repairs, tolls, tires, gasoline, depreciation, license and registration charges.

### Sheltered proceeds

In most states the proceeds or cash value of a company-provided life insurance policy usually are sheltered from the clutches of creditors so long as the beneficiary is not the policyholder's estate.

There is one exception to the rule, however. Such money may be seized in cases of tax evasion or when the employee assigned his or her interest in the policy to protect creditors. ■

either the regional security manager or the corporate safety manager may speak to the committee.

In addition to applicant screening for sensitive positions and loss-prevention efforts, most of the security force's activities are taken up by investigative work. This may take the form of infiltrating a theft ring or other collusive theft group within the company, investigation of fraudulent workers compensation claims, background investigations and also investigations involving so-called white-collar crime.

Although blue-collar crime probably far exceeds white-collar crime and also has the greatest impact on the profitability of a company, it is also the easiest to control. However, most security experts will agree that white-collar crime, while not having as great an impact on the company's financial position, is much more insidious and difficult to uncover and expose. Because of this, the security department of any company must have sufficient stature to enable it to conduct investigations that are necessary and clearly in the best interests of the company.

Unless direct reporting channels are maintained to the top executive level of a corporation, there is no way any security department can ever have a

significant impact on white-collar crime. Furthermore, sufficient backing from top management is absolutely mandatory even to institute and maintain the proper controls needed to curtail or deter blue-collar crime.

Local management is sometimes reluctant to institute tight measures, and for this reason security personnel must have the leverage to get the job done. Many behavioral experts generally agree security controls are for people who are basically honest and are not designed for hard-core thieves. This is the reason that controls and procedures should make it tough to steal.

The institution of such controls is not only easy but is right, and the only logical thing to do. It is much better to deter employees from theft than to have to later identify, apprehend and fire them.

It is probably fair to say that in this day and age, just being in business for a major company is a risk. At Cluett, we are attempting to identify all the risks we can and then manage the risks successfully. If this task is approached correctly in any corporation, the results can only have a favorable impact on the profitability of the company. ■

# White-collar criminals cover up their tracks

MIAMI BEACH—White-collar criminals are smart and difficult, but not impossible, to catch.

Before their work is done, they can bilk their corporations for hundreds of thousands of dollars or profit handsomely from bribes and kickbacks. Because they have everything to lose, they carefully cover their tracks.

A security director or risk manager can keep up with this type of criminal, but he or she needs help,

said J. Kirk Barefoot, director of risk management for Cluett Peabody Inc. of New York.

He or she must have informants to bring bribery and kickbacks to the attention of management, he said at the American Society of Industrial Security conference.

"Kickback and bribery cases have almost no tail, and they're very hard to investigate," he said. "You almost have to have an informant. In almost all the cases that

have been solved, somebody has to come forward with information."

Employers can expect little help from the person being investigated, he said. Often the suspected worker has a good position with the company, long years of service, pension plan vesting and seniority. "They don't cooperate with an investigation because they have a lot to lose," Mr. Barefoot said.

In one case, a purchasing agent for Cluett Peabody, near retirement, was suspected of participating in a kickback scheme but wouldn't cooperate with the investigation, Mr. Barefoot said.

The case had to be dropped eventually because there was no proof of wrongdoing. The worker retired shortly afterward.

Companies in the process of mergers and acquisitions should be aware that they may be taking on executives and officers with long histories of bribes and kickbacks. Enforcing policy changes along those lines can be difficult. "They would have to give up perks, like the boat and the hunting lodge, that are hard to give up," he said.

Outright interrogation of the suspected employee is a last resort, but in some cases a confession can be obtained if the worker is confronted with enough facts and evidence, Mr. Barefoot said.

Polygraph examinations should be avoided at first because they create a hostile atmosphere and eliminate the possibility of cooperation later in the probe, he said.

In the case of foreign bribery schemes, the firm also must prove it took steps to comply with the Foreign Corrupt Practices Act of 1977 or face legal liability, said Wallace L. Timmeny, a Washington, D.C., attorney.

Companies need to monitor procedures to ensure employees in foreign subsidiaries and divisions are not paying bribes and that records are not being falsified.

## Searches may invite employee lawsuits

MIAMI BEACH—Searches of employees to thwart internal theft can lead to a lawsuit if the employer is not careful, a security/loss-prevention expert warns.

The best way to avoid a suit is to have a consistent search policy enforced regularly and in a nondiscriminatory manner, said Robert L. Barry, a New York attorney who specializes in this area.

"If you have a scheduled program, you must do it with frequency and must be consistent," he said. "Avoid discriminatory searches. If you're checking every fourth bag, check every fourth bag. Just because the chairman of the board is the fourth person is no reason to say, 'Go right ahead through.'"

Employers are within their rights to require a worker to submit to periodic searches as a condition of employment, but this requirement should be clearly stated when the employee is hired, he said. "It's still only a matter of time before somebody challenges it as an unlawful practice of labor."

Searches of employee lockers can be equally touchy, but management can periodically open lockers for health reasons. If stolen articles are found, the matter can be investigated, he said.

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## Keep record of art to aid recovery

By JOHN MAES

MIAMI BEACH—The FBI's new art theft index can speed recovery of stolen treasures.

But museum directors and other art owners must do their part, said William Nettles, assistant special agent in charge of Miami's FBI office.

Owners should keep detailed records on each artifact so information on a stolen article can be relayed to the FBI and fed into the index, he said.

If no records are kept, chances of recovery are slim. Even if a stolen article were recovered, authorities would have no way to trace ownership, Mr. Nettles said.

Without the FBI file, it might take years for a police department to tell whether a painting is stolen, Mr. Nettles told participants at the American Society of Industrial Security conference here last month.

The FBI developed the index, called the National Stolen Art File, in response to increasing art thefts. More than \$50 million worth of paintings, statues, prints and other art objects are stolen each year from museums, corporate displays and private collections.

Thieves, usually adept at circumventing security systems, are selling the objects for high prices or keeping them as a hedge against inflation.

"Many objects provide a good buffer against inflation and are a good investment," said Mr. Nettles.

Few art objects have serial numbers or other identifying marks, said Mr. Nettles. The FBI index, however, attempts to solve this identification problem by cataloging information about art treasures.

The more detailed a description of the stolen item, the better the possibility of recovery, he said.

Information should include photographs of the items and a listing of each object's height, width and weight.

When a theft occurs, the information is fed into the FBI's computerized system. Recovered art is then checked against the description on file.

The index has descriptions of some 2,000 paintings, prints and sculptures. The FBI hopes to tie the system into the National Crime Information Center, an information bank that allows a law enforcement agency to determine through serial numbers whether an article is stolen.

Immediate reporting of an art theft is vital to investigators and might result in quicker recovery, said Thomas B. Burke, director of protection services for the Smithsonian Institution in Washington.



Photos: John Maes

Few art objects have identifying marks, says Mr. Nettles.

## Insurance fraud increases

Continued from page 3

Mr. McKenna's office, opened in April 1977, is trying to do something. The division's 33 agents have investigated 2,124 complaints of commercial and personal insurance fraud and made 189 arrests. About 130 persons have been convicted; others are awaiting trial.

"We've been busier than the proverbial one-armed paperhanger," he said. "We could keep 200 people busy working nothing but insurance fraud."

They handle many common personal lines insurance schemes such as auto insurance swindles, phony slips and falls and ambulance chasing by doctors and lawyers. But many cases involve commercial insurance fraud, he said.

In a number of cases, inventories in stores, warehouses and factories were inflated following arson. Other frequent complaints involved agents who pocket premiums rather than turning them into insurance companies or sell clients coverage they don't know they are buying.

Mr. McKenna predicts more states will form insurance fraud units soon. Units exist now in Florida and California and New Jersey is forming one.

A model bill recently adopted by the National Assn. of Insurance Commissioners details the powers



"We could keep 200 people busy," says Robert McKenna.

of an investigative unit and the complaint procedures.

The federal government and insurers also are gearing up for the fight against fraud.

The U.S. Postal Service is redirecting some of its investigative effort to combat insurance crime, said Kenneth J. Fletcher, chief postal inspector.

About 500 of the office's 2,000 regular fraud investigators nationwide are concentrating about 20% of their time on insurance offenses.

If state statutes are weak or a case is difficult to prove, a violator

could be prosecuted under U.S. mail fraud laws, he said. "If the mails are used in the furtherance of these schemes, it is a technical violation of the mail fraud statute."

Conviction for mail fraud can bring a \$1,000 fine and/or five years in prison. Because of limited manpower and other investigative priorities, the postal agency is concentrating on cases involving losses of more than \$250,000.

"That doesn't mean those are the only cases we'll prosecute, but most will involve \$250,000 or more," Mr. Fletcher said.

Insurers are forming special investigative units to protect themselves against claims fraud.

John J. Marsden, assistant vp for international security with Commercial Union Insurance Co. of Boston, said the insurer has saved "many a dollar" through extensive investigation of questionable claims.

Mr. Marsden, who has a law enforcement background, said Commercial Union isn't satisfied with just identifying a fraud and denying a claim.

"Our policy is to prosecute and we like to get restitution," he said. "We feel that we have to get these people off the street and out of the industry. Otherwise, they'll just pop up someplace else."

# Sun Banks of Florida adds Dockery to staff

J. GLENN DOCKERY, 30, has been named vp of risk management at Sun Banks of Florida Inc., based in Orlando, where he will be responsible for risk management programs for 108 bank offices in the state. In this position, which has been dormant for some time, Mr. Dockery reports to corporate vp Charles Harris. Previously, Mr. Dockery was assistant vp at Linder Industrial Machinery in Lakeland and before that was assistant vp and risk and insurance manager at First National Bank of Flor-

## comings & goings: buyers

ida in Tampa. He has a bachelor's degree in government and a master's in public administration from Mississippi State University.

Guy F. Atkinson Co. in San Francisco has named **Leonard Baumann**, 37, assistant risk manager with responsibility for the firm's entire insurance program. Mr. Baumann, who reports to risk

and insurance manager Gil Reed, previously was president of Business Insurance Agency in Goshen, Ind. He is a graduate of Wesleyan University in Illinois with a major in insurance and has ARM and CPCU designations. The position he is filling has been vacant.

GAF Corp. in New York has named **David F. Peck** to the newly created position of property insurance supervisor with responsibilities for administering loss prevention programs. Mr. Peck, who previously was an assistant vp at Johnson & Higgins in New York, now reports to Robert Gyory, director of the risk management department. He has a bachelor of science degree in fire protection engineering from the University of Maryland and an M.B.A. from Rutgers University. Mr. Peck is also a registered professional engineer and certified safety professional.

Becton Dickinson & Co. in Paramus, N.J., has named **Karen Ann Feldhaus** insurance coordinator to replace **Ken Corrigan**, who left the company. Ms. Feldhaus, who will report to John J. Stetina, director of corporate risk, will be responsible for processing, evaluating and coordinating automobile liability and property damage claims, workers compensation and travel accident claims. Before joining the company, Ms. Feldhaus was insurance manager for Flexi-Van Truck Rental in Hackensack and a claims manager for Interstate Motor Carriers Agency Inc. in Englewood Cliffs. She is working toward her bachelor of science degree in management at Saint Peter's College.

The Bank of New Orleans has promoted **Cynthia Vaccaro** from corporate administrative assistant to assistant vp with responsibility for insurance and risk management. Ms. Vaccaro, in this newly created position, will report to senior vp and controller V. Joseph Perez III. She has a bachelor's degree from Tulane University.

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## growing pains

**We hope it brings common sense management**

By MARY ANN MATLOCK

WASHINGTON—As of Jan. 1, federal regulators will be forced to acknowledge the difference between David and Goliath.

Starting with the new year, all proposed federal regulations and paperwork requirements must be studied specifically for their impact on small businesses, nonprofit groups and governmental units. The rules are outlined under the recently approved regulatory flex bill.

Existing regulations also will be studied for their impact on the "Davids."

The signing of this bill (S. 299) into law by President Carter Sept. 19 is the culmination of a push for several years by small business groups. It is expected to affect all areas of government, including the Occupational Safety and Health Administration, Environmental Protection Agency and Employee Retirement Income Security Act.

"We think it's one of the best moves forward in a long time," said Jerome R. Gulan, vp for government affairs at the National Small Business Assn. in Washington.

"We hope it brings common sense management to regulatory agencies," said Frank Swain, counsel for the National Federation of Independent Businesses in Washington.

"We've been working on this three years. It's been worth the wait," said Steve Lynch, staff director of the House subcommittee on small businesses.

Mr. Lynch outlined the steps regulators must take under the new law:

- Print an agenda of regulations or paperwork that will affect small businesses six months before scheduled hearings.
- Notify small business organizations of the proposal through a means other than the Federal Register. This could be done through select mailings.
- Accept comments on the proposal.
- Consider the impact of exempting small businesses from the proposal or providing less cumbersome guidelines for them.
- State the group's stand on small businesses in the final proposal.

Besides these guidelines for regulators, the chief advocacy counsel for the Small Business Administration's Office of Advocacy must review the effectiveness of the bill annually and file a brief for Congress on proposals challenged by small business groups.

"The law is needed because Congress never told agencies they could or should do it," Mr. Lynch said. "It's needed in all areas, specifically paperwork requirements."

Some federal agencies, such as the Occupational Health and Safety Administration and the Environmental Protection Agency, already have started reviewing their proposals to study their impact on small businesses.

Small business associations agree a review of OSHA, the EPA and ERISA could go a long way toward lifting the yoke of regulation from their groups.

"We think it will be beneficial right across the board, specifically in the environmental area where in the past the law limited the number of options," Mr. Gulan said. Environmental safeguards may be measured by how effective they actually are instead of how effective they were designed to be, he said.

"If we had this bill, perhaps ERISA might have been thought through more closely," Mr. Swain said. "No one paid any attention to small business . . . ERISA discouraged the formation of small pension plans because of the paperwork burden."

He expects the regulatory flex bill to allow participants to "see if they can accomplish the plans of the bill in any other way."

"I think the regulation will perhaps for the first time have regulators consider the impact—economic and social—of proposed regulations before they are put into effect . . . As a cornerstone of the regulatory movement I think it's a step forward," said Mr. Gulan of the SBA.

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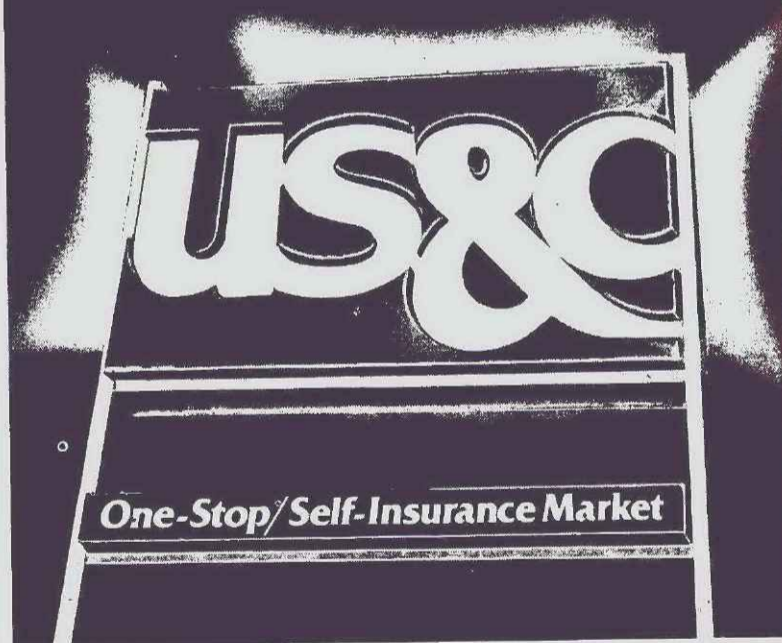
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# Canadian RIMS

## Executives fear trend toward product suits

WINNIFEG—Canadian risk managers are looking south of their border with wrinkled brows at the wave of American product liability lawsuits.

"Litigation raises rates," said Carol Caswell, risk manager for Maple Leaf Mills Ltd. in Toronto. And product liability lawsuits in the United States could do just that for Canadian firms that buy insurance from the American market.

But Canadian risk managers are even more concerned that the U.S. trend toward product liability suits will flow over into Canada soon.

So far, the movement has been headed off, assured Hon. Justice John E. Wilson of the Manitoba Queen's Bench when he addressed the Canadian RIMS conference here.

"We haven't had litigation of this sort," he said. "But we certainly have had threats."

The Canadian legal system, however, discourages even threats of product liability lawsuits.

In Canadian courts, the plaintiff must prove beyond a doubt that the damage was caused by the product. This is a costly process, and the tab is usually picked up by the plaintiff.

"We don't have a contingency fee system here," said John McArthur, manager of credit and property for Canadian Gypsum Co. Ltd. He explained that plaintiffs have to pay lawyers whether they win or lose the case.

"So if you don't win, you have to pay (for the lawyer) from your own pocket," he said. This discourages many suits.

The Canadian system also rarely uses juries for product liability lawsuit trials, pointed out Justice Wilson.

This, he says, makes it harder to win an award. There is not the big hype to convince a jury of innocence or guilt in product liability suits. Instead, clear-cut evidence must be presented to the judge and the complaint about a product must be based on that evidence, he said.

Awards are usually smaller in Canadian courts, too, points out Mr. McArthur. A Canadian court does not award the plaintiff enormous sums for punitive damages.

"They'd award the government punitive damages," he explained. "It's not for you to punish somebody. It's for the government to punish somebody."

"This brings product liability to a more realistic level."

In other insurance litigation, however, Canadian risk managers share the complaint of their American counterparts that the legal system moves too slowly.

In both countries, risk managers

have come to think that "the duty of a judge is to administer the law, but his practice is to delay it," said Justice Wilson.

"We've all heard complaints about delays and costs," he said.

But the judge reminded his audience that in most jurisdictions, "lawyers decide when a case goes to court."

A case can take 2½ years to prepare and then be settled out of court, he said.

"The search for truth is never easy," he said. "Pretrial investigation is supremely important. But

once the case comes to court, generally the answer isn't too difficult."

Pretrial work can narrow a case so no trial is needed, he said. Then judges act as arbitrators of settlements even though that isn't their role, he said.

The garment trade unions in Manitoba have an arbitration board in Winnipeg that settles all insurance litigation. They don't come to court because they know the insurance situation better than we do and "they knew we'll get it wrong," he said.

Photo: Stacy Shapiro



"The search for truth is never easy," says Hon. Justice John E. Wilson of the Manitoba bench.



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# Loss control comes first, Stuart says

WINNIPEG—There's nothing fancy about risk management, Don Stuart says.

It is based on a single premise Mr. Stuart used for 30 years as a risk manager: "If you have a wood building, you protect it."

First you protect it by making sure it doesn't burn down. Then you protect it: by insuring it.

Many of the risk management techniques used to protect that building are the same today as they were 30 years ago when Mr. Stuart began protecting risks for Canada Packers Ltd. Mr. Stuart, who retired in 1978, is now coordinator for the Canadian Risk & Insurance Management Society.

"Your job should be not to have any losses," said Mr. Stuart, who believes all cost should first be spent on loss prevention. "Forget about insurance. We got into loss control."

"It's better to spend \$1 on prevention than \$1 on insurance, or even 50 cents on insurance," he said. "If we had something worth

**'Your job should be not to have any losses,' says Don Stuart.**



Photo: Stacy Shapiro

protecting, we'd protect it."

The high priority on loss control has been Mr. Stuart's watchword since the day his company formed its first insurance committee in 1950. Until his retirement 28 years later, the company suffered only one large loss.

"When I started there was no such thing as risk management. You talked to a broker," he said. "We worked on the seat-of-the-pants basis. There were no consultants at that time. We were non-insurance people discussing

what we needed."

He and his staff learned by trial and error that the best risk management department prevents a loss before thinking about how to insure it.

"Get the losses under control in the first place," he advised risk managers. Then you can self-insure, carry high deductibles and improve cash-flow because there's less threat of paying out money for a large loss.

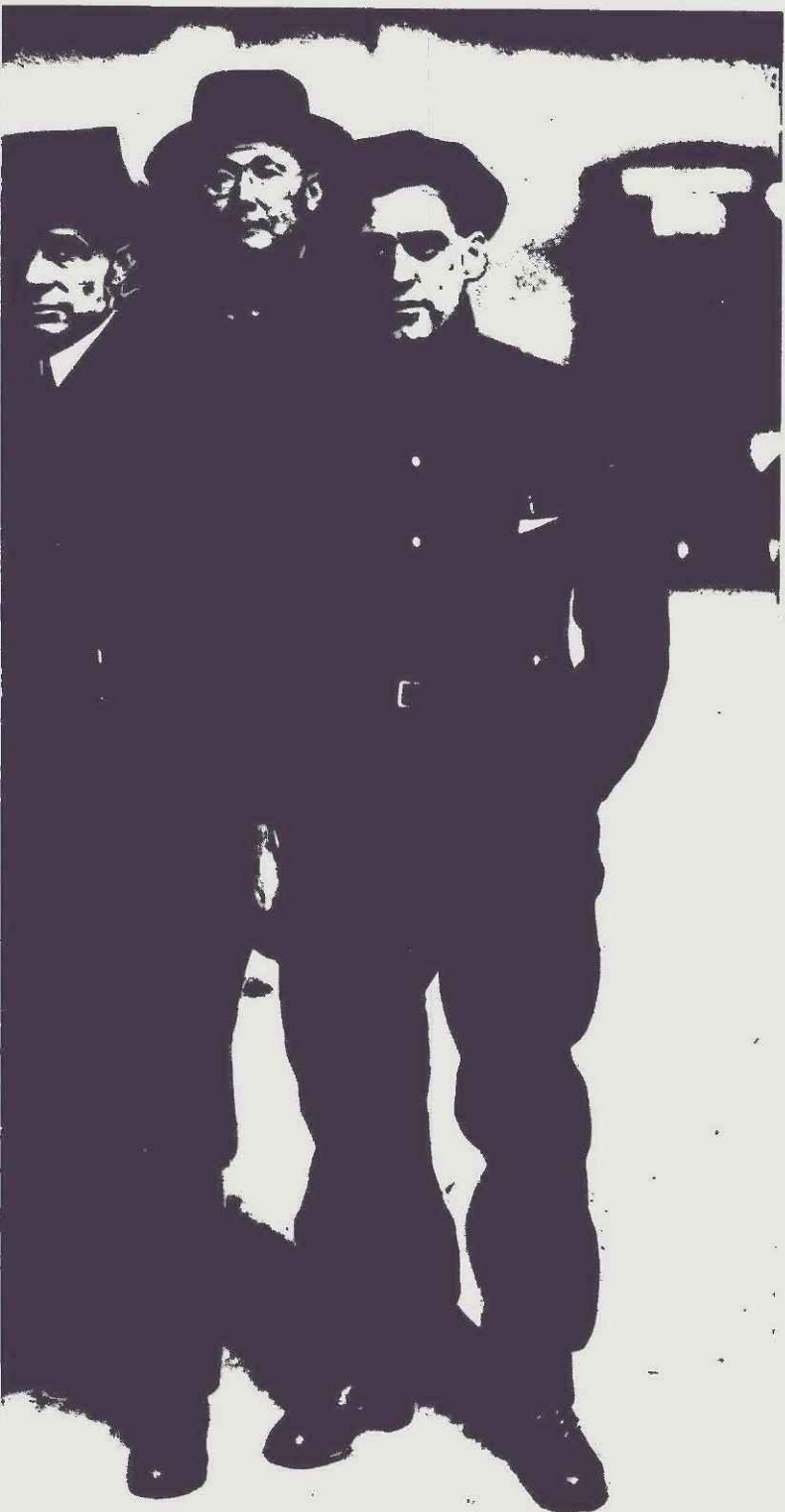
Once losses are under control, protecting them becomes much easier. "We took over insurance to best suit our needs—using deductibles, buying coverages we never had."

And the costs to Mr. Stuart's company for insuring automatically decreased because the firm became a good risk. Insurance companies started approaching him with competitive rates.

"Once your company has a good risk experience, they come knocking on your door."  
—Stacy Shapiro

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# Execs go to U.K.

Continued from page 2

"That's a high rate, but the Chicago market (known for its helicopter policies) wouldn't entertain us," he said.

Besides, "one always expects to get good service from Lloyd's," Mr. Maitland added.

The largest steel company in Canada has followed suit by moving its first primary layer of property insurance to London from Allendale Insurance Co., the largest of the U.S. Factory Mutual System.

Ken Kerr, insurance manager for the Steel Co. of Canada Ltd., said he went through his broker Marsh & McLennan to Lloyd's for lower cost and broader coverage, which includes fire and extended coverage, boiler and machinery. London now provides the \$50 million policy and Mr. Kerr does not have to pay a premium deposit upfront as required by the mutuals.

Bill Tombe, risk manager for Tahsis Co. Ltd. in Vancouver, says he's saved \$50,000 by moving his primary fire insurance on his pulp mills from Allendale into an all-risk package policy. Lloyd's insures 50% of that policy.

"We answer to two corporations as a subsidiary, and they wanted us to move to Lloyd's for stability," he said.

Tahsis Co. also moved its boiler and machinery policy from Allendale to Allianz in Vancouver for a \$117,000 premium.

Other risk managers who have

## 'There's many ways to skin cat,' says Mr. Westlake.

been Lloyd's clients are sticking with London out of loyalty.

"We've been with Lloyd's for 20 years," said Reg Pitchard, manager for corporate risk and insurance services of United Grain Grower Ltd. "They're true to us in the bad years, and we're true to them in the soft ones."

Some are staying with the American market for the same reason.

Ken Campbell, assistant manager of insurance for Canadian Forest Products Ltd., says loyalty is why he's sticking with Allendale for his highly protected risk policy.

"They'll insure the 'dregs'—the high-loss ratios in woodlands operations—so we place some of the low risks with them, too," he said.

He's also attracted by the cheaper rates in the American market.

Peter Westlake, insurance manager for Weldlode of Canada Ltd., also goes to the U.S. market to cut costs. Two years ago when rates fell, his company told him to get insurance at the cheapest rates.

By the end of two years, the competition for his business saved him \$418,000. "I can't swear it was competition that gave the savings, but rates were reduced by 40%," he told the Canadian RIMS conference. "I think competition helped."

Mr. Westlake goes for the smaller brokers because "those guys are hungry." By feeding them, he has made substantial savings for his company.

But he warns that when you play the game this way "you have to read everything. In our cat there's many ways to skin the cat. Sometimes I'm not sure who's the cat and who's being skinned. But that's the fun, isn't it?"

# Keep informed to prevent loss: Risk Exec

WINNIPEG—One of the most difficult jobs for a risk manager is to keep up with the growth of his company—especially if he isn't informed about new operations.

Risk managers say this lack of communications results in expensive uninsured losses that could be prevented if they are kept informed.

But because corporate executives and operations managers don't always contact risk managers until after the building has burned down, risk managers must knock on their bosses' doors instead.

Two Canadian risk managers have done just that and have found it quite profitable.

Ken Kerr, insurance manager for the Steel Co. of Canada Ltd., real-

ized there was a communications problem when a diesel shop was under construction on one of the company's 20 plant sites.

"We didn't even know the shop was being built because we weren't informed," he said.

He learned about it after the insurers inspected the shop for fire hazards and found there were no water sprinklers. The company was trying to save on expenses by not installing them, Mr. Kerr said.

"We've done our best with engineering, but I wondered if we were working for the same company," he said.

Mr. Kerr promptly made an appointment with the vp of operations. "I told him the savings from (eliminating) fire sprinklers would

be used up by higher insurance costs," he said. "It's cheaper to prevent a loss than come back after the loss."

The vp of operations didn't know the savings he could make by keeping his risk manager informed. But once Mr. Kerr pointed this out to him, "doors seemed to open. Now things work well," he said.

The vp of operations was so impressed with Mr. Kerr's suggestions that he sent a memo to all executives and departments setting down new rules. Mr. Kerr's insurance department now sees all blueprints to check that safety measures are implemented.

Inspection and construction accounting reports pass his desk. Fire and boiler reports come

through his department and "we have chaired the executive meeting—inspection, brokers, ourselves and security people."

Loss prevention has been made easier by informing the top management at STELCO. "Many sacred cows have been succumbed," said Mr. Kerr.

"Loss prevention must come from the top and won't come unless you seek it out. You have to see what's going on in your shop."

But lack of communication doesn't always start at the top. Many times losses go unreported because lower management didn't inform the risk manager.

"There are certain kinds of losses people don't report, and we have to find out what they are,"

warned George Wilkinson, risk manager for Syncrude Canada Ltd.

Sometimes maintenance losses go unreported, he told the Candian RIMS conference here. Syncrude lost \$300,000 when a dragline operator let an unauthorized operator on the machinery one day. There was a \$100,000 loss in 1978 when a storage tank was overloaded and the problem wasn't discovered until a year later.

Sometimes operators are afraid to report these losses, said Mr. Wilkinson. Sometimes there is confusion about who should report the loss.

"The shift foremen or supervisor should make the report," Mr. Wilkinson said. "Make this evident in your manuals."

## Glitter wears off exec benefits

Continued from page 1  
Kwasha Lipton consultants in New Jersey.

"Most benefit managers are very hard pressed to go to the board and say, 'Earnings are down this year but we want more benefits.' Very few companies have made their profit projections," he explained.

"Attention to executive benefits has certainly intensified," said R. Donald MacDougall, vp at Tower, Perrin, Forster and Crosby, consultants in New York. Whether that means companies are actually doing anything is more difficult to determine. Many (plans) are kept close to the vest."

Seagram Distillers Co. in New York is one of few companies to heavily spike executive benefits in the last two years.

"There is a trend toward compensating executives or having a larger portion of their compensation based on performance," said Roy Tieman, director of employee benefits at Seagram.

During the past two years the company has expanded almost every area of benefits for the top 25 executives, he said.

These include long-term incentives, expanded bonuses, matching contributions for education and to charitable organizations, elimination of deductible medical and dental plans, unlimited payout under major medical, supplemental pension benefits, burglar and fire alarms in residences, club memberships and autos.

"Benefits have gotten very extensive. It's a golden handcuffs-type arrangement . . . unless people don't pan out," Mr. Tieman said.

With a benefit package easily equal to 100% of an executive's salary, they may well be handcuffed voluntarily to their jobs. In comparison, Seagram's regular benefit package equals about 43% of base salary.

At Squibb Corp. in New York, however, executive pressure to provide benefit hedges against the ailing economy has been fruitless.

"We've been under some pressure to do something in that area, particularly post-retirement death benefits, but the decrease in corporate profitability has caused the compensation committee to say no," said John T. Daugherty, director of benefits planning.

"We've put a couple of propositions up at the request of execs, but they've been shot down as not the time to take care of the fat cats," he said. Besides the life insurance, the top executives requested fully-paid medical plans.

When the firm's economic picture brightens, Mr. Daugherty sees the possibility of adding the life insurance, but little else.

A Martin E. Segal Co. study to be released later this month shows the number of companies offering bonuses and long-term incentive plans is increasing.

But perquisites like company cars and club memberships remained about the same.

The annual survey by the New York benefit consultant was based on a survey of Fortune 1,000 companies. It shows:

- Annual bonus plans are offered by 79% of the Fortune 1,000 companies surveyed in 1979, up from 75% in 1978.

- At least one type of long-term incentive plan was offered by 93% of companies in 1979, up from 10%.

- Perquisites offered to the top five executives include automobiles, 45% of 526 respondents; additional life insurance, 39%, and club memberships, 30%. These perks have accounted for 3% to 4% of salary since 1977.

"With the continued adverse impact of the economy on higher-

paid executives, there is a trend to try to compensate adversity with more tax-effective supplemental compensation," said Segal senior vp Harry Zebrowitz.

Of the long-term incentive options, the stock plan continues to dominate the market, he said. However, because of adverse stock conditions, the value of a share of stock is often tied to book value rather than market value.

Mr. Dorf at Kwasha Lipton sees performance benefits becoming more specific. "There is a concern with people trying to maximize for today at the expense of tomorrow," he said.

Companies want to avoid situations where an employee puts all his energy into a short-range project to win a big bonus at the expense of long-range projects.

Therefore, many plans are tied to three-year goals of a company with bonuses increasing in pyramid fashion, said Mr. Dorf.

At TPF&C, Mr. MacDougall observes three main areas of executive compensation: supplemental retirement income, life insurance and financial counseling.

It is becoming common to calculate the retirement income as a percentage of all executive pay, he says, not just base income.

The actual tax advantage to receiving benefits as opposed to hard cash is debated.

Those who favor benefits say it's far better for an executive to receive full medical coverage because he is usually in a 50% tax bracket. To pay a \$5,000 medical bill, he had to earn \$10,000.


However, when the company pays the \$5,000 bill through additional benefits, the executive only pays \$2,500 tax on that income.

Opponents, however, point to Internal Revenue Service rulings favoring taxation of benefit-type income. A 1978 ruling found supplemental medical coverage is taxable if self-funded by the company. But companies got around this rule by getting insurers to underwrite the programs.

Short-term executive incentive plans are more common in firms in the top 100 of the Fortune 500 list, according to a study by Hewitt Associates.

The study of short-term plans, conducted in February, found 96% of the 68 Fortune 100 firms that answered the survey had short-term incentives compared with 71% of the 42 firms in the Fortune 400 to 500 range responding.

Participation in the incentive plans in Fortune 100 companies was limited to 5.6% of exempt salaried employees; the Fortune 400 to 500 firms allowed 11.2% of exempt salaried workers to reap additional income.




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# Interruption, cleanup claims smolder

Continued from page 1  
ance Cos. Ten businessmen in the Moses Lake area are disputing coverage under a named perils policy. They are suing for recovery of both ash-removal and business interruption losses.

State Farm Insurance Co. has paid about 250 commercial claims for business interruption and ash removal in the Spokane, Yakima and the Moses Lake areas, says Hollis Zschokke, divisional claims manager. Most of these policyholders are small businesses, he adds.

State Farm and other insurers paying business interruption claims require the policyholder to demonstrate that earnings were actually lost and not merely deferred. They argue that attorneys and small retailers, for example, were able to recoup their losses once they reopened for business.

**Restaurants, manufacturing companies and automobile dealerships** head the list of companies that are recovering losses for ash cleanup and business interruption, say insurers and brokers.

The major stock insurance companies are striking a tougher stance against both ash-removal and business interruption claims. They maintain that ash removal may be an inconvenience or a nuisance, but it does not constitute physical damage and, therefore, is not insured

Aetna Life & Casualty Co., pays business interruption only if the business was forced to shut down because of physical damage. It is paying ash-removal costs only when ash caused actual physical damage or a threat of damage to a building structure or its contents.

Although the measure of direct physical damage appears to carry the most weight with insurers, other criteria are also being used, note adjusters.

The further businesses are from the mountain, the less likely insurers are to pay business interruption claims, says broker P.P. Lynch Jr. of Jones & Mitchell Co. "Most companies willingly pay for ash removal from roofs," he added.

Some cities in eastern Washington, including Yakima and Spokane, issued orders to businesses to close their doors during the heavy May 18 ash fallout. Some policyholders are insisting that those orders constituted a shut-down by civil authority and should be insured. Most insurers, however, are denying such claims.

In the Spokane area, Mr. Lynch notes, about 15 auto dealers have recovered an average of \$35 for each car sitting in their lots that had to be scraped and cleaned. Many have been able to recover lost revenue through business interruption claims for the days they were closed for the cleanup.

Some claims for ash removal

and business interruption are still trickling in. Some fear that as more claims are paid, more will be submitted.

Last June, Mr. Lynch's firm retained an independent legal firm to evaluate the legal aspects of Mount St. Helens claims questions.

Mr. Lynch specifically asked the attorneys about insurance coverage for ash removal and business interruption under a standard loss of earnings endorsement for businesses forced to close down following the eruption.

The report, which Mr. Lynch subsequently distributed to claims managers and independent adjusters throughout the state, advised that if the issue were ever to be presented to a court in Washington, the court would conclude that coverage exists.

Boise-Cascade is one company that has had no trouble recovering a \$100,000 ash debris and business interruption loss. The company's captive insurer paid the claim submitted by Boise-Cascade's wood products plant in Yakima.

Another very large insured loss was paid by Talbot Bird, marine insurance manager in Seattle. "Our draft for \$932,000 was paid to a large logging equipment company which lost four or five pieces of heavy equipment near the summit of Mount St. Helens," said Mike Luenella, claims adjuster.

The Seattle First National Bank

sustained about \$70,000 in losses for ash cleanup and damage to cash machines, an amount that fell within the company's insurance policy deductible, said a spokesman.

"We still haven't been able to get into the area to figure out what our losses were," lamented H.E. Halweg, director of insurance for Burlington Northern Inc. The U.S. Army Corps of Engineers is trying to blaze a trail through the area where Burlington Northern has about 12 miles of railroad, he said.

"But we're not in a position to report our losses," Mr. Halweg said. "We've notified our insurers and offered to arrange an inspection tour for them to understand the situation."

**Weyerhaeuser Co.**, the Tacoma-based forest products company, suffered by far the greatest commercial losses, reportedly \$10 million to \$50 million. The company is heavily self-insured and has declined to discuss other details of its risk management program.

Insurers have apparently not been faced with multiple claims on the same risk because winds carried heavy ash in different directions after successive eruptions. Also, it appears the first blast on May 18 caused the heaviest ash damage.

The possibility of intermittent Mount St. Helens eruptions over the next 20 years has caused considerable concern among insurers and Washington State's insurance regulators.

There are a number of proposals under consideration, notes Scott Jarvis, public defender in the commissioner's office. There is talk of a tiny assessment against businesses to put money into a catastrophe fund, for example.

"But these proposals don't seem to be going anywhere," he said.

The commissioner's staff is also studying the feasibility of creating a volcano pool with contributions from all the property insurers doing business in the state.

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## Here's an insurer rundown on volcano claim payouts

The broad policies of eight commercial insurers with business interruption and ash-removal claims are outlined below. Insurers stress, however, that all claims are adjudicated on an individual basis.

**Aetna-Cravens, Dargan & Co.**  
Pays outdoor ash-removal expenses, excluding those for parking areas and sidewalks. Pays interior cleanup if an air conditioner or ventilator lets ash inside. Denies most business interruption claims, including those for shutdown by civil authority. Total reserves established for volcano losses is \$500,000.

**Aetna Life & Casualty**  
Requires physical damage to property or adjoining property before paying for ash removal. Pays business interruption only in event of actual physical damage that forces shutdown. Received fewer than 50 commercial claims for volcano losses. Paid only one business interruption claim on a food service facility.

**SAFECO Insurance Co.**  
Covers ash-cleanup expenses if extraordinary effort is required to remove deposit. Also pays business interruption if ash accumulation was sufficient to prevent policyholders from conducting business, resulting in clear loss of earnings. Paid one large property loss claim of \$377,000 to a logging company.

**St. Paul Fire & Marine**  
Pays ash-removal expense if deposits cause direct physical damage or a threat of damage.

After initially denying ash-removal claims, an industry source says the company has since relented in many cases. Out of 170 total volcano claims, 25 are for business interruption. Most of these have been denied for a lack of loss impact on gross earnings.

**State Farm Fire & Casualty**  
Pays ash-removal expenses and business interruption during shutdown if policyholders sustain an earnings loss. Paid 250 business interruption claims averaging \$2,000 to \$3,000 to small businesses and manufacturing companies. Eight claims remain open out of a total 6,300 volcano claims received.

**The Travelers Insurance Co.**  
Requires physical damage or a threat of damage to a structure to cover ash-removal expenses. A broker in Spokane notes that this policy has been liberally construed in his area. Pays business interruption when property damage has occurred. Total commercial claims of 136. Fifty were for business interruption, of which approximately a third were paid, six are unsettled and others were denied for lack of physical damage.

**Unigard Insurance Co.**  
Pays for ash-removal with evidence of physical damage or po-

tential damage or when ash deposits would decrease sales value of the property. Covers business interruption if business was shut down to clean up ash that caused physical damage. Total reserves for volcano losses are \$600,000. Out of 105 commercial claims, 20% are for business interruption.

**United Pacific/Reliance**  
Pays for ash cleanup under all-risk policy. Also covers some business interruption during cleanup if sales were clearly lost, and not deferred.

Typically permits one to three days coverage in Spokane; up to seven days in downtown Yakima. Denies both ash-removal and business interruption coverage under named perils policy.

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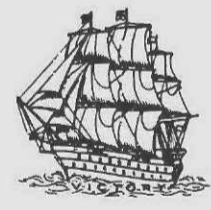
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## Risk, benefit staffs back

CHICAGO—Inland Steel's risk management and employee benefit departments are back to full staff after a four-day workweek order for some staffers was rescinded last week.

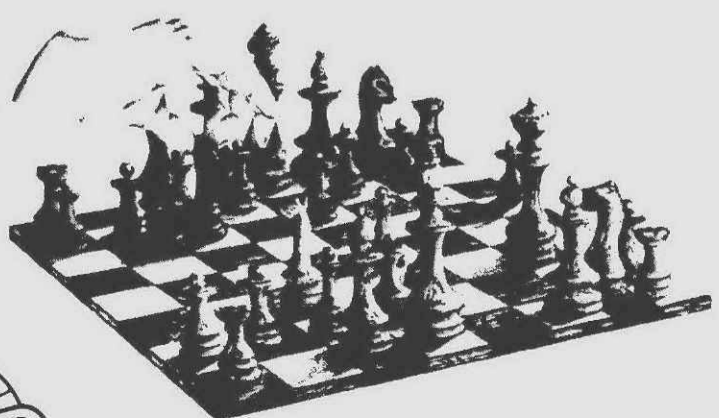
The order, which affected 1,700 junior salaried workers, included three of the eight risk management staff and some employee benefit clerical workers (BI Aug. 11).

Risk manager Phil Saturnino

credits the turnaround to "improved business" and believes his full staff will be working five-day weeks for a long time. "It should last by all indications," he said.

Jack Sheehan, employee benefit manager, says his staff worked extra hard during the short weeks to finish everything that needed to be done. "We used our third arm to do as much as they did before," he said.

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State	1980	1979	Increase (Decrease)
1. Texas	653	475	37.4%
2. District of Columbia	613	462	32.6%
3. Pennsylvania	549	444	23.6%
4. Mississippi	437	135	223.7%
5. California	405	510	(-20.5%)
6. New York	386	288	34.0%
7. Michigan	329	271	21.4%
8. Kansas	282	199	41.7%
9. Louisiana	273	340	(-19.7%)
10. South Carolina	261	151	72.8%

Source: Administrative Office of the U.S. Courts.  
Chart by: Pat Jackson.

## Product liability suits jump again

Continued from page 1  
from exposure to cancer-causing asbestos, said a spokesman for the U.S. Court of the Southern District of Mississippi.

Mississippi is one of the largest shipbuilding states.

On the West Coast, California and Washington bucked the national trend with declines in the number of federal product liability cases.

The drop, however, was attributed to two major airline crashes in 1978 and 1979 that sent the number of personal injury suits skyrocketing in 1979.

Most of the victims in the September 1978 crash of a Pacific Southwest Airlines jet in San Diego and the DC10 crash in Chicago in May 1979 were from the West Coast.

In California, the number of cases dropped to 405 in fiscal 1980 from 510 cases in fiscal 1979, a 20.5% decrease. However, California still ranks fifth among all 50 states for number of product liability cases filed in fiscal 1980.

In Washington, a 74% decrease was recorded. The number of product cases dropped to 54 from 209 in fiscal 1979.

The number of cases decreased in seven other states: Louisiana, Nebraska, New Hampshire, North Carolina, North Dakota, Oklahoma and Oregon.

Among the nation's leading industrial states—California, Illinois, Michigan, New York, Ohio,

Pennsylvania and Texas—only California did not experience a significant increase in the number of product liability cases filed in fiscal 1980.

In Illinois, for example, 218 cases were filed in federal courts compared with 149 in fiscal 1979, a 46.3% increase. In New York, the number of cases jumped to 386 from 288, a 34% increase. In Ohio, cases filed in 1980 shot up to 208 from 148, a 40.5% increase.

Texas, with 653 cases, had the most product liability cases filed in its federal courts. Last year, California headed the list.

The District of Columbia, with 613 cases, was second in fiscal 1980, followed by Pennsylvania with 549 cases and Mississippi with 437 cases.

Wyoming repeated its 1979 performance by reporting the fewest product liability cases: 13. However, this was a 44.4% increase over 1979, when nine product liability cases were filed in the state's federal courts.

### Greek insurer

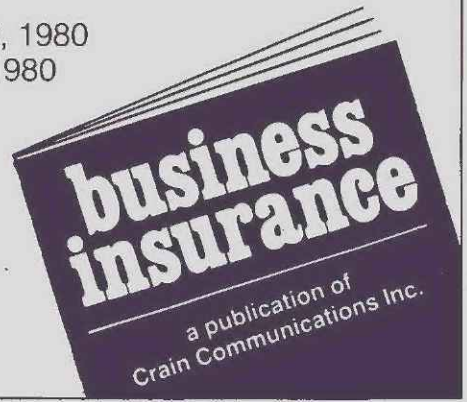
Latsis Enterprises, a giant Greek shipping firm, has formed an insurance company geared to snare a piece of the marine insurance business, according to a Greek financial newspaper. The firm will initially write property and life coverage for the corporation's employees. It has been licensed to handle life, marine, civil liability, accident, auto and hospitalization.

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## Fla. exchange plots slow, steady growth

*Continued from page 2*  
 "First, we won't enter the market when adverse conditions exist," Mr. Sadowski said. Competition and low rates in the current market have made the selling rough for the New York exchange syndicates.

Tighter market conditions are expected in 1981. Second, by the time the Florida exchange is ready to begin business, the Internal Revenue Service should have decided whether individual, non-corporation syndicates can deduct from taxes loss reserves from premium income. This question has slowed formation of the Illinois exchange and development of the New York exchange.

Third, in Florida there is no in-fighting over the Free Trade Zone. In New York, rules that all direct risks must be rejected first by the Free Trade Zone before they can be placed on the exchange have interfered with exchange business. "New York was a shotgun marriage," said George Love, another board member and administrator of the surplus lines section of the Florida insurance department. "You had one side pushing for the Free Trade Zone, one side for the exchange and the legislature told them they'd have to come to some kind of an agreement and do one or the other. So now there's in-fighting between the Free Trade Zone and the exchange. But here we don't have the problem, and we don't anticipate that problem."

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ISSUE NUMBER	ISSUE DATE	AD CLOSING
<b>43. GROUP LIFE &amp; HEALTH INSURANCE: THE YEAR AHEAD</b>	<b>OCT 27</b>	<b>OCT 14</b>

## more to come :

	ISSUE DATE	AD CLOSING
39. IIAA Convention	SEP 29	Sep 17
40.	OCT 6	Sep 24
41. Market Report: Texas	OCT 13	Oct 1
42.	OCT 20	Oct 8
43. GROUP LIFE & HEALTH INSURANCE: THE YEAR AHEAD	OCT 27	Oct 14
44.	NOV 3	Oct 22
45.	NOV 10	Oct 29
46. Spotlight Report: Reinsurance	NOV 17	Nov 5
47.	NOV 24	Nov 12
48.	DEC 1	Nov 19
49.	DEC 8	Nov 25
50. EMPLOYE BENEFITS	DEC 15	Dec 2
51.	DEC 22	Dec 10

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# business insurance

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The directors also point to "structural advantages" they say will give Florida an edge in attracting investors. For example, it has a lower capitalization requirement than New York or Illinois. The exchange's constitution and by-laws allow syndicates to capitalize at a minimum of \$1.5 million. Illinois requires \$2.5 million and New York \$3.5 million.

Florida's guaranty reinsurance system will allow investors to cover large losses through reinsurance from Lloyd's in excess of the investor's deposit and surcharge.

Directors aren't predicting how much premium volume the exchange will do in its first year or how many more syndicates will form. Six, capitalized at \$9 million each, are required by law to begin operations.

The board is confident, however, that syndicate backers will come forward once a site is selected and an executive director chosen. An ad placed in the Miami Herald earlier this year announcing the formation of the exchange to potential investors drew a good response, Mr. Sadowski said.

"There were about 12 responses from people who said, 'I represent a party who might be willing to put up \$1 million,'" he said.

"I get called continually by people around the country who want to know how we are doing and when we're going to get going," Mr. Roehrig said.

The state insurance department also has fielded inquiries from local and national brokerages interested in the progress of the exchange, but applications are not being accepted.

"If and when an exchange in Florida starts, it will last," Mr. Roehrig stressed.

## Site selection to be made later

TALLAHASSEE—Selection of a site for the Insurance Exchange of the Americas will come after its constitution and bylaws are approved and interim officers are appointed.

The board, which had its opening meeting here last week, decided to discuss site selection after the two tasks are completed at a Nov. 5 meeting in Tampa.

Insiders say Miami will be selected because of its location, population, commercial base and transportation facilities.

But the board agreed to set up a series of meetings so representatives of interested cities can make presentations.

In other action, board members Nicholas L.S. Cross of Miami and Dana Roehrig were appointed to head a committee to study the financial needs of the exchange and available funding.

# Prudential enters '80s primed for expansion

By STUART EMMRICH

**A**FTER A DECADE of record growth, Prudential Insurance Co. is entering the 1980s primed for further expansion and aggressively going after new business.

This mutual insurer, the largest group and health insurer in the country, came out of the 1970s doubling its in-force insurance to more than \$367 billion. Assets increased more than 95% to \$54 billion. Net investment income, an increasingly crucial part of an insurer's bottom line, grew 150% to \$3.7 billion.

Last year was indicative of the decade as a whole. Total premium income grew to \$8 billion from \$7.7 billion, net investment income rose to \$3.7 billion from \$3.3 billion and total income was up to \$12.4 billion from the previous year's \$11.2 billion.

Although Prudential's figures are impressive, perhaps even more so is the company's continuing expansion into new underwriting areas. Prudential Reinsurance Co., established in 1973 to offer a full line of property/casualty facultative and treaty reinsurance, reached \$1 billion in consolidated assets last year. After-tax income reached \$34 million in 1979, an increase of 70% from the previous year's \$20 million.

Gibraltar Casualty Co., Pru Re's surplus lines insurance subsidiary, began operations in 1979 and last year wrote \$1.3 million in premium income and generated net income of \$830,000.

Prudential Commercial Insurance Co., an important new subsidiary, was started last year. It is just beginning to enter the direct commercial property/casualty market for Prudential.

Still, Prudential's strength lies in the health and life fields, particularly the group market.

More than 290 of the top Fortune 1,000 industrials and 200 of the top non-industrials have full or partial coverage with Prudential, company officials say. Group insurance sales totaled \$20 billion last year, 9% more than the previous year.

Last week, Prudential added to this total

## BI ticker

when it won the contract for group hospitalization and major medical plans for the 2.5 million persons in the National Retired Teachers Assn. and American Assn. of Retired Persons. Annual premiums will be \$300 million. Colonial Penn Group had been the insurer.

Among the paths that Prudential has blazed in group medical insurance is its insistence on second opinions for non-emergency surgery. The second opinions are performed at no cost to policyholders, but those that decline the second-opinion option have their benefits reduced to 80% of the "reasonable and customary charge" of the operation.

Prudential estimates the second-opinion program has lowered its claims about 6%.

The company also has been a strong supporter of health maintenance organizations. At the end of 1979, 71,300 people were enrolled in four Prudential-operated prepaid health plans around the country.

**A**n important part of Prudential's revenues, one that directly affects underwriting, is investment income. Insurers have become increasingly aware that if they can count on investment income to keep growing, they can be more competitive in the marketplace without unduly hurting their profit margins.

"It is fair to say that the accounts will be more competitive if we can maximize the return on all investment," said J. Robert Ferrari, chief economist for Prudential and the man responsible for tracking the company's investments.

By most standards, Prudential has done well.

While the Standard & Poor's Index of 500 stocks rose 12.3% last year, with a total return of 18.3%, the comparable return for Prudential's general account was 19.2%.

Although investment income continues to grow this year, a liquidity crunch in early 1980 caused the company to cut back on

funds available for investment. Too many policyholders were taking out loans against their life insurance. At the peak of the crunch, \$5.5 million a day was being taken out, compared with a more normal rate of \$2 million a day, Mr. Ferrari said.

The sudden reduction in cash brought about some changes in Prudential's investment operations, Mr. Ferrari said. The "big surge in interest rates and the continued very high rate of inflation" also affected investments.

The company established a liquidity reserve to "protect against unanticipated shocks in short-term investments," Mr. Ferrari said. The company also is placing more emphasis on new investment avenues, primarily real estate.

"A company has to diversify," Mr. Ferrari said.

"There is no sense putting all your eggs in one basket." There are few large real estate transactions that Prudential doesn't at least take a look at, he added.

Among the more tantalizing acquisitions Prudential is now considering is the World Trade Center, being put up for sale by the Port Authority of New York and New Jersey. The building has an appraised value of \$1.1 billion, but Prudential officials say they do not know how much they might bid, if anything, for the megastucture.

Already, the prospect of Prudential taking over the World Trade Center has started industry jokes about the Prudential rock being moved to downtown Manhattan.

## Financial briefs

### Bache

Bache Group has formally acquired Ter Bush & Powell Inc. of upstate New York. The move was announced last spring but delayed because of speculation that Bache might have been severely hurt in the silver market crunch.

The \$11 million purchase puts Bache among the top 10 U.S. insurance brokers.

"Ter Bush & Powell Inc. will give us a strong presence on the East Coast to match the influential West Coast position of the (Albert M.) Bender subsidiary, thus making us a full-service provider of insurance all across America," said chairman and chief executive officer Harry Jacobs.

Founded in 1906, Schenectady-based Ter Bush & Powell has 250 employees in nine offices throughout the East and is licensed as an excess/surplus lines broker.

Bache officials also announced formation of a holding company, Bache Insurance Services Inc., for all its insurance operations.

### AIG

American International Group and the People's Insurance Co. of China have signed documents to incorporate China America Insurance Co. Ltd., the first joint insurance venture between the Chinese and an American company.

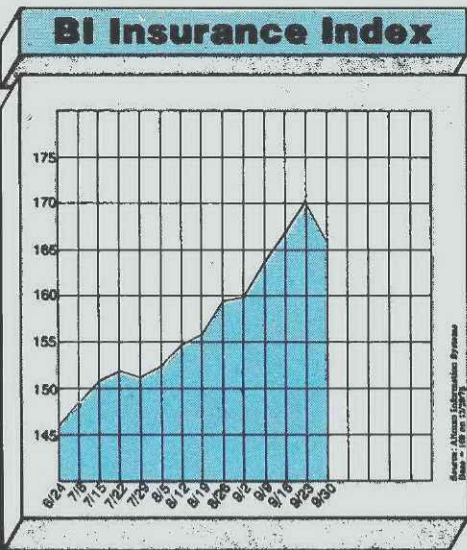
China America will engage in insurance and reinsurance business connected with China's trade and will be available through brokers to U.S. and other firms doing business with China.

### Zurich

Jefferson National Life of Indianapolis has agreed to be purchased by a U.S. unit of Zurich Insurance of Switzerland.

The Zurich company will pay \$73 a share for each of the 1.3 million shares outstanding, or about \$95 million.

The transaction is subject to a definitive agreement between Jefferson National, the Zurich company and Jefferson Corp., a holding company that owns 27% of Jefferson National. It also requires regulatory approval.



Insurance industry stocks took one of the worst nosedives of the year, 4.5 points to 165.5 from 170.3. The base of 100 was at year-end 1978. Biggest drops of the 55 declining stocks were: Avemco Corp., down 15.3%; Continental Corp., down 11.6%; and Corroon & Black Corp., down 10.8%. Of the nine rising stocks, Jefferson National Life Insurance Co. registered the largest increase, a whopping 56.9%. Ryan Insurance Group was next at 5.2%. Nine stocks were unchanged. The 2.6% index decline was less than the New York Stock Exchange decline of 3.3% and the Standard & Poor's Index and the Dow Jones Industrial, both down 3.1%. The three are the major stock market indicators.

### British Issues

9/30 Companies	Price	P/E	Div. pence	Yield %	1 Week High-Low
Comm Union	171	8.6	14.63	8.6	176-171
Eagle Star	243	8.1	14.28	5.9	253-243
Genl Accident	358	8.9	18.24	5.1	358-352
Gdn Royal Exch	358	9.4	20.71	5.8	358-354
Phoenix	300	8.3	20.00	6.6	306-300
Royal	472	10.0	32.17	6.8	473-468
Sun Alliance	786	10.1	42.14	5.4	800-786

Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low
CE Heath	210	9.3	13.80	6.6	212-210
Hogg Robinson	126	9.3	8.14	6.5	127-126
Alex Howden	101	8.4	10.00	9.9	104-100
JH Minet	106	12.2	6.38	6.0	107-105
Sedg Grp	121	11.1	7.14	5.9	123-121
Stanhouse Hldg	87	8.0	6.46	7.4	88-87
Stew Wrightson	205	8.5	17.14	8.4	212-205
Willis Faber	255	11.3	16.14	6.3	260-255

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kiteat & Aitken Stockbrokers, London

## BI Industry Stock Report

Insurance Cos.	SEPT. 30, 1980					9/24/80 THRU 9/30/80					SEPT. 30, 1980					9/24/80 THRU 9/30/80				
	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)				
Aetna Life & Cas Co	NYSE	36.75	-7.5	5.2	2.12	5.8	40.00*	36.75	396.3											
American Bankers Ins Co Fla	OTC	7.12	-8.1	4.8	0.44	6.2	7.63	7.13	31.2											
American Fnl Corp Ohio	OTC	25.25	-1.0	6.8	0.50	2.0	25.50	24.75	47.8											
American Gen Ins Co	NYSE	37.00	-0.3	5.8	1.00	2.7	37.50	36.13	157.9											
American Indty Fnl Corp	OTC	17.63	-8.4	5.3	1.12	6.4	19.25	17.63	33.0											
American Intl Group Inc	OTC	75.00	-6.2	11.1	0.50	0.7	79.25	74.50	227.2											
American Natl Ins Co	OTC	15.12	-4.0	6.0	0.62	4.1	15.75	15.13	172.8											
American Sta Life Ins Co	OTC	19.00	-2.7	7.9	0.64	3.4	19.00	18.50	1.0											
Aneco Reins Ltd	OTC	5.75	-4.2	0.0	0.00	0.0	6.00	5.63	87.4											
Appalachian Natl Corp	OTC	2.12	0.0	6.1	0.05	2.4	2.13	2.13	0.1											
Avemco Corp	AMEX	9.62	-15.4	6.9	0.50	5.2	11.38	9.63	11.7											
Banks Iowa Inc	OTC	26.50	-2.8	4.2	1.32	5.0	27.25	26.50	1.9											
Bitco Corp	OTC	37.50	-1.3	5.7	1.68	4.5	38.00	37.00	9.1											
Carolina Cas Ins Co	OTC	8.62	-2.8	3.1	0.32	3.7	8.88	8.63	3.7											
Central Natl Fnl Corp	OTC	11.25	0.0	4.4	0.50	4.4	11.25	11.25	2.3											
Chubb Corp	OTC	41.63	-7.0	5.5	2.40	5.8	44.63	41.63	141.8											
Combined Intl Corp	NYSE	19.12	-0.6	5.5	1.60	8.4	19.63	18.75*	135.2											
Connecticut Gen Ins Corp	NYSE	46.37	-2.9	7.0	1.52	3.3	47.75	46.13	311.1											
Continental Corp	NYSE	27.50	-11.6	5.3	2.20	8.0	30.00	27.50	125.2											
Crawford & Co	OTC	18.75	-1.3	15.8	0.54	2.9	19.00	18.75	5.0											
Crown Life Ins Co	OTC	81.00	-9.7	58.7	2.40	3.0	88.00	81.00	6.9											
Crum & Forster	NYSE	31.38	-7.7	5.5	1.44	4.6	33.50	30.50	49.6											
Employers Cas Co	OTC	39.50	0.0	6.5	1.20	3.0	39.50	39.50	4.3											
Erc Corp	OTC	93.50	0.0	10.5	1.40	1.5	93.50	93.50	0.2											
Equifax Inc	NYSE	23.50	2.2	8.1	2.40	10.2	23.50	22.75	4.6											
Farmers Group Inc	OTC	30.63	-2.0	9.8	1.00	3.3	31.50	30.63	262.6											
First Colony Life Ins Co	OTC	34.00	-4.2	11.7	0.80	2.4	35.00	33.75	2.8											
Foremost Corp Amer	OTC	20.50	-4.1	7.8	0.60	2.9	21.25	20.25	21.1											
General Reins Corp Del	OTC	57.25	-5.8	8.7	1.40	2.4	60.75	57.25	89.6											
Great West Life Assurn Co	OTC	176.00	0.0	8.7	8.00	4.5	176.00	176.00	0.0											
Hanover Ins Co	OTC	46.75	-1.6	4.4	0.72	1.5	48.75	45.50	45.1											
Hartford Steam Boiler Insprnt	OTC	34.50	-1.4	7.4	2.40	7.0	35.25	34.50	67.8											
Integon Corp	NYSE	26.75	-7.4	9.7	0.48	1.8	28.50	26.00	95.3											
Jefferson Natl Life Ins Co	OTC	67.50	57.0	20.1	0.64	0.9	67.50*	48.00	49.5											
Kemper Corp	OTC	34.37	0.4	4.8	1.40	4.1	34.75*	34.25	125.0											
Lincoln Natl Corp Ind	NYSE	41.38	-2.6	5.7	3.00	7.3	42.25	41.25	64.4											
Mgic Invnt Corp	NYSE	27.50	-3.1	7.9	1.12	4.1	29.75	27.50	308.6											
Mission Ins Group Inc	NYSE	37.00	-6.6	7.9	0.80	2.2	39.25	37.00	12.1											
Natlwide Corp Ohio	OTC	20.00	0.0	5.3	0.66	3.3	20.13*	20.00	2.6											
Nn Corp	OTC	46.63	-1.1	10.6	2.00	4.3	48.25*	46.50	111.6											
Northwestern Natl Life Ins	OTC	30.75	3.4	5.8	1.25	4.1	31.00	30.00	64.2											
Ohio Cas Corp	OTC	38.00	-6.2	5.9	1.76	4.6	40.25	38.00	60.6											
Old Rep Intl Corp	OTC	17.00	-6.2	4.1	0.92	5.4	18.00	16.50	98.2											
Pinhurst Corp	OTC	6.62	-8.6	9.9	0.00	0.0	6.88	6.63	20.2											
Preferred Risk Life Ins Co	OTC	19.25	-3.7	6.7	0.64	3.3	20.00	19.25	9.9											
Provident Life & Acc Ins Co	OTC	46.00	-8.0	5.8	1.88	4.1	49.00	46.00	42.7											
Republic Natl Life Ins Co	OTC	21.75	1.8	13.4	0.70	3.2	22.13	21.63	244.2											
Ryan Ins Group Inc	OTC	25.25	5.2	7.7	0.12	0.5	26.00*	24.50	4.7											
St Paul Cos Inc	OTC	38.13	-5.0	5.2	2.00	5.2	39.63	38.00	58.4											
Safeco Corp	OTC	37.25	-6.9	5.4	1.80	4.8	39.50	37.25	108.9											

Agents/Brokers	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)	
Alexander & Alexander Svcs	OTC	33.00	-8.3	10.8	1.64	5.0	36.00	33.00	161.3
Baldwin & Lyons Inc	OTC	31.00	0.0	5.7					



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