

business insurance

NAIC task force revises draft of model pooling law
 SAN FRANCISCO—A National Assn. of Insurance Commissioners' task force has revised the first draft of a proposed model law to regulate workers compensation self-insurance groups (BI, Sept. 5).
 The revisions followed criticism from at least one member of an NAIC work comp study panel that the draft favored insurance company interests.
 The NAIC's Workers Compensation
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Broker Arthur J. Gallagher to offer shares to public

By KATHRYN J. McINTYRE

ROLLING MEADOWS, Ill.—Privately held insurance brokerage Arthur J. Gallagher & Co. will go public in the first half of 1984, says President Robert E. Gallagher Sr.

When Gallagher files its registration with the Securities and Exchange Commission, it will be the first time since 1973 that a privately held broker has made an initial public offering of stock.

Gallagher, the 10th-largest broker in the United States based on 1982 gross revenues of \$48.5 million, also will be the largest private broker to go public.

Capital needs, estate tax and liquidity considerations for principal shareholders and standing in the marketplace to attract employees and acquisitions are the major reasons Gallagher will make an initial public offering, Mr. Gallagher says.

Gallagher hopes to raise \$15 million to \$20 million through the stock offering, half of which will be used to buy out current shareholders and half of which will be retained within the company for future development, Mr. Gallagher says.

"We're not selling to get money out. We will be a financially stronger company and able to provide better services to our clients," Mr. Gallagher said. "We are client-driven—the clients decide what they need and we answer their needs."

The number of shares to be offered and the price have yet to be determined.

The last private insurance broker to go public was Poe & Associates, Inc. of Tampa, Fla., in 1973. Poe reported 1972 gross revenues of \$1.7 million, making it the smallest of the brokers to go public.

Alexander & Alexander Services Inc., Frank B. Hall & Co. Inc. and Fred S. James & Co. Inc. all made their first public stock offerings in 1969. In the year before going public, A&A had gross revenues of just less than \$21 million, Hall just more than \$9 million and James \$9.6 million.

R.B. Jones, later acquired by Alexander & Alexander, and Rollins Burdick Hunter Co., now part of Combined International Corp., both went public in 1970. Jones' 1969 gross revenues were \$6.3 million and RBH's were \$5.2 million.

Then, in 1972, E.H. Crump Cos. Inc. made its first public offering after reporting gross revenues of \$5.6 million in 1971.

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Banks lobby legislatures for entry into insurance

By JERRY GEISEL

WASHINGTON—The banking industry is intensifying its efforts to persuade individual states to allow banks to underwrite and sell insurance.

Legislatures or study commissions in at least nine states have already or will soon examine whether banks, especially huge national bank holding companies, should be allowed to expand their financial operations to sell or underwrite insurance coverages.

And the banks' opponents in the struggle, largely groups representing insurance agents and brokers, concede that more states could pass laws within the next year enabling banks to enter the insurance business.

Federal laws generally prohibit most bank holding companies from selling or underwriting insurance. However, loopholes in the federal statutes apparently allow individual states to pass their own legislation that allow state-chartered banks to enter the insurance business.

South Dakota has already passed such a law (BI, Feb. 28, March 7), and banks have mounted lobbying efforts in states from coast to coast. They include:

- Delaware. Legislative proposals drafted by Citicorp, the huge New York-based bank holding company, that would allow subsidiaries of state-chartered banks to act as insurance agents and underwriters are expected to be introduced when the second half of the legislative session begins next year.
- Illinois. The Insurance Laws Study Commission, a permanent legislative review panel, is now holding

hearings on whether banks should be allowed to sell most lines of insurance.

- Michigan. The state Senate is currently considering legislation to give state-chartered banks the authority to underwrite and sell coverages.

- Minnesota. Legislation to permit state-chartered banks to provide a full range of insurance services and products will be introduced next year, observers say.

- New York. Gov. Mario Cuomo has set up a 23-member blue-ribbon panel to examine the regulation of

financial institutions, including bank activity in the insurance industry. The panel's report and recommendations are expected sometime next year.

- Wisconsin. The state banking commissioner has called for hearings on the possible future role of banks in the insurance market.

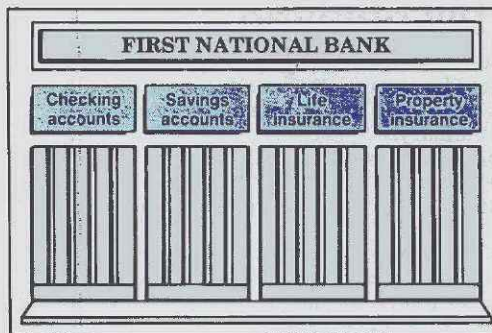
- Maine. A proposal that would have allowed state-chartered banks and savings and loan associations to sell insurance died in the Legislature earlier this year. How-

ever, legislators did agree to establish a study commission to examine the regulation of financial institutions, including insurance activities by banks.

- Washington. A provision in comprehensive banking legislation that would have allowed state-chartered banks to engage in a wide variety of insurance activities was removed before the measure was enacted.

- Connecticut. Legislation introduced earlier this year to permit banks to sell life insurance and annuity products died in committee.

This flurry of activity in the state capitals follows
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Graphic: Jim Bakasetas

Liability for KAL crash may be shared

By BILL DENSMORE

Korean Air Lines and its insurers are liable for passenger deaths after the Soviet destruction of a KAL jumbo jet, but uncertainty about why the plane flew over sensitive Russian military installations is bringing other defendants into the picture, too.

Two suits already filed in federal courts in San Francisco and Brooklyn, N.Y., name KAL and the Soviet Union in the deaths of the 240 passengers and 29 crew members aboard the unarmed passenger jet shot down Sept. 1 over the Sea of Japan.

One of the suits also includes claims against The Boeing Co., which manufactured the B-747-200B owned by KAL; Litton Industries, maker of the plane's sophisticated inertial navigation system; and the estates of the three KAL cockpit crewmembers.

The suit in federal court in Brooklyn

was filed Sept. 6 by Hans Epraimson-Abt, the father of Alice Epraimson-Abt. Ms. Epraimson-Abt, 23, of Saddle River, N.J., was among passengers aboard the flight hit by a Soviet missile. She was on her way to study at the Peoples University of Peking.

The federal court in Brooklyn has jurisdiction over Kennedy International Airport, where KAL's Flight 007 originated on Aug. 31.

Attorney Gerald H. Baker of the New York law firm of Baker, Garber, Duffy & Baker, filed the suit for the Epraimson-Abt family. Mr. Baker says the suit's allegations hinge on whether the plane left its assigned route because of a mechanical malfunction, a crewmember's mistake or deliberate decisions by the flight crew to either conduct reconnaissance or shorten its flight path to Seoul, South Korea.

Litton and Boeing are each accused in the suit of having breached an implied
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Suits against Soviet Union probably would be futile

By STEPHEN TARNOFF

Families of victims on board the Korean Air Lines Boeing 747 shot down by a Soviet jetfighter probably will not be able to recover damages from the Soviet Union, international law attorneys and professors believe.

Although the first two lawsuits filed in U.S. federal courts following the Sept. 1 incident name the Soviet Union as a defendant (see related story), plaintiffs apparently will have little success whether they sue in U.S. or Soviet courts or take their cases to the International Court of Justice located in The Hague, Netherlands.

Claimants might have a better chance of recovering compensation through diplomatic channels, but that will not likely result in the Soviet Union paying any damages, the attorneys contend.

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NEWSPAPER

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update

NAIC pooling proposal revised

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Task Force, meeting last week, changed a provision of the draft law that would have required self-insured groups to be audited by "the designated advisory organization" in each state. The draft now requires that the groups be reviewed by "an auditor acceptable to the state insurance department," according to J. Michael Low, Arizona insurance director and chairman of the task force.

The first draft also required that group members be "of the same bona fide trade or professional organization" and "engaged in the same or similar type of business." The revision drops the "trade or professional organization" requirement, Mr. Low said.

Gilbert Waters, president of Waters Insurance Management Corp. of Sarasota, Fla., which administers a large Florida work comp pool, charged that the first draft as written by Mr. Low didn't follow the committee's recommendations and included restrictions on groups that worked to the advantage of insurance companies.

Refinery loss to top \$2 million

HOUSTON—Losses from a gasoline tank fire that burned for 16 hours at a Tenneco Inc. refinery in Chalmette, La., are expected to top \$2 million.

The cause of the Aug. 31 blaze, which led to the deaths of two workers and the evacuation of about 3,300 local residents, hasn't yet been determined, according to a Tenneco spokesman.

The fire destroyed about 2.5 million gallons of unleaded gasoline, the spokesman said. At current prices, the gasoline was worth about \$2.2 million. The tank itself will require "extensive work" before it can be used again, the spokesman said.

The refinery, which produced 85,000 barrels of gasoline per day, was shut down as a "precautionary measure," after the fire started, and because of electrical problems caused by the blaze, remained inactive for several days.

Tenneco insures property and business interruption risks through Oil Insurance Ltd. of Bermuda, a captive owned by 37 oil companies. The company has a "substantial" deductible, though, and doesn't know yet if it will be pierced.

California PPO bill delayed

SACRAMENTO, Calif.—A Senate bill that would put the regulation of many new preferred provider organizations under the California Insurance Department is being held in the Assembly Finance and Insurance Committee until January.

S.B. 715, introduced by Sen. Herschel Rosenthal, D-Los Angeles, is aimed at agencies or individuals that are organizing PPOs, which would not fall under the regulation of any state or federal agency according to current laws.

PPOs created by insurance companies are among those that currently fall under the guidance of the Insurance Department. And other PPOs, those that are set up under the law as "health care service plans," like one formed by Blue Shield, are regulated by the Corporations Department.

But several entrepreneurs are planning to form PPOs by acting as administrators between physicians and insurance companies. These would not come under either agency's regulation. The bill was held in the committee when it was apparent it did not have enough votes.

Mamarella guilty of extortion

NEW YORK—Richard Mamarella, former colleague of convicted insurance fraud artist John V. Goepfert, may soon join him in federal prison.

Mr. Mamarella and four other conspirators were convicted last month by a U.S. District Court in New York on several counts of extortion related to a loan made to a Chinese restaurant owner in New York City. Funds for the loan, investigators say, were taken from a premium financing company now participating in a New Jersey federal investigation (BI, July 11).

Along with Mr. Mamarella, former New York insurance agent Louis Chung and former New Jersey agent Eugene Brew were convicted of three felony charges including conspiracy to extort repayment of a loan, extortion of repayment through threats and extortion through violence.

Two others, Frank D. Murrello and Patrick Ray, were convicted of two extortion charges including conspiracy to extort repayment of a loan and extortion through violence.

Each extortion count carries a maximum penalty of 20 years imprisonment and a \$10,000 fine.

Mr. Mamarella was on probation after being convicted of perjury during Mr. Goepfert's fraud trial last year (BI, Oct. 4, 1982). Sentencing is scheduled for Sept. 21.

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PBGC may get \$12 million from reorganized Braniff

By JERRY GEISEL

FORT WORTH, Texas—Hyatt Corp.'s plan to get Braniff International Corp.'s planes airborne again may also give the Pension Benefit Guaranty Corp. as much as \$12 million.

Braniff's reorganization plan, recently approved by a U.S. Bankruptcy Court in Fort Worth, as well as by 11 major creditor groups, clears the way for Chicago-based Hyatt Corp. to take control of the airline and resume operations.

Braniff has been grounded since May 1982 when it filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Act (BI, May 24, 1982).

The PBGC, the federal agency that guarantees workers' pension benefits, became one of Braniff's major creditors when the airline terminated three pension plans that didn't have enough assets to pay promised benefits to workers and retirees.

Those three plans covered the airline's management employees, as well as members of the Teamsters and Machinists unions.

A fourth plan that covered the airline's pilots had enough assets to pay guaranteed benefits.

Following the terminations, the PBGC took over the

three plans as an interim trustee. The agency estimated in its latest annual report that it would have to spend \$47.7 million to pay guaranteed benefits to participants in the three plans.

That \$47.7 million claim would have been the second-largest loss in the PBGC's nine-year history. Only the termination of pension plans sponsored by White Farm Equipment Co. produced a bigger claim: \$50.3 million (BI, Oct. 4, 1982).

But, under the settlement reached Aug. 31 between Braniff and the PBGC, the PBGC agreed to drop its \$47.7 million claim against Braniff.

In turn:

- The PBGC will be paid \$1 million in cash on the date Hyatt assumes control of Braniff.

- The new airline, known tentatively as New Braniff, will refund to the PBGC an amount equal to 10% of the revenues New Braniff receives annually from flying federal employees for the next 10 years.

Under this provision, payments to the PBGC cannot exceed \$535,000 annually during the first two years of New Braniff's operations nor can the total amount paid to the agency exceed \$3.5 million.

- New Braniff will give the PBGC warrants enti-

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Claim pushes town to brink

By CAROL CAIN

SOUTH TUCSON, Ariz.—The town of South Tucson is turning to bankruptcy court after failing to negotiate with an injured Tucson police officer how it would pay a \$3.6 million damage award.

The town of 6,500 residents filed for municipal debt readjustment Aug. 25 under Chapter 9 of the Federal Bankruptcy Act.

The U.S. Bankruptcy Court judge in Tucson set a 30-day period for creditors to object to the filing. At the end of that period, the judge is expected to designate a time frame for the city to submit a readjustment plan, said Enrique Serna, South Tucson's city manager.

"We want to come to an agreement with our creditors for a payment schedule. . . our overall interest is to finalize with Mr. Garcia, our largest creditor," Mr. Serna said.

Roy Garcia, a Tucson police officer, was accidentally shot by a South Tucson police officer during a mutual aid response to an Oct. 11, 1978, shootout in South Tucson.

After a long legal fight, the city

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Sir Peter Green to resign as chairman of Lloyd's

By LEN STRAZEWSKI

LONDON—Sir Peter Green, chairman of Lloyd's of London since 1980, will not stand for re-election and will resign from the Council of Lloyd's next year, Lloyd's officials announced last week.

Sir Peter, 59, will return to his post as chairman of Janson Green Ltd., a Lloyd's underwriting agency owned by Hogg Robinson Group P.L.C., but it is not known yet whether he will return to the

Lloyd's floor as an active underwriter. Lloyd's Deputy Chairmen B.J. Brennan and Frank Barber also will not stand for re-election as officers but expect to remain as members of the Council of Lloyd's, the market's highest ruling body.

"Sir Peter had promised to stay on as chairman until the Lloyd's self-regulation bill was on its feet," a Lloyd's spokesman explained last week. "So he has, and now he feels the end of his (current) term would be a good time to step down."

"He also feels that for a former chairman to remain a member of the Committee of Lloyd's would be unfair to the new chairman."

As chairman during the development of the Lloyd's Act of 1982, which set new self-regulatory guidelines for the world's oldest insurance marketplace, Sir Peter had presided through 3½ years of transition and internal turmoil.

Beginning with the 1980 Fisher Working Party report that recommended a complete overhaul of Lloyd's regulatory powers, Sir Peter was frequently caught in the middle of controversy both among members of Lloyd's and between Lloyd's and outside institutions.

Foremost among the internal controversies was a recommendation

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Sir Peter

Asbestos defendant sues 15 insurers

By STEPHEN TARNOFF

WASHINGTON—A Cleveland manufacturer is the latest company to sue its primary and excess insurers to force them to provide coverage and a defense for suits brought by victims of asbestos-related disease.

Parker Hannifin Corp., which has been sued by more than 750 plaintiffs alleging disease from exposure to asbestos, brought suit against 15 insurers in U.S. District Court for the District of Columbia early last month.

The suit seeks a declaratory judgment from the court that all of Parker's insurers are liable for defense and indemnification costs from the time a victim suing the company was exposed to asbestos to the time the disease was manifested.

The theory, known as the triple-trigger theory, was first handed down in Keene Corp. vs. INA by the U.S. Court of Appeals for the District of Columbia almost two years ago and is the broadest theory of coverage available to policyholders in asbestos coverage cases.

The suit also seeks unspecified damages from Parker's primary insurers for breach of their policies.

More than 20 similar coverage suits involving asbestos litigation are pending nationwide with virtually all policyholders asking courts to apply the triple-trigger theory. Besides the Keene decision, the theory also has been applied in the coverage suit brought by as-

bestos defendant Crown Cork & Seal Co. Inc.

Insurers, however, support either the exposure or manifestation theories. Some contend that insurers on the risk at the time the victim is exposed to asbestos are liable (exposure theory) and others argue that those on the risk when the disease appears in the victim are liable (manifestation theory).

At least one court has held for the manifestation theory and several others for exposure.

According to Parker's suit, between 1977 and 1982 it acquired several companies that became part of various Parker divisions. These acquired companies manufactured packing materials, friction products and gaskets that contained asbestos.

As of June 30, Parker had been named in lawsuits brought by more than 750 plaintiffs claiming asbestos-related diseases as a result of their exposure to asbestos in Parker products.

Parker has had to pay more than \$35,000 in defense costs, settlements and judgments, Parker's suit adds.

More than 630 of the claims are still pending, the suit says, and the manufacturer expects more.

Parker alleges in its suit, however, that its insurers and those of the companies it acquired have refused to defend or compensate Parker and that they should pay according to the triple-trigger theory.

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RISK MANAGER OF THE YEAR JUDGES

Ten experts in risk management and commercial insurance will judge the nominations submitted to the 1984 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll competition.

The judges, who accepted invitations from *Business Insurance* to score the nominations, represent all facets of the risk management and commercial insurance profession. Four risk managers, an insurance broker, an insurance agent, a stock insurance company executive, a mutual insurance company executive, a consultant and an academician are members of the 1984 panel.

The judges will score each candidate's performance of risk management on 10 criteria (see box, page 28). The scores from all the judges will be totaled and the highest scoring candidate will be named the 1984 *Business Insurance* Risk Manager of the Year. A Risk Management Honor Roll also will be named.

The risk managers serving as judges of the 1984 competition are:

- John A. O'Connell, executive director/risk manager of Holy Cross Shared Services Inc. in Notre Dame, Ind. Mr. O'Connell was the 1983 *Business Insurance* Risk Manager of the Year.

- Jerri Nelson MacMillian, risk manager

for Aetna Life & Casualty Co.'s real estate investment department in Hartford, Conn. Mrs. MacMillian was named to the 1983 Risk Management Honor Roll for her accomplishments in risk management for a major corporation.

- Robert L. Sinclair, director of risk and insurance management at Vanderbilt University. As director of risk management for the Metropolitan Government of Nashville and Davidson County, Tenn., Mr. Sinclair was named to the 1983 Risk Management Honor Roll representing a government entity.

- Spencer J. Traver, assistant treasurer of BFGoodrich Co. in Akron, Ohio. Mr. Traver was named runner-up for the 1982 Risk Manager of the Year Award.

The insurance brokerage and agency community is represented by:

- Robert Hatcher, chairman of Johnson & Higgins in New York, the country's fourth-largest brokerage.

- Frederick J. England Jr., president of Hastings-Tapley Insurance Agency in Cambridge, Mass., which has 13 locations in eastern Massachusetts.

The insurance company community is represented by:

- James J. Meenaghan, president and chief operating officer of Fireman's Fund Insurance Cos., a stock insurance company.

- John Schoneman, chairman and chief executive officer of Wausau Insurance Cos. in Wausau, Wis., a mutual insurance company executive.

The risk management consulting community is represented by:

- Mary Lou Kirk, a consultant with Crain, Langner & Co. in Rocky River, Ohio.

The academic community is represented by:

- James S. Trieschmann, professor of risk management and insurance at the University of Georgia.

Ms. Kirk, Mr. Meenaghan, Mr. Schoneman, Mr. Traver and Professor Trieschmann each served on the panel that selected the 1983 Risk Manager of the Year. Mr. England, Mr. Hatcher, Ms. MacMillian, Mr. O'Connell and Mr. Sinclair are serving for the first time as judges of the Risk Manager of the Year competition.

After the judges' scores are tallied and the highest scoring candidate is selected as the 1984 Risk Manager of the Year, a Risk Management Honor Roll will be named.

The Risk Management Honor Roll is se-

lected by segregating each of the remaining candidates into categories: corporations with sales exceeding \$300 million; corporations with sales of less than \$300 million; government entities; and not-for-profit institutions.

A runner-up may be named in the category represented by the Risk Manager of the Year, at the discretion of the judges. The highest scoring candidate in each of the remaining categories will be named to the Risk Management Honor Roll.

The winners of the 1984 competition will be announced in the April 2, 1984, issue of *Business Insurance*, which coincides with the annual meeting of the Risk & Insurance Management Society in New York.

Anyone who is in charge of the risk management function for a corporation, government entity or not-for-profit institution is eligible to be nominated to the Risk Manager of the Year 1984 competition. The candidate need not handle risk management full-time, but must be a full-time employee of the organization for which he or she directs the risk management program.

Anyone knowledgeable about a risk manager's work can nominate him or her. Any employee or group of employees can

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Mr. O'Connell Ms. MacMillian Mr. Sinclair Mr. Traver Mr. Hatcher Mr. England Mr. Meenaghan Mr. Schoneman Ms. Kirk Mr. Trieschmann

Florida comp pool turns its attention to health coverage

By STEVE TARAVELLA

SARASOTA, Fla.—Techniques that have helped cut workers compensation costs for many Florida self-insurers are now being used to curb some of these same employers' health care costs.

Gilbert Waters, administrator of the Florida Construction, Commerce & Industry Self Insurers Fund, one of the nation's largest self-insured workers compensation pools with \$30 million in premium this year, has spearheaded the design of a self-insured multiple employer trust for members of the Gulf Coast Builders Exchange, a Florida builders' trade association.

The program will emphasize the close monitoring of ill workers' recovery and includes financial incentives for employees to reduce their use of health care.

Similar monitoring of the rehabilitation of workers injured on the job and financial incentives for employers with good loss experience have kept the FCCI workers compensation fund's pure loss ratio at about 73% over the past 10 years, Mr. Waters says.

FCCI will launch the "Keep Well Health Program" later this month through its management company, Waters Insurance Management Co. Almost all of the builders exchange's 3,300 employer members statewide also belong to FCCI.

About 70,000 employees, plus dependents, will be covered through the program, estimates Mr. Waters, who also serves as president of Waters Insurance Management Co.

The program will use nurses to monitor the care and rehabilitation of employees who require lengthy or costly treatment.

It is the duty of these "family counselors" to determine if these patients could receive sufficient care, perhaps even surgery, on an outpatient or other less costly basis.

The family counselors will monitor health care just as the FCCI's loss-control counselors periodically evaluate employers' safety programs to help reduce workers compensation claims. Mr. Waters credits the FCCI safety reviews with reducing the loss ratios of 70% of the fund's members to less than 15%.

The health care program will focus on patients recuperating from some 40 to 45 expense-prone illnesses that can account for 80% of an employers' health care expenses.

"Managing major claims is the area with the most potential for controlling runaway conditions," he says.

The family counselors will be called in when the multiple employer trust receives notice of an upcoming large claim.

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Mr. Waters

Installing sprinkler system in Trade Center not a tall job

By DONNA GORDON

NEW YORK—More than 100 miles of sprinkler pipe will make two of the tallest buildings in the world two of the safest ones, building officials say.

The Port Authority of New York and New Jersey, which owns and manages the World Trade Center in Downtown Manhattan, is retrofitting the 110-story twin towers with a sprinkler system—even though the towers now meet the city's fire code.

The Port Authority decided in March 1981 to install a sprinkler system in the 13-year-old building as an extra safety measure, according to Robert Linn, the center's deputy director for physical facilities.

The towers, which rise 1,350 feet above the streets of Manhattan, are the second-tallest buildings in the world after Chicago's Sears Tower.

New York City's code requires all office buildings taller than 100 feet to be equipped with fire-containment walls and pressurized stairways or to have complete sprinkler systems.

When the towers were built in 1970, the Port Authority chose containment walls to meet the code, but Mr. Linn points out that most new buildings are equipped with sprinkler systems.

"Sprinklers have only come in as a result of some of the fires we've experienced in the last 10 years," Mr. Linn said.

Recent high-rise fires in New York and other large cities helped push the Port Authority toward retrofitting the towers, he said. "We're dealing with a psychological thing," Mr. Linn said, noting that building tenants feel safer knowing there is a sprinkler system.

The Port Authority is spending \$54 million for the project, but the building's tenants will end up footing the bill. Companies leasing space in the World Trade Center are being assessed \$1 per square foot a year for four years to defray the cost of the

project.

Mr. Linn said the buildings house 450 tenants that employ more than 35,000 people. About four times that many visitors, including sightseers, pass through the center's doors each day.

The retrofitting project, which will take 1½ to two additional years to complete, is manageable because most of the piping and other materials used are prefabricated to a specific size. All workmen have to do is put the pipes together, Mr. Linn says, likening the job to playing with an erector set.

The new pipes are installed alongside other pipes that were placed above the ceiling when the building was constructed, says Rick Sorvillo, an engineer at the World Trade Center. The new system is then connected to existing water mains, he said.

Mr. Linn said a special communications effort was made so that tenants would not be inconvenienced during the project. The Port Authority used its tenant relations staff for a "spoon feeding of our concern for the tenant's comfort," he explains.

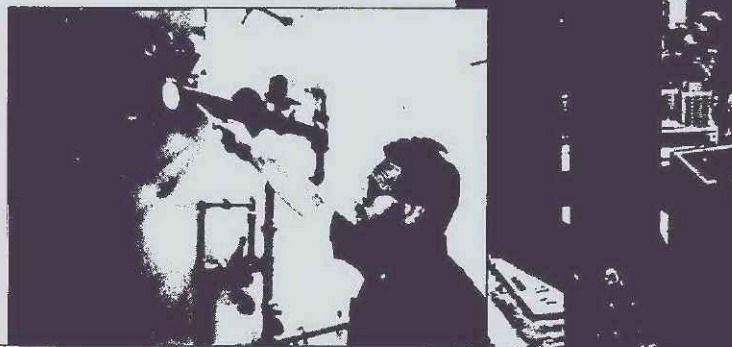
Apart from the size of the job, Mr. Linn says the World Trade Center's sprinkler system will resemble any other. Sprinkler heads will spray 10 gallons of water per minute in an umbrella pattern when they are activated at a temperature of 165 degrees Fahrenheit.

Sprinklers will not be installed in several rooms

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Rick Sorvillo, an engineer at the World Trade Center, examines a sprinkler valve installed in the twin towers.

Photos: Donna Gordon and Wide World



Chrysler pact restores pension increases

An estimated 60,000 Chrysler Corp. employees who are members of the United Auto Workers will vote this week on a new contract that would leave their health care benefits intact while restoring pension plan increases that were given up in previous negotiations.

The new contract, if approved, would expire Oct. 15, 1985. The current contract expires in January.

Most of this year's negotiations centered on salary matters, a Chrysler spokesman said.

In July, Chrysler had requested that cost-of-living increases be tied to the increase in Chrysler's health care costs, but that demand was withdrawn, he explained.

Chrysler currently pays 100% of its employees' health insurance premium. The Chrysler coverage

benefit beat

pays for all hospital, major medical, surgical, hearing and vision care and prescription drug costs after deductibles of \$100 to \$200 are satisfied (BI, Sept. 13, 1982).

The pension plan improvements contained in the proposed contract come after the union made concessions in 1980 and 1981, dropping scheduled increases in benefits, said Gay Haynie, a UAW actuarial consultant.

Some 50,000 retirees, as well as those who plan to retire between now and Sept. 1, 1984, will recoup these benefits in two steps: Half will be restored retroactive to Sept. 1 and the remainder restored starting Sept. 1, 1984.

All of the retirees will receive an additional \$1.05 to \$2.25 per month per year of service. The exact amount will depend on the date the worker retired.

Also, those retirees who had 30 years or more of service and who took advantage of an early retirement option will have their monthly retirement benefits increased by \$47.50 retroactive to Sept. 1 and another \$47.50 on Sept. 1, 1984.

Chrysler officials could not break out the cost of the pension plan improvements, estimating the total settlement, including salary increases, would cost \$1 billion.

The new contract already re-

ceived approval from UAW's Chrysler Council, which is composed of officials from each UAW local representing a Chrysler site.

Salary deferrals

Employees at Texas Instruments Inc. can now use a computer terminal to determine how much they want to defer from their pretax salaries for employee benefits.

Under the program, which begins this month, employees will be able to defer a portion of their pretax salaries to pay for benefits—including group insurance and profit-sharing plans—which reduces their income tax liability.

Such a plan is currently allowed under Section 125 of the Internal Revenue Code (BI, Sept. 5).

To help them calculate and com-

pare how much salary could be deferred to help pay for benefits, employees can enter salary and benefit information into a computer at the worksite. The computer will then inform employees how much take-home pay they will receive after deferrals, as well as the deferrals' impact on their taxes.

For instance, an employee would enter his base salary, his salary cycle (biweekly, monthly, etc.), his year-to-date gross earnings, his year-to-date taxes withheld and their current payroll deductions for group insurance plans. Employees can gather this information from a recent paycheck stub.

Then, an employee would enter the amount of salary he would like to defer to a 401(k) salary reduction option—part of the company's profit-sharing plan. The worker also would enter what portion of salary he wants to defer for group insurance, which include life, medical, dental, long- and short-term disability and accidental death and dismemberment coverages.

The terminal would then display the employee's annual compensation; how much is deferred to the profit-sharing and group insurance plans; the worker's estimated taxable income after deferrals; the amount deducted for federal income and Social Security taxes; the worker's estimated take-home pay; total take-home pay and profit-sharing deferrals; and how the deferrals affected take-home pay.

Employees can defer up to 8% of their net income—including salary, bonuses, commissions, etc.—toward the group insurance and profit-sharing plans. However, the employee can continue to make group insurance premium payments through payroll deductions, although no tax benefits are received if this option is taken.

A TI employee must have three years of service to be eligible for the plan. The company estimates that 43,000 to 44,000 TI employees will be eligible.

Total enrollment in the program is not yet known, a corporate benefits spokesman says.

Depending on various factors, employees pay about 25% of the aggregate cost of their group insurance benefits, with Dallas-based TI paying 75%, the company says.

PAYSOP formed

Employees at Cameron Iron Works Inc. of Houston will receive interests in the company as a result of a newly installed Payroll-Based Employee Stock Ownership Plan.

The PAYSOP was started as part of a three-year contract Cameron negotiated last month with the International Assn. of Machinists and Aerospace Workers Local 15.

Both this year and in 1984, Cameron will give employees company stock worth 0.5% of their salary; it will rise to 0.75% in 1985.

This stock will be held in trust for workers until they leave the company, at which time they can hold the stock or they can sell it.

Cameron will receive a tax credit for amounts of stock it contributes to the trust as specified by the Economic Recovery Tax Act of 1981.

The contract, which covers about 1,250 unionized workers, also establishes a company savings and investment plan.

Under the plan, employees can put up to 6% of their salary into a trust. Cameron will make a contribution equal to half the employee contribution.

Employees can withdraw their contributions at any time, said Local 15 President Ken Tuck. After five years, they become vested and are also entitled to withdraw company contributions and interest earned on principal. ■

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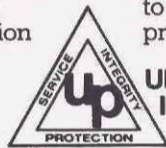
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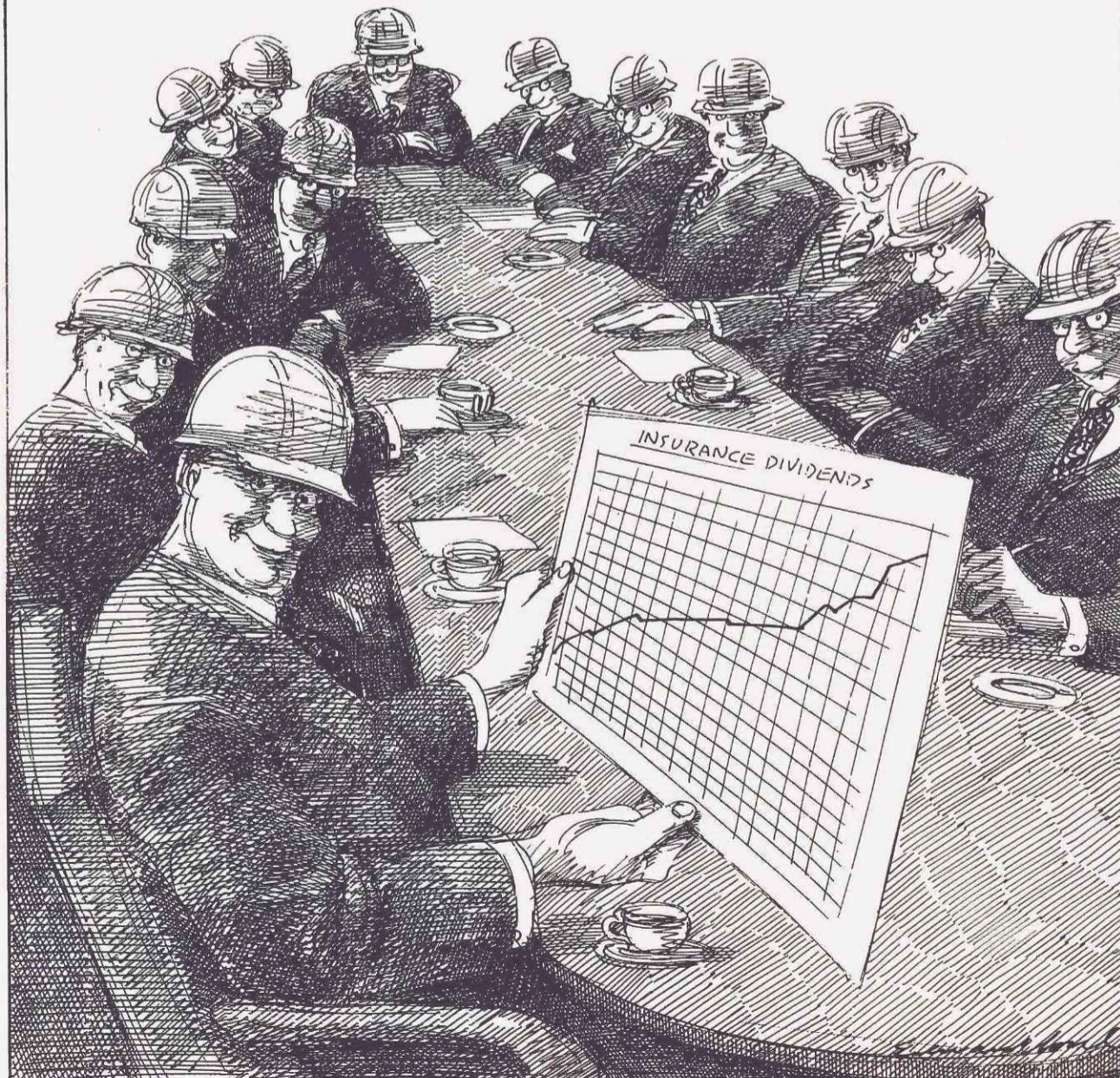
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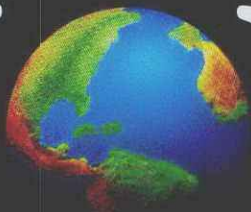
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ONCE AGAIN THE ANSWER IS AIG.

OMB delays action on grain dust rule

By JIM DAVIS

WASHINGTON—Grain elevator operators would have to monitor and limit the level of grain dust in their elevators if the Occupational Safety and Health Administration has its way.

But the Office of Management and Budget, which must approve the regulation before public comment is solicited and the standard takes effect, isn't convinced the proposal's benefits justify its costs.

OSHA estimates that compliance with the standard would cost operators of the nation's approximately 10,000 grain elevators more than \$100 million.

OMB officials have been reviewing the proposal since May, and a spokeswoman said a decision on the rule is not imminent.

Usually, the OMB has 60 days to review standards proposed by OSHA. But the budget office received a special extension on the grain dust standard.

An OSHA spokeswoman said OSHA officials would likely be willing to discuss the proposed standards with OMB officials to reach a compromise.

Grain dust, a byproduct of milling and processing, is explosive when it is kept in a confined area like a grain elevator. The dust will explode when it comes in contact with an ignition source, like a welding torch or an overheated motor.

Under the OSHA proposal, the dust level in grain elevators would have to be kept to less than 1/8-inch. There are presently no limits on grain dust levels.

Dust accumulation can be re-

duced by good housekeeping procedures, an OSHA spokesman said. These include regular dust vacuuming programs, as well as the installation of ventilation systems and pneumatic systems.

OSHA proposes that if grain dust levels exceed 1/8-inch, elevator operators must take immediate action to reduce the amount of dust. These steps include vacuuming and other dust removal procedures. If dust levels are high enough, machinery inside the elevator would have to be shut down.

The OSHA proposal is opposed by the National Feed & Grain Assn., the trade group that represents grain elevator operators.

In a January letter to OSHA, the association noted that establishment of grain elevator dust standards "would be unwise in

that little safety would result"

However, officials of the AFL-CIO Food & Beverage Trade Department, which represents about 70,000 grain workers, believe the proposed standard is "well-balanced," according to Deborah E. Berkowitz, the union's director of safety and health.

Since 1977, 142 grain elevator explosions have taken place, she said, killing 108 workers and seriously injured another 321.

"It's not economically feasible to eliminate dust entirely," Ms. Berkowitz said. "But meeting the OSHA standard will begin to eliminate dust from elevators."

After the OMB issues a formal comment on the standard, it will be published in the Federal Register and a public comment period of 30 to 60 days will be established.

Court will rule on slander suit by injured worker

REDDING, Calif.—A California appellate court will again be asked to rule on whether an injured worker who has received workers compensation benefits can also sue his employer for slander.

The state's 3rd District Court of Appeals ruled earlier this summer that Robert S. Howland, a former Shasta County deputy sheriff, could sue John Balma for slander. Mr. Balma, who is now retired, was the county sheriff at the time.

In 1981, Mr. Howland settled a work comp claim with the county and went on disability retirement.

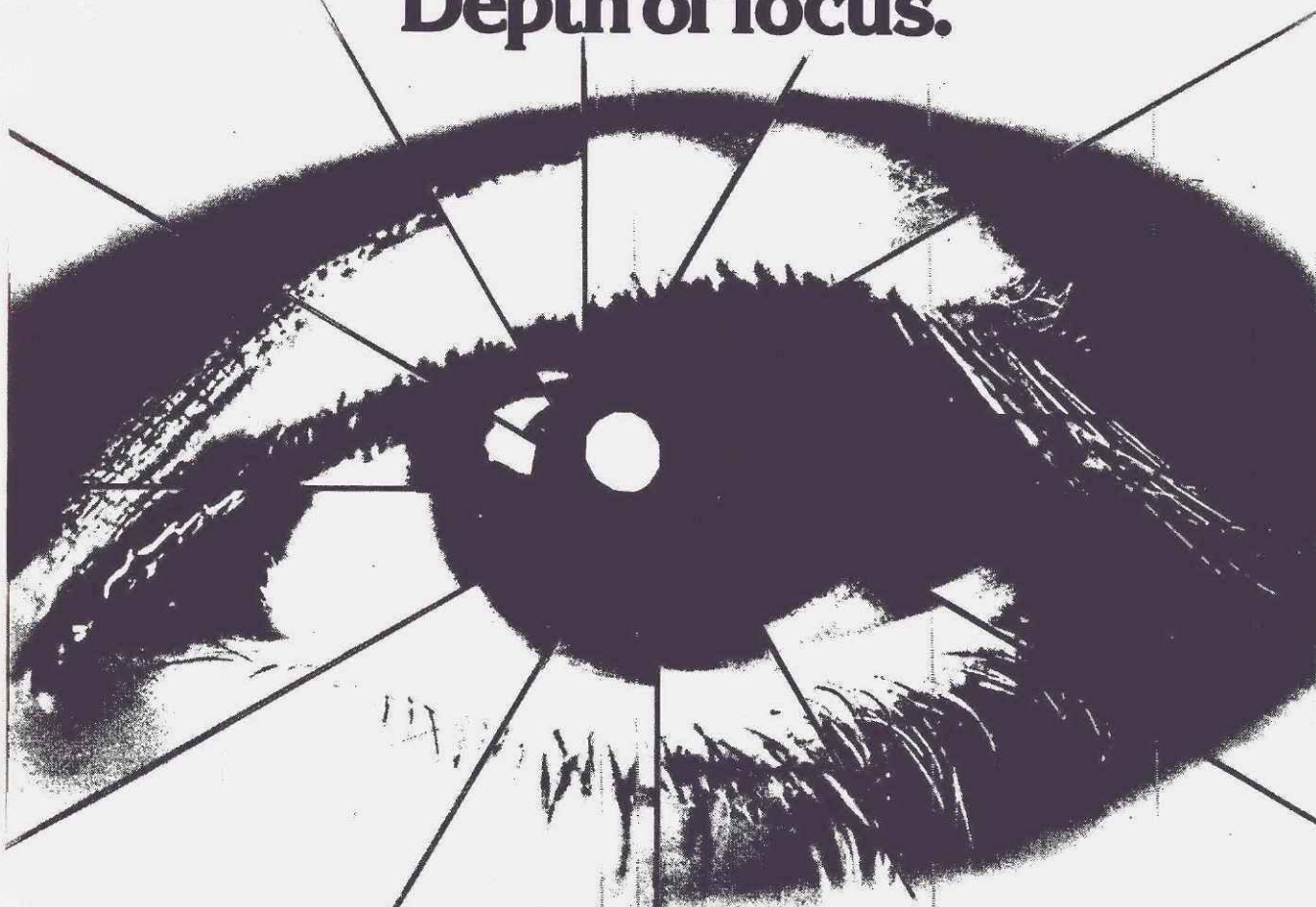
In that claim, which resulted in a \$250,000 award, Mr. Howland alleged that he suffered from emotional distress and anxiety because of the sheriff's dislike for him and because of statements made to a local newspaper by the sheriff about an arrest in which Mr. Howland was involved. Then on Nov. 9, 1981, Mr. Howland filed a civil suit for slander against Mr. Balma for allegedly reporting to a newspaper that Mr. Howland had used unnecessary force in an arrest and had been reprimanded.

The appellate court in its June 14 decision remanded the case back to the trial court. It reasoned that slander is a damage to a person's reputation and does not constitute a personal injury within the meaning of the work comp law.

However, the case is again before the appellate court because of a legal question.

"There is still a question of fact with regard to malice," said Dennis Halkides, an attorney retained by the county to represent the former sheriff.

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MONEY & MEDICINE

opinions

Toning up with some tax credits

AFTER ALL THE talk in Washington earlier this year about capping the amount of tax-free medical benefits employers can provide employees in the name of health care cost containment, we find Sen. William Cohen's idea of tax credits for businesses that establish wellness programs very refreshing.

Sen. Cohen, R-Maine, proposes financial incentives for employers to establish weight-control, diet and exercise programs. His bill, S. 1618, would give a tax credit equal to 10% of the employer's direct costs, up to a limit of \$50 per employee.

We think his proposal attacks the problem of rising health care costs at its origin—sick people.

We fully realize that even if every employer in the nation had a wellness program in place, this alone would not wipe out the problem of out-of-control medical costs. The problem is much more broad and complex and involves the medical care delivery system as well as the patients.

But, as Sen. Cohen says, "One way to reduce the pressure on ever-escalating health care costs is to reduce the number of people who have to turn to hospital

care."

And, wellness programs have proven their success in keeping people healthier. For example, previous *Business Insurance* stories have reported that Canada Life Assurance Co. in Toronto saved \$36,975 in health care costs the first year it introduced a fitness program. And, New York Telephone Co. reported that in 1980 its wellness programs saved it \$2.7 million in absentee and health care costs.

We think providing financial incentives for employers that offer fitness programs is a much more positive approach to health care cost containment than penalizing employers or employees with additional taxes based on the amount of health care coverage provided under corporate benefit plans.

The fitness tax credit proposal is a good example of achieving a desired result by rewarding those who do what is expected or desired rather than just punishing those who don't measure up.

Fitness tax credits might just be one exercise that will reduce some of the the flab in our medical care system.

Nominate one of your peers

HHEY, RISK MANAGERS—don't forget that you too can nominate someone for *Business Insurance's* Risk Manager of the Year award.

Risk Manager of the Year nominations do not have to come from within the nominee's organization, although the information in the nomination must be certified by an executive of his or her organization.

You can nominate one of your fellow risk managers.

That's what happened in the 1981 competition. The nomination letter for Risk Manager of the Year Duane Allen of Hanna Mining Co. was signed by 10 Cleveland risk managers who had worked with Mr. Allen on mutual problems and in professional organizations.

Who can better judge the expertise and innovations of a risk manager than those who share the same prob-

lems and experiences.

Think about the people with whom you brainstorm with at Risk & Insurance Management Society chapter meetings or that risk manager with the good ideas who has given you a standing invitation to tap him when you are stuck on a problem—and who always has an idea you haven't thought of.

Then, request a nomination package from *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60601. The deadline for submitting nominations is Dec. 5.

We also would like to remind brokers and others who deal with risk managers at small corporations (defined as less than \$300 million in sales) to look for possible nominees whose risk management skills often are overlooked by others.

letters

Relying on misconceptions about surplus lines

To the editor: Certainly any segment of the insurance business that does not add value to the transaction does not deserve to survive, much less prosper. However, your editorial (*BI*, Aug. 22) continues to rely on misconceptions about the surplus lines marketplace that also color other parts of your special issue. It is a view from the outside by those who only imagine, based upon limited experience in a different field, the work of the surplus lines broker.

It is not correct to suggest that avoiding the use of a surplus lines broker reduces the cost of insurance or raises the commission income of the agent. Insurers actively participating in the marketplace continue to recognize the essential value of the professional intermediary by paying for the system. Even insurers that do not deal exclusively with surplus lines brokers pay additional commissions when accepting business from such an office.

Insurance programs that are less than state-of-the-art, errors and omissions

claims, disgruntled clients, lost accounts and well-publicized fiascos following a claim are some of the things the national brokerage firms have to show for placing business through their own subsidiaries and affiliates. Much business is still transacted with surplus lines brokers, not because of an oversight, but because some managers are very much aware of the value added. They may also be responding to pressure from buyers who are beginning to perceive that schemes for maximizing brokerage income internally can work to the client's disadvantage.

The underwriter is credited by the public (including agents of all sizes and the trade press) with much of the work performed by the surplus lines broker. Terms, conditions and pricing often originate in the surplus lines broker's office, while the underwriter acts in a binary mode—yes or no, accept or decline. A retail agent submitting a proposal with the usual "please quote" will elicit a decidedly different response.

The truly professional surplus lines broker (who can deny that there are also other kinds?) provides services that are simply not available from any other source, not from the underwriters themselves, nor from the national brokerage firms. The retail agency can write surplus lines and related business, but it cannot provide a service that it has difficulty imagining.

The surplus lines broker can easily be avoided in these times, but it does not follow that someone else has done the job. More often it simply means that the job has not been done.

Insurance does seem to respond to pricing pressures as if it were a commodity. But that's where the analogy ends. Insurance ultimately is a service and therefore quality is a primary consideration. For that reason, surplus lines brokers evolved. As long as there is a demand for quality (and there is no denying the demand is off in this price-happy era), surplus lines brokers will continue to do the things that only they can do for those who understand the difference.

Charles McAlear
McAlear Associates Inc.
Grand Rapids, Mich.

Remembering those other years

To the editor: In your article regarding Northbrook Excess & Surplus Insurance Co. (*BI*, Aug. 22), NESCO President Robert Agnew states that the reason for the insurer's current 157% loss ratio is due to losses on casualty accounts written prior to 1978. What Mr. Agnew fails to include is that the years 1972 through 1979, which include all treaties negotiated prior to his appearance at Northbrook, carry a 60% loss ratio, are now 4 years old and have

some credibility. These treaties exclude underwriting authority given to others. The record since he has been at the helm shows a 104% loss ratio and will certainly deteriorate in the next few years.

These figures can be verified by any reinsurer on his treaty as they all get copies of the experience data.

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OSHA inspecting additional worksites

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration is increasing the number of worksites it inspects.

During the first half of fiscal year 1983, which ended March 30, OSHA inspected 32,093 workplaces, up 14.3% from the 28,087 inspections conducted in the first six months of fiscal 1982.

However, OSHA has conducted fewer follow-up inspections so far this year. During the first six months of fiscal 1983, the agency conducted only 721 follow-up inspections, down 17.3% from 872 follow-ups during the same six-month period last year.

The reduction in follow-up inspections is due to OSHA's recent policy of confirming safety violation corrections by telephone or mail rather than through a second inspection.

Fitness programs

Sen. William Cohen, R-Maine, wants to give employers a financial incentive to offer employee fitness programs.

A bill introduced by Sen. Cohen, S. 1618, would give tax credits to businesses that establish weight-control, diet and exercise programs.

The measure would give a tax credit equal to 10% of the employer's direct costs, up to a limit of \$50 per employee.

To qualify for the tax break, however, a corporate fitness program would have to be certified by the Treasury Department in consultation with the Department of Health and Human Services.

Benefit costs

Federal legislators who are concerned that the growth of tax-free benefits may be eroding the taxable wage base should take a closer look at the numbers, a benefit consulting firm says.

Some members of Congress have stated that some employers spend more money on benefits than they do on cash compensation and that the tax status of benefits should be reviewed, reports consultant William M. Mercer Inc. in its latest bulletin.

In fact, surveys, like those conducted annually by the U.S. Chamber of Commerce, reveal that employee benefits comprise about one-third of wages, Mercer notes.

And the bulk—70%—of total employee benefit costs are legally required benefits, like Social Security, or benefits that are already taxed, like vacations and sick leave.

Tax-free benefits, like group health insurance and dental care plans, may amount to as little as 9% of payroll.

As a result, no debate on the taxation of benefits "should proceed on the basis of these tax-favored benefits representing 33% (or more) of payroll," the Mercer bulletin says.

Trustees sued

Trustees of a multiemployer pension plan for ship workers in the Puget Sound, Wash., area violated their fiduciary responsibilities, the Labor Department charges.

The eight trustees of the Northwest Employees' Retirement Plan kept between \$6 million and \$9 million of plan assets in passbook savings accounts that paid 5½% interest even though higher rates of returns were available from other prudent forms of investment, according to a lawsuit filed by the Labor Department.

The suit, filed Aug. 29, in the U.S.

washington

District Court in Seattle, asks the court to order the trustees to reimburse the plan for lost revenue.

Trustees named in the suit are: Robert Barnes, Lawrence Hagen, Van C. Harrison, Tom Moody, Warner Nelson, Robert Nicholas, Robert Olson and Wayne T. Wright.

The multiemployer plan covers members of Laborers Local 252, Sheetmetal Workers Locals 99 and 150 and Shipscalers Local 541, the Labor Department said.

Social Security

A provision in Social Security reform legislation Congress passed in

March could hamper the recruitment of new federal employees, the General Accounting Office says.

That bill specifies that federal employees hired after Jan. 1, 1984, must be covered by the Social Security system.

That means the new employees will have to pay FICA taxes, which next year will rise to 7% from 6.7% of salary.

All federal employees currently pay 7% of salary for their own retirement plan. As a result, 14% of wages will be deducted from the paychecks of new federal employees for mandatory retirement plan contributions.

By contrast, employees in the

private sector generally do not have to make contributions to their pension plans. Their only mandatory pension contribution is the FICA tax.

The GAO warns that the federal government may have a hard time finding new employees since 14% of their salary will automatically go toward retirement savings.

Railroad retirement

President Reagan has signed legislation that will boost payroll taxes for railroads and their employees.

The tax increases, totaling about \$2.5 billion for employers and railroad employees, are needed to shore up the Railroad Retirement System, which covers about 1,000 railroads and 1 million retirees (BI, Aug. 15).

Employer and employees taxes for railroad retirement Tier I benefits, which correspond to the Social Security program, will rise in stages from the current 6.7% to 7.65% in 1990.

Employer taxes for the Tier II program, which corresponds to the private pension plans offered by most other companies, will rise on Jan. 1 to 12.75% and will increase to 13.75% in 1985 and 14.75% in 1986. Currently, the Tier II tax for employers is 11.75% on the first \$26,700 of wages. It isn't known yet what the taxable wage base for Tier II will be next year.

Tier II taxes for employees are now 2% of the first \$26,700 of wages. Next year, employees will pay a Tier II payroll tax of 2.75%, with the tax increasing to 3.5% in 1985 and 4.25% in 1986. ■

AMERICAN IN REINS

Managing massive litigation: are you courting disaster?

Two days ago the plaintiff demanded \$800,000 to settle. The defense offered \$100,000. There was no further movement, and the case was carried to verdict. The jury found for the plaintiff; the award was \$3,356,000.

What went wrong? The defense team had already decided that they were willing to pay \$500,000. The case could have been settled for \$500,000. But after the initial \$100,000, the defense made no further offer.

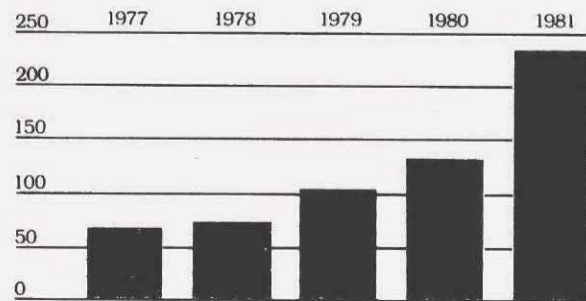
In 31% of the cases we monitored last year, carriers did not offer what they said a case was worth. Back in 1977, however, the figure was an astounding 55%. It was at this time that American Re established a litigation management team, to work for our clients exclusively on these massive cases.

How important litigation management can be is shown by the increase in jury verdicts awarding \$1,000,000 or more in personal injury suits, as shown at the right.

In the face of the national trend, American Re clients who used our specialists increased their percentage of massive injury cases won from 36% to 49%. These victories represent many millions of dollars saved; dollars that flow directly to our clients' bottom lines.

How often do you have a chance to lose a million dollars or more in one case? Possibly once a year, or twice. But these are the ones that can really hurt you. The jury's attitude toward a massively injured person is qualitatively different from that in the ordinary injury case. They want to find for the plaintiff. What's more, the plaintiff is usually represented by a specialist in massive injury cases. The primary company's people, on the other hand, usually handle a large volume of smaller cases. In this unfamiliar type of case, they may hesitate to make hard decisions. They can miss danger signs, or opportunities.

MILLION DOLLAR VERDICTS



The number of jury verdicts in the U.S. each year awarding \$1 million or more to individual plaintiffs in personal injury suits. Information from Jury Verdict Research, Inc., Solon, Ohio.

AMERICAN REDEFINITION

Nu-Med names Fein vp-risk management

Barbara Fein is vp-risk management, a new position, at Nu-Med Inc. in Encino, Calif. Ms. Fein is responsible for both corporate property/casualty and employee benefit insurance programs, as well as risk control for all subsidiaries and hospitals owned by Nu-Med. Ms. Fein was previously corporate risk manager for Carlsberg Corp. in Santa Monica, Calif. Prior to that, she was risk manager for R&B Enterprises, located in West Los Angeles. Ms. Fein received the Associate in Risk Management designation and is president of the Los Angeles Chapter of the Risk & Insurance Management Society. Ms. Fein reports to William Hartauer, Nu-Med's president.

Ronald D. Hall, 42, is controller for insurance operations at Ingram

comings & goings: buyers

Industries Inc. and Tennessee Insurance Co. in Nashville, Tenn. It is a new position. Mr. Hall is responsible for accounting and controller functions and coordinating insurance matters for all Ingram Cos., as well as risk management responsibilities. Mr. Hall was previously with Genesco Inc. in Nashville where he served for 21 years. His most recent position at Genesco was as controller of corporate insurance. Mr. Hall received a bachelor of science degree in accounting from Bowling Green College in Bowling Green, Ky., as well as the Associate in Risk Management and Certified Public Accountant designations. Mr. Hall reports to Charles

J. Eades, vp of insurance at Ingram Industries.

Thomas J. Santorelli, 41, has been named staff vp-insurance, a new position, at Hertz Corp. in New York. Mr. Santorelli handles property/casualty and international insurance programs for the company and is vp of HCM Claims Management Corp., a subsidiary that markets claims management services to outside companies. Mr. Santorelli joined the company in 1977, serving most recently as staff vp of claims. Prior to that, he was vp of claims for VICO Corp. in St. Louis. Mr. Santorelli received a bachelor of science degree in business adminis-

tration from Rider College in Lawrenceville, N.J. Mr. Santorelli reports to James P. Day, vp of financial resources at Hertz.



Mr. Santorelli

David L. Vance, 40, is the new occupational health/loss control coordinator in the risk management department of Revco D.S. Inc. in Twinsburg, Ohio. He replaces **Lloyd Goff**, who is pursuing private business interests. Mr. Vance coordinates the safety plans for all of Revco's manufacturing facilities. Prior to joining the company, Mr. Vance was a loss-control

consultant for the Cleveland office of Alexander & Alexander Services Inc. Mr. Vance was also safety manager of P&C Food Markets Inc. in Syracuse, N.Y. Mr. Vance has received the Associate Safety Professional designation and is a member of the American Society of Safety Engineers. He reports to Alton Schexnayder, Revco's director of loss prevention.

Business Insurance would like to report on staff changes in your company's risk management, safety or employee benefits department. Please send the details about the staff change to Sallie J. Drury, Staff Reporter, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5352. We would also like to receive photographs.

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Pepper to speak at AMA meeting

CRYSTAL CITY, Va.—Employee benefit managers from around the country will be attending the American Management Assns.' annual compensation and benefits conference on Sept. 22-23 in Crystal City, near Washington, D.C.

AMA conferences, which have been held for 40 years, are designed to keep benefit managers at small and medium-sized firms up to date on benefit trends and regulations.

This year's conference will begin on Thursday, Sept. 22, with a keynote address by Rep. Claude Pepper, D-Fla., chairman of the House Rules Committee.

Rep. Pepper, who in 1978 led the successful legislative battle to raise the mandatory retirement age to 70 from 65, will discuss how the private pension plan system must be improved to meet the future retirement income needs of the post-war baby-boom generation.

Rep. Pepper also will analyze how current vesting schedules allowed under the Employee Retirement Income Security Act need to be improved.

Some 15 individual benefit sessions will be held at the conference. They include:

- "Restructuring the Defined Benefit/Defined Contribution Mix: Proven Strategies for Cost Containment." Case studies will be presented on how plan design changes can cut retirement benefits costs.

- "TEFRA Update." The latest Internal Revenue Service rules on "top-heavy" pension plans will be analyzed with advice to small employers on how they can meet the new rules.

- "401(k) Plans." Benefit experts will discuss when companies should consider setting up 401(k) salary reduction savings plans for their employees.

- "Benefits Take-Back: Communicating Changes Effectively." Employers will learn how a major manufacturing company and a top retailing firm were able to take back benefits without a drop in morale or productivity.

In addition, a special Friday morning session will look at the move to unisex insurance actuarial tables and how benefits have become a key issue in age discrimination cases.

The fees for the conference, which will be held at the Crystal City Hyatt Regency Hotel, are \$525 for AMA members and \$595 for non-members. Discounts are available for employers with three or more registrations. For more information, contact June Baldino, American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-903-8216. Or call the AMA registrar at 518-891-0065.

NES REINSURANCE

Chemical dependency treatment offered

United Health Maintenance has introduced a chemical dependency treatment program that identifies and aids employees with alcohol or drug dependency.

UHM staffers will first meet with employers to discuss three initial steps:

- The best way to set up and maintain a program and train employees as program managers.

- What provisions in an employer's group health policy will cover the chemical dependency program.

- The best plan of action in contacting the specific employee group and referring dependent employees to help.

UHM then conducts a two-part program. In the first part, group meetings to educate employees on chemical dependency are con-

products & services

ducted. In these sessions, employees with chemical dependency can request help.

Employees are given a 24-hour phone number to call for information, counseling and referral to treatment. Employees also can receive information on questions not related to chemical dependency through the "helpline."

Dependents of the employee can also call the helpline.

The second part of the program involves actual employee counseling. This part of the program is initiated in one of three ways:

- An employee can request counseling.
- A supervisor may suggest

counseling for an employee.

- An employee automatically receives counseling if chemical dependency is detected through a drug-screening program.

In each case, the employee meets with a certified local counselor selected by UHM either at the workplace or at the employee's home. If the employee requires hospitalization or rehabilitation, UHM has a nationwide referral network of inpatient and outpatient treatment facilities.

For further details on the United Health Maintenance Chemical Dependency Treatment program, contact Monica E. Oss, Vp-Business Development, United Health Main-

tenance Inc., Chesapeake Building, Suite 203, 9017 Red Branch Road, Columbia, Md. 21045; 800-638-5891; in Maryland, 301-730-9009.

Annuity contract

Penn Mutual Life Insurance Co. is now offering Diversifier II, an individual annuity contract with multiple options that can be provided as an employee benefit.

The Diversifier can be used to fund individual retirement annuities; Keogh plans; tax-deferred annuities for public, parochial and other charitable or religious organization employees 401(k) salary reduction plans; qualified corporate retirement plans; qualified single-sum deposits; and other retirement savings plans.

Payments for the individual em-

ployee retirement accounts can be either made by an employer or by the employee through payroll deductions.

The Diversifier II offers fixed and variable annuity plans. The fixed plan has two options. The first carries a one-year interest guarantee, fixing interest rates at a rate not less than the 52-week Treasury bill discount rate. The second option offers a one-month interest guarantee, which is changed each month, varying with short-term interest rates.

There is no service or maintenance charge for the fixed-rate plans.

The variable plan features the choice of investing retirement savings in an equity fund or money market fund.

In the first case, investments are placed in the equity fund of Penn Series Funds Inc. The major thrust of this fund is long-term growth, while income is the secondary consideration.

In the second case, investments are placed in the money market portfolio of Penn Series Funds. The primary goal of this fund is investing in high-quality, short-term money market instruments.

There is a charge for the variable annuity plan, which is outlined in the Diversifier II prospectus.

Transferring funds between the equity fund and money market portfolio is allowed, subject to contract provisions, twice each year.

The Diversifier II allows the contributor to specify how retirement income should be paid: as an annuity for a certain number of years, a life annuity, a life annuity with guaranteed payments of 10 or 20 years or a joint and survivor life annuity.

For further details on the Diversifier II flexible annuity plans contact your local Penn Mutual sales representative or The Penn Mutual Life Insurance Co., Independence Square, Philadelphia, Pa. 19172.

PPO assessment

The Morgan Bigae Institute is introducing a preferred provider organization assessment program for individual employers and small groups of employers.

Morgan Bigae principals will evaluate the PPOs employers are considering for services. The assessment can include a number of PPOs in the employer's area or just the specific PPOs the employer is considering contracting with.

Morgan Bigae examines the quality of care provided, cost effectiveness of the PPOs, the hospital utilization rate of the PPOs' corporate patients, incentives for efficient physician practice, contractual issues, the major weaknesses of each PPO and the possible employee use of a PPO.

After Morgan Bigae gathers the information, it analyzes it and presents its final findings and recommendations in a report and presentation, says S. Brian Barger, president of Morgan Bigae.

An employer or small employer group may ask only for certain elements to be assessed. A minimum study would assess the PPO's quality of care, cost effectiveness, utilization review setup and incentives for efficient physician behavior evaluation.

Fees for a PPO assessment depend on a variety of factors, like the number of PPOs to be studied, the type and depth of information employers want and the time period it takes to conduct a full study.

For more information on the PPO assessment program, contact S. Brian Barger, President, The Morgan Bigae Institute, 35 E. Seventh St., Suite 622, Cincinnati, Ohio 45202; 513-421-8414.



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Nationale-Nederlanden unit buys Excelsior Insurance Co.

Peerless Insurance Co. of Keene, N.H., has agreed to acquire the outstanding stock of Excelsior Insurance Co., a multiline regional insurer based in Syracuse, N.Y., for about \$19 million, or \$22.36 a share.

Peerless is a subsidiary of Nationale-Nederlanden N.V., based in the Netherlands.

The acquisition is seen by Peerless primarily as a way of expanding its volume, according to Russell Jorolemon, vp-marketing for Excelsior. He added that Excelsior, which is licensed in 13 states on the East Coast and generated \$35 million in premium in 1982, will be able to expand its property lines business through the acquisition.

Peerless is licensed in all 50 states

markets

and reported 1982 revenues of about \$180 million.

Peerless plans no changes in Excelsior's management or staffing as a result of the acquisition, which is subject to regulatory and shareholder approval.

"It is Peerless' intention to continue to operate Excelsior in a manner that maintains its independent identity," said Joseph H. Youngs, Peerless' president.

Helicopter program

Helicopter Assn. International

has named broker Bayly, Martin & Fay International Inc. as administrator of its helicopter pilots' loss-of-license insurance program, which is underwritten by Underwriters National Assurance Co. of Indianapolis.

The association's program, offered in the United States, Canada and the United Kingdom, offers temporary and optional long-term disability insurance coverage for the duration of a pilot's disability or until age 60 for pilots who lose their Federal Aviation Administration licenses.

The Philadelphia BMF office will administer the program under the supervision of Executive Vp Jay Lavenson.

The association is a professional, non-profit trade group of commercial helicopter operators, manufacturers and suppliers.

Name change

CIGNA Corp. has changed the name of its international affiliate, INA International Corp., to CIGNA International Corp.

The affiliate manages CIGNA subsidiaries operating directly in 48 countries and has representation in 100 others. CIGNA International also has 11 U.S. offices.

Consolidation

Rollins Burdick Hunter Co. has opened a San Antonio, Texas, office, merging with the local office of James S. Kemper & Co. Rollins Burdick Hunter Agency of Texas Inc. is located at 800 N.W. Loop, San Antonio, Texas, 78216; 513-349-2626. Charles T. Bigelow, a vp, will manage the office.

RBH was acquired by Combined International Corp. last December. Combined also owns Ryan Insurance Group, of which Kemper is a subsidiary.

New offices

Swett & Crawford has moved its Tampa, Fla., office to 101 S. Hoover Blvd., Suite 115, Tampa, Fla. 33609; 813-876-5783.

Touche Ross & Co. is opening a new office in suburban Chicago to offer employee benefit and tax consulting services as well as its traditional accounting and auditing services. It is located at Walden Office Square West, 1931 N. Meacham Road, Schaumburg, Ill. 60195. The office will be headed by Charles J. Stahl, an audit partner with the firm.

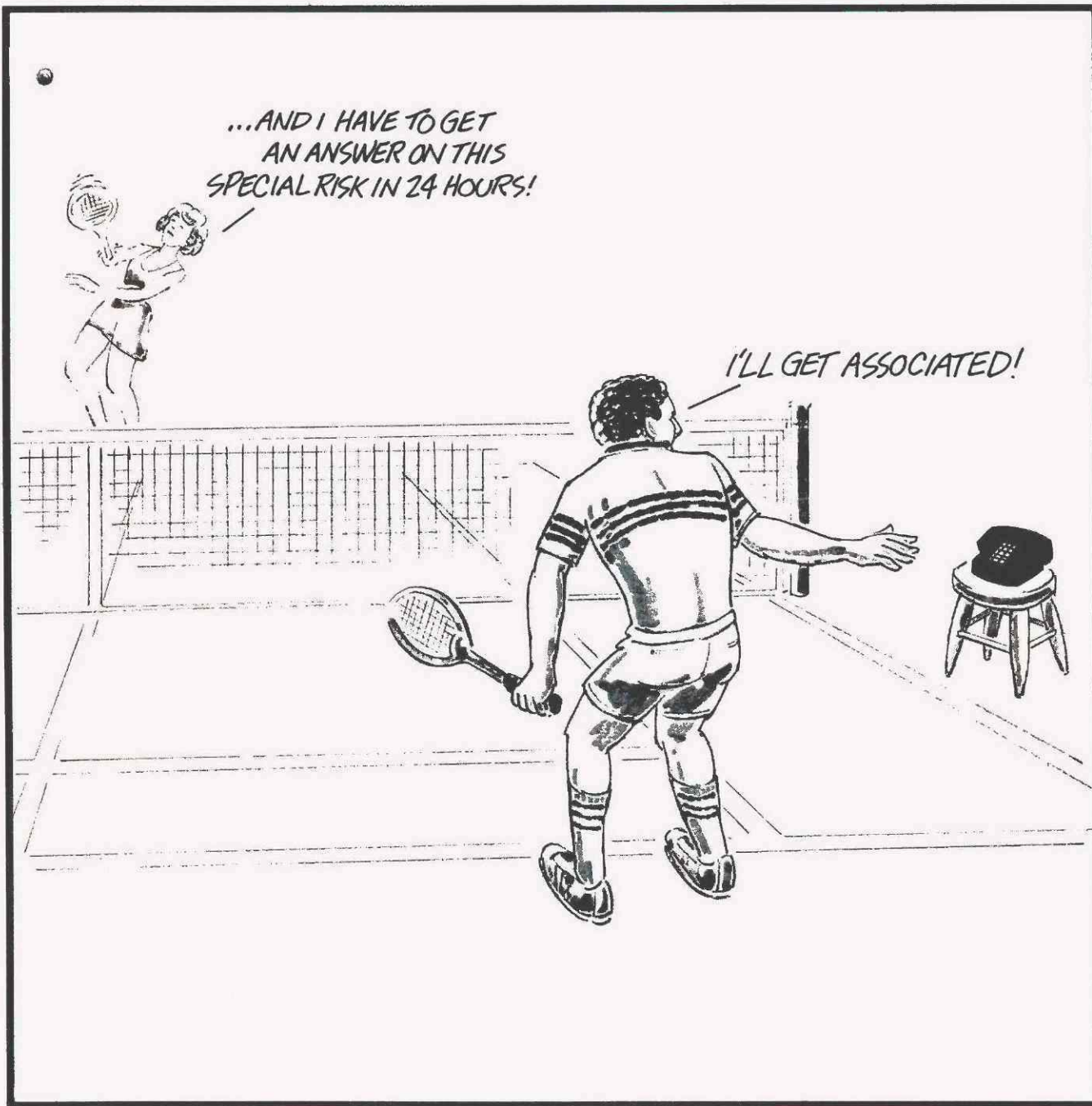
Tillinghast, Nelson & Warren, Inc., a consulting and actuarial firm, has opened an office in Ireland at 11/12 Warrington Place, Dublin, Ireland; 0001-608315, 0001-608393 or 0001-608399. Colm Fagan, a Tillinghast vp, is managing the new office.

Milliman & Robertson, an actuarial consulting firm, has opened a new office at the Georgia-Pacific Center, 133 Peachtree St. N.E., Suite 3080, Atlanta, Ga. 30303; 404-659-3541.

ASIS moves offices

ARLINGTON, Va.—The American Society for Industrial Security has moved its headquarters to Arlington from Washington, D.C.

The new address for the society is 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.



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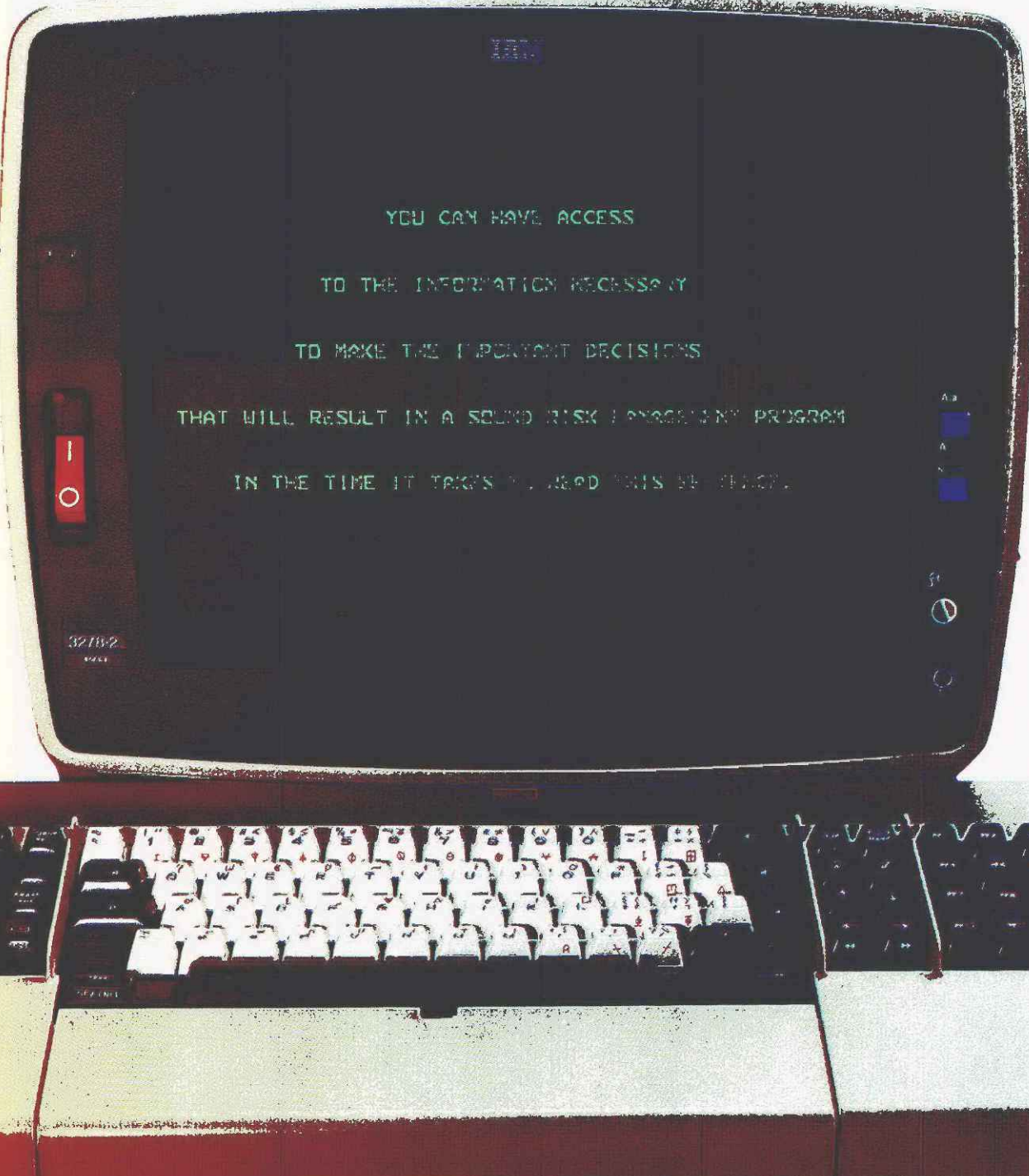
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Few lines escape losses in '82, reinsurer reports

By JOHN PARRY

ZURICH, Switzerland—Everyone now knows that 1982 was a particularly bad year for property/casualty insurers, but marine and other non-aviation transport underwriters were not hit as hard as others, a major reinsurer says.

Natural disasters were particularly prevalent, costing billions of dollars around the world, according to Swiss Reinsurance Co.'s annual survey of major catastrophe losses.

The report noted that claims in the United States and Western Europe had "rarely" reached comparable heights.

In the United States alone, the total catastrophe damage recorded by the insurance industry in 1982 exceeded \$1.5 billion, compared with \$715 million in 1981, the report said.

Weather catastrophes were responsible for many of the claims registered in Western Europe and Asia, the report said, noting that freezing winter weather and floods particularly affected both France and Britain.

In India, floods brought on by monsoon rains caused the deaths of more than 2,000 persons and made 3 million more homeless. Later in the year, in November, a hurricane killed another 500 and left another 5 million homeless.

The report also noted several natural disasters that struck the Middle East, notably earthquakes that killed 3,000 persons in North Yemen and 500 in Afghanistan. Elsewhere, Hurricane Olivia, which struck El Salvador and Guatemala, killed 1,200 people, while major floods were also recorded in those two countries along with Nicaragua, Japan and Indonesia.

Hurricane damage was particularly severe in Cuba, Mexico, the Philippines, Japan and India.

For fire insurance claims, 1982 was a particularly disastrous year, according to the report. A fire in a K mart Corp. distribution center in Morrisville, Pa., caused more than \$100 million of damage, the largest fire insurance claim ever recorded, according to Swiss Re.

In addition to natural disaster and fire losses, there was an increased number of aviation disasters in 1982, with corresponding increases in the damage claims.

Among the most important aviation claims, according to the report, was the crash of a Pan American World Airways Boeing 727 shortly after takeoff from New Orleans, which killed 153 people; the crash landing in Boston harbor by a World Airways DC-10, which killed two people and caused a \$50 million hull loss; and the crash of an Air Florida Boeing 737 into the Potomac River in Washington, which killed 78 people, destroyed a \$12 million hull and triggered \$100 million of personal liability claims.

Swiss Re says only non-aviation transportation insurers reported no great increase in claims in 1982. However, the report notes the collapse of the Ocean Ranger offshore oil exploration platform off the coast of Newfoundland, which killed 84 and produced \$86.5 million of personal liability claims. It also notes that several medium-sized tankers were lost in various areas of the world.

In a related report, Swiss Re said that a survey of 81 countries, including both developed and Third World nations, shows that the number of insurance companies in these nations had decreased 10.5% in the period from 1968 to 1982.

In fact, the report says, North America is the only area of the world where the number of insurers is increasing. There are 5% more insurance companies in the

United States and Canada now than there were in 1968.

Worldwide, there were 12,941 insurance companies in the 81 surveyed nations in 1982, the report said. The sharpest contraction was in Africa—down 53% from 1968 figures to 425—but Europe, too, registered a substantial decrease—down 14% to 4,763.

Domestic-based insurance companies decreased in number by 11.1% to 3,510 during the period, while the number of foreign-owned companies dropped 20.7% to 1,253, the report said.

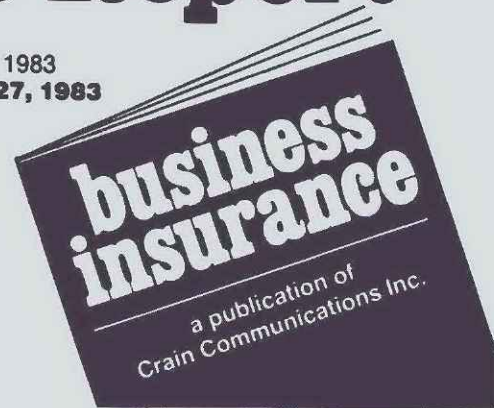
However, the figures were reversed in North America. The number of domestic companies rose 3% to 5,116, while foreign-owned insurers increased 32.5% to 477. ■

Coming Up! Reinsurance Report

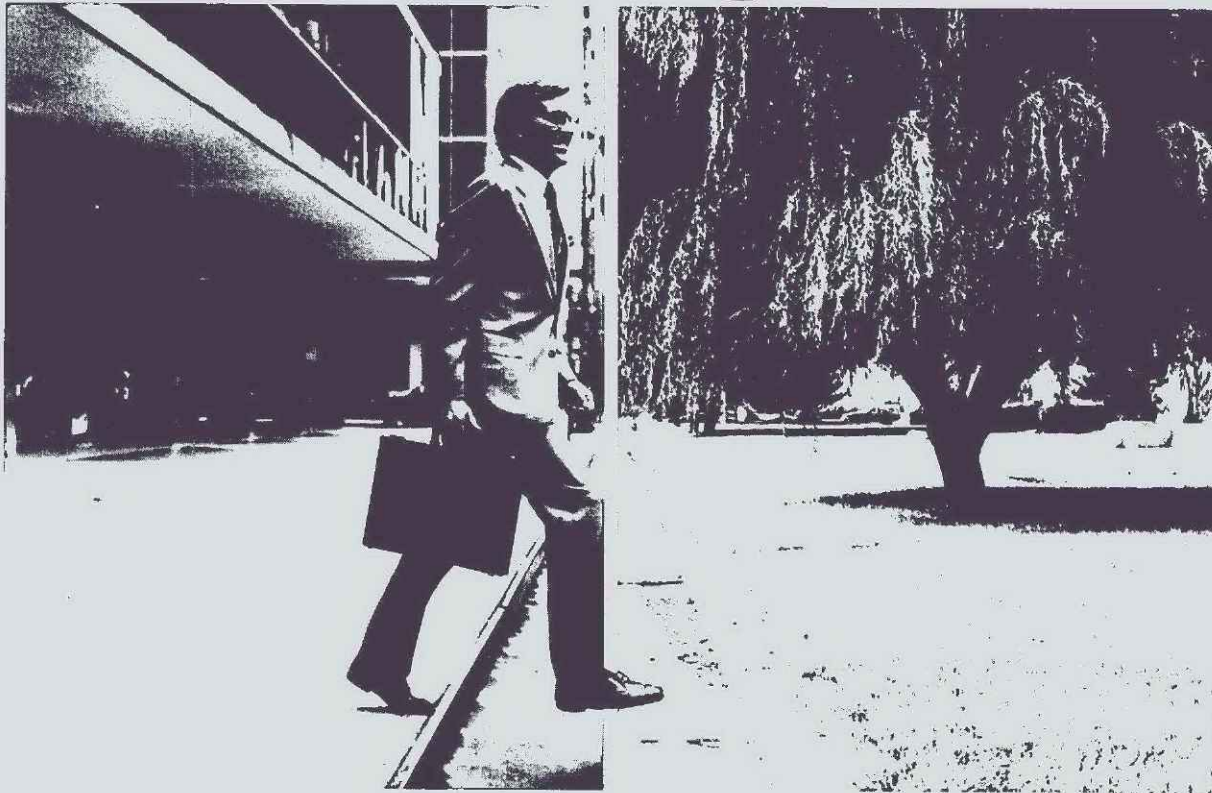
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OCT. 11-13. Industrial Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; \$650. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

OCT. 11-14. Third Annual Construction Insurance conference in Chicago, sponsored by the International Risk Management Institute; \$540; single- and two-day fees available. International Risk Management Institute, Suite 208, Building III, 10300 N. Central Expressway, Dallas, Texas 75231.

OCT. 12-14. Behavior Science: A New Approach to Accident Prevention course at the University of Southern California; \$400. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

OCT. 12-14. National Assn. of Independent Insurance Adjusters regional meeting in Itasca, Ill.; \$105 for first registrant; \$40 for subsequent registrants. National Assn. of Independent Insurance Adjusters, 222 W. Adams St., Chicago, Ill.

OCT. 13. Back Injury Control and Human Factors Engineering seminar in Atlanta, sponsored by the International Loss Control Institute; \$110. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001 or 404-466-2208.

OCT. 13-14. Effective Fire Brigade Operation seminar at Delaware Technical and Community College, sponsored by the International Safety Academy; \$200. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

OCT. 13-14. National Assn. of Employers on Health Care Alternatives national conference in Chicago; \$350 for members; \$450 for non-members. Ruth Stack, National Assn. of Employers on Health Care Alternatives, 1134 Chamber of Commerce Building., 15 S. Fifth St., Minneapolis, Minn. 55403; 612-338-4823.

OCT. 14-15. Construction Failures: Legal and Engineering Perspectives conference in Houston, sponsored by the American Society of Civil Engineers and the American Bar Assn.; \$225 before Sept. 14; \$255 thereafter; \$55 for students. Elizabeth Yee, American Society of Civil Engineers, 345 E. 47th St., New York, N.Y. 10017.

OCT. 16-19. International Risk Management conference in Monte Carlo, Monaco, sponsored by the Risk & Insurance Management Society; \$700; \$575 for risk managers. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 17-18. Effective Management and Direction of Malpractice Insurers and Trusts seminar in Atlanta, sponsored by Tillinghast, Nel-

son & Warren Inc.; \$600; \$500 for subsequent registrants. Pat Kelley, Tillinghast, Nelson & Warren, 3340 Peachtree Road N.E., Atlanta, Ga. 30026; 404-261-5424.

OCT. 17-18. 1983 Statistical/Data Quality seminar in New York, sponsored by the Insurance Services Office; \$200. Shari Silk, Communications Division, ISO, 160 Water St., New York, N.Y. 10038; 212-487-5000.

OCT. 17-19. Fundamentals of Insurance conference in Toronto, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 17-20. 71st Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; \$75 for members; \$110 for non-members; single-day fee available. Congress Planning, NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 17-21. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$570. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

OCT. 17-21. Advanced Property Conservation course in Long Grove, Ill., sponsored by Kemper Group; \$400. W.P. Thomas Jr., NID (HPR) A-1, Long Grove, Ill. 60049; 312-540-3380.

OCT. 18-21. Direct Marketing Insurance Coun-

cil annual meeting in Miami Beach, Fla.; \$585 for members; \$685 for non-members. Alzata Hill, Direct Marketing Insurance Council, 6 E. 43rd St., New York, N.Y. 10017; 212-689-4977.

OCT. 19. Claims Handling for Inland Marine Risks seminar in Atlanta, sponsored by Inland Marine Underwriters Assn.; \$24. Dora Rothman, Inland Marine Underwriters Assn., 14 Wall St., New York, N.Y. 10005; 212-233-7958.

OCT. 19. 27th Annual Risk Management conference in Los Angeles, sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society; \$50 for members; \$60 for non-members. Walter Robinson, Norris Industries Inc., 1 Golden Shore, Long Beach, Calif. 90802; 2-3-435-6676.

OCT. 20. Reinsurance Security of United Kingdom Insurance Companies workshop in New York, sponsored by International Insurance/Financial Service; \$325 for subscribers; \$395 for non-subscribers. Michael Miron, International Insurance/Financial Service, 300 Bedford St., Stamford, Conn. 06901.

OCT. 20. Risk & Insurance Management Society Midwest Regional workshop in Northbrook, Ill.; \$70; \$60 for subsequent registrants. Thomas Durkin, RIMS, 200 Wilmot Road Deerfield, Ill. 60015; 312-940-2651.

OCT. 20-22. Profit Sharing Council of America annual conference in San Diego; \$450 for members; \$475 for non-members. Walter Holan or Merl

Douglas, Profit Sharing Council of America, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

OCT. 21-22. Occupational Disease Litigation seminar in New Orleans, sponsored by Practising Law Institute; \$375. Also Nov. 4-5 in New York; Dec. 23 in San Francisco. Practising Law Institute, Department HNC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

OCT. 23-26. Health Care Cost Containment seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 23-27. Washington Insight on Employee Benefits seminar in Washington, sponsored by the U.S. Chamber of Commerce; \$975. Suzanne Lulewicz, U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 202-463-5575.

OCT. 23-28. Employee Benefits institute in Waltham, Mass., sponsored by Brandeis University's Heller Graduate School; \$1350. Nancy Leathers, Center for Human Resources, Heller Graduate School, Brandeis University, Waltham, Mass. 02254; 800-434-4705 or 617-647-2116.

OCT. 24-25. Structuring and Managing Association Captives conference in New York, sponsored by the Conning & Co. and American Risk Management Inc.; \$495. Robert A. Brian, Conning & Co., 41 Lewis St., Hartford, Conn. 06103; 203-527-1131.

OCT. 24-26. Health Care Cost Containment seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 24-28. Loss Control Management seminar in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001 or 404-466-2208.

OCT. 25. Legal Liability Coverages and Requirements for Warehouse Owners and Operators seminar in New York, sponsored by the Inland Marine Underwriters Assn.; \$24. Also Oct. 27 in Sturbridge Village, Mass. Dora Rothman, Inland Marine Underwriters Assn., 14 Wall St., New York, N.Y. 10005; 212-233-7958.

OCT. 25-28. An Ergonomic Approach to Materials Handling seminar in Atlanta, sponsored by the International Safety Academy; \$200. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

OCT. 26-27. Health Care Cost Containment workshops in Los Angeles, sponsored by the Health Research Institute; \$395. Also Nov. 16-17 in New York and Dec. 7-8 in Chicago. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 26-28. Government Risk Management seminar in Alexandria, Va., sponsored by the Public Risk & Insurance Management Assn.; \$300. Natalie Wasserman, PRIMA, 1120 G St. N.W., Suite 707, Washington, D.C. 20005; 202-737-7556.

OCT. 28. Third-Party Administrator workshop in San Francisco, sponsored by the Health Research Institute; \$395. Also Nov. 18 in New York; Dec. 9 in Chicago. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 31. The Hay Report conference in New York City, sponsored by Hay Management Consultants; \$490. Doran Twer, 229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2338 or 800-523-2975.

OCT. 31-NOV. 1. Compliance with the new CAL/OSHA noise standard and establishing an effective program course at the University of Southern California in Los Angeles; \$375. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

OCT. 31-NOV. 1. Managing Offshore International Insurance Companies seminar in New York, sponsored by Tillinghast, Nelson & Warren Inc.; \$600; \$500 for subsequent registrants. Pat Kelley, Tillinghast, Nelson & Warren Inc., 3340 Peachtree Road., Atlanta, Ga. 30026; 404-261-5420.

OCT. 31-NOV. 4. Corporate Safety Auditor seminar in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001 or 404-466-2208.

OCT. 31-NOV. 4. Risk Management seminar in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001 or 404-466-2208.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by Business Insurance; \$495; 10% discount for additional participants from the same company. Ann Vazquez, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

NOV. 3-4. Captives: Making Optimum Use of the International Risk Management Tool seminar in New York, sponsored by the World Trade Institute; \$590. Karin Ford, World Trade Institute, 1 World Trade Center, 55th Floor, New York, N.Y. 10048; 212-466-3162.

NOV. 3-4. Healthcare Risk Management: The Negative Impact of Protective Security seminar in Washington, sponsored by Armand Surprenant Associates; \$425. Armand Surprenant Associates, 1100 17th St. N.W., Suite 1000, Washington, D.C. 20036; 202-466-2803.

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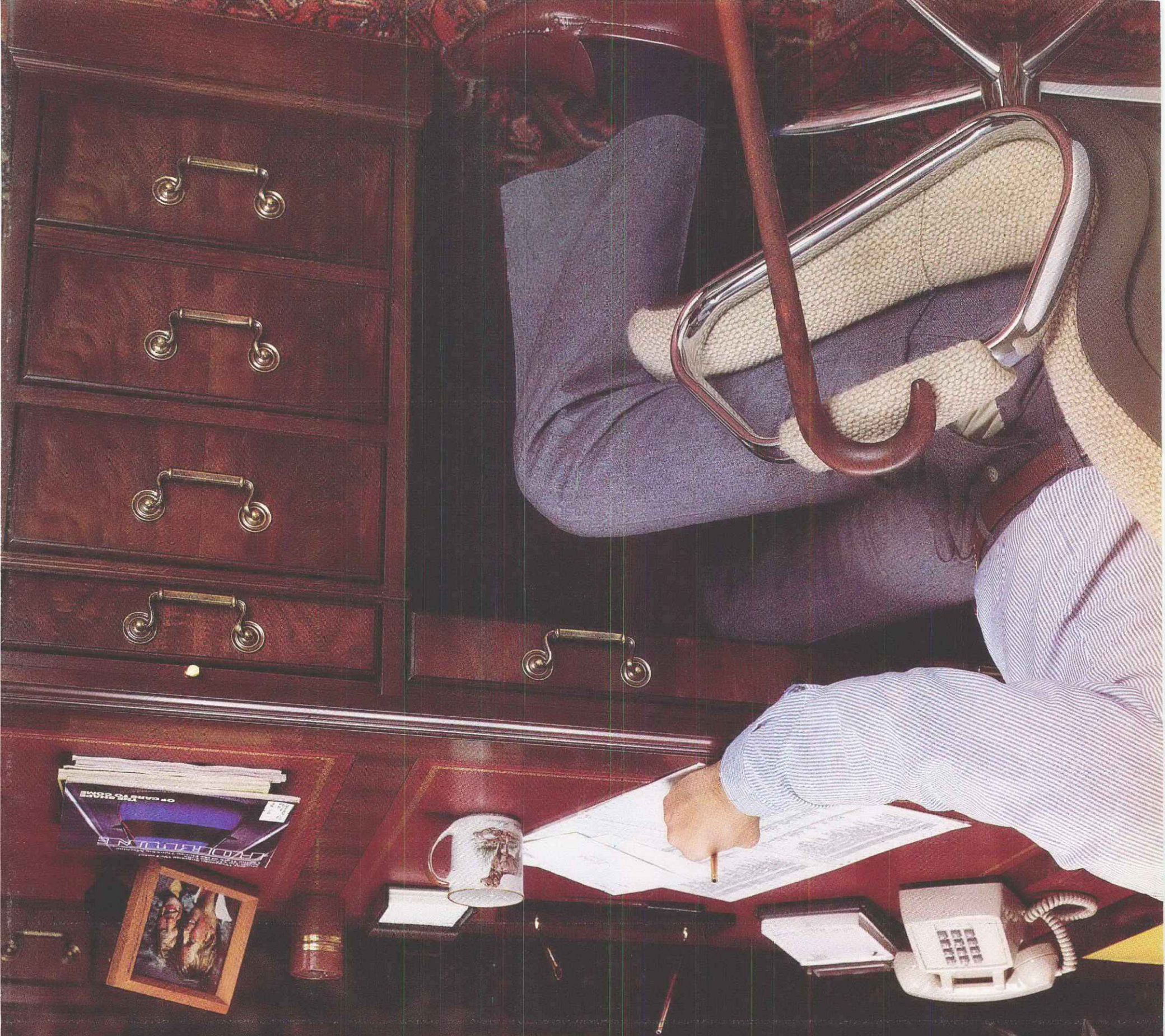
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*Source: Employee Benefit Plan Review, April, 1983



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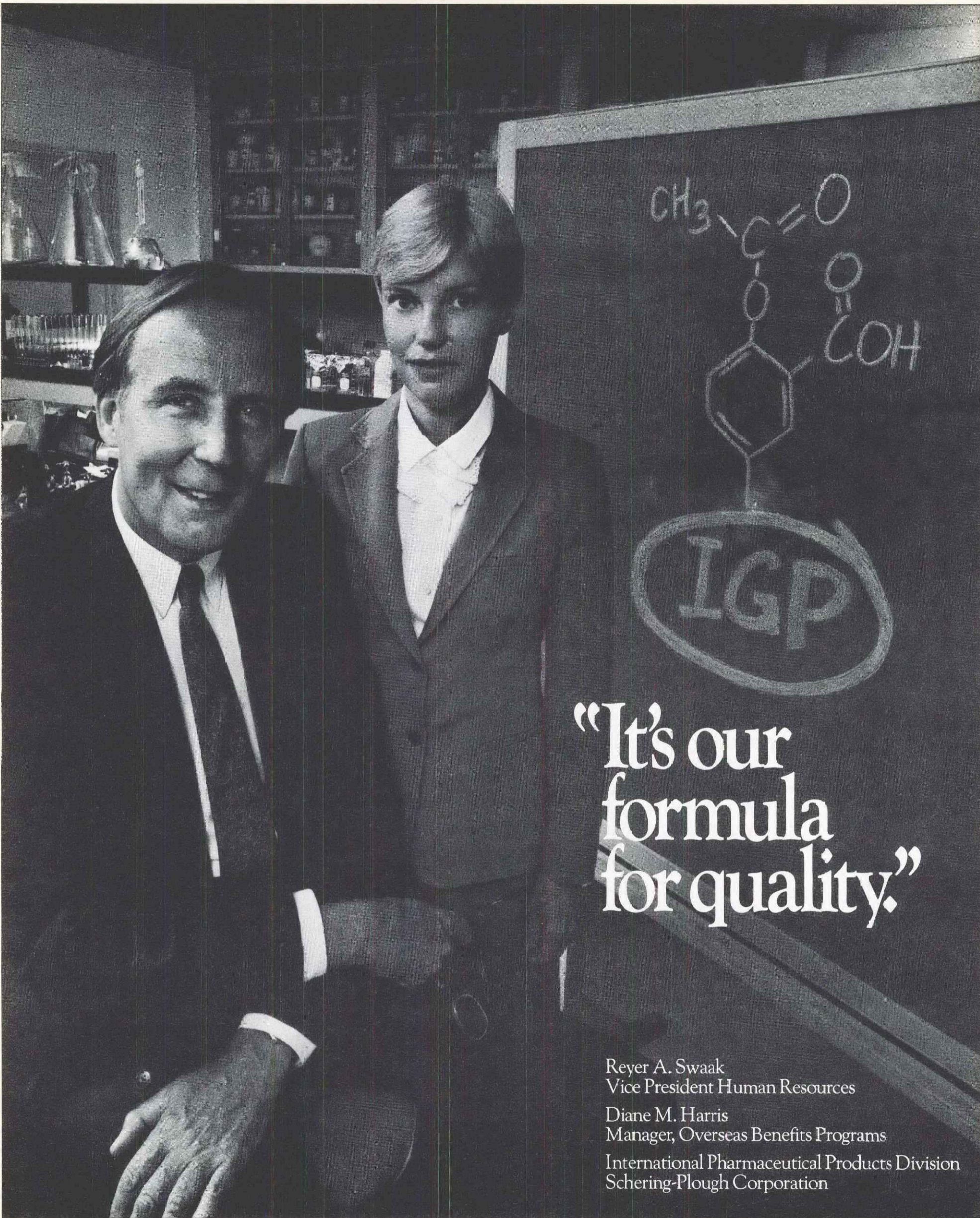
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LIMITING THE LIABILITY

By David Dybdahl
and Thomas P. Kunes

ENVIRONMENTAL IMPAIRMENT liability is one of the most dynamic and misunderstood loss exposures facing private and public organizations today. For organizations that have loss exposures in this area, the potential liabilities can be extremely severe. This is largely attributable to a combination of two factors that are unique to environmental impairment liability exposures:

- Many traditional defenses are being modified or eliminated by new laws and it is becoming increasingly difficult to successfully defend a case.
- Standard liability insurance policies exclude coverage for pollution that is not sudden and accidental. Therefore, the organization's ability to survive these losses is impaired.

The interaction of these factors creates a situation where a defendant is very likely to have substantial uninsured losses. However, aggressive risk management techniques allow these exposures to be controlled before they become crises.

The guidelines presented here are a suggested approach for a systematic appraisal of environmental risks and steps to take in preparing an environmental risk management program.

Environmental impairment risks are difficult to manage because:

- Pollution can continue for a long time without being discovered.
- Substances previously thought to be safe can be found to be hazardous in the future, especially as new regulations are adopted.
- New laws can create new liabilities.
- New technology can create new liabilities (e.g., more sensitive chemical/analytical testing methods and equipment).
- Some environmental impairment claims can be extremely costly to control and claims can be catastrophic.

Another difficulty is that many risk managers have been so involved and preoccupied with the proof of financial responsibility requirements in the federal hazardous waste law, the Resource Conservation and Recovery Act, that they have not considered the greater exposure to the general public through common law actions.

While full compliance with RCRA is by far a better strategy for preventing fines and penalties than ignoring the provisions of the regulations, full compliance offers little or no defense against common law actions. Thorough risk assessment, therefore, must include an awareness of both types of legal action.

The first step in managing environmental impairment risks is to develop systematic methods to identify and assess the risk. There are basically two forms of study that can be performed to identify areas of concern: the

Photo: Mary Cairns

Risk managers learn to curb possible environmental risks

environmental audit and the environmental risk assessment.

The audits and assessments differ in their scope and purpose; however, there can be considerable overlap in their findings and the completion of one should reduce the cost of the other. Management's objectives will determine which approach is the most appropriate; in some cases, both will have to be conducted to various degrees.

The environmental audit, the more comprehensive of the two studies, can be designed to provide all levels of management and staff with the information necessary to plan and act on all environmental matters.

The main purpose of the audit is to identify problem areas (both technical and regulatory), investigate them and properly define those problems and make recommendations for appropriate corrective and/or preventive actions.

The environmental audit may stop short in providing the risk manager with comprehensive risk identification information. Nevertheless, it is a very good starting point in the risk identification process. It can benefit the entire organization by providing corporate and plant personnel with the opportunity to:

- Reduce regulatory complexities and compliance problems.
- Correct existing environmental problems.
- Integrate environmental factors into decisions on plant selection, acquisition and expansion or production changes.
- Improve strategy and negotiating positions with regulatory agencies
- Identify possible loss exposures for the risk manager.
- Allow the costs of risks to be incorporated into production processes.
- Plan environmental activities to prevent future problems.

The environmental risk assessment is a narrower survey that focuses on assessing risks from the environmental impairment consideration only. Typical concerns would include contamination pathways, geology, hydrology,

monitoring data, characteristics of the surrounding population, management practices, management attitudes and employee training.

Whichever method is used to identify risks, exposures for past, present and future operations must be investigated. Past operations usually pose the most significant exposures. Therefore, wherever possible, the risk manager should attempt to develop a history of past waste disposal practices, particularly when trying to assess liability under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, commonly referred to as the Superfund Act.

Under the Superfund law, generators, transporters and disposers of hazardous substances are required to reimburse the government for the expenses incurred in cleaning up a contaminated site. To facilitate collection of this money the law eliminates many common law defenses and creates strict, joint and several liability for all parties handling a hazardous substance.

The current operation of the company also must be reviewed to identify waste discharge and emission characteristics and present waste disposal methods and possible areas of regulatory non-compliance.

The majority of companies that have environmental exposure may face the greatest risks from their disposal activities. If contract hauling and disposal services are used, treatment, storage or disposal facilities often are located on the plant site. The highest potential environmental problems usually are posed by inadequate land storage or waste disposal in facilities such as pits, ponds, lagoons and landfills.

Many of the facilities were built without sufficient hydrogeologic investigation or engineering design to prevent groundwater contamination. Monitoring of groundwater quality was seldom done.

With new regulations and better scientific understanding of the relationship between groundwater flow

and waste disposal, groundwater pollution problems that could not have been predicted years ago are now being discovered. These problems usually cost much more to correct than they would have been to prevent, through better site selection, design, operation and monitoring.

Any treatment, storage or disposal facility located on-site, therefore, should be investigated carefully, whether or not it is still operational. This can be a detailed part of an environmental audit or it can be a targeted assessment. Geology, soils, ground- and surface water, and surrounding land use also should be considered in the study.

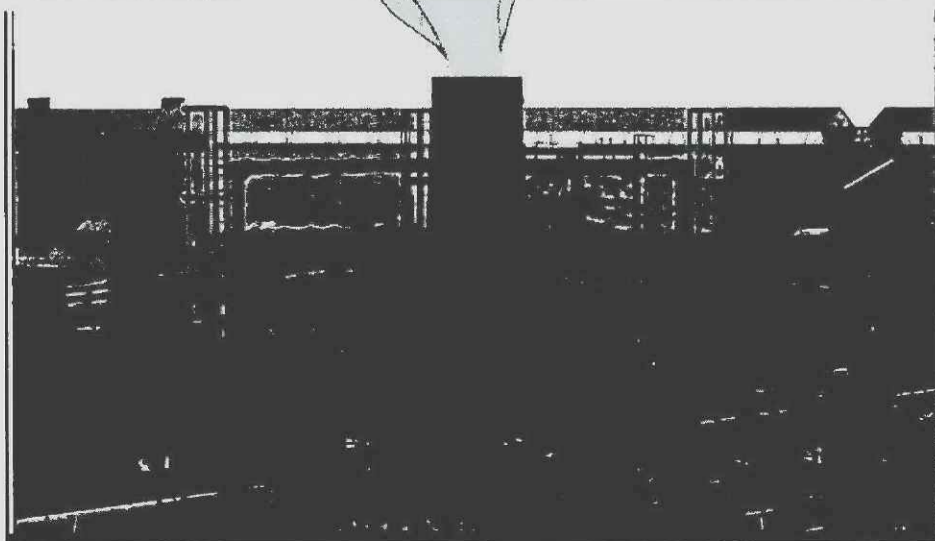
Thorough waste characterization and analysis coupled with evaluation of the treatment, storage or disposal techniques being used also are important. A review of site operations and maintenance practices and the installation and use of monitoring devices will provide data on the impact of the facilities on the environment. The review also will help company officials take action to correct any problems that are occurring. This kind of a program will help determine compliance with federal and state regulatory requirements and permit conditions.

Key questions to ask in the risk identification process include: Who is hauling the waste and where is it going? Are there any safeguards to ensure that the contractor follows through with the contract? Have any community complaints against the site been registered? Does the disposal site have any known or suspected legal or environmental problems? Are all approvals and permits in place? What is the remaining capacity of the disposal facility? Has the contractor met the regulatory requirements? Is the contractor handling any other wastes that could cause repercussions for the company? This is important because the acts of third parties can create liabilities for the company. Does the disposal company have the financial resources to clean up the site if a problem develops?

Several steps toward loss prevention that should be taken into consideration in any assessment of disposal practices include:

- Monitoring discharges, emissions, wastes and ground- and surface water.
- Changing production processes or raw materials to eliminate hazardous byproducts.
- Recovery and recycling hazardous materials out of waste streams.
- Conducting regularly scheduled environmental audits (some companies make this an annual practice).
- Selecting alternative disposal technologies that present fewer long-term risks.
- Monitoring the methods and practices of the disposal and transportation vendors if contract services are used.
- Using only vendors that carry environmental impairment liability insurance and requiring insurance certificates.

Continued on next page



Court rules 'unusual' destruction should be treated as vandalism

VANDALISM in a comprehensive fire insurance policy should not be construed to apply only to hostile or willful destruction, according to the Supreme Court of South Carolina. The court said it should be extended to its popular meaning including any unusual destruction caused by the doing of a wrongful act.

Mitchell King Jr. insured a warehouse against damage caused by vandalism or malicious mischief with North River Insurance Co. The warehouse roof collapsed following a heavy rainstorm.

Inspection revealed a beer can and two whiskey bottles lodged in a downspout completely blocked drainage from the roof. The insurer denied coverage. Mr. King sued but lost in the trial court.

On appeal, Mr. King contended that the clogged downspout caused water to accumulate and the roof to collapse and that this resulted from an act of vandalism. The appellate court agreed. According to the court, "legal" malice necessary to establish vandalism within the meaning of the policy did not have to amount to ill will or vindictiveness of purpose. The court found it was sufficient if the destruction was in conscious disregard or intentional disregard of the rights of another. *King vs. North River Insurance Co.*, Supreme Court of South Carolina, Nov. 22, 1982 (BI/04/S.-\$5).

Sexual harassment

Injuries allegedly arising from a

legal briefs

supervisor's verbal harassment and physical abuse of a sexual nature were caused by the willful act of a third person, the supervisor, for personal reasons and did not arise out of employment, according to a Georgia appellate court.

Thus, the court concluded that the employee was not compelled to file a claim under the Workers Compensation Act, but may sue her employer.

Linda Murphy was employed by ARA Services Inc. as a cafeteria worker in a mill. Her supervisor began to sexually molest and abuse her from her first day of employment. He demanded, under threat of firing her, that she have sexual relations with him. The complained-of behavior took place entirely during the hours both the supervisor and Ms. Murphy were on duty.

The supervisor fired Ms. Murphy in 1980.

She sued ARA Services seeking damages for assault and battery, claiming they were negligent in hiring the supervisor and in allowing him to remain in a supervisory position. ARA Services contended Ms. Murphy's exclusive remedy was under the state workers compensation law. The trial court agreed with the employer.

The appellate court reversed, pointing out that while an injury arising out of employment ordinarily arises also in the course of it, the converse was not

necessarily true. The court emphasized that a workers compensation claim must arise both "out of" and "in the course of" employment. Here, however, the court said the supervisor's actions were for personal reasons and were not reasonably incidental to the character of Ms. Murphy's employment as a cafeteria worker.

Therefore, the court concluded it did not arise out of her employment and she was permitted to maintain her suit against ARA. *Murphy vs. ARA Services Inc.*, Court of Appeals of Georgia, Nov. 30, 1982 (BI/05/S.-\$5).

Coverage cancellation

In cases of conflicts, insurance agreements should be construed in favor of the insured and against the insurer who drafted the instrument, an Illinois appellate court ruled.

John Bader Lumber Co. leased property it owned to American Can Co. American Can was required to provide liability insurance coverage for Bader for the property.

American Can purchased the necessary insurance from Employers Insurance of Wausau. American Can received the policy and Bader received a certificate of coverage.

A fire damaged the property on Feb. 14, 1979. On April 5, 1979, Robert Paul was

injured on the premises when a wall collapsed. Sometime between the fire and the accident, Bader and American Can mutually agreed to terminate the lease. Mr. Paul sued Bader, which tendered the defense to Employers Insurance of Wausau.

Employers refused to defend. Bader then brought this suit to determine whether or not Employers was required to defend it. The trial court ruled that Employers must defend Bader.

On appeal, Employers argued that since the lease terminated, the insurance automatically ceased. But the court pointed to the cancellation notice requirement in the policy and concluded that notice to Bader was required. Thus, the court said the policy was effective on the date of Mr. Paul's accident. *John Bader Lumber Co. vs. Employers Insurance of Wausau*, Illinois Appellate Court, Nov. 1, 1982 (BI/02/Au.-\$5).

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

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

Curbing environmental impairment risks

Continued from previous page

After the risks have been identified, the cost of risk must be incorporated into the capital budgeting of new facilities or processes. Some plant designs and production processes might be substantially changed if the ultimate cost of the environmental liability risk was included in the financial data.

The environmental exposures might be prohibitive and management may eventually decide to avoid the exposure altogether and not engage in a particular business. At a minimum, appropriate safeguards would be used.

An important element for controlling the possible adverse effects of a loss is a plan to react quickly to emergencies that may arise. Contingency and response plans must be developed so that employees and management can take appropriate actions to minimize the severity of the loss. Key elements include employee training, planned defense and, most importantly, knowing where to get help. For example, engineers and scientists such as groundwater specialists can be of great help in responding to many environmental emergencies.

Finally, no discussion of environmental impairment risk management would be complete without addressing the subject of loss financing. The frequency of environmental losses is impossible to predict because comprehensive information on the

frequency and severity of environmental damages has not been compiled.

It is safe to predict, however, that occurrences will increase as more regulatory, media and public attention is paid to chemicals in the environment. The severity of a claim, especially for large organizations, may be excessive because of the tendency for legal actions to be aimed at the "deep pocket." Unless preventive measures are taken, environmental impairment losses could become catastrophic for an organization of any size.

At the present time, there are probably nearly 100 insurance companies that offer EIL insurance. There are at least eight different kinds of policy forms on the market.

As a general rule, organizations that are considering purchasing this insurance must pay close attention to the terms and conditions of each policy form. Seldom will any comparison be "apples to apples" and, depending on the particular exposures, one policy may give superior coverage and another may be totally inappropriate. For example, one policy uniquely excludes:

- Claims arising from a closed site. Clearly this is not appropriate for an organization that owns closed disposal facilities.
- Claims arising out of acid rain. This policy may be inappropriate if there are

sulfur dioxide emissions involved in the production process.

For any significant environmental impairment liability exposure, the insurance marketplace is still severely restricted. Despite the entry of many new insurers into the market in 1982, the majority of these companies are not interested in writing either monoline coverage or risks that have any kind of a real loss exposure to this peril.

For a large manufacturer, a liquid waste transporter or a disposal facility, the insurance marketplace can usually be quickly narrowed to three or five insurers that have competitive pricing on a policy form that is compatible with the risk.

Because of the limited insurance marketplace applications to the insurers must be as complete and accurate as possible. An inaccurate application with false information can quickly lead to high premium quotes, inappropriate coverage, closed doors or all three. Once a risk has been declined, it is usually very difficult to reopen the file for an unbiased reconsideration in the market.

Care must be utilized in the selection of the insurers that will be given the opportunity to quote the risk. Unlike other lines of insurance, EIL insurers often will require that a risk assessment study be conducted before coverage is bound.

In many cases these risk assessments

are conducted on a fee basis and the potential insured is required to pay for the assessment whether coverage is bound or not. The cost of these assignments is not insignificant—\$1,000 to \$100,000.

Even after a risk assessment has been conducted, it may or may not be transferable between insurers. An organization could conceivably spend more on risk assessments than the entire first-year premium. It is usually good advice, therefore, not to cover the marketplace with applications, but rather to pre-screen the potential insurers carefully for their suitability to the risk in question.

In the future, environmental impairment liability will take on added significance in the corporate risk management programs. This will especially be true when the far-reaching liabilities created under new environmental laws start reaching out to a broader spectrum of the population. An active risk management program similar to the one outlined here can help prevent the risk management crises toward which many are headed.

David Dybdahl is environmental risk management specialist for Corroon & Black Corp. in Milwaukee. Thomas P. Kunes is executive vp of Residuals Management Technology Inc. in Madison, Wis.

Dow stresses safety at sites around the world

By JIM DAVIS

MIDLAND, Mich.—An employee of Midland-based Dow Chemical Co. could go to any of the company's 103 manufacturing plants in 77 countries and have a feeling of safety, says Robert A. Smith, Dow's director of corporate safety and services.

"You get the same feeling everywhere," says Mr. Smith, who has worked at Dow for 30 years, the last year as safety director.

The company's safety efforts have not gone unnoticed.

Dow was recently honored by the Chemical Manufacturers Assn., a Washington-based trade association. Dow received the Lamot du Pont Safety Award plaque for the greatest percentage reduction in total recordable incidence rates of occupational injuries, deaths and illnesses in the nation during the past five years.

These rates are based on Occupational Safety and Health Administration records.

This is the second time Dow has won the award, which is presented to chemical firms in three class sizes. Dow, which first won the award in 1980, competes in the largest category, for firms with more than 10,000 employees.

The 1981 award was won by Veliscol Chemical Corp. of Chicago, a subsidiary of Northwest Industries Inc., also of Chicago.

In 1982, the year on which this year's award was based, Dow logged 1.22 recordable injuries, not including first-aid treatments, per 200,000 hours worked in the United States, a 58% reduction from 1977.

Dow employs some 56,000 people, and about half of those work in the United States.

This frequency, less than half the industry average, was the fifth-lowest in the chemical industry, which has the third-lowest incidence rate of recordable injuries, according to the National Safety Council.

The chemical company with the lowest incidence rate last year was E.I. du Pont de Nemours & Co. of Wilmington, Del., which has more than 175,000 employees and recorded 0.88 recordable injuries per 200,000 hours worked in the United States.

Dow's safety record improvement is not the result of a crash program, Mr. Smith says. Rather, it's the outgrowth of a long-term orientation.

"Everyone is responsible for safety," he said, "from the president to first-level supervisors to employees. It's a condition of employment."

To make sure that safety remains a priority for top management, Mr. Smith says, discussion on the subject is included on the monthly agenda for board of directors' meetings. And the board has maintained a special safety committee since 1979.

Policies and procedures are disseminated through the six members of the company's corporate safety department, which Mr. Smith heads.

Enforcement is carried out by 400 full-time people involved with safety and loss prevention, another 325 who are involved with industrial hygiene and accident prevention and another 850 security and fire prevention personnel.

"Ultimately, safety becomes a line responsibility, for plant managers and foremen," Mr. Smith says. "They're the ones who make sure the rules are followed."

Employees who follow safety procedures can win pay bonuses and prizes. Conversely, those who do not follow rules can be disci-

plined, with the punishment ranging from verbal reprimands to dismissal.

But punishment is rarely needed, Mr. Smith says, because employees and unions support safety rules enforcement.

This attention pays off in improved overall safety records. For instance, the company's Latin American operations, which employ about 2,200 people, recently went more than 27 million work hours without a recordable injury, the longest such period in the com-

pany's history, Mr. Smith said.

The worldwide scope of Dow's operations contributes to its successful safety record, he observed.

"If we learn a lesson in Thailand or develop a new safety procedure in Germany, we'll want to apply it throughout the world," Mr. Smith said. "Every plant doesn't have to gain this knowledge on its own. We can all learn from each other."

For this reason, newsletters and memoranda are circulated by the corporate safety department in different areas of the world and, when

applicable, around the world.

Most safety procedures and technologies are appropriate throughout the world, Mr. Smith said.

The one exception, he noted, relates to motor vehicle safety.

Dow drivers around the world recorded about 410 million miles without a disabling injury from November 1981 through April 1983. According to National Safety Council averages, 13 such injuries should have occurred during this period.

But, the company maintains dif-

ferent auto safety policies in different portions of the world to conform to local driving conditions. For instance, drivers in less-developed countries, where roads are poorly lit and maintained, are prohibited from making long trips at night.

The company's injury-free streak was broken last April by a driver who collided with a truck in Buenos Aires, Argentina, Mr. Smith said. Long-distance night driving in that country has since been prohibited, he added.

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Gallagher planning to go public in 1984

Continued from page 1

Marsh & McLennan Cos. Inc. went public in 1962, based on gross revenues of just less than \$47 million in 1961.

These revenue figures, however, are not adjusted for inflation.

After Gallagher goes public, only two of the nation's 10 largest brokers will not be publicly traded or owned by a publicly traded company: Johnson & Higgins, which has remained private since its founding in 1845, and Bayly, Martin & Fay International Inc., whose management recently repurchased the brokerage from Baldwin-United Corp.

"We've been thinking about (going public) for 10 years," says Mr. Gallagher. "But thinking about it and doing it are very different."

Gallagher needs capital for sev-

eral reasons, Mr. Gallagher says: for further expansion; to replace capital that has left the corporation in stock buybacks; for equipment and systems; and to invest to help boost earnings.

Gallagher has grown primarily internally, with only five acquisitions. The average annual revenue growth of 28% over the past 20 years that Mr. Gallagher has been president increased gross revenues during the period from \$589,000 in 1963 to a projected \$54 million this year.

Today, the company has 83 offices and more than 900 employees. Gallagher reports that it earned \$3.22 million in 1982, up 142.6% from 1981. The company is predicting earnings of about \$3 million in 1983.

Despite its healthy earnings, capital is needed for further internal growth and possible acquisitions, Mr. Gallagher says. "Acquisition opportunities will be enhanced with a publicly traded stock," he says.

The Gallagher philosophy of making employees shareholders also has created a need for capital. The internal price of stock, which is based on a formula that recognizes success, has risen so high that the company is finding it difficult to buy out employees who want to sell their shares.

"Our stock repurchase price in 1973 was \$3.88 a share. In 1982, it was \$39.75," Mr. Gallagher points out.

Capital also is needed to buy the equipment and computer systems needed by a high-tech broker, as Gallagher likes to see itself. "We

are dedicated to state-of-the-art in information. We want to eliminate waste and have more effective control through instantaneous information," he said.

Gallagher is now converting all its property/casualty self-insured clients' information to a new computer system. It is an on-line, distributed interactive processing system with Tandem hardware. Next to be converted will be benefits clients.

And, still more capital will be needed to build on top of this system to fill new needs in the marketplace. "The capital requirement for systems is awesome," Mr. Gallagher says.

A share of the capital generated by the offering also will be subject to "solid money management," he

says. Looking at the results of publicly traded brokers, he is envious of their capital base that generates investment income to help boost earnings.

Mr. Gallagher disagrees that anyone could find fault with this use of shareholder capital. "Gallagher can do a better job of investing" than an individual shareholder, he says.

Estate tax and liquidity concerns of principal shareholders also are important forces driving the initial stock offering.

And current employees, who with the principals own almost all of Gallagher's stock, want to be able to sell their stock for their own current capital needs. New employees also find a stock benefit more attractive when the stock is more liquid than in a privately held company, he says.

Mr. Gallagher also expects the brokerage's standing in the marketplace to be improved by a public offering of stock. "Brand-name recognition" is what Mr. Gallagher says he wants.

The proceeds of the stock offering retained internally will fund Gallagher's future growth, which he says will be concentrated in risk management services.

Mr. Gallagher defines risk management services as whatever a client needs—from the services offered by Gallagher's Risk Management Sales Division and Gallagher Bassett Insurance Services, to retail and surplus lines brokerage, to engineering, safety management and claims management.

Mr. Gallagher's marketing strategy is to serve clients at as many points along the risk-spreading chain as possible.

Gallagher Bassett Services serves self-insurers through a nationwide string of offices that provide claims management, loss-control consulting, information management and property appraisals.

Gallagher serves clients' insurance needs through retail and surplus lines broking—in the United States under the Gallagher name and in London through Gallagher, Hinton & Vereker, the only London office of a U.S. broker started from scratch.

Gallagher also brokers reinsurance on its clients' risks, when possible, in the Bermuda market through its Bermuda subsidiary. And, finally, Gallagher can arrange structured settlements through its subsidiary, Periodic Settlements in Rockford, Ill.

Gallagher also plans to increase its share of the Fortune 500 market, which Mr. Gallagher admits is now small. And, the brokerage would like to expand internationally beyond its London operation.

Mr. Gallagher admits that deciding to go public was "a very difficult choice."

He concedes that the company could be a takeover target down the road. But, initially, 70% of the company's stock will still be held by insiders, precluding an immediate unfriendly takeover attempt.

Mr. Gallagher also admits that as a public company Gallagher will be subject to the pressure to report consistent quarterly earnings that can restrain long-range investments. "Hopefully, we can remain long-range planners and thinkers, but going public certainly will have an effect. It has on everyone who has gone public," he says.

Mr. Gallagher says he is also concerned about the "amount of time that will have to be devoted to shareholder affairs."

Gallagher has been operated as a privately held family concern since it was founded in 1927 by its now 90-year-old chairman, Arthur J. Gallagher.

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Here's what the judges look for

The following are the 10 criteria on which candidates for the *Business Insurance* Risk Manager of the Year will be judged:

- Established and implements an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization.
- Established a workable intelligence system inside and outside the organization, culminating in access to a flow of information about events and activities that affect the organization's risk management and insurance.
- Skillfully performs the functions of management in the overall organization and within the risk management department.
- Achieves the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management leading to a better managerial grasp of the operations aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession.
- Is developing his or her career.

Panel of 10 judges to select Risk Manager of the Year

Continued from page 3

nominate the organization's risk manager; a broker, consultant or other service supplier can nominate a client, or a risk manager can nominate a colleague.

The forms to nominate a candidate are now available from the *Business Insurance* editorial office in Chicago. The deadline for submitting nominations is Dec. 5.

The 1984 Risk Manager of the Year award will be the seventh presented since *Business Insurance* started the competition in 1977 on the magazine's 10th anniversary. The award was created to increase recognition of the risk management profession and to recognize outstanding performance in the

practice of risk management.

Winners of the Risk Manager of the Year Award before Mr. O'Connell in 1983 were:

- Howard T. Weber, director of insurance at 3M Co. in St. Paul, Minn. in 1978.
- Edward L. Erickson, director of insurance at American Broadcasting Cos. Inc. in New York in 1979.
- Thomas V. Hallett, then risk manager of General Motors Corp. in Detroit in 1980.
- Duane C. Allen, assistant treasurer of Hanna Mining Co. in Cleveland in 1981.
- Eckart Russell, then risk and insurance manager of Alcan Aluminium Ltd. in Montreal in 1982.

Mr. Hallett is now vp-director of risk management with broker Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y. and Mr. Russell is now manager of foreign exchange risks at Alcan.

In 1980, the competition was expanded with the addition of the Risk Management Honor Roll to recognize risk managers facing different challenges created by their dissimilar organizations.

Persons named to the Risk Management Honor Roll in addition to those serving as judges for the 1984 competition were:

- Robert Bieber, then risk manager of Westchester County, N.Y., representing government entities in 1981.
- William Ryan, insurance and risk manager of the University of Michigan at Ann Arbor, representing not-for-profit institutions in 1981.
- George N. Pierce, risk manager of Orange County, Fla., representing government entities in 1982.
- Paul B. Harvey, risk manager of Ponderosa Homes in Irvine, Calif., representing companies with less than \$300 million in sales in 1982.

● Gene M. Marsh, then executive vp for risk management for the General Conference of Seventh-day Adventists in Takoma Park, Md., representing not-for-profit institutions in 1982.

Mr. Bieber is now manager-client services with Ebasco Risk Management Consultants Inc. in New York. Mr. Marsh is president of California Hospital Assn. Insurance Service Inc.

All nominations to the 1984 competition must be submitted to the judges in a specially prepared folder that includes preprinted forms.

In addition to the nominating form and supporting material, each nomination must include a letter from a sponsor nominating the candidate and a letter of endorsement of the candidate by an executive at his or her organization. The letter of endorsement can come from the candidate's superior or any other higher officer, but it must certify the accuracy of the information submitted in the nomination.

The information contained in the nomination will be held in the strictest confidence by the judges and will not be released by *Business Insurance* without the permission of the winning candidates. Only the names of the winning candidates will be announced.

To request a form to nominate a risk manager to the 1984 competition, write *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; Attn.: Risk Manager of the Year Competition. ■

Safety rule sought

WASHINGTON—Federal rules are needed to bar the use of alcohol and drugs by train engineers for a specified number of hours before they report to work, a federal safety official says.

Patricia Goldman, vice chairman of the National Transportation Safety Board, says, "There is a need for federal rule making and that need shall be met now—not in the wake of some future tragedy."

Various states and railroads have rules governing alcohol and drug use by engineers, but there are no specific federal regulations.

A Federal Aviation Administration rule prohibits crew members from consuming alcohol at least eight hours before they begin work and while they are on the job. ■

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UPCOMING ISSUES

	ISSUE DATE	AD CLOSING
MARINE/AVIATION	SEP 19	Sep 7
IAA Convention/Employee Benefits Board Survey	SEP 26	Sep 14
	OCT 3	Sep 21
REINSURANCE REPORT/NAII Conference	OCT 10	Sep 27
	OCT 17	Oct 5
	OCT 24	Oct 12
CALIFORNIA MARKET REPORT	OCT 31	Oct 18
Risk Management Board Survey	NOV 7	Oct 26
INTERNATIONAL RISK MANAGEMENT/INSURANCE	NOV 14	Nov 1
	NOV 21	Nov 9
MARKET REPORT:	NOV 28	Nov 15
ENVIRONMENTAL LIABILITY & LOSS PREVENTION	DEC 5	Nov 21
	DEC 12	Nov 30

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around the states

Hearing will determine fate of health insurer

COLUMBIA, S.C.—A circuit court hearing will be held in Columbia this week to determine if a South Carolina-based health and accident insurer is insolvent.

The Sept. 15 hearing follows last month's suspension of the license of Key Life Insurance Co. of South Carolina by Rogers T. Smith, South Carolina's insurance commissioner.

The Insurance Department earlier had obtained a court order that bars Columbia-based Key Life from writing new business until it can be determined if the company is insolvent.

The Insurance Department estimates that Key Life's assets at the end of the first quarter were about \$800,000, while liabilities may have exceeded \$1.3 million.

The company suffered financial reverses because of inadequate rates it charged for group health insurance written for small employers, a department spokesman said. The bulk of the policies were issued in Louisiana and Texas.

However, policyholders will be protected by the South Carolina Life and Health Guaranty Fund, which aids policyholders when an insurer collapses and can't pay claims.

Key Life, which the Insurance Department says was incorporated in 1938, was licensed to operate in Alabama, Louisiana, Oklahoma, Oregon, Texas and South Carolina.

Psychiatric claim

MADISON, Wis.—The State Court of Appeals will decide the legality of a 1981 workers compensation award to a former International Harvester Co. employee who became mentally ill after witnessing an industrial accident.

The Court of Appeals had asked the state Supreme Court to decide the case, but the Supreme Court referred the case back to the appellate level on Aug. 30.

The case, termed "unique" by the Court of Appeals, apparently is not addressed by state law, which is why it was sent to the high court.

Wisconsin's workers compensation law clearly covers a mental disability suffered as the result of a traumatic injury on the job, but the law does not specifically address a situation where a witness to an accident is the injured party, according to the appellate court.

The case stems from a Feb. 25, 1975, accident in Harvester's Waukesha, Wis., plant in which a worker was splashed with molten iron, causing his hair and clothing to burn. The worker died two months later.

The accident was witnessed by Michael J. Joseph, a union steward who helped obtain the job for the co-worker. Mr. Joseph also poured molten iron as part of his job duties at Harvester.

After witnessing the accident, visiting the injured worker in the hospital and continuing to perform similar duties at work, Mr. Joseph became ill and ceased working in August 1975. Four years later he filed for workers compensation disability benefits, citing psychiatric problems stemming from witnessing the accident.

According to Mr. Joseph's psychiatrist, the worker suffered a psychotic breakdown and was treated for paranoid schizophrenia.

The Division of Workmen's Compensation subsequently found Mr. Joseph to be temporary totally disabled and awarded him \$21,773 in May 1981 and subsequent monthly payments of \$374.40,

based on the 1975 maximum weekly wage of \$103.

Of that maximum weekly wage, Mr. Joseph will receive 80% and his attorneys will receive 20% for 500 weeks, after which Mr. Joseph will receive the full benefit.

Harvester's insurer, which the company would not identify, also was ordered to pay a lump sum of \$5,443 in attorney's fees.

The Division of Workmen's Compensation's ruling was upheld by the State Labor and Industry Review Commission in May 1981, and by the Circuit Court in 1982. Harvester appealed the decision. ■

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November 1 and 2

The Knickerbocker Hotel, Chicago

AGENDA

Monday, October 31

Early registration and cocktail reception. Browse the EBC Gallery and the Literature Gallery.

5:30-7:00 p.m.

Tuesday, November 1

REGISTRATION

A continental breakfast will be served. The EBC Gallery and Literature Gallery will be open.

8:15 a.m.

GENERAL SESSIONS

Opening Remarks

Kathryn McIntyre, Editor, Business Insurance.

8:45 a.m.

The Art Of Persuasion

Ronald G. Hoff, Exec. VP & Creative Director, Foote, Cone & Belding

Unique in the field of presentation counseling, Mr. Hoff combines top-level, high-stakes business experience with exceptional presentation skills. This expert offers insight into the presentation skills needed to persuade any audience ... the techniques are the same, whether addressing your management or employees about benefits programs, or pitching a big account or proposing a campaign.

"The real measure of any presentation," Mr. Hoff says, "is whether the audience learned anything they can use that very day. It's nice if they're amused. But time is precious, and my main function is to help the audience be more productive, more persuasive, more profitable -- to their companies, to themselves."

This session, "A Presentation on Presentations," will motivate and inspire you.

Regulation & Legal Requirements

Peter A. Straub, Acting Assistant Administrator,

Office of Reporting and Plan Standards, U.S. Department of Labor

On September 2, 1974, the Employee Retirement Income Security Act (ERISA) was signed into law. With the enactment of ERISA came a legislatively ordered array of reporting and disclosure requirements intended to assure that private sector employee benefit plans would be operated and managed in the best interest of plan participants and their beneficiaries. This session will highlight the major reporting and disclosure requirements under ERISA and the manner in which the Department of Labor has been recently implementing these requirements through the regulatory process. And, what can we expect for the future ... more or less regulation governing benefit communications?

Explaining Salary Reduction Plans

Robert C. Penzkover, Director of Employee Benefits,

The Quaker Oats Company

The 401 (k) plan has rapidly emerged as a staple product in a modern employee benefit package. Obtaining broad participation to meet discrimination tests depends almost entirely on an effective communication approach. This requires fostering a climate of individual responsibility to manage benefit and compensation planning. In this case, a few relevant numbers are worth a thousand words.

Luncheon

Wellness Programs

William E. Hembree, Director, Health Research Institute;

Denise Maleska, Director of Human Resources, CIBA-GEIGY Corp.;

Dr. Joseph C. King, Director of Employee Health Services,

Continental Illinois National Bank & Trust Co. of Chicago

What employers can and are doing to change health habits and lifestyles is the subject of this panel. Concepts and techniques to be covered include cost-benefits, persuasion/motivation, behavior changes, incentives/disincentives, "new age" communications and approaches to employee interface, timeframes, etc.

Nationally recognized professionals will describe wellness programs, what works and what doesn't, an actual case study, accessing resources, and measurement and evaluation of results.

BREAKOUT SESSIONS

Breakout sessions afford you the opportunity to zero in on a specific problem you may be facing.

Select the one session that best meets your needs.

Essential Elements/How To Work With Suppliers

J. Frank Swygert, Jr., President, Benefits Media Inc.;

LaRue Foster, Manager, Employee Benefits Communication, Corporate

Communications Department, Boise Cascade Corporation

This joint presentation defines the vital components needed to implement an ongoing communications program and takes you through some of the possible pitfalls. Included is an analysis of the various target audiences, goals and necessary ingredients to make benefits communication effective. Case studies will be presented detailing from start to finish the required steps, subject matter, methods, procedures and monitoring of results. Whether you're working in-house or using consultants or production houses, this session provides the nuts and bolts for your decisions and the process of putting together effective communication programs.

Changing Benefits Strategy

Joseph W. Duva, Director, Employee Benefits & Compensation, SCM Corp.;

Dennis B. McKoy, VP and Co-Manager, Actuarial & Consulting Div.,

Johnson & Higgins

SCM Corporation recently amended their health care program to incorporate major cost containment provisions including increased employee contributions and the introduction of up-front deductibles for hospital charges. In addition, they introduced a 401 (k) feature in their RSIP. The major emphasis of their communication effort was placed on "net-effect" communications and establishing a rationale for the cost containment changes that employees could appreciate.

This session begins with defining the problem and includes developing the solution, setting communication objectives, analyzing the audience, selecting the media, implementing the program and measuring the effectiveness.

Cocktail Reception

6:00 p.m.

Dinner/EBC Awards Presentation

7:00 p.m.

Attend a reception and dinner honoring the winners of the 11th annual EBC Competition. One of the winning audio-visual programs will be shown.

Wednesday, November 2

GENERAL SESSIONS

A Look At This Year's Winners

8:45 a.m.

Herbert Zeltner, Herbert Zeltner Inc.,

Marketing & Communications Consultant

Mr. Zeltner, invited for a return engagement at the Conference, takes an in-depth look at what makes a winning program. This lively, entertaining, informative session offers a glimpse at what other professionals are doing.

Innovative Ideas

Andrew Corn, Executive Producer, Ad Master;

Polly Carpenter, President, Carpenter Graphic Design, Inc.

This is a chance to pick up tips from two experts who offer innovative ideas for print and audio-visual communication approaches. A look at each medium separately as well as when, where, why, and how the two can successfully work hand-in-hand for your communication needs.

Luncheon

Edward Davey, Executive Director & General Counsel,

Association of Private Pension & Welfare Plans

An exciting speaker addresses the question: What can employers do now and in the future to prevent the enactment of unfavorable benefits legislation?

Employee Attitude Surveys

Rhonda Karp, Ed.D., Associate Dean, College of Allied Health Sciences,

Thomas Jefferson University;

James B. Weitzul, VP, Consultant, Johnson & Higgins

The theory and reality of using surveys to anticipate, measure, and predict employee attitudes toward benefits will be discussed from both the consultant and client point of view. The session will discuss how surveys invite employees into the overall benefit change process and thereby save the corporation and employees significant amounts of money.

Closing Remarks

The Conference adjourns at 3:30 p.m.

In today's economic climate, corporations are particularly sensitive to the rising cost of benefits and are concerned about more efficient and effective ways to communicate the value of benefits to employees.

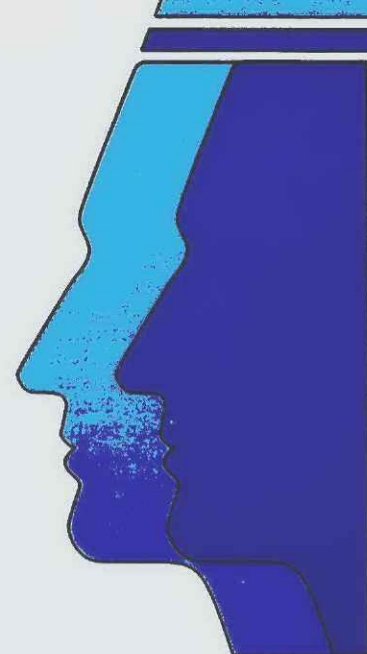
Every step of the way, the 'art of persuasion' plays a key role ... whether you're persuading management on the need to monitor benefit programs and communication ... persuading employees to use their benefit plans wisely ... or, convincing workers to change attitudes to enhance their health and well-being.

While exploring issues that are critical to your professional responsibilities, the BI Conference will focus on the foundation of effective communication ... "The Art of Persuasion." A clearer understanding of the methods used by experts in your field will help you achieve better targeting of communication and more efficient utilization of your company's benefits programs.

You'll leave this Conference with a new perspective that's bound to have a positive effect on your company's bottom line!

Sessions and speakers have been selected to help you meet the challenges of your profession. General sessions are designed to focus on communication problems affecting the benefits community. Breakout sessions afford you the opportunity to zero in on a specific problem you may be facing. You can select the one session that best meets your needs.

A highlight of this conference includes the presentation of the 11th annual EBC Competition Awards. You will also have the chance to view some of the communication programs submitted for this year's Competition that will be displayed in the EBC Gallery. And, the Benefits Literature Gallery makes it possible for you to collect some of the latest benefits industry information available.



REGISTRATION

The cost is \$495. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook and educational materials, breakfast, coffee breaks, luncheons, cocktail reception and the EBC Awards dinner.

Payment required with registration.

(Check or credit card accepted, see registration form below.)

All cancellations must be received in writing. A full refund will be made on cancellations received prior to October 1. A \$100 service charge will apply to cancellations received after October 1. No refunds will be made on cancellations received less than five business days prior to the Conference.

However, if your plans change at any time you may substitute the name of another person from your company without penalty.

All registrations will be confirmed in writing.

To register, simply complete the form below and send it along with your payment to:

**Business Insurance, Communication Services Department
220 East 42nd Street, New York, NY 10017**

For additional information call:

Ann Vazquez at (212)210-0137 or Beth Levine at (212)210-0229

HOTEL ACCOMODATIONS

The Knickerbocker Hotel has set aside special rates for BI conference registrants only: \$80 single room; \$95 double room.

You must mention the Business Insurance Conference when making your reservations. Hotel reservation cards will be included in your conference registration package. Or, call the Knickerbocker Hotel directly at (312) 751-8100.

TRAVEL ACCOMODATIONS

We are pleased to announce that Travel Headquarters Ltd. has been selected to help you coordinate money-saving flights to Chicago for the Business Insurance Conference. Travel Headquarters will provide travel arrangements for registrants, from every major city in the U.S. and Canada, at substantial discounts without sacrificing your comfort and convenience. Space is limited and reservations will be accepted on a first come-first served basis.

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Croziat named to head Scor Re, affiliates

Pierre D. Croziat named president and chief executive officer of Scor U.S. Group in Dallas.



Mr. Croziat

Scor U.S. Group includes Scor Reinsurance Co., Scor Re Life Insurance Co., Southwest International Reinsurance Co., a joint venture with The Dai Tokyo Fire & Marine Insurance Co. Ltd., and Scor U.S. Corp., an incorporated holding company and a subsidiary of Societe Commerciale de Reassurance of Paris.

Mr. Croziat had been president and chief executive officer of Scor Canada.

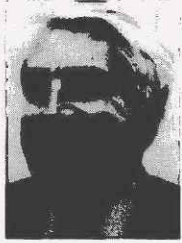
Other reinsurer changes:

Paul Feldsher named vp of Trenwick Managers Inc. in New York, underwriting manager for Apple Syndicate Corp. on the New York Insurance Exchange. He had been secretary at North American

comings & goings: industry

Reinsurance. Trenwick Managers is a subsidiary of Bermuda-based Trenwick Ltd.

Jack E. Helms named vp of American Centennial Insurance Co. in Peapack, N.J. He is responsible for the company's reinsurance treaties developed through managing general agents and for ceded reinsurance for Benico Cos., of which is American Centennial is an affiliate.



Mr. Helms

Carol A. Myers named secretary at Reliance Corp. Services Inc. in Philadelphia. Ms. Myers assumes responsibility as underwriting officer for corporate ceded reinsurance. She had been underwriting manager of Reliance Underwriting

Management Inc.

Insurers

William A. Snodgrass elected senior vp-claims of Bituminous Insurance Cos. in Rock Island, Ill. He succeeds **S.J. Carpenter**, who will retire next year. Mr. Snodgrass had been claims manager at the Bituminous Dallas branch.

Michael S. Hanuschak named vp and director of U.S. operations at Professional Underwriters Insurance Co. in Coral Gables, Fla. He will also become president of Professional Underwriters Insurance Agencies.

Thomas G. Cole elected senior vp and underwriting manager at Reliance Insurance Co. in Philadelphia. With responsibility for the underwriting department, Mr. Cole will coordinate product management, field management, mass marketing, the marine department and loss-control services. He had been vp of the company's commercial property underwriting department.



Mr. Cole

J. William Lee, formerly senior vp in charge of the underwriting department, promoted to senior field operations officer. Mr. Lee will manage the company's field operations in the Northeast, Central, Southeast and Southwest regions.

Also at Reliance, **David F. Bell** elected vp responsible for the product management area of the underwriting department. Mr. Bell previously was the head of the commercial mass marketing department.



Mr. Lee

Roy F. Bess Jr. named vp-legis-

lative and regulatory affairs with Provident Life & Accident Insurance Co. in Chattanooga, Tenn. Mr. Bess assumed his new duties Sept. 1 when he retired from the post of deputy commissioner of insurance for the state of Tennessee.



Mr. Bess

Gene Keating named vp-underwriting and marketing of Great Southwest Fire Insurance Co. in Scottsdale, Ariz. Mr. Keating previously was senior vp and general manager for Borg-Warner Underwriting and president of Vaughn & Keating Inc. Great Southwest is a subsidiary of Sentry Insurance.



Mr. Gaskins

Lee O. Gaskins Jr. promoted to vp and director of loss prevention at Michigan Mutual Insurance Co. in Detroit. He most recently was an assistant vp.

Excess/surplus

Victor D. Giordano joined Warren B. Richey & Co. Inc. in Cherry Hill, N.J., as vp. Mr. Giordano had been a vp at Horan, Goldman Cos. Richey is a wholesale managing general agent.

Robert W. Donahue joined J. Gordon Gaines Inc. in Akron, Ohio, as vp-commercial auto underwriting. He most recently was president of the World of Insurance Inc. in Indianapolis.

Other suppliers

M. David R. Brown named managing director of William M. Mercer Inc. in New York. He assumes responsibility for U.S. multinational consulting operations and will serve as a senior consultant. He previously was with a Canadian consulting firm. Mr. Brown reports to Donald E. Boden, Mercer's managing director-international Crawford & Co. in Atlanta promoted two



Mr. Bollinger

executives: **P.A. Bollinger** named executive vp-services and **B.C. Usher** was named senior vp-service operations.



Mr. Usher

Two changes were announced at Tillinghast, Nelson & Warren Inc. **Harold W. Black** joined the firm as a principal and will be responsible for the newly opened Nashville, Tenn., office. Mr. Black had been president of Cox, Black & Associates Inc. **Raymond J. McEneaney** joined the firm as a vp in the Jacksonville, Fla., office. He previously was president of a subsidiary of John Hancock Maritime Life Insurance Co. in Canada.

John B. Toy Jr. named vp of Mund, McLaurin & Co. of Los Angeles, a risk management consulting firm in South Pasadena, Calif. Mr. Toy joined Mund, McLaurin in 1980 following six years with Aetna Life & Casualty Co.

Agents/brokers

William J. Streit named vp and manager of Liberty International Agency Inc., a subsidiary of Liberty Mutual Insurance Co. in Boston. Previously, Mr. Streit had been vp and manager of field business marketing at Liberty Mutual.

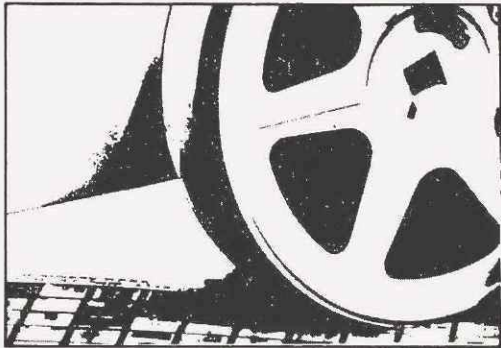
Corroon & Black Corp. promoted **Marnix L.K. Guillaume** to president of Corroon & Black International. Mr. Guillaume had been senior vp and divisional director of the subsidiary. Two senior executives at Corroon & Black International were also promoted: **Howard C. Hupp** promoted to senior vp from vp and **Wendy Thompson** named vp.

Jardine Insurance Brokers Inc. promoted **Lynne Orr** and **Dorothy McCorkindale** to vps in the San Francisco office.

James Mostad joined Bayly, Martin & Fay as vp in its North Palm Beach, Fla., office. His responsibilities will include production and client administration.

Lee Brodsky and **Robert Manthey** have been elected vps of Rollins Burdick Hunter of Illinois Inc., a subsidiary of Rollins Burdick Hunter Co. Mr. Brodsky had been manager of RBH's mortgage banking department and Mr. Manthey had managed aviation insurance accounts in the aviation department.

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'Right-to-know' law may cost Jersey employers \$60 million

TRENTON, N.J.—New Jersey employers, especially chemical manufacturers, expect to spend more than \$60 million to let their employees know if they are working with hazardous substances in compliance with a law signed Aug. 29 by Gov. Thomas H. Kean.

The law requires that mixtures containing hazardous substances be labeled with the chemical names and chemical abstract service numbers of the hazardous ingredients within 18 months. The top five non-hazardous substances also must be listed on the label within three years from the date that S. 1670 was signed. And, employees also must be trained in the proper handling and use of such substances, according to the law.

Business groups appealed to the governor to change the law before he signed it (BI, Aug. 29). They suggested a different system, one that uses substance identifying numbers

on the label that correspond to material safety data sheets, which would go into greater detail about the properties of the hazardous ingredients and steps to take in case of an emergency.

Employers are expected to continue their appeal through representatives on an 11-member governor-appointed advisory group, which will monitor implementation of the complex law and recommend possible amendments.

Implementation of the law will cost the chemical industry in New Jersey an estimated \$40 million to \$60 million during the first year, said Hal Bozarth, director of government relations and public affairs for the Chemical Industry Council of New Jersey, which has 72 members.

The chemical industry in the state is the second largest industry, employing more than 130,000 persons.

South Tucson forced to file for bankruptcy

Continued from page 2
was hit with a \$3.6 million liability judgment that exceeded its annual budget by almost \$1 million. At the time, Jefferson Insurance Co. of New York underwrote the city's \$100,000 police liability policy (BI, April 19, 1982).

Immediately after the accident, the city increased its liability coverage with a \$900,000 insurance policy excess of a \$100,000 self-insured retention. The city has since increased its liability coverage to \$10 million.

Mead Reinsurance Corp. of Freeport, Ill., writes the first \$900,000 of coverage above a \$100,000 self-insured retention and Planet Insurance Co. of Philadelphia writes a \$9 million excess of \$1 million policy.

The city failed in its appeals of the \$3.6 million award, and an Arizona Superior Court ultimately ordered it to pay the paralyzed police officer more than \$4.5 million in five equal annual installments, and tax its citizens, if necessary, to raise the money (BI, May 10, 1982). The \$4.5 million included interest on the original \$3.6 million award.

South Tucson made several offers to settle with Mr. Garcia. One such offer in May 1982 included a \$2.2 million structured settlement for Mr. Garcia and \$1.6 million to cover attorney fees (BI, May 17, 1982).

At one time, South Tucson also offered him three parcels of city land valued at \$450,000 and annual payments of \$50,000 for 30 years (BI, May 3, 1982). Neither offer was accepted.

Increasing the town's taxes to pay the claim was considered, but

New Braniff may give lift to the PBGC

Continued from page 2
tling the agency to purchase 500,000 shares of New Braniff common stock at an exercise price of \$15.21 a share.

• The PBGC is expected to receive 235,000 common shares of New Braniff, plus about 135,000 shares of Braniff Airways, which would be the parent of New Braniff.

The Hyatt Corp. would control both Braniff Airways and New Braniff, according to the reorganization plan.

The combination of cash payments, warrants and stock could have a value of between \$10 million and \$12 million, estimated PBGC Executive Director Edwin Jones.

"It is a reasonable and fair settlement," Mr. Jones said.

The underfunding of the three Braniff pension plans, which precipitated the dispute with the PBGC, occurred because of improvements added during the airline's last few years of operation.

For example, benefits promised by the Braniff Teamsters' plan, which had about 2,500 vested participants when Braniff filed for Chapter 11 last year, were almost doubled in 1979.

Each person retiring that year received a pension of \$15 a month for each year of service, up from \$8.35.

The Teamster plan's benefits were later raised even more—to \$22 a month.

Similar increases were added to the Machinists' retirement plan, which had about 1,760 participants when the airline filed for reorganization.

Sir Peter foregoes Lloyd's re-election bid

Continued from page 2
tion by the Fisher Working Party that Lloyd's brokers and underwriting managing agencies be owned by separate corporate parents, eliminating a potential conflict of interest between brokers and underwriters.

Despite protests by some Lloyd's members and brokers who claimed the separation was both unnecessary and a violation of Lloyd's tradition, the recommendation was included in the final bill submitted to Parliament in 1981 and passed in 1982.

In the past year, Lloyd's has been rocked by allegations that top officials of Alexander Howden P.L.C. and Minet Holdings P.L.C. had diverted corporate funds—including funds from Lloyd's syndicates—into offshore reinsurance companies that they secretly controlled.

Sir Peter said he conducted a personal investigation into the allegations at Minet in early 1982 and said he had found no wrongdoing. Later, as the allegations increased, Minet Chairman John Wallrock and several key employees of Minet underwriting subsidiaries resigned or were fired.

A British Department of Trade investigation into the Howden and Minet allegations is expected to be completed next month. Lloyd's is also conducting its own investigation.

Sir Peter's career at Lloyd's began in 1946 when he began working at Janson Green, where his father was a Lloyd's underwriter. He became a member of Lloyd's the following year.

He was named chairman of the Lloyd's Underwriters' Assn. in 1973 and first served on the Committee of Lloyd's, the predecessor to the Lloyd's Council, from 1974-77.

He was re-elected to the committee in 1979, serving as deputy chairman for one year before becoming chairman of the marketplace in 1980.

Last year, he was knighted by Queen Elizabeth II. Although no formal slate of candidates to replace Sir Peter has yet been prepared, the Lloyd's spokesman told *Business Insurance* that council members have discussed several likely nominees, including former Deputy Chairman Murray Lawrence and current Lloyd's council members Stephen Merrett and Peter Miller.

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Health program to stress monitoring illnesses

Continued from page 3

Each employee is given an insurance identification card he or she must present to the attending physician when the employee or his or her dependents receive any treatment. The card requires that the MET be contacted if the treatment is expected to exceed \$1,000.

Being aware of a large claim before receiving the bill, which sometimes may not arrive for 30 to 60 days after treatment, "will enable us to take some supervisory and operating control," Mr. Waters says.

To provide "maximum guidance for recuperation," a family counselor will be assigned to those patients whose care is estimated to exceed \$5,000. In a year, Mr. Waters hopes to be able to assign counselors to patients whose costs will ex-

ceed \$2,500.

Keep Well initially will have 12 family counselors. They are located throughout the state but will report regularly to the Waters management company in Sarasota. Each nurse will assume about 100 cases each year, Mr. Waters predicts, adding he plans to hire more nurses.

Cases most likely to be handled by family counselors include patients with cancer, kidney disease, heart ailments, back injuries and urinary or digestive problems. They also would monitor the care given to new mothers and premature babies, Mr. Waters says.

The family counselor concept is generally welcomed—or at least not shunned—by doctors, said Kevin Hayes, an assistant to Mr. Waters.

"Generally, the nurses are not received with animosity by the physicians," he says. "The idea of a real clash between a physician and the (family counselor) really hasn't developed yet."

"We're confident (the use of outpatient facilities) will cut down on costs, and with the help of the family counselor, we think we'll get better care to employees and dependents," he says.

Recognizing employees who are able to hold down their health care expenses is the second biggest focus of the new program.

Employees whose health care costs do not exceed \$100 per month are rewarded with a complete book of trading stamps that they can use to purchase a variety of merchandise, Mr. Waters says. The books

are awarded on a quarterly basis.

The trading stamps will cost the trust about 1% to 1.5% of the premium charged per employee.

And employees also can receive an annual credit of about \$50, depending on how infrequently the employee and his or her family use health care benefits. The Keep Well Trust will put aside about \$5 a month per covered family for this end-of-the-year bonus.

"Good health should be promoted and the promotion of good health should be recognized," Mr. Water reasons.

The trust also will kick in \$50 a year toward an annual physical examination for each employee to encourage good health practices.

Weekend hospital admissions for non-emergency situations will be discouraged and the use of outpatient clinics encouraged.

The MET will waive the 20% coinsurance provision for any pre-surgical testing done on an outpatient basis and for any outpatient surgery.

Other Keep Well cost-containment procedures include a thorough review of all medical and hospital bills.

To encourage employees to examine their hospital bills carefully, the program will pay any employee who catches an overcharge in his or her hospital 25% of the overcharge.

For example, if an insured discovers he or she was charged twice for a \$100 surgical procedure that was only performed once, the employee will receive \$25.

The program also will use a state-wide system of preferred provider

organizations and will require mandatory second opinions before surgery for specified procedures.

Premiums for coverage that includes a \$250 deductible will be about \$60 a month per single employee covered and about \$90 a month for an employee with multiple dependents. Rates will be about 10% higher for coverage with a \$150 deductible.

The amount paid by the employer and employee will be decided by each employer individually.

An 80/20 coinsurance provision applies to the first \$5,000 in coverage. After that, the MET pays 100% of claims up to \$250,000 per illness and \$1 million per lifetime.

The program does not include dental coverage.

Keep Well already has \$400,000 in committed premium, and Mr. Waters predicts that figure will top \$5 million by the end of the MET's first year.

Mr. Waters expects to offer the program soon to employers that are not members of FCCI. "This has the potential for becoming a very big program," he says.

"If we can just break even the first year, we won't have to have a major rate increase," he adds.

The program's success, Mr. Waters says, is largely dependent on teamwork.

"This is a community project and everyone needs to be involved in it if costs are going to be controlled. It's important to recognize that this will be an all-hands operation—everyone's going to need to pull together," he says.

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West Virginians debate charges to self-insurers

CHARLESTON, W. Va.—The blustery tones of a summer legislative committee session, during which Workers' Compensation Commissioner Gretchen Lewis was accused of overcharging self-insurers, appear to have blown over.

A calm August meeting of the Legislature's Joint Committee on Government Operations contrasted sharply with the July meeting, in which Republican members charged Democrats with covering up alleged overcharges in assessments to self-insurers.

The assessments finance the state's second-injury and catastrophe funds.

The heart of the complicated issue lies in the interpretation of the state's 1974 workers comp law. That act requires most employers to purchase their work comp coverage through the exclusive state fund, which has been in existence since 1913, but allows larger employers that meet certain requirements to self-insure their coverage.

Employers covered by the monopolistic fund pay a fee to support the state's second injury, catastrophe and other injury funds. Self-insurers may opt to participate in these three funds by paying a percentage of the base rate premium. Those that don't participate must post a bond.

If they opt to pay into the funds, according to the law, self-insurers are supposed to pay 10% of the base rate premium until a \$500,000 surplus is reached. Then, the charge is supposed to drop to 5%.

But in the past few years, that charge hovered between 6% and 8% despite a healthy surplus, a rate Ms. Lewis believes is necessary to maintain the solvency of the funds.

Citing that it was her fiduciary responsibility to keep the funds solvent, Ms. Lewis said it was reason-

able to charge self-insurers their fair share.

A report from a legislative auditor in May resulted in the accusations that self-insurers were overcharged. Some members of the joint legislative committee wanted the money returned to employers.

"We interpret the law that (the Workers' Compensation Fund) was overcharging," said Encil Bailey, the auditor.

The performance audit was conducted to comply with the state's sunset law, which mandates the elimination of state agencies unless they are reviewed and formally allowed to continue by the Legislature.

Despite the accusations, self-insurers are not clamoring for the assessments to be lowered, nor are they blaming Ms. Lewis, who took her post in 1980.

"This is nothing new. The problem went back at least to the early 1970s. The present commissioner is merely continuing a practice," said Herchel Sims, president of Employer Service Corp. in Charleston, a claims adjusting firm.

The charges to self-insurers may be "technically improper in so far as the literal language of the act," Mr. Sims said, "but there is no belief that the commissioner has charged excessive amounts."

"The obligation of the commissioner is to impose whatever rates are necessary to maintain solvency," said an attorney who represents several large self-insurers in the state.

Ms. Lewis plans to have a bill introduced, when the Legislature reconvenes in January, to clean up the language of the current law, especially dealing with how large of an assessment can be charged to self-insurers and the maximum surplus allowed in the funds.

Trade Center gets sprinklers

Continued from page 3

in the complex—mostly computer rooms—that are currently equipped with Halon fire-extinguishing systems. Electronic equipment could be destroyed by the water from sprinklers, Mr. Linn notes.

Besides the twin towers, Port Authority is also retrofitting the Vista International Hotel, which is part of the World Trade Center complex, although city regulations do not require sprinklers in hotels.

In addition to the sprinkler system and the fire-containment walls, the World Trade Center's fire prevention program includes smoke detectors throughout the buildings, an elevator recall system, a constant fire-detection equipment maintenance program, 24-hour employee surveillance and fire drills every two or three months.

Mr. Linn said the trade center board mandated sprinklers in addition to this comprehensive fire detection and prevention program because "the commissioners felt that not only do they want us to go around with a belt on, but with suspenders, too."

Despite the cost of the retrofitting system, Mr. Linn contends that smoke detectors are a better fire-detection system than sprinklers since they activate before sprinklers. And, he adds, human fire detection is better than any kind of mechanical equipment.

"People are really the best fire detectors in the building during the daytime," he notes. ■

CEBS presents 37th conference

SAN ANTONIO, Texas—"Benefit Perspectives in a Changing Economy" is the theme of the 37th annual Council on Employee Benefits fall conference to be held Oct. 5-7 in San Antonio.

Speakers at the conference will cover a variety of topics, with presentations ranging from health care to union settlements to the space shuttle.

On Thursday, Oct. 6, Dallas Salisbury, executive director of the Employee Benefits Research Institute, will speak on "Benefit Tools in a Changing Economy—What About Tomorrow?"

Other topics to be discussed that day include "The Ever-Changing Health Care Scene," and "Title IV and PBGC Legislation."

On Friday, Oct. 7, speakers will talk about "What's Next for Social Security" and "Motivational Communications."

The conference will informally begin on Wednesday, Oct. 5, with advance registration.

The registration fee is \$200 for persons from CEB member companies and \$250 for registrants from non-member companies.

To register, contact Carl Lazaroff at the Goodyear Relief Assn., 1144 E. Market St., Akron, Ohio 44316; 216-796-4008. ■

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Parker-Hannifin sues for asbestos coverage

Continued from page 2

"Parker has requested that defendants defend it against such claims and indemnify it for losses arising from such claims, but defendants have failed or refused to comply fully with such requests," the suit says.

"The defendants who issued each primary policy are individually obligated to pay in full on behalf of Parker all sums which Parker becomes legally obligated to pay as damages or settlement in any third-party asbestos claim for personal or bodily injury during a policy period caused by an occurrence.

"Defendants must pay Parker in full unless the pleadings or proof in such claim establish that the policy period of such primary policy falls entirely outside the period from the initial exposure to the allegedly harmful product to the time of the last known development in the alleged asbestos-related injury, disease or death.

"Bodily or personal injury resulting from alleged exposure to asbestos means any part of

the injurious process that begins with initial exposure to manifestation of an asbestos-related disease, injury or death resulting therefrom."

"We're strongly arguing it (the triple theory) as the position we will take in the case," said John G. Calender, an attorney for Parker with the Washington firm, Clifford & Warnke. "We believe the Keene case is a governing case and is the best resolution of this issue."

Defendants which issued comprehensive general liability coverage for Parker or the various subsidiaries acquired by Parker include: Liberty Mutual Insurance Co. of Boston; North River Insurance Co., and International Insurance Co., both of Morristown, N.J.; Sentry Insurance Co., A Mutual Co., of Stevens Point, Wis.; American & Foreign Insurance Co. of New York; Travelers Indemnity Co., Aetna Casualty & Surety Co., and Hartford Accident & Indemnity Co., all of Hartford, Conn.; and American Motorists Insurance Co.

of Long Grove, Ill.

Companies writing excess insurance include Liberty Mutual; North River; Travelers; Aetna; International; Associated International Insurance Co., and California Union Insurance Co., both of Los Angeles; Northbrook Excess and Surplus Insurance Co. in Northbrook, Ill.; Pine Top Insurance Co. of Schaumburg, Ill.; Central National Insurance Co. of Omaha, Omaha, Neb.; and Integrity Insurance Co. of Paramus, N.J.

A spokesman for American Motorists said it has been negotiating with Parker for at least six months and the parties were on the way to a negotiated settlement. "Frankly we don't know why they filed suit," he said.

An Aetna spokesman said the suit is being reviewed by its claims department and a Crum & Forster spokesman refused comment.

Parker Hannifin has approximately 19,000 employees and has more than \$1 billion in annual revenues, a company spokesman said. ■



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KAL crash liability

Continued from page 1

warranty that the aircraft and its navigational system were free from defects and fit for their intended use, says Mr. Baker.

He says the pilots' estates are accused of negligently operating the 747 and intentionally deviating from their assigned international route from Anchorage, Alaska, to Seoul.

The Soviet Union is accused of intentionally firing a missile at an unarmed civilian aircraft in a deliberate act of premeditated violence. KAL is accused of endangering the lives of the passengers by operating outside of an international route.

Famed plaintiffs' lawyer Melvin M. Belli Sr. of San Francisco filed the suit in federal court in San Francisco for the husband of Muriel Kole of Albany, N.Y., another passenger on the flight. Mr. Belli's suit names only KAL and the Soviets, not Boeing or Litton.

And, Mr. Belli acknowledges the difficulty of satisfying any claims against the Soviet Union.

"It's difficult, but there are some new cases that could help," he said.

However, international law professors from several U.S. universities and other lawyers almost unanimously agree that suing the Soviets is probably a futile effort (see story, page 1).

But, Mr. Belli cited a federal court judge's 1980 decision that Chile could be sued in a Washington, D.C., court in the car-bombing death of former Chilean Ambassador Orlando Letelier in the nation's capital.

Even if the Soviets refuse to accept jurisdiction by U.S. courts, they might still be forced to send attorneys before a U.S. judge to say so.

"We're going to at least hold their feet to the fire and make them come in and let people see what sovereign immunity does in a situation like this," said Mr. Belli.

The attorney said that if the Soviets accept jurisdiction in U.S. courts and a judgment is entered against the Russians, it might be possible to attach U.S.-based assets of the Soviets to satisfy claims

"Somebody called me the other day and told me about a nice fishery in Washington state that the Russians have a part interest in," Mr. Belli said.

No matter whom they name in their lawsuits, claimants may have trouble obtaining evidence from the crash site itself—said to be in coastal waters off Sakhalin Island, an area claimed by the Soviets from Japan after World War II and now bristling with naval, air and missile defenses.

After most civil aviation crashes, investigators and attorneys usually get their best information about who is responsible for a crash from the cockpit voice recorder and digital flight data recorder—the two "black boxes" designed to withstand crash forces including immersion in water and the pressure of sea depths.

The 747s voice recorder, for example, might reveal cockpit conversations that would explain why the Korean craft left its normally assigned route that skirts around Sakhalin Island.

It might also explain reported discrepancies between the position radioed by the 747 crew to Japanese air controllers shortly before the crash and the plane's actual position at least 100 miles away.

Both points could be regarded by insurers as important in determining whether a legitimate claim can be made by Korean Air Lines against Litton, Boeing, air controllers or some other party.

The tapes could be even more important if they reveal any suggestion that the course change was deliberate. A decision by the Korean crew to fly over Sakhalin Island in order to save fuel and reach Seoul faster would tend to place almost complete blame for the crash on the Soviet Union and Korean Air Lines, not Boeing or Litton, Mr. Belli and another aviation lawyer speculated.

If the tapes left a hint of possible surveillance activities by the plane—as charged by the Soviets—blame might drift partly away from the Soviet Union and toward Korean Air Lines or even the United States.

If any evidence turns up linking

the flight over Soviet territory to any voluntary intelligence-gathering effort by KAL, "it would absolutely establish Korean Air Line's liability," said Mr. Belli.

Any clear evidence of intelligence-gathering activity could threaten Korean Air Lines' insurance coverage altogether.

"No question it's presumably a commercial airline and underwriters rated it on that basis," says Henry L. King, a partner in the New York law firm of Davis Polk & Wardwell. If KAL cooperated willingly in spying activities, it would have had to disclose the fact to underwriters at renewal time.

KAL's combined single-limit hull and liability coverage of \$400 million was written by the Oriental Fire & Marine Insurance Co., but is almost wholly reinsured in the Lloyd's, London, French and U.S. aviation markets, industry sources said.

KAL's program includes a war risk endorsement on the liability side and a separate war risk policy for hull losses. It is still uncertain which coverage—hull and liability or war risk—will apply.

"It all depends very much on what the war risk clause says," observes Mr. King. If the war risk coverage includes losses due to intentional damage, then the loss probably would fall under that coverage, he said.

Mr. King was among lawyers representing hull and liability insurers that tried to avoid paying a \$24 million claim to Pan American World Airways Inc. after a terrorist bomb destroyed an empty Pan Am 747 in Cairo, Egypt, on Labor Day, 1970. A U.S. federal court judge ordered the hull and liability insurers to pay because no government was involved in the bombing, Mr. King recalls.

A key difference between the two cases is the admitted involvement by a foreign military power—the Soviets—in the loss of the KAL plane. Most war-risk language would cover such a loss on that basis, he thinks.

But some war-risk language might require a state of war to exist with the nation committing the

hostile act, adds Mr. King.

"Here, you have a problem—there is no war that exists between the Soviet Union and Korea," he says.

In any event, the decision shouldn't affect reimbursement to Korean Air Lines because KAL's insurance program includes separate cover for both war risks and all other risks, reinsurers say.

They say war-risk and hull and liability underwriters probably agreed in policy wording to split the cost of any disputed claims so that the policyholder does not come up short.

"If there is any dispute it would probably be paid on a 50-50 basis with lines settling up later so the policyholder will not suffer," says John Palmer Brown, managing director of Stewart Wrightson (Aviation) Ltd., the London-based broker that arranged reinsurance for KAL's insurer, Oriental Fire & Marine Insurance Co.

Reinsurance underwriters and brokers in London and New York also say the war-risk/all-risk dispute is academic when it comes to passenger claims because the same policy governs both of KAL's liability programs and hence the same underwriters are involved either way.

It is only on the hull coverage where a few of the following underwriters differ between the war-risk and hull lines. Once the lead underwriter decides where it stands, the others on the risk most likely will follow.

The lead reinsurer on both the hull and liability and the war risk coverage is American International Underwriters, the London arm of American International Group Inc.

Among other reinsurers are Associated Aviation Underwriters in New York and the Insurance Co. of North America (U.K.) Ltd., an affiliate of CIGNA Corp. Fifteen percent of the reinsurance was placed in the French market, with La Reunion Aérienne writing 90% of the French portion.

If KAL is held liable, the ultimate cost to its insurers may depend on a confused and complicated point of U.S. jurisprudence. Last week, underwriters were esti-

mating the total loss could be \$75 million to \$100 million, including the \$35 million hull loss.

But, the issue is confused by controversy over the Warsaw Convention, an international treaty limiting airlines' liability to passengers and shippers. Under the Warsaw Convention, an airline's absolute liability on international flights is limited to \$75,000 per passenger. The airline, as part of the ticket it sells, agrees to compensate a victim's family for \$75,000 automatically if death occurs; the treaty supposedly forbids any larger payment (BI, March 7).

However, last year a U.S. Circuit Court of Appeals in New York held the limit prospectively unenforceable. The court said the Warsaw document's use of the price of gold as a benchmark for figuring the liability cap in diverse currencies was no longer applicable since the United States abandoned the gold standard.

Earlier this year the U.S. Supreme Court accepted the case for review but has yet to hear oral arguments.

If the Warsaw pact is overturned, the \$75,000 cap would be eliminated for the 40 to 50 U.S. passengers aboard Flight 007.

In any case, the limit in the Warsaw pact would be voided if plaintiffs can prove an airline deliberately endangered passengers—what lawyers term "willful and wanton negligence." In addition, the agreements do not apply to aircraft manufacturers or instrument suppliers, like Litton and Boeing.

As a result, aviation plaintiffs' lawyers customarily seek evidence in international crashes that would tend to impose liability on parties other than the airline and seek to prove some sort of willful safety infraction on the part of the airlines—such as a deliberate departure from a normal route into dangerous airspace.

U.S. plaintiffs' lawyers have increasingly challenged the \$75,000 liability limit in the Warsaw pact and have sought to have the U.S. accept the Montreal Protocols, which raise the limit to about \$120,000. However, the U.S. Senate has declined to ratify the Montreal agreements (BI, March 14).

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Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,426
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,865
Government, Associations, Unions, Educational Institutions	1,024
Commercial Consumers Sub-total	23,176
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
Others allied to the field	1,020
TOTAL	42,383

*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

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Suing Soviets would be futile

Continued from page 1
 "As a formal legal matter, I don't think there is any chance of recovery," says one international legal expert who asked not to be identified.

"It's zilch as a narrow legal matter," agrees Professor Don Wallace Jr., a professor of international law at Georgetown University Law Center in Washington.

Attorneys point to the doctrine of sovereign immunity, which prohibits suits against countries, as the main obstacle to recovering from the Soviet Union through lawsuits filed in U.S. courts.

There are exceptions, however, and under the U.S. Foreign Sovereign Immunity Act of 1976, suits are permitted if a country waives immunity or if the dispute involves a commercial venture or a tort that took place in the United States, attorneys say.

But virtually all the experts agree that the shooting down of the Korean airliner in Soviet airspace does not come within these exceptions. They also don't see the Soviet Union waiving immunity.

"The way it (the Sovereign Immunity Act) is written, I doubt if they (U.S. courts) would have jurisdiction over the Soviet Union for what it maintains was done in the national defense," says Professor Edward Gordon, a professor of international law at Albany Law School in Albany, N.Y.

But one international law professor contacted said that it might be possible to sue and recover from the Soviet Union under the Foreign Sovereign Immunity Act.

"It's not clear the act would bar this lawsuit," says Anthony D'Amato, professor of international law at Northwestern University in Chicago.

What's required is that the harm—not the tort—occur in the United States, he says. It's conceivable that the families of victims could get jurisdiction against the Soviet Union on that basis, he adds.

Moreover, in a commercial transaction, a court can seize Soviet assets if suits brought by victims against the Soviet Union are successful, he adds.

The U.S. government also is considering suing on behalf of claimants before the International Court of Justice in The Hague.

"We're examining them (the court's jurisdictional rules) to determine if there is jurisdiction to bring the claims there," an attorney for the U.S. State Department said.

Only countries may bring claims before the Hague on the state's behalf or on the behalf of individuals.

But attorneys generally believe any claims brought before the international court would not get very far. The Soviet Union has never agreed to come under the court's jurisdiction.

"The International Court of Justice is closed," says Professor Detlev Vagts, a professor of international law at Harvard University. "Russia has nothing to do with it."

There is no international court

where the Soviet Union is bound to respond, another attorney adds. And even if it were to respond, it would invoke sovereign immunity.

Professor Gordon of Albany Law School says the United States could press claims before the international court, but there is no guarantee the court would entertain them even if it had jurisdiction over the Soviet Union.

Except for Albania, which did not abide by the international court's decision, no communist country has appeared before the court since the late 1940s, says Professor Gordon.

"The prospect of the Soviet Union appearing before the court is very slim," he says, adding that the court would be very reluctant to hear the case unless both sides were present.

An attorney for the U.S. State Department added that during the 1950s, the United States sought hearings before the international court after at least six military planes were shot or forced down in international incidents. All six cases, including three involving the Soviet Union, were dismissed.

Some attorneys say that while the Soviet Union has not accepted the jurisdiction of the international court, the United States could bring a claim on behalf of their nationals before the Council of the International Civil Aviation Organization, an intergovernmental agency that sets the rules for international aviation.

Professor Louis Sohn, an international law expert at the University of Georgia, said the United States and the Soviet Union are members of that organization.

Under the organization's rules, the losing party in a dispute can appeal the decision to international court in The Hague. However, the council can only say if there is a violation and not award damages, Mr. Sohn adds.

Attorneys also agree that suing the Soviet Union in Soviet courts would be futile.

"I don't imagine there is any point in suing there," says Mark Feldman an attorney with the Washington firm of Donovan, Leisure, Newton & Irvine and a former deputy legal adviser to the State Department.

In Soviet courts, claimants would have to face the defense that the Soviet Union was operating in its own national defense and that it had the right to shoot down the plane under Soviet law, said Harold Berman, a professor at Harvard University.

"To sue the Soviet Union in the Soviet Union is not a meaningful option," adds Milton G. Sincoff, a plaintiff's attorney with the New York firm of Kreindler & Kreindler.

While attorneys say that it is possible for President Reagan to freeze Soviet assets in the United States and use that as leverage to set up a mechanism to award damages, it is highly unlikely.

"The president has the power to do that," says Professor Berman, noting that the president could freeze assets or cut off trade with any country. "But it would be an extraordinary exercise of power. It's unlikely he would take such stringent measures."

President Reagan would have to declare a state of emergency and then freeze the assets, adds Professor Vagts of Harvard. That could jeopardize Americans that have substantial assets in the Soviet Union, he adds.

So far, the president has asked the Soviet Union to make reparation but has not threatened to freeze its U.S. assets.

If there is any hope of recovering anything from the Soviet Union, it will most likely come through diplomatic channels—the means most often used to settle international disputes, attorneys say.

One possibility is that the Soviet Union, even without admitting liability, would agree to pay damages as a "humanitarian gesture" to the victims, Professor Sohn of University of Georgia says.

"It's possible," he says. "They might be willing to make a gesture."

The Soviet Union did make such reparations to Canada after a satellite fell in its territory several years ago, though it did not admit any responsibility, Professor Sohn adds.

Other attorneys point to payments by Bulgaria to the families of Israeli victims after one of its planes shot down an Israeli airplane in the 1950s. "There is precedent for reparations being paid," says Elliott J. Hahn, a professor at California Western School of Law in San Diego.

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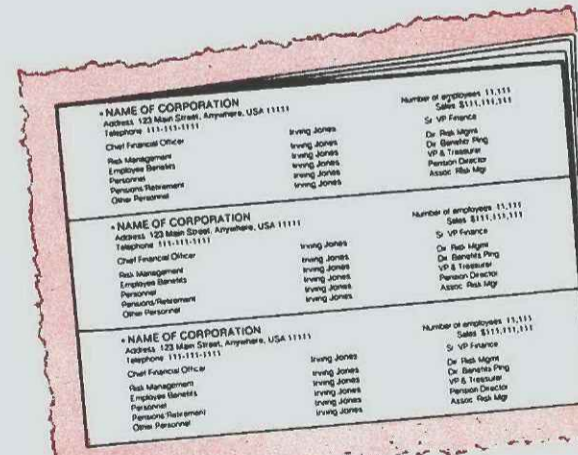
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The Oct. 26 event will be held at the Cervantes Convention Center in Downtown St. Louis.

The risk management discussion will be moderated by Winifred C. George, former risk manager for Wausau Insurance Cos. and currently an independent risk management consultant. Members of the panel that will discuss the future of risk management include

Dick Ralston, director of risk management at Ozark Airlines in St. Louis, and Robert Toth, director of risk management at Monsanto Corp., also based in St. Louis.

Registration will begin at 8:30 a.m., at which time risk managers can talk with Missouri Insurance Director C. Donald Ainsworth.

The cost of the program, which includes other sessions and a luncheon, is \$15 in advance or \$17 at the door.

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Banks intensify lobbying efforts in states

Continued from page 1

enactment of a law in South Dakota last March that gives state-chartered banks the power to both sell and underwrite insurance.

Since the bill was signed by South Dakota Gov. William Janklow, the nation's two largest bank holding companies—Citicorp and BankAmerica Corp. of San Francisco—have announced plans to operate state-chartered banks in South Dakota and conduct insurance activities through them.

Although banks are focusing their lobbying efforts in state capitals, they are still attempting to persuade Congress to pass a law that would allow all banks nationwide to enter the business of insurance.

And, it appears that the banks have so far lined up at least one key ally—the Reagan administration.

The Treasury Department is backing comprehensive federal legislation, known as the Financial Institutions Deregulation Act of 1983, that would authorize all depository institutions—commercial banks, savings banks and savings and loan associations—to expand the financial services they can offer, including both insurance underwriting and sales.

"We are now asking Congress to remove additional barriers restricting depository institutions from competing equally and effectively with other financial organizations," says Treasury Secretary Donald T. Regan.

Although the administration is backing the banking legislation, S. 1609 and H.R. 3537, one federal agency that wields tremendous power over the banking industry is wary of the legislation.

The Federal Deposit Insurance Corp., the federal agency that insures bank deposits up to \$100,000, is asking for public comment on whether bank involvement in insurance is consistent with the purposes of Federal Deposit Insurance.

"The FDIC cannot lose sight of its obligation to monitor marketplace developments and changes in law in order to assess their potential impact on bank safety and soundness," the FDIC board said.

In fact, despite the administration's support, the congressional legislation to allow banks to enter the insurance business has failed to attract significant congressional support, opponents of the measure say.

"Everybody but the Treasury realizes the bill isn't going anywhere," says Roger Levy, director of federal government affairs for the Independent Insurance Agents of America in Washington. "There is no consensus for the bill."

Most observers, thus, expect that the pressure to allow banks to market insurance products will intensify at the state level.

"The pressure will not abate," predicts Patricia A. Borowski, director of administration of government and industry affairs for the Professional Insurance Agents of America in Alexandria, Va.

There are several reasons why proposals to allow banks to market insurance have mushroomed at the state level. Those reasons include:

- The passage of the South Dakota legislation has made other states nervous that they could lose banking business to other states that permit state-chartered banks to engage in insurance activities.

"It's a knee-jerk reaction," says Ms. Borowski of the PIA.

- The competition from money market funds and other savings alternatives that have captured millions of dollars that were formerly deposited in banks has made the banks realize they need to diversify their revenue sources.

So far, the issue of whether banks should be allowed to underwrite and sell insurance has largely been a battle between insurance agents and the banks.

Agents argue that if banks are allowed to act as underwriters or insurance brokers, consumers that apply for loans could be coerced by banks to buy insurance from them as a loan condition.

The banks argue they should be allowed to underwrite and sell insurance because the increased competition would lead to lower insurance rates for consumers.

For now, insurance agents say commercial insurance buyers have stayed out of the state legislative battles, possibly because corporations haven't yet analyzed how their insurance buying practices would change if banks could act as agents and insurers.

But more groups could become involved in the battle, which most agree is sure to escalate in the coming months.

Some observers believe Delaware could be the next state to pass legislation to allow state-chartered banks to write and sell insurance coverages.

Several proposals drafted by Citicorp circulated during the first half of the Delaware legislative session which expired in June. Those proposals, similar to South Dakota's pace-setting law, would have allowed subsidiaries of state chartered banks to conduct a full range of insurance services.

But the proposals never were formally introduced because of a lack of strong bipartisan support, said Horace Sherrill, a member of the executive committee of the Independent Insurance Agents of Delaware in Wilmington.

Observers in the Delaware capital, though, believe the proposals probably will be reintroduced next year, with the outcome in doubt. "We may have won a battle, but I don't think we have won the war," Mr. Sherrill said.

In New York, the home state of many of the huge bank holding companies, no legislative action is expected until Gov. Cuomo's commission examining the regulation of financial institutions completes its review. The commission's report probably won't be published until early next year.

In Illinois, legislative attempts

are expected next year to allow banks to broker and write insurance coverages, but the outcome is in doubt.

"Illinois has been extremely conservative in its regulation of the banking industry," says Jay Shattuck, director of government affairs for the Independent Insurance Agents of Illinois in Springfield. For example, Illinois did not allow branch banking until several years ago, and then only on a severely re-

stricted basis.

In Michigan, the legislation that would allow state-chartered banks to sell all forms of insurance already has drawn the opposition of the state Insurance Department.

"We'd look at the bill with a view toward opposing it," said Michigan Insurance Commissioner Nancy Baerwaldt, who believes borrowers could be coerced into buying insurance from banks.

In fact, insurance regulators gen-

erally oppose bank activity in the insurance business until the issue receives more study. The National Assn. of Insurance Commissioners' Integrated Financial Services Task Force is now studying the issue.

Another organization, the Conference of Insurance Legislators, made up of state legislators interested in insurance regulation, is expected to release a report on bank involvement in insurance this week.

Consultant's report opposes integration of banks, insurers

NEW YORK—The National Assn. of Insurance Commissioners should pass a model law that would bar banks from directly performing insurance functions, a New York consulting firm recommends.

The NAIC also should prohibit insurance companies from directly performing banking functions, according to Stewart Economics Inc.

"However close the affiliation permitted, insurance companies should not exercise direct banking powers, nor should banks exercise direct insurance powers," Stewart Economics says.

States will be able to regulate insurer ownership of banks or bank ownership of insurers if the two institutions maintain their present identities and not blur the services they offer.

"At the selling level, that means a continuation of the familiar technique of multiple licensing," the report notes. For example, an insurance agent having a counter at a bank or an insurance agent being allowed to accept bank deposits could be managed with certain controls.

"He or she might have several hats, but it would be most unwise from the regulatory point of view to create the all-purpose hat," the report says.

The traditional requirement of separate corporate identities of banks and insurers should be continued at the levels of risk bearing, capital accumulation and holding of large amounts of money under obligation to others, the report adds.

The 25-page report, which was commissioned by several banks—including New York-based Citicorp and Chase Manhattan Corp. and Los Angeles-based Security Pacific Corp.—says insurance regulation can deal with affiliations between banks and insurers.

"What it cannot deal with would be for the institutions, willy-nilly, to do directly the business of each other," the report notes.

State regulators support the paper's position that a financial institution's banking and insurance functions be kept separate.

"The price of . . . insurance should not depend on the ability of foreign countries to repay bank loans," said Roger Day, the president of the NAIC and Utah's insurance commissioner.

Similarly, the Stewart report notes that while banks and insurers share common functions, they also undertake enough different risks "that the single-purpose customer of either should not be put at risk in fields he had no intention of getting involved with."

If banks or insurance were allowed to directly conduct the other's business and then failed, complications could arise in attempting to protect policyholders and customers.

The report explains that banks and insurers have different insolvency guaranty funds, which are, "by their nature and the source of their money, dedicated to a particular kind of business," the report says.

Also, complex accounting problems could result if banks exercised direct insurance powers or if insurers acted as banks.

For example, even professionals have difficulty valuing the assets of banks and the liabilities of insurers. "Putting them together would hardly make them easier," the report says.

Although current laws bar banks from making the purchase of insurance or another service from the bank as a condition of granting a loan, the NAIC should examine whether these laws are tough enough to prevent illegal "tie-in" loans, the report states.

The Stewart report is optimistic that state insurance regulation can deal with the problems of insurer-bank affiliation, just as it successfully dealt with previous regulatory problems.

For example, regulators have dealt with the rise of mutual insurance companies, the growth of direct writing in several personal property/casualty lines and the shift to open rating from regulated cartel pricing.

"Insurance regulation has somehow managed, without needless harm to existing participants, a change of the kind and extent which has virtually destroyed the pre-existing airline and securities industries. . . ."

"With that kind of history, there is no reason to fear that the commissioners, given adequate tools, cannot deal with the regulatory aspects of insurer affiliation with banks," the report said.

info

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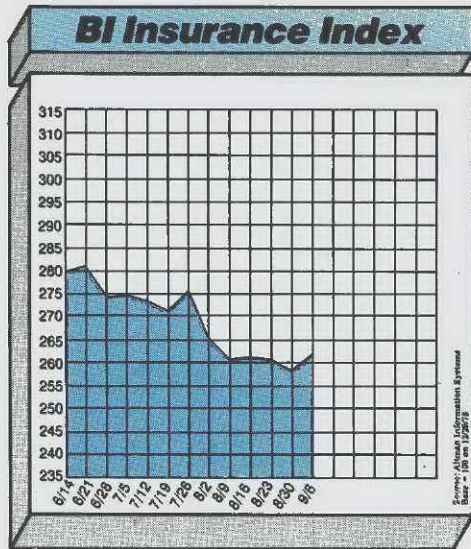
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The *Business Insurance* stock index rebounded 4.3 points to 262.8 from 258.5 during the holiday-shortened trading period ending Sept. 6. The index had declined the previous two periods. Thirty-five stocks closed up, 17 were unchanged and 12 issues declined. The largest gains were posted by Fremont General Corp., 9.0%; Frank B. Hall & Co. Inc., 8.6%; Provident Life & Accident Insurance Co., 7.6%; Corroon & Black Corp., 7.6%; and CIGNA Corp., 7.6%. The largest losses were reported by Mission Insurance Group Inc., 8.2%; Washington National Corp., 3.3%; Preferred Risk Life Insurance Co., 2.5%; Kemper Corp., 1.9%; and Orion Capital Corp., 1.8%. The *BI* index posted a 1.7% increase for the period, compared with the New York Stock Exchange composite increase of 3.1%.

Brokers' profit margins slide as competitive market lingers

By LEONARD M. WILSON
Special to Business Insurance

THE SECOND-QUARTER results of the publicly held insurance brokers continue to reflect the difficult premium rate environment. Profit margins remained under pressure and earnings comparisons gave investors little to cheer about.

"More of the same" might be an apt summation.

We believe that for the public brokers as a group, commissions and fees for property/casualty coverages were essentially flat in the second quarter of 1983 when compared with the corresponding quarter of 1982. This lack of year-to-year progress is a telling indication of sustained, keen price competition. It is likely that the typical renewal book of business experienced deflation of 7% to 10% as a consequence of rate reductions.

Investment income in the quarter declined precipitously in the face of materially lower short-term interest rates. The brokers, unfortunately, are now confronted with the worst of both worlds: lower premium rates and lower interest rates.

On the plus side, expenses moved ahead rather modestly for all the public brokers. Costs have been tightly restrained—some may say belatedly—as a defense mechanism for stemming the erosion of earnings. The easing in inflation is well-timed for the cost-containment initiatives.

New business remains surprisingly prolific despite contracting dollar realizations imposed by cumulative rate reductions. We sense, though, that the pace of incremental new business is becoming a trifle more difficult to sustain.

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Toubin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.



Mr. Wilson

What the present environment adds up to, though, is unrelenting pressure on profit margins. For the four top public brokers, comparative pretax profit margins in the second quarter were:

- Marsh & McLennan Cos. Inc.: 26.6%, compared with 28.6% in the second quarter of 1982.
- Alexander & Alexander Services Inc.: 8.5%, compared with 15.2% in 1982.
- Frank B. Hall & Co. Inc.: 4.4%, compared with 14.2% in 1982.
- Corroon & Black Corp.: 10.5%, compared with 12.9% in 1982.

In contrast to privately held firms, the results of the public brokers have an ascertainable impact on the value of the enterprise. Brokerage issues, beset with cyclical obstacles to progress, have not participated in the current bull market.

Earnings momentum is the lifeblood of stock market gains, and the brokers have experienced protracted earnings stagnation. Whereas capital values for common stocks have generally forged ahead, investors in insurance brokerage stocks have lost ground on a relative basis and, in some cases, absolutely.

The plight of the insurance brokerage can be seen in a comparison of pretax profit margins for 1978 and 1983, the latter based on plausible estimates. The decline in profitability, with the exception of Marsh & McLennan, is striking even if we concede that 1978 profit margins may have reached levels that could not be easily perpetuated.

The comparison between 1978 and 1983 pretax margins look like this:

- Marsh & McLennan—30.5% in 1978; an estimated 26.0% in 1983.
- Alexander & Alexander—28.8% in 1978; an estimated 9.5% in 1983.
- Frank B. Hall—25.2% in 1978; an estimated 6.6% in 1983.
- Corroon & Black—29.5% in 1978; an estimated 13.5% in 1983.

These comparisons lead us to a "what if" scenario. Assuming 15% annual growth in revenues since 1978 and no drop in profit margins, what would the public brokers have earned in 1983?

Again, with the exception of Marsh & McLennan, earnings would have been dramatically higher than our expectations in

1983—by a three-fold factor. This means that a broker likely to report earnings of \$1.50 per share in 1983 would have earned \$4.50 per share had the growth trends and profitability prior to 1978 remained in force through this year.

Without being especially rigorous, we estimate that the stock price of that hypothetical broker also would be almost three times the current price, even allowing for the current speculation on the possibility of a brokerage takeover.

Earnings do mean something to stock prices and capital values. In the case of the publicly held brokers, the consequence of pronounced structural and cyclical changes in property/casualty insurance underwriting have profoundly penalized investors.

Most industries, after undergoing a cyclical downturn, recover to trend-line growth in the upward phase of the cycle. The brokers, though, are unlikely to get back to trend-line earning power. The impaired profitability has gone on too long and the current excess underwriting capacity will not disappear.

Thus, we do not expect 1978's profit margins to be regained, though we believe that today's profit margins represent a disequilibrium that needs to be corrected and will be, probably starting in 1984. When earnings growth accelerates, the price of brokerage shares also should move ahead.

Financial briefs Industry results

The nation's property/casualty insurance industry as a whole is having a better year than the major commercial underwriters, latest figures compiled by two industry groups show.

The industry reported a 69% increase in net aftertax operating earnings in the first half of 1983, compared with a 14.4% earnings gain for 25 commercial lines insurers whose results are tracked by *Business Insurance*.

The industry figures released by the National Assn. of Independent Insurers and the Insurance Services Office lend additional support to claims by analysts that personal lines are yielding favorable underwriting results while commercial lines remain fiercely competitive. Specifically:

- The industry showed a pretax underwriting loss of \$5.26 billion in the first half, down 4.9% from the same six months of 1982. That compares with an aggregate 7.4% increase in pretax underwriting losses by the major commercial underwriters surveyed by *BI*.

- Industrywide pretax investment income rose approximately 10% before realized capital gains and losses, compared with an aggregate 4.3% gain reported by major commercial underwriters.

- Written premiums rose 2.9% for the entire industry, while commercial underwriters reported only a 0.7% premium increase. The ISO-NAII figures represent results of 580 companies that account for 96% of U.S. property/casualty insurance business.

USF&G

USF&G Corp. last week announced a tender offer for 2 million of its common shares at \$59 net per share in cash. The company also reserved the right, but will not be obligated, to buy another 500,000 shares.

The offer will expire on Sept. 29 unless it is extended.

HealthAmerica

HealthAmerica Corp., a health maintenance organization management company based in Nashville, Tenn., announced revenues increased 397% in the first half to \$44.2 million from \$8.9 million in the first six months of 1982.

Net income for the first half stood at \$2.2 million or 33 cents per share.

HealthAmerica also reported that membership in the HMOs the company manages had risen 98.4% to 377,000 as of June 30, compared with 190,000 a year earlier.

British Issues

6 Sep	Price	P/E	Div.	Yield	High—Low
Companies	pence	pence	%	pence	pence
Commi Union	170	170.0	16.86	9.9	170—168
Eagle Star	460	17.2	24.29	5.3	460—437
Genl Accident	438	11.4	24.29	5.5	442—435
Gdn Royal Exch	487	12.5	27.26	5.7	502—482
Phoenix	316	15.0	25.00	7.9	320—314
Royal	507	12.7	37.86	7.5	512—503
Sun Alliance	1285	14.3	68.57	5.3	1287—1263

Brokers	Price	P/E	Div.	Yield	High—Low
Companies	pence	pence	%	pence	pence
CE Heath	310	7.8	21.07	6.0	310—297
Hogg Robinson	110	8.5	8.57	7.8	112—103
JH Minet	116	9.7	6.50	4.7	116—112
Sedg Grp	216	11.1	10.00	4.0	216—209
Stenhouse Hldg	105	9.5	7.86	6.9	105—104
Stew Wrightson	236	7.9	20.43	7.9	238—235
Willie Faber	553	13.0	26.00	3.9	555—553

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

BI Industry Stock Report

SEPT. 6, 1983 8/31/83 THRU 9/6/83

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
Aetna Life & Cas Co	38.13	6.6	6.8	2.64	6.9	38.13	35.75	539.6	
American Bankers Ins Group	OTC	12.38	5.3	9.7	0.50	4.0	12.38	11.75	49.0
American Gen Ins Co	NYSE	20.75	2.5	7.1	0.80	3.9	20.75	20.00	383.2
American Indty Finl Corp	OTC	18.00	0.0	12.4	1.12	6.2	18.00	18.00	0.5
American Intl Group Inc	OTC	68.75	3.8	11.5	0.44	0.6	68.75	66.25	245.7
American Natl Ins Co	OTC	18.25	-1.4	7.6	0.84	4.6	18.50	18.25	244.9
Crown Life Ins Co	OTC	38.25	2.0	10.5	0.88	2.3	38.25*	38.00	2.6
Aneco Reins Ltd	OTC	3.38	0.0	112.5	0.00	0.0	3.38	3.38	4.2
Avenco Corp	AMEX	23.25	4.5	13.1	0.58	2.5	23.25*	22.50	41.2
Banks Iowa Inc	OTC	47.00	0.0	17.2	1.52	3.2	47.00	47.00	1.0
Bitco Corp	OTC	19.00	1.3	8.2	1.33	7.0	19.00	18.75	7.5
Carolina Cas Ins Co	OTC	9.25	0.0	0.0	0.32	3.5	9.25	9.25	3.6
Chubb Corp	OTC	61.00	-1.0	7.6	3.12	5.1	61.38	61.00	78.5
Combined Intl Corp	NYSE	35.63	4.4	11.3	2.00	5.6	35.63	33.88	144.1
Continental Corp	NYSE	31.50	4.1	19.3	2.60	8.3	31.75	31.25	362.4
Crawford & Co	OTC	7.50	1.4	13.1	0.60	3.4	17.50	17.00	6.9
Crown Life Ins Co	OTC	110.00	0.0	7.2	3.10	2.8	110.00	110.00	0.0
Employers Cas Co	OTC	33.00	0.8	6.7	1.20	3.6	33.00	32.25	3.0
Equifax Inc	NYSE	32.00	-0.4	13.5	1.40	4.4	32.38	31.50	23.1
Excelstor Ins Co	OTC	14.00	0.0	7.3	0.00	0.0	19.50*	14.00	1.1
Farmers Group Inc	OTC	38.88	3.3	9.8	1.36	3.5	38.88	38.13	64.4
Foremost Corp Amer	OTC	49.00	2.1	15.1	1.24	2.5	49.00	47.50	17.7
Fremont Gen Corp	OTC	18.25	9.0	86.5	0.48	2.6	18.25	17.13	186.2
Great West Life Assurn Co	OTC	225.00	0.0	10.9	11.00	4.9	225.00	225.00	0.0
Hanover Ins Co	OTC	57.00	5.1	7.1	0.88	1.5	57.00	54.75	14.9
Hartford Steam Boiler Insptn	OTC	53.00	1.0	8.3	3.00	5.7	53.00	52.50	5.8
Jefferson Natl Life Ins Co	OTC	45.50	1.1	14.1	0.76	1.7	45.50	45.50	0.0
Keaper Corp	OTC	39.13	-1.9	7.3	1.80	4.6	39.88	39.00	105.5
Lincoln Natl Corp Ind	NYSE	57.25	7.0	9.1	3.00	5.2	57.25*	55.00	61.0
Mission Ins Group Inc	NYSE	26.50	-8.2	9.9	1.00	3.8	28.75	26.50*	236.4
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC	36.13	-1.0	23.9	1.50	4.2	36.50	36.13	9.3
Ohio Cas Corp	OTC	45.25	1.7	8.3	2.52	5.6	45.25	44.75	84.5
Old Rep Intl Corp	OTC	29.00	0.0	6.7	0.90	3.1	29.00	29.00	88.0
Orion Cas Corp	NYSE	26.88	-1.8	13.4	0.66	2.5	27.50	26.75	16.9
Preferred Risk Life Ins Co	OTC	19.50	-2.5	7.8	0.67	3.4	20.00	19.50	3.7
Provident Life & Acc Ins Co	OTC	63.50	7.6	8.1	2.60	4.1	63.50	60.50	26.0
St Paul Cos Inc	OTC	57.50	3.1	6.6	2.80	4.9	57.50	56.00	121.4
SAFECO Corp	OTC	50.88	2.0	10.4	2.40	4.7	50.88	49.88	149.4
Sri Corp	OTC	18.25	-2.0	6.8	0.56	3.1	18.38	18.25	235.1
Seibels Bruce Group Inc	OTC	25.75	-1.0	15.3	0.80	3.1	26.00	25.75	7.6
Statesman Group Inc	OTC	9.63	2.7	6.7	0.15	1.6	9.63	9.38	44.4
Tokio Marine & Fire Ins Co	OTC	94.25	-0.5	15.1	0.92	1.0	95.00	94.25	2.2

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Travelers Corp	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
Travelers Corp	NYSE	31.00	5.5	8.0	1.80	5.8	31.00	29.13	721.1
United Fire & Cas Co	OTC	32.25	0.0	11.6	0.88	2.7	32.25	32.25	0.4
United States Fid & Gty Co	NYSE	54.50	3.3	10.8	3.84	7.0	54.50	52.63	53.7
United Svcs Life Ins Co	OTC	22.13	2.3	6.4	1.00	4.5	22.13	21.75	10.2
USLife Corp	NYSE	23.50	0.5	6.5	0.88	3.7	23.63	22.75	142.3
Washington Natl Corp	NYSE	25.63	-3.3	11.3	1.08	4.2	26.13	25.38	84.5
Zenith Natl Ins Corp	OTC	15.50	1.6	11.1	0.53	3.4	15.50	15.25	7.5
INSURANCE COMPANIES	AVERAGE			9.8		3.9			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	21.50	0.0	0.0	1.00	4.7	21.50	21.25	193.4
Baldwin & Lyons Inc	OTC	38.00	0.0	12.2	0.80	2.1	38.00	38.00	0.3
Corroon & Black Corp	NYSE	23.00	7.6	11.9	1.80	7.8	23.00	22.50	58.9
Crump E H Cos Inc	OTC	10.13	0.0	14.9	0.40	4.0	10.13	10.00	2.2
Emett & Chandler Cos Inc	OTC	10.75	0.0	0.0	0.00	0.0	10.75	10.75	7.0
Hall Frank B & Co Inc	NYSE	30.00	8.6	23.4	1.70	5.7	30.00	27.88	170.6
Integrated Res Inc	AMEX	33.00	6.5	12.3	0.00	0.0	33.00	31.00	238.8
Marsh & McLennan Cos Inc	NYSE	41.30	1.5	11.9	2.20	5.4	41.00	40.25	222.0
Poe & Assoc Inc	OTC	6.30	0.0	0.0	0.00	0.0	6.00	6.00	19.4
Reed Stenhouse Cos Ltd	OTC	13.13	0.0	21.9	0.60	4.6	13.13	13.00*	1.5
AGENTS/BROKERS	AVERAGE			19.7		3.8			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	40.00	-3.9	11.7	1.28	3.2	42.50	40.00	1,884.8
Anderson Clayton(Ranger/PanAm)	NYSE	26.25	0.5	15.0	1.32	5.0	26.50	26.25	18.1
Armaco Inc	NYSE	19.88	3.9						

How The Hartford helps reduce insurance costs.

"Believe it or not, our Loss Control helped save \$324,976 for one company in just four years!"

Bill Nebraska, Vice President, Loss Control Department, explains how business insurance from The Hartford can lower your company's costs through effective Loss Control.

Q. To what extent can effective Loss Control lower my company's insurance costs?

A. If the need is great, the cost savings can be substantial. For example, we recently returned \$324,976 in Workers' Compensation premiums to a Virginia construction company as a result of improved loss experience we helped them realize over a four-year period.

Effective Loss Control can also reduce insurance costs up front. For instance, a metalworking and electronics firm in Chicago cut its fire insurance premium in half by following our recommendation to improve its existing sprinkler system.

By helping you eliminate, reduce, or control hazardous exposures up front, we may even qualify your company for reduced rates equivalent to those available under "Highly Qualified Risk" and similar categories. That's a sensible approach to cost control, since insurance that doesn't protect you properly is no bargain at any price.

Q. How can improved Loss Control raise my company's productivity and profitability?

A. Loss Control equals operations control. In other words, increased productivity often follows as a natural result of improved Loss Control.

In one case, we analyzed a warehouse operation in Kentucky and made a number of recommendations to relieve congestion and improve work-flow and materials-handling procedures. Management implemented the recommendations, and instituted a Loss Control education program that we proposed.

Thanks to those measures, in two years the personal injury incident rate dropped more than seven percentage points, resulting in a \$100,000 reduc-

tion of premium—a full one-third cut. As a side benefit, the Loss Control measures also resulted in a 28.5% increase in efficiency over the same two-year period.

Q. Can controlling product liability losses also boost productivity and profitability?

A. Definitely. If your product liability claims stem from defective products, for example, our Loss Control people will analyze your company's quality control procedures. Naturally, any improvements that reduce the number of defective products will also tend to reduce the number of liability incidents and claims. At the same time, those quality control improvements may also lead to a lower product reject rate and fewer returns for replacement or repair. The savings—in insurance, production and labor costs—can be significant.

Q. What is the scope of The Hartford's Loss Control capability?

A. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing...you name it. We also have full computer capability to perform sophisticated loss control analyses. And we're one of the few companies equipped to handle security and crime prevention.

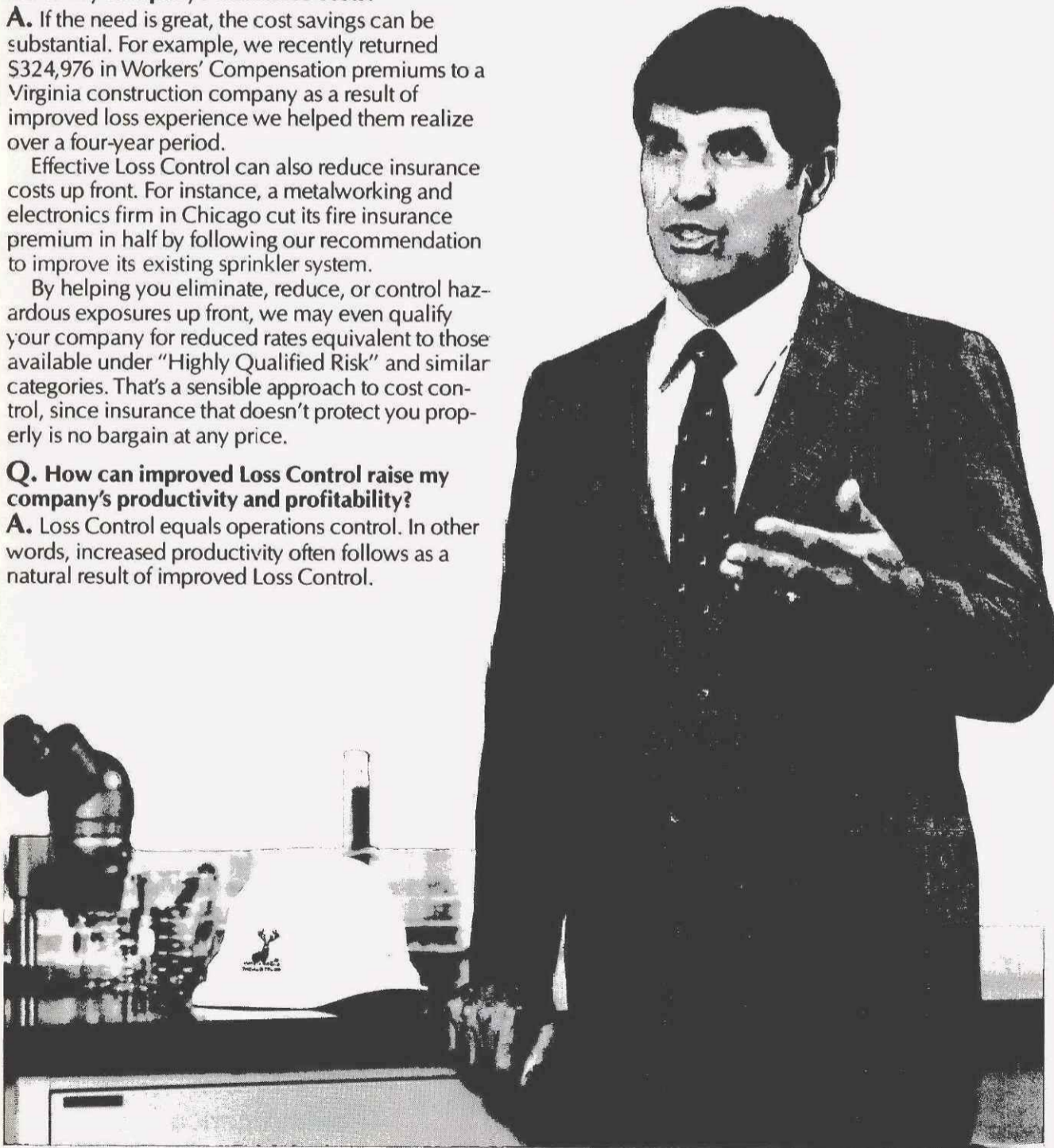
We have the people, too—some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. How can I put Hartford Loss Control capability to work for my company's benefit?

A. Loss Control is an integral part of Hartford business coverages, and is also available on an unbundled basis through our subsidiary, Hartford Specialty. For information, contact a broker or independent agent who represents The Hartford.



Don't make a decision on business insurance without a quote from The Hartford.



**BUSINESS
HOME
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LIFE**



Let us protect your world. THE HARTFORD

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