WEEK OF SEPTEMBER 13, 1982

business insurance®

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update:

Lloyd's opens inquiry into Howden's problems

LONDON—The Committee of Lloyd's has asked its accountants, Ernst & Whinney, to conduct an independent inquiry into the recent financial accounting and reinsurance problems of Alexander Howden Group, a subsidiary of Alexander & Alexander Services Inc.

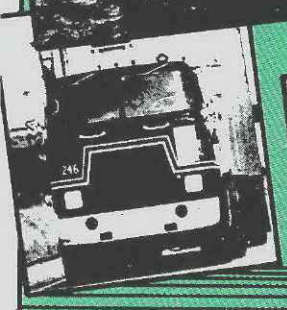
A&A announced earlier this month that it

Continued on next page

MARINE



The depressed conditions in the U.S. shipping and oil industries are affecting the marine insurance market as buyers with ships and oil rigs sitting idle in ports buy less coverage and also get premium refunds on their idle equipment. A special report on the U.S. and London marine insurance markets begins on page 3.





Comp funds administered by California firm missing

By RHONDA L. RUNDLE

LOS ANGELES—A score of Southern California cities, other public agencies and a commercial business are auditing their workers compensation records to discover if funds handled by their self-insurance claims administrator are missing.

All of the entities are clients of Fitzpatrick Self-Insurance Administrators Inc. in Upland, Calif. Two officers of the company, Larry K. Fitzpatrick and James R. Parrish, cannot be located and are suspected of embezzling more than $250,000 in client and corporate funds, according to Montibello, Calif., police.

Officials from the victim cities located in Los Angeles, Orange, and San Bernardino counties were still investigating last week to determine the extent of their losses. Besides missing trust fund moneys, some were uncovering canceled checks made out to a fictitious doctor.

The alleged embezzlement is believed to be the first in California involving an independent claims administrator and trust funds belonging to self-insured clients. It could change the way administrators do business in the future, shocked industry observers agree.

Fitzpatrick employees recently discovered that funds were missing and immediately notified clients in Mailgrams, sent Sept. 1, of "what we believe to be irregularities in certain of the trust accounts."

James T. Dunlop, a Fitzpatrick employee, estimates that $80,000 to $85,000 in trust fund moneys belonging to about seven clients are missing. Someone showed phony identification to cash checks made out to a fictitious doctor, he added.

He declined to estimate the amount of corporate funds that may be missing. All corporate records have disappeared, he said.

Twelve cities sent representatives to a meeting held last week in Montibello, east of downtown Los Angeles, to discuss the situation among themsleves, employees of the administration firm and Detective John Beaupit of the Montibello Police Department.

A fidelity bond purchased to protect the company against employee fraud and dishonesty probably will not respond to embezzlement by principals of the corporation, Fitzpatrick employees told city representatives at the meeting. Premium payments also were in arrears.

No charges have been filed, but Mr. Fitzpatrick and Mr. Parrish are missing and are suspects in the case, Detective Beaupit said. He visited Mr. Fitzpatrick's residence in Ontario, Calif., last week and said "it was apparent no one had been home for some time. There were newspapers all over the driveway."

Santa Monica and Upland city police and the Los Angeles district attorney's office also are investigating. It's not clear which department will have jurisdiction over the case because it involves entities in three coun-

Continued on page 66

Rath's decision to fold plans increases burdens on PBGC

By JERRY GEISEL

WATERLOO, Iowa—To keep the company alive, a financially troubled meatpacker is going to fold three badly underfunded pension plans.

The move will leave yet another hefty claim for the nation's pension insurance system to absorb and renews interest in pending legislation that would bar companies from passing pensions debts onto the federal Pension Benefit Guaranty Corp. unless they are going out of business.

Rath Packing Co. of Waterloo, Iowa, says it can no longer afford the $9 million it costs annually to fund and pay benefits for three pension plans that have about 6,500 participants.

"They're too expensive. We can't afford them," said Charles Soladay, treasurer and vp of finance and administration at the 91-year-old meatpacking company.

Rath told the PBGC this month that it intends to terminate the three major pension plans.

Since funding hasn't kept pace with recent benefit improvements gained through collective bargaining, the three plans don't have enough assets to pay benefits promised to workers and retirees.

As a result, the PBGC estimates it may have to pay out as much as $38 million to guarantee the promised benefits.

The claim would be one of the largest in the PBGC's eight-year history and comes on the heels of yet another large claim.

Last month, the PBGC announced it could have to pay some $37 million to $58 million to guarantee pension benefits to retirees and former employees of Braniff International Corp., which has ceased operations and filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Act.

Earlier this year, the PBGC said it would have to pay about $60 million to guarantee pension benefits for former White Motor Co. retirees and workers. The Cleveland-based firm, which filed for bankruptcy in 1980, also didn't have enough assets in its pension plans to pay guaranteed benefits.

And pension experts predict more pension plan terminations are ahead as financially pressed companies realize they can't afford the pension promises they made during healthier economic times.

"The economy is in bad shape," said Edwin Jones, the PBGC's executive director. "It is too early to say how many more plans will terminate, but there will be more terminations."

"The health of a pension plan depends on the health of an employer," said Lloyd Kaye, a principal at William M. Mercer Inc., a New York-based benefit consulting firm. "During extended hard times, you see more terminations."

But Rath's move to fold its pension plans and the prediction that more terminations are inevitable are triggering new concerns about whether the PBGC insurance system can survive in its current form.

Continued on page 64

Reagan won't block tort reform proposal

By JERRY GEISEL

WASHINGTON—The Reagan administration isn't endorsing a pending federal product liability reform bill, but it also won't block its passage.

In fact, the administration said at a meeting of the Cabinet Council last week that Congress should enact federal product liability reform without delay.

But, to the disappointment of some business groups, the administration didn't back a bill, S. 2631, introduced by Sen. Robert Kasten, R-Wis. That legislation is the only tort reform proposal that has a chance of gaining congressional approval before the current session ends, observers say (*BI*, Sept. 6).

While business groups that support federal product liability legislation wanted a flat-out endorsement of the Kasten bill, they're still generally pleased with the administration's decision.

"The administration is saying: 'Let the Kasten bill proceed. We don't want it delayed. We won't stand in its way.' That is pretty close to an endorsement," one business lobbyist said.

The administration still has some concerns about Sen. Kasten's bill, principally whether the proposal could interfere with state workers compensation programs (*BI*, July 5). However, despite those worries, the administration said it isn't going to propose

Continued on page 63

INSIDE:

McDonald's sets up Bermuda captive
Page 2

Braniff workers find group health coverage
Page 65

NEWSPAPER

update:

Lloyd's opens Howden inquiry

Continued from previous page

would pump as much as $35 million into a Howden subsidiary, Sphere Drake Insurance Co. Ltd., to cover additional liabilities and unrecoverable assets discovered in a recent audit of Howden.

A&A stated that part of the reason for the shortfall seemed to center around the activities of four former Howden officers or directors who had financial interests in other companies involved in Howden reinsurance transactions (*BI*, Sept. 6).

Lloyd's accountants are assigned to "report upon the involvement of, or implications from any Lloyd's underwriting agency, Lloyd's syndicate or member of Lloyd's in any of these matters," according to a statement from Lloyd's. A&A is cooperating with the inquiry.

The Lloyd's decision closely follows reports in several London publications, including the Financial Times and the Lloyd's List, which note the recent resignations of four Howden officers and directors: former Chairman Kenneth V. Grob, former Treasurer Alan Page and two directors, Ronald Comery and J.H. Carpenter.

The reports said that three of the men, Messrs. Grob, Page and Comery, serve as directors of the Banque du Rhone & de la Tamise, a small bank in Geneva, Switzerland, owned by Howden until 1979. The bank was sold that year to its managing director, Mario Benbassat, and a director, Elihou Zikha, both members of Lloyd's syndicate 127A, which is managed by Howden, according to the reports.

The London press also cited a Panamanian company known as "Southern International Real Estate" or "Southern International Re" as involved in the Sphere Drake problems, although it has not been linked to any former Howden officers or Lloyd's members.

A Lloyd's spokesman said Lloyd's was aware of the press reports when it decided to initiate an inquiry, but did not react to the stories. "The Committee wants to look at the potential involvement of any Lloyd's member, and some of those mentioned in the articles were members of Lloyd's," he said. "However, this is an independent inquiry by Lloyd's accountants, not a formal investigation, so it is premature to comment on any individuals."

Asbestos plaintiffs' role unclear

NEW YORK—Asbestos injury plaintiffs and their lawyers will have to wait at least until a Sept. 17 hearing to learn what kind of role they will play in Manville Corp.'s reorganization.

Manville's bankruptcy trustee said last week that he will ask U.S. Bankruptcy Judge Burton R. Lifland on that date to appoint a committee of lawyers to represent plaintiffs seeking billions of dollars from the asbestos producer. At the same time, trustee Cornelius Blackshear refused to name anyone representing injury plaintiffs to a 19-member committee of Manville creditors.

Asbestos group wants U.S. help

WASHINGTON—The asbestos industry told a congressional panel last week that the federal government should share the cost of compensating asbestos victims.

About half of the thousands of plaintiffs seeking compensation say they were exposed to asbestos in government-operated or -controlled shipyards during World War II, the Asbestos Compensation Coalition told the House Labor Standards subcommittee Sept. 9.

Because of "substantial documentation" that the government was negligent in carrying out essential safety measures, it should finance half of a proposed special trust fund that would be used to compensate asbestos victims, according to the nine-member coalition.

The other half of the trust would be funded by asbestos manufacturers and their insurers.

Arizona comp rates to be cut

PHOENIX, Ariz.—Employers in Arizona will receive an average 10.7% reduction in their workers compensation insurance rates beginning Oct. 1.

And in Iowa, work comp insurers are awaiting approval of a 10.1% rate reduction effective Nov. 1. Iowa Insurance Commissioner Bruce W. Foudree is expected to rule on that request within a week.

Arizona Director of Insurance J. Michael Low said the overall rate reduction in that state will average out to an 8.3% decrease for manufacturers, 12.9% decrease for contractors and 9.9% decrease for all other employers who buy workers compensation insurance.

In approving the rate decrease, Mr. Low said that he also informed all the insurers that the department will automatically permit a further 2.5% decrease, the amount of investment income allowed for insurers' underwriting profits. "The investment income analysis clearly indicates that the standard 2.5% underwriting profit is not necessary to the insurers' overall profitability," he said.

In Iowa, the proposed rate decrease would mean a 6.8% decline for manufacturers, a 7.6% cut for contractors and a 12.9% decrease for all other employer classifications.

index

Benefit beat	59	**Spotlight report**	3
BI ticker	67	**Washington**	51
Books & ideas	42		
Classifieds	64		
Comings&goings: buyers	47		
Comings&goings: industry	52		
Datebook	50		
Editorial opinions	8		
Info	48		
Insurance services guide	66		
Letters	8		
Markets	53		
Perspectives	39		
Products & services	58		

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Agents' group drafting standard umbrella form

By BILL DENSMORE

NEW YORK—A committee of independent insurance agents and brokers is drafting what could become the industry's first standard umbrella policy form.

Members of the Independent Insurance Agents of America's commercial lines committee say the group decided to develop a standard umbrella policy, aimed at medium-sized corporate risks, in light of proposed changes in the underlying comprehensive general liability policy form (*BI*, July 12).

The proposed CGL form, unveiled in July by the Insurance Services Office, would eliminate the current "occurrence" wording, substituting either "claims-made" or "first-discovery" coverage triggers. It would also include a definite aggregate limit.

(The entire text of the two versions of the proposed CGL policy and an executive summary comparing each to the existing form were published in the July 26 and Aug. 30 editions of *Business Insurance*.)

ISO, a policy-drafting and research organization supported by major U.S. insurers, does not issue standard umbrella policy forms. Most U.S. insurers currently draft their own umbrella policies.

"If ISO and their member companies issue a new concept under their loss-trigger timing mechanism, then we're going to have to do a lot to make sure the umbrella dovetails," says William E. Brady, chairman of the IIAA commercial lines committee and president of Van Camp Insurance Co. in San Pedro, Calif.

"If the insurance companies go to the concept that they are urging now—first-discovery, claims-made—then we're going to have to increase limits on the umbrella," he adds.

Under many existing primary forms, according to Mr. Brady, an insurer writing a CGL policy with a $1 million limit may find itself liable for multiple claims of less than $1 million that, when combined, exceed the limit. Thus, the primary insurer can pay out more than $1 million before his duties to the policyholder end and an excess or umbrella insurer takes over.

Under an aggregate-limit, claims-made policy, Mr. Brady explains, the responsibilities of the primary insurer would end after claims totaling $1 million are filed.

Moreover, an insurer might reserve against inflated claims made in a claimant's lawsuit and reach the policy limit, Mr. Brady says.

In either case, an umbrella insurer excess of the primary limit would have significantly more exposure than now, he adds.

The proposed IIAA umbrella form could be ready for final review by the five-member committee as early as December, according to one committee member.

"What we're proposing to do is provide a policy that

Continued on page 64

Big Mac to feed risks to Bermuda mutual

By LEN STRAZEWSKI

OAK BROOK, Ill.—McDonald's restaurant owner/operators will have the chance to bite off a piece of their own risks during Oct. 1 renewals.

McDonald's Corp. has completed setting up a Bermuda-based captive designed to insure property/liability package plans and workers compensation risks for franchisees, *Business Insurance* has learned.

The new company, McDonald's Owner/Operator Insurance Co. Ltd., was approved by an act of the Bermuda Parliament on May 29 and officially registered on July 1, according to records filed with the island's Registry of Companies. It is managed by Marsh & McLennan (Bermuda) Ltd.

As predicted earlier this year, McDonald's chose a mutual insurance company organization for the captive, a technique which bypasses Securities and Exchange Commission registration requirements and clearly identifies policyholders rather than shareholders as the owners of the company (*BI*, May 3).

Because mutual insurers are owned directly by policyholders, Bermuda's captive laws do not require minimum capitalization. However, the captive regulations do demand that mutual insurers establish a reserve fund of 20% of its annual premium with a minimum of $250,000.

Assuming the participation of at least 2,000 restaurants, or approximately half of the franchise locations now estimated to be participating in the corporation-sponsored insurance program, with each paying a premium of about $6,000, the captive would have an an-

Continued on page 63

Chrysler asks UAW to share health costs

By JAMES C. LAWSON

HIGHLAND PARK, Mich.—With the contract deadline closing in, Chrysler Corp. last week was still asking United Auto Workers members to start sharing more of the cost of medical benefits.

But the UAW was sticking to its demand that salary increases and cost-of-living allowances that were frozen in 1981 to help the ailing automaker be restored—and not at the expense of benefits.

The current contract expires at midnight Sept. 14, and the UAW has threatened to strike if its demands are not met.

Chrysler, however, says the company cannot afford both the current level of medical benefits and increased salaries.

It is asking the union to accept a new health plan that could include more co-payments and higher deductibles in an effort to lower the cost of the health insurance it buys from Blue Cross/Blue Shield of Michigan.

Chrysler also has suggested that workers start paying part of their health insurance premiums through payroll deductions.

Chrysler currently pays the full cost of the health plans, which include deductibles of $100 to

Continued on page 63

Firms focus on office worker injuries

By WILLIAM M. COWAN

Some corporations are trying to cut their workers compensation costs while making their workplaces safer for white-collar workers.

Although industries such as finance, banking and real estate have substantially lower accident rates than the construction, mining and other heavy industries, on-the-job injuries suffered by white-collar workers can be just as painful, and expensive, as accidents on the production line.

"One of the greatest misconceptions is the belief that the office is the safest place to work," says Ray Colvin, corporate safety training manager for Polaroid Corp. in Cambridge, Mass., which has instituted a program to improve office safety.

"This attitude causes laxness. We find many misunderstandings about the accidents and causes of accidents.

"For example, records indicate that office workers suffer more falls than factory workers suffer and that falls cause the most serious injuries," Mr. Colvin says. "Injuries to hands and fingers are more common (among office workers), but less severe."

According to one Occupational Safety and Health Administration report, approximately 40,000 office workers sustain disabling injuries each year. And of the more than 13,000 accidental workplace deaths each year, about 200 result from office accidents.

Continued on page 54



Photo: National Safety Council

Open file cabinet drawers can be a source of injuries for office workers.

M A R I N E



Capacity glut grows in offshore market

By BETSY SHARKEY

HOUSTON—The offshore marine insurance market is turning into a mirror image of the industry it serves—gushing with capacity that few oil companies need.

And this general problem of oversupply is creating competition and corner cutting that could steer both businesses into rough waters, both oil and insurance industry sources say.

Only a few years ago, the problem was exactly the opposite. The high price of foreign oil stimulated massive investment in oil exploration and the development of offshore oil rig platforms. Oil companies begged for insurance capacity to share the risk of the rigs.

Now, a slump in offshore oil exploration and production has idled nearly 17% of the offshore oil drilling fleet, generating premium refunds to drilling contractors and slowing the flow of premium paid to insurers.

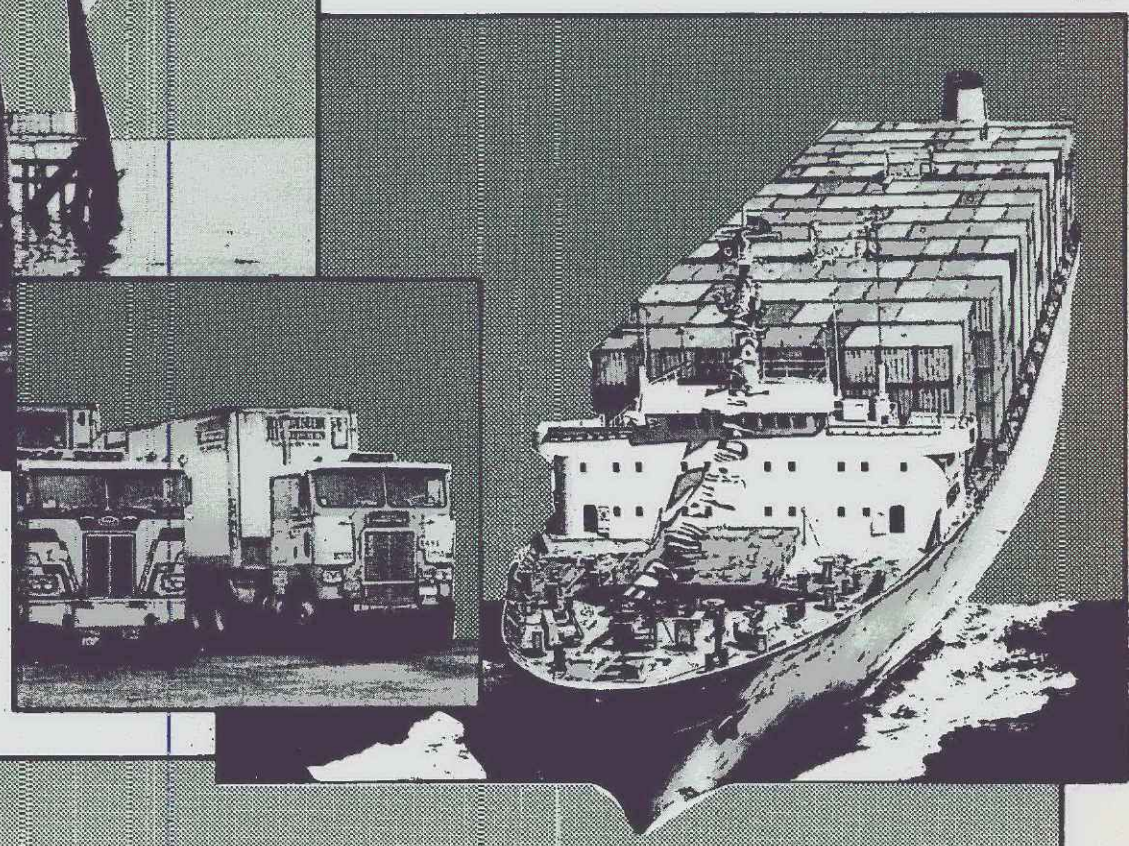
The idle rigs also cause risk management problems. Drilling contractors are hungry for work and many of the companies have been pushed to shoulder a greater share of the liability exposures in order to negotiate new contracts with the major oil companies.

"The oil market is bad and getting worse," said Charles Howe, senior vp of insurance for Ocean Drilling & Exploration Co. of New Orleans, which has 40 rigs, 38 of which are working and two of which are stacked.

U.S. companies own approximately 572 mobile rigs worldwide. By the end of September, Tim Cornitius, a statistician for the Offshore Journal, estimates that 81 will be idle. Another 151 mobile rigs are currently under construction, further adding to the oversupply.

Offshore mobile drilling rigs are normally insured for replacement costs, with values ranging from $10 million to about $200 million. The estimated value for fixed-platform rigs ranges from $100 million to $200 million in

Continued on next page



Shipowners say rates in U.S. aren't cheap

By RHONDA L. RUNDLE

NEW YORK—Most marine fleet owners are finding the U.S. insurance markets firm, fair and accommodating—but not cheap—when they renew their hull and liability and protection and indemnity coverages this year.

Insurers are wringing small rate increases from fleets with poor loss experience, but their total premium hauls are down due to depressed conditions in the international shipping industry.

Ships that once sailed the high seas, paying large insurance premiums for the privilege, are now sitting idle in ports and paying less for reduced coverage.

Laid-up tonnage is setting new records this year with tanker owners the hardest hit by a drop in worldwide demand for oil. There also has been an alarming rise in the number of dry bulk vessels headed for mothballs.

Sixty-nine U.S. flag oceangoing ships are temporarily or indefinitely laid up and 508 are active, according to the U.S. Maritime Administration.

The picture is even bleaker in Greece, Great Britain and other European countries.

Shipowners pay substantially less to insure a laid-up vessel,

Continued on page 14

Mobil lands $2 billion policy for Stratfjord C

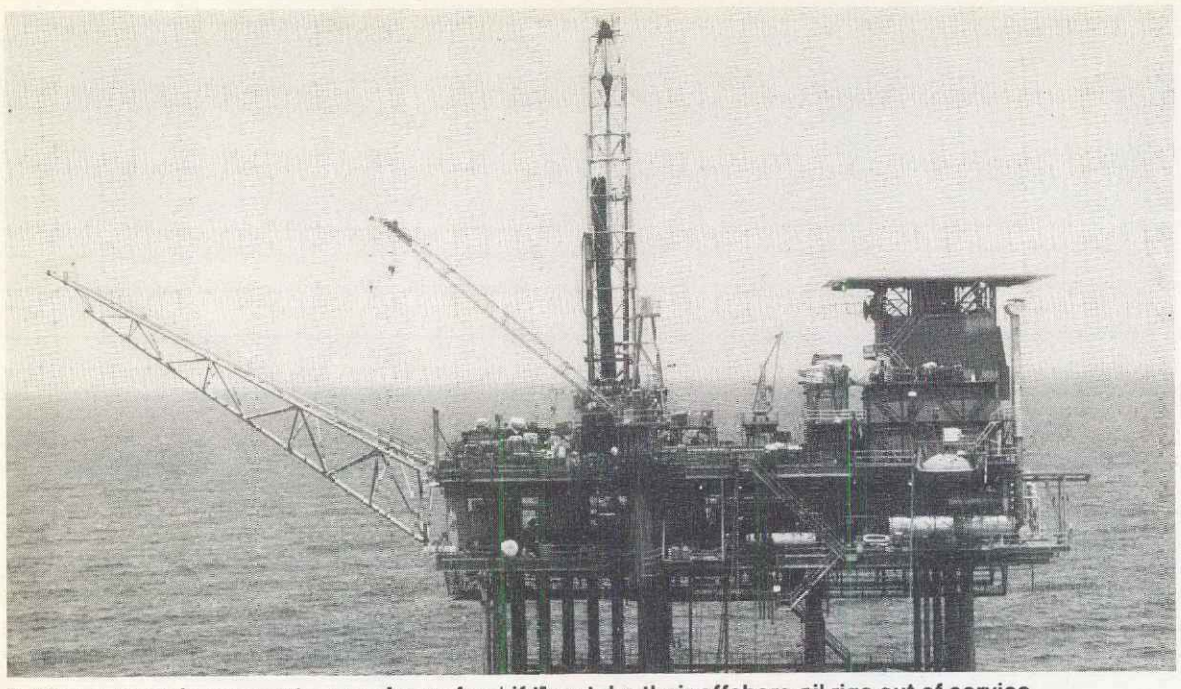
Page 12

Shipping risks sail back to U.K. insurers

Page 19

Motor carrier rates decline despite new law

Page 44



Drilling companies can get a premium refund if they take their offshore oil rigs out of service.

Too much capacity means lower rates for offshore rigs

Continued from page 3

the Gulf of Mexico and up to more than $2 billion in the North Sea.

Most offshore policies for mobile rigs include a provision that returns a percentage of the premium paid on inactive rigs at the end of a policy period. However, some drilling contractors caught in a cash-flow bind are canceling their policies early to get access to the refunds more quickly.

"There has been a lot of canceling and rewriting to improve these guys' cash flow," said John Cook, a Johnson & Higgins vp in Houston specializing in offshore risks.

Terry Deeks, president of New York Marine Managers Inc., a syndicate of U.S. insurers offering offshore marine coverages, added that while there are cancellations, contractors also are placing rigs on port risk conditions. This offers an immediate premium reduction if the contractor knows a rig will not be working for several months.

Unlike traditional marine insurance, the port risk and lay-up rates for offshore rigs are negotiated individually, rather than being figured on an established rate.

"The rates are so low right now that insurers can't give the kind of return they used to," Mr. Cook said.

But lower rates and fewer premium dollars are just the tip of an iceberg filled with potential problems for both buyers and insurers, several industry sources say.

"There are definitely more drilling rigs with the lay-up rates. And anytime a company isn't making money, you have to expect they will tend to cut down on expenses like safety and maintenance," said Roy Williams, president of AIG Oil Rig Inc. in New York, which underwrites for American International Group and 280 other insurers. "Losses have tended to go up in those periods, so losses continue on while premium is coming down."

And drilling contractors also are looking at possible increases in workers compensation claims.

"When you have the potential for layoffs, then you may see more people claiming injuries to collect some additional money," said Ron Baron, assistant treasurer/risk manager for Houston-based Global Marine Inc. "We've not seen that yet in our company, but it is something I do foresee coming to a number of drilling contractors."

Also, the concentration of these inactive rigs in certain port areas where severe weather could damage the entire group has made insurers uneasy.

"A great majority of the rigs are stacked in the Gulf of Mexico. The gulf is a windstorm area and that is a concern," said Mr. Deeks.

While insurers and drilling contractors grimace at the thought of so many stacked rigs, the slump puts major oil companies in a position to drive a hard bargain on new drilling contracts. Sharing the risk of a blowout has been at the core of many recent negotiations.

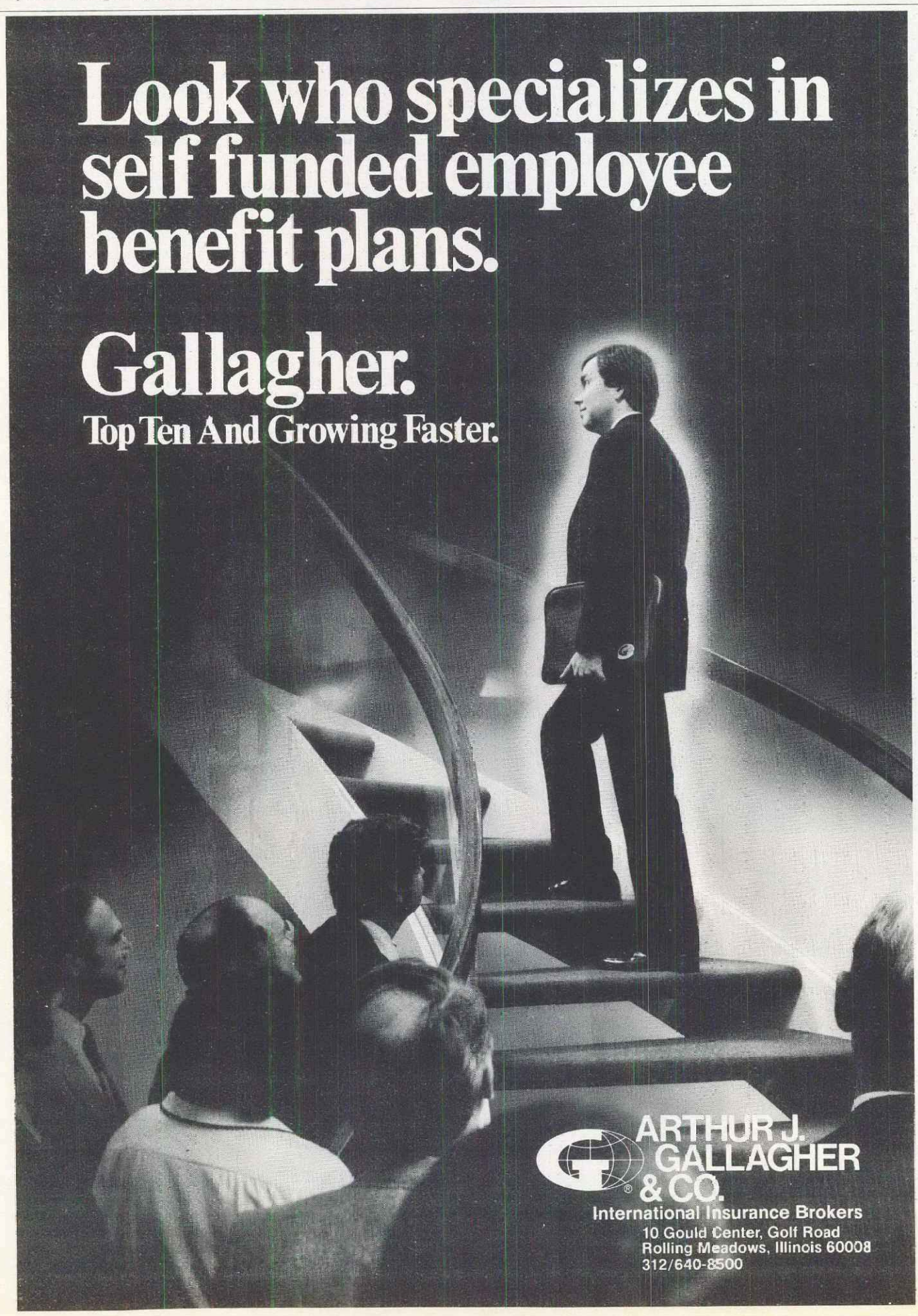
"The market is so soft the contractor tends to pick up more liability," Mr. Howe said. "But this is not an unusual occurrence. It takes place whenever the market is soft because you have contractors that will do more to get the job.

"The difference is, I don't think we've hit bottom yet."

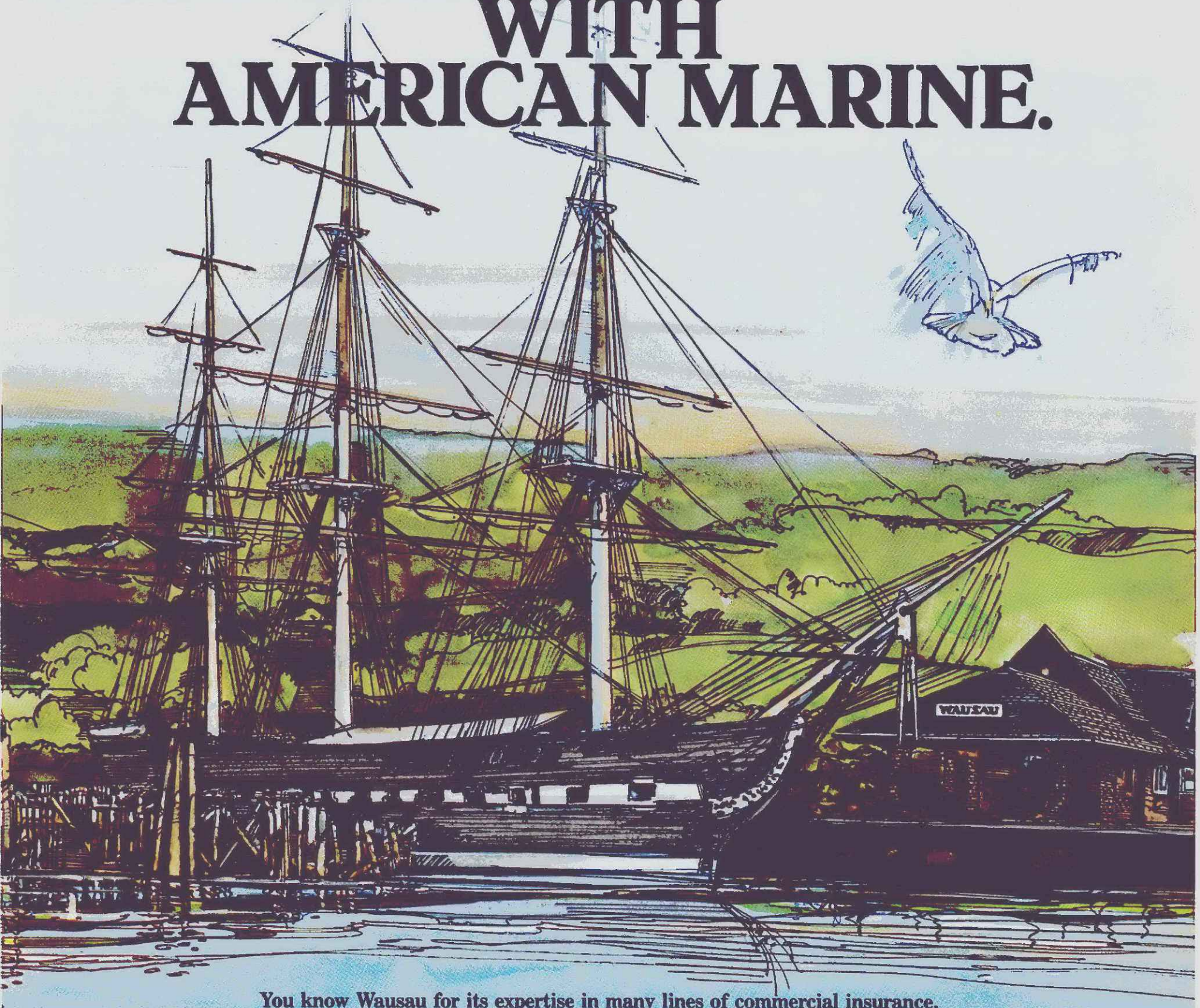
Mr. Baron, whose company operates 26 rigs, predicts it would take between 12 and 18 months to correct the oversupply situation, but until then, the downturn has given major oil companies a lot more leverage in negotiations.

"I feel what the oil companies are trying to do is take full advantage of the insurance that the contractor carries to make sure it is the primary insurance involved," Mr. Baron said. "There is a tendency to make the drilling contractors a little more responsible for blowouts. If you have control of well coverage, you have to make it available to the oil companies. So the best course of action is not to have those

Continued on page 6



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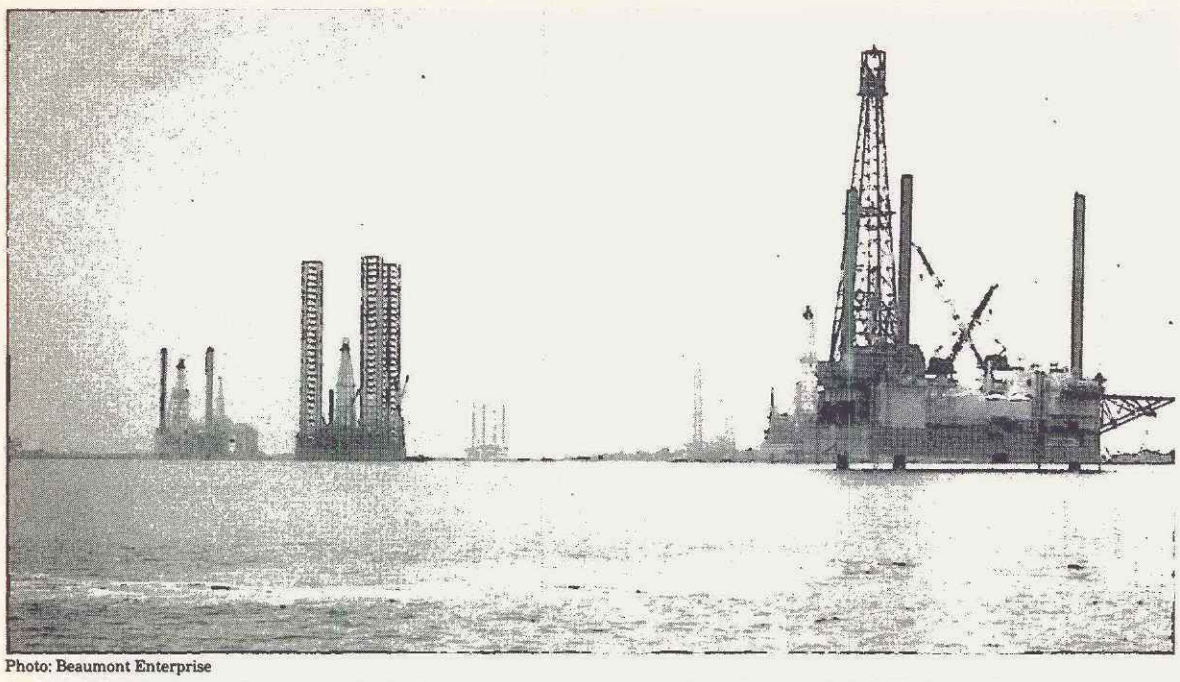


Photo: Beaumont Enterprise

Some drilling contractors, to get new business, have assumed well-control liability from rig operators.

Lack of activity on rigs changing marine contracts

Continued from page 4

coverages."

For example, on a mobile drilling operation, the major oil company, usually referred to as the "operator," would typically be responsible for its equipment, its employees and its subcontractors. The drilling contractor, who actually works the well, would be responsible for his equipment and employees.

Responsibility for blowouts and getting the well back under control normally fall with the operator.

But with contractors vying for any available work, there has been a shift in some of the responsibility for well control to the drilling contractors, although the operator continues to carry the bulk of the risk.

Greg Sosbee, marine and international insurance specialist for Dallas-based ENSEARCH Corp., says he now scrutinizes each drilling contract for well-control requirements being "slipped" in by the major oil companies.

"We don't feel like it's our job to pay for well control," said Mr. Sosbee, whose company operates 15 mobile rigs and 51 offshore platforms. "But we're having to compromise up. We now cover up to certain limits, but they (major oil companies) also want to make us responsible for damages to third parties, their subcontractors."

Drilling contractors usually don't have coverage for the cost of well control. So when a contractor agrees to pick up some of those liabilities, it has to either self-insure that liability or purchase the coverage that most insurers aren't fond of underwriting.

Combined ratios for well control have passed a whopping 200% for many insurers. And despite the oil industry slump, new insurance markets keep diving into the business, expanding capacity and keeping premium rates low in what some insurers are beginning to believe is a bottomless pit.

"Well-control losses account for 5% of my premium and represent 25% of the claims," said Mr. Deeks. "The problem is in pricing the product. You simply cannot generate enough premium to cover the losses."

Although well control is a coverage that some insurers avoid underwriting, Ed Cave, president of the All American Marine Slip, a syndicate owned by Marine Office of American Corp., contends marine insurers should offer this essential coverage.

"I believe a (insurance) company in the oil business is to a degree obligated to participate in this type of risk," said Mr. Cave, whose syndicate represents a substantial number of U.S. insurers.

John Buzbee, managing director of Marsh & McLennan Inc. in New York, agrees that well control is a major concern of most insurance markets currently participating in offshore coverages.

"The cost of well control has been climbing," Mr. Buzbee said. "And there have been a number of very serious blowouts around the world. The market feels the premium should be higher and as yet the rates have not responded."

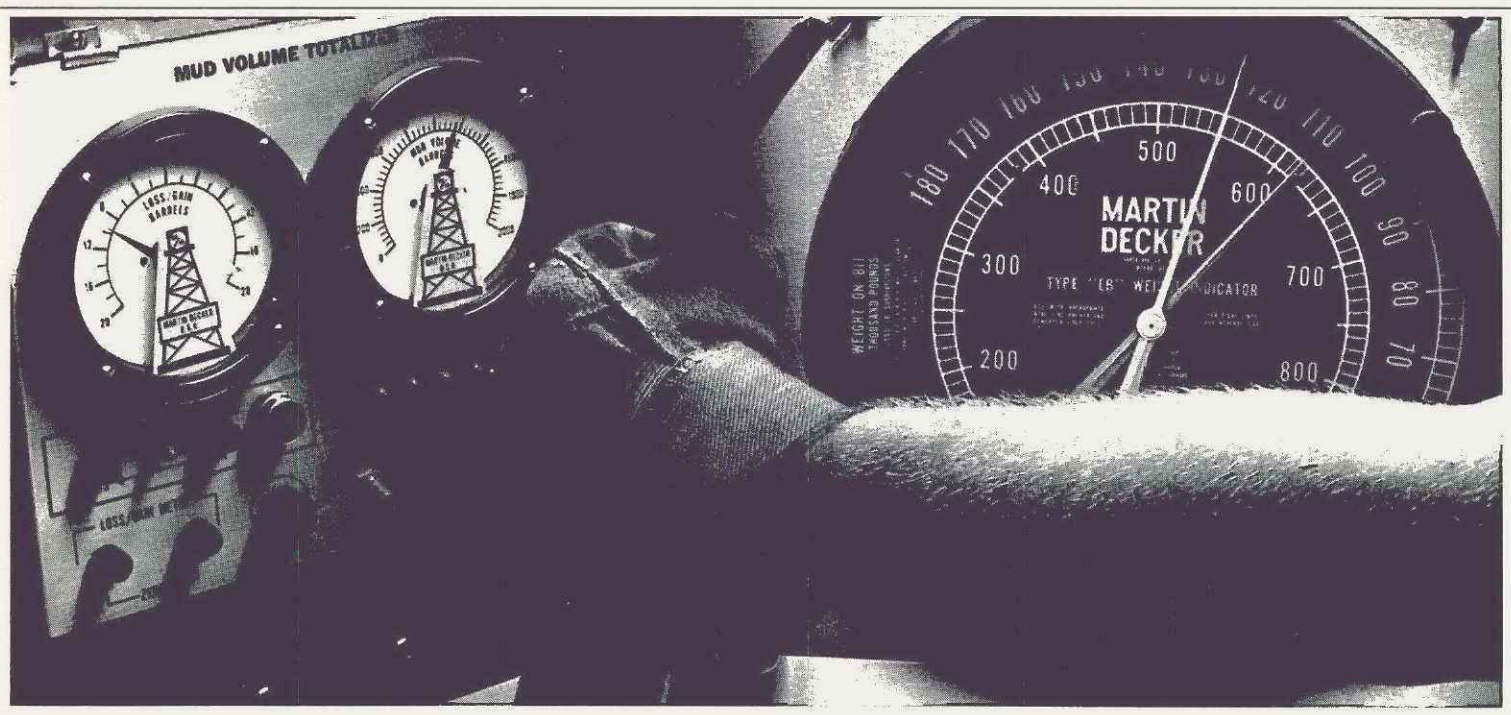
"But brokers tend to argue that that type of business is not underwritten on its own. It is part of the book of business. So while they may be losing money on well control, they are making money in other areas."

Liability coverages for offshore oil operations are affected by a number of variables including the number of rigs, where the rigs are located, weather condition and the type and size of the rig.

Industry sources place deductibles within a broad range from $100,000 to $10 million. Excess coverage typically picks up in the $50 million to $100 million layer for larger exposures.

"Many of the major oil companies and the major independents are taking a minimum of $1 million deductible one way or another," said Mr. Cook. "Some take it

Continued on page 10



HOW WILL YOU HANDLE THE PRESSURE AFTER THE BLOW OUT?

When drilling for oil or gas, the pros "making hole" have to be ready for emergencies. They must know what to look for, and move quickly to prevent blowouts.

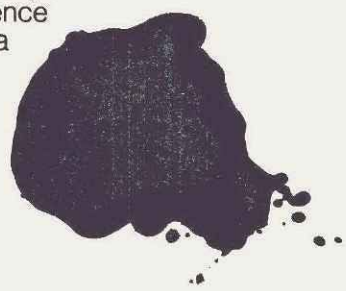
When an accident does occur, the pressure increases. It's not enough to have experts working at prevention. You need experts to handle protection.

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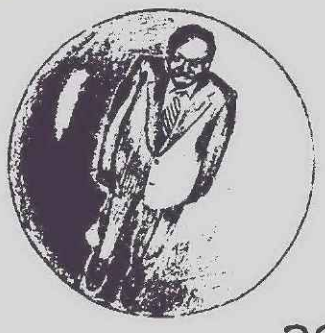
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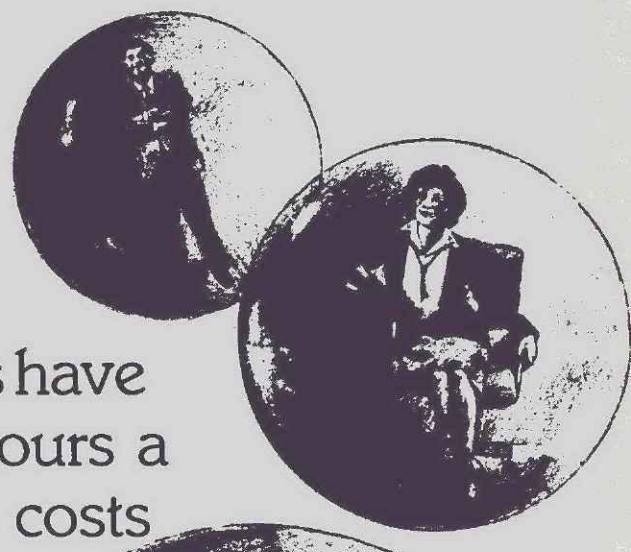
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editorial opinions

Sink or swim

WE'VE SAID IT before, but it seems to bear repeating: The federal pension insurance program cannot be used as a life preserver for sinking companies.

And it is past time for Congress to act on legislation remedying this situation so both employers and employees realize there is a limit to the amount of pension benefits a company can promise.

While we agree that benefits should be fair, we also think they should be in line with what a company can realistically afford—without either the employer or the employees counting on a federal bailout if the negotiated benefits prove to be too lucrative.

This is what happened to Rath Packing Co. in Waterloo, Iowa, which wants to fold three underfunded pension plans because it can no longer afford the $9 million annually needed to fund them.

Blaming recent benefit improvements won through collective bargaining, Rath's treasurer says the plans are too expensive and must be terminated if the company is to survive.

As reported on Page 1, Rath's move will lay a $38 million debt on the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' pensions.

While Rath's move will help it survive, it adds to the possibility that the PBGC will not. This is the second large claim dumped on the agency in a little more than a month, and benefit experts expect more plan terminations soon unless the economy improves quickly.

To pay for the growing liabilities it is accepting, the PBGC might have to continually raise the pension termination insurance premiums paid by employers from the current $2.60 per plan participant.

As premiums rise, more employers will drop their pension plans to avoid the cost, leading to yet more premium hikes. This destructive cycle of premium increases followed by more terminations ultimately will lead to the collapse of the PBGC insurance program.

The most immediate solution we see to break this cycle is legislation, S. 1541, introduced by Sen. Don Nickles, R-Okla. It would limit PBGC guarantees to plans of companies that go bankrupt and exclude cases —like Rath's—where the company is still alive but wants to dump its pension bills. A company that decided to fold its pension plan to cut costs would have to fund promised benefits over a 15-year period.

Such a system makes sense. We don't believe that an employer should be allowed to improve its balance sheet by passing on its pension liabilities to the PBGC and, ultimately, to other employers.

And if companies were 100% liable for their pension promises, unions would be more prone to bargain for benefits that employers can afford, and companies would be less apt to promise more than they can pay.

Because if they go overboard, there won't be a life preserver.

Look around

IF YOU'RE A risk manager trying to cut your workers compensation losses, take a look around.

Is one of your file cabinet drawers open?

Are there heavy books and bundles of papers stacked haphazardly on top of tall cabinets and high shelves?

If so, you're harboring potential comp claims in your own office.

Any office worker can trip over an extended file cabinet drawer. And a heavy book that topples from high above can crush a hand or a foot.

Although workers compensation claims are most often associated with production workers, a manager or clerical worker who breaks a leg can cost the company a bundle in lost time and benefits.

Some companies, like Polaroid and Sheraton, as the story on Page 2 points out, are making their offices safer places by training employees to avoid accidents and designing their workplaces to minimize injuries.

Before embarking on such an ambitious program, you can take the first step toward improving office safety while sitting at your desk.

Take a look around you.

letters

Blues' 'advantage' was not an issue

To the editor: The article, "Laws in N.Y., Massachusetts may reduce Blues' advantage" (*BI*, Aug. 30), is inaccurate as it relates to the new hospital cost-containment legislation enacted in Massachusetts. This could have been avoided if comments had been included from those who were instrumental in drafting the legislation and bringing about the compromises that were necessary to achieve unanimous support for it.

It took three months of tough negotiations to finally arrive at the point where hospitals, business community, state government, Blue Cross and commercial insurers could agree on the contents. At no time was it a major objective of the legislation to reduce the Blue Cross "advantage," if indeed such an advantage exists. The objectives were much broader and included such important issues as the elimination of cost shifting, introduction of a productivity factor, incentives for effective hospital administration and, most importantly, a uniform reimbursement formula based on the much-lauded contract that Blue Cross and the hospitals in Massachusetts negotiated more than a year ago.

The legislation very clearly recognizes the unique aspects of Blue Cross and has guaranteed a differential. For the next two years, the differential will be approximately 9%, as the article indicated. However, the article did not indicate that the differential will continue into the future and will recognize the underwriting practices, the payment practices, the savings in hospital administrative costs and the unique cost-containment practices of Blue Cross.

We are convinced that a fair and equitable study will show that the reimbursement differential level of today will be the minimum level of differential in the future.

All parties to this compromise legislation are greatly encouraged that this represents a major step in making the hospital system affordable. There are other major challenges ahead for all of us. It is our goal to continue to work together as a coalition to see that the issues surface and are addressed.

David W. Frost
President
Blue Cross of Massachusetts
Boston

Proper pension payout

To the editor: Although we were glad to see mention of our new contract with Western Union in the Aug. 16 issue of *Business Insurance*, we are disturbed that an omission makes a Western Union pension appear to be only $260 a month for a employee earning $20,000 with 40 years of service.

The article should read such an employee "would receive a $260 pension for each year of service, compared with the previous $200." The total monthly pension for such an employee would be $866.66 per month under the new contract.

The contract was not ratified in August as the story reported. The voting period closed Sept. 5.

Jerry Grim
International secretary/treasurer
United Telegraph Workers
Rockville, Md.

One more time!

To the editor: It was at the 1980 *Business Insurance* Communicating Employee Benefits conference that I first told you of the existence of the Multiemployer Pension Plan Amendments Act. Your magazine became very much involved and, as your editorial in the Aug. 30 edition points out, adopted a policy of providing very well-done periodic updates on that act.

Your managing editor's desperation manifested in the editorial is a very accurate reflection of my own experience despite a continuing effort to educate employers as to the incredible impact of this law.

Don't give up yet. Let's take it from the top, one more time with feeling.

Robert W. Ridley
Forster, Gemmill & Farmer
Los Angeles

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

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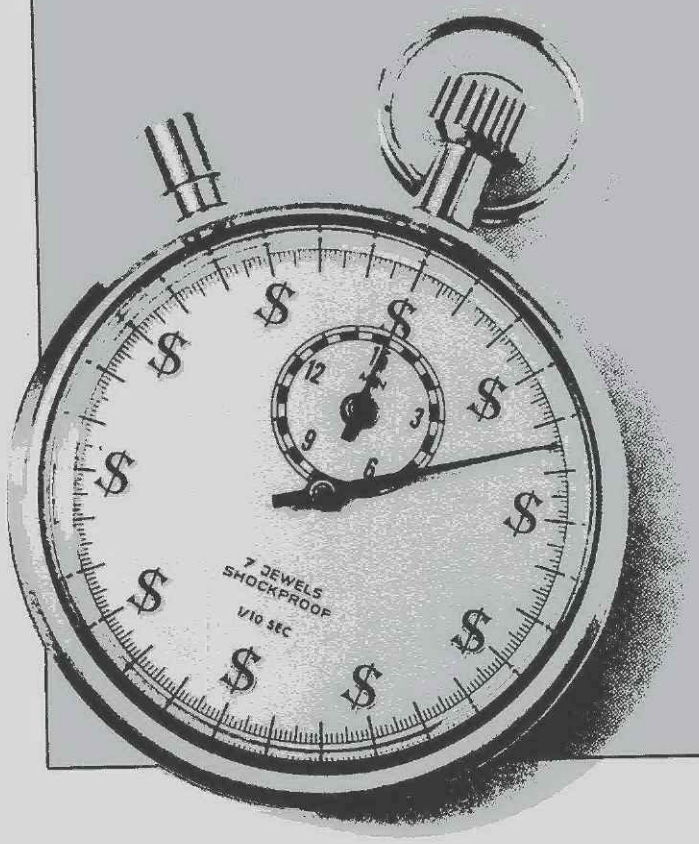
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Oil rig insurers facing a glut of their own

Continued from page 6

through the first $10 million."

Meanwhile, the sinking rates that policyholders have seen this year can be attributed primarily to steadily increasing competition, according to industry observers.

"Everyone is getting into the act now," said Mr. Williams. "It's a buyers' market."

A risk manager for a major drilling contractor preparing for renewal said that while he obviously would like to see another rate decrease, "the rates have come down rather continuously over the last three to five years and I suspect they are reaching a plateau."

Mr. Deeks of New York Marine Managers believes that despite competition, premium rates can't go much lower.

"If they haven't bottomed out, they've got to be close to it," he said. "I'm not going to say we're not going to give any reductions, but in the last six months there have been signs of it bottoming out."

Although rates are negotiated and will vary on different layers of coverage, premiums for physical damage coverages tend to begin at 1.5% of the insured value for North Sea platform operations, and range from 0.5% to 1% for Gulf of Mexico operations.

Much of the expanding capacity responsible for keeping a cap on rates is emerging from the American insurance market, according to several underwriters.

> 'Everyone is getting into the act now,' says Mr. Williams. 'It's a buyers' market.'

"Some of the new capacity is coming from property/casualty markets that were not involved before," said Mr. Cave. "They see it as an area that can generate income."

And M&M's Mr. Buzbee notes that some of the new capacity is drawn from insurance companies that have operated in the more traditional side of marine insurance.

"As revenues on the shipping and cargo side went down, the one area they all saw in a boom was the offshore business," Mr. Buzbee said.

"There is still a lot of action in the rig business," said an underwriter for Mutual Marine Office Inc. in New York, which represents a dozen U.S. insurers. This activity continues to attract new insurers into the offshore market, he contends.

"The oil companies are still the only people developing. In other industries there is almost no activity," he said. "And since we have a lot of underwriting capacity, that has kept rates down."

For example, losses tied to the Ocean Ranger semisubmersible rig, which capsized Feb. 15 some 165 miles east of St. John's, Newfoundland, killing all 84 people aboard, are expected to exceed $86.5 million (*BI*, Feb. 22).

ODECO was the drilling contractor working the rig. The company has since gone through a renewal of its insurance coverages during which it considered both the London and U.S. markets.

"Obviously with a loss like that you pay more (for coverage)," said Mr. Howe. "But the range is still very reasonable and we've got claims outstanding on the Ocean Ranger that will be going on for years."

The New Orleans-based drilling contractor decided to stay with the same London underwriters, Mr. Howe added.

Other drilling contractors that feared a ripple effect from that loss would drive premium rates up have been pleasantly surprised.

"The market has remained very spirited," one drilling contractor said. "It's still a very soft, very competitive market." ■



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Mobil's new North Sea platform

Capacity for offshore rigs hits $2 billion

By BETSY SHARKEY

NEW YORK—Mobil Oil Corp.'s Statfjord C platform rig is the first oil industry risk to prove that there is enough capacity in the world insurance market to underwrite a $2 billion marine policy.

"We managed to get insurance for it," confirmed a spokesman for the New York-based oil giant. The coverage, he added, insures the full replacement value of the Statfjord C, estimated to be at least $2 billion.

The giant platform, which will be located in the North Sea, is expected to be operational sometime during 1986, he added.

"The policy covers the process of construction, then converts to a policy which covers the platform once it's installed," he explained.

Although a risk like the Statfjord C is far from ordinary, it is a good example of how the world marine insurance marketplace combines resources for large risks.

"So far, the market has reacted very positively to meet the risks," remarks John Buzbee, a managing director of Marsh & McLennan Inc. in New York. "The market can do about $2 billion now, which is all that is necessary for the moment."

However, a risk this size saturates the world market, according to insurance industry sources

"The capacity of the London marine slip is about $750 million to $850 million (per risk)," explains Roy Williams, president of New York-based AIG Oil Rig Inc., which represents 280 U.S. insurance companies. "Then there is another London slip, Sedgwick's, which has about a $500 million capacity. So that's $1.25 billion right there.

"Then throw in the U.S. market at about $250 million and that brings capacity to about $1.5 billion. If you throw in the rest of the world, you could get $2 billion."

Other major oil companies told *Business Insurance* that they have also been able to find coverage for their larger offshore risks by tapping markets that stretch across both continents.

While the London markets—represented by the London Master Drilling Line Slip and Sedgwick Offshore Oil Resources—dominate the offshore oil insurance industry, the United States is narrowing the margin yearly. AFIA Worldwide Insurance in New York announced recently that it would plunge into the market and establish its own rig and platform department, which further expands U.S. capacity.

Also, insurance industry observers say the Scandinavian, French and Japanese insurers are making

Continued on facing page



Mr. Williams

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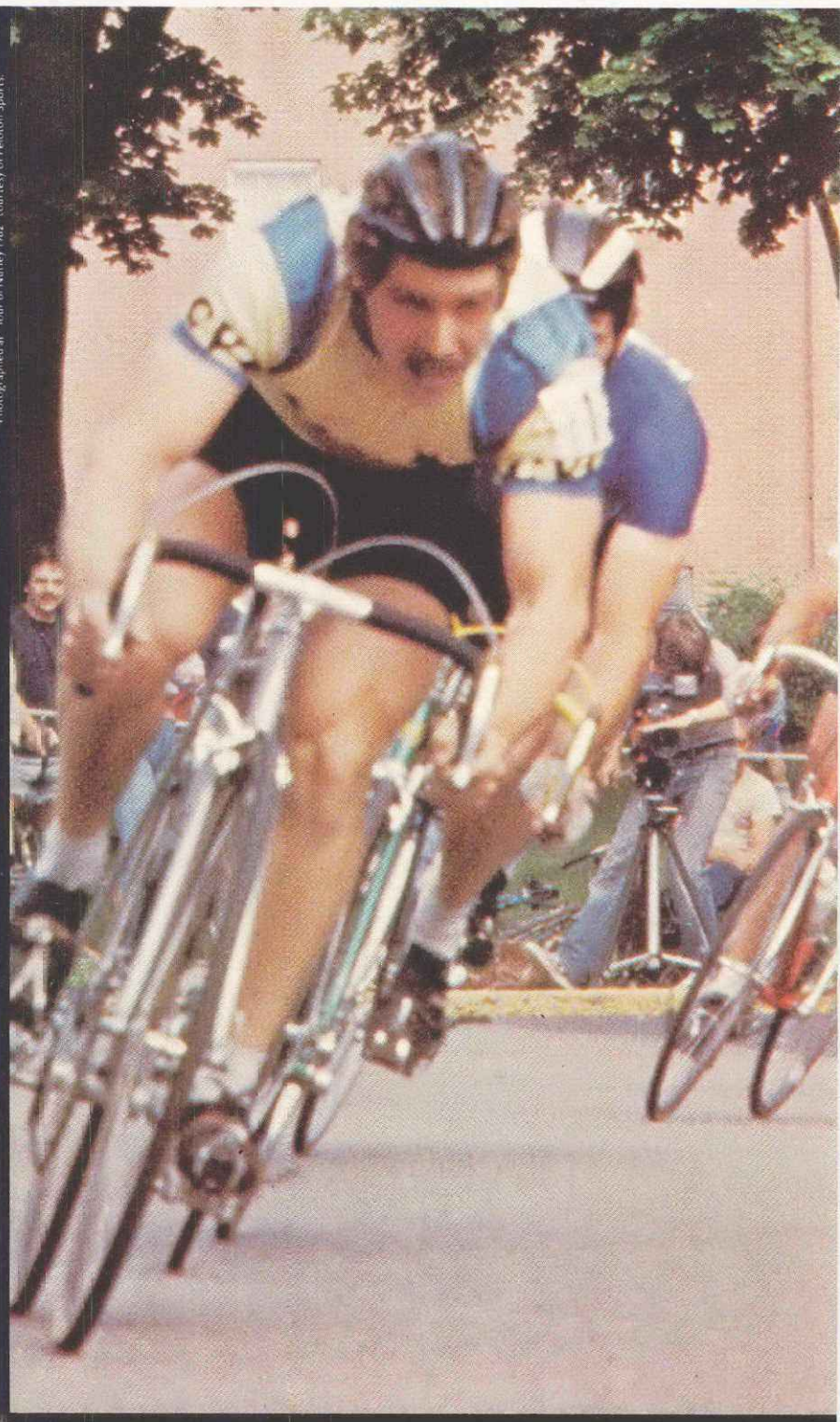
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We designed insurance

Continued from facing page
stronger showings, participating in both direct and reinsurance markets.

"The market has always come through," said Martin Flink, director of insurance for Standard Oil Co. (Indiana) in Chicago. "We have huge exposures, but we seem to have found insurance. The values are going to get higher and higher. So, there will be higher limits and I expect the market will grow to meet that."

Jim Hughes, a risk and financial analyst for Conoco Inc. in Houston, said that although his company has had to scramble to get coverage for their bigger exposures, the coverage has been findable. Most smaller risks are underwritten by the company's Bermuda captive, OIL Ltd.

"For the North Sea platforms, we're looking at the English and Norwegian markets depending on the location of the rig," Mr. Hughes explains. "We only go to the commercial market for the North Sea."

For smaller exposures, many oil companies also turn to captives. And others say they are increasing self-insured retention levels.

While capacity may be available, as a company moves toward the market's saturation point, the rates tend to increase, notes the risk manager for one of the major oil companies.

> "We have huge exposures, but we seem to have found' cover, Mr. Flink says.

"We have seen a slight decrease in overall rates, but it's all tied to capacity," he explains. "When you're trying to stretch coverage over those higher layers, the rates usually go up."

The higher rates are used to attract "reluctant capacity," adds Ed Cave, president of the New York-based All American Marine Slip. Frequently this swing in rates will encourage insurers to participate on several levels of coverage.

Increased participation in reinsurance also has contributed to the worldwide capacity, according to Terry Deeks, president of New York Marine Managers Inc.

"It has affected it tremendously," Mr. Deeks says. "It is going to take a contraction of the reinsurance markets to turn the primary markets around."

While J. William Sherar of Sherar, Cook & Gardner of Metairie, La., agrees that activity in the reinsurance area has expanded primary coverages, he also points out that "one huge catastrophe in the North Sea would obviously tighten the market."

The potential of such a huge loss generally sobers the industry and raises questions about claims payment.

"If the risks remain constant, there will be more than enough competition in the marketplace," says Norman Tucker, underwriter for the American Offshore Insurance Syndicate, which represents about 40 U.S. companies.

But with a major North Sea loss, Mr. Tucker believes that premiums would quickly be absorbed.

For example, about a dozen platform rig operations in the North Sea are valued at approximately $1 billion each.



Mr. Sherar

A North Sea storm strong enough to cause major damage to one of the structures would most probably also damage many of the others, insurers say.

"In the broadest possible terms the total premium volume (collected by insurers) is less than $1 billion," Mr. Tucker says. So the premium dollars would likely fall short of meeting a major North Sea loss.

Whether or not the marketplace could sustain a major loss is of particular concern to the large oil companies that are insuring these huge risks.

"Frankly, some oil companies do worry about the collectibility," said AIG's Mr. Williams. "And they worry about how fast insurers would pay."

John Cook, a vp for Johnson & Higgins in Houston, predicted that in a severe loss, it would take the policyholders a very long time to collect.

"You'd have the markets going round and round to see which reinsurers had taken part of the loss," Mr. Cook said.

Such a loss would put tremendous stresses on the world insurance market, agrees M&M's Mr. Buzbee. "When and if that day comes, would there be the dollars to pay it?"

He doesn't have an answer. ■



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U.S. insurers expected to follow London's lead on lay-up returns

Continued from page 14

slump.

He could not estimate what the cost of such additional lay-up returns would be to the syndicate. "I don't think London knows either," he said. "If the change is made following account renewals, then underwriters will be able to gain control over that cost," he said.

Terry Deeks, president of New York Marine Managers, another major U.S. hull and machinery market, agrees that American insurers will generally follow London on this change in lay-up return provisions.

"Absolutely, yes, we will do it," he said. But he expects to grant the larger lay-up returns retroactive to July 1 on fleets that he leads and not to the beginning of the year as Lloyd's underwriters have decided.

Risk managers with an eye on cash flow also are anxious to speed up recovery of premium dollars payable to their company after a 30-day lay-up. Terms of most blue water hull contracts call for such payments to be made at the end of the policy period.

Underwriters are reluctant to talk about speedier payment of premium returns but privately concede that such arrangements can be negotiated. Some underwriters offer quarterly returns, said one risk manager.

It's a matter of competition, admitted an underwriter.

Another way to accomplish the same end is to renegotiate the contract to reflect the increase in port risks and decrease in navigating risks, says John Buzbee, manager of the marine and energy group and a managing director of Marsh & McLennan Inc. in New York.

"I haven't tried this recently, but it has worked in the past," he said. "Underwriters may or may not agree," he added.

Lay-up returns also are paid by protection and indemnity markets.

"We typically pay them upon termination of the lay-up," reports Thomas McGowan, vp of the Shipowners Claims Bureau, underwriting managers for the American Steamship Owners Mutual Protection & Indemnity Assn. Inc.

"We pay back 77.5% of the premium prorated for the number of days laid up after 30 days out of service if there is no cargo and only a skeleton crew aboard," explained Mr. McGowan. The premium return drops to 32.5% if the ship is laid up with cargo.

"If an owner came to us, we might agree to renegotiate the policy to change some vessels to the port risk rate," he said.

The American Protection & Indemnity Club, which includes 35 shipowner members, is the only active U.S. liability market for oceangoing fleets. About 5 million gross tons are entered in the club, a small fraction of worldwide shipping. Other major P&I clubs are based in Great Britain, Scandinavia and Japan.

American P&I rates range from $1 to $10 per ton based on the individual fleet's five-year loss experience, said Mr. McGowan. Deductibles range from $7,500 to $500,000. The club raised its capacity to $300 million per accident this year up from $200 million in 1981.

"We are trying hard to hold the line on rates due to general economic conditions," said Mr. McGowan. For an owner whose loss experience is unchanged the renewal this year would cost about the same as last year, he estimates. Under such conditions, however, the owner will want a reduction.

Hull and machinery rates this year are a little more likely to rise, but not much, underwriters say.

"We're getting increases if the fleet had poor loss experience," reports John Blackman, president of Mutual Marine Office in New York. When such fleets get an increase, they have to pay it. "It's not like a few years ago, when they could shop around."

The slack is marine hull business has pushed many underwriters into new lines, which in turn is putting more pressure on marine liability, cargo and offshore oil rates.

Mr. Deeks at New York Marine Managers says he is getting small rate increases on good accounts—perhaps 10% on top of 10% a year ago. Competition is keener on United States rather than foreign

Continued on page 18

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U.S. shippers support shifting more cargo liability to them

By STACY SHAPIRO

LONDON—Some marine liability may shift from cargo owners to shipowners if new rules for goods carried by sea are approved internationally.

The Hamburg rules, as the proposed regulations are called, will replace the Hague-Visby rules of 1936 if approved by United Nations countries.

U.S. shippers, represented by the Shippers National Freight Claims Council in New York, are supporting the change, according to its general counsel William Augello.

"Our council is on the verge of urging the U.S. Senate to ratify the Hamburg rules because it ends the archaic liability of steamship owners," he told *Business Insurance*.

Under the Hague-Visby rules, a shipowner is virtually free from of cargo claims, he explained. If there is negligent navigating and the ship goes down, the shipowner does not pay for the loss of the cargo. The cargo owner does.

If a shipowner sails into a hurricane even though the captain knows his or her ship and the cargo may be in danger, and some cargo falls overboard, the shipowner does not pay for the lost cargo, he continued. The cargo owner pays.

Shipowners are responsible for cargo that is lost by theft, he added, but under the present rules, the shipowner only has to pay $500 per container lost. The Hamburg rules, if passed, impose upon shipowners a more potent liability for all cargo that is lost, Mr. Augello notes.

Under the proposed rules, the shipowner must prove that he or she was not negligent when the cargo was lost to avoid paying for lost cargo. The shipowner will not have to pay, however, if the cargo is lost by an act of God, an act of war or anything else that is beyond his control, Mr. Augello pointed out.

"If the Hamburg rules are adopted, cargo owners may also begin paying less on cargo insurance premiums," Mr. Augello adds.

Under present liability systems, cargo owners create huge loss histories by paying and reporting all losses to their insurers, who generally charge higher premiums at renewal. But under the Hamburg rules, cargo owners would be able to recover losses from shipowners and not be forced to report the loss to their insurer, he said. So, cargo coverage rates would likely be reduced.

Passage of the Hamburg rules has been a slow process. The Senate has been considering the bill since last year, Mr. Augello confirmed. But he thinks they will invevitably become law, despite opposition from the U.S. insurance industry.

U.S. insurers are concerned that this shift in liability may hurt business, Mr. Augello claims. So, the insurance industry is lobbying against the Hamburg rules being ratified in the Senate.

"The U.S. insurance industry is opposing it because a change in liability aimed at the shipowners may keep import and export cargo owners from buying insurance in the future," Mr. Augello says. He believes these fears are unfounded because cargo owners will continue to buy insurance to cover non-shipboard transportation risks.

"They are also worried that the insurance premium will shift from the U.S. market to the English protection and indemnity clubs that insure shipowners rather than cargo owners," he said.

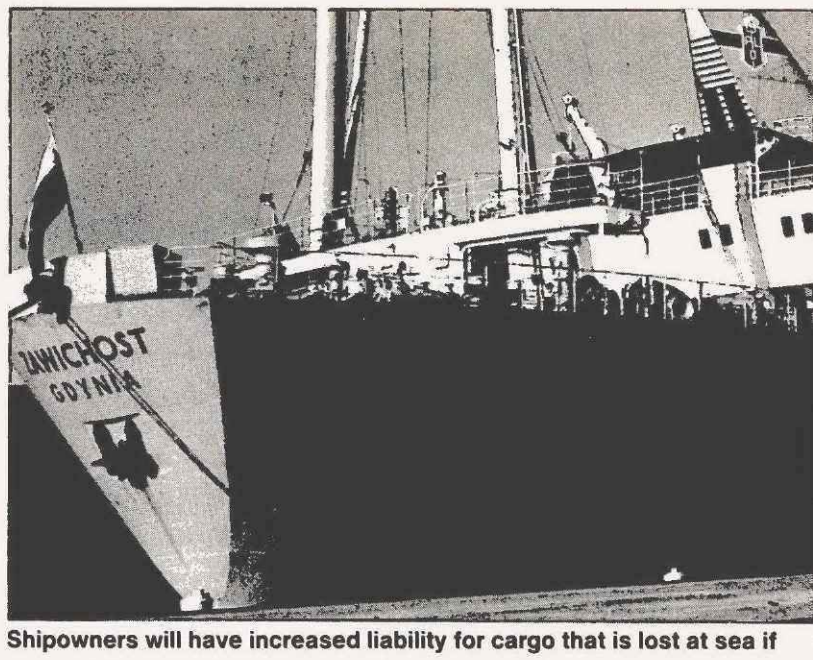
More business may come to London P&I clubs if the Hamburg rules are passed, says Paul Koronka associate for the West of England Shipowners' Insurance Services Ltd. in London. But Mr. Koronka and others in the London insurance market do not believe that the Hamburg rules will become law for a long time, if ever.

"Recently, there was pressure from the Third World countries to alter or strike a new balance of risks between cargo owners and shipowners," Mr. Koronka says So, the United Nations Conference for Trade and Development drew up the Hamburg rules. The Third World Countries then hoped they wouldn't be paying too much insurance for cargo losses.

"But now, the developing countries realize the moving liability to the shipowner is a two-edged sword," said Mr. Koronka.

Third World countries are trying to develop insurance industries and have the capacity for cargo insurance, he explained.

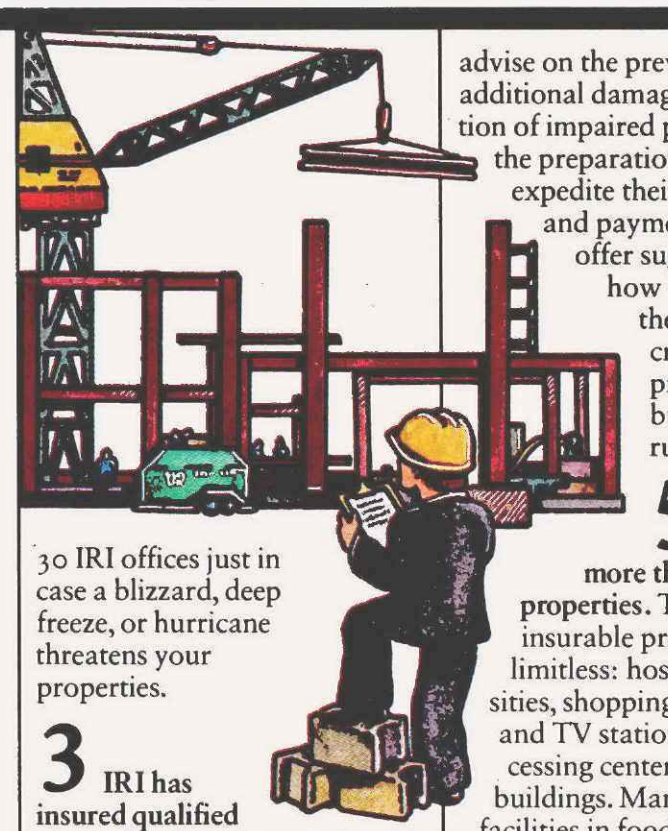
"Third World countries' fleets are also increasing in number," Mr. Kronoka says. "But they have no experience in liability underwritng, so they come to P&I clubs here. If the Hamburg rules move liability to the shipowners, there will not be any cargo coverage for their insurance companies to underwrite." ■



Shipowners will have increased liability for cargo that is lost at sea if

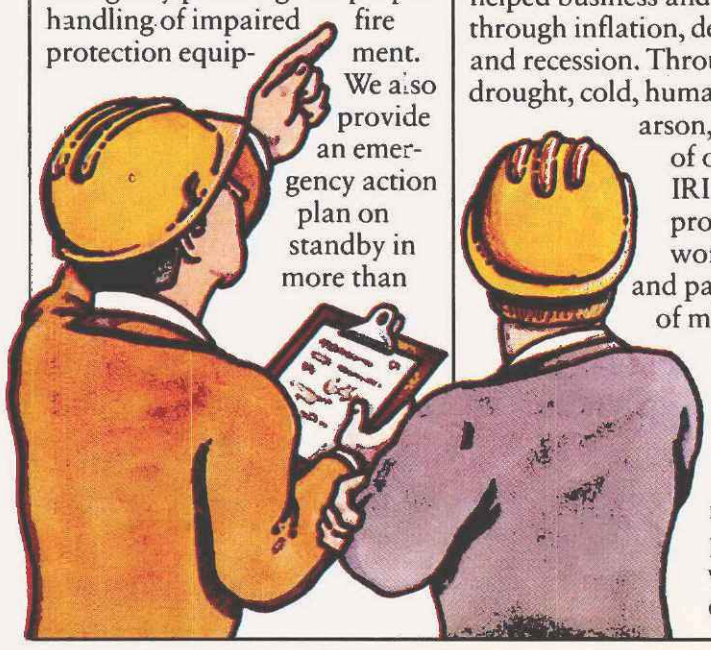
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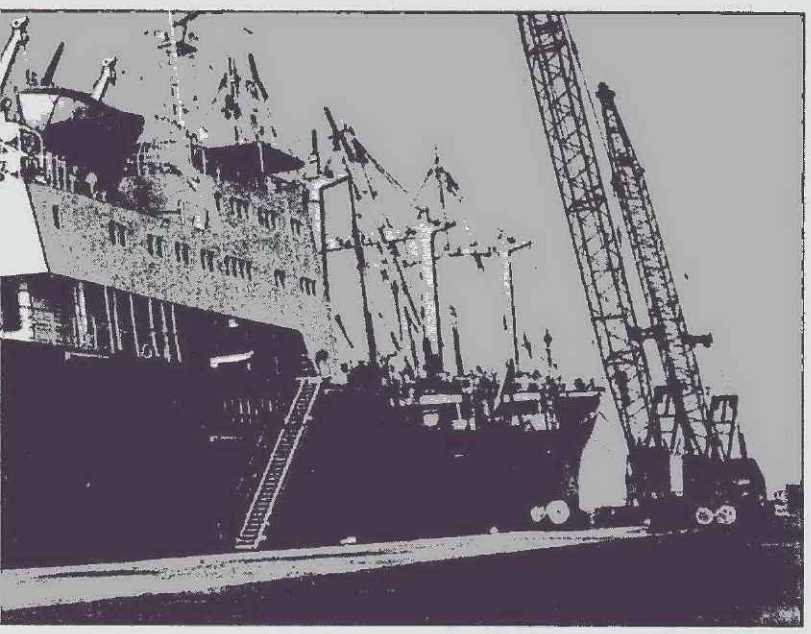
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the proposed Hamburg rules are approved by U.N. members.

Volatile war risk market keeps buyers tuned into daily changes

By STACY SHAPIRO

LONDON—The topsy-turvy world of war risk insurance is especially capturing the interest of oil company executives, shipowners and charterers around the globe.

The fighting between Iran and Iraq has forced cargo war risk insurers to charge high-test premium rates for ships picking up crude oil at Kharg Island in the Persian Gulf, Iran's main oil terminal. The higher the rate, the higher the cost of oil.

"The whole situation is extremely volatile," sums up Malcolm Rumsey, chairman of the Lloyd's of London Underwriters' Assn.

Late last month, a Lloyd's committee had boosted the price of cargo war risk coverage for ships traveling to and from Kharg Island to a minimum of $3 for every $100 of insured value and the price of hull coverage to $5 per $100 of insured value.

Despite the high rates, shipowners, charterers and oil company risk managers had to scurry about Lloyd's to find coverage (*BI*, Sept. 6).

The underwriters had hiked their rates for good reason. Two vessels have been shelled and sunk near Kharg Island in the last two months, and the fighting between Iran and Iraq continues to escalate.

But that's the nature of war risk insurance. Rates can change hourly as conflicts around the world spread and contract. And once a buyer purchases coverage, the quoted rate is only guaranteed for seven days, underwriters say.

"War risk rates are affected by occurrence, not so much by loss," said a Lloyd's marine insurance broker.

Underwriters say that if the fighting ends, they could lower the hull and cargo war risk rate for ships traveling to Kharg Island to that charged in most of the Middle East, 25 cents per $100 of value. But, if the war continues, they say rates could zoom even higher.

Lloyd's and and other London underwriters, which write the vast majority of the world's war risk coverage, are not immune from competition, even in a war zone. For example, news reports from Iran say insurers there are offering to write war risk insurance at a rate of $1 per $100 in value to tankers headed toward Kharg Island.

And insurers in the highly competitive U.S. market are still offering cargo war risk insurance for ships heading for Kharg Island at the rock-bottom rate of 3 cents per $100 of value, said Lloyd's underwriter Ivor Gibson, chairman of the Joint Cargo Committee, the body that sets minimum cargo rates. However, underwriters are mostly free to charge any rate above that minimum.

"It is extrordinary that the U.S. rates are still 0.03%," said Mr. Gibson. "We reinsure in the American market at 4.03% and laugh."

But many Lloyd's war risk underwriters are not laughing following huge claims already incurred from the fighting between Iran and Iraq.

So far, the war risk market is faced with $200 million in claims for 72 vessels that have been trapped in the Shatt-al-Arab waterway, a river that separates Iran and Iraq, since the fighting between the two nations broke out in September 1980 (*BI*, Sept. 14, 1981).

Lloyd's has so far paid out $34.9 million in direct insurance for the claims, said Mr. Rumsey. But, Lloyd's underwriters will ultimately pay the full $200 million since they reinsure almost all the primary war risk coverage that they do not write themselves.

Lloyd's underwriters are also filing claims with their reinsurers for the losses, but in return, reinsurers are raising their rates up to 50% on renewal as a penalty for the losses. "Everyone is making recoveries in reinsurance renewals now for the loss," said one Lloyd's underriter.

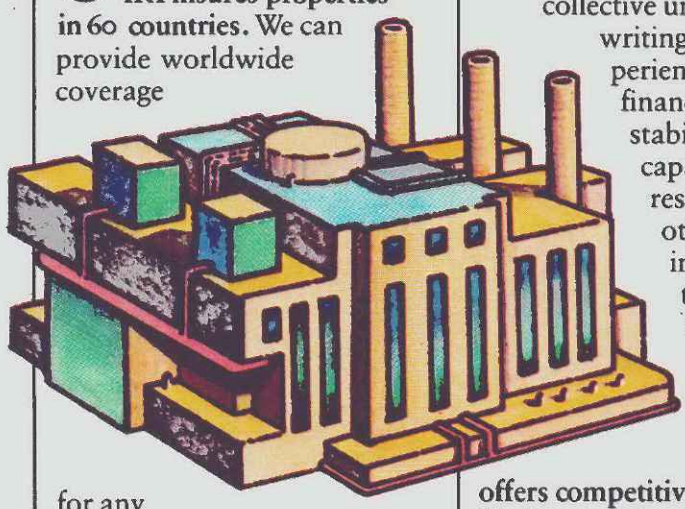
Some underwriters think increased reinsurance rates may prompt underwriters to increase war risk premium rates for shipowners and charterers alike.

"If the loss was on the underwriter's excess-of-loss reinsur-

Continued on page 22

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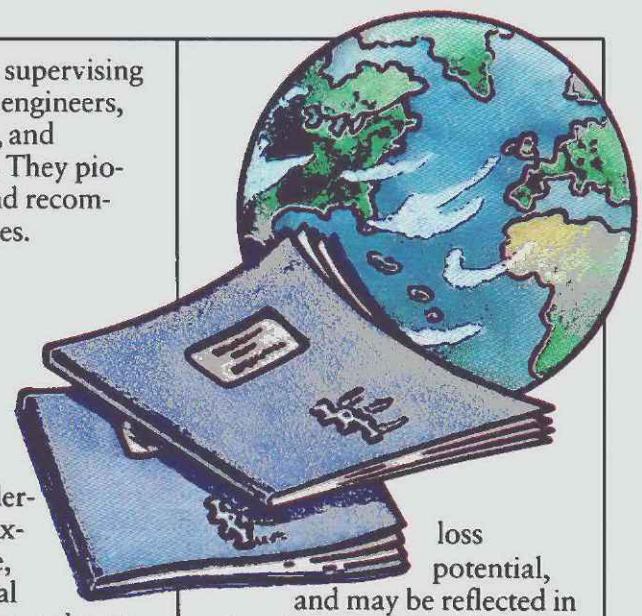


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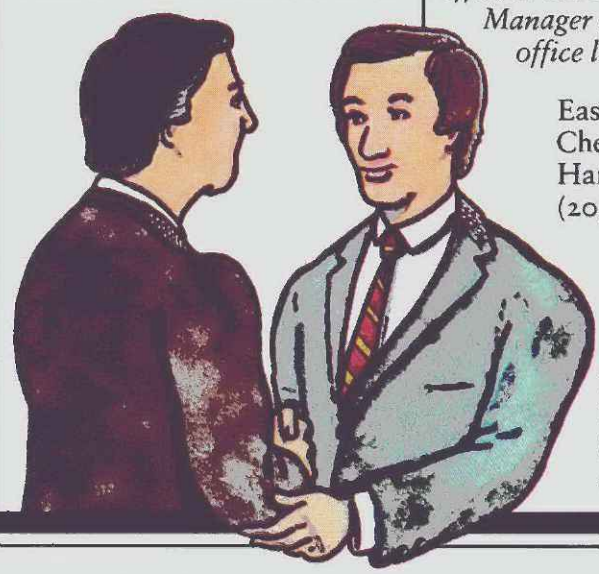
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War risk insurers already stung by claims from Mideast fighting

Continued from page 21

ance, he will pay big increases in reinsurance premiums at the end of the year," said Mr. Rumsey. "The direct war risk underwriters will then be caught with paying an increased premium to reinsurers which squeezes margins of underwriting."

But if war risk underwriters charge the relatively high rate $3 to $5 per $100 of value for ships heading to Kharg Island and there are no additional losses, they will recover a portion of the losses paid for the ships trapped in the Shatt-al-Arab.

"If the vessels do not sink at Kharg, there is substantial income from that," said Mr. Rumsey.

> 'With hindsight, war risk insurance rates would have been a lot, lot higher' for ships sailing with the British naval task force to the Falkland Islands, Mr. Rumsey said.

Minimum war risk rates, however, are not usually determined by the amount of losses underwriters have suffered. They are usually determined by the level of political turmoil.

Sometimes Lloyd's war risk rates act like a barometer of world conflicts. For example, the war risk rate for most of the Persian Gulf region increased a few years ago from 2.5 cents to 25 cents per $100 of value as tensions in the area flared.

The war risk insurance barometer shot upward earlier this year when Argentina invaded the Falkland Islands. Lloyd's refused to write war risk coverage for ships heading toward the Falklands or Argentina, except for those vessels requisitioned to serve in the British naval task force that sailed to the Falklands.

Mr. Rumsey said that if underwriters would have known how great a danger those ships were in, they would have charged a much higher hull war risk rate, although the exact rate that was charged is not known.

"With hindsight, war risk insurance rates would have been a lot, lot higher," he said.

Although many of the requisitioned vessels, including the liners Queen Elizabeth 2 and Canberra, ventured near heavy fighting, there were no claims on the hull war risk policies taken out for the ships, said Mr. Rumsey.

One ship, the Atlantic Conveyor, owned by Cunard Lines Ltd., was sunk during the battle, but it was insured by the British government, he said.

The Falklands crisis however, may have set insurance precedent: The QE2 was the first ship ever covered for loss of profits due to requisitioning by a government (*BI*, May 10).

But the Falklands crisis, like many other conflicts around the world, held minimal risk for shipowners compared with the risk posed to oil tankers traveling in the Persian Gulf.

"The Persian Gulf area is an enormous risk," explained Mr. Rumsey.

In light of such dangers, the current hull war risk insurance clauses should be reworded, Mr. Gibson said. The clauses—which are scheduled to be revised soon by the Joint Hull & Cargo Committee along with other hull clauses—can lead to "cheating" by shipowners and charterers, he said.

The current wording, drafted in 1970, says that if shipowners travel into an area of the world that is not covered under the policy, the ship is still insured, although the underwriter may charge any premium he desires. However, the insurer must be aware that the ship is in sailing in a high-risk zone to assess the surcharge, Mr. Gibson said. And, the wording requires the underwriter to pay a claim, even if the ship is sunk in a high-risk area.

"If they do not get caught, they're cheating," he said.

Mr. Gibson said he would like to see the wording that existed in the war risk clause before 1970 restored. The clause then stated that if a ship sailed into a high-risk area without informing the underwriter, the vessel was not insured.

"If you hinted that we should go back to the original wording, it would help the market," Mr. Gibson said. ■

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U.S. slow to accept new London cargo policy

By BILL DENSMORE

NEW YORK—The London market's new uniform marine cargo insurance policy is foundering in the United States where underwriters and brokers are sticking to their own designs.

The Americans say the new five-clause policy, devised by a committee of the Institute of London Marine Underwriters, in most cases covers fewer and less-broad risks than their own manuscript policies or those offered by the American Institute of Marine Underwriters (*BI*, Dec. 14, 1981).

In addition, a spokesman for the Washington-based National Assn. of Insurance Brokers says the language in the London marine policy is too new to have been tested by repeated court challenges. Thus, he says, the policy is subject to varying interpretations.

An analysis of the new form by Alexander & Alexander Services Inc. also found questions about whether the new policy would provide coverage in cases of theft or piracy, damage to cargo due to shifting in holds during heavy seas or when a cargo carrier became insolvent, says Peter J. Fogarty, vp and manager of A&A's New York cargo department.

Also, Mr. Fogarty adds, the London clauses are governed by British law, a provision which he says most U.S. insurers find unacceptable.

The clearest opposition to use of the London forms came in a June 4 statement issued jointly by the NAIB and AIMU, which says it represents about 90% of U.S. marine underwriting capacity. Use of the London clauses "may not be in the best interests of cargo insurance policyholders," the statement says.

> 'The introduction of new wording could render customary interpretations and legal precedents inoperable, requiring years of new legal activity,' says Johnson & Higgins' Mr. Welles.

AIMU President Thomas A. Fain said in the statement there are "important differences" between the coverage granted in the new clauses and that generally available under existing ones. But, Mr. Fain did not describe in specific terms the differences between the old and new London clauses and their American counterparts.

"The introduction of new wording," says David W. Welles, a vp of the cargo marine department at broker Johnson & Higgins in New York, "could render customary interpretations and legal precedents inoperable, requiring years of new legal activity and delaying prompt resolution of claims."

"Most of us feel. . .that the London clauses are more restrictive than ours," says George A. Jones, senior vp of the marine department at The Atlantic Cos. of New York, a large cargo marine insurer.

Several brokers and insurers also told *Business Insurance* that the competitive cycle in the marine market generally forces London and Lloyd's insurers to be receptive to any good risk, no matter what form it is presented on.

"The cargo markets remain very competitive and I think the London sources are inclined to accept any form," says John F. Marshall Jr., executive vp of Adams & Porter Associates Inc. of Houston, a large regional marine broker.

Major brokers often prepare their own clauses and manuscript policies for large cargo shippers purchasing insurance, says Carter L. Munsie, manager of the cargo department at Royal Insurance Cos. in New York. "We've got our own forms we're perfectly happy with, too. Everybody has their own policy (in the United States)."

"I don't think you'll find anybody using the London form in the United States," agrees a cargo underwriter with Fireman's Fund Insurance Cos.' San Francisco office. "We use our own."

Other U.S. brokers and insurers are a bit more receptive.

"We stand ready to (use the London clauses)," says David C. Beebe Jr., manager of the cargo department at Chubb & Son Inc. "We've had no requests. No brokers have requested it."

Mr. Beebe says the London policy provisions spell out exclusions more clearly than U.S. equivalents.

"I think it was a very interesting stand by their forms and clauses institute, but they didn't consider how they were going to sell it," adds Mr. Beebe. "They did a very fine job from an underwriting point of view."

Marine brokers suggest that that the London policy clauses will come into play in the U.S. market when shippers are required under the terms of a contract of sale or a letter of credit to provide cargo insurance with the London wording. Such agreements are most likely to involve shipments to Third World countries that are backed by a British bank.

"In those cases, U.S. underwriters almost unanimously agree to use the London clauses," says Thomas J. Sklens, senior vp and manager of the cargo department at Fred S. James & Co. of New York Inc. "American underwriters will accept the new British clauses if they feel a genuine reason to do so."

Likewise, adds Mr. Sklens, London underwriters willingly agree to accept American clauses, "and we've heard nothing about them not doing so in the future."

"We will consider any insuring conditions," says James H. Whichard, resident marine vp of the New York branch office of INA Corp., a CIGNA Corp. subsidiary and one of the largest ocean cargo marine underwriters. But, he added that INA maintains its own open cargo form and generally amends that when necessary.

Domestic underwriters at the American International Marine Agency of New York Inc., a subsidiary of American International Group Inc., also try to remain flexible and follow AIMU clauses, according to to an AIG spokeswoman in New York. However, AIG's overseas underwriting arm, American International Underwriters, in most cases uses London-style clauses, she adds. ■

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BI-9-13

Maritime fraud costs industry $1 billion a year

By STACY SHAPIRO

LONDON—Bluebeard the Pirate may be dead, but maritime fraud still reigns on the open sea.

Every day, ships are in danger of being scuttled or stolen. Cargo may be swiped or diverted to different ports. Documents may be forged to cover up losses.

These losses—which have been steadily increasing over the last few years—are estimated to cost more than $1 billion annually, says Eric Ellen, director of the International Maritime Bureau.

But the total cost of maritime fraud and piracy is unknown because many fraudulent acts go unreported, Mr. Ellen says. And some acts that cause a loss are not necessarily fraudulent.

"So many cases are on the borderline between unsavory practice and fraud," he explains.

Cargo theft has taken a new meaning since the 1970s. Today, cargo isn't just being pilfered in port by crews and longshoremen. It is being diverted en route and whole shipments can disappear, Mr. Ellen says.

That is what happened several years ago with the Salem, a ship whose cargo of crude oil was diverted by its crew from its destination in Western Europe to South Africa. The Salem was scuttled by its crew after the crude oil was delivered to South Africa under a different name for the ship. Shell Oil Co. is still trying to recoup or retrieve its multimillion-dollar loss.

Other cargo losses are not as sensational, although they can be costly. Such losses can involve "cargo" that doesn't really exist, is of inferior quality or of less quantity than expected. Sometimes, the same cargo may also be sold to two or more parties.

Frequently, fraudulent acts are not insurable under maritime cargo and hull insurance clauses, Mr. Ellen says. For example, Shell is taking Lloyd's of London to the highest court in Britain—the House of Lords—to collect insurance for the Salem loss.

Both Shell and Lloyd's want to know if the insurance term "takings at sea" in the old marine insurance cargo clauses means fraud committed by crew members.

Another area of maritime fraud involves charterers who may defraud the shipowner, the cargo owner or both, Mr. Ellen says.

"From an insurance viewpoint, this can lead to substantial claims for cargo abandoned en route by the shipowner," he said.

Shipowners, for instance, do not always get paid by charterers, said Mr. Ellen, sometimes because the charterer has gone bankrupt—a frequent occurrence in the unstable world economy. And sometimes a charterer is just a plain old crook.

"For example, a charterer hires a ship for six months," said Mr. Ellen. "He or she agrees to pay six equal installments of hire to the shipowner." In the meantime, a cargo buyer has paid the charterer for the shipment of his cargo.

"So the charterer pays the first installment to the shipowner in 15 days and loads the cargo. The ships sails, but the charterer does not pay the second installment," Mr. Ellen continues.

When the charterer is confronted for the outstanding payments, he turns over the ship to its owner and abandons the cargo. The cargo owner then may have to pay the shipowner another shipping payment to deliver the goods —essentially paying twice for one shipment. Meanwhile, the charterer has pocketed the first shipping payment.

"One Greek charterer made $83 million in three or four years doing that," he said. "He's in jail, but he has done well."

Mr. Ellen, a police constable in the London dockyards for 29 years, set up the International Maritime Bureau last year to investigate

Continued on page 28

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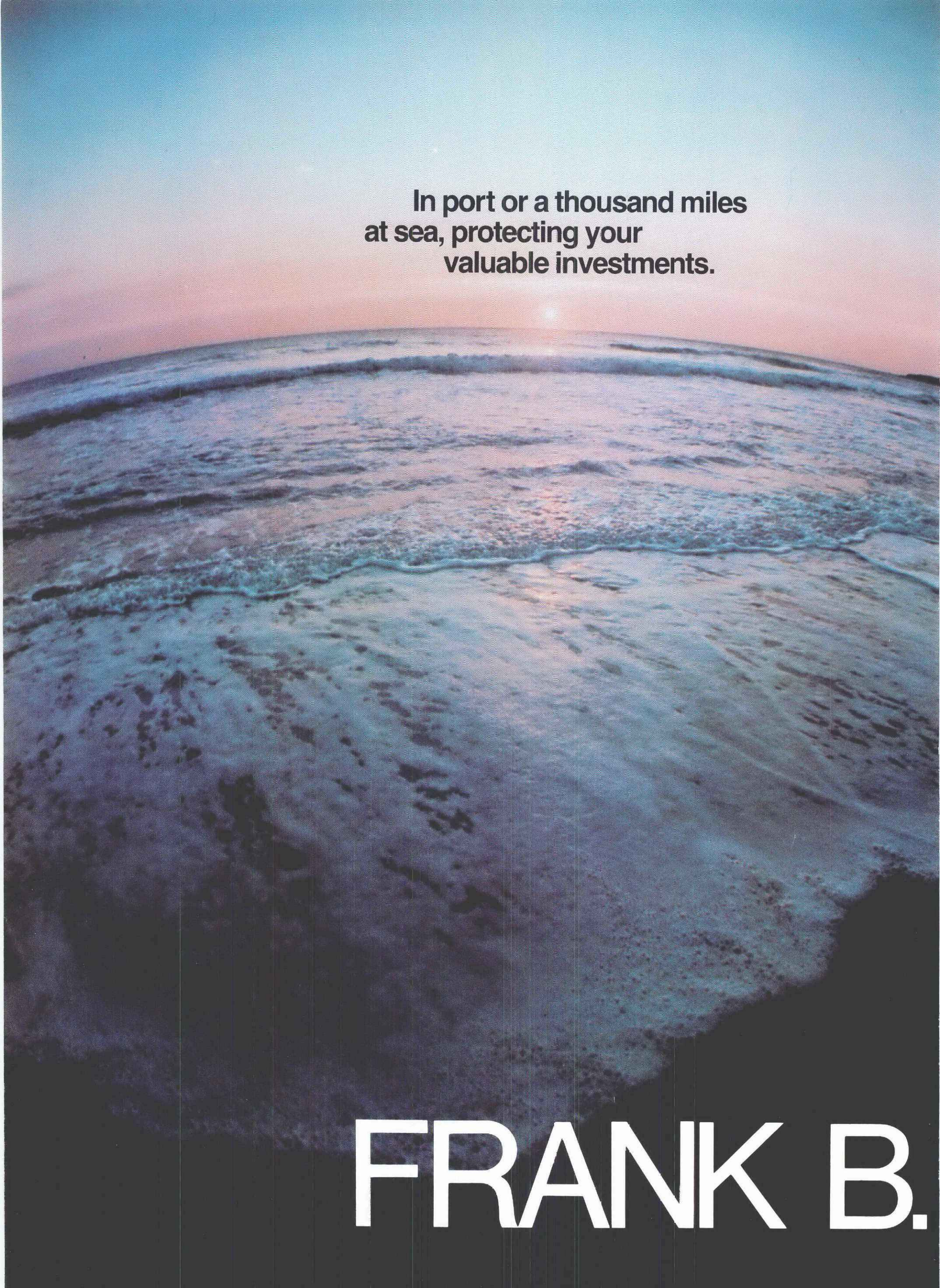
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Modern-day pirates operate on high seas

Continued from page 25

maritime fraud, which plagues shipowners, insurers and others involved in marine shipping.

"The bureau was set up because there was an identifiable gap in communications on maritime fraud. Fraud was rapidly increasing but the police were not relating directly to the problem," he says.

Mr. Ellen went to the United Nations with the idea of setting up an international maritime policing network, like Interpol in Paris. When the U.N. turned him down, the International Chamber of Commerce in Paris backed the present maritime bureau.

The United Nation's maritime agency now supports Mr. Ellen's information-collecting bureau. The bureau cannot arrest anyone, but it provides information to its 100 member-companies about possible fraud around the world.

So far, the IMB's investigations have put at least two people behind bars for maritime fraud. In November, a man was jailed in New York after he supposedly chartered ships that carried Chinese government cargo worth $5 million. The cargo never arrived, Mr. Ellen said.

Just in the last month, the bureau's 14 staff members have investigated 15 potential frauds including four suspected ship scuttlings.

Although the IMB and other agencies can investigate suspected cases of maritime fraud, Mr. Ellen says shipowners, charterers and others can prevent losses by:

- "Knowing the people with whom you are dealing, their background and reputation." This is of primary importance because so many companies are involved in marine shipping these days.

Each maritime transaction can go through many hands—the cargo buyer or seller, shipowner, charterer, ship's master and crew, insurer, banker, ship broker or agent. The bureau carries information about all kinds of companies in its data bank, Mr. Ellen says.

- Making it more difficult to forge documents. "It makes no sense that you can pick up a bill of lading of a company in any office here, fill it out and return it," said Mr. Ellen. All documents should be kept in secure areas so that they cannot be picked up by anyone off the street.

The International Maritime Bureau is looking at changes that would make it more difficult to use bogus documents in crime, said Mr. Ellen. In the future, IMB bills of lading may be used by shippers, offering more security to cargo shipments, he says.

- Making sure terms of the shipment are understood by all parties.
- Insisting upon pre-inspection of cargo by an independent inspector.
- Making sure cargo buyers attempt to find out if the ship is being chartered and find out who the charterer and owner are before the ship sets sail.
- Securing freight or hull insurance through a reputable organization under a known policy.

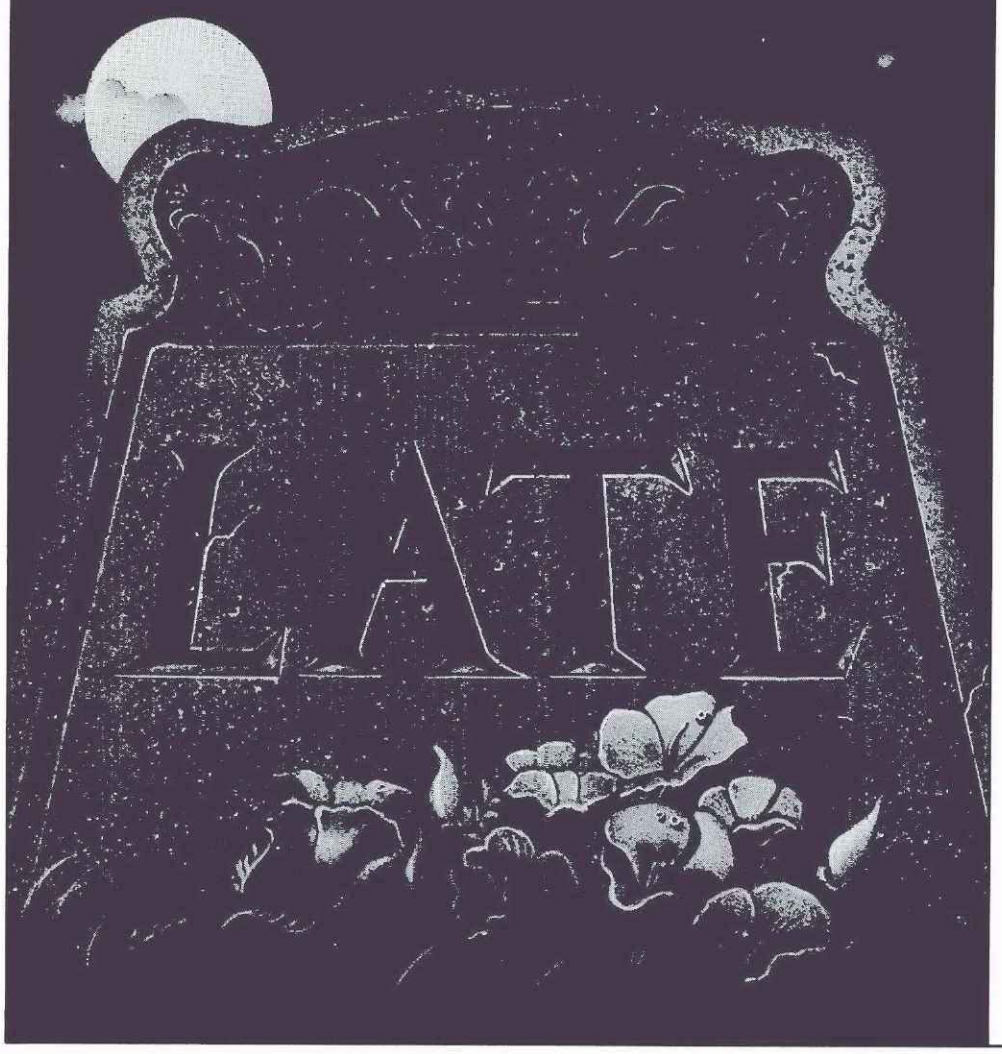
The International Maritime Bureau provides a data-bank service that indicates those people previously involved in and convicted of maritime fraud. Its staff includes a maritime attorney and a former police officer, as well as ship captains.

Multinational organizations that wish to join the maritime bureau must pay an annual membership fee of 2,500 pounds (approximately $4,375). The annual fee for national and smaller organizations is 600 pounds ($1,050).

Organizations interested in joining the International Mari & time Bureau should con com- Mr. Ellen at Maritim Linton Road, Bar the tug com- 1G11 8HG Engla failing to suc- 3000; telex Amoco Cadiz IMBLDNG.

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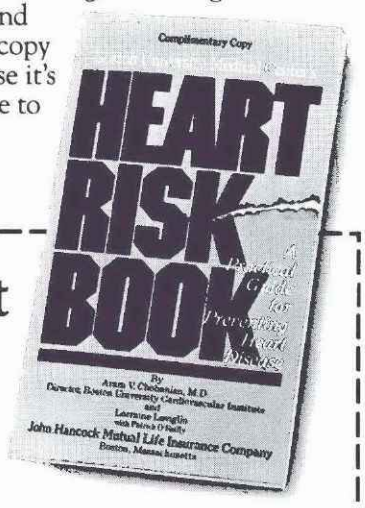
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French pressing claims for Amoco Cadiz spill

By BILL DENSMORE

CHICAGO—The oil slick off the coast of France caused by the 1978 wreck of the Amoco Cadiz supertanker may have disappeared, but its impact continues to spread.

Although French claimants are seeking approximately $2 billion in damages and clean-up costs resulting from pollution of French beaches, it's not just the size of the lawsuits that is drawing the attention of international insurance and liability experts.

The trial of these claims, which resumed in Chicago last week, could open the door to more international pollution claims against U.S. companies, attorneys say.

Because Royal Dutch-Shell Group owned the oil that was aboard the Amoco Cadiz when it broke apart, the case pits two giant oil companies against one another, mainly through subsidiaries.

The case also involves conventional lawsuits filed against Standard Oil Co. (Indiana), which is commonly referred to as Amoco, and several subsidiaries by the French government and by a group of 76 French coastal towns and 26 private French claimants referred to collectively as the "Cotes du Nord Parties."

The complicated and controversial case before U.S. District Judge Frank J. Garr is expected to end in about six weeks. At that time, Judge Garr, who under admiralty law has heard the case without a jury, must decide whether any of at least four parties to the suit should be blamed for the pollution of about 200 miles of vacation beaches in Brittany by the 223,000 tons of crude oil that were spilled.

The parties that could end up bearing liability for the accident are Chicago-based Standard of Indiana and two of its affiliates that owned and operated the supertanker; the Republic of France; a West German-based tugboat operator that attempted to save the Amoco Cadiz; and a Spanish shipbuilder that constructed the ship and three similar tankers.

Judge Garr must also decide how to apportion millions of dollars in insurance provided to Standard of Indiana by a London-based protection and indemnity club and other coverage provided to two subsidiaries of Royal Dutch-Shell Group by its Bermuda-based captive.

The anwers will not come easily. Coverage issues are linked to diificult questions of international law, liability and ownership.

For example, it is clear that the coverage for liability arising from the loss of the Amoco Cadiz is provided by the London Steam-Ship Owners' Mutual Insurance Assn. Ltd., managed by A. Bilbrough & Co. Ltd., for an undisclosed limit, insurance sources say. The 1,095-vessel, which one Amoco company sold to another for $27.8 million, was declared a total loss after the 1978 wreck.

However, it is not clear whom Steam-Ship Owners' Mutual actually indemnifies in the vessel's owner, Transport Co. of Li- the parent com- of Indiana.

Officials of the Standard of Indiana conglomerate, called "the Amoco parties" in court documents, will not say whom they think is covered, but the issue is not a simple matter of apportionment of costs within a corporation. Amoco contends that parent Standard of Indiana can't be sued in the 1978 disaster as a matter of law.

Shell subsidiaries, which were the owners and the ultimate recipients of the 58 million gallons of Arabian and Iranian light crude oil lost when the supertanker grounded on rocks off the coast of Brittany, are opposing that point of view.

Shell is being represented by its Bermuda-based captive insurer, Petroleum Insurance Ltd., which has already paid a $22.9 million claim, representing the loss of the oil, to Shell Nederland Raffinaderij N.V. and Shell U.K. Oil.

"It's a real big case," says Chicago attorney John J. Kennelly, who represents a group of French hotel and resort owners seeking damages from the Amoco companies and others. "I call it, just for the fun of it, the admiralty case of the century."

"That's a lot of garbage," counters T. Barry Kingham of the New York law firm of Curtis, Mallet-Prevost, Colt & Mosle, which also represents a group of French plaintiffs. "This is a big case because of the dollar amounts involved.

"However, this could open up U.S.-based ship owners to liability in U.S. courts for damage claims brought by foreign claimants for foreign pollution," adds Mr. Kingham.

Petroleum Insurance Ltd. is opposing a bid by Amoco Transport Co., the Liberian company in whose name the Amoco Cadiz was registered, for "exoneration from or limitation of liability" under a little-used section of U.S. admiralty law.

The 1851 law, Title 46, Section

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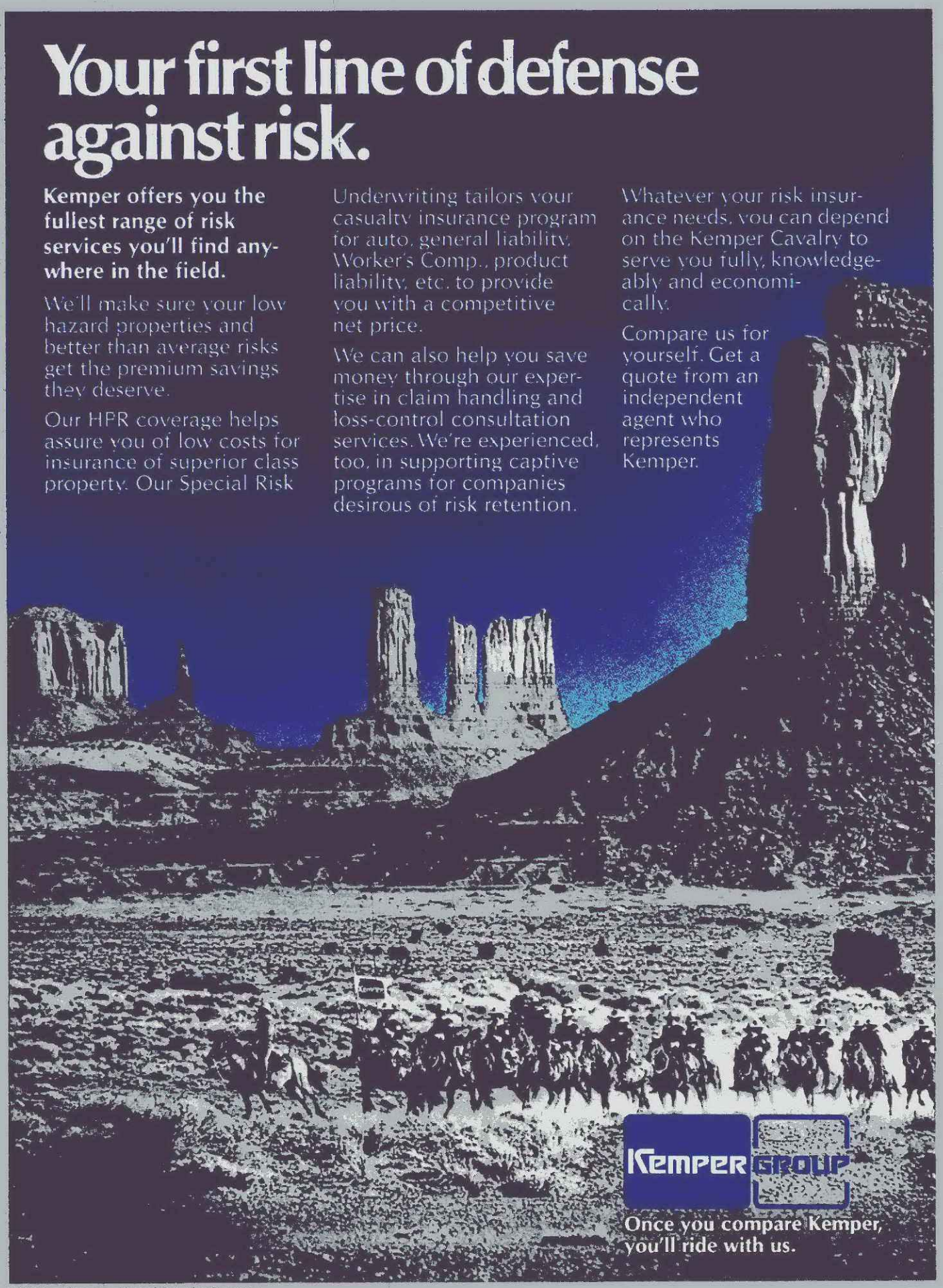
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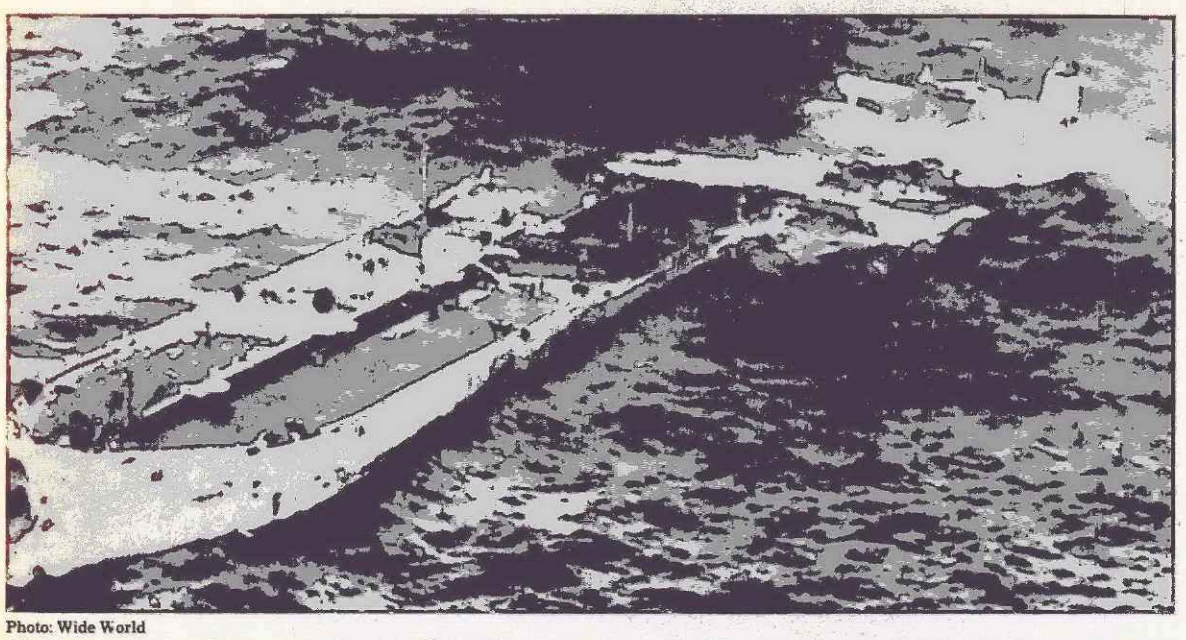


Photo: Wide World

Claimants are seeking approximately $2 billion in damages for the pollution caused by the Amoco Cadiz.

Amoco Cadiz trial could establish marine precedents

Continued from previous page

183, specifies that an owner of any foreign- or American-registered vessel, when sued in the United States, shall not be liable for any amount exceeding "the amount or value of the interest of such owner in such vessel, and her freight then pending." The statute also says that liability limit is absolute unless the loss was caused by an act within "the privity or knowledge" of the vessel's owner.

The statute, according to Standard of Indiana lawyers, says that its related companies can only be held liable for the multimillion dollar pollution damages if they knew or should have known the Amoco Cadiz was unseaworthy before the tanker's steering gear failed in heavy seas.

The West German tug owner, Bugsier Reederei und Bergungs A.G., like Amoco, is also using the U.S. statute to seek exoneration from liability.

Amoco's lawyers say the salvage value of the Amoco Cadiz is essentially nothing, and the value of her freight then pending is a "trivial" amount so their liability for the spill, absent any proof of the owner's negligence, is next to nothing.

"In order to break that limitation, you've got to prove the owner, in its office in Chicago, is guilty of fault or negligence," says Derek B. Ockenden, vp and manager of PIL, the Shell captive.

Mr. Ockenden says that if PIL and the French plaintiffs succeed in their bid to hold Amoco negligent, "it will open up a wide area (of liability) on the pollution side" for tanker operators.

"It all hinges on whether the ship was seaworthy," he says.

Shell's subsidiary is claiming that the Amoco Cadiz was definitely unseaworthy. In legal documents filed before the start of the trial, PIL presents what it describes as a history of problems with the Amoco Cadiz's steering gear, including a sticking rudder, dating from her May 11, 1974, delivery to an Amoco affiliate by her builder, Astilleros Espanoles S.A. of Cadiz, Spain.

"Amoco Cadiz was hopelessly unseaworthy as she sailed to her doom on March 16, 1978, her owner gambling that her steering gear would hold together for a few more months until her charter (to Shell) expired," argues Shell's insurer in a memorandum prepared by PIL's attorney, Joseph C. Smith of Burlingham Underwood & Lord. The PIL papers say Amoco stood to lose $26,000 for each day the Amoco Cadiz was unable to fulfill her charter commitments because of repairs.

Using ship's logs, maintenance records and the depositions of numerous witnesses including members of the tanker's 40-member crew, PIL and France attempt to show that executives in Chicago at Amoco International Oil Co., a Delaware-registered, wholly owned subsidiary of Standard of Indiana, were aware of problems with the Amoco Cadiz's steering gear and that of its three sister supertankers almost from their first sea trials.

Amoco denies any knowledge sufficient to make them liable and also argues that the problems—scratching or scoring of the hydraulic cylinders that move the 50-ton rudder and hydraulic oil leaks—were not related to the ultimate failure of a pipe flange early in the day of the wreck.

"These isolated instances were in no way causally related to the steering gear failure, nor is the plaintiffs' hindsight emphasis on these matters evidence of fault," says a pre-trial memorandum filed by attorney Frank Cicero of the Chicago law firm of Kirkland Ellis on behalf of the Amoco panies.

Amoco also claims pany is to blame for cessfully tow the

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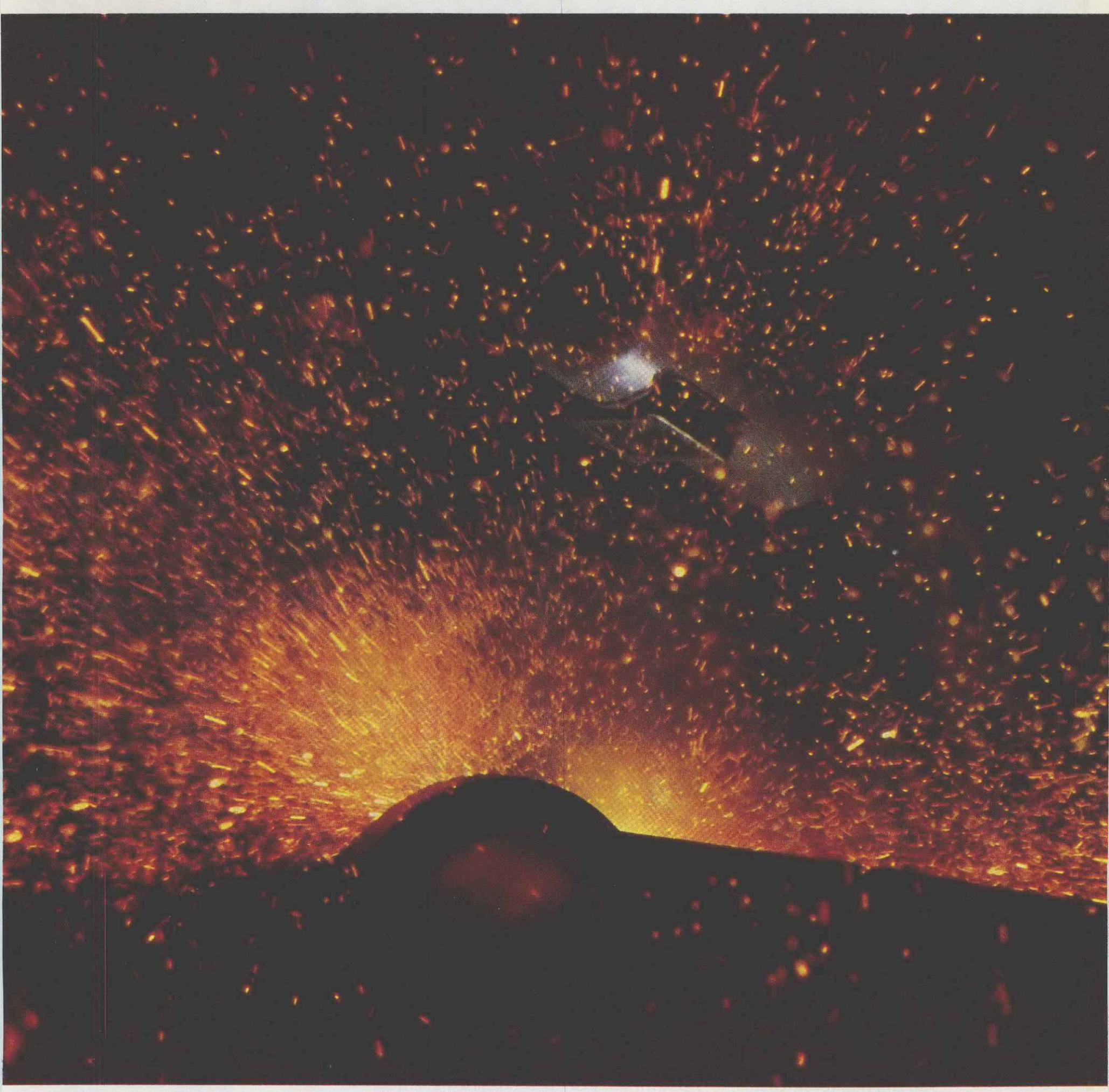
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Amoco says treaty absolves it of liability

Continued from page 30
away from shore after the tanker's steering gear jammed.

A second major liability issue involves a French-inspired multilateral international treaty on oil pollution liability that was signed by the United States but never ratified by the Senate.

Amoco argues that the International Convention on Civil Liability for Oil Pollution Damage, signed in 1975 by France, establishes who can be sued to recover for oil pollution damage in the territorial waters of the signators. The treaty's aim, says Amoco, was to avoid duplicate and inconsistent lawsuits following international pollution incidents.

"To achieve this goal, the CCL requires the registered owner to have proof of financial responsibility, and imposes a form of strict liability on the registered owner of a ship while barring the filing of pollution claims against anyone else that is related to the ship," says Amoco's brief.

Neither the parent company nor subsidiary Amoco International Oil Co. may be sued by the French plaintiffs under that treaty, Amoco says, "because these parties were not the registered owner of the Amoco Cadiz."

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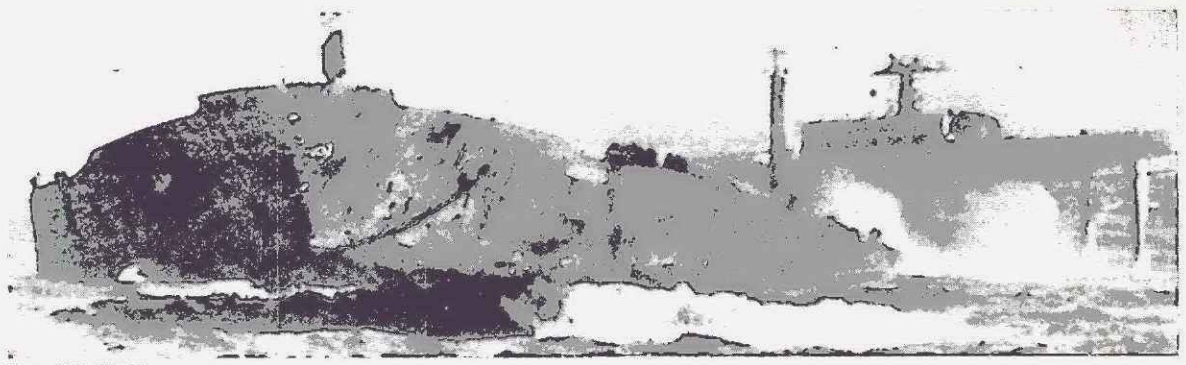


Photo: Wide World

The steering mechanism of the Amoco Cadiz failed, causing the accident off the French coast.

Amoco says the treaty specifically forbids any suits against the agents or servants of an owner such as as the parent and affiliate Amoco International. Amoco says Standard Oil acted only as a contracted "agent" of Amoco Transport Co.

Under the CCL, Amoco Transport established a $16.8 million fund with the Tribunal of Commerce of Brest, France, a month after the disaster, which the Amoco parties allege is available to pay French claims. It says neither France nor Cotes du Nord have filed a claim with the fund but have instead filed a U.S. suit "acting in defiance of the CCL."

Claimants are trying to overcome this problem by attempting to prove that the Chicago-based companies effectively acted as the owners of the Amoco Cadiz.

Claimants argue that the day-to-day operations of Standard of Indiana's affiliated tanker fleet were managed by executives in Chicago who held titles with both affiliates, as well as the parent, and that Standard executives referred to Amoco International Oil Co. as "our marine department."

The claimants argue that the U.S. courts are not bound by the treaty because the agreement was never ratified by the Senate and thus is not considered a part of U.S. law.

Amoco attorneys counter by claiming that France, Cotes du Nord and the tug company caused the pollution because they failed to respond properly to the Amoco Cadiz's distress call or its resulting oil leakage.

Amoco also is trying to remove the ship manufacturer from pollution liability. Astilleros, which Amoco describes as "one of the world's finest and oldest shipbuilders," should indemnify Amoco only if Amoco is found liable to the two French plaintiffs, the oil company says.

Ironically, Astilleros is not taking an active part in the litigation. It was sued in the United States by the Cotes du Nord parties, even though Astilleros has no offices in United States and the company refused to participate in the cases, arguing that it was not subject to the jurisdiction of U.S. courts.

Judge McGarr ruled against Astilleros and entered a default judgment that says that if Cotes du Nord proves charges of negligence in design and construction of the supertanker, Astilleros would be automatically required to pay any damages assessed.

Astilleros has appealed Judge McGarr's judgement to the 7th U.S. Circuit Court of Appeals, also in Chicago, which has yet to hear oral arguments on the matter.

"We concede that we transacted some business in Illinois," says the shipbuilder's lawyer, Joseph Keig Jr. of the Chicago law firm of McDermott, Will & Emery. But Mr. Keig says that under an applicable Illinois law, the transactions have to be related to the charges against Astilleros in order for it to be dragged into court. The only transaction that took place in Illinois was the negotiations to design and build four ships for Amoco, he says, and no claims have been made concerning those negotiations.

The shipbuilder's insurance coverage is not known. ■

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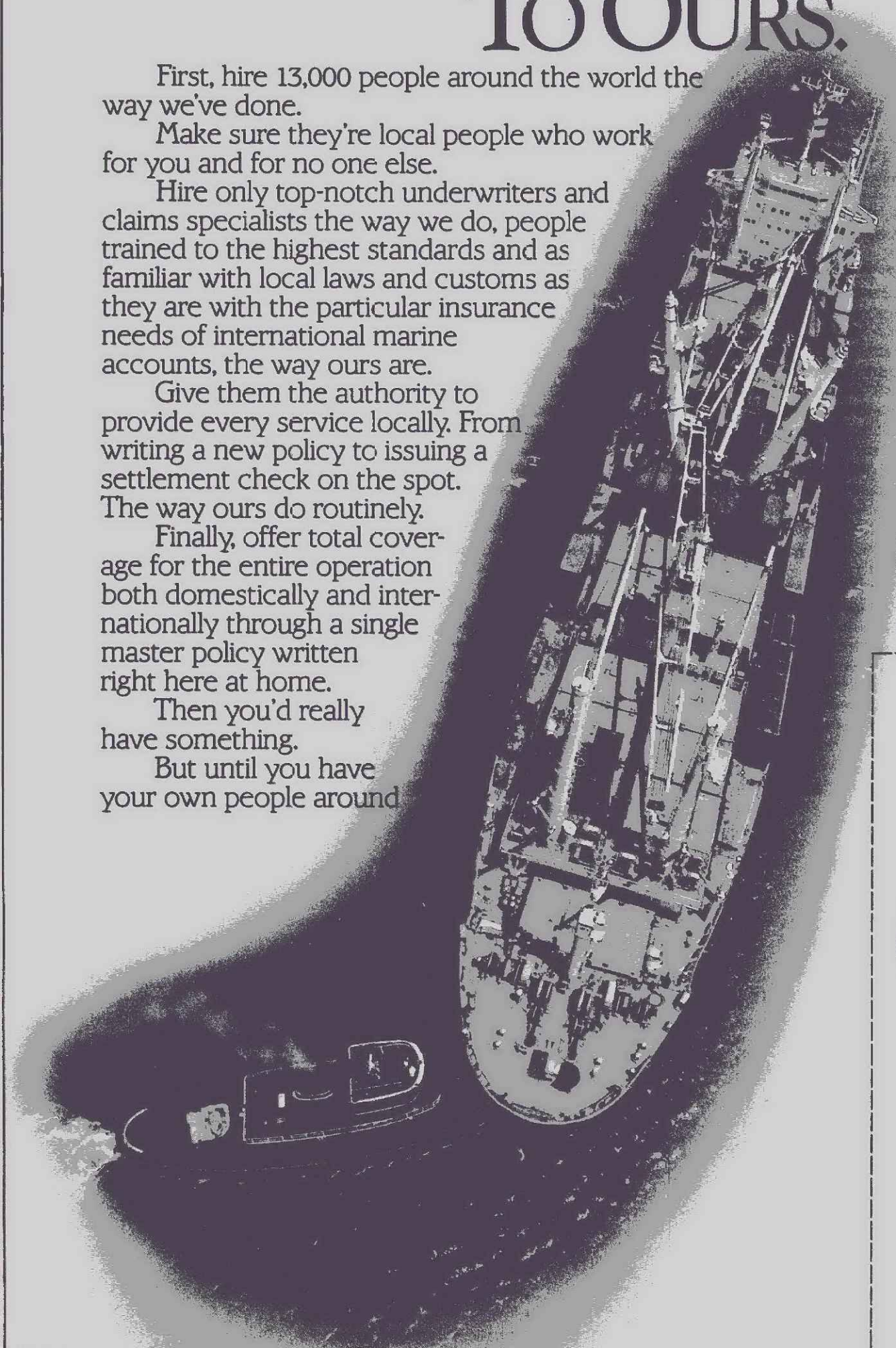
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Once Again The Answer Is AIG.

Longshore, Jones acts worry employers

By EILEEN NORRIS

WASHINGTON—Marine employers are anxious to smooth out kinks in the federal systems used to compensate their injured workers.

Both employers whose workers go out to sea to their job and those whose workers stay in the harbor want to clear up confusion over who is covered by the laws and eliminate misuse of the laws.

In general, harbor workers are covered under the Longshoremen's and Harbor Workers' Compensation Act while seamen are covered under the Jones Act, the federal maritime liability law.

The harbor employers are closer to their goal of reform. The U.S. Senate in early August approved changes to the Longshore Act to tighten up eligibility and cap the size of worker benefits.

For the reform to become law, the House would have to approve the changes before the end of this session, which is expected to wind up in early October. Proponents say prospects are good that the law will make it through the House.

This progress is encouraging to the seamen's employers who want to see some changes in the Jones Act, too. They already have formed a committee to see if another system of compensation might work better.

The Jones Act, which covers all crews of commercial vessels, provides no system of scheduled compensation for injured seamen.

Instead, it allows them to sue their employers in federal court for negligence if they can prove the vessel was being operated in an "unseaworthy manner," explains Herman Molzahn, vp of shipyard operations for the American Waterway Operators in Arlington, Va.

The American Waterway Operators, which represents small commercial shipbuilders, formed a Jones Act Committee to see if the system is as ripe with abuse as some employers feel it is, he said.

"Since there is no one that administers this act, the effect of this system is unknown," said Mr. Molzahn. "We don't know if the horror stories we hear (about lawsuits filed under the act) are the exception or the rule," he said.

Suing under the Jones Act is meant to be a last resort for the seaman who cannot satisfactorily settle a health or accident insurance claim with his employer. But unlike worker compensation laws, there is nothing to stop an employee from collecting benefits one day and suing for more the next if he can prove the vessel was operated in a "unseaworthy" manner.

"The Jones Act gives our workers the right to sue and it's a judicial system right from the start," points out Mr. Molzahn. "An administrative system might be a much better alternative," he added.

It's estimated that at least 200,000 workers are covered by the Jones Act. It applies to crew members on oceangoing U.S. cargo and passenger ships, supply boats servicing the offshore oil industry and vessels on the inland waterway systems.

On the other hand, more than 500,000 shipbuilders, dock workers and other harbor employees are covered under the Longshore Act, says Neil Montone, associate director of the division of Longshoremen's and Harbor Workers' Compensation Act in Washington, D.C.

The act was passed in 1927 to provide benefits for workers whose harbor jobs did not put them in the jurisdiction of either state workers compensation laws or the Jones Act.

However, when the Longshore Act was altered in 1972 to put benefits more in line with state work comp benefits, the amendments went too far, says Jed Babbin, general counsel for the Shipbuilders Council of America in Washington, D.C. This is why employers are seeking reform now.

"Since 1972, our experience has been that workers compensation costs have increased between 850% and 1,000%," added Mr. Babbin.

Reform measures in S. 1182 include placing a 5% annual limit on benefit increases to injured workers, elimination of death benefits to survivors of injured workers who

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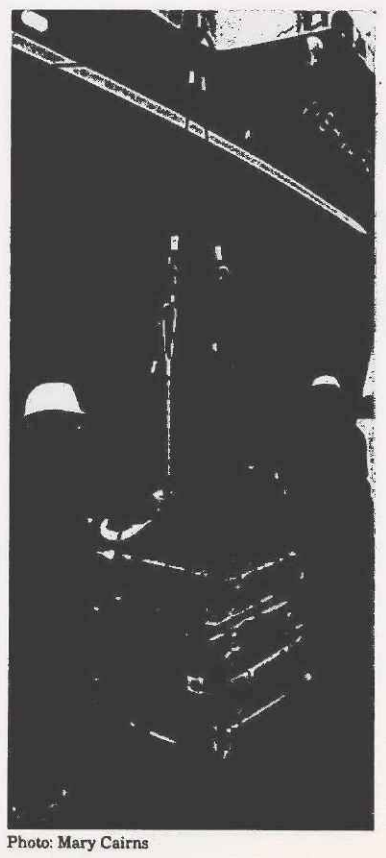


Photo: Mary Cairns

Dock workers are covered under the Longshore Act.

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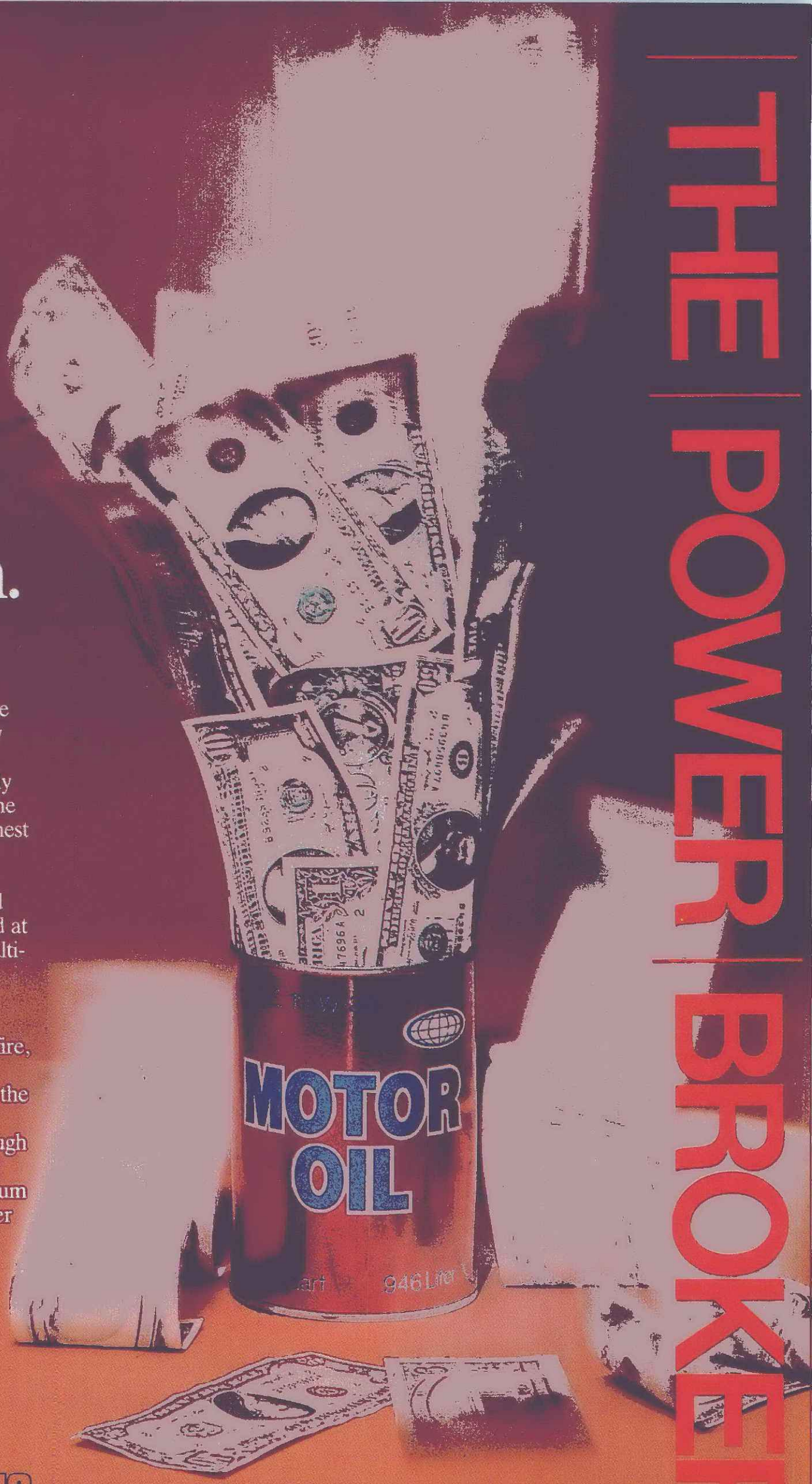
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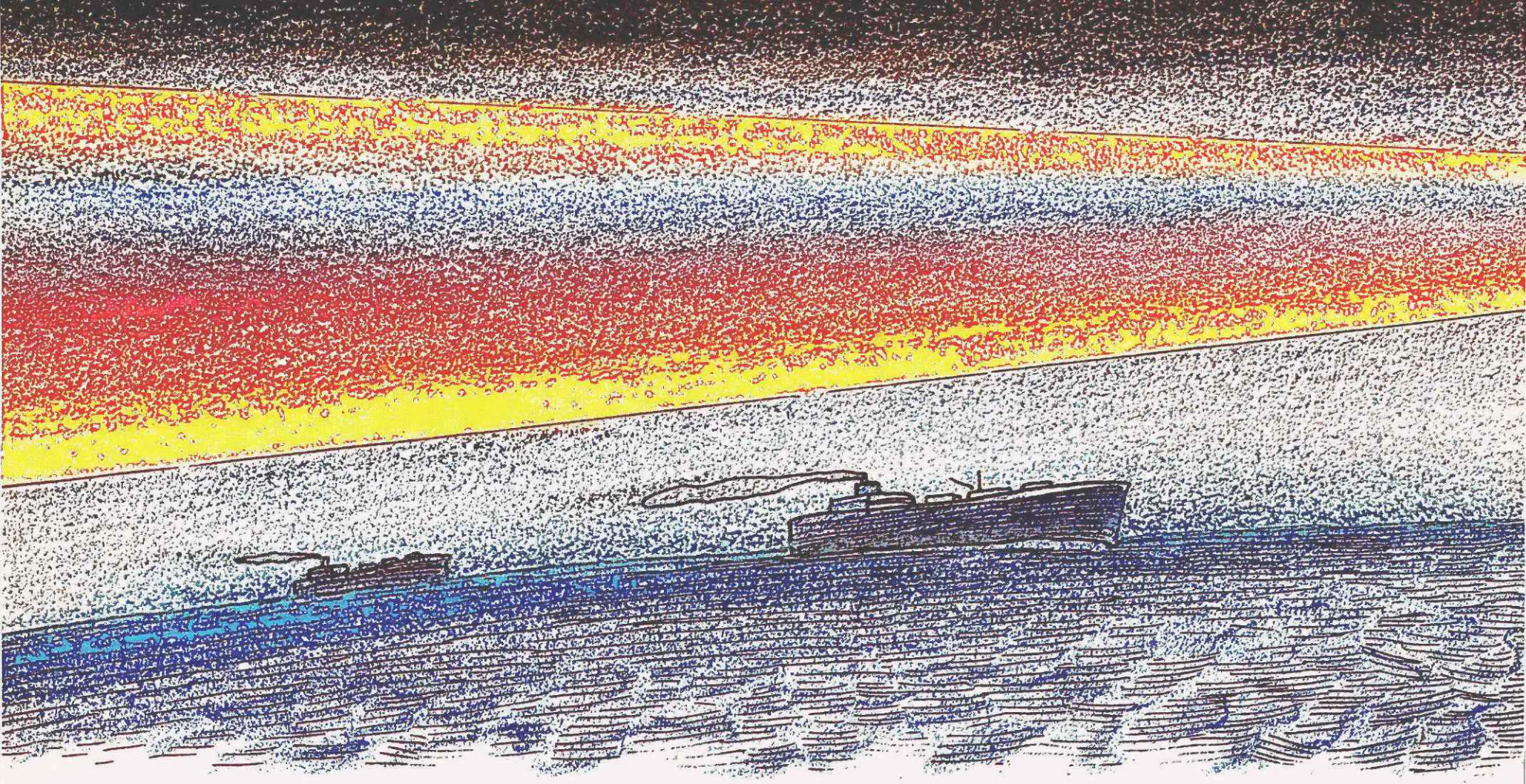
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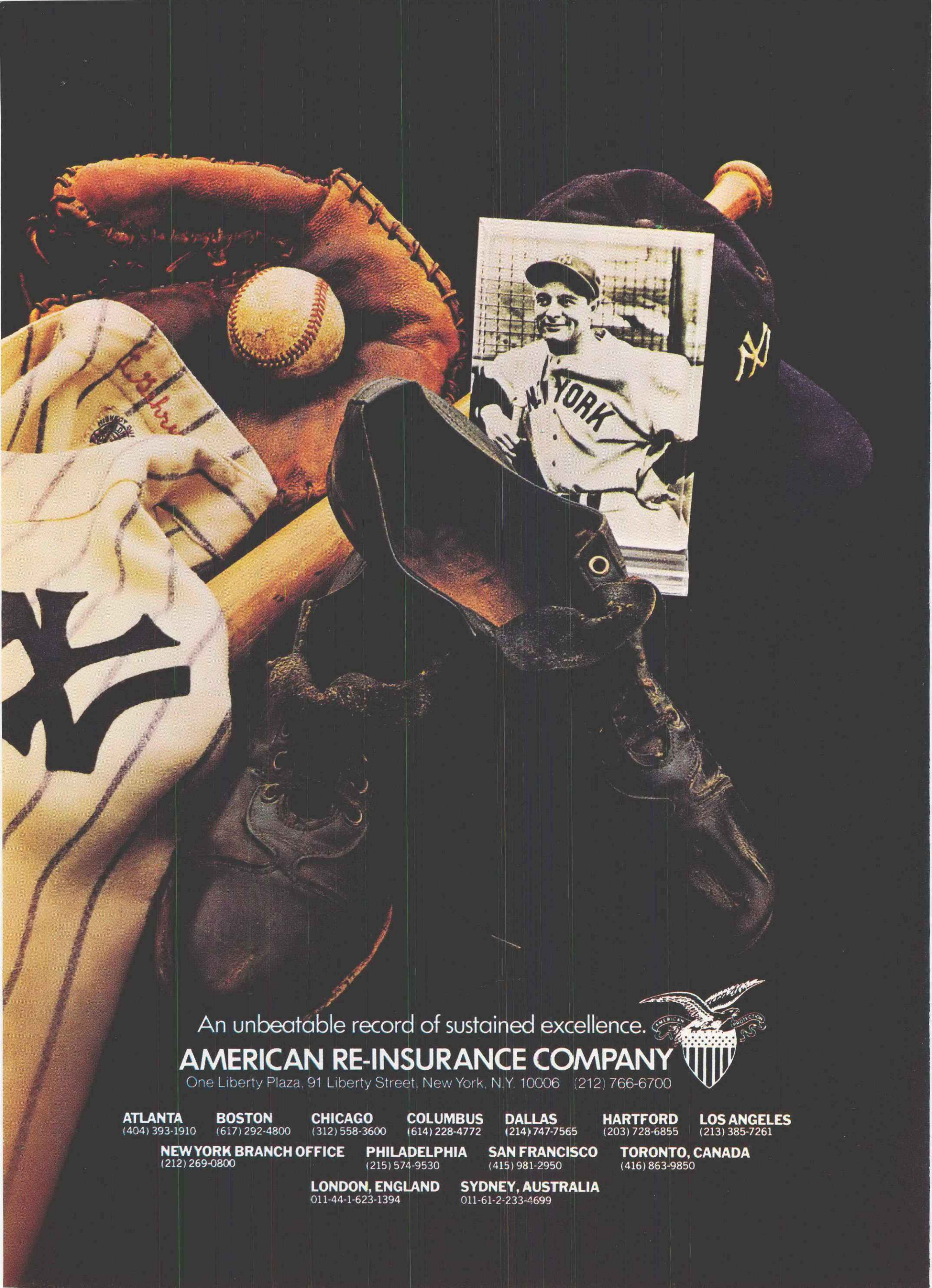
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perspective

INLAND MARINE'S FUTURE

Satellites, lasers, robots, computers are all growing part of insurance line

By William H. Rodda

WHAT INSURANCE is needed for electronically controlled robots, for lasers measuring tolerances and boring holes through steel and for glass threads replacing copper wires? Inland marine is the answer.

Increased inland marine premium volume as well as higher losses have come largely from new techniques in industry and communications: satellites, robotics, electronic equipment, fiber optics, lasers, the use of carbon fiber composites in place of metals.

A spectacular communications loss was the disappearance in space of a $70 million satellite. Many satellites are planned for the future in order to take advantage of this form of communication. It can be expected that occasionally a satellite will go sailing off into space with a substantial loss to underwriters.

The amendment in 1976 of the Nationwide Marine Definition included "electronic data processing policies" as classifiable under marine and inland marine. Few people realize that electronic data processing equipment soon will include all equipment other than the ordinary desks and chairs in a modern office, as well as most of the mechanical equipment in a modern factory. The free-standing typewriter that has been standard equipment in offices for almost 100 years will disappear. Typewriters will be replaced by the keyboards of EDP equipment and word processors.

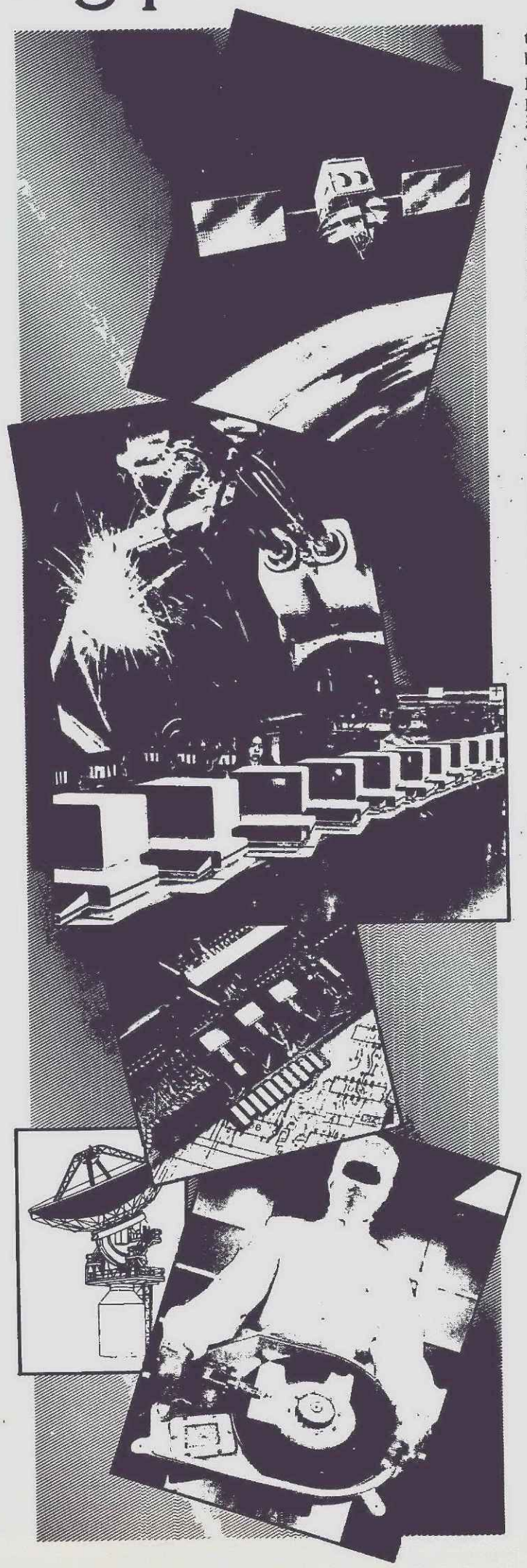
Paper communication will largely become obsolete. Business offices will be interconnected with word-processing equipment so that information sent by letter today will be sent by land line for short distances or by way of satellites for longer distances. Transmission will be instantaneous, but messages can be held in the machine at the receiving end until the recipient is ready to receive and act upon them. Such equipment will be EDP and also an instrumentality of communication, so it is insurable under inland marine policies.

A preliminary version of this electronic transmission of information is being put into effect by the United States Postal Service. Messages are sent electronically to the post office at the destination city, from where they are printed out and delivered by first-class mail. This service will be used only for bulk mailers at first. However, we anticipate the time when individuals can go to the post office, hand in a written or printed message and have it delivered within minutes to a recipient a thousand miles away.

Filing cabinets in offices will become obsolete. A combination of computers with micrographics will permit the filing of millions of pieces of information in very small spaces. Instant retrieval will also be possible, with printouts available where necessary. The elevation of EDP equipment to eligibility for inland marine coverage will enable the inland marine underwriter to insure all of the office equipment other than the desks and chairs.

Factories are undergoing even more dramatic changes than those we see in offices. Factory assembly lines now consist of people alongside moving conveyors adding nuts, bolts and pieces until an automobile or other object is complete. A future assembly line will be similar except that instead of people, there will be robots adding the pieces as the conveyor goes by.

The popular concept of a robot is a mechanical person who walks around clanking its limbs and scaring people. Actually, the typical industrial robot is an arm which can pick up and insert a piece of equipment into its proper place in a manufactured object. Robotic arms are already used in industry, but their use has been limited by the fact that the object to be inserted had to be placed in a precise location for pickup. This robotic use is limited as compared with a person who can pick up an object from a conveyor belt and place it properly.



New robotic arms not only pick up the objects but can also search and find them on a conveyor belt in much the same way that a human does by means of eyes and hands. This development of a search-and-seize robotic arm greatly expands the possible use of a robot. A greater proportion of factory assembly will be taken over by robots as their technical capabilities are increased.

The use of robots can standardize manufacturing procedures. Nuts and bolts can be tightened to a precise tension, and the equipment can be programmed so that every piece is put in and nothing is missed.

We should point out that activation of robotic equipment is controlled by what is essentially a computer or EDP equipment.

Satellite communication has many insurance ramifications. One of them is the use of satellites in television broadcasting and reception. Many cable systems use programs relayed by satellite from stations around the country. A few of the powerful stations beam their programs to satellites that in turn relay programs to anyone who has the proper parabolic "dish" for electronic reception. Cable television business is expanding rapidly. Cable can provide trouble-free reception to people in cities where reception is hampered by buildings, and to people in remote areas at some distance from regular broadcast stations.

An important competition has development that may dampen the market for cable systems. Some apartment complexes are installing reception dishes on the top of their building and sending their own cable system to all of the apartments in the structure. It is not clear how many apartments would be needed for a building to make such a system economical, but a guess would be that one with 100 apartments might qualify. A dish can be installed for not more than $10,000, and the installation of cables to the apartments in the building would be no more expensive than the connections to a neighborhood cable system. Installation of the dishes on top of apartment houses suddenly becomes a threat to the cable systems. The $10,000 dish on the roof of the apartment house and the cable equipment all can be insured under inland marine policies.

Projected for the future is a network of satellites that would be able to collect energy from the sun and transmit it to earth as a source of electricity. This sounds fantastic now, but developments of the past few years make this a distinct probability.

Wrist radios and wrist television sets as projected in newspaper comics are becoming a reality. It is not too fantastic to believe that soon we will be able to telephone from equipment on our wrists to anybody in the world who has similar equipment. At any time, day or night, that we want to talk with relatives or business associates in other parts of the world, it will be possible by means of miniature equipment beaming messages by way of satellites 22,300 miles in space. All of this equipment is or will be related to communication and as such will be eligible for inland marine coverages.

Lasers and their uses provide one of the most exciting opportunities for inland marine underwriters. A laser is a beam of light. The laser beam has several characteristics that are different from those of an

Continued on page 42

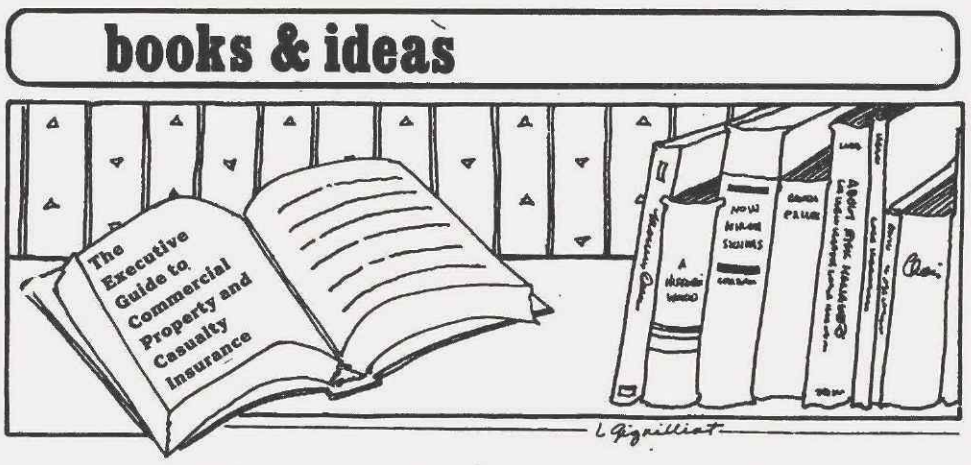
perspective

'Executive Guide' offers a format that's direct and simple to use

By Z'ev Kronish

books & ideas

The Executive Guide to Commercial Property and Casualty Insurance
By Edward W. Siver
Crain Books, 740 N. Rush St., Chicago, Ill. 60611
410 pages, $32.50



THE PROBLEMS facing corporation management in protecting their assets are emerging as a key issue in cash flow and profitability. The search for solutions is sure to gain momentum, and more corporate officers will want to become familiar with the basics of property/casualty insurance.

As corporations gradually take greater responsibility for their own insurance affairs, they will be in a stronger position to reduce their dependence on outside decision makers such as agents and brokers. These efforts, however, have been handicapped by a dearth of readable books on the topic of how to meet the special needs of the corporate buyer.

Mr. Siver uses a question-and-answer format for presenting his ideas. An effective stimulant, this approach enables an orderly grasp of both elementary and complicated concepts. The narrative is concise, the topics broken down into miniscule units. For the corporate executive who is a novice in these matters, putting the questions up front is a particularly good method to ease the path to understanding insurance.

By asking the question at the very outset, careful aim is taken in the direction of a sophisticated but harried executive. It is sometimes necessary to slow down those harried readers and pique their curiosity by making the issue a query.

So Mr. Siver puts it directly: "How does risk management differ from insurance management?" The question is far from superfluous, for despite vast gains, the risk manager suffers from a lack of identity in some corporate circles. This discussion might help to bring him into sharper focus or at least make his function known.

We might agree that questions are a sensible approach, but delving deeper, we want to know whether they are the right questions.

Mr. Siver asks the right questions. "What are the principal arguments for self-insurance (of workers compensation)?" is pertinent when expenditures come under closer scrutiny. Or, "What are the exclusions in the directors' and officers' liability policy?"—a matter of no small interest in this litigation age.

Each question is pointed, covering a limited topic but a definite problem. Although the guide takes in a lot of ground, the pieces hold together.

And each question acts as a magnet for purposeful analysis of an underlying tenet. The reader will find it easy to increase understanding because the focus is kept clear from the start. Mr. Siver's explanation of the difference between excess and umbrella policies is to the point.

As the narrative proceeds, it touches a nerve. "Can the insurance company settle a (general liability) claim without the permission of the insured?" will nettle some readers.

Mr. Siver has arranged this guide alphabetically for better reference value. The topics range from agent/broker selection to experience rating under workers compensation. His skill in putting together a sweeping overview of basic insurance topics touching on corporate risk is meritorious.

A glossary at the end of each chapter brings terms into sharp focus. For example, "uninsured motorist coverage" is defined under auto liability, but an expository section explains its importance, thus allowing for fast perusal.

Each topic is topped off with a "buyer's checklist." For instance, in a discussion of general liability, he writes "Be sure that the payrolls, areas, receipts and other units of premium measure, as well as the assigned rates, are accurately and conservatively shown."

For many corporate managers, the book will prove a valuable exercise in insurance insight. ■

Z'ev Kronish, who holds an master's degree from The College of Insurance, has handled corporate risk management and benefits administration. He is now in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.

The ever-changing future of inland marine

Continued from page 39

ordinary light beam. The word laser is an acronym for "light amplification by stimulated emission of radiation."

The laser beam is highly directional in that the beam of light does not spread out as does an ordinary light beam. The laser for all practical purposes does not spread at all. A second characteristic of the laser beam is that it carries intense energy. Light from the standpoint of physics is energy, and the laser beam can deliver a tremendous amount of concentrated energy.

Laser beams are created by devices of various sizes. A small laser device has been developed for use in place of a phonograph needle. There is no wear on such record since the scanning of the disc is done entirely by the light beam.

The laser has spectacular uses in medicine. One of the most important is to repair a detached retina in the eye. Previously, it was necessary for the eye surgeon to enter the eye and actually sew the retina back into place. Now it is possible in many cases for a laser beam to weld the retina into place. A laser scalpel has certain advantages over a conventional scalpel. There is reported to be less bleeding and less damage to tissue.

Lasers can be so powerful that they can bore holes through steel. This ability, in a more modest form, can be used in a dentist's laser drill. The laser can remove material from the tooth without the unpleasant grinding that accompanies the dentist's use of the conventional drill.

Contractors' equipment will be affected by the use of lasers for surveying and other measuring procedures. Physicians and surgeons equipment will be changed with increased use of lasers by dentists and surgeons.

Computerized cash registers are becoming an essential part of mercantile operations. Lasers scan product markings as packages go through the check-out counters. The processes of welding, drilling, cutting and heat treating will all be affected by the use of lasers.

The ability of the laser beam to vibrate a million times a second has led to the development of a related use, that of fiber optics. Voice and information transmission cables are customarily made of fine copper wines that carry electrical impulses. Laser beams can be carried through cables of densely bound strands of glass fibers. A cable 0.5-inch in diameter will be able to carry 80,000 telephone calls simultaneously. It is anticipated that these laser light impluse cable systems will require less regeneration of impluses than is currently required in copper wire systems. The re-generation stations will thus be placed at wider intervals, establishing a further saving as compared to the copper-wire systems.

The inland marine underwriter must now think in terms of insuring a complete set of equipment and not merely a computer unit. A standard recommendation has been that the computer be housed in a protected environment such as a room that is specially air conditioned and specially equipped with a controlled electrical supply. Special fire protection equipment has been installed. Access to the computer room preferably is limited to those who have business there, with special attention to prohibiting access to it by outsiders. An effect from the expansion of EDP equipment to word processing, cash registers and control of robots is that much EDP equipment must be outside of the protected environment.

Marine underwriters are traditionally and practically equipped to evaluate new and unknown exposures and to adapt coverages and rates to new exposures. There is no way that a rigid rating system could be used for the myriad situations in which EDP equipment is now used in offices and factories. There are unpredictable losses from electrical "spikes" or "surges" of high voltage, momentary interruptions of power, or accidental erasures. Flexible rating methods of the inland marine underwriter are essential. Three-quarters of the inland marine business already is rated by company underwriters on the basis of exposures and experience. Thus the inland marine underwriter has the ability and attitude to maintain necessary control.

Inland marine continues to grow. Loss ratios must be kept under control by estimating loss probabilities from experience. As the number of satellites increases, we can begin to measure the incidents of losses in space. With more and more lasers in use, we can estimate more accurately the proportion of equipment losses. Expansion of EDP equipment to new uses will increase the value of insurable property and of available premiums. Inland marine truly faces a challenging future.



William H. Rodda is president of Marine Insurance Handbook Inc. in Chicago. This article is an adaptation of a speech presented in January 1982 in Houston to the Professional Inland Marine Assn. and Independent Insurance Agents of Texas.

Longshore reform would limit benefits

Continued from page 34

die from causes unrelated to a job injury, and limiting survivor's benefits to 200% of the national average weekly wage up to a maximum of $496.

As it is now, benefit levels are raised every Oct. 1 to match the annual increase in the national average weekly wage. This prompted insurers to drop out of the marine workers compensation market because they couldn't accurately forecast losses to set rates, say sources.

In turn, shipbuilders began to self-insure their workers compensation risks, but they are required to maintain high reserves to counter the chance of a big loss not being covered, says Mr. Babbin.

"I would say an average size employer is required to reserve $3 million to $4 million easy, with some going a lot higher," said Mr. Babbin.

Employers who wish to self-insure must apply for authorization from the Labor Department. An insurance examiner then reviews the employer's financial status to determine that it qualifies to self-insure. Those employers must obtain an indemnity bond or deposit securities in a Federal Reserve Bank.

One serious backer of the reform bill, S. 1182, is William Potter, president of Fairhaven Marine Inc. in Fairhaven, Mass., who says he can't afford to self-insure his work comp risks.

"I have about 40 men covered under the Longshore Act, but I testified to Congress that my workers compensation costs went to $100,000 in 1979 from $20,000 in 1975," he said.

Some say benefits are now four times those provided under most state compensation laws.

"I've been fortunate with claims for the last year and a half," added Mr. Potter, "but in 1978, I was hit with two big claims of $50,000 each."

Besides capping the size of benefits, the proposed longshore reform will go a long way toward clearing up some of the confusion of who is covered by the act, says Bill Huff, senior vp for Texas Employers Insurance Co.

Texas Employers once had about 10% of the longshore workers compensation market but now writes much less of it since employers began self-insuring their risks.

"Now, the act covers workers on any navigable waterway. At least S. 1182 excludes workers who work on a marina on a lake," he pointed out.

Workers who build and service recreational boats which are defined as vessels less than 65 feet long, also will be excluded.

The legislation also limits the scope of the act to those engaged in maritime employment, a provision that excludes clerks, security guards, marina employees and data processing workers.

The National Assn. of Stevedores in Washington, D.C., whose members load and unload ships, backs the pending legislation. ■

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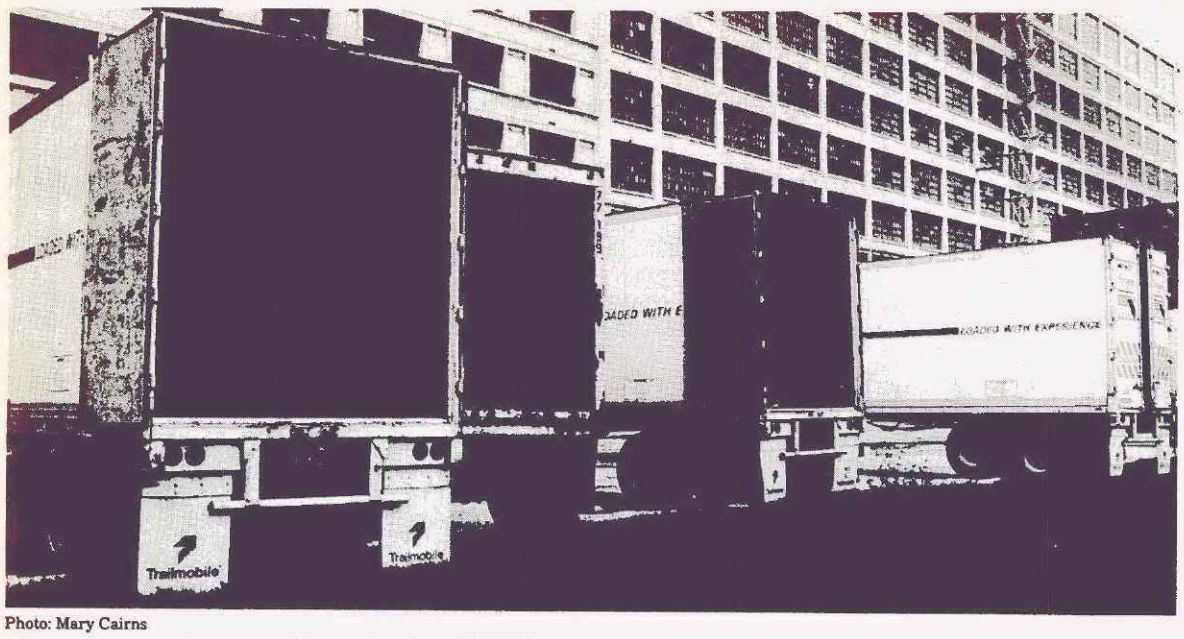


Photo: Mary Cairns

The government requires higher levels of liability coverage for truckers carrying very hazardous goods.

Truckers' rates declining despite coverage rules

By JERRY GEISEL

WASHINGTON—Many truckers are getting more mileage out of their insurance premium dollar, a pleasant surprise.

Some trucking lines feared their insurance costs would soar when a landmark federal law mandating higher liability insurance requirements went into effect last year.

Under the Motor Carrier Act of 1980, the federal law that deregulated the trucking industry, for-hire truckers that haul non-hazardous cargo, like furniture, and hazardous cargo, like oil, are required to have $500,000 of liability insurance. A $1 million insurance policy is necessary if the cargo is very hazardous, such as liquified compressed gas (*BI*, Sept. 14, 1981).

The new law scrapped an Interstate Commerce Commission regulation that required major trucking companies to have only a minimum of $100,000 of liability insurance to cover bodily injuries of one person and $300,000 of coverage for injuries or deaths of all involved in an accident.

But despite the increased demand and higher requirements, the very competitive insurance market is allowing most truckers, especially medium- and large-fleet operators, to pay a lot less for coverage, trucking insurance specialists say.

"Costs actually have gone down," said William Joseph, a vp and trucking insurance specialist in broker Alexander & Alexander Inc.'s Winston-Salem, N.C., office.

"Medium-sized fleets are shopping like crazy and are probably paying less for more coverage," adds Sydney Croxdale, vp at Bohrer, Croxdale & McAdoo Inc., speciality lines broker based in Springfield, Mo.

Only small owner-operators, who often operate just a single power unit, had to pay more after the liability insurance requirements were increased, brokers and insurers say. But their higher insurance costs seem small compared with the other growing expenses affecting small businesses.

The new higher liability limits led to only 10% to 15% premium increases, $200 to $300 per power unit, for the small owner-operators, brokers and insurers told *Business Insurance*.

"The little guy probably has been hurt more by fuel prices than by insurance premiums," notes Ms. Croxdale.

But while the small truckers now have to pay a little more for coverage, they also can choose from among a larger group of insurers.

Licensed insurers in the standard marketplace, who shunned the small owner-operators in the mid-1970s, now will bid on small accounts if the risk is right, the brokers say, although most truckers still use excess/surplus lines brokers and specialty insurers.

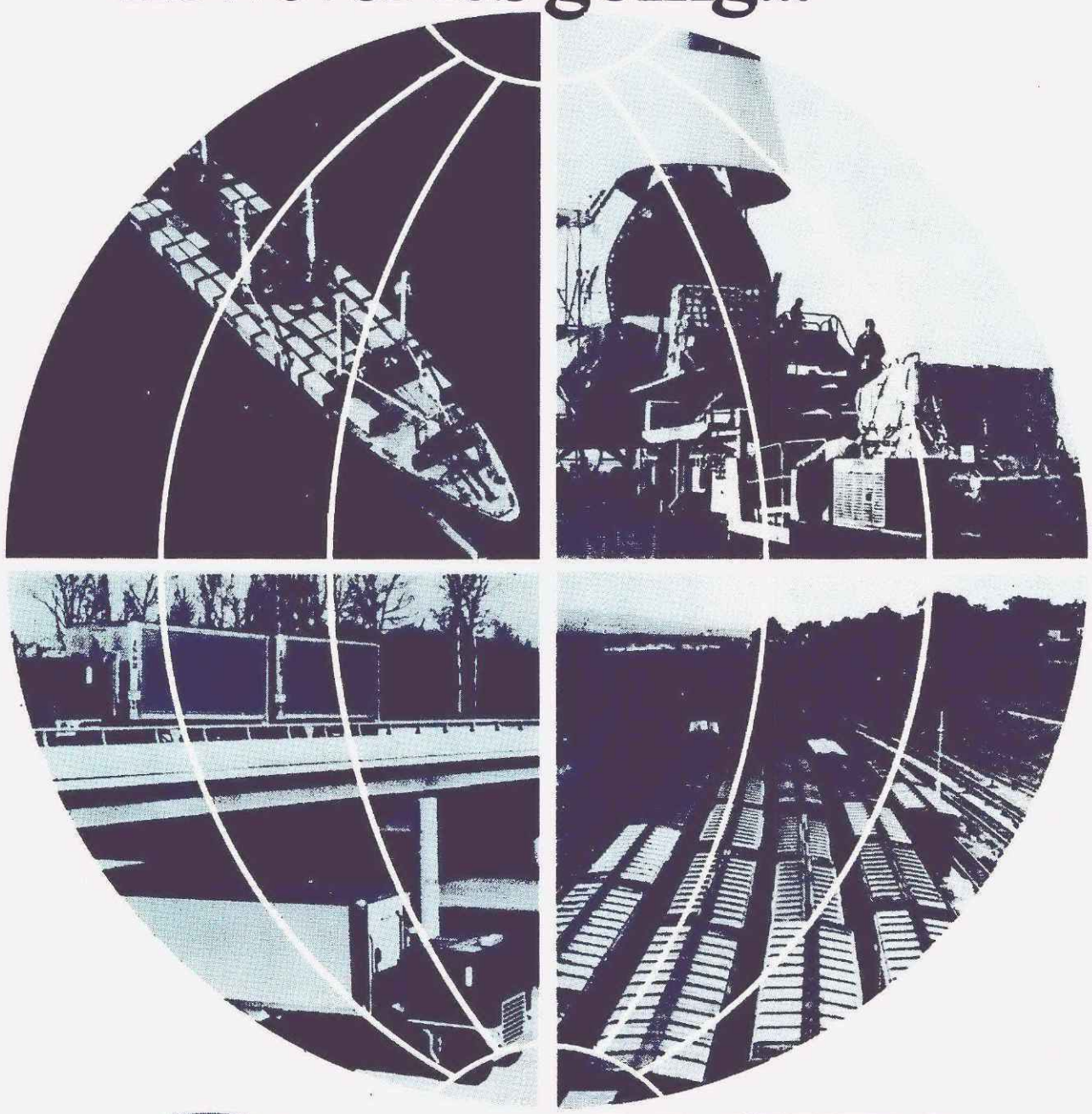
"More standard firms are willing to write even Mom-and-Pop coverage so long as other coverages are written, too," said Bettye Davis, general manager of Central Insurance Services in Landover, Md.

The standard markets are competing with several insurers that specialize in motor carrier liability coverage for the small truckers. The specialists include: Atlanta International Insurance Co., Carolina Casualty Insurance Co., Central National Insurance Co. of Omaha, National Indemnity Co., Transit Casualty Co. and Transport Indemnity Co.

Truckers, though, know that the road ahead is not entirely smooth. Under the Motor Carrier Act, the liability limit for non-hazardous cargo on July 1, 1983, will rise to $750,000 from $500,000, while the limit for hazardous substances leaps to $1 million. The limit for very hazardous substances will rise to $5 million from the cur-

Continued on facing page

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Continued from facing page
rent $1 million.

If the competitive insurance market persists, most motor carriers should be able to find underwriters that can supply the higher limits. "There will be insurers who'll be able to write $5 million of coverage," said Darrell Porath, an assistant vp with Fireman's Fund Insurance Cos. in San Francisco.

But the small owner-operators may find the cost of the higher liability limits prohibitive, some brokers say. When the limit for motor carriers hauling non-hazardous cargo climbs to $750,000 next July, small truckers may be "pinched" a bit, said Ms. Croxdale, the Springfield, Mo., wholesale broker.

And brokers and motor carriers aren't the only ones concerned about the impending increased liability insurance requirements.

The Department of Transportation, which regulates truckers that haul hazardous materials, worries that smaller carriers might not be able to afford the higher laibility coverage requirements.

"Because the larger and much stronger companies might well be capable of sustaining the higher cost associated with increased financial responsibility, there would be a disproportionate burden levied on the small motor carriers," the Transportation Department warned earlier this year in a report to Congress.

"In this situation, the smaller companies would be trapped in a cost-price squeeze resulting from the difficulty of raising rates in a

The Transportation Department wants foreign carriers to be subject to its coverage rules.

marketplace where carriers with excess capacity are competing for available freight," the report said.

As a result, the Transportation Department recommended that Congress overhaul the Motor Carrier Act to give the department the authority to set lower liability limits for any class of vehicles if the lower limit does not "adversely affect public safety."

This recommendation already has been incorporated in draft legislation prepared by Senate Commerce Committee staff memberers.

But the Transportation Department also wants to impose financial responsibility requirements on certain motor carriers that aren't currently regulated by the Motor Carrier Act.

Under a department recommendation, foreign motor carriers that operate in the United States, like those based in Canada and Mexico, that carry hazardous materials would have to abide by the same insurance requirements imposed on domestic carriers.

Imposing insurance liability requirements on foreign motor carriers would eliminate a possible economic advantage the foreign truckers enjoy over their domestic competitors.

In addition, private motor carriers, including general merchandise companies like Sears, Roebuck & Co. and Montgomery Ward Co. that deliver products to their customers, also would be required to purchase the same amount of insurance as the for-hire carriers.

"The exclusion of private carriage of property. . .creates an inconsistency in the (Transportation) Department's overall safety program," the department says. It makes "little sense to exclude private carriage since it would make little difference to an injured party whether or not the injured party was engaged in private or for-hire carriage."

Finally, vehicles that weigh less than 10,000 pounds and transport poison gas, certain explosives and radioactive materials would have to abide by insurance requirements set by the secretary of transportation.

Currently, such small vehicles are not covered by the Motor Carrier Act, an exclusion that doesn't make much sense, according to the Transportation Department.

"The transportation of explosives in small vehicles is an everyday occurrence," the department said.

"The transportation of small quantities of extremely hazardous commodities presents a real danger to the safety of the general public," the department added in urging that the small vehicle exemption be repealed by Congress. ■

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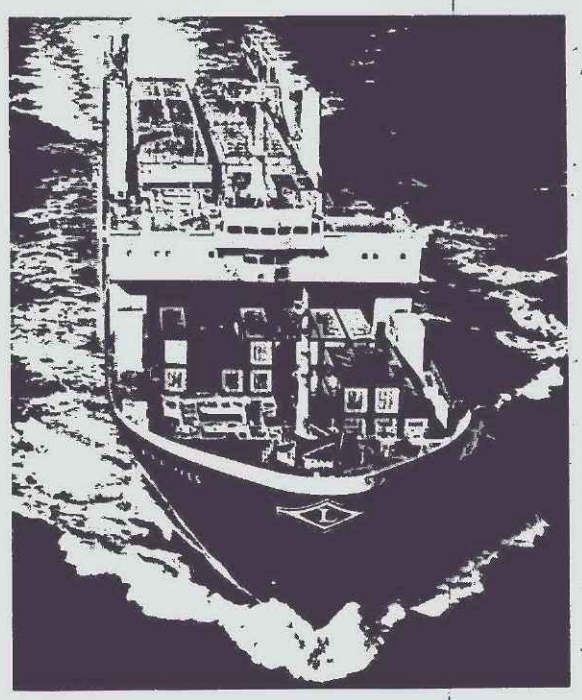
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Firms have many child-care options: Report

LINCOLNSHIRE, Ill.—Do you know all the options available for providing child-care assistance to your employees?

Many employers think that a child-care benefit program requires setting up an on-site day-care center or, at the least, heavily subsidizing a nearby facility.

But, according to Hewitt Associates, that may no longer be the case. Many different child-care alternatives now exist, the employee benefits consulting firm based in Lincolnshire, Ill., advises.

In fact, Hewitt says, "Passage of the Economic Recovery Tax Act of 1981 increased the likelihood of employers using other arrangements. In the future, employers may elect to treat child-care assistance like any other employee benefit."

The firm says that starting a child-care program can offer many advantages including:

- Demonstrating employer sensitivity to the needs of working parents.
- Increasing an employer's ability to attract employees.
- Reducing turnover and absenteeism.
- Painting a favorable image of the company in the community.

A recent report by Hewitt on child-care benefits, entitled "Child Care Assistance: Issues for Employer Consideration," lists several questions benefit managers should ask themselves before embarking on a day-care benefit program. They include:

- How many employees are likely to make use of an employee program for child care, particularly an on-site facility? "Some (employer-sponsored day-care) facilities have failed because employees preferred the atmosphere and proximity of neighborhood homes for the care of their children," the study notes.

"To avoid underutilization of a child-care program, an employer needs to know how many employees would use a company-sponsored program," it explains.

And employers shouldn't think that all employees with small children will use a company-sponsored day-care facility. "Many employees are reluctant to change if their child is already comfortable with one arrangement," the report says.

- What state and local regulations govern child-care operations? States usually set minimum standards for child-care centers like child-to-staff ratios, staff education, indoor and outdoor space, equipment and nutrition, the Hewitt study says. Those standards may vary for commercial day-care centers and private homes used to care for children.

Child-care facilities seeking federal funding have an additional layer of requirements to meet besides state and local standards, the study says.

- What are the financial commitments required for an employer-sponsored child-care benefit program? The answer to this question, of course, varies depending on the type of program established. "A 1978 Labor Department study of on-site centers reported an average employer subsidy of $57,500 per year," the consultants note.

"In 1981, start-up costs for a center with 25 to 75 children were estimated to be between $50,000 and $150,000—or from $2,000 to $3,000 per child. An associated operating budget was estimated to be between $70,000 and $250,000 annually," the report notes.

- Are there outside funding sources available for an employer-sponsored child-care program? The federal government and many states sponsor lunch programs that provide small subsidies for all enrolled children, the study says. And, the U.S. Department of Agriculture operates the Child Care Food Program that reimburses eligible child-care centers or homes that provide nutritious meals.

Participation in one of these programs can save employers a significant sum, but Hewitt warns that many of these programs are being curtailed due to budget cuts.

- What are the tax implications of developing a child-care assistance program? Under the Economic Recovery Tax Act of 1981, if employers and employees meet certain conditions, "payments for child care no longer count as taxable income to the employee," the consultants point out.

However, for the benefit to be tax-deductible for the employee, the plan cannot discriminate in favor of employees who are officers, owners or highly compensated. The company must provide a written statement of the plan and must provide the employee with a written statement of how much he or she received in child-care benefits during a given year.

For the employer, expenditures for child care continue to be treated as a business expense or a charitable donation, depending on the program design, the study says.

"Most employer expenditures for child-care assistance will fall into the category of trade or business expenses and be deductible under Section 162 (a) of the Internal Revenue Code to the extent they are ordinary and necesary."

Employers should also consider state tax implications of a child-care program, the Hewlett study says.

- What is the employer's liability for a child-care program? The level of employer liability differs depending on the program design, the consultants point out.

If the program is on-site, for example, the employer may be liable for program debts and for accidents that occur at the facility, they say. However, "this liability can be minimized if an employer sets up a separate non-profit or for-profit operation to administer the program," the survey says.

Other ways to minimize liability include leasing space to an independent child-care provider or using some form of off-site services, the study notes.

- What other options does an employer have besides operating an on-site center? The consultants list various alternatives to operating an on-site day-care center including subsidizing an independent day-care center; forming a consortium with other employers to share the costs of subsidizing a day-care center; and establishing a voucher system whereby the employer pays a certain amount for child care but the employee is free to pick the provider.

As an appendix to the study, Hewitt also outlines 16 employer-sponsored day-care programs, some of which have been in operation for more than 10 years.

●

Copies of "Child Care Assistance: Issues for Employer Consideration" are available for $25 from Kathy LeBeau, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

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Pappas named Transamerica's benefit manager

comings & goings: buyers

Vicky Pappas, 35, has been named benefits manager at Transamerica Corp. in San Francisco. She will act as an in-house consultant for the 30 divisions of the holding company and aid in benefit plan design. Previously, Ms. Pappas was manager of compensation and benefits at The Gap Stores Inc. in San Bruno, Calif. Ms. Pappas received a bachelor of arts degree in history from the University of California at Berkeley and is pursuing a Certified Employee Benefit Specialist designation. She reports to Dr. Bernard Garney, director of compensation and benefits.

* * *

Suzan Ness, 26, is the new manager of risk and insurance at Dominion Textiles Inc. in Montreal, Quebec. She succeeds **Ben Eisenstat,** now with broker Tomenson Saunders Whitehead Ltd. Ms. Ness joined the company in 1980 as insurance coordinator. Ms. Ness is completing an associate of insurance degree at the Institute of Canada. In her new position, Ms. Ness manages all property/casualty risks and reports to Richard Munro, the company's treasurer.

* * *

Vicki K. Schleimer, 28, has joined Standard Oil Co. of Ohio in Cleveland as senior insurance and claims coordinator. Ms. Schleimer has risk management responsibility for industrial and agricultural, chemical, product pipeline, copper mill and international operations, as well as for Western regional marketing and refining operations. Ms. Schleimer was formerly manager of insurance administration at Reliance Electric Co. in Cleveland. She received a bachelor's degree in business education from Bowling Green State University in Bowling Green, Ohio, and holds a Certified Property & Casualty Underwriter designation. She replaces **Sandy Shoffner,** who left for personal reasons. Ms. Schleimer reports to Thomas E. Tetlak, manager of insurance and claims administration.

* * *

J.R. Simplot Co. in Boise, Idaho, has promoted **Ronald M. Winans,** 56, to vp of the administrative services group. Mr. Winans now is responsible for personnel, risk management and insurance, safety, security and loss prevention as well as other duties. He joined the company in 1959 and was elected vp of risk management and insurance in December 1980. Mr. Winans received a bachelor's degree in foreign trade from the University of Oregon and has taken courses leading to a master of business administration degree at Portland State University and the University of Idaho. Mr. Winans has served as president of the Idaho Chapter of the Risk & Insurance Management Society and has held several other RIMS offices. He is currently secretary of the RIMS executive committee. He replaces **C.E. (Bill) Brissenden,** who retired, and reports to A. Dale Dunn, president and chief executive officer.

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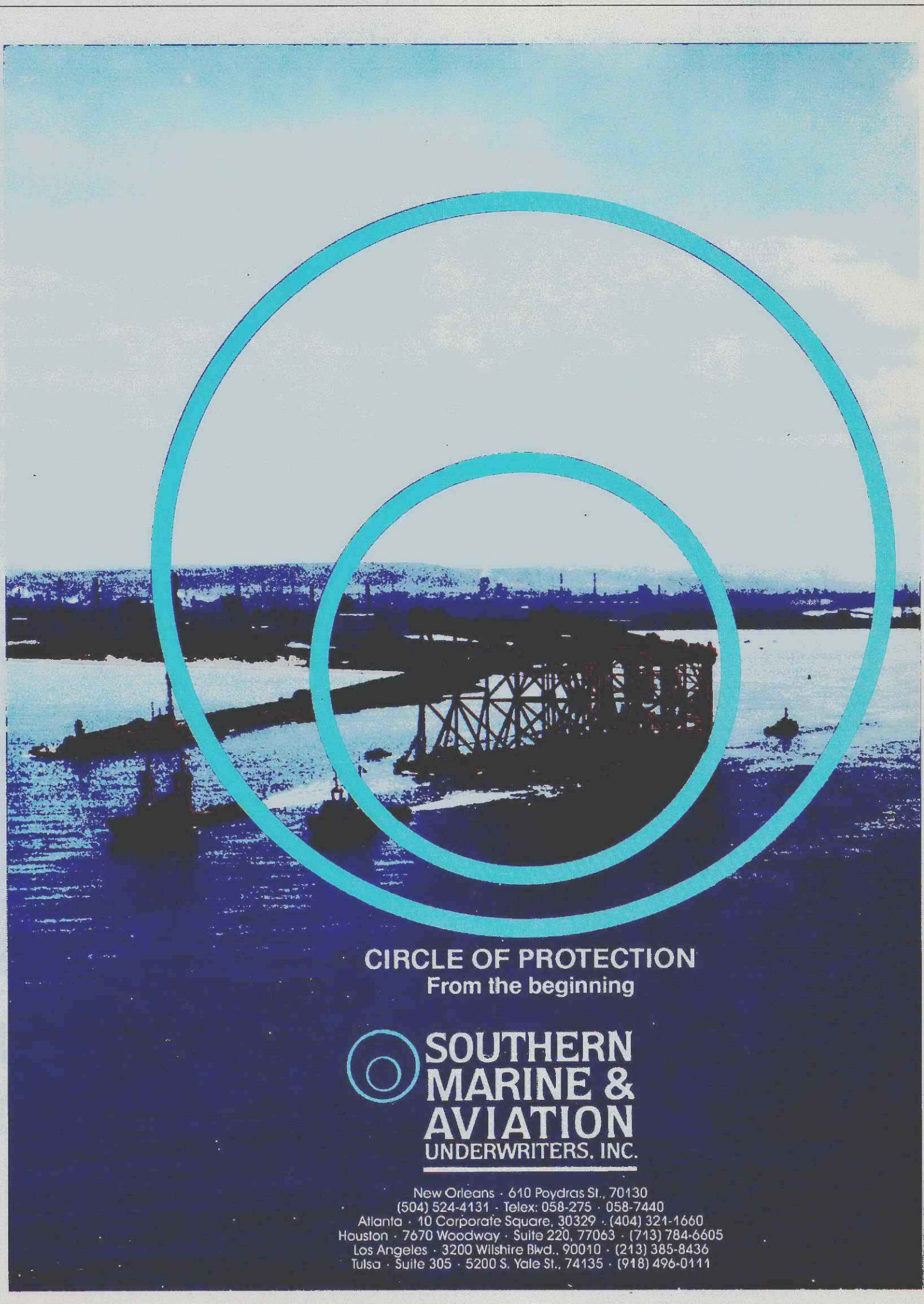
Donald G. Duncan, 46, corporate risk manager for Collins & Aikman Corp. in Charlotte, N.C., has been given the additional title of director of security. His new responsibilities include eliminating or minimizing the corporation's existing security exposures and establishing a coordinated security program. Prior to joining the company in 1979 as corporate risk manager, Mr. Duncan was an account executive with Marsh & McLennan Inc. He received a bachelor of science in engineering from the University of Missouri and a master of business administration degree from the University of South Carolina. He also received the Associate in Risk Management, Associate in Loss Control Management and the Certified Property & Casualty Underwriter designations. He reports to Charles E. Doran, treasurer.

* * *

Edward J. Laginess, 32, was named to the new position of director of risk management and employee benefits at Gulf & Western Manufacturing Co. in Southfield, Mich. Mr. Laginess will oversee the planning and administration of property/casualty, life and health, workers compensation and unemployment insurance programs as well as compensation and pensions. Mr. Laginess also held risk management positions at Gulf & Western and Nissan Corp. in Nashville, Tenn. He is a deputy member of the Risk & Insurance Management Society and a member of the Economics Club of Detroit. Mr. Laginess reports to Employee Relations Vp Ed Klopfenstein.

•

We'd like to report on staff changes in your risk management or employee benefits department. Contact Sallie Drury, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5398.



info

• Facts on the **insurance industry in Virginia** are contained in "Virginia Insurance Statistics," a leaflet from the Insurance Information Institute. For a free copy of the leaflet, send a stamped, self-addressed envelope to the Insurance Information Institute, 1025 Vermont Ave. N.W., Suite 370, Washington, D.C. 20005.

• **Business interruption** and other insurance support services are the topics of a booklet from Touche Ross & Co. It discusses the services offered by Touche Ross in preparing, presenting, negotiating and settling business interruption and physical damage claims. For the free booklet, write William D. O'Connell, National Director of Business Interruption Services, Touche Ross & Co., 2001 Bryan Tower, Suite 2400, Dallas, Texas 75201.

• How much do long-term disability claims cost you? **Using rehabilitation to manage LTD costs** is discussed in "NWNL's Rehabilitation Services." For a free copy of the brochure, write Northwestern National Life Insurance Co., Box 20, Minneapolis, Minn. 55440; Attention: 6115.

• The American Institute for Property & Liability Underwriters and the Insurance Institute of America are offering two new editions of standard CPCU/IIA publications. The "CPCU/IIA Catalog," designed for use by educational directors and administrators, includes **information on college credit recommendations, nine insurance programs and a list of study materials required for each course** along with information on the board of trustees, academic and administrative staffs of the institutes, a code of professional ethics and the Society of CPCU. The "CPCU/IIA Key Information Student Action Booklet" contains details for those people wishing to receive the **Chartered Property & Casualty Underwriter designation** in addition to the information on course recommendations, insurance programs and materials. To order a free copy of either publication, write The American Institute, Providence Road, Malvern, Pa. 19355.

• Deciding on offering early retirement options? The Runzheimer Reports on **preretirement counseling** have a four-page checklist for employers and employees considering early retirement options. For a free copy, write to the Publications Division, Runzheimer & Co. Inc., 555 Skokie Blvd., Suite 245, Northbrook, Ill. 60062.

• **Vocational services for injured workers and other disability cases** are offered by Vocational Services Northwest in Seattle. Vocational Services is a private firm with five offices and 30 professionals throughout the state of Washington to provide services for injured employees. For a free brochure, write John Huemmer, Director of Vocational Services, Vocational Services Northwest, 3810 196th St. S.W., Suite 9, Lynwood, Wash. 98036.

• William M. Mercer Inc. has just published a 20-page booklet titled **"Flexible Compensation and Benefits**: Innovations and Issues for the '80s." The booklet is based on a presentation made by Carson E. Beadle, Mercer's managing director of development planning, to a personnel conference in March 1982. To obtain a free copy of the presentation, write Department 99, William M. Mercer Inc., 1211 Ave. of the Americas, New York, N.Y. 10036.

• Six new editions of fire safety catalogs are available from the National Fire Protection Assn. The Health Care Catalog features **new products for health care facilities** and the NFPA's new health care facilities code containing 12 health care standards. The Business & Industry Catalog has information for **employees involved in safety programs at offices or factories**. The Fire Service Catalog features a 13-part audiovisual program and other training programs and handbooks on **managing safe and effective operations during structural fires**. The Codes and Standards Catalog presents the **25 newly revised standards of the NFPA**. The Film and Audiovisual Catalog is **a reference guide to audiovisual aids, films and videotapes on fire safety**. The catalog is categorized by subject—arson, firefighter training, etc.—for easy reference. The Educational Catalog contains information on **films, posters, reading material and activities on fire safety for schools,** communities and other organizations. To obtain free copies of the catalogs and price lists, write National Fire Protection Assn., Publications Sales Division, Batterymarch Park, Quincy, Mass. 02269.

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Majority think court awards are too high: Survey

NEW YORK—Most U.S. business executives, as well as a majority of the general public, think that the amounts of money awarded to winning plaintiffs in civil suits are usually too high.

They also believe that the number of lawsuits is on the rise and that lawsuits are generally not justified, according to an Insurance Information Institute survey of the attitudes, knowledge and expectations of the public and of business executives toward liability and the litigation system.

The nationwide survey, conducted by the Gallup organization, surveyed the general public as well as three groups of business executives: risk managers, small businessmen and senior executives in Fortune 1,000 companies.

Among the business executives, 72% to 83% say the number of lawsuits in 1981 was higher than four or five years ago, while 69% of the general public think there has been an increase in the amount of litigation.

Forty-three percent of risk managers said they regard lawsuits to be justified less than half the time, compared with 40% of the small business entrepreneurs and 37% of the senior executives. Thirty-one percent of the public thought that lawsuits were justified less than half of the time.

In assessing the amount of money awarded to plaintiffs who have won civil lawsuits, from 61% to 72% of the business executives surveyed say judgements are too high, while only 1% to 3% say they're too low. From 18% to 24% regard the award as usually being about right.

More than a third—40%—of the general public said they thought awards in civil lawsuits are too high, 12% said they are too low and about 37% said the awards are about right.

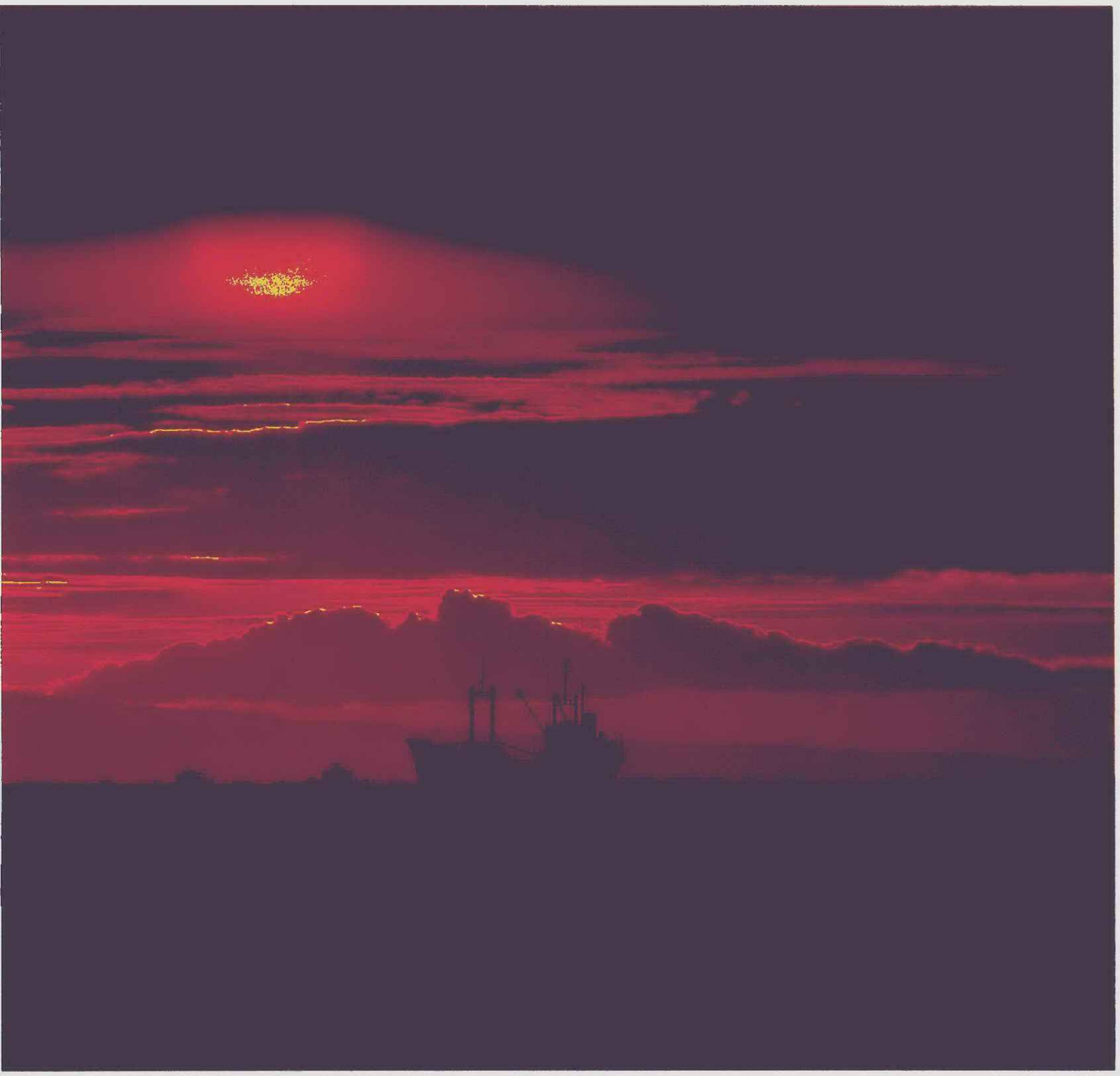
Only 32% of the public and between 8% and 23% of the business executives support the contingent fee practice whereby an attorney agrees to represent a client for a percentage of the award received; the plaintiff's attorney receives no fee if the case is lost.

About 62% of the public opted for a fee arrangement other than the contingent fee system, dividing evenly between a fixed-fee arrangement and a fee based on the number of hours worked. From 38% to 54% of the business executives polled favored an hourly fee system, while 28% to 31% supported fixed fees for attorneys.

An overwhelming majority of the business executives, from 90% to 93%, said they thought a plaintiff should have to pay at least a portion of a defendant's legal expenses if his or her claim is not substantiated by a court. However, only 70% of the general public surveyed said that a plaintiff who loses in court should pay at least some of the defendant's legal expenses.

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Copies of the survey are available for $35 each from the Publications Service Center, Insurance Information Institute, 100 William St., New York, N.Y. 10038.



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Workers pose huge theft risk, employers say

LOS ANGELES—Employees at convenience stores, fast-food outlets and service stations steal 1.5% to 2% of their employers' gross sales, according to a survey of businesses in those industries.

In fact, the employers participating in the study said their employees steal twice as much as all the shoplifters, robbers and vendors combined.

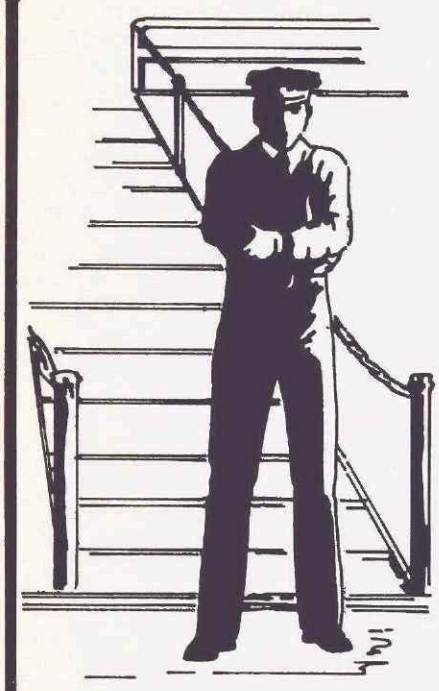
The survey, conducted by Walker & Struman Research of Los Angeles for Product Creation Associates, a security firm, revealed that employers in these three industries estimate that between 80% to 100% of their cash losses are attributable to their employees.

With retail cash losses due to employee theft totaling $20 billion a year, management "is finding it difficult to treat the losses as part of a vague category called 'shrinkage,'" said PCA President Lee Neumann.

Based on a 2% employee theft rate per year, convenience stores are losing $460 million, fast-food chains are losing $700 million and service stations lose $2.4 billion each year because of worker theft.

All three employer groups said that employee theft is the major cause of cash losses, with employee error placing a distant second. Robberies had a miniscule effect on their profits, all three groups agreed.

The employers said that common methods they use to reduce loss of cash include employee training programs, security checks during every shift, daily cash register accounting, increased use of safes, regular inventory checks and polygraph tests. ■



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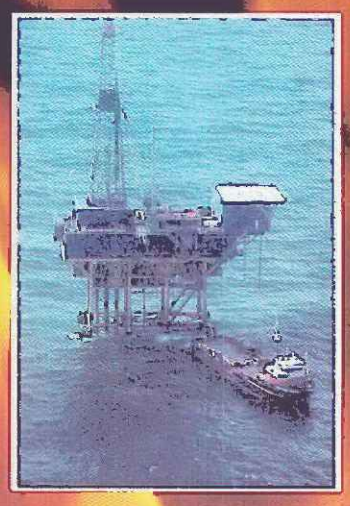
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SEPT. 27-29. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 27-30. Captive Insurance Companies: Establishment, Operation and Management conference in Hong Kong, sponsored by Risk Research Group Ltd.; 525 pounds (approximately $920); 500 pounds ($875) each for additional registrants from the same company. Sue Moore, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175; telex 8811636.

SEPT. 28. Workers Compensation and Workplace Liability conference in Harrisburg, Pa., sponsored by the Pennsylvania Chamber of Commerce; $65. Tim Holt, Manager of Compensation and Casualty Insurance, Pennsylvania Chamber of Commerce, 222 N. Third St., Harrisburg, Pa. 17101; 717-255-3271.

SEPT. 28. Cost and Benefit seminar in Chicago, sponsored by the National Council on Compensation Insurance; members, $70; non-members, $110. Virginia Lawless, NCCI, Box 1238, Springfield, Ill. 62705; 217-787-1072.

SEPT. 29-30. Casualty Loss Reserve seminar in Chicago, sponsored by American Academy of Actuaries/Casualty Actuarial Society; $175. Sue Hendrickson, Casualty Loss Reserve Seminar, 1835 K Street N.W., Suite 515, Washington, D.C. 20006.

SEPT. 29-OCT. 1. Risk Financing Techniques seminar in Denver, sponsored by St. Paul Risk Services Inc.; $335. Kathleen Moriarty, St. Paul Risk Services Inc., 230 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7763.

SEPT. 29-OCT. 1. Risk and Insurance Management in Banking seminar in Denver, sponsored by the American Bankers Assn.; $395 for bankers; $595 for non-bankers. Shelly Davis, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036.

SEPT. 29-OCT. 1. 13th Annual Educational conference in Myrtle Beach, S.C., sponsored by the Piedmont Chapter of the Risk & Insurance Management Society; members, $45; non-members, $50. John Senter, Carolina Power & Light Co., Box 1551, Raleigh, N.C. 27602; 919-836-6111.

SEPT. 29-OCT. 2. Benefits in a Changing Environment conference in Palm Beach, Fla., sponsored by the Southern Pension Conference; members, $150; non-members $225. Nancy Connell, SPC, P.O. Drawer 47309, Atlanta, Ga. 30362; 404-458-6233.

SEPT. 30-OCT. 1. Corporate Risk Financing Insurance conference in Warren, Vt., sponsored by Risk Planning Group Inc.; $550. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

OCT. 4-5. Bankers Blanket Bond and D&O Insurance: Your Liability seminar in Chicago, sponsored by the Bank Administration Institute; members, $375; non-members, $565. Diana Castellanos, BAI, 60 E. Gould Center, Rolling Meadows, Ill. 60008; 800-323-8552; 800-942-8861 in Illinois.

OCT. 4-5. Mergers and Acquisitions seminar in New York, sponsored by the Wharton School; $940. Also **Dec. 6-7** in Palm Beach, Fla. Information Services, University Conference Center, 360 Lexington Ave., New York, N.Y. 10028; 212-392-9441.

OCT. 7-8. Basic Radiation Hazard Control: Meeting Licensing Requirements course in Washington, sponsored by the International Institute of Safety & Health; $295; $250 each for three or more registered from the same company. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

OCT. 7-8. Capitalizing on Self-Insurance Opportunities conference in Toronto, sponsored by the Self-Insurance Institute of America; members, $325; non-members, $400. James Kinder, SIIA, Box 15466, Santa Ana, Calif. 92705; 714-979-6318.

OCT. 7-9. Conference of Actuaries in Public Practice annual meeting in Cambridge, Mass.; before Sept. 30: members, $200; non-members, $225; after Sept. 30: members, $225; non-members, $250. Conference of Actuaries in Public Practice, 208 S. La Salle St., Chicago, Ill. 60604; 312-782-8683.

OCT. 11-15. OSHA Guide to Voluntary Compliance course in Los Angeles offered by the University of Southern California; $500. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

OCT. 13-15. Techniques of Finance & Accounting course in Boston, sponsored by the Risk & Insurance Management Society; members, $345 ($195 for each additional registrant from the same company); non-members, $445. Claudia Shnider, RIMS Schools Administrator, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 15-20. 28th Annual International Foundation of Employee Benefit Plans conference in Montreal; $390 for conference; $130 per day for pre-conference sessions. IFEBP, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 18-20. Safety for the Oil Field Industry seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

OCT. 18-21. 70th Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; before Sept. 10: members, $65; non-members, $100. After Sept. 10: members, $90; non-members, $135. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 22. Legal Trends in Workers Compensation seminar in New York, sponsored by the National Council on Compensation Insurance; members, $125; non-members, $165. Mary Ellen Mazzeo, NCCI, One Penn Plaza, New York, N.Y. 10019; 212-560-1066.

OCT. 25-26. Risk Management Concepts for the Safety Professional and Insurance Buyer course in Los Angeles, offered by the University of Southern California; $225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

OCT. 25-27. Managing Employee Benefits workshop for financial executives in Lincolnshire, Ill., sponsored by Hewitt Associates; $850. Beverly McRae, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

OCT. 27-29. Recognition of Accident Potential in the Workplace Due to Human Error course in Los Angeles, offered by the University of Southern California; $300. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523-6524.

OCT. 28-29. Environmental Liability Management conference in Arlington, Va., sponsored by the Center for Energy & Environmental Management; $485; discounts available for three or more registrants from the same company. CEEM, Box 536, Fairfax, Va. 22030; 703-250-5900.

OCT. 28-29. Hazard Control Management Fundamentals seminar in Washington, sponsored by the International Institute of Safety & Health; $295; $250 each for three or more registered from the same company. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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

NOV. 3-4. Risk Financing seminar in Chicago, sponsored by St. Paul Risk Services Inc.; $335. Kathleen Moriarty, St. Paul Risk Services Inc., 230 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7763.

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

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

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

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

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

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

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

NOV. 21-24. Corporate Benefits Management conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 22-27. Aviation Safety Program Management course in Sydney, Australia, offered by the University of Southern California; $950. USC, Office of Extension & In-Service Programs, Institute of Safety & Systems Management, Los Angeles, Calif. 90007; 213-743-4617/6523.

NOV. 25-26. Hazard Control Sampler for Managers program in Washington, sponsored by the International Institute of Safety & Health; $295; $250 for three or more registered from the same company. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

DEC. 2-4. Employee Benefits and Workers Compensation: A Shotgun Marriage? conference in Miami, sponsored by Risk Planning Group Inc.; $600. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

DEC. 5-8. Public Employees conference in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700. ■

Dole presses for Social Security session

By JERRY GEISEL

WASHINGTON—Senate Finance Committee Chairman Robert Dole, R-Kan., is stepping up his campaign to have Congress return to Washington after the November elections for a special session to deal with Social Security problems.

Sen. Dole said in letters to President Reagan, Senate Majority Leader Howard Baker, R-Tenn., and House Speaker Thomas P. (Tip) O'Neill, D-Mass., that there would be a "real window of opportunity" after the election to reach a bipartisan consensus to shore up Social Security.

A lame-duck session also would coincide with the release of a report by President Reagan's National Commission on Social Security Reform, a 15-member panel studying ways to cure Social Security's financial problems.

Agent Orange study

The Veterans Administration says it may not complete until 1988 or 1989 a study to determine if exposure to the herbicide Agent Orange damaged the health of Vietnam veterans and their offspring.

For years, veterans have blamed exposure to Agent Orange for a variety of ailments including cancer, skin diseases, reduced sexual drive, impotence and birth defects in their children.

To test the validity of these charges, the Veterans Administration will compare the health of 6,000 men who were exposed to Agent Orange in Vietnam with two other groups—one consisting of men who also served in Vietnam but were not exposed to the herbicide and another made up of men who did not serve in Indochina.

While its main study may not be completed until 1988 or 1989, the Veterans Administration may have some preliminary answers before then.

A smaller study, expected to be completed in 1984, will examine the health of several hundred Vietnam veterans with identical twin brothers who did not serve in the war.

'Hungry monster'

The new president of the Assn. of Trial Lawyers of America says the insurance industry is a "hungry monster," whose cries for "equity and balance" in the nation's legal system are no more than an "ugly charade."

If more insurer-backed "no-fault tort reform" and mandatory arbitration proposals are enacted, they will "destroy the gains of the populace, and reinstate the social injustice of the last century's emerging industrial age," said ATLA President Howard Specter.

Not content with the passage of about 25 product liability "reform" bills, insurers now want legislation that will erode consumers' rights to recover damages when they are injured by defective products, Mr. Specter said.

The Assn. of Trial Lawyers of America, which has more than 50,000 members, has been a leading opponent of insurer and business-backed product liability reform proposals.

New health costs

A key provision in the revenue bill passed by Congress last month could cost employers as much as $1,800 for each employee who stays on the job after age 65, according to consulting firm Towers, Perrin, Forster & Crosby.

Under the Tax Equity and Fiscal Responsibility Act of 1982, employers will have to offer employees between the ages of 65 and 69 the choice of remaining with the company-provided health insurance plan or shifting to Medicare.

If the employee stays with the employers' plan, Medicare payments will become secondary to the payments from the employer's health plan.

Medicare, though, would continue to be older workers' primary coverage if the employee rejects the employer's plan. Few employees, however, would reject employer plans since they tend to be much more generous than Medicare.

"The effect of this change is to transfer a significant cost burden from the government to the private sector," TPF&C notes. "In a typical medical expense plan, average employer costs for each employee over 65 could be increased by as much as $1,800."

The consulting firm says employers would face far greater cost increases if the federal government ever decides to make employers cover retirees in their group health insurance plans.

"Such an extension is, in our opinion, a possible future step," TPF&C warns.

The new Medicare provision for older workers, which goes into effect Jan. 1, covers all employers with more than 20 full-time employees.

ERISA violations

The Labor Department says it found 1,212 violations of the Employee Retirement Income Security Act in the 2,322 investigative cases it closed in 1980.

Through investigations and negotiations, the department said it was able to restore $20.3 million in benefit plan assets during the year.

The Labor Department also said that it received 465,000 copies of Form 5500 in 1980. Form 5500 is a bulky document that lists a benefit plan's financial operations and conditions.

The department in 1980 established an individual benefit recovery program to help pension plan participants obtain benefits they were entitled to. By the end of the year, the department had recovered about $1 million in lump-sum payments or annuities for individual retirees, according to the Labor Department's report. Free copies of the report are available from the department's Pension and Welfare Benefits Program Office, Room N-5471, 200 Constitution Ave. N.W., Washington, D.C. 20216. ■

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Graff to direct Brown & Sons' operations

John G. Graff has been elected senior vp of Geo. F. Brown & Sons Inc. in Chicago, an excess/surplus lines brokerage. He is responsible for directing all activities of the company.

Mr. Graff was most recently vp and manager of the Interstate National Corp.'s mass marketing department. Interstate National is Brown's parent company.

Other excess/surplus changes:

Adam L. Ourso promoted to vp of Texas Marine Underwriters Agency Inc. in Houston, a managing general agency.

He is responsible for the supervision of ocean and inland marine claims, sales development and client services for Texas Marine Underwriters. Mr. Ourso was formerly claims manager for Texas Marine Underwriters.

comings & goings: industry

Insurers

Joseph A. Lughes named president of Great American-South in Raleigh, N.C., a division of Great American Insurance Cos. He was formerly senior vp of Great American.

Richard B. Davis elected senior vp and director of casualty claims at MGIC Indemnity Corp. in Milwaukee, the casualty insurance subsidiary of MGIC Investment Corp. He had been director of claims and senior legal counsel. Also, **James L. Costigan Jr.** elected vp and director of casualty administration at MGIC Indemnity. He was formerly senior sales coordinator, headquarters sales manager of casualty lines and assistant vp-marketing.

John T. Fitts appointed vp-claims at Progressive Casualty Insurance Co. in Mayfield Village, Ohio. He was most recently responsible for lawsuit control and subrogation at Progressive Casualty, a subsidiary of The Progressive Corp., which writes specialty lines.

Joseph B Nardi named president of the medical services division of St. Paul Fire & Marine Insurance Co. in St. Paul, Minn. The new division was formed to expand the insurance products and services the company offers to the health care professions. Mr. Nardi has been a general liability senior underwriting officer at St. Paul.

Henry A. Brakora promoted to vp of workers compensation claims at Michigan Mutual Insurance Co. in Detroit. He was formerly an assistant vp.

J. William Newton appointed vp and manager of Fireman's Fund Insurance Cos.' branch office in Davenport, Iowa. Mr. Newton had been a rural markets sales executive with Fireman's Fund in San Francisco.

Edward W. Ebersole named vp-loss control services at Fireman's Fund Insurance Cos. in San Francisco. He was previously assistant vp-loss control/special services at Fireman's Fund. Mr. Ebersole replaces **David E. Glass**, who retired.

Arthur H. Alie elected vp-group pension administration at State Mutual Life Assurance Co. of America in Worcester, Mass. He had been second vp-group pension administration.

Robert H. Amorde promoted to senior vp of S&H Insurance Co. and S&H Life Insurance Co. in San Diego, Calif. His responsibilities include heading S&H's life operations. He was previously vp of S&H Life. S&H primarily underwrites specialty programs.

Thomas G. Cole elected vp-commercial property at Reliance Insurance Co. in Philadelphia. He continues to be responsible for Reliance's commercial property underwriting department. He is also responsible for development of MarketMaster, the Reliance program for total account marketing for specific classes of business.

Donald P. Marinkovich named president of Pacific Marine Insurance Co. of Seattle. Mr. Marinkovich was formerly a partner in the law firm of Detels, Draper & Marinkovich. He replaces **John Hale**, the founder of Pacific Marine Insurance Co. in 1979, who was named chairman.

Linda M. Fensterstock joined Virginia Surety Co. Inc., a subsidiary of Ryan Insurance Group in Chicago, as vp. She will be responsible for developing comprehensive risk management information services and actuarial consulting for major clients. Ms. Fensterstock had been director of risk management services for CNA Insurance.

John F. Anderson named president and chief executive officer of Angelina Casualty Co. in Lufkin, Texas. He had been president of Anderson Insurance Agency in Lufkin. John Anderson succeeds **W. Joseph Anderson,** who was named chairman of the company. **Eddie L. Gray** named senior vp, secretary and treasurer and **James L. Maddox** named vp-claims. Angelina is a subsidiary of St. Regis Paper Co. that specializes in workers compensation insurance.

Anthony J. Warren appointed vp and manager of the Western region for the property/casualty division of The Continental Corp. Mr. Warren had been an assistant vp.

Bermuda market

Malcolm H. McLachlan joined Exxon Insurance Services Ltd. and Ancon Insurance Co. S.A. in Hamilton, Bermuda, as vp. He will be responsible for development of a worldwide, non-related reinsurance account. Mr. McLachlan was previously president and chief executive officer of Great Lakes Reinsurance Co.

Other suppliers

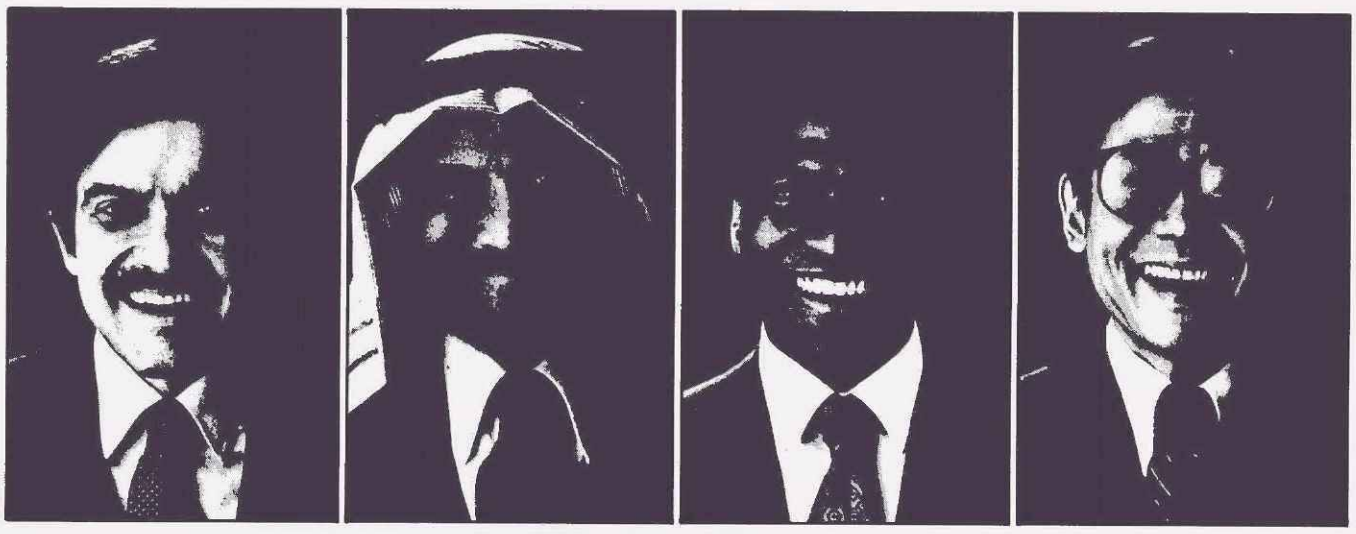
Raymond E. Sharp appointed director of international services of Buck Consultants Inc. in New York. He was formerly head of an actuarial and employee benefit consulting firm in New York.

Robert E. Reuter joined Booke & Co. in Winston-Salem, N.C., as senior vp of its insurance company services division. Mr. Reuter was most recently vp for corporate planning and assistant to the president of the Lutheran Brotherhood.

Reinsurers

New England Reinsurance Corp. announced three management changes: **Lewis H. Mollman** named executive vp and will assume responsibility for all treaty operations; **Jerry Cassell** named senior vp responsible for foreign, marine and aviaition accounts; and **Robert E. Evans Jr.** promoted to senior vp with responsiblity for a major portion of its domestic treaty accounts. ■

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GMD Benefits the World

Florida exchange elects new board of governors

markets

The Insurance Exchange of the Americas in Miami, scheduled to start underwriting next month, has elected a new board of governors.

The election of a new board was required by law before the exchange could open.

In addition, the exchange announced that it has approved 10 underwriting syndicates and 33 brokers as members. It also announced that it will maintain offices at 245 S.E. First St., Miami, Fla. 33131; 305-374-4111.

Stephen Arky, who is chairman of the Arky-Weiner Underwriting Agency, one of the exchange's syndicates, was named chairman. Mr. Arky is also president of Arky, Freed, Stearn, Watson & Greer, a Miami law firm.

Other members of the board are:

- Robert W. Daum of Syndicate One Inc. He is also president of Robert Daum Management Co.
- Hyatt Brown of Brown & Brown Inc. He is a past speaker of the Florida House.
- Raymond Calgi of the Armco Syndicate. He is president of Armco Financial Services Inc.-Latin America.
- James Cordle of the Presqu'ile Syndicate. He is executive vp of Whiting National Insurance Co.
- Horillo Don Jose Maria of the Consorcio Hispanic Syndicate. He is a manager of Caribbean operations for Ocaso S.A. of Madrid, Spain, an insurer.
- Richard Lehman of First Insurance Investors Inc. He is a Miami attorney.
- W. Dana, Roehrig of Dana Roehrig & Associates Inc. He was the first chairman of the exchange.
- Marvin S. Rosen, an attorney appointed to the board by the state insurance commissioner.
- Angelique Stall, chairman of a Miami-area savings and loan, appointed by the insurance commissioner.
- William E. Sadowski, an attorney appointed by the governor.

New administrator

The Administrative Management Group Inc. is a new employee benefit consultant and administrator based in Arlington Heights, Ill.

Services offered by the new company include the evaluation, design and implementation of claims processing programs using a client's existing equipment, as well as administering benefit claims.

AMG was formed by John Salajka Jr., a former partner at Hewitt Associates, and David I. Goldenberg, a former Hewitt consultant..

The company's offices are located at 3231 N. Frontage Road, Arlington Heights, Ill. 60004; 312-577-6000.

New name

J.D. Tuley & Associates Inc., an excess/surplus lines brokerage based in Houston, has changed its name to Tuley/Barnard & Associates Inc.

The company has also opened a new office at 9510 Tioga, Suite 206, San Antonio, Texas 78230; 800-392-3868.

Acquisitions

Crum & Forster, the New York-based insurance holding company, has acquired all the outstanding shares of **Viking Insurance Co. of Wisconsin,** based in Madison, Wis. Viking, a specialty carrier, writes coverage for nonstandard automobile risks.

Fireman's Fund Insurance Cos. Inc. has purchased **ARC Automation Group Inc.** of Houston from **Kaneb Services Inc.** ARC supplies data processing software to insurance agents and brokers.

Meeker-Magner Co. Insurance Brokers & Consultants Inc. of Park Ridge, Ill., has purchased Glenbrook Insurance Agency of Deerfield, Ill.

New offices

Crump London of Wisconsin Inc., a wholesale excess/surplus lines brokerage, has moved its offices to 2120 E. Moreland Blvd., Waukesha, Wis. 53186; 414-547-7712. ■

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'Overlooked' office injuries can be expensive, dangerous

Continued from page 2

According to another estimate, one of every 27 office workers suffers an injury while at work and one of every 22 workers compensation claims is for an office injury.

Unfortunately, even OSHA seems ambivalent about office accidents and has not drafted specific safety standards for office workers.

"OSHA does not have standards that apply specifically to office safety," says Thorne G. Auchter, assistant secretary of labor for occupational safety and health. "However, general industry standards apply."

A study of the workplace injuries completed in 1976 by the New York Workmen's Compensation Board showed that 4,856 of 126,208 workers compensation cases in the state that year involved clerical office workers.

Of those injuries, eight were deaths and six involved permanent disabilities. A total of 2,107 resulted in permanent partial disabilities and 2,735 in temporary total disabilities (defined as being unable to work for at least one day).

The figures are higher for professional workers in office environments. The same study revealed 7,492 claims by professional personnel, of which 85 involved deaths and 3,036 involved permanent partial disabilities.

The average compensation award for clerical workers amounted to $2,895, while an average of $2,920 was paid to the professional workers.

According to the Alliance of American Insurers, office injuries and the subsequent awards can be a real drain on corporate profits. To offset a $500 workers compensation loss in 1980, the Alliance said:

- A bakery had to bake 46,297 loaves of bread.
- A paint manufacturer had to produce produce 2,645 gallons of paint.
- A supermarket had to ring up $38,450 of sales.
- A telephone company had to handle 21,552 local pay phone calls.

The loss of a key worker for a single day, in some industries, can amount to as much as $10,000 to $14,000, according to Vincent L. Tofany, president of the National Safety Council in Chicago.

Like E.I. du Pont de Nemours & Co. (*BI*, July 12), Polaroid bases its safety programs on the fact that human errors cause 90% of all injuries and that unsafe working conditions or equipment cause the other 10%.

"Our programs are also based on the premise that people need to know why as well as what," Mr. Colvin adds. "Telling people they must wear safety glases without their understanding the reasons doesn't provide motivation."

Polaroid's extensive office safety program relies heavily on audiovisuals. It shows how unsuspecting office workers can be injured by seemingly harmless objects like loose electrical cords and materials piled on top of file cabinets.

The program provides training in avoiding and preventing falls during walking, running and climbing. It also includes training in treating eye, hand and finger injuries and others due to strain, electric shock, burns and chemical spills and splashes. Accident reporting is also explained.

The Polaroid program makes a point of establishing learning objectives: making sure employees can identify hazards and unsafe acts, know proper preventive measures and can identify safety responsibilities, Mr. Colvin says.

The No. 1 cause of injuries in offices is falls, according to the National Safety Council. According to one survey, falls were responsible for 55% of all days lost because of office injuries.

Clinton Cook, assistant manager of administrative services in the loss-prevention department of Liberty Mutual Insurance Co., notes that accident reports frequently include descriptions of employees tripping over cords for office machines, injuring themselves after standing on a chair, falling out of chairs, slipping on wet or waxed floors, falling off ladders and tripping on stairs.

Mr. Cook says Liberty Mutual also receives reports of injuries resulting from pulling over top-heavy file cabinets, cutting hands or fingers on broken glass in wastebaskets and other seemingly minor but potentially expensive injuries.

Even so-called minor accidents can result in long-term disability. Examples reported by the National Safety Council include a fall resulting in a fractured knee that cost 60 days of lost time; a fall on a waxed floorway resulting in a fractured wrist and 52 days of lost time; and a fall resulting in a fractured thigh and 60 days of lost time.

Injuries also frequently occur, according to the council, as a result of suddenly opened doors; hair, clothing or jewelry becoming entangled in office machinery; mishandling sharp objects like letter openers, knives, staplers, etc.; and paper cuts.

Interestingly, male clerical employees seem to suffer more workplace injuries than women. According to 1978 data from the California Department of Industrial Relations, male clerical employees suffered 10.4 injuries per 1,000 office workers, compared with a rate of 7.4 injuries per 1,000 for both male and female office workers.

According to the California statistics, falls were the most prevalent accidents among clerical workers, resulting in one of four injuries reported. Overexertions (usually strains) accounted for another 22%. Other injuries resulted from being struck by falling objects and involvement in traffic accidents.

Many accident situations can be "designed out" of offices, according to Roy A. Harris, manager of safety for Sheraton Corp. in Boston,

Continued on facing page

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Continued from facing page
which employs more than 65,000 people worldwide.

Sheraton's new $2 million Travel Trade Center in Raleigh, N.C., has been designed and equipped to prevent injuries. For example, the carpeting is extra thick to absorb shock. File cabinets are interlocked, and only one file drawer can be opened at a time. Furniture and work stations have been selected to minimize the danger of accidents resulting from fatigue. Special mohair and wool materials are used on floors, walls and support columns to dampen sound. The offices are also specially air conditioned to reduce chances of toxic hazards.

The nature of the work performed in offices needs further study, safety experts say. Some jobs require so much concentration that workers become unaware of hazards and even oblivious to them, they say. Thus, safety precautions should be incorporated into the work environments.

When laying out an office, the experts say, architects and designers need to make sure that:

- Aisles are adequately spaced and are clear of obstacles.
- Desks, file cabinets and counters have rounded edges.
- Traffic flow is carefully considered to prevent collisions and emergency exits and stairs are readily accessible.
- Building codes have been strictly adhered to.

The design and use of electronic office equipment can also affect workers' health. Investigations by a number of organizations, including the National Institute of Occupational Safety and Health, indicate that word, data and graphic procesing systems that contain video display terminals can cause eyestrain, irritability, fatigue and a number of other minor ailments.

Although a direct correlation between these maladies and VDTs hasn't been firmly established, that doesn't mean such a connection does not exist.

Noise can also be a problem in an office environment. The noise created by printing machinery like small presses and folders can muffle hazard warnings and also introduce irritability that blocks awareness of danger.

The most overlooked cause of office accidents can be all in a worker's head. "Perilous periods" —suffered by workers who have lost a spouse through death or divorce, are worried about losing their jobs or are just not feeling well—can lead to distraction, which can lead to accidents

Supervisors, although they cannot solve a worker's worries, can sometimes lend an ear to allow the employee to release some tension. Or, at the least, they can gently remind a worker that accidents often occur during times of great stress. ■

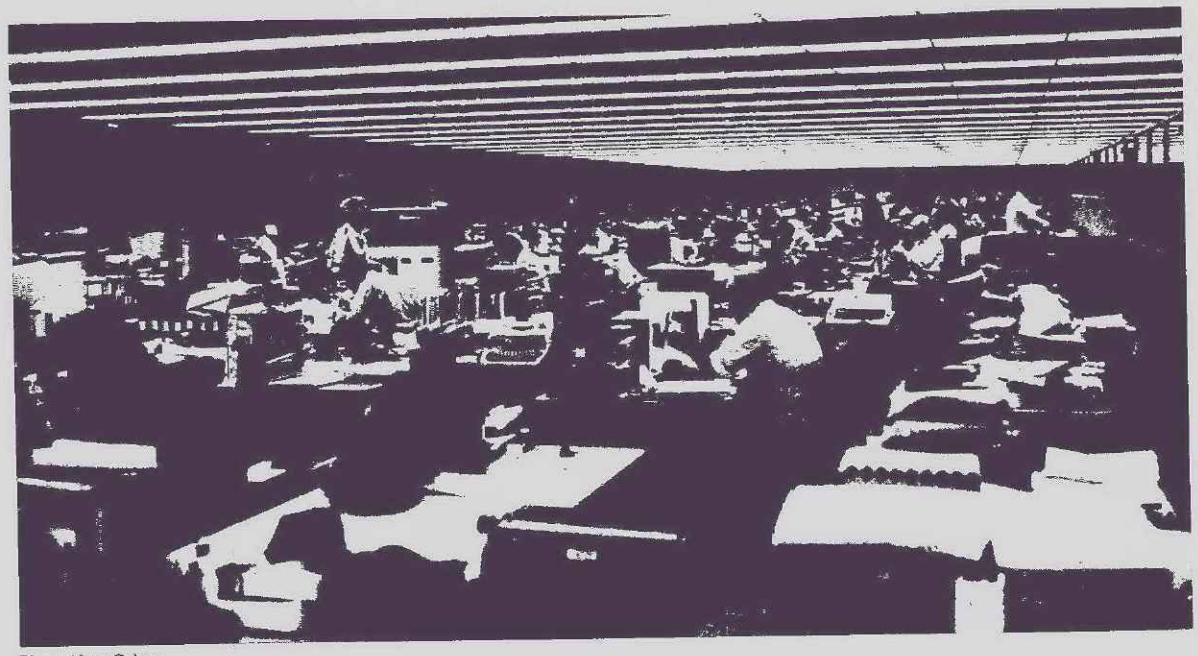


Photo: Mary Cairns

Video display terminals could possibly pose occupational health hazards to office workers.

Agencies offer employers help

Several organizations are ready and willing to help employers reduce office hazards and cut injury rates among office workers.

The federal Occupational Health and Safety Administration offers on-site consultation programs that will assess hazards at a workplace. The agency will not levy fines or other penalties for safety violations discovered during the initial inspection.

The service is described in a booklet, "On-Site Consultation for the Employer" (OSHA 3047), which is available free from regional OSHA offices.

The Naional Safety Council, which has been a source of safety information for more than half a century, can also provide considerable assistance.

The council's "A Safety Handbook for Office Supervisors" details many of the safety risks found in almost every office. The publication (Stock No. 129.85) costs $3.25 for members and $4.05 for non-members. Bulk rates are available for orders of 10 or more copies. For more information, write the National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611.

Another paperback book published by the Tilden Press in Washington, D.C., entitled "Office Hazards: How Your Job Can Make You Sick" by Joel Makower, attacks offices as hazardous working places but also provides worthwhile accident-prevention suggestions.

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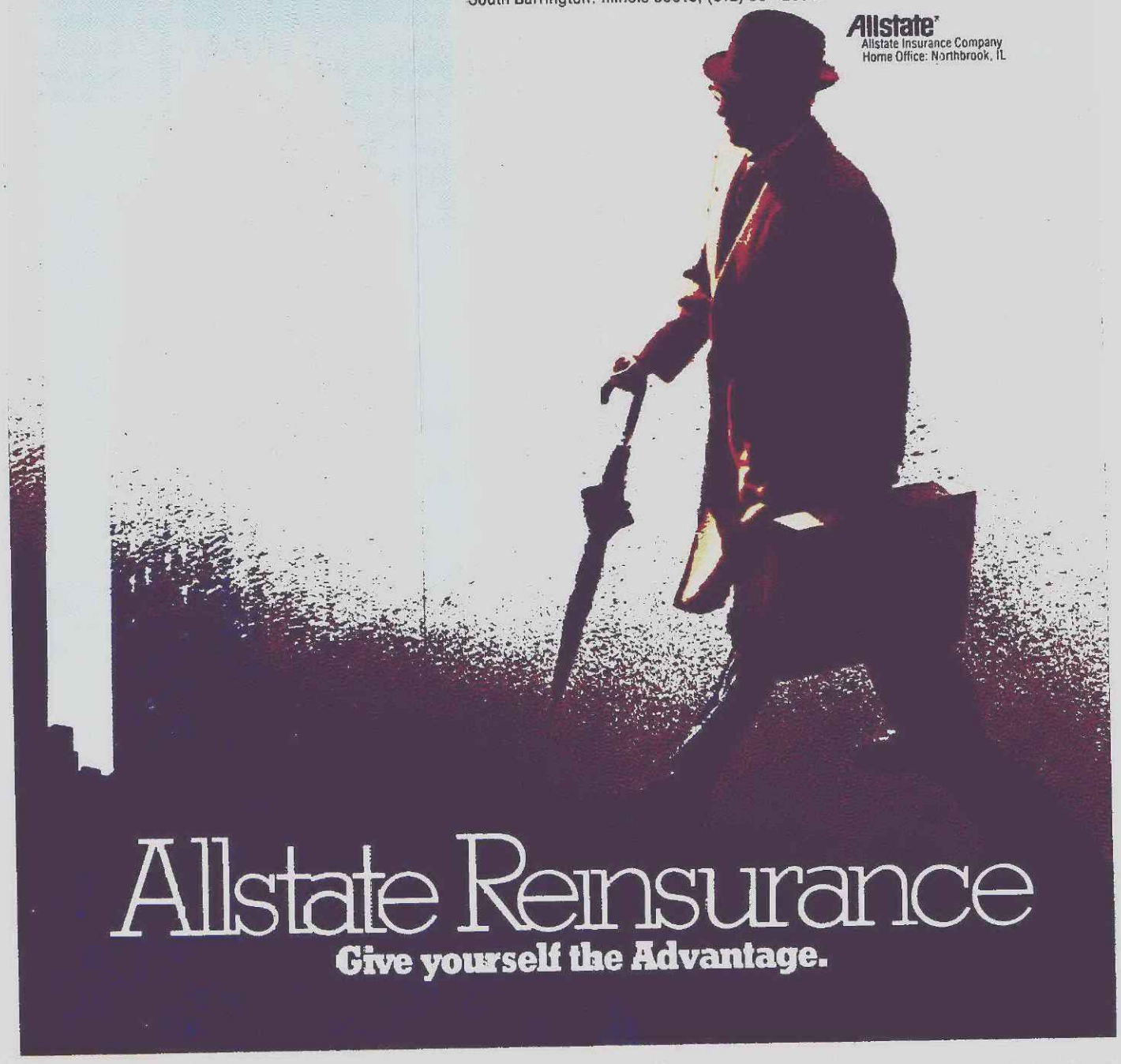
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Wisconsin seeks direct provider arrangement

By JAMES C. LAWSON

MADISON, Wis.—The state of Wisconsin wants to deal directly with the doctors at four large Madison clinics to offer state employees more health plan options at possibly lower costs.

Under these direct provider arrangements the physician groups contract with hospitals for health care services and then set their rates based on those negotiations. These physician groups, which are prepaid for their services, compete for enrollees by trying to provide the most health care for the lowest premium.

Basically, they operate like health maintenance organizations, but unlike HMOs in Wisconsin, the direct provider groups are not regulated by the state.

If the physician groups and the state reach an agreement, the direct provider program is to begin in October 1983 for the state's 58,000 employees. It will add to the health care options they now have through the state's standard self-insured health plan and five health maintenance organizations.

And, the program already is catching the interest of the city of Madison, the Madison Board of Education, Dane County and the Madison Area Technical College, which last year formed a health insurance-buying consortium. They say they may introduce a direct provider program if the state is successful in getting providers to participate (see story page 57).

The state initially is discussing the idea with the four largest physician groups in the Madison area so the bulk of their employees would have access to the services. The physician groups now talking with the state include the Dean, Jackson, Eastside and Quizlin clinics.

The state selected them because they have large staffs and provide a variety of health services, such as medical, dental and vision care and minor surgery. It has not, however, ruled out arrangements with smaller Madison clinics.

Eventually, physician groups in other areas of Wisconsin will be included. The next target area probably would be Eau Claire, where the second-largest concentration of state workers is employed.

Last year nearly $45 million of the $70 million the state spent on employee health care was paid to Madison health providers. The state expects to spend $80 million to $84 million overall this year on health care.

While state officials don't expect to see immediate savings next year, they are hopeful for long-term health savings.

"We've moved through a lot of the traditional cost containment steps and now we're ready to go beyond," explains Thomas Korpady, director of health and disability for the state's Group Insurance Board.

The state's self-insured health plan, which is administered by the Wisconsin Physicians Service, already includes a voluntary second surgical opinion program, concurrent utilization review, pre-admission testing and coordination of benefits and encourages ambulatory surgery.

But, Mr. Korpady explains, the state believes the increased competition from the physician groups will trigger lower rates among all providers who won't want to lose enrollees to the new groups.

"If doctors can practice efficient medicine, the rates they charge will more than offset their expenses," says Mr. Korpady. "We'll pay less in claims and the savings are shared with the clinics."

Under the prepaid plan, clinics that keep costs below the set rates can keep the savings.

"We want the physicians to shop around for hospitals and be more mindful of costs. We want the physicians to be the gatekeepers," explains Mr. Korpady.

Mr. Korpady expects that employees would choose the more comprehensive, less-expensive plans to avoid having to contribute to the premium.

The state would not negotiate rates with the direct provider groups, but would offer the programs at the rates set by the clinics once a year to any state employee in the physician group's service area.

Besides the added competition the direct provider groups will stimulate, Mr. Korpady said the state decided to work with these independent physician groups because many health maintenance organizations are owned by insurance companies, and the state prefers to deal with providers totally independent of insurers.

Under the current benefits structure, the state contributes $157 per month per employee for family coverage and $60 per month for individual coverage.

Employees who opt for the state's standard self-insured health plan must contribute $14.75 per month for family coverage and $5.97 per month for individual coverage. However, premiums for four of the five HMOs now offered are less than the state contribution to its standard plan, so employees contribute nothing.

The state's self-insured plan pays 100% of fees for all surgery, anesthesia, X-rays, laboratory services, radiation treatment, oral surgery, obstetrical services and in-patient psychiatric services.

Major medical is covered on an 80% to 20% co-insurance basis. Employees pay no deductibles.

The HMOs offered by the state are the Greater Marshfield Plan, Group Health Cooperative of Eau Claire, Group Health Cooperative of South-Central Wisconsin, Health Protection Plan and Compcare Health Plan. ■



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Disability benefits sometimes low: Study

WASHINGTON—Almost 37% of the group short-term disability insurance plans newly underwritten or revised in the first three months of 1981 paid a maximum benefit of less than $109 per week, a survey reveals.

However, 23% of the surveyed plans paid a maximum weekly benefit of more than $200, and another 22.4% paid a maximum of more than $300.

The study, conducted by the Health Insurance Assn. of America, surveyed 33 companies that either set up new group long- and short-term disability plans or revised existing plans in the first three months of 1981.

Although the maximum weekly benefit paid by short-term disability plans can be relatively high, the average benefit is usually much lower. For example, in 57% of the plans surveyed, the average weekly benefit a worker could expect to receive is less than $100. Average benefits exceeding $200 per week were found in only 7.1% of the plans.

Most of the plans (66.8%) limited benefits to either 60% or two-thirds of a disabled employee's gross earnings, subject to the maximum benefit. About 18% paid more than 70% of a disabled employee's earnings, while 7.7% of the surveyed plans paid less than 35% of his or her wages.

The overwhelming majority of short-term-disability plans (80.6%) pay benefits for 26 weeks. A shade more than 14% provided benefits for only 12 weeks, while 5.1% paid benefits for one year or more.

Eighty-six percent of short-term plans provide coverage from the day of a disabling accident. However, when disability is caused by illness, the majority of plans (73%) do not begin paying benefits until the eighth day of disability.

Some 41.4% of the short-term plans surveyed were fully funded by the employer. About 44% of the employers paid somewhere between half and the total premium, while 10.7% paid for less than half of the plan's cost. About 4% of the plans required the employee to pay the entire premium.

Two-thirds of the long-term disability plans surveyed provided 60% of an employee's pre-disability income, while another 21.2% paid two-thirds of his or her wages. More than 36% of the plans paid a maximum monthly benefit of more than $2,250, while another 23.1% provided a maximum of between $2,000 and $2,249. About 31% provided a maximum of $1,500 to $1,999 in monthly benefits.

Again, average monthly benefits were much less than the maximum. Almost 40% of the long-term plans paid an average monthly benefit of less than $600, while 31.6% reported providing an average monthly payment of $900 or more.

In more than half of the long-term plans (52.4%), the first payment was not made until 180 days or six months after disability commenced. Another 36.8% of the long-term plans surveyed began payments 90 days or three months after disability.

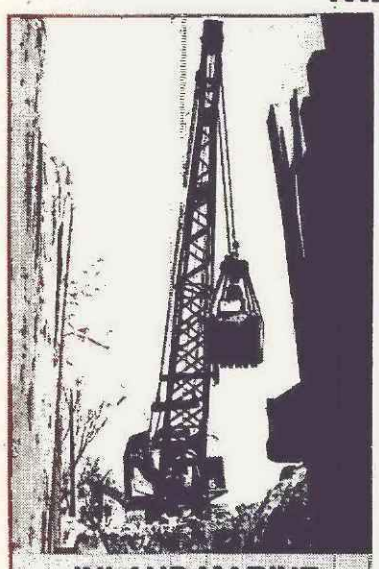
The vast majority of long-term plans (81.6%) paid benefits until the worker reached age 65. However, 12.7% of the plans only paid benefits for two years.

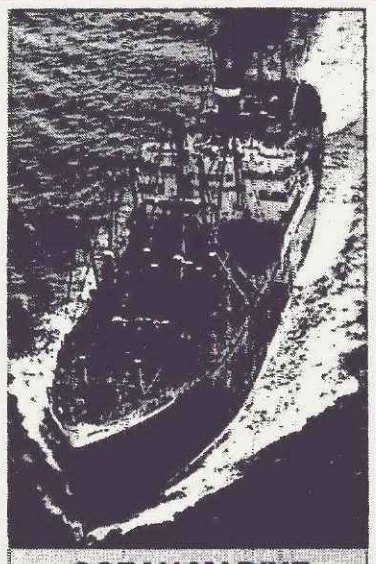
Some 61.5% of the long-term plans were fully financed by the employer. The company paid more than half of the premium in 28.4% of the plans.

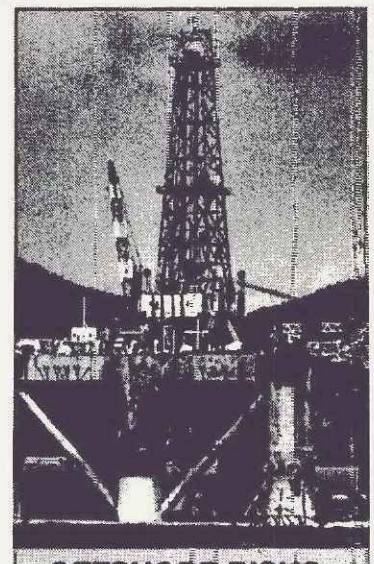
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Single copies of "New Group Disability Insurance" are available free from Statistical Services, Public Relations Division, Health Insurance Assn. of America, 1850 K St. N.W., Washington, D.C. 20006.

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Government entities use clout to reduce health plan cost hike

MADISON, Wis.—Four large Madison employers have decided to fight rather than pay more for health insurance coverage or switch insurers.

Their savvy has resulted in a combined $650,000 premium savings for the same level of benefits from the same insurer—Wisconsin Physicians Service.

Faced with a proposed 40% premium increase, the City of Madison, the Madison Board of Education, Dane County and the Madison Area Technical College formed a buying consortium. They then asked Wisconsin Physicians Service to renegotiate their contracts or risk losing their business.

Despite a state regulation that prevents them from pooling their loss experience to give them bargaining leverage, the four employers used their size and buying power to win lower rates.

Combined, they have an employee population of 5,700, making them the third-largest employer in the Dane County, and spend more than $8 million annually on health care.

In addition, they all offered their employees the same health benefits package through Wisconsin Physicians Service, their underwriter for 13 years.

"We were satisfied with the WPS, but when we were informed of the 40% increases, we decided that we had to do something. We felt we could get a much better proposal if we formed a buying group," explains Michael DeMoss, risk manager for the city of Madison. "The only way we felt we had any leverage with the insurer was through a combined effort."

While each party had to negotiate its own contracts with WPS, they approached the insurer as a single buying unit.

Fearing the possible loss of one or all of the employers' business, WPS reduced the overall premium increase by about 8%, said Mr. DeMoss.

This meant the four employers would pay a combined health premium of almost $8.5 million for fiscal 1982, which began in Jan. 1, rather than the originally proposed $9.13 million.

The health plan provides 100% coverage for surgery, anesthesia, X-ray and laboratory fees, radiation therapy, obstetrical services and inpatient psychiatric care.

The employers contribute $157 per month per employee for family coverage and $60 per month per employee for individual coverage.

The plan also includes coverage for prescription drugs, with a $2 deductible per prescription.

Employees, through payroll deduction, contribute $14 per month for family coverage and $6 per month for individual coverage.

The employers also offer coverage through a health maintenance organization, which is used by about 6% of their employees. Those premiums rose about 10% this year, but the employers did not renegotiate those contracts, explains Mr. DeMoss.

The WPS increase, however, was too significant to accept.

"We simply approached the insurer after receiving the new proposed rates and said we wanted to renegotiate our contracts," explains Mr. DeMoss. "Although WPS had to negotiate with us individually, we suggested that we all could leave if we weren't satisfied."

Other health insurers were solicited by the buying group with the understanding that the individual employers would decide independently what insurer to go with. Before accepting any rates or terms, each employer also had to get approval from its own local governing bodies.

Blue Cross/Blue Shield of Wisconsin offered the same benefits for a slightly lower rate than what WPS renegotiated, but the four employers decided to remain with the WPS.

"While the Blue Cross premium was lower, we felt it wasn't low enough for us to switch," explains Mr. DeMoss. "Besides, we couldn't be assured that we could get the same kind of service we had gotten from the WPS. If the difference had been greater, we might have made the switch."

Meanwhile, the buying consortium is considering a direct provider arrangement similar to that being considered by the state of Wisconsin (see story, page 56).

Mr. DeMoss admits this year's renegotiation with Wisconsin Physicians Service is only a short-term solution and that the consortium would like take other steps to make employees more cost-conscious. ■

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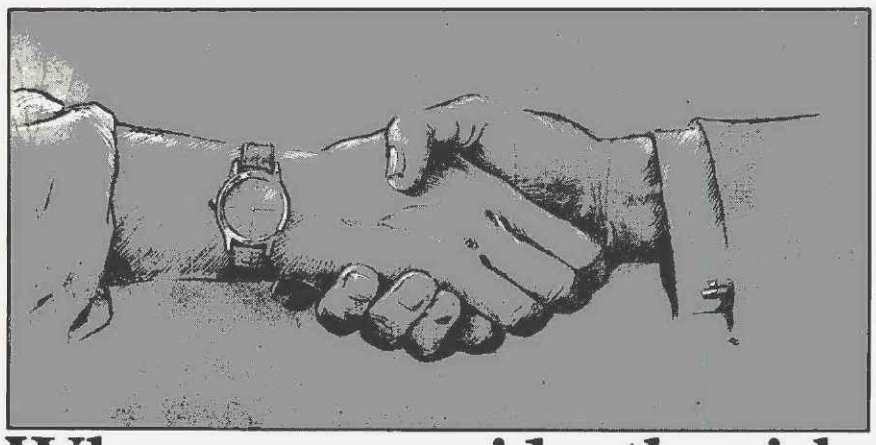
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The Progressive Cos. is now marketing its Long Hauler Program, a liability and physical damage coverage plan for truck owner-operators with long-distance rigs.

The plan includes an experienced-driver premium discount of 15% for owner-operators 25 years or older with more than three years of experience. Drivers with excellent driving records can also receive a 20% discount on their premium.

The coverage has a $500,000 combined single limit, with $600,000 available in California. The combined single limit will be raised to $750,000 in January 1983 in accordance with Motor Carrier Act provisions that take effect next year (see story, page 44).

The Long Hauler Program also features Crawford & Co.'s MAYDAY claims service, which provides motor carriers with 24-hour, seven-day-a-week service. Insureds can also use Progressive's own nationwide system of claims offices to handle loss adjustments.

Motor carriers in Colorado, Florida, Illinois, Indiana, Maryland, Ohio or Texas interested in more information on the Progressive Long Hauler program should contact their local independent insurance agent.

Mail insurance

Mail insurance for financial institutions is available from Standard Fire Insurance Co., an Aetna Life & Casualty Co. subsidiary.

This all-risk coverage, which supplements a bankers blanket bond, covers registered and first-class mail from the time it is mailed to the time it arrives at the financial institution. Policy extensions can cover single-shipment increases and U.S. Postal Service Express Mail shipments.

The property covered by the policy is broadly defined as negotiable securities, money orders, certificates of deposit, bullion, jewelry and other precious metals and similar valuables.

Since the premium is based on the previous year's mail volume, no premium adjustment is required at the end of the year. The premium is fixed regardless of mail volume.

Limits up to $30 million per addressee per day are offered, although the coverage is subject to specified limits per shipping package.

For further details on the policy, contact your local Aetna agent.

Hospital bill savings

Medex Services is offering a cost-containment service for self-insurers that can determine the accuracy of hospital bills and retrieve refunds on excess charges.

Under the program, registered nurses check itemized hospital bills against patient charts to determine if all services charged to the self-insurer were actually related to the condition and diagnosis. This examination-and-verification step, performed at the hospital where the patient was admitted, usually takes 5 to 5½ hours to complete.

After the review is completed, the nurses work with the hospital business office to obtain a quick, equitable resolution of the billing discrepancy. Documentation of findings and recommendations are sent to the self-insurer.

Medex charges $25 per hour to screen a hospital bill to determine if it warrants investigation. It charges $35 per hour for the actual bill review in most states, although it charges $42 in California.

For further details on the service, contact Donald Wilson, Medex Services, 985 Old Eagle School Road, Wayne, Pa. 19087; 215-687-9450.

Product recall info

A 324-page handbook analyzing product hazards and recall actions has been published by Washington Business Information Inc.

"Product Hazards: A Case History Guidebook" examines defect reports made by corporations to the Consumer Product Safety Commission, how those corporations avoided having their products designated a "hazard" by the commission and how liability exposures were reduced.

The handbook contains 70 case histories. In addition, the handbook shows:

- How extensive, prompt recalls can reduce the possibility of a product being labeled a hazard.
- How a recall can be found to be unnecessary.
- How various CPSC rulings can lead to hazard warnings and recalls.

The handbook contains analyzes of cases in which the CPSC sought civil penalties from companies for failure to report product defects immediately.

Sections of the Product Safety Act and the CPSC rules that implement the statute are reprinted in the book.

This case history handbook is available for $89 (plus 6% tax for Washington, D.C., residents) by writing Washington Business Information Inc., 235 National Press Building, Washington, D.C. 20045; 202-737-3830. ■

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Aerospace workers opt for benefits, not pay

Hourly workers at Goodyear Aerospace Corp. in Akron, Ohio, have returned to work after winning improved health, vision care, short-term disability, pension and life benefits in lieu of higher wages.

The 1,474 workers, all members of United Auto Workers Local 856, accepted the increased benefits package on Aug. 30, ending a 19-day strike against Goodyear Aerospace, a division of Goodyear Tire & Rubber Co.

The union opted for improved benefits because the majority of the membership was more concerned about pensions and other benefits than they were about an up-front salary increase, explains Local President Thomas Seese.

Under the new three-year contract, Goodyear is providing the workers with higher major medical limits and higher payments for radiation therapy and physician and nursing care for in-hospital and mental-care visits.

The company now pays $1,600 toward radiation therapy charges, up from the previous $1,150. Payments for in-hospital physicians' charges have been boosted from $25 per day to $35 per day; the contract provides $25 per day for visiting nurse charges, up from the previous $17.50.

In addition, the plan now pays $60, a $15 increase, for physician visits to patients in a mental institution.

The major medical yearly maximum has been increased to $100,000 from the previous $75,000. The new major medical lifetime maximum is $400,000, a $100,000 increase. The major medical maximum for retirees has been increased $20,000 to a new maximm of $60,000.

Under the major medical portion of the self-insured health plan, employees pay a $100 deductible. The major medical plan pays 80% of covered expenses, while the basic health plan pays 100% of hospital charges for a semiprivate room up to a maximum of 730 days. Employees are not required to pay deductibles for basic health coverage, nor contribute anything toward premiums of either the basic health or the major medical plan.

Vision benefits for the union members have been increased to a a maximum of $25 for new lenses, up from the previous $15, and $25 for new frames, up from the previous $20.

The short-term disability plan has been improved to provide hourly workers a maximum weekly payment of $185, up from the previous $125, for a maximum of 52 weeks.

Both the vision and short-term disability plans are self-funded, and employees are not required to make premium contributions.

The new pact also calls for improved pensions. Goodyear now promises pension benefits of $16.50 per month for each year of service with the company. An employee is vested after 10 years' service. Pension benefits had been $15 per month for each year of service in the old contract, which expired Aug. 10.

In addition, the company agreed in a new contract provision to pay a monthly pension of $26.50 per year of service to employees between ages 55 and 61 with 30 years of service who take early retirement.

The new contract also provides improved life insurance benefits for hourly employees and their dependents. Employees now receive $15,000 of base life insurance coverage, up from the previous $13,000. The life coverage, underwritten by the Aetna Life & Casualty Co., is provided free by the company.

benefit beat

Under the new contract, workers can also increase their coverage by 50% or 100% for an additional premium.

Dependent coverage has been upgraded to provide a maximum $5,000 policy for spouses and $3,000 for dependent children. Previously, employees could only purchase life policies with limits of $1,000 for spouses and $500 for children.

The workers must make payroll-deductible premium payments for dependents' life insurance coverage. For an extra charge, they can also increase the value of coverage for dependents by 50% or 100% if they opt to increase their own coverage by the same amount.

Prepaid dental plan

The Kentucky Education Assn., a teachers' organization representing 24,000 members at 170 school districts throughout the state, has endorsed a new prepaid dental plan for its members.

The new benefit plan, underwritten by CompDent Prepaid Dental Plans, a dental benefits company based in Louisville, Ky., will provide teachers and their dependents with 100% coverage for all preventive and diagnostic services like examinations, twice-a-year cleanings, X-rays and flouride treatments. It also provides 100% coverage for anesthetics.

KEA members are provided coverage for restorative, endodontic, periodontic, orthodontic and prosthodontic services on a co-payment arrangement based upon a schedule of charges.

Under the coverage schedule, KEA members pay:

- $12 for a simple extraction.
- $9 for a filling for a one-surface cavity for an adult.
- $90 for a one-surface inlay.
- $165 for a porcelain and metal crown.
- $85 for single root canal therapy.
- $120 for dual root canal therapy.
- $170 for a complete upper or lower denture.

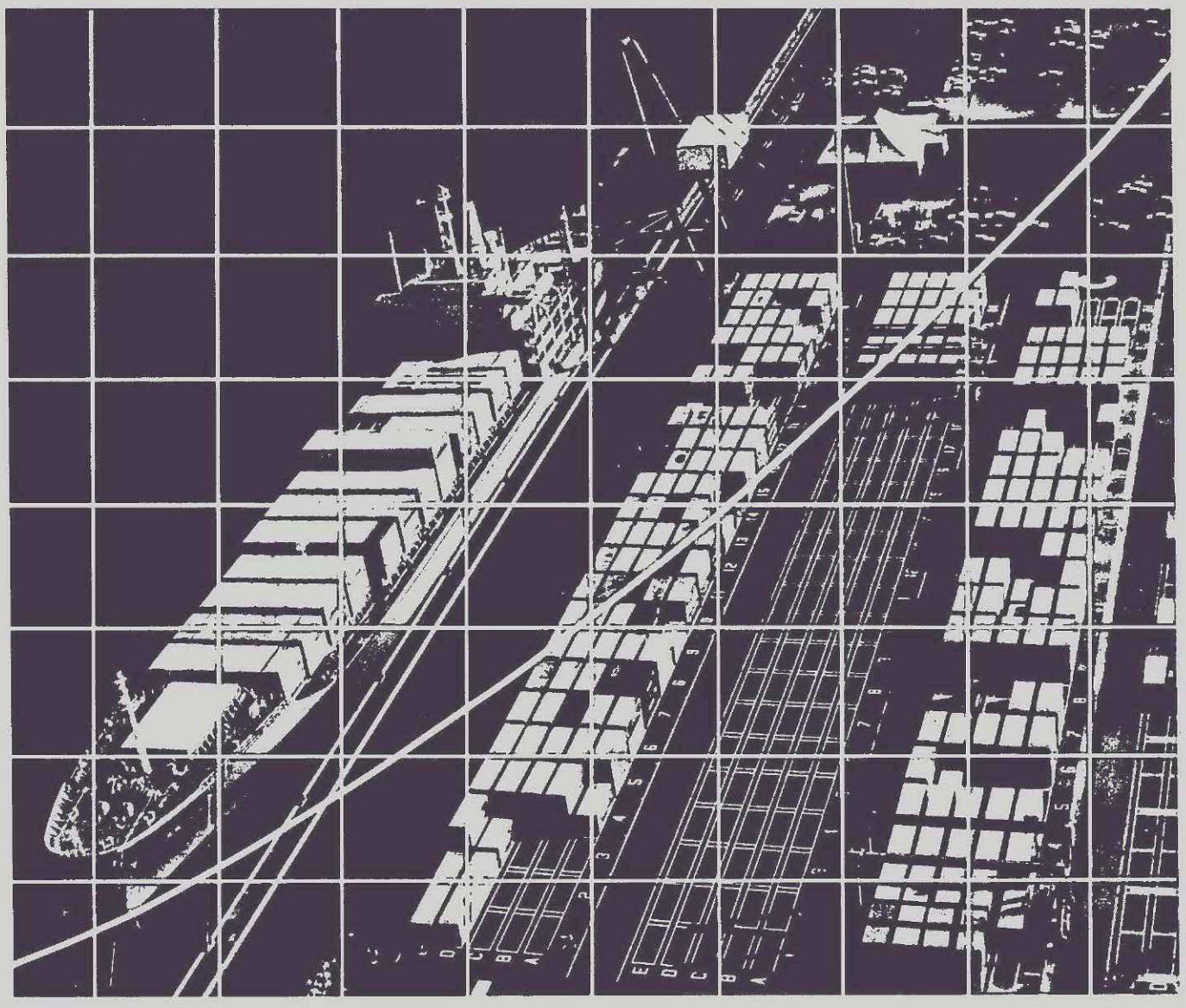
The plan pays the rest of reasonable and customary charges for these procedures.

Employees pay no deductibles and there are no restrictions on plan usage.

The dental plan is offered to KEA members on a voluntary basis. All premium payments are made by the employee; school districts do not make any contributions. Participating KEA members must contribute $4.25 per month for single coverage, $7.50 per month to provide coverage for themselves and one dependent and $10.75 per month for full family coverage.

•

Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.



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Small asbestos firms enter coverage battle

By STEPHEN TARNOFF

The battle over insurance coverage for asbestos health injury claims is not limited to the major asbestos manufacturers. Three smaller defendants recently have been drawn into the fray.

Two of the companies filed lawsuits against their insurers while the third is being sued by one of its insurers.

The companies involved include:

- Combustion Engineering Inc. of Stamford, Conn., which has filed suit against its primary insuers, Insurance Co. of North America and The Travelers Indemnity Co. of Hartford, Conn..
- Abex Corp. of New York, which has filed suit against its three primary insurers—Maryland Casualty Co. of Baltimore, Liberty Mutual Insurance Co. of Boston and The Travelers.
- Porter-Hayden Co. of Baltimore, which is being sued by Hartford Accident & Indemnity Co. Porter-Hayden's other insurers also are named in the suit.

At issue is how to interpret clauses in comprehensive general liability policies that say insurers will pay when bodily injury occurs.

Arguing the manifestation theory, some companies say injury occurs when asbestos diseases show up in victims. Others argue for the exposure theory, which says injury occurs when the claimant is first exposed to asbestos and inhales the fibers.

Most asbestos manufacturers and others who used their products, however, favor a third theory—the triple-trigger theory.

The theory, spelled out in the court decision in Keene Corp. vs. INA last October, says all insurers on the risk from the time of exposure through manifestation, including the latency period, are liable.

Combustion Engineering, Abex and Porter-Hayden all are seeking to take advantage of this decision.

Combustion Engineering is suing INA and The Travelers in the Hamilton County Circuit Court in Chattanooga, Tenn., according to company's attorney William Golub of the New York law firm of Rosenman, Colin, Freund, Lewis & Cohen.

Filed in early July, the suit not only seeks a declaratory judgment on the appropriate coverage theory, but also asks for reimbursement for various expenses the coverage dispute has caused the company, said Mr. Golub.

INA was the company's insurer from the early 1940s until 1959 and The Travelers was on the risk after that.

The Travelers had been defending and paying claims for all cases, even those where exposure occurred before 1959, Mr. Golub said.

Recently, however, The Travelers indicated it would not defend or pay in cases alleging exposure to asbestos before 1959 or in which the time of exposure is not indicated, Mr. Golub said.

The Travelers also has been attempting to stop defending and paying claims in cases it had been handling that fall into the pre-1959 category, he added.

However, a spokesman for The Travelers says it was not the company's obligation to defend or pay claims in those cases in which Combustion Engineering is alleging coverage was denied.

Mr. Golub estimated that Combustion Engineering had more than $15 million in primary coverage between 1942 and 1976 and also had $5 million in umbrella coverage with The Travelers during some of the years it was primary insurer.

Combustion Engineering, which used asbestos insulation in various products, was primarily a distributor and not a manufacturer of asbestos. It has been out of the asbestos business since 1973.

Abex Corp., which was involved in manufacturing and distribution of products that contained asbestos, including brake linings, has about 40 suits pending against it, according to its complaint.

In line with the Keene theory, it wants its insurers to pay all indemnity and defense costs for the company from the time of a claimant's exposure to asbestos through manifestation of the disease.

The suit also says that the duty to defend is separate and distinct from the duty to pay damages, judgements and settlements and continues after the exhaustion of the defendants' aggregate policy limits.

Alleging breach of contract, the suit also seeks unspecified compensatory damages proved at trial, interest and attorneys fees.

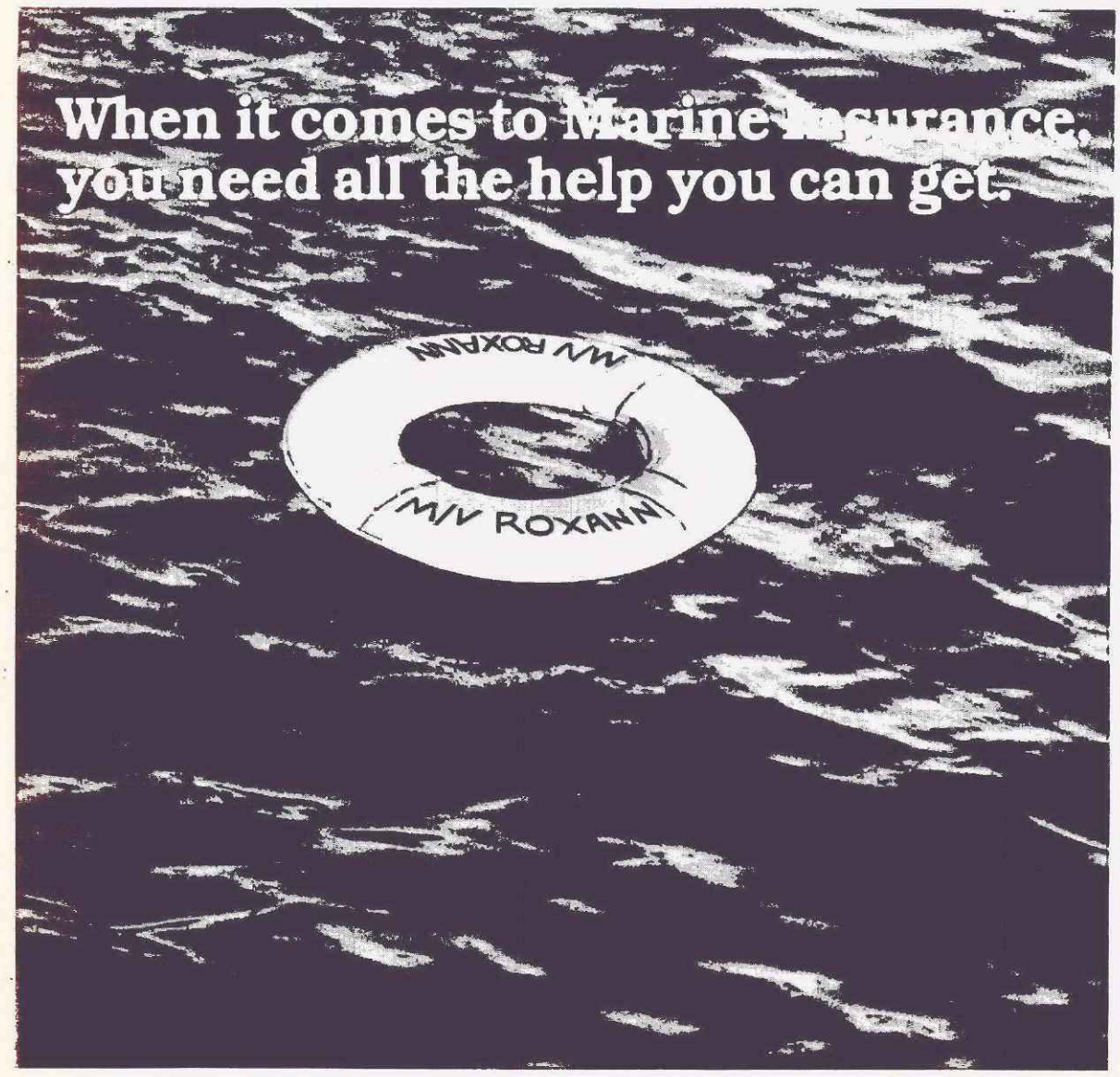
Abex was insured by Maryland Casualty from 1943-56, Liberty from 1956-71 and The Travelers from 1971-74.

Hartford Accident & Indemnity Co., which sued Porter-Hayden Co. in a coverage dispute, also names the asbestos companies' other insurers in its complaint. They include Commercial Union Insurance Co., The Travelers, INA, Royal Indemnity, Employers of Wausau, Fireman's Fund and Canadian Universal.

The suit was filed in Superior Court in Baltimore, Maryland.

A spokesman for Porter-Hayden says it will file a counterclaim against Hartford and seek a declaratory judgment that the Keene interpretation of coverage is the correct one, a company spokesman said.

Porter-Hayden, an insulation contractor that used asbestos products, has had insurance coverage since 1946. ■



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EBI suit against former executive settled

By BETSY SHARKEY

CHICAGO—Employee Benefits Insurance Co. and a former executive will settle a lawsuit this week that charges that the executive "enticed" EBI employees away from the California-based company.

The suit alleges that James L. Watson, executive vp of marketing for EBI until May 7, violated his employment contract when he left EBI without giving a stipulated 90-day notice, taking about 25 employees with him to Optimum/Ideal Managers Inc., a managing general agent in Illinois.

The core of the dispute is whether the employees left at the request of Mr. Watson. Mr. Watson said he did not recruit any employees away from EBI. EBI and parent company, Orion Capital Corp., do not agree.

The settlement includes a $260,000 payment to EBI with the four defendants in the suit paying a lump sum of $100,000 upon signing the agreement followed by two payments of $80,000 plus interest due in two annual installments.

Mr. Watson and three other defendants are enjoined by the agreement from any attempt to hire employees of EBI, its subsidiaries or its affiliate organizations until Dec. 31, 1984.

It also prevents Mr. Watson and the other defendants from soliciting business, managing or underwriting for companies that are policyholders of any of the plaintiffs until Dec. 31, 1984. There are no confirmed cases of clients having switched their insurance coverage to Mr. Watson's firm, according to an EBI official.

Additionally, the defendants are prohibited from using any of EBI's trade secrets.

"We feel he enticed employees away and he did take some of our senior management people from the operation there," said Mike Maloney, vp, general counsel and secretary of New York-based Orion.

"We feel he had obviously violated his employment contract. The company requires 90 days' notice (of termination), which he didn't give, and we also have the usual anti-competition clauses, which we feel he violated. So we sued to stop those activities."

The suit was filed June 3 in the Chancery Division of Cook County Circuit Court in Chicago. It names Mr. Watson, Optimum/Ideal Managers Inc., Optimum Insurance Co. of Illinois and Ideal Mutual Insurance Co. as co-defendants.

"EBI and I have entered into an agreement whereby for a specified period of time (2½ years), I will not hire any current EBI employee nor provide insurance coverage for any Security Insurance (also owned by EBI's parent company Orion) or EBI insured," Mr. Watson said. "It is not my intention to injure the organization that I worked so hard to build."

EBI filed the suit after losing the employees during about a one-month period following Mr. Watson's departure. The employees, primarily from the EBI Illinois operation that Mr. Watson had headed since January 1981, left to join Optimum/Ideal Managers, which Mr. Watson helped establish.

Although no exact figure is available, EBI estimates that about 25 of its workforce of approximately 800 left to join Mr. Watson's new operation. The Chicago EBI office operations continued, despite the loss of those employees, according to EBI officials.

Mr. Watson said he left EBI for "what I perceived to be a better opportunity."

Optimum/Ideal Managers Inc., located in Schaumburg, Ill., is functioning as a managing general agency for Ideal Mutual and Optimum Insurance. Optimum/Ideal is a joint venture between Mr. Watson, New York-based Ideal Mutual and Intercontinental Financial Group.

Ideal Mutual also has a controlling interest in Optimum Insurance. Intercontinental, based in Georgetown, Grand Cayman Island, is involved in reinsurance for both Ideal Mutual and Optimum Insurance.

The agency will handle workers compensation and all property and casualty lines for Ideal Mutual, which is licensed throughout the country, and for Optimum Insurance in Illinois, according to Mr. Watson. It has full underwriting responsibility for both companies, he added.

Optimum/Ideal, which has been in operation for about 60 days, has written about $8 million in coverages, hired 60 people and opened 10 offices that are primarily concentrated in the Midwest and Western states, according to Mr. Watson.

"It (Ideal Mutual and Optimum Insurance) is an excellent organization that has large national accounts, but they had never taken the time to develop an in-house sales and marketing capability," Mr. Watson said. "They needed that and it coincided with my availability."

Brian Jarman, senior vp of marketing for Ideal Mutual, said the new agency was part of a preconceived expansion plan. Optimum/Ideal Managers expects to have a national organization in place within five years.

Ideal Mutual originally was formed as a captive in 1944 to handle insurance coverages for Kraft Inc. While Kraft is still a major policyholder, Ideal Mutual began operating as a separate entity in 1974.

Optimum Insurance, which was incorporated in 1979, is a wholly owned subsidiary of Optimum Holding Corp. whose control rests with Ideal Mutual. Edward P. Lalley serves as the president of all three organizations.

Orion Capital Corp. gained financial control of EBI and its subsidiaries in December 1980. EBI specializes in workers compensation insurance with a major portion of its business centered in California and Oregon, with the expansion into Illinois a fairly recent effort. ■

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Electronics firms surveyed on risks

SHORT HILLS, N.J.—About 52% of electronics companies surveyed say liability for "damage to a product" is a very important risk management concern, according to the Chubb Group of Insurance Companies.

The top management of 1,300 electronics companies said they were looking for adequate insurance protection against damage to a product, which is defined as when a product or system malfunctions and causes its own destruction.

In the survey, in which the executives were asked to rate the importance of potential operating risks, 48% said that protection for errors and omissions was very important.

Research and development protection, which responds when R&D documentation or a prototype is lost or destroyed, was cited as being important by 64% of the companies surveyed.

R&D coverage is purchased to expedite duplication of materials to eliminate project development delays after a loss, according to Thomas R. Cornwell, manager of Chubb's electronics department. ■

McDonald's to feed risks to mutual captive

Continued from page 2
nual premium volume of about $12 million.

The mutual, therefore, would need about $2.4 million in its reserve fund.

Most Bermuda-based stock company captives have annual premium volumes of $1 million to $10 million.

Although neither McDonald's risk manager Jerry Lane nor the company's broker, Marsh & McLennan Inc., would comment on the captive or the potential participation, industry sources expect that the Insurance Co. of North America will also be participating either as a fronting insurer or reinsurer.

INA currently underwrites the company-sponsored insurance program for owner/operators.

Possible formation of another captive insurer for McDonald's owner/operators is in a holding pattern, *Business Insurance* has also learned.

The idea was originally researched by Frank B. Hall & Co. Inc.'s Coral Gables, Fla., office for restaurant operators in that area.

But the Bermuda stock company captive that would have reinsured Home Insurance Group policies has never gotten off the ground.

However, the plan is still being considered for Oct. 1 renewals, according to a Hall spokesman.

Frank B. Hall & Co. also sells and administers a more traditional national program for McDonald's owner/operators underwritten by Fireman's Fund Insurance Cos. At the last renewal date, insurance industry sources estimated that the Hall national program insured somewhat less than 1,000 stores.

Financial Guardian also sells and administers a program for McDonald franchisees underwritten by Great American Insurance Co. It has about 1,000 stores. ■

Chrysler asks union to share benefit costs

Continued from page 2
$200.

The No. 3 automaker currently spends about $2,800 per active employee and about $1,800 per retiree on health benefits that cover 100% of hospital, medical, surgical, vision, hearing and prescription drug costs after deductibles, a company spokesman said.

In 1967, the company spent only $300 per active employee and $200 per retiree to provide the same benefits.

Chrysler officials say they also are concerned about the cost of health benefits that are included in its early retirement package.

Currently, Chrysler allows employees with at least 30 years of service to take early retirement with full benefits, explained Thomas Miner, Chrysler's vp of industrial relations and chief negotiator.

The company says it would like to change that, but would not detail its plans.

"Under the current provisions," notes Mr. Miner, "a 47-year-old employee with 30 years of service with us, can retire, go to work for someone else and still be covered under our Blue Cross plan."

The union, meanwhile, is sticking to a commitment not to agree to co-payments or higher deductibles in the health plan or sharing premium costs.

"If any changes are made in the health plan, it should be made with the providers, not us," says Robert Barbee, UAW spokesman.

"They (hourly workers) consider health benefits as part of their pay."

And the union is not willing to swap any benefits for the salary improvements it is seeking, he stressed.

While UAW officials would not elaborate on the specifics of their wage demands, they said they hope the new contract not only will restore salary increases that were given up as a concession last year, but "will eventually get Chrysler workers back on parity with Ford and General Motors workers," Mr. Barbee said. ■

Reagan won't block tort reform bill

Continued from page 1
any specific amendments to Sen. Kasten's bill.

Such amendments could have crippled any chance the legislation has of being approved by the Senate Commerce Committee this year and coming up for a vote on the Senate floor. With only four weeks of the current session remaining, the committee doesn't have time to consider a long list of amendments.

By not rejecting Sen. Kasten's bill, the administration fulfilled the main condition that Senate Commerce Committee Chairman Robert Packwood, R-Ore., had set before he would schedule a vote on it. Sen. Packwood earlier said the bill would come up for a vote in the committee if the administration endorsed it or, at the least, remained neutral.

However, as of late last week, Senate Commerce Committee staff members said a vote on the Kasten bill had not yet been set.

The long-term impact of the administration's stance on the Kasten bill is difficult to measure, experts say. However, they admit that if the administration had publicly opposed the measure, it would have wiped out any chance that Congress would approve the bill this year or if it is reintroduced in 1983.

The administration has some reservations about the Kasten bill because it would allow courts to reduce work-related product liability awards by the extent an employer's action caused an accident.

Some experts fear that once courts reduce a work-related product liability award by the amount of an employer's liability, workers will sue their employers to collect more than their workers compensation benefits.

Insurers fear that such suits, now barred by state laws that make workers compensation an injured employee's sole source of recovery, could be allowed. They say legislators and courts will seek "justice" to make an employer that is partly at fault pay a portion of the product liability award.

This concern is shared by some administration officials, especially some in the Labor Department.

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Meatpacker hopes to terminate plans

Continued from page 1

The PBGC insurance system was established in 1974 as part of the Employee Retirement Income Security Act.

To guarantee workers' pensions from companies that failed or shut down insufficiently funded plans, employers with pension plans were required to pay an insurance premium to the PBGC.

Initially, the annual premium was $1 per plan participant. In January 1978, Congress raised the premium to $2.60. This year, the PBGC asked Congress to raise the premium to $6 because claims were being filed at a much higher rate than expected. Congress, however, hasn't approved the premium increase yet.

Experts say the premium increase to $6 will only be the first in the series as employers try to shift pension liabilities to the PBGC.

"If a few large companies, like International Harvester Co., decide to fold their pension plans, a $6 premium will look cheap," said Mercer's Mr. Kaye.

As premiums rise, more employers may decide to fold their pension plans to avoid the premiums. That would dump more pension liabilities in the PBGC's lap leading to more premium hikes.

This cycle of pension failures leading to premium hikes and followed by more pension terminations would continue until the PBGC insurance system collapses under the weight of premiums employers no longer could afford to pay.

"I don't know what is the crunch point, but there is such a point," said Mr. Kaye.

When the PBGC was created, Congress thought it had built in enough safeguards to protect the pension insurance system.

To prevent employers in financial trouble from dumping their underfunded pension plans on the PBGC, Congress gave the PBGC the authority to take up to 30% of a company's net worth to pay for unfunded vested benefits.

But employers with little or no net worth are beginning to realize that it's cheaper to fold their underfunded pension plans than continue to pay for their workers' and retirees' pensions. In some cases, the net worth of a financially troubled company could be so small that letting the PBGC tap 30% of it for pensions would not hurt them.

Although Rath's exact net worth could not be pinpointed, it is thought to be very low.

"Companies are becoming a lot more sophisticated about how they can shed their pension plans and improve their financial balance sheets," a government pension expert says.

Mr. Jones of the PBGC says the Rath case, and others like it, emphasize the need for overhauling ERISA to bar employers that intend to stay in business from shutting down their pension plans and not paying for all the liabilities.

Under legislation, S. 1541, now pending in Congress, an employer that shut down a pension plan would have to pay for the liabilities over a 15-year period. The PBGC benefit guarantees would be triggered only by the collapse of a company.

"The earlier Congress acts to change the insurable event the better it would be for the PBGC," a spokesman for the agency said.

Rath, which lost $9.5 million last year, blames its troubles on the economy. While hog prices rose, it wasn't able to pass on its higher costs because of consumer resistance.

Shedding its pension plans "will go a long way in our battle to survive," said Mr. Soladay, the Rath financial officer.

Of the three Rath pension plans, the one covering unionized employees is in worst shape. That plan has about $21 million in assets, but has about $59 million in unfunded guaranteed benefits.

Mr. Soladay says the huge pension liabilities are mainly the result of recent benefit improvements through collective bargaining agreements with the food workers union.

Mr. Soladay said Rath plans to encourage its 2,900 employees to set up Individual Retirement Accounts after the pension plans are shut down. ■

Agents drafting umbrella form

Continued from page 2

will give reasonable coverage for the medium-sized risk without requiring a bunch of amendatory endorsements," says John F. Solon, manager of the special risks department at Labow, Haynes Co. Inc. in Bellevue, Wash.

Mr. Solon says the proposed umbrella form must provide worldwide coverage for products and other risks.

Other minimum requirements, he says, are coverage for non-owned watercraft and aircraft without requiring underlying insurance, and coverage for owned aircraft or watercraft on a following-form basis.

He says coverage for property in the care and custody of the insured also must be accompanied by a minimum of exclusions.

One area of particular concern, according to Mr. Solon, is current umbrella coverage exclusions for damage to work completed by or for the policyholder by outside contractors.

A standard umbrella form should tighten the exclusion so that it only applies to a particular faulty part or a part out of which an accident arises, he says. It should not exclude resulting damage that would be covered under other circumstances.

"There is a need for a uniform umbrella policy so the agents can become familiar with it and confident that they know the limitations of what they are selling," Mr. Solon adds.

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EEO/AAP

Ex-Braniff workers find group health cover

By JERRY GEISEL

FORT WORTH, Texas—Health insurance coverage for some laid-off Braniff International Corp. employees no longer is up in the air.

About 3,000 former Braniff workers have found health care coverage through a new group program underwritten by Blue Cross/Blue Shield of Greater New York, thanks to the almost round-the-clock efforts of former and retired Braniff pilots.

"People now have coverage at affordable rates with a reputable carrier," said Richard Russell, a former Braniff pilot and chairman of the Braniff Pilot Group Retirement & Insurance Committee in Dallas, a branch of the Airline Pilots Assn. "This eases a lot of worries."

The laid-off Braniff employees had a lot to worry about. Connecticut General Corp., which wrote the Dallas-based airline's group health coverage, will not pay claims incurred by employees after May 12, the date Braniff ceased operations, filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Act and laid off most of its employees.

Connecticut General did agree to provide individual coverage to the laid-off employees under so-called conversion policies. But only about 11% of Braniff's 8,000 former employees opted for those policies.

While a conversion policy offers laid-off employees the advantage of automatic coverage without a medical examination, the costs are high and the benefits tend to be lower than those offered in a group health insurance plan.

Former Braniff pilots and members of the Braniff employees' credit union asked several insurers if they would be willing to underwrite a group program for the laid-off employees, but none agreed.

Finally, largely through the efforts of Bill Root, a retired Braniff pilot who did much of the leg work, Blue Cross/Blue Shield of Greater New York agreed to offer a group program to employees who belong to the Braniff credit union.

The BC/BS plan offers benefits comparable to what the Braniff employees received when they were covered by the Connecticut General plan.



Laid-off Braniff employees 'now have coverage at affordable rates with a reputable carrier. This eases a lot of worries,' says Richard Russell, a former Braniff pilot and chairman of the Braniff Pilot Group Retirement & Insurance Committee.

For example, the plan has a $100 deductible per covered participant. The plan pays 80% of the first $2,000 of hospitalization and medical expenses and 100% of the remaining expenses up to a lifetime maximum of $1 million.

The premium for individual coverage is $60 a month. The monthly premium for a husband and wife would be $120, while the premium for family coverage is $160.

If laid-off Braniff employees had to buy health care coverage individually, the premiums would be much higher and the benefits would not have been nearly as comprehensive.

In addition, former Braniff employees can purchase extended dental coverage through BC/BS of Greater New York. The premium is $12 a month for individual coverage and $34 a month for family coverage.

The plan pays benefits according to a schedule. There is no deductible, but there is an annual maximum of $1,500.

Those who buy dental coverage can also purchase vision care benefits for $1.20 for individual coverage and $3 for family coverage.

Finally, the laid-off workers can buy up to $100,000 in life insurance coverage from Mutual of New York. The premium varies with the age of the policyholder.

To be eligible for the program, a former Braniff employee must be a member of the DFW Federal Credit Union in Grapevine, Texas. So far, about 3,000 credit union members have joined the plan.

Other laid-off employees may have found coverage under their spouses' employer-sponsored health insurance plans, joined health maintenance organizations or obtained coverage after they were hired by other airlines.

For example, Mr. Russell says he expects to be covered by Piedmont Airlines' health insurance plan when he joins the carrier, based in Winston-Salem, N.C., as a flight engineer on B-727 jetliners. ■

Pension reform bills aren't likely to be passed this year: Erlenborn

By LEN STRAZEWSKI

CHICAGO—Congress probably will ignore most pension reform legislation during the remaining four weeks of its session, according to its top pension expert.

Rep. John Erlenborn, R-Ill., introduced to a meeting of the Assn. of Private Pension & Welfare Plans last week as "absolutely the best friend we've got," told the group that a general ignorance of pension issues will probably keep Congress from enacting pension reforms this year.

"Since the passing of the Employee Retirement Income Security Act in 1974, we've lost all the people in Congress who know something about pensions," he explained. "While I think we will see some movement in Congress, we need a crisis atmosphere and a completely non-controversial proposal to pass any ERISA amendments."

Several pension bills, including three co-sponsored by Rep. Erlenborn, are now pending in Congress. The bills include proposals for generally overhauling ERISA, toughening pension plan termination standards, federal regulation of public pension plans and state regulatory control over self-funded multiple employer trusts.

The House is also considering a request from the Pension Benefit Guaranty Corp. to increase the annual pension termination insurance premium that employers with pension plans pay to $6 per plan participant from the current $2.60.

Rep. Erlenborn, the ranking minority member of the House Education and Labor Committee, which oversees pension issues, says he supports the PBGC premium increase as one of several steps needed to protect the security of the pension system.

The premiums are used by the PBGC to guarantee pensions of workers whose employers cannot pay promised pension benefits. The PBGC wants the increase to cover a $200 million deficit and meet an expected increase in claims (see story, Page 1).



'My subcommittee chairman (Rep. Philip Burton) has suggested that for any bill to pass committee, it should be completely non-controversial,' Rep. Erlenborn says.

"If we do not approve the premium increase to $6, the PBGC will get along on what it has. But eventually, it will come back to us seeking an increase of $10 or more. We probably should do it," he told the APPWP.

However, Rep. Erlenborn said legislation that would change the standards governing when a company is able to dump its pension liabilities on the PBGC should be approved.

"These standards for insurability of a single-employer plan should be insolvency rather than termination," he said. "Upon plan termination, we should allow a company to stop accruing benefit liabilities, but we should make sure the company continues funding the benefits it has already accrued.

"But unless we address this problem soon, we will all be in trouble," he said.

Before any changes in the pension law can be enacted, however, the pending proposals must be modified, Rep. Erlenborn added.

"My subcommittee chairman (Philip Burton, D-Calif.,) has suggested that for any bill to pass committee, it should be a simple vehicle and completely non-controversial. We have agreed to a mutual veto; if either of us doesn't like a particular proposal, it will be dropped," he explained.

The compromise strategy will slow the progress of several bills pending in the committee, Rep. Erlenborn admitted.

"There is an outside chance that some changes involving single-employer plans will be moved, but my bill on METs is less likely to proceed. The American Trucking Assn. and the Teamsters are working on a joint proposal (on MET regulation), which is less than non-controversial and we will have to wait to see the outcome."

Rep. Erlenborn's MET bill, H.R. 6462, would make it clear that unless a self-funded MET is certified by the U.S. Labor Department as an ERISA benefit plan, a state would have the authority to shut it down as an unauthorized insurer.

Several self-funded METs, which are now largely unregulated, have failed in the past year, leaving millions of dollars in unpaid medical claims.

Rep. Erlenborn is also prepared to compromise on his legislation for federal regulation of public pension plans.

The legislation, H.R. 4228 and 4229, would establish fiduciary, disclosure and reporting requirements for public pension plans. Plans sponsored by public entities currently are not covered by ERISA.

"A Public Entity Pension Accountability and Reporting Act proposal is ready to go to the floor whenever Burton and I agree on the reporting and disclosure standards," he said. "I am also prepared to take the secretary of labor out of the enforcement of these standards as one way of reducing the federal intervention into state and local plans."

Although pension reforms seem doomed to proceed slowly, if at all, one related bill has "good odds" of passing Congress either in the coming month or during an anticipated lame-duck session after November elections, Rep. Erlenborn told *Business Insurance*.

Rep. Erlenborn's bill, H.R. 25, which seeks to overhaul the Longshoremen's and Harbor Workers' Act, is similar to S. 1182, a proposal which passed the Senate unanimously in July. Both bills seek to place a 5% annual limit on benefit increases to injured workers and limit survivor benefits (*BI*, Sept. 6).

"The bill was all set to pass the House when labor pulled a double-cross and began raising all sorts of objections," Rep. Erlenborn said. "The unions are slowing the whole matter down."

However, at this point, the bill is fairly non-controversial and lacks powerful opponents, he added. ■

Some Blue Cross rates to decrease

SPRINGFIELD, Ill.—Rates for some Blue Cross small-group subscribers in Illinois will decrease by 8% next month.

The rate cut, approved by Insurance Director James W. Schacht, applies only to hospitalization coverages. The decrease is part of a plan agreed upon by Blue Cross and the state Insurance Department to adjust rates quarterly.

The rate decrease was based upon a report that found that Blue Cross had not fully complied with the department's standards for cost-containment activities.

The department held hearings last month to re-evaluate Blue Cross' cost-containment efforts. The results of those hearing will affect future rate adjustments, the department says. ■

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Funds handled by administrator missing

Continued from page 1
ties, Detective Beaupit said.

Santa Monica has reported $32,000 missing from a trust account containing funds to pay workers compensation claims. Montibello lost about $12,000, Seal Beach $5,000 and Pomona $5,400.

The cities of Lynwood, West Covina, Ontario and Downey and Long Beach Public Transportation Co., which also are clients of Fitzpatrick Self-Insurance Administrators, report they have not discovered any missing funds.

Other clients say they may have suffered losses, but are still checking.

"We've lost some but we don't know yet how much," said a spokesperson for Nordskog Industries Inc. in Van Nuys, a manufacturer of in-flight food service equipment and a Fitzpatrick client.

"I suspect we've lost money," said John Tobin, a partner in the Los Angeles law firm of Kegel, Tobin & Hamrick, which is stuck with overdue bills for services rendered to Fitzpatrick clients. The law firm turned over subrogation recoveries to Fitzpatrick but was never paid.

"The city of West Covina suffered no losses because strict security measures make it virtually impossible," said Michael R. Hodge, that city's risk manager.

Checks issued in amounts exceeding $1,000 require two signatures to cash, one by a Fitzpatrick employee and the second by a city staffer. Injured worker medical bills are matched up with checks paid to doctors.

Mr. Hodge and other Fitzpatrick clients expressed surprise over the apparent embezzlement because they have been very pleased with the firm's performance.

"You will never find a better group of examiners anywhere," said Mr. Hodge. "It is remarkable that they are willing to stick together through this period to work the files without even knowing if they will be paid."

"We started using the firm about two years ago and they have given us excellent service," agreed Eugene Light, risk manager for the city of Pomona.

Neither the California Insurance Department nor the Office of Self-Insurance Plans in the state Industrial Relations Department has jurisdiction over self-insurance administrators.

It is our responsibility to make certain that injured workers receive their benefits. We have no jurisdiction over the agents of self-insurers," said John W. Buck, supervising consultant in the Office of Self-Insurance Plans in Los Angeles.

"So far as we know, this is the first time this has happened," he added.

An Insurance Department investigator said he checked to see if Fitzpatrick Self-Insurance Administrators was a licensed insurer in California and discovered it was not, so the department has no authority in the case.

Mr. Dunlop and all other Fitzpatrick employees are still on the job, administering claims and helping clients audit files and assess damages. "Not a single employee has missed a day's work," Mr. Dunlop said.

All 15 employees are now working for Trans Pacific Administrators Inc., a new corporation formed last week and wholly owned by William H. Knight, president of Universal Pacific Insurance Services. Mr. Dunlop is president of the new firm.

Mr. Knight says his ownership is temporary and that it is his intention to soon issue stock to the employees of the corporation. Trans Pacific will provide claims administration services for Universal Pacific, a managing general agency.

Seven or eight of the 12 cities that attended the Montibello meeting have indicated they will continue their association with Mr. Dunlop and other former Fitzpatrick employees, Mr. Knight said. The other cities will take the option to their councils.

Fitzpatrick Self-Insurance Administrators was incorporated in California on July 9, 1980, according to state records. Mr. Fitzpatrick is registered as chief executive officer and chief financial officer. Mr. Parrish is registered as secretary. Both men are listed as directors of the corporation.

The firm started business about a year before it incorporated, however. Mr. Fitzpatrick was employed by Brown Brothers Adjusters before he launched his own firm. He took the accounts of Stanton, Seal Beach, Montibello and Santa Monica with him when he left.

Besides its main office in Upland, Fitzpatrick Self-Insurance Administrators has a small branch in San Francisco. Northern California clients are not affected by the recent events, Mr. Dunlop said. ■

Judge may rule on Manville cover

By BILL DENSMORE

SAN FRANCISCO—A state court judge may rule as early as Oct. 1 whether The Travelers Indemnity Co. is required under California law to resume defending Manville Corp. in asbestos injury litigation.

However, his decision could be a moot point for now if a bankruptcy judge continues the stay of all litigation against Manville at a Sept. 29 hearing in New York.

All pending and new litigation against Manville was halted Aug. 26 when the Denver-based construction and forest products company filed a petition for reorganization under Chapter 11 of the Federal Bankruptcy Act (*BI*, Sept. 6).

Manville said it was forced to file because of the overwhelming cost of litigating more the 16,000 pending asbestos injury lawsuits and the potential cost of an additional 32,000 lawsuits it expects.

However, a group of lawyers representing asbestos injury plaintiffs is challenging Manville's right to file for reorganization since the company has a very healthy balance sheet. They want the stay on the injury litigation lifted.

Besides being sued by asbestos injury victims, Manville is suing its insurers in California Superior Court over coverage for asbestos injury claims.

It is in that litigation that Manville is requesting that The Travelers, its primary product liability insurer from 1947 to 1976, be ordered to resume defending it for litigation stemming from those years.

While litigation against Manville is stopped by its Chapter 11 petition, bankruptcy experts say its litigation against its insurers should not be affected unless Manville should decide to move that suit to bankruptcy court.

In the California litigation, Superior Court Judge Robert W. Merrill has set an Oct. 1 hearing in four separate state court suits brought by Manville and other asbestos manufacturers against their insurers or vice versa.

Virtually every major asbestos manufacturer and insurer is a party to the cases, which have been grouped before Judge Merrill.

Manville attorneys had petitioned the court asking permission to seek a temporary order requiring The Travelers to defend Manville in asbestos-injury litigation.

Manville contends The Travelers' refusal since April 1981 to pay Manville's defense and claims costs has placed the company in financial difficulty. It wants The Travelers to resume defending and paying claims until the California litigation over insurance coverage is concluded.

The coverage question is whether insurers on the risk when victims were exposed to asbestos or those on the risk when the asbestos diseases manifest themselves are liable.

Under California law, Manville argues, an insurance company is required to defend and pay claims for an insured as long as there is any legal question about its obligation to do so.

Travelers says there is no legal question because it already has paid on behalf of Manville more than the $16 million aggregate limit on the policies it wrote for Manville between 1947 and 1976. It says it used the exposure coverage theory.

The Travelers says it has spent an additional $7 million in legal defense costs for Manville.

In legal papers opposing Manville's bid to have the defense question decided right away, Travelers also claims Manville owes the insurer $4.2 million in overpayments Travelers made to asbestos victims to satisfy claims partially involving policy years before 1947. Travelers also claims Manville owes it another $4.7 million, involving a dispute over deductibles.

At the Aug. 30 hearing, Judge Merrill also indicated support for a suggestion by The Travelers that the court require senior executives of major insurers to meet in an effort to hammer out an agreement to help Manville pay for asbestos litigation claims and costs until its coverage is finally determined. ■

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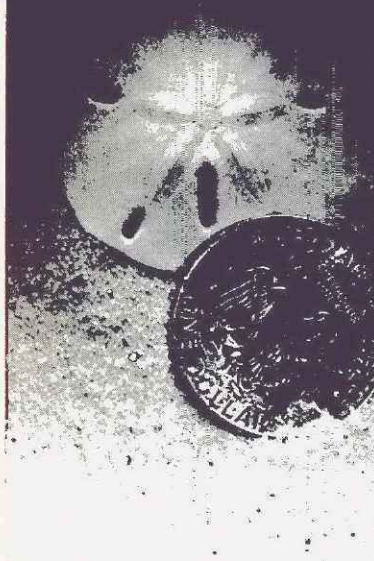
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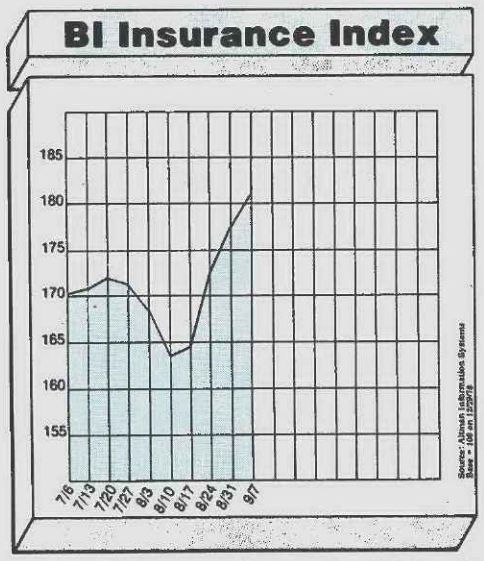
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BI Insurance Index



Insurance industry stocks sustained their rally during the week ending Sept. 7 as the *Business Insurance* stock index gained 3.6 points to 181.2 from 177.6. Thirty-eight stocks gained, 13 posted declines and 17 were unchanged. The largest gains were reported by Preferred Risk Life Insurance Co., 15.8%; Penncorp Financial Inc., 11.4%; Gulf United Corp., 11.1%; Hanover Insurance Co., 10.4%; and Avemco Corp., 9.4%. The largest losses were reported by Frank B. Hall & Co. Inc., 6.3%; CIGNA Corp., 6.2%; Fred S. James & Co. Inc., 5.2%; Northwestern National Life Insurance, 5.1%; and Lincoln National Corp., 4.7%. The 2% increase in the *BI* index was greater than the gain posted by the Dow Jones 30 industrials.

British Issues

7 Sept. Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	136	14.3	16.86	12.4	137—	134
Eagle Star	344	12.3	21.43	6.2	350—	342
Genl Accident	318	11.8	23.21	7.3	318—	292
Gdn Royal Exch	332	8.4	25.00	7.5	336—	312
Phoenix	278	10.7	24.00	8.6	278—	264
Royal	401	10.8	36.07	9.0	403—	378
Sun Alliance	796	11.4	61.43	7.7	796—	750
Brokers						
CE Heath	348	9.5	18.71	5.4	348—	332
Hogg Robinson	95	7.3	8.57	9.0	98—	95
JH Minet	137	12.5	5.43	4.0	138—	137
Sedg Grp	176	11.4	8.57	4.9	176—	162
Stenhouse Hldg	108	9.6	7.28	6.7	111—	108
Stew Wrightson	268	9.6	18.57	6.9	268—	265
Willis Faber	500	12.5	21.43	4.3	500—	492

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

Brokers are missing out on stock market's surge

By LEONARD M. WILSON

Special to Business Insurance

IT FINALLY happened. The stock market has turned around with a vengeance and interest rates are descending with the promise of falling even farther.

Paradoxically, the tumultuous action of the financial markets was almost a non-event for insurance brokers.

As a group, brokerage stocks have responded only modestly to the slide in interest rates and the market's recent rally. Rationalizations come easily to observers accustomed to the uncertainty of financial markets. It could be that investors are mainly enamored of companies likely to benefit from an upturn in the general economy.



Mr. Wilson

Specific factors have also influenced the brokerage stocks. Questions raised by the fair-value audit of Alexander Howden Group may have hindered the performance of Alexander & Alexander Services Inc. The price of Frank B. Hall & Co. Inc. has reflected sentiment about the probability of a takeover for some time.

And yet, there should be cause for optimism since the decline in interest rates strengthens the case for a turn in premium rates. Additionally, the second-quarter underwriting results for many insurers were bad enough to provoke soul-searching by their managements. We continue to believe that the trend of premium rates is the driving force behind the performance of brokerage stocks. If the elements are coming into place for an end to rampant competition in commercial lines, why aren't investors taking note?

We think a principal investor concern is the markedly reduced profitability of the publicly owned insurance brokers. With the exception of Marsh & McLennan, profit margins have narrowed appreciably during the current insurance cycle. And the erosion of profit margins is continuing, judging by results in the second quarter.

The reasons are familiar. Commissions have taken a battering from rate reductions. Inflation and the need to maintain services have lifted brokers' expenses. The challenges of the business in the 1980s have called for a good deal of investment spending on products and systems.

The damage to profit margins can be seen by comparing the pretax margin posted by each of the major public brokers in 1978 and the margin attained during the first six months of 1982.

As we noted earlier, except for Marsh & McLennan, the contraction has been quite pronounced:

- Alexander & Alexander Services Inc.—28.3% in 1978; 17.2% in the first six months of 1982.
- Corroon & Black Corp.—29.5% in 1978; 15.4% in the first six months of 1982.
- Frank B. Hall & Co. Inc.—24.2% in 1978; 17.0% in the first six months of 1982.
- Fred S. James & Co. Inc.—25.2% in 1978; 15.1% in the first six months of 1982.
- Marsh & McLennan Cos. Inc.—31.1% in 1978; 28.9% in the first six months of 1982.
- Rollins Burdick Hunter Co.—28.2% in 1978; 16.5% in the first six months of 1982.

Were it not for the rise in investment income, the decline in profitability would have been still more dramatic.

If margins had remained stable, earnings in 1982 would have been 50% to 60% higher than actual reported numbers for most of the companies. The pressure on margins could persist over the balance of 1982 unless premium rates begin to level out.

This shrinkage in profitability is both a problem and an opportunity. Skepticism about the merits of insurance brokers as investments is fed by the deteriorating profit margins. A wait-and-see attitude is fostered The group's market appeal is a function of stable expectations and could be threatened by altered perceptions about the permanency of diminished profitability.

Opportunity is inherent in the potential for a recovery in profit margins. That rebound cannot occur, though, without a sustained rise in premium rates that corrects the present underpricing of commercial lines and the brokers' whittled-down commission realizations per unit of business.

In any event, the public insurance brokers are unlikely to regain the high profit margins they achieved in 1977 and 1978. Increased competition within all segments of the insurance industry was only beginning to make itself felt at that time. Moreover, we doubt that pricing of commercial insurance will get ahead of itself, as was the case during the last cycle.

The public brokers, though, are probably more sophisticated at cost control as a result of their heavy investment in computer systems and software. They seem to recognize that the low-cost delivery of services is vital not only to their profit margins but also to their competitive position. Implementation of cost-reduction strategies may have partly offset the more difficult economics of brokerage.

For the immediate future, investors are not fully persuaded that better profit performance is in sight. They see continued pressures from lower investment income and soft premium rates. Lower interest rates and rising combined ratios may lead to a turn in premium rates, but the tangible signs are not yet evident.

Perhaps conditions in insurance markets later this year or in early 1983 will provide the needed reassurance that, in fact, the brokers are on the verge of significant profit improvement. ■

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

BI ticker

BI Industry Stock Report

Insurance Cos.		SEPT. 7, 1982 Price	% Chg.	P/E	$ Div.	% Yld.	9/1/82 THRU 9/7/82 High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	37.75	3.1	6.0	2.52	6.7	38.00	35.75	1,285.4
American Bankers Ins Group	OTC	9.00	-1.4	6.7	0.48	5.3	9.38*	9.00	264.3
American Gen Ins Co	NYSE	40.25	2.9	5.5	2.20	5.5	40.75	39.50	182.7
American Indty Finl Corp	OTC	13.63	-0.9	10.2	1.12	8.2	13.75	13.63	31.9
American Intl Group Inc	OTC	68.50	3.0	10.4	0.48	0.7	68.50	66.75	450.2
American Natl Ins Co	OTC	13.75	2.8	5.9	0.76	5.5	13.75	13.38	17.1
American Sts Life Ins Co	OTC	17.50	0.0	5.6	0.80	4.6	17.50	17.50	1.2
Ameco Reins Ltd	OTC	2.75	0.0	0.0	0.00	0.0	2.75	2.75	8.1
Avemco Corp	AMEX	11.63	9.4	7.3	0.54	4.6	11.75	10.38	10.9
Banks Iowa Inc	OTC	36.00	-1.4	6.8	1.48	4.1	36.50	36.00	1.8
Bitco Corp	OTC	27.50	0.0	4.3	1.92	7.0	27.50	27.50	1.8
Carolina Cas Ins Co	OTC	7.00	3.7	6.9	0.32	4.6	7.00	6.75	0.2
Chubb Corp	OTC	36.25	5.5	5.8	2.92	8.1	36.25	34.88	300.3
Combined Intl Corp	NYSE	22.00	1.1	6.3	1.80	8.2	22.38	22.00	180.7
Continental Corp	NYSE	24.75	0.0	7.4	2.60	10.5	24.88	24.25	279.6
Crawford & Co	OTC	15.25	3.4	11.2	0.56	3.7	15.25*	15.00	11.3
Crown Life Ins Co	OTC	65.00	0.0	4.8	3.10	4.8	65.00	65.00	0.4
Crum & Forster	NYSE	26.38	3.9	5.1	1.76	6.7	26.63	24.50	221.5
Employers Cas Co	OTC	28.25	1.8	12.5	1.20	4.2	28.25	27.75	9.1
Equifax Inc	NYSE	36.50	0.7	10.3	2.60	7.1	36.50*	36.50	17.3
Excelsior Ins Co	OTC	11.00	0.0	28.6	0.70	6.4	11.00	11.00	0.2
Farmers Group Inc	OTC	35.38	4.0	9.9	1.24	3.5	35.38	34.00	1,396.5
Foremost Corp Amer	OTC	29.00	0.0	8.6	1.12	3.9	29.00	29.00	19.0
Great West Life Assurn Co	OTC	180.25	0.1	14.7	10.00	5.5	180.25	180.00	1.7
Hanover Ins Co	OTC	31.75	10.4	4.3	0.88	2.8	31.75	29.25	31.7
Hartford Steam Boiler Insptn	OTC	36.75	1.4	7.3	2.80	7.6	36.75	36.25	11.4
Jefferson Natl Life Ins Co	OTC	36.50	0.0	10.2	0.76	2.1	36.50	36.50	0.9
Kemper Corp	OTC	28.63	5.5	5.1	1.80	6.3	28.75	27.25	59.3
Lincoln Natl Corp Ind	NYSE	38.38	-4.7	6.6	3.00	7.8	39.38	38.38	30.7
Mission Ins Group Inc	NYSE	21.00	7.7	4.8	0.80	3.8	21.50	19.50	214.7
Nationwide Corp Ohio	OTC	25.75	1.0	7.3	0.70	2.7	25.75	25.75	1.6
Northwestern Natl Life Ins	OTC	20.88	-5.1	4.5	1.50	7.2	21.50	20.88	66.0
Ohio Cas Corp	OTC	38.00	6.7	6.9	2.36	6.2	38.00	35.63	59.4
Old Rep Intl Corp	OTC	20.00	6.7	4.6	0.92	4.6	20.50*	18.75	63.2
Preferred Risk Life Ins Co	OTC	22.00	15.8	6.2	0.92	4.2	22.00	19.25	14.9
Provident Life & Acc Ins Co	OTC	43.00	2.4	6.1	2.44	5.7	43.00	42.50	22.9
Ryan Ins Group Inc	OTC	33.75	0.0	13.6	0.16	0.5	33.75	33.75	0.5
St Paul Cos Inc	OTC	44.38	3.5	5.9	2.60	5.9	44.38	42.88	145.4
Safeco Corp	OTC	38.00	5.6	7.0	2.20	5.8	38.00	35.75	94.0
Sri Corp	OTC	23.00	3.4	5.2	1.12	4.9	23.50	22.25	29.7
Seibels Bruce Group Inc	OTC	24.38	8.3	14.3	0.80	3.3	24.50	23.13	46.1
Statesman Group Inc	OTC	6.13	0.0	5.6	0.15	2.4	6.25*	6.13	30.6
Tokio Marine & Fire Ins Co	OTC	83.00	0.0	6.6	0.92	1.1	84.00	83.00	0.9
Travelers Corp	NYSE	21.50	5.5	5.6	1.64	7.6	22.25	20.63	1,015.2
United Fire & Cas Co	OTC	30.00	0.0	7.8	0.88	2.9	30.00	30.00	7.9
United States Fid & Gty Co	NYSE	37.63	4.5	8.0	3.60	9.6	37.63	35.88	349.6
United Svcs Life Ins Co	OTC	12.88	-2.8	4.7	1.00	7.8	13.25	12.88	31.1
Ualife Corp	NYSE	18.75	4.2	4.0	0.84	4.5	18.75	17.75	162.3
Washington Natl Corp	NYSE	18.88	0.0	9.1	1.08	5.7	19.25	18.88	85.4
Zenith Natl Ins Corp	OTC	15.25	0.0	7.1	0.76	5.0	15.75	15.25	40.2
INSURANCE COMPANIES	AVERAGE			7.1		5.0			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	22.75	-3.2	8.3	1.94	8.5	22.75	21.00	887.0
Baldwin & Lyons Inc	OTC	34.50	0.0	6.0	0.80	2.3	34.50	34.50	0.1
Corroon & Black Corp	NYSE	21.63	1.2	10.6	1.80	8.3	21.63	21.13	21.5
Crump E H Cos Inc	OTC	8.50	0.0	15.7	0.40	4.7	8.50	8.50	9.0
Emett & Chandler Cos Inc	OTC	8.25	-2.9	12.4	0.00	0.0	8.50	8.25*	9.0
Hall Frank B & Co Inc	NYSE	26.13	-6.3	10.1	1.70	6.5	27.63	26.13	108.6
Integrated Res Inc	AMEX	17.50	6.9	5.9	0.00	0.0	17.75	17.38	91.9
James Fred S & Co Inc	NYSE	23.00	-5.2	11.2	1.60	7.0	23.00	22.75	38.0
Marsh & Mclennan Cos Inc	NYSE	37.25	9.2	11.3	2.20	5.9	37.25*	34.50	279.7
Penncorp Fincl Inc	NYSE	11.00	11.4	7.7	0.16	1.5	11.38*	10.25	1,135.6
Poe & Assoc Inc	OTC	9.00	0.0	10.2	0.80	8.9	9.00	9.00	0.6
Reed Stenhouse Cos Ltd	OTC	11.25	2.3	16.3	0.60	5.3	11.25	11.00	103.2
Rollins Burdick Hunter Co	OTC	15.00	1.7	10.7	1.32	8.8	15.00	14.75	71.4
AGENTS/BROKERS	AVERAGE			9.1		5.4			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	47.25	2.2	8.3	2.20	4.7	48.13	46.25	1,511.6
Anderson Clayton(Ranger/PanAm)	NYSE	26.50	12.2	5.9	1.32	5.0	26.50	24.00	74.2
Armco Inc	NYSE	15.75	-3.1	6.2	1.20	7.6	16.25	15.63	479.9
City Investing Co. (Home Ins.)	NYSE	21.63	0.6	6.7	1.70	7.9	22.38	21.63	457.2
CNA Finl Corp (CNA)	NYSE	14.75	1.7	6.2	0.00	0.0	14.88	14.63	22.9
Control Data (Comml. Credit)	NYSE	29.75	3.0	7.1	0.55	1.8	30.88	28.38	1,176.3
General Re Corp	NYSE	46.50	8.8	10.6	1.08	2.3	48.50*	41.50	321.6
Gulf Utd Corp	NYSE	22.50	11.1	7.9	1.32	5.9	23.25*	20.88	372.3
Cigna Corp	NYSE	36.13	-6.2	5.1	2.30	6.4	38.00	36.13	1,002.8
ITT (Hartford Group)	NYSE	26.88	-1.4	6.1	2.68	10.0	27.38	26.88	826.6
Optimum Hldg Corp	OTC	8.00	-3.0	6.3	0.00	0.0	8.25	8.00*	7.4
Sears Roebuck & Co. (Allstate)	NYSE	22.13	-2.7	10.3	1.36	6.1	23.00	22.13	2,801.9
Baldwin Utd Corp	NYSE	28.75	6.0	6.1	0.88	3.1	29.00	26.25	620.4
Teledyne Inc (Argonaut)	NYSE	98.38	1.9	5.6	0.00	0.0	98.38	93.25	800.2
Transamerica Corp (Occidental)	NYSE	20.50	3.8	6.2	1.40	6.8	20.50	19.75	281.0
CONGLOMERATES/HOLDING COS.	AVERAGE			6.6		3.9			

*Record high/low since Jan. 1, 1981.

System design: Altman Infomation Systems

Financial briefs

CIGNA Corp.

CIGNA Corp. is reorganizing the retail division of its property/casualty group in an effort to increase its market share.

CIGNA, the product of the merger of INA Corp. and Connecticut General Corp., has furloughed 20 field managers and reassigned 80 others to positions with fewer responbilities but with the same or higher pay.

The reassignments, a company spokesman says, allows the managers to focus more attention on marketing and underwriting functions. Previously, many regional managers also had responsiblity for claims, field support and personnel functions.

"We've moved away from the general manager concept with all of functions being under the control of a general manager," explains a CIGNA spokesman in Philadelphia.

The reorganization, he adds, is an attempt "to put ourselves in the position to serve the market better. Under the new structure, we'll be able to spend more time developing products and services. The objective is to sell the independent agent the product."

CIGNA, according to the spokesman, currently generates $2.6 billion yearly in retail property/casualty premiums. "We're in place to take more of that market," he explains.

During the first six months of this year, CIGNA reported a 37.5% loss in operating earnings from consolidated revenues of $5.69 billion. Earnings for the second quarter amounted to $1.31 per share, down from Connecticut General and INA earnings of $2.14 per share in last year's second quarter.

General Re

General Re Corp. has declared a regular quarterly dividend of 27 cents per share of common stock, payable Sept. 30 to shareholders of record Sept. 20. ■

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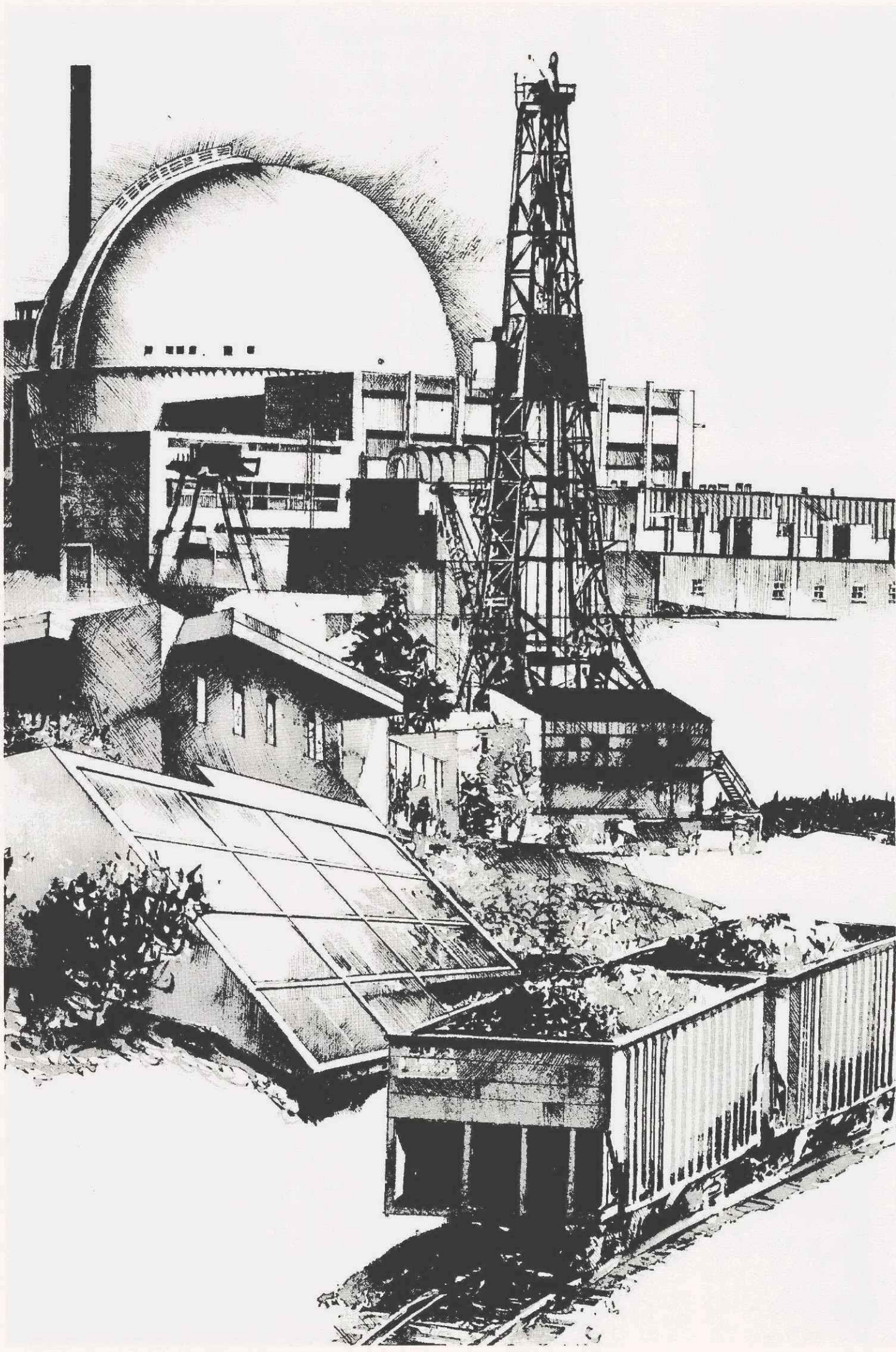
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