

business insurance

update:

Underwriting losses increase at mid-year

NEW YORK—The property/casualty insurance industry is filling up with red underwriting ink, but investment income is growing to more than cover losses.

Reports from both A.M. Best Co. and the Insurance Services Office/National Assn. of Independent Insurers show

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Agency boasts new P&I club; refuses details

By RHONDA L. RUNDLE

SAN DIEGO—A small, relatively unknown insurance agency here is waving the flag for a new, all-American marine mutual to underwrite protection and indemnity and hull insurance.

But no one yet has gotten close enough to see the colors.

An exploratory meeting for American marine lines ranging from passenger ships to oil tankers has been called for Oct. 2-3 in San Diego by Marler Transit Risk Insurance Agency Corp.

Twenty to 25 steamship lines and federal maritime agencies in Washington will send representatives to the conference, says Terry E. Marler, president of the San Diego agency that is sponsoring the project.

The new pool, which would compete with British P&I clubs and the American Steamship Owners Mutual Protection & Indemnity Assn., has been christened the American Flag Steamship Mutual. Mr. Marler expects it to set sail in mid-1981.

Mr. Marler said he called the meeting as a public service to fulfill a need of American shipowners and that he hopes there might be a management role for Marler Transit-Risk in the mutual's future.

But industry sources are privately calling the project a pipe dream. To date, there are no arrangements for reinsurance, service networks or licensing. The group has not retained an attorney or an actuary.

"It's premature to discuss such details until after the mutual is born," Mr. Marler said. "Transit Risk has drafted rough bylaws and a constitution that may be adopted or rejected by the steamship owners."

Every U.S. steamship line has been asked to the conference, said Mr. Marler, who declined to say which companies are coming.

None of the six major lines contacted by *Business Insurance* plans to attend. Only American President Lines and Matson Navigation Co. said they had received correspondence from the Marler Agency. Delta Steamship Lines, Lykes Bros. Steamship Co., Farrell Lines and Seatrain Lines said they had never heard of the proposed mutual or its sponsors.

"We received their mail soliciting us to attend—but we don't plan to," said John Di Palermo, director of risk management for American President Lines.

"We got a couple of letters and a prospectus," reported Alan L. Rutherford, risk manager at Matson Lines. He asked his brokers to check into the project, but does not plan a trip to San Diego.

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'I just finished my resignation from RIMS. My decision carries more than a little sadness.'

—Thomas Hallett



'I knew it might take a long time before something gets on the production side of the ledger.'

—Steven Steinberg

Chills, challenges await buyers becoming brokers

By LEN STRAZEWSKI

Risk managers ready to plunge into the insurance brokerage business should expect some chills. Cutting ties with colleagues and pressure to produce turns this career change into a career trauma.

But corporate insurance executives, including leaders in the field, are turning to the insurance sales firms for higher pay and a steady stream of risk-planning challenges.

"I just finished writing my resignation from RIMS and a professional risk management institute that I chaired," said Tom Hallett, former risk manager of General Motors. "I can tell you, my decision carries more than a little sadness."

Mr. Hallett, winner of the *Business Insurance* Risk Manager of the Year competition this year, joined Frank B. Hall Inc. less than a month ago as corporate vp and director of risk management.

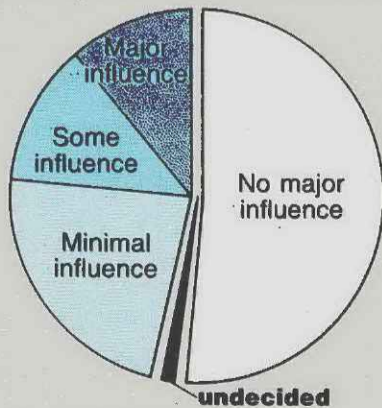
Hall, the fourth largest brokerage in the United States, has a reputation as a high-pressure shop that sends executives on an aggressive and far-reaching career trail that can wear out the unprepared.

Calling from a hotel in Cleveland, Mr. Hallett said he knew the firm's reputation when he offered his services to the brokerage. "I know that Hall executives sometimes live out of a suitcase. I'm here on a Hall assignment to speak to the local CPCU chapter."

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Photo: Ellis Simon

Risk managers rate corporate influence



Source: BI Risk Management Board
Survey response: 51% (71 of 140)

Risk execs report little clout

By STACY SHAPIRO

Most risk managers have little influence on corporate business decisions, a *Business Insurance* Risk Management Board survey reveals.

More than half of the 71 risk managers who answered the survey say they have no major influence on corporate business decisions. Only nine risk managers say they are always involved in top-management policymaking.

"Risk management is still a new concept (three years old) in the company," said a steel manufacturing risk manager, one of the 51% who has no major influence in his firm's decisions.

"Top management mainly views insurance as an irritating expense until a loss occurs," he said. "Then such things as deductibles and amounts of coverages become major topics."

"And, of course, when management looks for places to cut expenses, the risk manager must fight to keep the insurance program intact," he said.

The amount of influence a risk manager should have over

corporate business decisions is a continuing issue.

Risk managers need to at least investigate the potential loss exposures created by new business ventures, risk management experts agree. And the risk management considerations involved in new business ventures—cost of potential loss exposures—have to be weighed to assess the venture.

While risk managers in some companies still lament that the importance of risk management isn't yet recognized, others suggest the function is proving its worth.

"This job is growing!! The company now is evaluating the risk and loss prevention processes that I administer as a means to holding our premium (insurance) bottom line," said one board member. Before, the job only meant an insurance desk in the legal department, he said.

Forty-six percent of risk managers do say their expertise is vital in insurance and safety decisions before a disaster occurs. In one case the risk manager is also the senior vp. In another instance, the risk manager sits on the safety committee.

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Underwriting losses grow

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large underwriting losses for the first half of the year.

Best reports underwriting losses for the first half of the year at \$1.65 billion, which surpasses the \$1.35 billion lost during all of 1979. The underwriting loss for the second quarter is estimated to be \$821 million, compared with \$165 million in the second quarter of 1979. All underwriting loss figures include deductions for policyholders' dividends.

The property/casualty insurance industry combined ratio was 102.37 for the first six months of the year, up from 1979's 100.7%. Best reports.

The ISO/NAI report sets underwriting losses for the first half of the year at \$1.46 billion. This represents 3.4% of earned premiums of \$42.6 billion. The underwriting loss for the first half of 1979 was listed as \$1 billion.

A net investment gain of \$5.11 billion before taxes was reported, creating net income of \$3.33 billion. This compares with a net investment gain of \$4.22 billion in 1979 and net income of \$2.98 billion.

Company sued for pollution

TRENTON, N.J.—An SCM subsidiary is the target of a new \$750 million lawsuit filed in U.S. District Court here by more than 300 residents of Legler, N.J., angered by the chemical contamination of their water supply.

A public landfill that also was used as a toxic waste dump contaminated the water supply. Residents first sued Jackson Township for \$51.5 million for permitting the contamination (BI, Feb. 25).

SCM's Glidden-Durkee was named on Sept. 8 in the new suit. The Legler residents charge Glidden-Durkee knew when it sold its former open-pit mine to the town in 1972 that it was unsuitable for a landfill. Mining had exposed the town's source of water and mining and backfilling operations caused some pollution, the suit charges.

Jackson Township's liability insurers deny liability for the suit, arguing their policies exclude this kind of gradual pollution. SCM's spokesman on the suit couldn't be reached for comment on SCM's insurance.

Plaintiffs attorney Steven Phillips of Kreindler & Kreindler in New York says at least three more companies will be sued for dumping toxic wastes at the site and that his investigators are trying to identify other companies that used the site for dumping toxic wastes.

Railway self-funded for crash

ROANOKE, Va.—Norfolk & Western Railway Co., headquartered here, is self-insured for the first \$2 million of damages resulting from the collision of a freight and coal train and the subsequent fire Sept. 6 at the Tug River crossing, a company spokesman says.

A damage estimate is still unavailable but expected to stay within the self-insured range. Three locomotives plunged into the Tug River and 10 cars were derailed. Three crewmen died.

Prudential agreement Ok'd

NEWARK—The agreement between Prudential Insurance Co. and the Department of Labor to allow the government to scrutinize the company's employment history has official approval.

U.S. District Court Judge Herbert Stern last week approved the temporary settlement worked out by the two sides July 30 (BI, Aug. 4). The settlement averted a loss of \$180 million in federal contracts for Prudential.

Under the settlement, the Labor Department agreed not to bar Prudential as a federal contractor if the government were allowed to look at employe records dating from 1976 for signs of employment discrimination.

OSHA streamlines rules

WASHINGTON—The Labor Department has established new fire safety requirements for U.S. workplaces that are easier and less costly for employers to follow, the department says.

The streamlined regulations, which cover employers under the authority of OSHA, set "performance goals" but shy away from specifics that caused the previous set of regulations to balloon to a 400-page document.

For instance, the new rules will require fire extinguishers to be readily accessible, but the government won't specify how high they should be mounted, OSHA officials explained at a news conference last week.

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Illinois lawmaker bets his syndicate will form

By STACY SHAPIRO

CHICAGO—If Bernard E. Epton has his way, the Illinois Insurance Exchange will be ready to open in six weeks.

The Illinois lawmaker from Chicago, who sponsored the legislation creating the exchange, also is planning to form an exchange syndicate to underwrite risks.

He has given himself a six-week deadline to do it, despite delays in an IRS ruling on whether exchange syndicates will be granted the same favorable tax treatment as insurance companies (BI Sept. 1).

The formation of his syndicate would open the doors to the exchange, which needs a minimum of \$4 million capitalization to open.

The exchange, which was expected to open last July 1, recently issued its regulations, too.

But so far only one syndicate has offered backing for the exchange. The First Management syndicate, owned by the Bliss Group of Bloomington, Ill., has fully capitalized the \$2 million necessary to join the exchange. Rep. Epton's syndicate would provide the remainder needed.

Rep. Epton is perturbed by the delay in the opening. "We should have been in business in October—last October," he said.

He blames the delay partially on the slowness of the legislature and governor in acting on the exchange legislation. "The bill is so simple that they've been looking for curves," he says.

But the latest snag has been waiting for the IRS to rule on syndicates.

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The exchange, originally set to open July 1, has been waiting in vain for a second syndicate to be capitalized.

Illinois businesses prepare their first work comp pools

By JILL KAPLAN

CHICAGO—Two major Illinois business groups are preparing to form the first group self-insurance plans in the state for corporate workers compensation risks.

A workers compensation reform measure expected to be signed this week by Gov. James Thompson opens a group funding mechanism for workers compensation risks to corporate employers for the first time.

The new law is also expected to cut employers' workers compensation insurance costs by freezing some benefit levels and establishing hearing loss standards (BI, July 21).

Draft regulations setting bonding and other requirements for group self-insurance plans will be released by the insurance department soon after the governor signs the bill, said insurance director Phillip O'Connor.

Group plans are expected to sprout up around the state as brokers push the idea. Employers are already receptive to it.

The Illinois Manufacturers Assn. just hired Corroon & Black Corp. to conduct a study of a group self-insurance plan for its 6,000 members. IMA expects the program could cut 15% off the cost of workers compensation insurance.

The Illinois Chamber of Commerce is also investigating a group self-insurance program, as well as contracting for services to individual workers compensation self-in-

surers. Marsh & McLennan will probably win that account, said Richard Aplan, executive vp of the Illinois State Chamber of Commerce.

More than 330 of the chamber's 6,000 members said they were interested in an administrative services program. Services would include loss prevention, claims management, legal, tax and excess insurance placement.

The Independent Insurance Agents of Illinois, however, has protested the program, complaining that it takes dollars out of the insurance industry.

Insurance brokers in Illinois will be telling employers about group self-insurance.

Corroon & Black foresees acting as a managing general agent for a group self-insurance program.

Arthur J. Gallagher & Co. in Rolling Meadows, Ill., intends to "go after this hot and heavy," said president Robert Gallagher.

The new workers compensation reforms as presented to the governor also:

- Place a three-year freeze on the maximum benefit for permanent partial disability at \$269 a week regardless of what happens to the state's average weekly wage.

California comp bill to cost \$65 million

By RHONDA L. RUNDLE

SACRAMENTO—A bill to boost workers compensation benefits to injured workers will cost California employers an estimated \$65 million to \$100 million a year.

The measure (A.B. 2750) passed the state legislature in the frantic closing hours of the 1980 legislative session ending Aug. 31. Gov. Jerry Brown is expected to sign the bill into law before the end of the month.

The last-minute maneuvering was a small victory for organized labor, but fell far short of the gains it sought in another bill (S.B. 375). That controversial reform package containing cost-cutting measures for employers and benefit increases worth more than \$330 million was sent to a committee for interim study.

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Citizens on pensions

Employees forfeit benefits

By JERRY GEISEL

WASHINGTON—Two-thirds of the six million workers who will change jobs in the next three years will lose pension benefits.

But if employers cut vesting requirements to five years of service instead of the current 10-year norm, 1.5 million workers would keep benefits they now give up to change jobs, a new Labor Department study shows.

The study, released at the Citizens Conference on Pension Policy Sept. 5-7, is based on a sample of 57,000 persons and the probable job and family changes they will face. It focuses on 1970 to 1980, five years before and after the enactment of ERISA in 1975, and uses projections for 1980 to 1982.

The study's most significant point is that 10-year vesting—the most popular vesting option offered under the Employee Retirement Income Security Act—is not meeting the pension needs of an increasingly mobile society.

With workers changing jobs on the average of every four years, 10-year cliff vesting inevitably means millions of Americans who pull up stakes after a few years will give up their pensions as the price of getting a new job.

About 4.6 million workers who will change jobs in the next three years will lose their accrued pension benefits because they didn't work long enough under one plan.

"Too many workers are losing their deferred wages under the private pension plan system," said Ian Lanoff, the U.S. pension administrator.

Young workers are more likely to lose pension credits than older workers. The study, prepared by researchers at Brandeis University under a Labor Department contract, estimates workers ages 25 to 34 have an 85% chance of losing pension credits when they change jobs.

About 70% of workers who change jobs will forfeit one to four years of pension credits, with most forfeiting one or two years.

Women who change jobs are more likely to forfeit pension credits than men because women tend to work a shorter time at jobs and are less likely to meet vesting requirements. Eighty percent of women job changers lose their pension credits, compared with

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WASHINGTON—It was unlike other pension conferences. Most Washington pension conferences, usually sponsored by trade associations representing employers, revolve around the administrative problems caused by ERISA and the cost of compliance.

The Citizens Conference on Pension Policy, sponsored by more than 30 retiree, consumer, women's and labor organizations this month, was different.

The message at the conference Sept. 5-7 was: The private pension

system is not delivering its promised benefits to workers and half-hearted governmental reforms won't be enough to make the promises come true.

To cure pension inequities, the citizens commission recommended the adoption of a 10-point pension plank. Key recommendations include: immediate vesting, cost-of-living protection for retirees, elimination of Social Security offsets that reduce private pension benefits and pension portability.



Mary Maholic (upper left) was left widowed without survivor's benefits; Cynthia Elie (lower left) may be left with no pension rights after a divorce. Commission chairwoman Ewa Bielski (right), a former executive, was fired just before she was about to vest in her company's pension plan.



Photos: Jerry Geisel

They tell their troubles . . . as she recalls

WASHINGTON—There are no legal remedies now for some pension problems, says Michael Goldberg, a member of the Citizens Commission on Pension Policy.

"It's the system that has to be changed," he said.

For the six witnesses who described, sometimes tearfully, their pension problems before the commission, the reforms promised by the Employee Retirement Income Security Act have not been enough.

Two years ago, Mary Maholic's husband died of cancer after 34 years as a Pennsylvania coal miner.

"He died at age 51. He died too young," Mrs. Maholic said, trying to hold back tears.

Although her husband vested in his employer's pension plan, Ms. Maholic is not entitled to any benefit. Under ERISA, a plan only has to pay a survivor's benefit if the vested worker died at or after early retirement age, which usually is 55.

"I feel this is so unjust," Ms. Maholic said. "What can I do? I'm under

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WASHINGTON—The year was 1974 and the future never seemed brighter for retail executive Ewa Bielski.

She has just completed her 19th year of service with J.L. Hudson, the big fashion firm, now part of Dayton Hudson Corp. Her company was proud of her work and gave her a 200% salary bonus the year before.

But before the year was over, Ms. Bielski's dream of corporate success at J.L. Hudson had turned to ashes. Ms. Bielski, along with 84 other Hudson corporate executives, was fired.

The reason for the purge was clear, says Ms. Bielski. All the executives had worked between 10 and 20 years for Hudson.

The company required 20 years of service before an employe could

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ERISA advisers criticize limited role

By MARGARET LeROUX

WASHINGTON—A council of public representatives charged with advising the Labor Department on pension law and its administration isn't doing the job well enough, say three of five members taking stock as their terms expire.

An employer representative leaving the council questions whether the council should even continue.

Waning interest from the Labor Department and not enough initiative by council members are blamed for limiting the effective-

ness of the 15-member Advisory Council on Employee Welfare and Pension Benefit Plans.

But the council and Labor Department are talking about how the council can be redirected. And the council, which has some new ideas on its role, has asked the Labor Department to present recommendations during its Sept. 25 meeting in Washington.

The advisory council was created by Congress in the Employee Retirement Income Security Act of 1974. Congress wanted the public to have a formal channel for assessing programs and policies

enforced under the new pension law.

The council was very active in the first years after ERISA was enacted, helping the Labor Department prepare regulations for implementing the act. But now that the framework is in place, council members say the Labor Department isn't using them enough.

Robert Albright, retired from Republic Steel Corp. since he was appointed to the council six years ago, says he has "doubts about whether the Department of Labor needs the council anymore." He will not seek reappointment as an

employer representative on the council.

"The advisory council probably has not realized its potential in its function as adviser to the Department of Labor," said G. David Hurd, executive with Bankers Life Co. in Des Moines. He will also leave the council, where he has represented the insurance industry, when his term expires in November.

"There hasn't been enough interchange between the advisory council and the Labor Department," he said.

"The effectiveness of the council

or any other advisory group depends upon the use the advisee makes of it," observed Lawrence Smedley, associate director of the department of social security for the AFL-CIO.

"The Department of Labor doesn't use the council enough," said the union representative on the council, who is seeking reappointment.

The five council members whose terms expire this year, however, have some recommendations for improving the effectiveness of the council. They say:

- The Department of Labor

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Sears offers early retirement bonus

IN A MOVE to trim its executive-level work force while offering new opportunities to younger employees, Sears Roebuck & Co. is offering a one-time early retirement incentive to 2,200 executives who already are qualified for retirement benefits.

The plan offers early retirement benefits and financial incentives on a sliding scale, depending on how close the individual is to having earned full pension benefits. The maximum benefit is half pay for three years, to be distributed in monthly installments beginning next January.

All executives who will be at least 55 years old with 20 years of continuous service by Dec. 31, 1980, are eligible.

The company's "consensus guess" is that 500 to 600 executives

benefit beat

will take advantage of the offer, said Charles Bacon, vp of personnel. "The primary purpose is to provide an opportunity to consolidate or eliminate jobs without having to lay off," he said.

Sears has seen an increase in the number of executives working longer since the mandatory retirement age was raised, he said.

Sears chairman Edward Telling said the early retirement plan "will enable the company to offer promotions to a good many employees somewhat sooner than planned."

Transit passes

Washington National Insurance

Co. in Evanston, Ill., is helping its 1,700 employees board the mass transit bandwagon.

The company will sell monthly bus, commuter train and elevated train passes at a \$10 discount to employees. Passes for Chicago Transit Authority buses and elevated trains are \$30 a month; a monthly pass system for suburban trains and buses will be established later this fall.

Washington National is also encouraging vanpooling and carpooling. The company will purchase a van and lease it to a group of nine to 12 employees who agree to drive to work together.

Carpools which include three or

more persons, meanwhile, will have monthly parking fees of up to \$25 absorbed by the company. Carpools with fewer persons and employees driving alone will receive smaller subsidies to cover parking fees.

Detoxification care

Alcoholism Services Inc. of Harrisburg, Pa., has agreed to provide alcohol detoxification treatment for subscribers to Capitol Blue Cross, also of Harrisburg.

Under this new arrangement, Blue Cross will provide benefits for detoxification services in a general non-hospital facility. The ASI program includes a "drying out" period followed by rehabilitation. Previously, detoxification services only were covered by the plan if

they were performed in a hospital.

Both group and non-group subscribers are covered for detoxification services under the basic Blue Cross plan at no extra charge.

Focused review

A pilot "focused review" program launched last year by Blue Cross of Richmond, Va., saved group subscribers a net \$450,074 through December 1979, Blue Cross reports.

Under the program, hospitals certify the medical necessity of the stays of their patients. Thirty hospitals participate in the program.

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

Pharmacies drop out of program

NEWARK—Less than half of New Jersey's 1,500 pharmacies have agreed to continue honoring prescription drug plans offered by many of the state's employers.

Only 46% of the state pharmacies met a Sept. 1 contract renewal date with Blue Cross. The rest say the dispensing fee paid to them is too low. Last year, 90% participated.

The decision by the pharmacies means the 218,000 employees enrolled in the program either will have to shop around to find a participating pharmacy or will have to pay the prescription expenses up front and then file an expense form with Blue Cross.

Under the prescription drug plan, employees show a card to a pharmacy, pay from nothing to \$3 for a prescription and have the rest of the bill charged to Blue Cross and their employers.

The new contract calls for the dispensing fee to be raised to \$2.95 from \$2.75 per prescription.

"Many of the pharmacies feel that 20 cents is not enough, particularly since this is the first increase since 1977," said a spokesman for the New Jersey Pharmaceutical Assn.

"They also objected to the fact that the contract does not include an expiration date, but just calls for an automatic renewal. Some of them don't want to tie themselves up like that."

The pharmacies also objected to a contract provision that allows members of the United Auto Workers, one of the largest plan participants, to be dispensed 100 units of a drug at a time. The pharmacists prefer the smaller-sized prescriptions that must be filled more often because they generate more dispensing fees.

But Blue Cross vp Joe Walsh disputes the charge that the new contract shortchanges pharmacies.

"We did a lot of research on this and we think it is a fair offer," he said. "We know it compares favorably with the market out there."

And Mr. Walsh said he expects more pharmacies ultimately will join the program.

"Some of these pharmacies that are fighting us now will probably sign up within a couple of weeks," he said. "We think we will end up with a significant participation. But I don't think we will reach the 90% figure again."

To assist employe groups that don't have a local participating pharmacy, Blue Cross is distributing claim forms for reimbursements. It also is compiling a list of participating pharmacies to distribute to subscribers.

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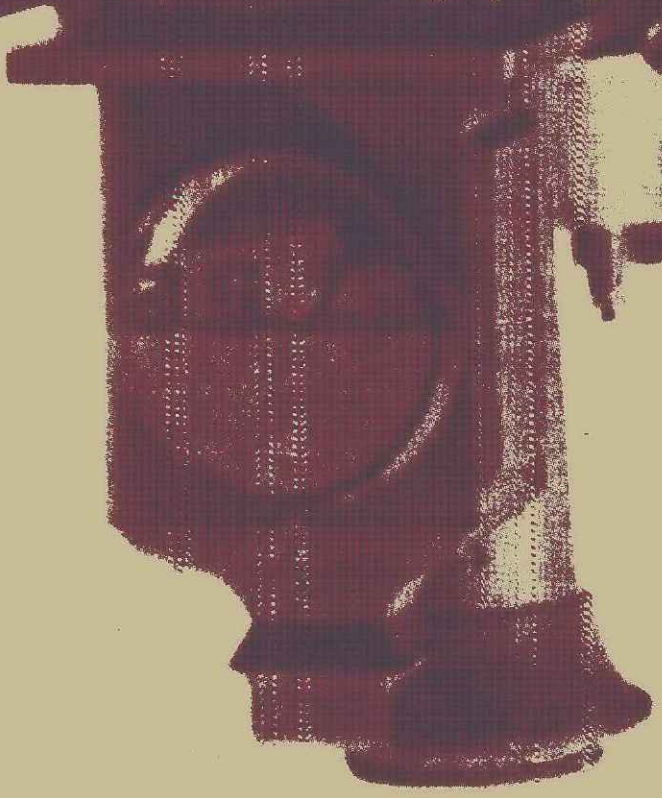
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THE GOOD STEAM THE HOT TAKE THE FUR OFF THE TIGHT LINE



Comp experts recommend reforms

DETROIT—New guidelines for workers compensation seek cost-of-living adjustments for benefits and the coordination of benefits with other disability programs.

The International Assn. of Industrial Accident Boards and Commissions adopted the proposals at a convention of the association here last week. They are part of an updating of standards and guidelines recommended for use in administering state workers compensation programs.

It is the first time since 1963 that the benefit guidelines are being revised. The guidelines, however, are not binding, but only advice for state departments.

Insurers are expected to object to the cost-of-living adjustment and organized labor is expected to protest coordination-of-benefits.

The benefit adjustment is expected to draw fire from the insurance industry because of the new costs it would involve.

"It's going to be as expensive as hell," said James Brakora, director of the Michigan workers compensation bureau, which is an IAIABC member. "It's going to cost a lot of money, but it has to be funded somehow."

The guides do not specify how states would set up a system, but only say some type of adjustment to offset inflation is a "desirable goal."

Some states, including Michigan, adjust permanent total disability benefits, but few adjust benefits for workers disabled for only a few years.

Organized labor is expected to object to the coordination of benefits, which eliminates duplicate payments from different sources for the same injury or illness.

In an address to the association last week, United Auto Workers president Douglas A. Fraser said many workers compensation programs already are beset by "serious rollbacks and regression" and have made little progress in recent years.

The legislative committee, which proposed the new benefits, said benefit coordination is designed to avoid paying disabled workers more than wage replacement. It is intended to induce workers to enter rehabilitation programs and return to work rather than remain on the disabled list.

The panel urged other new standards, including a benefits schedule for survivors in death cases. It suggests benefits be paid to a dependent spouse until his or her death or remarriage and to a child until he or she reaches age 18 or 23 if a full-time student in an accredited school. Mentally or physically disabled children of any age also should receive benefits.

—John Maes

Business, labor split on reform

By JOHN MAES

DETROIT—State reforms are the key to capping workers compensation problems in the 1980s, a General Motors executive says.

However, the president of the United Auto Workers says federal standards are the only route to a system that is fair and equal.

Employers should support changes in benefit levels, coordination of payments and rehabilitation incentives by state governments rather than at the federal level, said Paul D. Pender, group executive in charge of operating staffs at GM. Federal intervention would be a barrier rather than a solution to the problem.

United Auto Workers president Douglas A. Fraser, however, criticized current workers compensation practices. The federal government should set standards on benefit entitlements, safety and health rules and administration and delivery of benefits, he said.

The government also should mandate benefits to survivors of workers killed in industrial accidents, and the payments should be adjusted for inflation, he said.

He noted the different benefit levels for work-related injuries in different states. "Is my arm worth more in Ohio than it is in Michigan doing the same work for the same employer for the same wage?" he asked. "We need federal standards mandated by law."

The two spoke before the International Assn. of Industrial Accident Boards and Commissions here last week.

Mr. Pender argued in his address that reforms should end "needless controversy and litigation" in workers compensation cases.

"We also can take a more enlightened look at benefit levels," he said. "While they must be adequate, they must not be so high that they destroy the incentive to return to work."

For example, an employe injured at GM's Norwood, Ohio, assembly plant would receive a maximum benefit of \$258 per week under Ohio law. That is \$20 less than the typical \$278 take-home pay.

"That's a pretty small incentive to return to work," Mr. Pender said, adding benefit levels should be related to spendable income rather than gross wages.

Mr. Pender told *Business Insurance* that workers compensation costs, which make up a large portion of GM's total insurance costs, have been rising faster than the cost of living over the last 10 years.

Much responsibility for reform rests with employers, he says.

GM has begun several programs during the last decade, covering industrial hygiene, drug and alcohol abuse, toxic materials and vocational rehabilitation.

In a recent "human factors engineering" program, tools and work stations were redesigned to minimize bending, stooping and other movements that can cause injury.

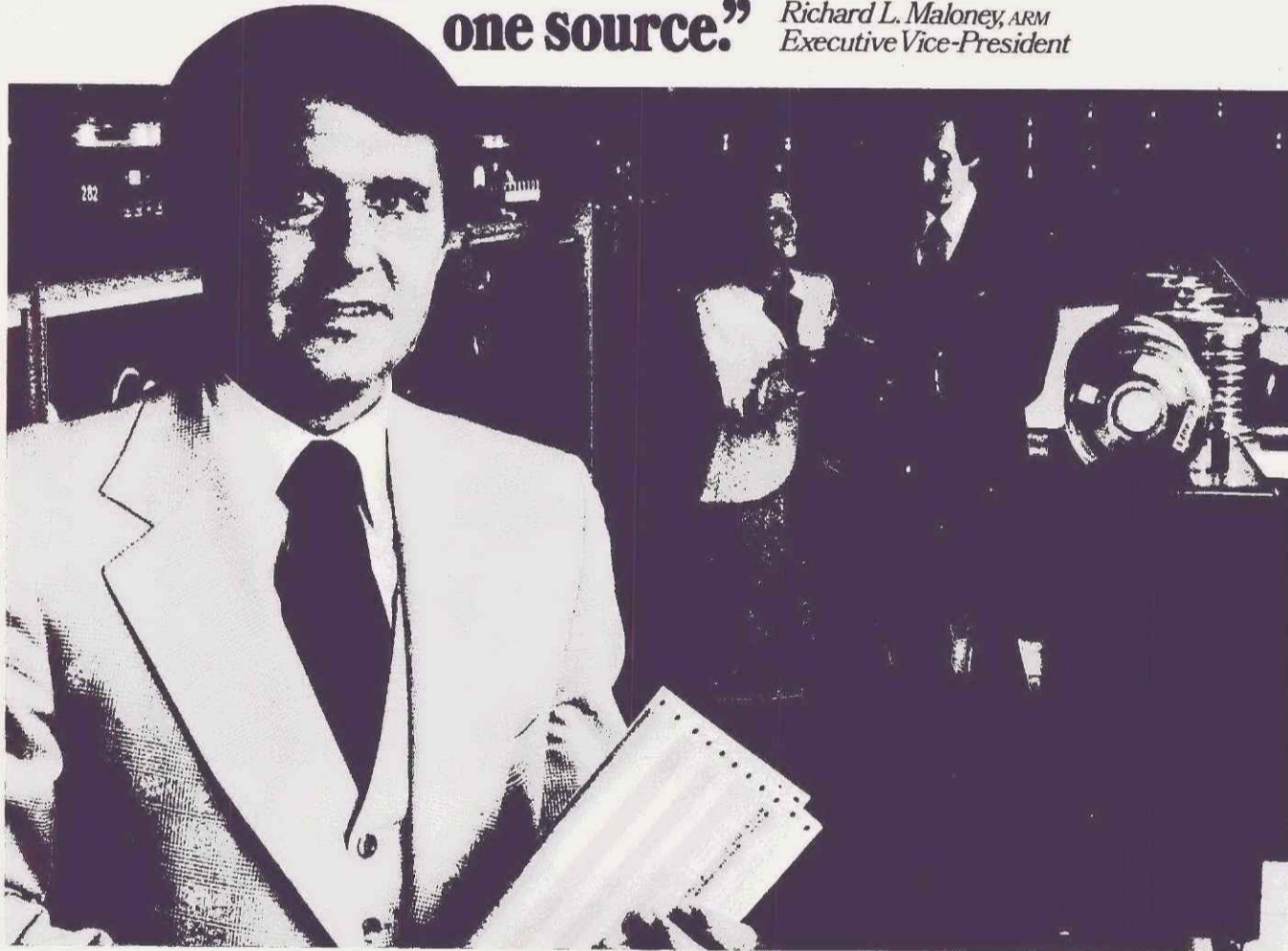
GM attempts to match employes with jobs they are most physically and mentally equipped to perform, Mr. Pender says.

GM also confronts workers compensation problems with a 60-hour mandatory training session for its workers compensation administration department.

Claims administrators are instructed in corporate workers compensation policy and in investigating claims to detect fraud and malingering, he said.

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Richard L. Maloney, ARM
Executive Vice-President



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RETHINKING PROPERTY CONSERVATION FROM THE GROUND UP.

Important technological advances are often accompanied by increased property risks. Allendale has to be right on the tail of these new hazards, identifying them and finding affordable solutions.

Jumbo jets, for instance, are a giant step forward for passengers, the airlines and air freight companies. But only in the air. Sitting on the ground in a service hangar, their size becomes a serious problem. Because bigger in this case means a quantum leap in values and exposures over the previous generation of aircraft and facilities. As much as 6,000 gallons of fuel may remain in the tanks. And two or three of these giants are often in a hangar simultaneously. So there's the ever-present potential for a substantial loss from fire.

Before the jumbos were even put into service, Allendale, along with many airlines and air freight insureds, recognized the magnitude of the problem. Conventional overhead fire-protection systems can't provide adequate protection. Fire underneath a jumbo would escape immediate detection. And the vast body and wing surfaces would interfere with the sprinklers.

Allendale,
because of the

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Mutual
System**

resources of the FM Engineering Division, had been on top of the latest developments in foam technology. Tests, involving the largest indoor flammable liquid fires ever run, were conducted at our special fire research facility. They proved that the most effective approach to the problem is an overhead foam sprinkler system coupled with oscillating foam monitor nozzles for underwing protection.

One of the first Allendale insureds to adopt this new technology was Flying Tiger Line. Their new system was designed to utilize the existing water supply and make maximum use of present piping. So it was accomplished as painlessly as possible. "Tests of the system demonstrated it provides complete foam coverage instantly. As a result, we have a high degree of confidence for the safety of our personnel, aircraft and facilities," states Bill Thompson, Flying Tigers' director of maintenance.

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House votes to retain pension adjustments

By **JERRY GEISEL**

washington

WASHINGTON—The House of Representatives has voted overwhelmingly to retain twice-a-year cost-of-living adjustments in the pensions of federal Civil Service and military retirees. A shift to annual increases was proposed to help trim the federal budget.

The 294-91 vote came on an amendment proposed by Rep. Robert Bauman (R-Md.). The proposed cutback, which has been approved by the Senate, was "a false savings that will not occur" because federal pensioners already have received their Sept. 1 cost-of-living raise, Rep. Bauman said.

Rep. Leon Panetta (D-Calif.), however, argued that all other federal pension programs are only adjusted once a year. The cutback for retired civil service and military personnel would place them on an equal footing with other pensioners.

Shifting to once-a-year cost-of-living adjustments would save \$756 million next year, according to the House Budget Committee.

The House approval of the Bauman amendment, however, does not necessarily kill the once-a-year COLA proposal. Because the Senate has approved the change, the issue moves to a conference committee.

Halperin to leave

The Treasury Department's top

pension tax policy expert is leaving his federal government post to teach law.

Daniel Halperin, deputy assistant secretary for tax legislation, will leave the Treasury Department in January to teach law at Georgetown University.

Mr. Halperin was involved directly in the drafting of controversial regulations that would have required many smaller firms to adopt faster vesting in their pension plans.

A successor for Mr. Halperin has not yet been named.

OSHA inspections

New Labor Department regulations will allow Occupational Safety and Health Administration Officials to make unannounced inspections of federal worksites.

The new rules, scheduled to go into effect Oct. 1, ensure the government will "conduct an effective effort to protect its employees on the job to set an example for private sector employers," said OSHA chief Eula Bingham. OSHA already makes the inspections at private businesses.

Under the rules, OSHA will not be able to assess penalties or require changes in working conditions. Its power will be limited to making safety recommendations.

Head injuries

Eight out of 10 workers who suffered head injuries were not wearing hard hats at the time of the accident, the Bureau of Labor Statistics says.

Half of the injured workers said hard hats were not required or normally used on their jobs, the survey found.

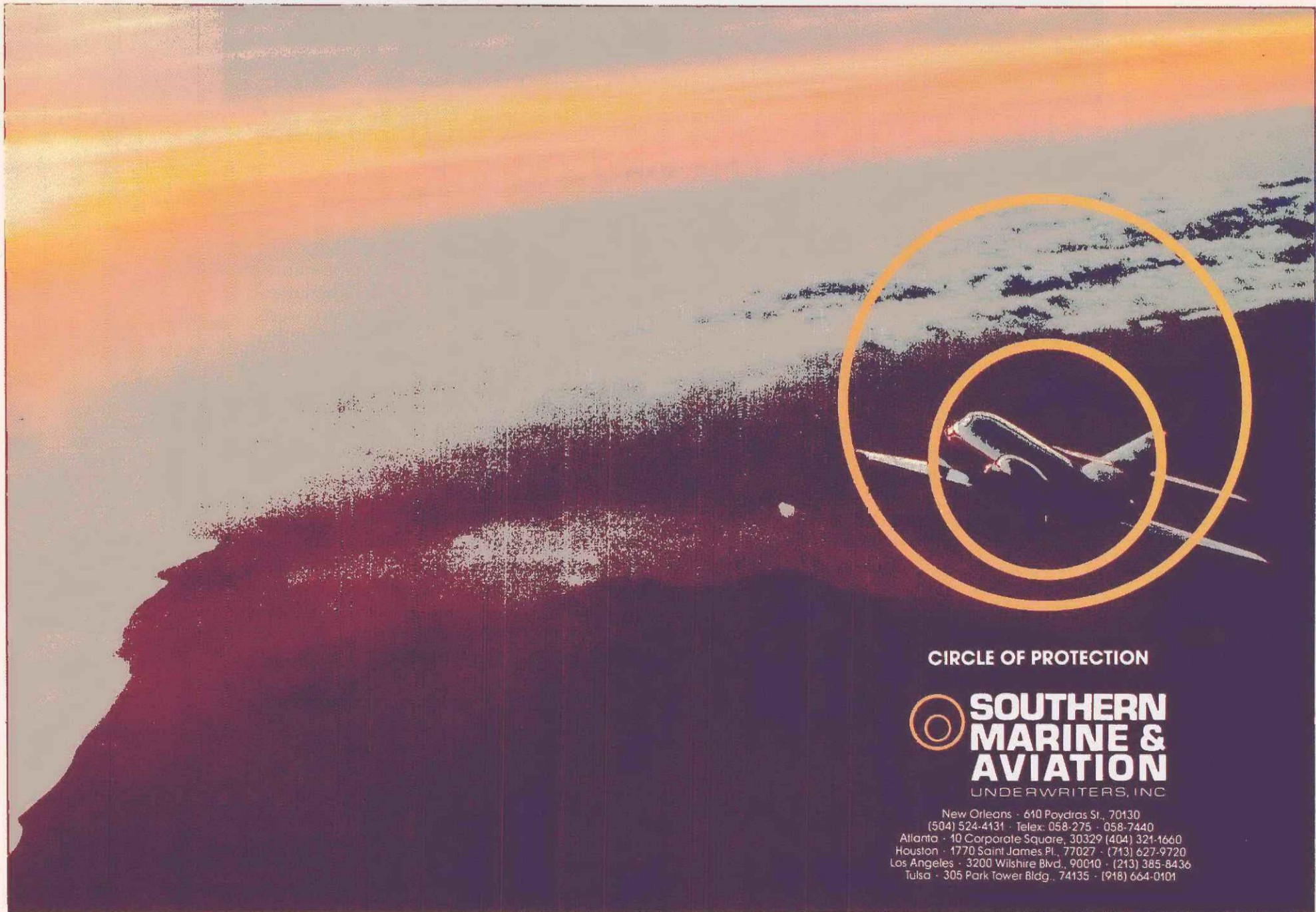
The most typical injury was caused by a falling object. The second most frequent accident was caused by workers' heads hitting stationary objects, the BLS said.

Provisions delayed

The U.S. Department of Labor has postponed for five weeks the effective date of certain provisions of its standard providing worker access to employer toxic exposure and medical records for three industries. They are contract construction, flavor and extract manufacturing and fragrance materials production.

The effective date was Aug. 21.

The delay applies to sections of the standard governing the access to the records by employees and on informing employees of the existence, location and availability of such records. The postponement does not apply to requirements to preserve the records nor to OSHA's right of access to them. ■



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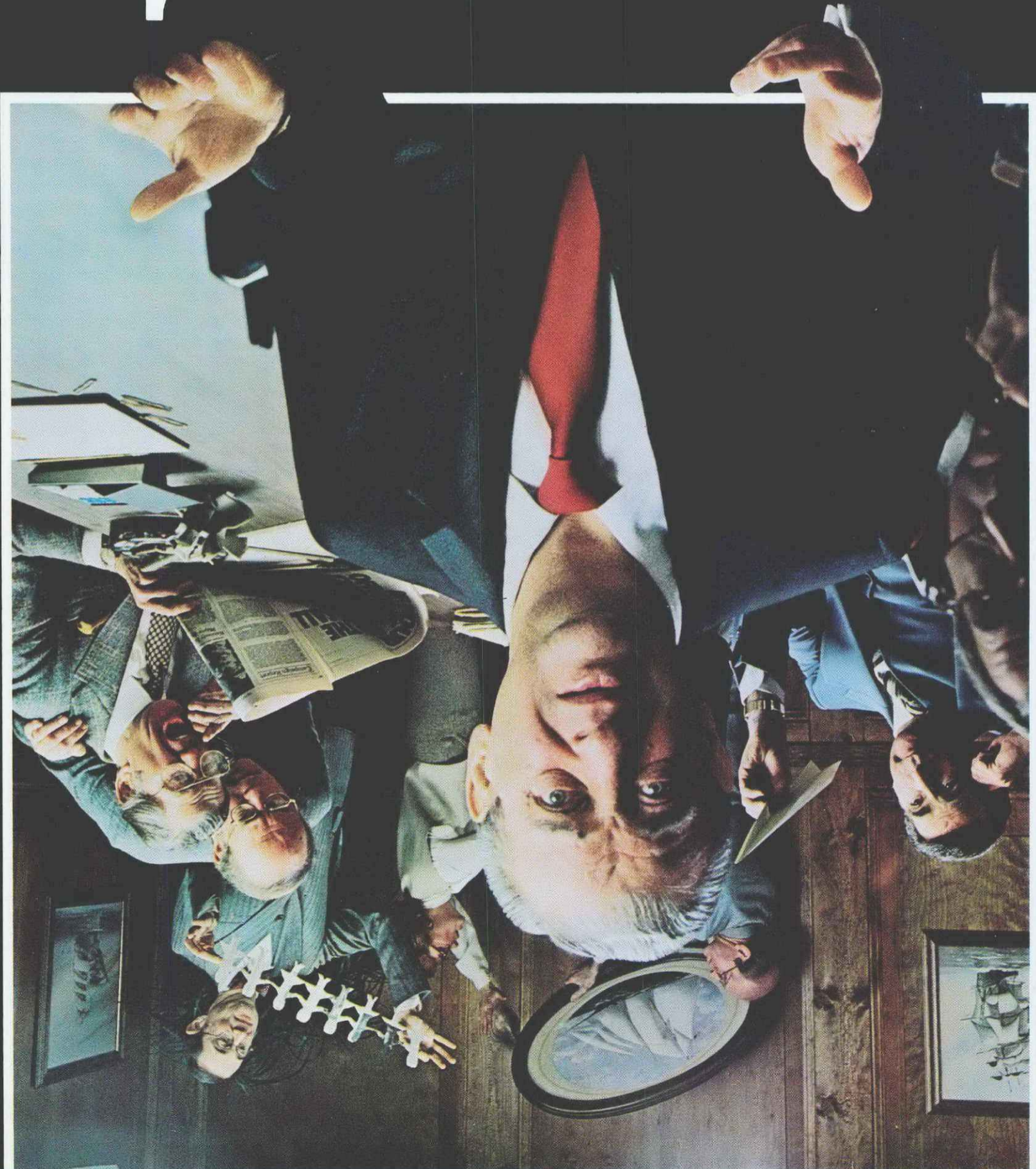
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Lloyd's group to monitor claims for asbestosis

By JOHN H. MILLER

London line

LONDON—Lloyd's is setting up a working group to examine whether asbestosis claims should be handled on an exposure basis or a manifestation basis, a question that may be answered with the help of U.S. court rulings.

London sources say Lloyd's could be involved in more than 5,000 asbestosis claims from the United States.

The panel will monitor the situation and act as an advisory body to Lloyd's to coordinate market inter-

ests, but will not be concerned with individual settlements.

The exposure theory contends insurers of record when plaintiffs were exposed to asbestos should pay claims. The manifestation theory holds that the insurers liable for claims are those of record when the disease was discovered.

"Exposures go back 40 years and we want to work out how the market as a whole can best deal with the problem, though naturally all valid claims will be met," said Rodney Wace of Lloyd's non-marine underwriters association.

"We will be watching developments in U.S. lawsuits to get guidelines. It is impossible to say what the size of claims will be at this stage, as there are so many cases still before the courts."

Ted Nelson, Lloyd's non-marine expert, will be on the working party, which will include a claims executive from H.S. Weavers Underwriting Agency to represent the U.K. company market.

Sasse losses

Sasse Syndicate loss figures have been raised to \$51 million because of worsening claims experience for 1977, an audit of 1976-77 returns shows. Claims for that period are still being evaluated.

But the 110 syndicate members will only have to pay out \$15 million from their own funds, thanks to Lloyd's \$36 million bail-out.

Lloyd's is trying to reduce its share by another \$15 million through recovery from such reinsurers as the Instituto de Resseguros de Brazil. The average loss for each syndicate member will be \$150,000, though some will have to pay more because they invested more heavily in Sasse's operations.

"The Lloyd's offer was made after considerable negotiation and I am satisfied there is no prospect of any improvement in the terms," said Alfred H. Chapman, chairman of an underwriting agency group that has been trying to help Sasse members.

Letter to members

As Lloyd's brokers and underwriting agents dispute the Fisher Report's recommendations, chairman Peter Green has sent a letter to Lloyd's 18,550 members stressing the need for an act of Parliament to implement the changes and calling for a meeting Nov. 3 or 4 to approve the proposed act.

The report recommends that a Council of Lloyd's should be set up with complete powers to create new disciplinary rules for the market. Brokers and the Lloyd's Underwriting Agents Assn. believe there should be reserve powers within the market to override the council's authority (BI, Aug. 25).

"We consider that the power of the council to make bylaws should not be unfettered, and residual control by members is still necessary," the agents association says. "Members should be able to call for a referendum before any bylaws are introduced."

But Mr. Green points out in the letter that all market associations, even those that oppose part of the Fisher Report, agree a new act of Parliament is necessary and that some type of council must be established.

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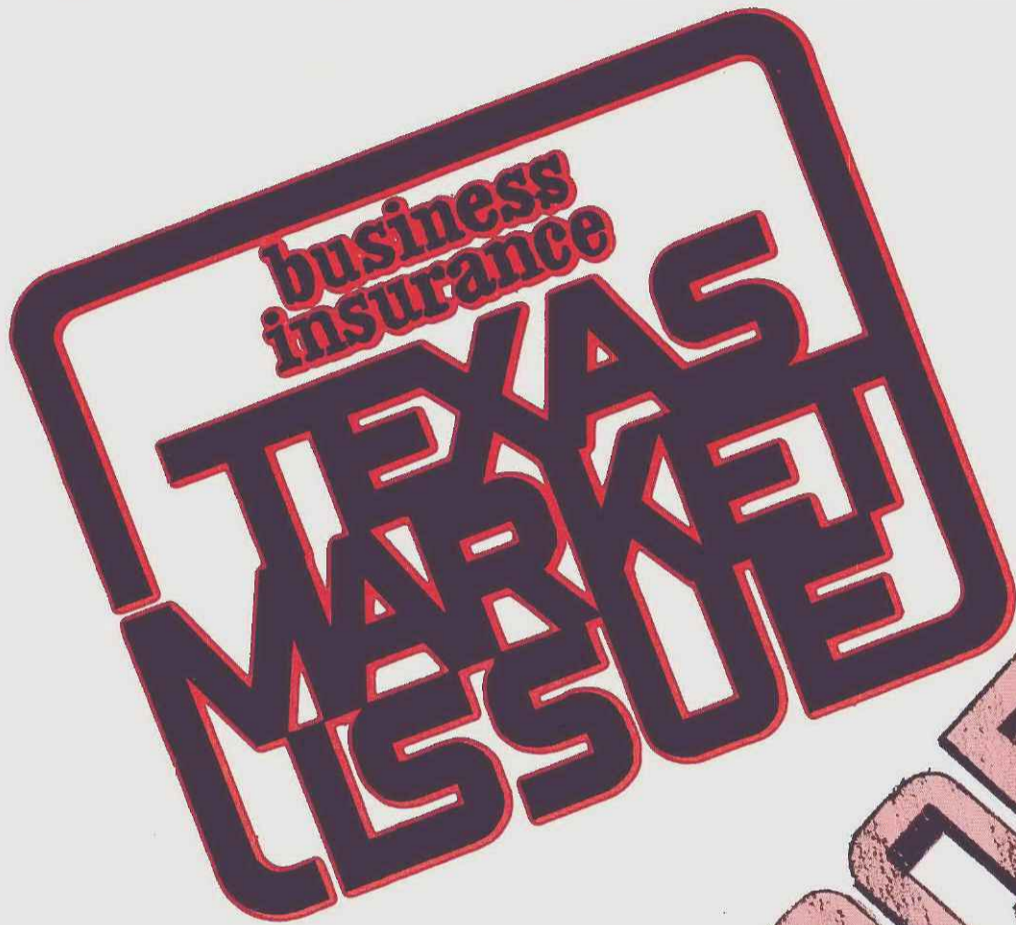
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editorial opinions

Advise the DOL

DO YOU STILL think ERISA stands for Every Ridiculous Idea Since Adam?

Do you have some ideas on how ERISA could be better enforced? Interpreted? Amended?

Do you think the U.S. retirement policy needs to be overhauled, slightly tuned up or just oiled?

Now's your chance to directly influence work at the Department of Labor, which enforces the Employee Retirement Income Security Act of 1974 and studies retirement issues.

There are five openings on the Advisory Council on Employee Welfare and Pension Benefit Plans. It advises the secretary of labor on ERISA and retirement issues.

■ Three of the five people whose terms expire this year want to be reappointed. Since they are willing to commit themselves again and have some ideas on how to make the council more effective—described in an article in this issue—we think they should be reappointed.

Those seeking reappointment represent unions, the general public and the accounting profession.

But the field is wide open for nominations of persons representing employers and the insurance industry. The two people holding those spots now don't want another round. The employer representative is retired and the insurance industry representative is disillusioned.

■ Don't let the disillusionment discourage you from applying for the council. Already the council members are taking stock and suggesting how they can be more effective. There's a renewal process under way that you could help encourage.

You would be committing yourself to three years of meeting four times a year in Washington—all expenses paid by the U.S. taxpayers. You would sign up for study groups that tackle important issues and meet before the quarterly meeting to prepare their presentations for the full council and the Labor Department.

You would even earn \$192 a day for each day you spend on council business.

But most important, you would have a chance to help the Labor Department make retirement policy at this critical time

of retirement issue study. You could tell DOL what business can and can't do—in benefit design funding, vesting and administration.

The Secretary of Labor, who appoints the council members, doesn't have to do what the council advises.

But council members aren't complaining that the Labor Department ignores their recommendations. Instead, they say they aren't giving enough advice. A tough-minded group of people on the council with new ideas and criticisms of current practices could wield its clout to make changes.

Write yourself a nominating letter and ask your boss to sign it. Or nominate your boss if he or she is concerned and knowledgeable about pension issues.

■ The nominating letter should include the basics of name, place of employment, address and phone number. State the field the person represents and his or her political affiliation because the council is to be an equal mix of Democrats and Republicans. Explain why the candidate would be a good representative of his or her field.

Sharpen your pencils, ERISA friends and foes—it's your chance to make ERISA stand for Excellent Representation of Industry Sentiment and Advice, too.

Send your nomination to the Secretary of Labor, New Department of Labor Building, 200 Constitution Ave. N.W., Washington, D.C. 20210. The nominating deadline is Oct. 1.

Ouch

WHILE WE'RE on the topic of giving advice and criticism, we need to remind ourselves that advice and criticism have to be specific to be valuable.

As candidates roam the country spouting generalities and hurling insults, we have good examples of how not to make our points with colleagues and staff, contractors and regulators.

When we criticize, we have to say what it is we don't like, why and how it can be changed. Otherwise, we're just sounding off.

If we can't make our criticism and advice useful, we should bite our tongues.

letters

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

Owners not employers

To the editor: In your report on "Canadian workers can be held liable for damages," (*BI*, Aug. 18), the lead sentence reads in part "... employees can be held personally liable for damages they caused their employers during the course of the employees' work."

This statement is incorrect. As correctly reported later in the article, the court ruled that the owners of the shopping plaza damaged in a fire caused by the tire store employees could seek damages from

the tire store employees. It did not rule their employer could seek damages from them.

This ruling was based on the general rule of common law that "no one but the parties to a contract can be bound by it, or entitled under it."

Brendean Slough
Manager-insurance
DuPont Canada Inc.
Mississauga, Ontario

• You're right. Thanks for setting us straight.

action line

Foam insulation won't always hurt occupants' health

In the Aug. 4 edition of *Business Insurance* you had an article about urea-formaldehyde foam insulation.

I have a client who had this foam insulation put into the outside walls of his home two or three years ago. He has asked me about the effects of this product on the health of his family.

They have not had any of the symptoms mentioned in your article. Should my client be concerned about other health hazards? What other source might be available for information?

Stan L. Morga
Account executive
Marsh & McLennan Inc.
St. Louis, Mo.

Your client's safety depends on how the insulation was installed.

"If installed properly, there's no problem," said Deborah Eustice, consumer affairs specialist for the U.S. Consumer Product Safety Commission in Chicago. "There may not be any off-gassing."

The CPSC began studying the installation of the foam and its effects after receiving 2,000 complaints from families whose homes had been insulated with it. More than 500,000 homes have the insulation, but not all have had problems, Ms. Eustice says. It takes "a poorly installed batch and a sensitive person" to develop immediate irritation from the formaldehyde gas.

Is your client's family suffering

from coughing, shortness of breath, skin irritation, nausea, dizziness and/or headaches? If this is the case, the foam is in the air and someone is sensitive to it. If not, the gas may be in the air but no one is sensitive to it, or the gas is not in the air.

The only way to detect seepage is to have the state health department test the air for formaldehyde gas, says Ms. Eustice. The test is usually free but there may be a waiting list.

No one knows if long-term carcinogenic effects will result from formaldehyde gas inhalation, Ms. Eustice said. The Chemical Industry Institute of Toxicology, in connection with Battelle Corp. in Columbus, Ohio, will finish its investigation of the long-term effects of urea-formaldehyde foam insulation sometime this fall.

In initial testing, three lab-rats exposed to 15 parts per million of the gas developed cancerous tumors in the nasal passages.

For more information on the effects of urea-formaldehyde insulation, contact the U.S. Consumer Product Safety Commission, 1111 18th St. N.W., Room 303, Washington, D.C. 20207; 202-634-7780.

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

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Illinois regulators to hold hearings on FAIR Plan

SPRINGFIELD—The Illinois insurance department will hold hearings in Chicago next month on FAIR Plan rates, culminating in the issuance of new rates, insurance director Philip O'Connor says.

The hearings follow Gov. James Thompson's approval of anti-arson legislation earlier this month. The new laws:

- Require an applicant for an insurance policy for a building with more than four units to disclose the beneficial interest of a land trust. Insurers also would be re-

around the states

quired to disclose to investigators the beneficial interests of those trusts.

- Require a property owner to have three turndowns in the regular insurance market before he or she can turn to the FAIR Plan.
- Allow insurers to cancel fire coverage on buildings with more than four units when conditions indicate a high chance of loss, perhaps through arson.
- Allow insurers to disclose information to law enforcement authorities without being accused of violating their clients' privacy.
- Create a task force to advise the Illinois insurance department on the development of FAIR Plan policy forms to ensure coverage on a building does not exceed its value.

Fee refund

MINNEAPOLIS—An attorney here must refund \$20,000 in fees to a client for concealing his "compromising relationship" with an insurance adjuster involved with claims in a Dalkon Shield case, a district court judge has ruled.

Judge Gordon McRae of International Falls ordered Norman Perl, who represented Cecilia Rice in a suit against A.H. Robins, manufacturer of the Dalkon Shield intrauterine device, to reimburse her for his fee.

But judge McRae also criticized Ms. Rice's new lawyers, saying the lawsuit "has as its primary purpose the discrediting of a law firm."

The decision was the first major ruling in a legal battle that began in January when Arden Bradshaw and Bradley Post of Wichita, Kan., acting on Ms. Rice's behalf, sued Mr. Perl; his partner, Richard Hunegs, and their Minneapolis law firm.

The suit alleged Mr. Perl and Mr. Hunegs kicked back part of Ms. Rice's \$50,000 injury award from Aetna Casualty & Surety Co. to the adjuster, W.F. Browne, who allegedly helped them recruit clients.

While Mr. Browne, as an Aetna representative, was negotiating Dalkon Shield cases with Mr. Perl, he also worked for Mr. Perl's firm, the suit charged.

Judge McRae dismissed all claims against Hunegs, Browne and the insurance company.

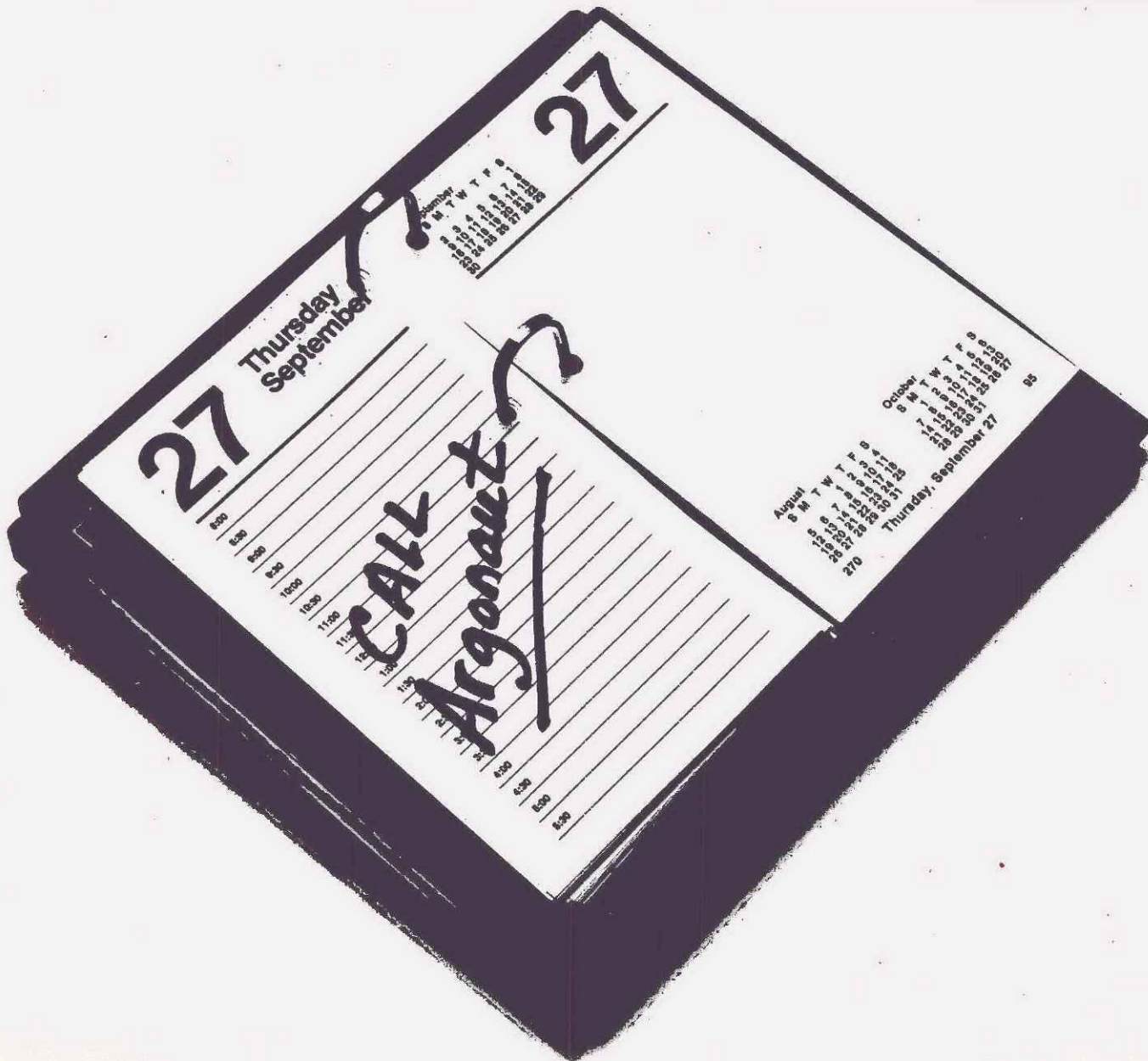
Mr. Hunegs said he and Mr. Perl will continue to press a counter-suit contending Mr. Bradshaw and Mr. Post have conspired to monopolize Dalkon Shield cases.

Arbitration rule

HARRISBURG—Medical malpractice claims will be dismissed if they are not ready for arbitration within a year of filing under a rule adopted by the Pennsylvania office of arbitration panels for health care, effective Feb. 12, 1981.

More than 2,000 claims were pending as of May 31, but only 223 had notified the state they were ready for arbitration, the arbitration office says.

Under a law effective last February, a case will go directly to the courts if an arbitration panel is not selected within 90 days of filing a certificate of readiness. ■



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Labor, industry want asbestos benefit rules

WASHINGTON—Support for federal minimum benefit standards for asbestos victims is not waning.

Labor and industry supported federal relief last month before the Senate Labor and Human Resources Committee at hearings on occupational disease.

Andrew Haas, general president of the International Assn. of Heat and Frost Insulators and Asbestos Workers, urged the committee to consider pending legislation that sets federal minimum benefit standards.

The Asbestos Health Hazards Compensation Act (S. 2847) would require that a worker disabled by

an asbestos-linked disease receive two-thirds to 80% of his salary through workers compensation programs.

The measure, proposed by Sen. Gary Hart (D-Colo.), also provides that workers compensation would be the exclusive remedy.

"Although some have criticized the concept of a compensation bill aimed at disease caused by a single substance, I believe that the large numbers who are exposed to asbestos... and die without compensation belie that criticism," Mr. Haas said.

Asbestos manufacturer Johns-Manville Corp., which is on the firing line for millions of dollars in

damages from persons who say the firm's products have injured them, also supports the Hart bill.

"By increasing benefits to an equitable level, the need for protracted, costly and ineffective third-party litigation can be eliminated," said John A. McKinney, Johns-Manville chief executive officer.

"Monies presently being expended nonproductively for attorney's fees and other costs of litigation in pursuit of fault can be directly channeled into a comprehensive benefit program," Mr. McKinney added.

The Alliance of American Insurers, however, opposes a federal solution to the occupational disease compensation issue.

The most sensible approach is for Congress to authorize studies to determine the relationship between the work environment and disease, said Alliance vp Andre Maisionpierre.

Such studies should not be conducted by the Labor Department because it has demonstrated a lack of objectivity in this area, Mr. Maisionpierre said.

Occupational diseases affect two million workers. Income lost totals \$11.4 billion. Only 40% of that amount is replaced by public and private income maintenance and disability insurance programs. ■

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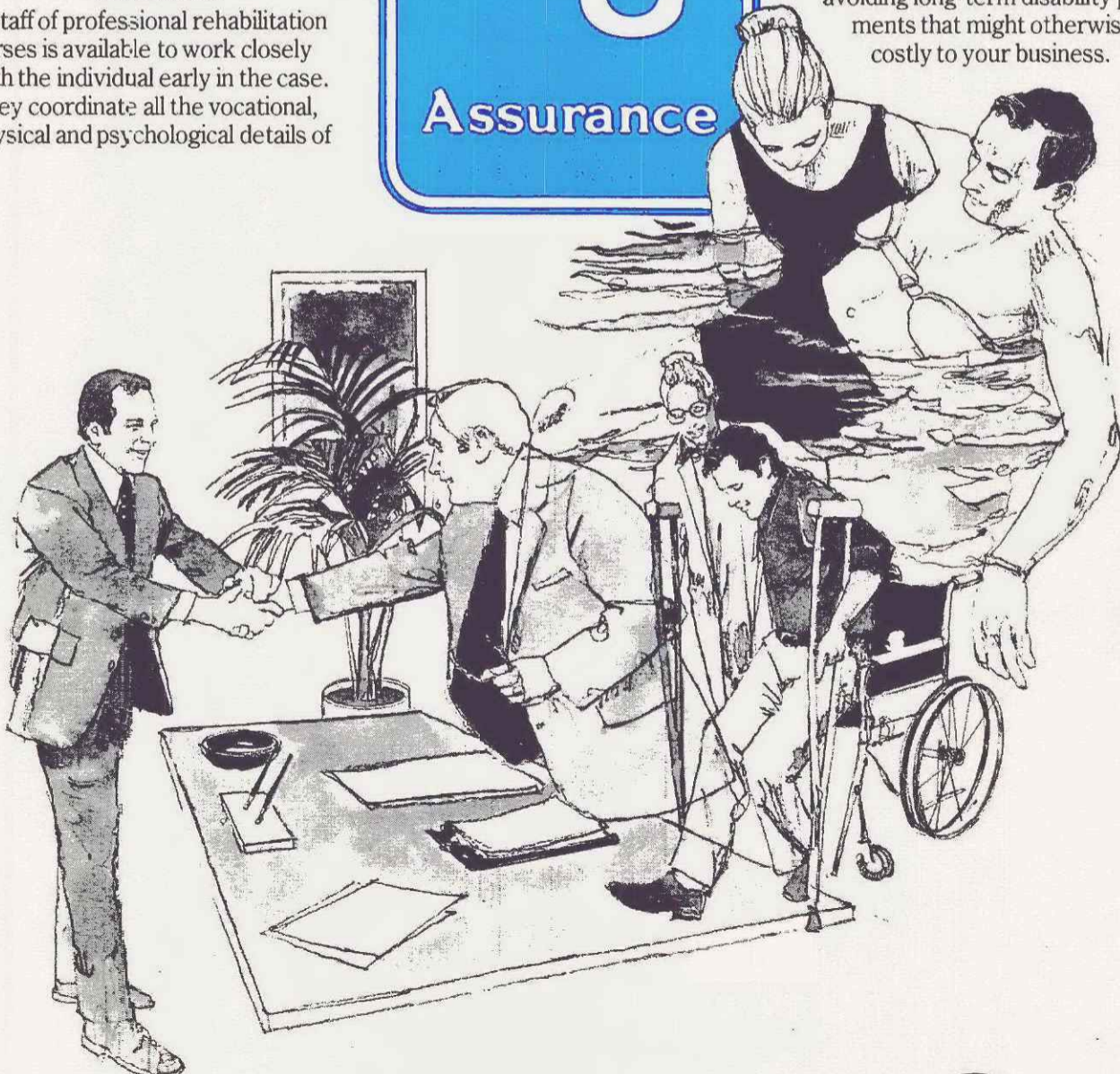
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CURE works for both the injured worker and you, the employer, by motivating a timely return to work on the physician's schedule — avoiding long-term disability payments that might otherwise be costly to your business.



Foundation awards grants

PHILADELPHIA—The S.S. Huebner Foundation for Insurance Education at the Wharton School here has awarded three grants of up to \$10,000 for risk and insurance research projects.

Grants were awarded to: Phelim P. Boyle and John E. Butterworth at the University of British Columbia for their project "A Theoretical Structure for Insurance Risk Sharing and Incentive Contracts"; Jonathan R. Kesselman at the University of British Columbia for "Inflation, Interest Uncertainty and the Taxation of Damage Awards for Earnings Loss: A Role for Annuities?" and Harris Schlesinger of Vanderbilt University for "A Model of Optimal Insurance Pricing."

More grants will be awarded next year to faculty members of U.S. and Canadian colleges and universities. The deadline for proposals is March 1, 1981, and grants will be awarded by June 1, 1981.

More information is available from J. David Cummins, associate director, 314 Colonial Penn Center/CE, University of Pennsylvania, Philadelphia, Pa. 19104. ■

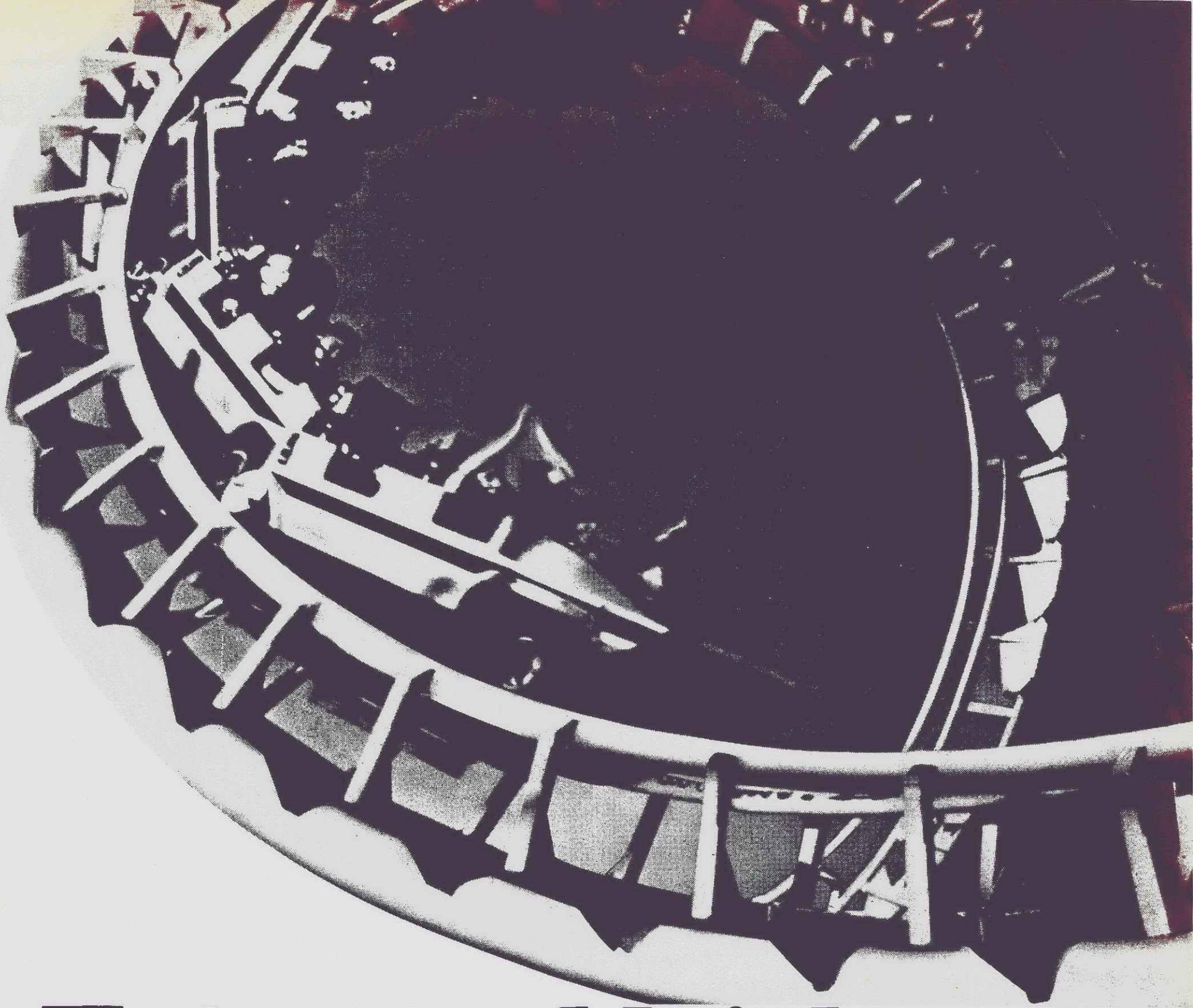
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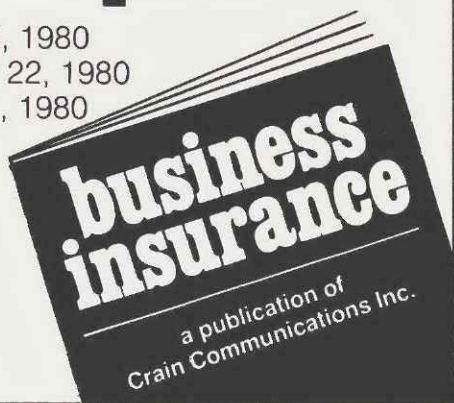
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Business Insurance, the national newsweekly of loss prevention, risk financing and employe benefit management.



Ebony unit to aid benefit program

markets

EBONY International Brokerage Corp. in New York has expanded its risk management services with the formation of a new company: Ebony International Brownie Davis Consulting Corp. The new company will be in Lawrence, N.Y., and will specialize in the development of employe benefit programs for corporations.

Acquisitions

Fiduciary & General Corp.'s subsidiary Florida General Financial Services Inc. has signed a definitive agreement to acquire control of Exchange Investment Corp. of Peoria, Ill. Exchange owns Georgetown Life Insurance

Co. of Peoria. Insurance Management Corp. has completed the acquisition of City Mortgage & Insurance Co. Inc. of Charlottesville, Va. City Mortgage, a general agency, will merge with IMC of Charlottesville. Terms of the purchase were not disclosed.

MBC Agency Ltd., an excess/surplus brokerage in Nassau County, N.Y., has merged with Colby Associates Inc. of Queens County, N.Y. The combined operation will be known as MBC-Colby Associates Ltd. and will be at 200 Garden City Plaza, Garden City, N.Y.

New offices

Bayly, Martin & Fay Inc. is relocating its Orange County division to 14 Corporate Plaza Drive, Newport Beach, Calif. 92660; 714-644-5522.

Towers, Perrin, Forster & Crosby has opened its 26th consulting office, to serve clients in Alaska, Idaho, Montana, Oregon and Washington. The office is at 1111 Third Ave., Suite 2480, Seattle, Wash. 98101; 206-622-7300.

The William H. Vaughan Insurance Group has opened a new regional office, Vaughan & Croce Inc., in the Lafayette Building, Suite 204, 40 W. Chesapeake Ave., P.O. Box 6710, Towson, Md. 21204; 301-823-0155/0156.

I. Arthur Yanoff & Co. Ltd. has opened a sixth branch office at 111 John St., New York, N.Y. 10038; 212-349-6600.

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A COMPREHENSIVE professional liability program is being offered by Hull & Co. Inc. of Santa Ana, Calif., for all full-time members of police and sheriff forces, as well as auxiliary forces, jailers and public officers such as prosecuting attorneys, court clerks and marshals.

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Hull & Co. is at 1441 E. 17th St., Santa Ana, Calif. 92701; 714-547-0793.

Auto security

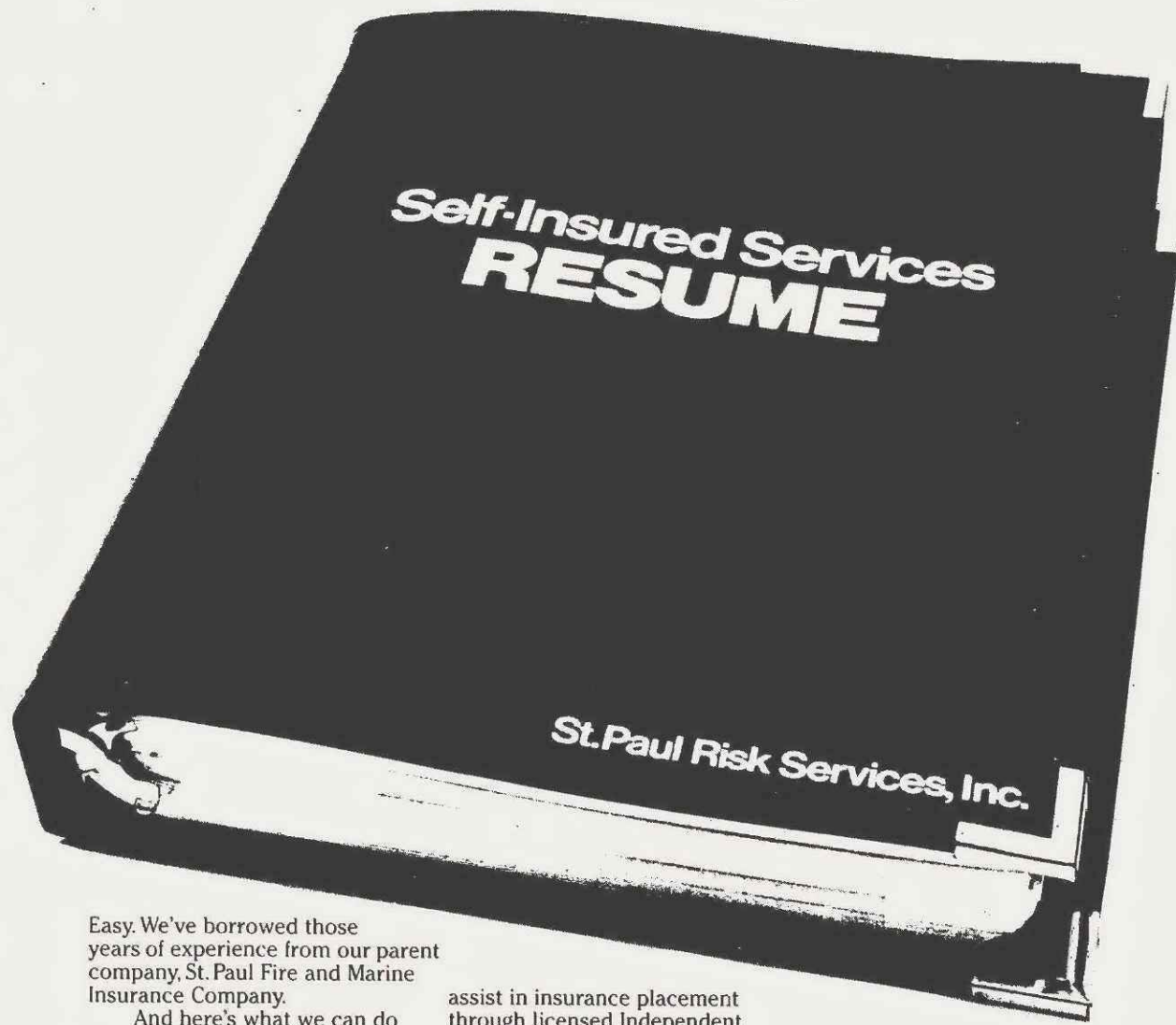
A new vehicle identification security service is available from the Society of Automotive Engineers Inc. for associations, companies, law enforcement agencies, manufacturers and others.

The SAE World Manufacturer Identifier Program will enable subscribers to receive the initial WMI detail listing and summaries by manufacturer and country, as well as monthly updates.

This service is available on a subscription basis at \$125 per year.

For further details contact Leo P. Zeigler Jr., Society of Automotive Engineers Inc., 400 Commonwealth Drive, Warrendale, Pa. 15096; 412-776-4841.

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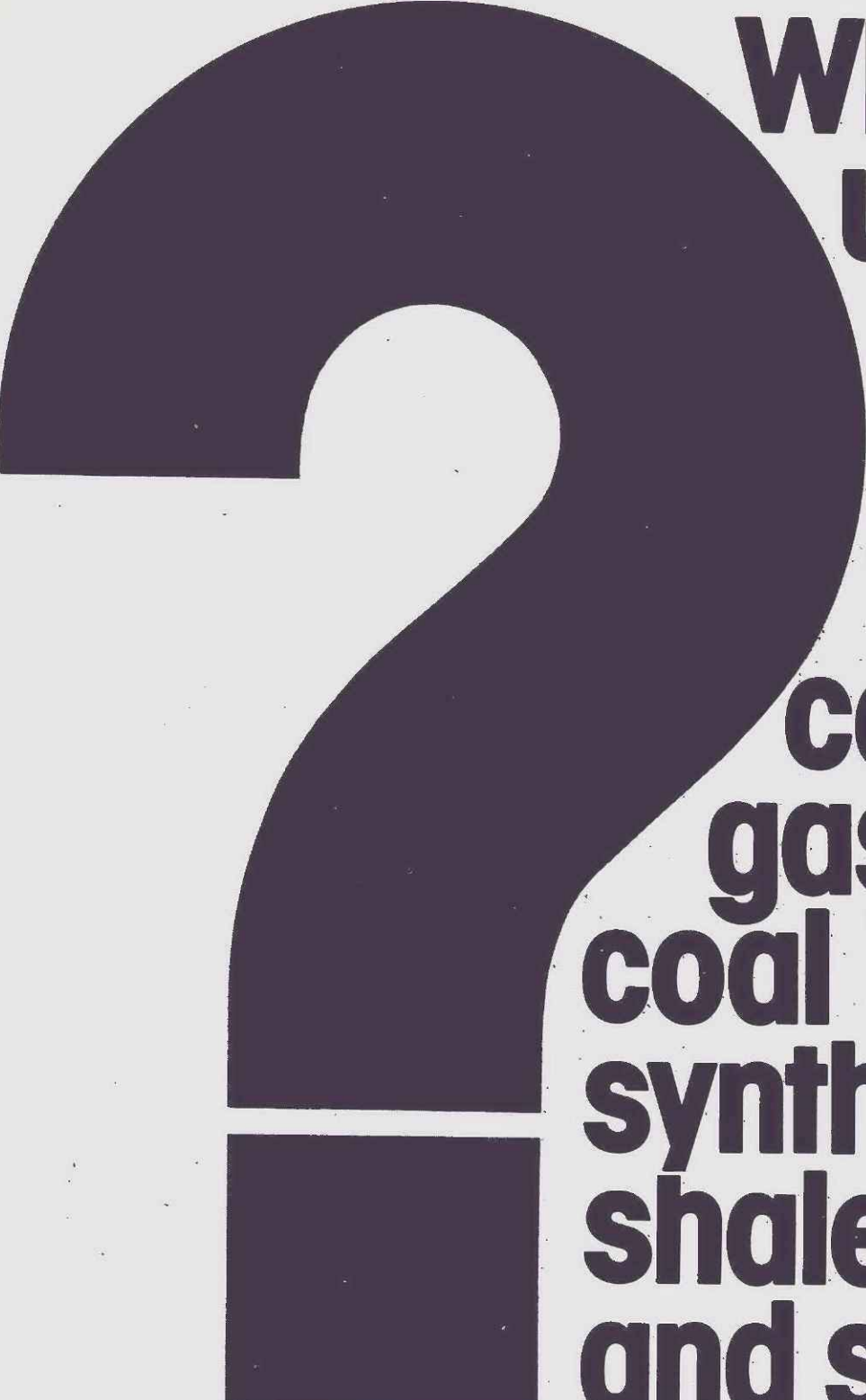
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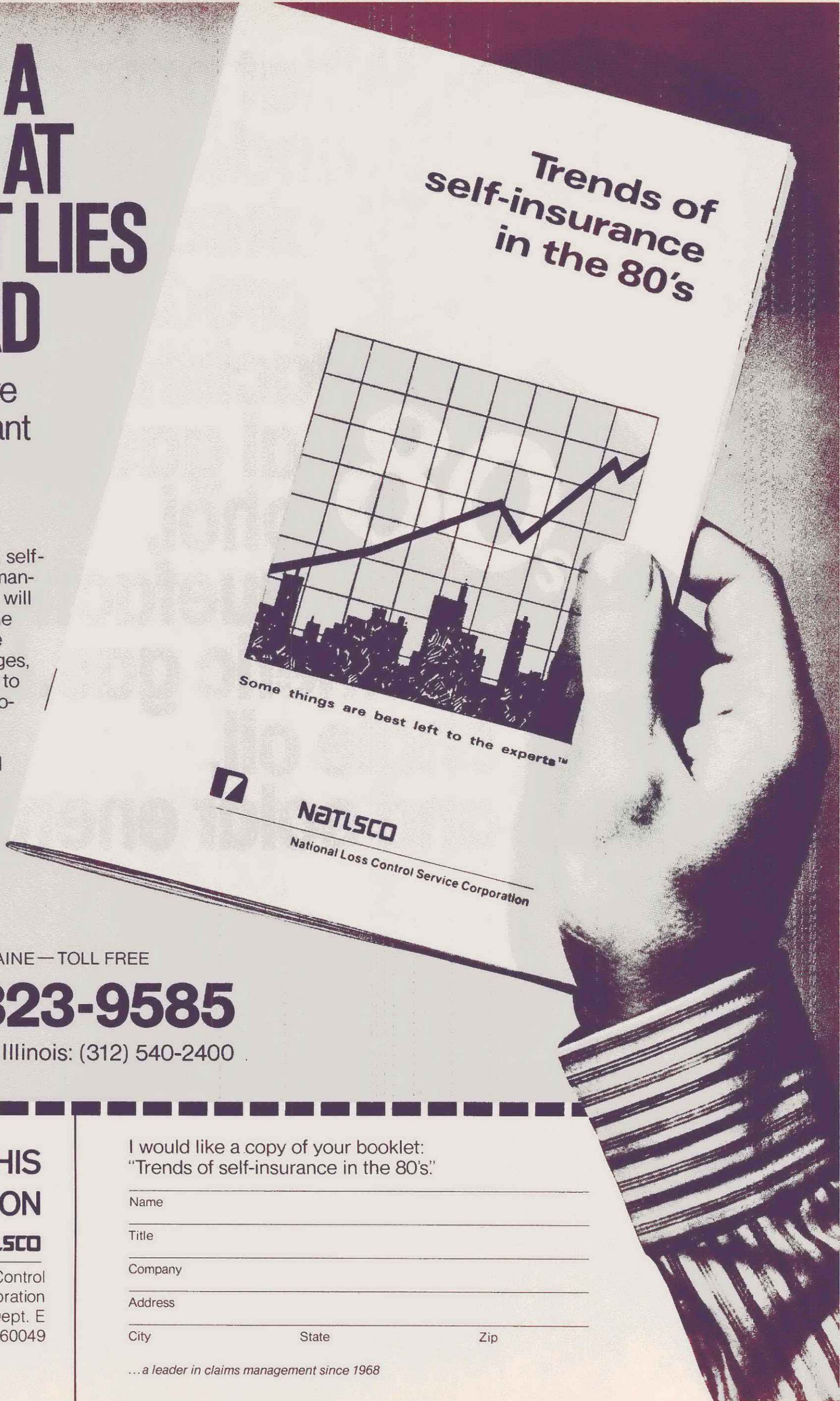
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perspective

Telling the story

Employee must know benefit costs

RAMPANT INFLATION has caused many corporate benefit managers to take a close look at the cost of employe benefits and what can be done to reduce costs. Business Insurance senior editor Len Strazewski moderated an American Management Assns. benefits panel that went in search of the answer to spiraling benefit costs.

The panel included Larry Carrington, manager of employe benefit planning for American Telephone & Telegraph Co.; Joseph Duva, director of employe benefits and compensation for SCM Corp.; Tom Freeman, a benefit consultant with Johnson & Higgins, and David Helman, director of employe benefits for Rapid American Corp.

In our last episode, the employe benefit round table panelists agreed the best method employers have to hold back the pangs of inflation in benefit plans is demanding more employe contributions.

Here's how they suggest telling employes about the trouble inflation has caused their firms:

Carrington: There's going to have to be some kind of a trade-off. You may wind up making a trade-off particularly in a union situation because unions historically do not give up benefits they have already won, unless they get something which, in their view at the moment, is even more important. So we may very well wind up creating a second monster. Tom says the employes are aware of inflation, but as long as they are insulated, the impact of that inflation is not a great concern to them.

Freeman: They're aware of it in their pocketbook, but I don't think they're aware of it in the employer's pocketbook.

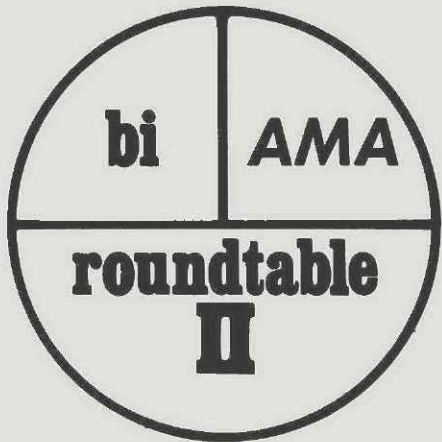
You have this dual-edged sword here. What if employes were aware of inflation in the employer's pocketbook?

Carrington: How do you tell them?

Freeman: I think you tell them the way it is. You keep telling it, and one of these days they'll understand it. I may be wrong, but that's my opinion.

Carrington: We have had, I know, a number of programs and communications on the value of benefits and their cost. I guess maybe we all do these things from time to time—try to impress on the employe the non-cash contributions which the company is making on behalf of each employe. We furnish every year, all of our companies, personalized statements of benefits which have all of this stuff outlined.

I was looking at one just the other day, which happened to be one of our operator-clerical grade people. This person's base rate of pay was just a little over \$14,000. At the same time, she had a benefit package contributed to by the company of just under \$8,000. Now these are numbers they see. But



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roundtable II

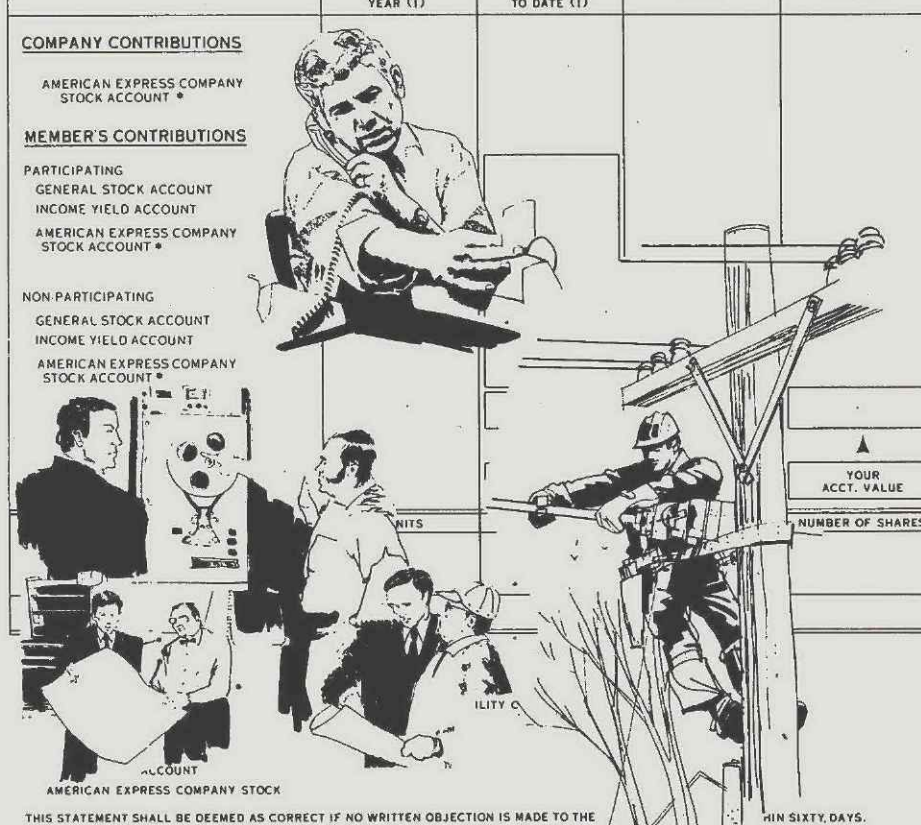
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Employes understand inflation in their lives, but few workers—clerical, technical or executive—know its effect on benefit costs.

unless you use any of the benefits, that \$8,000 turns out to be a meaningless number.

Helman: For those companies that don't use benefit statements, I would suggest that you take several typical employes and ask them what they perceive as the annual cost for their medical insurance that the company is paying. I did this and virtually everybody that I asked would tell me that, for his or her family, the cost must be a few hundred dollars, if that. In fact, it's over \$1,000, three to four times what these people thought the cost was.

I agree with Larry that the employes, even if they are made aware of the cost, don't relate to it, because they don't spend it and they don't receive it. It's just a service.

Duva: We do two things. We make our employe relations people throughout the company aware of the benefit cost as a percent of payroll and in gross dollars. We also then break it down by division and location so they can use this in their meetings.

In our annual benefit statement, we do state in a letter from the president what the cost of employe benefits is overall. Then we quantify the amount based on their individual situation. So we put a dollar amount on the cost of employe benefits for them. But unless

they feel some part of that cost, it's just a nice number, but it's not effective for controlling benefit costs.

Helman: I think we also should discuss what effect this would have if an employe does share part of the cost.

Does it mean the employe will make an effort to reduce the total expenditures? Does it mean the total expenditures will somehow be reduced?

I think we also have to make a distinction between cost control and cost transfer. If we are attempting to encourage someone to get out of the hospital early, have a healthy lifestyle and avoid medical problems, then we are exercising some sort of cost control.

If we take our premium and have the employes pay 5%, 10% or 15%, then we're merely transferring the cost and we're not really achieving cost control.

I have my favorite cost-control item which I took out here. I've got a little speech that comes with it.

Has anybody ever seen this book? This book is called "Take Care of Yourself, a Consumer's Guide to Medical Care."

I recommend to our employes a paperback called "Take Care of Yourself" by Doctors Vickery and Freeze.

The book costs about \$2 and provides medical advice for most common medical problems. It is intended not to

discourage people from seeing a doctor, but rather to encourage people to see a doctor only when necessary. If only one unnecessary doctor's visit is eliminated, an amount equal to 10 times the cost of the book can be saved.

I have personally referred to this book several times in the last few years, and at least three times I did not go to the doctor when I otherwise probably would have.

Duva: We're talking about education. Industry and business, if you will, have a big stake in educating the employe and business, both in economics and in what they can do to assist.

I think this relates to taking care of yourself and helping to question doctors and hospitals on stays.

Freeman: The other part of the education, Joe, is that a lot of employes still think their hospitalization and the expense of it is coming from the XYZ Life Insurance Co. or Blue Cross. They're not aware that it's coming from the corporation or their money.

If you educate them, they will know they're paying a percentage of it. ■

Next week the employe benefit round table panelists discuss cafeteria benefit programs, what the technique demands and why they haven't caught on.

The 'born to lose' blues

And your insurers don't help

By Peter Downes

THE THING I object to most about insurance companies today is that they spend the greater part of their time thinking up ways of making me look foolish. Needless to say, they are not unique in this because lots of institutions have conspired to do exactly the same thing to me.

For example, I am quite sure that the county police have it in for me. Every day I drive to and from a parking lot along a road with a 40 mph speed limit. For months at a time I drove the limit with no one in front of me but with cars lined up for a mile or more behind me.

They honked furiously and many of them passed me at racing speeds on either side, regardless of double lines and injunctions to keep off the shoulder. One day I put my foot down on the gas pedal and immediately collected a speeding ticket.

They also wait for me by parking meters. If I was going to be a little delayed, I would pop out from wherever I was and shove another nickel in the slot. Whenever I did so, I noticed that everybody's meter had expired and they were never ticketed—not once. So one day I said to heck with it, went about three minutes over my time and collected a \$10 ticket.

"But," some people say to me, "you don't pay them, do you?" Yes I do. "Oh, that's stupid, why don't you do what I do, send them a bum check?" Those people might get away with something like that, but I am sure I would wind up in jail. In fact, there is a horde of offi-

Peter Downes's satire and humor on insurance issues appear regularly in the Perspective section. Mr. Downes is manager of insurance at American Trading & Production Corp.

cials waiting for me to try it.

Besides making me look foolish, these events have the extraordinary side effect of making me appear painfully honest. I never cheat on my income tax—not even a little. On expense accounts, I do not spend hours working out means of squeezing a few extra dollars out of my employers.

Needless to say, anybody who seems to be as lily-white as I is thoroughly obnoxious to the conspirators. Indeed, this is what brought insurance companies into the picture. So far as I can judge, one of them looked over the situation and pointed out to the cabal that it was going about it all wrong. All I had to do was go straight by the book and nothing would happen to me. But, it was asked cynically, what if there is no book? Exercise a little ingenuity and his life will be perfect misery.

Here is one example of the way they work it. When planning to construct a new office building recently, for various contractual reasons we required that it be insured during the construction period with a smaller deductible than usual. Terms were quoted and the risk was bound. Some time later an endorsement arrived with the right rate and the wrong deductible. A typing error, I thought. I asked for a correction. The error was corrected for an additional charge.

No, they would not honor their original quotation. "For heaven's sake, Pete," said my broker, "we know we are right but the amount involved is just a tiny fraction of your total cost."

"Yes, I know all that," I replied, "but it irks the hell out of me just the same since so far as my own management is concerned, I am just a twerp."

But they can be far more subtle than this. We had an increase in risk at one of our locations and in order to maintain HPR status I was obliged to do

something about it. It is very sad, I told the insurer, but the only practicable method is totally uneconomical. "Not at all," the insurer replied, "you can do the whole job for about \$7,500." I was elated and loudly trumpeted the good news to local management. "All right," I was told, "let's do it."

"Well . . . er . . .," said the insurer, "it's not quite like that. Actually, the cost will be in the \$20,000 range." By this time, of course, the projected cost was irrelevant since they had accomplished what they had set out to do, make me look foolish.

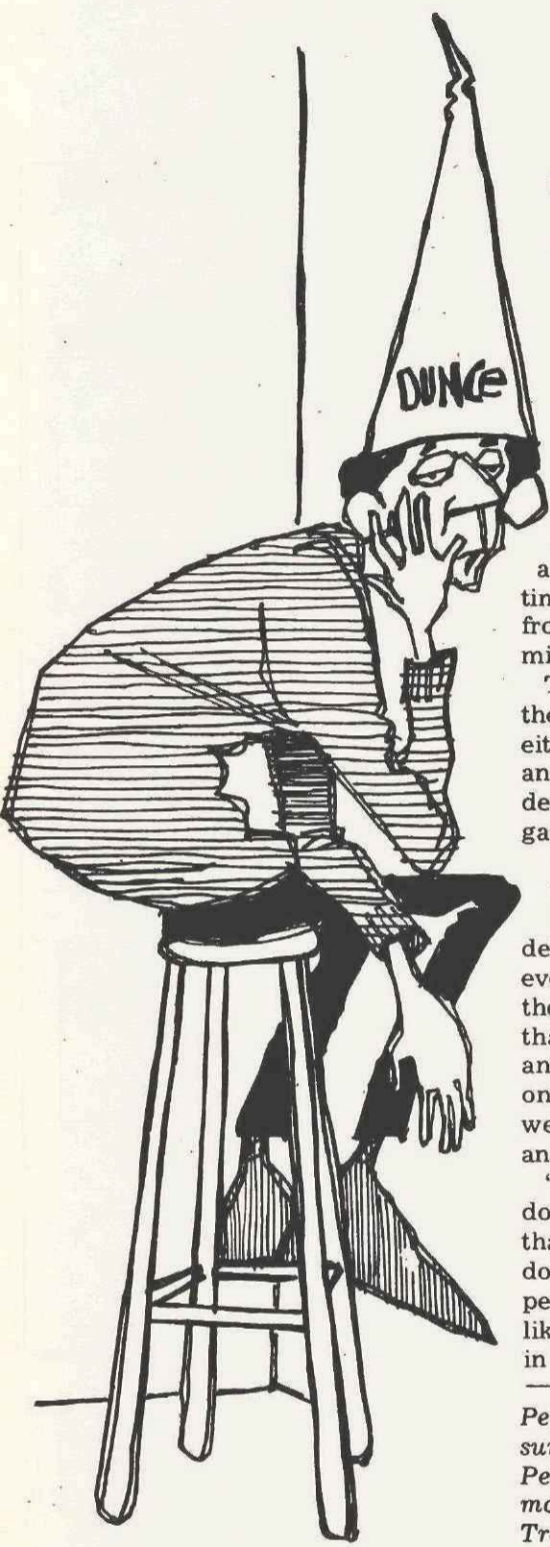
I do not want to give the impression that this kind of activity is confined to my property insurer, because I have hard evidence that my casualty insurer is involved in the same conspiracy.

Recently, one of its loss-prevention specialists sent me a letter detailing how the claims experience at one of our plants was worsening. Were I sufficiently naive, I would have sent a copy of the letter to local management without further examination and stopped a rocket by return mail.

On this occasion, however, I examined the loss experience for a number of years and ascertained not only had frequencies reduced, but the number of employes had more than doubled. Our experience had improved rather than worsened.

In defense of the person concerned, however, I would point out to his fellow conspirators that he is a beginner. Give him a couple years on the job and he will be as devious as the rest.

Some colleagues have suggested that if my insurers make a habit of treating me in this fashion, I should change insurers. I have thought of this, but I feel it would serve no useful purpose. If they have not already joined the conspiracy, I feel sure they would make this the first order of business as soon as I became their customer. ■



RIMS survey results may mislead readers

By David Warren

BUSINESS INSURANCE recently ran a series of articles on the Cost of Risk Survey sponsored by RIMS and conducted by Risk Planning Group. This is an important concept that calls for careful analysis. Unfortunately, I fear this survey will mislead some readers into believing they can compare risk management programs between companies. This cannot now be done.

Such studies were attempted years ago by other consultants. They gave up, however, when it became apparent that figures were not available with sufficient accuracy to make valid comparisons.

The current survey did have the ad-

vantage of the large number of RIMS respondents, but this does not overcome the inherent flaws noted above. Another problem with the survey was the questionnaire technique. Risk management costs involve far too many questions of interpretation, intangibles and variables for them to be represented by a single figure answer.

Net insurance premiums are not easy to determine. Actuarial corrections for limits, deductibles, dividends and scope of coverage have low credibility.

Unreimbursed loss costs are even more difficult. In large organizations, many losses go unrecorded. Those recorded do not reflect all indirect and time element factors. Even the direct physical aspects cannot be measured precisely, as any loss adjuster will attest. In addition, organizations differ widely in the efficiency of

their loss reporting systems. The error here is at least plus or minus 35%.

Loss-prevention expenses are the most elusive of all. The author seemed surprised at the disparity of answers to this question. I wonder if he has ever attempted to make such a calculation. It can't be done. At least not with any degree of validity. Who knows what safety costs? What about time expended by safety committees and reduction of efficiency from safety controls? And with fire protection, what about time spent on welding standby, watch patrols, extra thickness of walls for fire resistance and sprinkler testing? And with security, the cost of internal audits, intrusion alarms and other theft-prevention measures? This list could go on forever. The error here is no less than plus or minus 500%.

Administrative expenses are a little more tangible. Salaries and overhead

can be measured, but no two firms do it alike. What aspects are included? Risk management department budget, general and accounting overhead, time spent by other departments, costs of outside services? The error here must be at least plus or minus 30%.

Considering these estimates of error, it seems we should throw out loss-prevention costs. First, they are impossible to quantify. Second, they are probably the largest of the four elements. If we left them in, the results would have no meaning.

This leaves us with three factors. If we assume they are about equal in dollar magnitude, the error would be one-third the sum of the individual errors, or plus or minus about 33%. Even with this grossly understated figure, the results (omitting loss prevention) would be accurate to no more than a single figure. ■

David Warren is a risk management consultant in Orinda, Calif.

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Smart takes over as CEO

NEW YORK—S. Bruce Smart Jr., president of Continental Group Inc. since 1975, has been named chief executive officer. He succeeds chairman Robert S. Hatfield, who is preparing to retire at the end of this year.

comings & goings: industry

A 27-year veteran of the company, Mr. Smart played a major role in diversifying the old-line packaging company into insurance and energy, tripling its sales over the past decade to \$6 billion in 1979, the company says. Mr. Smart is expected to continue nurturing the company by steeping up energy exploration and expansion into related businesses, possibly reinsurance and coal slurry.

Other insurer changes:

W. Lockwood Burt promoted to president of the Ormond Reinsurance Co. of Florida; **Jimmy W. Henderson** named senior vice president and treasurer and **C. Robert Norris** promoted to senior casualty facultative underwriter.

Robert Humphreys Jr. appointed senior vice president of Royal Insurance of New York in charge of claim and loss engineering, Royal Insurance Service Co. and reinsurance.

Neil G. Cooper appointed accident and health manager for AFIA's North American Region.

William P. Burns, **John Connolly** and **Martin E. Staelin** appointed assistant vice presidents in the group and special plans division of Fireman's Fund American Insurance Cos. Also **Frank E. Lingard Jr.** named assistant vice president and Eastern sales executive and **Robert F. Copossela** appointed assistant vice president.

Michele M. Kampa appointed senior analyst, workers compensation claims operations area, claims department for Chicago-headquartered CNA.

Paul J. Navarro elected underwriting officer-package insurance for St. Paul Fire & Marine Insurance Co. He succeeds **Richard V. Carlson**, who was recently named senior underwriting officer-institutional medical insurance.

Arthur M. Wood elected vice president of group claims in the group insurance department of Prudential Insurance Co. in Newark.

Phillip A. Stephens named manager of the contract surety department for SAFECO Insurance Cos. of Seattle.

Owen C. Leslie Jr. promoted to life department vice president at Provident Life & Accident Insurance Co.

Agents/brokers

Maureen Eisen promoted to manager of the group life, health and hospitalization insurance department at the Schwartz Brothers Insurance Agency Inc. in Chicago.

Virginia S. Frank named account executive-commercial division of Ulrich Voorhees Warner Associates in Somerset, N.J.

Daniel E. Murphy III and **Richard S. Rohde** named partners of Barney & Barney, an independent brokerage firm with offices in San Diego and Rancho Santa Fe, Calif.

Richard P. Magrath named vice president of Adams & Porter Inc. in New York; **Edward T. Melvin** named vice president and **Raymond W. Bertrand** named financial vice president.

Excess/surplus market:

Marshall A. Ames Jr. and **Douglas C. Dolan Jr.** appointed vice presidents of Victor O. Schinnerer & Co. Inc.

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growing pains



Jack O. Remp

Growing firms often waste benefits money

By JILL KAPLAN

PALOS VERDES ESTATES, Calif.—Are you getting the most employee benefits for your dollar?

Many growing companies could be increasing benefit coverage for employees while decreasing their costs, says Jack O. Remp.

"Growing companies often waste money by not buying their employee benefits with the same care as other products and services," said the owner of Jack O. Remp Co., a consulting firm on employee benefits for small businesses.

"Companies often buy their benefits piecemeal instead of on a total system basis, or they assume that all suppliers of employee benefits charge about the same," Mr. Remp said.

Employee benefits must be constantly assessed and must be considered together as part of a total package, he says.

"Prices of employee benefits keep going up like everything else," Mr. Remp said. "Many business owners are not aware of the total increase in these plans because they bought them piecemeal. The increases come in the form of several small increases."

The most dramatic savings are possible in group medical and life insurance programs—the most common employee benefits, Mr. Remp says.

He advises firms trying to cut the costs of such coverage to:

- Separate life insurance from the group medical, dental and vision plans. That allows more flexibility in raising or lowering the benefits of each and permits more accurate price comparisons.

"Insurers often put limits on how much life insurance one can buy in a major medical plan," Mr. Remp said. By having a separate program, a firm can generally buy more coverage at cheaper rates.

- Tell the insurer that you are considering offers from other underwriters. "Insurers who know they're competing come in with the lowest prices possible," Mr. Remp said. Insurers also usually will offer a better product, he added.

"The cost of group medical insurance can vary about one-third from one company to another with very little difference in coverage," Mr. Remp said. "The prices of life insurance can vary much more than that."

- Consider whether employees have been added since the coverage began. Employee benefit coverage is typically "cheaper by the dozen," Mr. Remp says. Firms with fewer than 35 employees have little flexibility in coverage.

"Once a company goes through the threshold of more than 35 employees, it has a lot more flexibility in the program for less premium," the consultant said. "Perhaps the employer can buy another product for the same total price."

- Evaluate life insurance costs over the long term, not just the first year or two. "Some companies scale their yearly renewable terms dramatically upward after 10 or 15 years to encourage policyholders to switch to another company," Mr. Remp said.

One business selected a term policy for the two principals because it appeared to be the cheapest. By projecting the annual increases over 20 years, Mr. Remp found that the policy cost \$55,707 more than it would with another firm.

Mr. Remp also advises using life insurance as a form of nontaxable pay increases for employees and deferred nontaxable income for company owners.

"Up to \$50,000 in insurance coverage can be given an employee without having it considered income," he said. "Some employees would choose the insurance over a taxable pay raise if they have to buy their own insurance with after-tax dollars."

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Under the agreement, Emery will ship cargo to 20 Chinese cities via New York and Paris from the East Coast and Los Angeles and Tokyo from the West Coast. The shipper will move cargo in its own aircraft from New York and will forward it on major airlines from Los Angeles.

The agreement caps negotiations between Emery and the China National Foreign Trade Transportation Corp., the government agency that controls all transport in and out of the country.

Product liability

LONDON—The European Council of the Chemical Manufacturer's Federation has asked the European Commission to rescind its proposed rules on product liability that would, among other things, make chemical producers liable for undetectable and unforeseeable consequences of the product.

In a paper to the commission, the chemical producers say they could face troublesome liability if the directive is adopted.

Premium growth

ZURICH, Switzerland—Leniency toward plaintiffs in liability suits is expanding the demand for product, professional and accident liability insurance in Europe, a

study by Swiss Reinsurance Co. shows.

The forecast is based on a comparison of insurance premiums in 10 countries that make up 80% of world premium volume. The study compared premiums paid in those nations from 1975 to 1978 with those paid from 1971 to 1974. All countries showed growth during the period studied, Swiss Reinsurance said.

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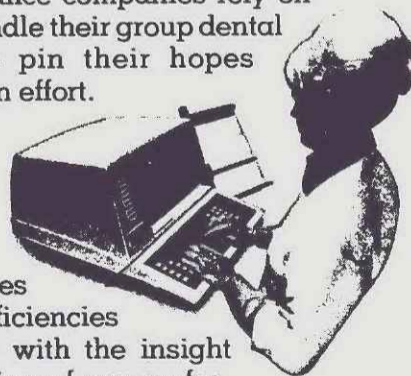
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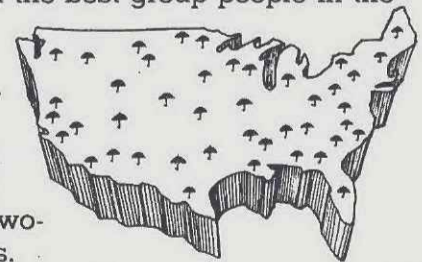
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SEPT. 25-26. **Directors & Officers Liability Seminar** in New York, sponsored by The Wyatt Co.; \$425, \$325 for each participant from the same firm. The Wyatt Co., Suite 5600, Sears Tower, 233 S. Wacker Dr., Chicago, Ill. 60606.

OCT. 6, 7, 8, 9. **Elected Officials Risk Management One-day Seminars** in San Leandro, Calif., sponsored by Darrell Heppner & Associates; \$39.50. Darrell Heppner & Associates, 1120 E. 14th St., #F, San Leandro, Calif. 94577.

OCT. 8-12. **Insurance Consultants Society Autumn Meeting and Seminar** in Bermuda. William H. Elliott Jr., CPCU, arrangements chairman-ICS Bermuda 1980, 20575 Center Ridge Road, #318, Rocky River, Ohio 44116.

OCT. 9-10. **Employe Screening and Security Workshop** in San Francisco, sponsored by Assets Protection Journal; \$375. Paul Shaw, Assets Protection Journal, 500 Sutter St., Suite 503, San Francisco, California 94102; 415-392-2955.

OCT. 16-17. **Council on Employee Benefits**, the 34th Annual Conference in New York; \$175 for members, \$225 for nonmembers. Council on Employee Benefits, The Waldorf-Astoria, 301 Park Ave., New York, N.Y. 10022.

OCT. 27-28. **Charting New Waters for Captives and Their Parents** Conference on Grand Cayman Island, sponsored by Interforum Group; \$525. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

OCT. 27-29. **New Corporate Benefits Management Conference** in Lake Tahoe, sponsored by the International Foundation of Employee Benefit Plans; \$380 for members, \$455 for nonmembers. IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 27-29. **Fundamentals of Employee Benefits Course** in Boston, sponsored by American Management Assns.; \$555 for members, \$635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

Firm receives work comp rebate

IRVINE, Calif.—Reflecting an extremely low loss ratio compared with other electronics firms, Del Mar Avionics has received an \$82,707 premium rebate from its workers compensation insurer, Western Employers Insurance. "We are extremely proud of the results of the joint efforts of Del

Mar Avionics and Western Employers to reduce both frequency and severity of injuries to employees," said Russell Hafferkamp, Western Employers marketing manager.

Del Mar, a manufacturer of cardiologists' equipment, employs 550 people at its Irvine plant. ■

Griffes dons new title in Levi-Strauss change

comings & goings: buyers

LEVI STRAUSS & CO. in San Francisco has named **Ernest J.E. Griffes** director of compensation and benefits in a reorganization that combined employee benefits and compensation. Before this promotion, Mr. Griffes was director of employee benefits. That position is now titled manager of employee benefits and will be filled by **Sarah Gingrich. Chet Carter**, who has left the company, was the former



Griffes

director of compensation, a position that will not be filled. Mr. Griffes, who reports to James W. Cameron, corporate vp of personnel, joined Levi Strauss in 1976 as director of employee benefits. Before that he was vp and treasurer of Hazelhurst & Associates Inc. and general manager and treasurer of Watkins, Ross, Waterfield & Baines Inc. pension consultants. In 1973 he prepared a paper on pension legislation for President Gerald Ford. He is a graduate of Grand Valley State College in Al-

lendale, Mich.

Cooper Industries Inc. in Houston has named **Stephen V. O'Neill** manager of pensions and group insurance and **Michael R. Willey** supervisor of group insurance. Mr. O'Neill, who reports to James J. Carollo, director of insurance and pensions, previously was corporate manager of benefit planning at Timex Corp. in Middlebury, Conn., where a replacement has not been named. He also has worked at Rohn & Haas Co. in Philadelphia and has a master's degree in business administration from Northwestern University. Mr. Willey, who reports to Mr. O'Neill, previously was benefit administrator at Wendy's International Inc. in Columbus, Ohio. He has a bachelor of arts degree from the University of Akron. Both positions are new.

Milliken & Co. in Spartanburg, S.C., has named **William Thomas Maynard**, 31, to the newly created position of assistant insurance manager. Mr. Maynard, who reports to insurance manager Paul Wilson, was a staff attorney with Seibels Bruce & Co. in Columbia, S.C. Before that he was a sales representative with John Hancock Mutual Life and a brokerage supervisor for Aetna Life & Casualty. He has a CLU designation, a bachelor of science degree in finance and a law degree from the University of South Carolina.

Allied Chemical Co. in Danville, Ill., has named **Michael Redman**, 24, supervisor of employee relations and safety to replace **John Fossett**, who left the company as reported. Mr. Redman, who reports to plant manager Walter Schrader, was previously a safety specialist at Allied's Syracuse, N.Y., plant where a replacement has not been named. He has a bachelor of science degree in physical education and health from Davis & Elkins College in Elkins, W.Va., and a master's degree in safety studies from West Virginia University.

United States Trust Co. of New York has named **Bruce A. Barry** vp. Mr. Barry, who joined the company in 1963, will retain risk management duties he assumed in 1972 when named risk and insurance manager. Before joining the company, he attended New York University, majoring in banking and finance, and later attended POSH Institute and The College of Insurance. He reports to executive vp David P. Harris.

David Coleman has joined Control Data Corp. in Minneapolis, as manager of administration in the corporate risk management department. Mr. Coleman, now risk manager at the Minneapolis Star-Tribune, will replace **Dennis Ness**, who left Control Data to join Carlson Cos., as reported. Mr. Coleman has a bachelor's degree in business from the University of Minnesota and reports to corporate risk manager Robert Abrahamson.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050. We'd also like to receive pictures of the people.

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43. GROUP LIFE & HEALTH INSURANCE: THE YEAR AHEAD	OCT 27	OCT 14

more to come :

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

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Illinois lawmaker bets on his syndicate

Continued from page 2
dicade tax status and issue letters of opinions for syndicate investors. Rep. Epton says he's going to work around that.

"We need the IRS opinion letter, but we'll use our best judgment if no letter appears and inform our investors," he said. The syndicate will then be formed as a general unlimited partnership, he said.

Rep. Epton, a senior partner in the law firm of Epton, Mullin Miller & Druth Ltd., says he's tired of waiting and will definitely move ahead with the syndicate. "If it (formation of the syndicate) doesn't happen in six weeks, I'll kill myself," he says.

"There's a 30% chance I'll kill myself, and a 70% chance I'll com-

plete it (the opening of the syndicate)."

But besides his troubles with the IRS, his law firm is putting up barriers as well. "My firm questions my conflict of interest with representing a syndicate (as their attorney) and being a partner (of the exchange)."

He says there are at least a dozen syndicates ready to join but "everybody's waiting around to see what I'll do."

However, Jim Skelton, interim head of the exchange, has his eye on another syndicate to be the key to open the exchange. He believes the RCA syndicate, owned by AVRECO and the Reinsurance Co. of America, will be second. Then the exchange can get a certificate of authority and open.

"I keep saying we'll be open in 30 days," he says.

When it does open, syndicates will be able to capitalize with letters of credit, brokers will be able to own underwriting syndicates and buyers can use it to insure or reinsure any or all types of risks generating a premium of at least \$50,000 under the recently approved regulations.

"We have not put any limitation on broker ownership of syndicates, whereas New York restricts brokers to 20% of the ownership," said Mr. Skelton.

If there are any controversies between a broker and an underwriting syndicate, the exchange board will arbitrate according to the arbitration rules of the exchange.

This innovation of total broker ownership of a syndicate comes at

a time when Lloyd's of London is considering separating broker financial interests from underwriting agencies. According to the Fisher report, broker ownership of an underwriter and underwriter ownership of a broker create unacceptable conflicts of interest that could hurt Lloyd's policyholders and names (BI, June 30).

And unlike Lloyd's and the New York Insurance Exchange, the Illinois exchange will allow letters of credit for 75% of the \$2 million capitalization syndicates need. Only the guaranty fund and the security deposit must be paid in United States currency or qualified securities.

The security deposit must be at least 25% of the syndicate's capitalization. This may, however, in-

clude the \$250,000 set aside for the guaranty fund.

Underwriting syndicates will also have to supply an annual non-refundable assessment for the expenses of operating the exchange. The fee will be \$10,000 or a percentage of net premium written on risk insured, whichever the exchange board chooses.

Brokers will pay an annual \$1,000 to be authorized to present applications to a syndicate.

The Illinois Insurance Exchange will have no Free Trade Zone impediment to domestic risks, the rules guarantee, a relief from the restrictions of New York. An exchange broker may also present a premium below the stipulated \$50,000 if he cannot find another licensed Illinois insurer to take the risk.

Comp bill to cost millions

Continued from page 2

The bill that passed increases temporary and permanent total disability benefits to \$175 from \$154 weekly. Death benefits will be increased to \$75,000 from \$55,000 for two or more surviving dependents. Death benefits of \$50,000 are unchanged for a surviving spouse without dependents.

Nor is there a boost in permanent partial disability benefits, vigorously sought by applicants' attorneys. A proposed study of those benefits was gutted before the bill was turned into a vehicle for passage of the other small increases.

Last spring, many legislative pundits predicted a passage of a major workers compensation reform package after it was introduced in the legislature with the support of Gov. Brown, organized labor, insurance companies and some segments of the business community (BI, May 26, July 7).

By the time the bill surfaced out of a subcommittee in August, however, many employers believed it had lost its bite. Amendments took the teeth out of reforms designed to reduce the state system's dependence on attorneys and physicians.

"There was mixed reaction among employers toward S.B. 375," observed Joe Markey, legislative advocate for the California Self-Insurers Assn. "Most felt the reforms weren't equal to the substantial benefit increases."

"It's back to square one," sums up the California Workers Compensation Institute, which strongly supported the original reform package. The CWCI doesn't expect action on the original measure before the 1981 legislative session convenes Dec. 1.

"The enactment of benefit increases, though small, throws water on our hopes for systemwide reforms next year," said George Tye, executive manager of the Assn. of California Insurance Cos.

There is a remote possibility the California courts might throw out the new bill because it does not appropriate funds to reimburse local governments for the higher benefits.

According to the legal opinion of counsel, failure to include those funds violates a law enacted several years ago requiring the state to reimburse local governments for mandated workers compensation benefit increases.

The state department of finance contends the benefit increases represent a cost-of-living adjustment and not a true increase.

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Agency keeps mutual plan under wraps

Continued from page 1

Neither the Maritime Administration nor the Maritime Commission in Washington have any knowledge of the embryonic mutual, although Mr. Marler told *Business Insurance* the idea arose partly through conversation with those agencies.

"I have not been invited nor has anyone else from this agency, to my knowledge," said Robert Skall, deputy director of the Bureau of Certification & Licensing in the Maritime Commission.

Mr. Skall is responsible for reviewing all vessel insurance to be certain it meets federal protection standards against water pollution damage.

"We don't know a thing about it," said K.H. Green, director of the Office of Maritime Insurance at the

'Risk managers and brokers were not invited,' says Terry Marler. 'This is a major investment project for owners.'

Maritime Administration. He says he will find out more and may attend the meeting.

When asked why risk managers of the nation's major steamship lines do not seem to know about the new American mutual, Mr. Marler said he was not surprised.

"Risk managers and brokers were not invited," he said. "This is a major investment project for steamship owners—if I were a steamship owner I wouldn't tell anyone else about it, either."

The leading national and West Coast steamship owners associations, including several mentioned by Mr. Marler, did not understand inquiries from *Business Insurance* about the proposed mutual.

"Never heard of it," said Edwin M. Hood, president of the American Shipbuilders Council. A spokesman at the American Institute of Merchant Shipping, representing 30 tanker operators, gave the same response.

"We haven't seen anything to date," said Philip Steinberg of the Pacific Shipping Assn. Nor have the Los Angeles Steamship or Puget Sound Steamship Operators associations, say officials there.

Warren Petersen, manager of the marine department at Marsh & McLennan in San Francisco, contacted Mr. Marler after learning that a client received correspondence from the agency.

"He refused to discuss his agency business or any details of the shipping mutual," Mr. Petersen said. "I may go down there to find out what's happening."

Mr. Petersen and other industry sources also were skeptical about the timing of the new mutual. There is an overcapacity of marine insurance and the hull market is viciously competitive with low

rates, Mr. Petersen said.

Mr. Marler is vague about the nature of his insurance agency, which operates from his private residence in a San Diego suburb. He says the firm is a Lloyd's correspondent that specializes in handling public transit risks for retail agents and brokers.

The agency holds licenses in California as a life/disability and fire/casualty agent and broker. James M. Beasley, a business consultant, is chairman of the board.

Mr. Marler, 34, told *BI* he worked in the newspaper business for seven years before starting his insurance agency last year. His insurance expertise was acquired at the California School of Insurance and Golden Gate University in San Francisco, he says.

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Members question panel effectiveness

Continued from page 3
 should be more demanding, requesting more input from the advisory council on pending regulations and legislation.

seek more information from outside experts, backgrounding themselves as a group on issues such as women's problems with pension and retirement plans.

- The council members should
- The four public meetings of

the advisory council each year should be held in cities other than Washington, D.C., to attract more participation from the public.

A council subcommittee met with Department of Labor officials in Washington recently to seek a plan of action for the coming year.

Ian Lanoff, administrator of pension and welfare benefit programs for the Labor Department, says he's considering recommendations now and agrees the council's direction needs to be reassessed.

"While the council made a very valuable contribution in the early days of ERISA administration, now we are into what could be described as a second generation. We put the problems of administration behind us and it's time to take another look at what the council should be doing."

He draws the line, however, on what he thinks the council should tackle. "In general, I see the council providing us with guidance on policy or problems in their areas (of representation) that we might not be aware of. What I don't see the council being involved in is regulation. They shouldn't be involved in the regulatory process."

Andrew Capelli, partner in the accounting firm of Peat, Marwick & Mitchell in New York, who is seeking reappointment, says, "Given the opportunity, the advisory council could be useful in a number of ways." The members represent employer and employee groups with experience operating under ERISA regulations.

"We can critique the impact of things like reporting and disclosure requirements, for example. Are they effective from the Department of Labor's standpoint and are they cost effective from the user's standpoint?"

Council member Jozetta Srb, research associate at Cornell University's school of industrial and labor relations, focuses on the importance of providing a forum for pension plan participants.

"It's terribly important to recognize the need for people who represent the views of the public," Ms. Srb said. "The pension industry is very well represented; service providers, plan sponsors, all the other groups are organized and can get their message before the Labor Department."

"I think the public representatives on the advisory council have made valuable contributions in that we've established a growing understanding that participants in

HMO studies err: Doctor

UNIVERSITY PARK, Pa.—The high failure rate of federally sponsored health maintenance organizations may be caused by too much emphasis on the community instead of the internal structure of the HMO in choosing applicants for funding, a Pennsylvania State University researcher says.

"There seems to be no relationship whatsoever between the characteristics of the community in which an HMO operates and its chances for success or failure," said Dr. Joel M. Lee, assistant professor of health planning and administration.

Dr. Lee studied the performance of 79 pilot HMOs funded by the former Department of Health, Education and Welfare during 1971-72. Thirty-seven failed, 36 succeeded and six were borderline.

All had been evaluated for potential success. Studies examined the population characteristics, income, political attitudes and available health resources.

retirement and pension plans are part of the pension community, too."

Ms. Srb said she would probably accept renomination if it were offered.

The 15-member council includes three representatives of employers, three representatives of employees including unions and a multiem-

ployer trust, three representatives of the general public and one representative each of an insurance company, a corporate trust, actuarial consultants, investment consultants, investment managers and accountants.

Political party affiliation is considered to keep a balance of Republicans and Democrats.

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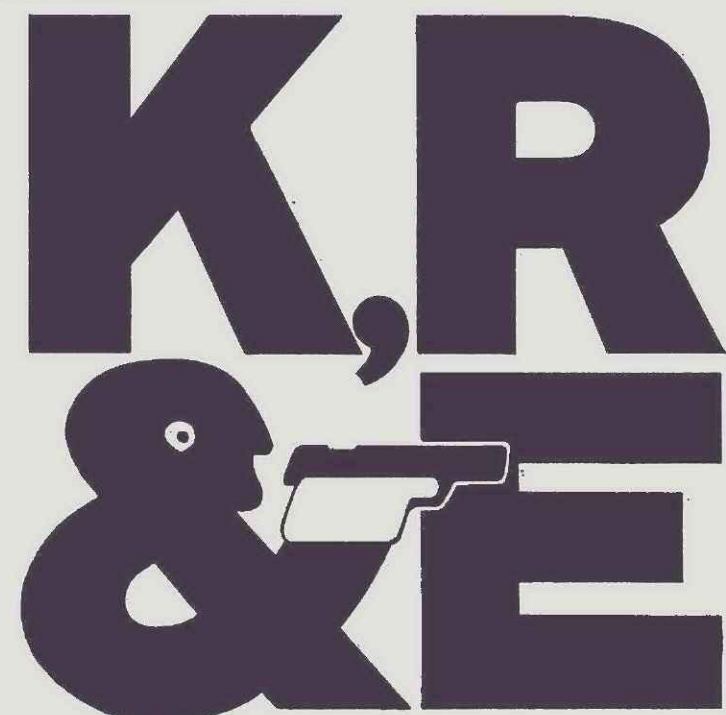
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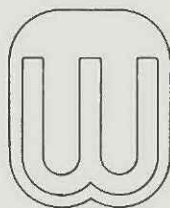
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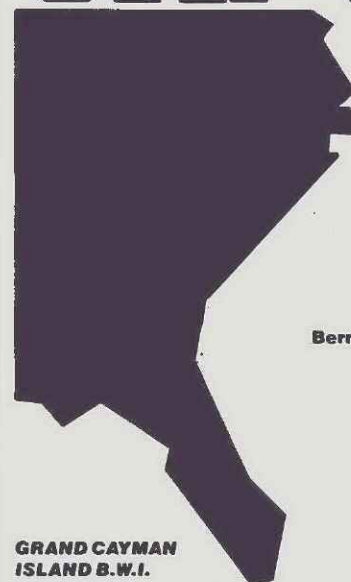
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Commission member says

10-year vesting creates retiree poverty

WASHINGTON—Two classes of retirees exist in the United States. "One class lives just above the poverty level while relying almost exclusively on Social Security for their income," said Lisle Carter, a member of the President's Commission on Pension Policy.

The other class has an employer pension that usually makes the difference between poverty-level retirement living and an adequate lifestyle.

Mr. Carter, speaking before the Citizens Conference on Pension Policy, pinpointed the lack of private pension coverage caused by long vesting requirements as the

biggest retirement problem.

Most pension plans require 10 years of service for vesting. With the average American worker changing jobs every four years, few employees stay at one job long enough to vest.

Social Security then becomes the primary source of retirement income for most older Americans. But Social Security was never intended to do this and does not provide an adequate income, Mr. Carter said.

Ian Lanoff, administrator of the Labor Department's pension and welfare benefit programs, agrees

with Mr. Carter.

A new Labor Department study confirms that ERISA vesting requirements are lacking (story on Page 3), he told the conference.

However, before Congress can amend ERISA to require faster vesting, more studies are needed to determine if the additional costs of more rapid vesting are manageable and if benefits would be substantially higher, he said.

The President's Commission on Pension Policy is considering recommending mandatory, pre-funded, employer-sponsored pensions. Benefits would be portable and vesting would be almost im-

mediate for the minimum benefit. A final report is due in February.

"The commission will have to take a hard look at the cost impact—especially on small business—and the effect on the overall economy," Mr. Carter said. "We might want to examine the use of general revenue to assist small companies if we find that costs are disproportionate."

Mr. Lanoff cited two other areas that need reform: survivor's benefits for spouses of deceased plan members and benefits for divorcees.

Now a spouse is not entitled to a

survivor's vested pension benefit if the worker dies before reaching the pension plan's early retirement age, which usually is 55.

"If pensions are deferred wages as ERISA provides... it should follow that a vested employee's interest in these 'wages' should not be forfeited upon that employee's death," Mr. Lanoff said.

In most states, a woman is not entitled to a portion of her husband's pension at divorce. The Labor Department supports legislation that would treat pensions as community property to be divided between divorced spouses, he said.

Witnesses lost out

Continued from page 3

doctor's care. I've had major surgery. My savings are gone. I have nothing left.

"They won't give me a pension. Death is my only solution."

"I come for the poor people," 81-year-old Nellie Cuellar told the commissioners. "Many of us don't know where to turn."

For 37 years, Ms. Cuellar worked for several employers at low wages. She never vested. In some cases, her employer didn't offer a pension plan. In other cases, she was excluded because she was black, she says.

Despite her long years of employment, Ms. Cuellar's monthly Social Security check—her primary source of retirement income—is only \$207.

"The utility bills eat us alive," she said. "There are people out there who need your support. Maybe we can cure some of these (pension) ills."

In 1968, Howard Kaufman, a 77-year-old Pennsylvania Dutchman, retired from the Ohio Box Board Co., now part of Tenneco Corp., after 34 years of service.

His monthly pension benefit in 1968 was \$74.83 and that is what it is today. His benefit has not been increased to compensate for inflation.

"Ten years ago, my check bought 200 gallons of gasoline. Now it only buys 60 gallons," Mr. Kaufman said.

"They never have increased the pension a bit," he said. Under ERISA, companies are not required to adjust pensions to match inflation.

Cynthia Elie, the wife of a Foreign Service officer, will be divorced this month after 24 years of

marriage and three children.

Most Foreign Service wives give up the right to work, Ms. Elie says. In some countries, wives can't find jobs. In others, they are not allowed to work.

Foreign Service officers and their spouses do not participate in the Social Security system.

"Wives can be left with no pension rights," Ms. Elie said, her words choking with emotion. "It is hard to start over after 25 years. My hope is for a prorated share of the retirement benefit."

Under ERISA, a pension is not considered property subject to division if a couple divorces.

Tom MacLane of Pawtucket, R.I., worked for National Can Co. for seven years before his plant was shut down in 1978. He has been unable to find employment with the company since then.

The company requires 10 years of service before vesting. Mr. MacLane lost his pension credits.

Vesting requirements are a multibillion-dollar ripoff, Mr. MacLane charges. "It compromises all your rights away. You have no rights."

Companies can deduct as a business expense pension contributions even though the workers may never receive a benefit, Mr. MacLane says.

Lee Miller is a retired employe of the Baltimore Gas & Electric Co. With 32 years of service, Mr. Miller was entitled to a monthly pension of \$464.

But Mr. Miller only receives \$386 a month from Baltimore Gas & Electric. Under offset arrangements permitted by ERISA, a company may reduce pension benefits by as much as 83% if the retired employe also receives Social Security benefits.

These offsets or Social Security integration formulas "are completely unethical and are nothing but legalized discrimination," Mr. Miller said.

Fired exec tells story

Continued from page 3

vest in Hudson's pension plan. With the new liberalized vesting requirements of ERISA going into effect in January 1975, all 85 executives would be vested.

Hudson sacked the employees just before ERISA took effect to avoid paying the pension benefits, Ms. Bielski says.

Ms. Bielski's experience at J.L. Hudson triggered her interest in pensions and the need for a commission to hear people tell how the law affects them. She is now chairwoman of the Citizens Commission on Pension Policy.

President Carter's Commission on Pension Policy hears the business side, she says. "We (the citizens commission) speak from our hearts."

The passage of the Employee Retirement Income Security Act in 1974 was a major step toward pension reform, but many more steps are needed, she says.

"There is nothing for the homemaker, for the divorcee, for the widow," she said. "ERISA doesn't help them."

Ten-year vesting, while a major improvement, doesn't go far enough, Ms. Bielski says.

Five-year vesting is coming, she says. "There is no way around it. We won't stop until we get it."

Ms. Bielski says she has urged the nation's biggest corporations to take the lead in pension reform. Her plea to business: You can be the pioneer in the movement.

Privately, she says, many corporate executives agree with her recommendations for faster vesting and more rights for widows and divorcees. But publicly, business won't take a stand, she says.

But she remains optimistic that the reforms the citizens commission seeks will be adopted. "When we put our minds to it... we can solve it. America is a great problem solver."

Panel members at glance

WASHINGTON—The Citizens Commission on Pension Policy is a grass roots organization formed in 1978 by individuals concerned about the retirement income needs of workers.

The members of the Citizens Commission on Pension Policy

are:

Chairwoman Ewa Bielski, a retail executive who lost her pension benefit when her company fired her in 1974 just before ERISA would have allowed her to vest.

Vice Chairman Paul Edwards, a factory shop steward with the International Brotherhood of Electrical Workers. He wants help for 80,000 workers whose corporate pension plans went broke before the federal government's pension guarantee program began.

Pola Bielecki, a homemaker who learned that her husband's military retirement program would not provide survivor's benefits.

Bernard Forman, a college professor who was forced to retire at age 66. He currently works with the National Senior Citizen Law Center.

Michael Goldberg, a public interest lawyer currently serving as general counsel to the Teamsters for a Democratic Union.

John Guarrera, an engineer who has not qualified for a pension benefit despite 27 years under various plans.

Ghita Levine, a public affairs director for the 1981 White House Conference on Aging.

Thelma Rutherford, a semi-retired social worker and a member of the Gray Panthers, a senior citizens organization.

Edward Sanger, who finds jobs for retirees through the Massachusetts department of elders affairs.

Elizabeth Thurston, an advocate of spouses' pension rights, who discovered she was not entitled to a share of her husband's pension after they were divorced following a 30-year marriage.

Men and union members fare best

WASHINGTON—If you're a male, over age 50, earn a high wage, are represented by a union and work for a company with more than 500 employees, the chances are overwhelming that you're covered by a private pension plan.

But if you are a woman under 25, not represented by a union and working for a small employer paying low wages, chances are slim that you'll have private pension plan coverage.

These are the key findings of a massive Labor Department survey of private retirement plan coverage. The survey, drawn from information collected by the Bureau of the Census, was presented at the Citizens Conference on Pension Policy Sept. 5-7.

Highlights of the survey are:

- About 30 million employees, 50% of the full-time work force, are covered by private retirement plans.
- Fifty-five percent of all male workers are covered by pension plans compared with 40% of all female workers.
- Approximately four out of every five employees represented by a labor union are covered by a private retirement program. This is twice as high as the coverage

rate for non-union employees.

• Employees working for firms with 500 or more employees are more than twice as likely to have pension coverage as workers at companies with fewer than 100 employees.

Twenty-five percent of workers under age 25 are covered by a pension plan. Under ERISA, a company does not have to enroll an employe in a pension plan until the worker is 25. Employees ages 50 to 54 had the highest level of pension coverage at 65%.

Coverage varies considerably by industry, the survey reveals. Coverage is highest in high-wage industries, such as communications and public utilities, 82%.

In low-wage industries, such as retail trade and services, only 30% to 39% of the workers are covered.

Coverage increases sharply as salary rises. Only 10% of workers earning less than \$5,000 annually are covered by private plans. Seventy-two percent of employes taking home \$10,000 to \$14,999 are covered by plans.

Seventy-eight percent of employes earning more than \$25,000 a year have private pension plan coverage.

The survey, which was conducted in May 1979, shows almost no growth in pension coverage in the last seven years.

In April 1972, when a similar survey was conducted, 49% of full-time workers were covered by private retirement plans. Today the

Job changers lose pensions

Continued from page 3

60% of male job changers.

The cash value of the forfeited pension benefits is usually small for men and women, but the benefit value increases substantially with age.

For female job changers age 25 to 34, the value of the lost pension benefit is \$205; for women 55 to 61, the value is \$970.

For men 25 to 34, the lost pension benefit will have a cash value of \$290; for men 55 to 61, the forfeited benefit will average \$1,190, the study estimates.

The study estimates that a worker who vests and retires between now and 1982 will receive an average benefit of \$2,134. Two-thirds of retirees will receive an annual pension of less than \$3,000, one-fourth will receive \$3,000 to

coverage rate is 50%.

"It is clear from these study findings that the private pension system works, but only for a limited number of people," said Ian Lanoff, administrator of the Labor Department's pension and welfare benefit programs.

\$6,000 and less than 5% will receive \$9,000 to \$12,000.

Total average retirement income, including Social Security benefits, is projected to be \$11,415 for couples, \$8,145 for unmarried men and \$6,211 for unmarried women.

The study "Private Pension Policy Simulations" can be purchased for \$16 from the National Technical Information Service, Department of Commerce, Springfield, Va. 22161; 703-487-4650. Specify No. PB80-206147. Free summaries of the study are available from the U.S. Department of Labor, Pension and Welfare Benefit Programs, Office of Communications, Room N-4659, 200 Constitution Ave. N.W., Washington, D.C. 20216.

Kemper Corp. rebound could exceed industry

By MARY ANN MATLOCK

NEW YORK—Despite a predicted decline in property/casualty earnings in 1981, Kemper Corp.'s financial future could rival industry averages in years ahead, say analysts at Alex. Brown & Sons in Baltimore.

Overall, the corporation's total operating income is forecast to reach \$85.2 million this year, up 2% from \$83.2 million in 1979. In 1981, total operating income is expected to increase again to \$87.5 million before reaching a high of \$112 million in 1982.

This economic prediction takes into account an expected drop in property/casualty income to \$51.7 million in 1980 from \$52.1 million in 1979, before reaching a low of \$46 million in 1981. However, the analysis predicts that these underwriting lines will again rebound in 1982 with operating income jumping to \$62 million.

"Kemper's fundamentals suggest that it should continue to produce a record that by a number of measures will exceed the industry results," says a Brown & Sons analyst.

The report was prepared by James B. Stradtner, Ernest G. Jacob and David C. Kreisel of Brown & Sons.

"Kemper is recommended for purchase as an excellent value in the property/casualty operation with a sophisticated reinsurance business and one of the fastest-growing life insurance operations in the nation."

During the report period, the stock's book value is expected to climb to \$51.88 in 1982 from \$33.88 in 1979. But return on equity is expected to dip from 22.3% in 1979 to 18.4% in 1980, 15.9% in 1981 and 17.3% in 1982, because of declines in property/casualty net income.

Specifically in property/casualty lines, Kemper's mix of business parallels the industry as a whole. However, "The most important variance lies in the automobile lines, which account for about 50% of Kemper's premium but only 33% of the industry's volume."

"In this respect, Kemper should benefit from our expectation of future reductions in

BI ticker

accident frequency caused by higher gasoline prices and the maturing of the driving age population," the Brown report explains.

Premium volume in these lines, which was \$730.9 million in 1979, is expected to climb to \$790 million in 1980, \$885 million in 1981 and \$1.02 billion in 1982. Net income, however, is not expected to jump from the 1979 \$52.1 million level until 1982, when \$62 million is forecasted. In 1980, net income is predicted at \$51.7 million and in 1981, \$46 million.

The decline in property/casualty net income corresponds with predictions for an increase in combined ratios, after policy dividends are paid. In 1979, the combined ratio was 100. Brown & Sons expects this figure to climb steadily to 105.1 in 1980 and 107.6 in 1981 before receding to 104.7 in 1982.

"The industry underwriting cycle is expected to trough in 1981 and turn upward in 1982. Losses by then should be substantial enough to justify a higher volume of rate increases in the personal lines and better pricing in the commercial lines," the Brown report states.

"Over this period, Kemper's underwriting performance is expected to be better than that of the industry because of its regional business."

Regional business has accounted for an increasing percentage of the corporation's property/casualty premiums since 1969. From then until 1980, regional subsidiaries' share of total premiums increased to 44% in 1980 from 21.7% in 1969.

On the other hand, premiums generated from the corporation's national account business, American Motorists, declined to 56% of total premium in 1980 from 78.3% in 1969.

"The significant difference between the two sources of premiums is that the regional business tends to be more stable and to have better loss experience than the na-

tional account business," the Brown report explained.

This difference is attributed to "more responsible regulation, the ability to take quicker pricing action and simply being 'closer' to the business."

In Kemper's reinsurance subsidiary, which was officially launched in 1969, minimal growth is anticipated in the report years. With premium written at \$121.1 million in 1979, forecasts are for small steady increases to \$125 million in 1980, \$132 million in 1981 and \$154 million in 1982.

Net income is predicted to grow at comparable rates, from \$14.5 million in 1979 to \$15 million in 1980, \$17 million in 1981 and \$20 million in 1982.

"Only minimal premium growth is expected over the next two years as excess capacity in the reinsurance market is depressing prices and Kemper has made a strategic decision to refrain from competition in the soft market," Brown reports. "Given modest premium growth, the company's underwriting results are expected to erode, but bottom-line changes should remain positive as investment income is expected to offset underwriting losses."

The reinsurance subsidiaries' overall combined ratio is expected to peak in 1981 at 105.5 after climbing from a 1979 level of 99.3 and a 1980 figure of 103.8. The forecast for 1982 is a more favorable combined ratio of 103.2. Investment income, on the other hand, is expected to grow at least 20% in 1980 and 1981 to offset losses.

Two life insurance subsidiaries of Kemper—Federal Kemper Life Assurance and Kemper Investors Life Insurance—are the "fastest growing segment of Kemper Corp.," according to the Brown & Sons analysis.

This division's operating statistics from 1975 through 1979 show remarkable progress. In net operating income, a high of \$11.7 million was reached in 1979, a figure almost five times the 1975 level of \$2.1 million. Net operating income in the years between was \$3.4 million in 1976, \$4.8 million in 1977 and \$7.7 million in 1978.

"Measured by the rate of new ordinary sales gains, Kemper's life operation is virtually the fastest-growing life insurance company in the nation," the report concludes.

In the next two years, "taken together, the two subsidiaries are expected to generate earnings growth of at least 30%," according to the analysts.

Diversified operations contributed \$5 million to the corporation's earnings in 1979, net of interest expenses and corporate earnings. Of several activities, Gibraltar Financial Corp., a California savings and loan, contributed about \$2.9 million to earnings from diversified operations.

"It is assumed that there will be no contribution from Gibraltar in 1980 because of the weak California housing market; beyond the current year Gibraltar's earnings are expected to recover," Brown & Sons reports.

No forecast was made for Kemper Financial Services, an investment management firm that earned \$1.8 million in 1979 and manages close to \$7 million.

Financial briefs

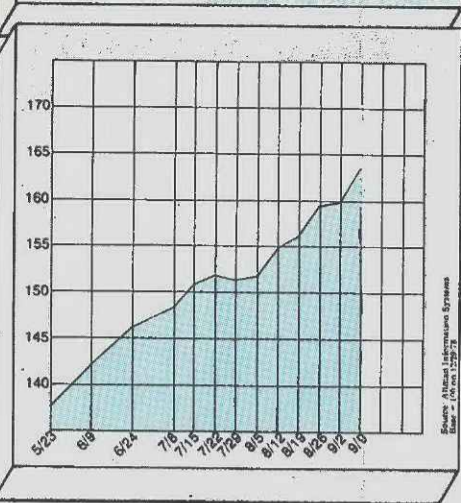
Aneco Re

Aneco Reinsurance Co. Ltd recorded a net loss of \$346,000 for the first six months of 1980, compared with a net income of \$211,000 for the first half of 1979. For the second quarter, the net loss was \$163,000, compared with a net gain of \$75,000 in 1979's second quarter.

Corroon & Black

Corroon & Black Corp. stockholders of record as of Sept. 16 will be paid a regular quarterly dividend of 43 cents per share on Oct. 1, the company announced.

BI Insurance Index



The BI index of insurance industry stocks climbed 3.8 points to 163.6 on Sept. 9, a record high for the year. The base of 100 was at year-end 1978. The 2.4% increase in the BI index outstripped marginal gains by the New York Stock Exchange and Standard & Poor's 500. The Dow Jones Industrial average fell during the week. Fifty of the 73 stocks on the BI index were up, 13 were down and 10 were unchanged, some due to pending mergers. Biggest gainers for the week were Mgc Investment Corp., Connecticut General, Central National Financial Corp., Hartford Steam Boiler and Crum & Forster. Biggest losers were Integon Corp. and Republic National.

British Issues

9/9 Companies	Price	P/E	Div.	Yield	High-Low
Comml Union	179	8.9	14.63	8.2	179-186
Eagle Star	254	8.5	12.86	5.1	254-234
Genl Accident	352	8.8	18.24	5.2	352-326
Gdn Royal Exch	354	9.3	19.28	5.5	354-332
Phoenix	306	8.5	19.00	6.2	306-292
Royal	458	9.6	32.17	7.0	458-420
Sun Alliance	786	10.1	40.00	5.1	786-752
Brokers					
CE Heath	196	8.7	13.80	7.0	197-190
Hogg Robinson	118	8.7	8.14	7.0	118-115
Alex Howden	100	7.2	10.00	10.0	100-97
JH Minet	100	11.5	6.38	6.4	100-99
Sedg Grp	116	9.7	7.14	6.2	119-114
Stenhouse Hldg	86	7.9	6.46	7.5	86-84
Stew Wrightson	215	8.6	17.14	8.0	217-212
Willis Faber	226	12.1	15.71	7.0	240-225

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

BI Industry Stock Report

Insurance Cos.	SEPT. 9, 1980					9/3/80 THRU 9/9/80					
	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)			
Aetna Life & Cas Co	NYSE	36.62	2.4	5.2	2.12	5.8	37.25	36.13	679.9		
American Bankers Ins Co Fla	OTC	7.50	3.4	5.1	0.44	5.9	7.50	7.50	49.1		
American Finl Corp Ohio	OTC	26.00	6.1	7.0	0.50	1.9	26.25*	25.00	27.8		
American Genl Ins Co	NYSE	38.00	5.9	5.9	1.00	2.6	38.00	37.00*	137.0		
American Indxy Finl Corp	OTC	17.37	7.8	5.3	1.12	6.6	17.50	16.50	45.0		
American Intl Group Inc	OTC	74.00	2.4	10.9	0.50	0.7	74.00	73.25	332.1		
American Natl Ins Co	OTC	15.50	1.6	6.2	0.62	4.0	15.63	15.25	85.7		
American Sts Life Ins Co	OTC	18.50	0.0	7.7	0.64	3.5	18.50	18.50	1.1		
Aneco Reins Ltd	OTC	6.37	6.2	N/A	0.00	0.0	6.50	6.00	190.4		
Appalachian Natl Corp	OTC	1.94	3.4	5.5	0.05	2.6	2.00	1.88	0.2		
Avenco Corp	AMEX	12.00	-2.0	8.6	0.50	4.2	12.50	11.88	10.7		
Banks Iowa Inc	OTC	26.25	1.0	4.1	1.32	5.0	26.25	26.00	2.6		
Banco Corp	OTC	40.00	4.6	6.0	1.68	4.2	41.00*	38.00	31.7		
Carolina Cas Ins Co	OTC	7.75	3.3	2.8	0.32	4.1	8.00	7.75	3.0		
Central Natl Finl Corp	OTC	11.00	12.8	4.5	0.50	4.5	11.00*	10.00	2.2		
Chubb Corp	OTC	42.63	7.2	5.6	2.40	5.6	42.63*	40.63	149.1		
Combined Intl Corp	NYSE	19.50	0.6	5.6	1.40	7.2	19.50	19.25	228.4		
Connecticut Genl Ins Corp	NYSE	45.62	13.0	6.9	1.52	3.3	45.63*	42.25	436.7		
Continental Corp	NYSE	28.25	0.4	5.9	2.20	7.8	28.50	26.88	192.0		
Crawford & Co	OTC	18.25	0.0	15.4	0.54	2.9	18.25	18.25	6.9		
Crown Life Ins Co	OTC	80.62	2.7	58.4	2.40	3.0	80.63*	79.00	2.9		
Crum & Forster	NYSE	31.13	10.7	5.4	1.44	4.6	31.50*	29.00	90.9		
Employers Cas Co	OTC	33.50	0.0	5.5	1.20	3.6	33.50	33.50	2.8		
Erc Corp	OTC	93.50	0.0	10.5	1.40	1.5	93.50	93.50	1.8		
Equifax Inc	NYSE	22.13	-1.1	7.6	2.40	10.8	22.50	22.00	6.9		
Farmers Group Inc	OTC	30.63	0.8	9.8	1.00	3.3	31.25	30.50	246.5		
First Colony Life Ins Co	OTC	34.00	0.7	11.7	0.76	2.2	34.25*	34.00	2.9		
Foremost Corp Amer	OTC	20.25	3.2	7.7	0.60	3.0	20.25*	20.00	12.6		
General Reins Corp Del	OTC	59.75	1.7	9.1	1.40	2.3	59.75*	59.00	135.5		
Great West Life Assurn Co	OTC	175.00	6.1	8.7	8.00	4.6	175.00*	165.00	0.0		
Hanover Ins Co	OTC	46.50	3.9	4.4	0.72	1.5	47.50*	46.00	19.8		
Hartford Steam Boiler Insptn	OTC	33.25	10.8	7.1	2.20	6.6	33.25	31.00	24.9		
Integon Corp	NYSE	26.50	-9.8	9.6	0.48	1.8	30.00*	25.38	174.5		
Jefferson Natl Life Ins Co	OTC	52.00	9.5	15.5	0.64	1.2	52.50*	48.00	48.9		
Kemper Corp	OTC	31.75	5.8	4.5	1.40	4.4	31.75*	30.00	188.4		
Lincoln Natl Corp Ind	NYSE	41.63	0.3	5.8	3.00	7.2	42.25	41.63	53.2		
Mgc Inv Corp	NYSE	30.75	16.6	8.8	1.12	3.6	30.75*	27.75	594.6		
Mission Ins Group Inc	NYSE	36.50	-2.3	7.8	0.80	2.2	37.50*	36.50	96.3		
Nationwide Corp Ohio	OTC	20.00	0.0	5.3	0.66	3.3	20.00	20.00	2.4		
Nn Corp	OTC	45.62	0.0	10.4	2.00	4.4	46.13	45.63	85.8		
Northwestern Natl Life Ins	OTC	31.75	-1.6	6.0	1.25	3.9	32.88	31.75	30.5		
Ohio Cas Corp	OTC	37.12	4.6	5.7	1.76	4.7	37.13	35.50	72.8		
Old Rep Intl Corp	OTC	17.50	3.7	4.3	0.92	5.3	17.50	16.88	127.6		
Pinehurst Corp	OTC	7.00	-5.1	10.4	0.00	0.0	7.50	7.00	26.2		
Preferred Risk Life Ins Co	OTC	19.12	2.0	6.6	0.64	3.3	19.25	19.13	4.6		
Provident Life & Acc Ins Co	OTC	48.00	6.7	6.0	1.88	3.9	48.50*	47.50	28.4		
Republic Natl Life Ins Co	OTC	20.75	-7.3	12.8	0.70	3.4	22.00	20.50	222.8		
Ryan Ins Group Inc	OTC	23.00	7.0	7.0	0.12	0.5	24.00*	21.50	11.9		
St Paul Cos Inc	OTC	38.63	1.3	5.3	2.00	5.2	38.63	38.25	209.8		
Safeco Corp	OTC	39.75	0.6	5.7	1.80	4.5	39.75	39.63	54.4		
Sri Corp	OTC	24.75	0.0	4.8	1.00	4.0	25.00	24.75	20.5		
Seibels Bruce Group Inc	OTC	18.88	0.0	7.7	0.80	4.2	19.13	18.88	30.4		
Statesman Group Inc	OTC	5.50	2.3	4.3	0.15	2.7	5.50	5.38	6.0		
Tokio Marine & Fire Ins Co	OTC	147.00	1.4	15.6	1.03	0.7	147.00*	144.00	6.7		
Travelers Corp	NYSE	41.50	3.4	4.6	2.48	6.0	41.75	41.00	254.2		
United Fire & Cas Co	OTC	27.25	0.0	7.4	0.90	3.3	27.25	27.25	15.0		
United States Fid & Gty Co	NYSE	43.75	2.9	5.2	2.80	6.4	43.75	42.75	147.3		
United Svcs Life Ins Co	OTC	15.62	0.0	5.5	0.96	6.1	16.00	15.63	34.1		
USLife Corp	NYSE	21.87	1.2	5.5	0.70	3.2	22.13	21.88	102.8		
Washington Natl Corp	NYSE	36.88	2.4	7.5	1.50	4.1	37.00	36.25	53.2		
Zenith Natl Ins Corp	OTC	14.75	-1.7	8.4	0.50	3.4	15.25	14.75	21.8		
INSURANCE COMPANIES											
AVERAGE											
P.E. 7.3											

The safe view of product liability



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More and more businesses need insurance broker planning to cover being socked with product liability actions. The way Alexander & Alexander looks at the liquid fertilizer industry will help explain how we will look at your liability risks. In this case, we look through the eyes of the chemical manufacturer. Probe where the claims might arise—from formulation right on through to end product use, misuse and possible abuse.

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We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view.

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From the client's point of view.