Turn page for excess/surplus report

Week of September 17, 1979

business insurance

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

© Entire contents copyright 1979 by Crain Communications Inc. All rights reserved.

$1 a copy; $20 a year



Chicago Bear Walter Payton can't replace his Wilson helmet. Product liability has forced the firm to drop its line.

Liability penalties drive scared Wilson out of helmet game

RIVER GROVE, Ill.—Continuing concern over product liability lawsuits is driving Wilson Sporting Goods Co. out of the football helmet business, says Wilson, and other, smaller manufacturers fear they could be forced to drop their lines if suits continue.

Wilson, whose helmets were once worn by such football greats as "Bulldog" Turner, Johnnie Lujack, Gale Sayers and current stars including Walter Payton, says it will no longer take new orders for helmets, although a few special orders are still in the works.

Corporate officials say the risk of being sued for product liability coupled with the high cost of insurance no longer justifies the manufacturing of helmets, which has been part of the Wilson product line since the 1920s. Wilson is a subsidiary of PepsiCo Inc.

But the risk management department at PepsiCo. Inc. declined to disclose details of the product liability insurance costs for Wilson.

The company has been "agonizing" over the decision for four years since a jury in 1975 handed down a $5.3 million judgment against Riddell Inc., the leading helmet maker. The award to a Miami high school football player who charged his paralyzing injury was the fault of the helmet was later settled for a presumably smaller but undisclosed amount.

"There are risks and benefits in any business," said George Middleton, customer relations supervisor at Wilson. "And when the risks are inventoried and they outweigh the benefits, and when one lawsuit,

Continued on page 131

Tobacco farmers demand $20 million from Borden

By STUART EMMRICH

RALEIGH, N.C.—Herbicide-contaminated fertilizer made by a Borden Inc. subsidiary is being blamed for an estimated $20 million loss in this year's North Carolina tobacco crop. The state insurance commission also may revoke the license of the primary insurer on the loss because of disputes over how claims are being paid.

A Sept. 21 hearing is scheduled for Affiliated Factory Mutual Insurance Co., insurer for Borden/Smith-Douglass Corp., maker of the contaminated fertilizer, to show cause why its license should not be revoked. At issue are the insurance company's "alleged wrongdoings" in handling claims.

Borden Inc. is self-insured for the first $500,000 of the loss. Affiliated FM insures up to $10 million of losses and excess insurance of more than $100 million is available through Lloyd's of London.

W. Kenneth Brown, deputy insurance commissioner for North Carolina, said the department was investigating farmers' complaints that Affiliated FM was trying to cut the amount of claims paid by imposing deductions disputed by both the farmers and the state.

Among the controversial deductions is one that the insurer says should be computed as the farmers' savings in labor costs because there was no harvest of the herbicide-destroyed crops, Mr. Brown said.



Photo: Wide World

Government contractor Claude Dail displays tobacco leaves suspected of herbicide contamination.

The insurance company argued that since there was no crop to harvest, there were no salaries to pay—a savings that should mitigate part of the farmers' claims.

But farmers told the state the insurance company was counting in those labor costs the number of family members usually used in the harvest, computing a standard wage for each one. The farmers argue that those family members are often not paid any wages and that if the insurance company still wants to count them as paid employes, then it should deduct from that figure the cost of housing and feeding them.

Borden and Affiliated FM have declined to comment on the state's charges, explaining they don't want to discuss a matter under investigation.

But George West, president of Allendale Insurance, parent company of Affiliated FM, said the insurer has already agreed to pay its share of the potential $20 million in losses, either through actual payments or through agreements to pay. The company is "very near" to

Continued on page 130

Employers try FICA loophole for worker, firm tax break

By JOHN MAES

CHICAGO—A growing number of employers are looking into paying their workers' share of Social Security taxes, while a few employers and their workers are already realizing its tax savings.

If the employer reduces the employe's gross pay by the amount of the employe's share of the Social Security tax—the common method used by companies picking up the additional tab—the employer cuts its ultimate cost of wages and Social Security taxes. In addition, the employe's taxes are lower.

The practice is legal under a section of the Social Security Act, stating that FICA and other payroll taxes may be computed on a lower wage base if the FICA tax is paid by the employer instead of being deducted from the worker's wages.

But while the concept has stirred the curiosity of cost-conscious employers, both municipal and corporate, benefits consultants, who are fielding numerous inquiries from clients on the subject, are wary of it.

The practice is only marginally profitable for the employer, creates employe morale problems and in many cases hurts the worker by re-

Continued on page 129

The people column page 134

The inside story

Insurers say no

AIG Oil Rig, Lloyd's of London and All American Slip won't guarantee that oil rig operators will meet their financial responsibility in a polluting accident. **Page 4.**

Shortchanged regulators

State insurance department officials complain their staffs are too small to handle their regulatory responsibilities, a draft GAO report reveals. **Page 26.**

ERISA's first 5 years

The pension reform law was signed five years ago this month. Stories analyzing ERISA's impact on corporate pension plans appear on **pages 118 through 123.**

Shand, Morahan's Miscellaneous E&O program.

Next time you have an E&O risk that's somewhat hard to classify or insure, check it out with Shand, Morahan & Company

We're a leading underwriting manager for Miscellaneous E&O, with a highly stable market for this coverage. As such, we presently cover some of the biggest and most unusual risks in a variety of industries. From private weather forecasters to medical testing labs to management consultants, financial analysts, data processors, medical recording devices, even printers who print lottery tickets.

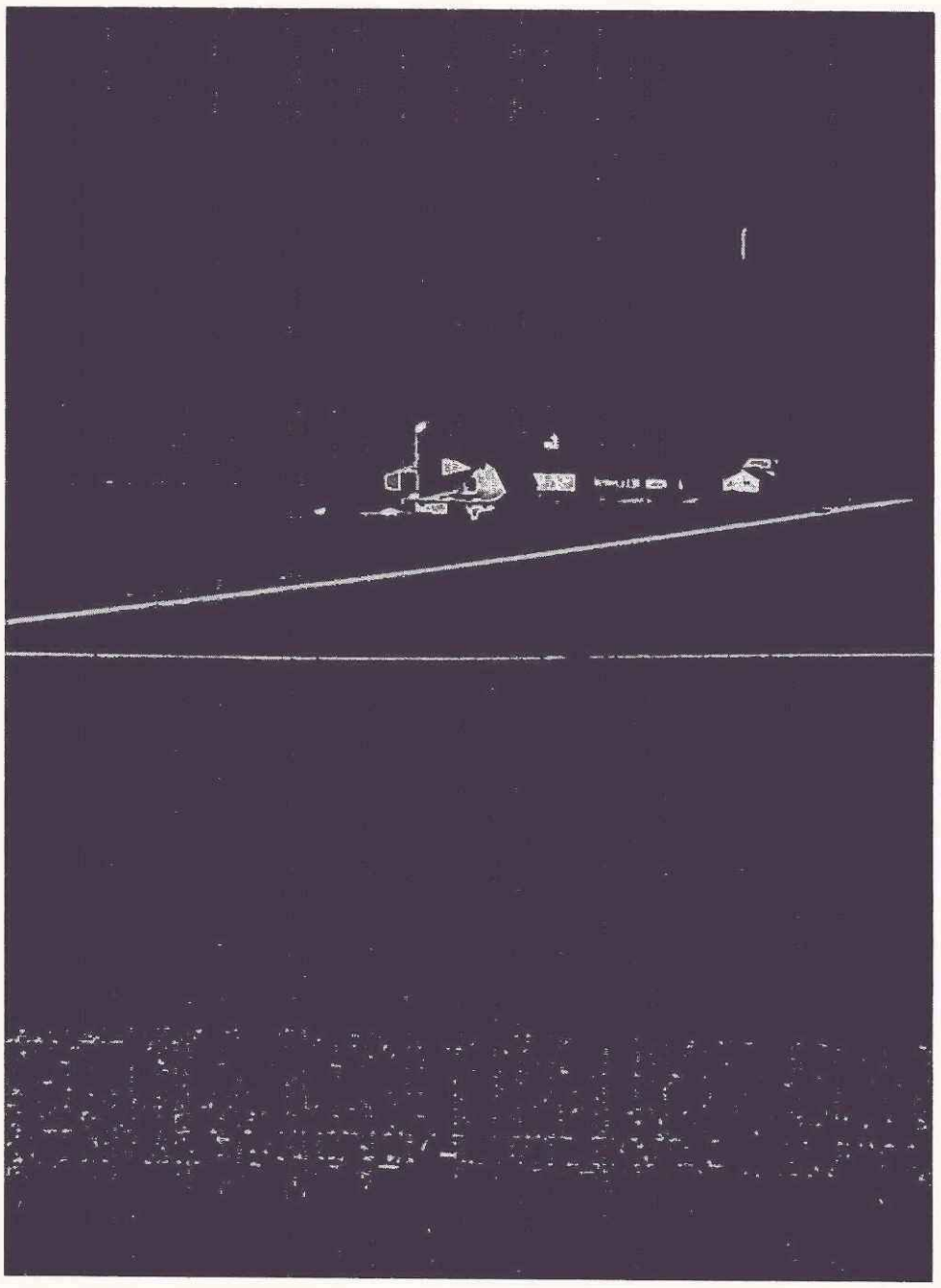
And these are just a sampling of the many diverse exposures covered by this insurance.

Shand, Morahan & Company writes this business on a claims-made basis, as broad form coverage with minimal exclusions. Limits are to $10 million, with realistic deductibles available. Minimum requirement for insureds is $1 million in annual receipts or a minimum premium of $5,000.

A liability risk that's a bit hard to classify—and to insure? Call the Miscellaneous E&O experts at Shand, Morahan.

We deal with the out-of-the-ordinary every day. Your forecast for new business? Bright indeed.

It even covers the weather report.



Shand, Morahan & Company, Inc.

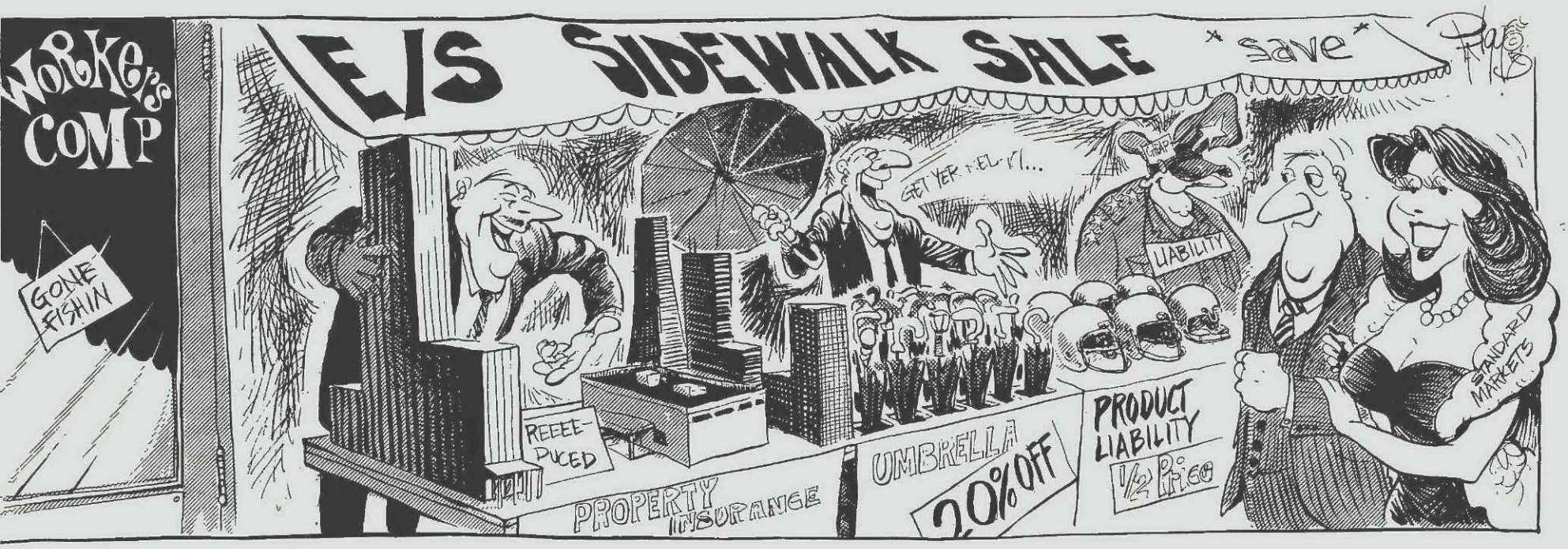
One American Plaza Evanston IL 60201 312/866-2800 Cable Shanmor Telex 72-4328

Week of September 17, 1979

business insurance®

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

© Entire contents copyright 1979 by Crain Communications Inc. All rights reserved.



Specialties lure risk execs to market

CHICAGO—Arm-in-arm with accommodating standard markets these days, insurance buyers still have eyes for the surplus market's special wares.

Higher limits of liability and umbrella insurance are being swept up by buyers eager to increase their company's protection when the price is right. In some cases the price is 10% to 30% below last year's levels, in both the standard and surplus lines markets.

Especially risky exposures—like product liability insurance for a motorcycle manufacturer, liability insurance for a hazardous chemical plant and property insurance in areas prone to floods and earthquakes—are wares only the surplus market cares to sell. Buyers needing these policies, however, find surplus lines underwriters competing for this previously unwanted business.

The excess/surplus market is opening up more all the time, observes Bob Butler, director of corporate insurance/risk management for Lockheed Corp. in Burbank, Calif. "It's expanding, there's more competition, more flexibility and imagination," he reports.

One product that buyers lament is not available to them in the fabulous sidewalk excess/surplus sale is excess workers compensation insurance. Searching the market for this product, the buyers find most underwriters have gone fishing.

This story is based on reporting by editors Stuart Emmrich, Jerry Geisel, Clive Hallett, Margaret LeRoux, John Maes, Mary Ellen McKee, Kathryn McIntyre and Ellis Simon. It was written by Ms. McIntyre.

Prices for excess workers compensation insurance are "totally unrealistic," complains John Woods, insurance manager at Marriott Corp. in Washington.

But in excess liability insurance, risk managers are buying more coverage for less money. Twice as many insurance managers reported increasing liability limits than not in an informal survey of 30 insurance buyers by *Business Insurance* editors. Most are happy with the prices they paid for the increased coverage, though few reported prices going down as much as 33% as Mr. Woods did.

The increased limits are being underwritten by both U.S. standard and surplus lines markets as well as London underwriters.

Piedmont Natural Gas Co. Inc. in Charlotte, N.C., increased its excess liability insurance in the past year by $10 million to a total of $30 million over a $500,000 primary insurance policy. Rapid expansion of the company and market availability spurred the purchase, said Henry Shelby, manager of employe benefits and insurance.

The $30 million of excess liability insurance is spread among six underwriters, from the admitted and nonadmitted U.S. markets. "A few years ago we had to buy it all from London," Mr. Shelby noted, because the U.S. markets weren't interested in a potentially catastrophic risk like a natural gas company. "Now people are coming to see us."

The buffer layer—a policy to fill the gap between what the primary insurer and the excess insurer are willing to write—is no longer needed in Piedmont's program either, another indication of a softer excess/surplus market.

Lockheed scrutinizes the market for excess insurance in both general liability and aviation products. "We have added layers as the market made them available at the right price," Mr. Butler said. "Our last policy renewal was on general liability in April and we saved possibly about 10%.

"We had more exposures—the corporation's growth was good.

Continued on page 30

E/S brokers and insurers hustle for new business

CHICAGO—Excess/surplus brokers and insurers are crowding onto insurance main street to get the attention of commercial buyers with specialty coverage packages, umbrellas and price cuts.

But in times of soft standard markets, making sales takes quite a pitch, say E/S sellers around the country.

"War is hell and it's war out there," remarked a large West Coast E/S broker. "Those who are saying we'll see a turnaround in 1980 are nuts. We won't even begin to see a tightening next year."

This story is based on reporting by Stuart Emmrich, Jerry Geisel, Clive Hallett, Margaret LeRoux, John Maes, Mary Ellen McKee, Ellis Simon and Len Strazewski. It was written by Mr. Strazewski.

Brokers are working "six times as hard to increase our level of business by 50%," said an East Coast E/S broker, contending that "there are too many underwriters in the E/S market."

Other brokers are more moderate in their market view, but not much. Many brokers and underwriters are experiencing sagging premium volumes and losing clients to standard markets.

Some sellers say they are greatly expanding business, but not because buyers are crying for capacity. The excess/surplus market must tug the risk manager's sleeve.

"We are scrambling," explained Thomas Carey, senior vp of Swett & Crawford. "Our business peaked out in June of last year, then leveled off for the balance of the year and has since declined."

S&C is down about 20% in both its brokerage and underwriting, he said, noting that West Coast companies are off 15% to 30% this year. Another West Coast broker, H&W Insurance Services in Encino, Calif., however, is ahead of last year by about 12%, with a premium volume of just under $50 million.

"Market availability is as great as it's been since 1972; competition is overwhelming with a tremendous amount of availability and supply but not enough demand," executive vp David Hoskins explained. "We're continuing to see submissions, but the average premiums are substantially less than they were a year ago."

Keeping up the cash-flow means finding new customers and retaining clients in spite of the willingness of standard markets to write

Continued on page 42

EXCESS/SURPLUS

Few takers

Corning Glass, in the throes of a massive product recall, is among the many companies that don't buy product recall insurance, an expensive policy. **Page 36.**

Hard times

Many excess/surplus brokers in five states lost business over the last four years. **Page 44.** Financial results show business in Illinois was very competitive in 1978. **Page 60.**

More control

States tighten regulations over E/S insurers and the NAIC considers a model E/S law in the wake of explosive growth this decade. **Page 57.**

INA gains on AIG

Considered a carbon copy of AIG's E/S operations, INA is gaining respect for its special risks division. More admitted insurers are promoting E/S divisions in hopes of achieving some success, too. **Page 61.**

Five leading brokers

Principals of five leading E/S brokerage firms discuss their specialties, successes and problems in profiles which include financial results. **Page 76.**

108 more brokers

Another 108 E/S brokers supply information on gross revenues, employes, specialties and more in mini-profiles of the firms, beginning on **page 81.**

Lloyd's Ashby Group probes possible overwriting of limits

LONDON—Two Lloyd's syndicates managed by the Ashby Underwriting Group now may have overreinsured international risks with the Commodore General Reinsurance Company in Hong Kong, said a Lloyd's spokesman.

The Ashby & Co. group had previously suspended business with the five syndicates it manages while it internally investigated whether or not two of the syndicates, 753 and 751, had overwritten their underwriting limits.

Earlier in the investigation, the Ashby group indicated it may have exceeded limits because a senior executive of Furness-Houlder Lloyd's brokerage may have abused binding authority. The Furness-Houlder employe, unnamed by the broker, had been suspended in early August pending the outcome of the investigation.

New reports from Lloyd's, however, indicate that the Furness-Houlder executive may have exceeded authority in negotiating reinsurance with Commodore beyond the limits set by Lloyd's, 'a situation which would make it appear that Ashby had indirectly overwritten its premium limits," said a Lloyd's spokesman.

Though the extent of possible overwriting has not been formally revealed, London sources say the amount being investigated by Ashby is between $5 million and $10 million from risks in the U.S., Australia and Scandinavia.

No losses have been filed with Lloyd's yet and none are feared "because most of the business is comparatively low risk," a Lloyd's spokesman said.

The Ashby syndicate had reported earlier that U.S. business placed with the syndicates included some small marine coverages of fishing trawlers, docks and piers and "bobtail" trucking insurance or coverage on a semitrailer without a load.

But U.S. brokers who specialize in the trucking industry say it is "unheard of and unlikely" that the low risk bobtail coverage was ever placed in Lloyd's from the U.S.

"In 22 years in the trucking business, I have never heard of that happening," remarked David Fulkerson, president of Countrywide Insurance Agency, seller of a Lloyd's underwritten package for independent truckers.

"Bobtail coverage is very easy to get at low rates here in the U.S. and most of the states insist on admitted carriers. Excess liability and physical damage coverage winds up in London very often, however."

Another leading U.S. trucking broker agrees, noting Lloyd's has become a prime but "spasmodic" market for the volatile physical damages insurance required by state laws.

"Lloyd's tends to come in and write material damage for very low rates, then take some losses and pull out of the market," he explained, "and lately the market has been very soft. I have seen some squirrelly, squirrelly things lately.

"If Lloyd's were to offer rates just a little below the domestic carriers and granted binding authority to some broker, I can see where they'd overwrite their limits in no time," he said.

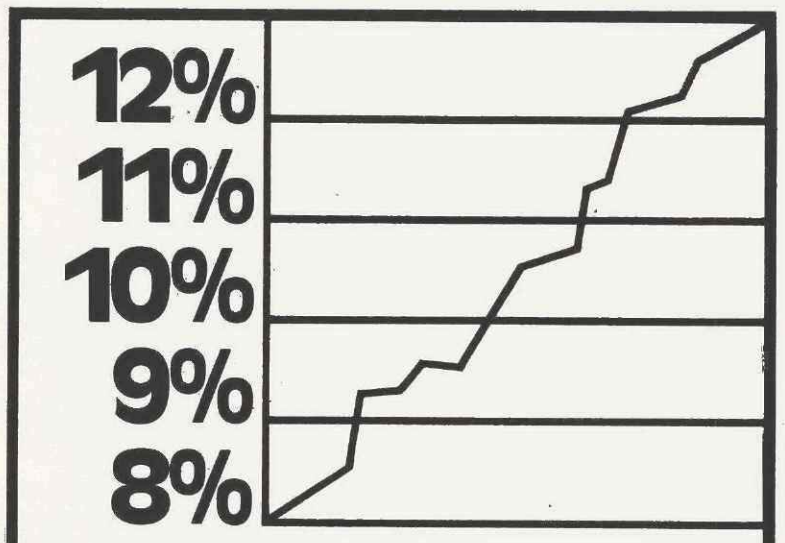
The Ashby group's U.S. attorney Anthony M. Lanzone refused to comment on the syndicate investigations, but a Lloyd's spokesman said, "Your U.S. brokers could be right" about the nature of risks placed with Ashby.

If the high-risk excess liability and material damages coverage had been placed with Ashby rather than the low-risk bobtail insurance, the case would bear a stronger resemblance to the troubled Sasse Syndicate that underwrote substandard commercial fire insurance in the U.S. and Canada as well as the controversial computer leasing coverage.

Underwriting estimates last month placed potential Sasse losses at up to $41 million.

The Ashby group has not yet sought assistance from the Corp. of Lloyd's and continues to investigate on its own, aided by independent adjusters Robert Bishop Ltd. and the London law firm of Elborne Mitchell & Co.

If only minor overwriting or reinsuring is revealed by the investigation, the syndicates may ask members to place additional securities on deposit with Lloyd's to increase their underwriting limits. A more major error, according to Lloyd's, will cause the syndicates to seek additional reinsurance. ■



Money Available At 1% (OR LESS)

Impossible? Not at all!

A Baldwin & Lyons Self-Insurance Plan generates substantial cash flow. The result can be the same as having a very friendly banker loaning you money at 1% per annum interest — or less.

Another Plan will put your money at interest for you — not the insurance company.

Baldwin & Lyons pioneered Self-Insurance for the trucking industry and we're still the leader. For a Self-Insurance Plan for nearly every size or type of firm, call us at 317-925-3501.

Baldwin & Lyons, Inc.
Transportation Underwriters
Protective Insurance Company
3100 North Meridian Street
Indianapolis, IN 46208

And in other major cities

errors & omissions

• It was incorrectly stated in the June 25 issue that Palmer App, president of Kemper Insurance Co.'s central division, suggested that people interested in understanding the failure of the Illinois workers compensation system should visit the hearing rooms of the Illinois Industrial Commission to see claimants shed their casts after leaving the hearing rooms. The statement was made by Monroe P. Roth, executive vp and chief operating officer of Iovite Chemicals Inc.

for your information

IRS attacks tax deduction for premium paid to Colo. captive

NASHVILLE—An Internal Revenue Service agent has attacked the validity of a tax deduction for a premium paid to a Colorado-based captive insurance company, the first known IRS action against a U.S.-based captive.

National Medical Care in Boston received a letter from the agent about a month ago announcing that a premium of less than $500,000 paid in 1976 to Westminster Insurance Co. in Colorado is not tax deductible. But no one has audited the parent company's tax return, objects David Lubrano, treasurer of National Medical Care.

The parent company, which has deducted the premiums paid to Westminster since 1976, doesn't know how to respond to the letter without an audit, he said. National Medical Care, which operates outpatient kidney dialysis centers, buys primary medical malpractice and general liability coverage from Westminster.

That the IRS will apparently challenge U.S.-based captives as it has offshore captives was discouraging news for over 200 participants at a conference here sponsored by the Tennessee insurance department to promote captive formation under its captive insurance company law. Many risk managers had hoped that the previous inaction of the IRS regarding domestic captives indicated the IRS would not challenge their validity for tax purposes.

But the agent's letter argued that the transaction between National Medical Care and Westminster is not insurance and not tax deductible because there is no risk shifting between a parent company and a subsidiary insurer, the same argument the IRS has used in its attacks on offshore captives. The agent did not, however, challenge the validity of Westminster as an insurance company, Mr. Lubrano said.

Wash. halts E/S licensing

OLYMPIA, Wash.—The Washington state insurance department has discontinued issuing new licenses to excess/surplus brokers until it finishes an updated licensing examination.

The licensing suspension closely follows the announcement of theft charges filed against former E/S broker H. Martyn Hall, who allegedly pocketed nearly $500,000 in excess/surplus lines premiums (*BI*, Sept. 3). But the decision to revise the test was made before charges were filed against Mr. Hall, a department spokesman said.

The new E/S licensing exam, being developed by deputy commissioner Robert Higley and the Surplus Lines Assn. of Washington, is expected to be available in November.

Firm to study insurance exchange

TALLAHASSEE—A Texas-based research and consulting firm has been selected to conduct a feasibility study to determine if a Lloyd's of London type operation could be established in Florida.

Insurance commissioner Bill Gunter chose Robert Hughes Associates to undertake the massive project because of the scope and price of its proposal and the company's knowledge of insurance exchanges, the Latin American insurance market and the insurance problems currently facing the Southern Caribbean and Latin American countries, said a department spokesman.

A proposal submitted by Marsh & McLennan and accountants Peat, Marwick & Mitchell was runner-up for the business.

Hughes is being paid $50,000 for the study in addition to approved expenses which will be paid in three installments beginning Oct. 1.

Man receives $1.45 million

CHICAGO—After a two-week trial, K Mart and Nova Manufacturing have agreed to share the payment of a $1.45 million personal injury settlement being awarded to a south suburban man.

Plaintiff Jack Bonczyk sustained permanent partial paralysis of his legs after a jackstand, purchased at a K Mart store and manufactured by Nova, collapsed, causing a car to fall on top of him.

K Mart, covered under a $5 million general liability policy with no deductible, will pay $350,000 of the settlement. Continental Insurance Cos. is the general liability insurer for the chain of discount stores.

Nova Manufacturing, recently acquired by Custom Plating Co. of Los Angeles, will pay $1.1 million of the settlement. At the time of the accident, Nova had $100,000 in primary liability coverage from the Fremont Indemnity Co. of Los Angeles and $2 million excess liability coverage provided by American Home Assurance Co.

Risk Retention Act introduced

WASHINGTON—Rep. John LaFalce (D-N.Y.) introduced the Risk Retention Act in Congress last week. The bill, devised by the Commerce Department and supported by the Carter Administration, proposed that manufacturers be allowed to pool their product liability risks in federally chartered insurance cooperatives or risk retention groups (*BI*, Sept. 3).

index

Editorial opinions	14
riskWatch	51
Perspectives	71
London line	102
Legal briefs	104
Around the states	106
Book reviews	107
Info for buyers	110
Dates for buyers	113

Vol. 13, No. 19—Business Insurance [ISSN 0007-6864] is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Brookfield, Wis., Chicago, Ill., and New York, N.Y. Copyright 1979 by Crain Communications Inc.

Calif. towns study creating monopolies for fire insurance

By LEN STRAZEWSKI and CLIVE HALLETT

LOS ANGELES—Sixteen California cities and towns are studying the idea of establishing monopolistic, community-funded pools to underwrite all fire insurance within their jurisdictions.

The interested cities are preaching a risk management theme in discussing the proposal, suggesting that melding the municipal fire department's services and fire insurance into one entity would encourage fire prevention. The fire insurance premiums paid by private and business residents would be used to defray the cost of fire protection and would go up or down with the loss history and cost of fighting fires.

There's no incentive now to improve fire control, argue the municipalities, which are members of the California League of Cities.

Corporations that self-insure their structures, however, could face the added costs of municipal assessments under this idea.

The California municipal group is examining other political, legal and fiscal implications of underwriting third-party fire risks through a type of self-funded pool. A key benefit for the towns would be that the costly fire departments would no longer rely on tax funds, a limited source of income since Proposition 13.

A study of one of the smaller towns interested in the program, Mill Valley, proposed a budget of $2 million to $2.6 million for the first year, with potential income from an insurance "service charge" of between $1.85 million and $2.25 million. Though these figures indicate the need for more than $150,000 in taxes, the budget includes $700,000 for maintaining the municipal fire department, now completely funded by tax income.

The potential tax savings for Mill Valley would be approximately $500,000 for covering more than $651 million of residential and commercial buildings and increasing loss prevention and risk management work on a community-wide level.

Legal questions to examine include possible violation of restraint-of-trade regulations, whether enabling legislation would be required and how far any future participation should be voluntary, note proponents.

Vernon Haven, city manager of Mill Valley, near San Francisco, and a member of the league's technical committee, remarked, "I've heard this called communism, socialism and I don't understand. Our whole proposal—if it's even at the proposal stage yet—talks about using the insurance industry. We would be working partners."

The current insurance system does not promote risk management programs, he said. Such programs are negligible in the small business sector and non-existent in the residential sector, he argued.

The kind of fire insurance plan the league envisages, subject to many changes or developments, would operate similarly to the municipal pool arrangements for self-insuring liability and workers compensation, Mr. Haven said.

"We would use more excess insurance (than previously) in insuring fire risks," he said. "Claims and administration would be contracted out. Not one single government employe would need to be hired, except possibly in the fire departments."

The California League of Cities is researching a comprehensive plan of this type for the member communities of Lakewood, Palm Springs, San Mateo, Pasadena, Hercules, Davis, Covina, West Cov-

Continued on page 133

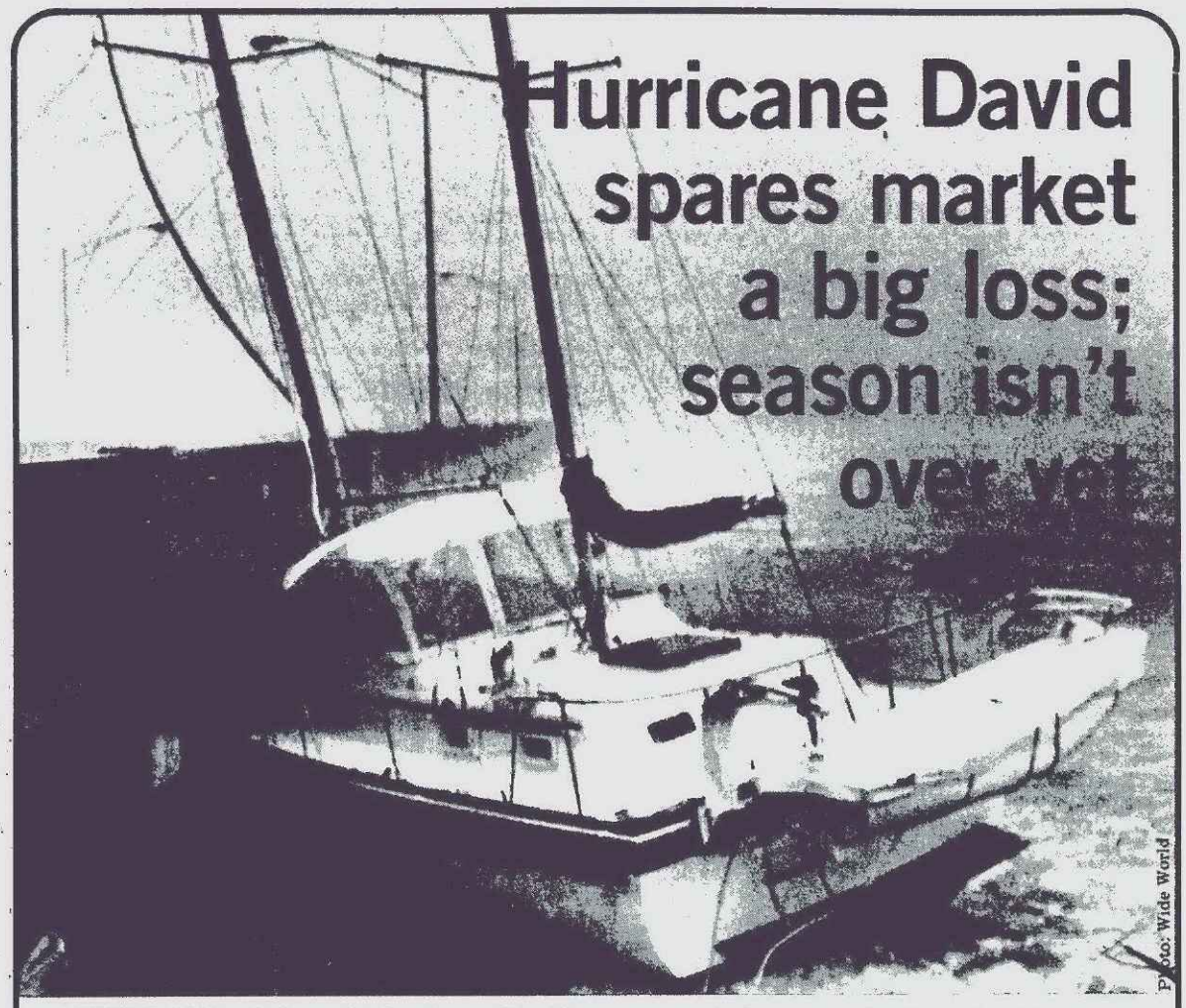


Photo: Wide World

Hurricane David spares market a big loss; season isn't over yet

NEW YORK—Although Hurricane David spared the United States the full force of its winds and rains, the storm's damage to the Eastern seaboard is expected to total nearly $100 million.

But insurance industry officials say that figure is minimal compared with what was at first feared and that the hurricane should have no great impact on the property insurance markets.

"We lucked out," said a spokesman for Industrial Risk Insurers, who estimated the company suffered only about $800,000 to $900,000 in losses, none of those of any great magnitude.

Factory Mutual System estimated its losses were less than $2 million from the storm, most resulting from water damage. "I'm surprised," Allendale Insurance president George West said. "We were really worried about Puerto Rico, but it did not get the brunt of the storm." He said Allendale's losses so far totaled less than $500,000.

Other insurance companies also reported light losses. Travelers recorded $2.9 million worth of damages, most in homeowners policies, and Kemper officials said its only major loss was to a Miami condominium development for $20,000. Aetna had a special catastrophe adjusting team of 15 ready to go to places hardest hit by the storm, but it was never needed.

A spokesman for the American Insurance Assn., which is still compiling loss figures, said Florida was the state hardest hit by the storm, with its losses estimated at $65 million.

Although insurance officials said they were lucky in this storm, they added that they can't sigh a breath of relief yet.

"We still have our eyes on Frederick," one said.

the benefit beat

Pension compromise ends strike at Westinghouse

After a seven-week walkout, 37,400 Westinghouse employes are finally returning to work with a non-contributory pension plan, higher benefit levels and a new dental plan.

The pension issue held up the settlement of the strike, with Westinghouse insisting that workers contribute to the pension fund in exchange for a higher benefit level and the unions arguing for increased company-paid benefits of $15 a month. The two sides finally agreed on a non-contributory pension plan with a maximum monthly pension benefit of $13, up from $11.

Maximum sickness and accident benefits were increased to $200 per week from $175 and maximum benefits under the group life coverage were raised to $20,000 from $15,000. The standard benefit is twice annual salary. Equitable Life Assurance Society of the U.S. provides these benefits for Westinghouse employes.

The new dental program, paid by Westinghouse, covers checkups, cleanings, diagnostics, fillings, bridgework and crowns. Reimbursement would be on a fixed fee schedule designed to approximate 100% of reasonable and customary charges for preventive procedures and 50% of reasonable and customary charges for restorative and orthodontic procedures. An insurer for the new dental plan has not yet been chosen by Westinghouse and union executives.

Severance benefits

Companies that shut down their factories or transfer their plants to new locations would be required to provide benefits to unemployed workers left behind under legislation introduced by Sen. Harrison Williams (D-N.J.).

The Williams bill (S. 1608) mandates that firms that close plants provide severance pay to the jobless workers at 85% of their former annual wages and continue health benefits for one year, or until they find new jobs, whichever comes first.

An attorney for the U.S. Chamber of Commerce criticized the bill as a restraint on business and an inflationary measure, "increasing the cost of doing business without doing anything to improve productivity."

Sen. Williams maintains the bill is necessary to ensure that an employer's obligation to its workers does not end when it "decides to pull up its stakes." No hearings are currently set, but interest in the Williams legislation could pick up earlier next year.

Public pension plans

State and local government employe retirement systems paid out $10.8 billion in benefits and withdrawals during fiscal year 1977-78, $1.2 billion more than the previous year, according to a Bureau of Census report.

Payments by state and local government employe retirement systems included $9.5 billion in benefits and $1.2 billion for withdrawals. The latter amount represents the return of employe contributions, interest and, in some cases, a portion of employer contributions to workers leaving the system before retirement.

PBGC names director

Washington attorney Robert Nagle, a former aide to Sen. Harrison Williams (D-N.J.), has been appointed executive director of the Pension Benefit Guaranty Corp. He succeeds Matthew Lind, who left the PBGC June 30 to become vp for corporate planning at The Travelers Corp.

Since Mr. Lind's departure, the PBGC has been headed by acting executive director Jeff Hart, who along with attorney Richard Fay contended for the permanent post.

Mr. Nagle, 49, had been endorsed by Sen. Williams, top Labor Department officials and, reportedly, the National Coordinating Committee for Multiemployer Plans.

The new PBGC chief belongs to the law firm of Wald, Harkrader & Ross. He represented a milk employer during negotiations for which led to the PBGC's trusteeship of the company's multiemployer fund. Before joining the firm, he was general counsel for the Senate Committee on Labor and Public Welfare and helped oversee the drafting of ERISA.

R.I. Rx coverage

About 21,000 Rhode Island employes and their dependents have received new prescription drug coverage under a three-year health benefits contract renewed July 1 with Blue Cross and Blue Shield of Rhode Island.

Subscribers pay a $2 deductible per prescription and the insurer pays the balance. The drug policy costs an individual employe nothing and $2.92 every two weeks for family members.

The state picks up the tab for all other health benefits, including: major medical, with a $100 deductible and a $250,000 limit, of which the insurer pays 80%; and hospitalization, with no limit or deductible.

The health benefits are expected to cost the state about $12.5 million.

•

Benefit Beat keeps risk managers and employe benefit managers abreast of changes in plans around the country as well as other important developments. We'd like to know if you've made any changes or know of any significant developments. Write Kathryn J. McIntyre, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611 or call (312) 649-5286.

Insurers won't certify pollution clean-up

By ELLIS SIMON

NEW YORK—Insurers won't certify that policyholders will cover cleanup costs of oil spills as required by the Outer Continental Shelf Lands Act amendments because they fear a quirk in the law could subject them to unlimited liability.

The law doesn't say insurers are liable only for the amount specified in the insurance policy and insurers' attorneys fear their clients could be sued for unlimited liability.

Now owners and operators of offshore drilling and production facilities must find an alternative to insurance in order to certify that they can meet financial responsibility for at least $35 million in the event of a blowout or other pollution-causing occurrence.

Coast Guard regulations require owners and operators of offshore rigs to be certified as of Sept. 17. If they aren't certified, their wells could be closed. But Coast Guard officials say closings are unlikely to occur soon.

Shortly after the Coast Guard regulations implementing the act's amendments took effect in March, two of the largest American oil rig markets said they would write the coverage—AIG Oil Rig and All American Marine Slip. Market sources indicated the coverage would probably be available in the London market as well (*BI*, April 30).

However, an analysis of the law and regulation by LeBoeuf, Lamb, Leiby and MacRae, New York-based counsel to Lloyd's underwriters, revealed that the direct action provision of the law could subject insurers to unlimited liability. As a result, Lloyd's said it would not write the coverage and sign certificates.

Counsel for AIG Oil Rig concurred with the LeBoeuf, Lamb opinion. AIG Oil Rig will not sign Coast Guard financial responsibility certificates, but would consider writing pollution cleanup and liability insurance for operators that meet the financial responsibility requirements through another method, president Roy Williams said.

U.S. insurers are prohibited from writing unlimited liability policies because state insurance departments prevent them from writing a risk for more than 10% of their surplus, Mr. Williams noted.

All-American Marine Slip has also suspended writing the coverage pending resolution of the legal issue, a company spokesman said.

Coast Guard regulation permits self-insurance, surety bonds, indemnification and guarantorship as means of establishing the financial responsibility required under the law, but although many of the large offshore operators are willing and able to qualify as self-insurers, this option often isn't available to smaller firms.

Pogo Producing Co., a Houston-based firm that participates in several offshore production and exploration ventures, faces this dilemma. The large firms that act as operators in these ventures can self-insure and are willing to certify non-operators provided that the operators are indemnified, said Dee Swenson, insurance manager.

However, Pogo needs to obtain insurance as evidence of its ability to indemnify, she added. The firm would like to qualify as a self-insurer and purchase the coverage of its choice, but Ms. Swenson said she was uncertain whether the Coast Guard would certify her firm's financial statement.

Coast Guard Capt. Gilbert Sheinburne, the official who has acted as liaison between the insurance industry and government, does not expect the Sept. 17 deadline for certification to be extended, as Lloyd's attorneys have requested.

He predicted the Coast Guard will waive the regulation's requirements for small companies, provided they demonstrate a "good faith effort" to comply. The firms would still have to apply to the Coast Guard to be eligible for the waiver.

Lloyd's attorneys LeBoeuf, Lamb say Congress should add a new section to the law that would limit an insurer's liability to the amount specified in the policy limits. The Coast Guard supports such a provision.

LeBoeuf, Lamb attorney Donald Greene noted in a letter to the Coast Guard, "If a policy is issued to cover liabilities under the act, as presently constituted, the insurer will find no protection in the policy's limit of liability as third-party suits against the insurer apparently can be asserted under the act without any regard to policy terms or limits."

Direct action statutes in Louisiana and other states limit an insurer's liability to the amount stated in the policy, noted Robert Faron of LeBoeuf, Lamb's Washington office. The Outer Continental Shelf Lands Act amendments are the first statute placing unlimited liability for cleanup on owner-operators, he added.

Although the law authorizes creation of a $200 million "Superfund" to cover cleanup expenses of more than the $35 million for which owner-operators are required to show responsibility, the superfund has subrogation rights against the owner-operator, Mr. Faron continued.

"Campeche (oil spill) makes the idea of unlimited liability for cleanup a real thing," Pogo's Ms. Swenson said. "Unlimited liability didn't mean anything before, but I think it does now."

"Campeche demonstrates what insurers have said could happen but that's not as bad as what can really happen," said AIG Oil Rig's Mr. Williams. "It was just one well. What if it were 10 wells on a platform? There have been multiwell blowouts with as many as four wells going at one time." ■

Social Security pays half

CHICAGO—Social Security now pays more than 50% of the income needs of an average retiree, according to a study by the Equitable Life Assurance Co. and the Society of Actuaries.

"For some age brackets Social Security retirement and disability is providing nearly all of the income requirements," remarked Irwin T. Vanderhoof, senior vp of Equitable. For widows, he noted, Social Security pays approximately 70% of a target income that includes inflation increases.

Mr. Vanderhoof cited an additional study that indicates state and federal governments will pay 57% of the cost of all life, health and retirement benefits in the U.S. ■

YOUR PLACE or OURS ?

ClaimFacts™ is an advanced on-line health claims administration system for use by employers and other organizations with self-funded or underwritten plans.

ClaimFacts™ provides total automation for the processing of all types of health benefits plans, including basic and Major Medical, dental, vision, prescription drugs, and disability. The system has the capability for on-line inquiry, eligibility verification, adjudication, coordination of benefits, and letter generation.

ClaimFacts™ can be installed at your office for use by your staff using your hardware or ours, or can be administered from our offices. It is available on a service, lease or purchase basis.

ClaimFacts™ joins IMPLEFACTS, the deferred recordkeeping specialists, as a member of the Thomas National Group.

Erisco Inc. 1700 Broadway New York, N.Y. 10019
(212) 247-2444
call Barbara Bondy, Vice President for more information.

A Thomas National Group Subsidiary TN

OUR NEW TRADEMARK POLICY. LIKE OUR TRADEMARK DEPOT, IT'S UNIQUE.

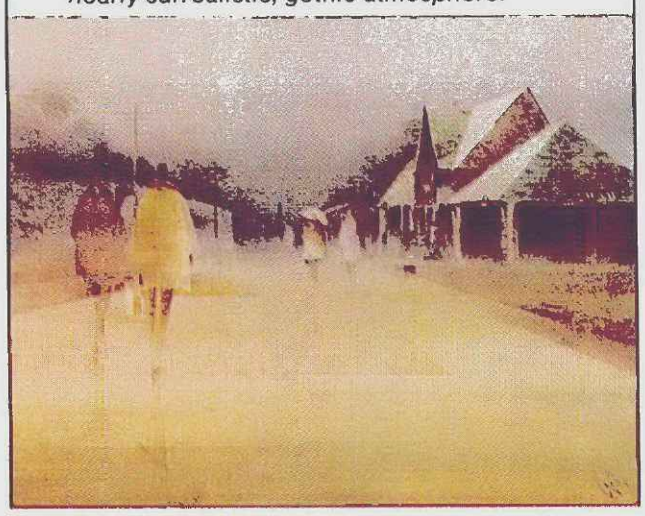
BROAD MULTI-PERIL COVERAGE IN ONE PACKAGE POLICY.



Franklin McMahon saw our depot nestled in one of our marshmallow Wausau winters.

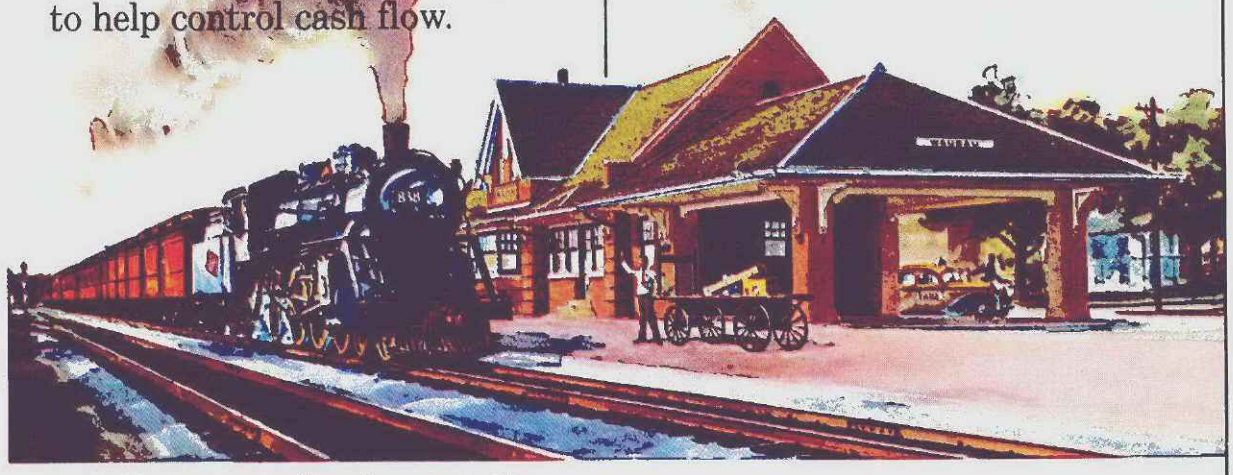
No matter how many ways you see it, there's only one Employers Insurance of Wausau depot. It's been our symbol for a quarter of a century now. Just as unique is our new Trademark Policy. It's a multi-peril package that can provide virtually every business coverage... property, liability, crime, boiler and machinery...in one comprehensive policy.

Win Jones depicted our depot in a muted, nearly surrealistic, gothic atmosphere.



The Trademark Policy makes it easy to tailor protection to fit specific needs, and avoid coverage gaps and overlaps. It covers both real and personal property on an "all-risk" basis. It covers personal property both on and off premises, and can be extended to include property while in transit. It covers policyholder's interest in — and legal liability for — personal property of others in policyholder's care.

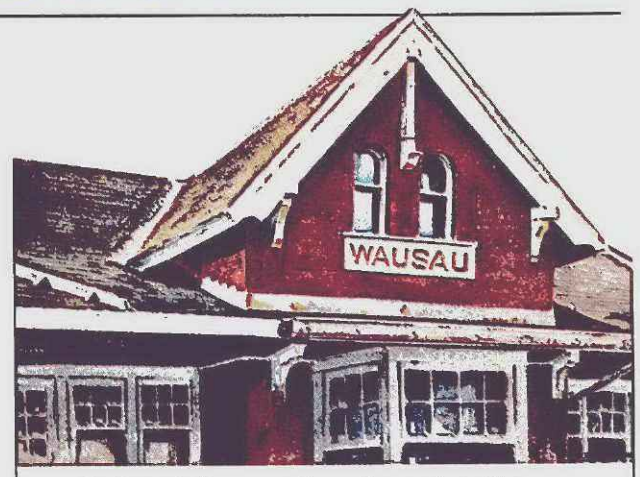
The Trademark Policy permits policyholders to choose their own reporting periods, to help control cash flow.



Gil Reid, who loves railroading, elected to illustrate our depot at work.

It can be customized with a wide range of deductibles. It is a quick, convenient method of writing intra and interstate accounts.

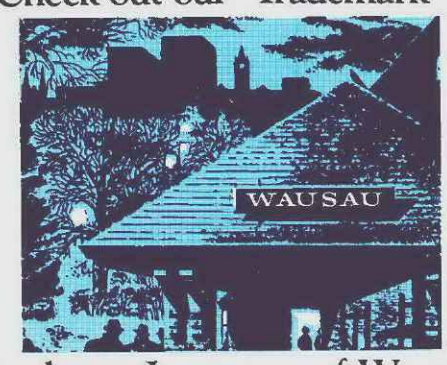
Everett McNear created the original Wausau depot trademark illustration, now recognized worldwide.



Robert Johansen chose to capture the charm of our depot in one architectural detail.

The Trademark Policy is available in most states. For a summary of key points and special features, write Paul Enos, VP-Commercial Property, Employers Insurance of Wausau, Wausau WI 54401.

Check out our "Trademark"



Employers Insurance of Wausau®

Wausau Insurance Companies, Wausau, Wisconsin

Firm denies making car kit named in suit

By JERRY GEISEL

FORT LAUDERDALE—On the sidelines of legal action in a product liability suit filed here, the company named in the complaint denies it ever made the product, even though it has the same name as the firm that did and the plaintiff's attorney is being accused of looking for free advertising.

Florida trial attorney Philip Auerbach has filed a $16.5 million lawsuit on behalf of a teenage girl who was tragically burned in June 1977 when the kit-modified car she was driving exploded in flames after colliding with another car.

The suit charges that the car, made from a kit and built on a Volkswagen chassis to resemble a Mercedes Benz, was a "death trap."

Of the four parties named in the suit, which was filed in circuit court, Mr. Auerbach charges the alleged manufacturer of the kit, Classic Motor Carriages Inc. of Hallandale, Fla., clearly was the most negligent for designing a vehicle that lacked such common safety features as interior door handles that would have allowed the girl to escape the burning car.

But an attorney representing Classic Motor Carriages denies his client made the kit, and says it probably was manufactured by a firm bearing the same name as Classic, but having no direct business ties to his client. Classic Motor Carriages does not have product liability insurance.

Class Motor Carriage's attorney, Irwin Weiner of Ocala, Fla., also charged that Mr. Auerbach filed the suit as a "vehicle to obtain free advertising and publicity for his own law practice" and that he intends to sue Mr. Auerbach for slandering the reputation of Classic Motor Carriages.

Mr. Auerbach did not return repeated phone calls to respond to Mr. Weiner's allegations.

The other Classic Motor Carriages, which also manufactured car modification kits, was owned by businessman George Newman, Mr. Weiner said. In fall of 1977, Mr. Newman was killed in a plane crash.

His father, Irving Mason, took over the operation of Classic Motor Carriages, but because he was in his 70s, he began to take steps to dissolve the company.

Meanwhile, Florida businessman George G. Levin set up a firm called GGL Industries, Inc., on March 8, 1978, and at the end of the month formed GGL Sales Inc., a wholly-owned subsidiary of GGL Industries Inc. In April 1978, GGL Industries bought some molds from Classic Motor Carriages.

On May 2, 1978, Classic Motor Carriages was dissolved and on the same date, GGL Sales Inc. filed for a name change to Classic Motor Carriages, Mr. Weiner said.

When the first Classic dissolved "the name was up for grabs and anyone could have got it," Mr. Weiner said. It made good business sense for GGL Sales Inc. to grab Classic's name since both firms made similar products and Classic was well-known in the car modification kit field.

Mr. Weiner said the two Classic Motor Carriages companies had different owners and there was no exchange of stock, nor did the new Classic Motor Carriages purchase "good will" from the dissolved firm.

Mr. Weiner said the second Classic Motor Carriages could not have manufactured the kit used to build the car in which the plaintiff was injured, since the company did not start operations until May 2, 1978, and the kit was purchased on Feb. 18, 1977.

Mr. Weiner believes the car modification kit may have been manufactured by Tiffany Motor Car Co., of Fort Lauderdale, a now defunct firm, and sold to the first Classic Motor Carriages company when Tiffany ceased operations. Tiffany is named in the suit filed by Mr. Auerbach.

Mr. Auerbach said he may amend his complaint to double the amount of damages sought against Classic and the other defendants. "I think this is going to be the largest single personal injury lawsuit in the United States," he said.

Named in the suit filed July 24 besides Classic Motor Carriages and Tiffany Motor Car Co., was Volkswagen Corp. of America, which manufactured the chassis on which the kit was mounted. Mr. Auerbach said Volkswagen is liable because it should not have allowed its product to be used in an auto replica kit.

A Volkswagen spokesman said the company plans to ask the court to dismiss the suit, adding that the firm doesn't see how the firm could be liable since its car was so drastically altered that it no longer was a Volkswagen. The company is said to have a high self-insured retention for product liability exposures.

Finally, Gem Motor Cars Inc. of Tampa, which allegedly sold the car modification kit to the injured girl's father, is being sued because under Florida law a retailer is strictly liable for the sale of its products even though the retailer had no hand in their manufacture, Mr. Auerbach explained.

Rex Conrad, an attorney representing Gem, was out of town and could not be reached for comment.

According to the suit, in February 1977 John Grubbs purchased a 1970 Volkswagen. About the same time, Mr. Grubbs bought a car modification kit called a Gazelle Deluxe B#113 from Gem Motors.

Following instructions in the kit, Mr. Grubbs transformed the VW so it resembled a Mercedes Benz, Mr. Auerbach said. When the Mercedes-like car was completed, Mr. Grubbs gave it to his teenage daughter, Sybrena Grubbs Merrill, as a birthday present.

On June 10, 1977, Ms. Merrill, while driving the modified car, collided with another car on a county road in Hernado County. Ms. Merrill's car, which according to state police records was traveling about 30 miles per hour, the same speed as the other vehicle, burst into flames when its gasoline tank ruptured.

Mr. Auerbach described his client's injuries as "so gross that I wouldn't let anyone know what happened to her body" until the case goes to a jury.

Mr. Auerbach said Classic Motor Carriages was to blame for the accident because it improperly designed the car. The car was made of non-fire retardant materials and the fuel tank was likely to explode on light impact, he said.

But Classic's attorney Mr. Weiner said there was nothing wrong with the kit and that if anyone were at fault it would be Mr. Grubbs, who failed to follow the kit's instructions in assembling the car. ■

WHAT...REALLY...
IS RISK
MANAGEMENT?

HOW CAN RISK
MANAGEMENT
SAVE
ME MONEY?

WHO
CAN HELP ME GET
STARTED?

WHAT DOES IT COST
TO BEGIN?

If your broker or agent has not answered these questions for you, or has said your business is too small to profit from Risk Management procedures, why not ask us?

Our answers may show you there are less expensive ways to manage your risks than by purchasing conventional insurance.

We're members of an international ARMI (Assurex Risk Management Institute), owned and directed by independent regional insurance brokers located in more than 40 states and 16 foreign countries.

From cash flow plans to self-insurance to captive formation and management, our services are designed specifically for companies paying as little as $100,000 in annual premiums. Yet these same sophisticated techniques, as managed by your Assurex International broker, will serve the needs of even the largest company.

If business insurance premiums have you on the defensive, call in the ARMI today. We've answered some of the most frequently asked questions about Risk Management, like those above, in a brief, informative pamphlet. For your copy just write to us. There's no obligation, of course.

Assurex
INTERNATIONAL CORPORATION

6500 BUSCH BOULEVARD
COLUMBUS, OHIO 43229
614-888-4869

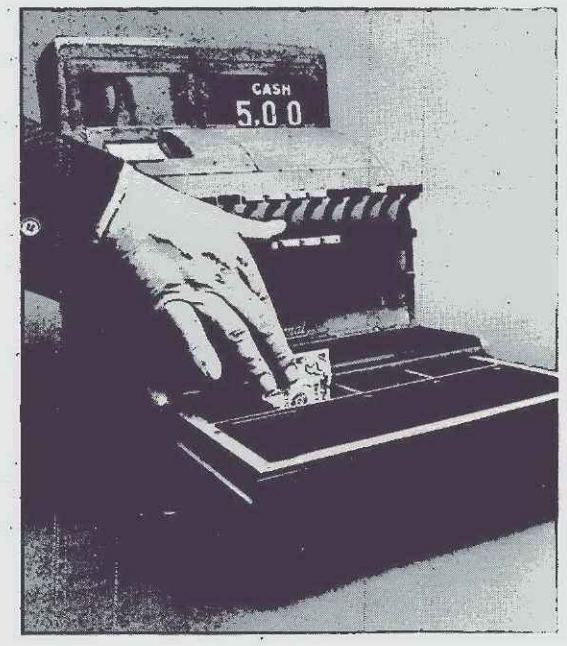
Fidelity bonds from The St. Paul.

Because too many employees don't consider taking from the company stealing.

They may call it borrowing, or feel you owe it to them, or that you just don't pay them enough. But the truth of the matter is, according to the U.S. Chamber of Commerce, employee "borrowing" in America has now risen to $40 billion a year.

That's why The St. Paul encourages you to protect yourself against this costly "fringe benefit." Fidelity bonds from The St. Paul provide protection up to a designated amount from losses due to employee dishonesty. Other coverages such as burglary and robbery are also available.

And we do it for all kinds of independently operated businesses including mercantile, hospitals, insurance companies, manufacturing operations, retail and wholesale firms and maybe your business. Of course, you may feel your employees are above stealing. On the other hand they may just call it something else.



When it costs so little to protect your business why risk it. Make sure your employee bonding program is what it should be.

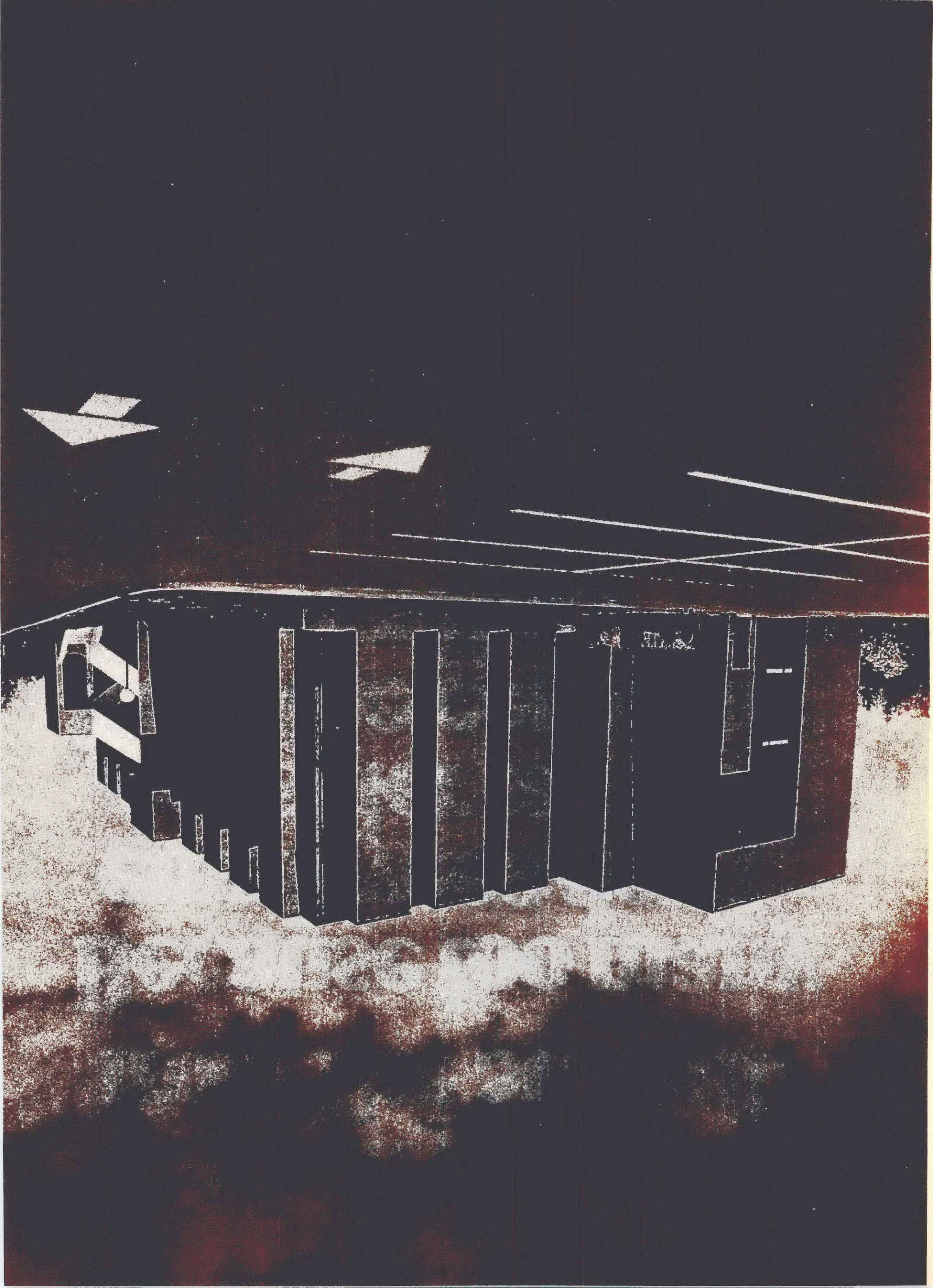
See the Yellow Pages for an Independent Agent representing The St. Paul.

We keep making insurance better. **The St Paul**

Property & Liability Insurance

YOUR Independent Insurance AGENT SERVES YOU FIRST

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



WE'RE SHOWING YOU THIS PICTURE STRICTLY FOR ITS SHOCK VALUE.

There's nothing wrong with this picture.

And there's nothing wrong with this building.

In fact, it's a perfectly good building, in a good neighborhood. Which makes it a very good risk.

What will surprise a lot of people, and shock a lot of other people, is that we insure it.

Because AIG companies have never been known for offering traditional kinds of insurance.

High risk coverages, of course. Unusual. Specialized. Even far out.

But not the standard, everyday kinds of coverages.

Well Commerce & Industry, an important member of AIG, is anything but far out.

C&I writes nothing but standard kinds of coverages. Mainly for preferred risks like manufacturers, department stores, shopping centers, motels, bowling centers, country clubs and condominiums.

We call it our "Not-So-Standard Standard" Policy, and our coverages include All Risk package programs, straight fire and allied perils, and highly protected risk business.

We'll insure better than average risks in any class of business, and we can write your policy just about any way you want it written.

We're the only major commercial insurer with an independent rate filing for all classes of property insurance. So we can evaluate every risk on its own merits (not by the category it's in). And, we'll price it accordingly.

We'll give you a "yes" (or a "no") to a risk within 48 hours. And in many cases, our "yes" will cost you less than anyone else's.

As a member of AIG, C&I also has the ability to offer the capacity and full service facilities that are essential in today's market.

Our "Not-So-Standard Standard" Policy is just one of more than 300 policies AIG offers, through our more than 160 member companies, in more than 130 different countries.

For more information, send in the coupon below.

Now that you've gotten over your initial shock, let us know when you want to do business.

AIG'S "NOT-SO-STANDARD STANDARD" POLICY

Please send more information on Commerce and Industry.

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

Name_____

Firm_____

Address_____ Tel_____

AIG

WE OFFER MORE KINDS OF INSURANCE THAN ANYONE IN THE BUSINESS.

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company.

B113X

DALLAS and TOLEDO

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

ROACH-HOWARD-SMITH
& HUNTER, INC.
1661 Northwest Highway
Garland, Texas 75041
214-840-1300

PICTON-CAVANAUGH, INC.
811 Madison Avenue
Toledo, Ohio 43624
419-241-8211

See our ad on page 6

Exchange syndicate names AIG exec 1st underwriting vp

NEW YORK—As governors of the New York Insurance Exchange wrestle over direct business regulations, the exchange has grabbed its first underwriting vp from the ranks of American International Group.

Robert B. Chasolen, a 28-year veteran of AIG, will join W.J. Management Inc., underwriting managers for the First New York Syndicate Corp., as the senior vp of property facultative underwriting for the exchange.

"The New York Insurance Exchange is an exciting, new venture and I wanted to be a part of it explained Mr. Chasolen, addir that his move to the New York e change was not prompted by ar dissatisfaction with AIG. AI however, refused to comme about losing Mr. Chasolen to th exchange.

The exchange is still scouting th U.S. and foreign insurance ma kets for the staff it will require t start operating.

Critics of the exchange hav charged there is not enough unde writing talent to meet the demanc of a U.S. Lloyd's of London typ operation.

"That's totally erroneous," M Chasolen countered. "It will sin ply require a reshuffling of that ur derwriting talent we have now. Th industry has some fine underwri ing talent afoot in the current sy: tem and with insurance attractin more young people, I don't forese any problems."

G.F. Curtis, president of AAME Inc., Alexander & Alexander wholly-owned brokerage subsid ary in the exchange, agrees wit Mr. Chasolen's assessment of th availability of underwriting talen "There's easily enough talent t fully staff the New York exchange but the talent will be spread thin i the Florida and Illinois exchange ever come through."

Meanwhile, the silence of the ex change governors on the propose regulation for interface betwee the exchange and the New Yor Free Trade Zone is puzzling Ne York insurance superintendent A bert B. Lewis.

"They've been strangely silent, Mr. Lewis noted, adding that he i waiting for more comments fron the exchange's governors befor he decides on the merits of a regu lation proposed by an ad hoc grou of free trade zone insurers.

The free trade zone is a provisio in state insurance law that permit specially licensed insurance com panies to write high premium an certain unusual risks without prio approval on rate and form.

The proposed regulation, whic would require brokers to get rejec tions from as many as eight fre zone insurers before a risk could b directly sold to the insurance ex change, has divided insurance companies and drawn the wrath o brokers (*BI*, Sept. 3).

Exchange board chairman T Vincent Learson said the gover nors haven't taken a position on the proposed regulation and have not even discussed it.

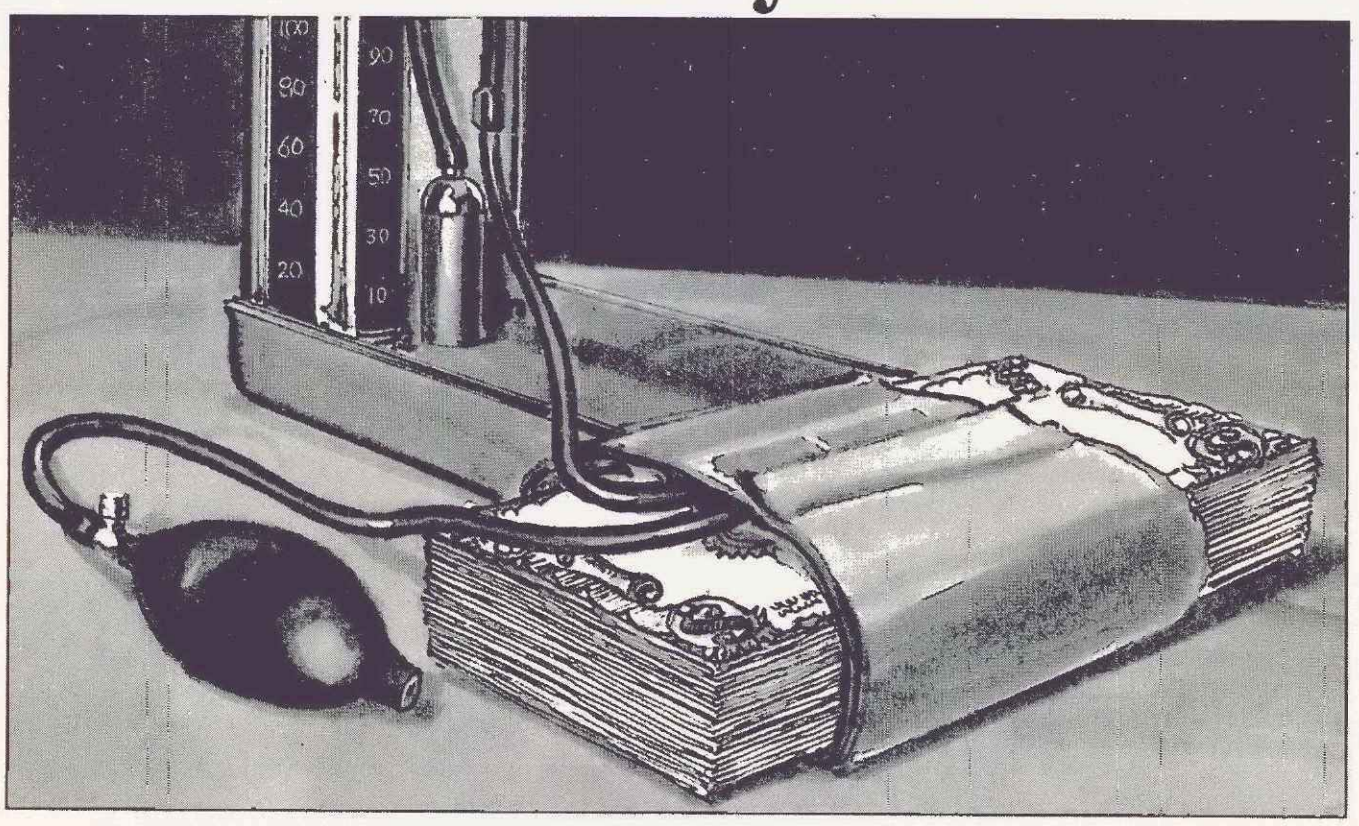
However, four of the underwrit ing members of the board repre sent insurance companies that have taken positions: John Cox o Insurance Co. of North America Joseph Murphy of The Continenta Insurance Co. and Frank Raab o Allianz Insurance Co., whose firms oppose the proposed regulation and American International Group's M.R. Greenberg, whose firm supports it.

In addition, the two broker mem bers, David Holbrook of Marsh & McLennan and David Winton of Johnson & Higgins, oppose the proposal.

Mr. Lewis noted that there are numerous approaches to the ques tion of how risks could get from the free trade zone to the insurance ex change and that the issue is "not close to resolution." He reiterated his opposition to allowing the ex change to compete freely with li censed insurers for direct risks. ■

The Corroon & Black Business Insurance Checkup:

It helps you control inflationary costs.



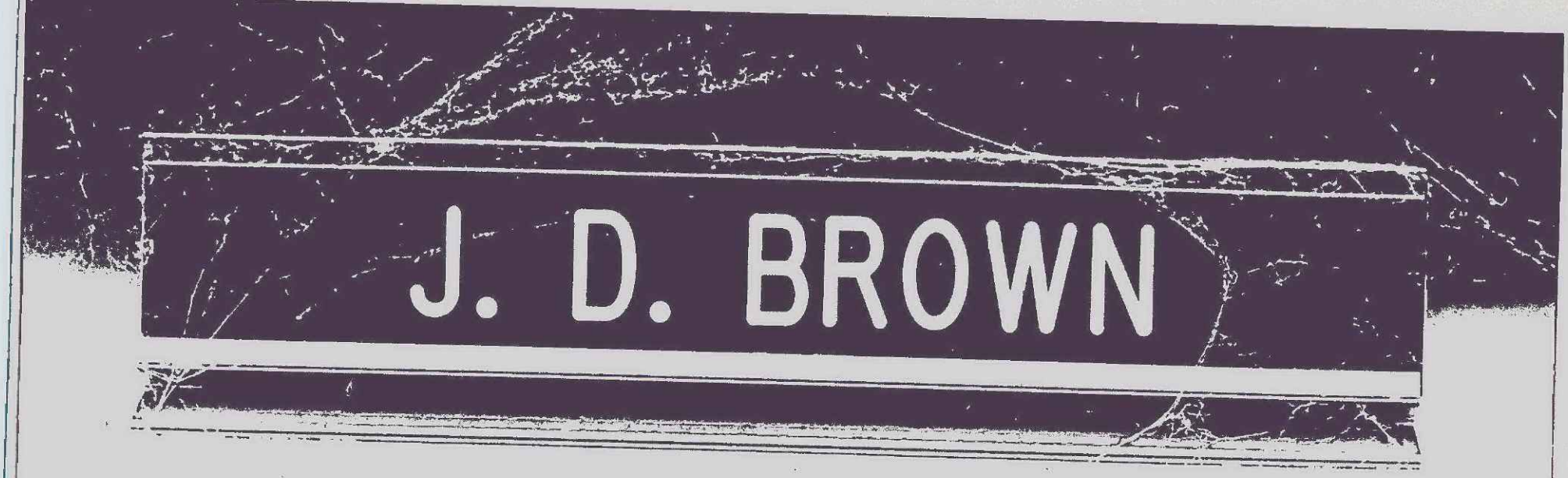
Does your company pay too much for too little insurance coverage? Are you adequately covered for today's inflation-packed replacement costs? A Corroon & Black checkup can tell you exactly what you need. We're one of the world's top ten insurance brokers. And one of the fastest growing, too.

From customer order to consumer use, we'll diagnose all the potential risks for your business. Measure the financial impact of each. Formulate a policy for controlling it. And prescribe a total risk management program to match your company's needs exactly. It's the approach Corroon & Black has used successfully for seventy-five years, for companies of all sizes — all over the world.

The Corroon & Black team is ready to go to work for you. Make an appointment now. It costs nothing, but it could save you a lot.

For a Complete Checkup,
call Richard M. Miller, President, toll-free at 800-221-7024
(In New York, call collect 212-363-4100)

Corroon & Black
Wall Street Plaza, New York, New York 10005
Offices Nationwide and Worldwide



How many people are you paying to gather dust?

When people can't work due to an illness or accident, it's our job to help get them back in the job market again. It is a job that calls for thoroughly trained professionals with great sensitivity to the many areas involved in rehabilitation.

We're Crawford Rehabilitation Services, Inc. Established in 1972, we now provide rehabilitation services through our nationwide network of offices, conveniently located near metropolitan area centers. Each of our offices has highly qualified and experienced personnel whose professional expertise is concentrated in providing: 1. Vocational evaluation and testing; 2. Counseling; 3. Labor market surveys; 4. Selective job placement.

Through such a program we can determine what people can do, despite any disability, and then try to find a way to return them to their original jobs or suggest ways to modify a job to make it less demanding. If that is not feasible, we direct them in securing work with other employers.

Many, many valuable individuals—who otherwise may have been left to gather dust through unemployment—have been returned to healthy productive lives in the labor market through our services. This also has saved a great deal of money for those who were involved in supporting the unemployed individual.

So if you happen to be involved in workers' compensation, long term disability, or other programs involving disability coverages, our services could save you a lot of money. For complete details, just write: Crawford Rehabilitation Services, Inc., P.O. Box 5047, Atlanta, Ga. 30302. **Crawford Rehabilitation Services, Inc.**

'Creative' rating methods cut liability premium costs

By STUART EMMRICH

NEW YORK—Risk managers looking for ways to cut the cost of product liability insurance may be able to accomplish that feat by devising novel rating methods.

Creative risk managers could face opposition from some intransigent brokers and underwriters, but they might also duplicate the success of Wallace Cross, risk manager of Materials Research Corp. He cut his 1978 premium 20% by getting his insurer to base premium rates on the weight of precious metals sold, rather than on the traditional standard of gross revenues.

And Mr. Cross apparently isn't alone.

Henry Shelby, manager of employe benefits and insurance at Piedmont Natural Gas Co. in Charlotte, N.C., has convinced the company's primary liability insurer to rate the company's exposure on its workers compensation payroll base rather than revenues and gross gas sales. Gross sales have been ballooning with the price of gas. Payroll growth is a better reflection of the company's growth and increased exposures, he explains.

Now Mr. Shelby is also trying to convince the firm's excess insurers to switch to a new rating method. "The number of customer accounts or meter sets—or on the length of piping systems—would be a good demonstration of our exposure." He's been trying to sell the excess insurers on the idea for three years and is plugging away again during his current renewal.

The approximately 200 members of the Independent Bakers Assn. could probably save up to 15% or 20% on various lines of insurance through a program that computes premium rates on pounds of flour used, rather than on sales.

The push by risk managers to change the standard method of charging premiums as a percentage of gross sales has come in response to both increasing inflation rates and a feeling that dollar sales are not always an accurate reflection of a company's risk exposure.

"Product liability based on sales volume is not an equitable way to judge what you are really producing. Two bakers can produce the same amount of bread, but because of price differentials based on geographic and other market reasons, their dollar volume can be quite different, even though the actual exposure can be the same," complained Richard Fink, corporate secretary of Fink Bakery Corp. of Long Island City, N.Y., and chairman of the insurance committee of the Independent Bakers Assn.

The belief that traditional ways of computing insurance premiums were not fair led the association to endorse a program proposed by New York broker Foa & Sons.

Although just a small number of the members have signed up for the program in its first few months, Mr. Fink said a substantial number are expected to join once their current policies expire.

Mr. Cross didn't have a broker suggest to him that he might want to change the method of paying insurance premiums; he had to dump his old broker who opposed the idea and scout for someone more open to the suggestion.

As risk manager for the Orangeburg, N.Y.-based manufacturer, Mr. Cross said he was frustrated at watching galloping inflation of metal prices drive up the cost of insurance premiums, even though actual sales did not increase at the same rapid rate.

MRC manufactures equipment fabricated from precious metals and used by the electronic and semiconductor industry. In a recent year when gross revenues jumped 50%, Mr. Cross said 85% of that increase was caused by the base price of the precious metals and just 15% was the result of increased product sales.

So he wasn't too happy about seeing premiums go up 50%, even though his actual exposure—"the output of metals"—went up just 4%.

But when the broker for Materials Research rebuffed a suggestion that some change be worked out in the way premiums were computed because he "didn't want to deviate from the standard of sales dollars," Mr. Cross decided it was time to do a little shopping.

What he found were two brokers that agreed to place his product liability insurance with premiums based not on gross revenues, but the weight of precious metals sold in 1978 over 1977. Mr. Cross said that if he had stayed with his previous broker and paid a premium based on revenues, he would have been shelling out $20,000 for the 1979 policy, instead of his present $15,000.

The new insurance program was brokered by Great Bay Brokerage of Yonkers, N.Y., and Gildersleeve Agency of Central Valley, N.Y. It is underwritten by Commercial Union.



Wallace Cross was frustrated at the way inflation of metal prices drove up the cost of premiums even though sales did not increase at the same rate.

Mr. Cross took it upon himself to find a new way to pay for product liability insurance because he "couldn't stand the prices, the distortion of the market. Prices were just going out of sight," he said.

But it wasn't until the product liability market started softening last year that he was able to find any brokers willing to talk about a tailored plan.

Now, however, Mr. Cross said he increasingly hears from other brokers who are putting together similar programs for their clients.

"It makes sense to me. This method more truly reflects the exposure to the insurance carrier," he said. ■

INNOVATIONS FOR

PERSONAL LINES

Easy-to-sell because they're beneficial to you and your client...

Custom Auto, a progressive auto premium rating system...

CU-matic, a convenient installment payment plan...

Custom Formula, a three-year profit-sharing and agency agreement.

COMMERCIAL LINES

The Independence Program...a new relationship between CU and its agents who have earned greater authority to underwrite, rate, quote and price commercial business.

EDUCATION

Since 1945, our School for Agents has prepared independents to be top-notch professionals. The tradition continues. We've expanded our curriculum and acquired a 100-room facility on a 53-acre estate--an ideal setting for profitable study.

CURM

Working in cooperation with the National Accounts Division of Commercial Union to provide your clients with individualized risk management service backed by supportive insurance and cash preservation plans.

Firm splits work comp refund with workers

By MARGARET LeROUX

ASHLAND, Ore.—Employes of a wood products manufacturer here are the beneficiaries of a safety incentive program that rebated almost 90% of their employer's workers compensation insurance premium for the past two years.

Seventy employes of Parson's Pine Products shared a refund of $89,000 on a $100,000 premium paid to the State Accident Insurance Fund last year "and it looks like the rebate will be even larger this year," said Jim Parson, owner of the company.

Parson's is on a retroactive plan with the state of Oregon which charges employers $1.20 for every $1 paid in workers compensation claims filed against them during the policy year.

"I was tired of the high cost of insurance—our accident rate used to be so high, we'd get back very little of the premium we paid," Mr. Parson said.

"Three years ago I told our employes: I'll give you back half of our workers comp premium refund and if the company is in a good financial position, I'll give it all back."

That first year, accident costs dropped to 5% of what they had been and Mr. Parson kept his word; each employe received $1,100. Last year there were even fewer workers compensation claims filed by Parson's employes. The cost was 2% of what claims had cost the company before the incentive program and the refund to each employe was $1,400.

Because of the cash incentive program, peer pressure among employes to avoid accidents and not to file false workers compensation claims is very strong, Mr. Parson said. "Employes know it's their money and they don't want to waste it."

Parson's used to have one of the highest accident rates among Oregon industries, "but we've turned it around," he notes proudly.

Although the incentive program hasn't cut Parson's costs, the company owner said he willingly pays the $100,000 workers compensation premium and distributes the refunds to the workers because the amount is offset by increased productivity.

While others in the building materials industry are gearing down for a recession, Parson's profitability is good, he said.

The company is the world's leading manufacturer of wooden louver slots and wooden bases for mouse and rat traps.

Another incentive program at Parson's is a well-pay program that gives employes an extra day's pay for every month in which they take no sick days off.

Mr. Parson said he's sure the well-pay program has affected the company's group health plan insured by Aetna Life & Casualty, "but it's hard to put a finger on an exact amount."

He estimated the annual premium for the group health plan to be $25,000.

"I review our health plan every year to see if the average premium per person is costing us more to insure than it would cost to self-insure," Mr. Parson said. So far self-insurance has not seemed the best economic choice.

The results of what he calls "a positive approach" to employe safety and health have generated inquiries from a wide range of manufacturers. Answering phone calls and letters from Fortune 500 companies has become part of the wood products executive's daily routine.

The workers compensation claims administrator for a giant New York-based corporation argued, "You can't condition people not to have accidents by promising them money," Mr. Parson related.

"You certainly can," Mr. Parson told him. "We've done it."

"Lack of productivity is one of the biggest problems facing business in the U.S. today," he continued, "and we've solved that problem with incentive programs."

The bottom line is dollars and cents, Mr. Parson concluded. "You've got to make it more profitable for employes to work than not to work."

Extending his "positive approach" to other employe benefits, the wood products executive provides free fruit as an alternative to vending machine snacks at break time.

Parson's employes also have use of a rototiller and chain saw and are encouraged to plant gardens and saw their own wood for fireplace burning.

Mr. Parson considers these perks to be good investments. "We seem to have healthier and happier employes than any others in the wood products industry," he said. ■

Reliance cancels agency contracts

TRENTON, N.J.—Following the lead of the Kemper Group, Reliance Insurance Cos. has canceled 111 agency contracts in this state and offered brokerage agreements to commercial agents licensed as brokers in New Jersey.

The insurer cited personal auto losses and raises as reason for the cancellations, echoing the Kemper Group complaint.

The Professional Insurance Agents of New Jersey, however, has advised its 1,200 members not to sign brokerage agreements until a special association task force has studied the issue. Agents may forfeit valuable renewal rights if they accept the brokerage offers. ■

THE 80's...AT CU

LIFE

Add Life to your business. Be more competitive with CU's easy-to-sell non-smoking discount on most plans. New Flexible Premium Annuity. Liberalized underwriting rules. Combined homeowner and Life application. That's Life... at CU.

AGENCY AUTOMATION

CU will make agent and company computer linking a reality this fall. We recognize the sophistication of agency-owned computers and will interface them with the company.

CUPAC

Maximize cash flow for your agency and your clientele of Business Owners, Corporate Insurance Managers, Controllers and Treasurers with premium financing for all property and casualty insurance coverage needs.

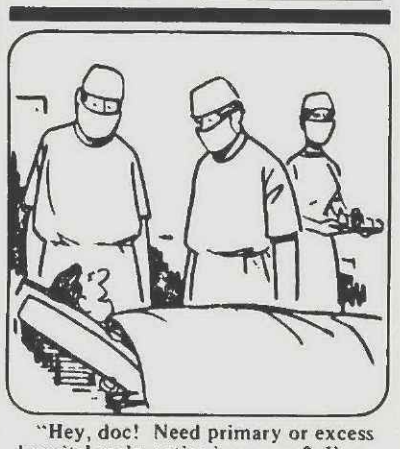
Commercial Union... leading the way into the 80's with products, services and ideas created to meet the demands of the future.

For a sneak preview, stop by our booth for a live demonstration of how Agency Automation will work for your agency.

YOUR Independent Insurance AGENT

CU Assurance

Commercial Union Assurance Companies
One Beacon St.
Boston, MA 02108



"Hey, doc! Need primary or excess hospital malpractice insurance? I'm in the business!"

Specializing in
Hospital Malpractice
Product Liability
Municipal Public Liability
Kidnap-Ransom
Captive Insurance Programs

DC THE DAMA COMPANY INCORPORATED
1070 Thomas Jefferson St., N.W.
Second Floor
Washington, D.C. 20007
Telephone: 202-342-0600

editorial opinions

Give buyers more facts

BUYERS ARE sometimes bilked by shifty excess/surplus brokers. We'd like to be able to say all excess/surplus operators are honest as the day is long, and we've no doubt this is true of the vast majority, but when the standard markets are tight and the excess/surplus markets are booming, the scandals seem to emerge with frightening regularity.

No business is immune from opportunistic crooks, although problems in the excess/surplus brokerage business may be compounded by the nearly total lack of regulation and information available in this specialized field.

Since the early 1970s, there's been a steady stream of problems with specialty brokers acting as intermediaries.

Back in mid-1973, ex-con Carl Brown of Bank of Sark fame was found to be marketing his services as an excess/surplus lines broker in St. Louis under the name of Intercontinental Market Masters, using a post office box, an empty rented office and a nonexistent phone number.

Though there were never any legal actions, it was no secret that Allen Miller & Associates in San Francisco got Unigard Mutual of Seattle into a bundle of trouble in 1974 and 1975 when Allen Miller acted as an MGA for Unigard and an excess/surplus broker for other insurers. Not long after, the story emerged about New Jersey reinsurance broker Pritchard & Baird, and the disappearing premiums.

The Sasse Syndicate at Lloyd's is currently in financial trouble because of highly questionable business produced by E/S specialist Den-Har Underwriters of Florida. A year ago, Donald Kubovchik made off with $1.2 million in premiums while he was working for Associated Underwriters in St. Louis. And in the last few months, Martyn Hall of H&A Associates in Tacoma was caught allegedly doing the same thing, with a lesser $500,000 in customers' money involved.

Few businesspeople want more government regulations, even if they're designed to protect the innocent. What, then, can risk managers and corporate insurance buyers do to lessen the chances they'll get tangled up with somebody shifty in the excess/surplus business?

The only kind of regulation we consistently favor is information. Consumers, both business and individual, should be capable of informing themselves adequately to make educated buying decisions, given the right data about the suppliers of goods and services with whom they deal.

But there's an appalling lack of information about excess/surplus lines brokers. We're trying to change all that by publishing a directory of these businesses, but we find some E/S brokers don't want to share the information our readers want. Hundreds, perhaps thousands, of tiny E/S firms spring up overnight, wanting to handle the risks of some very substantial operations. Buyers need to be able to gather background on these people and their track records. Otherwise, who's to know if they'll still be in business next week or next month?

Even if buyers ask the retail broker involved in a placement about an excess broker being used, the retail broker is unlikely to know any more about the excess broker than what his own experiences with the E/S specialist have been.

Without burdening the insurance industry with another heavy layer of regulation, state insurance departments should require simply that all excess/surplus brokers file annual statements giving the following certified and audited data:

- Premium volume for latest year;
- Commission and fee volume;
- Specialty lines written;
- Insurers/markets represented;
- States in which the firm is licensed;
- Names and background information on the career histories of the firm's principals;
- Names of five retail brokers and five corporate customers with whom the firm has worked, as references;
- Paid-in capital of the firm;
- Assets and liabilities of the business.

A rule requiring excess/surplus brokers to file this information wouldn't add a lot of cost or red tape. The information should simply be made available to retail brokers and buyers on demand. Nor would such a requirement thwart the entrepreneurial nature of the excess/surplus business.

We don't want to see excess/surplus brokers chained by regulation, but neither do we want to see buyers' money walk away in handcuffs. Better information would result in a more educated—and an effectively self-regulating—marketplace.

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.

Second opinions

To the editor: Re: Editorial opinions in Aug. 20 issue: "Second opinions untapped."

A voluntary second surgical opinion program will never succeed if it is not properly marketed to the employe population. It has to be sold as an additional benefit, at no cost to the employe, and not as a cost saving mechanism.

In any marketing effort, the points to stress are:

- Any surgery may be dangerous.
- Emergency surgery is often necessary.
- Elective or non-emergency surgery may not be necessary.

If the marketing efforts for a voluntary program are left to Blue Cross with its hospital constituency and Blue Shield with its physician constituency, they will never succeed.

To be successful, second opinion surgical programs should be mandatory because patients in most cases are hesitant to go against their doctor's opinion. A mandatory program enables the patient to say: "I *had* to get the second opinion."

Samuel X. Kaplan
President, U.S. Administrators Inc., Los Angeles, Calif.

Article unfair

To the editor: The article in your Aug. 6 issue by Robert Wilson, president of Corporate Risk Management Inc. of Hinsdale, Ill., entitled, "Measure your broker's performance against standard service guidelines," is an insult to every responsible agent and broker in the country.

Although there are certainly cases where service is poor, every insurance buyer has the option of going elsewhere when such is the case. But to tar everyone in the business of selling insurance products with the same brush is grossly unfair, and just a little bit stupid.

I think it is fair to assume that Mr. Wilson's knowledge of most brokerage and agency operations is quite limited.

Mr. Wilson seems to take the attitude taken by so many so-called "consultants" that no one in the insurance business in America is doing a good job unless they are following the gospel as preached by them. I offer a suggestion that there are thousands of independent agents and brokers throughout the country who are doing as good or better job than could Mr. Wilson under identical circumstances.

Although Mr. Wilson lists all the alphabetical litter behind his name which often serves as a substitute for formal education, he has no right to offer so damning a criticism of the services of most brokers and agents without offering specifics or moderating his criticism by pointing out that this is not a universal situation.

Recently, I have come across a number of "consultants" like Mr. Wilson who worm their way into the offices of firms offering to show them a better way to handle their insurance. What is often not said is that, in addition to reviewing and consulting on insurance programs, the so-called consultants will also place the client's insurance coverages and in effect work both sides of the street.

This practice is becoming universal and is a reflection of the duplicity of many who hold themselves out as consultants. This is not to say that all, including Mr. Wilson, fall in that category. It is merely to point out the fact that this type of irregularity of practice exists, which, I assume, is what Mr. Wilson was attempting to do in writing his article about agents and brokers.

P.J. Mills
Executive vp, Leon Irwin & Co. Inc., New Orleans, La.

Editor's note: The bylaws of both the Insurance Consultants Society and the Institute of Risk Management Consultants prohibit their members from engaging in insurance brokerage activities. Mr. Wilson, not qualifying for membership in either group, however, acknowledges that he does some brokering of insurance as part of his practice, earning a fee from the client rather than a commission on the business. But he isn't ignorant about how agents and brokers operate, having been in the insurance business for 23 years, the most recent 11 years as a senior executive of a brokerage firm.

Sprinkler savings

To the editor: Your July 23 issue carried an article entitled "Premium cuts don't cover sprinkler costs," written by Stuart Emmrich, which not only shows a Grinnell sprinkler but also quotes a Grinnell employe.

Grinnell has been the leader in fixed fire protection systems since the turn of the century and we would not knowingly lend our name to an article which, from our standpoint, is totally incorrect.

Mr. Percival, who according to the article is the sales manager of Grinnell Fire Protection Systems Co. Inc., was certainly quoted out of context. Mr. Percival's title is national sales manager, GEM Sprinkler Co., a division of Grinnell Fire

Continued on page 128

business insurance

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

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

MRS. G. D. CRAIN JR. *chairman of the board*
S. R. BERNSTEIN *chairman, executive committee*
RANCE CRAIN *president and editorial director*
KEITH E. CRAIN *secretary-treasurer*
DAVID J. CLEARY JR. *senior vp-group publisher*
ALFRED MALECKI *vp-publisher (New York)*

SUSAN ALT, *ARM, CPCU, editor* KATHRYN J. McINTYRE, *managing editor*
LEN STRAZEWSKI, *features editor*. JERRY GEISEL, *Washington editor*. VALERIE J. BERG, *copy editor*. *Associates: New York*—STUART EMMRICH, ELLIS SIMON. *Los Angeles*—CLIVE HALLETT, *Chicago*—JOHN MAES, MARY ELLEN McKEE, PHYLLIS GALLAGHER (asst.). MERRILL SALTZMAN, *editorial production chief*. JOE FARACI, *Art director*. *Correspondents: London*—JOHN MILLER (01) 946-4215. *Seattle*—HARRIET KING (206-888-2340). *San Francisco*—MARGARET LeROUX (415-525-5082). *Proofreader*: ARLINE LARSON. *Editorial typist*: SHAUN WESTBROOK.

DONALD A. WALSH, *Advertising Director (New York)*
ROBERT L. NIESSE, *Midwest Sales Manager (Chicago)*

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, KEITH T. GALLAGHER. *Chicago*—DON MAHLMEISTER, *Assistant to Advertising Director: Los Angeles*—LORI WEINSTEIN. *Production manager: Chicago*—FRAN PRYBYLO. *Promotion manager: New York*—RONNIE I. DRACHMAN. *Assistant to the publisher: Chicago*—CELIA MALOUHOS; *New York*—JOYCE BAIDA.

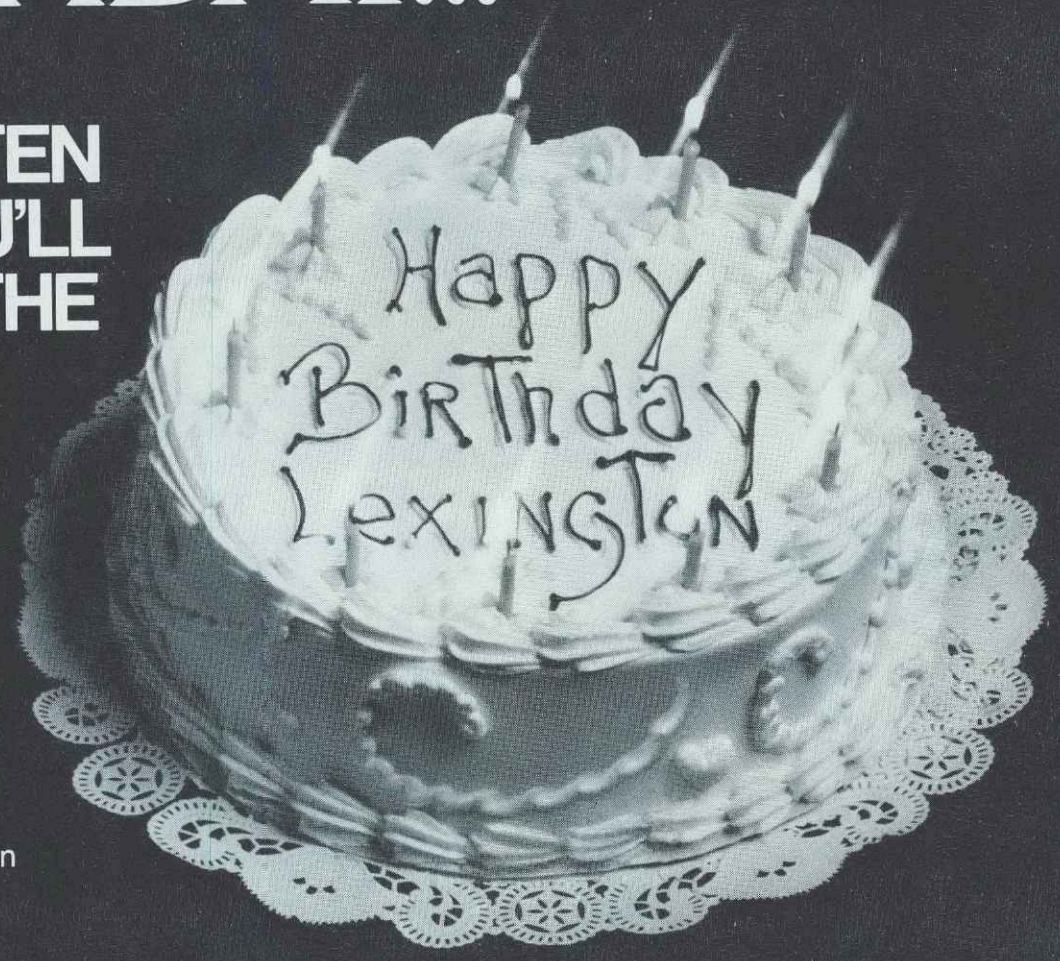
Published by Crain Communications Inc., Chicago, HERBERT ZELTNER, *group vp*; ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, *vice presidents*; JAMES M. FRANKLIN, *vp-finance and administration*; MERRILEE P. CRAIN, *assistant secretary*.

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

BPA Member of Business Publications Audit of Circulation ABP

IT'S THE LEXINGTON'S 10th BIRTHDAY...

...AND WE'VE GOT TEN REASONS WHY YOU'LL WANT A PIECE OF THE CAKE.



1 We're one of the largest, most respected excess and surplus lines insurers in the business. That's only one reason why more and more brokers are coming over to The Lex for a piece of the cake.

2 We've been able to accomplish all this in just ten years, at an average annual written premium growth rate of more than 25%. A pattern unmatched in the insurance industry.

3 We write commercial property, casualty, marine and special accident. Large or small, existing products or ones we can develop. Railroads, mining operations, satellites, amusement parks and much more. And we write the less exotic risks, too.

4 Our comprehensive coverages are built on, added to, filled in, wrapped around and layered over. We give peace of mind to many of the Fortune 1000 accounts, and countless others.

5 Our success is due, in great part, to our service. We look at each risk as an individual risk—regardless of class. And we give quick turnaround time on quotes.

6 We have the capacity and stability to take risks when covering risks. We're respected throughout the industry for our underwriting credentials, as an independent member company of American International Group.

7 There are no fixed rates, because we don't use a rate manual; we can tailor a form to your client's specific needs.

8 We deal exclusively through excess and surplus lines brokers. But *all* agents and brokers are welcome to place business with us through such brokers.

9 We like to say yes to a submission. Flexibility is a basic ingredient in our corporate philosophy. Our record of growth shows that our philosophy works.

10 And we're competitive! For further details, send for our FREE booklet on The Lex. Just fill out this coupon.

The Lexington Insurance Company
Dept. BI, 100 Summer Street, Boston, Mass. 02110

Happy Birthday, Lex! Please send me your FREE booklet about all your coverages and programs.

Name _____ Title _____

Company _____ Phone _____

Address _____

City _____ State _____ Zip _____

KANSAS CITY and BUFFALO

. . . are first lines of defense against spiraling insurance costs. To call in the ARM . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

THE GILBERT-MAGILL COMPANY
911 Main Street
Suite 2400
Kansas City, Missouri 64199
816-474-3535

LAVERACK & HAINES, INC.
135 Delaware Avenue
Suite 300
Buffalo, New York 14202
716-852-3065

See our ad on page 6

16 states investigate unlicensed N.J. insurer

NEW YORK—The insurance departments of New Jersey and approximately 15 other states are investigating the questionable dealings of the Somerset Insurance Co., warning potential customers to steer clear of the firm.

Somerset, which apparently has been writing performance bonds around the country in the past year, was incorporated in the Virgin Islands but never received a certificate of authorization as an insurance company, New Jersey officials said.

New Jersey courts have issued a temporary injunction to stop the company from writing business in the state and insurance department officials are taking legal action against it on the grounds that Somerset has been operating in the state without a license.

"They don't have a license in New Jersey, there's no doubt about that," a department spokesman said. "They have no business doing anything in this state."

The spokesman said company officials could face fines of up to $1,000 for each count and three years in jail if they are ultimately found guilty of illegally doing business in the state.

Company officials at the Cherry Hill, N.J., offices said they had no comment on the insurance department charges. Owner Alex Feinman was said to be on vacation for the past month—ever since the injunction was handed down by the courts—and associates siad they did not know particulars about the license dispute.

Although the company has been ordered to stop doing business until the legal questions can be cleared up, New Jersey officials say it doesn't appear that Somerset has been heeding that warning.

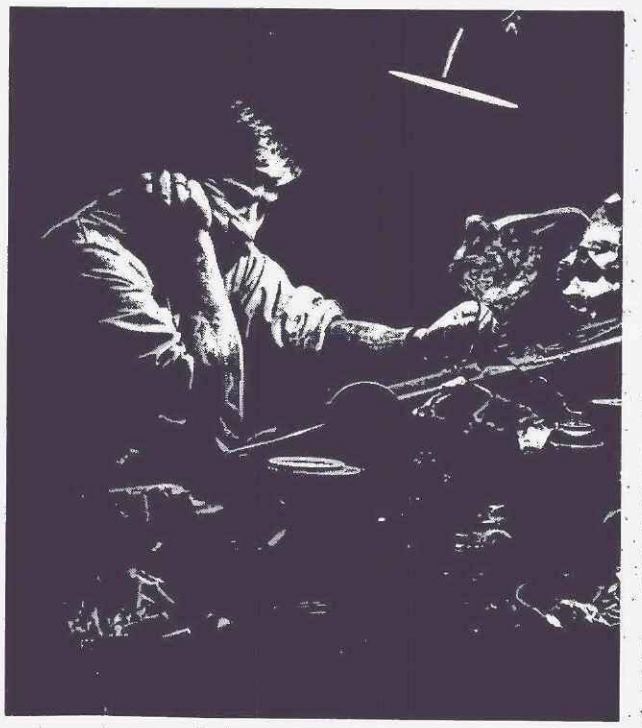
"We just heard this week that Alex Feinman was in Miami writing some policies," an insurance department spokesman said.

The company's financial operations and the extent of business it wrote around the country are still unknown to regulators. The New Jersey insurance department and the state attorney general are investigating and a hearing is scheduled Sept. 17 in Trenton for which the company must release its records or risk a contempt citation.

The state investigation started in April when a New York exporter called the New Jersey insurance department to ask about Somerset, which had apparently offered him a bond on one of his shipments. When the department checked its files, it found that the company had never been licensed to do business in the state.

Since then, the New Jersey department has received similar inquiries about the company from various firms in California, Oregon, Colorado, Texas, Florida and Kansas. The states of Delaware and Nebraska have also issued official warnings against the company, charging that Somerset operates in those states without a license. ■

Man has yet to invent the all-purpose fire and smoke detector.



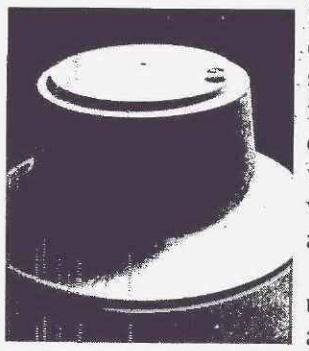
Perhaps someday he will.

But the fact is, no one detection system works best for every type of fire. In every type of environment.

That's why Fenwal has pioneered and developed so many different types of detectors. From the simplest to the most sophisticated, we offer the widest selection of any manufacturer.

A NEW GENERATION OF SMOKE RESPONSE DETECTORS

With the introduction of new ionization and photoelectric smoke detectors, Fenwal continues to bring you the most up-to-date technology available. The CPD 7010/7011 dual chamber ionization detectors and PSD 7110/7111 photoelectric units are nonpolarized and feature low current, two-wire design for ease of installation and lower power consumption. Adjustable sensitivity allows you to individually match the detector to its location, while flashing LED provides visual indication of power and alarm status.



An added plus is the universal, mounting base and locking feature. To replace or change from one detector to another, you merely twist out one and twist in another.

And to top it off, you get a 5-year warranty with these new Fenwal smoke detectors.

Our reliable DETECT-A-FIRE® thermal sensor offers advantages found nowhere else. Its rate compensated design has made it unique among thermal detectors in performance and reliability. These units are still the most popular extinguishing agent releasing devices sold today.

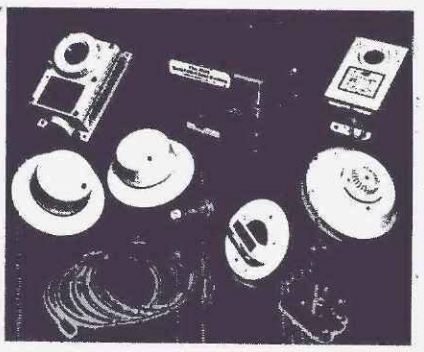
Fenwal ultraviolet detectors respond at the blink of an eye when a fire is present. They are ideal for applications where flash fires may occur, to release suppressants instantly for the fastest reaction available.

The CFD (Continuous Fire Detector) is a line type thermal sensor widely used in critical aerospace applications.

WE DON'T PLAY FAVORITES

Fenwal doesn't specialize in any one type of detection system. We make them all. And when better detectors are built, Fenwal will build them.

Our specialty is making each type of unit work reliably and efficiently. Which is something we've had 30 years of experience doing. Fenwal detectors are FM approved or UL listed. All meet or exceed the requirements of commercial and industrial applications.



For more information about the broadest line of fire and smoke detection systems in the business, call (617) 881-2000. Or write Fenwal Incorporated, Ashland, Massachusetts 01721. A Division of Walter Kidde & Co., Inc.

FENWAL®

Nobody in the world has more experience in fire and explosion protection systems.

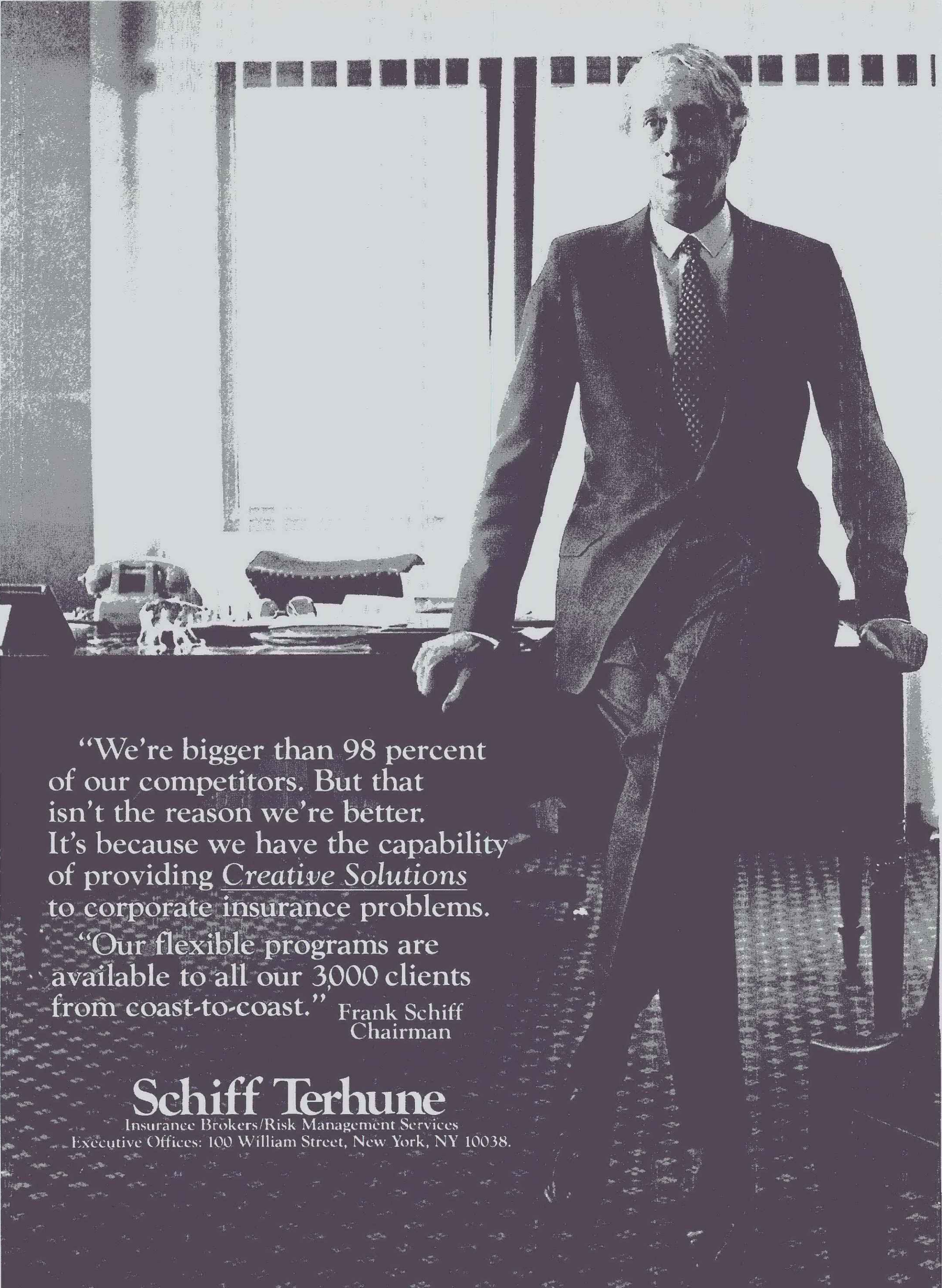
Browne elected vp of RIMS

NEW YORK—Donald T. Browne was elected vp/finance and treasurer of the executive committee of the Risk & Insurance Management Society following the resignation of his predecessor, William K. Hopewell.

Mr. Browne is vp and manager of the insurance division of First National Holding Corp. in Atlanta and president of its credit life underwriting subsidiary, First Financial Life Insurance Co. He is responsible for corporate risk management as well as all income-producing insurance programs. Before joining First National in 1972, he was vp and insurance agency manager of Tharpe & Brooks Inc. in Atlanta.

The new national vp is a member and past chairman of the insurance committee of the Assn. of Bank Holding Cos. He is current chairman of the insurance and protection division of the American Bankers Assn. as well as a faculty member for its "Risk and Management in Banking" and credit-related insurance seminars.

Mr. Browne is a past president and director of the Atlanta chapter of RIMS. He chaired the risk management program for the 1979 RIMS conference. ■



"We're bigger than 98 percent of our competitors. But that isn't the reason we're better. It's because we have the capability of providing *Creative Solutions* to corporate insurance problems.

"Our flexible programs are available to all our 3,000 clients from coast-to-coast." Frank Schiff
Chairman

Schiff Terhune

Insurance Brokers/Risk Management Services
Executive Offices: 100 William Street, New York, NY 10038.

Insurers design LTD plans to cut cost of older workers

By ELLIS SIMON

NEW YORK—Three major underwriters of long term disability insurance are offering special plans that they say can cut the cost of complying with federal mandates governing disability benefits for workers over 65.

The plans are being touted as alternatives to the way the Labor Department has suggested employers handle the benefit to comply with the Age Discrimination in Employment Act.

The Labor Department suggested employers provide LTD benefits to workers over age 65 for either five years or until they reach age 70, whichever is less.

But the insurance companies—Unionmutual Life Insurance Co., Metropolitan Life Insurance Co. and Mutual Benefit Life Insurance Co.—say their less costly approaches can also satisfy the ADEA requirements.

Costs of providing recently mandated equitable benefits to pregnant employes, however, also are not expected to be high, the insurers say.

Union Mutual and Metropolitan offer a variable duration schedule for LTD benefits for older workers, providing benefits on a scale of five years for a 60-year-old to one year for a person age 69 or older.

Mutual Benefit offers an option that pays benefits for three years or until the person reaches age 65, whichever is greater, for persons between 60 and 65, and pays benefits for two years or until age 70, whichever is less, for someone between 65 and 69.

Metropolitan has a third option that provides benefits for one year or until the person reaches 65, whichever is greater, for persons between 60 and 65 and for one year for persons between 65 and 69.

Federal regulations on compliance require that benefits provided for persons between 65 and 69 be equivalent in cost to those provided for persons between 60 and 64, said William G. Poortvliet, Metropolitan actuary and vp.

Thus, rather than reduce the gross benefit paid, an employer can reduce the duration of that benefit, he explained, adding that he believes providing LTD benefits for one year meets the equivalency test for most employers.

In addition, people who are likely to work past age 65 are those who are probably higher paid, noted William Nicoll, senior account executive at Unionmutual. He added that the rate of disability increases dramatically with age.

This was borne out by the three insurers' cost comparisons on the premium increases necessary to bring two different work populations into compliance with ADEA regulations.

Business Insurance asked the insurers to estimate the cost of the benefit mandate to an employer with no one over 65 and 3% of the work force between 60 and 65, and also to the case of a firm with 10% of the work force between 65 and 69 and 25% between 60 and 64.

In the latter case, Unionmutual anticipated an LTD premium increase of between 60% and 70% depending upon the compliance option chosen.

Metropolitan said premium would increase by 35% if the five-year or age 70 formula were used, by 65% on a gradually reduced benefit schedule and by 25% if its "age 65 or one-year" option were applied.

Mutual Benefit reported a 70% premium hike for the five-year or age 70 plan and a 35% jump using its "three-year and two-year" formula.

In the case of the firm with only 3% of the work force between 60 and 64, Unionmutual said premium increases between 6% and 10% could be expected. Metropolitan's figures were 8%, 5% and 1% depending on the plan chosen and Mutual Benefit said increases of 4% or 2% were to be expected.

Costs of complying with mandatory pregnancy coverage provisions, however, should be minimal, say the three insurers.

For plans with a 180-day waiting period before eligibility, Metropolitan and Mutual Benefit said there would be no premium increase. Unionmutual's Mr. Nicoll said rates would increase by no more than 1%.

For plans with a 90-day waiting period, Metropolitan said rates would increase about 2% for a firm with 30% of its work force being women in the childbearing years and less than 1% for a firm with 10% of its work force in that category. Mutual Benefit actuary Richard Stover said the increases would probably be about 6% for a 30% firm and between 2% and 3% for a 10% firm.

Unionmutual predicted increases of between 8% and 15% for the firm with 30% of its work force being women of childbearing age and between 6% and 12% for a firm with 10% in that category.

Mr. Nicoll voiced concern with new mothers becoming eligible for disability benefits as a result of "post-partum depression" and unwillingness to go back to work because the mother does not want to leave the child.

This could result in claims that could run a minimum duration of two years, he predicted, adding that if women understand the potential of this benefit, the cost of maternity claims could become sizable.

However, he added that he believed the majority of claims will be honest ones. ■

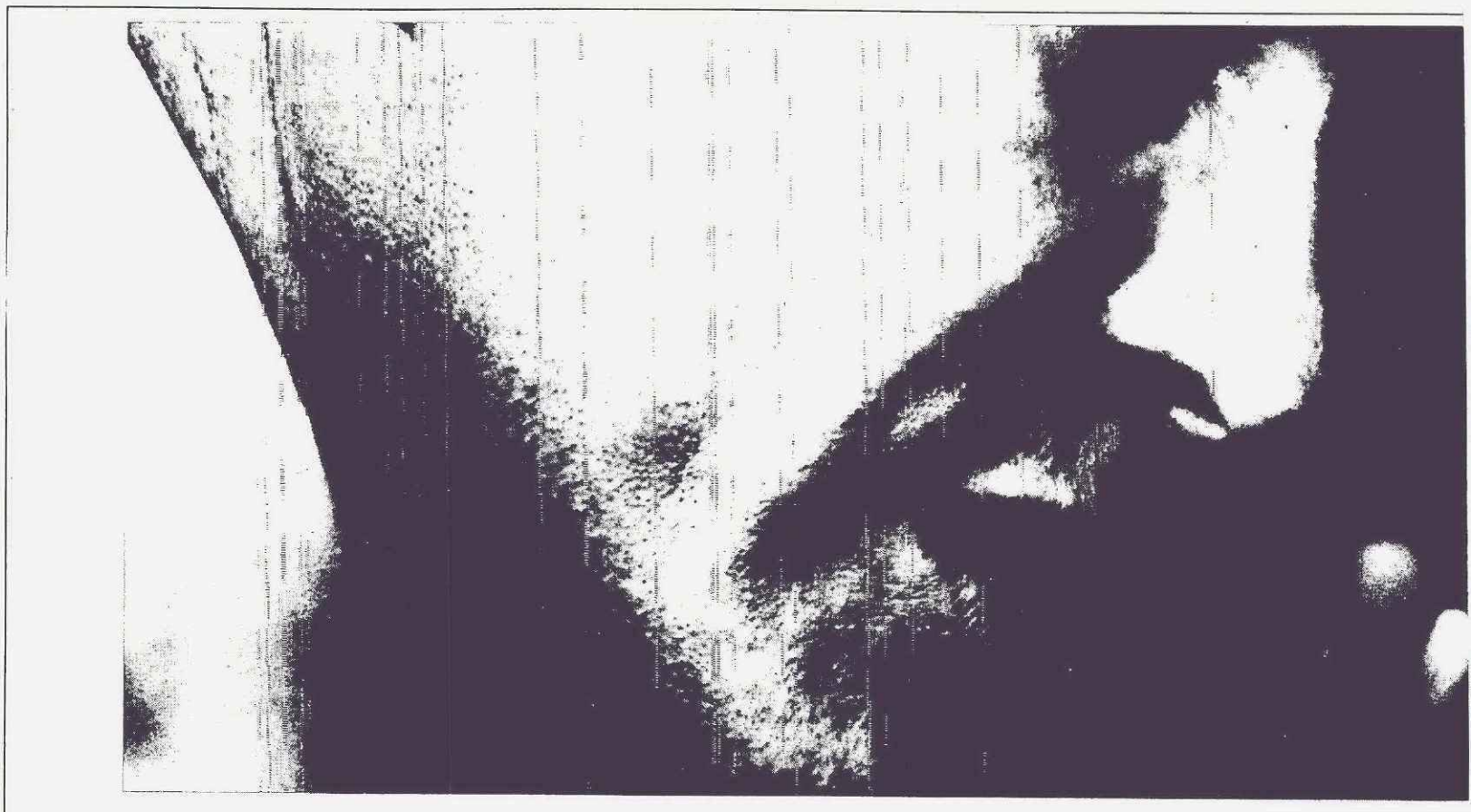
Foundation awards grants for research

PHILADELPHIA—The Huebner Foundation of the University of Pennsylvania Wharton School of Business has awarded nearly $20,000 in research grants for risk and insurance research projects.

Robert Geske and Howard Sosin of the University of California at Los Angeles were awarded a $10,000 grant to conduct a research analysis of mutual fund insurance. A.S. Paulson of Rensselaer Polytechnic Institute in Troy, N.Y., was given a grant of $9,650 to study making collective risk theory more useful.

The Huebner Foundation awards grants annually for insurance research and will announce new awards in June 1980.

Information about the program can be obtained by writing J. David Cummins, research director, Colonial Penn Center, 3641 Locust Walk CE, University of Pennsylvania, Philadelphia, Pa. 19104. ■



EVERYBODY'S TALKING ABOUT HEALTH CARE COST PROBLEMS. WE THOUGHT YOU'D LIKE TO HEAR A FEW SOLUTIONS.

Commemorating fifty years Working for a healthier America

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

Allendale to drop 3 classes of business

By STUART EMMRICH

JOHNSTON, R.I.—Allendale Insurance is pulling out of the workers compensation, general liability and automobile insurance market as part of its strategy to reverse its disappointing financial performance of the last few years.

Although the three classes of business only brought in about 10% of the company's annual $269 million premiums, Allendale officials say they were responsible for a disproportionate amount of the company's losses and that they were an unproductive drain on staff resources.

George West, president of the Rhode Island-based Factory Mutual System company, said he thought the gradual withdrawal from these policies—which starts Oct. 1 and could take several years—would not have much impact on the insurance market as a whole.



"We thought it was best to de-emphasize those areas of the market where we didn't think we were making much of a contribution," said George West.

"We really weren't making any real contribution in this area," he said. "We were a very small part of the marketplace and we thought it was best to de-emphasize those areas of the market where we didn't think we were making much of a contribution."

Insurance brokers also say buyers need not be concerned about the lost market.

G.F. Curtis, corporate vp for property and casualty insurance at Alexander & Alexander, said, "Allendale never really did develop a significant force in this area. Their withdrawal from it should not be upsetting to our broker business and in talking to my peers I haven't heard any different opinions.

"In light of the small amount of volume they do, I think their business will be easily absorbed by the rest of the market."

At best, Mr. West said, insurance buyers paid Allendale about $40 million in 1978 in premiums for these coverages, although that figure has dropped to an estimated $25 million for 1979.

He estimated the company now underwrites about 200 primary workers compensation, auto and general liability policies, bringing in an estimated $18 million in premiums, with excess policies responsible for $6.6 million.

Pointing out that $15 million in business in 1978 has gone to other companies fairly easily, Mr. West said, "We are very easy to replace, especially in this soft market."

By dropping these policies, Allendale officials say they can better concentrate on the area that promises the best chance of success for the company: property insurance.

"I think it is good for us to get away from areas where we don't offer anything unique and into the areas where we really know what we are doing. We are just making a better use of our capabilities," Mr. West said.

The decision to stop renewing these policies came after 12 months of scrutiny by the company and was reinforced by a trip Mr. West made in July to the company's regional offices.

"I asked our people how our customers would react to the news and I found that they would not be disappointed with our withdrawal from the field," the Allendale president said. He added that there has been "no negative feedback so far" from customers told that their October policies would not be renewed and he doesn't expect any as the rest of the non-renewals are sent out over the next couple of years.

This latest move by Allendale comes after an announcement that the company was laying off about 10% of its personnel, which Mr. West said was a part of a long-range plan to make Allendale more efficient and turn around the financial results of the past few years.

"Our operating record has not been as good as it should have been," he says. "We had a very unsatisfactory year last year and the pattern is continuing this year."

The company's consolidated operating loss totaled $20.2 million in 1978 and it suffered 47 losses of $1 million or more in 1978 and 44 in 1977. Both years' losses were blamed in part on weather-related problems.

But Mr. West is optimistic. "We have an excellent capability to handle the property needs for our basic insured. It may take a little longer than we might like, but I think we know how to improve the operation." ■



When a problem is talked about as much as this one, it's sometimes difficult to see the progress that's being made.

The fact is, significant progress has already been made in controlling the rising cost of health care by Blue Cross and Blue Shield Plans.

A DIFFERENT SORT OF MEDICAL BREAKTHROUGH.

Programs we support, like out-patient diagnostic, same-day surgery and extended home care have helped cut the average hospital stay of our subscribers by as much as one full day. And saved $1,250,000,000 last year alone.

To further limit costs, our Plans regularly set up special arrangements with hospitals and physician agreements that establish rates that are actually *lower* than those paid by other carriers.

You see, we believe that the solution to helping control the costs of health care coverage lies in controlling *all* your costs.



LESS THAN 10% OF YOUR HEALTH CARE DOLLAR GOES TO RETENTION COSTS.

THE MAJOR PART COVERS BENEFIT COSTS.

THE EXPENSIVE ASSUMPTION.

Some buyers make the assumption that the cost of benefits will always be the same. After all, the same people will get sick and incur the same costs, no matter who the carrier is.

So how can there be a difference?

The fact is, there can be a big difference.

The cost of health care coverage is actually two costs. The cost of benefits. And the retention costs (everything from risk charges and administrative costs to reserves). But all too often, only retention costs get much attention.

Benefit costs are where most of your health care coverage dollar goes. Controlling benefit costs can have a real impact on your bottom line. Which is why so many of our programs are committed to containing them.

So before you make a decision about your group's coverage, contact your Blue Cross and Blue Shield Plan Marketing Representative. Or write Blue Cross and Blue Shield Associations, Box 8008, Chicago, IL 60680, for the free booklet: "The Most Effective Health Care Protection For Your Employees."

Otherwise, saving a little money could end up being very expensive.

Blue Cross® Blue Shield®

HELPING CONTROL ALL YOUR COSTS.

Share in the $55.8 million savings in workers' comp Texas coverage.

Here's how. Just separate your Texas coverage from your national workers' compensation coverage. And place the Texas portion with us, Texas Employers'. Even though the state of Texas sets rates for all carriers in the state, we're allowed to pass savings from operational efficiencies and loss reduction back to our policyholders. Thus, the $55.8 million reward in 1978. Learn how you may get your share of the reward by calling our National Accounts Division at 214/653-8100.

Texas Employers' Insurance Association
P. O. Box 2759
Dallas, Texas 75221

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

REINSURANCE
Treaty & Facultative

Broker Member
New York Insurance Exchange

HERBERT L. JAMISON & CO.
90 Park Avenue, New York, N.Y. 10016 • Area Code (212) 490-7627

Kan. group challenges pregnancy benefit rules

WASHINGTON—A Kansas business group is challenging guidelines from the Equal Employment Opportunities Commission requiring employers cover the pregnancy-related expenses of employes' wives if they cover dependents in their group health insurance plans.

The Kansas Assn. of Commerce and Industry has filed suit in U.S. district court in Wichita to overturn the guidelines published in March that say that if an employer's health insurance plan covers the medical expenses of women employe's spouses, then it must equally cover maternity expenses of men employe's wives.

"Congress intended to only regulate (pregnancy) benefits for employes . . . and the legislative history is quite clear on that," argues Stephen Bokat, an attorney who filed the suit on behalf of the Kansas group and the National Chamber Litigation Center, a business advocacy organization.

"The extension of benefits . . . to pregnant spouses of male employes is beyond the intent of Congress . . . and is arbitrary, capricious and not in accordance with the law," the suit charges.

But the EEOC maintains that the Civil Rights Act of 1964 now makes it clear that there must be equality of benefits for spouses in group health insurance plans. The pregnancy benefits law, which went into effect April 29, is an amendment to the Civil Rights Act.

"If an employer makes available to female employes insurance which covers the costs of all the medical conditions of their spouses, but provides male employes with insurance coverage for only some of the medical conditions (i.e., all but pregnancy-related expenses) of their spouses, male employes are receiving a less favorable fringe benefit package," the EEOC said.

Meanwhile, a new hearing date has not been set yet in another challenge to the pregnancy benefits law. The U.S. Catholic Conference and the National Conference of Catholic Bishops filed suit in federal court in Washington asking that the section of the pregnancy law that requires employers to provide sick leave for employes who have abortions and to pay the costs of some of those abortions be declared unconstitutional (*BI*, July 23).

The federal government has agreed not to enforce the abortion section of the law until a hearing is held on the issue. ■

Carter health proposal to go to Congress

WASHINGTON—The Carter Administration this month will send to Congress its formal legislative proposal for a national health insurance plan, said Department of Health, Education and Welfare secretary Patricia Harris.

Mrs. Harris said she stepped up the pace of drafting the legislation after moving to the HEW post, replacing Joseph Califano, who was sacked in President Carter's cabinet shake-up.

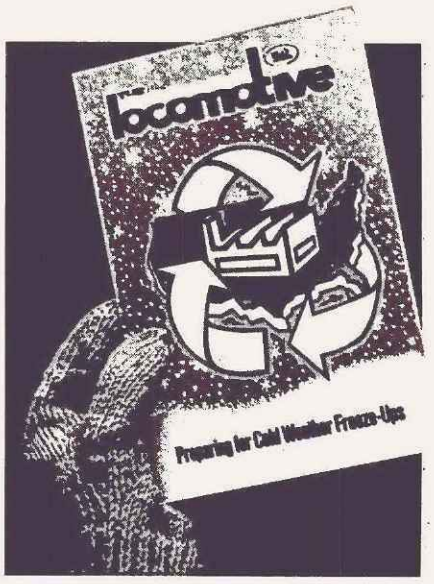
President Carter sent a message to Congress in June outlining his plan to expand comprehensive health coverage to 16 million low income Americans and to provide protection against the costs of catastrophic illnesses for everyone (*BI*, June 25).

Mrs. Harris said the Carter health plan "is realistic. Unlike other proposals, it can be enacted," an apparent allusion to Sen. Edward Kennedy's (D-Mass.) comprehensive national health insurance plan.

The Carter plan, which would go into effect in 1983, requires employers to upgrade their group health insurance packages to cap an employe's annual out-of-pocket payment for family health care services at $2,500. This provision would add another $6.1 billion to employers' health insurance bills, the Administration estimates.

The measure also would overhaul public health insurance programs for the poor, aged and disabled at an additional cost of $18.2 billion to be paid out of federal revenues. ■

This free booklet can help prevent you from having frozen assets this winter.



If the coming winter is anything like last year, then you'll want to know what to do in your plant *before* a cold-weather freeze-up.

Hartford Steam Boiler has a free, freeze-up prevention plan for your boilers and machinery that could save you a lot of cold cash. It's in our fall issue of "The Locomotive." It details step-by-step procedures for preventing cold weather freeze-up of piping, heat exchangers, boilers, air conditioning and refrigeration, air systems, pressure vessel and mechanical equipment.

Our plan provides a convenient way for your key plant personnel to educate equipment operators and other employees concerning adequate, early cold weather precautions and emergency priorities.

For example, in a major freeze-up, should an equipment operator first drain and then blow out all the moisture from the diaphragm on a $200,000 compressor? Or would his time be better spent servicing boiler water lines? The answers could save you big dollars.

This freeze-up prevention plan, designed and tested by our national staff of over 900 inspectors and engineers, is now being routinely distributed to our insureds. It provides yet another building block for creation and maintenance of an effective in-house risk management program.

For your free copy, simply fill out and send us the coupon.

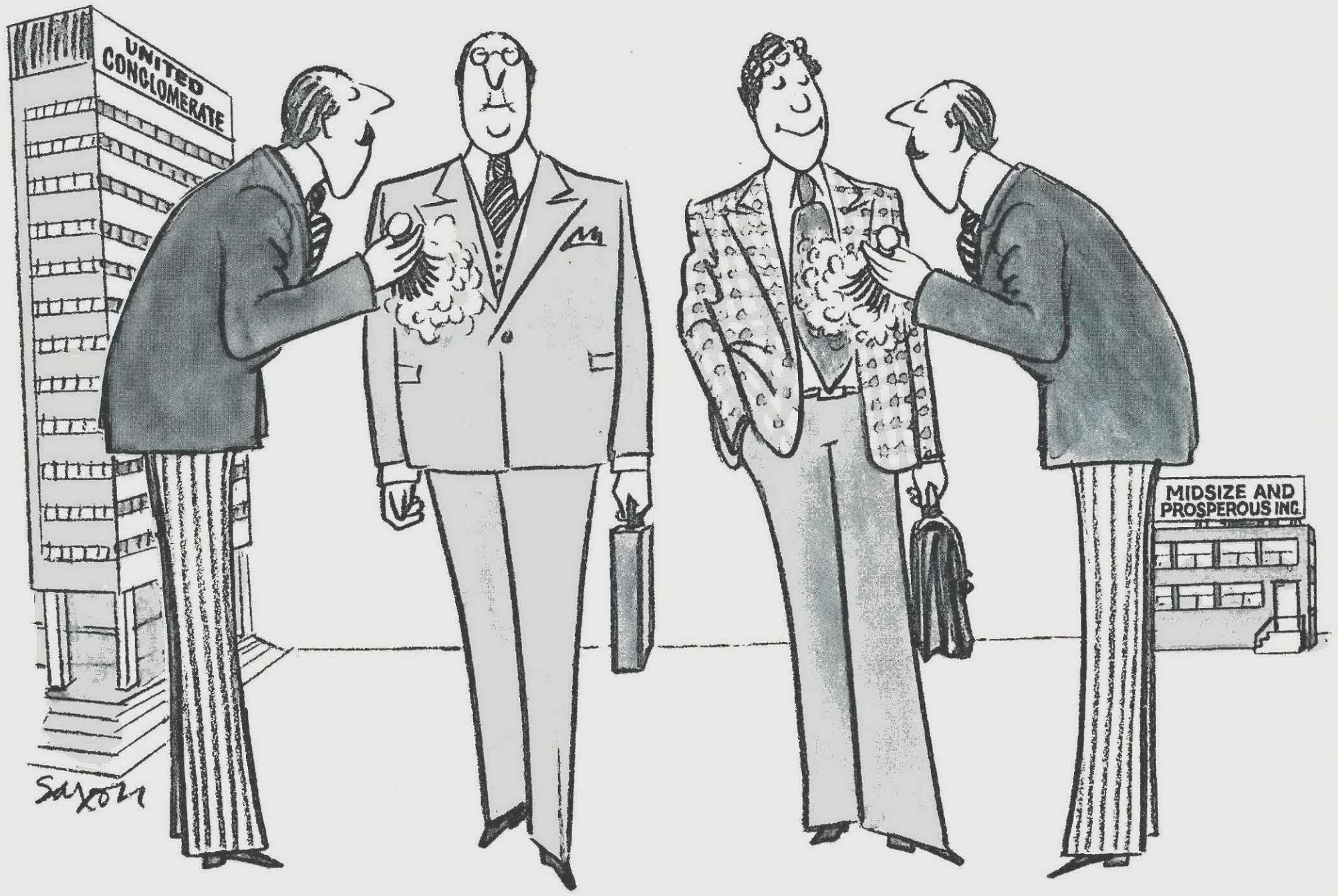
I want the cold facts about saving cold cash on my boilers and machinery. Please send me a free copy of "The Locomotive" concerning freeze-up prevention.

Name _____
Title _____
Company _____
Address _____
City _____
State _____ Zip _____

Send coupon to:

HARTFORD STEAM BOILER INSPECTION AND INSURANCE
56 Prospect St., Hartford, Conn. 06102
We help more risk managers manage risks better.

Now you don't have to be a big company to be treated like a big company.



Introducing "Met 50 Plus": a special group insurance plan for medium-sized companies.

What an idea.

First, your life is simplified with a special field force catering to the needs of companies like yours.

Then it's further simplified with a choice of customized plans that are developed just for your size of company.

While specially designed to fit the needs and budget of a medium-sized company (50-200 employees), Met 50 Plus benefit plans include the efficiencies normally reserved for only big group insurance customers.

That's the best of all possible worlds.

And you get the experience of one of the nation's largest and most responsive group insurers.

From Metropolitan Life, new Met 50 Plus. Life and Health Insurance Plans for medium-sized companies that want big company group insurance coverage. Contact your insurance broker or Metropolitan Representative for additional information.

With Metropolitan's group plans, everybody benefits.

Metropolitan

Metropolitan really stands by you.

LIFE/HEALTH/AUTO/HOME/RETIREMENT

Metropolitan Life Insurance Co.

LOUISVILLE and OMAHA

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

NAHM, TURNER, VAUGHAN
and LANDRUM, INC.
29th Floor
First National Tower
Louisville, Kentucky 40202
502-589-6070

THE HARRY A. KOCH COMPANY
2121 South 44th Street
Omaha, Nebraska 68105
402-558-7000

See our ad on page 6

Miss. union files suit over asbestosis tests

PASCAGOULA, Miss.—A shipyard workers union here is seeking a court ruling on whether the shipyard or the union's group health insurer is required to pay for asbestosis screening tests.

The Pascagoula Metal Trades Council, which represents 10,000 workers at Ingalls Shipbuilding, a subsidiary of Litton Industries, filed the action late last month in federal court in Biloxi against Ingalls and Fireman's Fund Insurance Cos., the union's group insurer.

Union attorney Ransom P. Jones III said Fireman's Fund will not pay for the tests, alleging that they are for work-related problems. Meanwhile, the company, which is self-insured, denies coverage for the tests under the workers compensation rules of the U.S. Longshoremen's & Harbor Workers' Act.

"There is no question that one of the two owes the money," Mr. Jones argued. But an Ingalls official noted that the court could rule that neither defendant is responsible.

Asbestosis testing has been conducted by the union on a limited basis among present and former shipyard employes and their families. To date, at least 21 cases of asbestosis have been diagnosed, and in each one, the affected persons have filed suit against Johns-Manville and other asbestos product manufacturers. Some Ingalls workers were exposed to asbestos as early as the 1940s.

Ingalls implemented new work procedures in 1972 that ended exposure to asbestos among metal trades workers, said union president Ed Lowe. Only asbestos workers, equipped with special suits and respirators, remain in contact with the fibrous carcinogen, he added. ■

UMBRELLA COVERAGE FOR TRUCK RISKS...

SAY *HELLO* SEABOARD!
Goodby outdated liability limits.

SAY *HELLO:*

- $4,000,000 Umbrella in-house capability.
- Immediate Service/Quick Decisions Complete "in-house" authority.
- A+ (Excellent) *Best* recommended company.
- Reliable, dependable market.

PLUS, SAY *HELLO* TO THESE OTHER SPECIAL COVERAGES:

- Primary Liability • Truck Physical Damage
- Cargo • "Gap" Coverages • *All* forms of Excess & Surplus (including Auto) and Special Risk Plans!

Don't delay . . . for fast, accurate quotations call us today at **919 226-4422** . . . And Say ***HELLO* SEABOARD;** GOODBY MARKET BLUES!

Houston, Texas 77027
4615 Southwest Freeway
Suite 110E
(713) 627-7050

Seaboard Underwriters
P.O. Box 659
Burlington, N.C. 27215
. . . We've got the capacity.

Chicago, Illinois 60611
444 N. Michigan Ave.
Suite 3040
(312) 664-7500
Telex 254349

Lloyd's plans to limit size of syndicates

By JOHN H. MILLER

LONDON—Responding to concerns that some Lloyd's syndicates are growing so big they are nearly monopolizing certain lines of insurance, Lloyd's plans to monitor the size of its syndicates.

Any controls would not take effect until at least 1981 and may merely force a short-term "freeze" on a syndicate's capacity until the rest of the market gets a higher proportion of the business at issue.

Concern for the impact a catastrophe loss could have on one section of the Lloyd's market is also believed to be motivating the syndicate size study.

"It will be detrimental for any one syndicate to become so large that it dominates the whole of its section of the market," Lloyd's chairman Ian Findlay recently told members. Mr. Findlay did not name the syndicates involved.

Two of the largest syndicates, each with more than 2,000 members, are the Heath group and the Sturge syndicate.

Other large syndicates with hundreds of members are Jansen Green, R.J. Kiln, H.G. Chester, Posgate, Merrett Dixey, and those managed by big brokers like Willis Faber Dumas, Bowring, Sedgwick Forbes Bland Payne and Hogg Robinson.

But numbers of members are not the only indication of the size of a syndicate; its financial strength to offer capacity really counts.

All 17,000 members of Lloyd's will be asked through their associations about controlling the size of syndicates.

One suggestion is to limit the amount of business, in proportion to market capacity, that the mega-syndicates can undertake. This percentage basis would free full capacity as the market expands. The committee could "freeze" the admission of new members to a syndicate to control a syndicate's capacity. ■

Frontiers expands

Frontier Adjusters Inc. has opened two new offices in California, in Oakland and in San Francisco.

HUMAN ERROR.

Last year, American industry was staggered by over $650,000,000 in accidental fire loss. Even more shocking is the fact that nearly three quarters of these accidents were caused by people. By employees who lacked the proper motivation, or the proper training in loss prevention procedures.

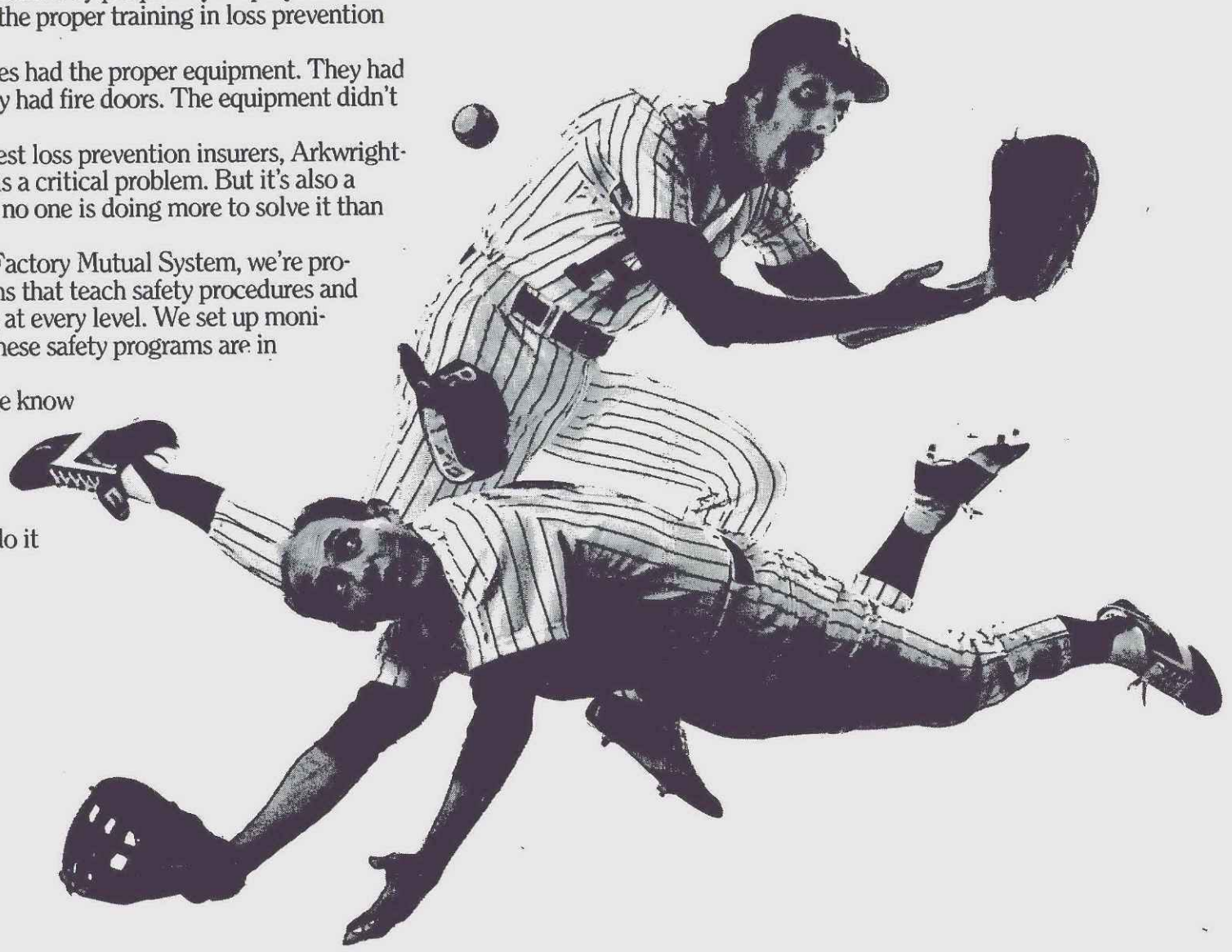
In most cases, the facilities had the proper equipment. They had alarms. They had sprinklers. They had fire doors. The equipment didn't fail. People did.

As one of America's largest loss prevention insurers, Arkwright-Boston knows that human error is a critical problem. But it's also a problem that can be solved. And no one is doing more to solve it than we are.

In conjunction with the Factory Mutual System, we're providing our insureds with programs that teach safety procedures and emergency actions to employees at every level. We set up monitoring systems that assure that these safety programs are in effect and up-to-date.

At Arkwright-Boston, we know that working with companies is the key to working successfully for them. And no one has a better record at it than we do.

Arkwright-Boston. We do it better, because we do it right.



ARKWRIGHT-BOSTON INSURANCE

Factory Mutual System

A MOST UNUSUAL INSURANCE COMPANY

SHORT TERM LIABILITY

Trade Shows
Conventions
Concerts
Shows
Athletic Events
Liquidators

High Limits - Reasonable rates - Domestic Carriers

THE RICHARD - THOMAS AGENCY

1 Linden Place
Great Neck, New York 11021
516 487-6584
Mr. Richard Sklover

Tanker, oil losses increase; premiums may remain stable

NEW YORK—Tanker losses, oil spills and personnel casualties took a sharp turn for the worse during the first half of 1979 and the trend is unlikely to improve in the near future, said Arthur McKenzie, director of the Tanker Advisory Center.

But tanker owners are not expected to suffer in the insurance marketplace. With the exception of pollution, tankers' long-term track record is "as it should be," said John Delach, Marsh & McLennan vp-marine.

The marine markets have not sought additional premiums from tankers, he said, and pollution insurance markets have not been affected by the increase in oil spills.

Statistics compiled by the center on tanker losses for the first half of the year reveal 398 incidents, including 10 total losses, 144 persons killed, 101 injured and 39 oil spills totaling 220,563 tons.

During the same period of 1978, there were 331 incidents including 10 total losses, 23 killed, 18 injured and 15 oil spills with total cargo loss of 247,235 tons. However, the wreck of the Amoco Cadiz in March 1978 accounted for 228,003 tons of the total oil spill loss for the first six months of that year.

The Tanker Advisory Center's figures do not include the Atlantic Empress loss in July in which 275,000 tons of oil were lost, Mr. McKenzie noted. To date, total oil spill losses are 520,000 tons, doubling last year's record-setting figure, and the third quarter is not even complete, he added.

In addition, the number of total ship losses now stands at about 14, Mr. McKenzie continued. "The year 1979 is going to be a very bad year."

The trends are not likely to improve since the first of the very large crude carriers or supertankers are reaching 10 years of age, a point at which loss experience tends to worsen, he said. "When a tanker reaches 10 years of age, it's like crossing from puberty to old age. The big ships are getting old and old ships sink."

Of the 398 tanker incidents reported, 89 resulted from contact with fixed objects or being struck while at moor, 72 were from machinery damage, 35 each from weather damage and collisions, 33 from strandings, 31 from fires and explosions and 103 from miscellaneous causes.

Half the total losses were from fires and explosions. Strandings resulted in three total losses and collisions accounted for two.

Fires and explosions were responsible for 80 deaths and 70 injuries. Collisions accounted for 29 deaths and 26 injuries, weather damage caused 29 deaths and six deaths and five injuries resulted from miscellaneous causes.

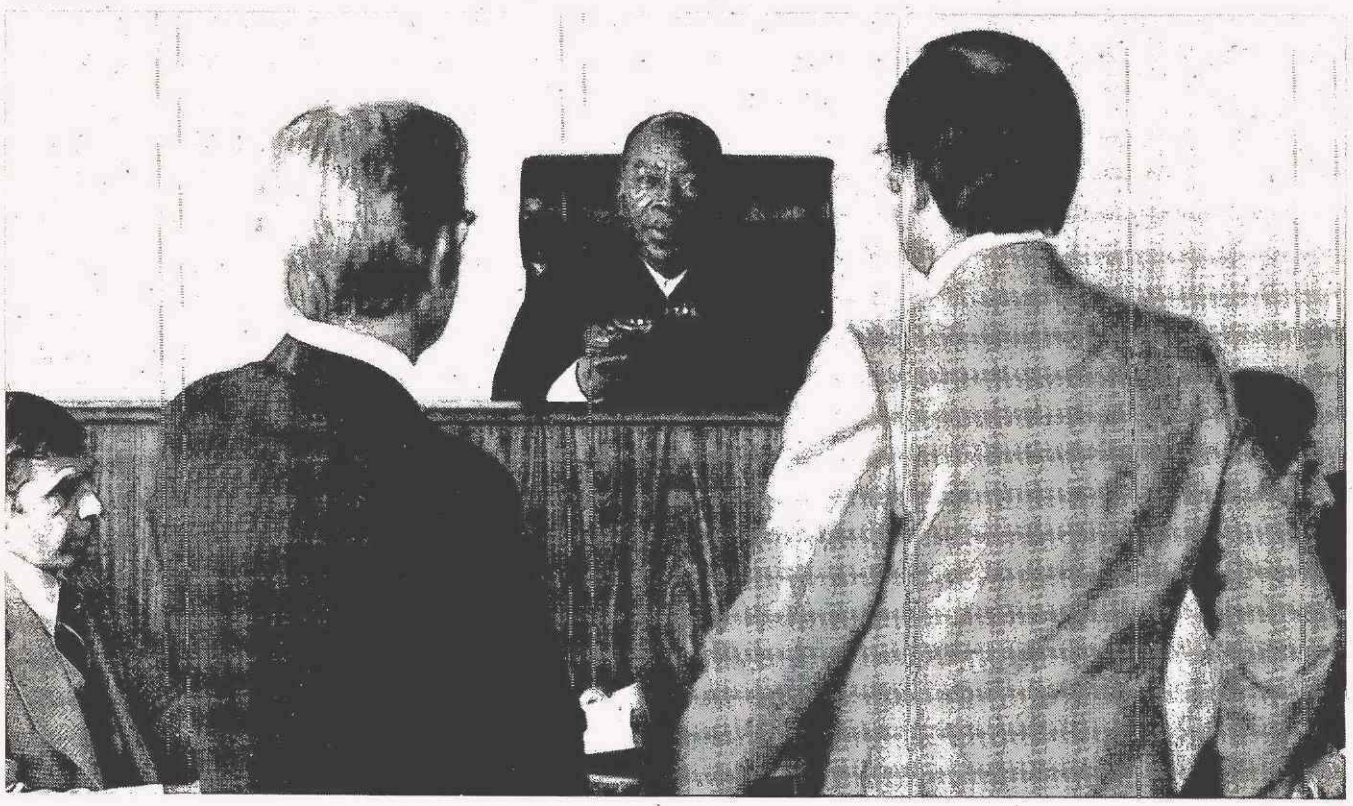
Weather damage resulted in the worst oil spill problems, 83,102 tons were lost in four occurrences. Fires and explosions resulted in 65,000 tons lost in two incidents; collisions caused the loss of 48,113 tons in 11 accidents, and four strandings accounted for the losses of 18,300 tons.

There were 5,559 tons of oil lost in six incidents involving contact with fixed objects or being struck while at moor. In 12 incidents resulting from miscellaneous causes, 489 tons were lost. ■

New INA division

INA has created a new division, INA Diversified Services Inc., encompassing its specialized marketing and insurance service companies. The new branch will oversee all property/casualty group marketing and communications staff, Bankers Standard Insurance Co., INA Community Services, INA Farm Center Inc., INAC premium financing subsidiary and Recovery Services International, a premium collection and subrogation operation. Arthur King, chairman of MarketDyne International will be in charge of the division.

Introducing a better way to protect your clients' trust departments against errors and omissions.



In today's complex legal environment, it isn't unusual for a trust department to become a defendant.

To protect the institution itself, MGIC is making available an important extension to its D&O insurance. Our Errors and Omissions endorsement will insure the financial institution for its trust department operations.

It provides protection against claims of wrongful acts which may arise as a result of the decisions made in the day to day management of a trust account.

And it even provides coverage for acts performed before the policy was written, providing the claim is made while the Errors and Omissions endorsement is in effect.

This innovative combination D&O/E&O coverage is another reason why MGIC is the leader in liability protection for financial institutions.

MGIC Indemnity Corporation
P.O. Box 488
Milwaukee, Wisconsin 53201

MGIC

☐ Send complete D&O broker kit, including E&O information.
☐ I already have the D&O broker kit. Send E&O information only.

Name _____
Title _____
Company _____
Address _____
City/State _____ Zip _____

Availability subject to approval of state insurance departments. BI917



STRUCTURED SETTLEMENTS™
has added more to help you settle for less.

Structured Settlements system helps resolve catastrophic injury and wrongful death cases for less—and, now, we have added more to help you settle for less.

Our offices are now located coast to coast: Los Angeles, San Francisco, New York and Toronto. Structured Settlements system staff has expanded to include: Allan White, Rich Carrol, Paul Donlon, Milt Bland, Len Blonder, Neil Small, Frank Barker and Ken Wells.

The Structured Settlements system is a unique method for difficult case resolution. It allows insurance carriers to save substantial sums, and provides the plaintiff with a lifetime of protected benefits.

Our specialists offer over 200 years of experience in legal, financial management, marketing, rehabilitation, medical, contract negotiation, insurance and computer fields.

Let us put the Structured Settlements system to work for you. Call toll free, 800-421-8667 (in California, 800-252-0355). Or, send for the Structured Settlements Data Form materials. Using the Data Form kit, you submit basic case information involved in the case, and we provide initial estimates and a recommendation for a Structured Settlements system resolution within five working days. Write to: Structured Settlements, Data Form Kit, P.O. Box 55012, Los Angeles, CA 90055.

STRUCTURED SETTLEMENTS™

Walker-Sullivan Company, Insurance Brokers
800 West Sixth Street, Los Angeles, CA 90017

Tiny staffs hamper state regulation: Study

By JERRY GEISEL

WASHINGTON—Staff shortages in several key regulatory areas are hampering state insurance departments' efforts to carry out their responsibilities, a recent government report reveals.

Insurance regulators in 21 states say they lack sufficient staff for consumer protection and trade practice regulation, according to a draft copy of a General Accounting Office report obtained by *Business Insurance*.

Regulators in 19 states say they need more staff for rate and policy regulation, while officials in 17 states contend they are short of staff for effective solvency regulation.

The GAO report was requested by Sen. Howard Metzenbaum (D-Ohio), a persistent critic of state insurance regulation and the soon-to-be author of legislation that is expected to remove some of the immunities from federal antitrust law enjoyed by insurers.

To get a handle on the effectiveness of state insurance regulation, the GAO surveyed insurance departments in 44 states, analyzing budgets, salaries and professional and educational backgrounds of regulators and staffers.

Insurance departments lack sufficient staff because state legislatures are apparently unwilling to devote major resources to operate the departments, according to the draft report.

On the average, states spent a microscopic .00109% of their budgets to regulate insurance. The $122.2 million the 50 states and the District of Columbia spent in fiscal 1978 on insurance regulation is less than the combined budgets of two rather small federal agencies, the Federal Trade Commission and the Securities & Exchange Commission, the report found.

Although the amount of money states are spending on insurance regulation may seem low, state insurance department's operating budgets have increased substantially in the last 20 years.

Last year, the average state insurance department budget was $1.36 million, compared with a median state insurance department budget of $131,600 in 1957 or $281,900 in constant 1977 dollars.

The size of a state's population did not always directly correlate with the financial resources devoted to insurance regulation. Texas, the nation's fourth most populous state, spent about $1 million more on insurance regulation ($11.5 million) than California ($10.5 million), the biggest state in the country. New York spent the most on insurance regulation, $16 million, while South Dakota, whose insurance budget totaled $218,051, spent the least, according to the survey.

As has been the trend for the last 20 years, only a small piece of the states' insurance premium tax revenues go for regulation. Of the 42 jurisdictions in which the GAO was able to garner complete data, an average 4.7% of premium taxes is spent on regulation.

Premium tax revenues "are rarely allocated to the insurance department. Rather, these revenues are paid directly to the treasury of a state and are not specifically earmarked for any purpose," the report said.

The size of insurance department staffs varied considerably. The South Dakota insurance department, the smallest in the nation, had a staff of just 14. The New York insurance department, the largest in the country, employed 689 staffers last year, while Texas was not far behind with 606 employes. Illinois, whose population is about equal to Texas's, employed only 218 workers.

Last year only four states, which are not named, did not employ staff actuaries or actuarial consultants.

While state insurance departments paid actuarial associates an average of $19,400, the average advertised starting salary for actuarial positions listed in an insurance trade publication between January and June 1978 was $23,000, the report said.

"Even though the insurance industry itself was low paying, relative to other industries, departments could not compete for the best people in terms of salary," the report said.

A California insurance department official told the GAO that the state's inability to pay competitive salaries resulted in some of the department's best staff members leaving for better paying jobs in the insurance industry.

Commissioners' salaries, though, have risen significantly in the last 20 years. In 1957, the average commissioner's salary was $10,180, or $21,800 in 1977 dollars. The average salary last year was $32,350, ranging from a low of $18,000 to a high of $49,700. ■

Handled with care

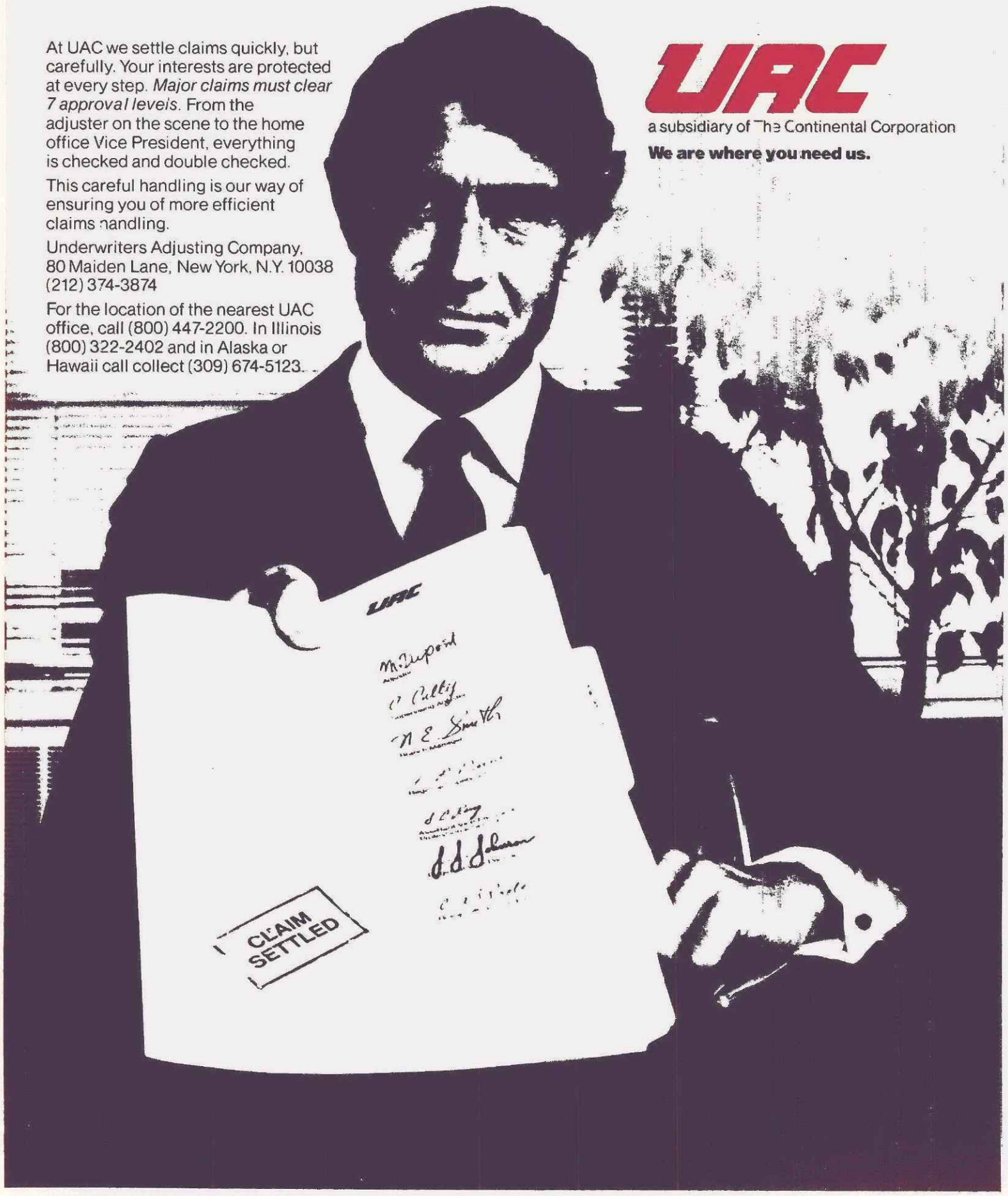
At UAC we settle claims quickly, but carefully. Your interests are protected at every step. *Major claims must clear 7 approval levels.* From the adjuster on the scene to the home office Vice President, everything is checked and double checked.

This careful handling is our way of ensuring you of more efficient claims handling.

Underwriters Adjusting Company,
80 Maiden Lane, New York, N.Y. 10038
(212) 374-3874

For the location of the nearest UAC office, call (800) 447-2200. In Illinois (800) 322-2402 and in Alaska or Hawaii call collect (309) 674-5123.

UAC
a subsidiary of The Continental Corporation
We are where you need us.



THE BEST BRAINS ARE USELESS WITHOUT THE RIGHT TOOLS

However skilled the risk manager... his performance is limited to the sophistication of the information tools he has to work with. Managing risks without comprehensive, timely and accurate information is like doing an arterial bypass without an arteriogram.

Corporate Systems' only business is supplying the risk manager with professional tools. These information tools allow him to accurately identify and evaluate cost-of-risk and communicate cost responsibility to the people in his company who can do something about it . . . operating management . . . and to the people who will see that they do . . . top management.

Here are some of the tools we furnish monthly or quarterly to over 1,000 corporations and governmental entities:

- **Casualty Report Series** — communicate risk budget performance and loss cause analysis to each cost center.
- **Safety Score Board** — monitors the cost per man-hour of employee injuries at each cost center.
- **Premium Management System** — allocates cost of risk based on loss experience as well as risk exposure.
- **Marketing Report Series** — interprets risk experience and presents the risk management program to competing underwriters.
- **Financial Report Series** — documents improved performance of risk management function to upper management.



corporate systems Professional Tools for Professional Risk Management

P. O. Box 31780, Amarillo, Texas 79120 (806)376-4223 (800)858-4351 (toll free outside of Texas), Corporate Systems Australia, "Holland House," 492 St. Kilda Road, Melbourne, Australia



Photo courtesy of Reliance Insurance Companies

lout!

If you're an insurance agent who is not an IIAA member, there are 34 compelling reasons why it could pay you to be one. For information call toll-free 800-221-7916 at any hour. In Alaska, Hawaii, and New York State, call collect 212-285-4283.

Independent Insurance Agents of America, Inc.

Risk execs selectively shop E/S market

Continued from page 1

there was higher output—so our total premium cost was higher. But the cost per unit of product or per exposure was down."

Mr. Woods at Marriott and Duncan Randall at Combined Insurance Co. of America both recently increased their corporation's excess liability limits by 25%. "More was available at a low cost. It's a good time to buy," says Mr. Randall of the Chicago-based company. He was also able to buy the company's entire umbrella policy from Northbrook Excess & Surplus Lines Insurance Co.. while three years ago he had to layer the umbrella program with several underwriters.

Celanese Corp. in New York has $35 million more in excess liability insurance now, says corporate insurance manager Peter F. Lopez. "The increase simply reflects our policy to buy as much as possible," he explained.

EXCESS/SURPLUS

U.S. Industries bought another $25 million in excess liability insurance recently, bringing its protection up to $75 million, said S. Peter Law, vp-corporate services at the New York-based conglomerate. "With the softening of the markets, it seemed to be a prudent time to buy more coverage," he said, noting he's concerned how high the company's exposure might really be.

Stanley King, risk manager at Kellogg Co. in Battle Creek, Mich., also increased the cereal manufacturer's excess liability limits last year to keep up with inflation—both economic and social, he noted. But he hastened to add he did not buy the additional coverage because the market was soft. "A good deal is not a good deal if you don't need it, regardless of the price," he quipped.



U.S. Industries took advantage of the soft market to purchase an additional $25 million of excess insurance, says Peter Law, left. Lockheed saved 10% on increased liability limits recently, notes Bob Butler, right.



Although the conventional wisdom is that hordes of buyers are pulling business out of the surplus lines markets to place it with the standard market, few risk managers reported doing so.

Some, like Mr. Law at U.S. Industries, say they routinely move business between the standard and surplus markets depending on where the best coverage can be found. A few, like John Harrington, director of risk management at NL Industries in New York, say they can find all the insurance they need in the standard market.

But two out of three insurance buyers interviewed still place some portion of their insurance programs in the nonadmitted market, tapping the surplus lines underwriters for special risk and umbrella policies.

Buyers slight soft market conditions

CHICAGO—Most insurance buyers chortle about the latest bargains they've uncovered in the standard and surplus lines markets, but others suggest their glee is nearly ill-founded or certainly short-lived.

"Prices are down 10% to 20% compared with last year," observes Duncan Randall, assistant vp-risk management at Combined Insurance Co. of America in Chicago. "But they were down last year over the year before, too. So three years ago, rates were probably too high. They're realistic now."

Douglas Mure, insurance manager for Perini Corp. in Framingham, Mass., says rates have only stabilized. "They had escalated to such a point that they reached the stage where they couldn't go up more and remain affordable," he contends.

Others aren't convinced that the market is offering the bargains that many buyers report. "I don't find the market as soft as I read about," said Frank J. Deutschmann, senior vp at Tidewater Marine Services in New Orleans, "underwriters exaggerate the softness of the market. The market is not particularly soft nor overly firm. It's kind of an average market."

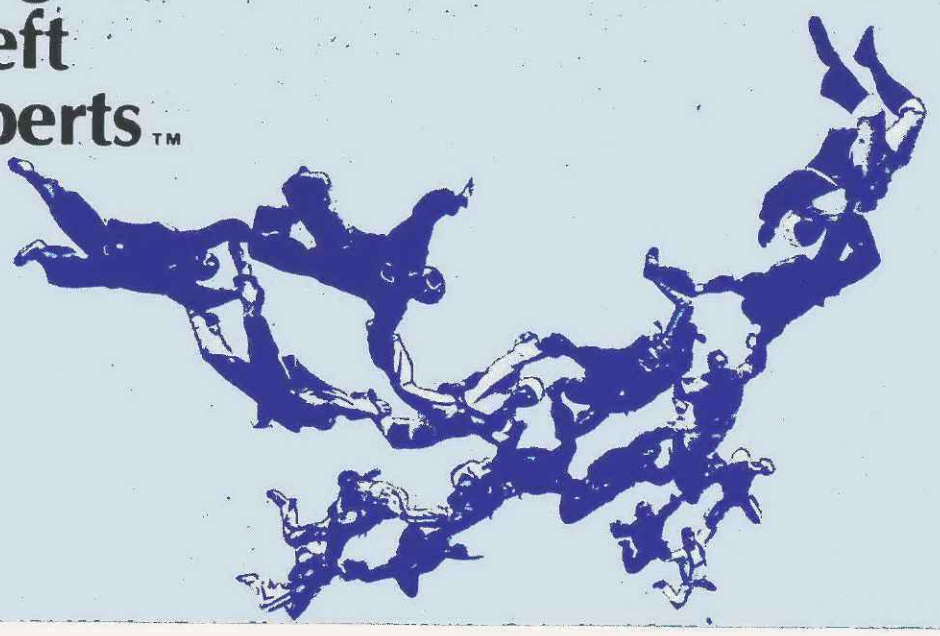
Michael Glapion, manager of risk and insurance at Graco Co. in Minneapolis, says the London market seems to have tightened in 1979 while the U.S. market softened.

A few risk managers worry about the onset of tighter markets and higher prices. "Prices are soft at the moment, but that could change by the end of 1979 or mid-1980," warns Allan Goldberg, director of general insurance at Fuqua Industries in Atlanta. "The insurers have gotton below the break-even point."

But Mr. Randall of Combined Insurance Co. argues it is just as reasonable to expect the market to maintain its current condition as it is to expect another crunch two years down the road. ■

NATLSCO

some things are best left to the experts™



...like loss control and risk management.

We're experts in...

- Accredited Industrial Hygiene Laboratory Analysis
- Air and Water Pollution
- Claims Management
- Fire Protection Engineering
- Hospital Safety Management
- Industrial Hygiene
- Noise and Vibration
- Occupational Health
- Product Safety
- Safety
- Training and Education
- Ventilation Design

Call NATLSCO TOLL-FREE: 800-323-9585

Consultants to management.



some things are best left to the experts™

NATLSCO
National Loss Control Service Corporation
Long Grove, Illinois 60049 • 312|540-2400

a subsidiary of Kemper Corporation

Baxter-Travenol Laboratories in Deerfield, Ill., places a portion of its product liability and property insurance in the surplus lines market as well as its umbrella insurance, said risk manager Thomas O. Lenhart.

But Baxter doesn't consider the surplus lines market as special, using it as any market, for capacity.

Flood and earthquake insurance for Philip Morris of New York is placed in the surplus lines market, said insurance manager Paul Goldschmidt. He couldn't say what other risks might be in the surplus market because his broker is free to use the surplus lines as well as standard market without notice.

The Rouse Co. of Columbia, Md., has purchased professional liability in the surplus market for several years "because it was the most available market," said Steve Sachs, vp for the shopping mall developer. Lately prices have come down 20%, he noted.

Kellogg taps surplus underwriters for directors and officers liability insurance as well as excess liability insurance, said Mr. King, because the policies are not readily available in the standard market.

Umbrella insurance was most often named by risk managers still using the non-admitted markets. Tidewater Marine Services, an offshore oil service firm, has placed its umbrella and excess liability insurance in the surplus market for 15 years, said senior vp Frank J. Deutschmann. "Our lower layers are in the U.S. market with upper layers in the U.K. market," he said.

Graco Co. of Minneapolis was forced into the surplus lines market for its umbrella insurance, said Michael Glapion, manager of risk and insurance for the food handling systems manufacturer. Previously the insurance was underwritten by Northbrook, but now the Weavers Group in London has the risk.

Although two-thirds of those interviewed said they could find the insurance they wanted and at reasonable prices, not everyone can find what he or she wants in the current soft markets.

Two municipalities aren't satisfied with their trips to the market. Ernie Bedford, risk manager of Pontiac, Mich., complains he could only find $1 million of insurance to protect public officials and employes against wrongful acts and at that the policy excludes damages awarded in civil rights and discrimination cases. The Metropolitan Atlanta Transit Authority also can't find the limits of insurance it is looking for, risk manager James Scott says.

A hazardous chemical plant in Georgia can't find excess property insurance for its property that is not classified as a highly protected risk.

But corporations are known to consciously self-assume what even the surplus market won't underwrite. Workers compensation risks, which demand payment over several years rather than all at once, are often touted as attractive risks for companies to self-assume without any excess insurance protection.

"Let's say a company has a $1 million case. It has 10 years or more to pay up. So some companies take the attitude: Why protect ourselves against something we don't have to pay on the spot?" one risk manager noted. ■

Risk exec slams E/S lines

"I wish there was never a need to use the excess/surplus markets," declares Alan Pearce, assistant treasurer and director of risk and insurance management at Foremost-McKesson in San Francisco.

"The buyer loses something in the communication by being removed from negotiations between the brokers and the excess market," he complained, referring to the E/S broker's preference for shopping markets without a risk manager at his side.

"I also think the underwriter is then more unfamiliar with the risk. We use our brokers for their marketing expertise and if we have to go to the excess market I wonder what I am paying our broker for."

Rating of a burglar alarm affects policy

NEW YORK—A businessman protected by a burglar alarm system monitored at a central station that has been moved may learn too late that his insurance contract has been breached, says Thomas A. Fain, president of the Inland Marine Underwriters Assn.

Citing the case of one New York jeweler whom he described as "lucky," Mr. Fain said the jeweler's AA-rated alarm system, on which his insurance was based, had been downgraded to CC during the term of the policy. An underwriter, renewing the policy, corrected the error before a break-in occurred.

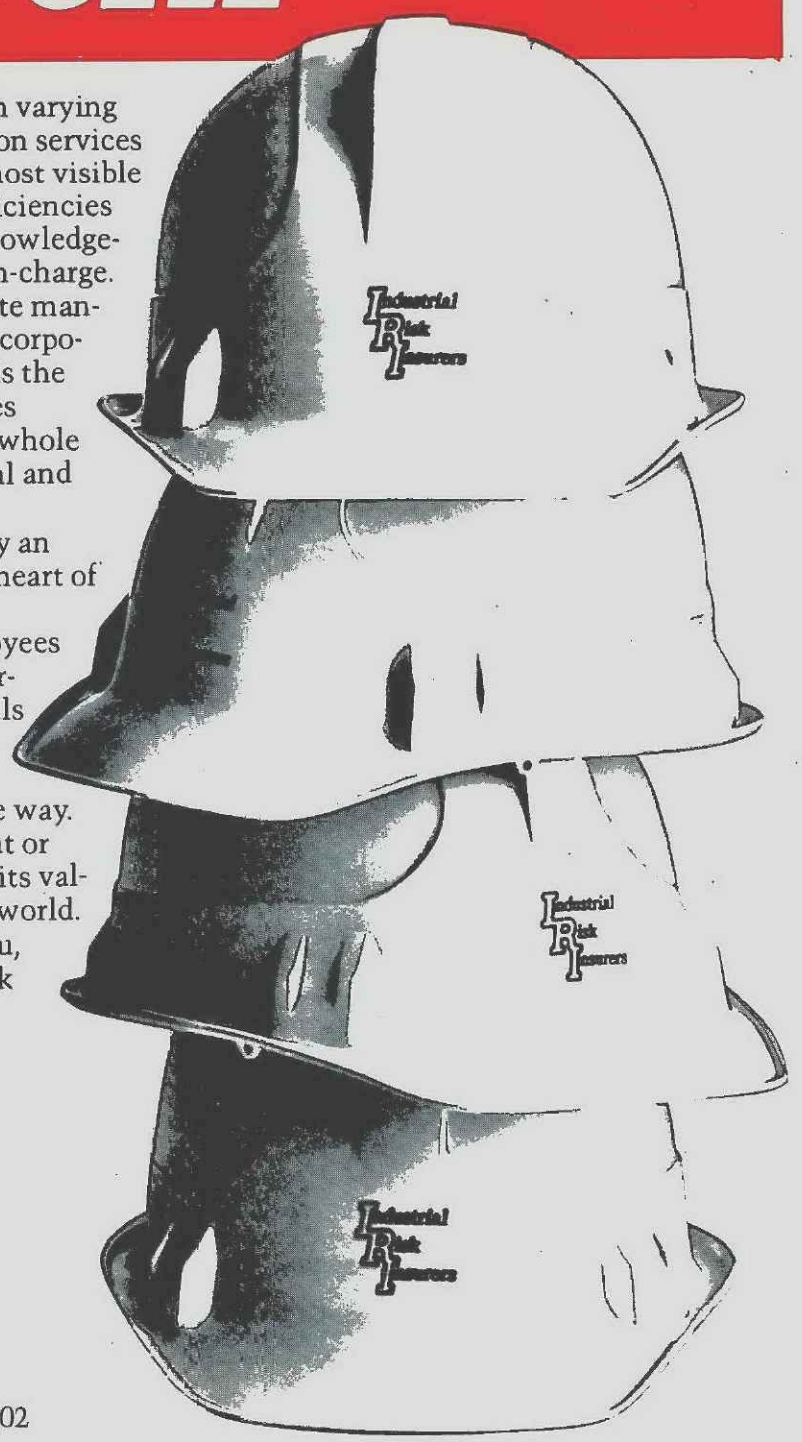
The downgrading resulted from relocation of the alarm company's central monitoring station to a site farther from the jeweler.

"Since the risk had been written on the basis of a 10-minute response and since the insurer had never been informed of the downgrading from AA to CC, there would have been a serious breach of warranty had there been a loss," Mr. Fain said.

IMUA has recommended that Underwriter's Laboratories require alarm companies to report all relocations of central stations. Underwriter's inspects and classifies alarm systems.

Downgrading of an alarm system without notice to the insurer affects the subscriber in two ways: His monthly charge for the system may not be reduced as it should be and there may be a downgrading of his insurance coverage or even an outright breach of warranty. ■

IRI: Loss Prevention Teamwork



Several kinds of IRI engineers, each with varying responsibilities, help deliver loss prevention services to our policyholders and producers. The most visible is the field engineer – trained to detect deficiencies and suggest improvements – backed by knowledgeable supervisors and seasoned engineers-in-charge. Our account engineer works with corporate management in establishing and coordinating corporate programs. The least visible, perhaps, is the National Engineering Staff, which provides research and management direction. The whole group represents a wealth of talent, general and specialized.

Why all this emphasis on engineering by an insurer? Because loss prevention is at the heart of every IRI policy.

That's why more than half of our employees are directly involved in loss prevention services. Working together, these professionals draw on their combined experience and knowledge to solve your fire safety problems in the most economical and effective way. Their ability to respond to problems – great or small, routine or emergency – has proven its value to thousands of companies around the world.

To see what our engineers can do for you, call the nearest IRI office today. We'll stack them up against anyone.

Industrial Risk Insurers

85 Woodland Street, Hartford, CT 06102

Bigger umbrellas crowd out buffer layers

CHICAGO—File buffer layer policies with high-button shoes and bustles because excess/surplus brokers and insurers don't see much call for them anymore.

But with changing insurance fashion, they could come back.

Soft standard markets have made buffer policies, which cover losses above primary limits and below umbrella coverages, a need of the past for many commercial buyers.

Primary layers, excess/surplus brokers report, are being written for higher limits and umbrella coverages are coming down, eliminating much of the demand for a once-profitable line of business.

"I think I placed only two of them in the last year," remarked James Crystal, president of Frank Crystal & Associates in New York.

EXCESS/SURPLUS

"Chemical and drug manufacturers are really the only ones who need them and even they don't have to get them that often anymore. The umbrella carriers are willing to come down to half a million dollars these days, where in the past they would only come down to $1 million."

With the exception of high hazard risks and some product liability coverages, needing a buffer layer could signal trouble with the primary insurer, said Richard Selmonsky, vp of International Risk Managers Inc. in Great Neck, N.Y.

"If a primary carrier reduces his limits you better look for a new carrier because they're really not willing to write the cover," he said. "I think I have only one buffer policy in the whole office, though I hear there's still some written in the Midwest."



Product risks still draw an occasional buffer layer plan, notes Z-A of Illinois's Herbert Baker (left) but Columbia Casualty, a competitor, lost 85% of its buffer business, says president Wayne Prather (right).



Midwest E/S brokers and insurers do report more of a demand for buffer layers, but significantly less than in tight standard market years. The common problem is a need for $500,000 excess to cover a hole in coverage made by a stingy umbrella.

"Maybe we find them on a product risk," noted Herbert Baker, vp and manager of insurer Z-A of Illinois. "Usually the situation occurs when a regional carrier has a treaty capacity that leaves a blank spot in coverage."

As markets tighten up, this mid-range coverage may experience a rebirth and Midwest brokers seem to be leading the optimism. V.O. Shinnerer & Co. Inc., underwriting managers in Chicago, reports some increased demand already as self-insurers seek to protect themselves from short term losses.

Neal, Lloyd & Co., also in Chicago, is expecting some new buffer business, though it is almost non-existent now, said senior vp George P. DePeder.

Some demand, he said, probably will surface later because new and different risks appear to be surfacing in trucking and petroleum operations, which will cause umbrella carriers to require buffer layers.

New risks, say E/S brokers, are always difficult for standard insurers to swallow and buffer layers "have always been sought for anything that admitted carriers don't have an appetite to write."

"If buffer layers were to resurface, we'd still write it," admitted Wayne Prather, president of Columbia Casualty. "We just wouldn't get as heavily involved in it as we were in the past. It's just simply not wise to put your business into one basket." Columbia Casualty, CNA's excess and surplus insurer, lost about 85% of its buffer layer business in 1977.

Brokers can't predict exactly when buffers will see a resurgence, but they do know what the signs will be, notes Geoffrey Nicholls, vp of marketing for Sayre & Toso Inc., one of the leading E/S brokerages.

"They will return when the standard markets tighten again. They're a symptom of tight markets." ■

Everyone talks about
EARTHQUAKE AND FIRE.
Sherwood does something about them.

We do more than talk — we give you the sound, stable markets you need to insure against loss from earthquake and flood, fire and comprehensive "all risk" perils.

- $100,000,000 Capacity
- "All Risk" or DIC
- Layered Programs
- National Accounts our Specialty
- One or Many Locations
- Marketing Exclusively for Retail Brokers
- Real and Personal Property and Time Element

Talk to the people who can do something about almost any type of property risk on the most competitive terms available. Talk to Sherwood Insurance Services.

SI
SHERWOOD INSURANCE SERVICES
155 SANSOME STREET, SUITE 700, SAN FRANCISCO, CA 94104
(415) 956-3236



Broken water mains thwarted fire crews' efforts to control the fiery aftermath of the 1906 San Francisco earthquake. Darkened skies show the magnitude of the destruction at a location only 2 blocks from Sherwood's present-day headquarters.

Photo courtesy of Wells Fargo Bank History Room.

Security group sets test dates

WASHINGTON—The professional certification board of the American Society for Industrial Security has scheduled examinations for certified protection professional candidates.

Exams will be given from 9 a.m. to 4 p.m. on the following dates: Nov. 23 in Philadelphia; Dec. 15 in Los Angeles; January 1980 in Cleveland; February in Stamford, Conn.; March in Washington, D.C.; April in Minneapolis; June in New York; September in Miami; October in Pittsburgh; Nov. in Atlanta.

Dates for the 1980 locations will be announced three months before the exams. Applications are due six weeks before the exam date.

Information and application forms are available from the Certification Program Administrator, ASIS, 2000 K Street NW, Washington, D.C. 20006. ■

With Chubb Contractors Liability Insurance you get a blueprint for success.

ISO G222*	Chubb*
1. Blanket Contractual, included within The CGL Limit.	1. Applies the limits of liability separately for contractual.
2. Personal Injury and Advertising Injury Liability.	2. Same, except no contractual exclusion.
3. Premises Medical Payments. Automatic $1,000 limit.	3. No, but separately available.
4. Host Liquor Law Liability.	4. Same.
5. Fire Legal Liability—Real Property. Limit $50,000.	5. Legal Liability—Real Property—"All Risk" basis. Limit $50,000.
6. Broad Form PD—including Completed Operations.	6. Same.
7. Incidental Malpractice.	7. Same.
8. Non-Owned Watercraft Liability—Under 26 Feet.	8. Same, except up to 50 feet.
9. Additional Persons Insured.	9. Same.
10. Extended Bodily Injury Coverage.	10. Same, except Bodily Injury includes mental anguish and mental injury resulting from Bodily Injury.
11. Automatic Coverage Newly Acquired Organizations—90 Days.	11. Same.
12. Limited Territorial Provision.	12. Unlimited Territorial Provision.
13. No.	13. Non-Owned Aircraft Liability with paid crew.
14. No.	14. Blanket "XCU" Coverage.
15. No.	15. Liberalization Clause.
16. No.	16. Broad Notice of Occurrence.
17. No.	17. Broad Knowledge of Occurrence.
18. No.	18. 30-Day Cancellation Condition.
19. No.	19. Increased Supplementary Payments. a) $150 of reasonable expenses per day, in lieu of $25. b) $2,000 bail bond in lieu of $250.
20. No.	20. Eliminates exclusion "G" relating to war.
21. No.	21. Eliminates exclusion "L" relating to Property Damage to alienated premises.

*These coverages are provided by endorsement, which amends the Comprehensive General Liability Insurance coverage part.

Contact Chubb for a complete package of Contractors sales aids, including details about the services of our Survey, Audit and Claims Departments.

CHUBB

Group of Insurance Companies
100 William Street, New York, N.Y. 10038

E/S market doesn't fear free trade zone

CHICAGO—Excess/surplus brokers and underwriters are not quaking at the sound of the New York Free Trade Zone and Insurance Exchange—mostly because they don't hear much rumbling yet.

"I'm sitting back to watch," explained Bruce MacCready of MacCready & Gutman Insurance Services, managing general agents. "We have readily available excess markets out here and the capacity, so I don't expect the exchange to affect us," he said.

EXCESS/SURPLUS

"Local control," noted the San Francisco MGA, "can be more responsive from an underwriting standpoint. We buy locally and can look behind the scenes, zeroing in on things that create the problem."

Many E/S brokers and underwriters outside New York just don't believe they know enough about the N.Y. Insurance Exchange and how it will handle domestic risks.

"I really don't know that much about it," said Douglas Crowther, vp of John H. Crowther Inc. in Minneapolis, "but it will take longer for it to be a factor in the market than a lot of people give it credit for."

It may take some time for people in the excess/surplus field to learn how to use the potential new capacity, he said. "Though it should be a good reinsurance vehicle, however, for a lot of E/S dealers who deal in smaller accounts."

"It may continue the soft excess market," remarked Herb Baker, vp and manager of Z-A of Illinois, the surplus lines subsidiary of Zurich-America Insurance Co.

"It still won't be ready to function until 1980 and we don't know how it will function yet on domestic business. Our input, if any, may be on the reinsurance side."

Most brokers expect a significant delay before the New York Insurance Exchange becomes a force to be reckoned with in the excess/surplus field. William Goldman, president of Horan, Goldman Co. of Bryn Mawr, Pa., agrees with the conventional wisdom.

"I don't see the exchange as being any kind of factor for at least a couple of years," he said. "And even at its mature stage, I don't see it as a significant factor, except when you start talking about the insurance programs for Fortune 500 companies."

Mr. Goldman has no current plans to tap the exchange or join it, he said. "I have actively stayed away from the involvement and intend to maintain that posture until the dust settles further."

New York and New Jersey excess/surplus brokers, however, have warmed to the idea more than the rest of the country, say sellers contacted by *Business Insurance*.

"The exchange was created in response to a capacity crunch a while back," explained Gerald Nolan, president of Parkington Associates in New York City. "But that crunch is gone; it could reoccur in the future and the exchange will be needed. A fair amount of direct business belongs on the exchange.

"Brokers should be permitted to go to all markets, standard companies, excess/surplus, Lloyd's, free trade zone and insurance exchange. We're broker members of the exchange and are talking about a possible underwriting venture."

The New York Insurance Exchange would be better if it could function on an open basis like Lloyd's and not just depend on business filtered to it through the free trade zone, said Mac Henderson, executive vp of Swett & Crawford.

"I don't see why the N.Y. Exchange has to rely on facultative business," he said. "If there was treaty business, it would be worthwhile.

"We don't really need the exchange or the free trade zone when we have the (open rating) laws we have in California (which allow insurers considerable flexibility)."

But S&C does not want to be left out in the cold if the exchange proves to be useful so it will be participating in it as a member.

S&C's top executives had other criticisms of the exchange. They noted that whereas Lloyd's writes big lines and keeps small limits, the N.Y. Exchange will be left with a lot of net-line dregs.

Large and unusual risks "will eventually find their way there," noted Walter Rhulen, president of Rhulen Special Risks, "but I don't see it for regular business with the normal marketplace.

"The exchange will be an innovative marketplace and function as a reinsurance and excess capacity market and will facilitate placement of excess/surplus business," Mr. Rhulen said.

"For example, this would happen if someone has business that can be written on a carrier's policy and fronted into the exchange for reinsurance."

A Rhulen subsidiary, Frontier Insurance Co., has applied for a free trade zone license to take submissions and reinsure through the exchange. The Monticello, N.Y., brokerage is already a broker member of the exchange.

If the New York Insurance Exchange works correctly, however, it can be a positive alternative market, said Tom Tucker, V.O. Schinnerer & Co. Inc. vp. The underwriting manager is owned by the Marsh & McLennan Cos. Inc., the holding company in New York that has promoted the exchange.

"The exchange is like Atlantic City; it's an alternative to Las Vegas and if things go right, the exchange will provide a very fine secondary source to the London market," Mr. Tucker commented. ■

Simple Simon met his competitor coming out a client's door...

...Said Simple Simon to his former client "My insurance cost that much more?"

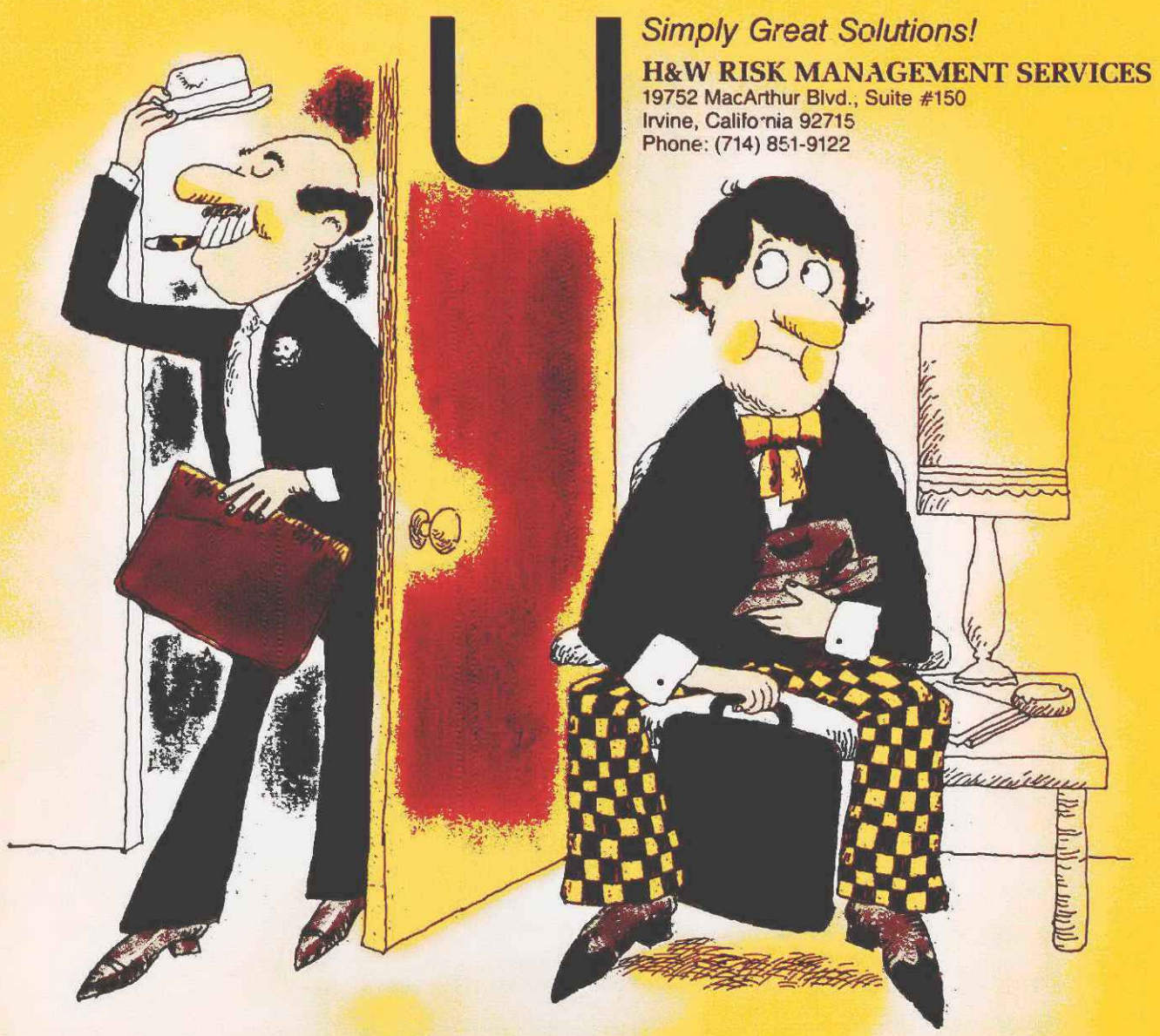
Simon was an excellent, hard working insurance agent. He provided his former client with the extra protection that was needed with the best insurance buy he could make. He thought his insurance solutions were an unbeatable value. And, they were.

But Simon, being a simple fellow, did not understand that insurance is just *one* way to provide protection for customers. To Simple Simon, Risk Management solutions were just too complicated. He was too busy running his agency and selling insurance to take the time to learn risk management procedures. And, Simon lost!

Too bad, our simple approach to insurance and risk management is such a new idea that it came along too late to help poor Simon. Perhaps it's not too late for you. We'd *simply* love to help.

WRITE OR CALL TODAY FOR A COPY OF OUR BROCHURE
"RISK MANAGEMENT MADE SIMPLE."

Of course, you're more sophisticated than Simon. But send for our brochure anyway. Then, you'll have the *simple* answers *any* client can understand.



Simply Great Solutions!

H&W RISK MANAGEMENT SERVICES
19752 MacArthur Blvd., Suite #150
Irvine, California 92715
Phone: (714) 851-9122

We know the ropes.

Kemper offers the corporate risk many customized alternatives.

When it comes to providing protection and service for corporations with unique insurance needs, nobody rides as hard as the Kemper Cavalry.

We help make sure your corporate program is complete. We have the flexibility to work with you and your captive, shoring-up weak spots, avoiding expensive exchanges of premium and loss dollars, developing the right blend of supplementary policies all for the right premium.

We're one of the few outfits willing to talk about facilitating insurance arrangements for self-insureds. And, we can help you develop a custom package of loss prevention and claim handling services.

The Kemper Cavalry has already come to the rescue of many clients with captive programs. We know the risks of riding alone, and we'll never let you get stranded.

If this is the kind of service you've been looking for, contact your nearby Kemper agent or broker.



Kemper GROUP

If it's worth insuring, it's worth Kemper.

©1979 Kemper Corporation

Firms shun costly product recall policy

By CLIVE HALLETT

EXCESS/SURPLUS

LOS ANGELES—Each new product recall that makes headlines spawns a spate of insurance inquiries to brokers and underwriters from manufacturers who fear they could be the next forced to issue a recall.

But product recall insurance, which generally covers the administrative expenses of complying with a government-ordered recall, is costly, often misunderstood and susceptible to policy disputes, the experts say.

And there's not a lot of insurers offering the policy. Written primarily on a surplus lines basis because the standard market doesn't want such a hot risk, product recall insurance is mostly underwritten by Lloyd's of London. The two major domestic markets are Fireman's Fund Insurance Co. and Admiral Insurance Co.

Faced with the high cost of the protection, not as many companies buy product recall insurance as ask about it and several major companies now recalling products had decided to self-assume the risk.

Corning Glass Works based in Corning, N.Y., is facing a massive recall without insurance to cover costs. It has agreed to ask the owners of the 18.5 million coffee makers it has produced since 1960 to stop using the utensils because the handles may be faulty.

"We've looked at product recall insurance three times since the mid-1960s and it just hasn't been a viable proposition for us," said J. Victor Bowman, Corning's insurance manager.

"We decided we could carry out most of the activities required under a product recall policy more efficiently and effectively ourselves."

He said the total cost of the recall had not yet been estimated but that the impact on the company was being monitored daily.

"We feel confident we can handle it as we anticipated and nothing has reached a point where it is not in our control."

Although a company with less product variety and different distribution channels might find it advisable to buy product recall insurance, Mr. Bowman said, such coverage "becomes less and less applicable as you become a more multifaceted and multinational company.

"The capability of an outside (insurance) company to handle your difficulties decreases," he said.

Richard Casey, insurance manager for International Harvester Co., which is currently recalling 7,800 of its truck-tractors because of a potential steering defect, said his company had also decided against product recall or warranty insurance because "we're just too big for it."

"On the open market it would not be available to us at any reasonable price," he said.

"The costs of our possible recalls have to be built into the price of the product along with other overheads and unforeseen contingencies."

Some companies wait until they get their fingers burned by an expensive recall before they decide the high premiums may be worth it after all, says Ian Elliott. He owns Ian Elliott Ltd., a surplus lines and reinsurance brokerage handling Canadian risks and operating in Toronto and Montreal.

"The prices of product recall insurance scare a lot of people off," he said.

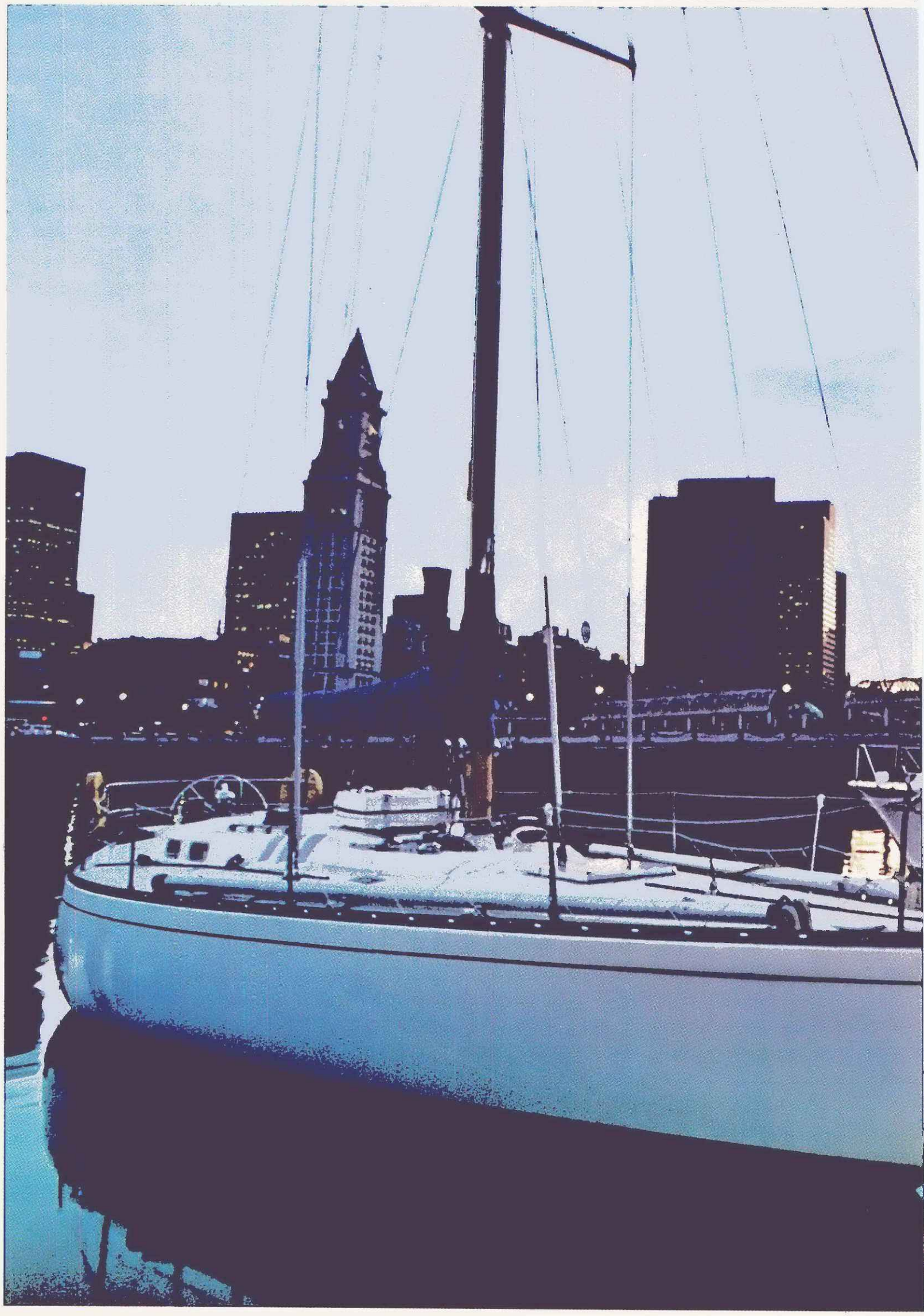
Everyone agrees the price is high, but no one would specify charges for product recall insurance. Mr. Elliott said it's impossible to give a typical charge because "there's no real pattern to this thing."

Experience convinces some companies to buy product recall insurance, Mr. Elliott said.

A Canadian manufacturer of room air conditioners bought its recall insurance only after a U.S. federal agency ordered checks for a possible fire hazard on thousands of the air conditioners the company had sold in the United States.

Other companies want to cover commitments they make in their guarantees, Mr. Elliott said. A company supplying paint for the inside finish of oil tankers had guaranteed its product for two years and took out $1 million in product guarantee insurance against the possibility that a repainting would be required.

But other insurance specialists such as Spencer Traver, risk manager of B.F. Goodrich Co., and Al Pearsall, risk manager at Firestone Tire & Rubber Co., say product recall insurance simply costs too much to be considered by them. Both Akron, Ohio-based compa-



nies are embroiled in tire recall programs.

Mr. Traver said his company had "measured what the market offers and found it to be damned poor." The last time he had sought a quotation was two years ago. "The cost of recall insurance exceeds the likely annual cost of any recall in many cases," he said.

Goodrich internally funds recall costs and is comfortable with this arrangement because the probability of recalls has already been considered and budgeted, he said.

Mr. Pearsall said court costs in Firestone's recall of its series 500 radial tires had been "very significant" already and final costs were not yet known. But the company does not worry about its lack of product recall insurance. "For any of the rubber companies, the cost of buying that insurance would far exceed any value you'd get from it. I wouldn't even bother to get a quote on it at present," he said.

The coverage costs so much because the attendant risks are "almost impossible to quantify," he said, "If I were putting on an underwriter's hat, I'd be scared stiff of it, too."

One underwriter who admits that recall insurance can be an expensive proposition is Leonard Mikulski, assistant vp for casualty underwriting with Jersey International Inc. Jersey owns and manages Admiral Insurance Co. and Ensign Insurance Co. in Haddenfield, N.J.

"It's a first-party form. It's expenses only. You can get into hefty claims, especially if the insured isn't sure what it would cost to get a product off the market," he said.

"I don't think it's fully understood by some companies. They are sometimes not sure whether they need it and there is a small percentage who may think they have recall insurance under their product liability coverage.

"We think it rounds out the program of certain insureds. Not all of them need it because some have very good quality control programs and feel they will never have a recall."



Corning doesn't have insurance to cover the cost of recalling these coffee pots.

Mr. Mikulski said that although Lloyd's was the biggest handler of such insurance, Admiral and Fireman's Fund provided the two major domestic markets.

Fireman's Fund writes what it calls product withdrawal insurance through its excess and special risks department. The insurance covers the administrative expenses of a recall, including the cost of telephone and telegraph communications, radio and television announcements and newspaper advertising, production expenses associated with announcements, overtime for employes working on the recall, the salaries of temporary employes hired to handle the recall and other related expenses.

"Fireman's Fund gives tons of quotes on the policy, but not many takers," a spokesman reported. The insurer speculates that most companies are confident they won't ever face the cost of a product recall.

Patrick Moore, of Worldwide Facilities in Los Angeles, warns that product recall insurance can be "very amorphous and hard to get a handle on."

"There's no standard form for this extremely involved subject, so frequently there is a genuine dispute as to what is covered."

When a government agency orders a recall, it is usually more clear-cut that the coverage applies, he said. It is also possible to get coverage—allowing for voluntary recalls on the part of a manufacturer at a price.

Problems stem from poor communication and difficulty in assigning relative losses, Mr. Moore said.

There was a case where a tractor manufacturer had discovered that nuts and bolts used in its vehicles were shearing in use and wasted no time in replacing them with stronger parts. But the insurer of the company that made the defective nuts and bolts was not informed of the recall. The absence of a formal claim left the tractor manufacturers with the cost. The ensuing dispute is now before the courts, with both sides charging that the other's production work is to blame, Mr. Moore said.

In another case, it was unclear whether a company involved in tracing its own defective products could claim against a policy covering strictly product recalls.

The manufacturer of a lathe which had exhibited malfunctions on its safety lock decided to trace every owner of the tool to ensure that necessary safety repairs were made. Because the company did not actually recall the tools, there was a question as to the validity of its coverage, Mr. Moore said. ■

"Yacht owners put their confidence in us. We put our confidence in MOAC."

—Nancy Ronan, Vice President, The John G. Alden Insurance Agency, Inc., Boston, Massachusetts

"Our clients take pride in their boats. They want the best of everything—including insurance service.

"We've found MOAC delivers the kind of back-up we need to keep our clients satisfied. Their underwriters are responsive and they follow-through. This takes the pressure off us.

"When it comes to claims handling, MOAC adjusters have the knack of keeping things right on course. No delays. No complications.

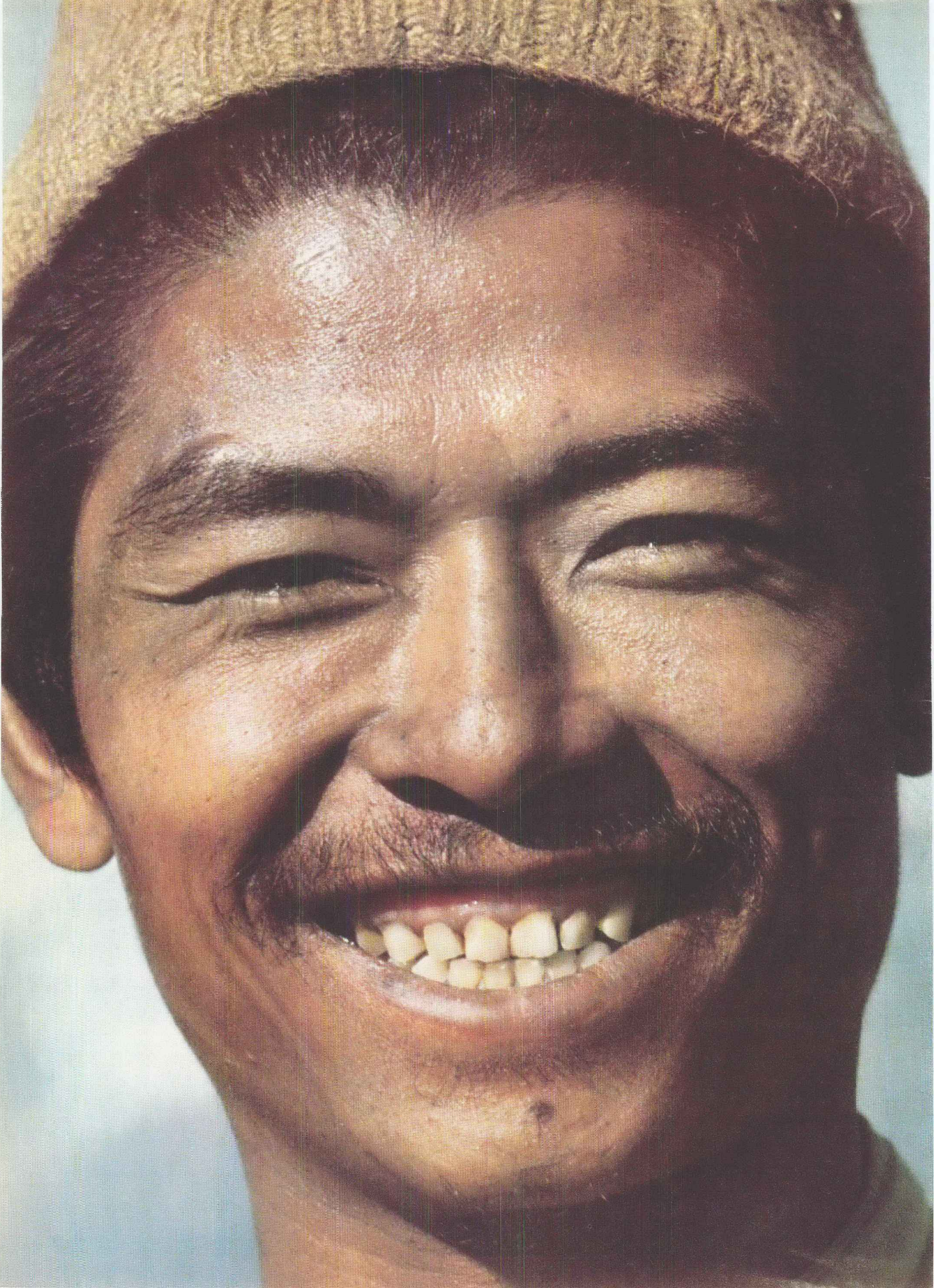
"And MOAC matches its service with innovative, easy-to-sell products. Their new yacht policy is a good example. It offers broad coverages—all spelled out in simple, clear language.

"Our premium volume has quadrupled in the last five years. MOAC has played a big part in keeping our business moving in the right direction."

Marine Office of America Corporation
a subsidiary of The Continental Corporation
80 Maiden Lane, New York, N.Y. 10038

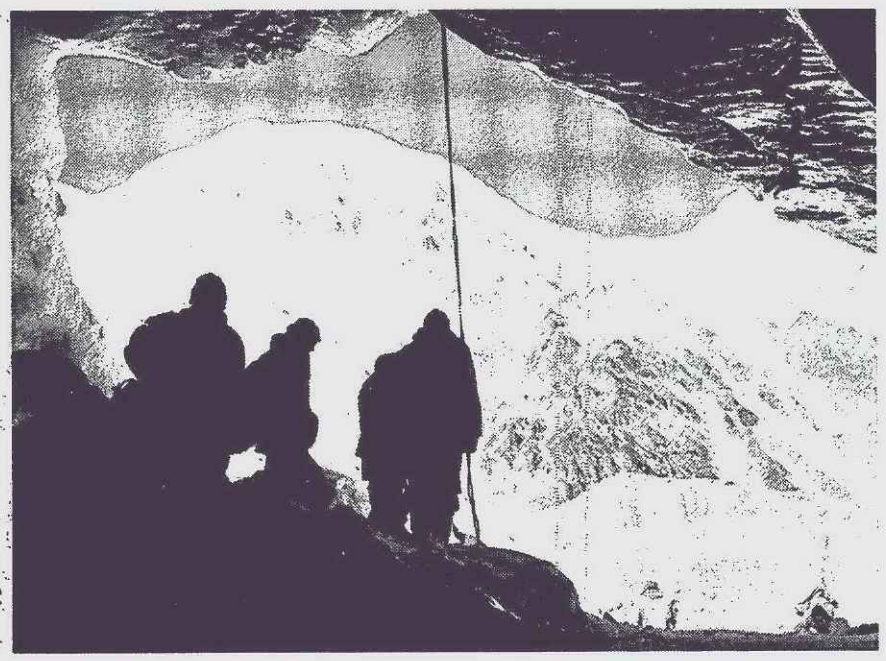
MOAC
The marine office.





The indomitable snowman.

Few people share the Sherpa's reputation for dependability. Fewer still will ever dare face as mighty a foe as the Himalayas. After all, to handle such a nemesis takes a lot more than raw courage. It takes the capacity to protect others against monumental risks. The capacity to keep people going in the event of serious injuries or losses. It takes, in short, a specialist.



In today's industrial environment, the capacity to cover substantial risks is no less important than it is on the icy footpaths of the Himalayas. But to gain this capacity is no small task. It takes years of success in meeting the needs of a wide variety of insureds. It requires the ability to recognize and understand the particular perils that an individual company might, or will, encounter. It takes, in a word, a specialist.

For over 140 years, Allendale has been working with companies having widely different needs; companies that have become and remained our clients because of their commitment to maintain acceptable loss control standards. The success of these client relationships has continually increased our capacity. It has allowed us to provide broader coverages as well as more extensive services.

As a result, Allendale now insures a significant majority of both the Fortune 500 and the Canadian Top 200 industrials. In addition, several of the largest corporations in other parts of the world have chosen us for coverage.

Perhaps your problems are not as threatening as the Himalayas. Nevertheless, we believe you'll be glad to know that whatever these problems are, at Allendale we won't take them lightly. Allendale Mutual Insurance Company, Allendale Park, Johnston, Rhode Island 02919.

Factory Mutual System

Allendale Insurance

The property insurance specialists.



Some different approaches to surplus lines.

Property coverage prices to rebound in '81: E/S broker

By MARGARET LeROUX

EXCESS/SURPLUS

SAN FRANCISCO—Excess/surplus broker Don Sherwood wonders where the bottom of the property insurance market is.

Prices keep going down and down, but Mr. Sherwood projects they will bottom out around the end of 1980 and come back 10% to 20% higher.

Mr. Sherwood is president and chief financial officer of Sherwood Insurance Services here, a new excess/surplus brokerage firm specializing in property insurance. In its first full year in business, Mr. Sherwood expects 1979 gross revenues to be $800,000, "more than double my projections."

After 25 years of working for someone else in the property insurance business—including Fireman's Fund Insurance Co. as an underwriting manager, Allendale Appalachia in sales and underwriting and Swett & Crawford as a senior vp and regional manager—Mr. Sherwood decided he wanted to "do my own marketing without the influence of a corporate presence." He opened Sherwood Insurance Services in April 1978.

Noting that the property insurance market is traditionally soft—or competitive and lower priced—Mr. Sherwood said capacity had once been a problem in the excess property market. "It used to be, you'd have to exhaust the world for limits of $25 million; now you can put together $100 million without too much trouble.

"Whether the market is tight or loose, getting the broadest coverage possible, not necessarily the cheapest price, is most important," Mr. Sherwood continued. "The key is knowing how to layer—which excess companies want to be in the prime position, which like to be in the high excess layers."

Sherwood works with 25 excess and surplus underwriters and has the facilities of 50 reinsurers available, the agency president said.

As a wholesaler, Sherwood has no underwriting facilities, preferring to use outside reinsurers, and the plan is to keep it that way. "It provides us with more flexibility and a lot less hassle," Mr. Sherwood said.

One of the more unusual excess policies arranged by the Sherwood agency was for the San Francisco Chronicle newspaper, which offered readers an insurance policy against damage caused by Skylab if it landed in the Bay area in July.

Another Sherwood specialty is earthquake insurance. Mr. Sherwood expressed relief that just tremors, not major shocks, were felt in San Francisco during the Aug. 6 earthquake. "If that quake had been centered here instead of Gilroy, there might have been reverberations in the excess market," he speculated.

Inflation, skyrocketing property values and the high cost of replacement would create a crisis if a quake as severe as the one in 1906 occurred in San Francisco today, Mr. Sherwood said.

As with the casualty side of the E/S market, property underwriters are getting more competition from the stock companies, "but it's mostly for the smaller commercial accounts," he said. "As a rule, the stock companies don't have the reinsurance facilities to put together excess coverages."

Although Sherwood had been involved exclusively with the excess market for property insurance, the agency will begin broking casualty business with a division under Owen Hakes, formerly with American Reinsurance Co. in San Francisco.

Adding a casualty division is a natural extension, Mr. Sherwood said, since property insurers have been assimilating techniques of casualty insurers into their own underwriting practices. ■

TURNED DOWN FOR D&O INSURANCE?

Many organizations are finding it impossible to buy D&O insurance. That's because the small group of carriers who offer it generally concentrate on the larger accounts with big premiums, and are not very receptive to risks that don't meet their exact standards.



At Wohlreich & Anderson we know that all kinds of organizations need the same type of protection as the established ones. That is why we have developed a D&O facility designed specifically to accommodate the risk that is *too new, too small* or *too unusual* for other carriers.

Our policy provides all the same features that other D&O markets do. But we offer one thing they don't. We're willing to consider just about any kind of risk — not only the conventional corporations. We can also handle accounts and associations where special attention regarding coverages, limits and retentions is required.

So don't have your clients go without Directors & Officers coverage any longer. For a quotation or more information, please contact your nearest Wohlreich & Anderson office listed below.

W&A

Wohlreich & Anderson

We're the market others have to beat.

Boston, Mass. (617) 426-9556
Chicago, Ill. (312) 454-0696
Cleveland, Ohio (216) 241-2917
Columbia, Md. (301) 997-1272
Garden City, N.Y. (516) 222-0801
Hartford, Conn. (203) 561-3600
Indianapolis, Ind. (317) 842-5911
King of Prussia, Pa. (215) 688-3532
Livingston, N.J. (201) 994-0896
Los Angeles, Calif. (213) 383-0436
New York, N.Y. (212) 349-3020
Pittsburgh, Pa. (412) 232-3235
Portland, Or. (503) 226-6525
St. Louis, Mo. (314) 231-5586
San Francisco, Calif. (415) 981-7190
Seattle, Wash. (206) 624-6080
Southfield, Mich. (313) 569-3188

Home Office: 6 Commerce Drive, Cranford, N.J. 07016—(201) 272-2500

KEY CONSIDERATIONS:

Consider our uncommon financial strength. And much more...

Flexibility, innovation and judgment; insights resulting from long experience in meeting the challenges of the future.

Each plan for growth reflects a search for larger opportunities. At North American Reinsurance our sixty years of risk analysis can assist you in meeting the larger dimensions of new programs.

Key considerations when you assess the broader opportunities.



NORTH AMERICAN RE®

When opportunity knocks

NORTH AMERICAN REINSURANCE CORPORATION 245 PARK AVENUE NEW YORK, NEW YORK 10017 TELEPHONE: (212) 949-6000
BRANCHES: ATLANTA BOSTON CHICAGO DALLAS DENVER HOUSTON LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO SEATTLE
WORLDWIDE FACILITIES THROUGH SWISS REINSURANCE COMPANY, ZURICH.

E/S industry hustles for new business

Continued from page 1

high-risk insurance, and many brokers are down in volume but up in clients, like McAlear & Associates in Grand Rapids, Mich.

"We are down about 4% with about $22 million in premiums through July of this year," president Charles McAlear noted, "but our item count is up 48%. That means, obviously, that each account is paying less money, but we have been more aggressive in getting out and finding new business."

Special packages and promotion have been the savior for some of the market.

"Rather than compete with the standard markets, we're letting some business go," said Walter Foster, vp of marketing for Capacity Managers International in New York. "If we wrote a $5 million umbrella layer for $50,000 and a standard company comes in at $20,000, we let it go.

"Instead we get involved in special programs, like public officials liability, chemical manufacturers, furniture dealers and property coverage for restaurants. It's silly to fight the standard companies in a cycle; the business will come back to us eventually," he said.

Another large Eastern broker, Wolreich & Anderson in Cranford, N.J., is putting its money on packages, too, though "the business is flatter than one or two years ago."

"We're currently working on new products to retain our growth posture. In the last crunch we were struggling to keep up with umbrella and buffer layer demand. We now have time to work on developing new products and getting back to the things that E/S lines are known for," executive vp Bob Clay said.

W&A is putting together a market for pollution liability coverage for losses that are not "sudden and accidental" and a directors and officers coverage that avoids class underwriting "to facilitate getting D&O coverage for new companies," Mr. Clay said.

John H. Crowther Inc. of Minneapolis has added commercial auto and long-haul trucking plans, boosting its commitment to the fields until those lines represent

EXCESS/SURPLUS

nearly 25% of its annual business. The firm is planning an entrance into umbrella packages.

V.O. Schinnerer & Co. Inc., underwriting managers in Chicago, have established a combination hospital risk management, commercial insurance, self-funded and risk control program to help sidestep standard market competition.

Promotion has been important for the Wetzel Co., a Texas E/S brokerage known for package plans in the pollution and offshore drilling rig fields. "Every year we review our advertising and we are making some improvements in our pollution and umbrella package advertising. We have also started promoting our kidnap and ransom coverage and pursuing association business for professional malpractice," assistant vp Donald W. Maxwell explained.

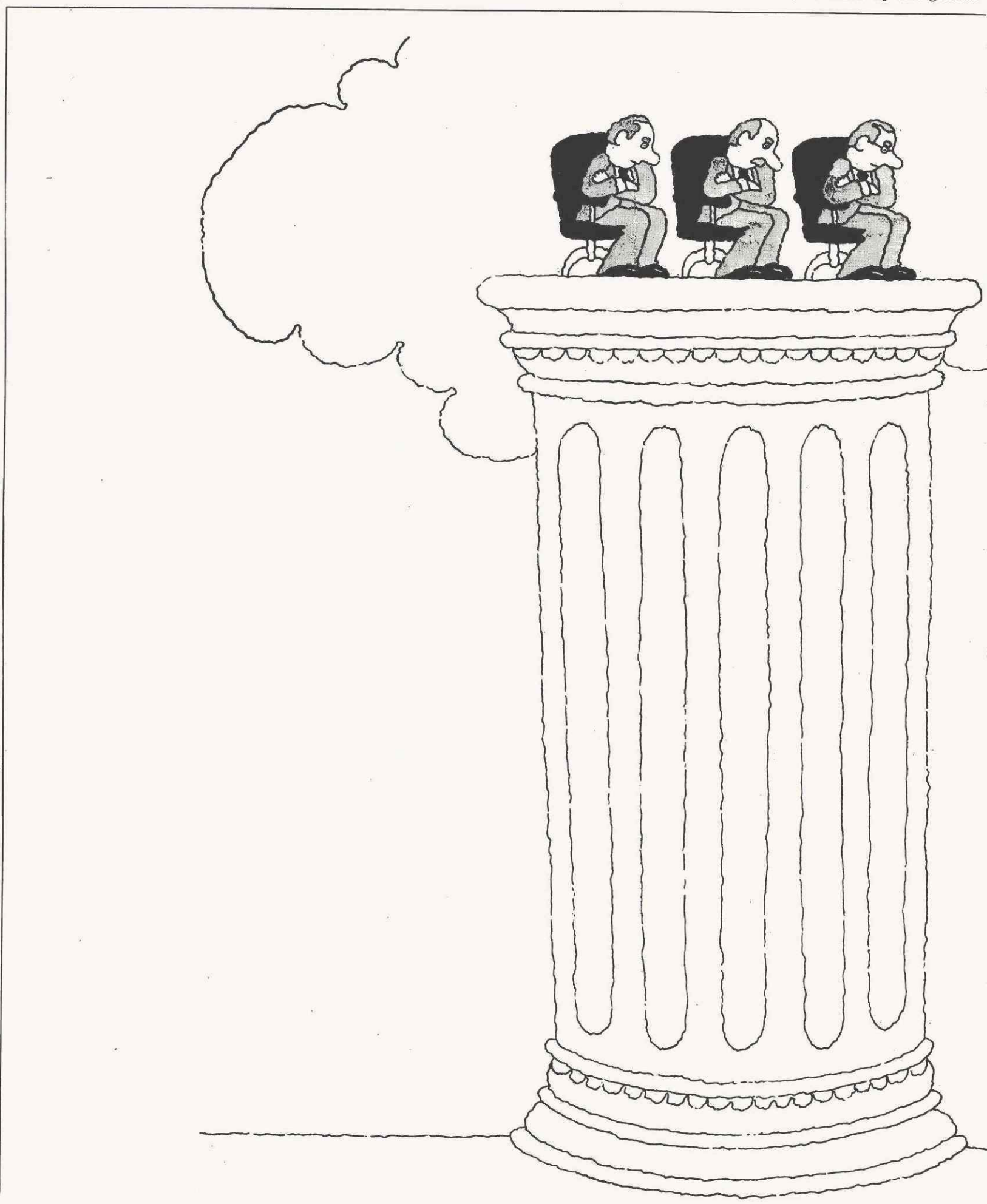


E/S insurers have more time to be more creative, says Alan Kirshner of Markel, right. But Thomas Sheehan, left, takes the "old-fashioned" approach of promoting only limited products.



But even in specialties, all is not sweet and E/S insurers are beginning to go at each other. Offshore rig prices "have been going sour for the last several months," Mr. Maxwell noted.

"There's a great deal of competition within the E/S market—a reflection of expansion of the E/S lines market in the last two and a half years," explained Jeremy Cooke, executive vp and general



E/S upturn seen for '80

Industry watchers predict that some umbrella and catastrophe insurance being written by standard markets will come crawling back to the excess/surplus brokers and insurers when standard markets tighten again.

When that might happen is everybody's guess, with predictions ranging from early 1980 to the end of 1981 and most expecting higher prices for buyers late next year or early 1981.

"I'm watching the prime lending rate," E/S broker Charles McAlear remarked. "If it goes down, investment income goes down, too, and the admitted insurers, who are covering their losses with investment income, will have to cut back. Prices will go up and business will return somewhat to the E/S markets."

"There has been some really wild competition out there and it has given the industry a terribly bad image," says Geoffrey Nicholls, vp of marketing for Sayre & Toso Inc. in Los Angeles.

manager of Major Surplus Ltd., an East Coast broker.

"The market, in terms of numbers of brokers and suppliers, must have grown 30% over the last two years. I have lost some policyholders to the standard market, but not as many as I have lost to other competitors," he said.

Traditionally stable business has taken a price plunge from both domestic and London underwriters, note some E/S watchers.

"There has been some really wild competition out there and it has given the industry a terribly bad image," explained Geoffrey Nicholls, vp of marketing for Sayre & Toso Inc. of Los Angeles. "There was one case where an umbrella premium last year was $100,000 and some maniac out there wrote it for $10,000."

Even Lloyd's of London, a market willing to take many unusual risks for high premiums, is becoming price-slash happy, Mr. Nicholls said.

"They have done some rather wild things. Although they have not been as striking as the underwriting example, competitive pricing has been more prevalent there than ever before," he said.

Sayre & Toso is, however, cutting back on excess workers compensation. Another subsidiary of the Mission Group though, is beginning to pursue primary work comp.

Several brokers contacted by *Business Insurance* said they were going to "lay low" and wait for the markets to tighten and send clients running back. Until then, it's a good time to work on unusual tasks for clients with special needs, they said.

"We're having to work a bit harder," said Alan Kirshner, recently appointed chief executive officer of Markel Services Inc. of Richmond, Va. "But we are now in the spot of the marketplace where we belong—problem-solving.

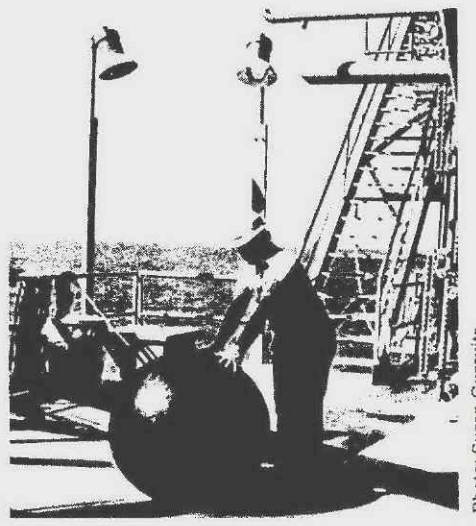


Photo: Susan Gurevitz

The Wetzel Co., a Texas E/S broker, is known for its package plans for pollution and offshore drilling rigs. But offshore rig prices "have been going sour for the last several months," says Donald W. Maxwell, assistant vp of the company.

"E/S insurers have more time and can be more creative. Now they are willing to listen to innovative ideas."

The E/S broker who pulls out of the battles completely "shouldn't be part of the specialty business at all," he continued. "Now is the time when we can put our skills to the client problems that need solving."

Thomas Sheehan of Thomas Sheehan Inc. in Park Ridge, Ill., however, takes a more "old-fashioned" approach, promoting only limited products, notably architects, lawyers and accountants errors and omissions insurance, where business has been "way ahead of last year."

One of his off-season activities is beefing up staff in anticipation of the next boom. Mr. Sheehan says he expects to increase staff by 50% the third quarter of 1980. Other brokers say they, too, are actively shopping.

"Sure they are looking for good people," a major insurance recruiter explained, "but they want experienced E/S people and they are damn hard to find. In general, no matter what they say, the E/S personnel market is tight and the brokers are watching their pennies."

Cautious sellers are unwilling to predict the results of the excess/surplus sidewalk sale during this soft side of the traditional market cycle, and no one, say most E/S marketers, can be really sure all the market's previous business will return when standard markets tighten.

But dangers, note a few industry watchers. exist for buyers.

"This is all working to the advantage of the buyer at present, but it's scary for the underwriter who tries to be competent," said a large West Coast broker.

"I'm a little fearful of the long range effect; the buyer is going to get hurt because he won't be able to reasonably predict to his management what his insurance costs are going to be." ▪

Schinnerer office

Victor O. Schinnerer & Co. Inc. has opened a new office in San Francisco. The new office will be managed by Diane H. Spieler.

DO ONE THING BEFORE YOU RECOMMEND SELF-INSURANCE TO YOUR MANAGEMENT.

ASK THE HOME GROUP IF IT ALL ADDS UP.

You've done your homework. You know your company's history of losses. Where safety programs are working and where they're not. The current costs for Workers' Comp and other coverages. And you've computed how your company's cash flow position might be improved with judicious risk retention.

The risk management professionals of The Home can tell you if it all adds up. We provide a full scope of risk management services. This ranges from providing computer capabilities for a quick and accurate analysis of your computations, to implementing and servicing your program. And in this era of shrinking capacity, we can arrange for the layered insurance required to make the whole proposition work.

Make the last step in your self-insurance evaluation your best step. Consult with the risk management specialists at The Home Group. Let them serve as your risk management team.



The Home Insurance Company
A City Investing Company

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

Business wanes for many leading brokers

New York

Premium Volume

Broker	1978	1977	1976	1977-78 Growth rate	1976-78 Growth rate
Osborne, Post & Kurtz	$13,955,108	$17,900,772	$ 2,945,487	−22.0%	117.7%
Wohlreich & Anderson	12,402,726	11,105,840	15,641,910	11.7%	−20.3%
Sixty-Seven Brokerage	9,665,353	14,579,938	5,046,512	−33.7%	38.4%
Fred S. James & Co.	8,989,664	3,818,146	3,614,367	135.4%	57.7%
Alexander & Alexander	8,921,126	12,758,941	2,831,671	−30.8%	77.5%
National Brokerage Agency	6,794,809	8,708,360	4,314,813	−21.9%	25.5%
George F. Brown & Sons	6,293,346	9,352,209	6,651,359	−32.7%	−2.7%
Parkington Associates	5,231,840	4,058,692	1,890,912	28.9%	66.3%
Stewart Smith East Inc.	5,189,443	4,273,685	4,232,596	21.4%	10.7%
Bowes & Co.	5,156,918	2,089,333	2,112,415	146.8%	56.2%

By ELLIS SIMON

EXCESS/SURPLUS

NEW YORK—The boom days are over for the nonadmitted market specialists, premium volume figures for the leading excess/surplus brokers in five large states reveal.

Although most of the leading brokers continue to chalk up gains, premium growth rates for 1978 rarely exceed compound growth rates for the three previous years.

Business Insurance obtained premium volume figures for the 10 largest excess/surplus brokers for 1975-1978 from the Texas and Louisiana insurance departments and California Surplus Lines Assn. Figures for 1974-1977 were obtained from the Florida department of insurance. The New York department of insurance supplied 1976-1978 figures.

The figures reflect the growth of the excess/surplus business from the middle of the downturn of the last underwriting cycle to the softness of the current cycle.

The sudden surges and drops in the business of several of these firms illustrate the volatility of the surplus lines business and its dependence upon the competitiveness, or lack of it, in the standard markets.

Los Angeles-based Swett & Crawford, which ranks among the top 10 in California, Texas and Louisiana, typifies the phenomenon. Between 1975 and 1977, the firm posted compound premium growth rates of 27.8% in California, 17.6% in Texas and 56.2% in Louisiana.

However, for 1978, its premium increases were 3.8% in California and 3.2% in Texas. In Louisiana, its premium volume was off by 6%.

Swett & Crawford president William W.F. Fellows attributed his firm's flat performance to competition from price cutting by foreign-owned companies. Foreign companies are operating with loss ratios as high as 105% for two or three years so they can get a foothold in the business, he maintained.

Texas excess/surplus broker Joseph H. Blades blames the budgeting practice of the standard companies. "They allocate volumes and branch offices are cutting rates to get the business. Surcharge business is now being written at deviated rates," he said.

New York appears to be most affected by the softening of the markets. Of the top 10 excess/surplus brokers, five reported smaller premium volume figures for 1978 than 1977: Osborne, Post & Kurtz, Sixty-Seven Brokerage Corp., Alexander & Alexander and National Brokerage Agency, all of New York, and Chicago-based George F. Brown & Sons.

Four of the firms reporting gains, however, outperformed their growth rates for 1977 and two of the firms, Fred S. James & Co. and Bowes & Co., both of Chicago, more than doubled their volume. Only Parkington Associates and Stewart Smith East of New York and Bowes & Co. reported premium growth for both 1977 and 1978.

Top-ranked Osborne, Post & Kurtz exemplifies the volatility of the New York excess/surplus market. Between 1976 and 1977 its premium volume soared from $2.9 million to $17.9 million. Its ranking shot up from ninth to first. But its volume declined in 1978 to $14 million, although it retained its number one spot.

Wohlreich & Anderson of Cranford, N.J., ranked number one in 1976, fell back to second place in 1978 as its premium dropped by 20% to $12.4 million from $15.6 million in 1976. Third-place Sixty-Seven Brokerage Corp. moved up a notch. Fourth place Fred S. James Co. stepped up from eighth.

George F. Brown & Sons dropped to seventh place from second with a 2.7% fall-off in premium and Stewart Smith dropped to ninth from seventh, although it enjoyed a 10.7% compound rate of growth for the two years. National Brokerage Agency remained sixth.

Newcomers to the top 10 in New York are fifth place Alexander & Alexander, of New York, eighth place Parkington Associates and 10th place Bowes & Co. Dropouts are Feit & Drexler, Lumley Dennant & Co. and Brokerage Surplus

Continued on page 46

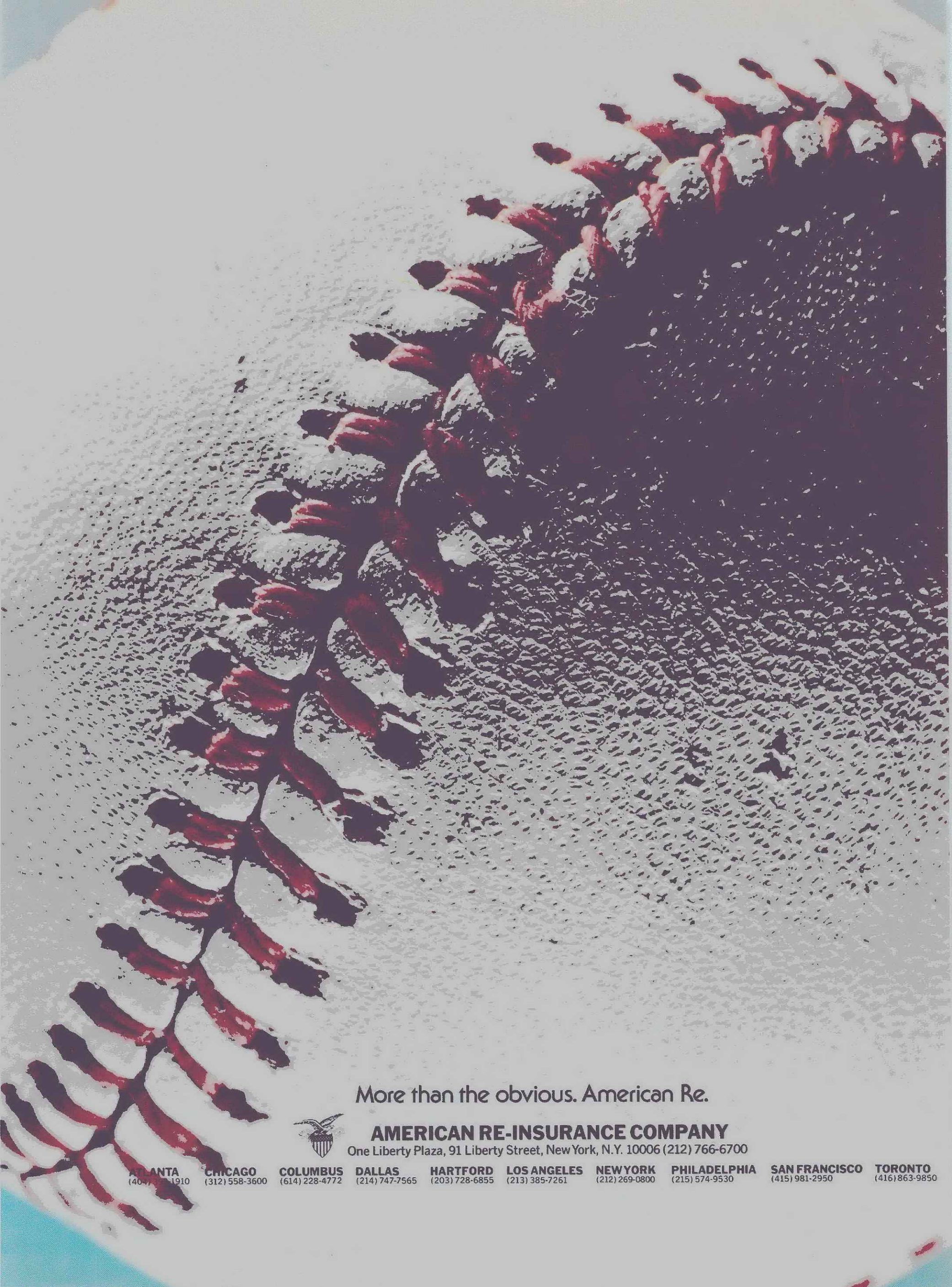
Protection
Protection
Protection
Protection



"New Concord Volunteer, 1896", Etching by Bruce McComb, 1976

Excess and Surplus Lines

McAlear Associates Inc.
Grand Rapids, Michigan



More than the obvious. American Re.

AMERICAN RE-INSURANCE COMPANY

One Liberty Plaza, 91 Liberty Street, New York, N.Y. 10006 (212) 766-6700

ATLANTA	CHICAGO	COLUMBUS	DALLAS	HARTFORD	LOS ANGELES	NEW YORK	PHILADELPHIA	SAN FRANCISCO	TORONTO
(404) [illegible]-1910	(312) 558-3600	(614) 228-4772	(214) 747-7565	(203) 728-6855	(213) 385-7261	(212) 269-0800	(215) 574-9530	(415) 981-2950	(416) 863-9850

Louisiana

Premium Volume

Broker	1978	1977	1976	1975	1977-78 Growth rate	1975-78 Growth rate
Gray & Co.	$14,319,969	$10,293,920	$5,199,708	$2,185,801	39.1%	87.1%
Mid-Continent Underwriters Inc.	13,259,581	9,386,934	5,352,595	2,934,630	41.3%	65.3%
Southern Marine & Aviation Underwriters	7,165,388	5,494,777	3,645,450	3,003,559	30.4%	33.6%
Southern States General Agency Inc.	6,090,267	4,838,803	5,037,641	2,798,122	25.9%	29.6%
Frank B. Hall & Co. Inc.	6,053,385	4,581,977	4,759,742	3,655,714	32.9%	18.3%
Agency Management Corp.	5,313,470	4,530,061	5,516,870	4,011,457	17.3%	9.8%
Swett & Crawford	3,935,691	4,188,119	2,873,241	1,033,444	-6.0%	56.2%
Interstate Surplus Underwriters Inc.	3,772,201	3,479,453	4,733,936	3,081,295	8.4%	7.0%
Burnett & Co.	3,646,764	3,042,171	2,348,175	2,992,602	19.9%	6.8%
Lee M. Scarborough & Co.	3,579,863	2,285,245	1,748,293	709,088	56.7%	71.5%

Florida

Premium Volume

Broker	1977	1976	1975	1974
Hull & Co.	$9,628,577	$4,247,749	$2,473,839	$1,017,73
Dana Roehrig & Associates	7,369,029	4,656,381	2,330,901	922,39
George F. Brown & Sons	4,423,739	3,604,933	2,322,204	1,146,12
Risk Management Service	3,939,088	2,316,999	1,072,709	323,16
*Arthur J. Gallagher & Co.	2,749,260	766,140	1,106,112	59,24
London Agency	2,740,676	5,642,063	2,269,201	1,370,69
**Crump London Underwriters	2,717,835	1,786,928	1,289,117	605,23
Frank B. Hall & Co. Inc.	2,504,411	2,134,537	3,132,695	2,064,99
Marsh & McLennan Inc.	2,261,757	836,841	85,651	2,905,23
Markel Service Inc.	1,888,241	1,440,981	730,337	99,78

*formerly Ruel Insurance Corp. Acquired by Gallagher in 1976
**formerly Empex Agency. Acquired by Crump in 1977

Boom gone . . .

Continued from page 44

Corp., all of New York.

Excess/surplus lines brokers appear to continue enjoying strong growth in Louisiana. There four of the top 10 firms posted premium volume gains that exceeded their compound growth rates between 1975 and 1978: Frank B. Hall & Co., Briarcliff Manor, N.Y., Agency Management Corp. of Baton Rouge, Interstate Surplus Underwriters Inc. of Shreveport and Burnett & Co., New Orleans. Only one excess/surplus broker, Los Angeles-based Swett & Crawford, suffered a premium drop in 1978.

Gray & Co. of Metairie and Mid-Continent Underwriters Inc. of New Orleans, the first and second place firms in 1977, retained those positions. Mid-South Underwriters of Bossier City, La., which had ranked third in 1977, dropped out of the top 10, enabling Southern Marine & Aviation of New Orleans, Southern States General Agency of Rustin, La., Frank B. Hall & Co., Agency Management Corp., Swett & Crawford and Interstate Surplus Underwriters to each move up one notch.

Burnett & Co. of New Orleans and Lee M. Scarborough & Co. of Metairie, respectively, round out the top 10 in Louisiana. Tri-State General Agency of Dossier City dropped from the ranks of the top 10 this year.

Although not as great as previous years, Louisiana's top excess/surplus brokers still enjoyed sizable gains during 1978. Gray & Co. grew by 39.1%, versus a compound growth rate of 87.1%; Mid-Continent's 1978 volume gain was 41.3%, versus its compound growth rate of 65.3%; Southern Marine & Aviation posted a 30.4% increase compared with its compound growth rate of 33.6%, and Southern States General Agency's 25.9% gain for 1978 was slightly below its 29.6% compound growth rate.

In Florida, three of the top 10 firms outperformed their compound growth rates in 1977: first place Hull & Co. of Fort Lauderdale, eighth ranked Frank B. Hall and ninth ranked Marsh & McLennan of New York. London Agency of Atlanta was the only broker to lose volume that year, suffering a 51.4% fall-off and dropping in the rankings from first to sixth.

Hall and M&M's four-year premium volume figures illustrate the transience with which the large retail brokers can move in and out of the nonadmitted markets. Hall posted nonadmitted market premium volume figures of $2.1 million in 1974, $3.1 million in 1975, and $2.1 million in 1976 and $2.5 million in 1977.

Continued on facing page

Invention is the added dimension.

The tools of our trade are current facts, future projections and past performance.

Knowing what worked in the past is just the beginning of the job we do for you. It's our skill in pinpointing the areas where change affects risk that adds a dimension to the many kinds of excess and



Offices in: Atlanta, Boston, Chicago, Columbus, Dallas, Greensboro, Greenwich, Honolulu,

1976-77 Growth rate	1974-77 Growth rate
126.7%	111.5%
58.3%	99.9%
22.7%	56.9%
70.0%	130.1%
258.8%	259.3%
−51.4%	26.0%
52.1%	65.0%
17.3%	6.6%
170.3%	−8.0%
31.0%	166.5%

California

Premium Volume

Broker	1978	1977	1976	1975	1977-78 Growth rate	1975-78 Growth rate
Walker Sullivan Co.	$28,638,967	$21,296,939	$21,846,902	$ 8,792,113	34.5%	48.2%
Baccala & Shoop	19,555,445	14,767,634	29,341	58,945	32.4%	592.3%
Swett & Crawford	14,571,445	14,036,614	9,125,093	6,984,294	3.8%	27.8%
B&W Insurance Services	11,920,381	13,117,163	4,390,294	———	−9.1%	*64.8%
George F. Brown & Sons	11,848,088	9,972,853	3,010,967	968,221	18.8%	130.4%
Stewart Smith, Haidinger	11,520,618	10,047,346	7,616,690	2,557,297	14.7%	65.1%
Marsh & McLennan Inc.	9,002,222	6,509,833	5,968,784	1,609,264	38.3%	77.5%
Bowes & Co.	8,819,699	5,690,595	3,191,030	374,407	55.0%	186.7%
Cambridge General Agency	8,521,168	5,691,428	2,765,869	863,016	49.7%	114.5%
Cravens, Dargan & Co.	8,400,509	8,044,666	7,284,102	12,791,691	4.6%	−13.1%

*1976-78 growth rate

Boom gone . . .

Continued from facing page

M&M's figures are even more dramatic: $2.9 million in 1974, $86,000 in 1975, $837,000 in 1976 and $2.3 million in 1977.

Hull & Co. moved from third place in 1976 to first in 1977. In doing so, its premiums grew by 126.7%, bettering its 1974-77 compound growth rate of 111.5%. Dana Roehrig & Associates of St. Petersburg remained in second, posting a 58.3% gain, versus its 99.9% compound growth rate.

George F. Brown & Sons moved up to third place from fourth and Risk Management Service of Orlando, the fourth ranked firm, was number six in 1976. Both firms had sizable gains in premiums but did not exceed their compound growth rate.

Newcomer Arthur J. Gallagher, Rolling Meadows, Ill., formerly the Ruel Insurance Corp., came in fifth, posting a 258.8% gain and a 259.3% compound growth rate. Crump London Underwriters of Memphis, formerly the Empex Agency, retained the seventh position, although it posted a 52.1% premium volume jump and a 65% compound growth rate. Filling out the top 10 is Markel Service Inc., of Richmond, Va., which posted a 31% gain for 1977 and a 166.5% compound growth rate.

Dropping out of the top 10 were I. Arthur Yanoff of New York, Alexander & Alexander, Gordon B. Phillips of Orlando and Cover-All Underwriters of Miami.

Cravens, Dargan & Co. of Houston was the only California excess/surplus broker whose 1978 premium volume growth exceeded its compound growth rate. However, between 1975 and 1978 its premiums had fallen off at an annual rate of 13.1% and the one-time state leader is now in 10th place.

H&W Insurance Services of Encino, the fourth place firm, was the only one of California's top 10 to suffer a loss in volume during 1978. The other firms reported premium volume gains, but at rates below their compound growth rates.

Walker Sullivan Co. of Los Angeles retained the top spot with volume of $28.6 million, 34% more than last year. It enjoyed a 48.2% compound growth rate between 1975 and 1978. In second place is Baccala & Shoop of Los Angeles with $19.5 million. Omitted from last year's list, the firm has had a whopping 592.3% compound growth rate, growing from $59,000 in 1975. Its 1978 gain was 32.4%.

Swett & Crawford, which posted little gain for 1978, and H&W, which posted a loss, fell back one notch to third and fourth, respectively. George F. Brown & Sons, which posted an 18.8% gain for 1978 and a 130.4% compound growth rate, remained in fifth place. Stewart Smith, Haidinger, with a 14.7% premium gain in 1978 and 65.1% compound growth rate, fell from fourth place to sixth.

Marsh & McLennan moved up from ninth place to seventh place on a 38.3% premium volume gain. Its compound growth rate was 77.5%. Newcomers Bowes & Co.

Continued on next page

surplus lines coverage we help you provide your clients.

During the past 50 years, we've developed inventive solutions for coverage in the areas of directors' and officers' liability; umbrella liability; course of construction; product liability; and permanent property, among others. This experience enables us to go beyond the basics to create thorough, thoughtful programs that work for today's needs while anticipating future changes.

Business keeps inventing new ways to do business. At Swett & Crawford, we keep inventing new ways to cover their risks.

Swett & Crawford
a subsidiary of The Continental Corporation
4201 Wilshire Boulevard
Los Angeles, California 90010



Houston, Los Angeles, New Orleans, New York, Portland, San Diego, San Francisco, Seattle, Toronto

©1979

CLAIM MANAGEMENT SERVICES
RISK MANAGERS/CAPTIVES/REINSURORS
casualty reserves • major case • audit/review • program analysis • contract adjusting analysis • • self-insured • aggregate covers • experienced in Fortune 500 claim programs

John J. O'Connor
B.A., L.L.B., I.I.A.
Consultant
11 Patrick Lane
Wilton, Connecticut 06897
Phone: (203) 762-9564

Texas
Premium Volume

Broker	1978	1977	1976	1975	1977-78 Growth rate	1975-78 Growth rate
Cravens, Dargan & Co.	$10,259,105	$8,384,371	$6,118,012	$5,474,507	22.4%	23.3%
Myron F. Steves	8,791,047	7,792,278	5,727,915	2,469,989	12.8%	52.7%
J.H. Blades	8,506,574	7,439,169	4,239,169	3,042,751	14.3%	40.9%
*Dub Martin & Co.	7,327,573	4,886,455	4,315,009	2,469,342	50.0%	43.7%
Richard L. Jarrett Sr.	6,176,648	4,937,523	2,499,623	1,923,261	25.1%	47.5%
Sayre & Toso	5,843,670	4,513,399	2,660,465	1,580,726	29.5%	54.6%
Swett & Crawford	5,291,961	5,127,894	3,636,741	3,254,827	3.2%	17.6%
Alexander & Alexander	4,412,766	4,754,514	2,625,965	2,095,644	−7.2%	28.1%
Ranger Insurance Managers	3,682,644	2,963,856	2,158,150	1,280,744	24.2%	42.2%
George F. Brown & Sons	3,438,925	6,053,412	3,535,004	3,445,888	−43.2%	0.0%

*known as McNiel & Coulson through 1975

Boom days gone . . .

Continued from previous page

and Cambridge General Agency claimed the eighth and ninth positions. Bowes had a 55% premium volume jump in 1978 and Cambridge posted a 49.7% gain. Their compound growth rates were 186.7% and 114.5%, respectively.

Dropping out of California's top 10 this year were Voit, Walker & Co. of San Francisco and Worldwide Facilities and L.W. Biegler Inc. of Los Angeles.

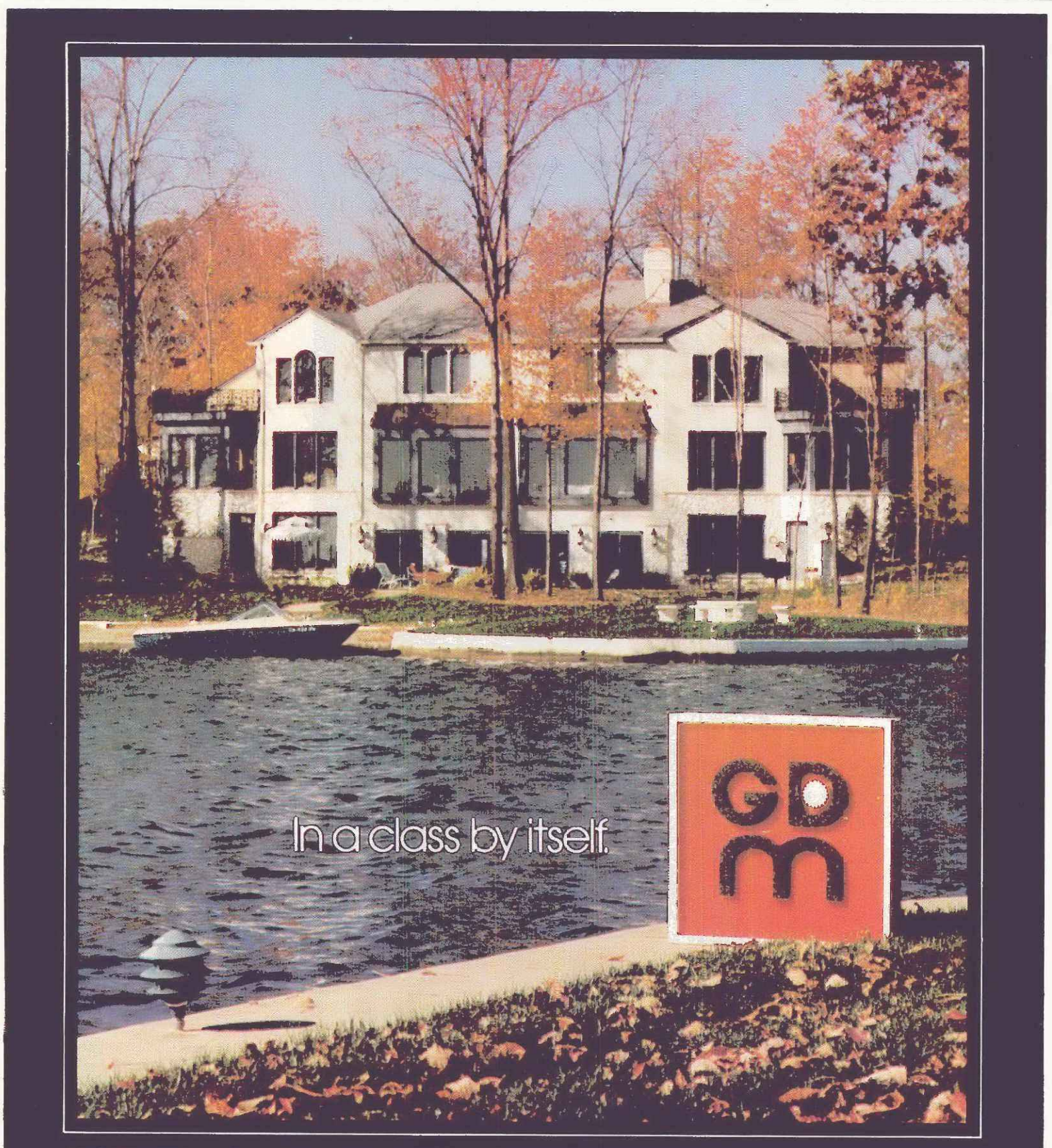
In Texas, fourth ranked Dub Martin & Co. of Dallas was the sole member of the top 10 to outperform its compound rate of growth in 1978. Its volume jumped by 50%, outpacing its 43.7% compound growth rate between 1975 and 1978 and enabling it to move up from sixth place.

Eighth place Alexander & Alexander and 10th place George F. Brown & Sons reported lower, nonadmitted market premiums for 1978, with A&A's volume falling 7.2% and Brown's business 43.2%. A&A fell one spot from seventh and Brown dropped from fourth position.

The Texas top three, remained unchanged. Number one ranked Craven, Dargan & Co. posted a 22.4% gain, versus a 23.3% compound growth rate. Second place Myron F. Steves' Houston-based 12.8% gain fell short of the firm's 52.7% compound growth rate and number three J.H. Blades of Houston posted a 14.3% increase, compared with a 40.9% compound growth rate.

Richard L. Jarrett Sr., the fifth largest Texas excess/surplus broker, posted a 25.1% gain for 1978 and a 47.5% compound growth rate. Sayre & Toso of Los Angeles stepped up to sixth from eighth place with a 29.5% boost. Its compound growth rate was 54.6%, Swett & Crawford fell to seventh place from fifth.

Newcomer Ranger Insurance Managers of Houston took ninth position with a 24.2% gain in 1978 and a 42.2% compound growth rate. Dropping off the Texas top 10 were Courtesy Insurance Agency of Corpus Christi and Marsh & McLennan. ■



Distinctly different. Seventy-seven years of dynamic growth. Unparalleled respect from its industry, agents and insured. Grain Dealers Mutual remains a phenomenon in property casualty insurance. In this specialized area, they have become uniquely expert. And prosperous. They have done this by maintaining a consistent, prudent philosophy in implementing intelligent, imaginative coverages. They have selected an elite group of independent agents to represent Grain Dealers Mutual. They have provided these agents with innovative tools for fast, accurate policywriting and quick turnarounds on claims. And they've worked with these agents to establish the highest calibre insureds possible. Insureds who realize that pride of ownership is the first prerequisite to maximum protection and lower premiums. Quality insureds, quality agents, quality services. If you are interested in the finest business, home or car insurance, remember Grain Dealers Mutual Insurance is indeed in a class by itself.

GD m GRAIN DEALERS MUTUAL insurance company

Indianapolis 46202 • Omaha 68102 • Greensboro, N.C. 27405
San Francisco 94104 / *Member:* Improved Risk Mutuals

Firm barred from writing work comp

LANSING, Mich.—Self-insurers for workers compensation in the state have been notified that Safety Mutual Casualty Corp. is no longer eligible to write excess/surplus coverage for their programs, the Michigan Bureau of Workers Disability Compensation has said.

Bruno Czyrka, administrator of insurance programs for the bureau, said the action was taken because the St. Louis company was removed last year from the list of the state's approved insurers for excess/surplus coverage.

State insurance officials said the company was removed from the list of 35 approved carriers because its level of assets did not qualify for listing under the Michigan Insurance Code. Balances due to agents and investments in affiliated companies caused the insurer to fall short of the qualifying level, said William Olsen, executive director of the office of bureau affairs of the Michigan insurance bureau.

But the firm was not in any financial trouble and had adequate reserves and capital along with $4 million in surplus, Mr. Olsen said. "It was not insolvency nor the threat of insolvency that caused us to take the action we did."

He said Safety Mutual had $17 million in assets and premium volume of $15 million in 1978, but only about $220,000 of that amount represented Michigan policyholders.

Edward A.B. Garesche, corporate vp for Safety Mutual, said Michigan is one of the only states whose insurance laws do not give credit for reinsurance. Safety Mutual reinsures about 50% of its risks. Thus, the firm did not fulfill Michigan's requirements.

No other states have taken any action against Safety Mutual, he said. ■

STAY ON TOP OF IMPORTANT INSURANCE NEWS THE QUICK, EASY WAY,

GO WITH THE LEADER . . . SUBSCRIBE TO

business insurance.

It's your one-stop source for *more* useable information, *more* facts, on *more* subjects, than you'll find anywhere else. It's your personal advisor on what's happening—or about to happen—in the insurance marketplace. So you can make sound decisions that will help keep that bottom line in the black.

ONE FULL YEAR JUST $20.
And in 1980, Business Insurance will be going weekly to give you even more for your money.

100% GUARANTEE
If you're not completely satisfied at any time, tell us and we'll refund the unused portion of your subscription.

FILL IN AND MAIL THE HANDY POSTAGE-FREE CARD BELOW TODAY.

Business Insurance: I like your brand of protection.
Please ☐ enter, ☐ renew, or ☐ extend my subscription as checked below:

☐ 1 year $20. ☐ 2 years $38. ☐ 3 years $54.

☐ For FIRST CLASS MAIL (U.S. and Canada ONLY) add $20 per year.

Canada, Pan American & all other subscribers outside the U.S., add $5 per year for surface delivery postage. Europe & Middle East ONLY, add $12 per year for air delivery

Complete Here: ☐ Payment of $_____ enclosed. ☐ Bill me. ☐ Bill my company.

☐ Charge to: ☐ VISA ☐ Master Charge (Interbank #_____)

Account #_____ Expiration Date_____

Signature_____

Name_____ Title_____

Company_____ Nature of Business_____

☐ Home or ☐ Business Address_____

City_____ State_____ Zip Code_____

Please check the appropriate boxes

(Subscriptions cannot be entered unless all information requested is provided.)

ORGANIZATION: (Check one only)

☐ Business/Industrial firm which has group life or health insurance, property or liability insurance, safety or asset protection programs, pension or profit sharing plans. The firm employs:

☐ Less than 150 employees ☐ 250 to 299 employes ☐ 1,000 to 2,499 employes
☐ 150 to 199 employes ☐ 300 to 499 employes ☐ 2,500 to 4,999 employes
☐ 200 to 249 employes ☐ 500 to 999 employes ☐ Over 5,000 employes

☐ Government ☐ Association ☐ Union ☐ Educational Institution ☐ Insurance Agent ☐ Broker
☐ Insurance Carrier ☐ Bank ☐ Investment Company ☐ Financial Advisor ☐ Credit Agency ☐ Actuary
☐ Attorney ☐ Adjuster ☐ Appraiser ☐ Consultant ☐ Other (Specify)_____

INDIVIDUAL: Are you involved in the selection, procurement or in authorizing the purchase of group life or health insurance, property or liability insurance, safety or asset protection programs, pension or profit-sharing plans for your organization? ☐ YES ☐ NO

☐ I would prefer not to receive information and advertising by mail from companies not affiliated with Crain Communications.

close-mouthed about its business and followed that tradition this year. AIG, a leading excess insurer, wouldn't say anything about its Lexington operations.

A few sellers informed us that they considered the *BI* directory questions, the basic information used by buyers and agents in choosing E/S brokers, none of anyone's business or "impertinent."

It is certainly true that only publicly held firms are required to reveal some of that information and then only in a limited fashion. The E/S sellers who didn't want to talk about their business cannot be faulted for any legal wrongdoing.

EXCESS/SURPLUS

But surely their reticence to discuss their business has an important impact on buyers and brokers alike. It's possible buyers would draw erroneous conclusions about a particular E/S broker who remains mute.

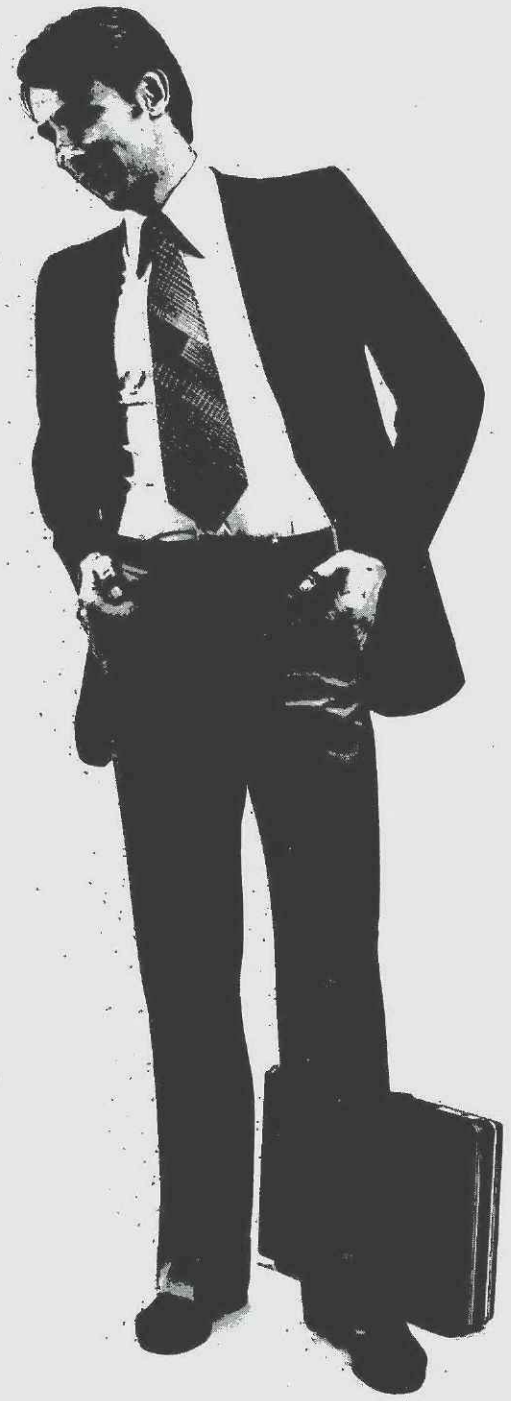
Who's to know how professional a broker is, if he won't converse about how he operates? Who's to know if the broker or underwriter is a creative thinker, is aware of legal nuances, understands the risk-taking process, if questions aren't allowed? Who's to know if the business is reliable, when customers or their representatives can't ask for background?

It's no wonder why insurance departments around the country advise retail agents and brokers to choose their E/S colleagues very carefully. It's no wonder that experts who tap the E/S markets often recommend reading over E/S policies very carefully to make sure the coverage requested is the coverage finally offered.

It's also no wonder that scandals in the E/S industry, like the charges filed against H. Martyn Hall in Tacoma (*BI*, Sept. 3) and the year-old case against Donald J. Kubovchik who was convicted of pocketing E/S premiums, are such lively topics of conversation when retail brokers and buyers meet. The E/S sellers who dodge basic questions about their business are likely to give the industry a bad name.

The excess/surplus vendors specialize in handling large and unusual risks. They are taking big business risks when they decline to keep their clients informed.





Human Spoken Here.

The fact is a lot of insurance people speak Martian — a language incomprehensible to most humans.

The why of that, however, is a little hard to follow since humans, much more than Martians, need professional counseling on how to best protect their money, time, productivity, retirement and so on.

Take pension planning, for instance. We want you to know we have a briefcase full of flexibility in that area . . . qualified pension plans for a variety of goals at a wide range of payment schedules.

We want you to know that, sure. But even more importantly, we want you to know we speak human. Try us.

Get the most out of life with

PROVIDENT MUTUAL
LIFE INSURANCE COMPANY OF PHILADELPHIA

Home Office: 4601 Market St., Phila., Pa. 19101

NORTH STAR REINSURANCE CORPORATION

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

CALL (212) 248-2400

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

Minnesota group can't find insurer for stop-loss cover

EXCESS/SURPLUS

CHICAGO—A Minnesota association wants to self-fund the health benefits of its 130 members employing 1,000 workers, but no one wants the stop-loss insurance business, complains the group's administrative manager.

Helen Rocchio of the Joint Service Trades Welfare Fund of Duluth understands the reluctance of brokers and underwriters to take on "unsuitable business." But she can't comprehend how the two life insurance companies she contacted could make a judgment about the business without looking at the association's claims records, management or finances.

"If someone had explained to me in detail why they had rejected the business, I would have a better idea if the association is a good candidate for self-funding," Ms. Rocchio said. "Now I don't know any more than I did before I made the phone calls."

One of the life insurance companies told her the Labor Department had just issued advisory letters about servicing multiple employer trusts, so the company was limiting itself strictly to corporate business, she said.

In the advisory letters, the Labor Department said four self-funded multiple employer trusts are not employe benefits plans but "funding vehicles," subject to state regulation (*BI*, Aug. 20, 1979).

The other company told her it was not underwriting in Minnesota because of the "strange" insurance laws.

"Associations are generally not a good candidate for self-funding," explained Sandra L. Ruder of Employers Reinsurance Corp. Ms. Ruder admitted that the reasons the companies gave Ms. Rocchio for rejecting the business may not have been clear, but she can't argue with the logic behind the rejection of the group's business.

"You don't have the kind of stability in an association that you have within the corporation," Ms. Ruder elaborated. "One year you may have 130 employers with 1,000 lives and the next year that could jump to 300 employers with 5,000 lives within the year."

That kind of business requires broad coverage and thus is better off in a conventional insured plan, Ms. Ruder said. "Stability of census and predictable losses are necessary to write this" (self-funding), she emphasized.

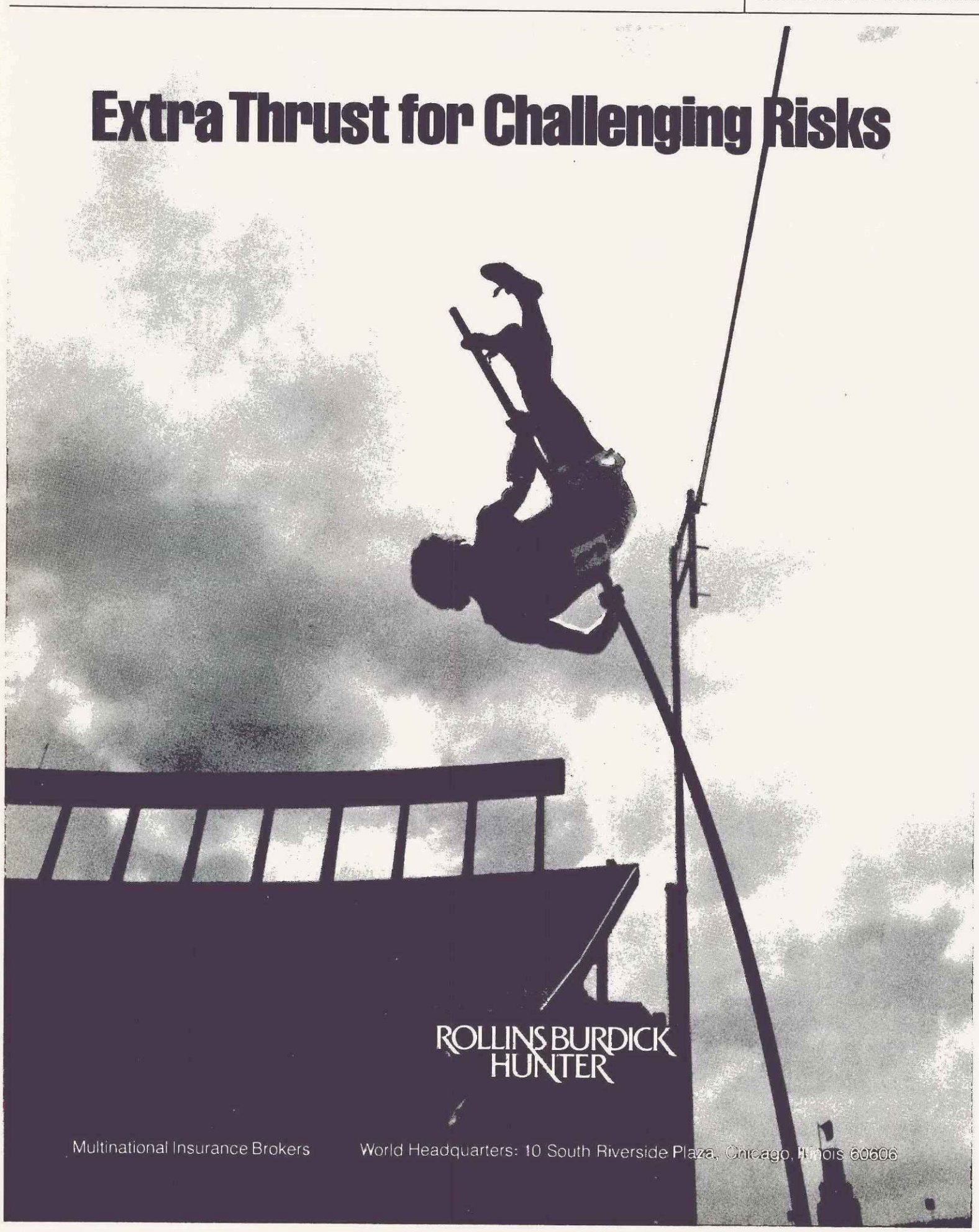
Jay Cart, marketing vp for Tolley of America, third-party administrators in Indianapolis, argues that an association is not a bad candidate for self-funding. "With the properly tailored program, an association can do quite well," he said.

The Indiana Manufacturers' Assn., a client of Tolley of America, is a perfect example of an association that has been able to adapt to self-funding without too much hassle, Mr. Cart said.

Two hundred and eighty members employing approximately 25,000 workers are participating in the association's self-funding program for a monthly premium of $103 per member. The premium includes coverage for major medical and dental benefits.

"There are methods you can use to assure the somewhat predictable claims losses," Mr. Cart maintained. The IMA's self-funding program, for example, authorizes only two agents in the state to solicit business from IMA members. Those two agents are on the association staff.

"What is achieved with this simple step is you are authorizing two people who are going to make decisions based on the overall good of the association," Mr. Cart explained. "If you were to turn all of the Indianapolis agents loose on the IMA business they probably would not care about the effect of bringing in a risky company on the overall trust." ■



New self-insurers boost stop-loss business

By MARY ELLEN McKEE

EXCESS/SURPLUS

CHICAGO—Despite a generally sluggish excess/surplus market, stop-loss insurance is flourishing with many employers buying it for self-funded dental, vision care and long term disability plans, say stop-loss underwriters and brokers.

Even though brokers and underwriters of stop-loss insurance are enjoying good times as employers try to control costs with self-funded plans, one broker fears the inability of third-party administrators to monitor claims properly and pay claims on time will draw the government's attention this coming year.

Employers Reinsurance Corp., Safeco Insurance Co., Northwestern National Life Insurance Co.—major companies in the stop-loss insurance business—conservatively estimate that the stop-loss business is up by at least 25% this year compared with last year. Brokers Jeff Brougher Agency of Greenwood, Ind., and Lockwood, Dipple and Green of Boston have experienced a 40% growth in stop-loss insurance business.

Brougher, a Lloyd's broking agency, currently places stop-loss insurance for 70 to 80 clients that self-fund their dental and vision care benefits. Mr. Brougher estimates that about eight of his clients self-fund long term disability plans as well.

LaFayette Life Insurance Co. is reporting similar results in the past year, gaining 200, or 400%, more clients that self-fund medical, dental or vision care plans. Self-funding long term disability business has not reached that kind of momentum, but that's only because the company picks clients that self-fund long term disability very prudently, emphasized Steven P. Stucky, group vp of the life insurance company. LaFayette was one of the first companies to promote stop-loss insurance.

"We won't even look at a company that wants to self-fund its long term disability unless it has 1,500 lives or more," Mr. Stucky admitted. "The company also checks how financially sound the company is, how much surplus it has and we really try to analyze if the company could withstand the risk of having three or four employes on long term disability at the same time for a long run."

Brougher uses the same stringent requirements for candidates for self-insurance of dental, vision care and long term disability as it uses for health benefits subscribers. Brougher scrutinizes the employer profile, paying special attention to the average age. For example, if the industry is top heavy with older people, then self-insurance is "definitely not the answer" to that company's benefit cost control, Mr. Brougher says. And self-insuring is not available to companies employing diabetics or former or potential cancer patients.

Employers Reinsurance and Northwestern National also are seeing a lot of companies looking to self-insure their dental and vision care benefits. Northwestern National, however, is not doing as much business in this area as it could be doing, admitted James Brennan, the company's head of group sales. "We are extremely selective about the clients we advise to use self-funding dental and vision care benefits."

The ideal self-insurance candidate at Employers Reinsurance must also be financially stable, expect $200,000 to $400,000 in annual losses, seek an aggregate stop-loss policy of at least $50,000 to $100,000 and have no less than 50 employes. If a company is considering expanding its use of self-insurance and stop-loss coverage to include dental, vision care or long term disability, the company would prefer the candidate have as many as 500 employes and a track record in self-insuring health benefits, said Sandra L. Ruder, head of the stop-loss business at Employers Reinsurance.

"The reason a company puts a cutoff point on the expected losses annually for the self-insurance candidate is because we want to look at business that is generally predictable," Ms. Ruder explained. "It's a disservice to the client to shape a self-insurance program based on the unknown. We have to look at something where we can see a pattern and then be able to evaluate it.

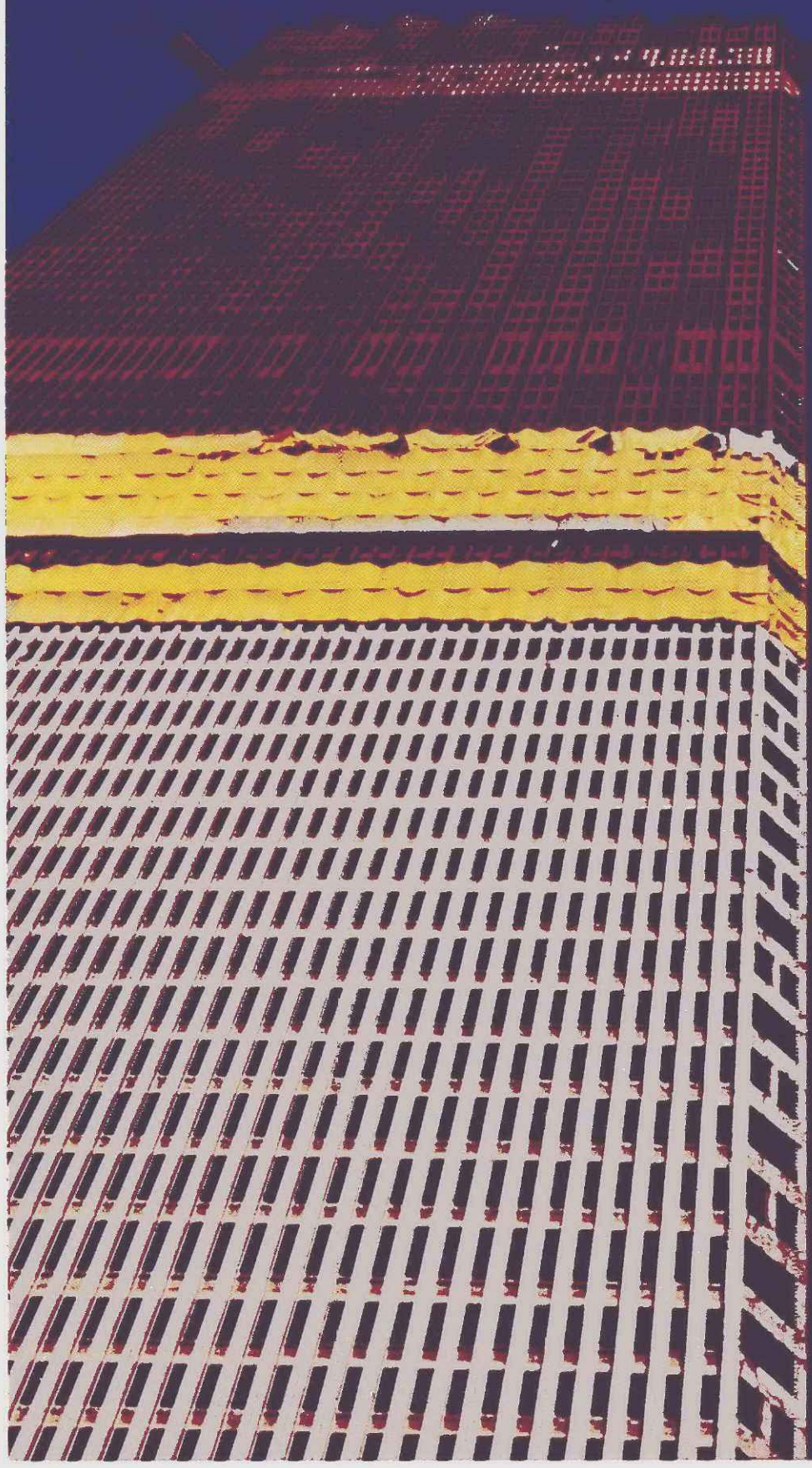
"A company must be very careful to choose a candidate that financially can handle the expected losses within a year. The insurance coverage is merely for the unexpected losses," Ms. Ruder said.

The most frustrating aspect of a line of business like stop-loss that catches on so quickly is that a lot of people are going to jump into it just to make a fast buck, Mr. Brougher warned. "I spend as much as 80% of my time trying to explain self-funding and how stop-loss works to some third-party administrators. There are just too many people (third-party administrators) out there who don't know a thing about self-funding." He said that such ineptitude may lead to government intervention, as regulators grow concerned with claim payment practices.

About two years ago, when self-funding employe benefits for the midsized company using stop-loss insurance was pioneered, underwriters and brokers spent most of their time explaining to the employer the advantage and pitfalls

Continued on page 56

On the upsurge: Cal Union's capacity in tough-risk coverage.



Proven financial capacity to handle today's increasingly complex needs in excess/surplus coverage is only part of the Cal Union story.

There's also the all-important factor of increased capacity to serve your needs . . . to meet the most challenging situations with competence and ingenuity.

Examine the components. A larger, more experienced underwriting and engineering staff. The ability to deliver quotes on short notice. An even broader range of product lines covering a multitude of risks. Prompt and efficient claims service with worldwide scope.

It adds up to the kind of professionalism and dedication you expect from specialists in excess/surplus lines. And there's a bonus from Cal Union as well. The enthusiasm and willingness to take on the toughest requirements under the toughest time schedules you can hand us.

The bottom-line is simply this: Cal Union wants to be your number-one source.

CAL UNION

An INA Corporation Company
California Union Insurance Company
3470 Wilshire Blvd., P.O. Box 76950
Los Angeles, CA 90010



International Year of the Child 1979

Albert J. Tahmoush, Chairman and CEO of Frank B. Hall & Co., Inc. with some of our "neighborhood kids". In this, International Year of the Child, we have millions of good reasons to continue our growth strategy... most are under ten years of age.

Pierre, Mohammed, Chueng, Hans, Maria, Sean, Tess and A.J. discuss growth strategy.

Worldwide expansion and refinement. Rapid, extensive but carefully planned.

To preserve growth opportunities for Pierre and friends. Protecting the firms they may someday work for, manage or own.

To better protect and serve our worldly clients. Occidental Petroleum, ITT, Pan American, Raytheon, Ringling Bros., McDonald's, and PepsiCo,...to mention a few.

Over 5,000 insurance professionals. Over 150 offices. In more than 40 nations. We know the people, know the problems. Intimately.

Frank B. Hall & Co. A major influence in every world marketplace. Ready to preserve and protect your tomorrows...today.

Frank B. Hall & Co.
International Insurance Brokers
We make your world safe. You make us world-famous.

MIAMI and FARGO

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

D. R. MEAD & COMPANY
1900 Biscayne Boulevard
Miami, Florida 33132
305-576-1101

FARGO INSURANCE AGENCY, INC.
Fargo National Bank Building
12th Floor
Fargo, North Dakota 58102
701-237-3365

See our ad on page 6

Firm finds caution pays off

Some employers might take offense at the critical eye the stop-loss brokers and underwriters focus on a company when it decides to self-fund a benefit plan. But officials of Rock Island, Ill., found the caution helpful.

One year after self-funding health benefits for its 480 employes, the municipality has paid all claims, established its reserves and has a surplus of $53,979. Under the self-funded program, Rock Island has saved $13,000 in administration costs alone compared with its former plan with Blue Cross & Blue Shield.

But Rock Island met the requirements drawn by Employers Reinsurance Corp., its stop-loss underwriter. The transition to self-funding health benefits was smoothed because of Employers Re's extensive analysis of claims over a two-year period and repeated consultations with the third-party administrator and municipal finance officers during the first six months of the program, a Rock Island official said. "It pays to tread carefully."

Stop-loss business . . .

Continued from page 53

of self-insuring. Understandably, most employers wanted to find a funding mechanism that would relieve some of the burdens of rising health care costs, Mr. Brougher explained.

"It was better to take a lot of time explaining the concept than have an employer who really couldn't properly self-fund benefits jump into it without knowing the facts," he said.

Mr. Brougher as well as other stop-loss insurance providers, however, are not as patient with the third-party administrators as they were with employers. "If they are in the business and they are providing a service to a client, they should know what's going on," vehemently argues one Midwest broker who has had at least four run-ins with an inept third-party administrator in the past three months.

Responding to the "bad publicity" about incompetent third-party administrators, brokers, underwriters and even the larger, more seasoned third-party administrators are trying to educate the administrators.

Mr. Brougher, incensed by the incompetence of these administrators, hired three people this year to spend all of their time working with the administrators, counseling them on the forms and systems that should be used to self-fund a certain plan and computing the attachment point (the point the insurance starts paying losses).

Employers Reinsurance reserves the right to approve or reject a third-party administrator for an employer becoming self-insured. A third-party administrator under consideration must fill out a questionnaire which asks it to evaluate its level of expertise, detail its loss runs and describe the principals of the company.

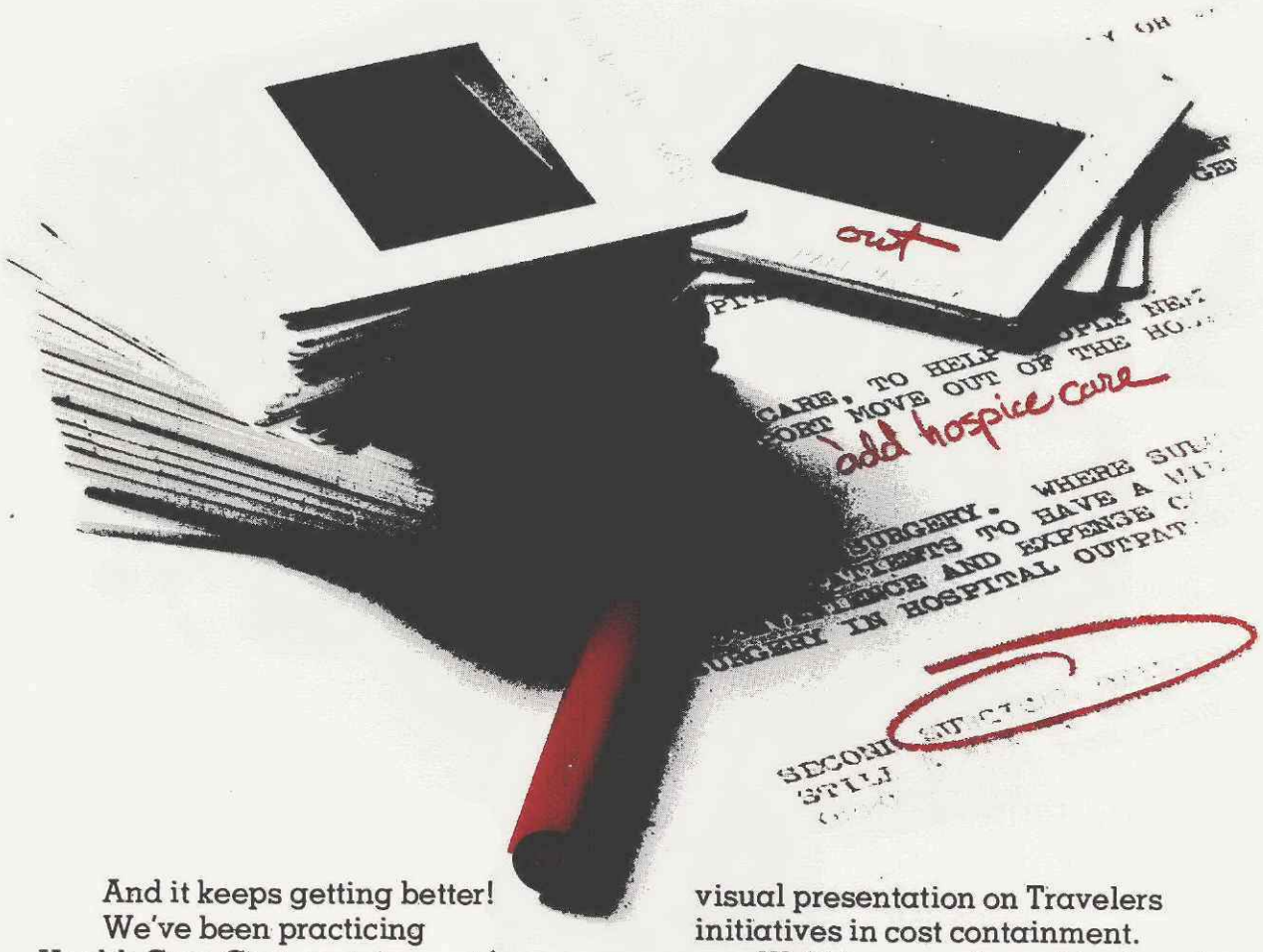
How tight a rein the firm's principals keep on the staff is usually a fairly accurate gauge of the quality of claims administration, said Ms. Ruder of Employers Reinsurance.

Northwestern National and Safeco are also evaluating the third-party administrator before underwriting excess insurance.

There are at least 10 times more third-party administrators than brokers and underwriters to choose from, estimates a West Coast broker with a substantial stop-loss business. Choosing the right administrator can be a problem. Most employers like to choose a third-party administrator near the company's offices, Mr. Stucky said. Sometimes employers select an administrator for its location and not its track record in business, he maintained.

"Companies and brokers haven't even tapped the surface of the possibilities of the self-funding technique," noted Ms. Ruder. "We just have to proceed with caution." ■

THE TRAVELERS KEEPS WRITING THE STORY ON COST CONTAINMENT.



And it keeps getting better!

We've been practicing Health Care Cost containment for years, through programs like Coordination of Benefits and effective claims administration.

But we are also constantly improving our cost containment program. Each time we implement new ways to help control or reduce the costs of medical care, our story changes for the better.

As we support new programs such as Second Surgical Opinion, health promotion and hospital utilization review, we revise our 15-minute audio-visual presentation on Travelers initiatives in cost containment.

We'd be very pleased to show it to you, and review our complete Cost Containment program. For more information, contact your nearest Travelers Group representative. Or write to: Travelers Group Department (Field Operations) 11MS, in Hartford.

The Travelers Cost Containment Story. It keeps getting better.

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

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

THE TRAVELERS

States tighten excess/surplus controls

By JERRY GEISEL

EXCESS/SURPLUS

WASHINGTON—Insurance written by non-admitted insurers in California leaped to more than $300 million in 1978, an explosion from the paltry $19.9 million written in 1973.

With increases like that in California and in other states, it's no surprise that state legislatures and insurance departments around the country are stepping up their regulatory control of the once free and easy excess/surplus lines market.

In Vermont, a new law requires non-admitted companies to maintain at least $2 million in surplus.

Michigan is pondering scrapping its old surplus lines law and replacing it with a new statute that would establish a $1.5 million guaranty fund to compensate the insurance buying public in the event a non-admitted insurer went belly-up with assets insufficient to pay claims.

California now requires brokers to speed up payment of premium taxes collected from policyholders on non-admitted business.

And at the national level, the National Assn. of Insurance Commissioners has set up an advisory committee to draft a new model excess/surplus model bill for possible state action.

This new wave of regulatory activity is a reflection of the change in excess/surplus lines markets. No longer is it a gentlemen's club where the players all know and trust each other.

"It's not regulation for the same old market," said a staff member of the National Assn. of Insurance Commissioners. "It's not like the insurance commissioners are out to regulate more and more. It's a whole different ballgame where it seems some people are getting excess/surplus licenses for two box tops and a dollar and greater control is needed."

But more regulation by itself won't stop some of the recent abuses that have occurred in the surplus lines market, state insurance department officials say.

Ken Smith, deputy director of the property/casualty division of the Illinois insurance department, believes the state's surplus lines regulations are adequate to protect policyholders, but is concerned that the regulatory staff may lack the manpower to fully enforce the law.

Several regulators concede that their departments lack the enforcement staff to adequately police the non-admitted market to prevent incidents such as last year's scandal in Missouri in which St. Louis excess/surplus broker Donald J. Kubovchik pocketed $1.2 million in premiums policyholders paid for various excess insurance coverage.

But other regulators believe their power to revoke the licenses of brokers who break state laws regarding the sale of insurance from non-admitted companies has held down problems in the surplus lines market. "By and large, I don't think we have any more problems in the surplus lines market than we have in the admitted market," said Tom Bernard, deputy commissioner of management and finance for the Louisiana insurance department.

Of the new laws governing the surplus lines market, Vermont's is among the most far-reaching. Under the law, brokers cannot place business with a non-admitted insurer unless the insurer has submitted to the state insurance department a certified copy of its current annual statement. Brokers who fail to abide by this edict could lose their licenses, said Bob Garvey, Vermont's director of insurance regulation.

Vermont's law also requires non-admitted insurers to maintain a policyholders surplus of at least $2 million, while alien insurers must maintain a $500,000 trust fund in a national bank in the U.S.

"The main thing we are trying to avoid is having brokers place business with companies that are insolvent or are headed in that direction," Mr. Garvey said.

In Arkansas, state officials are working on redrafting the surplus lines statute, which one regulator believes "is so vague that we have not been able to police the surplus lines business very well."

Under consideration is a proposal that makes it clear that brokers must first attempt to place risks in the admitted market before trying to obtain coverage in the non-admitted market. The broker would have to sign and submit an affidavit to the state insurance department revealing his efforts to place the coverages in the admitted market and why those efforts

Continued on next page

Insure with The Slip.

Now writing a whole world of offshore risks.

Production platforms, drillships, jack-ups, semi-submersibles, pipe laying barges. All American Marine Slip covers them all. And more. The Slip also writes undersea mining equipment, submarines, seismographic vessels, and deep sea dredgers.

The ability to serve such a wide range of risks reflects both The Slip's growing capacity, and its reputation for underwriting expertise.

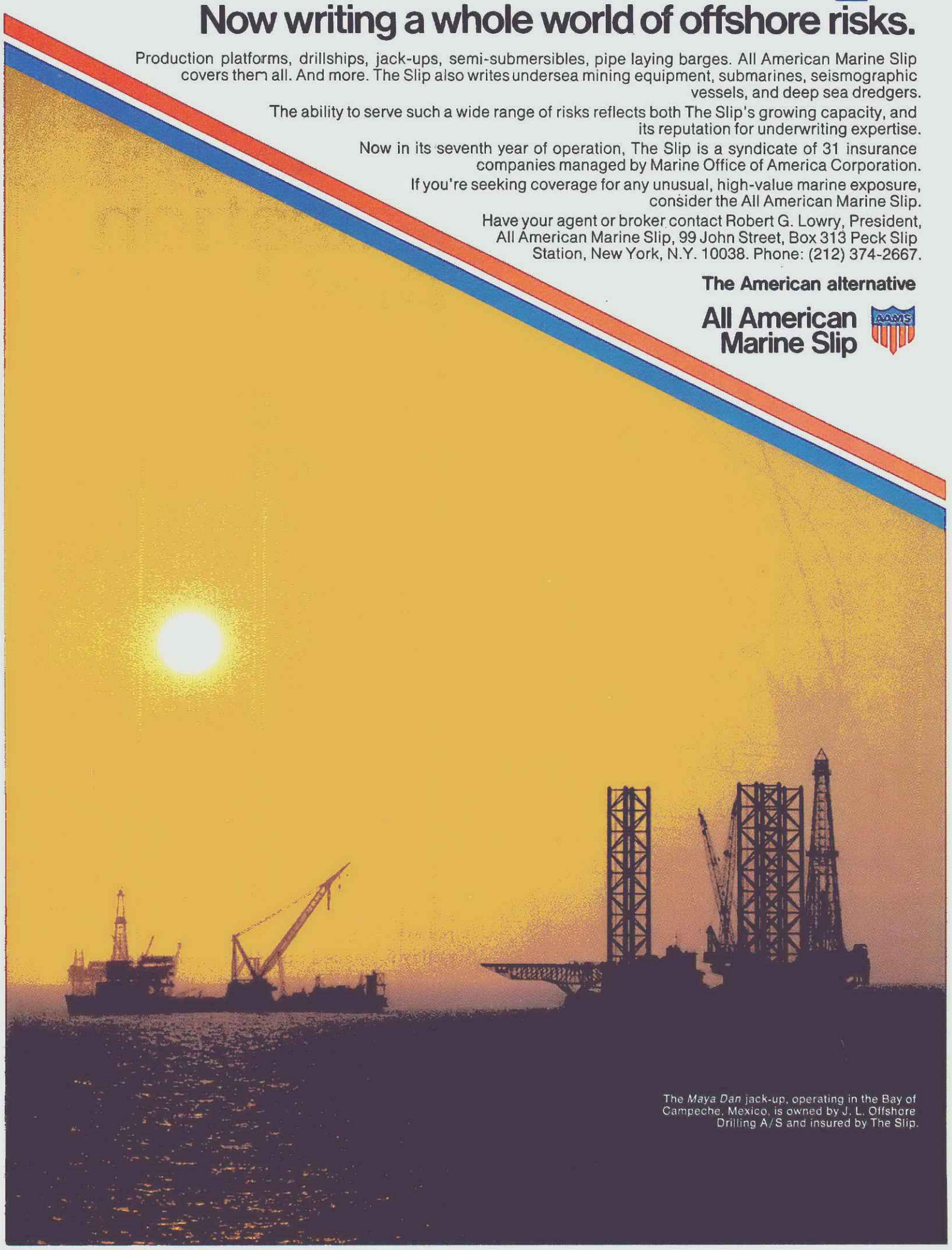
Now in its seventh year of operation, The Slip is a syndicate of 31 insurance companies managed by Marine Office of America Corporation.

If you're seeking coverage for any unusual, high-value marine exposure, consider the All American Marine Slip.

Have your agent or broker contact Robert G. Lowry, President, All American Marine Slip, 99 John Street, Box 313 Peck Slip Station, New York, N.Y. 10038. Phone: (212) 374-2667.

The American alternative

All American Marine Slip



The *Maya Dan* jack-up, operating in the Bay of Campeche, Mexico, is owned by J. L. Offshore Drilling A/S and insured by The Slip.

"High performance takes place in a framework of expectation."

John Gardner

Our "framework of expectation" has been assembled just as carefully as the frame of a high performance aircraft. It's a strong, well-engineered organization.

We began with a sound design concept based on the real needs of the aviation industry. Then we staffed with professionals experienced in *both* aviation and insurance. Finally we secured the latest office equipment, communications systems and electronics data processing machinery and placed it all in an environment planned for productivity. It works.

If you expect the highest quality in quotes, policies and claims in all forms of aviation insurance ... look to Global. We base our high expectations on experience, knowledge and efficiency. We think you'll appreciate our high performance.

Global Aviation Insurance Managers
A Division of Corroon and Black of Texas, Inc.
4825 LBJ Freeway / Suite 277 / Dallas, Texas 75234 / Telephone: (214) 661-9004 / Telex 73-0756

States tighten . . .

Continued from previous page
failed. Similar laws exist in other states.

Brokers also would have to inform policyholders that their risks were placed with a non-admitted insurance company and they would be required to turn in three times a year premium taxes collected on non-admitted business instead of annually as currently required.

Far-reaching changes also could be on the horizon in Michigan, where the legislature is expected to consider a proposed surplus lines statute later this fall.

The proposal, drafted by the state insurance department, would speed state approval of non-admitted insurance companies. Currently, Lloyd's of London is the only alien insurer writing surplus lines coverage in Michigan.

The measure would authorize the insurance commissioner to draw up a list of coverages that are not available in the admitted market, as well as give the departments greater power to act against a broker who receives a premium from a policyholder, but fails to properly transmit the premium to the carrier.

The most controversial part of the proposal is a provision that would impose a 1% premium surcharge on non-admitted premiums in order to establish a $1.5 million insolvency fund. The surcharge would be cut off once the fund hit the $1.5 million mark and resume when the fund fell below $1.4 million.

Although the fund is designed to protect the buyer if a non-admitted insurer goes bust with insufficient assets to pay claims, some business groups object to the 1% premium surcharge.

The groups contend they shouldn't be assessed to pay for a fund they think they won't ever use, said Michael Rettger, a policy analyst for the Michigan bureau of insurance.

Elsewhere in big excess and surplus lines states, Louisiana upped to $1 million from $500,000 the trust fund an alien insurer must maintain in a U.S. bank, while Missouri has proposed increasing the capital surplus requirement for nonadmitted companies to do business.

Currently, the Missouri law says a non-admitted company must have capital that exceeds $500,000; the new proposal would raise the minimum capital requirement to $1 million and the surplus requirement to $1 million, said Glenn R. Jourdan, Missouri's chief examiner.

In California, Gov. Jerry Brown is expected to sign legislation requiring brokers to pay to the state three times a year the premium taxes collected on non-admitted insurance.

Currently those premium taxes must be handed over only once a year, resulting in a considerable loss of interest accruing on the funds, said state insurance commissioner Wesley Kinder.

Meanwhile, the NAIC's advisory committee is examining the adequacy of state laws regulating the E/S market. The advisory committee also will inform the commissioners on whether the substantial sections on the 1962 NAIC model excess/surplus law have been enacted in various states.

"I would not begin to suggest at this point that the model bill will either be adopted by the NAIC or a majority of the states," Mr. Kinder said. "But it will begin to put in perspective the way in which this market currently functions and identify areas that may well need regulatory attention." ■

Pension funds increase 12.7%

WASHINGTON—Public and private pension fund assets jumped 12.7% last year and have topped the $560 billion mark, according to the Securities and Exchange Commission.

Of the nation's $564.9 billion in retirement fund assets, private plans accounted for $321.3 billion, while public fund assets totaled $243.6 billion.

If retirement funds continue to increase at their current rate, pension fund assets will hit the $1,000 billion mark by 1983. ■

Office in Calif.

Swett & Crawford has opened an office in Newport Beach, Calif.

Workers' Compensation Problem?



Say "Ah... Lee... Ahnz"

Allianz is able to recognize your good risk, even if it has one of the following problems:

- High Modification
- Classification
- One Bad Year
- Multi-State Exposures
- Needs Loss Control Service
- Needs Good Claims Service
- Needs Special Premium Audit Service

Allianz offers the best in workers' compensation coverage on practically all types of risks. Take advantage of both participating and non participating policies (where permitted). Each Allianz policy is backed up with responsive, professional Underwriting, Loss Control, Premium Audit and Claims service. When you're up in the air with a workers' compensation problem, say Allianz. We're the experts you should know.

Allianz

Allianz Insurance Company
A Center of Excellence
6435 Wilshire Blvd., Los Angeles, CA 90048
(213) 658-5000

FIRST STATE

MEANS

action

First State is the largest and oldest domestic company formed to write surplus lines, special-purpose and reinsurance business.

FIRST STATE
INSURANCE COMPANY

A + :Class XIII - A.M. Best Co.

a CAMERON and COLBY activity

Cameron and Colby Co., Inc., 60 Batterymarch Street, BOSTON 02110 - 617/357-8400 . . . Hartford Plaza Building, CHICAGO 60606 - 312/782-5921 . . . 3340 Peachtree Road, N.E., ATLANTA 30326 - 404/266-1480

Top brokers find Illinois E/S market highly competitive

EXCESS/SURPLUS

CHICAGO—Premium volume figures for the top excess/surplus brokers in Illinois lead to only one conclusion: The market is highly competitive.

Four of the top 10 firms saw their premium volume decline or remain flat. Yet, three of the top 10 more than doubled their 1977 volume during 1978.

The year's big winners were: Rollins Burdick Hunter, which posted a 106.2% jump to $8.6 million from $4.2 million and moved to second place from seventh; Bowes & Co., which increased its premium volume to $5.2 million from $2.3 million, a 123.7% jump, boosting its ranking to sixth from eighth, and George F. Brown & Sons, which posted a 113.9% premium volume gain to $4.5 million from $2.1 million and moved up one notch to eighth.

The losers were: Shand Morahan & Co., whose volume fell off 49.2% to $3.2 million from $6.3 million and fell from third place to ninth; Alexander & Alexander, with a 16.3% drop to $4.8 million from $5.7 million and a drop in the rankings to seventh place from fifth, and Stewart Smith, which fell from second place to fourth with a 14.6% drop in premium volume to $6 million from $7.1 million.

Top-ranked National Brokerage Agency held that spot although its premium grew only by 1.7% to $10.9 million from $10.7 million. Wohlreich & Anderson moved up one notch to third place on an 18.6% premium volume gain to $7.2 million from $6.1 million. Illinois R.B. Jones posted a 32.6% increase to $5.7 million from $4.3 million and moved to fifth place from sixth.

Fred S. James, a newcomer to the list, rounds out the top 10 with $2.4 million premium. The James firm replaces R.E. Potter.

Illinois

Premium Volume

Broker	1978	1977	1977-78 Growth rate
National Brokerage Agency	$10,898,832	$10,713,168	1.7%
Rollins Burdick Hunter	8,577,285	4,158,832	106.2%
Wohlreich & Anderson	7,211,552	6,078,448	18.6%
Stewart Smith	6,042,379	7,075,879	−14.6%
Illinois R.B. Jones	5,743,719	4,331,884	32.6%
Bowes & Co.	5,151,438	2,303,034	123.7%
Alexander & Alexander	4,785,357	5,718,716	−16.3%
George F. Brown & Sons	4,482,499	2,095,800	113.9%
Shand Morahan & Co.	3,179,405	6,263,640	−49.2%
Fred S. James & Co.	2,401,989		

E/S group taps market for agents

LOS ANGELES—Insurance buyers shouldn't have to use the national brokers to tap the excess/surplus lines markets, George Nordhaus contends.

He is president of IMS Excess and Surplus Lines Inc., which opened for business in July on the premise that agencies writing an average of $3 million in premiums annually need only market availability to compete with the giants.

IMS Excess grew out of Insurance Marketing Services of Santa Monica, Calif., which organizes information-sharing, marketing backup and other joint programs for 1,300 agencies across North America. The new venture is owned jointly by IMS, Whitcomb Surplus Lines Co. of Los Angeles and Hartley Cooper and Co. Ltd., a Lloyd's broker in London.

"With this tremendous bank of agencies using aggressive sales techniques and communicating with each other on a regular basis, the need for a market-finder type of operation was obvious," Mr. Nordhaus said.

He said there is an emerging group of medium sized agencies which are becoming more sophisticated and developing greater marketing needs. The average premium volume for IMS members has grown from $1.5 million two years ago to the current $3 million because of inflation and mergers.

"We'll give them their own marketing department and we'll help them write new coverages they've never been able to write before.

"Otherwise, how are they going to compete in areas like self-insurance, layering and captives? The smaller independent agents have been hurting there."

Mr. Nordhaus said IMS Excess has been receiving 10 to 15 applications a day since it started business, many from agents which already use IMS newsletters and participate in its marketing program.

The two biggest problems facing a new surplus lines brokerage firm are obtaining adequate financing and staying afloat until the company's name is established, he said.

IMS Excess had substantial financing from Hartley Cooper, which is owned by Chubb & Son Inc. It was already known to the agents plugged into the IMS network. ■

John Hancock's International Group Program is the best in the World.

Here are just a few reasons why.

First, the largest international group staff anywhere. They offer you the combined experience gained from developing and servicing over 1,000 plans. Each account is continuously serviced and monitored by a five-member team. And that full-time dedication to your account assures a smooth running program as well as quick problem-solving when necessary.

Second, our network of 25 Associate Insurers. Each is one of the most highly respected in the country it serves. With over 12 years of experience building stable working relationships with our Associate Insurers, IGP can offer you continuity of service unparalleled among international programs.

Third, our clients. More than 200 corporations and 1,000 subsidiaries. Most multinationals with international programs have chosen IGP because it offers flexible, competitive programs that keep on working.

Flexible. Competitive. Experienced. Consider the advantages of John Hancock's IGP.

("International Group Program" and "IGP" are registered service marks of the John Hancock Mutual Life Insurance Company, Boston, Massachusetts 02117, USA.)

John Hancock Mutual Life Insurance Company

Boston, Massachusetts

AIG, INA lead race to specialty lines

By STUART EMMRICH

EXCESS/SURPLUS

NEW YORK—Brokers rave ɔout Lexington Insurance Co., ıe excess/surplus underwriting ıbsidiary of American Interna-ɔnal Group, for its innovation and illingness to take risks.

"If they have any weaknesses, I ıven't seen them," says Richard ausch, president of the New York okerage firm Nausch, Hogan & urray.

"Their timing has been abso-tely perfect," adds Joseph Fahys, nior vp at Marsh & McLennan.

"They are light years ahead of eryone else," says James Crystal, esident of Frank Crystal & Asso-ates of New York.

But officials at Lexington—an ggressive, enigmatic and surpris-gly publicity-shy company—ın't count on standing alone in .e spotlight of praise in the future. ith every accolade, every piece of .w business and every year of in-eased premiums, Lexington is ving other insurance companies ore reason to jump into the cess/surplus lines market.

Lexington is the most visible ex-ıple of what could be the most ıportant trend in the excess/ ırplus market in the future: the xpansion of standard underwrit-s into nonadmitted markets.

Already Lexington isn't alone. esides the whole gamut of spe-alty nonadmitted underwriters ready in the market, such stan-ırd insurers as Hartford, Allstate, ontinental, Chubb, Employers of ausau, Prudential, Commercial nion, Crum & Forster, CNA, reat American and St. Paul have ımped into the competition with /S subsidiaries of their own.

"It's all part of a trend," says I&M vp Lorne Palmason. "These ɔmpanies have seen that this is a rofitable area and they want to get ıto it. They feel it rounds out their acilities."

Many excess/surplus lines spe-alists lament this development, owever, complaining that the andard markets are merely shift-ıg capacity into a less regulated nd potentially higher-priced mar-et.

Although few of the excess/ urplus subsidiaries can match the ccess of AIG's Lexington, one ıt most observers say has the po-ıtial to do so is the three-year-old ecial risks division of the Insur-ce Co. of North America.

No one is arguing that INA is go-ıg to knock off AIG's Lexington head-to-head competition. INA ficials even deny they have that mind. But brokers, risk man-ers and others in the industry in-asingly refer to INA and Lex-gton in the same sentence; be-e, Lexington was in a league all own.

Some say INA's success in the st three years isn't exactly an ac-dent, however.

"You can say that John Cox rned his lesson well at AIG," s one broker, referring to the A president's previous stint at G as a vp and chairman of Amer-n Life Insurance Co. "INA is a rect copy of AIG in this area. Imi-ion is the sincerest form of flat-y, as they say."

But others add that even if INA s patterned its excess/surplus erations after AIG, it has now rned enough that it can be suc-ssful on its own.

"You see a lot of similarities, a lot AIG in INA lately, but I think A will go its own way without ving to copy AIG," says another oker. "It is getting its imagina-n back."

One sign that INA is on its way is high marks its special risks di-vision is getting lately. Consisting of the 10-year-old California Union Insurance Co., a surplus lines underwriter; Montgomery & Collins, surplus lines brokers; Surplus Insurance Brokers of North America, underwriting manager for the Illinois Union Insurance Co., and a yet-to-be-named surplus lines adjusting company, the division is seen by observers as having successfully solved old problems and now making a good reputation for itself in the E/S market.

"INA had a failure with California Union (when it first took it over in 1969)," says one broker. "It carried mainly casualty business and that was not the place to be. It was a failure up until 1976-77, when it was reestablished on the West Coast. Now I think it will be an enormous success. The management of INA is the reason. They have very good managers and INA has its eyes wide open for the future."

INA officials deny they are in any way a copy of AIG. They admit, however, that there were some problems to be worked out in the early years.

"What we do now is completely different from what we did before," says Ken Woods, president of Cal Union, who took over the company in 1977. The company dropped such specialty lines as professional liability, malpractice, errors and omissions and basic primary coverages, which hadn't proved all that successful, and decided to concentrate on large accounts and become known as a general surplus lines carrier.

INA now underwrites professional liability through its INAX office in Chicago and medical malpractice as well as professional liability out of its professional liability division of special risks in New York, under Peter Foley.

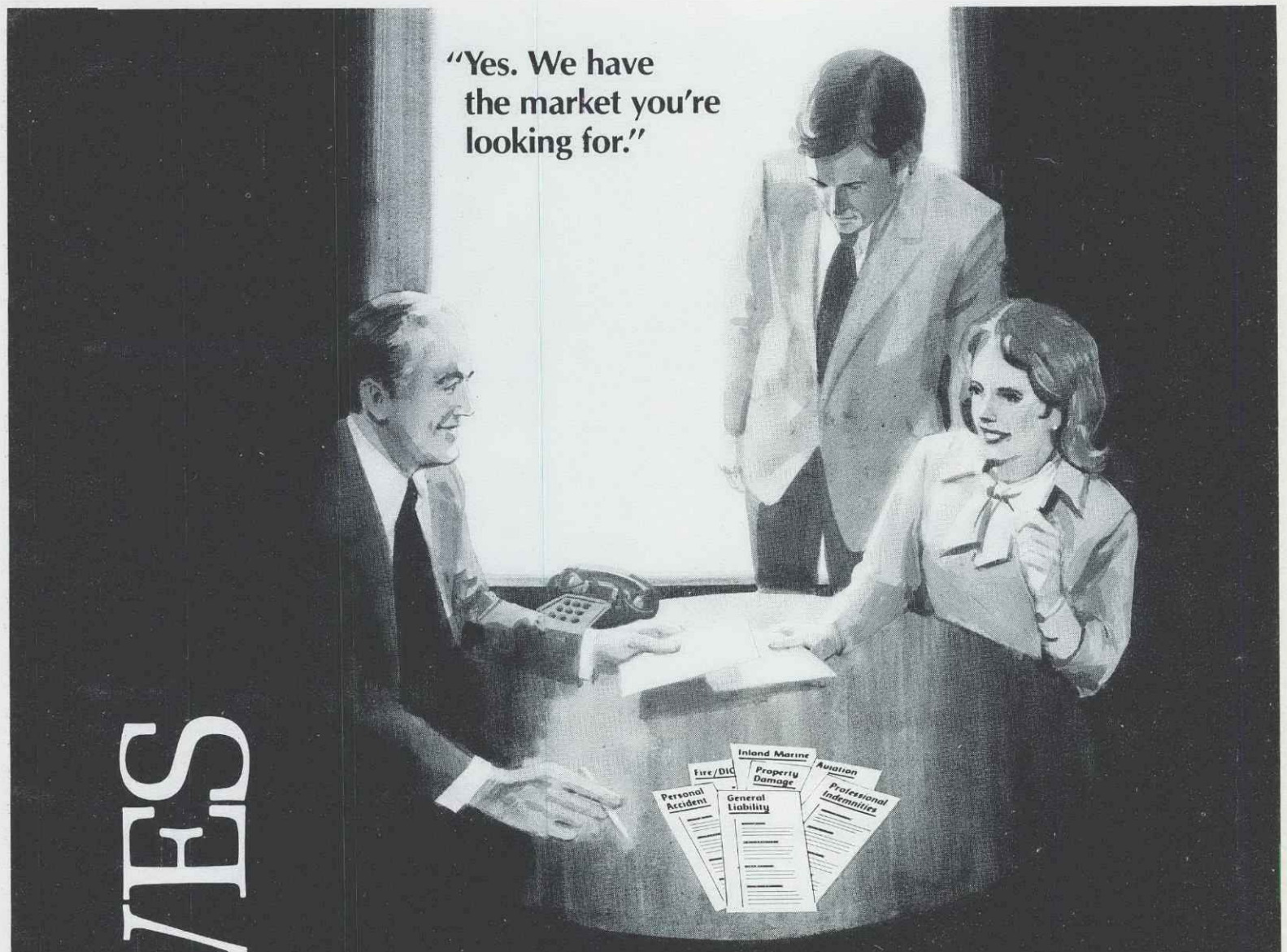
For Cal Union, the strategy seems to be paying off. Richard Nausch was one of several brokers who said that when he has an unusual or large risk he wants to place, the first two underwriters he thinks of often are Lexington and INA.

INA officials expect premiums generated by the special risks division to reach $135 million by the end of this year and between $170 million and $180 million next year, primarily because of expansion of divisions and offices.

INA, however, will probably have "reduced growth" in the next few years "because we are not going to compete on the prices," Mr. Wood said. Non-renewals for next year are about 60% of property business and 40% on casualty business. "We are losing a lot of business to the standard market."

It is a little harder to tell where Lexington fits in with all this, however. The company, unlike other AIG subsidiaries that regularly boast about their premium volume and profit margins, stays mum

Continued on next page



BOWES & COMPANY, INC.

With over 50 years of professional experience, nobody handles excess/surplus lines insurance better than Bowes.

Bloomington, Mn.
2850 Metro Drive
Bloomington, Mn. 55420
(612) 854-1111

Chicago
135 South La Salle Street
Chicago, Illinois 60603
(312) 236-6780

Dallas
7540 LBJ Freeway
Dallas, Texas 75251
(214) 233-2202

New York
41 East 42nd Street
New York, N.Y. 10017
(212) 986-0240

Oklahoma City
11212 N. May Ave.
Oklahoma City, Ok. 73120
(405) 755-1730

St. Louis
515 Olive Street
St. Louis, Mo. 63101
(314) 241-6281

San Francisco
155 Sansome Street
San Francisco, Calif. 94104
(415) 981-8360

Tulsa
1535 South Memorial
Tulsa, Oklahoma 74112
(918) 664-5705

Woodbridge
One Woodbridge Center
Woodbridge, N.J. 07095
(201) 636-9463

WINNIPEG and CINCINNATI

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

RYAN AGENCY LIMITED
55 Donald Street
Winnipeg, Manitoba,
Canada R3C 1L8
204/942-5484

KREIDLER-SHELL, INC.
309 Vine Street
Cincinnati, Ohio 45202
513-381-0500

See our ad on page 6

AIG, INA lead . . .

Continued from previous page

about its finances. Even in its annual report to AIG stockholders, Lexington limits information about itself to a paragraph that states: "1978 was Lexington's best year ever. Earnings increased and gross premiums written were up substantially over 1977. All lines contributed to the company's success." That's it.

Lexington officials refused repeatedly to be interviewed for this article, usually without explanation. And president Frank Oleskiwicz is especially adamant about keeping the internal operations of Lexington a mystery.

As one AIG official explained, "As an unadmitted company, they do business outside the regulation of the states and they don't like that glare of publicity."

Lexington is reported to have one of the best reinsurance record in the industry. It's estimated th company cedes more than 90% c the premiums generated by th business it produces. And the in surer has the reputation of agree ing to look at any risk at least once

"If you have a risk that no on else is willing to talk to you about Lexington will usually come u with a program. They are alway open to suggestions—for the righ price, of course," Mr. Crystal say

Lexington specializes in hard-t place lines, such as railroads, min ing and utility risks and exposure in heavy earthquake, flood o windstorm areas. The casualty di vision has an in-house capacity o $12.5 million per risk and with its ac cess to reinsurance markets, i says it can build limits on account to $25 million or more. The proper ty division has a capacity of $24 mil lion, with reinsurance markets offer ing limits to $75 million or more.

Perhaps one of Lexington's bes known divisions is its space tech nology department which under writes satellite coverage, including the space shuttle. The division ha a capacity of $20 million.

The varied classes of businesse offered by Lexington usually im press people, with only a mino complaint about slow paperwork.

Potential competitors of Lexing ton shouldn't expect to win ove customers with a better filing sys tem, however. In fact, some ob servers say, standard companie now considering getting involved in the E/S market may not know what they are going up against.

"A danger for any company get ting into this area is the special ex perience that one needs," says one influential broker. "You can't just take someone out of your automo bile department, give him a new desk, take away his manual and say 'go out and underwrite.' He won't know what to do.

"In the surplus lines market, you really underwrite, instead of look ing it up in a book. You can't just take out a manual, look up a risk and find a price. It is all a matter of judgment," he added. "The surplus lines underwriter is more free to be a true underwriter, more like Lloyd's."

Even officials of standard com panies now in the excess market criticize colleagues for following them into an area that might not be easily understood.

"The standard market under writers don't understand the ex cess and surplus lines markets. They sometimes cut rates by such an extent that I don't see how they could be making any money. It just shows a lack of experience on their part, moving into areas they might not understand," INA's Mr. Woods complains.

The influx of new underwriters in the market, besides setting somewhat unrealistic rates on classes of business, is also creating too much competition, Mr. Woods said. "There are too many people chasing too few premium dollars," he complained.

Mr. Woods might well be discon certed about the number of new competitors. Observers think the competition will heat up.

"Other companies have seen the success of these two (INA and AIG) and they want to share in it," says one broker. "They want those pre miums." ■



Before they ask you about dental care programs, ask us. So far 4,151 benefit managers did.

Last year thousands of employee benefit managers contacted the American Dental Association for information on dental benefit plans. Why?

Dental care plans are a rapidly growing employee benefit—from two million people covered in 1965 to an estimated 48 million today. Employers and union officials recognize dental plans as a worthwhile employee benefit.

Further, the American Dental Association has experience gained from longstanding cooperation with the nation's largest carriers and purchasers of dental insurance.

We can help you better understand dental care and make the right decisions for your company and your employees.

Return this coupon, and we'll send you a package of useful background information on dental prepayment.

If you are considering a dental plan for your company, or presently have coverage, we believe you will find this information important. Please send the coupon to: Robert E. Caffrey, Council on Dental Care Programs, American Dental Association, 211 East Chicago Avenue, Chicago, Illinois 60611.

For your information kit send this coupon to: BI 9/17/79

Robert E. Caffrey
Council on Dental Care Programs
American Dental Association
211 East Chicago Avenue
Chicago, Illinois 60611

Name _____

Title _____ Phone _____

Company _____

Address _____

City _____ State _____ Zip _____

Number of employees _____

Presently have a dental plan? Yes _____ No _____

New name for Kemper

Kemper Group has been adopted as the umbrella designation for the stock and mutual companies in the Kemper organization. The Kemper Group includes Lumbermens Mutual Casualty Co., other associated mutual insurance companies and Kemper Corp.

WE HAVE A SPECIAL RISK SERVICE.

OUR COMPETITORS HAVE A SPECIAL RISK SERVICE.

AND THAT'S WHERE THE SIMILARITY ENDS.



© CIC

Continental Special Risk Underwriters (CSRU) is a better service than our competitors' because:

First, our service is a network of in-house services, unparalleled in the industry.

Here's what we offer:

A complete range of coverages for large casualty accounts including primary, excess and umbrella.

Tailor-made financial plans including spread premium payments for qualified accounts, large and small deductibles, and self-insured retentions.

Flexible cash management using compensating balances, premium cash flow and wire transfers (within 48 hours).

Additional services including countrywide claims service, loss control and engineering plus industrial hygiene, ocean marine and commercial inland marine insurance, data processing, international, reinsurance, accident and health, and life insurance.

For captive insurance companies:

In addition to making all our normal services available to captives, CSRU offers specialized services including general management, accounting, underwriting, actuarial and policy issuance.

All of our services have been programmed so they can be customized and selectively applied to meet your particular needs. And you only have to buy the services you want.

Finally, your entire risk program is handled through a single contact: a Continental Risk Planner from one of 4 cities spanning the U.S. Helped by a team of specialists, our Risk Planner works with your agent or broker to analyze your requirements, sets up a program to meet them, and provides year-round service to keep things running smoothly.

For more information, please contact your agent or broker, or the CSRU representative nearest you:

Frank Hofstatter, 100 Pine Street,
San Francisco, CA 94111
(415) 576-8155.

Gerald Tetzman, 360 West Jackson Boulevard, Chicago, IL 60606
(312) 341-2747.

Ray Micucci, 1810 Commerce Street,
Dallas, TX 75201
(214) 748-7351.

Sara Roblin, 80 Maiden Lane,
New York, NY 10038
(212) 374-4344.

FOR EVERY SPECIAL RISK NEED: A SERVICE THAT'S PROGRAMMED TO WORK.

CONTINENTAL SPECIAL RISK UNDERWRITERS

A facility of

The Continental Insurance Companies

subsidiaries of The Continental Corporation

MEMO FROM
MARSH & McLENNAN

Most writing loses a little in translation. An insurance policy can lose millions.



Multinational companies face a unique problem that domestic companies are much less exposed to: The risk you *think* is covered.

Unless you establish an overall standard of insurance protection for all operations, both domestic and international, you can never be sure that a loss which would be covered in Milwaukee is covered in Malaysia.

Even if you do establish such a standard, it's difficult to implement without the assistance of international insurance specialists. Language difficulties, variations in insurance regulations, or even local custom may impede translation into adequate local insurance protection.

The professional solution is a corporate policy decision to establish standards of risk control and insurance protection and to utilize the resources of an international insurance broker to implement that policy.

As the leading international insurance broker, Marsh & McLennan will work with you to establish optimum protection of your assets and preservation of earnings in each location, but with centralized control.

Such control has administrative, financial and marketing advantages, which can result in greater cost-efficiencies. These objectives cannot be accomplished by use of correspondent relationships.

How we can help you.

No other broker can match Marsh & McLennan's commitment to serving the multinational client. Our subsidiary and equity affiliated companies extend our "family" around the world.

Examples of our international commitment are our equity affiliations with the leading brokerage firms in the European Economic Community.

Local experts, central control.

Marsh & McLennan can offer you, locally, the services of leading insurance professionals. And their efforts are managed by our staff of experienced international brokers, who are readily accessible to you and fully understand your problems, requirements and risk management philosophy.

We can survey your exposures throughout the world and implement uniform quality of professional advice to cover possible gaps. Our technical services are available worldwide, to provide risk analysis and loss-control services to reduce the frequency and severity of loss.

In reviewing your exposures, we will systematically examine your entire risk management strategy, with a view to recommending alternative methods of protection where they offer greater efficiencies.

The captive alternative.

For example, we know that multinational companies of a certain size can achieve cost advantages and standardized coverage through the use of captive insurance subsidiaries. This would be one of the alternatives examined.

Marsh & McLennan is a leader in the business of captive insurance company planning and management.

You don't have to be big.

It's true that Marsh & McLennan serves most of the largest multinational companies. The experience we've gained in doing so enables us to help any company with multinational operations. In fact, the corporation that is just beginning to develop internationally has an even greater need for a brokerage organization skilled in planning and implementing an international risk management program.

If you'd like to know more about ways we might help you protect international operations, write to Ms. Joan Bullwinkel, Marsh & McLennan, Incorporated, Department 1100 BI, 1221 Avenue of the Americas, New York, New York 10020.

Marsh & McLennan's experts design programs to suit the needs of multinational companies.



When it comes to insurance, come to the leader.

Marsh & McLennan

© 1979, Marsh & McLennan, Incorporated

We Help Keep Our Insureds In Business

IRM INSURANCE

IMPROVED RISK MUTUALS

IRM Provides Fire Prevention Services —
Large Capacity — Highly Protected Risk Facilities

Contact a Member Company:

Allianz • Atlantic Mutual • Central Mutual • Employers Casualty • Employers Mutual Casualty • Grain Dealers Indiana Lumbermens • Iowa National • The Lumbermens Mutual • Michigan Millers • Michigan Mutual Insurance Millers Mutual • Northwestern National • Pennsylvania Lumbermens • Pennsylvania Millers • Tokio Marine & Fire Unigard Mutual • Utica Mutual

15 NORTH BROADWAY • WHITE PLAINS, NEW YORK 10601 • (914) 946-3500
BRANCH OFFICES: ATLANTA • CHICAGO • DALLAS • DETROIT • GREENSBORO
LOS ANGELES • NEW ENGLAND • SAN FRANCISCO

Publicity-shy broker wins wide respect for placing risks

EXCESS/SURPLUS

CHICAGO—The brain trust of Stewart Smith Insurance brokers in London decided in 1945 the time was right to extend its style of successful brokering operations into the U.S. marketplace.

Obviously, the decision has not been one that management has regretted.

From the company's beginnings here more than 30 years ago, the operation has blossomed, spanning the country with five separate corporations providing what they believe is a unique style of excess and surplus lines brokering.

The company's knack of designing and marketing sophisticated insurance programs for complicated risks in aviation, casualty reinsurance, property and specialized areas has won it prominenc in North America and the respec of its clients and competitors.

Yet despite its prowess in th U.S., the brokerage shuns publicity and won't disclose figures o details of its financial performanc or operations. Politely declining requests for interviews, officers of it major U.S. outlet, Stewart Smitl Mid-America Inc. in Chicago, say London management prefers t keep a low profile.

But according to a promotiona brochure for the Mid-America firm, Stewart Wrightson Insurance Group now operates 138 companies with 104 offices in 30 nation around the world. In addition t the Mid-America firm, Stewar Wrightson operates Stewart Smitl East Inc. in New York, Stewar Smith Haidinger Inc. in Lo Angeles, Stewart Smith Southwes Inc. in Dallas and Stewart Smitl Reinsurance Inc., also in Chicago The companies have branch office in Atlanta, Boston, Philadelphia Pittsburgh, Washington, D.C., and Teaneck, N.J.

Since moving its Chicago office location in 1975, Mid-America's staff alone has grown to 85 employes from 40 and additions are still being made. "We have a technologically sophisticated communications system with direct cable to London with whom we are in daily contact," the firm says.

Stewart-Smith boasts a one-stop shopping concept for clients interested in various kinds of specialized coverage and promises t eliminate the need for searching out different markets.

Its aviation division, representing four domestic aviation underwriters in addition to negotiating in the London market, handles programs for scheduled and non-scheduled airlines, aircraft and component manufacturers, helicopters, airports, commercial aviation operators and flying schools.

Its casualty department tackles coverages in classes such as animal mortality, errors and omissions, kidnap/ransom, personal and group accident, product liability, railroad protective and truck and transportation. Specific excess, umbrella liabilities and large self-insured programs are among others handled.

In the special programs area, Mid-America is big on directors and officers liability and contends to have established "leadership status in this type of coverage." It also handles school board, fiduciary, law enforcement and public official's liability.

The firm is also active in reinsurance through Stewart Smith Reinsurance Inc., which handles property, casualty, treaty, facultative and life reinsurance.

Property risks—small, medium and large—are also a specialty. Mid-America contends its property department handles insurance for the domestic and foreign property of some of the largest corporations.

Brokers and underwriters in the excess/surplus field are generally reluctant to comment on Stewart Smith. But one underwriter said, "What they do, they do well." ■

Looking for ways to conserve working capital?



Don't overlook premium financing.

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

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

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

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

Premium financing. It's good for your business.

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

Paul M. Holland, Vice President-Marketing, AFCO,
7 Hanover Square, New York, New York 10005.
Tel: (212) 797-1850.

AFCO

The Probablemaximumlossexcess.



Actually, a friendly beast when controlled. But unleashed? Devastating! So, when you run into this brute, call us. Bellefonte Facultative Reinsurance. We can tame it. And quite a few others just like it.

Bellefonte Facultative Reinsurance.

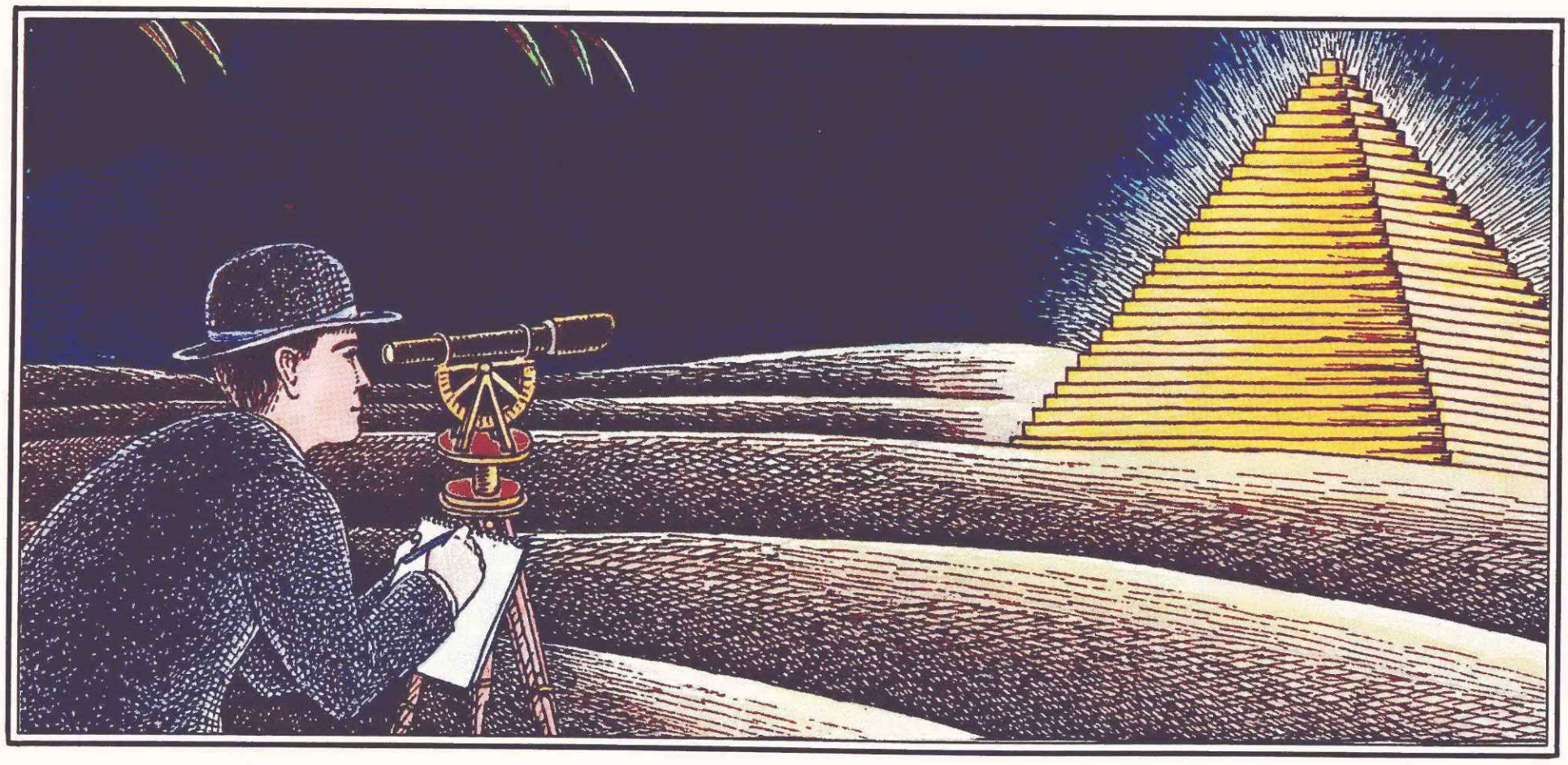
San Francisco:
Three Embarcadaro Center
Suite 1680
CA 94111
415/956-8515

Houston:
2121 Sage Road
TX 77056
713/871-9084

Atlanta:
Century Center
1800 Century Boulevard
GA 31345
404/325-3131

Bellefonte Reinsurance

Determining Risk



With the magnitude of business risks expanding, sophisticated techniques are being developed to determine more precisely the optimum degrees of risk retention for a company's exposures.

A brief review by INA of an insurance topic of interest to business executives.

In an increasingly demanding economic environment, corporate financial executives are reexamining the capital and cash flow needs of their businesses. Part of this analysis focuses on the cost of business insurance, which in the typical corporation has risen in direct proportion to expanded exposures. In this environment, corporate risk managers are attempting to structure their insurance programs to help enhance cash flow without jeopardizing financial results through inadequate protection against losses.

Specifically, they are looking for ways that will help determine the most productive retention levels for their companies' growing exposures to risk and financial loss, recognizing that the ability and willingness to bear risks can vary sharply from one company to another.

For example, it might be advantageous to retain, either partially or completely, such exposures as automobile fleet physical damage and workers' compensation, where losses tend to have a high degree of predictability. Dollars that would otherwise be committed to insurance premiums would then be available for corporate use. Before setting specific retention levels, however, a determination is needed of the maximum amount of loss, in dollars, a company would be willing to bear.

Based on trend analysis, the availability of coverages and, most important, personal knowledge and judgment, there are several approaches to establishing this amount.

Maximum retention limits

Perhaps the most common, particularly for publicly held companies, is an earnings-per-share determination, in which uninsured losses are retained up to the limit where they will adversely impact the company's financial results. This figure is sometimes set at five percent of the company's operating earnings for its most recent year. Thus, a company reporting pretax earnings of $60 million would not retain risks with a maximum possible loss in excess of $3 million.

Retention Levels

A second method is to use a percentage of net working capital, generally between one percent and five percent. This method is frequently employed because it is based on corporate liquidity.

And a third method is based on an earnings-and-surplus yardstick. Here the limit of retained losses is set at a given percentage of current retained earnings, plus an equal percentage of average pretax earnings over the preceding several years.

In each case the figure represents an aggregate maximum retention for all lines. It is usually fixed at the beginning of each fiscal year to reflect an up-to-date picture of the company's financial position.

Arriving at specific retention levels

Having ascertained a maximum retention amount, the next step is to determine the optimum choice among a number of possible specific retention levels.

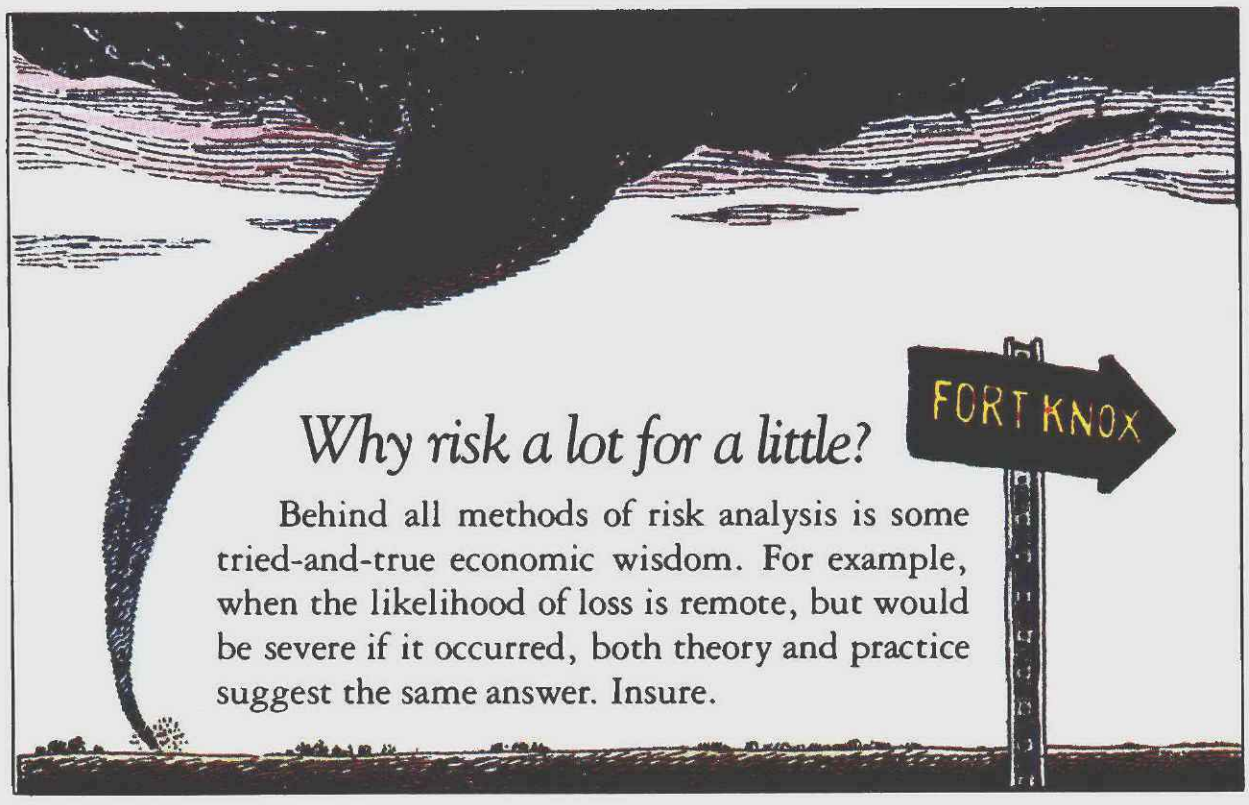
This is done by a fairly complicated procedure. Essentially, it consists of taking two variables – the maximum retention figure expressed as a company risk tolerance level, and another factor called the "risk-adjusted cost" – and using them as the two axes of a graph. Various retention options (such as complete self-insurance, $10,000 deductible, $50,000 deductible) are then plotted on the graph as curves. The best decision at a given risk tolerance level is that option having the lowest risk-adjusted cost.

An example is a large integrated oil company with an experience of 720 property damage claims, both open and closed, over a recent three-year period. The average severity was $11,214, with a maximum possible loss per occurrence of $2.5 million. The expected frequency was 240 occurrences a year and the expected aggregate loss was $2,691,464.

After taking into account both the expense of self-insurance and the premiums for commercial insurance with various deductibles, risk curves were computed and plotted for a number of options. They included full retention of the risks by the company; partial retention, with a large deductible; and full coverage by commercial insurance. The results indicated that at the company's risk tolerance level, the preferable option would be an insurance policy with a deductible of $1 million.

Even with the assistance of techniques such as these, setting risk retention levels remains a subtle and sometimes demanding process. Risk managers have found that consultation with insurance agents, brokers, and companies providing insurance products as well as self-insurance services is often invaluable in arriving at viable solutions.

* * *



Why risk a lot for a little?

Behind all methods of risk analysis is some tried-and-true economic wisdom. For example, when the likelihood of loss is remote, but would be severe if it occurred, both theory and practice suggest the same answer. Insure.

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial service companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on determining risk retention levels, write INA, 1600 Arch Street, Phila., PA 19101.

INA

The Professionals

"AMERICA THE BEAUTIFUL" IS MORE THAN BEAUTIFUL



"... above the fruited plain"

America is a rich country indeed. We're rich in our people and rich in the variety and quality of foods that come from our farms and orchards and ranches to our local markets.

Protection Mutual is helping keep food costs down through its fire protection engineering of farm machinery plants, meatpacking plants, warehousing of foodstuffs and retail food markets. The prevention of loss is a saving to industry which is also a saving to each of us as consumers.

Protection Mutual has only *one* business—the conservation of industrial and commercial property through creative loss prevention engineering.

PROTECTION MUTUAL
Insurance Company
302 South Northwest Highway, Park Ridge, Illinois 60068

Factory Mutual System

PERSPECTIVE

Self-insurers: Heed big claims . . .

By Frederick J. Fisher

THERE HAS BEEN much discussion recently and several articles published in insurance journals regarding the recent California appellate court decision in Transit Casualty v. Spink Corp.

Many of the articles have said this is the first California case holding that a primary insurer can be held liable not only to the policyholder, but also to the policyholder's excess insurer for failing to settle a loss within its liability limits. Although Transit Casualty v. Spink Corp. is a landmark decision, it is not the first California decision to so rule. Furthermore, the concept has been available for a substantial amount of time.

In VII Loyola Law Review 277, June 1974, an article clearly discussed and approved the principle that there is a bad faith doctrine applying on behalf of primary insurers to not only the policyholder but to the excess insurer as well. A ninth circuit federal decision also affirmatively decided the same question in Peters v. Travelers, 375 F. SUPP. 1347, and in several other cases.

However, the first California case to hold and apply this doctrine of liability of a primary insurer to an excess insurer is Northwestern Mutual Insurance Company v. Farmers Insurance Group, 76 C.A. 3d 1031.

Transit Casualty v. Spink Corp. was heard twice in California. It was first heard in early 1978, printed in the official reports at 78 Cal App 3d 509; 144 Cal Rpt. 488. However, this case was granted a rehearing resulting in its recent decision in August.

Unique situation

Before the first decision in Transit Casualty v. Spinks came the case of Northwestern Mutual v. Farmers Insurance Group. The Northwestern Mutual case, however, did not involve a pure primary and excess insurer relationship. This case involved two primary insurers.

However, because of the unique situation of the relationship of the insurers, one insurer was deemed to be excess over the other. Specifically, one insurer provided coverage to the permissive user of a driver through his own automobile policy and the other insurer was an omnibus which was the liability insurer for the premissive user's employer.

Frederick J. Fisher, manager and partner of Miller & Gilbert of Southern California, is a claims adjuster, lawyer and student of the California legal system.



The Northwestern Mutual case presented two questions which were answered affirmatively by the appellate court before Transit Casualty v. Spinks. The first question was whether a permissive user of an automobile who was insured under the omnibus clause of the vehicle owner's liability insurance policy has a right of action against the owner's insurer for its bad faith refusal to settle within its policy limits. The second question was whether the permissive user's automobile liability insurance, whose coverage constituted excess insurance, may recover from the owner's insurer, whose coverage constituted primary insurance.

The appeals court concluded that both questions were properly answered affirmatively by the trial court. Therefore, the Northwestern Mutual case is the first California case to hold that a primary insurer owes a duty of good faith and fair dealings not only to the policyholder but also to the excess insurer, can be held liable for a bad faith refusal to settle within its policy limits when it had an opportunity to do so and owes this duty not only to the policyholder, but also to the excess insurer.

What has not yet been discussed regarding these two cases, however, is how they are going to apply to a corporation that is self-insured and has an excess policy over its self-insured retention. In addition, what about a policyholder or corporation that is not technically self-insured but has a large deductible in the neighborhood of $100,000 or more and the primary insurer subject to this deductible is really acting as an excess insurer?

Contractual relationship

When a corporation has a self-insured retention, the Transit Casualty and Northwestern Mutual cases do not specifically discuss whether or not, in assuming the obligation of insuring itself in handling its own claims, a self-insurer owes a duty to the excess insurer to settle any loss within its self-insured retention. Certainly, a self-insured corporation does maintain its own claims staff or independent claims administrator and adjuster. In addition, it may have assumed the duties and obligations that a primary insurer would normally have.

A self-insurer handles and investigates its own claims, defends itself and has a contractual relationship with an excess insurer to provide notice of losses. The excess insurer may set forth its rules and regulations on when it will be notified of losses and what the obligations are of the self-insured to handle its own claims. This is not only a relationship by contract, but there may also be additional legal duties as propounded in Northwestern Mutual and Transit Casualty.

These can create substantial exposures for not only the risk manager of a self-insured corporation but can also increase the exposures on behalf of the independent administrator and independent claims adjusting agency representing the self-insured. They are in a position to advise the

Continued on next page

. . . as excess insurers gain more rights

By Anthony M. Lanzone

SEVERAL YEARS AGO I was asked to research an article on the primary insurer's duty to an excess insurer. I found out that not many legal cases addressed themselves to this issue and attributed it to the fact that it was not until recently that jury awards frequently entered into the coverage limits furnished by excess insurers.

But times have changed..

Since 1973 there have been a number of significant legal decisions dealing with the duties and obligations of a primary insurer to an excess insurer. This past year a California appellate court decision also considered the duties owed by an assured with a self-insured retention and recognized a three-way duty of care between the policyholder, primary insurer and excess insurer.

Research of relevant legal decisions leads to the conclusion that most American courts recognize the primary insurer's duty and obligation to exercise good faith in dealing with its policyholder applies equally to the duties owed by the primary insurer to an excess insurer. In recent decisions the courts in a number of jurisdictions, including New York, have not permitted a primary insurer to conduct itself in a manner contrary to the good faith obligations and duties it owes to the policyholder, even though any excess verdict, as a result of the primary insurer's bad faith conduct, would be paid by the excess insurer and not the insured.

Anthony M. Lanzone is a corporation lawyer in New York City who specializes in insurance. His comments are excerpted from an address to the Defense Assn. of New York.

Various courts have recognized there is a duty owed by the primary insurer to an excess insurer on a third-party beneficiary basis, by assignment or, more usually, on the basis that the excess insurer, standing in the shoes of the policyholder, has a right to subrogation against the primary insurer.

Most courts in their analysis of this problem often state that the primary insurer has the sole and principal obligation to investigate and defend any claim and litigation against the policyholder.

Duty established

The cases have established not only the primary insurer's duty to undertake an adequate and proper investigation in the defense of its policyholder, but also that the primary insurer has an unquestionable duty to entertain settlement opportunities up to the limits of its primary policy. The failure to consider the liability presented to the policyholder by an excess verdict will not be deemed minimized by the courts because the policyholder had the foresight to purchase excess insurance.

More and more the courts recognize that the premium paid by a policyholder to the primary insurer is structured to take into account the fact that the primary insurer will investigate the claim and pay defense attorneys' fees and expenses. Recognizing this, the premium considerations of the excess insurer are normally based on what the liability exposure for loss payment would be and recognize that information regarding the investigation and defense will be obtained from the primary insurer's representatives, including their defense counsel.



The primary insurer has an unquestionable duty to entertain settlement opportunities up to the limits of its primary policy, says New York attorney Anthony M. Lanzone.

When evaluating a primary insurer's conduct to determine the existence of bad faith or negligence, the courts will consider whether there has been an unreasonable refusal to settle; a failure to accept the recommendations and settlement advice of the defense attorneys; the failure to undertake a careful and proper investigation; the refusal to incur expense costs in discovery proceedings to properly prepare the defense of a litigation, and a willful or negligent refusal to inform the excess insurer of material developments affecting settlement and liability.

Guiding principles

The courts also will consider a refusal to make available the primary insurer's claim file and investigation and attorney reports affecting settlement value and liability; a deliberate and wrongful delay in making available the primary insurer's limits in an obvious liability situation; demanding contribution from the excess insurer to a settlement within the amount of the primary limits, and such other conduct that would reflect an attitude of lack of due care to the duties owed to both the insured and excess insurer.

Significant weight is also given to a judge's recommendations as to whether a case should be settled and whether the litigation presents, in the court's opinion, a damage exposure greater than the primary policy's limits.

No consideration of this subject would be complete without mentioning the insurance industry's enactment of the guiding principles for primary and excess insurers. These principals were adopted by a number of insurance companies but were not approved by several significant writers of excess and

Continued on page 74

PERSPECTIVE

Track losses to choose excess limits

By Stephen R. Palange and Norman C. Tardif

THE RISK MANAGER and insurer alike need a system to identify and monitor annual aggregate losses. Without such a system to monitor losses subject to aggregate policy limits, a carrier or syndicate at risk above an aggregate limit or self-insured retention may find that today's loss-free experience will become tomorrow's sudden financial loss and claim handling problem.

A description of annual aggregate limit should serve as a reference for this discussion. That is, this type of coverage combines the incurred losses for all occurrences in one policy year for a line such as product liability. The sum of these incurred figures forms the annual aggregate amount against which the annual aggregate policy limit is applied.

The annual aggregate policy limit in commercial lines was introduced by underwriters of volatile long-tail business which bore the joint exposures of frequency and severity. In these lines aggregate limits gradually replaced limits which applied "per occurrence."

A risk such as the manufacturer of commercial aircraft, for example, could then manage its premium costs through a combination of layering of coverages, annual aggregate limits and self-insured program or insured primary policy. Also, an annual aggregate limit enabled the underwriter of a given layer to quantify his maximum exposure per policy year.

Aggregate limits

In the past decade annual aggregate limits have been applied extensively to such lines as product liability and medical/hospital malpractice. A combination of factors has caused the aggregate limit to be widely utilized:

- Dramatic increases in the amounts of jury awards.
- Liberalized laws dissolving formerly sound legal defense postures, e.g., strict liability in tort supersedes many such defenses.
- Dramatic increases in premium costs to the insurance/reinsurance buyer.
- General economic inflation.

For example, a decade ago a suit against the manufacturer of sports equipment was nearly unheard of. Today, however, the frequency of such suits exemplifies that aggregates are now being exhausted, adding to skyrocketing premium costs. Some manufacturers are even forced to consider discontinuing production.

Common occurrence

The effectiveness of a monitoring system is illuminated by the present marketplace. It has become disturbingly common in recent years for an excess carrier to be advised by a primary carrier or self-insurer that a particular loss presents an exposure that, coupled with other claims incurred by an insured in that policy year, will exhaust the aggregate limits of the involved policy. That individual exposure is usually less than the per occurrence coverage limit. Often the notification from the underlying carrier also reports several other open claims handled by that carrier now being referred to the excess carrier for handling.

Occasionally, that notice can even be received "on the courthouse steps," with the further complication that the primary carrier is tendering the defense of the action because its policy limits are exhausted by payment. Since most excess policies are indemnification forms, the excess carrier and the risk have the new burden of arranging for the continued defense of the legal action. These and other related problems can be avoided by identifying and monitoring the

Continued on page 74

Stephen R. Palange is president and Norman C. Tardif assistant vp of Sutherland Page & Co. Inc., a Boston-based insurance service firm specializing in reinsurance, surplus lines and self-insurance.

Typical Findings of a Monitoring System

Insured:	Widget Manufacturing Co.
Policy Effective Dates:	1/1/78-1/1/79
Coverage:	Umbrella liability—products
Policy Limits:	$1 million occurrence/$1 million aggregate

	Reserve	Paid	Incurred
Loss No. 1: Mass. D/L: 1/20/78	75,000	0	75,000
Loss No. 2: Cal. D/L: 2/10/78	0	45,000	45,000
Loss No. 3: Ill. D/L: 5/15/78	25,000	5,000	30,000
Loss No. 4: N.Y. D/L: 9/1/78	250,000	0	250,000
Loss No. 5: Fla. D/L: 12/2/78	100,000	0	100,000
Total	**450,000**	**50,000**	**500,000**

Aggregate Limit:	1,000,000
Aggregate Losses:	−500,000
	500,000 remaining
Excess:	Yes. $4 million/excess of $1 million
Coverage:	Place excess carrier on notice of present incurred.
IBNR:	Widget's insurance manager maintains a file of "incident reports." These must be reviewed immediately to determine claim potential.
Comments:	Review insurance and Widget claim files quarterly. Post excess carrier and reinsurers following review.

Self-insurers . . .

Continued from previous page

excess insurer as to losses, exposures and analysis of liability. It may be incumbent upon them to enter into earlier settlements in order to protect the excess insurer if the principles stated in the Northwestern Mutual and Transit Casualty cases are applied to a self-insured corporation in the absence of a primary insurer.

These two cases are the result of a long line of cases in California and around the country holding that a primary insurer has an obligation to the policyholder to protect the policyholder from uninsured exposure by settling a serious loss within its policy limits when it has the opportunity. In the absence of a primary insurer, when a self-insured takes over its own protection by being self-insured, the question remains whether or not there is a good faith and fair dealings requirement to the excess insurer.

This was answered affirmatively in a recent Liberty Mutual case as well as in Transit Casualty v. Spinks, when the policyholder refused to cooperate with its insurer. Therefore, in all probability, it is conceivable that the rules and principles of Transit Casualty and Northwestern Mutual will apply to a self-insured corporation when it indeed has a self-insured retention.

It will therefore become incumbent upon the risk manager and the independent administrators and adjusters to keep the excess insurer well informed of any substantial losses and attempt to enter into good faith settlements in order to protect the excess insurer and not prejudice its rights. How this can be rectified with the principle that the excess carrier stands in the shoes of the policyholder with regards to a primary insurer is a legal question that will take more litigation to resolve. However, the best way of avoiding additional litigation is for the risk manager and independent claims administrators to be careful in maintaining close contact with the excess insurer about any substantial liability losses.

> The duties and obligations of a corporate risk manager are increasing. Litigation regarding their duties and obligations to excess insurers and insurers who are primary with large deductibles is in its infancy.

The same problem is true, however, when a corporation has a substantial deductible under its primary insurance policy. Two situations immediately come to mind. Suppose a corporation has a $100,000 deductible. Suppose the primary insurer subject to this deductible decides not to waive its claims control rights and therefore requires that all losses be reported and that it has exclusive authority to assign investigators, defense attorneys and set reserves in addition to making settlements.

Obligations increase

In such a situation, the principles of Transit Casualty and Northwestern Mutual will not be nullified because the policyholder has a large deductible administered by a primary insurer. Therefore the primary insurer will continue to have its legal liability subject to these cases and be liable not only to the policyholder but also to the excess insurer for failing to settle within its policy limits.

However, suppose the primary insurer relinquishes its claims rights and allows the policyholder to handle all claims within its deductible on its own, subject to reporting to the primary and excess insurer. The question then remains whether or not this would constitute a quasi self-insured retention giving rise to additional duties and obligations on the part of the policyholder as well as its administrators and adjusters who are handling any claims within the deductible.

As has been stated in many bad faith cases in California, the jury's determination of the value of a loss may override a claims adjuster's "good faith" evaluation.

Considering the recent cases, it's clear, the duties and obligations of a corporate risk manager are increasing. Litigation regarding their duties and obligations to excess insurers and insurers who are primary with large deductibles is in its infancy.

It is suggested, therefore, that the working relationships between risk managers, claims administrators and claims adjusters with the primary insurers with large deductibles and excess insurers are to be closely scrutinized not only by attorneys and the courts, but also by the claims representatives of the insurers. Additional lines of communication as well as analysis and evaluation of any given loss are going to be more closely scrutinized by all.

This will probably mean increased expenses for the claims departments of excess insurers, which will have a greater obligation to supervise and review losses being handled by a self-insured. It may even be that any self-insured may be adverse with its own excess insurer in any given loss because of the coverage escape provisions Transit Casualty and Northwestern Mutual have given the excess insurers: being in a position to force the self-insured or the primary insurer to settle large losses quickly so as to avoid exposure to the excess insurer.

Although Transit Casualty and Northwestern Mutual do not address or lend themselves to the question of what duties and obligations the self-insured may have, it appears this question is just around the corner and will be decided in the near future.

Conflict of interest

Another question arises as well. What about an excess insurer that has its own self-insured administration staff to handle the account of a self-insured? In such a situation, the excess insurer's own claims representatives administer a self-insured program. The question will then become whether or not the insurance company, while providing excess coverage to a self-insured retention, is acting adversely and in a conflict of interest with its self-insured when it provides its own claims staff to administer the self-insured retention.

If a claims administrator requests a settlement within the self-insured retention in order to protect the excess insurer from exposure, does this not constitute a conflict of interest? It is not uncommon for large insurance companies to have self-insured administration services in addition to providing excess coverage. Many large corporations are insured on this basis. If the excess insurer is in a position to force the policyholder to settle within its self-insured retention so as to avoid exposure to the excess insurer, it will be interesting to see how this can be accomplished when the claims administrators work for the excess insurer.

Transit Casualty poses one final point not discussed in recent articles. Transit Casualty specifically left open the question that comparative negligence may apply if an excess insurer wishes to pursue an action for bad faith. In other words, an excess insurer would have to show it properly monitored the primary insurer and the loss and did everything it could to protect itself. Thus, excess insurers will need a claims staff, adjusting staff and counsel involvement to satisfy this possible defense resulting in increased expenses and more active involvement.

The bottom line of Northwestern Mutual and Transit Casualty is that self-insureds are going to have to take a far more active role in properly investigating and evaluating losses to properly inform their excess insurers. This increases not only the liability and exposures of the risk manager, but of the claims administration staff as well. ■

In our business, too, it takes more than bravado to make a star.



You have to be bold to get out there and create a stir. But you'd better be consistently good at what you do if you want to keep them coming back.

In over forty years in the insurance business, we've developed the expertise that gives creativity its power. The result has been recognition of our name and respect for our ideas the world over.

So when Schinnerer & Co. comes up with a new product, brokers know what's behind it. Years of international experience in which stability has figured as prominently as innovation. Thoroughly worked-out programs for prevention of loss. An intricate network of research, analysis and professional application that keeps us responsive to the subtlest changes.

Up until recently, we've been a quiet presence in the marketplace. But we're stepping out into a few more spotlights now, and you're going to get used to seeing our name. Whenever you do, you can expect an accomplished performance.

Victor O.
Schinnerer
& Company, Inc.

5028 Wisconsin Avenue, N.W.
Washington, D.C. 20016
(202) 686-2850

PERSPECTIVE

Excess insurers . . .

Continued from page 71
umbrella insurance coverage. These insurers contended the "guiding principles" substantially impair and diminish excess insurer's rights and create new liabilities nonexistent under excess insurance contracts or in the common law.

Duty owed

The principles provide that:

- The primary insurer must discharge its duty of investigating promptly and diligently, even those cases in which it is apparent that its policy limit may be consumed.
- Liability must be assessed on the basis of all the relevant facts diligent investigation can develop and in the light of applicable legal principles. The assessment of liability must be reviewed periodically throughout the life of the claim.
- Evaluation must be realistic and without regard to the policy limit.
- When settlement is indicated from evaluation of a claim, the primary insurer must proceed promptly to attempt a settlement, up to its policy limit if necessary, and negotiate seriously with an open mind.
- If at any time it should reasonably appear that the policyholder may be exposed beyond the primary limit, the primary insurer shall give prompt written notice to the excess insurer, when known, stating the results of investigation and negotiation, giving any other information deemed relevant to a determination of the total exposure and inviting the excess insurer to participate in a common effort to dispose of the claim.
- Where the assessment of damages, considered alone, would reasonably support payment of a demand within the primary policy limit but the primary insurer is unwilling to pay the demand because of its opinion that liability either does not exist or is questionable and the primary insurer recognizes the possibility of a verdict in excess of its policy limit, it shall give notice of its position to the excess insurer. It shall also make available its file to the excess insurer for examination, if requested.
- The primary insurer shall never seek a contribution to a settlement within its policy limit from the excess insurer. However, it may accept contribution to such a settlement from the excess insurer when such contribution is offered voluntarily.
- If a judgment is in excess of the primary policy limit, the primary insurer shall consult the excess insurer regarding further procedure. If the primary insurer undertakes an appeal with the concurrence of the excess insurer, the expense shall be shared by both insurers in such manner as they may agree upon. In the absence of such an agreement, they shall share the expense in the same proportions that their respective shares of the outstanding judgment bear to the total amount of the judgment.

If the primary insurer should elect not to appeal, taking appropriate steps to pay or to guarantee payment of its policy limit, it shall not be liable for the expense of the appeal or interest on the judgment from the time it notifies the excess insurer it will not appeal and tenders its policy limit. The excess insurer may then prosecute an appeal at its own expense, being liable also for interest accruing on the entire judgment subsequent to the primary insurer's notice of its decision not to appeal. If the excess insurer does not agree to an appeal, it shall not be liable to share the cost of any appeal prosecuted by the primary insurer.

- The excess insurer shall refrain from coercive or collusive conduct designed to force a settlement. It shall never formally demand a primary insurer to settle a claim within its policy limit. In any subsequent proceeding between excess insurer and primary insurer, the failure of the excess insurer to formally demand that the claim be settled shall not have any bearing on the excess insurer's claim against the primary.

Appeal plans

Excess insurers have criticized these principles, saying that if the primary insurer decides not to appeal it will not be liable for any additional expenses or for interest on the entire judgment. Furthermore, if the excess insurer elects to appeal, it is responsible for paying expenses and interest on the entire judgment. Ordinarily, the primary policy obligates the primary insurer to exercise good faith in determining whether to appeal an adverse verdict, but the guiding principles do not refer this duty.

In summary, the courts have consistently recognized the duty of the primary insurer to the excess insurer, and have recognized that not infrequently a primary insurer has been willing to gamble with the outcome of litigation, particularly where its liability limits would be exhausted in settlement.

The only difficulty with the gambling instinct is that the primary insurer is not risking his own funds but rather those of the excess insurer. As indicated, the courts in most jurisdictions have held that if a primary insurer gambles with the funds of its policyholder, the courts will place the risk of an adverse result upon such insurer. Similarly, where a primary insurer improperly seeks to prefer its own interest in violation of its duty to the excess insurer, the court will then require the primary insurer to respond in damages. ■

Track losses . . .

Continued from page 72
potential exhaustion of underlying aggregate limits.

Because the individual occurrences subject to annual aggregate limits can arise at different locations and times, monitoring systems should possess essential elements to guarantee their effectiveness:

- Frequent and reliable communication among the primary carrier or self-insurer, the broker, the excess carriers and the reinsurers. This communication inherently includes cooperation and mutuality of purpose among these entities.
- Efficient, centralized record keeping to track the aggregate incurred losses impairing an aggregate limit.
- A central "clearing house" or funnel through which claims reports are channeled or reviewed by competent claims personnel. Usually this funnel is the headquarters of the primary carrier or self-insurer.
- Periodic field claim audits at branch locations and at this central clearing house to track incurred losses and reserves.

The foremost element is close contact among interested parties. Liaisons should be established among the risk manager, primary carrier/SIR service firm, broker, excess carrier and reinsurer. In addition, defense attorneys and technical experts involved in the litigation of a risk's claims should be included in any program for monitoring and reviewing aggregate losses.

Clearing house

It is rarely too early to establish a central clearing house through which incident and claim reports are funneled. Ideally, the risk manager/corporate insurance department and broker should form the structure of the funnel to ensure the regular flow of information. The first excess carrier should participate in this clearing house.

Following a review and evaluation of each report, all parties are informed regularly of each claim's status and its impact on the aggregate limits of liability. These status reports should be supplemented by regular field examinations of branch office files or loss files at the various locations of an insurer or self-insurer. Reviews and field audits can be performed by experienced in-house staffs, specialty service firms or law firms. (See chart on page 72.)

Tangible results

These or similar procedures will rectify the unfortunate situation many now face in which several branch locations of the risk or insurer each handle a different claim brought against that risk arising out of one of several products manufactured by that risk or its covered subsidiaries. These procedures will prevent the "accidental" overpayment by an insurer or self-insurer of the annual limit, which has occurred recently.

A balanced monitoring system produces other tangible results:

- Assists the determination of a risk's true loss experience at the earliest possible time.
- Permits the buyer to plan for future insurance needs and the carrier to compute rates and staff needs.
- Provides data to establish sufficient case and aggregate reserves early.
- Allows the parties to participate in present claims handling to minimize future exposures.
- Facilitates the orderly transfer of files from the underlying insurer to the excess insurer.
- Identifies "problem" or high risk products and jurisdictions.
- Supplements data needed to institute safety, quality control and loss prevention programs.
- Provides sufficient time to arrange and coordinate orderly defenses and settlements.
- Allows accurately stated costs and liabilities to be reported to senior management, insurance departments and stockholders/policyholders.
- Provides basis for evaluating carrier. ■

The foremost element is close contact among interested parties. Liaisons should be established among the risk manager, primary carrier/SIR service firm, broker, excess carrier and reinsurer.

Small firms self-insure with excess loss plan

By John Timmer

GROUP HEALTH insurance growth in the U.S. has truly been phenomenal as the result of people's desire to have protection. Employers, labor unions and insurance companies responded and today most of the working public is covered by group insurance.



But because medical costs have been rising faster than most other segments of our national economy, both employers and employes have started to ask questions. "Is there a more economical way to pay medical bills than through insurance? How can we hold our claim reserves?"

Self-insurance of employe benefits has provided an answer, but small employers may want to consider another issue: excess loss insurance.

The self-insuring of employe health plans by corporations and insurance companies for their own employes has been working well for many years and for the larger employer with 2,000 or more employes, there is little need for reinsurance. Claims administration is usually being done by either a third-party claims administrator or an insurance company on an administrative-services-only contract.

With little variation, self-insuring also works for the employer with as few as 50 or less employes. A common method of protecting the still smaller employer from catastrophic losses, however, is the purchase of excess loss insurance.

Generally speaking, there are two forms of excess loss insurance available. Aggregate excess loss provides protection for the employer on all claims paid in a given year in excess of an established maximum. Individual excess loss provides protection for the employer on an individual person's claims in excess of an established deductible.

A group health plan can be tailored to fit the employer's demands. Most insurance companies writing excess loss insurance require the services of an approved claims administrator for the processing of claims. A claims administrator usually pays claims in three to five working days. Terminating employes may have the right to convert to an individual major medical type of policy through a provision some insurance companies are including in either the stop-loss insurance or through the group life insurance.

Both the employer and the employe seem to be more concerned about doctors' and hospital charges when the employer is self-insuring. There is more motivation for control and prevention of losses.

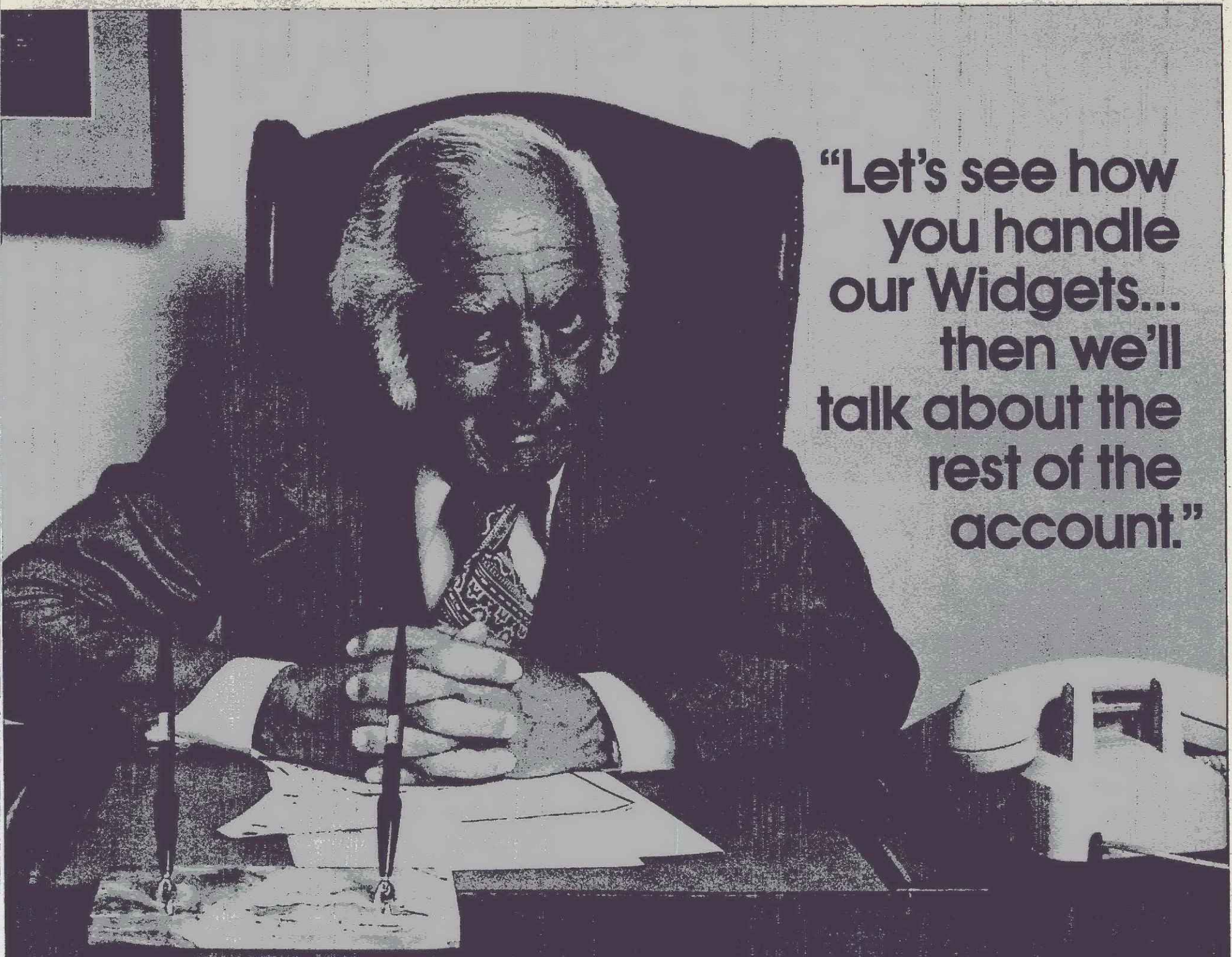
The principal goal of self-insurance is to reduce costs and increase cash flow. Claims are not paid until after incurred. The self-insured claims payments are not subject to premium tax.

Fully insured group policyholders who presently have a low health claim to health premium ratio and are currently charged what is often referred to as a "pooled rate" are the prime prospects for change to self-insurance. In some instances there has been a savings of 50% to 60%, but usually there would be 20% to 40% reduction from present fully insured programs.

There are some reasons why a small employer probably should defer consideration of self-insurance, including a pending shock loss (such as a claim for heart by-pass surgery), poor financial condition, many unhealthy people in the work force, pending sale of business, etc. When the particular problem is solved or eliminated, this company becomes a prime prospect for self-insurance, no matter what its size.

Self-insurance of group health, dental, vision and short term disability is here to stay. It is truly a net-cost approach. For the small employer it is only possible, however, through the ability to purchase catastrophe insurance from a commercial insurance company.

John Timmer is a Certified Life Underwriter and president of Employe Services Inc. of Sioux Falls, S.D., a claims administrator.



Those nasty Widgets!

They're a tough line to place. And maybe you're just a little unsure of how—and where—you'll find a market for them.

We can help. We're the Risk Specialists Companies, licensed excess and surplus lines brokers placing commercial insurance as well as the unusual and more difficult risks.

Our expertise can be invaluable in giving you the leverage you need when writing new lines of business. Or maintaining an existing one.

As "The Multi-Market Professionals" we have access to many different domestic and foreign insurers. So if any of them has the capacity to write Widgets, we'll know about it. And let you know, too. With personal service and quick-quote response time.

Our Risk Specialists Companies are located across the country. Such as the one near you, listed below.

Give us a call, or write for more information on all our facilities.

RISK SPECIALISTS COMPANIES

The Multi-Market Professionals

CALIFORNIA 3550 Wilshire Boulevard, Los Angeles, California 90010, (213) 487-2555; 3 Embarcadero Center, San Francisco, California 94111, (415) 445-2937. **FLORIDA** 95 Merrick Way, Coral Gables, Florida 33134, (305) 448-3181; 5601 West Mariner Street, Tampa, Florida 33609, (813) 870-0496. **GEORGIA** 1819 Peachtree Road N.E., Atlanta, Georgia 30309, (404) 352-1076. **HAWAII** 2700 Pacific Trade Center, Honolulu, Hawaii 96813 (808) 524-4515. **ILLINOIS** 209 West Jackson Blvd., Chicago, Illinois 60606, (312) 648-8850. **LOUISIANA** One Shell Square, Suite 4240, New Orleans, Louisiana 70139, (504) 523-2230. **MASSACHUSETTS** 100 Summer Street, Boston, Massachusetts 02110, (617) 482-7950. **MICHIGAN** 23800 Northwestern Highway, Southfield, Michigan 48075, (313) 559-4656. **MISSOURI** 127 West 10th Street, Kansas City, Missouri 64105, (816) 474-6665; 11 South Meramec Street, St. Louis, Missouri 63105, (314) 727-1280. **NEW HAMPSHIRE** 1750 Elm Street, Manchester, New Hampshire 03107, (603) 668-1366. **NEW JERSEY** 125 Gaither Drive, Suite G, Mt. Laurel, New Jersey 08057, (609) 234-9195. **NEW YORK** 1230 Avenue of the Americas, New York N.Y.10020, (212) 975-0975; 125 Maiden Lane, New York, N.Y. 10038, (212) 482-8680; 2 State Street, Crossroads Building, Rochester, New York 14614, (716) 546-3332. **PENNSYLVANIA** 2000 Market Street, Philadelphia, Pennsylvania 19103, (215) 567-2270. **TEXAS** 2001 Bryan Street, Dallas, Texas 75201, (214) 741-2491; 2200 North Loop West, Houston, Texas 77018, (713) 680-1128. **WASHINGTON** 1325 Fourth Avenue, Suite 540, Seattle, Washington 98101, (206) 625-1060. **TOLL FREE:** MA (800) 882-2027, N.H., Vt., R.I.; Conn., 1 (800) 225-2414.

Sayre & Toso tops the list

Here are 5 leading excess/surplus brokers

Sayre & Toso Inc.

2600 Wilshire Blvd., Los Angeles, Calif. 90057; 213-381-6811

	1979*	1978
Premium vol.	$131,341,000	$183,819,000
Gross rev.	$14,674,000	$21,136,000
Employes	400	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through June.

Los Angeles-based Sayre & Toso Inc. is capitalizing on foreign insurers' invasion of the United States in recent years. It manages business for more than 166 overseas companies and is actively seeking to handle still more.

"We may be handling as many as 200 companies by now," says Geoffrey Nicholls, vp for marketing. "The foreign companies have been

EXCESS/SURPLUS

really aggressively moving here in the last four years and we, or our intermediaries, have been going out to get that business."

Sayre & Toso is the oldest member of the Mission Group. It is a managing general agency that has specialized in excess/surplus lines underwriting and marketing since 1906.

The company has enjoyed "modest growth" of 14% in its total volume of business so far this year. But that was an increase over the banner year of 1978 when it generated record written premiums of $184 million and $21.1 million in commission and fee income. These figures represent the results of all the Mission Group's MGA business, which is nearly all produced by Sayre & Toso.

Sayre & Toso had decided to combat the tightening excess/surplus market by expanding its office network into areas of the country not covered intensively in the past and by launching a vigorous promotional campaign. "We wanted new business without compromising our rate structure," Mr. Nicholls explained.

Like other spokesmen for excess/surplus underwriting companies, he was scornful of the "lunatic fringe" on the market which, he says, is slashing prices irresponsibly.

New offices have been opened in Chicago, St. Louis, Minneapolis, Philadelphia, Boston and Orange County, Calif., in the last three years. Other offices are in San Francisco, Seattle, Portland, Denver, Houston, New York, New Orleans and Atlanta.

S&T's promotional campaign was geared to seek and identify new sources of business. The company stepped up its work at conventions, organizing producer functions and "open houses" to attract new clients.

S&T's sister managing general agencies within the Mission Group are George S. Kausler Ltd. of New Orleans, a marine and inland waterways specialist acquired in the early 1970s, and Carillon Manager International Insurance Service Inc., in 1978 to further supplement the range of services already offered.

The Mission Group hopes that Carillon will bring still more nationally recognized insurers under its wing and has been encouraged by the general agency appointments of the new subsidiary by the Agricultural Insurance Co. and others.

Kausler's future development plans call for developing a comprehensive property and casualty commercial lines reputation and an expanded direct-to-London marine brokerage capability.

Sayre & Toso has decided to scout for more acquisitions which will take it into new specialties.

"We want to spread our risks by increasing the types of business we cover," Mr. Nicholls said.

"We want to diversify by entering new classes which show strong potential for underwriting profit."

One possible area of interest will be primary aviation insurance. The company is already minimally involved in this field through writing some umbrella coverage.

"We intend to increase capacity and provide as excellent a service as we can through such things as professional claims supervision," he said.

"We would like to develop new brokerage business and will be looking at ways to do this," Mr. Nicholls said. "We started out as brokers but now most of our volume is as managing general agent for our own in-house companies and other companies worldwide.

"Our brokerage has always accounted for less than 10% of the business we do," he said. "That's almost as a fallout from our other insurance operations."

Sayre & Toso's pattern of underwriting has remained about 60% casualty to 40% property for some years. More than 90% of the casualty is umbrella and excess coverages; the property covers all commercial lines.

Principal officers of the firm include W.M. Heyward, CPCU, president; W.A. Greenup, executive vp; O.O. Johnson, senior vp-property; R.E. O'Hara, senior vp-casualty; C.M. Floyd, vp-brokerage, and G.A. Nicholls, vp-marketing.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Tex. 77027; (713)-780-8770

	1979*	1978
Premium vol.	$43,565,000	$65,000,000
Gross rev.	$8,000,000	$10,089,000
Employes	104	
% commercial	99	99
% E/S bus.	90	90

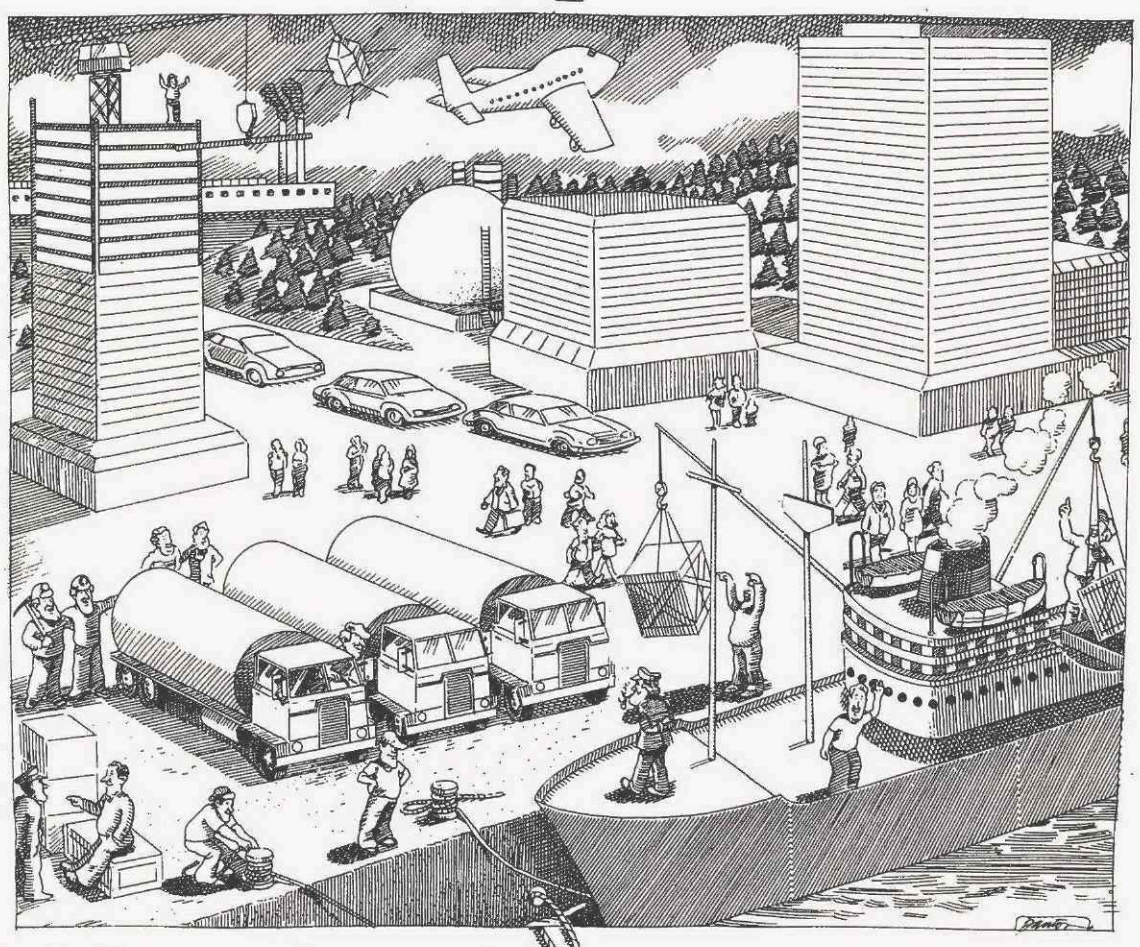
*Period reported: Through June 30.

J.H. Blades & Co., a subsidiary of Crum & Forster Corp., continues to grow despite increased competition from standard markets. But its growth is somewhat slower than in previous years.

Energy-related risks and directors and officers liability insurance continue to grow strong, but marine cargo, inland marine and property business is off, said chairman Joseph H. Blades. The poorer showings on those lines are not because of rate-cutting, but "letting the business go instead," he said.

The results to date are in line with Mr. Blades' expectations. "We'll meet our budget for this year and the budget for next year anticipates a worsening in the fire and primary casualty classes. However, the energy areas will give our firm an increase overall," he said.

Can you put a price tag on this picture?



If you're like most people, you can as far as the value of your property goes – whether it's the things in your home, a fleet of jetliners or a heavy industrial plant. But as a buyer of insurance, do you know where to go for lowest premiums possible? When you need insurance, you need Dale and Company. We will quote rates that are not only competitive but probably better than most. Dale people are experts in assisting clients in the reduction of their premiums because we consult on every level involved. Our people have years of solid experience in the business. Which means we can provide each client with the broadest coverage necessary. Not incidentally, Dale and Company is the largest public insurance broker owned by Canadians. Our client list reads like a Who's Who of the Canadian business world. Dale does it for them. We can do it for you.

Dale & Company Limited
Insurance Brokers

Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Hamilton, London, Windsor, Ottawa, Montreal, Halifax, St. John's, Corner Brook, Grand Falls.

Box 18, Toronto-Dominion Centre, Toronto, Ontario M5K 1B2. Telephone: (416) 366-4645



'Like oil, insurance is sometimes cheaper when purchased in bulk," says Joseph Blades.

In expectation of increasing its share of the energy-related risk market, Blades is opening a Denver office this month and plans to open a New Orleans office by the end of the year.

Specialties such as energy and financial services will enable the firm to remain strong in the soft market, Mr. Blades contends. "Firms with specialties they can control will do all right. Others will be in for some sledding until the market turns around."

Blades emphasizes large accounts and most of its business comes from the major brokerage houses. In addition to its numerous energy clients, it serves more than 100 banks, often through a package in which all covers are written under one policy in manuscript form.

"Like oil, insurance is sometimes cheaper when purchased in bulk," Mr. Blades added. The manuscript form is also used with many of Blades energy clients.

In addition to its U.S.-based operations, Blades has become heavily involved in the Bermuda market as a reinsurance intermediary and handles international accounts of U.S. and non-U.S. agents and brokers placing coverage in Bermuda for favorable tax treatment.

Blades places about 60% of its business in the London market. "We still look upon (London) as the best long term reliable market," Mr. Blades says. The balance of the business is covered in the domestic and Bermuda markets.

In addition to the Denver and Bermuda offices, Blades has branch offices in San Antonio and Tulsa. Subsidiary companies are: J.H. Blades & Co. of Oklahoma; J.H. Blades & Co. (Agency) Inc.; J.H. Blades & Co. (International) Ltd.; Blades Management Co.; J.H. Blades & Co./Life Inc.; St. John's Insurance Co. Ltd.; J.H. Blades Pte. Ltd.; Blades and Associates Ltd.

The firm acts as managing general agent on behalf of the Albany Insurance Co., Bellefonte Insurance Co., The Yasuda Fire & Marine Insurance Co. of America, Cranford Insurance Co., Eagle Star Insurance Co. Ltd. and Great Southwest Fire Insurance Co.

Principal officers in addition to Mr. Blades are: Robert P. Quinn, president; J.W. Page Jr., senior vp; John N. Molbeck Jr., senior vp, and Donald E. Baty, senior vp.

Swett & Crawford

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1979*	1978
Premium vol. ...	$95,200,000	$202,554,000
Gross rev.	$7,129,000	$12,654,000
Employes	370	
% commercial ..	100	100
% E/S bus.	80	80

*Period reported: Through June.

Facing a 20% drop in its excess/surplus underwriting and brokerage this year, Los Angeles-based Swett & Crawford is trying to diversify into other types and size of business as well as moving into other areas of the country.

The group sees the Sunbelt as presenting some of the greatest opportunity for underwriting profit.

"Some of our smaller offices have been having a hard time except in the South where business is booming, especially in oil and gas, offshore drilling and COC," president William F.W. Fellows said.

Swett & Crawford is tackling a tendency in the U.S. market to bypass Lloyd's agents here and to deal directly with London.

The group, which is a Lloyd's correspondent and London brokerage facility, recently acquired an interest in Harris & Dixon, the oldest of Lloyd's brokers, to help counter-balance losses attributable to a switch to direct dealing.

Charles L. Norman, responsible for S&C's direct underwriting operations, said, "There are cases where some of the railroad business has been placed directly in London, although we have retained some of the risk through the

Continued on next page

If you're not calling us, your competition has an edge on you.

They know we have the answers to Employee Benefit Special Risk problems.

Correspondent at Lloyd's London

Offices in Boston and London

617-367-3234

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

GAB LOOKS AFTER THE LITTLE GUY

Your insureds don't have to be big to get our best service.

We serve hundreds of small insurance companies, agents, brokers, and self-insureds the same way we serve the giants of the insurance industry: promptly and professionally.

For 94 years we've tailored our comprehensive claims services to your needs. GAB responds to the one-time emergency call from smaller agencies with the same speed and efficiency as we cope with major catastrophies.

Whether your insureds make pizza or petroleum products, they can count on GAB for the fastest, most reliable service available. today. Anywhere. Anytime.

Our more than 5,000 people in 650 offices nationwide stand ready to meet your needs.

For the GAB office nearest you, check the Yellow Pages. Or write for our Little Red Book.



BI9

Mr. Joseph J. Nigro
Secretary, Marketing & Sales Division, GAB
123 William Street, New York, N.Y. 10038

Please send me your Little Red Book listing GAB's 650 offices and phone numbers nationwide.

NAME_____
COMPANY_____
ADDRESS_____
CITY_____
STATE_____
ZIP_____

GAB

123 William Street, New York, N.Y. 10038

EXCESS/SURPLUS

Continued from previous page
Harbor Insurance Co."

While large domestic companies were cutting back, some foreign-owned companies were pressing ahead with specialized, high-risk business which was usually the first area to cut back in a competitive market, Mr. Norman also noted.

An electrical utilities captive in Bermuda, Aegis Insurance Co., was among the newcomers writing liability rates that were "too low," he said. "We are not prepared to compete with ridiculous rates." Product liability rates had been slashed in half by some offerers.

Mr. Fellows said S&C's Chicago office had lost 80% of its business to the Bermuda captive because "its rates are often half of ours."

Buffer layers are being absorbed by primary insurers at much lower



Swett & Crawford's Chicago office lost 80% of its business to a Bermuda captive, says president F.W. Fellows.

prices. There are cases of excess and surplus business which had been written at 400% of manual rates now going for 50%.

A recent S&C quote to a large California winery for excess casualty business was 172% of manual rates but it went to one of the new companies for a mere 55%.

Although the group's underwriting arm would not undercut so drastically, its brokerage division would seek out bargain-basement rates for clients who requested them, Mr. Fellows said.

Mac Henderson, executive vp and chief operating officer of S&C Group, said the group had probably lost half its income from buffer layer business this year. The business either went to other companies or was written by S&C at only half of last year's rates.

The group, however, had believed the acquisition of an in-house insurance company such as Harbor would be valuable in helping to maintain long term growth.

Over the last 10 years, though, the group has consciously reduced the amount of business it does with the major alphabet houses. The business used to account for 80% of the total but stands at less than 20% now.

S&C also sells, services, insures and reinsures large and unusual commercial risks in energy, transportation, construction and manufacturing. And it provides a range of engineering, loss control and claims services nationally and internationally.

Swett & Crawford also identifies among its specialties umbrella and excess insurance, permanent property insurance, course of construction, difference in conditions, earthquake, directors and officers liability, fiduciary liability and political risk insurance.

Branch offices of Swett & Crawford are in Atlanta, Boston, Chicago, Columbus, Dallas, Greensboro, Greenwich, Honolulu, Houston, New Orleans, New York, Newport Beach, Portland, San Diego, San Francisco, Seattle and Toronto. Swett & Crawford also ha an affiliated office in London.

Principal officers are: W.F.W Fellows, president; Roy B. Oddy executive vp; Robert B. Angle CPCU, Thomas Carey, Lita J. Cro mer, John W. Hanna and Robert F Keul, all senior vps; Harry D. Boyc senior vp and general counsel, an Joel Eckner, vp and treasurer.

E.H. Crump Cos.: Affiliated Excess/Surplus Brokers

5350 Poplar Ave., Memphis, Tenn 38117; 901-761-1550

	1979*	1978
Premium vol. ...	$49,700,000	$75,000,00(
Gross rev.	$4,000,000	$6,600,00(
Employes	224	
% commercial ..	95	9
% E/S bus.	98	9

*Period reported: Through June 30.

Conglomerating the business of wholly owned subsidiaries and joint ventures, E.H. Crump Cos. Affiliated Excess/Surplus Brokers emerges as a leader in the excess/surplus brokerage business.

The group reports net commissions of $4 million for the first six months of 1979, compared with net commission in 1978 of $6.6 million.

Predominantly located in Sunbelt cities, Crump is beginning to expand its excess/surplus offices across the country.

The firm acquired Specialty Risk Underwriters Inc. of Kirkland, Wash., and Tigard, Ore., in January. New offices were opened in Charlotte and Tampa and expansion into Houston, Denver and New York is being considered, said president Sidney A. Stewart Jr.

In part because of the group's expansion, Crump's rate of revenue growth is slightly ahead of last year, Mr. Stewart said. Improved growth rates are somewhat of a surprise, he admitted, because he expected the softness of the standard markets to restrain growth in excess/surplus lines.

But offices throughout the system had aggressively pursued new business to increase their market share, he added.

As a group, the Crump excess/surplus organization does not specialize in certain classes or risks or certain size accounts. Individual offices have their own specialties, Mr. Stewart said.

The Memphis office specializes in utilities, mining risks, aviation coverages and mass marketing programs. The Florida offices are strong in excess workers compensation insurance and New Orleans majors in marine hull and liability risks.

The San Francisco office concentrates on Fortune 500 accounts and the Atlanta and Columbus offices are strong in both large and medium size accounts.

Building on the specialties of each office is part of Crump's growth strategy, Mr. Stewart said.

Crump uses both the domestic and London markets, although predominantly it uses the domestic market. Crump does business with basically two groups: small agents and brokers seeking to solve specific problems on a one-time basis and brokers of all sizes specializing in the placement of complex large and medium sized risks.

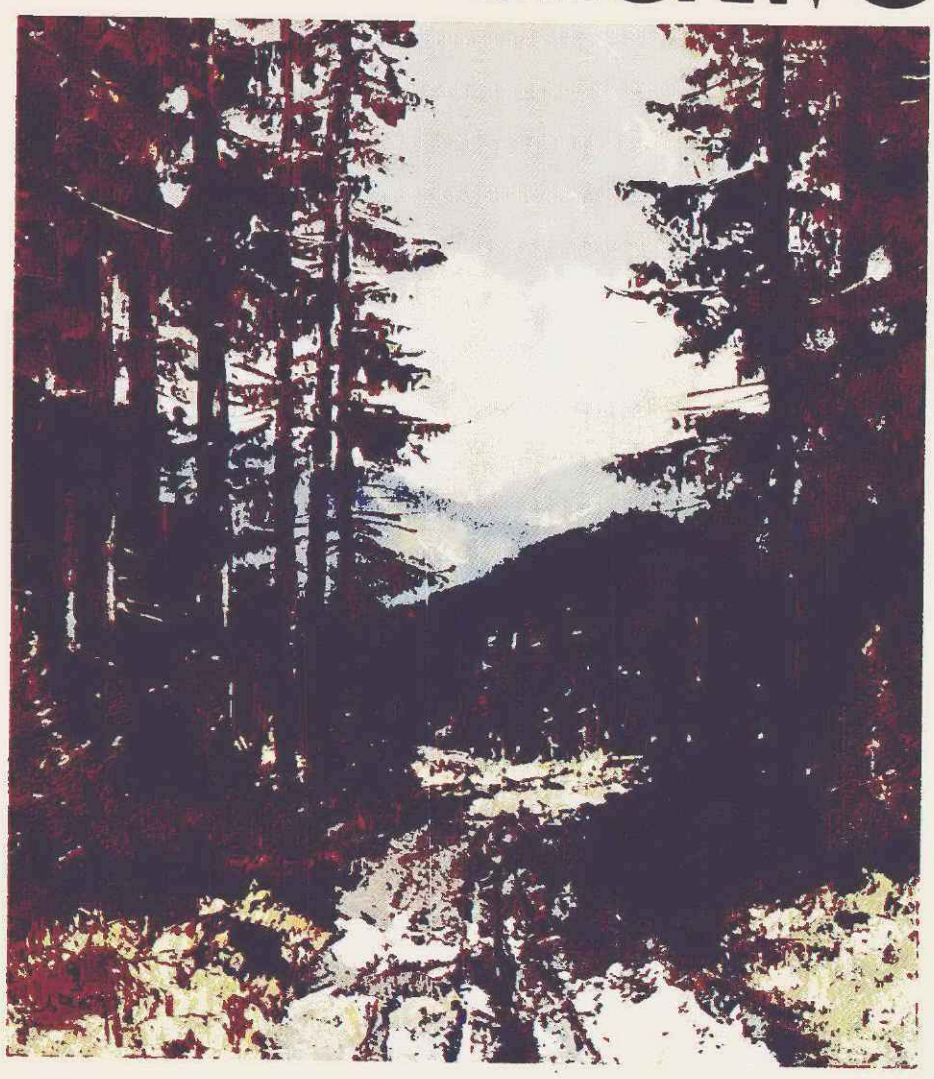
Mr. Stewart sees the excess/surplus business remaining soft through the end of 1979 and a turnabout coming in 1980 only if the standard markets harden considerably. The prospect of a tighter standard market is uncertain, he adds.

Still, he notes, the excess/surplus broker is under "constant challenge to do things differently and to do them better."

Crump's excess/surplus group consists of nine wholly owned offices and nine jointly owned offices in 13 states.

The group acts as managing gen-

CREATIVE



SPECIAL RISK MARKETING

Insurance for large industrial and commercial risks including but not limited to the following classes:

Property
- Difference In Conditions
- Fire and All Risks deductible programmes —for completed properties and Builders Risks

Casualty
- Umbrella Liability • Excess General and Automobile Liability • Buffer Layer Excess Liability • Directors and Officers Liability • Self Insurance programmes for Products and General Liability • Lawyers' Professional Liability • Securities Act Liability

NEAL, LLOYD & CO., INCORPORATED

SUITE 6101 • SEARS TOWER 233 SOUTH WACKER DRIVE • CHICAGO, ILLINOIS 60606 • (312) 876-0700 • TELEX: 25-4713 CABLE ADDRESS: NEALOYD

eral agent for: Bellefonte Insurance Co., Carolina Casualty Corp., Cherokee Insurance Co., Coastal Casualty Insurance Co., Colonial Insurance Co., Drake Insurance Co., First State Insurance Co., Foremost Insurance Co., Guarantee Insurance Co., Jefferson Insurance Co. of New York, Leader National Insurance Co., Monarch Insurance Co. of Ohio, Monticello Insurance Co., National American Insurance Co. of New York, National Indemnity Insurance Co., Northfield Insurance Co., Puritan Insurance Co., Southern American Insurance Co., Western World Insurance Co. and Yosemite Insurance Co.

Other principal officers of the firm are: E.H. Crump Jr., chairman of parent firm; Earl R. Lanning, executive vp, Crump London Underwriters, Memphis; Freeman E.



The E/S broker is under consistent challenge to do things better, says Sidney A. Stewart Jr.

Martin, executive vp, Crump London Underwriters, Altamonte Springs, Fla.; E.R. Kinnebrew III, vp, Crump Aviation Underwriters, Memphis; Lloyd Schaefer, vp, Arkansas Insurance Service, Conway, Ark.

Also, Karl W. Cunningham, president, Crump-Specialty Risk Underwriters, Kirkland, Wash.; Leigh R. Hunt, executive vp, E.H. Crump of California, Glendale; William Von Trufant, president, G&M Surplus Lines, New Orleans; James A. Dedrel, vp, G&M Surplus Lines; George W. Babcock Jr., president, Crump-Babcock Underwriters Inc., Omaha; Richard E. Davis, president, Crump-Davis Inc., Dallas; Ray Eller, executive vp, Crump-Davis.

Also Fred T. Clifton, chairman, Crump International Co. Ltd., San Francisco; Philip A. Piety, president, Crump International; W.D. Kientz, president, Crump-Kientz Co., Columbus; Thomas Devore, executive vp, Crump-Kientz; James B. Aiken, president, Loveless & Co., Atlanta; Ardis Freeman, executive vp, Loveless & Co.; Thomas Sefton, vp, Loveless & Co., Charlotte; A.H.A. Williams II, president, Loveless & Co. of North Carolina, Oxford; Laura Leidigh, vp, Loveless Insurance-Florida Inc., Tampa, and Michael German, executive vp, Western Commercial Aviation Insurance Services, Glendale.

McAlear Associates Inc.

4450 Cascade Rd. SE, Grand Rapids, Mich. 49506; 616-942-8000

	1979*	1978
Premium vol.	$21,065,763	$36,530,449
Gross rev.	$3,676,698	$6,195,612
Employes	32	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July 31.

Although McAlear Associates has increased the number of risks it currently writes by 40%, premiums have dropped so sharply that its volume has remained about constant, said president and treasurer Charles A. McAlear. At the end of July, gross revenues of $3.7 million were actually off by 4% from 1978, while profits were up 3%.

Despite the flatness, Mr. McAlear is "actually quite satisfied" with the firm's performance this year. Excess/surplus lines brokerage is a "volatile" business, he recognizes, adding he is hopeful volume will not drop off further.

Price cutting has been widespread in lines in which the McAlear firm has been strong, such as excess liability and product liability, he noted. In terms of the number of risks written, McAlear's umbrella, excess umbrella and product liability business is up, but not enough to offset rate cutting.

However, excess workers compensation premiums are up and municipal coverages have increased in both the number of risks and premium volume. The workers compensation gains reflect the limited competition for this line, while municipalities have often ex-

Continued on next page

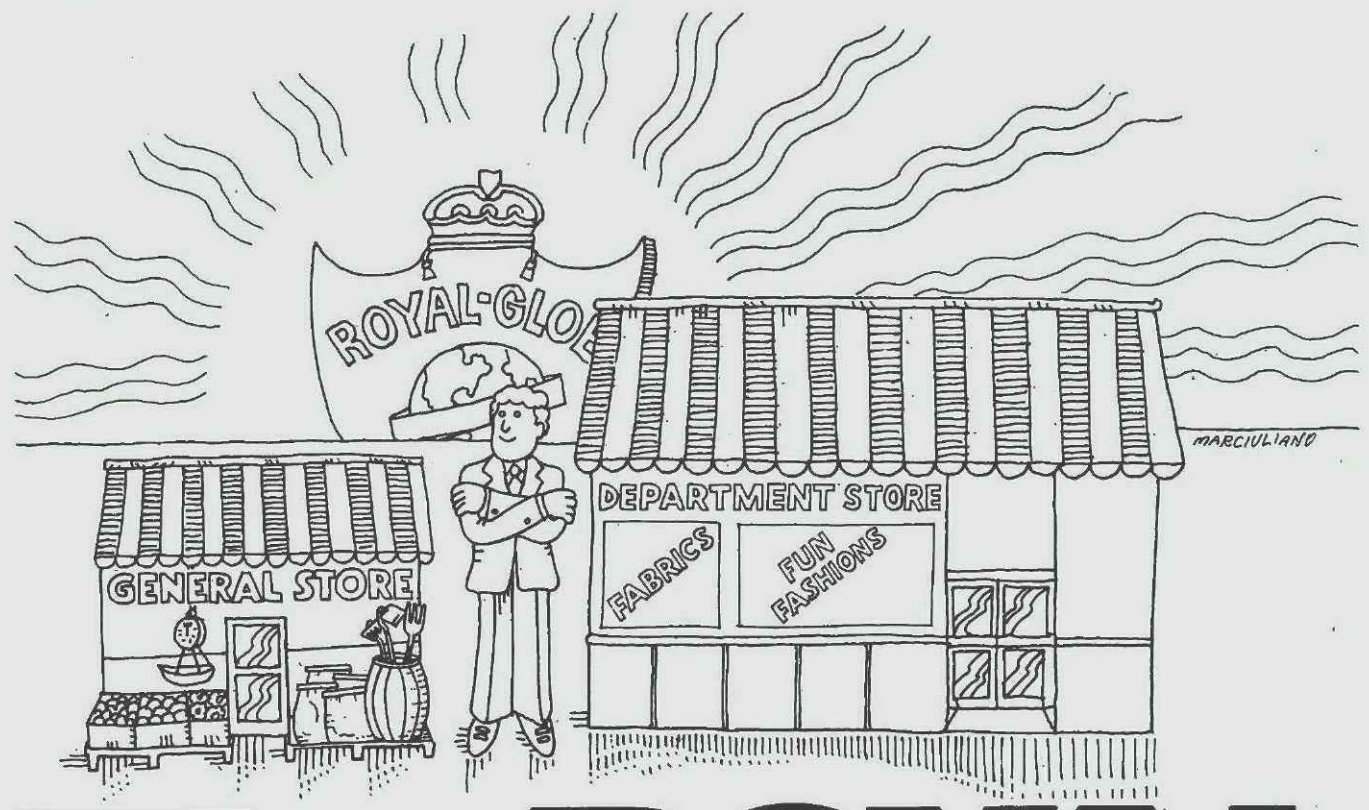
COLUMBUS and SEATTLE

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

THE McELROY-MINISTER COMPANY
141 East Town Street
Columbus, Ohio 43215
614-228-5565

LaBOW, HAYNES COMPANY, INC.
2500 Seattle First National Bank Building
Seattle, Washington 98154
206-223-1400

See our ad on page 6



The ROYAL touch.

It enables you to serve more small and medium-size businesses better.

As one of the nation's top writers of commercial package policies, Royal-Globe gives you leverage with the commercial clients in your community.

We offer a wide range of products including a flexible Business Comprehensive Policy. Our specialists in local offices are always available to help you customize coverage to any client's needs.

What does this mean to you? An excellent opportunity to improve the quality and profitability of your business. Ask some of the agencies who have been with us through 165 years of developing innovative property insurance.

Then contact your Royal-Globe marketing representative.

Nobody insures it like Royal-Globe.

ROYAL-GLOBE INSURANCE

YOUR Independent Insurance AGENT SERVES YOU BEST

Royal-Globe Insurance Companies, 150 William Street, New York, N.Y. 10038.

EXCESS/SURPLUS

Continued from previous page
panded their liability coverage to include public officials liability, police liability and higher limits of coverage, Mr. McAlear said.

Within the McAlear firm, account executives tend to specialize in accounts by size. While some of the firm's brokers cater to jumbo risks, others are content to work on more moderately sized accounts such as ski areas and contractors, Mr. McAlear said.

The firm currently is wholesale broker for 180 retail agents and brokers. McAlear looks to deal with "professional agencies with a talented staff and a game plan." Of its largest sources of business, half are national brokers and half are large regional firms, he said.

Because alien insurers are not approved surplus lines companies in Michigan, about 95% of



A turnabout in the low priced competitive markets is likely in 1980, Charles McAlear says.

McAlear's business is placed in domestic excess/surplus markets. Lloyd's placements account for about 5% of the firm's premium. In addition, soft market conditions are providing McAlear with better access to the admitted markets for excess lines and they are being used to an increasing degree.

However, this trend could be reversed as the combined ratios of admitted insurers continue to deteriorate while prices go down and inflation goes up, Mr. McAlear noted. "At some point there will be a collision. The more we see the handwriting on the wall and nothing changes, the more drastic the change will be."

The turnabout in the low priced competitive markets is likely to come in 1980, he adds.

Meanwhile, the firm is working on new product development. It has established a pilot program for primary product liability coverage and broad form coverage for public officials errors and omissions.

The McAlear firm is also working with insurers on marketing a combined municipal liability program. The program would include bodily injury, police liability and public officials errors and omissions in one policy.

With the exception of a branch office in Indianapolis, McAlear operates strictly out of its Grand Rapids headquarters.

"The surplus lines broker can best serve his clients by having all resources at his hands," Mr. McAlear said, noting that this enables brokers to draw on the expertise of their co-workers.

In addition to Mr. McAlear, principal officers of the firm are: James F. Langan, executive vp and secretary; Thomas S. Bloom, executive vp; Ralph F. Leistner, executive vp, and Derek J. Repath, executive vp. Mr. Repath was promoted to that position in January.

McAlear is a subsidiary of Anchor Holding Co. The firm does not act on behalf of any insurers as a managing general agent. ■

Wausau forms D&O subsidiary

WAUSAU, Wis.—Wausau Insurance Cos. has formed a subsidiary to underwrite directors and officers liability as well as excess and surplus lines under the name of Wausau International Underwriters.

The subsidiary will provide underwriting and risk evaluation nationwide, corporate officials say.

J.C. Hernandez, president of the San Francisco-based subsidiary, said right now the firm is largely active only in the directors and officers liability area because there is a stable market for that type of coverage.

Ultimately, however, the firm will handle a wide range of risks such as railroads, product liability utilities and professional liability excluding medical, Mr. Hernandez said.

The "major thrust" in those areas will come within the 12 to 18 months when the markets are expected to tighten. "But right now, there are just too many players and too much capacity," he said.

"We will consider any line of business provided it is a writable risk and is adequately priced" once the market conditions change, he said.

Assisting Mr. Hernandez will be Thomas Dowd, who will serve as vp.

The company also recently announced that a group of firms carrying the name Employers Insurance of Wausau will undergo some name changes.

Wausau Insurance Cos. is the new umbrella name for the multiline insurance carrier while Employes Insurance of Wausau has become the legal name for the parent property/casualty company previously called the Employers Mutual Liability Co. of Wisconsin. ■

Berkley enters E/S business

NEW YORK—W.R. Berkley Corp. of New York will enter the excess/surplus lines insurance business through its acquisition of Jersey/International Group.

The acquisition agreement, subject to regulatory approvals and customary closing conditions, sets an $11 million purchase price for Jersey/International's common stock. Jersey/International had total assets of approximately $41 million as of April 30.

Jersey/International, an underwriting manager for its subsidiaries and others, owns the Admiral Insurance Co., the Ensign Insurance Co. and various domestic and foreign underwriting managers.

Berkley is a holding company specializing in the ownership of regional and specialty property casualty insurance and reinsurance companies. ■

Storms cause losses

Severe weather caused more than $20 million in insured losses this summer, said W.D. Swift, vp of property claim services for the American Insurance Assn. Severe weather in parts of South Dakota, Ohio and Indiana Aug. 7-8 caused an estimated $2.5 million in losses. Tropical storm Claudette caused an estimated $17.1 million in losses in Texas, as well as $150,000 damage in Louisiana and $700,000 in losses in Indiana. The damage estimate loss does not include losses covered under the national flood insurance program.

Sail through the Bermuda tangle with General Re.



For the newly formed captive company or the captive venturing forth toward the profitable assumption of outside business, the way is fraught with peril.

Setting proper retention levels, creating workable excess programs and correctly evaluating outside business require skillful underwriting techniques for much of the way is uncharted.

Actuarial counseling, claims and statistical analysis; each requires an expertise exclusive to reinsurance.

General Re offers experienced counsel in any area of reinsurance management.

Chart a successful course for your captive. Call your General Re underwriter today.

General Re

General Reinsurance Corporation, 600 Steamboat Road, Greenwich, Connecticut 06830 (203) 622-4000;
General Re Services, Ltd., Insco House, Church Street West, Hamilton 5-31, Bermuda (809-29) 5-3742 Telex: 3623-GRSRV-BA

108 companies

Here's a rundown on excess/surplus brokerage firms

A

EXCESS/SURPLUS

All Lines Insurance Agency Inc.

2300 Kohler Memorial Drive, PO Box 593, Sheboygan, Wis. 53081; 414-458-8700

	1979*	1978
Premium vol. ...	$489,381	$1,183,930
Gross rev.	$52,855	$130,936
Employes	6	
% commercial ..	17½	18½
% E/S bus.	82½	81½

*Period reported: Through June 30.

Specialty lines: Fire and allied lines, mortality, errors and omissions, boiler, casualty, inland marine, yachts, bonds.

MGA for: Capitol Indemnity, Lloyd's of London, Ennia, Excess, Terra Nova, California Union.

Principal officers: M.J. TenHoor, president & treasurer; Raymond F. Wernecke, vp; Marvin C. Hessler, secretary; John R. Holden, chairman.

Parent company: Heritage Insurance.

American Excess Corp.

6351 Owensmouth Ave. #101, Woodland Hills, Calif. 91367; 213-347-3203

	1979*	1978
Premium vol. ...	$1,800,000	$2,500,000
Gross rev.	$396,000	$690,309
Employes	10	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through July 31.

MGA for: Great Southwest, Guaranty National, Wausau Surplus Lines.

Principal officers: Charles O. Rogers, president; Martha Fougerousse, Larry Ross, vps.

American Underwriters Corp.

Suite 2750, 400 Renaissance Center, Detroit, Mich. 48243; 313-259-4444

	1979*	1978
Premium vol. ...	$2,750,000	$5,000,000
Gross rev.	$275,000	$500,000
Employes	10	
% commercial ..	75	75
% E/S bus.	100	100

*Period reported: Through June 30.

Specialty lines: Commercial auto, jewelry, liability.

MGA for: Western World Insurance Co.

Principal officers: William T. Shilson, president; John T. Shilson, vp.

American X/S Underwriters

511 Arcadian Ave., Waukesha, Wis. 53187; 414-547-1261

	1979*	1978
Premium vol. ...	$2,200,000	$3,750,000
Gross rev.	$438,233	$735,923
Employes	7	
% commercial ..	99	99
% E/S bus.	100	100

*Period reported: Through June 30.

Specialty lines: Full range excess and surplus.

Principal officers: John Owens, president; Donald R. Rust, executive vp; George Schlehlein, vp.

Parent company: The American Cos. Inc.

America's Insurance Center

562 Boulevard, Kenilworth, N.J. 07033; 201-272-6300

	1979*	1978
Premium vol. ...	$2,456,330	$4,939,308
Gross rev.	$70,325	$110.930
Employes	21	
% commercial ..	80	80
% E/S bus.	40	40

*Period reported: Through July.

Specialty lines: Coin-op laundry package policy, dry cleaners package policy, automatic car wash package policy, PGA pro-shop package policy, golfers "no fault" personal accident, condo directors and officers liability, member-owned country club directors and officers liability, clinical laboratory malpractice, insurance agents er-

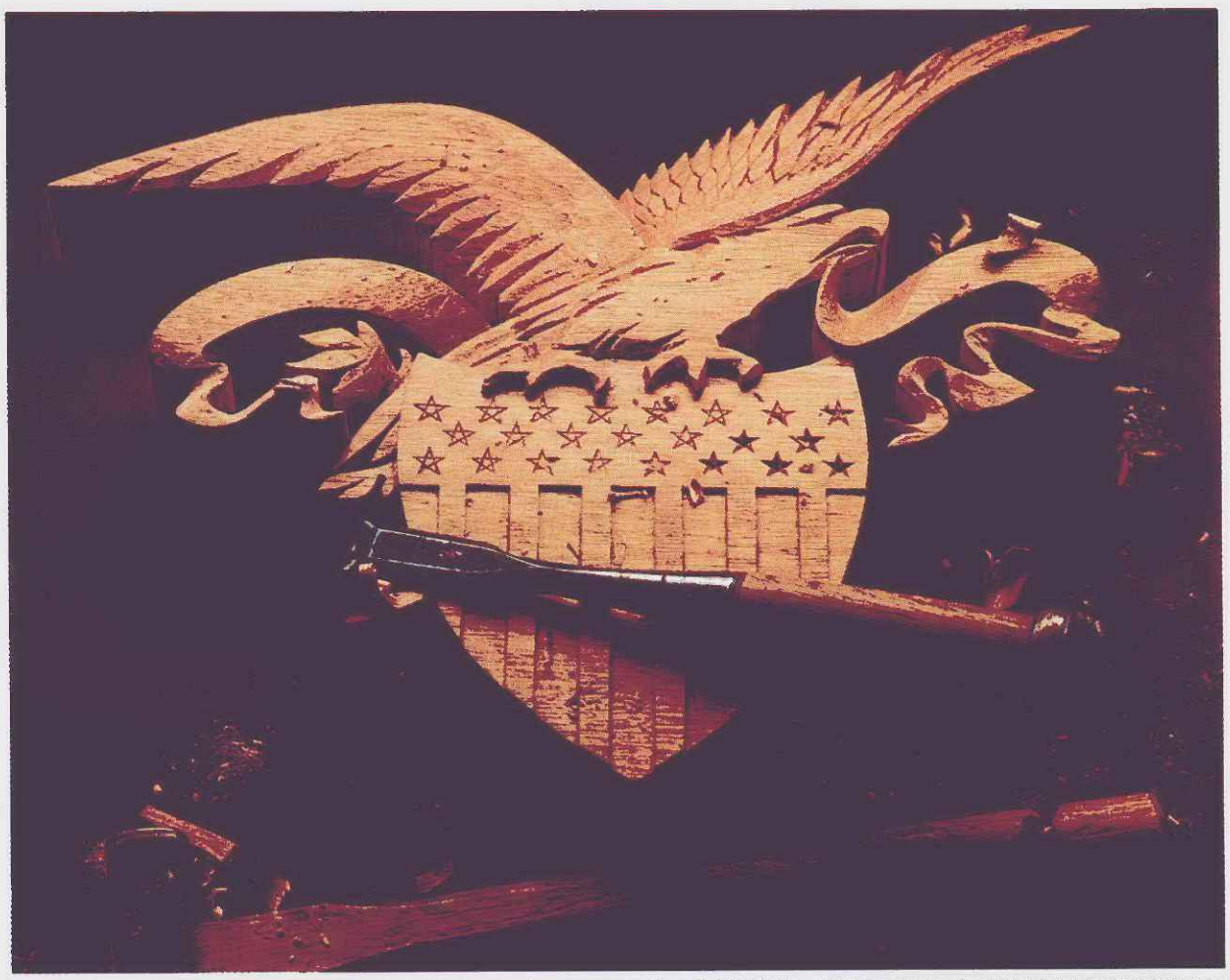
Continued on next page

EST. 1899

DAVIS, DORLAND & CO.
INSURANCE BROKERS

TWO WORLD TRADE CENTER, NEW YORK, N.Y. 10048 TEL: (212) 432-8800

AMERICAN EXCESS INSURANCE COMPANY



WHEN YOU PUT THE RIGHT TOOLS IN THE HANDS OF EXPERTS...YOU GET A QUALITY PRODUCT.

American Excess presents a well crafted selection of EXCESS CASUALTY COVERAGES, FIRST LAYER UMBRELLA, EXCESS UMBRELLA, CAPACITY and BUFFER LAYERS, S.I.R. PROGRAMS and MANUSCRIPT CONTRACTS.

LIMITS OF LIABILITY UP TO $10,000,000 OR MORE.

Professional insurance brokers and surplus lines brokers should contact the nearest office where a staff of innovative underwriters will assist you in the design of programs to meet the specific needs of your commercial clients.

AMERICAN EXCESS

1 Liberty Plaza, New York, N.Y. 10006
(212) 766-6700 Telex: 12-8169

New York Branch: 100 William Street
New York, N.Y. 10038 (212) 269-1460
Telex: 64-5282.

American Excess is licensed or approved countrywide and in the New York Free Trade Zone.
A member company of the American Re-Insurance Group

In MidAtlantic: AM-RE BROKERS, INC. of Pa., Independence Square, 510 Walnut Street, Philadelphia, Pa. 19106. (215) 574-9701 Telex: 83-4697

In Southeast: AM-RE BROKERS, INC., 3565 Piedmont Road, N.E., 3 Piedmont Center, Suite 400, Atlanta, Georgia 30305. (404) 261-1266 Telex: 54-9582

In Midwest: AM-RE BROKERS, INC. of Ill., 150 South Wacker Drive, Chicago, Illinois 60606. (312) 558-3636 Telex: 20-6369

EXCESS/SURPLUS

Continued from previous page

rors and omissions, agents contingency commission cover, special AIC retro-plan, unusual risks.

MGA for: Great South West Fire Insurance Co.

Branch offices: Operate nationally through network of correspondent agents under contract.

Principal officers: Raymond R. Kravetz, president; Marko Popin, vp; Arthur F. Kravetz, secretary; Sylvia Kravetz, treasurer.

Anderson & Murison Inc.

201 South Lake Ave., Pasadena, Calif. 91101; 213-684-3114

	1979*	1978
Premium vol. ...	NA	NA
Gross rev.	$1,174,055	$1,925,497
Employes	41	
% commercial ..	98	97
% E/S bus.	75	70

*Period reported: Through June 30.

Specialty lines: Casualty, property, commercial auto, primary and excess.

MGA for: Jefferson of New York, American Home Assurance, Bellefonte Insurance Co., Northland Insurance Co., National Union, St. Paul Surplus, Great American Surplus, American Modern Home.

Branch offices: San Jose, Calif.; Tempe, Ariz.

Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp.

Arkansas Surplus Lines Inc.

1415 Breckenridge Dr., PO Box 7451, Little Rock, Ark. 72207; 501-227-8373

	1979*	1978
Premium vol. ...	$1,550,000	$6,340,000
Gross rev.	$130,000	$495,000
Employes	14	
% commercial ..	100	100
% E/S bus.	70	60

*Period reported: May 1 to Aug. 1

Specialty lines: Commercial casualty/property.

MGA for: Aviation-Employers Casualty Co.

Subsidiaries: Commercial Aviation Insurance South Inc.

Principal officers: Bob Fewell, president; Ken Bell, senior vp; Lorraine Gammel, secretary/treasurer.

Arrow Excess & Surplus Ltd.

11 Sunrise Plaza, Valley Stream, N.Y. 11581; 516-825-8188

	1979*	1978
Premium vol. ...	$1,000,000+	$1,000,000+
Gross rev.	$100,000+	$100,000+
Employes	7	
% commercial ..	100	100
% E/S bus.	50	50

*Period reported: 12-month projection.

Subsidiaries: Affiliated with Budget Installment Corp.

Principal officers: Norman R. Cohen, president.

Atlanta Insurance Brokers Inc.

3196 Holcomb Bridge Rd., Norcross, Ga. 30071; 404-449-7292

	1979*	1978
Premium vol. ...	$928,000	NA
Gross rev.	$77,500	NA
Employes	6	
% commercial ..	90	NA
% E/S bus.	90	NA

*Period reported: 11 months, July '78 through June '79.

Specialty lines: General property and casualty, excess and surplus business and umbrella.

Principal officers: Robert Lowe, president; Richard L. Besson, vp.

Parent company: Atlanta Casualty Co.

B

Bjornson Inc. of Iowa

Box 98, 810 1st Ave. N.E., Cedar Rapids, Iowa 52406; 319-362-1161

	1979*	1978
Premium vol. ...	$2,300,000	$2,000,000
Gross rev.	$240,000	$210,000
Employes	14	
% commercial ..	40	40
% E/S bus.	60	60

*Period reported: Through June 30.

Specialty lines: Motorcycle and scooter, buffer layers, building wreckers, hotels, amusement risks taverns, rodeos, skating rinks, malpractice for beauty shops and alcohol and drug counselors, accident for sporting events and teams—all sports.

MGA for: 18 markets in Iowa including Drake Insurance Co., Employers Reinsurance Corp Lloyd's of London, National Union Fire Insurance Co. (Pennsylvania) Occidental Fire & Casualty Co.

Principal officers: Fred L. Bjornson, CPCU, president; Richard K Cooper, CPCU, executive vp; Gerry Repass, CPIW, chief underwriter Donna Cooper, specialty underwriter.

Blades & Associates Ltd.

PO Box 691, Hamilton 5, Bermuda; 809-295-0169

	1979*	1978
Premium vol. ...	$12,905	$60,608
Gross rev.	$2,316	$7,602
Employes	4	
% commercial ..	75	75
% E/S bus.	50	50

*Period reported: Through June 30.

Specialty lines: Insurance for exempted companies and their personnel in Bermuda.

MGA for: Continental Insurance Cos., Colonial Fire & General Insurance Co. Ltd.

Principal officers: Robin Spencer-Arscott, vp/general manager; W. Allen Taft, vp; B. Leman, assistant treasurer; Lynell Simons.

Parent company: Crum & Forster Corp. (40%, balance owned by various Bermudians).

J.H. Blades & Co. (International) Ltd.

PO Box 691, Hamilton 5, Bermuda; 809-295-0169

	1979*	1978
Premium vol. ...	$17,600,000	$20,860,000
Gross rev.	$352,000	$495,000
Employes	14	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through June 30.

Specialty lines: Insurance for the drilling industry plus umbrellas, property lines and reinsurance intermediaries.

MGA for: Correspondence for underwriters at Lloyd's of London and certain British and American insurance companies.

Subsidiaries: J.H. Blades & Co. Pte. Ltd., Blades Driver & Co. Ltd.

Principal officers: Robin Spencer-Arscott, vp/general manager; W. Allen Taft, vp; B. Lee, FCA, treasurer; John Houghton, broker.

Parent company: Crum & Forster Corp.

Blakely General Agency Inc.

410 West 33rd, PO Box 5148, Topeka, Kan. 66605; 913-267-1222

	1979*	1978
Premium vol. ...	$2,357,487	$4,268,578
Gross rev.	$304,304	$573,450
Employes	17	
% commercial ..	72	71
% E/S bus.	34	32

*Period reported: Through July 31.

Specialty lines: Bank D&O & E&O, LP gas, natural gas, anhydrous ammonia, umbrella, long haul truck, miscellaneous liability.

MGA for: Guaranty National, MGIC Indemnity, Minnehoma, National American, National Indemnity, Ranger, Seibels, Bruce, West General, AOA, L.W. Biegler and Shand, Morahan.

Subsidiaries: West General Insurance Co.

Principal officers: Victor D. Blakely, president; Paul Flaherty, executive vp; Romaine Clark, vp.

Bohrer, Croxdale & McAdoo Inc.

430 South Ave., Suite 710, Springfield, Mo. 65806; 417-869-2550

	1979*	1978
Premium vol. ...	$1,000,000	$1,200,000
Gross rev.	$190,000	$201,600
Employes	6	
% commercial ..	100	100
% E/S bus.	55	30

*Period reported: Through Aug. 1.

Specialty lines: Umbrella, excess and products liability, truck insur-

Because the world's getting smaller, your market's getting bigger.

Fly to Europe in less than 4 hours.
Watch the Moscow Olympics from your living room.

American business is spanning the globe with the same ease.
Over 23,000 American companies have overseas facilities with more going international every day.

So naturally, the international insurance market is getting bigger and bigger. Continental's international premium volume is over $100 million. Be part of this exploding market.



We've taken the confusion out of international insurance. Now you can write international insurance as easily as you write domestic coverage.

Our international specialists here, plus fully-staffed branches in key overseas locations, are backed by a network of 24 affiliates in 70 countries. These strong, independent companies have a thorough knowledge of local business customs. They'll help you get your share of the fastest growing insurance market in the world. Think about it. This way your customers won't leave home without you.

The Continental Insurance Companies
subsidiaries of The Continental Corporation Home Office: 80 Maiden Lane, New York, N.Y. 10038



© CIC

Hometown Service. Worldwide.

ance, property and general casualty, special events, nursing home package, boats.

MGA for: Great Southwest Fire Insurance Co., Illinois Employers of Wausau, Capitol Indemnity Corp., Empire Fire & Marine Insurance Co., Empire Indemnity Co. and American Boating Club (Lloyd's).

Principal officers: Yvonne S. Bohrer, president; Sidney M. McAdoo, secretary; Sydney T. Croxdale, assistant secretary.

British American Associates Inc.

Public Ledger Bldg., Philadelphia, Pa. 19106; 215-925-8823

	1979*	1978
Premium vol. ...	$8,000,000	$7,800,000
Gross rev.	$480,000	$468,000
Employes	8	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Aug. 1, '78, through July 31, '79.

Specialty lines: Umbrella, excess auto, excess workers compensation, most forms of E&O.

Subsidiaries: British American Associates Inc. of New Jersey.

Principal officers: James J. Ward, president; Kenneth A. Rudert, vp and secretary/treasurer; William A. Watts, assistant vp; Karen J. Gearhart, assistant vp (N.J.); Neva H. Sharpnack, assistant secretary/treasurer.

Brokers' Marketplace Inc.

68 Broadway, Buffalo, N.Y. 14203; 716-842-0502

	1979*	1978
Premium vol. ...	$1,250,000	$2,000,000
Gross rev.	$275,000	$475,000
Employes	14	
% commercial ..	61	60
% E/S bus.	67	67

*Period reported: Through June 30.

Specialty lines: Motorcycle liability.

Principal officers: Gary L. Hoffman, president.

M.B. Buettner & Co. Inc.

3325 Wilshire Blvd., Los Angeles, Calif. 90010; 213-386-8221

	1979*	1978
Premium vol. ...	$9,000,000	$17,000,000
Gross rev.	$900,000	$1,700,000
Employes	16	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through July.

Specialty lines: Excess, umbrellas, earthquake, difference in conditions.

Principal officers: H.J. Assad, president; D.W. Grant, executive vp; J.W. Torre, senior vp; D. Hartoch, vp; J. Connor, secretary/treasurer.

C

Canon Insurance Service

1246 South La Cienega Blvd., Los Angeles, Calif. 90035; 213-657-6620

	1979*	1978
Premium vol. ...	$2,498,474	$2,462,682
Gross rev.	$311,484	$312,951
Employes	10	
% commercial ..	52	48
% E/S bus.	100	100

*Period reported: 11 months, September '78 through July '79.

Specialty lines: Inland marine, general and product liability, fire and allied lines.

MGA for: Minnehoma, Chicago, Great Falls, Interstate, Puritan, Great Southwest, Ambassador, Illinois Union.

Principal officers: William B. Rosenfeld, president.

Catalina General Agency Inc.

3450 Wilshire Blvd., Suite 801, Los Angeles, Calif. 90010; 213-381-5521

	1979*	1978
Premium vol. ...	$250,000	$2,900,000
Gross rev.	$100,000	$220,000
Employes	7	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Umbrellas.

Principal officer: Richard M. Hammerman, president.

Connecticut Underwriters Inc.

329 Main St., Portland, Conn. 06480; 203-342-0713

	1979*.	1978
Premium vol. ...	$9,200,000	$7,100,000
Gross rev.	$1,600,000	$1,370,000
Employes	14	
% commercial ..	95	95
% E/S bus.	100	100

*Period reported: 12 months, '78-'79.

Specialty lines: Liability, property.

MGA for: Western World, Lloyd's.

Subsidiaries: Professional Service Associates Inc.

Principal officers: Henry J. Stone Jr., president/treasurer; M. Merriam March, vp/secretary; Donald R. Ittman, Arthur Peterson, account executives.

Coplen General Insurance Agency Inc.

100 N. Winchester Blvd., San Jose, Calif. 95128; 408-248-0925

Continued on next page

BOSTON and DES MOINES

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

FRED. C. CHURCH, INC.
24 Merrimack Street
Lowell, Massachusetts 01853
617-458-1281

LaMAIR-MULOCK-CONDON CO.
907 Walnut Street
Suite 300
Des Moines, Iowa 50309
515-244-0166

See our ad on page 6



Don't be shut out. We have the markets for the excess coverages you need.

Not all brokers know the excess and surplus market *and* the reinsurance market. If yours doesn't, you may end up paying excess rates for your insurance protection. And that's bad because it's unnecessary. The answer to your problem is most probably a more knowledgeable broker. Arthur J. Gallagher has specialized in self insurance and E & S coverages for more than twenty years. You're not tied-down to any one source. Our placements are the most economical and realistic possible. And we'll be glad to prove it to you. No matter what the nature of your self insurance plan, you won't be shut out of E & S with Gallagher! We invite you to consult us. There is absolutely no obligation.

ARTHUR J. GALLAGHER & CO.

Gould Center, Golf Road, Rolling Meadows, Illinois 60008 • Phone 312/640-8500

- An International Organization Providing Excess Coverages and All Related Services for Self Insurers
- Brokers for Commercial, Industrial and Institutional Insurance Programs

OUR CONSTRUCTIVE DEMOLITION POLICY.

DEMOLITION CONTRACTORS INSURANCE, ANOTHER W SPECIALTY.

We handle the whole package from initial quote to final contract. We have the authority to quote and to bind. In-house. Fast. You'll find our rates competitive, our service fast and our capacity impressive: up to $10 million per job. The next time you need to cover c demolition project, don't feel demolished. Come to Weghorn International. You'll find us quite constructive.

WEGHORN International
Primary thru Excess
CORRESPONDENTS AT LLOYD'S · IN-HOUSE PROPERTY/CASUALTY BINDING AUTHORITY.

Excess Workmen's Compensation ☐ Excess Automobile ☐ Errors & Omissions ☐ Bumbershoot Liability ☐ Investment Counsellors Errors & Omissions ☐ Umbrella Liability ☐ Aircraft Products Liability ☐ Kidnap/Ransom Insurance ☐ Fire, Extended Coverage ☐ Jumbo Property Lines ☐ Difference in Conditions ☐ Mortgage Impairment ☐ Builders Risks ☐ All Risks ☐ Products Insurance ☐ Directors & Officers Liability ☐ Automobile Physical Damage ☐ Restaurants Property & Liability ☐ Layers Sec. 1 & Sec. 2 ☐ Excess Umbrella ☐ Primary Liability ☐ Buffer Layers ☐ Architects & Engineers ☐ Fiduciary Liability ☐ Other Unusual Coverages.

WEGHORN International, Inc. 156 William Street, New York, N.Y. 10038. (212) 227-4600
WEGHORN International—New Jersey, Inc. 31 South Street, Morristown, N.J. 07960
(201) 267-1127 Telex 127383

EXCESS/SURPLUS

Continued from previous page

	1979*	1978
Premium vol.	$3,000,000	$3,000,000
Gross rev.	$432,715	$243,445
Employes	11	
% commercial	40	50
% E/S bus.	5	3

*Period reported: 12 months, '78-79, '77-78.

MGA for: Great Falls Insurance, Great Southwest Fire Insurance, Sutter Insurance Co., Newport Insurance Co.

Principal officers: Robert S. Coplen, president and chairman; Richard S. Coplen, executive vp; Patricia K. Coplen, secretary/treasurer; Susan C. Kazlauskas, underwriting vp; Richard A. Evans, marketing vp.

Cover-all Underwriters Inc.

2350 S. Dixie Hwy., Miami, Fla. 33133; 305-854-1740

	1979*	1978
Premium vol.	$6,200,000	$9,852,860
Gross rev.	$1,342,407	$1,986,353
Employes	37	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July 31.

MGA for: Motor Club of America Insurance Co.

Branch offices: New Orleans.

Principal officers: Leonard Traurig, chairman; Walter Traurig, president; Michael J. Bowler, executive vp, Louisiana.

Creative General Agency Inc.

17752 Skypark Blvd. #230, Irvine, Calif. 92714; 714-754-0991

	1979*	1978
Premium vol.	$2,000,000	$2,700,000
Gross rev.	$440,000	$745,753
Employes	8	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July.

MGA for: Great Southwest, Guaranty National, Wausau Surplus Lines, Great American Surplus Lines.

Principal officers: Charles O. Rogers, president; Thomas de Baker, assistant vp; Jerry Crowe, assistant vp.

Creative Underwriters of the South Inc.

90 Bagby Drive, Suite 309; Birmingham, Ala. 35209; 205-942-2547

	1979*	1978
Premium vol.	$1,462,433	$1,414,927
Gross rev.	$334,959	$363,406
Employes	5	
% commercial	75	65
% E/S bus.	10	8

*Period reported: Through July.

Specialty lines: Property, casualty, mobile homes, travel trailers, motor homes, motorcycles, commercial auto, umbrellas and excess liability.

Principal officers: Evelyn Kerce, president/treasurer; D.L. Lackey, executive vp; Betty Hancock, secretary.

Crump-Kientz Co.

250 E. Broad St., Columbus, Ohio 43215; 614-224-3330

	1979*	1978
Premium vol.	$6,000,000	$7,000,000
Gross rev.	$376,000	$470,000
Employes	10	
% commercial	100	100
% E/S bus.	95	98

*Period reported: Through June.

Specialty lines: Casualty-marine and trucks.

MGA for: Southern American Insurance Co.

Principal officers: William D. Kientz, president; Thomas C. Devore, vp.

D

Day, Webb & Taylor Inc.

1017 S. Gaylor St., Denver, Colo. 80237; 303-778-0100

	1979*	1978
Premium vol.	$9,600,500	$7,600,000
Gross rev.	$1,730,000	$1,458,000
Employes	42	
% commercial	70	70
% E/S bus.	13	13

*Period reported: 12 months.

Specialty lines: Daily rent a car (U-Drive), forced order mortgage fire.

MGA for: Various.

Branch offices: Los Angeles, Seattle, Phoenix, Colorado Springs.

Principal officers: Robert W. Webb, CPCU, president; H. Howell Taylor Jr., CPCU, CLU, CFP, vp; J. Emmett Taylor, secretary/treasurer.

Parent company: D.W.T. Inc.

Delta Special Risks Agency

4801 Woodway, PO Box 2045, Houston, Tex. 77001; 713-621-8650

	1979*	1978
Premium vol.	$3,342,140	$6,629,910
Gross rev.	$401,057	$828,739
Employes	27	
% commercial	75	75
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Jewelers block, low value dwellings, preferred, package policies, umbrellas, large homeowners.

MGA for: Western World, Great Southwest Fire, underwriters at Lloyd's, Delta Lloyds Insurance Co., Great American Surplus Lines.

Subsidiaries: Affiliated companies: Delta Lloyds Insurance Co. and Delta General Agency Corp.

Principal officers: Avrohm I. Wisenberg, managing partner; Donald A. King, general manager/partner; Irving Pozmantier, partner; Dudley M. Carey, property manager; Harold A. Smith Jr., casualty manager.

Parent company: Delta Insurance Group.

Derek Ware Insurance Brokers Inc.

PO Box 13245, Oakland, Calif. 94661; 415-839-3070

	1979*	1978
Premium vol.	$3,500,000	$2,900,000
Gross rev.	$310,000	$249,000
Employes	8	
% commercial	98	9
% E/S bus.	60	7

*Period reported: 12 months, July 1, '78 to June 30, '79.

MGA for: Great Falls Insurance Co., Western World Insurance Co. Chicago Insurance Co.

Branch offices: Sacramento Calif.

Principal officers: Derek Ware CPCU, president; Marty J. Linich chief financial officer.

Dorex Inc.

PO Box 131, Merchanicsburg, Pa 17055; 717-697-3314

	1979*	1978
Premium vol.	$11,000,000	$19,400,00
Gross rev.	$500,000+	$1,000,000
Employes	43	
% commercial	100	10
% E/S bus.	100 excess	100 excess

*Period reported: Seven months.

Specialty lines: General excess casualty and property.

MGA for: Northeastern Fire Insurance Co. of Pa., Charter American Insurance Co., United National Insurance Co.

Subsidiaries: Doran Excess Underwriters Inc., Dorex Southeast Corp., Dorex Mid-South Inc., Dorex Mid-America Inc., Doran West Insurance Brokers, Doran N.Y. Brokers Inc.

Principal officers: William L. Doran, president; N.A. Davis, vp; F.L. Gaunce, president Atlanta; H.S. Dillon, vp Memphis; B.D. Kittle, vp Kansas City.

Dilbeck-Dominey Underwriters

4370 Peachtree Road NE, Atlanta, Ga. 30319; 404-231-1010

	1979*	1978
Premium vol.	$952,481	$1,960,431
Gross rev.	$109,516	$218,282
Employes	6	
% commercial	70	70
% E/S bus.	20	NA

*Period reported: 12 months, June '78 to June '79.

MGA for: Old Republic Insurance Co.

Principal officers: R. Craig Murray, president; E.M. Saunders, CPCU, executive vp; H.W. Traylor, secretary/treasurer.

Parent company: Atlantic American Corp.

Dryden & Co. Inc.

1 Main St., Chatham, N.J. 07928; 201-635-1200

	1979*	1978
Premium vol.	$11,300,000	NA
Gross rev.	$1,300,000	NA
Employes	22	
% commercial	NA	NA
% E/S bus.	100	NA

*Period reported: Through Aug. 15; company started Jan. 1.

MGA for: Gibraltar Casualty Co. (underwriting manager).

Principal officers: Ross Cowan, president.

Parent company: Prudential Insurance Co. of America.

Dub Martin & Co. Inc.

711 Corrigan Tower, Dallas, Tex. 75201; 214-748-0853

	1979*	1978
Premium vol.	$3,200,000	$17,000,000
Gross rev.	$275,000	$1,455,000
Employes	27	
% commercial	100	100
% E/S bus.	90	90

*Period reported: Three months.

MGA for: Employers National Insurance Corp.

Principal officers: W.C. Martin Jr., president; C. Locke Thompson, vp; Orville D. Jones, secretary/treasurer.

Dupuy-Busching General Agency Inc.

PO Box 4744, 876 Lakeland Drive, Jackson, Miss. 39216; 601-982-3533

	1979*	1978
Premium vol.	$26,000,000	$21,000,000
Gross rev.	$1,300,000	$1,050,000
Employes	42	
% commercial	25	25
% E/S bus.	20	20

*Period reported: 12 months estimate.

Specialty lines: Fire, casualty, credit life.

MGA for: Banker & Shippers, Integrity, Great American, Lloyd's of London, Sovereign Marine & General, Empire F&M, Western World,

Continued on page 87

Where is Greenwood, Indiana?
The *leading* Benefit Consultants and Administrators know!

- Stop Loss for Self Insured Benefit Plans
  - Aggregate
  - Specific
  - Catastrophic Coverages
- Administration and Consulting for Self Funded Benefit Plans
- E & O Coverages for
  - Claims Administrators
  - Data Processors
  - Attorneys
  - Actuaries & Pension Consultants
- Stop Loss for Self Funded
  - Unemployment Plans for Tax Exempt Organizations and Municipalities
- Blanket Bonds for Banks and Other Financial Institutions

BROUGHER AGENCY, INC.
Lloyd's, London Correspondents



10 Downing Street
P.O. Box 485
Greenwood, Indiana 46142
(317) 888-3531 / TWX 8102602230

EXCESS/SURPLUS

Continued from page 84

Guarantee, Mid-South Life, Life of Miss.

Principal officers: Aaron B. Dupuy Jr., president; Harold W. Busching, secretary/treasurer.

Parent company: Dupuy-Busching Cos. Inc.

Dwight Tope State Agency Inc.

131 Adams N.E., Suite 202-204, PO Box 8307, Albuquerque, N.M. 87198; 505-255-8773

	1979*	1978
Premium vol.	$6,400,000	$11,000,000
Gross rev.	$900,000	$900,000
Employes	27	
% commercial	75	75
% E/S bus.	20	20

*Period reported: 12-month projection.

Specialty lines: Property, casualty and mobile homes.

MGA for: Great Southwest Fire.

Principal officers: Dwight H. Tope, president; Raymond Perovich, vp/treasurer.

E

Eastern Risk Managers Ltd.

127 John St., New York, N.Y. 10038; 212-425-3100

	1979*	1978
Premium vol.	$5,809,372	$10,896,364
Gross rev.	$356,376	$686,509
Employes	8	
% commercial	NA	95
% E/S bus.	NA	95

*Period reported: 6 months.

Principal officers: Alan R. Ruf, president; Antonietta M. Arbeeny, secretary; John J. Vogel, vp.

Ian Elliott Ltd.

1200 McGill College, Suite 1260, Montreal Quebec H3B 4G7; 514-878-9155

	1979*	1978
Premium vol.	$3,135,400	$6,044,000
Gross rev.	$284,500	$588,900
Employes	10	
% commercial	10	5
% E/S bus.	90	95

*Period reported: Through June 30.

Specialty lines: High hazard general, auto liability, product liability, product guaranty and recall.

MGA for: Excess liability only including umbrella for Scottish & York Insurance Co. and Victoria Insurance Co. of Canada.

Branch offices: Toronto.

Principal officers: Ian M. Elliott, president; David Eastaugh, vp; Alain Jourdain, secretary/treasurer.

The Excess & Special Risk Market Inc.

3333 California St., San Francisco, Calif. 94118; 415-929-3527

	1979*	1978
Premium vol.	$2,201,000	$1,130,000
Gross rev.	$161,000	$72,200
Employes	38	
% commercial	90	90
% E/S bus.	60	60

*Period reported: Through July 31.

Branch offices: San Francisco, Los Angeles, Chicago, North Jersey, New Orleans, Atlanta, Kansas City, Philadelphia, Houston, San Rafael (group programs).

Subsidiaries: The Excess & Special Risk Market of Illinois Inc.

Principal officers: Gerald A. Isom, president; Timothy T.M. Koo, assistant vp.

Parent company: Fireman's Fund Insurance Cos.

Excess & Surplus Lines Insurance Brokers Inc.

3440 Wilshire Blvd. #810, Los Angeles, Calif. 90010; 213-487-4545

	1979*	1978
Premium vol.	$4,000,000	$3,600,000
Gross rev.	$300,000	$250,000
Employes	7	
% commercial	40	40
% E/S bus.	60	60

*Period reported: 12-month projection.

Specialty lines: Primary general liability for "paper" and general contractors.

Principal officers: Douglas DeLano, chairman, vp/secretary; Jerome C. Boyer, president/treasurer.

Exsure Inc.

100 Constitution Plaza, Suite 364, Hartford, Conn. 06103; 203-277-6888

	1979*	1978
Premium vol.	$750,000	$250,000
Gross rev.	$148,000	$49,000
Employes	5	
% commercial	95	95
% E/S bus.	100	100

*Period reported: Last 6 months of '78; '79 is estimated annual.

MGA for: Bellefonte Insurance Co.

Principal officers: M. Norman Kemp, president; David N. Huit, secretary/general manager; George E. Lawrence, treasurer.

Parent company: The Travelers.

F

Florida Risk Managers Inc.

1900 Biscayne Blvd., Miami, Fla. 33132; 305-573-1311

	1979*	1978
Premium vol.	$440,000	$460,000
Gross rev.	$26,400	$18,400
Employes	5	
% commercial	86	90
% E/S bus.	100	100

*Period reported: Through July. Gross revenues reported are net of commissions paid.

Specialty lines: Umbrella, personal jewelry, furs, fine arts, non-standard liability, non-standard property.

Principal officers: D. Richard Mead, chairman; Gary V. Trippe, president; George C. Bahm, vp/manager.

Parent company: D.R. Mead & Co. (retail agency)

Forest Products Agency Inc.

88 Palmer St., Norwich, Conn. 06360; 203-889-2686

	1979*	1978
Premium vol.	$1,200,000	$680,000
Gross rev.	$100,000	$58,000
Employes	5 ½	
% commercial	100	100
% E/S bus.	90	80

*Period reported: 12 months.

Specialty lines: Property and casualty for forest products (lumber, woodworking etc.) industry.

Subsidiaries: Affiliated with RL&G Agency Inc.

Principal officers: Ernest E. Poore, president; Leslie H. Young, vp; R. Gary Young, secretary/treasurer.

Parent company: Affiliated with RL&G Agency Inc.

G

Gateway Underwriters Agency Inc.

319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

	1979*	1978
Premium vol.	$2,361,000	$4,937,000
Gross rev.	$537,300	$1,106,500
Employes	17	
% commercial	NA	70
% E/S bus.	NA	50

*Period reported: Through June.

MGA for: National Indemnity Co., National Fire & Marine, Western World, Excel Insurance Co.

Principal officers: D. Alan Marlette, president; Doris J. Ernst, secretary/treasurer.

Harry W. Gorst Co. Inc.

6420 Wilshire Blvd., Los Angeles, Calif. 90048; 213-653-1607

	1979*	1978
Premium vol.	$3,900,000	$6,500,000
Gross rev.	$200,000	$500,000
Employes	14	
% commercial	20	NA
% E/S bus.	80	NA

*Period reported: To June.

Specialty lines: Personal lines.

Branch offices: Teaneck, N.J.; Winter Park, Fla.; London.

Subsidiaries: Compass Insurance Group of Agencies.

Principal officers: Harry W. Gorst, president; Leighton R. Cairns, vp; Michael F. Heagerty, vp; Donald J. Penniall, executive vp; Robert C. Blackwell, secretary/treasurer.

Graham-Rogers Inc.

312 S. Delaware, Bartlesville, Okla. 74003; 918-336-2802

	1979*	1978
Premium vol.	$6,400,000	$9,000,000
Gross rev.	$1,600,000	$2,300,000
Employes	38	
% commercial	10	10
% E/S bus.	10	10

*Period reported: Through July 31.

Specialty lines: Mobile homes, low value dwelling, commercial and personal auto, general liability, commercial fire, excess, motorcycle.

MGA for: American Modern Home, Thomas Jefferson, Integon Indemnity Co.

Branch offices: Springdale, Ark.

Principal officers: John W. Graham, CPCU, president; Donald H. Dreher, CPCU, and James P. Rodenberg, vps.

The Gulf Agency Inc.

1020 Monticello Court, PO Box 17216; Montgomery, Ala. 36117; 205-277-6014

	1979*	1978
Premium vol.	$2,300,000	$3,800,000
Gross rev.	$426,679	$858,295
Employes	15	
% commercial	62	59
% E/S bus.	30	29

*Period reported: Through June 30.

Specialty lines: Trucks, non-standard auto, liability, property (personal and commercial).

MGA for: Bellefonte, St. Paul Surplus Lines, Northland Insurance Co., Carolina Casualty Insurance Co., Trinity Insurance Co., Balboa Insurance Co.

Principal officers: Tom Albrecht, president; Ray Johnston, vp; Alan Mitchell, secretary; Jere Peak, secretary.

H

L.E. Harris Agency Inc.

1511 K St. NW, Washington, D.C., 20005; 202-393-4200

	1979*	1978
Premium vol.	$4,847,350	$7,288,919

Continued on next page

NAS LTD.

Independent Professionals for your Excess and Surplus Lines

- Umbrella • Products
- Excess Limits GL & Auto
- Property Insurance—all types
- SIR Programs • Professional Liability, including Hospital; Insurance Agents; Physicians; Accountants; Clinics; Real Estate; etc. • Primary Liability
- Aviation • Auto Physical Damage
- Business Legal Expense

MARKETING EXCLUSIVELY FOR AGENTS AND BROKERS IS OUR ONLY BUSINESS

Mail Coupon Today

NAS LTD.

HARTFORD PLAZA 100 S. Wacker Drive
Chicago, Illinois 60606 (312) 782-3401

NAS: Send details on following coverages:

MY NAME: _____ TITLE: _____

FIRM: _____

STREET: _____ CITY: _____ ZIP: _____

PHONE: _____

RFC INTERMEDIARIES INC

All lines of treaty reinsurance worldwide. And offering specialized facultative services through 14 offices in the U.S.

Home office: Los Angeles

Atlanta
Chicago
Columbus
Dallas
Hartford
Houston
Kansas City
Los Angeles
Newport Beach
New York
Parsippany
San Francisco
Philadelphia

HOUSTON and MINNEAPOLIS

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

JOHN L. WORTHAM & SON
2727 Allen Parkway
Houston, Texas 77019
713-526-3366

BRANDOW HOWARD KOHLER & ROSENBLOOM, INC.
3601 Park Center Boulevard
Minneapolis, Minnesota 55416
612-929-5551

See our ad on page 6

EXCESS/SURPLUS

Continued from previous page

Gross rev.	$373,571	$543,721
Employes	19	
% commercial ..	100	100
% E/S bus.	95	95

*Period reported: Through July.

Specialty lines: All types of commercial property and casualty, high capacity, substandard and unique.

MGA for: Jefferson of N.Y., National Indemnity, North East, U.S. Liability, Lloyd's correspondent.

Branch offices: Baltimore, Md.

Principal officers: Jerome J. Harris, CPCU, president; David A. Riffert, CPCU, executive vp; Nicholas Taube, CPCU, vp.

Hartje & Co.

1175 Peachtree St. N.E., Atlanta, Ga. 30361; 404-892-8350

	1979*	1978
Premium vol. ...	$6,000,000	$6,174,000
Gross rev.	$400,000	$420,000
Employes	9	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: 12-month estimate.

Principal officers: Richard Hartje, president; T. "Joe" Byrd, vp.

The Hillside Cos.

PO Box 42, Lawrence, Kan. 66044; 913-842-9991

	1979*	1978
Premium vol. ...	$1,156,000	$1,891,320
Gross rev.	$289,000	$472,830
Employes	15	
% commercial ..	65	50
% E/S bus.	50	45

*Period reported: Through June 25.

Specialty lines: Product liability, dealer open lot.

MGA for: Southern Insurance Co.

Branch offices: Atlanta, Ga.

Principal officers: Marvin E. McDougal, president; Larry G. Schreck, vp.

Horan, Goldman Cos. Inc.

Two Bryn Mawr Ave., Bryn Mawr, Pa. 19010; 215-527-4400

	1979*	1978
Premium vol. ...	NA	NA
Gross rev.	$825,000	$1,727,000
Employes	43	
% commercial ..	90	95
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Non-standard property and casualty.

MGA for: Great American Surplus Line Insurance Co., Jefferson Insurance Co. of N.Y., National Indemnity Co., St. Paul Surplus Lines Insurance Co., U.S. Liability Insurance Co.

Branch offices: Baltimore, Cherry Hill, N.J.; Concord, N.H.; New York.

Subsidiaries: Horan, Goldman & Co. of Pa. Inc. and of Maryland, of New Jersey, of New England, of New York; H.G. Managers Inc.; H.G. Realty Corp.

Principal officers: William Goldman, president; Victor D. Giordano, executive vp; John W. McCabe, Sally McCosker, Thurston (Joe) Millett, all vps.; Stanley Pustilnick, vp/treasurer; Mary Marines, vp/secretary.

Huycke General Agency

508 W. Sixth Ave., Anchorage, Alaska 99501; 907-276-5333

	1979*	1978
Premium vol. ...	$466,584	$773,476
Gross rev.	$48,377	$81,676
Employes	5	
% commercial ..	50	90
% E/S bus.	50	53

*Period reported: Through July.

Specialty lines: Surcharge fire, liability, auto, inland marine, gap layer auto and general liability.

MGA for: Jefferson Monticello, Great Southwest Fire, National Union, National Indemnity, National Fire & Marine, American Family Home, Excess Insurance Co. Ltd., Ennia Insurance Co. (U.K.) Ltd.

Principal officers: Peter C. Huycke, owner.

H&W Insurance Services

16255 Ventura Blvd. #406, Encino, Calif. 91436; 213-990-3040

	1979*	1978
Premium vol. ...	$20,000,000	$37,500,000
Gross rev.	$1,800,000	$3,100,000
Employes	69	
% commercial ..	98	99
% E/S bus.	100	100

*Period reported: 6 months.

Specialty lines: Public entity.

Branch offices: Los Angeles, San Francisco, Denver, Chicago, Pittsburgh, Philadelphia, New York, Atlanta, Miami.

Subsidiaries: H&W Risk Management Services.

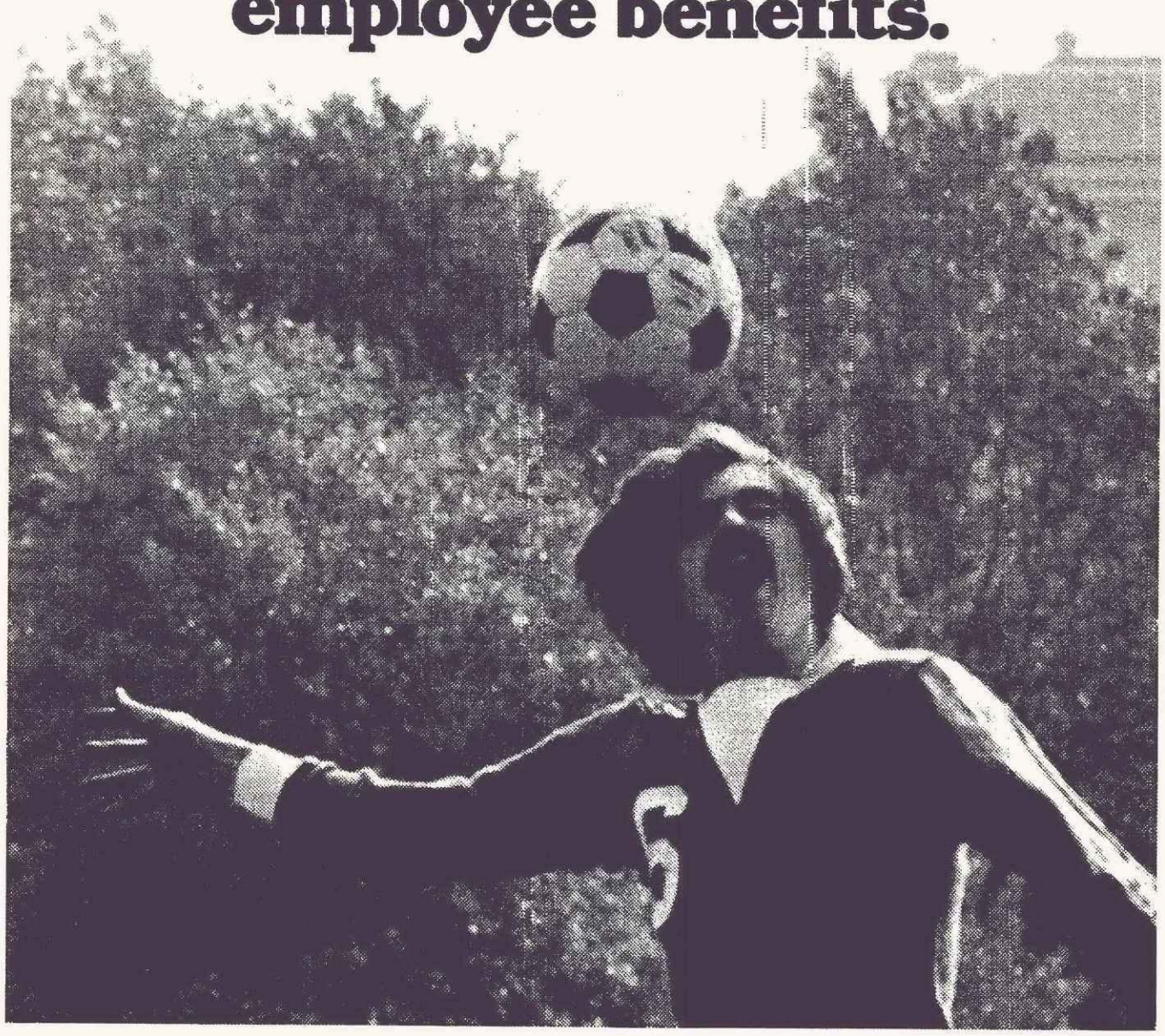
Principal officers: Joseph F. Weckerle, president/chairman; David R. Hoskins, executive vp/secretary.

Parent company: Hoskins & Weckerle Inc.

H&W Underwriters (Agency) Inc.

3125 Broadway, Kansas City, Mo. 64111; 816-756-0400

Use your head when it comes to employee benefits.



But don't use your head like a battering ram—forcing an issue with your insurance carrier, actuary or bank trustee without the knowledge and expertise which an EBASCO Total Cost Effective (TCE) analysis can provide.

There is only one approach to maximizing potential savings under an employee benefit program. That is to look at the TOTAL program to determine its TOTAL cost effectiveness.

Too often benefit reviews are fragmental, dealing in only one plan design problem or one financial consideration. While these reviews may be effective, as far as they go, your company may be overlocking important elements with far greater financial consequences.

Keep in mind...you offer your employees a "package" of benefits. One program does relate and interact with other programs. An EBASCO TCE analysis can give you a "heads up" advantage.

EBASCO
RISK MANAGEMENT CONSULTANTS, INC.

Atlanta: 145 Technology Park/Atlanta, Norcross, GA 30071, Tel: (404) 449-5800
New York: 100 Church Street, New York, NY 10007, Tel: (212) 785-2200
Chicago: 150 North Wacker Drive, Chicago, IL 60606, Tel: (312) 346-3438
Newport: Gateway Plaza, 130 Newport Center Drive, Newport Beach, CA 92660, Tel: (714) 759-7100
Bermuda: Airlie House, P.O. Box 1617, Hamilton 5-24, Bermuda: Tel: (809) 292-0124

	1979*	1978
Premium vol. ...	$2,700,000	$5,500,000
Gross rev.	$570,000	$1,100,000
Employes	15	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Agents errors and omissions, libel and slander, taxicab liability, directors and officers liability (non-profit only).

MGA for: CNA, Guaranty National, Lloyd's, American Continental.

Branch offices: Barrington, Ill.

Subsidiaries: Media/Professional Insurance Inc.

Principal officers: Neil R. Pouppirt, president.

I

Insurance Time Inc.

PO Box 39278, Atlanta, Ga. 30318; 404-955-1800

	1979*	1978
Premium vol. ...	$8,650,000	$13,250,000
Gross rev.	$1,955,995	$2,748,939
Employes	75	
% commercial ..	60	70
% E/S bus.	20	20

*Period reported: Through June.

Specialty lines: Commercial vehicle, non-standard auto, general liability, special multi-peril, dwelling.

MGA for: Utah Home Fire, Waco F&C Insurance Co., Paxton National.

Branch offices: Birmingham, Ala.; Memphis.

Subsidiaries: Excess Surplus Placers Inc.

Principal officers: William E. Murrey, president; William A. Dial, Hilton F. Johnson, vps.

Irby-Seawell Co. Inc.

1705 Commerce Drive NW, Atlanta, Ga. 30318; 404-351-5880

	1979*	1978
Premium vol. ...	$27,208,203	$44,088,588
Gross rev.	$2,394,222	$3,244,668
Employes	85	
% commercial ..	100	100
% E/S bus.	42	39

*Period reported: Through July 20.

Specialty lines: Long haul (complete facility), special bank policy.

MGA for: Integrity, Jefferson, Drake Ltd., Dependable.

Branch offices: Los Angeles, Dallas.

Subsidiaries: Irby, Seawell & Brown Insurance Services Inc., SEAU (Texas) Property & Casualty Division.

Principal officers: Henry R. Seawell, president; Dave Wolf Jr., executive vp.

Parent company: Alexander Hawden Group U.S.

ISIP of American Insurance Brokers Inc.

409 N. Robertson Blvd., Los Angeles, Calif. 90048; 213-274-7071

	1979*	1978
Premium vol. ...	$25,000	NA
Gross rev.	$5,000	NA
Employes	9	
% commercial ..	100	NA
% E/S bus.	75	NA

*Period reported: New company, started March '79.

Specialty lines: Product liability, jewelry block, supermarkets and manufacturers, difficult risks, livestock, fine arts, high-priced cars, antique cars, helicopters, airplanes, cropdusters, builder-contractors, drilling risks, kidnap and ransom, etc.

Principal officers: Baron Otto von Bressendors, president/-chairman; Barbara M.H. Lichtenberg, treasurer/director.

Parent company: ISIP, S.A.

Iwest Insurance Managers Inc.

PO Box 1651, Stockton, Calif. 95201; 209-948-0555

	1979*	1978
Premium vol.	$30,000,000+	$26,663,000
Gross rev.	$3,000,000+	$2,610,000
Employes.	70+	
% commercial ...	95+	95+
% E/S bus.	70+	70+

*Period reported: 12-month estimate.

Specialty lines: Excesses, umbrellas, products, primary liability, aviation, property.

MGA for: Over 15 companies.

Branch offices: Skockton, San Francisco, Portland, Fresno, Denver, Encino, Los Angeles, Seattle, San Jose, San Diego.

Principal officers: Robert Stahl, chairman; James Bradley, president; Warren Stanley, vp; Ms. M. Horrigan, secretary.

J

Jaeger & Haines Inc.

34 E. Center, PO Box 1623, Fayetteville, Ark. 72701; 501-521-2551

	1979*	1978
Premium vol. ...	$1,060,000	$1,800,000
Gross rev.	$225,000	$396,000
Employes	14	
% commercial ..	75	75
% E/S bus.	100	100

*Period reported: 6 months.

Specialty lines: Commercial auto, excess and surplus property and casualty.

MGA for: Various admitted and non-admitted markets.

Principal officers: Larry Haines, president; Tish Jones, assistant vp.

JKS Inc.

Suite 408, 4800 Macadam Ave., Portland, Ore. 97201; 503-223-3245

	1979*	1978
Premium vol. ...	$5,000,000	$5,000,000
Gross rev.	$750,000	$540,000
Employes	17	
% commercial ..	100	100

Continued on next page

Underwriting and Loss Control Engineering Reports.

Schirmer

Schirmer Engineering, 3701 Lake Avenue, Glenview, IL 60025. Telephone: (312) 729-5715



Aviation insurance policies are not all alike. Coverages vary—often considerably. And so do costs.

This booklet is designed to help you—the aviation insurance buyer—decide which policy provides the best combination of coverages for your insurance dollar.

The booklet is divided into four sections: General Information, Aircraft Physical Damage Coverage, Liability Coverage and Medical Coverage.

Each section contains the answers to questions a buyer should ask before making a purchase decision.

All answers are based on coverages provided by the USAIG All-Clear 360° Aircraft Policy—the first aviation insurance policy to be written in plain, easy-to-understand language.

In many cases the answers use language taken right from the policy.

For a free copy of this informative booklet, simply complete this coupon and send it to: USAIG, Marketing Department, 110 William Street, New York 10038.

Name_____

Address _____

City_____ State_____ Zip_____

USAIG

UNITED STATES AIRCRAFT INSURANCE GROUP

New York — Atlanta — Boston — Chicago — Dallas — Denver — Houston — Los Angeles — San Francisco — Toledo — Wichita

LOS ANGELES and NEW YORK

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

KINDLER & LAUCCI
1545 Wilshire Boulevard
Los Angeles, California 90017
213-484-0220

JOHN F. CURRY AGENCY, INC.
111 John Street
New York, New York 10038
212-374-1500

See our ad on page 6

EXCESS/SURPLUS

Continued from previous page

% E/S bus.	80	80

*Period reported: 12-month estimate.

Specialty lines: Property-products.

MGA for: Fremont Indemnity.

Principal officers: Donald D. Jones, president.

Horace M. Johnson & Co. Inc.

632 Gary St., Durham, N.C. 27702; 919-683-2341

	1979*	1978
Premium vol. ...	$4,700,000	$6,400,000
Gross rev.	$357,772	$590,000
Employes	28	
% commercial ..	25	30
% E/S bus.	45	50

*Period reported: Through July.

Specialty lines: Hail, liquified petroleum gas, transportation.

MGA for: Southeastern Fire, Midwest Mutual, American Modern Home.

Branch offices: Richmond, Va. Aynor, S.C.

Principal officers: Horace M Johnson Jr., president; R.W. Edens, marketing vp; Tom Sheffield, operations vp; Roger Sims, accounting vp.

K

Kappes Coombe Insurance Service

PO Box 20072, 10405 San Diego Mission Road, San Diego, Calif. 92120; 714-280-8175

	1979*	1978
Premium vol. ...	$3,000,000	$2,500,000
Gross rev.	$325,000	$270,000
Employes	11	
% commercial ..	100	100
% E/S bus.	40	100

*Period reported: Through June 30.

Specialty lines: Trucking, school liability, liquor liability.

MGA for: Cotton Belt, Republic, Century, National.

Subsidiaries: Uni-Re Intermediaries Inc.

Principal officers: George Kappes Jr., president and chairman; C.E. Shoen, vp; D.H. Coombe, director.

W.E. Kingsley Co.

210 Malabu Drive, PO Box 7100, Lexington, Ky. 40502; 606-276-1472

	1979*	1978
Premium vol. ...	$5,479,882	$10,823,005
Gross rev.	$324,996	$710,217
Employes	30	
% commercial ..	95	95
% E/S bus.	7	8

*Period reported: Through June 30.

Specialty lines: Coal mine liability, long haul trucks, tobacco warehouse (including auction tobacco), crop hail insurance, mobile homes.

MGA for: Bellefonte, Carolina Casualty, Cranford Insurance Co., Great Southwest, Minnehoma, National Indemnity, Northfield, Northland, Occidental Insurance Co., Peninsular Fire Insurance Co.

Branch offices: Louisville, Ky.

Subsidiaries: Howerton Insurance Service of Louisville.

Principal officers: Charles C. Price, president; William E. Kingsley Jr., vp.

L

Landmark Insurance Group Inc.

1515 Classen Blvd., Box 676, Oklahoma City, Okla. 73101; 405-521-9911

	1979*	1978
Premium vol. ...	$9,500,000	$8,800,000
Gross rev.	$1,900,000	$1,600,000
Employes	60	
% commercial ..	60	60
% E/S bus.	70	70

*Period reported: Sept. 30, '78 through July 31, '79.

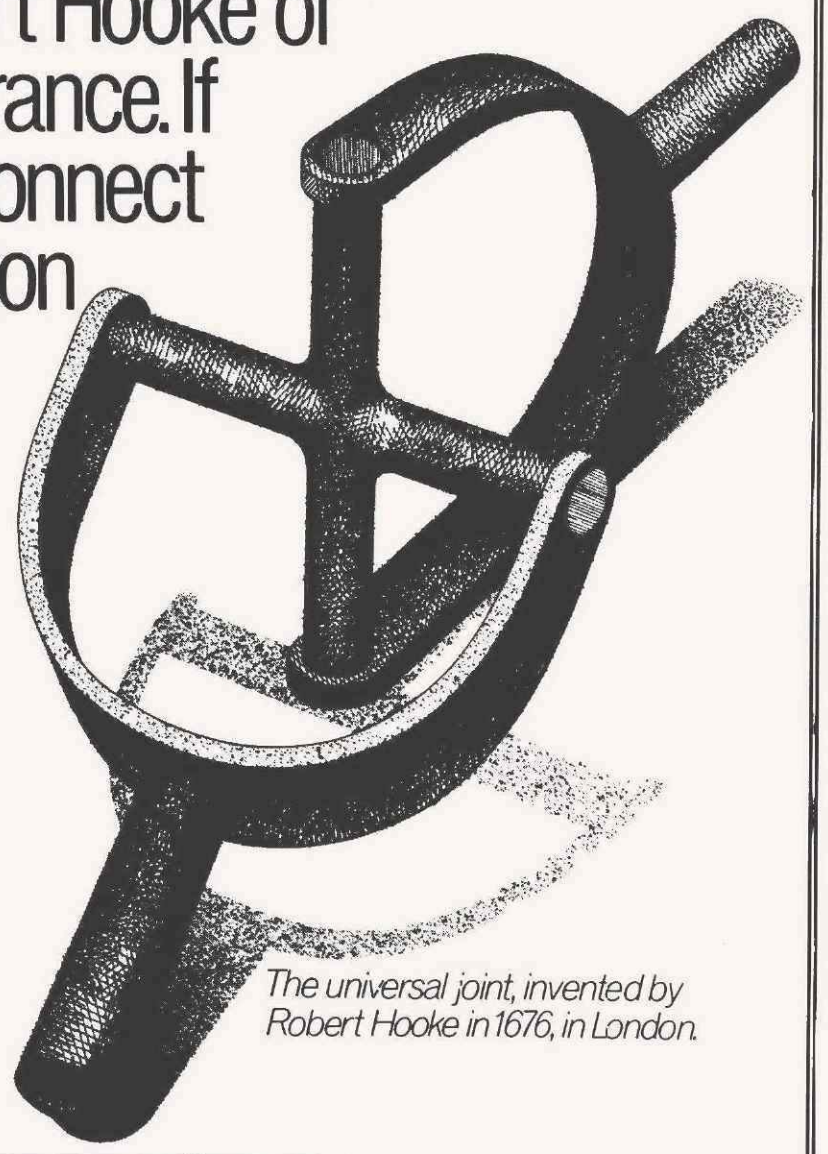
Specialty lines: Transportation and general lines.

MGA for: National American Insurance Co., Lafayette Insurance Co., Southeastern Fire, Landmark American (this all through Fears Agency).

Subsidiaries: Landmark Management Corp., Landmark Management Corp. of Arizona, Interstate Service Corp.; Landmark Self-Insurance Services Inc., Joe B. Fears General Agency Inc.; Landmark Management Corp., Landmark Underwriters Agency Inc., Landmark Reinsurance Management Corp., Landmark International Management Ltd., Reinsurance Services Co. Ltd., Insurance Services International Ltd., Grayston Landmark Ltd.

Principal officers: William E. Thompson, president; Charles C. Caldwell, executive vp (Landmark Group) and president (Landmark Re); M. Ray Corey, president (Fears) and vp (Group); Wallace B. Hudson, president (Arizona) and director (Group); James L. Vorhis, vp (Dallas).

We're the Robert Hooke of packaged insurance. If anybody can connect all your protection needs with a single flexible policy, it's us.



The universal joint, invented by Robert Hooke in 1676, in London.

Continental invented the first Comprehensive Business Policy (CBP) in 1963. And we've been improving it ever since. ☐ In one admirably flexible multi-peril package, you can get every kind of property and liability protection that the average business needs (except for workers' compensation which must be written separately). You can also get many kinds of specialized protection that your business might need. Such as inland marine. And boiler and machinery with its exacting inspection service requirements. ☐ CBP is highly cost-efficient. So your multiple coverages are less expensive in our package than they would be if you tried to buy them separately. ☐ Continental is uniquely qualified to create a protection package for any business. ☐ First, we have more experience writing this kind of policy than any other company. ☐ Second, we handle so many kinds of insurance, and write so much of each, that we've become expert in every phase. (Including accident and health, bad debt insurance, and even surety and fidelity bonds.) ☐ Third, more than 10,000 independent agents and countless brokers work with our 36 Continental branch offices, each of which handles the underwriting, pricing and claims service for its own area. ☐ Finally, we're a multi-national company, completely familiar with international insurance and its multitude of regulations. And capable of protecting your business interests anywhere in the world. ☐ Packaged insurance can improve risk management efficiency for most businesses. Find out if yours is one of them. Send for our highly informative free 32-page booklet. Today.



The Continental Insurance Companies
subsidiaries of The Continental Corporation
Inventors of the Comprehensive Business Policy
©CIC

GET THIS FREE 32-PAGE BOOKLET: "WHAT YOU SHOULD KNOW ABOUT MADE TO ORDER BUSINESS INSURANCE PACKAGES."



Please send me your free booklet on business insurance packages.

Name _____
Company _____
Street _____
City _____
State _____ ZIP _____

Mail to: Corporate Communications, Dept 101
The Continental Insurance Companies
80 Maiden Lane, New York, N.Y. 10038

Lawrence Excess Ltd.

8 Freer St., Lynbrook, N.Y. 11563; 516-887-7600

	1979*	1978
Premium vol.	$20,000,000	$17,000,000
Gross rev.	$2,250,000	$1,650,000
Employes	54	
% commercial	80	65
% E/S bus.	40	55

*Period reported: 12-month estimate; 6-month actual premium volume is $11,500,000.

Specialty lines: Garage programs, commercial physical damage, excess auto liability, general liability, products, umbrellas.

MGA for: Northeastern Fire Insurance Co., Guaranty National, B.V.I. Insurance Ltd.

Branch offices: Lexington, Ky.; Paramus, N.J.

Subsidiaries: David C. White Agency Inc., B.V.I. Insurance Ltd.

Principal officers: Richard L. Wolf, president; Walter S. Groden, executive vp; Helen S. Wolf, treasurer; Harold Wolf, secretary; David Isenberg, marketing vp.

Parent company: Wolf Wolf & Groden Ltd.

Bernard W. Levmore Co. Inc.

2 W. 47th St., New York, N.Y. 10036; 212-840-2280

	1979*	1978
Premium vol.	$1,500,000	$1,250,000
Gross rev.	$250,000	$200,000
Employes	10	
% commercial	96	96
% E/S bus.	80	80

*Period reported: 12-month projection.

Specialty lines: Jewelers block, fine arts and antique dealers, precious metals dealers and smelters.

Principal officers: Bernard W. Levmore, president.

LoVullo-Millemaci Associates Inc.

1105 Genesee Bldg., Buffalo, N.Y. 14202; 716-856-3065

	1979*	1978
Premium vol.	$3,729,346	$5,075,341
Gross rev.	$300,000	$537,489
Employes	23	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July 25.

Specialty lines: Commercial property and casualty.

MGA for: Jefferson Insurance Co., National American Insurance, National Union Fire Insurance Co.

Principal officers: Leonard S. LoVullo, president; Joseph S. Millemaci, vp.

M

Robert Mack United Inc.

124 East 39th St., New York, N.Y. 10016; 212-725-0505

	1979*	1978
Premium vol.	$570,000	$750,000
Gross rev.	$100,000	$131,000
Employes	10	
% commercial	98	95
% E/S bus.	12	10

*Period reported: Through June 30.

Specialty lines: Auto physical damage, cargo.

Principal officers: Philip M. Schlussel, president and chairman; Alan M. Mack, executive vp.

Parent company: United Coverage Consultants Inc.

Major Surplus Inc.

99 John St., New York. N.Y. 10038; 212-285-1109

	1979*	1978
Premium vol.	$10,500,000	$6,000,000
Gross rev.	$550,000	$320,000
Employes	10	
% commercial	100	NA
% E/S bus.	100	NA

*Period reported: Sept. 1, '78 through Aug. 1, '79.

Specialty lines: Umbrellas, products, physical damage commercial vehicles.

MGA for: Lloyd's.

Branch offices: Livingston, N.J.

Principal officers: Jeremy D. Cooke, executive vp; Maria C. Valle, Arthur SanFilippo, vps.

Parent company: Dewey Warren (North America) Ltd.

Mark III Inc.

1930 Financial Center, Des Moines, Iowa 50309; 515-243-1221

	1979*	1978
Premium vol.	$2,684,018	$4,439,410
Gross rev.	$530,038	$853,287
Employes	7	
% commercial	98	98
% E/S bus.	75	75

*Period reported: Through June.

Specialty lines: Products, umbrellas, auto, professional liability.

MGA for: Admiral, Bellefonte, Great Southwest, Guaranty National, Canadian Universal, Commercial Standard, Lloyd's, Yosemite.

Branch offices: Omaha.

Principal officers: Peter J. Shean, president; John H. Crowther, vp.

Parent company: John H. Crowther Inc.

Market Finders Insurance Corp.

Suite 437, 400 Sherburn Ln., PO Box 6046, Louisville, Ky. 40207; out of state WATS 1-800-626-5660, Ky. WATS 1-800-292-1875

	1979*	1978
Premium vol.	$12,000,000	$10,000,000
Gross rev.	$1,934,263	$1,711,025
Employes	30	
% commercial	25	25
% E/S bus.	75	75

*Period reported: July 1, '78 to July 1, '79.

Branch offices: Cincinnati, Pittsburgh, Nashville.

Principal officers: James Ryan, president; Jerome H. Boyett, secretary/treasurer.

Marketfinders Inc.

Amer. Center Bldg. 16th Fl., 27777 Franklin Rd., Southfield, Mich. 48034; 313-354-0400

	1979*	1978
Premium vol.	$7,500,000	$10,000,000
Gross rev.	$600,000	$800,000
Employes	26	
% commercial	80	82
% E/S bus.	40	40

*Period reported: Through August.

Specialty lines: Liquor liability, all forms marine, commercial umbrella, package policies.

MGA for: Ambassador, California Union, Canadian Universal, Ill. Employers of Wausau, Great American Surplus Lines, St. Paul Surplus Lines, Mt. Vernon.

Branch offices: Rockville Centre, N.Y.; Sandusky, Ohio.

Principal officers: H.W. Kaufman, president; Alan J. Kaufman, vp/treasurer; Mark J. Firestone, vp; Eleanor R. Wick, corporate secretary.

Parent company: H.W. Kaufman Financial Group Inc.

Michelotti Facilities Inc.

111 John St., New York, N.Y. 10038; 212-233-2667

	1979*	1978
Premium vol.	$1,300,000	$2,000,000
Gross rev.	$87,500	$150,000
Employes	3	
% commercial	100	100
% E/S bus.	25	30

*Period reported: through June.

Specialty lines: Specific and excess workers compensation and demolition contractors insurance.

MGA for: National Union Insur-

Continued on page 94

WHEN YOU NEED IT

ost of the time, you probably don't care about the size of a Surplus Line Broker/Wholesaler or its scope of operation. So the fact that IWest has more regional offices, and is one of the largest independently owned Surplus Line Houses in the West doesn't make much difference. That is, until you need the market access and buying power that comes with IWest's size.

ou're more interested in meeting your competition on a day-to-day basis. You want answers. You want results. And you want to be confident that you are dealing with a professional.

ell, be confident. IWest excels in service, and the relationship that is built between you and your IWest representative is the cornerstone of our business.

IWest is your competitive edge.

IWest INSURANCE MANAGERS
1969 10TH ANNIVERSARY 1979

Seattle (206) 363-1303
Portland (503) 641-1976
North Central Valley (209) 948-0555
San Francisco Bay Area (415) 421-1474
San Jose (408) 374-5641
Fresno-Bakersfield (209) 226-8042
Los Angeles (213) 386-8837
Encino (213) 990-8400
San Diego (714) 297-7570
Rocky Mountain (303) 758-4595

TWA

ASG

NEW YORK: 708 Third Ave., N.Y. 10017. (212) 986-5050 • CHICAGO: 740 Rush St., IL. 60611. (312) 649-5275 • LOS ANGELES: 6404 Wilshire Blvd., CA. 90048. (213) 651-3710

CE
OD

Starting January 1, 1980, Business Insurance will be twice as good, because we're doubling our frequency . . . from 26 issues a year to 52.

What does the new, *weekly* Business Insurance mean to you?

Today's insurance marketplace demands more useable information to make sound business judgments. And it demands this information on a more frequent basis.

That's why Business Insurance as the industry's communications leader goes weekly in 1980.

What will the new high-frequency Business Insurance give you?

— More facts that are vital to making smart decisions that affect corporate profits.
— A clearer perspective of events and trends that shape the insurance marketplace now and for years to come.
— Broader, deeper coverage of insurance developments across the nation and around the world.
— An unmatched opportunity for advertisers to achieve more frequent impact in a fast-changing marketplace.

More than ever before, you belong in Business Insurance.*

Every week.

*Contact us for a showing of our new presentation.

business insurance

A PUBLICATION OF CRAIN COMMUNICATIONS INC.

EXCESS/SURPLUS

Continued from page 91

ance Co.

Principal officers: Thomas Michelotti, president.

Midtown Risk Specialists Inc.

1230 Avenue of the Americas, New York, N.Y. 10020; 212-975-0974

	1979*	1978
Premium vol. ...	$18,851,962	$19,141,463
Gross rev.	$659,562	$682,367
Employes	25	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Property, casualty, international, ocean marine and programs.

Branch offices: Rochester and New York.

Principal officers: Warren C. Benn, president; Ed Ilic, Stan Kulesa Barbara Groves, all assistant vps.

Parent company: National Union Fire Insurance Co.

Mid-west General Agency

306 Galloway, Eau Claire, Wis. 54701; 715-832-6626

	1979*	1978
Premium vol. ...	$1,500,000	$2,000,000
Gross rev.	$133,500	$178,000
Employes	10	
% commercial ..	70	70
% E/S bus.	30	30

*Period reported: 6 months.

Specialty lines: Excess/surplus, truck, recreation vehicles, mobile homes.

MGA for: Occidental, Jefferson-NY, Lloyd's, Camco, Hallmark.

Principal officers: David McDermid, manager; Robert Race, assistant manager.

Parent company: R.W. Scobie Inc.

Midwestern General Agency Inc.

1800 W. 91st Pl. #301, Kansas City, Mo. 64114; 816-363-5050

	1979*	1978
Premium vol. ...	$1,000,000	$2,000,000
Gross rev.	$250,000	$475,000
Employes	15	
% commercial ..	30	30
% E/S bus.	20	20

*Period reported: Through June.

Specialty lines: Non-standard fire and liability, special multiperil, recreational vehicles.

MGA for: Jefferson, Midwest Mutual, Foremost, Minnehoma, Northeastern Fire.

Principal officers: Joseph D. Timmons, president; Robert C. Regan, vp.

N

Natesco General Agency Inc.

1111 Corrigan Tower, Dallas, Tex. 75201; 214-651-0774

	1979*	1978
Premium vol. ...	$4,214,656	$9,670,016
Gross rev.	$295,025	$676,901
Employes	12	
% commercial ..	95	95
% E/S bus.	100	100

*Period reported: Through July.

Specialty lines: Primary general liability, excess auto and general liability, umbrella liability, commercial physical damage and property.

MGA for: Alliance Insurance Co. Inc., Zale Indemnity Co.

Principal officers: Robert O. Zeiler, president; Jarrel B. Zachry, vp; Forrest C. Roan, secretary; Judy A. Thomeczek, assistant secretary/treasurer.

Parent company: Farmers Alliance Mutual Insurance Co.

National Insurance Managers Inc.

701 Corrigan Tower, Dallas, Tex. 75201; 214-748-8064

	1979*	1978
Premium vol. ...	$3,500,000	$5,700,000
Gross rev.	$175,000	$285,000
Employes	5	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Excess auto primary and excess general liability, property, difference in conditions, special multi-peril.

MGA for: Employers National Insurance Corp.

Principal officers: W.C. Martin Jr., president; C. Locke Thompson, Steve Conners, vps, Orville D. Jones, secretary/treasurer.

National Underwriting Agency Inc.

150 S. Wacker Drive, Chicago, Ill. 60606; 312-236-1868

	1979*	1978
Premium vol. ...	$12,000,000	NA
Gross rev.	$700,000	NA
Employes	10	
% commercial ..	100	NA
% E/S bus.	100	NA

*Period reported: Dec. 1, '78, through July 1, '79.

Specialty lines: Casualty excess.

MGA for: Transit Casualty Co.

Principal officers: R.E. Foss, president, M. Corken, secretary.

NIA Excess Lines Inc.

66 Rt. 17, Paramus, N.J. 07652; 201-368-8040

	1979*	1978
Premium vol. ...	NA	NA
Gross rev.	$616,000	$420,000
Employes	9	
% commercial ..	89	89
% E/S bus.	98	98

*Period reported: 12 months through June.

Principal officers: Paul L. Gross, chairman; Bruce Callen, president.

The NorCo Agency Inc.

6308 Woodman #204, Van Nuys, Calif. 91401; 213-782-1912

	1979*	1978
Premium vol. ...	$1,200,000	$2,000,000
Gross rev.	$105,000	$250,000
Employes	7	
% commercial ..	10	10
% E/S bus.	95	95

*Period reported: Through June.

Specialty lines: Auto material damage, auto excess liability, truck damage and excess liability, commercial fire, special multiperil, personal art, floaters.

MGA for: Century National Insurance, Fremont Indemnity, Chicago Insurance Co., Sutter Insurance Co.

Principal officers: Norman J. Levine, president; Adelyne F. Levine, vp/secretary; Helen Bernstein, treasurer.

North Island Excess & Surplus Corp.

1295 Northern Blvd., Manhasset, N.Y. 11030; 516-365-7440

	1979*	1978
Premium vol. ...	$3,156,980	$4,961,302
Gross rev.	$226,296	$342,400
Employes	9	
% commercial ..	98	98
% E/S bus.	100	100

*Period reported: Through July.

Specialty lines: General liability, products, professional liability, fire.

Principal officers: Michael A. Orlando, president; John G. Orlando.

Northern States Agency/ Midwest Risk Agency

2292 University Ave., St. Paul, Minn. 55114; 612-646-2651

	1979*	1978
Premium vol. ...	$7,000,000	$6,500,000
Gross rev.	$625,000	$585,000
Employes	16	
% commercial ..	98	98
% E/S bus.	15	15

*Period reported: April 30, '78 to April 30, '79

Specialty lines: Transportation, all types excess and surplus, umbrellas.

MGA for: National Indemnity Co., Lloyd's, St. Paul Cos.

Principal officers: Jack D. Ringwalt, chairman; Gilbert A. Rogness, president.

O

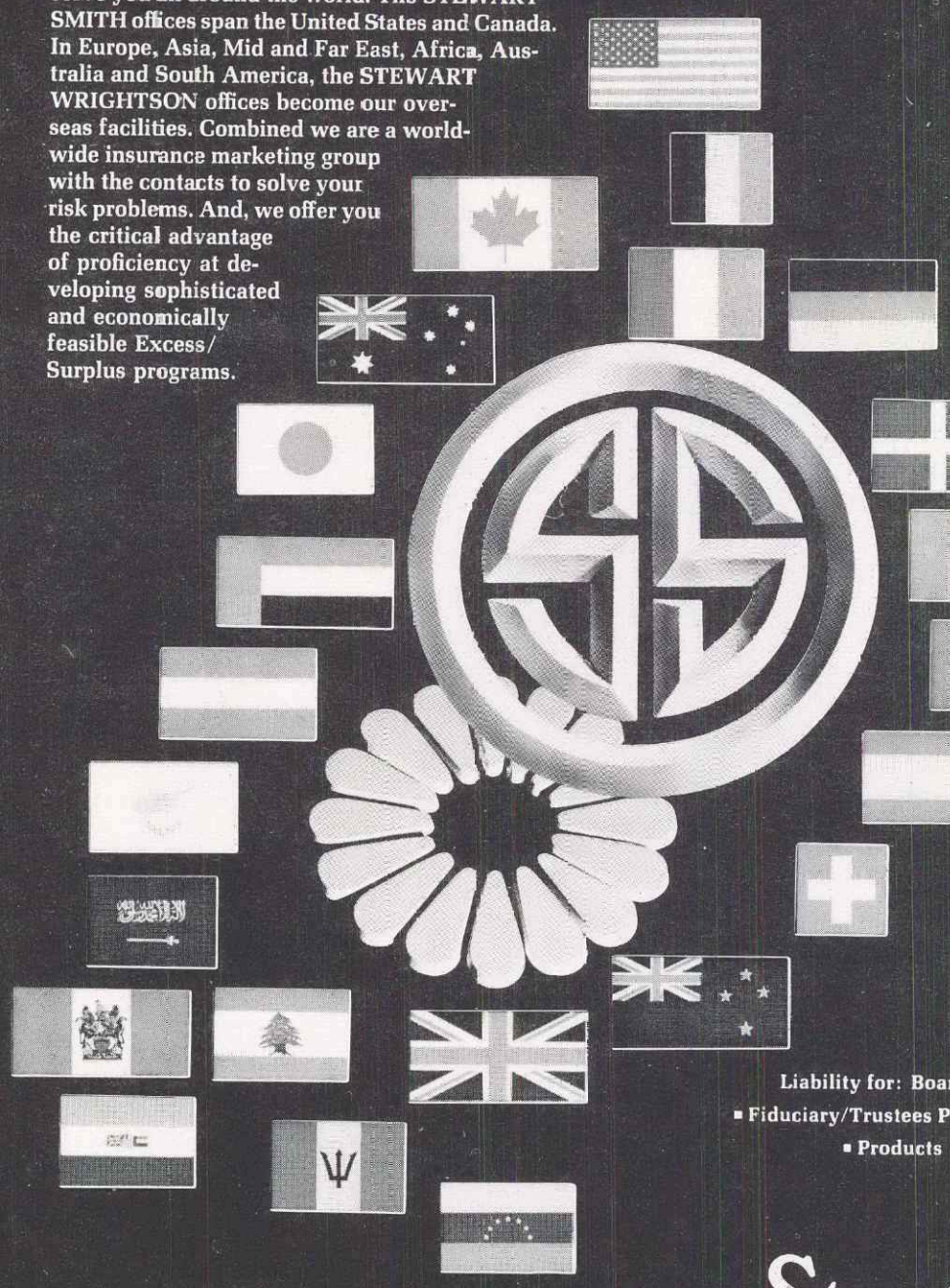
Oklahoma General Agency

809 N.W. 36th, Oklahoma City, Okla. 73118; 405-525-8181

	1979*	1978
Premium vol. ...	$8,942,000	$14,300,000
Gross rev.	$760,170	$1,186,644
Employes	24	

Stewart Smith is all around the world... and that has distinct advantages!

STEWART SMITH is advantageously situated to serve you all around the world. The STEWART SMITH offices span the United States and Canada. In Europe, Asia, Mid and Far East, Africa, Australia and South America, the STEWART WRIGHTSON offices become our overseas facilities. Combined we are a worldwide insurance marketing group with the contacts to solve your risk problems. And, we offer you the critical advantage of proficiency at developing sophisticated and economically feasible Excess/ Surplus programs.



▪ Aviation ▪ Kidnap & Ransom
▪ Property ▪ Railroad Protective
▪ Truck & Transportation ▪ Umbrella
▪ Workmen's Compensation Excess
Liability for: Board of Education ▪ Directors & Officers
▪ Fiduciary/Trustees Protective ▪ Law Enforcement Officers
▪ Products ▪ Professional E & O ▪ Public Official
Reinsurance: Aviation, Casualty, Property & Life; Treaty & Facultative

Stewart Smith
Member Stewart Wrightson Insurance Group

Atlanta (404) 266-8555
Boston (617) 426-0615
Chicago (312) 236-7333
Dallas (214) 688-1051
Los Angeles (213) 382-6201
New York, NY (212) 791-1865
Philadelphia (215) 925-0432
Pittsburgh (412) 232-0430
Teaneck, NJ (201) 569-5680
Washington, DC (202) 466-3810
Edmonton (403) 425-8210
Montreal (514) 878-2811
Toronto (416) 366-6561

% commercial ..	55	56
% E/S bus.	60	61

*Period reported: Through June.

Specialty lines: Umbrellas, errors and omissions, directors and officers, aviation.

MGA for: American Security, Balboa, Empire, National American, National Indemnity, North Star Mutual, Implement Dealers Mutual, Midwest Mutual, Puritan, Jefferson, Great Southwest Fire, National Union, National Casualty, Midland Insurance.

Principal officers: Marie E. Welch, president; Rick Welch, secretary.

Parent company: Oklahoma General United Corp.

Overseas & Domestics Underwriters Ltd.

3384 Peachtree Road NE, Atlanta, Ga. 30326; 404-261-4102

	1979*	1978
Premium vol. ...	$8,000,000	$7,500,000
Gross rev.	$720,000	$650,000
Employes	21	
% commercial ..	90	90
% E/S bus.	80	80

*Period reported: 12-month estimate.

Specialty lines: Malpractice-abortion clinics and hospitals, exterminators liability.

Branch offices: Orlando, Fla.; Nashville.

Principal officers: Alan S. Quaif, president-Atlanta; J. Keith Harris, vp; Paul Tobin, president-Orlando; William Webster, vp; Allen Eskind, president-Nashville.

Overstreet & Associates Inc.

1800 Peachtree Road NW, Atlanta, Ga. 30309; 404-351-1450

	1979*	1978
Premium vol. ...	$2,200,000	$3,000,000
Gross rev.	$150,000	$195,000
Employes	7	
% commercial ..	100	100
% E/S bus.	80	80

*Period reported: June 22, '78 to June 22, '79.

Specialty lines: Property and casualty.

MGA for: Bellefonte, National American, Lafayette, National Union.

Principal officers: Roy Overstreet, president; Judith H. Overstreet, secretary/treasurer.

P

Parkington Associates Ltd.

111 John St., New York, N.Y. 10038; 212-349-8500

	1979*	1978
Premium vol. ...	$7,500,000	$6,750,000
Gross rev.	$550,000	$475,000
Employes	8	
% commercial ..	100	100
% E/S bus.	100	100

*Period reported: 12-month estimate.

Specialty lines: Malpractice, errors and omissions.

Branch offices: Haddonfield, N.J.

Principal officers: Gerard J. Nolan, president; Norman J. Portnoy, senior vp.

Pennock Insurance Agency Inc.

7716 Westchester Pike, Upper Darby, Pa. 19082; 215-528-6933

	1979*	1978
Premium vol. ...	$2,100,000	$3,500,000
Gross rev.	$500,000	$800,000
Employes	17	
% commercial ..	60	55
% E/S bus.	NA	NA

*Period reported: Through June.

MGA for: Great Southwest Fire, Western World, United National.

Branch offices: Baltimore; Frederica, Del.

Principal officers: Robert B. Williams, president; M.L. Goldberg, secretary/treasurer.

Frank Perfetti Inc.

1544 Union St., Schenectady, N.Y. 12309; 518-393-2124

	1979*	1978
Premium vol. ...	$1,750,000	$1,250,000
Gross rev.	$260,000	$225,000
Employes	7	
% commercial ..	75	75
% E/S bus.	50	50

*Period reported: 12-month projection.

Specialty lines: Restaurants, taverns, discos.

MGA for: Great Atlantic Insurance Co.

Branch offices: Troy, N.Y.; Syracuse, N.Y.

Subsidiaries: Rest Pac Administrators; Great Union Insurance Co. (captive).

Principal officer: Frank Perfetti, president.

Pilot Management Corp.

4450 Cascade Road SE, Grand Rapids, Mich. 49506; 616-942-8010

	1979*	1978
Premium vol. ...	$1,337,758	NA
Gross rev.	$304,642	NA
Employes	NA	
% commercial ..	100	NA
% E/S bus.	50	NA

*Period reported: Through July.

Specialty lines: Primary and excess property and casualty.

MGA for: Admiral, Great American Surplus Lines, Guaranty National, Huron Insurance Co., Illinois Employers of Wausau, Lloyd's, Northfield, St. Paul, Western World.

Principal officers: Thomas S.

Continued on next page

Sutherland Page & Co. Inc.

New Offices
10 Post Office Square
Suite 960
Boston, Mass. 02109
(617) 542-5700

Objective, Independent Claims and Underwriting Services for
REINSURERS UNDERWRITING SYNDICATES E & S CARRIERS SELF-INSUREDS BROKERS INSURERS
Domestic and International

Our Services include

RESERVE ADEQUACY SURVEYS — UNDERWRITING REVIEWS — IBNR STUDIES
CLAIM AUDITS — SYSTEMS AND PROCEDURES — PRIMARY/EXCESS PROBLEMS
CLAIM MANAGEMENT — AGGREGATE EXPOSURES — THE *Claims Slip*SM

Contact our experienced staff

I was a 65-lb. weakling.



(but that was before CMI)

I'm a broker. I stand 6'2" and weigh a solid 220. I deal with Capacity Managers International. They're good. They're fast. They handle my specialty cover needs exceptionally well. You ought to do business with CMI, too. I think you'll be pleased.

When did I weigh 65 lbs? When I was seven years old. But, as I said in the headline, that was a long time before I even heard about CMI.

CAPACITY MANAGERS INTERNATIONAL, INC.
160 Water Street
New York, N.Y. 10038

Make Big Money Addressing Envelopes

Just address the envelopes to CMI. Inside, put your applications for some of CMI's special programs (like our Restaurant Package, Public Officials Liability, Associations, etc.). Or enclose a request for more information about Primary Liability, E&O or any of our Property and Casualty offerings. We even give you a choice of addresses. Pick the one that's most convenient:

CMI, 160 Water Street, New York, NY 10038
CMI, 10 S. Riverside Plaza, Chicago, IL 60606
CMI, 3345 Wilshire Blvd., Los Angeles, CA 90010
CMI, 100 Wood Ave., Iselin, NJ 08830

HOW TO TURN $1000 INTO $1,000,000 IN THE STOCK MARKET

Follow this guaranteed two-step program:
1) Buy 1000 shares of a $1 stock.
2) When it goes up to 1000, sell.
For other money-making ideas, (all of which have to do with insurance) contact

160 Water Street
New York, N.Y. 10038

HOW TO PICK UP GIRLS!

Bend your knees and keep a straight back (especially if it's a heavy girl), otherwise you could strain yourself.

To avoid grief when you want to pick up specialty coverage in the E & S market, just call CMI at (212) 344-5300; (312) 641-3377; (213) 380-3770 or (201) 549-4990.

Scientific Study Proves:

Dealing with CMI offers exceptional nutritional benefits!



It's this simple: If you do business with CMI, we eat. The more business you do, the better we eat. We think that's a compelling reason for all agents and brokers to deal with Capacity Managers International, Inc. (And we haven't even mentioned the fact that we're just about the best Managing Agents and Excess and Surplus Lines Brokers you're likely to find!)

The Employees of CMI

(P.S. Remember, we all have families, too.)

CAPACITY MANAGERS INTERNATIONAL, INC.
160 Water Street, New York, NY 10038 — 100 Wood Avenue, Iselin, NJ 08830
10 South Riverside Plaza, Chicago, IL 60606 — CMI Insurance Agency, Inc., 3345 Wilshire Blvd., Los Angeles, CA 90010

EXCESS/SURPLUS

Continued from previous page

Bloom, president/secretary; Charles A. McAlear, treasurer; James F. Langan, first vp; Ralph F. Leistner, second vp.

Parent company: Anchor Holding Co.

R

Robis International Insurance Brokers

PO Box 345, Solvang, Calif. 93463; 805-688-4179

	1979*	1978
Premium vol.	$1,400,000	$1,200,000
Gross rev.	$140,000	$110,000
Employes	2	
% commercial	100	100
% E/S bus.	100	100

*Period reported: 12-month estimate.

Specialty lines: Workers compensation, liability, health.

Principal officers: Mark Robis, president.

Dana Roehrig & Associates Inc.

300 31st St. N., PO Box 12769; St. Petersburg, Fla. 33733; 813-896-4621

	1979*	1978
Premium vol.	$10,688,213	$14,147,704
Gross rev.	$2,060,448	$2,685,689
Employes	42	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July.

Specialty lines: Umbrella, lawyers errors and omissions, all hard to place excess.

MGA for: Camal Indemnity Co.

Branch offices: Miami, Jacksonville and Orlando, Fla.

Principal officers: W. Dana Roehrig, president.

Edwin M. Rollins Inc.

511 South Cecil St., PO Box 4563, Charlotte, N.C. 28204; 704-377-5491

	1979*	1978
Premium vol.	$2,182,970	$4,484,834
Gross rev.	$618,233	$1,002,039
Employes	13	
% commercial	22	15
% E/S bus.	NA	NA

*Period reported: Through June.

Specialty lines: Excess and surplus, commercial physical damage, private passenger auto physical damage, mobile homes, cargo and inland marine, low value dwellings.

MGA for: Emmco, South State, American Fidelity Fire, American Modern Home, Foremost.

Principal officers: Edwin M. Rollins Jr., president/treasurer; John T. Langston, executive vp; James R. Brooks, financial vp.

S

R.J. Saex Insurance Agency Inc.

474 Appleton St., PO Box 1310, Holyoke, Mass. 01040; 413-538-8261

	1979*	1978
Premium vol.	$27,000,000	$18,000,000
Gross rev.	$5,500,000	$3,750,000
Employes	105	
% commercial	100	100
% E/S bus.	100	100

*Period reported: 12 months ending Oct. 31.

Specialty lines: Special multiperil, general liability, property.

MGA for: Terra Nova, Excess, Yasuda, English & American, Orion, Sumitomo, Ennia, AA Mutual, Colonial, Puritan, Pine Top, Jefferson, Ambassador.

Branch offices: Hartford, Conn.; Providence, R.I.; East Orange, N.J.

Subsidiaries: Cowles & Connell Inc.

Principal officers: Robert J. Saex, president; Herbert B. Siegel, vp; Maurice B. Weisman, treasurer.

Parent company: The Saex Group.

Ralph Schram Inc.

PO Box 5228, 4435 O St., Lincoln, Neb. 68505; 402-483-2991

	1979*	1978
Premium vol.	$2,449,620	$3,999,603
Gross rev.	$406,200	$680,250
Employes	12	
% commercial	98	95
% E/S bus.	85	85

*Period reported: Through June.

Specialty lines: Umbrellas, malpractice, professional liability, product liability and other commercial fire and casualty.

MGA for: Guaranty National, Union Insurance Co., Midwest Mutual, Physician's and Surgeon's Liability Insurance Co.

Subsidiaries: Lincoln Insurance Center Inc.

Principal officers: Ralph Schram, president; Gloria J. Nelson, vp; Fred L. Bovee, treasurer; Kenneth R. Baker, assistant vp; Karen J. Metzger, assistant vp.

Thomas F. Sheehan Inc.

460 S. Northwest Highway, Park Ridge, Ill. 60068; 312-696-3366

	1979*	1978
Premium vol.	$17,256,779	$12,860,827
Gross rev.	$2,034,148	$1,545,068
Employes	24	
% commercial	100	100
% E/S bus.	All specialty	All specialty

*Period reported: 12 month running total.

Specialty lines: All professional classes except medical.

MGA for: Imperial Casualty & Indemnity Co., Pine Top Insurance Co.

Principal officers: Thomas F. Sheehan, president; Ram H. Chandarana, executive vp; James F. Whitaker, vp/treasurer.

Sherwood Insurance Services

155 Sansome St., San Francisco, Calif. 94104; 415-956-3236

	1979*	1978
Premium vol.	$13,000,000	$4,000,000
Gross rev.	$800,000	$250,000
Employes	10	
% commercial	100	100
% E/S bus.	20	20

*Period reported: 12-month estimate (Began April 1978).

Specialty lines: Property lines.

MGA for: Correspondents for Lloyd's.

Principal officers: Don Sherwood, president and chief financial officer.

South Continental Insurance Agency Inc.

PO Box 2992, San Juan, Puerto Rico 00903; 809-723-6128

	1979*	1978
Premium vol.	$15,960,333	$19,345,859
Gross rev.	$1,960,230	$2,368,068
Employes	76	
% commercial	80	80
% E/S bus.	10	10

*Period reported: Sept. 30, '78 to June 30, '79.

Specialty lines: Professional liability, special risks.

Principal officers: Walter Fournier, chairman; Frank Fournier, president; Charles C. Carr, vp.

South East Underwriting Service Inc.

228 W. Valley Ave., Birmingham, Ala. 35209; 205-942-1114

	1979*	1978
Premium vol.	$8,500,000	$9,200,000
Gross rev.	$1,615,000	$1,748,000
Employes	35	
% commercial	50	50
% E/S bus.	20	18

*Period reported: Estimated, 6 months doubled.

Specialty lines: All non-standard fire and casualty business.

MGA for: Champion Insurance Co., National Indemnity, Carolina Casualty and 20 other markets including Lloyd's-binding contracts.

Principal officers: R.J.W. Kimble Jr., president; Ben F. Drake, W.H. Baldwin, vps; P.P. Richard, secretary.

Southern Cross Underwriters Inc.

PO Box 5108, Fondren Station, Jackson, Miss. 39216; 601-981-5172

	1979*	1978
Premium vol.	$2,028,000	$3,000,000
Gross rev.	$200,000	$295,000
Employes	15	
% commercial	90	90
% E/S bus.	18	15

*Period reported: Through June 25.

Specialty lines: Directors and officers, errors and omissions, surcharged fire and casualty.

A Risk Management Program Without A Loss Recovery Contingency is Incomplete.



Loss Recovery by professional salvors is a proven way insurance companies minimize their losses on claims. It is a contingency they depend on to avoid unnecessary drains on their cash flow when losses occur.

If your risk management program doesn't include a loss recovery contingency, it is incomplete.

USCC can complete your risk management program. We've been serving the insurance industry over 80 years. We professionally take what is left and make the most of it to minimize losses. Our years of experience and expertise are just a phone call away.

But please call before you need us. Familiarize us with your product, its capabilities and restrictions. Then, should you have a loss, we can respond knowledgeably and quickly. That means more recovery dollars returned to your company's cash flow.

Loss Recovery by USCC is a front line defense against rising self-insured losses. It's a vital element in your complete risk management program.

Contact USCC now. Sure, you hope you never need us. But if you do, we'll be ready to serve you anywhere with full service loss recovery offices located throughout the country.

Write for our corporate services brochure, "The USCC way to increased cash flow protection and asset conservation." Or call our 24 hour service number (312) 437-8181 anytime. But preferably immediately. So that you and USCC will be prepared. Completely prepared.

USCC

National Executive Offices, Risk Management Services
1400 Busse Road, Elk Grove Village, Illinois 60007
(Chicago)

MGA for: National Indemnity Co., Carolina Casualty Insurance Co., Guaranty National Insurance Co., Western World Insurance Co., correspondence at Lloyd's.

Principal officers: Charlie M. Phillips, president; Diane Petty, vp; Ford Petty, secretary/treasurer.

Southern Insurance Managers

95 Whitebridge Road, Cavalier Bldg., PO Box 50297, Nashville, Tenn. 37205; 615-536-2900

	1979*	1978
Premium vol. ...	$3,850,000	$7,250,000
Gross rev.	$385,000	$700,000
Employes	25	
% commercial ..	75	75
% E/S bus.	15	15

*Period reported: Through June.

Specialty lines: Long haul truck, commercial truck, excess liability, general liability, products umbrella, etc.

MGA for: Peninsular Insurance Co., National American Insurance Co., Bankers Standard, Allied Insurance.

Principal officers: Edward J. Knish and J. Stuart Jones, partners.

Southern Insurance Underwriters Inc.

146 Nassau St. NW, Atlanta, Ga. 30303; 404-524-8671

	1979*	1978
Premium vol. ...	$6,118,905	$9,577,000
Gross rev.	$164,277	$190,697
Employes	42	
% commercial ..	60	56
% E/S bus.	NA	NA

*Period reported: Through July.

Specialty lines: Non-standard auto, cycles, mobile homes, low valued dwelling, local and long haul trucks, commercial fire.

MGA for: National Indemnity Co., Northland Insurance Co., Commercial Standard Insurance Co., Jefferson Insurance of N.Y., Great Southwest Fire, Independent Fire, National Fire & Marine, Bankers Standard Insurance Co., Bellefonte Insurance Co., St. Paul Surplus Lines Co., Lloyd's of London.

Branch offices: Birmingham, Ala.

Principal officers: Wesley C. Duesenberg Sr., president; Wesley C. Duesenberg Jr., vp; W. George Krenson, senior vp.

Southwest Surplus Insurance Agency Inc.

6044 Gateway East, PO Box 9187, El Paso, Tex. 79983; 915-779-3651

	1979*	1978
Premium vol. ...	$1,200,000	$2,400,000
Gross rev.	$150,000	$250,000
Employes	11	
% commercial ..	50	50
% E/S bus.	80	80

*Period reported: Through June.

Specialty lines: Texas county mutual business, recreation vehicle risks.

MGA for: Guaranty National, Great Southwest Fire, Northeastern Fire, Foremost, Puritan.

Principal officers: Don Litchfield, Jim Driscoll, vps.

Parent company: Alexander & Alexander.

Superior Underwriters, Division of Groninger & Co. Inc.

309 Colman Bldg., Seattle, Wash. 98104; 206-223-3666

	1979*	1978
Premium vol. ...	$2,018,365	$6,631,024
Gross rev.	$198,896	$1,078,279
Employes	40	
% commercial ..	36	34
% E/S bus.	52	50

*Period reported: May through July.

Specialty lines: Mobile homes, travel trailers, motorcycles, motor homes, pleasure boats, snowmobiles.

MGA for: Cal Union, Foremost, Lloyd's, Great American, Surplus Lines, Midwest Mutual, Monticello, National Indemnity, Puritan, Sovereign, Western World, Yosemite, Great Falls.

Branch offices: Beaverton, Ore.

Principal officers: Guy N. Hedreen, president; Johanis R. Sinon, executive vp; Ormand Keller, vp; Eugene Caruso, secretary/treasurer.

Surplus Line Managers Inc.

90 Main St., PO Box 487, Nashua, N.H. 03061; 603-883-1776

	1979*	1978
Premium vol. ...	$2,600,000	$2,350,000
Gross rev.	$456,000	$423,000
Employes	5	
% commercial ..	82	73
% E/S bus.	90	90

*Period reported: 12 months ending July 31.

MGA for: American Modern Home, Jefferson, Western World.

Principal officers: Walter C. Cogswell, CPCU, president; Archie M. Slawsby, treasurer.

Parent company: Archie Slawsby Agency Inc.

Trans World Excess Inc.

116 John St., New York, N.Y.

Continued on next page

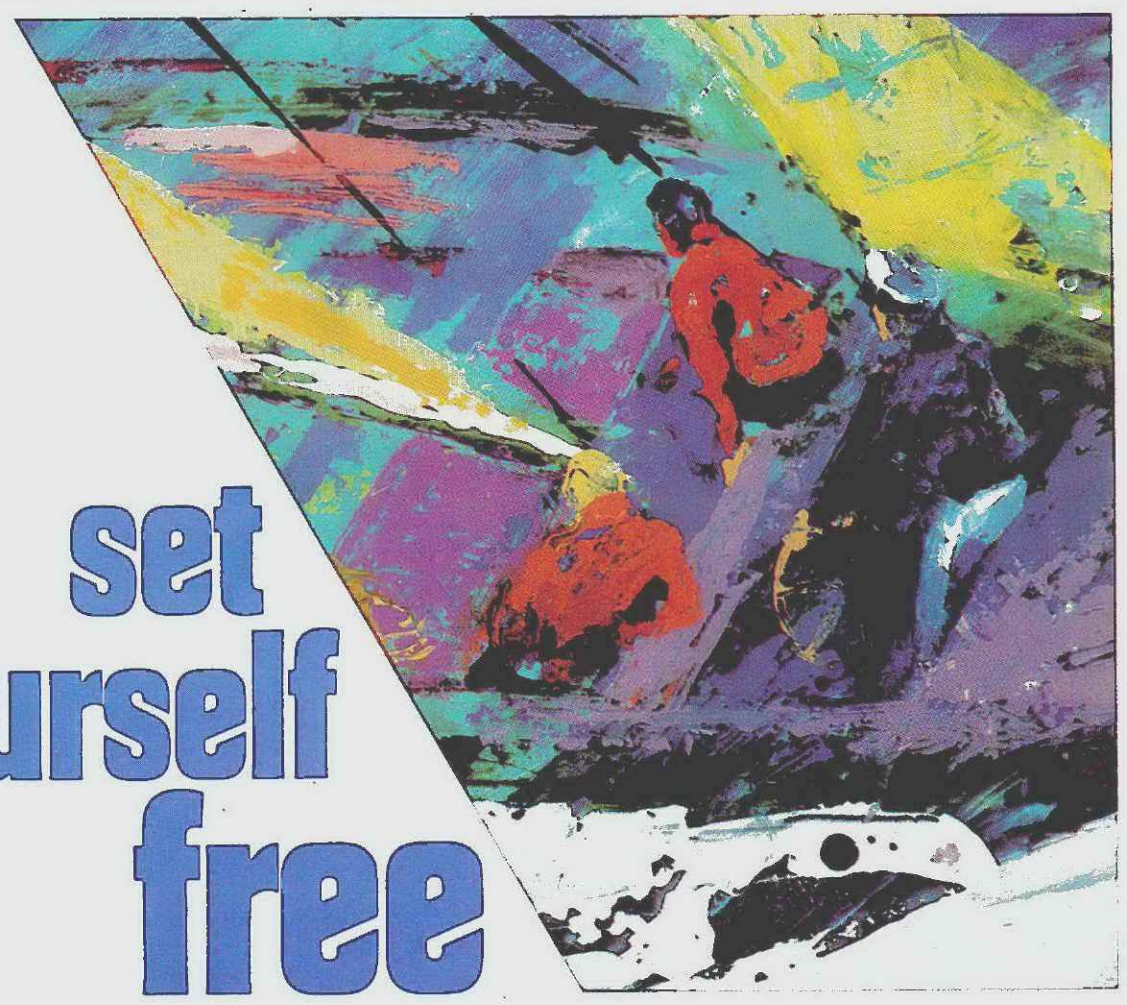
ROCHESTER and MILWAUKEE

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

KENDALL INSURANCE, INC.
90 South Main Street
Rochester,
New Hampshire 03867
603-332-5800

LAUB GROUP INC.
324 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
414-271-4292

See our ad on page 6



set yourself free

Daily cares vanish as skipper and crew match wits with wind and wave.

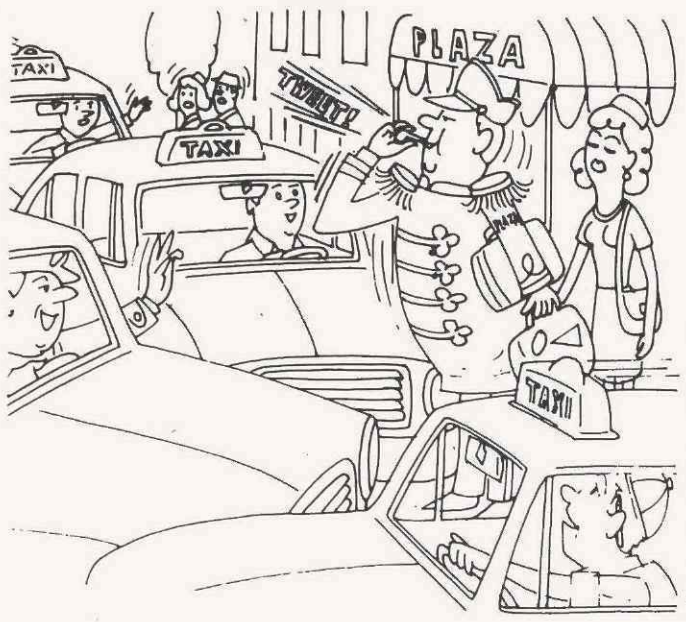
Similarly, insurance worries disappear when specialists apply their skills to solving your excess and surplus lines problems.

The Crowther People . . . experts in tailoring surplus lines insurance to individual needs. Their creative solutions "set you free" from the concerns of hard- to-place risks.



the Crowther People

Minneapolis 612/333-0361	Des Moines 515/243-1221	Omaha 402/393-2040	Sioux Falls 605/336-0960	Springfield 417-887-0354
Bismarck 701/223-1112	Billings 406/248-7183	Boise 208/336-7131	Madison 608/271-6500	Denver 303/753-0071



One call gets results.

When you need excess and surplus coverages fast, contact the "can do" people at DVUA. One call covers more than 60 markets. You're guaranteed the coverage you're looking for . . . without delay or red tape. Competitive prices, too. We're as close as your telephone.

Philadelphia	(215) 572-3800
Pittsburgh	(412) 281-3920
N.J./N.Y.	(201) 731-3033
Ohio	(216) 449-0351

When others can't, DVUA "can do."

DVUA

Delaware Valley Underwriting Agency, Inc.

PHILA.(Wyncote): Corporate Headquarters, 125 Greenwood Avenue, Wyncote, Penna. 19095, (215) 572-3800

WESTERN PA: Centre City Tower, 650 Smithfield Street, Pittsburgh, Pa. 15222, (412) 281-3920

NEW JERSEY: 200 Executive Drive, West Orange, N.J. 07052, (201) 731-3033

OHIO: 6151 Wilson Mills Road, Highland Hts., Ohio 44143, (216) 449-0351

THEY SHOOT THE TOUGHEST QUESTIONS AT US

And we try to field them all. In recent years, nearly every producer has had increased contact with the excess/surplus lines market. As business has multiplied, so have the problems. Fortunately, the E&S market place has risen to the occasion. Expanded E&S facilities have helped answer questions and solve problems in areas of coverage, price, capacity and general availability.

Today there are over 250 companies and managing agents operating in the special risk field handling coverages in well over 280 categories. Each one of these facilities offers something. They do not necessarily overlap or solve the same kinds of problems. So you can understand why we spend a great deal of time answering questions—helping producers find the right way to successfully resolve the questions.

Experience is a great teacher. AVRECO provides coverage for more than 100 of "Fortune's 500" companies, the largest industrial operations in the country. We also serve smaller commercial operations so important to the local independent agent.

At AVRECO, we have a winner's instincts in our area of expertise. We look each problem straight in the eye. We are confident we can serve you and your clients. Next time a tough question needs answering—ask us.

SEND FOR YOUR COPY
Our interesting, easy-to-read "Fact Book" will give you a better understanding of the special risk field and the services we offer.



AVRECO

PROFESSIONALS IN SPECIAL RISK MARKETING

200 West Monroe Street · Chicago, Ill. 60606
312/663-1500 · Telex 02-53553 · Cable AVRECO

EXCESS/SURPLUS

Continued from previous page

10038; 212-233-7232

	1979*	1978
Premium vol.	$4,500,000	$8,500,000
Gross rev.	$525,000	$975,000
Employes	16	
% commercial	95	95
% E/S bus.	50	NA

*Period reported: Through June.

Specialty lines: Mostly casualty.

Principal officers: Paul Gordon, president.

U

United States Central Underwriters Agency Inc.

11500 Olive Blvd., St. Louis, Mo. 63141; 314-569-1290

	1979*	1978
Premium vol.	$5,150,000	$9,500,000
Gross rev.	$570,000	$1,030,000
Employes	17	
% commercial	100	100
% E/S bus.	45-50	45-50

*Period reported: Through June.

Specialty lines: Municipalities and government business, restaurants, hotels and casinos.

MGA for: U.S. Liability Insurance Co., Northwest Insurance Co., Ambassador Insurance Co.

Principal officers: R.B. Hutchings, chairman; Robert R. Hutchings, president; John R. Hutchings, secretary/treasurer.

W

Walterry Insurance Brokers

7411 Old Branch Ave., Clinton, Md. 20735; 301-868-7200

	1979*	1978
Premium vol.	NA	NA
Gross rev.	$900,000	$1,500,000
Employes	4	
% commercial	88	84
% E/S bus.	32	31

*Period reported: Through June.

Specialty lines: Bowling lanes, broadcast liability, publisher liability.

Principal officers: W.J. Coady Jr., president.

Parent company: Walterry Inc.

Weghorn International Inc.

156 William St., New York, N.Y. 10038; 212-227-4600

	1979*	1978
Premium vol.	$2,160,254	$4,571,016
Gross rev.	$358,941	$711,593
Employes	10	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through July.

Branch offices: Morristown, N.J.

Subsidiaries: Weghorn International—New Jersey Inc.

Principal officers: John C. Weghorn, chairman; Richard J. Weghorn, president; Michael L. Himowitz, vp.

Parent company: John C. Weghorn Agency Inc.

The Wetzel Co. Inc.

PO Box 66452, 3003 W. Alabama, Houston, Tex. 77098; 713-523-3003

	1979*	1978
Premium vol.	$10,014,000	$25,166,799
Gross rev.	$1,348,444	$3,064,080
Employes	21	
% commercial	100	100
% E/S bus.	100	100

*Period reported: Through June.

Specialty lines: Oil, association, malpractice.

MGA for: Commodore, Lloyd's, certain foreign insurers.

Principal officers: Frank J. Wetzel, president; Benjamin D. Wilcox, Robert E. Hess, Richard Lannin, all vps; John C. Jones, Donald W. Maxwell, Robert A. Ellis, Johnie G. Wallace, all assistant vps.

Insurance inflates product prices

SAN MATEO, Calif.—Small businesses had to increase product costs to cover the increased cost of product liability insurance, according to a poll of the National Federation of Independent Business here.

In a state-by-state poll of 579,000 members, the federation found 54% of its California members had to boost prices due to the increased cost of insurance. Sixty-four percent of the California members said in November 1978 that their product liability insurance costs had risen by more than 50% in two years.

Similarly, 73% of the respondents in Arkansas said they had experienced a significant increase in insurance costs during the past 12 months forcing 55% to boost prices. In Louisiana, 85% said they had experienced a noticeable increase in insurance costs during the past 12 months forcing 71% to raise prices. In Oklahoma, 69% said they had experienced a significant increase in insurance costs over the past 12 months, forcing 60% to boost prices. ■

Directory lists brokers by city, state

EXCESS/SURPLUS

ALABAMA

Birmingham

Creative Underwriters of the South Inc.
South East Underwriting Service Inc.

Montgomery

The Gulf Agency Inc.

ALASKA

Anchorage

Huycke General Agency

ARKANSAS

Fayetteville

Jaeger & Haines Inc.

Little Rock

Arkansas Surplus Lines Inc.

CALIFORNIA

Encino

H&W Insurance Services

Irvine

Creative General Agency Inc.

Los Angeles

M.B. Buettner & Co. Inc.
Canon Insurance Service
Catalina General Agency Inc.
Excess & Surplus Lines Insurance Brokers Inc.
Harry W. Gorst Co. Inc.
ISIP of America Insurance Brokers Inc.

Oakland

Derek Ware Insurance Brokers Inc.

Pasadena

Anderson & Murison Inc.

San Diego

Kappes Coombe Insurance Service

San Francisco

The Excess & Special Risk Market Inc.
Sherwood Insurance Services

San Jose

Coplen General Insurance Agency Inc.

Solvang

Robis International Insurance Brokers

Stockton

Iwest Insurance Managers Inc.

Van Nuys

The NorCo Agency Inc.

Woodland Hills

American Excess Corp.

COLORADO

Denver

Day, Webb & Taylor Inc.

CONNECTICUT

Hartford

Exsure Incorporated

Norwich

Forest Products Agency Inc.

Portland

Connecticut Underwriters Inc.

DISTRICT OF COLUMBIA

L.E. Harris Agency Inc.

FLORIDA

Miami

Cover-all Underwriters Inc.
Florida Risk Managers Inc.

St. Petersburg

Dana Roehrig & Associates Inc.

GEORGIA

Atlanta

Dilbeck-Dominey Underwriters
Hartje & Co.
Insurance Time Inc.
Irby-Seawell Co. Inc.
Overseas & Domestic Underwriters Ltd.
Overstreet & Associates Inc.
Southern Insurance Underwriters Inc.

Norcross

Atlanta Insurance Brokers Inc.

ILLINOIS

Chicago

National Underwriting Agency Inc.

Park Ridge

Thomas F. Sheehan Inc.

IOWA

Cedar Rapids

Bjornson Inc. of Iowa

Des Moines

Mark III Inc.

KANSAS

Lawrence

The Hillside Cos.

Topeka

Blakely General Agency Inc.

KENTUCKY

Lexington

W.E. Kingsley Co.

Louisville

Market Finders Insurance Corp.

MARYLAND

Clinton

Walterry Insurance Brokers

MASSACHUSETTS

Holyoke

R. J. Saex Insurance Agency Inc.

MICHIGAN

Detroit

American Underwriters Corp.

Grand Rapids

Pilot Management Corp.

Southfield

Marketfinders Inc.

MINNESOTA

St. Paul

Northern States Agency/ Midwest Risk Agency

MISSISSIPPI

Jackson

Dupuy-Busching General Agency Inc.
Southern Cross Underwriters Inc.

MISSOURI

Kansas City

H&W Underwriters (Agency) Inc.
Midwestern General Agency Inc.

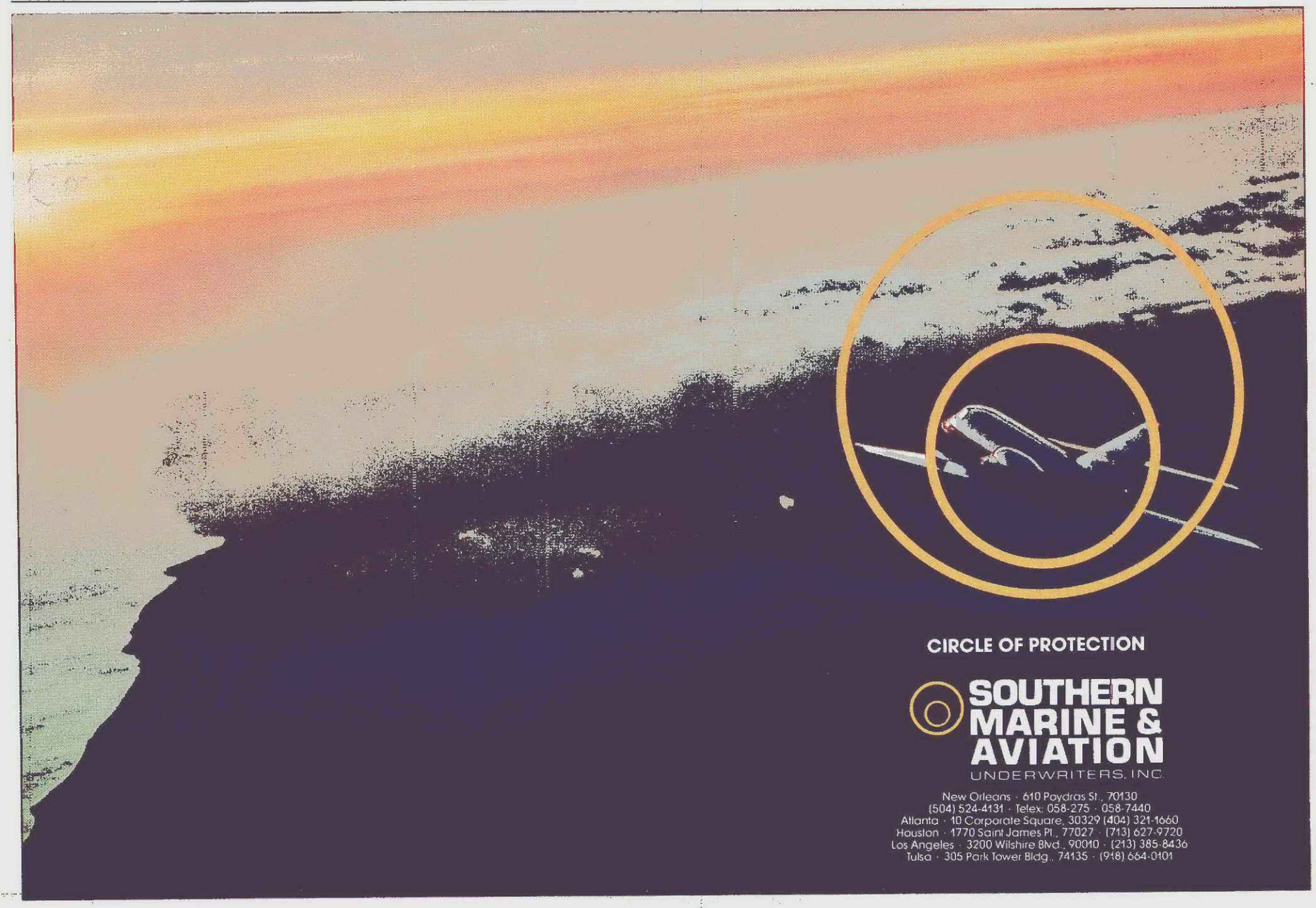
Springfield

Bohrer, Croxdale & McAdoo Inc.

St. Louis

Gateway Underwriters Agency Inc.

Continued on next page



EXCESS/SURPLUS

Continued from previous page

United States Central Underwriters Agency Inc.

NEBRASKA

Lincoln

Ralph Schram Inc.

NEW HAMPSHIRE

Nashua

Surplus Line Managers Inc.

NEW JERSEY

Chatham

Dryden & Co. Inc.

Kenilworth

America's Insurance Center

NEW MEXICO

Albuquerque

Dwight Tope State Agency Inc.

NEW YORK

Buffalo

Brokers' Marketplace Inc.
LoVullo-Millemaci & Associates Inc.

Lynbrook

Lawrence Excess Ltd.

Manhasset

North Island Excess & Surplus Corp.

New York

Eastern Risk Managers Ltd.
Bernard W. Levmore Co. Inc.
Robert Mack United Inc.
Major Surplus Inc.
Michelotti Facilities Inc.
Midtown Risk Specialists Inc.
Parkington Associates Ltd.
Trans World Excess Inc.
Weghorn International Inc.

Schenectady

Frank Perfetti Inc.

Valley Stream

Arrow Excess & Surplus Ltd.

NORTH CAROLINA

Charlotte

Edwin M. Rollins Inc.

Durham

Horace M. Johnson & Co. Inc.

OHIO

Columbus

Crump-Kientz & Co.

OKLAHOMA

Bartlesville

Grahma-Rogers Inc.

Oklahoma City

Landmark Insurance Group Inc.
Oklahoma General Agency

OREGON

Portland

JKS Inc.

PENNSYLVANIA

Bryn Mawr

Horan, Goldman Cos. Inc.

Mechanicsburg

Dorex Inc.

Philadelphia

British American Associates Inc.

Upper Darby

Pennock Insurance Agency Inc.

TENNESSEE

Nashville

Southern Insurance Managers

TEXAS

Dallas

Dub Martin & Co. Inc.
Natesco General Agency Inc.
National Insurance Managers Inc.

El Paso

Southwest Surplus Insurance Agency Inc.

Houston

Delta Special Risks Agency
The Wetzel Co. Inc.

WASHINGTON

Seattle

Superior Underwriters

WISCONSIN

Eau Claire

Mid-west General Agency

Sheboygan

All Lines Insurance Agency Inc.

Waukesha

American X/S Underwriters

BERMUDA

Hamilton

Blades & Associates Ltd.
J.H. Blades & Co. International Ltd.

CANADA

Montreal

Ian Elliott Ltd.

PUERTO RICO

San Juan

South Continental Insurance Agency Inc.

Can self-insurance improve your company's cash flow? Your James Account Executive will find out for you–fast.



Self-insurance isn't for everyone. Your James Account Executive can find out if it's right for you...by having your exposures analyzed by James' regional team of self-insurance specialists.

From extensive experience in the design and administration of self-insurance programs—for companies of all descriptions—the James regional team can tell you if an in-depth feasibility study makes sense for an operation of your type and size.

To take advantage of this no-obligation offer, contact your local James Account Executive. Or write Reynolds Blossom, Vice President, Fred. S. James & Co., 230 W. Monroe Street, Chicago, Illinois 60606.

James

FRED. S. JAMES & CO., INC.
Insurance Brokers Since 1858
Insurance and Risk Management Services
Through More Than 100 Offices Around The World

Two benefit classes given by foundation

BROOKFIELD, Wis.—The eighth and ninth courses in the 10-part Certified Employe Benefit Specialist program will be given this fall by the International Foundation of Employe Benefit Plans and the Wharton School of the University of Pennsylvania.

"Industrial Relations" and "Employe Benefit Plans and the Economy" are the two courses to be offered.

The final course in the college-level study program—"Administration and Contemporary Benefit Issues"—will begin in December and the first professional designations will be conferred in the fall of 1980.

More than 5,100 persons are registered in the nationwide program. Candidates may prepare for the examinations on an independent or informal group basis if class attendance is not feasible.

Information may be obtained from the CEBS department, International Foundation of Employe Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005, (414) 786-6700. ■

Government agrees to pay $285,000 in swine flu case

WASHINGTON—The federal government has agreed to pay $285,000 to the widow of a Grand Rapids, Mich., shop foreman who died after receiving a swine flu shot.

The settlement is the highest payment the government has made since it halted the ill-fated program in December 1976.

The federal government is primarily liable for all injuries suffered by people inoculated under the swine flu program. The vaccine manufacturers were spared liability—except for negligence in manufacturing the vaccine—under an act of Congress.

Robert Herbst, a 46-year-old foreman at McDonnell Douglas Electronics Corp., decided on Dec. 7, 1976, to heed the government's advice and went to a local clinic to receive the swine flu vaccine.

Seventeen days later, Mr. Herbst was stricken with Guillain Barre, a rare syndrome that attacks the nerves and results in paralysis. On Feb. 7, 1977, Mr. Herbst died.

His widow, Kathleen Herbst, filed suit in U.S. district court in Grand Rapids against the government, charging the shot caused her husband's death. She sought $1.5 million in damages.

The government agreed to pay Mrs. Herbst $285,000 in last month's out-of-court settlement because her claim was "fairly straightforward" and there was little doubt that the swine flu shot caused Mr. Herbst's death, a Justice Department attorney said.

Out of the 40 million Americans vaccinated in the program to avert a swine flu epidemic that never developed, at least 532 contacted Guillain Barre. Thirty-two of those 532 died.

As of late last month, 3,763 claims asking for a total of $3.4 billion in damages had been filed; 71 claims totaling $2.1 million had been settled. The settlements range from the $285,000 Mrs. Herbst received down to the $49.50 awarded to a person who contended the shot was improperly administered, leaving her with a sore arm. The average settlement has been $30,000.

Under the Federal Tort Claims Act, the Justice Department reviews all claims and rules on their validity. If the department decides a claim is valid, it negotiates the amount of the settlement.

If the Justice Department decides a claim is not valid, a plaintiff can sue the government in U.S. district court. A plaintiff can only seek compensatory and actual damages; punitive damages are not allowed.

Plaintiffs have made several efforts to sue the manufacturers of the vaccine. But the Supreme Court ruled last year that plaintiffs can only sue the government, as established by a law Congress passed in 1976 in which the federal government agreed to accept primary liability.

The government does retain the option of suing the drug manufacturers if it can prove that the manufacturers were negligent in producing the vaccine. But no such evidence has turned up to date, and there are no current plans to sue manufacturers. ■

Wis. RIMS elects officers

MILWAUKEE—The Wisconsin chapter of the Risk and Insurance Management Society has elected Craig D. Brown, insurance administrator for Sentry Foods, as president for 1979-80. Theodore T. Hood, corporate risk manager for Applied Power Inc., was elected vp and program chairman.

Also elected were Ronald O. Wiese of the Ladish Co., secretary, and Walter R. Schultz, of Aldrich Chemical, treasurer.

Cheryl Peske of the city of Milwaukee and Robert K. Dreher of Western Publishing Co. were elected directors. ■

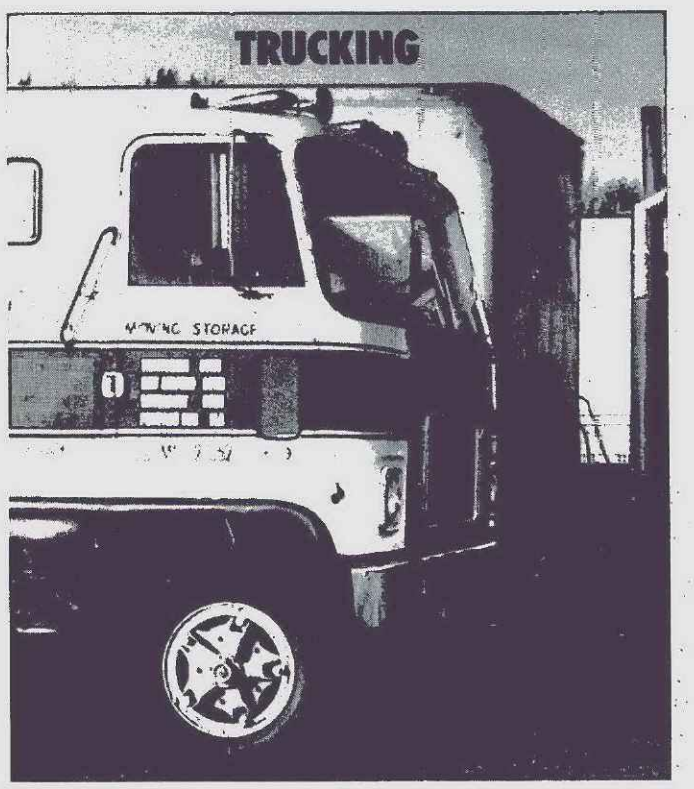
ST. LOUIS and SAN FRANCISCO

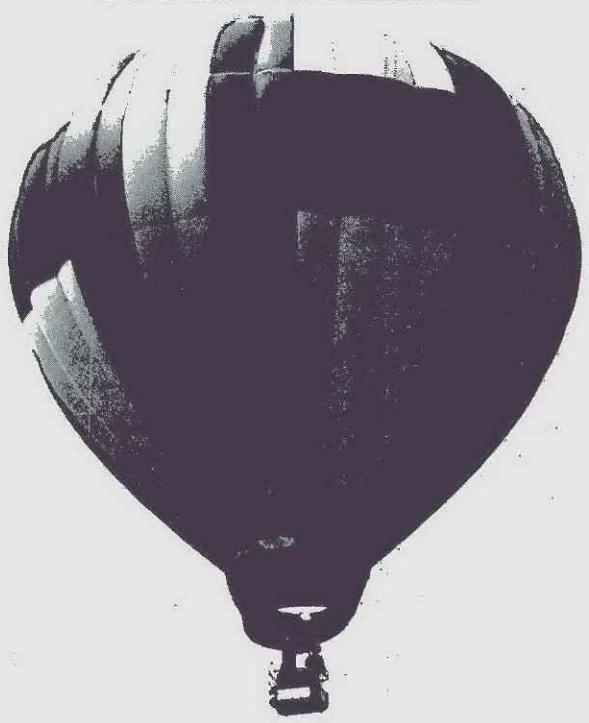
. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

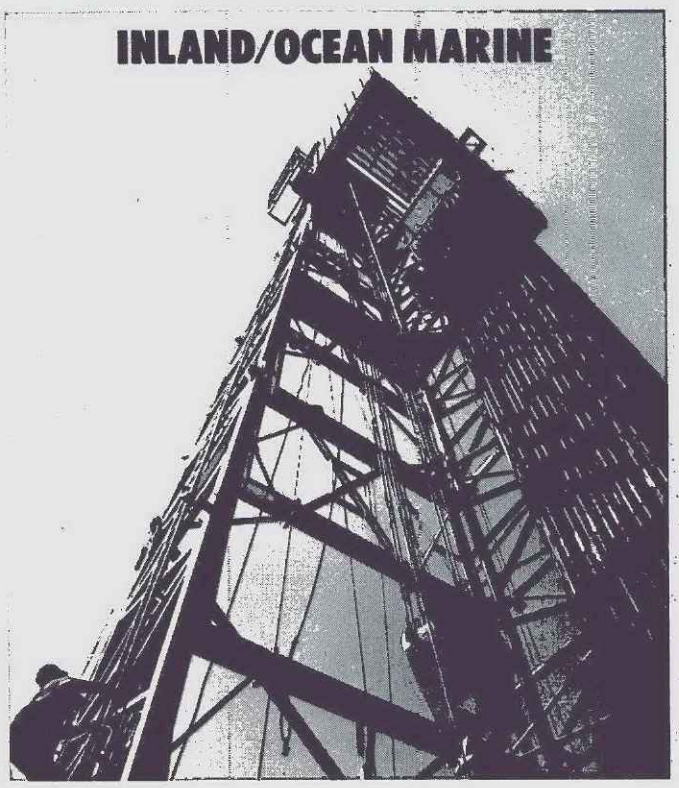
THE DANIEL & HENRY COMPANY
10 Broadway
St. Louis, Missouri 63102
314-421-1525

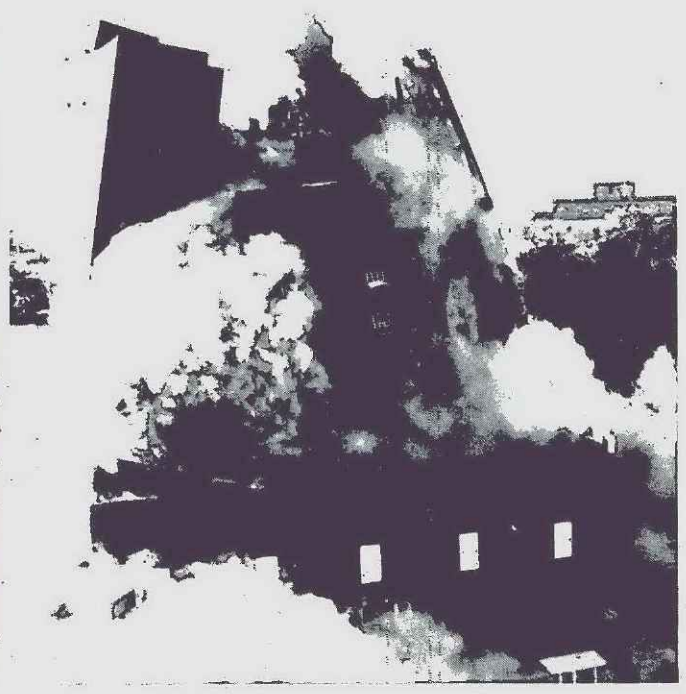
CLIFTON & COMPANY
Three Embarcadero Center
Suite 1700
San Francisco, California 94111
415-434-1500

See our ad on page 6









SPECIALTY INSURANCE CALLS FOR MARKELABILITY*

Markel Service, Inc., 5310 Markel Road, Richmond, Virginia 23230 • Telephone (804) 282-5423. Telex: 82-7455 WATS line to Richmond: 800-446-6671 • Offices in Atlanta, Boston, Calgary, Chicago, Dallas, Montreal, San Francisco, Tampa, Toronto.

Markelability*: the unusually fast, creative, competitive service Markel provides in Excess and Surplus, Inland Marine, Aviation, Trucking and all Specialty Insurance lines.

CALL MARKEL. THEY CAN DO IT.

Write for our new brochure: "Uncover the Secret of Insuring Special Risks"

london line

Insurers alter renewal terms, make hull policies flexible

By JOHN H. MILLER

LONDON—New proposals from the joint hull committee representing Lloyd's and the Institute of London Underwriters altering the basis on which renewal rates are set, the first of their kind in five years, are being adopted by U.K. insurers.

The present recession in the shipping industry has caused major difficulties for the committee, as other countries attempt to capture their share of dwindling income. Underwriters have admitted the need for greater flexibility over ratings.

The committee is changing the "penalty graphs" for renewals of various categories of fleets ranging from $500,000 to $300 million in total value under their individual ownerships. Fleets worth more than $300 million are excluded from the new scheme.

Greater emphasis will be placed on consultations between leading underwriters before renewal terms are assessed and on claims experience and fleet values.

"We know that shipowners through the world are in a very difficult position these days, but regrettably, hull underwriting is also in a sad state as well," says John D. Russell-Taylor, chairman of the joint hull committee.

"This demands a new approach to the problems. So we're trying to bring our renewal attitudes more up to date and give the market's leading underwriters flexibility in the terms which are available for various types of merchant fleets."

The joint hull committee has tried hard to achieve widespread agreement in the U.K. market for deductibles and other terms of hull contract renewals. Otherwise, brokers and their clients might be tempted to shift their portfolios and lead to further losses in an already sensitive market.

In the meantime, other countries have grabbed hull business from the U.K.

The issue came to a head in October 1977 when E.D. (Ted) Rainbow, a leading U.K. company underwriter, quit the hull committee because of a conflict over ratings. Henry Chester of Lloyd's had left in March 1976 for similar reasons. The final blow came last April when another Lloyd's insurer, Michael Maughan, also left because of arguments over rating terms (*BI*, May 14).

Since then the committee has been trying to patch up its arguments and has come up with the new proposals.

Tankers rerouted

Tanker operators have agreed to reroute their ships around the South African coast as the result of a collision in December 1977 which is believed to have cost $30 million in repairs.

The two vessels, Venoil and Venpet, collided off Capetown and insurers became alarmed at the possibility of more such disasters in heavily used waters.

Laden tankers will now travel more than 25 miles off the coastline, while unladen tankers will be able to navigate closer to shore, lessening the chance of casualties.

Swedes fear losses

Swedish insurance companies fear they will meet heavy product liability losses before they can create the right premium ratings and are hoping to link these kind of risks automatically in general liability policies.

Insurers are mounting sales drives to persuade more industrial corporations to take out direct product liability cover.

The Swedish Insurance Cos.' Assn. points out that the higher scale of damages in the U.S. will affect premiums for policies involving export goods.

Sword purchased

Brokers at Lloyd's raised $80,000 when they heard that one of Britain's famous souvenirs, a silver sword struck to mark Britain's victory over French and Spanish fleets at the Battle of Trafalgar in 1806, had been sold to a U.S. collector.

Within 24 hours they bought the sword from a U.K. antique dealer who had been handling the deal for his U.S. client and was waiting for export permission. They have presented the sword to the Lloyd's authorities for display along with other maritime items of repute in the Nelson Room, which is often visited by overseas visitors when they tour the building.

Rating competition

Premium rating competition in the U.S. market is affecting Lloyd's brokers, say U.K. stockbrokers Kitcat and Aitken after they analyzed brokerage results on both sides of the Atlantic in recent months. The big U.K. broking groups are being hit by adverse currency factors as sterling gets stronger, and also by greater competition and rising inflation.

Price-cutting woes

Price-cutting on insurance cover in the U.S. has led to lower profits for insurance brokers depending on sustained premium income, including the major Stewart Wrightson broking group.

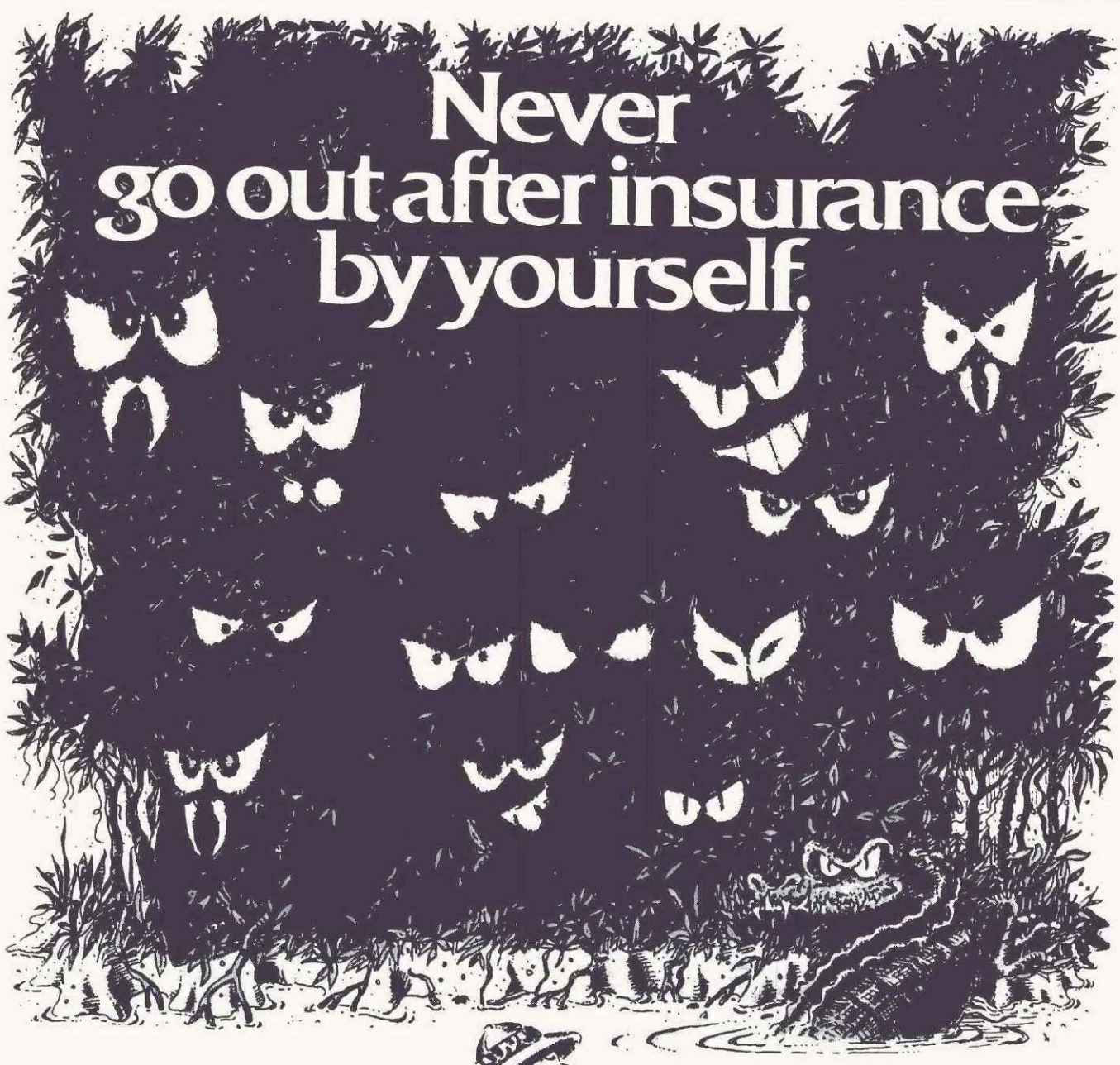
Over-capacity in world markets is having an adverse effect on rating levels in many cases of business, reducing broking profits, says E.J. Gordon Henry, Stewart Wrightson's chairman.

Work comp claims

Attorneys representing U.S. asbestosis claimants have been visiting the U.K. to determine which workers compensation policies will pay claims.

Some of the policies, written by Lloyd's and other insurers, were taken out as long as 30 to 40 years ago and later replaced by other policies, often by other underwriters.

Some underwriters argue that the claims should be covered by policies in effect when workers began employment with asbestos-handling firms. But others contend claims should be covered by policies in effect much to the date when employes discovered they were suffering from a fatal disease. ■



These days, it's not the same old territory. You bump against unfamiliar new coverages out there. Costs are spiraling. Some present coverages may be vanishing.

At IM, we explore insurance continuously with wide-ranging resources. We also explore with *you*...your needs, risks, losses. After an in-depth study and analysis, we come back with *the* cost-efficient insurance system for your situation.

It may include new self-insurance possibilities, a risk-retention fund, safe deductibles. Or a feasibility study that looks toward your own offshore captive insurer, drawing on IM's innovative experience in formation and management. And we may suggest our Nittany Loss Control Services to take you confidently into safety and claims handling.

You can be in touch easily. Our Inter-Mark network of selected independent agents spreads across the country. So exploring insurance with IM is just a matter of sticking close to the best guide in the business.

Insurance Management

IM of America, Inc., 8401 Connecticut Avenue, Washington, D.C. 20015 (301) 654-0355
Offices in Reading, Lancaster and Villanova, PA and affiliated agencies nationwide.

im

INA's loss-control programs attract N.Y. CPA society

CHICAGO—A pledge to loss control, careful claims review and plausible reserving has lured a group of certified public accountants to pick INAX Underwriters Agency Inc. as its professional liability insurer.

The New York State Society of Certified Public Accountants had no gripes with its previous professional liability insurer, American Home Assurance Co., said Alan Schmelkin, director of administration for the society. "We made the switch because of INA's strong commitment to developing a program that is more responsive to the problems facing the accountant today," he added.

INAX is a subsidiary of INA Corp.

Savings to members resulting from the change would be difficult to calculate, Mr. Schmelkin admitted. Shortly after the society released its plans to give INA its business, American Home slashed its rates. If American Home had not dropped its rates, members would have seen savings ranging from 5% to 20%, he said.

The INA program provides liability coverage up to $10 million, with defense costs in addition to the limits of liability. There is a minimum deductible of $1,000 with higher deductibles available at lower premiums.

But what the INA program offers outweighs the issue of cost, according to the society's blue chip committee which selected INA for the 23,000 members. Some of the features in the program that tipped the scales in INA's favor are:

- INA will emphasize loss control programs. INA specialists will work closely with the society's technical experts to design programs to help each member reduce exposures.
- A panel of CPAs and INA staffers will review all of the claims generated from any society member. The panel will evaluate the validity and nature of the claim. "INA makes the final decision on a claim, but at least people who know the business from the inside out have an opportunity to contribute," Mr. Schmelkin noted.
- Once a decision is made on the severity of a claim, the reserve usually is determined. Since the CPAs are able to evaluate the nature of a claim, they are also indirectly responsible for suggesting reserves to reflect the kind of claim filed.
- INA will provide the society with an INA-approved roster of defense attorneys to use if a claim is filed against one of the members.
- INA has promised to keep rates "steady." Any adjustment based on the cost-of-living will be submitted to the CPA group for feedback. "With this method, members paying the premiums are partners in any rate determinations," Mr. Schmelkin said.

Under the program, prior acts coverage is available up to the policy's limits for claims arising from acts before the effective date of the policy. Also available is an extended discovery option providing coverage six years after a policy is discontinued for actions that occurred while the policy was in effect. ■

Ky. self-insures workers comp

FRANKFORT, Ky.—The state of Kentucky expects to save $3 million to $5 million this fiscal year under a self-insured workers compensation program begun July 1.

The state's estimated workers compensation premium to the Hartford Insurance Group, its former insurer, would have been $9.25 million this year.

Kentucky will pay $139,000 to McIntyre Horton of Louisville to administer the claims for the first year.

The amount of the self-insurance fund is being negotiated, but it will be less than the $7.75 million paid to Hartford in 1978-79. ■

Princeton Risk Managers

Excess-Surplus • Risk Management Concepts • Reinsurance
"Correspondents at Lloyds, London"
1101 State Road (Bldg. E), Princeton, New Jersey 08540 Telex 843 300 Phone (201) 297-5300

Who brings resourcefulness, along with resources, to excess and special risks?

The crack troop from Baccala & Shoop.



At Baccala & Shoop, we don't try to be all things to all producers. Our only business is total underwriting management of excess and special risk insurance.

The men and women of Baccala & Shoop have a lot to give — and give their all. They don't take pat stands when making risk decisions. To each individual proposal, they apply ingenuity plus solid experience. In fact, their resourcefulness has helped us achieve a primary goal: to produce profits year after year for the companies we represent.

In casualty, we have in-house and supplementary resources to cover potential liability for nearly every kind of third-party risk — via Umbrella Liability, Gap/Buffer Layers and Excess Workers Compensation. In property, we also have the capacity to tailor coverage for your requirements in Primary Quota Share, Excess of Loss, All Risks, D.I.C. and Builders Risk.

Why settle for the ordinary in excess and special risks when you can just as well have a masterly touch. Pick up the phone and call in the crack troop from Baccala & Shoop.

We'll put our reputation for consistency and stability on the line.

Baccala & Shoop

Atlanta • Chicago • Columbus, Ohio • Dallas • Houston • Los Angeles • New York • Philadelphia • Phoenix • San Francisco • Seattle

legal brief

Policy doesn't cover abortion mistake

A CALIFORNIA appellate court ruled that a physician's mistake in performing an abortion on the wrong patient fell within a professional liability exclusion of a comprehensive general liability policy.

Through an error made by a clerical employe, a patient was mistaken for another patient. Consequently, a physician performed an abortion on a pregnant patient who was only supposed to be examined. The aggrieved and aborted patient and her husband sued the physician for damages.

The physician tendered the defense of the suit to his insurer under a comprehensive general liability policy. The policy excluded coverage for "bodily injury or property damage due to the rendering of or failure to render any professional service." The insurer refused.

The abstracts published in this column were prepared by Cases Unlimited Inc., Evanston, Ill.

The physician brought an action against the insurance company to determine whether it was obligated to defend. The lower court refused to award the insurer a summary judgment.

On appeal, the physician contended the exclusion was inapplicable because the injury resulted from an administrative error rather than from professional negligence. The argument did not persuade the court.

The court said a physician has the nondelegable duty to identify a surgical patient. The patient's injury here was, according to the court, the direct result of the performance of professional services. Thus, the court concluded that the policy exclusion absolved the insurer from any obligation to defend. *Northern Ins. Co. of N.Y.* v. *Super Ct., Etc.*, California Court of Appeal, First District, April 4, 1979 (BI/01/S.-$4).

Personality change

An employe was denied compensation for a generalized neurosis condition resulting from an accident on the job. The supreme court of Delaware decided the injury did not constitute a "loss of use of a part of his body" as required by the workers compensation act.

Sefis Ramey was injured while attempting to cover his truck with a tarpaulin. A hook at the end of a strap struck Mr. Ramey between the eyes, knocking him unconscious. Mr. Ramey began to suffer severe headaches, nervousness, dizziness and occasional blackouts. He eventually had to stop driving a truck because of the injury.

Mr. Ramey applied for benefits under a section of the act which authorized compensation for an injury that causes "loss of use of any . . . part of the body." The industrial accident board awarded compensation, but this was overturned by the trial court.

The appellate court observed that the claim here was presented solely on the supposition that the illness was a partial loss of use of a "part of the body" within the meaning of that term in the act. The court concluded that the term "part of the body" was intended to refer to some specific identifiable member or organ of the body and should not be stretched to include a general condition of psychosis or neurosis. Because Mr. Ramey's entire claim was psychogenic in nature, the court agreed compensation was properly denied. *Ramey* v. *Delaware Materials, Inc.*, Supreme Court of Delaware, March 2, 1979 (BI/01/S.-$4).

Business interruption

The U.S. Court of Appeals for the 8th Circuit has upheld the decision of a trial court, previously reported, regarding interpretation of a business interruption insurance policy. The court agreed there was a total suspension of business as defined by the insurance contract even though the insured transferred some of its production to a second plant.

Omaha Paper Stock Co. was insured under a use and occupancy-business interruption policy with Harbor Insurance Co. Omaha operated two paper plants in the city. The Laird St. plant was destroyed by a fire in April 1975. Subsequently, Omaha increased production at its 18th St. plant.

A clause in the policy required Omaha, in the case of a loss, to use any "buildings, surplus machinery . . . equipment, raw stock . . . to expedite the continuance of resumption of business." This was a "valued" insurance policy in which the parties agreed to $3,260 per day as the value of the on-going business. Omaha's claim for 152 lost days was reduced to 130 by the trial court because Omaha contributed to the delay of repairing the business.

In essence, Harbor's contention on appeal was that the clause in question was a mitigation of damages clause. Consequently, Harbor contended the increased use of and output at the second plant should have been considered in assessing the damages.

The court concluded that the resumption or continuance of business requirement referred to resuming or continuing operations at the burned out plant. The operations at the second plant, the court said, did not affect, nor could it help, the resumption or continuance at the Laird St. plant. Thus, Harbor was liable under the total suspension of business clause. *Omaha Paper Stock Co.* v. *Harbor Insurance Co.*, U.S. Court of Appeals for the 8th Circuit, March 28, 1979 (BI/03/S.-$4).

Occurrence defined

A Massachusetts appellate court has ruled that an "occurrence," as used in an all-risk inland marine policy, denotes a process, a period of time or an entire sequence of events giving rise to an injury.

An orthodontist was the named insured under the policy issued by

ILLINOIS
R.B. JONES inc.
SEEDSMEN'S
Errors & Omissions
INSURANCE



Here's a coverage that offers you tremendous production potential . . . but you've got to act now since Seedsmen's E & O is strictly a seasonal business and the contracts are negotiated in the fall. Nationwide, the premiums run into the millions.

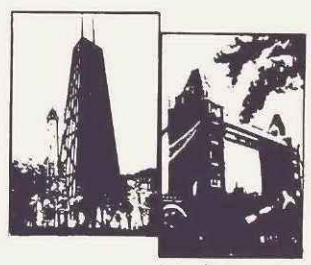
Your prospects are seed growers and their associations, seed wholesalers, seed brokers and seed dealers. Coverage is broad and basically covers four areas: Mechanical error, control problems, germination deficiencies and other assorted problems. Our Seedsmen's market offers you high limits, competitive rates and selection of deductibles.

CALL NOW—WE'LL SEND PRODUCER KIT

the best of both worlds

Insurances effected at Lloyd's, London since 1905

ILLINOIS
R.B. JONES inc.



serving agents and brokers since 1905

175 W. Jackson Blvd., Chicago, Ill. 60604 • Phone (312) 435-8200

United States Fidelity & Guaranty Co. Included as part of the policy was an endorsement extending coverage for loss of money in the premises for an amount not exceeding $250 "in any one occurrence."

During a 15-month period during which the policy was in force, the doctor's employe, a receptionist, embezzled a total of $9,000. No individual theft exceeded $250. The doctor's claim for the full amount was rejected by USFG.

The insurance company contended the term "any one occurrence" applied to the entire course of embezzlement by the employe and recovery, if any, should be limited to $250. Applying the word "occurrence" in its usual sense, the court said, "We believe that in the instant case the systematic course of embezzlement of funds by the insured's employe over a period of time pursuant to what the parties stipulate was a single scheme or plan constituted but 'one occurrence.'" Thus, the court held USFG's liability was limited to the $250. *Slater v. United States Fidelity & Guaranty Co.*, Appeals Court of Massachusetts, March 23, 1979 (BI/04/S.-$4).

Swine flu inoculation

A Texas appellate court said that injury through inoculation should be covered as a compensable injury if there is a combination of strong urging by the employer and some element of mutual benefit. The court held there was evidence here of injury in the scope and course of employment to support an award.

Charles L. Smith was employed as a firefighter by the City of Austin. Mr. Smith suffered injury as a result of an adverse reaction to a swine flue inoculation, the ingredients of which were furnished by the federal government and administered by the city through its agents and employes.

Although the inoculation was voluntary, it was established that the city desired that Mr. Smith, as a firefighter, receive it for the city's own welfare because his occupation would be critical to the community in the event of an epidemic. Firefighters were designated as a priority group to be inoculated. Mr. Smith received the shot while he was on duty at a facility owned and operated by his employer, the City of Austin. Mr. Smith was awarded a judgment in the trial court.

The city's contention on appeal was that there did not exist the requisite causal connection between the work Mr. Smith was employed to perform and the injury he sustained. The court rejected the argument.

The court emphasized that it "was the nature of Mr. Smith's duties of employment which caused his job to be classified in the priority group. . ." The court also observed that the jury here was entitled to conclude that Mr. Smith's willing acceptance of the inoculation was an act essential to his health, comfort and convenience undertaken while at work. *City of Austin v. Smith*, Court of Appeals of Texas, March 22, 1979 (BI/05/S.-$4).

Workers comp

An employe's arm injuries received when he "whacked" a balky coin-operated vending machine were found to result in the course of employment, entitling him to compensation, ruled the Supreme Court of Rhode Island.

A metal grate-type fence was installed in front of the machine to prevent thievery. The grate was open during cafeteria hours. However, when closed, employes with the employer's knowledge were able to operate the machines by slipping their arms through the grating.

An employe reached in through the grates and inserted two coins into a coffee vending machine. When one coin stuck in the machine, he "whacked" the machine with his right arm. As he did so, he struck the upper part of his right arm on the grate, rupturing the biceps muscle. The employe's claim for compensation was denied and he appealed.

The appellate court stated that an employe's injury is compensable if the particular facts of a case establish a causal connection between the injury and employment. Thus, when an employe performs a permitted act in an improper manner, the court said, resulting injuries are compensable. *DeNardo v. Fairmount Foundries*, Supreme Court of Rhode Island, April 12, 1979 (BI/04/0.-$4).

•

Copies of the entire decision may be obtained by sending a check for $4 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

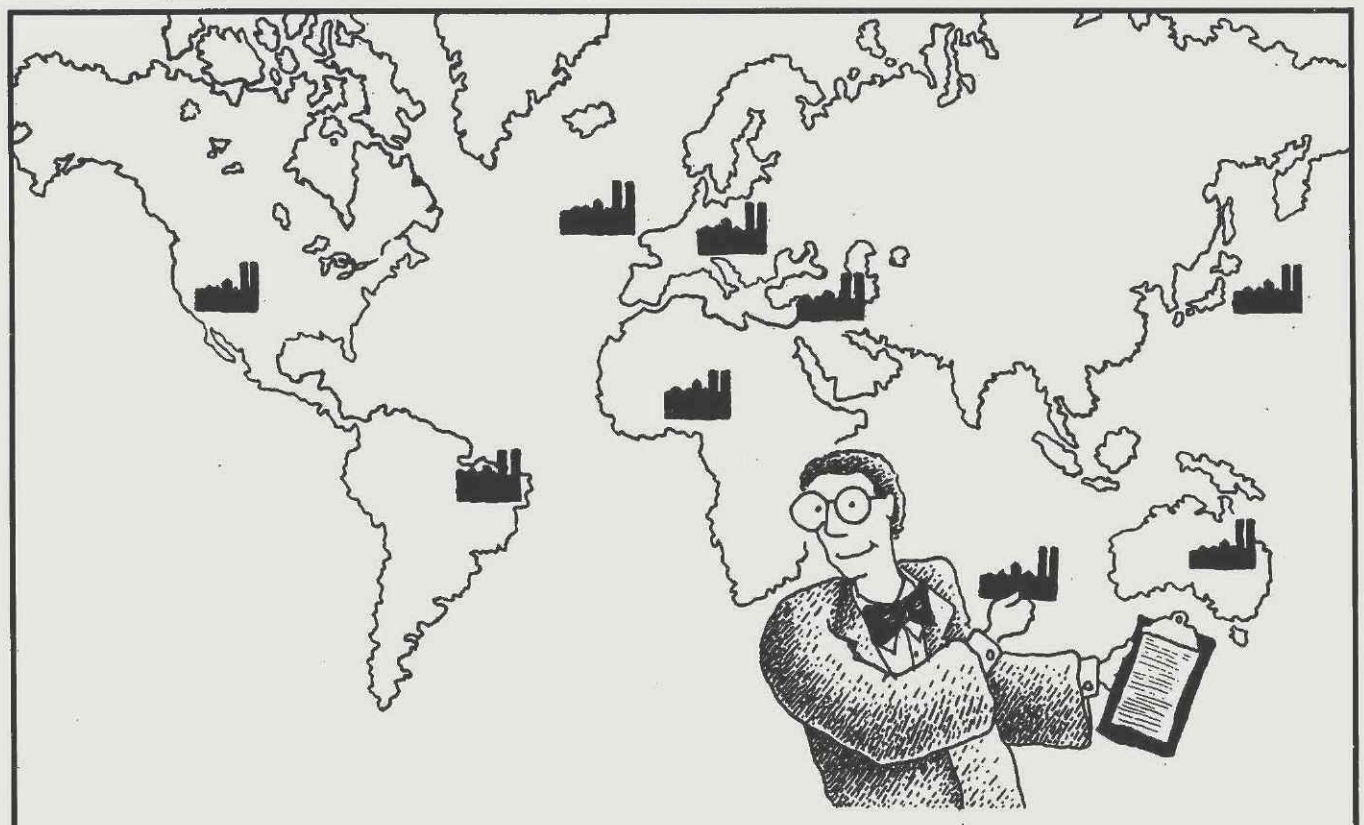
NEW ORLEANS and CHICAGO

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

GILLIS, ELLIS & BAKER, INC.
Suite 700
135 St. Charles Avenue
New Orleans, Louisiana 70130
504-581-3334

MACK AND PARKER, INC.
209 South LaSalle Street
Chicago, Illinois 60604
312-346-1221

See our ad on page 6



It takes professional expertise to provide E&S coverage on risks as diverse as worldwide manufacturing plants . . . and neighborhood dance studios.



Montgomery and Collins has had over 40 years' experience in supplying excess and surplus coverages on a highly diverse, and highly challenging, group of risks. We can be of service whenever and wherever the needs arise – through a group of 18 regional offices spanning the country. In each office, you'll find that M&C applies its skill in solving your problems even under the tightest deadlines.

We can "deliver" for two principal reasons: our people and our excess and surplus carriers. The brokers at M&C all have strong underwriting and brokerage experience. And, over the years, we have developed productive relationships with the leading U.S. E&S companies – and Lloyds. Result: your local M&C representative can quickly select the carriers whose products or specialists best suit your clients' needs.

For complete details, write directly to Joseph J. Graham, President, Montgomery and Collins, Inc.

Montgomery and Collins, Inc.

3807 Wilshire Blvd., Los Angeles, CA 90010 (213) 386-2991. Or contact our nearest regional office:
Atlanta, Boston, Buffalo, Chicago, Dallas, Denver, Houston, Kansas City, Los Angeles, New Orleans, New York City, Philadelphia, Portland, Sacramento, San Francisco, San Jose, Seattle, Honolulu.

The Wetzel Company, Inc. Specializes in Providing Quality Reinsurance for Insurance Companies Owned by Industry Trade Groups or Professional Associations.

Many opportunities exist for difficult to place liability risks by structuring your own insurance company and having the world reinsurance market open up to you.

The Wetzel Company, Inc.
3003 West Alabama
Mailing Address: P.O. Box 66452
Houston, Texas 77006
Telephone: 713/523-3003
Telex: 76-2053

around the states

Illinois bill reduces liability of retailers and wholesalers

SPRINGFIELD—Gov. James Thompson is expected to sign legislation this month that will reduce the exposure of state wholesalers and retailers to product liability suits.

Under the bill (H.B. 2658), which the state legislature approved by wide margins, non-manufacturers generally could no longer be sued under the theory of strict liability as long as they did not manufacture, design or have knowledge of a defect in the product.

However, wholesalers and retailers still could be brought into a product liability suit if the manufacturer of a defective product no longer was in business.

"For the first time, a major industrial state has in effect passed legislation limiting the doctrine of strict liability," said Chicago attorney Louis Marchese. "This is a very important recognition that the doctrine was too harsh in its application to parties who really had no responsibility other than pass a product through the chain of distribution."

A spokesman for a business trade group said he was optimistic that insurers would reduce their product liability insurance premiums for wholesalers and retailers, reflecting the reduced exposure of non-manufacturers to product liability suits, if Gov. Thompson signs the measure.

Court upholds award

LANSING—The Michigan Court of Appeals has upheld a $2.5 million jury award to the parents of a man who died when his 1972 Chevelle burst into flames after colliding with another vehicle.

General Motors Corp. asked the court to overturn the big award, contending the jury had been biased by adverse publicity regarding auto fuel tank explosions.

But the court turned down GM's contention, noting that the No. 1 automaker "has shown nothing more than the existence of certain tangentially related news media stories, only three of which even mentioned the case." Most of the news stories dealt with problems in the fuel tanks of Ford Pintos, the court said.

The suit charged GM with negligence in the design, location and testing of the Chevelle's fuel tank.

Damages in Wash.

OLYMPIA—Persons injured by products need not prove negligence by the maker in order to recover damages, but need only prove that the maker gave inadequate warning about the danger involved in the product's use, the Washington supreme court has ruled.

The unanimous ruling upholds a King County superior court judge's decision in favor of a widow of a Seattle steel mill worker killed while using a cleaning solvent made by PPG Industries Inc.

Kan. lowers rates

TOPEKA—An overall 9.4% reduction in the Commercial Fire Insurance Program rates filed by the Insurance Services Office has been approved by the Kansas state insurance commissioner. The revised rates will become effective Dec. 1 for new business and Feb. 1, 1980, for renewal business.

The Insurance Services Office is a licensed rating organization representing approximately 320 insurance companies authorized to write fire insurance in the state.

Insurance Commissioner Fletcher Bell said the filing will affect about 22 rating groups. The 9.4% reduction will save a total of $1.5 million, assuming all policies affected were renewed at their present limits.

The rate revisions apply to the fire insurance portion of commercial property policies, with the extended coverage rates remaining the same. Fire coverage included in Section 1 of most commercial package policies also would be affected.

The last major fire insurance rate change took effect March 3, 1976, resulting in an overall 15.8% increase.

Damages restricted

SALEM—Oregon Gov. Victor Atiyeh has signed into law a bill restricting punitive damage awards for product liability to cases in which willful and wanton disregard for health, safety and welfare of others is proven.

The bill, which will take effect Oct. 2, also provides strict requirements for insurers reporting products claims to the insurance department. The requirements will be forwarded to insurers.

The governor also has signed a bill withdrawing the state from federal FAIR plan participation. The Oregon FAIR plan will be operated by the state as in the past, but without federal reinsurance for catastrophic riot losses.

In 1978-79, commercial lines accounted for 59% of FAIR plan premiums and 622 of the 3,463 FAIR plan policies.

Conn. hospital rates

HARTFORD—Aetna will boost 34 Connecticut hospitals' malpractice insurance rates an average 25% on Oct. 1, said an Aetna Life & Casualty representative, speaking before the state commission on hospitals and health care.

"When we stated our group malpractice insurance plan with the Connecticut Hospital Assn. in 1973, Connecticut had a good record, but in the last 18 months we have had to pay some large claims," said Robert Grimes of the insurer's professional liability division.

Hospitals with a poor malpractice record could pay as much as 30% higher rates and those with good records could be charged only 15% more.

Railroad claims

HELENA—Railroad workers have earned the right to choose to settle workers compensation claims in any court, the Montana supreme court ruled.

The supreme court said state courts must accept jurisdiction of lawsuits brought under a federal law by injured railroad workers and cannot push them off on federal courts just for convenience.

The Supreme Court found that state and national policies which led to the passage of the Federal Employer's Liability Act were intended to make it convenient for injured railroad workers to have access to any court.

Effective date

CHEYENNE—The Wyoming attorney general ruled the effective date for medical malpractice insurance under a state administered fund is the same as that of each doctor's malpractice liability policy.

The formal legal opinion carries the weight of law unless overruled by the courts or legislature.

Negligence ruling

CHARLESTON—The West Virginia state supreme court has cracked the doctrine of contributory negligence, saying a person is not barred from recovering damages in legal action as long as his fault or negligence does not equal or exceed the fault of the other parties.

Strict contributory negligence had banned a person from recovering damages if he contributed to his own injury in any degree.

In an opinion written by Justice Thomas Miller, the high court ruled that before any party can recover, it must be shown that the defendant's negligence caused the accident and subsequent injuries.

A jury must state the total damage each party is entitled to recover and the percentage of the contributory negligence of each. A court will calculate the net amount by deducting the party's percentage of fault from his gross award. ■

WAR RISK

at savings of

30 - 70%

Our markets for Group Travel Accident Insurance can bind coverage for your employees against accidental injuries or death as the result of any war whether war is declared or not. Worldwide. Liberal audit and retention features are also available. Available only through your agent or broker.

W. S. VOGEL AGENCY, INC.
MANAGING GENERAL AGENTS

498 WILLIAM STREET, EAST ORANGE, N.J. 07017
(201) 676-6100 - (212) 962-5270
6133 BRISTOL PARKWAY, CULVER CITY, CA. 90230
(213) 649-1229

Gentlemen: We are interested in reducing our War Risk costs.
Please contact our agent or broker.

Name: _____ Company: _____

Address _____

Our broker is (Name & Firm) _____

Broker's Address _____ Tel. _____

book review

Technology presents innovative approach to risk management

By Z'EV KRONISH

The Future of Risk
Risk Studies Foundation, 219 pp., $15.00

A YOUNG COMPUTER programmer enters the hospital complaining of dizzy spells. After several tests, the condition is diagnosed as polio and leads to the loss of the use of the arms and legs. Disability income insurance covers approximately 60% of lost earnings for the quadriplegic.

Despite the severe handicap, the programmer has achieved amazing independence and is back on the job—because the insurance carrier pioneered in rehabilitation through the aid of specially-trained animals.

Does this kind of insurance approach sound credible? It will in the future, if insurance executives turn to technological innovations to solve health risks.

As R. Morton Darrow, a Prudential vp, points out, an imaginative approach doesn't come easily. Spiraling costs, consumer protestations and liability losses have slowed the medical advance. Can the insurance industry, which has a lot to gain from innovations which contain both health risks and costs, come up with new approaches which the public will accept?

Mr. Darrow's article is one of 11 chapters in a valuable book about the broad consequences of risk in the future. But the problems are pressing and the solutions can't wait. The underlying theme is change and its effect on society. Regrettably, there is no introduction. The readings are not tied together by a thread of commentary. The lack of editorial cohesion and direction hinders the flow from one contributor to the next. Most articles—but not all—had headings to break up the monotony of line after line of type.

A novel breed of sophisticated computer criminal is on the rise, Cynthia E. Huston warns. This kind of theft yields stupendous sums, detection is slim and is usually free of violence. Computer crime also involves theft of services and time, the threat of sabotage and even murder of hospital patients whose lives depend on advanced monitoring devices.

To reduce the risk of computer abuse, the author recommends tight controls including careful screening of EDP personnel and rigorous audits.

Nuclear power and other energy-related risks have brought about dramatic changes in the risk manager's task. Loss prevention efforts will rank foremost as the thought of loss becomes intolerable, Dr. Don Anderson writes. There is a tendency to abuse the retention approach, he observes, by self-insuring "at the top end rather than for first-dollar losses." He cites the case of a utility covering a $1 billion exposure with insurance for the initial $250 million loss.

The risk manager cannot function as the lone expert in his domain. The responsibility will have to extend to a team effort, which the risk manager might lead, but it will take many specialists to come up with the answers to the risk problems which the corporation faces. Dr. Anderson says: "The risk management process can be expected to rise in importance as a response to changing energy risks."

Government involvement will increase as premiums rise or insurers become wary of covering extraordinary risks. He notes that when the government enters the insurance scene, financing can be delayed to the time of occurrence (if it

Continued on next page

DETROIT and ALBUQUERQUE

. . . are first lines of defense against spiraling insurance costs. To call in the ARMI . . . Assurex Risk Management Institute . . . in these areas (or elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

GENERAL UNDERWRITERS, INC.
730 Buhl Building
Detroit, Michigan 48226
313-963-5240

SOUTHWEST INSURANCE AGENCY, INC.
504 Second Street, N.W.
Albuquerque, New Mexico 87102
505-247-1021

See our ad on page 6

It all adds up.



Selecting an organization to handle employee benefit planning is a major responsibility.

You need to look closely at performance, products, service and rates. These are the things that make Crown Life stand out among insurers.

Over 20,000 businesses have chosen Crown. Why Crown? Because we have the combination that satisfies their employee benefit needs.

The starting point for a sound benefit plan is group life insurance. Crown lets you select either Group Term Life or Bi-GOLI-*plus* — a permanent plan which builds up cash or paid-up values — as well as Group Term Survivor and Group Life Income plans.

Income replacement needs are met by a variety of Weekly Income and Long Term Disability plans.

An important addition to today's group insurance plans is group health insurance. Crown can provide a number of health plans to suit the objectives of any firm, from basic hospital, surgical and medical coverage to Major Medical Expense coverage. Vision Care and Dental Benefits are also available to round out that health plan.

Pension plans are needed for a variety of retirement functions, so Crown provides a full portfolio of annuity products to suit these functions. Our Guaranteed Deposit Accumulation Policies, Tax Sheltered Annuities and Individual Retirement Annuities are only a few of the products available for the funding of qualified pension or profit-sharing plans for various types of organizations.

The firm with less than 50 employees will appreciate the complete range of benefits offered by the Crown Employee Benefit Packages. Or for the smaller firm with 1 to 24 employees, we write CGT.

Crown also offers a full line of individual coverages.

Over 40 Group Offices and more than 170 agencies and branch offices throughout North America, the United Kingdom and the West Indies combine to provide complete facilities for both sales and service.

But it doesn't add up to an unaffordable price. Crown's rates compare favorably in the highly competitive climate of the insurance marketplace.

Find out for yourself what we can do. Simply call or write your local Crown Life office.

Let the facts speak for themselves.

A complete product portfolio
Total-service facilities
Competitive rates

They all add up to Crown.

CROWN
LIFE INSURANCE COMPANY
HOME OFFICE, TORONTO, CANADA

Book review . . .

Continued from previous page
ever takes place) or even postponed to the next generation. The financing process shifts from now to later and from a small group of insureds to the entire nation.

In an essay on "The Risks of Predicting Risks," Larry Goldberg states that it is easier to identify a hazard than to estimate its impact; the uncertainty doesn't vanish simply because we can put our finger on some aspect of a problem. Presenting a case study of Denver's air pollution, he says prediction failures result from the way people evaluate alternatives, which is limited by "uncertain knowledge and unclear responsibility."

Risk identification through research is complicated and crucial. However, the assessment of the impact calls for a careful evaluation of its relevance and alternative courses of action. Minimizing the risk of prediction isn't enough: Maximizing the outcome entails intelligent choice based on involvement of those who bear the brunt of the hazards.

Selection and presentation of research results is a task requiring assiduous scrutiny. The final impact rests on the quality of the communication and the level of people's ability to assimilate intricate information. The author notes that "even the greatest accuracy regarding uncertainty does not diminish uncertainty." Which way does the risk blow is a decision which ultimately must be made by those affected.

Anna M. Rappaport gazes into the late 1980s and sees employes postponing retirement and retirees seeking work to supplement retirement income because the annual cost-of-living increase has hit 12%. Ms. Rappaport's essay exemplifies how the future has already caught up with us.

The employe of the future faces a varied career cycle—alternating periods of leisure and employment—which will require innovative benefit adjustments, Ms. Rappaport writes.

To Dr. Howard Kunreuther, known for his contribution to the recently published volume on "Disaster Insurance Protection," and Dr. Paul R. Kleindorfer, weather-related risks have to be seen through the decision process, which encompasses diverse elements. An individual's recent experience heavily influences risk perception. The authors stress that the theory of risk behavior needs to be modified.

The authors write that in the area of weather modification and climatic change, we have to weigh the possibility of reversing atmospheric problems. In the event harmful emissions are not reversible, protective measures may be necessary. Other concepts include long-range planning and assessing responsibility.

Robert Theobald writes that an improvement in the management of risk and uncertainty can come about as the new communications/computer technology makes its mark. The author states that "we live in a transformational period" where new conditions confront us. Under the circumstances, the management of risk dictates revising our perception of the world.

Fire prevention

By Z'EV KRONISH

Fire Prevention
By Lawrence E. Whitman
Nelson-Hall, 315 pp., $19.95

TO PARAPHRASE a familiar saying: Everyone talks about fire prevention but nobody does enough about it.

A few months ago fire broke out at two department stores in midtown Manhattan. At Macy's a defective sprinkler system contributed to the loss. A second-floor clothing storeroom was destroyed at B. Altman & Co. A cigarette tossed by an employe into a trash basket was believed to be the cause.

The blazes cost one life, several injuries and considerable damage. These losses and much more—$5 billion annually—could be averted if Lawrence E. Whitman's message of "common sense" gets across.

Costs of fire, in addition to the tragedy of death and property loss, include lost production, jobs, business failures, hospital and welfare costs and insurance. Averting these costs requires coordination among all those involved in fire safety: engineers, inspectors, fire department officers, building and water experts and management.

A good prevention plan will include measures to limit a fire once it has started, reducing the damage, the author says. Cost awareness must not be thrown to the winds; preventive steps must be practical. And the impact of inflation must be included when calculating the cost of fire losses.

Each chapter is presented in outline form. Although this format may be useful for organizing a comprehensive picture of the resources and challenges for eliminating the curse of fire, for the reader it's a maze of Roman numerals, upper and lower case letters and Arabic numbers. But it's worth the effort.

Enforcement of building and fire codes is the foundation of fire control. "There are many ways of handling enforcement," Mr. Whitman writes, but the 'carrot and stick' approach is usually the most effective."

Code oversights aren't immediately apparent. Codes generally ignore structural life span; in time, a building's fire resistance diminishes. Codes also fail to take into account various difficulties that might arise, Mr. Whitman points out, stressing that codes have to keep pace with current problems.

Blind spaces, a trend in building, need special attention. Dropped ceilings, designed to hide ugly pipes or serve as a decoration, are an example of such concealed spaces.

Mr. Whitman says fire safety in building construction is 20% technical skill; the rest is common sense. Every person responsible for safety and loss prevention has to keep prodding for excellence. Bless Mr. Whitman for observing that attitude as well as intelligent appraisal has a bearing on fire control.

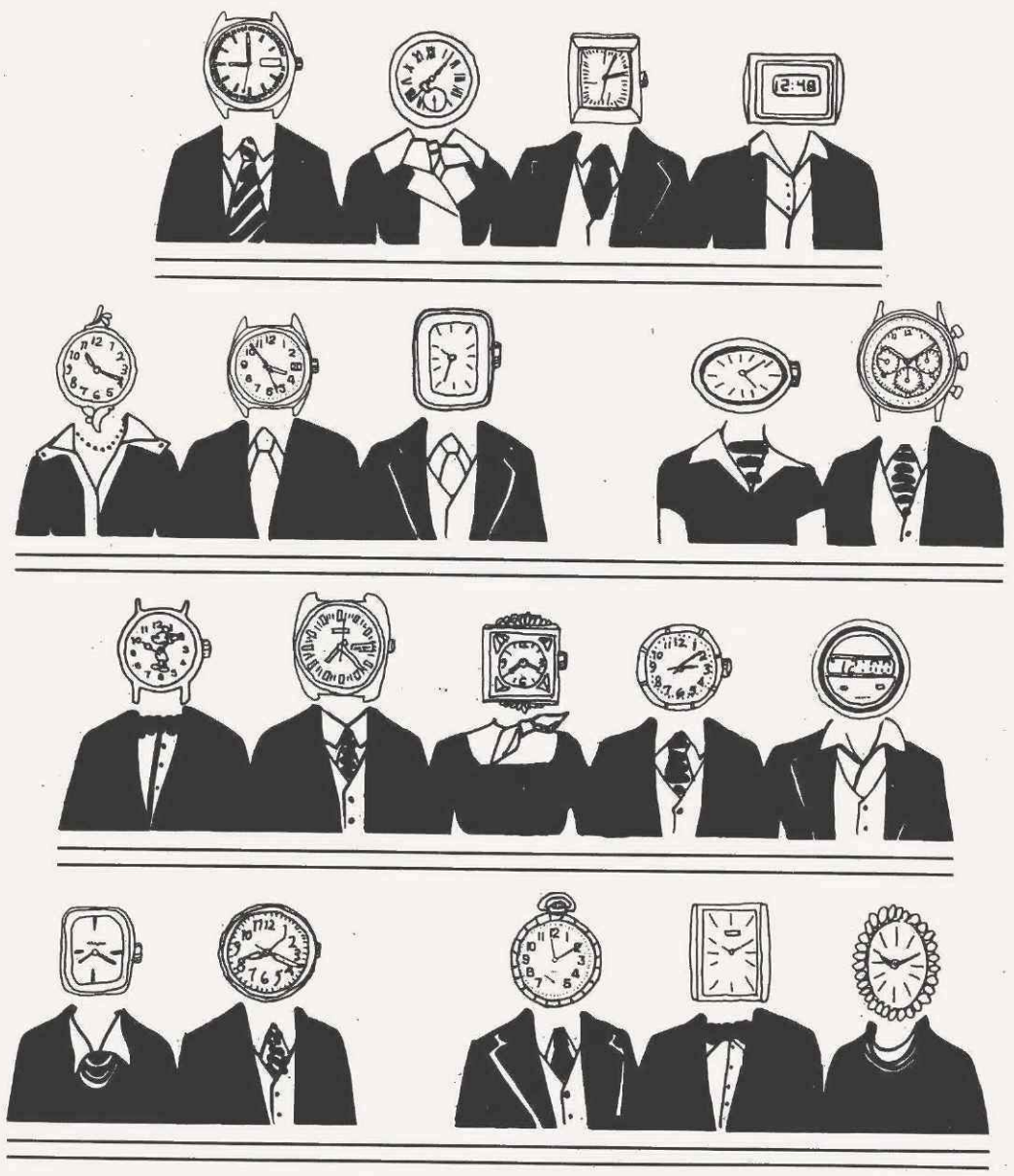
Defenses against external exposures are sometimes overlooked. Losses can easily result from a fire that starts down the street. The movement of heat alone can trigger a sequence of disastrous occurrences.

For example, the sprinklers in your building can be activated by the radiation from a fire down the block. Water gushing freely can create extensive havoc. External exposure hazards have to be identified and analyzed. Specific protective measures are reviewed carefully by the author.

Electrical flaws lead the list of fire hazards. Wiring procedures should meet the strictest standards. Wiring run under carpets and extension cords that don't match the appliance wiring are some common hazards.

A fully sprinklered system is readily worth its cost. Mr. Whitman writes that the average loss in a building with working automatic sprinklers is less than $2,500. Sprinkler effectiveness can be en-

Every Hour 4 New Companies Trust Us With Their Lives.



They save money in the bargain. By buying Group Life insurance from Phoenix Mutual.

For 2 employees or 2,000 or more, our Group Life plans made sense to 8,126 company presidents last year alone. That's an average of 4 every business hour of every normal business day. All year long. They banked on our reputation for the sake of their employees. And on our price for their bottom line.

Why not trust your employees' lives – and your budget – to the company that protects both. Phoenix Mutual, Hartford, CT 06115.

Phoenix Mutual
We're saving a lot of people a lot of money.

sured through maintenance and testing. He notes that sprinkler systems work selectively—you need not fear that water discharge will be excessive—and their installation over high voltage electrical equipment will not create undue hazards.

Sensible fire prevention depends on a search for practical solutions, the author explains. When a proposal appears prohibitive, keep trying for another approach. You may not resolve a dilemma on the first try, but don't give up. You may be surprised to find a simple and inexpensive remedy is at hand.

"Fire prevention personnel can do much to improve the loss record by developing habits of careful observation that will generate the ability to quickly recognize potential problems," Mr. Whitman observes.

Misuse of flammable liquids "alone is responsible for 15% to 18% of the industrial fire losses," the author writes. Flammable gases also cause major losses. Basic safeguards call for flammable liquids and gases to be isolated, or contained to minimize escaping fumes.

Arson is another problem, of increasing incidence. Mr. Whitman attributes the rise in arson to vandalism, greed and vengeance. Arson can be detected, but there aren't enough investigators capable of doing so.

Plastics are another hazard. They tend to be combustible and "some are seriously toxic under fire conditions." If handled properly, the hazard can be reduced. Mr. Whitman recommends that the sprinkler system be specially adopted to prevent losses.

"With rare exceptions, disastrous fires and/or explosions are caused by the neglect of fundamentals and not by unusual, complex situations," the author observes. Some worthwhile protective measures include:

- Neatness; keep areas clean, keep machinery unsoiled.
- Disposing of waste carefully and frequently.

Indiscriminate smoking bans can be counterproductive. Prohibit smoking where absolutely necessary but enlist employe cooperation by offering adequate relief.

Management should plan for the contingency of disruption, Mr. Whitman counsels. Don't be taken by surprise. If you have done all you can to prevent fires and a fire still breaks out, you want a substitute operation available. Even a small fire can close down operations. Are duplicates of indispensible records kept in another building?

Prevention, the author reminds us, begins with top management. Without a clear-cut policy, prevention will suffer. ■

Hospital need not inform worker: Court

BATON ROUGE—A Louisiana appellate court has upheld a ruling that a hospital is not liable for its failure to inform an employe of an illness disclosed by a pre-employment physical, according to Professional Liability Reporter.

The court stated that hospitals have no greater duty to inform their employes than any other employer.

The case involved a woman who was found to be tubercular when given a physical before working for a hospital. The results were reported to the hospital and the woman was hired as a nurse's aide.

The complaint alleged the woman was not informed of her condition, that because she was employed she thought she was healthy and that she did not learn of her condition until she was hospitalized nearly three years later. The trial court dismissed the suit for failure to state a cause of action.

In upholding the trial court's decision, the appellate court noted that although employers are required to provide a safe workplace and to protect the health and safety of its employes, pre-employment physicals are not required.

In its decision, the court cited a Louisiana court ruling that an insurance company has no duty to divulge the results of a physical examination to an applicant for insurance coverage. It cited another Louisiana ruling that an employer has no duty to supply correct information to its employes regarding the identity of a third party.

The court concluded that employers are not required to supply employes with any information. The fact that the employer was a hospital was regarded as immaterial. ■

Attention! Consultants • Administrators • Agents • Brokers

Our tenth year of experience in

STOP LOSS PROTECTION FOR SELF INSURED HEALTH CARE PLANS



Aggregate and specific excess coverage available for qualified groups with as few as 150 employees.
Write or call for your copy of our brochure.

Contact:
Steven P. Stucky, C.L.U.
Group Vice President
The Lafayette Life Insurance Company
Lafayette, IN 47903 (317) 474-3416

Lafayette Life

ZURICH AMERICAN
INSURANCE COMPANY OF ILLINOIS

WE WRITE
EXCESS
& SURPLUS
LINES IN 38 STATES

ALABAMA
ALASKA
ARIZONA
ARKANSAS
CALIFORNIA
COLORADO
CONNECTICUT
FLORIDA
GEORGIA
HAWAII
IDAHO
INDIANA
IOWA
KANSAS
KENTUCKY
LOUISIANA
MICHIGAN
MISSISSIPPI
MONTANA
NEBRASKA
NEVADA
NEW YORK
NORTH CAROLINA
NORTH DAKOTA
OHIO
OKLAHOMA
OREGON
SOUTH CAROLINA
SOUTH DAKOTA
TENNESSEE
TEXAS
UTAH
VERMONT
VIRGINIA
WASHINGTON
WEST VIRGINIA
WISCONSIN
WYOMING
AND D.C.

ZURICH-AMERICAN INSURANCE COMPANIES

Call Zurich American Insurance Company of Illinois for a local broker. (312) 987-2307
111 West Jackson Boulevard, Chicago, IL 60604

info for buyers

To receive materials listed in Info for Buyers, write to the name and address accompanying each item, mentioning that you saw the item offered in *Business Insurance*. Readers are invited to submit educational and promotional material of interest to risk managers and employe benefit chiefs for possible inclusion in the column. All items that are free and of interest to our readers are eligible; those available at a modest cost will be considered. Send a sample to Mary Ellen McKee, Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• A **professional liability** handbook for architects and engineers is available from the M.M.I. Agency of Alabama. Adequate levels of coverage, insurance companies, policy forms and coverages, rating formulas, statutes of limitations in Alabama and hold harmless agreements are topics covered in the handbook. For a free copy write A. Ronald Simpson, The M.M.I. Agency Inc., 2051 Oak Mountain Drive, Pelham, Ala. 35124.

• Edwin M. Rollins Inc., managing general agents in North Carolina, is offering a pocket guide of its specialty **excess and surplus lines.** For a free copy write Edwin M. Rollins Inc., P.O. Box 4563, 511 Cecil St., Charlotte, N.C. 28204.

• A promotional brochure on **group health and life self-insurance** is available from Celtic Life Insurance Co. For a free copy write Frederick J. Manning, President, Celtic Life Insurance Co., 208 S. LaSalle St., Suite 2003, Chicago, Ill. 60604.

• A brochure describing Claimfacts, an on-line **health claims** processing system of health claims administrator Erisco Inc., is available. For a free copy write Barbara Bondy, vp, Erisco Inc. 1700 Broadway, New York, N.Y. 10019.

• A free copy of a synopsis of the Department of Health, Education and Welfare's study of **medical malpractice** claims can be obtained by writing Edward Schwartz, Medical Malpractice Information Center Building, Room 8-22, 3700 East-West Highway, Hyattsville, Md. 20782.

• Notifier Co. has published a guide showing the latest methods for using electrical detection and alarm equipment to prevent accidental water damage and to guard against shutoff of a **sprinkler system.** The guide also lists new types of sprinkler valve supervisory switches and supervision system control panels. For a free copy write Notifier Guide of More Effective Supervision of Sprinkler Systems, The Notifier Co., 3700 N. 56th St., Lincoln, Nebraska 68504.

• Dental Care: Questions and Answers is the name of a booklet emphasizing the importance of **dental care.** Daily steps toward good dental hygiene, information about periodontal diseases, root canal therapy and x-rays and illustrations showing how early dental care saves dental bills later are some of the topics of the booklet For a free copy write Metropolitan Life Insurance Co., 1 Madison Ave., Dept. P, Health and Safety Education Division, New York N.Y. 10010.

• A brief summary of individual states' **residual market property** insurance plans is available from the National Committee on Property Insurance. The summary provides current information on the organization, structure and operations of FAIR plans and windstorm plans. For a free copy write Herbert W. Fritz, National Committee on Property Insurance, 800 Valley Forge Plaza, King of Prussia, Pa. 19406.

• Specialized rating, underwriting and engineering treatment for business and industry are the highlights of a Kemper Insurance Co. protected risk policy explained in **HPR Insurance Highly Protected Risk Coverage and Services.** For a free copy write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049; specify XVK 120-5.

• **The Tent** is a promotional brochure describing a supplemental multiperil policy offered by the Kemper Insurance Cos. to protect businesses against catastrophic losses. For a free copy write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049; specify XVK 199.

• INA reviews the reasons **workers compensation** costs have increased dramatically in recent years as well as proposed legislation for federal workers compensation standards in its booklet Workers Compensation. For a free copy write INA, Dept. R, 1600 Arch St., Philadelphia, Pa. 19101.

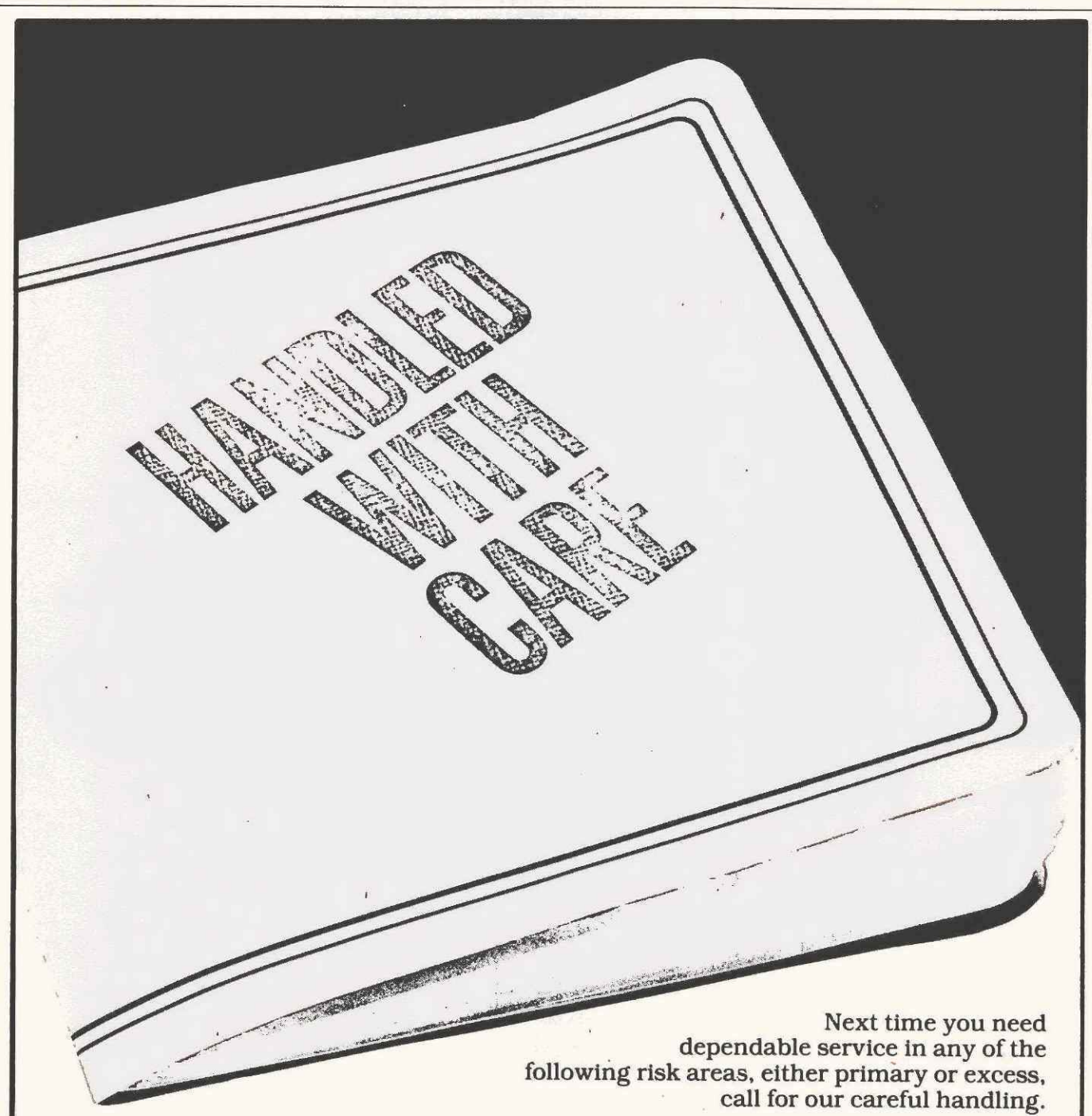
• Need information on the developments in **risk management, loss financing and employe benefits?** The newsletter RIMCO Risk Report intends to provide information to help the risk manager maximize protection while minimizing cost. Regular sections will cover marketing trends, rate changes and new coverages. For a free brochure write RIMCO Risk Management Inc., Suite 350, 10300 N. Central Expressway, Dallas, Tex. 75231.

• A promotional brochure describes **All Risk Management Services Inc.'s** background and capabilities in assisting self-insurers. For a free copy write All Risk Management Services Inc., 160 Water St., New York, N.Y. 10038.

• Extraordinary Times Demand Extraordinary Protection is the name of a brochure describing **kidnap and ransom insurance** available from National Union Fire Insurance Co. of Pittsburgh, a member of the American International Group. Lost ransom reimbursement and an emergency weekly income to families of kidnap victims are two items detailed in the brochure. For a free copy write Product Information, Corporate Communications, American International Cos., 102 Maiden Lane, New York, N.Y. 10005.

• American Insurers Administrators Inc. offers a brochure describing its **claims administration program for insured and self-insured companies.** For a free copy write American Insurance Administrators, Herbert Schaeffer, 6420 Wilshire Blvd., Suite 340, Los Angeles, Calif. 90048.

• With the increase in lawsuits against **corporate officers and directors,** INA is offering a brief review of this topic of interest to business executives. The 12-page booklet examines the question of responsibility, specific lawsuits



Next time you need
dependable service in any of the
following risk areas, either primary or excess,
call for our careful handling.

☐ Fire ☐ Crime ☐ Inland Marine
☐ Specialty Auto ☐ Restaurants & Taverns
☐ General Liability ☐ Products Liability
☐ Professional Liability

HG INTEGRITY, STABILITY, RELIABILITY

HORAN GOLDMAN COMPANIES
Where Excess-Surplus Underwriting is Serious Business

Two Bryn Mawr Avenue, Bryn Mawr, PA 19010 • (215) 527-4400
414 Severn Bldg., 8600 LaSalle Road, Baltimore, MD 21204 • (301) 821-5900
1020 Kings Highway North, Cherry Hill, NJ 08034 • (609) 667-9600
105 Loudon Road, Concord, NH 03301 • (603) 224-4009
111 John Street, New York, NY 10038 • (212) 964-4500

against directors, the best defense, audit committees on corporate operations and financial protection. For a free copy of this review write INA Corp., 1600 Arch St., Philadelphia, Pa. 19101.

• **The Product Liability Problem:** Proposals for Solutions Through Tort Reform is the name of a booklet prepared by the Insurance Information Institute. The booklet presents the product liability reform proposals of 15 major trade associations in an easy-to-read chart format. For a free copy write The Insurance Information Institute, 110 Williams St., New York, N.Y. 10038.

• Industrial Risk Insurers' special program for reinsurance of member companies is described in a promotional brochure entitled **Reinsurance Assumed**. Sample copies of the request for a reinsurance quotation, a letter of authority, locations and amounts to be reinsured form and the certificate of reinsurance is included in the brochure. For a free copy write C.C. George, Manager—Eastern Region, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102.

• A revised **flood insurance** guide is available from the Pennsylvania insurance department. The pamphlet explains the National Flood Insurance Program in Pennsylvania and answers common questions about availability, coverage and cost of flood insurance. For a free copy of the guide write Flood Guide, Pennsylvania Insurance Department, Harrisburg, Pa. 17120. Include a self-addressed envelope with postage.

• A brochure describing a **safety film** produced by Allied Chemical Corp. is available. The Case of the Broken Neck stresses the importance of preventive maintenance, illustrates the employer's and workers' responsibilities for safety and outlines four key points to follow. For a free brochure write BNA Communications Inc., 9401 Decoverly Hall Rd., Rockville Md. 20850.

• **Builders Risk Insurance** from American Home/National Union is described in a promotional brochure titled No Parking, Construction. It's available for free by writing Product Information, Corporate Communications, American International Group, 102 Maiden Lane, New York, N.Y. 10005.

• **Difference in Conditions Insurance** is discussed in a Kemper Insurance Cos. brochure which explains how this extended property coverage can protect a firm from extensive losses from water damage, burglary, theft and other accidental catastrophes. For a free copy write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049; specify XVK 172-2.

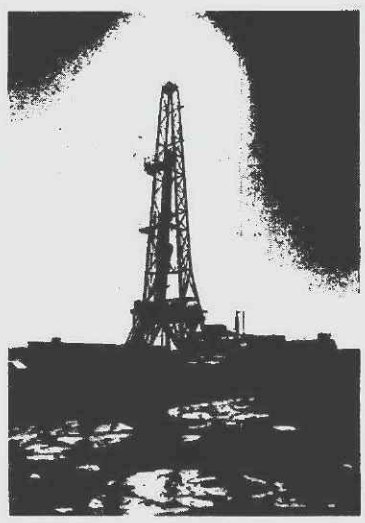
• Importance of Role Assumption in Behavior of People in Fires is the name of a booklet available through the Society of Fire Protection Engineers. The booklet explains how to increase **fire safety** by motivating people to assume leadership roles during a fire. Also available is a report outlining a procedure to estimate the minimum time needed to evacuate a building. Cost is $3 for each copy. Write The Society of Fire Protection Engineers, 60 Batterymarch St., Boston, Mass. 02110.

• **Insuring Business Risks** in Canada is a book by Geoffrey R.E. Bromwich written in non-technical language about the administration of a mid-sized firm by a part-time risk manager. It gives pointers on handling an insurance program, safety features, pitfalls when presenting a claim, different kinds of insurance companies, how to read a policy and insurance terms. Cost of the book is $3.50. Write International Self-Counsel Press, 306 W. 35th St., North Vancouver, British Columbia V7N 2G1.

• **There is No Insurance in Self-Insurance** is a pamphlet prepared by Union Labor Insurance Co. outlining the risk involved in **self-funding.** The pamphlet looks at ERISA and the legal considerations, the estimated savings versus the guarantees, reserves and investment returns, deficit forgiveness, stop-loss coverage and net dollar savings. For a free copy write The Union Labor Life Insurance Co. 850 Third Ave., New York, N.Y. 10022.

• The new **pregnancy discrimination act** and its impact on employers is the subject of a pamphlet

Continued on next page



Complex Risks, Creative Solutions.

We meet the challenge!

Modern business has modern needs for innovative expertise in the handling of insurance problems. Many exposures are involved, diversified and require a wide range of coverages. CDSR regards the challenge of today's insurance market place as an opportunity to perform. We have the personnel, ability and creativity to serve your most complex insurance needs.

Our Markets Include Aviation, Oil, Marine, Casualty, Property and Surplus Lines.

CRAVENS, DARGAN & COMPANY SPECIAL RISKS

Offices in Houston/Dallas/San Antonio/Lubbock/Denver

Represented by agents and brokers throughout the Southeast, Midwest and Southwest

$3 billion in commercial property coverage says Charter can handle it.



No matter what your commercial property insurance needs, you can count on Charter to give you the plan most likely to reduce premiums and administrative costs, and expand coverage.

The fact that we provide insurance on more than three billion dollars in property worldwide tells you we have the experience, the contacts with carriers, the trained personnel and the competitive pricing you want. And Charter is an industry leader in designing innovative and efficient approaches to coverage.

Present customers include property management companies, financial institutions, property owners, property partnerships, real estate trusts, pension funds and both corporate and private aircraft owners.

We'd like to show you the kind of service that's made them Charter customers. So give us your commercial property coverage problem. Over $3 billion of experience says Charter can handle it. Charter Insurance, Inc. is a member of the Charter Insurance Group, which is a subsidiary of The Charter Company.

Charter Insurance Inc

The Charter Company ranks 178th on Fortune's list of the top 500 American Corporations.

Agents/Brokers · 220 N. Main Street · Jacksonville, Florida 32202 · 904/358-4325 · TELEX 56-350

Info for buyers . . .

Continued from previous page
prepared by the U.S. Chamber of Commerce. The pamphlet gives a background of the act and outlines the employer's responsibilities under the new legislation. Cost is $1.25 for a single copy $1 each for two to nine copies and 75 cents for 10 or more copies. Write the Chamber of Commerce of the United States, 1615 H St N.W., Washington, D.C. 20062, and request publication #6088.

• American Bankers Assn. is offering the **1979 edition of Risk Management in Banking.** The book focuses on risk control techniques to help minimize losses and discusses risk financing techniques designed to obtain funds to restore accidental losses at low costs. Cost is $7.50 for members and $9.50 for non-members. Write American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036, and request order #211700 from order processing.

• New **safety standards** on self-propelled elevating work platforms are available, including specifications for stability tests, controls, fuel and exhaust systems, parking brakes, markings and instructions, inspection and maintenance and methods of operating the platforms. Revised standards for color codes used to mark physical hazards are also available. Cost is $4 for each publication. Write ANSI Z53. 1-1979, Alice Groogan, ANSI Communications Dept., 1430 Broadway, New York, N.Y. 10018.

• American Bar Foundation executive director Spencer L. Kimball discusses the problems of **sex discrimination in pension funds** under Title VII in an article published in the American Bar Foundation Research Journal. The cost of Vol. 1979, No. 1, of the journal is $4.50. Write the American Bar Foundation, 1155 E 60th St., Chicago, Ill. 60637.

• Are you a risk manager in need of evaluating the effectiveness of your **public agency's self-insured workers compensation program?** G. David Marceau & Associates offers a 23-page manual on it. The review is in outline form and costs $11.95. Write David Marceau, G. David Marceau and Associates, 8294 Gould Ave., Los Angeles, Calif. 90046.

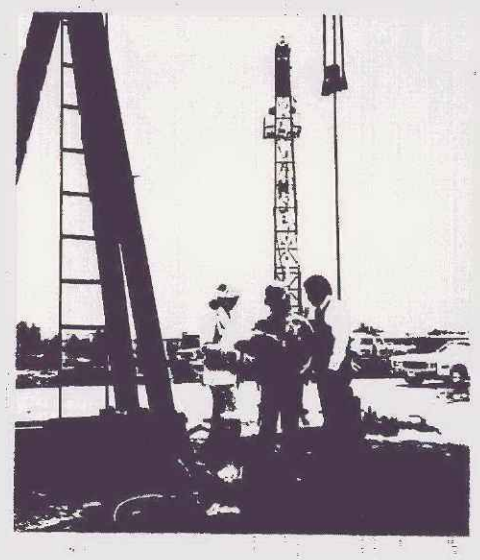
• Are you mystified by the often shrouded world of **reinsurance?** A new 45-page booklet by Andrew Barile, president of Andrew Edwards & Co. in New York, could help to explain the ins and outs of the reinsurance business. The guide costs $4.95 plus 55 cents for postage and handling. Write Interstate Service Corp., P.O. Box 1725, Oklahoma City, Okla. 73101.

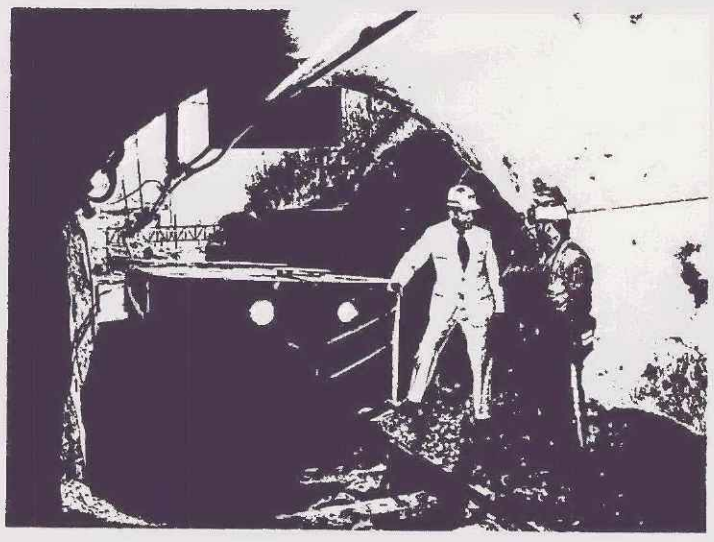
• The Machinery Allied Products Institute has prepared a 33-page booklet, **Company Programs to Reduce Product Liability: Some Matters to Be Considered.** The institute says this booklet is the product of 17 years of MAPI involvement in the growing problem of product liability. Single copies are available for $5 for institute members and $8 for non-members. Write Machinery and Allied Products Institute, 1200 Eighteenth St. NW, Washington D.C. 20036.

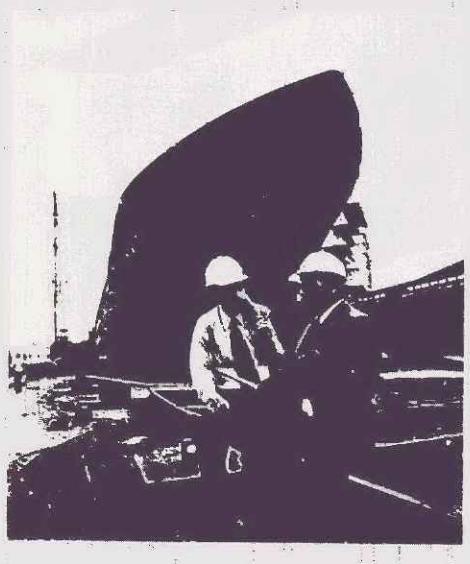
• The advantages of incorporating **loss recovery** services into a risk management program are outlined in two, 12-page promotional booklets: The USSC Way to Increased Cash Flow Protection, and Asset Conversion and Heavy Equipment and Truck Salvage. For free copies of the booklets write James C. Boyd, Underwriters Salvage Co., 1400 Busse Rd., Elk Grove Village, Ill. 60007.

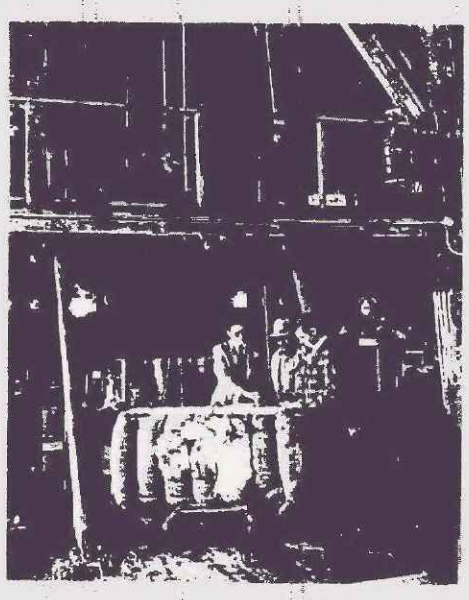
• Are you thinking about adding **prepaid legal** services to your employe benefit package? Personnel Research Associates offers a comprehensive report on prepaid legal plans that describes types, trends and case studies. The report also shows how a typical plan operates and how to form one. Cost is $11. Write Richard D. Quinn, Personnel Research Associates, 49 Oakridge Rd., Verona, N.J. 07044.

• Which Way Should You Go? on **health benefit plan** choices is a brochure from Bankers Life & Casualty Co. describing self-funded health benefit plans with administrative services for employers paying at least $200,000 annually in health claims. For a free copy write John Farrington, Regional Director of Group Sales, The Banker's Life & Casualty Co., 711 High St., Des Moines, Iowa, 50307.









Who Cares What Happens...

After your Group Contract is delivered? You do and so do we!

Whether your company is tops in the oil, cotton, coal, or the shipbuilding business . . .

You'll find that Provident is eager to provide you with a group insurance plan designed especially for your group. We may not be experts when it comes to drilling for oil, baling cotton, digging for coal, or building ships, but we are recognized as experts in the Group insurance business.

Ask any of our competitors — they'll tell you.

GROUP DEPARTMENT

Provident
LIFE AND ACCIDENT
LIFE AND CASUALTY

CHATTANOOGA, TN 37402

Lloyd's still probing case of sunken ship

LONDON—The mystery of the missing U.S.-bound barge carrier Munchen, which sank without a trace in the mid-Atlantic Dec. 12, causing one of the world's most expensive shipping losses, is still being investigated by Lloyd's underwriters.

The ship went down with all hands in a severe winter storm while en route to Savannah from Rotterdam. Marine underwriters in Britain and Germany, as well as in the U.S., have met nearly $80 million in claims.

It was a highly-sophisticated ship with a hull and equipment value of $45 million and was carrying between $30 and $35 million worth of steel, steel products and general cargo on specially designed barges.

The barges were supposed to be unloaded at Savannah for towing to major Mississippi ports. They were part of a regular trade between Rotterdam and the New Orleans area, which another ship, the Bilderdyk, is still carrying.

Both ships were specially built at Cockerell's yard at Hoboken, Belgium, seven years ago for this class of trade, which is largely confined to U.S. coastal waters or to similar waters elsewhere.

But the two vessels on the trans-Atlantic run, known as LASH (lighter-aboard-ship) craft, were actively designed for trade from Europe. The ships were intended to withstand heavy extremes of weather.

International marine insurers are still concerned over the catastrophe. Only sparse distress signals were sent out by the Munchen from an area 450 miles north of the Azores before it vanished. A massive air/sea search failed to locate any sign of the ship, apart from two or three laden barges floating in the waves, and the crew of 28 was never found.

But one faint clue is still being pursued by underwriters. They have started a worldwide program to trace an unidentified ship which at 3 a.m. in the gale-swept dawn of Dec. 12 picked up a distant SOS from the Munchen and relayed it to a Russian ship in the proximity.

Brokers Willis Faber in London are cooperating with leading marine underwriter Stephen Merrett in an appeal for the unidentified ship to contact the Munchen's owners, Hapag-Lloyd of Hamburg. ■

dates for buyers

SEPT. 24-25. The Wharton School of the University of Pennsylvania is sponsoring a seminar on the analytical approaches to managing a **political risk** in foreign investments, acquisition of political risk intelligence and corporate strategies in managing a political risk. Cost is $495. Contact Registrar, 14th Floor, Wharton RMFI Seminar, 360 Lexington Ave., New York, N.Y. 10017.

SEPT. 24-25. An **employe benefits management** conference sponsored by the International Foundation of Employe Benefit Plans will be held in Monterey, Calif. The conference will examine the amendments to the Age Discrimination in Employment Act, sex discrimination decisions, qualified pension plan alternatives, Social Security integration and changes in reporting requirements. The conference will be repeated **Nov. 19-21** in Miami. Cost is $350 for members and $425 for non-members. Contact the International Foundation of Employe Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; phone 414-786-6700.

SEPT. 26-27. Professional liability for design/build contractors and construction managers is the subject of an International Risk Management Institute Inc. seminar to be held in New York City. Handling errors and omissions, broadening coverage, reducing costs and securing advantageous modifications and duplications between professional liability and non-professional liability will be discussed. Seminars will be repeated **Oct. 24-25** in Chicago, **Nov. 28-29** in Las Vegas and **Dec. 11-12** in Dallas. Cost is $435. Contact RCI Communications Inc., 10300 N. Central Expressway, Suite 350, Dallas, Tex. 75231; phone 214-363-9656.

OCT. 4-5. Directors and officers liability is the topic of a Wyatt Co. seminar to be held in Cleveland. The seminar will be repeated **Oct. 15-16** at the Holiday Inn in the San Francisco financial district. Cost is $375 per person and $325 for each additional participant from the same firm. Contact Warren G. Brockmeier, The Wyatt Co., Suite 5600, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; phone 312-876-1616.

OCT. 22. The balance sheet approach to **risk management** is the subject of a Society of Chartered Property and Casualty Underwriters seminar to be held in Fort Worth. The seminar will be repeated in Raleigh, N.C., on **Oct. 30** and in Saddle Brook, N.J., on **Nov. 20.** Cost is $60 for members and $70 for non-members. Contact Society of CPCU, Providence and Sugartown roads, CB#9, Malvern, Pa. 19355.

OCT. 22-24. Risk Management/ Self-Insurance for Hospitals is a seminar prepared by Aspen Systems Corp. to be held in Las Vegas. The seminar will examine today's malpractice crisis and approaches to liability protection. Cost is $250. Contact Registrar, Aspen Systems Corp. 20010 Century Blvd., Germantown, Md.; phone 301-428-0700.

NOV. 11-13. The Society of Chartered Property and Casualty Underwriters is sponsoring a seminar on **risk management** in action to be held in Chicago. A $100 deposit is required; total price will be announced later. Contact The Society of CPCU, Providence and Sugartown roads, CB#9, Malvern, Pa. 19355.

DEC. 3-5. Creativity in Communications is the theme of *Business Insurance's* third annual Employe Benefit Communications Conference at the Ritz-Carlton Hotel in Chicago. The conference will examine and critique various corporate communication approaches and investigate generic communications, choosing the right graphic approach, adapting a communication effort to the size and needs of a company. The conference will also show how to effectively package a communication message and discuss the legal ramifications of communicating benefits. Cost is $310 with a 10% discount for additional registrants from the same company who register at the same time. Contact Sari Lipschultz, Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5246.

Casualty Underwriters, Inc.

10 West Sixth Street — St. Paul, Minn. 55102

EXCESS, SURPLUS
AND
SPECIALTY LINES

TRUCK INSURANCE
(Single Units or Fleets)

- Physical Damage
- Liability
- Cargo
- Bobtail
- Gross Receipts
- Local, Intermediate, Long Haul

GENERAL LIABILITY

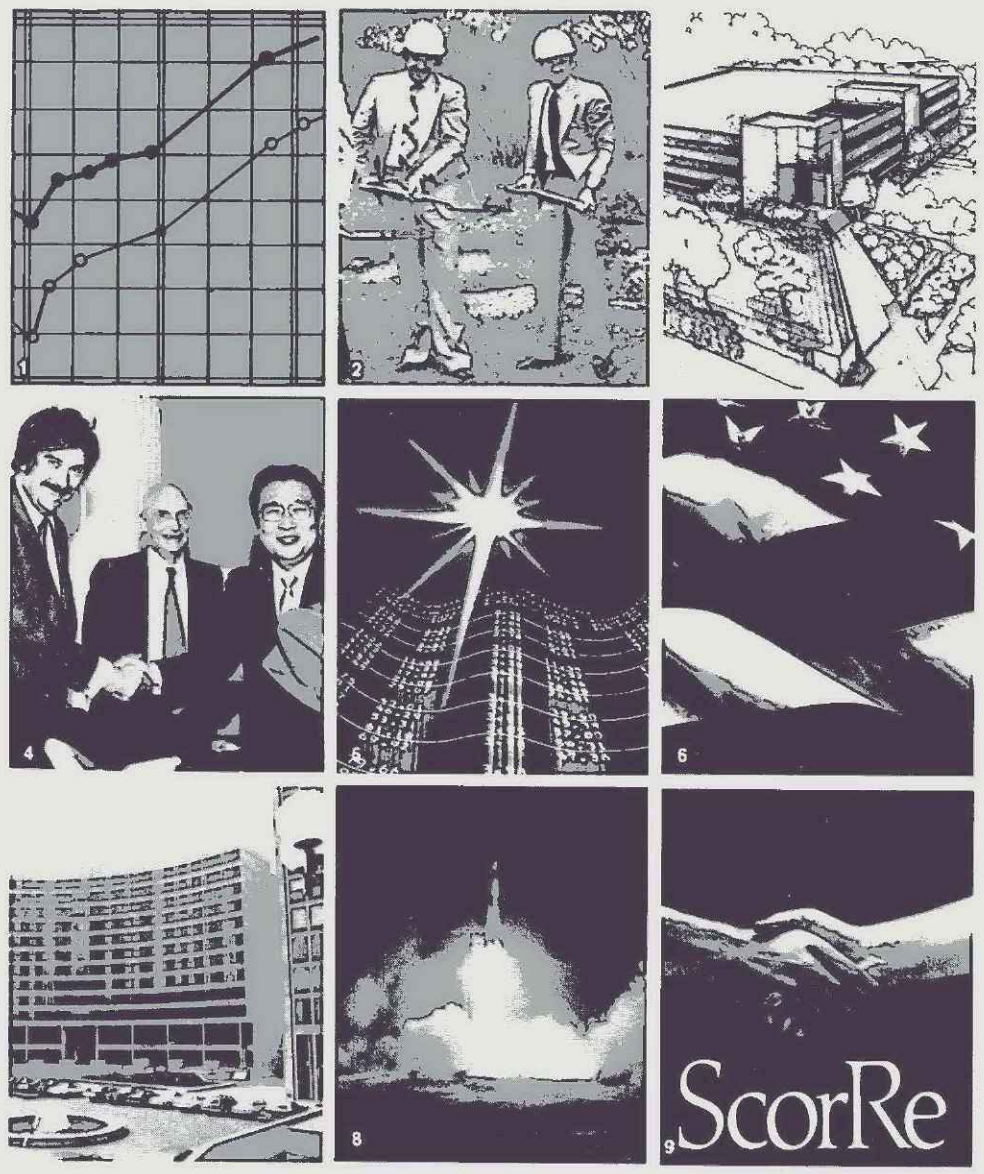
- Hard-to-Place Casualty
- Spectator Liability
- Excess Liability
- Umbrella Liability
- Products Liability
- Specialist in OL&T - M&C

PROPERTY COVERAGES

- Non-Standard Fire
- Capacity Fire
- Inland Marine
- Livestock Mortality
- Most Any Property Line

FOR QUOTES AND BINDERS . . .
CALL (612) 222-1824

In 1974, Scor Re was a new idea. Today, Scor Re is a reality and an enduring asset to the insurance market. As part of one of the world's largest professional reinsurance groups, Scor Re has emerged as a reinsurance force because we fulfilled our covenant with a growing insurance market by providing quality underwriting backed by service-oriented professionals.



THE RENAISSANCE OF REINSURANCE

1. Since 1974 Scor Re has sustained strong and steady growth. 2. Scor Re breaks ground for new 75,000 sq. ft. facility. 3. Artist's rendering of new Dallas headquarters. 4. Scor Re and Dia-Tokyo form SIRCO. 5. Scor Re approaches the "speed of light" through the use of advanced technology. 6. Scor Re is revolutionary, in the finest tradition. 7. New branch office opens in Hartford, Conn. 8. Scor Re makes history through worldwide expertise. 9. Scor Re challenged the best names in the business.

Scor Reinsurance Company 52nd Floor First International Building 1201 Elm Street Dallas, Texas 75270 Telex 73-0046 "SCOREAS-DAL" (214) 748-1100

Confederation Life
INSURANCE COMPANY

51
YEARS EXPERIENCE IN THE GROUP INSURANCE INDUSTRY

Our success in San Francisco has necessitated a move to new & larger offices at 601 Montgomery Street
Call Group Manager:
Kenneth R. Jacobsen (415) 781-2515

108
YEARS EXPERIENCE IN THE LIFE INSURANCE INDUSTRY

SPECIALIZING IN SINGLE EMPLOYER GROUPS OF OVER 50 LIVES

ATLANTA GA.	BOSTON	PHILADELPHIA	DETROIT
(404) 233-5499	(617) 423-0330	(215) 564-2667	(313) 872-5583
CHICAGO	LOS ANGELES	SAN FRANCISCO	SANTURCE P.R.
(312) 263-5941	(213) 380-5800	(415) 781-2515	(809) 725-3715

Cities still lead industry in benefits, survey says

WASHINGTON—Although municipalities continue to spend a higher percentage of working pay on employe benefits for their workers than private industry, the gap is narrowing, according to a survey of 972 cities of more than 10,000 sponsored by the U.S. Conference of Mayors.

Employe benefits in 1977 for sworn (police and fire) personnel cost 46% of pay for hours worked and 42.7% of pay for general (sanitation and other) personnel. In the private sector, employe benefits cost 41% of the pay for non-manufacturing industry workers and 41.9% for all industry workers.

Between 1975 and 1977, employe benefit costs grew 7.2% for sworn municipal workers and by 9% for general personnel. In private industry, benefit costs grew at a 9.3% rate overall and 8.4% for non-manufacturing industry workers.

The growth in employe benefit costs in the same period outpaced the 6.7% growth in pay for hours worked for both industry and general municipal workers. Sworn municipal workers saw pay increases of 7.8%.

The survey found that 99% of the cities provided health benefits for both classes of workers; 91% provided workers compensation for sworn personnel and 96% for general personnel; 82% provided death benefits for sworn and 81% for general; 66% provided educational benefits for sworn and 54% for general; 22% provided long term disability for sworn and 21% for general; and 24% provided unemployment compensation for both kinds of workers.

Regarding pension plan characteristics, the survey found that sworn workers received disability annuities in 79.7% of their plans; deferred vested benefits in 42.4%; survivor annuities in 69.6%; lump sum death benefits in 39.2%; and post-retirement cost-of-living increases in 47.6%.

General personnel received disability annuities in 76.9% of their plans; deferred vested benefits in 50.1%; survivor annuities in 63%; lump sum death benefits in 43.9%; and post-retirement cost-of-living increases in 42.6%.

Other findings in the survey were:

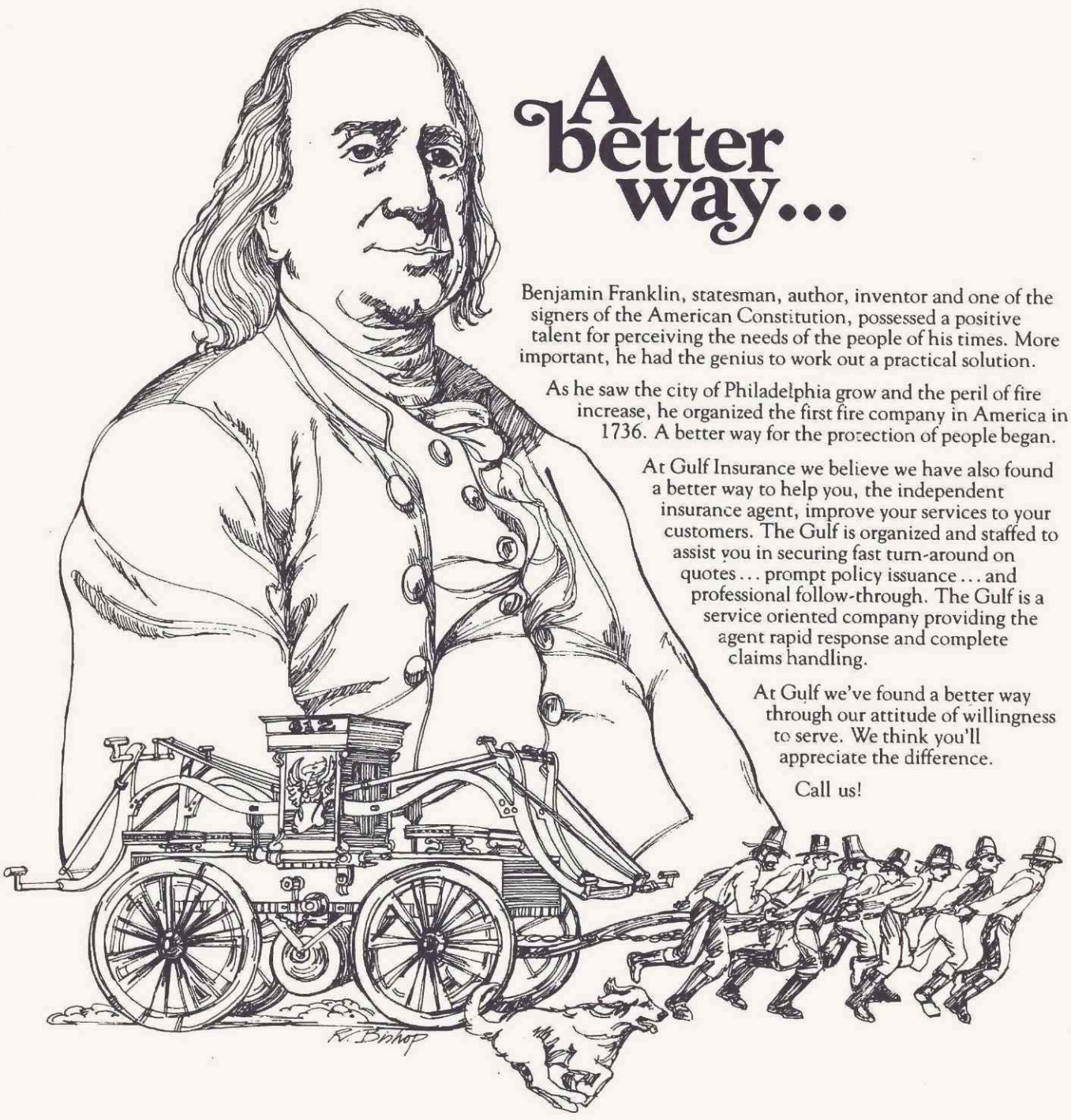
- The Northeast region of the U.S. continues to lead in benefit expenditures, with the South farthest behind.
- More than 42% of benefit expenditures represent paid time off including vacations, sick leave, holidays, jury duty, military training time and personal time off.
- Approximately 44% of the municipalities have enrolled their sworn personnel in Social Security and 77% have enrolled general personnel. ■

Quebec RIMS elects new board

QUEBEC—The Quebec Risk & Insurance Management Assn., a chapter of the Risk & Insurance Management Society, has elected new officers and board members for the 1979-1980 term.

They are: G. Montas, La Soc. de Devel. Indust. du Quebec, president; J. Pearson, Celanese Canada, first vp; E. Russell, Alcan Aluminum, vp-special projects; S. Prichard, Alcan Aluminum, treasurer; R. Grieve, Francon, secretary; B. Eisenstat, Dominion Textile, past president.

Also elected were: W. Randell, Petrofina Canada, national director; C. Winyard, Bell Canada, chairperson-Interassociation liaison; R. Kudzman, The Royal Bank of Canada, chairman-program; L. Pynn, Asbestos Corp. Ltd., chairman-membership; G. Badoul, Seagrams, chairman-legislative; A. Padanyi, Canadair Ltd., chairman-publicity; J. Antony, The Mercantile Bank, chairman-social; R. Lafontaine, Consol. Bathurst, chairman-education and research; G. Balcer, Consolidated Bathurst and R. Legris, Cooperative Fed. du Que, co-chairman I-Day; P.H. Turcotte, IMASCO, vice-chairman, Canadian risk management conference; P. Blais, government of Quebec, RIMS conference coordinator; J. St. Amant, Teleglobe Canada, newsletter editor, and P. Boissonault, Can. Schenley, auditor. ■



GULF GROUP

GULF INSURANCE GROUP
GULF INSURANCE COMPANY
ATLANTIC INSURANCE COMPANY
SELECT INSURANCE COMPANY
INS. CO. OF THE PACIFIC COAST
POST OFFICE BOX 1771 · DALLAS, TEXAS 75221

nsurers liable for punitive damages: Court

By CLIVE HALLETT

SAN FRANCISCO—In a ruling oadening insurance companies' xposure to liability in the han- ing of disability claims, the Cali- rnia supreme court held that in- rers may be charged with puni- ve damages for wrongly denying enefits.

Insurers are disappointed with ie ruling, but no one is threaten- g to desert the market in the state ecause of the expanded liability.

The court said last month that in- rers may be punished for break- g the "covenant of good faith and ir dealing" by failing to properly vestigate claims.

While upholding the concept of unitive damages, the justices rew out as excessive a $5 million unitive damages award to Mi- ael Egan, a Pomona roofer, made November 1974. They said the nount of the award against Mu- al of Omaha resulted from juror passion and prejudice."

The case now goes back to supe- or court for reconsideration of unitive damages. A spokesman r Mutual of Omaha said his com- any doesn't intend to back off its fight against jumbo court wards.

J.D. Minton, president and chief perating officer of the company, aid in a statement: "In our con- nuing efforts to vigorously resist ll out-of-proportion lawsuits, we ope that the public, the courts and ie legislatures will all strengthen eir efforts to make unreasonable wsuits unprofitable."

Frank J. Barrett, executive vp nd chief counsel of Mutual, ap- roved of the court's reversal of unitive damages in the Egan case. The facts of the case are insuffi- ient to support the imposition of unitive damages. We are pleased nat the court has agreed with and onfirmed our contention."

Joe Peel, of the Health Insurance ssn. of America, said the associa- ion had filed an amicus brief with he court opposing the concept f punitive damages on several rounds, including its tendency to nflate premiums.

He said it was still possible that ome companies might decide gainst doing business in Califor- ia because of the legal climate, al- hough he had not heard of any.

"We're still trying to digest the ourt ruling and figure out what it neans for the future," he said.

The American Council of Life nsurance is also studying the case o develop a comprehensive view f its implications.

"Our initial reaction is one of dis- ppointment," said John Meyer- olz, the organization's associate eneral counsel in Washington. Some aspects of the case would ppear to continue a trend of law in California that concerns us se- iously."

Although the court had ruled in avor of punitive damages, he said, t did not seem to have given ade- uate guidance as to the appropri- te amounts to be awarded.

The Egan case has also been watched closely by consumer groups which see it as a crucial test of California courts' attitude toward consumers who are alleging unfair denial of benefits by insurers.

Consumer advocates, charging the insurance business is not sufficiently regulated, see punitive damages as a counterweight to powerful insurers.

But the concept of punitive awards has been criticized not only for unjustly enriching a plaintiff but also for its unguided use by juries that return extravagant verdicts. At least four states do not allow punitive damages and three others have placed limits on them.

The case before the court stemmed from a suit Mr. Egan brought in 1973, contending Mutual of Omaha and two of its agents refused to pay him benefits under a disability policy after he had been injured in a fall from a roof.

The trial court held that the company's failure to have Mr. Egan examined by a physician violated the covenant of "good faith and fair dealing."

The jury, returning verdicts against all the defendants, awarded $5.1 million in damages—including $5 million in punitive damages—against the company. The punitive damages award was reduced to $2.5 million by the appeals court.

In its review of the case, the Supreme Court allowed only the award of $123,600 in compensatory damages against the company to stand.

"It couldn't have been a better opinion for the consumer," said Mr. Egan's attorney, William Shernoff, "though the issue of the proper amount of punitive damages in this case will have to be taken back to superior court to be retried."

In a majority opinion by Justice Stanley Mosk, joined by Chief Justice Rose Elizabeth Bird and Justices Mathew O. Tobriner and Wiley W. Manuel, the court said:

- When an insurer fails to properly investigate a claim, it can be found to have breached the covenant of good faith and fair dealing.
- Although the concept of punitive damages has been criticized, "We cannot usurp the legislature's determination that such damages should be recoverable in cases in which the statutory prerequisites of the law are fulfilled."
- The majority noted that the principal purpose of the law permitting punitive damages is to "deter acts deemed socially unacceptable and, consequently, to discourage the perpetuation of objectionable corporate policies."
- "The availability of punitive damages is compatible with recognition of insurers' underlying public obligations and reflects an attempt to restore balance in the contractual relationship," Justice Mosk wrote.

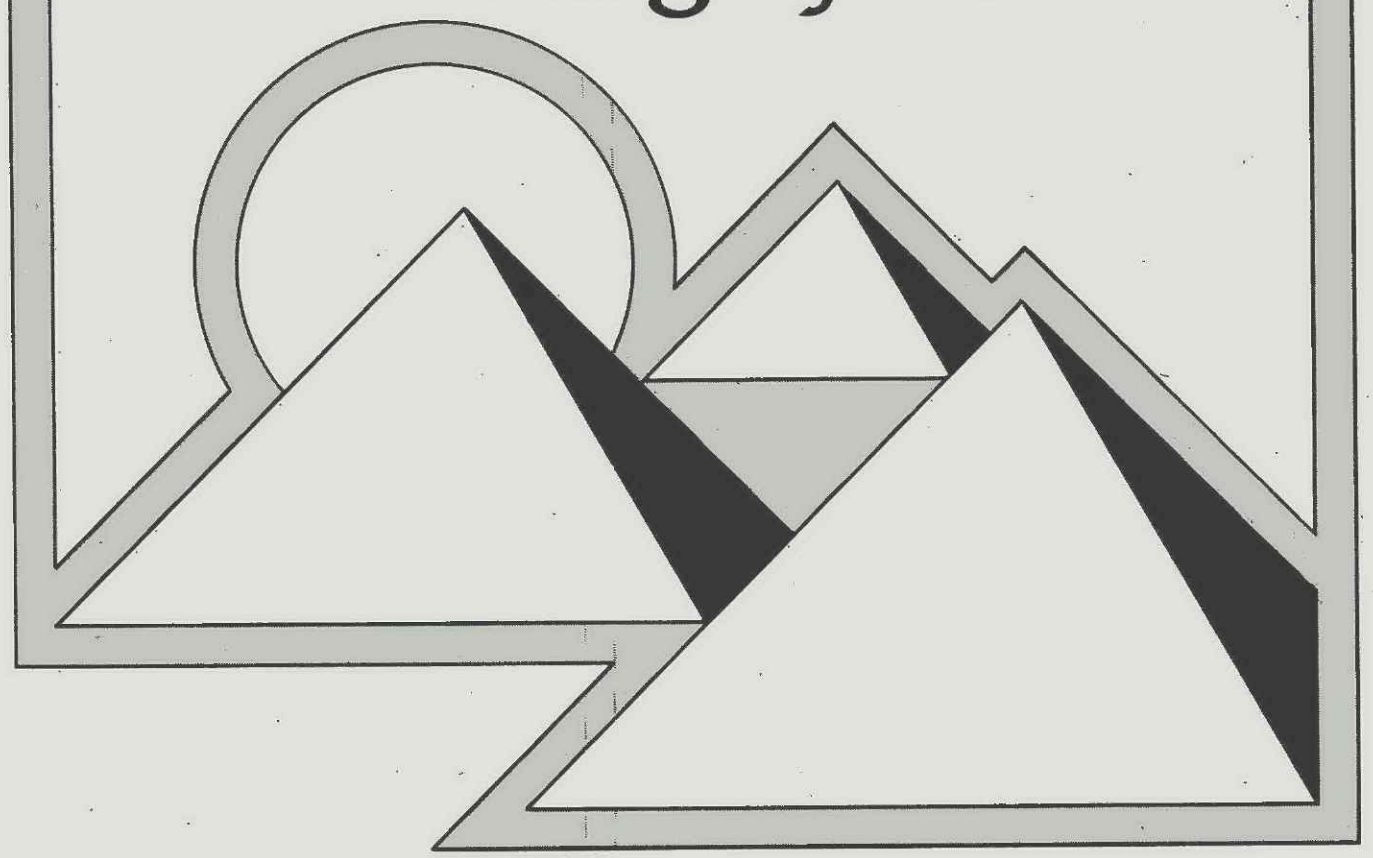
In dissent, Justice William P. Clark warned the ruling would result in higher premiums as insurers passed on the costs of inflated awards to consumers.

Justice Clark spoke for other critics of punitive damages in such cases when he said the concept could lead to "windfall or unjust enrichment" of plaintiffs when compensatory damages would suffice. ■

New Gallagher offices

Gallagher Bassett Insurance Services, the risk management division of Arthur J. Gallagher & Co., has opened additional offices in Nashville, St. Louis and Norfolk, Va. The company also has opened a new sales and marketing office in Cleveland. James G. Howell has been named manager of Arthur J. Gallagher & Co. Ohio Agency at 29001 Cedar Rd., Suite 630, Cleveland 44124.

Solidarity.
Stability.
Integrity.



Principles That Endure Throughout The Years

Certain timeless principles stand untouched by economic and social change. Solidarity, stability, and integrity are three such principles on which we have built our future in the field of Excess and Surplus Lines insurance.

AIIC

With the knowledge that a successful business must be firmly committed to unchanging ethics, we will continue to dedicate our insurance services efforts to business practices and standards of the highest quality.

Associated International Insurance Company

Member Stewart Wrightson Insurance Group, London
Excess • Special Risk • Surplus Lines • Liability and Property
Home Office: 3670 Wilshire Blvd., Los Angeles, CA 90010 • (213) 385-2017 Telex 67-3231

Cosmos Management Services Co., an Illinois corporation
Chicago Office: 300 West Washington Blvd., Suite 1405, Chicago, IL 60606 • (312) 346-4560 Telex 20-6311

Business accepted through specifically qualified surplus line brokers

Not-for-profit organizations

Ill. trust cuts insurance costs for groups

By MARY ELLEN McKEE

CHICAGO—A risk pooling trust is cutting insurance costs an average of 21% for more than 30 not-for-profit organizations in Illinois while providing broader coverage, boasts a broker who handles the trust business.

Permitted by a 1977 Illinois law, the Illinois Religious and Charitable Risk Pooling Trust is the first risk pooling vehicle to provide liability and property protection for not-for-profit corporations that are exempt under Section 501 (c)(3) of the Internal Revenue Code. The trust is fully reinsured for its pooled risks.

Not-for-profit organizations sometimes have been hard-hit by the cyclical nature of the insurance industry, said Kenneth R. Hopkins, vp of Nordstrom Risk Management Inc. here.

"Some of the organizations that eventually opted to join the trust were preferential risks who weren't really getting a price that accurately reflected their loss experience," explained the Nordstrom vp. "The trust tries to remedy that by offering the participants a good, stable and long term insurance marketplace."

The trust is owned and controlled by its contributing members, called beneficiaries. Administration and policy are handled by the trustees (up to 30) who are elected by the beneficiaries.

The Illinois insurance department regulates the trust, believed to have $1 million in premiums. Nordstrom Risk Management Inc. provides risk management services and shops for the reinsurance on the trust. Continental National Bank provides the financial services and Peat, Marwick & Mitchell are the independent auditors of the trust. Stevens & Associates of Chicago handle the claims.

The trust took almost two years to set up, with the first accounts placed in January 1978. "Getting the initial dollars to start and choosing the service companies for the program took a long time," Mr. Hopkins admitted.

Nordstrom also had to shop for 100% reinsurance on the trust before the soft market hit. "This was really the major factor in the delay for start up of the trust." Now the trust is renegotiating its treaties and Mr. Hopkins declined to discuss the reinsurers.

But many participants in the trust contacted by *Business Insurance* believe the trust was well worth the wait.

George A. Georgandas, vp of insurance and benefits for YMCA of Metropolitan Chicago and the insurance manager for a rehabilitation center in Chicago each expect to save more than 40% in insurance costs next year, and one of Chicago's museums is enjoying a 35% slash in insurance costs.

The trust has attracted a "blue chip" crowd, boasted Nordstrom's Mr. Hopkins. Among participants are the YMCA of Springfield, United Way of Metropolitan Chicago and Peoria, The Boys Club of America, the Rehabilitation Institute of Chicago, the Museum of Science & Industry, the Museum of Contemporary Art, Little City Foundation, Community Renewal Society, The Alfred Adler Institute, the American Conservatory of Music and the Afro-American Youth Society.



The trust is cutting insurance costs an average 21% for more than 30 organizations.

The trust also provides the property and comprehensive general liability for mental health centers, rehabilitation facilities, educational groups, housing projects and churches.

The trust provides the insurance for YMCA of Boston—the first and currently the only out-of-state group in the trust. The legislation allows affiliate organizations of not-for-profit groups in Illinois to join the trust.

Colleges and universities in Illinois have not joined the trust, Mr. Hopkins noted. However, they will be the targets of Nordstrom's marketing campaign for the trust later this year and the beginning of next year. "When the colleges and universities see the savings the trust's participants are experiencing as a result of joining the trust, I feel confident to say that we will have colleges and universities."

"The trust concept does more than save insurance dollars. It makes us better stewards of peoples' money," said Mr. Georgandas of the YMCA of Chicago. Because of the unusual nature of some of the risk exposures in a not-for-profit organization, "insurance was very difficult to get and once you got it it was difficult to pay the going price," he explained.

But now the firms servicing the trust and the trustees generally have a better understanding than conventional insurers of the unique nature of not-for-profit business, Mr. Georgandas emphasized. "They are not easily scared off by the unusual risk."

At the YMCA, for example, Mr. Georgandas has liability coverage for cardio-vascular units, trampolines and scuba diving. "With an accessible marketplace, I spend more time and money curtailing my risk exposures," added the YMCA vp.

The idea for the trust first sprouted when Commonwealth Edison's purchasing agent, Preston Kavanaugh, saw the dramatic rise in insurance costs for his church, First Congregational Church of Wilmette.

After conferring with attorneys, insurance department officials and staffers from other not-for-profit corporations having the same problems as his church. Mr. Kavanaugh aggressively lobbied for two years for passage of the legislation.

"We had figures from an Insurance Services Office study supporting our claim that non-profit organizations were being charged premiums way out of line with the loss experience. Once legislators saw that the loss experience of the non-profit organization fell way below the corporate experience, it was clear sailing," he added. ■

Vehicle fires can really put the heat on your insurance policy



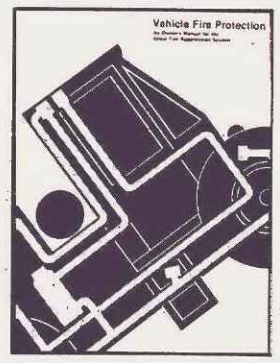
When you're insuring a ton of off-road vehicles and industrial machinery, the last thing you need is a devastating fire. Since a poor fire record ultimately leads to higher insurance rates for both operator and equipment coverage. Assuming you're lucky enough to find a carrier willing to write the policy.

Ansul can help make your insurance more affordable. We have a complete line of high quality fire protection products and systems. All designed to suppress fires before they have an opportunity to cause severe damages.

Take our A-101 Vehicle System for example. Over 50,000 of these reliable systems are at work right now on off-road vehicles throughout industry. They're currently protecting ore haulers, dozers, log skidders, front end loaders and dozens of other vehicles used in critical industries.

Ansul can provide the same kind of fire protection package for your business. Custom-designed protection which includes situation analysis, design, installation, training and service. All at a cost which is much less than you might expect.

If you want to take the heat off your insurance policy, call or write for our free brochure, "Vehicle Fire Protection". It's an important first step towards reducing your fire risk.



For your free booklet, call (715) 735-5041

ANSUL
Fire Protection
THE ANSUL COMPANY
MARINETTE, WISCONSIN 54143
Part of Wormald International Group

Most firms to freeze over-65 pensions, life plans: Surveys

CHICAGO—Few companies have announced a corporate policy on working past age 65, but most expect to freeze retirement benefits and life insurance accruals for employes over 65, two surveys show.

Consultants Towers, Perrin, Forster & Crosby surveyed participants at seminars this summer held to discuss amendments to the Age Discrimination in Employment Act. The act prohibits forced retirement for workers under age 70 except in a few cases.

Eight-five percent of the corporate officials queried at seminars in the Southwest and 67% of those polled at similar seminars in New England said they had not announced their companies' attitude toward post-65 employment. The seminars were conducted in June and attended by representatives of 116 companies.

The consultants said corporations probably had not informed their employes of corporate policy on over age-65 employment because the government had not yet released the final guidelines on how the act would be interpreted. The guidelines have been released (*BI*, June 11).

When asked how they plan to deal with pension accruals for workers at age 65, 65% of the New England companies and 57% of the Southwest firms said they will freeze all accruals. Only 17% of the New England group and 20% of the Southwest group indicated they will allow workers to continue accruing benefits based on both earnings and service after the normal retirement date.

But according to the consultants, the answers appear to reflect "pre-ADEA practices more than a conscious position with regard to this issue."

In life insurance, 55% of those participating in the New England survey said they would cut back the amount of life insurance for those staying on the job past normal retirement. Another 28% of that group said they would not cut back.

In the Southwest survey, however, 39% said they would cut back the amount of life coverage while 36% said they would not. On the life insurance question, 15% of the New England group and 25% of the respondents to the Southwest survey indicated uncertainty about how they would handle the matter.

A little more than half, 51%, of the New England respondents said they would provide the same Medicare supplemental benefits for retirees as they would for active workers 65 and over. Another 25% answered no to that question and 18% were uncertain. Among the Southwest conferees, 34% would provide the same benefits, 16% would not, 36% were uncertain.

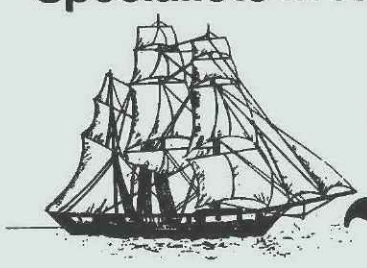
The survey also points out that 57% of the those pooled in both groups said they would neither encourage nor discourage employment past 65. On that question, 27% in the Southwest survey indicated they would discourage continuing employment after that age while only 4% would encourage it. Twelve percent were uncertain. Among the New England employers, 22% said they would discourage post-65 employment, 6% would encourage it and 15% were uncertain.

No less than 60% of corporate officials said they expect less than 10% of their workers will actually continue on the job past 65.

Another area of general uncertainty was whether employers will take advantage of the provision in the legislation allowing for mandatory retirement of executives at 65 whose retirement income would be $27,000 a year or more. Of the Southwest group, 59% were uncertain, 21% said they would and 20% said they would not.

Of the employers queried in the New England survey, 42% expressed uncertainty, 26% said they would utilize it and 31% said they would not. ■

Specialists in New York State Disability Benefits



Fiduciary
Insurance Company of America

The foremost underwriter of NYSDBL among the industry's Top Ten.

Get our customized, experienced service

Compare our quotes:
Example: Under 50 lives $2.55 Male–$4.75 Female

Call (212)-687-7366/7 675 THIRD AVENUE, NEW YORK, N.Y. 10017

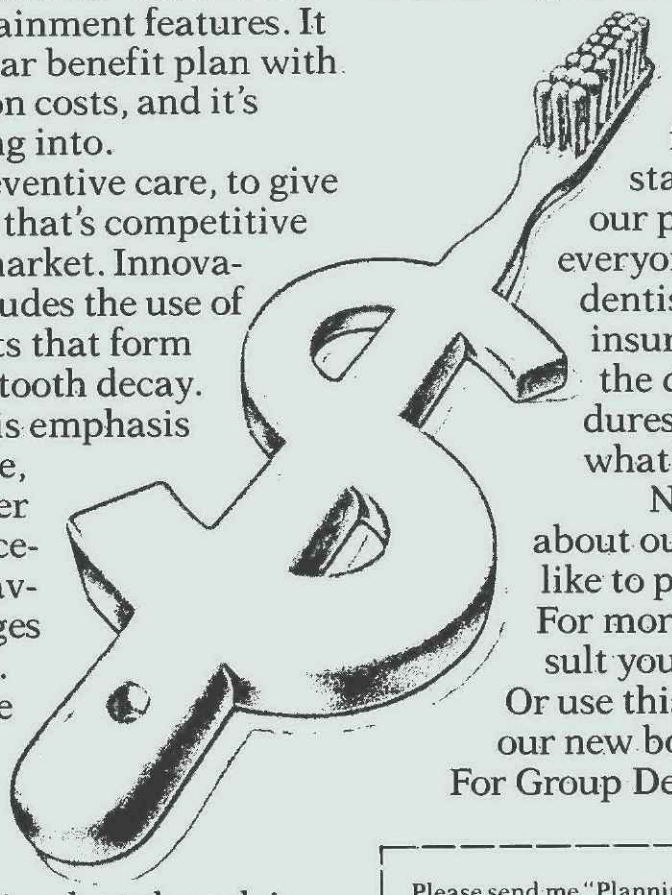
INTRODUCING AN ATTRACTIVE GROUP DENTAL PLAN AT AFFORDABLE COSTS

THE "COMBINATION LOOK" FROM CONNECTICUT GENERAL

The "Combination Look" is Connecticut General's new group dental plan that combines both broad coverage and cost containment features. It offers you a popular benefit plan with built-in controls on costs, and it's worth your looking into.

It features preventive care, to give you a dental plan that's competitive in today's labor market. Innovative coverage includes the use of protective sealants that form a barrier against tooth decay.

Because of this emphasis on preventive care, there may be fewer major dental procedures and lower average claim charges over the long run. After all, an ounce of prevention costs less than a pound of cure in today's market.



But when major dental work is needed, we've developed a way to control costs there, too. We've set a fixed maximum benefit for each major dental procedure. This helps to avoid plan abuse and also minimizes the effects of inflation.

Another significant change is in the language of our new "Combination Look." If you've dealt with dental insurance, you know the terminology used in the plan is very important. So now to avoid confusion or misunderstanding, we've written our plan in language that everyone understands: dentist, policyholder and insured. We've tightened the definitions of procedures so everyone knows what's covered.

Now that we've told you about our new plan, we'd like to put it to work for you. For more information, consult your CG representative. Or use this coupon to send for our new booklet "Planning For Group Dental Insurance."

Please send me "Planning For Group Dental Insurance"

name and title

company

city state zip

Mail to: J. H. Walton—C-311
Connecticut General Life Insurance Company
Hartford, CT 06152

B

Connecticut General Insurance Corporation
Hartford, Connecticut

COMING THROUGH FOR YOU...THAT'S WHAT CONNECTICUT GENERAL PEOPLE DO

ERISA's benefits outweigh costs: Observers

By JERRY GEISEL

WASHINGTON—Despite fiery speeches lambasting the law in its early years and continuing complaints about the financial and paperwork burden it has imposed on corporations, most agree today that the benefits of the pension reform law are worth the cost.

The Employe Retirement Income Security Act was signed into law five years ago this month.

"You no longer have to work a lifetime to get a pension," says Karen Ferguson, director of The Pension Rights Center here.

"The chief accomplishment has been to improve vesting provisions," she continued. "In large plans before ERISA, a fourth of the workers were already covered by 10-year vesting, but that left three-fourths who were not."

For the nation's 40 million pension plan participants, ERISA's funding, participation, vesting and fiduciary standards, by and large, put an end to the abuses of pension plans that robbed some employes of their retirement benefits after they spent a lifetime on the job, said Ian Lanoff, administrator of the Labor Department's Office of Pension and Welfare Benefit Programs.

But ERISA also has exacted a price.



ERISA's standards put an end to many pension plan abuses that robbed workers of benefits, says Ian Lanoff, a Labor Department administrator.

"It has required plan sponsors to hire more people to administer the plans and added new cost and paperwork burdens," said George Pantos, counsel for the ERISA Industry Committee, a benefits lobbying group representing most of the nation's 100 largest corporations.

Most observers, though, also believe the law has fulfilled its supporters' key objective. "ERISA has provided employes with a greater sense of security and also more protection in making sure that the promised benefits are delivered," Mr. Pantos said.

But if ERISA has met its major objectives, the reform law has fallen short of attaining its secondary goals. Five years after the law's passage, only about half of the nation's working population is covered by private pension plans, a percentage not significantly different from when the law first took effect.

Although ERISA's 10-year vesting requirement has broadened the net of coverage, this speed-up in vesting is not enough to provide adequate benefits for many women, who frequently interrupt their careers to raise families and find it difficult to earn a vested benefit from a pension plan, many say. Women are less likely to qualify for a pension and when they do the benefits tend to be smaller, a Justice Department study found.

A federal insurance program, administered by the Pension Benefit Guaranty Corp., guarantees the vested benefits of workers whose single employer pension plans terminate.

But these same guarantees do not extend to participants in the nation's 2,000 multiemployer pension plans. These guarantees now are only discretionary and it seems likely that Congress will limit benefit guarantees for multiemployer plan participants before it extends the insurance benefit.

However dramatic ERISA's changes are, it seems almost certain that more changes are yet to come. Final regulations governing supplemental pay and overseas plans for non-resident aliens, for example, have yet to be issued by the Labor Department.

And in the long haul, substantial changes in the direction of faster vesting requirements, improved survivors' death benefits and limited employe pension plan tax deductions can be expected, predicts Ms. Ferguson, of the Pension Rights Center. "By the 10th anniversary of ERISA, we may see a dramatically different pension reform law," she asserts.

During its first few years of operation, ERISA earned a reputation as a problem law, said Mike Romig, director of employe benefits at the U.S. Chamber of Commerce.

There were lengthy delays in the processing of exemptions from various ERISA provisions. Dual jurisdiction of the law by the Labor Department and the Internal Revenue Service meant that employers had to file voluminous forms with not one but two federal agencies, often at different times, resulting in much confusion.

The forms at times were duplicative, boosting the cost of compliance, particularly for smaller employers. Some companies, tired of the expense of complying with the law and reluctant to improve their plans to meet ERISA's minimum standards, terminated their plans in record numbers during the first three years after ERISA went into effect.

But now there is growing evidence that ERISA's rocky cruise is over. Last year, close to four new private pension plans were created for every plan that terminated, according to the Internal Revenue Service. Only two years before, the ratio of new plans to terminated ones was 1.6 to 1, the lowest in history.

A reorganization plan that more clearly divides responsibility between the IRS and the Labor Department appears to have significantly improved ERISA administration.

In the nine months that the reorganization plan has been in effect, the government has been able to process 450 prohibited transactions applications, said the Labor Department's Mr. Lanoff. By contrast, in the four and a half years before the plan, only 600 prohibited transactions exemptions were

Facultative Reinsurance

Questions & Answers #2

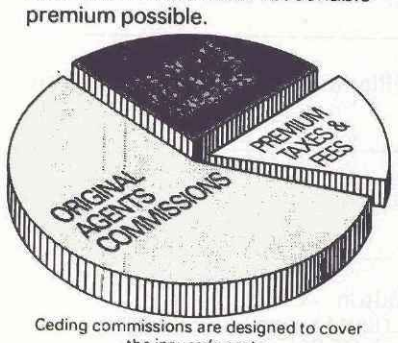
A conversation with Pete Greene, Manager of the Prudential Reinsurance Company's Facultative Regional Office in Houston.

Q: Do you write so-called "tough risks"?

A: Yes. Prudential Re is not shy about writing the tough ones. Right here in Houston, we cover most phases of the oil industry, including the particularly difficult liability coverage required under the U.S. Longshoreman and Harbor Workers Act. We also use our capacity to cover the property exposures, like builder's risks on offshore pipelines, and operating risks for inland drilling rigs. Prudential Re also covers a variety of risks on other energy-related projects. Of course, we welcome a wide range of normal risks, too.

Q: What ceding commission does Prudential Re pay on reinsurance premiums?

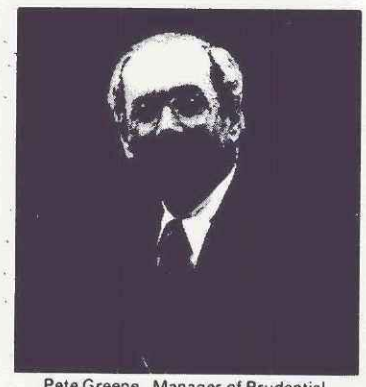
A: We pay an amount to cover our share of premium taxes and fees, the commission paid to the original agent or broker, and the insurance company's operating expenses. Naturally, all subject to a reasonable maximum. This should allow fair costs for the insurance company so they can offer a policy to their client at the most reasonable premium possible.



Ceding commissions are designed to cover the insurer's costs.

Q: You do business directly with insurance companies. Do you also work with reinsurance brokers?

A: Yes. We do work with reinsurance brokers because Prudential Re recognizes that many insurance companies want the services brokers provide. Other companies prefer arranging their facultative reinsurance directly. So Prudential Re does business both directly and through reinsurance brokers. But there are some cases, like the unique, high-risk business handled by surplus line companies where we prefer a first-hand relationship.



Pete Greene, Manager of Prudential Reinsurance Company's Facultative Regional Office in Houston.

Q: What are the factors that help Prudential Re stand out from other reinsurers?

A: There are several strong arguments for calling Prudential Re:

- We have undisputed financial strength and stability.
- Our capacity is large: $5 million generally and $15 million on most excess risks.
- We can and do handle almost every kind of coverage, class or problem.
- Prudential Re is flexible because we retain so much limit ourselves, and we're not restricted by treaty limitations.
- We are a young, aggressive company that shares a heritage with The Prudential Insurance Company of America. They encourage our continued growth in reinsurance to help meet the present and future market needs.

To get answers to any of your reinsurance questions, just give us a call. We're the Rock in reinsurance.

Home Office:
213 Washington Street, Newark, NJ 07101, (201) 877-8000

Regional Offices:
3700 Wilshire Blvd., Los Angeles, California 90010. (213) 385-6261

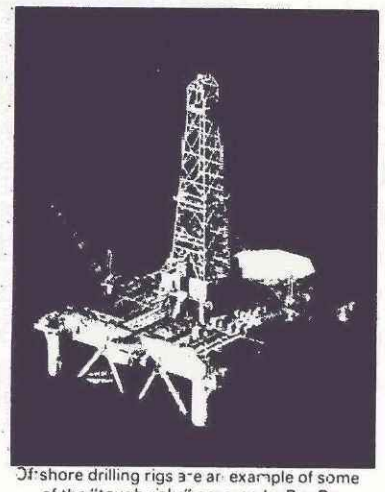
30 N. LaSalle Street, Chicago, Illinois 60602, (312) 782-4793

127 John Street, New York, New York 10038. (212) 422-4350

4600 Post Oak Place, Houston, Texas 77027, (713) 877-8814

In Canada:
Prudential Reinsurance Company of America, P.O. Box 116, Toronto Dominion Centre, Toronto, Ontario, Canada, M5K 1G8, (416) 862-1228

Prudential



Offshore drilling rigs are an example of some of the "tough risks" covered by Pru Re.

Prudential Reinsurance Company

Subsidiary of The Prudential Insurance Company of America

completed.

The government also has taken steps to cut down on paperwork. Form 5500, a pension plan's annual report to the government, now only has to be filed with one federal agency. Two summary plan description reports were recently merged into one form, further reducing the paperwork burden.

But for some companies, particularly small firms, these paperwork reductions came too late. "Paperwork burdens undoubtedly were a factor that caused some employers to terminate their defined benefit pension plans," said Steve Schanes, president of Schanes Associates, a San Diego, Calif., consulting firm.

A study published by the General Accounting Office earlier this year reveals that some 18% of the nation's small plans—those with less than 100 participants—have terminated since ERISA was enacted. "ERISA's total effect ... in regards to small plans has been more negative than positive," contends Alvin Lurie, counsel for the National Assn. of Private Pension and Welfare Benefit Plans, a benefits lobbying group with about 600 members.

Yet while ERISA's paperwork burden undoubtedly did cause some smaller companies to terminate their plans, the overall effect of these terminations on participants appears to have been minimal. Many companies that terminated plans started new ones, ensuring that workers in terminated plans continued to receive pension benefits, the GAO found.

Furthermore, many of the terminated plans flunked ERISA's basic participation and vesting standards, adding ammunition to Mr. Lanoff's contention that a big chunk of the plans that folded "really were not established to provide benefits at all," but were designed as tax shelters for top corporate officers. The termination of many of these plans is no loss at all to the benefit community, another federal regulator argues.

"The listing of ERISA as the reason a company terminated its plan may have been the fashionable thing to do," said pension expert Claude Dorais, a Beverly Hills, Calif., attorney. But citing ERISA as the reason for termination instead may have camouflaged employers' desires not to provide pension plans, Mr. Dorais added.

At large corporations, the passage of ERISA acted as a catalyst in propelling the employe benefit manager up the corporate ladder, Mr. Schanes said. The stature of the employe benefit manager who handles pensions has shot up tremendously, he added.

"I know a number of companies that were not really paying much attention to pension documents, not having all their records in order. ERISA made them sit up and take notice and get more in-house expertise to manage the pension function," said Michael Jones, partner and actuary at Hewitt Associates in New York.

"The major impact of ERISA (on corporations) has been a greater recognition of the importance of their benefit package, particularly their pension package," said Mr. Romig of the Chamber of Commerce. "That's a favorable impact from the standpoint of both industry and employes: you now have more careful development of benefit programs."

ERISA, with its complex reporting and disclosure requirements, also has forced firms to beef up their communications efforts so employes can better understand their pension benefits.

"One of the very good things about ERISA has been the new stress on employe communications," said Richard Sears, a partner at Kwasha Lipton, a benefits consulting firm in Englewood Cliffs, N.J. "Companies in the past had not taken the time and effort as they should have to communicate with their employes. ERISA forces them to communicate."

But ERISA has also left many unresolved issues. Congress currently is wrestling with the problem of how to guarantee benefits for the 385,000 participants in multiemployer pension plans.

A study by the PBGC revealed that 200 multiemployer plans are "experiencing financial hardship" and may collapse in the future. Such a catastrophic collapse could cost the PBGC $3.5 billion.

To pay for such huge potential losses, the PBGC might have to jack up the current $1 annual premium per worker for a multiemployer plan to as much as $40 or $50 per worker for termination insurance, the study implied.

That soaring increase could, in turn, trigger a new round of terminations by plans unable or unwilling to pay the skyrocketing rates.

Congress has put off addressing the multiemployer problem by twice postponing the date PBGC was to begin mandatory coverage of the plans.

A long term solution—cutting back on guaranteed benefits—has been proposed as a means of reducing PBGC's exposure and potential liability, but the proposal still is locked in committee and Congress may once again delay the May 1 date for mandatory coverage while considering comprehensive solutions to the problem.

Now that ERISA has been set in place and the worst wrinkles ironed out, corporations may once again start looking closely at other employe benefits with an eye toward benefit improvements.

"ERISA got everybody so busy thinking about the law and complying with it that a lot of benefit improvements were deferred," said Kwasha Lipton's Mr. Sears. "A lot of benefit improvements were put on the back burner until everyone had digested ERISA." ■

Work comp direct writer adds broker

SAN JOSE, Calif.—Employe Benefits Insurance Co., a direct writer of workers compensation, is expanding its marketing program through traditional brokers, according to vp Harry H. Gordon.

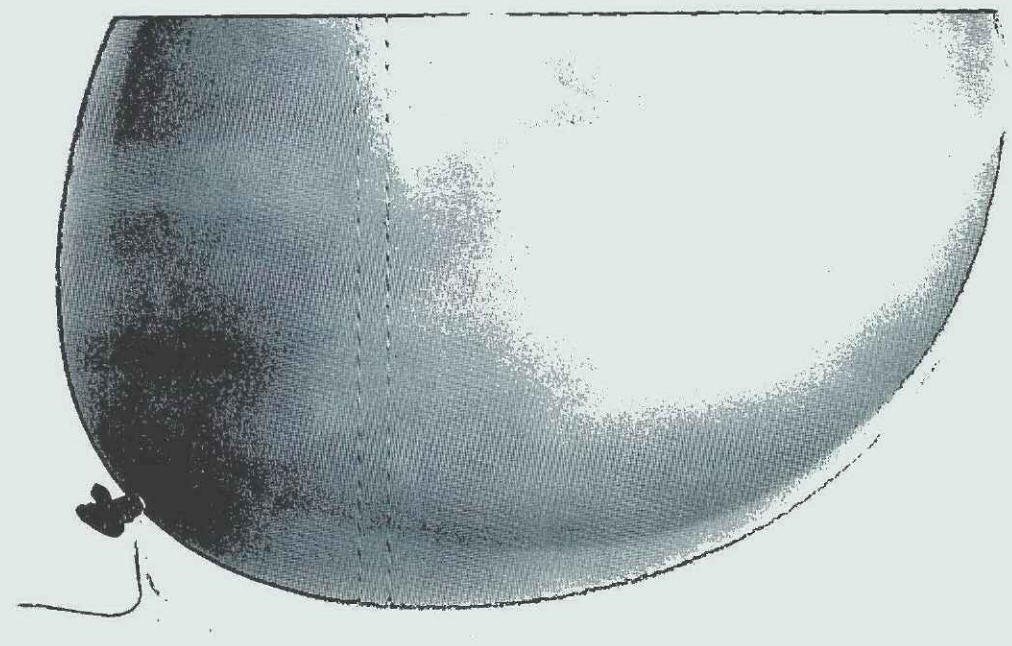
EBI has signed its first formal agreement with California broker Robert F. Driver Co. here in a move that is aimed at reaching the segment of the insurance market "that traditionally has been difficult to reach through direct marketing," he explained, presumably larger corporations.

EBI's expansion into agency marketing will be done on a carefully controlled basis, with "selected" local and regional brokerage firms, Mr. Gordon said. The company's direct marketing program will remain its primary approach, with broker contacts serving as a supplement, he noted.

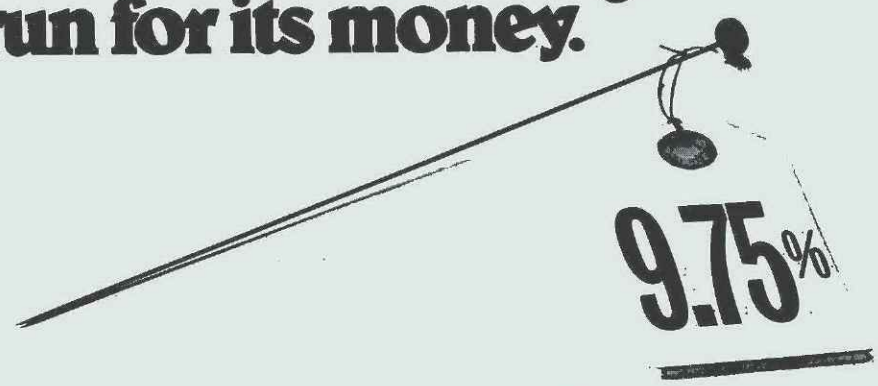
A 50-year-old brokerage firm, Robert F. Driver has over 94 employes operating exclusively in San Diego, La Jolla and Newport Beach. The company has handled EBI policies on a limited basis for the last three years.

"Of the many different carriers we represent, EBI has to be considered among the best in terms of good old-fashioned services," observed Irwin B. Sklar, Driver's president and chief operating officer.

EBI is the nation's 34th largest workers compensation underwriter, with premiums which totaled over $117 million in 1978. ■



At last, an interest rate for pension funds that gives inflation a run for its money.



This unusually high rate is available on NWNL's new PERFORMANCE PLUS™ Contract.

Under this contract, NWNL holds a single sum deposit from a 401(a) corporate qualified retirement plan in a separate account that's used for high-yield, carefully selected long-term investments.

If left for five years until maturity, NWNL guarantees both the principal and net yield of your deposit. However, withdrawals prior to maturity are based upon the investment performance of the separate account and are not guaranteed.

This contract is not currently available in every state. For more information, fill out the coupon and mail it today.

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY
HOME OFFICE · MINNEAPOLIS, MINNESOTA

Send to: Ginny Charboneau, NWNL
Box 20, Minneapolis, Minnesota 55440
Or call (612) 372-5784.

Name_____

Firm_____

Address_____

City_____

State_____ Zip_____

ERISA rules still deliver a mixed blessing: Lawyers

By LES STERN
Crain News Service

WASHINGTON—Two persons who had quite different and quite definite views of ERISA when it became law five years ago have not changed their minds about it now.

"ERISA did good things and it did bad things it didn't need to," said Frank Cummings, a Washington attorney who was a member of Sen. Jacob Javits' staff that drafted the first pension bill in 1967. He also was counsel to Studebaker when the firm collapsed in the earlier part of that decade, leaving its pension beneficiaries stranded.

"If you had to choose between nothing and this, sure you'd take this," Mr. Cummings said.

"It was never my view that ERISA would protect participants," stated Merton Bernstein, a professor of law at Washington University who was leery of the legislation when it passed. "It's lived up to that expectation.

"ERISA doesn't respond to the basic problem," Mr. Bernstein charged. "It does not provide a dependable source of income. People who know how to sharpshoot can get in on several plans. The weakest and the most needy may wind up with absolutely nothing."

And Mr. Cummings agrees. "Ten years ago we had a little bill. If it would have passed it would have accomplished everything we would have needed," Mr. Cummings said.

Highlights of that bill were vesting provisions and termination standards. There were no reporting, disclosure or fiduciary requirements.

The current vesting provisions in ERISA still are endorsed strongly by Mr. Cummings. "If nothing else, that solved the biggest problem," he said, adding that under those provisions, John Daniel-type incidents in which long term workers lose their pensions cannot happen anymore.

According to Mr. Cummings, the other positive aspect of ERISA is the termination insurance program, especially in the single-employer area.

Mr. Bernstein also favors the concepts behind vesting and termination insurance, but argues that vesting provisions don't go far enough and the termination insurance program can't work.

"If anything is good, it's mandatory vesting," Mr. Bernstein said. "I'd like to see it expanded and strengthened so people can build dependable retirement benefits. The overwhelming challenge to the private pension system is to come up with indexing. I think the private system cannot operate without it."

Mr. Bernstein said termination insurance is "the best thing about the act," but it won't work. "The liabilities as I predicted are far greater than anything anybody projected."

Other fiduciary, reporting and disclosure provisions were attacked by both men, but for different reasons.

Mr. Bernstein said they are a result of the fact that there is no immediate vesting or absolute conflict of interest provisions in ERISA. Mr. Cummings said that they are a matter of legislative overkill which does not do what it sets out to do.

According to Mr. Bernstein those "troublesome and expensive" provisions "were the result of the fact that Congress was told you shouldn't have a nice simple law that has everybody vested right away and no conflict of interest.

"If those two things were done, there would be no burdens," Mr. Bernstein said. "But, many who complained about the burdens now are those who argued for the substantive provisions now in effect. Their bargaining made it possible."

Mr. Bernstein's biggest complaint, though, is what he sees as ERISA's treatment of conflict of interest by trustees.

"I don't know of any other area where the conflict of interest is not only tolerated but built into the trustee's role." He said the whole concept of the trust arrangement under ERISA mandates the appointment of trustees whose interest differ from those of the participants.

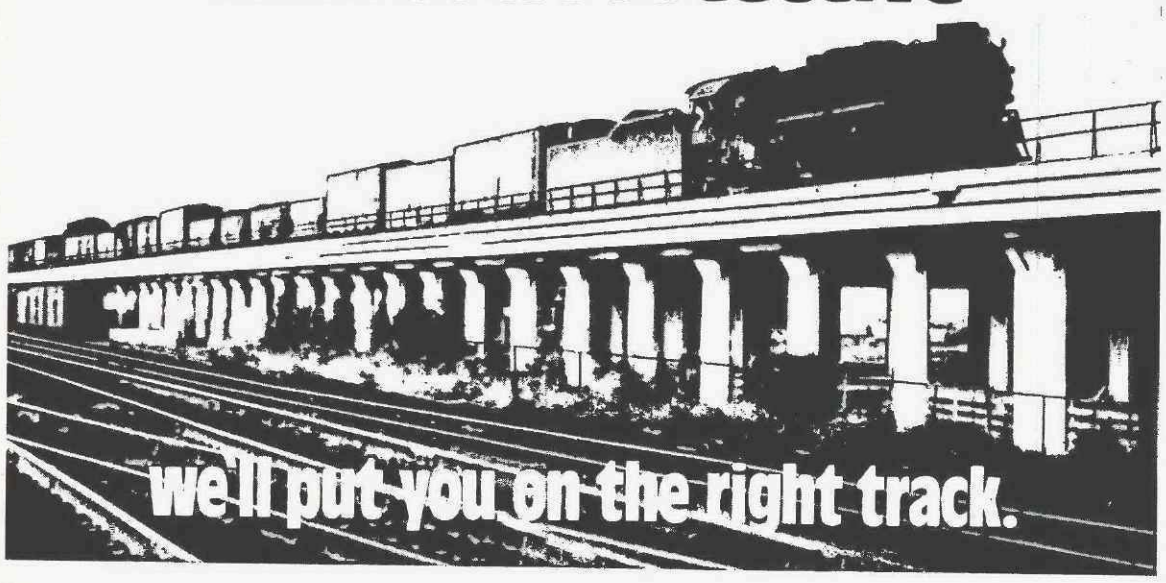
According to Mr. Cummings, the reporting, disclosure and fiduciary provisions "are not quite a disaster, but aren't very good."

He said those provisions were primarily included to stop "crooks and thieves." They haven't stopped the crooks and thieves, but they have damaged quite a few honest people and have burdened the pension sponsors with "expensive and ambiguous" requirements.

Mr. Cummings said he would like to do away with all reporting and disclosure, except for qualification and the annual report.

He would simplify the fiduciary standards, which would eliminate the need for reports. "That way," he said, "it would leave the crooks and thieves to the cops." ■

If you need Railroad Protective



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

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

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

Pension changes beat ERISA mandate: Sears

By LINDA SOJACY
Crain News Service

CHICAGO—Did Sears, Roebuck & Co. alter its pension plan in the wake of ERISA? Sears says no.

However, some of the major changes in Sears' supplemental plan are in direct compliance with the government law.

Example: In October 1974, the giant retailer instituted a 10-year vesting policy for its then $177 million supplemental pension plan.

Prior to that, payments were made because of death, disability, or termination after age 55 and 20 years service.

Ted Bower, associate tax counsel for Sears, recently explained that the 10-year vesting policy "had nothing to do with ERISA. The provision was considered before ERISA was signed."

In January 1976, Sears changed its profit sharing plan from full vesting after five years service to full and immediate vesting. Mr. Bower said ERISA was "one of six or eight reasons" for changing the profit sharing vesting policy.

The biggest move for Sears, however, was in January 1978, when the role of the supplementary pension plan was expanded. Mr. Bower explained that Sears "technically took the non-contributory supplemental plan and amended it, rewrote it and restated it. Benefits prior to 1978 still were included in the plan.

"But we amended it to cover all full-time employes and certain part-time employes, aged 25 and above, and total compensation."

Previously, the supplemental plan covered only salaried employes on compensation above $15,000 annually.

Sears amended the vesting policy again to include 50% vesting after five years, in addition to the 100% vesting after 10 years.

Despite the similarity between Sears' changes and ERISA requirements, Mr. Bower contended that a study started in 1975 by outside consultants and in-house Sears people prompted the changes, not ERISA.

"We felt that we should give more guaranteed retirement security to the hourly employes. They had no pension—they were only in the profit sharing plan. We reduced the contributions to the profit sharing plan and put up a parallel pension plan." ■

CAPTIVE.

A SIMPLE WORD • AN IMPORTANT DECISION • A MAJOR STEP

The corporate or association client considering a captive has many decisions. Landmark offers its services to you or your client in performing analyses of the insurance needs, rendering you an in-depth study of how a captive would look for you, explaining tax implications, reinsurance, fronting, and other important factors.

Additionally, ongoing management services are provided for captive owners. Our offices in Bermuda, the Bahamas and the Cayman Islands provide complete assistance to the captive client. Reinsurance facilities are available, and we can assist in all important decisions which face the captive. May we tell you more? Please write for a brochure explaining our services.

WILLIAM E. THOMPSON, PRESIDENT
THE LANDMARK INSURANCE GROUP, INC.
1515 CLASSEN BLVD., BOX 676 • OKLAHOMA CITY, OK 73101
INTERNATIONAL INSURANCE SERVICES OF THE LANDMARK GROUP

Some blame ERISA for no pension plan

By CLARE MINICK
Crain News Service

WASHINGTON—ERISA provisions were cited as a key consideration by one-third of a group of companies deciding not to start pension plans after the law was passed, according to a Labor Department study.

The study also found that a desire to "provide financial security to employes" was the reason most often cited by companies for setting up a pension plan.

Seventy percent of small organizations (fewer than 100 employes) in the survey said that "tax or financial considerations" were important factors in setting up plans. Another half of small organizations said that "advice of specialists" influenced them to establish plans.

On the other hand, large organizations (more than 100 employes) indicated that a need to "reduce employe turnover" and to "attract and keep productive employes" were important factors to them.

The survey, by ABT Associates Inc. of Cambridge, Mass., for the Labor Department, sampled 577 organizations with single employer plans established since ERISA. It also sampled 174 organizations without plans.

Of 75 organizations without plans seriously considering establishing one, 52 decided against doing so and 23 were still considering it. The study said that the 52 that had decided against setting up a plan did so because of cost considerations.

Only 17 organizations that decided against a plan indicated that ERISA provisions were an important factor in the decision.

The study attempted to isolate characteristics of organizations both with and without plans.

Some of the factors that appeared important were average employe salary, age and length of employment.

For example, organizations with high average employe earnings are more likely to sponsor post-ERISA plans than organizations with low average employe earnings.

Nearly half of small organizations with plans reported average annual employe salaries of $12,500 or more. Fewer than 20% of small organizations with plans had that level of earnings.

According to the study, organizations without plans are more likely to have the highest percentage of their employes with an average age of 30 or less. Such organizations also have the highest percentage of employes with less than three years of service.

The study turned up a strong correlation between employe turnover and sponsorship of a pension plan for small organizations. Seventy-two percent of small organizations with plans had low turnover while 25% of small organizations without plans had low turnover.

One of the objectives of the study was to come up with predictive variables about plan formations for both large and small organizations. The study admits its success was modest, but a number of things came to light.

There was a significant positive correlation between plan formation by large organizations and the following:

- High stability of employment in the organization represented by proportion of employes with service over three years.
- Good financial capability of the organization to fund a pension plan.
- High average employe earnings.

For small organizations there was a positive correlation between plan formation and the same factors listed above for large organizations.

However, for small organizations three other factors also showed a positive correlation: low employe turnover, good economic conditions in the industry and absence of a health insurance plan.

On the basis of its analysis, the study states that "clearly, other variables—inaccessible to us—play a significant role in determining whether an organization will adopt a pension plan.

"None of the 'predictor variables' directly is related to the provisions of ERISA. We conclude that if ERISA has any influence on the rate at which new plans are formed, the Act (ERISA) influences variables which are inaccessible in this analysis."

The study also encompassed a longitudinal analysis of pre-ERISA and post-ERISA plan characteristics. It looked at 75 combinations of the following plan characteristics: type of plan; plan size; plan entity (trust, insured or other); union involvement; and type of employe covered. The analysis covered eight time periods, pre-1970 and 1970 to 1976.

The study found that the "dominant trend is the reduction in the percentage of plans, which are defined benefit in type, from 28% pre-ERISA to 16.6% post-ERISA."

The study also noted that multiemployer plans formed as a percentage of all plans formed decreased from 5% pre-ERISA to 2% post-ERISA. ■

Report hits pension evolution

Crain News Service

WASHINGTON—The Pension Rights Center has marked the fifth anniversary of the passage of ERISA by releasing a 24-page report updating pension developments and outlining what it believes are faults in the pension system.

The report, entitled "Retirement Income," says that Social Security is not enough to live on, more than two-thirds of all workers will not get a pension and most people do not have enough savings to support them in retirement.

The publication also details how programs discriminate against women, how inflation hurts pensioners and presents both sides of the "social investing" debate.

The report also updates the work of the President's Commission on Pension Policy, and contains articles by Sen. Jacob Javits (R-N.Y.) and Sen. Howard Metzenbaum (D-Ohio). The "Retirement Income" report is available from the Pension Rights Center, Room 1019, 1346 Connecticut Ave. N.W., Washington, D.C. 20036.

Cost is $5 to officials and institutions and $1.50 to all others. ■



The Hartford found a cure for hijacking in a cup of coffee.

The trucker was on schedule when he made his usual roadside stop for coffee. That's what the hijackers were counting on. The gang struck the same fleet's trucks again, at a cost of hundreds of thousands of dollars in lost cargo.

Once alerted to the crimes, The Hartford's loss prevention service suggested ways to stop the hijackings. We recommended drivers alternate rest stops so hijackers wouldn't know where to strike. And because it's harder to hijack a truck outside city limits, we suggested drivers make their first rest stop at least 100 miles from the city terminal.

Besides stopping the hijackings, our loss prevention counseling also helped lower the fleet's insurance rate. Proving that when losses go down, rates don't have to go up.

Whatever business you're in, you can always benefit from a loss prevention program. It can help you find better ways to prevent thefts, injuries, accidents, and lawsuits. And that can help you avoid costly business interruptions due to fires or accidents.

The Hartford has over 60 years of experience in designing loss prevention programs for every type of business. Our over 500 loss prevention experts located coast to coast can advise you on chemistry, engineering, product liability, transportation, health care, construction, fire safety, industrial hygiene, and other fields.

It adds up to the kind of preventive help businesses of all sizes need but can't always afford on their own. Which is why more of them are asking for The Hartford's help—and getting results.

YOUR Independent Insurance AGENT SERVICE YOU FIRST

To see how loss prevention can make a difference in your business, contact your local independent agent who represents The Hartford.

Get in touch today. After all, wouldn't you rather get help than get hurt?

The best protection is prevention.

THE HARTFORD

The Hartford Insurance Group, Hartford, Connecticut 06115

Employers!!
SAVE Money and
Limit Risk On Your
Group Health Protection Plan WITH
DeductiMax
DEDUCTIBLE INSURANCE

DEDUCTIBLE COVERAGE
For Companies With
• 25 Employees or More
• Primary Insurance Covered
Group Health Protection Plans
• Policy Deductibles Of At
Least $500 per Employee



Because of today's soaring medical costs, many employers can no longer afford the premium for a no-deductible or low-deductible group health insurance plan for their employees. They, therefore, are turning away from such fully-insured plans in favor of high-deductible plans. The premium for group health coverage above an employer-assumed deductible of $500 and up, is considerably less than for the first dollar coverage. While in most cases the dollars saved by this approach are significant, the potential risk to the employer with the high deductible is often more than he wishes to assume. The Safety Mutual Casualty Corporation deductible plan, DeductiMax, assumes part of the risk contained in the high deductible by providing an aggregate layer of protection between the employer and the primary insurance coverage of the group health policy.

LOW-COST DEDUCTIMAX DEDUCTIBLE INSURANCE WILL STOP AN EMPLOYER'S AGGREGATE DEDUCTIBLE LOSS ANYWHERE FROM 50% OF HIS TOTAL DEDUCTIBLE LIABILITY UPWARD.

Contact Your Self Funding Consultant for more Information about DeductiMax available from Safety Mutual Casualty Corporation, St. Louis.

Safety Mutual Casualty Corporation

INSURERS TO INDUSTRY

1034 S. BRENTWOOD BLVD.
ST. LOUIS MISSOURI 63117

Write For Brochure

Labor Dept. violates ERISA by allowing disclaimers: Lawsui

By MARIA CRAWFORD SCOTT
Crain News Service

WASHINGTON D.C.—A civil suit filed here against the Department of Labor is challenging the use of disclaimers in summary plan descriptions.

The suit, filed in district court, charges that the use of disclaimers in summary plan descriptions (SPD) is illegal under ERISA. And it requests that the Department of Labor be enjoined from allowing the use of disclaimers.

"What we are saying is that the DOL itself is violating ERISA by not enforcing the SPD regulations," according to Douglas Parker, attorney for the plaintiff.

Although the department announced recently that it would crack down on reporting violations, Mr. Parker discounted the statements.

"We don't believe them," he said. He added that the DOL has made similar statements in the past but never followed up on them.

Disclaimers frequently are used in SPD's to protect the plan or administrator from liability resulting from errors or inaccuracies in the summary plan description.

The consulting firm of A.S. Hansen has studied the use of disclaimers and has advised its clients to continue using them. But the firm does add that the legal arguments in this suit are "persuasive" and warns that legal problems can result if a summary plan description is written in a fashion that can be misinterpreted by participants.

The suit was brought by Bernice M. Trombly, the widow of a participant in a plan sponsored by the American Chain & Cable Co.

According to the suit, the company's summary plan description stated that a survivor's benefi would be paid to the spouse of an active employe who died, providing the employe is 50 or older and had completed 15 years of continuous service.

But the SPD also contained a disclaimer stating that the "plan and all descriptions and outlines there of are governed by the formal plan document."

Mr. Trombly died at age 54 while he still was working at the firm. He had 18 years of service.

According to the suit, he "died believing that his wife would receive the survivor's benefits promised in the summary plan provisions."

However, the suit states that when Mrs. Trombly tried to receive benefits based on the SPD description, they were denied. The company informed her that the plan document required that her husband be age 55 before she could qualify.

Plaintiffs are arguing that the use of the disclaimers violates ERISA which requires that the SPD be sufficiently accurate and comprehensive in telling participants and beneficiaries of their rights under the plan.

The plaintiffs also argue that the disclaimers are an attempt to relieve fiduciaries from a liability imposed by ERISA.

The suit further charges that the Department of Labor has encouraged the use of SPD disclaimers by declaring that no action will be taken to prevent their use.

"The Department of Labor's declarations encourage plan administrators to deny benefits to participants and beneficiaries who have relied on misleading SPDs which contain disclaimers," the suit charges.

The Department of Labor has in the past stated that it does not have the legal authority to issue a ruling declaring the use of disclaimers to be illegal.

Instead, the DOL has adopted the position that the issue would be left for the courts to decide.

It has, however, recently announced that it will more closely monitor SPDs.

A Labor Department official said the department is uncertain as yet what position it will take in the lawsuit. ■

Houston RIMS elects officers

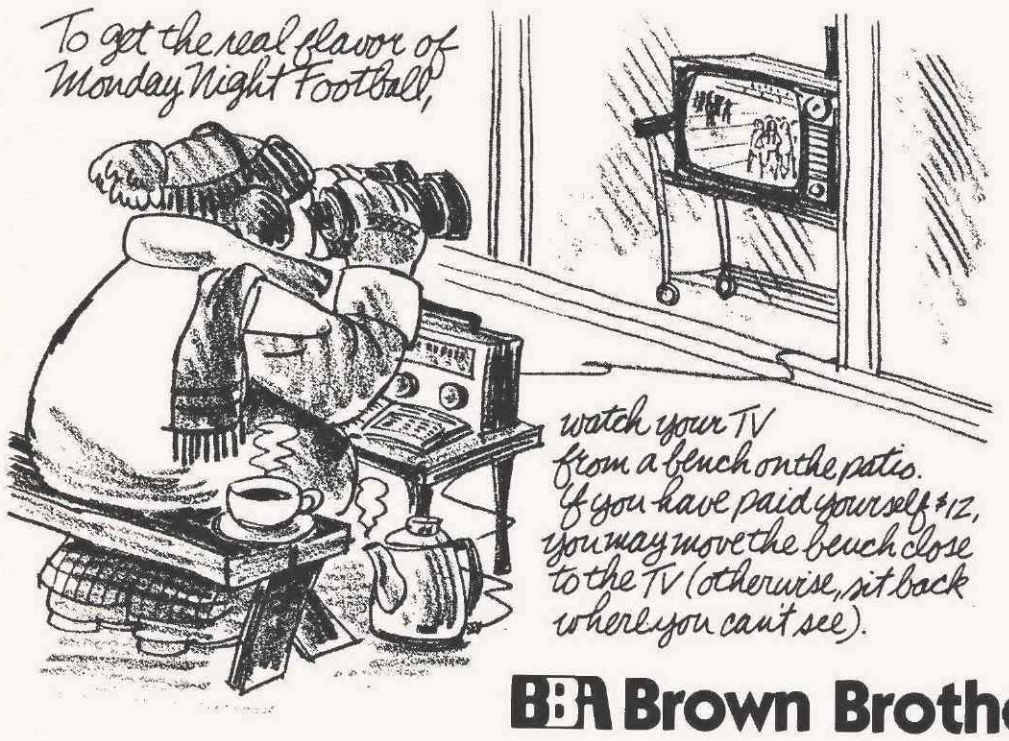
HOUSTON—The Houston chapter of the Risk and Insurance Management Society has elected E.A. Beauchamp of Quintana Petroleum Co. president for 1979-80.

Other officers elected include Allen Mansfield of Hughes Tool Co., vp; Jimanne Kubiak of Service Corp. International, treasurer; Merritt Barton of Harris County Auditors, secretary; Jack Fitch of Stewart & Stevenson Services Inc., assistant secretary; Al Watson of Shell Oil Co., national representative; and Steven B. Steinberg Jr. of Weingarten Inc., past president.

New directors are Rick Moscicki of Inexco Oil Co., Larry Riggs of Tenneco Inc., Jane Janik of Gulf Oil Corp., Glenn Norris of Crutcher Resources Corp., Dee Swenson of Pogo Producing Co. and Larry Cox of Anderson-Clayton. ■

The SPORTSLINE from Brown Brothers

FEATURING TIPS FOR ARMCHAIR ATHLETES



And here's a tip for special team assistance:

Brown Brothers Adjusters has over 150 adjusters who are trained to give special service whenever you need it: full time, partial investigation, temporary assistance, special risks or self-insureds. For a victory over adjusting problems—whatever the field—call in the special team from Brown Brothers.

B:A Brown Brothers Adjusters

Home Office: 545 Sansome Street, San Francisco, CA 94111 • (415) 392-2825
TELEX: San Francisco—34-472 • Honolulu—63-4266 • Los Angeles—67-234

License B-137

Public pension funds inadequate: GAO study

Crain News Service

WASHINGTON—Almost 75% of state and local pension funds surveyed by the General Accounting Office would fail to meet ERISA's funding standards.

The report notes that in order to meet ERISA's requirements, "many of the plans would have to increase annual contributions by more than 100%."

The GAO recommends that Congress monitor actions taken by funds to correct these weaknesses to determine if federal action is necessary.

Annual contributions of the surveyed funds totaled $1.8 billion, and an additional $1.4 billion in additional funds would be required to meet ERISA-type funding standards, the report says. It adds that 17 of the 53 poorly funded plans are operated on a pay-as-you-go basis.

The report concludes that although increasing funding could have a serious impact, doing nothing "would have a more serious long-term impact."

For example, its 40-year projections on the pay-as-you-go systems in Pittsburgh, Boston and Delaware show failure to properly fund these plans would cause current unfunded liabilities to more than triple and would force yearly contribution up more than 1600% in Delaware.

Of the 72 plans, which were administered by eight states and 26 local governments within those states, only two were fully funded, eight were amortizing their unfunded liabilities over a 40-year period and 19 were using the level percent of payroll funding method.

In efforts to control the funding problem, many governmental entities are looking for different sources of funding and attempting to control pension costs.

Three ways being utilized to get additional revenue are: continuing expiring taxes, substituting user charges for tax revenues and using federal revenue sharing funds, the GAO says.

Massachusetts, for example, is considering an extension on tax increases on cigarettes and alcohol to help fund two pension plans, and that state's new port authority employes' fund is funded completely from authority revenues, which come from users of its services, the report says.

Additionally, the study indicates that in 1977, Delaware contributed all of its revenue sharing funds into the state employes' fund. That allotment made up 27% of the state's contribution that year, the study says.

A few of the main methods governments have used to curb pension costs are controlling benefits subject to annual adjustment, such as cost-of-living increases; imposing tighter eligibility standards; establishing new plans with lower benefits for new employes; and integrating pension plan benefits with Social Security. ■

Congress to consider ESOP bills

Crain News Service

WASHINGTON—Three bills strengthening the role of Employe Stock Ownership Plans are awaiting Congressional action and chances are good that two of them will become law by year-end.

One bill with ESOP provisions has already passed both chambers, and is due to go to conference this month. A second was passed by the Senate and has been approved by two House committees. The third is still pending before a Senate committee.

The first bill, the Small Business Employe Ownership Act, would allow Small Business Administration loan guarantees of up to $500,000 for employes to buy their companies. It would also provide SBA assistance to the companies to finance the ESOP.

This bill was passed unanimously by the Senate, and was put in another bill which presently is in conference. An aide for the Senate Select Committee on Small Business, Corey Rosen, said the ESOP provisions are not the subject of discussion in the conference.

If the bill cannot get through, the ESOP provisions would probably be taken out and passed separately, he added.

The second bill, which has been approved by the Senate, would allow the Economic Development Administration to loan money to employes to buy out the company if it is planning to relocate.

House committees have strengthened the language in the bill, which is due to be taken up by the full chamber this month.

The third bill is the Employe Stock Ownership Improvements Act of 1979, introduced by Sen. Russell Long (D-La.). Before the Senate Finance Committee, the bill calls for improvements, including the payroll tax credits for labor-intensive firms wanting to start ESOPs. ■

multi-employer trusts

Placement experts for MET's with annual premium in excess of three million dollars. All states.

Trust Consultants, Inc.
Suite 1313 ☐ 501 St. Paul Pl.
☐ Baltimore, MD 21202
Telephone (301) 539-7998. Ask for Nathan Cohen.

Excess risk coverage is a good idea. Excessive risk coverage is a bad idea.

That's an important distinction. And happily, for more and more employers, the availability of *excess* risk coverage is enabling them to eliminate *excessive* risk coverage.

The reason is simple: excess risk coverage—by protecting employers against catastrophic claims—makes it practical for them to self-fund all of their normal employee medical claims. As a result, money that might otherwise be spent on monthly premium surpluses can remain in the employer's cash flow. Or be placed in a tax-exempt 501 (c) (9) trust.

To make sure the financial benefits of self-funding won't be more than cancelled out by unusually large employee claims, many employers need the right excess risk coverage. IDS Life—with expertise that's backed by over $1 billion in assets—can work with you to make sure you get this coverage.

We offer flexible coverage on an aggregate and/or individual claim basis. Plus a medical conversion policy for terminating employees.

Self-funding and excess risk coverage aren't for everyone. So consider the alternatives. And, if you then decide excess risk coverage is for you, consider IDS Life. Contact our Group Marketing Division at (612) 372-2042 if you'd like further information.

IDS® LIFE INSURANCE COMPANY

Group Marketing Division.
2400 IDS Tower. Minneapolis. Minnesota 55402
Equal Opportunity Employer M/F

"I LIKE THE IDEA OF GETTING JUST WHAT I NEED"



YES.

We cover a great many risks other markets won't or can't cover.

From a lot of markets today, you hear a lot of "No!" So you put in a lot of frustrating time and effort. Stop. Your first call to Weghorn International can frequently get you quick coverage in any of the lines listed below. It's not that we never say, "No." It's that our attitude is, "Yes, yes, a thousand times yes!"

WEGHORN International
Primary thru Excess

CORRESPONDENTS AT LLOYD'S · IN-HOUSE PROPERTY/CASUALTY BINDING AUTHORITY.

Excess Workmen's Compensation ☐ Excess Automobile ☐ Errors & Omissions ☐ Bumbershoot Liability ☐ Investment Counsellors Errors & Omissions ☐ Umbrella Liability ☐ Aircraft Products Liability ☐ Kidnap/Ransom Insurance ☐ Fire, Extended Coverage ☐ Jumbo Property Lines ☐ Difference in Conditions ☐ Mortgage Impairment ☐ Builders Risks ☐ All Risks ☐ Products Insurance ☐ Directors & Officers Liability ☐ Automobile Physical Damage ☐ Restaurants Property & Liability ☐ Layers-Sec. 1 & Sec. 2 ☐ Excess Umbrella ☐ Primary Liability ☐ Buffer Layers ☐ Architects & Engineers ☐ Fiduciary Liability ☐ Other Unusual Coverages.

WEGHORN International, Inc. 156 William Street, New York, N.Y. 10038. (212) 227-4600
WEGHORN International—New Jersey, Inc. 31 South Street, Morristown, N.J. 07960 (201) 267-1127 Telex 127383

Work comp panel reaches an impasse on Mich. reforms

By MARY ELLEN McKEE

LANSING—Overhaul of Michigan's workers compensation system, which has defied legislative reform for the past five years, is being left to a 16-member task force representing five of the state's major interest groups.

"Reform of the law must be accomplished this year," urged Patrick Babcock, director of the labor department. "Employers have had to bear a 108% increase in workers compensation costs over the five-year period with no relief in sight unless something is done now."

But the task force, including legislators and business and labor interests, is already stymied in its effort.

Bargaining last month over what the reform should be ended in a statement over the need for a cost of living adjustment in the benefit structure and whether to reduce workers compensation benefits by Social Security and pension payments received by an injured worker.

The statement forced the group members to recess for 30 days so they could find solutions and be equipped with information to justify the solutions when they return to the bargaining tables.

"We hope this 30-day reprieve will give all parties a chance to look at the options, get information from outside sources on ways to curb the effect of inflation on benefits and a reasonable approach to the coordination of benefits," Mr. Babcock said.

The issues that the task force tackled and finally reached an agreement upon were:

- The maximum weekly benefit will be calculated based on 100% of the state average weekly wage.
- Weekly benefits for part-time employes who worked more than 25 hours are not to be calculated the same as for full-time workers.

Other issues the task force has agreed to address are benefits to dependents; specific loss provisions; the death benefit; defining disability; benefits for heart and mental illnesses; apportionment of liability for an injury; minimum and maximum benefits; statute of limitations and how to calculate an employe's weekly wage.

The task force hopes to hammer out an acceptable approach on 15 problem areas, put together a bill all the members can endorse and present it to the legislature for approval before the session ends Dec. 31.

The 16 members of the task force include 10 legislators—three Democrats and two Republicans from each House, headed by Sen. David Plawecki (D-Dearborn Heights), chairman of the Senate Labor Committee—and six non-voting advisers representing interest groups that have fought bitterly over how the workers compensation law should be reformed: John Thodis of the Michigan Manufacturers Assn., James Barrett of the State Chamber of Commerce, George Strugs of the United Auto Workers and Robert Hodges, a Detroit attorney for the AFL-CIO.

"The task force has a difficult chore ahead of them," Mr. Babcock noted. "The problems, the costs, the bitterness have been building steadily for years.

"The face-to-face confrontation is long overdue."

In recent years, employers have complained that employes encouraged by liberal judicial interpretations of the law have taken advantage of the system. They blame the high cost of workers compensation for Michigan's poor business climate.

Labor, on the other hand, argues benefits are too low to give workers real compensation and haven't kept pace with inflation, especially for retirees.

Premiums for workers compensation coverage rose another 14% in 1979, on top of a 25% increase last year. In 1973, employers paid out about $488 million in premiums and benefits for workers compensation. This year the total is expected to top $1 billion.

Michigan Mutual Insurance Co. the largest underwriter of workers compensation with nearly $83 million in premiums last year, singled out the state's workers compensation system for special criticism in its annual report this year. "We felt if enough employers and employes read the report they might feel as outraged and motivated to do something about it," said L. Patricia Jarvis, head of the workers compensation division at Michigan Mutual.

The report complained about high benefit levels, inflated medical and rehabilitation costs and claims by workers for such illnesses as bronchitis, hardening of the arteries and emotional and psychiatric problems that "may have only a remote relationship to the worker's occupation."

As far back as 1974, a committee of business and labor leaders appointed by Gov. Robert Milliken met to develop a new bill, only to report obstacles were "insurmountable."

A bill introduced by Sen. Plawecki in 1977 had nearly 100 amendments attached and died of its own weight.

This year, business leaders have been unusually active in agitating for workers compensation reform. "Employers are finally realizing, as well as labor, that the business climate in Michigan is floundering. And the only shot in the arm business here could get is a new workers compensation law," explained a risk manager for a cereal manufacturer based in Michigan.

Several hundred small business owners have formed BOMB (Board of Michigan Businessmen) and the Chamber of Commerce and the Manufacturers Assn. organized a rally last spring to underline their concerns about the system.

"I don't think we can really be in a very conciliatory mood because we think that the business community and the state's economy are being very badly hurt by workers compensation," said Mr. Barrett of the Chamber of Commerce.

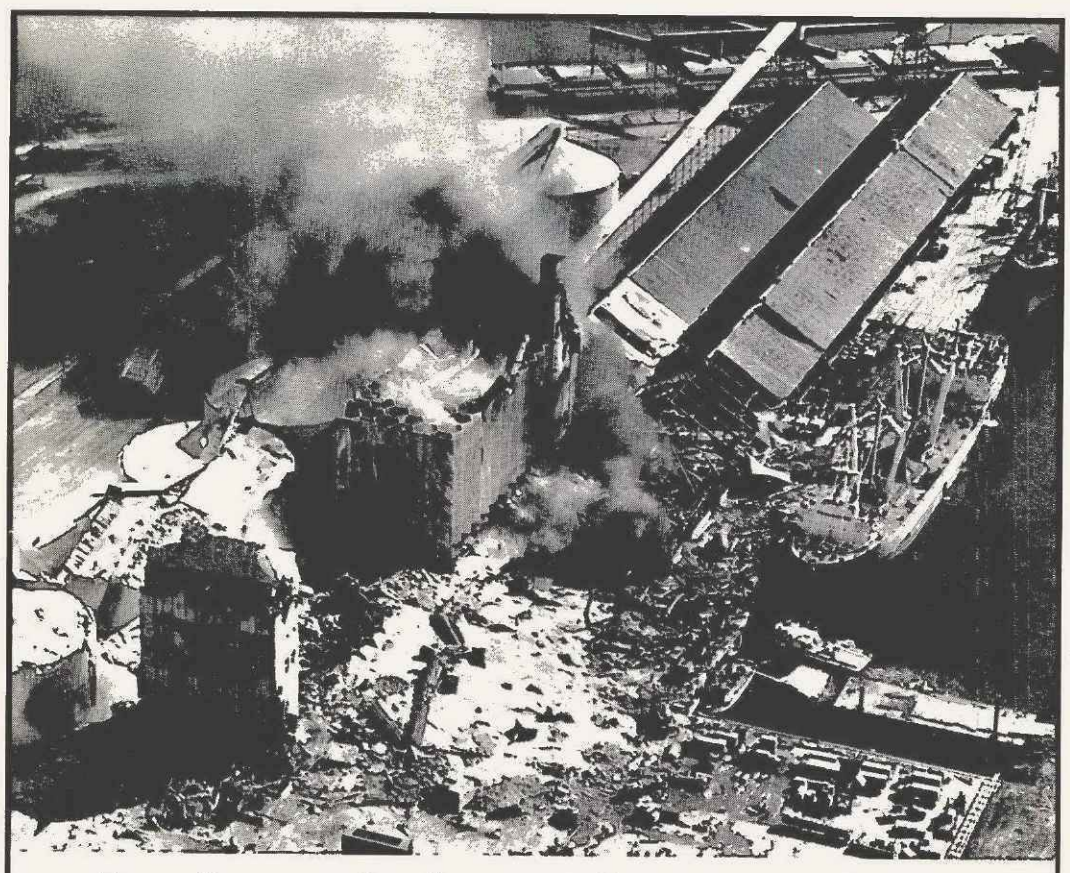
On the other hand, UAW's Mr. Strugs said: "I have no reason to be pessimistic about finally reaching a consensus on the 15 problem areas. It just can't be done in one week."

Sen. Plawecki doubts that either business or labor will like the package that will eventually emerge from the intensive group effort. "It's improbable that we'll get support from either of these two groups—making legislative passage much more difficult."

Mr. Babcock admits that this is possible. "The final answer in this area may not be totally acceptable to all interest groups, but may represent good public policy."

The alternative is less attractive, he noted. "If we can't reach an agreement on the 15 problem areas, then the likelihood of passing anything this year is quite small.

"But I feel better about the task force now than I did when we first started—at least we've chiseled a few problems away." ■



Insuring a grain elevator takes an organization that can look at the whole picture.

In addition to the grain elevator, you've got to insure the grain tanks. The grain itself. And the vessels that take it out.

Then there are the lives that could be lost, and third party losses that could result. It's a very complex picture indeed.

Which is why you should look to J. H. Blades & Co., Inc.

For more than 25 years we've assembled insurance programs on very nearly everything. From crop dusters to offshore rigs.

So we know how to make the complex simple.

For an insurance package that's just right for you, have your agent call Ellis Welch, our Commercial Property Manager. He'll get you covered.

J.H. BLADES & CO., INC.

P.O. Box 22003 Houston, Texas 77027 713/780-8770. Cable: "BLACOINS" Telex: 791-392.
Other offices in San Antonio, Tulsa and Bermuda.

Product adjuster seeks clients

PHOENIX, Ariz.—An insurance adjusting firm specializing in product liability cases contends it is the first in the U.S. to offer the service to self-insured companies.

Frontier Adjusters Inc. recently appointed Russ VanDerPyl, a former product liability claims administrator for Firestone Tire & Rubber Co., to head one of the firm's 80 offices in the western U.S.

Based in Phoenix, Mr. VanDerPyl said he'll specialize in automotive and marine product liability cases, concentrating on clientele in the Western states.

"The field of product liability investigation is still very new and it takes someone who understands the complexities of product liability law to mount a strong defense in product liability lawsuits," he said.

"It's important to determine how many suppliers are involved and in which ways the manufacturer has a responsibility from a design or structural aspect."

He estimated a product liability case involving severe injuries would take one to two months of investigation, billed on the basis of an hourly rate plus expenses. ■

Monthly payments to HMOs jump 3.6% to 30%: Report

CHICAGO—Increases in the annual average monthly payments to health maintenance organizations from 1977 to 1978 ranged from 3.6% to 30%, a recent report says.

The report, issued by the Minneapolis-based National Assn. of Employers on Health Maintenance Organizations, says that last year the average monthly payment for a single employe was $35.20 and ranged from $13.25 to $67. The 147 plans surveyed reported that employes plus one dependent paid an average of $76.71 monthly, but some paid as little as $26.50 and as much as $127.24. Employes with two dependents faced average monthly payments of $95.01, ranging from $35.38 to $137.

In addition, monthly payments in prepaid group plans rose 9.7% between 1974 and 1977 while monthly fees in independent practice associations (IPAs) jumped 9.8%. Payments to staff model HMOs, where physicians are hired full time, increased 7.8%.

Average annual hospital days per 1,000 members dropped from 1976 to 1977—from 521 to 490—but the ranges of such days increased, the study said. In 1976, HMOs reported that average hospital days ranged from 200 to 1,025 per 1,000 employes, but in 1977 that range was from 209 to 1,300.

The average number of annual doctor's visits per 1,000 members held steady at 3.9 in 1975 and 1976 and dropped to 3.8 in 1977.

For the last 28 years, administrative costs have accounted for 12% to 14% of the total operating costs of newly opened services, the report also said. A total of 40.4% of the organizations surveyed reported administrative costs were between 10% and 15% of yearly total costs. Thirty-six percent reported administrative costs were less than 10% of the total while 23.6% of the plans indicated such costs exceeded 15%.

The number of HMOs opening for business in the U.S. has been increasing at a slow but steady rate over the last few years and nearly 10% of them report enrollments of 100,000 or more.

Of the plans responding to the survey, 12.9% opened their doors in 1978. That figure was up slightly from 1977, when 12.2% of the HMOs surveyed were begun.

The NAEHMO annual study of HMO activity in the nation notes the largest growth year for new prepaid health services was 1974, when 14.4% of the surveyed organizations were opened. That growth followed passage of the federal HMO Act of 1973, the association said. Growth tapered off in 1975 when 7.5% of the now-operating plans were begun, but the number jumped again to 10.9% in 1976.

The report also shows that in 1978, 12 of the surveyed plans, or 9.4%, had 100,000 or more members. Forty-one percent had 5,000 to 20,000 members, indicating substantial growth in prepaid plans with smaller memberships, said Ruth Stack, NAEHMO executive director. Another 29.7% reported memberships of less than 5,000 while 19.5% showed enrollments of between 20,000 and 99,999.

The study also showed that:

- Of the HMOs surveyed, 31.2% had only one health care center while 20.8% reported having more than 10. A little more than 7% of the plans have six to 10 centers, with IPA-style organizations having the greatest number because health services are administered in individual physician's offices.
- Nearly all, or 96%, of plans said members are allowed to select their own primary care physician. Only 4% reported they did not allow the practice.
- Ninety-one of the prepaid plans report that between 90% and 100% of their physicians are board certified or eligible, meaning they have at least completed a residency in some area of medical specialty. Only eight said that less than 70% of their doctors had attained this level while 14 reported between 70% and 89% have such training.
- Specially trained nurse practioners and physicians' assistants are being used with greater frequency as a cost-control measure. Fifty-five of the responding HMOs use physician's assistants and 79 use nurse practitioners.
- Most HMOs—72.3% of those responding—cover dependents to age 19, 16.1% provide dependent coverage to age 23 and 11.6% provide it over age 23.
- A large number of plans provide supplemental health services. Prescription drugs are offered by 77.6% and dental care by 53.1%, but most impose restrictions on their usage. Only 3% offer unrestricted dental care and 9.7% indicated no restrictions on use of prescription drug services.
- One-hundred seventeen plans, or 81.6%, said they assume financial risk for services that exceed the amount pre-determined between doctors and hospital and HMO administrators.
- Sixty-six of the prepaid group plans polled, 48 of the IPAs and 40 of the responding staff model HMOs have fee for service contracts with either primary care physicians, specialists or hospitals.
- Most plan administrators have advanced academic degrees. A breakdown shows 67.7% have master's degrees in arts, sciences, business administration, public health or health administration, doctorates, law degrees and medical or dental degrees. Four-year college degrees are held by 27.1% of the administrators while only 5.2% are non-degreed. The report states, however, "although HMOs are a business and should be well run and managed like a business, only 12.5% of the administrators have an MBA."
- Continuing education for health care professionals and utilization review are the most popular form of quality control practiced by HMOs. Of the surveyed plans, 81.6% reported having such a program. Formal peer review was listed as the method used by 80.3% of the plans and 32% said they used informal peer review.
- Other quality control measures are also widely practiced. Formal grievance procedures for members exist in 86.4% of the polled organizations, with informal procedures in use in 34.7%. A little more than half, or 51.7%, reported having some form of arbitration to solve grievances lodged by enrollees.
- Physician turnover in HMOs is sparse in most cases. Only 5.4% of the plans reported a turnover rate of more than 30% a year while 81.8% experienced 10% or less. Another 12.8% reported turnover rates of between 11% and 30%. ■

Average Annual Hospital Days per 1000 Members

	1975		1976		1977	
Type of HMO	No. of Resp.	Average	No. of Resp.	Average	No. of Resp.	Average
Staff Model	17	408	21	457	27	446
Medical Group	45	477	49	515	55	485
IPA	17	582	22	589	26	519

WHY YOU'LL PREFER DELTA FOR PREFERRED TEXAS RISKS.

Delta Lloyds Insurance Company can give you the most competitive quotes in the business for your favorable risk clients. Since we're a Lloyds company we're free of rate control and can offer exceptionally low rates for property and inland marine insurance in Texas. Call Avrohm Wisenberg at (713) 621-8650. And let us show you why you'll prefer Delta for your preferred risks.

DELTA LLOYDS INSURANCE COMPANY

DELTA

P. O. Box 2045 Houston, Texas 77001
A Lloyds Company. Best rating "A".

Sayre & Toso, Inc.

Special Risk Underwriters For Over 70 Years.

S & T

San Francisco
Los Angeles
Santa Ana
Seattle
Portland
Denver
Houston
Minneapolis
Chicago
St. Louis
New Orleans
Atlanta
Philadelphia
New York
Boston

MEMBER, MISSION INSURANCE GROUP INC.

Calif. medical bill auditor slashes workers comp costs

By MARGARET LeROUX

SAN FRANCISCO—A computerized, medical bill auditing service has saved United Airlines between 16% and 20% on its self-insured workers compensation claims in California.

United and several other California companies that self-insure workers compensation use the services of MEData, a Southern California medical bill auditing service.

United spends $500,000 to $1 million annually on workers compensation in California, says Richard Milum, claims administrator. The amount includes lost time as well as the cost of claims.

Since United's California operation started self-administering workers compensation claims Jan. 1, "the savings have been substantial" by having the medical bills audited, Mr. Milum said.

For example, during the week of May 19, gross charges of $7,100 from health care providers were reduced to $5,300 after auditing, a savings of 25%.

MEData audits workers compensation bills for self-insurers and insurance companies in California, New York, Florida and Arizona for a fee that generally ranges from $2.10 to $4.50 per bill.

At United Airlines, Mr. Milum estimated MEData's fee "comes to about 15% to 20% of our total savings." Applying that to $1,800 savings reported the week of May 19, the auditing service cost United between $270 and $360 that week.

During the second quarter of 1979, the four-year-old firm audited 95,548 bills in California, producing reductions totaling $2.1 million.

In New York, the firm audited 13,709 workers compensation bills with reductions totaling $143,562.

For Arizona, 1,977 audits resulted in a reduction of $72,738 and in Florida 9,506 audits reduced workers compensation bills by $286,396.

MEData calls its approach "computer assisted," combining a staff of 160, including three physician consultants, and computers to evaluate medical bills according to relative value schedules.

Another California-based firm found that auditing of medical bills saves workers compensation costs is Alpha Beta, a Western states supermarket chain.

"We've saved around $300,000 during the second quarter of 1979," said Ron Bruce, corporate manager, workers compensation.

Almost 19% was saved on 12,500 medical bills that Alpha Beta sent to MEData for auditing during the second quarter of 1979, Mr. Bruce said.

"The key is setting forth exactly what you're after," he explained. Alpha Beta uses the auditing service to evaluate industrial clinics and an established panel of physicians to which employes are referred.

Another spinoff of the bill auditing service is it establishes a reference point from which an administrator can budget, the workers compensation manager added. "The audit service provides a ceiling. It enables us to budget as closely as we can."

Interpreting the rules for payment is one of the most difficult problem areas for self-insureds, said Jack Zahm, assistant to the president of MEData, which is based in Tustin, Calif.

To that end, MEData handles all communications from health care providers questioning bill refusals or reductions. The firm also sends its personnel to appeal hearings. ■

Self-insured savings

LOS ANGELES—The western division of the May Co. department stores, which represents an estimated $2.5 million in workers compensation insurance premiums, became self-insured Aug. 1.

The May Co. intends to save "at least 27%, possibly 50%" on workers compensation, which had been insured by Liberty Mutual, said western region claims manager Clair Shaw.

May Co. retained Liberty Mutual for comprehensive general liability as well as workers compensation for the department store chain's 10 other divisions.

Workers compensation claims for the three western divisions—California, Oregon and Colorado—will be administered in-house, said Mr. Shaw, with MEData and Pharmaceutical Claims Consultants auditing medical and drug bills.

"We expect we can provide our employes with better service and hold down the amount and cost of litigation," he said.

Multinational insurer groups trim benefit costs, study says

LONDON—Cost savings, centralized control, simplified transfer of benefits between countries and simplified underwriting requirements are some of the advantages of benefit plans provided by a multinational insurance network, according to a booklet from Metropolitan Pensions Assn. (International) Ltd. here.

These networks, composed of insurance companies from several different countries, aim to attract international companies by offering special terms and facilities not available locally.

The separate benefit plans insured through network members are in effect treated as one plan insured on a participating profits basis, producing additional bonuses or dividends.

Networks available, according to Metropolitan Pension Assn., are:

• Aetna/Generali. This network is mainly composed of subsidiaries or branches of Generali and is one of the largest in terms of nations covered. There are no minimum requirements for a multinational insurance contract. But in order for a firm to receive a dividend, at least 300 lives must be covered, the risk premium must be greater than $30,000 and no one country can provide more than 80% of the total premium or lives. For retirement benefits the minimum premium is $70,000 for full pooling and $30,000 (provided there is a risk pool) for partial pooling. Dividends may be negotiated if not all these conditions are satisfied. At the beginning of 1979 it had around 170 master cover contracts.

• Area. This network is in its early stage and is enlarging its currently restricted number of associates. Experience rating has only been offered for death, disability and medical benefits, but the network may include retirement benefits in the future. The minimum requirement for a multinational insurance contract is at least 300 lives.

• Gain. This recently formed network of a few European insurers designates a lead insurer for each multinational contract, usually the insurer in the home country of the parent company. It presently pools death benefits only. The minimum requirement for a multinational pooling contract is 250 lives.

• I.G.P. (John Hancock/Prudential). This is the largest network with 200 master contracts covering 1,000 pension plans in January 1979 or about one-third of the pension plan market. Although it has no fixed minimum requirement for payment of surplus, the network reserves the right to refuse to experience rate small groups with little growth potential. Surplus is accumulated each year until the average number of lives covered under the period multiplied by the years of the period (accumulated lives) reaches 1,000. Excess accumulated lives are carried forward to determine the date of the next dividend payment.

• Insurope. This network, with a secretariat in Brussels, has around 60 master cover contracts. The minimum number of covered benefits required for experience rating depends on the type of benefits pooled. The network counts an employe covered only for risk benefits as one unit and an employe covered for both risk and retirement benefits as two units. However, under a loss-carry-forward system, if fewer than 1,000 units are covered, the payment of surplus is spread over accumulation periods of two to five years. For groups of fewer than 2,000 lives, no medical evidence is required for up to $250,000 per member for death risk and up to $10,000 p.a. for disability pension. For groups of more than 2,000 the limit is higher. Widows' pensions are multiplied by 12 to achieve the equivalent lump sum if there is no orphan's benefit and by 15 if there is such a benefit. For death benefits, the pure risk premium for the excess is deducted from the account, and for disability benefits the total excess premium is deducted.

• M.I.A. (Travelers/G.R.E.) This network is composed of seven large insurers and many smaller ones. The minimum requirements for experience rating are usually 100 lives outside the U.S. (or home country of the parent company) and normally two countries besides the U.S. If the group contains between 100 and 300 members, dividends will be paid every three years. For groups of 300 and 500, dividends will be paid every two years and if there are more than 500, the international dividend will be declared yearly.

• Swiss Life. This network, believed to be the second largest, with 160 master contracts in force in early 1979, requires at least 300 lives, but this limit may be flexible. If the number of covered employes falls below 300, the accounting period is extended to two or more years, reducing stop-loss charges. Unless there is a contingency fund, 100% of the surplus is paid as an international dividend, usually six months after the end of the accounting period.

• Vita. This network, mostly companies in the Zurich Group, requires 300 lives for a master cover contract. Surplus is paid annually.

• Winterthur. This network, relying mainly on its own subsidiaries, requires 100 lives for a master cover contract. The dividend, a percentage of the surplus, is paid out annually. In early 1979, the network had 24 master contracts. ■

Shirt-Sleeve Forum

Who's a Leading Insurance Broker for Large Retailers?

By Dinner Levison

(Asked in the financial district)

Robert Levison, Jr., Insurance Broker
220 Bush St., San Francisco:



The Dinner Levison shirt-sleeve approach to insurance problems makes this firm a favorite with many prominent retailers. We design just the right combination of protection to fit your exact requirements. If your store or shopping center needs a modern, down-to-earth insurance program, talk to Dinner Levison, the people with retail expertise.

GENERAL INSURANCE • LIFE INSURANCE • EMPLOYEE BENEFITS • RISK MANAGEMENT
DINNER LEVISON COMPANY
• Insurance Brokers since 1915 •

220 Bush St., San Francisco, Ca. 94104 (415) 391-5422
3961 MacArthur Blvd., Newport Beach, Ca. 92660 (714) 975-0306

A Regional Insurance Broker Serving Business Around the World. Now More Than 150 Strong

PCM is the place to find MARKET SOURCES * for these Special Liability Coverages...

PROFESSIONAL (NON-MEDICAL) LIABILITY

for Architects, Engineers, Lawyers, Police Departments, Law Enforcement Agencies of a political subdivision.

PLUS EXCESS ON THESE AND OTHER PROFESSIONAL LIABILITY CLASSES.

*NOT IN ALL STATES.

Richard C. Marx • Alfred J. Amend
Anthony F Martini

YOUR Independent Insurance AGENT SERVES YOU FIRST

PCM Intermediaries, Ltd.
90 William Street, New York 10038 · TEL. 212-344-8200

Comparative Analysis of Insurance Alternatives for Machinery Sales Co.

Insurance Vehicle	Estimated Minimum Capital	Estimated[1] Administration Cost (% of written coverage)	Estimated[2] Ttl. Premium Rate (rate x gross sales)	Economy of Scale	Premium Control	Loss Administration Control
Conventional Insurance	None	25%	.00293	None	None	Minimal
Conventional Insurance w/Deductibility (Self insurance)	None	25%	various w/little rate relief unless sizeable deductibles are assumed	None	None	Minimal
Captive, Stock (Domestic)	$ 750,000	12%-20%	.01561	Yes	Yes	Yes
Captive, Stock (Offshore)	$ 120,000	15%-20%	.00250	Yes	Yes	Yes
Captive, Reciprocal/ Mutual (Domestic)	$1,000,000	12%-20%	.02082	Yes	Yes	Yes
Captive, Reciprocal/ Mutual (Offshore)	$ 120,000	15%-20%	.00250	Yes	Yes	Yes

[1] Assuming a fully funded captive before any reinsurance. Other costs would result from fronting.

[2] The factor for premiums as a percentage of sales is calculated assuming a 3:1 premium to capitalization. The resulting premium level is divided by an aggregated $144 million of 17 participants.

Distributors find no savings in captive plan

By JACK THORTON

LOS ANGELES—Machine tool distributors prefer "going bare" on product liability risks to joining or forming captives or mutual insurers to protect themselves.

They are finding that the true cost of defending and even settling product liability lawsuits is far lower than any quoted premiums, possibly even lower than one-tenth of 1% of sales.

These conclusions seem inescapable as more and more attempts to form product liability captives flounder. One of the latest unsuccessful tries was by machine tool distributors using data collected for them in 1977 and 1978 by Pinehurst Corp.'s Risk Management Inc. unit in Los Angeles.

An RMI study exploring a captive for machine tool distributors was undertaken for a large West Coast machine tool distributor, Machinery Sales Co., also in Los Angeles. It showed that "a conservatively developed loss study justified a premium rate of 0.01141," or 1.14% of sales.

But for the captive, "a rate of 0.0025 (.25% of sales) would seem appropriate as an initial premium rate to cover expected losses and costs," the RMI study asserted, "and yet amount to a sizable reduction of the current premium levels of the distributors."

The RMI study found that among 17 surveyed machine tool distributors, the 12 who purchased insurance were paying rates of between 0.06% to 1.09% of sales.

The captive study was given out freely to members of the American Machine Tool Distributors Assn. a year ago. To date, no one has shown any interest in starting a mutual company, said Kimball D. Smith, president of Machinery Sales Co.

His company's experience with product liability claims, typical of machine tool distributors, shows why no one has been interested in the mutual insurance company.

"At the time we did that study," Mr. Smith said, "we had 17 suits against us. Since then 15 have been closed out. Either we won them or the plaintiffs dropped them. The other two we settled, almost as nuisance settlements. One was for $2,000 and the other was for about $5,000."

The costs of those settlements plus an unspecified sum for court and legal fees "is still much less of a burden than we were paying in premiums," Mr. Smith said. He and roughly one-third of the machine tool distributors are still "bare."

Even though a quarter of 1% of a premium rate of sales "would cover all the contingencies they (RMI) could think of," there were not enough companies interested in forming the captive.

RMI's study projected:

- A large loss ($250,000) every five years.
- An initial $500,000 in annual premium income.
- 25% of premiums going to administration and service charges and a 40% excess insurance charge.
- Coverage of 17 machine tool distributors whose aggregate 1977 sales totaled $144 million. Further, none of these companies could derive more than 10% of sales from metal fabricating machinery (presses, press brakes and shears), a much higher risk than metal cutting machinery (lathes, mills and drills).
- 3 to 1 premium-to-capitalization ratio, a rule of thumb for prudent underwriting.
- Establishing a mutual captive in the Cayman Islands.

The last proposal would have had several advantages over a U.S. captive, RMI said. A mutual company would not require a fronting insurer so there would be no problems with state laws on solicitation for the captive. There is no minimum capitalization requirement in the Caymans, meaning the mutual company could have been started with $150,000 to $250,000 instead of $750,000, as in the U.S.

Regulation of captives in the Caymans is even less than in Bermuda; at the time of the RMI study, Bermuda required a review by an ad hoc committee. And there was a big savings in avoiding U.S. state taxes of 1% to 5% on written premiums. The distributors would still have to pay a 4% federal excise tax on direct premiums and a 1% tax on liability reinsurance premiums, RMI said.

The offshore captive would be structured to generate no profit.

RMI's model showed a net loss-paying capacity of $225,000 a year. That figure was derived by subtracting from the $500,000 annual premiums $20,000 for excise taxes at 4%; $200,000 for reinsurance with limits of $250,000 to $1 million; $50,000 in management fees, and $5,000 for "miscellaneous offshore costs."

RMI based its study on the experience of 17 machine tool distributors. Their sales ranged from $22 million to $3 million. Five of the 17 were "bare" and 11 of them had no claims against them. Two had 29 cases and claims between them, one firm had two cases, and the other three each had one.

RMI

Dub Martin & Co., Inc.
Specialists In Excess and Surplus Lines Insurance

711 Corrigan Tower • Dallas, Texas 75201
214/748-0853 • Telex: 73-0245 • Toll-free in Texas only • 1-800-442-7103
Member Texas Surplus Lines Association, Incorporated &
National Association of Professional Surplus Lines Offices

CAYMAN UNDERWRITERS SERVICES LTD.

are pleased to announce the formation of a sister company

BAHAMAS UNDERWRITERS SERVICES LTD.

P.O. BOX SS6341
NORFOLK BUILDING
FREDERICK STREET,
NASSAU, BAHAMAS

to offer complete management services to offshore insurance companies in the

BAHAMAS

Cayman U.S. Ltd.

First in Cayman . . .
First in Turks and Caicos
and now first to come again in the Bahamas

Letters column . . .

Continued from page 14

Protection Systems Co. Inc.

The major motivation for the sale of sprinkler systems today is largely based on a financial payback for reduced insurance premiums and construction tradeoffs, although many sprinkler systems rightly are recognized as a method of enhancing the saving of lives and property. This fact diametrically contradicts the conclusion of your article.

As to Mr. Percival's statement, it is not advanced technology that has kept manufacturing costs down because, in fact, manufacturing costs in the last 10 years have risen dramatically. What has happened is that our technology in regard to piping materials, hydraulic calculations, system design and installation techniques has been the facet of savings which enables the sprinkler industry today to install sprinklers at approximately the same cost per square foot as we did 10 years ago. This savings has been passed on directly to the end user and is probably one of the few instances where technological advances have enabled the cost of a building component to overcome the cost of inflation.

R.J. Gray
Vp-marketing, Grinnell Fire Protection Systems Co. Inc., Providence, R.I.

Faulty conclusion

To the editor: The article on sprinkler costs (*BI*, July 23) is very misleading in its conclusion that sprinklers do not pay for themselves in premium reductions because it does not cover the subject completely. Insurable values, risk and even change of carriers should be considered in evaluating sprinklers.

I reflect on my experiences in Connecticut with a semiconductor company when we rented a 30,000-square-foot building that was unsprinklered. Insurable values were about $6 million divided among 35 carriers. I contacted Factory Insurance Assn. and discussed the probable HPR rate (highly protected risk) versus the board rate. The building was sprinklered. I recovered the cost in three months in premium savings and had a different carrier with one policy.

A different type of situation existed with Materials Research Corp. when I joined it. The building was sprinklered and they were doing business with an agent that did not know about HPR rating. We were paying an 80-cent rate and switched to Factory Mutual at a net 6-cent rate. At our current insured values, it is a saving of $200,000 a year for 145,000 square feet.

It should be noted that the points in the article are creditable when you speak to a carrier about sprinklering a building that will stay with the same carrier. It may not be true if there is HPR qualification and the carrier is changed. Interested parties should recognize the 10% federal investment tax credit and the amortization period to determine the true savings.

J. Wallace Cross
Risk and insurance manager, Materials Research Corp., Orangeburg, N.Y.

'Professional' practice

To the editor: On Aug. 6 your magazine contained an editorial quoting Bob Gallagher of broker Arthur J. Gallager & Co. as saying his firm frequently proposes higher prices to an insurer than the insurer would otherwise have charged.

This practice was defended as "professional and proper" in order to assure a future supply of insurance in the marketplace. It is interesting to note that the broker holds himself out to be more competent at setting rates than the carrier and its actuaries.

Larry Klobnak
Risk manager, K.C. Area Transportation Authority, Kansas City, Mo.

Our error

To the editor: There was an error in our responses to the questionnaire of the eighth annual broker profile. Our fiscal year ends in the middle of the year. We neglected and put the incorrect figures. Our profile should be:

	1978	1977
Premium vol. . . .	$6,000,000	$5,500,000
Gross rev.	$650,000	$600,000

Jules I. Epstein, CPCU
President, Joseph G. Gray & Co. Inc., New York, N.Y.

A/B oversight

To the editor: Anderson and Anderson, through some oversight, did not appear it the Aug. 6 "Agent and Broker Profile" issue.

It is my opinion that a good many of the 59 brokers who appeared last year but not this year may be in the same position as Anderson and Anderson—absent because of plain administrative mix-up.

Our profile follows:

Anderson and Anderson Insurance Brokers Inc.

333 Bayside Drive, Newport Beach, Calif. 92660; (714) 675-9900

	1978	1977
Premium vol. . . .	$13,200,000	$8,900,000
Gross rev.	$2,000,000	$1,200,000
Employes	70	32
Commercial bus. .	95%	95%

Principal officers: Robert M. Anderson, CPCU, president; Donald D. Anderson, board chairman; Brian Simcok, Ed Griffith, Lloyd Schroeder, all vps and branch managers.

Compensation: Commissions and fees.

Branch offices: Orange, Laguna Hills, Newport Beach, San Jose, San Marcos—all in California.

Paul V. Porter
Director, market development, Anderson & Anderson Insurance Brokers Inc., Newport Beach, Calif.

Missed return

To the editor: Several months ago I completed a questionnaire from *Business Insurance* and was surprised that your Aug. 6 edition did not carry our report.

I am forwarding to you the information for fiscal years ending 1977 and 1978.

	1978	1977
Premium vol. . . .	$5,674,000	$4,600,000
Gross rev.	898,000	699,000
No. Employes . .	11	11
Commercial bus.	90%	90%

Principal officers: John Witherspoon, president; Robert S. Irby, vp; William H. Crawford, secretary; David P. Bond, treasurer; Glenda B. Sledge, assistant secretary-treasurer.

William H. Crawford
Gale, Smith & Co. Inc., Nashville, Tenn.

Self-insured firm cuts work comp costs 28%

ELGIN, Ill.—McGraw-Edison Co., a major manufacturer of electrical energy products and services, has reduced its workers compensation costs by nearly 28% a year with self-insurance, the company has said.

Norm Kenney, director of corporate insurance for the firm, said self-insurance is not a "cure-all" but pointed out, "There's no doubt that it's saved us money." Mr. Kenney, however, would not disclose figures on how much money has been saved or on the company's loss experience other than to say accidents have been on the decline.

He attributed the savings mostly to increased safety awareness on the part of company supervisors who have instilled the thinking in rank and file employes. "It kind of goes hand in hand with self-insurance and the supervisors appreciate the fact that loss prevention helps all of us," Mr. Kenney said.

There has also been a cash-flow advantage because money formerly used for premiums now yields investment income, but it's difficult to measure, he said.

McGraw-Edison has phased in self-insurance over the last five years and the program now covers all 24,000 corporate employes in nine states. Mr. Kenney helped set up the program and has hired Self-Insurance Service Inc. of Chicago, a division of Fred S. James & Co., for administrative and claims services.

Safety consultants from the service work with McGraw-Edison employes to promote accident prevention, he said. "Without this commitment to accident prevention, the self-insured program would otherwise be a disaster."

One feature of the program is that each division of the company is charged with paying its own claims, which tends to reinforce the profit motive in individual employes and enhances safety awareness, Mr. Kenney said.

The company has gone to great lengths to explain the system to employes and point out they will receive the same benefits under the self-funded program as they would under a conventional insurance plan, he said. In addition, peer pressure among employes has helped deter abuse of the plan.

Still, claims review is strict, he said. All claims are reviewed by a full-time employe in Mr. Kenney's department.

The company has excess insurance to guard against catastrophic losses, but Mr. Kenney declined to discuss the insurance arrangements.

McGraw-Edison is involved in merger talks with Studebaker Corp., a move that would double McGraw-Edison's size. Mr. Kenney said it's still too early to tell what impact the McGraw-Edison plan would have on Studebaker's workers compensation insurance program.

Panel studies municipal insurance

NEW YORK—An advisory committee of public entity risk managers and a team from insurance broker Marsh & McLennan is looking for solutions to municipalities' insurance problems.

The committee's goal is to design insurance coverage that will remedy the current lack of affordable and stable markets for the public sector, said M&M.

Representatives of M&M's national services, claims management, loss control and special projects divisions are participating in the committee.

Dr. Nestor R. Roos, an M&M consultant, professor of insurance at the University of Alabama and co-author of the "Governmental Risk Management Manual," will chair the panel.

Participating risk managers are Robert M. Bieber, Westchester County, N.Y.; Betty W. Conner, city of Memphis; John Haywood, state of Alaska; Richard E. Koerner, town of Greenwich, Conn.; James E. Loeb, city of Scottsdale, Ariz.

Also Charyl J. Peske, city of Milwaukee; C.J. Spivey, insurance and risk management committee of Charlotte-Mecklenburg, N.C.; Steven R. Webber, Jefferson County, Ala; Sheldon Weinberg, Hennepin County, Minn. ■

OUTSTANDING OPPORTUNITIES for OUTSTANDING PEOPLE

We are a large, rapidly growing insurance brokerage firm with offices throughout the country; and, we can offer outstanding career opportunities to outstanding, results-oriented people in the areas of: Sales, Marketing, Excess/Surplus, Administration and Surety. These positions are available in well-established offices in several major Southern cities and in cities where offices are soon to be established.

If you are an outstanding person looking for an outstanding career opportunity, send your resume in complete confidence to: Don Thomas, Vice President, E. H. Crump Companies, Inc.; 5350 Poplar Avenue; Memphis, Tennessee 38117.



EHC
E.H.CRUMP
COMPANIES, INC.

GN

Executive and Professional Search
Locating and attracting exceptional talent to challenge and opportunity.

Michael Simon
(714) 563-7985

Bob Turner
(415) 398-3232

GARY NELSON & ASSOCIATES, INC.
Servicing selected brokers and underwriting organizations nationwide

FICA loophole . . .

Continued from page 1

ducing the level of gross pay, the consultants say. The worker's Social Security benefits are reduced and the Social Security Administration is deprived of needed revenue, they add.

The concept put into practice works like this:

The base pay of a worker making $10,000 a year would be reduced by $613, the amount he pays in Social Security taxes on a $10,000 income. The employer then pays the full Social Security taxes on a gross salary of $9,387, which would be $1,150, about $575 for the employer's share and $575 for the employe's share.

The employer saves $76 because the worker's salary plus total Social Security costs add up to $10,537, instead of $10,613 when the worker had been paid $10,000 and the employer had paid its share of Social Security taxes of $613.

The worker also saves, but not as much. The worker must pay income tax on the $575 the employer pays for the employes' share of Social Security taxes. Because the worker's gross salary was reduced by $613, adding on the $575 is $38 less than the $10,000 on which the worker had paid income tax.

Benefits lost

Despite these tax savings, critics of the practice point out that workers will lose Social Security benefits because their benefits are calculated on their gross pay, which is lowered when employers pay employe's share of Social Security taxes. Unemployment and workers compensation benefits—also based on gross pay—would also be reduced, critics note.

The practice is particularly unfair to older employes not far from retirement, charges Kenneth K. Keene, senior vp and director of Johnson & Higgins in New York. "All you're doing is trading off the interests of the old for the interests of the young," he said. "It could only be helpful in a company where you have an exclusively young group of employes and where are you going to find an organization like that?"

Alan B. Shidler, director of information services for A.S. Hansen Inc. in Lake Bluff, Ill., said the concept is difficult to sell to employes unless "it's sweetened up with other benefits such as dental and group legal."

No one is sure how many employers use the tax loophole. Management Improvement Corp. of America, however, has helped 200 companies representing 1.3 million workers to convert to the process, said a vp for the Durham, N.C., firm.

Inquiries have been frequent, said MICA vp Jane L. Martin. "All of the Fortune 1,000 are calling us," she said.

But benefits consultants take a much dimmer view about the popularity of employers paying the employes' share of Social Security taxes. "I'd be surprised if you could find one company in the Fortune 500 using the system," one consultant said.

Savings for Texas

Probably the largest single employer involved is the state of Texas with 160,000 workers. The state pays 5.85% of the employe's salary toward his share of the Social Security tax, said Homer Scase, a senior analyst for the Texas legislative budget board. The maximum tax the state will pay for an individual worker is 5.85% of $16,500 or $965, he said. The Social Security tax is 6.13% of salary up to $22,900.

In its first year, the system saved Texas an estimated $13 million that otherwise would have gone for higher pay increases and additional payments to the state employe retirement fund, he said.

The state did not use the wage reduction method but held down the size of pay increases when it set up the system.

The plan leaves state employes with an average of $120 in extra disposable income per year, which more than offsets the Social Security benefit loss, estimated to be about $5 a month, said James Lynaugh of the state comptroller's office.

Extra accounting and computer work are needed to calculate tax payments, but there's been little employe resistance, he said, suggesting one reason is Texas has a good retirement system when compared with other states.

Craven County Hospital Corp. of New Bern, N.C., also pays the employe's share of Social Security taxes for its 850 workers. The hospital has saved $50,000 in the first year and expects a 10-year saving of $1 million, said John W. McDaniel, assistant administrator.

The hospital workers stand to lose some Social Security benefits in retirement because gross pay is reduced by the amount of the Social Security tax paid by the employer. But the employer can contribute its savings to tax-exempt corporate retirement and benefit plans, says Mr. McDaniel.

Employes also can help themselves by wisely using their savings. "The value of the dollar will be worth more today than 30 years from now and if you invest it wisely, you will not lose monetarily," he said.

There may be more interest in than action on the concept. Leonard Mactas, consulting actuary with Kwasha Lipton of Englewood Cliffs, N.J., said he has received inquiries from several clients about the feasibility of the concept. "We try to give them a balanced picture, but it becomes apparent to the client that the savings is just not there and that it's not worth his while to explore because the stakes are not big enough."

But Ms. Martin of MICA predicts the tax concept will become more popular among employers looking to economize and who are increasingly disenchanted with the Social Security system.

Alternate methods

Employers are being "forced" into seeking alternative methods of funding employe retirement because the Social Security system continually raises rates while reducing benefits, she said.

"There are better means of financing welfare and retirement than the Social Security Administration," she argued, mentioning private pension funds. Ms. Martin said she has "no optimism" about the ability of Social Security to survive as a retirement benefit system.

MICA promotes various methods of carrying out the process and provides plan design, employe communications and other consulting services designed to make conversion to the system successful, Ms. Martin said.

Robert J. Myers, formerly chief actuary of the Social Security Administration, worries the Social Security System could be ruined if all employers adopted the practice. The government would have to raise new taxes to fund some type of public welfare, he said.

"The Social Security system already has certain financial problems and this only exacerbates them. The government would need to raise corporate income taxes and we'd be right back where we started," he said.

"Some companies may recognize that their workers will suffer because they lose Social Security benefits and decide to share the profits, but that's still bad because the Social Security system is losing money," according to Mr. Myers, also a one-time professor of actuarial science at Temple University in Philadelphia.

He predicted Congress eventually will amend the tax law to plug the loophole "and when they do, those employers will have gone through all that administrative work for nothing." ■



MICA has helped 200 companies tap the Social Security loophole, says Jane L. Martin, left. But Robert J. Myers, right, worries it could ruin the Social Security System.



Non-productive regulations need trimming: M&M exec

TARPON SPRINGS, Fla.—If state insurance departments don't pare down regulations and allow increased competition among insurers, federal intervention may be necessary, warns L. Patton Kline, chairman of Marsh & McLennan Inc.

Mr. Kline told persons attending the American Management Assn. conference on risk management here that state regulators must eliminate non-productive regulation.

Direct and indirect costs of regulation account for more than 10% of insurance premiums, he said.

"The commercial consumer doesn't need these regulations. Prices and valuations may rise, but the unofficial cost of regulation can be reduced," he said.

Mr. Kline praised the National Assn. of Insurance Commissioners for having recently established committees to study ways to increase competition within the states. But he said that if the states fail to solve the problems he would support federal control under two conditions: if the insurers' underwriting prerogative is not impaired and if the integrity of the insurance contract is not infringed upon.

He said federal regulation should release the insurers from the obligation of filing rates and forms if the states fail to do so.

Concerns about insolvencies could be resolved by establishing an entity that would do for insurance what the Federal Deposit Insurance Corp. does for the banking industry and the Pension Benefit Guaranty Corp. does for pensions, Mr. Kline remarked.

However, Patrick J. Foley, AIG's vp and general counsel who appeared on the panel with Mr. Kline, cautioned against federal intervention in the insurance industry.

"Give these people a chance in this industry and you'll need a room this size (a 300-foot auditorium) to put them (regulations) in," he said. ■

REINSURANCE
PROPERTY
Excess of Loss & Pro Rata
Treaty and Facultative
CASUALTY
Excess of Loss
Treaty and Facultative
Dominion Insurance Company of America
A strength in the United States market
127 John Street, New York, N.Y. 10038
Telephone: (212) 248-2660 TWX: 710-581-3981

Over 100 Years of Experience in the New York Marketplace
T&H
Tanenbaum · Harber Co., Inc.
Insurance Specialists
221 West 57 Street, New York NY 10019
212/399-0777

Value
there are
many kinds

When they're worth knowing, it's worth knowing IAC.

Industrial Appraisal Company
222 Boulevard of the Allies
Pittsburgh, PA 15222
(412) 471-2566
Offices nationwide in major cities

Tobacco farmers . . .

Continued from page 1
an agreement with all the claimants, he said.

He added that he thought "all the questions about the payments will be resolved in the next couple of weeks."

Russell Drake, risk manager for Borden Inc., also declined to comment on the charges and would only say the company has received "a number of claims" and has paid "a number of claims."

The state insurance commission estimated that about 1,400 claims for $16 million to $20 million have been filed by approximately 450 farmers. About 40% were believed to have been settled at the beginning of September.

Ruined harvest

The state first received complaints about the crop damage in June, when farmers went out to their fields, expecting to find tobacco ready to harvest and instead found the leaves of their crop had turned brown, curled under and died.

A subsequent testing of the crops by agricultural agents found that they had been treated with picloram, a herbicide mainly used by railroads to kill vegetation around train tracks.

The picloram was tied to a fertilizer manufactured by Smith-Douglass and distributed from two centers in the southern part of the state.

Deputy commissioner Brown said it wasn't clear how the herbicide got mixed in with the fertilizer, but that Smith-Douglass did not dispute charges that it was at fault. The contaminated fertilizer was distributed in three or four counties in the southern part of the state and was responsible for destroying about 10% of the state's harvest, Mr. Brown said.

In addition to the destroyed tobacco crops, more tobacco is feared to have been contaminated by the herbicide. The Department of Agriculture has hired Flue-Cured Stabilization Corp. to buy crops from farmers who may have used the herbicide-contaminated fertilizer.

Flue-Cured is storing the tobacco until it is determined if it is safe to market. The company has bought about 500,000 pounds of tobacco for $1.30 a pound, said the area supervisor at Flue-Cured, Claude Dail.

Mr. Drake of Borden said his firm "regrets this has happened," but indicated he thought the company's responsibility in the matter might have been different under another state's laws.

Under North Carolina law, a manufacturer of a product that causes injury is responsible for the losses that result from it. There is no burden on the injured parties to prove that the company was negligent.

While the wrangling goes on over the claims-paying procedure, the state is trying to hasten those payments, arguing that the farmers need that money now. Mr. Brown explained that some farmers leased property and equipment against the future income from the crops and need the claims paid so they won't lose those things.

Assistance sought

"The claims should be paid now to the farmers and then the principals (Borden, Affiliated FM and Lloyd's) can figure it out among themselves who is actually at fault," Mr. Brown argued.

"The responsibility is on the industry and the farmer should not be further burdened."

Insurers and their policyholders have taken this approach to quickly settle claims, especially in aircraft crashes, in hopes of reducing the ultimate loss.

In the meantime, the state is seeking temporary federal assistance for the affected farmers. ■

Insurance companies to adopt portable pensions for staff

By JEANNE DEVLIN
Crain News Service

TORONTO, Ont.—A portable pension system developed by the Canadian Life Insurance Assn. will be implemented as a pilot project by 15 life insurance companies for their staff pension plans by the first of the year.

Another 35 companies will follow suit within the next five years, according to Frank Speed, vp and actuary at CLIA.

The system, which was assembled over the past two years, is designed to serve any employer, Mr. Speed said, although only insurance companies have committed themselves to the project to date.

Long range plans, however, call for any employe to be able to transfer credit for service with a previous employer to a new employer's pension plan.

There are a few problems to be worked out, however.

Pension plans often differ from one company to the next—another CLIA proposal may change that eventually—and occasionally a new employer's pension plan may not be able to fairly credit all the years of service a person brings with him, Mr. Speed said.

That could happen if the new employer's pension plan is more generous, he said. The solution proposed by CLIA, and contained in the pilot project, would allow an employe in that position to use his previous years of service as credit toward future benefits.

On the other hand, an employe going to a less generous plan could expect to receive full service credit from his new employer and any extra funds could be used to purchase a paid-up pension.

Presently, benefits covered in the pilot project are limited to monetary considerations, although Mr. Speed said others could be awarded on a similar system in the future.

That is not the CLIA's most immediate goal, though, because the association is afraid if it pushes for a completely mobile benefit system it will scare off employers who might be leery of the price tag on major policy changes, Mr. Speed said.

"We are taking it one small step at a time," he added.

However, the association is aiming to see costs shared by the employe's final employer and prior employes in a reasonable manner, Mr. Speed said.

One obstacle blocking that ambition is a lack of uniformity among employer's formulas for valuing employe service, he added.

Ideally, an employer would use the same formula for valuing the service of both terminating employes and new employes and would define the employes eligible for portable benefits in a way that is consistent for both types, Mr. Speed said.

That would discourage an employer from paying low benefits to terminating employes, because he would find it very costly to provide additional service to new employes, Mr. Speed said.

Other recommendations that would make pension plans more uniform and better understood by employes would be:

- A minimum money purchase benefit for all employes. The employer credits each employe with a specific percentage of employe's contribution (100% ideally). For non-contributory plans national employe contribution could be used.
- Where a money purchase minimum is in place the portability transfer should be equal to the employe's accumulated contribution plus a percentage (100% ideally) of the accumulated employer contributions or the actuarial value of the accrued benefits if greater.
- Any plan which has a minimum service requirement for membership in the plan should waive that requirement for employes who bring a transfer value with them when hired.
- When an employe is hired the additional service available to him under the portability provision should be calculated and be applied to reduce any period of service required for vesting.

The success of a portability arrangement, Mr. Speed said, will probably be determined not only by the number of employers who include a portability provision in their pension plans but by the number of employes who elect to transfer their funds. ■

INA targets Neb.

Insurance Co. of North America plans to expand into Nebraska and adjacent counties in Iowa.

ISI

ISI Corporation
is pleased to announce that
Clyde F. Schoenneman
has joined our firm as
Vice President, Casualty.

Formerly Midwest Vice President in charge of Excess-Special Risk with a major nationwide brokerage house, Mr. Schoenneman will bring to the firm expanded Excess Casualty facilities and expertise.

Try ISI for your Umbrella and Excess needs.

ISI CORPORATION
EXCESS AND SPECIAL RISKS—SURPLUS LINES
The John Hancock Center
875 North Michigan Avenue Chicago IL 60611
(312) 787-4821 Telex 25-3566

Liability penalities . . .

Continued from page 1

should you lose, would be more than could be produced dollar-wise, it's time to get out."

Football helmet production represents only about 1% of Wilson's sales volume, Mr. Middleton said.

The company has sizable sales in accessories and equipment for golf, baseball and other team sports. Recently it has become a force in the expanding market for racquet sports. Despite discontinuing helmets, Wilson will continue to produce other football equipment.

Wilson is not the first major sporting goods firm to stop helmet manufacturing because of product liability problems. MacGregor and Spalding, two other helmet makers, have stopped production. Brunswick Corp., former owners of MacGregor, are involved in a product liability suit over the MacGregor helmet, but Brunswick officials declined to comment.

Spalding, a division of Questor Inc., pulled out of the helmet field in 1973, also because of product liability risks and the high costs of insurance, said Jack Lacey, product manager for team sports. The company has been sued "a couple of times" for injuries allegedly tied to its football helmets, one in which a settlement is being negotiated. In another, the company paid damages, he said.

'No surprise'

Mr. Lacey, like officials of most of the other six firms that manufacture helmets, is not surprised at Wilson's action. The spate of suits and the hefty settlements obtained by plaintiffs could drive other companies out of the helmet business if the trend continues, threatening not only their survival but the future of the game itself, the football manufacturers agreed.

"I wouldn't be surprised if more (manufacturers) got out," Mr. Lacey said. "We need to control the legal runaway that has developed in this country."

Another manufacturer, Bill Kelley, owner of Bill Kelley Athletics Inc. in Grand Prairie, Tex., said product liability will create a "crisis" if suits and insurance costs do not taper off.

This would be especially true for the smaller companies like Mr. Kelley's, which relies on football helmet sales for about half of its sales. "Now if a kid gets hurt, it's automatically sue, sue, sue. But what people don't realize is that football helmets are now the safest product that's ever been made in the history of the profession," Mr. Kelley argued.

High costs

Kelley Athletics' product liability costs are currently $100,000 per year, and add about $7.50 to $10 to the price of a helmet.

Also expressing concern is John Axford, president of Southern Athletic/Bike Inc., a Colgate-Palmolive subsidiary that makes helmets along with other football and sports equipment. Wilson's move is "just another indication that the sport of football because of product liability is in jeopardy," he said.

Southern Athletic is a small force in the helmet industry and the firm's product liability coverage is included in a larger umbrella package held by Colgate-Palmolive, Mr. Axford said. As a result, his firm would be less shaken by a lawsuit than the smaller manufacturers, "but we don't like to see Wilson go out of the helmet business. Wilson's gone, who's next?" he asked.

Southern Athletic has never been sued in its five years of helmet making, "so we've never been faced with this push-comes-to-shove situation," he said. "I hope we never have to drop the line."

Legal watch

Another firm, Medalist Gladiator Athletics Inc. of Leesburg, Fla., plans to stick with the helmet business, but closely monitors the legal developments in product liability and the going insurance rates. Fred Holland, corporate controller, said the company decided to continue helmet sales, fearing that discontinuing them would adversely affect the sales of its other football equipment.

"While product liability insurance is quite high, we decided to stay in," he said.

At Riddell Inc., one of the firms hardest-hit by lawsuits, officials say they are "genuinely concerned" about the litigation trend. But Richard Lester, secretary and general counsel, said company officials hope two consecutive lawsuits decided in Riddell's favor indicate the wave of litigation may be subsiding. "We're hoping it's peaked," Mr. Lester said.

Riddell still faces an $11.5 million suit, among others, and pays nearly $1.5 million in product liability insurance premiums. But Riddell is not considering pulling out of the market because of its high sales volume of helmets, Mr. Lester said.

Two other helmet manufacturers are less perturbed about product liability, although acknowledging it is an area of concern.

William Dodge, insurance director for Fuqua Industries, whose Hutch & Reach subsidiary makes helmets, said the loss experience has "not been unfavorable." Helmets constitute only a "nominal" portion of overall business, he noted.

At Rawlings Sporting Goods Co. in St. Louis, a spokesman said the company is aware of the high insurance cost and risk potential in football helmets, but "we're still in the helmet field and we intend to stay in it."

—John Maes

Health premiums jump under probed La. plan

BATON ROUGE, La.—The state of Louisiana has increased premiums by nearly 40% in its highly controversial group health insurance program for state employes.

Charles E. Roemer II, commissioner of the division of administration, said the major reasons for the increase are a 17.9% jump in annual claims costs per employe last year along with expanded benefits that have been written into the self-insured program.

But the premium increase announcement comes at a time when the insurance program has been attacked by charges of mismanagement, misuse of funds and politically motivated hiring. A special state legislative committee has been conducting hearings on the charges that have been leveled at Mr. Roemer and his assistant Joseph Terrell (*BI*, Sept. 3).

The two administrators have been accused of mismanaging the program, causing a claims backlog of between 10,000 and 12,000, and with hiring costly, political connected consultants. They have also been charged with hiding administrative expenses in financial reports and illegally splitting agents' fees.

Under the new rate structure, which took affect Sept. 1, a single employe's monthly premiums will rise to $30.20 from $21.60 and to $64.44 from $46.08 for a worker with one dependent. Premiums for an employe with more than one dependent will increase to $82.18, from $58.72, the state division of administration said. The state pays one-half of the premium.

The state has just recently expanded benefits to include full maternity coverage for women employes while catastrophic coverage is being increased to an unlimited maximum from the previous $50,000. Hospital room benefits are being increased from $45 to $70 per day for a semi-private room.

The program now covers 80,000 state employes and the state is considering adding 30,000 teachers and school employes.

Mr. Roemer has said the program has saved taxpayers $2.5 million per year since the self-insurance plan was adopted in 1974. Before that, Blue Cross/Blue Shield provided health insurance for state workers.

During recent sessions, the investigating committee has been checking billings submitted to the state by CNA Co. for administrative services and claims handling. CNA's charges to the state have increased from more than $100,000 to $1.1 million last year.

A legal representative of CNA said the company testified voluntarily before the committee and gave them all the information they requested about their billings.

The panel, however, has not taken any action against anyone associated with the program. Mr. Roemer and Mr. Terrell have blasted the investigation as politically motivated by state legislators seeking re-election this fall.

Claims fraud may increase

CHICAGO—Fraudulent claims increase during weak economic periods, so expect an increase in medical and exaggerated disability claims, says CNA senior investigator John J. Healy.

Intentional dismemberment claims in particular tend to rise during a recession, he noted. "Many small insurance companies just deny that the injuries are intentional, I think, because it's just difficult to conceive of anyone doing that to himself." ■

CUSTOMIZED

WORKERS' COMPENSATION SELF-INSURED PLANS BY

GATES, McDONALD

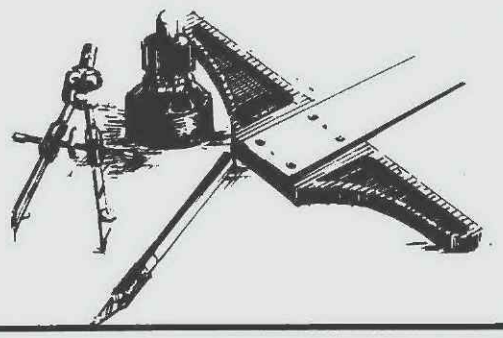
Yes, Gates, McDonald can customize a workers' compensation self-insured plan for your company. Here are some of the features:

- integrated, comprehensive systems to administer your workers' compensation program
- the review and processing of all claims and appropriate adjustments
- responsive medical care for employees with an eye toward saving you money
- the development of employee information and rehabilitation services

Contact Gates, McDonald or your insurance broker – either can add information how you can customize workers' compensation self-insured plans to your business.

GMD GATES, McDONALD

CORPORATE OFFICE ONE NATIONWIDE PLAZA
P.O. BOX 1944
COLUMBUS, OHIO 43216
614/227-7211

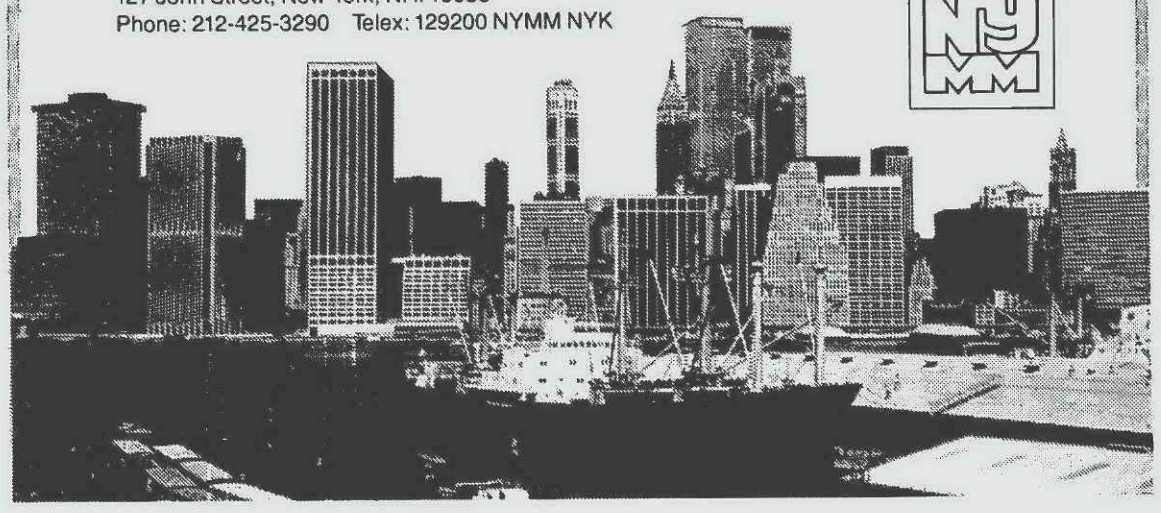


Underwriters and Managers representing American companies for MARINE INSURANCE–ALL CLASSES

New York Marine Managers, Inc.

127 John Street; New York, N.Y. 10038
Phone: 212-425-3290 Telex: 129200 NYMM NYK

NY MM



classified advertising

RATES AND CLOSING TIME: *$3.00 per line, minimum charge $15.00. Cash with order. Figure all cap lines (maximum-two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Friday, 10 days preceding publication date. Published every other Monday. Display classified takes card rate of $36.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5239 for more information.*

HELP WANTED

UNDERWRITER

Senior Underwriter for College and School Student Accident and Sickness Insurance. Salary open and dependent upon experience and knowledge. Excellent position in an old and highly successful brokerage firm located in suburban Phila-delphia. Please send resume to: Personnel Manager
Box 426, Wayne, Pennsylvania 19087

ADMINISTRATOR INSURANCE

Leading book publisher seeks person to be responsible for coordination of all activities of corporate insurance programs-including property, casualty and surety lines. College degree plus 2-3 years insurance background preferred. Special insurance education helpful.

Contact Ms. T. Hulley
RANDOM HOUSE, INC.
201 East 50th Street
New York, N.Y. 10022
(212) 751-6852

An Equal Opportunity/
Affirmative Action Employer

CHALLENGING MANAGEMENT OPPORTUNITY IN LOUISIANA STATE GOVERNMENT

Executive Director
Louisiana State Group Benefit Program

Those seeking a position that offers high levels of involvement in a Major Group Benefit Insurance Program should investigate this outstanding opportunity.

Primary responsibility will be the management and contract administration of the state's self-insured employee medical benefit program with 250,000 potential enrollees. This position reports directly to the Board of Trustees. Position requires a degree with major in business administration, insurance, public administration or closely related field and managerial experience for the claims processing, invoicing, field services, investment of public and acturial areas of a management level. Two years must have been at a management level. Resumes should be submitted by October 1, 1979.

Write:
Board of Trustees
La. Group Benefit Program
P.O. Box 1744
Baton Rouge, Louisiana 70821
Equal Opportunity Employer

MISCELLANEOUS

SUBSTANTIAL CASH AVAILABLE

Casualty Company wanted—minimum 3 yrs. old—State of Domicile unimportant Prefer no active business.

A. L. Block 305-945-4113
17070 Collins Avenue, Suite 206
North Miami Beach, Florida 33160

HELP WANTED

Account Executives Commercial Underwriters Producers

We specialize in Agency & Brokerage personnel recruitment and placement nationwide. Numerous openings exist. Please write or call us for further information about opportunities. Your name would not be released to clients without your approval. All our fees are paid by client companies.

ipr
CONTACT
BOB KRECHTING
INSURANCE PERSONNEL RESOURCES
1970 Peachtree Road, N.W. • Suite 622
Atlanta, Georgia 30309 • (404) 262-2572

CORPORATE RISK MANAGEMENT EXECUTIVES

Insurance/Risk Analysts
Safety-Property
Conservation Managers
Loss & Claims
Control Managers
Group Benefits &
Pension Managers
Health Care Directors
& Assistants

Discreet use of our NATIONAL registers of skilled applicants and corporations are available for further personal advancement and professional risk management departmental staffing. Call: Edward Hoffman/Martin Hodes, COLLECT, at:

(212) 267-2600
WALL PERSONNEL ASSOCIATES, INC.
170 Broadway
New York, N.Y. 10038

RISK MANAGEMENT POSITIONS

Risk Mgr. Fortune 100 Co., Midwest 40-50M
Risk Mgr. #2 Spot Pittsburg 30M
Risk Mgr. Long Island Bfts. Fire & Cas good communication skills 40M
Ass't Risk Mgrs. Ill Michigan Minnesota Ohio & Tri-state area 25-35M
Ass't Risk Mgr Conn MBA 22M
Ass't Risk Mgr. Fire & Cas Midwest #2 position 30-40M
Safety Loss Prevention Engr. 30M

JOHN HUTTNER (212) 732-3110
David J. Hollinger Associates, Inc.
150 Broadway, New York NY 10038

Risk Manager $1833 - 2297. Adm. Risk Management Function For City of San Jose. Req: Combination Exp. & Educ. Equal to College Degree in Accounting, Bus. Adm, or Related Field and 4 yr. Exp. CA Drivers Licence.
Apply: City of San Jose, Rm 207, 801 N. 1st, San Jose, CA 95110 (408) 277-4204 by 10/5/79.

INSURANCE ASSOCIATION EXECUTIVE

Interested applicants should have broadbased insurance experience with heavy emphasis in education. Duties will include overall management of State Association's office plus developing, coordinating and conducting initial and continuing educational program. Live in sunny and mild Albuquerque, New Mexico representing our 183 member association. Salary negotiable subject to experience. Reply in confidence to:

Chuck Olson
President Elect
INDEPENDENT INSURANCE AGENTS OF NEW MEXICO
P.O. Box 2139
Silver City, New Mexico 88061

Collect calls accepted — 505-388-1555

NOTICE TO E&S PRODUCERS IN HOUSTON, TEXAS

Well established successful Texas based E&S agency is opening a Houston office and would be interested in discussing employment opportunities with casualty and property producers. Qualified applicants should have a following of Houston area agents and presently be producing $100,000+ in commissions. Insurance markets will be provided.

Positions offer employment contract with a high base ($50,000 per year) and profit participation. Excellent fringe benefits including company car.

Please send replies to:

E&S AGENCY
P.O. Box 79647
Houston, Texas 77024
or call
713-461-6698

All replies will be treated confidentially.

WESTERN WORKERS' COMPENSATION CONTRACTOR

Desires affiliation with equity position with insurance industry or relatec company for expansion of services and marketing.

Box 270, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

TAMAN-HAIDER, INC.

International Search Consultants

Specializing in
the Insurance Industry
1975 East Sunrise Blvd.
Suite 616
Ft. Lauderdale, Florida 33304
(305) 462-1403
Arlene J. Tatarka

Professional Risk Management Tools
Automated information systems for controlling and administering cost of risk.

corporate systems
BOX 31780 AMARILLO TEXAS 79120 806-355-4351

You'd be Surprised Who I Found. And for Whom.

Call - Alan M. Dumoff
Dir. of Insurance Recruiting.

DUMOFF ASSOCIATES
"Underwriting Recruitment Specialists"
225 S. 15th St./Suite 3200
Phila., Pa. 19102
1-215-546-9030 - in Penna.
1-800-523-9267/68 - Nationally

Resumes Welcomed

CAREERS

RISK & EMPLOYEE BENEFITS

C.E.O. .....**$100,000+**
Internationally respected offshore captive owned by a U.S. corp. is staffing this newly created position. Please call for further details.

RISK MANAGER .....**$40,000+**
Northeast (not NYC): Manage every aspect of risk and insurance; P&C, E/B and pension. Excellent for the generalist.

INSURANCE MANAGER ...**$30,000+**
New listings in So. CA. (not LA), Mid-West (not Chicago), Texas and Oklahoma. Claims, corp. financial or corp. ins. expr. desired.

BENEFITS ADM. **$30,000**
Texas corp. with 7,000 employees. Newly created position. All benefit programs self-insured. Need communication, adm. & planning.

CONTACT: DONALD DELANEY

BROKERAGE

ACCOUNT EXEC (oil related) $30K++
New Orleans client seeks account exec experienced in the servicing and production of oil and oil related accounts. Will also need some exp. in loss-control aspects of medium to large commercial accounts.

MARINE MGRS (2) **$25/40K**
Positions in Washington and Colorado for individuals with solid Marine backgrounds to include both WET and DRY lines. Must be technically sound and possess strong marketing qualifications.

COMMERCIAL PRODUCER
Nebraska client with National link, seeks proven producer of medium to large commercial casualty business. Ideal candidates will have a minimum of 5 years agency/brokerage sales exp. or will have direct writer sales exp. National accounts experience will draw consideration

CONTACT: JIM GILBERT

ALL FEES EMPLOYER PAID..... PARTIAL NATIONAL LISTINGS

Apply by resume or call:
INSURANCE RECRUITERS, INC.
3707 Rawlins, Suite 416, Dallas, Texas 75219
214-528-0090

ALEXANDER & ALEXANDER OF TEXAS, INC.
EL PASO OFFICE

Alexander & Alexander of Texas, Inc. is the largest insurance agency in Texas and still growing. Our El Paso Office needs your experience and expertise in the following key positions:

UNDERWRITING MANAGER

You would assume management responsibilities of a unit of line underwriters and raters. Medium to large accounts are underwritten within our unique *Branch Office Authority* underwriting contracts. You work closely with account executives on client proposals. You should possess solid underwriting skills, preferably company branch or home office; be organized, self-starting; CPCU is preferred, and agency marketing experience is helpful.

ACCOUNT EXECUTIVE/PRODUCER

You would be responsible for production to new accounts, and servicing existing accounts with good additional business potential (all lines commercial). You should possess proven or demonstrable selling skills and 2 to 3 years insurance experience, agency or direct writer sales experience, preferred.

If you wish to pursue these excellent career opportunities in strict confidence, please mail your resume, letter or call:

John Gilbert
Regional Personnel Manager
Alexander & Alexander of Texas, Inc.
34th Floor, 2001 Bryan Tower
Dallas, Texas 75201
(214) 741-5171
an equal opportunity employer M/F

WE'LL GIVE YOU A BATHING SUIT TO GO WITH YOUR BUSINESS SUIT

Join our rapidly-growing research and development firm three blocks from the beach, and we'll provide you with a new bathing suit of your choice, we'll also provide you with challenging work, responsibility, opportunities for advancement, and an outstanding working environment. You'll have to get the suntan on your own.

MBA with BS in operations research, math, physical science or engineering. We'll be responsible for analysis of insuring against natural hazards losses. Involves liaison with insurance companies for data base development and interpretation of analytical results, model development and interpretation, and preparation of reports. Experience in FORTRAN programming desirable.

Salary commensurate with experience. U.S. citizenship required. Please do not telephone. Send resumes to:

VICE PRESIDENT
ADMINISTRATION
THE J.H. WIGGINS COMPANY
1650 South Pacific Coast Hwy
Redondo Beach CA 90277

An Equal Opportunity Employer

RISK MANAGEMENT

GAF®

GAF is a major, diversified manufacturing company with world-wide operations.

For this key assignment, we seek a person with a sound knowledge of risk management principles and at least 10 years of increasing responsibility in property/casualty insurance, with strong emphasis on property . . . particularly fire and boiler.

The right individual must have a clear understanding of the relationship of risk management to corporate Finance, Loss Prevention and Production, with a demonstrated record of successful achievement. Position located in New York City . . . travel up to 30%.

A Bachelor's degree in Insurance, Economics, or Finance is required and a CPCU is desirable. If you are seeking an unusually challenging, high-potential career spot in a stimulating environment, get in touch with us immediately. Send resume and earnings history to: **Employment Manager, GAF Corporation, Dept. RM, 140 West 51st Street, New York, N.Y. 10020.**

GAF®
GAF CORPORATION
An equal opportunity employer. male/female
Where ability is the essential factor

Calif. towns . . .

Continued from page 3

ina, Petaluma, Mill Valley, Richmond, Fullerton, Palo Alto, Anaheim, San Bernardino, Berkeley and Sonoma.

Clark Goecker, assistant director of the league of cities, says it is a myth that the private sector can always do a job better than the public sector. He acknowledges that such antigovernment bias has become prevalent in the post-Proposition 13 era.

Whatever the cities' final decision about the fire insurance plan, any rearrangement need not increase the size of local government bureaucracy, he said. The league could well contract out expert insurance services to "the best of the private sector.

"There should be some correlation between taxpayer dollars spent on fire suppression and the dollars spent on premiums with an insurance company," he stresses.

"The current system has significant inequities in that it doesn't really relate costs to fire loss experience. It is not providing incentives to aggressively pursue preventive measures."

Byron Chaney, Palm Springs fire chief, added that "we want to be able to say to our people that if we halve the total of what was burned up last year then we will have our insurance premiums reduced."

Mr. Chaney, a member of the league's technical committee, says he wants to see incentives to encourage the use of the full range of fire-prevention technology.

If substantial premium savings prove possible, he noted, money can be used to finance such control measures as the distribution of smoke detectors to homeowners.

The league has been encouraged by a 1977 report completed by a Berkeley-based independent research organization, the Institute of Local Self-Government. It suggested that bringing "fire suppression and indemnification under one umbrella" could lead to better coverage, improve preventive programs and make them more economical.

The institute has received a federal grant to study the feasibility of municipal fire insurance programs to be completed early next year.

Although the community-funded fire insurance pools would eliminate the need for private companies to insure buildings, insurance for personal property and building contents could still be purchased.

The potential blow to private insurers has not gone unnoticed by the insurance industry. More than 70 representatives of the top property-writing companies, insurance industry and professional groups huddled at the Airport Hilton in San Francisco to plot a strategy.

They set up a steering committee to develop arguments against the plan and to inform the counties and municipalities about what they might miss if they give up on the competitive, private sector.

Michael Heywood, underwriting manager of Safeco Insurance Group, who organized the San Francisco meeting, says the league's hopes were based on poor fire-loss data and suggests they would have a tough job reducing costs and enhancing services.

"Our industry is so intensely competitive that fire rates and property policies are probably as low as they possibly could be," he says. "Some carriers are writing insurance at a loss.

"Look at how many specialty companies there are operating shoulder-to-shoulder with the primary markets. It takes a tremendous spread of companies operating through the open, free market to develop the best overall price for every customer."

Mr. Heywood is also skeptical of what he says would be "a monopolistic environment."

"What other services have ever been taken into the public sector and run better than they were by the private sector?" he asks.

Mr. Heywood says league members have been left foraging for funds by Proposition 13 and the fire-insurance idea is "another way of supporting what is a major portion of their average municipal budget.

"I commiserate with them in their striving to find new sources of revenue, but wouldn't they better be served in lobbying for legislation to share state revenues more to their advantage?

"The individual municipality faces enough difficulty maintaining financial solvency without attempting to handle the fire exposure of every occupancy within its municipal boundaries," he says. ■

Changing sex roles beginning to affect pension plan design

By CHARLES EPSTEIN
Crain News Service

CHICAGO—For the past three years Anna K. has been working on a factory assembly line doing the same work as her male co-workers.

Each hour, as the assembly line moves, she places an electronic component onto a chassis and it goes to a male co-worker down the line who solders the part into place. After working in the factory for 10 years she will be vested into the company's defined benefit plan.

But, because Anna K. is a woman, with a different mortality rate and incidence of needing more health coverage than her male co-workers, she poses certain specific considerations for the sponsors of her pension plan.

These changing patterns reflect the changes in society itself and the end of the traditional assumption that the working husband and the dependent housewife constitute the majority of the working households in the U.S.

For example, in 1976 the U.S. population included 47.5 million families with both a husband and wife present. In 28% of the families only the husband worked, while almost 49% had both the husband and wife working, according to the U.S. Department of Labor.

Yet in calculating pension benefits for female employes, the specific changes which affect the female workforce are beginning to make an impression on the design of such plans.

These changes are based on differences among what actuaries term women's "life patterns" such as:

- Part-time and full-time jobs may be interspersed in a woman's career.
- Periods of homemaking and child-rearing and outside work all may be combined during a woman's career.
- Many women support themselves and their children without benefit of a husband during part of their lives.
- Divorce is becoming more common so women often find themselves living alone between marriages.
- Unmarried people living together while sharing income is becoming more common, but survivor benefits do not cover individuals in such situations.
- The division of responsibilities in the nuclear family often involves the woman sharing most in homemaking while the husband works.
- Divorce laws ideally protect spouse's economic interests, but in practice the laws often have loopholes which leave the woman in more precarious financial straits than her ex-husband.

To the actuaries who design benefit plans, these discrepancies between the life experiences of men and women have posed a variety of new problems. But now there is a trend toward using one set of actuarial assumptions in planning future benefit needs among workers.

One actuary who has studied the problems of sexual discrimination plan design and sex/differentiated tables is Anna M. Rappaport, FSA, of William M. Mercer Inc. in Chicago.

In a seminar last month entitled "Getting Your Company and Employes Ready for the 21st Century," Ms. Rappaport said it is often "discriminatory and against public policy to take into account" differences between the sexes.

"The central point in the argument is that sex is not an appropriate classification, particularly in matters affecting pay of benefits accruing from employment," she added.

Because of a Supreme Court decision which stated it was discriminatory to have women pay higher pension contributions than men, "it now seems very likely that employers will soon have to change retirement programs to provide equal dollar benefits," Ms. Rappaport said.

"As a practical matter this means that in the future, factors used to convert benefits from one form to another, or to convert lump sums to annuity benefits, must be unisex; that is the same for both sexes."

Ms. Rappaport added that for administrators of defined benefit plans the change "should not present major problems." As an example she cited that life insurance schedules used for different employes are often the same and that unisex factors for determining early retirement benefits are common.

Yet while there are similar approaches available to plan administrators and actuaries to calculate annuity payments, two obstacles exist before full implementation is possible.

The first is contained in the Equal Pay Act, which states that pay may not be reduced to comply with the Act. This can be interpreted by plan sponsors to mean that tables used to determine benefits must be based on the one which

Continued on next page

classified advertising

RATES AND CLOSING TIME: *$3.00 per line, minimum charge $15.00. Cash with order. Figure all cap lines (maximum-two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Friday, 10 days preceding publication date. Published every other Monday. Display classified takes card rate of $36.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5239 for more information.*

HELP WANTED

RISK MANAGER

Risk Manager for Essex County, New Jersey. Responsible for developing and administering all insurance, self-insurance and loss prevention programs. Reporting to Director of Administration and Finance. Five years Risk experience or 10 years General Insurance, including 2 years of Jumbo Account handling required. Salary range: $25,000 to $35,000. Send resume to:

Director of Administration & Finance
THE HALL OF RECORDS
Room 503a
Newark, New Jersey 07102

Your Ad Here Will Get Results

RISK MANAGER

To perform risk management function for large, non-profit corporation. Full responsibility for planning, developing, and managing corporate insurance plan and employee insurance benefits. Degree in Business or Public Administration desired plus CLU, CPCU or other risk management designation and experience in loss control required. Excellent benefits. Reply:

Box 273, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
E.E.O. M/F

Employe Benefits Accounting Administrator

The Quaker Oats Company has an excellent opportunity for an individual to develop accounting procedures and analyze financial data related to employee benefits. The position reports to the Manager of Employee Benefits.

Applicants should be well acquainted with accounting and administrative principles used in the benefits field including: cash flow analysis, unit cost accounting, tax implications, computerized recordkeeping, cost identification and control, and experience projections. The position is also responsible for assisting the Benefits Manager with special projects.

The position requires a minimum of three years experience in employee benefits or insurance underwriting with strong accounting exposure (preferably degreed). The ideal candidate will also have exceptional human relations skills for interfacing with diverse corporate business functions. Resumes must be accompanied with salary information for consideration. Please write in confidence to Christine C. Main, Manager-Personnel Development and Recruitment.

QUAKER

THE QUAKER OATS COMPANY
MERCHANDISE MART PLAZA / CHICAGO, ILLINOIS 60654

An Equal Opportunity Employer M/F

armr

ALL RISK MANAGEMENT SERVICES, INC.

All Risk Management Services, Inc. (ARMS) is a company whose design of operations permits professionals in various disciplines to support the needs of many programs. As a result, the specific needs of each client is satisfied by a program tailored to provide those services required on a cost effective basis.

Areas of ARMS expertise include Claims Investigation, Administration and Management, Claims Management Reports, Loss and Claims Prevention Programs, Auditing, Subrogation and Recovery Efforts, Health Benefit Claims Management, and involvement with excess and stop gap markets.

HOME OFFICE
160 Water St., N.Y.C.
New York 10038
(212) 483-0001

Atlanta
(404) 458-7126

Chicago
(312) 641-6020

Los Angeles
(213) 380-6637

Miami
(305) 592-6835

Philadelphia
(215) 922-3586

St. Louis
(314) 434-2080

San Diego
(714) 236-1888

San Francisco
(415) 777-5970

people

Southwest Forest in Ariz. attracts Perry

Clayton Perry is the new risk manager for Southwest Forest Industries of Phoenix, Ariz. Mr. Perry, 47, previously was director of insurance for the Augusta, Ga.-based company of Columbia Nitrogen Corp. In his new position, he will report to company vp and controller Ray Elder. Mr. Perry has a BA degree from Trinity College. His former employer, Columbia Nitrogen, has filled Mr. Perry's vacancy by hiring **William Gladden** as corporate risk manager. Columbia Nitrogen has expanded the position's responsibilities to include employe pension and welfare plans as well as property and casualty insurance programs. Mr. Gladden, 33, comes to the company from The Harris Corp. of Melbourne, Fla., where he was manager of casualty and property insurance. A replacement has not yet been named for that position. Mr. Gladden has a JD degree from Chase University, Cincinnati.

* * *

American Cyanamid has hired **Thomas A. Caldwell Jr.** as director of corporate insurance, replacing the recently retired N.F. Crowley. Mr. Caldwell, 37, comes to the Wayne, N.J.-based company from Monsanto Co., where he was risk manager. He now reports to R.L. Martino, treasurer. Mr. Caldwell has a BS degree in business from Temple University. Monsanto has not yet named a replacement for him.

* * *

Thomas Conboy has been named manager of risk and insurance for Cessna Aircraft Co. of Wichita, Kan., which has recently decided to expand its risk management department. Mr. Conboy, 48, was most recently an insurance agent for a regional broker in Indianapolis. In the newly created position, he will be responsible for insurance management, loss prevention and claims administration. Mr. Conboy reports to corporate secretary David Edwards. He has a BS degree from the University of Cincinnati and an MBA from the University of Michigan.

* * *

Woodsteam Corp. of Lititz, Pa., has hired **Robert Kuch**, 23, to fill the newly created position of insurance administrator. He will be responsible for risk management and employe benefits for all domestic and foreign subsidiaries and will report to Bruce Hepburn, treasurer. Mr. Kuch was most recently with the Philadelphia-based Reliance Insurance Co. as a commercial multiperil underwriter. He has a BBA degree in insurance from the College of Insurance in New York.

* * *

Alun Goodheart has been hired as risk manager for Santa Cruz County, Calif. The former workers compensation administrator for the city of San Diego will be responsible for directing the county's risk management, safety and self-insured employe medical programs. Mr. Goodheart, 31, will report to George Newell, chief administrative officer for the county. Mr. Goodheart has a master's degree in public administration from California State University and is presently vice-chairman of the Council of Self-Insured Public Agencies. The city of San Diego has not yet hired Mr. Goodheart's replacement.

* * *

San Diego, while looking for a workers compensation administrator, has hired a new employe in its workers compensation division. **Julie Erdmann,** 32, was recently named coordinator of rehabilitation services. She replaces Terry Tucker, who moved to the County of San Diego. Ms. Erdmann formerly managed the San Diego office of Valpar, a private rehabilitation corporation. In her new job, she will be responsible for all rehabilitation services for city employes and will work in the city's risk management department. She has a master's degree from Wayne State University and is a certified rehabilitation counselor.

* * *



Raymond J. Lowins

City Products Corp. of Des Plaines, Ill., has promoted three risk management employes. **Raymond J. Lowins** was named director of insurance and risk management and will continue to report to J.B. Gunderson, corporate treasurer. Mr. Lowins joined the company's insurance department in 1965 as assistant insurance manager. Under his supervision, a captive insurer was formed and insurance agencies were established in all franchised divisions. **Bruce F. Nabor** was promoted to manager of property and group insurance. A graduate of the University of Illinois, Mr. Nabor joined the corporate insurance staff in 1976 and was awarded a CPA in 1978. He will be responsible for auditing and coordinating departmental and company-owned insurance company budgets, investments and records. **Donald J. Buyck** was named manager of casualty insurance. A graduate of Northern Illinois University, he joined the staff in 1976. He will be responsible for supervision and control of costs of all insured claims and coordinating activities with the firm's legal department.

* * *

Robert Woodard has been named assistant to the manager of the insurance and claims departments of Texas Power & Light Co., reporting to J.L. Vandagriff. Mr. Woodard has been with the Dallas-based utility since 1968, most recently as assistant district manager in one of its regional offices. Mr. Woodard, 36, will be responsible for administering the company's property, casualty and benefit insurance programs. He has a BA degree in finance from Texas Tech. Mr. Woodard replaces **Al Gaither,** recently named insurance analyst for Texas Oil & Gas Co. of Dallas. The newly-created position at Texas Oil & Gas is a result of the formation of a risk management department and includes responsibilities for loss control and insurance purchasing. Mr. Gaither, 30, reports to Wilford Webb, assistant to the chairman. Mr. Gaither has a BBA degree from Baylor University.

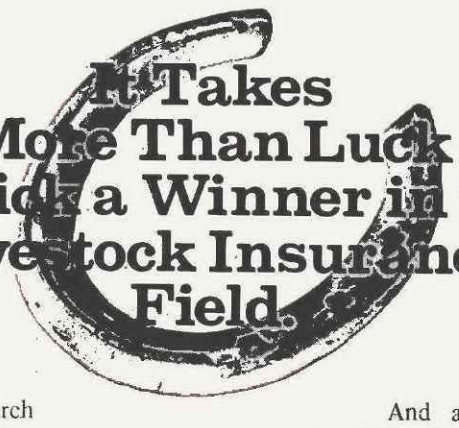
* * *

Yvon Menard has joined Marathon Realty Co. Ltd. of Toronto as manager of risk and insurance. He replaces **Wayne Johnston,** who recently left to take a similar position at George Weston Ltd. Mr. Menard started his insurance career as an adjuster and was most recently assistant manager for risk and insurance at Abitibi Paper Co. Ltd.

* * *

The Kane-Miller Corp. of Tarrytown, N.Y., has named **Cathy Lowenbraun** assistant treasurer of the company. In the newly filled position, Ms. Lowenbraun, 29, will continue to be responsible for the corporation's property and casualty programs and its employe benefit programs and will also assume responsibility for pension plan management. She reports to Richard A. Winfield, treasurer. Ms. Lowenbraun was most recently director of corporate insurance and communications for Kane-Miller and before that held the positions of insurance manager, manager of employe benefits and director of employe benefits and corporate communications. She has a BA degree in French from Penn State University.

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Stuart Emmrich, Business Insurance, 708 Third Ave., New York, N.Y. 10017 or call 212 986-5050.



A little research will tell you that Frelinghuysen has a lead going down the stretch; because we're one of the largest in the world, and most important, a specialist in livestock coverage. Equine and cattle insurance is our only business.

You'll be spurred on by our servicing. Clocked at a gallop when we send you the policy.

And also when handling a claim. You're not handicapped by a long wait. Other insurance companies may tout their services, but only with Frelinghuysen can you be assured of dealing with a specialist.

Committed to the highest standards, and service you can depend on. . .Frelinghuysen, the Blue Ribbon Company.

The Frelinghuysen Livestock Managers, Inc.
P.O. Box 185, U.S. Route 22, Whitehouse Station, N.J. 08889
Telephone: (201) 534-4027

Changing sex roles . . .

Continued from previous page

would be the most favorable to the employe.

ERISA provides the second obstacle because accrued benefits cannot be reduced once they are established. One possible solution suggested by Ms. Rappaport is to include a special minimum benefit into the pension plan.

Until these two issues are resolved Ms. Rappaport acknowledged that many employers may hesitate before adopting unisex factors into their benefit plans.

However, for those employers who are anticipating the DOL adoption of unisex standards or who simply want to streamline their plans, there are four various approaches to computing benefits. These methods are based on unisex goal of using one set of common factors.

According to Ms. Rappaport, using one mortality table to calculate benefits "may not affect pension costs depending on what conversion method is used."

However, she did acknowledge one irony in the move toward adopting unisex standards to determine final pension benefits.

In coverting a life annuity to another form of periodic benefit payout, men "will generally" receive higher benefits than their female co-workers.

This is because women live longer than men, but this factor is discounted when a life annuity method of benefit payout is adopted. ■

Mass. RIMS elects officers

BOSTON—Linda L. Ruthardt, assistant director of industrial relations for Barry Wright Corp. in Watertown, Mass., is the 1979-80 president of the Massachusetts Risk & Insurance Management Society.

Thomas J. Welgoss of The Gillette Co. was elected vp; Theodore C. Surdam of Polaroid Corp. treasurer, and Stefan J. Valovic of Stone & Webster Engineering Corp., secretary.

Newly elected directors are: James E. Flynn Jr., of Technical Operations Co.; Ronald J. Lamb of Digital Equipment Corp., and Bert L. Weber of Cabot Corp. ■

We are pleased to announce the merger of

MYRON HABIB & ASSOCIATES, INC.

with our insurance brokerage organization and the appointment of

MYRON HABIB, C.L.U.

Chairman, Executive Committee

POLAR INTERNATIONAL BROKERAGE CORP.

200 East 42nd Street
New York, N.Y. 10017

INSURANCE

September 1, 1979

The stakes are big in the Specialty Risks game.



Americans love the thrill of big time sports.

But big time sports mean big time insurance risks.

Like insuring a star quarterback's ability to play. Or the soundness of a triple crown thoroughbred. It requires the knowledge, skills and experience of professionals who deal with unusual risks that now include everything from roller skate disco and rock concerts to jogging marathons and health spas, and many other non-sports specialty risks.

On October 29, Business Insurance will take a comprehensive look at specialty risks and the special people who handle them.

The specialty risks market is of growing concern to the almost 100,000 readers of Business Insurance representing 17,000 businesses, 6,000 agencies and brokerage firms, insurance companies plus consultants, appraisers and actuaries.

It's an ideal opportunity for suppliers of specialty risk expertise and insurance coverages to tell their story to the most important audience in the insurance marketplace.

Advertising closing is October 16, 1979.

It's the most important game in town. It's no time to stay home.

For additional information call or write Don Walsh, Advertising Sales Director, 708 Third Avenue, New York, N.Y. 10017, (212) 986-5050. Or, contact any of the sales offices listed.

business insurance

A PUBLICATION OF CRAIN COMMUNICATIONS INC.

New York: 708 Third Ave., N.Y. 10017 (212) 986-5050
Chicago: 740 Rush St., Ill. 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA. 90048 (213) 651-3710



T. Irvin, executive vice president, tells how A&A works from a client's point of view:

"We think growing companies deserve as much cash flow and asset protection as giant multinationals."

"Many small and medium-sized businesses don't realize it, but their basic insurance and financial concerns are the same as those of the multinationals. Big or small, a company has to be protected from the impact of sudden losses. And that's where we come in. Whatever size your company is, we'll use the same sophisticated risk management and analysis techniques we've developed over the years for our giant clients. As a matter of fact, our position as a worldwide leader in our industry is due largely to the growth we've enjoyed with our small and medium-sized clients. And we see much of our future growth coming from theirs. You can bet we'll be right there working with them. And with companies like them."

Working from a client's point of view is our way. From our top management to the men and women in over 110 cities here and overseas. That means working as allies, solving business problems together.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from a client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies