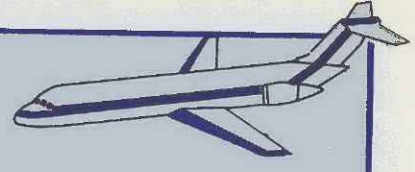


Marine and aviation markets

See Spotlight report on page 3



SEPTEMBER 19, 1983

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1.25 a copy; $45 a year

Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

update

UNR files antitrust action against insurers, groups

CHICAGO—UNR Industries Inc., which is currently in reorganization because of an overwhelming number of asbestos claims, is suing a number of insurance companies and industry groups, contending they conspired to limit their liability for asbestos claims.

UNR, which filed the suit last week in U.S. Bankruptcy Court in Chicago, alleges the insurers violated antitrust law, committed fraud, illegally fixed

Continued on next page

World reinsurers say they'll seek rate hikes during year-end renewals

By KATHRYN J. McINTYRE and STACY SHAPIRO

MONTE CARLO, Monaco—Reinsurers from around the world say they will tighten terms and conditions and raise rates for reinsurance contracts to be renewed in January.

During the 27th annual Rendez-Vous de Septembre earlier this month, reinsurers cited specific measures they intend to take to reverse the underwriting losses they have suffered over the last few years.

Any actions by reinsurers to cut their losses would increase the losses of primary insurers, which could, in turn, force primary insurers to increase the rates they charge insurance buyers.

Among the specific actions many reinsurers said they would take are:

- Cutting commissions to ceding companies, which would reduce primary companies' income.
- Increasing retentions of primary companies, which would increase primary insurers' share of losses.
- Underwriting more excess-of-loss reinsurance and less proportional treaty reinsurance, which would require primary insurers to pay reinsurance premium more quickly and so lose some investment income.
- Increasing rates.

Some reinsurers also are reducing their participation in world reinsurance markets.



The annual Rendez-Vous de Septembre, held the first week of September in Monte Carlo, attracts reinsurers from all over the world. This year's meeting attracted 2,000 participants. They met in hotel rooms, lobbies and cafes and at poolsides to discuss and debate the condition of the world's reinsurance markets and their own business. Their discussions are a prelude to contract renewals in the coming year.

Reinsurers say they must reduce their losses, which have been mounting in the face of unprecedented competition. They cite cheap rates—driven down by excess reinsurance capacity—as the primary cause of their problems.

"Large companies are getting good prices because there is so much reinsurance capacity," says James J. Meenaghan, president and chief operating officer of Fireman's Fund Insurance Cos.

Continued on page 47

Buyers' market to persist in U.S., says Meenaghan
Page 53

Manville insurers ready to pay out $250 million

By STEPHEN TARNOFF

NEW YORK—Some of Manville Corp.'s insurers apparently are ready to provide the manufacturer with $250 million to pay asbestos claims.

And, a plan also is developing to provide Manville with coverage for future claims under a claims-made policy form.

The availability of the disputed insurance was revealed at a Sept. 13 hearing in U.S. Bankruptcy Court in New York and confirmed by an attorney for Travelers Indemnity Co., one of Manville's primary insurers.

Frustrated by repeated extensions of Manville Corp.'s deadline to submit a reorganization plan, representatives of Manville's unsecured creditors told the court that a settlement with some of Manville's insurers totaling $250 million in coverage for asbestos injuries is currently possible.

And, the creditors have discussed with insurers a plan to devise a "claims-made" insurance program for Manville to cover future asbestos claims, court papers filed by the creditors explain. Such coverage could cost the Denver-based manufacturer $150 million a year in premiums.

Barry R. Ostrager, an attorney for Travelers with the New York firm of Simpson, Thatcher & Bartlett, confirmed that Travelers and the creditors committee were in the "final stages of developing a comprehensive (insurance) plan," which includes the $250 million partial settlement and the claims-made program for future claims.

The Sept. 13 hearing was "far and away the most important session that has taken place in bankruptcy court," he added.

At the hearing Manville also agreed to cancel a liability policy it recently purchased from National Union Fire Insurance Co. of Pittsburgh, Pa., to fund future asbestos claims after creditors objected to the mechanics of the coverage and diversion of $16.2 million

Continued on page 59

Product liability, benefit bills on Congress' fall agenda

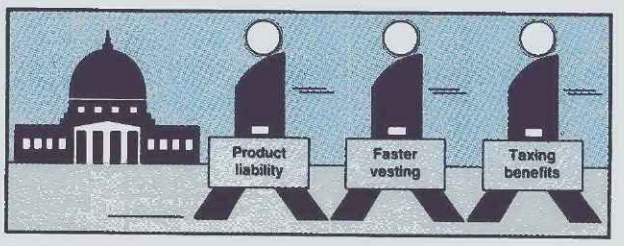
By JERRY GEISEL

WASHINGTON—Back from their long summer recess, congressmen and their staffs are rolling some new proposals up the steps of Capitol Hill that could affect corporate risk and benefit management.

While some of the players and issues are more than familiar, there are new twists that could affect both corporate pension and health plans and manufacturers' product liability risks.

The bill expected to get the quickest attention is Sen. Robert Kasten's federal product liability legislation, which has been revamped again.

But, it is possible Sen. Kasten, R-Wis., will lose key support from one member of the Senate Commerce Committee, reducing chances of Senate passage.



Graphic: Jim Bakasetas

While action on that issue is sure to catch the immediate attention of many manufacturers, several things brewing on the pension and health benefits side could keep benefits lobbyists on the edge of their seats throughout the fall session.

It appears that Sen. Robert Dole's pending bill, S. 19, that would lower the minimum age at which employers must allow their employees to participate in retirement plans to 21 from 25, will become a vehicle for other benefit bills, benefit experts warn.

First, it appears Sen. Edward Kennedy, D-Mass., is set to introduce legislation that would require employers to overhaul their pension plans so that employees would be fully vested after five years (*BI*, Aug. 22). Most corporate pension plans now offer first and full vesting after 10 years.

And, it appears he may attach the bill to the Dole bill.

This would be a shrewd political move, observers say. Sen. Kennedy's plan probably lacks sufficient support to be cleared at the committee level, they say, while Sen. Dole's measure has no serious opposition and has an excellent chance of gaining approval by the full Senate.

In addition, backers of legislation, S. 372, that would eliminate the use of sex as a rating factor in insurance policies and benefit plans may attempt to attach it to the Dole proposal. The unisex proposal was introduced by Sen. Robert Packwood, R-Ore.

"Be wary of Sen. Dole's bill as a vehicle" for other benefit proposals, warns Tom O'Day, assistant vp for the Alliance of American Insurers.

"It (S. 19) is one of the few bills everyone—Republicans, Democrats and the administration—wants," said Steve Sacher, an attorney with Pepper, Hamilton & Scheetz in Washington. As a result, the bill "becomes ripe for the taking" as a vehicle for other benefit proposals, he added.

On the health benefit side, bills that would have restricted the choices under flexible benefit plans, limited tax-free benefits and capped tax-free health benefits apparently have withered during the long congressional recess. But, other proposals, which could have equally far-reaching effects, are beginning to sprout.

H.R. 3525, a proposal by Reps. Barber Conable, R-N.Y., and Fortney (Pete) Stark, D-Calif., would set rules on taxing benefits, like employer-provided park-

Continued on page 60

update

UNR files antitrust suit

Continued from previous page
prices and breached contracts in regard to insurance policies dating back as far as 50 years. The suit contends that the insurers' actions forced UNR to file for reorganization under Chapter 11 of the Federal Bankruptcy Act.

The suit seeks unspecified compensatory and punitive damages, adding that any punitive award should be tripled under antitrust law.

Defendants named in the suit are Continental Insurance Co., Bituminous Casualty Co., Home Insurance Co., Commercial Union Assurance Co., Zurich-American Insurance Co., Employer's Liability Assurance Corp. Ltd., Falcon Insurance Corp., Employer's Surplus Lines Corp., First State Insurance Co.

Also, Continental Casualty Insurance Co., Northbrook Insurance Co., Underwriters Adjusting Co., National Surety Corp., Aetna Life & Casualty Co., Insurance Co. of North America, Fireman's Fund Insurance Cos., the American Insurance Assn., the Alliance of American Insurers, the Insurance Services Offices and the Insurance Services Office of Illinois.

Baldwin says it will sell MGIC

NEW YORK—Under pressure from state insurance commissioners, Baldwin-United Corp. has agreed to sell its largest subsidiary, MGIC Investment Corp., "as soon as market conditions warrant."

Under an agreement with regulators in Arkansas, Indiana and Wisconsin, the sale will be planned by a five-member commission, which includes representatives from each of the three insurance departments, the banks that financed Baldwin's $1.2 billion purchase of MGIC in 1982 and Baldwin itself.

Baldwin President Victor H. Palmieri said it will take "months" to complete the sale of MGIC and its subsidiaries, including Mortgage Guaranty Insurance Corp., American Municipal Bond Assurance Corp. and MGIC Indemnity Corp.

Baldwin needs the proceeds from the MGIC sale to pay principal and interest on $3.7 million of single-premium deferred annuities issued by six Baldwin insurers now under rehabilitation, as well as to repay to the banks the funds it borrowed to buy MGIC last year.

Mr. Palmieri, who said in June that MGIC would become Baldwin's core, now says the company will be organized around the six annuity companies once they emerge from rehabilitation.

Armored car company insured

WEST HARTFORD, Conn.—Wells Fargo Armored Service Corp. says it's insured for the $7 million allegedly stolen by one of its own security guards, the second-largest cash robbery in U.S. history.

However, spokesmen for Wells Fargo and its broker, Marsh & McLennan Inc., would not comment on details of its insurance.

Industry sources say that armored car company coverage is usually written on an inland marine form and covers all risks of loss or damage while property is in the company's custody.

Limits for a company as large as Wells Fargo may be as high as $100 million, and a $7 milllion loss would probably fall within the first layer of coverage, said Robert Lynyak, a senior vp with Chubb & Son Inc. Any amounts not covered by Wells Fargo's insurance might be covered by difference-in-conditions policies held by the companies whose cash was stolen, he said.

Lloyd's of London is the largest market for armored car coverage. U.S. underwriters include American International Group Inc. and William H. McGee & Co., a New York-based managing general agent. Chubb stopped insuring armored cars last July after paying claims for the $11 million robbery of a Sentry Armored Car Courier Co. warehouse in New York last December.

Page named Howden chairman

NEW YORK—Alexander & Alexander Services Inc. has appointed Richard M. Page chairman and chief executive officer of Alexander Howden Group P.L.C., the company's British subsidiary.

Mr. Page, formerly executive vp of Alexander & Alexander Inc., A&A's U.S. brokerage subsidiary, replaces John A. Bogardus who assumed the top spot at Alexander Howden last year in addition to his duties as chairman and chief executive officer of the parent corporation.

Mr. Page will assume his new post after relocation from New York City sometime before the end of the year, according to an A&A spokeswoman.

In addition, Michael White, executive vp and director of the Northwest region of A&A Inc., was appointed to president of the U.S. subsidiary, reporting to Chairman Tinsley H. Irvin. Mr. Irvin retains the duties of chief executive officer.

index

Around the states	42	**Spotlight report**	3
Benefit beat	43	**Ticker**	61
Classifieds	58	**Washington**	39
Comings&goings: buyers	38		
Comings&goings: industry	41		
Datebook	26		
Info	40		
Insurance services guide	60		
Legal briefs	37		
Letters	8		
Management	37		
Opinions	8		
Perspectives	35		
Products & services	46		
Someone you should know	21		

Vol. 17, No. 38—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1983 by Crain Communications Inc.

Courts differ on constitutionality of retroactive multiemployer act

By JERRY GEISEL

RICHMOND, Va.—A disagreement between two federal appellate courts over the constitutionality of the Multiemployer Amendments Act increases the chances that the Supreme Court will rule on the issue.

The 4th U.S. Circuit Court of Appeals this month upheld the constitutionality of a retroactive provision in the law, which gives multiemployer pension plans the power to demand huge payments from employers that left the plans, including some that withdrew before the law was signed.

In a case involving Republic Industries Inc. of Kansas City, Kan., the appellate court said the "retrospective withdrawal liability feature of the 1980 act is constitutional."

In addition, the court rejected Republic's arguments that the law denies the right to a jury trial, allows the taking of property without compensation and is vague.

But, the 4th Circuit's decision conflicts with a May 20 ruling by the 9th U.S. Circuit Court of Appeals in San Francisco. In a case involving several small construction firms, that court ruled the retroactive feature of the act "operated to the severe detriment of the employers" (*BI*, May 30).

The disagreement between the appellate courts makes it more likely that the Supreme Court will resolve whether the entire act is constitutional, experts say. So far, employers have filed more than 140 suits challenging the law's constitutionality.

"We have a conflict in the circuit courts. It is a conflict that only can be resolved by the Supreme Court," said Baruch Fellner, associate general counsel for the Pension Benefit Guaranty Corp. in Washington.

A standard reason of the high court to hear a case is a conflict between appellate courts, added Frank Cummings, a partner with the Washington law firm of Cummings & Krenshaw.

The law in question, the Multiemployer Amendments Act, requires companies withdrawing from multiemployer pension plans to pay a share of the plans' unfunded vested benefits.

Because employers' contributions to the plans, which

Continued on page 57

John Cox joins American Can

By DOUGLAS McLEOD

NEW YORK—John R. Cox says the challenge of being in on the ground floor of a growing business is one of the attractions of his new job.

Mr. Cox, 51, was recently named deputy chairman and chief executive officer of Associated Madison Cos., the newly formed financial services arm of American Can Co.

"The business is in its infancy stages," said Mr. Cox, former executive vp for property/casualty at CIGNA Corp. "I'm going to have something to do with (its growth) or I wouldn't have taken the job."

American Can moved into financial services last year with its $127 million acquisition of Associated Madison, which in turn has acquired four other companies in the last 18 months as part of an overall $700 million restructuring of the parent company.

Subsidiaries of New York-based Associated Madison include National Benefit Life Insurance Co., Triad Life Insurance Corp., Transport Life Insurance Co., PennCorp Financial Inc., Mass Market-

Continued on page 56



Liz: An uninsurable risk?

By STACY SHAPIRO

LONDON—Theatrical producers may no longer be able to purchase non-appearance insurance for Elizabeth Taylor after the actress missed several more performances of Noel Coward's play "Private Lives" last week.

An exasperated Lloyd's of London underwriter—who is paying his portion of more than $500,000 in non-appearance claims to the show's producer because of Ms. Taylor's illnesses—doubts if insurers will write coverage for the actress in the future.

"Most insurers are not interested in covering her anymore," said the underwriter, who did not want to be named. "People laugh at people like me who are still taking her on.

"I wish I was laughing."

The final straw may have fallen last week in Chicago, the underwriter said.

Ms. Taylor missed the opening performances of the Chicago run of

Continued on page 60

War risk policy responds to KAL loss

By STACY SHAPIRO and CAROL CAIN

LONDON—Underwriters are now considering the Sept. 1 loss of a Korean Air Lines Boeing 747 jetliner an act of war.

The London aviation insurance market last week began settling its portion of the hull and liability reinsurance claims on the downed jetliner as war risk losses.

Shortly after the jumbo jet was shot down by a Soviet jetfighter over the Sea of Japan, killing all 269 aboard, underwriters debated whether the disaster would be covered by KAL's hull and liability insurance policy or by a separate war risk policy on the hull (*BI*, Sept. 12).

KAL's liability coverage contains a war risk endorsement.

Both the hull and liability package and the separate hull war risk policy are underwritten by Oriental Fire & Marine Insurance Co. Ltd. of Seoul, South Korea. About 75% of each policy is reinsured in London through Lloyd's of London broker Stewart Wrightson (Aviation) Ltd. The lead London reinsurer is American International Underwriters (U.K.) Ltd.

Last week, though, Stewart Wrightson paid KAL $26.8 million for the London portion of the hull loss under the war risk policy.

"Once again the market has demonstrated its ability to react quickly and sympathetically following a disaster," Stewart Wrightson said in a written statement.

London underwriters also were asked last week to pay an initial $5 million into a $40 million loss reserve fund to pay for passenger liabilities, a Lor.don reinsurer confirmed.

Continued on page 58

Darwood leaves Cayman for job with Homeland

By STEVE SHERWOOD

GRAND CAYMAN, B.W.I.—John Darwood's recent resignation as the Cayman Islands' insurance superintendent should have no great impact on Cayman's viability as a captive domicile, but sources here say he will be a tough act to follow.



Mr. Darwood

As one captive manager said, "I hope his replacement will exercise the same judgment. If we could get a carbon copy of John Darwood, I think everyone would be happy."

Mr. Darwood left the post Aug. 24 after 3½ years to take a job with Homeland Insurance Co. in Bermuda.

As Cayman's first insurance superintendent Mr. Darwood drafted the regulations attached to the island's 1979 insurance law and presided over Cayman's insurance industry growth to its present status as the second-

Continued on page 60

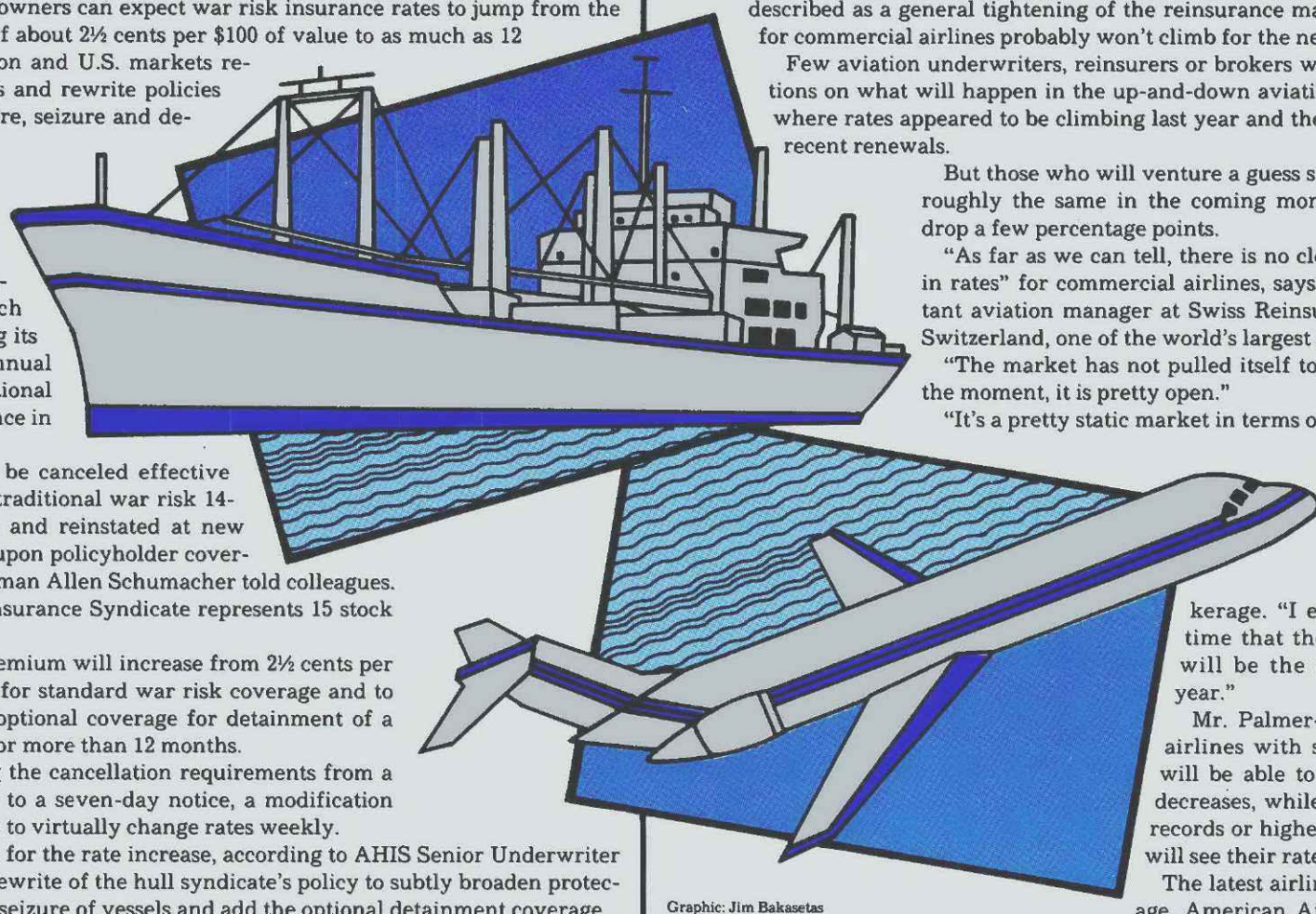
MARINE / AVIATION

War risk rates for ships to rise as coverage becomes broader

By LEN STRAZEWSKI

War is the word that concerns marine insurance underwriters most this year. And when marine underwriters are concerned, they raise rates.

Beginning Oct. 1, shipowners can expect war risk insurance rates to jump from the current minimum rate of about 2½ cents per $100 of value to as much as 12 cents per $100, as London and U.S. markets re-evaluate their exposures and rewrite policies to include risks of capture, seizure and detainment.



The American Hull Insurance Syndicate, the first of the major marine insurers to raise rates, beat London underwriters to the punch last week by announcing its increases during the annual meeting of the International Union of Marine Insurance in Florence, Italy.

Existing policies will be canceled effective Oct. 1, according to the traditional war risk 14-day cancellation clause, and reinstated at new higher rates depending upon policyholder coverage options, AHIS Chairman Allen Schumacher told colleagues.

The American Hull Insurance Syndicate represents 15 stock insurers.

Minimum war risk premium will increase from 2½ cents per $100 to 9 cents per $100 for standard war risk coverage and to 12 cents per $100 with optional coverage for detainment of a vessel in a foreign port for more than 12 months.

AHIS is also changing the cancellation requirements from a minimum 14-day notice to a seven-day notice, a modification that allows underwriters to virtually change rates weekly.

The immediate reason for the rate increase, according to AHIS Senior Underwriter Walter O. Michael, is a rewrite of the hull syndicate's policy to subtly broaden protection against capture and seizure of vessels and add the optional detainment coverage.

More general reasons, industry sources say, are the growing climate of hostility in Middle and Far Eastern ports and a legal decision on the 1981 detention of 72 vessels in the Shatt-al-Arab waterway during the Iran-Iraq War.

In January 1982, a London judge ruled that standard U.S. and London war risk coverage, which generally excluded losses due to capture or seizure of a vessel, should be stretched to include losses caused by 12 months' loss of use to the owner (*BI*, Jan. 18, 1982).

Since that decision, the Joint Hull Committee of the Lloyd's Underwriters Assn. and the Institute of London Underwriters (representing non-Lloyd's marine insurers) have been rewriting their war risk clauses to include the legally mandated detainment coverage.

Continued on next page

KAL crash, reinsurance changes probably won't lift aviation rates

By STACY SHAPIRO
and BILL DENSMORE

Despite this month's tragic loss of a Korean Air Lines 747 jetliner and what may be described as a general tightening of the reinsurance market, insurance rates for commercial airlines probably won't climb for the next several months.

Few aviation underwriters, reinsurers or brokers will make firm predictions on what will happen in the up-and-down aviation insurance market, where rates appeared to be climbing last year and then plummeted during recent renewals.

But those who will venture a guess say that rates will stay roughly the same in the coming months or perhaps even drop a few percentage points.

"As far as we can tell, there is no clear trend up or down in rates" for commercial airlines, says Herman Hefti, assistant aviation manager at Swiss Reinsurance Co. in Zurich, Switzerland, one of the world's largest aviation reinsurers.

"The market has not pulled itself together," he adds. "At the moment, it is pretty open."

"It's a pretty static market in terms of pricing," notes John Palmer-Brown, managing director of Stewart Wrightson (Aviation) Ltd., an important London aviation brokerage. "I expect at the present time that the capacity next year will be the same as it was this year."

Mr. Palmer-Brown explains that airlines with superior loss records will be able to negotiate slight rate decreases, while those with poor loss records or higher-then-ordinary risks will see their rates edge up a bit.

Graphic: Jim Bakasetas

The latest airline to renew its coverage, American Airlines Inc. of Dallas, won roughly a 2% rate reduction from London insurers upon its Sept. 1 renewal (see story, page 19).

Although the loss of the KAL jetliner has grabbed the attention of the world, it will take additional airliner losses this year before the aviation market's loss experience forces a rate increase, Mr. Palmer-Brown says.

In fact, a claim will not be made on KAL's hull insurance policy, written by Oriental Fire & Marine Insurance Co., since the airline bought a separate war risk insurance policy for the hull. KAL bought a war risk endorsement on its liability policy.

Aviation reinsurers in London determined last week that the South Korean jetliner, shot down by a Soviet fighter plane, will be considered a war risk loss (*BI*, Sept. 12).

Continued on page 19

Pilot training cuts corporations' losses

By STEVE TARAVELLA

Corporate skies are safer today than they were a few years ago because the number of companies whose pilots train with simulators on a recurrent basis is on the rise.

More and more corporate aviation departments are using recurrent simulator instruction to improve their safety records, avoid risking damage to their own aircraft and, in some cases, to qualify for insurance credits.

"The trend toward recurrent training is increasing," notes Joseph R. Bailey, president of Aerospace Management Services International, an aviation consultant based in Arlington, Texas.

"Recurrent training on a semiannual basis is almost a must in corporate aviation; it's the best training there is."

Interestingly, companies that support recurrent training do so even though aviation regulations do not require it.

The Federal Aviation Administration, which requires pilots of commercial air carriers to be trained twice a year, only requires those who fly corporate aircraft to complete an annual proficiency review. These pilots are not required to take any subsequent training if they successfully complete this check.

"The virtue is in the training, not the checking," says James E. Swickard, director of marketing services for FlightSafety International, a leader in simulated pilot instruction. "Nobody's beating them over the head, and yet more and more (companies) are doing it."

"Regular training is the greatest single factor in reducing the (corporate) accident rate, " Mr. Swickard says. "This fact has driven more and more companies to do it (recurrent training), even though it's not required."

The accident rate for corporate aircraft has traditionally been about five times higher than that of commercial air carriers, but 1982 statistics show a marked improvement.

In 1982, there were 44 accidents involving corporate aircraft, 13 of which caused 42 fatalities. Corporate pilots flew more than 6 million hours in 1982, resulting in an accident rate of 0.72 per 100,000 hours of flying, according to FAA statistics.

By comparison, commercial air carriers for the same period had an accident rate of 0.23.

Corporate aircraft are involved in accidents more frequently than commercial airliners, but much less frequently than aircraft in the general aviation arena.

Almost 80% of the corporate jet market now receives recurrent simulator training, estimates Robert E. Breiling, vp of SimuFlite Training International Inc., an Irving, Texas, training company that hopes to be a major force in the market by the first quarter of next year.

The refresher training periods usually last from three to five days, Mr. Breiling says, compared with the initial instruction of two to three weeks.

In these few days, pilots are trained to react to such situations as engine cutout, brake and tire failure, control failure, fire, reduced visibility, wind shear, turbulence, icing and wet runways.

The simulation of these conditions allows a pilot to handle dangerous situations that he cannot experience during actual in-flight training "so that if the real emergency occurs, it's not a complete shock to him," Mr. Breiling explains.

"These can test the reactions of the pilot until he's efficient in all emergency procedures. (Producing) some of these things just can't be risked on the real plane," he indicated.

Many corporations opt for simulation to avoid risking a costly or tragic accident involving their own aircraft during a training procedure.

Since, the early 1960s, 40 corporate aircraft have been in training-related accidents that have resulted in 36 fatalities and a whopping $49.3 million in hull losses, Mr. Breiling

Continued on page 27

War risk rates will go up

Continued from previous page

The clauses are expected to be finished in November and will carry with them substantial rate increases.

"It does seem likely that there will be increases," confirms Lloyd's lead marine underwriter Stephen Merrett, chairman of Merrett Syndicates P.L.C. and a member of the Lloyd's Underwriters Assn. "In some cases, the increases will reach those levels (imposed by the American Hull Insurance Syndicate)."

However, Mr. Merrett believes the increases are necessary in light of the additional coverage included in the new clauses and the beating London underwriters took in the early days of the Iran-Iraq War.

Losses resulting from the 72 trapped ships in the Shatt-al-Arab have been estimated as high as $200 million.

"In the past, a substantial portion of the total premium has gone to provide war risk coverage, much of which excluded the risks of capture, seizure and detainment. Later, the courts decided those risks should be included," Mr. Merrett explains.

"By giving broader coverage and charging higher rates, costs will fall more naturally to everyone, not just those who elected the additional coverage. For those who have been purchasing coverage for capture and seizure, total premium should not increase substantially."

Mr. Merrett also expects that the consolidation of coverage may lead insurers to put risk surcharges on fewer countries, possibly lowering total premiums for shipowners that rarely sail into high-risk areas.

Henry Chester, another Lloyd's lead marine underwriter, agrees. "War risk rates have been extremely depressed for a number of years and we need the rate increase to manage claims."

Like the American Hull Insurance Syndicate changes, the rewritten London war risk clauses will also provide coverage for seized vessels detained more than 12 months, according to Mr. Chester, who heads A.H.G. Chester Ltd.

"In previous war situations, these kind of claims were paid under standard war risk coverage when underwriters were sure the vessels were irrevocably trapped," Mr. Chester says. "In the rewrite, major attention has been paid to spell out the risk and what will be covered at 12 months' detention."

The Joint Hull Committee is also rewriting standard hull and strike insurance clauses, but the new text is not likely to have an effect on rates (see story, page 6).

In fact, the most powerful force affecting other categories of marine insurance is not wars or words, but pure economics. A depressed worldwide economy has severely reduced international trade, shrinking cargo volume and reducing the need for oceangoing cargo carriers.

The U.S. merchant marine, which once numbered nearly 1,000 ships, has shrunk to less than 200, and all over the world freighters are spending more time in port than en route. Since the mid-1970s, millions of tons, as the shipping industry measures its vehicles, have remained laid up in port, waiting for better days and jobs to do.

Bargain hull rates

Hull insurance was the first marine coverage to be affected. Faced with a cash crunch, shipowners looked to their insurers for new hull insurance terms, hoping to lower premiums through greater self-insured retentions and, in some cases, reduced coverage, Mr. Chester explains.

"The shipping industry has been in a desperately difficult financial situation and underwriters have seen it and tried to help. From 1973 through the 1980s, we have been underwriting hull insurance at significantly lower rates than desirable," he says.

Of course, it wasn't all altruism. Fewer ships plying the sea lanes also translated into a smaller premium base for which insurers could compete.

They lowered rates dramatically to hold onto risks. "By 1979, hull rates were producing only about 80% of the premium we needed to show an underwriting profit," said Mr. Chester. "What we are trying to communicate now is that the poor box is empty and we have to start again.

"Hull insurance rates are rising slowly and they have been for a couple years. However, the pace is tortoise-like, almost imperceptible. But they are going up—because they must," he added.

Lloyd's marine underwriters would like much more than incremental increases. They would like to hike rates 20% to 25%, according to Mr. Merrett.

"On the few occasions that we have been able to improve rates, the increases generally have not exceeded inflation. We are still at the low point we hit in the 1970s."

Does this mean shipowners should expect a 25% rate increase on 1984 renewals?

Not at all, note aggressive U.S. brokers and underwriters.

Large fleets with a good five-year loss history need not fear an increase and may even win a rate decrease, depending upon the underwriter. Small fleets and single ships can probably hold their rate hikes to less than 10%.

"A large fleet with a good history can get anything it wants," remarks John Buzbee, managing director of broker Marsh & McLennan Inc. in New York. "The marketplace still has plenty of capacity."

Thomas Degnan, senior vp-marine at Alexander & Alexander of New York Inc., agrees. "The U.S. market is still selectively competitive and if an American underwriter isn't on a good risk yet, it is working hard to get it."

However, small fleets or single ships should expect some rate increases. "Rates for them are definitely going up on renewals, and we have seen them as high as 40%, though that's usually from London underwriters," he says.

Like their London counterparts, U.S. marine underwriters are also complaining about shrinking profits and falling premiums. They would like to get rate increases of about 15% to 25% but are willing to settle for less—under 10%—and suffer a little longer.

Continental Insurance Co.'s Marine Office of America Corp., the largest of U.S. marine insurers, wrote $384 million in premium in 1982, up 7.5% over 1981, but only a fraction was generated by hull insurance coverage.

"The hull market is the same as it has been for some time: Too competitive and too much capacity," remarks MOAC President Jack Moran. "We are seeing only a slight firming, and that's in blue water hull (large vessels)."

MOAC increased its participation in the American Hull Insurance Syndicate in 1982, becoming the largest participant among 15 U.S. marine insurers.

Although AHIS reported little or no growth in 1982, ending the year with a gross premium volume of about $52 million, MOAC increased its share of underwritings by 6.4% and turned a profit, according to Mr. Moran.

Continued on page 6

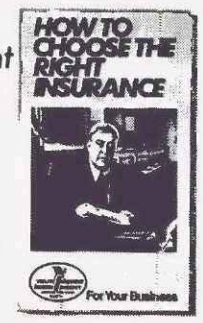




THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.

It's too late after your business has been struck by disaster.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several companies—not just one. So you get expert, professional advice on how to select the best business insurance coverage at the best price.



And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent nearest you listed in the Yellow Pages under the Big "I" symbol.

YOUR Independent Insurance AGENT SERVES YOU FIRST®

THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.



AT FRANK B. HALL, INSURANCE IS NOT JUST ANOTHER DULL SUBJECT.

In fact, there's never a dull moment at Frank B. Hall, the world's most inventive insurance services firm. We're busy setting the pace, developing new generation protection for the human and financial assets of the corporate community. Insurance can be exciting. If your insurance services firm is progressive. So make Frank B. Hall your Protection Connection™ to the new world of risk management. And share in the excitement.

FRANK B. HALL & CO.

The Protection Connection™

The Protection Connection is a trademark and services mark of Hallways Advertising, Inc. Copyright © Hallways Advertising, Inc., 1983. All rights reserved.

"Treitheach"

(Capabilities)

Insurance Corporation of Ireland. A prominent international insurance group and the largest all-lines insurer in the Republic of Ireland.



Here in the United States, we are extremely capable and experienced in underwriting excess and commercial lines for a variety of industries.

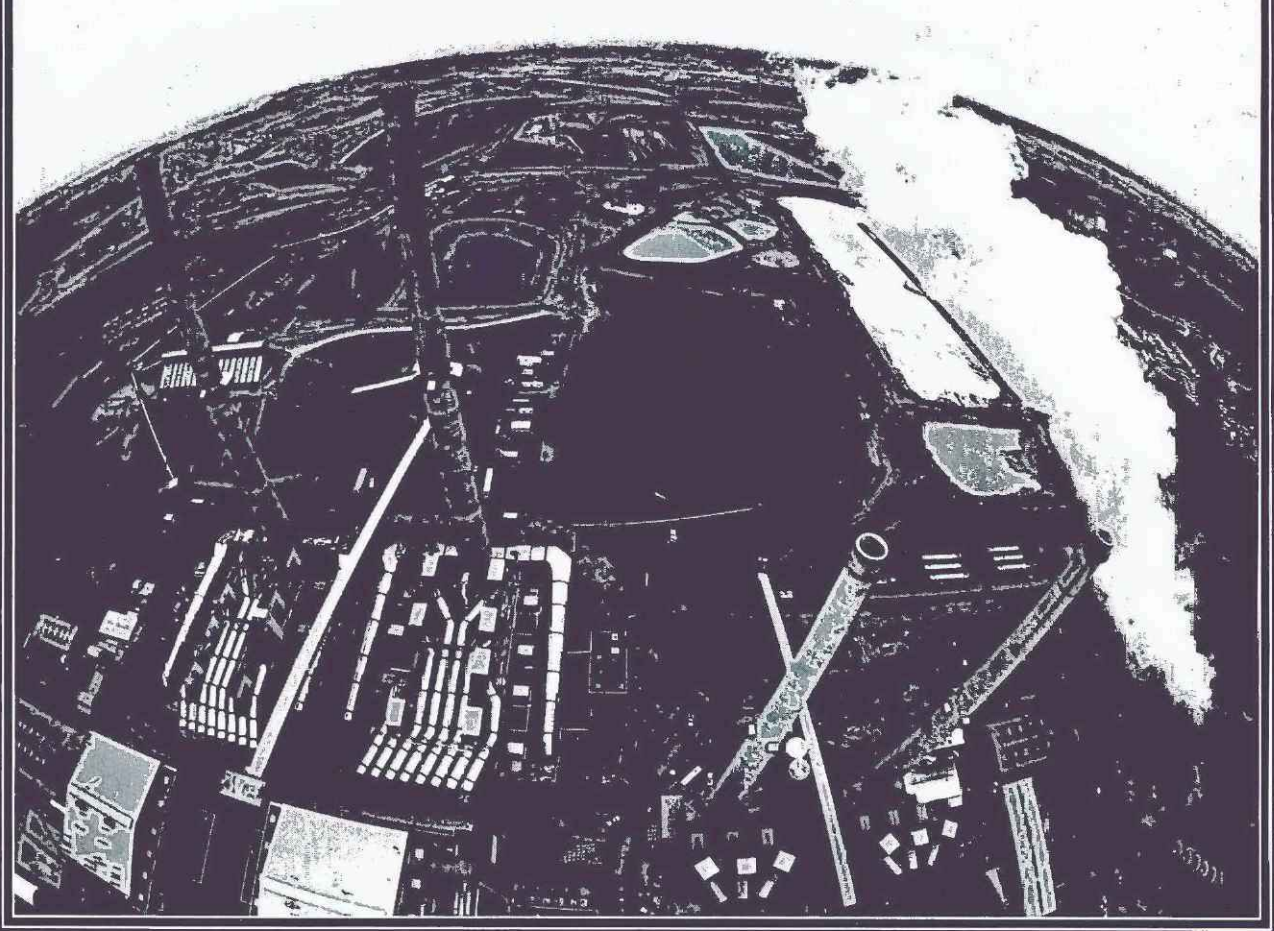
We can provide immediate service to qualified brokers on risks and costs for surplus and excess lines as well as reinsurance questions. Primary commercial property, property and liability (not automobile nor statutory W.C.) packages, and even "unusual" coverages are areas where our experience can help.

Treitheach. In Gaelic, it means "capabilities." But you don't have to be Irish. Call us.

INSURANCE CORPORATION of IRELAND

200 South Wacker Drive (312) 559-0509 Chicago, Illinois 60606 Telex 210784 via RCA

This is one of the largest coal fired power plants in the United States.



Photograph © 1983 Will Purrington

And the ongoing risk management consultation is provided by Rollins Burdick Hunter.

COLSTRIP, MONTANA—You can see the towers from 20 miles away. Four coal fired, steam generating super columns, providing electricity for the entire Pacific Northwest.

Surrounding the towers is a $2.2 billion power complex including miles of surface coal mines and the town of Colstrip. A community of over 2,000 people, Colstrip was built by a consortium of northwest power companies as a support system for this vast facility.

A project of this magnitude needs professional, creative risk management advice. That's where Rollins Burdick Hunter comes in.

The Montana, Chicago, and Portland offices of Rollins Burdick Hunter worked together to evaluate the existing protection plan for Colstrip and offer new ideas for the design and placement of its insurance. The program had to cover everything from the town to the plant itself. A lot to think about.

Let us tailor a risk management program for your company's needs. One that uses only the most logical and cost effective approaches.

Just like we did on this little job in Montana.

ROLLINS BURDICK HUNTER

Taking Risk Out of Risk Management, Worldwide.

Headquarters: 10 South Riverside Plaza Chicago 60606 312-454-1400

datebook

OCT. 13. Claims Handling for Inland Marine Risks seminar in Atlanta, sponsored by Inland Marine Underwriters Assn.; $24. Dora Rothman, Inland Marine Underwriters Assn., 14 Wall St., New York, N.Y. 10005; 212-233-7958.

OCT. 19. 27th Annual Risk Management conference in Los Angeles, sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society; $50 for members; $60 for non-members. Walter Robinson, Norris Industries Inc., 1 Golden Shore, Long Beach, Calif. 90802; 213-435-6376.

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

OCT. 20. Risk & Insurance Management Society Midwest Regional workshop in Northbrook, Ill.; $70; $60 for subsequent registrants. Thomas Durkin, RIMS, 300 Wilmot Road, Deerfield, Ill. 60015; 312-940-8651.

OCT. 20-22. Profit Sharing Council of America annual conference in San Diego; $450 for members; $475 for non members. Walter Holander Merl Douglas, Profit Sharing Council of America, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

OCT. 21-22. Occupational Disease Litigation seminar in New Orleans, sponsored by Practising Law Institute; $375. Also **Nov. 4-5** in New York; **Dec. 2-3** in San Francisco. Practising Law Institute, Department HNC, 810 Seventh Ave., New York, N.Y. 10019.

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

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

OCT. 23-28. Employee Benefits institute in Waltham, Mass., sponsored by Brandeis University's Heller Graduate School; $1,350. Nancy Leathers, Center for Human Resources, Heller Graduate School, Brandeis University, Waltham, Mass. 02254; 800-434-4705 or 617-647-2116.

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

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

OCT. 24-28. Loss Control Management seminar in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, P.O. Box 345, Loganville, Ga. 30249.

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

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

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

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

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

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

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

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

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

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

•

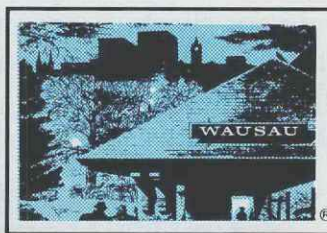
The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

WAUSAU GOES TO SEA WITH AMERICAN MARINE

You know Wausau for its expertise in many lines of commercial insurance. A reminder: this expertise also includes the underwriting management skills of American Marine Underwriters. With the backing and resources of Wausau Insurance, American Marine offers exceptional capacity plus long-range stability.

"American risks deserve an American cover" — for hull and liability insurance, for cargo in transit by water or air — virtually anywhere in the world. And we back it up with worldwide claims service.

You know American Marine. You know Wausau. We're strength added to strength. And that's an advantage for *you.*



AMERICAN MARINE UNDERWRITERS

A Member of Wausau Insurance Companies®

5084 Biscayne Boulevard, Miami, Florida 33137

New hull clauses may be more readable

By STACY SHAPIRO

LONDON—The London marine insurance market's new hull insurance clauses, due out in November, may not directly affect rates, but they certainly will affect forms.

They may make them readable.

The new clauses, on the drawing board for more than two years, will replace a time-honored form that has been in use by Lloyd's of London and other London underwriters for more than 200 years.

The old form, a single policy that listed all marine perils and offered no coverage options, has long been attacked as archaic and often incoherent.

London underwriters hope the new clauses, which can be added, subtracted or combined under a brief standard policy statement to tailor-make coverage, will keep the best of the old form while improving coherence.

"The new clauses will be streamlined and easier to read," explains Richard Outhwaite, chairman of the Joint Hull Committee of the Lloyd's Underwriters Assn. and the Institute of London Underwriters, which represents non-Lloyd's marine underwriters. "But a great deal of the new clauses follow the wordings of the old."

The Institute of London Underwriters working with Lloyd's marine underwriters decided to revamp the hull clauses after a discussion with the United Nations Conference on Trade and Development in Geneva, Switzerland, according to Mr. Outhwaite.

"UNCTAD wanted the marine clauses revised because there was a complaint from Third World countries that the old form was far too complex," he says. "UNCTAD wanted to write their own clauses, but we underwriters certainly did not want that."

Although the hull clauses have not yet been approved or released to the public, drafts of the clauses have been circulating in the London and U.S. marketplaces for about eight months. Brokers and insurers who have seen the clauses report that they are somewhat of a letdown, providing little change in coverage with a minimum change in wording.

Hull rates coming back up

Continued from page 4

"Hull insurance started its downturn 10 years ago and now its finally turning back up again," explains John Hickey, deputy manager and chief underwriting officer for AHIS. "Rates are coming closer to reflecting claims and that's how we made a profit last year."

AHIS's average hull insurance increase is 7% to 8%, Mr. Hickey says, though the underwriter would prefer rate hikes of at least 15%.

"We might get it, too. London and French markets are still competing, but several other international markets are out of the running. Japan has pulled out and so have Norway and Italy."

Terry Deeks, president of New York Marine Managers, also notes a change in the competition as fleet owners begin to pursue better security from their insurers.

New York Marine, which represents eight U.S. marine insurers, is asking—and getting—10% to 15% rate increases for blue-water hull insurance coverage, he says.

"But what is needed is closer to 25%," counters competitor John Blackman, president of the Mutual Marine Office, another marine underwriting manager. It underwrote $110 million in gross premium last year, about 20% of which was hull insurance.

Cargo rates decline

As hull insurance underwriters argue over increases, cargo underwriters are arguing over continuing decreases.

Cargo coverage, traditionally more profitable than hull insurance, is also a product of depressed shipping economics. As the volume of international cargo dropped during the worldwide recession of the late 1970s and early 1980s, insurers began to drop their rates and compete for the remaining volume.

And as hull insurance became less profitable, marine insurers ordered their underwriters to buoy profits with more cargo premium.

"Cargo rates that were 35 cents or 40 cents per $100 of value are now 17 cents or 15 cents and dropping to 12 cents per $100 of value," remarks Robert Simpson, senior vp of Montreal-based insurance broker Girard-Parizeau Ltd., the second-largest brokerage in Canada and a cargo insurance broker for U.S., Canadian and European shippers.

"It's a question of economics," he says. "There's only so big a pie and everyone wants a piece. And the dollar values are huge.

"A few years ago, a $1 million cargo was big. Now $5 million is nothing and $15 million is hardly unusual. Everyone wants to have the premium of a $15 million cargo risk on their books," he says.

Although MOAC is the largest single marine cargo insurer, the cargo market is generally dominated by stock insurers.

Following MOAC, the leaders include Insurance Co. of North America, American International Group Inc., Fireman's Fund Insurance Cos. and St. Paul Fire & Marine Insurance Co.

"The good thing about cargo insurance is that it takes care of itself," remarks Victor P. Simone, senior underwriting officer at St. Paul.

"Rates may go down, but values increase, so the business is generally profitable for all of us."

Still, competition rules and even St. Paul's cargo underwriting slipped a bit from 1981 to 1982, he says, while premium volume in other marine insurance categories grew. St. Paul wrote a total of $52 million in marine insurance in 1982, up about 7% from 1981.

Offshore oil rigs

Another problem common to marine insurers is that they have lost the giant premium volume generated by offshore oil rigs, a business that has shrunk dramatically.

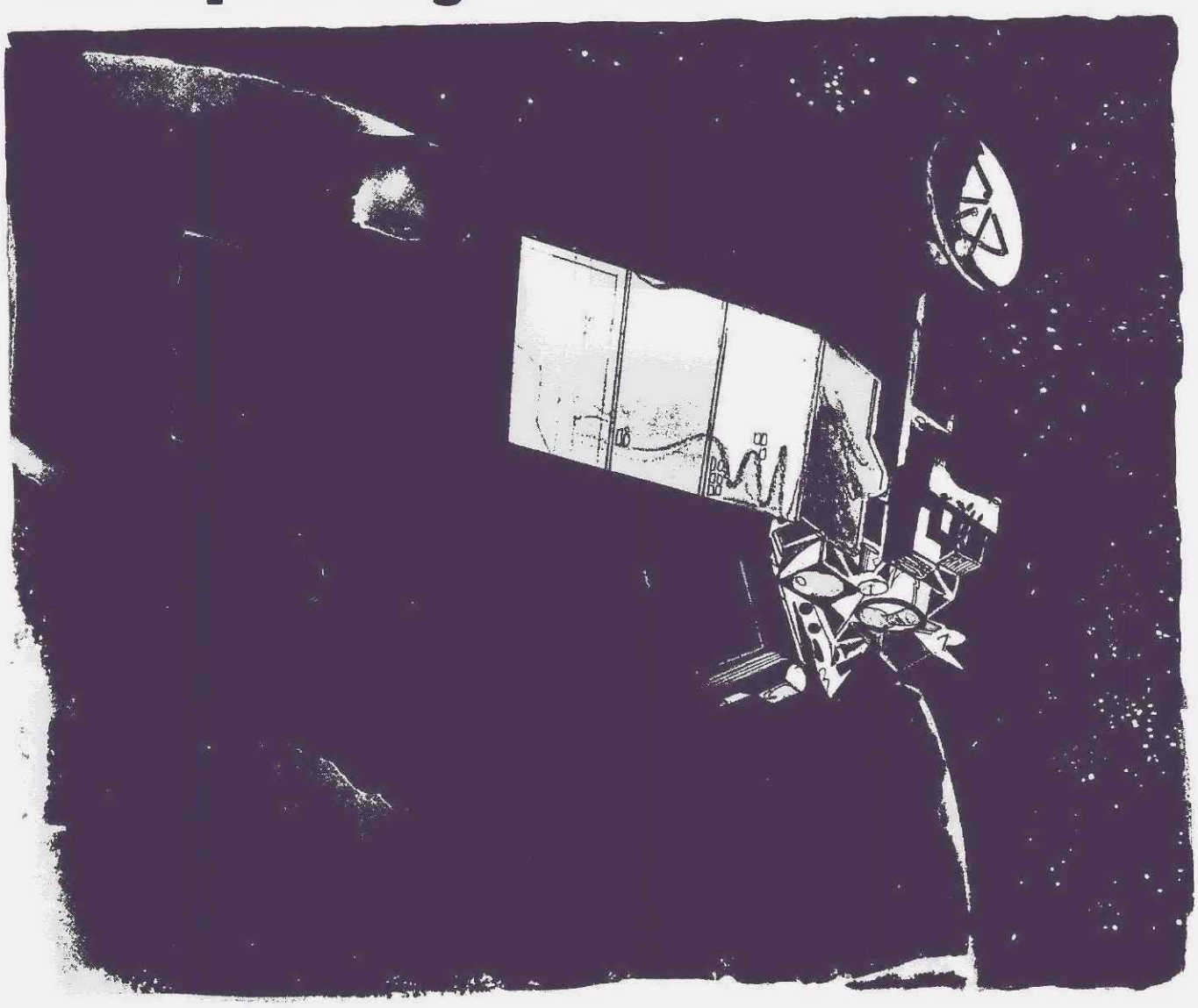
Only one year ago, marine brokers and insurers faced their biggest underwriting challenge, providing adequate coverage for Mobil Oil Corp.'s giant Stratfjord C platform oil rig.

Insured for an estimated $2 billion, the North Sea platform was a testimony to the continued growth of marine insurance and reinsurance capacity and the financial strength of the oil industry (*BI*, Sept. 13, 1982).

Today, lower gasoline prices, economic doldrums and government regulation have combined to

Continued on page 10

The sky's no longer the limit.



Unconventional coverage for the conventional. And beyond. In an age when satellites have become an integral part of our lives, man's potential in the air has surpassed the sky. And whether for communication, business or science, Aviation Office of America has taken a leading role in insuring these everyday miracles. In fact, it's covering the unexpected as well as we cover the expected that separates A O A Insuring corporate, private and commercial aircraft, balloons, aerial applicators, airports, flight schools, helicopters and more. So chances are, your clients' needs can be covered by one of A O A's many policies. Covered expertly, quickly and competitively.

Because our underwriting specialists know your business and your clients' needs, we tailor policies individually at competitive rates for virtually any flying machine. And with six offices nationwide, you can rely on the personal attention of A O A anywhere for speedy policy assistance, same day quotes and prompt claims service.

The fact is, A O A's capability isn't what it used to be. Because today, the sky's no longer the limit.

Home Office: Love Field Terminal Building, Dallas, (214) 353-1400. Branch Offices: Atlanta, (404) 252-1905; Kansas City, (816) 221-1955; Los Angeles, (213) 246-8410; Morris Plains (NJ), (201) 538-9668; San Francisco, (415) 391-9050.

AOA
Aviation Office of America
Incorporated

Protection above and beyond.



"The boss wants an up-to-date list of Peoria back-injury claims by 5? Hank, you need a miracle!"

What Hank needs is OSCAR℠, the revolutionary up-to-the-day, on-line claim reporting system from Hartford Specialty. OSCAR lets you instantly determine the current status of individual claims, or get an up-to-date summary of outstanding claims. You can even break out claims on the spot using criteria you select on the spot. And you can do all that from any location with an electrical outlet and telephone.

Find out how OSCAR can help you control claims, losses, and insurance costs. For a booklet and more information, write Hartford Specialty Company, Hartford Plaza, Hartford, Conn. 06115.

Don't make a decision on any specialty business without a quote from Hartford Specialty.



HARTFORD SPECIALTY

Performance is our specialty.

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.

opinions

If you don't want that sinking feeling, prepare now

FOR SEVERAL YEARS, we have reported that the competitive insurance market is outliving almost all predictions and, in fact, that commercial insurance rates may never rebound to the levels of the 1970s.

Although no one now can say for sure if the market will turn in 1984, wise insurance buyers realize that rates will not stay this low forever and that some increases may hit risk managers' desks in the next year.

For instance, rates for certain types of marine coverages are definitely on the rise, as Senior Editor Len Strazewski notes on page 3 of this week's issue. War risk rates have climbed sharply in recent weeks. And, despite the worldwide shipping slump, marine insurers are predicting that hull rates are also on the rise.

Of course, many risk managers need not buy coverage to protect oceangoing vessels or to guard against hostile acts by foreign powers, but there are signs that almost all types of commercial coverages could become more expensive soon.

World reinsurance leaders meeting in Monte Carlo vow to tighten terms and raise rates during year-end reinsurance renewals (see story, page 1). Although this does not mean that primary insurance will necessarily become more expensive in the next few months, higher reinsurance rates could eventually force financially strapped primary insurers to increase their premiums.

The upshot for risk managers, whose responsibilities include planning for future losses, is that you should now start thinking about how higher rates will affect your companies.

Even if your company doesn't own a ship, it could be time to clear the decks and batten down the hatches in case rough seas come your way.

And now for the continuing saga of. . . .

THE CHARACTERS and plots may sound the same, but don't turn off the show on Capitol Hill this fall because it sounds like a rerun. It could be action-packed, and it certainly has a good degree of suspense.

Will Sen. Slade Gorton, R-Wash., turn his back on Sen. Robert Kasten, R-Wis., and his federal product liability legislation in favor of his own bill and thereby hurt the chances of Sen. Kasten's much-revised proposal making it through the Senate this session?

Will Sen. Edward Kennedy, D-Mass., who wants to pass legislation to speed up full pension plan vesting to five years, find hope in Sen. Robert Dole's bill, S. 19, that would lower the minimum age at which employees must be allowed to participate in pension plans to 21 from 25 and simply hook his bill to Sen Dole's?

And when Sen. Robert Packwood, R-Ore., sees this, will he also try to attach his unisex rating bill?

Will some congressional staffers' idea to put tax restrictions on just about all benefits find the support it needs to become a bill, even in a pre-election year?

For the answer to these and other questions, we suggest risk and benefit managers stay tuned to Capitol Hill this fall. And, keep those cards and letters coming to your legislators if you don't like what you see.

letters

Getting GEICO Corp. correct—to the letter

To the editor: Judy Goldsmith in her Perspective article (*BI*, July 4) made statements about GEICO Corp. that would tend to give readers an incorrect impression of the company's integrity and business practices if not put in proper context.

It is true that GEICO mailed a letter to certain policyholders in which we stated women pay less for life insurance than men. Women do pay less for life insurance because women as a group live longer than men. We consider it our responsibility to inform our policyholders of the harmful effects of the legislation supported by the National Organization for Women.

It is true that shortly after the letter to policyholders was sent, a price list for term life insurance coverage was sent to sales prospects. It is even true that through age 36, the price list showed higher premiums for women than for men for equal coverage.

The important point that Ms. Goldsmith failed to make is that the premiums quoted on the price list in question include the cost of a disability waiver of premium benefit. Just as women pay less for life insurance based on mortality statistics, women pay more for disability insurance based on statistics that reveal that women experience a higher incidence of disability than do men. Logically, it follows that women would pay more than men for a disability waiver of premium benefit.

A bold red ink stamp advertised that the premiums quoted in the price list included a waiver of premium benefit. I don't know how Ms. Goldsmith failed to notice the inclusion of the extra benefit, but it seems she did.

Our term life insurance product is priced on the basis of a five-year "age setback," which causes a woman to be charged the same as a man five years younger for equal coverage. It is the inclusion of a disability waiver of premium benefit that causes the quoted rates for women in certain age brackets to be higher than the rates for men.

Herbert L. De Prenger
President
GEICO Annuity & Insurance Co.
Washington

Fine-tuning from Guaranty National

To the editor: While we appreciate being ranked among the top five excess and surplus insurance companies (*BI*, Aug. 22), we do feel your profile needs some further clarification.

Most importantly, Guaranty National remains and will remain in the excess/surplus business. Several adjustments which have been made on a temporary basis took on the emphasis of absolutes in the profile. We have increased rates substantially in the long-haul trucking and commercial auto business, but we have not quit writing this type of business. Also, we have abandoned neither product nor professional liability. Despite the competitive situation, Guaranty National and Landmark American continue to write more than 150 different specialty coverages, protecting a full range of casualty and property risks.

Several other points which need to be clarified are:

- Guaranty National Insurance Cos.' subsidiary is Landmark American Insurance Co.
- Our in-house umbrella liability limit is $5 million rather than the $3 million stated. With facultative reinsurance, the limit increases to $25 million.
- Private passenger auto insurance was introduced in 1955, and property coverage was initiated in 1980. Both areas were started before 1982 as was mentioned in the profile.
- Our general agency was renamed American Eagle General Agency in March 1983.
- Private passenger auto insurance is sold through retail agents, and we have never instructed our general agents to promote private passenger.

Larry G. Dick
Vp-Finance and Treasurer
Guaranty National Cos.
Englewood, Colo.

Wholesaler's note

To the editor: We wish to correct the information shown in your directory of wholesale marketers (*BI*, Aug. 22) with respect to Underwriters Marine Services Inc. in New Orleans.

Our parent company is Group B.U.O. in Brussels, Belgium. Our principal officers are Jacques Lamote, chairman; Gregory L. Sterck, president; and Barbara A. Meche, vp. And, our Los Angeles office is an affiliated company, not a branch office.

Gregory L. Sterck
President
Underwriters Marine Services Inc
New Orleans

Jewelers block can be profitable

To the editor: We read with great interest the articles on the jewelers block insurance market (*BI*, Aug. 1).

As a company specializing in writing this type of policy, we believe that a profit can be made if strict underwriting criteria are established, and most importantly, if the jeweler has a desire to practice loss-prevention. With a careful selection of risks and with the proper engineering of that risk, jewelers block insurance can be profitable.

We do feel, however, the rates must increase if profit is to be made consistently.

Ronald R. Harder
President
Jewelers Mutual Insurance Co.
Neenah, Wis.

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A.R.M. *(Chicago)*
Managing Editor: Lorrie Gawla *(Chicago)*
Assistant Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Len Strazewski *(Chicago)*
CHICAGO: Carol Cain *(Associate Editor)*, Stephen Tarnoff *(Associate Editor)*, Sallie J. Drury *(Staff Reporter)*, Pamela DeFiglio *(Agent/Broker Topics Associate Editor)*, Claudette Dampier *(Assistant Copy Editor)*, Merrill S. Saltzman *(Graphics Editor)*, Amy Palmer *(Graphic Artist)*, Jim Bakasetas *(Graphic Artist)*, Dorothy Parr Riesen *(Proofreader)*, Diane Kastiel *(Editorial Assistant)*
LONDON: Stacy Shapiro *(Associate Editor)*
LOS ANGELES: Rhonda L. Rundle *(Bureau Chief)*, Steve Taravella *(Staff Reporter)*
NEW YORK: Bill Densmore *(Bureau Chief)*, Douglas McLeod *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Todd E. Fandell *(Corporate Editor)*, Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*, Beverly J. Kluxdal *(District Manager)*, Fran Prybylo *(Production Manager)*
LOS ANGELES: Sue Eisenberg *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*, Jack Forrest *(District Manager)*, Marianne J. Dueweke *(Financial Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398; London: 01-831-9681; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-638-5300
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice-chairman
S.R. BERNSTEIN
Chairman/executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
JAMES M. FRANKLIN
Vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.25 a copy. $45 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $41 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $90 per year expedited delivery. WILLIAM STRONG, *vp-circulation*. DOUGLAS A. RIEMER, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. 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. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA Member of Business Publications Audit of Circulation ABP

We're Better Than Best's

REPORTED U.S. CLAIM COSTS AVERAGE INCREASES.*

11.0% INDUSTRY vs 1.2% HCM



The figures above speak for themselves. HCM controls claims costs. We've done it for our clients, and we can do it for you. Because we have a specialized approach to claim management.

You see, HCM is not just a claim adjustment company. Our job is claim *management*. We take on the entire supervision of your claims, from investigation and evaluation, to negotiation and settlement. Every step of the way looking to keep your costs down and to save you money.

HCM even performs an auditing function that can help you determine if your claims dollars are currently being spent wisely. We'll come in and evaluate your existing program, be it an inside operation or an outside service, and let you know how it can be improved. If need be, we'll even tailor a new program to fit your specific needs.

So whether you're a self-insurer or a broker working with a client, and you're interested in keeping claims costs under control, call HCM at 212-980-2727 or mail us the coupon below. And we'll show you what it may take to be better than Best's.

*5 year actual average of U.S. Claims Costs Indexes (1978-1982) on Auto Bodily Injury, as reported by *Best's Review*, June, 1983, versus HCM's claim cost index over the same time period.

☐ Please send me your brochure.
☐ Please have your representative call me at_____
Name_____
Title_____
Company_____
Address_____
City_____ State_____ Zip_____
Mail to: Thomas J. Santorelli, Vice President
HCM Claim Management
660 Madison Avenue, N.Y., N.Y. 10021

HCM™
Claim Management Corporation

BI-1

Marine market

Continued from page 6
severely reduce the demand for this carefully sought and crafted capacity.

Many of the oil rigs built to drill in the Gulf of Mexico continue to be laid up in Texas ports and are insured for only a fraction of their operational value. And in the North Sea, where Stratfjord C goes about its business, the oil industry continues to drill and pump out oil, but has stopped building new rigs.

MOAC, which manages All American Marine Slip, one of the biggest offshore marine insurance markets in the United States, reports that AAMS premium volume slipped about 8% in 1982 as a result of depressed oil industry economics. Other insurers' premiums from oil rigs slipped at least that much, too, MOAC says.

"The capacity is still there, of course," notes Mr. Buzbee of Marsh & McLennan, "but there is no immediate need. If some new projects go through, we may eventually need more than $2 billion in capacity for the North Sea, but for now what we have seems to be enough."

David Arel, vp-marine insurance for Alexander & Alexander of New York Inc., agrees. "We can still do $1.5 billion to $1.75 billion without a lot of trouble and we are seeing some minor increases in activity, but there is nowhere near the demand that there was some years ago.

"The North Sea is still pumping and there is still some exploration activity among Third World countries, but no one seems to be constructing the big risks anymore," he says.

Capacity is not likely to shrink, brokers and underwriters say, until several offshore losses occur. Then the big question will be how fast can the oil companies expect payment.

"We think the first major loss can be paid off rather quickly," remarks A&A's Mr. Arel. "The second loss could take somewhat longer, perhaps eight weeks to 12 weeks after all documentation is in. A third loss? Well, payment may relate to how quickly people want to get out of the market."

Little P&I competition

Only one type of marine insurance coverage is not competitive at all. Protection and indemnity, the catch-all marine liability and physical damage coverage, continues to be shunned by many U.S. underwriters, including such giants as MOAC and Mutual Marine.

The reasons are simple: steady losses and competitive alternative markets.

In addition to such traditional liabilities as physical damage to other vessels and personal injury, P&I policies have also been stretched to cover new liabilties established by new U.S. and foreign governmental regulations, including workers compensation for injured crew members and environmental impairment liability.

For U.S. ships, P&I coverage is generally expensive since the policy guarantees generous benefits owed to injured crew members under the Jones Act. The coverage can cost from $1 per vessel ton for an oceangoing fleet to up to $20 per ton for a tugboat operating in coastal waters.

However, blue-water P&I coverage for oceangoing vessels is generally not available from traditional U.S. insurers, brokers say, though both CIGNA Corp. and St. Paul Fire & Marine continue to offer P&I for coastal ships.

MOAC previously offered P&I coverage for oceangoing vessels, but no longer actively pursues the coverage.

"We were in blue-water P&I for a while, but we have withdrawn from the competition, " explains Mr. Moran. "It's a very volatile class of business in which there are always losses. There's just no way to make a profit."

MOAC's P&I premium volume actually increased 2.8% due to higher rates in 1982, according to the company's annual report, but "underwriting results were unsatisfactory, despite a reduction in the combined loss and expense ratio," the report says.

Mr. Blackman, president of Mutual Marine Office, agrees. "The business hasn't changed in at least 15 years and maybe not in 100 years. We are simply unable to make a profit in P&I."

Who underwrites the coverge? For more than 100 years, the answer has been the same. P&I clubs, mutual underwriting associations established by shipowners when Lloyd's of London underwriters clamped down on rates and coverage more than a century ago, dominate the marketplace both in the United States and abroad.

Although the rates charged by P&I clubs vary widely depending upon a vessel's point of origin, they have changed very little in the past five years or more, marine insurance brokers say. The key to understanding P&I clubs is not their rates, however, but the supplemental charges club members pay when losses exceed expectations.

"Many of the clubs will have to announce supplemental calls for the 1981-1982 underwriting year, if they haven't already," notes marine broker John D. Lucey, executive vp of Frank B. Hall & Co of New York Inc. "But the calls may not be as bad as in previous years. One British P&I club announced a call of 18% of premium, but that was reduced from an anticipated call of 20%."

Ordinary claims are not the biggest problem on the minds of P&I club underwriters, Mr. Lucey says. Catastrophe claims, especially those linked to accidental pollution, are the major concern.

As the marine reinsurance market begins to tighten, P&I clubs may find catastrophe reinsurance more difficult to purchase, forcing a general increase in rates and a larger overall retention by the clubs.

How big a rate increase will be necessary is still unknown, depending upon the state of the reinsurance market.

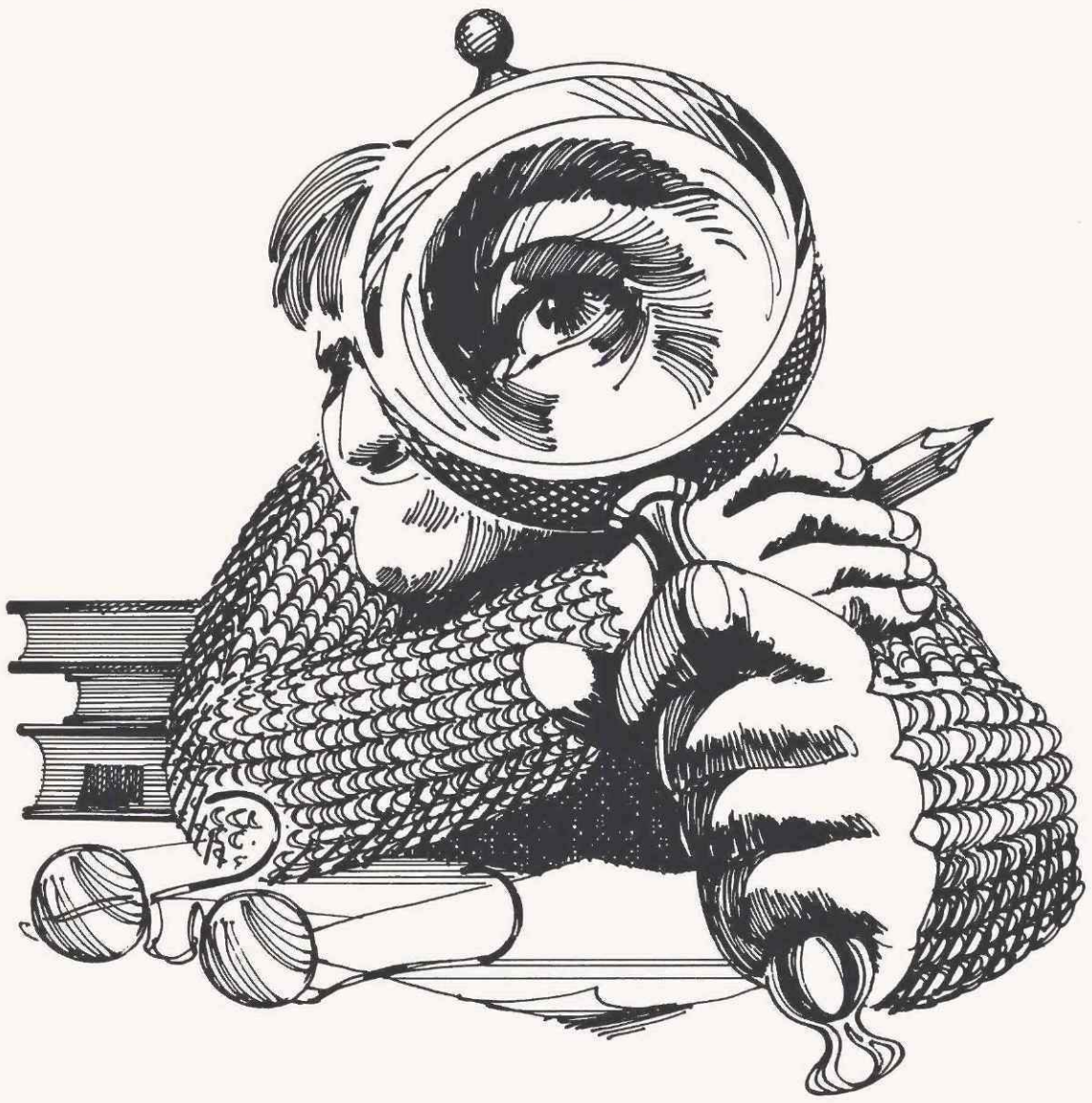
Competing with British P&I giants like the West of England Protection & Indemnity Assn., London Steamship Owners Underwriting Assn. and the Steamship Mutual Underwriting Assn. is one U.S. P&I club, American Steamship Owners Mutual Protection & Indemnity Assn.

The American club boosted its capacity to $300 million and its members to about 32 major U.S. steamship lines last year, according to Thomas McGowan, president of Shipowners Claims Bureau, which manages the club.

"Our competition is mostly the British P&I clubs and a few other organizations in Sweden and Norway," Mr. Gowan says. "P&I has always been unprofitable for stock insurers and I can't foresee a change."

The American club's terms remain basically unchanged fom 1982, according to Mr. McGowan. Rates range from $1 per ton to $5 per ton depending upon a fleet's five year loss experience and deductibles range from about $10,000 to $500,000. ■

We run a tight slip



The days when an informal discussion and a gentleman's handshake were sufficient to place a reinsurance contract are long gone. In today's complex reinsurance marketplace, knowledgeable contract wording and continuing market surveillance have become paramount in importance and the measure of an effective broker.

At Intere we take this responsibility very seriously. We give the highest priority to presenting a complete proposal to reinsurers, documented by precise wordings which have been meticulously reviewed to meet our clients' needs.

We also maintain a market list which is reviewed frequently by our Security Committee. This list, which includes both domestic and overseas reinsurers, is based not only on the companies' financial statements, but includes their reputation and performance in the marketplace in matters of service, claims handling and payment record. While actual selection of markets is made by our branch offices, as necessitated by their clients' needs, only those which are carefully evaluated at the Corporate level are acceptable.

Intere Intermediaries, Inc.
130 John Street, New York, N.Y.

New York • Atlanta
Chicago • Dallas
San Francisco • Taipei
Bermuda • Copenhagen

Intere

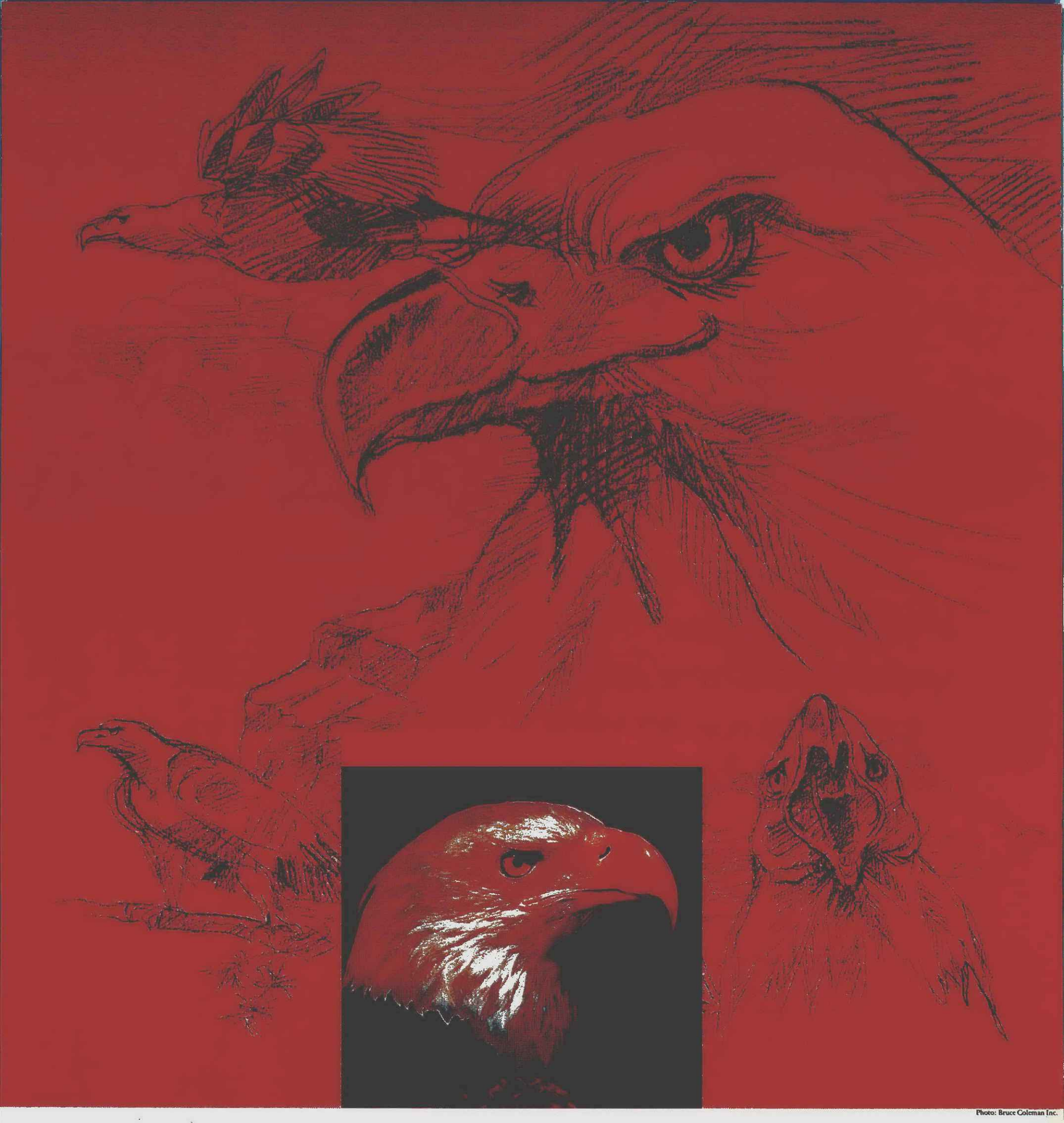


Photo: Bruce Coleman Inc.

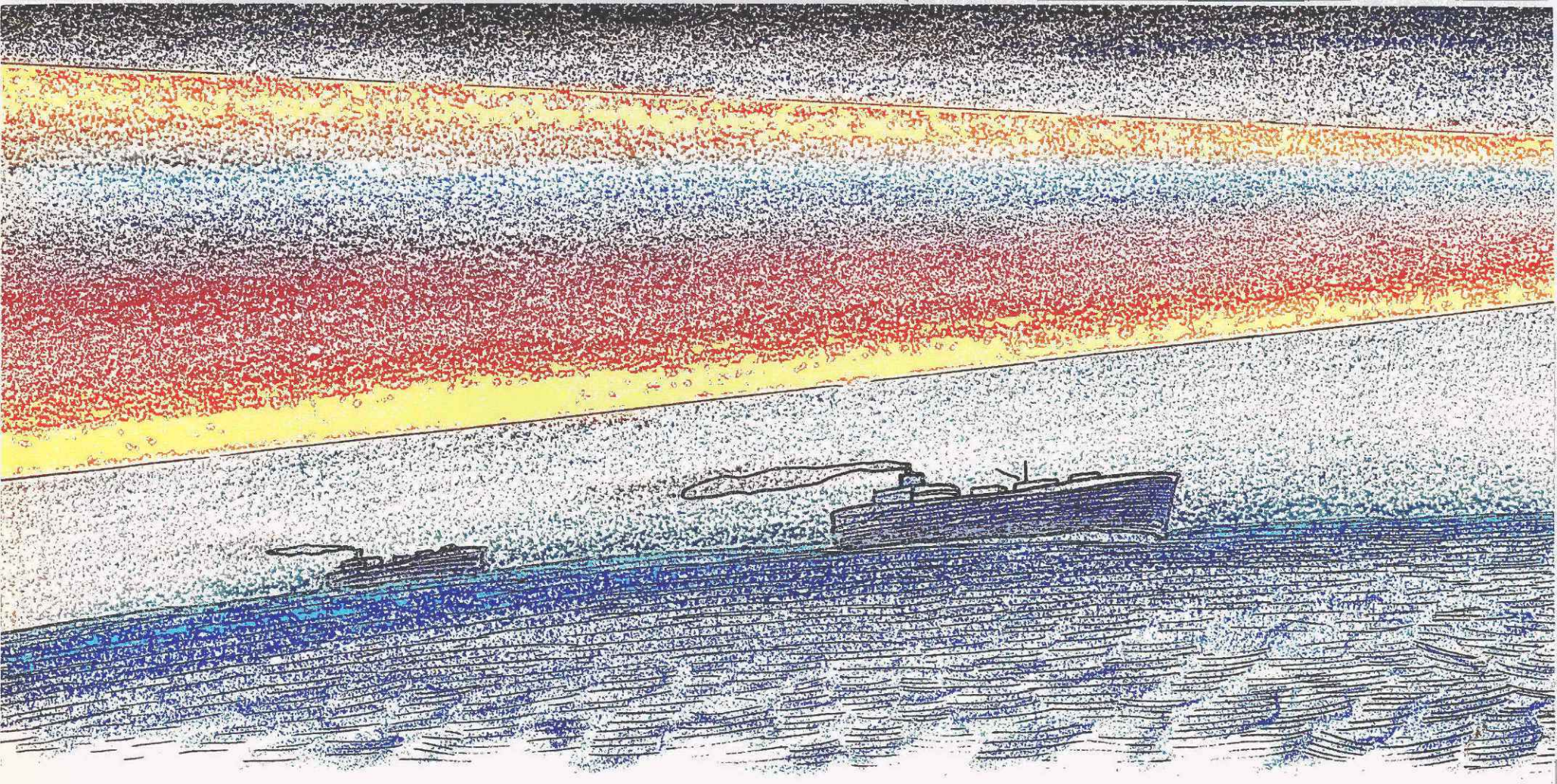
LEADERSHIP

Our self-imposed dictum: "No is no answer," constantly challenges First State Insurance Co. and New England Re to new heights of creativity in search of solutions to the complex problems of today's Special Purpose Insurance and Re-insurance client. ☐ Worldwide we are known and respected for our leadership strength in bold pursuit of ideas that make a difference.

Cameron and Colby

Rising to the Challenge of Change

Boston, New York, Atlanta, Chicago, San Francisco, Los Angeles



If your products
spend a lot of time at sea,
you need an insurer with
both feet on the ground.



Each time you ship cargo abroad, you're sending not only a piece of your business, but also a piece of your reputation. Both of which are too important to be taken lightly. That's why, like the other parts of your business, it needs to be properly protected.

But protecting your property at sea can be much more complicated than protecting it on land. For one thing, your property is out of your hands and in someone else's.

To be a marine underwriter requires an intimate knowledge of insurance laws and practices all over the world, as well as an equally intimate knowledge of seaports, piers, shipping practices and marine law. At AFIA, we specialize in that kind of knowledge.

A case in point: Marine Cargo claims can have all sorts of unusual ramifications on both sides of the water. Just recently, we wrote a policy for a major television network sending video equipment to Ecuador. Aside from the usual concerns, like having the equipment arrive safely, the network was equally concerned about whether they would have the equipment back safely and in time to cover pro football in the fall. We handled it efficiently, quickly and properly. So the next time you see your favorite team score on a double reverse, chances are we had a hand in helping it run smoothly.

That's just the sort of thing which exemplifies the innovative, young-thinking attitude we have at AFIA. For a long time, we've had the reputation of being an old-fashioned company. In a way, that's true. But only because, at AFIA, old-fashioned means experienced, knowledgeable and dependable. Combining that experience with an aggressive posture is what AFIA is all about.

AFIA has been involved with U.S. imports and exports to and from practically every country in the world since 1918. There are approximately 250 marine claims and settlement offices in the AFIA claims network to serve you. And because AFIA is active in 135 countries, we know the ropes on land and at sea.

In fact, to a lot of people whose products spend a lot of time at sea, we're the salt of the earth.

AFIA

WORLDWIDE INSURANCE

The older we get the younger we think.

AFIA Worldwide Insurance, 110 William Street, New York, NY 10038 Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.

Decision on Amoco Cadiz liability expected soon

By DOUGLAS McLEOD

CHICAGO—More than five years after the supertanker Amoco Cadiz ran aground off the French coast, a U.S. court may be close to deciding who is responsible for the massive oil spill that followed.

An international cast of claimants, including the Republic of France, has filed $2.2 billion in pollution damage and cargo claims in U.S. District Court in Chicago against Standard Oil Co. (Indiana), the parent company of the ship's owner and operator.

In turn, Standard of Indiana, better known as Amoco, has filed counterclaims against the shipbuilder and the salvage company that tried to save the doomed vessel, as well as the French government and other French claimants.

The trial of all these claims ended last November after six months of testimony, and U.S. District Judge Frank J. McGarr has had the case under advisement since May, when the various parties filed final summations of their arguments.

Judge McGarr hopes to decide the case before the end of the year, according to one of his law clerks.

But that decision—who is liable for the accident—will then trigger a new round of litigation over how much must be paid by each liable party. Then, further lawsuits could ensue as the liable parties seek indemnification from others involved in the sinking.

The Amoco Cadiz, a 1,095-foot Liberian-registered tanker laden with 220,300 tons of light crude oil, was sailing in heavy seas off the northern coast of France on March 16, 1978, when its steering mechanism failed, forcing the ship to drift toward the mainland.

A salvage tug, the Pacific, owned by the West German firm of Bugsier, Reederei & Bergungs A.G., twice attempted to tow the ship, but the tow lines snapped both times.

Thirteen hours after its steering gear failed, the Amoco Cadiz drifted onto coastal rocks and broke apart, spilling all her cargo. The oil eventually washed up along 200 miles of coastline, which included several resort communities in Brittany.

The Amoco Cadiz was operated by Amoco International Oil Co., a subsidiary of Standard of Indiana, and was owned by Amoco Transport Co. of Bermuda, which had bought the vessel from another Amoco subsidiary for $27.8 million.

Amoco's liability is insured to an undetermined amount under a protection and indemnity policy written by London Steamship Owners Mutual Insurance Assn. Ltd., managed by A. Bilbrough & Co. Ltd.

The present court action against Amoco results from the 1979 consolidation of several separate lawsuits. The claimants include:

- The Republic of France, which seeks to recover $300 million in pollution damages.
- More than 100 French coastal towns, regional governments and private parties—including hotels, fishermen and environmental groups—all known collectively as the "Cotes du Nord" parties. Together, these claimants seek about $1.9 billion in damages.
- Petroleum Insurance Ltd., a Bermuda-based captive insurer of Royal Dutch-Shell Group that held a five-year charter on the Amoco Cadiz and two of whose subsidiaries owned the 58 million gallons of oil on board. The captive paid a $22.9 million claim to Shell Nederland Raffinaderij N.V. and Shell U.K. Oil after the wreck for the loss of the oil. PIL is seeking this amount, plus interest, from Amoco, which could double the amount of the claims.

France and the Cotes du Nord parties claim in their suits that the Amoco subsidiaries negligently failed to maintain the steering system of the Amoco Cadiz, charging that Amoco's policy was to put off needed repairs to avoid any loss of charter hire under its agreement with Shell.

These suits also charge that the ship's crew was not adequately trained to maintain the system or to handle a steering emergency. In addition, they allege that because Amoco approved the ship's construction plans, it is responsible for defects in the steering system's design.

The Cotes du Nord parties also claim that the Pacific's failure to prevent the ship from running aground was the result of the tug captain's negligence in pursuing the towing operation. Therefore, they claim, Bugsier shares the responsibility for the wreck.

Amoco denies that the ship was improperly manned or maintained and seeks exoneration or at least limitation of its liability under two statutes, one U.S. and the other international.

A little-used section of U.S. admiralty law states that the liability of shipowners, whether American or foreign, for loss or damage that occurs without their "privity or knowledge" is limited to the "amount or value of the interest of such owner in such vessel and her freight then pending."

Amoco argues that even if Amoco Transport is found negligent, its officers had no "privity or knowledge" of the negligence and that its liability should be limited. Since the Amoco Cadiz had no salvage value and its pending freight represents a relatively small amount, Amoco Transport's liability under the law would essentially be reduced to zero.

Amoco further points to the International Convention on Civil Liability for Oil Pollution Damage, signed by France in 1975 and intended to avoid duplication of lawsuits in case of a pollution incident.

Amoco lawyers say that the statute forbids lawsuits against "servants or agents" of a shipowner, and claim that since Amoco International and Standard of Indiana acted only as agents of Amoco Transport, claims against the parent company and Amoco International should be barred.

France and the Cotes du Nord parties argue that the international law should not apply in U.S. courts, and that Amoco misinterpreted the phrase "servants or agents," which was intended to include only the master and crew of a ship or those performing purely legal acts on behalf of the owner.

Under the international statute, Amoco Transport set up a $16.8 million fund with the Tribunal of Commerce at Brest, France, after the wreck. Neither France nor the Cotes du Nord parties have filed claims against the fund, though.

Attempting to get beyond the

Continued on facing page

JAMES IS HERE

PARTNERS IN PROTECTING AND MOTIVATING YOUR GREATEST RESOURCE–YOUR EMPLOYEES.

Today, when employee benefits and incentive-compensation plans average more than 40 percent of payrolls, many companies are beginning to see why James is here.

We are here to help you design, fund, and administer these programs. We are here with a specialized team for all forms of health, disability and death benefits, tax-qualified retirement, and employee-compensation plans.

We are also here to continually monitor the social, economic, and legal changes in health-care and industry organizations—in order to advise you of the latest developments and to better serve your changing needs.

In a field as complex as this, involving both insurance and self-insurance, you need the kind of comprehensive service we provide.

To help you decide how to manage your benefits and compensation plans more cost-effectively, we suggest a feasibility study. For more information, please call Fred. S. James (212) 747-8219, or write:

Corporate Communications
Fred. S. James & Co., Inc.
55 Water Street
New York, NY 10041

James
FRED. S. JAMES & CO., INC.
YOUR PARTNERS IN RISK MANAGEMENT
Member National Association of Insurance Brokers



Continued from facing page

question of its own potential liability, Amoco has filed counterclaims and third-party claims against others it charges were responsible for the sinking.

One such party is Astilleros Espanoles S.A., a Spanish company that built the Amoco Cadiz and three sister ships. Amoco claims that Astilleros' design and construction of the steering mechanism were defective and that the company should be held liable for all damages.

Astilleros has refused to participate in the trial, saying that U.S. courts have no jurisdiction over it. That refusal led Judge McGarr in 1982 to enter a default judgment against the company.

The default judgment, which was sought by Amoco's lawyers, says that Astilleros must pay any damages awarded against Amoco in the case. The judgment was upheld by the 7th Circuit Court of Appeals, and Astilleros' lawyers have filed to have the decision reviewed by the U.S. Supreme Court.

Despite this judgment, lawyers involved in the case express doubts about whether Amoco would be able to collect anything from Astilleros without suing the company in Spanish courts.

Astilleros may have decided that, not counting any U.S. assets that could be seized to satisfy an award to Amoco, the default judgment would not be enforceable, according to Benjamin E. Haller, an attorney with the New York firm of Hill, Betts & Nash, which represents the French government.

"I would guess that Astilleros feels confident that it doesn't have any assets within reach that Amoco can grab," he said. "If Amoco can't find any assets within the U.S. to execute on, its only recourse would be to bring an original action in Spain or any jurisdiction where Astilleros has assets, asking it to enforce the judgment."

James Betke, an attorney with the Chicago firm of McDermott, Will & Emery, which represents Astilleros, would not comment on the company's opinion of the enforceability of the default judgment. He added that he did not know if Astilleros has any U.S. assets, but said that affadavits filed in court indicate that the company has no assets in Illinois or New York, where lawsuits against it were filed.

Besides Astilleros, Amoco has filed suit against Bugsier, charging that the salvor recklessly adopted the most difficult means of towing the Amoco Cadiz in its first try, and delayed unreasonably before making its second attempt, thus contributing to the wreck.

The oil company further demands that France and the Cotes du Nord parties share in responsibility for the pollution damage, charging that they negligently failed to contain the oil spill before it reached the shore or adequately clean it up before damage occurred.

France, the Cotes du Nord parties and Bugsier all deny any negligence and seek to have the counterclaims dismissed.

Attorneys for the various parties say they hope Judge McGarr makes a decision soon, but no one is sure when it may come.

"I could say three months and it might come tomorrow, and I could say tomorrow and it might come in three months," said Lawrence Strickland, an attorney with the Chicago firm of Kirkland & Ellis, which represents Amoco.

And, the lawyers all point out that Judge McGarr's decision will only set the stage for the next round of litigation, which will determine the damages each liable party must pay.

Discovery in the damages phase of the trial has not even begun, and the process is expected to take some time, though Mr. Strickland says he doesn't expect the damages trial to take the five years that the liability trial has lasted.

The assessment of damages may not be the end of the Amoco Cadiz litigation, either. If Judge McGarr apportions different percentages of liability among various of the parties, it's possible that one party may sue another for indemnification of its share of the damages.

For example, Mr. Betke said it is conceivable that if Amoco and Astilleros are each apportioned a percentage of the total liability, Amoco may then sue Astilleros to demand that the shipbuilder indemnify it for Amoco's portion of the damages.

If Judge McGarr simply concludes that various parties are jointly and severally liable, the doors may be open to entirely new damage suits among the parties, Mr. Strickland adds.

"That could lead to additional years of litigation," he speculated. ■

CDPC CRAVENS, DARGAN & COMPANY PACIFIC COAST

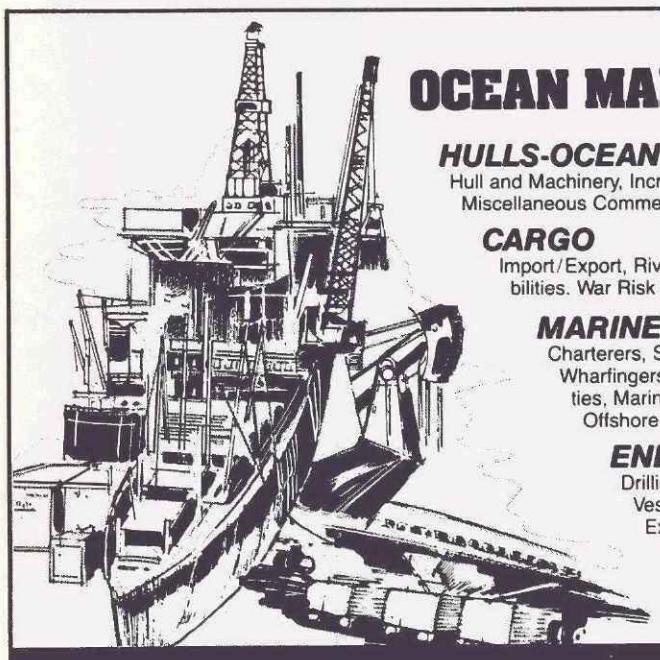
MARKETS FOR:

AVIATION, SPECIAL RISKS PROPERTY, LUMBER, EXCESS & SURPLUS, OIL, OCEAN MARINE

HOME OFFICE
350 CALIFORNIA STREET, SUITE 1600
SAN FRANCISCO, CA 94104
(415) 622-7700

BRANCH OFFICES
SAN FRANCISCO
555 California Street, Suite 2940
(415) 622-7600
LOS ANGELES
3580 Wilshire Blvd., 14th Flr.
(213) 739-0555
PHOENIX
5251 N. 16th, Suite 400
(602) 264-9785
SEATTLE
Peoples Nat'l Bank Bldg., Suite 810
(206) 223-9383
SPOKANE
Suite 501
West 601 First Ave.
(509) 838-4450
PORTLAND
200 Market Building, Suite 750
(503) 295-2537
NEW YORK
2001 Marcus Avenue, Suite E 235
Lake Success
(516) 328-6040
ATLANTA
211 Perimeter Center Parkway, Suite 550
(404) 393-0640
CHICAGO
101 N. Wacker Dr., Suite 1300
(312) 853-3110
HONOLULU
1510 Pioneer Plaza
(808) 521-5031





OCEAN MARINE INSURANCE

HULLS-OCEAN
Hull and Machinery, Increased Value etc., Builders Risk, War Risk, anc Miscellaneous Commercial Craft.

CARGO
Import/Export, River, Coastal. By Vessel or Airplane, Cargo Liabilities. War Risk Including Block War, Bunkers, Collect Freight.

MARINE LIABILITIES
Charterers, Shiprepairers, Stevedores, Terminal Operators, Wharfingers; Cargo Legal Liability, Excess Marine Liabilities, Marine Bumbershoot, Water Pollution Liability, Offshore Liabilities.

ENERGY
Drilling Vessels, Rigs, Platforms, Pipelines, Supply Vessels, War & Political Risks, and Other Related Exposures.

MARINE REINSURANCE
All Forms of Marine Risks.

New York Marine Managers, Inc.
Underwriters and Managers representing American Companies
123 William Street, New York, N.Y. 10038 Phone: 212-349-1600 Telex: 129200NYMM NYK
Producer inquiries invited.

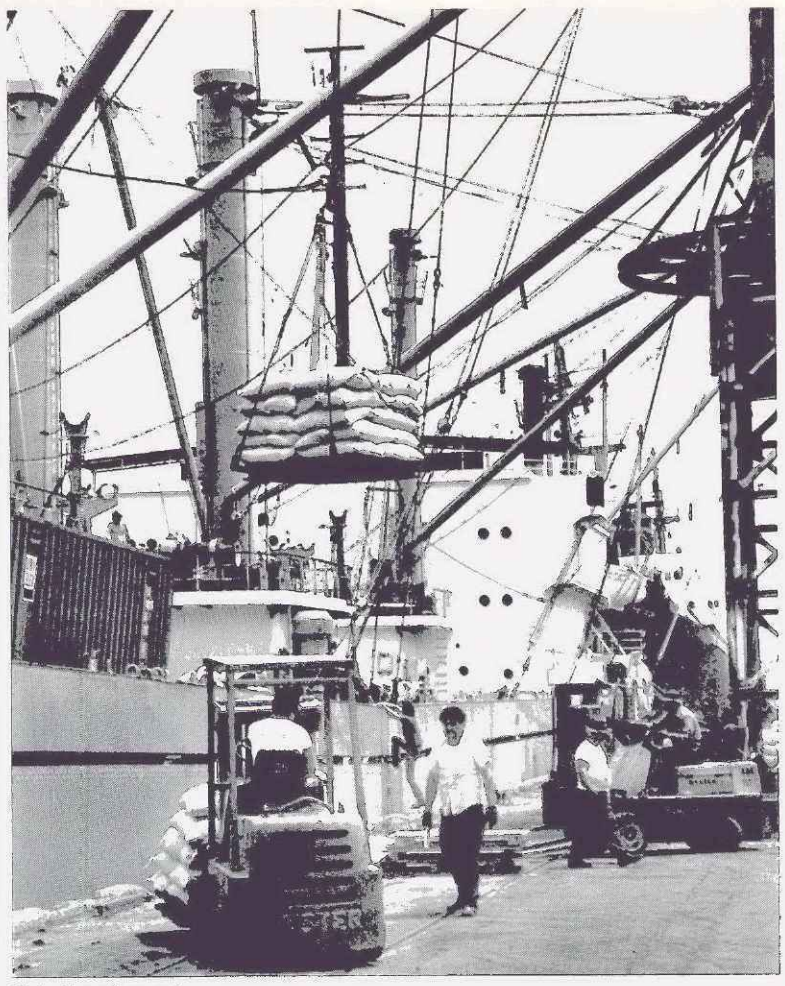


Photo: Steve Sherwood

Chase Manhattan's computerized registry for bills of lading would include records for both liquid and dry bulk cargos.

Computers may improve marine cargo security

By STACY SHAPIRO

LONDON—Chase Manhattan Bank N.A. believes it can help solve a 400-year-old cargo security problem with a computer.

Since the 1500s, cargo has been bought and sold with a bill of lading—a negotiable document that transfers the cargo ownership from seller to buyer.

Sometimes the bill of lading is lost or might just take a long time to document. In either case, shipments can be delayed.

And, if the bill of lading ends up in the wrong hands, fraud might follow.

To counter this problem, Chase Manhattan, through its London branch, is planning to set up a computerized registry for bills of lading for liquid and dry bulk cargos, which could save shippers, shipowners and their insurers millions of dollars in missing cargo, bank officials say.

"We want to lick the paper backlog and, as a side benefit, we may prevent certain types of fraud," said Alan Urbach, vp and project director of the Chase Manhattan Bank in London.

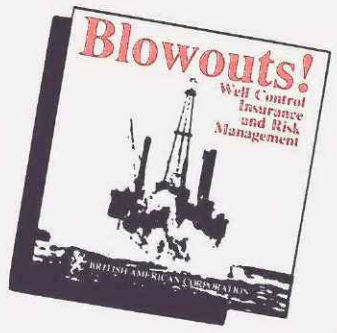
The new Seadocs Registry—which will be based at the London bank by January 1985—will act as the central storage point for all bills of lading.

Liquid and dry bulk cargos, particularly oil, can pass through 20 different traders' hands before reaching their destinations, says Mr. Urbach.

For every one of these transactions, the registry will be informed by the seller and the buyer through special codes known only by the

Continued on page 18

Are you an oil and gas company executive who must purchase well control insurance? Are you an insurance executive who must provide your client with the best coverage for the money? The wrong decision could be disastrous.



Blowouts!

Blowouts: Well Control Insurance and Risk Management is the first manual of its kind anywhere and is available to you from British American Corporation. This easy-to-read manual offers the insurance industry the premier opportunity to learn about well control insurance and risk management directly from experts. **Blowouts** contains over 300 pages of text and illustrations which explain cost-saving techniques, including more than 50 coverage interpretaions. The manual discusses in detail the options available in well control insurance today, as well as insurance for other oil and gas operations. This handy desk reference also explains in non-technical language the basics of oil and gas drilling and the potentials for blowouts.

Other topics covered in depth are the impact of industry contracts, analysis of insured's loss bearing capacity, blowout prevention practices, recent court rulings on the operator's extra expense policy, specialized endorsements, and underwriting/rating approaches.

This indispensable reference guide was written by Douglas B. Owen, JD, MBA, CPCU. Mr. Owen is president of Arthur L. Owen Company, Inc., a Dallas-based insurance broker specializing in insurance and risk management programs for oil, gas and petrochemical companies worldwide. He is a recognized authority on risk management and well control insurance and has used his expertise to write **Blowouts: Well Control Insurance and Risk Management.**

ORDER FORM

BRITISH AMERICAN CORPORATION
Mercantile Commerce Building
1712 Commerce Street • Suite 2000 • Dallas, Texas 75201 • (214) 747-7474

_____ Yes! I Won't risk it. Please send me _____ copies of **Blowouts: Well Control Insurance and Risk Management** at $95.00 each, plus $5.00 for postage and handling.
_____ Check is enclosed. _____ Bill me. Note: Texas Residents add 5% State Sales Tax.

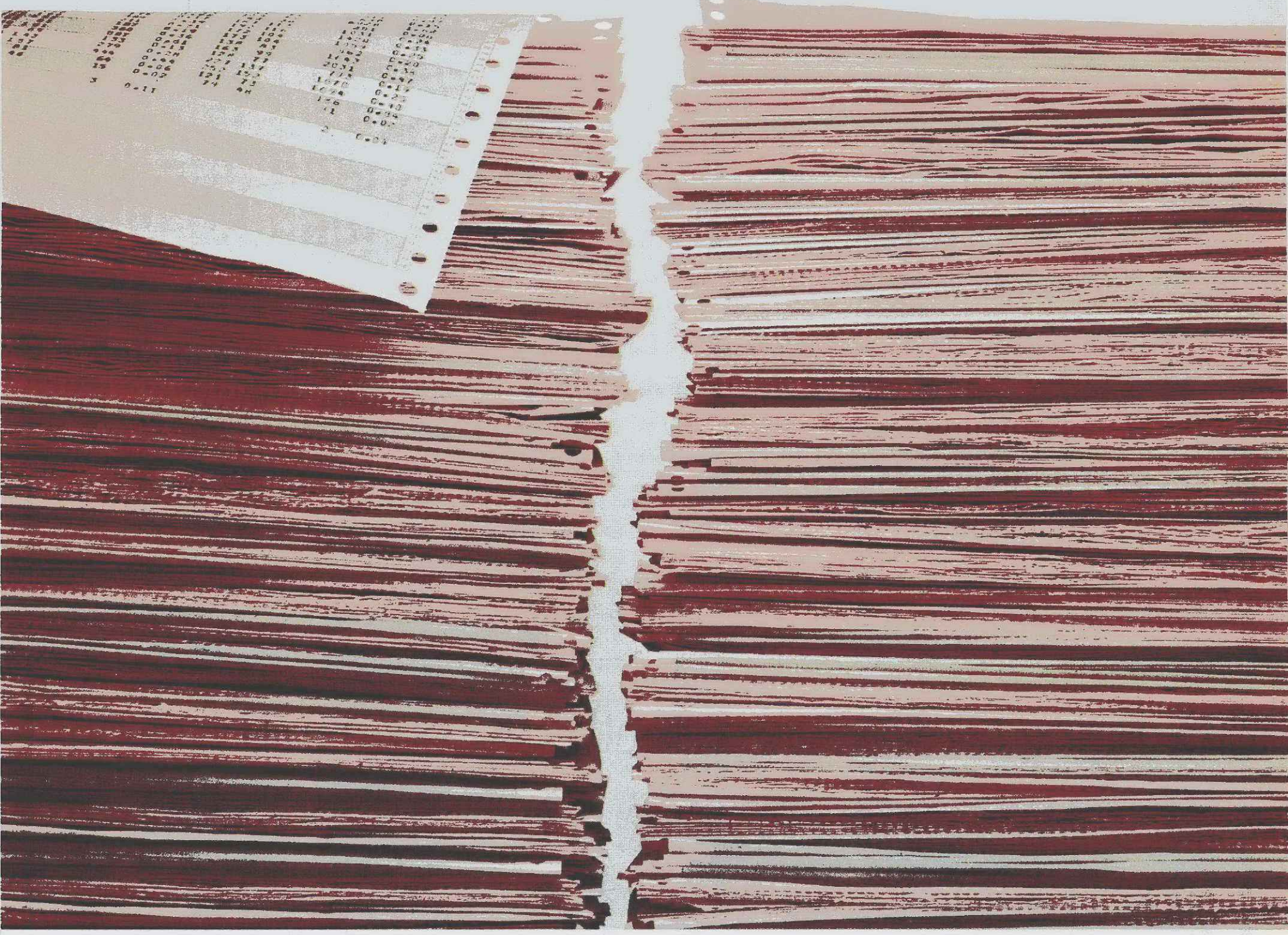
NAME_____ TITLE_____
FIRM NAME _____
ADDRESS _____
CITY_____ STATE_____ ZIP_____
TELEPHONE _____
(area code) (number) (extension)
SIGNATURE _____

The Board of Directors of
Universal Insurance Group takes
pleasure in announcing the
election to our Board of
Mr. Douglas Lohr King,
Executive Vice President and
Director of
Frank B. Hall & Company, Inc.

Universal Insurance Group

Universal Casualty Insurance Company
Interstate Underwriting Agencies, Inc.
Financial Premium Service, Inc.
Coral Gables, Florida

THERE'S ONLY ONE THING WORSE THAN NO INFORMATION AT ALL.



It's what's on a risk manager's desk.

Piles of information: Much of it in the wrong form. Or place. Or found at the wrong time.

So instead of managing risk, a risk manager is managing paper.

That's why CIGNA, with Corporate Systems, the company that pioneered risk information management, developed CRIS[sm]: our innovative, on-line risk information service.

CRIS not only gives risk manager and broker access to all of a company's historical information, loss data and claims reports in our data base.

It helps them organize it to best suit their needs. Instantly and simply.

Even more importantly, CRIS allows the risk manager to enter exposure and allocation data, policy information and administrative costs—for a complete picture of a company's risk management program.

So risk managers can finally make the decisions that will improve their companies' bottom line.

If you would like more information on CRIS, and you're an ESIS client, or major INA/Aetna casualty insured, do nothing. CRIS will be made available to you as a regular part of your program.

If you are not a client, but intend to become one, and would like more information on CRIS, write INA/Aetna, 1600 Arch Street, Department RD, Philadelphia, PA 19103. Our response could be the most useful information that crosses your desk.

Insurance Company of North America
Aetna Insurance Company
ESIS Inc.
CIGNA companies

CIGNA

Bank proposes computerized bills of lading

Continued from page 16
registry. The last recorded owner will be sent the registry's documents, which trail the shipment.

For the registry to work, all users must be participants so no outsider can tap into the information, says Mr. Urbach.

The registry, which will be open 24 hours a day, seven days a week, will establish computer and physical file security measures to ensure against theft and will be sufficiently capitalized or insured against possible losses from internal errors.

Having one central registry for bills of lading will make it possible to track down a cargo shipment from source to destination, Mr. Urbach says.

Chase Manhattan decided to pursue its idea for a registry after it sponsored a large forum in London for leaders of the shipping and petroleum industries last April at which the concept was enthusiastically received.

David Belsham, intelligence officer for the International Maritime Bureau, which gathers information on fraud for member companies, thinks the registry is a great idea even though it is limited mainly to the oil industry.

"It is a good step in the right direction and is getting a lot of support," said Mr. Belsham. "The Chase Manhattan concept is an additional safeguard."

There are a few hitches with the registry, however, Mr. Belsham explains.

For example, companies must be willing to report all transactions to the registry, but sometimes they may not want to.

"Some oil floating around the world does not move in an open fashion," said Mr. Belsham. "Companies may not want oil transference advertised for political or other reasons."

Mr. Belsham doubts, for example, if the registry could have prevented the $56 million loss of crude oil owned by Shell International Petroleum Co. Ltd. that was aboard the tanker Salem in 1980.

The crude oil was diverted to South Africa by the Salem's crew after it had been sold to Shell, the oil company contends (*BI*, Jan. 24).

"The theft would have failed only if the South Africans had checked the registry," Mr. Belsham said, "but the South Africans may not have wanted to (since they were not supposed to receive the shipment)."

Mr. Belsham also doubts that the registry could work for any kind of cargo other than bulk cargo. The registry will record one ship with one large expensive cargo like gas or oil, but it will not take care of the other cargo ships that carry 30 or more shipments, each with their own bills of lading.

To ease this problem, the IMB is trying to produce a special bill of lading that cannot be easily reproduced and that would be issued at special controlled points of sale. These offices would register each bill of lading and trace back any document to the person to whom it was issued.

To limit liability claims against the bulk cargo registry, Chase Manhattan wants to make security as tight as possible and is also considering purchasing insurance.

Bowring Professional Indemnity Ltd. is acting as insurance consultant for Chase Manhattan. Advice is also coming from London underwriters, including David Newman, deputy underwriter for the K.F. Alder Syndicate at Lloyd's of London, which specializes in electronic transfer risks.

"But until we know exactly how the registry is going to function, it is difficult to talk about insurance," said John Sevastopulo, director of Bowring Professional Indemnity.

So far, Bowring, Chase Manhattan and underwriters have assessed the risks of the registry. They include:

- Professional liability if the registry operates incorrectly and the user suffers.
- The leaking of confidential information that could allow employee fraud.
- Physical breakdown of the computer.
- Consequential loss from a breakdown.

Mr. Sevastopulo admits that Lloyd's will not insure computers against consequential loss, but he is looking at other insurance markets that might.

- Access to the computer by a third party.
- Loss or damage to the software or tapes.

"This is all very hypothetical at the moment, however," said Mr. Sevastopulo. "If the cost involved is too expensive, the registry may not want to insure some of these risks.

"It also depends on how much risk they can get pass contractually to the user," he said.

Premiums will probably be high for whatever coverage the registry purchases because limits will probably be high, Mr. Sevastopulo pointed out. The shipments that will be registered will be worth "about $50 million," so the registry will basically have to be insured on a catastrophic level, he said.

It is expected that half the fee charged registry participants could go toward the cost of the insurance. ■

Covering the Aviation Risk isn't as hard as it looks... For Us.

After all, we've been doing it for a long time, and for lots of people. Why not call on Alpha to make sense out of the unusual coverages and costs associated with aviation insurance? We have the people, programs and prestigious lines necessary to design and maintain comprehensive, cost efficient coverage, and the experience necessary to recognize what's a bargain and what's a bust. Our coverage advice has kept many of our clients where they should be after the unpredictable occurs — in the black.

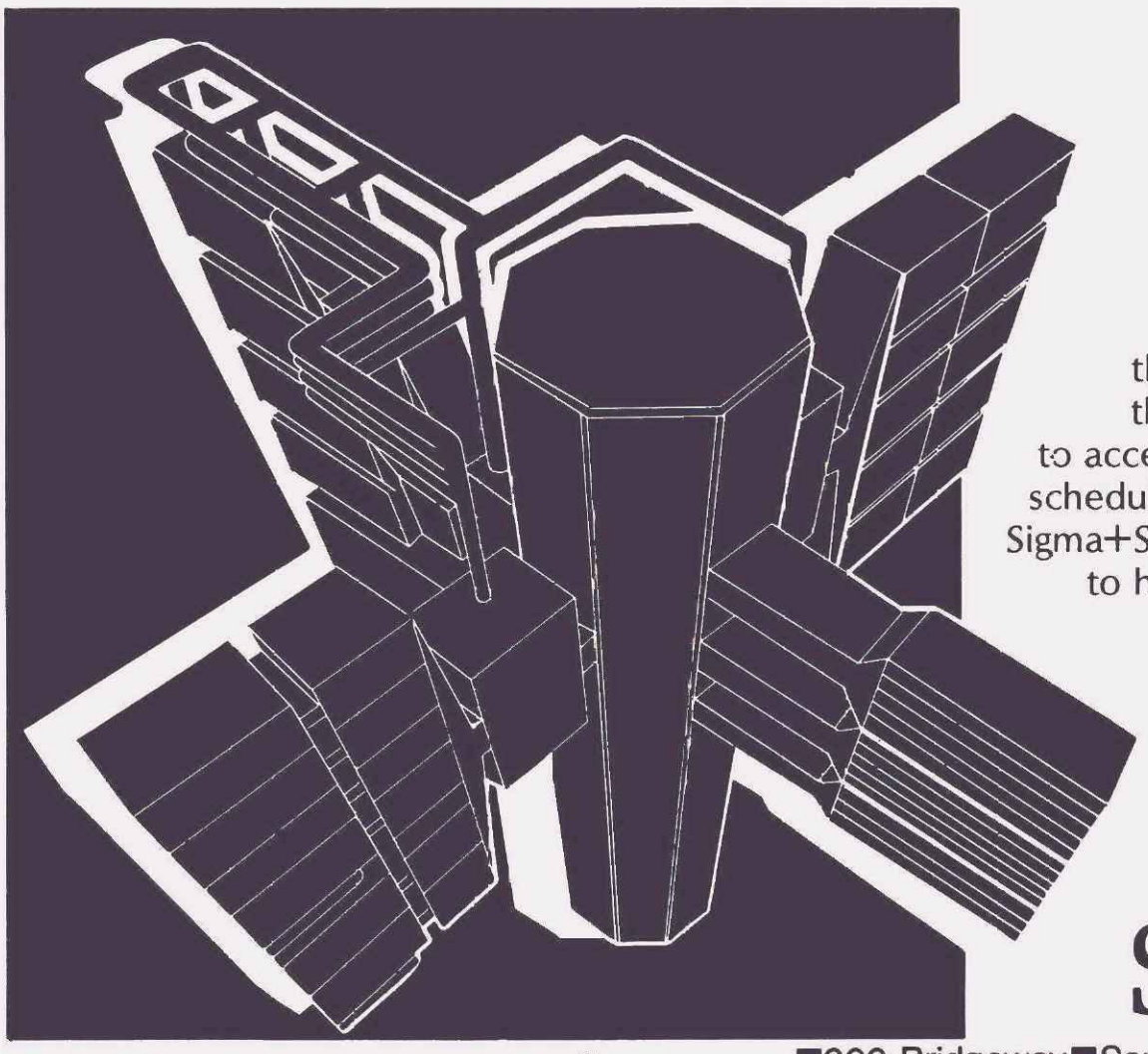
We're ready, right now, to look over your current program. Perhaps we can offer suggestions on how to improve your aviation coverage.

Alpha – *The Aviation Agency*

Alpha Aviation Insurance • Airport 17, The Penthouse, 377 Route 17, Hasbrouck Heights, N.J. 07604

Call us! 800-526-0415 • In N.J. Call Collect 201-288-4831

Bringing art & science together through information.



Sigma+System is a sophisticated risk management information service designed for users having little or no training in use of the computer.

This service provides a user with a new generation of data management and analytical capabilities, to complement or replace the voluminous "loss runs" they have received in the past. Much like the terminals utilized by airlines personnel to access vast amounts of data concerning flight schedules, routings, fares, status reports, etc., the Sigma+System allows risk management personnel to have similar access to data concerning the status of claims and loss reserves, claim payments, incident reports, loss control information and exposure data. A user may then perform unit cost allocation, risk analysis, loss forecasting and financial modeling utilizing their own data base.

Sigma+System

Risk Sciences Group 2 INCORPORATED

■900 Bridgeway■Sausalito, California 94965■415-331-5900■
■260 Madison Ave., 7th Floor■New York, NY 10016■212-696-0585■

Supported exclusively on the National CSS Computer Network.

KAL crash won't raise rates

Continued from page 3

Since the loss is on the war risk policy, those are the rates that could be affected, said Mr. Palmer-Brown. But even if the loss were on the all-risk hull policy, "then it is only $35 million, which is not a great amount. You need a spate of losses and one loss like this will not have a great effect on the market."

"Normally, a major loss like this helps to get rates up," says Barry Coleman, an aviation underwriter for several Lloyd's syndicates. "But you need more than one loss like this. This disaster could eventually have an effect on rates, but not tomorrow."

"It is too early to tell what kind of effect the loss will have on premium rates, but if it is a war risk, then it will not affect the hull rate at all, and liabilities probably will be minimal," adds a London aviation reinsurer. Others, however, have estimated liability claims could be as high as $50 million.

So far in 1983, the world's airlines have maintained good loss records. Including the KAL accident, 14 Western-built jetliners have been lost this year, costing insurers just less than $100 million dollars in hull claims, according to the Aviation Information Services Ltd., which compiles loss statistics. In addition, 497 passengers and crew members have been killed in aviation accidents, though the liability losses for these deaths are not yet known, the AIS says.

Last year, according to Terence Pitron, chairman of Lloyd's Aviation Underwriters' Assn., 20 Western-built aircraft—including three wide bodies—were lost, killing 553 passengers and 37 crew members. Hull losses totaled $230 million.

In addition, another six aircraft valued at $13 million were lost at the Beirut airport during the fighting in Lebanon.

The losses were so high last year that worldwide aviation underwriters say they suffered a pure underwriting loss (*BI*, July 19, 1982).

Aviation rates started to climb sharply in mid-1982 because of the horrendous loss experience, but the bitter competition for aviation premiums—especially from U.S. underwriters—forced rates back downward. Most airlines with good loss records reported rate declines of 2% to 10% during July renewals (*BI*, July 11).

Although the KAL disaster probably will not increase aviation insurance rates, changes in the reinsurance market could, reinsurers and aviation underwriters point out.

Almost all the aviation insurance experts surveyed by *Business Insurance* said that barring a major catastrophe, the direction of aviation insurance rates is in the hands of reinsurers, especially those writing proportional reinsurance treaties.

Last year, reinsurers started cutting back the amount of proportional reinsurance they write, which usually has the effect of trimming capacity (*BI*, March 21). At the time, primary insurers said this reduction could increase aviation rates.

But unless reinsurers sharply reduce the availability of proportional reinsurance during the next year-end renewals, most aviation coverage experts say they don't expect a great change in the market.

Mr. Hefti of Swiss Re says overcapacity remains the "key word" to describe the market.

"We still hope that the existing overcapacity situation is eased by the end of the year and we hope that further treaty capacity will disappear."

Proportional reinsurance, also called pro rata reinsurance, describes all forms of reinsurance in which the reinsurer shares with the ceding company a portion of the original premium and, thus, is liable for a proportion of all losses.

By purchasing proportional reinsurance, primary insurers can write higher limits since they know that a fixed percentage of losses will automatically be paid by reinsurers.

As reinsurers cut back the amount of proportional reinsurance they write, primary underwriters must either reduce the amount of business they underwrite or buy more expensive excess-of-loss or facultative reinsurance.

Excess-of-loss reinsurance does exactly that: It pays losses that exceed an agreed-upon sum. Facultative reinsurance covers a particular risk. In the case of aviation cover-

Continued on next page

American Airlines gets reduced rates

LONDON—The unabated competition in the aviation insurance market is proving to be a boon for American Airlines Inc., which four years ago suffered one of the largest losses in aviation history.

Although the 1979 crash of an American Airlines DC-10 in Chicago still lingers in aviation insurers' minds, London underwriters quoted American reduced hull and liability rates for the airline's Sept. 1 renewal.

In addition, American will receive a profit commission, a bonus that underwriters have not granted the airline since the DC-10 crash, London aviation insurers and reinsurers say.

American accepted hull insurance quotes from London insurers of 16 cents per $100 of insured value, a 2.4% decrease from last year's rate of 16.4 cents per $100. The hull coverage carries a limit of $55 million per aircraft, they add.

The London underwriters say that American accepted a liability rate of 15.4 cents per 1,000 revenue passenger miles, a 2.5% decrease from the previous 15.8 cents.

According to the London underwriters, American placed 46% of its coverage in the London market, led by Richard Maylem, Lloyd's underwriter for Alexander Howden (Underwriting) Ltd. It is not known, though, how much coverage American placed in other world aviation markets, including the French and the U.S. market.

American Airlines and its broker, Alexander & Alexander Inc., would not reveal details of the renewal.

Besides the lower rates, London insurers also offered American a profit commission of 10% on 80% of the premium. Thus, if American does not file a claim during the policy period, it will receive about 8% of the premium it pays as a profit commission.

Why the more favorable terms? "The shock value of Chicago is wearing off," one underwriter explained.

Hull and liability losses from the May 27, 1979, crash, which killed 273 people, are expected to exceed $120 million when all claims are resolved.

A leading insurance executive discusses safety and the company plane.

John V. Brennan, President of U.S. Aviation Underwriters, America's largest insurer of corporate aircraft.



Business aircraft have never been built better—and safer—than they are today. However, due to the complexity and high performance of these planes, pilot training is something every company must think about.

"Nine out of every ten aircraft accidents have pilot-related causes. We strongly urge our policyholders to set up regular refresher training programs using simulators that represent their exact make of aircraft.

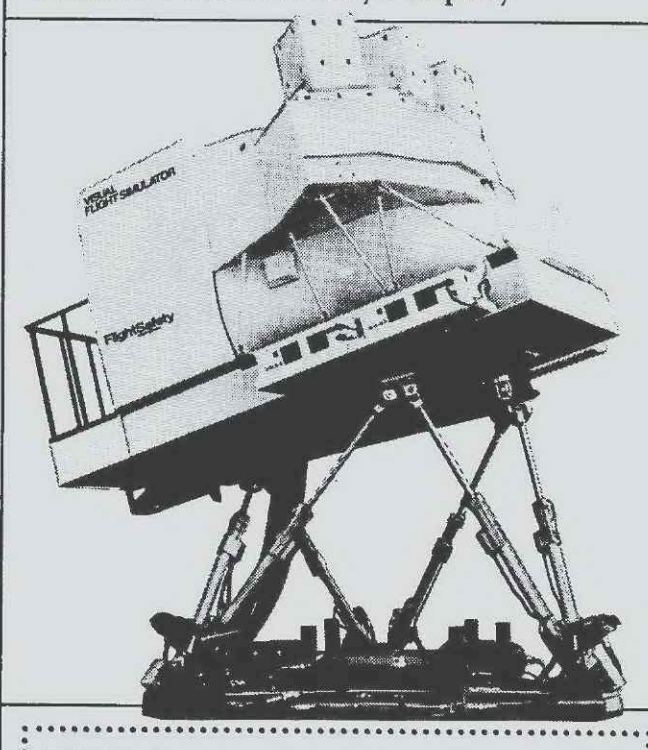
Pilot training is critical

"I insist that the pilots who fly our own company jet take simulator training twice each year—the same as airline pilots. We do our training with FlightSafety International.

"Our experience shows that simulators are the safest possible training environment. They enable pilots to practice and perfect all normal and emergency procedures under controlled conditions. The alternative of training in the aircraft is hazardous and incomplete—in addition, it wastes fuel.

Simulators: the safety factor

"Typically, the cost of refresher training for two pilots is less than the cost of one back-up flight instrument. That should be a worthwhile investment for any company."



FlightSafety International® offers simulator training programs for almost every type of jet and turboprop business aircraft. For more information send this coupon or call Jim Waugh, V.P. Marketing at (212) 565-4120 collect.

Name_____
Title_____
Company_____
Address_____
City_____ State_____
Zip_____ Phone_____
Aircraft Type_____

Mail to: FlightSafety International, Marine Air Terminal, Dept. U-093, LaGuardia Airport, Flushing, N.Y. 11371.

FlightSafety
international

Reinsurers change tune

Continued from previous page
age, facultative reinsurers can pick and choose the airlines they wish to reinsure.

"Proportional reinsurance becomes more and more difficult to complete and is increasingly being replaced by excess of loss," said Mr. Pitron at Lloyd's.

"In many respects, and on large risks particularly, what we're seeing is more and more the facultative reinsurance market is in the driver's seats," says Daniel M. Izard, a vp of Associated Aviation Underwriters.

AAU, one of several major U.S. aviation underwriters, is a jointly managed pool that underwrites for the Continental Corp., Chubb & Son Inc., Fireman's Fund Insurance Cos. and affiliates of Kemper Group and The Atlantic Cos.

Several years ago, Mr. Izard says, the world's major reinsurers typically wrote proportional treaties that would cover up to 50% or even more of an aviation underwriter's book of business.

The problem with that arrangement, Mr. Izard says the reinsurers found, was that as the percentage got larger, the loss retained by the primary underwriter shrank to the point that—with the ceding commission—the underwriter was virtually assured a profit no matter what the losses.

Now, says Mr. Izard, the reinsurers are holding out for smaller proportional treaties and instead are more interested in writing facultative reinsurance on specific large risks.

Although excess-of-loss and facultative reinsurance are generally more expensive for primary underwriters than proportional reinsurance, some U.S. aviation insurers and reinsurers say the lack of proportional reinsurance could help lower rates in some cases.

First of all, some underwriters say, facultative reinsurers may be willing to offer reinsurance at bargain rates to the underwriters of airlines with superior loss records.

Second, Mr. Izard explains, since primary aviation underwriters' capacity is reduced by a lack of proportional reinsurance, more underwriters are entering the market. This increases competition and lowers rates.

This increased competition is what caused aviation insurance rates to decline earlier in the year, despite an attempt by London insurers to hike rates.

"For London to even stay in the race, they have had to abandon their planned rate increases," said a representative of a major U.S. aviation reinsurer. "I look at the depressed market and I think it will take a long time to pull out."

"At one time, I thought the rates for London were firming up a bit and then it kind of fell apart," said another underwriter.

"There are signs that rating improvement is crumbling and there is a resurgence of sharp competition, especially for American trunks (airlines)," notes Wally Corbett, aviation underwriter for Minster Insurance Group in London.

It's impossible to give a general estimate of what types of rates airlines pay for their hull and liability insurance since rates vary tremendously with the size of a carrier's fleet, its age, the routes flown, the number of passengers carried and its loss history.

One reinsurer willing to speculate estimated that airlines pay between 15 cents and 60 cents per $100 of insured value for their fleet hull coverage. That would work out to a high of $10 million a year for an airline with a fleet insured value of $1.6 billion.

Airlines and underwriters, however, can agree on any insured value for an aircraft, not necessarily the carrying or "book" value of the jetliners. Thus, an airline's hull insurance costs can vary not only because of underwriting considerations but also because of the airline's own assessment of the business value of its fleet.

In actual practice, said a leading aviation insurer, most major airlines pay between $7 million and $10 million a year for their combined hull-and-liability insurance.

For the most part, the premium for aviation liability coverage is a loss leader that never comes close to covering the losses from a single crash, underwriters say. The amount charged for liability insurance is more a reflection of worldwide aviation losses than an airline's particular loss history, though rates can vary greatly from airline to airline.

For instance, one London underwriter said current aviation liability rates range from less than 10 cents to more than 50 cents per 1,000 revenue passenger mile, the distance the airline's planes fly each year times the number of paying passengers on each flight.

Another indication of stable competition in the aviation market is the lack of changes in the limits underwriters provide and the retentions that the airline's assume.

"Over the last 12 months, we have not seen any discernible trend toward higher limits," says Swiss Re's Mr. Hefti.

For several years, underwriters have reported a gradual trend by airlines toward increased combined single limits for liability and hull losses. Where $200 million might have been a typical limit in the late 1970s, major U.S. trunk and international carriers are now insured for $500 million to $700 million per incident.

Now, underwriters say, the march toward higher limits has eased as a balance has been reached between what airlines think they need and what the market feels it can offer.

Similarly, Mr. Hefti adds, there is no discernible trend toward increasing retentions either by airlines or primary insurers.

Most hull policies include separate retentions for engine losses since engines are prone to suffer damages after foreign objects, like birds and debris, are sucked into the massive turbines. Retentions on engines can be as high as $600,000 on a jumbo jet, says Mr. Hefti, while the airline will assume only a maximum retention of $500,000 on the rest of the hull. ■

BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP.

BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP.

BRI COVERAGE CORP.

ONE OF THE LARGEST BROKERS OF OCEAN MARINE INSURANCE IN THE U.S.A.

BRI Coverage Corp., through steady and progressive growth has become one of the few insurance brokerage firms that, in 1982, placed in excess of $100,000,000 in production and generated more than $10,000,000 in earnings.

We are staffed with highly qualified former company underwriters—unmatched in the professionalism—with established credibility.

BRI COVERAGE CORP.
156 William Street, New York, N.Y. 10038 212-233-7171
International Telex 423 633

BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP. BRI COVERAGE CORP.

Lloyd's underwriter is aviation trendsetter

someone you should know

By STACY SHAPIRO

LONDON—W.E. "Eddie" Simms, underwriter for the Ariel Syndicate, the leading aviation syndicate at Lloyd's of London, is the man who sets the trends in the aviation insurance market.

If aviation hull and liability insurance rates for U.S. airlines rise, it is partially because Mr. Simms has decided his syndicate can no longer afford to accept aviation risks at "unreasonable rates."

If the airlines' coverage rates decline, it is probably because the competition is trying to undercut Mr. Simms, forcing him to reconsider his stand.

If U.S. airlines move their accounts to the American insurance market from London, as they have done recently, it is partially because Mr. Simms has decided he can no longer match U.S. underwriters' bargain rates.

In fact, many of the major changes in the insurance market for U.S. airlines in the past year can be traced to Mr. Simms and the Ariel Syndicate.

During the July 1982 aviation insurance renewals, London underwriters, including Ariel, hiked rates for U.S. air carriers 20% to 25% (*BI*, July 5, 1982). The steep hikes were partly attributed to Mr. Simms, who re-evaluated his syndicate's accounts and decided rates were much too low.

"In the hull area, loss ratios could not afford to be met at such low rates, and the liabilities could not be ignored considering the substantial awards received in the U.S. particularly," recalls Mr. Simms, whose official title is director of Sedgwick Forbes Underwriting Agencies, which manages Ariel.

"So we needed to increase rates, and the climate was right. Everyone followed," he said.

However, the hikes pushed last year by Mr. Simms and most other London aviation underwriters have fallen by the wayside, as many U.S. airlines are winging their way back across the Atlantic to take advantage of lower rates offered by U.S. insurers.

Since January, Ariel has lost the London lead on three major U.S. airline accounts because U.S. and some London underwriters have undercut Ariel's rates.

Delta Airlines, for instance, switched its London lead from Ariel to another Lloyd's lead aviation underwriter, Richard Maylem of Alexander Howden (Underwriting) Ltd., because Mr. Simms would not meet Mr. Maylem's lower bid. In the end, Delta paid about 3% less than during the previous renewal (*BI*, July 11).

"Delta was a great loss to us, but we felt that rates in general reached an unsatisfactory low. "We had to make a decision to hold the risk at an unreasonable rate until we are in a position to get a satisfactory premium, or let it go. In this case, we were forced to withdraw."

Ariel also lost its position as lead underwriter for USAir Inc. earlier this year, after U.S. underwriters undercut Mr. Simms' bid.

Ariel had offered USAir a rate decrease of 5 cents per $100 of insured value on its hull coverage, but Mr. Simms said that U.S. underwriters offered an even more generous rate cut, though he did not state how much of a rate decrease the Americans offered.

In fact, USAir placed its coverage without tapping any London insurers (*BI*, March 28).

Alaska Airlines Inc. also switched a large portion of its aviation coverage to U.S. insurers from London underwriters, including Ariel, when it renewed in January because the London market's bids were too high, Mr. Simms said.

Besides losing business from some of the major airlines, Ariel has also told aviation brokers that it will no longer accept general aviation risks.

"We are not withdrawing from aviation, but we are withdrawing from certain risks if the premium rates offered are unreasonable," he notes.

"If we are wrong, then other underwriters will get fat and have more business. But for us, it is impossible to continue trading in loss."

Despite the cutbacks, Mr. Simms' office is still graced with many model jetliners that represent the airlines for which his syndicate still serves as lead underwriter. And, some airlines are still sticking with Ariel despite rate increases.

For instance, Pan American World Airways was hit with about a 20% rate increase during July renewals, mostly as a result of the crash of a Pan Am jetliner near New Orleans in July 1982. That crash generated $4.5 million in hull losses and about $39 million in liability claims.

Yet, despite the increase, Ariel is still the lead underwriter for Pan Am in the London market. United States Aviation Insurance Group Inc. is Pam Am's U.S. lead.

Besides Pan Am, according to Mr. Simms, Ariel is the lead London aviation underwriter for Federal Express Corp., Piedmont Airlines, Frontier Airlines, Hawaiian Airlines, Ozark Air Lines, Northwest Orient Airlines and Trans World Airlines.

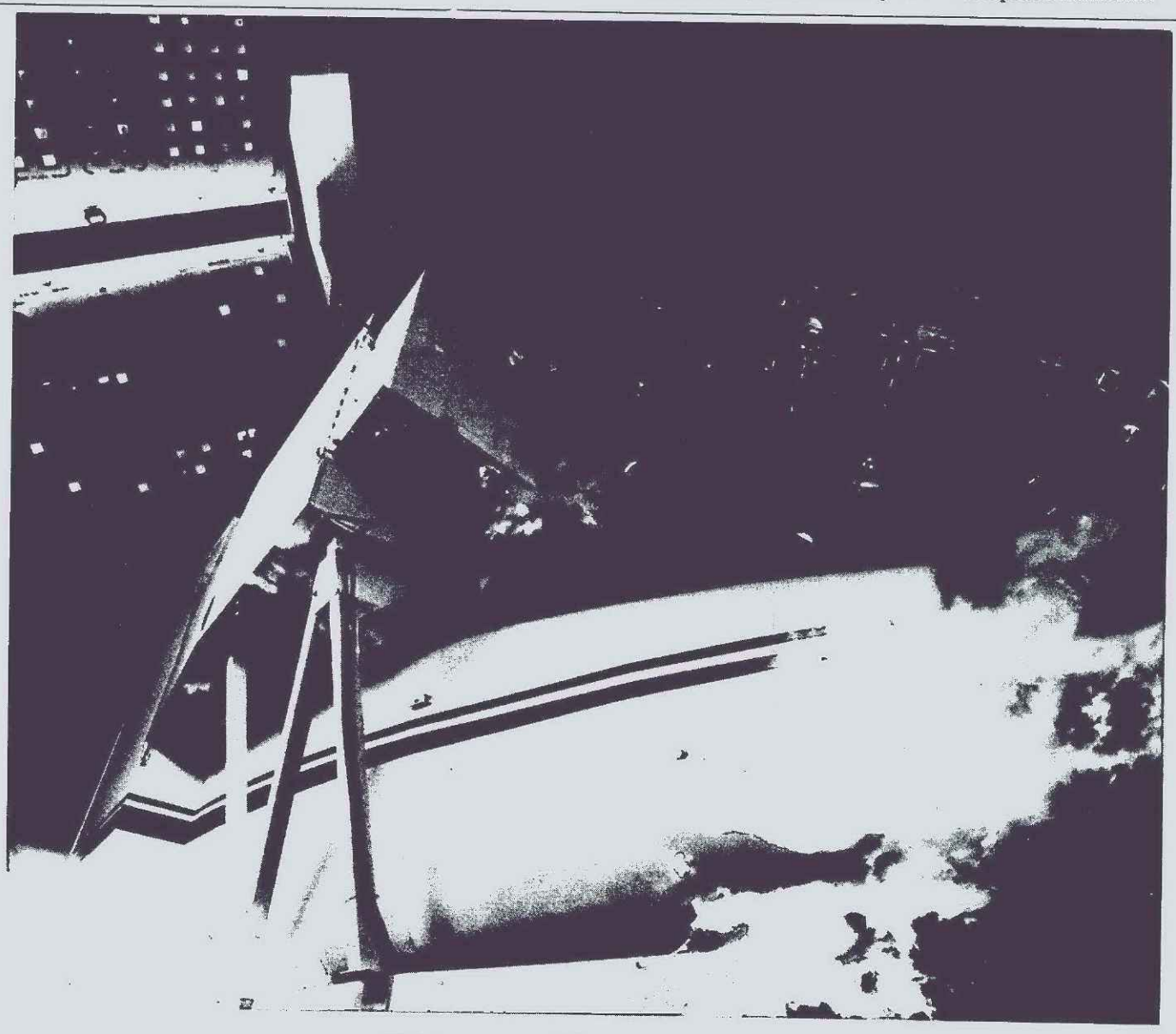
In addition, Ariel serves as the joint London lead for United Airlines along with British Aviation Insurance Co. Ltd.

Besides underwriting aviation insurance, Mr. Simms and his syndicate are also heavy into aerospace-related coverages, particularly liability insurance for space vehicles and satellites. In fact, Mr. Simms notes, Ariel was one of the first insurers to write commercial satellite coverage.

For instance, Ariel recently became the new Lloyd's lead reinsurer for the Indian National Satellite System's 1B satellite, better known as Insat. Insured for more than $83 million, it was launched by the space shuttle Aug. 30.

The first Insat satellite, whose reinsurance coverage was led by Mr. Maylem, was declared a $65 million total loss last year because a malfuction consumed a large amount of fuel, shortening its operational lifetime (*BI*, July 19, 1982).

Mr. Simms is also currently discussing a liability insurance package that would protect all of the contractors on the space shuttle against third-party liability. The syndicate is currently the lead space risk underwriter for Rockwell International Corp., the shuttle's prime contractor. ■



VISTA. BECAUSE SAFETY IS THE BEST POLICY.

At AAU we've been concerned with aviation safety for over 52 years. And frankly, we think it should pay off with more than self-satisfaction and a sense of professionalism. So, we've designed a new insurance program that will reward your client with something more tangible at the end of each year of safe flying: reduced cost. Specifically, we believe the reward should be a return of a portion of the annual premium. It's called VISTA. To find out more information about how your client might qualify, contact your nearest AAU office for further details.

We at AAU believe that we will all benefit from the safer operations that result.

AAU FLYING FIRST CLASS

ASSOCIATED AVIATION UNDERWRITERS 90 John Street, New York, New York 10038 • ATLANTA • CHICAGO • DALLAS • DENVER • DETROIT • KANSAS CITY • LOS ANGELES • SAN FRANCISCO • SEATTLE

Proposed British helicopter rules stir debate

By STACY SHAPIRO and LEN STRAZEWSKI

LONDON—How safe are the whirlybirds that beat their blades over most major cities and industrial areas?

Helicopter operators, government officials and insurance underwriters in Britain are debating this question with a new intensity in response to several recent helicopter accidents. And the British Civil Aviation Authority is making the issue more than a debate.

The CAA has abandoned its plan to introduce a voluntary safety code for helicopters and instead is drafting safety legislation that will be "the strictest of its type in the world," according to a CAA spokesman.

The legislation, setting precise standards for commercial and general helicopter operations, is drawing strong protest from helicopter operators, who claim that helicopters already operate safely as evidenced by a good safety record and stable insurance costs.

The operators also say that implementation of the CAA's proposals will cost a lot of money and may put some companies out of business.

Although the CAA began researching its proposals more than two years ago, the government agency and a concerned public could now counter that recent helicopter accidents indicate a need for sterner controls.

In the past two years, Britain has seen six total helicopter losses, three of which involved deaths.

The two most recent accidents both involved British Airways helicopters.

One chopper ditched into the North Sea just before British Airways renewed its hull and liability insurance last January. There were no serious injuries (*BI*, March 28).

The other accident, however, was a national disaster. In mid-July, a British Airways Sikorsky 61 helicopter crashed and sank on the way to the Scilly Isles, killing 20 vacationers on board, of which eight were children. Whole families were wiped out and only six people survived.

The aircraft was insured for $2 million dollars and liability claims are not expected to be very high, but the disaster was widely reported (*BI*, July 25).

The accidents were not a direct motive for the new safety standards, both operators and the CAA agree. The design of the rules began with a working party formed in 1980 that included helicopter operators, manufacturers and CAA representatives.



Photo: United Technologies

British helicopter operators say the proposed standards would especially hurt companies that fly to the North Sea oil wells.

The group eventually drafted voluntary safety guidelines that were submitted to operator groups for comment in 1982. The groups rejected them completely, according to the CAA, so the government authority decided to make the rules mandatory through legislation.

The proposals, a 16-page document, define the complex standards of performance that are appropriate for public and private transport helicopter operations and establish performance groups for several categories of helicopters.

More than 30 different types of helicopters are flown in Britain, with hull weights ranging from 1,300 pounds and to 47,000 pounds.

The rules are designed to make sure that "flights are dispatched at a safe weight in relation to the helicopter's capability, both with all engines operative and when only one engine is operative," says the code.

Three basic helicopter categories are covered by the code. Code group A commercial helicopters (large helicopters designed for commercial use) can carry more than 5,700 kilograms (12,540 pounds) and 15 passengers if they follow the performance instructions. Code group A-restricted (smaller helicopters designed for commercial use) cannot exceed 5,700 kilograms at takeoff or carry more than 15 passengers.

Code group B helicopters (small units not designed for commercial use) cannot carry more than 2,730 kilograms (14,806 pounds) or carry more than nine passengers at takeoff.

The proposals give each group a set of instructions for takeoff, flying en route and landing that are

Continued on facing page

PROPERTY • CASUALTY
REINSURANCE
AVIATION • MARINE
Domestic • Foreign
Treaty and Facultative
Dominion Insurance Company of America
Uberrima Fides
127 John Street, New York, N.Y. 10038
Tel: 212-635-2700
TWX: 710-581-3981

"First, develop a mutual trust. Only then can you motivate highly skilled individuals to achieve a common goal."
Neil Small talks about The Structured Settlements Company™



"It's like crewing a racing sailboat when the pressure is really on. Every crew member has a special skill, and the outcome of the race depends on each individual putting that skill to work at exactly the right moment. Every catastrophic injury and wrongful death settlement case involves a number of highly skilled, intelligent individuals who must resolve the matter carefully, thoughtfully, and in a timely manner. I think that the most important elements we contribute are developing a sense of trust, opening lines of communication and providing a multi-dimensional solution which fulfills the requirements of all the parties involved."

THE STRUCTURED SETTLEMENTS COMPANY™
5757 West Century Boulevard
Los Angeles, California 90045
East Coast Office: 800-237-6361
West Coast Office: 800-421-2022
In California: 213-642-1999
In Florida: 813-823-2666
Offices in: Los Angeles • San Francisco • St. Petersburg • Toronto

Continued from facing page
designed to produce the safest possible flight for aircraft, either performing normally or without the use of an engine, said the CAA spokesman.

These instructions, however, vary according to the weight of the aircraft under certain conditions, the temperature and weather at takeoff and landing, space requirements for takeoff and landing and the minimum altitude of the helicopter in flight.

For example, all helicopters in code group A must be able to climb 1,000 feet above the site of takeoff and remain there, even if one engine fails. The aircraft must also be able to clear all obstacles less than 35 feet in height at takeoff.

On any flight, code group A aircraft should fly above 1,000 feet and be capable of clearing all obstacles in its path if a critical engine becomes inoperative.

Commercial flights should not take place at night, when the cloud ceiling is less than 600 feet or when visibility is less than 1,000 meters, according to the proposed code. Takeoffs and landings in a heavy tailwind are also restricted.

Generally, the code demands that a pilot know before takeoff whether he or she will be able to land the helicopter safely in all conditions if an engine fails.

The CAA sent this code of practice to helicopter operators in December and waited for comments. They received none, but helicopter operators say that their rejection reflects a desire for more flexible standards, not a demand for no regulation at all.

"I don't know anyone who would follow it (as proposed). It does not reflect the true nature of the helicopter's flexibility," says Capt. Eric Brown, chief executive of the British Helicopter Advisory Board, which represents most of the 120 commercial helicopter operators in Britain.

"The parameters of the legislation have got to be commercially realistic, but at the same time provide maximum safety."

Until now, helicopter operators have had to follow minimum regulations, he notes.

"The British Air Navigation Order 1980 just gives us the legal parameters," Capt. Brown says, using manufacturers' specifications as guidelines for use.

Under this order, helicopters could fly as low as 500 feet above land or as high as necessary up to the maximum altitudes listed by manufacturers.

The new order also requires the CAA to approve every operations manual, which sets manufacturers' safety flying standards and flight capabilities.

The order, however, does not set uniform operations standards for helicopters, although the CAA does set such rules for other aircraft.

"The air navigation (general) regulations set out the weight and performance requirements for airplanes of vaious groups," notes the CAA's introduction to the helicopter performance code of practice. "There are at present no equivalent helicopter regulations and helicopter performance control is exercised through the medium of flight and operations manuals with supervision from the flight operations inspectorate of the CAA."

In spite of the recent accidents, the code is still unnecessary and probably commercially prohibitive, he says.

For example, the CAA's takeoff requirements will require "mini-airfields" to be larger and more complex than most helicopter landing areas in use now. These will have to be built from scratch, he explains.

Currently, helicopter landing areas are about 400 yards long, "which is all that is necessary," he says. "The codes would make us double that."

The proposed code also ignores the vast number of operators that fly to North Sea oil rigs, Capt. Brown adds.

Of the 550 civil helicopters in Britain owned by 120 operators, most must fly in rough conditions off the coast of northern Scotland, where the rigs are based. They make as many as 2,000 trips each day to and from and around the oil rigs in some of the roughest weather conditions.

An oil rig is 70 feet to 100 feet above sea level, explains Capt. Brown. If an engine fails, pilots can dip below the rig to pick up speed and get out of the scrap.

"But the CAA says you have to climb when an engine fails," he said. "That means that you have to have lighter payload in case your engine does fail. Instead of dipping below the rig to gain speed, you have to acknowledge the rig's height (and fly over it)."

Continued on next page

Inland AND *Ocean Marine*

FACILITIES AVAILABLE
TO AGENTS & BROKERS OF MEMBER COMPANIES

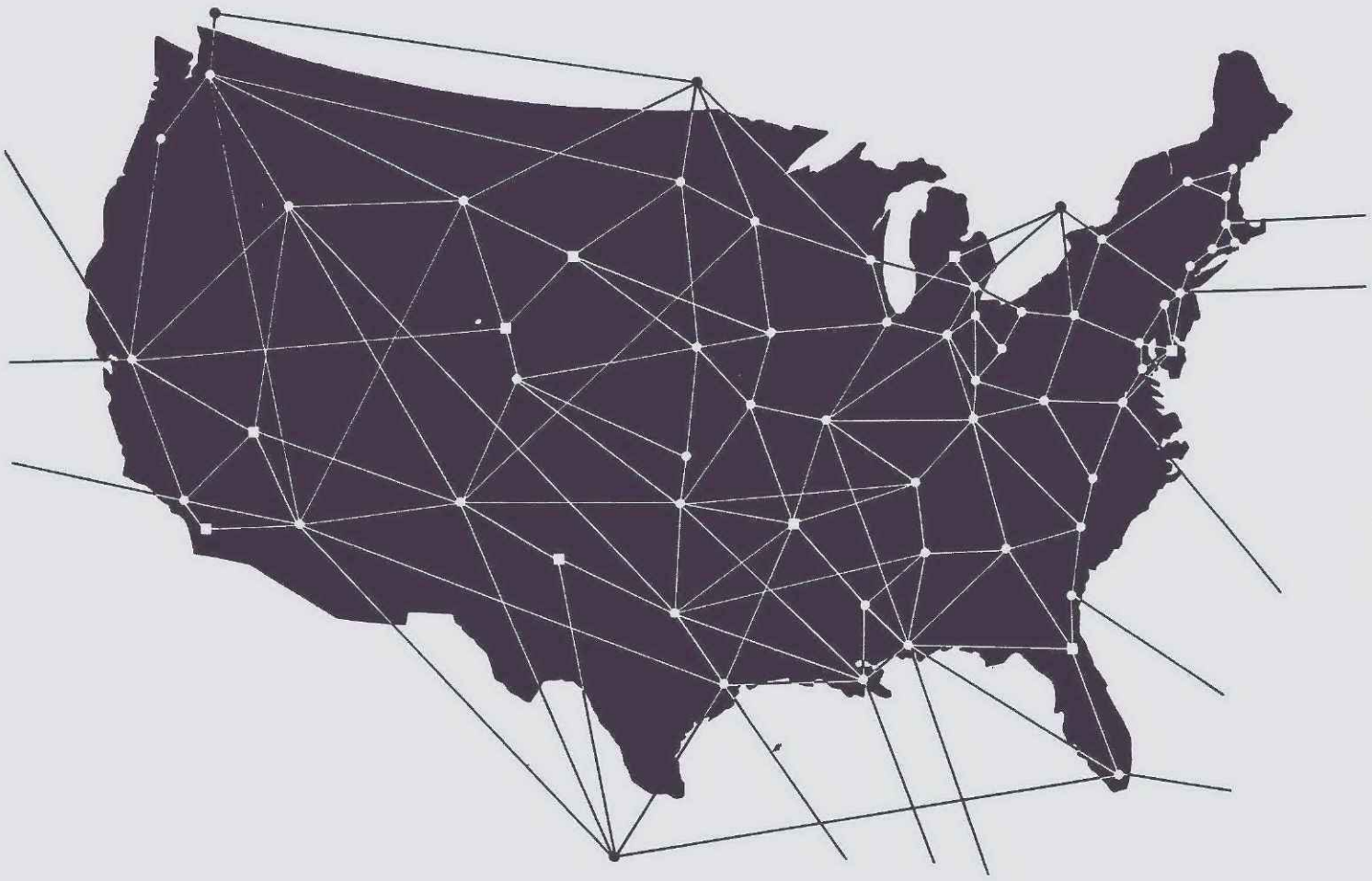
MUTUAL MARINE OFFICE, INC.

100 PARK AVENUE, NEW YORK, N.Y. 10017 • 212—953-0580

General Managers
NEW YORK MARINE AND GENERAL INSURANCE COMPANY

— Marine Managers —

ARKWRIGHT-BOSTON INSURANCE COMPANY
ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL INS. COMPANY
EMCASCO INSURANCE COMPANY
EMPLOYERS MUTUAL CASUALTY COMPANY
GRAPHIC ARTS MUTUAL INSURANCE COMPANY
LUMBER MUTUAL INSURANCE COMPANY
MUTUAL FIRE, MARINE & INLAND INS. COMPANY
PENNSYLVANIA NATIONAL MUTUAL CASUALTY INS. CO.
UNION MUTUAL INS. CO. OF PROVIDENCE
UTICA MUTUAL INSURANCE COMPANY



ASSUREX. . . EVERYWHERE

Well, almost everywhere. The dots, 59 of them, show where our current partners are headquartered. In the coming months we'll add partners in areas represented by the squares.

In addition, 64 branch offices (not shown) mean wherever your company has exposure, there's an independently-owned Assurex partner nearby. . . including affiliates in 14 foreign countries. . . ready to work for you.

Over 4,000 professionals. . . experts in reducing your insurance and risk management costs. . . like the ones below:

BOLTON AND COMPANY
1100 El Centro Street
South Pasadena, CA 91030

FRED. C. CHURCH, INC.
24 Merrimack Street
Lowell, MA 01853

H. C. KNIGHT & CO.
320 Walnut Street
Philadelphia, PA 19106

KREIDLER-SHELL, INC.
250 Central Trust Building
309 Vine Street
Cincinnati, OH 45202

PARKER, SMITH & FEEK, INC.
1919 Bank of California Center
900 4th Avenue
Seattle, WA 98164

ROACH-HOWARD-SMITH & HUNTER, INC.
1661 Northwest Highway
Garland, TX 75041

Assurex
INTERNATIONAL 6480 Busch Blvd. Columbus, Ohio 43229 (614) 888-4869

KM INSURANCE COMPANY
A Member of the K mart Insurance Group

Commercial Lines
- Specializing in medium to large size accounts
- Working through Independent Agents & Brokers
- Full service company offering unbundled plans

5720 LBJ FREEWAY, SUITE 500
DALLAS, TEXAS 75240
214/991-1515

Call or write: Diane N. Sandlin, Marketing Manager

Operators say helicopters are safe

Continued from previous page

Night-flying limitations "may put half the companies out of business," he adds, by limiting flying time during winter.

Operators instead want authorities to stress the importance of safe operating techniques that are already in existence, he says.

"We do not think changes are required because our safety record is excellent. We just want the operational codes that are already used to be standardized. We do not want new rules."

Underwriters agree. Despite recent losses, insurance industry experts believe that helicopters are relatively safe.

The recent loss record is not astounding, explains Barry Coleman, former chairman of the Lloyd's of London Aviation Underwriters Assn. and an underwriter for several Lloyd's of London syndicates.

"They (helicopters) are workhorses that are used for logging, carrying heavy weights, going to oil rigs in bad weather," he says. "Any workhorse can have a bad loss record."

About 18 months ago, insurance rates for helicopters rose slightly, but now they are relatively stable, reflecting the stable loss record, Mr. Coleman notes. Rates can vary from as low as 8 cents per $100 of hull value to up to 25 cents per $100, depending on aircraft age, use, operator record and manufacturers' specifications.

After further discussion with operators, the CAA must submit the proposed regulations to Britain's Secretary of State for Transport for approval. The Secretary of State then must introduce the regulations in Parliament, where they must be enacted.

In the United States, government bodies are also concerned about helicopter safety. At least two cities, New York and Houston, are considering banning transportation helicopters from their cities or severely restricting their commercial use through safety and equipment ordinances.

Houston has also stopped approving construction permits for new helipads.

"There are ordinances kicking around the city councils of many major cities," remarks Kenneth Woolnough, safety officer for the Helicopters International Assn., a Washington-based trade group representing helicopter operators and manufacturers.

"But all of the ordinances boil down to one regulation: banning helicopters from the cities. The ordinances would either kick us out directly or regulate operators so intensely that continued operation would be unprofitable."

Two East Coast accidents last month—one in New Jersey and another on 34th Street in New York City—have again raised the question of helicopter safety, but Mr. Woolnough says helicopter safety statisitics continue to improve.

The rate of helicopter mishaps, according to the HIA, dropped to 4.6 per 100,000 hours of operation in 1982, down from 11.3 per 100,000 as reported by the National Transportation Safety Board in 1981.

"I'll stack that record up against any other kind of aircraft," he says.

The main reason for public distrust of helicopters, aviation experts say, is noise, not accidents.

"That frequently makes helicopters a political issue in city councils," Mr. Woolnough says. "Politicians play off the concerns of their constituents who are aware of helicopter traffic only because they hear them, not because of frequent accidents."

The Federal Aviation Administration, the U.S. counterpart of Britain's CAA, regulates helicopters but has generally kept restrictions simple with rules similar to those included in Britain's Air Navigation Act. More restrictive guidelines, similar but not quite as strict as those being drafted by the CAA, have already been prepared by the FAA but were never promulgated.

Jay Lavenson, executive vp of broker Bayly Martin & Fay of Pennsylvania Inc. in Philadelphia, also notes that U.S. underwriters are aware of the helicopters' consistent safety record.

"Helicopter rates have stayed almost the same for the past few years," he says. "Helicopter hull insurance costs are about four times normal aircraft rates, but that's in recognition of their generally higher repair costs, not safety problems."

More insurers are interested in the coverage than ever before, he adds. Although much of the coverage for U.S. operators is placed with Lloyd's and other London-based insurers, United States Aviation Insurance Group has also been underwriting the coverage in recent years.

"The only insurance problem I can for see for helicopters involves coverage for Medivac operations, helicopters used for medical transport," notes Mr. Lavenson, who joins the Aircraft Owners & Pilots Assn. as director of insurance next month. "I can foresee a need for a combination of liability and medical malpractice coverage being needed by such operators, but that, too, has little to do with safe operations." ■

For Marine Insurance...

PEG

Pacific Employers Insurance Company

137 Avenue Louise,
1050 Brussels, Belgium.
Telephone: 538 00 90.
Telex: 22301 PEGINAB.

Underwriters Marine Services, Inc.

Suite 1516, One Shell Square
New Orleans, Louisiana 70139
Phone (504) 522-0803 • Telex 78-4045

UMS

3345 Wilshire Boulevard, suite 1000
Los Angeles, ca. 90010
Phone (213) 383-4414

compu-RISK™ software

THE AFFORDABLE* ALTERNATIVE IN MICRO-COMPUTER PROGRAMS FOR RISK MANAGEMENT

Now available for:
- IBM-PC and IBM compatible computers
- Apple II, Apple II Plus, Apple IIe and Apple III

PRICE: *$165.00 per program

For information write or call:

Compu-Risk Software
1326 WILDER STREET
THOUSAND OAKS, CA 91362
(805) 497-6200

Apple is a trademark for Apple Computer, Inc.
IBM is trademark for IBM Corp.

Corporate pilots refresh their skills

Continued from page 3

says.

Operating actual aircraft is not only more risky than simulation, but more costly, Mr. Breiling says.

Running a Gulfstream III plane costs about $5,000 per hour. To provide a pilot with 10 hours of training in its operation would cost $55,000. Mr. Breiling says the same training could be provided on simulators for $12,000 to $14,000.

The use of simulated training "could cut training costs in half," he notes.

Ten hours of simulated training is average; the remainder of the recurrent session is devoted to classroom instruction.

The most effective classroom training is given on a graduated basis, Mr. Breiling says. For example, a pilot must correctly answer questions on a plane's hydraulic system before he can study its electrical system. If he answers questions incorrectly, he must review the information until "he has a complete understanding of the airplane's working."

The typical cost to a company to train its pilots twice a year is between $5,000 and $15,000 per person per year, he says, depending on the complexity of the particular aircraft involved.

The training is costly for companies with large air fleets and many pilots, but corporate air fleet managers say they get their money's worth.

"It's very expensive, but it's absolutely worth those dollars. You just can't afford not to spend them in training," says Virgil Williams, chief pilot for Upjohn Co. of Kalamazoo, Mich. About 4% of the company's aviation operating budget is earmarked for pilot training.

Upjohn has used simulator training for about 10 years, Mr. Williams says, and is convinced of its merits. "You're practicing procedures in the simulator that hopefully you'll never see in a real plane."

The company's eight pilots each receive 12 hours of simulated instruction twice a year, alternating every six months between two types of aircraft Upjohn flies.

Pilots for Pentastar Aviation Inc. in Detroit, a wholly owned subsidiary of Chrysler Corp., have received simulator training through FSI for about 18 years, says James R. Kraushaar, vp of operations and chief pilot.

Mr. Kraushaar estimates that Pentastar spends about $10,000 per pilot annually for training. But, he adds, that figure does not reflect such hidden costs as transportation to and from training sites and accommodations during the sessions. He estimates that these costs could climb to $1,000 per pilot per week.

Each of the company's nine full-time pilots trains at least twice a year, and those who are qualified to operate three of the company's aircraft train three times a year.

"The simulator training more than makes up in safety what it costs in money a year," he says.

United Technologies Corp. in East Hartford, Conn., employs a flight crew of about 55, including a flight engineer and several flight attendants, to operate its fleet of 20 planes and helicopters.

Each of the pilots is trained once a year for each type of plane he flies. All are qualified on at least two types of aircraft, so they receive training twice a year. The training is a combination of FSI instruction and in-house resources.

"Training is a very high priority here," says Wesley R. Holder, director of aircraft operations.

The corporation spends about $400,000 annually to train its pilots, who operate from six locations, Mr. Holder estimates.

"It's very expensive, but abso-

Continued on next page

ANDREWS LITIGATION REPORTERS

CONCERNING:

Asbestos—Automotive—Aviation—DES
Hazardous Waste—Iranian Assets—OB/GYN
—Toxic Chemicals

We publish twice-monthly highly authoritative, often cited, *Litigation Reporters* in each of these specialized litigation areas. These national journals of record carry the latest significant opinions, orders, rulings, pleadings and filings. We publish texts within days.

Subscribers include plaintiff and defense attorneys, insurers, federal judges, magistrates, government agencies and corporate counsel. The subscription renewal rate for our journals is constantly near 100%. Call or write to subscribe, or for more information.

ANDREWS PUBLICATIONS, INC.
P.O. Box 200, Edgemont, PA 19028 (215) 353-2565
The Pioneer in Litigation Journals

The company that had 225 years of international insurance experience before it existed is now one year old.

If you write overseas coverage for U.S. businesses or U.S. coverage for overseas companies, you really should get to know ÆGEN International.

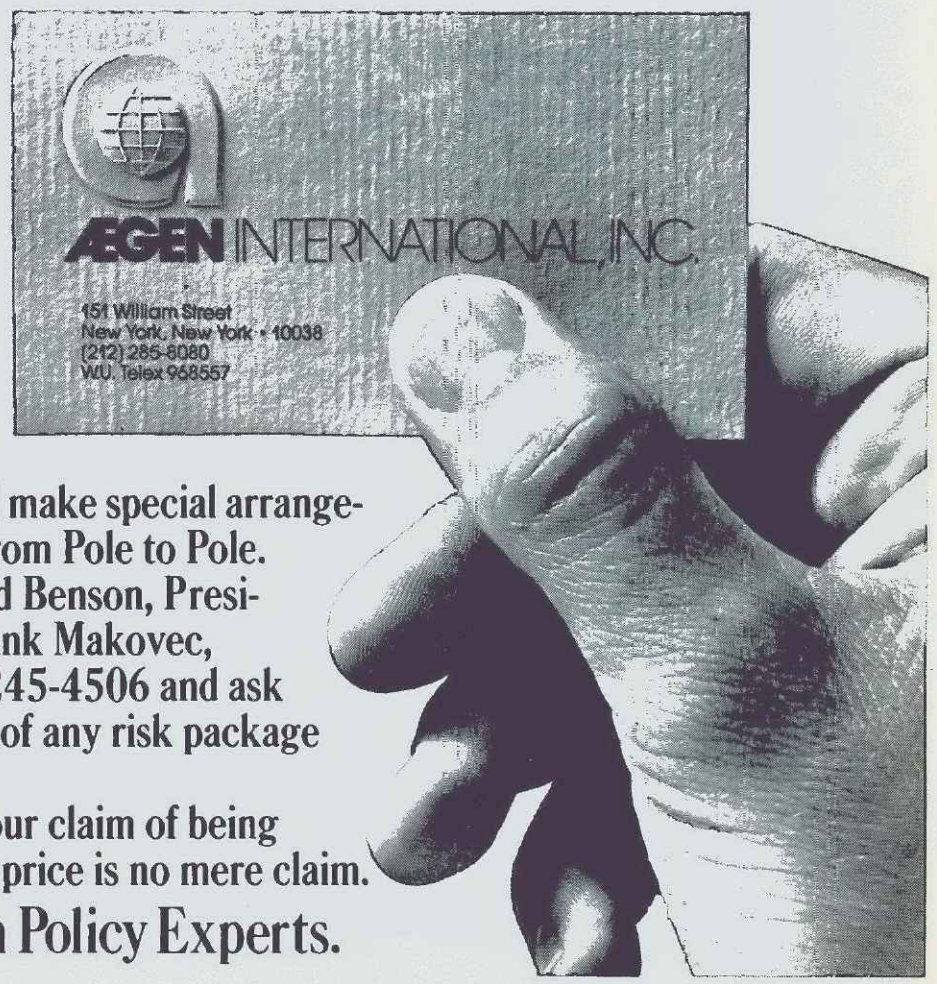
We pool the resources and experience of three of the oldest and biggest names in insurance: Ætna Life & Casualty, Generali of Trieste, and Taisho of Tokyo.

Thanks to our international network, we can offer you very competitively-priced insurance in over 70 countries. Or, we'll make special arrangements for you anywhere from Pole to Pole.

So why not dial David Benson, President, Dennis Fassett or Frank Makovec, Vice Presidents at 1-800-245-4506 and ask for a no-obligation review of any risk package you're handling.

We think you'll find our claim of being competitive in service and price is no mere claim.

ÆGEN. The Foreign Policy Experts.



Corporate fleet coverage can vary

Insurance coverages for corporate air fleets vary greatly depending on the specific operations and needs of the company.

Typically, the hull is insured on an all-risk property basis for what it would cost to replace the entire aircraft, says Daniel M. Izard, executive vp at Associated Aviation Underwriters in New York.

Coverage for the hull is frequently written on the same policy as liability coverage, but with a separate limit.

A Fortune 500 company with corporate aircraft might typically carry $100 million in liability coverage for bodily injury to passengers, bodily injury to third-party persons not on the plane and third-party property damage, Mr. Izard says.

Many companies also purchase $250,000 to $500,000 per passenger seat in admitted liability coverage. Although this is an optional coverage, at least half of AAU's corporate aircraft accounts carry it. Corporations often buy this coverage for employees in hopes of discouraging lawsuits in the event of an accident.

If AAU pays a voluntary settlement on this coverage at a policyholder's request, the policyholder is asked to sign a waiver releasing the insurer from further liability.

Companies often also take out additional medical coverage of between $5,000 to $10,000 per passenger. This is primarily designed for first-aid care, short-term hospital stays, funeral expenses or other instances that would require immediate claims service.

Firms also buy non-owner aircraft liability coverage. This would cover any exposures incurred when the corporate pilot flies aircraft other than the company's, such as in the case of a chartered flight.

If several of a policyholder's aircraft were involved in one accident, policy limits do not apply on a per-plane basis but rather a per-incident basis.

There is rarely a deductible on liability coverage, but deductibles on jet hulls may run up to 1% of the total insured value if an accident occurs while the craft was in motion. The deductible may be slightly less if the plane was stationary.

Helicopter property deductibles range from 1% to 5% of total insured value, Mr. Izard said.

Premium for the hull and liability coverage varies considerably, he explains, according to such criteria as the flying experience of the crew, the frequency of flights, the type of aircraft, how the aircraft is stored, what airfields the company frequents and the part of the country in which the craft does most of its flying.

Premium for the hull is generally calculated on a per-$100-of-insured-value basis. Liability premiums are typically based on the number of revenue passenger miles flown.

Simulators train pilots

Continued from previous page
lutely necessary. We utilize our assets to the maximum advantage to the corporation," he says.

Many insurers encourage corporate aircraft policyholders to enroll their pilots in recurrent training, and at least one offers an incentive to do so.

Associated Aviation Underwriters offers certain policyholders premium refunds of up to 15% through its VISTA Aviation Insurance Program.

Select policyholders are eligible to receive a premium refund of up to 10%, determined by "our share of profits based on their good experience," explains Daniel M. Izard, executive vp of AAU in New York.

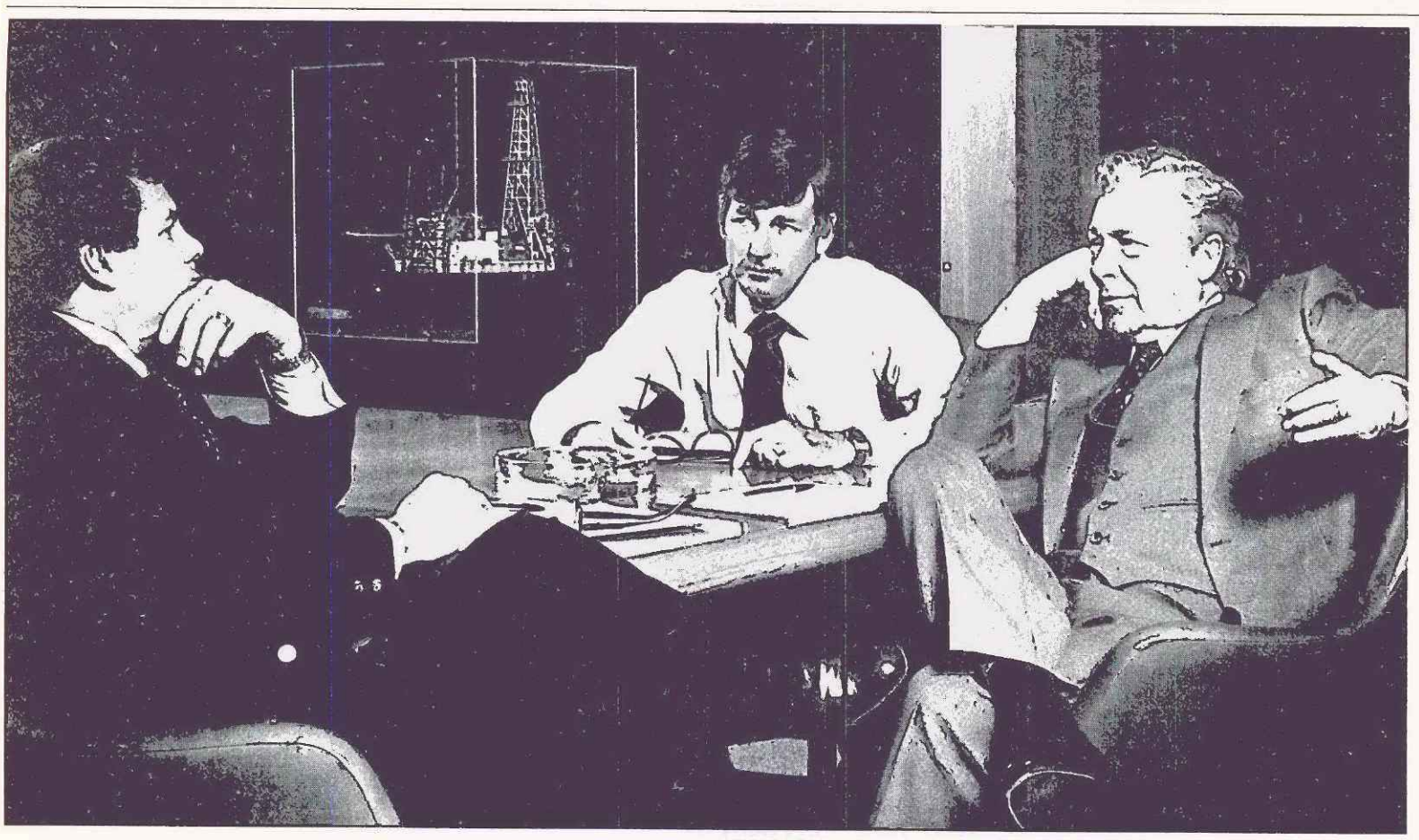
And, each member of this group of policyholders can receive a further premium adjustment of up to 5%, based on the overall experience generated by the entire class.

The VISTA program, which was marketed in May, is offered to policyholders that meet three main requirements, in addition to general underwriting criteria.

The company must be enrolled in a recurrent training program that uses simulators or a similarly run program approved by AAU. It must use a flight operations manual approved by the insurer's safety and engineering department. And, the policyholder must be a member of the National Business Aircraft Assn., a lobbying and information group representing the business aviation industry.

It is expected that these criteria will identify policyholders with the safest operating practices.

"We've had very good response from operators because it helps them justify their safety-related costs," he says. But, he adds he cannot predict what the results of the program will be until after it has been in effect for a full year. ■



How to find an insurance broker your company can trust.

Look for a broker big enough to handle the job.

Adams & Porter has the strength to provide any type or amount of insurance, anywhere in the free world. No single brokerage house is bigger in insuring the world's offshore risks.

Look for a broker small enough to care about your business.

Adams & Porter has grown and is growing, certainly. But not for mere expansion's sake, a practice that often spreads service too thin. Adams & Porter will not outgrow our service priorities.

Look for a broker that is thoroughly experienced.

Adams & Porter has been in business since 1907. We manage offshore captive insurance companies, own the Citadel Insurance Company, and maintain binding insurance placement and claims settlement capabilities in U.S., London and European markets.

Look for a broker that is reliable.

Adams & Porter has built an outstanding reputation for long-term client associations. No one has settled more offshore claims. No one can top our record of client retention.

Look for a broker that is creative.

Adams & Porter is noted for providing the right coverage for the right needs, even if an insurance program has never been designed the same way before. We put our creativity into a frame of common sense.

And then, look for a particular account manager who will be there when you need him.

Adams & Porter's account managers are the only owners of our company, so they have plenty of incentive to care about yours. As a private company, we are able to respond quickly to your needs and to promise a healthy continuity of account management.

Begin by calling or writing.

Adams & Porter would be pleased to send you a brochure that explains how we deliver insurance the way it's never been accomplished before.

ADAMS & PORTER ASSOCIATES, INC.
1819 St. James Place • Houston, Texas 77056 • (713) 960-9990

From The Reprint Department Of:
business insurance
Reporting weekly for corporate risk, employee benefit and financial executives

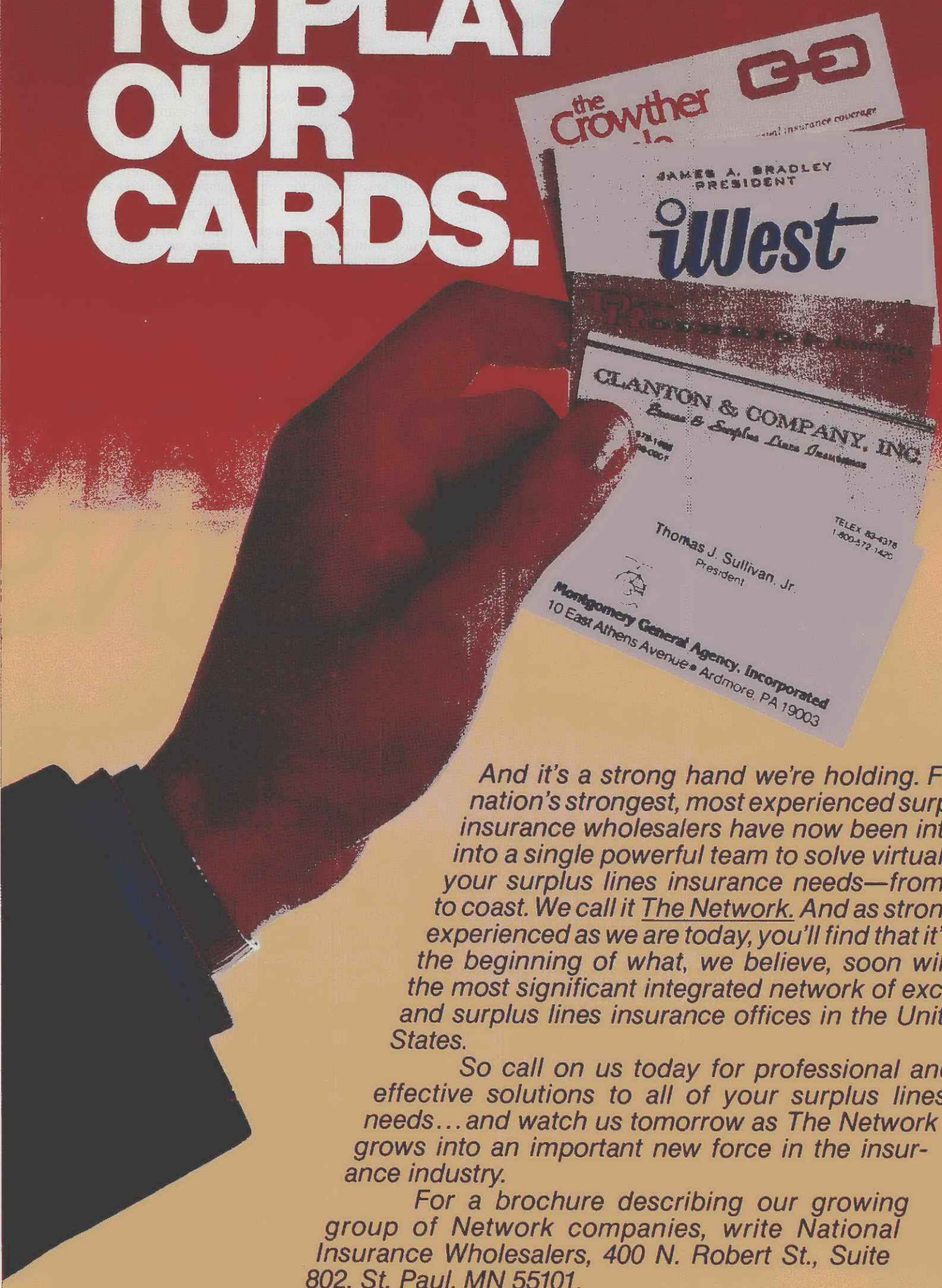
Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurance
220 E. 42nd St.
New York, N.Y. 10017
212-210-0131
212-210-0229
*New prices effective 1/1/83

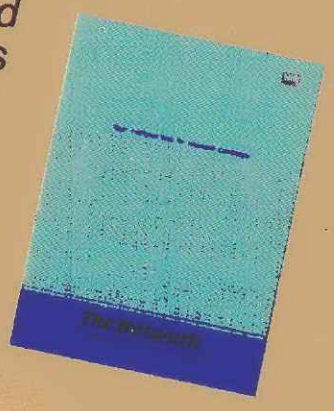
WE'RE STARTING TO PLAY OUR CARDS.



And it's a strong hand we're holding. Five of the nation's strongest, most experienced surplus lines insurance wholesalers have now been integrated into a single powerful team to solve virtually all of your surplus lines insurance needs—from coast to coast. We call it The Network. And as strong and experienced as we are today, you'll find that it's just the beginning of what, we believe, soon will be the most significant integrated network of excess and surplus lines insurance offices in the United States.

So call on us today for professional and effective solutions to all of your surplus lines needs…and watch us tomorrow as The Network grows into an important new force in the insurance industry.

For a brochure describing our growing group of Network companies, write National Insurance Wholesalers, 400 N. Robert St., Suite 802, St. Paul, MN 55101.



NIW
National Insurance Wholesalers

The Network

Your national link to unusual coverages.

Aviation departments require safety programs

By STEVE TARAVELLA

Management support, careful in-house maintenance, thorough pilot training and limits on the number of hours a pilot may fly are key elements of a successful corporate aviation saftey program, industry insiders say.

Corporate air fleets play a major role in the operations of many U.S. businesses, and, thus, should have their own safety program, just like other corporate operations, recommends Joseph R. Bailey, president of Aerospace Management Services International, an aviation consulting firm in Arlington, Texas.

Corporate aircraft are an expensive asset—one that safety departments should be concerned with. In 1981, for instance, 536 of the Fortune 1,000 companies operated 2,229 aircraft, with a total dollar value of $4.11 billion, according to Aviation Data Services, a business and commercial aircraft information clearinghouse.

And last year alone, 300 corporations flew a total of more than 2 billion miles.

Companies with corporate air fleets generally do have effective safety programs and disseminate safety information among personnel thoroughly, says Mr. Bailey.

"In the high majority of cases, (corporate aviation departments) are very aware of safety and, in most cases, the practices are excellent," he observes.

But, he adds, occasionally aviation departments grow so quickly that the creation of any kind of a safety program is overlooked. "Optimally, a safety program must be started as soon as the aircraft is acquired," he suggests.

Some companies that operate their aircraft without sophisticated safety procedures do so because of financial considerations, particularly the great expense of pilot training (see story, page 3). But Mr. Bailey advises risk managers that money funneled into improving the safety of a company's operation is more of an investment than an expense.

"Safety can be directly related to money. Your key executive personnel are the people who are flown in these craft. What are they worth to you? Their well-being is of the utmost concern because they are the company, so safety has to be the utmost (concern)," he says.

A major area of safety concern is the corporation's maintenance procedures, Mr. Bailey says. "Ideally, the company should have its own (maintenance department), but this is a cost factor, too."

The less work that is contracted out, the more opportunity the company will have to supervise that work, he adds.

All tool calibrations should be current and any flammable supplies used in maintenance, like paints, should be stored separately, AMSI advises. To prevent a fire hazard, all paint work and battery work should be completed in separate working areas.

"We feel that maintenance plays a very big role in a successful flight operation," agrees Virgil Williams, chief pilot for Upjohn Co. in Kalamazoo, Mich. "If you have a good maintenance program, you eliminate a lot of problems."

Another area that has traditionally been an area of concern to aviation safety managers is pilot fatigue. Restricting the number of consecutive hours a pilot works is important, Mr. Bailey notes, adding that many corporate aviation departments have established their own standards.

For example, K-C Aviation Inc., a wholly owned subsidiary of Kimberly-Clark Corp. in Neenah, Wis., will not permit any of its 21 pilots in the United States and Canada to fly more than 10 hours in any consecutive 24-hour period, says Timothy E. Hoeksema, president.

> 'Your key executive personnel are the people who are flown in these craft. What are they worth to you? Their well-being is of the utmost concern because they are the company, so safety has to be the utmost (concern),' Mr. Bailey says.

Nor may a K-C pilot's flight time exceed 30 hours in any seven consecutive days or 85 hours in any four consecutive weeks, Mr. Hoeksema explains.

And, a pilot's total duty time—which includes working hours not spent in the pilot's seat—cannot exceed 16 hours without a rest period.

Kimberly-Clark pilots receive rest periods of at least 10 hours, and the length of the rest period must at least equal the length of the previous duty time, he says. In addition, each crew member must be given at least one 30-hour rest period during a seven-day period.

The amount of off-duty time pilots receive can directly affect their flying performance, Mr. Bailey says. When evaluating a corporate aviation department, AMSI checks to see if the pilots "feel like they're overworked or on call too often."

Crew members should receive routine physical examinations regularly at company expense, Mr. Bailey also suggests. "We feel this should not be left up to the pilot. It could get expensive, but it would pay off in the long run for the company to schedule and pay for physicals."

The philosophy of top management toward avaition safety is also important to the operation's success, Mr. Bailey says.

Upjohn's Mr. Williams agrees. "You must have the support of top management, both in their attitude toward flight operations and in their financial support," he says.

Other important elements that AMSI, a subsidiary of U.S. Aviation Underwriters Inc., looks for when evaluating the safety of a company's aviation operation include:

- Clean and clutter-free hangar space. Crowded hangars can be dangerous, Mr. Bailey says, noting that safety problems are compounded when employees park personal vehicles alongside the aircraft.
- Regular replacement of airplane parts. Major parts of the plane, he explains, have manufacturer-recommended life spans and should be replaced accordingly.

Continued on facing page

AMERICAN
IN REINS

Massive injury management:
the $1,000,000 coaching job

Few of us love our job as much as Frank Bernardo* loves his. He fought for it. With American Re-Insurance Company's help, he won.

He was demonstrating a lay-up when his foot slipped. He crashed to the floor and didn't get up. He was paralyzed.

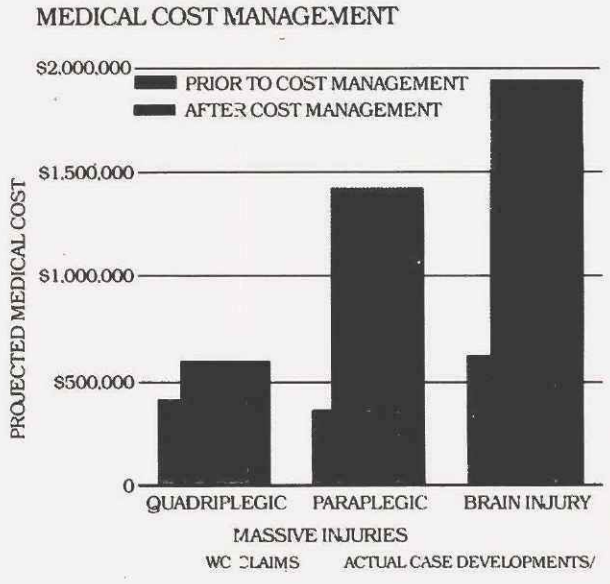
He could have spent the rest of his life helpless, confined to his home. A burden. Except for one thing. The school's insurer is an American Re ceding company. American Re had trained the insurer in medical emergencies.

They rushed him to the San Francisco trauma center. Within 48 hours he was flown to the Craig Hospital in Denver. There the appropriate medical care was continued, and psychological and physical rehabilitation was begun. They helped him fight back. So did American Re.

Bill Davis, our Massive Injury Claims Manager, helped the local claims manager and rehabilitation nurse persuade the school board to hold Frank's job open. They also arranged for appropriate home care so that Frank could concentrate on regaining physical independence.

Now Coach Frank Bernardo is back with his team. If he wasn't, his accident could have cost at least $1,000,000 more over his lifetime. What it would have cost Frank is beyond telling.

Study this graph. It shows you the



*name changed to protect privacy.

AMERICAN REDEF

Continued from facing page

- Up-to-date manuals on the aircraft's operation, performance and maintenance. Each crew member should have a copy so that he or she has a complete understanding of the plane's workings.
- Clear communication between ground crews and the aircraft. "Does the company know where the aircraft is at all times?" asks Mr. Bailey. "Surprisingly, occasionally they don't."
- Firm flight-scheduling policies. Last-minute changes can affect the weight and balance of the aircraft and disrupt the preparedness of the crew, he says. And, he adds, last-minute passengers present security risks.
- A qualified and well-trained crew.
- Access to pilots' past employment records.
- Predetermined accident reaction plans.
- Fire extinguishers that are regularly examined.
- Adequate first-aid facilities.
- A file or bulletin board through which employees can keep up to date on current safety information and notices. "We sometimes see bulletin boards where the last thing put up there is 3 years old."

Any of these safety standards are effective only to the degree that they are enforced, he reminds corporate aviation safety managers. "Is there a program to insure that the safety programs are carried out?" he asks.

To promote an awareness of safety among corporations that operate private aircraft, the National Business Aircraft Assn. recognizes pilots who fly more than 1 million miles without an accident.

The association, a lobbying and information group based in Washington, D.C., representing the business aviation industry, in 1982 recognized 1,339 corporate pilots, a spokesman reports. ■

Flying company planes can save time and money, employers say

Some large corporations whose business dealings require frequent employee travel say convenience and big savings are reasons they've begun regularly scheduled shuttle flights with company aircraft.

United Technologies Corp. in East Hartford, Conn., for example, regularly shuttles management and employees to a company-owned airport in Palm Beach, Fla., five days a week and to Syracuse, N.Y., and Fort Wayne, Ind., twice a week.

The Palm Beach shuttle saves the corporation more than $1 million annually over the cost of using commercial air carriers, estimates Wesley R. Holder, director of aircraft operations. In its four years of operation, the shuttle has carried more than 12,000 business passengers.

The Fort Wayne and Syracuse flights save about $100,000 a year combined, he estimates. Using King Air 200 aircraft, these shuttles have carried more than 2,000 business passengers to date.

But he says the convenience that the shuttle offers is of even greater advantage to the company than the savings.

"That's the prime consideration," he says. "We can't get where we want to go without our own aircraft."

Deregulation of the commercial aviation industry, he explains, has left some corporate interests poorly serviced. Many of United Technologies' business dealings are in cities that are no longer regularly serviced by commercial carriers, he explains.

For example, he says the most direct flights from Hartford to Fort Wayne on commercial airliners require two stops, so the company has found it more convenient to fly directly from its East Hartford airport to the Indiana city.

"Going point-to-point is certainly more advantageous," he says.

Other companies agree.

"We're not located in metropolitan cities, so we use it more for convenience and getting around faster (than for monetary savings)," explains Thor Pearson, manager of corporate insurance for Hyster Co., a heavy manufacturing company in Portland, Ore. "We're not so sure it's cheaper (than traveling on commercial airlines), but there's no other way for us to do it."

The company flies regularly to locations that include Berea, Ky., Kewanee, Ill., and Sulligent, Ala.

Upjohn Co. in Kalamazoo, Mich., cites savings and convenience as reasons for its shuttle flights.

A leading pharmaceutical firm, Upjohn has frequent business dealings in Washington, D.C., explains Vice Chairman Preston S. Parish. Early this spring, the company began a weekly shuttle flight between its Kalamazoo headquarters and the nation's capital.

The shuttle leaves every Thursday at 7 a.m. and returns at 4:30 p.m. The plane, which can carry 16 passengers, usually flies with about 10 employees aboard each week, Mr. Parish says.

"This (the shuttle) costs us significantly less out-of-pocket expense than if we flew commercial airlines," he says. Mr. Parish predicts that after a year of operation, the shuttle will have saved the company about $50,000.

Have management and lower-echelon employees responded positively to regular use of corporate aircraft?

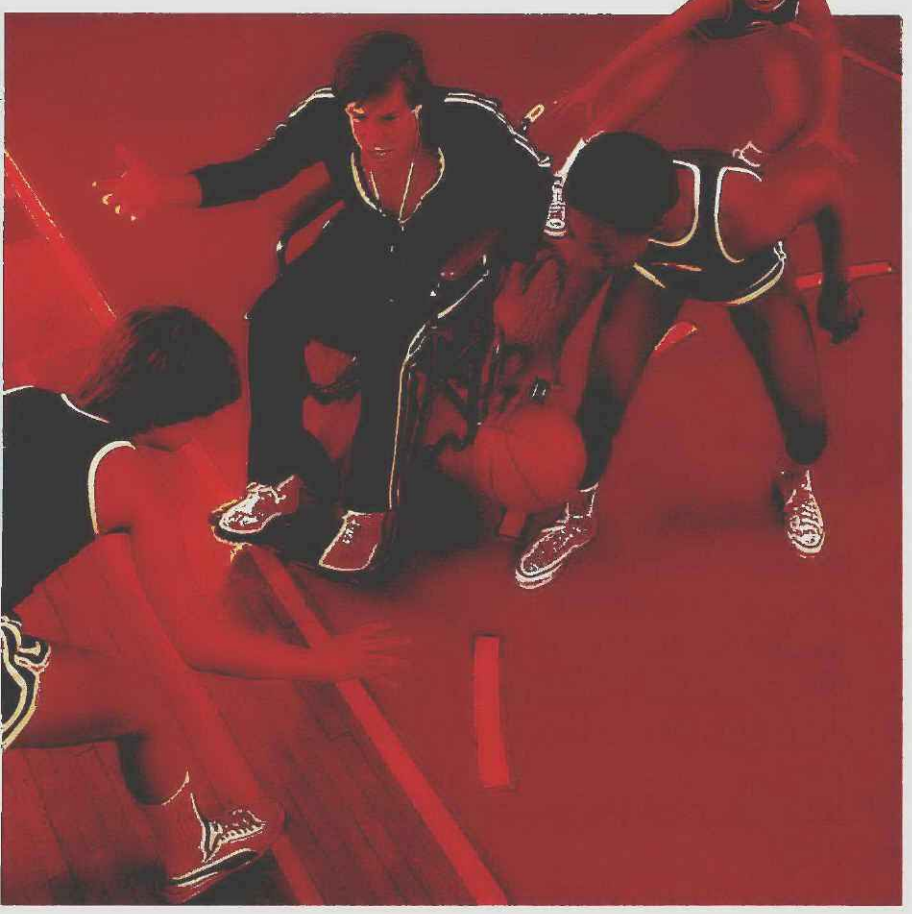
"The success of our shuttle shows that their first choice is the company aircraft," observes United Technologies' Mr. Holder.

The Syracuse and Fort Wayne shuttles have an occupancy rate of 81% and 89%, respectively, Mr. Holder says. And seat demand for the Florida shuttle usually leaves unoccupied only about 9% of the 50 passenger seats. When vacant seats exist on the Palm Beach shuttle, they may be used by employees for personal use at no cost, he says.

Mr. Holder, who sees UT's air fleet as a key tool in helping the corporation operate as efficiently as possible, says other advantages shuttling offers include better security, better baggage handling and improved food service.

"We're extremely proud of what we do and of the service we provide for the corporation," Mr. Holder says. "We satisfy all the travel needs of the corporation." ■

FRONTIERS
URANCE



difference when you cede to American Re. with our expert massive injury management service. The money you save is important, of course. But the more you save, the more you'll have done to help restore the injured person's life. Can you think of a better incentive?

If you'd like to look into this further, call Bill Davis, our Massive Injury Claims Manager, at (212) 618-7000. He managed 102 new massive injury cases in 1982. He'll tell you how you can free up your claims people, help the injured, and save enormous amounts of money for your company.

American Re-Insurance Company

One Liberty Plaza
91 Liberty Street
New York, N.Y. · 10006

NES REINSURANCE

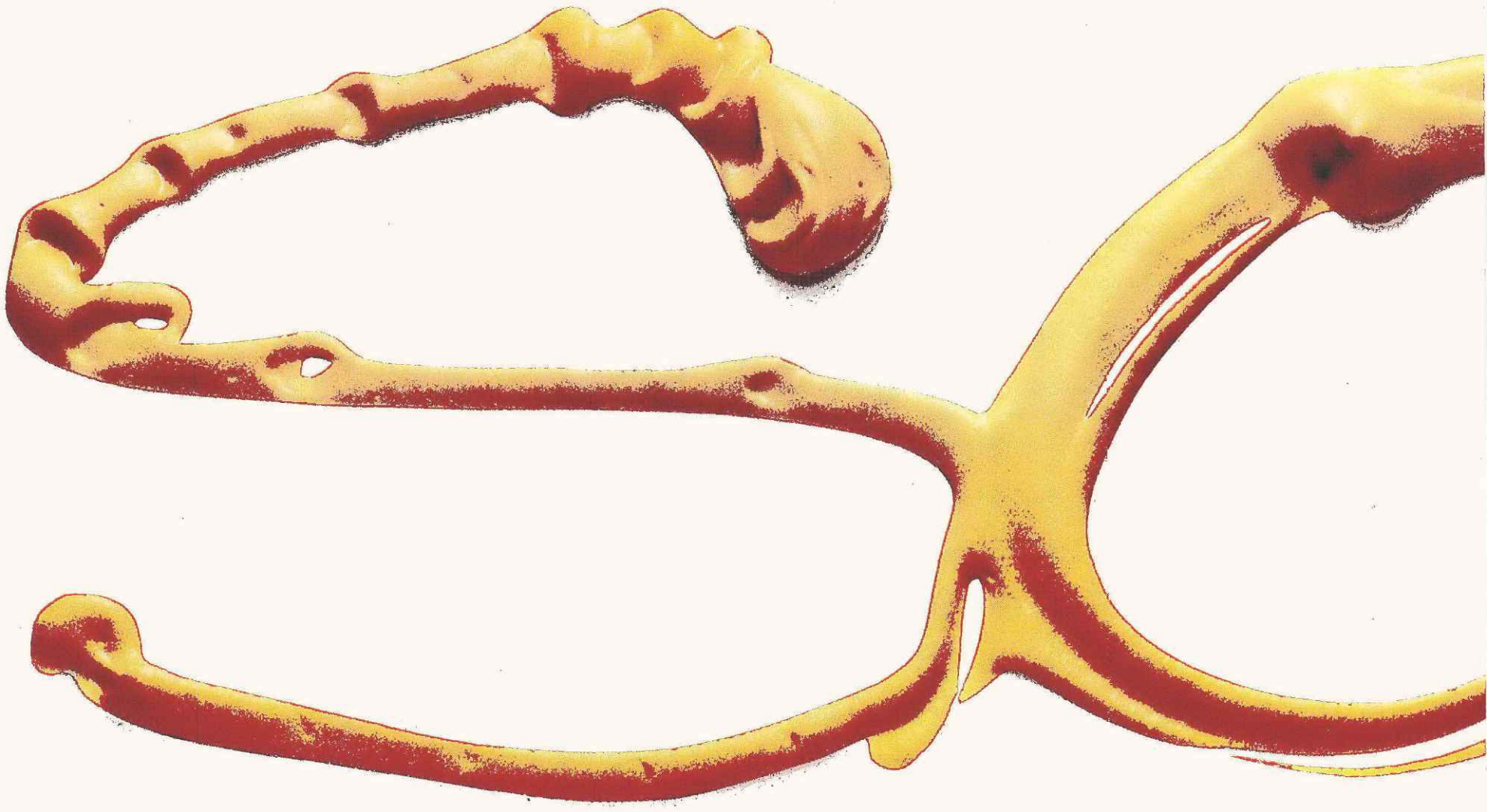
Arizona claims to cost $6 million

NEW YORK—Insured losses caused by wind and hail damage in Arizona on Aug. 7 will cost an estimated $6 million, reports C.E. Hermanson, vp-property claim services of the American Insurance Assn.

The heaviest damage was suffered in the Pima County area.

The storm was assigned Catastrophe No. 12 by the Insurance Services Office. ■

How French's avoid whenever it s



The plain truth is, when a company ships cargo it has to deal with some very grim realities.

Port closings, for instance. Contamination. Breakage. And theft.

Which is why it's important to understand the risk in international transport. Not just after your cargo leaves the warehouse. But long before.

And if there's one company that knows how to deal with this risk, it's R.T. French. They should. Because not only does Arkwright-Boston thoroughly understand ocean cargo coverage. We underwrite it.

TOTAL PROPERTY COVERAGE IS OUR POLICY.

We've insured most of French's property for years. With a program that includes coverage for fire. Boiler and machinery. And DIC exposures. And not too long ago, in an effort to give them more protection with no gaps or overlaps, we expanded their program to include our new coverage for ocean cargo.

After all, French's ships over $10 million annually in mustards, potato products, sauces, spices and extracts to 98 countries all over the world. They can't afford to fool around with a policy that doesn't provide total transit coverage.

The consequences would be too great. Case in point. A 40-foot cargo container loaded with food products gets dropped on a dock. Bottles burst. Cans dent. A real mess.

And it isn't just the food that turns sour. It's retail sales. And shelf space. And with the market for damaged goods as highly regulated as it is, even salvaging the stock could leave French's with a bad taste in their mouth.

s a sinking feeling
hips mustard.



OUR COVERAGE IS LEAKPROOF.

Needless to say, when you ship cargo across the ocean, you want to be covered from bow to stern. Which is one reason why French's chose us. You see, we do a lot more than cover you when your cargo is on the water.

We cover your property from warehouse to warehouse. For the full journey. On the ship. On the plane. On the truck. On the rail car. And not just within a specific amount of time. But for however long the trip takes.

What that means is, if French's wants to send spices from their warehouse in Springfield, Missouri to a warehouse in Singapore, they're covered. Whether it takes 8 hours, 8 days or 8 weeks.

Something else we can offer. An international network of loss prevention engineers and adjusters. And our own claims managers. (Which means if you do have a loss, it will be taken care of quickly.)

You might think insurance coverage like this would be expensive. But you'll find that we are competitive in the pricing area. But don't take our word for it. Ask American Greetings. Or Digital Equipment. Or WestPoint Pepperell. They're all our clients. And we've designed programs that have solved their problems, too.

So call or write us. But do it soon. Because a disaster may hit you before we get together. And your present policy may not be able to keep you afloat.

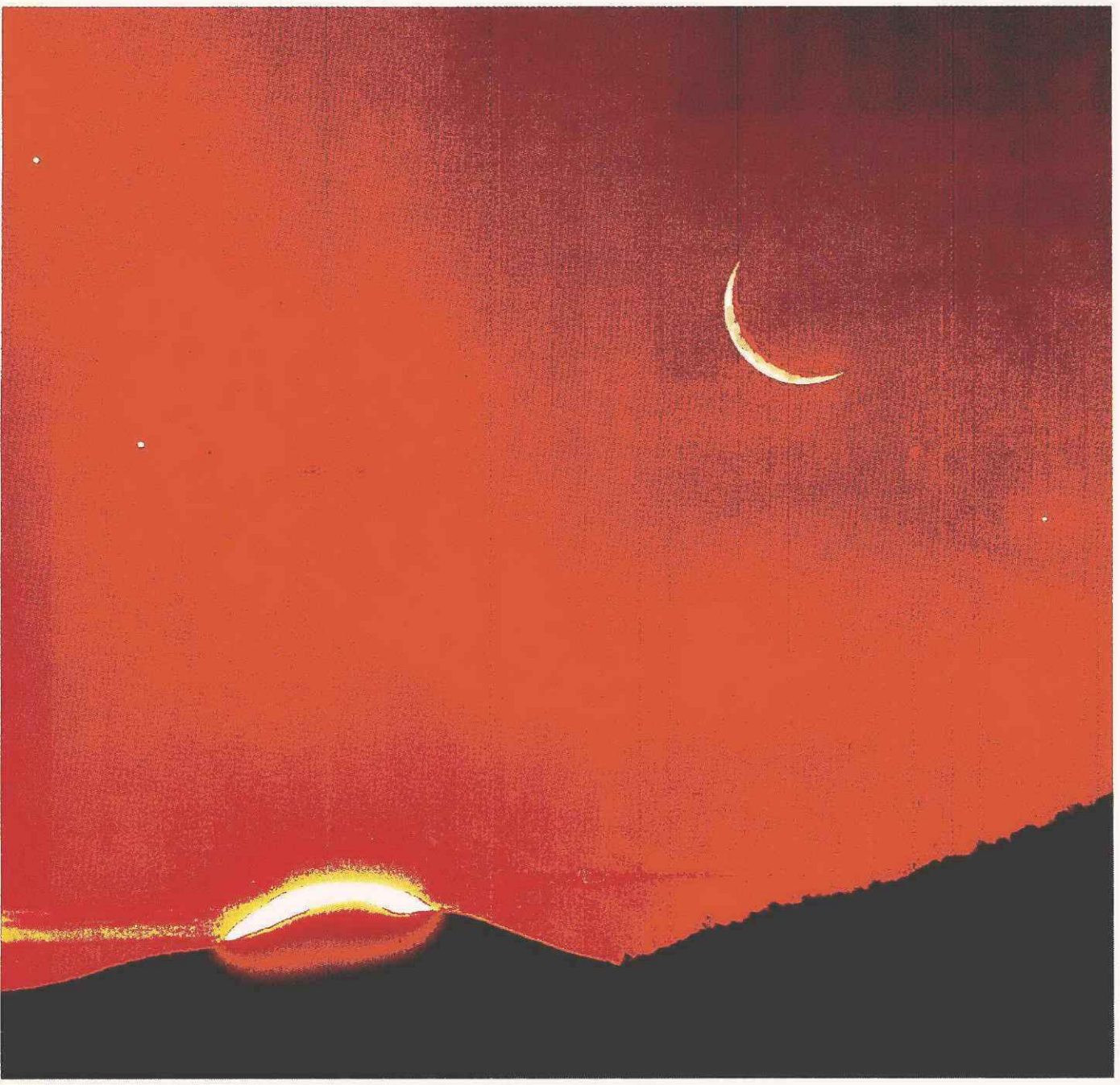
Arkwright-Boston Insurance, Marketing Services, 225 Wyman St., Waltham, MA 02154, 1-617-890-9300, Ext. 3295.

ARKWRIGHT BOSTON INSURANCE

If the most you expect from your insurance company is insurance, you expect too little.

If you're charged with the responsibility of managing risk for a large corporation, you're aware of the many considerations involved. Which is why you should consider The Travelers.

We won't promise you the moon and the stars. But if the most you expect from The Travelers is insurance, expect to be surprised. Because whether your needs dictate a sophisticated self-insurance program, simple risk transfer, or something in between, we'll surpass your expectations.



Consider our superior services. In every area of risk, we offer experts who can help lessen your liability. Loss Control, for example. Over 500 safety engineers, including professionals fully trained in such specialty disciplines as environmental and industrial hygiene testing, can help you identify, analyze, and eliminate safety hazards.

At the same time, as you manage risk, our computers monitor it. Accurately. Completely. Flexibly. You decide how much information you want. Or how little. And how often. We then turn raw data into a useful management tool. The results are available on computer tape, microfiche or in printed form. We can even arrange on-line access.

And when it comes to claims, we're where you need us, when you need us. A nationwide network of over 200 offices assures quick, objective handling. Close two-way communication assures flexible handling.

The quality of these services has made The Travelers a leading source of traditional insurance. But for an increasing number of risk managers, traditional insurance is not the answer. If you're considering an alternative, we're still the company to consider. In fact, we specialize in designing innovative cash management strategies.

The Travelers offers cash flow plans that run the gamut from complex captive approaches to deferred premium arrangements. Along with the ability to implement them. And the expertise to administer them.

This can include anything from forecasting loss costs, to developing an investment portfolio, to weighing tax implications. And, of course, our superior support services are available. Bundled or unbundled in any combination you desire.

Now that you know what to expect from us, we expect something from you. A phone call. Why wait? Whether your needs are traditional or transitional, you can depend on The Travelers.

For a series of brochures, "Risk Management, A Financial Model," contact: Thomas C. Tucker, (203) 277-5500, The Travelers, One Tower Square, Hartford, Connecticut 06115. Or send us the coupon below.

To:
The Travelers
One Tower Square
Hartford, CT 06115

Att:
Thomas C. Tucker

Please send your series of brochures, "Risk Management, A Financial Model," to:

NAME _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

BI 6/13

The Travelers

The Travelers Indemnity Company
and its Affiliates
Hartford, Connecticut 06115

RUNNING AFOUL

Naming and waiving clauses snare marine insureds

By J. William Sherar

THE NAMING OF named insureds or additional insureds and the granting of waiver of subrogation are widely practiced in the marine insurance industry, but they are perhaps more prevalent in the offshore oil industry than in any phase of marine insurance.

While naming and waiving are considered the easiest way to solve a number of problems, and avoid increased insurance costs or double insurance, I submit that quite often they create more problems than they solve. It is a real sleeper of a problem in the industry.

In nearly every major claim, there are many smaller claims. Businesses resort to attorneys to sort out the problems, because everyone has been named and waived in everyone else's policy.

A June 1983 case, Continental Oil Co. vs. Bonanza Corp., mentioned some of the problems in a 5th U.S. Circuit Court of Appeals opinion, but this case really only touched on naming and waiving as parts of the issue with the principal issue being decided by different facts.

Briefly, in this case Conoco was named as an additional insured in a service vessel's insurance, the Aqua Safari. This vessel became tangled in a steel cable hanging from the Conoco rig, drifted into the rig and subsequently sank in 34 feet of water.

The facts clearly stated that the Aqua Safari was exclusively within the control of the Bonanza Corp. at the time of the sinking. Here the issue was the approximate $109,000 cost for removing the vessel in order to clear the lease, and in Conoco's argument, to prevent further liability claims arising from the vessel sunk in shallow water at its rig.

The principal issue was whether or not the protection and indemnity underwriters were obligated to remove the wreck as part of clearing the lease under law.

There were dissenting opinions, however, that the time charterer, Conoco, could not be an owner entitled to recovery as an additional insured under the P&I policy for the removal of the wreck, if clearing the lease was determined to be removal required by law.

In this case the majority opinion found that Conoco's status as time charterer was distinct from an owner, and precluded recovery from underwriters even though Conoco was named in Bonanza's policy. Furthermore, even if Conoco was deemed to have ownership interest, there was no negligence on its part, and therefore no compulsion for Conoco to remove the vessel.

This decision may still be appealed.

There also are potential problems with naming and waiving in marine insurance, including mortgagee's interest insurance.

While mortgagee's interest insurance is readily available in the American market, most mortgage holders do not purchase this coverage as a separate single-interest coverage for their own benefit. Most loan agreements merely stipulate that the operator must carry hull insurance for 110% to 130% of the value of the loan, and name and waive the mortgage holder in this coverage.

There frequently are more requirements in these loan agreements since they are often drawn by the banks' or lending institutions' attorneys. Those requirements, from some lenders, ask for more risk coverage, such as requiring war risk insurance for vessels operating on the Mississippi River, but not requiring war risk coverage for ocean shipping. This indicates that no one has really reviewed the intent and security behind the mere naming and waiving of the mortgage holder in the policies.

Many marine policies contain clauses where underwriters limit their liability to the value of the vessel after the wreck. While courts are becoming very restrictive in granting limitation, it still can be granted. Most marine hull underwriters are reluctant to place someone, such as a mortgage holder, in a more favored position within the hull policy than the owner.

Also, many marine policies have rather strict warranties such as the standard printed form for the Tug Syndicate hull policy. A warranty in that policy states that when a tug is laid-up, it must be laid-up in a place approved by the underwriters, and that a watchman must be onboard at all times to inspect the vessel and periodically sound the bilges.

These days, tons of marine equipment are laid-up in Louisiana bayous, yet I suspect that many have not removed this tug restriction from their policies.

Therefore, in either the instance where a limitation clause was not removed, or a policy's warranty clauses were not removed, the mortgage holder can find that naming and waiving was not the answer for the security protection for the Preferred Ship Mortgage.

Instead, the mortgagee should pay for its own single-interest insurance, which will protect it in cases of neglect, breach of warranty, ability to limit liability or other aspects of restrictions in an operator's hull policy.

In many instances, where a mortgage holder has quite a few loans outstanding for several vessels, a blanket policy can be purchased quite economically for the mortgagee's benefit.

While the mortgagee's insurance poses some problems, the difference between a named insured and an additional insured also creates problems.

Most underwriters and brokers draw the distinction that a named insured has all the obligations and responsibilities of the policy, such as premium payment, the obligation to sue and labor (labor to protect or salvage a damaged vessel), and the duty to protect the property in the event of a claim, the obligation to arrange surveys and to obtain repair bids when a vessel is damaged, the obligation to report claims to underwriters, and pay the claims until funds are received from underwriters.

MOST OF THE OIL companies do not want these obligations, they merely wish to be named as an additional insured, which usually creates another policy problem.

One generally cannot claim liability against oneself. So if an oil company asks to be named as an additional insured in a tug hull policy, and the insured vessel then collides with one of the oil company's own rigs, how can the company recover from the insured vessel's policy in which they were a named insured?

Therefore, wording must be handled very carefully in naming additional insureds to permit a company to recover, even if named in the policy.

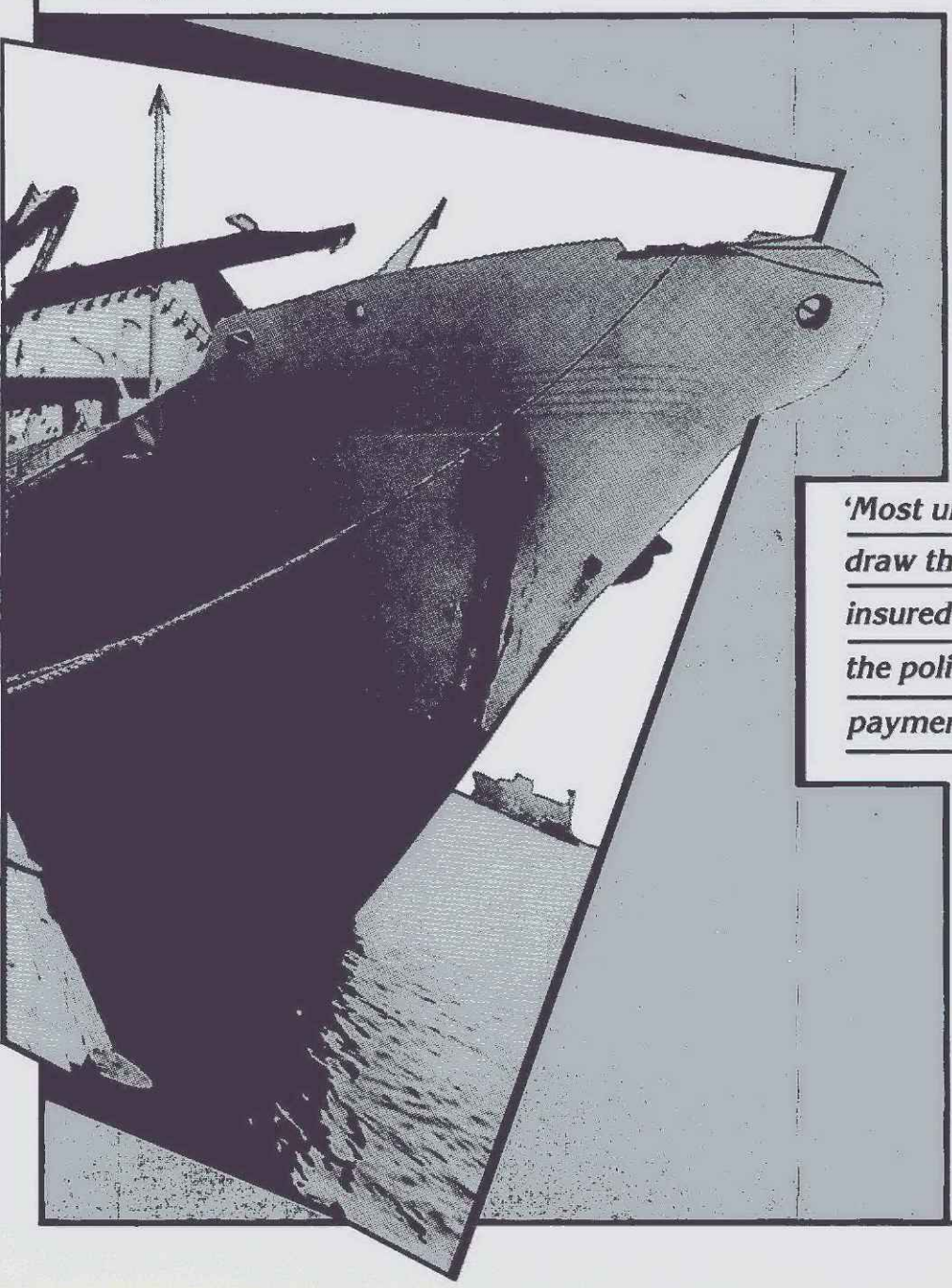
Waivers of subrogation also are a problem in the industry and they can keep underwriters from recovering from a negligent party, which in turn will increase the experience record of those making the claim, and may cause higher premiums for them.

If you have ever read the customary United Kingdom or Dutch towage contract, you would probably never allow your vessel to be towed by one of their tugs. In their "standard" contract, a situation can arise wherein the tug towing a barge slows down improperly, the barge overrides the tug and damages the tug, the barge, and even injures some of the crew. Under most of their contracts, the bargeowners would pay.

Or, the tug could tow the barge into a collision with another vessel and again the barge owners would have to pay.

Years ago, most American contracts for

Continued on next page



'Most underwriters and brokers draw the distinction that a named insured has all the obligations of the policy, such as premium payment, and property protection.'

Definition of general average is. . . . Well, let the adjusters explain it

By Roland Rueger

GENERAL AVERAGE or G/A, has been around for almost 3,000 years and during that time has been singularly effective in remaining obscure. In fact, some believe it should be relegated into total obscurity and left there.

The public relations problem of general average is enormous. You never see a headline "General Average Aboard Tanker" or "Shipping Magnate Declares General Average." You read about ships sinking or capsizing or breaking in half, but not about general average.

Would you believe that general average is so obscure that when it does happen the shipowner declares it just to be on the safe side, in case someone does know what it is. He goes to his average adjuster—that's an expert who knows all about general average—and says, "I just had a general average." The average adjuster looks at it and if he agrees, says, "You sure did," and then writes letters to everybody involved that there was a general average so that they all know. Even the master of the ship is told in case he missed it.

The adjuster also asks the cargo owners for G/A bonds, cash deposits or G/A guarantees from their insurance companies, and for cargo values and tells them that they can't have their goods unless they do everything stated in the letters. That is the best part of statement of general average.

After the letters are sent there is a long pause, sometimes as much as three or four years, and you may actually think that the G/A went away. Then one day a big book called "Statement of General Average" arrives with a letter saying your cargo is interest No. 152 and its portion of general average is $326. You send the book to your insurance company, they send the money to the adjuster and that's the end of that general average. Of course, you still don't know what the general average is although you have just been through it.

'One day a big book called "Statement of General Average" arrives with a letter saying your cargo is interest No. 152 and its portion of general average is $326. Of course, you still don't know what the general average is although you have just been through it.'

Now just in case you have a moderate desire to know a little more about general average, let me give you an illustration. To make it easy I'm going to move the whole thing on land. That way I don't have to confuse you with marine terminology.

Four people own a hunting lodge. They have some furniture and other stuff that they want to move to the lodge. They hire a trucker to move the stuff to the lodge and promise to pay him $500 freight charge when he delivers the goods.

The truck takes off and everything goes well until the truck comes around a curve and sees a stalled tractor trailer blocking the road. The driver realizes that if he hits the tractor trailer he may well total his truck and everything in it. So he slams on the brakes and steers the truck off the road into a muddy area where he gets stuck. He tries to rock the truck out of the mud and blows two tires.

He finally gives up, walks to the nearest town where he engages a tow truck that gets the truck out of the mud and to a service station, where the tires are fixed and some other repairs are made. The driver spends the night at a local motel and finishes the trip the next day.

He arrives at the lodge and says to himself, I don't think it's fair that I should pay the whole bill for the towing, repairs and the motel after saving all the stuff in the truck by intentionally driving it off the road.

So he calls up the four people and tells them what happened and how he feels and to show them he's serious says: By the way, I won't deliver and unload that stuff of yours until I have your promise to pay for part of those expenses. To speed things up, the four send him a telegram saying they will help him pay part of those expenses.

A while later the trucker is on the phone again saying that he just received the telegram but he just remembered that he really doesn't know them very well and he needs some cash upfront as security or if someone whom he knows would guarantee payment that would be OK with him. It turns out he knows a neighbor of the four and the neighbor sends a telegram saying that he would pay any amount due from the four people.

The trucker unloads the furniture and stuff and collects his $500 charge. A few weeks later the trucker tells the four people that the extraordinary expenses (towing, repairs and motel costs) were $600. He suggests that they split the bill evenly and each of them pay $120. But the four people don't agree because they feel he not only saved their stuff but also the truck and his $500 freight charge. They can't agree on the proper split so one of the four says that he has a adjuster friend and he will ask him what they should do.

Purely by coincidence, their friend is not just an ordinary adjuster, but an average adjuster. He's rather bored with the story since he deals with million-dollar

Continued on facing page

Running afoul with naming and waiving

Continued from previous page

tugs stated about the same provisions. In a U.S. Supreme Court case, Bisso vs. Inland Waterways Corp., the court reasoned that there were far more barges than tugs, and that a barge could not move by itself, but had to be towed by a tug. Therefore, no matter what was put in a contract, the tug was going to be responsible for its tower's liability and negligent damage to the towed vessel.

Subsequently, some contracts were then drawn stating the tug would tow the barges charging a higher fee if it were responsible for damage to the barge or the cargo on it. A lower fee would be charged if the tug company were released of all liability because it would obviously save the cost of purchasing towers' liability insurance. Variations on this type of contract were again litigated to the Supreme Court, but its original decision stood.

While this is generally the law today, most underwriters will respect naming an additional insured and a waiver of subrogation as precluding their recovery or claim against another negligent party, so named or waived, even though these provisions could probably be set aside through litigation.

Most underwriters will even honor oral commitments, provided there was a follow-up in writing afterward, naming and waiving, if they were done within a reasonable time prior to a loss. Obviously, there are some instances where an agreement could have been reached on a Friday, the claim occurred on a Saturday, and there was no follow-up until Monday. But underwriters generally will back up the naming and waiving as a means of precluding claims against the party so benefited.

While it is more common to see these, additional insured and waiver of subrogation provisions in the P&I policies, which are marine liability policies, than in the hull policy, sometimes the P&I policies are expanded to include contractual liability.

Most of the oil industry contracts require at least a hold-harmless agreement so a service company party will not claim against an oil company for its negligence. Also, they frequently will include an indemnity provision that states that the service company working for the oil company will have to indemnify the oil company for its own negligence, or certainly at least for the concurrent negligence of both parties.

I think these contracts are very unfair since many of the oil companies are self-insured for $10 million to $20 million so that in effect, the service contractor becomes the "insurer" for that first $10 million to $20 million.

The state of Texas has laws that restrict the indemnification in both property and bodily injury situations, and Louisiana passed a law two years ago that noted that indemnification contracts are invalid in respect to bodily injury or death.

Most attorneys advise that these laws probably extended offshore for only three miles, a state's territorial limits. This means that much of the offshore operations would not be subject to these legislative acts. Therefore, offshore, most companies are still free to arrange their own contract terms.

Another closely related issue is the contractual liability provision. This provision means a contractor cannot work for one of the oil companies unless it has checked off the box on its insurance certificate showing that it has contractual liability insurance.

On the other hand, I have never seen a contractual liability policy or endorsement that states:

"We, the underwriters, hereby insure any and all contracts of the XYZ Corp., regardless of what these contracts specify."

The contractual policy or endorsement always has its own wording and exclusions. In some instances a company may have checked off the box acknowledging it has contractual liability insurance, but in fact the company was not really insured for all of the terms of that particular contract. Again these various problems could be another fine point for attorneys to litigate.

The simplest solution is to arrive at an agreement where each party is responsible for its own negligence. In order to ascertain the financial strength of each company to pay claims for its own negligence, agreements should be reached that each has to insure at least $10 million or $50 million or whatever would be the proper sum for this negligence exposure.

In turn, this would eliminate a great deal of time companies spend reviewing contracts and arguing back and forth as to who is assuming what responsibilities.

The argument by most of the oil companies is that contractual liability insurance does not cost very much. Since the oil company is paying for it as part of the services of the supplier, it is going to require the supplier to assume defense of any claim brought against the oil company by third parties arising from the supplier's operations while working for the company.

J. William Sherar is president of Sherar, Cook & Gardner Inc. in Metairie, La.



Continued from facing page
claims of ships and really can't be bothered with a $600 claim. But after a while he mumbles, "If your truck had been a ship you would have had a general average.

"There was an imminent peril (stalled tractor trailer on the road) that threatened the whole venture (truck and cargo). The driver intentionally ran the truck off the road (sacrifice) and incurred towage charges, repair bills and motel charges (extraordinary expenses). The truck, cargo and freight were saved (sacrifice and expenses resulted in success).

"The trucker called and said he incurred expenses and damage for the benefit of everybody (general average declaraton). You and the other three cargo owners agreed to pay (general average agreement or bond). The neighbor guaranteed payment (general average guarantee). Now the whole thing has to be stated (statement of general average) so you, owners' of the cargo, can pay (proportion of general average)."

Then he takes pen and paper and writes down the whole story or, as he calls it, the narrative (see chart).

Then he says that the trucker pays $300 and each cargo owner pays $75. This money is in the same percentage as their interest in the total venture. It also is the same percentage of the amounts they pay to the general average.

He explains that general average is the voluntary sacrifice of part of the ship or cargo or incurring of extraordinary expenses to successfully save the venture from an imminent and common danger.

There would have been no general average if the driver had lost control of the truck, skidded off the road and missed the stalled trailer because that would not have been a voluntary act. If the truck had overturned and exploded, that would not have been a general average because nothing would have been saved. If the trucker had spent the night at the motel because he didn't like to drive at night, it would not have been general average because such dangers were not imminent.

If the trucker had interrupted his trip and parked his truck in a covered garage because it rained and the truck had a leaky roof, there would have been no general average because the rain only endangered the cargo but not the truck.

Now you know a little bit about general average and next time you get a statement of general average, read the narrative and see whether all the elements of a general average are there; look at the expenses charged to general average and see whether they were the direct consequence of the General Average Act and benefited the whole venture. ■

Statement of general average

Disbursements

Extraordinary expenses	
Towage services	$250
Truck repairs	300
Motel	50
Total charged to general average	$600

Apportionment of general averages

Total venture	Total values	Percent of interest in total venture	Amounts paid to general average	Percentage of amounts paid
Truck value	$2,500	41.7%	$250	41.7%
Cargo #1	750	12.5	75	12.5
Cargo #2	750	12.5	75	12.5
Cargo #3	750	12.5	75	12.5
Cargo #4	750	12.5	75	12.5
Freight charge	500	8.3	50	8.3
Total	$6,000	100%	$600	100%



Roland Rueger is the marine insurance and claims manager for a major oil corporation in New York.

Slow-growth industries have more unhappy workers

management

By Kenneth P. Shapiro

ACCORDING to preliminary findings of a study on employee attitudes to be presented at a human resources conference in New York in late October, a lower percentage of employees today are satisfied with their companies as a place to work than at any time during the last eight years. This trend extends all the way up through management levels.

Says Dr. Michael Cooper, partner in Hay Management Consultants, "The least satisfied employee group is hourly workers; recent data shows that only 45% gave their companies favorable ratings as a place to work—down sharply from 60% just eight years ago."

Even managers are not immune from this phenomenon: Although they consistently are more satisfied with their companies than lower-level employees, their favorable ratings dropped from 90% to less than 80%—a significant drop in a research sample that numbers in the thousands.

But, according to Dr. Cooper, a closer look at the data shows that this apparent discontent in the United States is not uniform; and we may be breaking into "two Americas" as far as employee attitudes are concerned.

In data from the middle of 1981 through the first quarter of 1983, Dr. Cooper notes a tremendous difference in the perceptions of employees in high-growth companies, such as high-tech companies and low growth, older industries.

For instance, just 45% of professional employees in the low-growth group rates their companies favorably in the 1981-83 period, compared with more than 80% in the high-growth group.

For clerical workers, the figures showed less than 55% favorable rating in low-growth companies, 70% in high-growth firms. For hourly workers the numbers showed a 38% favorable rating vs. 60%—again with the advantage to high-growth organizations.

The management of low-growth industries would do well to find out just how low their workers' spirits have fallen—and then take some remedial action.

On the other hand, managers in high-growth industries should not rest on their laurels, but instead identify the specific reasons that their employees are more satisfied with their companies and then work to preserve these elements to keep their work force content and productive. ■

Kenneth P. Shapiro is president of Hay Huggins Co. Inc. in Philadelphia. His column on management appears regularly in Business Insurance.

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

legal briefs

Comp claimant must prove death was work-related

IN THE absence of any evidence as to why an employee was murdered, a workers compensation claimant failed to prove the death was employment related, precluding a death benefits award according to a Texas appellate court.

Ivan Justice was an employee of an interior design company. He worked closely with the company president, Richard Lamport. On June 11, 1977, Messrs. Justice and Lamport went to meet a new client. At 2 p.m. that day both men were found shot to death. There was no apparent motive for the murders.

Mr. Justice's minor son, through a guardian, filed for death benefits. The son won in trial court.

On appeal, the insurer argued that under the law an injury caused by the act of a third person to an employee because of personal reasons was not compensable. The beneficiary, however, argued that Mr. Justice's death was compensable since "but for" him being on the job he would not have been killed. But, the court concluded the beneficiary had failed to prove that he was killed for reasons other than personal. The court denied benefits. *American States Insurance Co. vs. Walters*, Court of Appeals of Texas, June 24, 1982, *rehearing denied* July 29, 1982 (*BI*/01/A.-$5).

Insurer recovery

The Supreme Court of Michigan ruled that public policy did not bar an insurer from reducing its costs by requiring an insured to reimburse it from the proceeds of a tort recovery for payment it had made because of an accident that gave rise to the recovery.

Dorothy Blodgett was seriously injured in an automobile accident. Foremost Life Insurance Co. had issued a group disability policy to her employer under which she received about $27,000, for medical expenses.

Ms. Blodgett sued the other party in the accident and settled for $120,000. A subrogation clause in the group policy gave Foremost a right to recover damages. Foremost sued her seeking a decision that it was entitled to reimbursement after she recovered from the third party. While the trial court found in favor of Foremost, an appellate court reversed.

The supreme court agreed with the trial court. The court said that the mere use of the word "subrogated" did not create an inconsistency that defeated the clear intent of the subrogation provision within the policy. *Foremost Life Insurance Co. vs. Waters*, Supreme Court of Michigan, Dec. 22, 1982 (*BI*/01/0.-$5).

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

There's no such thing as an "impossible risk." If you're facing one, call us.

Geo. F Brown & Sons, Inc.

The Placement Specialists℠

ATLANTA • 404/396-7620
BOSTON • 617/367-8260
CHICAGO • 312/977-9400
HOUSTON • 713/578-7222
KANSAS CITY • 816/474-7327
LOS ANGELES • 213/383-7501
NORTH NEW JERSEY • 201/263-8770
PHILADELPHIA • 215/592-0560
SAN FRANCISCO • 415/777-3278

A subsidiary of Interstate National Corporation, one of the Fireman's Fund Insurance Companies

Southwestern Bell promotes Chilcutt to insurance manager

comings & goings: buyers

Dan M. Chilcutt, 37, has been named staff manager of insurance, a new position, for Southwestern Bell Telephone Co. in St. Louis. Mr. Chilcutt will handle corporate property/casualty insurance and other risk management functions that evolve in the divestiture of the regional Bell companies. Mr. Chilcutt has been with the company since 1970, most recently as staff manager of network planning. Prior to that, he served in the U.S. Marine Corps as a first lieutenant. Mr. Chilcutt received a bachelor of science degree in electrical engineering from Oklahoma State University in Stillwater, Okla.; a master of science degree in aeronautical engineering from the University of West Florida in Pensacola, Fla.; a master of business administration degree from Oklahoma City University; a master of arts degree in criminal justice from Oklahoma City University; and a professional development degree in engineering management from the University of Missouri in Rolla, Mo. He is now pursuing a doctor of philosophy degree in public policy analysis and administration at St. Louis University and the Associate in Risk Management designation. Mr. Chilcutt reports to Richard Froehlich, district staff manager of security and claims.

* * *

Terry Molloy, 25, has been promoted to safety administrator for Wickes Cos. Inc. in Santa Monica, Calif. In this new position, Mr. Molloy will administer all safety programs for selected divisions of the company. Before his promotion, he was safety coordinator for Wickes. Prior to that, he was a safety engineer with Lockheed Aircraft Co. in Burbank, Calif. Mr. Molloy received a bachelor of science degree in safety technology from Illinois State University in Normal, Ill., and is a member of the American Society of Safety Engineers. Mr. Molloy reports to Timothy L. Webb, manager of claims and safety administration in the risk management department.

* * *

Linda M. Harvel, 35, is the new assistant risk manager for Mortgage & Trust Inc., a banking firm in Houston. She replaces **D. Dean Dodd**, who has assumed other duties with the company. Ms. Harvel will assist Vp and Risk Manager Thomas J. McGowan, to whom she reports, with property/casualty insurance matters. She has been with the company since 1967, most recently as secretary in the risk management department. She is a deputy member of the Houston Chapter of the Risk & Insurance Management Society.

* * *

Linda E. Smith, 29, is the new assistant manager of corporate employee benefits at Pittston Co. in Greenwich, Conn. She is responsible for the supervision and administration of all employee benefit plans for the company. Ms. Smith joined the company in 1979 as an employee benefits supervisor; she was most recently employee benefits administrator. She attended the State University of New York in Brockport and is currently pursuing the Certified Employee Benefits Specialist designation. Ms. Smith reports to Employee Benefit Manager Edward Cox.

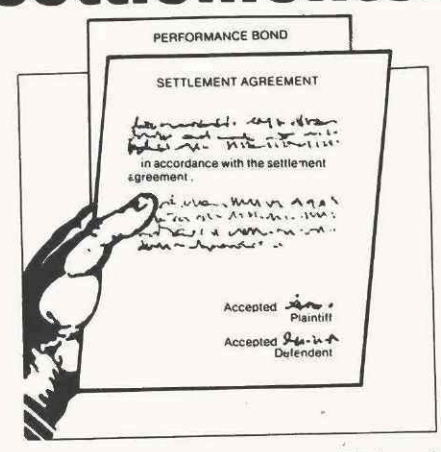
* * *

M. Adelle Spradley, 33, has been promoted to risk manager at K. Hovnanian Management Co. Inc. in Red Bank, N.J. It is a new position. Ms. Spradley will handle property/casualty, workers compensation and employee benefit insurance programs, as well as loss prevention, for the company. Ms. Spradley was insurance administrator for K. Hovnanian prior to her recent promotion; before that, she worked at Leisure Technology Corp. in Los Angeles for nine years, most recently as manager of insurance. Ms. Spradley attended Virginia State College in Petersburg, Va. She also received the Certification in Construction Insurance designation from the International Risk Management Institute Inc. in Dallas and is pursuing the Associate in Risk Management designation. She is a deputy member of the New Jersey Chapter of the Risk & Insurance Management Society. Ms. Spradley reports to Timothy P. Mason, vp, treasurer and corporate secretary.

•

We'd like to report on staff changes in your company's risk management or benefits department. Contact Sallie J. Drury, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5352.

Performance bonds for structured settlements.



When you want to guarantee specific performance of structured settlement agreements, you should require a payment performance bond.

For the protection of • Plaintiff's Attorneys / Claimants • Defendants / Insurance Companies • Excess Insurers • Reinsurers • Self-Insurers

Contact R. TUCKER FITZ-HUGH or ALFRED WESTERGARD

International Sureties, Ltd.

1415 Richards Bldg., New Orleans, Louisiana 70112
Tel. (504) 581-6404 • Telex 6821119 INSURUW

Appeal Bonds • Fiduciary Bonds • Replevin Bonds
Lost Securities Bonds • Contract Bonds • Vessel Release Bonds

Wage base for FICA taxes to rise again

By JERRY GEISEL

WASHINGTON—The wage base on which Social Security taxes are calculated is going up again next year, according to Social Security Administration trustees.

The trustees say the taxable wage base could rise to $37,500, up from the current taxable wage base of $35,700. The exact amount of the increase will be announced in November.

In addition, the tax rate also will be increasing. On Jan. 1, the tax rate will rise to 7% from 6.7% for both employees and employers. However, employees will receive a 0.3% tax credit to compensate for the Social Security tax increase.

If the taxable wage base does rise to $37,500, that would mean the maximum tax paid by employers and employees would rise to $2,625 from $2,392, an increase of about $233.

Other Social Security changes that will go into effect Jan. 1 include:

- Wages deferred under 401(k) salary reduction savings plans will be subject to FICA taxes.
- New federal employees will be covered under the Social Security program.
- Non-profit organizations that either have dropped out or never joined the Social Security program will have to participate.
- State and local governments no longer will be allowed to opt out of Social Security, although those public employers that already have left the program will not have to rejoin.
- Individuals whose adjusted gross income exceeds $25,000 and couples whose adjusted gross incomes exceed $32,000 will be taxed on 50% of the Social Security benefits they receive. Income from tax-exempt bonds will be included in determining whether an individual is over the tax threshold.

Program working

A Labor Department program established in 1980 to help pension plan participants obtain benefits they were entitled to is producing results.

The departments says it has recovered $7.4 million in lump-sum payments or annuities for individual retirees.

Chief counsel

The American Council of Life Insurance has named Anthony Valanzano, a former congressional staffer, as its chief counsel for federal government relations.

Mr. Valanzano will be responsible for federal legislative and regulatory strategies for the 591-member ACLI.

He previously served as minority counsel and staff director on a House Banking, Finance and Urban Affairs subcommittee.

OSHA proposes construction rules

WASHINGTON—The Occupational Safety & Health Administration is proposing more comprehensive underground construction standards to replace current rules.

Most underground construction would be covered by the proposal. Major underground hazards to be eliminated by the standard would be unsafe means of access or egress, accumulation of toxic or explosive gases, conditions susceptible to ground collapse and unsafe hoisting operations.

Comments should be sent to OSHA Docket Officer, Docket S-370, U.S. Department of Labor, OSHA, Room S6212, 200 Constitution Ave. N.W., Washington, D.C. 20210. ■

washington

Higher costs?

The federal government's new prospective payment system for the Medicare program could lead to higher costs for private patients unless changes are made, an insurance industry trade association says.

Under the prospective payment system, hospital charges for patients covered by Medicare are set in advance based on 467 different diagnostic categories. The system will be phased in over the next three years.

But the Health Insurance Assn. of America says the prospective payment system will encourage hospitals to increase charges for non-Medicare patients.

"We believe that unless this revolutionary system is applied to all payers—private as well as government—across the board, it will actually raise costs for all private patients," said James Moorefield, HIAA president.

The Secretary of Health and Human Services is supposed to report to Congress by Jan. 1, 1985, on the feasibility of establishing an advanced payment system that would apply to all payers, not just Medicare patients.

Sen. Edward Kennedy, D-Mass., has introduced legislation, S. 814, that would set up an advanced fixed payment plan for all payers, but that bill has not yet made any progress.

Reports coming

Three federal research groups are preparing reports on the federal government's pension program.

The General Accounting Office will examine how the federal program—the nation's largest—compares with 1,500 retirement plans offered by private employers.

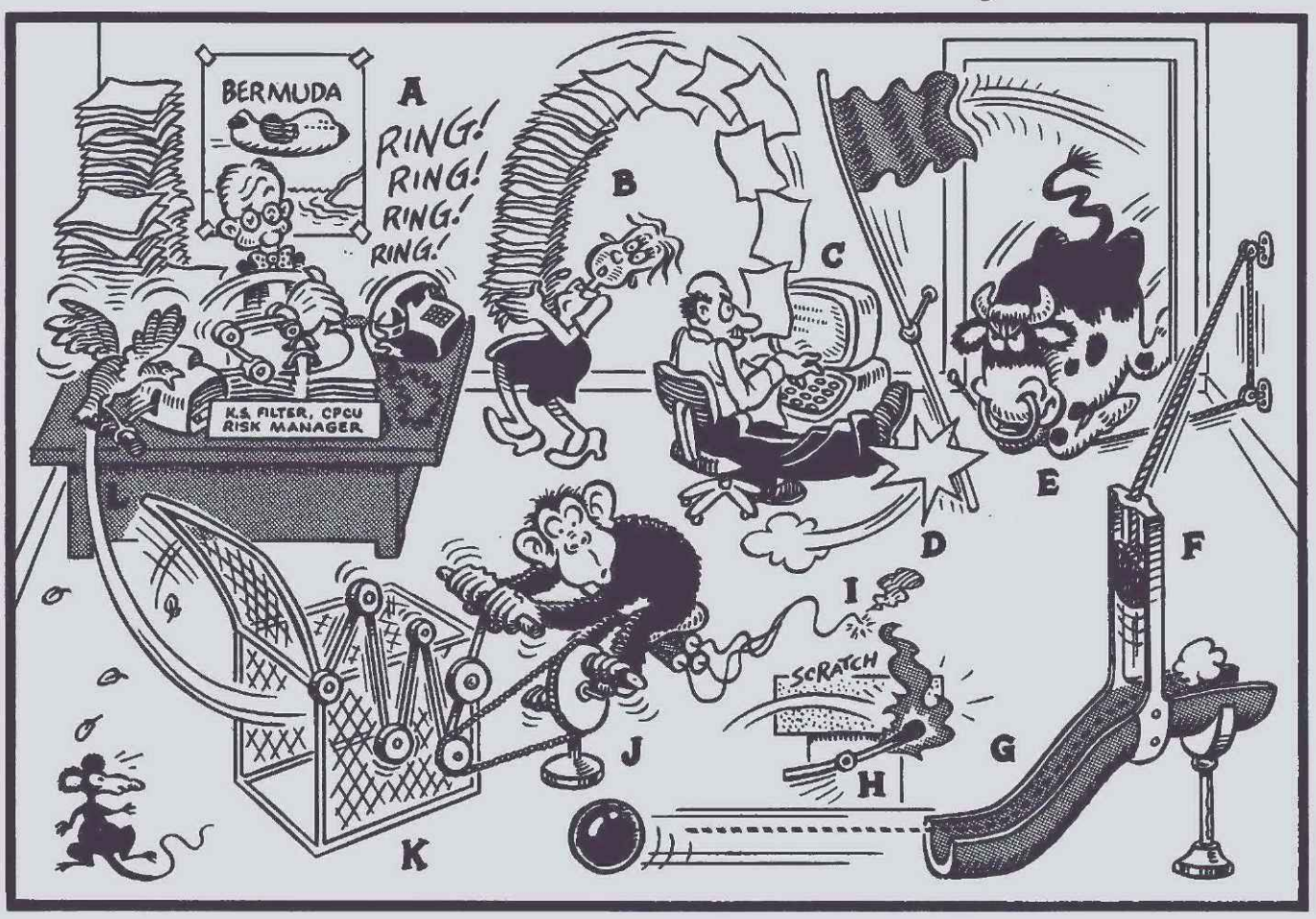
The Congressional Research Service will propose possible alternatives to the federal program, while the Congressional Budget Office will examine the costs of changing the federal program.

Fighting sex bias

The Reagan administration says it is "committed to the elimination of discrimination against women in pension programs."

A 27-page report outlining the administration's positions on sex discrimination issues says various working government groups have met during the past few months to discuss possible legislation in the pension area. Already, the administration has endorsed overhauling the Employee Retirement Income Security Act to lower the minimum age for participating in pension plans to 21 from 25. This would benefit women who enter the job market early, but later take time off to have children. ■

Self Insurance Is No Do-It-Yourself Project.



Ironically, a company's decision to manage its own risks does not eliminate the need for risk management experts. It intensifies that need. And that's where we come in.

We're Parker Services, Inc., a member of the Sentry Insurance family of companies. Our experts can help you choose the right services and tailor a program that's best for your company. We offer a complete line of risk management services including claims administration, loss control, industrial hygiene and loss experience reports.

We can also help establish and administer captives and optional segregated accounts.

So call us collect for our brochure. And if you ever need one of our services, call us again. Because without the help of experts, risk management can be a risky proposition.

Call collect (715) 346-7357.

Sentry.

PARKER SERVICES, INC.

Risk Management Services

First, the fire station caught fire...

Then, the fireman drove the hook-and-ladder over the hydrant outside, flooding the dry cleaning store on the corner. The owner, naturally upset, ran screaming into the street and narrowly escaped being run over by the chief's car. The chief swerved, avoiding the irate dry cleaner, and drove through the front porch of the church across the street. The policeman directing traffic got a little too excited and charged an innocent bystander with arson. Meanwhile, the paramedic accidently dropped the stretcher carrying the lady who lived in the house next to the fire station and who thought she was having a heart attack. It was indigestion, but she broke her arm in the fall. And, when the smoke finally cleared...

PENCo covered it all.

Guaranteed-cost programs, broad-form comprehensive liability, errors and omissions and other tailor-made risk coverages for public entities all through A-rated stable carriers.

For more information, contact: **Dan Lee, CPCU**
P.O. Box 1280
Nashville, TN 37202
(615) 361-4065

PENCo

info

• Is your company meeting OSHA compliance regulations? Do you have questions about chemicals used in your plant? Carnow, Conibear & Associates Ltd. offers "Medical Surveillance: An Introduction."

The article, which originally appeared in Best's Safety Directory, discusses **occupational medical surveillance** and outlines various programs. To receive a copy, write E.M. Barry, Carnow, Conibear & Associates Ltd., 20 N. Wacker Drive, Chicago, Ill. 60606.

• The Occupational Safety and Health Administration has compiled a report on **fatality/catastrophe investigations** conducted on falls from elevated platforms and scaffolds.

The cases in the report illustrate failures of procedures or standards and suggest ways to prevent falls. The Occupational Safety and Health Administration report, PB 83-194-050, is $8.50 and can be ordered from the National Technical Information Service, 5285 Port Royal Road, Springfield, Va. 22161.

• A free brochure is available discussing **periodic payment settlement services** from Settlement Planning Inc. To obtain a copy, write Settlement Planning Inc., 6800 France Ave. S., Minneapolis, Minn. 55435.

• A folder of brochures describing the various **products and services of Atwater McMillian Inc.,** a risk management company affiliated with St. Paul Surplus Lines Insurance Co., is available free from the company. For a copy, write Rhenda Mill, Vp-Marketing, Atwater McMillian Inc., 445 Minnesota St., Suite 900, St. Paul, Minn. 55101.

• An examination of the standard **workers compensation experience modification** was published in a recent issue of Risk Management Commentary by D.A. Betterley Risk Consultants Inc.

To better understand the factors affecting workers compensation experience modification, a copy of the article is available for $15 by writing D.A. Betterley Risk Consultants Inc., 446 Main St., Worcester, Mass. 01608.

• The June issue of **Employee Benefits Journal** contains articles on multiemployer trusts, guaranteed investment contracts, medical records confidentiality and the legal right to die.

For a free issue, write the Public Relations Department, International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

• A compilation of **property/casualty insurance statistics** by the National Assn. of Independent Insurers is featured in the 1983 "Greenbook."

The information also contains tables on workers compensation trends. For a free copy of the book, write Diana Lee, National Association of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018.

• Risk Science International, the environmental consulting unit of Frank B. Hall & Co. Inc., has published a free brochure entitled "Environmental Law Summary."

The folder contains brief **descriptions of federal environmental laws,** including the Clean Water Act, the Clean Air Act and the Resource Conservation and Recovery Act. In addition, the brochure contains a checklist for companies with possible pollution exposures.

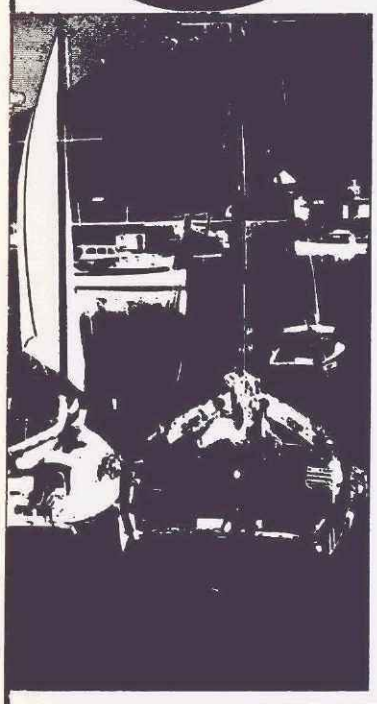
For a copy, contact Risk Science International, 1101 30th St. N.W., Suite 103, Washington, D.C. 20007 202-342-2206.

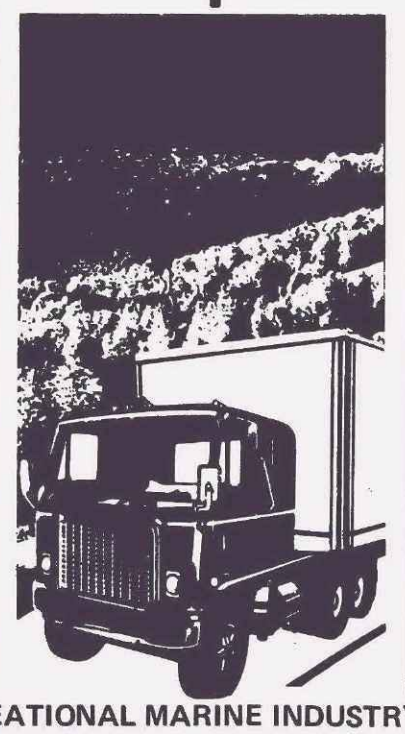
• The Defense Research Institute maintains a bank of approximately **6,000 legal briefs.** If you would like information about the Defense Research Institute's brief bank, write for a free copy of the supplement to its "Brief Bank Index." Write Defense Research Institute, Public Relations Department, 733 N. Van Buren, Suite 650, Milwaukee, Wis. 53202.

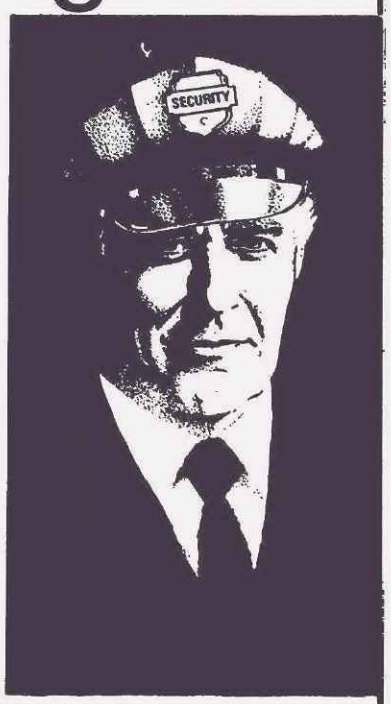
•

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than $20 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

3 Great Workers' Compensation Group Programs







1. RECREATIONAL MARINE INDUSTRY GROUP . . .
for marinas, boat dealerships and all allied segments of the industry; program includes U.S.L. & H.

2. TRUCKMENS' INDUSTRY GROUP . . .
for long, short or intermediate haul fleets and owner operators.

3. SECURITY INDUSTRY GROUP . . .
for security guard, detective and patrol agencies, burglar & fire alarm monitoring, sales & installation.

CoverX has long advocated the use of mass purchasing power to reduce insurance costs. All three of these fine Workers' Compensation Group Dividend Plans acknowledge that principle . . . and all are underwritten by CoverX on behalf of major insurance carriers and are available in most states.

Be the competition . . . Come to CoverX.

For further information or applications call or write . . .

COVERX CORPORATION
P. O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010 — Telex: 23-5635

RESOURCE INSURANCE SERVICES, INC.
UNDERWRITING AGENTS
Excess/Surplus Lines and Reinsurance

Specializing in all forms of
Excess and Surplus Lines Insurance

- Physical Damage (Land & Offshore)
- Control of Well Coverages
- Political Risk Coverages
- Comprehensive General Liability
- Umbrellas and Excess Liabilities
- Environmental Impairment Liability
- Directors & Officers Liability

"Dealing through
Agents & Brokers only"

9494 Southwest Freeway, Suite 400, Houston, Texas 77074
(713) 776-1600 Telex: 792116

Schnitzer named to CEO post at M&M

Bruce W. Schnitzer has been named chief executive officer of Marsh & McLennan Inc., the insurance brokerage and risk management subsidiary of Marsh & McLennan Cos. Inc. in New York.


Mr. Schnitzer

Mr. Schnitzer, who will continue as president of M&M Inc., will assume his new duties Dec. 1, 1983.

Mr. Schnitzer succeeds **Alessandro C. di Montezemolo**, current chairman and chief executive officer of Marsh & McLennan Inc., who is retiring. The company has not yet announced who will replace Mr. di Montezemolo as chairman, an M&M spokesman said.

Other agent/broker changes:

Rodney D. Allcorn joined Lester Eckert & Co. in Houston as vp. Mr. Allcorn will specialize in employee benefits, handling group life and health plans. He had been a district manager for group accounts for Union Central Life Insurance Co.


Mr. Allcorn

James J. Kreig promoted to director of insurance for the Council Shared Services Insurance Agency of Los Angeles. Council, a wholly owned subsidiary of the Hospital Council of Southern California, sells insurance coverage to member hospitals for their employees. Mr. Kreig had been a senior account executive with the firm.

Insurers

James J. Levis named president of Sequoia Insurance Co. in Menlo Park, Calif. He succeeds **Robert E. Nagel**, who is retiring. Mr. Levis had been a vp and underwriting manager at Sequoia, a unit of the Kemper Group.

Terry L. Kendall elected president and chief executive officer of United Pacific Life Insurance Co. in Federal Way, Wash. Mr. Kendall succeeds **Louis A. Mackie**, who remains president and chief executive officer of United Pacific Insurance Co. Mr. Kendall formerly was vp and controller of the life company. United Pacific Life and United Pacific are subisidairies of Reliance Insurance Co.

S.P. "Pete" Sorensen elected president and managing officer of Cameron Mutual Insurance Co. in Cameron, Mo. He succeeds **Harold Mohler**, interim president of the company, who retired. Mr. Sorensen, who has been with Cameron since 1960, previously was executive vp.


Mr. Sorensen

Daniel M. Izard appointed executive vp of Associated Aviation Underwriters in New York. Mr. Izard will be responsible for all of AAU's underwriting activities and the branch offices. He will continue to manage the company's advertising and reinsurance operations. Mr. Izard had been a senior vp for national accounts underwriting activities at AAU.

William R. Braman, Alva C. Schuck, Marshall F. Simmons and **William T. Walls** were promoted to regional vps at Philadelphia-based Reliance Insurance Co.

comings & goings: industry

Mr. Braman, formerly vp-field operations, now heads the Northeast region in Philadelphia. Mr. Schuck, previously resident vp and Chesapeake branch manager, now heads the Central region in Columbia, Md. Mr. Simmons, most recently resident vp and Orlando, Fla., branch manager, is now managing the Southeastern region from Orlando. Mr. Walls, who had been the Dallas branch manager, is managing the Southwestern region from Dallas.

Reinsurers

Joseph A. Zaffarese appointed president and chief operating officer of Frank B. Hall Re of New York Inc., the reinsurance division of Frank B. Hall & Co. Inc., which was formerly known as Interocean Agency. He succeeds **Douglas L. King**, who is chairman and chief executive officer of Hall Re. Mr. Zaffarese, who was previously an executive vp at Hall Re, joined the company in 1975. Prior to that, he was president of Pearson, Webb, Springbett USA. Mr. King was named executive vp of Frank B. Hall & Co. Inc.

Edward W. Tuescher Jr. named senior vp and manager of the San Francisco office of Thomas A. Greene & Co. He succeeds **Leon E. Button**, who left to pursue other business, as head of the San Francisco office. Thomas A. Greene & Co. is the reinsurance intermediary subsidiary of Alexander & Alexander Services Inc.

Richard S. Bakka elected senior vp at American Mutual Reinsurance Co. in Chicago. Mr. Bakka had been vice president with the company.

Richard J. Power joined Gerling Global Offices Inc. in New York as vp-claims department. Gerling Global Offices is the U.S. branch of Gerling Global Reinsurance Corp., based in Cologne, West Germany.

Other suppliers

Robert Jenkins promoted to executive vp-operations of Risk & Benefit Management Systems Inc., a division of Bayly, Martin & Fay International Inc., in Newport Beach, Calif. He had been a senior vp at the firm. Mr. Jenkins will continue to serve as president of the RBMS subsidiary, Imperial Industries.


Mr. Jenkins

Charles M. Metzgar named manager of the Richmond, Va., office of Meidinger Inc. Mr. Metzgar, a Meidinger corporate vp, has been with the company since 1976.

Mark S. Sommers named vice president and consultant with Parsons, McKee & Co., an acutarial firm based in Westlake, Ohio. ■

Announcing a 1954 Breakthrough in Multinational Benefits.

SAUDI ARABIA.

Sound like old news? Well, old news can be good news. Because if you have employee benefit needs in Saudi Arabia you'll be pleased to know American Life Insurance Company (ALICO) has been there since 1954. We offer a full range of products through our organization's Group Management Division. Our products are backed by full underwriting, claims and administrative capabilities. With facilities fully staffed by *our own employees* in major cities throughout Saudi Arabia.

To find out more, mail the coupon below. Or call Mr. R. W. Redding, Vice President, at (302) 428-3932.

ALICO is a member company of American International Group

Group Management Division
American Life Insurance Company
P.O. Box 2226, Wilmington, Delaware 19899

Please send more information on employee benefit plans in Saudi Arabia. I'm interested in:

- ☐ Group Life
- ☐ Group Medical
- ☐ International Pension Plans
- ☐ Group AD&D
- ☐ LTD
- ☐ Voluntary Life
- ☐ Overseas Personal Liability
- ☐ Third Country National Coverage
- ☐ Savings Through Multinational Pooling

Name _____ Title _____

Company _____

Nature of Business _____

Address _____

City _____ State _____ Zip _____

Telephone ( ) _____

B-9/19

Missouri increases work comp benefits

JEFFERSON CITY, Mo.—A new Missouri law will increase as of Sept. 28 the maximum workers compensation benefit to 70% of the state's average weekly wage for permanent total, temporary total and temporary partial disabilities. Benefits have been paid at 66.6% of the average weekly wage for more than a decade.

The maximum benefits for these disabilities will be further increased to 75% of the average weekly wage on Sept. 28, 1986.

Benefits for permanent partial awards also were increased in the new law to 45% from 40% of the state's average weekly wage on Sept. 28.

In initial drafts of the law, it was proposed that permanent partial benefits be increased to 50% this year and to 60% in 1986, but those increases were rejected.

The National Council on Compensation Insurance, the ratemaking body representing workers compensation insurers in the state, predicts that Missouri workers compensation costs will rise more than 9% because of the new legislation and the recent rise in the average weekly wage. That average was increased to $303.13 July 1 from $284.24.

The NCCI filed for a 9.8% workers comp rate increase last month. A decision on the request from the Division of Insurance isn't expected for several weeks.

Other provisions in the new law include:

- The aggregate maximum benefit of $195,000 for work-related fatalities was removed.
- The 52-week maximum healing period was repealed.
- A lifetime obligation to workers who receive prosthetic appliances following an injury was created.
- The wage credit provision in the current law was eliminated. This previously allowed an employer to receive a credit against any future award if one of its employees is injured but still receives a paycheck for a period of time.

State sources believe the elimination of a wage credit may result in injured employees receiving their regular paychecks as well as workers compensation benefits.

This provision of the new law may be challenged in court, sources at the Division of Workers' Compensation say.

Another provision in the law also may be challenged. Firefighters are singled out as being able to receive occupational disease compensation if they have diseases of the lung or heart that are assumed to be related to their job. This presumption is not extended to other workers.

around the states

Work comp rate cut

WASHINGTON—Workers compensation rates in the District of Columbia will decrease an average of 12.4% on policies written after Aug. 1.

Acting Superintendent of Insurance Margurite C. Stokes gave final approval to the rates Sept. 12, noting specifically that they apply to policies purchased or renewed on or after Aug. 1.

The decrease will amount to about $250,000 over the next fiscal year, Ms. Stokes said.

The decrease was requested by the National Council on Compensation Insurance based on an improvement in the most recent loss experience record for employers in the nation's capital.

Hospital costs

TALLAHASSEE, Fla.—State Insurance Commissioner Bill Gunter is issuing a quarterly "Hospital Cost Watch," an index that will point out the gap between the general inflation rate and hospital cost increases in Florida.

"By the end of next year, based on current data submitted Sept. 1 to the Hospital Cost Containment Board, Florida hospital charges since 1979 will have gone up more than 116%, more than 2½ times as much as the 44% rise in the Consumer Price Index for the same five years," Mr. Gunter said.

The index is part of Mr. Gunter's campaign to have the Legislature enact a package of insurance-related health care cost-containment measures when it reconvenes April 1.

The package of proposals resembles one pushed earlier this year by Mr. Gunter, which called for the expansion of the HCCB's authority to include advance approval of hospital budgets and rates.

Safety plan

OLYMPIA, Wash.—The 1½-year-old Washington State Plan, which sets and enforces workplace safety and health standards, is fine-tuning its program, according to changes recently approved by the federal Occupational Safety and Health Administration.

Washington is one of 24 states and territories authorized by OSHA to set up its own plan and enforce standards according to OSHA monitoring.

The changes in the Washington plan were minor in nature, said Steve Levette, chief of the management information section of the Industrial Safety & Health Division of the Washington Department of Labor & Industries.

One change adds a provision in the rules that will require the posting of a notice of redetermination whenever contested health and safety law citations are modified by administrative review, settlement agreements, notices of appeals, conferences or hearings of the state appeals board.

Another change revises the state's job safety and health poster to specify that public sector employees can file discrimination complaints only with the state, since federal jurisdiction does not extend to state and local workers.

Even though the state plan has now been certified by federal OSHA, Mr. Levette said it will continue be under intensive monitoring by the federal agency for an undetermined length of time. ■

Storm damage estimates posted

NEW YORK—Insured property damages caused by wind, tornadoes and hail that swept through portions of Minnesota, Wisconsin, Indiana, Ohio, Pennsylvania and New York and New Jersey July 19-23 are estimated at nearly $35 million by the American Insurance Assn.

Lost In Space?



Those who consider the sky their limit just might be left out in the cold.

Commercial space ventures are here to stay. And brokers who have clients with space insurance requirements must know how to best fulfill those needs. We can help.

No one knows space and telecommunications insurance better than the pioneer, International Technology Underwriters (INTEC.)

Our technical and insurance expertise is recognized worldwide as the most advanced in the field.

For innovative, balanced insurance solutions in changing times, look to the specialist, INTEC.

You'll never be lost in space again.

international technology underwriters

Insurance Leaders In A New Age

915 L'Enfant Plaza North
Washington, D.C. 20024
(202) 488-3500 TELEX 904 247

Travelers offering early retirement plan

The Travelers Corp. is offering a "career service option," an early retirement plan, to 900 employees in its property/casualty commercial lines department.

The option, started Aug. 26, will be implemented in phases through August 1984, which will allow employees time "to review career plans," according to a Travelers' release.

To qualify, employees must:

- Have 25 or more years of service.
- Be 55 to 59 years old with 20 years of service.
- Be at least 60 years old with 10 years of service.

Employees choosing the early retirement option will receive a portion of their salaries for four years. Employees under age 62 will receive an amount equal to two years' salary over four years. If the employees are 62 or older, they will receive an amount equal to one year of salary over four years.

In addition to the bonus, employees will receive their regular retirement benefits. Travelers continues hospital and surgical coverage for retirees, but group life insurance coverage will terminate unless an employee decides to convert to an individual plan.

The company expects an "acceptance rate of about one-third" or 300 employees.

There are no plans to extend the option outside the property/casualty department.

A similar "early-out" program was offered in 1979.

Benefit cutback

Workers struck the nation's largest grower and processor of carrots early this summer when the company moved to eliminate all employee benefits and cut wages.

The strike against Carl Joseph Maggio Inc. of Gonzales, Calif., involves about 200 packing house workers who are members of Fresh Fruit and Vegetable Workers Local P-78-A of Salinas, Calif.

The walkout began July 1 after Maggio made its final contract offer, which called for elimination of all employee benefits, including medical, dental and life insurance, pensions and paid holidays.

The workers' old three-year contract provided employees and dependents with major medical coverage that paid 80% of medical expenses after a $500 deductible up to a $50,000 maximum.

Dental coverage provided full payment for reasonable costs on approved procedures for employees and dependents.

Life insurance provided payments of $5,000 to surviving family members of employees. Accidental death and dismemberment coverage also provided a $5,000 benefit.

The old contract provided workers with four paid holidays: Memorial Day, Independence Day, Labor Day and Thanksgiving.

The pension plan, to which Maggio stopped making contributions July 1, provided workers with $18 per month for each year worked.

Other Salinas Valley fruit and vegetable companies have not moved to cut wages or benefits, said Ed Maples, president of the Salinas local.

Officials at Carl Joseph Maggio Inc. would not discuss the dispute.

The carrot company has continued to operate during the walkout, using non-union workers.

PAYSOP contribution

Eberhard Foods Inc. of Grand Rapids, Mich., has cut its contributions to a Payroll-Based Employee Stock Ownership Plan contribution in half as part of a two-year contract it negotiated last month.

The contract was negotiated with United Food and Commercial Workers Local 951, which represents about 500 Eberhard employees in Michigan.

The company's PAYSOP contribution was reduced to 5% of employees' gross earnings from 10%. This reduction should save Eberhard about $500,000 per year.

Eberhard operates 29 food stores after selling 12 this past year.

PAYSOPs were created by the Economic Recovery Tax Act of 1981 and became available to employers this year.

Basically, a PAYSOP allows an employer to take a tax credit for company stock contributed on behalf of employees to a trust. This year and in 1984, the tax credit is limited to 0.5% of payroll; it is scheduled to rise to 0.75% from 1985 through 1987.

Retirement incentive

Nationwide Life Insurance Co. in Columbus, Ohio, has cut its work force by offering older employees a chance to receive additional benefits if they retire early.

Employees age 55 or older with at least 20 years of salaried service as of Aug. 31 were eligible for the early retirement incentive program. At the Aug. 31 deadline for participation in the program, 210 of the company's 757 eligible employees took advantage of the offer.

Employees opting for early retirement received a lump-sum incentive and increased pension benefits.

Lump-sum payments were awarded to early retirees according to age. For instance, the largest benefits were paid to workers age 55, who received severance payments equal to 26 weeks of their current salary.

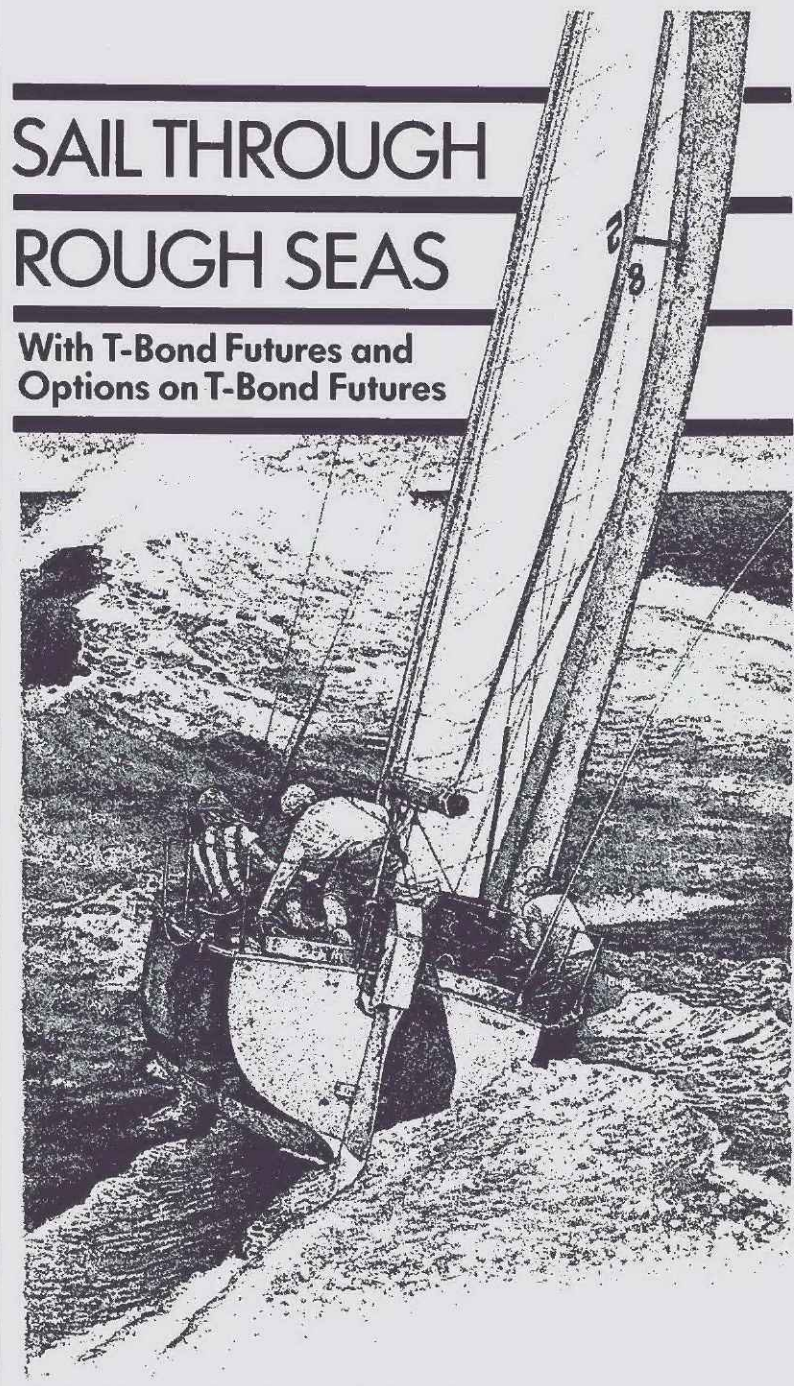
Pension benefits were increased most for workers age 60 or over, a company spokesman said. Normally, such an employee with 20 years service would receive 66.6% of the full pension benefit he or she would receive at retirement at age 65. Under the special program, this amount was increased to 80%.

The early retirement program was approved by Nationwide's board of directors in April.

•

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Claudette Dampier, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.

benefit beat



For both managing risk and enhancing opportunity, more and more portfolio managers are turning to T-Bond Futures and Options on T-Bond Futures.

Our new, and free, comprehensive publication OPTIONS ON U.S. TREASURY BOND FUTURES FOR INSTITUTIONAL INVESTORS explains many attractive strategies in detail.

CALL 1-800-621-4641 (In Illinois 1-800-572-4217) OR WRITE FOR OUR FREE LITERATURE EXPLAINING THE CONCEPT AND DEFINING THE TERMS.

MAIL TO: Marketing Manager-Financial Instruments
Chicago Board of Trade
LaSalle at Jackson, Chicago, IL 60604

NAME/TITLE _____

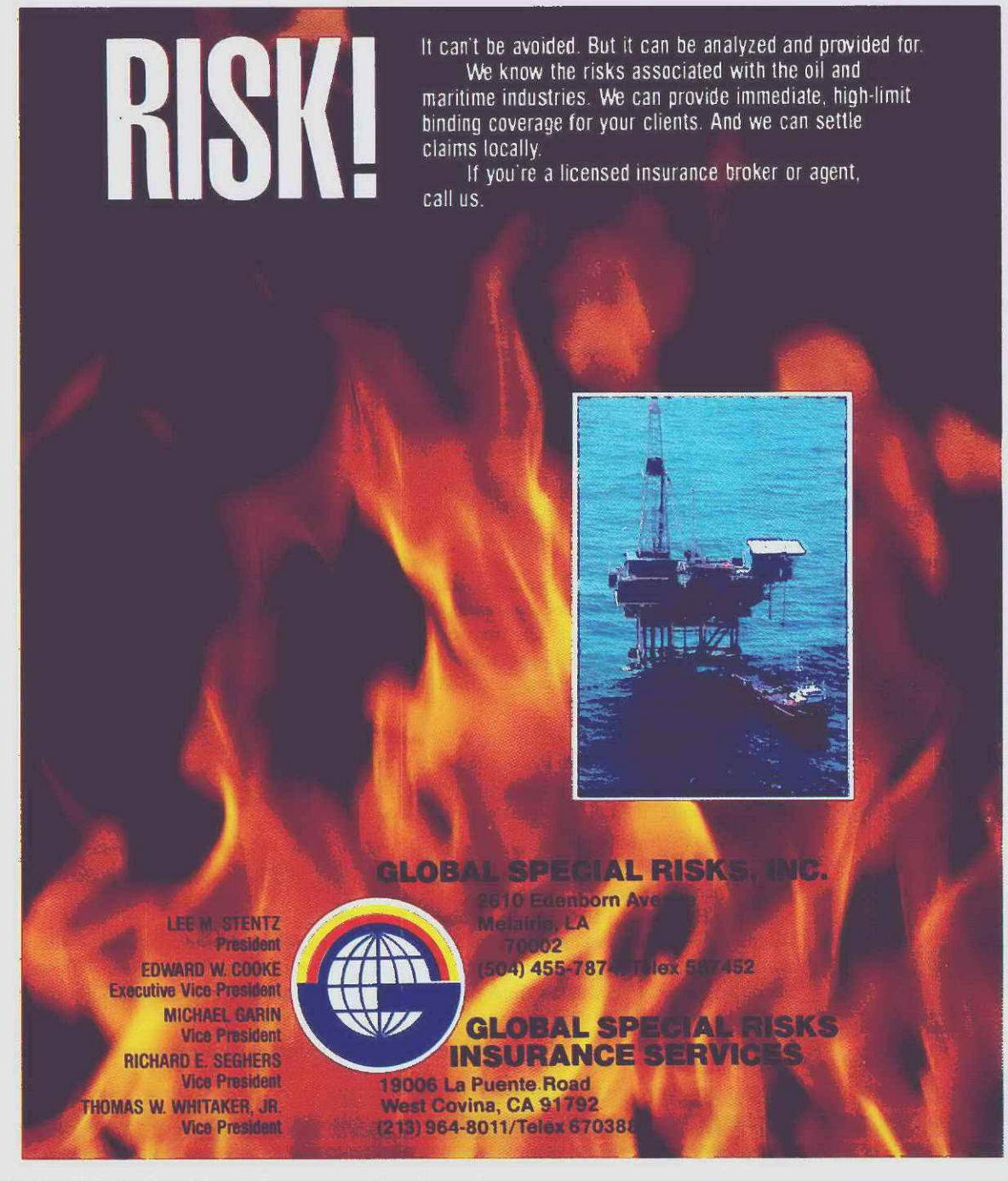
COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

9/19/83
BI

Chicago Board of Trade



Property program offered for mid-size firms

A new property insurance program offered by Travelers Indemnity Co. could produce rate reductions of up to 50% for mid-size manufacturers, retailers and service businesses, the company says.

Travelers' PRIME PROTECTION plan is aimed at companies that don't require the extensive engineering services or highly-protected risk rating plans needed by large companies.

The plan is available to commercial and manufacturing companies with $5 million to $50 million in property values per location and institutional clients with $5 million to $100 million in property values.

To qualify, companies must undergo an engineering inspection and demonstrate "adequate" security and fire control procedures and equipment. Travelers will make periodic safety inspections afterward, and clients must comply with Travelers' safety recommendations.

The insurer says "significant" reductions from manual premium rates are possible through the plan.

For more information on the program, call George H. Ramsdell Jr., Second vp-Commercial lines, Travelers Indemnity Co., 1 Tower Square, 11 MN, Hartford, Conn. 06115; 203-277-2610.

products & services

Public entity liability

McAlear Associates Inc. has introduced a program to insure the liability exposures of public entities.

A manuscript form provides coverage for cities, counties and other political subdivisions.

Punitive damages are expressly covered by the program, which includes general liability coverage, personal injury and broadly defined errors and omissions insurance.

Under the E&O segment, public officials and employees are covered for acts performed in a professional capacity. It also applies to attorneys, architects or engineers and paramedics.

This coverage also can be combined with a police professional policy from McAlear to form a full public entity program.

The program is written on an occurrence basis. The standard limits are $500,000 per occurrence and aggregate, though higher limits can be written.

The program currently is available in Michigan, Indiana, Ohio and Wisconsin.

For more information on the public entity liability program, contact Charles McAlear or Marty Gooding, McAlear Associates Inc., 4450 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8000.

Land surveyors cover

Morefar Marketing is offering coverage for professional residential and commercial land surveyors that includes safety group and professional liability coverage.

The safety group coverage provides property, general liability, commercial automobile and workers compensation coverage. The claims-made policy offers errors and omissions coverage for prior acts.

Civil engineering operations can be covered if they comprise less than 40% of a company's total business. Boundary-marking operations also can be covered.

The professional liability segment provides limits up to $1 million. Options on deductibles and liability limits are available.

For further details on the land surveyors coverage, contact Morefar Marketing Inc., 100 Presidential Blvd., Bala Cynwyd, Pa. 19004; 800-523-1193, or 215-667-1490 in Pennsylvania.

Alarm systems

Focus 48 is the latest commercial security system from American District Telegraph Co.

Focus 48 combines a burglar, fire, holdup and waterflow alarm, a sprinkler supervision device and a critical condition monitoring device in one system.

A single microprocessor unit powers independent sensors on the Focus 48 system. This system is connected to a computerized American District Telegraph central station that monitors the entire system on a 24-hour basis. The central station in turn is monitored by ADT personnel.

A main feature of Focus 48 is point identification. This affords an employer the opportunity to secure premises, zone by zone, when closing up. It also helps reduce false alarms by identifying the nature and location of the problem.

Special code numbers entered into the system allow up to 16 employees to enter a building after hours, without notifying the ADT central station. Since the numbers are entered into the computerized system, employers can identify who, when and how long someone was in the building.

The cost of the Focus 48 system depends on the number of monitoring devices connected to the system, the size of the facility and the local ADT distributor.

For further details on Focus 48, contact ADT, One World Trade Center, New York, N.Y. 10048; 212-558-1100.

Managing costs

The Wisconsin Assn. of Manufacturers and Commerce has published a "Primer on Managing Health Care Costs."

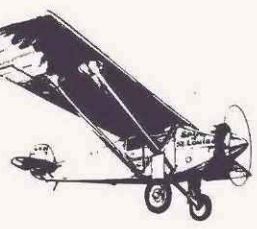
This paperback volume was prepared by seven executives of Wisconsin corporations. The primer covers health care plan designs, health care delivery system alternatives, financing methods, claims review and administration, wellness and education programs and employee cooperation. A bibliography rounds out the information in the primer.

The primer costs $15 with discounts for large orders. To order, write Wisconsin Assn. of Manufacturer & Commerce, Attn.: Cindy, 111 E. Wisconsin Ave., No. 1600, Milwaukee, Wis. 53202. ■

Insurance law firm changes its name

SAN FRANCISCO—Maloney, Chase, Fisher & Hurst, a San Francisco law firm specializing in insurance claim and coverage litigation, involving marine, aviation, environmental and product and professional liability, has changed its name to Fisher & Hurst.

The company is located at 4 Embarcadero Center, San Francisco, Calif. 94111; 415-956-8000. ■



AMERICA'S FIRST GENERAL AVIATION INSURANCE COMPANY... AND STILL THE LEADER.

At National Aviation Underwriters, we're dedicated to the general aviation industry. Our 38 years of consistent service has made us an acknowledged aviation leader — an insurance market our clients know they can depend on. But at National, we believe our commitment to the future of general aviation is even more important. From broadening our product lines, to developing more efficient customer service systems, to providing leadership in promoting aviation safety, we are committed to remain a leader in meeting the changing needs of our marketplace.

We invite you to inquire about our company and our programs. For more information please call **Greg Franklin** at **314-426-4000.**

NATIONAL AVIATION UNDERWRITERS

When EPA Compliance Just Isn't Enough Insurance



Your PCB-contaminated transformer was in the EPA specified 50-500 ppm range. Are you aware of the potentially disastrous consequences of a leak, spill, or fire?

- Reluctance to repair faulted units over 50 ppm.
- Burial of faulted units over 500 ppm.
- Legal threats resulting from PCB leaks or spills near waterways or sensitive areas.

Consider the increasing focus on PCB by-products - DIOXINS AND FURANS. As toxic "suspicions" today, tomorrow's standards may define them as expected or foreseeable liabilities. EPA compliance will not free you from unexpected risk - perhaps At Your Expense if under a deductible.

Sunohio's PCBX can RECLASSIFY YOUR TRANSFORMERS TO BELOW 50 PPM, decreasing your exposure to toxic damage claims, leaving usable oil and the transformers safe for repair.

Contact Sunohio - the high voltage expert in electric power systems.

SUNOHIO

1700 GATEWAY BLVD., S.E. / CANTON, OHIO 44707
(216) 767-3411 OR (216) 452-0837

PCBX

Reinsurers meeting in Monaco indicate they'll increase rates

Continued from page 1

Mr. Meenaghan admits that Fireman's Fund can offer large insurance buyers programs that would not be available without low-priced reinsurance. "There is no question that we're using cheap reinsurance, but it is good security," he said. "We insist on reputable reinsurers."

How quickly actions by reinsurers will affect the primary market is unclear.

"Deterioration is very fast, improvement is very slow," observed Dr. Laszlo K. Gonye, chairman and chief executive officer of Skandia America Group in New York. It is very difficult to predict how long it will take for reinsurers' rate increases to be transmitted into increased primary insurance rates, he said.

But Dr. Gonye is confident that reinsurers are changing their approach to business.

"There are signs of tightening. The tightening is in proper underwriting and proper rating.

"We trust that scientific underwriting and proper risk evaluation will prevail in the world market and that we will be able to sell our products at a proper level that will benefit the insured, the general public and the capital behind the security," he said.

Dr. Gonye also is encouraged by the improvement in the U.S. economy. More employed workers increase payrolls and, therefore, increase workers compensation premiums, he noted. Improved corporate earnings will allow companies to spend more on safety programs that will reduce losses. And, the improved housing market means an increased demand for insurance, he added.

Not everyone is as optimistic.

"Even if reinsurers raise rates 200%, it will take about two years for them to recover," said David Springbett, chairman of Lloyd's insurance broker Pearson Webb Springbett.

Each year, Pearson Webb Springbett commissions an artist to create an official poster for the Rendez-Vous with a three-word caption based on their acronym—PWS. This year's caption, which mirrors Mr. Springbett's comments, was "Premiums Weren't Sufficient."

Hans Raffler, president of Munich Re U.S., said, "Overall, worldwide, there is a miserable situation of underwriting losses, not just overcapacity. Rates on the average are 30% too low. Reinsurers can't absorb that.

"I have the feeling that not everyone is aware of how serious the time is. I think we will see serious trouble in the next two to three years."

There may not necessarily be insolvencies, but acquisitions of troubled companies could occur, Mr. Raffler suggested.

Munich Re in West Germany is responding to current conditions by reducing commissions it pays ceding companies and by increasing the retentions required of primary insurers.

In West Germany, the first reductions in ceding commissions were made in January 1982, followed by more reductions in January 1983. At that time, Munich Re also increased retentions. In January 1984, there will be more reductions in commissions paid German primary insurers.

"America is different from Germany," Mr. Raffler said. In the United States, "we try to stay away from poor business and to rewrite certain things." Rewriting risks in the United States includes reducing ceding commissions to primary companies and increasing rates.

"And even with that, we can't make money on underwriting in the next two to three years," said Mr. Raffler.

Munich Re in London "is toughening on a lot of things," said U.K. Managing Director Uli von Eichen. It is setting minimum retentions and plans to include loss participation clauses in proportional treaties requiring ceding companies to pay a larger proportion of the losses if the treaty turns sour.

"If profit commissions are logical, why aren't loss participation clauses?" he asked.

Another company reducing commissions is Swiss Reinsurance Co. "We are drastically reducing commissions by sometimes up to a third

Continued on next page

Keeping a watch on your business



is our business.

Use this form, or the card in this issue, to enter your subscription to Business Insurance.
Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $45	
Canada	☐ $59	☐ $95
Bermuda *(Air only)*		☐ $90
Europe/Middle East *(Air only)*		☐ $86
All other foreign	☐ $59	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 25%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Stability. Respected The World Over.



Stability. You've come to expect it from the Swiss. Fact is, the whole world banks on it.

That's why we're proud of our Swiss heritage. Proud to maintain our old world values.

Proud to be American, too. Imaginative. Bold. And exciting.

An American organization of Swiss descent. The best of both worlds. The best insurance protection for your valued business.

We create world class insurance that's in a class by itself.

Come to Zurich-American Insurance Companies for sound business insurance advice. Vast technical expertise. And the financial strength to protect your operation.

You'll find we speak plain English. But if you listen closely, you'll hear our Swiss accent on stability.

Zurich-American
American Creativity. Swiss Dependability.

ZURICH-AMERICAN INSURANCE COMPANIES
Zurich Insurance Company • American Guarantee and Liability Insurance Company • Schaumburg, IL 60196

Some world reinsurers reducing volume

Continued from page 48
again."

Some reinsurers are reducing their participation in world reinsurance markets.

Some Japanese companies have stopped writing reinsurance in the London market, London sources say.

"In 1982, the companies had a bloodbath of losses," said a London excess-of-loss underwriter for Japanese companies. Their average loss ratio was 130%, he said.

The Japanese government objected to the outflow of Japanese currency and has asked the Japanese companies to cut back their international reinsurance underwriting, confirmed a Japanese reinsurance executive who asked not to be named.

Israel Reinsurance Co. Ltd. is diversifying rather than focusing on reinsurance. "Insurance results have been deteriorating," said Shlomo Jannai, managing director of Israel Re. "Also, we have a handicap being a small reinsurer in the Middle East. So how do we improve our service? We set up a risk management company."

Israel Risk Management Co. Ltd., started in January, provides Israeli companies and overseas subsidiaries with consulting services on a fee basis.

Such talk of tightening, especially by the world's leading reinsurers, like Munich Re and Swiss Re, once would have been taken as a clear signal that the entire world reinsurance market would tighten.

But, "times have totally changed" from when the reinsurance market followed the lead of these companies, said Mr. Raffler of Munich Re U.S.

Even in the past, however, "Lloyd's, Munich Re and Swiss Re were never totally supported by everybody," he added.

Joseph Zaffarese, the recently-appointed president of Frank B. Hall Re of New York Inc., said, "It's still the great 50% off ISO sale," referring to advisory rates set by the Insurance Services Office in New York, based on U.S. insurers' underwriting results.

"America has the best statistical bureau in the world," he said, asking why insurers deviate from ISO rates.

The prospect of investment income should not account for it, he said, because, "I seriously doubt that the insurance companies are making these projections."

Mr. Zaffarese predicted the insurance market would tighten in 1984 and "return to sanity in 1985" —absent a major storm.

No one is ready to say that Hurricane Alicia, which destroyed an estimated $1 billion in property when it hit the Texas Coast last month, was damaging enough to cause rate increases.

"If Alicia costs $1 billion, we all will suffer a little bit, but not enough," said Mr. Raffler of Munich Re U.S.

Westley Heyward, executive vp of Mission Insurance Group in Los Angeles and president of its managing general agency, Sayre & Toso Inc., cautioned that "a lot of companies don't know where they stand on Alicia." He predicted it will take another month before reinsurers receive all the loss reports for them to judge their aggregate losses.

Mr. Heyward also contends that it is too early to gauge the renewal market. "A lot will happen in the next four months.

"People are coming to assess the market and for a jump on renewals. But for us, it will be mid-October before we feel we will have any kind of handle on the renewal season."

Some participants at the Rendez-Vous said they see no changes in the reinsurance market.

"I see no change—unfortunately," said Joseph A. O'Conner, president of O'Conner Associates, a reinsurance intermediary in New York.

Jacques Tanguy, director of Transcontinentale de Reassurance in Paris, added, "There are no changes in rates for the time being. As long as it is so on the primary side, reinsurers have no effect."

Neil O'Keefe, director of Mead Reinsurance in London, predicts it will be 1985 before rates start to pick up.

He noted that Mead Re, which opened in London last November, has written just two of the 573 proportional treaties it has been offered, and 228 of the 1,102 excess-of-loss contracts it has seen.

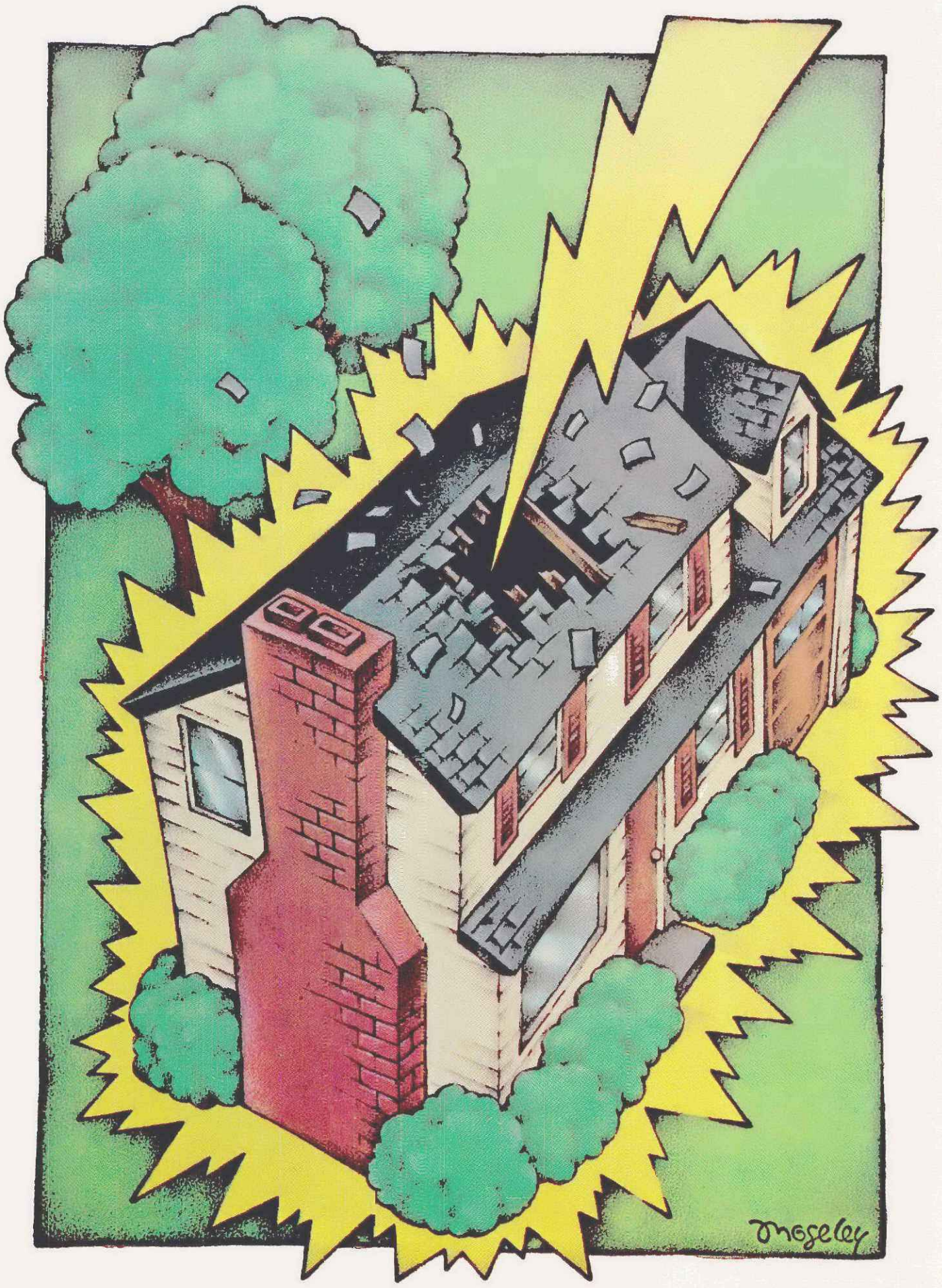
"There is great concern among reinsurers about the German, British and French markets, but I don't see any evidence of hardening," said A. Brendan O'Tighearnaigh, managing director of Irish National Insurance Co. Ltd., the property/casualty subsidiary of New Ireland Assurance Co.

"The bigger, well-established reinsurers are talking of hardening, and I believe they will. But there is still a fringe market," he said.

The talk of a tightening market obviously concerned many attendees at the Rendez-Vous.

Ceding companies appeared to be working hard in preparation for renewals in fear of a crunch at the end of the year.

"Business has been good this week," said Richard Shaw, chairman of Lloyd's insurance broker Lowndes Lambert Group Ltd. "We are getting good new business here, which is unusual. For the last few years, companies did not make decisions here. But they are making them now because it may be difficult in a few months' time to find what they want." ■



New business debuts in Monte Carlo

MONTE CARLO, Monaco—The annual Rendez-Vous de Septembre here is an opportune setting for the principals of new business ventures to introduce their companies to the worldwide reinsurance marketplace.

This year was no exception.

Among those promoting their new ventures were Richard E. O'Hara, who has founded O'Hara & Associates in Woodland Hills, Calif., as consultants to the excess/surplus lines business.

Mr. O'Hara, former senior vp-worldwide casualty for Sayre & Toso Inc., said he was at the Rendez-Vous to "find out how I can be of service to foreign markets in the U.S."

Among the services that O'Hara & Associates lists are underwriting audits, reinsurance studies, system and procedure audits, contract review, contract negotiation assistance and expert testimony.

Also, John B. Ricker Jr., former chairman, president and chief executive officer of Continental Corp., was handing out pamphlets explaining a newly formed consulting company called International Insurance Counselors.

The IIC brochure says the company specializes in acquisitions and divestitures, identification and assessment of foreign management candidates, market distribution analysis, overall financial reviews and cost-effective analysis of risk-retention methods. IIC says it is building a network of home-based senior executives in the world's prime business markets, including New York, Great Britain, France and Spain. IIC principals are located in these countries.

And, Gerard Mizrahi was touting a new business at the international gathering. Mr. Mizrahi is president of Charles Street Securities Ltd. in New York, a boutique investment bank specializing in the insurance business.

Mr. Mizrahi—who worked 10 years at Chase Manhattan Bank in both London and New York—first in insurer loans and then in mergers and acquisitions—says he tends to find himself associated with mergers and acquisitions primarily ranging from $2 million to $30 million.

The Rendez-Vous also presents an opportunity to explain corporate reorganizations.

Principals of Delaney Offices Inc., the New York-based reinsurance intermediaries, described the creation of a new holding company called DMT Financial Group to be formed Sept. 21. The four divisions of the soon-to-start DMT Financial Group are:

- Insurance and reinsurance brokerage under the name Delaney Offices. This division will have a 40-person staff handling about $110 million in annual premiums.
- Captive insurance company services under the name Donald F. Muldoon & Co. This unit will have a 35-person staff handling about $190 million in premiums both in fronting for captive insurers and captive reinsurance.
- Reinsurance underwriting management under three names: Richard M. Carter & Co., with 12 people, will underwrite about $12 million in facultative reinsurance premiums; PAB Inc., formerly Patrick A. Burke & Co., with 10 employees, underwrites about $5 million in facultative property reinsurance premiums; and Delaney Management Co., with eight employees, manages reinsurance underwriting for the Transit Casualty Syndicate on the New York Insurance Exchange and for Lancer Insurance Co.
- Direct marketing services including Professional Mariners Alliance, which markets insurance to merchant marine officers. Among the insurance marketed by the company is maritime license income insurance, which pays an amount equal to one year's salary to maritime professionals who lose their license.

Other services marketed by the company include travel-arrangement, investment-products and bill-paying services for mariners while they are away at sea. The division expects to serve approximately 9,000 professional mariners by year-end.

Also in the category of direct marketing services is Ambrose Insurance Services, which markets combined homeowners and flood insurance to a New York state resort community of 2,800 bungalows. The insurance is underwritten by Transit Casualty Co. ■

We'll be there shortly after Mother Nature.

A little electricity can sometimes cause a whole lot of property damage.

But it can also help you to appreciate just how good GAB really is.

With almost 100 years of property loss experience, GAB has the special expertise necessary for the investigation, supervision and settlement of all kinds of losses. Quickly and efficiently.

We have more than 3400 career professionals in over 650 offices coast to coast. So GAB adjusters and supervisors are never far from the scene of any loss. They're available 24 hours a day, every day of the year. This quick-reaction capability reduces both time loss and overall cost of adjusting your claims. And that benefits everyone.

When it comes to handling property losses, we know we're only as good as the people we have working for us.

That's why we developed the GAB National Education Center.

Here, GAB adjusters are taught to get on site quickly, investigate thoroughly, represent you competently and settle claims as efficiently as possible.

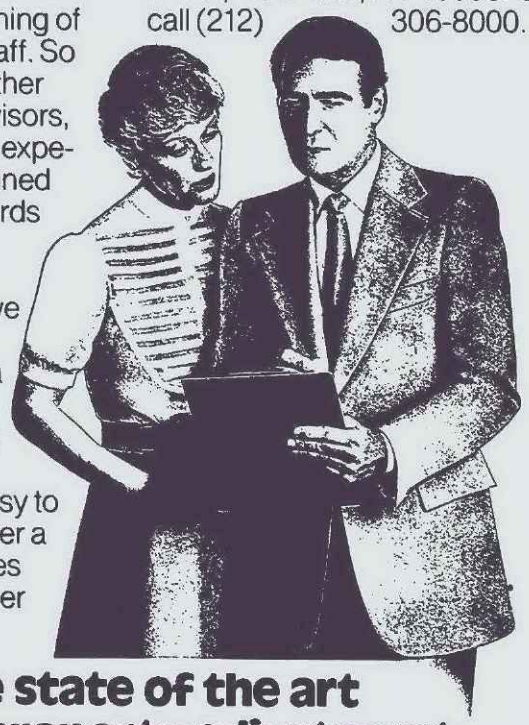
We spend a total of $1.9 million each year on the training of our entire professional staff. So all GAB employees, whether they be adjusters, supervisors, or clerical personnel, are experienced professionals trained to deliver the high standards of service set by GAB.

To further insure the quality of all GAB work, we make certain every loss file is reviewed by either a branch manager or regional supervisor prior to being submitted.

Add it all up, and it's easy to see why GAB handles over a half-million property losses a year. More than any other adjustment company.

There's an art to settling property losses quickly and efficiently. GAB is the state of the art.

For more information, write to Al Peters, GAB, 123 William Street, New York, NY 10038. Or call (212) 306-8000.



GAB The state of the art of property adjustment.

Why you should separate the Texas portion of your workers' comp coverage.

In 1982 alone, Texas Employers' policyholders saved $79 million on their workers' comp coverage. We passed those savings along in the form of dividends, premium discounts, and retrospective savings to our customers.

By putting the expertise of our safety engineering and industrial hygiene staffs to work, your potential for savings may be larger.

All of which makes a good reason for putting the Texas portion of your workers' compensation coverage with Texas Employers'. For details, call our National Accounts Division at (214) 760-6435.

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.

Party shows 'Bermuda is still in business'

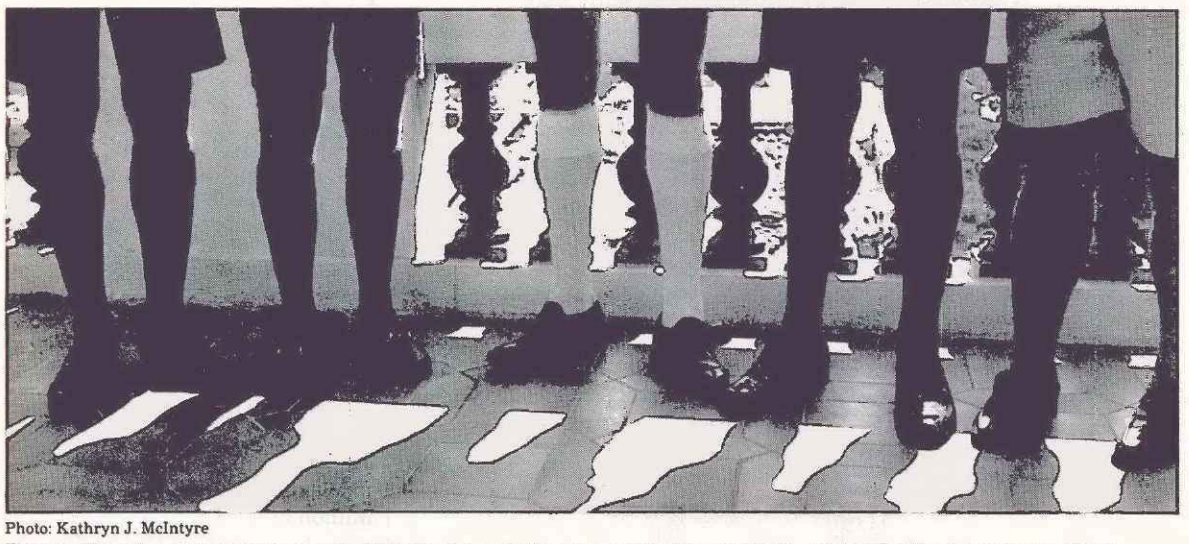


Photo: Kathryn J. McIntyre

Bermuda reinsurers' knees—not their place in the reinsurance market—were topic of conversation.

MONTE CARLO, Monaco—More than 200 guests from the U.S. and European reinsurance communities turned out for an elegant cocktail party hosted by 10 Bermuda-based insurers and reinsurers during the annual Rendez-Vous de Septembre.

On the terrace of a private home overlooking Monaco's yacht harbor, they chatted about the beautiful view, the lovely weather and the dismal state of the world reinsurance market.

They also discussed some business, though they did not discuss Bermuda as a home for reinsurance companies. Most of the guests attending the party already do business with at least some of the party's hosts.

Those who did not had little trouble spotting their hosts; almost all of them were wearing traditional Bermuda shorts. It was perfect garb for the party: The hot midday sun nearly melted those who couldn't find a spot of shade under umbrellas.

The topic of Bermuda as a home for reinsurers would not have been inappropriate, even though it wasn't discussed. The organizers of the party had the image of Bermuda as a reinsurance center in mind when they organized the event.

"We wanted to show that Bermuda is still in business," explained A.W. Hunt, director and vp of Pearson Webb Springbett (Bermuda), whose fire insurance pool—Spectrum—was one of the sponsors of the party.

"We wanted an opportunity to show it is unfair for people to point at Bermuda because of the unfortunate circumstances of one or two companies," added Chuck Dyson, another host and vp of underwriting for Horizon Insurance Co., the wholly owned insurance subsidiary of Cargill Inc.

Bermuda-based insurers and reinsurers are sensitive to world reaction to the withdrawal from underwriting by Walton Insurance Co., the Bermuda insurance subsidiary of Phillips Petroleum Co. Walton had become an aggressive underwriter of insurance and reinsurance, but withdrew earlier this year in the face of underwriting losses and is now running off its business (*BI*, April 25).

"It's amazing how few questions have been directed to us," said Mr. Dyson.

"No one has asked me anything outrageous," agreed Mr. Hunt.

Other hosts of the party were: Ancon Insurance Co., the highly capitalized subsidiary of Exxon Corp.; Aneco Reinsurance Co. Ltd., Bermuda's only publicly traded insurance company; Belvedere Insurance Co. Ltd.; Cambridge Reinsurance Ltd., a subsidiary of National Sea Products of Canada; underwriting manager Fordingbridge International Underwriters Ltd.; Hudson Reinsurance Co. Ltd.; Mentor Insurance Co. Ltd., a subsidiary of Ocean Drilling & Exploration Co.; and Paumanock Insurance Co., a subsidiary of Grumann Corp.

Besides the Bermuda shorts, there was another Bermuda touch: a Bermuda constable in full uniform greeted guests. Constable Albert Dowling volunteered for the off-island duty, standing guard during the party for no pay except the price of the round-trip ticket to Monte Carlo.

In order to receive permission from the principality of Monaco for the Bermuda constable to appear at the party in full uniform, the organizers of the party had to sign an agreement that Constable Dowling would not direct traffic nor attempt to apprehend anyone during his stay in Monaco.

The hosts declared their party a success. "I saw a lot of happy smiling faces," said Ron Peschon, president of Horizon. "And I discussed business with three or four people —from Brussels, Antwerp, Florida and Bermuda."

Only Bermuda-based brokers appeared a little miffed. They had not been officially invited to the party, although at the last minute those in Monte Carlo received verbal invitations.

"We decided it should be a Bermuda underwriting party. There is no need to sell ourselves to local brokers," said Mr. Hunt, explaining why the Bermuda brokers were neither organizers nor official guests.

—*By Kathryn J. McIntyre*

BARBADOS A New Opportunity FOR CAPTIVES



You are invited...

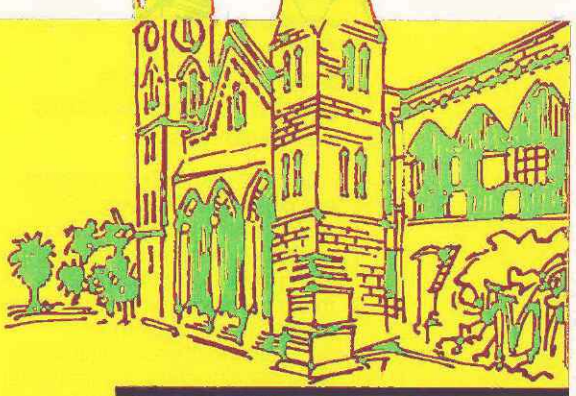
Now Barbados is ready for the world-wide insurance industry. With enviable support services, unquestioned stability and an abundant and trainable workforce, Barbados offers an alternative domicile to group, association and other captives.

Corporate risk and insurance managers, investment managers, financial executives, insurance company executives and brokers, international tax planning lawyers and accountants will find this a unique opportunity to get to know the new domicile.

SOME DIRECT FLIGHTS TO BARBADOS

New York/Barbados —
4½ hrs. — daily by American Airlines. Mons; Weds; Thurs; Sats; by Pan Am. Sats. and Mons. by B.W.I.A.

Miami/Barbados —
3½ hrs — daily by Eastern. Tues, Fri, Sun, by Pan Am.



Room Rate at Marriott's Sam Lord's Castle — US$40.00 per room per night EP, single/double. This rate will hold good for registrants arriving early or staying late.

Mail Hotel Registration Form together with completed Conference **Registration Form to: Conference Organiser, Central Bank of Barbados, P.O. Box 1016, Bridgetown, Barbados, W.I.**

For details and brochure on the conference write to the above address, telex 2251 CENBANK WB or telephone 809-426-2250

JOINT SPONSORS:
The Central Bank of Barbados
The Insurance Corporation of Barbados

November 9 and 10,1983 at Marriott's Sam Lord's Castle St.Philip, Barbados, West Indies

Conference Registration Form

Barbados — A New Opportunity for Captives, November 9 and 10, 1983.
I enclose a cheque for US$ ..... (Conference registration fee of U.S.$150 includes one night's accommodation at Sam Lord's Hotel.)
Name(s) ..... Title .....
Company ..... Address .....
..... Telephone .....

Hotel Registration Form

Name(s) .....
Company .....
Accompanied by .....
of (Address) .....
Telephone ..... Arrival date ..... Depature date .....
Conference registration fee of US $150 includes one night's hotel room deposit. Cheques payable to THE CENTRAL BANK OF BARBADOS.

Buyers' market to persist in the U.S.: Meenaghan

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Fundamental changes in the U.S. property/casualty insurance business will sustain a buyers' market for the "foreseeable future," says the president of a major American insurance company.

"We are not going back," declared James J. Meenaghan, president of Fireman's Fund Insurance Cos. of Novato, Calif., during his remarks to the 27th annual Rendez-Vous de Septembre, the annual meeting of reinsurers from around the world.

"The future of the business in the United States is not a simple extension of the past," he explained.

Insurance rates will firm, especially for commercial insurance products, but competition among insurers will continue due to changes in the business, he said. And, the continuing competition will force changes in the way insurers, intermediaries and reinsurers do business, Mr. Meenaghan predicted.

He identified the fundamental changes in the insurance business as: a slowdown in premium growth, a trememdous amount of new capacity to underwrite insurance, more knowledge among consumers, the blurring of distinctions among providers of financial services and the advent of new technology.

Every segment of the insurance business will have to reduce its costs of doing business, he advised.


Mr. Meenaghan

Mr. Meenaghan was one of the three insurance industry leaders to address the topic: "Insurance and Reinsurance—A World of Problems: What are the solutions?" Mr. Meenaghan's formal paper was distributed to registrants, and he addressed its themes in extemporaneous remarks to an audience of about 300 people and in an interview with *Business Insurance*.

Also on the panel were B.J. Brennan, deputy chairman of Lloyd's of London, and Jacques Bourthoumieux, president of Societe Anonyme Francaise de Reassurances in Paris.

Mr. Brennan discussed Lloyd's 1980 global results in an obvious effort to boost Lloyd's image in the world marketplace. Mr. Brennan himself referred to Lloyd's concerns about its image in the wake of reinsurance scandals when he said, "It is saddening, sickening what damage can be done by a handful of people."

Mr. Bourthoumieux urged reinsurers to improve their underwriting (see story, page 55).

Mr. Meenaghan predicted continuing competition among insurers in the United States will "translate into a squeeze all the way along the chain, starting with the customer, to the agent or broker, to the primary company, to the intermediary and to the reinsurer."

Under this pressure, the insurance industry will have to change, Mr. Meenaghan suggested. In the next three to five years, he said he expects to see:

- More market segmentation, as general-purpose insurance companies increasingly target their marketing efforts to selected classes and types of insurance buyers.
- Insurers distributing their products through multiple sources.
- More insurance company acquisitions for agents and brokers, broker acquisitions of smaller agencies and other forms of vertical integration. "Insurance still has many layers of distribution between the buyer and the insurer. Often there is not enough value added to justify the costs involved."
- Agents and insurers recognizing that they need each other "more than previously imagined. The total 'independence' enjoyed by companies and agents in the old sellers' market will rapidly disappear."
- Overhead costs coming down. There will be more office automation by agents and brokers. Insurers also will step up their efforts to link their offices electronically to their producers.
- Improved service to the insurance buyer.
- Bottom-line results of insurers, including underwriting and investment gains, squeezed even further in the years ahead. "Profit margins have to come into line with long-term results in other industries."

Fireman's Fund, however, is targeting a 17.5%, or higher, return on equity, which is higher than Mr. Meenaghan expects the U.S. insurance business to average, he noted.

- Continued pressure on reinsurers by insurers, who will be passing along the pressure exerted on them by primary insurance buyers. "It would be unrealistic to expect that as a buyer of reinsurance that I would not exert the same pressure on reinsurers that the primary insurance buyer is exerting on me," he warned.

"The future of the business is not going to be a simple extension of the past," Mr. Meenaghan advised.

"Until 1975, the insurance industry had enjoyed three decades of premium growth that exceeded the growth of the gross national product. In the 1950s, premiums grew 7.8%, compared with a GNP growth of 5.9%; in the 1960s, premium grew 8.1%, compared with a GNP growth of 6.9%; and in the 1970s, premiums grew 12.2%, compared with a GNP growth of 10.3%.

"This was due in part to inflation, but more importantly, it reflected the natural expansion of the U.S. economy," Mr. Meenaghan noted.

This sustained growth in premiums sustained a sellers' insurance market in which insurers agreed to rates through their rating bureaus and for the most part charged these rates.

"This comfortable situation changed during the last seven years. Changes have come both from within the business and outside," Mr. Meenaghan observed.

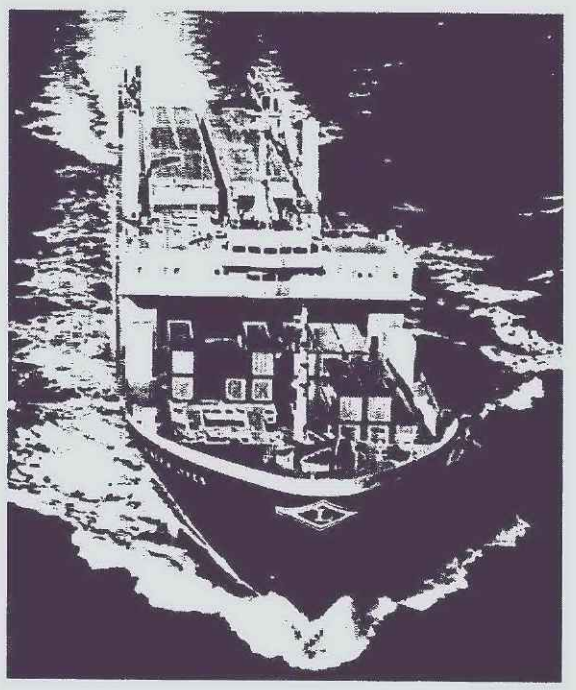
Inside the business, demand for insurance slowed as the growth of the economy slowed. Although the U.S. economy is improving—inflation is down, investment rates are lower, productivity is increasing and corporate profits are rising—the property/casualty insurance business is not improving, Mr. Meenaghan said.

"Premium growth is sluggish, with growth projected at 4% this year, and rates are rocking along at inadequate levels."

At the same time the demand for insurance slowed, the amount of capacity offered by insurers increased. For example, the total sur-

Continued on next page

Seaworthy security.



We've pioneered it since 1842. As marine cargo and hull insurance grew more complex, we honed and refined our capabilities accordingly.

Today our marine lines have been expanded to include broadened marine liabilities. And our insureds enjoy the benefits of a tradition of stability and innovative services.

That means we provide fast underwriting and claims handling, as well as computerized loss analyses. In addition, our loss control and recovery specialists work to keep your premiums down.

Your independent agent or broker will show you how our flexible land, sea or air coverages can be tailored precisely to your marine cargo insurance needs.

The Atlantic Companies

Atlantic Mutual Insurance Company • Centennial Insurance Company
Home Office: The Atlantic Building • 45 Wall Street, New York, NY 10005

Outside pressures changing insurance market

Continued from previous page
plus of property/casualty insurers in the United States in 1945 was $4 billion. Three decades later, in 1975, it had increased to $15.5 billion. But in the next seven years, surplus increased more than $30 billion to $47 billion.

Meanwhile, more knowledgeable consumers, the blurring of distinctions among providers of financial services and the advent of new technology have pressured the insurance business from the outside, Mr. Meenaghan said.

"Rapid inflation and high interest rates have hit consumers very hard in the last seven years. But consumers have emerged both stronger and wiser. They are tougher, more demanding and more financially sophisticated than any we have ever known.

"Both the man in the street, as well as the corporate insurance buyer, are very interest-rate sensitive. There is an awareness of the time value of money that did not exist 10 years ago."

The blurring of distinctions among insurance, banking, savings, securities and credit institutions is beginning to create more of a marketing awareness in the insurance business. "Previously, people sold insurance; now they are providing services," Mr. Meenaghan explained.

The advent of new technology is important on two levels, Mr. Meenaghan noted. One is automation at the point of sale, in the insurance agents and brokers' offices. The other is in the ability of individual insurance companies to electronically communicate or interface with their producers.

Automation in the insurance agents' and brokers' offices is making them more efficient. And so will computerized links with insurers, Mr. Meenaghan maintained.

It has been argued that insurers are "trapping" agents into business with electonic links, Mr. Meenaghan said. "My answer is, I am not going to trap agents. But, it is human nature to take the path of least resistance."

The agent linked electronically with an insurer can work more efficiently and, therefore, will provide more business to the insurer, which makes the agent's work more efficient, he explained.

Fireman's Fund has invested $53 million in a computer system to link the agents to the insurer to "make it easier for agents to do business with us and they will, therefore, give us more business."

As a result of the changes, "The current insurance market is now governed by general economic forces much more than ever before. Consumer pressures that have existed in other business for many years have just now come to the property/liability business. They're not likely to leave, ever," Mr. Meenaghan observed.

In addition to unprecedented competition, the insurance industry is also changing because it has lost its historical benchmark for judging its performance: the 100% combined ratio.

"Record investment income brought on by increased loss reserves and high interest rates has undermined the validity of the 100% trade ratio concept," said Mr. Meenaghan. But, the industry has not found a new benchmark, so it is difficult to compare insurers' results.

"Product-mix variations between short-tail and long-tail business, different investment strategies and different tax situations all have profound effects on bottom-line performance," he explained.

But, while the combined ratio is no longer sacrosanct, "Everyone is concerned about the duration of the current underwriting cycle and the very unprofitable underwriting results recorded in 1982 and expected in 1983."

Insurers in 1982 recorded the worst underwriting results since 1906, the year of the San Francisco earthquake. An operating combined ratio of 109.6% produced an underwriting loss in 1982 in excess of $10 billion. And, although investment income increased to almost $15 billion, the bottom-line profit of the industry was less than insurers would like.

"Many in the industry believe that the underwriting results will improve as prices are increased later this year and in 1984. There is reason for cautious optimism," Mr. Meenaghan contends.

But, the president of Fireman's Fund is not pinning his cautious optimism only on hopes of improved underwriting results. He is very enthusiastic about capitalizing on the changing insurance marketplace, especially in new financial services.

"As a member of the American Express family, my company is already positioned in an organization that is in the vanguard of providing financial services," he explained. "We see great opportunities in the emerging markets."

In response to a question from a skeptical member of the audience who asked, "What can financial services do for us?" he responded, "I can only speculate. The buyers will determine how far all these services should be dispensed.

"Financial services will intensify the market orientation that will be necessary to sell insurance. Reinsurance follows. What it does for reinsurance depends on the individual capacity of the reinsurer."

Fireman's Fund is experimenting with how the various American Express financial services companies can incorporate and capitalize on its expertise. For example, Fireman's Fund is now testing agents' interest in the limited partnerships offered by the Shearson/American Express securities brokerage unit.

The agents are being asked if they would be interested in investing in limited partnerships and if they would be interested in making the product available to their clients.

Fireman's Fund also has sold travel/accident insurance to American Express card holders. At this point, however, the insurer does not have plans for selling other types of insurance to card holders.

"They are potential customers, but we have no specific plans," Mr. Meenaghan said.

After his speech, Mr. Meenaghan noted that his paper and his remarks were "somewhat overdrawn" to make his point that the insurance business has changed dramatically and that insurers, reinsurers and their intermediaries must change in response.

"But, I don't mean to sound like gloom and doom," he said. "Anytime there is this much change, there is terrific opportunity. There is nothing better than to be in a changing business. If a company is good, and recognizes that the world is changing, there are fantastic opportunities." ■

IMMEDIATE ACCESS
TO INDUSTRY INFLUENTIALS

UPCOMING ISSUES

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

These issues of BI will reach more than 115,000 readers, including pass-along, every week—
a prominent audience of corporate financial and top executives risk and employee benefits managers,
as well as leading agents and brokers, consultants, and commercial insurance underwriters.
BI is there first... reporting all the vital news and trends in this dynamic, multi-billion dollar marketplace.

Plug into BI with your fall advertising program. Your ad, placed in this exciting editorial environment,
will position your products and services squarely in the minds of the decision makers you need to reach.
Be where the action is this week and *every* week. Call or write for your reservations.

business insurance
a publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133 **Chicago:** 740 Rush St., IL 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Variety of factors causing low profits: French reinsurer

MONTE CARLO, Monaco—Cheap rates are not the only reason European insurers' profits are declining, says a French reinsurance executive.

The slumping world economy, broader coverage without attendant rate increases and the growth of crime in European countries all have contributed to insurers' deteriorating results, said Jacques Bourthoumieux, chairman of Societe Anonyme Francaise de Reassurances in Paris during his remarks to the 27th annual Rendez-Vous de Septembre.

"Although in the early stages insurance was only marginally affected by the downturn in the world economy, there is little doubt that the decline in industrial investment and in economic activity in general has progressively curtailed the growth in premium income, though this has been concealed by inflation," he said in his paper presented to registrants of the annual international meeting of reinsurers.

Also responsible for the decline in insurers' profits is the "continual tendency to extend cover," Mr. Bourthoumieux said.

"Risk managers in industry are constantly endeavoring to increase the quantity of risks to be borne by insurers and to transfer as great a proportion as they can of the risk involved so as to maximize the value of the premium they pay.

"The implications of such a transfer as regards claim incidence have often caught insurers unawares."

In addition, the risks underwritten are larger and more concentrated, but premiums are not growing, he added.

Finally, "Growth of the crime rate has gradually affected all European nations and brings in its wake the growing significance of arson as the cause of fire claims and deterioration of results in the theft sector."

Life insurance business, Mr. Bourthoumieux noted, "is by definition less vulnerable to negative developments," but it is still losing profits. Group life insurance is suffering because of the "inclusion of sickness and invalid benefits and also the lower profitability justified by collective selling."

Often, reinsurers bear "more than their proportional share of claims exposure due to the terms and conditions of the reinsurance contract," Mr. Bourthoumieux said.

"When the market is good, reinsurers can expect a 4% to 5% profit. When the market is bad, reinsurers can expect a 15% to 20% loss—sometimes higher," he said. "The natural trend is for direct insurers to try and improve their results (with reinsurance)," he noted.

While the insurance business expects to benefit from economic recovery, "which has been hinted at in the early part of 1983," the improvement will be more in business volume than in underwriting results, he predicted.

Increased insurance rates are needed, he noted, but, "It will not be easy, for both great determination and great cohesion of purpose amongst insurers will be required. French industrial fire rates, for instance, would need to be increased by 51% to return to the levels applicable in 1975."

Terms and conditions of insurance policies also should be tightened, he recommended.

Summer fires may destroy Australian insurers' earnings

By STACY SHAPIRO

MONTE CARLO, Monaco—Fires this summer in the Australian bush country may lead to another year of little or no profits for the nation's underwriters, says the deputy chairman of the Insurance Council of Australia.

Before the bush fires, which destroyed thousands of acres of land, the nation's 170 insurers had hoped to post aggregate pretax profits of $100 million for 1983, said Donald Menzies, group general manager of Zurich Australian Insurance Ltd., at the 27th Rendez-Vous de Septembre.

Fire claims totaling more than $200 million have changed that optimistic projection, though.

"The effect of the fires will make it unlikely that the industry can record a significant aggregate profit in calendar 1983," Mr. Menzies said.

However, the slightest profit in 1983 would mark an improvement for the Australian insurance industry.

For the last three years, Australian insurers have compiled one of the worst records of any of the world's insurance industries, Mr. Menzies pointed out. Most insurers have failed to post any sort of profit, he noted, because of horrendous loss ratios.

For instance, workers compensation loss ratios have exceeded 150%, while loss ratios on other lines—including commercial property and liability and personal lines—have ranged between 108% and 126%.

"For every one of the six principal classes—fire, householders, marine, motor vehicle (excluding bodily injury), workers compensation and public liability—loss ratios have become worse," he said.

Yet, despite the huge losses, Australian insurers have continued to offer bargain-basement rates instead of increasing what they charge to offset the red ink, he said.

"The problems of declining profitability in the Australian market have nothing much to do with the inability of the underwriters to know what they are doing, but can be traced to the struggle to retain market share in a time of increased competition for business," Mr. Menzies noted in a paper distributed before his speech.

But, the continued dearth of profits has convinced the Australian insurance industry that something has to be done.

In the past year, according to Mr. Menzies, Australian insurers have:

- Increased property insurance rates 20%. He said, however, "At least another 20% increase is needed."
- Raised liability insurance rates 70% to 80%.
- Increased workers compensation rates, though Mr. Menzies did not say by how much.
- Tightened the wordings for industrial special risks included in

Continued on next page

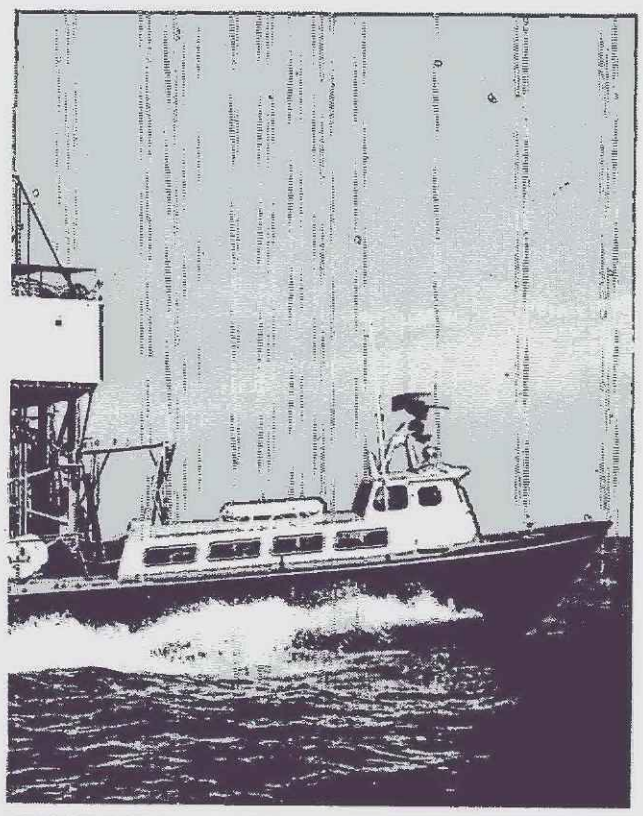


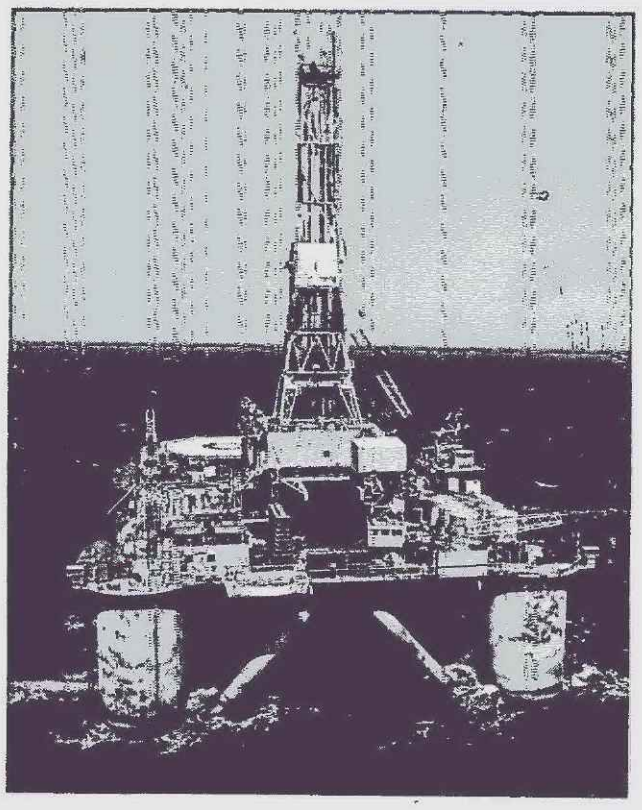
EVER WISH FOR A REALLY DEPENDABLE AVIATION MARKET?

Crump Aviation Underwriters is the Aviation Manager for the Monarch Insurance Company of Ohio. Call us today for an instant quote and binding authority on your aviation needs.

CRUMP AVIATION UNDERWRITERS

5350 Poplar Avenue · Memphis, Tennessee 38117
901/761-1778





We Specialize In

MARINE INSURANCE

And in The Reliable Underwriting of a Wide Variety of Risks. We're not the largest marine insurance company, but big doesn't necessarily mean best. And as the service record shows, our reputation for reliability and innovation is unrivalled. Our clients include small fishing boat operators as well as large multi-national corporations. Whoever they are, whatever their risks, all receive the same personalized attention and share the benefits of fair, competitive rates and comprehensive protection. If you are in a business requiring underwriting of marine related risks, please give us a call. You won't be sorry.

We offer onshore as well as offshore coverage to the oil and natural gas drilling industries for rig physical damage, cost of control, loss of earnings, seepage and pollution, drilling and re-drilling and comprehensive general liability.

Call or write for a copy of our brochure—Continental Underwriters, Ltd., "Who We Are, What We Can Do For You."

Continental Underwriters, Ltd.

419 Decatur St.
New Orleans, LA. 70130
Telephone (504) 581-7493
Telex: 58-318 • 266052 CULTD

Correspondents at Lloyds of London

The Puzzle of the Poisonous Wall Covering



A wall covering manufacturer was threatened by bankruptcy from lawsuits arising from a major hotel fire. Its product allegedly released poisonous fumes in lethal doses. Many of the defendants were leaning toward settling out of court.

Countrywide investigators urged otherwise. Expert analysis indicated that chemicals in the wall covering were different from those in the coroner's report. Lab tests proved that there were no lethally toxic chemicals in the wall covering at all. Case dismissed.

Details have been disguised to protect the confidentiality of our client. But this case typifies our claims management work for major self-insured manufacturers throughout America and abroad. Unlike insurance investigators, we are not settlement oriented. Our primary concern is to help you defend the integrity of your product.

Please write down our phone number. We'll piece together your most important puzzles.

Countrywide Services Corporation

Specializing in product liability claims management.

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306

Bush fires reduce insurers' earnings

Continued from previous page
property insurance policies. Several years ago, property insurance policies included industrial special risks without charging an extra premium, but not anymore, Mr. Menzies said.

In addition to steps taken by Australian insurers, the government is making its own proposals, too.

The government wants to introduce tighter solvency requirements for insurers next year, Mr. Menzies said. Australia now requires that underwriters maintain a reserve equal to 15% of the previous year's net premium income, but the government wants to increase this reserve to 20% next year.

Both the federal government and state authorities also are studying whether to take over the workers compensation system rather than allow insurers to write workers compensation risks, as is currently the practice.

If the government takes over the workers compensation market, Mr. Menzies said, employers' premiums would be cut since the government would not have to reserve for funds for claims.

In addition, there would no longer be erratic rate shifts since the government would probably want to keep employers' rates stable, he said.

But, Mr. Menzies said he is opposed to state control of the Australian workers compensation system because it would reduce the amount of premium that the nation's underwriters could accept. And he added that a takeover is inevitable in the next few years, especially if the Labor Party remains in power.

But his opposition to this idea does not mean that Mr. Menzies objects to all government activity in the insurance industry.

He said he would like the government to pass some kind of protectionist law to force Australian-based companies to insure their risks with domestic insurers. This would keep premiums in Australia and would prevent overseas insurers from undercutting domestic underwriters' rates.



Mr. Menzies

Foreign insurers already active in the Australian market would not be affected by this kind of legislation, Mr. Menzies noted, since most of Australia's current insurers have either British or American parents.

But Mr. Menzies warned foreign insurers that do not currently write Australian risks from entering the market.

"Australia has some unusual and unique animals. There is the kangaroo, whose main characteristic noted by underwriters and reinsurers is its very long tail," Mr. Menzies said.

"We also have sharks. Australians are careful not to swim too far from shore and are not usually caught by sharks. Only foreigners are attacked by sharks if they are not careful." ■

John Cox

Continued from page 2
ing Systems International, American General Capital Corp. and the soon-to-be-acquired Voyager Group of insurance companies.

Whether acquisitions continue at the recent fast pace depends on the company's ability to raise new capital and handle its newly acquired subsidiaries, he says.

"You can get indigestion pretty quickly unless you're careful," Mr. Cox said. "And the plate's pretty full."

He added that he would have to look especially carefully at any property/casualty company acquisitions.

"I wouldn't pay full value for some of the things that are going on out there," he said.

Mr. Cox, who also will hold the title of executive vp of American Can, will report to Gerald Tsai Jr., 54, chairman of Associated Madison and vice chairman of the parent company.

Mr. Cox, who ran the Insurance Co. of North America before its merger with Connecticut General Corp., left CIGNA last June to pursue other interests. Many speculated that friction between him and his Connecticut General counterparts contributed to his decision to leave.

A native of Newburgh, N.Y., and a graduate of New York University, Mr. Cox says he had "no qualms" about his tenure with Philadelphia-based CIGNA Corp., but is glad to be back in New York. ■

Storm losses reach $7 million

NEW YORK—Insured property damage caused by tornadoes and hail that affected portions of Pennsylvania and New Jersey Aug. 11-12 are estimated at $7 million by the American Insurance Assn.

The storm was assigned Catastrophe No. 13 by the Insurance Services Office. ■



It's easy to walk away with marine business when you work with Commercial Marine Group.

Even if you've never before sold marine insurance, our Marine Insurance by the Numbers can make it as easy as 1,2,3.

One. Our simplified application forms for every type of marine insurance are fast and easy to complete.

Two. Once completed, our underwriting marine specialists can usually "rate" your policy right away. Frequently, right over the phone.

Three. We'll service you all the way. Promptly and efficiently. Making sure your clients are neither under-covered nor over-covered. And handling claims, worldwide, without delay.

So let the specialists at Commercial Marine Group help you increase your agency's business without increasing your overhead.

You'll be amazed how easy it is.

Commercial Marine Group

P.O. Box 530830/9700 N.E. 2nd Ave./Mia.Shores, FL. 33153
305/756-8500/Toll-Free 800-327-8793/Telex: 807049

Branch Offices: New York, NY • Encino, CA • Seattle, WA.

Multiemployer rulings differ

Continued from page 2

cover more than 8 million people, haven't always matched the benefits promised, the unfunded liabilities of certain plans are enormous.

By making employers liable for the plans' promised-but-not-funded benefits, Congress wanted to discourage companies from leaving the nation's 2,000 multiemployer pension plans, which are concentrated in the shipping, construction and transportation industries.

Prior to the 1980 law, an employer could leave a multiemployer plan and not have to pay any promised benefits as long as the plan did not fold within five years of the employer's withdrawal.

When Congress passed the 1980 law instituting withdrawal liability, it feared employers would start a mass exodus from multiemployer plans because of the increased liability. To prevent this, Congress made the law's provisions retroactive.

Republic Industries, which faces withdrawal liability claims totaling more than $20 million from several multiemployer plans that it left in 1980, has challenged this retroactive feature in several suits.

The 4th Circuit Court of Appeals decision involves the withdrawal of Johnson Motor Lines Inc., of Charlotte, N.C., Republic's trucking subsidiary, from the Teamsters Joint Council No. 83 of Virginia Pension Fund.

On Aug. 8, 1980, Republic terminated Johnson's operations and ceased contributions to the pension fund.

On Sept. 26 of that year, President Carter signed the Multiemployer Amendments Act, which stated that withdrawal liability would be placed on employers, like Johnson, that left multiemployer plans on or after April 29, 1980.

On July 3, 1981, the Virginia Teamsters' plan notified Johnson that its withdrawal liability would be $189,107.

Republic then filed suit, seeking a ruling that the retroactive withdrawal liability provisions of the law were unconstitutional. The company argued that making withdrawal liability retroactive violated, among other things, its right to prior notice and fair warning of government regulation.

But the appellate court, in reviewing the legislative history of the Multiemployer Amendments Act, noted that in early 1980 congressional committees already had passed bills that imposed withdrawal liability retroactive to Feb. 27, 1979.

By the time that Republic had withdrawn from the Virginia Teamsters' plan, the House and Senate had passed multiemployer bills that advanced the retroactive date to April 29, 1980.

"Thus Republic had fair notice of its potential liability," the appellate court said.

But Lester Bridgeman, Republic's Washington counsel, disputed the court's analysis. "You have a duty to obey a law, not a bill," Mr. Bridgeman said. "It is not reasonable to expect people to act on the basis of a bill. You act on the basis of a law."

Mr. Bridgeman said Republic officials did not know Congress was in the final stages of passing the Multiemployer Amendments Act when it folded Johnson Motor Lines and withdrew from several multiemployer pension plans in 1980.

The appellate court, however, said there were other "rational" reasons why Congress decided to make the law's effective date retroactive.

Congress believed that there might be a wave of "opportunistic" withdrawals by employers unless the law was made retroactive.

"This legislative judgment is, in our view, not an irrational one," the appellate court said. ■

Benefit organization confers designation

BROOKFIELD, Wis.—For the first time, fellowship designations in the International Society of Certified Employee Benefit Specialists were granted recently by the International Foundation of Employee Benefit Plans.

The two-year designations were given to 133 society members.

Candidates were tested on income security planning, flexible benefits, health care cost control, the Economic Recovery Tax Act, Tax Equity and Fiscal Responsibility Act, stock option and ownership plans and 401(k) plans. ■

Coming Up! Reinsurance Report

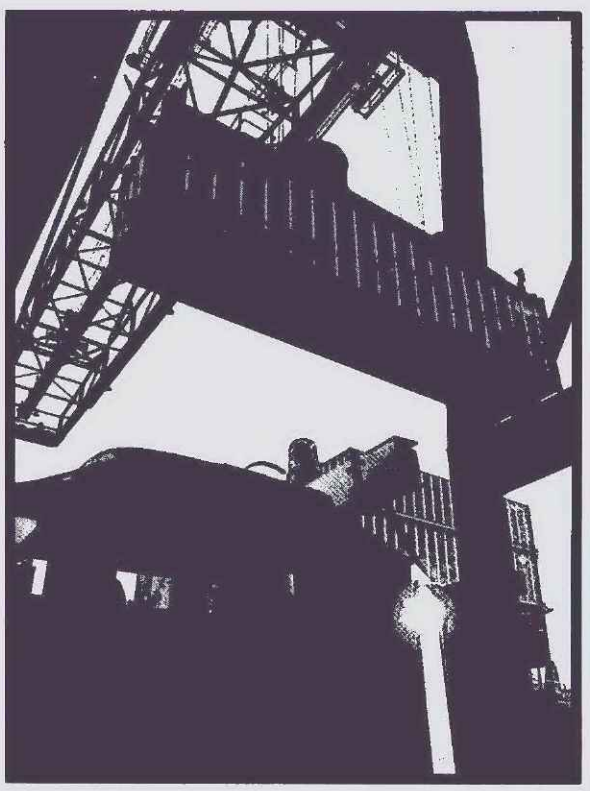
Issue Date: October 10, 1983
Ad Closing: September 27, 1983

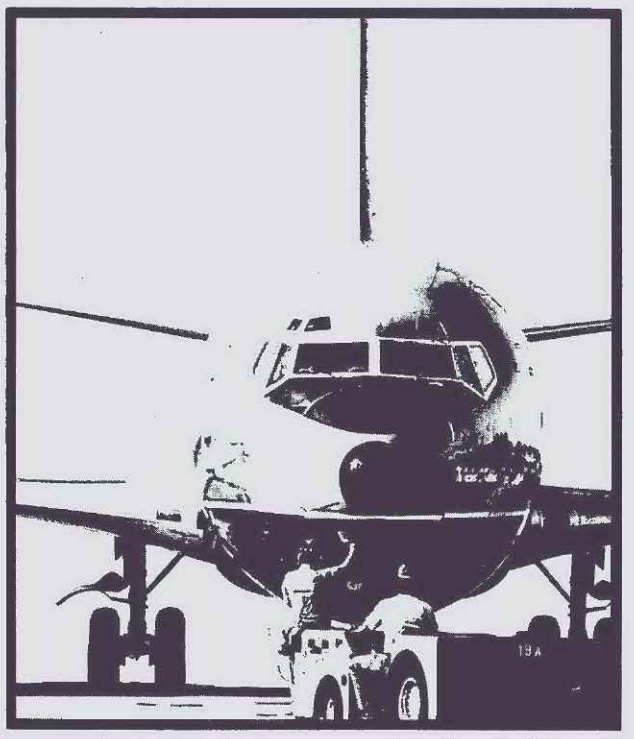
New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

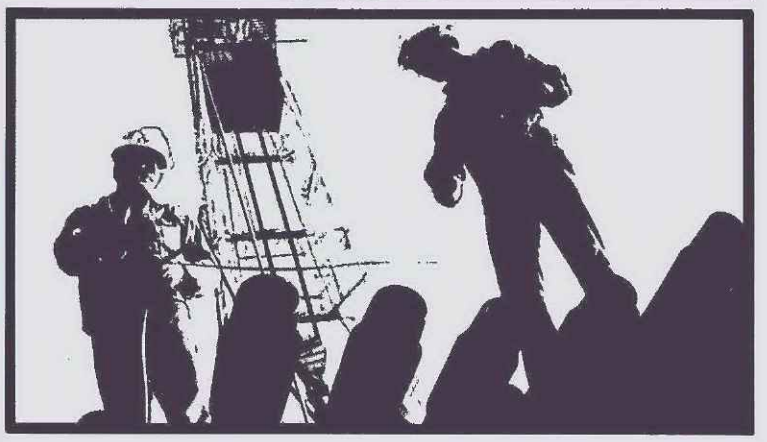
Business Insurance, the national newsweekly of loss prevention, risk financing and benefit management.

business insurance
a publication of Crain Communications Inc.

You know Midland can handle the tough ones...







trust us with your other VIP accounts.

If you're a producer whose major account requires "Jumbo" account treatment, yet isn't large enough to impress the giant carriers...don't despair. There is an insurance company specifically structured to meet your needs.

Midland.

By choice, Midland concentrates on medium sized risks... ones with account premiums of $250,000 or more. Our National Accounts Department has the talent and resources to devote to that middle sized account you might otherwise lose. We will custom tailor a complete program for you — this can include SIR's or large deductibles. We will arrange filings for you where applicable and can take charge of your claims administration. In short, if you would like to enjoy the refreshing experience of dealing with knowledgeable specialists who are totally responsive to your needs, call Midland. Even if you're a long way from the Fortune 500, you're close to our heart.

Midland Insurance Company
The Decisive Specialists
160 Water Street, New York, NY 10038
Telephone: (212) 248-1130

Member
Ashford Holding Corporation

War risk policy responds to KAL loss

Continued from page 2

Three liability suits have already been filed in the wake of the tragedy, including one filed in a state court in Chicago last week.

London insurance sources say, however, that underwriters could refuse to pay liability claims if it can be proven that the jetliner was flying over Soviet territory to gather intelligence for the United States, as the Soviets have charged.

"Or what if it was found that a U.S. fighter was alongside the airliner at the same time it was shot down? Wouldn't underwriters have some recourse then against the U.S. government?" one of KAL's reinsurers asked.

"Certainly, underwriters will pay the hull and the liabilities now and subrogate later, if necessary," he said. "But whether it was a spy plane or not is never likely to be found out, anyway."

However, Barry Coleman, a Lloyd's aviation underwriter for several syndicates who writes both hull and liability reinsurance for KAL, does not believe that underwriters will dispute KAL's liability claims.

"We are here to respond to the legal liabilities of the assured, subject to the policy conditions, so we have to respond," Mr. Coleman said.

> 'Certainly, underwriters will pay the hull and the liabilities now and subrogate later, if necessary,' says one of the London reinsurers of the Korean Air Lines' jetliner.

"KAL underwriters have a legal liability to pay passengers whether it was used as a spy plane or not," he said.

In Chicago, a suit was filed Sept. 12 against KAL, the Soviet government and two U.S. companies on behalf of a 13-year-old West German youth whose father was killed in the crash.

Cecille Albert Chuapoco of Garmisch, West Germany, is seeking $1 million in compensatory damages and an unspecified amount of punitive damages in the suit, filed in Cook County Circuit Court by Chicago plaintiffs' attorney Philip H. Corboy.

The families of two other passengers on the ill-fated flight previously filed lawsuits in U.S. District Courts in Brooklyn, N.Y., and San Francisco.

The suit alleges that KAL engaged in the hazardous practice of using air routes "where dire consequences could result" if an aircraft entered Soviet airspace.

KAL was aware of the dangers involved in flying near the Soviet Union since another KAL jetliner had been forced down by the Soviets over Soviet territory in 1978, the lawsuit contends.

The suit charges that KAL was guilty of willful and wanton conduct and, among other things, alleges that the airline failed to advise and train its flight crews with respect to the known hazards of flying near or in airspace in which its aircraft could be attacked.

The lawsuit also makes other claims against the airline under the Warsaw Convention and the Death on the High Seas Act, says Mr. Corboy.

The Warsaw Convention limits airlines' liability to $75,000 per passenger, though a U.S. Circuit Court of Appeals has ruled that this limit is unenforceable.

In the count relating to the Death on the High Seas Act, the suit charges that KAL was negligent in the operation of Flight 007 because:

- It failed to adequately use navigational instruments on board the aircraft and at ground facilities.
- It negligently failed to monitor the progress of its flight from ground stations as a cross-check for navigational purposes.
- It failed to provide adequate equipment and devices for the safe navigation of Flight 007 over international waters and other countries.
- It failed to heed warnings that its aircraft would be fired upon without notice upon transgression of certain airspace.
- It failed to accurately and adequately check the position of its aircraft as it approached and flew into airspace in which it could be fired upon without notice.

Like one of the lawsuits filed in federal court earlier this month, the Chuapoco suit also names The Boeing Co. of Seattle, which manufactured the B-747-200B aircraft, and against Litton Industries of Beverly Hills, Calif., which made the airliner's navigational instruments and devices.

"Anytime a plane goes off course, it's not at all unusual that the airlines will blame the (airframe) manufacturer, and the manufacturer will blame the manufacturer of the navigational devices," Mr. Corboy said.

The Warsaw Convention's liability limitations do not apply to manufacturers, Mr. Corboy noted in explanation of why the suit seeks $1 million in compensatory damage.

In addition, the suit charges the Soviet Union with negligence and willful and wanton conduct under the provisions of the Foreign Sovereign Immunity Act of 1976.

That act permits lawsuits against a country if the country waives immunity or if the dispute involves a commercial venture or a tort that took place in the United States.

Mr. Corboy was retained by West German attorney Goetz M. Pollzien to file the suit because a claim against the defendants could not have been filed in West Germany, Mr. Corboy said. ■

classified advertising

RATES AND CLOSING TIME:

Rates: Display classified is $60.00 per column inch, minimum of one inch. Straight classified is $5.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $11.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

SURPLUS LINES AGENCY FOR SALE

No. N. J. Doing mostly primary property/casualty. Binding authorities both admitted & nonadmitted cos. Volume $800,000. Good opportunity for large retailer who wishes start brokerage/surplus lines division. Reply Box 902, Business Insurance, 740 Rush St., Chicago, Ill 60611.

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative Management: owners, presidents, vps, etc.	5,861
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,426
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,865
Government, Associations, Unions, Educational Institutions	1,024
Commercial Consumers Sub-total	**23,176**
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
Others allied to the field	1,020
TOTAL	**42,383**

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

DIRECTOR, RISK MANAGEMENT

Office of Education
San Diego County
San Diego, CA
$36,684-$44,688

Develops, implements, administers, and coordinates programs for controlling and minimizing loss in workers' compensation, property and liability, employee benefits, unemployment, employee and pupil safety and other related programs for participating school districts in San Diego County. Application deadline is September 30, 1983.

Submit resumes to:
S. Michele Fort
Office of Education
6401 Linda Vista Road
San Diego, CA 92111
(619) 292-3526

Our client, a leading SUNBELT company, seeks an individual to head their BENEFITS department. Total number of employees number in excess of 5,000. Graduate work desirable plus eight years experience at either the corporate or insurance company level with the last three years being in a Jr. or Sr. management level. Must be totally experienced in all employee benefits programs/plans to include life/health, dental, pensions, thrift plans, 401K, etc. Our client is comfortable at a **starting** salary to mid $50s. Contact **INSURANCE RECRUITERS, INC.** 3707 Rawlins, $416, Dallas, Tx. 75219. AC214/528-0090.

BI Classifieds assure top quality results!

I. R. C.

305-782-7077

BONDS— NATIONWIDE OPENINGS

We now have 2 recruiters devoting full time to the search for qualified BOND people. U/W, Production, Claims. 2-10 yrs. exper.

CALL COLLECT—
Chris Adams or
Tom Hill.

Assure yourself top quality employees— Advertise your openings in the Business Insurance Classifieds.

INSURANCE SALES
(— commission —)

Due to our fast growth and expansion, we are seeking experienced, licensed brokers, who can be responsive to the needs of our clients.

Our group health insurance plans are competitive and our marketing program is designed to make the sale that will earn you top dollars on a liberal, incentive commission schedule.

Please submit resumés to:

IBA **Casey Galk,** *President*
Insurance Benefit Administrators, Inc.
5600 S. Wolf Rd., Western Springs, IL 60558

SURPLUS RELIEF

PORT FOLIO TRANSFER

RUN OFF REINSURANCE

WE OFFER INNOVATIVE SOLUTIONS TO PROBLEMS OF SURPLUS STRAIN, ESCALATING RESERVES AND UNPROFITABLE BOOKS OF INSURANCE/REINSURANCE.

FOR **CAPTIVES** UNHAPPY WITH THEIR THIRD PARTY UNDERWRITING WE CAN ARRANGE TOTAL TRANSFER OF THE PORTFOLIO OR THROUGH OUR CAPTIVE MANAGER CAN TAKE OVER THE RUN OFF ADMINISTRATION.

FOR FURTHER DETAILS CALL (809-29) 5-5921 OR WRITE:

REGENCY REINSURANCE BROKERS
P. O. BOX 1224
HAMILTON 5, BERMUDA.

AFFILIATED TO E.H. CRUMP COMPANIES, INC.

MANAGER OF INSURANCE SERVICES

A NYSE listed company, headquartered in Cleveland, Ohio, is seeking an outstanding insurance executive for a newly created position in its rapidly expanding insurance division. The ideal candidate will have impressive academic credentials, coupled with the following qualifications:

A minimum of ten years experience in insurance.

Risk management experience with a large industrial firm, principally in the property and casualty area.

Experience with captives and alternative risk funding methods.

Proven analytical and communications skills.

This position will require contact with corporate executive officers, staff and clients, in the U.S., Bermuda and Europe. Some travel is necessary.

This position offers excellent personal growth with an eventual Vice President opportunity and an attractive compensation and benefit package. For prompt, confidential consideration, please submit a detailed resume including salary history and requirements to Box 898, Business Insurance, 740 Rush St., Chicago, IL 60611

Manville insurers ready to pay $250 million

Continued from page 1
to pay for it.

The resolution of both the insurance coverage for pending asbestos injury claims and coverage for future claims is key to bringing Manville out of reorganization.

Manville filed for reorganization under Chapter 11 of the Federal Bankruptcy Act in August 1982 because of its inability to fund about 17,000 current and 30,000 projected claims from victims of asbestos-related diseases.

Manville's reorganization filing halted all action on lawsuits pending against it.

Meanwhile, it has not been able to reach agreement with its 27 liability insurers on the insurance coverage question, and this in part has stalled agreement with creditors on a plan to bring Manville out of reorganization.

The litigation over the extent and nature of Manville's liability coverage is now part of coordinated litigation in a California state court that will deal with insurance coverage disputes of five different asbestos makers and users. Manville contends it has between $500 million and $600 million in coverage.

The creditors' papers concerning the insurance coverage were filed last week in bankruptcy court, as Manville was granted another 30-day extension to work out a consensual reorganization plan.

Bankruptcy Court Judge Burton Lifland granted an extension until Oct. 17 despite the creditors' request that any extension be limited to two weeks. But Judge Lifland said that this seventh extension would be the last, unless new developments occur.

The unsecured creditors committee, which represents banks, other institutional lenders and others that provided goods and services to Manville and has worked with the asbestos plaintiffs' committee, told the court the proposed insurance settlements may be in excess of the policy limits of the participating insurers and that a "substantial initial settlement with several of the insurers at this time could lead to an early resolution of the California insurance litigation."

Concerning the coverage for future claims, the creditors explained they have been in discussions directly with Travelers, which was Manville's primary insurer from the 1940s through part of the 1970s.

Travelers officials confirm the insurer is willing to design and participate in an insurance program for future claims that would be based on a claims-made policy.

"This program could go into effect on Jan. 1, 1984, and cover all claims made on or after that date irrespective of when exposure occurred," papers filed with the court by the creditors committee say.

"In order to expedite the formulation and funding of such a 'claims-made' program, the Committee of Unsecured Creditors is consulting with Travelers, insurance actuaries and the Committee's investment bankers and accountants to determine whether such a program is financially viable.

"While it has not yet completed its work, the Committee believes that such a program could be implemented on terms satisfactory to Manville, its creditors, its insurance carriers and this Court," they add.

The key feature of the proposed coverage for future claims is that it would be written on a claims-made form, not the occurrence form that was used for Manville's previous comprehensive general liability policies.

Under a claims-made policy, the insurer on the risk when a claim is made is liable. In contrast, under an occurrence form, the insurer that was on the risk when the injury occurred in liable.

In the case of asbestos diseases and other long-latent injuries, insurers have debated when the injury actually occurs: when the plaintiff was exposed to the harmful substance or when the disease manifests itself, sometimes decades later.

Insurers have refused repeatedly to pay Manville's and other asbestos-related claims if they did not believe they were on the risk when the injury occurred.

Use of the claims-made form would make the debate over exposure vs. manifestation moot. It would not matter when the injury occurred; all that would count is what insurer is on the risk when the claim is made.

According to the plan, the insurance coverage for future claims could be renewed each year with premiums adjusted based on Manville's ability to pay.

Although the limits of the coverage have not been revealed, both Manville Senior Vp G. Earl Parker and Travelers' Mr. Ostrager say the cost would be about $150 million a year.

Mr. Ostrager said investment bankers looking into Manville's financial viability have indicated Manville could afford to pay more than $150 million per year for the coverage. The premiums, he points out, also would be tax-deductible.

Mr. Parker, speaking at last week's bankruptcy court hearing, said Manville hopes to learn more about the proposed coverage for future claims and would continue to discuss the matter with Travelers.

Travelers and Manville officials were to meet last Friday to pursue the future claims plan, said Travelers officials.

The issue of future claims has been a particularly thorny issue in the reorganization since it is uncertain whether the bankruptcy code permits future claims by victims of asbestos disease to be included in a formal reorganization plan.

Manville has said it is necessary that these claims be dealt with, but at least one federal court ruling on another asbestos company bankruptcy has said they may not be included.

Also at the bankruptcy hearing last week, Manville agreed to cancel an insurance policy it recently purchased with National Union Fire Insurance Co. of Pittsburgh, Pa., to cover asbestos damages.

Committees representing both the unsecured creditors and asbestos victims opposed the policy because they say it squanders Manville's current assets and is more like an investment scheme than a means for adequately funding future asbestos claims.

The policy provides coverage for bodily injury liabilty resulting from exposure to asbestos products from July 1, 1983, to July 1, 1984, and also for property damage resulting from asbestos products installed during the policy period, according to papers filed with the bankruptcy court.

Under the $50 million policy, Manville would have a self-insured retention of $20 million followed by a $20 million primary layer of insurance and a $30 million excess of $40 million layer.

The premium was $13 million for the first $20 million primary layer and $3.2 million for the $30 million excess layer.

However, under a payout schedule, the policy would not respond to any losses prior to July 1, 1987, and then would pay out the first $20 million over eight years, paying out no more than $2.5 million a year, the court papers explain.

Under the policy, National Union also had no duty to defend claims against Manville, but it would have had the sole right to determine whether any claim subject to coverage could be settled.

The papers filed by the creditor committees seeking cancellation of the policy contend that it contains "serious flaws and ambiguities."

They say the most extraordinary feature of the contract is the "cash investment" (the $16.2 million paid for the coverage) Manville makes with the insurer, which permits Manville to obtain a partial return of up to $11.4 million of the investment from the insurer (plus an investment yield) by mutual agreement with the insurer.

The money improperly places a substantial fund beyond the control and scrutiny of the court and the committees, they contend.

"Most importantly, however, the cash investment represents an effort by Manville to remove from the estate cash assets which would otherwise be available to meet the requirements of a plan of reorganization and to deprive the Committees of their right to evaluate the use of those assets in formulating a plan."

The counsel to the asbestos plaintiffs, Robert Rosenberg of the New York firm of Moses & Singer, said the policy would take funds from present claimants and use them unwisely in the future.

"It was not in our judgment a very favorable or useful policy," he said. "It was full of holes and unresolved questions." ■

Business Insurance is available in Microform

University Microfilms International

300 North Zeeb Road, Dept. P.R., Ann Arbor, Mi. 48106

New Jersey passes pooling

TRENTON, N.J.—A bill approving municipal self-insurance pools for workers compensation, property and liability risks is on Gov. Thomas H. Kean's desk.

The legislation, A. 1611, would allow municipalities and some authorities, public organizations transcending geographical boundaries, to pool their risks. Currently, school boards are the only public entities allowed to pool.

The municipal pools would be regulated by the state Insurance Department and their budgets would be subject to review by the New Jersey Department of Community Affairs. ■

Before you go to the Florida Keys...



get the book that opens the door to what to see and do from Key Largo to Key West... *Humm's Guide to the Florida Keys*. Send $2.00, along with your name and address, company name and title, to:

HUMM'S Guide to the Florida Keys
Single Copy Sales
Crain Communications Inc.
740 Rush Street, Chicago, Illinois 60611

When you need to identify the influentials, turn to the BI Directory.

The brand new **BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES** gives you the most comprehensive compilation of vital contacts, company facts and figures. Nowhere else will you find all this valuable information in a single volume!

You'll find alphabetical listings on 1,200 of the largest U.S. corporations ... listings that include sales volume, employee population, company address and phone number.

And you'll find the names and titles of the chief financial officers and the executives in charge of risk management, employee benefits, personnel and pension/retirement plans.

To further help you pinpoint the information you need, a special index will list corporations by size, based on number of employees.

Whether you're on the buying *or* selling end of this exciting business, the BI Directory will make your job easier.

As a "buyer," you'll use this reference tool to identify your professional counterparts - to compare notes on how to handle the responsibilities that come with your position.

As a "seller," you'll find the BI Directory to be the most convenient way to find out who the buyers are and how to reach them.



This easy-to-use 8½" x 11" volume sells for just $40, with a reduced price of $35 per copy for quantities of ten or more.

Fill out the coupon now, and send for the *new BI DIRECTORY ... a truly unique and indispensable source book.*



business insurance
BI Directory, Single Copy Sales
740 Rush St., Chicago, IL 60611
(312) 649-5415

BI 9/19

Business Insurance Directory
Single Copy Sales
740 Rush Street
Chicago, IL 60611

Please send me _____ copies of the BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES
● $40 each; $35 each for quantity of 10 or more.
Foreign postage is additional.

☐ Bill Me ☐ Bill Company ☐ Payment Enclosed
☐ Visa ☐ Mastercard

Account # _____ Exp. Date: _____
Signature _____
Name _____ Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone _____

Congress to debate tort reform, benefit bills

Continued from page 1
ing spaces, that aren't covered by specific sections of the Tax Code and bar cafeteria benefit plans from offering taxable benefits (*BI*, Aug. 1). H.R. 3525 has drawn so much opposition that it is unlikely to pass in its current version.

"It is dead in the water," said Fred Hunt, executive director of the Society of Professional Benefit Administrators, a Washington-based trade group representing third-party employee benefit administrators.

Similarily, a Reagan administration plan, S. 640, to tax employer health insurance premium contributions that exceed certain levels has been dumped, at least for the moment, by Congress.

Earlier this summer, the House Ways and Means Committee rejected the tax cap proposal, which would have made employer contributions that exceed $2,100 a year for family coverage and $840 for individual coverage taxable income to the employee, as a way of funding health insurance benefits for the unemployed.

Although the proposal could come up again, legislators would be unlikely to vote for such a visible tax as the 1984 elections draw closer, said Linda Jenckes, vp-federal affairs for the Health Insurance Assn. of America.

However, there are new proposals to replace the rejected ones.

In the most far-reaching proposal of all, some congressional staffers are hammering out the details of a plan that would limit all benefits an employer could offer.

Under one version known as the "tier approach," three limits would be set for different benefits. The tiers would work this way:

- Tier I would cover retirement benefits and would retain the current limits on contributions and benefits. The maximum annual contribution an employer can make to a defined contribution plan is $30,000, while the maximum annual benefit a defined benefit plan can provide is $90,000.
- Tier II would set limits on the amount of tax-free health, life and disability benefits an employer could provide.
- Tier III would set a tax-free limit, based on a percentage of employee compensation, on the other benefits employers could offer.

Benefit experts stress that the so-called tier approach is still in early drafting stages. But the motivation is clear: the congressional desire to restrict further growth of tax-free employee benefits.

"There is grave concern among Hill staffers at the thought of revenue losses," said Dallas Salisbury, executive director of the Employee Benefit Research Institute.

On another benefit issue, Reps. Bill Clay, D-Mo., and Rep. John Erlenborn, R-Ill., were set to introduce legislation last week to shore up the financial base of the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' and retirees' pension benefits.

Already pending in the Senate is legislation S. 1227 that would improve the PBGC's financial position by making it more difficult for employers to terminate their underfunded pension plans and would increase the cost of pension termination insurance employers must buy from the PBGC.

The bill, introduced by Sen. Don Nickles, R-Okla., has stagnated in the Labor and Human Resources Committee, but the introduction of the Clay-Erlenborn bill could revive congressional interest in finding ways of protecting the PBGC from insolvency.

Of all the major liability and benefit proposals pending, Sen. Kasten's bill to establish a federal product liability law is closest to gaining committee approval.

This week, the bill is expected to be voted on by the Senate Commerce Committee. But the measure that the committee will be voting on is different from the bill Mr. Kasten originally introduced.

In the most significant change, Sen. Kasten removed a controversial provision that would have required courts to reduce product liability awards by the extent an employer's action caused a workplace accident.

For example, in the case of a $1 million product liability award where the employer was 20% at fault, the amount the manufacturer would have to pay would be reduced to $800,000.

Some business and insurance industry groups urged Sen. Kasten to remove the provision. They warned that if courts are allowed to reduce a work-related product liability award by the amount an employer was at fault, injured workers would sue their employers to get more than their workers compensation benefits (*BI*, July 5, 1982).

And these suits, now generally barred by state laws that make workers compensation an injured employee's sole source of recovery, would be allowed, some insurers and businesses said. Sen. Kasten heeded that warning.

But Sen. Slade Gorton, R-Wash., is threatening to withdraw his support for the Kasten bill and instead introduce his own federal product liability bill.

If Sen. Gorton, a former attorney general for the state of Washington and an influential member of the Commerce Committee, votes against the Kasten bill, it could further reduce the measure's slim chances of gaining full Senate approval this year.

Sen. Gorton opposes a provision in Sen. Kasten's bill that would bar product liability suits involving capital goods, like a printing press, that are more than 25 years old.

Several states, including Alabama, Florida and New Hampshire, have declared fixed time limits on filing product liability suits to be unconstitutional, an aide to Sen. Gorton noted.

Instead of basing liability on a uniform fixed number of years, Sen. Gorton wants to see the liability based on the useful safe life of a product, his aide said. Such a limit takes into account the different life expectancies of products.

Even if Sen. Gorton opposes the Kasten bill and introduces his own measure, most observers believe Sen. Kasten's bill still will pass the Commerce Committee, but could hurt the bill's chances on the Senate floor.

"Where will the Republicans go. . .with Sen. Gorton or with Sen. Kasten?" asks Thomas Bendorf, executive director of the Assn. of Trial Lawyers of America, the major opponent of the Kasten bill.

Supporters of the Kasten bill acknowledge that a fierce battle to enact the measure is expected.

"It will be an extremely difficult fight because there are so many other issues (for the Senate to consider) and so little time," said Victor Schwartz, counsel for The Product Liability Alliance, a Washington-based group that is trying to develop a business consensus on federal product liability issues.

"If we get 30 co-sponsors, we'll be in very good shape," Mr. Schwartz added. The Kasten bill currently has 22 co-sponsors. ■

Insurers wary of covering Elizabeth Taylor

Continued from page 2
"Private Lives" due to a respiratory illness. Although her co-star and former husband, Richard Burton, was able to appear, the shows were canceled and tickets were refunded.

The play is about a divorced couple who fall in love again, and sources say both Mr. Burton and Ms. Taylor need to appear for the show to really work.

The Chicago cancellations will cost underwriters more than $50,000 in non-appearance insurance claims, the Lloyd's underwriter said.

In addition, Ms. Taylor missed 20 performances while the play was in New York, which cost underwriters another $480,000, confirmed the broker for the coverage, R.A. Boyar Inc. in New York.

"She has cost us about double the premium we charged the show," said the Lloyd's underwriter.

When the show opened in May in New York, the producer paid about $250,000 premium for the $3.25 million non-appearance insurance policy. Lloyd's underwriters insured about 50% of the coverage and the rest was placed with various European insurers (*BI*, May 16).

A non-appearance policy indemnifies a producer for lost revenue if a show is canceled because its stars cannot perform. It also pays for the cost of casting an understudy, though theatergoers who bought tickets for "Private Lives" in New York demanded their money back when producers cast an understudy in Ms. Taylor's place.

London insurers admit they were wary when they wrote the "Private Lives" policy since both Ms. Taylor and Mr. Burton had previously failed to perform because of illness.

For instance, underwriters remember the $300,000 in claims they were forced to pay when Ms. Taylor became ill while appearing in "The Little Foxes" a few years ago (*BI*, June 1, 1981).

In addition, Lloyd's underwriters had to pay $1.2 million in claims when Mr. Burton missed the final six weeks of an American tour of "Camelot" several years ago.

Thus, Lloyd's underwriters say they hiked the premium for "Private Lives" well above the normal rate and redrafted the policy wording eight times before finally agreeing to cover the show.

"And even then we got it wrong," the insurer commented.

He said underwriters have noticed that Ms. Taylor tends to become ill when she is emotionally distressed, but the insurer thought that appearing with her ex-husband in a show that parodies their lives might boost her spirits.

"I thought the odds were good with her working with Burton again," he said. "But then Burton went off and got married (during the show's New York run), which was very inconvenient of him, really.

"There is talk now that she is uninsurable," the Lloyd's underwriter said. "If her health is right and the price is right, some underwriters may insure her again. But I will look long and hard and charge lots of money first," he said.

Robert A. Boyar, president of R.A. Boyar Inc., says he is confident that his brokerage can still place coverage for productions starring Ms. Taylor.

"I would not be certain she is uninsurable," he said, "far from it." ■

Cayman insurance regulator resigns

Continued from page 2
largest offshore captive domicile with more than 260 captives.

"I don't think my departure will have any great impact," Mr. Darwood said.

"One reason I didn't leave at the end of two years (the set term of office) was to make sure the market was on its feet. I think people know now, by and large, what Cayman is, and I feel I have left the island in fairly good position regarding the offshore business."

Deputy Superintendent Steven Butterworth, who joined the department in 1982, will remain in office and should provide continuity in the way insurance law is administered, Mr. Darwood said.

In addition, local captive management firms have a strong influence on the islands' insurance industry and should help see to it that development goes on in much the same way as before.

"Things are going well and I don't think the government or the market wants a great change," says Mr. Butterworth, who is responsible for processing insurance license applications.

A new superintendent will likely be appointed within the next two weeks, Mr. Butterworth says, adding the chances are that Mr. Darwood's replacement will come from the London market and will have substantial insurance experience.

This should please Cayman captive managers, who say they liked Mr. Darwood's experience in the private sector. Mr. Darwood was formerly in change of Mentor Insurance Co.'s British operation.

"I would like to see someone with a considerable insurance background in the job, so he will know what to look for and what to pick on in licensing," says Graham Cork, assistant underwriting manager for Insurance Management Consultants Ltd., a management firm. "It would serve him well because he could see from the applicant's as well as the regulator's standpoint."

"It would be good to have someone who is user-compatible with John's (point of view) so the market can continue in the way it has been going," says Anthony Stelling, manager of Scotia Insurance Services Ltd. in Cayman.

"I think the person selected will be older than John and have experience in domestic and offshore markets since he will be regulating both."

Mr. Darwood says he felt one slight disappointment in leaving Cayman: The government has not formally ratified amendments to the insurance law he helped draft. Among other things, the amendments would allow the superintendent to assume control of the assets and records of failing insurers.

The package of amendments will now be reviewed by his successor.

In his new job in Bermuda, Mr. Darwood will help launch Homeland National Management Co., which is essentially a workers compensation writer specializing in association captives.

His contract with Cayman was not renewed, he says, because of "certain difficulties regarding terms of employment, which we were unable to happily resolve." ■

This advertisement appears as a matter of record only.

Kramer Capital Corporation

$24,000,633

Convertible Subordinated Debentures
Series A Common Stock

The undersigned arranged the private placement of these securities.

Prudential-Bache Securities

September 12, 1983

insurance services guide

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
- Statutory letters of opinion on loss and loss expense reserves.

12300 Olive Boulevard
St. Louis, MO 63141
(314) 878-5002

ATWOOD & CO.
Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis
for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340



The *Business Insurance* stock index continues to rise, jumping 3.9 points to 266.7 during the trading period ending Sept. 13 from 262.8 the previous week. Thirty-three issues closed up, 11 were unchanged and 20 closed down. The largest gains were posted by Excelsior Insurance Co., 41.1%; Old Republic International Corp., 9.5%; Mission Insurance Group Inc., 6.6%; Farmers Group Inc., 6.4%; and Ohio Casualty Corp., 6.1%. The largest losses were reported by Frank B. Hall & Co. Inc., 8.8%; Fremont General Corp., 5.5%; Preferred Risk Life Insurance Co., 5.1%; Aetna Life & Casualty Co., 4.3%; and American Indemnity Financial Corp., 2.8%. The *BI* insurance stock index posted a 1.5% increase for the trading period, compared with the 1.2% decrease in the Dow Jones 30 industrials.

British Issues

13 Sep Companies	Price pence	P/E	Div. pence	Yield %	1 Week High	1 Week Low
Commi Union	164	164.0	16.86	10.3	170	164
Eagle Star	438	16.4	24.29	5.5	460	438
Genl Accident	418	10.9	24.29	5.8	438	418
Gdn Royal Exch	453	11.3	27.26	6.1	483	453
Phoenix	304	13.2	25.00	8.2	316	304
Royal	495	12.4	37.86	7.6	508	492
Sun Alliance	1213	13.9	68.57	5.7	1263	1245
Brokers						
CE Heath	298	7.4	21.07	7.1	308	297
Hogg Robinson	112	8.6	8.57	7.7	112	111
JH Minet	109	9.1	6.50	6.0	114	109
Sedg Grp	207	10.4	10.00	4.8	215	207
Stenhouse Hldg	105	9.5	7.86	7.5	105	103
Stew Wrightson	238	7.7	20.43	8.6	241	235
Willis Faber	548	11.4	25.00	4.6	550	538

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

Does A&A's openness mean it's looking for a white knight?

By LEN STRAZEWSKI

IT'S NOT A QUESTION of why, but a question of whom and when, say observers both in and out of the insurance industry. But, does anyone *really* know for sure?

Is Alexander & Alexander Services Inc. seeking a white-knight purchaser that can protect it from an unfriendly takeover and help it work out its financial problems?

Or is the nation's second-largest insurance broker prepared to fight it out toe-to-toe with depressed commission levels, rising expenses and the aftermath of its disastrous acquisition of British broker Alexander Howden Group P.L.C.?

Whatever the answer, A&A seems to be taking a series of steps designed to improve its image in the investment community and reverse a growing impression in the insurance industry that the company is sitting on more problems than it wants to disclose.

Most notable among its image-building tools is a prospectus filed last month with the Securities and Exchange Commission as part of a new 2.75 million-share offering of common stock, which was approved by the brokerage company's board at its annual meeting this past spring.

The prospectus, which contains a series of disclosures about the ongoing attempts to resolve problems stemming from the Howden acquisition, is probably more interesting than the stock offering.

The SEC filing notes that the stock is not designed for immediate sale and capital generation, but rather is intended for use in undisclosed future acquisitions. Hence, the details contained in the prospectus are pro forma, rather than designed for any particular audience.

However, the prospectus paints a picture of a company that has met its difficulties head-on, taken steps to remedy them and would now be a shining addition to any investor's stock portfolio or conglomerate's stable of subsidiaries.

For example, on the subject of the brokerage's 1982 acquisition of Howden for $300 million, which led the company into a morass of legal and accounting problems related to the alleged diversion of corporate funds by five former Howden officers, A&A is emphasizing advantages rather than dwelling on disappointment. The prospectus also openly discusses, for the first time since late last year, the steps the company has taken to recover the lost funds.

"By its acquisition of Howden, which was the most significant acquisition in the company's history, the company expanded its operations internationally and strengthened its insurance broking capabilities, most notably by gaining direct access to the Lloyd's market," the prospectus says.

"By acquiring a Lloyd's broking firm, the company has the capacity to retain brokerage commissions, which previously the company had been required to share with other brokers."

A&A admits it pumped $45 million in cash into Howden, promised Howden subsidiaries more if necessary and took a $40 million extraordinary charge against earnings last year. But the brokerage also disclosed that it has managed to recover a total of $26 million from four of the five former officers as part of a settlement agreement and is seeking more in a lawsuit filed against them a year ago in a British court.

In addition to that suit, A&A also detailed its lawsuits against former Howden auditors, a subject upon which the company has remained guarded for months. The prospectus notes that on July 11, A&A filed suit against Arthur Young McClelland Moores & Co., DePaula Turner Lake & Co., Josolyne Layton-Bennett & Co. in the United Kingdom and the Bermuda partnership of Peat Marwick Mitchell & Co.

About the only item that looked bad in the A&A prospectus was the company's summary of its underwriting activities. Not one of A&A's five majority-owned insurance companies—Sphere Drake Insurance P.L.C., Evanston Insurance Co., Atlanta International Insurance Co., Trent Insurance Co. and Hemisphere Insurance Co.—produced an underwriting profit in 1982, and only Evanston wound up in the black overall.

In London last week, Sphere Drake officials made another of the company's tough but honest disclosures during a press conference.

Sphere Drake Chairman Ian Dean announced that the insurer, which had been the source of the funds allegedly diverted by the former Howden officers, posted a net loss of 23.5 million pounds (about $35.1 million), based upon underwriting losses of 34 million pounds ($50.8 million) offset by approximately 9 million pounds ($13.4 million) in investment income.

According to Mr. Dean, the losses came from three general areas, including 9.7 million pounds ($14.5 million) added to loss reserves, 21.2 million pounds ($31.7 million) in reinsurance placed with a bogus reinsurer in Panama allegedly owned by four of the five former Howden officers and 3 million pounds ($4.5 million) lost in currency transactions.

Alexander & Alexander, Mr. Dean also noted, is continuing to come to the underwriter's rescue by increasing the stock capital in the company through the issue and repurchase of new Sphere Drake stock.

Does A&A's new approach mean that it is seeking a suitor? The brokerage has not announced a change in its plan to review all offers, while not actively seeking a deal. However, trading in A&A stock has been moderate to high, according to financial analysts who watch the brokerage business.

Exactly who is buying A&A stock? Probably anyone who thinks they smell a deal, the analysts say.

"If A&A is indeed for sale, it is seeking a purchase price of about $30 per share," remarks Leonard Wilson, senior analyst with L.F. Rothschild Unterberg, Towbin Inc. in New York. "Meanwhile, the stock is trading at a little over $20 per share."

Speculators could score big if a surprise acquisition is announced, but the continuing depressed price of A&A stock probably reflects a general belief that no deal is likely in the near future, according to Mr. Wilson.

However, one company is showing some interest in A&A. Providence Capitol Ltd., a Bermuda-based holding company that owns controlling interests in three life insurance companies, purchased 833,800 shares of A&A common stock for nearly $20.8 million over a 60-day period beginning July 13, 1983.

The stock, purchased in various quantities by Capitol Life Insurance Co. of Denver, Providence Insurance Co. of New York and Providence Washington Insurance Co. of Providence, R.I., boosted Providence Capitol's previous holdings to a total of 1.3 million shares, or 5.23% of A&A's outstanding stock.

In a filing required by the SEC, Providence Capitol said it acquired the A&A shares purely for investment purposes and had no intentions of influencing corporate management.

However, the 13-D filing also noted that "Providence Capitol Ltd., Capitol Life Insurance Co., Providence Insurance Co. and Providence Washington Insurance Co. intend to review continuously their equity position in Alexander. Depending upon their future evaluation of the business and prospects of Alexander and upon other developments, including, but not limited to, general economic conditions, PCL, CLICO, PIC and PWIC may determine to increase or decrease equity interest by acquiring additional shares or disposing of all or a portion of their shares."

Or, in other words, the investor is open to suggestions.

Providence Capitol is owned 40% by its chairman, Don F. Gaston, and 29% by its president, Paul R. Dupee. Both men are former executives of Gulf & Western Corp. who purchased the three life insurers from G&W last year when the conglomerate embarked on its current plan to divest a portion of its widespread holdings.

Industry observers discount any connection between Providence Capitol's purchase of A&A stock and G&W, noting that the conglomerate is under pressure to continue its divestment of all but its primary consumer products and entertainment holdings, which include the Paramount motion picture studios and Madison Square Garden Corp.

However, G&W still owns a financial services group that contains two personal lines insurers, Cumberland Life Insurance Co. and Emmco Insurance Co., as well as several consumer loan and leasing companies. ■

BI Industry Stock Report

SEPT. 13, 1983 — 9/7/83 THRU 9/13/83

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.50	-4.3	6.5	2.64	7.2	37.38	36.50	1,610.7
American Bankers Ins Group	OTC	12.63	2.0	9.9	0.50	4.0	12.63	11.88	73.2
American Gen Ins Co	NYSE	21.63	4.2	7.4	0.80	3.7	22.00	21.63	574.3
American Indty Finl Corp	OTC	17.50	-2.8	12.1	1.12	6.4	18.00	17.50*	7.1
American Intl Group Inc	OTC	67.50	-1.8	11.3	0.44	0.7	68.50	67.50	602.4
American Natl Ins Co	OTC	18.88	3.4	7.9	0.84	4.5	18.88	18.63	209.0
American Sts Life Ins Co	OTC	38.00	-0.7	10.2	0.88	2.3	38.00	38.00	25.9
Aneco Reins Ltd	OTC	3.50	3.7	116.7	0.00	0.0	3.50	3.38	8.7
Avemco Corp	AMEX	23.50	1.1	13.2	0.58	2.5	24.00*	23.38	38.3
Banks Iowa Inc	OTC	48.50	3.2	17.8	1.52	3.1	48.50*	47.00	4.7
Bitco Corp	OTC	19.25	1.3	8.3	1.33	6.9	19.25	19.00	4.7
Carolina Cas Ins Co	OTC	9.25	0.0	0.0	0.32	3.5	9.25	9.25	2.2
Chubb Corp	OTC	60.50	-0.8	7.5	3.12	5.2	60.50	59.50	330.0
Combined Intl Corp	NYSE	36.25	1.8	11.5	2.00	5.5	36.88*	35.00	169.0
Continental Corp	NYSE	32.75	4.0	20.1	2.60	7.9	33.38	31.00	481.6
Crawford & Co	OTC	17.25	-1.4	12.9	0.60	3.5	17.25	17.25	5.0
Crown Life Ins Co	OTC	110.00	0.0	7.2	3.10	2.8	110.00	104.00	6.0
Employers Cas Co	OTC	32.75	-0.8	6.7	1.20	3.7	33.25	32.75	6.8
Equifax Inc	NYSE	33.38	4.3	14.1	1.40	4.2	33.63	32.38	56.5
Excelsior Ins Co	OTC	19.75	41.1	10.3	0.00	0.0	19.75*	19.75	0.0
Farmers Group Inc	OTC	41.38	6.4	10.4	1.36	3.3	41.50	40.00	340.5
Foremost Corp Amer	OTC	47.75	-2.6	14.7	1.24	2.6	49.00	47.75	11.5
Fremont Gen Corp	OTC	17.25	-5.5	81.8	0.48	2.8	18.88	17.25	346.1
Great West Life Assurn Co	OTC	225.00	0.0	10.9	11.00	4.9	225.00	225.00	0.0
Hanover Ins Co	OTC	59.00	3.5	7.3	0.88	1.5	60.50	57.25	19.4
Hartford Steam Boiler Inspctn	OTC	53.00	0.0	8.3	3.00	5.7	53.00	53.00	3.3
Jefferson Natl Life Ins Co	OTC	45.50	0.0	14.1	0.76	1.7	46.00	45.50	4.1
Kemper Corp	OTC	39.75	1.6	7.4	1.80	4.5	40.38	39.75	60.5
Lincoln Natl Corp Ind	NYSE	56.50	-1.3	9.0	3.00	5.3	58.00*	56.50	177.9
Mission Ins Group Inc	NYSE	28.25	6.6	10.5	1.00	3.5	28.25	26.50	293.7
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC	35.25	-2.4	23.3	1.50	4.3	36.13	35.25	76.9
Ohio Cas Corp	OTC	48.00	6.1	8.8	2.52	5.3	48.13	45.75	63.3
Old Rep Intl Corp	OTC	31.75	9.5	7.3	0.90	2.8	31.75	29.00	70.9
Orion Cap Corp	NYSE	26.63	-0.9	13.3	0.66	2.5	26.88	26.50	32.4
Preferred Risk Life Ins Co	OTC	18.50	-5.1	7.4	0.67	3.6	19.00	18.00	12.9
Provident Life & Acc Ins Co	OTC	64.00	0.8	8.1	2.60	4.1	64.00	63.50	5.1
St Paul Cos Inc	OTC	57.88	0.7	6.6	2.80	4.8	57.88	56.88	659.9
SAFECO Corp	OTC	52.38	2.9	10.7	2.40	4.6	52.38	51.13	379.2
Sri Corp	OTC	18.75	2.7	7.0	0.56	3.0	19.00	18.25	204.9
Seibels Bruce Group Inc	OTC	25.50	-1.0	15.1	0.80	3.1	25.75	25.50	53.3
Statesman Group Inc	OTC	9.75	1.3	6.8	0.15	1.5	10.75	9.75	191.2
Tokio Marine & Fire Ins Co	OTC	94.75	0.5	15.2	0.96	1.0	94.75	94.25	0.0

SEPT. 13, 1983 — 9/7/83 THRU 9/13/83

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE	30.75	-0.8	7.9	1.80	5.9	30.75	30.38	858.6
United Fire & Cas Co	OTC	32.25	0.0	11.6	0.88	2.7	32.25	32.25	1.0
United States Fid & Gty Co	NYSE	56.00	2.8	11.1	3.84	6.9	56.50*	56.00	1,180.8
United Svcs Life Ins Co	OTC	22.25	0.6	6.4	1.00	4.5	23.00	22.25	35.0
Uslife Corp	NYSE	24.63	4.8	6.8	0.88	3.6	24.63	23.63	196.9
Washington Natl Corp	NYSE	25.88	1.0	10.6	1.08	4.2	26.38	25.25	78.0
Zenith Natl Ins Corp	OTC	16.00	3.2	11.4	0.53	3.3	16.00	15.50	29.5
INSURANCE COMPANIES	AVERAGE			9.9		3.8			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	21.88	1.7	0.0	1.00	4.6	22.13	21.63	281.8
Baldwin & Lyons Inc	OTC	38.00	0.0	12.2	0.80	2.1	38.00	38.00	0.5
Corroon & Black Corp	NYSE	22.75	-1.1	11.7	1.80	7.9	23.38	22.75	49.8
Crump E H Cos Inc	OTC	10.00	-1.2	14.7	0.40	4.0	10.00	10.00	22.8
Emett & Chandler Cos Inc	OTC	10.75	0.0	0.0	0.00	0.0	10.75	10.75	1.3
Hall Frank B & Co Inc	NYSE	27.38	-8.8	21.4	1.70	6.2	29.38	27.38	120.2
Integrated Res Inc	AMEX	35.00	6.1	13.0	0.00	0.0	35.50	34.25	300.5
Marsh & Mclennan Cos Inc	NYSE	40.63	-0.9	11.8	2.20	5.4	41.00	40.38	212.8
Poe & Assoc Inc	OTC	6.00	0.0	0.0	0.00	0.0	6.00	6.00	6.6
Reed Stenhouse Cos Ltd	OTC	13.25	1.0	22.1	0.60	4.5	13.50	13.25	5.4
AGENTS/BROKERS	AVERAGE			19.6		3.8			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	38.50	-3.7	10.3	1.28	3.3	41.38	37.88	4,542.4
Anderson Clayton(Ranger/PanAm)	NYSE	26.75	1.9	15.3	1.32	4.9	26.88	26.50	13.4
Armco Inc	NYSE	19.88	0.0	0.0	0.40	2.0	20.75*	19.88	1,194.0
Baldwin Utd Corp	NYSE	6.75	-3.6	3.2	0.00	0.0	7.00	6.75	479.9
CIGNA Corp	NYSE	44.00	-0.8	6.7	2.48	5.6	44.00	43.00	855.1
City Investing Co. (Home Ins.)	NYSE	35.13	-0.4	8.4	1.80	5.1	35.13	34.88	723.0
CNA Finl Corp (CNA)	NYSE	21.25	1.2	7.3	0.00	0.0	21.25	20.75	22.4
Control Data (Comml. Credit)	NYSE	52.00	-9.8	12.8	0.60	1.2	56.75	52.00	1,133.1
General Re Corp	NYSE	62.00	3.5	12.7	1.28	2.1	62.00	59.13	279.1
Gulf Utd Corp	NYSE	27.00	-1.4	8.2	1.32	4.9	27.88	27.00	367.9
ITT (Hartford Group)	NYSE	43.00	-4.4	9.2	2.76	6.4	45.00	43.00	1,440.3
Optimum Hldg Corp	OTC	6.75	0.0	21.8	0.00	0.0	6.75	6.75	1.5
Sears Roebuck & Co. (Allstate)	NYSE	37.25	-2.6	11.9	1.52	4.1	38.75	37.25	2,282.8
Teledyne Inc (Argonaut)	NYSE	164.00	1.5	14.6	0.00	0.0	164.00	161.75	425.0
Transamerica Corp (Occidental & Fred S. James)	NYSE	27.13	0.9	9.3	1.50	5.5	27.25	26.75	447.1
CONGLOMERATES/HOLDING COS.	AVERAGE			13.1		2.7			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

If you were investing in this Empire card table, you'd consult an expert.

Why buy Workers' Comp. any differently?



Photograph courtesy of Sotheby Parke Bernet.

You don't have to go far to find a Workers' Compensation program for your business. But finding the expertise to make it work for you is another matter.

At American Mutual, nearly 70% of our business is in Workers' Comp. So we know more about it than almost anybody. And we apply what we know to what you need. With programs as individual as you are.

And we can also tailor general liability and commercial auto insurance plans for you. With the same know-how we're known for.

So if you value your business, shouldn't you be talking with the experts?

American® Mutual

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880