

# business insurance

## update:

### Fred S. James forges new U.K. broker link

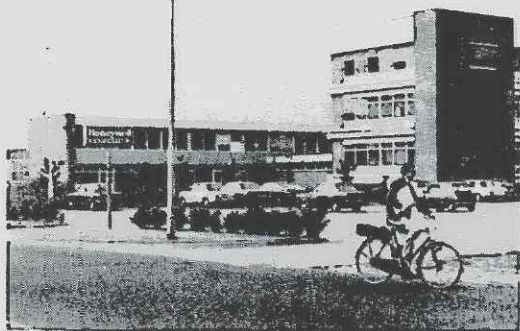
CHICAGO—Fred S. James & Co. Inc., the fifth largest U.S. commercial insurance brokerage, will soon acquire a controlling interest in U.K. and Lloyd's of London brokerage Wigham Poland Holdings Ltd.

The agreement in principle calls for James to pay more than \$5 million in  
*Continued on next page*

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$25 a year Entire contents copyright 1980 by Crain Communications Inc. All rights reserved.

## International report

### Honeywell-Netherlands



Multinational insurance programs can be tricky, but five company profiles point the way: **Page 13.**

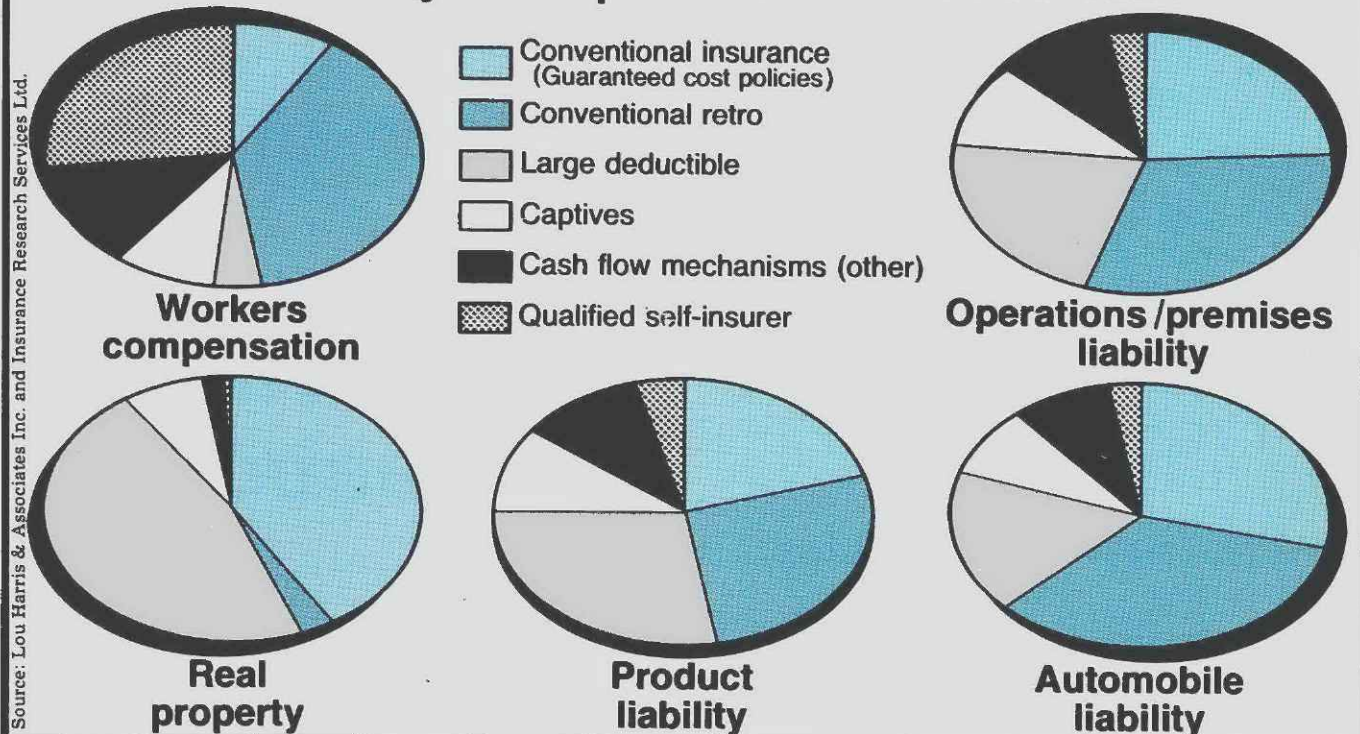


Risks are growing in the Far East, but risk management techniques are lagging: **Page 26.**



British reserve makes London underwriters cut rates to slow exit of U.S. risks: **Page 32.**

## How major corporations finance risk



# Retentions, retros fund major risks: Survey

By KATHRYN J. McINTYRE

- Risk management programs in major U.S. corporations:
- Most often use large deductibles, captive insurance companies, cash-flow programs and self-insurance to fund most risks.
  - Use conventional retrospectively rated insurance policies more often than any other single risk-financing mechanism.
  - Mostly snub conventional guaranteed-cost insurance policies, except for property risks.
  - Retain more domestic than foreign risk exposures.
  - Are heavily centralized, but more for domestic than foreign operations.

These are among the findings of a study conducted by pollster Louis Harris & Associates Inc. and Insurance Research Services Ltd. of Philadelphia for eight insurance companies and broker Johnson & Higgins.

The study summarizes the risk-financing and risk management administration practices of 538 major U.S. corporations for five major risk categories, providing the best documentation to date of corporate risk management techniques.

The results, based on field work conducted in February 1979, have been closely guarded by the subscribers under an agreement not to release the report outside their organizations.

A copy of the report was given last week to *Business Insurance*.

It shows risk managers mix and match funding techniques for various risks, with no one technique consistently applied to all corporate risks. And risk managers in major corporations don't agree on which risk-financing technique works best for which type of risk.

Designed to help the insurers and insurance brokers plot their

marketing strategies, the study contains an obvious bias toward the use of insurance products by corporate America.

The analysis of risk-financing techniques, for example, probes into only the predominant risk-financing mechanism used in six major categories of risk. This qualification somewhat limits the analysis of corporate use of captive insurance companies and self-insurance, non-insurance product risk-financing techniques that have gained popularity as less costly than insurance. (Captive use was further probed. See story, page 69.)

The study makes it clear, however, that guaranteed-cost policies are snubbed as the predominant financing technique for any risk in more than half of the surveyed companies.

## bi exclusive

Only for property risks is guaranteed-cost insurance still a strong risk-financing technique, used by 42% of the companies. But another 48% said large deductibles were the predominant risk-financing technique for property risks.

Thirty percent of the companies buy conventional insurance policies to fund their automobile liability risks. Twenty-five percent buy conventional insurance policies to fund operations/premises liability risks.

Probably reflecting high prices for product liability insurance, only 20% of the companies said they buy conventional product liability insurance. Only 9% report buying conventional insurance policies for workers compensation.

*Continued on page 68*

NEWSPAPER

# INSIDE:

Levi Strauss tailors benefits  
Page 3



Candidates ride opposing platforms  
Page 3

## update:

### James forges London link

Continued from previous page  
cash for 53% interest in the U.K. firm from Anglo-Continental Investment & Finance Co. Ltd., a British holding company. The Thomson Organization, a minority shareholder will increase its ownership to 35%.

The purchase, however, will not change the James policy of using several London brokers on a non-exclusive basis, James chairman James Vaughan said.

James joins the ranks of several other large brokers that have purchased large interests in London firms, including Marsh & McLennan acquiring C.T. Bowring and Corroon & Black increasing its share of J.H. Minet.

Wigham Poland has a joint venture in N.Y. with broker Schiff Terhune, that remains unaffected by the purchase according to Frank Schiff, Schiff Terhune chairman.

Alexander & Alexander continues its negotiation of a profit-sharing plan with the Sedgwick Group in the United Kingdom.

### Rockwell to indemnify Pullman

CHICAGO—Rockwell International Corp. will indemnify Pullman Inc. here for any losses under an \$80 million lawsuit filed against Pullman by New York City charging subway cars Pullman sold the city are defective.

The indemnification was expected under a hold harmless agreement Pullman requires of suppliers (BI, July 9, 1979). Rockwell supplied Pullman with the undercarriages for the subway cars.

### Pension bill expected to pass

WASHINGTON—Both houses of Congress are expected to pass a version of the multiemployer pension bill agreed to Wednesday by a Senate-House conference committee.

The bill would place tougher standards of liability on employers who withdraw from multiemployer pension plans. This would reduce the Pension Benefit Guaranty Corp.'s exposure to losses from plans that fail.

Conferees adopted two Senate provisions on offsets of benefits. An amendment exempting Hawaii's prepaid health care law from ERISA preemption was removed from the conference committee bill.

### Itel threatens to sue Lloyd's

SAN FRANCISCO—Financially beleaguered Itel Corp. has threatened to sue Lloyd's of London over delayed payments on its computer leasing claims. It says the London exchange is dragging its feet on a January agreement.

In January, the San Francisco firm announced it had reached a settlement with Lloyd's that called for Lloyd's to settle all outstanding computer leasing claims—estimated at \$200 million—and take over the remarketing of the computers when their leases expired (BI, Jan. 21).

### E.F. Hutton uninsured for suit

NEW YORK—E.F. Hutton says it is uninsured against possible losses in a \$35 million lawsuit filed by a group of investors who contend the firm gave them false and misleading information.

Thomas Rae, general counsel for E.F. Hutton, said the company's errors and omissions insurance usually includes only higher-level executives. The matter in question involved an account executive. Matters of this type are usually settled out of court, he added.

### Lloyd's covers most of carrier

LONDON—Lloyd's and other U.K. marine insurers hold nearly 82% of the risk of the loss of the missing bulk carrier Derbyshire, believed lost in a typhoon off the coast of Japan.

The hull, valued at \$23 million, and the \$3 million worth of iron ore carried are insured for primary layers in Japan.

### Lloyd's insures stolen gems

CHICAGO—Some \$2.4 million in stolen jewels, including the famous Marlborough diamond, are insured through Lloyd's of London for an amount to be based on market value.

The gems were stolen in a robbery from the fashionable Graff Jewelers in London Sept. 11. Two suspects were arrested later as they disembarked from a transatlantic flight at O'Hare International Airport here, but they were not carrying the jewels when they were arrested.

## index

Around the states.....	65	Someone you should know... 4
Benefit beat.....	4	Washington.....
BI ticker.....	73	Worldwide.....
Classifieds.....	70	Vol. 14, 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. Copyright 1980 by Crain Communications Inc.
Comings & goings: buyers... 54		
Comings & goings: industry... 52		
Datebook.....	51	
Editorial opinions.....	10	
Info.....	57	
Letters.....	10	
London line.....	49	
Markets.....	60	
Perspectives.....	41	
Products & services.....	55	
Spotlight report.....	13	

# Court allows cover for some bias suits

By RHONDA L. RUNDLE

URBANA, Ill.—Employers charged with employment discrimination may be insured against Equal Employment Opportunity Commission fines, damages and defense costs if the violation is not deliberate.

Although damages from overt discrimination are not insurable, unintentional discrimination costs may be covered, ruled the U.S. Court of Appeals in a recent 7th Circuit decision involving Federal Insurance Co. and its policyholder, Solo Cup Co.

The court, in its decision, recognized the distinction between overt discrimination and disparate impact, a concept established in Title VII of the Civil Rights Act of 1964.

The disparate impact theory states that employment selection

criteria that are fair and neutral in form may unintentionally become discriminatory in practice.

This is the first appellate level case holding that an insurer can be held liable for EEOC discrimination fines and lawsuit damages, noted the winning attorney for Solo Cup Co.

The impact of the landmark decision is hard to gauge, however, because many insurers spotted the unwelcome exposure a few years ago and excluded such coverage. But some umbrella liability contracts still list discrimination among other covered personal injury torts, insurers concede reluctantly.

Underwriters, insurers argue, did not foresee how the term might be applied and deny coverage against discrimination employment practices even when the

word "discrimination" appears in the policy.

Federal Insurance Co., a unit of Chubb & Son Inc., is petitioning the U.S. Supreme Court to review the appellate level ruling, reports John Guy, attorney for the insurer.

"We never dreamed our policy would be interpreted in this way," explained a spokesman in Federal's casualty claims department. "Four or five years ago we were getting a rash of EEOC claims, and it looked like we had a disaster on our hands."

Although the EEOC lawsuits haven't stopped, he says, the surge of claims into the insurance company has stopped. "There is no good explanation for it," he observed.

Other insurers say they never have been plagued with such claims, perhaps because they

Continued on page 69

## \$2.6 million appropriated

# California bill sets a fund for asbestosis claimants

SACRAMENTO—Gov. Jerry Brown is expected to sign a bill to create a fund that will advance temporary disability and medical payments to workers who contracted asbestosis on the job.

The California legislature has appropriated \$2.6 million for the account within the workers compensation uninsured employers fund.

Before seeking the payments, the workers must file a claim against the employer or workers compensation insurer. But if the employer cannot be located or denies liability, the worker can get an advance pending resolution of the claim.

"Nobody really knows how many asbestos workers will be affected by the plan," said Paul P. Gladfelty of the California Manufacturers Assn. "Some say it will be a few hundred, others a thousand—only experience will tell."

But Mr. Gladfelty believes the fund will be depleted quickly. The bill (A.B. 946) provides that employers reimburse the fund once a claim against them is established, but some asbestos manufacturers have gone out of business.

Also, medical bills of \$100,000 are not uncommon in cases involving treatment of asbestosis, Mr. Gladfelty points out. At that rate, 26 claims against the new account would instantly empty it.

The CMA and other employer and insurer groups believe the bill sets a bad precedent of establishing special funds for occupational disease. They point to the enormously costly federal black lung disease program.

Early versions of the bill, amended nine or 10 times before it finally passed the legislature in late August, specified that administrative costs be borne by employers. The version that passed charges those costs to the uninsured employers fund in the state treasury.

Asbestos workers seeking benefits from the account will be aided by information and assistance officers appointed by the state director of industrial relations, the bill also stipulates.

The bill, sponsored by assembly-

man Art Agnos, makes no provision for additional appropriations once the seed money is spent. All payments from the fund will be

terminated after Dec. 31, 1985, unless a separate law is enacted to extend the program.

—Rhonda Rundle

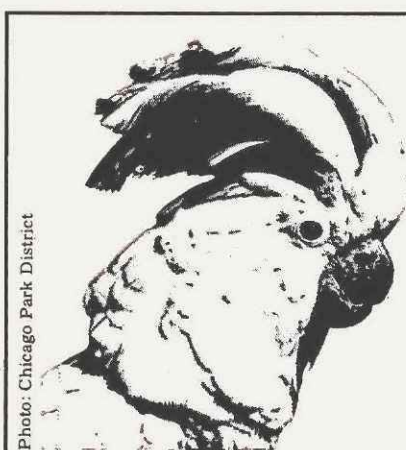


Photo: Chicago Park District

## Bird loss pecks at fed funds

WASHINGTON—An exotic bird disease winging across the nation may cost pet distributors and poultry farmers millions of dollars in uninsured losses.

But federal funds will pay some of the losses of the destroyed birds.

Already the U.S. Department of Agriculture has awarded almost \$500,000 to exotic bird shops in Florida from a special national animal poultry emergency fund, said a USDA spokesman. Though almost 10,000 birds have been destroyed, no poultry is involved yet, he said.

The disease first roosted in Miami's Pet Farm Inc. two weeks ago, where more than 6,300 exotic birds from finches to macaws had to be destroyed. Now birds are being tested in 17 states, including California and Illinois.

"Our most expensive was a secretary bird which cost us \$2,000," said Dr. Bern Levine at Pet Farm Inc. He first detected the symptoms.

"We had bird losses, and we shut ourselves down for a week." By that time, Pet Farm Inc. had lost 1,000 birds, not included in the 60% of losses to be paid by USDA.

Pet Farm Inc. has been awarded \$393,890 in indemnities for the destroyed birds, but that does not include cost of cleaning and disinfection or purchase of feed, which will be paid later, said a USDA spokesman.

"It doesn't cover loss of business," he said, but "it helps compensate them for their loss."

Before Dr. Levine discovered the disease, Pet Farm Inc. had distributed 22,000 exotic birds to 33 states, the District of Columbia and Canada. All these birds are suspect, said the USDA spokesman. "We're tracking down all those shipments now."

The last outbreak of this disease—a rare Newcastle virus—was in California in 1971-73, when more than two million birds were destroyed. The California poultry industry was awarded more than \$56 million from the USDA for its huge losses.

The USDA has borrowed \$2 million from the Commodity Credit Corp. and plans to ask Congress for an additional \$4 million appropriation for the current losses.

—Stacy Shapiro

# The race

## Presidential candidates ride clashing party platforms

By **JERRY GEISEL** and **STACY SHAPIRO**

WASHINGTON—As the presidential race rounds the bend, party platforms keep Jimmy Carter and Ronald Reagan galloping in opposite directions on health care, pensions and worker safety. Independent candidate John Anderson follows his own National Unity trail but veers occasionally to the GOP and Democratic paths. Though candidates are saddled with party platforms, they are not necessarily bound to them. However, both risk managers and benefit managers can use the three platforms to gauge the candidates' stands on issues that would affect their company and employees' welfare. So before anyone bets on a winner, here's a tipsheet:

### Health care

The Democrats want national health insurance, but the



Carter

Anderson

Reagan

Republicans and the National Unity party are against it. The GOP is against "all proposals for compulsory health insurance." It believes health care reform belongs in the private sector. Mr. Anderson says, "We cannot afford comprehensive nationalized health insurance." Democrats seek enactment of a national health care plan that would include:

- Universal coverage.
- Comprehensive medical benefits, including preventive, diagnostic, therapeutic and rehabilitation services and complete coverage of catastrophic illness.
- Aggressive cost-containment provisions.
- Participation of private insurers with public regulation.

Neither Mr. Reagan nor Mr. Anderson supports these planks. But both want some reform in the nation's \$200 billion health care system. All three parties advocate reform of Medicare to encourage home-based medical care, but only the Republicans emphasize personal health prevention and physical fit-

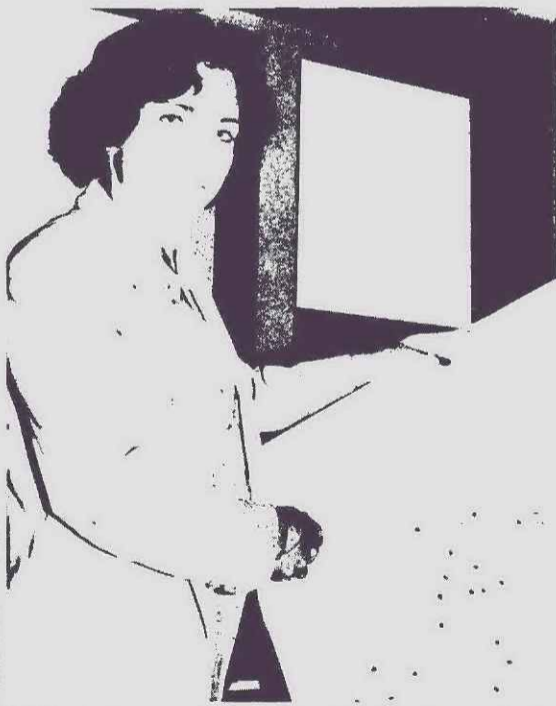
ness as a cure for rising medical costs. "Preventive medicine combined with good personal health habits and health education can make a major impact on the cost of health care," the platform says. Mr. Anderson would encourage market-oriented incentives to cut health costs. His health care platform would:

- Amend Medicare and Medicaid to allow participants a choice of competing health care options, including health maintenance organizations.
- Make employer health insurance tax-deductible if several qualified, competitive insurance plans are offered to encourage competition in the private sector.

Mr. Anderson wants to encourage employees to make cost-effective selections and encourage insurers to monitor the cost and efficiency of health care providers.

- Make it mandatory for private sector employers to offer catastrophic insurance.

Mr. Anderson also supports health insurance programs that cover women's health needs, such as pregnancy care. *Continued on page 62*



"Ultimately, we will offer a cafeteria plan and give x dollars for credit," says Sarah Gingrich.

# Levi's designs new pattern for funding its disability plan

By **CAROL G. BLITZER**

SAN FRANCISCO—Levi Strauss & Co. is putting a new crease in its long-term disability program: insuring the first two years of coverage and self-insuring thereafter. Most large companies prefer to insure excess liability and bear the first layer of risk themselves. After reviewing bids this week, the world-famous jeans manufacturer soon will select an insurer to underwrite first-dollar long-term disability coverage. "We feel the bulk of administration and a major portion of the risk is carried in those first two years," explained Sarah W. Gingrich, recently promoted to manager of employee benefits. Then the insurer continues in an administrative capacity only. In benefit planning, however, this is mainly a year of wait-and-see at Levi Strauss, which has more than doubled sales and tripled net income in the last four years. Net sales in 1979 topped \$2 billion, generating net income of \$192 million. Ms. Gingrich is conducting a perception study to assess how employees perceive the benefits program. "If we're spending a lot of money on something the employee perceives as worthless, then we have to take some action," she

said. "We can eliminate it (the benefit), change it or educate employees to understand its value." She expects employees will ask for a flexible benefit plan. "Ultimately, we will offer a cafeteria plan and give x dollars for credit per employee," Ms. Gingrich explained. Levi Strauss is considering portable whole life insurance that workers could carry from employer to employer or into retirement. But the plan is more than a year away. "Prepaid legal is something we are also looking at, although only at arm's length," said Ms. Gingrich, who joined Levi Strauss three years ago after serving as group insurance manager of Clorox Co. Previously she worked for broker Marsh & McLennan for two years. Benefit planning is taking on a bigger role in personnel management at Levi Strauss. The corporation recently promoted former benefit manager Ernest J. E. Griffes to director of compensation and benefits, a new position. Ms. Gingrich was appointed manager of employee benefits, taking Mr. Griffes' day-to-day benefit responsibilities. Three years ago, neither job existed. But today the company considers *Continued on page 64*

# It's tough to be sure about toxic waste

By **STUART EMMRICH**

NEW YORK—No one knows if the country has enough hazardous waste sites, and no one knows how safe existing sites are. That makes the assignment a tough one for the risk manager who has to make sure his company is disposing of hazardous wastes safely and legally. The Environmental Protection Agency estimates only 10% of the 57 million metric tons of hazardous wastes produced annually in the United States are disposed of properly. It intends in November to rectify that situation with

new regulations that spell out how to dispose of wastes, where sites can be located and how they have to be separated from surrounding environment. Meanwhile, waste disposal companies are looking for still more sites for their greatly expanding business. And Congress is nearing passage of legislation that would force onto manufacturers much of the financial responsibility for cleaning up already existing toxic sites. "Until we clear up a lot of uncertainties, such as how much of present wastes are being disposed of properly, where are they all go-

ing, how many companies are involved in the whole process and exactly what the EPA has in mind for the industry, I don't think you will be able to find one person who can tell you straight-faced that there is or is not a hazardous waste problem," said Jeff Diver, senior environmental counsel of Waste Management Corp. in Oak Brook, Ill., one of the country's largest waste dump operations. "From the EPA on down no one really has a clear idea of what the situation is," he said. Michael Murphy of Clement Associates, a Washington, D.C., en-

vironmental consultant for producers of hazardous wastes, agrees that no clear-cut answers are near. "Right now most people are waiting until the dust clears before they will know exactly what the new EPA regulations will require of them," Mr. Murphy said. "There is a lot there to go over," he said of the new voluminous regulations. "It will take some time before anyone will know exactly what they all mean." Of immediate concern to hazardous waste generators are two bills headed for passage in Congress that would create an industry-paid "superfund" to clean up

existing toxic waste sites. The House was scheduled to vote late last week on a bill that would create a \$600 million fund—half of it paid for by fees assessed against manufacturers that generate toxic wastes—to clean up such sites over the next four years. A much more expensive bill, one that calls for a \$4 billion fund with all but \$560 million to come from industry, is almost sure to be approved by the Senate Finance Committee and go to a floor vote. The move to pass the superfund cleanup bills recently got a boost when the U.S. surgeon general *Continued on page 67*

# Free exams top perk list, study says

FREE MEDICAL examinations are one of the most widespread perquisites provided to corporate executives, says a study by Thomas R. Conlon & Associates, a consulting firm in Deer Park, N.Y.

The study covered 234 companies with sales volumes ranging from \$4 million to more than \$1 billion, with an average sales volume of \$201.7 million.

Ninety, or 38.5% of the participating companies provide the exams at an average annual cost of \$269 per executive participant, or 0.5% of the average annual base salary of those executives.

Forty-two, or 17.9% of the companies pay the premiums for comprehensive medical coverage, at an average annual cost of \$1,596 per participant or 2.4% of average annual base salary. Premiums for ad-

## benefit beat

ditional medical insurance are paid by only 18, or 7.7% of the companies, at an average cost of \$555 per participant or 1.9% of average salary.

The survey also found that:

- Twenty-four, or 10.3% of the companies pay premiums for non-qualified supplemental retirement plans, although such plans are costly: an average \$12,414 a year per participant or 13.4% of average salary.

- Eighteen, or 7.7%, provide free financial planning services at an average cost of \$2,333 or 3.1% of average salary.

- Twelve, or 5.1%, pay premium for additional life insurance at an

average cost of \$2,633 or 7.9% of average salary.

- Five, or 2.6%, pay premiums for split-dollar insurance coverage, another costly benefit averaging \$10,200 or 14.5% of average salary.

- Six, or 2.6%, pay premiums for personal catastrophic liability coverage at an average cost of \$494 or 0.76% of average salary.

## Rate hearing

The state insurance department will hold a Sept. 22 hearing into Manhattan Health Plan's request for a 21.5% subscriber rate increase set to take effect Nov. 1. The increase would affect 15,000 Manhat-

tan residents who are served by the health maintenance organization.

Almost all of the HMO's members are group subscribers.

Under the proposal, rates for family coverage, which now range from \$82.03 to \$84.69 a month depending on the rating structure and extent of dependent coverage, would rise to \$99.67 to \$102.90 a month.

Prescription drug coverage, which now costs families \$5.85 to \$5.94 a month, would rise to \$7.11 to \$7.22 a month.

## Self-funded savings

MUESCO Inc. of Houston hopes to save \$33,000 this year under a new partially self-insured plan for its 260 employees.

Under the plan, employees pay a \$200 deductible. MUESCO pays the next \$300 in claims and any additional claims are paid by General American Life. Third Party Administrators Inc. of Garland, Tex., administers the plan.

The new policy adds a provision for second opinions on elective surgery and the agreement with Third Party Administrators includes claims audit and policy management services.

MUESCO previously insured its health plan with Prudential. That policy cost the company more than \$300,000 a year, said Bill Henry II, executive vp of MUESCO.

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

## washington

### EPA seeks asbestos inspections

WASHINGTON—Elementary and secondary schools must be inspected for asbestos material that could be a health hazard, say regulations proposed by the Environmental Protection Agency.

Federal grants to pay up to 50% of the inspection cost are available from the U.S. Department of Education. The law also provides 20-year, interest-free loans to pay for asbestos removal.

A voluntary inspection program has proven ineffective, the EPA maintains. It estimates about 10,000 school buildings contain asbestos, but only 60% have completed voluntary inspections. The cost of removal may have blocked compliance, EPA engineers say.

The new regulations would require public and private schools to identify hazards by taking air samples and having them analyzed by a laboratory. School personnel and parents would have to be told test results.

A standard for mandatory asbestos removal has not been set, but may be in upcoming regulations.

A hearing on the proposed regulations is scheduled for Nov. 17 in Washington.

Four Chicago schools were partially closed this month because they require immediate repairs to remove asbestos hazards (BI, Sept. 8).

### Universal pensions

The President's Commission on Pension Policy will examine the possibility of a universal private pension system as part of its research on solutions to pension problems.

The commission has announced that the U.S. Department of Labor and ICF, a Washington-based firm, will look into five or six alternative plans for minimum universal pensions and their effects.

Researchers will probe the impact of each alternative on pension coverage, the quality of benefits when combined with Social Security, short- and long-term estimates, overall economic effects, economic impact on specific industries and assessments of how changes on specific features might affect costs and benefits.

Results of the \$265,000 study are expected at the end of this month and a final draft will be published in January.

# Put Corroon & Black to work for you.

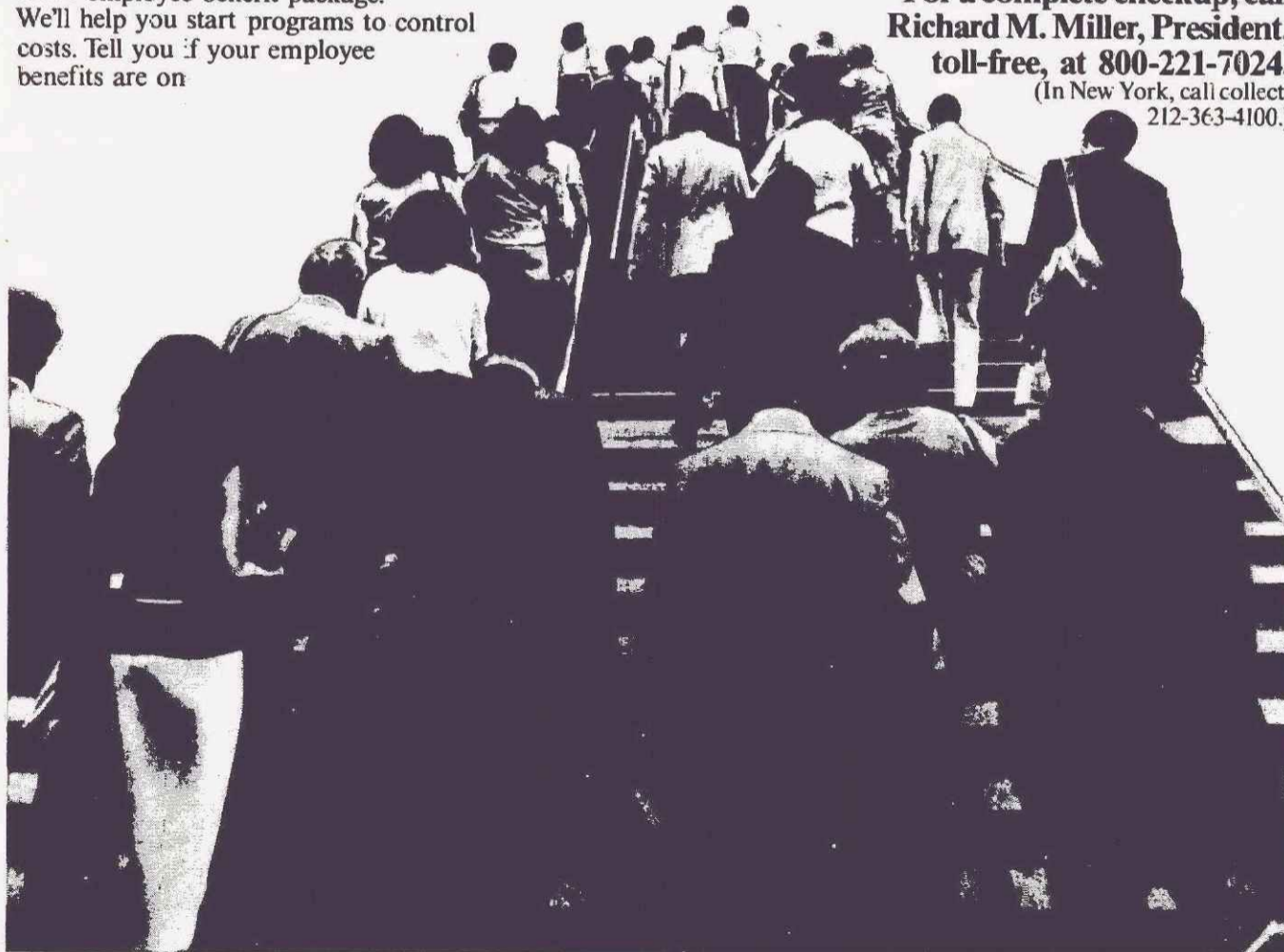
We'll put more perks per dollar in your employee benefit program.

Chances are, different people in your business need different kinds of employee benefits to keep them happy. Some, just basic group health, pension and life packages. Others also require estate planning and individual programs as perks. That's where a Corroon & Black checkup can help you offer more without paying more. Call us and we'll analyze your entire employee benefit package. We'll help you start programs to control costs. Tell you if your employee benefits are on

par with the industry. And close coverage gaps you may not even know existed. It's the approach Corroon & Black has used successfully for 75 years—for companies of all sizes around the world. Today, we're one of the top ten insurance brokers in the world—and one of the fastest growing.

For a complete checkup, call Richard M. Miller, President, toll-free, at 800-221-7024.

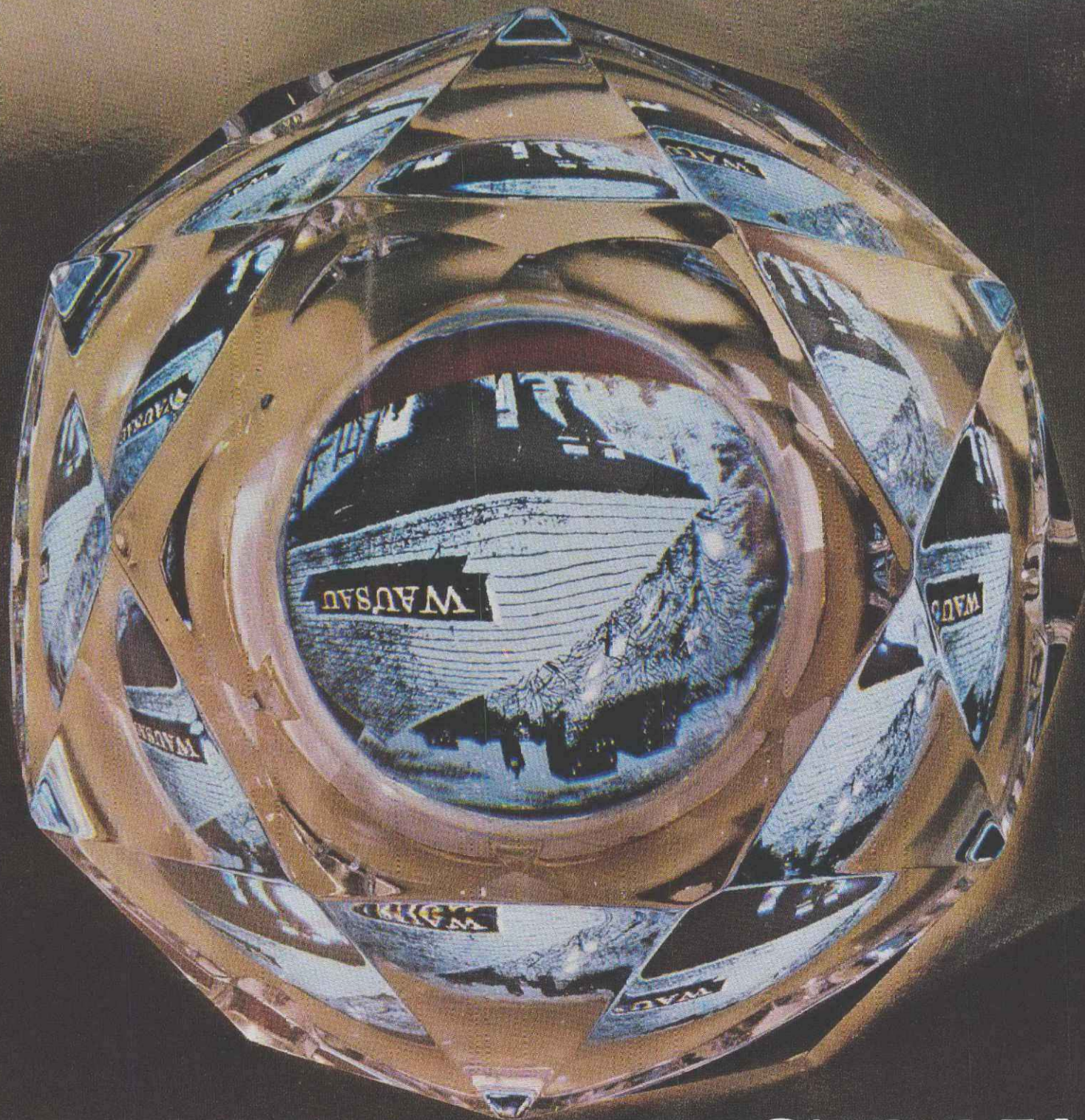
(In New York, call collect, 212-363-4100.)



# Corroon & Black

Wall Street Plaza, New York, N.Y. 10005 • Offices nationwide and worldwide

# WAUSAU WORKS.<sup>SM</sup>



## How Wausau adds protective facets to life insurance.

On September 1, 1911, Wausau Insurance Companies opened for business. Fifty-plus years later, on the same day, we introduced Employers Life Insurance Company of Wausau. This year, our Life Insurance Company is a proud, vital 15 years old.

In a business filled with much older companies, 15 years may seem only a beginning. But we think you'll find our growth pattern impressive.

To celebrate our 15th anniversary — our crystal anniversary — we're offering a new portfolio of *participating* life insurance policies. They bring new opportunities to the insurance protection we've built our growth on: group life and health; individual life (including payroll deduction plans) and health; pensions and profit sharing.

We think insurance ought to work for a living. And for people.

From a standing start in 1965 to over two billion dollars' insurance in force today. With assets over 150 million dollars. And ranked in the top fifteen percent of the field.

**WAUSAU  
INSURANCE  
COMPANIES**  
Employers Insurance of Wausau





## REINSURANCE

### Treaty & Facultative

Broker Member  
New York Insurance Exchange

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

# Computer saves Tampa \$20,000 on prescriptions

By MARY ANN MATLOCK

TAMPA, Fla.—A computer can be a city's best friend when it comes to guarding benefit costs.

Last year Tampa saved \$20,000 because computers doggedly paid pharmacies only preset amounts for drugs dispensed to city employees filing workers compensation claims.

The program, born in July 1979, was designed to cut the costs of the city's self-insured workers compensation program for 5,000 employees. It is working so well the

city expects to save an additional \$10,000 in 1980 and eliminate false prescription payments.

Prescription rates are preset according to product code and allow pharmacies to charge the average wholesale generic drug price plus a \$2.75 dispensing fee, says city claims manager Larry Archbell.

Since the computer pays according to product coding, overbilling or errors are rare.

This program is patterned after a Florida state system used to control Medicare prescription costs. Wholesale prices are set and updated monthly, but the dispensing fee hasn't been changed since Tampa started the program. It is unlikely to change unless the Medicare rate increases, Mr. Archbell says.

"Before, we had no control over the prices of drugs. Prices were 20% to 200% higher than what we are now paying," he said. "We figured if pharmacies cooperated statewide under Medicare, they would be willing to do it for us."

About 50% of the area's pharmacies participate in the city program. Many dispensers are chain stores or 24-hour convenience stores, Mr. Archbell said.

For participating in the program, pharmacies receive guaranteed payment and a new type of paperwork.

"We sent out prescription forms to all doctors and guarantee payment on City of Tampa prescription forms," Mr. Archbell said. If

**Tampa expects to save an additional \$10,000 in 1980 under the program.**

these forms are not used, pharmacies must contact the city's claims office to receive authorization to fill the drug order.

To bill the city for the prescription cost, the pharmacies must use a city-supplied form that includes space for a city-assigned product code.

These order forms ensure uniformity among pharmacies and cut down on claims processing time, say Tampa officials.

"Before, we spent more time processing bills," said Glenn Simpson, director of administrative services and risk manager. The new program has cut turn-around time on bills to two to three days, an improvement of two to three weeks before a computer system took over.

The new program also allows the city to compile data on individual claimants to cut the chances of abuses.

"Each drug is listed under each claimant," Mr. Archbell said. "Abuse is possible under any self-insured program," he admitted, but added that now at least drugs have strict authorization and are monitored by the city.

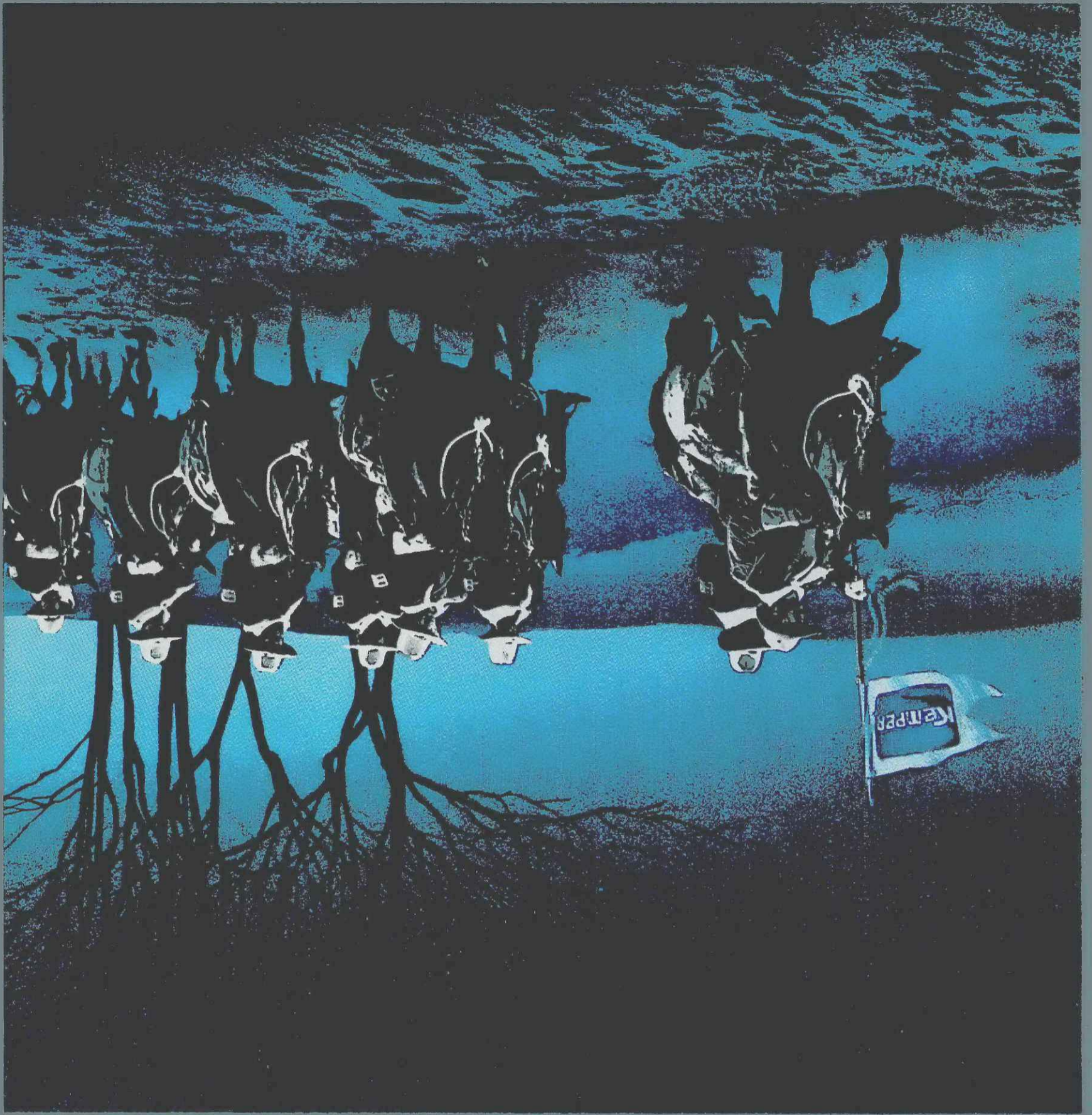
"We felt there was a good bit of abuse before this system," agreed Mr. Simpson. Before accurate records were kept, workers compensation claimants may have had any prescription filled, whether it was for an on-the-job injury or not.

About 10,000 prescriptions are filled under the city's workers compensation program annually. ■

First the bad news...



...then the good news. **General Re**   
America's Largest Reinsurer



© 1989, Kemper Mutual Casualty Company

# Risk is our business.

**If your company isn't subject to the risk your insurer says it is, quote Kemper.** Many insurers, possibly yours is one, will rate your company for property and public liability insurance strictly by the industry you're in. Regardless of your safety record, regardless of any management, regardless of any special conditions. Not Kemper. We quote insurance by the indivi-

dual company, not by the average. If your company is a better insurance risk than your competition, we'll quote you premiums that show it. Kemper believes in loss control and we know you do, too. So we take special pains to consider the risk factors you've already eliminated. We recognize your current safety efforts, and that can help us save you money. What's more, through our inspection service, we know how to further reduce your exposure to loss.

If you'd like to find out how much our joint efforts could be saving your company, get a quote from an independent agent who represents Kemper.



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

## CAPTIVE INSURANCE

The captive insurance company is a mysterious concept. Landmark is actively involved, through offices in Bermuda, the Bahamas and the Cayman Islands, in the management of offshore insurance subsidiaries for major corporation/association clients. Our onshore offices provide captive feasibility analyses for you or your insured. May we tell you more?

**MR. WILLIAM E. THOMPSON, PRESIDENT  
THE LANDMARK INSURANCE GROUP, INC.**

POST OFFICE BOX 676, OKLAHOMA CITY, OK. 73101 TELEPHONE 405/521-9911 TELEX 74-7191

THE WORLD OF THE



LANDMARK GROUP

## Illinois to study rate reductions for work comp

SPRINGFIELD—The Illinois insurance department is jumping into action to cut workers compensation rates.

The department is ordering all insurers to save 5% of their premiums for employer refunds if any premiums are found to be excessive under the state's new workers compensation bill.

Insurance director Philip R. O'Connor also is making cost containment mandatory, based on recommendations in a report by independent hearing officer Dr. Kenneth A. Tannenbaum.

Mr. O'Connor has ordered all workers compensation insurers to send a representative to a Sept. 26 prehearing to lay out discussion rules for an Oct. 14 hearing in Chicago on possibly reducing insurance rates. The Sept. 26 meeting will be at 10 a.m. in the State of Illinois Building at 160 N. LaSalle St., Chicago.

Insurers lost an earlier letter-writing campaign to strike provisions granting employers more information about loss histories and greater freedom to challenge insurers (BI, July 21).

The workers compensation reform bill, signed by Gov. James Thompson Sept. 16, favors business by capping some benefits, establishing hearing-loss standards and permitting group self-insurance.

Insurers will be asked Oct. 14 to

### Illinois is ordering insurers to save 5% of premiums for possible employer refunds.

give testimony on the adjustment of rates, medical benefit deductibles, hearing-loss standards, experience pooling and changes in the second injury fund.

**The Tannenbaum report**, which was used in writing the bill, calls on the insurers to establish cost-containment procedures.

Dr. Tannenbaum said insurers could reduce costs by paying only for reasonable medical fees and necessary health services, and setting guidelines for referral of injured workers to rehabilitation.

Dr. Tannenbaum also urged insurers and the Illinois insurance department to educate employees and employers on benefits under the law and offer material on such topics as rehabilitation centers.

The workers compensation reform bill, which passed the general assembly in the closing days of its spring session, represents the most substantial changes in the workers compensation law since 1975. Specifically, provisions in the bill will:

- Freeze for three years the maximum benefit for permanent partial disability at \$269 a week, regardless of what happens to the state's average weekly wage.
- Require insurers to make monthly reports to policyholders on all compensable claims incurred during the previous month, the amounts paid or reserved and the reasons the claims were approved.
- Limit to two the number of physicians an employee can consult.
- Eliminate employer liability for accidental injuries suffered from voluntary recreational activities, drug and alcohol rehabilitation programs.
- Restrict lawyer fees in most cases to 20% of benefits awarded, with a \$100 ceiling in certain uncontested cases.
- Establish hearing-loss standards at 85 decibels for 100% loss of hearing and 30 decibels before any loss of hearing could be claimed. Harmful noise is identified as starting at 90 decibels on an eight-hour time-weighted basis. ■

## "From right here in Boston, I'm handling risks in Chile, Nigeria and Saudi Arabia."

Fred Meagher, Jr., President—  
Frederick A. Meagher Co.



"Continental makes handling a foreign exposure as easy as domestic. Often easier. Actually the paperwork is less than on a domestic risk. Continental's international people cut through the red tape and come up with the coverage faster than you can say 'Abu Dhabi'.

"My clients like the idea they can have their exposures covered by an American company, right on their doorstep—even though the risk is half a world away.

"I like it, too. Handling international builds my stature with my clients—and often leads to additional domestic business."

How about your corner of the world? Are you writing international business? You could be adding to your premium volume easily.

Why not: let Continental's international specialists and network of 24 affiliates in 70 countries help make international insurance your cup of tea

### International insurance: Make it your business.



**The Continental Insurance Companies**

subsidiaries of  
The Continental Corporation  
Home Office:  
80 Maiden Lane  
New York, N.Y. 10038

# Only one insurance broker can bring Europe together any time you need it: J&H



*Javier Barcaiztegui  
Director, International Department  
Gil y Carvajal, S.A.  
Madrid, Spain*

*S. Robert Beane  
Managing Director  
Johnson & Higgins S.p.A.  
Milan, Italy*

*Ronald K. Westhorp  
Director, Willis Faber & Dumas Ltd.  
Ipswich, England*

*Herman B. Verbon  
Manager, International Department  
Mees & Zoonen  
Rotterdam, Netherlands*

*Daniel Kervyn  
Director, International Division  
Boels & Begault SGMN  
Brussels, Belgium*

*Henri Sommer  
Director, International Department  
Gras Savoye, S.A.  
Paris, France*

*Christian R. Dahms  
Vice President  
Jauch & Hubener GmbH  
Frankfurt, Germany*

*Peter B. Bickett  
Senior Vice President  
Johnson & Higgins  
New York, NY*



One key reason is our Permanent Working Group, the unique capability Johnson & Higgins developed years ago to serve multinationals, European or American.

The PWG is composed of senior operating executives from J&H in Europe and our network of exclusive European-based correspondents. Through this network, J&H serves more leading multinationals than any other broker.

The regular working sessions of the PWG and the

annual J&H European network conference have built a client service delivery system matched by no other broker.

The longstanding personal relationships of the PWG members and the cohesiveness and flexibility of our network permit J&H to convene swiftly specialists needed on behalf of a client anywhere in Europe on a moment's notice.

And that can make a world of difference to your company.

## Johnson & Higgins

The private insurance broker. We answer only to you.

## editorial opinions

# Risk of underuse

**WE SEE** A dangerous, unrecognized risk lurking in too many companies in corporate America. It's underuse of risk management and risk managers.

Because of the tremendous strides risk management has made in the last decade, it's tempting to focus on how far risk management has come and stop looking at how far it has to go. But two articles in last week's issue remind us there is more to be done to develop corporate recognition of risk management and risk managers.

It's clear from the results of our risk management board survey that too many companies aren't consulting their risk management department on new business ventures to take risk management considerations into account when measuring the merits of the new ventures. And when they do ask for an assessment, it seems the risk of loss may not be adequately weighed.

The continued movement of risk managers to the ranks of insurance brokers also points out that too many companies aren't making risk management attractive enough in salary, responsibility and career path to hold talented executives.

We're not suggesting that movement from risk management to the brokerage profession doesn't have merits for the risk management profession. Indeed, we hope to see brokerage firms that better understand what the buyer wants and how to deliver it now that more brokers have former risk managers on their staffs.

But we don't want to see a rush of risk managers out of corporations into the brokerage firms in search of more challenges and more rewards.

A well-recognized, well-utilized risk management department should provide all the challenges, rewards and promise an ambitious, talented person would want.

If top management consults with the risk management department about new business ventures, seeking input on all phases of a proposal and what risks the proposal presents, a risk manager would be plenty busy and plenty challenged. There's a lot of work and creativity needed to investigate and identify all the potential losses associated with manufacturing a new product or buying a new company.

If top management adequately compensates the risk manager and considers him

or her for promotions in corporate finance or other departments, the risk manager will know he or she isn't in a dead-end job.

We hasten to add, however, that some risk managers may find enough challenges and rewards in a risk management department that is used for all its talents.

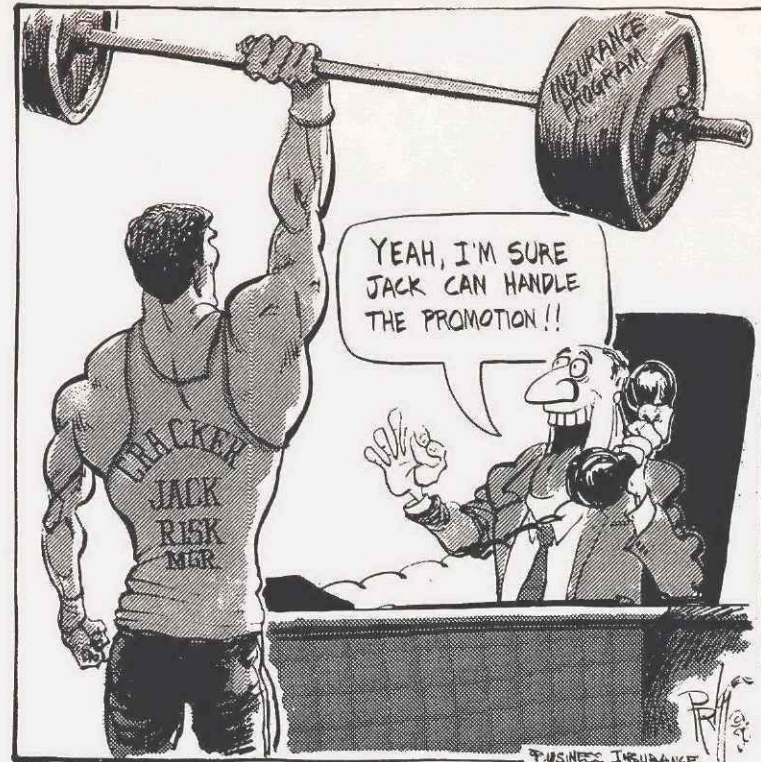
But risk managers shouldn't sit around waiting for top management to recognize their worth. If you are excluded from contributing to a business decision, quickly do your homework when you find out about it and pass your analysis to your boss. It may be too late to influence the outcome of the decision you weren't invited to analyze, but your work will show your boss the issues and conclusions he or she should have known about when the decision was made. If your contributions are as hard-hitting as they should be, your boss will call on you next time.

**D**o you have a risk management policy to guide you? Does it give you all the authority and scope you want? If not, submit one that does to your boss and get it approved by your board of directors.

If you want to move out of the risk management department, don't sit around waiting for opportunity to knock. Let your boss know that you have other goals. Get whatever additional education will better prepare you for what you want to do.

Recognizing that the risk management function is often underappreciated, *Business Insurance* created the Risk Manager of the Year award in 1978 to honor outstanding risk managers. We will soon announce the procedure for nominations for the 1981 Risk Manager of the Year and the new Risk Management Honor Roll.

Gathering nominations, setting up a prestigious panel of judges to choose the winners and making the awards is one way *Business Insurance* is trying to gain more recognition for risk managers. Besides aggressively seeking the challenges and rewards you deserve in your own company, we urge you to participate in our annual Risk Manager of the Year competition by nominating an outstanding risk manager you know. To be one of the first to receive the nominating forms, send your request to *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; Attn.: Risk Manager of the Year.



## letters

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

## Analysis simplistic

To the editor: Your editorial "Improving ratemaking" (Aug. 25) advocates discounting "long-term claim reserves" on the grounds that fairer and lower premiums may result.

I find your analysis simplistic and I believe that your conclusions may be dangerously misleading for your readership. Since I support the principle of discounting certain types of losses, I am particularly disturbed by your argument that loss discounting will lower premiums as a matter of course.

Please note that these comments are my own, and do not necessarily represent Marsh & McLennan's views on this subject.

Your editorial contends that "lower premiums for all" may result from discounting losses. Most assuredly, this will not occur.

- The correlation between what an insurance company reports in its financial statements and how it prices its product is, at best, indirect. In particular, manual rates for most lines of insurance, including the liability lines, are based upon an accumulation of individual-loss detail. On the other hand, the discounting program described in your editorial would not apply to individual claims; thus, most manual rates would be unaffected by loss discounting.
- The insurance which would be impacted most seriously by a re-

quirement that carriers discount losses on their financial reports would be workers compensation. Even here, however, the rate-level impact is uncertain—some large carriers already discount their truly "long-tailed" compensation losses.

- Due to the nominal cash flows involved and the above-noted differences between an insurer's rate-making and financial data, loss discounting would have little or no direct impact on the price of property insurance.

Your editorial points out (with some truth) that "discounting would reveal a truer picture of an insurance company's financial status..." You infer that this improved perspective will work to lower premiums. In fact, the opposite may be true in many instances.

- The nagging suspicion that insurance companies emphasize "underwriting profits" to conceal unconscionable volumes of investment income is unwarranted. Historically, insurance companies achieve after-tax total returns on equity only slightly higher than the median return achieved by U.S. industry. Stripped of confusion, emotion and rhetoric, an assessment of insurance company profitability invariably leads to this one incontrovertible conclusion: property/casualty insurance

*Continued on page 66*

## business insurance

the national newsweekly of loss prevention, risk financing and employee benefit management

MRS. G. D. CRAIN JR.  
chairman of the board  
KEITH E. CRAIN  
secretary-treasurer

G.D. CRAIN JR. founder (1885-1973)  
S. R. BERNSTEIN  
chairman, executive committee  
DAVID J. CLEARY JR.  
executive vp-general manager

RANCE CRAIN  
president and editorial director  
ALFRED MALECKI  
vp-publisher (New York)

KATHRYN J. McINTYRE, editor (312-649-5286)

LORRIE GAWLA, managing editor (312-649-5278) LEN STRAZEWski, senior editor/features & special reports.  
JERRY GEISEL, Washington editor. RHONDA RUNDLE, West Coast editor. STUART EMMRICH, New York Bureau Chief. VALERIE J. BERG, copy editor. JOHN MAES, assistant features editor. Associates: New York—ELLIS SIMON, MARY ANN MATLOCK (staff reporter). Chicago—DAVE GALANTI; JILL KAPLAN (staff reporter); JOANNE WOJCIK O'HARE, STACY L. SHAPIRO (asst.). Washington—MAISIE LEE (reporter/researcher). MERRILL S. SALTZMAN, graphics editor/production manager. JOE FARACI, Corporate art director. MILT PRIGGEE, editorial cartoonist. Correspondents: Dallas—SHARON WATSON (214-234-6496). London—JOHN MILLER (01) 946-4215. San Francisco—CAROL G. BLITZER (415-326-5429). Seattle—WILLIAM CUSHING (206-624-7755). Southeast—MARGARET LeROUX (913-933-9106). Editorial production assistant: WILLIAM BIKE. Proofreader: DOROTHY PARR SNOWDEN. Editorial typist: CLAUDETTE EISENZIMMER.

DONALD A. WALSH,  
Advertising Director—New York  
(212-986-5050, Ext. 15)

ROBERT L. NIESSE,  
Midwest Sales Manager—Chicago  
(312-649-5276)

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

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

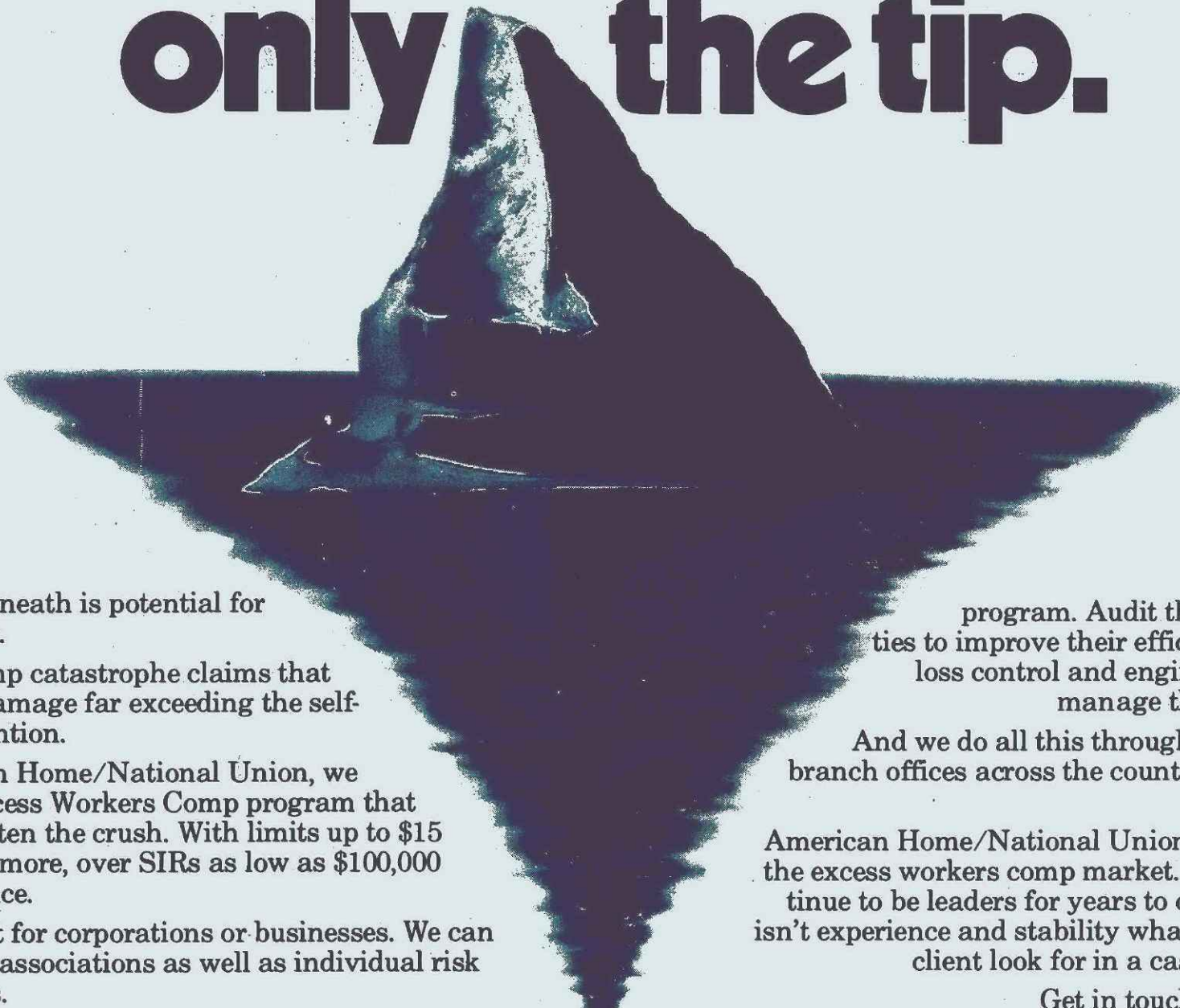
Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-983-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). \$1.00 a copy. \$25.00 a year in U.S. Canada and all other foreign add \$10 for surface mail. Europe & Middle East only add \$32 for air delivery. First-class mail to Canada only, add \$36. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager; ROGER DiGREGORIO, fulfillment director. Circulation Dept.—Chicago, (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, 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. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



Member of Business Publications Audit of Circulation



# If your client is self-insuring workers comp, they may be seeing only the tip.



What lies beneath is potential for real disaster.

Workers comp catastrophe claims that can cause damage far exceeding the self-insured retention.

At American Home/National Union, we have an Excess Workers Comp program that can help soften the crush. With limits up to \$15 million and more, over SIRs as low as \$100,000 per occurrence.

And not just for corporations or businesses. We can also handle associations as well as individual risk submissions.

Plus, through affiliated AIG companies, we can arrange to help your client control their entire self-insurance

program. Audit their SIR activities to improve their efficiency. Provide loss control and engineering to help manage their exposures.

And we do all this through underwriting branch offices across the country. There's one near you.

American Home/National Union are leaders in the excess workers comp market. And we'll continue to be leaders for years to come. After all, isn't experience and stability what you and your client look for in a casualty insurer?

Get in touch with us soon. So you can ice a program for your client before they get hit with something Titanic.

## The AIG Companies.

Let us take the risks.

Member Companies of American International Group.

For more information about Excess Workers Compensation, write:  
The AIG Companies, Dept. A,  
70 Pine Street, New York, N.Y. 10270.

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Zip \_\_\_\_\_ Tel \_\_\_\_\_

## How to avoid foreign entanglements.



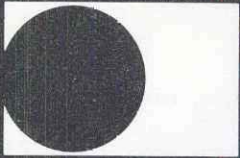
There are real advantages in having international insurance placed with the same company that writes the related domestic insurance.

It allows the foreign exposures to be insured under the same terms and conditions as the domestic operations.

More important is the confidence that comes with having those far away risks in the hands of those who have proven their expertise closer to home.

As overseas operations have become more important to many businesses, Chubb has expanded its branch and affiliate network in those parts of the world where you probably need us most.

If you have a question concerning overseas insurance, contact your Chubb representative. In addition to helping you, he can send you a copy of our International Directory. And prove to you that foreign expertise isn't foreign to us.



**CHUBB**

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

Chubb is proud to play a part in bringing you The Dick Cavett Show. Watch for it on your local PBS station.



# International risks

## Companies line up for P/C packages . . .

By JOHN MAES


Multinational firms are standing in line to get their worldwide property/casualty risks carefully wrapped in single-insurer package plans that promise central control and cost cuts, risk managers and international specialists report. The package plans demand reorganization and rethinking of a company's risk philosophy (see related stories), and for broker specialists it's like the Christmas rush. "If a company is interested, it must agree on one broker," explained Allen Brosius, risk manager at Honeywell. "The one-broker, one-insurer program is going to become the primary method of

insuring overseas risks." Firms also need help in coordinating programs that may include reinsurance through a captive insurance company or administering a large self-insured retention, he adds. Though sometimes they cause administrative headaches, the packages seem to be part of a corporate trend to buy early, buy in bulk and save whatever money possible in the face of a sagging economy. "More and more, companies are realizing that buying in bulk will help them realize bulk savings," said Peter Reid, managing vp of Alexander & Alexander's international division. "That's why com-

panies are gravitating toward insurers and brokers with worldwide capabilities." Even in the face of rising anti-American sentiment abroad, "there are very few countries anymore where you can't write a manuscript policy covering all risks, particularly for the larger multinational accounts," he said. "There's more knowledge in companies about organization and operation," notes Anthony Karolyi, Chicago-based head of Marsh & McLennan's international division. "Today a much greater number of U.S. multinationals are more mature in that field. Twenty years

'Companies are realizing that buying in bulk will help them realize savings'—A&A's Peter Reid.


Asst. features editor John Maes profiles Halliburton, Honeywell P/C programs: Pages 16 and 17.



ago, few of them were familiar with the pitfalls of overseas operations, but today they know more about international realities." Mr. Karolyi says the proven

track record of captives and self-insurance for U.S. risks has made companies more willing to try them abroad. For years, he said, *Continued on next page*

## . . . as centralized benefits save money



'Employee populations bigger than 20,000 can get competitive bids,' says IBM's Frank O'Keefe.

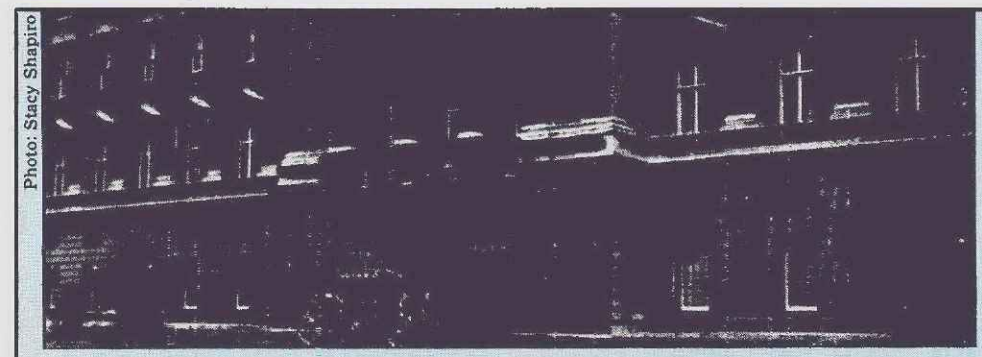
Reporter Mary Ann Matlock profiles IBM, Am Ex and Purdue Frederick: Pages 19-24.

**BY MARY ANN MATLOCK**

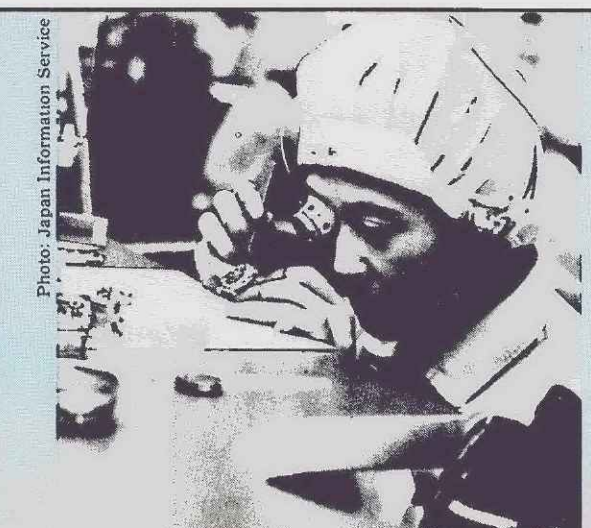
Pools, packages and central control are replacing local leadership of employee benefit plans for international subsidiaries of U.S. firms. Corporate ego isn't the reason, benefit managers say, but saving money is. Left to local decisions, benefit costs for overseas offices have grown too quickly and too carelessly, international experts charge. In the face of a sagging

economy, U.S. firms are cutting back on international plans that have grown too lucrative or ignore benefits of group buying. "A lot of American companies have let overseas subsidiaries go overboard. Normally, they don't have a benefit manager and they don't get the best deal locally," said Kwasha Lipton partner James Bolland. "You'll find some American companies overseas have the best

pension policy in the country. It doesn't pay because it creates problems in the future," he added. These potential problems, consultants and corporations say, can be offset by pooling networks, especially for life, disability and medical coverages where socialized medicine is not available. "Employee benefit costs are becoming more and more significant. We suggest employers get out of naive funding arrangements and *Continued on page 18*



London market report begins on page 32



Far East market explored starting page 26

Photo: Stacy Shapiro

Photo: Japan Information Service

**\$300,000. ANNUAL INCOME .....**

**..... \$3,500. MONTHLY DISABILITY BENEFIT?**

**Who can "honestly" call that PROTECTION?**

**Call us to help fill the gap.**

For details specific to the above and more about our complete Underwriting Facilities contact .....



**INTERNATIONAL ACCIDENT FACILITIES, INC.**

Home Office: 15 Broad Street, Boston, MA 02109 Tel. (617) 742-6660 Telex: 94-0241

Branch Offices

Suite 503-Buckeye Towers, 3300 Buckeye Road, Atlanta, Georgia 30341 Tel. (404) 452-1311

Suite 170, 8204 Elmbrook Drive, Dallas, Texas 75247 Tel. (214) 634-1861

# Multinationals line up packages for P/C risks

*Continued from previous page*  
the foreign units of firms have not been in the "habit" of self-insuring, but "the more experienced you get, the more confident you feel in that activity and the more daring you become."

But savings, not the challenge, are the main reason big firms are trying to package international risks. A manufacturer with widespread overseas risks that pays \$500,000 in gross premiums could save 20% to 25% by reinsuring the overseas exposure with a Bermuda captive and taking \$100,000

of the risk, brokers say.

"It gives the company the best of all possible worlds," noted Robin Lamprecht, senior vp and international manager for Reed Stenhouse Cos. "They have the broadest of cover and the lowest of premium."

"The minute that salesman starts to travel—that's the time you should talk to your broker about how you're going to handle those exposures," he added. "Otherwise you may have, 10 years from now, a multinational company that's poorly insured."

Risk managers also note that their professional growth and insurance department expansion make the administration of global

## WM. H. MCGEE & CO., INC.

Established 1887



*Representing*

- Security Insurance Company of Hartford Since 1894
- St. Paul Fire and Marine Insurance Co. Since 1902
- Sun Insurance Company of New York Since 1924
- Marine Indemnity Insurance Company of America Since 1945
- Royal Exchange Assurance of America, Inc. Since 1945
- Taisho Marine and Fire Insurance Co., Ltd. Since 1957
- The Monarch Insurance Company of Ohio Since 1965
- The Camden Fire Insurance Association Since 1974
- General Accident Fire and Life Assurance Corp., Ltd. Since 1974
- Millers National Insurance Company Since 1974
- Peerless Insurance Company Since 1977
- The Baloise Insurance Company of America Since 1978

FOR A STABLE  
OCEAN MARINE,  
INLAND MARINE  
AND MULTI-PERIL MARKET

# SEE MCGEE

Head Office: Four World Trade Center, New York, N.Y.

Branch offices in principal cities  
of the United States and Canada



**Plan early to  
cover worldwide  
exposures, says  
Robin  
Lamprecht.**

package plans possible. As corporations push for greater control, insurance departments grow and insurers expand packaging policy development.

Underwriters including AIU, AFIA, INA, The Chubb Group, The Continental Corp., Kemper Corp., Commercial Union and Royal Globe among other British insurers, have developed worldwide package and service insurance plans.

Brokers, too, have found a new market in designing worldwide programs, says Mr. Lamprecht. "It's the most untapped source of business I've ever come across."

This recent Marsh & McLennan-C.T. Bowring merger is a prime example of a broker outfitting itself to handle and service worldwide business by acquiring offices all over the globe, he explains. ■

### More life policies

Group life insurance policies in force with U.S. legal reserve life insurers averaged \$12,350 per person last year, a 9.7% increase over the \$11,260 average group policy in 1978, says the American Council of Life Insurance. The 1969 average was \$6,470.

# The \$16 Billion Leviathan of International Insurance.

In international insurance, AFIA stands alone. Its sheer size dwarfs other international insurers. Its worldwide network has more branches in more places overseas than any other international underwriter. Its fully staffed offices provide the full range of insurance needs of multi-national companies. And with \$16 billion in assets backing its commitments, risks insured by AFIA can be counted upon to be safe and secure. That's why 90 of the top 100 U.S. companies with international operations insure with the Leviathan—AFIA.

And why companies of all sizes wanting experience, service and peace of mind in a turbulent world, choose the Leviathan to protect them too.

## AFIA. America's International Insurance Specialist.



WORLDWIDE INSURANCE World Headquarters: 1700 Valley Road • Wayne, N.J. 07470 / U.S. offices: New York • Boston • Chicago • Cleveland • Dallas • Houston • Los Angeles • Los Angeles • Miami • Minneapolis • San Francisco • Seattle • Wash., D.C.

# Firm totes complex risks in one basket

DUNCAN, Okla.—Halliburton Services Co. handles its complex property/casualty risks like eggs—gingerly and in one basket.

The oil well servicing firm insures its entire range of overseas casualty risks with a package policy sold by American International Underwriters, the international underwriting management arm of AIG, where local laws will allow.

The company retains its overseas property risks because its equipment is spread so far over the world that premiums would cost more than losses, says insurance manager Thomas Hulett.

The casualty insurance policy, however, provides first-dollar coverage in many of the 90 countries in which the firm operates, Mr. Hulett explains. It was brokered by Bayly, Martin & Fay.

"It gives us a uniformity and broad base of coverages worldwide that we would never get if we had to buy coverage locally in all those individual countries," he said.

The use of package insurance policies in handling overseas risks

**'In some countries the tariff rates are two times what we're paying,' says Thomas Hulett.**

is becoming more popular as risk managers seek control over insurance buying in keeping with an overall trend for firms to centralize all purchasing.

Although Halliburton hasn't calculated savings, the AIU program definitely costs less than purchasing admitted coverage in a host nation, Mr. Hulett says.

"Savings vary from country to country, but some are 20% higher, some are 30% higher and some are even more than that," he explained. "There are countries where the tariff rates are two times what we're paying under our worldwide policy."

Although Halliburton tries to keep most of its foreign casualty risks in the package, local laws sometimes demand local coverage. In some nations, particularly in Africa and the Mideast, multinationals are required to buy insurance through an insurer in the host country.

"Some countries say you can buy your coverage anywhere you want. Some require local purchase of auto liability and workers comp, but say you write your other risks anywhere. Others say you have to write it all with a local company," he says.

The governments of Algeria and Nigeria in Africa and most nations in the Mideast have particularly stiff regulations that make multinationals do business exclusively with host insurers, he says.

But the primary advantages of the package program are information flow and service, Mr. Hulett says. AIU, through a network of offices throughout the world, keeps him abreast of developments in insurance laws in various nations. This makes it easier for the firm to comply with laws and avoid penalties or cancellation.

"Their offices can keep up with the developments and keep us advised," he said. "Without it, it would be difficult to stay informed unless you have a legal department to do that kind of research."

Information flow has paid off in

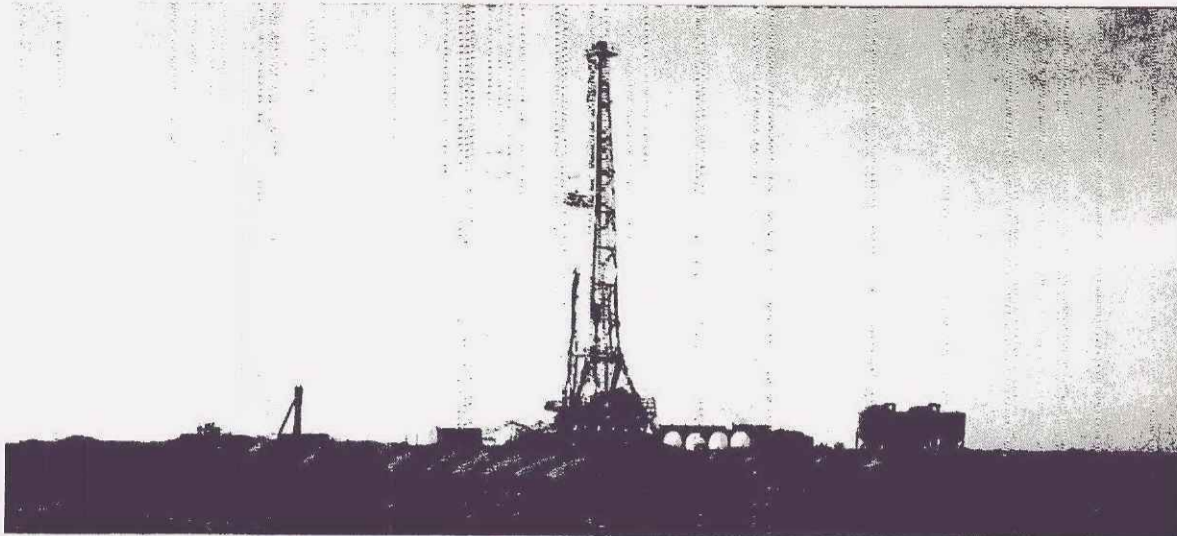
settling overseas claims. The insurer can dispatch a claims adjuster knowledgeable in the laws.

Although Halliburton is happy with the program and has changed it little over the last several years, the firm has considered switching to a captive. But no captive arrangement yet would save the company enough money to justify the switch, Mr. Hulett says.

Overseas risks make up an estimated 20% of the company's overall insurance costs, he adds. ■

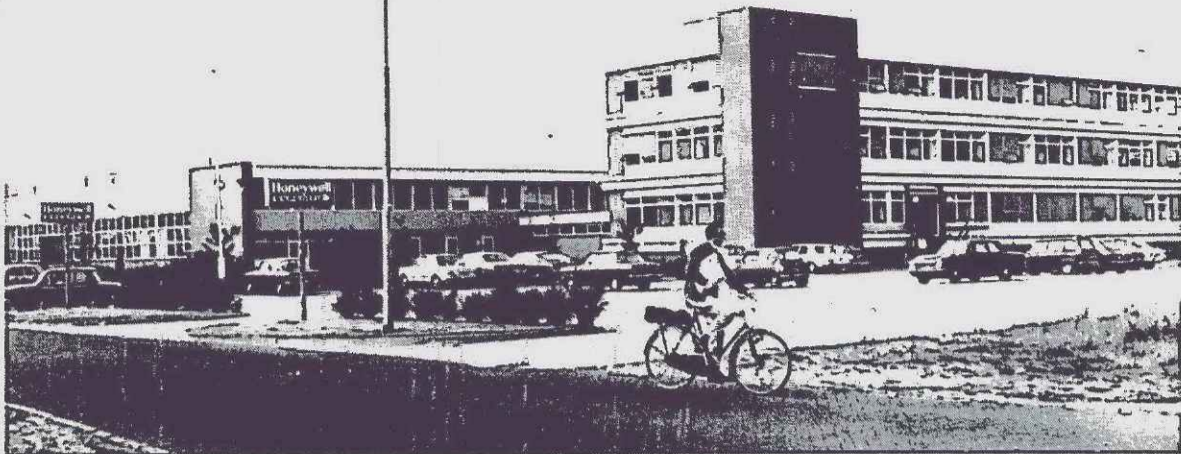
## Widespread risk

**Worldwide operations necessitate Halliburton's retention of property risks; premiums could cost more than losses.**



# Honeywell-Netherlands

# Corporate captive reinsures INA property package



Honeywell's property insurance plan covers risks of 249 subsidiary and sales offices and 26 retail

and manufacturing outlets in 77 nations. A few countries are excluded from the plan.

MINNEAPOLIS—Honeywell Inc. has a special recipe for its international risks: an INA package plan heavily seasoned with the firm's own captive reinsurer.

The multinational computer and electronics firm uses this technique to cover overseas property risks of its 249 subsidiary and sales offices and 26 retail and manufacturing outlets in 77 nations.

Planned by director of corporate insurance Allen Brosius in 1973 and brokered by Alexander & Alexander, the program provides Honeywell with the best of both

worlds, the risk manager says. The captive, Honeywell Assurance Ltd. of Bermuda, provides the firm with a high retention on foreign installations and guarantees uniform coverage by INA.

Honeywell Assurance reinsures INA for the first \$100,000 of all property losses abroad.

The program works in most countries where Honeywell operates. But in Brazil, local law requires the use of a state-owned reinsurer.

In Sweden, INA is not admitted and Skandia, the giant Swedish insurer, has the coverage.

Greece and Canada are also excluded from the plan. St. Paul Fire & Marine gets the call over INA in those countries, honoring long local relationships with the firm, says Mr. Brosius.

Honeywell subsidiaries bought all insurance coverage locally before 1973, Mr. Brosius said. The St. Paul policies harken back to those

1910—Armco introduces first eight-hour day  
You'll find eighty years of innovative history  
in our new name...we're the

## Armco Insurance Group

A new name in the insurance industry, but a name famous for eighty years of innovative solutions to people's needs.

In 1910, for example, Armco introduced the steel industry's first eight-hour workday. Employees gained more time for the pleasures of family, friends and community. And productivity, along with morale, started on the rise.

Today, Armco is still just as committed to finding innovative solutions. The Armco Insurance Group is one of them. You may have known us before as the Bellefonte Companies, British National Life, or perhaps American Druggists' Insurance. We still are. But now these and other Armco-owned companies serving the property and casualty insurance, reinsurance and risk management markets together form the new Armco Insurance Group.

There's more to the Armco story. Find out by contacting any one of the Armco insurance companies, or write: Scott R. Crawford, Armco Insurance Group, Dept. 310, 703 Curtis Street, Middletown, Ohio 45043.

 **ARMCO  
INSURANCE  
GROUP**

The captive provides a high retention and guarantees uniform coverage, says Al Brosius.

days. "Each subsidiary bought its own insurance with any company it wanted to," he said. "There wasn't much uniformity at that time."

Mr. Brosius took his first step toward uniformity by writing an insurance manual for all foreign subsidiaries requiring purchase of certain coverages and specifying INA as the insurer and A&A as the broker.

But local managers are responsible for maintaining adequate insurance for their operations.

The manual contains risk management guidelines and recommendations, reminding foreign managers to carefully evaluate exposures and keep limits up to date with property values.

The managers are also told to purchase basic fire, extended coverage and business interruption, and to gauge exposures to flood and earthquake and secure appropriate coverage.

Honeywell takes a \$100,000 risk because its property is spread so far over the world that more than one large loss at any one time is unlikely, Mr. Brosius explains.

"We started the retention at \$50,000, but after we ran it that way for several years, we realized we could assume more," he said.

Honeywell has similar coverage with INA for most of its overseas casualty risks, but does not reinsure the underwriter, he says.

International casualty premiums are lower than property costs because of differences in tort law. It's more difficult in foreign countries to collect on a liability suit than in the United States, he explains.

Honeywell bypasses the captive for casualty risks with first-dollar coverage under a retrospective rating plan. "With property coverage, you can't get that kind of plan," Mr. Brosius said.

# HEALTH CARE ABROAD<sup>®</sup>

UP TO \$67,000 IN HEALTH INSURANCE NOW AVAILABLE FOR INTERNATIONAL TRAVELERS.

Domestic health plans usually don't provide the specialized protection needed by International Travelers: repatriation or medical evacuation, optional dental coverage, prescription drugs, and short-term coverage with "no-wait" enrollment. International Underwriters has just such plans available.

Rates are realistic and can be tailored and discounted for groups. Contact us today for forms and information on the special health care needs of international travelers, including foreign travelers in the U.S. Brokerage inquiries invited.

**International Underwriters Inc.**  
7653 Leesburg Pike, Falls Church, VA 22043  
call Toll free 800/336-3310



## Central control of benefit plans proves lucrative

*Continued from page 13*  
try to get more appropriate funding vehicles," said Alan Chaplin, vp at William M. Mercer Inc.

The "appropriate vehicles," underwriting pools, are international networks of insurers formed by alliances of American and foreign underwriters through ownership or treaties. They are "the most popular way by far" of funding benefits, Mr. Chaplin says.

The most common networks are: Multinational Insurance Arrangements (The Travelers); Interna-

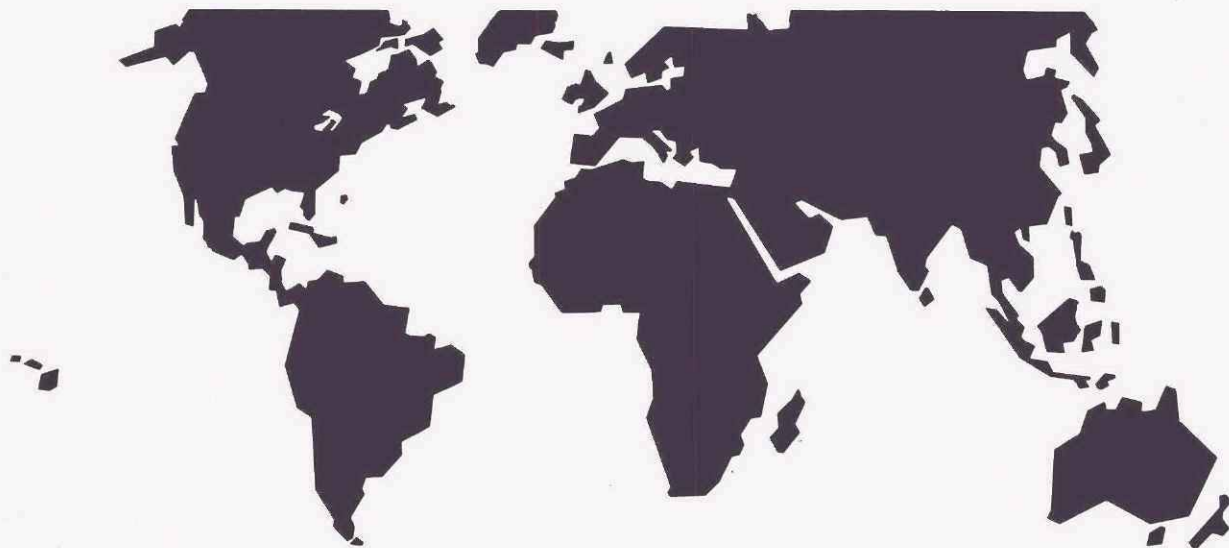
tional Group Program (John Hancock); General (Aetna), Insurope and Swiss Life, both foreign.

"For lack of something better, pools are the way to go," Mr. Bolland said. "American insurance companies set up pools, so trying to deal with them as one arrangement is better than having individual insurance."

James E. Stone, vp at Reed Stenhouse, agrees. "There is a trend of large corporations to go the route of multinational pools. The more centralized, the more the firms can take advantage of pooling arrangements because of second-stage accounting."

But many firms still aren't satisfied. Encouraging competition, many major corporations, including IBM (see related story), allow local offices to accept bids. Avon and Sperry & Rand tap underwriting pools but reinsure with a captive insurance company, Mr.

## Risk Management...worldwide



The Assurex Risk Management Institute (ARMI), a division of Assurex International Corporation, is wholly owned and directed by independent, regional insurance brokers located in more than 40 states and 16 foreign countries.

Which means if you're a corporate insurance or risk manager working with an ARMI broker, you're always doing business with a home office . . . always with the same knowledgeable people. People who know and understand risk management, from cash flow plans to self-insurance to captive formation and management, and how to apply it to your areas of risk.

And because each independent Assurex broker is joined in professional partnership with all other Assurex brokers, you're also doing business with the largest corporation wholly owned by independent brokers in the world.

All of which means your ARMI broker can offer you complete analysis-through-implementation services to help you manage even the most complicated risks . . . wherever in the world they may be.

For a brief informative pamphlet, contact your nearby Assurex International broker. Or write: Assurex International Corporation, 6500 Busch Boulevard, Columbus, Ohio 43229.

# ARMI

ASSUREX RISK MANAGEMENT INSTITUTE

A division of  ASSUREX INTERNATIONAL Corporation

ALBUQUERQUE  
ATLANTA  
BALTIMORE  
BILLINGS  
BIRMINGHAM  
BUFFALO  
CHARLESTON, WV  
CHARLOTTE, NC  
CHICAGO  
CINCINNATI

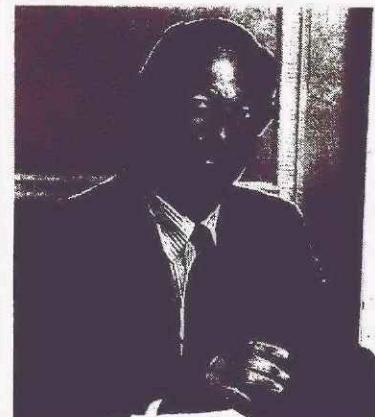
CLEVELAND  
COLUMBUS, OH  
DALLAS  
DENVER  
DES MOINES  
DETROIT  
FARGO  
FORT WAYNE  
HARTFORD, CT.  
HONOLULU

HOUSTON  
JACKSON, MS.  
KANSAS CITY  
LITTLE ROCK  
LOS ANGELES  
LOUISVILLE  
LOWELL, MA  
MEMPHIS  
MEXICO CITY  
MIAMI

MILWAUKEE  
MINNEAPOLIS  
MOBILE  
NEW ORLEANS  
NEW YORK  
OKLAHOMA CITY  
OMAHA  
PARAMUS, NJ  
PHILADELPHIA  
PHOENIX

PITTSBURGH  
PORTLAND, ME  
PORTLAND, OR  
RICHMOND, VA  
ROCHESTER, NH  
RUTLAND, VT  
ST. LOUIS  
SALT LAKE CITY  
SAN FRANCISCO  
SAN JUAN

SAVANNAH  
SEATTLE  
TOLEDO  
TORONTO  
VICTORIA, B.C.  
WASHINGTON, D.C.  
WICHITA  
WINNIPEG, MANITOBA  
PLUS INTERNATIONAL ASSOCIATES



'We suggest employers get out of naive funding arrangements,' says Alan Chaplin.

Stone adds.

Pension plans, however, are not necessarily best funded through pools. Foreign laws governing accounting and reporting procedures and better forms of investment may make pension pools wasteful.

For example, in Germany, pensions are often accounted for as a corporate liability, not requiring funding of a trust. Tax deductions are allowed for this liability in Germany, but not the United States, notes Mr. Bolland.

These quirks in pension plans may need an individual touch by the employer's corporate office and an expert familiar with these laws and quirks.

Sometimes U.S. firms got off the hook for extra payouts thanks to agreements between the United States and Italy and West Germany.

These agreements ensure an employer will have to pay only for overseas workers to belong to one social security system and not two as in the past.

An agreement is expected with Switzerland by early 1981, Mr. Bolland says. "It saves money for the employer because he no longer has to pay twice."

# Headquarters calls benefit plan plays

NEW YORK—American Express Co. runs its international employee benefit program like a football team: The quarterback calls all the plays.

Thomas M. Maloof directs international benefits for the firm's 12,000 employees at 36 foreign offices in virtually every part of the world.

"The corporate office does not control administrative functions, but I have the authority to hire/fire actuaries, consultants, insurance companies and trustee banks," said Mr. Maloof. "I really control the strings that count—finance and plan design."

Any benefit changes or additions must be approved by Mr. Maloof and the company's employee benefit administrative committee. Local offices only handle day-to-day administration.

Centralized leadership allows benefits to be coordinated among Am Ex divisions: banking, travel center, travelers checks and credit card. It also allows the firm to use international networks or pools of underwriters, he explains.

"We consider pooling whenever

we consider an insurance company. We don't pool everything. It's heavily weighted to group life and in a number of pools, medical," Mr. Maloof said.

Insurer pools, formed as a cooperative effort of U.S. and/or foreign insurers, offer a major advantage: experience rating that is otherwise prohibited in many foreign countries. A pooling plan centralizes information on many foreign offices.

"In a number of countries premiums are arbitrarily high and a local division is not large enough to bring the cost down," Mr. Maloof said.

Am Ex began using networks in the early 1970s and has saved \$50,000 to \$350,000 yearly on a \$2 million annual premium.

"I find pooling immensely helpful. It's the best way possible to handle benefits unless you find some radically different approach. You should be doing it if you're not," Mr. Maloof advised.

His firm uses three major pools for overseas benefits: International Group Program, formed by John Hancock, in the more highly developed countries such as in Eu-

rope; AIG in such less developed countries as Lebanon, and Winterthaus, a Swiss pool, for pension annuity funds.

Several pools are needed, Mr. Maloof explains, because one may not reach into all overseas offices.

One pool may lack the expertise needed in a given country.

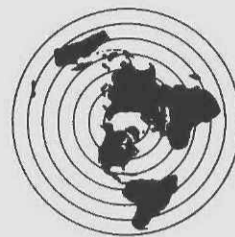
In some countries such as India, where the only insurance company is state-owned, or Denmark, where pooling is not available, Mr. Maloof has to send in another play.

In these countries, AM Ex chose

to self-insure benefits. "Where we have not been able to pool we have tried to self-insure, or we used the pension plan as a vehicle rather than use an insurance carrier."

Pools have two drawbacks, Mr. Maloof adds: a time lag in

Continued on next page



## REED STENHOUSE

Reed Stenhouse Inc. offers complete insurance brokerage and employee benefits facilities with 25 offices in the United States.

The expert advice and services of the company are also available elsewhere in the world through the parent, Reed Stenhouse Companies Limited, the international insurance and reinsurance brokerage and risk management organization operating through 166 offices in 33 countries.

### British employer gives its workers a sporting chance

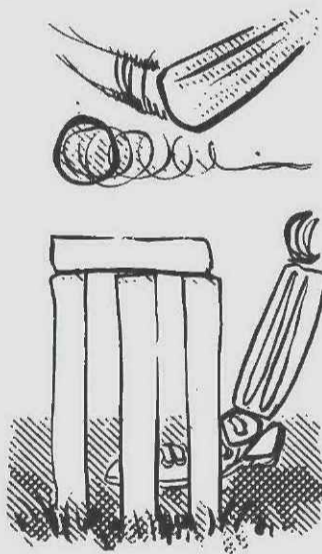
By STACY SHAPIRO

SURREY, England—The score was 14-13, the economists were beating the technicians. Would Garrith hit the next birdie over the head of his opponent and win the badminton match for his division?

While tension built in the clubhouse, others were outside playing soccer, running around the cricket field and swimming in the pool. After sport activities, all the employees sat down for a beer before leaving work.

Sporting is one of the benefits at the Milk Marketing Board here. The sport facilities, located on the office grounds, include four badminton courts, two tennis courts, a swimming pool, a soccer field, a cricket field, locker rooms and a bar. Cost to the employees for use of the facilities is approximately \$1.20 per month, not including a pint of beer.

Because Britain has a national health service, busi-



nesses need not offer health benefits. Instead they attract workers by other methods.

It's just not cricket these days to work for someone that doesn't offer a bit of sport.

### College diplomacy spans national lines

NEW YORK—Nineteen people received diplomas in risk and insurance from The College of Insurance here.

A diploma is awarded for three years of concentrated study providing basic training in property/liability insurance.

Diplomas were awarded to: Alvaro Acuna Prado, Eduardo Chacon Salazar, Victor W. Mata Chacon and Juan F. Villalobos Z., all of the Instituto Nacional de Seguros; Jane L. Cross of New York City; Edward Spence Fitzgibbons Jr. of Alexander & Alexander; Stephen J. Gallagher of Nixon-Gallagher Co.; Sergio Gianella Rizo Patron of

Gianella & Cia, S.A., and Gregory Andrew Goss of INA.

Also Julio Jimenez Lanfranco of Tijero & Payet, S.A.; Jose Antonio Leon Roca of Panamericana Cia de Seguros & Reaseguros; Herman Mutis van Schermbeek of Avila Compania Anonima de Seguros; Lawrence Erick Nelson of Nausch, Morgan & Murray; Rafael Pilot of Puerto Rico; Natalie Anne Ross of Schiff Terhune; J. Ricardo Salaverria of Seguros Desarrollo, S.A.; Eduardo A. Saldana Nunez of Saldana & Associates Inc.; Thomas S. Seligman of Seligman Brokerage Corp., and Julie Wise, Ferd Marks-Smith & Co. Ltd.

Australia, Belgium, Bermuda, Botswana, Brunei, Canada, Fiji, France, Greece, Hong Kong, Lebanon, Malawi, Malaysia, Mexico, Morocco, New Zealand, Papua New Guinea, Philippines, Republic of Ireland, Saudi Arabia, Singapore, South Africa, Spain, Swaziland, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom, United States, Zimbabwe, Zululand.

# Police Professional Liability.

- Occurrence Form
- No Deductible
- Federal Law 1983
- Prior Acts
- Punitive Damages
- No Aggregate



International Association of Chiefs of Police

c/o Bayly, Martin & Fay/San Antonio

P.O. Box 17800 • San Antonio, Texas 78217  
1-800-531-7205 • 1-800-292-5721 (Texas)

# Am Ex directs benefit program from main office

*Continued from previous page*  
claims experience reporting and lack of claims experience for individual subsidiaries.

"You can lose several years before you correct an error," says Mr. Maloof. Subsidiaries may take six months to file and compile data, he admits.

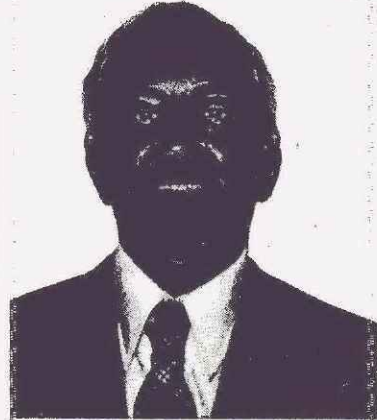
Because pools tend to report to the parent company, local management is oblivious to its own experience, too.

"It's a negative side but it doesn't outweigh the overall

strengths," Mr. Maloof said. Constant attention is the only way to handle the drawbacks.

Am Ex also pulls an array of consultants off the bench when the need arises: Towers, Perrin, Forster & Crosby, William M. Mercer, Metropolitan Pensions Assn. in London, Johnson & Higgins and The Wyatt Co.

"We found that relying on one



**'I really control the strings that count,' says Thomas Maloof.**

consultant isn't practical. Even the best is going to be poorly set up to handle some countries," Mr. Maloof said.

Consultants, like underwriters, are chosen by Mr. Maloof for projects at all Am Ex subsidiary locations.

*Zurich American  
Announces Our  
Special Service For  
Your Special Risk.*

Z-A now serves the needs of large, complex commercial accounts better than ever by providing producers special service for their special risks. Z-A's new Special Risk Division, staffed by experienced professionals, offers a full product line with coverage that can be tailor-made to fit your client's insurance needs. And when we underwrite a risk we look at the total account, not just one line. Special service also extends to providing tailor-made computer loss runs, loss control and claim programs. That's TOTAL consideration for your clients. And remember, as part of the worldwide Zurich Insurance Group, Z-A can handle your entire account—both domestic and foreign. Interested in learning more about Z-A special service? Call your local Z-A branch special risk coordinator or Bob Coyne in our head office.



Zurich Insurance Company  
American Guarantee and Liability Insurance Company  
Schaumburg, IL 60196 (Call collect: 312/843-6168)

Z-A branch offices are in metropolitan Atlanta, Baltimore, Buffalo, Chicago, Cleveland, Dallas, Denver, Detroit, Fresno, Jackson, Kansas City, Los Angeles, Manhattan (New York City), Milwaukee, Minneapolis, North Haven (CT), Orlando, Palatine (IL), Philadelphia, Pittsburgh, Sacramento, San Francisco and Woodbury (NY).

From The Reprint Department Of:  
**business insurance**

The national newsweekly of loss prevention, risk financing and employe benefit management.

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**  
708 Third Avenue  
New York, N.Y. 10017  
212/986-5050

\*New prices effective 1/15/80

# GLOBAL PROTEC- TION.

There's a new brand of international conquest spreading out there. It isn't called war. It's called investment. Dollars, francs, yen, and rial are changing hands to the tune of hundreds of billions a year. And more and more, American businesspeople are finding it's a whole new ball game.

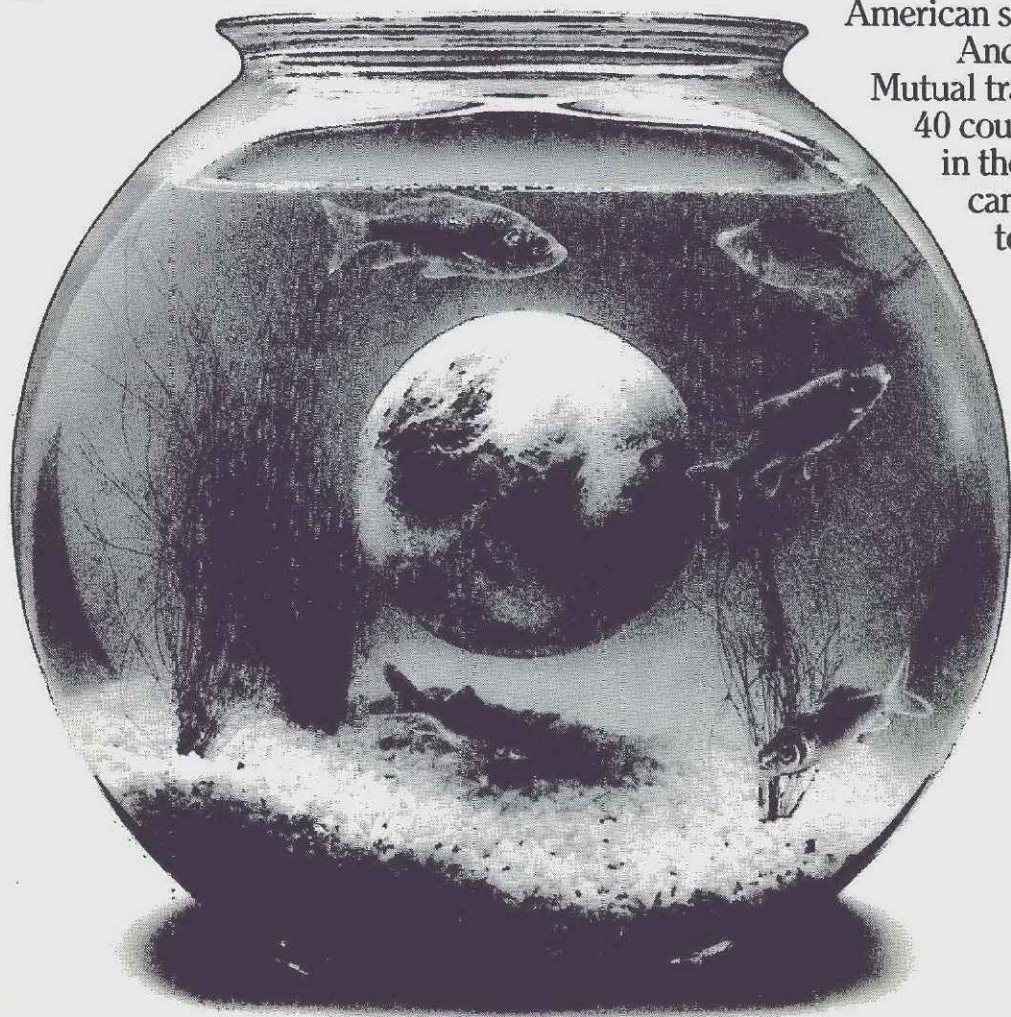
It's not just language or legal differences that are problematic. It's the differences in insurance standards between operations at home and abroad.

As one of America's largest loss prevention insurers, Arkwright-Boston combats this problem with a combination of native intelligence and Yankee ingenuity.

Our overseas accounts are handled by nationals. Insurance professionals who know the ins and outs of coverage in their countries. But who are trained by us to write policies to American standards.

And that's not all. Our Factory Mutual trained engineers operate in over 40 countries worldwide. So facilities in the most out-of-the-way places can have the most up-to-date protection. At Arkwright-Boston, we not only think you can have the best of both worlds, we think you should.

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



**ARKWRIGHT-  
BOSTON  
INSURANCE**



**A MOST UNUSUAL  
INSURANCE  
COMPANY**

## BOSTON and NEW ORLEANS



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI... Assurex Risk Management Institute... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

FRED. C. CHURCH, INC.  
24 Merrimack Street  
Lowell, Massachusetts 01853  
617-458-1281

GILLIS, ELLIS & BAKER, INC.  
Suite 700  
135 St. Charles Avenue  
New Orleans, Louisiana 70130  
504-581-3334



SEE OUR AD ON PAGE 18

## International pool plans to turn tide on benefit costs

NORWALK, Conn.—At Purdue Frederick Co., the international benefit plan is set to change with the seasons. Sometime this fall, overseas subsidiaries will lose autonomy to a centralized pooling plan.

The change to international underwriting pools or networks may cut benefit costs as much as 25%, says risk and insurance manager Norma Sipkin.

Ms. Sipkin, who joined the pharmaceutical firm early this year, first centralized property/casualty coverages and is now working

with Fred S. James & Co. to bring four overseas subsidiaries into a benefit pool.

"The German-speaking countries (Germany, Austria and Switzerland) are all in one insurance company already without belonging to a pool," Ms. Sipkin explained. But by combining benefit coverages for these workers with U.K. employee plans, she hopes to save as much as \$45,000 this year, with good loss experience.

Savings, not uniformity, is the goal.

"Each country has its own laws. Benefits are not going to change, but we'll put into a pool to realize dividends," she said.

The group's application to the Vita Life Insurance Co. Ltd.'s pool will be accepted sometime this month, she expects.

No problems with the pooling application are anticipated. Policies for the German-speaking division won't even have to be canceled.

However, if the cancellation penalty is too high for the firm's U.K. division, underwritten by a different insurer, the entire pooling concept may fold.

Two hundred or more lives are needed to join the pool, Ms. Sipkin says, which means U.K. workers

### Savings, not uniformity, is the goal of Purdue Frederick's plan.

must join the pool to bring the number of insured lives to about 300.

The pool would provide life, long-term disability and pension benefits in all four countries and medical coverage in Switzerland only.

The other three countries have socialized medicine, says Chuck Schoenster, senior vp at Fred S. James.

"In international benefits in most countries there is no experience rating. When you combine groups for pooling you pay a local premium, then you compare premiums with claims. A dividend is returned to the client," Mr. Schoenster said.

"Pooling can work if you do it through one underwriter who has companies where a client has offices, or an underwriter with treaties in a client's countries."

Clients usually select pools based in a country with a large number of the firm's employees, he adds.

### Periodic payout beneficial: Exec

MONTREAL—Opting for structured claim settlements in personal injury cases will help clear overloaded court dockets, as well as benefit plaintiffs and attorneys, an insurance executive says.

Studies indicate that about 90% of persons who receive lump-sum awards in personal injury settlements have nothing left within five years, Raymond F. Gehring, director of Aetna Life & Casualty's benefit planning service, told a seminar of the Assn. of Trial Lawyers of America here.

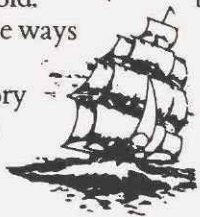
We thrive on companies that pay too much for insurance.

Our biggest satisfaction comes from helping companies that pay too much for insurance. When they turn to us, it's often a tribute to our specialty: Reducing premiums by reducing risks.

Risk reduction has become such a science with us that few brokers can compare. We have a staff of top engineers that will give your company the most thorough going-over. We work with an alacrity seldom seen in any business.

But don't let our youthful enthusiasm fool you. We're 129 years old. We've been finding more feasible ways to insure companies since 1851.

And our people have a history of staying with us. So those who serve you now will be there



to serve you again. You get consistently superior service.

But although we offer you the wisdom of our years, we also offer you our foresight. We look beyond reducing risks to how your company will be affected if some mishap actually occurs.

The Dale team will suggest better ways to protect your holdings. We don't want an accident in one part of your operation to cause downtime and reduced profitability in another.

So if you've got a feeling you could be paying less for insurance, we've got offices right across Canada you can call.

We're Dale & Company. The largest broker, owned by Canadians.

## Dale & Company Limited Insurance Brokers

Offices at: St. John's-Corner Brook-Grand Falls-Halifax-Montreal-Ottawa-Toronto  
Hamilton-London-Windsor-Winnipeg-Calgary-Edmonton-Vancouver  
Head Office: Box 18, Toronto-Dominion Centre, Toronto, Ontario M5K 1B2.  
Telephone: (416) 366-4645



Meet some of Connecticut General's heroes —group insurance claims managers and their spouses. These managers are highly skilled professionals who work hard to make sure claims are paid promptly, fairly and courteously.

The way they excel in coming through for you and your clients is one reason for Connecticut General's substantial growth in group insurance. They're also an important reason for the long-term relationships we enjoy with customers from coast to coast.



CONNECTICUT GENERAL INSURANCE CORPORATION, HARTFORD

**COMING THROUGH FOR YOU. THAT'S WHAT CG PEOPLE DO.**



## Increase Benefit Communications Effectiveness

This concise handbook has been written to assist Benefit Managers in the task of convincing their management on the need to budget for ongoing employee benefit communications.

It shows how an effective new level of communications can actually help *reduce* escalating benefit costs. It gives many new insights into the entire subject and shows how to determine true costs, compares the advantages of various communications tools, how to select a creative source, formulas for the creative approach, 6 steps to successful communications, a sample 3 year budget, and much more.

Truly a valuable guide for any Benefit Manager. \$20.00, P&H and sales tax included. 30 day money back guarantee. D&B rated firms may send P.O., others must include payment. No CODs.

**UPG Publications Division, Dept. BI, Box 700, Redwood City, CA 94064.**

# IBM programs local approach to benefit plans

**NEW YORK**—IBM Corp. spreads control over benefits for 150,000 employees among offices in more than 100 countries outside the United States.

This 25-year-old policy divides power for benefits according to geography, but keeps local insurers topping with competitive bids.

In Paris, the IBM World Trade Europe/Middle East/Africa Corp. monitors benefits for workers in those countries. The IBM World Trade Americas/Far East Corp. in Mount Pleasant, N.Y., handles benefits in other locales.

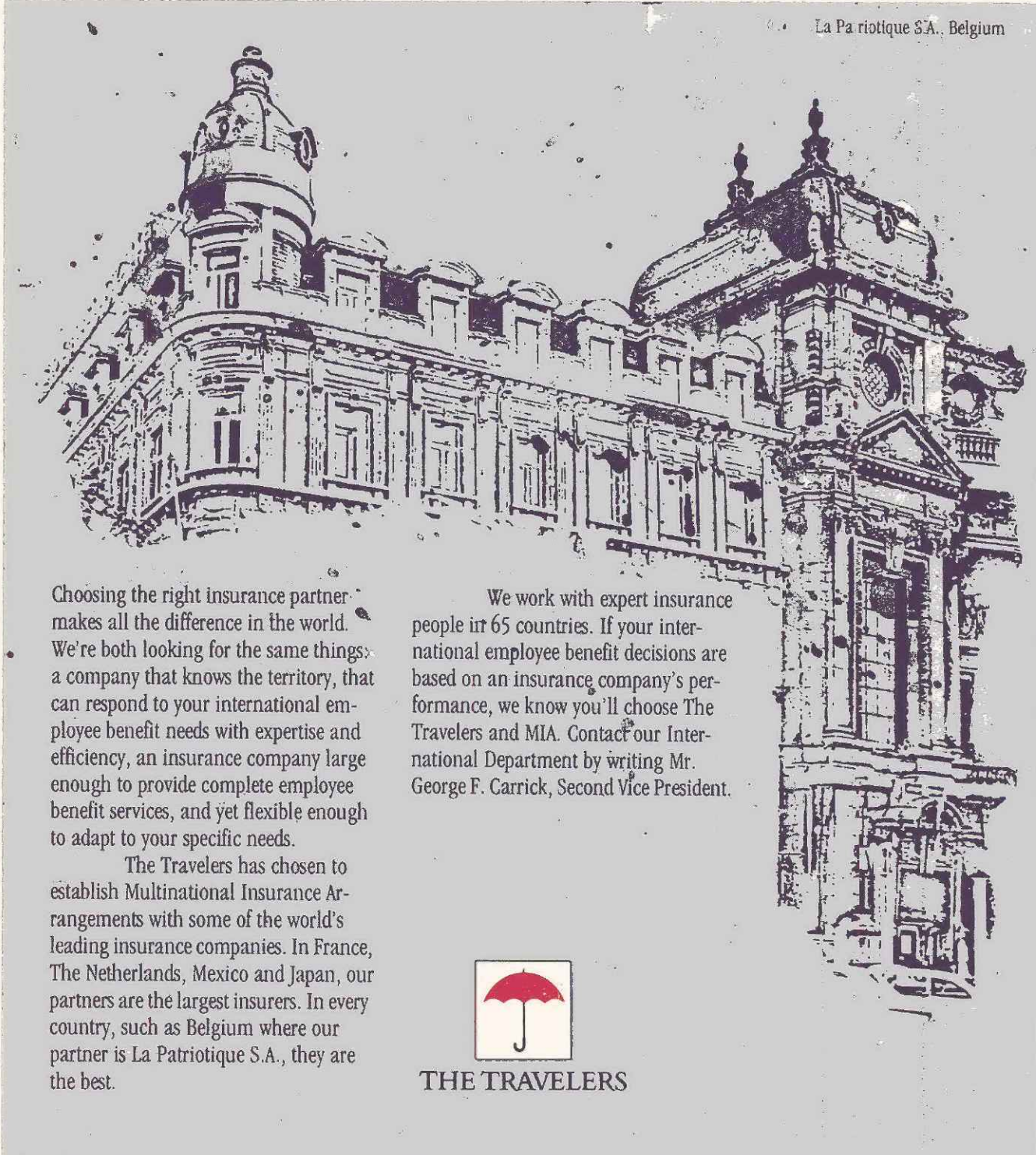
Both headquarters maintain separate personnel and benefit staffs and act as separate teams controlling their territory, says Frank O'Keefe, manager of international employee benefits at corporate offices in Armonk, N.Y.

In most cases, these division headquarters function as the final review for benefit purchases made by the small offices around the world. Unusual changes are sent to corporate offices in New York.


**Paris and Mount Pleasant** operations, for example, control vacations, sick pay, medical and life insurance plans. The corporate office, however, reviews retirement plans and benefits "that have not been put into place someplace before," Mr. O'Keefe said.

Each large-country office files past years' benefit costs and a prospective budget for the coming year, which the corporation reviews. Small-country budgets are

## WE TAKE AS MUCH CARE IN CHOOSING OUR INTERNATIONAL PARTNERS AS YOU TAKE IN CHOOSING A MULTINATIONAL NETWORK.



La Patriotique S.A., Belgium



**THE TRAVELERS**

Choosing the right insurance partner makes all the difference in the world. We're both looking for the same things: a company that knows the territory, that can respond to your international employee benefit needs with expertise and efficiency, an insurance company large enough to provide complete employee benefit services, and yet flexible enough to adapt to your specific needs.

The Travelers has chosen to establish Multinational Insurance Arrangements with some of the world's leading insurance companies. In France, The Netherlands, Mexico and Japan, our partners are the largest insurers. In every country, such as Belgium where our partner is La Patriotique S.A., they are the best.

We work with expert insurance people in 65 countries. If your international employee benefit decisions are based on an insurance company's performance, we know you'll choose The Travelers and MIA. Contact our International Department by writing Mr. George F. Carrick, Second Vice President.



**IBM rarely uses consultants, says benefit manager Frank O'Keefe.**

approved by headquarters staffs.

Most medical plans are self-insured, says Mr. O'Keefe. Pensions are paid through trust funds; disability benefits are tied into the pension funds. Life insurance is purchased in local markets or from a New York insurer. Travel accident insurance is purchased locally or through a worldwide insurer suggested by the corporate office.

"Employee populations bigger than 20,000 can go out on the market and get competitive bids," Mr. O'Keefe explained. IBM recommends the large German and French offices seek local bids.

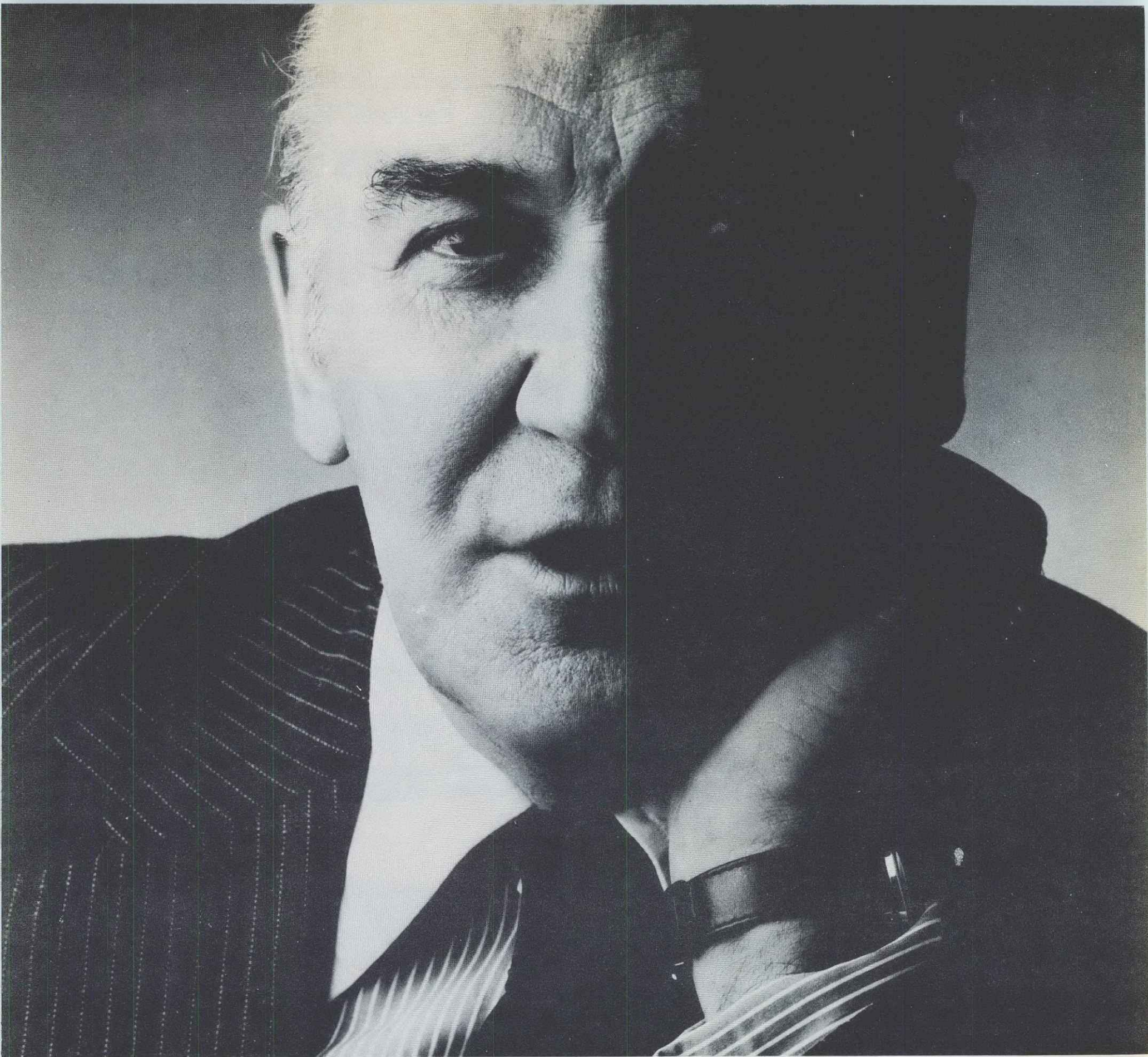
Small branches, however, such as in England, where IBM's work force is 15,000, can also select local underwriters at their discretion.

Smaller offices can buy death and accident benefits from a U.S. insurer. Sixty to 80 offices now purchase group life insurance locally and the number is growing.

The corporate options of tapping U.S. or internationally based insurers is a carryover from a time when overseas offices were too small to attract competitive bids, O'Keefe says. As offices grew, the program gradually decentralized.

"We did this about 25 years ago before pooling became popular," he explained, but the firm may consider pools in the future.

IBM rarely uses consultants for benefit planning and strategy, in keeping with decentralization. In-house expertise lets IBM train benefit managers in many locations and maintain an international benefit planning manual. ■



William Bray, managing director Europe, tells how A&A works from a client's point of view:

**“We coordinate multinational risk planning so clients have uniformity without overspending.”**

“To put together a worldwide program for multinationals, we must first understand their corporate philosophy. Our international specialists and loss control people then visit all of the major client sites, gathering data through various risk analysis techniques. After reviewing and analyzing the data, we put together the most imaginative program we can conceive — one that matches our client's philosophy and complies with varying local tariffs and legislation. By properly coordinating and planning multinational programs, we can help avoid errors, dupli-

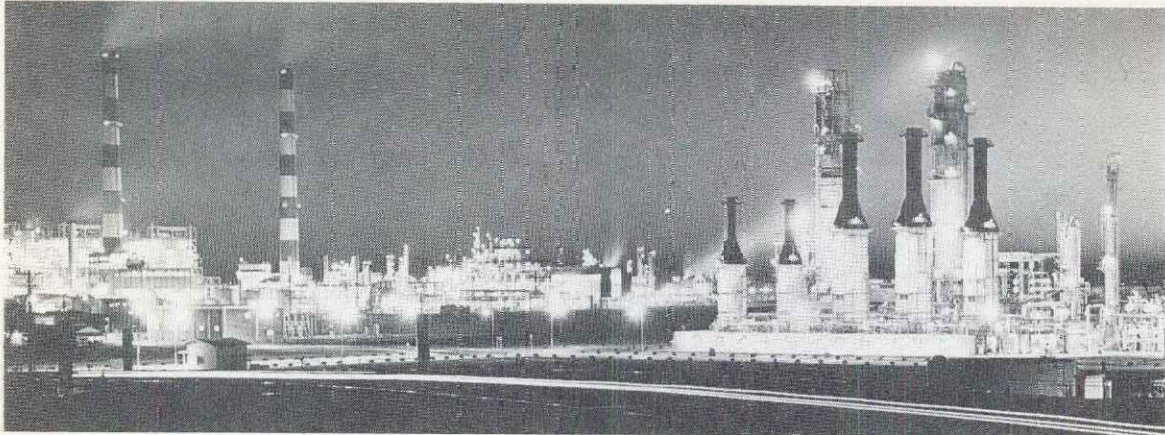
cations and omissions — thus providing uniformity of worldwide coverage with maximum cost effectiveness. We have skilled multilingual personnel in 36 countries, assuring the same level of service around the globe that we provide in the United States.”

Working from a client's point of view is our way. In London, where Bill Bray is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. Our international network does the painstaking field work that enables multinational clients

to coordinate their far-flung risk management and benefits planning into a cohesive, more cost-efficient package.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

**Alexander  
& Alexander**



The Japanese have blazed a trail in many industries, but not in risk management.

Far East market

# Loss prevention takes back seat in Tokyo firms

By Z'EV KRONISH

TOKYO—The Japanese blazed a trail in automobile marketing,

computer technology and employee motivation, but sophisticated risk management waits for a breakthrough.

A product liability case with all the earmarks of a landmark decision now pending in the courts might be the jolt. Six firms sued for \$70 million over the side effects of the drug chloroquine are threatened with punitive damages. If awarded, they will represent the first such verdict in Japan.

The absence of product liability coverage is the rule. Most firms never see a need to buy it.

Concepts of prevention and retention take a back seat to the traditional attitudes toward liability.

Loss control is only influenced by close government control and the corporation's exclusive reliance on insurance as the touchstone of protection.

Large electronic manufacturers, however, are leading the parade to risk management, but the parade moves slowly.

Mitsubishi Manufacturing, an industrial empire encompassing more than 280 affiliates and large shipping risks, employs Kazuo Terada as manager of its overseas insurance operations. In a rare display of criticism, Mr. Terada acknowledged Japan was lagging in risk management. "There is no systematic approach, no coordination by corporations."

But Mr. Terada did have a Japanese translation of "Risk Management and Insurance" by C. Arthur Williams Jr. and Richard M. Heins.

The edition, which appeared last year, is the work of Isao Takei, professor of economics at Toyama University, where he teaches a course on risk and insurance.

At Sony Corp., where sales zoomed to \$1 billion and profits tripled during the second quarter, risk and insurance management is not a single job.

Sumio Sano, general manager of the executive office, echoed the optimism of most Far Eastern executives, downgrading the threat of loss.

"Sony has experienced few losses over the years," Mr. Sano said. Embezzlement and computer theft "are not a problem," but product liability complaints are increasing. Sony's response is to empower dealers to settle claims expeditiously. So far this works.

Sony pays attention to safety. The maintenance department at each plant is told to develop a liaison with the fire department and drills are conducted twice a year.

"Each department has a safety manager and every section appoints a person to promote safety," Mr. Sano explained.

Mr. Sano reports that insurance costs are 2% of sales.

The state provides medical benefits and workers compensation for all citizens. A payroll tax helps meet this expense.

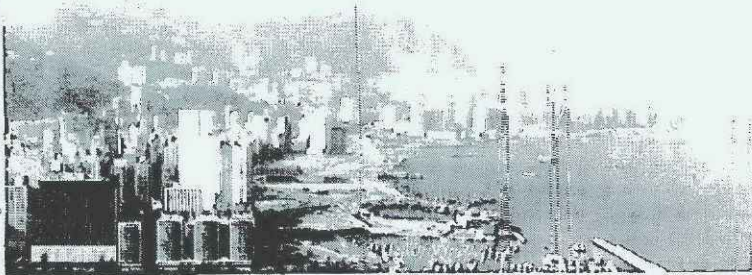
A disabled Sony employee can expect his full pay for the first three years and 90% thereafter.

**We travel with some of the finest names in business aviation**

**America's leading insurer of corporate aircraft**

**USAIG**  
UNITED STATES AIRCRAFT INSURANCE GROUP

NEW YORK • ATLANTA • BOSTON • CHICAGO • DALLAS • DENVER • HOUSTON  
LOS ANGELES • ORLANDO • PHOENIX • RICHMOND • SAN FRANCISCO • SEATTLE • TOLEDO • WICHITA



Hong Kong is a free-wheeling, bustling financial city.

## Hong Kong risks lack loss plan

By Z'EV KRONISH

HONG KONG—Unlike Tokyo, Hong Kong is a free-wheeling financial city. Its risk outlook, however, is the same: outmoded by Western standards.

Such risk naivete in a bustling, thriving community is startling.

But rising losses in all risks usually covered by insurance and loss-prevention programs in the United States are generating new interest in safety and risk management program development:

- Two warehouse fires, one for \$1 million and the other for \$600,000, confirm that mounting losses are not uncommon and merit attention.

- The South China Morning Post, the leading daily, reported seven industrial accidents in one day. In one case, a 30-year-old worker fell to his death from a ramp while pulling off some wooden planks.

### Local insurers are pushing remedies to poor loss records.

Despite losses like these, most businesses ignore safety and loss prevention and are content to recover whatever losses are insured. Local insurers, however, are pushing remedies and some firms are making progress in safety.

C.K. Lin of the Winsor Industrial Corp., a leading textile supplier, said that as a result of a warehouse fire five years ago, his firm successfully instituted new procedures to prevent further losses.

"We don't want insurance money," he said. "We want to carry on our activities."

Mr. Lin said the firm had never suffered a loss through embezzlement, a risk commonly insured with a fidelity bond in the United States and feared by many firms.

Winsor buys its insurance directly from Paofong Insurance Co. a few blocks down the street, because the insurer is connected with the bank with which Winsor does business.

The risk planning makes Winsor an exception, says Robert Botner, head of the INA office in Hong Kong. Most insurance agents don't understand more than the most basic coverages and stubbornly resist buyer or insurer attempts to institute deductibles, he says.

Mr. Botner also observes that rising occupational injuries are the result of a poor safety track record and cost-cutting by contractors.

"A better outlook, though, is

possible," he remarked, "because young people educated overseas are returning with an increased awareness."

## WANT TO IMPROVE CORPORATE RESULTS?

INSURANCE COMPANIES LOOK TO IMG  
WHY NOT RISK MANAGERS?

Technical Reviews, Risk Funding, Feasibility &  
Ancillary Management Studies

**IMG**

INSURANCE MANAGEMENT GROUP

1 LANDMARK SQUARE

STAMFORD, CT 06991 (203) 357-7169

## How can John Hancock's IGP give multinationals the best service in the world? Ask Mike Allan.

*Mike Allan is John Hancock's International Group Program Director of Sales and Service for North American multinationals.*

### WHAT ENABLES IGP TO PROVIDE BETTER SERVICE?

The fact is that we're the only network with a substantial, trained staff specializing in after-sales service. Prospective clients often seem to assume that, naturally, every network has this capability. Unfortunately, it isn't necessarily so. In fact when you're selecting an international network, this can be the single most important question you ask.

### HOW IS YOUR STAFF ORGANIZED TO MEET YOUR CLIENTS' NEEDS?

The answer in our case is that, of the 17 people working full-time in Boston on IGP sales and service for North American multinationals, fully two-thirds are assigned to teams that work exclusively for existing clients.

These teams are able to provide comprehensive service to each of their accounts on a continuing basis. They become very familiar with each client's needs and have the resources to solve their problems. Furthermore, I believe

these teams are staffed with some of the best people in the business.

### WHAT MAKES THE IGP STAFF SO DIFFERENT?

They have the know-how and flexibility to do what works best. And because they bring extensive experience from diverse backgrounds including actuarial underwriting and administration, each adds expertise to the team effort. In fact, two of our people were corporate international employee benefits managers before joining us. Their insights into the client's perspective are invaluable.

Our ongoing training program assures that everyone stays current in the fast-changing international employee benefits environment. Because of IGP's substantial size, we have more resources that enable us to train our people thoroughly.

**YOU REFERRED TO SIZE A COUPLE OF TIMES. ARE YOU SAYING BIGGER IS BETTER?**

Not necessarily. Basically, the size of our staff is geared to the volume of our business. But being bigger does allow us to offer certain advantages.

Our team approach to service is a good example. IGP clients are serviced by teams. There's always a member of the client's team available when he or she calls with a question.

### WHAT KIND OF SERVICE CAN YOUR CLIENTS EXPECT?

We believe the key to good service is flexibility. Different clients have different needs and we try to work together with their advisers and our Associate Insurers to respond to each of them effectively. Most clients place a premium on fast and accurate response. That's what we aim to provide.

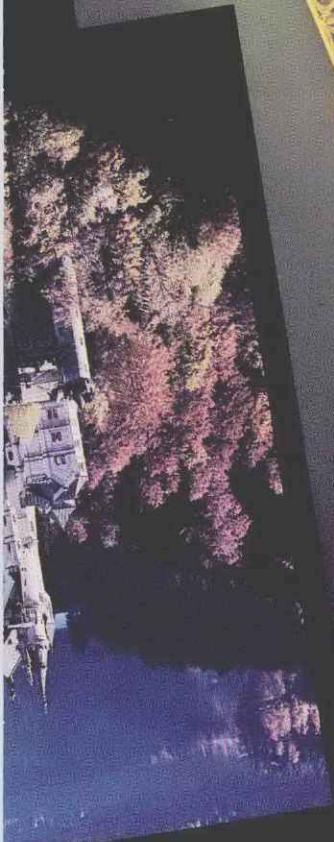
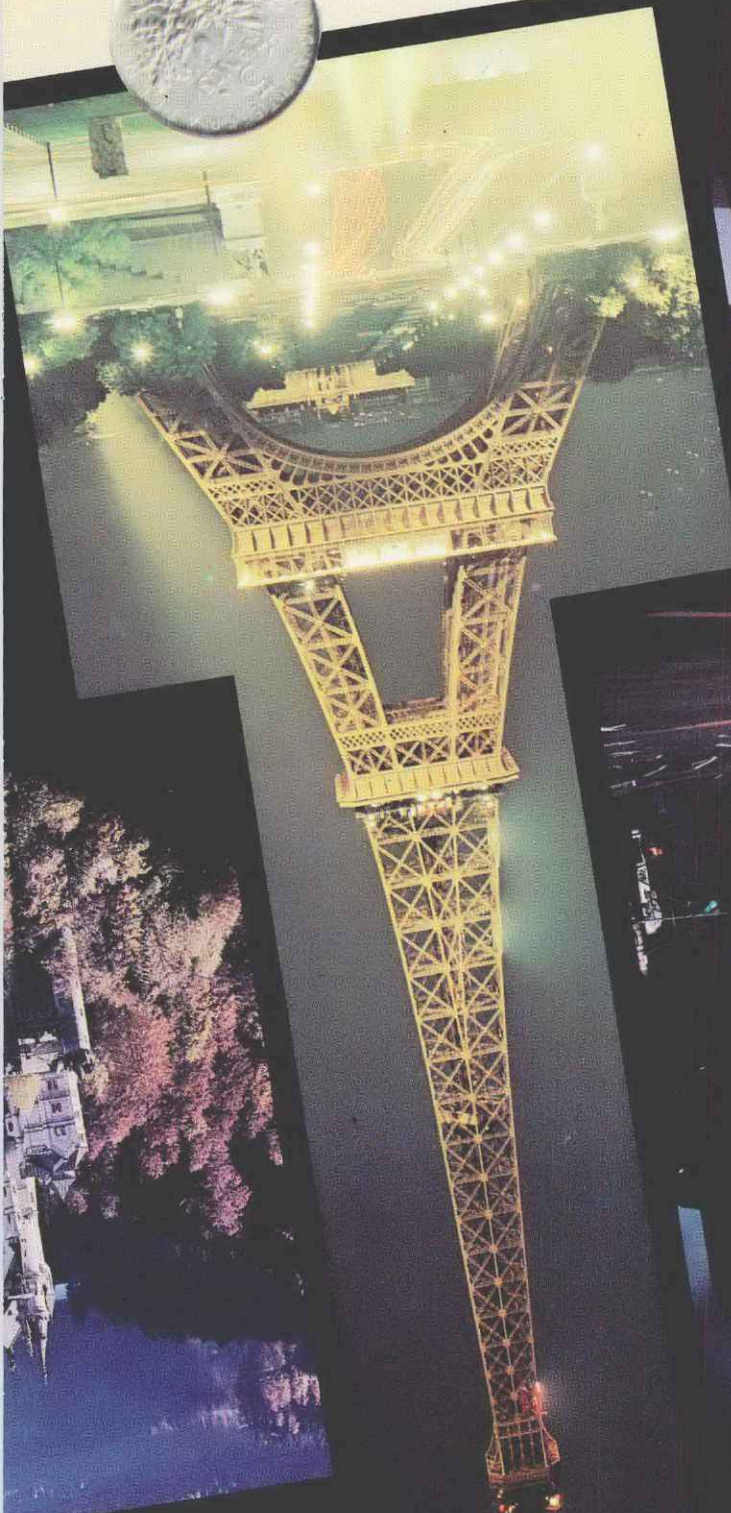
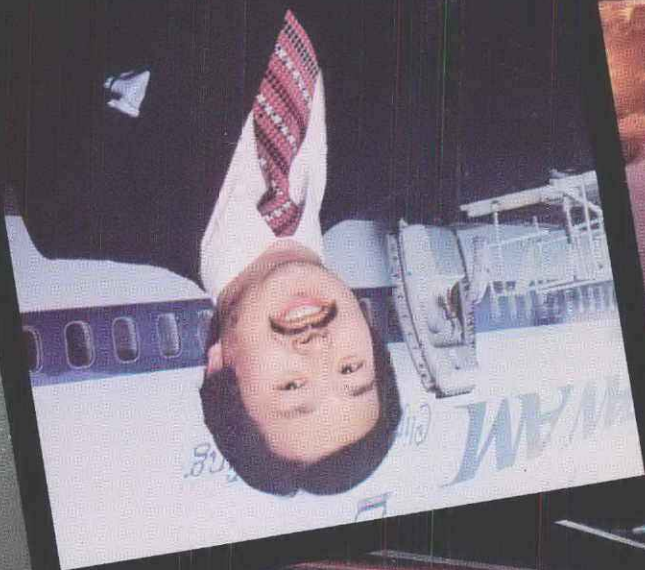
*John Hancock* Mutual Life Insurance Company  
Boston, Massachusetts

"International Group Program" and "IGP" are registered service marks of the John Hancock Mutual Life Insurance Company, Boston, MA 02117, USA.



*"Our team approach to service assures every IGP client that we'll be where we're needed when we're needed."*

\* PHOTO COURTESY OF PAN AMERICAN WORLD AIRWAYS \*



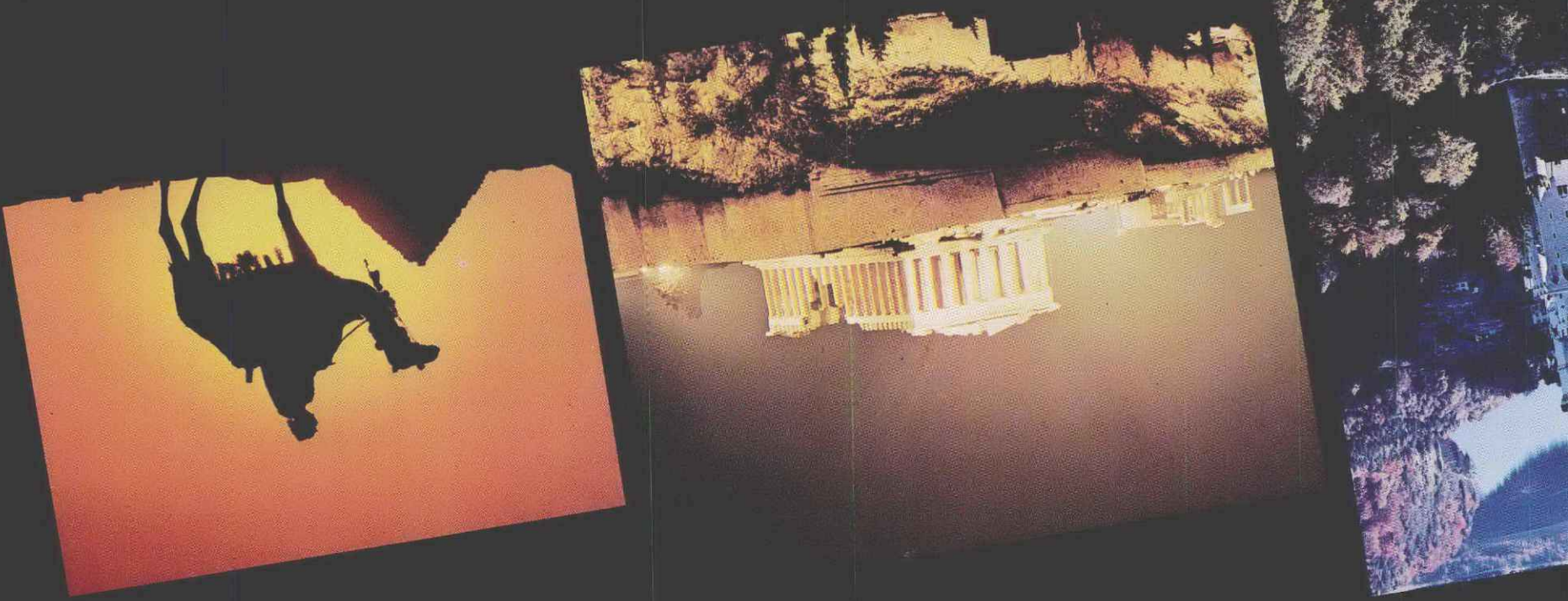
GINZA 十一番

# International Savvy.

When creative protection is essential  
**Frank B. Hall & Co.**



Frank B. Hall, the world's most inventive insurance services firm is respected for its global savvy. 5300 talented pros in 188 worldwide locations bring new meaning to universal risk management. Call your local Hall office. Learn to control far-reaching costs at your corporate level. Frank B. Hall's international savvy serves Pan Am, Oxy, Grumman, Raytheon, Kodak, PepsiCo and many more.





A facultative and treaty intermediary offering Five Star Service for hard-to-place risks in top rated national and international markets. Your inquiries are welcome! Contact Vice President Arlan Shorey or Second Vice President Bill Yurek.



## International Reinsurance Services, Inc.

200 West Monroe Street • Chicago, Illinois 60606 • 312 782-9547 • Telex 206-089

# Drink producer discovers quick negotiation pays

By Z'EV KRONISH

SINGAPORE—Fraser & Neave, a leading producer of soft drinks in Asia, learned the hard way that it pays to negotiate promptly to settle a claim for an injury resulting from a bottle exploding.

A \$2,500 claim paid five years ago still hurts, says C.G. Menon, assistant company secretary. But he believes product liability is now under control.

A rider to the comprehensive general liability policy provided by Overseas Assurance Corp., in

which the company has an interest, serves as a cushion against disaster, he explains.

Fraser & Neave maintains a safety program at each of its 12 plants, though the government shares the credit. Officials are heavily promoting safety, says David Ong, Singapore-born assistant manager of Marsh & McLennan.

Other risks are not taken as seriously. Audit controls are lax in Singapore. And when the local press ran a three-column story about a chief accountant jailed for defrauding his company of \$90,000, it didn't make much of an impression.

Mr. Menon told *Business Insurance* his firm does not buy

## Fraser & Neave views computer fraud risk as insignificant.

fidelity bonds for its senior executives but covers its clerks and salesmen for \$500 to \$1,000. The cashier's limit is about \$50,000.

Computer fraud is viewed as an insignificant risk.

But for mainstream property and casualty risk, most local concerns prefer first-dollar coverage.

At Fraser & Neave, first-dollar coverage prevails for liability and property damage on the bottler's fleet of 350 cars and trucks. However, damage to owned vehicles is intentionally retained.

The insurance budget is almost \$250,000, including fire coverage but excluding theft, which is regarded as negligible.

**Insurance buying** is not delegated to one specialist. Someone in finance or accounting assumes the responsibility. At Fraser & Neave, insurance fell into Mr. Menon's lap as part of his financial duties.

But the job of managing the risks of his firm is a bit less restricted than in other Far Eastern jurisdictions. A manufacturer can, for example, elect a deductible in workers compensation coverage, though a policy must be purchased from a local insurer.

Fraser & Neave finds its workers compensation retention rewarding and thanks a regulatory climate that encourages new ideas. But an "extremely low" loss ratio helps, Mr. Menon points out.

The climate also keeps rates and premiums lower than in the United States. If the plant adjacent to the home office on River Valley Road were to be destroyed, the loss would amount to about \$25 million. Insuring this valuable property costs \$22,000 annually.

## Dental plan

The province of British Columbia will start a dental plan for residents at the beginning of next year. The program will cost the province about \$85 million a year. The plan will pay 50% of most dental services for senior citizens and children will receive 100% care.



## Self-insurance is like money in the bank.

It can be made to pay handsome dividends. And may not require as big a deposit as you now pay.

Ebasco Risk Management Consultants can tell you whether or not self-insurance will work for you, and whether or not you can afford it. In the past 60 years our organization has been called upon by literally thousands of industrial and commercial firms and municipalities to determine whether this way of saving money was for them. Sometimes we had to say "No"—but not often. Time was when it was generally presumed that a self-insurance program should encompass all of a company's risks, that only "the giants" could lay aside enough money. Over the years Ebasco specialists have worked out many variations of that theme

to make self-insurance pay dividends to smaller firms.

Risk separations. Deductibles. Reinsurance. Loss prevention. Claims control. Supervision of reserves. These and other devices are applied by our experts in structuring self-insurance programs which save money for clients of diverse sizes engaged in widely-divergent activities. Perhaps they can work for you.

The first step is to learn whether self-insurance has a place in your company's financial future. An initial, no-charge consultation with one of our representatives may start you on the way to the bank. To arrange an appointment at your convenience, call us. Or write for our free brochure.

## EBASCO

EBASCO RISK MANAGEMENT CONSULTANTS, INC.

A Subsidiary of EBASCO SERVICES INCORPORATED

New York: Two World Trade Center, New York, N.Y. 10048. Tel. (212) 839-1334. Atlanta: 145 Technology Park, Atlanta-Norcross, GA 30092. Tel. (404) 449-5800. Chicago: 150 North Wacker Drive, Chicago, IL 60606. Tel. (312) 346-3438. Newport Beach: Gateway Plaza, 130 Newport Center Drive, Newport Beach, CA 92660. Tel. (714) 759-7100. Bermuda: Airline House, P.O. Box 1617, Hamilton 5-24, Bermuda. Tel. (809) 292-0124.

About 65 companies

## Singapore grows up as reinsurer center

SINGAPORE—This city, once an infant insurance market, is now bearing a growing portion of reinsurance on U.S. risks as part of overall financial growth.

Singapore as a regional reinsurance center is "now conceived and in its youth," said Christopher K.E. Lister. "That's pretty good, considering that in 1973 it was absolutely zero."

Mr. Lister should know. In 1973 he formed Reinsurance Management Corp. of Asia (Pte) Ltd., which is owned equally by 12 firms including National Surety Corp. of California (Fireman's Fund).

Now about 65 firms offer reinsurance in this island city-country, and about 18 are funded by Singapore capital. Forty-five are branch offices of foreign-based companies.

U.S. insurers represented include American Home, American International Group and Insurance Co. of North America, but direct coverage of U.S. risks is minimal. Foreign insurers doing business in Singapore include Copenhagen Reinsurance, Commercial Union, Munich Reinsurance and Norwich Union.

Pursuing estimated gross insurance premiums of \$136.8 million, 60 reinsurers produce intense competition.

Almost half of the risks are local fire and property coverage, reflecting the government's increased emphasis on attracting corporate offices and an ever-growing number of hotels, office buildings and hospitals. Marine cargo and hull insurance accounts for about one-third of the business.

Though eager for this reinsurance premium, the market may be a little short on experience and capital, say observers, so buyers and their insurers may need to be skeptical.

There's the potential for disaster, concedes Anwar A. Peerbhoy, regional manager for the East for London Guarantee & Reinsurance Co. Ltd.

Mr. Peerbhoy, who is also chairman of the Singapore Reinsurers Assn., says the country and the Southeast Asian region suffer from "an unbalanced situation."

When what you pay in losses is very small compared with the potential loss, reinsurers get too eager, he says. A big loss can be devastating.

An October 1979 fire, for example, destroyed two heavily laden Port of Singapore Authority godowns (wharf warehouses) and cost insurers \$25 million, Mr. Peerbhoy said.

"Because of that one payout, several companies are probably in trouble now," he explained, though no firm has gone broke.

Retained risk and level of capitalization aren't sufficient either, another experienced observer says. "Yet risks are secure because you're dealing with reputable reinsurance people," he added.

Most of the experienced reinsurers are drawn from experienced insurers that have teamed up with Singapore locals in reinsurance ventures. Though not required by law, foreign insurers including U.S. firms are encouraged to join local financial industries.

The team approach boosts the local reputation and provides the capital Singapore reinsurers need.

Also to boost the local reinsurance reputation, local industry formed the reinsurance association last year. There are now 12 members and 10 associate members, although only four member reinsurance firms are locally capitalized: United Asia Reinsurance Corp., Copenhagen Reinsurance Co. (Far East) Pte Ltd., Singapore Reinsurance Corp. and ICS Reinsurance Corp. Ltd.

Two U.S. reinsurers are considering setting up new offices in Singapore.

## CINCINNATI and WICHITA



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI ... Assurex Risk Management Institute ... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

KREIDLER-SHELL, INC.  
309 Vine Street  
Cincinnati, Ohio 45202  
513-381-0500

INSURANCE MANAGEMENT  
ASSOCIATES, INC.  
714 Union Center  
Wichita, KA 67202  
316-267-9221



SEE OUR AD ON PAGE 18

## Straight Talk, in Any Language

ROLLINS BURDICK  
HUNTER

Multinational Insurance Brokers • World Headquarters: 10 South Riverside Plaza, Chicago, Illinois 60606

# London market

## Competition keeps policy rates down

By KATHRYN J. McINTYRE

LONDON—Swim against the current of U.S. risks rushing back to the American insurance market from London and you can land at least a 15% rate reduction from the London market.

Rate reductions of 30% and more have been granted by London underwriters left high and dry by U.S. risk managers lured home by even more severe ratecutting in the American market.

The swells of U.S. risks that just

a few years ago washed over the London market have receded. Since the tide turned in 1978 as U.S. insurers loosened underwriting restrictions, small, low layers of casualty risks written by the London market when no one else wanted them moved back to the U.S. market. Medical malpractice risks, for example, are practically gone from London.

Excess insurance and umbrella policies, London's stock-in-trade, have also ridden the wave back to the United States.

The competition is so fierce now that London underwriters are reducing rates on almost any line to keep business, not just the notoriously cheap marine insurance market.

"It's not atypical to get London underwriters to grant a 15% rate reduction," said Colin Bird chief executive of the North American division of Alexander Howden Insurance Brokers Ltd. in London.

"London will cut rates 15% to 20% to hold business," agreed Alan

Warnes, director of Reed Stenhouse & Partners Ltd.

The cheapest product is the first \$5 million layer of an umbrella policy.

Only primary insurance policies renewed in London in the last few months are seeing less evidence of this competition. And then the renewals are 5% to 10% lower, or at worst, at existing premiums—a rate reduction too considering inflation, underwriters hasten to note.

London won't cut rates much

beyond 15%, content to sit on excess capacity until American insurance buyers need it again. A tightening of the American market forcing U.S. risks back to London is considered inevitable, although estimates on when this will occur range from 1981 to 1984.

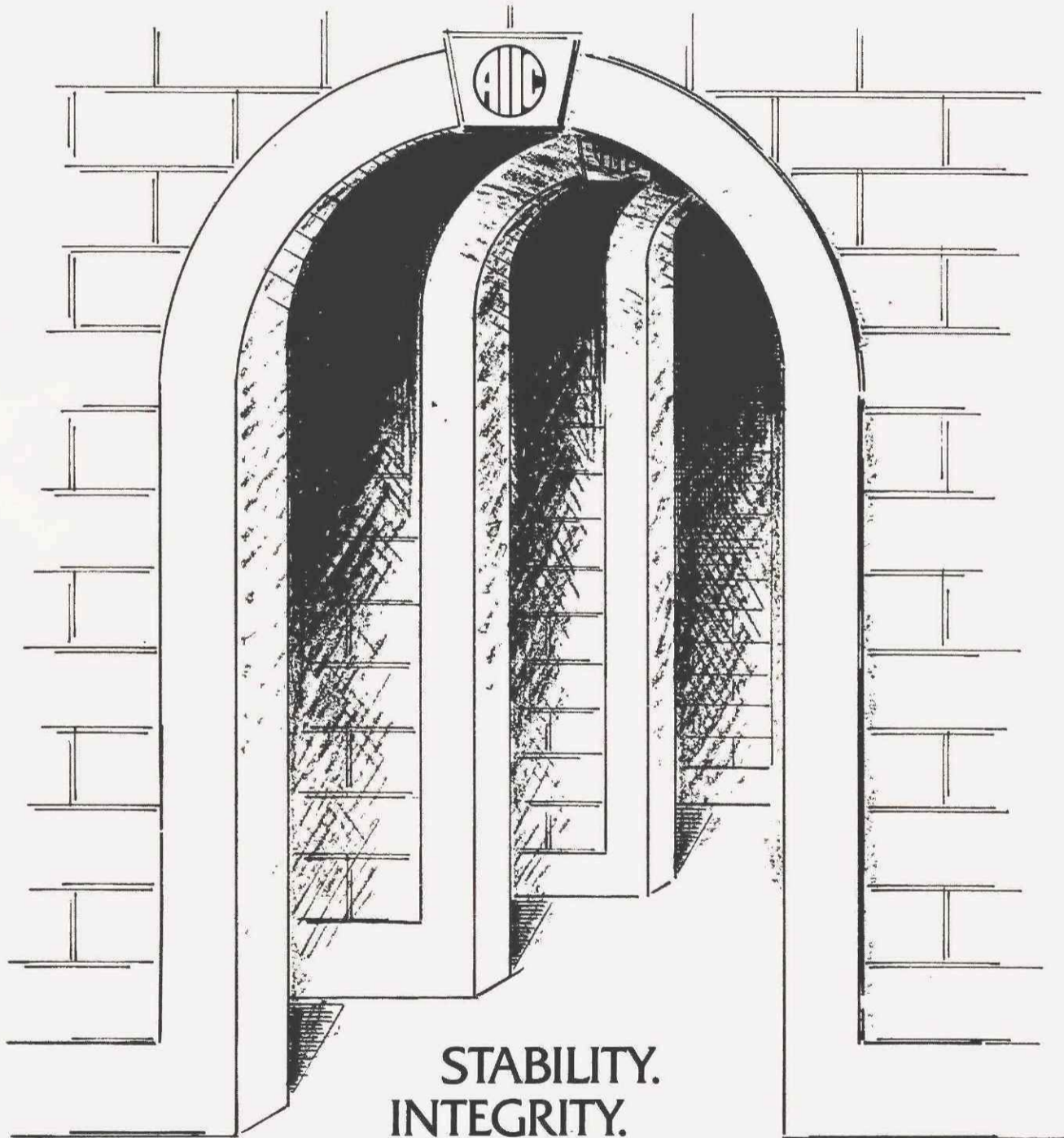
The umbrella liability insurance market vividly exemplifies the competition here.

"Rates used to be \$1,000 for \$1 million of excess casualty insurance over \$20 million," said Mr. Bird of Alexander Howden. "Now you can buy it for \$750 for \$1 million in London."

But U.S. underwriters are beating those prices, Mr. Bird says. The same excess insurance that sells in London for \$750 for \$1 million is going for \$350 for \$1 million in the United States, he says.

A U.S. pharmaceutical manufacturer, for example, was paying London underwriters a little more than \$1 million for \$65 million of liability insurance excess of \$5 million. Recognizing the U.S. competition, the London underwriters offered the same coverage on renewal this year for an \$850,000 premium. But the account moved back to U.S. underwriters that took it for just \$375,000.

The account is not, however, a major drug maker with big risks like birth control pills, which U.S.



STABILITY.  
INTEGRITY.

### KEYSTONES FOR TOMORROW.

Building a strong tomorrow is an objective challenged by today's soft market and pervasive business uncertainty. Associated International Insurance Company is meeting the challenge by structuring our future on the keystones of



stability and integrity. These timeless principles will support our pledge of dependable, equitable and continuing underwriting of excess and surplus lines. Associated's promise is a keystone our producers and insureds can build on.

## ASSOCIATED INTERNATIONAL INSURANCE COMPANY

Member Stewart Wrightson Insurance Group, London

Excess • Special Risk • Surplus Lines • Liability and Property

Home Office: 3670 Wilshire Blvd., Los Angeles, CA 90010 • (213) 385-2017 Telex 67-3231

Cosmos Management Services Co., an Illinois corporation

Chicago Office: 300 West Washington Blvd., Suite 1405, Chicago, IL 60606 • (312) 346-4560 Telex 20-6311

Business accepted through specifically qualified surplus line brokers.



United States underwriters are beating U.K. prices, says Colin Bird.

insurers still won't touch. A high-risk product manufacturer would probably still be paying three times that cost.

However, "there's not a major account in this market that couldn't be written for less in the U.S.," Mr. Bird lamented.

The drug manufacturers also are now getting all the insurance they want out of London, says underwriter Robin Jackson at Lloyd's of London's Merrett Dixey Syndicate. The companies are usually buying \$100 million of coverage, and some even \$150 million, at much cheaper rates.

Underwriters and brokers in London recognize current pressures on risk managers to take advantage of insurer competition to cut their insurance costs during the recession in the United States.

"A risk manager can't pass up a significant savings like 60%," Mr.

Continued on page 34

# Competition cuts U.S. policy rates

Continued from page 32

Bird agreed. "A 60% savings is a lot of money. He looks like a hero."

And London brokers report risk managers are shopping hard this year, having their brokers send in quote requests this month for January renewals. That's much earlier

shopping than brokers recall.

But London underwriters and brokers also warn risk managers that giving up the London market may mean losing breadth of coverage and an underwriter who sticks by his clients.

"I've never known Lloyd's to

walk away from an assured who has suffered a straight insurance problem," said Mr. Warnes of Reed Stenhouse. "Look at Hooker Chemical's program you published in your magazine for Lloyd's continuity," he said, referring to a chart of Hooker's insur-

ance programs over 12 years (BI, Jan. 21).

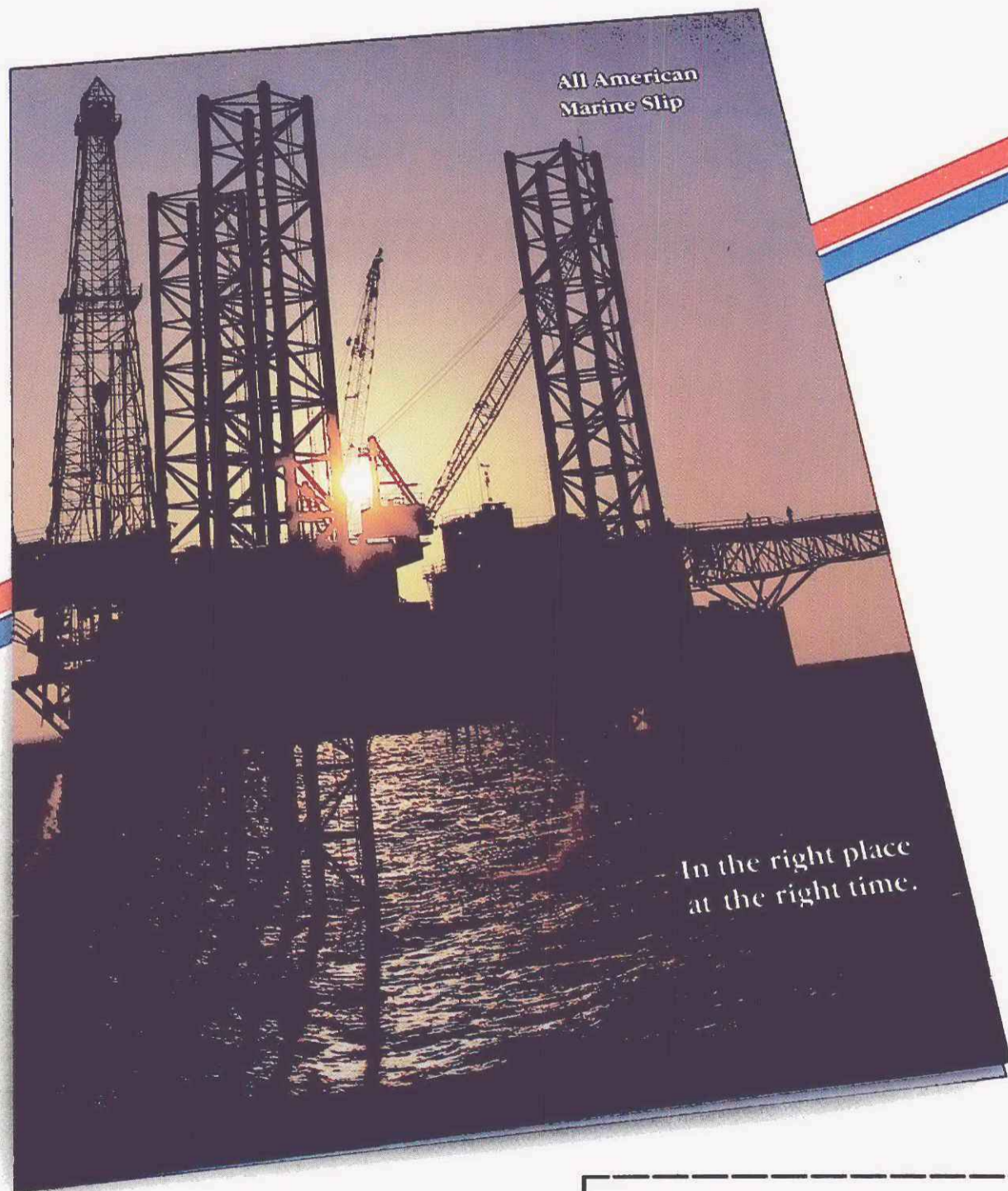
**Howden Swann** has clients that have been with them 20 to 25 years," noted Mr. Bird at Alexander Howden. "They still have broader wording on their policies

than they could get if they were a new client of an underwriter. Some of them held occurrence coverage through the crunch (when underwriters were forcing the less desirable claims-made form) and they still have very broad umbrella policy wording."

London underwriters warn, too, that their current clients will get preferential treatment in tighter insurance markets.

Risk managers who want to hold their London coverage but still show premium reductions are taking bigger deductibles, Mr. Warnes noted. The added credit for larger

## Looking for offshore insurance?



### Here's the full story on the All American Marine Slip.

All American Marine Slip is an underwriting syndicate of 30 insurance companies offering sound, reliable coverages for high value marine risks anywhere in the world. The Slip is managed by Marine Office of America Corporation.

Please send me a copy of your new capabilities brochure on offshore insurance protection.

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

**All American Marine Slip** 

All American Marine Slip • P.O. Box 313 Peck Slip Station • 99 John Street  
New York, N.Y. 10038 U.S.A. • Telephone: (212) 374-2667  
Telex: 126234 AAMS NYK

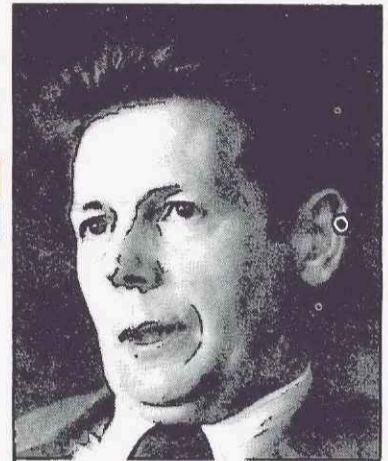


Photo: Kathryn J. McIntyre

**Lloyd's always sticks by its clients, says Alan Warnes.**

deductibles can cut a premium in half on renewal, he said.

While noting that there are some huge rate reductions, Alan Briggs, managing director of the North American division at broker Bain Dawes Ltd., warned, "Don't exaggerate what business flows back to the U.S. The \$5 million to \$10 million umbrellas went back but major accounts are still heavily involved in London."

"The additional premium in 1976 wasn't on new accounts but on lower layers."

"London lost the middle-range accounts that paid the huge premiums—like increases of 20 times," added Doug Laithwaite, a director at Bain Dawes.

Not everyone in London, however, laments the tough competition. "This market is a fascinating challenge, a marvelous challenge. You have to work harder to maintain continuity, but I'm buoyant," said Neil Mills, chairman of the Sedgwick Group. ■

### Cargo rate 'too low'

Cargo insurance rates should be about one-third higher than they are now for underwriters to make a profit, says Gordon Hutton, chairman of Lloyd's Underwriters Assn.

But he won't even estimate what's needed to make hull insurance profitable. "It's most depressing," he said. "There is overcapacity, competition and depressed shipping business, which all hurt the marine underwriter."

The recent \$300 million claim settlement on three faulty LNG ships (BI, Aug. 11) might force marine rates up, some sources say.

Mr. Hutton is also hoping for an improved world economy that produces more trade, increasing demand for marine insurance. ■

# U.S. risk execs pay fewer visits to U.K. market

LONDON—You don't see as many U.S. risk managers around Lime Street, the famous Lloyd's of London address, as you found a few years ago.

Risk managers still visit London with their brokers to sew up renewals or new policies, but the trips are less frequent in the current competitive market than in times when risks are tougher to sell here. Estimates of the number of risk managers annually visiting London range from 150 to 200.

But London brokers and underwriters still debate the merits of bringing risk managers into policy negotiations.

"Economic factors are inhibiting visits of risk managers to London," said Alan Warnes, director of Reed Stenhouse & Partners Ltd. here. "In soft markets they know the coverage is here."

Though reduced from a few years ago, the number of risk managers dropping in on underwriters is far more than before the market crunch of the mid-1970s.

"More than five years ago, I didn't see more than one risk manager a year," recalled underwriter Robin Jackson of Merrett Dixey Syndicates at Lloyd's of London. Now Mr. Jackson may visit with three risk managers a week.

"I like to meet risk managers," Mr. Jackson said. "It's not manda-

**'Economic factors are inhibiting visits of risk managers,' says Alan Warnes.**

tory, but I like to meet our major insureds. They can see we mean it on continuity of markets."

Underwriter Peter Wilson of H.S. Weavers (Agencies) Ltd. also says he meets risk managers three times a week. "I see at least 156 a year, maybe more.

"I find it very useful to talk face-to-face with a risk manager. He can answer questions on the spot. And hopefully he has a better understanding of the terms and conditions.

"We were one of the first underwriters in London to welcome risk managers into our office—and that's going back 15 years."

Mr. Wilson will discuss underwriting with a risk manager at any point in the negotiations. "Any experienced London broker has no hesitation for the risk manager to be there during all phases of discussion."

But more than one London broker interviewed by *Business Insurance* cringed at the image of a risk manager sitting at his elbow when the terms and conditions of a policy were being discussed.

"An informal meeting of the risk manager and underwriter with the broker is extremely valuable for background on the organization or on loss-control," said one Lloyd's broker.

"But when it comes down to negotiating terms, we don't like the American brokers or risk managers to be there. I find it inhibiting and most underwriters do, too.

"Underwriting is not an exact science. We make abrasive comments between old friends during the negotiations. We can resort to such familiarities," he said.

Some U.S. risk managers are known to go to London to negotiate their own insurance policies, sans U.S. brokers.

"Any major corporation could come direct to a London broker," another London broker told *Business Insurance*.

"It may seem like a great idea, but it proves disastrous because we can't service the account. We don't have the staff. The buyer has no one to call to say 'Add 10 cars to the policy.'

"The small commission savings isn't worth it."

## PHOENIX and MOBILE



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI... Assurex Risk Management Institute... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

THAMES & BATRE'  
209-11 North Joachim Street  
Mobile, Alabama 36603  
205-432-0451

OLLIVER / PILCHER AND ASSOCIATES  
6150 North 16th Street  
Phoenix, Arizona 85016  
602-277-5703



SEE OUR AD ON PAGE 18



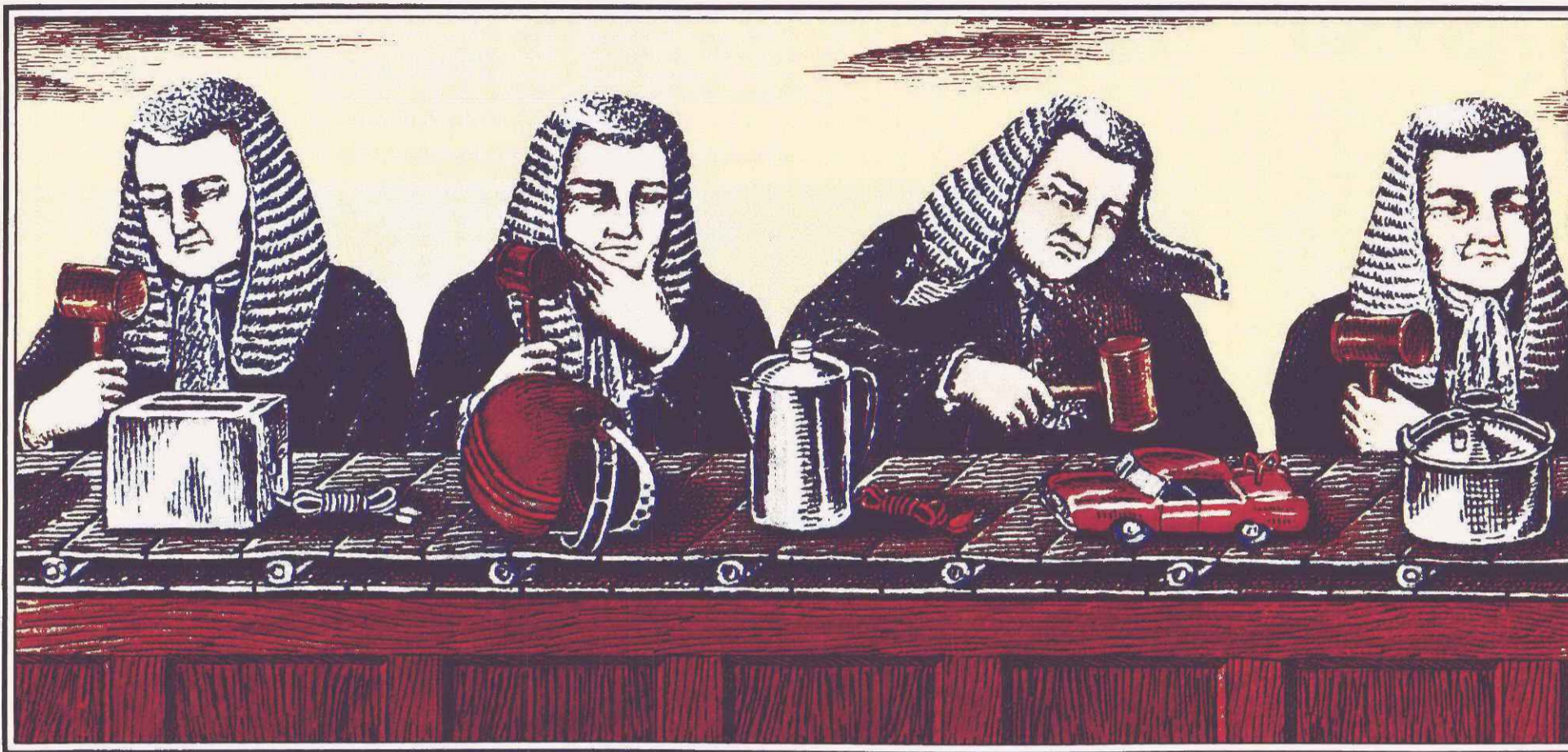
## YOUR CLIENT JUST SPENT 2.3 MILLION ON A NEW JET. SO WHY ISN'T HE FLYING FIRST CLASS?

Your client can buy a lot of airplane for over two million dollars. But he can't buy all the service he needs. Providing your clients with truly first class insurance service is what Associated Aviation Underwriters is all about. At AAU, we back you with one of the most professional, experienced staffs in the business. And our staff has the means for doing the job better than anyone else. For example, we maintain a fleet of aircraft for our adjusters to enable them to provide prompt claims service. We also make a major contribution to your client's operation by providing professional flight department evaluations. And by making available free safety and educational material.

So when you want your clients to really fly first class, make sure they fly with AAU. We're number one in corporate aviation insurance because we're number one in service.



# Changes in Overseas



Foreign countries are moving toward standards of product liability making manufacturers and distributors more strictly accountable for product defects – a trend which has already resulted in increased awards against U.S. companies with export markets.

A brief review by INA of an insurance topic of interest to business executives.

The liability of manufacturers, wholesalers and exporters for defects involving the safety of their products has traditionally been much more restricted abroad than it is in the United States.

In part this is due to differences in social and economic conditions. For example, the consumer movement is less advanced in nearly all foreign countries than it is here. Conservative legal systems and precedents are also important – including such factors as the relative infrequency of jury trials, the lack

of a contingent fee system and limited recognition of liability for pain and suffering.

There is, however, ample evidence of a worldwide trend toward making manufacturers and distributors more accountable for the goods they put on the market. The traditional doctrine of *caveat emptor* – let the buyer beware – is crumbling under the recognition that mass production can result in products which in use prove defective and cause injuries. More and more societies find it neither so-

cially acceptable nor economically necessary to place the major burden on the injured party.

The upheaval in product liability abroad has taken several forms. For one thing, growing awareness of the lucrative awards possible in the United States has led to more foreign plaintiffs initiating suits against American firms in American courts. In foreign courts, too, liability actions against U.S. firms are on the rise and the awards decreed are increasing in size.

## Strict accountability

Most important of all, there is an organized movement in Europe toward the “strict liability” concept of product liability which generally prevails now in the United States. A proposed international agreement, sponsored by the nine-nation European Community (the Common Market), is bringing strict liability closer to reality – in fact, in varying degrees, it is already law in some European nations. As one observer has put it, by 1985 or even earlier, Europe

# Product Liability

may have "the toughest product liability laws in the world."

Strict liability provides, in effect, that the producer of an article shall be liable for damage caused by a defect in the article—whether or not he knew or could have known of the defect. This liability holds good even if the article could not have been regarded as defective in the light of technological and scientific knowledge at the time the product was marketed. There are some extenuating circumstances, such as alteration of the product by a user.

In short, under strict liability, a plaintiff need no longer prove that a manufacturer was negligent—only that the product was defective and that the defect was the cause of the injury or damage.

## Protection at U.S. levels

For a company with overseas markets, these developments intensify the need for a uniform program of international insurance protection.

In individual foreign countries, a base of local insurance in

accordance with local laws is necessary. But because these local coverages can vary widely, they should be supplemented with a U.S.-written "difference in conditions" master policy that adjusts all coverages abroad to the U.S. standard of protection level.

Beyond insurance itself, loss control becomes even more important as exposures rise abroad, since product liability claims are often preventable. In addition to loss control measures applying to products generally—such as design analysis and quality control—there are special considerations with products for export. Particularly important are supporting materials and technical services.

Advertising and sales promotion literature prepared overseas should be reviewed to eliminate excessive promises or implied warranties. Warnings and instructions for use should be translated into local languages clearly and with regard to local conditions. Technical support and record-keeping abroad should measure up to U.S. standards. Efficient handling of

such factors can reduce both accident claims and insurance costs.

INA's product loss control program has assisted many clients insured through INA International in preventing accidents. And ESIS, an INA Corporation company, offers the same services to self-insured clients.

Recognizing and meeting complex needs, such as those of business for product liability protection, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

## Comprehensive services

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

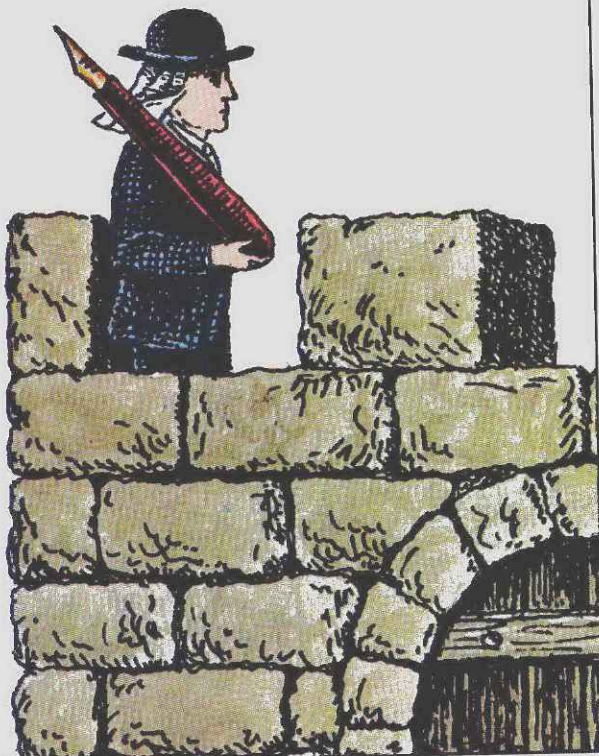
For an informative booklet on current trends in international product liability, write INA, Dept. R, 1600 Arch Street, Philadelphia, PA 19101.

## A corporate foreign policy


Manufacturers with export markets can obtain a "worldwide products endorsement" on their domestic product liability policy to protect their overseas exposures.

This endorsement protects only against foreign suits brought in U.S. courts—not those brought in foreign courts. Moreover, while product liability rates for export coverage may be much lower than domestic rates, the foreign coverage provided by endorsement to a domestic policy is usually added at the higher U.S. rates.

Purchase of a separate foreign policy through a company such as INA International can mean premium savings together with more comprehensive protection.



**INA**  
The Professionals



# THE LARGEST BOILER AND MACHINERY CARRIER IN THE WORLD IS NOW WORLDWIDE.

When you travel abroad, the unfamiliar often becomes an irritating obstacle. The same applies when you take your business abroad. So to ease the strain, Hartford Steam Boiler has arranged to accompany you overseas.

This means you may now be able to take with you the same excellent service and protection you've been used to here at home.

It's an unusual opportunity, and we hope you'll get in touch with Norman Humphries, Director of International Operations, at 56 Prospect St., Hartford, CT 06102, Tel. (203) 527-0791.

And please remember: If you decide to take us with you, you'll be travelling in the best of company.



**HARTFORD  
STEAM BOILER  
INSPECTION &  
INSURANCE**



# Mainland China

## Family supplements pension stipend

By Charles Epstein

**H**ALF A WORLD away, the sleeping giant of Asia continues to emerge into the 20th century.

Perhaps no other nation in world history has made such rapid advances for its people as China since it threw off the yoke of imperial rule by overthrowing the Ching Dynasty in 1911.

Two civil wars and innumerable purges later, the largest socialist nation in the world has reached the level where it is able to provide retirement benefits for its older population.

What those benefits are like and how they are awarded in the context of traditional, yet contemporary Chinese society is reported firsthand by a citizen of China, Li Kun-yu.

In the following letter, Mr. Li, an engineer, writes of his in-laws' retirement, what salary they received and how they spent their post-working life.

In his letter, Mr. Li describes the allotted salary for retired railway system workers, death benefits and how these government expenditures are supplemented by the extended family, which is still extremely powerful in China. A retired worker's children are expected to provide cash or housing to supplement the government stipend.

Medical and dental benefits are provided free by the state.

**R**etirement benefits in China vary from occupation to occupation. Workers performing difficult manual labor (miners, excavators, etc.) retire at a younger age than white-collar professionals. During a recent trip to China, when I met Mr. Li, it was explained that professionals in valued positions, such as doctors or professors, are expected to work well into their 70s because they are so valuable to the state. Male manual laborers may retire at 55; female manual laborers retire at 50. However, for those who do "heavy work," retirement is five years earlier for both sexes.

For those who do "mental work," which is admittedly an open-ended category, retirement is at age 55 for females, 60 for men.

Benefit levels for state workers are also high, with manual laborers and secondary-level school teachers receiving 70% of their salaries. Professionals receive 100% of their salaries because they are expected to work longer.

Retirement itself is a new concept to



The political and cultural experiences of China may seem foreign to Westerners, but the common experience of retirement bridge the gap between East and West.

China and has come as the nation reaches a level of increased prosperity. The average annual income in China is about \$200 to \$400 annually. The most sought-after luxury items are still bicycles and electric fans. A bicycle may cost up to one month's wages.

This letter from Mr. Li, which took three months to reach Chicago from southeast China, offers a very rare insight into the life of retired Chinese workers. The nation is socialist, the

cultural experience of China is almost incommunicable to the average Westerner, yet there are commonalities after a life of hard work which bridge national boundaries. This is the between-the-lines meaning contained in Mr. Li's short letter.

**M**Y FATHER-in-law, when he was alive, was the retired headmaster of a railway transport school located in Chongqing City, Cichuan Province,

southwest China.

During his retirement he could still get retired pay of 80 yuan (about \$50) per month, a sum being equal to 70% of his original salary. As a retired person, he could continue to get free medical care. He lived a happy life.

As an intellectual, he used to take much time to read newspapers and ancient novels every day. He often helped some units and organizations practice with the writing brush, such as slogans, wall newspapers, etc.

His handwriting was very good. He also liked to write classical poetry. He used to send me some of his poems to ask my opinion. Now I'm keeping about 60 poems written during his retirement. He didn't care for smoking or drink at all. He also didn't like to play chess, cards or any other games. To drink tea, play chess or cards and chat is a habit of most retired old men.

He once took a trip of long distance by train or ship. He didn't have to pay for the train trip since he was retired from the railway system. The staffs of the railway systems have a free train trip once each year.

**A**t first he went to Shanghai, the biggest city of China, to see his oldest son. He stayed for several weeks and left for Canton to see his second son who is an army man, and went to Wuhan City to see his third daughter.

My father-in-law went back to Chongqing again. His other children, all of whom are in Cichuan, could see him frequently because of that.

Finally, my father-in-law went to Dukou (a city) and stayed there with his daughters until he departed from life several years ago.

My mother-in-law is a retired worker from the railway station. Seven years ago, when she was just aged 55, she was allowed to retire. She can get retired pay of 40 yuan per month (about \$25), which is equal to 70% of her original monthly wage. This is enough to pay the house charge, electricity, meal charge and running water. She need not pay for medical services.

When my father-in-law died of age, she got about 400 yuan for burying him. Their youngest daughter got 18 yuan per month until she reached 18.

After the Gang of Four was smashed, the life of my mother-in-law and most of the other people is getting better. We all get more income. We follow the principle "from each according to his ability, to each according to his work." The more one does, the more he gains.

For instance, we may get some money if we write or translate any articles for newspapers or magazines. Then, we all often send her some money from her sons and daughters, such as on New Year's Day, Spring Festival, Women's Day, National Day. Some of her eight children will send her money to spend holidays.

Photo: Charles Epstein



Li Kun-yu, an engineer, lives in Yichang City, Hubei Province in central eastern China with his wife.

Charles Epstein is associate editor of Pensions & Investments, another Crain Communications publication. During a trip to the Orient, Mr. Epstein had a chance to study Chinese industry. This letter is a result of a friendship he made on the trip.



## perspective

# Internationals Centralize benefits . . .

By James E. Stone

**T**HE INTERNATIONAL benefit manager asks the same questions and needs the same information as his strictly U.S. counterpart; however, the answers and the number of answers vary according to the location.

There are still a large number of multinational companies that leave the total benefit planning function to local management. However, as increasing government, social and economic pressures place more emphasis on international benefits, it is becoming more commonplace for the parent firm to direct many of these activities. Who makes the ultimate decision often depends on the particular corporation's management philosophy of centralization or decentralization.

It is desirable for local management to be involved because of its close relationship with local customs and gov-

ernment. Many times the local manager is in the best position to advise the international benefit manager of competitor practices and the pitfalls to avoid. As in any situation, the relationship and familiarity between the local manager and parent weigh heavily on the credibility and quality of the advice.

As multinational corporations expand their operations into other countries, it becomes increasingly important, however, for the parent to supervise all benefit activities. If the number of employees is substantial (at least several hundred), consolidation of investments, insurance contracts and other contractual provisions may be possible, provided the actual management of benefit planning is centralized.

**T**his makes for problems for the corporate benefit manager.

All employees need protection against the physical and economic problems resulting from illness, disability, death and retirement. The international benefit manager should address three employee categories:

- Local nationals—citizens working in their own country for a foreign firm.
- Expatriates—domestic employees of the parent corporation working on foreign assignments.



Employees and trade unions worldwide are seeking more benefits. In the Far East, for example, an area of low benefit demands, pressure has escalated.

- Third-country nationals—citizens of one country employed in a second country by a firm controlled from a third country.

There is also a worldwide pressure by employees and trade unions for better benefits. In the Far East, for example, the demand for increased benefit plans has escalated in a traditionally low benefit demand area.

To cope, plans can be enhanced through social security and/or occupational benefit programs. Most countries have social security schemes that include disability, health, unemployment, retirement and death benefits. Normally, the social security plan covers local nationals and can then be supplemented to a degree appropriate for

that country. Local customs and government regulations may require specific benefits and levels.

The majority of European countries and Canada have national health systems providing broad coverage. It is important for the international benefit manager to study and be aware of state benefits. Participation, as in France, is sometimes obligatory.

The international development of occupational benefits has also been rapid. Pension plans for retirees, widow's and dependent children's pensions, death, disability, travel accident and medical plans are now considered integral parts of compensation packages.

*Continued on page 45*

James E. Stone is vp and in charge of employee benefit consulting at Reed Stenhouse Agency Inc. in Houston.



# . . . and assume larger property retention

By Philip Prass

**T**RADITIONALLY, OVERSEAS property insurance programs were structured three ways:

- Admitted placements, coverage placed in each country with licensed insurers pursuant to local policy forms.
- Nonadmitted, coverage placed outside the country, usually under a single master policy with coverage generally in line with U.S. placements.
- Combination admitted and nonadmitted, coverage placed locally with a master DIC placed on a nonadmitted basis to fill in gaps and achieve an overall level of coverage equal to that purchased for U.S. properties.

During the late 1960s and into the 1970s, multinationals sought improvements to the traditional approaches. Although the combination approach had the most advantages in coverage, compliance with local regulations and pricing flexibility, there was room for improvement in the area of assuming

larger retentions and funding those retentions.

Thus, in addition to the traditional objectives of the best level of coverage at the most attractive cost, increased self-assumption and funding for the self-assumption became significant goals. These goals reflected the risk manager's recognition that it was financially feasible to assume more risk while achieving further cost efficiencies in countries where rates were kept artificially high through mandatory inflexible tariffs.

**O**ne method for achieving these objectives is the formation of a subsidiary insurance company that acts as a reinsurer of the local fronting company. While there are several possible variations in the flow of premiums, the one most often used involves the following basic steps:

- Local policies are issued through licensed affiliates of a worldwide insurer. Terms and conditions are negotiated at the local level, obtaining the most competitive terms within the local market.
- Through the insurer's home office, terms of reinsurance are negotiated so that as much as 90% of the risk is reinsured to the subsidiary insurance company.
- The subsidiary insurer retains the first \$100,000, \$200,000 or whatever re-

tion proves to be the most feasible, retroceding excess of its selected retention to the commercial insurance on reinsurance markets, usually through the home office of the worldwide insurer or a treaty specifically designed for such retrocessions.

**W**ithin this overall framework, the corporation has found a way to assume more risk and the vehicle for the funding of that increased assumption. It should be noted that within each step of the process, detailed negotiations are involved in order to produce cost-effectiveness.

The formation of captives has dominated the scene. However, there are alternatives to a captive that can achieve the same results.

There are worldwide insurers that will make available to policyholders their Bermuda facilities in the place of a captive. The insurers' Bermuda company receives the reinsurance premiums from abroad and establishes a fund for the policyholder, out of which the policyholder will pay the first \$100,000, \$200,000 or desired deductible of each loss. The premium flow and negotiating parameters are the same as those for a captive reinsurance program. The obvious difference lies in the absence of a captive.

One advantage of this approach is that it allows the medium-sized com-

pany a funding alternative traditionally available only to the larger multinationals. Another advantage is that it will allow a company to build some experience in funding an overseas retention; if the fund is profitable enough, it could then form the basis for establishing a captive using the profitability of the fund as a source of capitalization for the subsidiary insurer.

**A**s with captives or any other creative funding plan, there may be disadvantages, including considerable additional monitoring of cash flow, additional paperwork and possible limitations on program flexibility.

As one begins to explore the various alternatives for funding an overseas retention, the three basic steps are an integral part of achieving the overall goals. The differences are limited only by one's imagination as to what form the policyholder and insurer use to fund the retention; it can be a captive, funding program, utilization of another subsidiary insurer, a profit-sharing plan, etc.

The important thing to remember is that if a corporation has a gross, front-end premium of \$300,000 or more and heavy concentration of values in Latin America and other areas where nonadmitted insurance is prohibited, it would be worthwhile to review the feasibility of a funding program. ■

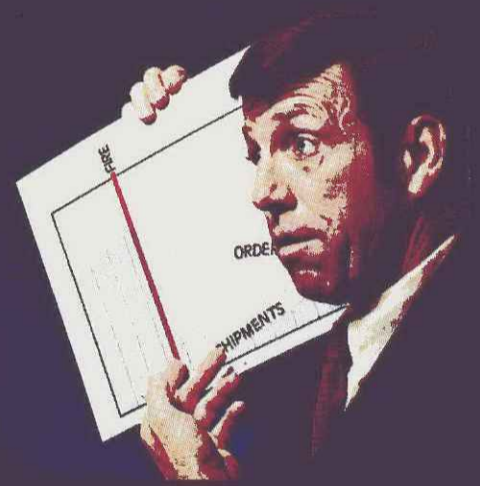


Philip Prass is vp and manager of the international department of Johnson & Higgins of Illinois.



**“Sure, we had insurance...  
we should have had  
PROTECTION.**

Insurance dollars restored  
our property. But customers  
and sales were lost.  
Trained employees left.  
Profits fell.”



**Protection Mutual is committed to protecting  
you against disaster...with engineering,  
research, seminars, inspections...  
customized programs to help you prevent loss.**

One of the fastest growing highly protected risk insurance companies. Ask your consultant or risk manager why.

**Factory  
Mutual  
System**

**Protection  
Mutual**

**PROTECTION MUTUAL INSURANCE COMPANY**  
300 South Northwest Highway, Park Ridge, Illinois 60068

## perspective

# Flexible plans

## Jury remains out on value

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

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

**Carrington:** Suppose we were to abandon the traditional approach to providing benefits and get in the area which is defined as cafeteria benefits or flexible benefits. Give everybody a little bank account and say, "Here is a whole series of benefits available, this is what they cost. Now you hunt and pick." Would that have any effect?

**Freeman:** In my opinion, yes, but I may be in a great minority here. I'm a great believer that the coming thing will probably be the cafeteria, because on the corporate side there's just so much money you can spend.

Your auditors and accountants will tell you that when you get up to some figure—it may be 50% of payroll—somewhere it's got to stop. When it does, you've got to adjust somehow, and that may be one of the ways to do it.

**Duva:** The jury is still out. Cafeteria packages are still too new. Too few companies have done it and know whether adverse selections will create additional cost, whether administration or the extra administration is worth it or not. I'd say that it's something certainly that should be studied as a possibility. But I don't think that I see a snowballing effect of that until a lot of answers come down the pike from the pioneers.

**BI:** What about educating employees to make their choice?

**Duva:** I think flexible benefits or flexible comp or whatever you want to call it, cafeteria, in fact, really satisfies an individual choice more than it may satisfy the company choice.

Whether they work together, I still think is still questionable. I think the theory is that you have a more contented employee who's been able to select what he needs and what he wants as compared to what the company has

said he needs and wants. That should make it more effective.

**Freeman:** But it can solve both purposes, if you put a maximum amount that will be paid. It can give you some budgetary controls that you don't have now.

We have found that almost every time people will spend what they get, put in some more money and add benefits.

**Helman:** I'd like to know what they always buy.

**Freeman:** Vacations. . . . It's interesting that most people of the younger group, which is the work force today now, want more free time and they'll pay for it.

**Helman:** How do they pay for it?

**Freeman:** They pay cash for it. Take less money.

**Carrington:** Buyback.

**Duva:** Part of the inflation problem is productivity and productivity being at such low levels and no-growth situations. Here we have people who really would like to take more vacations. I don't think that helps our biggest problem of inflation or productivity.

**Freeman:** My point was what we're dealing with out there, the type of employee, their desires and what they want. I think if you're designing benefits or administering them, you've got to consider that.

**Carrington:** I agree, Tom, but when you get into that kind of a program, in my stage of life, I'm far more interested in pension than anything else, you see. If I was 30 years old, I probably would

be more interested in having a medical plan which would be taking care of my young family and my maternity care. Pension would be about the last thing from my mind, as it ought to be at that time.

**BI:** How do you train a worker to make those decisions at an intelligent level?

**Freeman:** That's the big problem with a cafeteria.

**Helman:** I think any effective cafeteria program would presuppose a core of very, very good high basic benefits: an adequate medical insurance program, an LTD program, a pension program. I think you really have to give the employees a choice in those areas where if you don't choose it, nothing disastrous could happen to you.

We're getting into legal areas or a vision area or prescription drug area. In those areas, if you don't have it, you're not going to wind up in the poorhouse or on welfare.

I think those are the areas where the choices have to lie, but it's something very basic like medical insurance, retirement benefits, in those areas, we have to be a little paternalistic and make sure that the employee has enough to get by.

**Duva:** I think that's an interesting point. Who makes the determination of what's a good level of core benefits, and really, do you wind up with just an add-on core situation because you want to protect every, every eventual-

ity so that the employees don't get hurt? It seems to me we're just creating another layer on top of a good core of competitive benefits.

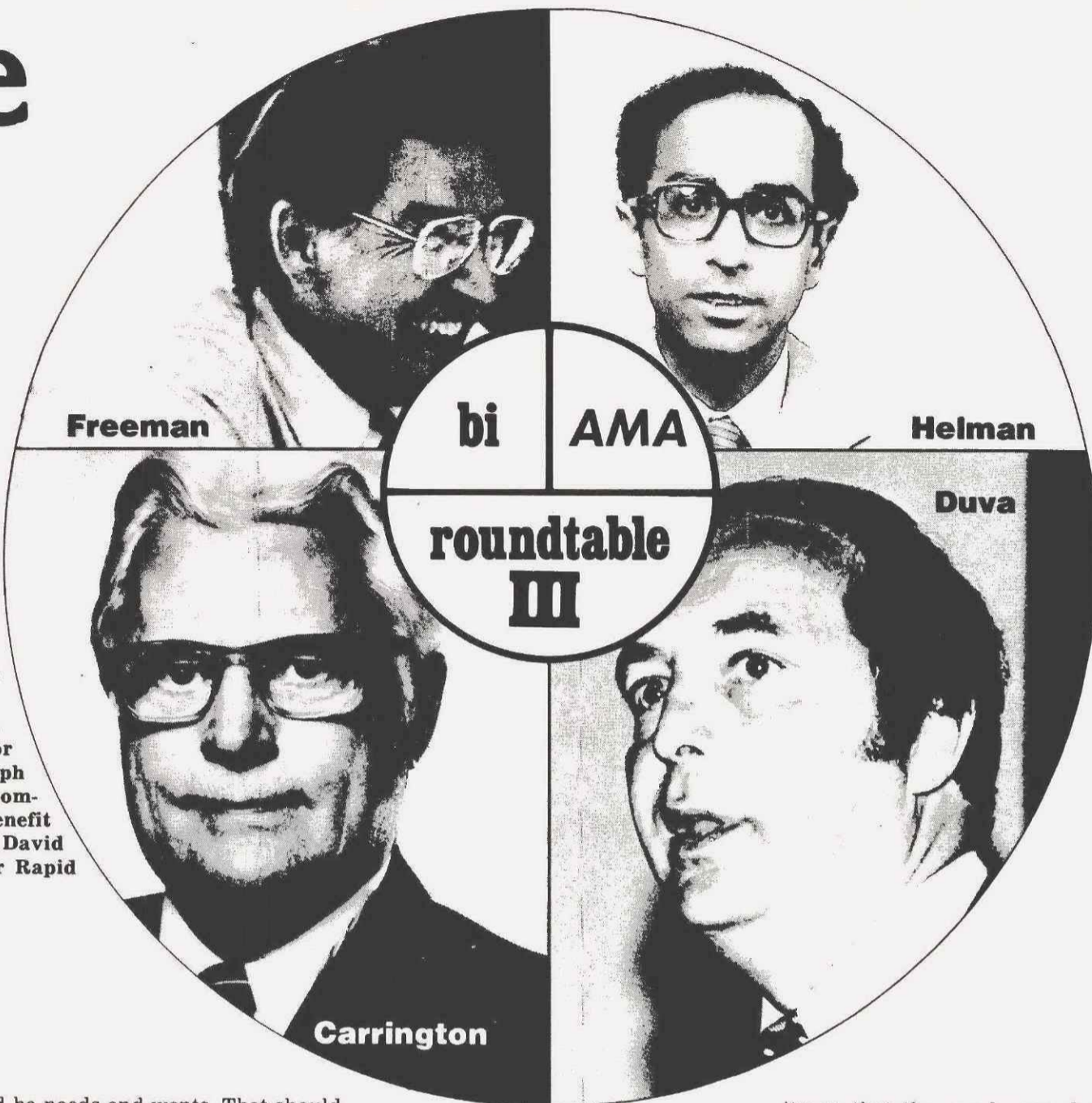
**Helman:** Those companies that are interested in cafeteria benefits are generally those companies that already have got a very, very fine benefit program. For example, a company that doesn't have any dental insurance, or doesn't have any vision care insurance, or has a lousy pension plan probably will not get involved in cafeteria benefits until it puts in the improvements employees are asking for.

Those employees who don't have some of these basic insurance coverages that maybe some of their friends and neighbors have don't ask for cafeteria benefits. They want the core.

**Freeman:** What you really have is a basic set of benefits that would take care of necessities, and then contributory types of optional plans on the top of it. In some cases, though, you can use employer dollars for some of those.

**Helman:** I've seen instances in which you have a medical insurance program and you try to put in a minimal contribution from the employees, low-pay employees, and it's rejected. And people walk around without medical insurance. Now if a person like that becomes a medical catastrophe, it becomes a company problem.

**Next week, in the fourth and last episode of the benefit round table, our experts discuss controlling cost, employee complaints and survival.**



# Despite ruling, retro plans pay off

By Albert J. Beer

THERE HAS BEEN an extraordinary amount of discussion recently concerning the California insurance department's position on paid-loss retrospective rating plans. This is only one aspect of the increased recognition of the cash-flow concept that has resulted in a number of innovative approaches to handling risk financing. Despite complex rulings, cash-flow plans remain simple.

Stated briefly, a cash-flow program is one in which the policyholder derives investment income from funds that eventually may be paid to the insurer. The most fundamental type of cash-flow program is a simple monthly or quarterly installment plan. The complexity of these programs may vary, but the most significant cash-flow advantages are derived from plans that bill the policyholder for losses as they are paid.

The loss and loss expense consideration is important because it generally represents 60% to 70% of the insurance premium dollar, while a claim may not actually be paid until years after the loss. Thus, a large portion of the pre-

mium is available for investment before it is actually paid out by the insurer.

In an effort to demonstrate the potential of these programs, here's some industry-wide data pertaining to the payout of losses incurred in calendar year N:

It's essential to point out that these are industry results based upon national data. Therefore, they represent broad averages of various companies, state laws and policy limits. As such, they only indicate an average payout pattern and may not be the actual results for a particular policyholder in a specific calendar year. Nevertheless, this exhibit does provide the risk manager with an appreciation of the size of the "tail" of liability and compensation coverages.

To illustrate the effect of these delayed payouts, assume a particular policyholder will pay claims exactly in the pattern described above and has incurred \$10,000 of loss during 1980 for each line of insurance. Based on the above figures, the amounts paid during subsequent calendar years would be as follows:

A convenient method to represent the potential cash-flow savings is to compute the present value of the \$10,000 of loss for each line of business.

Assuming the payout patterns we have described and various rates of return on investment, the following present values may be computed:

Simply stated, rather than paying \$10,000 at policy inception for the pay-

## Percentage of Loss Incurred Year N and Paid In Year

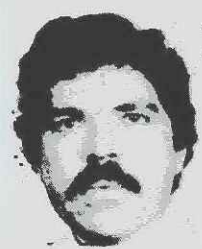
	N	N+1	N+2	N+3	N+4	N+5	N+6	N+7	N+8	N+9
<b>Auto Liability</b>	37%	28%	14%	9%	5%	2%	2%	1%	1%	1%
<b>General Liability</b>	9	12	15	16	12	10	7	8	8	3
<b>Workers compensation</b>	25	26	16	9	6	4	4	4	3	3

## Assuming \$10,000 of Loss for each Coverage Incurred in 1980

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>Auto</b>	\$3,700	\$2,800	\$1,400	\$900	\$500	\$200	\$200	\$100	\$100	\$100
<b>GL</b>	900	1,200	1,500	1,600	1,200	1,000	700	800	800	300
<b>WC</b>	2,500	2,600	1,600	900	600	400	400	400	300	300

## Present Value of \$10,000 Loss: Pre-Tax Rate of Return

	0%	5%	10%	15%
<b>Auto Liability</b>	\$10,000	\$9,105	\$8,388	\$7,794
<b>General Liability</b>	10,000	8,180	6,845	5,841
<b>Workers compensation</b>	10,000	8,770	7,836	7,099



Albert J. Beer is associate professor of actuarial science at The College of Insurance in New York and an actuary for FG Technical Services Inc., a subsidiary of Financial Guardian Group.

ment of auto liability losses, the policyholder may place \$8,388 in a 10% interest-bearing account and still be able to meet the assumed payment schedule.

Obviously, a company's internal rate of return and the need for liquidity must be considered before a risk manager can make any decision concerning potential cash-flow savings. In ad-

dition, the actual savings attributable to self-insurance programs or premium deferral plans should also be evaluated in light of tax regulations. The deductibility of paid losses and premiums may have a substantial impact on after-tax costs when comparing various insured and self-insured programs.

# Consolidate international benefit package

Continued from page 42

Within these plans, many companies retain their expatriate staff as domestic staff. This is especially true of U.S. firms, where the expatriate's family may be left behind or extended home leaves are common. Another consideration is the tendency for expatriates to return to their home country for treatment of serious injuries or illnesses.

Larger insurers participating in multinational insurance networks permit this, but it can be difficult to arrange desired contractual provisions through smaller domestic insurers.

Benefit managers need to be cautious when arranging these provisional amendments. Too often, the smaller insurer misunderstands the expatriate assignment and confuses it with parent-based employees visiting foreign operations for short periods. This method of providing benefits may duplicate coverage for when foreign countries mandate arrangements.

Separate plans are typically established for the provision of expatriate benefits, too. It is possible, however, to consolidate these plans and their possible surpluses because of experience rating.

If the expatriate employee becomes eligible for benefit coverage in a foreign country of residence, retirement income may be generated through social security benefits and occupational

benefits applicable to service in both the foreign and home countries. It is normal and advisable that formal employe contracts be used for these people to clearly state the multinational corporation's intent.

The extent of benefit coverage offered to the third-country nationals greatly depends on established corporate policy. Many times these employees do not remain in any one country long enough to qualify for social security benefits. If possible, it may be advantageous to arrange for benefits locally through the local subsidiary benefit plan.

Formal markets do not always exist within the country of the subsidiary for which the third-country national is working. This creates a problem in benefit arrangements and often leads to the problem of gaps in pension reserves and other benefit service accumulation.

Where local foreign markets do not exist, such as in the Middle East and North Africa, and the third-country national cannot be effectively retained in his or her home country, offshore plans may be the answer.

An offshore plan is an accommodation contract. Pension plan reserves are accumulated in a central fund managed in a tax haven such as Bermuda or the Bahamas. These offshore plans are usually nonqualified and nonadmitted, and therefore they are

normally not tax deductible.

The fact that social security contributions, benefit income taxes, regulations governing the payment of benefits in a foreign country and tax liability exchange controls exist has to be recognized by international benefit managers. They need to be aware of what is tax deductible and what is not. It is advantageous to use admitted insurance companies because of favorable tax treatment and consistency of local contracts.

There is more awareness and interest by multinational companies in the international benefit networks that offer pooling and experience rating. Experience rating does not exist in some countries because of tariffs. International insurance companies and insurer consortiums have developed multinational insurance contracts that offer both financial and administrative advantages.

A master contract provides for all employees of the company and its various subsidiaries. For underwriting purposes, all groups are combined. In order to recognize local regulations regarding insurance practice, taxation, social security and premium rates, a local contract is created under the umbrella of the master contract.

Advantages include experience rating on the combined group, dividend calculations, possible increased rate of

return on money placed with the insurer, elimination of medical exams and ease of transferring employees from country to country without a loss of benefits.

Captives pose another option. As the use of offshore captives expands in property/casualty insurance, so do the questions concerning any possible advantages to employee benefit plans.

The likely use of the captive would be as a reinsurer, because it is unlikely the captive would establish several local offices. Use and benefits should only be considered by the very large multinational companies, although financial gains directly related to cost-effective employee benefit planning may be possible.

There is also the possible financial gain to the captive itself, with the additional generation of cash flow by the employee benefit plans. Tax benefits to the captive may favorably enhance overall financial results.

Unfunded or self-funded plans may be considered, depending on the countries involved. As in the U.S. situation, advantages can be realized, but the awareness of local regulations is of primary importance.

Unfunded plans are difficult to arrange in most European countries because of tax regulations, industrywide pension plans, pension regulations and the overall governmental environment.

## someone you should know



Peter Green

## When there's butter, you're adventurous

By KATHRYN J. McINTYRE

LONDON—Peter Green didn't need the Rolls Royce and honorary membership in the Royal Yacht Squadron that are bestowed upon each chairman of Lloyd's of London.

He also didn't need the Sasse Syndicate loss scandal, the computer-leasing loss fiasco or the job of directing an overhaul of Lloyd's self-regulation. No Lloyd's chairman has ever had such a combination of troubles.

But the only one of these perks and problems that Peter Green didn't take when he became chairman of Lloyd's in January was the honorary membership in the Royal Yacht Squadron. As a member already, that would have been redundant. (He does, however, use Lloyd's Rolls as well as his own.)

In his first nine months as chairman of Lloyd's, 56-year-old Mr. Green has won the widespread support of the London insurance community. People praise his background as a marine underwriter at Lloyd's. He's chairman of Janson Green Syndicate that he inherited from his father, and has long experience as a member of Lloyd's Committee and underwriting groups.

Mr. Green also is still the open-minded, if more personally reserved, person brokers remember queuing up to see into the late evening hours. During the capacity crunch of the mid-1970s everyone wanted a London underwriter and he was available.

If Mr. Green would rather be back in his underwriting box on the floor of Lloyd's instead of upstairs in the chairman's office, it wasn't apparent during an interview with *Business Insurance*. He seemed to be enjoying the position as he downplayed the recent spate of losses at Lloyd's, predicted market developments and described the committee's work in the wake of the Fisher Report.

"Computer leasing is frightfully old hat," he snipped when asked why Lloyd's got into such a losing risk. "I wish we'd have another claim to talk about. Claims are the best form of free advertising."

The estimated \$340 million loss on computer leasing risks at Lloyd's is less significant when it's put into the context of Lloyd's resources, he maintains. He referred to a favorite Lloyd's statistic about the loss: 10% interest earned on the \$2.78 billion Lloyd's trust fund maintained in the U.S. alone would cover 75% of the loss.

Though market speculation is that Lloyd's underwriters burned by computer-leasing risks will be less innovative for awhile, Mr. Green maintains that if anything is stifling creativity at Lloyd's these days it's the extremely low rates the underwriters can get.

"If the bread and butter business is becoming increasingly stale bread and there's not much butter, you're a bit leery about chancing your arm," he remarked. "But when there's butter, and jam as well, you're a bit more adventurous."

Mr. Green predicted that it would be 1983 before higher rates will spread much jam for Lloyd's underwriters. "So much depends upon world trade," he said, reflecting his marine insurance bias. "If there's more world trade, then there's an increase in the flow of marine and other business."

Lloyd's is also looking forward to a potential \$50 million increase from European risks in its over \$4 billion annual premium income.

Mr. Green's handling of the Fisher Report is evidence of his open-minded attitude about dealing with the public. In May he pledged that it would be published in its entirety "because there's not much point in commissioning a report if at the end of the day, you're going to lock it away and not let anyone else see it."

Since the report was delivered in June, Mr. Green has been working against the clock to prepare a bill for Parliament by Nov. 27 to ensure that changes can be implemented next year.

And he is still burning the midnight oil.

## INTERNATIONAL INSURANCE & INDUSTRIAL MANAGEMENT, LIMITED

38 HARCOURT STREET  
DUBLIN 2, IRELAND  
TEL. 782-919

### ADMINISTRATIVE MANAGEMENT & ADVISORY SERVICES WORLDWIDE

- Administrative & Underwriting Management
- Reinsurance Analysis
- Offshore Facilities
- Government Relations & Compliance
- Foreign Licensing & Overseas Expansion Programmes for Insurers & Underwriters.

#### CENTRAL OFFICES

EUROPE  
38 Harcourt Street  
Dublin 2, Ireland  
Tel. 782-919

NORTH AMERICA  
1835 K St. NW  
Suite 600  
Washington, D.C. U.S.A. 20007  
(202) 293-2332

A SHENANDOAH GROUP COMPANY

## Sayre & Toso, Inc.

Special Risk  
Underwriters  
For Over  
75 Years.



Los Angeles  
San Francisco  
Orange  
Seattle  
Portland  
Denver  
Tulsa  
Houston  
Minneapolis  
Milwaukee  
Chicago  
St. Louis  
New Orleans  
Atlanta  
Tampa  
Philadelphia  
New York  
Boston



MEMBER, MISSION INSURANCE GROUP INC.

# FIRST STATE

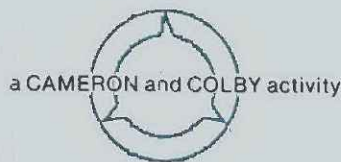
IS

# energetic

First State is the largest and oldest domestic company formed to write surplus lines, special-purpose and reinsurance business.

***FIRST STATE***  
**INSURANCE COMPANY**

**A +: Class XV - A.M. Best Co.**



Cameron and Colby Co., Inc., 60 Battery March Street. BOSTON 02110 - 617/357-8400 . . . Hartford Plaza Building, CHICAGO 60606 - 312/782-5921 . . . 3340 Peachtree Road, N.E., ATLANTA 30326 - 404/266-1480


# CLAIM CONTROL

## AUTOMATED CLAIMS PROCESSING SERVICE

When you look at a computerized claims processing system, look at who stands behind it. **Claim Control** is a service of Systems Resources Company, a division of Control Data Corporation. Totally administered by SRC staff professionals, **Claim Control** provides automatic and consistent adjudication, pricing and noti-

fication. We're flexible — choose the pricing methods, benefit combinations and payment cycles that fit your operation. Our ambitious cost containment efforts, coupled with outstanding reporting, provide real management value for your administrative dollar. Call us for details on **Claim Control**.

### SYSTEMS RESOURCES COMPANY

 a healthcare service of  
CONTROL DATA CORPORATION

14801 Quorum Drive • Suite 301 • Dallas, Texas 75240 • (214) 385-5666

# Federal training, reviews will try to bolster HMOs

WASHINGTON—The federal government has initiated two new programs to strengthen health maintenance organizations.

A training program for HMO managers is to begin in January 1981; an external review of each federally qualified HMO's internal quality assurance program will begin next spring.

Both programs are expected to improve the track record of federally qualified HMOs, which have special privileges in gaining marketing access to employee groups. Under the

HMO Act, for example, an HMO can demand to market itself to employees if the employer has at least 25 employees living in the HMO's service area.

Some benefit managers have been concerned that these qualified HMOs may not be stable plans for their employees because seven federally qualified HMOs have folded. Their losses totaled \$17 million.

The government's budget for HMOs is expected to nearly triple to \$69 million in fiscal 1981 from this year's \$23 million.

Group Health Assn. of America, based in Washington, D.C., received a \$654,000 contract to develop the management training program. Applications for the course are being accepted until Sept. 30, said Jerome Ashford, public health service fellow in the government's HMO office.

By Oct. 30, 60 students will be selected. The class will be run in conjunction with the Georgetown University Medical Center.

"The program was started to

**'We expect a shortage of managers,' says Mr. Ashford.**

meet the increasing demand in the HMO field for HMO managers," Mr. Ashford said. "The field is growing so rapidly we expect a shortage of managers... a new HMO needs managers with experience and training."

The training will include seven weeks of classroom work and six months on the job.

Two class sessions will begin Jan. 5 and March 16.

Students accepted into the program will be eligible for a maximum monthly stipend of \$2,000 from the government.

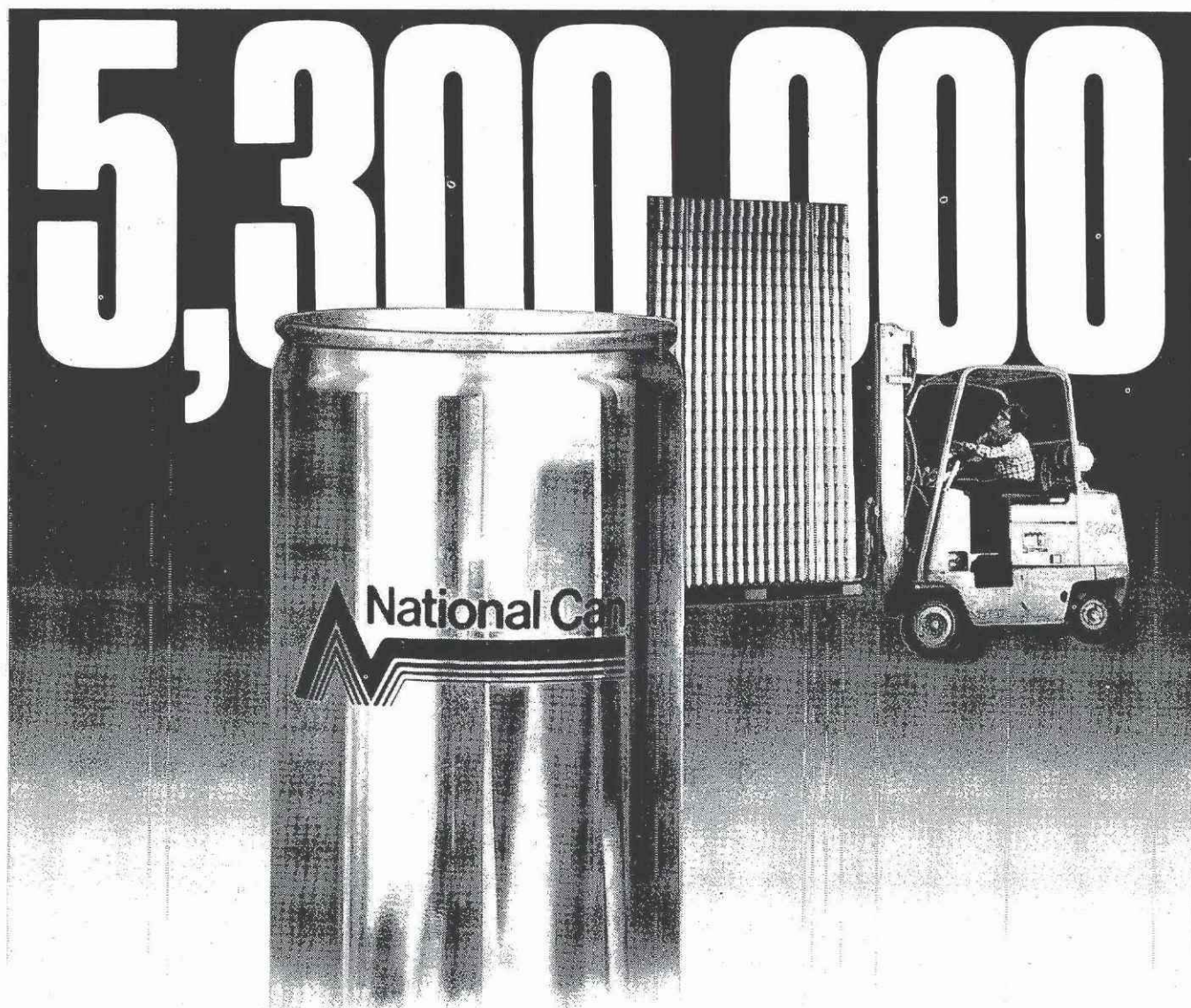
"We're looking for mid-level managers from health care and other fields," said Mr. Ashford.

**Applications** for the management training program can be obtained from National HMO Management Training Program, Room SW, 319 Medical/Dental Building, 3900 Reservoir Road N.W., Washington, D.C. 20007.

The National Committee on Quality Assurance in Washington, D.C., received a \$187,000 contract to establish a system to review the internal quality assurance programs of all federally qualified HMOs, said Leslie Ford, quality assurance specialist in the HMO office of the department of Health and Human Services.

Ms. Ford said the quality assurance committee, which is composed of physicians and members of the public, will develop standards to define effective quality assurance programs and assess programs against these standards during its one-year term.

"Federally qualified HMOs are required to have quality assurance programs," she said. "Since we guarantee loans and say they (the HMOs) are qualified, we have to be sure they're doing what they're supposed to do," she said.



**Thanks to Gallagher's Self Insurance Program, National Can has returned \$5,300,000 to working capital.**

**And that's only the beginning!**

In seven years, the sales of National Can Corporation more than doubled. Yet the Corporation's incidence of worker injury actually decreased 54%. The result: National Can was able to return over \$5.3 million from a self insurance accrual to operating capital, through cash flow savings.

That's significant, of course. But any well-designed self insurance program should help cash flow. The *extra* payout for National Can is the Corporation's ability to control loss-producing situations, often before they occur.

Working as a team, National Can and Arthur J. Gallagher & Co. designed, implemented and serviced a self insurance program with emphasis on safety.

Gallagher's Certified Safety Professionals recommended accountability for all Company divisions. And the savings here far exceed those of a typical cash flow plan. One example: under the Gallagher plan, workdays lost due to injury were cut in half—a boon to productivity.

Extraordinary results for major companies such as National Can explain why Arthur J. Gallagher & Co. is the fastest growing top ten broker in the country—over 32% compounded annually for the last ten years.

Gallagher knows that self insurance is one way any company—*your* company—can still control insurance costs. We did it for National Can. We'll do it for you.



**ARTHUR J. GALLAGHER & CO.**

Gould Center, Golf Road  
Rolling Meadows, Illinois 60008  
312/640-8500

**International Brokers Providing Insurance Services for Commercial, Industrial, Institutional and Self Insured Clients**

# Personal liability awards increase, insurer reports

**PERSONAL LIABILITY** awards by U.K. courts have risen more than 20% in the past two years, with damages of \$500,000 now commonplace, Commercial Union reports.

"Courts are taking a more socially conscious view by imposing ever-increasing responsibility on firms and other people to prevent accidents, and are recognizing more than before that damages are borne by insurers," CU says.

Industrial plants that have had a stable claims record for many years are suddenly facing new liability problems because litigants are getting more aware of their rights, warns CU assistant liability manager Ken Merchant.

Top U.K. courts often find negligence more readily because they know insurers will have to pay for the damages. Insurers must do all they can to stop this trend through efficient risk control, he urges.

Damage awards are also rising rapidly in Ireland, where a jury recently awarded \$1.4 million compensation to a 23-year-old laborer, Jerry Buckley, who was severely hurt in a conveyor belt accident.

## Economic update

Lloyd's is gearing up for much higher capacity and plans to add nearly 1,000 new members by January in anticipation of an upturn in the U.S. economy by the end of 1981 or by 1982.

"Financial sources seem to think the U.S. recession will be much less severe than was once feared, and that its recovery, when it comes, will be much more rapid than anticipated by many people," Lloyd's chairman Peter Green told *Business Insurance*.

"We have to be in a position to accept more business as soon as trade improves."

But at the moment, the international markets have too much capacity and several Lloyd's syndicates are not yet trading to the full extent of their premium limits, said Rodney Wace, deputy chairman of Lloyd's nonmarine market.

Similarly, Edward Walklin, aviation market chairman, concedes that many syndicates are writing only half their capacity because of the scramble of business from other aviation insurers, including some market newcomers who may not fully appreciate the extent of aviation risks.

"Airline accounts renewed so far this year have in some cases been updated, but not enough is being done in this direction," he said.

## No nationalization

The U.K. Labor Party has received a setback for its hopes of nationalizing Britain's big insurers if it wins control of Parliament in 1984.

An 18-member committee studying U.K. financial institutions, led by former Prime Minister Harold Wilson, has rejected the idea that such a move would benefit the economy.

"We do not believe the nationalization of these institutions would be helpful, and there would be no advantage for their customers if they were taken over by the state, although we are not opposed to a certain amount of public involvement in them if necessary," reported the committee, which included four prominent trade union leaders.

The Labor Party has cam-

## london line

paigned for many years for the takeover of domestic business of seven leading insurance companies. Lloyd's would be excluded from such a plan.

## Hurricane claims

Hurricane Allen has produced \$65 million in oil rig claims for the offshore marine market, Lloyd's reports.

## LOUISVILLE and OMAHA



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI ... Assurex Risk Management Institute ... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

NAHM, TURNER, VAUGHAN  
and LANDRUM, INC.  
29th Floor  
First National Tower  
Louisville, Kentucky 40202  
502-561-1500

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



SEE OUR AD ON PAGE 18

# Risk control means cost control

Consider more than a low insurance premium when buying commercial insurance. Consider the available Risk Control resources, an important cost benefit factor.

### Professional services

Commercial Union's professional Risk Control staff can evaluate safety and health hazards in your operations—from large construction and manufacturing to small commercial and service firms.

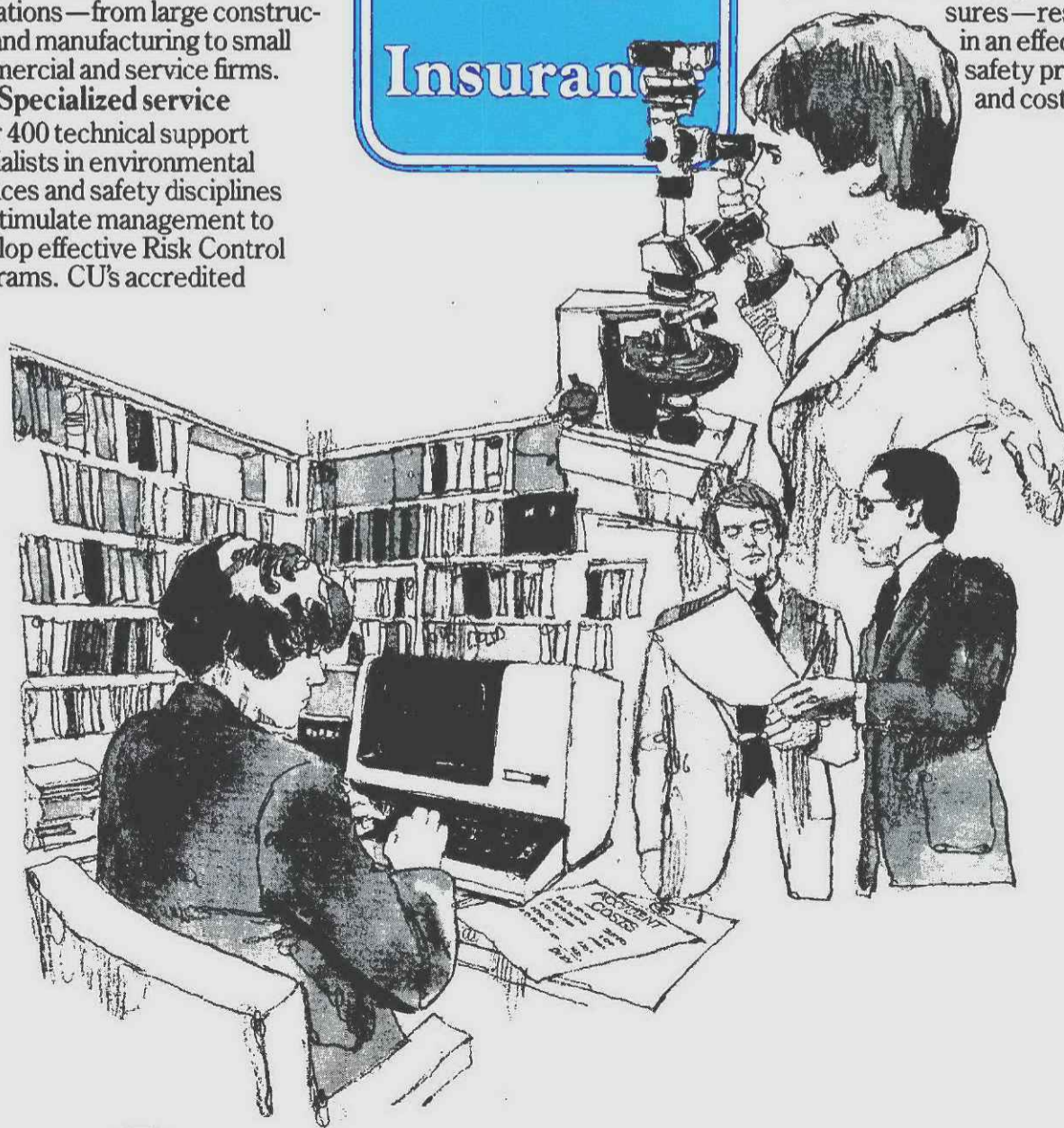
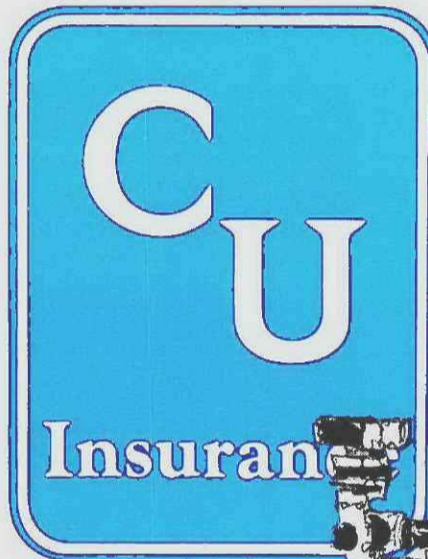
### Specialized service

Over 400 technical support specialists in environmental sciences and safety disciplines can stimulate management to develop effective Risk Control programs. CU's accredited

Environmental Sciences lab, Technical Resources Library and Safety Training programs can help meet your business' needs.

### Specific objectives

CU's Risk Control staff and safety programs can help you establish specific and realistic Risk Control objectives for managing loss exposures—resulting in an effective safety program and cost control.



# Explosives firm defuses health costs

By STUART EMMRICH

DALLAS—The Atlas Powder Co. here is defusing exploding health care costs.

It cut the increase in its health care bills to 8% last year, half the national average increase. And the monthly bills came in at the company target of \$65,000 for about 100 employees.

Adjustments in the reimbursement schedule and an all-out cor-

porate communications program to teach employees how they will gain if the company's health care bills are reduced did the job, said Don McMillan, manager of compensation and benefits.

But it was a long process—two years of planning and selling the program to corporate management.

The sell job was particularly tricky because Mr. McMillan was recommending increased benefit levels to reduce the use of the health insurance.

The new health insurance plan, introduced in January 1979, keeps cost-sharing between employer and employee but provides more protection for catastrophic health bills and less for smaller bills.

"Back about three years ago, we had a program that we paid the total costs of hospital care but shared the cost on other expenses," Mr. McMillan explained. "We paid very well at the low scale of these costs, but more and more of the expenses for serious, but not

hospital-related, illnesses had to be paid by the employees."

The old benefit plan paid 100% of all hospital bills up to \$2,500, but only 80% of bills for outpatient care. And the employee had to pay 20% of all hospital bills exceeding \$2,500.

Mr. McMillan saw the reimbursement schedule encouraged employees to seek inpatient hospital treatment for minor injuries or illness so the whole bill would be paid, and discouraged visits to a doctor's office.

Under the new benefit plan he recommended, an employee pays an annual deductible of \$80 and 20% of all expenses up to \$2,500 whether treatment is delivered in a doctor's office or in the hospital. But the health insurance plan pays for all bills exceeding \$2,500. And physical exams are given to most employees annually.

"By doing this we took away the incentive for the employee to be hospitalized and also are getting better at catching illnesses earlier when the costs are lower," Mr. McMillan said.

Top management bought the idea on the strength of the figures Mr. McMillan presented.

But a change in the reimbursement schedule had to be explained to the employees to make it most effective.

The company's extensive communications program told employees about the changes and touted the virtues of preventive health care.

Information from the plan's underwriter, The Equitable Life Assurance Society, about claims-control procedures was shared with the workers. Employees could ask Equitable representatives any questions about the new benefit plan.

Mr. McMillan also involved the administration and finance departments to explain why the new plan would be good for the employees.

Finance officers explained how much the company spent per year on health care for employees. They showed how keeping health costs down would indirectly benefit employees by freeing that savings to be used elsewhere, Mr. McMillan said.

"That money has to come from somewhere," he explained. "We are trying to show employees that if we have to spend a lot of money on health care, we may not be able to be as generous in such areas as savings plans or profit-sharing ar-



Photo: Atlas

Atlas Powder Co.'s usual chore is to blow something open with explosives. But when it comes to health care costs, Atlas wants to put a cap on them.

rangements."

The company continues this effort by printing a monthly newsletter that tracks the dollars spent on medical care.

The company also pushes physical fitness among employees by printing newsletter stories about jogging, such as who does it and where the closest running places are.

So far, most of Atlas's efforts to control health care costs have been at the company. There are no employer cost-containment groups in the Dallas area as there are in some other towns.

But Mr. McMillan said he has been talking with other area employers about what they might be able to do collectively to keep health costs from rising as much as they have in the past.

"We only have about 100 employees based here in Dallas, so we

really don't have much clout with local hospitals. But I think we could have some effect if a group of us got together and worked on this," he said. So far employers are still informally talking about the idea, he said.

In the meantime, though, Atlas is continuing to try to make employees aware of their role in keeping down health costs and is finding it takes a companywide effort.

"This would never work if we didn't have management totally behind us and willing to give us active support," he said. "You have to involve more than personnel, you have to get the departments of finance, administration and so on involved before you will really have any impact."

"We think we are doing this and we have a great deal of optimism about the future," he said.

## Firefighters say new regulations a breakthrough

WASHINGTON—Newly revised fire prevention regulations allowing employers more choice in compliance measures is a major breakthrough, says the International Assn. of Firefighters.

The new regulations issued by the Occupational Safety and Health Administration are expected to reduce the number of deaths and injuries resulting from industrial fires while providing a more flexible means of meeting mandatory guidelines.

Changes include the use of hose systems along with fire extinguishers for combating small fires as well as the required availability of different types of extinguishers. Employers will be able to choose from alternative alarm systems including visual and touch systems.

"The association has been working to bring about changes for 10 years," said Richard Duffy, a safety and health inspector with the IAF. The new standards will prove to be both a life-saving and cost-cutting measure, he said.

Organization Resources Counselors, a Washington firm working as a liaison between industry and

OSHA, finds the revised rules satisfactory.

"Industry will be able to live with these regulations," said John Procter, a safety consultant for ORC.

"There will be some expenses and some cost reduction."

One problem ORC found with previous regulations was the requirement for industrial fire brigades, Mr. Procter said. The new safety standards emphasize that the best protection to the worker is evacuation of the fire area. Employees are not required to form fire brigades.

The regulations set criteria for employee firefighting brigades, offering management guidelines when seeking training assistance. Figures for 1977 show more than half the deaths and injuries resulting from workplace fires occurred while those fires were being fought.

All places of employment covered by OSHA will be expected to comply with the new regulations effective Dec. 11, except for the maritime and construction industries and agriculture.

### CLAIM MANAGEMENT SERVICES

RISK MANAGERS/CAPTIVES/REINSURORS  
casualty reserves • major case • audit/review • program analysis • contract adjusting analysis • self-insured • aggregate covers • experienced in Fortune 500 claim programs

John J. O'Connor  
B.A., L.L.B., I.I.A.  
Consultant  
11 Patrick Lane  
Wilton, Connecticut 06897  
Phone: (203) 762-9564

## How to Regain Control of your Insurance Program.

By using the Scor Risk team to provide you with:

- Financial analysis
- Captive feasibility
- Review and evaluation of insurance and risk management programs
- Risk analysis
- Loss analysis and review
- Offshore management-Scor Risk Management (Bermuda) Ltd.

Join the team!

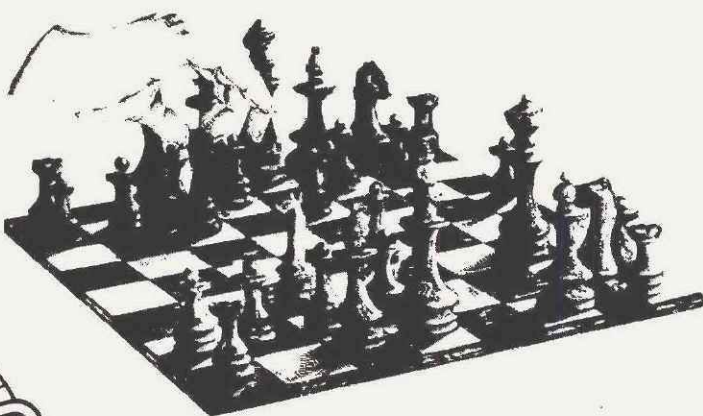
Call Walt Patterson

(800) 527-9036 in Texas call (214) 748-1170

# Scor Risk

P.O. Box 220032, 52nd Floor, First International Building, Dallas, Texas 75222

## YOUR BEST STRATEGIC MOVE...



**Bayly, Martin & Fay International, Inc.**

International Insurance Brokers & Risk Management Consultants

Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600  
© Copyright 1980

# HMO withholds doctor payments pending review

EAST ORANGE, N.J.—Crossroads Health Plan, a health maintenance organization serving 28,000 subscribers including 202 group policies in Essex County, has temporarily stopped paying participating doctors and hospitals.

Payment was halted in late August pending an independent audit of the HMO. Financial uncertainty keyed the review of the independent practice association.

"We don't know the extent of financial trouble at this time," said Ray Pace, consultant with the Pace Group in Dallas. He expects the audit to be completed by the end of September.

But deficit estimates beginning March 17, 1978, when the HMO received federal qualification, could exceed \$2 million, says Tina Boesz, deputy director of compliance in the HMO office of the Department of Health and Human Services.

This deficit adds to a \$2.5 million start-up loan the HMO received from the government.

A federal review of Crossroads released June 13 found it not in compliance with federal guidelines because of "some financial difficulty" caused by liabilities exceeding assets, Ms. Boesz says.

"The situation is serious."

Shortly after this report, the HMO's board of directors called for the resignation of the plan's executive director and senior vp. Mr. Pace has been at Crossroads about a month in a reorganization effort.

"We hope it's just a bump in the road for the plan and hope it (the HMO) will continue," Mr. Pace said. Services have not been disrupted for subscribers.

Statistics show seven federally qualified HMOs have folded, resulting in defaults of more than \$16 million in government loans.



## THE MILLS COMPANY. UNIQUELY EXPERIENCED TO SERVE THE INTERNATIONAL CONSTRUCTION MARKET.

Through worldwide market contacts, The Mills Company provides rapid professional response to determine and secure the most appropriate performance guarantees to help construction clients achieve their financial objectives.

For a presentation of how our unique risk management capabilities can help your company, call or write Rudolph Mills, Chairman of the Board, or Curtis Roberts, President.

### THE MILLS COMPANY

800 One Main Place ■ Dallas, Texas 75250 ■ (214) 651-1100

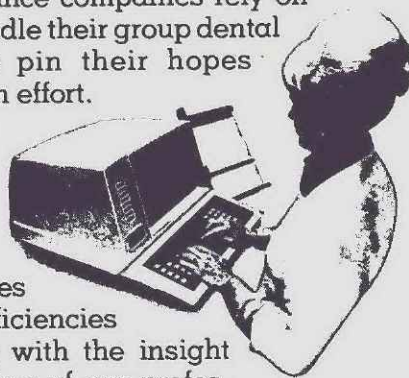
# WHAT PUTS THE BITE IN OUR GROUP DENTAL COVERAGE?

### Our System.

Some insurance companies rely on computers to handle their group dental claims. Others pin their hopes mainly on human effort.

The Travelers has its own unique system. Our group dental program combines the speed and efficiencies of the computer with the insight and understanding of our professional people.

Our computer network helps cut the cost of claims administration. And our claim forms carry the names and phone numbers of our claim representatives, so your employees can deal with people—not machines. You'll appreciate the savings. Your employees will appreciate the ease, convenience and human touch in receiving their dental benefit payments.



Perhaps our system is the reason last year we were the number one group dental insurance company—both in number of cases written and in employees covered. Or, maybe it's our 116 field offices across the country, staffed with the best group people in the industry, providing support services for clients with from four to more than two-million lives.



In either case, if you want to put some bite in your group dental program, our system can help. Contact your Independent agent or broker or The Travelers Group Field Office nearest you.

**The Travelers  
Group Department**—  
offering professional products,  
services . . . and the people  
to support them.



THE TRAVELERS

The Travelers Insurance Company, and its Affiliated Companies, Hartford, Conn. 06115

## datebook

**OCT. 19-23. Specialized Corporate Executive Development Program on Employee Benefits** in Washington, D.C., sponsored by the Chamber of Commerce of the United States; \$775. Nancy R. Turnbull, Center for Leadership Development, Chamber of Commerce of the United States, 1615 H St. N.W., Washington, D.C. 20062; 202-659-6139.

**OCT. 20-21. Health Care Cost Containment Workshop** in Atlanta, sponsored by the Health Research Institute; \$345, \$225 for the first day only. Workshop Coordinator, Health Research Institute, 44 Montgomery St., Fifth Floor, San Francisco, Calif. 94104.

**OCT. 22. In Concert Seminar** in Dallas, Tex., sponsored by the Hay Group; \$150 per person for individuals, \$125 per team of two. Seminar focuses on the integration of human resources and communications functions. Paul Sanchez, Hay Associates, 127 Park Central Place, Suite 1211, Dallas, Tex. 75251; 214-233-9767.

**OCT. 26-29. 1980 Fall Corporate Benefits Management Conference** in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$380 for members, \$455 for nonmembers. IFEPP, 18700 W. Blue-mound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

**OCT. 27-29. Fundamentals of Employee Benefits Course** in Boston, sponsored by the American Management Assns.; \$555 for members, \$635 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

**NOV. 3-6. The London Insurance Market Seminar** in London, sponsored by the International Risk Management Institute; \$545. IRMI, Suite 208, Building IV, 10300 N. Central Expressway, Dallas, Tex. 75231; 214-363-9656.

**NOV. 6. Bankers Blanket Bond Symposium** in Dallas, sponsored by the American Bankers Assn. Also Nov. 7 in Denver, Nov. 19 in St. Louis and Dec. 9 in Atlanta; \$95 for members, \$120 for nonmembers. Shelly Davis, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

**NOV. 6-7. Toxic Waste Disposal: A Rational Approach Conference** in Washington, D.C., sponsored by Interforum Group Inc., \$825. Also Nov. 20-21 in Chicago. IGI, 68 William St., New York, N.Y. 10005; 212-269-2240.

**NOV. 13-15. Interacting to Influence the Direction of the Hospital Risk Management Profession Seminar** in Phoenix, sponsored by the American Society for Hospital Risk Management; \$220 for members, \$270 for nonmembers. The American Society for Hospital Risk Management, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6425.

**NOV. 20-21. Introduction to Qualified Pension and Profit-Sharing Plans Program** in Chicago, sponsored by the Practising Law Institute; \$250. Also Dec. 11-12 in New York. PLI, Department OGC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

# Royal boiler policy clarifies language

TORONTO—The plain language in Royal Insurance Co. of Canada's new boiler and machinery policy might be imported to the United States to the advantage of insurance buyers and sellers here.

U.S. buyers who need boiler and machinery coverage might appreciate the simple outline style of a

policy modeled after Royal's because they won't need technical knowledge to understand what they have bought.

U.S. insurers might be attracted to the plain language policy because Royal says it is increasing its sales.

A committee of U.S. insurers

working with the Insurance Services Office to rewrite the U.S. boiler and machinery policy studied the Royal policy, introduced early this year.

The simple language and outline format of Royal's policy is intended to alleviate the fears of buyers and brokers who thought

boiler and machinery coverage was an area that required technical expertise they did not have, said Shaun P. Bryan, boiler and machinery manager at Royal.

The policy, called B&M Shield, is not much different from other boiler and machinery policies, but it clarifies the definition of accident.

**Traditionally**, an accident meant "a sudden and accidental breakdown of a (covered) object or a part thereof which manifests itself at the time of its occurrence by physical damage to the object that necessitates repair or replacement of the object or part thereof."

Underwriters sometimes interpreted the phrase "which manifests itself at the time of its occurrence" to mean that coverage did not apply unless the accident was "seen, heard, smelled or sensed in some way when it happened," Mr. Bryan explained.

This could have caused problems, for example, for a school where a boiler accident occurred Friday night and was not discovered until the following Monday.

B&M Shield defines accident to mean: "A sudden and accidental

breakdown of an object with simultaneous physical damage to it that requires repair or replacement of the object or part of it."

The new policy also pays for all costs of the repair or replacement rather than its actual cash value. The buyer no longer absorbs the cost of depreciation in the value of the damaged property.

Repair or replacement coverage was available before as an endorsement, Mr. Bryan noted. About 85% of Royal's policyholders chose it so the company decided to make it standard.

Liability coverage provided under other boiler and machinery policies is eliminated from B&M Shield. It overlapped with coverage most policyholders had, notes Mr. Bryan. Liability coverage has been removed from U.S. boiler and machinery policies too, he adds.

Rates were not affected by the policy rewrite, Mr. Bryan says.

But the new policy is helping Royal maintain its share of the Canadian boiler and machinery market. It is one line that is showing some growth when other commercial lines are not, Mr. Bryan says.

## comings & goings: industry

### Hartford names Quinn senior vp

HARTFORD—Joseph F. Quinn joined The Hartford Insurance Group as a senior vp, responsible for Hartford Management Services Co. and the development of worldwide, nontraditional specialty insurance lines. He formerly was with Royal Insurance.

#### Other insurer changes:

**Gary Haynes** and **Lynn Milliken** named assistant vps of SAFECO Life Insurance Co. in Seattle.

**James F. Cerone** elected senior vp-claim department of Commercial Union Insurance Cos. in Boston.

**Robert Nolan** appointed director of loss control for Uni-CARE Insurance Co. in Irvine, Calif.

**Edward M. Bull** elected vp-group technical services of the Mutual Benefit Life Insurance Co. in Newark, N.J.

**Richard J. Sampson** named executive vp-group insurance division for Mutual of Omaha and United of Omaha.

**Jeanene Foster Kingsley** appointed vp and director of Robert C. Sellers & Co., surety underwriting managers for the Fremont Indemnity Co. in Los Angeles.

**Mikk Hinnov** appointed secretary at the western regional office of The Continental Insurance Cos. of New York, in charge of commercial casualty underwriting for the 15-state region.

**Truman M. Dobson** appointed treasurer of the New York Insurance Exchange. He formerly was with Duncanson & Holt Inc.

#### Broker changes

**Marilyn Schultz** named manager of the surplus lines department at Cravens & Co. Special Risks.

**Gary Knight** named commercial account executive at Anderson & Anderson Insurance Brokers Inc. of Irvine, Calif.; **La Verne Fried-**

**mann** named vp-commercial production department.

**Craig A. Clements** named managing vp of the Santa Ana office of Alexander & Alexander.

**Gary C. Jennison** named assistant branch manager of Coldwell Banker Insurance Brokerage Co.'s Orange County, Calif., office.

#### Other suppliers

**Daniel G. Tracy** promoted to consultant at D.A. Betterley Risk Consultants Inc.

**Elaine H. Middelstaedt** named benefit consultant and manager of the law department at Buck Consultants Inc., **Kevin Meehan** promoted to associate benefit consultant and **Paulette Brown-Robinson** named senior assistant benefit consultant.

**Irv. C. Keightly Jr.** named a vp at Princeton Risk Managers Inc.

**Daniel P. Durbin** appointed account executive for Underwriters Adjusting Co.'s Western region; **Fred C. Hohn** named account executive for the company's Eastern region.

**Dale S. Bergland** named assistant secretary of Reliance Risk Management Inc.

**Robert G. Bolton** appointed executive vp of Herget & Co. Inc. **James T. Glynn** named vp and senior consultant, **Daniel J. Gorney** named vp-marketing and planning.

**Dallas R. Bailie** promoted to vp of newly incorporated L.H. McPherson Insurance Services Inc.

**Don L. DeVere** named president of Mund, McLaurin & Co., a risk management and insurance consulting firm in San Francisco, Calif.

**Neil R. Gordon** appointed senior consultant in the Dallas headquarters of Robert Hughes Associates, a risk management consulting firm.

**Excess/surplus market:** **Walter B. Kendall** joined Stewart Smith Mid America as director of claims.



# FINANCIAL GUARDIAN

...A NAME TO KNOW  
AND REMEMBER

Insurance Brokerage  
(US and Worldwide)

Risk Consulting

Captive Management

Self-Insurance Administration

Reinsurance Intermediary

"At Financial Guardian, we find ways to serve."

OFFICES IN PRINCIPAL CITIES.



CORPORATE HEADQUARTERS:  
**FINANCIAL GUARDIAN INSURANCE AGENCY, INC.**

3100 BROADWAY, KANSAS CITY, Mo. 64111  
PHONE 816/561-8630 - TELEX 424148

# HMO to study medical impact of education plan

KANSAS CITY, Mo.—Do health promotion programs help reduce the need for medical services and, ultimately, the cost? A health maintenance organization here is trying to find out.

Prime Health, a private not-for-profit HMO with more than 30,000 members, is launching a Cooperative Health Education Program to determine the impact of improved health awareness on making health services more cost effective.

The three-year study is being undertaken jointly by Prime Health and the Rhode Island Group Health Assn. of Providence under a \$500,000 grant administered by the Center for Consumer Health Education of Vienna, Va.

About 6,000 to 8,000 adult members of Prime Health are expected to sign up for the voluntary program, said Michael Wood, director of member services for the HMO.

Participants will be asked to tabulate their personal "life score," which assigns point values to diet, smoking, alcohol consumption, exercise, stress, seat-belt usage and family health history. The total score is correlated with predicted longevity.

The program will encourage participants to make beneficial changes in risk-related behavior, such as increasing exercise, decreasing smoking and changing diets, and to use ambulatory health care services appropriately.

Healthier lifestyles will be promoted through conferences with a

nurse practitioner, health promotion books and literature, a telephone contact system for health-related questions and special interest groups to focus on weight reduction, exercise, stopping smoking and other concerns.

During the three years, data will be collected on the frequency and type of Prime Health services required by each participant. At the end of the study, a computer will analyze the degree and type of impact the health promotion program had in reducing the need for medical services. ■

# Medical payouts rise again

WASHINGTON—Health insurance benefit payouts continued their feverish rise in 1978, the Health Insurance Institute reports in its Source Book of Health Insurance Data 1979-80.

A total of \$50.8 billion was paid by private insurers in the United States, a 17.8% increase from 1977 and more than four times the amount paid 10 years earlier. The rising cost of medical care, expansion of benefits and higher utilization of health services were responsible for the increase, the institute says.

Health care benefits cost employers \$26.9 billion in group premiums in 1978. Group premiums accounted for 82% of the insurance company total premiums.

The expansion of medical protection for employees, the extension of health insurance coverage to small groups not previously eligible and the need to fund larger benefit levels to meet health care cost increases contributed to the rise in premiums.

Insurers paid \$21.2 billion for medical expenses in 1978, while Blue Cross & Blue Shield and other hospital-medical plans paid \$23.7 billion. Total medical expense benefits increased 18% in 1978.

California led the way in total benefit payouts of \$5.4 billion, followed by \$4.6 billion in New York.

More than 181 million Americans—more than eight out of 10 in the civilian noninstitutional population—were protected by private health insurance. ■

## HOUSTON and MINNEAPOLIS



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI . . . Assurex Risk Management Institute . . . in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

JOHN L. WORTHAM & SON  
2727 Allen Parkway  
Houston, Texas 77019  
713-526-3366

BRANDOW HOWARD KOHLER  
& ROSENBLUM, INC.  
3601 Park Center Boulevard  
Minneapolis, Minnesota 55416  
612-929-5551



SEE OUR AD ON PAGE 18

# GLOBE TROTTERS.

Loss prevention is a concern you take with you wherever you go. And when United States industry ventures abroad, it takes IRI with it. We insure facilities of U.S.-owned firms in over 60 countries. Our globe-trotting representatives, together with IRI-trained nationals, give home-office-style service to scores of companies in all industries.

What's the formula for our global success? Thorough loss prevention engineering, of course. Combined with underwriting expertise, financial stability and a special way of doing business. Contracts may be arranged in local language to comply with local requirements. With IRI as the major underwriter, the result is truly customized service.

Whether you're here, over there, or anywhere, IRI has the capacity and stability to score points in specialized services for you. That's why, when it comes to worldwide property coverage, your best bet always is IRI. Hartford, CT 06102.



**Industrial  
Risk  
Insurers**  
**BECAUSE  
THE STAKES  
ARE HIGH.**

## VALUABLE PROFESSIONAL CLAIMS SERVICES FOR RISK MANAGERS NATIONWIDE

STEPHEN R. PALANGE & ASSOCIATES, INC.

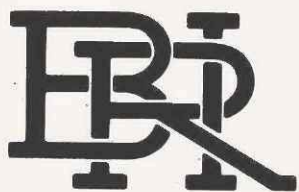
EXPERIENCED IN SELF-INSURED W.C. AND G.L. PROGRAMS  
CLAIMS AUDIT, EVALUATION, INVESTIGATION, MANAGEMENT  
QUALIFIED • OBJECTIVE • INDEPENDENT

10 POST OFFICE SQUARE • BOSTON, MA. 02109 • (617) 542-5700

**Sophisticated**

Sophistication is the key to effective, cost efficient insurance programs. Our knowledge of all aspects of insurance coverage, plus our close association with specialized insurers both here and abroad, allows us to bring unmatched sophistication to the programs we construct for clients in all industries.

Call and see what a touch of sophistication can do for your insurance needs.



**BRI Coverage Corporation**

156 William Street New York, N.Y. 10038 212-233-7171

## comings & goings: buyers

# Gill to manage benefit program for Spring Mills

**KEVIN GILL**, 37, has joined Spring Mills Inc. of Fort Mill, S.C., as director of compensation and benefits. Mr. Gill was formerly corporate manager of compensation and benefits for The Southland Corp. of Dallas and succeeds **David G. DeVries**, who left the company. Mr. Gill holds a bachelor's degree in industrial management and a master's degree in management from Manhattan College in New York City. He reports to Robert W. Moser, vp-human resources.

Essex County, N.J., has appointed **Barbara Adams**, 38, to the newly created position of risk manager. Ms. Adams, who reports to Ira Shelkowitz, director of administration and finance, will be responsible for county employee benefits as well as property/casualty insurance. Before this position, she ran her own risk management consulting firm, B. Adams & Associates, in New York. She previously was employed by Union Dime Savings Bank in New York as insurance manager and Chase Manhattan Bank as risk management consultant.

**Bob Caperton**, 38, has been named to the newly created position of risk manager at Commercial Metals Co. in Dallas. Mr. Caperton, who reports to Larry Engels, chief financial officer and treasurer, was previously risk manager for ETMF Freight Systems in Dallas. He has a bachelor of business administration degree in insurance from the University of Texas and 16 years experience in insurance. He is a member of the Dallas-Fort Worth chapter of RIMS.

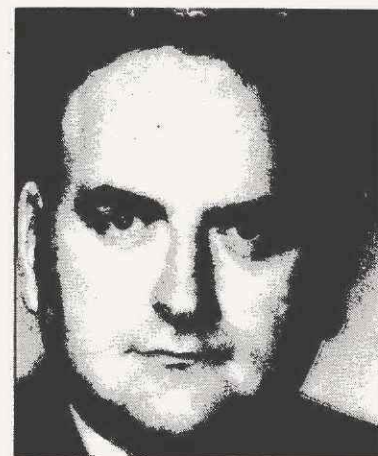
**Burgess Ridge**, 35, has been named to the newly created position of casualty claims manager at Northwest Industries Inc. in Chicago. Mr. Ridge, who reports to insurance director Richard Welsch, previously worked for The Travelers in Chicago. He has a bachelor of arts degree in industrial psychology from Ball State University.

**Lee R. Shealy** has joined Hanna Mining Co. in Cleveland, Ohio, as manager of claims and underwriting in the insurance management department. In this newly created position, Mr. Shealy will report to Duane E. Allen, assistant treasurer. He previously was a branch claims manager with Liberty Mutual and has also worked as an account executive for Alexander & Alexander in Cleveland.

**Leonard J. LaCagnin** has been named administrator of risk management for Newport News, Va. Mr. LaCagnin held this position from June 1977 to February 1980.

before leaving to take the risk management spot at Intergovernmental Risk Management Agency in Chicago. **Edward D. Hansen** has just accepted the IRMA position. Mr. LaCagnin, who reports to acting city manager Randy Hildebrandt, will be responsible for risk management and administration of the city's self-insurance program. He has been in the risk management field since 1973, when he retired from the U.S. Air Force after 30 years of service.

**Richard Everett** has been promoted to the new position of vp of corporate personnel and administration at Kusan Inc., the plastics subsidiary of Bethlehem Steel in Nashville. He will maintain responsibilities for employee benefits and personnel he had in his former position as corporate manager of administration. Mr. Everett, who has 15 years experience in em-



Everett

ployee benefits and risk management programs for national and multinational corporations, worked for Florida Power Corp. in benefits and Bausch & Lomb Inc. as manager of corporate insurance and benefits. He is president of the Cumberland chapter of RIMS.

**Stephen W. Scammell**, 29, has been named senior corporate risk analyst for Becton Dickinson & Co. of Paramus, N.J. Mr. Scammell is in charge of risk management for the international operations of Becton Dickinson as well as its domestic property program. He formerly was an insurance supervisor at American Hoechst Corp. Mr. Scammell holds a bachelor of arts degree in economics from Colgate University as well as a CPCU designation. He reports to John J. Stetina, director of corporate risk.

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

## Employers to avoid crime

**BELLEVUE**, Wash.—Businesses in this city of 81,000 have been given an incentive to learn how to steer clear of crime.

SAFECO Corp., State Farm and Unigard Insurance Co., in setting rates, have agreed to consider a business's participation in the Bellevue police department's crime prevention program.

Program topics include armed robbery, building security, shoplifting, check and credit card fraud and employee theft. Crime prevention officers inspect participating businesses for security problems and follow up the progress of improvements.

About 44% of the businesses have participated.

# Test finds weaknesses in equipment

A HARTFORD STEAM Boiler & Inspection Co. subsidiary is selling a new testing service for detecting flaws in machinery that can be performed while the machines are running.

Acoustic emission testing, provided by AE International, combines electronic sensors and computer analysis to detect and measure minute pulses of energy produced by weaknesses in a material under stress.

It can detect welding flaws, cracks, pitting, lamination, dis-

## products & services

bonding and other failures in metals, wood, plastic, fiberglass and concrete.

Sensors strategically placed while equipment is still in use, produce sounds amplified as much as a million times and analyzed by computers to determine the severity and location of the flaws.

By using the technique, busi-

nesses do not have to shut down equipment or empty tanks to test for weaknesses. Using the reports made by acoustic emission inspection, they can decide whether shutdowns and corrective measures are needed.

Acoustic emission inspection can be used to test nuclear reactor vessels, pipelines, pressure containment systems, refinery ves-

sels, bridges, cables, construction equipment and other objects sensitive to structural failure.

AE International is headquartered in Richland, Wash., but additional information about the service can be obtained from the technical services department, Hartford Steam Boiler Inspection & Insurance Co., Hartford, Conn. 06102; 800-243-0090.

## Fire warning

Protectowire line heat detector

provides early warning of fire in dust collectors or baghouses, its manufacturers say. The line detector can be used as a primary system within collectors or as a backup for ember detection.

The controls provide relay contacts to local audible alarms, remote annunciators and master boxes for direct lines to the fire department. Wet or dry extinguishing systems may be activated.

For further information contact Protectowire Co., P.O. Box A, Hanover, Md. 02339; 617-826-3878. ■

## Index pegs plan assets

NEW YORK—A consultant here is giving clients a new do-it-yourself tool for figuring the present value of pension plan assets.

Buck Consultants developed a new interest rate index to help pension plan sponsors comply with two reporting rules introduced this year by the Financial Accounting Standards Board.

The new rules, governing annual statements of pension plans (FASB 35) and disclosures in corporate annual reports (FASB 36), require that pension plan assets be stated at their market value at the time the report is issued.

This figure is compared with the actuarial present value of vested and unvested benefits payable to plan participants to determine the plan's unfunded liabilities.

Buck's monthly index table will show the fluctuations in interest rates applicable to a plan's assets for determining current market value.

The table is based on the interest returns of government bonds with maturity periods ranging from one to 20 years. The composite interest rate represents an average of interest rates applied to fund the benefits of retirees and active workers in the typical pension plan, consultant David Gravitz said.

The interest rate requirements for retirees are based on an assumption that the average age is 69 and are weighted with greater use of short-term rates because of the shorter life expectancy, he said.

For active employees, Buck assumed an average participant age of 50 receiving annuity payments starting at age 63. To calculate the interest rate return applicable to these persons, the tables were weighted in favor of long-term investments, Mr. Gravitz said.

Buck chief actuary Douglas C. Borton notes the tables can be used directly or adjusted up or down to account for their investment mix, plan expenses or greater than normal concentration of retirees or active employees.

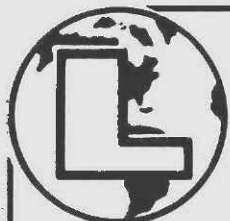
He cautions that the tables are not intended to determine ongoing funding obligations. Those should be based on long-range economic expectations and should minimize short-term fluctuation in pension expense because of shifting investment market conditions, he said.

The first tables illustrate how sharp those fluctuations can be:

The composite interest rate chart runs from Jan. 1, 1979, through Aug. 1, 1980. For that period the high interest rate assumption was 13.1% in March 1980 while the low was 9.1% in January 1979.

The Sept. 1 composite rate is 11.9%, up from 11.2% on Aug. 1.

This shifting will affect the level of unfunded liabilities shown by plan annual reports. When interest rates are high, the current market value of assets will be high and unfunded liabilities will be low. ■



# LANDMARK

Our world is that of the expanding worldwide insurance marketplace, in brokerage, excess and general agency operations, adjusting and in-

dependent to our world of captive insurers for clients, on-ment of off-companies, self-compensation administration and management. Landmark's world is an expanding one—providing meet your needs.



surplus lines, standard tions, adjusting and in- An exciting new ad- is the preparation ance analyses going manage- shore insurance insured worker's ministration, do- company formation mark's world is an ex- new and better services to

# LANDMARK

## MAY WE TELL YOU MORE?

# THE LANDMARK INSURANCE GROUP, INC.

1515 Classen Boulevard, Oklahoma City OK 73106

Telephone 405-521-9911 Telex 74-7191

Offices in Dallas, Scottsdale, Wichita, Bermuda, Bahamas and the Cayman Islands



## LANDMARK GROUP

THE WORLD OF THE

# Ergonomics becomes safety science

By JOHN MAES

DETROIT—The metal guard is in place around the machine, and the employer breathes more easily. He knows he is protecting the employee from injury and complying with an OSHA directive.

What he doesn't know is that he just created another hazard. The metal guard forces the operator to bend and reach at odd angles, placing stress on his back.

Too much bending and stretching and his back will be strained enough to open the door to accidents, injury and a workers compensation claim.

If the employer understood ergonomics, he could have avoided the problem.

However, few employers have

heard of this emerging science, says Don B. Chaffin, professor and director of the center of ergonomics at the University of Michigan.

In ergonomics, workplaces are designed to reduce the number of awkward movements the worker must make and matches his job to his physical qualifications to make operations safer.

"Workplace designers should become aware of the wealth of data that is available," Mr. Chaffin said.

"Most of it is in the academic community and a lot of it is European. Great Britain and Sweden are way ahead of us. Many European companies have ergonomic functions, departments of ergonomics and academic institu-



'Workplace designers should become aware of the wealth of data,' says Don B. Chaffin.

tions are graduating people with degrees in ergonomics."

In the United States, ergonomics, also called human factors engineering, is not as prominent, but some corporations are using it, Mr. Chaffin said. General Motors Corp. and Eastman Kodak Corp., which has had a program for 15 years, use the science.

The concept is not a new one. It was first used during World War II to design the cockpits of fighter aircraft, he said.

But few mid-sized and small companies are aware ergonomics

can help reduce injuries and accidents, he said.

For example, the mere height of a chair can cause a back strain, the major form of industrial injury, Mr. Chaffin said. If the chair is too high, the employee may be forced to lean forward to operate a machine or perform a task. Prolonged leaning can lead to overexertion.

"Seat design is important," said Mr. Chaffin. "The worker shouldn't have to lean too far forward."

Research also shows the design of certain hand tools can induce

wrist injury by straining sensitive tendons and tissues.

"If the worker has to squeeze a tool which flexes the wrist, the tendons will compress and become irritated," he said. "Companies should be careful in their use of tools that put pressure on these sensitive tissues."

Proper lighting and heating of the workplace also affects the accident and injury rate.

"We need a more concerted effort to assess and reduce these risks by understanding the physical limitations of employees and relating that in a realistic way to job assignments," he said.

Companies interested in learning more about ergonomic engineering can contact the National Institute of Occupational Safety and Health, which provides the name of the nearest academic institution doing ergonomic research, he said.

AUTO	FIRE	MARINE
<b>SUBROGATION</b>		
<b>BENNETT &amp; BENNETT</b>		
Attorneys		
Serving over 150 insurance companies. We offer quick, efficient computerized processing and adjustment of your subrogation Claims. Current status reports—Reasonable contingent fees.		
Send for FREE Brochure		
Home Office: 769 Northfield Avenue		
West Orange, New Jersey 07052		
New Jersey (201) 325-0033	New York (212) 926-2824	Florida (305) 371-8234
		Pennsylvania (215) 563-2168

## Keep tabs on toxicology, GM medical director warns

DETROIT—Companies should have occupational disease monitoring programs, says Dr. Robert

G. Wiencek, medical director of General Motors Corp.

A company can control or eliminate the harmful effects of a substance used in its operation only if it knows the content of every chemical used, Mr. Wiencek told a convention of the International Assn. of Industrial Accident

Boards and Commissions.

"Industrial toxicology records should exist in every industrial company," he said.

Detecting industrial diseases is especially difficult because a specific cause-and-effect relationship must be established, he said. The company must examine not only its present employees, but also its past workers to identify a trend.

This can be very painstaking, he added.

Smaller employers who want to set up a program but don't know how can usually turn to state health agencies or the National Institute of Occupational Safety & Health for help, said Dr. Wiencek.

Promoting a healthy lifestyle among employees is almost as important as disease detection, he said. Employees should be told that alcohol, drugs and smoking can endanger their health, he added.

In a plant where workers are exposed to asbestos, "chances of getting asbestos cancer are 29 times greater if you're smoking, so an anti-smoking campaign is appropriate," he said.



Robert G. Wiencek

## Make industry prove safety, official says

DETROIT—The burden of proof in workers compensation litigation should be shifted to the employer when industrial disease affects large groups of workers, U.S. Solicitor General Wade S. McCree told a convention here.

Historically it has been up to employees to prove their employers were negligent in creating an unsafe workplace, such as in the case of asbestosis victims, Mr. McCree said.

But when a large number of workers in a given industry become ill, "I can see no reason why it wouldn't be appropriate to shift the burden of proof to the employer," he said.

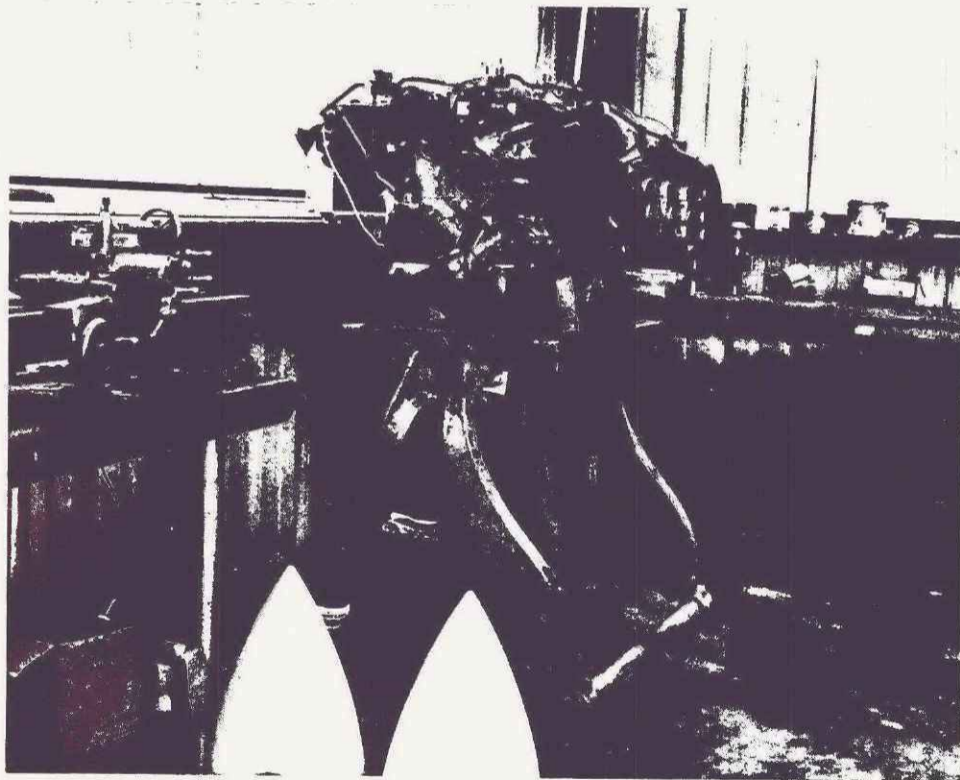


Wade S. McCree

## RIMS chapter elects officers

THE RISK & Insurance Management Society's Central Massachusetts/Rhode Island chapter has elected the following officers for 1980-81: Anne Ledger of Brown University, president; Nicholas

Oliveri of Woonsocket Institution for Savings & Trust, vp and national representative; Marilyn Scott of Old Stone Bank, secretary, and Mark Charron of Citizens Savings & Trust Co., treasurer.



## right down to the toolbench

The risks of flying for business and pleasure are manifold. And keeping aircraft in top flying condition for maximum safety is the responsibility of expert A&E mechanics.

Protecting your valuable aviation insurance customers against insurable exposures is the responsibility of equally expert insurance professionals such as the staff of Global.

We've taken the time and extra effort to hire people with sound experience in both aviation and insurance. It pays off for you, the agent, in fast turn-around on quotes, prompt policy and endorsement issuance and complete claims service

When you need any form of aviation insurance, call the people who know the field, right down to the toolbench. Global.



**Global Aviation Insurance Managers, Inc.**

3000 Promenade Center/P.O. Box 5470  
Richardson, Texas 75080

"We did our groundwork. Now we're taking off."

Telephone  
(214) 235-0110  
Telex 79-1875

info

• An updated edition of **All About OSHA** is available free from the Occupational Safety and Health Administration. The 47-page publication provides information on provisions of the Occupational Safety and Health Act of 1970 and on OSHA policies and procedures. Single copies are available at OSHA area and regional offices and the OSHA Publications Office, Room S1212, Frances Perkins Department of Labor Building, Third Street and Constitution Avenue N.W., Washington, D.C. 20210; 202-523-6138.

• A Texas inventor has developed an **emergency medical information card** to speed up medical attention in accidents. For information, call collect to Intex Management, 214-867-2200, or write Lance A. Dowd, vp-development, 2817 Regal Road, Suite 106, Plano, Tex. 75175.

• **Films on safety, supervising employees, selling and motivation**, including a series of five new films by Earl Nightingale, "Take Charge of Your Life," are available for purchase or rental from Dartnell Corp. For a free catalog of films, write E.G. Bauer, Dartnell Corp., 4660 Ravenswood Ave., Chicago, Ill. 60640.

• **What Points You Should Consider When Negotiating a Guaranteed Investment Contract for Your Company's Retirement Plan** is the topic of Kwasha Lipton's special report. For a free copy, write Kwasha Lipton, Dept. M, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• **Arson & Fire & Fraud Investigators** is available free from Bay State Appraisers & Investigators. The company also offers arson seminars. For the brochure, write Bay State Appraisers & Investigators, P.O. Box 253, Dedham, Mass. 02026; 617-329-4777.

• **Fireman's Fund Insurance Cos.** has prepared a guide for employers on the **workers compensation** system as a benefits delivery system and an outline of how to make the system function efficiently. The brochure is also available in Spanish. For a free copy, write the public relations department, Fireman's Fund Insurance Cos., P.O. Box 3395, San Francisco, Calif. 94119.

• "Dental Care: Questions and Answers" is the name of a booklet emphasizing the importance of **dental care**. Daily steps toward good dental hygiene, information about periodontal diseases, root canal therapy and X-rays and illustrations showing how early dental care saves dental bills later are some of the topics. For a free copy, write Metropolitan Life Insurance Co., Dept. F, health and safety education division, 1 Madison Ave., New York, N.Y. 10010.

• INA's 12-page booklet **Insurance Decisions: Determining Risk Retention Levels** briefly reviews the extent to which a company should commit its capital to self-insurance. Write INA, Super-Service, 1600 Arch St., Philadelphia, Pa. 19101.

• Johnson & Higgins has compiled a **Comparative Analysis of Nonoccupational Disability Laws** for California, Hawaii, New Jersey, New York, Puerto Rico and Rhode Island. For a copy, write or call Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• A promotional brochure on **group health and life self-insurance** is available from Celtic Life

Insurance Co. For a free copy, write Frederick J. Manning, president, Celtic Life Insurance Co., 208 S. LaSalle St., Suite 2003, Chicago, Ill. 60604.

• **The California Department of Rehabilitation Would Like to Help You Help Injured Workers** briefly explains the department's rehabilitation services. For a free copy, write Department of Rehabilitation, 830 K. St. Mall, Sacramento, Calif. 95814.

• The Workers Compensation Board's new **Occupational Diseases** booklet is a reference to occupational hazards and diseases recognized by the board. Copies are 50 cents each from the Ontario government bookstore, 880 Bay St., Toronto, Ontario, Canada M4W 3C3; 416-965-2054.

# MIAMI and LOS ANGELES



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI... Assurex Risk Management Institute... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

**D. R. MEAD & COMPANY**  
1900 Biscayne Boulevard  
Miami, Florida 33132  
305-576-1101

**KINDLER & LAUCCI**  
1545 Wilshire Boulevard  
Los Angeles, California 90017  
213-484-0220



SEE OUR AD ON PAGE 18



## WHEN THESE MEN MEET, SPARKS BEGIN TO FLY!

This is Provident's Group Field Advisory Council. They are highly qualified, outspoken Provident Field managers with over 60 years of combined experience.

This council meets regularly at Provident's home office to give management first-hand field information. Sometimes they tell us things we don't like to hear. Always, they tell us what we need to know. Sometimes sparks do fly, but that's when we get some of the best new ideas. We depend on our Group Field Advisory Council for new ideas, information, what's needed to improve our field operation, and to keep us constantly informed as to what is happening in the field.

Provident is proud of its Group Field Advisory Council. It helps us do a better job helping you.

Pictured left to right are: Peter H. Helmer, Regional Manager, Pittsburgh, PA; H. C. (Tom) Tucker III, Regional Manager, Atlanta, GA; Don G. Wilkinson, Regional Manager, Knoxville, TN; Bob L. Anderson, Regional Manager, Cincinnati, OH.



GROUP DEPARTMENT I CHATTANOOGA, TN 37402



# INTERNATIONAL CORPORATIONS HAVE TO UNDERSTAND THERE'S MORE TO DOING BUSINESS IN JAPAN THAN TAKING THEIR SHOES OFF.

Ten years ago, you could drop a reasonably good product on a foreign market and be reasonably sure of success.

Not any more.

Competition is not just crawling out of the woodwork. They're charging. All with their eyes on your piece of the pie.

Whether you succeed in Japan or elsewhere is going to depend on a lot more than a smattering of knowledge about social customs.

At American International Underwriters, a part of the AIG com-

panies, what we've learned about commercial insurance over the past sixty years abroad could be of broad interest to you.

For example, one can't do business in the dark. So our overseas offices are staffed with local nationals who know the local laws and customs better than outsiders might.

We can also show you how consolidating your accounts and providing continuity of coverage from one country to another could save you money.

There's a lot more we've learned. And

that's exactly why people come to us when they need overseas insurance.

As a result, we have more people in more offices in more countries offering more kinds of insurance than any other American insurer.

And those are shoes a lot of companies wouldn't mind being in.

**THE AIG COMPANIES.**

Let us take the risks.

## London offers extended cover

LONDON—The U.K. market is making a special war risk coverage extension available for valuable shipments of oil, grain or other commodities that may be delayed.

Cargo insurers have agreed to lengthen the coverage for an extra premium of 0.0375% of the insured value of the cargo or 3.75 cents per \$100, in addition to the usual war risk rates for the voyage.

Holdups normally occur when tankers or freight ships are forced to slow their speed or anchor outside port.

**28% SAVINGS\$**  
IN  
HOSPITAL  
BED DAYS

Health Insurance with lower rates and higher benefits through prior authorization. Groups of 25 or more.

(714) 963-3305 • (213) 592-4427  
(801) 364-3499

HEALTH MAINTENANCE LIFE INSURANCE  
COMPANY **HAL**

# Home builders pool work comp



The Michigan Home Builders Assn. hopes to double its savings on workers compensation coverage by scrapping its safety group and constructing a self-insurance pool plan.

LANSING—The Michigan Home Builders Assn. thinks it has found a way to double its savings on workers compensation insurance.

The trade group last month scrapped its safety group program written by The Hartford Insurance Cos. through James S. Kemper Agency to form a self-insurance pool, managed by Hall Risk Management Inc., a subsidiary of Frank B. Hall & Co.

Sixty-three members are approved for the program, contributing \$489,878 in premium, said Vicki Green, administrative assistant for the state home builders group.

Pending applications could double the premium, she said.

"The state association always had a decent program with the Kemper Agency and Hartford that paid a 17% dividend (off bureau rates)," said Barry Simon, executive director of the Home Builders Assn. of Metropolitan Flint, an affiliated group.

But self-insurance could yield long-range savings of 40% to 50% off bureau rates by reducing the risk and letting members enjoy the benefits of investment income, he says.

A safety group is formed by employers in a similar trade or industry to reduce workers compensation costs through group safety programs and claims control. Because of the safety emphasis, the groups receive premium discounts and can earn year-end dividends if loss experience is good.

For the new pool, Hall Risk Man-

agement will provide claims handling, safety engineering and a monthly computer printout on loss experience. A special office has been established in Lansing to service the home builders accounts, said Ben Partridge, vp of Hall Risk Management in Orlando.

The firm also services home builder groups in Florida, Iowa and Kentucky. During the last five years, self-insurance pools in these states saved home builders an average of 20% on workers compensation costs, Mr. Partridge said.

The Michigan Home Builders Assn. formed a seven-member board of trustees to manage investment of the pool's funds. State association executive director Thomas Becker chairs that panel. The trustees also determine the dividends to participants at the end of the year and establish long-term reserves, Mr. Partridge said.

Premiums will be based on bureau rates, but accounts of \$5,000 to \$100,000 will be discounted 9.5% and larger accounts 11.9%.

The cost of workers compensation coverage in Michigan is exceptionally high, Mr. Simon points out. Michigan home builders pay \$7.15 per \$100 salary for coverage of basic construction workers, while in neighboring Indiana the rate is \$2.18 per \$100, he adds.

Participation in the home builders association pool is open to contractor and supplier members who receive 80% of their income from the construction industry. The program will be marketed by local agents.

## markets

# Computer link to speed service

INSURANCE BUYERS will get quicker answers to inquiries and more efficient transactions thanks to a computer terminal network in the works at Prudential Insurance Co., the insurer says.

The Field Office Computer Update System will tie the company's eight regional home offices with its 670 field offices nationwide. FOCUS will give Prudential immediate access to data including: details on loan and cash surrender values, access to policyholder names and policy numbers, coverage carried and premiums due or paid.

## Testing labs

United States Testing Co. Inc., an independent testing and inspection organization, in Hoboken, N.J., has been approved by the Texas state insurance board as a testing laboratory for materials, equipment and devices related to fire and extended coverage.

Underwriters Laboratories Inc. of Northbrook, Ill., and Factory Mutual Research Corp. of Norwood, Mass., also were approved as testing labs.

## Focus on films

A new competitor, Kansa General Insurance Co. of Finland, is working its way into the Canadian film insurance market.

The Finnish firm has lately squeezed in between its toughest competitors, Chubb & Sons, Fireman's Fund and Lloyd's of London, and is undercutting rates and premiums for a share of the feature film business, which will

produce \$110 million to \$120 million in revenues this year, observers say.

Insuring the film industry includes covering such risks as sickness or accidental injury involving a key actor or actress, damage or theft of film negatives and defective film, cameras or processing. Props, sets, wardrobes and sound equipment are covered, as are invasion of privacy, libel and slander.

## Agency forms

A new insurance agency, the Wolf-Hulbert Co., has been opened near Detroit to emphasize commercial property/casualty accounts. The new firm will be at 21411 Civic Center Drive, Southfield, Mich.

## Acquisitions

Button & Tuescher Inc., a reinsurance intermediary in San Francisco, has agreed in principle to merge with Thomas A. Greene & Co. Inc. of New York, the reinsurance subsidiary of Alexander & Alexander.

American General Corp. of Houston has completed its acquisition of Lincoln America Corp., a holding company with subsidiaries in life and property/liability insurance.

## New offices

Mund, McLaurin & Co. of Los Angeles, a risk management and insurance consulting firm, has relocated to 1100 El Centro St., Suite 103, South Pasadena, Calif. 91030. ■

# International Connections

To be competitive in today's international life insurance market demands an insurer with a wide range of innovative, competitive products, an extensive network of knowledgeable representatives and years of experience serving a wide variety of clients.

Since 1900, Crown Life Insurance Company has been designing unique life insurance plans to suit all personal and business marketing applications. Crown Life now insures more than 5 million clients through 229 sales and service offices in the United States, Canada, the United Kingdom, the Atlantic and Caribbean Islands and Hong Kong.

Call the Crown Life Hotline: (800) 458-0454  
(in Pennsylvania: (800) 352-0076) for more information.

  
LIFE INSURANCE COMPANY  
HOME OFFICE, TORONTO, CANADA

# Few Cayman captives register their business

GEORGETOWN, Grand Cayman—Reminders are being mailed to all companies in the insurance business here, including captives, that they have three more months to register with the government.

Already three months into a six-month grace period for existing companies to register under new insurance regulations, only 12 companies have complied.

Registration of existing companies and all new companies is required under the Insurance Law of 1979 that took effect three months ago. Existing companies have until Dec. 17 to register, says John Darwood, superintendent of insurance.

Not one of the 12 companies that have registered is a single-owned captive insurance company. Six of the registered companies are association captives and two are underwriting managers.

The four other companies are not part of the captive insurance industry. Two are branches of an international insurer and two are insurers dealing internationally in the life insurance business.

Mr. Darwood expects to eventually license 250 companies, about half of which will be single-owned captives underwriting risks for only affiliated companies. He expects association captives will be a large proportion of the other 125 registered companies.

The regulations require existing companies and a company forming a captive to disclose what business it will write, the reason for doing so and the people and organizations behind the captives. It must meet minimum requirements.

Although the law sets \$369,000 as the minimum capitalization for a captive writing the third-party risks, Mr. Darwood said the amount of underwriting could force up the minimum capitalization requirement.

Companies will have to file annual reports with the insurance superintendent stating they are doing the same business they were licensed to conduct and that their accounts have been audited. Mr. Darwood said he intends to review the annual financial reports of captives to be sure "they are in a sound business position."

Meanwhile, the Wetzel Co. of Houston has made an offer to buy Cayman Underwriters Services, the captive management company owned here by Charter Oil.

Scandal struck the company earlier this year when its managing director John Ray and president Dave DeMarco were dismissed by Charter. Mr. Ray was later convicted by a magistrate's court for embezzling money from the management company (BI, June 16).

Mr. DeMarco is now president of his own firm, International Management Center, in Georgetown.

## Honeywell signs claims contract

MINNEAPOLIS—A contract to handle workers compensation claims for almost 20,000 employees of Honeywell Inc. in Minnesota and a subsidiary in Northern California has been signed with Aetna Technical Services Inc., a subsidiary of Aetna Life & Casualty Co.

Aetnatec will become Honeywell's largest provider of workers compensation claims services, also handling claims in Arizona, Florida and Pennsylvania.

The high court in Cayman last month dismissed Mr. Ray's appeal but reduced his sentence to six months. Mr. Ray, free on bond, has filed a second appeal, this time to the high court in Jamaica. Mr. Ray could not be reached for comment.

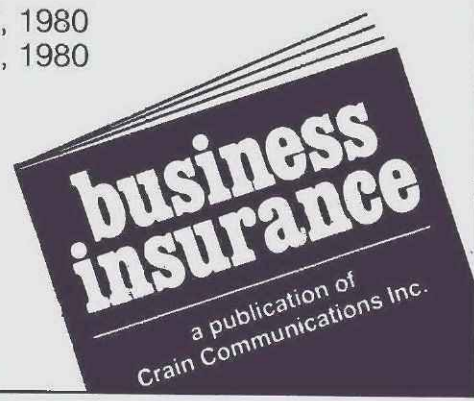
Wetzel's purchase of Cayman Underwriters for an undisclosed amount of cash is slated for completion by Sept. 30. The firm will continue to manage the Charter Oil captive insurer and other captives now managed by Cayman Underwriters Services.

# Coming Up! Group Life & Health Insurance

Issue Date: October 27, 1980  
Ad Closing: October 14, 1980

New York:  
708 Third Avenue, N.Y. 10017 (212) 986-5050  
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 employee benefit management.



## WHEN YOU GO UNDERGROUND!

*Do your excess liability limits disappear? We make them reappear at reasonable prices!*

**U.S.A. and ABROAD**

*Specialists in larger projects and joint ventures for underground contractors.*

**AVRECO** offers job duration contracts up to five years plus extended completed operations excess of primary limits. Umbrella or excess CGL form. Will also quote separately the Railroad or Owners Protective Liabilities.

Coverage can be written on subway jobs, tunneling, open cut, sanitary district, water tunnels, deep shafts, etc., and occasionally larger surface installations such as dams, nuclear plants, bridges and railroad work.

**Avreco, Inc.**

*Competitive terms also available on the Builders Risk coverages and for qualified self-insurers we can quote the excess workmen's compensation.*

PROFESSIONALS IN SPECIAL RISK MARKETING  
200 West Monroe Street • Chicago, Illinois 60606  
312/663-1500 • Telex 02-53553 • Cable: AVRECO  
*Call or send details on your project to Fran Rightmire.*

# Candidates run in opposite directions

Continued from page 3  
pregnancy-related disabilities and abortion.

## Pensions

It's difficult to find Mr. Reagan's or Mr. Anderson's view on pensions in their platforms. However, the Republicans and National Unity Party do endorse expanded eligibility for Individual Retirement Accounts for homemakers.

The Democrats support portable pensions in private and public employee retirement programs so persons who change jobs will be ensured of retirement security.

The party also urges President Carter's Commission on Pension Policy to address pension rights in divorce proceedings, lack of pension benefits for survivors when a worker dies before retirement age and rules for Individual Retirement Accounts.

Democrats take credit for the nation's 45-year-old public retirement system, calling Social Security the "single most successful social program ever undertaken by the federal government."

While the GOP and National Unity parties don't dispute that Franklin D. Roosevelt had a good idea, they say it's time for some

new deals in the system.

Mr. Anderson's proposals are the most dramatic. He wants a 50-cent-a-gallon increase in gasoline taxes to cover expanding costs. Without action now, the Social Security system will fall apart in a couple year, he says.

"When the 'baby boom' generation reaches retirement age, the ratio of beneficiaries to contributors will rise sharply, requiring a sharp increase in payroll taxes to keep the Social Security system solvent," the platform says.

Mr. Anderson says Congress should look at alternative funding before the crunch, suggesting the use of revenues from higher gasoline taxes.

"A 50-cent-a-gallon increase

would generate enough revenues in 1980 to reduce the employee's contribution by 50%," the platform says.

Republicans pledge to correct inequities in the treatment of women under Social Security, but give no specifics. They also agree with the Democrats that Social Security benefits should remain untaxed.

The Democrats vow to continue annual cost-of-living adjustments in Social Security benefits.

## Worker safety

The Democrats and the National Unity Party agree they don't want a weakened federal Occupational Safety and Health Administration.

Both parties are firmly opposed to legislation that would limit OSHA's scope in smaller businesses. "All workers face significant workplace dangers," says the Democratic platform.

Congress is considering legislation that would bar most OSHA safety inspections at firms with fewer than 11 employees. The Republicans back this.

They also want higher penalties for employers with high accident injury rates, but believe OSHA should concentrate its resources on encouraging voluntary compliance by employers.

"We believe that the arbitrary and high-handed tactics used by OSHA bureaucrats must end," the platform says.

## NORTH OF THE BORDER

Morris & Mackenzie is among the largest privately owned Canadian firms providing insurance brokerage, risk management, engineering and benefit consulting services on a national basis.

For a copy of our brochure "A Unique Concept in Canadian Insurance Brokerage" contact any of our regional offices.

Vancouver:  
199 West Hastings,  
(604) 685-0191

Calgary:  
Suite 306,  
602-11th Ave. S.W.,  
(403) 265-4270

Toronto:  
1901 Yonge Street,  
(416) 482-7400

Montreal: 4141 Sherbrooke St. W., (514) 937-5755



**MORRIS & MACKENZIE LIMITED**

Insurance  
VANCOUVER • CALGARY • TORONTO • MONTREAL

## Injured workers can sue for employer negligence

HONG KONG—Local employers will be liable for civil damages when their workers are injured because of management negligence under a new workers compensation ordinance passed by the local legislative council of Hong Kong.

The provisions are part of a comprehensive ordinance that requires coverage for formerly excluded liabilities and raises benefits.

Most employers already insure workers against accidents, but liabilities such as medical expenses, coverage for certain classes of workers and civil damages for injury resulting from employer negligence are sometimes excluded, says Johnson & Higgins

## worldwide

International.

The benefit increases will raise maximum compensation for permanent total disability to \$192,000 from \$80,000 in Hong Kong dollars and to \$168,000 from \$60,000 for death.

An age factor schedules more benefits for young workers because of the greater loss of future earnings.

Lawmakers are waiting until Nov. 1 to put the ordinance into effect, to give insurers time to adjust their rates and provide employers time to amend their coverages for the additional liabilities.

The Ontario Select Committee on Company Law says it has received many complaints from claimants who have been forced to wait for months without income while their cases are investigated.

Workers compensation benefits are withheld by health insurers during the investigation.

Mr. Alexander has appeared before the Canadian Assn. of Accident & Sickness Insurers and legislative observers say a special committee may be formed to look at the problem. However, any changes in Canada's Workers Compensation Act would have to wait until completion next February of a study of the compensation system.

Mr. Alexander, who was appointed workers compensation board chairman last June, said some progress has been made toward speeding payments but that more improvements are being sought.

## Delayed payment

OTTAWA—Ontario's Workers Compensation Board chairman Lincoln Alexander has begun negotiations with private health insurers to end delays in paying benefits to injured workers while their claims are being investigated.

## Courts OK U.S. suit over vets' pensions

ATLANTA—A federal court here has ruled that the U.S. government may file a class-action suit on behalf of veterans who contend that military service should be counted as work time in computing civilian pension benefits.

The ruling by Judge Horace T. Ward of the U.S. District Court for Northern Georgia allows the first class-action case under the Veterans Re-employment Rights Act to proceed.

Austin K. Letson and 31 other employees of Liberty Mutual Insurance Co. are disputing the company's failure to include their military service in computing the years of work on which their retirement benefits are based. Federal

attorneys are representing the veterans.

Liberty Mutual argued that the government could not represent a VRRR plaintiff in a class action.

Judge Ward ruled that the act does not bar class actions. "There is no indication in the act's legislative history that Congress intended to limit representation of plaintiffs by government attorneys to actions other than those on behalf of a class, and such an interpretation does not arise from a reading of the VRRR," he said.

The veterans' re-employment rights law ensures that men and women who serve in military forces do not lose their jobs or other employment benefits because of such service.

## Texas sets HMO hearing

AUSTIN—The state insurance board will hold a public hearing Oct. 1 on the financial condition of the Texas Prepaid Health Plan of Houston, the second largest health maintenance organization in Houston and one of the largest in the state.

The hearing marks the first time the state board has had to hold a

public hearing on the solvency of an HMO, says Mary Ann Nethaway, state HMO coordinator.

Texas Prepaid is an independent practice association HMO with more than 10,000 members, including employees from some of the largest Houston area employers.

State certified in 1977, it was federally qualified in May 1979.

## GRUPO SEGUROS LA COMERCIAL

THE LARGEST GROUP OF INSURANCE COMPANIES IN MEXICO

"LA COMERCIAL" IS THE FIRST AND ONLY MEXICAN INSURANCE COMPANY WITH

LIAISON OFFICES IN THE U.S.A. ALSO, ONE OF THE OLDEST AND MOST EXPERIENCED.

INSURANCE AND RISK MANAGEMENT SERVICES AVAILABLE TO MULTINATIONAL CORPORATIONS OPERATING IN MEXICO

### INSURANCE

- Property and Casualty
- Life, Accident and Health
- Liability and Worker's Compensation
- Auto, Technical and Sundry Lines
- Inland and Ocean Marine

### RISK MANAGEMENT SERVICES

- Evaluation of Current Protection
  - Financial Counseling
- Risk Management Counseling
- Loss Prevention Engineering
- Property Conservation Programs
- Group Insurance and Employee Benefits

PLEASE ADDRESS ALL INQUIRIES BY REGION:

#### EAST COAST

SEGUROS LA COMERCIAL  
ONE STATE STREET PLAZA  
20TH FLOOR  
NEW YORK, N.Y. 10004  
TELEX # 141467  
PHONE: (212) 635-0373

#### MID WEST

SEGUROS LA COMERCIAL  
20 NORTH WACKER DRIVE  
SUITE 3004  
CHICAGO, IL. 60606  
TELEX # 283575  
PHONE: (312) 236-0002

#### WEST COAST

SEGUROS LA COMERCIAL  
3345 WILSHIRE BOULEVARD  
SUITE 509  
LOS ANGELES, CA. 90010  
TELEX # 686205  
PHONE: (213) 386-9935

HOME OFFICE:

SEGUROS LA COMERCIAL, S. A.  
AV. INSURGENTES SUR # 3900, MEXICO, 22, D. F. MEXICO

# Cost monitoring helps restore bankrupt HMO

By **STUART EMMRICH**

BRIDGEPORT, Conn.—Benefit managers looking for a yardstick to measure the stability of a health maintenance organization might use one HMO's cost-monitoring system.

Michael Sherman, who is heading the reorganization of the financially troubled Connecticut Health Plan, says a strict review of bills rung up by the HMO is the key to keeping the rebounding group on its feet.

An HMO provides health care on a prepaid basis instead of the fee-for-service basis used by hospitals. HMO advocates say this helps reduce the cost of health care because the HMO must provide services within a certain cost range to make a profit. Any costs above the preagreed price have to be carried by the HMO.

Through the cost-review program as well as loans, sharp premium increases and lots of hard-nosed financial management, CHP is bouncing back after filing bankruptcy papers in January.

In the last seven years, seven federally qualified HMOs have declared bankruptcy and defaulted on loans totaling \$16 million.

To get back on its feet, CHP increased its family premium 23%, to \$123 a month from \$100, got Blue Cross to offer an interest-free loan of up to \$1 million and convinced the federal government to defer collection of CHP's \$2.5 million start-up loan for at least three years.

But most important to recovery were internal operational changes, says Mr. Sherman, who joined CHP in June. He came from Ohio, where he spent three years as corporate director of HMOs for Blue Cross.

"There is an absolute need for a strict utilization review program that CHP did not have," Mr. Sherman said. "Without it, any HMO has the potential of suffering the same problems that almost shut down CHP."

Too much money was spent on too many questionable tests, he said. Many functions were being duplicated and no central review process was instituted to make sure the staff was keeping a lid on costs.

"An effective mechanism for review is especially necessary for an HMO that has a young staff, made up mostly of generalists," he said. The high costs can be attributed to heavy utilization of outside specialists. Someone has to be there to make sure the utilization does not become excessive.

Mr. Sherman is keeping tabs on ancillary services, such as lab tests and X-rays, to determine if they are justified or just routine.

When members are admitted to a hospital, a discharge plan begins. Someone monitors the daily progress of the patient and determines how long he or she should be hospitalized. If the stay is longer, the physician has to justify it.

The HMO is encouraging more home care and skilled nursing care to replace hospital stays.

The board of directors also was streamlined from 33 to 12 members. Emphasis was placed on people with business backgrounds. The board meets regularly to review the HMO's operating costs.

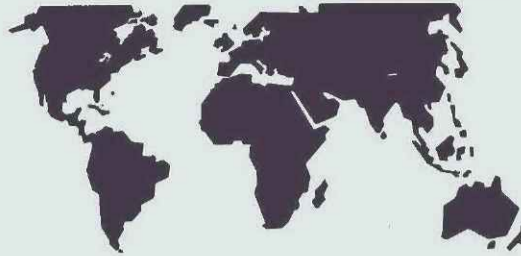
CHP fell into a trap that catches many HMOs in their first year. It

sold services at a low price to attract enrollees unfamiliar with the HMO concept and then subsidized those services with federal start-up loans, Mr. Sherman said.

"CHP was enrolling and enrolling people, but the cost of the services far exceeded the price it was charging," he said.

The directors now have to find a way to woo back members who left the HMO. Mr. Sherman estimates total enrollment dropped to 8,000 from 10,000 in the past nine months. This included a drop from 220 to 184 group plans. ■

## ST. LOUIS and SAVANNAH



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI... Assurex Risk Management Institute... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

**THE DANIEL & HENRY COMPANY**  
10 Broadway  
St. Louis, Missouri 63102  
314-421-1525

**PALMER & CAY, INC.**  
622 Drayton Street  
Savannah, Georgia 31401  
912-234-6621



SEE OUR AD ON PAGE 18

## Zurich-American: We Speak Insurance In Any Language

Interested in buttoning down more international business? Look to Zurich-American, the U. S. arm of the worldwide, century-old Zurich Insurance Group.

Our Group can insure U. S. international industrial and commercial businesses operating almost anywhere in the world or U. S. subsidiaries of foreign companies. And provide the service needed with the Zurich Group's worldwide facilities, staffed by 20,000 employees and spanning 26 countries.

Want more information? Talk with our international division.

We speak insurance in any language.



**Zurich Insurance Company  
American Guarantee and  
Liability Insurance Company**

The Zurich Building  
Schaumburg, Illinois 60196  
(312) 843-6000



**Zurich Insurance Group**  
worldwide headquarters,  
Zurich, Switzerland



**YOUR Independent  
Insurance AGENT**  
SERVES YOU FIRST

# Jeans maker tailors benefit package

Continued from page 3

its benefit programs important to the recruitment of top personnel and management of plant workers.

Levi Strauss has two basic groups of employees: Some 3,800 are on the home office payroll (all San Francisco employees, nationwide sales force, factory management) and about 40,000 employees are in plants spread across the country.

Benefit packages for the plant workers are primarily negotiated

between union representatives and the industrial relations department. The benefit package for home office payroll amounts to 41% of payroll; benefits for factory workers are about 25%.

"We're definitely moving toward self-insurance," Ms. Gingrich noted. "We are a large enough group with solid assets that can support more and more of our benefit plan. It also gives us tremendous flexibility to provide employees with the benefits we want."

"We need to tailor our program to the changing workforce," Ms. Gingrich said. "One of the trends our company sees as a wave of the future will be job-sharing, which is going to spell permanent part-time one way or another."

Levi Strauss offers full medical-dental benefits to permanent part-time workers (20 to 40 hours a week) and a \$5,000 life and accidental death benefit. Sick leave is prorated. Part-timers are not eligible for short- or long-term disability benefits.

## Health choices

The company also offers a number of health care choices to its staffers. Employees select one of four health maintenance organizations or a more traditional health insurance plan that is self-insured and administered by Aetna Life & Casualty Co. through a 501(c) (9) trust.

The trust is strictly a flow-through account. No money is accumulating interest and no major investments are being made by the trustee, Mrs. Gingrich says.

## Plans take 'home country approach'

SAN FRANCISCO—What benefits do you offer a Chinese national employed by an American company in Belgium? How about an English citizen temporarily working in Italy? Or an American sent to South America for a year or two?

Planning benefits for a company with thousands of employees in a dozen companies can be mind-boggling.

"We try to provide benefits in foreign countries that are better than three-quarters of our competitors," said W. Reese Smith, manager of international benefits at Levi Strauss International.

Levi Strauss recently developed a third-country national policy that extends benefits to employees based on where they are hired. "It's called the home country approach," he explained.

Mr. Smith says the company aims to include its employees in the U.S. Social Security system and the company's pension, stock purchase and profit-sharing plans.

"We also do tax equalization analyses so the American employee ends up with the same after-tax dollars plus some sort of cost-of-living differential in those countries where expenses are

higher than in the U.S.," he added.

There are statutory benefits in some countries that don't exist in the United States, such as vacation and Christmas bonuses and 13 months pay. In some countries that have very advanced social programs, private retirement benefits may be unnecessary, Mr. Smith points out.

Levi Strauss is studying benefit adequacy in every country in which it operates to determine what benefits are offered and how they compare with the company's closest competitors. Results of the study should be available later this month.

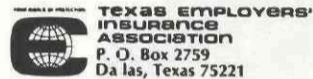
"This adequacy study will point up benefits that we really do need to provide in a lot of countries," Mr. Smith explained. "We've already learned, for example, that we're not very competitive in Mexico. The study will be the basis for a two- to three-year program to bring benefits up to the levels we want."

The reports will be prepared by each of four international divisions, including Latin America, Europe, Canada and Asia/Pacific. Levi Strauss employs nearly 14,000 workers overseas.

## Our policyholders saved over \$79.2 million in 1979.

Place the Texas portion of your workers' compensation coverage with Texas Employers' and you may participate in those savings. We write coverage at cost, so what we don't pay out in losses, operational expenses and taxes, we pay back to our policyholders.

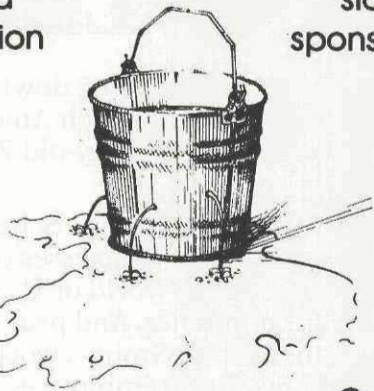
Your share of more than \$79.2 million makes a good reason for calling our National Accounts Division at 214/653-8100



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

## Does your workers' compensation program have the same problem?

Business funds lost through the holes in a workers' compensation program are significant. Gates, McDonald has been administering cost efficient\* state fund and self-insured workers' compensation programs since 1929. Our services provide comprehensive



administration, supervision of all claims, responsive and accurate claim payment, employee safety education, and informative management reporting. So don't wait, contact Gates, McDonald or your insurance broker for more information.

\*Ohio, West Virginia, Washington, Nevada only.

The Aetna plan offers basic benefits of up to 100 hospital days fully paid and surgical fees up to \$780. The first \$12.50 in dental fees are paid plus 80% of the balance for routine dental exams every six months. Dental coverage also includes 100% of the first \$300 paid for treatment of accidental injuries.

Major medical benefits pay 80% of the first \$2,500 in covered medical and dental expenses with a \$100 deductible. Excess expenses are 100% paid by the plan for the balance of the year.

Certain dental and psychiatric

expenses are paid at 50% per year and outpatient psychiatric are at \$1,000 per year. Maximum lifetime medical benefit is \$250,000.

"We are constantly reviewing interpretations of our plan coverage with Aetna," Ms. Gingrich said.

"We recently determined, for instance, that the policy does not specifically cover family counseling. But we wanted to do so.

"If our employees are troubled by family matters, their productivity and ability to function on the job are impaired," she said. "Our plan should offer them a vehicle for solving these family problems—or at least confronting them."

The company ironed out another wrinkle when one employee asked if free-standing birth centers were covered under maternity benefits and another asked about home health care for a terminal cancer patient. Both questions led to amendments in the Aetna plan.

If an employee takes the time to investigate health care alternatives—going to an alternative birth center, using a generic drug, consulting a physician for a second opinion—the employer may benefit through economic use of health care money, the firm believes.

## Stock purchase

"I personally would like to see our plan amended over and over and over again," Ms. Gingrich said.

An attractive feature of Levi Strauss's benefit program is its threefold stock purchase and investment plan. Employees may choose to contribute up to 10% of earnings through payroll deductions to various investment accounts: diversified investments, savings instruments or Levi Strauss & Co. stock (contributions limited to 5% of earnings).

When profits permit, the company contributes 30 cents for each \$1 contributed to the common stock account. All three accounts are always 100% vested.

Levi Strauss already offers payroll deductions for personal automobile and homeowner insurance underwritten by The Travelers Insurance Co. Next year a policy of personal excess liability insurance

may be offered as an umbrella over other personal coverages, including homeowners, automobile and other property.

Employee benefits also include: basic life insurance equal to annual salary, supplemental life insurance (maximum \$300,000 for basic and supplemental combined), post-retirement insurance and accidental death and dismemberment insurance equal to each employee's annual salary—all fully insured by Aetna.

Other coverages insured through The Continental Insurance Co. are voluntary AD&D (\$10,000 to \$25,000 for employees and \$5,000 to \$125,000 for dependents) and company travel-accident insurance based on earnings.

## Disability protection

Disability protection features paid sick leave (up to 15 days) based on length of service and short-term disability (four weeks at 100% pay, balance of five months at 70% pay). These items are self-administered.

Long-term disability, which calls for 60% of salary to be continued for a limited time, is presently insured. The new plan to insure the first two years and then self-insure is still out to bid.

During long-term disability, life insurance continues in full force through premium waiver.

Levi Strauss uses insurance consultant Martin E. Segal Co. for most of its work and broker Richard N. Goldman Co. on long-term disability, voluntary AD&D and company travel-accident insurance.

"We're looking to keep a low profile this year from the benefits standpoint," Ms. Gingrich noted. "We'll come through with some things that will be of value to employees but will not impact company costs significantly."

"There's a great deal of responsibility to look at the programs from both the employee and the employer's side" she said. "Every other part of the company is making money for the corporation. But we've got to put the money out to remain competitive and to continue to attract good employees."

## Women's group charges bias

HARRISBURG—The Women's Law Project is charging the Pennsylvania insurance commissioner has violated the state equal rights amendment and other laws by approving disability rates charged by Massachusetts Indemnity & Life Insurance Co.

Ellen Starer of Philadelphia filed

a complaint with the WLP that women pay 25% more than men for identical disability coverage from the insurer. In its petition to the department to intervene in the case, WLP quoted from an earlier insurance department decision striking down automobile insurance rates based on sex.



CORPORATE OFFICE

GATES, McDONALD

ONE NATIONWIDE PLAZA  
P.O. BOX 1944  
COLUMBUS, OHIO 43216  
614/227-7211

# Maine revamps state employee claims process

AUGUSTA—Maine Gov. Joseph E. Brennan has streamlined the method of handling workers compensation claims filed against the state by its employees.

In an executive order, Gov. Brennan ordered that the state insurance advisory board establish a centralized procedure for processing the claims.

Previously such claims were reviewed by the employing agency of the worker making the claims and "there was a lot of reinventing the wheel" by lawyers who did not understand the system, said John Oliver, director of the Maine State Employees Association.

Sources said the move was triggered by embarrassment over the case of Hannah Greenlaw, an Augusta woman who worked for the department of transportation and claimed the atmosphere in the DOT building was harmful to her health.

The state and MSEA were at odds over whether the woman was owed just back wages or medical benefits as well. DOT has petitioned to have her removed from workers compensation.

## Claim payments

TALLAHASSEE—About 5,100 former policyholders and claimants of a bankrupt Miami insurance company will receive \$1.1 million, Florida insurance commissioner Bill Gunter said.

State Fire & Casualty Insurance Co. was placed under insurance department supervision in 1969 after a circuit court determined the company was "financially impaired." Similar action was taken against the company in nine other states.

The insurance department received nearly \$138 million in medical malpractice claims since then. About \$110 million in claims were denied as a result of court action by the Florida insurance department.

## 'No authority'

LANSING—Blue Cross & Blue Shield of Michigan is "without legal authority" to operate a malpractice insurance business, state attorney general Frank Kelley has ruled.

"Because there is no specific authorization by the legislature authorizing (the Blues) to engage in commercial insurance as a casualty insurer doing malpractice business, it is my opinion that (the company) may not engage in commercial insurance activities," Mr. Kelley said.

Stanley Steinborn, Mr. Kelley's chief deputy, said the ruling might warn the Blues to expect some difficulty in offering new lines of insurance.

"I think it's an indication of the problems that would be involved" if the Blues tried to offer new lines, he said.

But Blues general counsel Joseph Murphy said the ruling would not put on ice the corporation's other interests, which include branching out into life insurance and possibly legal insurance.

Mr. Kelley's opinion was requested by acting state insurance commissioner E.C. Mackey regarding the Blues' interest in taking over a state fund offering medical malpractice insurance coverage to doctors who could not purchase it elsewhere.

## around the states

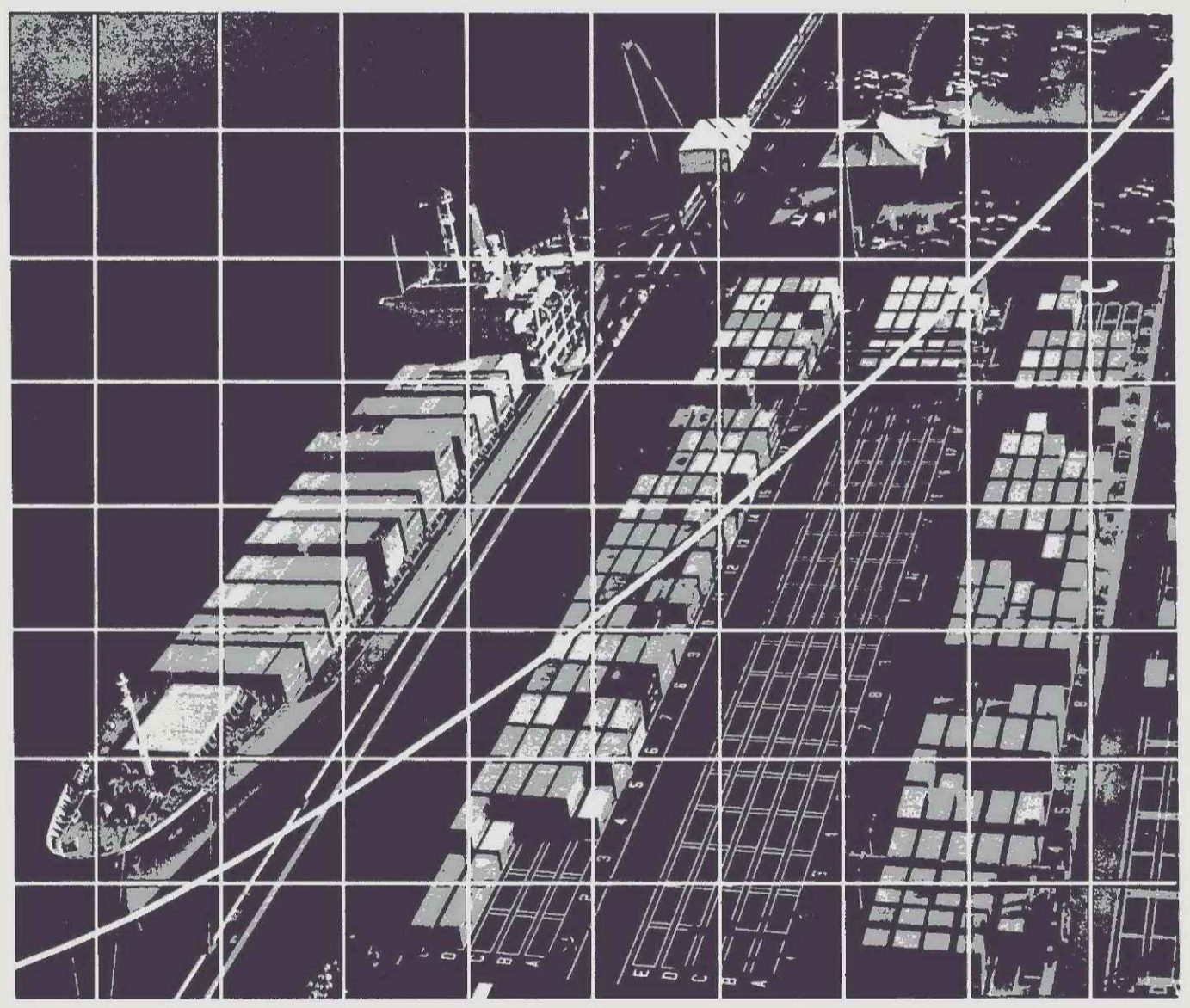
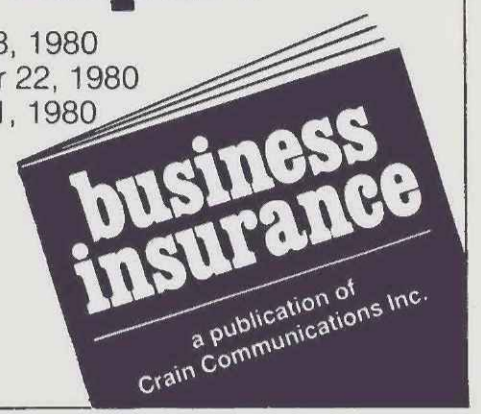
The fund was later taken over by another company. An "off-the-cuff" statement by the attorney general's staff that the Blues had no legal standing to bid for the takeover of the state fund for medical malpractice insurance cost the insurer that effort, said Blues executive vp Richard Whitmer.

# Coming Up! Texas Market Report

Issue Date: October 13, 1980  
Special Section Ad Closing: September 22, 1980  
R.O.P. Ad Closing: October 1, 1980

New York:  
708 Third Avenue, N.Y. 10017 (212) 986-5050  
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 employe benefit management.



## Our Experience Curve is 1,000,000 Policies Long

With more than half a century of exclusive marine experience we have the know-how and ability you can count on — experience you can trust. Our underwriters, backed by our high capacity and world-wide resources, are alert to current conditions and expert in evaluating and supplying the right insurance against varied exposures quickly, efficiently and economically. Call us and put this depth of talent and full range of experience to work for you.

## Talbot, Bird & Co., Inc.

Marine underwriters and Managers  
156 William Street, New York, N.Y. 10038  
Atlanta • Chicago • San Francisco • Los Angeles • Seattle  
Tampa • Boston • Dallas • Richmond • Kansas City • Vancouver

## Montgomery & Montgomery Inc.

The Board of Directors of Montgomery & Montgomery Inc. is pleased to announce the following appointments:

### Vice President

Ruthwin Samuels Jr. Luis C. Valdes

### Assistant Vice President

William C. Bartlett James M. Cowan Sadakazu Yasuda

### Controller

Ralph Accardo

### Account Executives

Edward M. Sweeney Lawrence P. Brown  
John Murphy Hiroshi Shikai

The Directors are also pleased to announce the opening of a new corporate office at: One Illinois Center, Chicago, Illinois 60601, 312-263-7433, Lawrence P. Brown, Account Executive.

New York Los Angeles Atlanta Chicago Tokyo

## IPA in Phoenix to open next July

PHOENIX, Ariz.—Employers here may be able to offer their workers another health care option next summer.

Four hospitals and about 30 physicians are committed to opening an independent practice association, a type of health maintenance organization, not linked to a particular HMO facility, next July.

However, no employer groups are committed to using the plan.

Phoenix Baptist, St. Luke's Mesa Lutheran and Scottsdale Memorial hospitals initiated the feasibility studies for the IPA a year ago. Two more hospitals are expected to join the movement this month.

Competition and concern over rising health costs prompted the

move, said William J. Walsh, vp at Phoenix Baptist.

Two nearby group practice HMOs recently signed exclusive contracts with competing hospitals. Arizona Health Plan has a contract for beds with Good Samaritan Hospital and INA Health Plan has one with Doctor's Hospital.

"We feel there is room for competition. An IPA offers the best possible hospitals and physicians on the staff," Mr. Walsh said.

The choice between a group-sponsored HMO that is linked to a particular medical facility and an IPA is up to the consumer, he said. The hospitals connected with the new IPA hope to attract subscribers who don't want to break an existing relationship with a physician to join a group practice in a clinic setting.

Mr. Walsh said staff doctors at the hospital also were concerned that costs were going beyond their patients' ability to pay.

"There also may be advantages to the prepaid movement," Mr. Walsh said. "It will greatly help the hospitals' cash flow."

Some area employers are talking about offering the IPA in employee health care plans, but none has committed itself.

A spokesman for Motorola, the area's largest employer, says it "would look with very definite interest on any viable HMO."

Other employers have said they definitely won't offer the IPA unless it is federally qualified. That will depend on the outcome of the group's five-year plan for financing being compiled by Towers, Perrin, Forster & Crosby. ■

# 52 great issues coming up!

ISSUE NUMBER

ISSUE DATE AD CLOSING

43. GROUP LIFE & HEALTH INSURANCE: THE YEAR AHEAD

OCT  
27

OCT  
14

## more to come:

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

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader ... *Business Insurance*. Listed above are upcoming issues, advertising closing dates and special editorial information for the next few months. Be where the action is this week and every week. For a full schedule of 1980 issues write or call us.

# business insurance

a publication of Crain Communications Inc.

New York: 708 Third Avenue, NY 10017 (212) 986-5050 Chicago: 740 Rush Street, IL 60611 (312) 649-5275 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

## letters

Continued from page 10

profits have been acceptable, but wholly unspectacular.

• Since total insurance company returns have not been excessive, it follows that any unrealistically high (theoretical) returns on casualty business must be counterbalanced by inadequate returns in some other area(s).

In terms of its return on investment, this underachiever is clearly property insurance—given its nominal cash floats and the historically small underwriting margin at which most property business operates, it can easily be shown that property's theoretical return is far lower than that of its casualty counterpart.

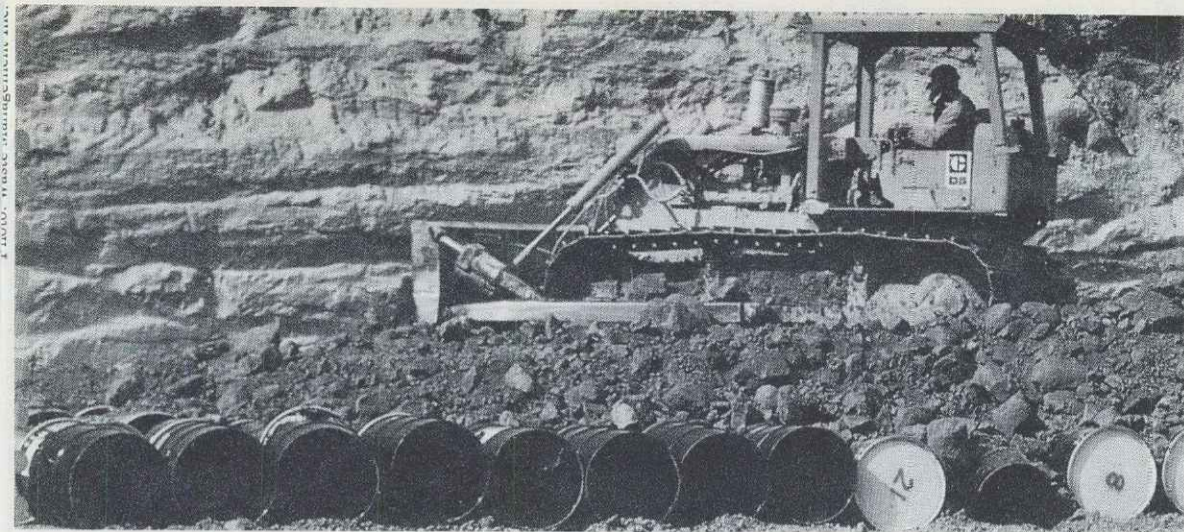
• Despite this fact, insurance companies today battle tooth-and-nail for property insurance business. The beneficiaries of this "unenlightened" competition are your readers, who in many instances are reaping unbelievable bargains in the property insurance market.

Given the spurious correlation between insurance company financial and ratemaking results, it is doubtful that any accounting or statutory mandate to discount losses would materially impact in the way in which insurers measure performance or set prices.

However, were loss discounting to nudge the insurance industry even slightly toward a greater emphasis on total return instead of underwriting profit, we might well see an erosion in the currently intense competition of the property marketplace. For many of your readers, therefore, the price of this enlightenment may prove high.

David A. Arata

Vp/consulting actuary  
Marsh & McLennan Inc.



The EPA regulations will force Waste Management Inc. to do more soil testing for some dumping sites and change the way sites are fenced off from neighboring property, Mr. Diver says.

## Waste issue stays cloudy

Continued from page 3

eral testified before Congress that toxic chemicals seeping into the environment pose a "major public health concern" that would plague the country for years.

It wasn't until this year that the EPA tried to put together a definitive profile of the country's hazardous wastes industry.

It found that there are about 1,000 disposal sites across the country, a figure almost triple the 350 EPA officials previously had identified.

But all of these are not easily accessible to all companies.

"We figure that there are enough sites nationwide to handle the hazardous wastes now being generated and disposed of off-site, but getting to those sites is going to be difficult for some companies," said John Lehman, director of the hazardous and industrial waste division of the EPA.

"There are some regions of the country, Florida, Virginia and many of the Northeast states, where sites to dispose of these wastes just don't exist," he said.

"Companies located there are going to be able to find someplace to ship their wastes, but they probably are going to have to spend a lot of time and money getting there."

It is estimated that only about 20% of the country's hazardous wastes is shipped off-site. The rest is disposed of by the manufacturer at the place it is generated.

Experts, however, say the amount of on-site disposal space is finite and the amount of waste is growing. The EPA estimates 50 to 125 new sites will be needed in the next few years.

"We are always searching for more sites," said Mr. Diver of Waste Management, which now has 10 hazardous wastes sites.

"It is a long process that involves finding a spot that is conducive to dumping, has access to a highway and is in a good geographical location.

"Then we have to convince people in nearby communities that the presence of a site would not be a disaster for them," he added. He thinks publicity over the hazardous waste pollution of Love Canal, N.Y., will make this one of the biggest obstacles to future dumping of hazardous wastes.

The EPA regulations will force his company to do more soil testing for some of its sites and make some physical changes in the way sites are fenced off from neighboring lands, he said.

However, he doesn't believe the regulations will force the company to shut down any sites.

The government also has started cracking down on chemical companies that contract out waste disposal. It says the firms must know exactly where the wastes are going and will face stiff fines if disposal does not meet safety standards.

The Justice Department recently sued 10 chemical companies, contending they "knew or should have known" their hazardous wastes were stored improperly at two Louisiana sites.

The action spurred other companies to step up their monitoring of disposals.

Allied Chemical, for instance, only hires dumpers licensed by a state and insists its own engineers are allowed to inspect sites where the wastes are stored or disposed.

In trying to find both places to dump wastes and companies to dump them, some manufacturers have been exploited by dumpers that have ties to organized crime, federal officials have charged.

The Justice Department has begun a nationwide investigation

into these ties. Wastes disposal problems have led some manufacturers to contract with un reputable firms and ask no questions about the destination of the wastes, federal officials say.

Only 10 states have passed regulations governing hazardous wastes disposal. Improper disposing is fairly easy to accomplish and damage to the environment often takes years to show up.

Much of this, however, may change when the EPA disposal regulations become official in November and crackdowns begin.

But the EPA's Mr. Lehman admits the process might be long.

"A lot of this is uncharted waters for us," he said. "We are starting virtually from scratch and only time will tell how this all will work out."

## sawmills, woodworking operations a problem?

on woodworking operations  
including automated sawmills

We're insurance specialists in the forest products industry, and can provide you with property coverages at possible savings up to 50% over your present costs. We can also provide you with contractor's equipment coverage and general liability (including products) insurance.



forest products agency company, inc.

P.O. BOX 426 • NORWICH, CONNECTICUT 06360

PHONE 203-642-7559

As your total reinsurance resource, RFC has proven its ability to do more than bring people together. Through offices nationwide we extend your access to

more than 250 reinsurance markets. And provide worldwide expertise that completes your complex negotiations successfully. So for more than polite introductions, look to RFC. We're cementing reinsurance relationships.



RFC  
Intermediaries,  
Inc.

A subsidiary of  
The Continental Corporation

## WE CEMENT RELATIONSHIPS



© 1980

## CMA proposes safeguards

NEW YORK—Finding a place to dispose of hazardous wastes is a major concern of the nation's chemical manufacturers.

They have sparred with the Environmental Protection Agency over this dilemma, often arguing that demands placed on them by the federal agency are unworkable and too costly.

But the Chemical Manufacturers Assn., conceding some action is needed, has proposed a model bill for safe dumping to the government.

The bill would:

- Authorize the creation of a statewide Hazardous Wastes Facilities Plan to locate a number of "environmentally acceptable sites" in a state. Seven plan members would be appointed by the governor.
- Require anyone proposing to open a site to obtain a "certificate of environmental compatibility and public necessity" and state and federal permits.
- Permit "as a last resort, state acquisition of land for a hazardous wastes site and pre-emption of local zoning and other land-use control plans."
- Create a state corporation that would have the power to finance, construct or operate a wastes treatment site or lease one from private operators.

# Retentions, retros finance risks

Continued from page 1

Risk managers prefer conventional retrospectively rated insurance policies for most of their corporate risks. Conventional retro plans provide loss-sensitive rating of an insurance policy. The ultimate premium for a year depends upon losses but is limited by a minimum and maximum cost.

Conventional retros are used most often to fund workers compensation risks, by 42% of the companies. Only qualified self-insurance rivaled conventional retros for workers compensation risks, with 29% saying they most often qualified as a self-insurer for workers compensation.

About a third of the survey respondents use conventional retros to insure automobile liability, operations/premises liability and product liability risks.

But only 15 companies, or 3%, say they buy conventional retros to fund their property risks.

About 29% of the companies buy retros for product liability risks. The same percentage finance product liability risks under a large deductible. The study, however, doesn't define large deductible.

Large deductibles are also taken on operations/premises liability risks by 23% of the companies.

Only 18% of the companies say they consider large deductibles the predominant risk-financing technique for automobile liability losses.

And large deductibles are used by only 5% as the predominant risk-financing technique for workers compensation losses.

Captives—subsidiary insurance companies created to underwrite the risks of affiliated companies—are identified as the predominant risk-financing mechanism for five categories of risk in about 10% of the surveyed companies.

Product liability is most often funded mostly through a captive, by 11% of the companies. Eight of the 54 companies using the captive as the dominant risk-financing technique for product liability do not use a fronting company—an insurance company to issue and service the policies and reinsure the risk with the captive.

## Captive use

Operations/premises liability is the second most prevalent risk funded predominantly through a captive. Of 535 companies answering the question, 51 said a captive was the predominant risk-financing mechanism. Only three companies directly insured the risk with their captives and 48 used a fronting insurer.

As a percent of those answering, workers compensation and automobile liability tied for third place as risks most often primarily insured with a captive. Forty-nine of 532 respondents—or 9%—said they used a captive as the predominant financing technique for workers compensation. Only four companies said they didn't use a fronting company for workers compensation risks. Of the 48 companies predominantly using a captive to fund automobile liability risks, only two said they didn't use a fronting company.

This limited amount of direct underwriting of auto and workers compensation risks by the captives would be expected for these two statutory lines of insurance.

Other cash-flow mechanisms, implying an insurance policy that is loss-rated and allows the policyholder to pay premiums only as needed to pay losses, are slightly more popular than captives as the dominant risk-funding technique.

Cash-flow mechanisms were identified as predominant for workers compensation by 13%, for product liability by 11%, for operations/premises liability by 10%, for automobile liability by 9% and for property risks by 2%.

Despite this strong showing for risk-financing techniques that demand corporate payment of losses, risk managers say they are mostly transferring corporate risks, not retaining them.

The report's analysis of risk transfer versus retention, however, is skewed because survey respondents were told to exclude exposures financed through a captive when determining if they transferred or retained risks.

## Risk transfer

It's also interesting to note that survey respondents rating the amount of risk transfer under the various funding techniques for property risks heavily weighted each of them except self-insurance as providing mostly risk transfer. When rating the risk transfer under the techniques for product liability risks, the emphasis shifted more toward risk retention under

## Breakdown of companies

The 538 companies whose risk management programs are analyzed in the Louis Harris & Associates/Insurance Research Services survey are:

- 277 of the largest 500 industrials.
- 200 of the second largest 500 industrials.
- 29 of the 50 largest commercial banking companies.
- 13 of the 50 largest retailing companies.
- 19 of the 50 largest transportation companies.

The sales volume of the companies is concentrated between \$100 million and \$5 billion. The amount spent on insurance premiums by the surveyed companies ranges from less than \$500,000 in 7% of the companies to greater than \$25 million in another 7%. In between, the amount spent is \$500,000 to \$1 million by 11%, \$1 million to \$2 million by 15%, \$2 million to \$5 million by 26%, \$5 million to \$10 million by 18% and \$10 million to \$25 million by 14%.

The eight insurance companies, which along with Johnson & Higgins contracted for the study, are: American International Group, Commercial Union Insurance Co., The Continental Insurance Co., Fireman's Fund American Insurance Cos., Royal Globe Insurance Cos. (now Royal Insurance), Sentry Insurance-A Mutual Co., The Travelers Corp. and INA Corp.

large deductibles and cash-flow mechanisms.

Workers compensation is the only risk category that shows more risk retention than transfer. Forty-five percent said the risk is mainly (41%) or wholly (4%) retained, compared with 35% that said the risk was wholly (22%) or mainly (13%) transferred. The remainder considered the risk half transferred.

In other risk categories, risk transfer dominates. Most striking is 82% of the companies that wholly (22%) or mainly (60%) transfer property risks compared with only 8% that mainly retain property risks and 1% that wholly retain them.

Automobile liability and operations/premises liability is wholly or mainly transferred by two-thirds of the survey respondents with an almost even split between wholly and mainly transferred. In each category, about a quarter of the respondents say the risks are mainly retained. The rest consider the risks half transferred with only a few percent in each wholly retaining the risks.

About half of the companies with product liability risks say they are wholly (26%) or mainly (28%) transferred. Not quite a third consider the risks mainly retained (26%) or wholly retained (3%). Fifteen percent say product liability risks are 50% transferred.

But retention of foreign risks falls dramatically short of risk retention at home. In each major risk category, less than 10% of the respondents mainly or wholly retain foreign risks. Adding together re-

sponses of wholly or mainly transferred, transfer of foreign risks dominates workers compensation risks in 87% of the companies, property risks in 98%, product liability risks in 80%, automobile liability risks in 88% and operations/premises liability risks in 86%.

Decisions about risk transfer and other risk management concerns are heavily centralized in corporate headquarters. Ninety-six percent of respondents said decisions on risk management program development, insurance purchases and related service purchases were centralized.

## Foreign operations

But centralization of risk management decisions regarding foreign operations is less. Only in two-thirds of the companies are risk management decisions about foreign operations made in the United States. In 19% of the companies, the decisions are made abroad and in 15% of the companies, decisions are made in both places.

Measuring influence of other corporate officers on the selection of insurance companies and brokers, the study found that in slightly more than half the companies, financial officers above the risk or insurance manager have a decisive influence. Senior management, from the chairman of the board to a vp, have a decisive influence on insurance company selection in about a quarter of the companies and on agent/broker selection in almost a third.

## DALLAS and CLEVELAND



... are two locations worldwide where corporate risk managers can call out the ARMI against spiraling insurance costs. To enlist the ARMI... Assurex Risk Management Institute... in your business (and elsewhere in more than 40 states and 16 foreign countries) call your Assurex International broker.

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

THE JAMES B. OSWALD COMPANY  
1718 Bond Court  
Cleveland, Ohio 44114  
216-241-0468



SEE OUR AD ON PAGE 18

## TAKE THAT EXTRA MEASURE OF PROTECTION

### Subscribe to: Business Insurance

With loss prevention, risk financing and employee benefit management becoming more complex than ever, you can't afford to lag behind the "news". And the easiest way to make sure you're fully, factually informed on what's happening in the insurance marketplace is to

### Read Business Insurance Every Week

It's the industry's communications leader. It goes that extra mile to make sure you understand both the issues and the answers, have vital information needed to make risk-reducing decisions, control costs, package employee benefit programs, and keep underwriting practices sound.

Use the handy coupon or the card in this issue. For faster service, call 312-649-5221. Just \$25 for 52 weekly issues.

**Business Insurance**  
740 Rush St., Chicago, IL 60611



Fill in and mail to:  
**BUSINESS INSURANCE**  
740 Rush St., Chicago, IL 60611

Please:  
 enter,  renew,  
 extend my subscription to Business Insurance for:  
 1 year \$25.  2 years \$48.  3 years \$70.

Canada, Pan American and all other subscribers outside the U.S. add \$10 per year for surface postage. Europe and Middle East only add \$32 year for air delivery.

Payment enclosed.  Bill me.  Bill company.

Charge to:  Visa.

MasterCard (Interbank # \_\_\_\_\_).

Acct. # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_ (please print)

Title \_\_\_\_\_

Company \_\_\_\_\_

Nature of Business \_\_\_\_\_

Home or  Business Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications Inc.

## Brokers score higher for using imagination

One-third of the risk managers in the Fortune 500 would prefer dealing directly with insurance companies, skipping brokers, a private study says.

But overall, brokers scored higher than insurers for their "imaginative approach to problem solving, ability to implement selected programs and caliber of account representatives," according to the Harris/Insurance Research Services study. Only one insurer, American International Group, outscored the brokers on "imaginative approach to problem solving."

The brokers who scored the highest on these attributes the risk managers said were important to them were Alexander & Alexander, Johnson & Higgins and Marsh & McLennan.

Companies surveyed also intend to bring more service needs in-house, especially for workers compensation risks. However, it's not necessarily dissatisfaction with contract services spurring the switch.

Among one-third of the survey respondents who said they were very satisfied with the quality of services delivered under workers compensation policies or contracts for services, one-sixth still want to bring the work in-house.

The report concludes that moving risk management service needs to an in-house staff "is partly a reflection of the territorial imperative of managers to increase the importance of their operation to the firm by increasing the size of their domain."

# Most captives write third-party business

More than half of a sample of captive insurance companies underwriting substantial risks for affiliated companies are also underwriting risks for non-related companies, a private survey shows.

A combination of direct underwriting and pooling with other captives or commercial insurers is used by 42% of the captives underwriting third-party risks. Another 37% only participate in pools and 18% only underwrite third-party risks directly.

This analysis of captive underwriting of third-party risks is drawn from the results of a private survey of major U.S. corporations conducted exclusively for eight insurance companies and broker Johnson & Higgins (see story, page 1).

The survey analyzes captive use among 538 major companies, but only when the company considers a captive to be the dominant risk-financing mechanism for one of five risk categories. This ignores the use of captives to fund large deductibles.

Fourteen percent or 76 of the 538 companies said a captive was the dominant risk-financing technique for one or more categories.

The survey authors, however, note that answers to another question on fronting services indicate broader use of captives than by just 14% of the respondents.

Fronting is the policy issuance and usually claims servicing for an account by a commercial insurer that reinsures the financial risk of

loss with a captive insurer. Use of fronting for pure self-insured programs lacking a formal captive mechanism has been generally restricted to workers compensation risks. Therefore, use of fronting implies the use of a captive insurer.

Sixteen percent of the companies surveyed said they use a fronting service for property risks. Twenty-four percent said they use a front for liability risks and 20% say they use a front for workers compensation.

Currently the 76 companies in the survey relying on a captive use it mostly for either one risk or four or five risks. Few of the surveyed companies use their captives for two or three risks.

But 51% of the companies said they intend to add other risks to their captives. Only 38% said they did not and 11% weren't sure.

Most of the single-risk captives, 16 of 24, underwrite only property risks. Only four of the single-risk captives are for workers compensation and four are for only product liability risks.

Liability exposures dominate captives underwriting for exposures. The most prevalent combination, in 24 out of 36 captives, is workers compensation, product liability, automobile liability and operations/premises liability.

Fortune 500 companies use captives more than the second 500 largest industrials. In the study sample, 12% to 14% of the Fortune 500 used a captive as the predominant risk-financing mechanism for

one or more of the five risk categories. But the range among the second Fortune 500 was 1% for property risks to 5% for product liability risks.

Fifty-six percent of the captives underwrite both foreign and U.S. exposures, 41% underwrite only U.S. risks and only one respondent identified its captive as being for foreign risks only.

Eighty-four percent of the captives are offshore and 8% are domiciled in the United States. Another 8% indicated a domicile of both the United States and offshore, probably indicating the company has more than one captive.

Ten of 76 companies have their own management teams operating their captives. Another 15 said they intend to assume management soon.

Of the 57 companies that identified their captive managers, 18 used International Risk Management Ltd. J&H Ltd. managed nine, M&M Management Ltd. had seven and Alexander International Ltd. had five. The rest were scattered among other brokerage and insurance company subsidiaries that manage captives.

Sixteen percent of those using outside managers said they were dissatisfied enough with the current service that they would consider switching captive managers.

Criticized the most were communications between manager and parent company, actuarial services and access to the reinsurance market.

## Claims courses offered

HUNTINGTON, N.Y.—The Shippers National Freight Claim Council Inc. is repeating its first two courses: "The Beginning of Freight Claims" and "Documenting Claims."

The fee for each course is \$60, but a \$10 discount per course will be given for multiple registrants from the same company and persons attending both courses.

The courses are scheduled for: Oct. 1-2 in Miami and Newark; Oct. 2-3 in Cincinnati; Oct. 6-7 in Charlotte, Cleveland, Dallas and St. Louis; Oct. 7-8 in Baton Rouge;

Oct. 8-9 in Buffalo; Oct. 9-10 in Atlanta, Chicago and Hartford; Oct. 15-16 in Los Angeles, and Oct. 16-17 in Minneapolis and Seattle.

More information is available from SNFCC at 120 Main St., Box Z, Huntington, N.Y. 11743.

**ATWOOD & CO.**  
 Consulting Actuaries  
 Review of Reserves for Captives & Self Insurance  
 5000 Ambrase Ave.  
 Los Angeles, CA 90027  
 (213) 661-9260

# K

eeping down the cost of healthcare is possible.

**Attention:** *Business Week* invites all personnel, financial, benefits, insurance, administrative, and other executives to a special conference on **Cost-Effective Strategies for Corporate Healthcare, November 10-11, 1980, Chicago Marriott Hotel, Chicago.**

Learn about techniques for improving the effectiveness of your healthcare services and your dollars.

Examine corporate organization strategies for healthcare cost containment; the CEO's role in healthcare; the self-funding options—assessing risks and returns; national efforts to impact healthcare costs; managing healthcare providers; and designing claims processing to produce management information.

Join more than 25 industry experts including: ... Alain G. Enthoven, Ph.D., Professor, Public and Private Management, Graduate School of Business, Stanford University; Howard V. Knicely, Vice President, Human Relations, TRW Inc.; and Russell F. Schuck, Manager, Employee Benefits Planning, IBM Corporation.

For more information on how to attend the *Business Week* conference on "Cost-Effective Strategies for Corporate Healthcare," complete the coupon and return it to: *Business Week* Executive Programs, c/o McGraw-Hill Conference & Exposition Center, 1221 Avenue of the Americas, Room 3677, New York, N.Y. 10020, or call 212/997-4930.

**BusinessWeek**

Please Print

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

# Court permits insurance for some EEOC bias suits

Continued from page 2 started excluding discrimination coverage before such lawsuits became common in the mid-1970s.

"Our umbrella liability policy has a special exclusion for conditions of employment," said Frank Barry, director of commercial insurance at Aetna Life & Casualty Co. The policy was amended five or six years ago to come down "four-square against discrimination claims," he said.

The Hartford Group's policy, however, appears to include coverage for discrimination and humiliation, said a company spokesman. It would be premature to discuss the implications of that coverage in light of the recent court decision, the spokesman added.

Two insurers, Fireman's Fund and The Travelers Insurance Co., said their policies do not make any specific reference to discrimination.

"Insurance for discrimination would be contrary to public policy," declared Edwin J. Rinehimer, assistant director of product management in The Travelers' property/casualty department.

But the court disagreed, saying, "(we) do not think that allowing an employer to insure itself against losses incurred by reason of disparate impact liabilities will tend in any way to injure the public good."

To the contrary, said the court, insurance might be helpful toward achieving the desirable goal of voluntary compliance with the Equal Employment Opportunity Act. Insurers might help employers establish valid employee selection criteria that do not place stumbling blocks in the hiring of women and minorities.

Insurance in the field might ease the burden of smaller employers by making claim prevention services cheaply available to help employers evaluate their employment standards, suggested the court.

"Workmen's compensation, by way of analogy, no doubt helped prevent numerous employee injuries and it is not undesirable, nor inconceivable, that discrimination insurers might aid in preventing the injury of discrimination as well," said the decision.

In the *Solo Cup Co. vs. Federal Insurance Co.* case, the policyholder sued its insurer for indemnification of legal settlement costs provided under its umbrella excess liability policy.

While the policy was in force, a female employee in Solo's Atlanta facility filed a charge with the EEOC alleging that Solo's failure to promote her was sexually discriminatory.

In February 1977, Solo informed Federal it was going to settle the case. The insurance company disclaimed coverage. Without acknowledging any wrongdoing, Solo paid the plaintiff \$25,000.

## Bill limits employer liability

SACRAMENTO—Employers would be protected from liability for an employee's actions under a bill (S.B. 1989) passed by the California legislature.

Under the bill, a company is immune from liability unless it had

advance knowledge of the unfit-ness of the employee and employed him or her with a conscious disregard of the right or safety of others, or ratified the wrongful act.

The bill awaits Gov. Jerry Brown's signature.

## creative reinsurance

# SKANDIA GROUP®

NORTH AMERICAN ZONE  
 HEAD OFFICE  
 280 PARK AVENUE, NEW YORK, N.Y. 10017

<p><b>Group Companies:</b>                  SKANDIA CORPORATION                  SKANDIA AMERICA REINSURANCE CORPORATION                  HUDSON INSURANCE COMPANY                  SKANDIA ADVISORY SERVICE CORPORATION                  AMERICAN - EUROPEAN REINSURANCE CORPORATION</p> <p><b>In Canada:</b>                  SKANDIA INSURANCE COMPANY, LTD.</p>	<p><b>Branches:</b>                  NEW YORK                  CHICAGO                  SAN FRANCISCO                  LOS ANGELES                  HOUSTON                  ATLANTA                  TORONTO</p>
---	---

# Ohio fund to improve financial controls

COLUMBUS, Ohio—Administrators of the Ohio state workers compensation insurance fund are embarking on a program to improve accounting procedures and internal controls.

The program was recommended by Arthur Andersen & Co., a major accounting firm, following the first major audit of the fund commissioned by state auditor Thomas E. Ferguson, says a spokesman for

the auditor's office.

When it attempted to examine the fund for the last three years, the Andersen firm found that recordkeeping was so poor for 1977 and 1978 that a complete audit was impossible and was difficult for the 1979 fund, the spokesman said (BI, July 21).

Among the improvements recommended by the auditors are:

- Implementation of a general

ledger for each of the funds.

- Development of warrant systems for all payments.
- Establishment of subsidiary ledgers and general journals.
- Development of detail records for account balances.
- Identification and segregation of fund balances.
- Improvements in the processing of claims.
- Development of a fee bill sys-

tem for medical payments.

The accounting firm noted that some of these procedures have already been set up and have "generally enhanced the financial controls."

The audit also found a \$382 million understatement in the size of reserve funds. It also noted a failure by the disabled workers relief fund to reserve for claims filed but not approved and those incurred

but not reported. Accounts receivable records from 1979 may not be collectable because of bad recordkeeping, the accounting firm said.

The auditor's department said a major reason for the deficient recordkeeping is because the bureau never had an accounting system "responsive to auditing."

Before 1977, state law didn't allow the auditor's office to scrutinize the records.

## classified advertising

### RATES AND CLOSING TIME:

\$3.50 per line, minimum charge \$17.50. Cash with order. Figure all cap lines (maximum two) 26 letters and spaces per line; upper and lower case 34 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days pre-

ceding publication date. Published every Monday. Display classified takes card rate of \$41.00 per column inch, and card discounts on size and frequency. Mail ads to Barbara Tosheff, Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5340 for more information. No verbal phone copy accepted.

**FOR SALE**  
EXCESS/SURPLUS AGENCY  
Exceptional facilities, both  
Domestic and Lloyd's.  
Extremely profitable operation.  
Remuneration for the principals.  
High Six Figures the last  
3 years.  
Interested cash sale only.  
Reply in confidence:  
P.O. Box 53  
Wall Street Station  
New York, NY 10268

**PROF. POS. AVAIL.**  
DIRECTOR Safety & LP .....40M  
ASST RM, fire & cas .....30-37M  
ASST RM, cas claims .....23M  
ASST RM, NJ, beginner .....18-21M  
RM, midwest .....40M  
**JOHN HUTTNER**  
(212) 732-3110  
david j. hollinger assoc. inc.  
150 Broadway, New York, NY 10038

**ACCT. EXEC.—  
NEW JERSEY**  
Due to expansion, national broker  
needs a P/C professional to sell  
& service accounts. Superior compensation  
package.  
**J.S. KEMPER AGENCY, INC.**  
374 Milburn Ave.  
Milburn, NJ 07041  
ATTN: John Surano

**Consulting/Executive Search  
To the Insurance Industry**  
  
**PAUL E. RUNKLE  
ASSOCIATES, INC.**  
One Chase Road  
Scarsdale, New York 10583  
(914) 725-0773


**AGENCY  
MANAGER**  
Boulder, Colorado  
Property and Casualty Agency  
looking for an experienced Administrator or CPA to handle  
Accounting, Personnel, EDP,  
and General Operations. Knowledge of Property & Casualty  
business preferred.  
We are growing rapidly! Excellent  
potential for the right person! Salary, pension and profit-sharing.  
Box 376, BUSINESS INSURANCE  
740 Rush Street  
Chicago, Ill. 60611

**NOTE TO POTENTIAL  
NEW ADVERTISERS:**  
If you have been meaning  
to run an ad in the  
*Business Insurance* classified  
section, wait no  
longer! As of October 1  
rates for new advertisers  
will be increasing. Advertise  
now and discover how well BI  
can work for you!

**Sr. Contract  
Bond Underwriter**

Home office of Kemper Group has a challenging career opportunity for an individual who has a minimum of 10 years of contract bond experience. Successful applicant will have responsibility for supervising the underwriting and production of contract bonds in various branch offices. Position does call for moderate amount of travel. This position, located at our corporate headquarters in a scenic suburban community just northwest of Chicago, affords a highly competitive compensation package including a full range of benefits. For confidential consideration, please submit resume to:

**J. Harris**

  
Long Grove, IL 60049

Equal Opportunity/Affirmative Action Employer

**COMMERCIAL  
CLAIMS  
\$30-35,000**

Large commercial, fire, property, and business interruption claims experience. Ability to convey positive image and supervise claims activity while settling large losses. A degree or background in engineering is preferred. Contact us by phone or send your resume in strict confidence to:

Attn: Roger Williams  
(515) 284-6950

**Snelling & Snelling**

606 Equitable Bldg.  
Des Moines, Iowa 50309  
Employer Pays Fee

**FLORIDA/SURETY  
CORAL GABLES**

Large International Insurance Agency seeks individual with 5 years or more of specialized experience in Bonds with emphasis in Surety and Contract Bond areas. Must have excellent communication and marketing skills and experience with a large agency or major Insurance Company. Preier College Graduate with major or minor in Insurance, and a desire to move into management responsibility. We offer a competitive salary, automobile and full benefits package, medical, dental, life, pension, etc.  
Send resume in confidence to:  
**FRANK B. HALL & CO.**  
P. O. Box 343800  
Coral Gables, Fla. 33134  
Equal Opportunity Employer

**AUSTRALIAN  
INSURANCE BROKER**

Skilled in large Corporate and Surplus lines broking and consultancy based in Sidney, New South Wales, with connections in other states, seeks working relationship with medium size American Broker of similar skills who is not connected in Australia. Preference for West Coast based, non-life orientation. Reply in confidence to.

**MANAGING DIRECTOR**  
Box 4887 G.P.O.  
Sidney NSW 2001  
Australia

**LOS ANGELES BROKER**  
Seeking Qualified  
**ACCOUNT EXECUTIVES**  
For  
**ENDORSED NATIONAL  
ASSOCIATION ACCOUNTS**  
Salary, Commission & Benefits  
Unlimited Opportunities for  
an Aggressive Person  
Travel Required From L.A. Base  
Commercial Lines Experience  
Mandatory  
Our Employees Know Of This Ad  
Box 380, BUSINESS INSURANCE  
740 Rush St. Chicago, Ill. 60611

**INTERNATIONAL  
INSURANCE BROKER**

NYC Based, Division Headquarters

Major international division of insurance brokerage, consulting and actuarial firm, with revenues well in excess of \$300 million, immediately seeks exceptional person.

**POSITION:** As SENIOR ACCOUNT EXECUTIVE, you will be responsible for the continued identification, coordination and development of foreign-based insurance brokerage investment business in the U.S.A.

**ESSENTIAL:** A solid domestic insurance background (especially casualty) with considerable experience in the U.S. brokerage and Account Executive areas. Must have availability for domestic and overseas travel.

**DESIRABLE:** Language fluency (German and/or French), CPCU or equivalent, well-travelled and possessing an affinity for foreign environments, social and business practices.

**SALARY:** Extremely attractive, negotiable base in the \$35,000 to \$60,000 range commensurate with background and qualifications, plus incentive compensation and generous employee benefit program.

**WRITE,** indicating experience and earnings history, preferably by resume to: Vice President International, Box 09111U, c/o Suite 1100, 551 Fifth Avenue, New York, N.Y. 10176. All replies will be treated in utmost confidence. We are an equal opportunity employer.

**OVERSEAS EMPLOYMENT**  
Saudi Arabia  
Insurance Claims Coordinator

The Ralph M. Parsons Company is recognized as one of the largest and most respected Engineering/Construction companies in the world, and we are seeking an experienced Insurance Claims Coordinator to work with us in one of the most challenging undertakings in the modern world; building an entire city for 200,000 people in Yanbu, Saudi Arabia.

The ideal candidate will have 5 years experience in ocean marine and Contractors All Risks Insurance, plus a strong knowledge of general insurance, auto liability and workers compensation. You will report directly to the Risk Manager and work closely with the Royal Commission Risk Management Consultants and Construction Contractors. Benefits include excellent base salaries, overseas salary differentials and housing.

Rest and recreational allowances and advanced educational allowances are offered if you accept an 18 month assignment.

Please send your resume to:

**INTERNATIONAL STAFFING**  
Department 140  
**RALPH M. PARSONS COMPANY**  
100 West Walnut Street  
Pasadena, CA 91124  
An Equal Opportunity Employer M/F

**PARSONS**  
Pride in Performance

**RISK MANAGEMENT  
PERSONNEL CONSULTANTS**  
Representing Select Corporations & Candidates Nationally

- INSURANCE • SAFETY • EMPLOYEE BENEFITS

Managers & Assistants  
CORPORATE CAREER ENTRY CAPTIVE TECHNICIANS  
Call Collect: (212) 599-2662  
Marty Hodes, ARM Meg Sloman

**METRIC** 11 East 44th Street  
New York, N.Y. 10017

**CASUALTY  
INSURANCE  
MANAGER**

Chicago based Fortune 250 Company seeks an individual to manage its Casualty Insurance Program. Such individual should have sufficient experience to supervise the disposition of casualty claims, assess risks, and negotiate casualty insurance coverages. The position reports to the Corporate Insurance Manager and is located at Corporate Headquarters. The candidate should have the interest and potential for eventually filling the Corporate Insurance Manager's position. This career opportunity with a growth-oriented company offers excellent salary and benefits. If qualified and interested, send resume with salary history to:

**Box 379, BUSINESS INSURANCE**  
740 Rush St. Chicago, Ill. 60611  
An Equal Opportunity Employer M/F

# Jerry Geisel doesn't let any grass grow under his feet.

Jerry Geisel is Washington Editor of Business Insurance. He has a way of mowing down myths and getting to the truth.

Take the now famous lawn mower story.

The one about the man who tried to use a lawn mower as a hedge clipper, lost some fingers, sued the lawn mower manufacturer and was awarded a huge sum of money by a jury.

Jerry investigated, and found the incident never happened.

His front page story in Business Insurance was read into the Congressional Record and was reprinted in newspapers around the country. As a result, insurance trade associations changed some of their literature and, advertising claims by some insurers were modified to provide more credible information about the troublesome tort situation.

Jerry has also given readers of Business Insurance the first summary of product liability and tort reform actions and proposals on a state by state basis. This chart has been widely reprinted and circulated.

Yet Jerry, like all of our editors and reporters, does not specialize. His stories cover a wide spectrum of insurance, risk management and employee benefits and his incisive, in-depth reports have been the subject of discussion, earnest analysis and *action* by influential corporate and government officials.

It is this kind of in-depth reporting that makes Business Insurance the most widely used, and quoted authority in its field.

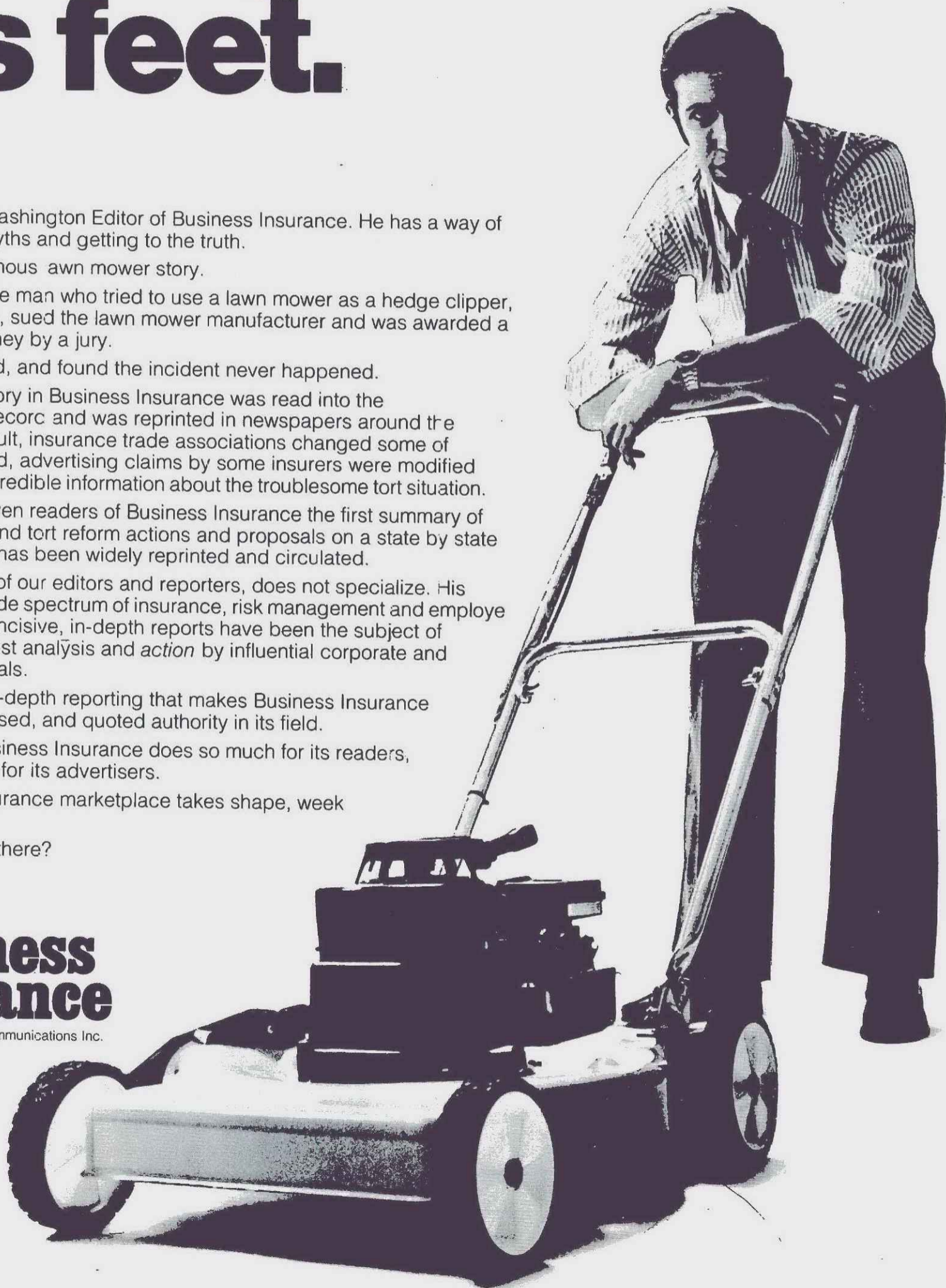
And because Business Insurance does so much for its readers, it also does more for its advertisers.

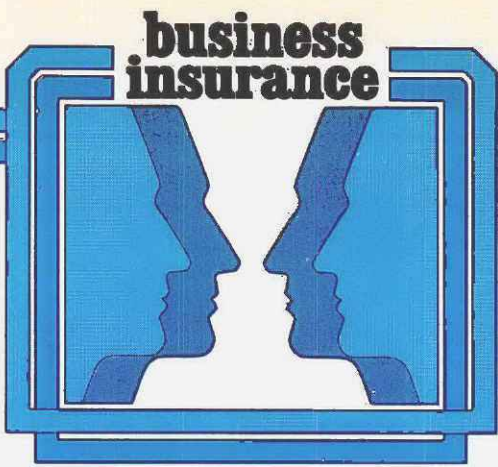
It's where the insurance marketplace takes shape, week after week.

Shouldn't you be there?

**business  
insurance**

a publication of Crain Communications Inc.





# COMMUNICATING EMPLOYEE BENEFITS

Conference October 26-29 1980  
Continental Plaza of Chicago

Review this schedule and learn how you can communicate the full importance of your benefit programs.

## Sunday 26 October

4:30 pm **Registration**...obtain session materials and prepare for the program opening and reception ahead.

6:00 pm **Welcome Address** by Alfred Malecki, publisher of Business Insurance.

6:15 pm **The Essence of Clear Communications** "Medisense," a Robert Drucker & Co. film on healthcare costs provides an insightful look into the techniques of handling a complex and misunderstood issue. The film confronts consumers with their role in soaring healthcare costs. Tylie Jones of Tylie Jones Communications explains the film's aim.

7:00 pm **Cocktail Reception**

## Monday 27 October

9:00 am **Introductory Remarks**

9:10 am **Simple Is Smart... Techniques for Simplifying Benefit Materials**

Alan Siegel, president of Siegel & Gale, Inc., will discuss specific techniques he has used to simplify over a 150 life and health insurance policies and other employee benefit booklets.

10:30 am **The Style and Substance of Clear Communications**

Three concurrent sessions... repeated after lunch. Each session is one hour 45 minutes.

- **Designing Employer Benefits Programs To Benefit Employees**  
William J. O'Connor, executive vice president of Source/Inc. and David A. Williams, president of Williams Communications, apply principles of design and communication to affect positive employee attitudes.

- **Pacing Your Message**  
Acting relocations administrator for Rockwell International, John G. Willard, demonstrates the approach of pacing key words and ideas to maximize the impact of benefits messages.

- **Tools, Tactics & Timing**  
The why behind which tools to use when packaging your

benefits program are revealed by Terrance T. Toth, director of communication services, Buck Consultants, Inc.

12:30 pm **Luncheon**...with a screening of EBC competition entries.

2:00 pm **Concurrent Sessions Resume**

4:00 pm **CPC's Animated Approach**

Richard T. Whitman, a partner with Kwasha-Lipton, details CPC International's use of an imaginative benefits story.

4:30 pm **What I've Learned in the Advertising Business in 111 Years**

Robert Zabel, president of NW Ayer ABH International-Chicago shows how to inject "humanity" into your communications.

5:15 pm **Cocktail Reception**

## Tuesday 28 October

9:00 am **You Be the Judge**

Herbert Zeltner, group vice president of Crain Communications Inc., invites attendees and a panel of benefits professionals to join him in evaluating the effectiveness of benefits approaches. (The session will run until noon with a break)

12:00 pm **Luncheon**...Thomas F. Masloski, director of communications for Source/Inc., examines the role corporate advertising/pr departments can play in the employee benefits communications picture.

2:00 pm **Rewards of Well-targeted Benefits Communications**

Kathy Groon, audiovisual training coordinator of Jewel Food Stores, explains Jewel's a/v program for communicating benefits during the various stages of an employee's work life and reveals the effect it has had on claims.

3:30 pm **Communicating in a Changing Work Climate**

Vice president-manager of compensation & benefits for Bank of California, Joseph Young, demonstrates how benefits communications can and must adapt to a changing work atmosphere, new employee needs, and expectations.

5:30 pm **Cocktail Reception**

6:30 pm **The 8th Annual EBC Awards Dinner** features the presentation of Business Insurance Employee Benefits Communications awards in five categories.

## Wednesday 29 October

9:00 am **Developing a Total Employee Benefit Communication Program—How & Why**

Control Data of Canada, Ltd's Walter D. LeGrow, director of

personnel services, explains why his company felt it important to tell its employees about all their benefits—and how it was done.

10:15 am **Clear Communications: The Law & Lawyers**

Robert W. Ridley, a partner with Forster, Gemmill & Farmer, has practical suggestions on how to deal with your legal department.

11:15 am **You Be the Judge... Reprise**

12:00 pm **Conference Adjourns**

## The People Who Help You Communicate



Kathy Groon  
Jewel Food Stores



Walter D. LeGrow  
Control Data of Canada, Ltd.



Thomas F. Masloski  
Source/Inc.



William J. O'Connor  
Source/Inc.



Robert W. Ridley  
Forster, Gemmill & Farmer



Alan Siegel  
Siegel & Gale, Inc.



Terrance T. Toth  
Buck Consultants, Inc.



John G. Willard  
Rockwell International



David A. Williams  
Williams Communications



Joseph Young  
Bank of California



Robert Zabel  
NW Ayer ABH International-Chicago



Herbert Zeltner  
Crain Communications Inc.

## Conference Data

The registration fee of \$385 includes admission to all scheduled sessions and functions, a portfolio with resource materials, planned receptions, luncheons and the awards dinner. Hotel and travel accommodations are not included and must be made separately. You will be provided hotel reservation forms listing preferred rates for conference attendees with the

registration confirmation letter.

If your plans change, you may substitute the name of another person from the same company without penalty...or receive a full refund by cancelling in writing by October 1, 1980. For cancellations received after this date, there is a \$100 service charge.

**Phone toll free 800-621-6468**

(In Illinois phone collect) **(312)649-5242**

**or mail the form today!**

**business insurance**

I (we) wish to enroll in the Business Insurance "Communicating Employee Benefits" conference.

Name \_\_\_\_\_ Additional registrant from the same company: \_\_\_\_\_  
 Title \_\_\_\_\_ Name \_\_\_\_\_  
 Company \_\_\_\_\_ Title \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ (Conference fee \$385. Do take advantage of the 10% discount allowed additional registrants registered from the same company at the same time.)  
 Telephone (Area Code) \_\_\_\_\_

A check for \$ \_\_\_\_\_ is enclosed. I (we) prefer to be billed \_\_\_\_\_

Mail today! Please make check payable to:  
CRAIN EDUCATIONAL DIVISION, 740 Rush Street, Chicago, IL 60611

# Investment income gains keep earnings healthy

By Myron Picoult

## BI ticker

TRADITIONALLY, property/casualty stocks have performed in direct relationship to the underwriting cycle. When underwriting ratios deteriorated the stocks would slip, and vice versa. Over the past two years, however, this has not been the case. As the industry's combined ratio has moved up, so have the stocks.

To be sure, this has not been the result of multiple expansion in these stocks; this group along with many others has experienced multiple contraction. The performance simply shows that earnings have come in above expectations, because of strong gains in investment income reflecting strong cash flows and high interest rates.

As the underwriting cycle has progressed, we have adjusted our industry earnings model. We believe the industry's "earnings spring" has been compressed to about as low a level as one should expect, save for a few killer hurricanes hitting the East and Gulf Coast simultaneously, followed by plague, pestilence and a good-sized earthquake on the West Coast.

We have dusted off our crystal ball and made those prognostications in the face of increasingly vocal assertions from insurance company executives and brokers that pricecutting is rampant and unreasonable. While there is clearly a competitive market, the numbers at least do not yet reflect the

*Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the current president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His monthly column for Business Insurance appears the fourth Monday of every month.*



Picoult

doomsday scenario.

The term "cash-flow underwriting" is anathema to many traditionalists in the property/casualty industry and not easily accepted. The industry is changing and within reason the concept is definitely valid on certain types of lines (i.e., workers compensation and medical malpractice) because of the "long-tail" nature of the business.

In the 1970s, the industry posted a combined ratio of about 100%. As we look out into the 1980s, the combined ratio is more likely to average 102% to 103% with only fleeting moments of underwriting profitability. This reflects the investment income factor.

We believe the industry underwriting cycle will bottom out sometime in the second or third quarter of 1981 and expect some moderate underwriting improvement from that point. Competitive factors, the investment income and maybe some sluggish economic growth will most likely preclude a sharp rebound in premium growth and paring of underwriting losses. Nonetheless, earnings in 1982 could jump about 30% after being virtually flat in 1980 and down about 10% in 1981.

Several key points should be noted with respect to our earnings models:

- Our 1980 earnings model assumes sharp deterioration in underwriting results in the third and fourth quarters, basically reflecting a continuation of, and in some cases, an upgrading of conservative reserve postures. We assume that the third-quarter combined ratio will approximate 104% to 105% followed by about 107% to 108% in the fourth quarter, resulting in flat to modestly lower total earnings compared with last year.

- We believe personal lines insurers could see their underwriting cycle bottom out before the commercial insurers do, creating a cycle within a cycle.

- The inflation factor we use for our 1980 and 1981 models approximate 12.5% for both years with a further dip in 1982. We expect relatively moderate premium growth in 1980 of 8.5%, a slight pickup to 9% in 1981 and a further gain to approximately 10% in 1982. We expect pure rate relief to account for roughly half of this gain in each of the years with the remainder coming from adjustments in the premium base.

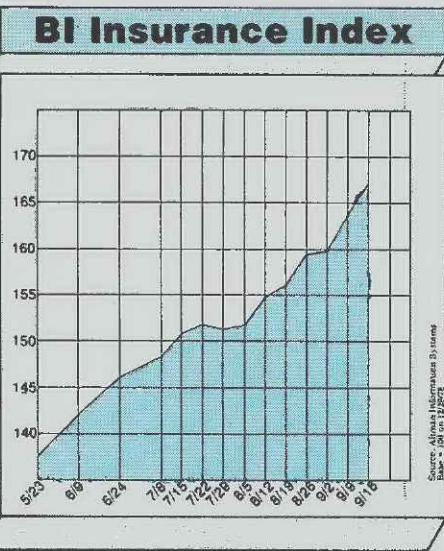
- Cash flow—defined as the increase in unearned premiums plus the increase in loss and loss expense reserves plus the statutory underwriting gain or loss, less dividends to policyholders plus dividends to stockholders and federal taxes—should be virtually flat in 1980 compared with 1979. But we expect a 10% increase in 1981 and 1982, respectively.

- While the industry is clearly more leveraged than before with greater "long-tail" exposures, the fact remains that as we go through the down side of the underwriting cycle, balance sheets are clearly stronger now than they were when the last disastrous underwriting cycle unfolded.

The traditional preoccupation with the combined ratio as a benchmark upon which to base an opinion of insurer strength may be outdated. Although consideration of the combined ratio should not be scuttled, perhaps it should be considered in conjunction with several other factors including: total operating earnings, the industry's relative earnings position, earnings potential in the upcoming cycle, present absolute and relative multiple relationships and perceptions of the inflationary environment.

Given these factors, we believe it is possible there could well be a truncation of the anticipatory recognition process whereby investors may not wait for the final underwriting drubbing to become more aggressive in these equities.

Recent stock market performance lends some credence to the theory. Furthermore, dividend increases in 1981, about 12%, should also allay fears that dividends will remain flat for a long period as was the case in 1974 to 1975.



Insurance stocks continued to rise last week, climbing 3.4 points to 167, according to the BI stock index. The base of 100 was at year-end 1978. However, the 2% index jump fell short of the New York Stock Exchange rise of 2.4% and Standard & Poors' 2.1% but surpassed the Dow Jones Industrial Average of 1.1%. Fastest gainers were: Zenith National Insurance Corp., 11.8%; Frank B. Hall & Co., 11.2%; Pinehurst Corp., 10.7%; Crum & Forster, 8.4%, and American Bankers Insurance Co. of Fla., 8.3%. Jefferson National Life Insurance Co. registered the largest decline, 14.4%. Hartford Steam Boiler, Integon Corp., Washington National Corp. and Northwestern National Life declined less than 5%.

### British Issues 1 Week

9/16 Companies	Price pence	P/E	Div. pence	Yield %	High-Low pence pence
Comm Union	177	8.9	14.63	8.2	180-175
Eagle Star	264	8.6	12.86	5.0	266-256
Genl Accident	358	8.9	18.24	5.1	362-352
Gdn Royal Exch	358	9.4	20.71	5.8	362-352
Phoenix	314	8.7	20.00	6.4	316-306
Royal	458	9.8	32.17	6.9	475-458
Sun Alliance	796	10.2	42.14	5.3	804-792

CE Health	Hogg Robinson	Alex Howden	JH Minet	Sedg Grp	Stenhouse Hldg	Stew Wrightson	Willis Faber
207	138	101	103	127	92	230	248
9.2	10.2	8.1	11.8	11.6	8.4	9.2	11.0
13.60	8.14	10.00	6.38	7.14	6.46	17.14	16.14
6.6	5.9	10.0	6.2	5.6	7.0	7.4	6.5
207-192	138-118	101-96	103-100	127-120	92-85	230-212	253-225

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

## BI Industry Stock Report

SEPT. 16, 1980 9/10/80 THRU 9/16/80											SEPT. 16, 1980 9/10/80 THRU 9/16/80											
Insurance Cos.											Agents/Brokers											
Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)							
Aetna Life & Cas Co	NYSE	37.75	3.1	5.3	2.12	5.6	37.75	37.13	641.7	Sri Corp	OTC	26.25	6.1	5.1	1.00	3.8	26.25*	25.00	39.2			
American Bankers Ins Co Fla	OTC	8.12	8.3	5.5	0.44	5.4	8.13	7.50	47.8	Seibels Bruce Group Inc	OTC	19.75	4.6	8.0	0.80	4.1	19.75	19.38	150.1			
American Fnl Corp Ohio	OTC	25.63	-1.4	6.9	0.50	2.0	26.50*	25.63	21.1	Statesman Group Inc	OTC	5.62	2.3	4.4	0.15	2.7	5.63	5.63	8.1			
American Gen Ins Co	NYSE	38.00	0.0	5.9	1.00	2.6	38.25*	37.75	89.1	Tokio Marine & Fire Ins Co	OTC	156.75	6.6	17.3	1.03	0.7	157.13*	149.00	5.0			
American Indty Fnl Corp	OTC	18.13	4.3	5.5	1.12	6.2	18.13	17.88	36.0	Travelers Corp	NYSE	43.63	5.1	4.8	2.48	5.7	44.50*	42.25	328.9			
American Intl Group Inc	OTC	75.00	1.4	11.1	0.50	0.7	75.50*	75.00	113.1	United Fire & Cas Co	OTC	27.25	0.0	7.4	0.90	3.3	27.25	27.25	0.9			
American Natl Ins Co	OTC	15.88	2.4	6.3	0.62	3.9	15.88*	15.63	51.5	United States Fld & Cty Co	NYSE	45.50	4.0	5.4	2.80	6.2	45.50*	44.00	94.6			
American Sts Life Ins Co	OTC	18.50	0.0	7.7	0.64	3.5	18.50	18.50	0.0	United Svcs Life Ins Co	OTC	16.63	6.4	5.9	0.96	5.8	16.63	15.88	38.3			
Aneco Reins Ltd	OTC	6.62	3.9	N/A	0.00	0.0	6.63	6.25	156.2	UsLife Corp	NYSE	21.63	-1.1	5.4	0.70	3.2	21.75	21.63	413.5			
Appalachian Natl Corp	OTC	2.00	3.2	5.7	0.05	2.5	2.00	1.94	1.7	Washington Natl Corp	NYSE	35.63	-3.4	7.2	1.50	4.2	36.88	35.63	33.1			
Avenco Corp	AMEX	12.00	0.0	8.6	0.50	4.2	12.00	11.75	11.0	Zenith Natl Ins Corp	OTC	16.50	11.9	9.4	0.50	3.0	16.50	15.75	98.6			
Banks Iowa Inc	OTC	26.25	0.0	4.1	1.32	5.0	26.25	26.25	10.6	INSURANCE COMPANIES												
Bitco Corp	OTC	40.00	0.0	6.0	1.68	4.2	40.00	40.00	10.5	AVERAGE						7.4						3.6
Carolina Cas Ins Co	OTC	7.75	0.0	2.8	0.32	4.1	7.75	7.75	1.3	Agents/Brokers												
Central Natl Fnl Corp	OTC	11.25	2.3	4.6	0.50	4.4	11.25*	11.00	1.8	Alexander & Alexander Svcs	OTC	34.75	-0.7	11.4	1.64	4.7	35.00	34.50	76.8			
Chubb Corp	OTC	45.62	7.0	6.0	2.40	5.3	46.50*	44.00	357.6	Baldwin & Lyons Inc	OTC	30.75	0.8	5.7	0.80	2.6	30.75*	30.50	2.8			
Combined Intl Corp	NYSE	19.62	0.6	5.6	1.40	7.1	19.63	19.50	59.0	Corroon & Black Corp	NYSE	27.00	1.9	10.9	1.72	6.4	27.00	26.25	28.1			
Connecticut Gen Ins Corp	NYSE	46.63	2.2	7.0	1.52	3.3	46.63*	45.00	127.5	Crum-F E H Cos Inc	OTC	12.87	-1.9	11.5	0.36	2.8	13.00	12.88	11.4			
Continental Corp	NYSE	29.13	3.1	5.6	2.20	7.6	29.13	27.50	433.8	Hall Frank B & Co Inc	NYSE	29.63	11.3	9.7	1.54	5.2	29.63*	27.50	168.4			
Crawford & Co	OTC	19.00	4.1	16.0	0.54	2.8	19.00*	18.25	8.4	Integrated Res Inc	AMEX	18.63	1.4	10.2	0.00	0.0	19.63	17.88	119.5			
Crown Life Ins Co	OTC	82.50	2.3	59.8	2.40	2.9	82.50*	82.00	2.0	James Fred S & Co Inc	NYSE	28.25	3.7	10.3	1.60	5.7	28.25*	27.25	48.4			
Crum & Forster	NYSE	33.75	8.4	5.9	1.44	4.3	34.00*	31.75	305.9	Marsh & McLennan Cos Inc	NYSE	68.25	2.4	10.9	3.60	5.3	68.38	67.13	102.5			
Employers Cas Co	OTC	34.25	2.2	5.6	1.20	3.5	34.25	33.50	4.8	PennCorp Fnl Inc	NYSE	8.50	3.0	5.5	0.16	1.9	9.13	8.50	275.2			
Exc Corp	OTC	93.50	0.0	10.5	1.40	1.5	93.50	93.50	0.6	Reed Stenhouse Cos Ltd	OTC	11.12	0.0	9.3	0.56	5.0	11.25	11.13	93.3			
Equifax Inc	NYSE	22.13	0.0	7.6	2.40	10.8	22.50	22.13	8.3	Rollins Burdick Hunter Co	OTC	24.75	5.3	10.9	1.24	5.0	24.75*	23.50	9.8			
Farmers Group Inc	OTC	30.50	-0.4	9.7	1.00	3.3	30.75	30.38	335.5	AGENTS/BROKERS												
First Colony Life Ins Co	OTC	35.25	3.7	12.1	0.76	2.2	35.25*	34.25	33.2	AVERAGE						9.5						4.5
Foremost Corp Amer	OTC	20.50	1.2	7.8	0.60	2.9	20.50*	20.25	7.4	Conglomerates/Holding Cos.												
General Reins Corp Del	OTC	60.25	9.8	9.1	1.40	2.3	60.75*	60.00	107.7	American Express (Fireman's Fd)	NYSE	35.50	1.4	7.1	2.00	5.6	35.75	35.00	314.8			
Great West Life Assurn Co	OTC	176.00	0.6	8.7	8.00	4.5	176.00*	175.00	0.0	Anderson Clayton (Ranger/PanAm)	NYSE	25.75	3.0	6.4	1.20	4.7	25.75	25.25	30.4			
Hanover Ins Co	OTC	46.75	0.5	4.4	0.72	1.5	47.00	46.00	25.7	City Investing Co. (Home Ins.)	NYSE	25.87	0.0	5.3	1.50	5.8	26.13	25.88	415.1			
Hartford Steam Boiler Insepnt	OTC	31.75	-4.5	6.8	2.20	6.9	33.25	31.50	9.4	ONA Fnl Corp (ONA)	NYSE	17.13	4.5	4.2	0.00	0.0	17.13	16.50	78.7			
Integon Corp	NYSE	25.37	-4.2	9.2	0.48	1.9	26.25	25.25	58.7	Control Data (Comm. Credit)	NYSE	73.00	-2.2	9.4	0.60	0.8	73.00	69.50	512.8			
Jefferson Natl Life Ins Co	OTC	44.50	-14.4	13.2	0.64	1.4	52.00	44.50	20.2	INA Corp (Ins. Co. of NA)	NYSE	40.75	4.8	6.0	2.20	5.4	40.75*	39.50	217.8			
Kemper Corp	OTC	33.38	5.1	4.7	1.40	4.2	34.00*	32.75	199.5	ITT (Hartford Group)	NYSE	31.13	2.0	10.7	2.40	7.7	31.13	30.88	668.0			
Lincoln Natl Corp Ind	NYSE	42.37	1.8	5.9	3.00	7.1	42.75	42.00	116.8	Relliance Group Inc	NYSE	74.37	2.4	3.0	3.00	4.0	74.38*	72.63	26.2			
Magic Invst Corp	NYSE	30.87	0.4	8.9	1.12	3.6	32.25*	30.63	690.7	Sears Roebuck & Co. (Allstate)	NYSE	17.37	-1.4	5.6	1.36	7.8	17.63	17.38	1,993.1			
Mission Ins Group Inc	NYSE	38.37	5.1	8.2	0.80	2.1	38.38*	36.75	35.9	S & H Co. (Bayly Martin & Fay)	NYSE	18.38	0.7	7.7	1.00	5.4	18.75	18.38	10.1			
Nationwide Corp Ohio	OTC	19.75	-1.3	5.2	0.66	3.3	20.00	19.75	1.2	Teledyne Inc (Argonaut)	NYSE	186.50	6.8	8.1	0.00	0.0	186.50*	173.75	164.9			
Nn Corp	OTC	46.00	0.8	10.5	2.00	4.3	46.00	45.50	129.1	Transamerica Corp (Occidental)	NYSE	18.13	0.7	5.0	1.12	6.2	18.13	17.88	760.0			
Northwestern Natl Life Ins	OTC	30.75	-3.1	5.8	1.25	4.1	31.63	30.75	27.9	CONGLOMERATES/HOLDING COS.												
Ohio Cas Corp	OTC	38.25	3.0	5.9	1.76	4.6	38.63*	38.25	103.1	AVERAGE						6.1						2.9
Old Rep Intl Corp	OTC	18.13	3.6	4.4	0.92	5.1	18.63	18.00	83.7	Insurance Cos.												
Pinehurst Corp	OTC	7.75	10.7	11.6	0.00	0.0	7.75	7.00	26.3	AVERAGE						7.4						3.6
Preferred Risk Life Ins Co	OTC	20.00	4.6	6.9	0.64	3.2	20.00*	20.00	3.0	Agents/Brokers												
Provident Life & Acc Ins Co	OTC	49.50	3.1	6.2	1.88	3.8	49.50*	48.00	37.5	Alexander & Alexander Svcs	OTC	34.75	-0.7	11.4	1.64	4.7	35.00	34.50	76.8			
Republic Natl Life Ins Co	OTC	20.75	0.0	12.8	0.70	3.4	21.25	20.63	174.8	Baldwin & Lyons Inc	OTC	30.75	0.8	5.7	0.80	2.6	30.75*	30.50	2.8			
Ryan Ins Group Inc	OTC	23.00	0.0	7.0	0.12	0.5	23.00	23.00	5.5	Corroon & Black Corp	NYSE	27.00	1.9	10.9	1.72	6.4	27.00	26.25	28.1			
St Paul Cas Inc	OTC	39.63	2.6	5.4	2.00	5.0	40.00	38.88	131.4	Crum-F E H Cos Inc	OTC	12.87	-1.9	11.5	0.36	2.8	13.00	12.88	11.4			
Safeco Corp	OTC	40.00	0.6	5.8	1.80	4.5	40.50*	40.00	202.8	Hall Frank B & Co Inc	NYSE	29.63										

The American Worker.

*He holds the white-hot molds for America in his hands...*

*For almost 100 years now, we've been insuring America's most valuable resource: her workers.*

*During that time, we've discovered some very effective ways to help American business hold down the cost of insurance. Loss Control is one way.*

*Our Loss Control Consultants can help you to identify hazardous conditions at your plant—before they turn into accidents. That, in turn, can reduce claims and substantially lower your net insurance costs.*

*Loss Control. It's one way to cut the cost of business insurance. There are many others. Call or write us today and we'll share them with you.*



**American  
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

*Helping America make intelligent insurance decisions since 1887.*