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WEEK OF SEPTEMBER 27, 1982

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update:

Miami covered for losses from NFL players' strike

MIAMI—The city of Miami may be the only city that rents a stadium to a National Football League team to be protected against revenue losses caused by the players' strike.

In July, the city purchased a contingent business interruption endorsement to its first-layer property coverage on the Orange

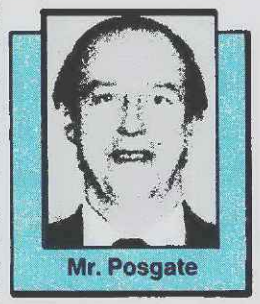
Continued on next page

A&A sues ex-directors to recover Howden funds

By STACY SHAPIRO

LONDON—Alexander & Alexander Services Inc. was willing to quietly settle for a French villa, several valuable paintings, a Panamanian company and shares in a petroleum company.

In return for these assets, initially valued at $6 million, A&A on Aug. 14 promised five former directors of British broker Alexander Howden Group P.L.C., which A&A acquired in January, that it would not sue them for their alleged misuse of $56 million in Howden funds, court papers show.



Mr. Posgate

However, A&A now says the former directors, who include prominent Lloyd's underwriter Ian Posgate and the former chairman of Howden's board, misrepresented the value of these assets, and A&A canceled the agreement.

Seeking full recovery of allegedly misused money, A&A filed two suits against the five ex-Howden executives in the High Court of Justice in London Sept. 20.

The first, in which A&A is the sole plaintiff, seeks "damages for fraud and/or misrepresentation and/or negligent misstatement" during the Howden acquisition.

The second suit, which includes four other plaintiffs, seeks damages stemming from a "dishonest scheme" in which the court papers allege the five were involved to use Howden insurance and reinsurance premiums for their personal gain.

Meanwhile, authorities in London, including Lloyd's of London and the Department of Trade in conjunction with the city of London's Police Fraud Squad, have stepped up their investigations of the Howden irregularities (see story, page 59).

The A&A suit and a statement also filed Sept. 20 with the U.S. Securities and Exchange Commission outline for the first time the details of the alleged scheme dating back to 1975 and A&A's attempt to recover lost assets and settle the issue quietly outside of court.

The revelations confirm rumors and speculations that had been circulating in the London market since A&A first announced in late July that it was conducting a fair-value audit of its Howden acquisition (*BI*, Aug. 2).

The Sept. 20 court action follows a month of press releases by A&A that originally played down the significance of the audit, calling it routine after a merger. When A&A first announced in August that it had uncovered unexpected liabilities, it added that assets were recoverable to cover them.

However, after the agreement with the five directors fell through, A&A announced Sept. 1 that it would contribute $25 million to the Howden underwriting subsidiary, Sphere Drake Insurance Public Ltd., to meet its liabilities. The $25 million will be accounted for as increased good will, bringing the total amount of estimated good will attributable to the acquisition to $206 million. A&A paid $299.9 million in stock and cash for Howden.

A&A also added another $10 million to the capital of Sphere Drake.

Named in the lawsuits are Mr. Posgate, a Howden director, the powerful underwriter for the Howden-managed marine syndicates 126 and 127 at Lloyd's and a member of the Committee of Lloyd's; Kenneth V.

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Chronology of Howden affair

August 1981—Alexander & Alexander Services Inc. breaks off merger discussions with Sedgwick Group in Britain. The proposed combination, crippled by tax problems, would have resulted in the world's largest insurance brokerage (*BI*, Aug.6, 1981).

September 1981—A&A announces acquisition of the Alexander Howden Group P.L.C., a smaller British brokerage and underwriting group. A&A pays $299.9 million in stock and cash in a "fast-and-friendly" takeover in which Howden Chairman Kenneth Grob becomes A&A's third-largest shareholder. Combined revenues for 1980 exceed $570 million (*BI*, Sept. 28, 1981).

January 1982—Ian Posgate, Howden's chief underwriter, is elected to the Committee of Lloyd's.

March 1982—A&A and Howden announce reorganization plans. Mr. Grob elected to A&A board and A&A Chairman John A. Bogardus Jr. joins Howden board. Mr. Posgate and Ronald Comery resign from A&A International, a subsidiary (*BI*, March 22).

July 1982—Mr. Posgate stops writing on Lloyd's marine syndicates 126 and 127 for 1982.

July 27, 1982—A&A extends fair-value audit of Howden to examine accounting "irregularities." Mr. Grob resigns from A&A board for "unrelated" reasons, A&A says (*BI*, Aug. 2).

Aug. 14, 1982—A&A, according to court documents, makes a deal with Messrs. Grob and Comery and former Howden Directors Alan Page and Jack Carpenter to recover assets allegedly diverted from Howden for personal gain.

Aug. 17, 1982—A&A announces that additional liabilities relating to subsidiary Sphere Drake Insurance Co. were discovered but that assets to balance the liabilities also were discovered (*BI*, Aug. 23).

Aug. 25, 1982—Mr. Bogardus named chairman of Howden Group to replace Mr. Grob, who is to serve in an "advisory capacity." Ronald J. Berardi replaces Alan Page as Howden's chief financial officer. Mr. Posgate demoted to deputy chairman of Howden's underwriting subsidiary.

Sept. 1, 1982—A&A announces that it is budgeting $35 million to cover Sphere Drake liabilities and is seeking assets from four former Howden executives and directors (*BI*, Sept. 6).

Sept. 8, 1982—Lloyd's of London tells its accountants, Ernst & Whinney, to review the Howden situation and advise them of any action that should be taken.

Sept. 20, 1982—A&A files suit in Britain charging that Messrs. Posgate, Grob, Comrey, Page and Carpenter diverted Howden assets for their personal gain. Mr. Posgate is fired.

Crum acquisition could be first of many

By BILL DENSMORE

NEW YORK—As the ink dries on the agreement between Xerox Corp. and Crum & Forster, industry analysts predict other property/casualty insurers are ripe for acquisitions.

Which insurers will become the targets is not clear, however.

But, based upon their reputations as quality insurers and their medium size, the companies most often mentioned by analysts are Chubb Corp., The St. Paul Cos. Inc., Mission Insurance Group Inc., USF&G Corp., SAFECO Corp. and Ohio Casualty Corp.

"I think there's a good possibility you'll see more of this," says John K. Lundberg, Crum & Forster's vice chairman and chief financial officer.

Many property/casualty insurance stocks are selling at prices below book value, as Crum & Forster's was, and insurers' underwriting losses remain substantial, the analysts note.

"The time to go after these companies is when things seem to be coming apart for them," says insurance industry analyst Myron M. Picoult of Oppenheimer & Co. in New York.

"We think it's going to spur some companies to make some bids (for other property/casualty insurers)," says another New York securities analyst, Norman L. Rosenthal of Morgan Stanley & Co.

Corporations that are considering acquiring property/casualty insurers will want to act while the underwriting cycle is at a low ebb, Mr. Rosenthal suggests. Xerox's play for Crum & Forster could prove to potential suitors that thinking along those lines makes sense.

According to the joint Xerox-Crum & Forster announcement released last week, Xerox will buy the New York-based insurance holding company in a stock-and-cash transaction valued at $1.65 billion, marking the first major move by Xerox into the growing financial services area.

Xerox, headquartered in Stamford, Conn., posted $8.7 billion in revenues and $598 million in net income last year. Crum & Forster posted revenues of $1.9 billion and net income of $176 million.

Under the agreement, Xerox will pay $55 per share in cash for 49% of the approxi-

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update:

Miami covered for NFL losses

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Bowl, the home of the Miami Dolphins. The endorsement will replace income lost to the city from parking and other stadium concessions.

Miami does not expect to lose rental income paid by the Dolphins for use of the 75,195-seat stadium. Other cities that share directly in the teams' gate receipts could lose up to $2 million each if the strike lasts the duration of the season (*BI*, Aug. 16).

Miami's contingent business interruption endorsement is effective for the 1982-83 season and contains a limit of $300,000 above a $10,000 deductible. It is underwritten by American Centennial Insurance Co. and was placed by broker Johnson & Higgins.

"We looked at old financial statements to figure an exposure of about $300,000 for the full season on parking and miscellaneous other concessions," reports Don Dunlap, Miami's assistant finance director for risk management.

Braniff plan termination date

DALLAS—The U.S. bankruptcy judge handling Braniff International Corp.'s reorganization petition will decide the date the airline's four pension plans will be terminated.

The Pension Benefit Guaranty Corp. has decided that at least three of Braniff's four plans—ones covering management and members of the Teamsters and Machinists unions—should be terminated as of Aug. 30. The PBGC said it would decide later on a termination date for the plan covering Braniff pilots. Braniff, however, wants to terminate all four plans as of May 12, the day before the company filed under Chapter 11 of the Federal Bankruptcy Act (*BI*, Aug. 30).

The date the plans are terminated could affect some $25 million in pension plan contributions that the Internal Revenue Service allowed Braniff to defer in 1980. If an Aug. 30 termination date is selected, the deferred payments would be considered a post-bankruptcy debt and would be granted a higher payment priority.

Attorney picked to fight petition

NEW YORK—Attorneys for asbestos claimants have named bankruptcy attorney Robert Rosenberg of the New York law firm of Moses & Singer to represent them in their attempt to overturn Manville Corp.'s reorganization petition (*BI*, Sept. 6).

Mr. Rosenberg said that he will act as counsel to the plaintiffs and also to a creditors' committee of asbestos plaintiffs, if one is permitted by the federal bankruptcy judge handling the Manville petition.

U.S. Bankruptcy Judge Burton Lifland was set to name the plaintiffs' committee at a Sept. 17 hearing, but a lawyer for Manville's other creditors asked for a delay.

Pan Am suits consolidated

OKLAHOMA CITY, Okla.—Legal claims arising from the crash of a Pan American World Airways Inc. passenger jet near New Orleans, which killed 146 people, will be consolidated in the U.S. District Court for the Eastern District of Louisiana.

The court, which is also in New Orleans, was designated Sept. 23 by the Judicial Panel on Multi-District Litigation, which held a regular meeting here. The panel has authority to direct that all federal and related state suits in mass disasters be moved to a single federal court for coordinated, pre-trial procedures.

The National Transportation Safety Board completed four days of hearings into the Boeing 727 crash on Sept. 17 and took testimony from dozens of witnesses, including two researchers who theorize that extremely heavy rain may have played a role in the crash during a thunderstorm (*BI*, Sept. 6).

The University of Dayton, where the two researchers work, is being reimbursed by Pan Am's lead underwriter, United States Aviation Underwriters Inc. of New York, for the costs of analyzing crash and weather data to see if the rain theory applies to the crash.

California OKs carcinogen bill

SACRAMENTO—California Gov. Edmund G. Brown Jr. is expected to sign a bill expanding the law to presume that cancer in firefighters is work-related.

Under A.B. 3011, firefighters who develop cancer during or shortly after employment would have to show only that they were exposed on the job to a substance that is "reasonably linked" to their cancer (*BI*, Aug. 2). A final version of the bill barely passed the state Assembly with the required two-thirds majority.

Funding for claims would come from the state's Subsequent Injury Fund, with appropriations from the General Fund.

A.B. 3011 was opposed by local governments, the California Manufacturers Assn. and the California Self-Insurers Assn., which now believe Gov. Brown will sign the bill by the Sept. 30 deadline.

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Florida exchange hoping to grab risks from Lloyd's

By BILL DENSMORE

MIAMI—In the next couple of weeks, a one-time member of the world's oldest insurance fraternity and a bunch of New World investors hope to send a message to world insurance markets.

The document will be the first insurance contract underwritten by the Insurance Exchange of the Americas Inc. The message: Don't take Latin American and Caribbean business for granted anymore.

The Florida exchange—whose opening is set for next month, though the exact date hasn't been set—is the third U.S. insurance exchange and the first to promote itself vigorously as operating in what it terms "the Lloyd's style."

"We will be in complete contrast to the American managing agency system," says exchange President Alan A. Teale, the former head of the British Insurance Brokers Assn. who was recruited by the exchange 16 months ago to lend credibility to the fledgling institution.

"Instead of a company dictating underwriting guidelines, the individual underwriter will be powerful," he explains.

Such an underwriting system is similar to Lloyd's of London's, Mr. Teale says, adding that he thinks it will give the Insurance Exchange of the Americas the same flexibility to write special risks as Lloyd's underwriters have. Moreover, many of the exchange syndicates formed so far are composed of individual investors rather than insurance companies, he says.

"We will be going for the inventive contract," Mr. Teale says. The exchange will offer primarily facultative reinsurance on oil, satellite, health care, small-commercial aviation, small-hull marine and cargo risks. However, the exchange will write other risks as well, he adds.

Despite the opening hoopla, Mr. Teale warns that the exchange will not perform miracles overnight: The premiums that flow through the Florida exchange during its formative years will not challenge Lloyd's world stature.

Mr. Teale predicts premium volume of no more than $25 million during 1983, although syndicates should have the capacity to write much more. Most of the coverage written will be reinsurance, much of that excess-of-loss facultative treaties.

"I think the exchange will develop initially as a reinsurance market," adds W. Dana Roehrig, who served as the exchange's first chairman and is president of Dana Roehrig & Associates Inc., a surplus lines and general agency in St. Pe-

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McLeod joins *BI* staff

NEW YORK—Douglas McLeod has joined the New York bureau of *Business Insurance* as an associate editor, Editor Kathryn J. McIntyre announced.

Mr. McLeod, 26, recently received a master's degree from the Medill School of Journalism at Northwestern University in Evanston, Ill. While at Medill, he reported on energy topics in Washington, D.C.



Mr. McLeod

Before entering graduate school, he worked for 18 months in the San Francisco office of Johnson & Higgins as a marine cargo insurance broker. He also earned an undergraduate degree in English and history from the University of Southern California.

Among other duties, Mr. McLeod will report on nuclear energy and environmental impairment liability insurance.

Structured settlement may pay quadriplegic child $122 million

By DANIEL BRIGHAM

STANFORD, Calif.—Stanford University Hospital's first structured settlement in a medical malpractice case is costing its insurers $2.9 million to fund annuities and other damage payments.

The settlement was made for Anna Younger, a Cupertino, Calif., infant who developed epilepsy and quadriplegia after she stopped breathing shortly after birth, cutting off oxygen to her brain. If the child lives a full life span, she will receive some $122 million from three annuities.

Also contributing to the settlement is Dr. Joseph Hopkins, the Younger child's physician at birth, and Mid-Peninsula Health Services Inc., a member-owned health care organization where Dr. Hopkins practices family medicine and serves as medical director.

In addition to the annuities funded by the hospital, Dr. Hopkins and the health care center are splitting with the hospital a cash payment of $1.2 million. The hospital will pay half and the doctor and clinic will share the other $600,000.

The $1.2 million will be used to cover the child's current medical expenses of $200,000, to pay $150,000 to each of the child's parents for personal and economic damages and to cover plaintiff's attorney fees of $650,000, court costs and related contingencies, according to a news bulletin published by Stanford University Medical Center.

The hospital has malpractice insurance through a program sponsored by the 360-member California Hospital Assn.

Under the plan, Stanford has a $50,000 deductible. Farmers Insurance Co. of Shawnee Mission, Kan., provides the primary coverage layer of $125,000 above the deductible and Lloyd's of London provides excess coverage to $4 million, said Bob Beth, Stanford University

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Chrysler hopes to trim health costs 10%

By JAMES C. LAWSON

HIGHLAND PARK, Mich.—Struggling to reduce its increasing medical benefits bill, Chrysler Corp. will try to change the way employees choose their health care providers.

It will offer employees a network of health maintenance organizations and other preferred provider groups in hopes of trimming 10% from the $337 million it now spends on 147,000 autoworkers' health care.

This strategy follows the company's unsuccessful attempt in recent negotiations with the United Auto Workers union to pass more of the cost of benefits onto employees through higher deductibles, copayments and premium sharing (*BI*, Sept. 13).

The UAW, however, has agreed to work with the company to eliminate abuse of the health care system.

The provider network, a company spokesman explains, would offer employees more health plan options and, hopefully, encourage the use of less costly outpatient facilities.

Chrysler now offers only one health maintenance organization as an alternative to a conventional Blue Cross health insurance plan, and only 5% of the company's workforce is enrolled in the HMO.

While Chrysler and the UAW haven't worked out the details of the program, the company hopes to establish a program that pays providers a flat rate for caring for Chrysler workers.

Cost containment would be promoted by the providers, who would be able to keep as profit whatever amount of the fee was not used for health care.

Chrysler hopes the new program would encourage employees to use less-expensive facilities and reduce their frequent hospital and doctor visits.

Chrysler says soaring hospitalization claims are the biggest drain on its health care budget.

"We're plagued with too frequent visits to the hospital, hospital stays that are too long, too many

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errors & omissions

• The Administrative Management Group Inc. of Rolling Meadows, Ill., offers assistance in the administration of health and welfare plans, defined contribution and benefit plans and individualized employee communications. It is not a claims administrator as indicated in the Sept. 13 issue.

WORKING WITH EMPLOYEES

Setting up pre-retirement plans requires hard sell

By EILEEN NORRIS

CORPORATE BENEFIT managers who are thinking about establishing pre-retirement counseling programs for their employees better learn how to sell them to top management.

Most employers are putting new pre-retirement counseling programs on the back burner as the sagging economy forces them to let plans for new benefits simmer.

And, most of the companies that now offer such programs are just spicing up what they have rather than expanding them, although some have pioneered innovative programs for their older workers (see story, page 6).

A recent survey of employers reveals that about 59% lack a retirement planning program and nearly 40% of that group are not planning to provide one in the near future, according to Runzheimer Reports on Preretirement Counseling, an industry research group based in Northbrook, Ill.

The August survey of 29 U.S. companies with 75 to 20,000 employees corresponds to reports from employee benefit consultants. They say they are being called upon less and less to develop full-scale pre-retirement programs.

Small and medium-sized employers see pre-retirement programs as a benefit that is taking a back seat to other problems during the sagging economic climate, even though the economy is causing workers to worry more about retirement finances.

"The economy is discouraging change," admits Judith Insler, an employee benefits communications consultant with Johnson & Higgins in New York.

"There aren't many soup-to-nuts programs out there. If something falls by the wayside, this is it," she adds. "We're being asked to help employers with bits and pieces, like a benefit statement for retirees or an audiovisual program, but that's it."

A pre-retirement program in today's tight economy is indeed a luxury for most companies, agrees Thomas Egan Jr. of Herget & Co., a consulting firm in Baltimore.

"And when you talk about getting into what to do with leisure time and second-career decisions, that's really secondary for employers," he says.

Unfortunately, consultants say, employers are faced with doing little for employees nearing retirement at a time when they need it most.

A pre-retirement program for workers 55 and over could serve to reassure the older worker that early retirement is a possibility for some, consultants say.

But instead of assisting an older employee in finding the answer, many companies are having to jump right over that step and offer early retirement incentive programs to immediately reduce their workforce and forestall layoffs.

Even though broad pre-retirement programs can be expensive, there are large companies that have started programs with very little investment.

Continued on next page

Planning a pre-retirement program

The Why. . .

- Determine goals of the program from the standpoint of the employee.
- Determine goals of the program from the standpoint of the employer.

The Who. . .

- Determine the number of employees retiring in various age groups.
- Decide on the number of participants and the composition of the group.
- Select a host and administrator.
- Recruit interesting and knowledgeable speakers.

The What. . .

- Choose an appropriate program format.
- Select appropriate and significant topics.
- Research available materials.
- Obtain or create materials that complement your sessions.

The Where. . .

- Reserve a comfortable and accessible place to hold the sessions.

The When. . .

- Weigh the scheduling alternatives.
- Align the topics with the number and timing of sessions.
- Coordinate the sessions with the selected schedule.

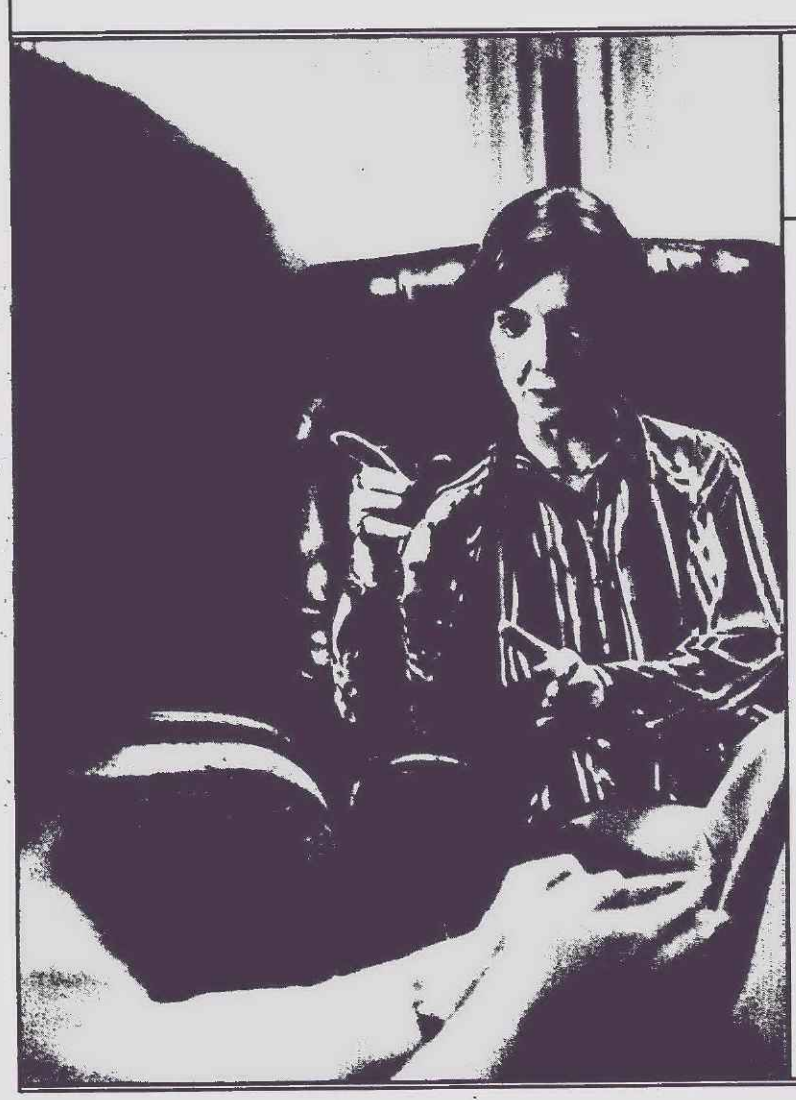
The How. . .

- Obtain visible support from the chief executive.
- Circulate statements of support and program goals.
- Publicize the program.
- Register invited participants.

The Proof. . .

- Obtain evaluations of the program from the participants.
- Solicit follow-up evaluations from "graduate" retirees at various times.

Source: Runzheimer Reports on Preretirement Counseling



Employee assistance programs well-worth their cost, employers say

By MARGARET LeROUX

EMPLOYEE ASSISTANCE programs, designed to help employees deal with personal problems that affect work performance, are winning "best-buy" ratings by employers.

The programs are sold by consultants with backgrounds in counseling and psychology who say EAPs not only result in happier employees, but also save employers money.

Some corporate employee assistance programs claim a 10-to-1 return on investment through reduced absenteeism, improved productivity and fewer medical claims.

A few companies with EAPs in place long enough to evaluate them are singing their praises, emphasizing cost effectiveness and the general financial accountability advantages. Major companies now operating EAPs include:

- American Telephone & Telegraph Co., where savings at three locations totaled $448,000 from decreased on- and off-the-job accidents, absenteeism and disability payments.

The savings also included not having to hire and train employees to replace those whose jobs were in jeopardy before involvement with the EAP.

- Potomac Electric Power Co. in Washington, D.C., says it realized a 2-to-1 return last year on its investment in its Employee Advisory Service.

Comparing the work performance of 112 employees a year before and after participation in the program, the company saved $74,000 in reduced extended sick days, lost-time accident days and visits to the medical department. Potomac Electric's investment in the advisory service was $36,900.

- Kimberly-Clark Corp., Neenah, Wis., experienced a 70% decrease in on-the-job accidents and a 43% decrease in absenteeism among a sample of 25 employees involved in the company EAP for alcohol and drug abuse problems.

However, when it studied an operating unit of 200 employees where use of the EAP was urged for workers with attendance problems, the company reported only a 1.5% reduction in the absentee rate. That still translated into a saving of $65,000 for the year, the company says.

- At Kemper Group, insurers in Long Grove, Ill., a Personal Assistance Program with a budget of $100,000 boasts a recovery rate of 70% for employees with alcohol problems and 80% for those with other problems.

In 1981, the company estimated that employees with personal problems cost the company more than $1.2 million in lost wages while the program is only costing them $100,000.

Among other employers involved in EAPs are: Anheuser-Busch Inc. in St. Louis; Reynolds Metals Co. in Richmond, Va.; Aluminum Co. of America in Pittsburgh, Pa.; the Utah division of Kennecott Corp.; The Travelers Insurance Cos. and Connecticut General Life Insurance Co. in Hartford, Conn.; Honeywell Inc. and Control Data Corp. in Minneapolis; the California cities of Redondo Beach and Inglewood and the Kansas City Royals baseball team.

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Pre-retirement programs require much planning



Photo: Atoz

Almost all programs stress financial planning for retirement.

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Westinghouse Electric Corp., for example, says it spends about $13 to reproduce benefit information for every worker and his or her spouse that has gone through its pre-retirement program (see story, page 10).

Many other employers buy one of several pre-packaged programs sold by Action for Independent Maturity, a non-profit subsidiary of the American Assn. of Retired Persons. They can adopt or adapt those programs as they need (see story, page 14).

Whatever the mechanism, consultants say benefit managers who are beginning to think about a pre-retirement program should invest time in planning how they will sell the idea to upper management.

Ms. Insler of J&H recommends these first steps:

- Get input. Identify management's objective for having a program and get a feel for their degree of commitment. This is also the point where it's helpful to get others from personnel, benefits and training and development departments involved in the planning. A budget must also be proposed.
- Collect demographic information. This is the step at which the planner must determine the number of employees retiring in various age groups and their knowledge and perception about their benefits and retirement.

J&H also recommends employers survey their workers to measure their level of knowledge and to find out what topics they would want included in a program.

- Determine direction. Does upper management want a minimal program or would they like a total comprehensive retirement planning program? Or should the employee benefit manager work to revise a program already in place? Should a program be phased-in over time? Or should the whole idea be scrapped?
- Assess in-house resources. What about equipment, space and staff? Will a pre-retirement program place an additional drain on the employer's resources? What new equipment can be included in the budget?
- Consider outside resources. Is it cost-effective for the company to hire help from outside?
- Select program topics. Traditional subjects covered in a program include financial, legal, health, housing, second career, leisure activities and attitude adjustment advice, but an employer might also want to consider the unique needs of its employees.
- Decide communication mix. Should the topics be communicated in print or audiovisual format or both? How about guest speakers, benefit kits or newsletters?

Are pre-retirement planning programs worth this kind of effort?

Yes, for many reasons, says Ms. Insler of J&H. "Employers do it to remain competitive, to stimulate early retirement and explore gradual retirement options.

"It makes dollar sense to talk up a program because it's good for the company's image," she adds.

Because of the troubled economy, the pre-retirement programs that are up and running place heavy emphasis on finances.

Runzheimer Reports on Preretirement Counseling found among the employers they surveyed that all discuss their own company benefits, Social Security and financial planning within their pre-retirement programs.

Employees are especially interested in knowing exactly what their retirement income will be, the research group adds.

"Cash flow" and "determining whether retirement income will be sufficient" are the two big topics employees want covered.

In addition to financial issues, 70% of the employers surveyed said "roles and relationships" is a topic covered in their pre-retirement planning programs. Sixty percent consider health concerns and 40% cover legal affairs, housing and leisure time for their retirees.

The Runzheimer survey found that 83% of employers that operate pre-retirement planning programs cover a broad range of topics while 17% limit their program to finances.

While employers are urged to spell out retirement benefits for their workers, benefit managers should be especially wary about giving employees any advice, Ms. Insler warns.

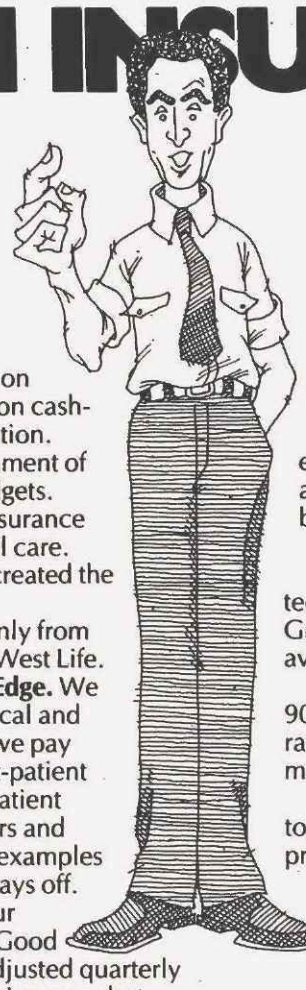
"A company never wants to give advice," says Ms. Insler of J&H. "The role of the employer should be to tell the worker how to find the best answer, but never give them answers. It's a teaching and guidance role the program coordinator must play."

It's best to advise employees of their options, agrees Terry Stuchiner, a partner with Kwasha Lipton, a consulting firm in Fort Lee, N.J.

"There should be no individual advice," she says. "An employer needs to give the employees the background information so they can make a choice.

"There is no real legal liability if an employer gives the retirees their options," she notes. ■

GROUPS OF 25+ BETTER GET MORE FROM THEIR INSURANCE COMPANY THAN INSURANCE.



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First of all, we've set up two separate Edge customer service units. One for the employer. One for employees. They can handle any administrative issues and answer any benefit payment questions.

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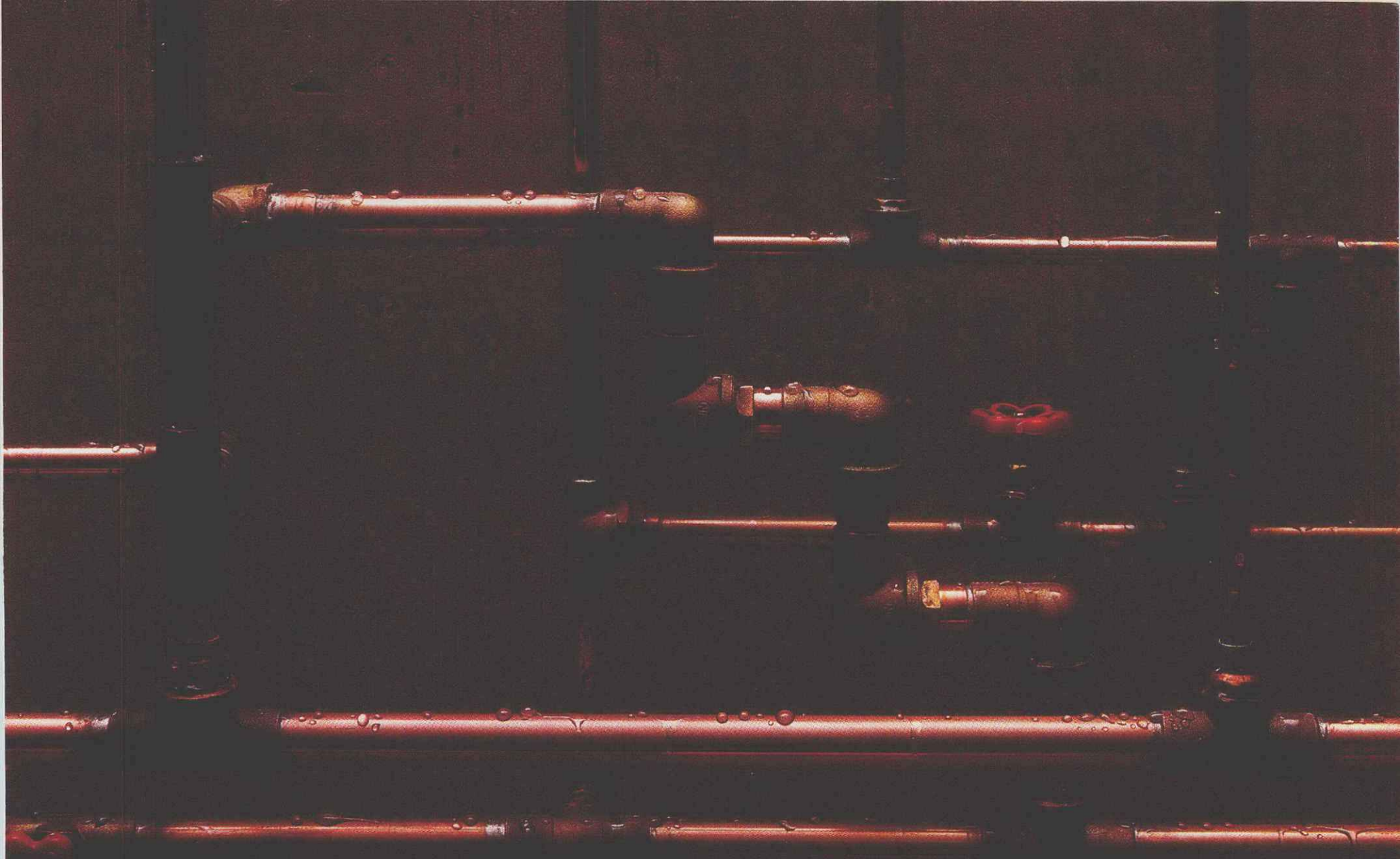
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BI 82

editorial opinions

Benefits that can't be ignored

WAIT.

Before you write off as nice but not economically feasible all the benefits outlined in this week's special report, starting on page 3, consider how pre-retirement counseling, employee assistance programs, special policies for two-career families and educational benefits might help rather than hinder your company during this recession.

For example, a good pre-retirement program that alleviates an employee's fear of retirement by telling him or her where to find answers for his financial, legal and social questions might encourage more employees to accept the early retirement offers sometimes made by companies desperate to cut payroll so they can make it through the recession.

An effective employee assistance program can actually cut operating costs by reducing on-the-job accidents and workers compensation costs, absenteeism and disability payments.

And, if workers with drug or alcohol problems can be rehabilitated, it eliminates the costly and timely process of training a new worker to replace a problem worker who has to be let go.

American Telephone & Telegraph Co. says such savings have netted it $448,000 at three work locations.

Potomac Electric Power Co. in Washington, D.C., points to a $74,000 savings in reduced extended sick days, lost-time accidents and visits to the medical department among 112 employees who used its EAP program.

In one 25-member group of employees in an EAP program, Kimberly-Clark Corp. of Neenah, Wis., saw a 70% decrease in on-the job accidents and a 43% decrease in absenteeism.

Although it may be harder to quantify, employers say treating alcoholism and drug problems can increase productivity because the worker is better able to concentrate on his job. Treating dependency problems often eliminates other financial and family problems the employee brings along to work with him.

In the same vein, trying to be flexible with the needs of a working mother or father can make the difference between losing or keeping a good worker and having that worker, who knows his family life is under control, be more effective on the job.

Look again at your company's policies on flexible working hours, leaves of absence, sick leaves to care for an ill child or parent, maternity and paternity leaves and day-care benefits.

Do they reflect the needs of the workforce of the '80s or do they blend more comfortably with the way things were in the '40s and '50s when few couples tried to raise families with both partners holding full-time jobs?

Rewriting these work policies or adding any of the other benefits discussed in this issue might place you in a more competitive position when the recession ends. Good benefits help attract and keep good people on your payroll and certainly enhance the company's image.

During a time when salary increases and bonuses often must be curtailed, benefits like these can make the difference between a disgruntled workforce or one that is willing to work hard during a tough time because you have been good to them. And when the economy bounces back, you'll have a good, strong team to move ahead with.

These types of benefits recognize the human being in each of your workers. Even if there were no good solid economic reasons to offer such benefits, the need to respond to these human needs might just be enough.

Of course, we don't suggest you jump in with both feet tomorrow and offer a comprehensive pre-retirement program or an employee assistance program by the end of the week. But, don't close your mind to such benefits either, pointing to the slow economy to justify a lack of action.

Assess the needs of your employees and then see how closely you can come to meeting them. Don't go for a Cadillac plan if you can't afford it. But, sometimes even a ride on bicycle handlebars beats walking. Provide that bike.

letters

Cargo rules need scrutiny

To the editor: It seems like more than 10 years since I first read about the proposed ocean cargo liability rules that have now been finalized in the Hamburg Rules (*BI*, Sept. 13). My feelings were that I didn't like them, and I don't now.

The problem that concerns me is that those of us that ship general merchandise cargo always insure on a warehouse-to-warehouse basis, and we know that most of our losses occur either from rough handling at the various transfer points or from pilferage when our containers are opened for inspection and repacked at particular transfer points.

It seems to me that all these new rules will do is increase the cost of our ocean freight charges without adding to our ability to prove when and where the concealed damage and pilferage losses occurred.

We will keep right on purchasing our warehouse-to-warehouse coverage and, except for the few large losses caused by the perils of the sea, it seems to me that increased ocean-carrier liability will do very little for us on the vast majority of our cargo losses.

I hope that before the Senate acts on the ratification of these rules, it carefully examines the question of benefit vs. cost.

Howard T. Weber
Director of Insurance
3M Corp.
St. Paul, Minn.

Rolling with Rueger

To the editor: I really enjoyed Roland Rueger's Perspective article, "Understanding the 'roll and pitch' of the adventure and perils clauses" in your Sept. 13 issue.

He has not only devised a painless way to understand these clauses in the marine policy, but has brought some gentle humor to insurance matters, something sorely needed these days.

S.J. Davidian
Hallmark Insurance
Associates Inc.
Fresno, Calif.

Nuclear limits clarified

To the editor: I would like to clarify one inaccuracy and provide updated information on the article "Nuclear utilities say NRC rule requiring cover not necessary" (*BI*, Sept. 6).

It is not correct, as you reported, that "NEIL's current excess insurance limit is $315 million, although any excess coverage purchased from ANI/MAERP counts toward that limit." The American Nuclear Insurers/Mutual Atomic Energy Reinsurance Pool excess limit of $67 million is in addition to Nuclear Excess Insurance Ltd.'s limit. Thus, a utility that purchases coverage from both markets would have limits of $382 million.

Since the article was written, NEIL has increased its excess limit from $315 million to $365 million, effective Sept. 15. Accordingly, the combined excess limits for NEIL and ANI/MAERP are now $432 million.

Lawrence G. Cummings
Vp
Marsh & McLennan Inc.
New York

There is an answer

To the editor: In your Sept. 13 issue, an article on insurance capacity for offshore rigs suggests that your reporter asked me, "When and if that day comes (meaning a major North Sea loss), would there be the dollars to pay for it?" It then states that in response I had no answer.

For the record, I would like it noted that this question was never asked. I would certainly have had an answer had it been asked, as this is a most serious and sensitive issue and one that Marsh & McLennan has studied at some length. My answer would have been yes, there will be dollars to pay such a loss.

John W. Buzbee
Managing director
Marsh & McLennan Inc.
New York.

■ *Mr. Buzbee rhetorically raised the capacity question during his interview with Business Insurance without answering it. However, due to an error in interpretation during editing, it was added that he did not have an answer.*

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

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Westinghouse's 'bargain' plan is a success

By EILEEN NORRIS

PITTSBURGH, Pa.—Westinghouse Electric Co. found a bargain in its pre-retirement program, created by a "task force of one" for very little money.

In two years, about 8,000 employees have benefited from the program, modestly described by its founder as the "best thing since sliced bread."

"You don't need to spend a lot of bucks to have a good program," insists Paul E. Toothman, manager of statutory benefits for Westinghouse as well as overseer of the company's pre-retirement program.

"It takes commitment. I developed our program in my spare time and it works," he explains. "There are a lot of high-priced consultants out there, but who needs them?"

He estimates that the $13 per couple that Westinghouse spends on printed handouts is the main expense of the program.

The pre-retirement counseling plan sprang from employee requests, Mr. Toothman recalls.

While manager of the company's pension department for 12 years, Mr. Toothman said he received many requests for information about retirement benefits. In 1978, Westinghouse management told him he could investigate what it would take to begin a pre-retirement counseling program.

Though Mr. Toothman switched jobs at Westinghouse and is now in charge of unemployment and workers compensation, he still oversees the pre-retirement program. But he also uses local personnel staffs at Westinghouse's many work locations to carry out the pre-retirement counseling prescription.

Because Westinghouse has 150,000 employees spread over many locations, it needed a program that would be flexible enough to meet the needs of the various regions, Mr. Toothman says.

His program can be completed in four to seven weeks, depending on the length of the sessions and the size of the group. The first session was held in May 1980.

A personnel relations representative serves as coordinator and moderator for the seminar and lectures, but the speakers are gleaned from the local community, which is usually rich with experts on just about every subject, he says.

To assure consistency throughout the corporate locations, a booklet entitled "Guidelines for Planning and Conducting a Pre-Retirement Seminar" is distributed to each of the program coordinators.

Each participant receives a "Planning Your Tomorrow" kit and a pamphlet on Westinghouse's benefits after retirement.

The leader of the sessions recruits the local experts from county bar and medical associations to speak on legal and health issues and local real estate people to talk about housing.

A representative from the local financial community or from the Social Security Administration is invited to talk about money and retirement, while a guest speaker from a volunteer agency can discuss leisure in retirement.

The company even developed separate guidelines for each of the guest speakers who cover planning, health, home, law, leisure and money issues.

Westinghouse provides a brief outline of subjects that need to be covered and reminds each guest speaker they are a "resource authority" only and are not expected to provide pat answers or easy solutions to anyone's problems.

"Retirees want information, but they don't need experts with graduate degrees in human behavior," Mr. Toothman says.

No one is to give advice during the program, Mr. Toothman adds. "We want to make our employees aware of issues, but legal liability prevents any company from giving a worker advice."

By getting volunteer speakers, Westinghouse knew it would run the chance of exposing the workers to sales hype, so it developed a set of rules the speaker must follow.

"We don't encourage these guest speakers to sell from the podium, but they can hand out a pen with their name on it," he notes.

The last session in the program is spent on going over the company's benefits and allowing the participants to ask questions.

The key to a successful program, according to Mr. Toothman, is the interaction during the meeting.

"That means leaving a lot of time for questions. The approach is meant to create awareness about the reality of retirement.

"The employee should know what to expect in retirement and have options," he adds.

"We present the program in an upbeat mode and offer retirement as a third career."

So far, the results indicate the program is working.

Besides building employee morale and good will between the corporation and the individual, Mr. Toothman has had other commendations.

He received a certificate of recognition from the Niagara Frontier Assn. of Pre-retirement Planners honoring his achievement in helping employees and their spouses "adjust successfully to the changed lifestyle associated with retirement."

The program continues to grow and receive recognition from Westinghouse employees, he adds.

"We started offering the program to the oldest employees, working back to age 50, but now we have some employees in their 40s who want to attend," he says. ■

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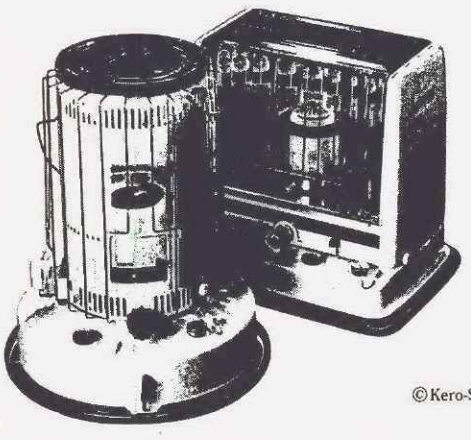


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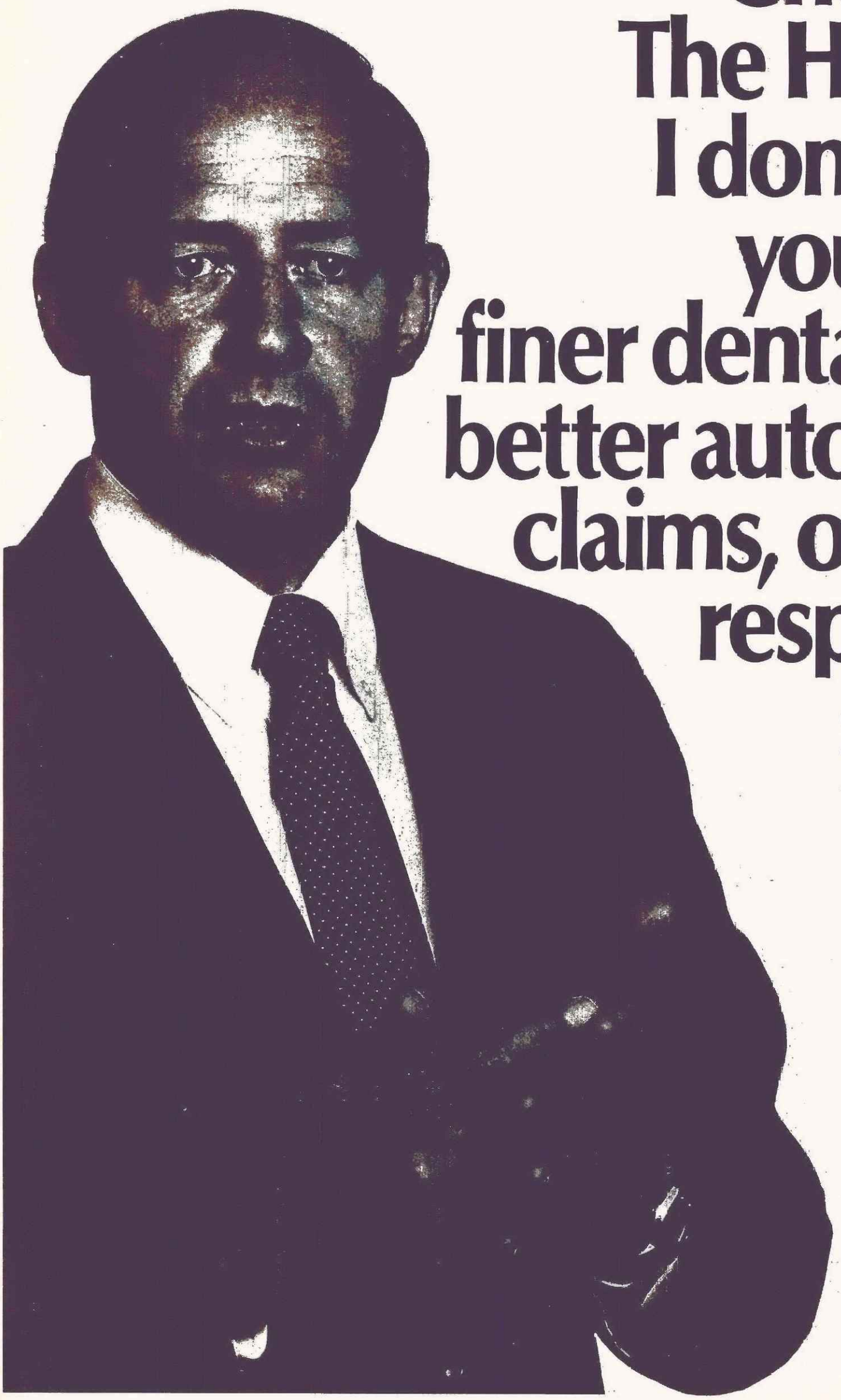
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Q. What incentives do your plans offer to encourage preventive dentistry?

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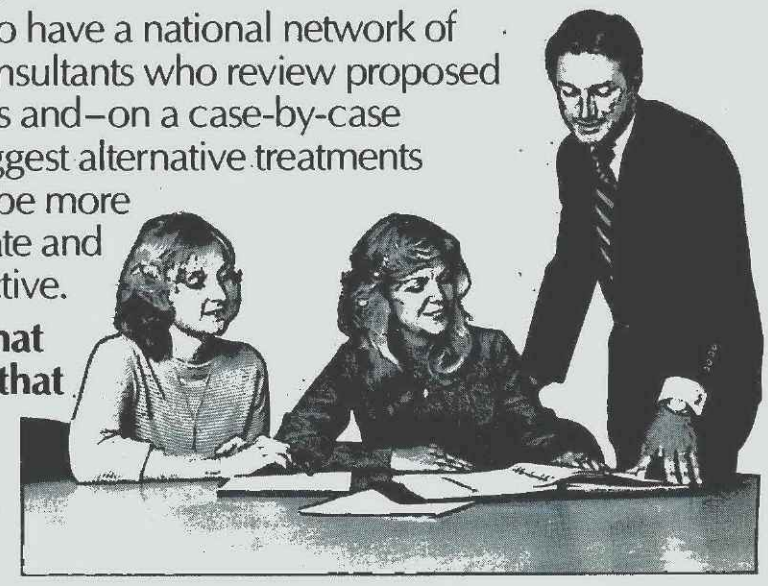
Q. What are some of the capabilities of your automated claims system?

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Broker, client and Hartford service rep discuss the many options available with The Hartford's dental plans. (l. to r.) Pamela Hyder, Administrative Service Rep., The Hartford; Christine W. Roberts, Director of Employee Benefits, National Medical Enterprises, Inc., and D. Keith Colwell, V.P., Employee Benefit Planning Department, Johnson & Higgins, Los Angeles.

Q. To what extent is that superior service available to small groups?

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Company improves on its existing program

By EILEEN NORRIS

EARITON, N.J.—Johnson & Johnson doesn t baby its employees but it does take care to meet its workers' needs.

So, it came as no surprise when a Johnson & Johnson subsidiary, Ortho Diagnostic Systems Inc., decided to improve a pre-retirement program that already was receiving high marks from retirees.

"We wanted to do more," says Bill Koeck, manager of compensation and benefits for the 1,800 employees of the blood reagent manufacturer. "Our parent company is dedicated to employee morale and our workers are used to having their needs met."

Ortho Diagnostic had been using the Action for Independent Maturity program available through the American Assn. of Retired Persons (see related story).

The employees that went through the four to eight weeks of two- to three-hour sessions seemed generally pleased with the results, Mr. Koeck explained.

But in June, Ortho launched a new program developed by Johnson & Higgins in New York that is tailored for Ortho's workers.

The new plan cost the company about $7,500 to hire the consultant to design the counseling program and print materials for employees.

"We have a better program and it cost us less than $7 an employee," Mr. Koeck said. Ortho's workers are salaried and non-union.

Employees over the age of 55 and within five years of planned retirement and their spouses were invited to attend the first program last June, "Creating Your Future Profile," an upbeat name to concentrate on the "future" in retiring.

Topics covered in the two-day program include the challenge of retirement, health considerations, housing, legal concerns, meaningful use of time, company benefits, Medicare, Social Security and financial planning.

About 24 workers planning to retire attended the two-day session that was held during work hours. Workers' supervisor were notified in advance that the employees, who are given full pay, would be unavailable for the two days.

"Before, we had some trouble getting spouses to attend because the program stretched out over four to eight weeks in the evening," Mr. Koeck said.

"The new program is two full days from 8:30 a.m. to 5 p.m., and it's publicized in advance so that the employees and their spouses can plan around it.

"Pre-retirement planning is neglected by too many companies," said Mr. Koeck.

Attendants are told to dress casually and not to think about work.

"We want them to be able to get into these important issues as a family," Mr. Kocek noted.

The response to the company's revamped pre-retirement program was favorable and plans are already under way to hold another session in October.

Some aspects of the program will be changed, however. After surveying the workers who attended the June session, the company plans to put more emphasis on financial planning, said Mr. Koeck. ■

AARP offers programs to employers

WASHINGTON—Employers who want to offer pre-retirement counseling, but don't have the time or budget to develop their own programs, have an alternative.

At least 500 corporations have turned to one of several packaged pre-retirement programs available from Action for Independent Maturity, a division of the American Assn. of Retired Persons. AIM was formed in 1971 as a non-profit group devoted to the needs of people between 50 and 65.

For about $800, AIM provides a planning retirement seminar kit to employers to stage eight two-hour sessions for workers planning to retire.

Companies such as Honeywell Inc., Sears, Roebuck & Co. and Hunt-Wesson Foods have used the AIM program, according to AIM.

The group also operates two- and five-day instruction programs for employee benefit managers or personnel administrators who want to learn how to run their own retirement program.

The two-day conference, which runs twice a month in various cities, costs $290. The program focuses on what an employer needs to know in designing, organizing and operating a pre-retirement program that may use outside resources.

The five-day leadership conference, which is held once a month in various cities, costs $590 and teaches employers how to conduct their own pre-retirement program.

The training program teaches benefit managers or personnel administrators how to be effective leaders, how to get a program started and how to use AIM's retirement planning seminar.

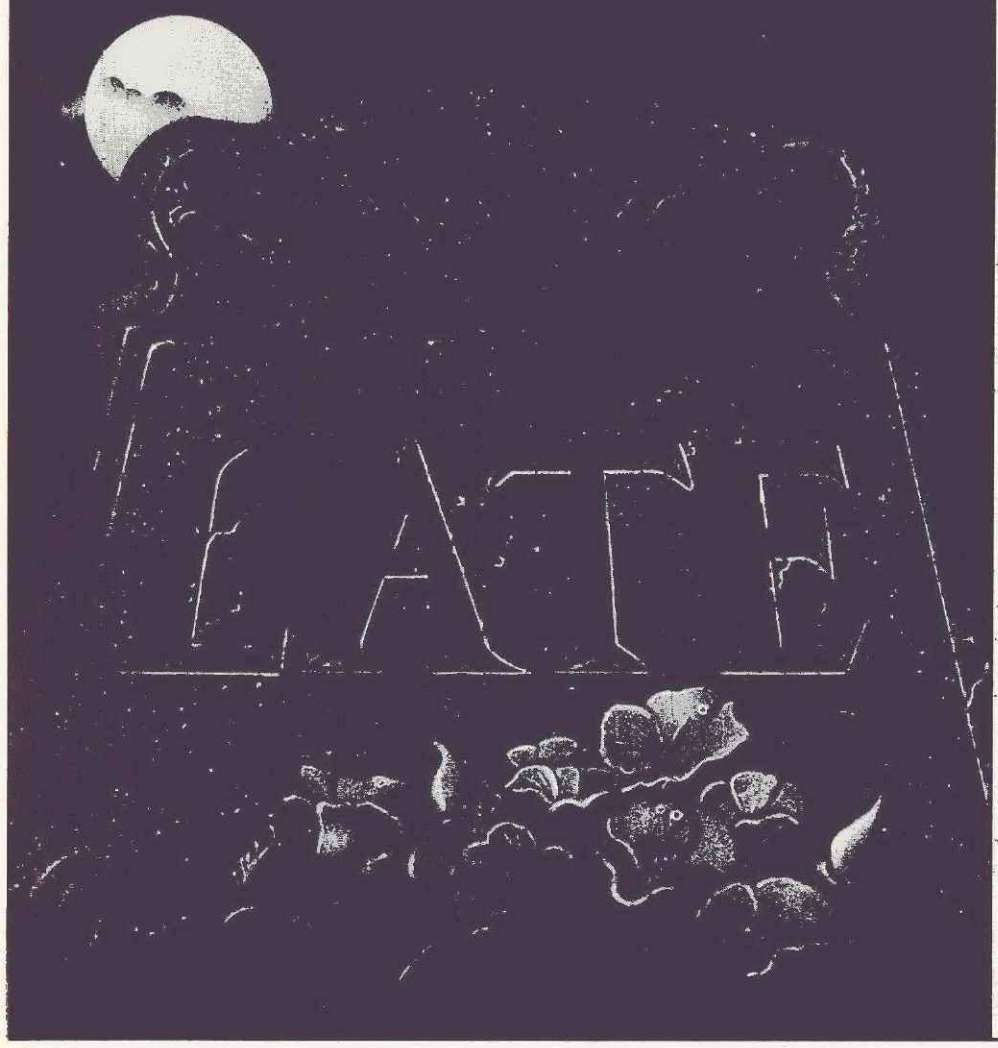
A do-it-yourself guide to retirement planning is available to companies that want to enroll workers ages 50 to 65 in an AIM membership. The cost is $6 per employee

For that membership fee, which can be discounted for large groups, employees receive "Dynamic Years," a bi-monthly magazine with advice on financial planning, leisure time, health maintenance and second careers, as well as guidebooks on money management, legal needs, single living and psychological adjustments.

The AIM membership also provides car rental and supplemental group health insurance discounts.

Some 3,100 Los Angeles city employees eligible to retire this year (those with 30 years service or at least 55 years old) were recently presented with AIM gift memberships. They also were free to attend the city's pre-retirement counseling program, which consists of classes on legal, health, housing and financial matters.

There's a word for people who always do things too late.



For some people, procrastination is a way of life. Unfortunately, it can also lead to heart disease and untimely death.

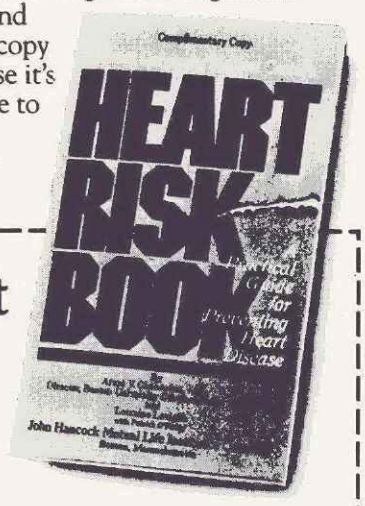
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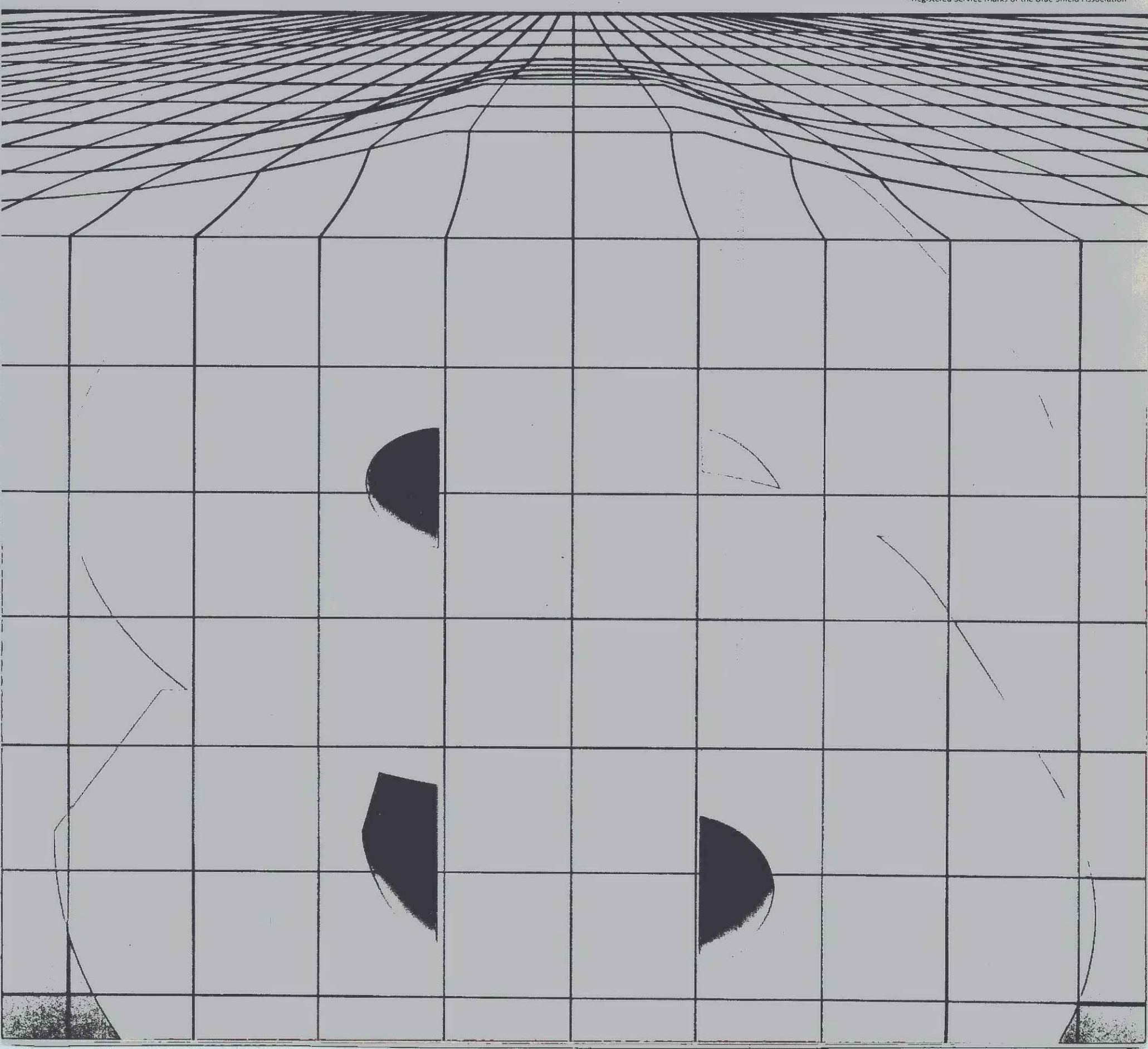
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Employers say EAPs are worth their cost

Continued from page 3

Most EAPs are an outgrowth of alcoholism treatment programs sponsored by employers in the U.S. since the 1940s, though retailer R.H. Macy & Co. in New York and Northern State Power Co. in Minneapolis have offered employee assistance since 1917 and the Metropolitan Life Insurance Co. has been involved in employee counseling since 1919.

During the 1960s, the National Council on Alcoholism studied corporate programs and found the number of problem drinkers identified and treated through the programs was less than 1% of the employee population.

Gradually a conceptual change evolved and the programs began treating the emotional, mental and financial problems caused by alcohol and drug abuse.

"The broad-brush approach of today's EAPs takes the stigma out of using them," said Bill Long, a counselor who provides EAP services to the Duluth, Winnipeg & Pacific (DWP) Railroad in Duluth, Minn., on a contract basis (see story page 24).

Mr. Long provides the 450 railroad employees in northern Minnesota with marital counseling, help in coping with stress and advice on how to handle grief.

Another advantage to the broad-brush approach, says Noel R. Eggebraaten, manager of Kimberly-Clark's EAP, is comprehensiveness.

"Frequently an employee comes in for one problem, but through counseling we discover that the cause is something else," Mr. Eggebraaten says.



Mr. Eggebraaten says more than one problem is often discovered.

An employee who comes for marital counseling, for example, may reveal through sessions with the EAP counselor that he has a serious drinking problem that is causing conflict with his spouse.

As many EAP counselors emphasize, alcohol is frequently at the root of other employee problems. At Kimberly-Clark, where 1,300 people have been counseled since the program started in 1977, 35% were treated for alcohol and drug-related problem, 27% behavioral problems and 10% marital problems.

The AT&T study of 110 employees who were involved with the company EAP over a two-year period shows 42% had alcohol and drug problems, 39% emotional problems and 19% family and work problems.

More than half the employees in the AT&T study had been with the company for 11 or more years, an important consideration in terms of the company's investment in them, according to Eugene Gaeta, program manager.

Nationally, alcohol and drug-related problems are costing employers billion of dollars.

A study by the Alcohol, Drug Abuse and Mental Health Administration earlier this year estimated the social and financial costs of alcohol and drug abuse at more than $65 billion, of which $29 billion is related to productivity.

The overriding argument in favor of involvement with an EAP is a financial one, says Sherman Sass, consultant with Martin E. Segal in Boston, Mass.

"A troubled employee may be less than fully productive," he says. "If it's within the ability of the employer to mitigate the problem, the employee would be less of an economic loss to the business," he says.

For employers considering an EAP, one of the first decisions is whether to staff the service yourself or contract with an outside consultant; there are advantages to both approaches.

At Potomac Electric Power Co., Employee Advisory Service coordinator Robert McKinley used a cost-effectiveness argument in favor of his company's in-house approach.

"For 3,000 or fewer employees, it's probably more cost-effective to contract out for EAP services," he said. "Since many consultants charge on a per-employee basis, it might be cheaper to go in-house if your employee population is large."

Coordinating services for a population of 5,400 employees, Mr. McKinley notes he's "a one-man operation." He conducts interviews with employees who are referred by a supervisor or come in on their own, evaluates the problem, refers the employee to agencies within the community for treatment and then meets with him to follow up after treatment.

It's also the responsibility of Mr. McKinley, a Methodist minister who has a master's degree in counseling, to train supervisors to refer to him employees whose work performance is suffering. He provides information on the counseling program through the company newspaper, payroll stuffers and brochures mailed to employees at home.

One of the recommendations of the cost-benefit analysis of the power company's employee advisory service was for an additional counselor to share the load.

Using an outside consultant service for an EAP avoids the problem of stretching one or two employees so thin, according to Richard T. Hellan, president of Personal Performance Consultants Inc. in St. Louis, an EAP firm whose clients include Monsanto Co., Pet Inc. and Ralston Purina in St. Louis and Connecticut General Life.

More comprehensive services are available from a consulting firm, Mr. Hellan says, "and using an outside firm reduces the management

Continued on page 20

Evaluate your program

How well is your employee assistance program performing? A standard cost-benefit analysis is one way to evaluate the program, but there are other criteria employers can use, according to Timothy D. Plant, manager of Employee Assistance Services for Hazelden Resource Center in Minneapolis.

- **Utilization**: An effective program will have, on the average, 5% to 6% of employees using it annually.
- **Referrals**: There should be a balance of 80% self-referrals to 20% supervisor referrals in a successful program.
- **Distribution of problems**: From one-third to one-half should be related to alcohol and drugs. Programs that are broad-brush in scope should also be identifying family, marital and mental health problems.
- **Promotion**: Employees won't use a program they don't know about. There should be articles in employee publications, mailings sent to employees at home and payroll stuffers promoting usage of the EAP.

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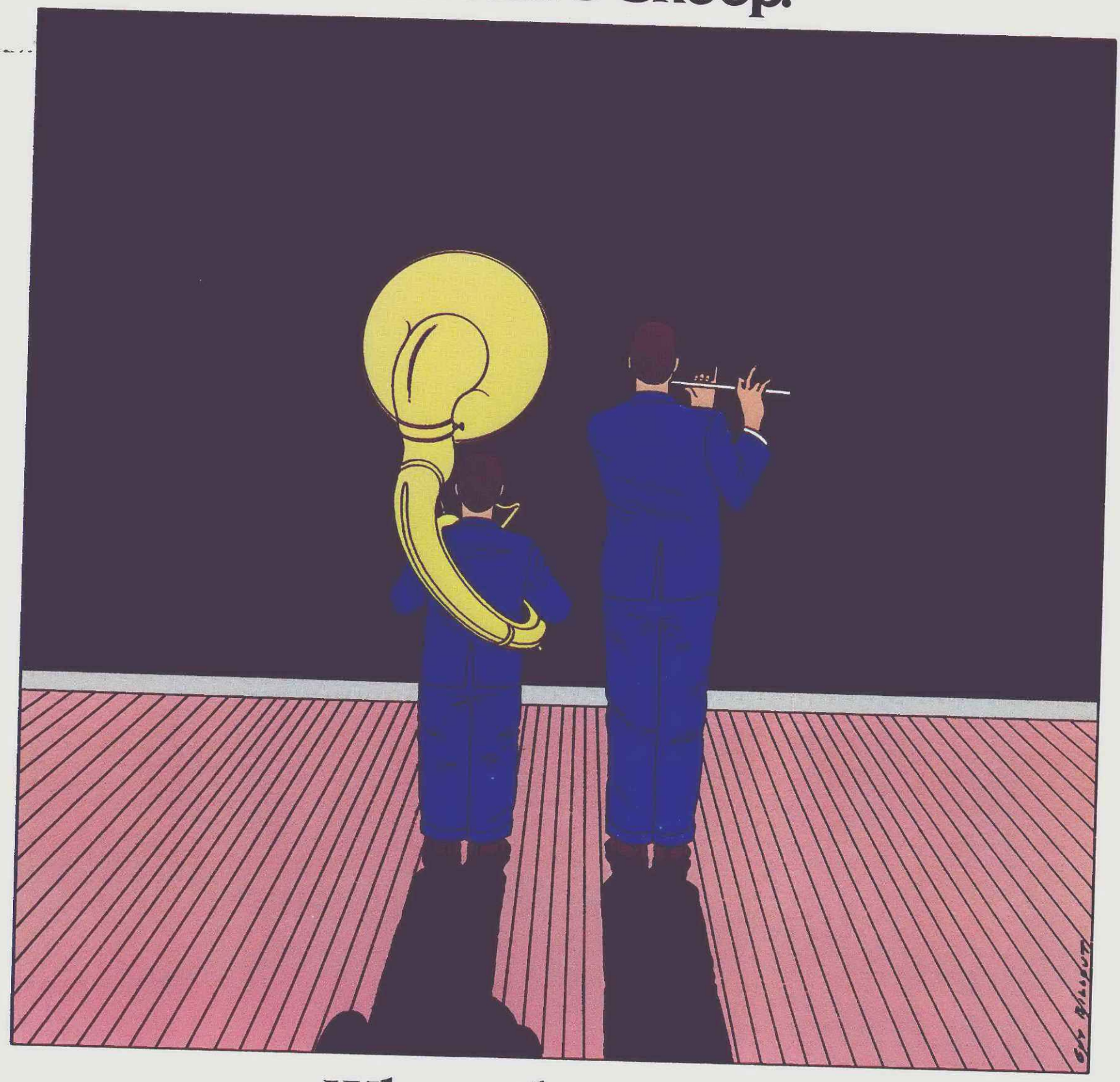
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More than ever before analyzing political risk demands an intimate and expert knowledge of political and economic conditions all over the world. Just keeping a watchful eye on potential developments where you do business is simply not enough anymore.

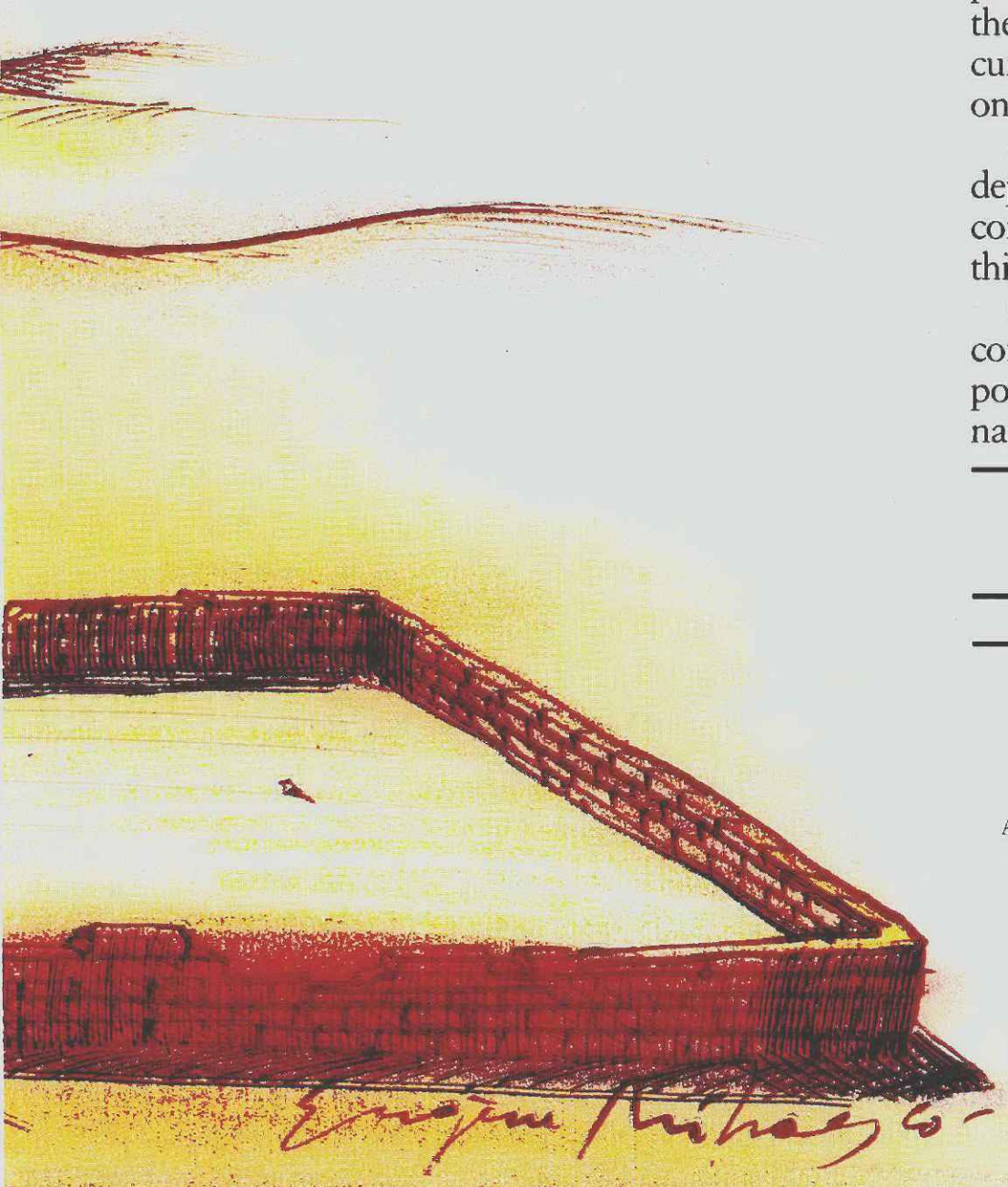
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EAPs show good return on investment

Continued from page 16
time necessary to make a program work effectively."

One of the oldest and most respected names in the field of alcoholism treatment, the non-profit Hazelden Foundation, began offering EAP services from its Minneapolis location in 1979.

Since then Hazelden has worked with 35 corporations and 35,000 employees in 40 states, according to Timothy D. Plant, manager of EAP services. Hazelden has a toll free phone number for 24-hour service and is affiliated with 35 agencies for in-person assessment and treatment.

Mr. Plant predicts rapid growth in the number of providers of EAP services in the future. He stresses the advantage off-site EAP providers have in maintaining the confidentiality of the program.

When an employer contracts for EAP services, "it's not his own employee who is keeping records for the program," he notes, "and data showing a program's cost effectiveness isn't going through the employer's computers."

An outside provider of EAP services can develop data on usage, statistics on absenteeism and use of medical benefits without the employer knowing which employees are using the EAP, he added.

At AT&T and Kimberly-Clark, manager of EAPs defended their programs' confidentiality.

In both companies, the EAP operates as part of the medical department where "the same confidentiality that exists between the company and their patients exists in the EAP," noted AT&T's Mr. Gaeta.

To obtain records necessary for the comparative study done at AT&T, the counselors in the EAP program were allowed access to personnel files.

"We didn't furnish personnel with names," Mr. Gaeta said. "They opened the files to us. No one in any of the divisions where we examined records had any knowledge of whose employee records we were looking at."

Kimberly-Clark's EAP is set up so that employees can make their own appointments before or after work hours if they wish so that no one in the company need know they are seeking help.

Program manager Mr. Eggebraaten pointed out that "our records are absolutely confidential; not even the Occupational Safety & Health Administration has access to them."

How employees are referred to an employee assistance program varies according to the type of program and in the corporate structure it is located.

In the study of the three AT&T locations, almost half the referrals (47%) were from the medical department and 22% were from supervisors.

At Kimberly-Clark, Mr. Eggebraaten estimated about 75% of the employees in the EAP come in on their own; the remainder are referred by supervisors or the medical department.

An important element in the success of an EAP is training supervisors to make referrals.

"It's not the supervisor's job to diagnose an employee's problems," the Kimberly-Clark EAP manager emphasized. "It always has to be an issue of job performance.

"You can't force people to get counseling," he adds, "even if the problem is serious enough to threaten loss of the employee's job. The choice to seek help always has to be the employee's."

That help can be costly for the employer. For of alcoholism or drug abuse, the range is $3,000 to $10,000 for an average inpatient stay of four weeks, the normal length of treatment.

Group health benefit plans with an alcoholism or drug treatment feature cover the inpatient portion of the treatment and 80% of the cost of counseling after treatment.

Outpatient treatment of alcohol and drug problems is still a very new and controversial concept. Most EAP managers contacted by *Business Insurance* expressed reservations at the ability of such programs to match the rehabilitation rate of inpatient treatment.

For post-treatment counseling of employees with alcohol or drug problems and counseling for other problems, employers who contract with full service consulting firms will save on the cost of their group health claims, according to Mr. Hellan at Personal Performance.

"Most health benefit plans will cover sessions with a psychiatrist, but that is the most expensive source of care," he says. "For some problems, marriage counseling for example, social workers are as qualified and are a lot less expensive."

Despite controversies over how an EAP is managed or disputes over which is the best form of treatment for alcoholism and drug abuse, the concept of helping employees with their personal problems is fast becoming an accepted business practice.

Kimberly-Clark's Mr. Eggebraaten predicted EAPs will become essential in the future. "By 1990 if you're an employer without an EAP, you'll be behind the eight ball," he warned.

Added Martin E. Segal's Mr. Sass, "Helping employees cope with their problems is more than a paternalistic, do-good gesture. There are strong business reasons for establishing an EAP." ■



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EAPs important to Kimberly-Clark

NEENAH, Wis.—Employee aid starts at the top, says Noel Eggebraaten, Kimberly-Clark Corp.'s employee assistance program manager.

In a rare show of corporate support, Kimberly-Clark management is committed to establishing EAPs wherever there is the need, Mr. Eggebraaten says.

"It goes beyond our world headquarters here in Neenah. We've established EAPs at 20 Kimberly-Clark locations in the U.S. and Canada since the program started five years ago," he said

Mr. Eggebraaten estimates he spends 50% of his time at Kimberly-Clark facilities throughout the country, working with existing EAPs or establishing new ones.

In Lee, Mass., for example, where the employee population was too small to justify a full-time EAP counselor, Kimberly-Clark and the local Chamber of Commerce got other businesses interested in the EAP approach.

Pooling their employee populations and financial resources, they were able to attract a full-time professional to run a shared program.

Branch programs follow the model of the corporate headquarters plan, which is part of a $2.5 million health care facility directed by Dr. R.E. Dedmon, the company's vp of medical affairs.

The EAP has a budget of about $160,000, including three full-time counselors who have seen 1,300 people since the program began in 1977.

Appointments are made by telephone and once the employee and the EAP counselor meet, "We define our role, set the ground rules, then basically ask them to tell us why they're here," Mr. Eggebraaten explains.

Although alcohol and drug-related problems are by far the biggest source of EAP referrals, the counseling often involves marital or family problems. "We'll see the spouse either alone or with the employee," he says. "We talk with them, listen, share some observations and give them additional material to read if they want.

"But the decision to get treatment for alcohol or drug problems has to be made by the individual," he adds.

When the employee (or spouse or dependent who also are covered under Kimberly-Clark's benefit plan) agrees to treatment, the EAP initiates a referral to a center, frequently the Hazelden Foundation in nearby Center City, Minn.

"I'll talk to the admissions people and make sure the counselor at the treatment center talks to me before our employee is seen," Mr. Eggebraaten said.

"During treatment, we get a weekly update on progress. Before an employee leaves a treatment facility, there's an interview with his supervisor, the treatment center counselor and one of the EAP counselors.

"A lot of employees are fearful of what to expect back on the job," he continues. "Worries that 'everyone will know' are common. The supervisor assures the employee that he or she still has a job and that their progress will be reviewed on a monthly basis."

The EAP counselor meets again with the employee on the day of return to the job. "We review recommendations the treatment center made and give more reassurance, if necessary."

Kimberly-Clark recently established an after-care group counseling session for employees. "It's more intensive than Alcoholics Anonymous," Mr. Eggebraaten says. "We talk about specific incidents on the job or at home; how the employees are coping or not coping with situations of stress."

Employees with an alcohol problem who are referred to the EAP by a supervisor are required to attend all post-treatment sessions as well as join AA.

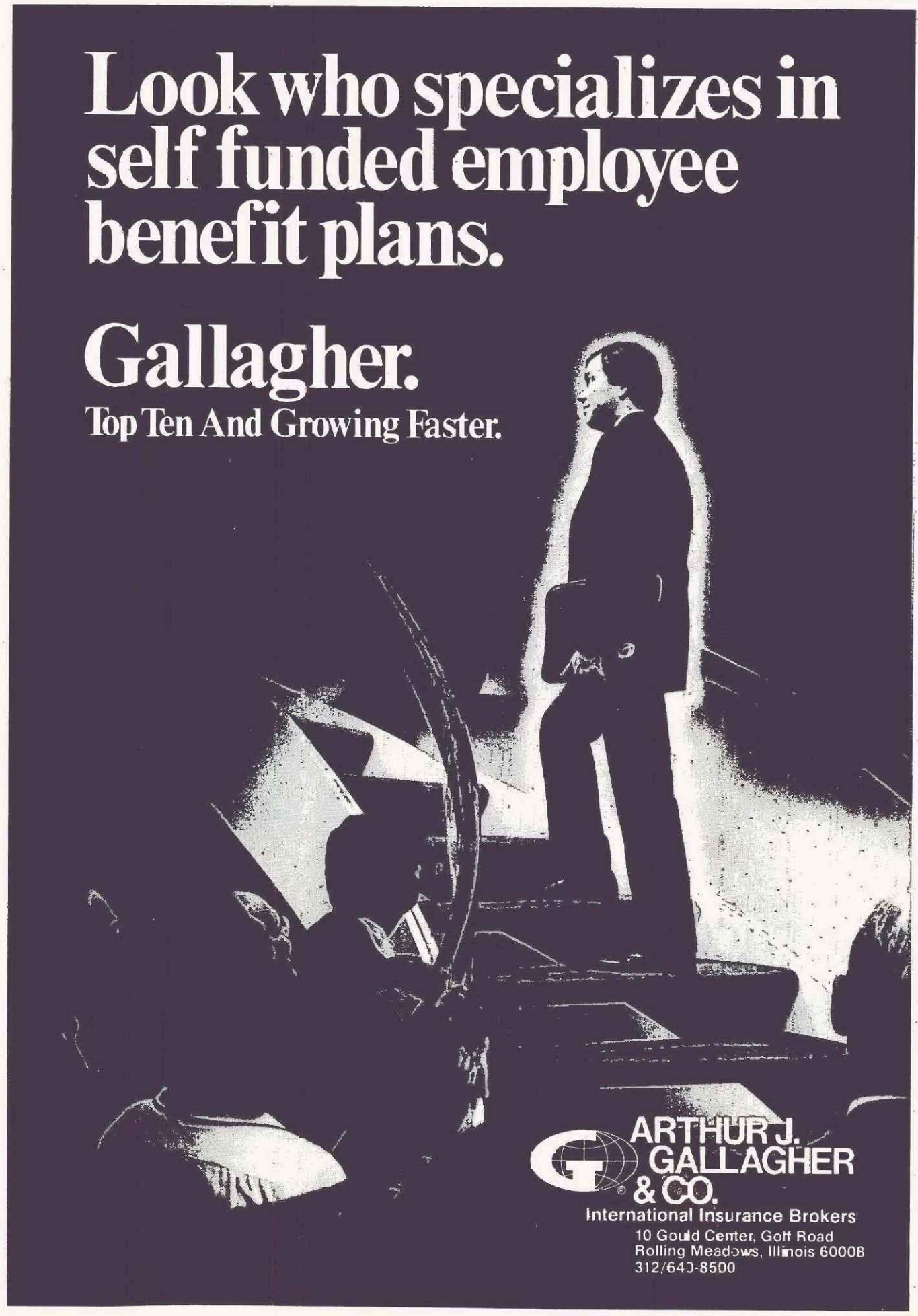
"If they don't have a strong support system to come back to, they're more likely to suffer a relapse," the EAP counselor said.

Kimberly-Clark claims a 73% success rate for its EAP, defining success as "people who are able to function and do their job," Mr. Eggebraaten says. ■

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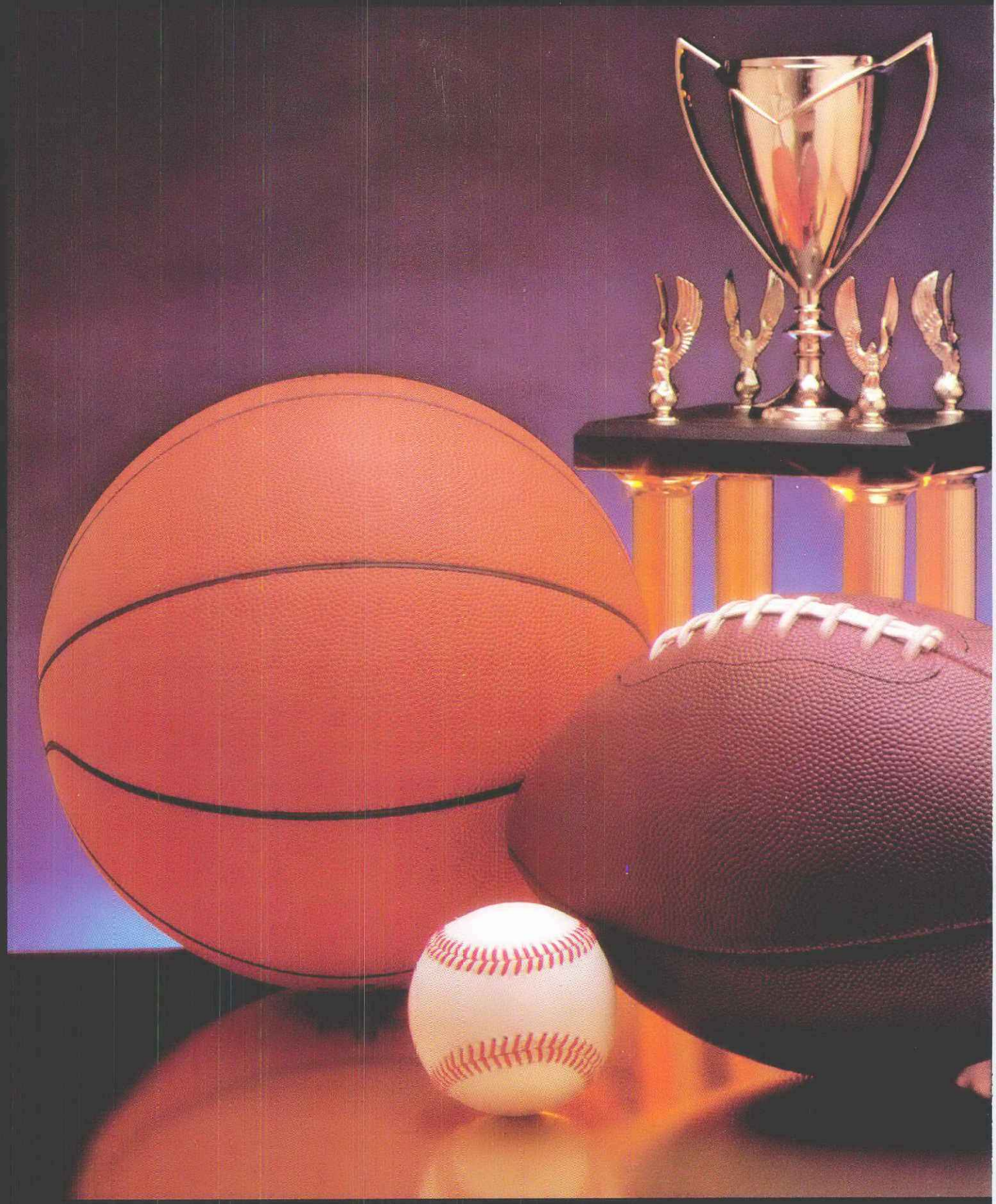
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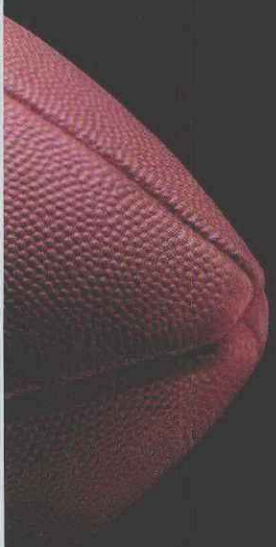
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Counselor tries to gain railroad workers' trust

By MARGARET LeROUX

DULUTH, Minn.—Although alcoholism has long been a problem in the railroad industry, the employee assistance program approach is a new one for the Duluth, Winnipeg & Pacific Railroad in northern Minnesota.

"Confidentiality is still a big issue with employees here," says Bill Long, a contracted counselor who manages the railroad's EAP.

"I have to combat the fear that the program was established by management to weed out problem people and get rid of them," he explains.

To gain employees' trust, Mr. Long says he spends "a lot of time drinking coffee. I visit the job sites, just to get to know the employees. I'm aware I have to be selling myself and the program."

The low-key approach seems to be working for the burly, bearded counselor who is as comfortable in jeans and a workshirt as are his employee clients. In less than a year, Mr. Long has counseled 35 troubled railroad employees, more than 7% of the 450 he serves.

As an outside counselor with a master's degree in educational psychology, Mr. Long says he is at an advantage in working with railroad employees. "They don't see me as management. I do counseling away from worksites—at my office, at home or even at the home of the employees, if that's what they want."

But the counselor also works with supervisors who must oversee troubled workers. Training supervisors to document cases takes lot of his time, says Mr. Long, but he adds that it's worth the effort.

"At first they were calling me to 'See Joe, he has a problem,'" he says. "But I'm trying to get through to the supervisors that they are responsible for documenting attendance, chronic lateness and instances where job performance is affected.

"In order for supervisor referrals to work, there has to be documentation."

People who have alcohol and drug problems will often try to deny it, he explains. However, if a supervisor can document lateness, absenteeism and excessive sick days, the employee has to face facts.

The EAP counselor says he is seeing signs the program is affecting the railroad's employees positively.

"I'm starting to see people whose problems haven't reached the critical stage and I'm getting referrals from other employees.

"I want this program to be a developmental one, not a remedial one," Mr. Long says. "I'm more interested in preventing fires than putting them out." ■

Where to get information

Employers considering establishing an employee assistance program can obtain a variety of information from the National Council on Alcoholism.

The NCA recently published "The EAP Manual," a step-by-step guide for establishing and operating an employee assistance program. The manual costs $6.85, including postage.

Other NCA material related to EAPs include two pamphlets, "Questions & Answers on Your Employee Assistance Program" and "Standards for Employee Alcoholism and/or Assistance Programs" and a slide show called "Employee Advisory Systems: An Effective Approach to the Alcoholic in Industry."

For further information write the National Council on Alcoholism, 733 Third Ave., New York, N.Y. 10017. A catalog of other publications is available. ■

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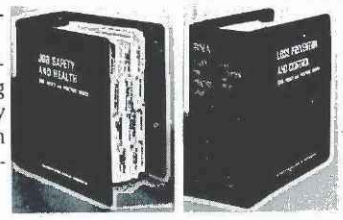
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Employers support workers' efforts to earn degrees

By JAMES C. LAWSON

Some large corporations score high on their educational benefits.

At Weyerhaeuser Co. in Tacoma, Wash., employees can take a leave of absence to continue their education and still be reimbursed for most of the cost of their schooling, keep their company health benefits and possibly recover part of their lost salary.

At International Business Machines Corp. in Armonk, N.Y., Clorox Corp. in Oakland, Calif., and American Can Co. in Greenwich, Conn., the companies generally pick up the full tab for tuition.

At Insurance Co. of North America in Philadelphia, continuing one's education is almost as easy as hopping on an elevator.

INA, a subsidiary of CIGNA Corp., allows employees to earn a liberal arts degree from the University of Pennsylvania in Philadelphia by bringing the college to them. To get to classes, employees simply take the elevators in the INA building to an area set aside for college instruction.

But despite these types of efforts by employers to help employees continue their education, many worker education programs go begging for participants.

The average employee participation rate in tuition-aid plans is about 5% for white-collar employees and about 1% for blue-collar workers, according to a study by the Conference Board, a non-profit research institute in New York.

A large part of the problem is the lack of benefit communication by the employer, some benefits experts say.

"**Most workers** don't know they have the benefit," explains Ivan Charner, director of research for the National Institute on Work & Learning, a research agency in Washington, D.C.

"Tuition-aid programs usually are mentioned in the employee handbook workers receive when they are first hired, but the new employee may not read the section unless he is immediately interested in participating in that type of program," Dr. Charner says. "Most companies don't promote tuition-aid programs on a continuing basis."

Some employers admit they don't devote a tremendous amount of time promoting tuition aid because it's not an employee benefit all can utilize.

Consequently, some employers separate their education programs from other benefit programs.

For example, tuition-aid programs often are administered by human resource or personnel departments rather than the employee benefits department.

Some employers say they have no real idea how much they spend on the programs because they usually are funded from the budgets of individual departments. While policy is set by corporate headquarters, approval usually is granted by department heads.

"In incidences where employers put forth an effort to promote the programs, participation is higher," Mr. Charner notes.

Lack of employee interest in continued education and lack of adequate educational facilities near the workplace also contribute to low employee participation.

"Accessibility and timing are keys to the (tuition-aid) program," said Kathy Pollak, vice dean of the

Continued on page 26

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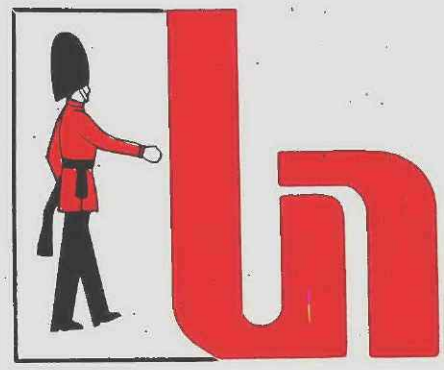
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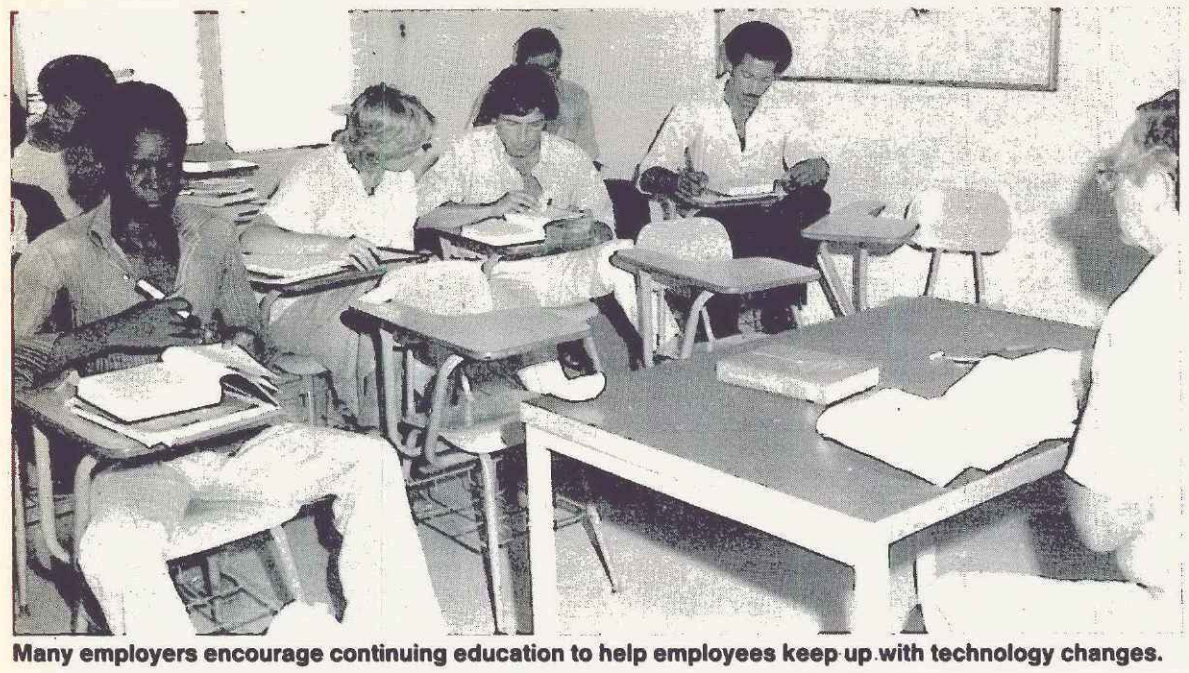
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Many employers encourage continuing education to help employees keep up with technology changes.

Higher costs limit education plan use

Continued from page 25

University of Pennsylvania's College of General Studies, which helped develop the INA program.

"All the studies show when you have a co-sponsored program, even when you have tuition reimbursement as part of the package, the opportunity isn't taken unless the classes are accessible," she said.

Rising tuition costs and employee values also can contribute to low participation, notes Lynn Sochon, a human resources consultant with William M. Mercer Inc.

"Some employees may be deterred because they cannot afford to make the initial tuition outlay. They aren't reimbursed until after they've successfully completed their course. Some employees also have to weigh free time against being in an educational situation."

Seymour Lusterman, a senior research associate with the Conference Board agrees.

"Why would you expect everyone to take additional courses after work?" he asks.

"It's an opportunity they (employees) may elect to take, but unless an employee has a specific goal or is required to participate, they may not do so," he said. "It's quite a task to go to school after work. Employees often have a lot of outside interests, their families and other activities."

To counter these obstacles, Weyerhaeuser is trying to make school easier for its employees.

The wood and paper products manufacturer provides tuition-aid and employee education programs to give workers an opportunity to keep up with modern technology and further their career goals. And, Weyerhaeuser is continuing the program although the housing and wood products industries are in a slump.

Weyerhaeuser offers employees who have been with the company for at least a year a comprehensive leave of absence program that provides more than time off the job for full-time study.

Employees on leave are provided 80% reimbursement for tuition, registration fees and books and are allowed to keep life, health and dental benefits.

Weyerhaeuser also offers participating employees educational grants equivalent to 50% of their salaries.

"With the current economy, a number of our managers may be taking a closer look at their budgets. And, they may not be approving as many employees for these programs," admits Craig Nelson, the company's manager of benefits planning.

"But Weyerhaeuser is concerned about its employees on an individual basis. We tell them, 'We want to give you the opportunity to expand your horizons.' The need for keeping up educationally has become more vitally important."

"In many cases, tuition-aid programs are the difference between a person going for additional education or not in the current economy," says Jane Bear, manager of flexible benefits for American Can Co., a container products company based in Greenwich, Conn.

"We're looking to increase employee effectiveness on the job, building reserves for qualified promotable people and keeping employees abreast."

American Can reimburses 100% of the cost of tuition and registration fees to employees choosing high school equivalency or business courses that could lead to a degree in a field related to their jobs or a future job with the company. Employees can take no more than two courses per semester.

INA is entering the second year of its part-time education program that allows employees from the Philadelphia area to earn a liberal arts degree from the University of Pennsylvania—at the same place they work.

University of Pennsylvania professors teach liberal arts courses at the INA building from 4:30 to 7 p.m. four evenings a week.

INA pays the full cost of tuition, fees and books for any employee who can meet the university's admission standards. Courses do not have to be directly related to the

Continued on page 28

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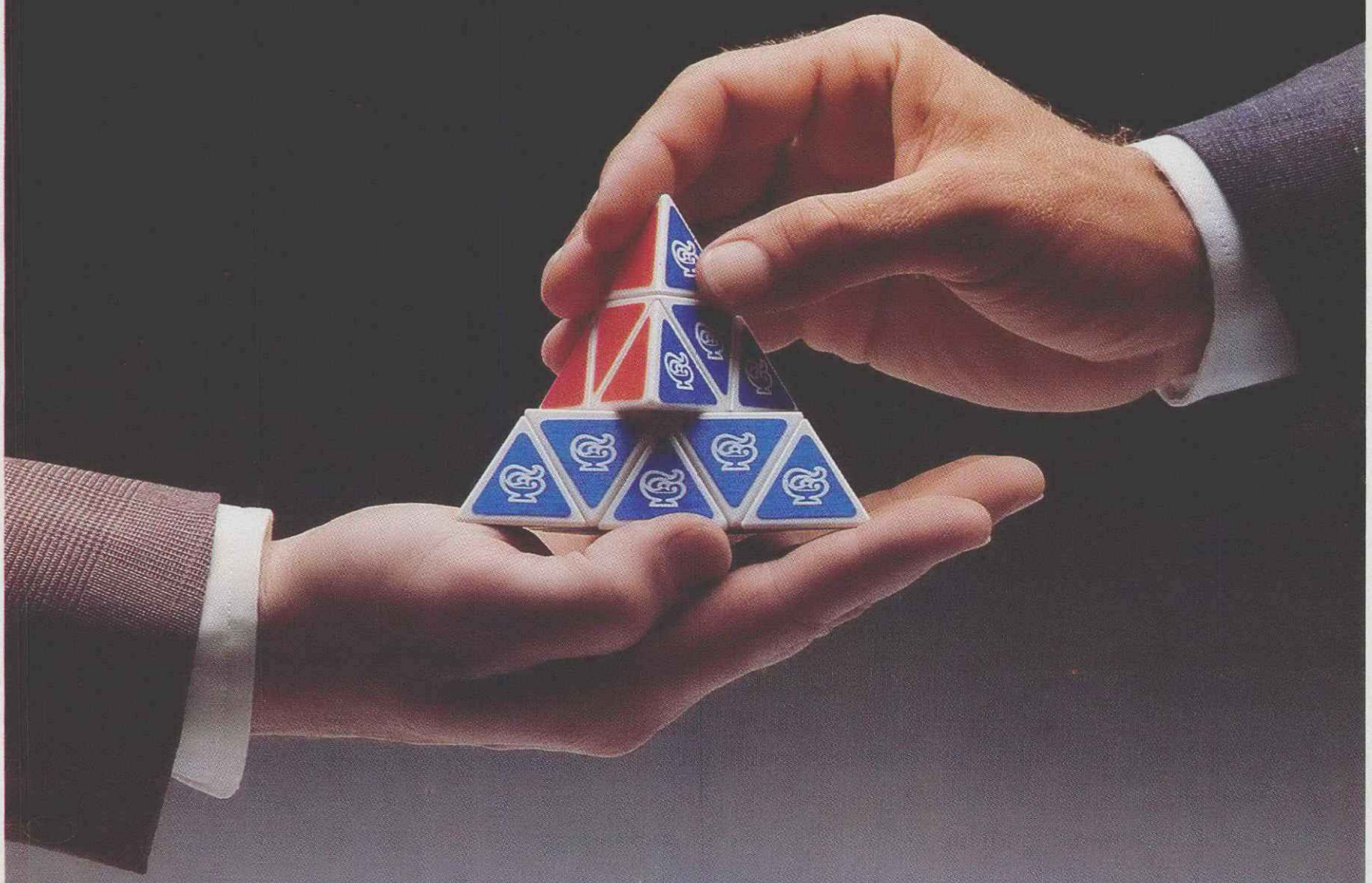
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Employers pay for degrees

Continued from page 26

employee's current job, explains an INA spokesman.

Most students take two courses a semester. At that rate, they can earn a bachelor of arts degree in five or six years.

So far, about 100 employees have enrolled in the program.

"The liberal arts degree plays an important role in developing managers," explains Ralph S. Saul, chairman of CIGNA Corp. "It (liberal arts) provides a vital perspective on the interrelationships and growing complexity of business and society."

Continuing education is a big concern for another large insurer, Metropolitan Life Insurance Co.

Metropolitan officials are currently considering altering the company's tuition refund program to make it more competitive with plans offered by other employers.

The New York-based life and health insurer sponsors or pays for internal education programs for many employees.

Some employees learn typing and letter writing or participate in programs toward a high school diploma or a college degree.

Selected managerial personnel are offered the opportunity to sharpen their skills in the company's Effective Supervisor Training Program, which Metropolitan also markets to other employers.

"The company is very supportive of training employees," says Lott Moroney, Metropolitan's manager of employee education and training. "People do appreciate that you (the employer) care by providing these types of programs. Employees feel they have an opportunity to look at other opportunities in the company and can achieve their career goals."

The wage and salary analyst at a California-based Fortune 500 energy company with more than 19,000 employees agrees that tuition-aid programs can be a good recruiting tool.

"Most Fortune 500 companies have tuition refund programs," he notes. "Offering such a program enables us to a attract high-potential employees from smaller companies.

"Having a good tuition refund program can mean the difference between luring talent from a smaller company or risk losing that person to another company."

Another California employer—Clorox Corp. in Oakland—reimburses employees 100% for tuition, fees and textbooks for courses directly related to their current jobs. If the employee takes courses that are not directly related to current jobs but that may enhance their career goals, the employer pays 80%.

Clorox employees must have been with the company for at least one year to qualify for the benefits and get approval from their immediate supervisor.

The Clorox program is administered by its human resources department, but local departments have the benefit charged to their budgets.

Clorox has more than 5,600 employees worldwide. More than 200 employees have participated in the company's education assistance program, which began in the mid-1970s, company officials say.

Participation has been good at IBM, which employs more than 200,000 domestic workers.

"In the last three years, we've had 30,000 applications from employees wishing to participate in our program. And 12,000 of those have come in the last year," explains John Reilly, an IBM spokesman at corporate headquarters in Armonk, N.Y.

IBM reimburses 100% of all tuition, registration and books after the successful completion of courses needed to obtain a high school diploma, courses directly related to their jobs, courses related to their IBM career path or courses that are part of a required degree program related to their present position or career path.

The courses must be taken at an accredited college, university, high school, business or technical school.

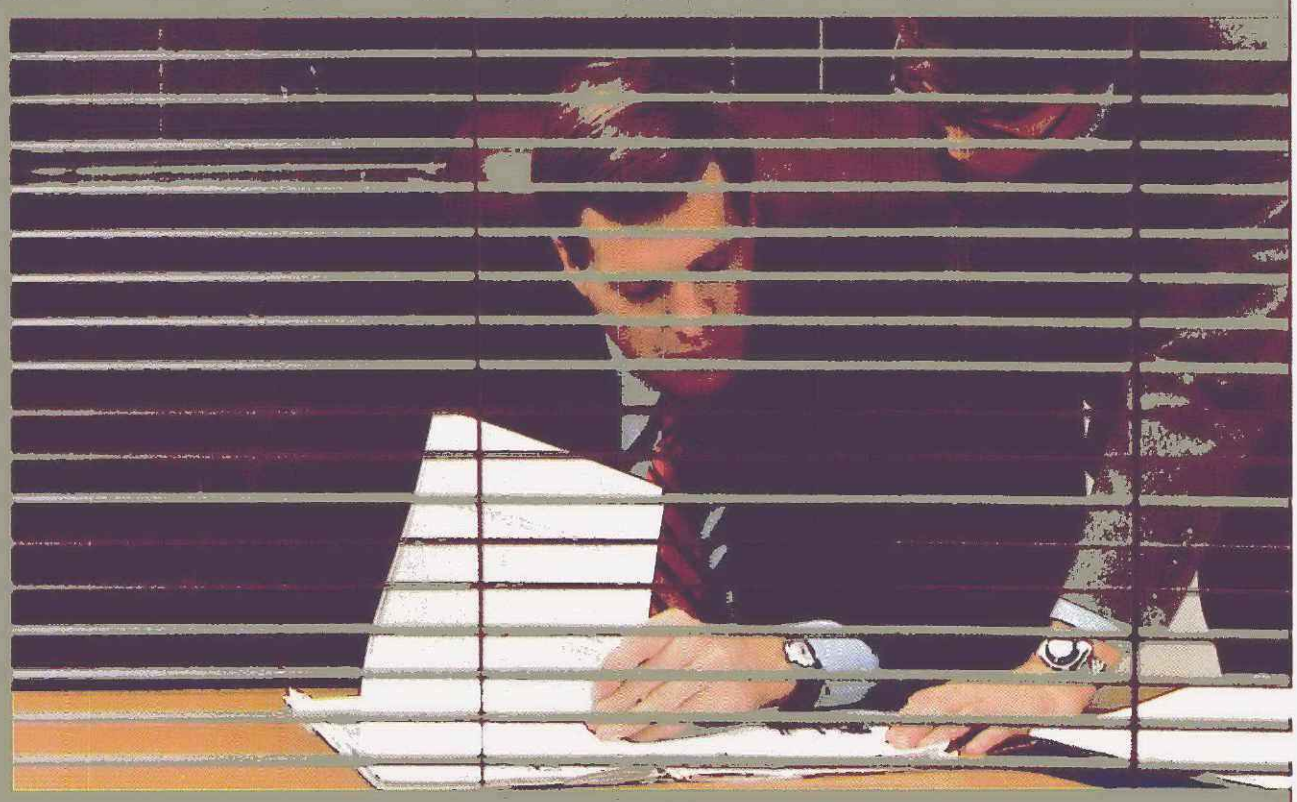
IBM communicates its tuition-aid program and in-house continuing education program through bulletin board announcements and a yearly employee booklet entitled "About Your Company."

Educational training is a continual process at IBM, explains Mr. Reilly. The company's objective is to provide every manager—it has 28,000—with at least 40 hours of management training a year.

"By the nature and size of our education program," Mr. Reilly says, "we obviously believe the programs are cost-effective. The computer industry is moving so fast you can't sit still with old skills." ■

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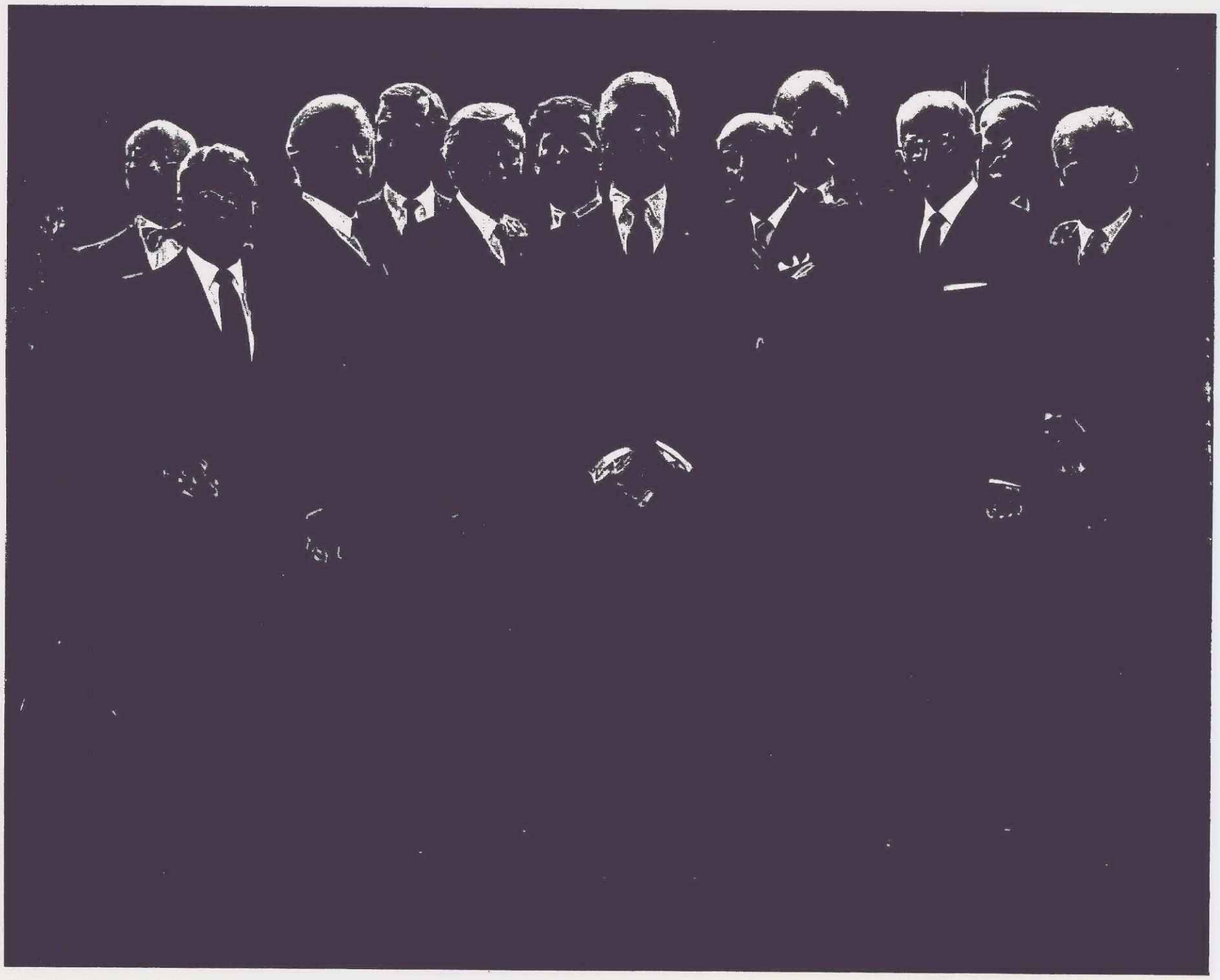
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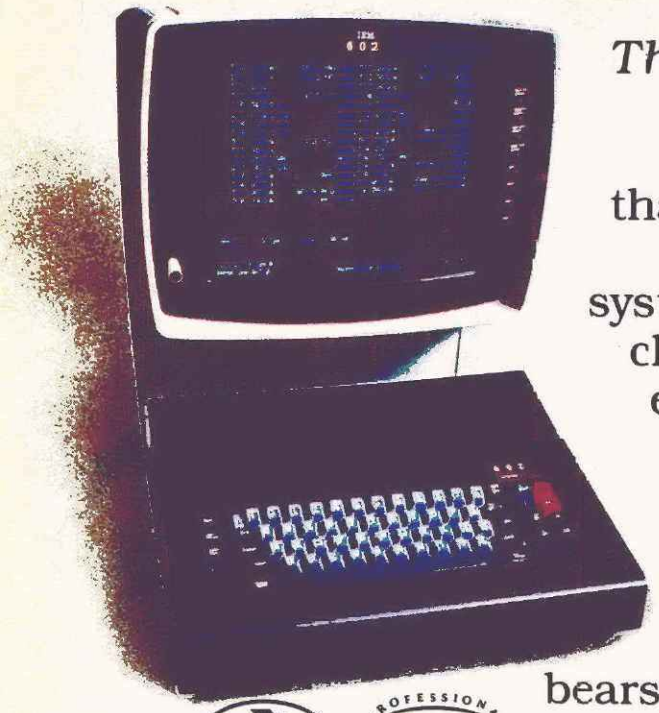
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perspective

'FINDING' LOST DAYS

A little incentive can go far to reduce absenteeism, improve morale

By Terry H. Young

speaking out

HIGH ABSENTEEISM and low productivity are continuing problems for company managers today, and I am no exception. In 1980, I started as manager of Precision Forms Co., the graphic design and production subsidiary of Benefacts Inc., which communicates employee benefits and simplifies business documents.

Our 33 employees are graphic designers, printers and bookbinders. We work on a system of hard deadlines and can't afford a high level of sporadic and unpredictable absences. Yet, I found myself face-to-face with an annual sick leave consumption rate of 65%, an average of 4.55 days of the seven allowed each employee. I felt this level was too high and believed we could reduce it.

I set about doing some research on these absences and our employees' attitudes toward absenteeism and found the following:

- A former supervisor had told some employees that the seven sick days allowed per year were benefits and should be taken whether or not they were ill.
- There was a rise in the number of people taking sick days following a pay day, compared with other occurrences.
- Some employees appeared to be healthy on the days before and immediately after taking sick days.
- When some employees were denied personal days off because of production needs, they called in sick.

In addition, I felt that a morale problem was developing because employees who were playing by the rules and calling in sick only when they really were sick were resentful of chronic offenders.

I thought that we could go in one of two directions to solve the problem, using either negative or positive reinforcement. But the idea of playing policeman and instituting negative reinforcement measures didn't appeal to me for several reasons: I don't like to follow up to be sure that absences are justified. Calling employees at home to be sure they're sick reminds me a little too much of grade school, and I don't want to cast my employees in the role of children who need to be disciplined.

In addition, unwarranted sick leave is difficult to prove and punishing offenders does nothing to reward those employees who have good attendance records. It can also breed resentment, even among those who are not punished, and give employees a feeling that management distrusts them.

A system of positive reinforcement, on the other hand, gives recognition to those who do come to work regularly and provides incentive for chronic offenders to change their habits.

Before I set up an incentive system, I first looked at the absenteeism rates for the past two years to determine the best mathematical method for offering a reward to those with good attendance records. I settled on a policy of one free personal day for every calendar quarter of 100% attendance. I submitted the proposal to Benefacts Inc. for approval and the program began in January 1981.

At first there was no apparent change in morale. The program had been announced and had started, but those with good attendance records had yet to see visible proof that they would be rewarded. And the chronic offenders continued their absences. But after March 31, I was able to send a congratulatory letter to each of the 12 people who had earned a free personal day. They were delighted. During the next three months, 15 earned a day off and social pressure began to affect those who continued to call in sick. Such peer pressure, I believe, is much more effective than any policing I could do as a manager.

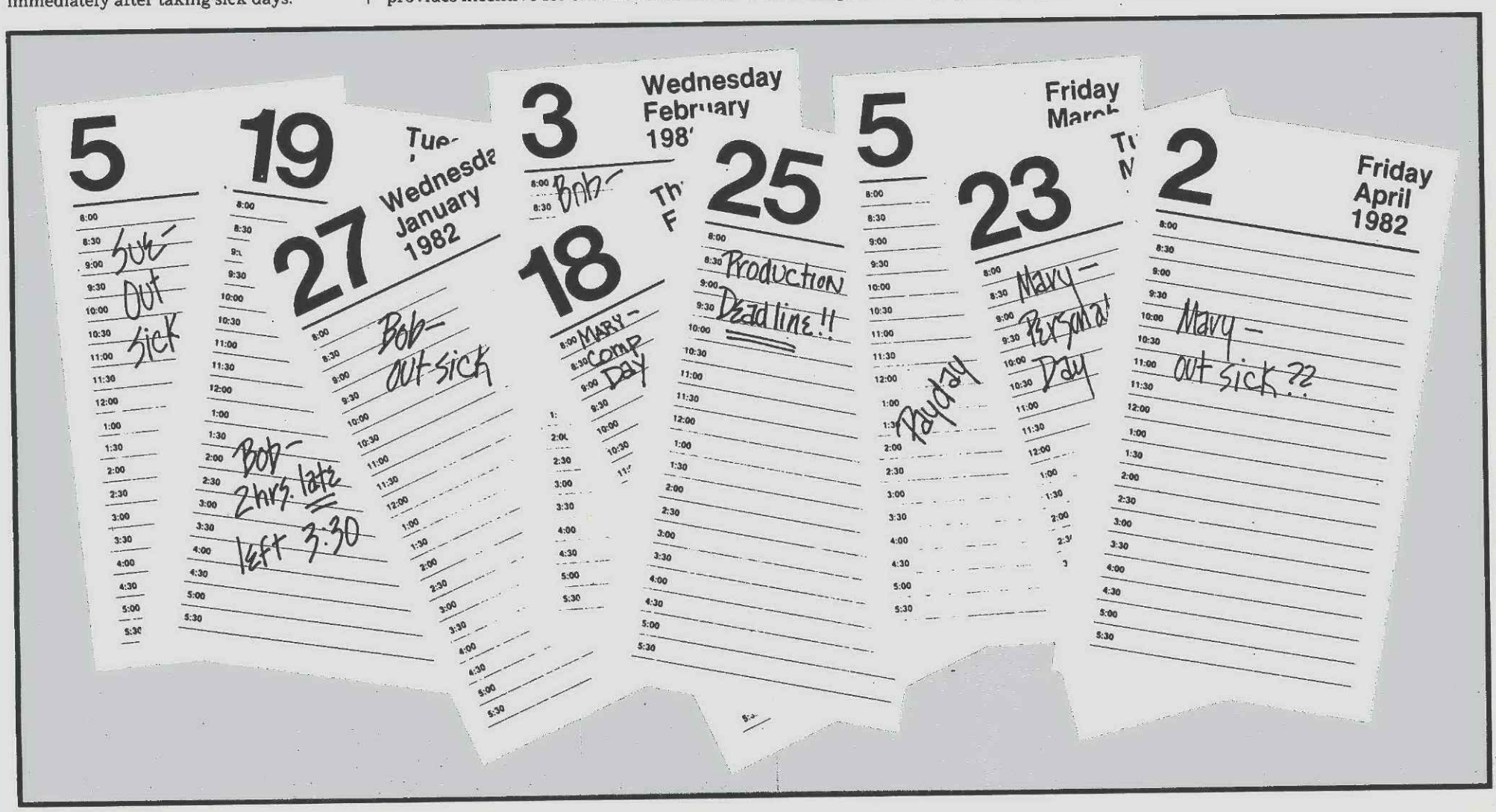
By the end of 1981, the percentage of sick days taken had been reduced from 65% to 42% or an average of 2.94 days per employee. Combined with the compensatory days off, this totaled 72%, or an average of five days per employee. While this figure was higher than the original sick leave rate, it was due in part to two people who suffered lengthy illnesses, combined with the four compensatory days awarded to employees who had taken as few as one or two days of sick leave in 1981.

I plan to modify the program later in 1982 so that employees earn two compensatory days off per six-month period of perfect attendance, rather than one day every three months. This, I believe, will encourage longer periods of perfect attendance without reducing the total time offered in compensation for perfect attendance.

Finally, I believe that giving compensatory days off aids us in our production processes. When we can plan for employees to be off, we can better plan our work flow and reduce the need for overtime. For Precision Forms Co., this system of compensatory days off has solved a management problem and at the same time improved employee morale. ■



Terry H. Young is assistant vp and manager of Precision Forms Co., the print production subsidiary of Benefacts Inc. in Baltimore. Both are subsidiaries of Alexander & Alexander Services Inc.



perspective

Planning and sensitivity to needs work in pre-retirement programs

By Robert A. Jud

IN 1978, everybody thought that retirement education programs for older workers would become the wave of the future.

You will recall that the Age Discrimination in Employment Act, amended that year, included raising the mandatory retirement age to 70. It was a year of double-digit inflation, followed by several similar years, which made even the most cautious retirement plans seem chancey. There were 50 million people in our culture, we were told, past the age of 50. Advertising Age bid goodbye to the "Pepsi generation" and heralded in its place the maturity market. Unemployed school teachers were told to return to the classroom, this time to teach oldsters the ABCs of financial planning.

Public surveys told us much the same story. We discovered that only 11% of all major employers had meaningful retirement education programs at that time, although most of the remainder, 78%, told us the issue was so important that they planned to have such a program soon.

They told us the same thing when they were surveyed the year after that. By 1981, the numbers were still the same: one out of every 10 employers had a retirement program and another eight asserted that it was a priority they would attend to soon. But they never did.

There are many reasons for this priority that never materializes. Some have to do with the present downturn in the national economy and the impoverished human resources budgets that frequently result from it. Others have to do with the reluctance of firms to initiate programs that are not directly and clearly related to daily work performance. But some of those reasons also have to do with the sheer profusion of courses, learning materials and services on this subject that have flooded the market over the last four years. For the non-specialist in this area, it is sometimes difficult to make sense of it all.

There is a way to penetrate this thicket, and it is the systematic, analytic process by which most business problems get solved. We suggest the following checklist of 10 items for approaching the marketplace:

- Specify your objectives. There are many valid reasons why a firm might spend money on a retirement counseling effort, but it is dangerous to assume that everyone in your company is in clear agreement on what the reasons are. Are they a reflection of corporate values about older workers? Do they include a chance to enhance the employee benefits package? To help older workers make intelligent retirement choices? To involve workers in planning for their long-range financial futures by sheltering some of their income now? Whatever the reasons, you should specify them at the outset because they will be the measure of the program when it is finally installed.
- Know your audience. You need to identify the target population for this program with precision. Will it be all workers of a given age? What age will that be for your company? How geographically dispersed are they? What is their relative readiness for this kind of learning? Will income level make a difference? Would you favor a series of educational efforts at mid- and later life, rather than one burst of retirement education at the close of their careers?
- Determine your strategy. Retirement education programs, naturally, do not fall out of trees. You must determine the steps necessary to initiate this program and the resources required to do that. You need to produce a coherent briefing for the management of the organization on this issue, counter objections, muster allies and (if possible) enlist a project champion.
- Decide on content and media. There are about a dozen topics that can reasonably be raised in a retirement education program, and you will want to select from that "menu" those items that best match the needs of your employees.

You will want to decide whether workshops are the most feasible method for your firm, what kinds of materials you will need, whether you should produce your own or purchase those that are commercially available and so on. This is a critical phase during which you will want to examine packaged programs produced by public interest groups, for example, like the American Assn. of Retired Persons or the National Council on Aging, by commercial publishers or those designed and installed for you by consultants in this business.

- Coordinate issues of geography and logistics. Once you know what your retirement planning program consists of, you need to organize participants, instructors, where the program will be held and other resources to achieve your instructional objectives. This is one of the more time-consuming and painstaking parts of such a project. It needs to be done with great care.
- Settle on issues of timing. There is a host of timing issues in a project like this. They include the timing involved in introducing the program itself, in inviting participants to attend, in the frequency and length of participative sessions and the like.
- Plan the budgets. Two budgets will be needed. One is a start-up budget of one-time-only costs in initiating a program in the first place. The second is an ongoing budget of operating costs to maintain the program year after year.
- Implement the program. This consists of identifying key events in the program and devising a checklist of strategies for getting them done. It covers obtaining experts, negotiating fees, workshop logistics, internal communications, conducting and evaluating pilot programs and all the other issues raised in the previous six steps.
- Evaluate the program. Every educational program requires field testing and feedback to insure that it provides participants with the opportunity to master skills it promises.

There is available a wide range of course-evaluation techniques and instruments to accomplish this task:

- Prepare an action plan. The difference between a wish and a reality is a series of committed steps.

The result of this entire process should be a detailed game plan of every step to be executed.

Using a systematic approach like this has many advantages. It begins with a series of explicit agreements rather than fuzzy implications. It develops a data base that later can be used as input for the design of a program, as a way of preparing course specifications for internal and external consultants, as a checklist for implementing the program and finally, as a benchmark for evaluating it. This is a time-consuming task, but there is no substitute.

Every carefully crafted retirement program begins with reflections on why the organization should begin the activity at all, and with a thorough analysis and understanding of the unique needs of its audience. ■



Robert A. Jud is associate and consultant with William M. Mercer Inc. in New York.

Deductible benefits vary under group plan

UNDER A GROUP disability policy providing for deductibility of Social Security disability benefits, an insurer cannot deduct Social Security old-age benefits, according to the Supreme Court of Louisiana.

John Massengill retired under total disability at age 56 because of a back condition. He was covered under a group policy issued to his employer by Aetna Life Insurance Co. For nine years, he received monthly disability benefits under the policy.

The policy provided that a retiree was subject to a deduction for disability payments payable under Social Security. At age 65 Mr. Massengill started receiving Social Security old-age benefits. Aetna then discontinued his disability payments. He sued the company and won in the trial court.

An intermediate appellate court, however, allowed Aetna to deduct Mr. Massengill's Social Security benefits that he received and would receive for old-age insurance after age 65.

The state Supreme Court then said the changing character of the Social Security payments at age 65 was overlooked by the lower court. According to the court, the disability insurance under the Social Security act extended only to age 65; thereafter, old-age insurance benefits were due.

Under the group insurance policy, the court said, Aetna could deduct only Social Security disability payments, so it could not deduct Mr. Massengill's Social Security old-age benefits that he was to receive after turning 65.

Massengill vs. Aetna Life Insurance Co., Supreme Court of Louisiana, Sept. 28, 1981, rehearing denied Nov. 16, 1981 (*BI*/02/Jy.-$5).

legal briefs

Expiration date

Where the expiration date and time were not changed in the assignment of a fire insurance policy, the provisions in the policy prevailed over a later enacted statutory provision, according to the Supreme Court of North Dakota.

Al Bumann purchased a drive-in restaurant from the former owners, taking an assignment on Sept. 15, 1979, of a fire insurance policy issued by St. Paul Fire & Marine Insurance Co. The policy specified an expiration date of noon on Dec. 28, 1979. At 12:45 a.m., Dec. 28, a fire destroyed the drive-in. A state statute enacted after the original effective date of the policy provided for expiration at 12:01 a.m. on the date of expiration of a policy. St. Paul declined coverage claiming the policy was not in force and effective at the time of the fire. Mr. Bumann sued and won in the trial court.

The appellate court said that North Dakota law did not require all policies to conform in every respect with statutory provisions, unless the statute was clear and unambiguous that the provisions must be incorporated in the policy. While the assignment of the policy changed the effective date because of the change in the insured, the court said it had not changed the expiration date or hour. Thus, the court said coverage existed until noon on Dec. 28, 1979.

Bumann vs. St. Paul Fire & Marine Insurance Co., Supreme Court of North Dakota, Nov. 17, 1981 (*BI*/04/Jy.-$5). ■

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for $5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.



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Career couples have special needs

Continued from page 30

turer, bills itself as having a strong social conscience that is reflected in its personnel policies, notes Gale Hail, manager of research and policy development. "We're known as the type of company that goes the extra yard to accommodate people."

Levi Strauss tries to accommodate two-career families by allowing flexible working hours when possible, hiring some workers for only two- or three-day workweeks and providing paid sick leave for not only employees' illnesses but for dependents' as well. The company also offers both male and female workers leaves of absence when their children are born or after they adopt a child.

When a Levi Strauss employee is transferred to the San Francisco home office, every effort is made to help his or her spouse find a job in the area as well, Ms. Hail says. The company's personnel department helps locate available positions and lines up interviews, as well as offering the spouse advice on resume preparation and interview techniques.

Hewlett-Packard encourages its personnel managers to meet with the personnel staffs of other nearby companies to develop a network to help employees' spouses find jobs.

Another electronics company, IBM Corp. in Armonk, N.Y., will pay up to $500 for counseling and job-placement expenses incurred by spouses of transferred employees.

If a transferred employee's spouse also works for IBM, he or she receives priority placement over new hires at the new location and training to help qualify for a new position. The spouse may also be granted up to six months' unpaid leave of absence while waiting for another job with IBM in the new location.

Finding a job for the spouse of an employee who has been transferred is easy for some large companies as long as nepotism rules don't preclude employment for both husband and wife.

"We have a lot of contacts and a lot of jobs ourselves," says John Turney, senior vp of employee compensation and research at Bank of America in San Francisco. Bank of America will employ both a husband and wife, but not in the same department. If two people who work in the same department marry, an effort is made to find a new job somewhere else in the bank for one of them, he adds.

Although Bank of America has no "policy" for dealing with dual-career couples, a number of its personnel practices make life easier for them. About 10,000 people work part-time for the bank, and "thousands work full-time but 'abnormal' hours," points out Mr. Turney.

Bank of America is planning to offer reimbursement of day-care costs as part of its flexible benefits program, Mr. Turney says, although it's not known when the new benefit will go into effect. With more than 1,000 locations, decentralization makes funding individual day-care centers inappropriate, he adds.

PCA International, a diversified company in Matthews, N.C., has operated an on-site day-care center for its employees since 1972, notes Personnel Manager Mary Jarrett. There's been no problem filling the center with children from infants up to 5 years of age, she says.

Stride-Rite Manufacturing Co., a Boston shoemaker, has operated a day-care center at its factory for more than 10 years, says Mildred Burley, is benefits administrator. Over half of Stride-Rite's female employees are mothers, she points out, adding that the company is looking for a new day-care center site in Cambridge, Mass.

Business-related travel can wreak havoc with child-care plans, but most employers consider travel a part of the job description and make few if any allowances for workers with children.

"It's a personal matter how this is worked out," says Ms. Jarrett of PCA International.

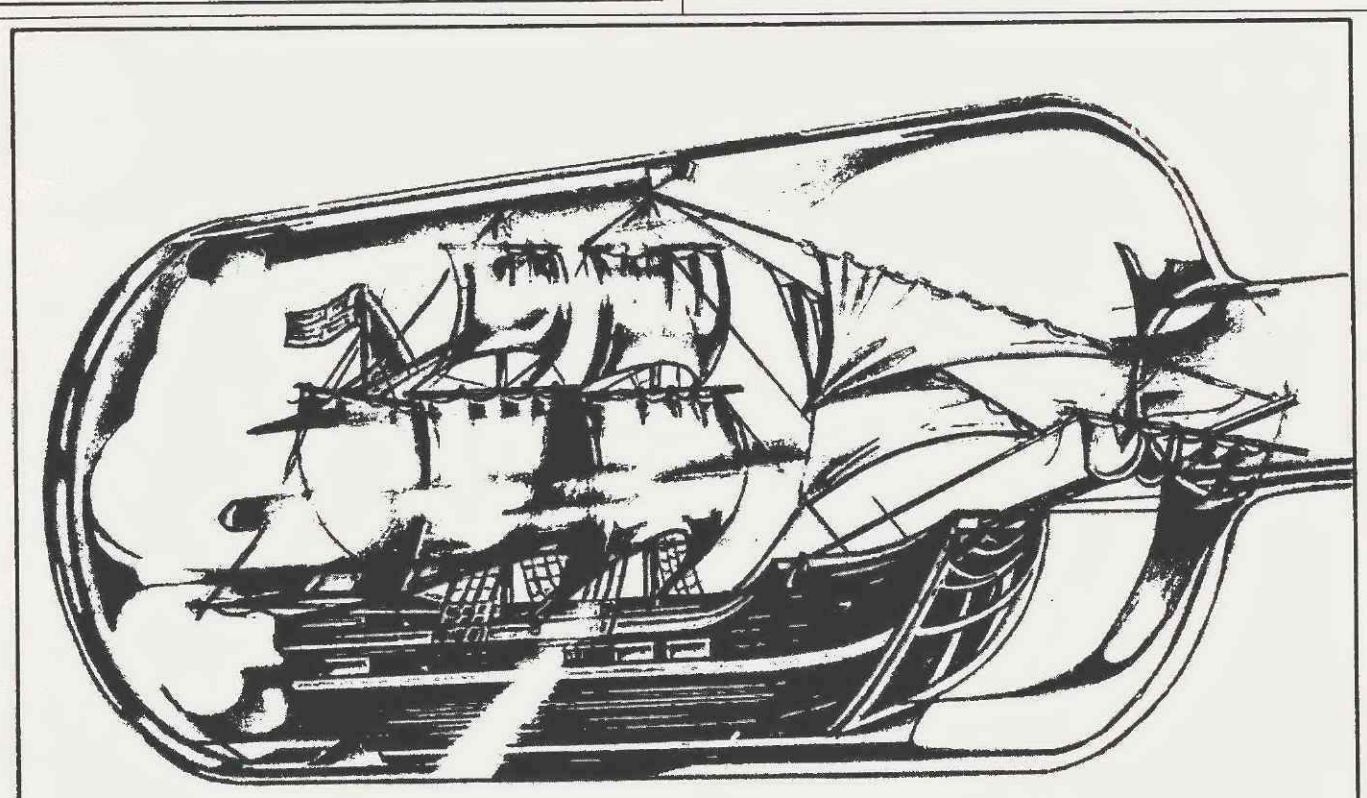
Bank of America's Mr. Turney doesn't see travel as much of a problem. "Most women work it out and have good arrangements for their children. These are responsible people and they've made up their minds that this won't be a barrier to moving up." he adds.

"People who are serious about their careers have figured out how to deal with them. I think this will be a bigger problem five years from now than today," he adds.

"I haven't had one client raise the subject," notes Mark Straus, vp of human resources management at Alexander & Alexander Services Inc. in Los Angeles. "The reason it is not seen as a problem is it hasn't been raised by employees."

Although the problems of two-career couples have not been met directly by employers, advances are being made. "We're coming to a time when companies will plan for these problems. Now, we're reacting to them," Ms. Jarrett says.

Ms. Hail adds, "This is a problem of the '80s. More women are working. Many put off childbearing until later years. These will continue to be issues for employers with a concern for quality of work life." ■



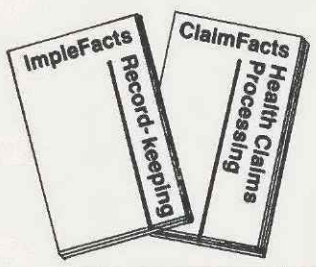
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Most firms' policies outdated: Psychologist

Most companies are living in the past, constructing their personnel policies to suit a working model that represents only about 15% of today's workforce, says psychologist Marjorie Hansen Shaevitz.

When you combine the number of dual-career couples and single-parent families, you'll find that a majority of the workforce is facing conflicts over how to divide their time and loyalties between job, children and themselves, she explains.

Mrs. Shaevitz co-directs the Institute for Family & Work Relationships in LaJolla, Calif., with her husband, Morton H. Shaevitz. Their time is split among their work as clinicial psychologists; writing books (they co-authored "Making it Together as a Two-Career Family" and she is now working on "The Superwoman Syndrome"); advising corporations on the problems of dual-career couples; and raising four children.

"Most companies see dual-career couples as a minority. They don't understand the issues they face and they don't recognize that recruitment and retention policies can have a major effect on them," Mrs. Shaevitz explains. "They lack the overall sense of employees being part of the family system.

"As companies become aware that employee morale and productivity are linked to these attitudes, they will see that it is profitable for organizations to look at the issues," she says, noting that the current economic situation is putting less emphasis on those problems.

> 'It's only a matter of time before (execs) recognize the issues,' Mrs. Shaevitz says.

The Shaevitzes have spoken at a number of conventions and educational groups to outline dual-career couple issues. "If it hits a nerve, a company may follow through and call us," she says.

Through the programs they have devised for upper- and middle-management and through their examinations of corporate personnel policies, the Shaevitzes have found mostly that higher-level executives are often in their late 40s and 50s. They are more accustomed to the more traditional family models.

"It's only a matter of time before top executives recognize the issues," Mrs. Shaevitz says.

Executives that have working wives are usually a lot more sensitive to the demands of two-career couples, they've discovered. If they have daughters who are finishing college or are in the workforce, they can personalize the issue by asking how personnel policies may be affecting them.

Some companies are making definite progress in developing supportive personnel policies. For example, Bell Laboratories in Denver has a corporate dual-career couples club that meets on a regular basis to talk about relevant issues like child care.

Other companies have developed on-site day-care centers or sick-leave policies that allow their employees more leeway in adapting to job and home requirements (see related story).

Mrs. Shaevitz defines the dual-career couple as any couple where both work, whether it be full- or part-time, top executive or secretary.

"A secretary with children will face most of the issues along the way that a top executive will—but without the power of the organization behind her," she says.

"This is a majority phenomenon. It's more an issue of degree of how much each couple is affected." ■



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Careers

Benefit managers' experience drawn from diverse backgrounds

By CAROL CAIN

'I didn't know the first thing about pensions except how to spell it when I walked in the door. Young people usually don't think about that,' Ms. Kail says.

Once upon a time, Douglas Coniber was a 32-year-old accountant.

"There must be something else," he thought after working with ledgers for eight years. Then, he noticed an opening for a benefits position in his company's personnel department.

"I didn't even know what it was," Mr. Coniber says today, "but I started working with people, insurance companies, consultants. . .I liked it."

Mr. Coniber now is coordinator of international employee benefits for Eastman Kodak Co. in Rochester, N.Y.

His is not an isolated story.

Janet Kail was a management and marketing major in college. Her first job after that was in the insurance industry as a senior actuarial valuation technician who worked on group pension plans.

"I didn't know the first thing about pensions except how to spell it when I walked in the door. Young people usually don't think about that," Ms. Kail says.

Several promotions and one Certified Employee Benefits Specialist designation later (see related story, page 43), Ms. Kail now is an employee benefits specialist with the American Federation of State, County & Municipal Employees, a million-member labor union based in Washington, D.C.

Then there's David DeVries, who majored in social science while in school.

"I was one of those students who had no idea what I wanted to do," he says.

After a stint as a job analyst with Aurora Gasoline, a subsidiary of Marathon Oil Co., he joined a leading drug manufacturer, Abbot Laboratories in North Chicago, Ill., as it was starting a new compensation program. While at that company, he completed a variety of assignments in compensation, employment and personnel and organization development.

"I wound up there, I suppose, by accident. I was working in forms control. . .I expressed an interest in personnel. . .I was available," he says.

Today, Mr. DeVries is director of compensation and benefits for Cannon Mills Co. in Kannapolis, N.C., one of the nation's major textile companies.

All three of these storytellers have something in common with scores of other benefit managers throughout the world: Although their career paths were not planned, once they arrived on the benefit scene, they knew it was the place to stay.

"It's certainly not an unrewarding career," Mr. DeVries notes.

"Employee benefits is a career in itself," but one that still is not recognized as such, says Troy Russell of Insurance Recruiters Inc. in Dallas, a recruiting firm.

Mr. Coniber says that one of his goals is more recognition of the job responsibilities in benefits "so that management realizes how important it is to the corporation."

Benefits will be around forever, and in the future even "more so," he adds. "For every $1 paid, there's another 40 cents in benefits."

In 1960, "the benefits world was not all that sophisticated. But now it impacts the corporate profits tremendously. It's not a little side item any more," says E.J. Collins, manager of benefit planning at Hershey Foods Corp. in Hershey, Pa.

Many universities have designed insurance studies that include courses in employee benefits and health care administration, says Jerry Rosenbloom, professor of insurance at the University of Pennsylvania's Wharton School.

Other schools are developing interdisciplinary programs in the benefits field on both the undergraduate and graduate levels.

However, in the past, the people who recruited workers for benefits positions "would ask for any major; they wouldn't care," Mr. Rosenbloom says. "This has held back a real discipline in the field." Benefits aren't recognized for their ability to affect the success or failure of an organization, he says.

"Until recently, people in benefits usually got there by accident," he explains.

Joyce Forst is one of those benefits people.

Ms. Forst majored in English in college and then worked in textbook publishing and retailing. She then applied for and was offered the job of manager of employment with the Chicago Sun-Times and the now-defunct Chicago Daily News, two newspapers operated by Field Enterprises Inc.

"No prior experience would have qualified me on paper, but I had established a rapport with the people I was going to work for," Ms. Forst says. In deciding to apply for that position, Ms. Forst says she looked at the jobs she already had filled and what type of things within those jobs were gratifying.

"I was a unit manager in a hospital and had to interview candidates for jobs. And in retailing, I worked with a sales force, trying to motivate them," she says.

After joining Field Enterprises, Montgomery Ward & Co., also in Chicago, recruited Ms. Forst to become its benefit communication manager. "I went from a broad position to a highly specialized one," she notes.

As with many benefit people, Ms. Forst wanted to continue the move upward, and in this instance, she wanted to work for a larger company.

To accomplish this, she went back to school full-time after leaving Montgomery Ward to earn her master's of business administration degree and worked part-time in benefit communication.

Ms. Forst then took a job with the Blue Cross & Blue Shield Assns. in Chicago as a senior consultant in manpower planning and organizational development. Several promotions later, she now is director of personnel services for the Blues.

Another odd-but-true tale of a benefit career path is Henry Vilardo's. In 22 years, Mr. Vilardo rose from a messenger boy for Warner Brothers Studio in California to the administrator of the Motion Picture Industry Pension Plan in Studio City, Calif. In between, he was a makeup artist and a union representative and served on the pension plan's board.

Mr. Vilardo also went to night school and obtained his law degree when he was 51 years old.

Many benefit managers now have at least one, if not two degrees. Recruiters note the absolute necessity of a degree to be even considered for one of the rare openings in today's market (see related story, page 42), though benefit managers stress there's no substitute for experience.

Mary Stine would probably agree.

Ms. Stine had completed only two years of college when she became a clerk in a personnel department. When the Employee Retirement Income Security Act became law in 1974, Ms. Stine became proficient on her own in its regulations and was promoted.

She continued to learn on the job, obtaining exposure to salary administration compensation. She also completed the CEBS program, with her employer paying for the courses.

Continued on facing page

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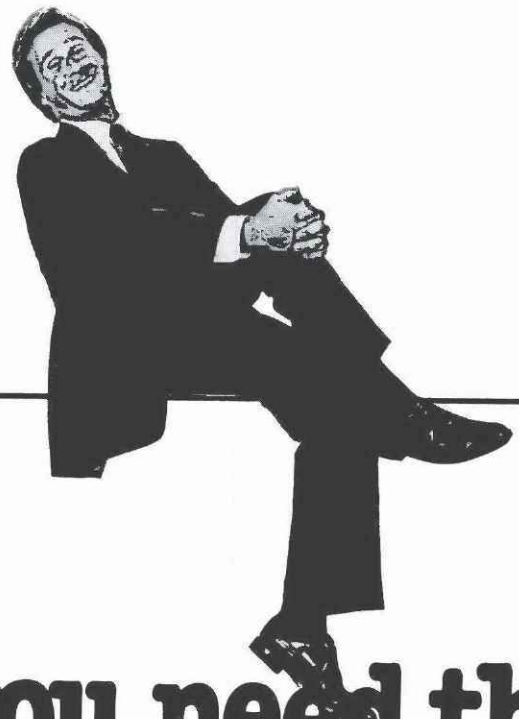
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The Health Insurance Alternative

Continued from facing page

Ms. Stine is now corporate employee benefit administrator for Western Gear Corp., an aerospace manufacturer in Lynwood, Calif.

Janice Humphrey, supervisor of employee benefits at Clark Oil & Refinery Corp. in Milwaukee, is another benefit manager who entered the profession when ERISA was enacted.

With a degree in communication arts, Ms. Humphrey decided to attend the Institute for Paralegal Training in Philadelphia.

"They explained there would be a greater demand for paralegals in that (ERISA) area," she says. So she took a three-month course in employee benefits.

Nicki Hartman, supervisor of benefit administration for Bausch & Lomb in Rochester, N.Y., has been working her way up within that company's benefit department for the past 10 years. "I started out as a claim processor," she says, adding "I came to Bausch & Lomb from a housewife position."

Along the way, Ms. Hartman has taken courses for the Certified Life Underwriter designation and is enrolled in a certified financial planning course, another step toward a business administration degree.

Besides moving ahead in corporate benefits departments, some benefits personnel have jumped into another field: consulting.

"We find that first they go to a personnel department for experience, then they move to a consulting firm," Mr. Rosenbloom of the Wharton School says.

"An avenue that would be natural is the consulting field," says Richard Gay, president of Insurance Personnel Resources in Atlanta, a recruiting firm. But he adds that only certain people can successfully cross that street, usually people with a marketing bent.

> 'Consulting is a whole different ball game. It's a competitive business. It takes a person who has technical expertise and a marketing personality,' Mr. Hanson says.

"Consulting is a whole different ball game," says Ronald Hanson, president of Hanson, Hemingway & Associates Inc., a recruiting firm in Rolling Meadows, Ill.

"It's a competitive business. It takes a person who has technical expertise and a marketing personality. From corporation to consulting, that's a difficult move to make," he says.

Two people who made that move are William Rivers and Guy Jobin. Both started their careers in the insurance industry.

"I trained with Aetna Life & Casualty and had a selling and marketing role," Mr. Rivers says. That training, rather than his college degree in economics, is what prepared him for his current position as vp-Canada of Martin E. Segal Co. Ltd. in Toronto, a consulting and actuarial firm.

Mr. Jobin also has a degree in economics. Twenty-five years ago, he was an administrator of pension programs for an insurance company. Today he's president of J&HWF Inc. in Montreal, a subsidiary of Johnson & Higgins.

Some benefit personnel move each year from corporations to consulting, Mr. Jobin says, but he adds that the door opens the other way, too.

Patricia Wendell, benefits coordinator for Garden Way Inc. in Troy, N.Y., is one of those people. After majoring in music and math in college, she became a senior consultant with Peat, Marwick, Mitchell & Co.

As a consultant, Ms. Wendell would initiate programs that she would sometimes never see carried out. She joined the corporate ranks to get hands-on experience and to see a program through.

The roads into benefits are as varied as the responsibilities. "Sounds like anybody can do it," says Mr. Coniber, "if he or she has the interest." ■

Group life sales decrease in July

WASHINGTON—The face amount of group life insurance purchases declined 19.8% in July, compared with July 1981, to $15.5 billion, according to the Life Insurance Marketing & Research Assn.

However, group life purchases increased 10.2% in the first seven months of the year over the corresponding period of 1981, the association reported.

The 1982 figures do not include group life insurance purchases for federal employees. ■

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University develops new degree

By CAROL CAIN

WALTHAM, Mass.—A program leading to a doctorate in employee benefits could become reality within a year at Brandeis University as a result of a Pew Foundation Grant.

The Heller School at Brandeis is now involved in a major effort to study "the private side of the welfare state—benefits," according to Leonard Hausman, an associate professor of economics.

The school also is interested in health and security for the elderly, from both private and public funding standpoints.

No one is saying much about the Pew Foundation grant until the Philadelphia-based foundation makes an official announcement, expected sometime this fall.

Word is out, however, that about $3 million will be awarded to Brandeis and Boston University for a joint plan to develop a health policy and management education program.

Apparently, the Pew foundation asked 20 schools to submit such proposals, and five will receive large grants. Besides a doctoral program in employee benefits, Brandeis is also currently in the planning stages of a similar master's program.

The Pew Foundation grant also will fund one-week study programs for employee benefit managers and others in the human resources field. The first of these sessions is expected to be offered in April.

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Benefit managers need diverse skills

By CAROL CAIN

The health care field boasts of general practitioners, specialists, researchers and technicians.

A similar assortment of skills is needed in the benefit profession.

"We need people that are competent in all those areas," says Guy Jobin, president of J&H WF Inc., a benefit consulting subsidiary of Johnson & Higgins in Montreal.

"If I were 18 years old and going to college, I wouldn't even know what employee benefits are," says Douglas Coniber, coordinator of international employee benefits at Eastman Kodak Co. in Rochester, N.Y.

But the thousands of people that hold employee benefit management positions, all armed with different titles and tasks, know that benefits are not only an integral part of a corporation but also are growing in importance.

"Benefits represent 25% to 30% of a pay packet," notes William Rivers, vp in Canada of Martin E. Segal Co. Ltd. in Toronto, a consulting and actuarial firm.

"The more you get into employee benefits, the more you see the need for good people to do planning, research and re-evaluation all the time. They're dealing with a big chunk of money," says Janet Kail, an employee benefit specialist with the American Federation of State, County & Municipal Employees, a Washington-based labor union.

Benefits have a tremendous effect on corporate profits, according to E.J. Collins, manager of benefits for Hershey Food Corp. in Hershey, Pa. This gives additional prominence to benefit personnel within a company.

When plans are developed and proposed, the big question usually is: How does this affect profit?

"Or to put it another way, how many chocolate bars do we have to sell to pay for a benefit?" Mr. Collins asks.

With benefit personnel slowly assuming this new importance, the need for better managers becomes more critical, notes Ronald Hanson, president of Hanson, Hemingway & Associates Inc., personnel recruiters in Rolling Meadows, Ill.

What makes a better benefit employee?

Those in the field begin answering that question by citing obvious criteria: continued education, attendance at seminars, membership in professional associations and reading, reading and more reading.

"You have to do a lot of reading," says Jean Dart, benefits compliance and relocation supervisor at Miller Brewing Co. in Milwaukee. In addition to the many trade periodicals, she recommends the weekly reports issued by Prentice Hall Pension & Profit-Sharing Library, Commerce Clearing House and the Bureau of National Affairs.

"And the one thing that's most important is an in-depth knowledge of ERISA. What's important to me are the regulations, I don't just read the brief, I read the whole regulation," Ms. Dart says.

To be a good benefits manager or employee, a person needs a good background in finance, statistics and human relations, says Mr. Jobin. "Anything that will add to your overall background."

Patricia Wendell, benefits coordinator at Garden Way Inc. in Troy, N.Y., says a combination of detail orientation and being able to see the overall picture is an asset to any benefit manager.

"And also being able to see people as individuals, not as ID numbers," she adds.

Analysis and attention to detail are the assets mentioned by Janice Humphrey, supervisor of employee benefits at Clark Oil & Refinery Corp. in Milwaukee. "Working with math and working with employees are important elements," she says.

Benefit managers can be inundated with minor details, says Charles Rogers, director of benefits for Pepsico Inc., a diversified multinational corporation headquartered in Purchase, N.Y., that ranked 25th in employment of the Fortune 500 companies.

"You have to focus yourself on

Continued on facing page

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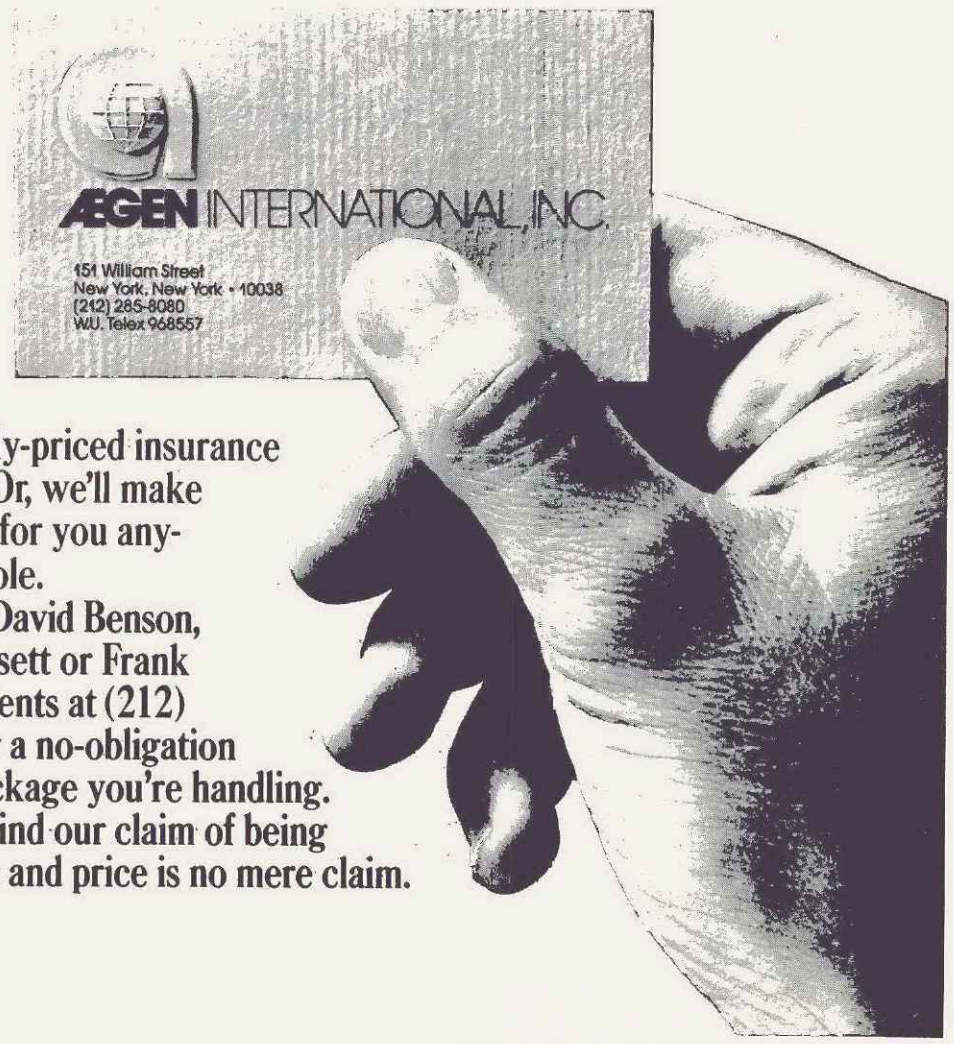
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Continued from page 42

business objectives, to meet the business needs of the organization, to apply the technical knowledge (you've) acquired to meet (those business needs)," he says.

"General business training, knowledge and experience are important as well as specialized training, knowledge and experience in benefits," says Gilbert Krueger, director of employee benefits at Rexnord Inc., a capital goods manufacturer in Milwaukee.

"There's no substitution or shortcuts for performance," notes Joyce Forst, director of personnel services at Blue Cross & Blue Shield Assns. in Chicago.

On-the-job performance, being visible and being recognized for what you've done are other steps Ms. Forst suggests for moving ahead in the benefits field. "You can't be passive. You do have to take the individual responsibility," she says.

But there is a danger for benefits people to get locked into a role, Ms. Forst says. "That's inherent in specialization." She recommends—as other benefit managers, consultants and recruiters do—that benefit professionals constantly try to expand and become aware of related fields.

"I would encourage anyone in a corporate benefits position to get exposure to compensation within their own company," says Richard Gay, president of Insurance Personnel Resources, an Atlanta recruiting firm.

"We've noticed a trend that corporations, as a part of their cost savings (plans), look for people with a good understanding of compensation and have them wear two hats," Mr. Gay says.

"They feel they can train a compensation person to understand benefits," he adds, explaining that compensation is a difficult discipline, one that takes more time to understand and absorb.

All recruiters note the slowdown in today's market. The emphasis is still on the Sun Belt, says Tony Russell of Insurance Recruiters Inc. in Dallas. Companies are relocating and employee benefit personnel in the Midwest and Northeast are interested in relocating in the South and West, he says.

"But there are more people available and fewer openings," Mr. Russell says.

Because of the "compressed, depressed" market, Mr. Hanson notes that many employers, instead of expanding their benefit departments, are consolidating them.

Who is being hired? Generalist or specialist? Consultant or manager?

"It depends on the needs of each corporation," Mr. Hanson says.

"You have to be prepared. Get as much education as you can, through the job or specialized courses, as well as gearing earlier experiences. You have to learn about personnel, broaden your scope," says Jerry Rosenbloom, professor of insurance at the University of Pennsylvania's Wharton School.

"My philosophy is that you have to adapt to a changing environment. If you're too specialized, there are not too many places to go," he says.

But benefit people generally are specialists, says Mr. Collins. Rather than moving to a different position, he sees benefit positions changing and expanding.

Others in benefits see the same thing happening already, and some note that not everyone wants a management position, though they do want more responsibility.

"I don't see a real direct path to upper management from benefits," says Ms. Humphrey. Neither does Mr. Krueger. "I haven't seen any indication that people are moving from benefits into other high-level positions, but I have seen benefit manager positions being upgraded (with) higher salaries," Mr. Krueger says.

Where do most benefits people wind up? The answers are as diverse as the career origins of benefit people (see related story, page 41).

Most admit they will stay in some type of benefit/human resources position through retirement. Many have their eyes on a benefit manager's spot with a large corporation. Those who already hold such a job say they will retire in that position or move into consulting. A few say their backgrounds will move them into more specialized positions in finance, compensation or perhaps a trust department with a bank.

"If you asked me five years ago if I would stay in benefits, I would have said 'Oh, definitely,'" says Ms. Dart, "but as you're exposed to other things. . . ." ■

Benefits pros add courses

Benefit personnel trying to grow in their profession can increase their stature by earning the Certified Employee Benefit Specialist designation, benefit experts say.

In the six years since the CEBS program was started, 527 people have become Certified Employee Benefit Specialists, and another 11,000 are registered in one of the 10 college-level courses required to earn the designation.

The development of a continuing education program for those who have already received the CEBS designation is nearing completion and is expected to be offered in January, says Jerry Rosenbloom, a professor of insurance at the University of Pennsylvania's Wharton School and the academic director of the CEBS program.

The new program, like the CEBS program itself, is designed to keep benefits personnel up to date with changes in the field, says Dan Graham, associate director.

The interdisciplinary approach to educate benefits personnel was needed for a long time, according to many of those who have completed the CEBS program.

"The CEBS (program) gives an overall perspective. To expand (one's career), I would start with CEBS," says Patricia Wendell, benefits coordinator at Garden Way Inc. in Troy, N.Y.

But a criticism heard repeatedly about the program is its broadness and, in some areas, its simplicity.

"It's an excellent program, ideal for those beginning in this career. But I would probably budget that time for a law degree," says E.J. Collins, manager of benefit planning at Hershey Food Corp.

But, Mr. Collins adds, if he were looking to hire someone for an entry-level position, "I probably would hire someone with a CEBS rather than a college degree."

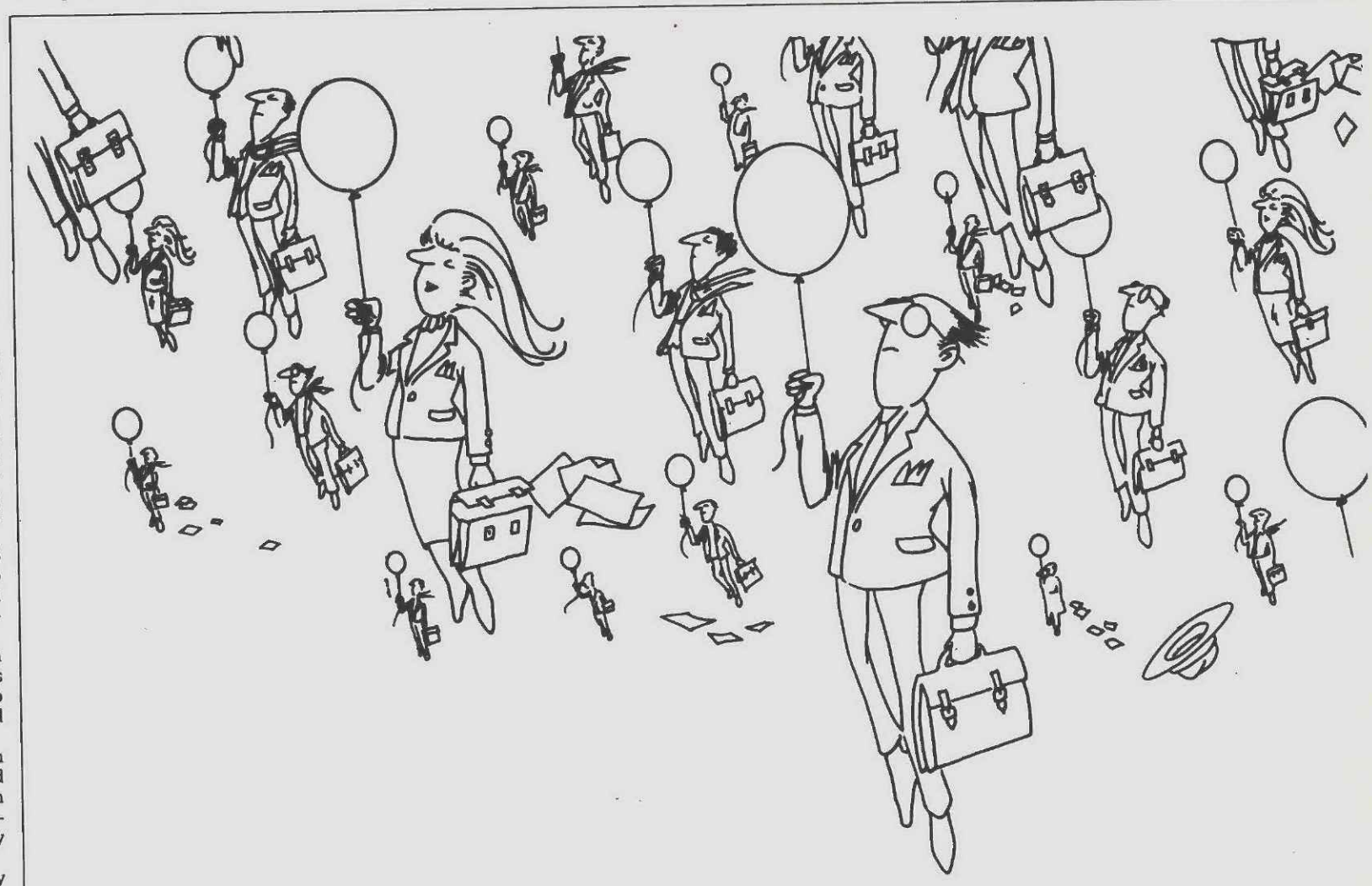
Other benefit managers, especially those who have been in the profession for more than 20 years, tend to agree with Mr. Collins.

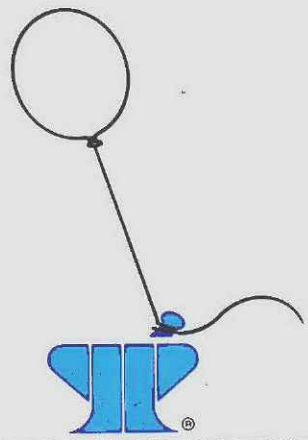
"I don't think it's a necessity. It doesn't substitute for experience," says Janice Humphrey, supervisor of employee benefits at Clark Oil & Refinery Corp. in Milwaukee.

However, recruiters as well as other benefit managers say the CEBS designation may mean the difference in obtaining a promotion or job.

"If everything else were equal, I would hire a CEBS," says William Rivers, vp-Canada with Martin E. Segal Co. Ltd. in Toronto, a benefit consultant.

Information about either program is available from the International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005. ■





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Firms put benefit personnel on bargaining teams

By JUDITH REINFELD

Wages, hours, job security and employee benefits: These are the four major issues in any collective bargaining session.

As the cost of employee benefits continues to rise—now an average of 37.1% of payroll, according to the most recent U.S. Chamber of Commerce survey—can any unionized corporation afford not to consult with its benefit manager during contract negotiations?

An informal *Business Insurance* survey of employee benefits managers, unions and labor relations experts reveals that the benefit manager's role in collective bargaining varies from doing only basic research on benefits to sitting at the negotiating table.

Paul Ryder, director of hourly benefits at Ford Motor Co. in Dearborn, Mich., and president of the Council on Employee Benefits, says benefit managers should play an important role in negotiations.

At Ford, where about 120,000 hourly employees are members of the United Auto Workers, the benefits staff participates directly in labor negotiations.

"We feel that benefits are such an integral part of the national negotiations that it makes eminent sense that benefit managers should be part of the negotiating team and involved from the conception to the negotiation to the administration of the benefits program," he says.

Benefit managers "communicate to the union the company problems and also communicate to our own management the problems involved in design of the programs," he explains. Such involvement helps avoid administrative problems once the contract is ratified.

Mr. Ryder said his staff designs Ford's benefit programs, conducts presentations on a number of issues, including health care costs and new benefit plans, and prepares counterproposals to union demands. It may also present statistical and actuarial information, drawing on the expertise of the financial and legal staff.

Joseph Fromm, assistant treasurer at American Motors Corp. in Southfield, Mich., also supports employee benefit manager involvement in contract negotiations.

Mr. Fromm is the company's chief financial representative on the negotiating team and also responsible for employee benefits. Some 14,000 AMC employees are UAW members.

Mr. Fromm believes that employee benefit experts are needed to explain the features and financial ramifications of benefits, particularly insurance and pension provisions.



Ford's Mr. Ryder says benefits are important in bargaining.

"Benefits is an extremely complicated subject that has to be dealt with in-depth by technical experts," he says.

"If management doesn't understand the ramifications of a demand from the union, it could be very expensive."

Mr. Fromm says the benefits staff should provide management with a census of the workforce that contains all information regarding insurance and pension issues and the effect of changes requested by the union in medical and life insurance, disability benefits and pensions.

Benefits personnel are also on the negotiating team at General Electric Co., which has a union workforce of about 102,000, including about 60,000 members of the International Union of Electrical, Radio and Machine Workers and 13,000 members of the Independent United Electrical Workers.

Thomas Burns, manager of employee benefits for General Electric, says he examines such issues as how GE's benefits package compares with its competitors', evaluates if employees are satisfied with the current benefits package, determines company benefits objectives as part of a "total concept including both wages and benefits" and evaluates how the current plan stacks up against company objectives.

He also obtains cost information for proposed benefits improvements and profiles the workforce to get an idea of the relative importance and desirability of various benefits.

Unions are also happy to see an employee benefits director at a bargaining session.

Gordon Fleming, assistant director of the United Auto Workers national aerospace department, says having employee benefits experts



AMC's Mr. Fromm says an error in a benefit plan could be costly.

at the bargaining table helps generate a clearer idea of what's covered under the contract.

Even if benefits people are not actually part of the bargaining team, they always have important information for negotiations, adds Dallas Salisbury, executive director of the Employee Benefits Research Institute.

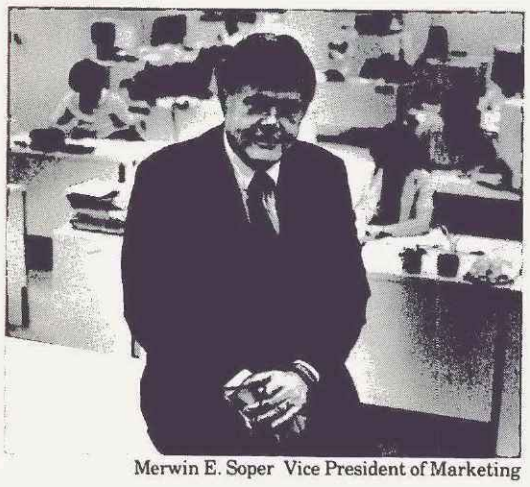
At the bargaining table, negotiators want to know "how much are our benefits programs now costing us," he says.

Employee benefits experts also can give negotiators a picture of the age and composition of the work-

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Continued from facing page
force today and in the future and how that will affect the cost of benefits.

Mr. Salisbury says corporations also need to know how a company's or industry's benefits compare with other industries' and comparably sized companies' programs.

In negotiating, this information helps management demonstrate the cost pressures of their industry and the competitive environment that affect the company's ability to provide extra benefits, Mr. Salisbury says.

Stanley King, assistant vp for corporate personnel at American Telephone & Telegraph, looks at a number of areas including benefits trends, what other companies are doing, company objectives in the benefits area and how to provide health care while trying to contain costs.

However, none of the company's employee benefits department staffers are on the negotiating team at AT&T, which has about 600,000 unionized employees.

About 500,000 are members of the Communications Workers of America, and the rest belong to the International Brotherhood of Electrical Workers and other unions.

Unions may also request certain benefits information.

"We don't actually go to the corporate benefits people," explains Mr. Fleming of the UAW.

"What we do is send a data request letter to the labor relations person that we interface with requesting pension data and insurance data and utilization data and all the things that go into making up the cost aspects of those benefits."

However, active participation by benefits people is an ideal that is not always met. The employee benefit managers for many single-employer unions do not participate as fully as they'd like to, or at all, in the bargaining process, benefit managers and consultants told *Business Insurance*.

Few benefits managers, however, are willing to discuss just how widespread the problem is and how it affects their role within the company. Outside experts cite various reasons for limiting the participation of benefits staff.

The EBRI's Mr. Salisbury, for example, says some negotiators aren't sensitive to cost factors in the benefits area and, therefore, don't realize the value of the employee benefits manager.

Some companies may also use different bargaining techniques for different subsidiaries with which the employee benefits manager may not be familiar, labor relations sources say.

Don Brothers, senior consulting principal at A.S. Hansen Inc., agrees and adds that problems may occur in companies with a number of agreements with various unions that bargain by division or location. There may be insufficient communciation between divisional bargainers and the corporate benefits staff, he said.

The UAW's Mr. Fleming points past the negotiator to a company's labor relations director.

"He may be one of those guys who wants all the responsibility and autonomy and doesn't delegate authority. He doesn't bring the people that he has to the table; he keeps them in the back room," he explains.

Another labor relations and benefits expert, who asked not to be identified, agreed. He said that benefits staff participation may be limited because of a conflict between the labor negotiator and the benefits and financial staff.

Some labor relations people think only they are competent to deal with the unions, he said.

What can or should you do if you don't get to say what you want when negotiations are scheduled at your company?

It's difficult to recommend a uniform solution since every situation is unique, one labor relations expert told *BI*. However, he suggests an employee benefit manager make the benefit staff views known, either by personal communication with executives who do participate in bargaining or by writing a memo to negotiators.

"One approach is to carefully document both the current costs of what can broadly be defined as employee benefits programs within a company and to make some comparisons of that total cost to per-share earnings and to gross sales of the company, and as a percentage of total direct salary compensation," he says.

"Then make sure that those numbers find their way onto the right desks and IN baskets of the corporate setting," EBRI's Mr. Salisbury suggests. ■



Mr. Salisbury says a firm must know how its benefits compare.

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OCT. 6-8. Fourth Annual Educational Conference of the American Society for Hospital Risk Management in Las Vegas, sponsored by the American Hospital Assn.; members, $300; nonmembers, $350. AHA, 840 N. Lake Shore Dr., Chicago, Ill. 60611; 312-280-6304.

OCT. 7. Condominium workshop in Morristown, N.J., sponsored by the Insurance Women of Northwest N.J.; $15. Joanne Fleming, The Continental Insurance Co., Livingston, N.J. 07039; 201-455-4507.

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

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

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

OCT. 10-13. Coping with the Cycles Through the '80s seminar in Miami Beach, Fla., sponsored by the Society of Chartered Property & Casualty Underwriters; $200. Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-648-0440.

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

OCT. 13-14. Health Care Cost Containment workshop in Los Angeles, sponsored by the Health Research Institute; $395. Also **Oct. 18-19** in Portland, Ore.; **Oct. 26-29** in Knoxville, Tenn.; **Nov. 10-11** in New York; and **Dec. 8-9** in Chicago. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

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

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

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

OCT. 18-20. Over the Road, Heavy-Duty Equipment Claims seminar in Dallas, sponsored by the property claims services division of the American Insurance Assn.; $100. Richard Ingegneri, Property/Claims Services, AIA, 700 New Brunswick Rd., Rahway, N.J. 07065; 201-381-5700.

OCT. 18-22. Foam Fire Protection Technology I seminar in Lionville, Pa., sponsored by National Foam System Inc.; $275. Paul Gillespie, National Foam System Inc., 150 Gordon Dr., Lionville, Pa. 19353; 215-363-1400.

OCT. 18-21. 70th Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; members, $90; nonmembers, $135. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 20-22. Florida Rehabilitation Assn. convention in Sarasota, Fla., sponsored by the Florida Rehabilitation Assn.; members, $30; non-members, $40; $115 for a group of five or more; $20 for one day only; $10 for students. Sandra Piatchuk, President, FRA-Sarasota, FCCI Fund, 2540 S. Trail, Sarasota, Fla. 33579; 813-955-2811.

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

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

OCT. 25-27. Risk Management Strategies seminar in New York, sponsored by Marsh & McLennan Inc.; $750. Pamela Newman, Marsh & McLennan Inc., 1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-5639.

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

OCT. 25-27. International Risk Management Seminar in Los Angeles, offered by Eugene F. Johnson, consulting risk manager; $580. Eugene F. Johnson, 1326 Wilder St., Thousand Oaks, Calif.; 805-497-3200.

OCT. 25-29. Loss Control Management advanced course in Atlanta, sponsored by the International Loss Control Institute; $590. Also **Dec. 6-10** and **Feb. 7-11** in Atlanta. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

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

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

OCT. 28-29. ESOPs, TRASOPs, PAYSOPs and Other Employee Stock Ownership Plans program in Los Angeles, sponsored by the Practising Law Institute; $350. Also **Nov. 15-16** in New York. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

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

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

NOV. 1-5. Accredited Safety Auditor course in Atlanta, sponsored by the International Loss Control Institute; $625. Also **Jan. 17-21** in Atlanta. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

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

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

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

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

NOV. 8-12. Introduction to Risk Management course in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 8-12. Modern Safety Management course in Atlanta, sponsored by the International Loss Control Institute; $575. Also **Jan. 10-14** in Atlanta. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

NOV. 11-12. Exempt Organization: Tax Strategies and Legal Problems program in San Francisco, sponsored by the Practising Law Institute; $325. Also **Dec. 9-10** in New York. PLI. 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

NOV. 11-12. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; $285. Loss Prevention Associates, Box 59688, Dallas, Texas 75229; 214-241-0396.

NOV. 15-17. Advanced Safety Management course in Atlanta, sponsored by the International Loss Control Institute; $350. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

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

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

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

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

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

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

DEC. 2-3. EEO Litigation program in New York, sponsored by the Practising Law Institute; $350. Also **Dec. 13-14** in San Francisco. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

DEC. 2-3. Nuclear Litigation program in New York, sponsored by the Practising Law Institute; $375. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

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

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

DEC. 8-10. Captives: The Offshore Funding Alternative conference in Nassau, Bahamas, sponsored by Risk Planning Group Inc.; $200. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

DEC. 13-17. Engineering Foam Fire Protection Systems Design I seminar in Lionville, Pa., sponsored by National Foam System Inc.; $275. Paul Gillespie, National Foam System Inc., 150 Gordon Dr., Lionville, Pa. 19353; 215-363-1400.

FEB. 8-11. National Insurance and Protection Conference of Financial Institutions in Orlando, Fla., sponsored by the American Bankers Assn.; members, $415; non-members, $515; $40 additional to register after December. Shelly Davis, Insurance and Protection Division, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

FEB. 21-25. Professional Consulting in Safety and Loss Control course in Atlanta, sponsored by the International Loss Control Institute; $625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208. ■

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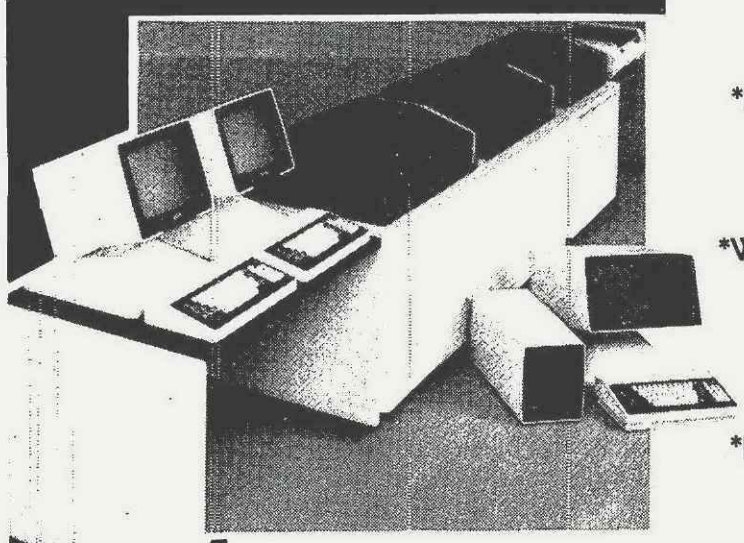
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LegaLine is the first Georgia company to be licensed by the state to exclusively provide prepaid legal services.

The plan, which will be marketed to employers and other organizations, provides policyholders with a maximum of 23 hours of legal services per year.

"We feel that our program will be especially attractive to companies that want to offer practical benefits to their employees. It could be a solid inducement to attract and hold key personnel," says Strickland Holloway Jr., the company's president.

The company says it already has won a contract with the Lockheed-Georgia Credit Union in Atlanta to offer services to its 35,000 members, and it says it has also received positive responses from a major government entity and a utility company.

The company is headed by Mr. Holloway, a former senior partner in a Georgia law firm, and Senior Vp Frank O. Johnson Jr., who was formerly a district manager for Massachusetts Mutual Life Insurance Co.

LegaLine maintains offices at 7 Piedmont Center, Suite 414, 3525 Piedmont Road N.E., Atlanta, Ga. 30305; 404-237-7111.

Joint venture

Steven L. Way International, a U.S.-based surplus lines broker and managing general agent, has formed a partnership with Lloyd's of London broker Bain Dawes P.L.C. to create Bain Dawes (London) Ltd.

The new company will provide a full range of insurance services with special emphasis on North American business, a Bain Dawes spokesman says.

Steven L. Way International has offices in Texas, California and New Jersey. It specializes in large commercial accounts, focusing on the transportation industry. Steven L. Way also owns two insurers, International Indemnity Co. of Texas and the Bermuda-based Trafalgar Insurance Co.

CU move

Commercial Union Assurance Co. P.L.C., in an effort to cut down on expenses, will move many of its operations from its building near Lloyd's of London to offices on the outskirts of the city.

"This will make a major contribution to the containment of expenses, both for the U.K. division and for the international operation," CU announced.

There will also be a "sustained program of reducing staff numbers," the company said.

Legal plan

The Erie Prepaid Legal Services Corp., an open-panel prepaid legal services plan, has been established by the Erie County Bar Assn. in Buffalo, N.Y.

The plan, which offers a broad range of legal services, is available to employers, labor unions, associations and other organized entities that meet the plan's underwriting guidelines.

The legal plan is administered by E.T. Danahy Co. Inc., a Buffalo-based benefits consulting firm.

New consultant

Thornton Risk Identification & Management is a new company that provides a broad range of risk management services.

TRIM was formed by Alan Thornton, former risk manager for Piper Aircraft Corp., The R.T. French Co. and The Gleason Works.

markets

The company's address is Box 92501, Rochester, N.Y. 14692; 716-424-6976.

New name

Hester, Alexander & Associates Inc., a Phoenix, Ariz., insurance agency, has changed its name to Hester & Associates Inc.

Insurer affiliation

The Lumbermans Mutual Insurance Co. of Mansfield, Ohio, has announced an affiliation with Insurance World Corp., an insurance agency franchise organization, that will allow Insurance World franchisees to sell Lumbermans' policies to buyers.

Lumbermans is a multiline property/casualty underwriter.

Acquisitions

Frank B. Hall & Co. Inc. has acquired **Wood-Nelson Co.**, an insurance brokerage based in Minneapolis.

Old Republic International Corp. of Chicago has acquired a 5.7% share of **Emett & Chandler Cos.**

Thelma E. Goodrich and **Ernest E. Johnson**, two New York brokers, have combined their businesses under the name **Goodrich-Johnson Brokerage.**

Nationwide Mutual Insurance Co. has completed its previously announced acquisition of **Farmland Industries Inc.'s** insurance subsidiaries.

Control Data Corp., the Minneapolis-based computer and financial services company, has acquired **Tabershaw Associates** of Rockville, Md. Tabershaw develops computer-based employee health protection and monitoring systems.

Ryan Insurance Group Inc. of Chicago has officially become part of **Combined International Corp.**, also based in Chicago, following payment of $133 million (*BI*, July 12).

New offices

North American Reinsurance Co. has moved to new offices at 363 N. Belt., Suite 500, Houston, Texas 77060.

Scottish & York Insurance Co. Ltd. will move Oct. 4 to new offices at 150 Eglinton Ave. E., Toronto, in Toronto Ontario M4P 2Z3; 416-488-5999.

Allstate Insurance Co.'s reinsurance division has opened a facultative reinsurance branch office at 63 Chatham St., Boston, Mass. 02201; 800-343-9363.

Hales & Associates Inc. will open an office on Oct. 1 at 210 W. 22nd St., Suite 131, Oak Brook, Ill. 60521; 312-655-8915.

Tillinghast, Nelson & Warren Inc. has recently opened a new office at 3 O'Hare Towers, 8420 W. Bryn Mawr Ave., Chicago, Ill. 60631. ■

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Court will not review ruling favoring manifestation theory

BOSTON—The 1st U.S. Circuit Court of Appeals will not reconsider a recent decision that said insurance coverage for asbestos claims is triggered when symptoms of asbestos-related diseases are "reasonably capable of diagnosis" in victims (*BI*, July 12).

The 1st Circuit, in Eagle Picher Industries Inc. vs. Liberty Mutual Insurance Co., became the first federal appellate court to propound what is known as the manifestation theory as the appropriate theory of coverage for asbestos claims.

Other courts have favored broader interpretations that say coverage is triggered when victims are either exposed to asbestos or that coverage is triggered from the time of exposure up to and including when the disease is manifested.

Similar litigation between asbestos manufacturers and suppliers and their insurers is represented by an estimated 30 lawsuits nationwide seeking interpretations of comprehensive general liability policies.

In the Eagle-Picher case, parties have 90 days after the court denied the rehearing on Aug. 30 to seek a review from the U.S. Supreme Court, and it is likely that such a petition will be filed, according to the Asbestos Litigation Reporter, a publication that reports on asbestos litigation.

Eagle-Picher had originally sought a manifestation interpretation in the lower court but switched to the broader triple-trigger theory as espoused by the District of Columbia Court of Appeals in Keene Corp. vs. INA.

In other recent asbestos-related litigation:

- The 9th U.S. Circuit Court of Appeals has allowed a suit by Johns-Manville Corp. against the federal government to proceed.

Johns-Manville which has since changed its name to Manville Corp., is seeking indemnification from the federal government for payments made to victims of asbestos diseases.

A U.S. District Court judge had granted the government's request for dismissal on the ground that Manville had failed to exhaust all its administrative remedies before filing suit. The appellate court rejected that theory, however.

The case can proceed, the court said, even though most other litigation against Manville has stopped pending the resolution of its petition for reorganization under Chapter 11 of the Federal Bankruptcy Act.

- A jury in Bloomington, Ill., has awarded $408,340 to the widow of a former worker at a Unarco Industries plant. Raybestos-Manhattan Inc. (now Raymark Corp.) of Trumbull, Conn., was the sole defendant.
- Ten defendants have settled with approximately 25 asbestos plaintiffs in state court litigation in Philadelphia for an amount reportedly in the "high six figures," according to the Asbestos Litigation Reporter.

Johns-Manville and Unarco were defendants in the case, but did not take part in the the settlements. It is not expected that Chapter 11 petitions filed by Manville and by UNR Industries Inc., Unarco's parent, will affect the settlements. ■

Winds, floods cause $12 million in damage

NEW YORK—Insured losses caused by windstorms and flooding that struck sections of Missouri Aug. 12-14 are estimated at $12 million, according to C.E. Hermanson, vp of property claims services at the American Insurance Assn.

The damage estimate does not include any property insured under the National Flood Insurance Program.

The storm, which caused the heaviest damage in the Independence and Kansas City, Mo., areas, has been assigned Catastrophe No. 70 by the Insurance Services Office. ■

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• An updated analysis of **the Florida wage-loss law's impact on workers compensation** is featured in "The Wage-Loss Law in Florida—An Update." The 16-page booklet is available from the National Council on Compensation Insurance. Also available from the NCCI is a booklet entitled "Providing for Future Claim Payments—The Role of Loss Reserves." It explains the use of loss reserves in ratemaking. Each booklet costs $2 per copy. For the Florida wage-loss law booklet, write the NCCI, Information Office, One Penn Plaza, New York, N.Y. 10119. For the loss-reserves booklet, write NCCI, Box 6585, Church Street Station, New York, N.Y. 10249.

• Ernest W. Ellis, second vp at Chase Manhattan Bank, has written two articles on **protecting assets.** For free copies of "Risk Management and Fraud" or "The Bomb: Solid Risk Management Equals Assets Protected," write Ernest W. Ellis, Chase Manhattan Bank, 80 Pine St., New York, N.Y. 10081.

• The Insurance Institute of America has issued second editions of two textbooks for the **Associate in Underwriting program.** "Personal Lines Underwriting" and "Commercial Liability Underwriting" have been updated and are available at $18 per copy, plus a $3.50 handling charge per order. For copies write Order Department, Insurance Institute of America, Providence Road, Malvern, Pa. 19355.

• If you're an insurance buyer, a self-insured company, an attorney or anyone else involved with **vocational and medical rehabilitation,** you may be interested in a brochure describing Comprehensive Rehabilitation Services Inc. CRS offers rehabilitation programs for workers compensation, auto liability, long-term disability, longshore, Jones Act and other types of disabilities. For a free copy of the brochure, write Roy A. Seppanen, National Marketing Manager, CRS, 41 W. Santa Clara, Arcadia, Calif. 91006.

• CHI/COR Information Management Inc. is offering a free brochure describing guidelines for managing **disaster recovery planning.** To receive a copy of "Ten Questions You Can't Afford to Overlook When Planning for Disaster Recovery," write Arnold R. Nordman, CHI/COR Information Management Inc., 10 S. Riverside Plaza, Chicago, Ill. 60606.

• Risk Science International has just completed a comparison of major **environmental impairment liability insurance** policies and a summary of federal and state regulations for this type of coverage. For free copies of the report, write Risk Science International, 1101 30th St. N.W., Suite 103, Washington, D.C. 20007.

• "Rewarding Careers in Risk Management" is a brochure available from Career Guides, an employment agency specializing in insurance careers. For a free copy of this overview of **how to enter the risk management profession,** write Martin S. Hodes, Divisional Vp, Career Guides, 415 Lexington Ave., New York, N.Y. 10017.

• Two newsletters on **pension and retirement benefits** are available from Kwasha Lipton: "Negotiated Pensions in Key Industries" and "Matched Portfolios: 'Locking In' a High Investment Return for Retired Liability." To order, write Department M, Kwasha Lipton, Box 1400, Fort Lee, N.J. 07024.

• A **management system that helps prevent property loss** is discussed in a free booklet from Industrial Risk Insurers entitled "IRI's Overview: A New Management System that Helps Control Human Error." For a copy, write Communications Department, Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102.

• Comdisco Disaster Recovery Services Inc. offers a free brochure describing its new coast-to-coast **teleprocessing backup capability.** For a copy, write Nancy Vestuto, Comdisco Disaster Recover Services Inc. 6400 Shafer Court, Rosemont, Ill; 60018.

• A packet on **insurance and risk management services for financial institutions** is available free by writing Dick Clarke, Vp, McNeary Insurance Consulting Services Inc., Box 220926, Charlotte, N.C. 28222.

• Runzheimer Reports, a monthly newletter on **pre-retirement counseling,** can assist the benefit or personnel executive in preparing an employee for retirement. To order, send $18 per copy to Scott Eisner, Circulation, Runzheimer Reports, Publications Division, 555 Skokie Blvd., Suite 245, Northbrook, Ill. 60062.

• INA Corp. examines **the problems of workers compensation** and suggests ways to make the system more efficient and equitable. For a free copy of "Insurance Decisions: What Ails Workers Compensation?" write: Insurance Co. of North America, Department R, 1600 Arch St., Philadelphia, Pa. 19101.

• A free brochure on the **administration and investigation of workers compensation claims,** written in question-and-answer format, is available from Workers Compensation Services Inc. The company also has published a set of booklets on **organizing workers compensation claims,** available for $3 per set. To order, write Workers Compensation Services Inc., 125 Ryan Industrial Court, Suite 100, San Ramon, Calif. 94583.

• Interstudy has prepared a series of **basic background papers on market competition in health care** that summarizes information on the competition strategy and highlights major issues. "Competitive Provider Arrangement: An Overview" defines basic terms and health care options. "A General Introduction" explores the cause of escalating health costs and options in coping with these costs. "The Role of Providers, Consumers, Business and Government" discusses the methods of competition. "The Dynamics of Health System Change" describes four forces that generate competition and modify the health system. And "The Challenge for Hospitals" presents the impact specifically on hospitals and suggests methods for the hospital to engage in effective price competition. HMOs, health care plans and competitive medical plans are discussed. The papers are available for $4 each, with a 25% discount if the five-part series is ordered, by writing Interstudy, Box 2, Excelsior, Minn. 55331.

•

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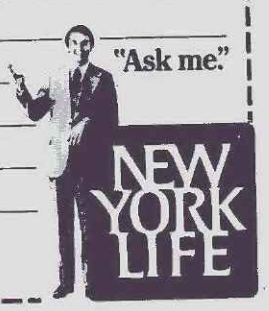
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University now self-funding health benefits

benefit beat

Bowling Green State University is now self-funding its dental, vision and health plans in hopes of cutting more than $100,000 off its medical costs during the first year of operation while offering the same level of benefits.

The university, which employs 2,100 workers, also has extended its 19-month-old dental and vision care plans to faculty and administrative employees.

The plan changes became effective Sept. 1.

Faced with annual medical insurance premium increases that have averaged about 25% over the past several years, BGSU is switching to self-funding to gain better control of its health costs, explains university Treasurer Paul R. Nusser.

The switch to self-funding will not only save the university money, but hopefully will produce savings for employees who share the cost of family coverages.

Currently, the university pays $2.3 million in health care costs, while employees contribute another $500,000. Employees currently pay $44 per month for family health coverage, up from the previous $38 per month. Individual coverage is fully paid by the employer.

In addition, self-funding allowed BGSU to invest its premiums, producing extra, non-taxable income.

"We felt we could have a one-time cash advantage because of the changeover," explains Mr.Nusser. "As a tax-exempt entity, we can manage our portfolio and not have to pay taxes on the yield."

The BGSU health plan pays up to a maximum 120 days of hospitalization in a semiprivate room. It provides 100% coverage for diagnostic examinations and pays 100% of all emergency care charges that are incurred within 72 hours of an illness or accident.

It also provides 100% coverage for all in-hospital medical charges and surgery. Employees pay no deductible for basic health coverage.

The major medical plan pays 80% of all charges not covered under the basic plan. Employees must pay a $100 major medical deductible. The plan pays 100% of all charges above $1,000, and there are no annual or lifetime maximums.

In addition, Bowling Green State is now offering dental and vision benefits to faculty members and administrative personnel.

The dental plan covers 100% of preventive and diagnostic charges. It covers 80% of restorative, endodontic and periodontal services after the employee pays a $25 deductible.

The plan pays 50% of all prosthetic charges up to an annual maximum of $750 after the $25 deductible is paid. Finally, the plan pays 50% of all orthodontic charges up to a lifetime maximum of $500. However, orthodontic services are only provided to children under age 19.

The vision care plan pays $25 toward an eye examination, provides a maximum payment of $65 for lenses and a maximum of $20 for frames once every 24 months. Employees must pay a $5 deductible for examinations and a $10 deductible for frames.

BGSU's health, dental and vision care plans are protected by a $2.8 million aggregate stop-loss policy and a $50,000 specific stop-loss policy, both underwritten by SAFECO Life Insurance Co.

The health and vision care plan had previously been underwritten by Blue Cross/Blue Shield of Northwest Ohio. The dental plan was previously underwritten by Delta Dental Plans, a prepaid dental provider.

Hospital stays

Patients are spending less time in hospitals than they did 30 years ago, but they are paying a lot more for the time they do spend there.

In 1980, a hospital patient stayed an average of 7.6 days at a cost of $1,867—almost half of which is for salaries and expenses. In 1950, a patient's average hospital stay totaled 8.1 days, but that stay only cost $127, the Health Insurance Assn. of America reports.

Wellness study

A multimillion-dollar project intended to develop cost-effective and efficient preventive health care procedures is making headway, according to the Health Insurance Assn. of America, the project's sponsor.

Called the "Lifecycle Preventive Health Services Study," the project emphasizes prevention combined with medical tests that are keyed to a patient's age and sex.

Thousands of volunteers at three test sites are expected to participate in the project, an association spokesman said. One site in Appleton, Wis., is already operational. Another site in Danville, Pa., opens this month, while the third site has not yet been selected.

Patients participating in the project will undergo physical examinations and receive intensive health counseling. Doctors will try to motivate patients to watch their health through dieting, exercising, quitting smoking and controlling the use of drugs and alcohol.

Follow-up exams will be given to determine the effectiveness of the preventive measures.

Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

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Reliance Electric names new insurance manager

comings & goings: buyers

Victoria I. Fairman, 33, has joined Reliance Electric Co. in Cleveland as manager of insurance administration. Her responsibilities include property/casualty insurance, vehicle accident insurance and loss prevention. Ms. Fairman had been the assistant risk manager at Ferro Corp. in Cleveland. She also has served as assistant manager of insurance at Pickand Mather & Co. in Cleveland. She received a bachelor of arts degree in psychology from Northeastern Illinois University in Charleston and is working toward a master of business administration degree at Case Western Reserve University in Cleveland. She has received the Associate of Risk Management designation and is vp of the Cleveland-Akron chapter of the Risk & Insurance Management Society. Ms. Fairman replaces **Vicky Shleimer,** now senior insurance and claims coordinator with Standard Oil Co. of Ohio in Cleveland. She reports to Ron Stolle, director of risk management.

* * *

Gail C. Klein, 33, is the new supervisor of corporate risk management at Farmers Union Central Exchange Inc. (Cenex) in St. Paul, Minn. She will handle all insurance responsibilities except for employee benefits, safety and loss control. Ms. Klein was formerly casualty insurance manager at Control Data Corp. in Minneapolis. Prior to that, she was an account executive with Alexander & Alexander Services Inc. in Minneapolis. She received a bachelor of arts degree in history from the University of Minnesota and the Associate of Risk Management designation. Ms. Klein assumes some of the responsibilities previously held by **Dave Baker**, now Cenex's associate counsel. She reports to Frank Wilke, manager of financial resources.

* * *

Anthony Mihalovich, 34, has been promoted to treasurer at Realist Micrographic Systems in Menominee, Wis. He is responsible for employee benefits and insurance coverage as well as other financial administration functions. Mr. Mihalovich joined the company in 1977 and has held supervisory positions in the cost accounting department. He also held cost accounting positions at Oster Corp. in Milwaukee, where he worked for four years. Prior to that, he served in the U.S. Army for three years as a financial analyst and payroll specialist. He received a bachelor of arts degree in accounting from the University of Wisconsin at Oshkosh and also studied at Milwaukee Area Technical College. Mr. Mihalovich replaces **George Walker,** now with a public accounting firm, and reports to Gerald Parshalle, president and chief executive officer of Realist Micrographic. ■



Mr. Mihalovich

Fireman's Fund offers loss-control service

products & services

Fireman's Fund Insurance Cos. is introducing a Cost Reduction Assistance and Ergonomics service (CRANE), a loss-control service that helps policyholders reduce their worker injuries, especially back injuries.

The service uses ergonomics, the study of human characteristics, to help design a better environment for the worker.

The service includes conducting on-site studies of clients' work areas to locate where the largest number of manual material handling injuries occur. Such studies take two to three days.

The documented findings are then put into an individually prepared loss analysis showing the cost of back injuries. Suggestions to remedy situations that foster worker injuries are also written in the analysis. The completed analysis is sent to the client within two weeks of completion of the study.

The suggestions may be as simple as changing from metal to plastic containers or adding lifting equipment. However, Fireman's Fund is prepared to make more sweeping recommendations, including a redesign of the workplace.

Fireman's Fund is training more than 100 loss-control specialists from its 50 U.S. branches to conduct the studies for workers compensation clients. The insurer hopes to conduct more than 1,000 work environment studies by the end of the year as part of the CRANE program.

Also included in the CRANE program is "Love Your Back," a slide-and-sound presentation that includes written materials to be given to employees.

The CRANE program, including "Love Your Back," is available free of charge to Fireman's Fund policyholders. The "Love Your Back" presentation is also available free to companies that are not Fireman's Fund clients.

For more information, contact your local Fireman's Fund Insurance Cos. branch office.

Church coverage

Continental Insurance is offering CBP-Xtra, a property/casualty package for religious institutions.

The CBP-Xtra coverage includes a quarterly automatic 2% inflation adjustment for buildings and contents. The special items found in a religious institution, like fine arts objects, stained glass, precious stones, metals and statues, are included in this all-risk coverage. Money and securities are also covered.

The policy also covers the personal property of clergy, employees, church members and visitors.

The liability portion of the plan covers personal injury and medical payments. The liability protection coverage extends to volunteers doing maintenance and repair work.

Loss-of-income coverage and comprehensive liability protection for church counseling programs are also available to religious institutions from Continental.

The CBP-Xtra plan is based on standard industry policies. The coverage endorsements limits vary: a property loss limit of $10,000; outdoor glass and signs, $1,000 each; loss of income, $10,000; crime, $3,000; cost of preparing proof of loss, $1,000. Higher limits for each can be purchased.

Limits for pastoral counseling can be chosen by the policyholder. The broad-form liability endorsement, which includes corporal punishment and waiver of immunity protection, allows policyholders to select a limit.

For more information, contact your local Continental agent or broker.

Hotel security film

"Hotel Security" is a film from National Educational Media Inc. about protecting guests, hotel employees and property.

The 25-minute film, designed for hotel employees, covers actual events and stresses the importance of knowing their employers' established security procedures.

Key control, alertness to security violations and suspicious behavior and violent crimes in progress are some of the topics discussed in the film.

Jay Corrinet, president of Sunset West Management Co. and a hotel security expert, is featured in the film.

"Hotel Security" is available in 16mm, Super-8 and video cassettes and is accompanied by printed study materials. The complete package is also available in Spanish and other languages.

The purchase price for the film is $525, and enough printed material for 40 people costs $20. The two-day rental price is $95; one-week rental is $115. Printed materials must be purchased with rental orders.

For more information on "Hotel Security," contact Ms. Julie Oswald, National Educational Media Inc., 21601 Devonshire St., Chatsworth, Calif. 91311; 213-709-6009.

Safety tags

Seton Name Plate Corp. is marketing new accident prevention tags.

These tags can be printed with any message in any layout. They are made of weatherproof, chemical-resistant laminated plastic in a variety of colors with a surface that can be written on.

The tags are 3¼-by-5⅝ inches and have a nickel-plated brass grommet for hanging.

For a free sample, prices and descriptive information, write Seton Name Plate Corp., Drawer ZL-1331, New Haven, Conn. 06505; 203-772-2520. ■

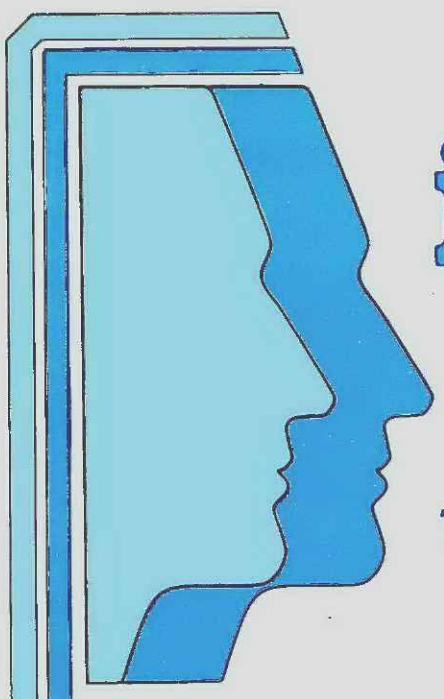
Texas regulator to resign Oct. 1

AUSTIN, Texas—Commissioner of Insurance E.J. Voorhis will retire effective Oct. 1.

Mr. Voorhis has served as state insurance commissioner since June 30, 1977. He was the state Board of Insurance's chief examiner from 1963 to 1977 and earlier served as a supervising examiner for the Insurance Board.

Mr. Voorhis, 62, began his career with the state insurance agency in 1947 as a part-time file clerk.

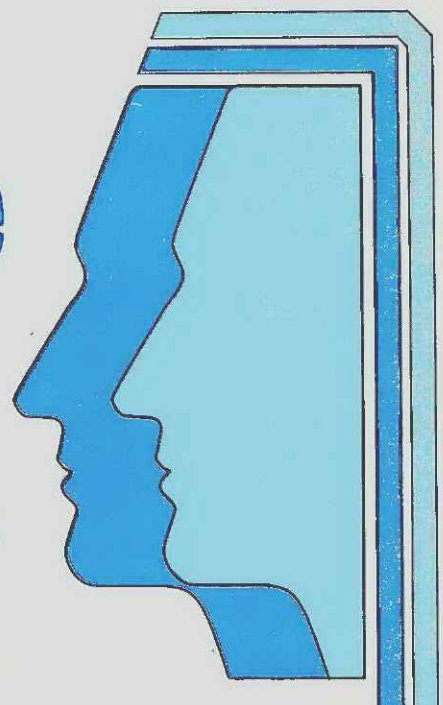
The three-member State Board of Insurance will appoint a new commissioner to succeed Mr. Voorhis. ■



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AGENDA
Sessions and speakers have been selected to help you meet this challenge. General sessions will focus on:

- Budgeting for Benefits
- Reading Employee Needs To Save Time & Money
- Getting Employees To Listen & Act
- Using Audio-Visuals
- Getting Employees To Share The Cost & Responsibility
- What Makes A Winning Communication Program

Concurrent sessions afford you the opportunity to zero in on specific problems. You can attend all three of the smaller work groups dealing with:

- Communicating On Your Own
- Personalizing Benefits
- Pre-Retirement Planning

One of the highlights of this conference includes the presentation of the 10th annual EBC Awards. You will also have the chance to view some of the communication programs submitted for this Competition that will be displayed in the EBC Gallery. And the Benefits Literature Gallery makes it possible for you to collect some of the latest benefits industry information available.

REGISTRATION
The cost is $475. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook and educational materials, one breakfast, lunches, coffee breaks, cocktail reception and the EBC Awards dinner. Payment required with registration.

Special hotel rates and discount airfares will be made available to all registrants.

For program details, registration forms, hotel and flight information write to:
The Communication Services Department
BUSINESS INSURANCE
220 East 42nd Street, New York 10017

Call:
Ann Vazquez at 212/210-0137 or
Beth Levine at 210-0229

Wren to head Scottish & York's U.S. operation

William C. Wren appointed president and chief executive officer of Scottish & York International Insurance Group's U.S. companies, based in Princeton, N.J.

An officer of the company since 1977, he was most recently executive vp. He was also vp of technical operations and vp of claims at Scottish & York. In addition, he has held management positions with Liberty Mutual Insurance Co. and Reliance Insurance Co.

Mr. Wren replaces **Mark Landis,** who left the company.

comings & goings: industry

Insurers

Lawrence S. Doyle promoted to vp of international property/casualty operations and general manager of European casualty operations for The Hartford Insurance Group in Hartford, Conn. Mr. Doyle was promoted to director of The Hartford's international property/casualty operations in 1981. Mr. Doyle also heads The Hartford's participation in AFIA Worldwide Insurance, which markets international property/casualty coverage.


Mr. Doyle

Two were promoted by Zurich-American Insurance Cos. in Schaumburg, Ill. **Bruce Hay** promoted to property underwriting manager in the San Francisco branch. Mr. Hay was most recently senior property underwriter and property underwriting supervisor for Zurich-American in San Francisco. **William Babiarz** joined Zurich-American in Schaumburg as casualty underwriting manager. Mr. Babiarz had been with Commerce & Industry Insurance Co., Chubb Corp. and Employers of Wausau before joining Zurich-American.


Mr. Engeleiter

Gerald H. Engeleiter elected government affairs officer at St. Paul Fire & Marine Insurance Co. in St. Paul, Minn. Mr. Engeleiter was previously working on government affairs with Allstate Insurance Co.


Mr. Lusk

Harbor Insurance Co. in Los Angeles has promoted two men to the rank of vp. They are **Fred A. Lusk,** Harbor's Central zone manager based in Dallas, and **Esten J. Atwood,** manager of the Pacific Southwest zone based in Los Angeles. Harbor Insurance Co. is part of Foremark Corp., a wholly owned subsidiary of The Continental Corp.


Mr. Atwood

Richard E. Gawlak promoted to field vp-group of The United States Life Insurance Co. in New York. He will be responsible for group insurance product marketing through the Philadelphia regional sales office. Mr. Gawlak was most recently assistant manager-group sales at United States Life.

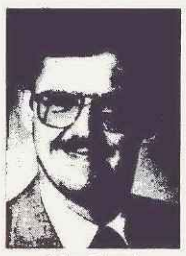
Edward B. Breedlove named Pacific regional manager of Industrial Risk Insurers in San Francisco. He had been associate regional manager. Mr. Breedlove succeeds **Andrew J. Wert,** who is retiring.

Bermuda market

Kenneth D. Biersack joined James S. Kemper Cos. (International) Ltd. in Bermuda as president. Kemper Cos. (International) Ltd. is part of Ryan Insurance Group. Mr. Biersack will help enlarge Ryan's scope of operations in Bermuda through captive management, handling brokerage placement and reinsurance services for Ryan's property/casualty companies. Mr. Biersack joined Ryan from Ivanhoe Ltd., also in Bermuda, where he was president. He has more than 35 years of experience in the insurance field.

Reinsurers

Four were promoted at Guy Carpenter & Co. Inc., a subsidiary of Marsh & McLennan Cos. Inc. in New York. **Richard H. Blum, Michael J. Cody, Robert S. Constable** and **Michael S. Cooper** elected executive vps.


Mr. Paul

Lewis H. Paul appointed vp-marketing/underwriting and treaty reinsurance at Frankona Reinsurance in Kansas City, Mo. He was most recently corporate secretary and reinsurance director at Great American Reinsurance Inc.

Agents/brokers

Doris Wayrynen appointed senior vp at Allied Associates in Santa Clara, Calif. She will head the brokerage's property/casualty department. Ms. Wayrynen had been manager of underwriting at Allied Associates.


Ms. Wayrynen

Mark S. Hester named executive vp and principal of Hester & Associates Inc., an insurance agency in Phoenix, Ariz. Mr. Hester was previously vp of sales and a director of the company. Also, **John C. Heitel** named principal and vp of Hester & Associates. Mr. Heitel had been a commercial insurance account executive at Hester.


Mr. Munson

Nicholas F. Munson named president and chief executive officer of Rollins Burdick Hunter of Georgia Inc. in Atlanta. He will head the Southeastern operations for RBH. Mr. Munson had been head of the Atlanta office of Marsh & McLennan Inc. Mr. Munson replaces **C. Preston Bradfield,** who has become chairman of the board.

John Pearson named vp-marketing and risk management of Corroon & Black of Alabama in Birmingham. He had been with Molton, Allen & Williams in Alabama.

Other suppliers

M. Stanley Hughey named head of the Chicago office of Tillinghast, Nelson & Warren Inc. Mr. Hughey recently retired from Kemper Insurance Cos. where he was executive vp.

Roger D'Aprix joined Towers, Perrin, Forster & Crosby in New York as a senior consultant. Mr. D'Aprix had been manager of employee communication at Xerox Business Systems Group.

Jeffrey S. Syslack joined Meidinger Inc. as regional vp in the Milwaukee office. He was previously vp at First Wisconsin Trust Co. ■

Virginia 'I' Day to explore opportunities

RICHMOND, Va.—"Tomorrow's Opportunities" will be the theme of the 1982 Virginia "I" Day to be held Nov. 4 in Richmond.

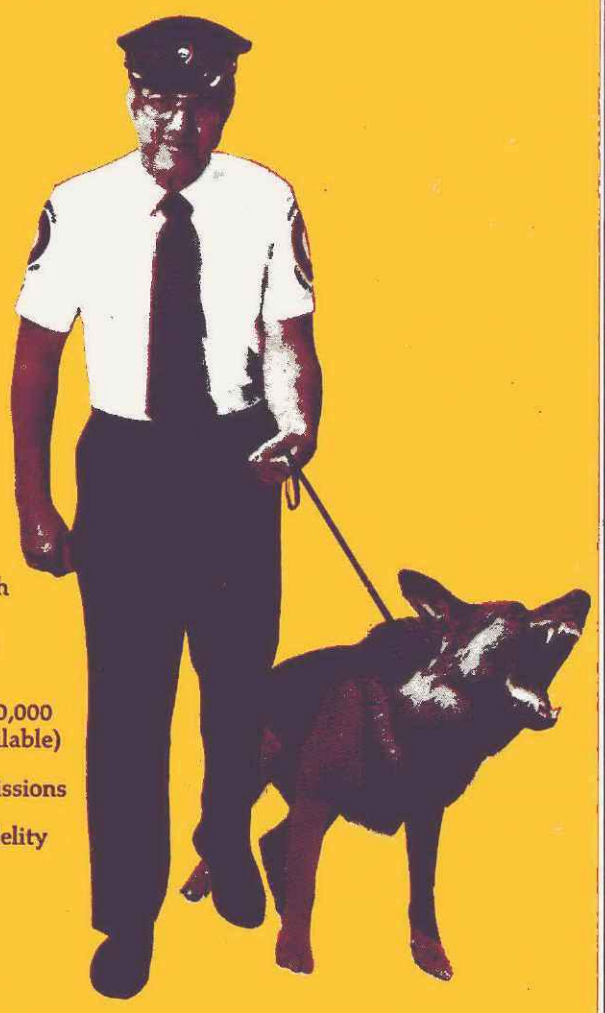
The program's keynote speaker will be Patrick G. Ryan, chairman of Ryan Insurance Group Inc. The luncheon speaker will be Dr. E.J. Leverett Jr., professor of risk management and insurance at the University of Georgia.

A panel discussion moderated by P.A. Synnott Jr., deputy commissioner in charge of market regulation for the Virginia Bureau of Insurance, will also be presented.

For information contact Susan Steingold, Independent Insurance Agents of Virginia, 8600 Mayland Drive, Richmond, Va. 23229. ■

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Chrysler hopes to cut health costs

Stanford structures malpractice settlement

Continued from page 2
Hospital's risk manager.

third annuity begins paying $100,000 a year, to increase at a rate of 6%.

Anna was born at the university hospital April 7, 1980, "in something like a natural

Exchange hopes to take risks from London

Continued from page 2
tersburg, Fla.

The exchange's charter, as drafted by the state Legislature, prohibits it from accepting direct business outside Florida, but it places no such restriction on reinsurance. Much of the Caribbean and Latin American business the exchange is seeking is fronted through an insurer in the buyer's home country, so the provision probably will not hinder its international business.

The great promise of the Florida exchange, according to Messrs. Teale, Roehrig and other exchange officials, will be its ability to tap into South Florida's growing reputation as the financial capital of Latin America and the Caribbean. While hundreds of banks already have created a steady stream of cash flowing north to Miami, the insurance industry has been slow to follow.

"I'm convinced the future of this thing does lie in South America and the Caribbean," says Mr. Roehrig, who says much of the region's premium dollars are now paid to insurers and reinsurers in Great Britain and Switzerland.

"There are many, many Latins who want to do business in South Florida rather than New York or London," says Howard N. Anderson, president of Armco Reinsurance Managers Inc. and executive director of the Armco Insurance Syndicate, one of the 10 underwriting syndicates that have already been approved by the exchange.

'The future of this thing does lie in South America and the Caribbean,' says Mr. Roehrig.

"The Latins who control the business see unrealized potential in South Florida and they will send their business here."

The Insurance Exchange of the Americas will also be distinguished from the exchanges in New York and Chicago by what its founders perceive as less control by large U.S. insurers.

"A good bit of the New York exchange's underwriting capacity is controlled by major U.S. carriers," says James Cordle, who will be running the Presqu'ile Syndicate organized by Poe & Associates Inc., a brokerage based in Tampa, Fla. "That is not likely to be the case here."

The only other major national broker besides Poe that is a broker member of the Florida exchange is Frank B. Hall & Co. Inc. through its Frank B. Hall & Co. of Florida affiliate in Coral Gables.

The only well-known insurers to so far officially sponsor syndicates, Mr. Cordle adds, are Armco and Sentry Insurance, a Mutual Company, of Stevens Point, Wis. Sentry is tentatively calling its syndicate the John Parker Stevens Syndicate.

"I think what you're going to see will be much more internationally oriented and the investors will be smaller and finance-oriented rather than insurance-oriented," Mr. Cordle says.

Right now, most Latin American and Caribbean excess/surplus lines business is written either directly or indirectly by Lloyd's and other London insurers, says Indalecio F. Patalla, vp and U.S. manager of Carlos M. Benitez Inc., a Miami agent and reinsurance intermediary affiliated with a Puerto Rican parent company.

Any exchange volume that flows from Latin America or the Caribbean will be at London's expense, he predicts. "There is no language barrier here because everybody speaks Spanish. It's the gateway to Central and South American countries," Mr. Patalla explains.

The exchange will be able to be more flexible than most other insurers markets because of a quirk in Florida law. Since there is no state statute authorizing or defining what an insurance broker does, technically there are no brokers in the state, Mr. Teale explains. Instead, would-be brokers must be agents of insurers with whom they place business.

But when the Legislature authorized the exchange, it also allowed the exchange to designate "Florida Exchange Brokers."

Thus, "We're free of any broker laws," explains Mr. Teale. "We do our own regulating."

The exchange authorizes three distinct groups as members: brokers, underwriting syndicates and syndicate agencies or underwriting management agencies, which manage the affairs of individual underwriting syndicates.

As of mid-September, Mr. Teale says the exchange had authorized 10 syndicates, 33 exchange brokers and eight agencies. He says another 26 syndicates, 35 brokers and three agencies are in various stages of formation.

In comparison, the New York Insurance Exchange, which opened in 1980, had 59 brokers and 31 syndicates as of July, while the Illinois Insurance Exchange, which opened in December 1981, had 25 brokers and six syndicates (*BI*, Aug. 9).

Mr. Teale predicts the exchange's first-year volume will be composed of 35% to 40% Latin American and Caribbean risks and 35% to 40% U.S. risks, with the remainder from other nations. He says initial capitalization of member syndicates will be at least $45 million and could reach $60 million, producing an underwriting capacity of $100 million to $200 million. However, he says he does not expect the exchange to write near its capacity during the first year (*BI*, May 10).

Mr. Teale's emphasis on brokerages and strong individual underwriters stems partly from his British background. Before becoming chairman of the once-moribund British Insurance Brokers Assn., Mr. Teale held a series of positions running insurance-related associations.

Stephen Arky of the Miami law firm of Arky, Freed, Stearns, Watson & Greer was elected chairman of the exchange's 12-member board at a meeting last month, replacing Mr. Roehrig, who remains on the board. The board includes six representatives of exchange syndicates, two representatives of member brokers, two members appointed by Florida Insurance Commissioner Bill Gunter and two members chosen by Florida Gov. Bob Graham.

The exchange is located at 245 S.E. First St., Miami, Fla. 33131; 305-374-4111; telex, 441193 EX-AM; cable, EXAM MIAMIFLORIDA. ■

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New rules won't end problems

By LEN STRAZEWSKI

CHICAGO—The expanded disciplinary powers that Lloyd's of London will receive under recently enacted legislation probably will not be enough to catch the most dedicated scoundrels, according to Lloyd's deputy chairman.

"Lloyd's has been growing at a tremendous rate—from 6,000 members to 20,000 members—in just 12 years," noted W.N.M. Lawrence. "Whenever you have that kind of growth, statistically, there will always be people who do not see the rules in the same way that others do."

Mr. Lawrence said it is unclear what action Lloyd's could take against Ian Posgate, a member of the Committee of Lloyd's, if accusations against him prove to be true. Mr. Posgate is named in a suit filed in London by Alexander & Alexander Services Inc. against five former executives of its Alexander Howden Group P.L.C. subsidiary.

"Right now, we are in a kind of hiatus between old regulations and powers that we expect to be granted by the new Lloyd's Council," he said during an interview. Mr. Lawrence was in the United States to speak at the American Management Assns.' National Conference on Risk and Insurance Management.

The new Council of Lloyds, which will replace the present Lloyd's Committee as the market's top governing body, will be elected in mid-November and is expected to meet in early 1983. According to the self-regulation bill enacted by Parliament several months ago, the council will have the power to establish disciplinary procedures.

"The (current) Committee of Lloyd's does retain some residual powers under previous acts," Mr. Lawrence added, "but those procedures are very unsatisfactory."

An 1871 act of Parliament gives the Committee of Lloyd's some power to expel members who act in an irresponsible or illegal manner to the detriment of Lloyd's or other members, but the procedures are both complex and time-consuming, according to Mr. Lawrence.

Another act passed in 1911 allows the committee to suspend members, but its provision is equally unwieldly.

The committee, though, has used its power to suspend Mr. Posgate as a Lloyd's member, Mr. Lawrence said. Mr. Posgate was earlier fired by A&A as Howden's chief underwriter.

The suspension, however, does not change Mr. Posgate's status as a member of the Committee of Lloyd's.

"I think that we may have a bylaw that allows for the suspension of committeemen if they miss a certain number of meetings, but I'm not sure. I do know, however, that Mr. Posgate has not been attending meetings lately," Mr. Lawrence said.

Members of the Committee of Lloyd's generally excuse themselves from meetings when actions affecting them or their companies are being discussed.

Former Howden directors sued

Continued from page 1

Grob, Howden's chairman who resigned in July; Alan J. Page, Howden's chief financial officer, director of Alexander Howden Insurance Brokers (Bermuda) Ltd. and Howden insurance subsidiaries Sphere Drake, Drake Insurance Co. Ltd. and Sterling Insurance Co. Ltd; Ronald C. Comery, a director of Howden, Sphere Drake, Drake and the Bermuda operation; and Jack H. Carpenter, a director of Howden, Sphere Drake, Drake, Sterling and the Bermuda operation.

Besides A&A, the plaintiffs in one of the suits include Howden and the three Howden underwriting subsidiaries—Sphere Drake, Drake and Sterling—whose premiums were involved in the reinsurance transactions controlled by the directors.

The suits do not specify the amount of damages sought, but seek the following recoveries from Messrs. Grob, Page, Comery and Carpenter:

- Damages for misrepresentation.
- Delivery of works of art including a Redon valued at $42,500, a Pissarro valued at $200,000 and other art valued at a total of $337,250, plus the contents of Mr. Grob's French villa, now valued at $10,000.

In addition, A&A seeks from all the defendants, including Mr. Posgate, the following:

- All money paid to Southern Reinsurance A.G., Southern International Re and New Southern Reinsurance, three foreign companies used by the directors for the reinsurance transactions.

Alternately, the suit requests the defendants be ordered to account for any profits made from the companies they owned and controlled with personal assets or money from Howden and its subsidiaries.

- An account and inquiry to determine the amount due to Howden and its companies and an order for payment of the same.
- Damages for breach of fiduciary duties and/or contract and/or conspiracy.
- A declaration from the five ex-directors that they are constructive trustees of all benefits received from the acquisition of the Banque du Rhone et de la Tamise, a small Geneva bank the suit says was purchased by the former directors with Howden reinsurance money. A&A and Howden want to recover the money used to buy the bank.
- Compound equitable interest on the amount claimed at 2% over clearing bank base rate.

In August, A&A was willing to settle with the former directors for much less, the court papers show. Mr. Posgate was not a party to this original agreement.

In the agreement made Aug. 14 and signed Aug. 16, Messrs. Grob, Page, Comery and Carpenter were to hand over to A&A by 5 p.m. Aug. 16 the following:

- Mr. Grob's Villa Olivula, Ville Frenche, in the south of France, which ironically is where A&A Chairman John A. Bogardus Jr. first contacted Mr. Grob in 1981 to propose the acquisition. Originally, the defendants said the villa would be worth at least $3.15 million.
- The contents of the French villa, including the Pissarro worth $200,000.
- The total amount of the initial share capital of Southern International Re of $1 million, which the ex-directors said was provided out of their own resources.
- About 1 million shares in L. Texas Petroleum, which were owned by another company controlled by the defendants, excluding Mr. Posgate. They were valued at 1 million pounds ($1.72 million), which the defendants said was being used against a loan.

Another condition of the agreement was that the four directors describe to A&A "to the best of their knowledge" their and their families' relationships with Banque du Rhone et de la Tamise and any other company that did business with Howden in which they had interests.

Also, the four were to disclose any assets worth $500,000 or more, including controlling interests in companies, trusts and funds.

But the former directors misrepresented the values of the assets they were to hand over to A&A, the court papers say:

- Ownership of Mr. Grob's villa was different than originally reported and its value was reduced to about $1 million after taking out taxes owed on the villa to the French government.
- The contents of the French villa are now worth only $10,000.
- The initial share capital of Southern International Re was not from the private resources of Messrs. Grob, Page, Comery and Carpenter. It was money paid by the Howden-managed Lloyd's syndicates through a subsidiary of the Howden group as "purported reinsurance premiums."
- The L. Texas Petroleum shares were not being used against a loan.

"Messrs. Grob, Page, Comery and Carpenter did not have reasonable grounds for making the said misrepresentation and A&A and (Alexander Howden) Group have suffered loss and damage," the

Continued on page 59

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,948
Government, Associations, Unions, Educational Institutions	1,004
Commercial Consumers Sub-total	**23,083**
Insurance Agents & Brokers	9,629
Insurance Cos.	4,944
Financial Institutions	314
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,408
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*Source: Business/Occupational breakdown of qualified circulation, May 3, 1982 issue, as submitted to BPA for June 1982, BPA Publisher's Statement.

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alice Board have unanimously decided to push for the removal of prior-approval restrictions.

"We endorsed the concept, agreed it should be done and notified the governor's office," Mr. Barnes said. "We've had 75 companies who have filed for deviation from the rates and all the requests

statistical base on workers compensation coverages.

Oregon and Kentucky have already started open-rating systems for workers compensation coverage, and Minnesota, Illinois, Rhode Island and Michigan will implement open rating over the next year. ■

A&A sues to recover assets

Continued from page 58

court papers say.

A&A's lawsuit describes in detail what it says were dishonest reinsurance transactions carried out by the former directors from 1975 to 1982 and involving companies in Liechtenstein and Panama.

The suit alleges that at least $56 million from Howden companies and Howden-managed Lloyd's syndicates were filtered through three companies, two owned by Messrs. Grob, Page, Comery, Carpenter and a third by the four directors and Mr. Posgate, "for their own benefit."

The three companies were Southern Reinsurance A.G. of Liechtenstein, a corporation engaged in the insurance business; Southern International Re. Co. S.A., a Panamanian company; and New Southern Reinsurance Co. S.A. in Panama, which was not licensed to write reinsurance.

Between 1975 and May 1982, purported premiums for reinsurance were paid by Howden insurance subsidiaries and Howden-managed Lloyd's syndicates of which Mr. Posgate was the underwriter to Southern Reinsurance A.G. and Southern International Re.

Almost $6 million was paid to Southern Reinsurance between 1975 and May 1980. Another $50 million was paid to Southern International Re between March 1980 and May 1982.

Southern International Re paid about $7 million to New Southern Re, which was used to buy works of art received by Mr. Posgate and to purchase a substantial interest in the Banque du Rhone et de la Tamise. These interests were held in trusts in Liechtenstein. Certain bank loans to Mr. Posgate totaling about $2.5 million were partially guaranteed by Southern International.

Howden originally announced it had sold Banque du Rhone to a "syndicate of unnamed investors" in Switzerland in 1980. At a special board meeting approving the sale, the five former directors said they had no interest in the purchase of the bank.

"In fact, but unknown to the other directors of AH group, Messrs. Grob, Page, Comery, Carpenter and Posgate were members of the syndicate of unnamed investors," the court papers say.

The Howden 1980 annual report says that the Banque du Rhone was puchased "by a syndicate of investors headed by Mr. Mario Benbassat and Mr. Elihou Zilkha."

> 'If Mr. Posgate has indeed been effectively dismissed from his employment with Howden, then legal proceedings will at once be commenced for the wrongful termination of his employment,' his lawyers say.

Mr. Posgate also has a $90,000 Pissarro painting that was purchased by Southern Reinsurance A.G. on Dec. 29, 1978.

In July 1982, Mr. Posgate admitted that the Pissarro was an asset to the plaintiffs, but he has refused to give up the painting. In an Aug. 11 letter to A&A attorneys, Mr. Posgate said the painting was received by him "as an unsolicited gift."

"If Mr. Posgate received the painting as a volunteer," the writ says, "he can also return it to Howden's now that he knows that it is the owner."

The A&A suit concludes that payments to the Panamanian and Liechtenstein companies "were made as part of a dishonest scheme of Messrs. Grob, Page, Comery and Carpenter that such payments would be made to companies under their ownership or control or in which they had substantial interest and for their own benefits.

"At all material times, Mr. Posgate knew of the dishonest scheme of Messrs. Grob, Page, Comery and Carpenter," the writ alleges.

The suit also says Mr. Posgate placed and/or procured quota-share reinsurance treaties for his Lloyd's syndicates with Southern International Re for 1981 and 1982. He also placed and/or procured in 1980 other quota-share treaties for the Lloyd's syndicates with another insurance company knowing that the insurance company would retrocede the treaties to Southern International Re.

Mr. Posgate has been dismissed by the Alexander Howden Underwriting Ltd. board and replaced by Albert J. Archer, who has been a member of Lloyd's since 1955 and an underwriter for the firm of Philip N. Christie.

Because the Alexander Howden Underwriting board would only suspend but not terminate Mr. Posgate when requested to do so by A&A's Mr. Bogardus, A&A changed the makeup of the Alexander Howden Underwriting board and Mr. Posgate was fired.

Mr. Posgate's lawyers, the firm of Stephenson Harwood in London, are considering litigation against A&A over the technique used to fire Mr. Posgate, said Michael Wilson, a partner in the firm.

The law firm said in a press release that "if Mr. Posgate has indeed been effectively dismissed from his employment with Alexander Howden Underwriting Ltd., then legal proceedings will at once be commenced for substantial damages for the wrongful termination of his employment."

Mr. Bogardus did not return *Business Insurance's* phone calls from London and Mr. Grob, when contacted at the Hotel Cap Estelle, near his French villa, would only confirm that he is no longer living in the villa and will be returning to London soon. He would not comment at all on the pending litigation. ■

British government probes Howden affair

By STACY SHAPIRO

LONDON—The British Department of Trade, in cooperation with the City of London Police Fraud Squad, will investigate the actions of Alexander Howden Group P.L.C. and five of its former directors (see story, page 1).

The decision to investigate came after Howden's parent company, Alexander & Alexander Services Inc., gave the Department of Trade documents on Sept. 18, said a department spokesman.

A&A is suing the five directors over misuse of company funds.

"The department can bring in special investigators if the circumstances suggest the people involved in management of company affairs are guilty of fraud, malfeasance or other misconduct to the company or shareholder," the spokesman said.

The Department of Trade investigators, which will probably include an accountant and a barrister, will make this investigation a "high priority" he said. But the probe may still take many months.

Any evidence of criminal wrongdoings will be forwarded to the director of public prosecution who can take criminal action against any suspect, the spokesman said. "If a company law is infringed, the Department of Trade can prosecute itself."

It is believed that Michael Meacher, a member of Parliament, also asked for the investigation, said an A&A spokesman in New York. Mr. Meacher was the chairman of the House of Commons committee that held hearings on the Lloyd's of London self-regulation bill.

Lloyd's is also continuing its investigation into Howden with the assistance of accountants Ernst & Whinney. Last week, Lloyd's suspended Ian Posgate from conduct-

Continued on next page

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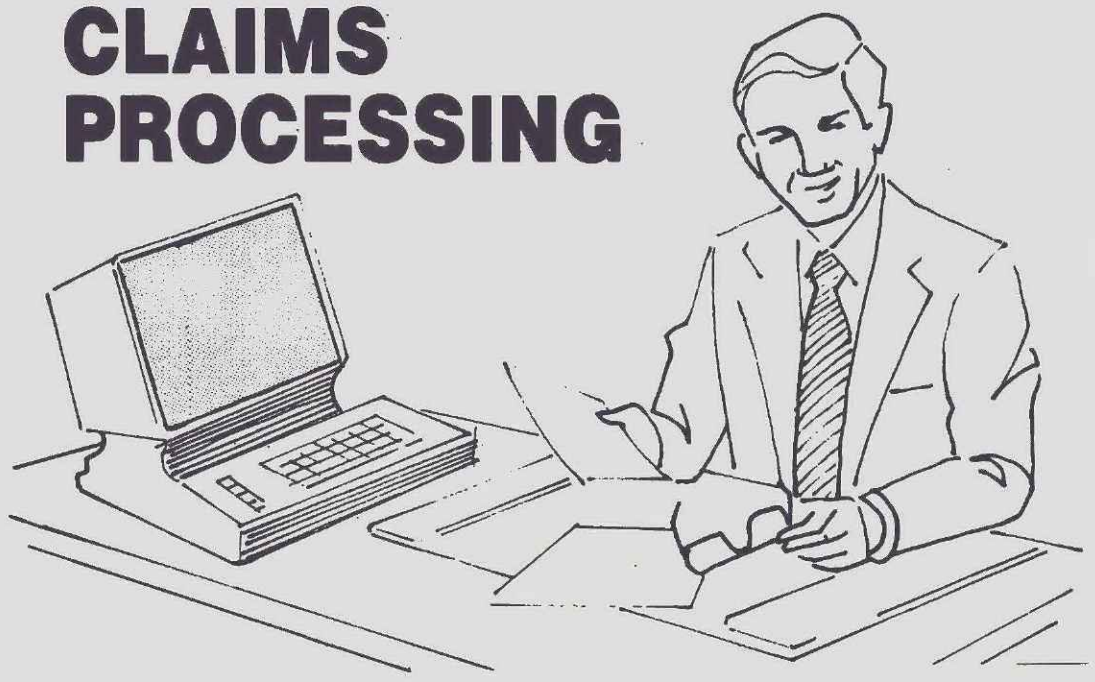
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A&A, Howden investors surprised by problems

By LEN STRAZEWSKI

CHICAGO—Alexander & Alexander Services Inc.'s suit against five former executives of Alexander Howden Group P.L.C. caught most everyone by surprise, including A&A and Howden investors.

"I met with Howden executives back in August and had no idea there was any major problem," said Joseph Destein, president of Risk Sciences Group in Mill Valley, Calif.

The former president of A&A's Anistics subsidiary, Mr. Destein is a Lloyd's member registered with the Howden syndicates formerly managed by Ian Posgate.

"But, I suppose I shouldn't have been so surprised," he adds. "I should have been more sensitive to the possibilities. Back in the 1970s, I had several dealings with Howden which just weren't that good."

While president of Anistics, Mr. Destein said he had tried to get financial information from Howden but had been stonewalled by Howden executives.

"Jack Carpenter (a former Howden executive who is being sued by A&A) called A&A in New York and told executives there to pull me out of their business. They did and that contributed to the deterioration of my relations with A&A."

A&A Chairman John A. Bogardus Jr. said he had no recollection of such an episode involving Mr. Destein, but "I can unequivocally state that I have never done anything to protect any of the individuals at Howden," he added.

Mr. Destein left the brokerage in 1978 to form Risk Sciences Group, a consulting firm specializing in quantitative analysis and computer applications in risk management.

"However, I have every confidence that Ian Posgate is not directly involved in any wrongdoing and I have no plans to pull out of Howden syndicates. In London, reputation is probably the most important thing you have. I'm sure A&A will stand behind any losses," he says.

Another former A&A executive and now a large shareholder, Thomas Davies, president of Davies Co., a Denver insurance agency, was both "shocked and disappointed" by A&A's recent action.

"I'm really disappointed with A&A top management for allowing such a thing to happen. I'm just shocked that the whole problem seemed to be handled in such an inept fashion," he says. "It looks like the classic case of the jilted lover. When the deal with Sedgwick Group fell through, A&A just ran into the Howden deal.

"Boy, did they ever get stuck! And so did I as A&A stock dropped," he says.

Mr. Davies is the former managing vp of A&A's Denver office, which was built upon an independent agency he had sold to A&A.

He resigned from the brokerage in 1979 to retire, but he later purchased other agencies in Colorado while retaining the A&A stock he acquired when he sold his original agency.

"Except for the quarterly reports, I don't think A&A has told the shareholders much of anything. Everything I know about the problems with Howden has come from the press or telexes from friends in London. I've been in touch with other shareholders and they learned about the problem the same way I did," he adds.

Mr. Davies says that he has discussed the possibility of a class-action lawsuit against A&A directors and officers with other shareholders but does not plan any action.

Peter Hawes, president of Design Professionals Insurance Co., an insurer in Monterey, Calif., is another former A&A executive and current A&A shareholder who was caught by surprise.

"I received no communication from A&A to let me know that there was trouble. I'm sad, obviously."

Mr. Hawes, who resigned as A&A's director of national accounts in 1980, says he had no idea that anything was wrong at Howden.

"Howden didn't seem to be particularly reluctant to disclose financial information or anything, but one defintely did get the impression that their worldwide operations are tremendously complex," he says.

Howden also kept potential problems out of sight of its investors, according to another Lloyd's name who is a member of the syndicates formerly managed by Mr. Posgate.

"Howden's usually is pretty good about keeping up a flow of information to U.S. names," comments William Sherar, chairman of Sherar, Cook & Gardner, a New Orleans-based brokerage.

"In fact, Howden has been a step or two ahead of most syndicate managers. The group has sponsored various seminars for U.S. names with speakers from Citicorp., which manages its U.S. funds, and the law firm LeBoeuf, Lamb, Leiby & MacRae, Lloyd's U.S. counsel.

"But I never got notice of this," he said.

Mr. Sherar, however, does not plan to pull out of the Howden syndicates at Lloyd's.

"The underwriter chosen to replace Mr. Posgate, Albert Archer, has a fine reputation and I'm sure he will look after the interests of the names," Mr. Sherar says. ■

British probing Howden

Continued from previous page

ing underwriting business for any of his four syndicates.

The suspension of Mr. Posgate came after A&A released information to the Lloyd's Committee, said a Lloyd's spokesman.

"A committee of Lloyd's is taking all the necessary steps to protect the interest of the underwriting members of Lloyd's and emphasized that all valid claims on policies written at Lloyd's will be paid," said a Lloyd's statement.

Mr. Posgate, however, has not been removed from the Committee of Lloyd's. Under Lloyd's by-laws, a committee member cannot be thrown out of his seat (see story, page 58). "We have no power to require Mr. Posgate to resign," said a Lloyd's spokesman. "It is his decision. He has put himself in the hands of his lawyers now. And they may suggest that the resignation is an admission of guilt, or they may not."

But, if Mr. Posgate does not resign, said the spokesman, "he may continue to do as he does, which is not to attend the committee meetings very often." Under an unwritten rule, a Lloyd's Committee member steps out of the room if he is being discussed at a committee meeting.

Lloyd's is also examining the evidence it collected from a separate investigation into Howden's aviation department.

The investigation began after Howden offered aviation insurance to Qantas Airlways for $500,000 less than its previous brokers, Bain Dawes Ltd., had offered.

Mr. Posgate was supposed to lead the Qantas insurance, but aviation underwriters would not follow. So Howden had to use the original Bain Dawes quote and pick up the $500,000 difference.

Two aviation sources in the market say Peter Brewis, deputy chairman of Alexander Howden Insurance Brokers Ltd., has resigned from Howden.

Mr. Brewis was involved in the Qantas affair as chief executive of Howden's aviation broking division, but it is not certain if he resigned for that reason. Howden's aviation department did not return calls from *BI* last week.

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Bayly Martin Fay	6	Lockwood Dipple	24C
Blue Cross	15,40A,B,C,D	MONY	26
R.E. Bott Ins. Brokers	56	Metropolitan Life	44-45
Brougher	25	NBA Group Inc.	22
Bureau of National Affairs	24C	New York Life	51
Business Insurance	23,25,29,42,53,57	North Western Natl. Life	5
CEBS	50	Paige Ruane	38
Computer Science	43	Protection Mutual	28
Continental Insurance	40	George T. Relyea & Assoc.	52
Cox Insurance Group	40	Resource Information Management Systems	48
Dale & Co.	30	Sentry Insurance	31
Erisco	38	Stewart Smith	54
Erisa	41	Structured Settlements	16
Executive & Employee Benefits	28	Time Insurance	59
A.J. Gallagher	22	Travelers	34
General Re-Insurance	27	Vision Service Plan	56
Genelco, Inc.	52	Walton Insurance	47
Great West Life	4	Washington National	11
Frank B. Hall	24A-24B,37	Stephen L. Way, Intl.	49
John Hancock	14	Wetzel Co., Inc.	54
Hartford Group	12-13		

Being in the limelight not new for controversial Ian Posgate

By STACY SHAPIRO

Lloyd's underwriter Ian Richard Posgate is both a prominent and a controversial figure in the London market.

The former director of Alexander Howden Group P.L.C. and chairman of Alexander Howden Underwriting Ltd. is a member of the Committee of Lloyd's. He's been called a maverick, holding a quill pen and underwriting risks that others refuse.

He's also been called a risk himself.

To everyone, Mr. Posgate is Goldfinger—the Lloyd's insurance magnate, the second-highest paid employee in Britain and the most successful underwriter at Lloyd's.

Mr. Posgate underwrote for more than 3,000 of Lloyd's 20,000 names, including stars like David Niven and Virginia Wade. His two marine syndicates had a premium capacity in 1981 of over 135 million pounds, not including the other two syndicates he underwrites for, Posgate and Denby (Agencies) Ltd.

Mr. Posgate was just elected to the Committee of Lloyd's in January, a place he has sought many times before.

He was in the limelight of the controversy over the Lloyd's self-regulation bill that finally passed Parliament. The pending election to the Committee of Lloyd's and his position on Howden's board did not stop him from supporting mandatory divestment of brokers from their underwriting agencies. He testified in support of the clause, arguing against those who opposed mandatory divestment, including Lloyd's itself and Howden chairman Ken Grob. And he won.

"I tried to be independent," said Mr. Posgate in the House of Commons then. "In Lloyd's, you are bound to have, to some extent, the survival of the fittest; it is one of the reasons why I wanted to be in a big syndicate.

"It gives me the power in the marketplace, and we are purely a marketplace, to deal with the big brokers, because I am big enough to offer a price to one broker or another, but not all people can do that."

Mr. Posgate has at times grown too big. Earlier this year he stopped underwriting for the 1982 account on Lloyd's most successful marine syndicate 127 and also syndicate 126 because he was overwriting the premium limits.

Howden's chief executive Michael Grover at the time told *Business Insurance* that Mr. Posgate had stopped underwriting because he had overwritten premiums at least three times before. It forced Mr. Posgate not to stop underwriting, however, but to start underwriting risks for the next accounting year.

It is common knowledge in the London market that overwriting the premium limit brought Mr. Posgate to Howden Group in the first place.

In 1971, Mr. Posgate was told by the Lloyd's committee to find a broker to manage his then independent syndicate because he was overwriting his premium limit. Alexander Howden Group chairman Ken Grob offered to take Mr. Posgate in, and the Lloyd's committee agreed.

Now, for the first time in 29 years at Lloyd's of London, Mr. Posgate has been suspended from all underwriting on the floor of Lloyd's.

The Lloyd's market, which has both revered and spurned Mr. Posgate for many years, is shocked. But as one Lloyd's underwriter stated, "I will stand by Mr. Posgate until he is found to be a crook." ■

Reinsurance course

NEW YORK—The Risk & Insurance Management Society will offer a course entitled "Reinsurance Concepts" for risk managers desiring more information about reinsurance.

The course, to be held Nov. 30-Dec. 2 at the New York Sheraton Hotel, costs $445 for RIMS members and $545 for non-members.

For information contact the RIMS Education Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292. ■

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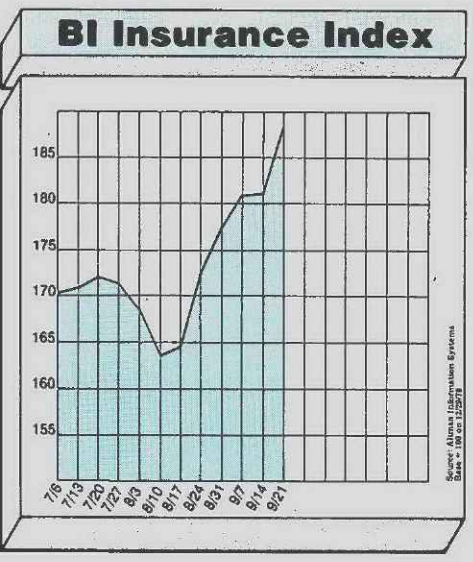
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Insurance industry stocks showed renewed strength during the week ending Sept. 21 as the *Business Insurance* index leaped 7.3 points to 188.6 from 181.3. Forty-three stocks gained, 10 declined and 15 were unchanged. The largest gain, 77.6%, was posted by Crum & Forster, which is to be acquired by Xerox Corp. Other leading gainers included Chubb Corp., 20.1%; Mission Insurance Group Inc., 17.3%; United Services Life Insurance Co., 14.0%; and Rollins Burdick Hunter Co., 13.3%. The largest losses were posted by Combined International Corp., 4.4%; Armco Inc., 3.1%; American States Life Insurance Co., 2.9%; Alexander & Alexander Services Inc., 2.9%; and Integrated Resources Inc., 2.7%.

British Issues

21 Sep Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	133	14.0	16.86	12.7	133—127
Eagle Star	333	11.9	21.43	6.4	334—326
Genl Accident	318	11.8	23.21	7.3	318—310
Gdn Royal Exch	332	8.4	25.00	7.5	332—322
Phoenix	278	10.7	24.00	8.6	278—272
Royal	395	10.7	36.07	9.1	395—380
Sun Alliance	828	11.8	61.43	7.4	828—792
Brokers					
CE Heath	333	9.1	18.71	5.6	333—327
Hogg Robinson	98	7.5	8.57	8.7	105— 98
JH Minet	136	12.4	5.43	4.0	136—134
Sedg Grp	187	10.7	8.57	4.6	187—165
Stenhouse Hldg	101	8.9	7.28	7.2	101— 99
Stew Wrightson	261	9.3	18.57	7.1	265—255
Willis Faber	481	12.0	21.43	4.5	490—481

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

Manville's move emphasizes asbestos's impact on insurers

By MYRON M. PICOULT

Special to Business Insurance

MANVILLE CORP.'S reorganization petition under Chapter 11 of the Federal Bankruptcy Act, triggered by an avalanche of asbestos litigation, has focused greater attention on the resolution of existing and potential suits by claimants suffering asbestos diseases. No quick fix for the problem is available, and the losses for insurance companies on asbestos risks will continue over many years.



Mr. Picoult

Many major insurers as well as numerous smaller companies have outstanding asbestos liabilities, primarily through reinsurance agreements. Additional strengthening of reserves, both for potential losses and expenses, is likely to become apparent in future quarters.

There is a distinct possibility that some smaller, uninitiated players in the insurance marketplace could become insolvent as a result of asbestos claims, and other insurers could be hit with sizable losses. Those events could be the "cumulative trauma" factor in the current underwriting cycle and, as such, might ultimately be construed to be a positive development if it helps to end the current competitive pricing climate.

Manville's Chapter 11 petition halted all further proceedings in the lawsuits now pending against the company and curtailed the filing of new suits against it and its affiliates. The controversy over whether Manville abused the bankruptcy statutes to escape its liability for asbestos claims is just starting.

Furthermore, on Aug. 27, the company filed papers in San Francisco Superior Court seeking $5 billion in punitive damages from certain insurance companies. The action alleges that the insurers failed to honor their obligations under various liability policies covering asbestos disease and property claims. Consequently, the company had to spend tens of millions of dollars, which "so damaged Johns-Manville's operations and cash flows and so strained Johns-Manville's financial resources that reorganization proceedings had to be commenced," the company claims.

The filing seeks to amend an earlier complaint, filed two years ago, in which Manville asked for declaratory judgments, damages and other relief against all of its liability insurers in connection with the coverage for asbestos claims over a 45-year period.

The suit may not be as spurious as some industry observers would like to believe.

There are several things to note about all these happenings:

- Manville's reorganization petition will focus attention on the problems related to asbestos diseases and other potential problems that are linked to toxic materials.

Some observers have estimated the total cost of all current and future asbestos claims to be in the $30 billion-to-$100 billion range. Some estimates are as high as $135 billion. Such predictions could create additional pressures in Washington to devise a legislative solution to the problem, especially if other asbestos companies besides Manville and UNR Industries Inc. decide to file under Chapter 11.

- Some agreements might begin to surface regarding the size of asbestos claims and which theory of insurance coverage for asbestos liability—manifestation or exposure—will prevail.

Asbestos manufacturers purchased liability policies over the last several decades from different insurers with varying limits of liability. The key question that has divided the insurance industry is which insurers must pay the claims filed against the manufacturers. More explicit wording of future policies is a certainty.

The exposure theory holds that all insurers on the risk when a claimant was exposed to asbestos would provide the coverage, subject to the limits of those policies. The manifestation theory holds that the insurers that were on the risk when the claimant's disease appears—usually through informed diagnosis—would be liable for the loss. The ultimate costs appear to be greater for insurers under the exposure theory.

Another issue that has to be clarified is the extent, if any, families and dependents of injured workers are entitled to compensation. Furthermore, there is the question of what should be done with buildings that currently contain asbestos materials that may be deemed potentially hazardous to individuals.

- The source of funding for any type of claims pool for asbestos injuries that Congress might mandate remains an open question. How such a system would work and how much asbestos manufacturers, liability insurers and the government would be forced to contribute are unclear. And, there is sure to be considerable debate on the federal government's liability for claims since it was the government that mandated asbestos be used in ships during World War II.

In any event, we would think that insurance companies that have not yet reserved to the limits of policies covering asbestos risks may begin to do so. It is impossible to come up with a hard estimate of individual insurer loss exposures when, in fact, aggregate losses have not yet been determined.

To be sure, there will be surprises from property/casualty insurers when they report their results in coming quarters and especially at year end, when reserves are more closely scrutinized for liabilities for asbestos and other toxic substances. In addition, it is most probable that funds will be added to loss adjustment reserves to reflect the certainty of higher litigation costs for asbestos litigation.

As noted earlier, there is the distinct possibility of sizable losses for some of the new players in the excess/surplus and reinsurance markets, and in some instances, they might go down in a sea of red ink. ■

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His column for Business Insurance appears the fourth Monday of every month.

BI ticker

BI Industry Stock Report

SEPT. 21, 1982 — 9/15/82 THRU 9/21/82

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.75	3.2	5.9	2.52	6.9	37.00	36.13	1,081.0
American Bankers Ins Group	OTC	10.00	11.1	7.5	0.48	4.8	10.00*	9.00	310.7
American Gen Ins Co	NYSE	41.00	0.0	5.6	2.20	5.4	41.25	40.75	102.8
American Indty Finl Corp	OTC	14.75	8.3	11.0	1.12	7.6	14.75	13.63	17.7
American Intl Group Inc	OTC	76.25	10.5	11.6	0.48	0.6	76.25*	71.00	734.6
American Natl Ins Co	OTC	14.00	1.8	6.0	0.76	5.4	14.00	13.88	28.8
American Sts Life Ins Co	OTC	17.00	-2.9	5.4	0.80	4.7	17.50	17.00	1.0
Aneco Reins Ltd	OTC	2.75	0.0	0.0	0.00	0.0	2.75	2.75	37.5
Avemco Corp	AMEX	10.88	0.0	6.8	0.54	5.0	11.38	10.88	27.6
Banks Iowa Inc	OTC	36.50	1.4	6.9	1.48	4.1	36.50	36.50	2.7
Bitco Corp	OTC	30.00	9.1	4.6	1.92	6.4	30.00	28.00	3.8
Carolina Cas Ins Co	OTC	7.00	0.0	6.9	0.32	4.6	7.00	7.00	0.2
Chubb Corp	OTC	41.88	20.1	6.7	2.92	7.0	41.88	37.38	615.7
Combined Intl Corp	NYSE	21.88	-4.4	6.2	1.80	8.2	22.88	21.75	475.8
Continental Corp	NYSE	25.25	3.1	7.6	2.60	10.3	25.25	24.38	438.6
Crawford & Co	OTC	15.00	-1.6	11.0	0.56	3.7	15.25	15.00	4.4
Crown Life Ins Co	OTC	75.00	0.0	4.9	3.10	4.1	75.00	75.00	1.5
Crum & Forster	NYSE	48.63	77.6	9.4	1.76	3.6	48.63*	29.50	6,079.9
Employers Cas Co	OTC	28.50	0.9	12.6	1.20	4.2	28.50	28.50	7.0
Equifax Inc	NYSE	18.63	-2.6	10.6	1.30	7.0	19.38*	17.88	40.4
Excelsior Ins Co	OTC	11.00	0.0	0.0	0.70	6.4	11.00	11.00	0.6
Farmers Group Inc	OTC	35.25	1.4	9.8	1.24	3.5	35.25	35.00	399.9
Foremost Corp Amer	OTC	29.75	0.8	8.8	1.12	3.8	29.75	29.50	93.3
Great West Life Assurn Co	OTC	186.00	0.5	15.1	10.00	5.4	186.00	186.00	0.0
Hanover Ins Co	OTC	32.00	1.6	4.3	0.88	2.8	32.00	31.00	20.8
Hartford Steam Boiler Inspctn	OTC	36.75	0.0	7.3	2.80	7.6	36.75	36.75	20.8
Jefferson Natl Life Ins Co	OTC	36.50	2.8	10.2	0.76	2.1	36.50	35.50	1.2
Kemper Corp	OTC	28.88	1.3	5.1	1.80	6.2	30.38	28.88	89.9
Lincoln Natl Corp Ind	NYSE	40.00	0.0	6.9	3.00	7.5	40.00	39.00	66.0
Mission Ins Group Inc	NYSE	25.38	17.3	5.9	0.80	3.2	25.38	22.25	160.8
Nationwide Corp Ohio	OTC	25.50	-1.0	7.3	0.70	2.7	25.75	25.50	1.5
Northwestern Natl Life Ins	OTC	23.00	10.2	5.0	1.50	6.5	23.00	21.25	67.5
Ohio Cas Corp	OTC	37.88	2.7	6.9	2.36	6.2	37.88	37.38	92.6
Old Rep Intl Corp	OTC	19.88	0.0	4.6	0.92	4.6	19.88	19.63	68.3
Preferred Risk Life Ins Co	OTC	21.13	1.8	6.0	0.92	4.4	21.13	21.13	2.0
Provident Life & Acc Ins Co	OTC	41.50	-2.4	5.9	2.44	5.9	42.50	41.50	108.4
Ryan Ins Group Inc	OTC	33.75	0.0	13.6	0.16	0.5	33.75	33.75	0.0
St Paul Cos Inc	OTC	49.00	11.4	6.5	2.60	5.3	49.00	46.13	754.0
Safeco Corp	OTC	38.50	4.8	7.1	2.20	5.7	38.50	37.63	101.7
Sri Corp	OTC	23.75	4.4	5.4	1.12	4.7	23.75	23.00	56.5
Seibels Bruce Group Inc	OTC	23.88	1.6	14.0	0.80	3.4	23.88	23.50	15.9
Statesman Group Inc	OTC	6.13	0.0	5.6	0.15	2.4	6.13	6.13	9.9
Tokio Marine & Fire Ins Co	OTC	80.50	-0.9	6.4	0.92	1.1	81.38	80.50	0.2
Travelers Corp	NYSE	22.00	0.6	5.7	1.64	7.5	23.00	21.38	768.6
United Fire & Cas Co	OTC	32.75	0.8	8.6	0.88	2.7	34.00*	32.50	2.8
United States Fid & Gty Co	NYSE	39.25	1.0	8.3	3.60	9.2	39.88	39.00	264.5
United Svcs Life Ins Co	OTC	14.25	14.0	5.2	1.00	7.0	14.25	12.75	47.4
Uslife Corp	NYSE	19.00	2.7	4.0	0.84	4.4	19.00	18.88	301.9
Washington Natl Corp	NYSE	19.88	8.2	9.6	1.08	5.4	19.88	18.25	96.6
Zenith Natl Ins Corp	OTC	16.75	11.7	7.8	0.76	4.5	16.75	16.00	149.7
INSURANCE COMPANIES	AVERAGE			7.4		4.8			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	21.25	-2.9	7.7	1.94	9.1	22.00	20.63	570.1
Baldwin & Lyons Inc	OTC	34.50	0.0	6.0	0.80	2.3	34.50	34.50	0.2
Corroon & Black Corp	NYSE	21.50	1.8	10.6	1.80	8.4	21.50	21.13	13.0
Crump E H Cos Inc	OTC	9.25	8.8	17.1	0.40	4.3	9.25	9.00	83.1
Emett & Chandler Cos Inc	OTC	8.25	1.5	12.4	0.00	0.0	8.25	8.13	0.2
Hall Frank B & Co Inc	NYSE	26.88	3.9	10.4	1.70	6.3	27.00	25.38	195.2
Integrated Res Inc	AMEX	17.75	-2.7	6.0	0.00	0.0	17.75	17.38	72.0
James Fred S & Co Inc	NYSE	23.50	2.2	11.5	1.60	6.8	24.00	22.88	19.0
Marsh & Mclennan Cos Inc	NYSE	37.25	2.1	11.3	2.20	5.9	37.25	36.63	111.1
Penncorp Finci Inc	NYSE	11.50	4.5	8.0	0.16	1.4	11.75	11.25	839.1
Poe & Assoc Inc	OTC	9.00	0.0	10.2	0.80	8.9	9.00	9.00	1.2
Reed Stenhouse Cos Ltd	OTC	11.50	0.0	16.7	0.60	5.2	11.88	11.50	8.8
Rollins Burdick Hunter Co	OTC	17.00	13.3	12.1	1.32	7.8	17.00	14.75	30.5
AGENTS/BROKERS	AVERAGE			9.2		5.3			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	49.75	2.1	8.7	2.20	4.4	49.75	47.50	940.5
Anderson Clayton(Ranger/PanAm)	NYSE	23.50	-7.8	5.2	1.32	5.6	24.75	23.00	49.6
Armco Inc	NYSE	15.50	-3.1	6.1	1.20	7.7	16.38	15.50	616.4
City Investing Co. (Home Ins.)	NYSE	21.63	3.6	6.7	1.70	7.9	21.63	20.50	535.7
CNA Finl Corp (CNA)	NYSE	14.88	7.2	6.2	0.00	0.0	14.88	14.25	26.0
Control Data (Comml. Credit)	NYSE	31.50	0.8	7.5	0.55	1.7	31.63	30.50	774.0
General Re Corp	NYSE	48.75	1.3	11.1	1.08	2.2	49.00*	47.75	275.2
Gulf Utd Corp	NYSE	23.38	2.2	8.2	1.32	5.6	23.38*	22.88	208.8
Cigna Corp	NYSE	37.63	4.2	5.3	2.30	6.1	37.63	36.75	1,014.8
ITT (Hartford Group)	NYSE	27.25	0.9	6.2	2.68	9.8	27.25	26.75	1,231.2
Optimum Hldg Corp	OTC	8.00	0.0	6.3	0.00	0.0	8.00	8.00	15.1
Sears Roebuck & Co. (Allstate)	NYSE	23.88	2.1	11.2	1.36	5.7	23.88*	23.13	3,166.8
Baldwin Utd Corp	NYSE	31.00	8.8	6.6	0.88	2.8	31.00	29.00	461.0
Teledyne Inc (Argonaut)	NYSE	99.25	-6.8	5.6	0.00	0.0	105.63	98.00	895.3
Transamerica Corp (Occidental)	NYSE	20.88	1.8	6.3	1.50	7.2	21.00	20.50	236.4
CONGLOMERATES/HOLDING COS.	AVERAGE			6.8		3.8			

*Record high/low since Jan. 1 1982.

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Financial briefs

Reed Stenhouse

Reed Stenhouse Cos. Ltd., the Toronto-based brokerage company, reported a 33.5% decline in net earnings in the first nine months of the fiscal year. Net earnings fell to $10.5 million Canadian ($8.5 million U.S.) in the period from $14.1 million ($11.4 million) in the first nine months of fiscal 1981. Earnings per share fell to 69 cents Canadian (56 cents U.S.) from 93 cents (75 cents).

However, Reed Stenhouse reported a 7.0% increase in revenues to $209.9 million ($170 million) from $196.1 million ($158.8 million).

"Although our third quarter was disappointing, we anticipate that the fourth quarter will contribute at least as much in earnings per share as last year, and at best a portion of the shortfall experienced to date will be offset," said W.M. Wilson, president and chief executive officer.

The results do not reflect Reed Stenhouse's acquisition of Schiff Terhune International Inc., a major U.S. broker.

In addition, Reed Stenhouse has declared a quarterly dividend of 15 cents per share of its Class A stock, payable Sept. 30 to shareholders of record Sept. 13.

Aneco Re

Aneco Reinsurance Co. Ltd. increased its net income to $172,793 in the first half of 1982 from a $585,596 loss in the first six months of 1981. Earnings per share rose to 9 cents from a loss of 29 cents per share in the first half of 1981.

Written premiums in the first half of the year rose to $3.9 million, compared with $2.4 million in the first six months of last year. ■

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