

business insurance

update:

Hearing set to reconsider Hyatt class-action suit

KANSAS CITY, Mo.—U.S. District Judge Scott O. Wright has set a hearing for Sept. 13 on whether he should revitalize class-action proceedings in the Kansas City Hyatt Regency Hotel skywalks collapse litigation (BI, Aug. 16).

A U.S. Court of Appeals struck down Judge Wright's earlier certification of a
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Broker 'smokes' Lloyd's

By LEN STRAZEWSKI

MEMPHIS, Tenn.—This risk didn't go up in smoke, but it still cost Michael C. Shermer, Federal Express Corp.'s vp of risk management, almost \$200.

Fed up with broker Vince Catalli's chain smoking during a London dinner meeting earlier this year, Mr. Shermer bet Mr. Catalli \$200 he couldn't stay off cigarettes for about six months.

The bet was immediately seconded by an unnamed Lloyd's of London lead aviation underwriter who turned the bet into a "lung recovery policy" for \$1,500 and offered it to other insurers on a Lloyd's underwriting slip.

"After Vince's 10th cigarette in what seemed like five minutes, we were ready to threaten anything to get him to stop," Mr. Shermer recalls.

The risk manager, however, decided that incentive might be more effective than violence in the long run.

The informal policy, "type BO1169, Lung Recovery Insurance," with "C.O.U.G.H. wording" made Mr. Catalli, an aviation specialist and vp at Alexander & Alexander Inc. in New York, liable for a \$1,500 premium if he attempted any form of "smoking, chewing, inhaling or injecting the fumes or substance of tobacco or any other smokable material" for a period beginning at notification of Mr. Catalli (about Feb. 4) to Aug. 4, 1982.

If Mr. Catalli were successful in abstaining from "the weed" as defined in the policy, the underwriters would pay him \$1,500.

Off-limits smoking material included "cigarettes, cigars, cheroots, cigarillos,"

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Precedent-setter?

Bankruptcy court faces unusual issues in Manville case

By STEPHEN TARNOFF and BILL DENSMORE

NEW YORK—If Manville Corp.'s Chapter 11 petition is upheld, a New York bankruptcy court will establish precedents for the resolving of mass health injury litigation as part of a company reorganization.

Manville, a Denver-based construction and forest products company, is the second asbestos manufacturer in a month to seek relief under the Federal Bankruptcy Act from mounting asbestos injury suits. UNR Industries Inc. of Chicago filed a Chapter 11 petition in late July, and some expect more asbestos companies might follow.

The 16,500 asbestos lawsuits pending against Manville—and the 32,000 additional ones it still expects—will force Judge Burton R. Lifland to rule on issues not normally dealt with in bankruptcy court.

First, the nature of the claims will be different. Judge Lifland will be ruling not only on a supplier's or creditor's claim involving a debt owed by Manville, but he also will have to decide how much a person should be awarded for contracting cancer or other disabling diseases because of exposure to asbestos.

Secondly, the Manville reorganization plan most likely will have to contain provisions for

dealing with future asbestos claims by people who don't yet realize that they have a long-latent disease.

Third, Judge Lifland could be called on to resolve the current dispute among Manville and its insurers over which is liable for asbestos claims.

These issues make it impossible to predict exactly how the asbestos lawsuits against Manville will be resolved.

Drawing conclusions on the impact of Manville's Aug. 26 reorganization petition is further hampered by other developments:

- A group of attorneys representing asbestos victims already has filed to have Manville's reorganization petition thrown out and the stay on lawsuits against the company lifted. A hearing on their request is scheduled for Sept. 29 (see story below).

- A Supreme Court ruling redefining the types of cases bankruptcy judges can hear, which is due to take effect Oct. 4, could block any bankruptcy court rulings on Manville's product liability problems (see story, page 31).

One thing, however, is clear. The Bankruptcy Reform Act of 1978 prohibits the filing of any new lawsuits or the trying of existing ones against Manville as long as its Chapter 11 petition is pending before the U.S. Bankruptcy Court for the Southern District of New York.

If its Chapter 11 petition is upheld, Manville will have the advantage of having the 16,500 asbestos lawsuits currently pending against it consolidated in a single court before a single judge. This procedure should be quicker than state or federal court proceedings and will trim the overwhelming legal costs of defending cases on an individual basis.

But for Judge Lifland, the process could be painstaking as he decides a number of complicated and unique issues.

For example, he will have to decide how to classify and compensate victims of different diseases linked to asbestos.

Some suffer from asbestosis, an often non-fatal, progressive scarring of the lung, while others have developed lung cancer or mesothelioma, which affects the lining of the lungs.

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Plaintiffs' attorneys ask judge to let lawsuits proceed

By STEPHEN TARNOFF

Plaintiffs' attorneys are aggressively pursuing a challenge of Manville Corp.'s petition for reorganization.

Noting that Manville is one of the healthiest companies ever to file for reorganization under Chapter 11 of the Federal Bankruptcy Act, they question whether the move is just a step to avoid liability for asbestos injuries. And, they have asked a bankruptcy judge in New York to lift a stay on all asbestos litigation against Manville.

"It is a perversion of the bankruptcy act to permit a highly solvent company to seek protection," says plaintiffs' attorney Thomas Henderson of the Pittsburgh law firm of Baskin & Sears.

"It was such a drastic, radical legal maneuver that most prudent boards would dismiss the prospect out of hand."

Mr. Henderson said the mood of plaintiffs' attorneys "probably is anger more than anything else" that a company the size of Manville would use the bankruptcy law to cause further delays in payments to victims of asbestos disease.

It will be "not less than a year and could be more than a couple of years" before Manville comes out of reorganization if its petition is upheld, Mr. Henderson added.

Another plaintiff's attorney, who asked not to

be identified, suggests that Manville contributed to the large litigation costs by failing to come up with a mechanism to negotiate and dispose of claims.

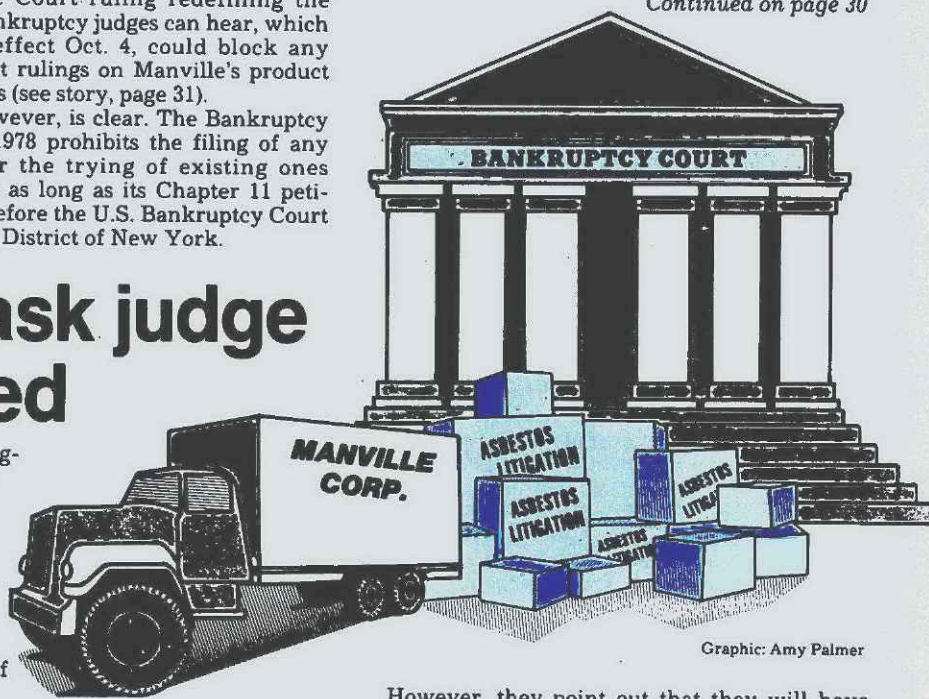
"They could have cut out a substantial part of the defense costs," the attorney said. He also said Manville's insurers have added to the problem by not paying on their policies while debating who is liable for the claims.

In their move to dismiss the reorganization petition, the attorneys will stress that the petition was not filed in good faith, Mr. Henderson said. "The purpose is improper."

If the challenge is successful, it would take the cases out of the hands of the bankruptcy court and place them back in state and federal trial courts.

According to one bankruptcy expert, the concept of "good faith" is a broad concept that "gives a good lawyer considerable room for arguing."

Spokesmen for insurers said that even under reorganization they most likely will pay out the full limits of the Manville policies.



However, they point out that they will have more time to invest the premiums and plaintiffs may not receive 100 cents on the dollar.

"I don't see any effect on the amount of coverage or obligations of the carriers as a result of Manville having filed for Chapter 11," said Floyd H. Knowlton, vp of The Travelers Insurance Co. Indemnity and defense costs that will be paid out probably won't change, he said.

With regard to the \$5 billion in punitive damages Manville is seeking from some of its insurers in California (see story, page 31), Mr. Knowlton said he was "disappointed that Manville believes Travelers had not fulfilled its obligations properly."

He noted that one day before Manville filed its reorganization petition, Travelers filed a plan for an interim solution that would have provided payments to Manville from its insurers.

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class action, saying his decision violated the federal Anti-Injunction Act by attempting to stop plaintiffs' lawyers from trying their claims in state court. Now Judge Wright has told lawyers he is thinking about certifying a different type of class.

In a separate order Aug. 27, Judge Wright lifted an earlier ban on disclosure of discovery documents by attorneys in the skywalks litigation. But he declined to make the document depository established for the case open to the public. Under his order, documents must be obtained through a willing attorney.

In the Aug. 27 order, Judge Wright also ordered that original transcripts of oral pre-trial depositions given by witnesses be filed with the court, where they are public record.

Florida comp rates up 10%

TALLAHASSEE, Fla.—Workers compensation rates for Florida employers are rising an average of 10% following the Aug. 31 approval of a rate request filed by the National Council on Compensation Insurance.

The NCCI had sought a 24% increase, but Insurance Commissioner Bill Gunter slashed that to what will average out to be a 10% increase. The order stipulates that the rate increase cannot exceed 15% for any one class of business.

The hike, which took effect Sept. 1, the day after it was approved, is conditional until the Insurance Department receives additional data from the NCCI.

Employers in Florida have experienced a 50% reduction in rates since August 1979 when the state passed a wage-loss system of compensating workers who are injured.

Utah studies competitive rating

SALT LAKE CITY—A commission of the Utah Insurance Department, which is considering revising the insurance code, is looking at the feasibility of competitive rating for workers compensation insurance.

The 20-member Insurance Law Revision Commission is to evaluate the entire Utah Insurance Code by January.

Braniff ordered to pay pensions

FORT WORTH—Braniff International Corp. must pay full benefits this month to participants in its pension plans covering members of the Machinists and Teamsters unions.

Judge John Flowers's ruling bars Braniff from cutting pension benefits by as much as 40%. Braniff wanted to cut benefits to conserve assets in the two underfunded plans.

Braniff told the federal Pension Benefit Guaranty Corp. on Aug. 20 that it wants to terminate the Machinists' and Teamsters' plans as well as two plans covering the airline's former pilots and management employees (BI, Aug. 30).

Braniff has requested that the termination be retroactive to May 12, the day Braniff ceased operations and filed for protection from creditors under federal bankruptcy laws. Judge Flowers is expected to hold a hearing on Braniff's proposed termination date later this month.

Money broker sues failed bank

OKLAHOMA CITY, Okla.—MGIC Indemnity Corp., which wrote a \$5 million directors and officers liability policy for the collapsed Penn Square Bank, may have to respond to a suit filed Aug. 26 naming the bank, its officers and directors and its auditor.

The suit was filed in U.S. District Court by Professional Assets Management Inc., a Del Mar, Calif.-based money broker which says it placed millions of dollars of its customers' funds in the bank before it was taken over July 5 by the government. It says it has lost \$340,000 in commissions since the collapse because customers have shunned it and seeks \$200 million in punitive damages.

Florida malpractice assessment

TALLAHASSEE, Fla.—Thousands of Florida doctors and hospitals that belonged to a state-chartered medical malpractice excess liability pool in 1977 and 1980 could have to pay a special assessment of at least \$11 million because initial rates were too low, (BI, April 12).

Under a proposal by the Florida Patient's Compensation Fund, a doctor who belonged to the fund in 1977 could have to pay a special assessment of \$500, while the assessment for hospitals could be \$20 per bed. Individual assessments for the 1980 fund year will be determined later this week. Florida hospitals are fighting similar assessments for 1978 and 1979 (BI, April 12).

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Photo: Keith McMillin, Columbia (Mo.) Daily Tribune

N&W workers were awarded \$58 million for injuries they claimed after cleaning up the chemical spill.

Railroad suing other firms to recover \$58 million award

By EILEEN NORRIS

ROANOKE, Va.—Norfolk & Western Railway Co. not only is appealing the award of \$58 million to workers claiming injury from a 1979 chemical spill, but is trying another track of recovery as well.

A trial is expected to begin in mid-November in an N&W lawsuit against the producer of the chemical that spilled from the ruptured tank car and the companies that manufactured the train car and a coupler device that allegedly broke. The suit charges they sold the N&W defective equipment.

On Aug. 25, a Madison County Circuit Court jury in Edwardsville, Ill., ended a four-month trial by awarding \$58 million to 47 railroad workers who said they were injured when they were forced to clean up, without proper protective clothing, the spill after the N&W train derailed in Sturgeon, Mo.

The leaking chemical contained dioxin, a known carcinogen, they said.

In its subsequent product liability suit, N&W seeks to have Monsanto Co., General American Transportation Corp. and Dresser Industries pay "any sum the railway may be required to pay" stemming from the Jan. 10, 1979, derailment and cleanup.

Monsanto manufactured the chemical, General American built the train car and Dresser made the coupler.

Meanwhile, N&W is facing more lawsuits itself.

At least 10 suits are pending from wives of railroad workers who contend they were contaminated from the clothing worn home by their husbands the day of the tank car spill.

According to several sources, N&W has liability insurance through the London market. However, a rail-

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A&A to transfer \$35 million to Howden

By LEN STRAZEWSKI and STACY SHAPIRO

LONDON—Alexander & Alexander Services Inc. must draw \$35 million from internal resources to bail out a British insurer owned by subsidiary Alexander Howden Group Ltd., the company announced last week.

Although a recent fair-value audit of Howden revealed both unreported assets and liabilities in Sphere Drake Insurance Co., A&A has now discovered that much of the assets, the value of which were not disclosed, are either not recoverable or not as valuable as estimated last month (BI, Aug. 23).

Moreover, according to an A&A announcement last week and a similar statement filed with the U.S. Securities and Exchange Commission, four former Howden officers or directors "owned or controlled on an undisclosed basis" companies with which Howden had negotiated the reinsurance contracts that created the additional liabilities discovered in the audit.

A&A would not reveal the names of the former Howden executives involved in the reinsurance transactions. However, the company statement did note that A&A Chairman John A. Bogardus has replaced Kenneth V. Grob as Howden chairman and A&A Treasurer Ronald J. Berardi had replaced Alan J. Page as Howden's chief financial officer.

A&A also would not comment on whether reinsurance was purchased or accepted by Sphere Drake, although one Lloyd's underwriter told BI that Syndicate No. 127, managed by Howden's chief underwriter Ian Posgate, purchased reinsurance from Sphere Drake on risks that included Lloyd's infamous computer leasing policies.

After the audit revealed that reinsurance transactions were one of Sphere Drake's problems, "it was concluded that steps should be taken to void these transactions, recover funds expended by Howden and to obtain other reinsurance," A&A said.

This decision led to negotiations with the four How-

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Nuclear utilities say NRC rule requiring cover not necessary

By STEVE TARAVELLA

WASHINGTON—Electric utilities that operate nuclear power plants say government regulation of property insurance for reactors is not necessary.

The Nuclear Regulatory Commission earlier this summer issued an interim rule requiring licensees to purchase on-site property damage insurance to the maximum limit available to cover decontamination costs and other expenses arising from an accident.

The NRC will accept comment on the rule until Sept. 22 when it will decide whether to alter the requirements (BI, March 29).

The regulation was triggered by a study conducted by Dr. John Long, an insurance consultant to the NRC and a professor at Indiana University. The study said the current market does not provide enough insurance to cover losses that might result from an accident like the one that occurred at the Three Mile Island plant in Pennsylvania. It concluded the NRC should require utilities to buy the maximum coverage available to

cushion the blow should another nuclear catastrophe occur.

The new regulation requires nuclear plant operators to have the maximum amount of primary insurance offered by either the American Nuclear Insurers and Mutual Atomic Energy Reinsurance Pool (ANI/MAERP), which jointly insure nuclear risks, or Nuclear Mutual Ltd. (NML). It also requires them to purchase the maximum amount of excess coverage offered by either ANI/MAERP and/or Nuclear Electric Insurance Ltd. (NEIL).

Currently, the combined primary/excess property coverage available to nuclear utilities is about \$815 million.

The NRC regulation also requires nuclear utilities to report their level of coverage to the NRC on April 1, 1983, and each year thereafter.

Until the interim rule went into effect June 30, property insurance coverage at nuclear reactors was not regulated by the government.

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Curing turnover

Pennsylvania hospitals use day care to entice staff

By BETSY SHARKEY

PHILADELPHIA—Hospitals in the Philadelphia area are using employer-sponsored child-care programs to get ahead in the highly competitive race to recruit and retain health care professionals.

Many of the hospitals' programs, which are used to entice a largely female workforce, are in an early stage of development, but several already have programs up and running.

The benefits offered by the hospitals range from guaranteed spots at nearby child-care centers to the establishment of company centers.

A 1981 survey by the Delaware Valley Hospital Council, which includes the Philadelphia area, indicated that only four of the 45 hospitals responding to the survey currently had child-care programs. In recent months, however, a growing number of hospitals in the area implemented child-care benefits or are studying the feasibility of such programs.

Carole Rogin, executive director of the National Assn. of Child Care Management, predicts that much of the interest in employee child-care programs will be in the health care professions.

"We've seen the most activity among hospital groups," Ms. Rogin said. "With hospitals you are dealing with shift work, which makes day-care difficult, and a workforce that tends to be mostly women."

For example, in September 1981 Fox Chase Cancer Center opened Creative Beginnings, which it says was the first corporate day-care center in Philadelphia.

Creative Beginnings is a cooperative project serving three medical facilities housed on Fox Chase's 47 acre campus—the American Oncological Hospital, the Institute for Cancer Research and Jeanes Hospital.

"We think it will help us in recruiting scientists and nurses and in persuading women to return to work after maternity leave," said Mary Dixon, Fox Chase's personnel director. "We believe the center makes for a stable and happy staff and is especially important to working women."

The child-care center is open five days each week from 6:30 a.m. to 6:30 p.m. with fees ranging from \$23 to \$79 a week depending on the employee's income and the child's age.

"We are doing some expansion now and will be doubling our size by January to take between 50 and 60 children," said Annmarie Torres, the director of the center. "We try to distribute the number of children we accept evenly among the institutions."

Fox Chase gave the program seed money and continues to subsidize it.

"I think the ultimate goal is for the center to be about 50% subsidized by the hospitals, but that hasn't been reached yet," Ms. Torres said. "We have had an assessment of the program and the results were very, very positive. It found the center improved job performance (for employees using the center) and made them more comfortable in their jobs."

The center encourages employees to spend their lunchtime at the center with their children. It also provides a resource library for parents.

Lankenau Hospital, located in a Philadelphia suburb, opened an on-site child-care center last February after two years of planning. Children's Circle Preschool has 26 children enrolled and expects to reach its

capacity of 34 by October.

"The hospital gave us \$35,000 to start the center," said Director Margie Coffey. "The employee does pay on a sliding scale from \$50 to \$64 per week, which covers salary for the center's five employees. And the hospital is subsidizing about 50% of the operating budget."

Lankenau's program is geared to retain its nursing and health-care staff, rather than to be used as a recruiting tool.

"Since we're in the suburbs, we don't have as much of a problem due to location. But we do have a lot of young nurses getting married and having families who we want to maintain on our staff," Ms. Coffey said. "The process (of employer-sponsored day care) has been slow in our area because we had a lot of community-based day care. I think the inner-city is going to be the more rapidly expanding

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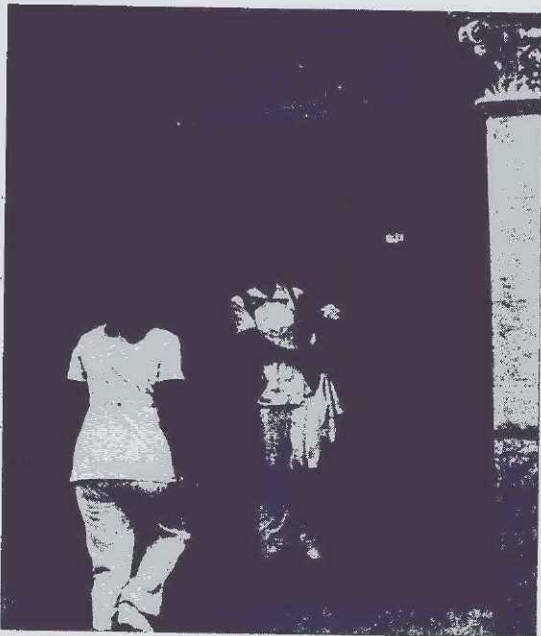


Photo: Lancaster General Hospital

The day-care program sponsored by Lancaster General Hospital is one of the area's oldest.

New crash theory targets guidelines for flying in rain

By BILL DENSMORE

NEW YORK—Plaintiffs' attorneys and insurers for Pan American World Airways Inc. are looking at a new theory on the hazards of flying in extremely heavy rain in an attempt to place some liability on The Boeing Co. for a July 9 plane crash near New Orleans.

The theory, which a government researcher says has been tentatively demonstrated in a wind tunnel but may still prove invalid, would affect how pilots are instructed to fly through a combination of sudden wind shifts and heavy rain. And it could focus attention on what instructions manufacturer Boeing gave for pilots flying its aircraft in such conditions.

In an effort to learn whether heavy rain could have played a role in the July 9 Pan Am crash in which 154 people died, the National Transportation Safety Board plans to have a researcher testify about the just-completed wind-tunnel tests at public hearings Sept. 14 in New Orleans.

The rain theory, involving flight at low altitudes and speeds, is already being used in court by lawyers for a Jordanian airline to shift some liability in a 1979 crash to Boeing.

That case involves Alia—The Royal Jordanian Airline Corp.—and the crash of one of its Boeing 727s during a rainstorm on March 14, 1979, in Qatar.

Experts hired by Alia's lawyers argue that a computer model suggests extremely heavy rain, like that encountered in some thunderstorms, can "roughen" the surface of a plane's wing, causing it to become less efficient at providing lift.

A Boeing executive, from whom a deposition was taken in that litigation, calls the theory "highly speculative." But attorneys for plaintiffs in the Pan Am crash in July say the theory, if found valid, could mean Boeing has "real exposure" in the New Orleans accident, which occurred during a thunderstorm.

Lawyers for crash victims say that ground witnesses recall a period of

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Many risk management benefit proposals may die

By JERRY GEISEL

WASHINGTON—Congress may pass legislation overhauling the federal Longshoremen's and Harbor Workers Act this month, Washington observers say.

However, no final action is expected on legislation concerning product liability, pensions, health insurance and mandatory retirement before Congress goes home in early October.

Of the pending legislation affecting risk and employee benefit managers, observers say only longshore reform legislation, S. 1182, has a better than even chance of gaining approval.

"It has a better than 50-50 chance," said Tom O'Day, government relations officer at the Alliance of American Insurers and chairman of the Longshore Action Committee, an ad hoc coalition of 70 insurers and businesses that want the Longshore Act amended (BI, June 7).

Until recently, the chances that Congress would approve longshore reform seemed even better. In July, the Senate unanimously approved S. 1182, setting the stage for House approval.

But problems cropped up when labor groups last month objected to the legislation during a House Education and Labor subcommittee hearing.

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Benefit managers' pay outpaces inflation: Study

By JAMES C. LAWSON

NEW YORK—The number of benefit managers earning more than \$50,000 annually has grown significantly in the last two years, a survey by Segal Associates shows.

Some 27% now are earning more than \$50,000, while in 1980 only 10% reported salaries in that range, the third biennial survey of benefit managers reveals.

The contrast with 1978 survey results is even more dramatic: That year only 1.4% earned more than \$50,000.

This year's survey of Fortune 1,000 benefit managers had a 17% response rate, mainly from benefit managers at manufacturing firms, reports Segal Associates, a division of benefit consultant Martin E. Segal Co.

The average salary for the benefit managers surveyed grew 22% to \$45,000 from \$37,000 in 1980 and 57% from the \$28,700 average salary benefit managers reported in 1978.

However, inflation ate some of those gains. The Consumer Price Index rose 24% between 1980 and 1982 and 9% between 1978 and 1980. But Segal Associates says benefit managers' salaries, plus bonuses and benefits, outpaced the CPI those years.

More than 62% of the respondents this year reported salaries between \$30,000 and \$50,000. About the same percentage (60%) were in that salary bracket in 1980 while only 24% were in that salary range in 1978.

A breakdown of salary ranges shows more benefit managers are now in the upper-earning levels.

For example, 20%, or one-fifth, of the respondents this year reported salaries between \$35,000 and \$40,000, a 3% increase over 1980. Fifteen percent, or 1% more than in 1980, have salaries of \$40,000 to \$45,000.

Another 15% have salaries between \$45,000 and \$50,000. In 1980, only 6% were in that bracket.

Twelve percent report salaries of \$50,000 to \$55,000, compared with 4% in 1980, and 10% report salaries of \$55,000 to \$60,000, compared with 2% in 1980.

This year's survey shows 6% topping the \$60,000 salary mark while only 2% hit that level in 1980. About 2% reported salaries above \$70,000 this year.

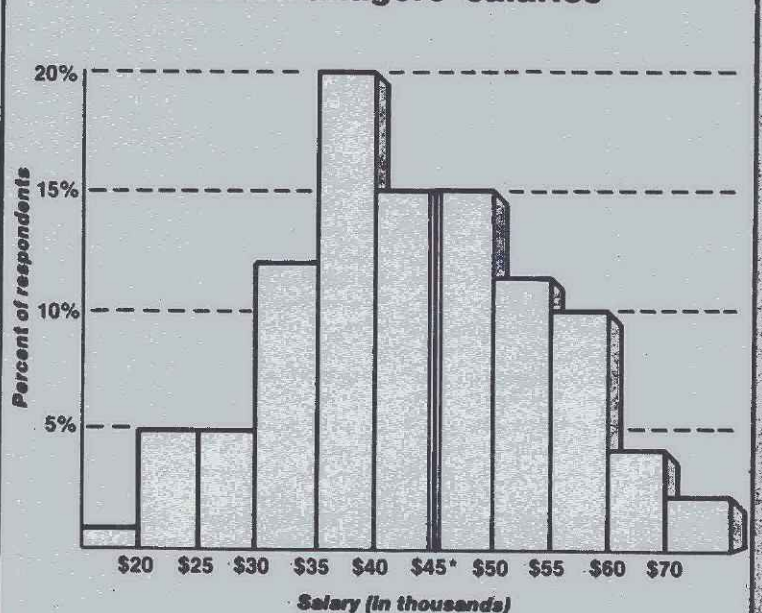
Also, the number of employee benefit managers on the lower end of the salary scale is declining. For example, 5% reported salaries between \$20,000 and \$25,000 this year and another 5% reported salaries of \$25,000 to \$30,000. In 1980, 9% were in the \$20,000-to-\$25,000 range and 16% were in the \$25,000-to-\$30,000 range. About 12% said their current salary is between \$30,000 and \$35,000, while 23% were in that category in 1980.

While annual salaries have increased, the number of benefit managers receiving annual bonuses dropped slightly in the 1982 survey, possibly reflecting the tighter corporate budgets forced by the recession. This year, 53% of the benefit managers surveyed said they received bonuses, down from 56% in the 1980 survey. In 1978, 36% of the surveyed benefit managers said they received bonuses.

Of those reporting bonuses this year, more than half

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Benefit managers' salaries



Washington Post institutes 401(k) plan

The Washington Post Co. is offering a 401(k) salary reduction plan for employees not covered by bargaining agreements.

The Washington Post Tax Deferral & Savings Plan, which began July 1, allows employees to defer a portion of their salaries toward retirement. So far, 90% of the 350 eligible employees are participating.

The program is open to all union-exempt employees who have worked a minimum of 1,000 hours at The Washington Post within the last 12 months.

Under the program, employees can contribute up to 12½% of their annual salaries, while the company will match the first 2½% of their contributions. Employees receive tax deferrals on the first 2½% of their contributions, the company match and any accrued interest. A

benefit beat

portion of additional employee contributions may also be tax-deferred depending upon a yearly review of the plan's participation and average contribution rates.

Employees can invest their contributions in a fixed-rate fund, an equity fund or a combination of the two funds. Employer contributions can be invested in these funds, the Post's stock fund or a combination of the funds.

The fixed-rate fund, administered by Equitable Life Assurance Society, currently pays about 13%. It invests exclusively in domestic money market instruments that mature in 60 or fewer days.

The equity fund, administered

by the Vanguard Group's Windsor Fund, invests in long-range growth company securities. The Post's stock fund invests in Washington Post Co. common stock.

Employees may change their investment mix once each year. They can change their contribution rate twice a year, but three months must elapse between changes. Contributions may be suspended anytime, but can only be renewed at the beginning of a quarter after a six-month waiting period.

Employees can withdraw non-tax-deferred contributions once every three months without penalty. Tax-deferred contributions can only be withdrawn in the case

of extreme hardship, termination of service, death or retirement. The company makes lump-sum payments when employees leave the job, although retirees can take their money in a lump sum, an annuity or in fixed payouts for up to 15 years.

Upgraded benefits

Custodians, engineers and boiler technicians at 14 Detroit office complexes have won a new dental plan as part of a three-year contract that also calls for hospitalization, life, short-term disability insurance and pension plan improvements.

The 1,100 employees are members of the Service Employees International Union Local 79.

The new dental plan pays 50% of

all of dental claims up to an annual maximum of \$800. The plan covers diagnostic, preventive, restorative, prosthetic and orthodontic services for employees and dependents.

Employees pay no deductible, nor make premium contributions, explains Dan Vorkapich, assistant to the union's president. The plan is underwritten by Blue Cross/Blue Shield of Michigan.

Life insurance coverage was increased to \$9,000 from the previous \$8,000. Short-term disability coverage was boosted to \$90 per week for 13 weeks from the previous \$80 per week up to a maximum 13 weeks.

Employees make no payroll deductible contributions for either the life or short-term disability plans, which are underwritten by Union Labor Life Insurance Co.

Hospitalization coverage has been boosted to 365 days from the previous maximum of 120 days per year. The plan pays 100% of hospitalization charges for a semiprivate room. The plan is underwritten by Blue Cross/Blue Shield of Michigan. Employees pay no deductible or premium payments.

Employer pension contributions have been increased to 25 cents per employee hour from 20 cents per employee hour. The pension fund is administered by the union in Washington.

Although some of the workers their new benefits in the spring, others just recently agreed on the pact. Although the old contract expired last November, the union had to settle with each office complex rather than sign a single contract.

Some of the employers include the Renaissance Center, the National Bank of Detroit, Detroit Bank & Trust Co., City National Bank of Detroit, First Federal Savings & Loan, Edison Plaza and the Ford and Lafayette buildings.

Medicare cost

Federal workers, who often receive Medicare benefits when they retire, are going to have to start paying for coverage.

Under the revenue bill passed by Congress last month, federal workers next year will have to pay 1.3% of salary for Medicare coverage.

Currently, many federal workers qualify for Medicare coverage because of their employment in private industry before or after they joined the government.

In a separate piece of legislation, Congress also trimmed pension benefit increases for millions of federal and military retirees.

Retirees under 62 will now receive only half of the projected cost-of-living increase that will be added to the pension benefits of older retirees.

For example, if the increase in the Consumer Price Index exceeds congressional projections, which are 6.6% for 1983, 7.2% for 1984 and 6.6% for 1985, retirees under age 62 will get half the projection, plus the difference between the projection and the actual increase.

For example, if the CPI increases 9% in 1983 instead of the projected 6.6%, retirees under 62 will get receive a 3.3% increase plus a 2.4% hike. While they would receive a 5.7% benefit increase, retirees over 62 would get the full 9%.

In addition, cost-of-living increases will be added to federal and military pensions every 13 months during the next three years. Adjustments now are made every 12 months. Benefits will be increased April 1983, May 1984 and June 1985.

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

MCAUTO ENTRY

COMPUTER SERVICES NEWS

Automated group claims reporting boosts productivity, attracts clients.

Gallagher Bassett: MCAUTO system provides a competitive edge.

The Gallagher Bassett Insurance Services, Division of Arthur J. Gallagher & Co., a national administrator of self-insurance plans, found that the MCAUTO group claims reporting system (GCRS) does more than decrease paperwork; it's responsible for attracting as many as four new clients in a single month.

According to Robert Strom, vice-president of field operations, the system allows the company's employee benefits administration division to offer better client service.

"Not only does GCRS pay claims, it verifies eligibility, confirms coverages, prints invoices, and produces almost instantaneous daily and monthly financial summaries. It significantly improves our clients' ability to manage the costs of their benefit plans."

Information control through distributed processing.



The MCAUTO system, installed in September, 1981, uses a powerful minicomputer in the Gallagher Bassett claims office, linked to a mainframe in the MCAUTO teleprocessing network.

A minicomputer, leased from MCAUTO, controls the CRTs, line printer, and local storage, allowing



Robert Strom, Vice-President of field operations, Gallagher Bassett Insurance Services.

complete control of all claims functions. Information is instantly available for screen editing and daily processing before transmission to MCAUTO for batch report processing. Reports are printed in the claims office.

Claims output increased 30%.

MCAUTO GCRS handles all types of health benefits including medical, dental, orthodontia, vision care, prescription medication, and weekly indemnity. At Gallagher Bassett, it has substantially improved accuracy and efficiency.

Strom states, "Before GCRS, our monthly reports were released 35 days after close of business for the claim month. Now reports are ready for distribution by the third working day. Daily claims output is up 30%."

An alternative for large companies: On-line claims processing.

MCAUTO also offers a group claims process system (GCPS) that puts large insurance companies in direct contact with their own or MCAUTO computers. GCPS instantly verifies claimant eligibility and pro-

vider identification, calculates benefits according to user-controlled schedules, checks policy limits and deductible provisions, and administers coordination of benefits.

For more information, call (314) 232-8021. Or just mail the coupon.

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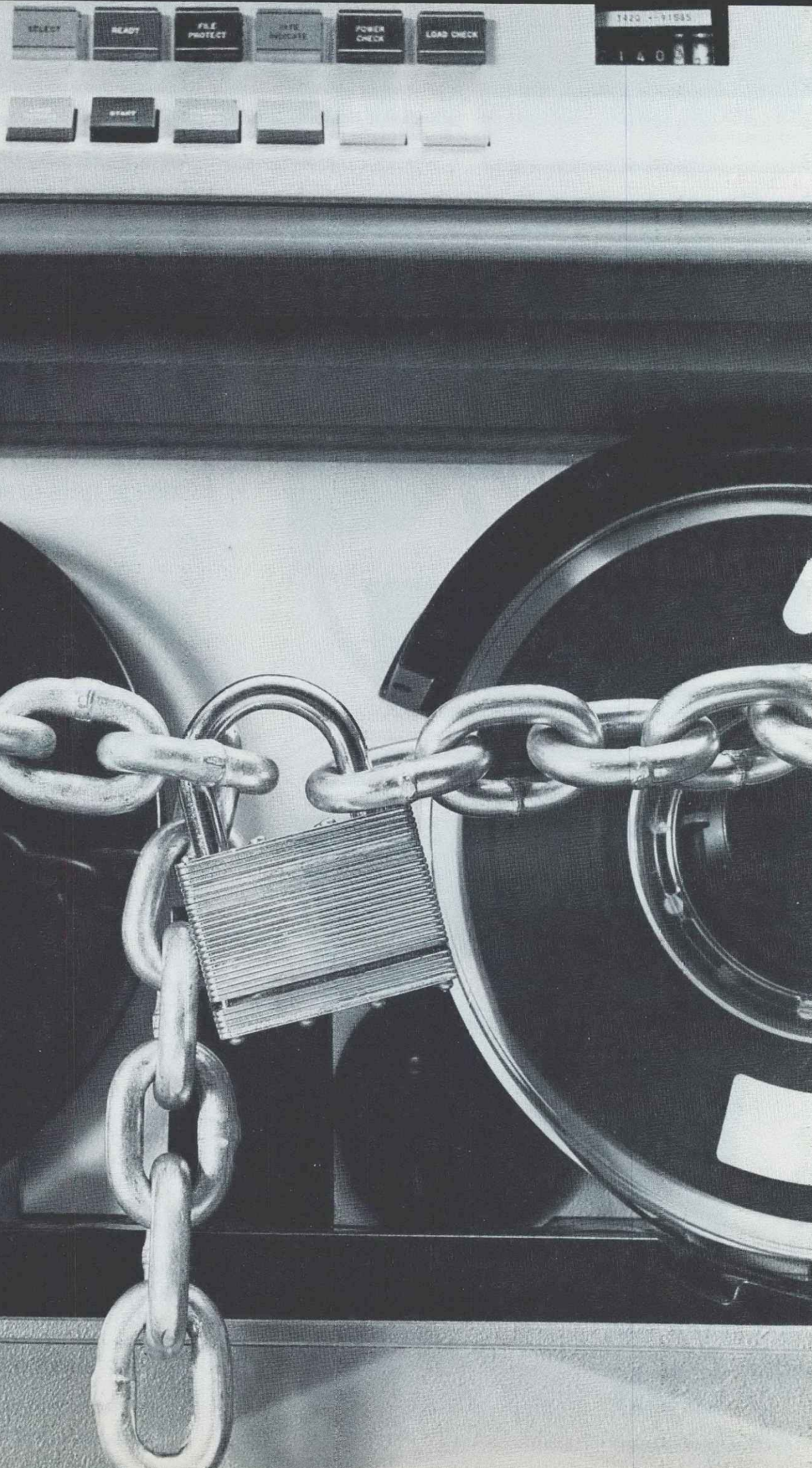
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editorial opinions

Manville's only choice?

IS IT CREATIVE management or a shirking of responsibilities?

A sincere last-ditch effort to survive or merely a flashy public relations stunt?

A step toward solving a growing problem or a move that will only confuse the issues more?

Depending on what side you're coming from, you can feel either sympathy or anger after Manville Corp., which has a healthy balance sheet, threw up its arms in desperation over the potential \$2 billion in asbestos injury awards facing it and left the claims on the steps of bankruptcy court.

It appears at this early stage of its Chapter 11 proceedings that Manville can only gain from the move. The petition immediately stays all asbestos injury litigation—16,500 suits—against it, giving it time to catch its breath and use its resources for more than legal fees.

It also offers Manville the golden chance, as the stories in this issue point out, that the bankruptcy judge will rule in one action on all current and future asbestos suits against the company, permanently lifting the cloud of asbestos losses.

It also might provide it with more time and punch to solve—to its advantage—its current disputes with its liability insurers, which are holding up insurance payments for asbestos injury settlements and awards.

If, as some say, Manville and other asbestos manufacturers had no way of knowing 20 or 30 years ago about the dangers of asbestos fiber inhalation, maybe they do deserve sympathy and an out.

But what about the other asbestos manufacturers that were co-defendants in lawsuits with Manville before all litigation against it was stayed? If those suits move ahead with Manville's participation, will the

other defendants and their insurers have to pay out more to make up for Manville's share?

What about the worker who is seriously disabled due to his exposure to asbestos? If all the asbestos claimants are lumped together in bankruptcy court to share Manville assets with all its other creditors, will they be compensated as fairly as they might have been after pursuing a damage suit in state or federal court?

What about Manville's other creditors and suppliers, which may not be reimbursed totally in bankruptcy court for debts Manville owes them? If they have to share assets with asbestos victims, they will in fact be paying unfairly for injuries they certainly didn't cause.

At this point, there is no black-and-white, right-or-wrong judgment on the ethics of Manville's move. But one thing is all too clear: it would not have had to take such a drastic step if the tort system were up to handling mass litigation of health injury claims.

Granted, asbestos and other long-latent injury cases present complex issues for the tort system, but there is no sign of movement toward finding a way to handle them. In fact, from plaintiffs' and defendants' points of view, the system is more troubled than ever.

And Congress says it could be several years before it can react to the request from the asbestos industry for a federal solution to the asbestos injury problem, and it won't commit the federal government yet to sharing the cost of compensation.

With no solution in sight, did Manville have a lot of other choices?

Maybe when you are being smothered by lawsuits and legal fees and are caught in the debris of a court system that is crumbling, you have to scream a little louder to be heard.

letters

Self-funding's not a cure-all

To the editor: A Benefit Beat item in the Aug. 9 edition of *Business Insurance* said Cooper Biomedical Inc. had saved 60% by self-funding its dental plan. This was in the face of a 65% increase sought by the previous insurer.

I don't deny the fact that the company saved money, although I cannot believe that the savings experienced was due purely to a self-funding arrangement. There must have been additional factors that caused such a dramatic savings. With the percentages quoted, it leads me to believe that the major savings was a cash savings and not a savings on an accrual basis. If the company were to recognize all incurred but unreported claims for which they have a liability to pay, there may not have been a savings, or it may have been drastically reduced.

Cost savings could also be due to a change in benefits or benefit design, or claims administration programs like coordination of benefits, peer review, etc.

I feel it is very misleading to highlight self-funding as a cure-all to the increased cost of employee benefit programs. This tends to get companies, which are inexperienced in insurance theory, all worked up with the idea that they can magically save money by self-insuring. There is no magic from self-insurance and to promote it as such does neither the company nor the insurance industry any justice.

Stephen F. Albers
Vp-marketing
Pierce County Medical Bureau Inc.
Tacoma, Wash.

■ William Camp, director of marketing for Health Corp. of America, which designed and is administering Cooper Biomedical's self-funded dental plan, says the

60% savings is the difference between the renewal premium quoted and the projected cost of self-funding the dental plan. Cooper previously paid out far more in premiums than it had in claims, he said.

Who can be trusted?

To the editor: As a result of the recent Pan Am 727 crash in Kenner, La., (*BI*, July 19) we dug out a Riskwatch article that appeared in the Jan. 7, 1980, issue of *Business Insurance*. The article quoted an aircraft expert who said the May 1979 DC-10 crash in Chicago occurred because one failure wiped out both primary and secondary safety systems. Had the design of the systems been correct, the 273 passengers on that airliner would have been saved, no doubt. We wonder if that flaw has been corrected.

This recent crash in Kenner was a failure to show practical common sense. When it came down to using common sense, the pilot failed the public. Don't we need a complete revision of who is eligible to be entrusted? Pilots can't be trusted, and there should be a higher authority to overrule their authority. An experienced pilot tells us that if the plane had remained on the ground 10 minutes longer, the crash would not have happened.

John Singreen
Singreen Agency
New Orleans

Strength in numbers

To the editor: I should like to second the comments of Kenneth Bush, risk and insurance manager for Kent County, Michigan (*BI*, Aug. 16). I too reviewed the proposed comprehensive general liability form and admittedly, since we are self-insured, found little to disturb me deeply. That is, until I read Mr. Bush's letter and then realized that this form would be forced on to smaller risks, be they public or private.

There is certainly nothing in this proposed form that bears much good for the small and medium-sized risk. In fact, I can see where this will push more and more of them into liability pools where having found strength in numbers they can practice the risk management that Peter Mehlhorn (*BI* Aug. 2) seems to feel is anathema.

Robert F. Healey
Risk manager
City of Duluth
Duluth, Minn.

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.

action line

Action Line: Would you please furnish us with more information as to what legislation has been passed in New York regarding cost containment?

Warren G. Aaronson
W.G. Aaronson Inc.
Massapequa, N.Y.

Mr. Aaronson: The Aug. 30 issue of *Business Insurance* featured an article that explained the potential effects of a recently passed New York law that would require hospitals to operate within preset budgets and to charge more equitable rates to all third-party payers, including Medicare, Medicaid and Blue Cross. The story also referred to a similar bill recently passed in Massachusetts and an existing law in Maryland.

Have a question regarding insurance or your profession? Write Action Line, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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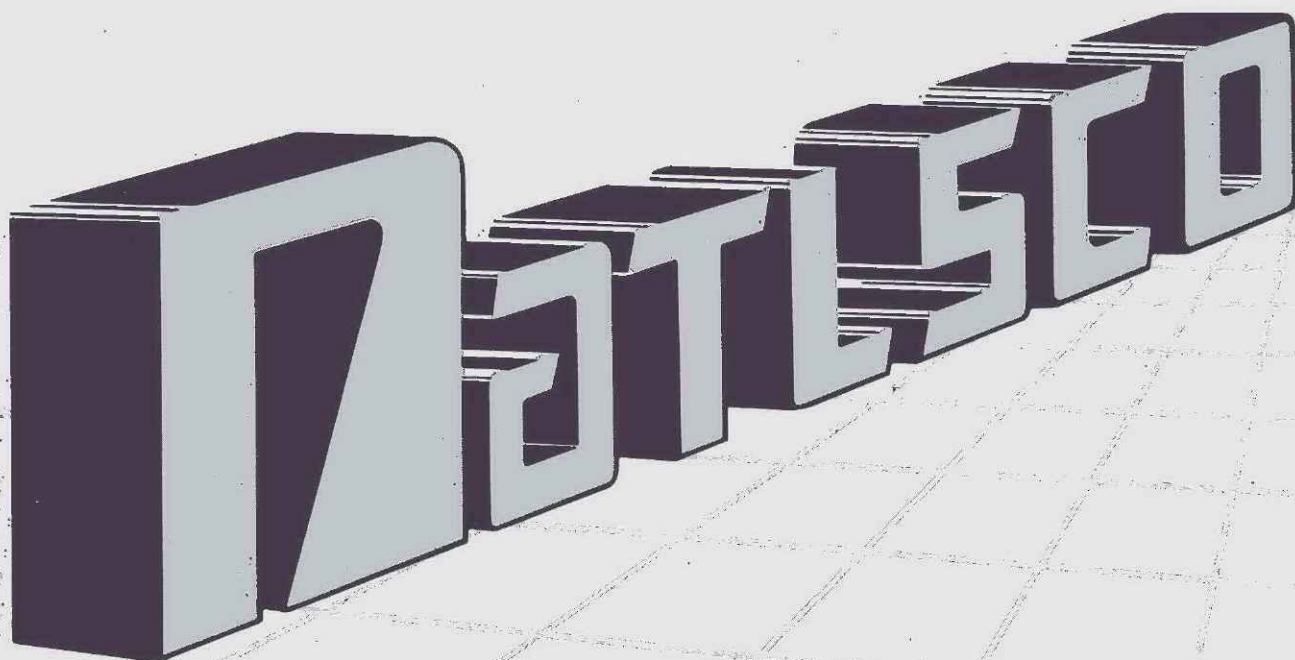
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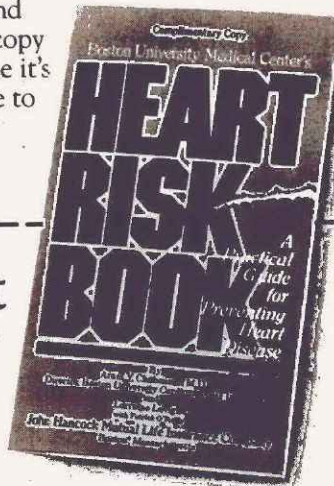
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Nationwide establishes new E/S underwriter

Nationwide Insurance of Columbus, Ohio, has formed Scottsdale Insurance Co. to underwrite excess and surplus lines risks.

The new company, capitalized at \$10 million and incorporated in Delaware, is headquartered in Scottsdale, Ariz.

The company plans to do business in most states as a non-admitted insurer. However, Scottsdale will use another Nationwide subsidiary, National Casualty Co. of Southfield, Mich., for programs that require an admitted company.

The specific coverages that Scottsdale will underwrite have not yet been determined, says Robert M. Culp, vp of Nationwide's property/casualty insurance subsidiaries and Scottsdale's chairman.

markets

Rolland L. Wieggers, former president of Great Southwest Fire Insurance Co., is the new company's president.

Mr. Culp said that Nationwide established the new excess/surplus insurer to grow into additional regions and product lines, to provide relative freedom from rate and form regulation of non-standard coverages and to prepare for the end of the competitive insurance market.

Operations split

Zurich-American Insurance Cos. has split its New York City operation into two separate units.

The company's branch office at 156 William St. will now handle standard lines business exclusively. A new office at 44 Wall St. will handle special risk coverages.

Offices closed

George F. Brown & Sons Inc., the excess/surplus brokerage subsidiary of Interstate National Corp., has announced it will close its branch offices in Detroit, Minneapolis, New Orleans, New York and Seattle.

Clients served by the Detroit and Minneapolis offices will be served by the Chicago office. Clients served by the New Orleans office will now be served by the Houston branch, while clients of the Seattle branch will be served by the San Francisco office.

New York clients will be served by the Parsippany, N.J., branch office.

Colombian office

Bernardo Saiz de Castro & Cia Ltda. is the new representative and correspondent of Alexander & Alexander Inc. in Colombia.

In addition to insurance brokerage, Bernardo Saiz de Castro offers risk management, asset valuation and other financial services to clients.

Acquisitions

McGriff & Seibels Inc., an insurance brokerage based in Birmingham, Ala., has merged with Molton, Allen & Williams Insurance Corp., another brokerage. The new company will be called McGriff, Seibels & Williams Inc. and will be based in Birmingham.

E.H. Crump Cos. Inc. has signed a letter of intent to acquire Ramer, McCann, Meadors & Cargile Inc. in Little Rock, Ark.

Crump has also agreed in principle to acquire Hickman, Smith, Brett & Fendley Agency Inc. in Baton Rouge, La., a transaction that will not take effect until March 1983.

New offices

Stonewall Underwriters Inc. has opened a new office in Northlake Centre, 2318 Pylant Road, Suite 160, Tucker Ga. 30084; 404-934-0333. The office's mailing address is Box 450465, Atlanta, Ga. 30345.

American International Underwriters has opened a new office in the 540 Galaxy Building, 330 Second Ave. S., Minneapolis, Minn. 55401.

Consolidated Underwriters Inc. of Houston is moving to new offices at 650 E. North Belt.

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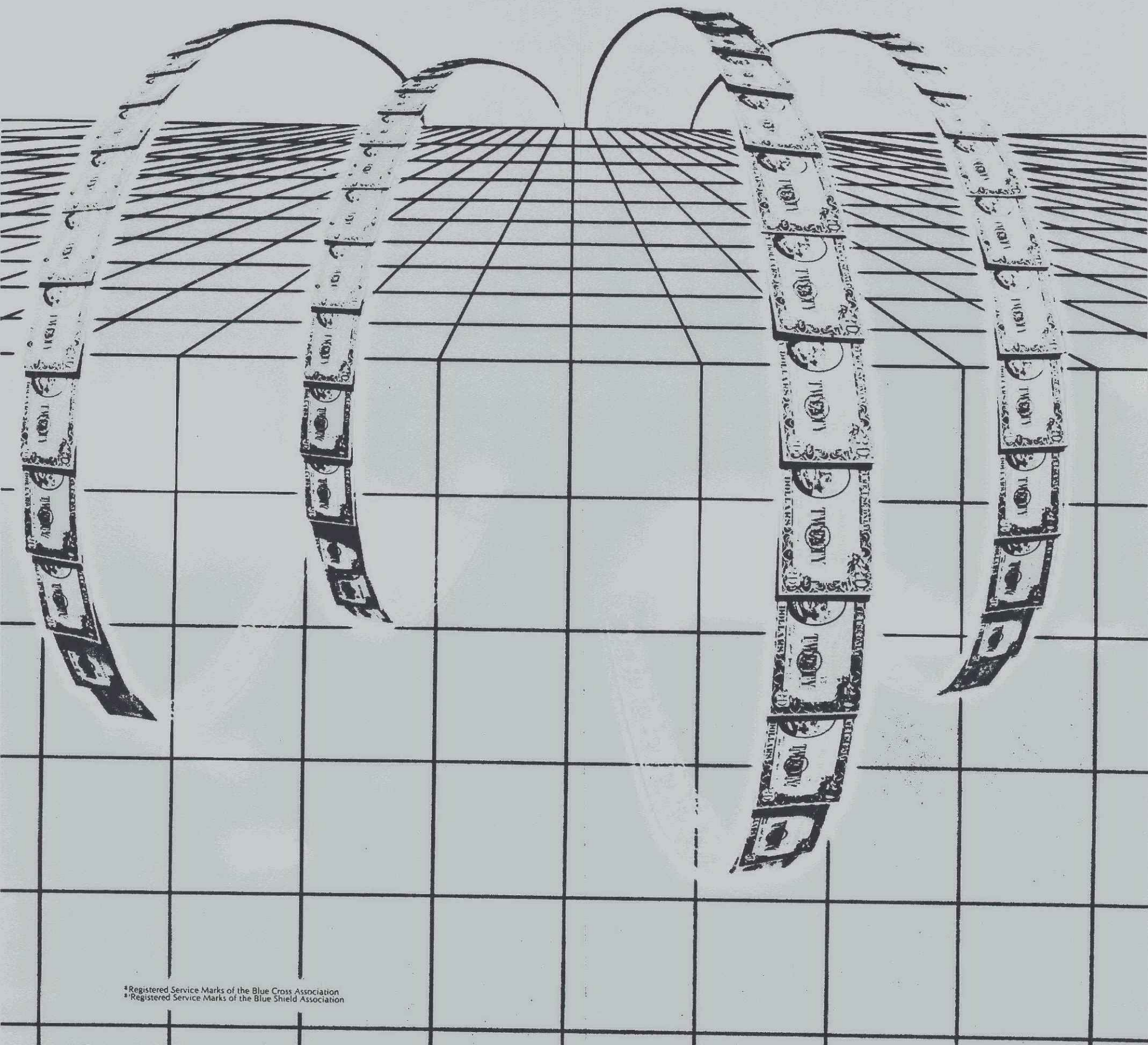
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Estee Lauder names Loggie risk manager

Kathryn Loggie, 29, is the new risk manager at Estee Lauder Inc. in Melville, N.Y. She will administer property/casualty insurance programs. Ms. Loggie was formerly insurance administrator at Witco Chemical Corp. in New York and corporate insurance assistant at American Electric Power Services Corp. in New York. She received a bachelor of arts degree from The College of Insurance in New York and holds Associate in Risk Management and Chartered Property & Casualty Underwriter designations.

comings & goings: buyers

She is currently studying at New York University Law School. She replaces **William Hughes**, now with Johnson & Higgins, and reports to James Griffin, vp of financial services.

Raymond Lebert, 39, is the new corporate risk manager for First National Supermarkets Inc. in Hartford, Conn. He has overall su-

pervision of the company's risk management and insurance functions in the seven states in which the company operates. Mr. Lebert has been with the company since 1979 and also served as corporate safety manager. He received a bachelor's degree from the University of New Haven in New Haven, Conn., and the Associate in Risk Management designation. He is a

deputy member of the Risk & Insurance Management Society and the American Society of Safety Engineers. Mr. Lebert replaces **Walter Butler**, now with Marsh & McLennan Cos. Inc. in Hartford, Conn. Mr. Lebert reports to Laurence Buxbaum, vp of legal affairs.

James A. Schultz, 44, has been named to the new position of health benefits manager with The Journal Co. in Milwaukee. Mr. Schultz was formerly project direc-

tor for the Health Insurance Assn. of America/Milwaukee Project for Voluntary Health Cost Containment. He is also a former vp of claims administration with Blue Cross/Blue Shield of Wisconsin. He received a bachelor of science degree in economics and labor relations from the University of Wisconsin in Milwaukee. He is a member of the Southeastern Wisconsin Health Systems Agency and the Employer Advisory Foundation for Medical Care Evaluation. Mr. Schultz will be responsible for the administration and development of health benefit programs and will report to Richard Williams, employee relations vp.



Mr. Schultz

Greg Jacobs, 32, has been named director of risk management for the city of Scottsdale, Ariz. He handles the city's workers compensation, public liability and loss-prevention programs and is its insurance advisor. Mr. Jacobs was hired by the city in 1978 as loss-control manager. Prior to that, he worked in the Phoenix, Ariz., office of the Ohio Casualty division of West American Insurance Cos. He received a bachelor of science degree in criminal justice administration from Long Beach State University. He is a member of the Arizona Claimsman Assn. and the Arizona Society for Industrial Engineers and is a deputy member of the Public Risk & Insurance Management Assn., the Risk & Insurance Management Society and the National Safety Council. Mr. Jacobs replaces **James Loeb**, who is now employed by Maricopa County, Ariz., and reports to City Treasurer James Jenkins.

Shirley Curry has been promoted to director of compensation and benefits for the TRW Industrial & Energy division of TRW Corp. in Cleveland. She has been with TRW 22 years, most recently as benefits supervisor with TRW Systems & Energy. In her new position, Ms. Curry will oversee planning and administration of the division's benefit and compensation programs. She replaces **Harvey Minkoff**, now manager of compensation and benefits with TRW's aircraft components group and reports to James C. Hayes, vp of human relations for TRW Industrial & Energy.

John Hillin, 39, was promoted to manager of U.S. compensation at Honeywell Inc. in Minneapolis. Mr. Hillin was formerly manager of U.S. direct compensation at Honeywell. His new position includes both compensation and benefit design responsibilities. He has been with the company 14 years and also held the manager of compensation and benefits position for Honeywell's Large Information Systems division in Phoenix, Ariz. Mr. Hillin received a bachelor of arts degree in English at St. Bonaventure University in New York and a master of business administration degree from Arizona State University in Tempe. Mr. Hillin replaces **Gus Lemesis**, now director of compensation and benefits with United Airlines Inc. in Chicago, and reports to Dan Lesh, Honeywell's manager of compensation and benefits.

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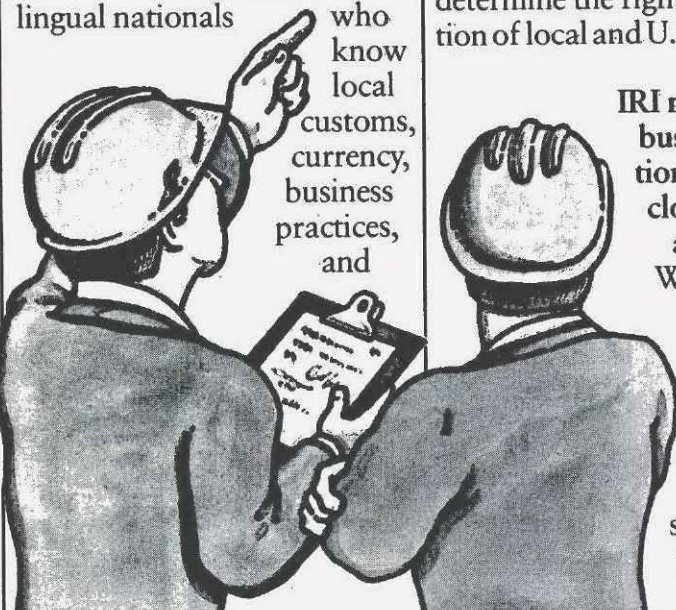
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Benefit managers report higher salaries

Continued from page 3
said their bonus represented 10% to 20% of their salary. About 22% said their bonus equals 20% to 30% of salary while about 4% get bonuses matching 30% to 40% of their salaries. Only a little more than 2% said their bonuses exceeded 40% of salary.

On the opposite end of the scale, about 18% said their bonuses were less than 10% of salary.

To earn their higher salaries, benefit managers are working harder, the survey indicates.

Eighty-three percent of the respondents said their duties had expanded since 1980, increasing their workload by a third. And, 58% said their responsibility had expanded.

For example, 64% of the surveyed benefit managers said they now have responsibility for an annual budget, while only 61% had this responsibility in 1980 and 62% in 1978.

Benefit managers' budgets have increased 26% in size since 1980. More than 50% of the budgets is spent for internal staff, 18% for ex-

ternal consulting services and 32% for miscellaneous costs, printing and communications and travel.

The benefit managers also are more responsible for hiring staff members, the survey shows. Currently, 65% have the authority to hire professionals, compared with 64% in 1980 and 51% in 1978.

On the average, benefit managers head departments with about 13 employees. Some 9.6 staff members (including clerical employees) are full-time, 3.1 are professionals and executives and 0.2 are part-time.

The greater demands placed on employee benefit managers does not seem to turn them off. More than two-thirds said they wish to remain in the employee benefits field for at least five more years, and more than 60% said the future of their field in general is very bright.

Only 12% of the responding benefit managers said they would prefer different careers, compared with 21% in 1980. Of this group, most said they were interested in the closely allied fields of person-

nel, employee relations and compensation. Only 1.8% wanted careers in unrelated areas, like marketing and finance.

The employee benefits field appears to be for the middle-aged, married man who has a college degree in business, according to the survey, but more women are entering the field.

In 1980, there were 5.5 male benefit managers for every female, while today that ratio has dropped to 4.6 male benefit managers for every female.

The survey showed the average age of benefit managers is 42.2 years, but nearly 42% of the survey respondents are in their 30s.

An overwhelming majority of the benefit managers—87%—said they are college graduates. While 58% of them hold a business-related major, 36% of them hold degrees in the humanities, English or social sciences.

Two-thirds of the college graduates came from large universities, most of which are Eastern schools. But only 4.6% graduated from Ivy League schools. Another 3% are graduates of foreign colleges.

Most of the survey respondents depend on outside seminars to keep them abreast of their field. Seventy percent said they have attended outside seminars since assuming their present position. A little more than 19% said they received additional training through in-company programs and 14% said they continued their education in the benefit field at an accredited school.

The survey respondents mainly work for companies whose annual sales average \$1.22 billion and that employ workforces averaging about 17,000 employees, but ranging as high as 200,000 employees.

Copies of the 1982, 1980 and 1978 surveys are available from Jack J. Friedman, Director of Information Services, Segal Associates, 730 Fifth Ave., New York, N.Y. 10019.



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Health costs biggest benefit worry

NEW YORK—Inflation has helped push medical care cost containment to the top of the list of problems benefit managers now face, according to Segal Associates.

Nearly 50% of the respondents to the Segal survey of Fortune 1,000 benefit managers listed health care cost containment as their most significant problem this year. In contrast, only 27% ranked it as their top problem in the 1980 survey and only 4% said it was their top priority in 1978.

Overall, containing health care costs was benefit managers' second-biggest problem in 1980, behind communicating benefits. However, it was only their ninth-biggest problem in 1978.

Benefit managers this year still agree that communicating benefits is a problem, ranking it second behind cost containment. However, other areas are rapidly causing them more concern.

For example, this year they listed keeping abreast of changes in the law as their third-biggest challenge. In 1980 and 1978, keeping up with legislation was placed far down in the 11th spot among problems.

The Economic Recovery Tax Act of 1981 (BI, March 31) and the recent federal revenue bill (BI, Aug. 23) have significantly affected benefits.

Also, keeping current on new benefit design innovations, which was not even listed as a concern in the 1980 and 1978 surveys, is now ranked as benefit managers' fifth-biggest problem.

Although not ranked among the top-five problems in this year's survey, taxation of benefits and know-

ing more about cash-deferred 401(k) plans were mentioned frequently as key concerns.

One area that is becoming much less of a problem for benefit managers is ERISA compliance. In 1978, benefit managers said complying with the Employee Retirement Income Security Act, which was enacted in 1974, was their biggest problem. It slipped to the third-place slot in 1980 and dropped again to be only the fourth-largest problem this year.

When solving these problems, most of the benefit managers are reporting their progress to a vp or higher-ranking officer. According to this year's survey, 46% of the respondents report to a vp, compared with 44% in 1980 and 47% in 1978.

Another 33% report to a director while the remainder report to a manager, secretary or controller.

The top five areas of responsibility listed by benefit managers are health, hospital and medical matters, 98%; group life insurance, 97%; long-term disability and dental benefits, 91%; and sickness and accident disability, 90%.

Eighty-nine percent of the benefit managers listed employee benefit communications and pension benefits among their responsibilities.

On the other end of the scale, only 20% said they were responsible for retirement plan investments and 26% are handling cash-deferred 401(k) plans. Other areas of responsibility listed by benefit managers are record-keeping systems, 65%; thrift and savings plans, 63%; prescription drug plans, 50%; executive compensation programs, 40%; and personnel administration, 34%.

How benefit managers rank problems

Problem	Ranking		
	1982	1980	1978
Medical care cost containment	1	2	9
Communicating benefit programs	2	1	2
Keeping abreast of changes in the law	3	11	11
ERISA compliance	4	3	1
Keeping current on new benefit design innovations	5	*	*

*Not listed in 1980 & 1978

Source: Segal Associates

Florida regulator makes changes

TALLAHASSEE, Fla.—Gerald C. Wester, head of the state Insurance Department's administration division since 1976, has been named head of the department's rehabilitation and liquidation division.

Mr. Wester will also continue as the Insurance Department's Senate legislative liaison, a position he has held since 1979.

State Insurance Commissioner Bill Gunter also announced that:

- John Adams, currently director of the state Public Service Commission's administration department, will replace Mr. Wester as head of the Insurance Department's administration division.

- Gary Guzzo, a departmental employee since 1978, has been named assistant director of the division of insurance company regulation.

- Roger Hahn, formerly director of government relations at Industrial Casualty Insurance Co. in Chicago, has been named chief of the department's bureau of rates. ■

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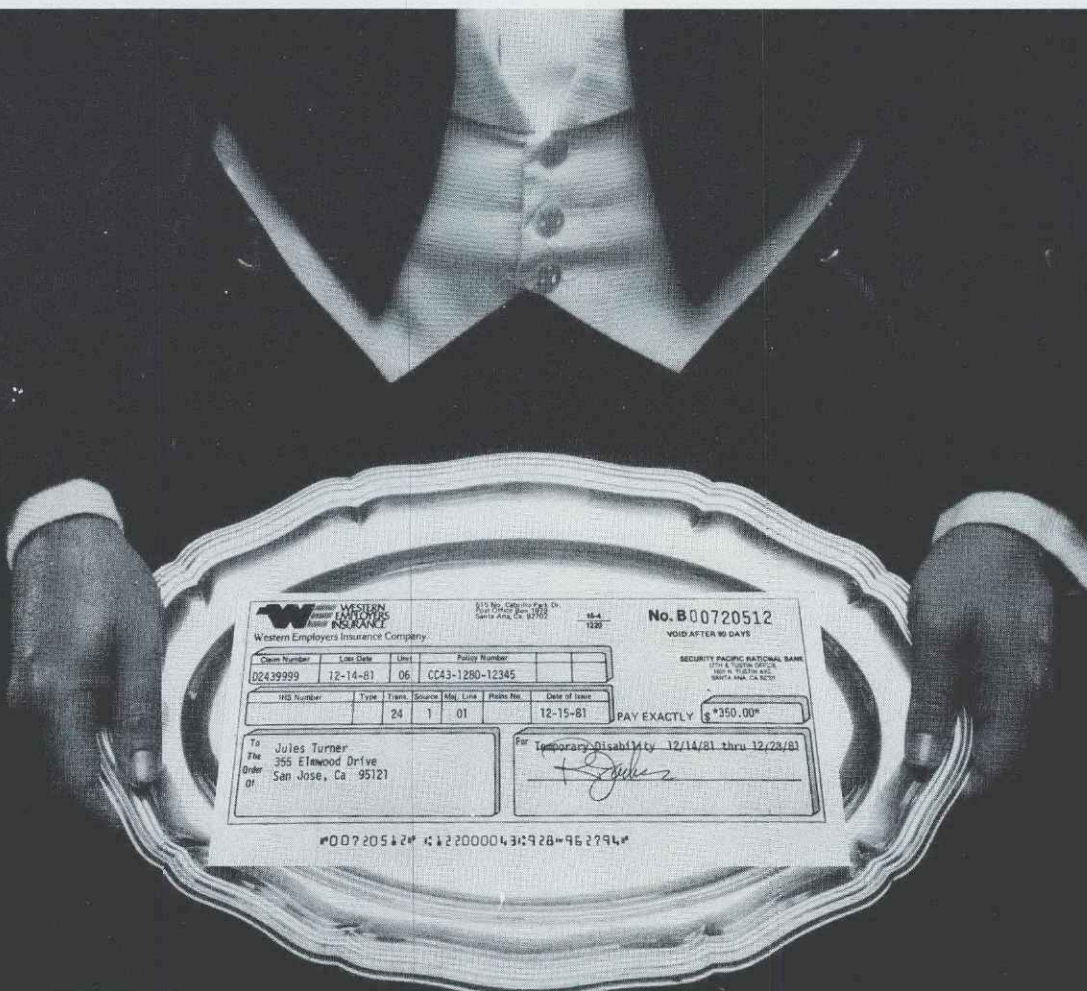
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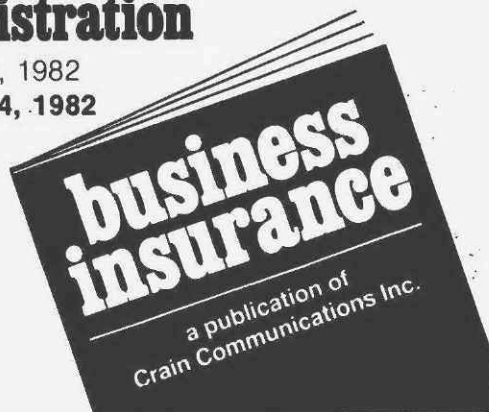
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Most say they can afford a major illness: Survey

WASHINGTON—Although nearly seven in 10 Americans realize health care costs are rising faster than other costs, most are confident they can afford to pay for a major illness.

This was just one of the findings reported in "Health and Health Insurance: The Public's View," a survey conducted in 1981 by the Health Insurance Assn. of America and Yankelovich, Skelly & White Inc.

Although medical costs are rising quickly, slightly more than 50% of the 1,544 people surveyed said they never skipped receiving medical care because of high costs. Twenty percent said they seldom skipped treatment because of cost, while 27% either "often" or "occasionally" passed up medical care.

Seventy percent of those surveyed said they were either "very" or "somewhat" confident of their ability to meet the costs of a major illness. Although medical costs were lower in 1978, only 68% of those surveyed that year were equally confident they could afford an illness.

However, certain groups were less sure than others of their ability to meet medical costs. For example, only 50% of unemployed people, those most likely not to have medical coverage, were confident of their ability to pay. In families with incomes of less than \$10,000, 48% were unsure of their ability to pay, while only 44% of non-white families were confident of their ability to meet health care costs.

A vast majority of those questioned, 86%, reported having some kind of health insurance coverage. Only 13% said they had no coverage at all, while the rest said they didn't know if they had insurance.

Income was a factor in determining medical coverage. In families with incomes of \$40,000 or more, 96% had medical coverage. Some 92% of families with incomes of \$15,000 to \$39,999 had medical coverage, 82% of those earning between \$7,500 and \$14,999 had coverage, while only 67% with incomes of less than \$7,499 were insured.

Survey respondents also were polled on various ideas to contain health care costs. For example, 84% of those questioned felt hospitals should publish rates for rooms and medical services, while 77% felt doctors should publish fee schedules for treatments. Some 65% said the government should require employers to offer their workers a choice of three different health insurance plans to cut costs.

Although most respondents felt it was a good idea for physicians to publish prices, fees were a minor consideration in choosing a doctor. Only 7% of the respondents said a physician's fees were a main consideration.

The most important factor in choosing a doctor for 74% of the respondents was their perception of the physician's competency.

For the most part, the respondents had no strong opinions on health insurers. Of those expressing an opinion, 41% agreed that health insurers were fair in the way they handle claims, compared with 15% that thought they were unfair. Forty-four percent said they had no strong opinion on the question.

Fifty percent of the respondents thought health insurance should cover preventive services, like checkups, even if it meant higher premiums.

Although 69% believed people should be encouraged to follow healthy lifestyles to help reduce health costs, only 38% of the respondents felt it was fair, despite the health hazard, to charge smokers higher health insurance premiums.

Families with higher incomes were more likely to be satisfied with health care services than poorer families, the survey revealed. In families with less than \$7,500 annual income, 69% were satisfied with their health care, compared with 85% of families with incomes above that level. Also, 72% of the non-white families were satisfied with their health care, compared with 83% of white families.

Single copies of the survey, "Health and Health Insurance: The Public's View," are available free from the Health Insurance Assn. of America, 1850 K St. N.W., Washington, D.C. 20006.

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Mideast fighting pushes cargo rate higher

By STACY SHAPIRO
and JOHN MILLER

london line

LONDON—The fighting between Iran and Iraq has caused war risk cargo insurance rates to zoom for ships sailing to Kharg Island.

A ship hauling cargo to Kharg Island, an Iranian refinery center in the Persian Gulf, must pay at least \$4 for every \$100 of insured cargo value, the Lloyd's War Risk Cargo Rating Committee says. Last month, the committee boosted the war risk cargo rate to \$3 per \$100 of insured value, shortly after increasing the rate to \$1.

However, the war risk rate for cargo bound to other Iranian ports will remain at 25 cents per \$100 of insured value, the committee decided.

Owners of cargo bound for Kharg Island are having a tough time finding coverage in the London market, said Malcolm Rumsey, Lloyd's Underwriters' Assn.

So far, two ships have been sunk near Kharg Island. The Sandow Banner, a 10,000-ton South Korean vessel, was sunk Aug. 9. And a Greek vessel, the Litsion Pride, was sunk by rocket fire a few days later. That ship, which was carrying sugar, has an insured value of \$8 million.

Asbestos standard

The British government, at the request of trade unions here, has cut in half the amount of asbestos particles allowed in the air at workplaces.

The Health and Safety Commission now says that only one asbestos fiber per millimeter of air will be allowed.

"There has been concern from unions and the government that this policy went too slowly," said a commission spokesman. But, he explained, the commission had been waiting for the European Economic Community to decide upon two directives dealing with the health hazard of asbestos.

One of the EEC directives deals with the protection of workers from hazards in the workplace. The other directive discusses the marketing and use of asbestos in the EEC.

However, the commission decided to adopt its own new standard instead of waiting for the EEC to decide.

However, the spokesman said it is unlikely that the Health and Safety Commission will totally ban asbestos from British workplaces.

"If you ban asbestos, you have to find a substitute for it," he said. "That may be like jumping out of the frying pan and into the fire. The new substance may be found to have the same dangers in a few years' time."

Oil rig losses

Fires on two oil rigs off the coast of Asia may cost insurers more than \$100 million in losses.

Adjusters are estimating the damage to the Sagar Vikas drilling rig, located off Bombay, India, which blew out July 30. Although the exact amount of damage isn't known yet, insurers are reserving \$81.5 million for damage to the rig, barge and jacket, plus well-control and redrilling costs.

Sedgwick Offshore Resources Ltd., brokers for the rig's owner, the Oil & Natural Gas Commission of India, would not comment on the amount reserved. Sources at Lloyd's say, however, that the package is underwritten on the master oil rig drilling slip with Lloyd's and London companies.

Oil-well firefighters Red Adair Co. battled the blowout for five days. Although the fire burned out

by itself, gas is still leaking from the well, a London source said. There is no sign of any pollution, he added.

If the rig is declared a total loss insurers may have to pay out more than what they have reserved, one underwriter said. "That was the initial estimate from the surveyors," he said, "but the figures could change."

Estimates will also soon be made on the damage to the American jack-up drilling rig D.K. McIntosh, located in the Java Sea, after a fire broke out in its engine room.

Eighty men were evacuated from the rig, which is operated by Reading & Bates Co. in Tulsa, Okla., for IAPCO, a division of Natomas International Corp. of San Francisco.

London broker Bain Dawes

P.L.C. has not yet received an estimate of damage to the rig, which was insured for \$24 million, although one broker said he doubted it would be a total loss.

Keilland salvage

New efforts are being made to salvage the Alexander L. Keilland oil rig, which sank in the North Sea two years ago, killing 123 workers.

The rig is currently submerged off Stavanger, Norway, where it was towed after the disaster.

Thirty-five bodies are still trapped in the wreckage.

Norwegian insurers, which have paid out close to \$50 million in conjunction with the London market for the Keilland, were reluctant to engage in any further salvage bids since they have spent more than \$10 million on previous attempts. The new salvage effort has been authorized by the Norwegian government, which has ordered a technical report on the feasibility of lifting the rig from its present location on the sea bed.



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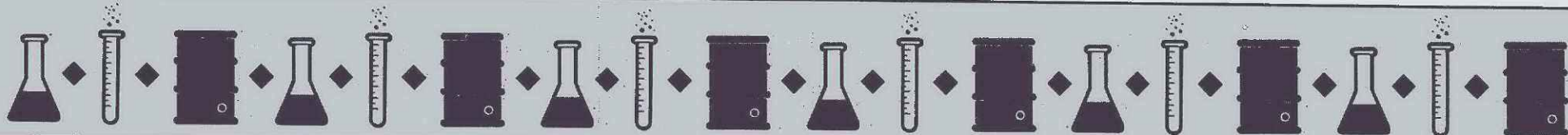
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CHRONIC HEALTH HAZARDS

Government's proposal focuses on manufacturers' possible liabilities

By Timothy Atkeson

A NATIONWIDE WAVE of 15,000 asbestos liability suits has sensitized chemical manufacturers, users and insurers to the dangers of claims of exposed employees for chronic health effects from chemicals.

Evidence that asbestos alone or in combination with smoking could cause serious chronic disease was too long ignored and has culminated in product liability litigation of crisis proportions. The uncertainty about causation, the severity of injury and the long interval of up to 30 years between exposure and discovery of chronic effects in the asbestos cases highlight the problems of product liability where a chemical with hazardous chronic effects is involved.

This summer, as the Occupational Safety and Health Administration prepares to put into effect a long-deferred hazard communication rule on chemicals in the workplace (see OSHA proposed rule on hazard communication, 47 Fed. Reg. 12092, March 19, 1982), it is worth asking what new product liability exposure for chronic disease from chemicals is likely to be suggested by the required warnings.

How should chemical manufacturers, users and insurers be preparing to respond, particularly with respect to chronic health hazards? Although the ultimate result of the warnings given should be a reduction of both occupational disease and resulting claims, the initial effect could very well be an increase in claims, particularly for chronic effects.

The pending OSHA rule calls for identification of the physical hazards (potential for fire, explosion or reactivity), acute (short-term exposure) and chronic health hazards (carcinogens) of chemicals and recommendations on safe handling, engineering controls, work practices and personal protective equipment. From the comments made to OSHA, it appears that the identification of chronic health hazards and recommendations for their handling will pose the most difficult problems.

The OSHA rule recognizes but does not answer the problem of identifying chronic effects, which typically involve long-term exposure, with long-latent periods prior to manifestation that may be irreversible. OSHA states that "chronic effects" include more than cancer-causing substances (carcinogens) and threats to reproductive capabilities (mutagens) or to fetuses (teratogens). For example, fibrosis related to silica or asbestos exposure and leukemia or anemia related to carbon monoxide or cyanides must also be included.

OSHA proposes to put the responsibility on the manufacturers of chemicals to determine their hazards and give an appropriate warning. This will

involve evaluating the "scientifically well-established" health hazards of chemicals they produce, identifying such hazards on material safety data sheets with recommendations for handling, placing appropriate hazard labels on the chemical involved and communicating this information to employees and "downstream" users of these products.

Information on hazards must be updated in light of any "new and significant" information concerning the hazard involved. OSHA lists as sources of hazard information a number of texts, data sheets provided by the supplier of the chemical and health and testing data available in the employer's own files. The OSHA rule does not call for any testing. However, the manufacturer's own product liability "audit" of possible tort exposure from a chemical could lead to a recommendation of testing (*Hoffman vs. Sterling Drug Inc.*, 485 F2d 132, 3rd Cir. 1973).

With respect to identification of chronic health hazards, the Chemical Manufacturers Assn. has recommended that OSHA limit these "to chemicals which, upon exposure, are generally recognized, on the basis of well-established scientific evidence, to lead to serious chronic health effects in employees." CMA has also asked OSHA to make clear that any sources it recommends to identify chronic hazards be recognized as "not always reliable or definitive." OSHA lists such sources as the multivolume "International Agency for Research on Cancer Monographs on the Evaluation of Carcinogenic Risk of Chemicals to Man," which lists many "suspect" carcinogens and appears to have a fairly expansive view of chronic hazards.

The OSHA rule on hazard communication on its face is but the latest of rapidly expanding state and federal requirements for identification of chemical hazards. It has been preceded by state and municipal worker right-to-know laws on communication of chemical hazards in the workplace and is expected in large measure to take the place of these requirements. There are also extensive hazardous substance identification requirements of other federal agencies, such as the Environmental Protection Agency's list of hazardous substances implementing the spill provisions of Section 311 of the Clean Water Act, EPA's listing of hazardous toxic wastes under RCRA, EPA's listing of toxic effluents under Section 307 of the Clean Water Act and of toxic emissions under Section 112 of the Clean Air Act, EPA's list of pesticides subject to rebuttable presumptions against registration under the Federal Insecticide, Fungicide and Rodenticide Act and the Transportation Department's regulations for labeling of shipments under Section 105(a) of the Hazardous Materials Transportation Act.

OSHA itself has promulgated labeling requirements for a number of chemicals under Sections 6(a) (consensus standards) and 6(b) (rulemaking) of the Occupational Safety and Health Act.

Eighteen chemicals previously designated by OSHA require labeling as "cancer suspect" or "cancer hazard." During the process of developing its generic carcinogens rule, OSHA has also listed many more substances as candidates for closer review as suspect carcinogens. OSHA has also issued a rule giving employee representatives access to employer-maintained exposure and medical records relevant to employees exposed to toxic substances (45 Fed. Reg. 35212, May 30, 1980).

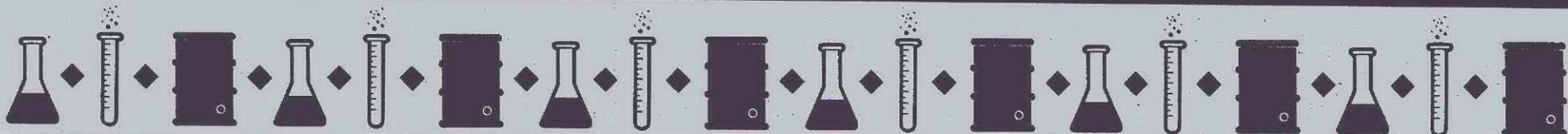
In short, there has been an unprecedented development of information on, and classification of, toxic chemicals by both government and industry that can be drawn upon by manufacturers in implementing the OSHA hazard communication rule. Material safety data sheets, which the OSHA rule makes mandatory, are already in wide use. In several respects, however, the requirement for identification of particular chemicals as chronic health hazards under the OSHA rule is more likely to have product liability implications for chemical manufacturers, users and insurers than most of the previous listings.

For one thing, worker exposures to chemicals in the workplace are likely to be more intense and repeated than exposures that might occur from transportation accidents or trace emissions or effluents in the air or water. The closest analogy to the OSHA rule might be to the labeling of pesticides where applicators can also have significant exposures. Indeed, the similar concerns of EPA under FIFRA about pesticides exposures of the applicator and OSHA's concern about exposures in the workplace were reflected in simultaneous actions by both agencies on DBCP, a pesticide.

A second factor lending importance to the OSHA hazard communication rule is that it will take effect at a time when the manufacturer and user employee groups, who must be informed of their exposures, are already highly sensitized to chemical hazards and prone to litigate if any injury is perceived. Very active media coverage on chemical hazards, increased testing of chemicals and the constant development of more elaborate epidemiological studies feed this sensitization and litigation.

Furthermore, the widespread use of a product liability theory to bypass limitations on recoveries under workers compensation has created incentives to sue for any chronic injury believed to arise at a workplace where the supplier's chemical can be

Continued on next page



perspective

Handling the 'no-raise' syndrome for managerial and professional staff

By Kenneth P. Shapiro

THIS YEAR, more professional, managerial and technical employees will be facing a compensation dilemma that runs counter to the trends of the past two decades: Many will receive no pay increase at all in 1982.

According to a mid-year survey by The Hay Group, almost 6.5% of all workers in the exempt employee categories may be "passed" this year—a jump of 60% over 1981 and probably three times greater than the percentage of employees given no merit increase in healthy economic times.

Of course, employees in some regions and industries will see this practice more than others. Hay Group data show that almost 10% may be passed in the troubled area of non-consumer manufacturing, while less than 1% will get no raise in the banking and financial services industries. Regionally, the hardest hit area is the Midwest, 9.8%; followed by the East, 6.3%; the Sun Belt, 6% and finally the West,

management

3.5%. Each of these percentages is significantly higher than they were in 1981.

What are the implications of this management decision to grant no merit increase to more and more employees—employees who have grown accustomed to almost automatic raises and better benefits, no matter what?

In the short term, these "passes" obviously are intended to control personnel costs. But a closer look reveals something more meaningful. Many companies are passing their below-average employees so that they can afford to give appropriate raises to their better workers. Given an increasingly limited "pot" from which to reward employees, savvy managers are choosing to keep their best people happy.

In effect, the current recession has forced managers to really introduce a

pay-for-performance system—something that has been talked about for years, but rarely practiced in earnest.

Most important, this new emphasis on giving no raises or token raises compared with midlevel raises to the average and a few large raises to the outstanding, may not just be a recession-induced fad. In our current economic and political climate, this practice may signal the end of the era where employees felt "entitled" to the annual raise or the increased benefit.

Here, the pendulum may be swinging back to the side of management. This era may even hold after our current economic problems are over. Wise managers will not seize this opportunity to save on personnel costs, but instead use it to encourage individual effort and spur overall productivity.

In planning for a pay-for-performance system, useful reminders here are:

- Ensure that every job does have stated goals and objectives.
- Develop performance appraisals that do measure productivity.
- Make sure that appraisals are joint, not one-sided, efforts.
- Communicate to employees that a pay-for-performance system is in effect.
- Be consistent. Do not wildly readjust because of shifts in the cost of living.

Following the guidelines above not only will help you institute a pay-for-performance system, it also will help you avoid potential charges of unfairness from some employees who feel that they were unjustly passed over.



Kenneth P. Shapiro is a vp at Hay Huggins & Co. in Philadelphia. His column on management appears monthly in *Business Insurance*.

Health hazard liability is target of OSHA proposal

Continued from previous page

alleged to be the cause. It is also likely that data on health risks will lead to a fresh assessment of the risks of certain jobs and collective bargaining for higher wages, reduction of risks or both.

A third and related consideration that will give the OSHA rules on chronic health hazards added impact is the heightened awareness of chronic health effects, other than cancer, that must be guarded against. Concern about mutagens and teratogens will make designation of chemicals and recommendations of their handling much more consequential as both the proportion of women in the workplace and the awareness of vulnerabilities of men's fertility increases. Genetic vulnerabilities to chemicals in the workforce are also receiving new attention. Possibilities of suits for damage to fetuses, for impairment of fertility or for prolonged nervous disorders are all of concern.

A further factor that adds to the impact of the OSHA rule is the requirement that the manufacturer (rather than a federal agency) be responsible for identifying the hazard and for subsequently keeping warnings and material safety data sheets up-to-date. Although this is already the responsibility of the manufacturer of chemicals under tort law, and the subject of an industry consent standard, the OSHA rule will require manufacturers to be explicit about a great many hazards in a relatively short space of time. The Federal National Toxicological Program and other hazards-testing programs are constantly generating new test data, much of which are likely to be significant. The EPA is likely to increase its testing requirements for new chemicals or significant new uses of chemicals under the Toxic Substances Control Act and is collecting a growing body of data on significant adverse health effects of chemicals under other provisions of TSCA.

Thus, manufacturers of chemicals cannot comply

with the OSHA Hazard Communication rule once and for all. They must develop information systems that alert them to significant new data on hazards. Much of this data may relate in a more or less equivocal fashion to chronic adverse health effects. While it is true that the OSHA proposed requirements to warn of hazards on material safety data sheets and labels relate only to searches of scientific literature or review of proprietary testing data to identify "scientifically well-established" health hazards, OSHA expects more hazards to be identified than those it has found appropriate for regulation. And, it is clear that for product liability purposes, the OSHA rule leaves chemical manufacturers with the rules on negligence or strict liability to which they are now subject. Indeed, it is likely that while a manufacturer cannot point to any OSHA approval as a defense, since there is no precise standard to comply with, failure to comply with the OSHA rule will be alleged to constitute *per se* negligence.

It appears likely the OSHA hazard communication rule will become final early next year. How should the chemical industry respond with respect to identifying and warning of chronic health hazards? The lack of governmental designations of hazard warnings raises the prospect of tort liability in subsequent product liability suits for any manufacturer or industry group undertaking this responsibility.

In addition, there is the possibility of antitrust liability for any trade association performing this function in a manner subsequently alleged to have anticompetitive effects (*American Society of Engineers vs. Hydrolevel*, 50LW 4512, U.S. Supreme Court, 1982). These possibilities suggest that both expert toxicological and legal advice is needed by any manufacturer or industry group that undertakes evaluation of hazards and development of warnings.

Particularly with respect to chronic health hazards, there is a need for what can best be described as a

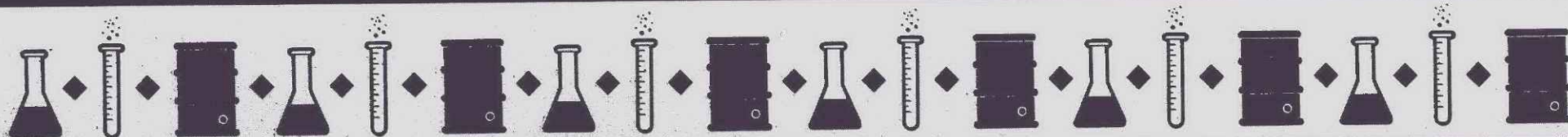
product liability "audit." This would involve a careful review of the adequacy of warnings, of exposures and possibilities for their reduction, of the need and prospects for testing, of arrangements for alerting the hazard communication system to significant new exposures or adverse health effects and last, but not least, of applicable insurance coverage.

The arrangements for educating both employees and users of the chemical on the hazard identification and warnings involved require planning. While the first reaction of management to such an audit may be "Don't open Pandora's box," the OSHA rule requires a decision on toxicity information and warning which, properly used, can produce better protection against product liability. In the process, careful attention must be given to maintaining the confidentiality of any such "audit," using the work-product doctrine and attorney-client privilege to the extent possible.

The OSHA hazard communication rule will compel the chemical industry to make a comprehensive review of the hazards of its products and to communicate appropriate warnings. The process will require some difficult judgments, particularly with respect to possible chronic health hazards. Such chronic hazards in many cases will require a multidisciplinary review process bringing together toxicological, occupational health, legal and insurance advice in product liability "audits." It is not too soon to begin to give thought to how such product reviews and product liability audits should be carried out.



Timothy Atkeson is a member of Steptoe & Johnson Chartered, a law firm in Washington, D.C. He also teaches environmental regulation of chemicals at the Georgetown University Law School.



Software computes Social Security benefits

A.S. Hansen Inc. has introduced a microcomputer software system that can calculate actual Social Security awards or pension plan offsets.

Hansen's Social Security Calculation Software is compatible with Apple II or Apple III computers.

The software can compute old age, death or disability benefits awards under any Social Security law in effect since June 1978, as well as the Social Security offsets used to compute pension benefits. The system utilizes the same calculation procedures as the Social Security Administration, using actual earnings and estimating unavailable past and future earnings.

Many different calculations can be computed with the SSCS. It allows the user to indicate how missing past or future earnings are to be estimated. The user can estimate the effect of future cost-of-living increases in salary or increases in the Social Security wage base. And the user can specify how earnings are to be calculated when the employee reaches age 65 and how Social Security awards are affected by delayed or early retirement credits.

The SSCS employs English commands instead of a complicated computer language, so data can be entered by non-technical personnel. The system presents questions and answers to lead personnel through the data-entry process.

Data validation during input is automatic. The software has extensive error-detection and diagnostic routines built into the system.

Data is stored on computer diskettes, which allow easy recall, modification, display and storage. The diskettes have a capacity of several hundred files and duplicates of the diskettes can be made. Extra diskettes can be purchased from Hansen.

The complete Social Security Calculation System costs \$1,000 and includes a user manual and two system diskettes containing the program. Additional manuals and diskettes are available, along with annual program updates. The first revision is free; additional updates cost \$120 a year per system purchased.

An SSCS user manual and demonstration diskette can be purchased for \$50. The diskette can be used only a few times before it becomes inoperable. If a company then decides to purchase the SSCS, the \$50 is applied toward the full purchase price.

For more information on the system, contact MBC Group, A.S. Hansen Inc., 1080 Green Bay Road, Lake Bluff, Ill. 60044; 312-234-3400.

Acquisition coverage

NAS Insurance Services now offers extended defense expense insurance to publicly held companies that are the targets of tender offers, takeover attempts or proxy contests.

The Tender Offer/Takeover Attempt/Proxy Contest Defense Expense Insurance provides coverage of legal and other defense expenses if the target company successfully resists a tender offer, open-market purchase or proxy contest.

The coverage limits range from \$250,000 to \$5 million per unsuccessful takeover attempt. Deductibles range from \$50,000 to \$5 million. If a deductible of less than \$1 million is selected, the policyholder must pay 20% of the covered expenses up to the policy limit.

Expenses covered by the policy include outside attorneys' fees and costs, outside accounting fees and costs, investment banker fees and costs for shareholder and other communications, including outside public relations advisers and activi-

ties, proxy solicitation and mailing and printing expenses. All multiple takeover attempts occurring within the policy period are included.

Companies eligible for the coverage include those traded on the New York and American stock exchanges, regional stock exchanges, the national over-the-counter market and others whose common stock is registered under Section 12 of Securities Exchange Act of 1934.

Takeover attempts qualify if they are subject to the filing requirements of Section 13(d), 14(a) and 14(d) of the Securities Exchange Act.

For more information, contact NAS Ltd., 100 S. Wacker Drive,

Suite 2006, Chicago, Ill. 60606; 312-726-2186; or NAS Insurance Services, Box 54831, Los Angeles, Calif. 90054; 213-451-5988.

Group legal

Alvin J. Sims & Associates Inc. is offering a new stop-loss group legal plan for self-insured employers.

The plan provides a stop-loss cap for self-insured employers that want to offer group legal coverage as a benefit to employees. The plan qualifies as an employee benefit under the Employee Retirement Income Security Act.

The coverage, underwritten by Lloyd's of London, offers a mini-

mum limit of \$100,000 per occurrence. The premiums are collected on an incurred or "pay-as-you-go" basis. Actual premiums depend on the location of the business and the total schedule of benefits.

For more information on the plan, contact Alvin J. Sims & Associates Inc., 142 Commercial St., Boston, Mass. 01209; 617-720-2868.

Hospital policy

Hospital Protective Liability coverage, introduced by McAlear Associates Inc., is a new hospital liability program.

The policy indemnifies hospitals for losses they are legally obligated to pay resulting from the negligence of others. The policy is written in excess of a retention on a claims-made form. Full subroga-

tion rights are retained by the insurer. The coverage can be used for compromising settlements that otherwise might be adjudicated.

Limits range from \$1 million to \$3 million, with excess limits available.

Rating is based on the size of the hospital staff and its specialties, loss experience and the amount of coverage purchased by the hospital and the amount purchased by physicians and surgeons. The policy can be written for hospitals that have little or no coverage for staff.

The Hospital Protective Liability is written on a surplus lines basis in all states.

For more information, contact Charles A. McAlear, McAlear Associates Inc., 4450 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8000.



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SEPT. 20-21. Financial Considerations of Managing Offshore International Insurance Companies seminar in Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$500. Frederick O. Kist, 3340 Peachtree Road, Suite 2000, Atlanta, Ga. 30026; 404-261-5420.

SEPT. 20-22. Risk and Insurance Management conference in Chicago, sponsored by the American Management Assns.; members, \$405; non-members, \$465. Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

SEPT. 20-22. Employee Benefits Management conference in Chicago, sponsored by the American Management Assns.; members, \$405; non-members, \$465. Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

SEPT. 20-23. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$150. Also **Oct. 4-7** in St. Louis, ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 20-24. Total Loss Control Management seminar in Boston, sponsored by the International Safety Academy; \$570. Also **Oct. 11-15** in Boston, ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 21. Safety/Loss Control: Plan, Design and Evaluation seminar in Seattle, sponsored by the International Safety Academy; \$150. Also **Oct. 14** in Seattle, ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 21-23. Fundamentals of Reinsurance seminar in Dallas, sponsored by the University of Dallas Risk Management Institute; \$445. Professor Bruce Evans, University of Dallas Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-721-5299.

SEPT. 23-24. Quantitative Techniques for Risk Management seminar in San Francisco, sponsored by The College of Insurance; \$495. Also **Dec. 2-3** in Newport Beach, Calif. Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

SEPT. 23-24. Black Lung Liability Under the New Legislation conference in Arlington, Va., sponsored by The Energy Bureau Inc. \$695. Barbara Louis, The Energy Bureau, 41 E. 42nd St., New York, N.Y. 10017; 212-687-3178.

SEPT. 23-24. Radiation Protection of the Public in a Nuclear Accident course in Washington, D.C., 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.

Nicholson Lane, Rockville, Md. 20852.

SEPT. 23-25. Depositions in Corporate Litigation seminar in San Francisco, sponsored by the Practising Law Institute; \$425. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-665-3700.

SEPT. 27-29. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; \$375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 27-30. Captive Insurance Companies: Establishment, Operation and Management conference in Hong Kong, sponsored by Risk Research Group Ltd.; 525 pounds (approximately \$920); 500 pounds (\$875) each for additional registrants from the same company. Sue Moore, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175; telex 8811536.

SEPT. 28. Workers Compensation and Workplace Liability conference in Harrisburg, Pa., sponsored by the Pennsylvania Chamber of Commerce; \$65. T.M. Holt, Manager of Compensation and Casualty Insurance, Pennsylvania Chamber of Commerce, 222 N. Third St., Harrisburg, Pa. 17101; 717-255-3271.

SEPT. 28. Cost and Benefit seminar in Chicago, sponsored by the National Council on Compensation Insurance; members, \$70; non-members, \$110. Virginia Lawless, NCCI, Box 1238, Springfield, Ill. 62705; 217-787-1072.

62705; 217-787-1072.

SEPT. 29-30. Casualty Loss Reserve seminar in Chicago, sponsored by American Academy of Actuaries/Casualty Actuarial Society; \$175. Sue Hendrickson, Casualty Loss Reserve Seminar, 1835 K Street N.W., Suite 515, Washington, D.C. 20006; 202-223-8316.

SEPT. 29-OCT. 1. Risk Financing Techniques seminar in Denver, 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.

SEPT. 29-OCT. 1. Risk and Insurance Management in Banking seminar in Denver, sponsored by the American Bankers Assn.; \$395 for bankers; \$595 for non-bankers. Shelly Davis, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

SEPT. 29-OCT. 2. Benefits in a Changing Environment conference in Palm Beach, Fla., sponsored by the Southern Pension Conference; members, \$150; non-members \$225. Nancy Connell, SPC, P.O. Drawer 47309, Atlanta, Ga. 30362; 404-458-6233.

SEPT. 30-OCT. 1. Corporate Risk Financing Insurance conference in Warren, Vt., sponsored by Risk Planning Group Inc.; \$550. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

OCT. 4-5. Bankers Blanket Bond and D&O Insurance: Your Liability seminar in Chicago, sponsored by the Bank Administration Institute; members, \$375; non-members, \$565. Diana Castellanos, BAI, 60 E. Gould Center, Rolling Meadows, Ill. 60008; 800-323-8552; 800-942-8861 in Illinois.

OCT. 4-5. Mergers and Acquisitions seminar in New York, sponsored by the Wharton School; \$940. Also **Dec. 6-7** in Palm Beach, Fla. Information Services, University Conference Center, 360 Lexington Ave., New York, N.Y. 10028; 212-392-9441.

OCT. 7-8. Basic Radiation Hazard Control: Meeting Licensing Requirements course 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.

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. 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. 13-15. 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 Shneider, RIMS Schools Administrator, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9252.

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. 18-21. 70th Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; before Sept. 10: members, \$65; non-members, \$100. After Sept. 10: members, \$90; non-members, \$135. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

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. 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. 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. Hazard Control Management Fundamentals seminar 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.

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. 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. 11-12. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; \$285. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

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 for three or more registered from the same company. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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.

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.

Group life sales up 1% in June

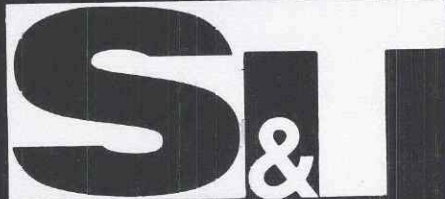
WASHINGTON—Group life insurance with a face amount of \$19.3 billion was purchased in June, a 1.0% increase over group life purchases in June 1981, according to the Life Insurance Marketing & Research Assn.

The June purchases do not include group life bought for federal employees.

For the first six months of the year, group life with a face value of \$107.7 billion was purchased, a 16.5% increase over the amount of group life coverage bought in the first half of 1981.

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Warren, McVeigh & Griffin names Knaup president

Thomas W. Knaup has been appointed president of Warren, McVeigh & Griffin Inc. in Newport Beach, Calif. He replaces **Bud Griffin**, who continues as chairman and chief executive officer of the risk management consulting firm.

Mr. Knaup will be responsible for major risk management studies with emphasis on risk funding alternatives for corporate, government and trade association clients. He will also play a role in the firm's plans to expand to either Texas or Washington, D.C.

He is the former president of Risk Management Inc., a unit of Emmett & Chandler Cos. Inc.

Insurers

Waverly G. Smith joined The Home Insurance Cos. as vice chairman. Mr. Smith had been president and chief operating officer of The St. Paul Cos. Inc. He retired from The St. Paul in 1978.

Nolan E. Asch appointed director of casualty operations of AFIA Worldwide Insurance in New York. He is responsible for development of public liability, workers compensation and non-auto business worldwide. Mr. Asch was previously an executive in the Western region of Sentry Insurance Co.

David E. Hurley elected vp-group pension services for The Prudential Insurance Co. in Florham Park, N.J. Mr. Hurley was previously director of group pension services for Prudential.

John C. Richman joined Zenith Insurance Co. in Encino, Calif., as senior vp. He will be responsible for underwriting operations. Mr. Richman, who will be located in the San Francisco office, was most recently vp with Fireman's Fund Insurance Cos.

F. Guy Riley appointed vp and national accounts and risk management services executive at the New York office of Fireman's Fund Insurance Cos. He was previously administrative executive for national accounts and risk management services with Fireman's Fund in San Francisco.

Lee E. Baldwin named vp of Ranger Insurance Co.'s special risk profit center in Houston. Mr. Baldwin had been corporate risk manager for Anderson Clayton & Co., Ranger's parent company.

Excess/surplus

David E. Boyd elected president of The London Agency Inc. in Atlanta. Mr. Boyd had previously been executive vp-administration and management. He replaces **Frank Kinnett**, who was elected chairman. Mr. Kinnett, who retains his post as chief executive officer, joined The London Agency in 1963.

John W. McKee joined Simcoe & Erie Management Co. in New York as vp in charge of underwriting. He is also chief underwriting officer for treaty reinsurance operations in the American market. He was formerly assistant vp and director of the Rochdale Insurance Co.

Reinsurers

E.W. Blanch Co. announced several promotions. **Ronnie Ellen Raymond** and **Judith White** named vps in the Blanch Eastern regional office in New York. **Charles C. Hewitt III** and **Albert J. DeVon** named vps in the Central regional office in Chicago. **Jeffrey Laams** named vp in the Chicago branch office. **Kevin D. Knudson** named vp in the Midwestern regional office in Minneapolis. **John L. Graham** named vp in the West-

comings & goings: industry

ern regional office in San Francisco. In the Blanch Co. Minneapolis home office, **Michael J. Wozniak** and **Stephen E. Malone** named vps and **David R. McInnis** named senior vp.

Agents/brokers

Frank E. Blau named account executive for Marsh & McLennan Inc. in the Milwaukee office. Mr. Blau had been risk manager for the city of Milwaukee.

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Taking Risk Out Of Risk Management
Worldwide

Administration to decide on tort bill this week

By JERRY GEISEL

washington

WASHINGTON—The Reagan administration will decide this week whether it will endorse comprehensive federal product liability legislation proposed by Sen. Robert Kasten, R-Wis.

While the administration recently backed the concept of a federal bill that would pre-empt state tort laws, it has not endorsed a specific proposal.

Administration support of Sen. Kasten's bill is considered crucial if the measure, S. 2631, is to move out of the Senate Commerce Committee this year.

The panel's chairman, Sen. Robert Packwood, R-Ore., is unlikely to seek a vote on the bill unless the administration offers its support or, at a minimum, does not oppose the measure, sources say.

Meanwhile, in another product liability development, Senate Majority Leader Howard Baker, R-Tenn., is the latest legislator to endorse federal tort reform legislation.

"We are in agreement on the merits of this legislation," Sen. Baker said. "Uniform standards would lend greater predictability and stability to the litigation process and to product liability insurance rules."

Braniff burden

The Pension Benefit Guaranty Corp. won't get buried by huge pension liability claims when Braniff International Corp. terminates its four pension plans.

"We are prepared to assume this liability under our insurance guar-

antees," said Edwin Jones, executive director of the PBGC, the federal agency that guarantees workers pensions.

"We have been aware of Braniff's difficulties. The amounts involved are large but are well within our capabilities," he added.

Braniff officially notified the PBGC on Aug. 20 that it intends to terminate four pension plans that cover the grounded airline's pilots, management employees and members of the Teamsters and Machinists unions.

Mr. Jones says the termination of the plans may cost the PBGC between \$37 million and \$59 million to ensure that participants receive their guaranteed benefits. The exact amount will depend of whether any of the plans have sufficient assets to provide guaranteed benefits.

The pilots' and management plans appear to be sufficiently funded, according to preliminary estimates. But the Machinists' and Teamsters' plans are seriously underfunded and will have to be bailed out by the PBGC (BI, Aug. 30).

Advisers wanted

The Labor Department wants advice on pension and retirement issues.

Nominations are now being accepted for five openings on its Advisory Council on Employee Welfare and Pension Benefit Plans, which makes recommendations to

the secretary of labor.

Individuals or organizations can nominate a pension expert by submitting a recommendation by Oct. 8 to the Secretary of Labor, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210.

The nominating statement should include the candidate's name, occupation or position, telephone number and address. It also should list the candidate's qualifications, the group or field that the candidate would represent and the candidate's political affiliation. No more than eight members of the council can belong to the same political party.

The new members will replace five members whose three-year terms expire this year.

Categories for which there are vacancies to be filled include employers, multiemployer pension plans, actuarial consulting, investment managers and the general public.

The council meets at least four times a year in Washington with all expenses paid by the federal government. Each member earns \$192 for each day spent on council business.

Health insurance

A coalition of labor organizations, senior citizens' groups and professional organizations wants Congress to pass legislation that would guarantee health insurance coverage for workers when they

are laid off.

"In the last year more than 20 million Americans were unemployed. Over 90% of them also lost the health insurance that was part of employment," according to the Health Security Action Council.

"The need is urgent and requires immediate action. The cost of continuing health for a worker who loses a job, and family health insurance with it, is equal to about one-fourth of the limited unemployment benefits he or she receives. The cost is prohibitive," the council says.

Possible solutions to the problem of lost health insurance benefits, according to the council, include:

- Improved federal-state arrangements to allow the families of unemployed workers to have access to Medicaid benefits.

- A provision in group health insurance plans for continuation of benefits during periods of unemployment.

- Intensified efforts by the private sector, through health care cost coalitions, to develop voluntary programs of hospitals, doctors and other providers who would agree to provide free care.

Pension for press

The pension plan of one of the world's largest news-gathering organizations is not covered by the Employee Retirement Income Security Act, the Labor Department says.

Jeffrey Clayton, administrator of the department's Office of Pension and Welfare Benefit Programs, told Reuters Ltd. of London in an advisory opinion letter that its plan

need not meet ERISA requirements.

According to the letter, the Reuters Pension Fund has 1,564 employee participants, of which 154 are U.S. citizens.

All pension fund records are stored in London and contributions from participating employees also are forwarded to London.

Section 4(b)(4) of ERISA excludes any pension plan "maintained outside of the U.S. primarily for the benefit of persons substantially all of whom are non-resident aliens," Mr. Clayton wrote.

Formaldehyde suit

The United Auto Workers has filed suit in U.S. District Court in Washington against the Labor Department, alleging that it has concealed evidence that formaldehyde exposure endangers workers.

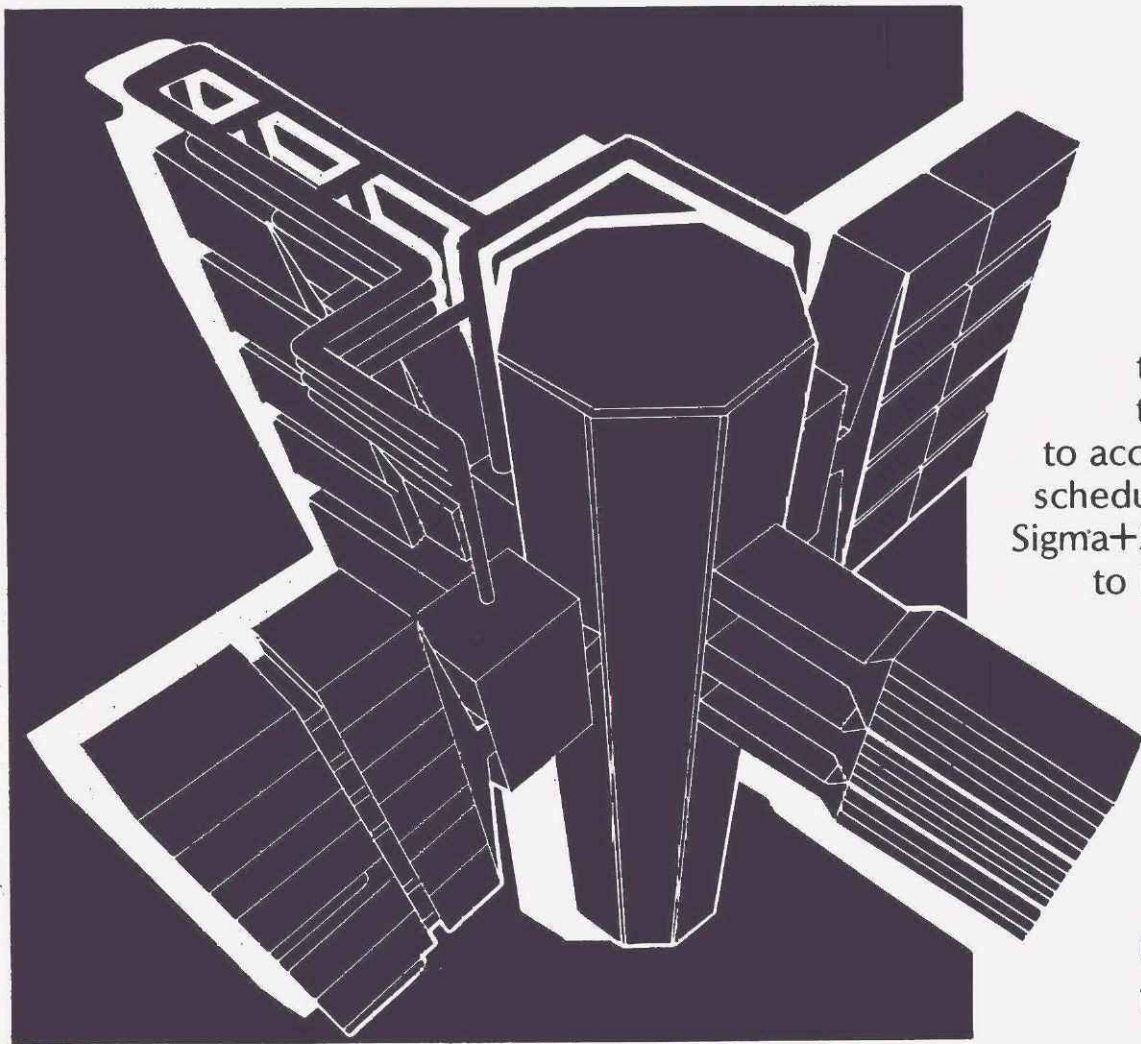
"We have excellent reason to believe that the Occupational Safety and Health Administration has withheld evidence in its possession that demonstrates the risks posed by exposure to formaldehyde," UAW President Douglas A. Fraser said.

The suit asks the court to force OSHA to issue an emergency standard that would reduce workers' exposure to the chemical.

The UAW and 14 other labor unions asked OSHA to issue such a standard in October 1981, but OSHA chief Thorne Auchter denied that request in February.

The suit also asks the court to order OSHA to produce all agency documents requested by the UAW regarding formaldehyde exposure.

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Utilities say coverage rule not needed

Continued from page 2

"It's conceivable that we could rescind the interim rule (after the comment period), but I doubt that will happen," says Robert S. Wood, utility policy analyst for the NRC.

However, most of the utilities contacted by *Business Insurance* said they either oppose or see no need for the NRC rule.

Howard Higgins, power financing analyst for the Tennessee Valley Authority in Chattanooga, Tenn., says utilities might suffer if the NRC requires a certain level of insurance because it would remove competition from the nuclear insurance market, possibly causing insurance rates to rise.

The TVA operates three reactors at the Browns Ferry Plant in Athens, Ala., and two reactors at the Sequoyah Plant in Soddy-Daisy, Tenn.

"Without the competitiveness in the primary levels, they (nuclear insurers) could do just about whatever they wanted to (regarding rates)," he says. "If you lose that competitive edge, you're also going to lose some of your (insurance) capacity."

"It's been beneficial to the electric utility industry over the years

that ANI/MAERP has had some competition," he says, adding that there has been strong competition between ANI/MAERP and NML. "I don't think either one wants to see the other one out of business."

"Enormous strides have been made in the past few years for securing (higher) limits," Mr. Higgins explains. "I think they (the NRC) should give the utility industry a little credit for what has been accomplished since Three Mile Island."

Dick Hines, risk manager for Florida Power & Light Co. in Miami, agrees. FP&L owns the St. Lucie reactor on Hutchinson Island and two reactors at the Turkey Point site in Homestead.

"Some positive things were learned from TMI," he says. He says the accident spawned efforts to reduce risk factors, including installing safety systems and requiring plant operators to complete training programs.

"The (insurance) industry has a proven record of providing increasing limits," he says. "We feel these steps to reach the billion-dollar limit are sufficient."

Mr. Hines suggests that increases in limits have spurred competition

between the nuclear insurance pools, and that "both ANI and NML have benefited from the spirit of competition. It works in a positive, healthy way."

"All the nuclear operators in the country have learned a lot from TMI and have spent a lot of money trying to prevent another one," the TVA's Mr. Higgins says.

Mr. Higgins acknowledges that if another TMI-type accident did occur, losses could be worse than those experienced at the Pennsylvania plant.

"How much (insurance) is enough?" he asks. "I don't know, and I don't think the NRC knows."

The TVA carries primary coverage of \$450 million on its Browns Ferry reactors through NML, Mr. Higgins says. They are also covered by a \$67 million excess of \$500 million policy through ANI/MAERP.

The Sequoyah reactors are covered with \$460 million primary

layer and \$67 million in excess of \$500 million, both through ANI/MAERP.

Mr. Higgins says the TVA intends to purchase an additional \$50 million of primary coverage on the Browns Ferry reactors along with additional excess coverage from NEIL at both sites.

Mr. Hines believes one of the NRC's chief duties is to protect the public interest in case of a nuclear accident. "I think there is enough insurance around now to do that," he says.

NML recently increased its primary limits to \$500 million. The \$50 million increase by the Bermuda-based captive is the eighth in its 10 years of operation.

ANI/MAERP currently offers up to \$460 million of primary coverage and a \$67 million layer excess of \$500 million. Senior Vp Charles Bardes says the company hopes to offer a full \$500 million in primary coverage and \$100 million excess of \$500 million by January (BI, March 29).

NEIL's current excess insurance limit is \$315 million, although any excess coverage purchased from ANI/MAERP counts toward that limit.

Thus the maximum property insurance available on a reactor is \$815 million.

However, some utilities may not be able to obtain the full \$815 million in coverage should the nuclear underwriters not be able to procure adequate reinsurance.

A nuclear utility risk manager should buy the maximum amount of coverage available and doesn't need to be told that by the government, says another utility official.

"A utility would be a fool not to get the maximum insurance available to cover their risks," says Peter O'Donnell, assistant treasurer for the Public Service Co. of New Hampshire in Manchester, N.H., the principal owner of the Seabrook Station reactor in Seabrook. "I think most utilities would get it (property insurance) whether or not the government mandates it."

Mr. O'Donnell says the Seabrook reactor probably will not be subject to any rules regulating property insurance now since construction will not be completed for about another year.

However, Mr. O'Donnell suggests that the NRC should not regulate the amount of coverage a utility buys.

"The bottom line is that the levels of insurance should be a decision of the management of the

utility," he says.

A Public Service of New Hampshire spokesman adds, "It may not be necessary to mandate that sort of thing. Whether or not a rule is implemented, we intend to get adequate insurance to cover our risks."

A spokeswoman for Consolidated Edison Co. in New York, which operates one of two active reactors at the Indian Point plant in Westchester County, says, "While the NRC does have a legitimate overseeing role to play, they ought to move slowly and carefully in requiring specific dollar amounts of coverage, and instead let the coverage develop, as much as possible, through natural markets."

Con Ed would like to see coverage availability expand "but not be told at a given point how much we should have at that point," the spokeswoman says.

A spokesman for Public Service Indiana, the company constructing the Marble Hill reactor in Madison, Ind., says, "We agree that more insurance is needed, but we're working on that ourselves. The question of the NRC mandating the amount of insurance is a very complex question and we're studying it very closely."

Representatives from two trade organization that represent electric utilities, the Atomic Industrial Forum and the Edison Electric Institute, both declined to comment on the specifics of the rule until they file their comments with the NRC.

However, an AIF spokeswoman did say, "We're certainly not opposed to high levels of insurance, but we think there are some problems in the approach the NRC is taking."

Mark Severts, spokesman for the Public Service Co. of Colorado in Denver, owner of the Fort St. Vrain nuclear plant, says the NRC rule should not apply to the Colorado plant.

Mr. Severts calls Fort St. Vrain "a unique beast in the nuclear field." Unlike other reactors, Fort St. Vrain is cooled with helium gas rather than with water.

He says the NRC has exempted the Fort St. Vrain plant from complying with certain rulings in the past because the reactor's "much safer technology" means that "we don't have some of the safety problems that a hot-water reactor would have."

"We feel the NRC should look at us differently," Mr. Severts says. The reactor currently has property insurance, he says, but he couldn't say how much. ■

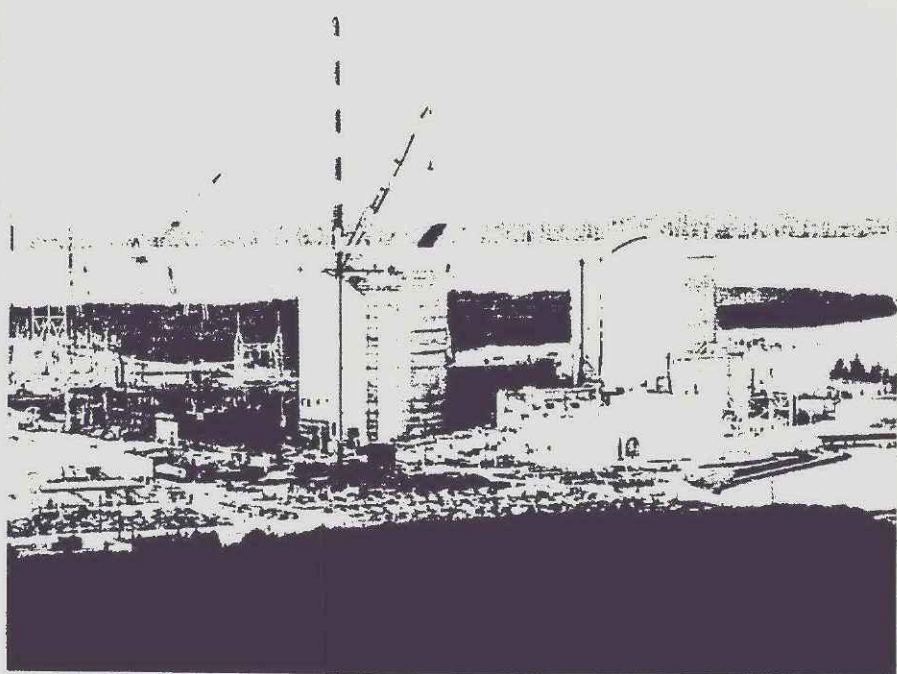
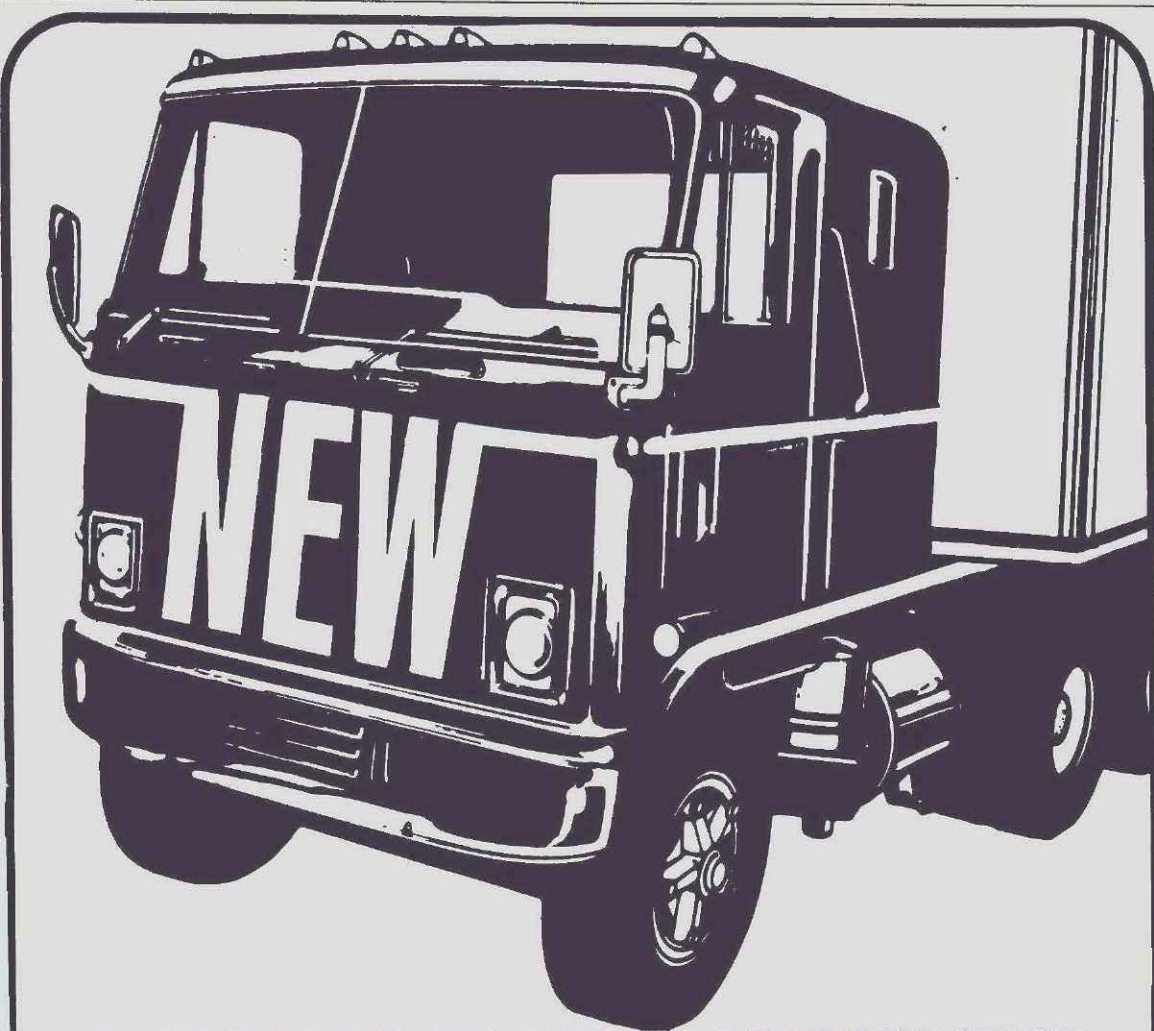


Photo: Florida Power & Light Co.

The NRC rule requires reactor owners to buy the maximum coverage available.



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Hospitals consider day care to lure workers

Continued from page 3
area."

Lankenau is preparing to conduct a formal evaluation of the program. But employee feedback is already very positive, and Ms. Coffey predicts that "personnel will see better performances and lower absenteeism."

Lancaster General Hospital in Lancaster, Pa., about 80 miles from Philadelphia, has one of the longest-running day-care programs in the area.

The program, which will be 2 years old in January, is used by about 100 employees, with 140 children enrolled.

"We leased an old elementary school a couple of blocks away from the hospital and contracted with the YWCA to manage the center," said Nevin Cooley, the hospital's administrative assistant. "The YWCA designed the program, establishes the policies and

handles hiring. We (the hospital) provide an overhead subsidy to keep the cost down."

Lancaster General found that 89% of its workforce were women and established the child-care program to lower its employee turnover rate. The program costs the hospital \$60,000 to \$90,000 a year.

Employees pay \$1.40 an hour for the first child, with discounts for each additional child. No employee pays for more than 40 hours a week of care, although the center is open from 6:30 a.m. to 6:30 p.m. Monday through Friday.

"The program has been an overall positive influence," Mr. Cooley said. "There have been a number of people who said their primary choice was day care in their decision to stay with the hospital."

Abington Memorial Hospital in Abington, Pa., 27 miles from Philadelphia, has been trying, without success, to establish a child-care

program for almost three years.

"We have 2,000 employees and when we did our needs survey, we had 200 children that needed day care," said Maureen Crusco, a utilization technician who has helped spearhead the proposal.

After cost considerations capped attempts to open a day-care center at the hospital, Abington Memorial began a cooperative program with a nearby YMCA.

Under the agreement, the hospital said it would provide \$20,000, or about half of the start-up costs, and initially place 45 children in the program.

But after neighbors objected to the establishment of a day-care center large enough to accommodate the hospital's need, the local zoning board sharply curtailed the center's plans and the hospital may pull out of the project entirely.

"We are in a state of limbo right now," Ms. Crusco said. "There is no day-care center within a radius of 25 miles that offers infant care. But the zoning commission said we could not expand to a weekend program or offer two shifts, which we eventually wanted to do."

The hospital committee overseeing the day-care project will meet Sept. 8 to decide whether to go ahead with the joint program.

Nearly 18 months ago, Carol Hegh-Vinci, an infection control specialist at the Presbyterian-University of Pennsylvania Medical Center, began a feasibility study into child-care as a possible benefit. The hospital wanted both to recruit new employees and retain the ones already on the staff of the inner-city hospital.

"We tried to see what the needs were and had about 45 people who expressed an interest in using child care if it was available," said Ms. Hegh-Vinci.

After reviewing all the cost and regulation requirements for an on-site day-care center, Ms. Hegh-Vinci began to explore other options for the hospital.

"What we have done is to tie in to a new facility which is three blocks away," she said. "Right now, our role is just making the employees aware of the program. We are not providing any money, but we are looking at a cafeteria-style benefit program... and child care would be included in that pro-

IRS rules expected soon

WASHINGTON—Many employers are awaiting Internal Revenue Service regulations governing corporate child-care programs before they consider offering child-care benefits.

The IRS expects to issue regulations based on the child-care provision of the 1981 Economic Recovery Tax Act within the next few weeks after final approval is received from the Treasury Department, where the regulations are being reviewed (BI, June 21).

While the regulations are expected to fairly closely parallel the provision in last year's tax law, employers have been reluctant to launch employee child-care programs before the IRS guidelines were firmly established.

Essentially, the 1981 tax law allows employees to exclude child-care assistance from their employers from their taxable income.

Prior to the enactment of the law, employer child-care assistance was considered part of an employee's taxable income, making day care a less-attractive employee benefit.

The provision generated hundreds of queries from corporations exploring child-care options to the Washington-based National Assn. for Child Care Management, a group representing commercial day-care centers. But concrete steps in providing employer-sponsored day-care benefits have been slowed as corporations waited for the IRS regulations.

"There has been unbelievable excitement and interest among corporations looking at child care as a benefit," said Carole Rogin, the association's executive director. "But business is approaching it very cautiously (until the IRS regulations are established)."

"We are advised by IRS that the regulation is not much varied from the law."

Corporations that want to develop child-care assistance programs for employees expect the regulations to provide more details on how to establish a qualified program.

Options for companies considering child-care benefits are broad. The assistance can range from on-site day-care programs to direct company subsidies for outside child-care costs. However, the new law requires that a corporation must develop a written plan outlining the program for the benefits to be tax-deductible.

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BI-9/82

Pennsylvania appeals comp award

By EILEEN NORRIS

HARRISBURG, Pa.—The State Workmen's Insurance Fund is appealing a \$65,000 award to the former chairman of the state's Liquor Control Board, who suffered a stroke after arguing with distillery salesmen trying to push their products.

Henry H. Kaplan successfully claimed that the stroke he suffered in November 1978 was caused by stress, tension and anxiety from his job as chief of the state-operated liquor store network.

A state referee ruled in early August the incident was job-related and said Mr. Kaplan was under great stress, stemming in part from an investigation of the Pennsylvania Liquor Control Board.

Gov. Milton J. Shapp, a Democrat, appointed Mr. Kaplan to the post in 1975.

Mr. Kaplan testified at a hearing on his work comp claim that he became upset when the FBI questioned him about irregularities in Mr. Shapp's unsuccessful race for the 1976 Democratic presidential nomination. Mr. Shapp left the governor's office in January 1979.

Mr. Kaplan said he was also disturbed by the June 1978 conviction

gram."

Presbyterian chose to make use of The Institute for Scientific Information Caring Center for Children & Parents, a developmental center scheduled to open in September. Of the 168 spots available, the hospital reserved and is expected to fill 30 the first year.

An advertisement the hospital ran to promote the center generated immediate responses from employees: 17 called and seven signed up for the program, including Ms. Hegh-Vinci. There were also calls from several other area hospitals interested in the program Presbyterian was offering its employees.

The cost of the program to par-

ticipating employees will range from \$108 per week for infants to \$78 per week for toddlers.

"The center is expensive and not for everyone," Ms. Hegh-Vinci said. "But it is not out of reason for the professional staff and the professional nurse. These groups expressed interest (according to the feasibility study) and it meets their needs."

"It's too early to tell how this will affect recruiting," she added. "But we are having a baby boom here and we are seeing a tremendous need for quality infant care."

of a former legislator, Robert E. Bellomini, who was found guilty of taking kickbacks in a liquor warehouse scandal. Mr. Kaplan was called to testify at the trial.

The referee ruled that part of Mr. Kaplan's job pressure resulted from liquor salesmen who tried to convince him to agree to purchase liquor that was not selling in the state stores.

Mr. Kaplan suffered his stroke after a heated discussion with the salesmen.

The referee also said that Mr. Kaplan "had been working under great stress in part from the ongoing investigations" that caused him "great anxiety, concern, pressure and stress."

But the State Workmen's Insurance Fund, in appealing the case to the Workers Compensation Appeal Board, said the claimant's stroke was a result of heavy cigarette smoking and a family history of cardiovascular disease.

The state's physician said there was no connection between the stroke and Mr. Kaplan's pressures on the job.

The state referee awarded Mr. Kaplan \$213 a week in workers compensation benefits, the maximum allowable in 1978.

The total award, including the retroactive weekly benefits, 10% annual interest and \$20,000 in medical bills, totaled about \$65,000.

SWIF, in its appeal of the lump-sum award, asked the appeals board to bar payment of the claim until it hears the disputed case. No hearing date has been set.

Pension group elects officers

DETROIT—Eugene L. Loren, director of personnel services at Kelsey-Hayes Co., is the new chairman of the Michigan Chapter of the Midwest Pension Conference.

Other newly elected officers include:

• Vice chairman—Richard G. Hale, manager of employee benefits at Fruehauf Corp.

• Secretary/treasurer—Wendy R. Good, pension plan administrator for the Sisters of Mercy.

• Membership chairman—Frank E. Herz, assistant manager of the Detroit office of Aetna Life Insurance Co.

agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

A place in the sun?

Agents hope captives will build markets, profits

By
DONNA LEIGH YANISH

As insurers' financial results continue to weaken, some agents and brokers are building protection from the unstable underwriting storm they expect.

Following the examples set by corporate risk managers, agents and brokers are starting their own offshore subsidiary insurance companies to guarantee stable markets and maximize profits with reinsurance.

These new reinsurance companies are different from the insurance companies owned by agents or brokers who have diversified into underwriting like Whiting National Insurance Co., operated by Poe & Associates; Southern American Insurance Co., owned by E.H. Crump Cos. Inc.; and Union Indemnity Insurance Co., owned by Frank B. Hall & Co. Inc. The recently formed agency captives, as they are known, are usually designed to reinsure a portion of the business of the agent's or broker's clients.

More than 50 agency captives with a total premium volume of about \$500 million have already been established, according to estimates based on information from a number of consultants working with agents to incorporate their captives.

Insurance authorities estimate about 20 of the agency captives were incorporated in the Cayman Islands in 1981 (BI, April 6, 1981).

The agent-owned captive reinsurance companies are "the coming thing," says Dodd Young, president of Rowan-Wilson Insurance Services in Pasadena, Calif. Recently purchased by Corroon & Black Corp., Rowan-Wilson is partial owner of a Bermuda-based captive (see story, page 28E).

About 20% of the agency's \$15 million premium volume flows to the captive, not all of which is retained, Mr. Young notes.

Not all agency captives are exactly alike. While many operate in a similar manner, there may be unique characteristics depending on the needs of the agency, or agencies in cases where several have joined together to form a captive insurance company.

A typical agency captive is originally designed as a reinsurance facility for a select portion of the owner's book of business, usually the risks the agent understands best.

After incorporating the subsidiary, either on- or offshore (see story, page 28D), the agency establishes a fronting arrangement with a domestic, licensed insurer.

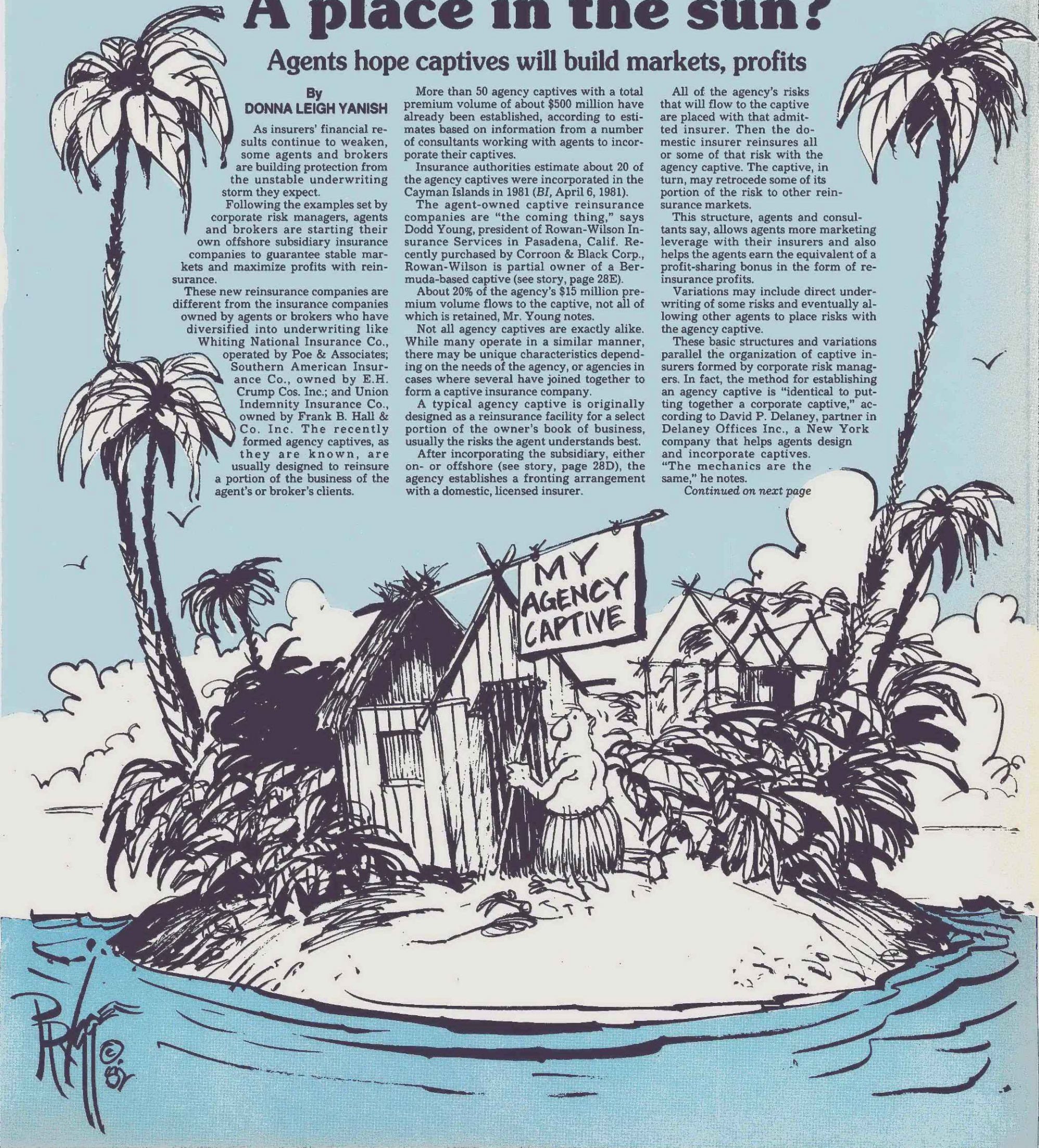
All of the agency's risks that will flow to the captive are placed with that admitted insurer. Then the domestic insurer reinsures all or some of that risk with the agency captive. The captive, in turn, may retrocede some of its portion of the risk to other reinsurance markets.

This structure, agents and consultants say, allows agents more marketing leverage with their insurers and also helps the agents earn the equivalent of a profit-sharing bonus in the form of reinsurance profits.

Variations may include direct underwriting of some risks and eventually allowing other agents to place risks with the agency captive.

These basic structures and variations parallel the organization of captive insurers formed by corporate risk managers. In fact, the method for establishing an agency captive is "identical to putting together a corporate captive," according to David P. Delaney, partner in Delaney Offices Inc., a New York company that helps agents design and incorporate captives. "The mechanics are the same," he notes.

Continued on next page



Agents forming captives for their own use

Continued from previous page

But while agency captives share common characteristics with their longer-established corporate cousins, the agency insurers also differ in some important ways. Most striking is the nature of the risks that flow to the captives.

Corporations establish captives as a marketplace for their own risks while agents use them for their own books of business.

That difference can have an advantage for the agency captive, notes Donald F. Muldoon, president of Donald F. Muldoon & Co. Inc. in New York, who works closely with Delaney Offices.

"With a single-owner corporate captive, if the risk manager is doing a good job, (he or she) is reducing losses, and therefore reducing premiums, and that means less

income to the captive," he says.

"That's not true for agency captives," Mr. Muldoon continues. "If the owner (of the agency captive) is doing a good job, the captive is expanding" as the agent is bringing in more business to the insurance subsidiary, he says. "The market potential is virtually infinite."

While an agent benefits from placing profitable risks in a subsidiary captive, "very few agents put their entire book in the captive," Mr. Muldoon says. "It's not unusual, for example, for an agent to have a \$7 million book of business and yet to put only \$5 million of that into the captive," he explains.

Other industry observers say that agents may place far less of their book with their captive insurer. What business flows to the captive depends on the characteristics of

the agent's clients and experience with their risks, says Andrew Barile, chairman of Andrew Edwards & Co. Inc. in New York, who has helped design agency captives and written two books on captives that include discussions of agency captives.

Several criteria must be considered when deciding what risks should flow to an agency's insurance subsidiary, Mr. Barile notes:

- Risks in an agency captive should be fairly homogeneous, as common characteristics can increase the stability of the program.

Many agency captives are owned by agents who specialize, for example, in restaurant or general aviation risks.

- Clients whose risks are insured or reinsured by the captive shouldn't be extremely price-sensi-

tive. While the agent captive owner "shouldn't take away his competitive advantage, he should consider the client," Mr. Barile says. "If (the client) wants the cheapest price, we don't want (the risk) in our program."

- Because stability is a key to a successful agency captive, risks in the program should have a predictable loss history. The business should show consistently good loss ratios.

The position of the underwriting manager in the agency insurance program is an important consideration, he adds.

While the president of the agency may be the major decision maker at the outset of the captive venture, an underwriter may be hired after the program is up and running, he says.

"There has to be someone to be a buffer between the seller and the underwriter," he notes.

And an agent whose strongest skills are in sales shouldn't be in charge of the underwriting operation, Mr. Barile contends.

"Agency captives should have people who would play devil's advocate with an account," Mr. Barile says. The agency captive's underwriter must be critical of every potential risk for the captive, he explains.

For example, an agent should not try to convince the underwriting manager that the risk he or she feels is terrible should be placed in the agency captive, Mr. Barile continues. That could be dangerous.

Another consultant on captive agency design agrees. "We're very careful with who is doing what to whom," says Richard Whynot, president of Reliance Risk Management Inc., a subsidiary of Reliance Insurance Co. in Philadelphia.

The agency captive must have professional management, Mr. Whynot contends. "If an agent is a superb salesman, he must turn the captive over to someone else. One can't serve two masters."

Keeping production and underwriting functions separate is more important in some cases than in others, contends Mr. Delaney. An agency that has served as managing general agent in the past already has experience with underwriting, he notes. It isn't as important in that agency to keep the functions separate.

An agency that has focused only on production in the past, however, "always needs to hire an underwriter who's separate and distinct" from the sales department, Mr. Delaney says.

Despite Mr. Barile's contention that agencies should maintain a policy of "separation of power" between sales and underwriting within the captive, Mr. Delaney says that agents do make good underwriters.

"Agents usually are better underwriters than underwriters themselves," he contends, explaining that when quoting a rate, an agent has access to other underwriters' viewpoints. "He'll know the rates of all the competition."

Generally, agents setting up captives are very experienced, Mr. Barile says. The average number of years in selling insurance among Mr. Barile's clients is probably more than 20, he notes. "They know the markets and competition, and make the decision (on appropriate rates) everyday."

That experience comes through when the agents are structuring their captives, Mr. Barile adds. "In many cases, agents have told me what underwriting guidelines to use."

As agents enter the underwriting and reinsurance world, they've met mixed receptions from direct insurers.

Some insurers, like Reliance, assist agents in setting up captives and others, including The Central National Insurance Co. of Omaha, Neb., easily agree to front for agency captives.

But others are actually hostile to the concept, industry watchers say. "Insurance companies feel terrible about (agency captives)," Mr. Delaney says. "Only a handful of (insurance) companies recognize the captive movement for what it is."

The insurers that do recognize the trend are participating, Mr. De-

Continued on facing page

Superprotective is always there when aviation coverage is needed.

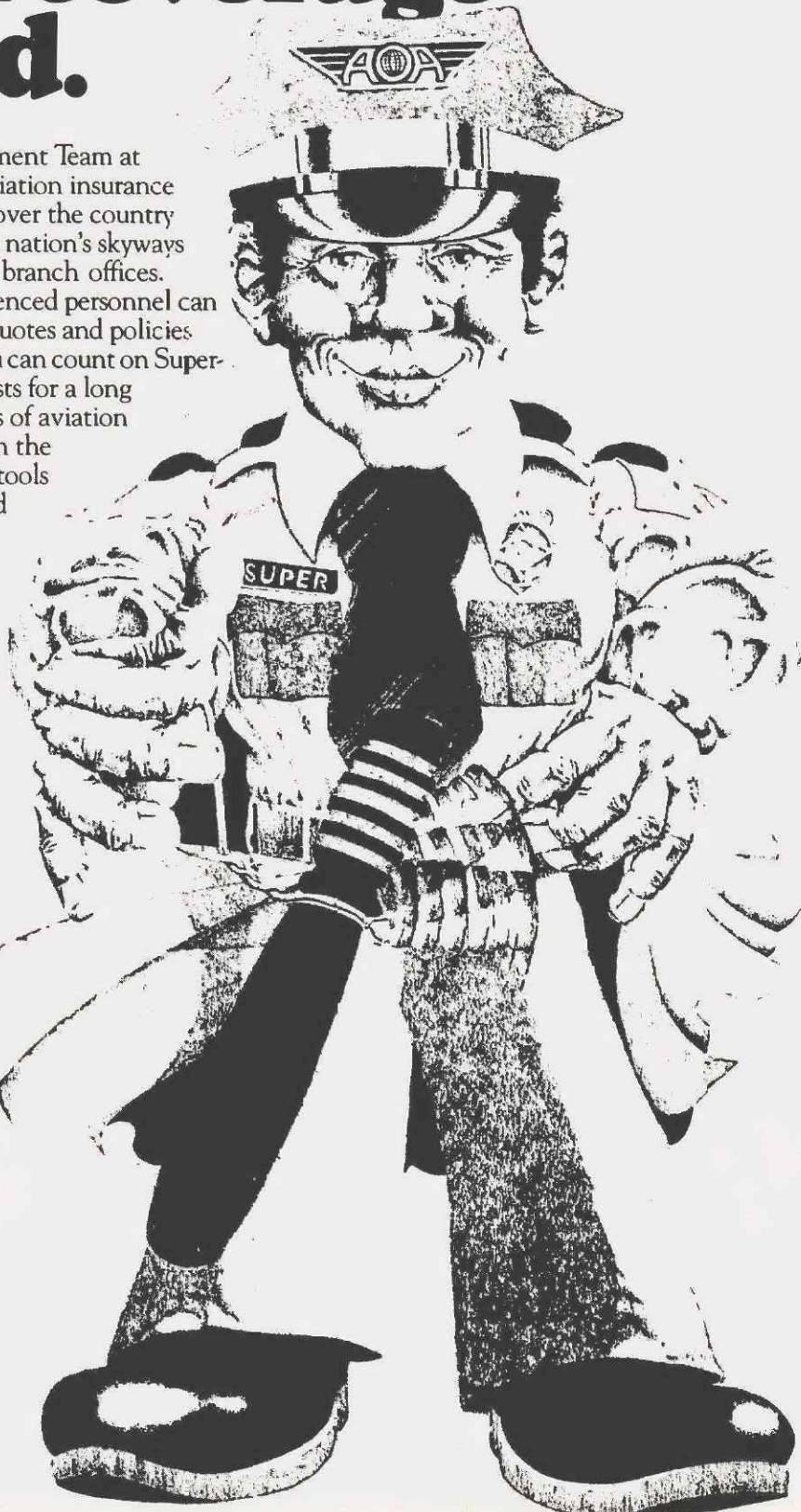
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Continued from facing page
laney continues. "The few (insurance) companies that do know what's going on feel they should get in on the ground floor."

Added competition is one reason why insurers may be skeptical of agency captives, one insurer says. Insurance companies are concerned that they will be left with only the poorest risks while the agents place the best risks in their own captives, he says.

When Swank Insurance Agency in Waukegan, Ill., began its insurance subsidiary, Statewide Insurance Co., "Our markets were originally skeptical," says Ralph W. Swank Jr., secretary for the Illinois-domiciled Statewide. Yet none of the agency's insurers wanted to end their relationship with Swank.

The agency was able to overcome that skepticism, Mr. Swank notes. "By maintaining our good loss ratios with all our markets, we dispelled their misconceptions."

Agents who own captives must be careful not to place the best risks in their own captives at the expense of its other markets, one captive manager says. An agent must maintain good relationships for risks that don't fit in the captive. "You don't burn underwriters very long before they pull out," he notes.

One agent who is a partner in a Bermuda-based captive says he hasn't had any negative feedback from the agency's usual markets. The captive, Western Fire & Casualty Insurance Co. Ltd., which has a written premium volume of about \$6 million, underwrites smaller risks than most of the insurers its parent agencies represent, says Elton George, president of Elton George & Co. of San Antonio.

The offshore insurance company was formed to write smaller excess and surplus lines risks that the partners' markets weren't interested in writing, like small lines of physical damage and special liability coverages, Mr. George notes.

"If anything, (owning the agency captive) has helped relationships with insurance companies. They realize we have expertise."

The potential for negative reactions from insurance companies may be one of the reasons why many agents don't talk about their captives. "Most agents don't feel it's necessary for people to know they have an offshore company," Mr. Barile notes.

While captives domiciled in Bermuda must allow the public access to information about who owns the corporations, the information isn't public record in the Cayman Islands or the Bahamas. And even agents with Bermuda-based captives aren't shouting it from the rooftops.

Agencies' plans for the captives also may help explain the low profile. Owners may view themselves as potential competition to their current markets. The agency-owned insurers at least have the potential for growing large enough to eliminate the fronting arrangement and underwrite risks directly, Mr. Delaney says.

Today, agency captives are far from being a major threat to the large insurers. Although no one can actually pinpoint the net worth of the largest agency captive, industry watchers agree that none are on the verge of entering the admitted market as a major force.

But even if agency captives remain relatively small, a large number of them could grab a significant chunk of the market. And predictions vary on how many agencies will follow the captive trend.

"Market incentives aren't there" to entice agents into starting captives, contends Jim F. Buchanan, president of Buchanan Management Co. in Cocoa, Fla., who has helped design captives for associations.

With so much competition already in the marketplace, agents

are already just trying to keep their current position, he says. "I don't see a ton (of agency captives) coming in the next couple years."

Agency captives also won't spread as fast as traditional corporate-owned captives because agents and brokers are relatively stable in their jobs compared with risk managers, Mr. Barile adds.

Risk managers move from job to job, he notes. They spread the word about captives and may even set up a captive for each company that employs them.

The agent/broker field isn't as mobile, Mr. Barile notes. "People stay at their jobs, and the concept isn't spread around as much."

Yet, others say, if agency captives are successful, captive owners can't keep their success under wraps. Word gets around.

Like their captive corporate cousins, profitable agency insurers will have to make room for other agents who are ready and willing to take the risk. ■

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Seek advice before forming a captive

Have you helped your risk management clients set up captive insurance companies?

If you have, you shouldn't have too much trouble putting one together for yourself with a little help from legal, financial and tax experts.

Both on- and offshore domiciles regulate the incorporation process for agency-owned captive insurers with the same laws used for other captive insurance companies.

But while the structures of agency- and non-agency-owned captive insurers are similar, many agents who have set up their own risk-taking subsidiaries have used consultants to help with the nuances of putting together the corporation.

An agency, especially one with only a few million dollars in premium volume, probably doesn't have all the expertise needed to set up a captive within the company, one agency captive owner notes.

And, if the agency does have the lawyers, accountants and actuaries on staff, they most likely can't pour their effort into a project for the agency and still fulfill other client obligations, he adds.

But help is available to agents in-

A/BT

current ratios, operating revenues and surplus.

- Evaluating loss and exposure experience. This step includes analyzing not only the details of all past losses, but also types of losses expected, potential loss levels, rate structure and the effect of experience modification.

- Determining retention levels. Examine limits established for excess insurance and reinsurance.

- Evaluating the amount of capital needed for investment and the potential return on investment. This should include both the funds needed for reserve requirements and paying off losses and adminis-

tration costs, one consultant notes

All costs should be considered, he emphasizes. "Don't have a financial commitment in the captive that will be a financial burden on the agency unless it writes (its entire book) into the captive," he advises.

Only a portion of an agency's book of business will flow through the captive.

- Deciding the type of company form to be used. Should the agency issue stock in the captive? Who will the agency offer the opportunity to invest? Some agency captives offer a class of stock to policyholders (see story, page 28E) while others open it up to other agencies to form the captive.

- Considering the location of the domicile. Should the agency captive be incorporated in the United States or offshore? Where?

'The feasibility study is really the backbone' of a captive project, Mr. Hoffman says.

This decision may add significant transportation costs to the ongoing project.

- Putting the tax implications under a microscope for close scrutiny (see story, page 28H).

- Projecting fronting insurer costs, including both availability and considerations. Some insurers are active in assisting agents with their captives while others haven't gotten involved (see story, page

28A).

- Considering who will manage the captive for the agency. Should the agency use staff management or hire an outside manager?

- Investigating the process by which policies will be delivered, based on local regulations.

- Determining claim and loss-control services the agency captive will utilize. The potential captive owners must decide if they want to use agency staff or outside resources for these tasks.

- Researching availability of excess coverage and reinsurance. Is what's available affordable?

The feasibility study may or may not indicate that the agency should plunge on ahead into a captive insurance company project, Mr. Hoffman notes. If not, the agent can ei-

Continued on facing page



Mr. Barile

terested in establishing insurance subsidiaries. A few companies that work with businesses incorporating captive insurance companies have experience with assisting in establishing agency captives.

Andrew Edwards & Co. Inc. in New York has helped about 30 agents set up insurance subsidiaries.

The first step is usually one of the most difficult, notes Andrew Barile, chairman of Andrew Edwards. The prospective captive owner must supply a list of historical and financial information to be used for a feasibility study, he says. While the data usually exists within the agency's books, "most agents don't want to analyze the information," he says.

Pulling it all together can be very time-consuming, Mr. Barile continues. The data must include such statistics as the amount and specifics of each loss on the agency's books broken out by classes of business.

A feasibility study needs "three years of good, solid premium loss experience," agrees Jack Hoffman, president of Southwest Insurance of Austin in Austin, Texas, who has assisted agents in setting up their own captives. "The feasibility study is really the backbone" of the project and has to be based on strong evidence, he says.

Steps in the study should include:

- Reviewing the financial statement to assess stability and strength. The potential captive owner should consider size, inherent risks, net current assets and



Richard P. Stitt, President, CU Personal Lines.

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Continued from previous page
ther alter some of the plans to scale down the proposed project or scrap the idea altogether—at least until some of the adverse factors change.

If the feasibility study indicates that a captive insurance subsidiary could be advantageous to the agency, the next step is to put some of the factors from the study into action, Mr. Barile of Andrew Edwards says.

The next step is to design a program. How the program will pan out depends on the agent's book of business and traditional markets, Mr. Barile says.

In this step the agent goes back to the insurer to set up a fronting arrangement. Be prepared to have to choose a different insurer than the one who already underwrites at least a portion of the business that will now flow through the agency captive, Mr. Barile notes. All policies that go through the agency's captive are issued by the same insurer.

'Problems set in when (captive owners) think that once the captive is implemented, the process is over. Agency captive owners must continually monitor the program,' Mr. Barile emphasizes.

Once a fronting relationship has been established, the agent and insurer work together to design a reinsurance program for the agency captive, choosing the reinsurers to take all or part of the agency captive's risk, Mr. Barile continues.

"The agent now knows where (his or her) book of business is placed," he notes. That information hasn't always been available, he adds.

In a traditional relationship between an agency and insurance company, it may not be known who reinsures the risk of the agents' clients.

While establishing the reinsurance program, the agency decides what formula to use in retaining some of the risk, Mr. Barile says.

Some agents are using a quota-share formula, he says. Using this formula, the agency captive takes a certain percentage of the entire risk and retrocedes the remainder, he explains.

For a \$1 million general liability policy limit, for example, the agency captive would participate to a certain percentage, say 5%, and retrocede the remaining \$950,000 to the reinsurance market.

Other agents are using the ex-

cess-of-loss formula for their captive insurers, Mr. Barile says. Using this formula, the agent simply retrocedes all of the risk above a certain amount. So, for example, with a \$1 million policy, an agency captive with a \$25,000 limit would participate to that amount and retrocede the remaining \$975,000.

An agent chooses one of these techniques using data from the feasibility study, Mr. Barile notes.

The final step in setting up an agency captive is capitalizing the insurance subsidiary following the regulations and procedures for the jurisdiction, Mr. Barile says. Also included at this point is formally establishing a relationship with the captive manager.

If the agency has been thorough with the steps leading up to this point, this step should go smoothly, Mr. Barile says.

How long the entire process takes varies depending on how well-prepared the agency is and how much business the principals

plan for the project, according to those who have assisted agents in setting up captives. The average length of time to establish a captive is about four months.

The project doesn't end with the agency captive up and running, Mr. Barile stresses. "Problems set in when (captive owners) think that once the captive is implemented, the process is over," he says.

"Agency captive owners must continually monitor the program," Mr. Barile emphasizes. Information used in establishing the agency captive may change, he says.

If, for example, fronting fees are too high, they must be renegotiated upon renewal, Mr. Barile suggests. "Or, the reinsurance program may change as the size of the captive changes."

An agent must keep a sharp eye on the captive insurance company so that a program designed to increase the profitability of the agency continues to do so as the market changes, he notes.

Captive formed for stability

PASADENA, Calif.—Providing a stable marketplace is important for agents and brokers specializing in animal mortality insurance.

That need spurred Rowan-Wilson Insurance Services to incorporate a captive insurance company early this year, says President Dodd Young.

The agency wanted to stabilize both the marketplace and the price for its clients in many aspects of the horse industry, he says, and the captive insurance company is a means to that end.

By participating in the market, the agency, through its captive, can help prevent clients from losing their insurer and, therefore, coverage. It can also protect clients from wild price fluctuations, he adds.

Rowan-Wilson, which was recently purchased by Corroon & Black Corp., actually owns 50% of the voting stock in Thoroughbred Insurance Co.

The Hartford Insurance Group owns the rest of the voting stock and its subsidiary, Hartford Fire Insurance Co., is the named insurer on policies reinsured by Thoroughbred.

The captive is managed by Abbey Overseas Group, a Bermuda-based management company owned by Hartford.

Along with Rowan-Wilson and Hartford, policyholders also share in the ownership of the new insurance company, Mr. Young notes, though they do not have a vote in the captive's management.

Holders of both classes of stock, voting and non-voting, share in the liability for losses, he says. And client shareholders, with a more stable marketplace, have the potential for a return on investment.

They receive dividends and have first claim on the assets of the new corporation upon liquidation.

Allowing policyholders to participate in their own insurance program was one of the reasons Hartford was interested in the program, says Vp John F. Donahue.

The insurer's "good reputation" in animal mortality risks was one reason the agency approached Hartford, Mr. Young says. However, less than 50% of the risks now placed with the captive were placed with Hartford before the fronting arrangement was established, he adds.

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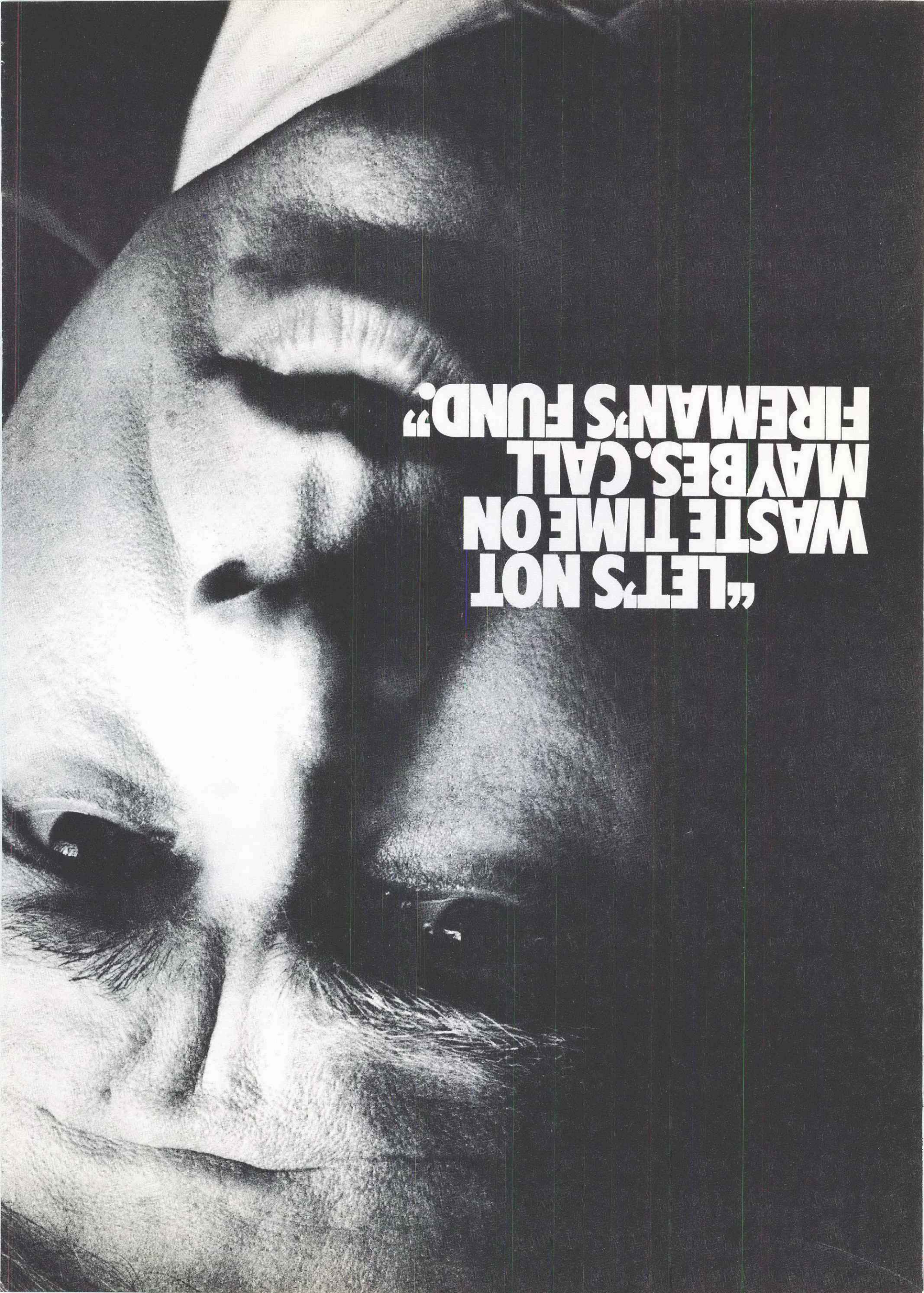
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Agents must weigh both pros and cons of forming a captive

A/BT

Do the advantages of an agency captive insurance company outweigh the disadvantages?

That depends on the agency's book of business and the market conditions it faces, according to agents who already own captives and consultants who have helped agents establish insurance subsidiaries.

Some owners of agency captives may enjoy advantages that other agents don't, depending on their business, one consultant notes, while other advantages and disadvantages are virtually shared

across the board under today's market climate:

- Potential profits are the most obvious advantage for agents who own captive insurers, the consultant says. By participating in the underwriting of the clients' risks, an agent can realize investment income directly, he explains.

Many agents welcome that opportunity as preferable to waiting for contingency commissions from the insurers that previously solely underwrote the risks.

- Stability is another advantage to agents who own captive insurance subsidiaries, notes David P. Delaney, partner in Delaney Offices Inc., a New York company that has helped agents incorporate their own captive insurance companies.

Agents don't have to worry about losing their markets for their key clients or classes of business, he explains. They have more control over the marketplace because they participate directly in underwriting.

The advantage of having a stable marketplace for risks benefits the clients, too, Mr. Delaney notes. "If an agent owns a captive insurer that provides him stability, he also creates stability for all his clients" whose risks are placed in the agency captive.

- A captive insurance subsidiary may lend an agent an opportunity to do estate planning, Mr. Delaney says. "Most agencies are closely held," he notes. "That (limited ownership) prohibits them from giving stock ownership to key employees."

But, by giving key employees ownership in a captive subsidiary, an agent can provide the benefit to employees while still maintaining a tight rein on the agency's ownership.

- A captive insurance company subsidiary can give an agent flexibility in underwriting, notes Elton George, president of Elton George & Co. in San Antonio, Texas, one of three agencies that own Western Fire & Casualty Insurance Co. Ltd.

The Bermuda-based insurer "expedites the writing of risks that don't fit treaty guidelines," he explains.

Mr. George and his partners formed the insurance company to gain that advantage, he notes. They formed Western Fire "to write smaller excess and surplus lines risks that (their) markets weren't interested in," he explains.

- Owning a captive insurer can teach an agent the ins and outs of the reinsurance market, says Andrew Barile, chairman of Andrew Edwards & Co. Inc. in New York. "That's one of the most important advantages of an agency captive."

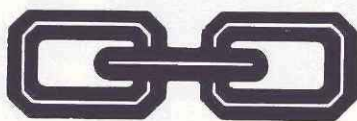
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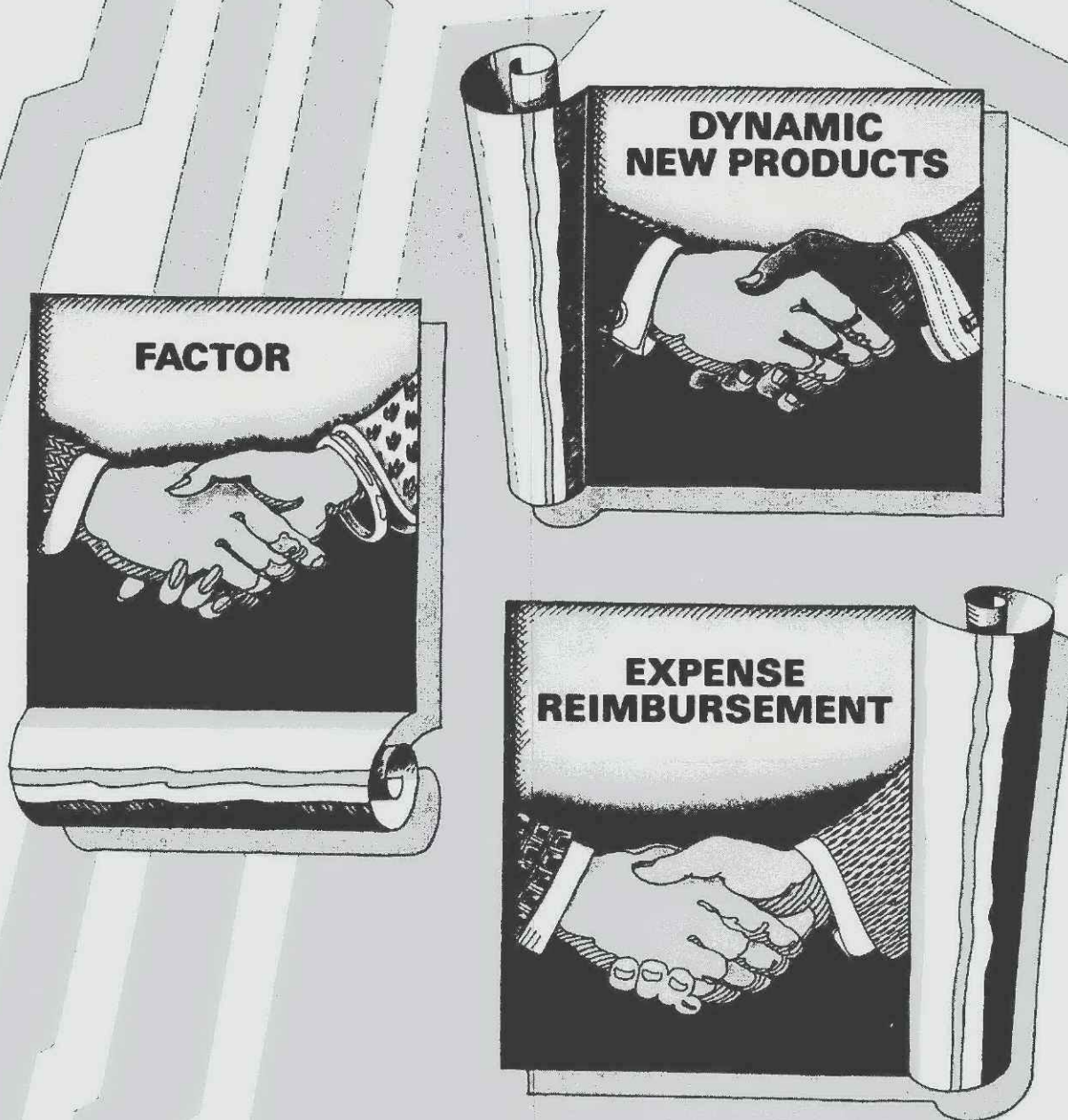
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- The insurer training a young producer for Insurance Management Associates Inc. was incorrectly reported in last month's article "Hiring and training producers isn't easy" (BI, Aug. 2). The insurer is United States Fidelity & Guaranty Co.



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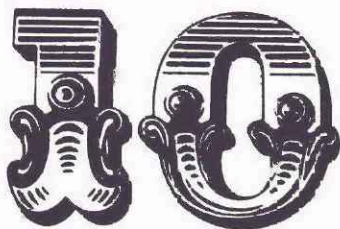


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Agency captives provide lessons in reinsurance

Continued from page 28H

The agent learns the nuances of underwriting and reinsurance and becomes more aware of concerns other than price, Mr. Barile explains.

"The reinsurance market plays an important role," he notes. "But today, an agent goes to the insurance company, and (the insurer) won't tell the agent how (it) reinsures" the risk the agent places with the insurer.

The process of setting up a captive insurer teaches the agent the reinsurance procedure, Mr. Barile comments.

"It's no different than what risk managers learned 20 years ago."

Owning an insurance company subsidiary isn't without disadvan-

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tages, agency captive owners warn:

- One disadvantage is that the agent captive owner could sustain an underwriting loss, says Richard Whynot, president of Reliance Risk Management Inc., a subsidiary of Reliance Insurance Co.

The agency could run into problems if its captive insurer doesn't have adequate capital, he says. Financial problems can also stem from not properly picking reinsurers on retrocession.

- Traditional markets' concern over an agency-owned captive can be a disadvantage to the agent at the beginning of the captive's life, says Ralph W. Swank Jr., secretary of Statewide Insurance Co., a subsidiary of Swank Insurance Agency in Waukegan, Ill.

Agents who own captive insurance companies may have to prove to their insurers that the agents aren't placing all the best risks in their own captives at the other markets' expense. Agents can prove that point to skeptical markets over a period of time, Mr. Swank says.

- Policyholder skepticism may be another hurdle for an agency captive owner, according to Mr. George. Some policyholders are reluctant to have their risks placed

A disadvantage of a captive is the the chance of an underwriting loss, Richard Whynot says.

with a Bermuda-domiciled company, he says.

- Agency-owned captive insurers are also at a disadvantage because they can't compete with licensed insurers by underwriting standard risks, a consultant notes. While the potential is present for an offshore insurance company to grow large enough to join the admitted market, they currently must work through a fronting arrangement, he says.

- Additional tax considerations may be another disadvantage for the agency-owned captive insurer, according to James Cameron, partner in the New York law firm of Baker & McKenzie.

The Internal Revenue Service may raise the question of arm's-length pricing, he says. The IRS may question whether the agency that owns a captive is accepting a smaller commission up front because the insurer issuing the policies for the captive is reinsuring the risk with the agency's captive, he explains.

- Groups of agents who jointly own a captive insurer may run into a tax problem when structuring the captive insurance project, Mr. Cameron adds.

Most agents who participate in a captive are looking for a share in the ownership tied into premium volume and relative profitability, he explains. All owners may start at relatively equal positions.

But, he continues, some agents may bring more business to the captive than others, or some may bring in more profitable business.

"This may cause hard feelings among the partners and make it difficult to keep the group together," Mr. Cameron says.

Potential grounds for dissension is one disadvantage single-agent captive owners don't face, Mr. Cameron adds.

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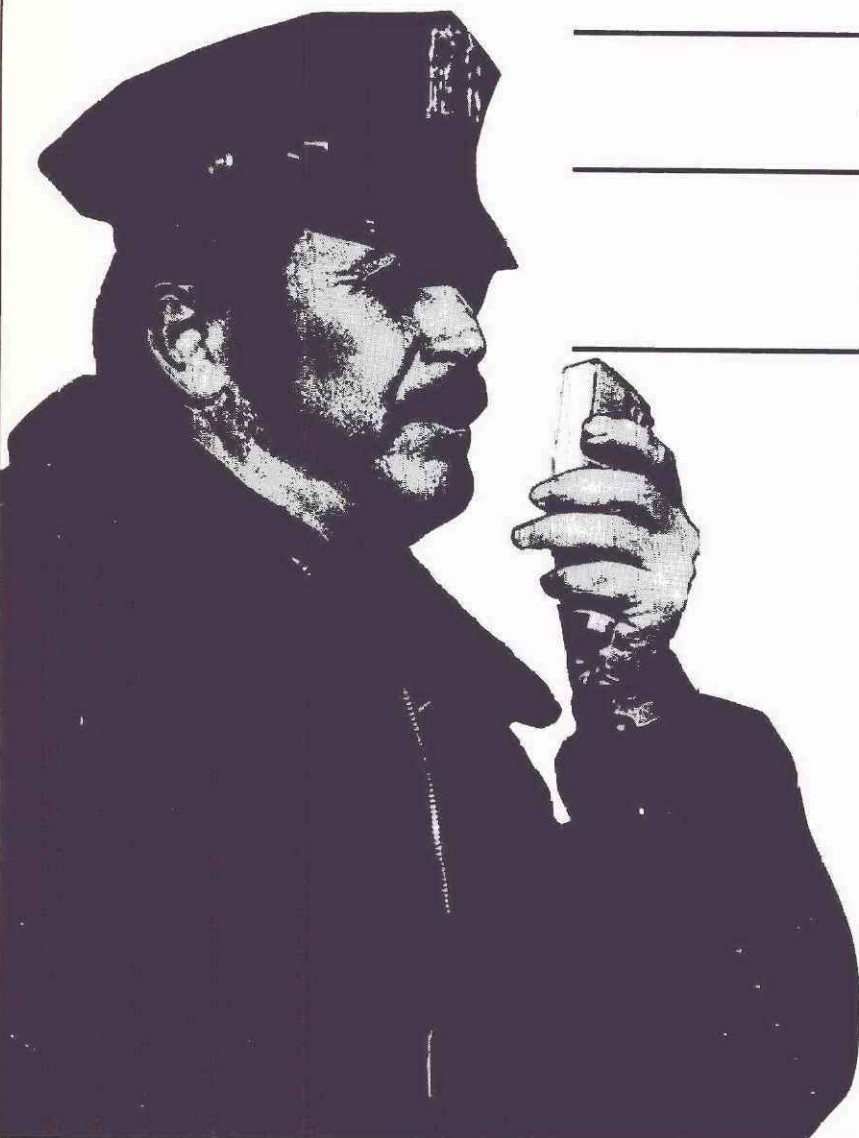
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Independents reappear after big brokers divest

By DAVE GALANTI

Every appetite has its limits. Five years ago, during a high-growth cycle for commercial agents and brokers, it would have been unthinkable for a major national brokerage to sell agencies it had earlier acquired.

Today, albeit on a very small scale, several former independent agents and brokers across the country are returning to that status after they are divested by larger firms. But it will not become a trend, the national brokers say.

So far this year, Alexander & Alexander Services Inc. has sold offices or portions of offices in Louisville, Ky.; Wichita, Kan.; and North Carolina. Chief executives of a Bayly, Martin & Fay subsidiary in San Diego, Calif., also split off from the parent to reform their previous independent agency.

At Alexander & Alexander, executives admit that the sale resulting in formation of Gordon & Brown Insurance Agency in Louisville and the purchase of A&A of Kansas by Insurance Management Associates Inc. in Wichita came on each other's heels. The proximity, however, does not indicate a trend, they say.

"The circumstances in Kansas and Kentucky were unique," says Frank W. Wieczynski, A&A's senior vp for non-insurance services and former chief of the A&A acquisition unit.

"In the Louisville case, we got into the market with a smallish firm and then made a big buy in Nahm, Turner, Vaughn & Landrum. Based on the feelings of the individual who owned the first firm we acquired, we had to make a change.

"We're certainly not doing an office-by-office survey of who to sell or anything like that," he adds.

"It's by no means a trend, but we have to do it (sell off agencies) from time to time," adds A&A Chairman John A. Bogardus Jr. "For example, we acquired some seven offices in North Carolina, including a couple of personal lines offices in small towns.

"Obviously, personal lines in small towns is not what we are about. As a result, we sold them off. We have no general plans to sell off agencies, but when we have a reason—as we did in Wichita—we will," Mr. Bogardus says.

In Wichita, A&A had lost some accounts to Insurance Management Associates, including The Coleman Co. Inc., a large Wichita-based manufacturer of outdoor equipment. The office had also been losing market share, dropping over time from \$12 million in premium volume to \$3.5 million (A/BT, Aug. 2).

IMA President William C. Cohen Jr. said the move allowed IMA to hire quality personnel and added to the independent's strength.

In Louisville, Bernard Gordon, new owner of Gordon & Brown Insurance Agency, would not comment on the change. He said, however, that he would be "selling insurance, just as before."

Bayly, Martin & Fay's sale of some of its San Diego business to a group led by Milton Cheverton has made that former independent agency owner very pleased, however. Mr. Cheverton says that he is anxious to begin his second term as an independent.

"We originally started business in 1952, then merged with another established agency later on," he says. "In the 1970s, the branch manager of the Bayly, Martin & Fay office here died and they decided to merge with us rather than replace him.

"Originally, I owned stock in the

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new subsidiary, but as the years went by, they gradually bought me out," he adds. "Eventually, we officially became Bayly, Martin & Fay of San Diego.

"A few people around here didn't like being owned by a large conglomerate, so we exercised our option to buy back part of our original business," he says.

Former members of BM&F who wanted to join the new Cheverton & Associates Insurance Services bought back the accounts they were working on and ownership is now split between Mr. Cheverton and his employees through an Employee Stock Ownership Plan.

"We're working on the same types of business as before—both commercial and personal lines risks," he says. "We have specialties in the bond, department store and contractor businesses. We're also going to beef up our personal lines department. I think that personal lines is too often ignored in a larger independent agency."

The new agency has about 20 employees.

Clients have taken the change well, he adds, partly because of the history of the Cheverton agency in San Diego and partly because the new group chose which accounts they would purchase from BM&F. In addition, San Diego has very few locally based national accounts. The smaller accounts that do exist are well-suited to the size of a

larger independent, he adds.

"Clients really only knew us through the old name—Cheverton & Bach—and so it seems like the old firm," he says. "We were also careful about whom we decided to buy, so it should work out all right."

Russell Miller, president of agency sales and valuation experts Russell Miller Inc., agrees that the sale of agencies by national brokers will never be a major trend. However, it will happen more frequently now as the brokers exercise good business judgment.

"We're seeing public brokers re-examine their acquisitions of previous years," Mr. Miller says. "They're comparing the history of their units' performances with the amount of corporate assets they tie up to see if it is worth retaining that

particular unit. Performers who are not meeting the overall criteria of the corporation are being spun off.

"Despite this, a sell-off will only occur in very special situations," he adds. "You will usually see it where a major broker has not been able to build an office into the same major force on the local level that the broker enjoys on the national scene. If the broker does not see a viable way to increase that presence, it will sell an office or business off."

This is just good business, especially in the current market, Mr. Miller says. With growth slowing, brokers have only so many assets available to them. Many are therefore switching these assets to areas that bring more return than property/casualty agencies.

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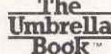


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Mutual insurer plans to cut agents' work

By DAVE GALANTI

MONTEREY, Calif.—Like a lot of other people, Charles Bancroft believes that the independent agency system is in trouble.

That's an old tune. But Mr. Bancroft, president of the California Mutual Insurance Co., wants to compose a modern melody to add new life to the system, his agents and his insurance company.

California Mutual and its sister company, American Eagle Insurance Co., are planning to take over agency administration for their agents and send the agents back to do what they do best—sell.

The trouble with the present insurance agency system, Mr. Ban-

A/BT

croft says, is that producers begin their careers selling, master that work, then turn to management. Then, lacking active, trained salespersons, agencies get beaten out by the more specialized direct writers.

"The American agency system is headed for trouble if it doesn't make changes in the way it markets its business," Mr. Bancroft says. "That's especially true in California, where in certain areas vast amounts of business are controlled by the direct writers or direct-response insurance companies."

"Now, some insurers are responding to this problem by taking their own underwriting functions and giving them to their agents. The only thing the insurers do is audit how things are going from time to time," he adds. "That's fine for some, but it's hard to pick in advance which agencies are ready for this move and which ones aren't."

"Only a few bad apples can ruin a program like this. And with constant personnel problems in larger agencies, switching underwriting functions to the agents creates real problems."

Mr. Bancroft's company wants to take the opposite approach—reduce an agent's tasks and expand sales time. His insurers, licensed to do business mainly on the West Coast, will also turn more profit.

"I think agents want to sell," he says. "We want to be able to work out an arrangement with these people where all they have to do is go out and sell. We'll split the underwriting profit evenly and in some cases provide stock in American Eagle so they are part owners of the company."

Mr. Bancroft also wants to prevent agency owners from having to sell their businesses.

"It really bothers me that agents have to sell out," he says. "Recently, for example, our oldest, largest agency sold out. We had lent it \$250,000 for improvement and most of that was still owed to us. When the agency went, the business went to some other insurer, too. About 45 years of effort and business went down the drain. I can't be mad, but I want to set up a plan where an agency can come to us first."

"We have to become more efficient as an industry," he says. "That means reducing paperwork and effort. What we want to do is accomplish that by taking over the hard work."

Insurers must become more important resources for their agents.

"We want to be able to say to agents, 'We'll finance you in business. If you want to own your own agency, we'll take over the management problems. If you want to get out of the business entirely, we'll see if we can put a man representing our company in your area to take over the business. Just let us help so that both of us may profit.'"

Mr. Bancroft says he has already had 20 requests from agencies about the program, even though it's still in the planning stage.

"I don't know whether we have the answer with all of this," he says. "But even if we don't, when the final plans are made, we have to find some kind of a solution that works. If we are to compete with direct writers, then we have to be competitive in price and efficiency."

"This program might result in us having more of a direct-writer flavor, but I'm not sure. We just want to find the most efficient system possible for all of us."

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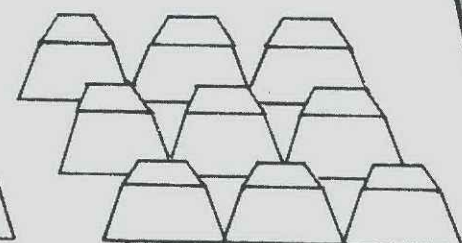
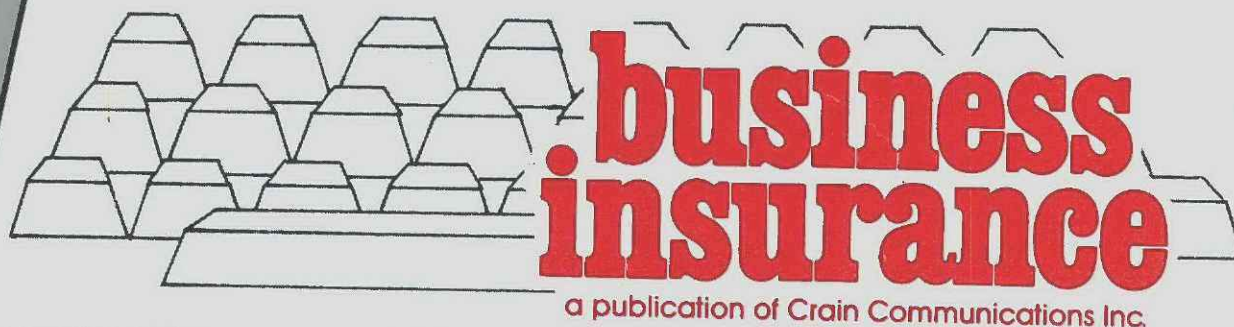
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EMPLOYEE BENEFITS: PERSONNEL ADMINISTRATION	SEP 27	Sep 14
	OCT 4	Sep 22
FINANCIAL SERVICES: FOR CAPTIVES & SELF-INSURERS	OCT 11	Sep 28
Employee Benefits Board Survey	OCT 18	Oct 6
REINSURANCE: NAI Conference	OCT 25	Oct 12
	NOV 1	Oct 20
NEW ENGLAND MARKET REPORT	NOV 8	Oct 26
Risk Management Board Survey	NOV 15	Nov 3
INTERNATIONAL INSURANCE	NOV 22	Nov 9
	NOV 29	Nov 17
	DEC 6	Nov 23
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Bankruptcy court may establish precedents

Continued from page 1

In deciding how the victims will be compensated, the judge might have to deal with the long-standing battle among insurers over whether exposure to asbestos or manifestation of asbestos diseases triggers insurance coverage (see story, page 31).

"There is a debate over the competency of bankruptcy judges to handle them (issues that state and federal courts normally handle)," points out one bankruptcy expert, Professor Robert E. Ginsberg of DePaul University Law School in Chicago.

Experts point out that bankruptcy judges have enormous discretion and power when it comes to resolving claims against a company in reorganization. Some typical ways Judge Lifland could dispense with the asbestos claims include:

- Estimate the number of present and future claims, set a value on them and create a fund from which plaintiffs will be compensated.

- Treat the lawsuits as a class action, possibly dividing the plaintiffs into several different classes where similar questions are involved.

- Lift the stay on lawsuits against Manville and let the cases proceed in state courts. If the plaintiff wins damages against Manville, he would then file a claim in bankruptcy court and be treated like any other claimant.

However, some believe the last alternative is not very likely. Such a method could defeat the purpose of the bankruptcy petition, which in part is to decrease Manville's asbestos litigation costs, Professor Ginsberg points out.

To other bankruptcy experts, the key question in the Manville case is not how the judge will dispose of the 16,500 pending cases but what he will do with future lawsuits.

What may be unusual in the case of Manville, notes Patrick A. Murphy, senior partner in the San Francisco law firm of Murphy, Weir & Butler, is the large number of "contingent and unliquidated claims." These were not normally required to be resolved by a bankruptcy referee as a condition of successful reorganization, but now are under the 1978 code.

"There is nothing unusual about

Manville is 'going to try to get rid of future claims, but I really don't understand how they're going to do that,' explains Douglass Boshkoff, a professor at the Indiana University School of Law.

the judge determining the liabilities," says Douglass G. Boshkoff, an Indiana University School of Law professor and member of the American Bar Assn.'s bankruptcy committee. "I think what is unusual about the Manville case is that they want to get rid of future claims."

A key issue in resolving these will be what is meant by the term "claim," and whether the definition decided on by the judge will permit future victims of asbestos diseases to come under the jurisdiction of the bankruptcy court, experts say.

"There is a real question of when the claim arises," says bankruptcy lawyer Mr. Murphy, echoing the now common debate among insurers over when an injury occurs: when a person is exposed to asbestos or when the disease manifests itself.

"Some people are walking around feeling fine, but they in fact have asbestosis... there are just going to be a lot of very interesting problems (in the Manville case)," Mr. Murphy adds.

Does everyone ever exposed to asbestos manufactured by Manville or its subsidiaries have a "claim" under the bankruptcy statute? Or must a prospective claimant wait until an injury or disease is "manifest" before he is considered to have a claim?

And, if the onset of the disease or injury occurs years after Manville is successfully reorganized, would the "claim" be against the new Manville Corp. or what's left of the pre-Chapter 11 assets of the old Manville Corp.?

The answers aren't clear.

Under the 1978 bankruptcy act, a claim means "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, secured or unsecured...."

The bankruptcy experts agree that the act intended to include product liability claims and all other debts within that definition. They also agree that a tort claim need not actually be filed as a lawsuit to be included.

"The definition of claim has been very dramatically broadened under the new (1978) code," says Herman Glatt of the Los Angeles law firm of Stutman, Treister & Glatt. Mr. Glatt, who chairs a bankruptcy committee of the American Bar Assn., declined to discuss the Manville case in detail because his firm has been retained by one of the parties in the case.

"A contingent claim is one which hasn't been proved yet, and it could conceivably cover claims which don't even exist yet," says Philip G. Shuchman, a professor and bankruptcy expert at Rutgers University School of Law in Newark, N.J. But he adds, "I'm not sure."

"They're going to try to get rid of future claims," says Mr. Boshkoff of Indiana University. "But I really don't understand how they're going to do that."

"Anybody who is sick today is going to have a claim and has a right to come into the bankruptcy proceedings whether they've filed a claim or not," he adds.

Several bankruptcy experts predict Judge Lifland would order Manville to establish some sort of fund in anticipation of future claims by asbestos victims as a condition of the company's reorganization.

However, Manville's own description of its potential liabilities vs. its net worth suggests such a fund would only partially compensate asbestos victims.

In its bankruptcy petition, Manville said an independent study showed it faces a potential \$2 billion in present and future asbestos claims, yet the company's net worth was estimated at \$1.1 billion. To pay even half of the

likely claims would require a complete liquidation of Manville's assets.

DePaul University's Mr. Ginsberg said that all potential claimants would have to be notified of their contingent claim and that some might receive compensation even if they never come down with an asbestos disease.

Mr. Shuchman of Rutgers suggested the bankruptcy court will likely adopt a class-action style approach to notifying potential asbestos claimants through newspaper advertisements or mailings, using old records of the addresses of shipyard employees and/or union members.

It is too early to predict what role Manville's insurers will play in the bankruptcy proceedings once the number of claimants is defined.

Ordinarily, however, a debtor like Manville is allowed to make allegations against others over circumstances leading to the Chapter 11 filing and those parties—like insurers that Manville claims owe a duty to defend and settle claims—then have the right to enter the bankruptcy proceedings to defend their actions.

Manville sued its insurers in San

Francisco Superior Court in 1980 and on Aug. 26 raised to \$5 billion the amount of damages it seeks against some of them.

Bankruptcy lawyer Michael L. Cook of the New York law firm of Skadden, Arpes, Slate, Meagher & Flom, said he expected that Manville will continue the insurance dispute in the California court, where rules favor a plaintiff, rather than bringing the dispute before the federal bankruptcy court in New York.

Mr. Cook's firm had already been approached by one of Manville's insurers for advice on bankruptcy law.

But Mr. Ginsberg of DePaul said that Manville might prefer to remove the case to bankruptcy court but might not do so in the wake of the U.S. Supreme Court decision that said bankruptcy judges may not hear such a case.

Whether they will be granted such power by Congress must be decided by Oct. 4.

Manville's general counsel, Richard Von Wald, says the company does have the right to remove the case to bankruptcy court and that it is a possibility, but no decision has been made.

Reorganization not risk-free

While some attorneys believe that Manville Corp.'s reorganization move will greatly benefit it by resolving asbestos litigation, it does present a number of risks for the company.

Among them are the possible loss of the confidence of investors, creditors and consumers, says David Epstein, professor of law at the University of Texas.

In addition, there is the threat that the value of the stock owned by shareholders could be devalued.

"They may end up with nothing but wallpaper," Professor Doug Baird of the University of Chicago Law School says.

Manville common stock traded at \$7.88 a share at the close of business Aug. 25, the day before the company filed its petition for reorganization under Chapter 11 of the Federal Bankruptcy Act. The stock was trading for \$5 a share one week later.

Owners and managers of the corporation will be closely scrutinized

by the bankruptcy court and creditors and "will not be in control of their own destiny anymore," Mr. Baird said.

"The risks are immense," adds Professor Robert E. Ginsberg of DePaul University Law School in Chicago.

He pointed to the intangible cost of possibly being dropped as one of the companies included in the Dow Jones 30 industrials average, or having stock value decline.

There also is no guarantee Manville will be successful in its attempt to reorganize, he pointed out.

The company could ultimately be sold off piece-by-piece to meet its obligations, will be faced with very large attorneys' fees and will need the permission of the bankruptcy court for various expenditures, Mr. Ginsberg said.

Manville has four months to come up with a plan for reorganization. If it does not, other parties have a right to propose one.

Federal asbestos solution not expected soon

By JERRY GEISEL

WASHINGTON—While Manville Corp. hopes its drive for reorganization will prompt Congress to solve the overwhelming problem of asbestos litigation, it won't see any quick action.

A House panel will meet this week to look at the ramifications of Manville's Chapter 11 petition, but there's no chance Congress will act this year—nor even next year—on legislation to create an efficient system of dealing with the growing number of asbestos injury suits.

In fact, experts say, it could be several years before Congress acts on this controversial issue.

The Sept. 9 hearing by the House Labor Standards subcommittee was called by Rep. George Miller, D-Calif., the panel's chairman. The session will give bankruptcy law experts a chance to testify on how Manville's action will affect the thousands of claims filed by workers who were exposed to asbestos.

But that's as far as it will go.

"There is a lack of consensus on how the issue should be dealt with," said Eric Oxfeld, an employee benefits attorney with the U.S. Chamber of Commerce. "Congress will be tied up in knots on this for awhile."

The Asbestos Compensation Coalition, a nine-member industry lobbying group, agrees congressional action is unlikely now and is already looking ahead.

But Manville's unorthodox filing under Chapter 11 of the Federal Bankruptcy Act has increased interest in Congress to find a way to compensate victims of asbestos and other occupational diseases.

"Manville is playing its trump card," said the Chamber's Mr. Oxfeld. "Unless something is done, the problem could be dumped into the federal government's lap. That will put pressure on Congress to resolve the problem."

Congress already has one major asbestos-related proposal before it, but the asbestos coalition is pushing draft legislation that would require the federal gov-

ernment to contribute half to the cost of establishing a compensation fund for asbestos victims.

The bill pending in Congress now—the Occupational Health Hazards Act, introduced by Rep. Miller—is not as radical as the legislation proposed by the coalition. Rep. Miller's bill would federalize occupational disease claims, like those prompted by exposure to asbestos, but not ask for government contributions.

Under the Miller bill, which already has been severely criticized by insurers and business groups (BI, March 22), the last employer responsible for exposing a worker to asbestos would have to pay up to two-thirds of the pre-disability earnings and complete medical benefits.

All occupational disease claims would be filed with the Labor Department's Office of Workers' Compensation Programs, which already has been criticized for its poor handling of worker claims filed under the federal Longshoremen's and Harbor Workers' Compensa-

tion Act.

But insurers and businesses objected to Rep. Miller's bill because they fear it could lead to federalization of workers compensation programs.

In contrast to the Miller bill, the asbestos coalition proposal would use state workers compensation programs to determine how much compensation a disabled worker should receive (BI, June 7), and then make payments from a government/industry compensation fund.

If a state workers compensation board, for example, found that a worker was 10% disabled because of exposure to asbestos, the worker would get 10% of the maximum benefit payable by the federal trust fund.

A key provision of the bill is that workers who tap the compensation pool cannot turn around and sue the asbestos producers who participate in the fund.

A company's annual contribution to the fund would be based on its exposure to suits and its actual litigation experience.

Status of bankruptcy act could affect case

Hanging over the head of Manville Corp.'s reorganization petition is the question of the current status of the Federal Bankruptcy Act of 1978.

On June 28, the U.S. Supreme Court ruled that the law was unconstitutional because it vested power in bankruptcy judges that the U.S. Constitution said they should not have.

However, the court gave Congress until Oct. 4 to amend the law to conform to constitutional requirements. So far, no action has been taken.

The high court's decision in Northern Pipeline Construction Co. vs. Marathon Pipe Line Co. and the United States said that bankruptcy judges, as created by the bankruptcy act, should not be able to hear cases outside of

bankruptcy.

The 1978 act significantly broadened powers of bankruptcy judges, and granted them jurisdiction over all "civil proceedings arising under Title 11 (Chapter 11 reorganization proceedings) or arising in or related to cases under Title 11."

The Supreme Court said, however, that the ability to hear such cases should be reserved for judges with life tenure and whose salary could not be diminished, as required by Article III of the Constitution.

Bankruptcy judges, however, are to serve only 14 years, their salary could be diminished and they are subject to removal by judicial councils for misconduct and incompetence.

One attorney has said that a way in which the matter could be remedied would be if Congress were to give bankruptcy judges lifetime tenure and could not threaten them with reducing their compensation at any point.

Northern Pipeline filed a petition for reorganization in bankruptcy court and subsequently filed a suit against Marathon in the same court alleging, among other things, breach of contract.

Marathon sought dismissal of the suit on the constitutional grounds that the bankruptcy judge had no jurisdiction over such matters.

The bankruptcy court then denied the motion, but a federal Court of Appeals granted it and the Supreme Court affirmed the appellate ruling.

The Supreme Court majority

opinion, authored by Justice William J. Brennan Jr., concludes that bankruptcy judges, who are appointed by the president of the United States to 14-year terms and whose salaries are set by statute, are not judges within the meaning of Article III.

As a result, the high court concluded, bankruptcy judges cannot exercise all the powers of a regular federal judge. This raises a question in Manville's case of whether the bankruptcy court can be tapped to decide Manville's asbestos product liability litigation. If it couldn't, it would defeat the purpose of Manville's filing for reorganization—to get relief from the overwhelming asbestos litigation.

In an unusual conclusion, however, Justice Brennan wrote that

the Supreme Court invalidation of the bankruptcy judges' powers wouldn't take effect until Oct. 4 to give Congress time to revamp the statute, and even then only "prospectively."

The opinion provides no hint of whether "prospectively" means the bankruptcy courts will have reduced power over pending cases like Manville's after Oct. 4, or whether the term is meant to hold immune from challenge any actions of the bankruptcy courts taken prior to that date.

The decision was based on Article III of the Constitution, which says that federal judges "shall hold their offices during good behavior and shall, at stated times, receive for their services a compensation, which shall not be diminished during their continuance in office." ■

Manville sues its insurers for still more

SAN FRANCISCO—Claiming its insurers' wrongful conduct forced it into bankruptcy, Manville Corp. wants an additional \$5 billion in damages from some of them.

Manville has asked the San Francisco Superior Court to allow it to amend a 1980 suit that sought a declaratory judgment in which insurers are liable for asbestos claims and damages. However, the court has not ruled yet if it will accept the new suit that would increase damages sought from certain insurers by \$5 billion.

The insurers who would be tapped for the additional punitive damages include Travelers Indemnity Co., Commercial Union Insurance Co., Sun Insurance Office Ltd., Sun Alliance Insurance Co., The London Assurance, Canadian Indemnity Co., Peerless Insurance Co., Bird and Cos., Rokeby-Johnson and Cos., The Home Insurance Co., Aetna Casualty & Surety Co. and Insurance Co. of North America.

The suit says insurers breached implied covenants of good faith and fair dealing with Manville and that some deliberately espoused a "manifestation" interpretation of insurance contracts so as to limit their liability.

The manifestation theory says insurers on the risk when the disease manifests itself are liable.

The litigation against the insurers dates back to 1980 when Manville sued 27 insurers who had been on its liability risks dating back to 1934. Its suit said they wrongfully refused to pay indemnification and defense costs in asbestos litigation.

The suit requests a declaratory judgment on the interpretation of Manville's comprehensive general liability policies as they relate to asbestos injuries. Manville, like many other asbestos manufacturers and their insurers, wants a ruling on when bodily injury from asbestos occurs to determine what insurers are liable for injury claims.

The question is does an "injury" occur when the plaintiff is exposed to the asbestos fibers or when the asbestos disease manifests itself.

The amended complaint mentions that Manville has been sued by nearly 5,000 claimants in California alone.

Because most of its insurers are not paying any claims now, Manville has been forced to pay from its own funds more than \$24 million in jury awards or settlement agreements and in excess of \$7.5 million for property damage. Another \$23.5 million has been spent in defense costs, the complaint says. ■

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Affidavit details Manville's costs

By BILL DENSMORE

NEW YORK—Nearly one-fifth of what Manville Corp. is spending on asbestos-injury cases is going to pay defense lawyers rather than victims, according to court documents and company statements.

A detailed accounting of Manville's experience with asbestos claims is contained in an affidavit of Manville Treasurer James F. Beasley attached to its Chapter 11 petition in U.S. Bankruptcy Court.

It reveals Manville has so far paid \$57.6 million to dispose of claims and is appealing another \$14.7 million worth of judgments in 23 pending verdicts. Both totals exclude legal defense costs, which, according to a Manville spokesman, currently average about \$7,500 a case.

Manville also estimates the present cost to dispose of a typical claim would be about \$40,000, even though the average claims disposal cost for the past six months is somewhat less.

"The cost to settle a case on June 30 was a lot more than the cost on Jan. 1," says Richard B. Von Wald, vp and corporate counsel for Manville. "A six-month average is not what it currently costs us."

Assuming the current typical case, this estimate means an asbestos injury victim would be paid \$32,500, from which he or she would have to pay a personal attorney's fee.

Under the "contingent fee" system, plaintiffs' lawyers often contract with clients to receive one-third of any claim, although the amount is negotiable and generally not publicly disclosed.

A one-third contingent fee would leave a typical claimant with \$21,666 on a claim which cost Manville \$40,000.

According to Mr. Beasley's statement:

● As of June 30, Manville "disposed of" 698 claims so far this year at an average cost, excluding defense legal fees and expenses, of \$18,690 per claim. For all of 1981 and 1980, the comparable average claims cost was \$15,025 and \$22,710, respectively.

The cumulative average claim disposal cost was \$16,600 as of June 30 for the 3,470 claims resolved to date, excluding defense legal costs and verdicts in 23 cases still subject to review or appeal. That multiplies out to \$57.6 million.

● Assuming all 23 appeals are lost, the average disposal cost for 3,493 cases rises to \$20,690 per claim, the affidavit says, which computes to a \$71.3 million to date. The difference between \$71.3 million and \$57.3 million is the amount of the verdicts still pending.

● As of June 30, Manville or its subsidiaries were defendants in 11,000 asbestos health lawsuits brought by about 15,550 individual plaintiffs, up from 9,300 cases at the end of 1981 and 5,087 cases at the end of 1980.

● During the first half of 1982, Manville was named as a defendant in an average of 425 new cases per month, up from an average of 400 during 12 months of 1981 and 230 in the 12 months of 1980.

● During 1981, Manville or its subsidiaries were found liable by juries for punitive damages in five separate asbestos-related actions which are now on appeal. The average award of punitive damages for the five 1981 verdicts and five more in 1982 is \$616,000 per case.

Plaintiffs' attorneys ask judge to let asbestos suits proceed

Continued from page 1

Another attorney for an insurer named in Manville's suit says the Chapter 11 proceedings will not affect the pending litigation against insurers.

But it may change any move toward interim funding arrangements by insurers pending a resolution of the case, according to Barry L. Bunshost, an attorney for certain Lloyd's of London underwriters with the San Francisco firm of Hancock, Rothert & Bunshost.

Mr. Bunshost said Manville has been seeking interim funding from its insurers but that its filing for reorganization might relieve it of immediate cash-flow problems, causing insurers to reconsider such a move.

One of the questions insurers are re-evaluating is "what are Manville's true interim funding needs," he said.

Mr. Bunshost also played down the impact of Manville's request of \$5 billion in punitive damages. "It doesn't cost anymore to put down \$5 billion (on a suit)," he said. "There's no legal significance to it. The question is what can you prove."

One possible effect of Manville's reorganization move is that it could force other asbestos defendants to pay more if the underlying litigation by asbestos victims continues unabated.

If Manville does not have to pay its portion of asbestos claims, other companies will have to pay more, exhausting their insurance coverage more quickly, said Howard Mileas, general counsel for Keene Corp., another defendant in asbestos litigation.

But it is not at all certain that this will happen, he added.

The chairman of one asbestos

company said he was "stunned and shocked" by Manville's filing and that it "points out what a serious social problem we have."

John L. Baldwin, chairman and chief executive officer of Pittsburgh-Corning Corp., said he didn't know if other companies would follow in Manville's direction and that his own corporation was not considering a similar filing.

Manville's petition could, however, adversely affect employees of other asbestos companies who may worry that their employer will also seek reorganization, he added.

Product liability expert Victor Schwartz of the Washington law firm of Crowell & Moring said Manville's move indicates there "are certain characteristics suggesting that the tort system may not work."

He said tort systems may not work whenever you have more than 10,000 claims stemming from one product, a long period of time between exposure and injury, where the plaintiff is burdened by

difficult problems of proof, and/or where you have substantial lawyer or transaction costs.

"All the characteristics are present here," Mr. Schwartz said.

Manville, in an advertisement appearing Aug. 26 and 27 in newspapers across the nation, said if it did not file for reorganization now to solve the asbestos problem, its business would have suffered drastically.

Richard Von Wald, Manville's corporate counsel, however, said that 10 punitive damage verdicts against the company in the past 1½ years were "not a principal element" in the decision to file for reorganization, although they were considered.

He also said that while the company relied on a recent outside study that projected another 32,000 suits from asbestos victims, other studies it rejected predicted even more. He added that future settlements will "not involve paying 100% on the dollar" to victims. ■

NAIC beefing up monitoring

MILWAUKEE—The National Assn. of Insurance Commissioners is stepping up its ability to evaluate the solvency of unlicensed insurers and reinsurers, Staff Director E. Benjamin Nelson says.

The association has hired Ernest Fennell, formerly a vp at Kemper Reinsurance Co., to help NAIC task forces design model legislation on insurer and reinsurer monitoring and to expand its non-admitted insurance information office.

Mr. Fennell, formerly chief deputy and acting commissioner of the Arkansas Insurance Department, is a nationally known expert on insurer and reinsurer security and insurance fraud.

While with the Arkansas department, Mr. Fennell participated in a variety of insurance fraud investigations, including the closing in 1969 of Community National Life Insurance Co. of Oklahoma.

"The monitoring of non-admitted insurers and reinsurers has always been a priority for the NAIC," Mr. Nelson noted.

"But it's all the more important at this time. Mr. Fennell's ability to seek and obtain information on alien insurers is formidable and well-known. His skills will be a tremendous asset to our non-admitted insurance information office and a great resource for our task forces." ■

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Insurance Management:
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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
Others allied to the field 854

TOTAL 41,232

*Source: Business/Occupational
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New theory centers on flying in heavy rain

Continued from page 3

unusually heavy rain as the plane crashed. If the lawyers can prove the plane flew through heavy rain and stalled as a result, they may argue Boeing should have warned about the possibility of rain causing a stall.

Insurers for Pan Am, led by the U.S. Aviation Underwriters Inc. of New York, also have sought information about the rain theory, *Business Insurance* has learned.

Unless they can pin some liability on Boeing, Pan Am's insurers probably will bear the brunt of the \$75 million to \$100 million in estimated claims resulting from the New Orleans crash (*BI*, July 19).

Boeing, with at least \$500 million in liability insurance through the London market, would be well-protected if it were determined that it in some way contributed to a crash, but it could still be stung if it had to pay for aircraft modifications and could suffer adverse publicity if it admits any design oversights.

Ever since the June 24, 1975, crash of an Eastern Air Lines 727 that was approaching New York's Kennedy International Airport during a thunderstorm, aviation experts have studied and warned about the effects of sudden shifts in wind direction, commonly called wind shear. Such shifts are often associated with thunderstorm cells near the ground and present the danger that aircraft in the midst of such a shift may stall or be slammed to the ground.

But the idea that extremely heavy rain could produce a similar loss of lift has only been advanced in the last year.

Two researchers at the University of Dayton Research Institute, using a computer model, suggest that heavy rain temporarily roughens the wing surfaces of an aircraft and creates drag, inhibiting the wings' ability to provide lift. That heavy rain can roughen an otherwise smooth surface over which it passes is obvious, they say, to any driver who has attempted to peer through his auto windshield during heavy rain.

"No aircraft manufacturer, regulating agency or research group (has) ever issued a warning concerning the possible detrimental effects of heavy rain on the lift, drag and stall characteristics of an aircraft," the two researchers, James K. Luers and Patrick A. Haines, say in a report on their work.

"If it could be shown that avoidance of heavy rain greatly reduces the probability that a pilot will encounter conditions which are beyond the control capabilities of the aircraft, then the occurrence of accidents/incidents in heavy rain could be drastically reduced."

Their theory had never been tested in actual flight or in a wind tunnel. Last month, however, engineers at the National Aeronautics and Space Administration's Langley Research Center in Hampton, Va., ran a simple test.

The NASA researchers simulated winds of 140 knots passing over a 6-foot-long model airplane wing and then, using an array of nozzles, sprayed droplets of water on the front of the wing. They measured the lift produced by the wing with and without the spray.

Their instruments sensed a 10% to 20% loss of lift under simulated conditions of "extremely heavy rain," according to R. Earl Dunham, a NASA aerospace technologist involved in the research. Mr. Dunham says the result is inconclusive, however, because of the difference in size between the test wing and an actual aircraft wing.

"It's an indication that the rain does change the aerodynamic characteristics of the wing some-



Photo: Wide World

A rescue worker stands on the wing of the tangled Boeing 727 jetliner after it crashed during a storm in a New Orleans suburb in July.

what," he says.

In an effort to learn whether heavy rain could have played a role in the New Orleans crash, the National Transportation Safety Board has asked a NASA official to testify Sept. 14 at public hearings into the New Orleans crash, Mr. Dunham said.

NTSB crash investigators confirmed they plan to seek testimony on the subject but said that doesn't necessarily mean they regard it as a factor in the crash, which most aviation experts have attributed to wind shear.

But in the crash of the Jordanian airliner in Qatar, the theory is being pursued. Messrs. Luers and Haines have been retained by Alia's attorneys to testify on their rain-effect theory.

The airline and Boeing are defendants in a suit brought by the family of Bernard G. Drummund, a Pittsburgh executive killed in the Alia crash. In a court-filed transcript of testimony given June 11, 1981, in Seattle, Boeing's director of flight training testifies that Boeing advised airlines to "stay clear of thunderstorms" and known areas of flight shear when flying below 500 feet.

In his testimony, Jack Waddell testified that Boeing recommends pilots who encounter wind shear "put on power, hold the speed you've got and climb out of the wind-shear condition," even if the aircraft is traveling at near stall speed.

An aircraft's "stall speed" is the speed below which drag exceeds lift and the plane begins to sink instead of climb. It occurs when the plane is flying too slowly, when the pilot raises the nose too high or when the wing surfaces are dirty with snow or ice.

On commercial aircraft, sensors activate a motor that jiggles cockpit controls when a stall is imminent. But those sensors don't take into consideration any loss of lift due to wing contamination.

If the Pan Am pilots followed Boeing's instructions for flying in a

wind shear, raised the nose and then encountered an extremely heavy rain squall, their 727 aircraft could have stalled with no cockpit warning.

The NTSB transcript of sounds heard on the 727's cockpit voice recorder reveals that investigators did not hear a "stick-shaker" stall warning device that is normally audible on such recordings if it is activated by the plane's loss of altitude.

However, crash investigators also did not hear sounds of heavy rain on the cockpit windshield, either because there was no heavy rain or because such a sound was obscured by the overall poor quality of the recording.

If their rain theory is correct, Messrs. Luers and Haines say, a pilot should not immediately raise the nose and try to climb in extremely heavy rain, but should first try to raise the plane's speed considerably above stall speed. They say the loss of lift from extremely heavy rain is probably worst when the airplane's nose is raised.

"If that's true, then Boeing has real exposure," says Wendell H. Gauthier, a Kenner, La., attorney who represents families of several victims of the Pan Am crash.

In his 1981 deposition in the Alia crash, Boeing's Mr. Waddell testified he was aware of rain-theory research from an unidentified article he had read earlier in 1981.

"My interpretation of the article was that it was highly speculative and contained very little test substantiation for its principles," he testified.

Boeing, the nation's largest and most profitable commercial aircraft manufacturer, also is fighting allegations that it knew about a control problem on another jetliner model, the twin-jet 737 involved in a January crash in Washington, D.C.

The NTSB concluded Aug. 10 that the "known inherent pitch-up characteristics of the B-737 aircraft" when it has ice on the wings contributed to a Jan. 13 crash of Air Florida's Flight 90 near Washing-

ton National Airport that killed 78 people (*BI*, Aug. 16).

Air Florida has given the NTSB a copy of a June 1 letter it received from Boeing Commercial Airplane Co. in which the Boeing division says it plans a service bulletin on how to modify the wing anti-icing system on the 737 so it can be used on the ground as well as in flight. The letter does not mention whether the modification will be required by the government nor who will pay for the cost of modification.

In the Washington crash, the

NTSB concluded the pilot probably took off with snow, ice or slush on the wings, causing the plane to stall and plunge into the Potomac River. Federal regulations prohibit taking off with dirty wings and such dangers are well-known to pilots.

Boeing's liability coverage of at least \$500 million is underwritten by Lloyd's of London, led by D.L. Dann & Others Syndicate. The Ariel Syndicate had been lead underwriter until June 1 when the coverage was renewed through broker Johnson & Higgins of Washington Inc. in Seattle. ■



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Congress may ignore many pending bills

Continued from page 3

The groups said they were concerned about provisions in the bill that places a 5% annual cap on benefit increases to injured workers and limits the scope of longshore coverage to those engaged in maritime employment.

"We were surprised at labor's objections," Mr. O'Day said. "Perhaps, our signals got crossed. We thought we had an agreement had been reached."

Although only four weeks remain before the end of the session, there is still plenty of time to pass longshore reform if labor, insurers and employers can iron out remaining differences, experts say.

The longshore reform bill, introduced by Sen. Don Nickles, R-Okla., would among other things:

- Place a 5% annual limit on benefit increases payable to injured workers. Currently, benefits are increased every Oct. 1 to match the annual increase in the national average weekly wage.

- Make sure only salary and not benefits, like employer-provided health insurance, are considered as wages during computation of an injured worker's weekly benefit.

- Eliminate death benefits to survivors of workers who die from causes unrelated to an on-the-job injury.

- Overturn a 1979 Supreme Court decision that widows of longshore workers are entitled to two-thirds of the deceased workers' wages without an upper limit. In-

stead, the bill would limit survivors' benefits to 200% of the national average weekly wage up to a maximum benefit of \$496.

- Exclude from the federal program workers who build and service recreational boats—vessels less than 65 feet long—unless they are unable to obtain benefits under a state workers compensation program.

In addition, the bill excludes from coverage such dockside workers as clerks, security guards, marina employees and data processing employees.

In another liability area, the future of legislation sponsored by Sen. Robert Kasten, R-Wis., that would establish a uniform nationwide product liability law may depend whether the Reagan administration decides this week to support it (see story, page 26).

Unless the administration gives its support to S. 2631, or at the least does not oppose it, Senate Commerce Committee Chairman Robert Packwood, R-Ore., will let the bill die in committee.

If that happens, a bill introduced next session would be subject to another round of hearings, and it could take until 1984 before Congress seriously considers federal tort reform.

"We need a committee vote and report," said Victor Schwartz, counsel for The Product Liability Alliance, a group of more than 200 employers and insurers trying to develop a business consensus on

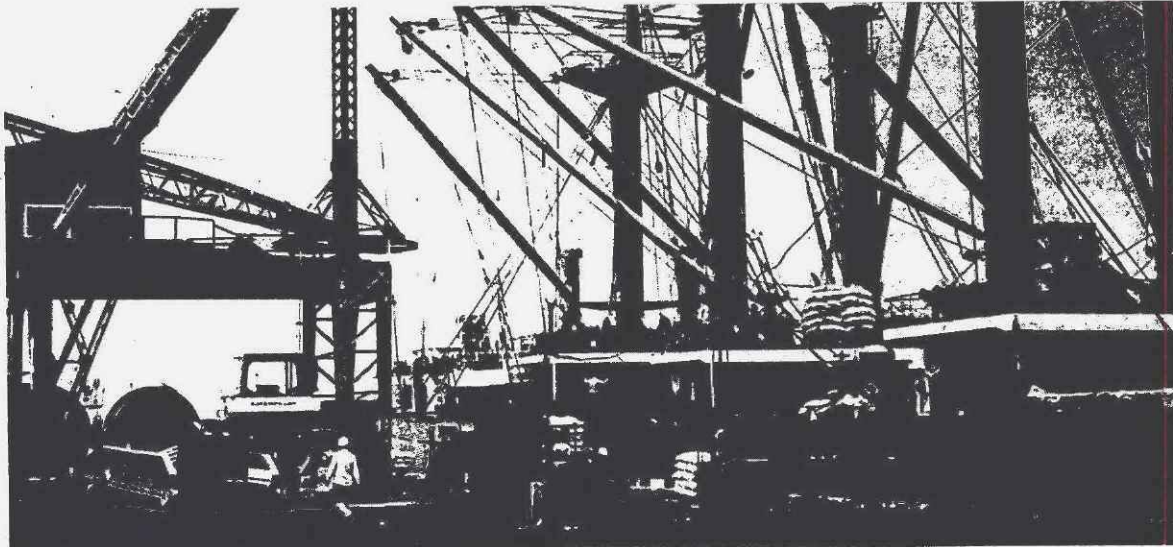


Photo: Steve Sherwood

Experts say Congress could pass a bill that would limit the benefits injured longshoremen receive.

federal product liability issues.

In the benefit arena, Congress may not act on a pending request by the Pension Benefit Guaranty Corp. to raise the annual insurance premium employers with pension plans pay to \$6 per plan participant from \$2.60.

The premiums are used by the PBGC to guarantee pensions of workers whose companies fail and cannot pay promised pension benefits.

The PBGC wants the premium hike to erase a \$200 million deficit as well as meet an expected increase in claims.

But some legislators, like Sen. Nickles, won't act on the PBGC's request until more comprehensive pension legislation is approved that would reduce the agency's exposure.

However, legislation, S. 1541, which would, among other things, make it tougher for companies to dump their underfunded pension plans on the PBGC, is stalled in both House and Senate committees.

That delay suits some business groups just fine. "It is better to have a carefully drafted bill that takes care of the long-term problems in the Employee Retirement Income Security Act than a quick fix," said Jeff Hart, executive director of the Assn. of Private Pension & Welfare Plans.

Even if Congress does not approve the PBGC's premium in-

crease this year, the agency is quick to point out that it is not in any danger of running out of funds to pay benefits to workers and retirees whose pension plans have been terminated.

"We don't have any cash-flow problems," a PBGC spokesman said.

However, if there is a delay, "We'll have to get a bigger increase at a later point," said Edwin Jones, the PBGC's executive director.

In addition, bills that would require employer to offer their employees a choice of health insurance plans are unlikely to make it out of committee this year.

Although several legislators, like Rep. Richard Gephardt, D-Mo., have sponsored so-called pro-competition bills, the issue hasn't attracted broad-based support in Congress, experts say.

Furthermore, the Reagan administration has yet to give its blessing to a specific proposal.

Legislation that would give states more power to regulate self-funded multiple employer trusts also faces an uphill battle (BI, May 31), although there apparently is no opposition to the bill.

Congressional awareness of the problems state regulators have encountered in controlling self-funded METs is not very high.

Several self-funded METs, which offer group health insurance to small employers, have collapsed, leaving behind millions of dollars

in unpaid medical bills.

The legislation, H.R. 6462, sponsored by Rep. John Erlenborn, R-Ill., would make it clear that unless a self-funded MET was certified by the Labor Department as an ERISA benefit plan, a state would have the authority to shut it down as an unauthorized insurer.

A last-minute push is expected by Rep. Claude Pepper, D-Fla., and Sen. John Heinz, R-Pa., for the approval of legislation that would eliminate mandatory retirement in private industry. Currently, companies can force their employees to retire at age 70.

"Mr. Pepper is really pushing to get his bill passed," said Michael Romig, director of employee benefits at the U.S. Chamber of Commerce.

However, most experts believe that Congress wants to give the idea more study before acting. In addition, business groups, like the National Assn. of Manufacturers, have been lobbying against the proposal.

If Congress does return for a lame-duck session after the November elections, legislators may consider recommendations to overhaul the financially troubled Social Security program.

Sen. Robert Dole, R-Kan., chairman of the Senate Finance Committee, has expressed interest in looking at the Social Security issue if Congress reconvenes after the elections.

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N&W sues others in toxic spill case

Continued from page 2

road spokesman would not comment on the limits of the coverage or the size of any self-insured retention. An attorney involved in the litigation said the rumor that N&W has coverage placed with Lloyd's of London "is a good one."

Another source close to the railway confirmed that a great deal of N&W's general liability coverage is in the London market.

Lawton-Bryne-Bruner of St. Louis is N&W's current broker, but says it wasn't on the account at the time of the accident.

Sources say Lawton-Bryne-Bruner, which also had the N&W account before the 1979 accident, reacquired the business in late 1981 after losing it for a period to Thomas Rutherford, an agent in Roanoke, Va., where N&W is based.

Mr. Rutherford, who was the broker at the time of the 1979 accident, declined to say whether the railway was adequately covered for the losses at the time of the incident or who the insurer is.

In today's market, most major railways have a self-insured retention of \$2 million to \$3 million on

coverage of \$150 million to \$200 million, says a broker involved in coverage for large railroad companies.

The suits against N&W are generating additional interest because of a federal law that allows railroad employees to file personal injury claims in any jurisdiction where their employer does business.

Railroad workers are not covered by state workers compensation law but instead are allowed to sue their employer under the Federal Employer Liability Act in the jurisdiction of their choice.

The 47 railroad workers, most of whom are from Missouri, picked Madison County Circuit Court in Edwardsville, which has been characterized as one of the most liberal in granting financial settlements.

Norfolk & Western has tracks in Madison County, although the spill occurred about 100 miles away in Missouri.

The 47 claims filed against the railroad contend that it negligently failed to provide protective clothing and take other safety precautions for its workers, who cleaned up the mixture of dioxin. The

plaintiffs contend the chemical is the same toxic "contaminant" found in Agent Orange, the controversial herbicide used during the Vietnam War.

The workers also filed suit against Monsanto, American General and Dresser, but those suits were settled for undisclosed amounts on the first day of the trial, which began in April.

In the judgment against the railroad, 32 of the workers received awards of \$1 million or more, while 15 were awarded less than \$1 million.

None of the workers, who claim damage to their central nervous systems, cancer, loss of memory, rashes and stomach problems, will actually receive payment until after N&W's appeal is heard in the 5th District Appellate Court in Mount Vernon, Ill.

N&W's product liability lawsuit against Monsanto, General American Transportation and Dresser is expected to go to trial Nov. 15 in U.S. District Court in St. Louis.

Norfolk & Western is seeking recovery for any damage awards assessed against it and the cost of the cleanup.

BI Insurance Index



Insurance industry stocks continued their recovery during the week ending Aug. 31 as the *Business Insurance* stock index gained 5.2 points to 177.6 from 172.4. Forty-three stocks gained, 13 declined and 12 were unchanged. The largest gains were reported by American Bankers Insurance Group, 23.7%; PennCorp Financial Inc., 23.4%; CNA Financial Corp., 12.6%; Frank B. Hall & Co. Inc., 11.5%; and Continental Corp., 9.4%. The largest losses were reported by Crown Life Insurance Co. 7.1%; The Travelers Corp., 6.9%; Gulf United Corp., 5.3%; Jefferson National Life Insurance Co., 3.9%; and USF&G Corp., 3.0%. The 3% increase in the *BI* index mirrored the gain posted by the Dow Jones 30 Industrials.

British Issues

31 Aug Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comml Union	131	13.8	16.86	12.9	138-131
Eagle Star	336	12.0	21.43	6.4	350-336
Gani Accident	288	10.7	23.21	8.0	292-288
Gdn Royal Exch	302	7.6	25.00	8.3	308-302
Phoenix	282	10.5	24.00	9.2	288-282
Royal	372	10.1	36.07	9.7	385-370
Sun Alliance	760	9.5	61.43	8.1	780-760

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
CE Heath	330	9.0	18.71	5.7	340-330
Hogg Robinson	98	7.5	8.57	8.7	100-97
JH Minet	137	12.4	5.43	4.0	138-137
Sedg Corp	162	10.4	8.57	5.3	169-162
Stenhouse Hldg	110	9.7	7.28	6.6	112-110
Stew Wrightson	263	9.4	18.57	7.1	270-263
Willis Faber	495	12.4	21.43	4.3	500-495

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

ISU changes focus to offer agents insurance products

By DONNA LEIGH YANISH

ISU Cos. Inc., the San Francisco-based insurance agency franchisor that once promised to help independent agents grab and hold large corporate risks, is shortening its reach.

ISU is now trying to help smaller independent agents sell packaged commercial and personal insurance products rather than risk management techniques.

The franchisor has also:

- Accepted the resignation of its staff risk management expert, although it retained him as a consultant.
- Adopted sales programs similar to those of insurer-owned mass-marketing groups.
- Significantly reduced its membership fee structure.

Most indicative of ISU's refocusing is the resignation of Vp Donn McVeigh, a well-known risk management consultant. Mr. McVeigh was formerly with the California consulting firm of Warren, McVeigh & Griffin and was one of ISU's founders.

Although Mr. McVeigh's resignation became effective last week, he told *Business Insurance* he is under contract with ISU to provide risk management services to franchisees. ISU members using Mr. McVeigh's services, however, will pay an additional fee besides their ISU membership fee, he notes.

Mr. McVeigh's resignation followed ISU's decision several months ago to stop offering unlimited risk management services to all its members (*BI*, March 29). He then noted that only about 25% of ISU's 100 agencies used the risk management services.

Mr. McVeigh is now vp of Captive & Self Insurance Services, a sister company to Pacific Compensation Insurance Co., a California-domiciled workers compensation insurer. Both CSI and Pacific Compensation are owned by H.L. Capital Management Inc.

CSI conducts offshore captive feasibility studies, notes Mr. McVeigh, who is helping ISU establish its own captive insurer for member agents.

Mr. McVeigh is the second of its four founders to resign from ISU in the past several months. Peter B. Hawes, the franchisor's executive vp and chief operating officer, left

BI ticker

the company to become president of Design Professionals Insurance Co., a professional liability insurer in Monterey, Calif.

Mr. Hawes was replaced by Frank P. Wuerfel, who was named president and chief operating officer. Mr. Wuerfel, formerly a sales and marketing executive, has no previous insurance experience.

Mr. Wuerfel told *BI* that he was approached for the position by ISU investors, the largest of which, Merrill Lynch & Co., has invested more than \$10 million in the franchisor.

The two remaining founders are Chairman Thomas J. Ryan, who was formerly president and chief executive of Fred S. James & Co. and senior vp of Marsh & McLennan Inc., and A. Russell Chaney, education and training vp, who was formerly with Fireman's Fund Insurance Cos.

ISU is shifting its emphasis from management technique, education and training to offering insurance products because of changing needs of agent members, Mr. Ryan says. "In light of existing market conditions, agents are saying, 'What can I do to sell insurance?'" he contends.

"I have noticed a waning in the need for risk management as well," Mr. Ryan continues. Instead, agents are looking for insurance products and programs to give them an advantage in the competitive market, he contends.

ISU is trying to offer those products and programs. Like the insurer-owned national mass marketing groups—including Marketing Management Inc., Famex and MarketPac International—ISU has developed specific and, in some cases, exclusive insurance products and programs to sell to predominantly small businesses.

For example, ISU offers its member agents a program for automobile towing firms, Mr. Ryan says. The franchise group has developed a system for identifying prospects within the group, developed a program for that class—including property, liability and workers compensation coverages—and is as-

sisting agents in contacting and securing the business, he explains.

For some classes of business, ISU has developed only specific products rather than whole insurance programs, and in other cases it has secured exclusive insurance company arrangements, Mr. Ryan continues.

ISU is also offering members help in investigating, selecting and using record-keeping, computer and financial management systems, Mr. Ryan adds.

Insurance companies pay ISU commissions on ISU-sponsored programs, Mr. Ryan notes. "Because of the override commission, (ISU) has been able to improve its pricing," he says.

ISU has gone through a long series of pricing structures. At its inception, it charged agents a \$10,000 franchise fee and 6% of the agency's monthly gross revenues.

After members complained about the percentage, one former franchisee said, it was lowered and then dropped.

ISU's most recent fees differ as drastically from the original pricing as the group's current emphasis differs from its focus when it was founded almost two years ago.

Besides the override commission, agents now pay a \$1,000 fee to join and \$250 per month, according to Mr. Ryan. Agents with more than one office pay an additional \$100 per month for each branch.

Mr. Ryan refused to disclose ISU's present number of member agencies. ISU had announced that it reached the 100-member milestone last year, but an ISU press release dated Aug. 23 lists only 88 member agencies in five states, mostly in California.

The size of ISU's member agencies has also changed. The group's largest agency earns about \$2.5 million in commission income, according to Mr. Ryan. That's about half the size of one-time member Barney & Barney in San Diego, which earned an estimated \$4 million in revenues last year.

The average sized ISU member agency earns between \$550,000 and \$600,000 in commission income, Mr. Ryan says.

Although the ISU membership now includes smaller agencies most likely interested in smaller commercial clients, larger member agencies that want services like legal and advertising assistance can still receive that aid, Mr. Ryan notes.

ISU no longer maintains its legal and technical staff and its communications departments, but former employees in those areas, like Mr. McVeigh, are on retainer and are available to ISU members for an additional fee.

Financial briefs Industry results

The property/casualty insurance industry's net aftertax operating earnings declined 34.7% to \$2.22 billion during the first half of 1982, according to the Insurance Services Office and the National Assn. of Independent Insurers.

The industry reported earnings of \$3.4 billion in the first half of 1981.

The property/casualty industry suffered a pretax underwriting loss of \$5.49 billion in the first half, a 97.5% increase from the \$2.78 billion loss posted during the first six months of 1981. Pretax investment income rose just 16.1% to \$7.42 billion from \$6.39 billion.

Written premiums rose 5.1% to \$50.0 billion in the first half, up from \$47.6 billion.

Policyholders' surplus—the amount held after liabilities are deducted from assets—decreased 4.3% or \$2.61 billion in the first half to \$57.9 billion. That decrease does not reflect unrealized losses caused by the decline in the market value of bonds held by the insurers.

The figures released by ISO and the NAI account for 96% of the property/casualty industry.

Earlier, *Business Insurance* reported that the aftertax operating income of 24 major property/casualty insurers declined 13.2%, not nearly as great as the decline reported by ISO and the NAI (*BI*, Aug. 30).

BI Industry Stock Report

AUG. 31, 1982										8/25/82 THRU 8/31/82										AUG. 31, 1982										8/25/82 THRU 8/31/82									
Insurance Cos.										Price	% Chg.	P/E	\$ Div	% Yld.	High	Low	Vol. (000)											Price	% Chg.	P/E	\$ Div	% Yld.	High	Low	Vol. (000)				
Aetna Life & Cas Co	NYSE	36.63	-0.3	5.9	2.52	6.9	38.50	36.63	1,256.4	United Fire & Cas Co	OTC	30.00	3.4	7.8	0.88	2.9	30.00	29.50	1.4																				
American Bankers Ins Group	OTC	9.13	23.7	6.8	0.48	5.3	9.13*	7.50	491.2	United States Fid & Gty Co	NYSE	36.00	-3.0	7.6	3.60	10.0	36.88	36.00	209.5																				
American Gen Ins Co	NYSE	39.13	6.8	5.3	2.20	5.6	39.13	37.75	175.9	United Svcs Life Ins Co	OTC	13.25	2.9	4.9	1.00	7.5	13.38	13.13	19.8																				
American Indty Fintl Corp	OTC	13.75	1.9	10.2	1.12	8.1	14.00	13.63	18.2	US Life Corp	NYSE	18.00	2.9	3.8	0.84	4.7	18.00	17.63	249.4																				
American Intl Group Inc	OTC	66.50	3.5	10.1	0.48	0.7	66.50	65.00	471.6	Washington Natl Corp	NYSE	18.88	6.3	9.1	1.08	5.7	18.88	17.63	107.7																				
American Natl Ins Co	OTC	13.38	2.9	5.7	0.76	5.7	13.38	13.00	38.2	Zenith Natl Ins Corp	OTC	15.25	8.9	7.1	0.76	5.0	15.25	14.50	57.4																				
American Sts Life Ins Co	OTC	17.50	0.0	5.6	0.80	4.6	17.50	17.50	2.9	INSURANCE COMPANIES										AVERAGE		7.0		5.1															
Aneco Reins Ltd	OTC	2.75	0.0	6.0	0.00	0.0	2.75	2.75	16.0																														
Aveco Corp	AMEX	10.63	6.2	6.7	0.54	5.1	10.63	10.00	12.3																														
Banks Iowa Inc	OTC	36.50	0.0	6.9	1.48	6.1	36.50	36.00	1.4																														
Bitco Corp	OTC	27.50	0.0	4.3	1.92	7.0	27.50	27.50	4.4	Agents/Brokers																													
Carolina Cas Ins Co	OTC	6.75	3.8	6.7	0.32	4.7	6.75	6.63	2.0	Alexander & Alexander Svcs	NYSE	23.50	4.4	8.5	1.94	8.3	24.50	22.75	380.5																				
Chubb Corp	OTC	34.38	0.7	5.5	2.92	8.5	34.38	33.88	385.2	Baldwin & Lyons Inc	OTC	34.50	0.0	6.0	0.80	2.3	34.50	34.50	0.4																				
Combined Intl Corp	NYSE	21.75	-0.6	6.2	1.80	8.3	22.13	21.63	408.1	Corroon & Black Corp	NYSE	21.38	4.3	10.5	1.76	8.2	21.38	20.88	12.3																				
Continental Corp	NYSE	24.75	9.4	7.4	2.60	10.5	24.75	23.25	908.9	Crump E H Cos Inc	OTC	8.50	-1.4	15.7	0.40	4.7	8.50	8.50	54.7																				
Crawford & Co	OTC	14.75	5.4	10.8	0.56	3.8	14.75	14.25	4.2	Emett & Chandler Cos Inc	OTC	8.50	0.0	12.7	0.00	0.0	8.50	8.50	16.6																				
Crown Life Ins Co	OTC	65.00	-7.1	4.8	3.10	4.8	70.00	65.00	0.2	Hall Frank B & Co Inc	NYSE	27.88	11.5	10.8	1.70	6.1	28.50	25.75	319.9																				
Cum & Forster	NYSE	25.38	2.5	4.9	1.76	6.9	27.13	25.38	182.8	Integrated Res Inc	AMEX	16.38	2.3	5.5	0.00	0.0	16.38	16.13	33.5																				
Employers Cas Co	OTC	27.75	3.7	12.3	1.20	4.3	27.75	26.75	12.6	James Fred S & Co Inc	NYSE	24.25	8.4	11.8	1.60	6.6	24.25*	22.00	120.1																				
Equifax Inc	NYSE	36.25	3.2	10.3	2.60	7.2	36.25*	34.75	37.0	Marsh & McLennan Cos Inc	NYSE	34.13	-1.8	10.3	2.20	6.4	35.50*	34.13	113.7																				
Excelsior Ins Co	OTC	11.00	0.0	28.6	0.70	6.4	11.00	11.00	0.2	PennCorp Fintl Inc	NYSE	9.88	23.4	6.9	0.16	1.6	10.00*	8.25	1,019.0																				
Farmers Group Inc	OTC	34.00	0.4	9.5	1.24	3.6	34.00	33.88	142.2	Poe & Assoc Inc	OTC	9.00	0.0	10.2	0.80	8.9	9.00	9.00	0.6																				
Foremost Corp Amer	OTC	29.00	0.0	8.6	1.12	3.9	30.00	29.00	113.2	Reed Stenhouse Cos Ltd	OTC	11.00	4.8	15.9	0.60	5.5	11.13	11.00	8.4																				
Great West Life Assurn Co	OTC	180.00	0.0	14.7	10.00	5.6	180.00	180.00	2.0	Rollins Burdick Hunter Co	OTC	14.75	5.4	10.5	1.32	8.9	14.75	14.50	109.5																				
Hanover Ins Co	OTC	28.75	-0.9	3.9	0.88	3.1	29.25	28.75	19.3	AGENTS/BROKERS										AVERAGE		9.0		5.5															
Hartford Steam Boiler Insptn	OTC	36.25	1.4	7.2	2.80	7.7	36.25	35.75	18.8	Conglomerates/Holding Cos.																													
Jefferson Natl Life Ins Co	OTC	36.50	-3.9	10.2	0.76	2.1	37.50	36.50	1.4	American Express (Fireman's Fd)	NYSE	46.25	6.3	8.1	2.20	4.8	46.25	44.50	1,451.8																				
Temper Corp	OTC	27.13	2.4	4.8	1.80	6.6	27.13	26.50	103.3	Anderson Clayton (Ranger/PanAm)	NYSE	23.63	4.4	5.3	1.32	5.6	24.00	23.00	57.6																				
Lincoln Natl Corp Ind	NYSE	40.25	4.5	7.0	3.00	7.5	40.25	39.25	160.4	Ameco Inc	NYSE	16.25	-2.3	6.4	1.20	7.4	17.00	16.25	691.6																				
Mission Ins Group Inc	NYSE	19.50	0.0	4.5	0.80	4.1	20.75	19.50	138.6	City Investing Co. (Home Ins.)	NYSE	21.50	2.0	5.4	2.30	6.0	21.75	21.00	637.0																				
Nationwide Corp Ohio	OTC	25.50	-1.9	7.3	0.70	2.7	26.00	25.50	0.7	CNA Fintl Corp (CNA)	NYSE	14.50	12.6	6.1	0.00	0.0	14.50	13.00	22.8																				
Northwestern Natl Life Ins	OTC	22.00	6.7	4.8	1	5.0	22.00	21.63	96.4	Control Data (Comm. Credit)	NYSE	28.88	4.1	6.9	0.55	1.9	28.88	27.88	1,661.2																				
Ohio Cas Corp	OTC	35.63	7.5	6.5	2.36	6.6	35.63	33.50	135.0	General Re Corp	NYSE	42.75	2.4	9.8	1.08	2.5	45.13*	42.38	469.2																				
Old Rep Intl Corp	OTC	18.75	4.9	4.3	0.92	4.9	18.75	18.50	265.1	Gulf Utd Corp	NYSE	20.25	-5.3	7.1	1.32	6.5	21.25	19.88	83.1																				
Preferred Risk Life Ins Co	OTC	19.00	5.6	5.4	0.92	4.8	19.00	18.00	9.6	Cigna Corp	NYSE	38.50	2.0	5.4	2.30	6.0	38.63	37.38	905.9																				
Provident Life & Acc Ins Co	OTC	42.00	3.7	6.3	2.44	5.8	42.00	40.00	27.1	ITT (Hartford Group)	NYSE	27.25	1.9	6.2	2.68	9.8	27.25	26.75	1,057.7																				
Iyan Ins Group Inc	OTC	33.75	2.3	13.6	0.16	0.5	33.75*	32.75	34.0	Optimum Hldg Corp	OTC	8.25	0.0	6.5	0.00	0.0	8.25	8.25	9.3																				
it Paul Cos Inc	OTC	42.88	-0.3	5.7	2.60	6.1	43.38	42.75	197.0	Sears Roebuck & Co. (Allstate)	NYSE	22.75	2.8	10.6	1.36	6.0	22.75	21.63	3,469.2																				
itafeco Corp	OTC	36.00	5.1	6.7	2.20	6.1	36.00	34.38	148.6	Baldwin Utd Corp	NYSE	27.13	13.0	5.7	0.88	3.2	27.13	26.50	642.6																				
iri Corp	OTC	22.25	8.5	5.0	1.12	5.0	22.25	20.75	37.1	Teledyne Inc (Argonaut)	NYSE	96.50	9.3	5.5	0.00	0.0	97.75	94.75	1,325.5																				
reibels Bruce Group Inc	OTC	22.50	7.1	13.2	0.80	3.6	22.63	21.25	31.4	Transamerica Corp (Occidental)	NYSE	19.75	0.0	6.0	1.40	7.1	19.75	19.25	367.9																				
itatemann Group Inc	OTC	6.13	8.9	5.6	0.15	2.4	6.13*	5.63	12.4	CONGLOMERATES/HOLDING COS.										AVERAGE		6.5		4.0															
okio Marine & Fire Ins Co	OTC	83.00	0.3	6.6	0.92	1.1	86.00	83.00	2.0																														
Travelers Corp	NYSE	20.38	-6.9	5.3	1.64	8.0	21.75	19.75	1,668.4																														

"The Hartford will even do a Loss Control analysis before it quotes the business."

**An interview with
Bill Nebraska, Vice President,
Loss Control Department,
The Hartford.**

Q. How can a Hartford prequote Loss Control analysis cut business insurance costs up front?

A. Our Loss Control professionals will research the company and help develop

a program tailored to the situation. We'll show how The Hartford can help the company control losses. By coming in before we make a quote, we can explore ways of reducing losses up front to help customers control their insurance costs.

Q. What is the scope of The Hartford's Loss Control capability?

A. Our range of Loss Control services is one of the broadest in the industry. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing...you name it. And we're one of the few companies equipped to handle security and crime prevention.

We have the people, too—some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. Is that tremendous capability available to companies across the country?

A. Absolutely. We're ready to respond on an "as-needed" basis anywhere in the U.S. And we'll bring in whatever level of expertise the situation demands.

Q. Is it available to big risks on an unbundled basis?

A. Yes, through our subsidiary, Hartford Specialty. Some of the largest corporations in the country currently take advantage of The Hartford's Loss Control capability on an unbundled basis.

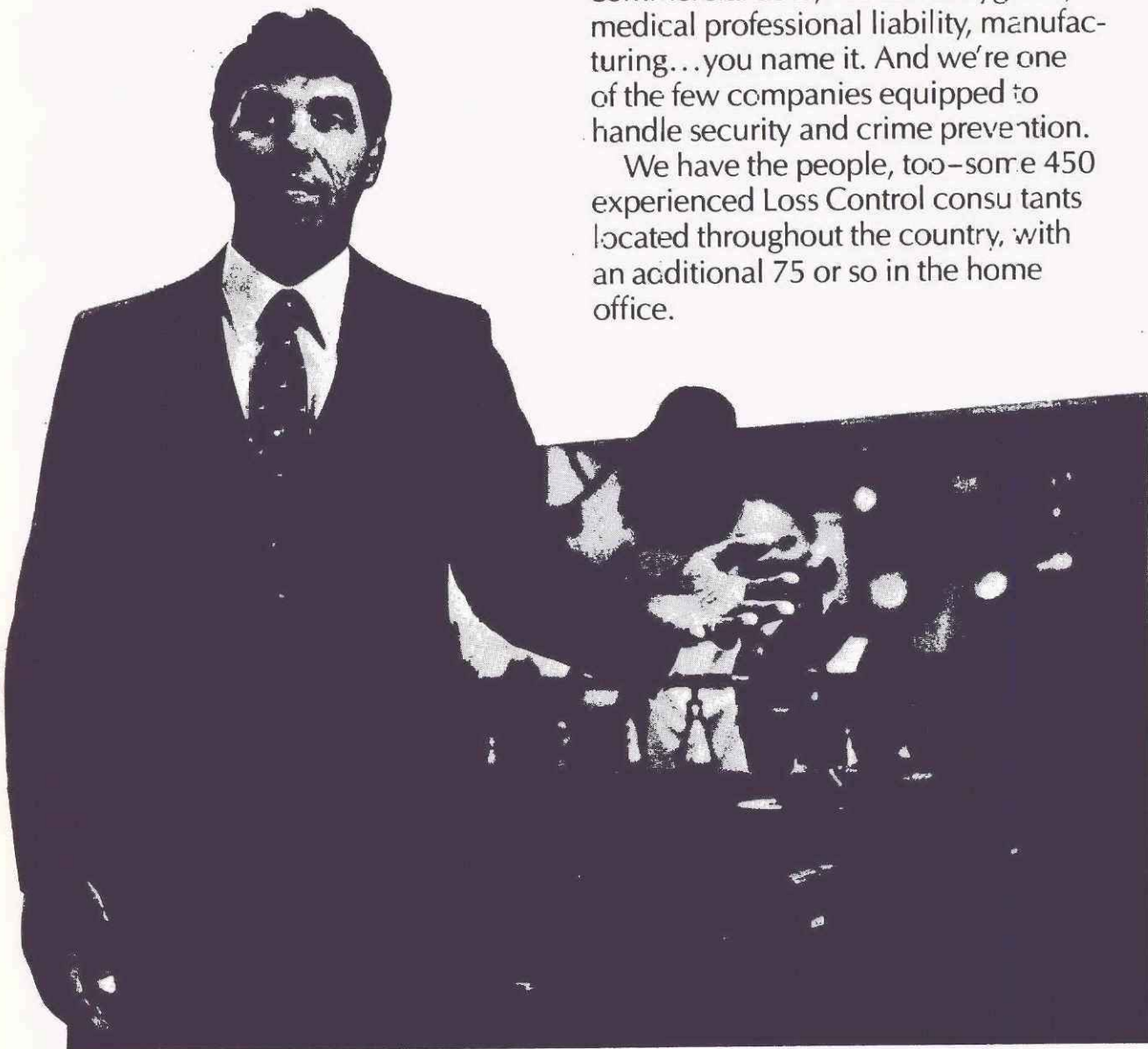
Q. It sounds like The Hartford has made a major commitment in the Loss Control area.

A. Yes. And an ongoing commitment. We're always trying to improve the scope and quality of our Loss Control services. For example, we recently doubled the size of our industrial hygiene lab and added sophisticated new equipment to increase our effectiveness in this key area.

Q. How can insurance buyers find out more about The Hartford's Loss Control capability?

A. By contacting their broker or independent agent who represents The Hartford.

Don't make a decision on business insurance without a quote from The Hartford.



**BUSINESS
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AUTO
LIFE**



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The Hartford Insurance Group, Hartford, Connecticut 06115.