

business insurance

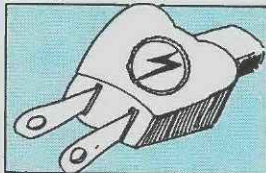
update:
Transit system urged to alter comp program

CHICAGO—A consultant's report on the financially troubled Chicago Transit Authority urges it to improve its handling of workers compensation claims, which cost the transit authority \$8.7 million in 1980. Consultants Simpson & Curtin, a division of Booz, Allen and Hamilton Inc. of Philadelphia, recommends that the CTA's safety

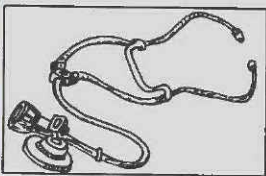
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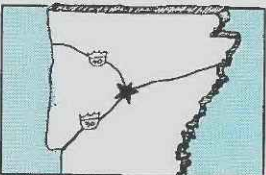
Cutting insurance costs



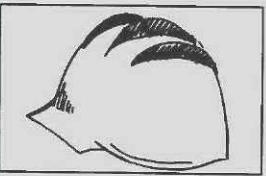
Reliance Electric Co. is pulling the plug on rising health care costs with a new program expected to cut \$4 million off its annual health care bill. **Story, page 3.**



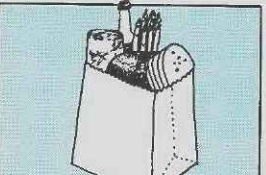
Chicago's Continental Illinois National Bank believes that its medical director can keep workers healthy and trim costs. **Story, page 3.**



Arkansas' new risk manager has already streamlined insurance coverage for state agencies even though he's only officially held his post two months. **Story, page 3.**



Gulf States Utilities Co. says its owner-controlled construction insurance program has saved \$7.8 million in the last seven years. **Story, page 3.**



United Grocers Inc., a cooperative grocery distribution company in Oregon, has put its members risks in one bag to cut insurance costs. **Story, page 3.**

St(r)uck? Are controllers on strike or out of a job? Lab's coverage depends on the answer

By JAMES LAWSON

NEW YORK—When is a strike not a strike? That's a question the courts are being asked to decide as Metpath Inc., the world's largest clinical laboratory service, and an American International Group Inc. subsidiary battle over liability for losses accrued during the air traffic controllers' walkout.

Metpath, a Teterboro, N.J., company that tests medical specimens, is planning legal action against Birmingham Fire Insurance Co. of Pennsylvania to force the New York insurer to fulfill the terms of a \$3 million strike insurance policy written in June.

The policy was designed to cover Metpath's extra expenses as a result of the air controllers' walkout.

The firm purchased the insurance from Birmingham Fire Insurance Co. through its broker, Johnson & Higgins, North American Managers Inc., another AIG subsidiary, is the underwriting manager for Birmingham Fire Insurance.

Metpath's legal action, which was to be filed late last week, comes more than a week after Birmingham Fire Insurance filed suit in U.S. District Court in New York, seeking a declaratory judgment to determine its liability. The battle forces the courts to define the current air traffic controllers' job action.

Birmingham Fire Insurance has refused to cover Metpath's losses, claiming it is not liable because the strike ended when President Reagan fired the controllers for not reporting back to work.

The insurer says the strike ended Aug. 5, two days after it began, and has paid out no claims under the policy.

President Reagan told the controllers Aug. 3 they had 48 hours to return to work or be fired.

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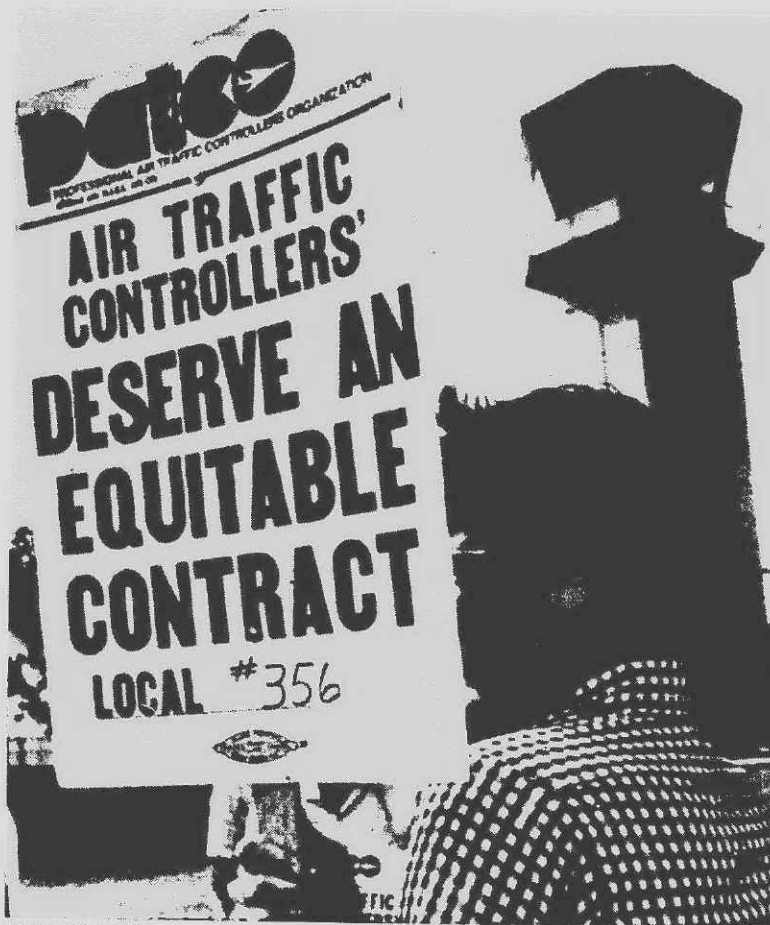


Photo: Wide World
A member of the Professional Air Traffic Controllers Organization pickets the control tower at the airport in South Bend, Ind.

Small employers switch health insurers

By JERRY GEISEL

WASHINGTON—Small employers are leapfrogging from insurer to insurer to stay one jump ahead of major increases in group health insurance rates.

Insurers who have raised rates above the industry norm of 20% to 30% in the last year have been abandoned by employers in the price-sensitive small business market.

Hundreds of employers have left Prudential Insurance Co.'s Employee Benefit Program, which covers firms with two to nine employees, after Prudential raised rates 50% to 60% on renewals.

In a year, the number of people enrolled in Prudential's small employer program dropped to 375,000 from 410,000. This decrease came after six years of non-stop growth in which the program grew from 210,000 enrollees in 1974 to 410,000 in 1980.

On the West Coast, Pacific Mutual Insurance Co. of Newport Beach, Calif., has seen the number of employers enrolled in its Beneficial Employers Security Trust plans drop from about 42,000 to 25,000 as rates for some small firms were raised 70% in one year.

Other insurers whose rate hikes were less steep, including State Mutual Assurance Co. of America in Worcester, Mass., The Travelers Insurance Cos., Aetna Life & Casualty, John Hancock, Connecticut General and Mu-

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Hearing set on foundering Idaho MET

BOISE, Idaho—The U.S. Bankruptcy Court in Boise will hold a special hearing next week to allow creditors to file claims against a self-funded multiple employer trust that has filed for bankruptcy.

The Sept. 15 hearing follows a July 21 bankruptcy petition by the Northwest Assn. of Independent Businesses Inc., which is also known as the Northwest Federation of Independent Businesses of Boise, Idaho.

At its peak in 1979 or early 1980, Northwest provided comprehensive hospital and medical benefits to 6,100 participants, many of whom worked at businesses with fewer than 50 employees.

The size of the trust's deficit is not clear. In Illinois, however, nine trust participants have filed complaints with the state Insurance Department that the trust has not paid at least \$13,400 in medical or hospital bills. Ninety-one Illinois resi-

dents participated in the Northwest plan. The troubles of Northwest, which the state of Idaho had been trying to shut down since 1977 as an unauthorized insurer, have alarmed some state insurance regulators who say self-funded MET problems are on the rise again. Under a typical, self-funded multiple employer trust arrangement, different health care risks are pooled. Often, the only thing the trust members have in common is that they are small employers.

Regulators' concerns about the soundness of METs began in 1976. In that year, many METs, which typically are aimed at the small employers, lost their insurer when the Illinois Department of Insurance forced Old Republic Life Insurance Co. out of the multiple employer trust business.

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NEWSPAPER

INSIDE:

GAO wants \$1 billion nuclear property policy
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Law lets Alabama workers collect work comp and sue
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update:

Comp investigation urged

Continued from previous page
and risk management departments consolidate their investigation of accidents and claims, said Dave Schulz, assistant commissioner of public works for the city of Chicago.

The report, which will be formally released Sept. 16, shows that the typical transit worker is absent 4.5 days a year due to work-related injuries.

While bus or subway accident investigations are the responsibility of the safety department, the risk management department should also look into such incidents because they trigger workers compensation claims, Mr. Schulz said.

The average CTA employee is absent 30 days a year, not including vacation and holidays, costing the CTA about \$25 million a year, according to the report.

Besides the days off for work injuries, the typical worker missed two days for suspension, was absent without leave two days, took 10 days for requested days off and missed 11.4 days for illness, the report says.

In 1980, the CTA's 8,000 transit employees missed 224,800 days of work, a decrease from 1979 when the days absent totaled 246,000, according to the report.

Hyatt suits top \$2 billion mark

KANSAS CITY, Mo.—The amount of damages sought on behalf of those injured or killed in the Hyatt Regency Hotel disaster July 17 has topped the \$2 billion mark.

A check of court records as of Sept. 1 showed 90 suits filed in Jackson County Circuit Court and nine suits filed in U.S. District Court in Kansas City. The 99 complaints seek a total of \$2.096 billion.

A total of 112 people were killed and 187 injured when two skybridges crashed to the floor of the year-old luxury hotel's lobby during a tea dance.

Lloyd's settles computer claims

LONDON—Lloyd's of London has settled the bulk of the massive computer leasing claims from the mid-1970s in the past 12 months, Lloyd's Chairman Peter Green said.

The losses occurred on insurance issued to computer leasing companies to cover revenues lost when the introduction of new computer equipment caused the early cancellation of leases on older models.

So far, 235 million pounds have been paid out on the losses, of which Lloyd's has paid 75% to 80%. The losses have been paid from a reserve fund, which was recently increased to \$400 million from \$370 million.

Lloyd's plans to publish a report on the computer leasing losses, the largest series of losses in Lloyd's history, later this month, Mr. Green said.

Chicago agents seek tax relief

CHICAGO—The Chicago Board of Underwriters, a group of independent agents and brokers, is seeking an injunction to escape the city's new 1% tax on professional services.

The new tax, designed to generate extra income to support the city's troubled school and transit systems, was held constitutional by state courts last week.

The controversial tax will apply to legal, medical and other professional services.

The agents and brokers maintain that they provide a separate set of services that cannot be classified with the legal and medical professions.

Slashed portrait uninsured

LONDON—The British government will pick up the cost of restoring the official portrait of Diana, the Princess of Wales, which was damaged Aug. 29 by a man wielding a knife.

A spokesman for the National Portrait Gallery, where the portrait was displayed, said the museum receives all its funds from the government. It has no insurance.

Paul Williams of Belfast, Northern Ireland, was arrested by London police after he allegedly slashed the portrait with his knife and tore out its center with his hands. Mr. Williams was charged with criminal damage.

The gallery spokesman said he did not know how much the restoration would cost, but he added that "cost isn't of primary importance in this instance."

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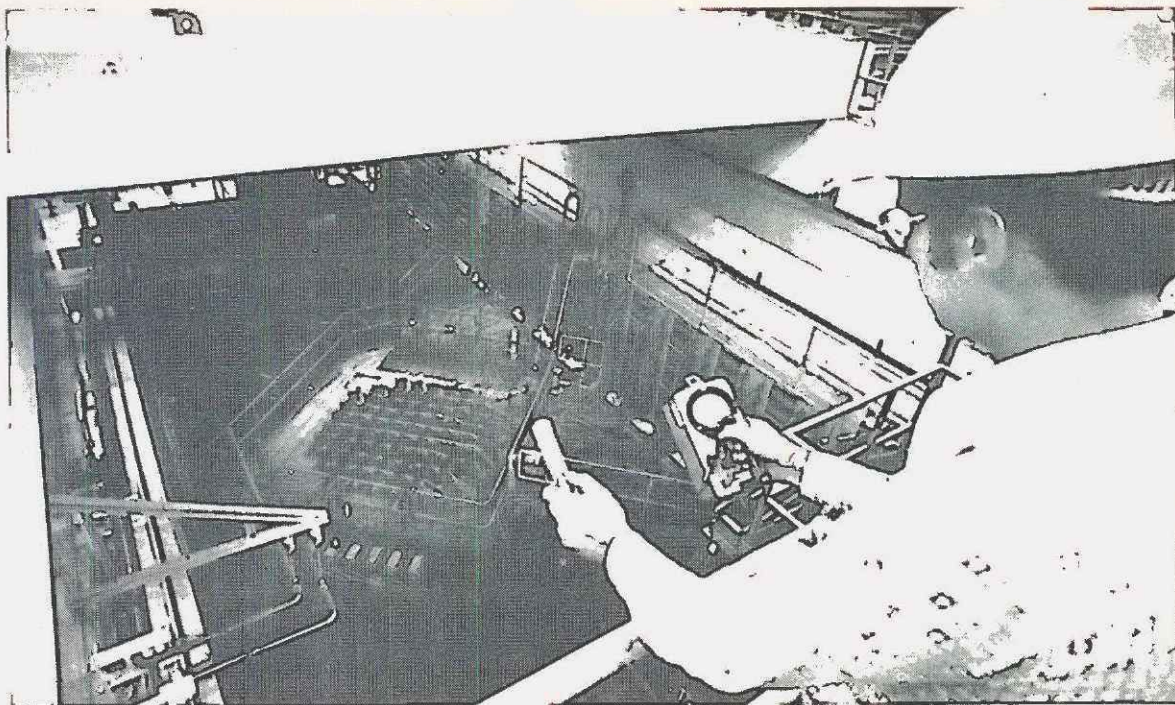


Photo: Wide World

A technician at the Three Mile Island nuclear power plant uses monitoring equipment to detect radiation.

GAO wants \$1 billion nuclear property policy

By JOHN W. MILLIGAN

NEW YORK—The General Accounting Office is recommending a mandatory property insurance program for the nuclear utility industry if commercial insurers fail to boost available coverage to \$1 billion.

In its recent report on the March 29, 1979, accident at Three Mile Island nuclear power plant, the agency expresses satisfaction with attempts by the private sector to increase its nuclear property insurance capacity.

Yet should these efforts fall through, the GAO recommends that a mandatory program be established to protect both the nuclear utility industry and the federal government.

Nuclear Electric Insurance Ltd., American Nuclear Insurers and the Mutual Atomic Energy Reinsurance Pool—the latter two working together—hope to reach this \$1 billion mark (BI, Aug. 10).

NEIL, a Bermuda-based mutual insurance company formed by 25 utility companies, hopes to provide \$500

million in excess of \$450 million available from commercial nuclear insurers.

ANI and MAERP presently offer \$300 million in primary insurance coverage and an additional \$75 million in excess of \$300 million.

Both groups hope to raise their primary capacity to \$450 million, and produce a second layer of \$350 million excess of \$450 million, and a third layer of \$200 million excess of \$800 million.

NEIL's plan has been approved by an Edison Electric Institute task force on property insurance for nuclear utilities. It could be in place within two to three months, says Alonzo Rand Jr., senior vp at Marsh & McLennan and head of its technical services department. M&M is providing NEIL with consulting services on this project.

ANI and MAERP are aiming to have a significant part of their program in place by January.

The GAO report first cites the need for sufficient

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Injured Alabama workers collect work comp and sue

By EILEEN NORRIS

MONTGOMERY, Ala.—Injured employees who have collected workers compensation are suing and winning a second time from an unlikely source: their co-employees.

A "co-employee" is defined in the Alabama statutes as any officer, director, agent, servant or employee of the company.

Translation: Employers (the upper-management types responsible for safety) and insurers (as agents of the employer) have been hit hard by a barrage of lawsuits claiming the "co-employee" was negligent in providing a safe workplace.

A constitutional amendment that would grant co-workers immunity from such litigation is slated to go before the voters in the state's next special election—currently set for September 1982.

Some 500 so-called "co-employee" suits are sitting in the courts from this year alone. Many more have been filed since May 5, 1978, when the Alabama Supreme Court ruled it was unconstitutional to prohibit employees from suing one another.

In *Grantham vs. Denke*, the court ruled that injured worker Anita Grantham should be allowed to sue her Jefferson County employer's safety manager, Don

Denke, as another employee who failed to provide her with safe working conditions. The court said a common-law right exists that allows one person to sue another.

Because the workers compensation system bars workers from suing in exchange for the guaranteed benefits, there are no other

states that allow employees to sue their employer or co-employees.

Lawsuits filed in California, however, have been successful in proving the employer served in a dual-capacity role as both an employer and the manufacturer or distributor that offered a product

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EEOC and union sue for pregnancy benefit

By JERRY GEISEL

ST. LOUIS—Emerson Electric Co. is violating federal law because it won't provide equitable pregnancy benefits to spouses of male employees, a suit charges.

The suit, filed in U.S. District Court in St. Louis by the Equal Employment Opportunity Commission and the International Union of Electrical, Radio and Machine Workers, says the electronics company violated the 1964 Civil Rights Act and the 1978 Pregnancy Discrimination Act because its group health insurance plans provide greater benefits to husbands of female employees than to wives of male employees.

In one health insurance plan, which covers members of the union's Local 1102, Emerson pays about 80% of major medical expenses for spouses of female employees, but it places a \$135 cap on pregnancy medical benefits for spouses of male employees.

In the same plan, Emerson pays 100% of the first \$700 of hospital expenses and 75% of the next \$4,000 of hospital costs for spouses of female employees, but imposes a \$230 cap on pregnancy hospitalization benefits for spouses of male employees.

"We think the male employee has suffered because he has re-

Continued on page 39

He convinces Arkansas it needs risk unit

By STEPHEN TARNOFF

LITTLE ROCK, Ark.—Purchasing property insurance for a state prison system is neither the easiest nor the cheapest task, Robert Sikes has discovered.

However, the state of Arkansas' new risk manager has not only obtained coverage for the prisons and many other state agencies, but has also saved the state a large chunk of money.

Mr. Sikes achieved the savings after the state recognized the need to streamline and modernize its risk management functions.

And while the risk management department has officially been a part of the state government for only the past two months, the use of risk management techniques has saved Arkansas 25% to 65% in premiums in the past two years, depending on the state agency.

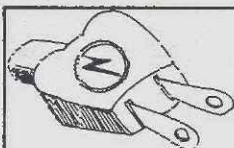
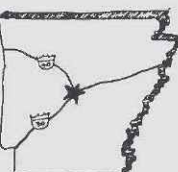
"We've put a little uniformity and professionalism into it," Mr. Sikes says.

Only a few years ago, individual departments purchased all of the insurance for state agencies. This often resulted in lower deductibles but higher premiums and improper property valuations and, consequently, improper coverage, according to Mr. Sikes.

About that time, the state insurance commissioner and a number of legislators decided to explore creation of a risk management department.

Mr. Sikes, a veteran of several state government administrative and financial positions, was appointed acting risk manager. Because of the subsequent savings and improvements in insurance cover-

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Reliance shares responsibility . . .

By EILEEN NORRIS

CLEVELAND, Ohio—Reliance Electric Co. is serious about chiseling \$4 million off its \$30 million health care benefits tab, but the company realizes it can't do the job alone.

The responsibility for savings is also falling onto the shoulders of the worker, the insurer and the health care provider.

The company's new cost-containment program started rolling in July when Reliance added coverage of hospital pre-admission testing, second-opinion surgery and surgery in ambulatory care facilities for its 28,000 employees. The company has 60 plants in the United States. The additions did not increase Reliance's premium.

While the company is not going after unusual cost-containment measures, Reliance estimates it can save \$3 million a year just by reducing hospital confinement with pre-admission testing and by using ambulatory care facilities for surgery more often.

Another \$556,000 could be saved by eliminating unnecessary surgery through a second-opinion program, estimates George E. Brown, direc-

tor of employee benefits.

To make sure the cost-containment measures they've initiated are working, Reliance Electric added a supervisor of cost containment to the

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Pulling the plug on health care costs at Reliance Electric

Cost-containment step	Potential savings per year
Reducing periods of hospital confinement	\$3,002,000
Elimination of unnecessary surgery	556,750
Negotiating hospital charges	283,700
Auditing hospital charges	189,000
Potential savings	\$4,031,450

. . . While bank hires doctor to cut health costs

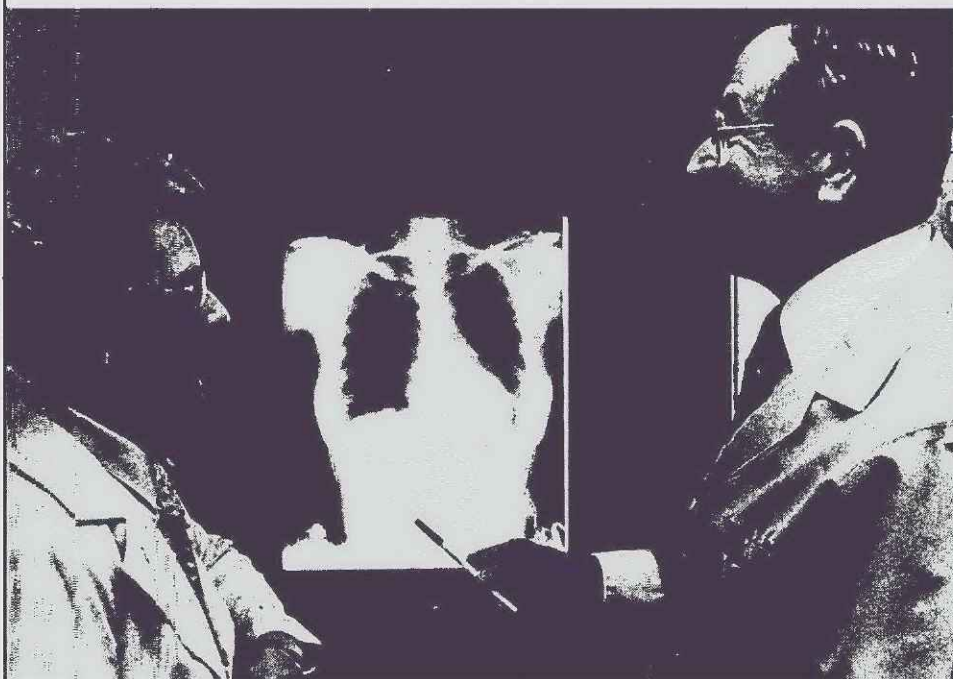


Photo: Continental Illinois National Bank & Trust Co. Dr. King and nurse supervisor Marguerite Gray examine a worker's X-ray.

CHICAGO—It hasn't even been a year since Dr. Joseph C. King became Continental Illinois National Bank & Trust Co.'s first full-time medical director.

But, the savings he's brought to the bank adds up to more than just good business "cents":

• In less than six months, his revamping of the bank's rehabilitation program brought about a 42% reduction in the number of employees on long-term disability.

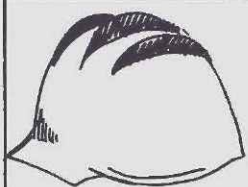
• As of Sept. 1, basic coverage provided by Blue Cross/Blue Shield was dropped and placed with Prudential Insurance Co., which had been the bank's major medical insurer. The consolidation is expected to result in better medical benefits record keeping.

• By working with the food services' diet and nutrition group, Dr. King cut in half the amount of salt used in preparing food served to 9,800 employees in the bank's cafeteria. Excessive salt can affect people with high blood pressure.

• The bank's health services staff and security guards have been trained in cardiopulmonary resuscitation, both for employee and public safety. Food service workers have been taught how to aid choking victims with the Heimlich maneuver.

Health care and safety became a top priority for the bank when it reviewed its employee health service for its 13,000 employees. It was

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Utility saves \$7.8 million with construction policies

By STEVE SHERWOOD

BEAUMONT, Texas—Holding down construction costs is part of the risk manager's job at Gulf States Utilities Co.

How important a part is reflected in one figure: \$7.8 million.



Photo: Steve Sherwood Olice Steward, left, and Dennis Wales talk in the utility's master control room.

That's how much GSU's Olice Steward, manager of risk management services, estimates has been saved in power plant construction costs since 1974 by implementing an owner-controlled construction insurance program. Under the program, GSU buys all builders risk, general liability and workers compensation coverage that contractors will need for any major GSU building project.

By dealing directly with insurers rather than allowing contractors to seek coverage separately, GSU benefits from the lower cost of volume buying.

"Before we went to this, GSU paid insurance costs as part of the contractors' bid prices," Mr. Steward says. "Included with their actual insurance costs were related expenses, a contingency margin for inflation, rate increases, overhead and profit factors. These added costs have been eliminated under the owner-controlled program."

A key advantage is that the utility can determine the breadth and scope of insurance, says Dennis Wales, coordinator of construction insurance. There's no question whether contractors are adequately covered. In addition, costs are more definite and, therefore, more easily controlled.

"Our objective is to assure the lowest possible cost while still covering risks associated with construction," Mr. Wales says. Holding costs down not only saves the company money, but is a savings for the utility's customers who ultimately pay for construction costs, he says.

Most of the estimated savings are from three major construction projects in Louisiana, which have a combined worth of \$3 billion.

They are the River Bend Station Nuclear Power Plant near St. Francisville, a 740 megawatt facility worth \$2 billion and expected to be completed in 1985, and two coal-powered generating plants near Lake Charles. The coal plants, which have a com-

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Grocer forms insurer and rings up savings

By RHONDA L. RUNDLE

PORTLAND, Ore.—United Grocers Inc., a cooperative wholesale grocery distribution company, is bagging its own risks with a new multiple-line insurance company.

United Employers Insurance Co., open for business since July 1, is writing workers compensation and property/liability coverages for grocery retailers and warehouse owners in Oregon and reinsuring risks in Washington and northern California.

"We formed the company to get reduced workers compensation rates that were not immediately available through our previous carrier," explained Maurice Lefore, UG's risk manager and president of an insurance agency owned by the company.

As a specialty insurance company serving the grocery industry, Mr. Lefore is convinced that United Employers will deliver top-notch risk management and loss-control services at the lowest possible cost. "That's because we know our members' business better than anybody else," he stresses.

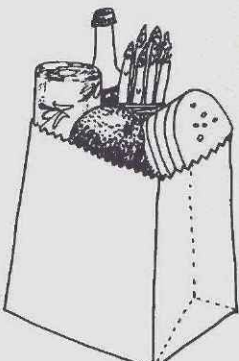
The stockholders of United Grocers are independent grocery stores in Oregon that sell more groceries there than any of the supermarket chains. Their cooperative provides warehousing of produce, canned goods and non-food stock and distribution to the individual stores.

"This year our group qualified for a 20% workers compensation rate deviation, but Fremont Indemnity Co. was not prepared to file for the rate deviation," Mr. Lefore pointed out.

"They would have done it if we'd asked them to, but this was the catalyst we needed to get us started in our own direction," he said.

Oregon legislation enacted in 1977 allows insurance companies to deviate from rates set by the National Council on Compensation Insurance in New York. But it was not until this spring that a price war erupted among the state's workers compensation insurers.

United Grocers calculated that by forming its own licensed insurance company it could reap lower rates and save on fronting fees it had paid to Fremont. The insurer charged 4% to 5% of premium to pass the risks along to UG's captive insurance company in Bermuda—UGIC Ltd.



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Rockwell workers win added benefits

Employees of Rockwell International Corp. in Pittsburgh have won improved pension and health care benefits, including a new vision care and hearing-aid program, as part of a tentative contract agreement.

A joint labor-management committee also has been set up to study the possibility of a child care benefit for workers on all shifts.

Under the pact, covering some 13,000 United Auto Workers members, pension benefits will rise to \$16 per month for each year of service from a previous \$12.

Besides the new vision and hearing-aid coverage, benefit improvements include an increase to \$200,000 from \$20,000 in lifetime maximum for major medical, the addition of orthodontic services to the dental care package, improve-

benefit beat

ments in private hospital room coverage and coverage for X-rays and related services.

Pension benefits

Employees at the Georgia-Pacific Corp. facility in Watertown, N.Y., have ratified a new three-year contract that increases their pension and weekly disability benefits.

Members of Local 560 of the United Papermakers International Union with 25 years of service or more will have their pension benefits increased to \$615 a month from \$550.

Weekly disability benefits also were raised to \$135 from \$95.

The deductible on group major medical coverage was cut to \$50 from \$100, and a \$25 deductible on dental insurance was eliminated.

The 215 union members also received a 9.5% wage hike during the first year of the contract, an 8% increase during the second year and a 7.5% hike during the third.

Benefits to continue

Employees at the Philadelphia Bulletin have agreed to wage concessions, but their benefits will not be reduced in the drive to keep the afternoon newspaper operating.

Benefits will be continued at levels previously called for, said

Bulletin General Manager John J. McCabe, and the Bulletin will start a profit-sharing plan that will distribute 25% of the newspaper's pretax profits to employees—once the Bulletin starts making a profit.

Wage concessions totaling \$4.9 million were made by eight unions that represent 879 of the paper's 1,311 employees. The 134-year-old publication has reportedly lost \$23.7 million over the past 18 months. Its owner, Charter Co., had threatened to cease publication Aug. 16 if an agreement was not reached.

Employees will receive "committed" benefit increases in 1982 and 1983 up to a 10% cap, Mr. McCabe said.

The contract calls for a wage negotiations in 1984, and the paper will consider further benefit in-

creases at this time, he added.

The renegotiated union contracts run until August 1986.

Not all of the paper's eight unions receive the same benefits, Mr. McCabe said. Collectively, they include a group life insurance, a health maintenance organization and major medical, dental and optical coverages.

Under the new profit-sharing plan, both union and non-union, full-time and part-time employees will receive 25% of pretax profits.

Pilots' contract

United Airlines and the Air Line Pilots Assn. have agreed on a new two-year contract that includes increases in hospital, dental and pension benefits.

The agreement boosts hospital room and board benefits, from \$140 to \$150 a day, said Capt. Jim Waters, a United pilot involved in the negotiations.

Class I dental insurance will cover 100% of expenses, up from 80%, and the annual individual maximum for this class will be raised from \$1,500 to \$2,000.

United has agreed to increase its contribution to the pilots' pension plan, although an exact figure will not be determined until mid-October.

The new contract, which goes into effect Oct. 1, also gives United's 6,000 captains and first and second officers four 6% wage increases at six month intervals.

United presently has 750 pilots on furlough, Capt. Waters said.

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write John W. Milligan, Associate Editor, Business Insurance, 220 East 42nd St., New York, N.Y. 10017; 212-210-0141.

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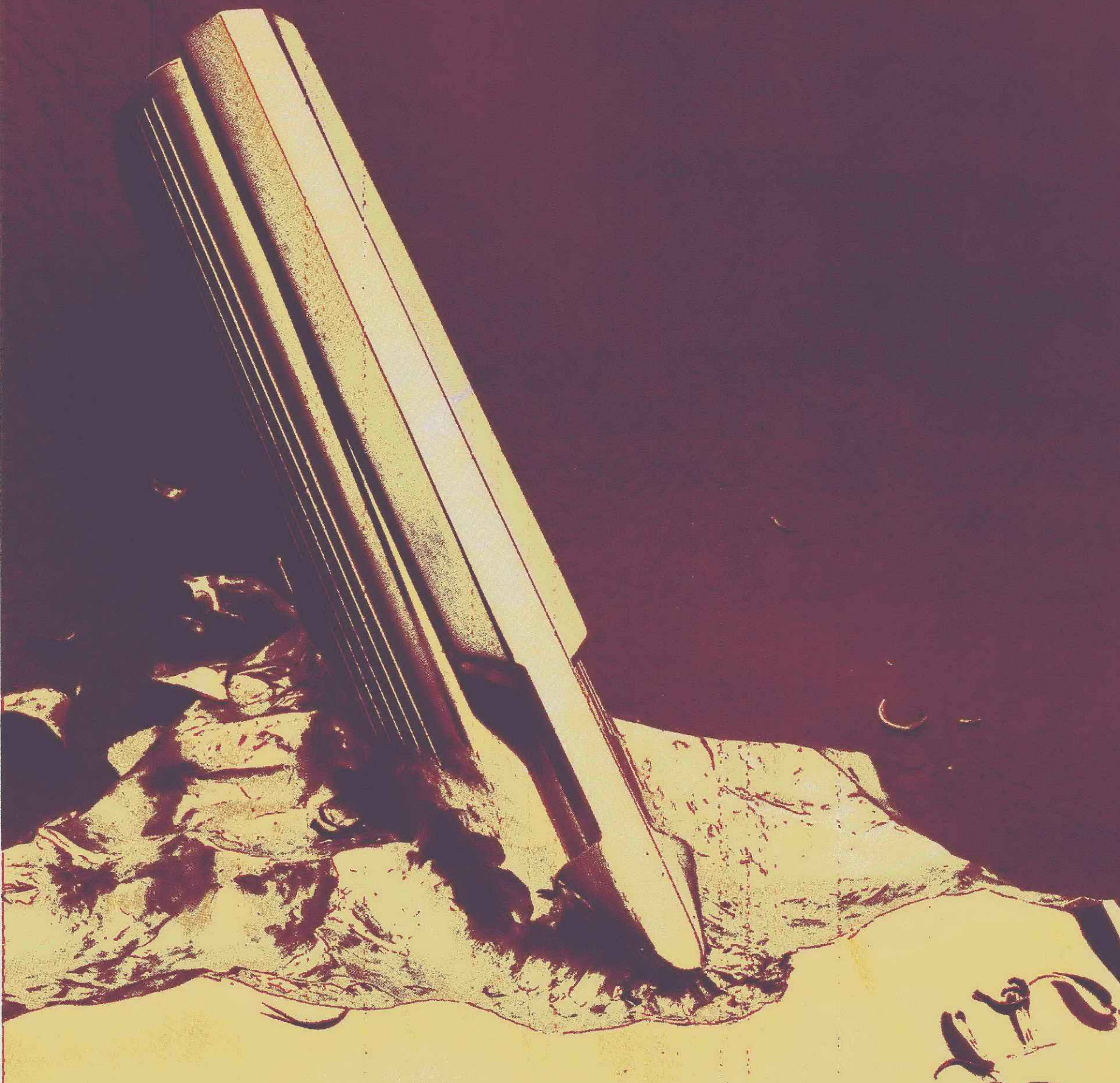
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Agents awarded \$13 million in damages

By **STEPHEN TARNOFF**

DALLAS—A state court jury has awarded nearly \$13 million in compensatory and punitive damages to two former Texas insurance agents. It found that their employer had breached an agreement to underwrite group health insurance policies sold by the agents through a multiple employer trust.

The verdict came down Aug. 24 against Gulf Atlantic Insurance Co., its parent company Nationwide Corp. and several Nationwide

officers.

The jury decided that the insurance company and the officers conspired to interfere with the business contracts of agents C. Daniel Hurlbut and A.C. Hovater, both of Houston and acted with malice in doing so.

Both of the plaintiffs were awarded compensatory damages of \$1.2 million. In addition, Gulf Atlantic was ordered to pay punitive damages of \$8 million and Nationwide \$2 million to each of the men. Two Nationwide officers also were

ordered to pay \$100,000 to each plaintiff, while another was ordered to pay \$50,000 to each.

Mr. Hurlbut said the contracts that he and Mr. Hovater sold involved a "multiple employer trust-type situation" to provide health insurance coverage for small groups.

R.J. Ayres, an attorney for Mr. Hurlbut and Mr. Hovater, said the Nationwide Health Insurance Trust was set up in 1974 in Houston. It was administered by Mr. Hurlbut

and Mr. Hovater under the name of Agency Associates and operated in Texas, Nevada and Arizona. It was limited to employee associations and school districts.

The trust had fewer than 100 clients, according to another of the plaintiffs' attorneys, G.H. Kelsoe.

Premiums of less than \$500,000 were collected during the fund's approximately six-month existence.

Both Mr. Hurlbut and Mr. Hovater were licensed agents of Gulf Atlantic, selling individual policies

during the early 1970s, according to Mr. Ayers.

Mr. Kelsoe said that about that time it was suggested that the two men form an agency that would sell group health insurance plans and that they set up a trust that they would administer. Gulf would underwrite the plan.

The agents claimed they received authorization from the company to begin selling the policies. The company subsequently denied it and repudiated the agents, Mr. Ayres said.

The Texas attorney general was called in after Gulf and Nationwide denied having authorized the agency to sell the policies, the attorneys said.

An investigation was conducted and the agency was placed in receivership. The agents' licenses were revoked and Mr. Hurlbut and Mr. Hovater were indicted in 1976. The charges were eventually dismissed.

In January 1977, the two agents sued Gulf Atlantic, Nationwide and the officers alleging the companies had conspired to defraud the agency and had interfered with its contractual relationships.

"It can happen to any agent," Mr. Hurlbut said last week. "They said they would make us bankrupt and almost did it."

A spokesman for Nationwide said the company was not expecting the verdict. "Nationwide was stunned by the verdict," he said. "They were just flabbergasted."

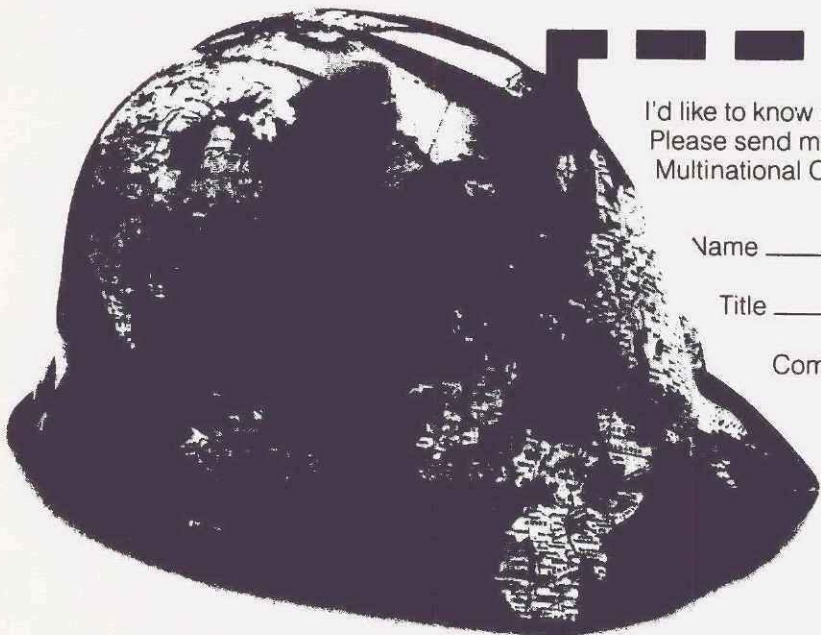
Nationwide has said it will appeal.

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Doctors liable for their errors

ST. LOUIS—A Missouri appellate court has ruled that doctors at a state-operated mental health center are not public officials and may be sued for malpractice.

The decision overturned an earlier St. Louis Circuit Court ruling that six doctors at the Malcolm Bliss Mental Health Center could not be sued.

The appellate court said that superintendents of state mental health institutions were public officials but that doctors employed there were not. It also said that if doctors could escape liability, it would defeat the legislative intent to have public facility patients be treated in accordance with the highest medical standards.

The court also recognized that the decision could cause financial difficulties for public sector doctors because they are paid less than private physicians and cannot as readily afford malpractice insurance. However, the court left any remedy for that problem to the Legislature.

Comp rate hike sought in Maine

AUGUSTA, Maine—Insurers are seeking approval of a 25% increase in workers compensation rates on all new and renewal policies in Maine, effective Sept. 15.

The insurers blame the need for the increase on continuing losses. In each of the last three years, insurers' premium receipts fell short of the cost of providing benefits by more than \$30 million.

In 1980, the shortfall exceeded \$48 million, more than half the entire premium collected in 1980.

The proposed average premium level change is distributed in the following manner: manufacturing, 22%; contracting, 19%; all other classes, 28.8%.

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editorial opinions

Competition, not promises

CALIFORNIA'S MINIMUM RATE LAW governing workers compensation insurance should be repealed.

The law, which requires workers compensation insurers to charge uniform rates, protects only insurer profits and hurts California employers.

We first questioned the need for such rate regulation when the California Insurance Department started investigating cash-flow plans for workers compensation. Concern that the cash-flow plans violated the minimum rate law created a lot of hoopla, including hours of meetings of top insurance company officials and state officials to hammer out new regulations.

The law might not seem so onerous if this were the extent of the problems it creates. But there is more.

The only price competition permitted under the law is in the amount of dividend paid at the end of the policy period. Insurers can't promise dividends under California's law, but they can show prospects the history of similar accounts.

Depending upon how the information is presented, an insurer can be standing on one side or the other of the fine line between promises and examples. Regardless of which side of the line the pitch falls, it's likely to mislead many a buyer who thinks he is being promised a hefty dividend if his loss experience is good . . . and he is not.

Take the case Samsonite is bringing against

Liberty Mutual, as reported in last week's issue. The insurer's marketing information stated that no dividends could be promised, but Samsonite argues that it was told that its dividend at the end of the three-year policy period would be larger than it eventually turned out to be. And the insurer even pitched a renewal policy exhibiting figures with a larger dividend than Samsonite's expiring policy, the company says.

We're not judging the merits of Samsonite's case here; that's for the courts to decide. We note this lawsuit because it is an example of the problem the California minimum rate law creates.

The only support for this law comes from the insurers, who enjoy hefty profits on workers compensation insurance in California. They don't want to see this state fall to the price competition rampant elsewhere in the country.

We're not advocating price wars to destroy the insurance industry. We support fairly priced insurance and we think the fairest pricing comes from open market competition, not minimum rates set by law.

For the fairest workers compensation insurance prices, to prevent more bureaucratic juggling such as that needed to create the cash-flow regulations and to provide buyers with a market free to compete on price at the front door instead of the back door, California's minimum rate law should be repealed.

Help Mom and Dad

IF YOU HAVE A GOOD CORE of health and pension benefits and can put any new employee benefit in place for 1982, make it child care assistance.

The new Reagan tax law specifically exempts this assistance from taxable income for the employee, clearing up what was concerning some employers.

Before you dismiss the idea because you think you have few working mothers among your employees, consider how many male employees are fathers with working wives.

Two-career couples share the concerns and costs of raising children. A child care assistance benefit will be as appreciated by Dad as Mom.

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letters

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'Battle' is long overdue

To the editor: Isn't it interesting that "new battle plans are in force at insurance companies to fight the rising cost of litigation, changing the way insurers defend claims against their policyholders," as stated in Stephen Tarnoff's article, "Insurers try to trim rising legal costs" (BI, Aug. 24)?

Plans even different than proposed are long overdue from the standpoint of the commercial/industrial policyholder, who pays the claims bill through premiums and the insurer's reserves!

Indifferent insurance company claims service has long generated and encouraged lackadaisical defense. Most insureds want to help with defense, but are discouraged by casual company claims service and commensurate, contagious, indifferent legal representation.

A "new battle" is long overdue, but it is directed at outside defense or legal services. The basic trouble is in-house claims and legal services.

Charles R. Leo Jr.
Stony Point, N.Y.

Rehabilitation nurse consultants valuable

To the editor: I wish to commend your publication for recognizing and promoting rehabilitation as a significant means to help reduce workers compensation costs. Numerous articles, including your story July 6, has put rehabilitation on the front page.

But none of these articles has mentioned the rehabilitation nurse consultant. I do not speak of the occupational nurse who performs emergency nursing in the factory or office and who assists with planning and implementation of safety programs for employees. The rehabilitation nurse consultant is an essential first step in the rehabilitation process.

Currently, more than 20 major insurance companies and businesses in the Chicago area employ rehabilitation nurse consultants including CNA, Fireman's Fund, The Travelers, Wausau, The Hartford, Royal, Liberty Mutual, Kemper and Crawford.

Rehabilitation nurse consultants perform medical management and limited job placement. What claims supervisor has the time or medical

expertise to maintain close contact with the employer, employee and physician, assess motivational levels and interpret medical reports and opinions to determine the severity and length of disability? We are able to go into the employee's home and start the rehabilitation process from the beginning of the injury by insuring controlled medical care and positive motivation level on the part of the claimant.

Rehabilitation nurse consultants have not received the recognition they so richly deserve. There can be no job retraining and placement if the employee is medically unstable, has personal problems that have developed because of the accident or did not receive proper medical treatment due to either his lack of participation or the failure of medical people involved to follow up.

Donna L. Snodgrass
Vp

Associates for
Professional Rehabilitation
& Injury Management Inc.
Oak Brook, Ill.

YMCA's program aids aching backs

To the editor: Eileen Norris's story, "Oh, those aching backs" (BI, Aug. 17), has two major omissions.

First, it fails to emphasize the importance of reconditioning exercises for those recovering from acute back pain or surgery. Returning to work with a back that is functionally weak from disuse is an invitation to reinjury.

Second, it fails to mention the YMCA Healthy Back Program. Aimed at people with potential, current or recurring back pain, this program involves two sessions of training per week through an exercise routine designed to strengthen back muscles and improve flexibility.

Participants are expected to practice the exercises daily at home during the six-week course and to continue them indefinitely.

The program, provided by carefully trained instructors, is available in more than 1,000 YMCAs in this country, more than 100 in Canada and nine in Australia. It is estimated that at any given time, there are 10,000 participants in the program and that about 200,000 people have completed the program since it was first introduced in 1976.

Data derived from the initial groups indicate that 30% reported complete freedom from their back pain while an additional 50% reported significant improvement in both pain relief and freedom of

movement.

A special study of some 710 subjects who, despite a total of 921 back operations, still had some pain revealed that depending on how many times a week and for how long they practiced the exercises, 76% to 88% reported diminution in the frequency and severity of their back pain.

Insurers and workers compensation boards have begun to refer back pain victims to the YMCA program, while a growing number of organizations provide the program for employees. In the New York area, these include AT&T Long Lines, IBM, Hoffman-LaRoche, Merck Laboratories, New York Telephone Co. and, most recently, the New York City Fire Department. Employees go to any of the YMCAs offering the program; when groups of 15 can be assembled, the YMCA will send a trained instructor to the workplace. Participation is usually voluntary with the employer paying part or all of the very modest cost. (The cost in New York City is \$40 per person).

For information, contact a local YMCA or Al Melleby, National Director, YMCA Healthy Back Program, 236 E. 47th St., New York, N.Y. 10017; 212-759-8973.

Leon J. Warshaw, M.D.

The New York Business Group
on Health
New York

Care-custody-control debate continues

To the editor: Too many people ask an insurer to delete the care-custody-control exclusion in the general liability policy, which has

been debated in your letters column (BI, June 15, July 13).

A contract of insurance struc-
Continued on page 37

Sperry Corporation played an important role in getting the space shuttle Columbia into space and safely back to earth.

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Panel thinks tax incentives could help cut health costs

By JERRY GEISEL

Washington

WASHINGTON—Tax incentives may be able to cool soaring health care costs, a Reagan administration task force says.

The Department of Health and Human Services task force is studying a proposal that would, for the first time, make employees pay taxes on part of the group health insurance premiums paid by their employers.

Because employer-paid health insurance plans are tax-free, employees demand overly generous benefits pay nearly all the cost of claims, say some officials like HHS Secretary Richard Schweiker and Office of Management and Budget

Director David Stockman.

Because employees have little incentive to control costs, the demand for health services has soared, placing mounting inflationary pressures on the health care delivery system, Mr. Stockman says.

But if part of the employer-paid premium were counted as the employee's taxable income, workers would become more cost-conscious and less likely to demand comprehensive policies, backers of the proposal contend.

As another part of the proposal, employees opting for low-cost plans

with high deductibles and coinsurance could receive cash rebates from the employer. The rebate would represent the difference in the cost of the normal policy and the cost of the less-expensive one.

Employers could continue to contribute any amount they want to an employee's health benefit, but any amount over a set contribution would be taxable.

For example, if the maximum tax-free premiums were set at \$120 a month and a company health insurance plan cost \$150 a month per employee, the employee would be taxed on \$30 a month.

But an employee opting for a less comprehensive plan costing \$90 a month could pocket the \$30 savings.

Administration officials stress that the tax-incentive proposal is only a proposal. No final decisions are expected to be made before the end of the year.

Approval expected

Senate approval of the proposed Risk Retention Act is expected this month and could come as soon as next week, Congressional observers predict.

The proposal, S. 1096, which breezed through the House and the Senate Commerce Committee earlier this year, would make it easier for manufacturers to protect themselves against product liability exposures.

Under one section of the bill, companies could band together to form insurance cooperatives to self-insure their product liability risks.

These cooperatives could be set up in any state, in Bermuda or in the Cayman Islands as long as the insurance capitalization requirements of at least one state are met.

The cooperatives, though, could only write product liability and completed operations coverage for member-owners.

Under another section, different employers could buy product liability insurance as a group from an insurer, a practice now barred under most state insurance laws.

OSHA appointment

Mark Cowan, a former House committee and Central Intelligence Agency attorney, has been named deputy assistant secretary of labor for occupational safety and health, the No. 2 spot at OSHA.

Mr. Cowan will direct OSHA staff work through program administrators and recommend decisions based on options prepared by OSHA staff.

Mr. Cowan also will run the agency when OSHA chief Thorne Auchter is out of town.

Social Security

The Senate Finance Committee next week is expected to consider several proposals to ease Social Security's financial problems.

Committee Chairman Robert Dole, R-Kan., is expected to press for a proposal that would gradually increase the age at which a retiree could collect full Social Security benefits to 69 from the current 65.

Sen. Dole and Sen. William Armstrong, R-Colo., also propose basing Social Security benefit increases on the rise in the Consumer Price Index or the national average weekly wage, whichever is less.

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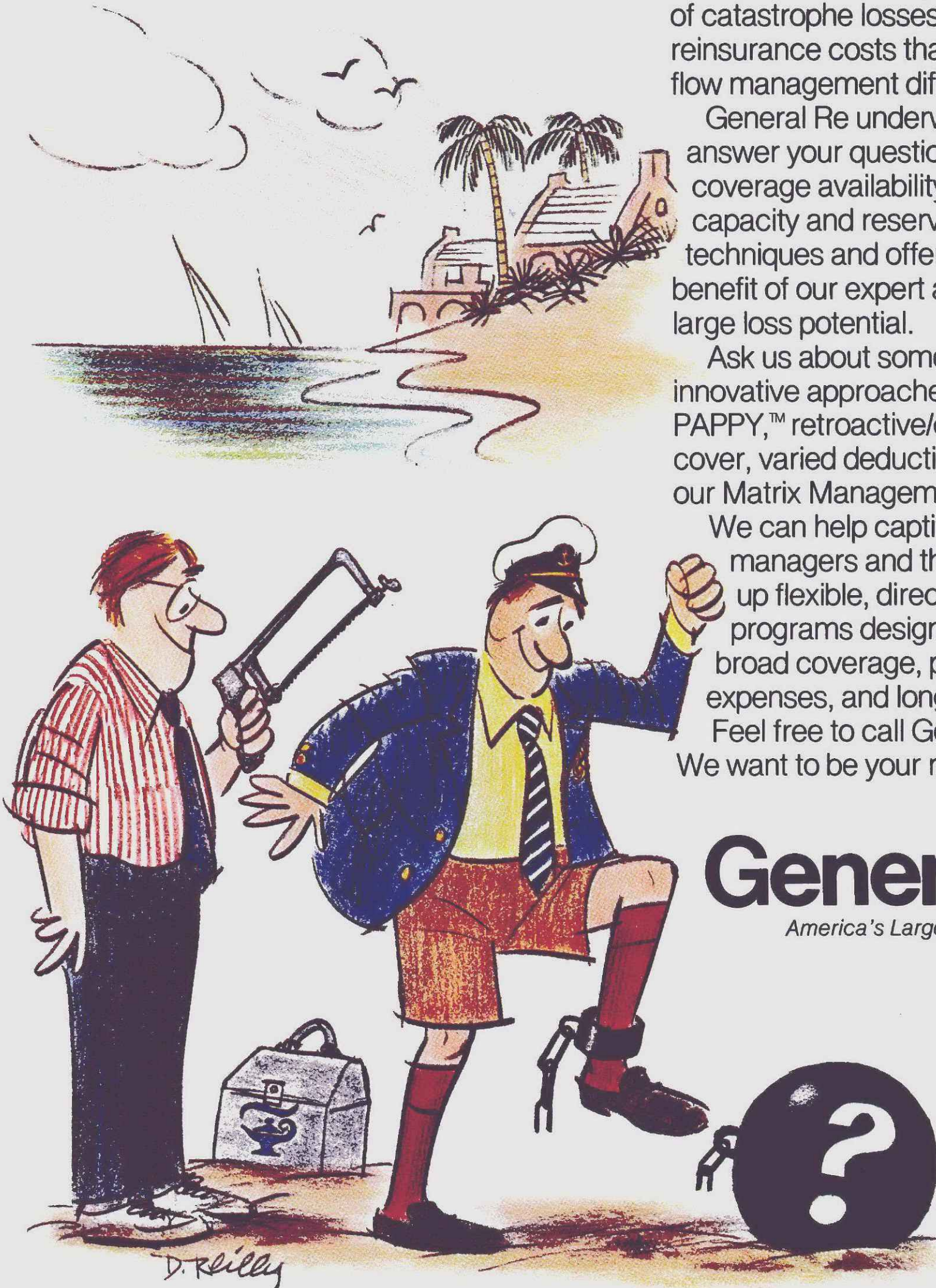
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Ohio may expand wrongful death remedies

COLUMBUS, Ohio—In a move that could lead to higher insurance premiums for business, the Ohio House of Representatives has passed legislation permitting compensatory and punitive damage

awards in wrongful death cases. Ohio law currently permits only pecuniary damages such as funeral expenses and other economic losses to be awarded. The measure was approved by a

77-17 vote in the House and now goes to the state Senate. If passed, it would allow damages where loss of support, consortium, companionship, love, affection, care and comfort occur. It would also allow damages for mental anguish, pain and suffering.

The bill also allows suits for punitive damages in wrongful death cases.

In calling for the defeat of the legislation, the Insurance Federation of Ohio said the legislation could double or triple the number of wrongful death awards paid by defendants and insurers.

Work comp hike

JEFFERSON CITY, Mo.—State employers will be hit with a 5% increase in workers compensation

around the states

rates if the state Insurance Department grants a request by workers compensation insurers.

A spokesman for the National Council on Compensation Insurance said the rate hike was proposed to offset the cost of higher benefits mandated by the Missouri Legislature. Changes in state law require insurers to provide higher minimum and maximum benefits for occupational injury victims, the spokesman said.

Maximum weekly benefits will increase for all types of injuries.

The maximum for fatal and total disabilities will increase from \$150 to \$174, while the maximum for partial disabilities will increase

from \$96.54 to \$104.40. A new \$40 weekly minimum benefit will be instituted for fatal, total and partial disabilities.

The revised premium levels would apply to new and renewal policies effective Sept. 1. The council also is proposing a 5% increase applicable to the remaining portion of policies already in effect on Sept. 1.

Company banned

LINCOLN, Neb.—The state Department of Insurance has revoked Proprietors Insurance Co.'s certificate of authority, effective Aug. 24. The loss of the certificate prevents the company from conducting future business in the state.

Proprietors, an Ohio stock insurance company, was declared insolvent on Aug. 5 by an Ohio court. The liquidation order provided that company's policies were canceled on midnight Sept. 4.

The company wrote various commercial lines of insurance including plate glass, boiler machinery, burglary and elevator coverages, a spokesman for the Insurance Department said.

Agents have been advised to find new coverage for their policyholders as soon as possible. Claims that occurred on or before midnight Sept. 4 will be eligible for payment by the Nebraska Property & Liability Guaranty Assn. Claims occurring after that date or after cancellation or expiration of a Proprietors' policy will not be eligible for association benefits.

Job safety rules

WASHINGTON—The Occupational Safety and Health Administration has approved standards supplements to the Maryland and Virginia state job safety and health plans.

The Maryland supplement contains standards on worker exposure to lead, acrylonitrile and arsenic. The Virginia supplements include electrical standards and regulations on fire protection, perimeter guarding of low-pitched roofs and access to workplace health records.

Both states are among 24 states authorized by OSHA to set and enforce workplace safety and health standards, subject to federal approval and monitoring. The two states adopt federal OSHA standards as state rules after public comments and hearings.

OSHA approved the supplements because the state standards are identical to their federal counterparts. There will be no additional public participation since there were opportunities for comment when the federal rules were set.

Both state plans and supplements are available at the following OSHA offices: Office of the Regional Administrator, 3535 Market St., Suite 2100, Philadelphia, Pa. 19104; and the Technical Data Center, Room N25394, Third St. and Constitution Ave. N.W., Washington, D.C. 20210.

Officers elected

Robert K. Dreher of Western Publishing Co. Inc. has been elected president of the Wisconsin Chapter of the Risk & Insurance Management Society for 1981-1982.

Other recently elected officers include: C. Dan Poole, The Flak Co., vp; Gary W. Bemm, The Heil Co., secretary; Gary J. Bridgeford, Johnson Controls Inc., treasurer; and Gordon J. Decker, Allis-Chalmers Corp., national representative.

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The wraps are off.



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■ They seek the best buys, and they know that means shopping the specialty market. They see the trends close-up. And it's clear that specialty services are the way of the future—a future that's already a present-day reality.


■ They know too that price alone is not the answer. A specialty company's **performance**, from concept through delivery, is the one truly critical element to look for. So the key becomes that company's talent and resources . . . its experience, its very roots.

For us, that's The Hartford, providing insurance products and services with integrity since 1810. The Hartford has played a major role in the large risk market for many years.

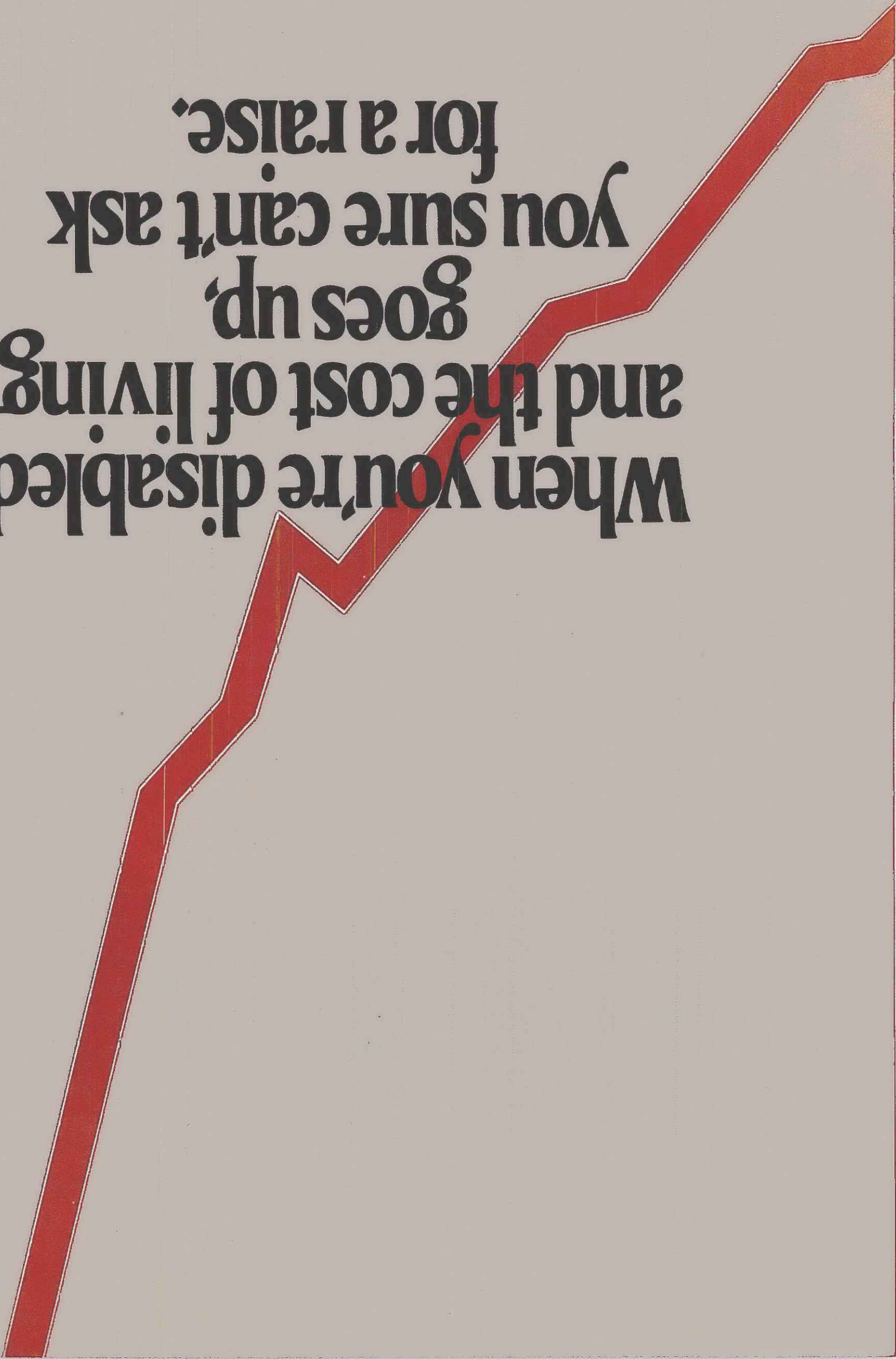
But now the wraps are off. Our vehicle for alternative programs, as well as insurance, financial and risk management services, has been consolidated and refined as Hartford Specialty Company.

Hartford Specialty is an established but fast moving, highly flexible force in the specialty market. A single source for a broad and growing array of insurance coverages and services including financial plans, claims, audit and loss control, to name only the most basic.

Get to know us. You'll like what we can show you.

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and the cost of living
goes up,
you sure can't ask
for a raise.**



So Unionmutual has added an inflation-fighter to its LTD plan, one that will give you a significant selling edge.

Unionmutual now offers an automatic cost-of-living adjustment to a select group of Long Term Disability Income (LTD) clients.*

No longer will the fixed income of a disabled employee of a professional or business service firm be subject to the severe erosion of inflation. When an employee is totally disabled for a prolonged period, Unionmutual will adjust the monthly benefit by up to 1/2 the Consumer Price Index (CPI) — up to 6% annually for as long as the insured receives benefits — to age 65 or even 70.

Is this coverage needed? Look at the circumstances of two types of claimants.

If an **employee** is totally disabled, his or her chances of supplementing monthly income benefits to meet increases in the cost of living are virtually non-existent.

Even if **principals** are totally disabled, it still is extremely difficult to ask their companies to contribute additional money, when the company has purchased Group LTD to avoid just this problem.

Thus, the market for Unionmutual's new LTD Inflation Adjustment is ready to respond to a product that will solve these problems, giving our disability package still

another unbeatable dimension. With superior design that anticipates the needs of its market, innovation, stability and benefit expertise, it stands to reason that Unionmutual's long term disability program continues to be the largest selling in America.**

Join the brokers who have seen the light, and sell the LTD product that gives top priority to this very definite need. Contact one of our branch offices, or send for a free brochure that outlines this new benefit today.



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*Now available in most states

**Employee Benefit Plan Review, April 1981

Britain studies new latent damage rules

By STACY SHAPIRO and JOHN MILLER

LONDON—New rules to establish insurer liability in cases of latent damages may be coming in the United Kingdom.

A law fixing a "starting point" for damage caused by a hazardous product would enable insurers to determine their risks more effectively and would avoid uncertainty over future claims.

The drive to set such a rule follows a rash of court cases in which there have been questions concerning the limitation period in some policies for non-personal injury claims.

Those seeking the new rules want to fix the point in time at which a claim should originate and a time period during which an insurer would be responsible for damages caused by a product made by one of its policyholders.

The recent suits have mainly concerned professional and commercial indemnity actions, but the Lord Chancellor's Department says that the same problems could apply to manufacturers and other industries.

Details of the controversy are available in a document on "latent damage," issued by the department's Law Reform Committee, which for several years has studied setting time limits for latent damage suits.

A similar controversy surrounds the payments of claims by U.S. asbestos makers sued by people who have developed health problems years after being exposed to asbestos products. Underwriters debate whether the insurer on the risk when the injured person was exposed to the asbestos must pay the claim or whether the insurer on the risk when the disease finally was diagnosed should.

A proposed European Economic Community directive on product liability proposes a 10-year limit on insurer liability from the time the defective product is circulated.

The committee is studying the problem because British courts, in some instances, have attempted to determine insurer liability for latent damages on a case-by-case basis.

The courts have said that the date of occurrence of a damage is a question of fact to be determined by evidence in each individual case.

Legal policy

The British Law Society's professional indemnity policy, which covers 24,000 lawyers, is valid, three High Court judges have ruled.

Two lawyers, James Swain and Alan MacLaren, had challenged the 6-year-old plan on the grounds that the mandatory coverage hinders the freedom of British attorneys.

The two lawyers argued that British attorneys should be able to obtain their professional coverage from other sources.

But the judges ruled that the plan was properly introduced as part of the Solicitors Act of 1974, which governs the British legal fraternity.

Riot damages

Fire damages from July's riots in Britain totaled 4.5 million pounds, a spokesman for the British Insurance Assn. said.

Some of the fire damage and the estimated 46 million pounds of other damages may not be covered under the Riot Damage Act of 1886. Claims will be paid only if the Home Office declares the confrontations as a riot, a Scotland Yard spokesman said. Losses from unde-

london line

clared riots are not recoverable under the act.

The British government has offered to pay 60% of the riot damages that local authorities must pay, but only after it levies a tax of one pence per every pound of real estate tax collected.

Riot costs include \$1 million

pounds in clean-up and additional police protection costs. Discussions are continuing between the government and local authorities, a Home Office spokesman said.

British fire losses in July, including the riots, totaled 25 million pounds. The largest loss was a fire at a warehouse in eastern England

that caused 1.5 million pounds in damage.

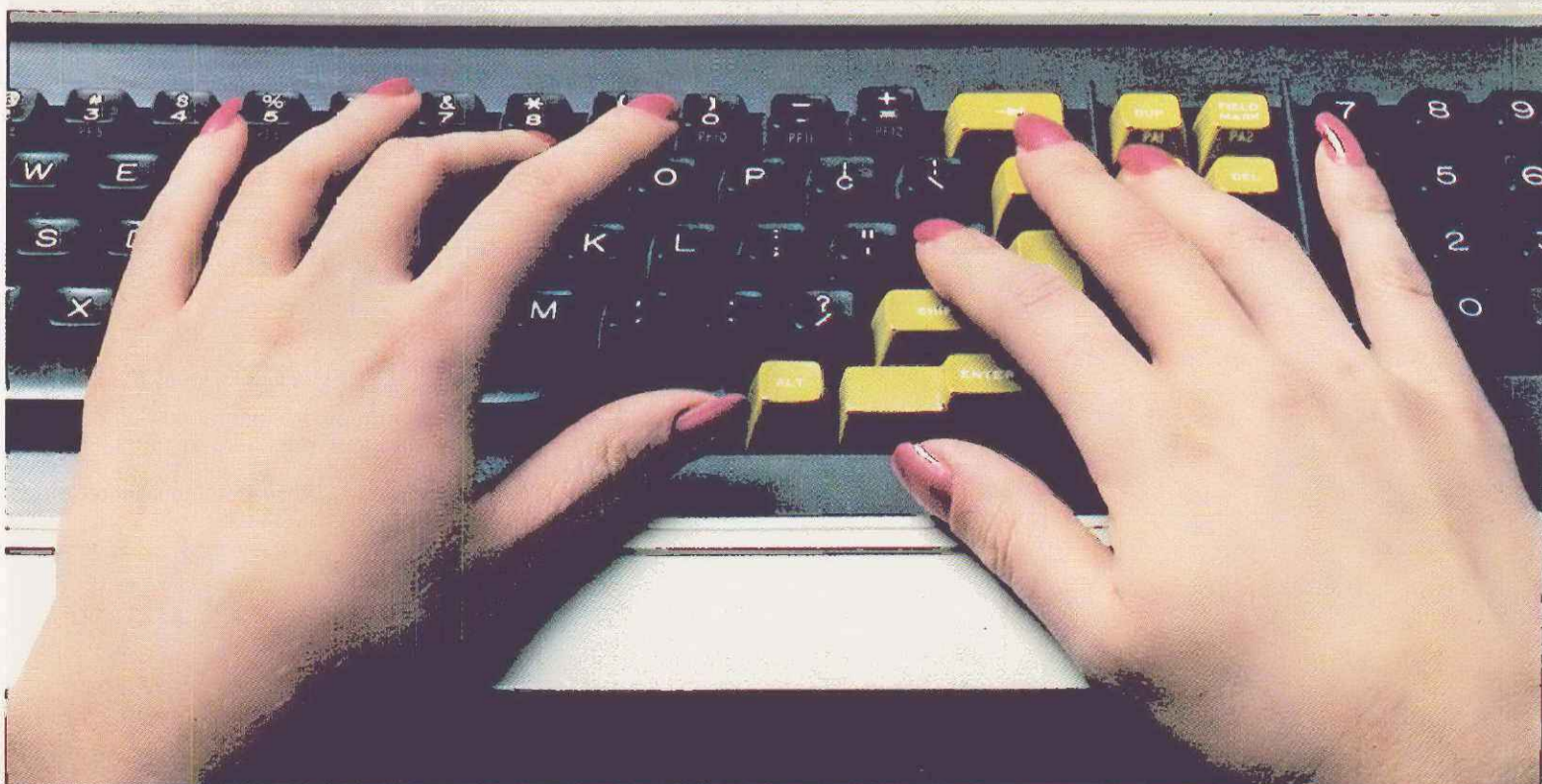
Premiums are not likely to rise because of the losses, the BIA spokesman said.

Lloyd's headquarters

The Queen Mother will visit Lloyd's of London Nov. 5 to mark the beginning of construction on Lloyd's new 75 million-pound headquarters.

The Queen Mother, 81, has followed Lloyd's operations for many years. She opened the present Lloyd's building, which houses the underwriting room. She has been an honorary Lloyd's member since 1974.

Excavation work on the building has been under way for the last 18 months. The new 500,000-square-foot building, set to open in 1985 or 1986, will replace the current building, which was built in 1928. ■



info

• Tijero & Payet, the Peruvian representatives of Alexander & Alexander, has published a booklet called "Security and Surviving Relating to Earthquakes." The publication, currently available only in Spanish, explains the causes and effects of earthquakes and recommends suitable prevention techniques in high-exposure areas. An English version is expected to be published next year. The cost of the booklet, including air mail, is \$25. Checks should be payable to

Tijero & Payet S.A. and sent to 3557 Paseo de la Republica, Lima 27, Peru.

• "Workers Compensation Rating" is a new insurance training course published by Pictorial Publishers Inc. The course begins with an overview of workers compensation and covers benefits, the Workers Compensation and Employers' Liability Manual, in-depth rating procedures and classification. Upon completion of the

course, the student will be able to classify employers according to their exposures, rate an application and determine the premium. The average completion time is 10 hours. The training course includes the programmed instruction text, sample rate manual, workbook, rating guide, examination and answer key, certificate of completion and an instructor's guide, all contained in a three-ring binder. The course is available for review, with a money-back guarantee, for \$15 per set, plus \$2 postage and handling. Contact Pictorial Publishers Inc., Department 760, 8081 Zionsville Road, P.O. Box 68520, Indiana-

napolis, Ind. 46268.

• Companies that have established a captive insurance company or are interested in forming a captive can obtain a brochure, "Curacao (Netherlands Antilles) as a Captive Insurance Company Location." For more information about this free brochure write Mees Management (Curacao) N.V., Snipweg 46, Willemstad Curacao, Netherlands Antilles; Telephone 77274; Telex 1157; or R. Mees & Zoonen Assurantien B.V., Van Vollenhovenstraat 3, 3016 BE, Rotterdam, Netherlands; 010-366277, ext. 315; Telex 22405.

• Mountain West Alarm of Phoenix, Ariz., has just released its latest 68-page illustrated security catalog, offering more than 1,600 alarm and security products. The catalog, for installers of burglar and other alarms, is also of interest to homeowners, businesses and institutions. Products range from simple to sophisticated electronic systems. Basic instructions and diagrams are included. For a free catalog, contact Mountain West, 4215 N. 16th St., Box 10780, Phoenix, Ariz. 85064; 800-528-6169.

• Machinery & Allied Products Institute has published a memorandum called **Further Commentaries From the MAPI Products Liability Council**, Memorandum G-133. Both professional treatises and practical guides to executives concerned with product liability are included in the publication. Three deal with details of preparations for product liability cases; three others deal with the manufacturer's legal duty to warn of product hazards; and one discusses how to prevent accidents in the operation of rotating equipment. Copies are available to MAPI member companies at \$3 each and to non-members at \$5 a copy. Write Machinery & Allied Products Institute, 1200 18th St. N.W., Washington, D.C. 20036.

• Nearly 100 products for safety and security markets are described in a new 22-page brochure available free from 3M. Products ranging from alarm service systems and anti-slip surfaces to surveillance cameras and traffic control systems are cataloged for four industry segments: commercial, occupation, transportation and residential/personal. Copies of the brochure entitled "Products for Safety and Security" are available from 3M, Department 1499, Box 4039, St. Paul, Minn. 55144; 800-323-1718; in Illinois, 800-942-8881.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? *Business Insurance* will describe your material as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with a cost (less than \$15) and mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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At Equitable, we believe that group insurance is only as good as individual claim service.

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Here's how it works.

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Equitable staffs each of its Divisional Benefits Offices with trained, professional claims approvers. In each *Equi-Claims* office, these approvers work at

video terminals linked to central computers. *Equi-Claims* is an on-line, real-time system that provides us with complete up-to-the-minute information with a touch of a button.

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The *Equi-Claims* computer system contains all the information the approver needs to make a claim payment decision. For example—

- Is this employee covered for that claim?
- Up to how much?
- With what deductibles?
- What are reasonable and customary charges in the doctor's area?

It's all there in front of the approver, making payment decisions easier and faster. Calculations are then performed automatically, saving time and assuring greater accuracy and consistency than was ever before possible.

And the check is in the mail the next day.

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Disability benefits administration explained

The consulting firm Thomas L. Jacobs & Associates has published its Disability Benefits Administrative Manual.

The manual shows how to administer sick pay, short-term disability benefits and payroll benefits. The manual also explains cost-effective administration, how to make timely and convenient payments and how to eliminate common errors in benefit administration.

The price for a customized program varies according to a client's needs. However, the base price is \$20,000, which includes 10 days of technical assistance and training, plus a complete set of model forms and correspondence.

For more information contact Richard Lewis, Steve Schrenzel or Richard Wille at Thomas L. Jacobs

products & services

& Associates Inc., 222 W. Adams, Chicago, Ill. 60601; 312-346-0155.

Political risk

Swett & Crawford offices throughout the country are now offering a political risk insurance program with higher limits. The coverage, supported by Pacific Insurance Co., has available limits up to \$40 million.

The various kinds of coverage for overseas risks include confiscation and expropriation, 100% nationalization and deprivation, including broad-form terrorist and war risk.

Coverage is tailored to individual

companies. For more information contact Carol Odinet Godfrey, Swett & Crawford, 2001 Bryan Tower, Dallas, Texas 75201; 214-742-8131.

Non-smoker discount

Phoenix Mutual Life Insurance Co. is now offering a non-smoker premium discount to group life coverage for small businesses. The discount is available to small firms that employ fewer than 10 people.

The discount, varying according to the employee's age and sex, ranges from 6% to 22%. Phoenix Mutual reserves the right to verify all individual insured's smoking

habits.

For details contact Group Sales Department, Phoenix Mutual Life Insurance Co., One American Row, Hartford, Conn. 06115.

Pollution coverage

McAlear Associates offers new errors and omissions, completed operations and complete general liability policies for environmental engineering, clean-up and construction contractors that work with hazardous waste industries.

The E&O policy is on a claims-made form and the general liability, including completed operations, is on an occurrence form. Limits are \$1 million immediately, with possible higher limits as needed.

For further information contact

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

Safety program

RIMCO Agency Services is offering a new safety program design and review service for use by independent agents and brokers and their clients.

The new service includes evaluation of building design, evacuation plans, fire prevention, water availability and risk management systems.

RIMCO Agency Services is a new division of RIMCO Risk Management Inc. For further information contact RIMCO, 10300 North Central Expressway, Building V, Suite 350, Dallas, Texas 75231; 800-527-6806.

Information system

Reliance Insurance Co. has introduced Account Risk Management Reports, an electronic information system that provides Reliance's independent agents and their clients with detailed loss information for use in risk management.

Each ARMR report contains a full five-year loss history and includes all coverages, plus bonds. Individual reports analyzing loss frequency and loss severity trends are available for workers compensation, auto and general liability coverages.

A promotional kit describing ARMR can be obtained by writing Reliance Insurance Co., Loss Control Department, 18th Floor, 4 Penn Center Plaza, Philadelphia, Pa. 19103.

Medical claims

Metadata, a company based in Santa Ana, Calif., is helping ferret out unneeded medical procedures through the use of a computer.

Metadata, which provides services to insurance companies, insurance administrators and self-insurers, processes about 20,000 claims a week with the help of a Hewlett-Packard 3000 computer. Metadata says its computerized system saves its clients an average of 17% per billing.

For more information contact Metadata, 801 W. Parkcenter Drive, Santa Ana, Calif. 92705; 714-953-1770.

E&O coverage

Will-Gard Insurance Agency Inc. of Union, N.J., now provides errors and omissions coverage for municipal tax search officials in New Jersey.

The policy, which is offered in conjunction with the Tax Collectors and Treasurers Assn. of New Jersey, has limits of \$10,000 per person per occurrence and \$100,000 aggregate.

For more information contact Will-Gard Insurance Agency Inc., P.O. Box 987, Union, N.J. 07083; 201-687-3400.

Armored vehicles

Safeguard Security Services Inc. can transform an ordinary automobile into a secure, yet inconspicuous armored vehicle, the company says.

Standard features include bullet-proof windows and reinforced doors, floorboard, headliner, pillar posts, trunk, battery and fuel tank. Optional equipment includes tear-gas deterrent system, gun ports, dual ram bumpers and a smoke-screen device.

Contact Safeguard Security Services Inc., 4728 Goldfield, San Antonio, Texas 78218; 512-661-8306. ■

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(617) 786-2232

Swedish insurer cuts its marine business

STOCKHOLM, Sweden—The Swedish-based Sirius Insurance Co. has reduced its traditional marine insurance business to only a third of its operations, compared with nearly 50% in 1976.

Property/casualty and other coverages have replaced Sirius' marine and aviation business, which was meeting fierce competition.

Chief Executive Henrik Sjoberg, commenting on last year's premium volume of 390 million Swedish kronor (\$74.1 million), explains: "The international insurance and reinsurance markets are characterized by continuing overcapacity, and as we were not prepared to waive our customary policy of accepting only business with prospects of producing underwriting profits, the volume of business was virtually unchanged from 1979."

Sirius' combined ratio was 108.4% last year, compared with 105.3% in 1979. But thanks to an increase in investment income, operating profit was improved to 43.2 million kronor (\$8.2 million) from 31.1 million kronor (\$5.9 million) in 1979.

Kuwait oil fire

KUWAIT—Insurers around the world face losses from a series of explosions and fires at oil storage tanks owned by the Kuwait National Petroleum company at Shuaiba.

The risk is reinsured largely through International Oil Insurers, a pool based in Britain, but insurers in the United States, France and the Middle East also have part of the risk.

Original estimates from Kuwait that the damage could exceed \$175 million have been discounted by the main underwriters, who regard this sum as "highly exaggerated."

The six tanks damaged by the Aug. 20 fire hold 700,000 to 960,000 barrels of oil if filled, resulting in \$20 million to \$30 million in damage. But sources say some of the tanks may have been empty at the time of the accident.

International Oil Insurers is a consortium set up in 1975 for on-shore risks, with insurers from Britain, Norway and France participating. It says it holds about 60% of the facultative reinsurance risks on the Kuwait plant, as well as some treaty reinsurance.

The cause of the incident is being studied by the Kuwait government, but the blasts are believed to have been accidental.

Skiing coverage

OSLO, Norway—Storebrand Insurance Group of Norway has been appointed official insurers for the World Skiing Championships in Oslo next year.

The event, being held in Oslo for the first time in 16 years, is expected to draw 400,000 spectators.

Storebrand is part of a consortium of Norwegian insurance companies that handles offshore risks for the Norwegian state oil company.

Korean market

SEOUL, South Korea—The time is right for further expansion of the South Korean insurance market, says Kyung-Shik Sohn, president of Ankuk Fire & Marine Insurance Co.

New marketing strategies are likely to be introduced as Koreans become more conscious of the need for insurance, he says, adding that much property in Korea goes uninsured.

Opportunities for properly trained agents will increase if rigid controls are relaxed to meet the

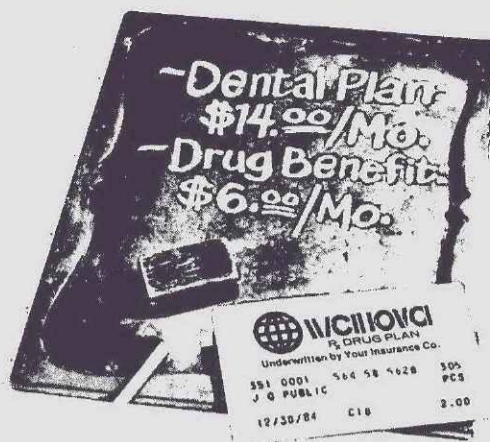
worldwide

needs of industrial risk policyholders, he adds.

At present, there is little competition over rates in South Korea because of supervisory controls.

Direct-writing companies are required to cede all amounts they do not retain to the Korean Reinsurance Co., which was established by the government in 1963. That company retains the excess up to its own capacity, then tries to cede the remainder back to the domestic market.

However, if the market cannot absorb the remainder, the risks go to foreign reinsurers.



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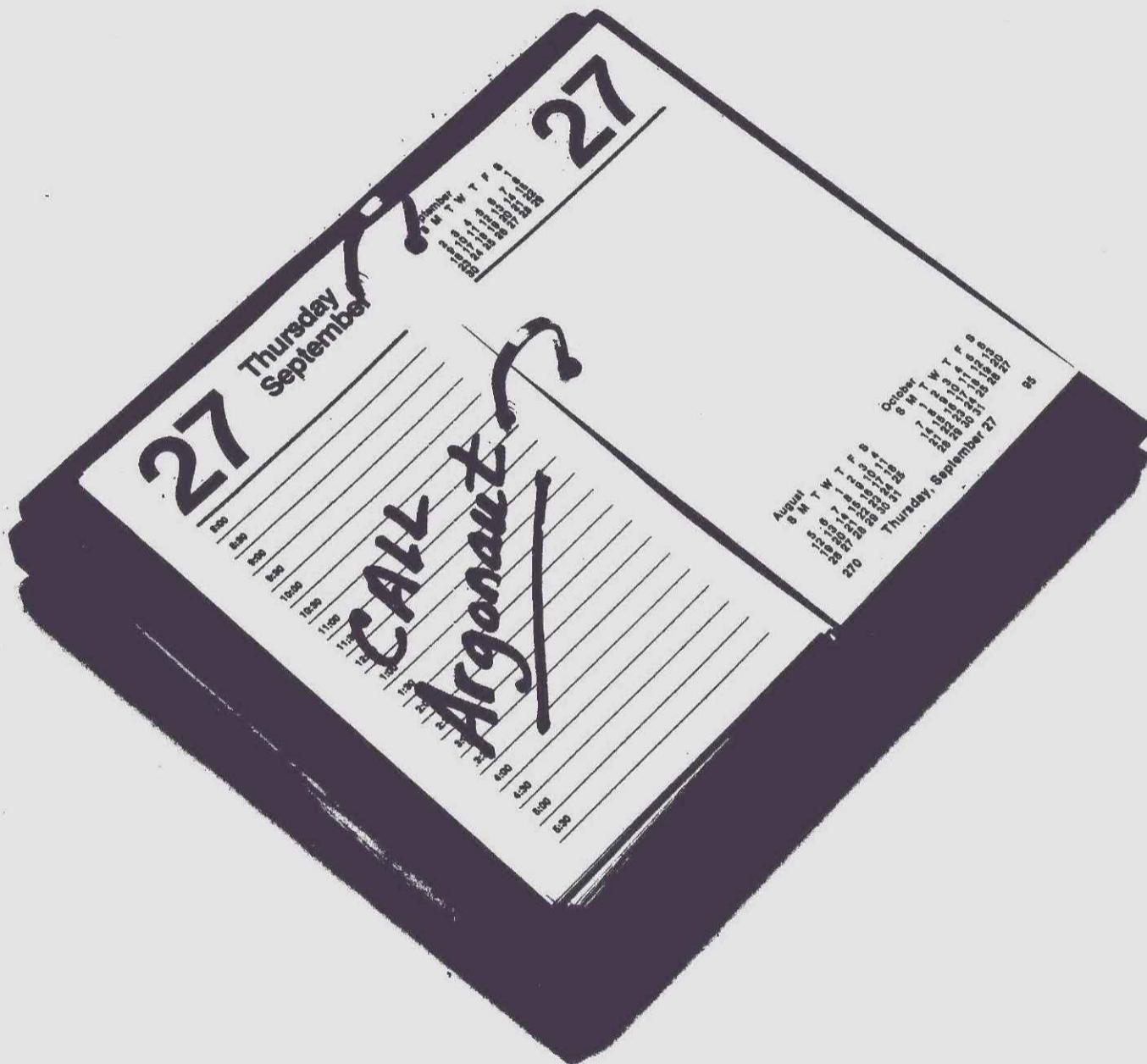
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specialties of Worker's Compensation and Hospital Liability, or in other commercial casualty and property lines.

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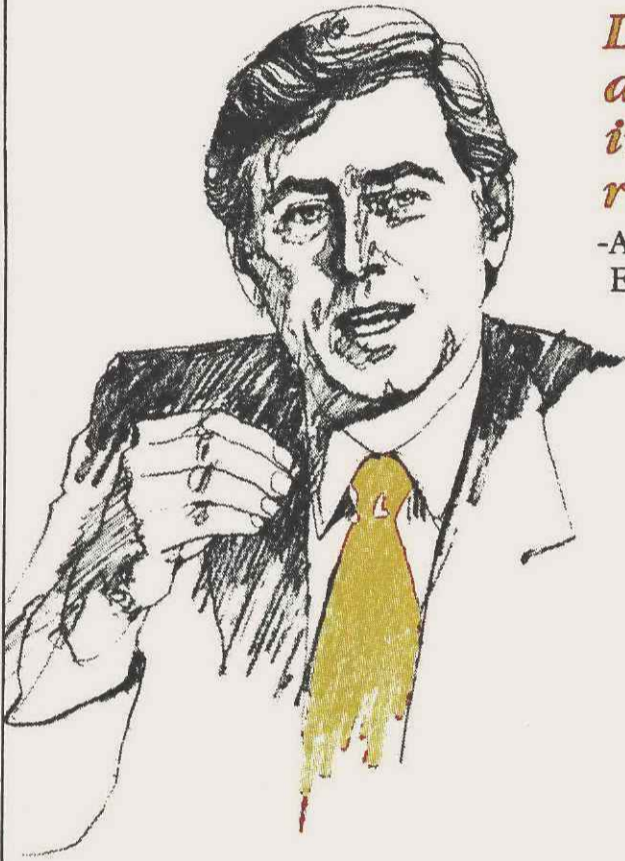
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Financial Strategies In Business Insurance

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Defending against the inherent risks.

-Aerojet General's Edward Riordan

"Since nearly every facet of our business involves exotic substances or environments, the safety of our employees and of third parties has always been of primary concern to us," says Edward Riordan, director of risk management for Aerojet General.

As a major defense contractor, with corporate subsidiaries active in the construction and maintenance of chemical plants and petroleum refineries, Aerojet has for several years looked to INA for help in structuring its often-sensitive insurance programs.

"INA writes our workers' compensation coverage throughout the United States," Riordan notes, "and their safety engineers are adept at helping us spot and correct potential hazards." This has been important in the contract maintenance end of Aerojet's business, where its employees are charged with safeguarding the mechanical

integrity of a refinery or chemical plant—environments which Aerojet neither owns nor controls.

For third-party liability coverage, the company self-insures its first million dollars of risk, and uses INA's ESIS subsidiary to handle any claims that fall within that layer. "It's a valuable service," Riordan explains, "because our products are often used in parts of the world where we don't have a strong physical presence."

Finally, Riordan sees INA's safety and loss control engineers as performing an on-going audit function for Aerojet: "Their reports help me determine whether we're delegating internal responsibility for safety in the most effective way possible."

A few years ago, the Michigan Licensed Beverage Association (MLBA) faced a serious dilemma. Its members—primarily restaurant and tavern owners—were finding adequate "liquor liability" coverage almost impossible to obtain. Yet this insurance was essential to their staying in business.

"The MLBA solved the coverage problem by creating its own captive insurance company," says Ike Dobre, vice president of Ward S. Campbell, Inc., the association's broker. "But funding the captive required substantial annual outlays from the members."

A finance plan with benefits all-round.

-Ward S. Campbell's Ike Dobre



In order to ease the burden, Dobre contacted INAC, the INA subsidiary which specializes in premium-financing. INAC responded with a custom-designed program under which each member's annual premium is spread out over nine months. And the finance rate, according to Dobre, has consistently been lower than the rates charged by commercial lenders.

"Each member sends us a premium down-payment," he explains. "We then receive the remaining portion from INAC." Before these funds are remitted to the captive, the Campbell agency can use them to generate income, thus enhancing its cash flow. "The beauty of the INAC program is that it benefits the MLBA's members in the same way," observes Dobre. "They can hold on to their premium dollars for much of the year, and that improves *their* cash positions."

The program's success has led the agency to use premium financing for a growing number of its clients. Says Dobre: "We currently involve INAC in roughly 80% of our commercial business."

The rapid growth of the broadcasting industry has led to the emergence of more than 30 broadcasters' organizations—each related to a specialized area of TV and radio operations.

"We focus specifically on the needs of the stations' financial and business affairs people," says Robert McAuliffe, president of the Broadcast Financial Management Association (BFM). "One of this group's primary concerns is insurance protection, particularly as it affects bottom-line performance."

For this reason, the BFM began participating almost ten years ago in an insurance "safety group" organized by MarketDyne, an INA subsidiary. By pooling their risks, the 900-plus BFM members are able to obtain comprehensive insurance coverage at attractive group rates.

"Among the coverages available through MarketDyne are property, business liability and workers' compensation insurance," explains McAuliffe. "We can also give our members protection against slander suits—an increasingly common peril for broadcasters."

Besides saving money on premiums, participating members benefit from INA's risk management and loss control services. Through broadcast magazine articles and industry seminars, INA regularly advises financial personnel on ways to reduce losses and control insurance costs. "These efforts can really pay off," notes McAuliffe, "since our members receive dividends against their premiums for years in which the group's loss experience is favorable. Our safety record has always been good, and that's meant an average annual dividend of approximately 20%."

Pooling risks to lower costs.

-Broadcast Financial
Management Association's
Robert McAuliffe



Decision-making in business insurance has never been more complex. And the financial implications have never been greater. Today, devising cost-effective insurance programs requires knowledge, experience, capacity—and a complete range of products and services. Flexibility and the willingness to innovate are also essential.

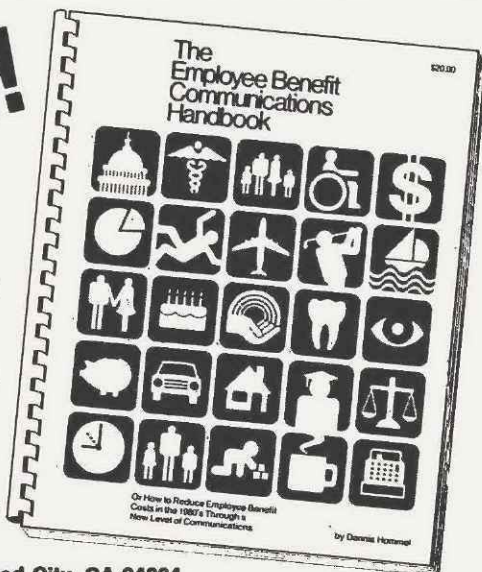
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Written by award-winning creative director Dennis Hommel, this concise manual tells how to evaluate available media, select a communications consultant, plan an effective creative strategy, determine true costs and execute messages dynamically!

It also gives tips on how to gain management approval for an ongoing communications budget, and much more.

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

UPG Publications Division, Dept. B12, Box 700, Redwood City, CA 94064.

Employers aren't trying to trim health costs: Study

WASHINGTON—Employers aren't leading the battle to curb rapidly increasing health care costs, according to a government report.

"Corporations were neither greatly concerned nor strongly motivated to do much about their health benefit costs," according to the study, funded by the Department of Health and Human Services' National Center for Health Services Research.

The report's authors, researchers from the Massachusetts Institute of Technology in Cambridge, Mass., and the Veterans Administration, interviewed senior corporate executives and benefit managers at 69 unidentified companies of varying size.

"We didn't just see benefits man-

agers because they have a vested interest," says Harvey Sapolsky, one of the four authors of "Corporate Attitude Toward Health Care Costs." "We interviewed as many corporate executives as possible."

One reason that corporations are reluctant to curb health benefits is that they believe the political and economic price may be too high, the authors say.

Ford Motor Co., for example, proposed during the 1976 negotiations with the United Auto Workers that employees pick up a share of health care costs.

The UAW balked and called a strike. When the walkout ended four weeks later, the union had not made any concessions on sharing health care costs.

Since then, cost sharing has not been a significant factor in the auto industry's labor negotiations, the report says.

Few firms were willing to implement tighter claims controls. "Firms fear disrupting employee relations by appearing overly suspicious or miserly when claims are filed," the study contends.

Employers also were not convinced that expanding participation in health maintenance organizations would significantly cut their health care costs.

One surveyed firm, for example, complained that HMOs skimmed the best risks, while employees with health problems opted for a Blue Cross/Blue Shield plan. As a result, the firm's overall health insurance costs increased even though a high percentage of employees joined the HMO.

Of the 69 firms surveyed, not a single company could provide documented evidence that HMO participation had reduced health care costs. Some firms, however, said that HMO participation would eventually produce savings.

Several companies—Kodak, Xerox and Sybron—have used their clout in the Rochester, N.Y., area to battle against duplication of services, a component of the health care cost spiral.

"But the Rochester experience, as enticing as it may be for health policy analysts, can only be replicated in a few locations across the country," the report said.

Most firms believe that their political power is limited at the local level and prefer to flex their corporate muscle for tax or zoning lobbying, issues more central to their financial conditions, the study notes.

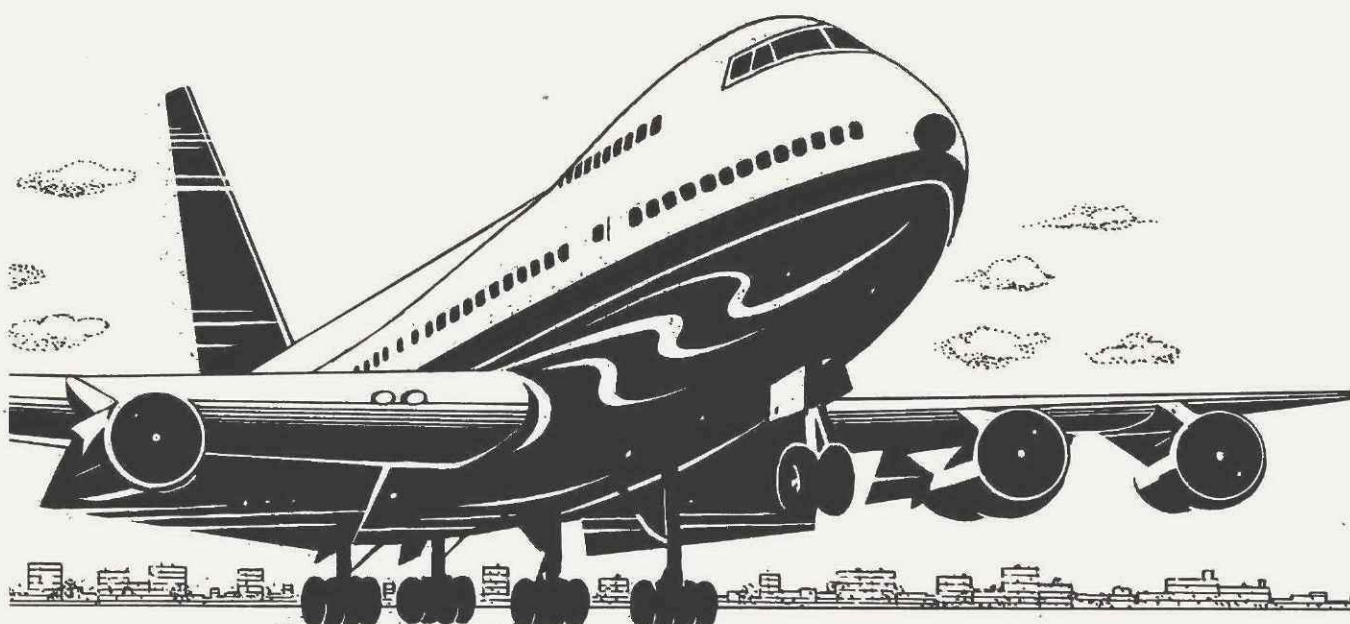
Fear of lawsuits, provider boycotts and community backlash also makes corporations reluctant to press for a cutback in health care services that they believe are inflationary or unnecessary.

For example, one major industrial firm decided it not longer was going to pay for chiropractic services. A flood of postcards from angry chiropractors soon followed, warning the firm's president that they would never buy the company's products.

"Although chiropractors do not account for a significant share of the firm's market, the president was unwilling to jeopardize any sales for a small savings in benefit costs," the report says. "The decision was reversed."

Employers have formed coalitions around the country to control local hospital growth and develop outpatient and day surgery facilities (BI, Oct. 27, 1980).

But these coalitions are unstable because their member firms are involved in different markets and subject to changing internal priorities. "The least hint of bad publicity is certain to strain the coalition," the report says.



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New ways to save

By Robert E. Wallace

Tax law creates pension write-offs

THE NEW TAX law offers both a challenge and an opportunity to employers who sponsor retirement programs, particularly savings plans and contributory defined benefit pension plans. The new law, among other things, allows tax write-offs under certain conditions for voluntary contributions to pension plans or Individual Retirement Accounts.

A flood of IRA offerings can be expected, and banks, insurance companies, mutual funds and other financial institutions will tempt participants, putting pressure on company plans.

Employers can turn these challenges into an opportunity to enhance the value of their retirement plans. First, the employer must decide if changes in plan

design are needed. Second, the employer must tell employees about the impact of the tax write-off sections of the law.

Under the new law, employees can make annual tax-exempt contributions to an IRA or voluntary contributions to their pension, profit-sharing or savings plans of up to \$2,000. However, the plan must be willing to accept these contributions.

In addition:

- A 10% tax penalty will be imposed on withdrawals before age 59½ except in the case of death or disability.

- The plan cannot violate discrimination rules. Therefore, the opportunity to make voluntary contributions cannot be limited to high-paid employees.

- The plan will have to make reports concerning such contributions to the Internal Revenue Service and plan participants. The content and form of these reports will be prescribed.

Participants in

President Reagan signs the new tax-reform legislation.

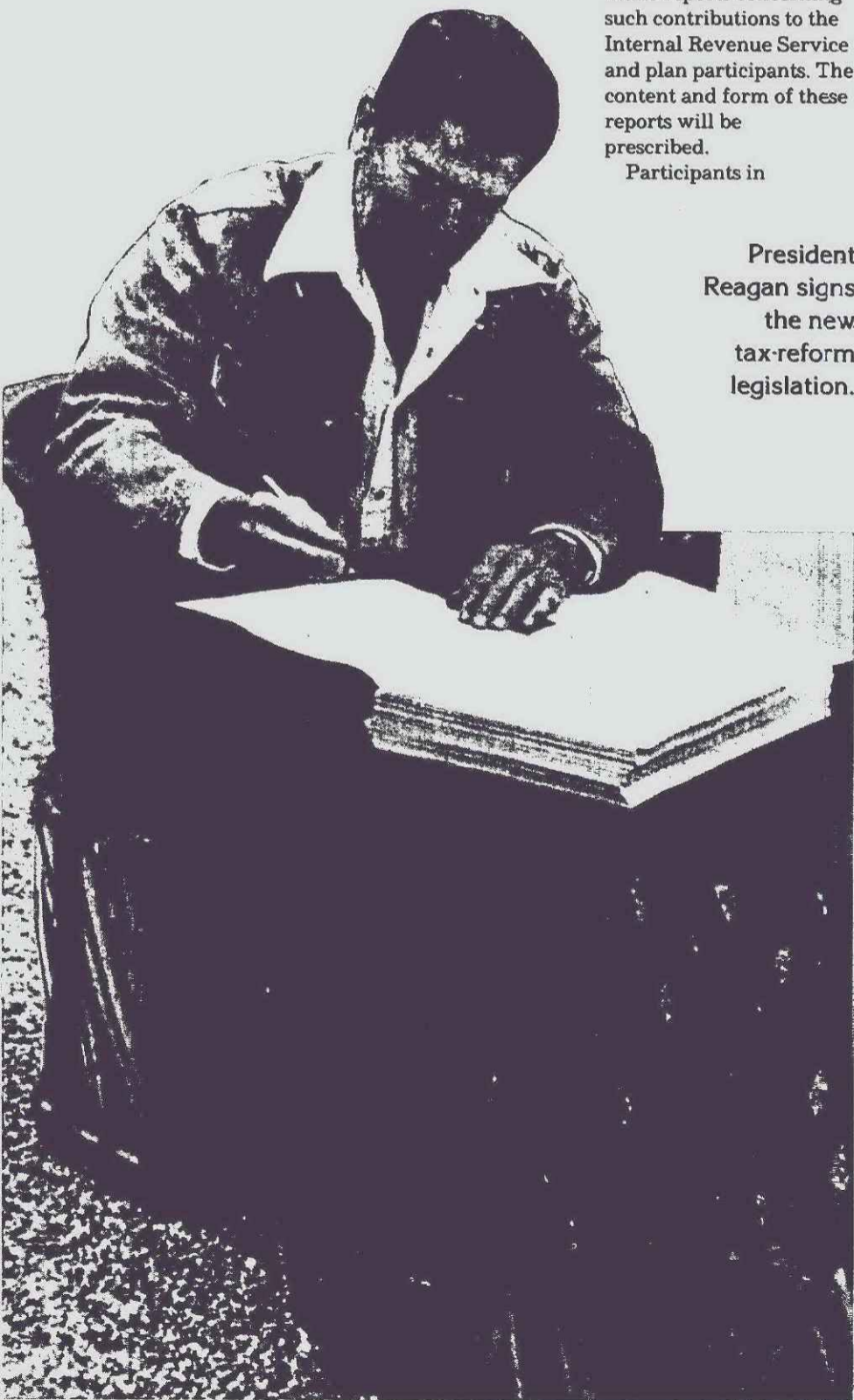


Photo: World Wide

employer-sponsored plans may split their contributions between plans and IRAs as long as the total amount contributed for a given year does not exceed the limits. The tax-exempt contributions will not be taken into account in determining maximum benefits or maximum contributions under ERISA.

Employees may also set up an IRA for a non-working spouse. In this case, the \$2,000 limit per worker is increased to \$2,250. However, the amount contributed annually on behalf of the spouse must not exceed \$2,000.

A participant can elect not to write off qualified voluntary contributions to a employer-sponsored plan. A participant might do this in order to take the exclusion for a contribution to an IRA or to another plan or to be able to withdraw the accumulated contributions before age 59½.

There are various rules for rollovers and taxation of contributions when distributed upon death.

Although in most cases voluntary employee contributions paid into or out of the plan will be treated like IRAs for tax purposes, some differences exist.

The tax-exempt contribution to a qualified plan will be treated separately from the other funds in the plan. Thus, the tax advantages applicable to lump-sum distributions from qualified plans will not apply to distributions of the accumulated tax-exempt contributions to the plan.

Tax write-offs will not be allowed for mandatory employee contributions. These are defined as contributions required either as a condition of employment, participation in the plan or to obtain additional employer-provided benefits. Employee contributions to a savings plan that are matched in some form by the employer are considered mandatory contributions and are not tax-exempt.

Should you offer a plan that allows employees to make tax-exempt contributions?

With proper design, communication, administration and follow-through in offering this option, you could:

- Improve employee relations.
- Meet the competition of other employers who offer such a plan.
- Avoid possible plan disqualification of plans that otherwise might occur if most of the low-paid employees drop out of the plan to set up IRAs.
- Encourage savings through the convenience of payroll deductions.

On the other hand, offering a tax-exempt option will require additional costs, both in time and money. Problems could also arise in trying to meet investment competition from banks and other IRA sponsors. Even if you decide not to offer a tax-exempt contribution option, some changes may be needed to meet the

challenge of employees contributing to IRAs.

Once a company decides to accept tax-exempt contributions, it should next decide what kind of plan it should offer.

An obvious first choice is a defined contribution plan—particularly a savings plan. Individual accounts exist under these plans and voluntary contributions are usually allowed. The plan could be amended to accommodate contributions under the new tax law.

A tax-exempt voluntary contribution option could be added to a contributory defined benefit plan that keeps track of individual accounts. Adding the option to a non-contributory defined benefit plan is possible, but the start-up and continuing administrative costs could be considerable.

An employer could adopt a separate plan specifically for tax-exempt employee contributions, making it convenient for employees to make such contributions.

Employees must understand the provisions of the new tax law in order to make intelligent choices. Effective communication to employees in this area can prevent bad choices based on incomplete or biased information.

In particular, employees should be advised whether to contribute to a plan and receive employer-matched contributions or to set up their own IRA.

Even if an employer decides not to offer a tax-exempt contribution option in any of its plans, it still should communicate the advantages of its programs. Any plan changes that are made as a result of the new law also should be communicated both to meet ERISA requirements and to make the changes understandable to employees.

A major problem is that employees may be tempted to contribute to an IRA instead of a savings plan. Employees will be subject to heavy pressures from outside sources like banks to contribute to an IRA. If too many low-paid employees choose the IRA route, the IRS could conceivably disqualify a plan.

The new law could also significantly affect voluntary contributions to savings plans. Employees might choose an IRA in place of voluntary contributions to the savings plan if the plan does not allow tax-exempt contributions.

Making mandatory and voluntary contributions to savings plans, instead of to IRAs, may still have advantages. For example, the employer's matching contribution is often more valuable than the tax savings of the IRA. Also, savings plans have more withdrawal flexibility than an IRA. Before age 59½, withdrawals from an IRA are allowed only on death or disability. Under a savings plan, withdrawals may be made under much less stringent conditions.

And lump-sum distributions from savings plans may still be more tax advantageous than withdrawals from an IRA after age 59½.

Robert E. Wallace is a benefits consultant with Buck Consultants in New York.

Continued on next page

management

Get the most out of workers through training programs

By Kenneth P. Shapiro

My friend Bob has a problem. As director of employee benefits and risk insurance for a Fortune 500 company, he manages two young, extremely talented employees, four solid performers and three middle-aged workers who have already risen as far as they can go.

Bob's dilemma is: How does he keep the two superior employees happy and create the "fast tracks" they need while getting the most out of his four competent workers and managing the three other employees who are being pushed from below?

An obvious, but often unpracticed solution lies in training and development programs that could capitalize on the strengths of these people while

minimizing the effects of their weaknesses.

To increase the probability of success, the training and development program should be tailor-made and include the following five phases:

- **Assessment.** This involves assessment of the individual as well as the organization: its climate and goals. The result is a training and development plan based upon mutual needs of the individuals and the organization.

- **Training.** The program is based upon information gathered in the assessment phase and generally includes seminars to broaden perspectives, workshops to provide in-depth information on particular subjects and activities to sharpen management skills.

- **Implementation.** The new skills are

applied to daily work routine in this phase. There must be opportunity to practice what is learned and receive feedback to reinforce the learning process. Individual on-site feedback and one-on-one coaching are often provided during the implementation phase.

- **Evaluation.** Although evaluation is included in every phase, here the feedback process is formalized to not only review what was done, but also to re-evaluate employee strengths and weaknesses, thus developing subsequent steps for both the individual and the organization.

- **Continuity.** The process continues even after the formal training has ended. The knowledge, skills and behavior learned should become part of everyday life of both individual and the



Kenneth P. Shapiro is a vp at Hay Huggins & Co. and a partner of Hay Associates in Philadelphia. His column on management appears monthly in BI.

organization.

This tailored approach to training and development is cost- and time-consuming and thus is clearly not for everyone at every level. However, for key employees, this process can pay maximum returns on the training and development dollar. ■

legal briefs

Insurer assessed bad-faith damages

An award of \$42,000 in compensatory and punitive damages for an insurance company's bad faith was upheld by the Supreme Court of Wisconsin.

In 1975, the insured, an attorney, obtained a standard business owner's fire and extended coverage insurance policy from Allstate Insurance Co., which covered the contents of his office in the amount of \$8,000. Subsequently, on Allstate's recommendation, the policy limits were increased to \$15,000.

In 1977, the insured's offices were destroyed by fire, including the invoices and receipts for the contents. The insured filed a sworn proof-of-loss statement detailing 400 items of property lost and the value of each item, claiming losses in excess of the policy limit.

Allstate authorized its agent to settle for \$4,200, despite internal memos indicating they believed the proof of loss to be substantially completed in proper form. The insured recovered a jury verdict of \$14,680 for damages to his personal property in addition to the compensatory and punitive damages.

The appellate court concluded the insured had substantially complied with the terms of the insurance contract. The court rejected Allstate's claim that no bad faith existed because the insured failed to supply certified invoices or receipts. The court was satisfied that Allstate was not misled as to the property's ownership or value. *Davis vs. Allstate Insurance Co.*, Supreme Court of Wisconsin, March 31, 1981 (BI/01/S.-\$5).

Duty to employees

Unless an insurance company agrees or intends to provide the insured with fire inspection services and advice to guard against reasonably discoverable fire hazards, a negligent failure to detect and warn of such hazards in the course of inspection

does not give rise to liability to employees of the insured, according to the Supreme Court of Michigan.

Employees of two companies had been injured or killed in accidents arising out of fire hazards. The employers were insured against property damage from fire. The insurance companies arranged for inspection of the plants, either by an agent or an insurance company employee, for fire hazards.

The company employees sued the insurance companies, claiming that their injuries were caused by fire hazards that would have been detected had the insurers conducted their inspections with reasonable care. Although juries awarded the injured employees sizable verdicts, the trial court entered judgment for the insurance companies.

The appellate court agreed that the insurance companies were not liable because they had not undertaken to render services to another. "An insurer's inspection of an insured's premises for fire hazards," the court said, "does not in itself demonstrate an undertaking to render fire inspection and prevention services to the insured." Thus, the court said the insurance companies owed no duty to the insured or the insured's employees to inspect with reasonable care. *Smith vs. Allendale Mutual Insurance Co.*, Supreme Court of Michigan, March 30, 1981 (BI/02/S.-copies not available).

Social Security offset

Can a group disability insurer offset disability benefits paid to the insured for herself and for her dependents against Social Security benefits? The U.S. 3rd Circuit Court of Appeals Circuit concluded neither offset procedure was unlawful under federal law.

Anneliese Lamb was covered under a long-term group disability insurance pol-

icy issued to her employer by Connecticut General Life Insurance Co. Payments under the plan were reduced by "other income benefits" payable to a disabled employee, including Social Security disability benefits.

Mrs. Lamb became permanently disabled in 1971 within the meaning of the Connecticut General plan. She was also found eligible for Social Security disability benefits for herself and her dependents. Thus, Connecticut General adjusted her monthly income benefits to reflect the Social Security benefits. As the Social Security benefits increased to keep pace with inflation, Connecticut General reduced its benefits an equivalent amount.

The result was that Mrs. Lamb received the same gross amount each month that she received in 1971. She sued Connecticut General claiming the offset violated federal law prohibiting assignment or transfer of future Social Security benefits and that the reduction of dependent benefits was contrary to public policy. The trial court ruled against Mrs. Lamb.

The appellate court affirmed, pointing out that Mrs. Lamb received her full entitlement from Social Security and had not transferred any portion of her benefits to the insurance company. Even though it appeared inequitable, the court emphasized that the remedy must come from Congress. Also, the court said that total family income, including dependents' Social Security allotments, may be considered when calculating benefit levels under public or private support programs. *Lamb vs. Connecticut General Life Insurance Co.*, U.S. 3rd Circuit Court of Appeals, Feb. 23, 1981 (BI/03/S.-\$5).

A copy of an entire decision may be obtained by sending \$5 to Cases Unlimited in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the case number.

Tax law offers pension options

Continued from previous page

Changes can be made in savings plans to make them more attractive than outside IRAs to employees. Such changes include:

- A change in the employer's matching percentage formula.

- A change in the voluntary contribution provisions.

- The addition of a tax-exempt contribution option.

- More flexibility in investment choice.

- A reduction in the vesting period for employer contributions.

Contributory defined benefit pension plans face a challenge from the new law. Most private employer plans are non-contributory, but some are contributory.

Contributory plans usually pay a very low interest rate on mandatory employee contributions compared to interest rates available elsewhere. The new law could lead to further dissatisfaction among workers because mandatory contributions are not tax-exempt.

Employees must understand mandatory contributions and how they significantly contribute to benefits. Their real purpose is to provide pension income at retirement, not to serve as an investment vehicle.

The new law will put particularly heavy pressure on cash or deferred profit-sharing plans. If low-paid participants believe an IRA is a better investment than the employer's plan and turn to an outside IRA, the plan could be disqualified.

A comprehensive administration and accounting system is vital for any retirement program. This will be especially important if an employer adds a tax-exempt contribution option to the plan.

The accounting system, whether manual or automated, must be flexible enough to allow for such things as maintenance of account information for each employee and to separate tax-free contributions from regular accounts. It must also be able to check that maximum contribution limits are not exceeded. ■

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This ad is a dramatization taken from a new Business Insurance presentation. If you'd like to see it, contact Don Walsh, Advertising Sales Director, (212) 210-0133.

Salaries of brokerage personnel kept secret

Action Line: I read with interest your article "Cheap rates wound brokers" (*BI*, June 29). As owner of a large general insurance agency, we were especially interested in the revenue per employee statistics and the performance of the Top 20 U.S. brokers.

It would be extremely meaningful to us if you could furnish statistics regarding the average salary per employee. For example, you show a reduction from \$51,216 in 1979 to \$35,894 in revenue per employee for Marsh & McLennan.

This reduction is very significant, of course, but it would be even more significant if we knew how much that employee was paid.

For example, in 1979, the aver-

action line

age employee could conceivably have received an average of \$20,000 against that average revenue per employee of \$51,216. This would have left Marsh & McLennan with \$31,216 for everything else. But because salaries are also increasing all the time, supposing we found the average salary in 1980 to be \$24,000. This would have meant that M&M had less for everything else.

Is it possible for you to obtain those salary figures for the years 1980 and 1979 for each of these 20 brokers you so carefully analyzed?

Lawrence F. Smith

Colonial Insurance Agency Inc.
Stamford, Conn.

Mr. Smith: Brokerage compensation formulas, which usually include salary, commission and bonuses, are closely guarded because the competition for experienced employees is reportedly very intense.

Public brokers, which must report certain financial information to the Securities and Exchange Commission, do not necessarily have to report average salary, though some list total compensation that includes, but is not limited to, salary.

Compensation figures, however,

can be deceiving, says M&M chief financial officer Bruce Schnitzer—especially when dealing with a firm involved with an international merger. M&M's revenue per employee figure dropped dramatically in 1980 because it was calculated on total employees (including those added through the merger with C.T. Bowring) and total revenues as given in the annual report. However, the revenues only included part of the annual Bowring revenues, so the firm appeared less productive than it was, Mr. Schnitzer says.

Training program?

Action Line: Could you please tell me if a risk management training program exists. If so, would you please supply infor-

mation for a correspondence course.

Robert C. Hulsey
Regional manager
Blue Cross/Blue Shield
of Colorado

Mr. Hulsey: The Insurance Institute of America in Malvern, Pa., offers an Associate in Risk Management certification program. The designation can be earned through formal classes offered around the nation, many through colleges, or by independent study. The standardized qualifying tests for those who study formally or independently are offered twice a year at locations close to participants' homes.

The independent study is not a correspondence course in the traditional sense, where students have to send in weekly papers, said Dr. George Head, director of risk management and loss-control education at the Insurance Institute of America.

Students who study for the ARM designation on their own use standard course material. This material contains reading assignments, reviews pertinent facts and has questions at the end of assignments. If students run into sections they don't understand, they can contact the IIA for help. Students know exactly how well they studied only after taking the exams.

The courses usually follow the sequence RM 54, 55 and 56.

The first exam, RM 54, covers material on the structure of the risk management decision-making process. The second test, RM 55, concerns risk control and the final exam, RM 56, is on risk financing techniques.

The ARM designation is recommended for persons controlling and managing risks for institutions, corporations or for the government and safety personnel, insurance agents/brokers, underwriters and consultants who want to broaden their services to include complete risk management counseling.

For more information on the ARM program, write Dr. Head in care of the Insurance Institute of America, Box 314, Providence Road, Malvern, Pa. 19355; 215-644-2100, ext. 211.

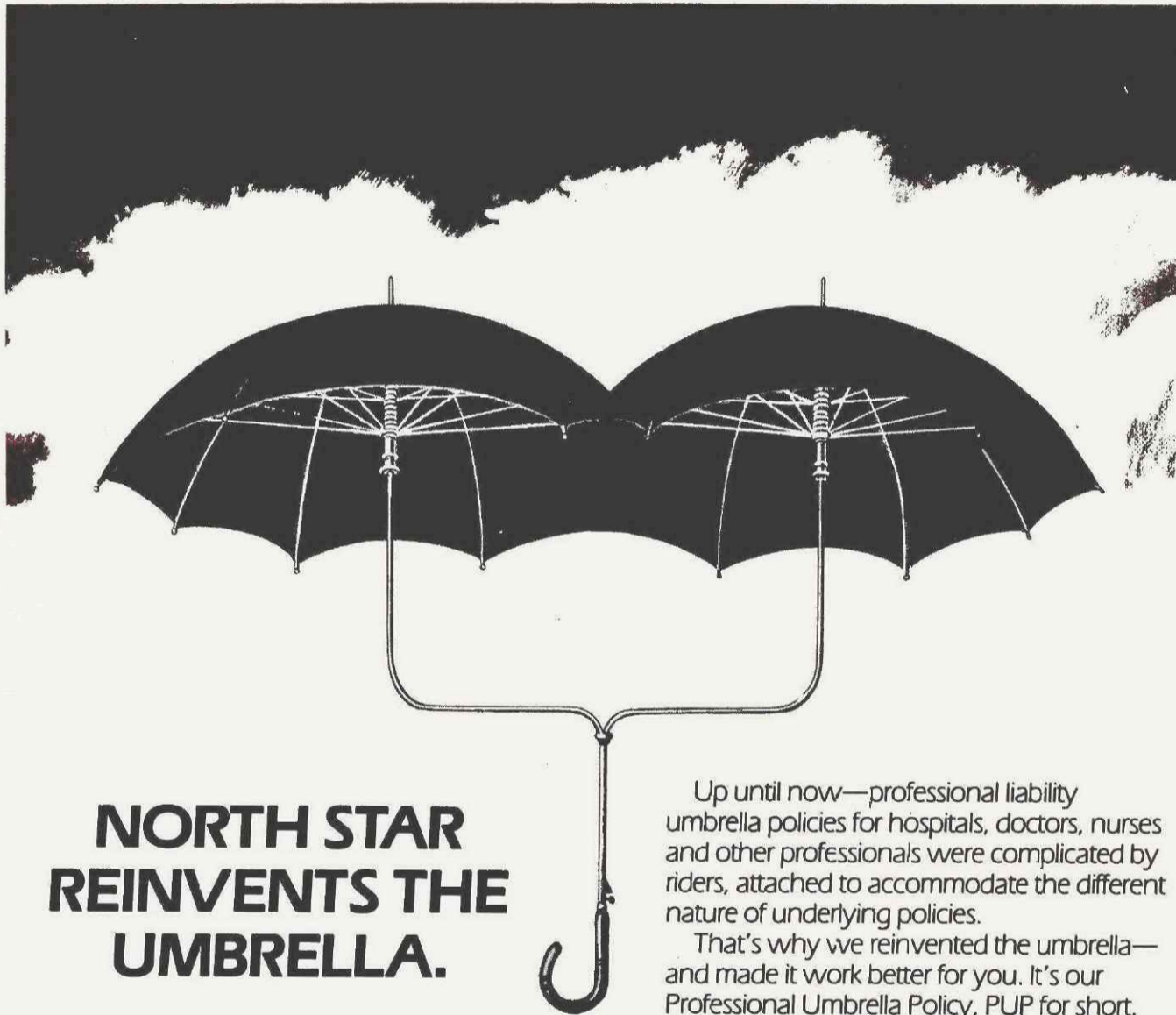
Action Line: Are there any articles or other related materials in the files or the library on the subject of repatriation of earnings of offshore captive insurance companies that you could send me?

Rowland G. Weber
Tucson, Ariz.

Mr. Weber: Neither we nor James Cameron, a tax attorney specializing in captive insurance companies, knows of any articles specifically dealing with the repatriation of earnings.

Mr. Cameron, with Baker & McKenzie in New York, however, said companies have handled earnings one of four ways:

- A stock company can pay dividends.
- Either a stock or a mutual company can pay policyholder dividends.
- Under certain circumstances a stockholder in a decontrolled captive can sell stock and take a capital gain.
- There are methods to set up a finance company to lend the money to foreign subsidiaries. This requires careful tax planning, however.



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NORTH STAR

CU's reinsurance affiliate names Walther senior vp

Commercial Union Reinsurance Co. has appointed **Paul Walther** senior vp. Mr. Walther is in charge of CU's assumed reinsurance operations.



Walther

Mr. Walther was previously president of Sentry Reinsurance Management Inc., a member of the Sentry Insurance Group.

Insurers

Richard W. McLaughlin been appointed senior vp for group pension lines at The Travelers Insurance Cos. in Hartford, Conn.



McLaughlin

Thomas C. Amundsen named secretary at Reliance Insurance Co. in Philadelphia. He will continue to be responsible for the head office commercial underwriting department.

Harbor Insurance Co. named **Allen Sterger** vp and **Henry J. Reilly** assistant vp of the Los Angeles home office.

Walter A. Adler appointed vp of field operations at Allianz Insurance Co in Los Angeles. He is responsible for all marketing and agency-related functions.



Adler

A.C. Zucaro named president of Old Republic International Corp. in Chicago and its principal life and property/liability subsidiaries.

Paul Radick elected president and chief executive officer of Pennsylvania Millers Mutual Insurance Co. in Wilkes-Barre, Pa.

W. Gordon Reynolds named resident vp of Mission Insurance Co.'s office in Phoenix, which serves all of Arizona.

Donald S. Chapman elected vp of commercial lines of SAFECO Corp.'s property/casualty companies.

Richard L. Johe and **James L. Schueler** elected senior vps of Michigan Mutual Insurance Co. and affiliates Associated General Insurance Co. and Associated General Life Co. All are headquartered in Detroit.

Excess/surplus

Arthur J. Johnson joined Gordon B. Phillips & Co. Inc. in Altamonte Springs, Fla., as senior vp for underwriting and marketing.

Other suppliers

Gerard C. Coletta joined Risk Planning Group as a senior consultant. Mr. Coletta will deal with projects in safety, health, environmental affairs and property conservation, as well as risk and insurance management audits.

Dick Huntington joined The Wyatt Co. as manager of western regional operations. **Craig Collings** and **David McCleerey** also joined Wyatt. All three were formerly employed with EBASCO Risk Management Consultants Inc. They will be based in the La Jolla, Calif., office.

Elsewhere at Wyatt, **Art Perry** appointed manager of the Dallas

comings & goings: industry

office; **Ron Boggs** joined the Chicago office as a consultant; and **Jim Swanke** named analyst in the Chicago office. In addition, **Wayne Liesch** transferred to the San Francisco office from the Chicago office.

Lincoln National Pension Insurance Co. elected **Leland J. Buchele** and **O. Douglas Worthington** assistant vps. The company, an affiliate of Lincoln National Corp., markets pension and annuity products.

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ARMCO SPECIAL RISKS

Hancock unit forms reinsurance affiliate

Hanseco Reinsurance Co. has been formed by the Hanseco Insurance Co., the property/casualty subsidiary of John Hancock Mutual Life Insurance Co.

Hanseco Re, a wholly owned subsidiary of Hanseco Insurance, will be headquartered in Boston at the John Hancock Tower. With an initial capitalization of \$10 million, it will be incorporated in Delaware and will seek licenses in all 50 states.

Hanseco Re's source of business will be through intermediaries. It will initially write multiple-line treaty reinsurance.

Hanseco's reinsurance interests include full ownership of Hanseco (U.K.) Insurance Co. Ltd. in London and a quarter interest in the Boston Personal Reserve Insurance Co. Ltd. in Guernsey; Channel Is-

markets

lands.

Managing agent

RTC Underwriting Services Inc., a managing general agency, has been formed to specialize in the underwriting of professional, directors and officers and public official liability coverages.

The new firm is wholly owned by RTC Ltd. of London. It deals exclusively with excess/surplus lines brokers and has a \$5 million capacity in both classes.

RTC Underwriting Services' offices are at Heights Plaza, 777 Terrace Ave., Hasbrouck Heights, N.J. 07604; 201-288-8620.

Health plan

The Health Insurance Plan of Greater New York has opened the Nassau Queens Medical Group satellite in Valley Stream, Long Island.

The \$500,000 Valley Stream center will serve as a model for other primary care units to be located convenient to Health Insurance Plan members on Long Island, says Dr. Martin Gold, medical director.

The new facility serves 4,000 of Nassau County's plan members.

New MGA formed

Bova Management of New York

Inc., a managing general agent and brokerage operation, has been formed to serve New York and northern New Jersey.

The firm will provide access to all major non-admitted foreign and alien brokerage companies and will act as the managing general agent for several A-rated admitted insurance companies.

It is located at 59 John St., New York, N.Y. 10038; 212-619-0090.

New name

Consultant Cory & Adams Associates Inc. has changed its name to T.J. Adams & Associates Inc. Offices for the firm which specializes in insurance, surety bond, risk management and engineering consulting, remain at 2021 Spring Road, Oak Brook, Ill. 60521; 312-655-5550.

Acquisitions

Coldwell Banker Insurance Services Inc. has acquired the insurance division of Jones & Brand & Hullin Inc., a Sacramento, Calif.,-based insurance and real estate organization. Coldwell Banker Insurance Services, located in Newport Beach, Calif., is a wholly owned subsidiary of the Coldwell, Banker & Co.

Carman Brokerage Corp. and Charles H. Carman Inc., surety bond specialists since 1934, have been acquired by Amalgamated Programs Corp. APCO has retained all employees of the two Carman firms, which have moved to APCO's headquarters at 161 William St. in New York. Charles H. Carman Inc. will continue to operate as an independent entity. Carman Brokerage Co. will be absorbed by APCO.

Poe & Associates Inc. and Pan American Insurance Management Corp. have reached an agreement in principle whereby Poe will acquire majority ownership in Pan American. The latter is an insurance holding company with subsidiaries operating in North and South Carolina, Maryland, Virginia, Florida and Texas. It specializes in insurance and risk management services to mostly commercial clients.

Knowlan, Thorpe & Co., which provides premium audits, general inspections and appraisals in eastern Pennsylvania, New Jersey and Delaware, has been acquired by National Technical Services Inc., a subsidiary of Celina Financial Corp.

New offices

Marsh & McLennan Inc. has opened a new office in Midland, Texas. It is located at 4305 W. Illinois, Midland, Texas 79703; 915-683-6479.

North American Reinsurance Corp. has moved its offices to 100 E. 46th St., New York, N.Y. 10017; 212-907-8000.

Corporate Systems has moved to new a facility at Box 31720, Amarillo, Texas 79120; 806-376-4223.

Calvert Fire Insurance Co. has changed its name to Calvert Insurance Co. and moved into new offices at 123 William St., New York, N.Y.

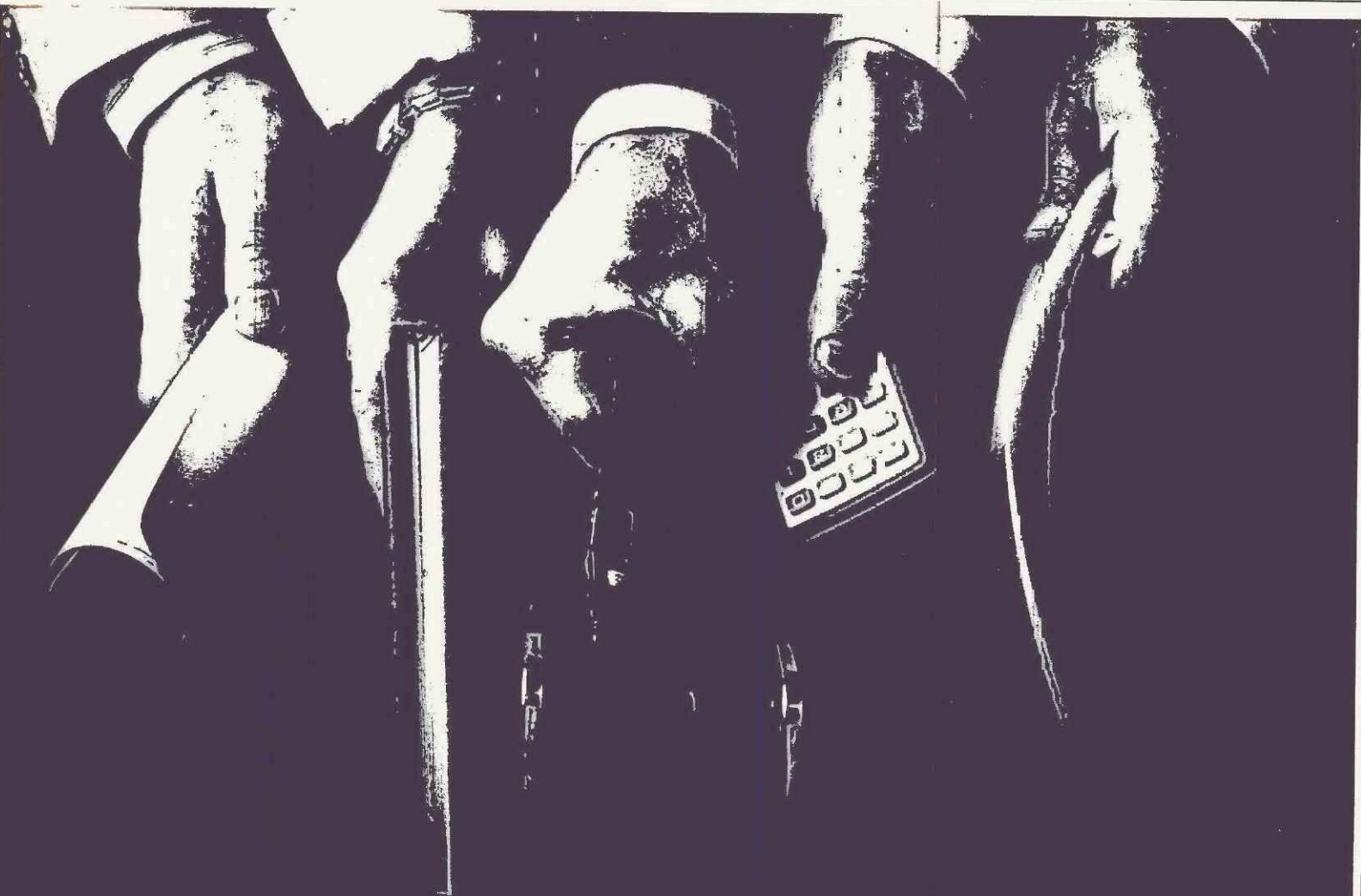
Pension index hits 14.6%

NEW YORK—The Buck Forward Interest Rate Index increased to 14.6% as of Aug. 1. The index provides a benchmark to help pension plan sponsors comply with Financial Accounting Standards Board requirements.

The index, developed by Buck Consultants Inc. in January 1980, is based on the forward interest rate inherent in the prices of risk-free U.S. government securities and is thus responsive to market conditions on an ongoing basis.

The index is intended to help financial officers select appropriate investment return assumptions to determine the actuarial present value of accumulated benefits for comparison with the market value of plan assets.

The index as of July 1 stood at 13.9%. ■



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A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

Competition spurs sales training

"You can beat those direct writers, if you want to. You just have to go out and sell."

By DAVID GALANTI

This proclamation has resounded through more hotel ballrooms at more agency conventions than any other phrase.

The ears that receive it are anxious. Agents and brokers, worried about losing both commercial and personal lines market share to insurers that have their own sales forces, are turning to researchers,

trainers and gurus of all sorts to beat what some consider the largest threat to the traditional insurance distribution system.

Agents and brokers are also learning one big lesson from their antagonists: Direct writers do a better job of selling than they do.

The result of this lesson is a new emphasis on selling and a new glut of sales-technique courses.

One of the more recent courses is "Insurance Selling Strategies," a one-day course developed jointly by the Independent Insurance Agents of America and Xerox Learning Systems more than a year ago.

ISS uses texts, workbooks and role-playing exercises to give participants practice in selling skills unique to the insurance industry, says Warren Ruppap, director of agency development programs for the Independent Insurance Agents of Connecticut.

"We have a sign on our wall here that says an insurance agency is first a sales organization," Mr. Ruppap says. "I think that indicates the need for a course like 'Insurance Selling Strategies.' Every person in an agency is really a salesperson."

More than 100 people have taken the course in Connecticut in the past year, Mr. Ruppap says.

"What it's done for the new persons is to give them the initial skills they need," he says. "What it does for the older ones is refresh them and give them new things to think about."

ISS hopes to teach agents to:

- Differentiate among four selling styles.
- Understand how they apply to selling insurance.
- Understand customer needs.
- Use key phrases to produce sales.
- Use leading questions to lead customers in a desired direction.

Listening skills, questioning techniques and sales presentations are part of the course.

The Florida Assn. of Insurance Agents has modified ISS to teach agency em-

ployees who aren't actually selling but want to learn the skills. The FAIA's Scott Johnson says the association has had good response to the revised ISS, but is teaching it less often because non-sales employees really don't understand what is being taught without the practical experience of selling.

FAIA also uses "Personal Selling Skills," a course developed by the IAA but more or less dropped in favor of ISS. PSS, a three-day course, seems to cover more material and has worked better to meet FAIA adaptations, he says.

"The course addresses the inertia problem and tries to make a person more comfortable with face-to-face sales contacts," he adds. "Face-to-face contact is what they do for three days. We believe if participants get more confidence in that area, they will leave the safety of the office and sell more."

The importance of sales-training courses is even more important today because of the historic emphasis on product knowledge as the lone selling tool, Mr. Johnson says.

"To me, one of the big fallacies is that we seem to think producers must know all the ins and outs of policies before they go out and sell. So agencies hire technicians. Direct writers hire salesmen and teach them insurance," he says.

"There are many industry courses that teach agents how to sell a commercial policy. Producers can learn how to match exposures with the right policy. But with few exceptions, they don't know how to influence someone else's thinking."

There are three important areas of sales training, according to A. Russell Chaney of ISU Cos., the course's franchiser.

The first area is knowledge skills: the ways to gain knowledge about the business, the salesman's agency, his or her client, etc.

The second is interpersonal skills used in making presentations, using empathy and dressing and speaking correctly.

Third, good training should in-

clude self-management skills—such as mastering the ability to get out of bed and make those cold calls.

"Much of the basic sales training, however, is like the tip of the iceberg. You only see the 10% of an iceberg that is above water, but there is much more below. There is much farther we should go in developing sales programs," Mr. Chaney says. "There are behind-the-scenes issues that are much more dynamic: market research, knowing your competition, learning sales strategies and becoming more aware of your client's business."

"We are looking at the uniqueness of a producer's job," he says. "There are differences between selling insurance and other products. The insurance producer, for example, is dealing with a product that clients don't understand, don't want to understand, don't see any rhyme or reason to its pricing, etc. We've just begun to make training more sophisticated."

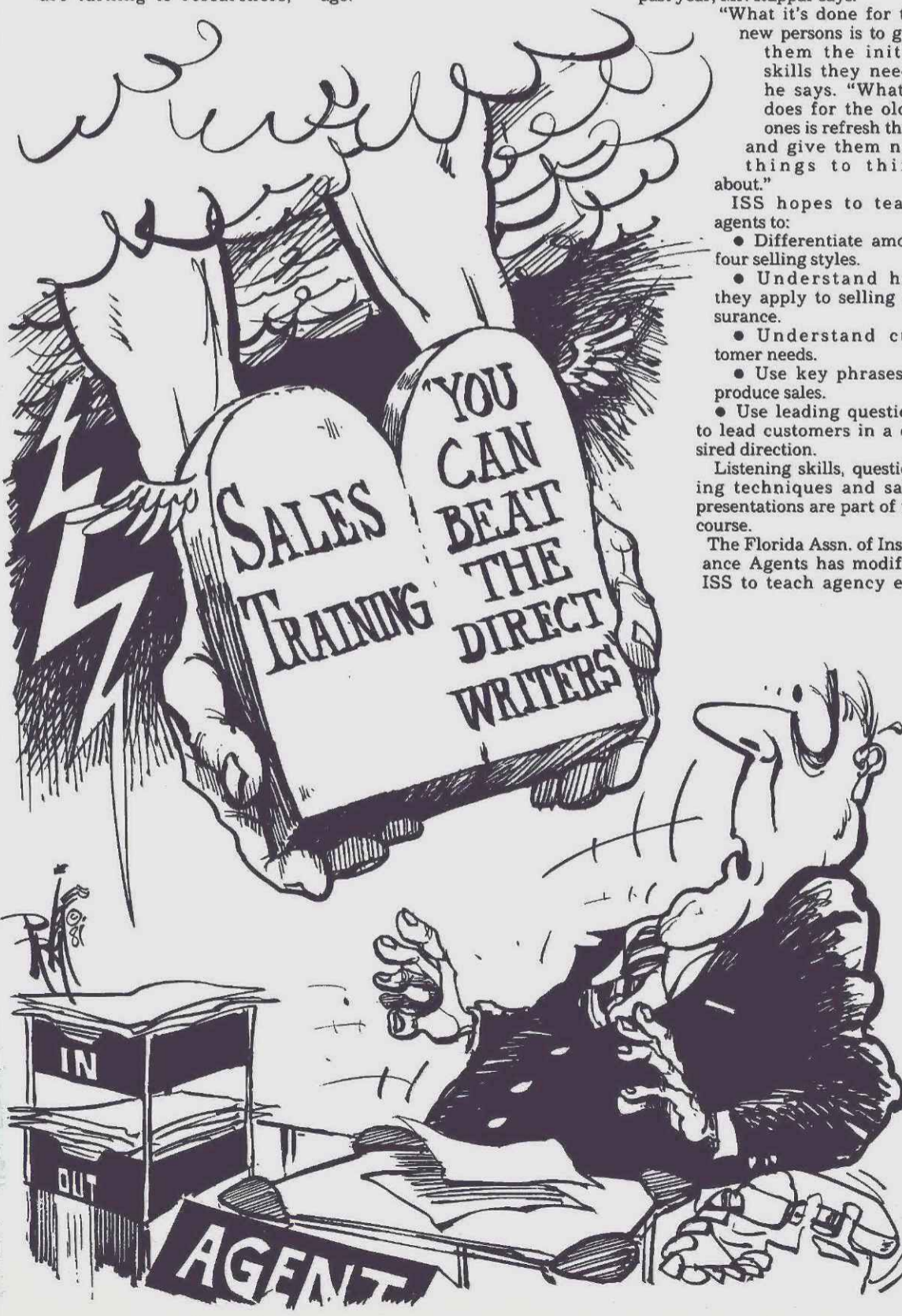
Despite the zeal of the educators, however, some successful agencies manage to get by without sending their producers to sales-training courses.

Woodsmall, Frick & Innis in Kansas City, Mo., for example, reports above-average growth rates without rushing to the trainer's table, President Peter L. Woodsmall says.

"We haven't done a lot of course-taking so far," Mr. Woodsmall says. "A few years back I attended 'Personal Selling Skills,' and I wasn't too impressed. They had us practicing selling hair dryers and stuff. It wasn't good enough to send others to."

"Our producers learn selling skills by going out on the street and doing it. We're fairly satisfied with our progress in that area just by sending our new producers out with a variety of veterans. A good course would be nice and we would consider sending out people, but it's

Continued on page 30B



Ryan's philosophy

CHICAGO—Without sales training, the Ryan Insurance Group wouldn't be where it is today, Chairman Patrick Ryan says.

Mr. Ryan attributes much of his ninth-ranked insurance agency group's growth to mandatory training—an essential in today's super-competitive insurance market.

Ryan Training Services, a distinct Ryan division, keeps that growth going.

Many Ryan divisions operate under the philosophy of hiring young, inexperienced people and training them to fit the Ryan style. To make that system work, however, the broker has to ensure that all the building blocks are provided.

The sales training program was originally designed to train sellers of credit life insurance for the auto industry. But personal lines sales skills are also needed in commercial selling because the ability to sell one's self is critical to a client, Mr. Ryan says.

Instead of teaching producers to overpower buyers with a hard-sell monologue, the Ryan training program teaches sellers how to ask questions. The goal is to get the client involved in his own buying.

According to Lester T. Shapiro, vp of program development for Ryan Training Services, the difference between the Ryan program

Continued on page 30D

Who puts 'management' in insurance sales?

CHICAGO—Can you teach someone to be an effective sales manager?

Educators and sales management course instructors say it's possible. They say not everyone will be a wonderful sales manager, but everyone can improve their skills by learning a few basic dos and don'ts.

The demand for sales management courses is recent, experts say. It's part of the perception among independent agents to become more sales-oriented to compete with big brokers and direct writers.

The most recent addition is "Sales Management Strategies," a two-day program designed by the Independent Insurance Agents of America and developed in conjunction with Xerox Learning Systems. Unveiled in January, SMS uses texts, cassettes and role playing to

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help principals and managers look at sales as a science.

Other courses take similar approaches. The Florida Assn. of Insurance Agents has developed a course, "Profit, Production & Perpetuation," which looks at sales management from the owner's point of view.

Other seminars are also offered from time to time by franchise groups, state associations and outside educators.

"Sales Management Strategies" is an attempt to add a sales management course to IIAA's offerings, says Tom Loughrey, education director for the Independent Insur-

ance Agents of Texas and one of the formulators of the course.

"In a nutshell, the key to SMS is to create effective dialogue between the sales manager and his producer to give credit where it is due while clarifying what producers could have done differently in certain instances to be more effective," Mr. Loughrey says. "Then, the manager must confirm the fact when good does result. The goal is to have managers not destroy producers with criticism."

SMS is "short on theory and long on the practical," he adds. The course contains many role-playing situations meshed between the more traditional textbook and audio learning methods. It also stresses that to have good sales management, the agency must

have established goals and know where it is and where it's going.

ISU Cos. holds a sales management course for its franchisees, says ISU's Russell Chaney. Sales management, he says, is a critical step toward effective agency development.

"The basic assumption is that the direct writers have put more warm bodies before clients than we have and that is the cause of loss of market share. So we need to get more people out there and at the same time do a better job of management as agencies grow larger."

The 2½-day ISU seminar takes participants through the troubles of hopping back and forth between producer and manager, how to define and organize the sales management function, how to develop a business development program and

campaign selling.

Also included is a section based on a sales competency study that sells participants what is needed to ensure the success of a property/casualty producer and some data on producer compensation.

The Florida Assn. of Insurance Agents uses its own one-day owner-oriented sales management course. So far, almost 260 agency executives have taken the "Profit, Production & Perpetuation," says Steven Goodfellow, FAIA management programs director.

"The course recognizes the failure of independent agencies to recruit new producers and the related failure of these firms to handle new producers," Mr. Goodfellow says. "The course takes an agency that actually exists and asks participants where it can go from here. The emphasis is on goal setting and planning."

Goals and the profitability and cost factors of hiring and training a new producer are debated, with the FAIA showing some figures that prove hiring could be profitable over the long run even if the producer quits after the first year.

"We try to put management theory in terms that a non-expert can understand," Mr. Goodfellow says. "If a producer doesn't produce, it's probably because he or she doesn't have the ability, has never been taught to sell or has never been told what's expected of that person."

"In my opinion, to be a good sales manager you have to have an open mind and listen. If possible, that person should also be a producer."

ISU's Mr. Chaney says a person can be a good sales manager if he or she wants to. Mr. Goodfellow says, however, that it takes more than courses to be a good sales manager.

"I think you're whistling Dixie to say that you can learn this stuff through courses alone," he says.

Courses stress sales methods

Continued from page 30A
not like I long for one." Sometimes, too much theory can kill an agency. One Florida firm experimented by hiring an educator as sales manager. The result six months later was that the agency's producers had obtained only 16% of their year's goals.

"Sales and sales-management techniques are important. Even though it is expensive, we realize it has to be an ongoing program," says one of the agency executives. "We're disappointed that it didn't work out for us, but I'm not down on training."

"We are changing our methods a little, however," the executive adds. "Before, we were training in-house. Now we realize we can't handle the expense of a full-time trainer. We'll use more training material from the Florida Assn. of Insurance Agents, the IIAA and our insurers."

ISU's Mr. Chaney suggests agents use this checklist to make sure the course you sign up for is a good one:

- Find someone who attended the course and ask that person for his or her reaction.
- Check the track record and credentials of the organization running the program.
- Make sure the seminar is aimed in the direction you want to go.
- Make sure the lecturers have planned what they want to accomplish.

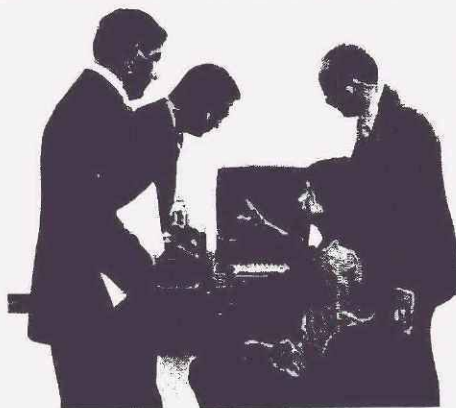
Many seminars, Mr. Chaney says, use experts from around the country that don't rehearse or prepare for the presentation, leading to a unfulfilling and expensive experience for the agent.

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Ryan traces growth to mandatory training

Continued from page 36A
and others is that it rolls sales training and product knowledge into one course.

"Our training integrates product knowledge, attitude and sales technique," Mr. Shapiro says. "I've seen courses that teach the ins and outs of each one separately, but few if any combine the three; each is removed from one another."

"That's not the way to go about it. The object is to use all three together. In separate courses, the student is left to put the concepts together himself. We prefer to give people problems to solve in which they have to put the three together in front of us simultaneously."

Knowledge, however, is worthless without communication, and the Ryan course stresses this, Mr. Ryan says.

A/BT

"It's important to know how you are communicating something," he adds. "For instance, we had one person who wasn't being very successful. Every report we got back from him showed that we lost the business because we had a higher price. But we sell that product on the basis of it being better than the others on the market and obviously this guy didn't believe that."

"Our job in this instance is to teach this guy to convey to our potential clients the benefits of our program."

"What we have to realize is that most business owners won't buy the cheapest of anything because

they realize that usually it's not good," he adds. "They will buy the cheapest if they don't see the differentiation. In the price wars today, people aren't communicating their net worth when they sell."

"With hot market competition, brokers will lose ground if they don't teach their people to sell," Mr. Ryan says.

"Today, it is more critical than ever to sell effectively because of the pricing," he says. "If we don't, we will get eaten alive. We have to sell people that even though the price is higher the product is better. The techniques are the same as in a hard market, but it's more crucial to use them now."

The Ryan training program also tells students to be straightforward.

"Manipulation can kill you," Mr. Shapiro says. "You have to be straightforward. You can be persuasive but you have to do it in a direct manner. The object of our training is to get them to sell in a way that's consistent with their own personality."

Mr. Ryan says he believes that the basics of selling haven't changed over the years, but people forget them. That's why sales technique updates are part of many Ryan sales meetings. In addition, more than 1,500 people take some sort of training with the division each year.

One of the newest forms of training is taking place with the Ryan group's newly acquired Self Insurers Service, which provides administrative services to companies that self-insure their workers compen-

sation risks.

"We've trained safety engineers and workers compensation claims people to more effectively communicate with clients," Mr. Ryan says. "They're not selling per se, but they are selling their expertise."

"If safety and loss prevention is not going as it should for a client, those people have to sell some new ideas," Mr. Shapiro adds. "They may have to sell a plant manager on implementing a plan that is to the manager's benefit, but may not initially be seen that way. Our course enables them to communicate persuasively with these clients. We may be the leader in the field in that kind of training."

Mr. Shapiro says that everyone can be an effective salesman.

"I think everyone's a salesman," he says. "Most people who have an idea to get across can be very efficient salesmen. That person just needs the techniques to persuade the buyer. Good selling really is effective communication between buyer and seller to solve problems. The salesman should have the solution to those problems."

Ryan's next big task is to program these sales techniques into their largest and most recent acquisition, the James S. Kemper agencies.

Based on his experiences in the past, Mr. Ryan doesn't think older producers will react badly to such

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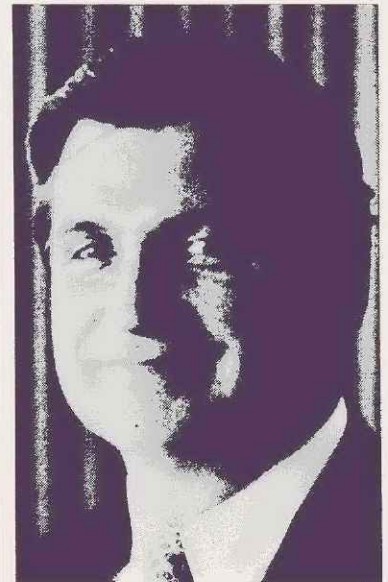
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Patrick G. Ryan

training.

"There can be some reluctance on the part of some older producers to sales training, but not a lot," Mr. Ryan says. "I think we've developed an image of how important it is so they're willing to give it a chance."

"We don't think that our younger people will pick up any bad tendencies from our older producers. They will have management support in learning the best techniques. Younger producers have to be given management support in such matters as getting over closing hurdles. But nothing succeeds like success to convince the reluctant ones that these techniques work."

"The problem is minimized as our new people gain success and others see that."

Mr. Ryan says he can't estimate the exact dollar benefit the training division has presented his firm, but says it has been major. A good note is that the cost of the division in terms of percentage of expenses has been declining because of size efficiency, he adds.

"It's been our ability to train that has been the foundation of what we've been able to accomplish," Mr. Ryan says. "Our successful growth has been because of it. In the insurance business you really don't have anything proprietary—success lies in your employees' abilities to sell and communicate." ■

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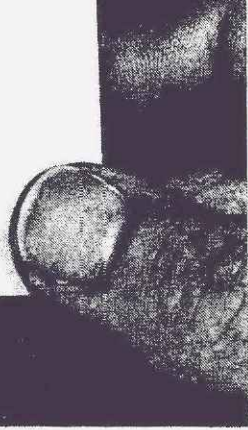
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Ex-banker stresses A&A service image

NEW YORK—William Farley, the new senior vp of finance at Alexander & Alexander Services Inc., is stamping the "services" part of the name in boldface.

Formerly an international financier with Citibank in New York and Citicorp in Europe, Mr. Farley has a mandate to lead the brokerage into a new expansion of financial services and long-range diversification.

"We knew the time had come to get someone with a broad background in international finance and banking," explains A&A President John A. Bogardus. "We need that kind of input if we expect to grow and diversify."

A&A is near the forefront of a

A/BT

trend by the top brokers to expand financial service expertise. Rollins Burdick Hunter began the move in April by choosing Charles Hall, formerly executive vp of Continental Bank in Chicago, as chairman.

Like Mr. Hall, A&A's Mr. Farley is a new arrival to the insurance industry, and also like Mr. Hall, he has stepped into a high-ranking slot in brokerage management. Mr. Farley reports directly to Mr. Bogardus and is a member of the firm's long-range planning committee.

He is the first A&A financial executive to be based at the New York headquarters. All the others are in Baltimore.

"It's too soon to know exactly where we are going to go," Mr. Farley says. "After all, I've been on the job less than two months. My first priority is to get a good working knowledge of the insurance business before we start setting any grand goals."

"But clearly A&A is a financial



Bill Farley

service company which has been consistently expanding beyond the bonds of the traditional insurance brokerage and that expansion is likely to continue," he says.

Mr. Farley may also help A&A in some brokerage plans that haven't quite taken off despite years of trying. A&A has already planned expansion of insurance sales to financial institutions and a review of the brokerage's plans to purchase or merge with a British broker.

A&A's long-standing negotiations with the Sedgwick Group collapsed this summer under the weight of international tax laws.

"Though my primary duties relate directly to A&A's own financial management and long-range planning, it's possible that I might be able to help out with our sales and production efforts with financial institutions," he says.

"With my banking background, I may be able to give our staff some pointers into what may be workable and what isn't."

International finance, the issue that toppled the A&A-Sedgwick negotiations, is also one of Mr. Farley's specialties. He is likely to join the A&A team that is looking for a financial partner in the British insurance market.

"We haven't given up yet on finding a partner in the U.K. Though everyone has been talking about access to Lloyd's as the major goal of such a merger, we are very interested in the retail brokerage possibilities that can come from owning someone in the U.K."

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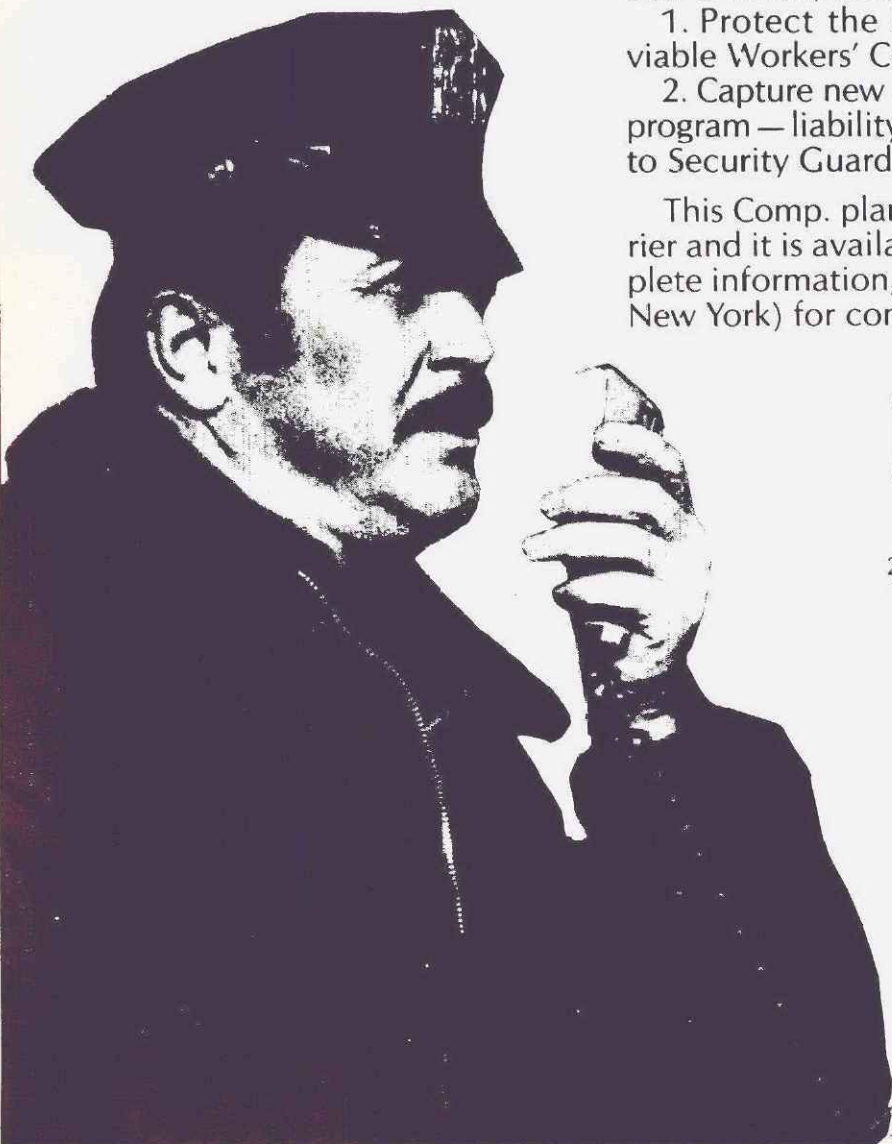
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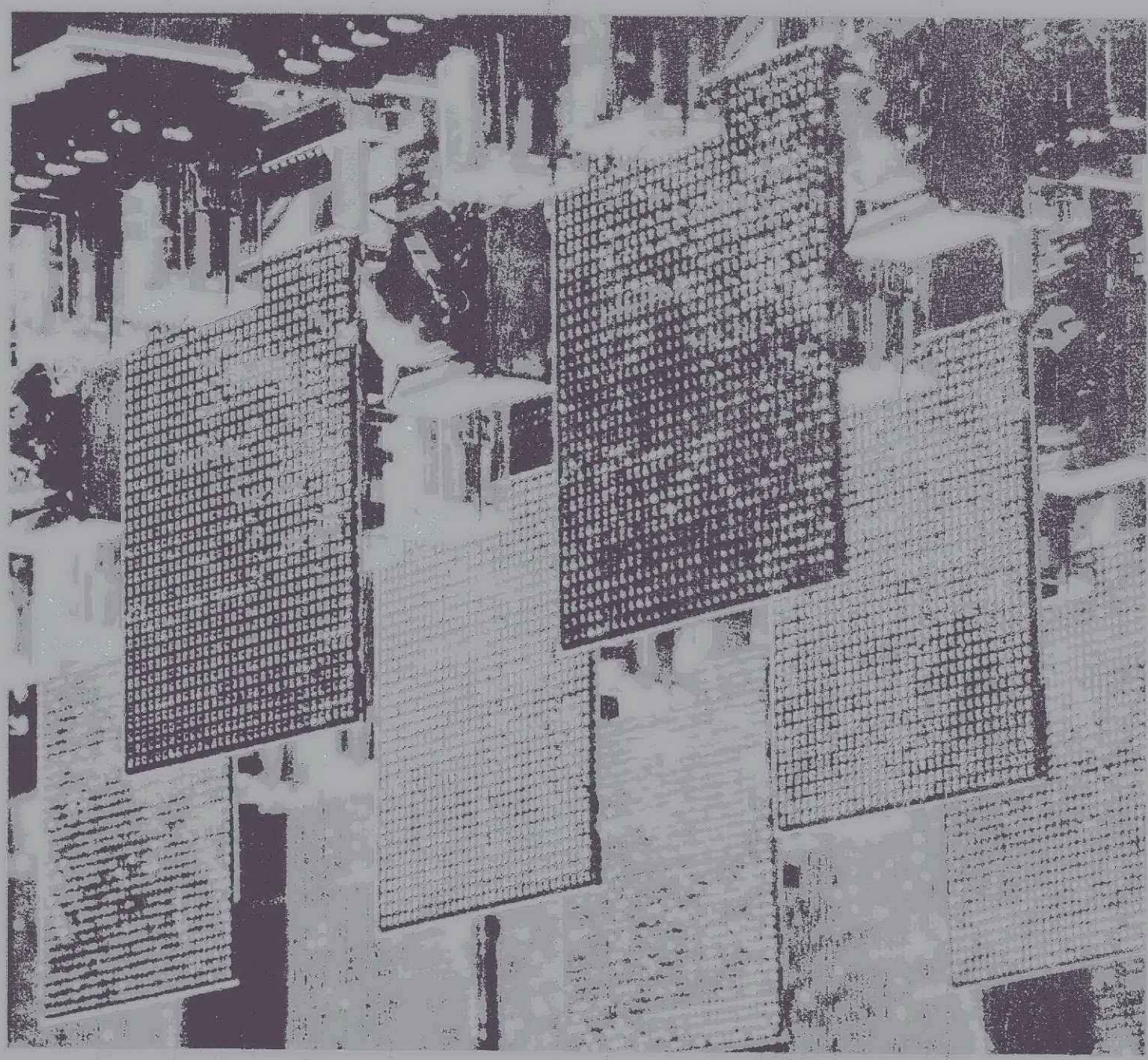
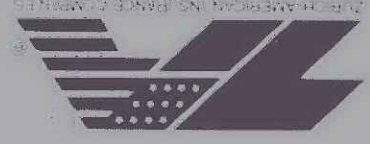


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'Perry Mason' to be spokesman for independents

NEW YORK—The Independent Insurance Agents of America's Joint Agency/Company Marketing Program will switch from comedy to courtroom drama in 1982.

The IIAA has signed television personality Raymond Burr as the star of a new series of national IIAA television commercials and print advertisements.

Mr. Burr, who has starred in such programs as "Perry Mason" and "Ironside," will speak to viewers on the virtues of independent agents from courtrooms and other settings, IIAA officials said.

JAM commercials had previously revolved around comedic situations emphasizing efficient claims handling and more-than-one-insurer representation.

Next year, the multiinsurer theme will be retained, but it will be given in a testimonial format featuring Mr. Burr.

Goals of the JAM campaign remain the same:

- Create in the public mind a clear understanding of the differences between direct writers and the independent agent.
- Convince insurance consumers that they will be treated with greater professionalism and achieve greater value coverage through a wider selection of rates and coverage.
- Increase consumer awareness of the national network of the more than 34,000 member agencies and 126,000 member agents representing the IIAA.

The JAM program has come under attack in some areas, however. Insurers and agents alike have criticized the program for not clearly getting its point across.

The insurer reaction to the 1982 programming was enthusiastic, though, counters IIAA President Robert Reynolds.

"When we first broke the news of our negotiations with Mr. Burr, the reaction was both enthusiastic and supportive. The company executives responded with strong approval for the use of Mr. Burr as a commercial spokesman for the association," Mr. Reynolds said.

"His stardom, his credibility, even his long association with an independent agent, who has been handling his rather extensive personal and commercial lines insurance needs for more than two decades, pointed to the perfect spokesman for the message we wish to make."

Lawson L. Swearingen, Commercial Union Insurance Cos. chairman, confirmed that CU was pleased with the switch to Mr. Burr, adding that the new campaign will make it easier for agents and insurers to present a united advertising front.

"Our goal has been to support the independent agents because it's the only distribution system we have," he said. "We feel agents need more than just an advertising program—things like competitive products, a cost-effective system, financial aid, education programs and the like. Still, we support the idea of a JAM program."

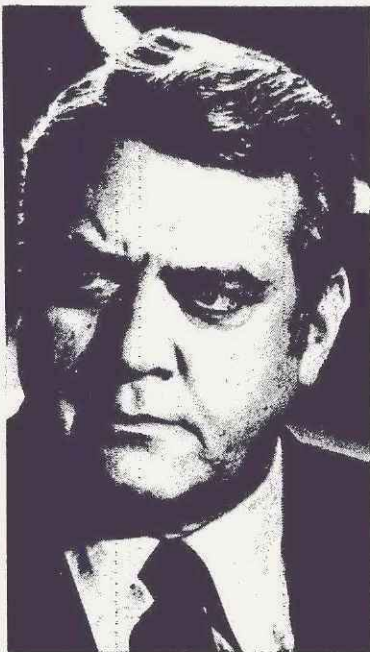
"We care about the content of the program because we try to coordinate our ads with theirs to some extent. The current program was pretty much designed before they sought out insurance companies to provide funding," he added.

"Initially, that was all right with us because we have been more interested in the program than the content. Down the road, however, that will change and we will be

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more interested in the content. We think having Mr. Burr will help the program."

IIAA expects to spend about \$9.6 million on JAM in 1982. Television commercials on the three major networks will be supplemented with one- and two-page print ads in Life, Time, Newsweek, U.S. News & World Report, Business Week, Money and Sports Illustrated. ■



Raymond Burr

Other state groups plan ads

In addition to Wisconsin and Indiana (see stories on following pages), several other state associations are increasing their statewide advertising expenditures.

The Independent Insurance Agents of Connecticut is tying in with the national JAM campaign, running four ads in various newspapers throughout Connecticut. The first ads will run in September, says Executive Vp James R. Mathews.

In Arizona, the state association is spending \$50,000 on a kickoff campaign that will use state university football coaches on television and billboards to tell the independent agent's story.

According to Joe Smith, an Arizona agent who heads the group's advertising committee, the program is needed to explain to consumers that they have a choice. In the ads, the football coaches tell why they use independent agents.

The 350,000 budget comes entirely from operating surpluses built by the association, Mr. Smith says. In the future, however, the association will probably ask agents to hike their dues to pay for it. Attempts to get local insurers to contribute are being considered.

"Before we decided to do this, all we ever got for advertising is \$5,000 or so," he says.

"You can't do anything with that. That's chicken feed. So this year is the test. I hope our agents will be so proud of the program that they will want to raise dues to finance it."



Bill Flynn, CLU, Senior Vice President

"If you don't group life Manhattan the

Some people might call a statement like this over-confident. Or foolish. Or sheer puffery.

We call it reasonable. Because there are indeed reasons why you might lose your next group life case if we're not involved. The best reason is your competitor will get the case instead.

We wouldn't be telling you this, though, if there weren't something you can do. You can read on. And find out why you can't afford not to get your next quote from us.

Best combination of price, product and commissions

In 1981, we hit the \$5 billion mark in group insurance in-force. For several good reasons: producer compensation; persistency; flexible underwriting; low rates; and high guaranteed issue.

In fact, our rates and commissions are so good some people think we're giving away the store.

Not quite. Our rates are a combination of mortality, unit cost and persistency. While we probably have the lowest group life rates in the industry, we also have one of the highest persistency ratios. About 95 percent.

What's even more unusual are the commissions we pay. They're about the highest in the industry. With full vesting.

But low rates are just the icing

If low rates were all we offered, we wouldn't be as successful as we are. But low rates are just the icing. Our product is the cake.

After all, we were the company that wrote what many people consider to be the first group policy in the United States back in 1854. So being innovative is a natural state of affairs for us. Which explains why we have such unusual features in the program we call the Affiliated Employers Group Life Insurance Trust (AEGLI).

Guaranteed issue of \$500,000*

This is the most important feature of AEGLI. In groups with 10 or more lives, we'll write up to \$500,000 per life guaranteed issue. Or, your client can opt for up to \$300,000 per life with a short-form health statement if there are only 1-9 lives. Just think how many medical examinations can be avoided with this guaranteed issue program.

High level AD&D benefits

Included in the 10+ lives package is up to \$500,000 in AD&D benefits. Which probably makes this the least expensive form of travel accident insurance anywhere.

Spouse only insurance

We may be the only company writing spouse-only insurance nationally for amounts up to the face amount carried on the employee. If there are 100 insured spouses in the group, we will even consider guaranteed issue. This is a huge market and is popular with employers because it is usually sold on an employee-pay-all basis.

*Each case subject to home office acceptance of application. Benefits may be limited by law in certain states.

BETWEEN YOU AND I
WE'VE GOT THE WINNING LINE-UP

Buying players or securing insurance programs, you require a knowledgeable manager. That's why it is best to start with an Independent Insurance Agent who can help you to make the right kind of insurance you need.

With the winning line-up, you'll have an Independent Insurance Agent as a free agent and can choose policies from several insurance companies. That means a savings for you that will last the duration of your life.

YOUR Independent Insurance AGENT

Source: Independent Insurance Agents of Wisconsin

The advertising campaign sponsored by the Independent Insurance Agents of Wisconsin stresses that the agents' flexibility can be a big advantage for the buyer.

BETWEEN YOU AND I

GIVES YOU MORE THAN ONE CHOICE

Disclose the Independent Insurance Agent made the choice to represent many companies instead of just one. All Independent Agents subscribe to a code of ethics. Since there are differences in rates and coverages between companies, the Independent Agent makes comparisons and selects the best combination of policies to fit each customer to the best price available. So whether it's auto, home, business, life or health insurance you need, use the Independent Agent for a choice.

AGENT'S NAME HERE

YOUR Independent Insurance AGENT

Wisconsin agents believe national ads not enough

MADISON, Wis.—National agency advertising campaigns aren't enough. State associations must bring those campaigns to the local level, says Paul H. Mast.

Mr. Mast, executive director of the Independent Insurance Agents of Wisconsin, says the IIAW is running an advertising campaign that attempts to reach consumers with a "Between You and I" theme.

The campaign was inspired by the belief of Mr. Mast and other IIAW staff members that local agents have been traditionally reluctant to tie in with national agency advertising.

Mr. Mast says he knows of agents

who did not even remember receiving the Joint Agency/Insurer Marketing kit mailed by the Independent Insurance Agents of America, even though they were sent to all member agencies.

The JAM program funds national commercial advertising with financial help from member insurance companies.

"We've got to get advertising participation among the local agencies," Mr. Mast says. "We hope to do that by bringing the campaign closer to home."

Like JAM, the Wisconsin Agent/Company Advertising Pro-

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gram is funded by both local agencies and insurers. The goals are much the same as national JAM: to educate the public about the difference between direct writers and independent agents and convince them that the independents represent their best possible choice.

The campaign includes both general agency newspaper ads, other newspaper ads that reflect the theme but allow for the local agent's photo and both general and personalized radio ads. The 1981 budget is about \$120,000, with about \$105,000 actually being spent on advertising time.

Participating insurers are primarily smaller companies with strong Wisconsin bases. Insurers include companies like Wisconsin Farmers Mutual Insurance Co., Midwestern National Insurance Corp., Tower Insurance Co., United Fire & Casualty Co., Dairyland Insurance Co., Sheboygan Falls Mutual Insurance Co. and Badger Mutual Insurance Co.

Mr. Mast said the IIAW worked to eliminate the "negative" approach that it felt was being used in the national campaign. In the print campaigns, direct writers aren't really mentioned. The ad just outlines in three or four paragraphs the advantages of dealing with an agent that can choose among several insurers.

"We've gotten tremendous response to the ads, particularly to the theme," Mr. Mast says. "It isn't grammatically correct, but it does get people to notice it."

The ads were scheduled to run on the Milwaukee Brewers baseball radio network this summer plus a 15-time run in 33 Wisconsin newspapers. The baseball strike forced the association to change its plans somewhat, however, running their radio ads on both Green Bay Packers and University of Wisconsin football broadcasts this fall.

The program will continue next year, but there will be some changes in funding, Mr. Mast says. Currently, about 50% of the IIAW's agents contribute to the plan based on a percentage of income. Next year, however, the IIAW wants total involvement.

"Many agents are benefiting from the program, but only about 50% are contributing to it. That's just not fair. We think this is a very important program, so next year agents will be forced to participate if they want to remain in the association. The fee will be separate from dues, and we've haven't used the term 'mandate' so far, but that's really what we mean."

"I'm talking to several agents who would rather not participate. We've got to convince them to change their minds."

Mr. Mast says he doesn't feel the local program and the national campaign conflict, although he says he has gotten some negative comment from IIAA staff.

"We're not in competition," he says. "Some feel we're robbing the coffers of the national campaign by going to the local insurers for funds. But with many of them, they wouldn't give the national campaign money even if we asked them for the IIAA. They want the local participation where the geographic emphasis is the same as theirs and they can have specific input in the type of ads that go out."

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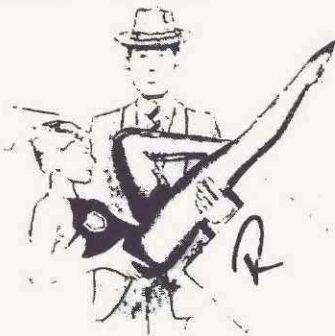


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Indiana agents' advertising blitz stresses local firms

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INDIANAPOLIS—The Independent Insurance Agents of Indiana's \$125,000 state advertising program preceded the national association's effort, but the goal is the same: to reverse the flow of business to the direct writers.

"About three years ago, our association became very concerned about the inroads of the direct writers," says Jack Miller, an agency advertising specialist who works closely with the IIAI.

"When the association did a study of our business we found that between 1973 and 1978 we had

dropped more than 4% in personal lines and 3% in commercial business.

"So we set about to design a program that was not only sorely needed but could draw together the marketing efforts of both our agencies and the local insurers."

A five-year plan funded by both insurers and agents that would spend \$250,000 in its first year on television, newspapers, radio and billboards was the result. First efforts to obtain funds were only about 50% successful, Mr. Miller says, but IIAI bought ads on 17 different television stations, 69 newspapers, 51 radio stations and 64 billboards.

Fourteen regional and Indiana insurers contributed to the program. Thirty agencies contributed on their own, as did 10 local associations and 10 individual agents.

Phase I was launched in April.

"Before you can increase your share of the market, you must in-

'You must increase your share of the buyer's mind,' Jack Miller says.

crease your share of the buyer's mind," Mr. Miller says. "We wanted to get the independent agent symbol tied into their minds."

To do that, the association turned to a theme of "I switched" or "We switched," featuring individuals who had switched their insurance from direct writers to independent agents. The advertising emphasis is on the agent's ability to choose different policies, among other factors. Mr. Miller says he wanted to get the message across to buyers that there is a choice.

Like his Wisconsin counterparts, Mr. Miller says there is a place for the local agency-company funded campaign.

"I'm certain the national association would like to see all the money come to them," he says. "But what we are doing involves more insurers than they could expect to get on a national basis. We deal with domestic and regional firms who want local control of advertising that will affect the property/casualty business written right here in Indiana."

For the remaining years of the five-year plan, Mr. Miller says he knows the association will have to work as hard or harder than in the past for funding.

"The second and succeeding years of a project like this are the toughest years," he says. "I anticipate, though, that more agents, companies and local associations will react to the fact of the campaign rather than the theory and contribute."

There is no move to make those contributions mandatory, however.

"We want it to be on a strictly volunteer basis, at least at this point," Mr. Miller says. "I don't know if you can really force everyone to participate. Those who contribute are those who will get the most out of it because they will do more tie-ins themselves."

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Insurer offers its agencies investment income share

SAN DIEGO, Calif.—Agents and brokers who complain that insurers don't include investment income in agency commissions now have an example to point to.

Insurance Co. of the West, an insurer that taps about 600 agents in California, will share its investment income with agents through its profit-sharing agreement, says ICW President Karl Koch.

"Competition today has forced carriers to operate at higher-than-traditional loss ratios," Mr. Koch says. "While the companies trade off this ratio for increased investment income, the agent's profit-sharing suffers as his underwriting profitability decreases."

"ICW decided that today's operations required a sharing of investment income with the agent if the producer is to remain strong and competitive."

The ICW program applies an investment income factor to a producer's earned premium in the profit-sharing calculation. Mr. Koch says qualifying producers could add 10% or more to their profit-sharing checks:

- The agent's earned premium in eligible lines will be multiplied by the investment income factor. This rate will be used to calculate the maximum qualifying loss ratio and to calculate the agent's profitability.

- The investment income factor is the insurer's after-tax investment income as a percentage of the company's net earned premium (for lines included in the profit-sharing agreement).

All ICW producers are eligible for the program with a minimum premium commitment of \$50,000 in eligible lines. However, if agents don't reach \$50,000 in premium, they are still eligible for the insurer's regular performance bonus, Mr. Koch adds.

Excluded lines primarily include workers compensation risks, but also group or mass merchandising business, excess/surplus lines, surety and excess or umbrella liability coverages.

ICW has received more than 200 responses to its offer containing the new profit-sharing contract. It is presently canvassing its other agents to determine why they haven't accepted the plan, he says.

The insurer also offers its agents

Agents of Illinois set convention plan

PEORIA, Ill.—Discussions of agency perpetuation by Harry F. Brooks and the national scene by IIAA President-elect Robert R. Treweek will highlight the annual convention of the Independent Insurance Agents of Illinois Oct. 25-28 in Peoria.

Mr. Brooks, assistant dean at the Center for Management Studies at Miami University in Oxford, Ohio, will talk about agency perpetuation on Oct. 26. Mr. Treweek will speak on national issues confronting agents.

Other sessions include:

- **Don't talk about it, do it!**—led by Grant G. Gard, an author and humorist from Omaha, Neb.

- **'8-0-0,' An agency management workshop for independent insurance agents**—led by Gary B. Holgate, president of Holgate & Associates in Fort Worth, Texas.

- **Current developments in the insurance industry**—led by Andrew J. Polarek, vp of sales for Transamerica Insurance Services in Los Angeles.

- **The role of the Illinois Department of Insurance**—led by Philip R. O'Connor, director of the Illinois Department of Insurance. ■

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a bonus commission for early account payment, he says. For payment 15 days early, the producer deducts 0.5% of the net premiums due as a bonus commission. The percentage increases to 1% for payment 30 days early and 1.5% for 45 days.

Special deposit slips allow producers to deposit payment in any Bank of America branch and receive credit from that time.

Depending on the commission rate, agents could receive up to a 30% increase in their commissions under the plan, Mr. Koch says. ■

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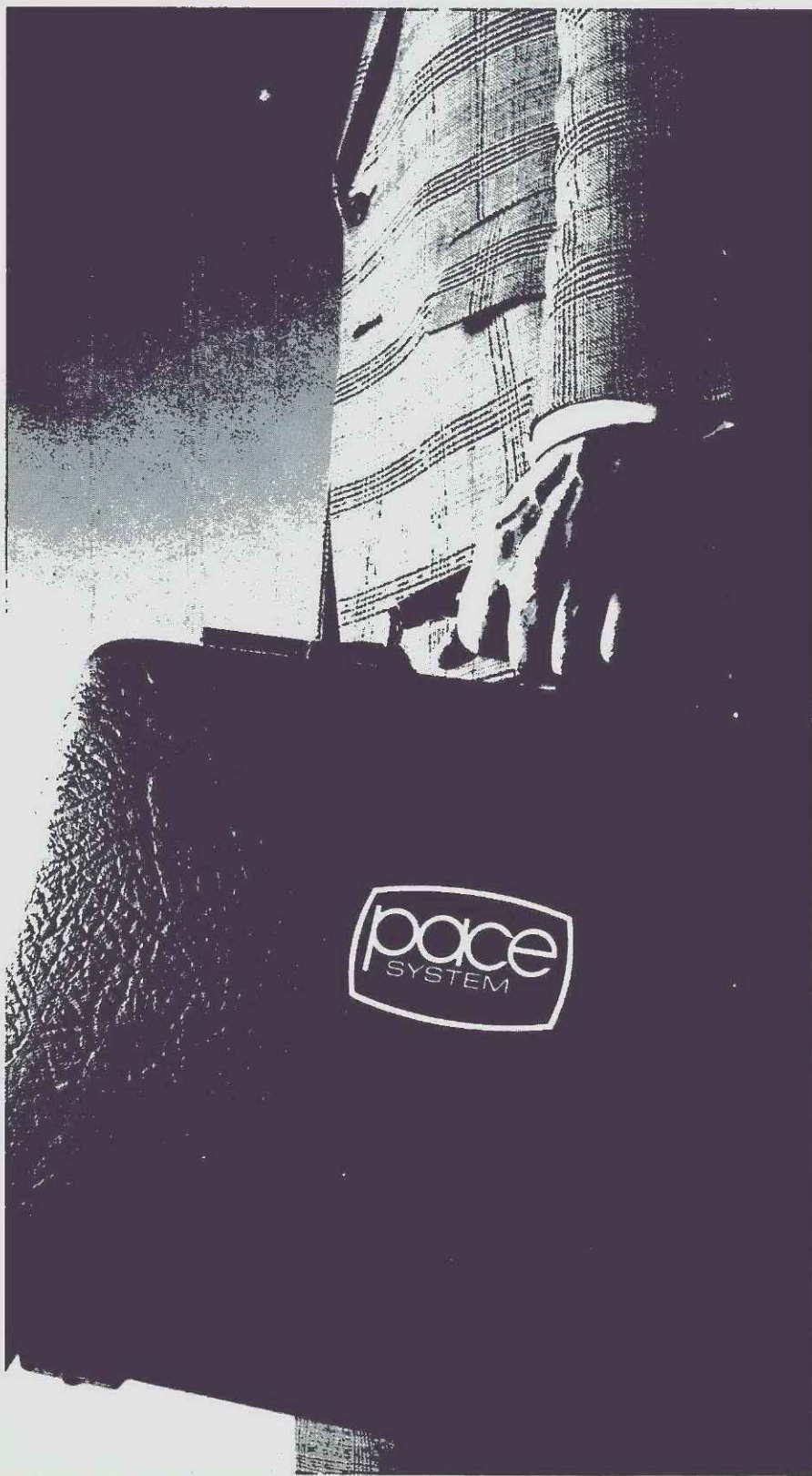
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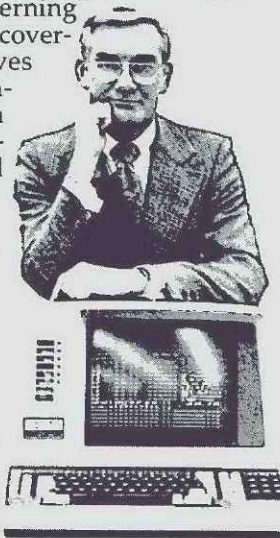
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Presidential aide to speak at PIA's 50th convention

WASHINGTON—Agents attending the 50th anniversary convention of the National Assn. of Professional Insurance Agents will learn first-hand the wisdom of "supply-side" economics from presidential adviser Arthur B. Laffer.

Mr. Laffer is godfather of the controversial Kemp-Roth tax proposal. His experience ranges from academia to advising the federal government and the private sector of business economics.

Besides teaching business economics at the University of Southern California, Mr. Laffer has been a consultant to the U.S. Departments of Treasury and Defense and a financial analyst with the Ford Motor Co.

He will address convention dele-

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gates as a summary speaker following the government/industry panel session Oct. 14.

The annual convention, to be held Oct. 11 through 14 in the Sheraton-Washington, also will feature the following education seminars:

- **Preventing the E&O claim**—taught by Duane A. Valine, Hackett, Valine & MacDonald Inc., Burlington, Vt. Also speaking on this subject is William H. Rauschenberg Jr., Fickling-Walker Agency, Atlanta, Ga.

- **Motivation of staff and The art of time management**—Art Levy, Art Levy & Associates, Palm Harbor, Fla.

- **Agency advertising—Coming out of the crowd**—Richard L. Doyle, Richard L. Doyle Associates, New York.

- **You can do something about your taxes**—Gerald L. Lenrow and Charles R. Meyer, Coopers & Lybrand, New York.

- **Putting a lot of life in your agency**—Dave Goodwin, consultant and columnist.

- **Retirement options**—George A. Simpson, Buchanan & Co., Washington.

- **Cash management**—Louis R. Mobley, Mobley & Associates, Ellicott City, Md.

- **Everything you always wanted to know about franchising**—Philip Margolis, Philip Margolis & Co., Huntington Woods, Mich.

- **In one hour, double your reading rate for life**—Joyce Turley, Dimension Reading Inc., State College, Pa.

- **What to expect in the '80s**—Roger H. Sitkins, Holgate & Associates, Fort Worth, Texas.

Special seminars are also planned for agents interested in becoming involved in state legislative activities.

Registration and reservation forms for the PIA convention are available from the PIA, 400 N. Washington St., Alexandria, Va. 22314.

PIA courses accredited

WASHINGTON—Agents wishing to obtain a college degree may now use credits from courses sponsored by the National Assn. of Professional Insurance Agents toward accredited programs in New York state.

A special arrangement between New York's Regents External Degree Program and the PIA will allow association courses to be used toward accredited associate and bachelor's degrees.

"This new arrangement provides our members with a golden opportunity to pursue a non-resident, accredited college degree by using PIA and certain other courses," said Francis P. Flood, PIA's vp for education programs and insurance services.

The external degree program grants college degrees to students who can demonstrate college-level knowledge and fulfill requirements through college course work, proficiency examinations, evaluated courses offered by business and industry, military education and special assessment.

PIA has more than 2,000 members in New York state who could be eligible, Mr. Flood said.



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Market competition dominates topics at IIAA convention

HONOLULU—Approximately 4,500 members of the Independent Insurance Agents of America are expected to attend the group's 85th annual convention Sept. 18-24 at the Sheraton-Waikiki Hotel.

The convention will include three general sessions and 12 workshops and seminars, all with a heavy emphasis on the competitive insurance marketplace and its impact on the agent and insurer.

After two days of meetings of the National Board of State Directors, the first general session on Sept. 20 will feature O.D. Oliphant, director, vice chairman and chief operating officer of Fireman's Fund Insurance Cos. He will offer a view of the marketplace that will include implications of the market competition, its probable duration and lasting effects on the industry.

Mr. Oliphant also will discuss what changes agents and insurers must make in their operations for both to remain competitive and profitable in years ahead.

Later that morning, IIAA President Robert Reynolds will moderate a panel on critical issues facing agents. Participants include Mechlin D. Moore, president of the Insurance Information Institute; T. Lawrence Jones, president of the American Insurance Assn.; and Daniel J. McNamara, president of Insurance Services Office.

The general session Sept. 21 in producer compensation and salary administration will be led by Dr. Emmett Vaughan, associate dean of the University of Iowa. Other educational sessions include a seminar on life and time management by Dr. Ivan Fitzwater, president of Management Development Institute, and a panel discussion on franchises, which will include franchisors Thomas J. Ryan, president of ISU Cos., and Paul J. Burger, president of ICA.

A second set of educational sessions Sept. 22 will include a panel discussion led by IIAA General Counsel Emeritus John F. Neville on agency purchasing, selling, merging and perpetuation. Other sessions will include help in keeping physically fit and an overview of sales management strategies by John Young, senior vp of Robins & Weill Inc.

On Sept. 23, Jay Frank of the Cohen-Seltzer Agency will lead a panel discussion on surplus lines for the small agent. Panelists will include William Goldman, president of Horan Goldman Cos.; David Anderson, president of Anderson & Murison Inc.; and John Crowther, president of John W. Crowther Inc.

Other sessions that morning include a discussion of workaholicism by Dr. Bruce Baldwin, director of Dynamics Consultation Services, and effective listening by Leon Schor, the IIAA's assistant director of education.

The convention will conclude Sept. 24 with a session on agency automation featuring Irwin Kelson, independent consultant and former chairman of the Insurance Institute for Research. A speech by Capt. Gerald Coffee, a Navy fighter pilot and former Vietnam prisoner of war, and installation of new offi-

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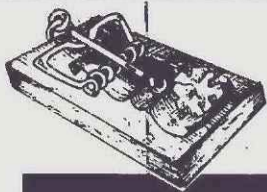
cers will follow Mr. Kelson's presentation.

More than 50 exhibitors will also show their wares at the convention between noon and 6 p.m. Sept. 19, 8 a.m. to 12:30 p.m. Sept. 20 through Sept. 23 and 8 a.m. to noon Sept. 24.

Convention brochures can be obtained from the IIAA Convention Department, 85 John St., New York, N.Y. 10038; 212-285-4276. ■



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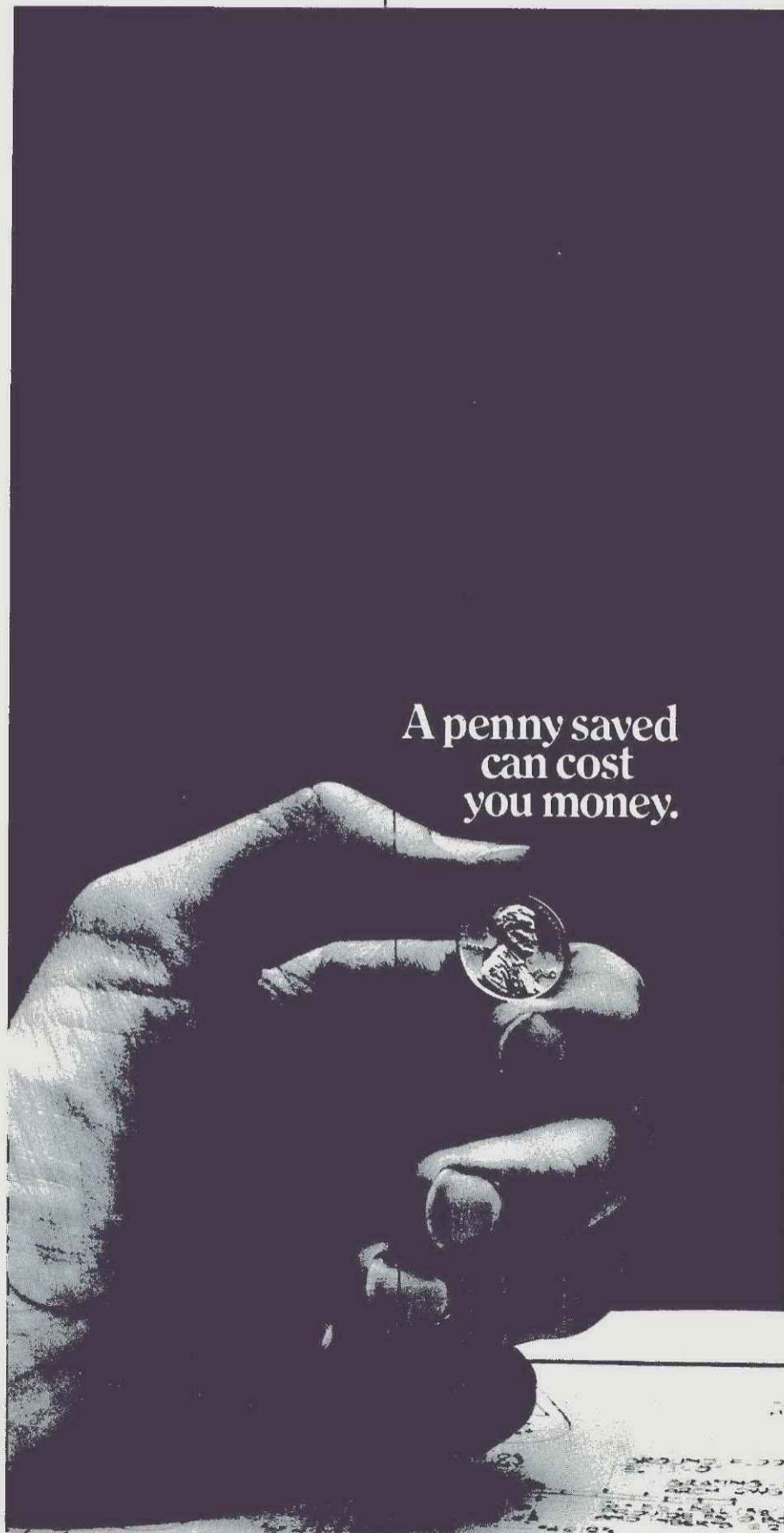
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CU thinks agent's input is big contribution



Photo: Christopher Morrow

Mr. Frazier says he plans to return to his insurance agency soon.

BOSTON—If George Frazier leaves his agency relations post at Commercial Union Insurance Cos. early next year, he will probably feel he has accomplished his task.

But CU thinks Mr. Frazier may have found a continuing mission.

When Mr. Frazier took the position of senior vp for agency relations at CU, he told friends that this was finally his chance to put his money where his mouth was (A/BT, Feb. 4, 1980).

A past president of the Independent Insurance Agents of America and president of the Anderson-Frazier Insurance Agency of Hope, Ark., Mr. Frazier looked at the position as an interesting experiment to see if his long-standing beliefs about agency/insurer relations could be put to work.

He was to become involved in

A/BT

CU's planning, giving an agent's views of new programs, compensation methods, agency contracts, appointment and financial programs . . . to "look at things from an agency point of view, while at the same time relaying agency suggestions to our management."

Mr. Frazier says he has accomplished many of his goals.

"I've been very satisfied with my role here," he says. "Perhaps the greatest surprise was the willingness of the rank-and-file Commercial Union departments to accept an interloper in their midst.

"I think I've been able to help CU on many programs in all areas

of agency relations—business plans, co-op advertising and producer programs," Mr. Frazier adds. "The success of those programs, however, is not only because of me. Much of it is the result of (Chairman) Lawson Swearingen's agency experience and the leadership of (President) Howard Ward."

Despite his sense of accomplishment, however, Mr. Frazier feels it will soon be time to move on and resume day-to-day control of his Arkansas agency.

"I'm going to stay a few months more, primarily because we're in the middle of revising the CU business plan. We're adding some new things, like model producer contracts and career path plans, that aren't in the plan now.

"But by early next year, I see the need to go back to my own shop," he adds. "There are things that I have probably been neglecting for too long.

"When I came here, it was just on a handshake with Mr. Swearingen. I don't have a contract and am not part of any management programs or retirement plans. All I have gotten is my salary. It's time to go back to my agency and work out some things for my future."

CU Chairman Swearingen says, however, he doesn't think Mr. Frazier will leave CU just yet. New challenges have caused him to decide to stay in the past, he adds.

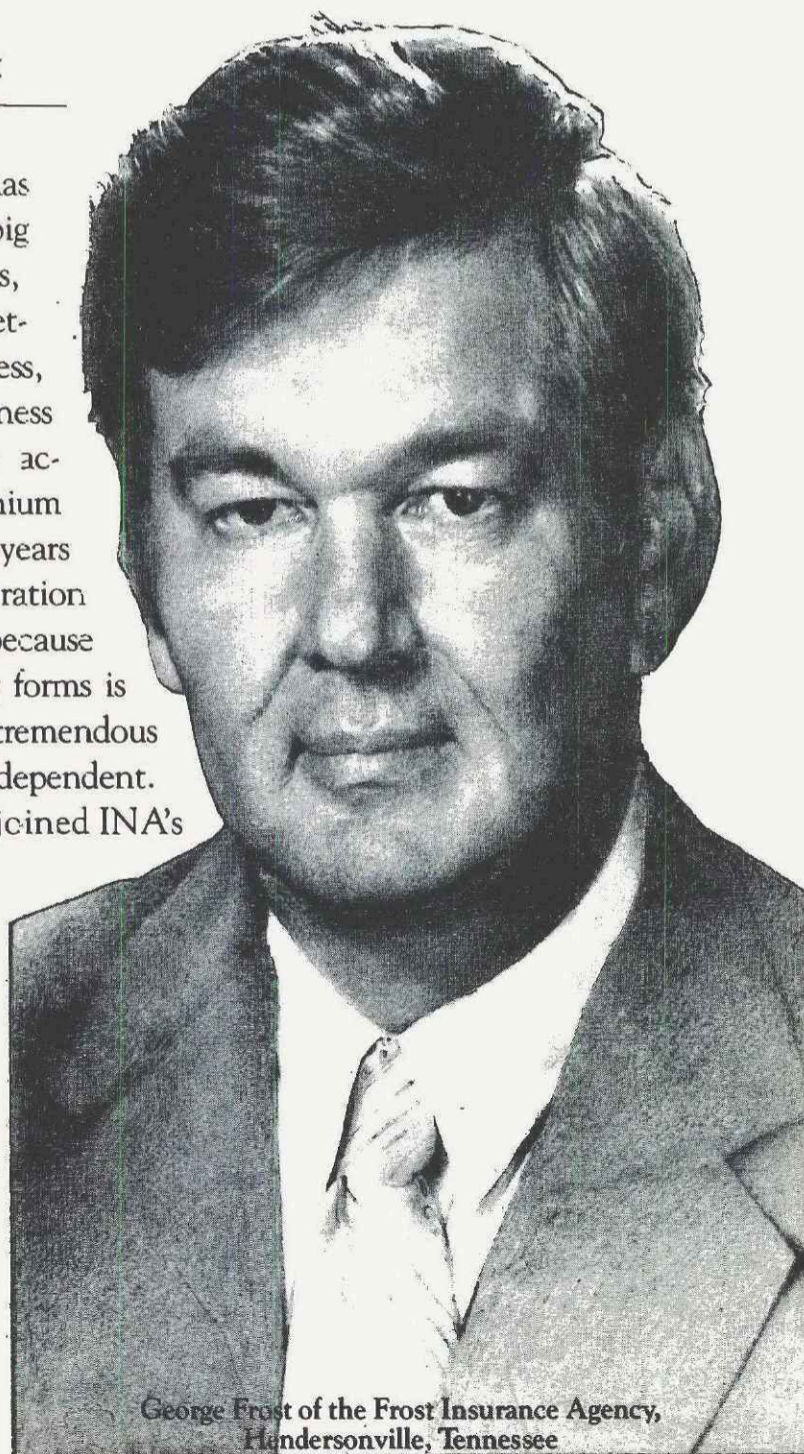
"No matter what happens, however, I think he has been everything we need and more," Mr. Swearingen says. "A big contribution was speaking at about 25

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INA's COMPAR program enables selected agents to enter into an agreement with INA for all of their P&C business. To learn more about qualifying as a COMPAR agency, contact Sal G. Calleri, Vice President, Insurance Company of North America, 1600 Arch Street, Philadelphia, PA 19101.



George Frost of the Frost Insurance Agency, Hendersonville, Tennessee

'I've been very satisfied with my work here,' Mr. Frazier says.

agency conventions last year, not just for CU but in behalf of the agency system. He's also been the father of our agency business plan and has been responsible for the producer adviser councils.

"With the business plan, George now has 500 agencies using our system to determine where the agencies should go and how to get there. Other programs help with educational and financial programs. The producer adviser councils were good before he came, but George has really shown our people how to get the most use out of them."

If Mr. Frazier decides to leave, Mr. Swearingen says he will hire another agent to fill the post. That's necessary because many insurance company employees have never experienced first-hand an agent's problems, Mr. Swearingen says.

"As far as I'm concerned, there will always be an agency type in that slot. So many of us here in the insurance companies have never been down that road. For my part, I hope that George will be with us three or four years down the road."

Mr. Frazier has told CU that when he makes the decision to leave, he will help the insurer find his successor. One of the achievements that makes him most proud is that the idea of an agency relations department is catching on.

"A little while back, I got a call from a recruitment agency that said they knew I was nearing the end of my planned term here and wanted to know if I wanted to perform the same role for another company," he says. "I, of course, said no. But the important thing wasn't the offer to me. It just went to show that other insurance companies were becoming interesting in the kinds of things we've tried to do here."

INA

The Professionals

Continental tries to forge strong ties with independents

PISCATAWAY, N.J.—As ties between insurers and agents grow stronger, more insurers are forming agency relations departments.

As head of The Continental Insurance Cos.' agency department, C. Ben Buck Jr. is part of that trend.

"What we're trying to do is work more closely with our independent agents," says Mr. Buck, who assumed his position July 1. "At Continental, prior to this most of the agency relations work was being done in the branches. There was no agency department as such in the home office."

Today, an agency liaison department is needed to develop agent training programs, asset-management courses and other educational offerings, he says. It can also listen to agents and be a visible force in meeting their needs.

"I've spent a lot of time with branch offices and every one tends to do things its own way," Mr. Buck says. "A company like Continental needs a central location for this kind of work to give a national flair to things. We also can look at what is happening all over."

"Maybe, for instance, an agency is doing something in Boston that we would like to copy for agencies in Phoenix. A local branch office in

"Being on the company side is an advantage," C. Ben Buck says.

Phoenix wouldn't necessarily know what was happening elsewhere. But we would and could pass the information along."

Unlike George Frazier, an independent agent who holds a similar position at Commercial Union Insurance Cos., Mr. Buck has an insurer background. He has been with Continental for 11 years and has worked for a direct writer.

However, he doesn't believe his insurance company background will cause suspicion among Continental's agents.

"In this job I've got to respond to agents," he says. "We've all got to look at Continental's bottom line, but I plan to be a visible force in agency relations. I plan not only to go to conventions, but to the agents' individual offices to see what can be improved upon."

"I think I can overcome the natural suspicion that a person with an insurance company background can't help the agent. I think being on the company side is an advantage in that during the past 11 years I've been able to really learn the ins and outs of this firm," he says.

An additional aid, he adds, is that he has been involved with sales and branch offices. Most recently Western regional manager, he also has held management positions in Atlanta, Jacksonville, New York and Chicago.

Now his major task is to build the agency department. By the end of 1981, he hopes to have 20 people working in the Piscataway office. About 250 "special agents" in the field also will have ties to the home office, Mr. Buck says.

One of the first needs is more educational offerings. Mr. Buck says he wants to greatly expand agency classes for next year.

The department will have enough clout to get the job done, he adds. Mr.

A/BT

Buck reports directly to the senior vp of U.S. operations. In addition, the regional production managers will now report to Mr. Buck.

"Before I decided to take the job, I had to make sure that it would be something meaningful," he says. "I'm not a quiet person who just sits around and only listens. I plan to get involved in a wide range of activities here." ■

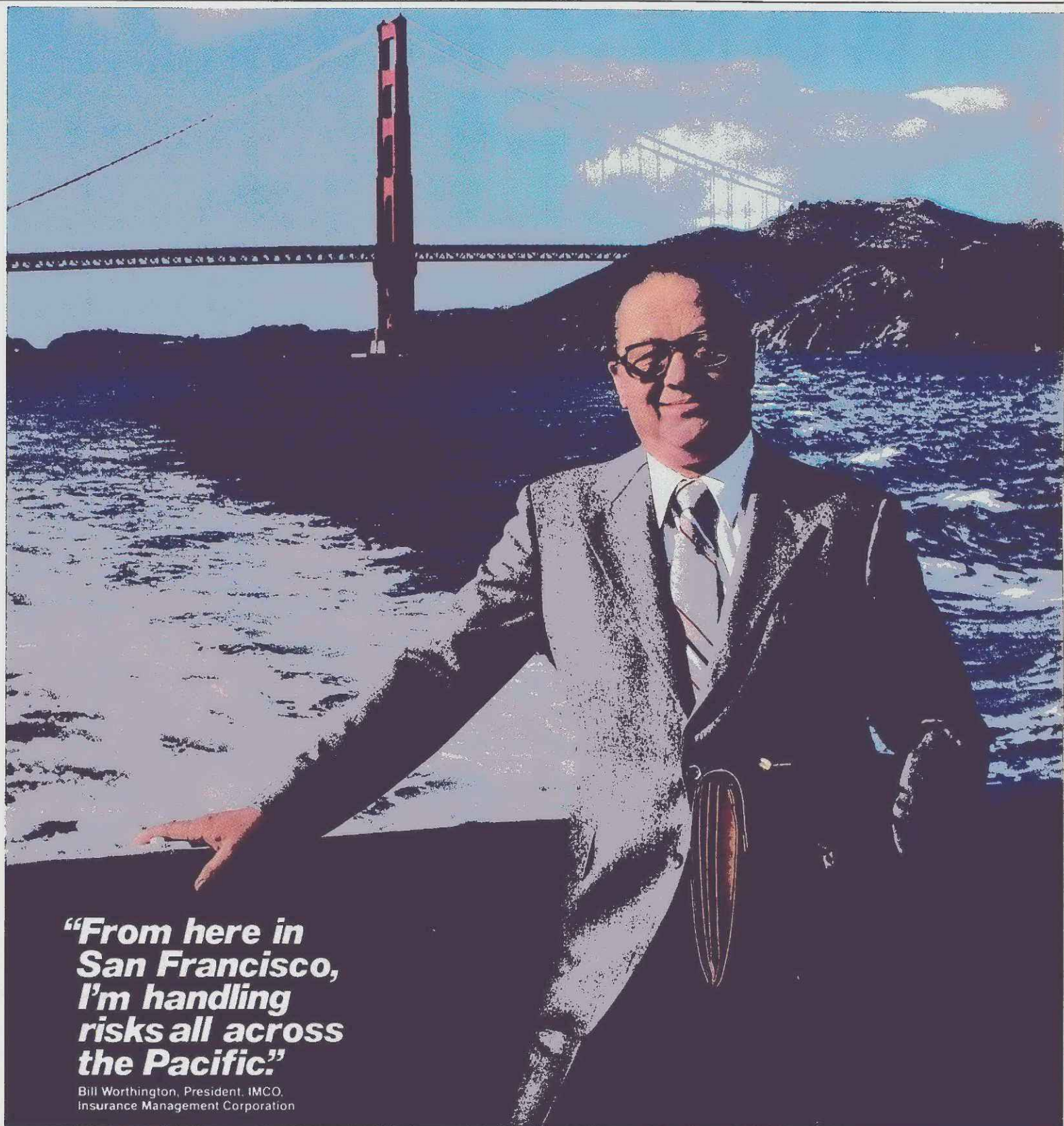
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Agents should secure ownership interests

The Independent Insurance Agents of America recommends that insurance agents secure an ownership of expirations clause in every agency/insurer agreement to guarantee ownership interest in the risks placed with the insurers.

A good sample expiration clause would force the agent's insurer to guarantee that all risks placed by an agent, even those directly billed by the insurer, remain in undisputed ownership of the agent.

The clause also protects the agent from losing the marketing value of his business. For example, an insurer should be barred from using its records of policy expirations for sale, service or renewal without the consent of the agent.

The insurer must also be careful about how it sells expirations to cover any money owed to it by an agent, protecting an agent from losing its client and book of business just because it is

behind in some premium installment or minor indebtedness.

In all cases, ownership of the book of business should remain with the independent agent.

"From this ownership interest flows much of his independence and equity in his business," explains the IIAA "An Independent Agent's Guide to Agency-Company Agreements."

The IIAA's contract guide explains that agents should:

- Make clear that the agent's ownership interest in the business and the restrictions placed on solicitations of that business are continually present and do not just arise upon termination of contract.

The wording in some contracts is very unclear in this regard.

- Spell out in the agreement that the policyholder is not to be solicited by the insurer for

this or any other line of insurance or any other product, and that the insurer is not to provide any of this information, including the agent's work product, to another agent or broker.

Many current clauses are not near this explicit.

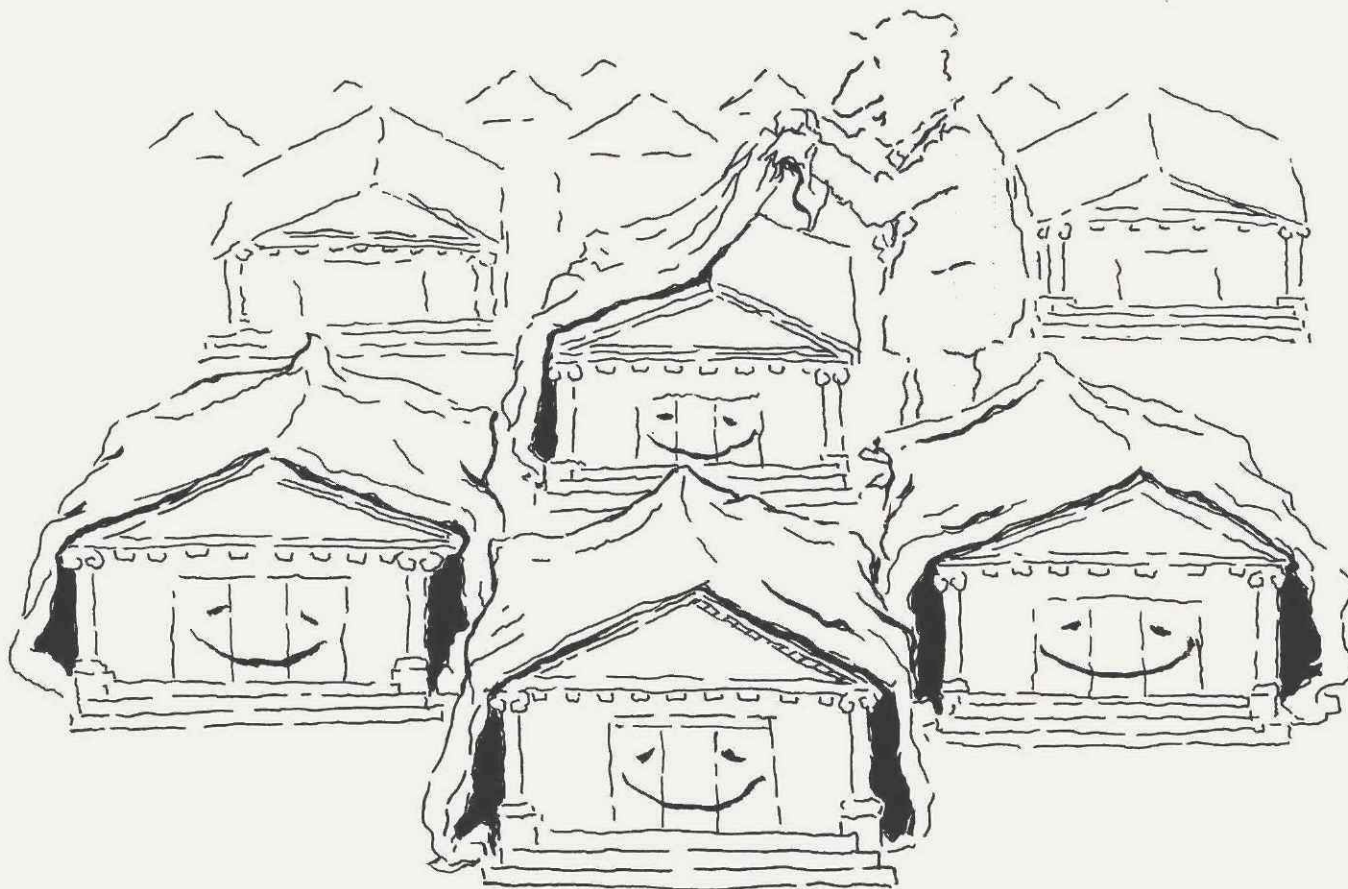
- Make sure the insurer recognizes the right of the agent to continue to receive commissions at prevailing rates on business which the insurer must renew by either law or contract.

- Require the insurer to use reasonable business judgment in selling any expirations to meet indebtedness.

- Be permitted to furnish acceptable collateral security to cover an indebtedness in return for the expirations.

- Specify that a difference of opinion with respect to balances owed by the agent does not constitute a failure to pay or vest title to the insurer.

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Contracts, profit plan guidance

NEW YORK—Hot market competition makes agency/insurer contract provisions even more important, says Josiah Welch, a contracts expert with the Independent Insurance Agents of America.

"We've come a long way in getting the insurance companies to realize the value of the contract provisions that we have been supporting for the past few years and I'm gratified, but there are still several issues that are commanding our attention," he says.

"Many of our provisions have been adopted in whole or part by most of the leading insurers," he adds. "Some of our companies have also learned that a good contract gives them a competitive edge and the ability to attract and hold agents at a time when insurers are anxiously pursuing business."

Profit-sharing plans, however, are still a weak point in most agent/insurer agreements, he says.

"The traditional profit-sharing agreement (which provides extra compensation to an agent that maintains a profitable book of business) is virtually meaningless in these days of cash-flow underwriting. Insurers are writing to a combined ratio of 108 and over, using cash flow to make a profit.

"This may be fine for the company, but it doesn't do much for the agent who doesn't receive profit-sharing unless his business turns an underwriting profit," he says.

The IIAA is preparing a new set of guidelines for agent compensation packages that will reflect changes in the marketplace, Mr. Welch says.

"There are several ways in which we can produce a more sensible way of compensating agents in these times," he explains. "The first of, course, would be more upfront commission to cover what the agent isn't receiving in profit-sharing. Another way would be to reward the agent based on the positive cash flow he brings to the insurer.

"If the companies are writing on cash flow, then the cash flow, not an underwriting profit, should be the basis on which agents are compensated," he says. "Or the insurers could be a bit more liberal in their accounts payable practices to give agents a little more time to hold onto premium and develop cash-flow advantages of their own."

The major provisions of the IIAA's "An Independent Agent's Guide to Agency-Company Agreements" remain the same as last year, notes Mr. Welch, chairman of the IIAA contracts committee and principal of the Chase & Lunt Inc. agency in Newberry, Mass.

The guide emphasizes the sanctity of the agent/insurer contract and suggests guidelines for how contracts can be amended by insurers. The book also describes how an agent should be indemnified against errors and omissions in which the insurer participated and how and when an agent contract can be terminated.

"There has been no change in the overall philosophy of our major provisions," he explains. "The contract is still the force that defines that agent/insurer relationship and our latest guide, if anything, reflects some of the gratifying response we have received from insurers who seem more reasonable and aware of the real value of these documents."

Goodheart takes post in San Diego

Alun Goodheart has been named risk management coordinator for the Department of Education in San Diego County, Calif.



Goodheart

In this newly created position, Mr. Goodheart will be responsible for the administration of the department's risk management program and the San Diego County schools' Workers' Compensation Joint Powers Agreement, which includes 42 member school districts in and around San Diego. Mr. Goodheart, 33, is the former risk manager for Santa Cruz County, Calif. He has a master's degree in public administration from California State University at Dominguez Hills and is the past president of the Council of Self-Insured Public Agencies. Mr. Goodheart will report to Robert J. Cornelius, the administrator of the department's Internal Operations Division.

City Investing Co. Inc. has moved its risk management department from California to New York and appointed **Phillip L. DeRosa** director of risk management. **Gerald M. Goetz** has been named assistant risk manager, **Steven Damsker** has been appointed manager of safety and loss prevention and **Geoffrey Ball** has been named claims manager. Mr. DeRosa, 40, joined City Investing in May and will report to Daniel D. Lyons, executive vp and chief financial officer. Mr. DeRosa's responsibilities will include risk management for all of the company's domestic and international operations. He has a bachelor's degree in economics from Fordham University. He previously was assistant risk manager with Merrill Lynch, Pierce, Fenner & Smith Inc.

Mr. Goetz, 34, was formerly insurance manager for North American Phillips Corp. He has a bachelor of arts degree from Seton Hall University in South Orange, N.J. Mr. Damsker, 34, was formerly a senior fire protection specialist with Marsh & McLennan Protection Consultants. He has a bachelor's degree from North Carolina State University. Mr. Ball, 41, was assistant manager and licensed general adjuster for Crawford & Co. Mr. Ball has a bachelor of arts degree from Bard College.

Ronald J. Graybill has been named risk and insurance manager for Cessna Aircraft Co. of Wichita, Kan. Mr. Graybill, 33, was formerly risk manager for Diebold Inc. in Canton, Ohio. In his new position, he will evaluate risk exposure and maintain insurance programs. Mr. Graybill has a bachelor of arts degree from Kent State Uni-

O'Connor to speak at CPCU meeting

CHICAGO—Illinois Insurance Director Philip R. O'Connor will speak on "Financial Regulation of Insurance Companies in Illinois" at the Sept. 15 meeting of the Chicago Chapter of the Society of Chartered Property & Casualty Underwriters.

For more information contact Fran Markwardt, 3550 N. Lake Shore Drive, Chicago, Ill. 60657; 312-477-3985. Non-members are welcome at the meeting.

comings & goings: buyers

versity and a law degree from the University of Akron. Mr. Graybill will report to David R. Edwards, corporate general counsel and secretary.

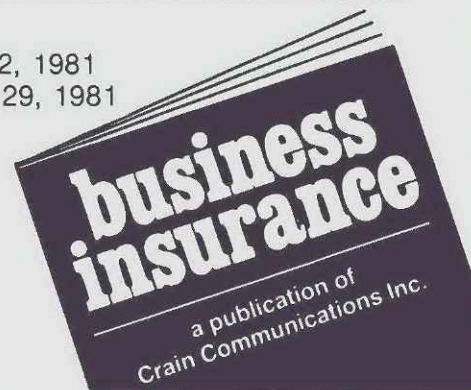
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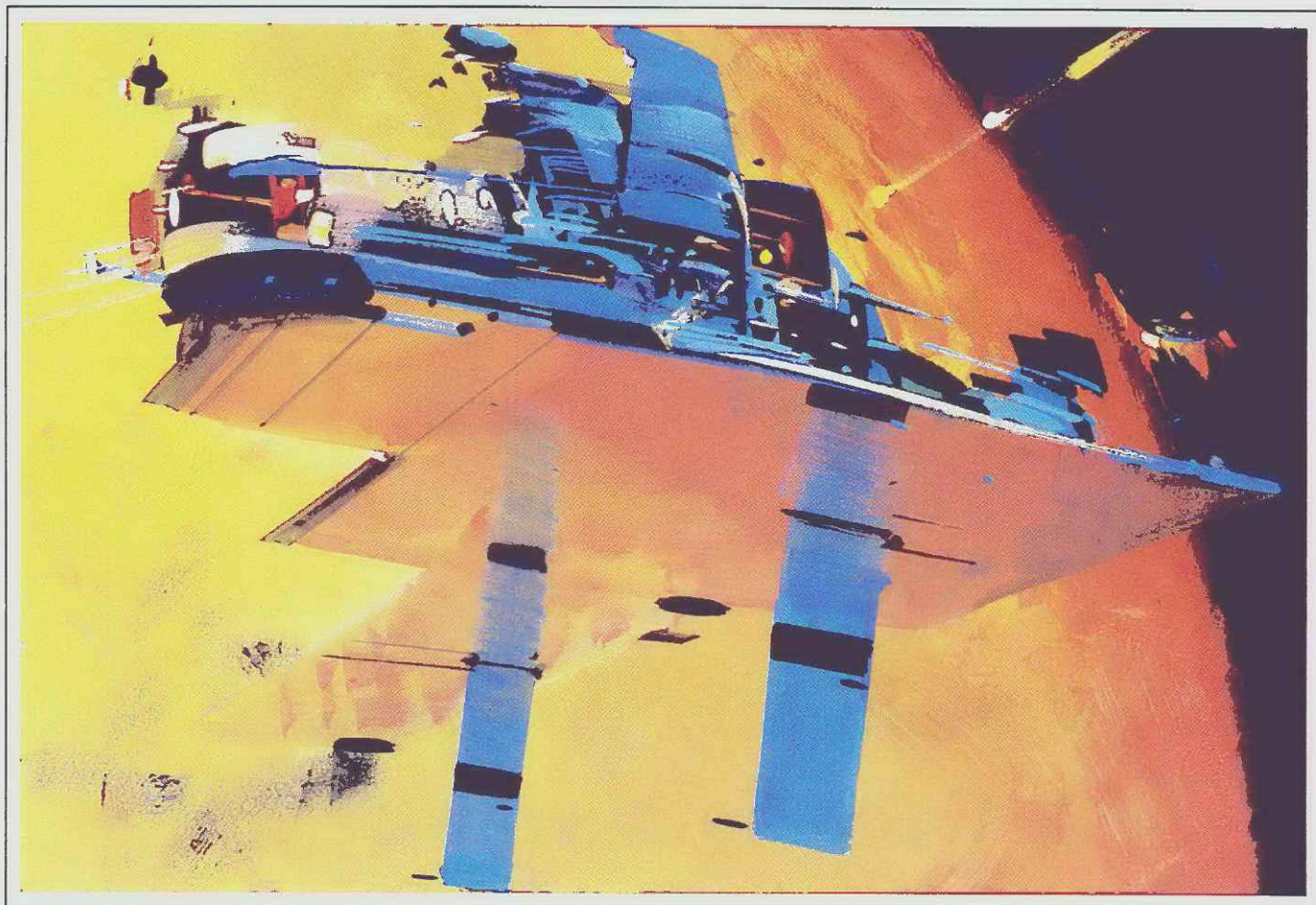
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That's what the *Business Insurance Communicating Employee Benefits Conference*, Nov. 15-17, is all about: clearly communicating your company's benefits in a demanding, fast-changing work environment. Programs and speakers have been selected to best inform benefit managers and other corporate officers how to reach the

workforce with their benefit messages.

The conference, to be held at Chicago's Continental Plaza Hotel, begins Sunday evening, Nov. 15, with early registration and cocktails.

Registrants will have a chance to talk to conference speakers and fellow benefit managers. They'll also have a chance to screen a special film.

Registration will continue Monday morning until 10 a.m. with coffee provided.

The Monday sessions begin with Anna Rappaport and James D. Hawthorne, vps of William M. Mercer Inc.'s Chicago office, who will discuss how to choose the right

words to reach your entire audience. They will tell conference participants how to explain a company's benefit program to members of a changing workforce, including single parents, working mothers and two-career households.

Alan Turetz, assistant vp at Citibank, will follow, telling participants how to make sure employees understand and properly use the benefits your company provides for them.

Following a luncheon, four sessions will be presented concurrently:

- Elayne Lewis, benefits analyst at the Eaton Corp., and Jane Shannon, a Citibank assistant vp, will tell how to develop and maintain an in-house benefits communication program. They will explain all the details of such programs, from laying out booklets to finding the right printer.

- Mr. Hawthorne and Julio Esteban Jr., manager of creative services of Benefacts Inc., a subsidiary of Alexander & Alexander, will explain how to measure employee response to your messages.

- Lloyd Mills, a partner at Kwasha Lipton, and Robert Youngberg, benefit statement consultant at Buck Consultants Inc., will tell how to develop, organize, design and distribute personalized benefit statements.

- Patricia Nazemetz, benefit operations manager at Xerox Corp., will tell how to deal with the challenging situations that often arise, like benefit cutbacks and reorganizations. A case history solution will be examined.

These four sessions will be repeated after a coffee break so that conference participants can attend two of them.

Following a cocktail reception, the awards for BI's annual employee benefits communications contest will be presented at a dinner Monday night. Awards in five categories—booklets, personalized correspondence, audiovisuals, special projects and total communication programs—will be presented. Selected entries in the contest will be on display at registration earlier in the day.

On Tuesday morning, Joan Beugen, president of The Creative Establishment, will explain the ins and outs of audiovisual presentations: using video in your communications program, finding cost-effective suppliers and tapping your in-house resources.

Marketing consultant Herbert Zeltner will then present his popular "You Be the Judge" program. The audience will join Mr. Zeltner in judging different benefit communications programs.

The conference will adjourn at noon Tuesday.

The fee for the *Business Insurance Communicating Employee Benefits Conference* is \$395, or \$355 each for two or more registrants from the same organization. The fee includes all sessions, a workbook and other educational materials, Monday's luncheon, scheduled breaks and the awards dinner.

Hotel accommodations are not included. Reservations should be made directly with the Continental Plaza at 312-943-7200. Special conference rates—\$76 single, \$82 double—are available to registrants by mentioning the *Business Insurance* conference.

To register for the Communicating Employee Benefits Conference or to receive further information, call the Crain Educational Division toll-free at 800-621-6877. In Illinois, call 312-649-5242. Or write Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611.

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Credit insurance firms drum up business

CHICAGO—Predicting more bankrupt businesses as the bumpy economy continues, the two U.S. markets for credit insurance are trying to convince U.S. businessmen to buy coverage.

Also known as bad-debt insurance, the coverage protects policyholders against the failure of customers to pay bills because of insolvency or other economic consequences.

About 90,000 businesses in the United States could be potential policyholders, but many of them probably know nothing about bad-debt coverage, said H. Allen Legge, president of ACI, a Baltimore-based subsidiary of Control Data Corp. and one of the two U.S. markets for the insurance.

The other market is London Guarantee & Accident Co. of New York.

"We make 12,000 first calls a year and if there are 90,000 potential buyers out there, it could take up to several years to talk to them all," Mr. Legge said.

The problem is much the same at London Guarantee & Accident, where Assistant Vp Stephen Taylor reiterates that only so many prospective clients can be contacted each year.

The company maintains a constant strategy of attempting to reach businesses but, "There's only two of us in the business and with

of it. We actually evaluate our policyholders' accounts and advise them on whom to ship more to and whom to ship less to."

Or, if analysis shows that a firm is in trouble, "we'll say that we'll no longer insure if you continue to ship to a certain firm," he says.

In one recent failure of a food industry firm, the insurer, through analysis, managed to protect 170 of 174 clients doing business with the company, says Mr. Legge. ACI reduced its exposure to \$6.9 million from \$17 million.

Overall, losses equalled 49.8% of premium last year, 47.2% in 1979 and have been running about 49.5% through June of this year.

In 1980, the insurer paid out \$12.8 million in claims and expects that figure to be reduced by about 5% this year.

When analyzing the financial health of a firm, the insurer looks at profitability trends compared with previous years, its long-term financing and the increases in its costs of doing business.

"We're continually evaluating the credit worthiness and developing additional files on companies," he says.

Many companies overlook credit insurance, passing it off in good economic times as an unnecessary expense and a prohibitive one in recessionary periods, says Mr. Taylor.

But if one or more of their customers folds, leaving huge unpaid accounts and balances due, they are unprotected, he says.

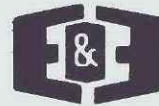
London Guarantee, whose loss ratio hovers at more than 50%, expects rough times ahead because

more corporate insolvencies are possible, Mr. Taylor explains.

And insolvencies are becoming bigger, with large firms such as W.T. Grant folding.

The major culprit behind in-

creased bankruptcies is high interest rates that increase the cost of doing business. They must either be passed on to the consumer or "re-captured" some other way, Mr. Taylor says.



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'Loss prevention is a big part of it,' says ACI's H. Allen Legge.

two of you carrying the load, there's only so much you can do," Mr. Taylor says.

ACI, with \$30 million in premium volume projected for 1981, insures some 2,500 policyholders in a variety of industries.

London Guaranty, an underwriting affiliate of Continental Corp., holds about one-third of the market share with premium volume between \$12 million and \$13 million per year, Mr. Taylor pointed out.

Manufacturers in the garment, textile, hardwood and metal product industries, along with wholesalers, warehouse owners and advertising agencies are common clients.

ACI policyholders range from \$1 million in annual sales to \$600 million, Mr. Legge says.

Larger corporations generally don't purchase the coverage because they self-insure the risk.

ACI predicted the 1977 W.T. Grant & Co. collapse and managed to alert most of its policyholders to stop shipping to the firm, Mr. Legge says. "We managed to get most of our policyholders out.

"Loss prevention is a major part

datebook

SEPT. 21-22. Association Captives conference in New York, sponsored by Interforum Group Inc.; \$595. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2243.

SEPT. 21-24. Fundamentals of Reinsurance seminar in Irving, Texas, sponsored by the University of Dallas Risk Management Institute; \$395. Professor Bruce D. Evans, University of Dallas Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-579-5260; cr 214-579-5299.

SEPT. 23-25. Washington Business Group on Health annual conference, in Washington, sponsored by Washington Business Group on Health; members, \$300; non-members, \$400. Ellen Menton, Washington Business Group on Health, 922 Pennsylvania Ave. S.W., Washington, D.C. 20003 202-547-6644.

SEPT. 30-OCT. 2. 12th Annual Educational RIMS conference in Myrtle Beach, S.C., sponsored by the Carolinas' Chapter of the Risk & Insurance Management Society; members, \$45; non-members, \$50. Donald Duncan, Collins & Aikman Corp., Box 32665, Charlotte, N.C. 28232.

OCT. 1. A New Look at CGL and Products Li-

ability workshop in Saddle Brook, N.J., sponsored by the Society of CPCU; members, \$85; non-members, \$95. Society of CPCU, Providence and Sugartown Roads, Malvern, Pa. 19355.

OCT. 1-2. Risk Management Techniques for Municipalities seminar in Atlanta, sponsored by the Society of CPCU; \$250. Also **Oct. 28-29** in Merrick, N.H. Society of CPCU, Providence and Sugartown Roads, Malvern, Pa. 19355.

OCT. 1-2. First Self Insurance Institute of America conference in New Orleans; theme: "Self-insurance, Sensible Innovative Insurance Alternatives"; members, \$225; non-members, \$300. SIA, 1700 E. Dyer Road, Suite 165, Santa Ana, Calif. 92705; 714-979-6318.

OCT. 2. Conference on Second Surgical Opinions in New York, sponsored by Second Surgical Opinions Conference; \$150. Also **Nov. 1** in Los Angeles. Second Surgical Opinions Conference, 411 E. 69th St., Room 305, New York, N.Y. 20021; 212-472-6193.

OCT. 7-9. Western Regional conference in Phoenix, Ariz., sponsored by the Risk & Insurance Management Society; \$175. Jim Mullen, Arizona Public Service, Box 21666, Phoenix, Ariz. 85036; 602-271-2806.

602-271-2806.

OCT. 9. Controlling Accident Costs and Workers Compensation conference in New Carrollton, Md., sponsored by the International Institute of Safety and Health; \$175; three or more from same firm, \$165 each. International Institute of Safety and Health, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

OCT. 9. Hazardous Materials, Substances & Wastes Training & Compliance seminar in Cincinnati, sponsored by Transportation Skills Programs; \$135. Also **Oct. 30** in Honolulu and **Nov. 19** in Detroit. Jessie Sterner, Transportation Skills Programs, 320 W. Main St., Kutztown, Pa. 19530; 215-683-5098.

OCT. 11-14. Health Care Cost Containment seminar in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans; \$360. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 12. 25th Annual Risk Management Conference in North Hollywood, Calif., sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society; members, \$45; non-members, \$55. Donald A. Craft, Ticor, 6300 Wilshire Blvd., Los Angeles, Calif. 90048; 213-852-6203.

OCT. 15. Insurance in the '80s seminar in Dallas, sponsored by the Dallas-Fort Worth Chapter of the Risk & Insurance Management Society; \$75. Don Hairston, Lone Star Steel Co., Box 35888, Dallas, Texas 75235; 214-352-3981.

OCT. 15-16. Insider and Employee Thefts seminar in New York, sponsored by the Practising Law Institute; \$275, including handbook. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-3700.

OCT. 18-23. Reinsurance Practice course in Warwick, Bermuda, sponsored by Risk Research Group Ltd.; 595 pounds (approx \$1,190). Also **Nov. 1-6** in London. Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4A 4DD; 01-236-2175.

OCT. 19-21. The Improvement of Product Safety course Cambridge, England, sponsored by Product Liability International; 180 pounds (approx \$360). Also **Oct. 29-30** in London, England. Lesley Parkinson, Product Liability International, Lloyd's of London Press Ltd., Sheepen Place, Colchester, Essex CO3 3LP, England; 01-206-69222.

OCT. 19-22. 69th National Safety Congress in Chicago, sponsored by the National Safety Council; members, \$60; non-members, \$90. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 20. Legal Trends and Their Impact of Products Liability, Bodily Injury, Workers Compensation and E&O workshop in Norfolk, Va., sponsored by the Society of CPCU; members, \$85; non-members \$95. The Society of CPCU, Providence and Sugartown Roads, Malvern, Pennsylvania 19355.

OCT. 20. Business Interruption/Time Element Coverages workshop in Grand Rapids, Mich., sponsored by the Society of CPCU; members, \$85; non-members, \$95. The Society of CPCU, Providence and Sugartown Roads, Malvern, Pa. 19355.

OCT. 20-22. Financial Analysis for Risk Management seminar in New York, presented by Dr. John Cozzolino; \$685 per person plus \$50 registration fee per company includes workbook and calculator. Also **Nov. 17-19** in San Francisco. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

OCT. 21-24. International Benefits Seminar in

Montreal, sponsored by the International Foundation of Employee Benefit Plans; members, \$440; non-members, \$515. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

OCT. 22-23. Human Error Reduction Techniques course in Chicago, sponsored by Don Petersen, management consultant; \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

OCT. 23-24. Hospital Liability and Risk Management seminar in New York, sponsored by the Practising Law Institute; \$275. Also **Nov. 20-21** in Miami. Practising Law Institute, Dept. SWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-3700.

OCT. 25-28. 1981 Corporate Benefits Management conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; members, \$440; non-members, \$515. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 25-29. Washington Insight on Employee Benefits program in Washington, D.C., sponsored by the U.S. Chamber of Commerce; \$825. Nancy Turnbull or Suzanne Lulewicz, U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 202-659-6138.

OCT. 26-27. Eighth Annual Environment and Safety Briefing sessions in Washington, sponsored by BNA Education Systems; \$250. Environment Conference Secretary, BNA Education Systems, Suite S-602, 1231 25th St. N.W., Washington, D.C. 20037; 800-424-9890; 202-452-4420.

OCT. 26-27. Industrial Hygiene for Managers of Hazardous Activities seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

OCT. 26-28. Product Safety Engineering course in Baltimore, sponsored by the Institute of Product Assurance; \$450. IPA, 9811 Mallard Drive, Suite 213, Laurel, Md. 20811; 301-792-0710.

OCT. 26-29. Loss Control Management seminar in Cleveland, sponsored by Factory Mutual Engineering & Research. Open to Factory Mutual-insured members only, \$495. Also **Nov. 16-19** in San Francisco and **Nov. 30-Dec. 4** in Dallas. Training Resource Center for Loss Control Management, Factory Mutual Engineering Corp., 1151 Boston-Providence Turnpike, Norwood, Mass. 02062; 617-762-4300.

OCT. 28. Business Interruption Insurance conference in New York, sponsored by Grower Conferences; \$165. Grower Conferences, 20 Endell St., London WC2H 9BD; 01-240-5931.

OCT. 28-30. Techniques of Loss Control course in Chicago, sponsored by the Risk & Insurance Management Society; members, \$295; non-members, \$395. Also **Dec. 24** in New York. Ms. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 212-286-9292.

OCT. 29-30. Radiation Protection of the Public in a Nuclear Accident course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

OCT. 29-31. Longshoremen's & Harbor Workers' Act Outlook '81 seminar in San Francisco, sponsored by the Industrial Claims Assn. in cooperation with the U.S. Department of Labor; \$250. Jon W. Challoner, Seminar Chairman, Industrial Claims Assn., 582 Market St., Suite 1909, San Francisco, Calif. 94104.

NOV. 1-4. Benefits Processing Institute program in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 2-4. 36th Annual Meeting in Honolulu, sponsored by the National Assn. of Independent Insurers; members, \$175; non-members, \$275. NAII Convention Office, Suite 1632, 333 N. Michigan Ave., Chicago, Ill. 60601.

NOV. 2-3. Management of Radiation Accidents course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Maryland 20852; 301-984-8969.

NOV. 9-10. Mining Product Liability and Safety conference in St. Louis, sponsored by The Energy Bureau Inc.; \$650. Carol Hertzoff, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

NOV. 11-14. 1981 Public Employees conference in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 15-17. Business Insurance Communicat-
ing Employee Benefits conference in Chicago, sponsored by Business Insurance. The latest tips and techniques to effectively communicate benefits to employees. Registration fee includes Nov. 16 awards dinner honoring winners of the BI Benefits Communications competition. Valerie Adams, Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611; 1-800-621-6877; in Illinois, 312-649-5242.

NOV. 16-17. Employee Theft and Fraud Prevention workshop in Arlington, Va., sponsored by the American Society for Industrial Security; members, \$220; non-members, \$285. ASIS Educational and Seminar Programs Department, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

NOV. 16-18. Analyzing Safety Performance course in Tucson, Ariz., sponsored by Don Petersen, management consultant; \$375. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

NOV. 18. Insurance Perspectives 1981 seminar in Dallas, sponsored by Peat, Marwick, Mitchell & Co.; free to clients. Keith Tucker, Peat, Marwick, Mitchell & Co., Suite 1500, 2001 Bryan Tower, Dallas, Texas 75201; 214-747-8911.

NOV. 19-20. Basic Radiation Hazard Control seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010-A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 19-20. Safety By Objectives course in Tucson, Ariz., sponsored by Don Petersen, management consultant; \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

DEC. 4-9. 27th Annual Educational IFEBP conference in Acapulco, Mexico, sponsored by the International Foundation of Employee Benefit Plans, \$360. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

DEC. 8-9. Safety Management—A Behavioral Approach course in Tucson, Ariz., sponsored by Don Petersen, management consultant, \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.



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Marriott will fight suit over profit-sharing plan

BALTIMORE—Marriott Corp. officials will fight a suit that charges it forced its profit-sharing plan to purchase newly issued company stock to finance the construction of two Marriott theme parks.

"Marriott was essentially forcing the plan to buy almost \$6 million in newly issued stock to finance the construction of its theme parks," according to the suit filed in a federal court in Baltimore.

The 4-year-old class action suit charges that Marriott officials, who also served as trustees of the profit-sharing plan, violated the Employee Retirement Income Security Act by engaging in conflicts of interest and imprudent investments.

The suit says these actions resulted in huge losses for the plan's participants, who are seeking compensation in the class action suit.

But Marriott officials vigorously dispute the allegations and will fight the suit, which has not yet gone to trial.

"The allegations are without merit and are at variance with the true facts," Marriott Vp R.A. Rankin Jr. said.

He said the Securities and Exchange Commission and the Labor Department have examined the ac-

cusations and neither agency pursued the case. "That should tell you something about the case," he said.

Under the profit-sharing arrangement, eligible Marriott employees can participate by contributing between 5% and 10% of their annual earnings to the plan.

Since 1960, Marriott has generally contributed 8% of its pretax earnings to the plan. The corporate contributions could be in the form of cash, other property or Marriott Corp. stock.

The suit charges that the Marriott profit-sharing trustees, who were also senior officials and directors of the company, disregarded "the true interests of participants" by overinvesting in Marriott stock.

For example, during six months in 1975, the company contributed 200,000 shares of Marriott stock, even though the trustees knew the plan would be overinvested in the stock, according to the suit.

The transfer of more stock to the plan, instead of cash, allowed Marriott to conserve cash, "helping Marriott overcome a cash-flow problem that had arisen because of the need to meet construction costs on its new theme parks," the suit charges.

Arkansas risk manager saving money for state

Continued from page 3
 age he achieved, a full risk management department was authorized this year with Mr. Sikes in charge.

The new department, which officially came into existence July 1, is only "semi-operational," Mr. Sikes says.

Budgeted at about \$131,000, it initially will be staffed by four people but is expected to expand in budget and personnel.

The department will be responsible for the property insurance coverage for about 150 state agencies as varied as the Department of Commerce, state colleges and universities, the Health Department and the prison system.

One of his most important steps, he says, has been to guarantee that no agency purchase insurance without putting the contract out to bid, a practice largely ignored in the past.

As a result, substantial savings have been achieved. For example, the state medical center cut \$283,000, or 41%, on its premiums for medical malpractice insurance by using the bidding process.

The coverage is basically the same with a few changes in the limits of liability on the varying professions. The insurer is American Physicians Exchange.

"It has been a very effective way of reducing costs," Mr. Sikes says. "It is a very major change."

For the state prison system, Mr. Sikes raised the property insurance deductible from \$1,000 to \$25,000 on certain larger penitentiary buildings.

The change, done through Lexington Insurance Co., resulted in about a 40% rate cut while creating more interest in the prisons to maintain the buildings because of the higher deductible.

Similar steps were taken with prison farm equipment. The state was seeking to insure equipment with a high exposure to loss, Mr. Sikes says.

So far, the risk management department is still purchasing insurance individually for state agencies, but Mr. Sikes plans to change that.

"We will consolidate in the future," he says.

Efforts also will be made to develop larger reserves so that insurance will be used only in the event of a major loss.

Creation of a reserve fund on a shared basis with other agencies also is being considered because of its cost-effectiveness, Mr. Sikes adds.

Besides purchasing insurance, Mr. Sikes says his department will investigate the safety of buildings to improve employee safety and reduce property loss.

Remodeling will be done to lower exposure to certain risks and "make things safer on the front end."

The department also hopes to have a computerized program to analyze all losses in the state, regardless of size, and to discover their sources.

While property coverage is the department's main concern now, it will purchase automobile liability and general liability coverage for some agencies in the future.

Mr. Sikes has a degree in accounting and an ARM designation. He has been a budget analyst, state purchasing director and worked in the state Insurance Department before he was named the state's risk manager.

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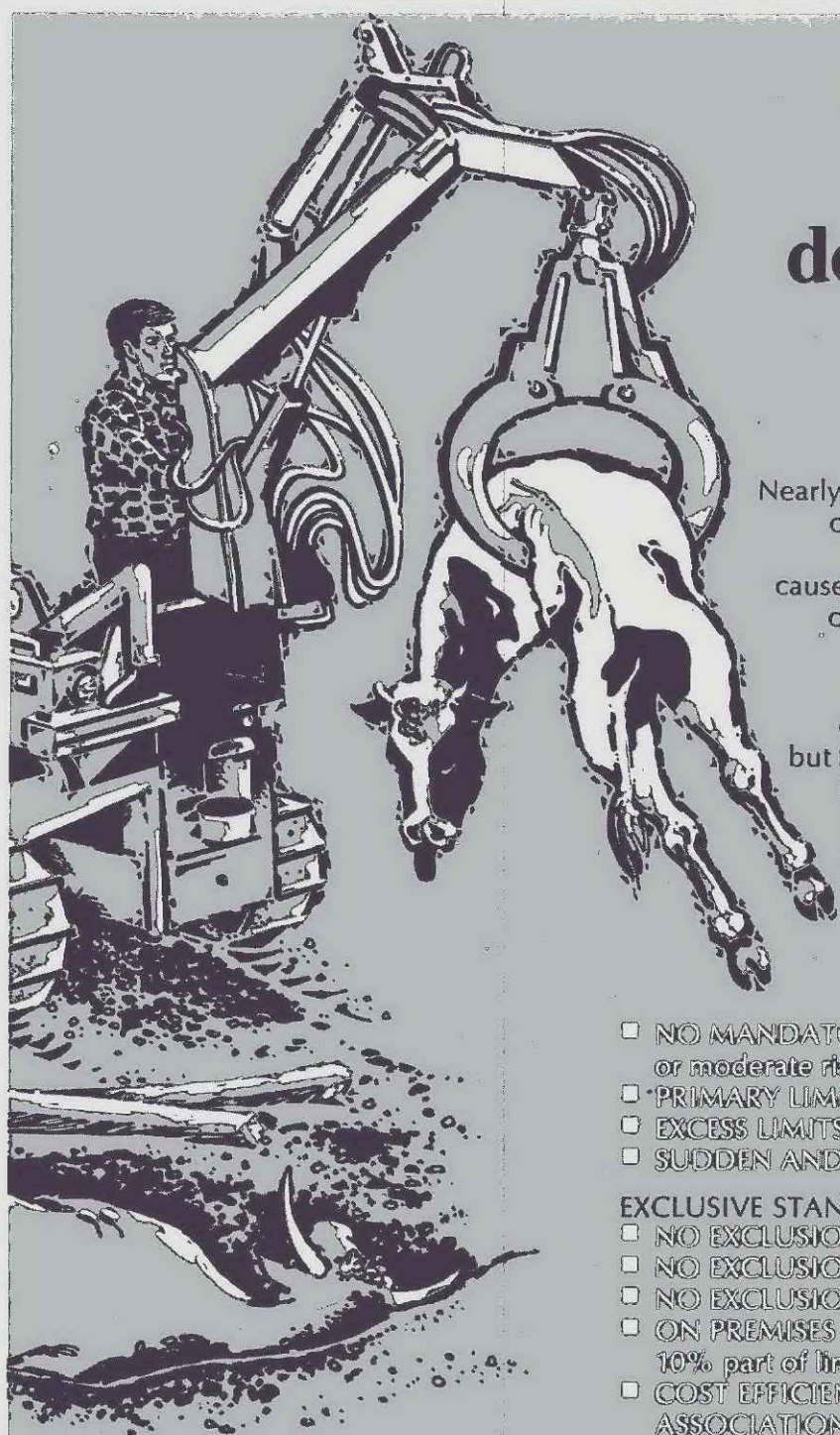
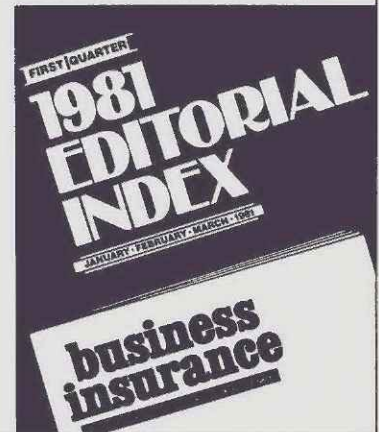
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College offering marine course

NEW YORK—"Ocean Marine Cargo Loss Control" is a new course to be offered this fall by The College of Insurance in New York City.

The course will cover distribution management, packaging techniques, materials handling and stowage, factors in selecting an insurer, computerized marine loss controls and cargo loss-control systems.

The course will meet on Mondays and Wednesdays, beginning Sept. 14, from 5:15 to 6:45 p.m. at The College of Insurance's New York campus.

Registration will be held Sept. 8, 9 and 10 from 11:30 a.m. to 2 p.m. and from 4:30 to 6 p.m. at 123 William St. New York, N.Y. 10038.

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N.Y. county to add family dental cover

Onondaga County, N.Y., which self-funds a dental plan for 5,600 employees, will add family dental coverage in January. Employees will pay 50% of the premium.

The county has self-funded its dental plan since September 1980 at an estimated cost of \$330,000, said William R. Loehr, the county's risk and insurance manager.

The plan covers most dental procedures including surgery, Mr. Loehr said, and provides first-dollar payout with no annual maximum.

Coverage is limited to two cleanings and one set of X-rays a year, and one set of dentures every three years. Orthodontics is not covered.

The county, whose dental coverage was provided by Group Health Inc. of New York, went to a self-funded program because it thought it could save money. The program has achieved its objectives thus far, Mr. Loehr said, although exact savings figures are not yet available.

The dental program is administered by Pomco Inc. of Syracuse, N.Y.

Onondaga County also has self-funded its health coverage since 1977, realizing a savings of almost \$3 million for 1977 to 1979.

This plan provides coverage for reasonable and customary surgery and major medical. The latter includes a \$50 deductible per year for the employee and dependents up to 18 years old and covers 30% of remaining expenses after surgery with a \$15,000 annual maximum.

The plan is administered by Blue Cross/Blue Shield.

riskWatch

No clear solution exists to solve ills of multiemployer plans

By JERRY GEISEL

WASHINGTON—Who should pay for the massive unfunded liabilities of multiemployer pension plans?

Employers, Congress answered last year when it passed the Multiemployer Pension Plan Amendments Act of 1980.

After years of debate and complex negotiations, Congress decided that an employer that withdrew from a multiemployer plan would have to pay a share of the plan's unfunded vested benefits.

That was a dramatic change from the previous law that allowed an employer to drop out of a multiemployer plan and escape paying liabilities if the plan did not collapse within five years of the company's withdrawal.

Employers now are finding out just how expensive withdrawal liability can be. When two trucking firms in North Carolina and Indiana withdrew from the Central States, Southeast and Southwest Areas Teamsters' pension fund, they were hit with withdrawal liability claims that were more than double their net worths.

Those firms, Johnson Motor Lines Inc. of Charlotte, N.C., and Transport Motor Express Inc. of Fort Wayne, Ind., are suing the Teamsters, charging, among other things, that the multiemployer law is unconstitutional because it allows the taking away of property without a trial.

Trade associations, too, are beginning to take the offensive against the new law. Several employer groups will meet in Washington this month to discuss how to work together to seek changes in the Multiemployer Amendments Act.

Those trade associations, who admit in some cases that they didn't understand the implications of the law when it was passed last year, are under mounting pressure from their members to lobby for changes in the law.

Employers, particularly trucking companies, are asking how Congress could pass a law that overnight made them responsible for enormous pension liabilities.

Congress passed the Multiemployer Amendments Act, with considerable support from big business groups, because it saw no alternative but to end the system that encouraged pension irresponsibility.

That system, in most cases, limited an employer's liability to a negotiated contribution to the plan. Multiemployer plan trustees, half of whom are appointed by employers and the other half by the union, set the benefit levels.

As a result, employers had an interest in keeping contribution levels low, while union representatives fought for high benefit levels.

The result was financial disaster.

Because employers' contributions failed to match the benefits promised, many of the multiemployer plans are badly underfunded; the Central States Teamsters' fund alone has \$3.5 billion in unfunded vested liabilities.

Those unfunded liabilities caused few worries during the 1950s and 1960s, periods of great economic growth. Experts reasoned that an increasing flow of contributions from new employers joining the plans would pay for retirement benefits when the promises came due.

But that reasoning began to come apart in the 1970s. Entire industries began to die.

For example, people stopped wearing hats; with no new employers entering the field and existing ones dying off, the multiemployer plan for millinery workers suddenly found itself in dire financial straits. Multiemployer plans in other declining industries, such as hard coal, faced similar problems.

More recently, industry deregulation has posed new problems for multiemployer plans. Hundreds of trucking companies, for example, are expected to close their doors in the next few years, unable to survive in the new competitive environment created by deregulation.

As a result, employer contributions to the Teamsters' plan could trail off, posing new financial burdens for the plan.

Surviving employers have no interest in inheriting the pension liabilities of firms that leave the plans. They oppose a weakening of withdrawal liability penalties.

But the pressure on Congress to reduce withdrawal liability costs is bound to increase as more employers who leave multiemployer plans are hit with astronomical unfunded liability bills—the bitter fruit of previous pension irresponsibility.

All the choices confronting Congress are unpleasant. Keeping a company's withdrawal liability at the current stiff levels could further weaken multiemployer pension plans by causing new employers to shun them.

Easing withdrawal liability could mean a return to the old system of pension irresponsibility that caused the original problem of poorly funded multiemployer plans.

Reducing benefit guarantees would force retirees to bite the bullet. That would be unfair, some experts say, since retirees played no role in pension-funding decisions.

The Multiemployer Amendments Act may be, as one Washington attorney puts it, a very bad law—but no one has come up with a better one.



Geisel

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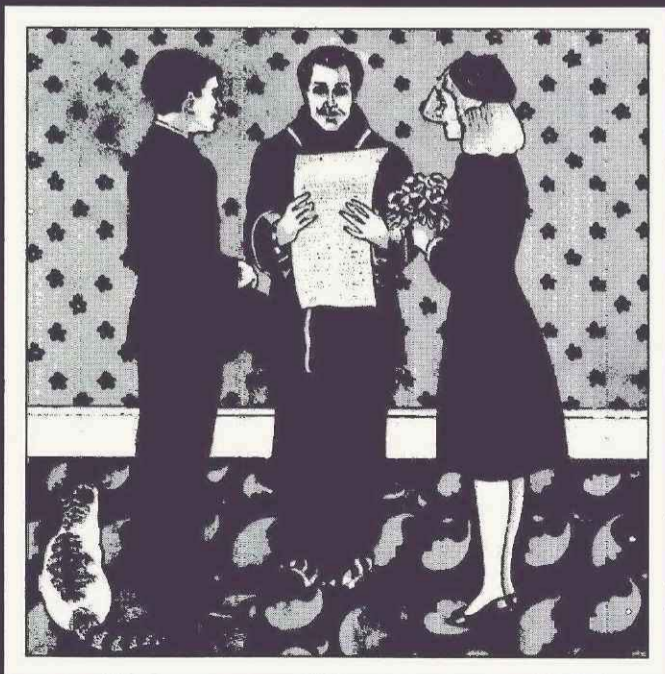
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Cost-control burden shared

Continued from page 3
 employee benefit staff.
 Employees are being pegged to do their part, too. Reliance helped by mounting an aggressive educational campaign. It believes if employees know how expensive good health care is, they'll be more likely to help the company cut costs.
 An audiovisual program has been prepared to educate employees and a booklet describing the changes in coverage has been distributed to all workers.
 But, this multi-pronged approach to controlling health care costs reaches out even further.
 Reliance's half-dozen insurers are being asked to pitch in and carefully audit hospital bills totaling more than \$7,500 for accuracy. When an audit reveals a hospital bill contains unnecessary charges or services the patient did not re-

ceive, the insurer will be responsible for securing a reduction in the hospital bill, Mr. Brown said.
 The major insurers for Reliance's medical benefits are Aetna Life & Casualty, Blue Cross and Equitable Life Assurance Society.
 In cities where Reliance employees and dependents represent 35% to 50% of a hospital's admissions, the company plans to use its clout to get discounts on services.
 Reliance figures it can save another \$470,000 a year by auditing hospital bills and negotiating for discounts.
 Even more savings can be realized by Reliance if insurers prevent duplication of benefits for a worker who is eligible for insurance coverage from more than one source, Mr. Brown says.
 "Insurers are being directed to implement more aggressive efforts

to assure proper coordination of benefits," he says.
 To assure that Reliance's health care cost-containment program produces the results intended, insurers will be asked to provide statistics on the sources of health care costs, including the average hospital stay and average cost per stay. Statistics on the number of hospital admissions and number and type of surgical procedures performed on employees also will be kept by insurers, he says.
 "These statistics will be used to develop reports that reflect the results of our efforts to contain health care costs," Mr. Brown says.
 Reliance also will review each of its health maintenance organizations to see if the HMO is more restrictive or more liberal than the company's existing medical expense benefit program, Mr. Brown explained.

Doctor helps bank cut health costs

Continued from page 3
 decided to strengthen the bank's commitment to preventive care,

said Merna Hellerman, vp in charge of employee benefits.
 "Since more than 25% of our employees belong to health maintenance organizations, our health care costs have been restrained in growth," she said.
 The decision to hire a full-time medical director was not based on cutting costs, but rather on providing better health care by someone who could intelligently monitor the effectiveness of various programs. The savings aspect was secondary.
 "His (Dr. King's) job is to make sure our health care programs reflect the needs of our workers. Dr. King will look at providing more benefits, but he will also look at controlling the costs of the programs we have," Ms. Hallerman said.
 Even though it may be too early to tell what overall costs have been cut by hiring a medical director,

she said Dr. King has done wonders by getting disabled workers back on the job—even in a part-time capacity.
 Dr. King's approach to returning disabled workers to the workforce is to work directly with the injured workers. After checking with the personnel department for availability of part-time or temporary positions, injured workers who can return to the job on a limited basis are contacted.
 Those who are not ready to return to work are not forgotten, either; Dr. King meets with them periodically to keep in touch with their progress.
 "A lot of disabled people are bored all day and they're thrilled to get back to work. It's something to get dressed for," he said.
 He is the country's fifth full-time medical director employed by a bank. The other four work for banks in New York City.

More letters

Continued from page 8
 tured on the body of law dealing with torts resulting from negligence cannot simultaneously treat the need for insurance arising out of the operation of the law of bailment, despite the fact that claims for damages to property in a bailment are normally based on varying degrees of negligence.
 Therefore, all liability insurance policies exclude damages to property "owned, occupied by, rented to or used by the insured, or property in the care, custody, control, or as to which the insured is for any purpose exercising physical control."
 The insurance industry offers a variety of coverages based on the law of bailment. With any given set of facts, there are very few problems in providing adequate insurance coverage for damage to property of others.
 Deleting the care-custody-control exclusion 100% would be equivalent to providing blanket automatic coverage for all bailments, which, in turn, is equivalent to providing insurance on an undetermined set of facts at a not-determined time in the future.
 Obviously, it would be impossible to calculate with any degree of accuracy a rate level that would be fair to either the insured or the insurer.

The industry can and does provide a reduction in the severity of this exclusion by use of the Broad Form Property Damage endorsement, which is highly recommended provided the fine lines of its limitations are thoroughly understood.

Stephens G. Croom, CPCU
 Baumhauer-Croom Insurance
 Mobile, Ala.

Adoption benefit offered

To the editor: You note in "Benefit Beat" (BI, July 27) that Levi Strauss plans to offer an adoption benefit. Although we are a small company in comparison to Levi Strauss, we thought you would find it interesting that we have been offering a legal adoption benefit to our employees since Aug. 1, 1980.
 Our adoption benefit provides reimbursement assistance up to \$1,000 per person to those of our employees who successfully finalize a legal adoption.

Sharon A. Flint
 Benefits administrator
 Burr-Brown
 Tucson, Ariz.

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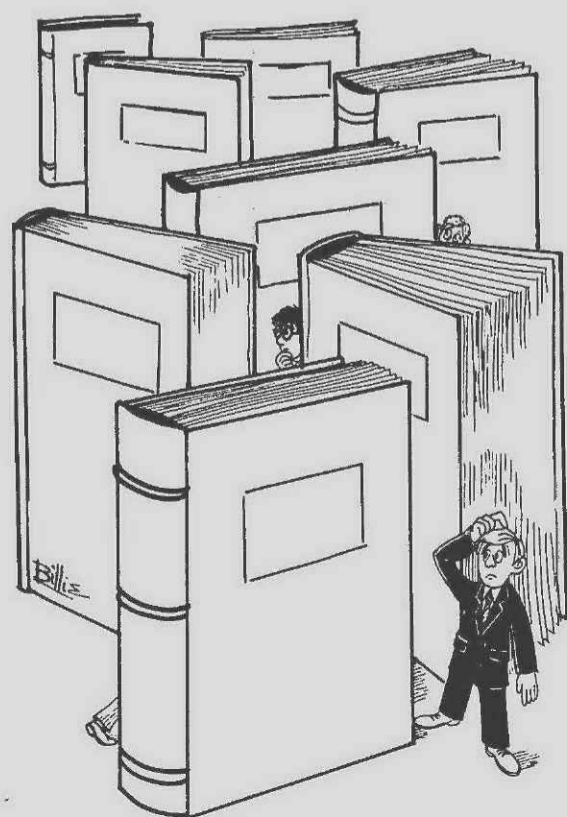
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Utility cuts cost of construction coverage

Continued from page 3

bined total worth of \$1 billion, will generate 540 megawatts each when completed in 1982 and 1987.

A study of the utility's owner-controlled program was done by Alexander & Alexander of Houston, the broker who put together the insurance package. The study is the main source of estimates on savings.

Based on projections of what insurance coverage placed by the contractors would have cost GSU, A&A reported in May that GSU had saved more the \$6 million from September 1974 through March 1980. It is estimated that another \$1.8 million has been saved since then to bring total savings to \$7.8 million.

In March 1980, GSU also converted its Texas Employers Insurance Assn. workers compensation coverage from an incurred-loss to a paid-loss retrospectively rated

plan. This has generated almost \$2.5 million in cash-flow gains, Mr. Wales says. In March of this year, the general liability coverage also was changed to a paid-loss retro plan.

Texas Employers Insurance also writes the primary general liability coverage with limits of \$1 million per contractor. For certain contractors, another \$9 million in excess coverage is purchased from Lloyd's of London.

Builders risk insurance, essentially all-risk property coverage on each project during construction, differs from plant to plant.

On the River Bend Station nuclear plant, builders risk coverage of up to \$220 million per occurrence is written by American Nuclear Insurers of Farmington, Conn., an association of 40 U.S. insurers.

On the first coal-powered plant,

coverage of up to \$100 million per occurrence is written by Lloyd's. On the second plant, the first \$50 million is with Simcoe & Erie Co. of Hamilton, Ont., and a top layer of \$50 million is with Lloyd's.

Design error coverage is included in the Simcoe & Erie policy to pay losses if faults in design have to be corrected. This coverage was purchased after a loss of several million dollars on the first coal-powered plant that GSU believes stemmed from design problems.

The premium on the entire construction package is about \$6 million a year, Mr. Wales says.

Another \$3 million a year is spent on property/liability coverages for the investor-owned utility's six active fossil-fuel-electric generating plants.

"We're carrying an all-risk cover of \$150 million per occurrence on the power plants," Mr. Steward says. Written by Lloyd's for a premium of around \$2 million, the policy covers all operating properties. Deductibles of up to \$1 million are in place for several of the plants.

Excess liability coverage of \$50 million through American Home Assurance Co. of New York protects GSU above its self-insured re-

tentation of \$250,000.

By the time the River Bend plant is operational, GSU hopes to have operating insurance of up to \$1 billion to cover it.

Currently \$300 million of property insurance is available to nuclear power plant operators, Mr. Steward says. "American Nuclear Insurers indicates it should be able to get about \$450 million of underwriting capacity together in the near future. Hopefully, it will get up to \$500 million in the next couple of years."

Nuclear Electric Insurance Ltd., a Bermuda-based captive of companies that are members of the Edison Electrical Institute, should provide \$500 million excess of \$450 million in the next two to three months.

The captive was formed last year to provide nuclear power plant operators with extra expense coverage if an outage prevents it from generating its own power, forcing it to buy power from other sources at a higher price.

"The same principles that apply to any risk management program will apply to a nuclear plant," says Mr. Wales. "Systems are more so-

phisticated, values are greater and there are the potential radiation hazards, but the basics still apply."

Workers compensation coverage for GSU's 4,200 employees is self-insured in Louisiana and insured through a paid-loss retro plan in Texas with Texas Employers Insurance Assn.

The utility spends an estimated \$6 million in premiums a year on employee benefits, including group medical, group life, long-term disability and dental insurance.

Two of the nine members on GSU's risk management services team are engineers who practice day-to-day loss prevention at the power plants.

They review plans and specifications to make sure new facilities are properly protected with fire walls, sprinkler systems and other safety devices that relate to prevention of property loss. They also monitor construction on the nuclear plant to assure compliance with Nuclear Regulatory Commission standards. The utility's human resources department deals with personnel safety.

GSU provides electricity to 500,000 customers in southeastern Texas and central Louisiana.

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Alabama allows workers to collect twice for injuries

Continued from page 2

for sale to the public (BI, May 11).

But Alabama is the only state where employees can sue one another on an unrestricted basis, says Walter Smith, legislative director of the Alabama State Chamber of Commerce, a group that is lobbying hard for the ratification of the pending amendment.

"There are a few other states that allow employees to sue one another if the act was found to be intentional or malicious," said Mr. Smith, "but we're the only state that has an unrestricted law."

He said the chamber realizes it will be difficult getting the voter to give up its right to sue. "It's going to be a hard issue to sell," he said.

Insurance companies and employers are particularly incensed over the situation in Alabama, says Cheryl Budd, spokeswoman for the Alliance of American Insurers.

If the conditional amendment is defeated by the voters, the worker and the employer will come out as losers, she predicted.

"If insurers are going to be held liable for unsafe conditions just because they make recommendations and assist the employer with safety checks, then I would think it would be a disincentive for them to assist the employer," Ms. Budd said.

"It's ludicrous to say the insurer is responsible for working conditions. The insurer takes the position that the safety inspections are a service to help the employer—not for the insurer to be held liable for anything that goes wrong," she said.

U.S. Fidelity & Guaranty Co., the

Officers elected

HOUSTON—Jimanne Kubiak, director of corporate insurance at Service Corp. International, has been elected president of the Houston Chapter of the Risk & Insurance Management Society for 1981-82.

Other newly elected officers are: Larry M. Riggs, Tenneco Inc., vp; Alan S. Watson, Shell Oil Co., treasurer; Deirdre J. Swenson, Pogo Producing Co., secretary; and Ron Lawless, First City Bancorporation of Texas Inc., assistant secretary.

largest workers compensation insurer in the state, has had about a dozen judgments rendered against it in co-employee lawsuits that say the insurer failed to provide a safe workplace, said Edward W. Sprigg, manager of the Birmingham U.S. F&G office.

"We're one state left out of 50 that has this crazy problem," he said. "These are shotgun lawsuits where everybody in sight is sued. It really is a way of getting around the fact that workers compensation is the exclusive remedy for injured employees."

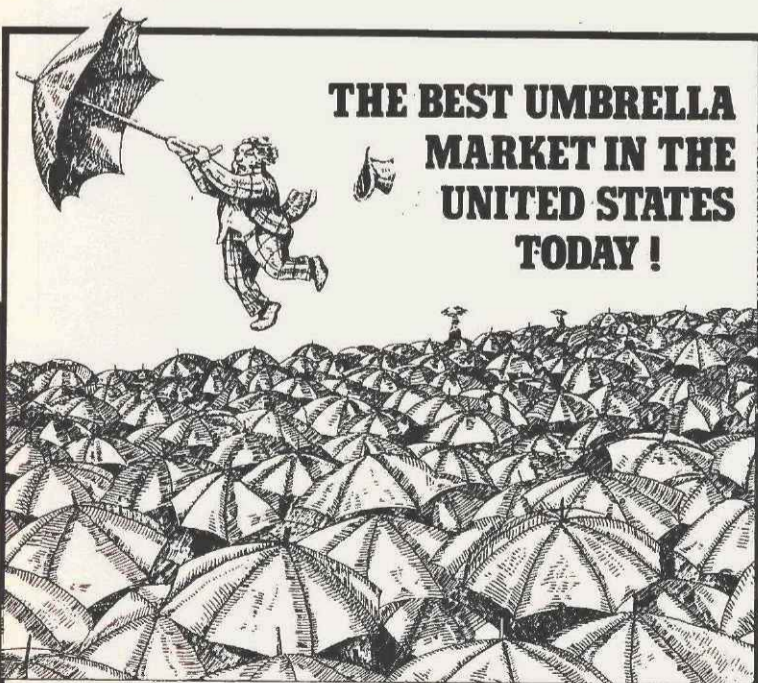
The current law also is adversely affecting new industry coming into the state, he said.

Opponents of the amendment

argue that the workers compensation benefits in the state are so low that workers are denied a fair shake when they're hurt, but Mr. Sprigg said the answer is to update the law, not bring in a system that keeps the state from growing.

"The principles of workers compensation do not allow an employee to collect outside the system," said Eric J. Oxfeld, associate director of employee benefits for the U.S. Chamber of Commerce in Washington, D.C.

The president and executive director of the Alabama Trial Lawyers Assn., one of the major supporters of co-employee suits, were unavailable for comment last week.



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GAO wants nuclear limit of \$1 billion

Continued from page 2
property coverage "to protect the government from the possibility of having to finance the future decontamination of a disabled nuclear unit in the event of another accident."

General Public Utilities Corp., owner of the idled TMI plant, faces a cleanup operation that could cost as much as \$1.3 billion.

The GAO also found that nuclear utilities are not protected against possible bankruptcy should another accident like the one at Three Mile Island occur.

"Electricity is now being generated by utilities with nuclear units that do not have adequate property insurance coverage," the report states.

"Insurers, bankers, investment brokers and the utilities themselves have all noted that utilities with nuclear capacity are now exposed to the risk of bankruptcy in the event of a nuclear accident."

The GAO recommends a mandatory program with two separate layers.

In the first layer, the NRC would require as part of its licensing procedure that all nuclear utilities "obtain the maximum amount of property insurance coverage reasonably available" through commercial insurers.

This would include ANI, MAERP and the Nuclear Mutual Ltd., another Bermuda-based mutual insurance company established by nuclear utilities. NML already offers \$450 million in primary property coverage to the 15 utilities it insures.

If this first layer is exhausted, the GAO recommends that "the affected insurer" be given authority by the NRC to assess the owners of each licensed nuclear unit a prorated retrospective premium to cover additional property losses.

This assessment should not exceed a specified amount, the GAO says, and could provide a second layer of up to \$720 million if the maximum assessment was set at \$10 million per unit.

There are currently 72 licensed nuclear units operating in the United States.

"Assuming a maximum \$10 million assessment per unit," the report states, "total property insurance coverage could exceed \$1 billion."

This program could be managed and administered by insurers in the private sector with "minimal federal government involvement," the GAO says.

In its recommendations to the NRC chairman, the GAO suggests that the NRC "closely follow" the efforts of NEIL, ANI and MAERP to increase their property insurance capacity to \$1 billion, and "assess the progress being made" no later than Dec. 31.

"This assessment should include an evaluation of the insurance available in the private sector and a determination as to whether a mandated insurance coverage program is necessary," it concludes.

While it agreed that the private sector's efforts should be monitored, the GAO said the NRC "did not comment" on its suggestion that it determine an acceptable level of property coverage for nuclear units and use that as a benchmark to determine the private sector's progress.

MAERP Chairman Richard Newcomb says he hopes the private sector will have sufficient time to put its programs in place.

"The private sector should be given time to complete its program before it's necessary for the NRC to act," Mr. Newcomb says.

Pregnancy benefits called inequitable

Continued from page 2
ceived a less favorable fringe benefit package than the female employee," said Barbara Seely, a trial attorney in EEOC's St. Louis district office.

The EEOC's and union's suit against Emerson, a company with 50,000 employees, comes about six months after a U.S. District Court judge ruled in a similar suit in Virginia that employers do not have to offer equitable pregnancy benefits to spouses of male employees.

The suit, filed by Newport News Shipbuilding of Newport News, Va., challenged a 1979 EEOC interpretation of the Pregnancy Discrimination Act that says if an employer's health insurance plan covers the medical expenses of female employees' spouses, it must equally cover maternity expenses of male employees' wives.

"The clear legislative intent behind the PDA was to ensure that working women are protected against all forms of employment discrimination based on sex," Judge Calvitt Clarke Jr. wrote in that decision (BI, Feb. 23).

"The legislative history specifically states that the act does not change the application of Title VII (of the 1964 Civil Rights Act) to sex discrimination in any other way," Judge Clarke added.

But the EEOC's Ms. Seely said, "We don't agree with Judge Clarke's reasoning." The EEOC is appealing that decision.

Unlike the Newport News Shipbuilding case, where the employer filed suit to overturn the EEOC pregnancy guideline for spouses of male employees, the EEOC and the union are suing Emerson.

The EEOC filed suit after a male Emerson employee filed a complaint with the agency because of the inequitable pregnancy benefits that his wife received.

The company's refusal to provide equitable pregnancy benefits to spouses of male employees apparently has been a sore subject with some employees.

"We have tried to negotiate with them for years on this," said Richard Goewert, president of Local 1102. "But they won't negotiate."

But Thomas Walsh, Emerson Electric's St. Louis attorney, said there is nothing in the Pregnancy Discrimination Act that requires employers to offer full pregnancy coverage for dependents.

Consultants and other experts don't have an exact estimate on the number of employers that, like Emerson Electric or Newport News

Shipbuilding, exclude or provide unequal pregnancy benefits for male employees' spouses.

But some sources say at least several hundred employers, particularly those in financially hard-pressed cities and counties, don't provide equitable pregnancy benefits.

For example, the city of Glendale, Calif., excluded pregnancy as a covered benefit for spouses of male employees. The city, which has 1,500 employees, would have to pay \$25,000 a year more in group health insurance costs if it had to cover such pregnancies.

Glendale, however, is the target of complaints from four police officers who, like the EEOC, say the Pregnancy Discrimination Act requires that their spouses' pregnancy-related costs be covered in their health insurance plans.

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Insurer denies strike coverage to laboratory

Continued from page 1

When they did not return by Aug. 5, he dismissed them.

The air controllers walked off their jobs after failing to come to contract terms with federal government negotiators. The walkout has forced cancellation of some flights, delayed others and left thousands of air travel industry employees jobless. During the first few days of the job action, the nation's largest air carriers reported a daily gross loss of \$35 million.

The Professional Air Traffic Controllers Organization, the bargaining unit for the nation's 16,500 controllers, says it still is striking.

"As far as we're concerned, the strike is not over," says Marcia Feldman, a PATCO spokeswoman. Although the president has fired the controllers, final dismissal notices have not yet been sent. "Notices of intent to fire have been

'We paid the full premium (of \$340,000) and we think we're protected,' says Melvin M. Overman, Medpath's senior vp of finance.

sent, but notices of firings have not," she says.

Ms. Feldman says the controllers have filed court appeals concerning the firings. About 13,000 controllers walked off their jobs, but more than 1,300 have returned.

"We're still picketing at the airports. We're still on strike," Ms. Feldman said.

Disturbed Metpath officials agree. They say they are covered because the policy, which went into force June 22, provided for cover-

age for both a strike or slowdown caused by the air traffic controllers' dispute.

Neither American International Group Inc., Birmingham Fire Insurance Co. executives nor their attorneys, LeBoeuf, Lamb, Leiby & MacRae in New York, would discuss details of their legal action.

Under the policy agreement, Metpath was covered for one year from June 22, 1981, to June 22, 1982. It was required to make a pre-

mium deposit of \$170,000 that would not be refundable if the strike did not occur or lasted fewer than seven days. Metpath had to pay the additional \$170,000 if the strike lasted longer than seven days. They paid this premium after the seventh day of the walkout, and it was accepted by the insurer, said Melvin M. Overman, Metpath's senior vp of finance.

Metpath, according to the policy agreement, would be covered against any extra expense accrued while trying to continue normal business operations during any air traffic disruption, such as a strike or a slowdown by controllers.

Coverage was scheduled to cease 12 hours after a new contract was ratified by the air traffic controllers and approved by Congress.

For Metpath that means "we're covered on the slowdown part alone," explains Mr. Overman.

"Flights were canceled, we had to depend upon extra charter flights and even today schedules are only back to 75%.

"We paid the full premium (of \$340,000), and we think we're protected," Mr. Overman contends.

Mr. Overman says Metpath currently is spending \$70,000 to \$90,000 a week—an additional \$50,000 to \$70,000 over normal expenses—to charter planes to carry blood and other medical specimens across the country.

The costs, Mr. Overman says, vary from week to week because of commercial and charter flight arrangements. Whenever possible, Metpath tries to use commercial flights, he says.

Metpath, with projected 1981 annual sales at \$110 million, provides medical testing for hospitals, pharmaceutical firms and industry in 36 countries.

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Small firms switching health insurers

Continued from page 1
 Mutual Benefit Life Insurance Co. of Newark, N.J., are reporting major increases in the number of employers enrolled in special small-employer programs.

These insurers kept rate hikes below 30% and believe they have picked up employers fleeing from Prudential and Pacific Mutual plus other new business.

For example, Connecticut General's Benefitter Trust program, started in April 1978 for employers with two to nine employees, is gaining 500 to 600 new employers a year. It has about 3,000 participating employers.

At Mutual Benefit Life Insurance Co. enrollment in the insurer's Charter Series covering employers with three to 50 employees has leaped to 19,000 employers, up from 4,000 in 1975. "We've discovered that we've had a very hot product in the last 15 months," said Senior Vp John Antliff.

Insurers agree that competition in the small business health insurance market is fierce. "The under-10 market is characterized by many sellers," said George Sutherland, director of marketing at Connecticut General.

This fierce competition is a sharp contrast to the early 1970s when smaller firms complained that they

were shunned in the group health insurance market.

Insurers, though, began plunging into the small business market in the mid and late 1970s after setting up, in many cases, multiple employer trusts. These trusts pool the risks of different employers in one industry to allow the lower costs typical of larger group insurance programs.

For example, Mutual Benefit Life operates nine different multiple employer trusts, providing coverage to 100,000 employees in industries such as utilities and retail trade.

"The key to serving the small business market is to keep the product simple," said a spokeswoman for Aetna Life & Casualty Co. in Hartford, Conn.

But some insurers have been badly burned in the small business health insurance market. Industry sources estimate that Prudential last year lost \$60 million in the under-50-lives health insurance market. Richard Drake, Prudential vp and associate actuary, says that figure is in the ballpark.

Prudential's problems began a couple of years ago when rate hikes didn't keep pace with inflation. "Everyone kept on saying: 'It (increases in medical costs) can't keep going on.' But it did," Mr. Drake

said. Despite the losses in the last year, Prudential intends to stay in the small business health insurance market. "We made a conscious decision, after some study, to stay in the business. We think we can set rates on a sound basis... so that we can make money in the future," Mr. Drake said.

Pacific Mutual kept raising rates for its METs, but losses continued to pile up. "Rates kept rising, but the experience remained bad," said Paul Doerr, assistant vp in charge of MET sales.

Finally, Pacific Mutual began in June to pre-screen employers with fewer than six employees to weed out bad risks. Most other insurers also pre-screen.

All insurers agree that there has been a claims explosion in the small business market, a situation they attribute to an uncertain economy.

"There is a lot more stress out there," said Mr. Doerr. Other experts say that employees are more likely to opt for surgery now because they fear they could be laid off soon and would not have group health insurance plan to cover medical costs.

Employees also want their claims money faster. "People don't let the claims stack up," said Richard

Biles, administrator of the National Employers Security Trust in Los Angeles. "They send in a claim even if it is only for a few dollars."

Other factors that have forced insurers to boost rates include:

- Doctors prescribing more sophisticated, expensive medical treatment.
- The expansion of plans to cover pregnancy for female employees as a result of the 1978 Pregnancy Discrimination Act, which barred most firms from excluding or providing inequitable pregnancy benefits in their group health insurance plans.

Most larger firms already were providing pregnancy benefits before April 29, 1979, the date the law took effect. But many smaller firms waited until the midnight hour to

include them. The pregnancy law, however, does not apply to firms with fewer than 15 employees.

• Increasing public awareness of and willingness to use the health care delivery system.

• Doctors prescribing additional tests, some of which may not be necessary, because of their fear of medical malpractice suits.

Insurers say they'll continue to compete vigorously to garner an increased share of the small business health insurance market through METs because that is where they see future market growth.

"There are more opportunities here (in the small employer market) as more large employers self-fund," Mutual Benefit Life's Mr. Antliff said.

Hearing set for next week on foundering Idaho MET

Continued from page 1
 The METs involved reorganized as self-funded plans and other self-funded METs sprang up.

The self-funded METs then filed with the federal government as employee benefit plans and argued that the Employee Retirement Income Security Act barred state regulation of them. The trusts usually are organized by third-party administrators.

The Labor Department, though, failed to set standards for the self-funded METs or to clarify their status for regulation. The trusts in some cases sued to block state regulation. As a result, the trusts often have operated in a regulatory void.

In this void, several trusts went bankrupt. In California, for example, the Hospital Welfare Assn. Trust and the National Multiple Employers Foundation collapsed in 1977, leaving thousands of people with unpaid medical claims that may have exceeded \$7 million.

The failure of self-funded METs has been attributed to poor reserving practices, inadequate rates and using too large a part of premiums to pay high commissions to agents.

But following an extensive series of stories in *Business Insurance*, state and federal regulators began taking the offensive against the METs. In 1977, for example, courts in Kansas and Arizona ruled that METs in their states were not employee benefit plans.

And beginning in mid-1979, the Labor Department began issuing advisory opinion letters saying that more than 30 METs were not employee benefit plans. Those letters gave state regulators further ammunition to close METs.

However, in one case involving Insurance and Prepaid Benefit Trusts, a self-funded MET in Tustin, Calif., a federal judge ruled that employers can band together to self-fund benefits as an employee benefit plan covered by ERISA and be exempt from state regulation.

Judge Robert Takasugi also ruled that for a MET to be considered a bona fide ERISA plan, the em-

ployer members must have full control over the plan, a test few self-funded METs organized by third-party administrators have been able to pass (*BI*, Aug. 3).

According to papers filed with the Labor Department in Washington, the Northwest plan began operations as an "ERISA benefit" plan on July 1, 1977.

It quickly grew. Its 1977 EBS-1 plan description form listed 575 participants. By May 1979, Richard Weston, who was listed as the plan administrator on the EBS-1 form, told the Labor Department that the plan had 6,100 participants.

On Oct. 3, 1980, the Labor Department wrote to Larry Proffitt, president of Northwest Assn. of Independent Business, that the self-funded MET was not an ERISA plan, contrary to the assertion on the plan's benefit schedule.

In the letter, which was signed by Ian Lanoff, administrator of the Labor Department's Office of Welfare and Benefit Programs, the department noted that the Northwest trust flunked several ERISA tests.

The department noted that Northwest members were required to give their proxy to Mr. Weston, a Boise attorney.

Mr. Weston, along with Mr. Proffitt, were partners in United Service Administrators, USA, which administered the Northwest health plan, was incorporated on June 29, 1977, two days before the Northwest plan was established, according to the Labor Department. USA collected 15% of Northwest's premiums as an administrator, the department said.

The Labor Department charged that Mr. Weston and his associates "dominated" Northwest. Actual member participation in Northwest was "virtually non-existent," according to the department.

"We believe it a significant characteristic of a bona fide employer association that it be subject, in form and substance, to the control of its members; NAIB members, who are required to give their proxy to Mr. Weston are not, in our

view, as a practical matter, able to exercise control over NAIB," the Labor Department letter said.

Mr. Weston did not return repeated calls by *Business Insurance*.

In February 1981, the Idaho Insurance Department began to receive complaints that the trust was not paying claims on time.

Sometime later—it isn't exactly clear when—Northwest purchased a master group health insurance policy from American Western Life Insurance Co. of Boise to cover 1,800 Northwest participants.

According to a regulator in the Utah Insurance Department, Mr. Weston made at least one attempt in 1979 or 1980 to purchase American Western, but he lost out to other bidders.

As soon as Northwest participants were switched over to American Western, the insurer increased rates 15%. The average yearly premium per employee climbed to \$800 from \$700, according to Gary Belew, American Western's director of marketing.

But Northwest canceled its policy with American Western effective July 1. About 25% of Northwest's participants converted their master coverage policy to individual policies with American Western. Mr. Belew said some other Northwest participants may now be covered by association health insurance plans in other states.

Storm damage hits \$2 million

NEW YORK—The wind and hail that swept through portions of Nebraska Aug. 22 caused an estimated \$2 million of insured property damage, according to W.D. Swift, vp of property claim services at the American Insurance Assn. The most extensive damage occurred in the Alliance, Neb., area.

The storm was assigned Catastrophe Number 36 by the Insurance Services Office.

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Takeover rumors dominate British market

By ALAN H. CLIFTON
and PHIL V. OLSEN

Special to Business Insurance

LONDON—Rumors of imminent takeover bids are still drifting through the British insurance industry. The June tender offer by West Germany's Allianz for up to 30% of British insurer Eagle Star is still reverberating around the London market. Commercial Union is still a focus of takeover speculation, but other companies are being mentioned as well.

One repercussion of the takeover talk is that insurers are declaring more liberal dividends. The insurers' first-half financial reports generally included dividend increases despite mixed financial performances.

General Accident, whose profits increased to 51 million pounds from 39.5 million pounds during the same period of 1980, raised its interim dividend 20%. Commercial Union, despite a 25% decrease in net income, posted a 10% dividend increase.

In the past, British insurance companies have usually reacted to a downturn in the underwriting cycle by moderating their dividends. This year, though, it looks as if insurers are paying more attention to keeping their shareholders happy.

When pressed by Allianz, Eagle Star discovered it could afford a 40% increase in its dividend. Other companies seem to be following suit.

Large dividend increases, of course, can only be justified if there are earnings to be distributed to the shareholders. To date, 1981 is revealing the same underlying trends of last year. The United Kingdom is once more proving to be the only major insurance territory where worthwhile underwriting profit can be earned.

Conditions in Australia, Canada, continental Europe and the United States either remain dreadful or are getting worse.

Royal Insurance, for once, has come out ahead of its rivals, Commercial Union and General Accident, on U.S. underwriting.

BI ticker

Royal posted a first-half combined ratio of 102.5% on its U.S. business, compared with 109.4% for CU and 105.7% for GA.

Royal has paid a good deal of attention in recent years to reducing its exposures in the industrial Northeast, building up business in the boom areas of the Sun Belt and on the West Coast. That strategy looks as if it is paying off.

Since our last review of the British insurance scene about two months ago, the property/casualty stock index has risen by 10%, outdistancing the overall 5% British equity market rise. The Lloyd's brokers also have performed well over this period, increasing about 10% as well.

The continued strength of the U.S. dollar and of other major currencies against the British pound has undoubtedly been a help to these high overseas currency earners, but they also have been boosted by the takeover rumors.

Naturally enough, the takeover guessing game entered a new dimension after the termination of merger talks between the Sedgwick Group and Alexander & Alexander at the end of July. These two major brokers could not agree on a plan that would guarantee the perpetuation of their strengths in Britain and the United States.

It was this intransigence as much as the intractability of the U.S. Internal Revenue Service—which shouldered most of the blame—that signaled the end of the merger discussions.

But the two brokers are still on friendly terms and will continue to work together. But it is popularly assumed that A&A will be unable to resist the temptation to acquire some other Lloyd's broker to demonstrate that it is no less virile than Marsh & McLennan, Frank B. Hall and Fred S. James.

Investors have not forgotten that A&A nearly sealed a deal with Alexander Howden

back in 1974 and that the two companies have a joint underwriting venture in Bermuda. More importantly, perhaps, Howden may be dusting off the "for sale" signs, significant because A&A would not want to get involved in the type of fracas that characterized Marsh & McLennan's bid for C.T. Bowring.

It thus comes as little surprise that Howden stock has shown a recent gain, following some weakness triggered by fears about the divestment of Lloyd's brokers and underwriting agencies.

Perhaps Howden is thinking about selling its brokerage operations, which could be a more price-effective way of settling the divestment requirement. Such a move would appeal to A&A.

But Howden is certainly not the only agency that A&A is eyeing, and if the U.S. brokerage is determined to buy a base on Lime Street, there are a number of other candidates.

Hogg Robinson, while probably not high on A&A's list, may also be an acquisition target. While Hogg has denied that it has a U.S. suitor, rumors of a takeover from the East have been circulating in the market. Buying an insurance brokerage firm could appeal to some of the large financial corporations in Hong Kong, for example.

It is worth keeping in mind that the Hong Kong & Shanghai Bank already owns a small Lloyd's broker, Antony Gibbs Sage, through the acquisition of a British bank last year. Meanwhile, the Tung shipping empire also acquired a small Lloyd's broker, Furness Houlder Insurance, through the purchase of a British shipping group.

Perhaps these companies, as well as others, may be trying to duplicate the success of Hong Kong's Jardine Matheson, whose various acquisitions of Lloyd's brokers have expanded a small insurance brokerage subsidiary into one of the world's 20 largest insurance brokerage firms.

While rumors of takeover bids may continue to influence the stock of Lloyd's brokers, their first-half reports, due in the coming weeks, will provide a chance to examine how well the brokers have been able to cope with this year's difficult market conditions. Exchange rate benefits and, perhaps, earlier attention to cost control could mark the difference between the performance of the Lloyd's brokers and their U.S. counterparts. ■

British Issues

9/1 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	167	11.1	16.07	9.6	168	164
Eagle Star	311	10.4	21.43	6.9	312	308
Genl Accident	390	9.1	21.07	5.4	390	378
Gdn Royal Exch	380	9.7	22.14	5.8	380	368
Phoenix	320	9.4	21.29	6.6	320	312
Royal	415	10.6	35.00	8.4	415	400
Sun Alliance	1025	10.2	47.14	4.6	1025	990

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Insurers report underwriting loss

NEW YORK—The nation's property/casualty insurers suffered an underwriting loss of \$2.76 billion in the first half of 1981, but healthy investment income more than made up for the loss.

The industry reported after-tax earnings of \$3.37 billion for the first half of the year, according to the Insurance Services Office and the National Assn. of Independent Insurers. That figure includes investment income of \$5.22 billion.

The earnings figure was slightly less than the \$3.4 billion in after-tax earnings posted in the corresponding period of 1980.

The industry maintained a combined ratio of 106.1% in the first six months of 1981, according to the report. The industry's combined ratio stood at 103.4% after the first half of 1980.

Insurers paid out \$715 million in policyholder dividends, the report says.

First-half written premiums of \$47 billion represented only a 3% increase over the first half of 1980, the report said, adding that this is indicative of the downward pressure on premium levels due to current intensive competition in the insurance marketplace.

The figures released by the ISO and the NAI represent 95% of the nation's property/casualty insurance business. ■



Alan H. Clifton (left) and Phil V. Olsen are analysts with London-based Kitcat & Aitken. They report quarterly on the British insurance industry for Business Insurance in addition to supplying weekly earnings reports on British companies.



Grocery company sets up own insurer

Continued from page 3

Fremont, whose cooperation Mr. Lefore praises, will continue to front business from California and Washington that will be reinsured

through United Employers.

The new Oregon-domiciled insurance company is a natural outgrowth of UGIC Ltd., Mr. Lefore explained.

The Bermuda company's activities will gradually diminish as risks are underwritten by United Employers.

The insurance marketing arm of United Grocers, called U.G. Insurance Inc., will continue to provide underwriting and risk management services.

Nearly 70% of UG member stores participate in the cooperative's insurance program established 10 years ago. At that time, UG formed its own insurance agency to scout out difficult-to-place coverages, such as crime insurance.

"Limits of \$2,500 were standard then, but our members, who are medium to large supermarkets, wanted limits up to \$50,000," Mr. Lefore said.

Five years later, the agency added loss-control and claims administration services. The Bermuda captive was formed in 1976. And now UG owns a specialty insurance company that will write risks of UG member and non-member groceries.

United Employers underwrites casualty coverages up to \$15 million per occurrence. Maximum property insurance limits of \$1.2 million can be augmented with facultative reinsurance arranged through intermediary John F. Sullivan & Co. in Seattle.

The company was capitalized with \$2 million provided by U.G.

Insurance Inc. Fremont Indemnity Co. and others will provide reinsurance to protect the new company against losses exceeding \$50,000.

United Grocers operates two major warehouses in Medford and Portland and owns 100 trucks and 150 trailers. Employee back injuries and grocery store fires are among the most frequent types of losses incurred.

Because of its close familiarity with the grocery business, United Employers will provide superior risk management and loss-control services to the stores, Mr. Lefore emphasized.

"If a store is burglarized or destroyed in a fire, for example, we can inventory and itemize losses very quickly," Mr. Lefore explained. "That's because we know the store's stock value and understand internal accounting practices."

"We offer engineering services to members that can be employed after a fire to quickly identify what reconstruction needs to be done. Besides staff engineers, we work regularly with independent contractors who know our stores and can move in and start rebuilding immediately."

"If there is smoke damage to a store after a fire, our specialists know how to clean the stock and have the store back in business the next day," Mr. Lefore explained.

The advantage of knowing the business also translates into reduced workers compensation losses, he said. "We work closely with doctors to determine the physical limitations of an injured worker—and we understand the specific physical requirements of various jobs."

Mr. Lefore said his department runs a modified work program that has earned the cooperation of department heads.

"Now that managers see the value of rehabilitating employees quickly, they are coming to us with their suggestions for modified jobs in their departments," he says. ■

Group life sales increase in June

Group life insurance purchases in June increased nearly 400% over purchases in June 1980 because of an estimated \$40 billion purchase under Federal Employees' Group Life Insurance contracts, according to the Life Insurance Marketing & Research Assn.

Excluding these FEGLI purchases, group life insurance set up under new or revised group contracts totaled \$17.7 billion in June, compared with \$14.9 billion a year earlier.

All figures represent face amounts of insurance purchases. ■

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Can 'good hands' hold commercial lines?

By LEN STRAZEWSKI

BI ticker

THE "GOOD HANDS" of Allstate already cradle about 20 million policies for automobiles, private homes and individuals, but the hands continue reaching out for more.

Through an Allstate life insurance subsidiary and commercial insurers named for its suburban Chicago headquarters town of Northbrook, Ill., the company is trying to grab and hold commercial property/liability insurance and employee benefit coverages.

But the key questions, asked by the insurance industry and outside observers, is: Can the body hold the new risks for which the hands are grasping and can the parent insurer continue to increase its share of the personal lines market?

Allstate, part of the Sears, Roebuck & Co. conglomerate, celebrates its 50th anniversary this year and bears all the signs of a mature, middle-aged giant. At middle age, growth is notoriously difficult.

The corporate headquarters sprawls across a 122-acre complex that has its own 5-acre lake. Its coffers are stuffed with a 1980 income of more than \$450 million and premium volume of more than \$6 billion. Total assets for the Allstate group topped \$10.5 billion in 1980.

The Allstate conglomerate contains the automobile and homeowners insurance company, two separate life insurance companies, three commercial insurers, a management consulting firm and a fire protection engineering consulting firm.

All of the subsidiaries made a profit in 1980 so Allstate last year returned \$197 million to its corporate parent, a donation that helped offset a generally dismal year for the Sears merchandising group.

For the whole Sears group, net income for 1980 dropped to \$606 million from \$810.1 million in 1979. Earnings per share dropped to \$1.92 from \$2.54 in 1979.

Allstate is the second-largest automobile and homeowners insurer, behind the State Farm Cos.

"The automobile and homeowners insurance business is a \$44 billion market and we have about 10% of the automobile market and 9.5% of the homeowners business," Allstate Chairman Archie Boe told *Business Insurance*.

"And our strategic plan is simple. We plan to increase that market share as much as we can and enter the commercial lines market-

place, which is a \$49 billion market. We want to keep growing.

"I think we can double our market potential by competing in commercial lines and I think we can still grow in personal lines, especially in the area of life insurance and group life and health coverage, which is a \$70 billion market," he added.

The goals, however, are historically difficult for the insurance group. Although life insurance in force rose \$2.4 billion in 1980 to \$29.9 billion, group life coverages, a small portion of the Allstate Life Insurance Co. business, actually decreased last year.

This year, group sales have been flat, according to Mr. Boe, though year-end results may show an increase. In 1978, the firm incorporated Northbrook Life Insurance Co. to underwrite life and health insurance through brokers, but its growth has been slow.

Hot competition in the commercial insurance marketplace has also slowed the growth of Northbrook Property & Casualty Insurance Co., the conglomerate's admitted commercial insurer, as well as its more established excess/surplus insurer.

The group wrote only \$700 million in all lines of commercial insurance, including small commercial risks underwritten by Allstate and excess/surplus lines underwritten by the Northbrook Excess & Surplus Insurance Co.

Norpac, as Allstate executives call the property/liability insurer, managed to write about \$92 million in commercial insurance premium, targeting office buildings, condominiums and apartment buildings, according to brokers that sell the coverage.

The insurer was also seeded with some automobile fleet policies originally underwritten by Allstate but transferred to Northbrook when it was opened for business in 1978.

Brokers consider Northbrook a prime market for commercial fleets, since the commercial little brother shares computerization and experienced claims handling with Allstate's personal auto departments.

Some agents and brokers, however, still feel unsure about tapping the Allstate/Northbrook resources. During the last market crunch of the mid-1970s, Allstate at-

tempted to enter the commercial arena with its own name and direct-writing market-force. The experiment, according to Mr. Boe, was a failure.

"Though all of our research said we could do it, we just couldn't make headway. We were out of the business in two years," he said.

The Northbrook companies were set up to tap the established independent insurance sales network of agents and brokers for the second shot at commercial business. The Northbrook commercial insurer is reinsured by Allstate to enforce an image of stability. Northbrook Excess & Surplus reinsures 90% of the risks its underwrites and retains 10%, which is reinsured by Allstate.

But many producers remember how quickly Allstate backed out of commercial lines in the mid-1970s and many smaller independent agents are painfully aware of the Allstate personal lines grip that chokes off an expanding portion of what was once independent agent business.

However, that relationship may be turning for the better, Mr. Boe said. Allstate has already signed up about 1,500 independent agents to sell personal insurance in rural areas and hopes to add 1,500 more in the next couple of years.

Northbrook Excess & Surplus is more of a success story and is now considered a first-rank market by wholesale agents and brokers. It rocketed to a position as the largest E/S insurer in the country in 1978, armed with only \$10 million in capital from Allstate proper, but increasing competition took the new venture down a peg. In 1979 it slipped to No. 2 and stayed there in 1980, writing \$226.7 million in premium volume.

The disaster at the Kansas City Hyatt Regency Hotel has also hurt the firm, which provided some \$25 million in insurance coverage. The Allstate Group and Northbrook Excess/Surplus retains about 10% or \$2.5 million of the potential loss. The remainder of the coverage is reinsured under a variety of reinsurance agreements, according to Mr. Boe.

Examining the competition, outside observers aren't sure whether or not the hands can hold any more.

"They have had a tough time in the commercial lines business," noted insurance industry analyst Myron M. Picoult of Oppenheimer Co. in New York. "They never really got off the ground the way they expected to. I just don't see them being as aggressive as some other insurers, and it seems as though they are losing the momentum they gained from the strong personal lines position."

Mr. Picoult also said Allstate entered the commercial arena because it was frustrated in trying to expand personal market share.

"When I visited there, I had the sense that they felt they couldn't expand any further in personal lines. After all, they are competing against State Farm and that's a whale of a competitor. State Farm is growing and taking what Allstate wishes it could get," he said.

Allstate executives disagree, of course, saying that shared claims, personnel, management and computer services give the Northbrook companies an excellent competitive edge.

"It's true that I have never seen an air of competition like this," said Mr. Boe. "Two years ago, I said that the market would be turning (rates rising) by the second quarter of this year. Now I'm saying the third quarter of 1982."

"We are losing some market share in excess/surplus, but we've kept our losses down. We have a combined ratio of less than 96% and we are making money on investment income. We are seeing volume grow in primary, commercial coverage," he said.

The split stance of Allstate for its own direct writing staff and Northbrook for independent sales, is also working, he added. "Now we're not letting our interests mix and we're doing much better."

Financial briefs SAFECO

The SAFECO Corp. has declared a quarterly dividend of 50 cents per share of common stock, payable Oct. 26 to shareholders of record Oct. 9.

The St. Paul

The St. Paul Cos. Inc. has declared a quarterly dividend of 58 cents per share of common stock, payable Oct. 16 to shareholders of record Sept. 30.

BI Industry Stock Report

Insurance Cos.	SEPT. 1, 1981				8/26/81 THRU 9/1/81				Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)								
Aetna Life & Cas Co	NYSE	37.25	3.8	6.6	2.32	6.2	37.25	36.50	365.2							
American Bankers Ins Group	OTC	5.75	-4.2	10.8	0.44	7.7	6.00	5.75*	81.3							
American Gen Ins Co	NYSE	40.50	-0.9	6.4	2.00	4.9	40.75	40.13	37.4							
American Indty Finl Corp	OTC	14.38	-1.7	5.8	1.12	7.8	14.63	14.38	3.0							
American Intl Group Inc	OTC	56.75	-0.4	10.3	0.40	0.7	57.00	56.50	189.8							
American Natl Ins Co	OTC	12.88	1.0	5.8	0.68	5.3	13.00	12.75	63.8							
American Sta Life Ins Co	OTC	19.50	0.0	6.2	0.72	3.7	19.50	19.50	0.5							
Aneco Reins Ltd	OTC	3.00	0.0	0.0	0.00	0.0	3.13	3.00	9.1							
Appalachian Natl Corp	OTC	2.25	0.0	6.4	0.00	0.0	2.25	2.25	0.0							
Aveco Corp	AMEX	9.38	-2.6	7.7	0.50	5.3	9.75	9.38	6.2							
Banks Iowa Inc	OTC	39.00	2.6	6.2	1.44	3.7	41.00	39.00	4.1							
Bitco Corp	OTC	38.50	-3.7	5.4	2.16	5.6	39.50	38.50	2.9							
Carolina Cas Ins Co	OTC	6.75	0.0	4.9	0.32	4.7	7.00	6.75	8.2							
Central Natl Finl Corp	OTC	12.38	19.3	4.0	0.65	5.3	12.38*	10.75	7.8							
Chubb Corp	OTC	46.00	1.1	5.6	2.68	5.8	46.13	45.50	41.3							
Combined Intl Corp	NYSE	20.00	-1.2	5.5	1.60	8.0	20.50	20.00	189.3							
Connecticut Gen Ins Corp	NYSE	49.13	2.1	6.4	1.76	3.6	50.00	48.63	105.6							
Continental Corp	NYSE	24.50	-1.5	7.8	2.40	9.8	24.63	24.38	138.9							
Crawford & Co	OTC	15.50	-1.6	11.9	0.52	3.4	15.75	15.50*	11.9							
Crown Life Ins Co	OTC	102.00	-2.9	11.1	2.80	2.7	105.00	102.00	1.3							
Crum & Forster	NYSE	31.25	1.6	5.5	1.64	5.2	32.25	31.13	119.1							
Employers Cas Co	OTC	33.00	-5.7	5.4	1.20	3.6	35.00	33.00	4.1							
Equifax Inc	NYSE	23.38	-4.9	5.3	2.40	10.3	23.88	23.38	8.2							
Excelsior Ins Co	OTC	16.50	0.0	17.6	0.70	4.2	16.50	16.50	0.3							
Farmers Group Inc	OTC	26.75	0.9	8.3	1.12	4.2	27.63	26.75	195.9							
First Colony Life Ins Co	OTC	61.00	-2.4	18.6	0.80	1.3	65.50*	59.50	30.0							
Foremost Corp Amer	OTC	25.25	-1.9	7.5	0.80	3.2	25.75	25.25	6.7							
Great West Life Assurn Co	OTC	244.00	-2.4	9.9	10.00	4.1	250.00	244.00	0.0							
Hanover Ins Co	OTC	27.75	-2.6	3.8	0.72	2.6	28.50	27.75	23.9							
Hartford Steam Boiler Inaptn	OTC	41.50	-2.4	7.4	2.60	6.3	42.50	41.50	4.1							
Jefferson Natl Life Ins Co	OTC	35.50	0.0	28.6	0.64	1.8	35.50	35.50	4.3							
Kemper Corp	OTC	32.88	-3.0	5.3	1.60	4.9	33.75	32.88	37.8							
Lincoln Natl Corp Ind	NYSE	36.63	-4.9	5.6	3.00	8.2	38.75	36.63*	88.0							
Magic Invst Corp	NYSE	32.75	-4.7	8.5	1.28	3.9	35.13	32.75	227.1							
Mission Ins Group Inc	NYSE	39.25	-3.1	7.2	1.00	2.5	40.88	39.25	21.3							
Nationwide Corp Ohio	OTC	24.63	0.0	7.0	0.70	2.8	24.63	24.63	6.0							
Northwestern Natl Life Ins	OTC	25.50	-1.4	6.2	1.36	5.3	25.88	25.50	10.9							
Ohio Cas Corp	OTC	39.75	-0.6	6.1	2.04	5.1	40.00	39.63	77.3							
Old Rep Intl Corp	OTC	14.50	-7.9	3.7	0.92	6.3	15.75	14.50*	35.2							
Pinehurst Corp	OTC	6.50	-1.9	0.0	0.00	0.0	6.63	6.50	9.4							
Preferred Risk Life Ins Co	OTC	19.13	-1.3	5.6	0.80	4.2	19.38	19.13	1.8							
Provident Life & Acc Ins Co	OTC	44.50	0.0	6.2	2.20	4.9	44.50	44.50	4.5							
Ryan Ins Group Inc	OTC	21.50	-1.1	9.1	0.12	0.6	21.75	21.50	11.7							
St Paul Cos Inc	OTC	44.00	-1.7	7.5	2.32	5.3	44.63	44.00	53.0							
Safeco Corp	OTC	35.88	0.3	6.8	2.00	5.6	36.00	35.75	52.7							
Sri Corp	OTC	23.00	5.7	4.8	1.00	4.3	23.00	22.50	62.3							
Seibels Bruce Group Inc	OTC	24.25	-0.5	13.0	0.80	3.3	24.38	24.25	37.2							
Statesman Group Inc	OTC	6.75	-1.8	5.7	0.15	2.2	6.88	6.75	4.2							
Tokio Marine & Fire Ins Co	OTC	144.25	1.1	19.5	1.00	0.7	151.00	138.25	1.3							
Travelers Corp	NYSE	-1.83	0.6	4.9	2.88	6.9	42.13	41.50	221.5							
United Fire & Cas Co	OTC	34.00	-4.2	8.9	1.00	2.9	35.50	34.00	0.8							
United States Fid & Cty Co	NYSE	39.75	-0.9	5.9	3.20	8.1	40.25	39.75	63.8							
United Svcs Life Ins Co	OTC	13.25	-1.9	5.4	1.00	7.5	13.50	13.25*	84.9							
UsLife Corp	NYSE	23.63	-0.5	5.7	0.76	3.2	23.63	23.00*	151.5							
Washington Natl Corp	NYSE	24.13	-8.1	7.2	1.08	4.5	25.75	23.75	77.2							
Zenith Natl Ins Corp	OTC	15.75	-3.1	8.7	0.60	3.8	16.25	15.50	19.1							
INSURANCE COMPANIES	AVERAGE				7.6				4.1							
Agents/Brokers																
Alexander & Alexander Svcs	OTC	30.75	-0.8	10.6	1.84	6.0	31.25	30.75	57.8							
Baldwin & Lyons Inc	OTC	34.50	-0.7	5.8	0.80	2.3	34.75	34.50	8.0							
Corroon & Black Corp	NYSE	20.38	-6.3	10.7	1.76	8.6	21.25	20.38*	27.5							
Crump E H Cos Inc	OTC	2.75	-3.8	14.3	0.40	3.1	13.38	12.75	10.7							
Hall Frank B & Co Inc	NYSE	23.75	3.3													

How The Hartford protects your world: a series.

"Now The Hartford offers a true two-year rate guarantee on Group Life and LTD plans!"

*An interview with
Ray Drury, Assistant
Vice President, Group
Sales Department,
The Hartford.*

Q. What groups are eligible for The Hartford's two-year rate guarantee on Group Life and LTD plans?

A. Our two-year rate guarantee is standard for groups of 10 to 99 employees and is available on a selected basis on larger risks.

Q. What is the primary benefit to policyholders of a two-year rate guarantee?

A. Basically, it helps policyholders accurately predict their costs so they can plan and project budgets realistically. This is an important advantage.

Q. What is the primary benefit to agents?

A. The two-year rate guarantee helps agents obtain new business. And since first-year renewal activity is eliminated, other client needs can be better served.



Q. How does the rate guarantee work?

A. It becomes effective on the date The Hartford's Group Life/LTD plan is effective and runs for the first two years the policy is in force.

Q. Is the rate guarantee affected by first-year experience or changes in group makeup?

A. No. The rate guarantee is not qualified by first-year loss levels or changes in employee age, income level, or male/female mix. The rate is subject to change only if benefits are changed or if the

group changes substantially—through merger or acquisition, for example.

Q. How can employers and Group Benefit Managers find out more about The Hartford's Group Life and LTD programs?

A. They can call or write Group Sales at any Hartford regional office, contact an agent or broker who represents The Hartford or call me at 203-547-2599.



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