

business insurance

update

Delta seeking to force U.S. to share liability in jet crash

DALLAS—Delta Air Lines Inc. wants to force the U.S. government to share any liability the airline may have as a result of the Aug. 2 crash of a Lockheed L-1011 jetliner near Dallas that killed 135 people.

In third-party complaints filed in U.S. District Court here, the Atlanta-based airline contends that the crash was caused by the negligence of one or more air traffic control personnel

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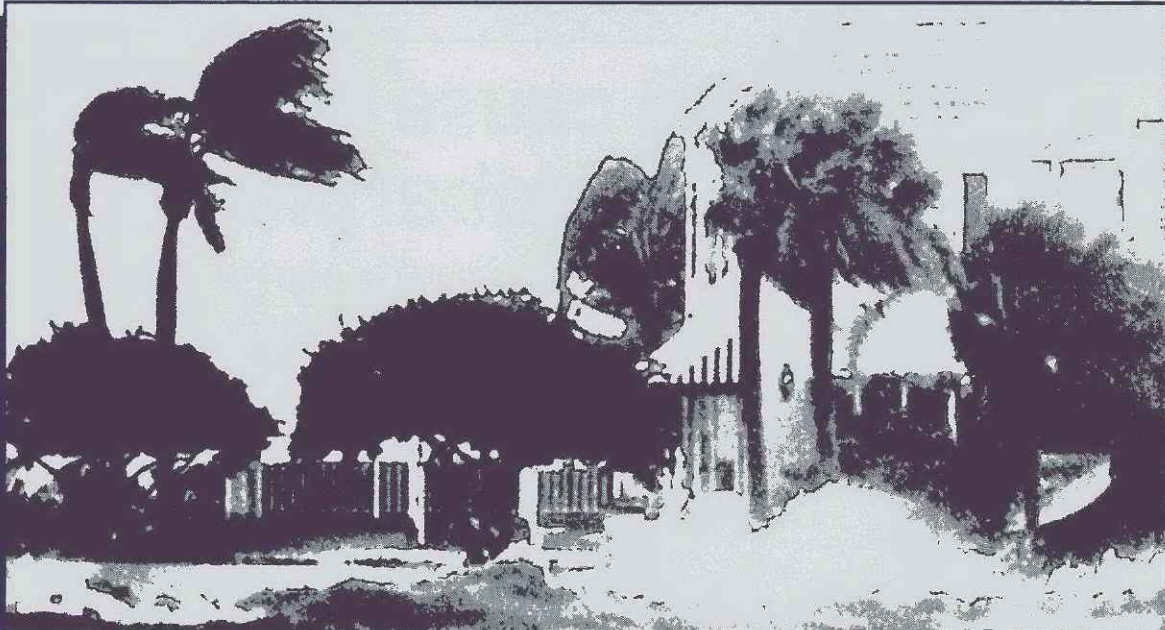


Photo: AP/Wide World

Hurricane Elena, which battered a stretch along the Gulf of Mexico from Florida's panhandle to near New Orleans, caused less damage than insurers expected.

Damage from Hurricane Elena not as bad as insurers feared

BILOXI, Miss.—Although total losses from the Labor Day assault of Hurricane Elena could hit \$1 billion, commercial insurers are heaving sighs of relief.

The storm—which battered a stretch along the Gulf of Mexico from the Florida panhandle to near New Orleans—hit hardest in residential areas of Mississippi, causing much less commercial damage than insurers had feared.

"Those are famous last words, but at first blush it doesn't look as bad as it first was thought it might be," said Richard Hazell, chairman of the Lloyd's of London Non-Marine Underwriters' Assn.

Marine underwriters also were counting their blessings. Although Elena snapped the anchor cables on one oil rig and blew it 14 miles in the Gulf, neither that rig nor others in the Gulf were da-

amaged in the storm.

Industry sources estimated last week that total personal and commercial damage from Elena could be anywhere from \$350 million to \$1 billion, cautioning that it was still too early to put final numbers on the devastation.

The "overwhelming majority" of the losses will be in personal lines, said Herbert Goodfriend, an analyst with Prudential/Bache Securities Inc. in New York.

"The feeling in the (non-marine) market is that it won't be as bad as Alicia," Mr. Hazell said. In 1983, Hurricane Alicia struck industrial areas of Texas, causing an estimated \$135 million in commercial losses (BI, Aug. 29, 1983).

"Where Elena blew itself out was not industrial,"

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Benefit groups rally against latest move to eliminate 401(k)s

By JERRY GEISEL

WASHINGTON—Employee benefits lobbying groups are headed to Capitol Hill to persuade Congress to reject the Reagan administration's renewed attempt to kill 401(k) salary reduction plans.

Leading the way are the Assn. of Private Pension and Welfare Plans, the Employers Council on Flexible Compensation and the ERISA Industry Committee.

In an expected move last week, the administration said it is—for the second time in 10 months—recommending that 401(k) plans no longer be allowed.

The move, announced in a letter from Treasury Secretary James Baker III to congressional tax committee leaders, is one of three revenue-generating steps proposed to make the Reagan administration's tax reform package revenue-neutral. Rep. Daniel Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, has made it known that Congress will not consider a tax reform package that raises less revenue than the current tax system.

Without changes, the administration's tax package would bring in \$25.1 billion less in revenues than what is generated under the current tax code.

Wiping out 401(k) plans would increase federal revenues by \$11.6 billion over the next five years, the Treasury estimates.

Another proposal affecting the taxation of inventories would bring in \$11.1 billion, and, a third proposal to retain current tax credits for child care expenses rather than converting the credit to a deduction would produce an additional \$200 million in revenue.

The three proposals, which together would raise \$22.9 billion, are the "best available means" to make the tax reform package revenue-neutral, Mr. Baker said.

Mr. Baker, in justifying the banning of 401(k) plans, says they are savings plans—not retirement vehicles—and thus should not have tax-favored status.

"Given their revenue costs, CODAs (cash or deferred arrangements) cannot be justified as a general savings vehicle," Mr. Baker said.

Last November, Treasury also proposed wiping out the popular 401(k)

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The Joint Committee on Taxation has issued a report for members of Congress detailing the pros and cons of several tax proposals affecting pension and retirement savings programs. Coverage of the report begins on page 54.

EIL coverage crunch prompts alternatives

By ROBERT A. FINLAYSON

LOS ANGELES—Risk managers, pushed by the virtual unavailability of pollution liability insurance, are focusing on alternatives to commercial coverage, including captive insurers, self-insurance programs and a new emphasis on loss control.

In the past 18 months, worldwide capacity for environmental impairment liability coverage has decreased by more than \$165 million to \$10 million. And, the four remaining markets writing EIL coverage have dramatically increased rates, brokers report (see story, page 64).

In addition, the majority of major domestic

insurers now are excluding from general liability policies what had been standard coverage for sudden and accidental pollution exposures.

Coverage for sudden and accidental pollution was eliminated by many umbrella liability underwriters in February, explains David J. Dybdahl Jr., an environmental risk management specialist with Corroon & Black Corp. in Milwaukee.

The exclusion has been "trickling down into (general liability) policies since then," he says.

Mr. Dybdahl also said that few of the companies excluding the coverage are offering policyholders the option of buying it

back.

However, risk managers aren't taking the dearth of pollution coverage lying down.

Brokers and risk management consultants report that several groups are taking steps to find a solution to the lack of pollution liability insurance, including:

- The development of a group insurance program to provide members of the Synthetic Organic Chemical Manufacturers Assn. Inc. with sudden and accidental pollution coverage.

The staff of the Washington-based association, which is composed of small to medium-size chemical companies, hoped to announce details of the new program to the member-

ship late last week.

- Two separate studies to determine the feasibility of setting up association captives to provide EIL insurance. The studies are sponsored by the National Solid Waste Management Assn. and the Hazardous Wastes Treatment Council.

Members of both organizations treat, store and dispose of hazardous wastes and therefore are required under federal law to either purchase EIL insurance or prove they have the financial resources to self-insure the risk.

- Separate discussions by members of a utility industry group and a group of East

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Supporters fear suits will hurt work comp reform in Michigan
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update

Delta asks U.S. to share liability

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employed by the Federal Aviation Administration.

Delta contends that, because of the FAA's negligence, Delta is entitled to recover from the FAA for any liability it ultimately may be judged to have. However, the three-page document Delta filed with the court does not detail the government's alleged negligence.

Last week, a Delta attorney refused to comment except to say that if Delta is found to be in any way responsible for the crash, the FAA also should be responsible.

James S. Dillman, chief of litigation for the FAA, said: "I'm not surprised they filed a third-party complaint because airline carriers and insurers routinely do this in this type of situation."

Recently, it was revealed that the government has agreed to pay 50% of the hull loss and liability claims stemming from the crash of a Pan American jet outside New Orleans, on July 9, 1982. The government is expected to pay more than \$27 million in that incident. (BI, Sept. 2).

But, government officials maintain the Pan Am crash is totally different from the Delta crash and say the settlement with Pan Am will not be a precedent for participation in the Delta litigation.

The Delta attorney would not comment on whether the settlement had any bearing on its attempt to bring the government into the litigation.

Delta brought the action against the government in two lawsuits filed in Dallas that named Delta as a defendant.

In one of the suits, the estate of a passenger killed in the crash alleges that Delta was negligent and grossly negligent and seeks compensatory and exemplary damages from the airline.

The suit also names the pilot of a Lear Jet that was flying in the area at the time of the crash.

The crash of the Delta plane occurred in a heavy thunderstorm as the plane was landing at Dallas-Fort Worth International Airport.

The National Transportation Safety Board has not determined the cause of the crash. However, some speculate the crash may have been caused by violent downdrafts called "microbursts," a form of wind shear that can force an airplane into the ground during take-off or landing (BI, Aug. 12).



New Jersey Newsphotos

Last week's fire in Passaic, N.J., ravaged 24 square blocks.

Fire destroys opera costumes

PASSAIC, N.J.—A fire that destroyed an industrial complex and caused an estimated \$30 million to \$40 million in property damage also stripped the New York City Opera of costumes for 69 of its productions.

Although no figures were available on the value of the costumes, an opera spokeswoman said the loss would be at least \$1 million.

The costumes were insured under a policy written by Travelers Corp. for the opera's parent, City Center of Music and Drama Inc. Davis Dorland & Co. in New York was the opera's broker on the coverage.

City Center used space at the site of the blaze for storing "custom scenery and props," according to a spokesman at Travelers.

The opera spokeswoman said there was no way to tell yet if the opera has sufficient insurance to cover the loss because the accident is still being investigated. She would not release the limits of the Travelers policy.

City Center is also the parent of the New York City Ballet, and according to a spokeswoman for the ballet, the ballet and opera share insurance coverage under a joint policy.

She said none of the ballet's costumes or props were stored at the site of the fire.

No costumes for the opera's 20 scheduled productions for this season were destroyed since those are stored at the New York State Theater. However, costumes for seven productions in 1986 were at

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Lloyd's 1982 global results
(In millions of pounds)

	Income ¹		Expenditures ²		Profit	
	1982	1981	1982	1981	1982	1981
General liability	2,015.1	1,419.6	2,329.5	1,528.2	-314.4	-108.6
Ship damage & liability	1,953.2	1,398.8	1,763.4	1,294.5	189.9	104.3
Property	925.3	766.2	829.8	653.8	95.5	112.4
Aircraft	565.6	385.4	539.7	377.9	25.9	7.4
Goods in transit	445.6	358.2	407.1	377.8	38.4	-19.6
Motor vehicle	432.4	408.1	410.1	367.8	22.3	40.4
Accident & health	227.9	153.4	228.9	138.3	-1.0	15.1
Life	3.5	2.9	2.9	2.5	.62	.43
Pecuniary loss	.79	.78	.96	.83	-.17	-.05
Totals	6,569.3	4,893.3	6,512.3	4,741.5	57.0	151.9

¹ Balance brought forward, reinsurance premiums received from previous accounts, premiums, investment income, appreciation of investments, profit on currency exchange and other items.

² Reinsurance premiums paid to close the account, claims, syndicate expenses, annual subscriptions and levies, other expenses, balance carried forward.

Source: Lloyd's of London

Chart: Amy Palmer

Liability losses cause 62% drop in Lloyd's 1982 global profits

By STACY SHAPIRO

LONDON—Huge general liability losses are primarily responsible for the sizable decline in Lloyd's of London's profits, Lloyd's announced last week.

Lloyd's 1982 profits plummeted 62% to 57 million pounds (\$92.3 million, according to the Jan. 1, 1982, exchange rate) from 151.9 million pounds in 1981, Lloyd's reports in its 1982 global results.

Lloyd's overall loss on its general liability account nearly tripled to 314.4 million pounds (\$510.3 million) even though net general liability premiums rose 33% in 1982 to 346 million pounds (\$560.5 million).

General liability claims more than doubled to 428.8 million pounds (\$694.7 million). And, reinsurance premiums to close the liability account rose 46% to nearly 1.9 billion pounds (\$3.1 billion). The premiums represent unpaid claims from the 1982 accounting year.

Thus, although total general liability income rose 43% to 2 billion pounds (\$3.2 billion), expenditures rocketed

53% to 2.3 billion pounds (\$3.7 billion), which accounts for the 314.4 million-pound general liability loss (see chart).

The general liability loss was also responsible for the 200 million-pound loss (\$324 million) posted by Lloyd's non-marine market, the largest market at Lloyd's in terms of premium volume. The non-marine market is primarily made up of Lloyd's property damage and general liability accounts.

Despite the general liability loss, the strength of three other classes of business—aircraft damage and liability, ship damage and liability and goods in transit—as well as investment income of 443 million pounds (\$716 million) pulled Lloyd's into the black in 1982, Lloyd's says in the report accompanying the global results.

"That there is a profit at all in the 1982 account, given the general state of the world insurance market in that year, must be cause for some satisfaction, even if muted

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Casino can't withhold benefits: Court

By CAROL CAIN

CARSON CITY, Nev.—A Nevada Supreme Court opinion deals a blow to a hotel/casino company that withheld workers compensation benefits from two casino workers.

In its Aug. 27 opinion, the Supreme Court ruled that Las Vegas-based Circus Circus Enterprises Inc. should have paid workers compensation benefits to two blackjack dealers while appealing a hearing officer's decision granting the benefits.

However, an attorney for Circus Circus pointed out the opinion involves a technical issue—whether benefits should be paid pending an appeal—and does not comment on the compensability of the employees' injuries.

That issue still is pending in Washoe County District Court in Reno, said E. Williams Hanmer, an attorney in Las Vegas that represents Circus Circus.

Officials at Circus Circus were unavailable for comment.

The Circus Circus case dates back to 1983, when Linda Buzick and Catherine Fought, two blackjack dealers at the Circus Circus Hotel/Casino in Reno, Nev., complained of feelings of numbness in their hands and fingers.

Their doctors said the condition from which the women were suffering, which is known as carpal tunnel syndrome, was caused by repetitive motion that damages wrist tendons.

Circus Circus, which self-insures its workers compensation risks, denied the claims, and the dealers appealed that decision to the Nevada Department of Industrial Relations. The department adjudicates disputed claims.

A workers compensation hearing officer subsequently reversed Circus Circus' decision and ordered it

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Suits threaten comp reform

By CAROL CAIN

LANSING, Mich.—Supporters of a workers compensation reform package enacted this summer fear that lawsuits challenging the constitutionality of a section of the law will affect many of its cost-saving features.

The state's workers compensation hearing officers are challenging a section of the law that would permanently replace them with a 30-member board of magistrates to be appointed by the governor.

The 38 hearing officers, known as administrative law judges, are hired through the 44-year-old state Civil Service Commission and contend they hold their jobs until retirement.

The provision to replace them was designed last month by a joint legislative committee to cut down on the backlog of workers compensation cases and make hearing officers more accountable for their decisions.

The workers compensation legislation—S. 7—was supported by employer groups, organized labor and Gov. James J. Blanchard. Gov. Blanchard signed the amendment July 31, within hours after it was passed by the Legislature.

These supporters fear the constitutional challenge may drag on for years, preventing several potential cost-saving measures from taking effect.

Some supporters also note that about 75% of the com-

plex measure is tied to the provision that calls for the replacement of the administrative law judges. They worry that if the provision is struck down in court, the bulk of the reform will also be invalidated.

Late last month, Gov. Blanchard was considering asking the state attorney general to petition the state Supreme Court to quickly consider the challenges.

Apart from the issue of replacing the administrative law judges, a key section of the legislation affecting employers extends the state's current definition of disability.

This definition, contained in a 1982 work comp reform package, expired June 30. But, the amendment reinstates the definition retroactive to that date and extends it to Jan. 1, 1987.

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errors and omissions

● West Coast Marine Managers Inc., a marine underwriting manager sued along with seven insurers over a claim on a tuna boat, is located in San Francisco, not Monterey, Calif., as stated in a story published Aug. 26.

New category in risk manager contest

With the addition of a new employment category, as many as five risk managers could be recognized for outstanding achievement in the 1986 *Business Insurance* Risk Manager of the Year competition.

A financial institutions category will be added to the competition. The other four categories are: corporations with sales exceeding \$300 million; corporations with sales under \$300 million; government entities; and tax-exempt or not-for-profit institutions.

Risk managers employed by banks, bank holding companies, savings institutions, insurance companies, and securities and commodities brokers and their holding companies will be eligible for nomination under the category of financial institutions.

"We have added the category of financial institutions to the competition in recognition of the development of risk management in financial institutions and their special risk management concerns," said *Business Insurance* Editor Kathryn J. McIntyre.

While only one candidate will be named the 1986 Risk Manager of the Year, as many as four candidates could now be named to the Risk Management Honor Roll.

The candidate whose nomination receives the highest collective score from the 10 independent judges of the

The Judges



Mr. Bretherick
Continental Corp.



Mr. Brockmeier
The Wyatt Co.



Ms. Goodrich
Cincinnati Electronics



Mr. Inserra
American Can Co.



Mr. Lang
Leaseway Transportation



Mr. Page
Fred S. James



Mr. Riffle
Utica National Group



Mr. Scott
Insurance Management



Ms. Weiner
Dade County Schools



Mr. Williams
University of Minnesota

competition will be named the 1986 Risk Manager of the Year. Then, the candidates in the four remaining categories not represented by the Risk Manager of the Year will be segregated by their employment category. At the discretion of the judges, the highest scoring can-

didate in each of the remaining categories could be named to the 1986 Risk Management Honor Roll.

Business Insurance created the Risk Manager of the Year Award in 1977, on the 10th anniversary of the magazine's publication, to honor outstanding achievement in risk management.

The Risk Management Honor Roll was added to the competition in 1981 to honor outstanding risk management in varying types of organizations.

Anyone responsible for risk management in any of the five employment categories is eligible for nomination.

The person need not practice risk management full time; however, the candidate must be a full-time employee of the organization for which risk management is performed.

The candidate may be nominated by anyone familiar with the candidate's work, like a superior, the risk management staff, a colleague, a broker, insurer or other service supplier.

Nominations must be submitted according to the detailed instructions contained in a nominating form. The nominating form currently is available from the *Business Insurance* editorial office in Chi-

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New challenges

National issues to affect work comp's future: Scholar

By CAROL CAIN

SUN VALLEY, Idaho—Most of the problems currently facing the workers compensation system are coming from outside the system, a leading labor relations scholar says.

Although the state-administered workers compensation system has been the source of many of its own problems in the past, major new challenges are being posed by general economic, legal and social developments in the United States, says John F. Burton Jr., professor of labor relations at Cornell University in Ithaca, N.Y.

Professor Burton, who chaired the National Commission on State Workmen's Compensation Laws in the early 1970s, spoke during a panel discussion on the future of the workers compensation system at the 71st annual convention of the International Assn. of Industrial Accident Boards & Commissions held Aug. 18-22 in Sun Valley.

Professor Burton noted several national developments, some of which have been building for years, that will have a significant impact on the workers compensation system.

For instance, he said the slack labor market of the past 15 years has resulted in pressure by some to tap social insurance programs, including workers compensation, as a form of unemployment compensation.

However, the unemployment rate is expected to decline during the next decade, so Mr. Burton believes the pressure on these programs also will decrease.

The changing labor force also is expected to play an important role in the future of workers compensation, Mr. Burton said.

For example, he said the aging of the workforce during the next decade is expected to result in fewer traumatic injuries, which are associated with younger workers, but more back problems, heart disease and other degenerative diseases associated with older workers.

Mr. Burton also pointed to the expected shortage of entry-level workers during the next decade. Mr. Burton and other futurists believe the gap will be filled with immigrants—both legal and illegal.

Many illegal immigrants work for uninsured employers, leaving questions about how they will be paid in the case of an occupational injury or disease, he said.

And, Mr. Burton notes, many immigrants can't speak English, causing communication difficulties for state administrators.

He also noted the shift in the workforce toward white-col-

lar/service jobs and away from blue-collar/manufacturing jobs. This is expected to result in fewer injuries, especially fewer traumatic injuries, Mr. Burton said.

And, as the complexion of the workforce changes, so do the power and size of labor unions, which historically have been a strong force for workers compensation law changes.

According to Mr. Burton, about one-third of the U.S. labor force was unionized in 1955. However, that figure has dwindled to about one-fifth today, and it could fall to one-tenth in the next decade if unions' organizing strategies do not improve.

These changes in the workforce also have political implications for the workers compensation system, Mr. Burton said.

For instance, he said, as the cost of workers compensation benefits grows, there is increasing pressure from employers, politicians and taxpayers to restrict the growth of benefits.

As an example of political pressure, Mr. Burton also pointed to the Reagan administration's proposal to tax workers compensation benefits as a way to increase federal revenues and reduce deficits (see story, page 20).

In addition, it is expected that health care cost-containment techniques, such as deductibles, will be imposed on workers compensation medical benefits.

"I think this movement in cost containment will inevitably be spilling over to the workers compensation system," Mr. Burton said.

Mr. Burton went on to say, "In some jurisdictions, workers compensation is being seen as a deep pocket. We have a long tradition of saying medical benefits in workers compensation are free, so such a change to (cost containment) is a fairly radical idea."

However, there already is a form of cost containment in the workers compensation system, according to Mr. Burton. For instance, the waiting period after an injury before being eligible for benefits is a form of deductible, and the payment of benefits in the amount of two-thirds of wages is a form of coinsurance, he explained.

Mr. Burton also made the point that workers compensation benefits usually are not the only benefits available to injured workers.

Injured workers often will receive disability benefits from Social Security, veterans' compensation and private group disability benefits, he said.

This may cause employers and others to move to

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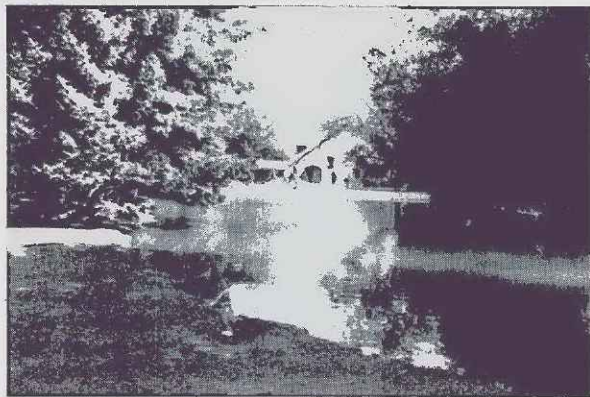


Photo: Carol Cain

Sun Valley, Idaho, provided a scenic backdrop for the annual IAIABC conference held last month.

Court says insurer must defend firm in clean-up suit

By STEPHEN TARNOFF

BALTIMORE—A liability insurer must defend a chemical solvent recycling company against a government suit to recover costs of cleaning up hazardous substances from a dump site, a federal judge says.

U.S. District Court Judge Joseph H. Young ruled last month the damage that allegedly occurred when waste leaked from a Maryland dump site constituted an "occurrence" under a 1969 policy purchased by Galaxy Chemical Inc. from Canadian Universal Insurance Co.

Because the damage was potentially covered by the Canadian policy, the insurer has a duty to defend Elkton, Md.-based Galaxy against the cleanup action, the court said.

If the decision stands, Canadian will have to pay Galaxy approximately \$50,000 for Galaxy's defense of the cleanup suit, *United States vs. Bissell*. Galaxy also seeks expenses in bringing the declaratory judgment action against the insurer, said Robert S. Faron, an attorney for Galaxy.

An attorney for Canadian Universal said the insurer has filed a motion with the court for reconsideration and, depending on the outcome of the motion, will decide if it will appeal.

"I feel the court was clearly wrong and my client feels the same way," said Hartman J. Miller of the Baltimore firm of Rollins, Smalkin, Richards & Mackie.

Although the court ruled that Canadian must defend Galaxy, it did not rule on whether the insurer must indemnify its policyholder.

Galaxy and various other defendants in the Bissell case recently reached a settlement in principle exceeding \$900,000 with the government, Mr. Faron said, though he noted the settlement has not yet been finalized.

Mr. Faron, with the Washington firm of Brown, Roady, Bonvillian & Gold, declined to reveal Galaxy's participation in the settlement except to say it was "favorable" for his client.

Galaxy, which recycled chemical solvents before it went out of business in the 1970s, purchased manufacturers and contractors liability policies from Canadian Universal during calendar years 1966 through 1969. The policies also covered the directors and officers of the company, Paul Mraz and Sally Mraz.

The company had no other primary or excess liability insurance.

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Lloyd's results

Continued from page 2

and restrained," Lloyd's Chairman Peter Miller said in the report. "While the marine account is the best for some years and four of the other six major accounts show reasonable profits, the general liability account shows an enormous loss."

Mr. Miller warned that three steps must be taken to improve general liability underwriting, "particularly for the all-important American casualty account."

"First, (there must be) a realistic rating level; second, a reformed policy wording embracing, where needed, a claims-made basis for claims; and, third, a measure for tort law reform," Mr. Miller said.

Specifically, Lloyd's 1982 global accounts show:

- Total income, which corresponds to revenues in the United States, rose 35% to 6.6 billion pounds (\$10.7 billion). This includes a 26% increase in net premiums to 2.9 billion pounds (\$4.7 billion), a

22% increase in investment income of syndicate funds to 128.5 million pounds (\$208.2 million), a 23% increase in appreciation of value of investments to 313.5 million pounds (\$507.9 million) and a 23% increase in reinsurance premiums carried forward from the previous year to 3.2 billion (\$5.2 billion).

- Total expenditures, including syndicate expenses, rose 38% to 6.5 billion pounds (\$10.5 billion). Expenditures, however, don't include commissions Lloyd's members pay to members' agencies.

Claims and related expenses net of reinsurance recoveries rose 39% to more than 2.5 billion pounds (\$4.05 billion), while reinsurance to close rose 41% to 3.8 billion pounds (\$6.2 billion).

- Lloyd's overall underwriting loss quadrupled to 188 million pounds (\$304.6 million).

Under Lloyd's accounting system, accounts are left open for three years to gather "sufficiently accurate" claims information. At

the end of three years, Lloyd's syndicates estimate outstanding liabilities, including incurred-but-not-reported claims, and pay that sum as a reinsurance premium to next year's account—a procedure known as reinsurance to close.

If syndicates cannot accurately estimate outstanding liabilities to close their account and determine final profits and loss, the accounts are left open.

Of Lloyd's total reinsurance to close of \$3.8 billion pounds, 647.8 million pounds (\$1 billion) represents the amount needed to meet known and unknown outstanding liabilities in the syndicate accounts that have been left open.

The bulk of this amount comes from syndicates associated with four underwriting agencies, according to a note to Lloyd's accounts.

The agencies and their outstanding liabilities for 1982 are:

- Richard Beckett Underwriting Agencies Ltd., 283.4 million

pounds (\$459 billion).

- R.H.M. Outhwaite (Underwriting Agencies) Ltd., 97.4 million pounds (\$157.8 million).

- Alexander Howden (Underwriting) Ltd., 77.5 million pounds (\$125.6 million).

- Posgate & Denby (Agencies) Ltd., 75.3 million pounds (\$122 million).

Although these syndicate accounts have not been officially closed, Lloyd's has provided for 129.4 million pounds (\$209.6 million) of losses from these syndicates in its 1982 results. The losses are reflected in the total market profit of 57 million pounds.

The Richard Beckett syndicates account for 73.2 million pounds (\$118.6 million) of these losses, Lloyd's says.

Lloyd's 1981 results reflected a 39 million-pound (\$74.5 million) loss from the Beckett syndicates, managed in 1981 by the now-defunct PCW Underwriting Agencies Ltd.

Minet Holdings P.L.C., PCW's

parent, and broker Alexander & Alexander Services Inc. then paid Beckett syndicate members 38.7 million pounds (\$72.9 million) of this loss. That payment isn't reflected in the 1982 accounts.

While the Lloyd's general liability accounts posted huge losses in 1982, other classes of business sparkled, most notably aircraft damage and liability, whose profits more than tripled to 25.9 million pounds (\$42 million).

Total aircraft income rose 47% to 565.6 million pounds (\$916.3 million); expenditures rose only 43% to 539.7 million pounds (\$874.3 million).

Ships damage and liability profits jumped 82% to 189.9 million pounds (\$307.6 million). Total income rose 43% to nearly 2 billion pounds (\$3.2 billion), while expenditures only rose 38% to about 1.8 billion pounds (\$2.9 billion).

Goods in transit posted a profit of 38.4 million pounds (\$62.2 million) in 1982, compared with a loss of 19.6 million pounds in 1981. Total income totaled 445.6 million (\$721.9 million), while expenditures were 407.1 million pounds (\$659.3).

However, the results in other major classes of business declined in 1982 compared with 1981.

Accident and health posted a loss of 1 million pounds (\$1.62 million), compared with a 15.1 million-pound profit in 1981.

Total income rose 49% to 227.9 million pounds (\$369.7 million), but expenditures rose 66% to 228.9 million pounds (\$370.8 million).

Profits declined 15% in the property damage accounts to 95.5 million pounds (\$154.7 million). Income rose 21% to 925.3 million pounds (\$1.5 billion), but expenditures rose 27% to 829.8 million pounds (\$1.3 billion).

Motor vehicle damage and liability profits fell 45% to 22.3 million pounds (\$36.1 million) and the deficit in the pecuniary loss accounts, which include residual value, credit and other financial-related coverages, quadrupled to 170,000 pounds (\$275,400).

Along with its global results, Lloyd's published report on the marine, non-marine and aviation markets and, not surprisingly, the non-marine report did not contain much good news.

The 1982 non-marine market results "do not make happy reading," commented Richard Hazell, chairman of Lloyd's Non-Marine Underwriters' Assn.

However, Mr. Hazell noted the results just announced are based on business written three years ago "when the insurance industry generally was at its lowest ebb for very many years, if not in its entire history."

"Undoubtedly, much of the blame for these poor results can be attributed to the need for underwriters to increase reserves for outstanding losses in light of the more liberal attitudes adopted by American courts, very often in pursuit of the deep-pocket theory," Mr. Hazell added.

The report on the marine market by Richard Outhwaite, chairman of Lloyd's Underwriters' Assn., was much more upbeat, noting the strong performance of the ship damage and liability and goods in transit accounts.

However, Mr. Outhwaite did see some problems in the market. "The rating of hull business has continued to improve marginally although international competition has been so severe over the last few years that the initial levels of premium are very low," he said. "It will certainly require a number of years of continually improving rates before this area of our business is profitable."

The aviation market enjoyed a banner year in 1982 because "market conditions were more stable than in the immediate preceding years," said David Peachey, chairman of Lloyd's Aviation Underwriters' Assn.



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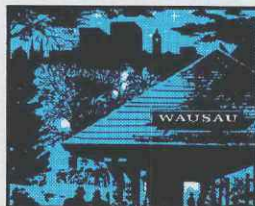
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opinions

Administration's flip is a flop

WE ARE APPALLED that the Reagan administration reversed itself and again is recommending Congress kill 401(k) salary reduction plans.

After watching the Reagan administration's flip-flops on 401(k) plans, we really wonder if the administration has a retirement and savings income policy.

First the Treasury Department recommended in November, as part of its initial tax reform package, that 401(k) plans be eliminated. Then, in late May, the Treasury Department and the Reagan administration decided—after vigorous lobbying by employers and employees—that 401(k) plans weren't so bad after all and should be allowed, but with lower contribution limits and more complex non-discrimination rules.

Now, it is back to square one. The administration last week again recommended that the plans be eliminated.

This time, though, the administration isn't only trotting out its old argument that the plans are unfair because only employees whose companies offer 401(k) plans can enjoy the tax breaks.

Now, the administration is revealing what we have always believed was the real reason that it opposes 401(k) plans: lost revenue.

The administration contends that elimination of 401(k) plans will save the government \$11.6 billion over the next four years as employees are blocked from deferring taxes on the portion of their salary they contribute to a 401(k) plan.

The administration is treating 401(k) plans like political playthings. If the opposition isn't that tough, wipe the plans out. But if lobbying is stronger than expected, allow the plans to continue, but reduce their appeal. Then, if you need more revenue to cement a deal with congressional tax committee leaders, propose wiping them out again.

But, salary reduction plans are not political playtoys. Employers have—at great expense—set up, administered and often contributed to 401(k) plans because the plans encourage employees at all income levels to save for their retirement.

While there is no doubt that 401(k) plans cost the government money, whether it would be as much as \$11.6 billion between 1986 and 1990, we aren't sure. These are tax-deferred, not tax-free, plans—an important distinction that policymakers sometimes don't make. The funds are taxed when withdrawn.

But, even if the cost over the next four years were as high as \$11.6 billion, it would be justified.



Giving employees incentives to save for their retirement—which we thought was a goal of the Reagan administration—takes the pressure off government programs, like Social Security, to constantly increase retirement benefits.

In addition, 401(k) plans are especially important to young, mobile workers who may never stay at one job long enough to vest in a pension benefit.

Although the elimination of 401(k) plans is in itself objectionable enough, the Reagan administration's willingness to sacrifice employee benefits solely to make a tax package revenue-neutral, sends a chill up our spine. To save 401(k) plans and forestall future attacks on benefit programs, employers must reactivate those lobbying efforts that convinced the administration in May to back down on its recommendation to eliminate 401(k) plans.

We don't like all the flip-flopping in the administration's position on 401(k) plans, but considering what is at stake, what's one more flip?

letters

Don't blame the courts for industry's problems

To the editor: The headline "Court Interpretation of Policies Leads the List of New Problems for Insurers" (BI, July 29) accurately describes Robert V. Hatcher Jr.'s Perspective article.

I have enormous respect for Mr. Hatcher, but he is dead wrong in blaming the courts in the United States. The continued propagandizing of this calumny obscures the basic problems facing policyholders and insurers.

The courts are not to blame for the decisions in the insurance coverage cases. Virtually all coverage cases involve one insurer against another. Indeed, the most egregious cases—from the standpoint of the insurance industry—did not involve any policyholders at all.

It is just plain wrong to criticize the

courts or policyholders for judicial decisions that result from internal insurance industry disputes.

When Insurer A tells the court the policy covers only black horses and Insurer B tells the court the policy covers only white horses, it is not surprising that the court will conclude that the policy covers both black and white horses—and gray horses as well.

There is nothing inherently wrong with an insurer denying coverage and going to court, but when an industry takes conflicting and inconsistent legal positions with respect to uniform standard policy language, the industry cannot thereafter point the finger of blame at the judge.

To the editor: Your editorial, "A Human Response Would Help" (BI, Aug. 19), concerning the differing attitudes of Japanese and U.S. executives in light of the Japan Air Lines tragedy, seems to have missed the point.

Surely the explanation of U.S. executives' behavior, under the circumstances, is that coldhearted and unconcerned attitudes are forced on them by the fear that any sympathy or apology might suggest

The present system of compensating for personal injury and property damage is incredibly expensive. At least 75 cents of each premium dollar goes to lawyers and insurers. The insurance industry in the United States does not appear to be particularly interested in reducing these costs. They seem to want a little bit of tinkering with the tort system, but no real tort reform.

The insurance industry should consider the old homily: Fix yourself whenever you feel the need to fix someone else.

Eugene R. Anderson
Anderson Russell Kill & Olick P.C.
New York

Japanese attitudes wouldn't work in U.S.

an admission of liability, which the lawyers and subsequently the courts in the United States would be only too happy to convert to a few million dollars in favor of the victims.

American jurisprudence is the culprit, not the American executive.

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Work comp future

Continued from page 3
 combine all such disability benefits
 into one program, he said.

It will be up to advocates of the
 current workers
 compensation
 system to argue
 that workers
 compensation
 should remain
 separate because
 of its safety in-
 centives, its in-
 clusion of bene-
 fits for perma-
 nent partial in-
 juries and the
 historical trade-off between em-
 ployer and employee in the work-
 ers compensation system, in which
 employees give up their right to sue
 over a workplace injury in return
 for guaranteed benefits, Mr. Burton
 said.



Mr. Burton

Another panelist also stressed
 that the workers compensation sys-

tem should not be blended with
 other disability programs.

“Each of us tends to view matters
 from our own training and experi-
 ence or bias,” said Alan Tebb, man-
 ager of the California Workers’
 Compensation Institute in San
 Francisco, a statistical and research
 organization.

“To physicians, workers compen-
 sation is a medical system. To attor-
 neys and many in workers compen-
 sation agencies, it is a legal,
 even legalistic system. To employ-
 ees, it’s a money system, with the
 main emphasis on income benefit
 levels.

“To loss-control personnel, it’s a
 safety system because of its ability
 to internalize costs and thereby en-
 courage safe operation. To claims



Mr. Tebb

people, it some-
 times seems like
 a paper system
 and a career
 pain in the back-
 side. And to aca-
 demicians and
 researchers, it’s
 a ‘disability’ sys-
 tem, whatever
 that may be,”
 Mr. Tebb said.

“Now, none of
 these parties is wrong, but neither
 is any of them correct. They over-
 look that workers compensation is
 a rehabilitation system, and all the
 system’s elements are directed to a
 single objective: Putting injured
 workers back to work,” Mr. Tebb
 said.

“Workers compensation is the
 only social insurance pro-
 gram...that has this objective.”

And, Mr. Tebb said that to keep
 the workers compensation system
 aimed at that objective, those in-
 volved in the system must develop
 hard data.

He noted that it requires legisla-
 tive action to correct problems or
 weaknesses in the workers compen-
 sation system, adding that legisla-
 tive staffers have a big hand in
 the political process.

And, those staffers are searching
 for hard data to present to their
 legislators, he said.

“I’m not about to suggest legisla-
 tive staffs are making the actual
 decisions, but their influence is
 pervasive and persuasive, particu-
 larly on arcane issues that most leg-
 islators find mysterious and nettle-
 some. Issues like workers
 compensation,” Mr. Tebb said.

“Legislative staffers don’t run for
 re-election. Consequently, their ap-
 proach to issues, their analyses and
 recommendations, can be more ob-
 jective, more rational, more logical.
 They respond positively to fact, to
 hard data.

“And although workers compen-
 sation sometimes seems to be a junc-
 gle of statistics, somehow we never
 seem to have the right ones. How
 often have you heard, or how often
 have you said: ‘I’m sorry, Senator,
 we don’t have that figure.’ ‘No, Mr.
 Chairman, we don’t tabulate that.’
 ‘Well, my best guess is...’ ‘I don’t
 know, and I don’t know anybody
 who does.’”

Mr. Tebb suggested those in the
 workers compensation community
 really “don’t know enough about
 our business.”

By way of example, he posed
 several questions that he said the
 industry currently cannot answer
 adequately:

- What’s the appropriate or opti-
 mal level for income benefits?
 What’s the magic to two-thirds of
 gross weekly wages, or 80% of
 spendable earnings?
- How effective is vocational re-
 habilitation? More to the point, how
 can it be made more effective?
- How effective are the system’s
 loss-control services? Is there a way
 to measure the effectiveness of in-
 jury prevention?
- What are the causes, results
 and impact of litigation in workers
 compensation?
- Does occupational disease ex-

Continued on page 12



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IAIABC seeks talks on insurer insolvency

By CAROL CAIN

SUN VALLEY, Idaho—State workers compensation administrators want to meet with state insurance regulators and guaranty fund administrators to streamline procedures for paying workers compensation claims owed by insolvent insurers.

"Insurance commissioners and workers compensation people are not talking (to each other). Since they're not contacting us, we need to be a bit aggressive," said Yvonne

Norton Leung, administrator for the Nebraska Workmen's Compensation Court.

Ms. Leung also is a member of the Administration & Procedure Committee of the International Assn. of Industrial Accident Boards & Commissions, which held its annual convention last month in Sun Valley.

"We want better liaison with the National Assn. of Insurance Commissioners," said Marshall G. Bennett, chairman of the IAIABC Administration & Procedure Commit-

tee and chairman of the Mississippi Workers' Compensation Commission.

"The insolvent carrier question is of great concern to us," he noted.

"Insurance people don't understand workers compensation. They think you have an accident and you pay a claim," said C. John Urling Jr., president of Martin Urling Co. Inc., a Camp Hill, Pa.-based workers compensation consultant to state governments. He is one of the consultants to the Administration & Procedure Committee.

On the other hand, "The problem with workers compensation people is we think we're dealing with 'workers compensation.' But we're dealing with insurance," Ms. Leung said, stressing the need for dialogue between work comp administrators and insurance commissioners.

"Since a number of insurers writing workers compensation insurance coverage have become insolvent and subject to receivership or bankruptcy action, the committee believes a standard operating procedural statement should be de-

veloped for guidelines on handling such circumstances," Mr. Bennett said.

Such a procedure for state workers compensation commissions should include a plan for notification of employers when their insurer becomes insolvent, he said.

"But it also should include respective actions and responsibilities of the state workers compensation agency, the state insurance department and the state attorney general," Mr. Bennett added.

The standard operating procedure also should include methods for collecting funds to pay workers compensation claims if an insurer becomes insolvent. This money could come from the insolvent insurer's bond, through bankruptcy action, from the state's guaranty fund or through an assessment against other insurers, he said.

He added that there even may be a point where the outstanding claims should be written off.

"The SOP is not what to do to prevent a carrier from going down—that's the insurance department's responsibility—but what's to be done and how quickly to get benefits paid (to an injured worker) after an insolvency," Mr. Bennett said.

The IAIABC committee appointed a subcommittee to develop a standard operating procedure and to set up communication with the NAIC and with guaranty fund administrators.

A report from the subcommittee, chaired by Bruce Eanet, associate director for workers compensation with the District of Columbia's Department of Employment Services, is expected at next spring's IAIABC all-committee conference. By that time, the subcommittee will have met with members of the National Committee on Insurance Guaranty Funds, Mr. Eanet said.

"We want to work out some mutual procedures," Mr. Eanet said, explaining a guaranty fund's procedure could be meshed with the well-established claims-handling techniques in state workers compensation bureaus.

The IAIABC's plan to communicate more closely with the NAIC appears to be welcomed by the insurance regulators.

"I can't disagree with the advantage of better communication," said Bruce Foudree, president of the NAIC and Iowa's insurance commissioner.

However, he cautioned that insurance regulators cannot and will not release confidential information about an insurer's financial status before the insurer actually is declared insolvent.

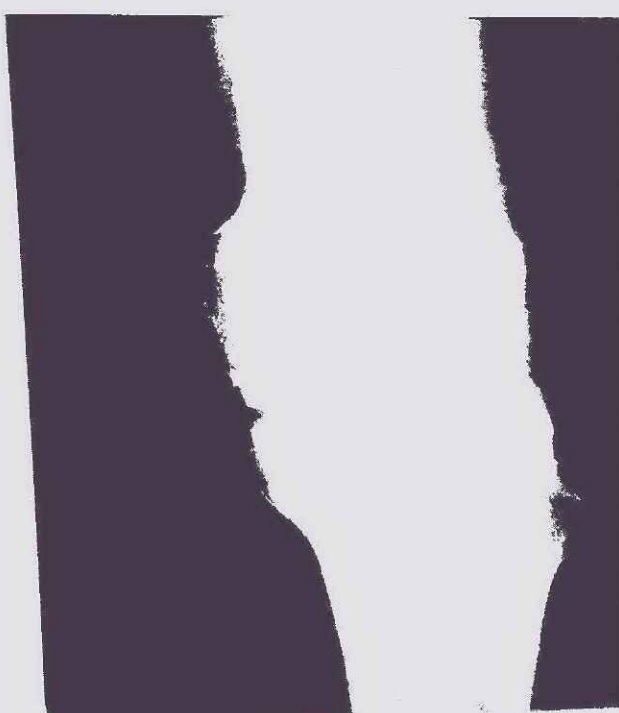
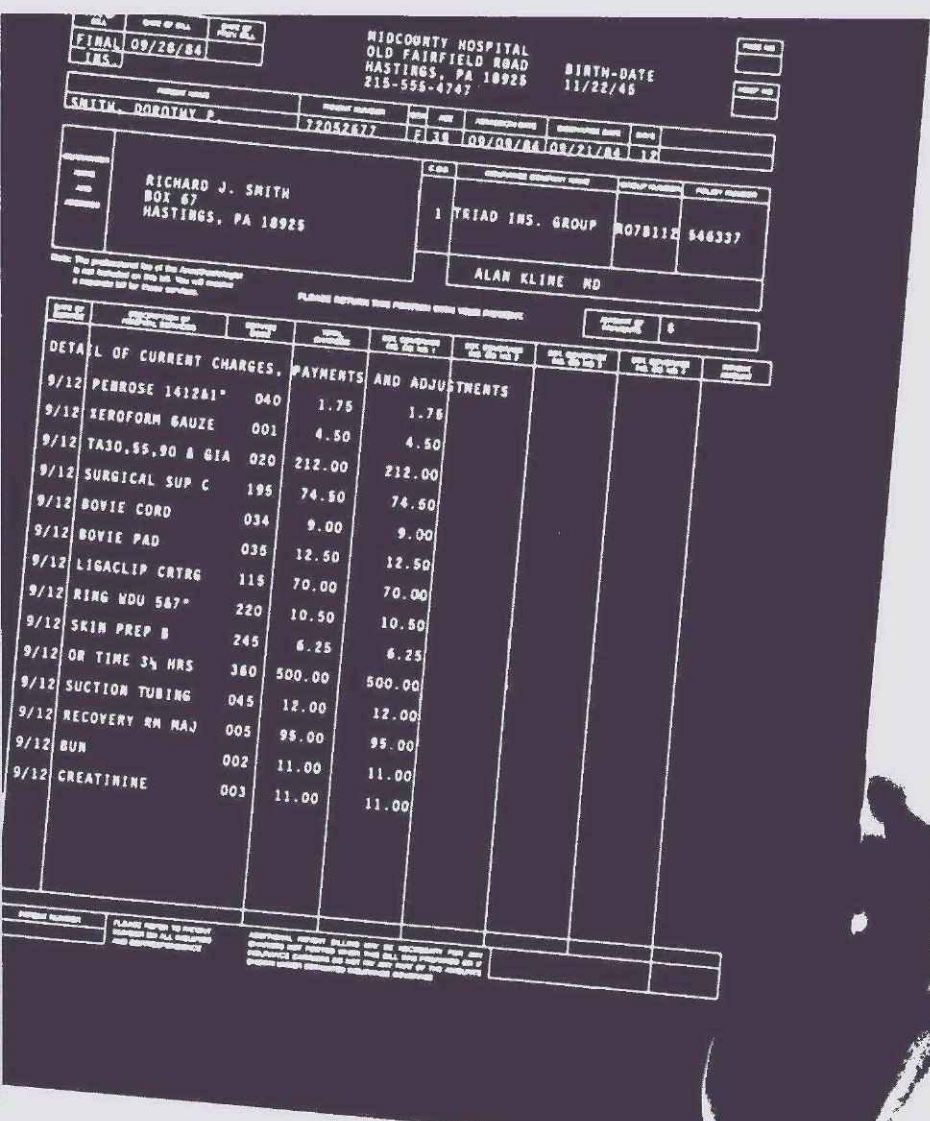
Insurance regulators have been accused of being aware of insurers in financial trouble but not sounding a warning.

But, Mr. Foudree said, "I wouldn't dare say to the public or anyone else that an insurer wouldn't make it."

"They (workers compensation administrators) are not the only ones who want advance information. Agents all over the country want to know too. . . . But disclosure of information is a difficult thing."

Some financial information already is available to the public—and workers compensation administrators and agents. This information includes annual ratings by A.M. Best Co. and quarterly information on loss ratios and loss experience filed with state insurance departments, Mr. Foudree said.

In addition to establishing communication with state insurance regulators and guaranty fund operators about the insolvency issue, the IAIABC committee plans to continue working with employers that self-insure their workers compensation risks, Mr. Bennett said. ■



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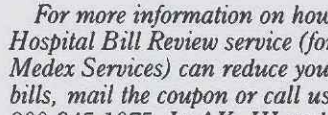
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Comp administrators' importance stressed

By CAROL CAIN

SUN VALLEY, Idaho—Workers compensation administrators are the key to making the system work, according to a leading attorney.

The administrators—those people who adjudicate disputed workers compensation claims—"are the heroes that are unsung," noted Eugene C. Thomas, president-elect of the American Bar Assn. and chairman of the Boise, Idaho, law firm of Moffatt, Thomas, Barrett & Blanton.

"By keeping the vast majority of workers compensation disputes out of the courts...you have reduced the strain on the judicial system," he said. He estimated that 10 mil-

lion workers compensation cases nationwide are handled annually by adjudicators.

Mr. Thomas was the keynote speaker at the 71st annual convention of the International Assn. of Industrial Accident Boards & Commissions, held Aug. 18-22 in Sun Valley.

He told those attending the convention, most of whom were workers compensation adjudicators, that they will be called on more during the coming decades to help in attempts to make the workers compensation system work better.

For example, Mr. Thomas said several sessions at a recent ABA convention held in Washington and London dealt with workers compensation issues, but representatives of the IAIABC were not invited to participate.

However, he said, "In the future, the ABA will not address such matters without an invitation to you to be participants."

Another convention speaker, Idaho Gov. John V. Evans, told delegates he shared their concern about attempts by Congress to undermine state control over the workers compensation system.



Gov. Evans

"Congress just won't let the states alone," Gov. Evans said, referring to past and pending federal legislation aimed at limiting the state control over workers compensation issues.

"Workers compensation is a state responsibility. Let's let the states determine the standards based on local standards and economics," the governor said.

He encouraged members of the IAIABC to "pull together" with state legislators and governors to lobby against federal intervention in workers compensation regulation.

The IAIABC convention attracted 371 people, including workers compensation administrators, employers, self-insurers, insurers and Idaho legislators. Most of the conference attendees were from the United States and Canada, but there also were representatives from Puerto Rico, Australia and South Africa.

Glenn L. Schilling, a Louisville, Ky., attorney and member of the Kentucky Workers' Compensation Board, was elected IAIABC president. He replaces Will Sheridan Defenbach, a commissioner with the Idaho Industrial Commission, who served as president for the past year (see story, page 18).

The participants took part in a variety of work sessions and informational seminars.

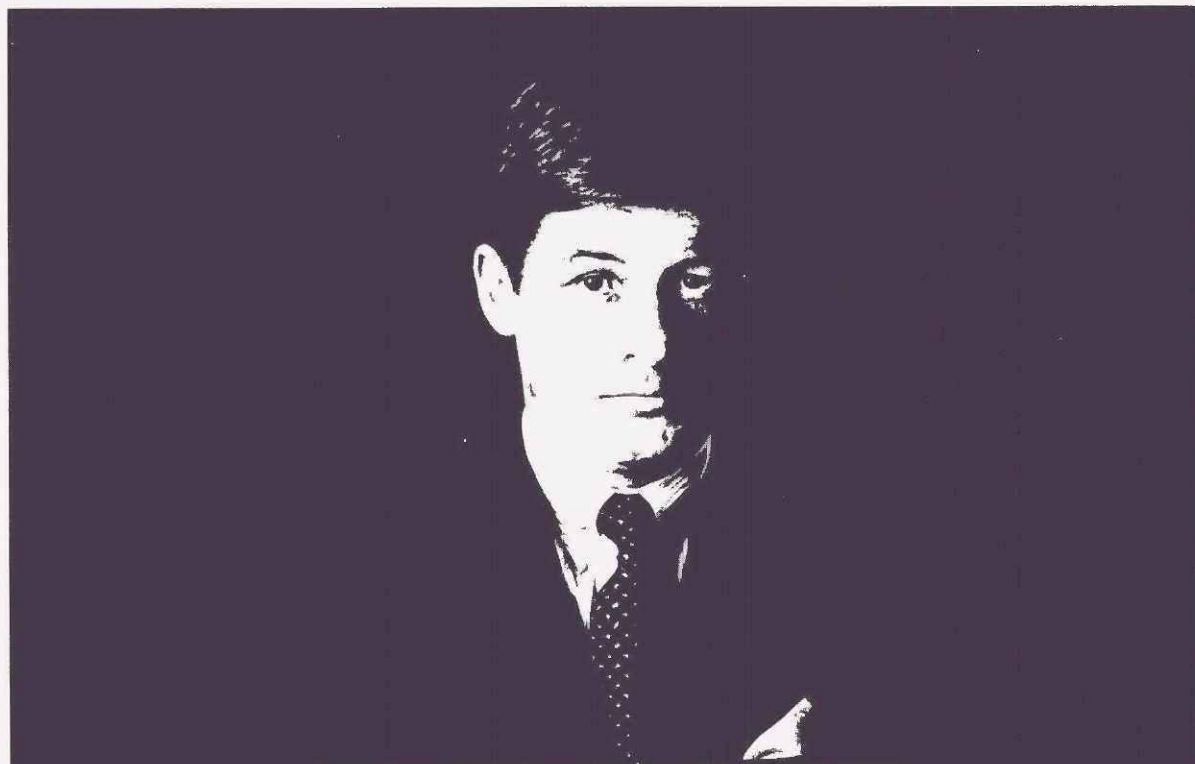
For instance, leaders from the workers compensation community, including John Burton, a labor relations professor at Cornell University in Ithaca, N.Y., discussed the future of work comp in the next decade (see story, page 3).

And employers that self-insure their workers compensation risks discussed their needs at several sessions held in conjunction with the IAIABC convention that were sponsored by the National Council of Self-Insurers (see stories, page 52).

During the IAIABC convention, delegates also heard reports on the activity of the organization's seven standing committees. The committees, which study various aspects of the workers compensation system, are made up of work comp administrators, with representatives of

Continued on page 16

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IAIABC meeting

Continued from page 14
the business, insurance and labor communities serving as consultants.

Robert C. Landess, a member of the Iowa Industrial Commission and chairman of the IAIABC's Adjudication Committee, told delegates that the committee is starting a project to determine ways to expedite the intra-agency adjudication of contested workers compensation claims.

The ongoing study includes identification of reasons for the volume of workers compensation litigation; identification of barriers to expeditious adjudication of claims at various stages; and consideration of ways to overcome these barriers.

Mr. Landess said there is a significant difference in the manner in which contested cases are handled among various states. However, he said, there are common problems that appear to cause increasing ca-

Workers comp administrators 'are the heroes that are unsung,' says the ABA's Mr. Thomas.

seloads and delays in adjudication. The Adjudication Committee plans to identify and study jurisdictions in which litigation is less common and adjudicated cases are settled quickly to pinpoint laws and procedures that result in this greater efficiency, Mr. Landess said.

The committee also will act as a resource for IAIABC member jurisdictions that are experiencing particular problems by collecting and disseminating information from other jurisdictions that have solved these problems.

In the coming months, the committee also will survey jurisdictions about the methods they use for informal dispute resolutions, Mr. Landess said.

Two other committees—Rehabilitation and Statistics—are embarking on a two-year study of the cost and effectiveness of rehabilitation.

All jurisdictions are being asked to participate in the study, which will use computers to track all workers compensation cases referred for vocational rehabilitation from Jan. 1 to June 10, 1986.

The cases will be tracked until they are closed or for up to a maximum of two years.

Florida, Georgia, Nevada, Ohio, Oregon and Wisconsin already have agreed to participate in the study by providing data to the IAIABC.

The IAIABC's Administration & Procedure Committee also is involved in several studies.

Chairman Marshall G. Bennett, who is chairman of the Mississippi Workers' Compensation Commission, said the committee plans to conduct a study of emotional illness claims.

Such claims are increasing in most jurisdictions, he said, and the committee plans to collect and analyze data on mental stress claims from all jurisdictions to plot the impact of the increase on the workers compensation system.

No formal outline has been developed for this data compilation and analysis.

The Administration & Procedure Committee is planning to study the concept of 24-hour insurance coverage for employees, which would include a combination of group health and workers compensation insurance.

The committee plans to meet with representatives from the insurance industry within the next year to begin talks on such coverage, Mr. Bennett said.

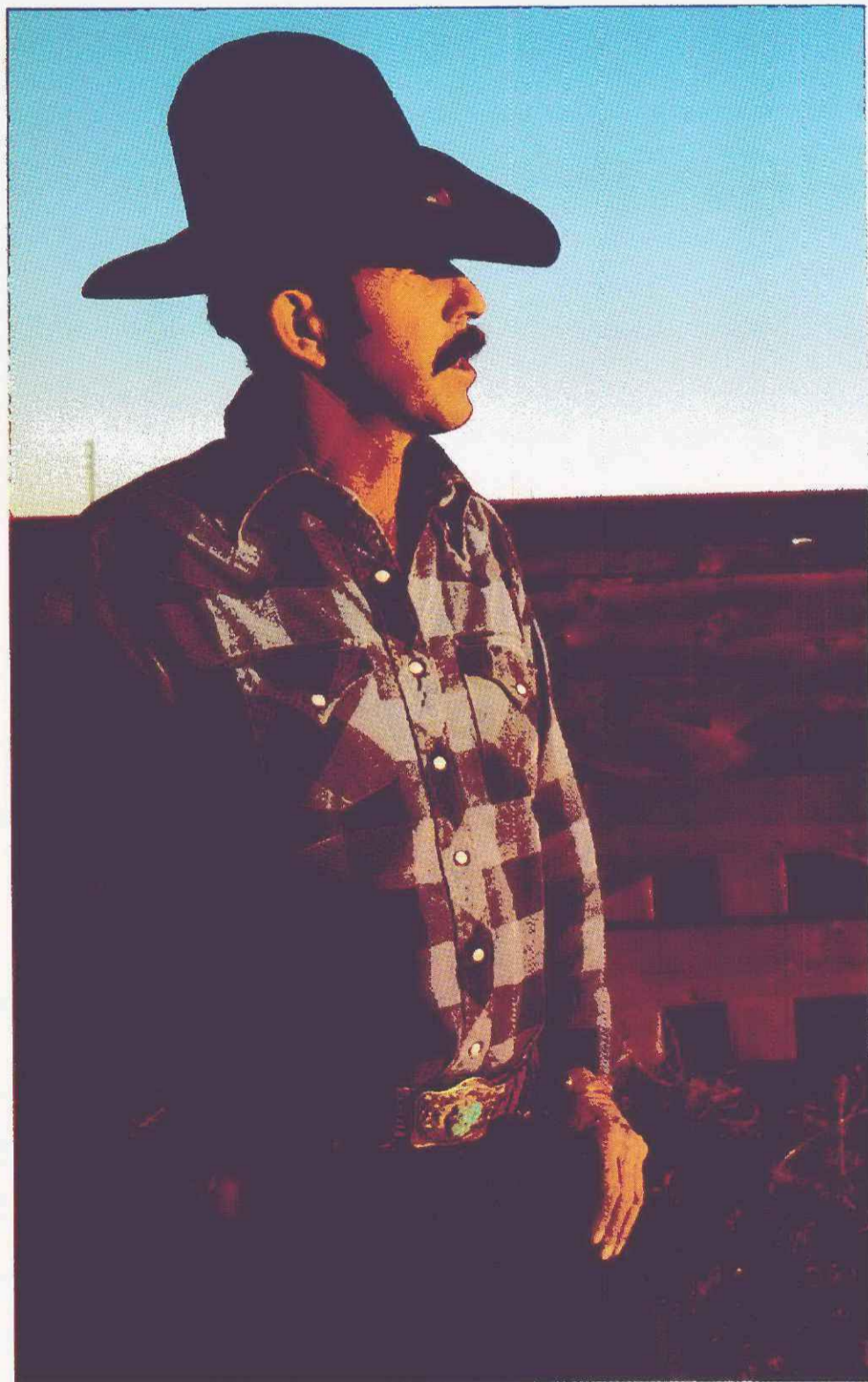
The bulk of work by these and other committees is performed at the IAIABC's annual All-Committee Conference held each spring. The committees are scheduled to report on their progress during the next annual convention, slated for Oct. 12-15, 1986, in Louisville, Ky.

In addition to its committee work, the IAIABC also sponsors an annual workers compensation college, which offers an intensive five-day course of study in the field of workers compensation.

Newly appointed state administrators often attend the college, along with members of the insurance, legal, business and labor communities.

The next college, which is held in a different location each year, will be March 23-28 at Duke University in Durham, N.C.

Information about the college or about the IAIABC is available from IAIABC Executive Director J.T. Noblin, One LeFleur Square, P.O. Box 79109, Jackson, Miss. 39236; 601-366-4582.



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New IAIABC president wants more labor input

By CAROL CAIN

SUN VALLEY, Idaho—The new president of the International Assn. of Industrial Accident Boards & Commissions wants to see labor union representatives return as consultants to the association of workers compensation administrators.

"I'm concerned that in the last 13 years there has been a continuing erosion of labor representation in the IAIABC," explained Glenn L. Schilling, the new president of the IAIABC.

Labor and the IAIABC parted company over the issue of a federal workers compensation system, Mr. Schilling explained.

Mr. Schilling, an attorney from

Louisville, Ky., and a member of the Kentucky Workers' Compensation Board, was sworn in as president of the IAIABC at the annual convention last month in Sun Valley.

Labor leaders used to serve on the IAIABC's committees, along with representatives of the business and insurance communities. However, labor stopped participating in the IAIABC's programs and projects in the early 1970s over the issue of a federally administered workers compensation program, Mr. Schilling said.

Labor supported proposals that would have created a federal workers compensation program, which is the opposite of the IAIABC's philosophy that advocates a state-administered workers compensation program, according to Mr. Schilling.

Despite that difference, Mr. Schilling said, the IAIABC and labor share several common concerns, including workplace safety, vocational rehabilitation and containing the rising cost of health care.

The association's new president was appointed to the Kentucky work comp board in 1973.

Since then, he said, he has heard many claims that the system isn't working.

"But we need a balance. No one ever talks about where we'd be without workers compensation," Mr. Schilling said.

"The system does very well... for the average workers compensation case," he said, noting that it is those few extreme cases that make the news and give the impression that the system is not working.

"The average workers compensation case isn't even a case. It's a medical bill. That's why the system may not be a triumph, but it's a success," he said.

In addition to his duties as IAIABC president and as a member of the Kentucky Workers' Compensation Board, Mr. Schilling also has a private law practice. The Cincinnati native was a practicing attorney for 20 years before being appointed to the Kentucky workers comp board.

Mr. Schilling received his law degree and an undergraduate degree in liberal arts from the University of Cincinnati.

Other IAIABC officers elected last month are:

- President-elect John A. Arcudi, who is chairman of the Connecticut Workers' Compensation Commission.

- Vp Phillip T. Bork, who is a member of the Washington State Board of Industrial Insurance Appeals.

- Secretary Charles J. Krysiak, who is chairman of the Maryland Workmen's Compensation Commission.

Elected to the IAIABC's Executive Committee were John N. Shanks, chairman of the Indiana Industrial Board; Bruce M. Eanet, associate director for workers compensation of the District of Columbia Department of Employment Services; and Allyn C. Tatum, a commissioner with the Arkansas Workers' Compensation Commission.

Also elected to the Executive Committee were Marjorie L. Dight, manager of the Industrial Commission of Arizona; and R.J. Allen, chairman of the Nova Scotia Workers' Compensation Board.



Mr. Schilling

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IAIABC opposes taxing work comp benefits

By CAROL CAIN

SUN VALLEY, Idaho—State workers compensation administrators are opposed to the Reagan administration's proposal to tax employees on the value of their workers compensation benefits.

A resolution unanimously adopted last month by the International Assn. of Industrial Accident Boards & Commissions notes that work comp benefits never have been taxed and that the size of benefits is based on the assumption that they are not taxed.

The IAIABC's resolution also states that workers compensation benefits are the exclusive remedy for injured workers, replacing workers' right to go to court to seek a tort recovery against employers. And, the resolution points out, tort recoveries are not taxed.

Thus, "Workers compensation benefits, like tort recoveries, should not be taxed," it states.

If the proposal to tax workers compensation benefits becomes part of a tax reform package, the IAIABC and employer groups believe there will be pressure to increase benefit levels to injured workers. And, they say this would result in higher workers compensation insurance rates for employers and self-insurers.

In its resolution, the IAIABC also contends the U.S. economy would be affected adversely by taxation of work comp benefits.

An increase in the cost of workers compensation benefits ultimately would drive up the cost of American products, thereby weakening the position of U.S. companies against foreign competition, the resolution says.

This, the resolution contends, would increase foreign trade deficits and cause a loss of U.S. jobs.

"There are persuasive arguments for taxing workers compensation benefits, and if you're not aware of these arguments and the counter-

arguments, then it's easy to get swept up," said Robin W. Waller, chairman of the IAIABC's Legislation Committee, which drafted the resolution. He also is a commissioner with the Connecticut Workers' Compensation Commission.

However, many congressmen misunderstand the purpose of workers compensation and overestimate the amount of money that would be collected if the benefits were taxed, Mr. Waller said.

For example, "One of the reasons put forth by the president's proposal for the taxation of workers compensation benefits is based on the theory that those benefits are strictly for wage replacement," Mr. Waller said in a written report to the IAIABC.

Those who propose taxing benefits note it is possible that an in-

jured worker receiving two-thirds of his or her salary in the form of untaxed workers compensation benefits actually may receive more money than he or she would receive after taxes are deducted from his or her paycheck.

Those supporters of benefit taxation contend this reduces the worker's incentive to return to work, Mr. Waller's report says.

However, he says, workers compensation benefits are not wage replacement.

"These benefits came about as a result of the historic compromise in which injured workers gave up the right to sue their employers in the theory of tort negligence and in return gained the right to the quick and certain payment of sums on a no-fault basis; employers gained the certainty that their losses

would be predictable and insurable and in return gave up the right to the common law defenses of contributory negligence, assumption of the risk and the fellow-servant rule," Mr. Waller's report reads.

"The president's plan does not propose to tax tort awards, which workers compensation benefits were originally designed to replace," he notes.

Mr. Waller also said the president's proposal noted that most workers compensation recipients return to work after less than three weeks of lost time.

"It is difficult to see how taxation of these benefits would increase the incentive to work," he said.

"Conversely, it would unfairly affect those recipients being paid permanent partial disability benefits, many of whom have already

returned to work. More than one-half of the indemnity payments made are in this category.

"It strains logic to understand how taxing an injured employee's benefits for the loss of a hand, foot or eye would increase his incentive for work, especially in light of the fact that a person, similarly injured by a non-compensable accident, will not have his tort recovery taxed," Mr. Waller said.

Other IAIABC members joined the Legislation Committee in expressing opposition to the taxation of workers compensation benefits.

The Administration & Procedure Committee urged the IAIABC's Executive Committee to express its opposition to the administration's proposal by writing to their congressmen and by testifying against the proposal. ■

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Workplace safety rules are adopted

By CAROL CAIN

SUN VALLEY, Idaho—Workers compensation administrators who adjudicate disputed claims are also championing workplace safety.

The International Assn. of Industrial Accident Boards & Commissions adopted a safety standard during its annual meeting last month in Sun Valley and also is preparing a media campaign designed to promote workplace safety.

The safety standard is the 23rd standard adopted by the 71-year-old association. The standards represent formal positions of the IAIABC, and member jurisdictions are urged to work toward meeting those standards.

The safety standard reads:

"Member jurisdictions should provide programs for the prevention of occupational injuries and diseases, including engineering, educational, hazard identification and elimination and economic analysis services; should require similar programs by insurers for those firms covered by their workers compensation policies; and should monitor and evaluate these services."

The IAIABC's Safety Committee spent almost two years drafting the standard, which is intended to focus the attention of workers compensation leaders worldwide on safety and accident prevention, said Safety Committee Chairman Anthony W. Skiff. Mr. Skiff also is director of the division of workers education for the Connecticut Workers' Compensation Commission.

"The whole purpose of the standard is to encourage jurisdictions to establish these services," Mr. Skiff said.

"It calls attention to the safety promotion element that was absent from the IAIABC's standards," he said.

Included in the association's other 22 standards are IAIABC support for the prompt delivery of benefits, coordination of benefits and compensation for occupational injuries and diseases.

In addition to its work in drafting the new safety standard, the IAIABC's Safety Committee also is compiling a catalog of media resources that promote occupational safety and health.

This listing of films, tapes and other products will be categorized by subject and should be available by the end of the year, Mr. Skiff said.

The committee also is studying ways to measure the cost effectiveness of safety promotion and accident prevention programs.

This data will be used to develop a media campaign to sell safety, according to Mr. Skiff.

"The committee's concern was that safety is all too often viewed only as a net expenditure on the annual balance sheet. By providing convincing evidence of the return produced by money expended on safety, the committee believes that relevant decision-makers will become more favorably disposed toward safety initiatives and expenditures," Mr. Skiff said.

"We're about to enter a new era in occupational safety and health," he said, adding that the committee wants to help member jurisdictions be prepared.

To accomplish this, the committee is gathering a list of individuals and organizations that promote workplace safety.

When it is compiled, this list will be available to IAIABC member jurisdictions upon request, according to Mr. Skiff.

IAIABC endorses NAIC report on occupational disease

By CAROL CAIN

SUN VALLEY, Idaho—Workers compensation administrators agree with insurance regulators that state workers compensation programs—and not a federal system—should be the primary mechanisms for handling occupational disease claims.

The International Assn. of Industrial Accident Boards & Commissions last month endorsed an occupational disease report adopted in June by the National Assn. of Insurance Commissioners (BI, June 10).

An IAIABC member was co-chairman of the NAIC committee that drafted the report, and members of the IAIABC's Legislation Committee reviewed the many drafts written during the past two years.

The report, "Occupational Disease Issues," presents an in-depth look at the problems of occupational diseases and offers some solutions, noted IAIABC Legislation Committee Chairman Robin W. Waller.

"It evaluates state workers compensation systems and makes recommendations that would make them more responsive to occupational disease claims," Mr. Waller said at the IAIABC's annual convention last month in Sun Valley.

The IAIABC adopted a resolution that endorses "the findings and conclusions" of the NAIC's occupational disease report.

Mr. Waller also pointed out the NAIC report found only a relatively small number of occupational disease claims, which he said further

supports the contention that state systems can handle the problem.

"Previous Legislation Committee reports have dealt with the question of the magnitude of occupational disease claims. Suffice it to say there are no reliable figures on the exact number of occupational disease cases. Figures range from a few thousand annually to 100,000 deaths per year due to occupational exposure," Mr. Waller said in a report of the Legislation Committee.

"Present estimates put the figures at no more than 2%-5% of the total number of workers compensation claims filed per year. In view of these figures, the Legislation Committee was of the opinion that state systems have adequately dealt with the issue," he said.

The Legislation Committee generally endorsed the principles in the NAIC's report, including that the statute of limitations for occupational disease claims should be triggered by a current event, such as the appearance or knowledge of the disability, rather than by an arbitrary period of time since the last exposure to a disease-causing substance.

The IAIABC committee also agreed with the NAIC's recommendation that the statute of limitations for death claims should run from the date of death rather than the date at which dependents of the injured worker first knew of the occupational disease.

The Legislation Committee also specifically endorsed the NAIC's call for a central depository of the "latest and most relevant scientific data" on occupational disease.

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Western Union fills risk management posts

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Raymond J. Devine has been named senior director-risk management and insurance at Western Union Corp. in Upper Saddle River, N.J. Mr. Devine, 34, will be responsible for design, purchase and administration of all property/casualty programs as well as fire protection. He will report to Stephan A. Smiszko, vp-finance and treasurer. He replaces Kevin Christel, who has joined Alexander & Alexander Services Inc.

Mr. Devine, previously assistant director of corporate insurance for Engelhard Corp. in Edison, N.J., has a bachelor of science degree in management from St. Francis College in Brooklyn, N.Y., an M.B.A. in management from Long Island University in Greenvale, N.Y.

In addition, **John H. Carter III** has been named manager-risk

management and insurance at Western Union. Mr. Carter, 28, will assist in the administration of all property/casualty and fire protection programs. He will report to Mr. Devine. He replaces Karin McConnell, who left the company. Before joining Western Union, Mr. Carter was risk manager for Santini Brothers Inc. in Bronx, N.Y. Mr. Carter, who has a bachelor of arts degree in political economy from Fordham College in Bronx, N.Y., is a member of the American Society of Safety Engineers.

Richard H. Wagner, 41, has been appointed executive director of compensation and benefits for

Estee Lauder Inc. in New York. Mr. Wagner is responsible for the design and administration of all compensation and benefits plans, including health care benefits. He is also responsible for the company's workers compensation insurance program.

He reports to Thomas Moorhead, senior vp of corporate affairs, and replaces Alexander A. Stanich, who is now vp of employee relations at the Equitable Life Assurance Society of the United States in New York.

Previously, Mr. Wagner was a compensation consulting principal at The Wyatt Co. in New York. He received a bachelor of arts degree

in English from The College of the Holy Cross in Worcester, Mass., in 1965 and an executive master's degree in business administration from Southern Methodist University in Dallas in 1978.

J. Greg Ness, 28, has been named manager of the corporate personnel department at Standard Insurance Co. in Portland, Ore. Mr. Ness, who will report to Corporate Secretary Rudy B. Miner, will oversee personnel services, including benefit plans, for the company's more than 800 employees. Mr. Ness, who was previously director of organization development at Standard Insurance, replaces William S. Thompson, who has been assigned to the company's group insurance division. Mr. Ness has a bachelor's degree in psychology from Wash-

ington State University in Pullman, where he graduated Phi Beta Kappa. Mr. Ness also is studying for a master's degree in business administration at Portland State University.

Kenneth K. Gerrity, 28, has been named manager-liability claims at Pilot Freight Carriers Inc. in Winston-Salem, N.C. Mr. Gerrity, previously a claims supervisor for Peerless Insurance Co. in Charlotte, N.C., will handle the company's automobile and general liability claims. He replaces and now will report to Randy O'Neill, who has been promoted to director of insurance. Mr. Gerrity has a bachelor of science degree in business administration from Wake Forest University in Winston-Salem. In addition, Mr. Gerrity received a master's of business administration from the University of Richmond, in Richmond, Va.

Sharon A. Urban, 30, has been named assistant director of risk management at The Times Mirror Co. in Los Angeles. Ms. Urban, who will be responsible for workers compensation programs and risk information systems, reports to Ralph E. Gentry, director of risk management. She replaces Philip Christianson, now manager of group insurance. Before joining the company, she was insurance analyst for Skokie, Ill.-based G.D. Searle & Co. She has a bachelor of science degree from Marquette University in Milwaukee, a master of science degree also from Marquette, and an M.B.A. in management from Northwestern University in Evanston, Ill.

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washington

Subcommittee suggests crackdown on tax havens

By JERRY GEISEL

WASHINGTON—Risk managers may find it more difficult and expensive to run offshore captive insurance companies if Congress acts on suggestions made by a Senate subcommittee.

Suggestions made by the Senate Permanent Subcommittee on Investigations to curb laundering of illegally earned profits in offshore banks include:

- Denying federal tax deductions for expenses or losses incurred during transactions involving havens. Presumably, that would mean, among other things, a

company could no longer deduct the cost of running a captive domiciled in a tax haven.

The report lists such major captive domiciles as the Bahamas, Bermuda, the Cayman Islands and Turks and Caicos as tax havens.

- Requiring U.S. corporations to treat tax-haven income the same as U.S. income for tax purposes.

As a result, income earned from insuring foreign-related risks in an offshore captive would have to be included as U.S. income.

- Requiring U.S. banks to report all financial transactions involving havens.

- Limiting direct airline flights between the U.S. and tax havens. It is now possible, for example, to fly non-stop from New York to Bermuda.

While the proposals could affect captive operations, they are primarily aimed at making it more difficult for companies and individuals to stash illegally earned profits in narcotics trafficking and other criminal activities in offshore banks.

Group health coverage

Employers should pay attention to legislation, H.R. 3128, to require companies to extend group health care coverage to widows and dependents, advises consultant Towers, Perrin, Forster & Crosby.

Under the measure, cleared by the Ways and Means Committee and awaiting action by the full House, employers would have to cover employees' spouses and dependents in their group health insurance plans after an employee divorces or separates from his or her spouse or after an employee dies (BI, July 29).

Companies could require dependents to pay the full premium for the coverage, including any part formerly paid by the employer.

"The proposal deserves employer attention for a number of reasons," TPF&C notes.

First, the proposal, tucked away in a budget bill, would take effect on Jan. 1, 1986, for many plans and up to one year later for collectively bargained plans. That would give employers little time to comply.

The measure, if enacted, would add considerable administrative time and expense because of extensive notification requirements to participants, TPF&C observes.

"Of perhaps most concern, the bill would represent a significant step toward a federally mandated health care plan," TPF&C says.

If the measure is enacted into law, employers that fail to comply would no longer be able to deduct their group health care costs from their federal taxes.

TPF&C believes the proposal stands a good chance of enactment.

Education benefits

Reps. Frank Guarini, D-N.J., and Guy Vander Jagt, R-Minn., have introduced legislation, H.R. 1356, to indefinitely extend Section 127 of the Tax Code which excludes employer-provided educational assistance benefits from employees' taxable income.

"Adoption of a permanent tax exclusion for employer-provided educational assistance will make for better educated employees. In turn, better-educated employees will improve the industrial capacity of our country and help us retain our competitive edge," Rep. Vander Jagt said.

The measure, backed by a broad
Continued on next page

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Continued from previous page
coalition of business and labor groups, would retain the current \$5,000 cap on the annual maximum amount of tax-free educational assistance benefit a company may provide an employee.

Section 127 is scheduled to expire on Dec. 31.

Plan trustees sued

Trustees of a multiemployer pension plan made imprudent real estate loans, the Labor Department says.

Trustees of the California Woodworkers Pension Trust of Oroville, Calif., made a series of inadequately secured loans at below-market interest rates, the department said.

In a suit filed in U.S. District Court in Sacramento, Calif., the department said the trustees also spent excessive amounts for administration of the trust.

The suit asks the court to order the trustees to rescind the prohibited loans, reimburse the plan for any losses incurred by improper investments and relinquish investment authority for 10 years to a court-appointed investment manager.

Named as defendants are current or former trustees Dean Hull Simpson, John C. Armstrong, Bruno Bounanoma, Charles Hensley, Daniel Allison and N. Jean Paul.

Pension offices closed

The Labor Department's Office of Pension and Welfare Benefit Programs, which enforces the Employee Retirement Income Security Act, is closing down three district offices.

Last week, the department closed its Buffalo, N.Y., office and shifted that office's responsibilities to the OPWBP's Boston office. The Boston office is located at 110 Tremont St., Room 211, Boston, Mass. 02108; 617-223-6734.

In addition, OPWBP district offices in Nashville, Tenn., and Puerto Rico also were closed. Those offices' cases have been shifted to the Atlanta area office, which is located at 1371 Peachtree St., Room 205, Atlanta, Ga. 30367; 404-881-4090.

Crime insurance

The Federal Crime Insurance Program is expected to stop writing new policies on Sept. 30 when statutory authority for the program runs out.

Last year, Congress rejected the Reagan administration's proposal to kill the program at the end of the 1984 fiscal year, but agreed to one-time program extension to Sept. 30, 1985.

Policies written before Sept. 30 will remain in-force for their full one-year term.

The program currently has about 40,000 policyholders, many of them small businesses in the New York metropolitan area.

Reinsurance results

U.S. underwriters netted a re-

Wisconsin hit hardest in midwestern storm

NEW YORK—Wind, hail and tornadoes caused an estimated \$40 million in insured property damage June 8-10 in Wisconsin, Michigan and Kentucky, according to C.E. Hermanson, vp of the Property Claim Services division of American Insurance Services Group Inc.

Hardest-hit was Wisconsin, where an estimated \$18 million in damage was reported, most of it around Marinette.

Property losses in the area of Menominee, Mich., were estimated at \$15 million. And, damage in Kentucky was pegged at \$7 million.

The storm was assigned Catastrophe No. 73 by the Insurance Services Office.

ord \$1.079 billion in reinsurance premiums for coverage sold in foreign countries.

However, this amount was less than half of what U.S. insurers paid to foreign reinsurers.

U.S. insurers reinsuring overseas risks received net premiums—premiums minus commissions—of \$1.1 billion and paid out \$985 million in losses for net receipts of \$115 million, according to the U.S. Commerce Department's Bureau of Economic Analysis.

However, at the same time, U.S. insurers paid out \$2.4 billion in net premiums to foreign reinsurers in 1984, the largest amount since the Commerce Department started reporting reinsurance statistics 35 years ago.

U.S. insurers recovered \$2 billion in losses on the \$2.4 billion in net premiums they paid to foreign reinsurers, or a \$400 million net outflow.

Comparing the U.S. receipts of \$115 million with the net U.S. pay-

ments of \$400 million, the effect of last year's international insurance transactions was a net outflow of \$285 million to foreign reinsurers.

IRA, Keogh assets

The amount of Individual Retirement Account and Keogh plan assets has topped \$200 billion.

Between June 1984 and June 1985, IRA and Keogh plan assets climbed to \$202.4 billion from \$142.2 billion, a 42.3% increase, according to the Employee Benefit Research Institute.

Under law, an individual employee can contribute up to \$2,000 annually to an IRA. Up to \$30,000 annually can be contributed to a Keogh plan.

Keogh plans are used mainly by self-employed professionals, such as lawyers and doctors.

EBRI also reports that, as of this June, 27.6% of IRA and Keogh plan assets were held by commercial banks, compared with 28.2% in

June 1984. Savings and loans held 24.5% of the assets this June, down from 26.2%, and the remaining 47.9% of IRA and Keogh assets was divided among a variety of financial institutions, including life insurance companies, credit unions and mutual savings banks.

Social Security exhibit

Employee benefit managers who are in Washington during the next several months may want to stop at the National Archives, which is featuring a special exhibit on the history of the Social Security Act, whose 50th anniversary was last month.

The exhibit will be open to the public through December. The National Archives is located at Pennsylvania Avenue and 8th Street N.W.

Railroad retirement

Another federal retirement ben-

efit program is celebrating its 50th anniversary this year.

On Aug. 29, 1935, President Franklin D. Roosevelt signed the Railroad Retirement Act into law. That act created a new, federally administered pension program for many of the nation's railroad workers.

During the last 50 years, the railroad retirement program—funded through special payroll taxes railroads pay—has delivered more than \$80 billion in retirement benefits to a total of 1.6 million retired employees, 800,000 spouses and 2 million survivors.

This year, the program will provide about \$6 billion in retirement and survivors' benefits to about 1 million persons, according to the U.S. Railroad Retirement Board, the agency that administers the program.

Both the Railroad Retirement Act and the Social Security Act were key components of the Roosevelt administration's New Deal legislation.

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PPO cuts health costs at Hewlett-Packard

PALO ALTO, Calif.—A year-old preferred provider agreement between a California hospital and a large employer is cutting the employer's health care costs by 20%.

The PPO agreement between Palo Alto-based Hewlett-Packard Co. and El Camino Hospital in Mountain View, Calif., is thought to be the first arrangement directly negotiated between a hospital and a self-insured employer.

Both parties say they're happy with first-year results of the arrangement and have agreed to continue the project a second year.

During the first year of the PPO's operation, which ended May 31:

- Hewlett-Packard reduced its costs by 20.8%, paying about \$2,099 per case compared with \$2,888 the

year before. That amount includes all costs for inpatient care, chemical dependency treatment and ambulatory surgery.

These cost savings were significant for Hewlett-Packard, which previously saw its health care bill growing by as much as 20% annually.

- El Camino treated 630 Hewlett-Packard employees, a 32% increase from the year before. Hewlett-Packard's 10,443 employees in Santa Clara County had an incentive to go to El Camino because their out-of-pocket costs are reduced by 50% if they use the hospital and its physicians.

- Patients using one-day ambulatory surgery increased 152% to 171 from 68 patients the year before.

- The average hospital stay for a Hewlett-Packard employee dropped 12% to 3.5 days from four days.

Although Hewlett-Packard successfully contained its acute care costs at El Camino, mental health coverage is a "thorny problem," said Arthur Young, Hewlett-Packard's benefits manager. Psychiatric stays at El Camino ranged between 10 and 28 days, compared with an average of less than four days for an acute care stay.

Hewlett-Packard executives were also surprised that psychiatric services account for such a large share of its costs, Mr. Young said, adding psychiatric care is "an area we need to look at more closely."

The El Camino and Hewlett-Packard project is made up of two separate agreements between the company and the hospital and the company and the hospital's 225-member physicians' group, El Camino Preferred Physicians Medical Group Inc.

The project, which started in June 1984, was developed during a 20-month period.

During the first year, Hewlett-Packard paid El Camino a \$2,494 flat daily rate per patient for inpatient hospital services provided, excluding ambulatory surgery and chemical dependency services. That's about 15% less than what Hewlett-Packard estimates it paid El Camino for inpatient services the year before.

The rate wasn't discounted at the insistence of both the hospital and the employer. Hewlett-Packard didn't ask for discounted rates because it doesn't want the hospital to shift costs to other businesses, said Neilson S. Buchanan, El Camino's chief executive officer.

Hewlett-Packard's Mr. Young is uncertain whether the company's experience in Santa Clara County can be repeated in the 300 other areas where the computer and medical instrument manufacturer is located.

"We've had good results (at El Camino) because people invested a lot of time putting this program together. It's not clear to me if it's portable or not," Mr. Young said.

Hewlett-Packard might not have enough employees in other locations to make contracting with a hospital worthwhile, Mr. Young said, adding there might not be enough hospitals elsewhere interested in competing for the company's business and that medical staffs in some areas might resist the stringent utilization review that Hewlett-Packard requires.

The hospital is talking to "two or three other" employers about a similar preferred provider arrangement, Mr. Buchanan said.

"Things seemingly went well in the first year, but we need to see whether the same trends play out another year," he said.

—Crain News Service

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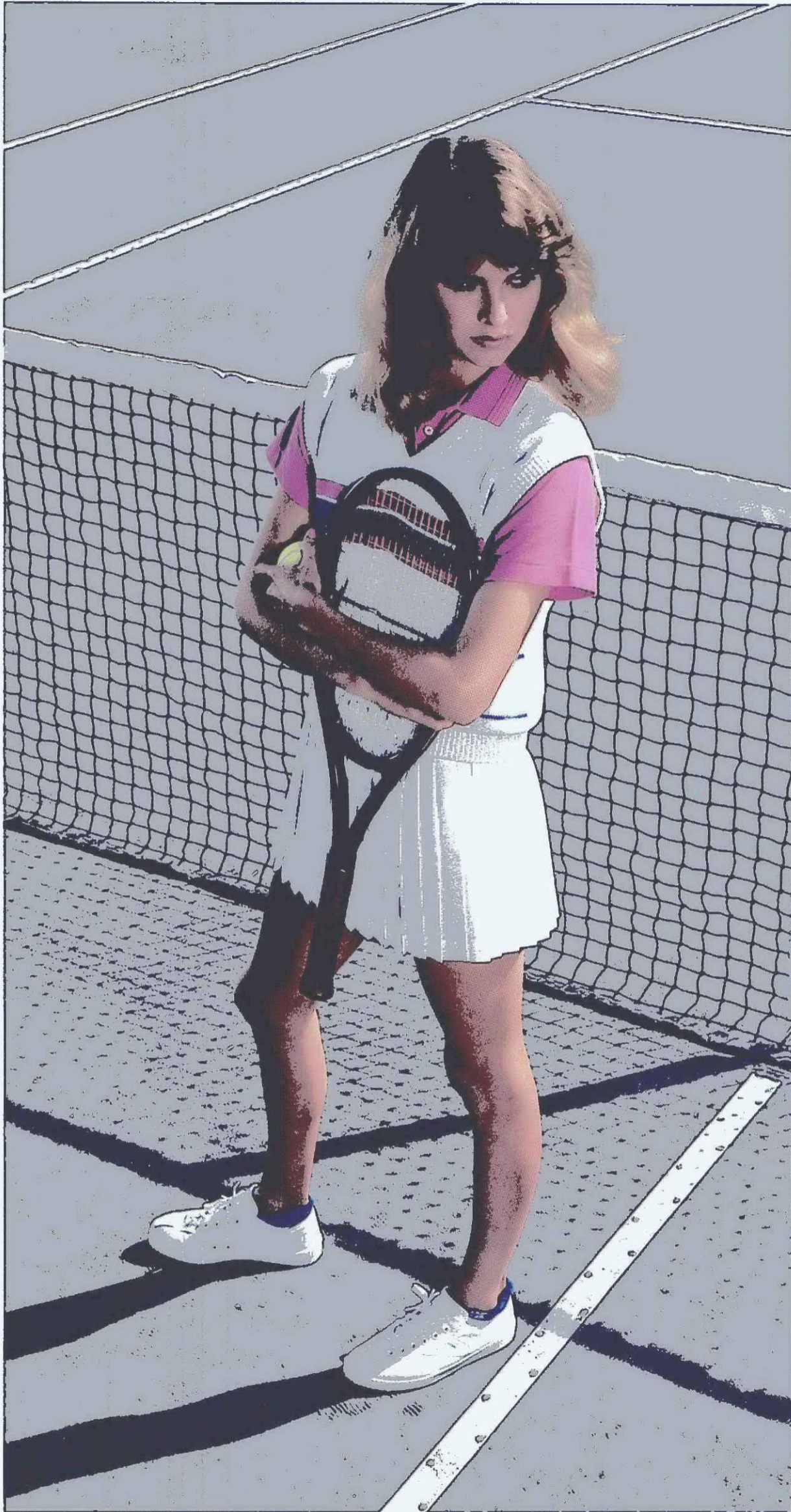
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● Blue Cross of Central Ohio is offering a "Health Care Buyer's Guide" that compares charges for 25 frequent diagnoses at 40 community hospitals in its 29-county area. The guide also includes recommendations for a healthy life-style. Costs range from \$2 each for one to four copies to \$1 each for 25 or more copies. To order, write Blue Cross of Central Ohio, 255 E. Main St., P.O. Box 16526, Columbus, Ohio 43216; 614-464-5919.

● A back injury reduction kit is available from Darrell Heppner & Associates Risk Management Services. The kit includes 26-month case studies of three employers using the CompVest, a lower-back support vest manufactured by Comp Equipment in St. Paul, Minn., that can be worn on the job. The kit is available for

\$4.95 from Darrell Heppner & Associates, 154 Sunnyside Drive, San Leandro, Calif. 94577; 415-632-2200.

● Employee stock ownership plans and payroll stock ownership plans as employee benefit plans are discussed in a reprint article available from the International Foundation of Employee Benefit Plans. The article, which is aimed at people new to the employee benefits field, is free from the Publications Department, IFEPP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

● Employee dishonesty, mergers and acquisitions, pollution, computer fraud and other risk management problems in the banking field are discussed in "Banking Risk Management in a Tight Market," an article published in the latest issue of Betterley Risk Management Commentary. Copies of the issue are available for \$25 each from D.A. Betterley Risk Consultants Inc., 446 Main St., Department BR, Worcester Plaza, Worcester, Mass. 01608; 617-754-1704.

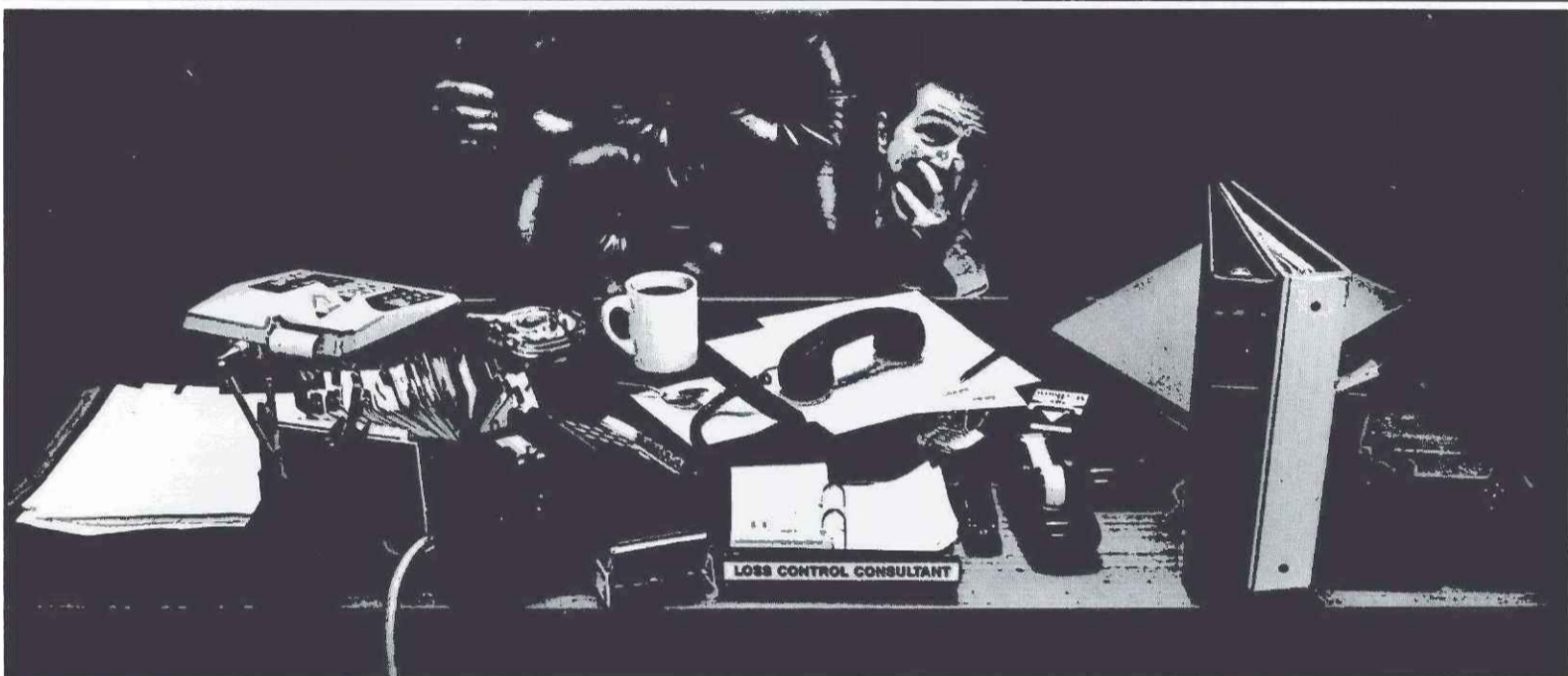
● Hunter & Associates is offering custom-tailored plan documents and summary plan descriptions for self-funded employers. To order samples from the consulting and writing firm, write Susan L. Waybourn, Vp-Marketing, Hunter & Associates, 8595 Aquarius Drive, San Diego, Calif. 92126; 619-578-7461.

● "CIVIL RICO: The Insurers Fight Back" is a booklet offered by the Chicago law offices of Leahy & Eisenberg Ltd. The 31-page booklet reviews the requirements of the Racketeer Influenced and Corrupt Organizations Act and illustrates the case law concerning the application of RICO both by and against insurance companies in claim litigation. For price and ordering information, write Ronald Olson, Leahy & Eisenberg, Ltd., 29 S. LaSalle St., Suite 300, Chicago, Ill. 60603; 312-368-4554.

● A booklet from the Alliance of American Insurers, "Hazard Communications and Employee Right-to-Know Loss Control Guidelines," provides useful information for employers concerning compliance with federal hazard communication standards. The booklet also includes guidelines for advanced employee safety and health programs. Copies are \$1.30 for Alliance members and \$2.70 for non-members. Order from the Alliance Publications Order Department, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60195-4980; 312-490-8500.

● Employees can find out how good nutrition, regular exercise and controlling stress can help them feel their best in "About Wellness," a booklet offered by Channing L. Bete Co. Inc. Prices range from 69 cents each for 25-49 copies to 15 cents each for 50,000-99,999 copies. Order from Channing L. Bete Co. Inc., 200 State Road, South Deerfield, Mass. 01373; 800-628-7733.

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Continued from previous page
ferred by the Insurance Institute of America and the American Institute for Property & Liability Underwriters are outlined in the "1985-1986 CPCU/IIA Catalog," now available from the IIA. Copies are free from Field Services Department, The Institutes, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

• Step-by-step procedures for choosing courses, programs, study methods and materials, as well as registering for national examinations, are outlined in "1985-1986 Key Information," a booklet from the Insurance Institute of America. A "Self-Inventory for Prospective CPCU/IIA Students" is also included for students seeking educational counseling. Free copies are available from Field Services Department, The Institutes, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

• Health care cost-containment techniques are discussed in "Health Care Cost Containment 1984," an 81-page book from the International Foundation of Employee Benefit Plans. The book covers such cost-saving techniques as preferred provider organizations, auditing provider charges, worksite health promotion opportunities and other subjects covered at the IFEBP's 1984 Health Care Cost Containment Seminar. The cost is \$7 for IFEBP members and \$12 for non-members. Order from Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• The Insurance Institute of America has published a new textbook for use in the Associate in Claims program. Copies of the text, "Liability Claim Concepts and Practices," are available for \$22 from Frederick Hodosh, Insurance Institute of America, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

• The concerns of the Professional Insurance Agents of New England about changes in the commercial general liability forms are expressed in a "White Paper" on the Insurance Services Office's new CGL policies. Free copies are available from PIANE, 1 Ash St., Hopkinton, Mass. 01748; 617-435-6801.

• The application of electronic data processing for employee benefit plans is covered in "EDP: Applications for Employee Benefit Plans," available from the International Foundation of Employee Benefit Plans. The 55-page book is a compilation of presentations made at the 1984 Electronic Data Processing Institute and includes such subjects as evaluating and selecting computer hardware, auditing EDP operations and online claims adjudication. The cost is \$6 for IFEBP members and \$10 for non-members. Copies are available from Publications Department, IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• "Shedding Light on Benefits Issues—1984 Annual Educational Conference Proceedings" is available from the International Foundation of Employee Benefit Plans. The 342-page book includes comments

by Robert H.G. Monks, former administrator of the Office of Pension and Welfare Benefit Programs of the U.S. Department of Labor, concerning the impact of the Employee Retirement Income Security Act on the economy. The cost is \$20 for IFEBP members and \$35 for non-members. Copies are available from Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• A brochure from Coopers & Lybrand describes the computerized 401(k) plan administration system developed by the benefit consulting division of Coopers & Lybrand. The system, described in "Making Your 401(k) Plan Work Effectively," maintains a full transaction history for each plan participant. Free copies of the brochure are available from Arlene Nowak, Coopers & Lybrand, 400 Renaissance Center, Detroit, Mich. 48243; 313-446-7346.

• A new textbook will replace all previous study materials for ARM 54, part of the Associate in Risk Management program offered by the Insurance Institute of America. The new two-volume text, "Essentials of the Risk Management Process," provides an overview of risk management, including identifying and analyzing exposures to property, income and liability and techniques for coping with these exposures. Each volume is \$22 and can be ordered from George L. Head, Insurance Institute of America, 720 Providence Road, Malvern, Pa. 19355; 215-644-2100.

• "Computer Security Issues and Answers" is a new magazine supplement being offered by the Computer Security Institute. The 24-page supplement contains eight articles on computer information protection by prominent authors, including FBI Director William H. Webster. For a free copy send a

self-addressed 9- by 12-inch envelope with 73 cents postage to Phyllis St. Martin, Department A5, Computer Security Institute, 43 Boston Post Road, Northborough, Mass. 01532.

• A new brochure, "Ten Steps to a Successful Marine Insurance Program," is now being offered by Cook & Miller International Ltd. The guide—designed for exporters, importers, risk managers, and others involved in international shipping—provides a basic outline of what steps are necessary in obtaining a comprehensive marine insurance program. For a free copy write Michele Milone, Cook & Miller International Ltd., 60 E. 42nd St., Suite 724, New York, N.Y. 10165.

• The Hartford Steam Boiler Inspection & Insurance Co. has published a new brochure highlighting the company's approach to helping manufacturers meet the American

Society of Mechanical Engineers' code requirements. Included in the eight-page, full-color brochure is a description of Hartford Steam Boiler's customized cost-effective programs to help manufacturers of boilers, pressure vessels, pressure piping and nuclear components qualify for ASME code stamps. Those wishing to order a free brochure should write Marketing Services, The Hartford Steam Boiler Inspection & Insurance Co., 1 State St., Hartford, Conn. 06102.

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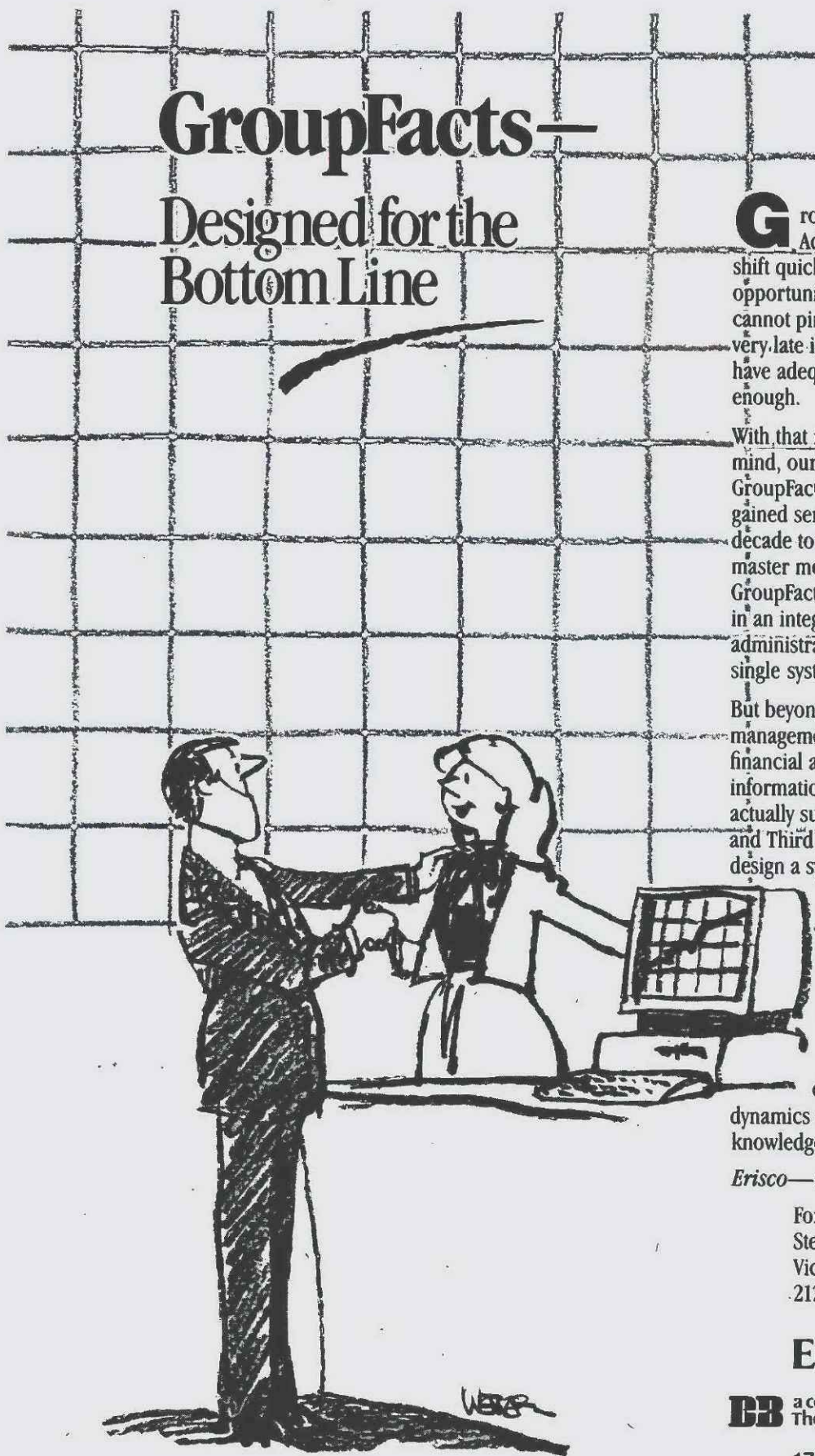
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Hancock offers pre-admission review program

John Hancock Mutual Life Insurance Co. is offering a pre-admission review program to its group health insurance clients that the insurer guarantees will reduce hospitalization costs.

If the reduction in hospitalization costs attributable to the review program does not offset the cost of the program during the first year of use, Hancock will pay the difference.

Under the program, designed for groups with at least 500 lives, a patient and the attending physician must complete a pre-admission review form and send it to a Hancock nurse-reviewer at least 10 days before a non-emergency hospitalization.

The form lists the reasons for the hospitalization and the expected length of stay.

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The nurse-reviewer evaluates the medical necessity of the hospitalization by comparing the physician's proposed treatment plan to the employer's plan's medical necessity requirements. The nurse-reviewer also compares the expected length of stay to regional norms.

The patient and physician are then advised the extent to which the group plan will cover the hospitalization.

Patients and physicians who do not agree with the nurse-reviewer's opinion can appeal the review to other Hancock officials.

Under the continued stay portion of the review program, nurse-reviewers call the attending physi-

cian to update information and determine if the patient needs to extend his or her stay.

The cost of the program is based upon the number of employees enrolled in the plan, a Hancock spokesman says.

For more information, contact Lawrence E. Townley, Second Vp-Group Sales, T-27, John Hancock Mutual Life Insurance Co., P.O. Box 111, Boston, Mass. 02117; 617-421-6205.

Driving safety

NWNL General Insurance Co. in Minneapolis is offering a driving safety program to employers that

offer their employees group automobile coverage written by NWNL.

The program, called "Safe and Sound," is designed to heighten employees' awareness of the need to wear seat belts and to avoid drinking and driving.

The program consists of a 75-minute program, held on company time, that focuses on the issues of seat-belt use and drinking and driving. It includes a videotape presentation and encourages discussion among the employees, which "brings it down to a basis their fellow employees can relate to," according to a spokeswoman for NWNL.

At the end of the program, the employees sign "pledge cards," saying they will not drink and drive and that they and their passengers

will wear seat belts.

Employees who sign the card and then purchase their personal auto insurance through the NWNL group plan receive a discount of \$30 per year on their premiums.

The spokeswoman said the company is marketing "Safe and Sound" as a wellness program. "Our idea deals with the prevention of accidents," she said.

Also, she said, the program "increases employers' visibility to their employees as being concerned about their employees."

The cost to employers is determined by the number of employees eligible for the auto coverage who participate in the program.

If 20% or fewer of the eligible employees participate, the employer's cost is \$10 per employee. The per-employee cost decreases until, if 80% of the eligible employees participate, the program is free to employers.

For more information, contact Bob Ritchie, vp-marketing and sales, NWNL General Insurance Co., 100 Washington Square, Suite 1725, Minneapolis, Minn. 55440; 612-372-5432.

RICO analyzed

A new publication from the American Bar Assn.'s Section of Criminal Justice examines how the controversial Racketeer Influenced and Corrupt Organizations Act is used in civil and criminal cases and some of the problems caused by the law.

The 275-page book provides a comprehensive overview of RICO, analyzes other RICO-styled statutes and contains an in-depth commentary explaining the controversial aspects common to all RICO statutes.

The book is available for \$32 to ABA Criminal Justice Section members and \$39.50 for others.

To order, contact the American Bar Assn., Order Fulfillment Department (PC #509-0020-01), 750 N. Lake Shore Drive, Chicago, Ill. 60611. There is a \$2 handling charge per order.

OSHA programs

Employee training programs on avoiding hazards associated with confined spaces, carbon monoxide and welding and cutting are now available from the Occupational Safety and Health Administration.

"Safety and Health Requirements for Working in Confined Space" is intended to teach employees to recognize sources of danger in confined spaces; understand and describe hazards; and select and use proper protective clothing and equipment.

"Safety and Health Requirements for Working With Carbon Monoxide" explains how carbon monoxide is formed; how to spot potential sources of carbon monoxide and its health hazards; how exposure to the gas can be controlled; and what protective clothing and equipment can be used to limit exposure.

"Safety and Health Factors in Welding and Cutting" teaches employees how to recognize hazards involved in gas and arc welding; how to select proper clothing and equipment; and how to understand safe work practices.

Each of the training programs consists of approximately 80 slides, a cassette tape, script, an instructor's guide and class handouts. Each program runs about 30 minutes.

The programs cost \$79 each. Checks should be made payable to the National Archives Trust Fund.

To order, write the National Audiovisual Center, Washington, D.C. 20409.

Continued on next page

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Continued from previous page

Work comp film

"Early to Rise," a new 15-minute film released by the medical committee of the International Assn. of Industrial Accident Boards & Commissioners, examines the role of the physician in workers compensation cases.

The film's script explains, "The workers compensation paid to the worker, the cost of medical care, rehabilitation, sometimes psychological care and vocational training—all are expensive, both personally and financially."

"Society has only one person who can manage the treatment of a worker's injury in a way that takes all of these factors into account and can communicate them to the patient. The doctor is the key."

The film features a physician, Dr. Alf Nachemson, chairman of the department of orthopedics at Gotenburg University in Sweden, and a psychiatrist, Dr. Marc Hertzman, associate professor of psychiatry and behavioral science at George Washington Medical Center in Washington.

The presentation is available on 16-mm film for \$350 or VHS, Beta or ¼-inch videotape for \$100. To order, contact J.T. Noblin, Executive Director, IAIABC, P.O. Box 13449, Jackson, Miss. 39236; 601-366-4582.

Colorado PPO

The United States Life Insurance Co. is introducing its U.S. Lifecare preferred provider organization in Colorado.

The PPO, made up of 11 independent physicians' organizations with more than 2,000 enrolled doctors, is available to Colorado employers with five or more employees.

The plan covers the full cost of eligible care provided by participating physicians with no deductible required for office and outpatient visits and a \$100 annual deductible required for hospital admissions.

If a non-participating provider is used, the reimbursement rate drops to 70% after a \$250 deductible is paid.

For more information contact Hugh Bailey, Regional Vp-Group Marketing, United States Life Insurance Co., 125 Maiden Lane, New York, N.Y. 10038; 212-709-6384.

VDT program

CLM Safety and Health Awareness Systems has released a new employee training program, "VDT: The Human Connection."

The program presents a simple step-by-step guide to the proper setup of a video display terminal work station as well as other ways to reduce the most common objections of VDT users.

Among the questions the program answers include:

- Is there any radiation hazard in working with a VDT?
- Does working with a VDT cause cataracts or other eye problems?
- How can employers design VDT work stations to be functional and comfortable?

The 12-minute program is available in videotape and slide/tape formats. The program also includes an administrator's guide and 12 employee handbooks.

The cost of the program is \$345. To order, write Comprehensive Loss Management Inc., 7671 Central Ave. N.E., Suite 207, Minneapolis, Minn. 55432.

Insurer information

The National Assn. of Professional Surplus Lines Offices has created a new financial data service that publishes information on the financial status of active surplus lines insurers.

The service, part of a joint project between NAPSLO and Georgia State University, will be based on information extracted from the insurers' annual and quarterly reports filed with state insurance regulators.

The service includes all commonly observed industry ratios, plus a quarterly cash-flow analysis for each company. The service does not include a qualitative rating but is intended to give subscribers information on which they can evaluate the financial strength of an insurer.

The service is available to NAPSLO members at a cost of \$10 per report and to non-members for \$15 per report. To obtain order

blanks, write Dale Bohm, Executive Director, NAPSLO, P.O. Box 1507, Roswell, Ga. 30077.

Safety programs

Three new programs focusing on safety and health issues have been introduced by the Grain Industry Safety and Health Center.

The new programs are:
 • "Electrical Hazard Awareness," which is a 15-minute audiovisual presentation that shows how accidents and injuries can be reduced through making employees more aware of electrical systems and their hazards.

The training package contains 80 slides and a cassette tape narration,

a trainer's guide and suggestions and guidelines for using the program.

• "Truck and Rail Handling," another slide/tape presentation that provides grain facility employees with a complete orientation on how to handle rail car and truck operations. The program is designed to teach employees how to recognize and control hazards when working around trucks and rail cars, how to maintain equipment and how to observe traffic control guidelines.

The program also comes with a detailed training guide and other printed materials.

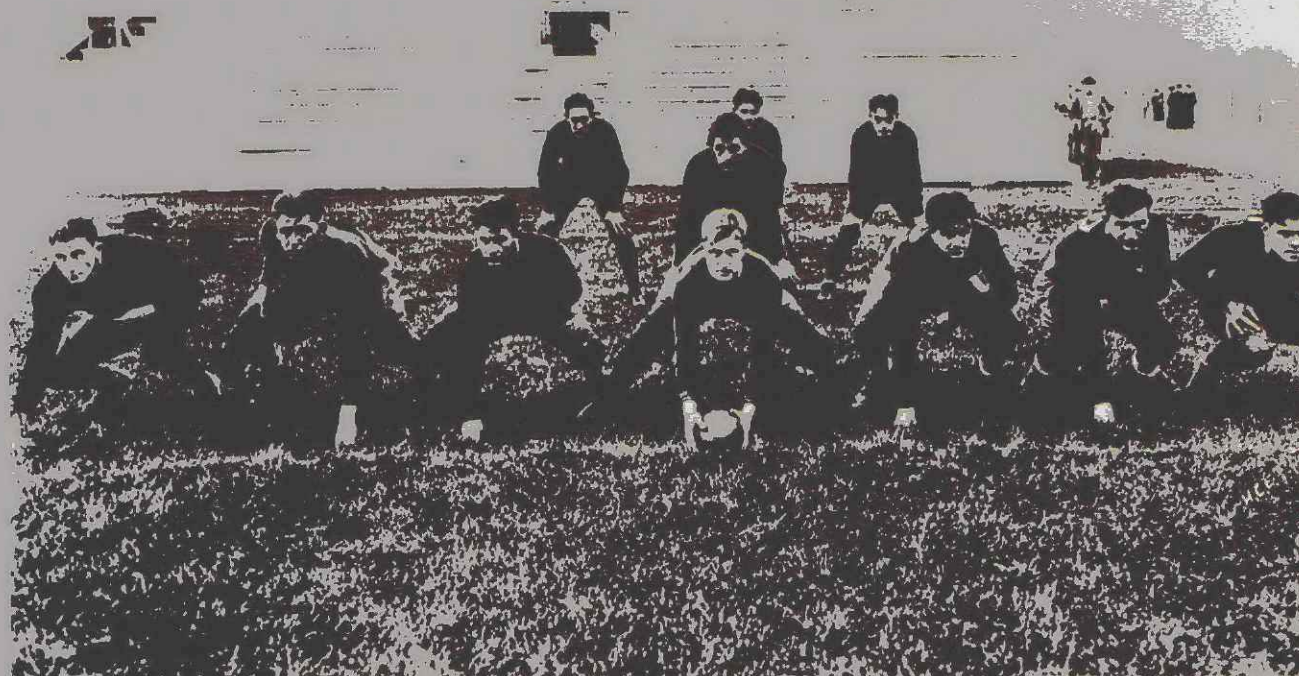
• "Occupational Health Hazard Recognition, which demonstrates

to grain facility employees the impact that their actions and work habits can have on influencing and reducing the risk of on-the-job health hazards. The slide/tape program and printed materials explore grain dust exposure, oxygen-deficient atmospheres, toxic chemicals, noise levels and working in extreme heat and cold.

The programs cost \$295 each for members of the Grain Elevator and Processing Society and \$395 for non-members. The price per program is reduced by \$45 if three programs are purchased.

To order write Grain Industry Safety and Health Center, Box 15026, Commerce Station, Minneapolis, Minn. 55415-0026. ■

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AMC wages battle against rising health costs

American Motors Corp. in Southfield, Mich., hopes to eliminate an expected 10% increase this year in health care costs through a barrage of cost-containment programs.

AMC spent \$80 million on health care benefits in 1984.

The new cost-containment programs, negotiated recently between AMC and the United Auto Workers union, will go into effect Nov. 1, said Chris Mykrantz, manager of corporate group insurance for AMC.

The contract, ratified in July and effective Aug. 5, governs 8,000 UAW employees and 4,000 retirees of the company's Kenosha and Milwaukee, Wis., plants.

The cost-containment programs include pre-admission testing, pre-certification for all non-emergency hospital admissions, concurrent re-

benefit beat

view on all hospital admissions and second surgical opinions for 20 common surgical procedures. The programs are mandatory and workers will be penalized if they ignore them.

The pre-admission testing, pre-certification and concurrent review programs will be coordinated by Health Resources Management Inc., a Southfield, Mich.-based independent health care administrator, not Blue Cross & Blue Shield United of Wisconsin, the health care plan's insurer.

Employees who disregard the administrator's recommendations will pay a \$150 per-person deductible and 20% of expenses over the de-

ductible, up to a maximum of \$500 a year for individuals and \$1,000 for families, Mr. Mykrantz said.

However, if they do follow the recommendations, they receive their normal first-dollar health care coverage.

In addition to these "negative" cost-containment incentives, the new contract establishes "positive" incentives to encourage workers to use health care options that are considered cost effective.

For example, the contract makes it easier for workers to receive home health care.

Under the previous contract, workers could only use registered nurses or licensed practical nurses

for home health care.

The new contract allows the use of non-medical home assistance, such as "candystrippers" and domestic helpers.

The contract also establishes a preferred provider network of pharmacies that offer discounts on both generic and brand-name drugs. Workers who use the preferred pharmacies only pay a \$2 per-prescription deductible, instead of \$5, Mr. Mykrantz said.

In addition, the contract calls for the use of a mail-order drug program which allows workers to order maintenance drugs, like insulin, in large quantities and therefore decreases the number of deductibles they have to pay, Mr. Mykrantz said.

The contract also provides first-dollar coverage for hospice care.

Previously, there was no such benefit, Mr. Mykrantz said.

And, the contract calls for the addition of another health maintenance organization network in Milwaukee by November. Currently, only one HMO network is available.

AMC also has agreed to set up a toll-free hot line staffed with medical professionals to answer workers' questions about the health care plan as well as health-related questions, Mr. Mykrantz said.

The contract also includes changes in workers' sickness and accident, life insurance and extended disability benefits, recognizing cost-of-living increases, Mr. Mykrantz said.

For example, workers will receive an average increase of \$55 a week in sickness and accident pay. However, even with the increase, total weekly benefits cannot exceed \$380 a week, according to Mr. Mykrantz.

The regular benefit ranges from \$220 to \$380 a week, depending on the worker's hourly rate, he said.

Life insurance benefits also will increase by an average of \$2,000. Currently, workers' life insurance ranges from \$22,000 and \$37,500, depending on their hourly pay rate. The maximum life insurance still will be \$37,500.

And, extended disability benefits will increase by an average of \$180 a month, depending on hourly rate and years of service. The regular benefit is \$790 to \$1,365 a month for workers with less than 10 years of service, and \$870 and \$1,500 a month for workers with 10 years of service or more.

Also, the new contract mandates that workers with 10 years of service or who are eligible for extended disability benefits receive these benefits for life.

Previously, workers received the extended disability benefits for only as many years as they had worked.

United Wisconsin Insurance Co. underwrites the UAW's sickness and accident and extended disability benefits for AMC; CIGNA Corp. underwrites the life insurance.

Employers join PPO

Seven San Francisco employers expect to collectively save at least \$600,000 in hospital costs by offering employees a preferred provider organization sponsored by Metropolitan Life Insurance Co.

The companies joining the PPO are the Bechtel Group of Companies; Collins International Foods Inc.; Marshall Industries Inc.; Kaiser Cement Corp.; Milton Meyer & Co.; Pacific Stock Exchange; and Glendale Federal.

Together they employ about 7,500 people in the San Francisco area. Including dependents and retirees, the "Met-Elect" preferred provider organization will be available to about 20,000 people.

Last year, the combined hospital bill for the seven companies was \$7.8 million, according to a spokesman for Metropolitan. The minimum projected savings achieved by using Met-Elect is expected to reduce that total bill by almost 8%, or \$600,000.

However, the actual savings may be double that because the insurer based the estimated savings on discounts offered by the preferred providers, without considering the decrease in utilization that is likely to result.

Nine hospitals and at least 1,500 doctors will be available to the seven companies through the PPO, Mr. Rosenberg said.

The preferred providers include teaching hospitals and children's hospitals and specialists, like ophthalmologists and psychiatrists. ■

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Bell Atlantic introduces flexible benefit plan

By DIANE LYNN KASTIEL

ARLINGTON, Va.—Bell Atlantic Corp. is offering its employees a new flexible benefits package that increases their cost for medical care but offers them more options in many benefit areas.

The Arlington, Va.-based company, one of the six offspring of American Telephone & Telegraph Co., is hoping the new program will hold down medical costs by giving employees incentives to choose more frugal plans.

According to Linda Spear, district staff manager for benefits research and design, the total cost of benefits at Atlantic Bell has increased 16% a year for the past five years. Health care costs alone increased 19% to 22% from 1978 to 1983 and about 10% in 1984.

The flexible program, which took effect July 1, covers 22,000 salaried employees of Bell Atlantic's service companies. It replaces a traditional program that included first-dollar medical coverage.

Under the new program, employees receive a certain amount of benefit dollars with which to buy the benefits they choose.

If the benefits they choose cost more than their benefit dollars, they can pay the difference through pretax payroll deductions.

If they spend less than they received, they get the difference in cash, which is taxed.

Employees are given enough dollars to purchase the "standard" option under each benefit, if they choose. "The standard plan is the one that's probably the closest to the benefits they had before," Ms.

Spear said.

The new program includes options in several areas:

- The medical plan offers four indemnity plan options and two to seven health maintenance organizations, depending on the location of the subsidiary. All the indemnity plans cover the same medical services but have different deductibles and co-payment levels.

- The least expensive coverage, called the "catastrophic plan," requires employees to meet a \$3,000 individual or \$9,000 family deductible and pay for 20% of all expenses exceeding the deductible, up to \$4,000 annually for individual coverage and \$12,000 for family coverage.

- The next option, called the "low plan," requires employees to meet a \$300 individual or \$900 family deductible and pay 20% of all ex-

penses exceeding the deductible, up to an annual out-of-pocket maximum of \$2,000 for individuals and \$6,000 for families.

- The third option, called the "standard plan," requires employees to pay a \$150 individual or \$450 family deductible and 20% of expenses exceeding the deductible, up to an out-of-pocket maximum of \$1,000 for individual coverage and \$3,000 for family coverage.

- The "high plan" requires employees to pay a \$100 individual or \$300 family deductible and 10% of expenses exceeding the deductible, up to annual out-of-pocket maximums of \$500 for individual coverage and \$1,500 for family coverage.

Although the cost varies among the different HMO options, it generally is less than the cost of the standard plan, Ms. Spear said.

- The dental plan has two options. One is identical to the old dental plan and is considered the "standard." It pays 100% of usual, reasonable and customary charges for preventive and diagnostic care, with no limit. It also pays 100% of reasonable and customary charges for restorative care and oral surgery, with a \$1,000 per-person lifetime maximum on orthodontia.

The other option covers 100% of usual, reasonable and customary charges for preventative and diagnostic care only and generally costs about half of what the standard plan would cost, Ms. Spear said.

- The group life insurance plan offers employees seven options, up to five times their annual salary in life insurance. Under the old plan, the company provided life insurance equivalent to an employee's annual salary and the employee also could buy up to twice his annual salary.

- The dependent group life insurance plan offers employees three options: the standard plan, which offers \$5,000 in insurance for the spouse and \$1,500 for each dependent child, and two enhanced plans that offer \$10,000 for the spouse and \$1,500 for each dependent child, or \$25,000 for the spouse and \$1,500 for each dependent child. Under the old plan, employees could buy \$5,000 in life insurance for their spouse and \$1,500 for each dependent child.

- The accidental death and dismemberment plan provides employees with the equivalent of their annual salary at no cost. Also, employees can buy coverage up to four times their annual salary.

- The long-term disability plan offers three options: 50%, 60% or 70% of base pay.

The new program also offers employees the use of two new flexible savings account options. One allows employees to deposit, on a pre-tax basis, from \$100 to \$2,000 to pay for unreimbursed health care expenses. The other allows employees to deposit, on a pre-tax basis, from \$100 to \$7,200 for day care and other dependent care expenses.

A 401(k) savings plan also has been introduced at Bell Atlantic. The plan allows employees to save up to 16% of their pay on either a pre- or post-tax basis. However, the first 2% must be on a pre-tax basis. And, the company provides a two-thirds match on the first 6% saved. The 401(k) plan replaces a traditional, after-tax savings plan.

Under the new plan, almost 15% of the employees opted for HMOs, compared with 3% under the old plan. Almost 25% chose the preventative-care-only dental plan instead of the standard plan.

About 10% of employees chose more life insurance than they had under the old plan and 10% chose less coverage, she said. Fifty percent chose more long-term disability insurance coverage.

About 42% of employees chose to open an FSA for health care expenses, with the average deposit being \$371. And, although only 4% chose to open one for dependent care expenses, the average deposit among those participating was \$2,112, Ms. Spear said, adding that 4% is not an unusually low participation rate for dependent care FSAs.

The percentage of participation in the 401(k) plan was 96%, with the majority of participants to make their entire contribution on a tax-deferred basis, Ms. Spear said.

Bell Atlantic used more than 100 personal computers to communicate the new flexible plan to employees and to help them figure the cost of various combinations of options. The computers were set up at enrollment meetings and used in conjunction with personalized workbooks and enrollment forms. ■



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Brend to head Commercial Union Assurance

Anthony L. Brend, president and chief executive officer of Boston-based Commercial Union Insurance Cos., will become chief executive officer of the company's London-based parent, Commercial Union Assurance Co. P.L.C., effective Jan. 1.

Mr. Brend, who also will become chairman of Commercial Union Corp., the U.S. holding company, will succeed Commercial Union Assurance Chief Executive Officer **C.R. Harris**, who is planning to retire.

Succeeding Mr. Brend as chief executive officer of the U.S. company will be Executive Vp **Kenneth J. Duffy**. Mr. Duffy also recently was appointed chief operating officer of Commercial Union Corp. and Commercial Union Insurance Cos.

Other insurer changes:

Several executive appointments have been made at Chicago-based North American Co. for Life and Health Insurance, a wholly owned subsidiary of RCA Corp. **Paul C. Colette**, president, named chairman and chief executive officer; **Gerald G. Kaufmann**, vp-marketing and operations, named president and chief operating officer; **Vance F. Howard**, vp-underwriting/processing, promoted to senior vp-operations; and **Elliot Leitner**, vp-benefits, promoted to senior vp in charge of the company's wholly owned subsidiary, North American Co. for Life and Health Insurance of New York.

John Birmingham named senior vp-Central Zone at Cincinnati-based Great American Insurance Cos. Mr. Birmingham, who joined Great American in 1977, most recently served as vp of the company's St. Paul Division.

Walter T. Liptak named president of General Life Insurance Corp. in Milwaukee. Mr. Liptak joins General Life from Montgomery Ward Insurance Group, where he was executive vp in charge of the life, health and credit insurance division.

Gary M. Griggs named president of Continental International Life, a new unit of Continental Corp., based in New York. Mr. Griggs, who joined Continental in 1982, is responsible for the company's international life and health operations. In addition, Mr. Griggs has served as president of Continental's Loyalty Life Insurance Co. and most recently was responsible for overseeing programs geared to marketing insurance through commercial banks.

Also at Continental Corp.:

Michael Hutchison, responsible for the company's international life operations since January 1983, con-

comings & goings: industry

tinues as senior vp and general manager of National Life of Canada, another Continental unit; **Raymond E. Gil** appointed vp in the company's Brokerage and Special Operations Group, with responsibility for marketing. Mr. Gil previously was assistant vp-marketing for the Group; **William H. Bolinder** named executive vp of the Brokerage and Special Operations Group at Continental Insurance Co. Mr. Bolinder, who joined Continental in 1978, most recently served as vp and manager; and **Ronald W. Waisner** named vp and Pacific regional manager for Continental's Agency Group operations. Mr. Waisner, who joined Contin-

tal in 1959, most recently was manager of the company's York, Pa., office.

William H. Boornazian named vp in the national accounts department at Aetna Life & Casualty in Hartford, Conn. Mr. Boornazian, who joined Aetna in 1972, most recently served as vp-field operations and property underwriting.

Donald Redmond named president of Wausau Underwriters Insurance Co. and Worldwide Underwriters Insurance Co., which are both based in St. Louis and are subsidiaries of Wausau Insurance Cos. Mr. Redmond succeeds **Jack Smith**, who retired. Mr. Redmond joined the company in 1973 and

most recently served as executive vp.

Gary L. Fears named vp-operations for HealthCare Network, a St. Louis-based health maintenance organization. Mr. Fears most recently was director of laboratories of a hospital.

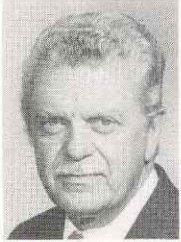
John DiFalco joins San Diego-based Insurance Co. of the West as vp-property/casualty underwriting. Mr. DiFalco most recently was with Warner Insurance Group, a division of Wausau Cos.

Financial Guaranty Insurance Co. in New York, a subsidiary of FGIC Corp., has appointed two executives: **Peter J. Schmitt** joins the company as executive vp-risk management and **Robert M. Kessler** named executive vp-corporate development and reinsurance. Mr. Schmitt previously

was senior vp and director of fixed income research at Prescott, Ball & Turben Inc. Mr. Kessler has been with Financial Guaranty since 1983, and also serves on the company's management executive and external underwriting committees.

Frank J. McDonald Jr. named chairman of the board of Pennsylvania Millers Mutual Insurance Co. in Wilkes Barre, Pa. Mr. McDonald, owner of McDonald & Co., an insurance adjusting firm in Scranton, Pa., also becomes chairman of the executive committee of PMH Co. and American Millers Insurance Co. He succeeds **Charles E. Miner Jr.**, who has resigned as chairman but will remain a member of the Pennsylvania Millers board.

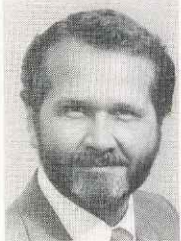
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Mr. Colette



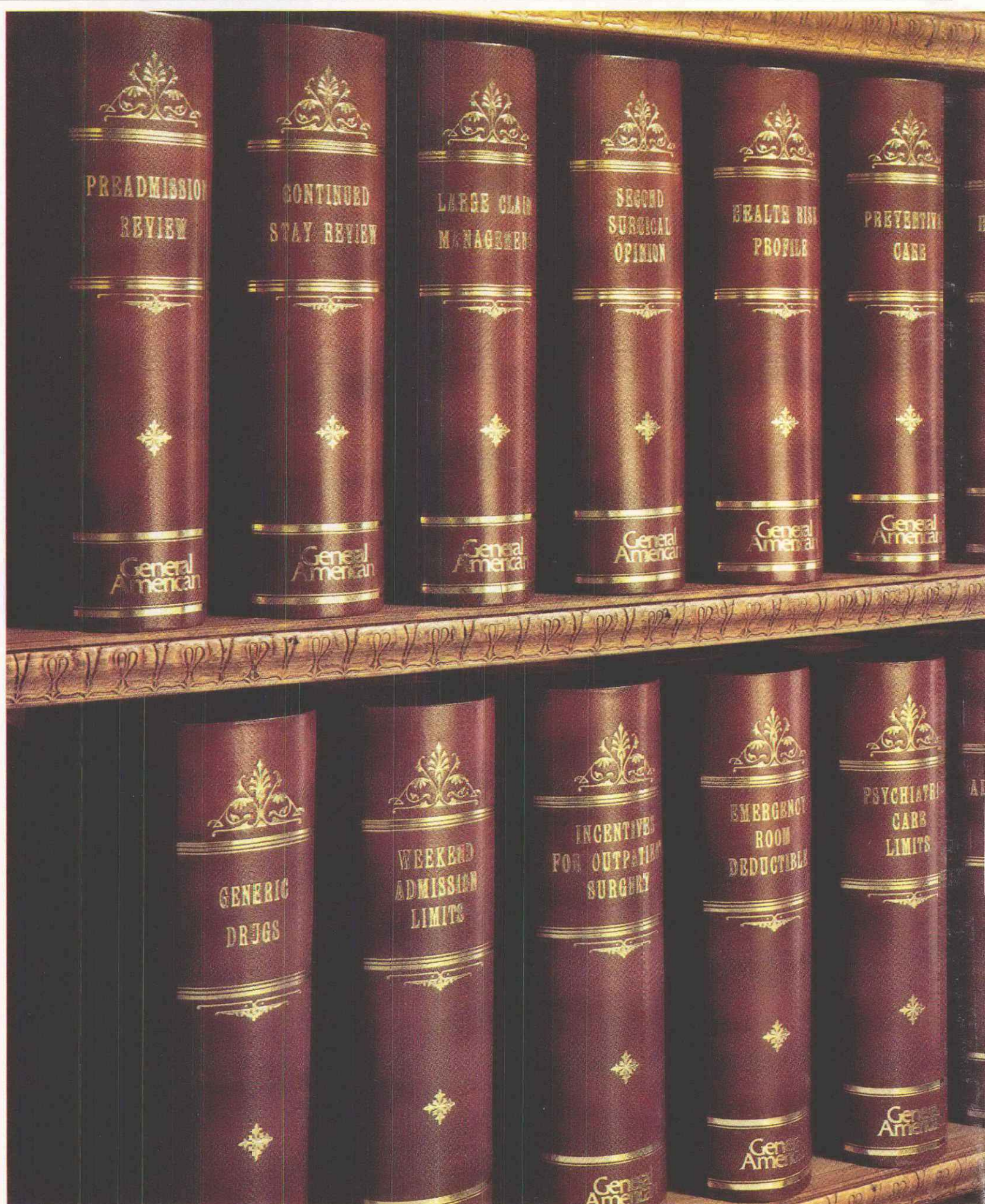
Mr. Kaufmann



Mr. Howard



Mr. Leitner



Continued from previous page

John E. Manley named senior vp to head the newly established Financial Services Division at Mutual of America in New York. Mr. Manley most recently served as president and chief executive officer of City Trust Services, N.A., a federally chartered trust company based in Elizabeth, N.J. Prior to that, he served 22 years with The Equitable Life Assurance Society of the U.S. in various investment capacities.

Elizabeth M. Lindner named vp-underwriting at Decatur, Ill.-based Federal Kemper Insurance Co., a member of the Kemper Group. Ms. Lindner, who joined the company in 1977, most recently served as manager of planning and research.

Richard S. Skolnik joins Beneficial Insurance Group Inc. in Peapack, N.J., as senior vp and actuary. Mr. Skolnik, formerly of Royal Insurance Cos., will be responsible for administration and manage-

ment of the insurance group's property/casualty operations.

Reinsurance

Thomas A. Lynch named senior vp-treaty department at Metropolitan Reinsurance Co. in New York. Mr. Lynch joined MetRe in 1984 as a vp.

Dennis A. Bentley named senior vp of Reinco Intermediaries Inc. in New York. Also, **Adrian J. Kilker** named vp.

Darrell K. Porath joins New York-based American Re-Insurance Co. as vp-treaty underwriting department. Mr. Porath has held a variety of positions at Fireman's Fund Insurance Cos., CIGNA Corp., Industrial Indemnity Co. and Aetna Life & Casualty Co. Also at American Re, **Patricia A. Furst** named vp and actuary. Ms. Furst, who joined American Re in 1980, most recently served as assistant vp.

Donald K. Drelich promoted to

executive vp and chief operating officer at D.W. Van Dyke & Co. Inc., reinsurance intermediaries and consultants based in New York. Mr. Drelich joined the company in 1981.

Excess/surplus

Cyril E. Rance appointed president and chief executive officer of Bermuda Fire & Marine Insurance Co. Ltd. in Pembroke, Bermuda. Mr. Rance, formerly general manager, succeeds **Colin R. Young**, former managing director, who has retired.

Allen F. Brown joins Nebel & Clark Inc., excess and surplus lines intermediaries, as senior vp.

Three executives have been promoted at National Excess Insurance Services Inc.'s Los Angeles office. **Raymond Williams** named senior vp-property/casualty production; **Robert Ougheltree** named senior vp in charge of financial services; and **Mary Tole** named vp-prop-

erty/casualty marketing.

Steven A. Johnson named executive vp at NAS Ltd. in Chicago.

Arthur B. McHugh named senior vp-surplus lines in the Shoreview, Minn., office of Atwater McMillian Inc., the surplus lines and specialty risks management subsidiary of St. Paul Fire & Marine Insurance Co.

Other suppliers

Seven retirement plan consultants have been promoted to senior vp at Booke & Co. in Winston-Salem, N.C. They include: **H. Lee Bettis**, **J. Robert Edwards**, **Joseph H. Ely**, **Linda P. Holleman**, **Robert H. Kluttz**, **Michael J. Waltrip** and **Hugh A. Wingo**. Mr. Bettis and Ms. Holleman work in Booke's defined contribution division, and Messrs. Edwards, Ely, Kluttz and Waltrip work in the defined benefit division. Mr. Wingo is manager of Booke's Birmingham, Ala., office.

James E. Stone joins New York-based Buck Consultants Inc. as director of group services. Mr. Stone, who previously served as president of Reed Stenhouse Inc.'s U.S. employee benefits company, also will be responsible for overseeing the management of Buck's new Houston office.

Joel B. Brandt joins Coopers & Lybrand's risk management consulting practice at the company's New York office. Mr. Brandt, who will serve as an associate consultant, previously was director of risk management for Westchester County, N.Y.

Also at Coopers & Lybrand, **George D. Menking** rejoins the company as principal in its Dallas office's Actuarial, Benefits and Compensation Consulting Group; **Michael R. Wilde** named senior consultant in the company's Houston actuarial, benefits and compensation consulting group; and **Sally Cabbell** joins the company as senior consultant. And, **Frederick Antonoff** named senior consultant in the Actuarial, Benefits and Compensation & Consulting Group at Coopers & Lybrand in Atlanta.

Susan Maddock named vp-underwriting at Variable Protection Administrators Inc., a Cleveland-based third-party administrator. Ms. Maddock, who has been with VPA almost eight years, most recently served as underwriting/MET manager. Also, **Michael Phillips** named director of VPA's new Special Risk Brokerage Division in Brunswick, Ohio.

Connie M. Weller named director-group benefits division at Braintree, Mass.-based National Insurance Advisory Services, a risk management consulting firm. Ms. Weller, who joined NAIS in 1981, previously was senior advisor in the group benefits division.

Jack Kunz promoted to president of Alex N. Sill Adjustment Co., based in Cleveland. Mr. Kunz previously served as vp. Also, **John Woodward** named senior vp, and **George Hoffman** named vp/executive general adjuster.

Warren D. Fuller named president of Bloomfield, Conn.-based Intracorp, part of CIGNA Corp.'s Affiliated Businesses Group, which provides disability management and medical care cost-containment services for insurers and employers. Mr. Fuller most recently was president of Howard Research & Development Corp., another CIGNA unit, which he joined in 1976.

Agents/brokers

Robert E. Pullan named senior vp of Kelter-Thorner of Michigan Inc. in Southfield, Mich. Mr. Pullan most recently was a vp.

Timothy E. Teagan named vp, secretary and administrative manager of Frank B. Hall & Co. of Michigan in Detroit. Mr. Teagan, who joined the company in 1974, most recently served as assistant manager of the property department.

Frank J. Rebholz joins Daniel & Henry Co. in St. Louis as vp. He had been a vp at J.W. Terill Inc.

Louis T. Zajdel named vp of Emett & Chandler Illinois Inc. in Chicago. Mr. Zajdel joined the company in January, when Emett & Chandler Illinois acquired the Lannan & Co. Insurance Agency.

William J. Redmond named president of DiLeo Associates in Piscataway, N.J., a unit of Meeker Sharkey Financial Group. Mr. Redmond previously was assistant vp with Alexander & Alexander Inc. in Bloomfield, N.J.

Donald A. Morgan named senior vp at Atlanta-based Fred S. James & Co. of Georgia Inc.

Thomas J. Jochums named senior vp in charge of the commercial brokerage unit at Marsh & McLennan Inc. in Seattle. Mr. Jochums, who joined the office in 1971, most recently was vp.

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CPISM THE ENLIGHTENED ERA IN HEALTH CARE

IF DISASTER STRIKES...

Being prepared for hurricane damage can make the difference

By James A. Lambert

ARE COMPANIES on the Atlantic Seaboard and Gulf Coast really prepared for the risk of hurricanes?

Several major hurricanes, like Hurricane Donna in 1960, Belle in 1976 and Agnes in 1982—have severely damaged property along the Atlantic Seaboard, particularly south of the Carolinas.

And, during the past 25 years, major hurricanes have frequently struck the Gulf Coast, including sizable storms like Carla in 1961, Dora and Hilda in 1964, Betsy in 1965, Beulah in 1967, Camille in 1969 and Alicia in 1983.

And, just last week, Hurricane Eleana prompted the evacuation of an estimated 1 million people, destroyed buildings, spun off tornadoes and created a 12-foot storm surge that caused substantial flooding.

Yet, despite these hurricanes, the National Weather Service estimates that almost 80% of the more than 40 million people who live in the coastal areas along the Atlantic Seaboard and the Gulf Coast have never experienced a major hurricane.

That may be why Dr. Neil Frank of the Miami-based National Hurricane Center, said last year: "We have a very serious hurricane problem... primarily a people one."

This concern has been reinforced by the Federal Emergency Management Agency in its October 1984 publication, "Perspective on Hurricane Preparedness," which warned that, without adequate emergency planning, businesses and residents on the coastline from Texas to Maine could be vulnerable to a major hurricane disaster.

Business and industry has flocked to the Sun Belt over the last few decades and as each "hurricane-less" season slips by, there exist more and more people, including risk managers, unfamiliar with the fearsome force of a hurricane.

Those who have never experienced a major hurricane may be lulled into a "it can't happen to me" frame of mind.

A major hurricane, however, brings torrential rain, violent winds and ocean surge, which could be several feet above the high-water mark, especially at high tide.

A major hurricane can cause also potentially severe physical damage to industrial and commercial property.

Although the "recognized" hurricane season is from June 1 to Nov. 30, an analysis by the National Weather Service of 468 hurricanes in the years 1886-1980

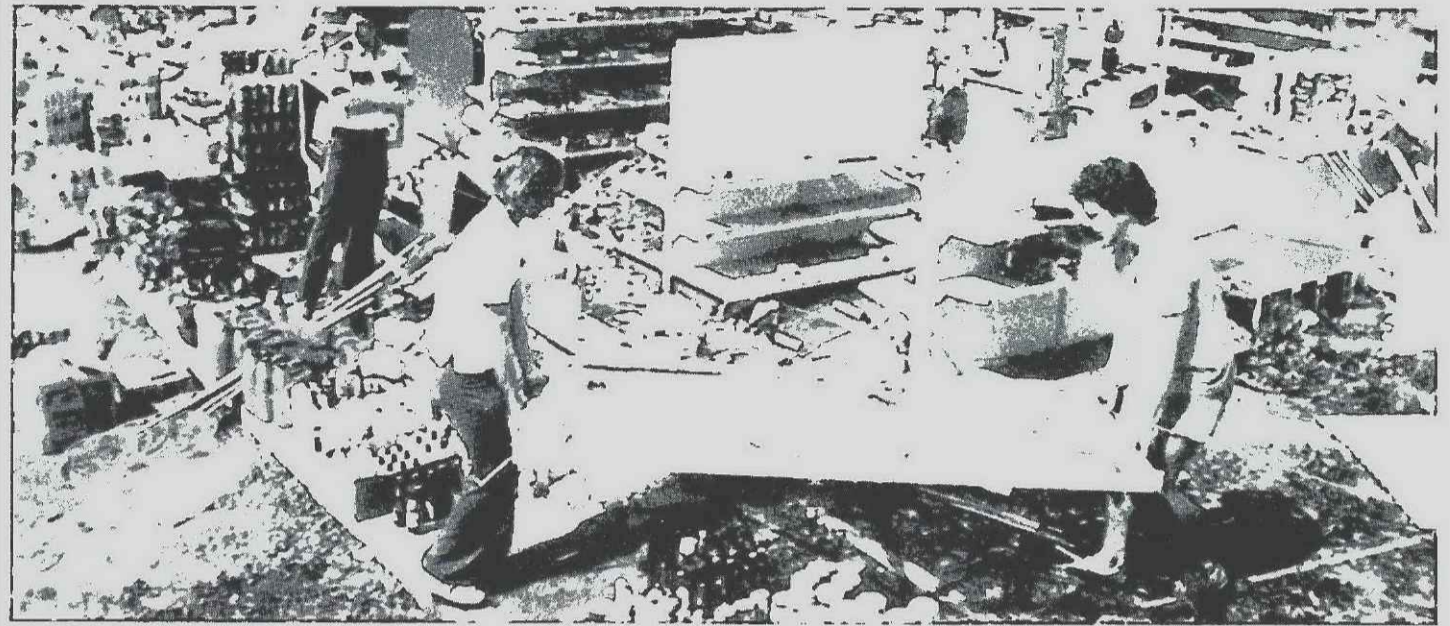


Photo: AP/Wide World

Following a pre-determined disaster plan can minimize the amount of damage caused by high winds and flooding.

indicates that 29% of the storms formed in August, 37% in September and 18% in October. This means there is still time to prepare for hurricanes that still may occur this season.

Action in an emergency is seldom effective unless planned in advance. The amount of time needed to accomplish these tasks also should be determined in advance.

Industrial Risk Insurers, the Hartford, Conn.-based property underwriter, recommends that a twofold disaster plan be planned for coastal facilities.

Industrial Risk Insurers, the Hartford, Conn.-based property underwriter, recommends that a twofold disaster plan be planned for coastal facilities.

The first step involves preparing for the high winds that inevitably accompany a hurricane. The second step addresses the reality of high-water damage.

Some suggestions are repeated in both Steps 1 and 2 because they apply to preparing for both high winds and water damage.

Step 1 of the wind damage and water damage plan includes the following checklist:

- Shut down operational processes safely.
- Inspect roof edging strips, gutters, flashing, covering and drains.
- Inspect sign and stack supports, guy wires and anchorages.
- Check for weak door and window latches or for insecure panel fastenings. Expedite these repairs.

- Protect vulnerable windows from flying debris.
- Brace unsupported structural members at construction sites.
- Protect important records from wind, debris and rain.
- Update important backup records, and move them to a location not vulnerable to the same incident.
- Fill above-ground tanks to capacity with products or water to minimize wind damage.
- Anchor movable structures and materials, such as trailers, lumber or any loose outdoor storage. Move stored materials inside if practical.
- Assemble the following supplies and equipment at a central, secure location: emergency lighting; lumber and nails; tape for windows; sandbags; roofing paper; caulking compound; tarpaulins; power and manual tools; shovels and axes; and chainsaws.
- Ensure that the emergency crew remaining on the premises has the following: nonperishable food; first-aid equipment; lighting; radio receivers; and stored drinking water.
- Fill emergency generator and fire-pump fuel tanks.
- Inspect all fire protection equipment to be sure it is in service.
- Take extraordinary measures to secure outdoor traveling cranes and bridges. Besides setting rail clamps, secure these items with wedges and cable anchors.
- Clean out drains and catch basins.
- Be sure to prepare the flood checklist

as well as the hurricane checklist.

Step 2, which should be undertaken after a hurricane watch—an advisory meaning that hurricane conditions and flooding are highly likely—has been put into effect, includes the following checklist:

- Shut down processes safely, and drain open tanks of flammable or combustible liquids.
- Brace unsupported structural members at construction sites.
- Update important backup records, and move them to a location protected from flooding.
- Anchor outdoor items that can be moved by flood waters, such as trailers, lumber or loose storage. Move stored materials inside if it is practical to do so.
- Assemble all of the following types of supplies and equipment at a central, secure location: portable pumps and hose; emergency lighting; lumber and nails; sandbags, mops and squeegees; tarpaulins; power and manual tools; shovels and axes.
- Ensure that the emergency crew remaining on the premises has the following: non-perishable food; first-aid equipment; lighting; radio receivers; stored drinking water.
- Fill emergency and fire-pump fuel tanks.
- Inspect all fire protection equipment to be sure it is in service.
- Check travel brakes on movable cranes and bridges. Anchor them in accordance with the manufacturer's

Continued on next page

Scale rates hurricanes by wind, wave, damage levels

The Saffir/Simpson Hurricane Scale categorizes hurricanes on the basis of wind velocity, storm surge and estimated damage. Categories include:

- Category 1: 74- to 95-mph winds; 4- to 5-foot storm surge; minimal damage.
- Category 2: 96- to 110-mph winds; 6- to 8-foot storm surge; moderate damage.
- Category 3: 111- to 130-mph winds; 9- to 12-foot storm surge; extensive damage.
- Category 4: 131- to 155-mph winds; 13- to 18-foot storm surge; extreme damage.

● Category 5: over 155-mph winds; over 18-foot storm surge; catastrophic damage.

This awesome weather disturbance is, in essence, a gigantic heat engine drawing energy from the warm, moist air spiraling into its "eye" at the lower altitudes. Under the effects of the earth's rotation, the inward flow of air is directed to the right in northern latitudes, setting up a counter-clockwise cyclonic motion with winds directed around but inclined inward toward the center or eye.

Once a hurricane has developed, an immense

transformation of energy takes place within the eye. Here, the converging air is whirled aloft under existing convection currents by the pressure of following air directed toward the center and through the pumping action of high-altitude winds.

As the warm moisture-laden air rises, the subsequent condensation of large amounts of water vapor releases tremendous quantities of heat to the air. The heat energy released by condensation in a hurricane in one day may be equivalent to that released by the fusion of 100 20-megaton hydrogen bombs.

ASK A BENEFIT MANAGER

Accounting methodology affects retiree benefit costs

Q

My company has had major reductions in its active workforce over the last several years, so that now we have as many retired employees—including those who left with a pension payable sometime in the future—as we have active employees.

Containing the costs of our various benefit programs is, of course, a major objective. Although I have not been able to measure it exactly, I feel that the cost of our retiree benefits is increasing faster than the cost of our program for active employees. Can you suggest any ways by which we can measure—and, hopefully, control—these costs?

A

Despite the apparent successes some companies have achieved in controlling their employee benefit costs during the last few years, the pressure of these costs on a company's bottom line will continue to be a dominant factor affecting the management of employee benefits in 1985 and at least for the next decade.

These pressures will be increased, on the one hand, by continued government legislation in the area of employee benefits and, on the other hand, by the need for greater productivity in the face of intense international economic competition.

Recently, most companies have directed their cost-containment efforts at the costs of the welfare programs they provide for their employees, especially health care, because these costs have been rising more dramatically than others.

In the past, companies were more concerned with their pension expense than with the expense of the welfare programs because of the cash payments involved and the long-term obligations that the pension promise represents. But, favorable investment returns and a low rate of inflation, especially as it affects "final-pay" plans, generally have reduced the cost pressures on pension plans.

Today, the expense for many companies of providing welfare benefits now exceeds their pension expenses. In fact, the 1983 U.S. Chamber of Commerce benefit cost survey showed the cost of agreed-upon pensions was only 3.6% of payroll, while the cost of "insurance" was 4.7% of payroll. And, of course, the greater part of the insurance cost was for health care.

What is most significant about this comparison of pension and welfare benefit costs is that for most companies the expense of their retiree welfare programs probably is dramatically understated.

Central to the issue of costs is how these costs are measured. Welfare benefits, including those for retirees, are expensed by most companies as claims are incurred on a "pay-as-you-go" basis. Pension benefits, however,

are expensed on an accrual basis over the active career of the employee, as required by the accounting rules promulgated by the Financial Accounting Standards Board.

While pay-as-you-go accounting may be a reasonable methodology for expensing the welfare benefits provided by active employees, there are strong arguments against the appropriateness of the pay-as-you-go method being used to account for the costs of the life, medical and dental benefits provided to retirees.

The FASB already requires disclosure in a company's financial statement of post-retirement life insurance, health care and other benefits, and it seems only a matter of time until it requires companies to expense those post-retirement benefits on an accrual basis over the course of an employee's active career.

The underlying liabilities that these "other post-retirement benefits," or OPBs, represent on an accrued basis can be enormous—in many cases, the unfunded present value of these OPBs exceeds the unfunded present value of future pensions.

And, for the following reasons, we can expect these liabilities to continue to grow:

- Although recent trends show a decline in increasing health care costs, these costs still are rising and can be expected to continue to increase at a rate higher than the general rate of inflation.
- The costs of providing medical coverage for retirees and their dependents under age 65 is greater than the cost of providing it for retirees over 65 and, despite the increase in the mandatory retirement age to 70 from 65, employees are continuing to retire early.
- Virtually all health care plans for retirees are secondary to Medicare. We can expect the government to continue to reduce the benefits payable under Medicare and, in effect, shift those costs to private plans. It also is possible that, sometime in the future, the government may legislate that private plans be primary.

In the past, companies generally have not been concerned about their liability for these other post-retirement benefits because they assumed they could reduce or terminate these benefits at will. However, recent lower-court decisions point in the other direction, and in several instances retiree benefit programs have been found to represent an implied contract that cannot be revoked after employees have completed their years of service and retired.

While the liabilities for these other post-retirement benefits will be increasing, government legislation undoubtedly will increase the cost of providing pension benefits in the future, despite a lower rate of inflation.

In fact, there is legislation currently being proposed that would increase employers' premium to the Pension Benefit Guaranty Corp. to \$8 per plan participant from \$2.60 and require five-year vesting for defined benefit plans.

And, I would not be surprised if Congress were to mandate cost-of-living increases in the near future in the pension benefits provided vested terminated employees, as currently proposed in the United Kingdom and Canada and already is mandated in West Germany.

The first step in controlling the costs of your retiree programs is, of course, to measure them. Pension expense and the present value of future pension payments routinely are measured in pension actuarial valuations, and the same methodology can be applied to other post-retirement benefits. In this regard, an excellent study of the issues involved in accounting for OPBs recently was published by the Financial Executives Research Institute in Morristown, N.J.

Once you have identified the costs involved, you can consider alternate ways of controlling them. Some of these may be:

- Many companies have implemented design changes and cost-sharing in the welfare plans provided active employees. If appropriate, you should consider implementing these changes in your retiree welfare programs.
- You should consider whether you want to begin accruing the expense for other post-retirement benefits in advance of an employee's retirement. You also should consider whether you want to prefund these OPBs through the use of a 501(c)(9) trust, the purchase of group permanent life insurance policies or some other vehicle. Be sure to consider the various tax consequences of such prefunding, including the possible implementation of the tax reform and deficit reduction proposals currently being considered by Congress.
- Consider the purchase of annuities for your retired and vested terminated employees. These may allow you to avoid any cost-of-living increases that may be mandated in the future, the payment of premiums to the PBGC and the administrative expense of complying with government regulation, such as the Retirement Equity Act.
- Be sure regularly to include in your summary plan description booklets and other communications to employees, both active and retired, the company's right to amend or terminate its employee benefit plans, including its welfare plans.

Finally, the challenge for benefit professionals will be to control the costs of these other post-retirement benefits so as to be able to continue them for retired employees without impairing the profitability of their companies.

Would you like advice from an experienced colleague on a risk management or benefit management problem? Two features in the Perspective section of Business Insurance can give you some answers.

Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefit management issues.

This month's column, on employee benefit issues, is written by Joseph Duva, director of employee benefits and compensation at SCM Corp. in New York. Next month, Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco, answers risk management questions.

Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Duva's next column will appear in November.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.



Mr. Duva

Hurricane preparation

Continued from previous page out-of-service instructions.

- Place sandbags at vulnerable openings. Divert water from critical areas such as holes in foundations, doorways and sills.



James A. Lambert is vp-loss prevention at Industrial Risk Insurers in Hartford, Conn.

- Move machinery, stock and reports to higher elevations. By knowing the past flooding history of the area, reasonably safe areas can be selected.

- Shut off all flammable and combustible liquids lines at their source to prevent the discharge of such liquids from piping broken by floating debris. Support exposed piping properly.

- Make sure above- and below-ground tanks are properly anchored to prevent flotation. Fill empty tanks with water or product, and extend vent lines on active tanks above the anticipated maximum water level.

- Lash down portable containers of

flammable or combustible liquids.

- Shut off electrical power at the main building when that building is in imminent danger of flooding.

During a hurricane, the emergency crew remaining on the premises should beware of the "eye" of the storm. Winds may completely subside and skies may be clear, but winds will rise rapidly from the opposite direction once the eye has passed.

The crew should also be alert for inland and coastal flooding as well as shoreline ocean surge.

After the storm clears, crews should take steps to minimize further damage.

For example, openings in walls or roofs should be temporarily repaired or the contents of the building covered with tarpaulins to minimize rain damage. At the same time, roof drains should be cleared of debris to prevent water from forming ponds and causing collapse.

If there is a possibility that flammable liquids or gases are present, emergency crews and salvage teams should be cautioned not to smoke or use heat-producing devices.

In addition, the utility company should be advised of necessary repairs while care is exercised around damaged power lines.

Far East pension programs vary

By S. Robert Beane

RETIREMENT PROGRAMS of various kinds have been popular in the Far East for some time. While some of the programs are no more than informal pension promises for which no funding has been provided, others involve more formal plans that require funding arrangements.

Since the funding of company-sponsored retirement programs has sparked a great deal of interest in industrial firms in the Far East in the last few years, it may be helpful to look at some of the ways that retirement plans are handled in a number of Asian countries.

Generally, company-sponsored retirement programs are designed to supplement retirement benefits mandated by the government through social security systems. However, the development of social security in the Far East has varied from country to country so that private supplementation of retirement programs varies as well.

Hong Kong, South Korea and Thailand do not have social security programs that provide old age benefits. In South Korea, this is partially mitigated by the Labor Law provision requiring companies to make lump-sum payments to retirees. In Hong Kong, benefits for the elderly take the form of social assistance payments funded through general government revenues.

In countries with social security programs, benefit arrangements vary considerably. For instance, in Malaysia and Singapore, retirement benefits are based on the accumulated contributions paid by both employees and employers to the Provident Funds. Because contributions to the funds are so high, they leave little room for private supplementation, except perhaps for the highly paid executives.

In addition to covering employees under social security, companies in the Philippines, Japan, Indonesia and Taiwan are required to pay termination indemnity benefits at retirement as a way of compensating employees with long years of service. As defined benefits, termination indemnities are generally paid as lump-sum amounts based on pay and service.

Private pension supplementation

therefore, ranges from non-existent in Singapore and Malaysia to embryonic in Indonesia and Thailand to common in Hong Kong, Japan, Philippines, South Korea and Taiwan.

In most countries, there are a number of ways to finance retirement benefit obligations.

Under the so-called pay-as-you-go method, benefits are paid as they become due. This method may or may not be supported by reserves set up in the company books to recognize the liabilities that accrue over time.

Another way is to earmark periodically amounts to be used either to purchase annuities from insurance companies or to create an external fund from which to pay benefits when retirement occurs.

It is interesting to note that in the Far East, annuities are not a common funding vehicle because in most countries, except Japan, benefits are provided in a lump sum.

In any country, whether a company should fund its benefit program or not depends on its assessment of several factors:

- The availability of corporate financial resources.
- Favorable tax treatment of contributions or book-reserve accruals.
- The need for fiscal discipline and the desire to secure the benefit obligations to employees.
- The availability of funding and investment vehicles.
- Government regulations.

These factors vary from country to country and from company to company. Indeed, they may often be in conflict. For example, a commitment for external funding may not be realized if the company cannot find suitable investment media in the marketplace.

In the countries of the Far East where private retirement programs have been introduced, a number of funding options have been employed.

In Taiwan, where retirement plans have been designed primarily to wrap around the termination indemnities required under the Factory Law and to supplement the social security pensions, book reserves had been the most common method of financing. This is in large part

due to favorable tax treatment that allows companies to claim tax-deductible book reserve additions up to 8% of payroll.

The government, however, has taken steps to assure that funds will be actually available in the future to pay required benefits. The new Labor Standards Law of 1984 now requires external funding of termination indemnities at least.

While this would be on a tax-favorable basis, there are important issues to consider. In the first place, funding vehicles had been rather limited, and it is hoped that insurance companies, banks and other trust companies will begin to innovate and expand investment opportunities. In addition, the limit on the tax deduction may be restrictive for some plans. Companies will lose some of the financial advantages that have been available in the past through book-reserves.

In any case, there will be more external funding in the future in Taiwan.

Japan's financial market is, of course, highly sophisticated. Despite this, some companies in Japan finance part of their termination indemnity obligations through book reserves, since the law allows up to 40% of the voluntary termination benefits to be funded by book reserves on a tax-favorable basis. The remainder is then externally funded.

While there is therefore considerable flexibility in funding, we should see a trend toward external funding as the government encourages companies to qualify their pension plans for more favorable tax treatment.

There has been no question about the need for retirement programs in Hong Kong. Although the years of uncertainty about the future of Hong Kong caused private firms to be unwilling to make long-term commitments, the recent agreements between China and Great Britain have renewed optimism in the future of the economy.

As companies return to long-term planning, formal tax-effective funding of retirement programs will receive greater attention. Still, companies will continue to look at both domestic and offshore investment markets to attain a degree of

diversification.

In the Philippines, the only tax-effective method of financing retirement plans is by external funding. There are investment vehicles available through insurance companies, banks and trust companies, but the current economic problems impose financial constraints on companies that have had to pay close attention to capital spending priorities.

Trends in funding in South Korea, Thailand and Indonesia have been restricted by the limited investment vehicles available. In South Korea, where there are no elaborate rules for pension funding, the book-reserve method continues to be the most common and tax-effective form of financing. The issue in Thailand is not funding but rather the incentive to design a retirement program at all.

Until the government establishes a framework for tax-effective arrangements, there will not be a breakthrough in employee retirement programs.

The Indonesian government is encouraging the establishment of private pension plans to "wrap around" the termination indemnities. Because so many companies in Indonesia operate on a joint-venture or contract basis, the funding of these liabilities offers them an opportunity to allocate future costs to current contract revenue.

Government tax incentives still have to be accompanied by the development of an enthusiastic investment community.

As the trend toward funding benefit programs in the Far East continues, we should see more opportunities for investment vehicles to be developed, better security for employees and pressure on governments to provide a healthy framework in which private retirement plans can operate successfully.



S. Robert Beane is vp and manager of the New York International department of Johnson & Higgins. His column appears regularly in the Perspective section.

international issues

'Off-duty' truck driver entitled to comp benefits

A TRUCK DRIVER, who was struck by a pipe and shot by an assailant while in the cab of his truck at a delivery point, was acting within the course of his employment regardless of whether he had logged on- or off-duty, a North Carolina appellate court ruled.

Robert Hobgood drove a truck for Anchor Motor Freight. After he had made a delivery in Goldsboro, N.C., he logged in as "off-duty" until he continued to a second city the next day. However, while he was still in the Goldsboro delivery site and seated in the truck, he was shot in the head by an assailant. Mr. Hobgood filed a claim for benefits, which were awarded.

The appellate court said that an employee, whose work entails travel away from the employer's premises,

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

legal brief

acts within the course of his employment continuously during the trip, unless there was proof of a "distinct" or "total" departure on a personal errand.

Since Mr. Hobgood was still in his employer's truck at the time of the injury, the court said it was irrelevant whether he was logged on- or off-duty. The award was affirmed. *Hobgood v. Anchor Motor Freight*, Court of Appeals of North Carolina, June 5, 1984 (BI/05/Ju.-\$5).

Breach of insurance contract

Lost profits from a store were recoverable as consequential damages for the breach of an insurance contract, a federal appeals court ruled.

Emil Salamey owned a convenience store that was destroyed by fire in 1980. Fire insurance issued by Aetna Casualty & Surety Co. covered the store. The policy included losses for business interruption

following a fire, including losses during the time required to resume normal business operations, not exceeding the time required to rebuild, replace or repair the insured property or, in any case, 12 months.

Aetna denied Mr. Salamey's claim on the grounds that he had set the fire or caused it to be set. Mr. Salamey sued for breach of contract.

A jury awarded Mr. Salamey \$260,000 for loss of the building and its contents, \$13,500 for loss of profits for 2½ months (the time the parties agreed it would require to rebuild) and \$240,960 for additional loss of profits.

On appeal, Aetna argued that the award of damages for lost profits beyond the 2½ months exceeded the policy limits. But, the court said the claim for lost profits was separate from the claims to enforce the insurance contract. The court emphasized that the policy limits do not restrict the damages recoverable for breach of contract. *Salamey v. Aetna Casualty & Surety Co.*, U.S. Court of Appeals for the Sixth Circuit, Aug. 28, 1984 (BI/05/Au.-\$5).

Toledo, Cleveland Blue Cross plans merge

Blue Cross of Northwest Ohio in Toledo and Blue Cross & Blue Shield Mutual of Northern Ohio in Cleveland are merging to form one of the largest Blues' plans in the United States.

The new company will be called Blue Cross & Blue Shield of Northern Ohio. The merger is subject to the approval of the Ohio Department of Insurance, which BC/BS officials say could take from three to six months.

The consolidation will create a health care insurer that covers more than 1.7 million people in 23 counties. Revenues from the two companies total around \$1.1 billion.

Dennis McClung, president of the Toledo plan, said, "We will be able to offer each other's services, which means one-stop shopping for hospital and medical coverage for

our members." Mr. McClung will become chairman of the board of the new company.

John Burry Jr., president of the Cleveland, said the merger will "make us more competitive. It provides a stronger financial base."

Mr. Burry will become president and chief executive officer.

Group dental plans

Bankers Assurance Co. in New York City, N.Y., a newly formed subsidiary of Bankers Life Nebraska, is marketing free-standing group dental plans for employers in the state.

Bankers Assurance was formed to begin offering dental coverage to New York employers before eventually expanding into life and health lines, according to President

markets

Phyllis Carsten. The company has been operating since May.

She said the new company offers "a wide range of policies" to employers, depending on their needs.

Bankers Assurance is located at 130 N. Main St., Suite 1, New City, N.Y. 10956; 914-638-4532.

Structured settlements

Martens, Renter & Brown, a new company specializing in the placement of structured settlement annuities in catastrophic injury cases has opened in Newport Beach, Calif.

The company will also offer clients general financial planning.

Eric W. Martens, an attorney, has been named president of the new company. Kathleen M. Brown is a senior vp. She was formerly an annuity settlement specialist with Ringler Associates.

W. Dennis Renter is the firm's senior vp of financial planning. He is a certified financial planner and a registered principal of the National Assn. of Security Dealers.

Martens, Renter & Brown is located at 881 Dover Drive, Suite 30, Newport Beach, Calif. 92660; 714-650-4500.

Risk consultant

Two consultants have joined

forces in Long Beach, Calif., to form Jack & Levine, a new risk management and insurance consulting firm.

Don Creighton Jack and Arthur Levine are putting their risk management consulting experience under one roof to offer traditional risk consulting services to a variety of clients. In addition, they will provide ongoing insurance management services for public entities and insurance counsel for attorneys.

In the past, Mr. Jack has provided risk management services to southern California cities including Long Beach, Beverly Hills and Pasadena. He formerly was a risk manager for Bekins Co.

Mr. Levine has consulting experience with Tillinghast, Nelson & Warren Inc. and Warren, McVeigh & Griffin.

He has also served in supervisory underwriting posts for Aetna Life & Casualty Co. and other insurers.

The firm is located at 367 Redondo Ave., Long Beach, Calif. 90814; 213-439-4956.

Loss control

Near North Insurance Agency Inc. in Chicago has formed a loss control/engineering department to help its clients lower their property/casualty claims.

The agency says it formed the department because of the need for "experienced and professional analysis of all types of risks. Near North recognizes the need of strong agency involvement to help ease the hardened market conditions which exist today."

The new department, the agency said, will help prevent costly and unnecessary claims by identifying potential problem areas of an insured's operation and submitting recommendations that should prevent losses.

Near North is located at 875 N. Michigan Ave., Chicago, Ill. 60611; 312-280-5600.

Home divestiture

The Home Insurance Co. has completed its previously announced sale of its life insurance and accident and health insurance subsidiaries to Harcourt Brace Jovanovich Inc. for \$130 million in cash.

The subsidiaries were the Federal Home Life Insurance Co. and PHF Life Insurance Co., both headquartered in Battle Creek, Mich.

The Home said the sale increased its statutory policyholders surplus by about \$75 million.

According to a spokesman for The Home, proceeds from the sale would be used by the company to support the "continued growth of its property and casualty insurance operations."

New subsidiary

RGAF Managers Inc., which operates Ocala, Fla.-based RGAF Underwriters, has formed a new subsidiary, Florida Insurance Network Inc., through which it plans to expand RGAF Underwriters' insurance offerings.

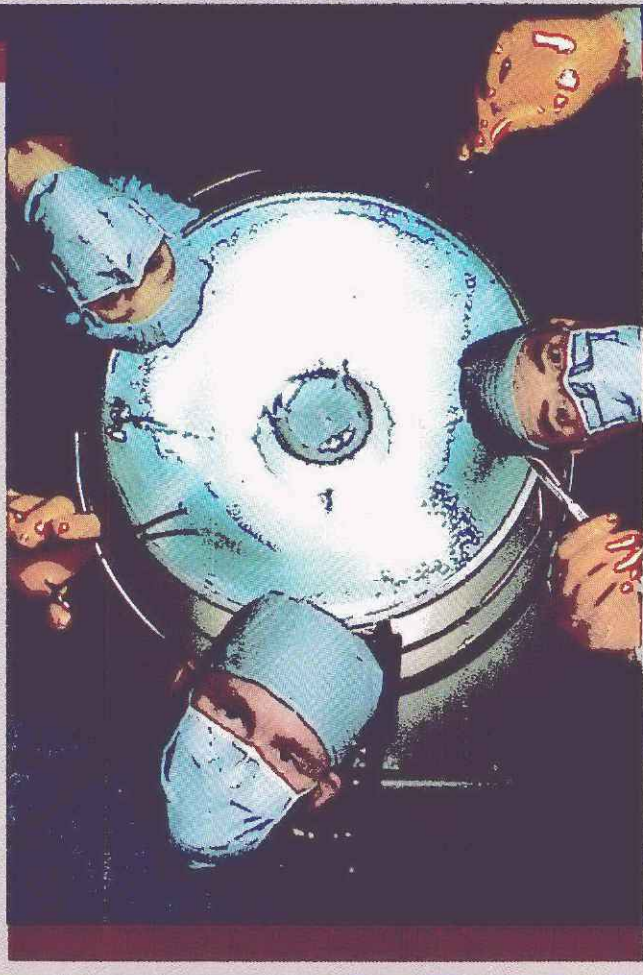
RGAF Underwriters currently writes health, dental, long-term disability, workers compensation and other property/casualty lines to members of the Retail Grocers Assn. of Florida, which is made up of retail grocers, wholesalers and food industry suppliers.

RGAF Managers President Wayne McDonald says that Florida Insurance Network will offer additional coverages, especially employee benefit products, to grocers.

Continued on next page

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Continued from previous page

The products may include group auto, homeowners and life insurance coverages, he said.

Mr. McDonald will serve as president of the new subsidiary, while Doug Weaver, assistant vp-marketing at RGAF Underwriters, will be vp of Florida Insurance Network.

Pain control

The Pain Control Network in Jericho, N.Y., has been formed to educate patients, physicians, employers and insurers on a method of relieving pain that could help ease the high cost of health care.

The network offers educational services on transcutaneous electrical nerve stimulation, a process that sends pain-killing electrical stimulation to nerve endings. The stimulation is delivered by a battery-powered device that can be used in a physical therapist's office or at a patient's home.

Mike Sotire, president of PCN, said the therapy is under-utilized because health care providers and patients are not aware of the process and have not been taught how to use it effectively.

Mr. Sotire said chronic pain sufferers too often visit physicians who simply prescribe drugs for their conditions and seldom refer them to physical therapists.

The aim of the Pain Control Network is to create an awareness of this pain-relief method, which can result in health care cost savings for employers and insurers, he explained.

"It is the physical therapist who is trained in the proper use of TENS therapy because it is a therapeutic modality," said Mr. Sotire. "If more physicians understood the modality or if more of these chronic pain sufferers could find their way to physical therapy, TENS would be more widely used and the cost savings would be staggering."

Mr. Sotire noted that many insurers and the federal government's Medicare program reimburse patients for the cost of the treatment.

More information is available from the Pain Control Network at 125 Jericho Turnpike, Jericho, N.Y. 11753; 516-333-1696 or 1-800-833-9911.

Security services

A former Illinois state's attorney and a host of crime-control experts have formed PSI Loss Prevention Enterprises Inc., a Chicago-based firm that offers an array of security services.

Bernard Carey, a former Cook County state's attorney, is a principal of the new company, which

Hurricane damage set at \$37.1 million

NEW YORK—Hurricane Danny caused an estimated \$37.1 million in insured property damage, according to C.E. Hermanson, vp of the Property Claim Services division of American Insurance Services Group Inc.

The damage was caused by wind, tornadoes and flooding associated with the hurricane and affected parts of Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina and Virginia on Aug. 15-18.

Hardest-hit was Louisiana, with an estimated \$25.1 million in damage.

Other damage estimates were Alabama, \$5 million; Mississippi and South Carolina, \$2 million each; and Georgia, North Carolina and Virginia, \$1 million each.

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

Hurricane Danny was assigned Catastrophe No.78 by Property Claim Services. ■

provides businesses with "one-stop shopping" for loss-prevention services like security systems, guards and products including safes and locks.

"Protecting a company's assets today can be confusing and complicated, with the large number and variety of vendors who market safety and security systems," Mr. Carey said. "Without an organized, unified approach, loss-prevention efforts frequently become fragmented and ineffective or end up working at cross purposes."

The new company provides a single source of loss-prevention services, he explained. "We take a task-force approach that involves an in-depth study of customer needs, which results in an integrated and comprehensive protection plan for the client."

Mr. Carey said businesses that use PSI's loss-prevention programs can realize cost savings, including lower insurance costs.

PSI has a working relationship

with several security companies that provide services to its clients. The company also offers in-house services that include employee screening, computer protection, training of private security personnel, financial investigations and others.

PSI is owned and directed by a group of loss-prevention experts that include Chairman Richard G. Held, a former associate director of the Federal Bureau of Investigation; Peter B. Bensinger, former director of the Federal Drug Enforcement Administration; William J. Kunkle, chief prosecutor of convicted mass murderer John Wayne Gacy; James T. McGuire, former superintendent of the Illinois State Police; Charles J. Pierce, former chief of the Chicago Fire Prevention Bureau; James M. Rochford, former superintendent of the Chicago Police Department; and Michael A. Ficaro, chief prosecutor of the Puerto Rican nationalist group FALN.

Other principals in the new firm include William F. Beane, national security director for United Airlines; James Krema, former manager of information systems at the University of Chicago; Sam H. McGuon, a risk management expert; Richard B. Ogilvie, former governor of Illinois; and Charles A. Sennewald, U.S. editor of Professional Protection magazine.

For information, contact PSI at Suite 203, 2630 Flossmoor Road, Flossmoor, Ill. 60422; 312-939-4000 or 312-957-5291.

New offices

Alexander & Alexander Services Inc. has opened a new office at 10014 N. Dale Mabry, Tampa, Fla. 33618; 813-968-5168.

Lake & Associates, an independent adjuster and consultant, has opened an office at 1001 Cool Water Court, Lexington, Ky. 40515; 606-273-8750.

Carson, Luebbchusen & Burk

Inc., a Fort Worth, Texas-based insurance brokerage firm specializing in the energy industry, has opened an office at 3131 Turtle Creek Blvd., Suite 222, Dallas, Texas 75219; 214-521-7928.

W.W. Vincent & Co. and Insurance Co. of Illinois have moved to a larger facility. The companies are now located at 175 W. Jackson Blvd., Suite A-1425, Chicago, Ill. 60604; 312-341-6000.

Associated Reinsurance Management Corp. and its subsidiaries, Associated Intermediaries Inc. and U.S. FAC Corp., have relocated their Atlanta offices to 2 Piedmont Center, Suite 700, Atlanta, Ga. 30305; 404-237-1170.

Warner Insurance Group has moved its home office to 7411 Lake St., River Forest, Ill. 60305; 312-366-1200.

Associates Claims Enterprises Inc., a claims management firm, has moved to new offices at 200 W. Monroe St., Suite 1402, Chicago, Ill. 60601; 312-263-1620. ■

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SEPT. 19. Redesigning the Work Environment to Avoid Carpal Tunnel Syndrome seminar in Houston, sponsored by the International Safety Academy; \$185. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, 215-241-5800 in Pennsylvania.

SEPT. 19-20. New Directions in Health Care Management conference in Memphis, Tenn., sponsored by the National Assn. of Employers on Health Care Alternatives; \$495 for members, \$445 for additional member from same company; \$595 for non-members, \$545 for additional non-member from same company. NAEHCA, 1134 Chamber of Commerce Building, 15 S. Fifth St., Minneapolis, Minn. 55402; 612-338-4823.

SEPT. 19-20. Casualty/Loss Reserve seminar in Kansas City, Mo., sponsored by the American Academy of Actuaries and the Casualty Actuarial Society; \$300. Registrar, AAA, 1835 K St. N.W., Suite 515, Washington, D.C. 20006; 202-2233-8319.

SEPT. 19-20. Self-Funding Your Employee Benefits meeting in Chicago, sponsored by American Management Assns.; \$620 for members; \$715 for non-members. Also, **Oct. 10-11** in New York, **Oct. 24-25** in San Francisco. Registrar, American Management Assns., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

SEPT. 20. Employee Education conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Registrar, ISCC, Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

SEPT. 22-24. International Benefits seminar in St. Thomas, U.S. Virgin Islands, sponsored by the International Foundation of Employee Benefit Plans; \$500 for members; \$575 for non-members. Registrar, IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005-0069; 414-786-6701.

SEPT. 22-25. 1985 Canadian Risk Management conference in Ottawa, Ontario, Canada, sponsored by the Canadian Capital Region Risk & Insurance Management Society; \$250. John Harris, City of Nepean, 3825 Richmond Road, Nepean, Ontario K2H 5C2; 613-829-1510.

SEPT. 23. New Requirements Pertaining to Small-Quantity Hazardous Waste Generators and Underground Storage Tanks seminar in Cincinnati, sponsored by Ohio Manufacturers' Assn. and 12 other statewide organizations in cooperation with The Ohio EPA and Ohio State Fire Marshal; \$45 for either morning or afternoon sessions or \$90 for entire program for members; \$60 for either session or \$120 for entire program for non-members. Also, **Sept. 30** in Toledo, Ohio; **Oct.**

1 in Cleveland; **Oct. 21** in Akron, Ohio; **Oct. 22** in Columbus, Ohio; **Oct. 23** in Cambridge, Ohio. Mark Uher, Ohio Manufacturers' Assn., 103 E. Broad St., Columbus, Ohio 43215; 614-431-1722.

SEPT. 23-24. Managing the Self-Funded Health Care Plan conference in Chicago, sponsored by Charles D. Spencer & Associates; \$475. Patricia Ibb, Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

SEPT. 23-25. 1985 Trustees and Administrators Institutes in Banff, Alberta, sponsored by the International Foundation of Employee Benefit Plans; \$420 for members; \$495 for non-members. Registration Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069.

SEPT. 25-26. Principles of Petroleum Insurance workshop in Houston, sponsored by the Professional Development Institute and Self-Insurance Resource Inc.; \$450. Also **Oct. 16-17** in Denver, **Oct. 29-30** in Oklahoma City, **Nov. 6-7** in New Orleans, La., and **Nov. 20-21** in Fort Worth, Texas. Jonathan Jeffrey, Professional Development Institute, P.O. Box 13288, NTSU, Denton, Texas 76203-3288; 817-565-2483.

SEPT. 26-27. State of Connecticut Division of Worker Education 1st Annual Symposium in Hartford; \$29 for Connecticut residents; \$60 for out-of-state residents. State of Connecticut-DWE Symposium, DWE, 1890 Dixwell Ave., Hamden, Conn. 06514.

SEPT. 26-27. Construction Safety and Health

seminar in Chicago, sponsored by Lakeside Management Services; \$90; \$25 for students. James Opoka, Lakeside Management Services, Saint Joseph Hospital, 2900 N. Lake Shore Drive, Chicago, Ill. 60657; 312-975-3388.

SEPT. 27. "Lloyd's, the Institute of London Underwriters and the London Insurance Market" seminar in New York, sponsored by The Bureau of National Affairs Inc. and Longman Seminars; \$225. Contact Lloyd's Seminar Registrar, BNA Conferences, The 2550 M St., N.W., Suite 699, Washington, D.C. 20037; 800-424-9890; 202-452-4420.

SEPT. 28-29. Malpractice Self-Insurance Program in Grand Cayman, British West Indies, sponsored by APA Ltd.; \$250. Joan McNulty, Management International Inc., 7480 Fairway Drive, Suite 108, Miami Lakes, Fla. 33014; 305-822-1414.

SEPT. 30-OCT. 1. New Approaches To Finding Reinsurance Capacity for 1986 seminar in New York, sponsored by Executive Enterprises Inc.; \$750; \$650 for each additional registrant from the same organization. Registrar, Executive Enterprises Inc., Session #59INS15, 33 W. 60th St., New York, N.Y. 10023-7988; 212-489-2680.

SEPT. 30-OCT. 1. Perinatal Risk Management: Understanding and Preventing the Multimillion Dollar Claim seminar in San Francisco, sponsored by the American Society for Hospital Risk Management and The Structured Settlements Co.; \$175 for ASHRM members; \$235 for

non-members. Call or write Registrar, American Hospital Assn., Division of Education, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6083.

SEPT. 30-OCT. 2. Techniques of Loss Control course in Denver, sponsored by the Risk & Insurance Management Society; \$445 for members; \$545 for non-members. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 1. Substance Abuse in Corporate America conference in New York, sponsored by The New York Business Group on Health Inc.; \$75 for members; \$150 for non-members. The New York Business Group on Health Inc., 622 Third Ave., 34th Floor, New York, N.Y. 10017; 212-808-0550.

OCT. 1-3. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Anslul Fire Protection; \$650. Sara Lambrecht, Anslul Fire Protection, 1 Stanton St., Marinette, Wis. 54143.

OCT. 1-3. Effective Training Skills: A Three-Day "Train the Trainer" Workshop in Norwood, Mass., sponsored by Factory Mutual Engineering; \$485. Training Department, Factory Mutual Engineering, 1151 Boston-Providence Turnpike, P.O. Box 9102, Norwood, Mass. 02062; 617-762-4300.

OCT. 1-2. RMIS85—Risk Management Information System Conference and Show in Stamford, Conn., sponsored by the Risk Planning Group division of Tillinghast, Nelson & Warren Inc.; \$495. Contact Micki Briskin, Risk Planning Group, 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

OCT. 1-3. Effective Training Skills workshop in Norwood, Mass., sponsored by Factory Mutual Engineering Corp.; \$485. Registrar, Training Department, Factory Mutual Engineering, 1151 Boston-Providence Turnpike, P.O. Box 9102, Norwood, Mass. 02062.

OCT. 2-4. An Advanced Course on Employee Benefits meeting in Washington, sponsored by American Management Assns.; \$695 for members; \$795 for non-members. Also, **Oct. 2-4** in Atlanta. Phyllis White, American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-903-8234.

OCT. 2-4. West Coast Regional Conference sponsored by the Los Angeles Chapter of the Risk & Insurance Management Society in Palm Springs, Calif.; \$290 for members; \$270 for additional registrants from the same company; \$80 for spouses. Greg Breed, Director of the Corporate Insurance Campus Crusade for Christ Inc., Department 76-20 Arrowhead Springs, San Bernardino, Calif. 92414; 714-886-9711, Ext. 1439.

OCT. 2. Accident Investigation and Analysis seminar in Houston, sponsored by the International Safety Academy; \$185. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, 215-241-5800 in Pennsylvania.

OCT. 3-4. Designing an Employee Assistance Program meeting in New York, sponsored by American Management Assns.; \$475 for members; \$575 for non-members. Phyllis White, American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-903-8234.

OCT. 3-4. Quantitative Techniques for Risk Management seminar in New York, sponsored by The College of Insurance; \$495 for sponsoring participants; \$535 for all others. Registrar, Professional Development Programs Division, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

OCT. 3-6. The Fitness Providers Challenge: Marketing and Managing Employee Health Programs conference in Fort Worth, Texas, sponsored by the Assn. for Fitness in Business; \$235 for members; \$175 for student members; \$320 for non-members, includes a one-year AFB membership; \$260 for student non-members, includes one year AFB membership. Susan Hagerty, AFB, 1312 Washington Blvd., Stamford, Conn. 06902; 203-359-2188.

OCT. 6-9. Third International Risk Management Conference in Monte Carlo, Monaco, sponsored by the Risk & Insurance Management Society and the Assn. Europeenne des Assures de L'Industrie; \$420 (4,200 francs) for risk managers; \$550 (5,500 francs) for others; pre-registration for conference seminars is required. Marilyn Maffucci, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 6-9. 1985 Health Care Cost Management seminar in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$420 for members; \$495 for non-members. International Foundation of Employee Benefit Plans, Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 6-10. Washington Insight on Employee Benefits conference in Washington, sponsored by the U.S. Chamber of Commerce; \$1,175. Suzanne Lulewicz or Deborah Murphy, U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 202-463-5575.

OCT. 7-9. Risk Management Informa-
Continued on facing page



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tion Systems course in Arlington, Va., sponsored by the Risk & Insurance Management Society's Continuing Education Program; \$545 for members; \$645 for non-members. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 7-9. Basic Risk Management Techniques seminar in Washington, sponsored by the Public Risk & Insurance Management Assn.; \$350 for members; \$400 for non-members. Dean Phelus, PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

OCT. 7-9. Industrial Fire School in Marinette, Wis., sponsored by Ansol Fire Protection; \$650. Sara Lambrecht, Ansol Fire Protection, 1 Stantor St., Marinette, Wis. 54143.

OCT. 7-10. Highly Protected Risk Property Conservation course in Long Grove, Ill., sponsored by the Kemper Group; \$400; free for Kemper HPR-insured property owners. W.P. Thomas Jr., Manager, Engineering Research & Staff Development, HPR Department, A-1, Long Grove, Ill. 60049; 312-540-3380.

OCT. 7-11. Reinsurance Practice Course in London, sponsored by Risk Research Group Ltd.; 716 pounds (\$1,005). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; 011-441-236-217.

OCT. 7-11. Total Loss Control Management seminar in Philadelphia, sponsored by the International Safety Academy; \$655; \$625 for three or more registrants from the same company. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147; 215-241-5800 in Pennsylvania.

OCT. 12. Solving the Workers Compensation Puzzle seminar in Santa Barbara, Calif., sponsored by Pre-Loss Systems Inc.; \$225. Elizabeth La Rovere, 189 Park Circle, Goleta, Calif. 93117; 805-968-3864.

OCT. 13-18. Society of Chartered Property & Casualty Underwriters 1985 Annual Meeting in St. Louis, sponsored by the Society of CPCU; \$225 before Sept. 14; \$250 after Sept. 14. Shirl Wood, Society of CPCU, Kahler Hall, 720 Providence Road, Malvern, Pa. 19355; 214-251-2737.

OCT. 15. Taxing Health Benefits seminar in New York, sponsored by The New York Business Group on Health Inc.; \$15 for members; \$25 for non-members. The New York Business Group on Health, 622 Third Ave., 34th Floor, New York, N.Y. 10017; 212-808-0550.

OCT. 15. Controlling Unemployment Insurance Costs Workshop in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also Oct. 22 in

Springfield. Carol Jensen, ISCC, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

OCT. 16. "Manage Your Claims So They Don't Manage You" seminar in Chicago, sponsored by Intracorp; \$65; \$55 for three or more registrants from one organization. Intracorp, 800 W. Roosevelt Road, Building C, Suite 210, Glen Ellyn, Ill. 60137; 312-858-8700.

OCT. 16. Health Promotion conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Registrar, ISCC, Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

OCT. 16-18. Solvency Assessment course in London, sponsored by Risk Research Group Ltd.; 471.50 pounds (\$660). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-441-236-2175.

OCT. 16-18. Successful Retirement Planning Programs workshop in Kansas City, Kan., sponsored by Retirement Advisors Inc.; \$450. Also Nov. 6-8 in New York. Registrar, 919 Third Ave., New York, N.Y.; 212-421-2400.

OCT. 17. The Role of the Employee Benefit Manager as a Change Agent conference in Boston, sponsored by The New England Employee Benefits Council; \$35 for members; \$55 for non-members. The New England Employee Benefits Council, P.O. Box 2594, Boston, Mass. 02208; 617-423-6146.

OCT. 17-18. Financial Analysis for Risk Management Decisions seminar in St. Louis, sponsored by The College of Insurance; \$750. Registrar, The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-962-4111, Ext. 303.

OCT. 17-18. Medical Malpractice for Attorneys, Physicians and Risk Managers national institute in Houston, sponsored by the American Bar Assn.'s Tort and Insurance Practice Section Committee on Law and Medicine and the American Society of Law & Medicine; \$325 for members; \$375 for non-members; \$50 for law students. American Bar Assn., National Institutes, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

OCT. 22. Data Workshop and NSDB Briefing in Boston, sponsored by the Health Research Institute; free. Also Nov. 5 in New York, Dec. 10 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 22. Association Captives: Answer to the Insurance Crisis? conference in Washington, sponsored by the Risk Planning Group division of Tillinghast, Nelson & Warren; \$300. Micki Briskin, Risk Planning Group, 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

OCT. 22-23. Improving Health Care Management in the Workplace conference in Scarsdale, N.Y., being sponsored by The New York Business Group on Health; \$345 for members; \$395 for non-members. Contact Work in America Institute Inc., 700 White Plains Road, Scarsdale, N.Y. 10583; 914-472-9600.

OCT. 23. Health Improvement/Prevention Workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Contact Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 23. Advanced "Post-Graduate" Cost Containment workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 23. Hospital Trustee workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 23. Medical Directors workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 23-25. Techniques of Finance and Accounting course in Minneapolis, sponsored by the Risk & Insurance Management Society's Continuing Education Program; \$445 for members; \$545 for non-members. Also Nov. 4-6 in Montreal. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 23-26. Worker's Compensation Issues seminar in Louisville, Ky., sponsored by the Kentucky Legislative Research Commission; \$150. Charlene Collins, Legislative Research Commission, State Capitol, Frankfort, Ky. 40601; 502-564-8100.

OCT. 24. Health Care Cost Management—An Organizational Approach seminar in New York, sponsored by The New York Business Group on Health; free. The New York Business Group on Health, 622 Third Ave. 34th Floor, New York, N.Y. 10017; 212-808-0550.

OCT. 24-25. Intergovernmental Pool Directors and Trustees seminar in San Francisco, sponsored by the Public Risk & Insurance Management Assn.; \$150. PRIMA Pooling Seminar, 1120 G St. N.W., Suite 707, Washington, D.C. 20005; 202-737-7556.

OCT. 24-25. Labor/Management workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 7-8 in New York, Dec. 12-13 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 28. Commercial General Liability program in New Orleans, sponsored by the International Risk Management Institute Inc.; \$235. Conference Coordinator, International Risk Management Institute Inc., 10300 N. Central Expressway, Building III, Suite 208, Dallas, Texas 75231; 214-363-9656.

OCT. 28-29. FPOs & HMOs: Caveat Emptor conference in Chicago, sponsored by Business Week and Washington Health Letters; \$650. Business Week Executive Programs, FPOs/HMOs, 1221 Ave. of the Americas, 33rd Floor, New York, N.Y. 10020; 212-512-3583.

OCT. 28-29. Conference on Political Risk in New York, sponsored by Frost & Sullivan Inc.; \$595; \$345 for additional registrant from same organization. Victor Hertz, Manager, Political Risk Services, Frost & Sullivan Inc., 106 Fulton St., New York, N.Y. 10025; 212-233-1080.

OCT. 28-31. Fifth Annual Construction Insurance conference in New Orleans, sponsored by the International Risk Management Institute Inc.; \$585. Conference Coordinator, International Risk Management Institute Inc., 10300 N. Central Expressway, Building 3, Suite 208, Dallas, Texas 75231; 214-363-9656.

OCT. 28-31. National Safety Council Congress and Exposition conference in New Orleans, sponsored by the National Safety Council; \$90 for members; \$125 after Sept. 27; \$125 for non-members; \$175 after Sept. 27. Contact Registrar, NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 28-NOV. 1. Developing and Managing a Basic Safety and Health Program course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$650. Tommy Thomas, NATLSCO, Route 22 and Kemper Drive, Long Grove, Ill. 60049; 312-540-2400, 800-323-9585.

OCT. 29-30. Excess and Reinsurance: The Myth—The Realities conference in Stamford, Conn., sponsored by the Risk Planning Group of Tillinghast, Nelson & Warren Inc.; \$600; \$550 for additional registrants from same company. Micki Briskin, Risk Planning Group, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

OCT. 31. Philly "I" Day conference in Philadelphia, sponsored by the Philadelphia Chapter of the Society of Chartered Property & Casualty Underwriters, Independent Insurance Agents & Brokers Assn. of Philadelphia and Suburbs, Delaware Valley Chapter of The Risk & Insurance Manage-

ment Society and the Insurance Society of Philadelphia; \$35. Peter Raymond, Aetna Life & Casualty, 1 Logan Square, Philadelphia, Pa. 19103; 215-854-7350.

OCT. 31-NOV. 1. New Approaches to Solving the Insurance Industry Capacity Shortage conference in New York, sponsored by Executive Enterprises Inc.; \$750; \$650 for each additional registrant from the same organization. Executive Enterprises Inc., Session #5AINS19/E5347, 33 W. 60th St., New York, N.Y. 10023-7988; 212-489-2680.

NOV. 1. Current Trends in the Legal Environment of Workers Compensation seminar in New York, sponsored by the National Council on Compensation Insurance; \$110 for members; \$145 for non-members. Michelle Lazjer, NCCI Public Affairs Department, One Penn Plaza, New York, N.Y. 10119; 212-560-1026.

NOV. 4. Controlling Workers Compensation Costs Seminar in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also Nov. 12 in Springfield, Ill. Carol Jensen, ISCC, 20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-7373.

NOV. 4-5. The 1985 London Insurance Conference in London, sponsored by Oyez International Business Communications Ltd.; 375 pounds (\$525). Mavis Gold, Oyez International Business Communications Ltd., Bath House (3rd Floor), 56 Holborn Viaduct, London EC1A 2EX; 01-441-235-4080.

NOV. 4-6. Twelfth Annual Computer Security Conference in Rosemont, Ill., being sponsored by the Computer Security Institute; \$645 for members until Oct. 18, \$680 after Oct. 18; \$695 for non-members until Oct. 18, \$730 after Oct. 18; \$665 for additional non-members until Oct. 18, \$700 after Oct. 18. Computer Security Institute, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

NOV. 4-6. Advanced Risk Management Techniques seminar in Washington, sponsored by the Public Risk & Insurance Management Assn.; \$350 for members; \$400 for non-members. Dean Phelus, PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

NOV. 5-7. Basic Safety Management seminar in Boston, sponsored by the International Safety Academy; \$445; \$415 for three or more registrants from the same organization. Also Dec. 2-4 in Houston. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, 215-241-5800 in Pennsylvania.

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Workers want control over benefits: Survey

By ALISON KITTRELL

Given the choice, many American workers would change the employer-sponsored benefits they currently receive. And, at least one-third would be willing to give up other benefits and perquisites in exchange for more desirable medical and dental coverage.

Some 80% of the employees that responded to a recent survey said they would be willing to help their employers take a more cost-effective approach to health care.

And, they would like more personal, interactive communication of benefits. Now they say they get most of their information about their benefits from booklets and the office grapevine.

These are among the observations gleaned from employee opinion surveys conducted by benefit consultant Johnson & Higgins for 17 clients in 1984 and 1985.

A total of 17,000 employees were interviewed and, although many of the questions were tailored for specific clients, several of the ques-

tions were asked with only slight variation from client to client to produce what J&H calls "a normative perspective."

And, overwhelmingly this "normative perspective" revealed that employees want more control over their benefits, and that, in order to achieve that sense of control, they want to know more about their benefits.

"The key issue underlying these findings, particularly as they pertain to professionals and managers, is control," the survey authors said.

"With rapidly occurring changes in lifestyles and family situations, and with an even faster-changing environment, employees want to exercise better control of the quality of life and fiscal matters."

For example, only about 25% of the employees surveyed said they would prefer their benefit program remain as it is. More than 40% of the employees surveyed said they would prefer that their benefit program not remain as it is, and about 25% were undecided.

The survey found that managers

and professionals were most likely to prefer a change, while clerical and hourly workers were most likely to want to keep things as they were.

In addition, more than 60% of the employees surveyed said that, if they were offered options in their benefit program, they would modify their current coverage. Less than 10% said they would keep the same coverage, even if options were available, and about 25% were undecided.

At least one-third of the employees surveyed said that, if they had the option, they would improve their medical or dental benefits at the expense of other benefits, although more than 40% said they would prefer to keep their current medical and dental coverage.

In terms of adding health and dental care coverages, the most often requested were vision care programs, coverage for preventive care, like annual physicals and wellness programs, low-cost or free regular dental checkups and orthodontia coverage.

Employees also expressed a lot of interest in 401(k) salary reduction plans. About 70% of the employees said they would participate in a 401(k) plan that included an employer matching contribution, although less than 50% said they would participate in a 401(k) plan without an employer match.

Interestingly, child care reimbursement programs were not requested by many employees, even those with working spouses and young children.

The survey authors suggested two possible explanations for this. First, employees said many child care providers prefer to be paid in cash; therefore, parents are reluctant to declare these arrangements on their income tax and jeopardize what they consider to be quality child care. Also, the fact that the Internal Revenue Service already allows tax credits for child care expenses makes employer-sponsored child care benefits less important to parents.

The benefits that employees would be willing to give up in exchange for greater benefits in other areas include voluntary accident coverage and company-sponsored events.

In addition to cutting some benefits to enhance others, employees would be willing to pay more for certain coverages, although more employees would be willing to pay more for specific benefits rather than across the board.

Some 25% said they would trade a portion of their salary for additional benefits across the board; more than half said they would not make this trade-off, and about 20% were undecided.

Managers and professional employees, interested in reducing their taxable income, were most likely to be willing to reduce their salaries for better benefits.

However, about half of all employees said they would be interested in voluntarily paying more through payroll deduction to increase specific benefits. About 30% said they would not be interested in paying more, even on a voluntary basis.

About 30% said they would contribute an additional \$10 or more a month, more than 20% said they would contribute from \$5 to \$10 a month, and about 40% said they would be willing to pay less than \$5 a month, including those who did not want to pay any more.

The survey also showed that employees are aware of the rising costs of health care. And, 80% said they would be willing to take action to save money for their employers, and for themselves.

Continued on next page

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The actions they are willing to take included checking medical bills for mistakes, asking doctors to prescribe generic drugs, having tests performed on a preadmission basis, having surgery performed on an outpatient basis, requesting releases from the hospital immediately and asking the doctor what a treatment plan will cost before treatment starts.

In addition, on the average, about 40% of the employees said they would consider participating in a health maintenance organization or a preferred provider organization if either option were available to them.

Of those who wouldn't consider an HMO or PPO, most were reluctant to give up their existing physician/patient relationship.

And, there was a high level of interest in company-sponsored preventive care programs, especially blood pressure screening, physical fitness programs and stress-control programs. There was less interest in programs to promote good nutrition and in education programs for alcohol and drug abuse.

Finally, about half the employees surveyed said they currently get most of their benefits information from booklets.

In addition, about 25% view their supervisors and the office grapevine as a useful source of information. But, only 4% of the employees said they preferred the employee grapevine as a source of information about benefits.

Rather, a majority of the employees surveyed said they would prefer to get their benefit information through written material that was easier to read and understand, and through more personal, face-to-face benefit communications.

And, hourly and clerical workers are more likely to feel the need for more personal communication.

The survey authors suggest that hourly and clerical workers are the most in need of better communication about their benefits, and that better communication might lead them to be more accepting of change.

"We believe fear of the unknown

leads them to be cautious about benefit flexibility. Unfortunately, most hourly and clerical employees hardly understand their current benefits, let alone the idea of choosing one over the other. That's why they want to maintain existing coverages," the authors say.

"Obviously, then, effectively communicating to hourly and clerical employees to gain their acceptance of flexibility of benefits should be a crucial priority for employers. Indeed, communicating well about current benefits to all employees should be a priority," the authors say.

"It is clear that incremental investments in benefit communications would result in exponential improvements in benefit satisfaction."

Questions about the survey should be directed to Steve Goldfarb, Manager-Survey Programs, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005; 212-701-8185.

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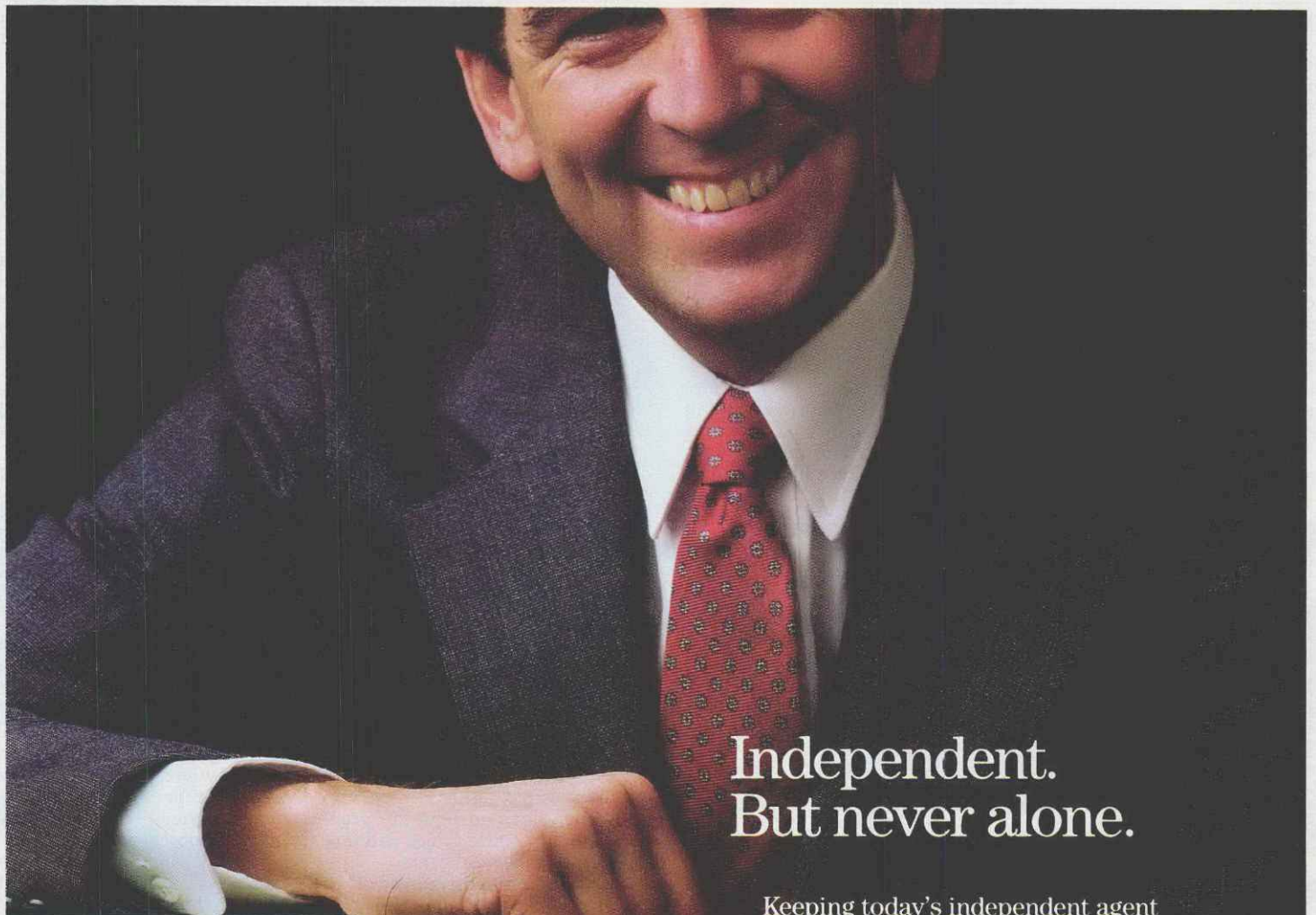
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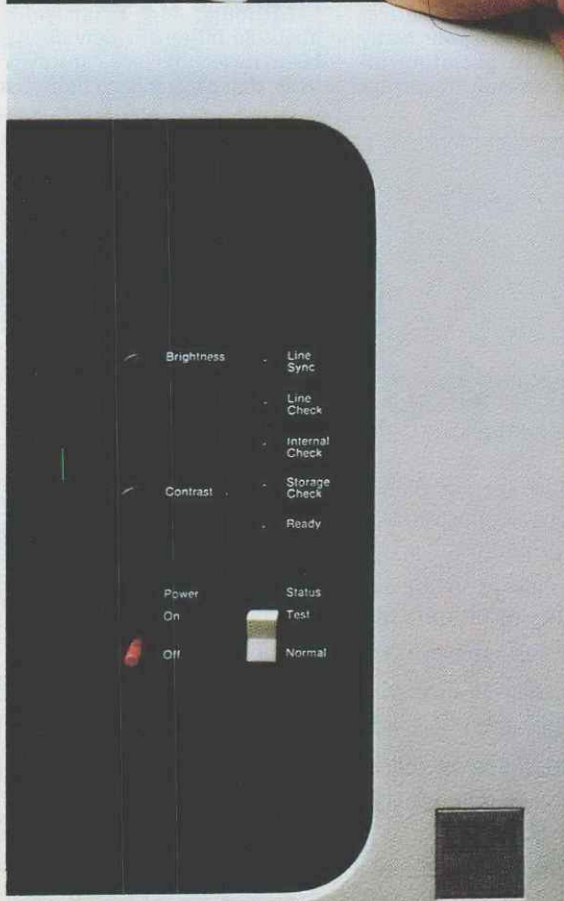
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Citicorp vp rebuts arguments against banks in insurance

By MICHAEL BRADFORD

VANCOUVER, British Columbia—Insurers' arguments that banks would have an unfair competitive edge if they were allowed to write and sell insurance are weak, says

an official of the nation's largest bank holding company.

Also, insurers' concerns that a bank could easily coerce loan customers into buying insurance from the bank probably are rooted in

"self-guilt," says Dennis Toivonen, a vp at Citicorp in New York.

"The traditional insurance industry is normally a supporter of open competition and the free enterprise system," Mr. Toivonen said at the annual meeting of the American Risk & Insurance Assn. last month.

"But a review of the insurance industry's history reveals that significant segments of the industry have not supported those ideals in the face of competitive pressures."

Mr. Toivonen told his audience, made up largely of insurance and

finance scholars and professors, that it would appear "unseemly" and ineffective for a "traditional, established industry to openly disavow competition for themselves while advocating it for all others."

Instead, a common public relations tactic used by insurers has been to "imply a lack of self-interest" about the effect of banks' insurance activities on individual companies, while pointing with alarm to potential dangers to consumers and the whole industry.

"Thus, the insurance industry, when faced with new competitive threats, has voiced concern about dangers to others without apparently any interest in seeing solutions that would enhance competition while avoiding those dangers," Mr. Toivonen remarked.

Citicorp had a major setback last month in its efforts to engage in insurance when the Federal Reserve Board denied its request to acquire a South Dakota-chartered bank.

Citicorp announced plans to acquire American State Bank of Rapid City, S.D., in 1983 to take advantage of a state law allowing state-chartered banks to sell and underwrite insurance.

However, the Fed said the acquisition "was simply a device" to evade the Federal Bank Holding Company Act, which generally prohibits banks from selling and underwriting insurance (BI, Aug. 5).

Although insurers repeatedly have charged banks could easily coerce their customers into buying bank-sold insurance policies when

applying for loans, Mr. Toivonen cited a 1983 study by Coopers & Lybrand that showed little likelihood that banks would do so.

While Mr. Toivonen admits many bank customers would purchase insurance from lenders as a matter of convenience, he also asserts that coercion won't be necessary.

"Responsible insurance industry spokesmen admit that reports of coercion and tie-in activities of banks have not been substantiated," he added.

He cited statistics that show state-chartered banks, relying on state laws or other exemptions, have sold some forms of insurance since 1865 and national banks have sold insurance since 1960. And, he says, the insurance industry has not been able to prove any coercion on their parts.

"The total number of commercial banks selling general insurance is approximately 2,000," he said, adding bank holding companies own more than 600 insurance agencies.

"The only evidence that (insurance) industry spokesmen have been able to offer involves implicit coercion. There is a portion of bank customers who feel that their loan application may receive more favorable consideration if they buy insurance from the lender.

"One has to seriously question the sincerity of the insurance industry's newfound concern and opposition to potential bank coercion," he said.

The property/casualty insurance industry is "no stranger to coercion in tie-in activities," Mr. Toivonen charged. For example, he said insurers often will issue workers compensation coverage only if the buyer also purchases other insurance from the company.

"Maybe the paranoid attitude exhibited by the insurance industry... can partially be traced to deep-seated insurance industry self-guilt," he said.

In an effort to counter insurance agents' associations' "enormous political clout," banks are proposing two safeguards to quell charges of coercion and unfair competition.

"One is various forms of disclosure clearly informing the customer that his loan is not conditioned on the purchase of insurance," he said.

Second, banks are proposing customers get "a 30-day free look in which to cancel a policy."

He admitted that so far, these proposals have not been enough to sway legislators to allow major bank involvement in the insurance industry.

"Today I propose that banks try a new approach and go an extra mile," he said.

He said banks should have to meet the following added conditions in order to sell insurance:

- Sales of insurance must be transacted by a separate bank agency.

- Bank lending officers could not act as an insurance agent or be an employee of the agency.

- The bank's agency would have to be physically separate from the lending area.

Mr. Toivonen warned his audience to be skeptical of insurance industry arguments that bank sales of insurance could "result in the exclusion of new competition."

Mr. Toivonen also said arguments in defense of the consumer, smaller or weaker insurance entities and the industry as a whole are particularly suspect, "generally because these arguments are laden with political and emotional overtones and lack strong intellectual foundation."

New president of ARIA proposes name change

VANCOUVER, British Columbia—The new president of the American Risk & Insurance Assn. is proposing a name change for the organization he now heads.

Robert C. Witt, a professor in the department of finance at the University of Texas, said in his acceptance speech at the ARIA's annual meeting last month that he believes the organization should be renamed the American Risk & Insurance Economics Assn.

Mr. Witt also suggested the word "economics" be added to the end of the title of the association's quarterly publication, currently known as the Journal of Risk and Insurance.

The magazine presents articles by insurance and finance scholars that report on research and theoretical concepts of risk and insurance.



Renaming the association and publication, said Mr. Witt, is "a minor change which merely reflects the fact that we basically deal with the economic and financial aspects of insurance markets and contracts rather than just institutional aspects of insurance."

"In essence, we deal with insurance economics rather than insurance per se," Mr. Witt said. "This change is broad enough to recognize all important aspects of our profession, including financial

planning, legal and financial aspects of insurance contracts, risk management, employee benefits and economic aspects of all types of insurance and reinsurance contracts."

The association's board of directors has agreed to discuss the name changes at its meeting in February.

The association changed its name once before. The organization was founded in 1932 as the American Assn. of University Teachers of Insurance.

The ARIA meeting, held Aug. 18-21 in Vancouver, drew some 200 registrants, many of whom were insurance and finance instructors and students.

Several new officers and board members were elected at the meeting.

Michael Murray of the University of Iowa was elected vp of the ARIA for the 1985-86 term.

Sandra G. Gustavson of the University of Georgia became an academic board member, while Emilio Venezian of Venezian Associates in Essex Fells, N.J. was elected as general board member.

For more information about the organization, contact the American Risk & Insurance Assn., Brooks Hall, University of Georgia, Athens, Ga. 30602; 404-542-4290.

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Carbide, four others to terminate plans

Five companies, including Union Carbide Corp., are terminating overfunded defined benefit pension plans to recoup a total of about \$715 million.

Danbury, Conn.-based Union Carbide will undertake a spin-off/termination of its \$2.8 billion defined benefit plan for salaried and hourly workers to recapture half, or about \$500 million, of the surplus assets.

Under a spinoff/termination, an employer splits a benefit plan into two plans—one for retirees and one for active employees. Excess assets are put in the retiree plan, which the company then terminates. The company buys annuities to pay benefits to the retirees.

The remaining \$500 million of surplus will be left in the existing plan for active employees, according to a source at the company.

The other companies terminating pension plans to recoup excess assets include:

• Stauffer Chemical Co. of Westport, Conn., which will recoup \$112 million from terminating two plans with assets of \$231.9 million, according to documents filed with the Pension Benefit Guaranty Corp.

The reversion will help pay off debt associated with Chesebrough-Pond Inc.'s \$1.25 billion purchase of Stauffer in March.

The overfunding of Stauffer's plans helped make it attractive as an acquisition for Chesebrough-Pond, company officials said.

Chesebrough-Pond will purchase annuities to cover benefits for retirees at Stauffer and will contribute about \$1.3 million to successor plans.

• Central Soya Co. of Fort Wayne, Ind., which is terminating four pension plans with assets of about \$100 million, to recapture an estimated \$41.6 million. The move is part of an effort to help finance a leveraged buyout of the company.

• Bluefield Supply Co. of Bluefield, W.Va., which plans to terminate its \$27 million non-union employee defined benefit plan to use an estimated reversion of \$13 million "as working capital and for other corporate purposes," said Executive Vp Jim E. Gillenwater.

The main reason Bluefield Supply is terminating "is the overfunding," he said. "We're terminating due to the losses we've had for the past three years. We've had losses in just about all areas of the company—about the only profitable area has been our hospital supply group."

Bluefield plans to replace the terminated plan with a profit-sharing plan containing a 401(k) salary reduction feature, Mr. Gillenwater said, adding the company will contribute \$200,000 to the new profit-sharing plan in 1985 and a minimum of \$400,000 in 1986.

Initially, participants will not have a choice of investments; instead, the entire fund likely will be invested in a mix of stocks and fixed-income securities, he said.

• Fairchild Industries of Chantilly, Va., which plans to terminate three plans with combined assets of \$187 million, to recapture about \$48 million for use in existing businesses beset with losses.

If the terminations are approved, the roughly \$45 million reversion "will be redeployed into Fairchild's existing businesses," said Treasurer William Buckland.

According to documents filed with the PBGC, the three Fairchild plans to be terminated are the \$88 million Pension Plan for Salaried Employees, with a reversion of about \$35 million; the \$18 million Fairchild Republic Co. Retirement Plan for Non-Exempt Employees,

with a reversion of about \$6 million; and the \$81 million Fairchild Republic Co. Retirement Plan for Bargaining Unit Employees, with a reversion of about \$7 million.

The three will be termination/re-establishments, he said. In such cases, the old plan is terminated, annuities are purchased for outstanding liabilities and a new plan, which mirrors the old, is established in its place.

"Employees will get the same benefits before and after termination including any past service credit," he said. "The only difference is that those who were partially vested will be vested early, as required with this kind of termination."

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Monitor claims handling program: Consultant

By CAROL CAIN

SUN VALLEY, Idaho—Employers that self-insure their workers compensation risks must monitor their claims administration program and develop a plan to prevent claims handling mistakes, a consultant says.

"Claims administration is the most important aspect of any self-insured program," said Charles L. Axtell, senior consultant with the Los Angeles office of Claims Management Services, a technical ser-

vice division of New York-based Marsh & McLennan Inc.

Keeping tabs on the way workers compensation claims are handled is necessary, whether the program is managed in-house or contracted to an outside third-party administrator, said Mr. Axtell, who spoke at the midyear program of the National Council of Self-Insurers held Aug.



18-20 in Sun Valley.

The NCSI program was held in conjunction with the annual convention of the International Assn. of Industrial Accident Boards & Commissions (see stories beginning on page 3).

Self-insurers can troubleshoot claims administration problems and assess trends by studying fluctuations in reserve levels and claim

payments, as well as other claims data provided in computerized loss runs, he suggested.

Also, the risk manager or TPA should pay attention to claims frequency, rather than severity, Mr. Axtell suggested. If the number of claims increases during high-production periods, the employer may want to re-examine the company's safety program, he said.

Special reports also may be useful to the workers compensation supervisor or risk manager in assessing claims trends, Mr. Axtell

said.

But, he recommended that the employer and claims administrator both be clear on the purpose of the report before it is ordered.

The report's content and format, as well as its frequency, should be stipulated ahead of time, Mr. Axtell added.

"By using these keys, you can make an arrangement to have the data provided on a timely basis. These types of special reports are usually not within the initial con-

Continued on next page

Asbestos claims facility may open later this month

SUN VALLEY, Idaho—The asbestos claims facility recently created by the Wellington agreement may begin handling claims as early as this month.

"The interim funding and banking relationships have been set up, so that claims can be handled... by mid-September," said Daniel M. Phillips, director of litigation for Owens-Corning Fiberglas Corp. in Toledo, Ohio, during a panel discussion sponsored by the National Council of Self-Insurers last month in Sun Valley.

The Wellington agreement, signed by some 34 asbestos producers and 16 insurers, provides the conditions for asbestos producers and their insurers to settle their coverage disputes. The asbestos claims-handling facility created by the agreement was designed to dispose of asbestos bodily injury claims out of court.

An interim committee of nine insurers and nine producers has been created to begin reviewing claims, Mr. Phillips said, noting that a group of attorneys from about 56 jurisdictions eventually will work with it.

Staffing should be completed by Jan. 1, as well as the procurement of the facility's sites in Princeton, N.J., and San Francisco, he said.

When claims come into the facility the board will first "determine whether the (injured worker) has been exposed to a product of any member of the facility, and in the event he has been exposed, we'll take a look at the medical (records) and evaluate the case," said Mr. Phillips.

"The facility will do what we (producers and insurers) all do right now, but on a cooperative basis," he explained.

If the settlement offer made by the facility to the injured worker is not acceptable, the facility will either litigate the case or bring it to binding or non-binding arbitration.

"It is the intent of the facility to evaluate, settle, pay and defend all the asbestos claims for members of the agreement. There will be no piecemeal settlements," Mr. Phillips said.

The facility itself currently is in a bare-bones state, said Mr. Phillips, who was elected to the 12-member board of the asbestos claims-handling facility last month (BI, Aug. 19).

"What we're doing is setting up a total claims corporation," he said, pointing to all the statutory and financial requirements that must be completed in setting up a corporation.

Also speaking on the panel was Edward T. Harris, vp of Continental Insurance Cos. in Piscataway, N.J., who also is a member of the facility's board of directors; and Edward A. Dauer, dean and professor of law at the University of Denver, who also participated in the Wellington agreement.



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Continued from previous page
tract and normally will have additional costs," he said.

Self-insurers with third-party administrators can monitor claims handling through various methods, Mr. Axtell said.

And, conducting a claims review can indicate how well a claims operation is working, he said.

First, the manager that will evaluate claims should determine what information is being sought from the review.

Second, self-insurers should specify which claims will be reviewed and "allocate your time to participate in the review," he noted.

The review "should be a partnership and a team effort" between the employer and the TPA, he said. "But you should be prepared to make decisions on the administrator's questions," Mr. Axtell said.

He also advised self-insurers to take notes during the review, whether it is conducted with an in-house claims administrator or a TPA "so that at the next claims review you can check to see if what the administrator said will happen, did."

By meeting in person with outside administrators during a claims review, a self-insurer also has the opportunity to visually assess the claims operation.

Mr. Axtell said the self-insurer will be able to see the condition of the claims file—whether papers are shoved into an envelope or organized for quick reference.

"If the administrator always comes to your office, you never get to see the claims file. Things can be found out by going there," Mr. Axtell said.

And, by being prepared and taking an active role in the claims operation, self-insurers can prevent such things as complaint calls, less-

'If you have to use the lowest bidder, then so be it. But if not, then you have to remember everything we've talked about. . . . You get what you pay for,' Mr. Axtell says about choosing a third-party claims administrator.

than-favorable state audits, unexpected future reserve levels on the annual report, consistently late receipts of reports and slow responses on case inquiries, he said.

While self-insurers with outside administrators often leave claims settlement matters to the TPA, they may do better to retain full authority in this area, he said.

"It's your money," Mr. Axtell said, adding that outside claims administrators may not be aware of the total corporate philosophy.

After some trust is built up in the administrator, Mr. Axtell said the employer may want to pass on some "low-level" authority in claims settlement.

Finally, Mr. Axtell had several suggestions for self-insurers that may consider hiring an outside firm to handle their claims operation. Points to be considered include:

- The claims organization's philosophy and principles. Mr. Axtell suggests asking: "Are the people claims people or business people?"

- Clients' assessment of the firm's reputation. "Get a current client list and call everyone on it," he recommends.

- The disclosure of staffing commitments. Among the employer's questions should be: "Who will the third-party administrators put on my account? What are their backgrounds, experience?"

- Credentials of staff. "If they're going to use trainees, ask who will

supervise them," Mr. Axtell said.

- Experience with the employer's particular industry. "This is not necessarily a more important part of your decision, but you will have to consider it," he said.

- The firm's business practices and stability. "Be cagey when talking to the third-party administrator. Ask questions two or three different ways. Find out how long they've been in business.

"This is a judgment call. Maybe a younger firm will be more hungry and will do a better job," he said.

- Compatible attitude toward the company claims philosophy. "If you don't have a claim philosophy, get one," he said.

- Willingness to provide special-need items. "Will they provide special reports, give phone call reactions?"

- Acceptable fee structure. "If you have to use the lowest bidder, then so be it. But if not, then you have to remember everything we've talked about. . . . You get what you pay for," Mr. Axtell said. ■

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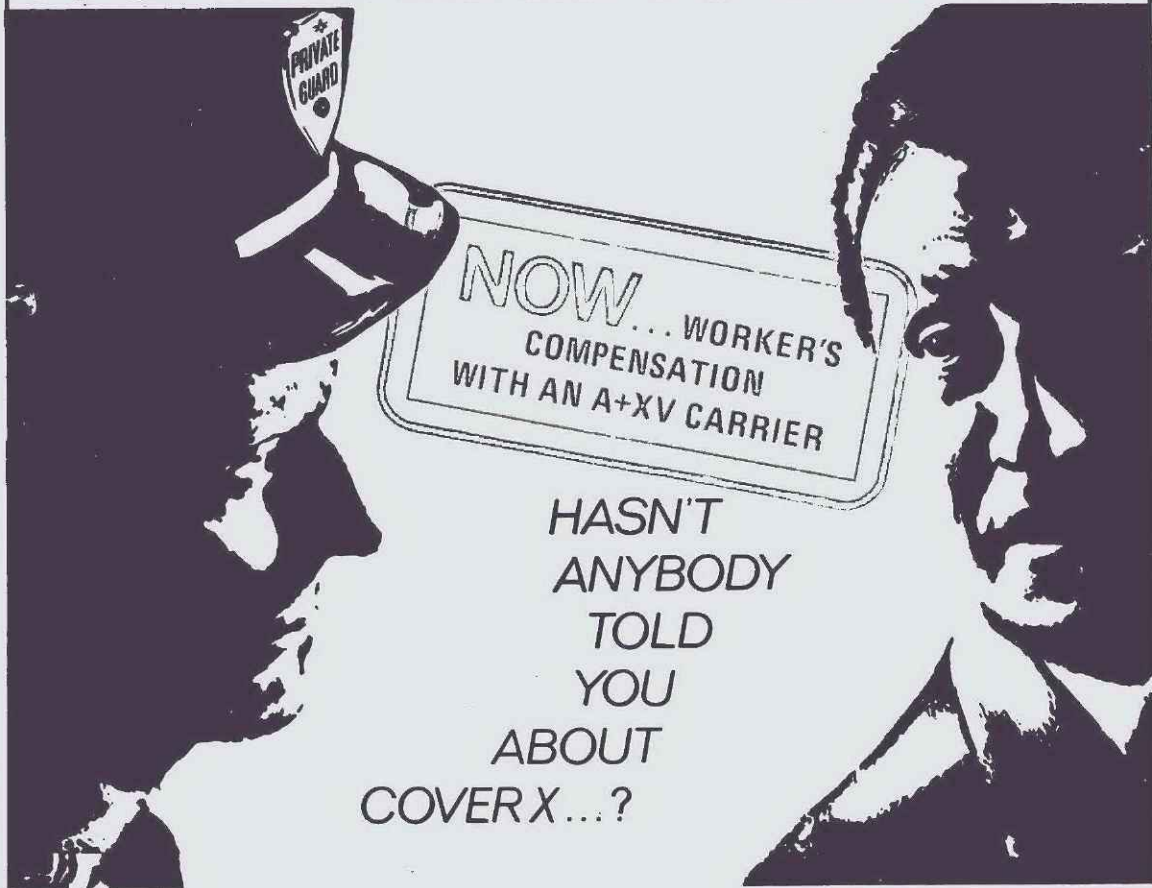
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Report notes pros, cons of tax proposals

By JERRY GEISEL

WASHINGTON—As Congress prepares to tackle tax legislation this month, a key congressional committee is laying out a blueprint to guide legislators through the employee benefit provisions in the tax package.

The 134-page report by the influential Joint Committee on Taxation does not make recommendations on what tax legislation should be enacted, but rather lays out the pros and cons of proposals already on the table.

However, the arguments it cites in favor of the Reagan administration proposals provide additional ammunition for supporters of the Reagan tax package, which if enacted could force employers to make drastic changes in their employee benefit programs.

The report, which focuses on pension and retirement savings plans, will be used by congressmen in evaluating the tax proposals on which they will be asked to vote.

"This is a resource for the Congress and the staffs as they are looking at these (pension) issues," said Frank McArdle, director of education and communications at the Employee Benefit Research Institute, a Washington-based benefits think-tank.

"The report provides an insight into how Congress will approach these issues," Mr. McArdle explained.

If history is a guide, the Joint Committee's analyses will carry great weight with the House Ways and Means Committee and the Senate Finance Committee, which have jurisdiction on tax legislation.

For example, last year, the Joint Committee was the first to suggest that Voluntary Employee Beneficiary Assns., also known as 501(c)(9) trusts, were being abused by some small professional corporations that were deliberately overfunding the trusts to shield assets from federal taxes (BI, March 5, 1984).

The recommendations made by the Joint Committee to curb such abuses became the basis for restrictions Congress later imposed—as part of the Deficit Reduction Act of 1984—on maximum reserves that can be held by VEBAs (BI, July 2, 1984).

Included in the current report of the Joint Committee are analyses of the following retirement savings issues:

Non-discrimination tests

In its report, the Joint Committee lays down the arguments for and against the Reagan administration's recommendation to impose a rigid, mechanical test on benefit plans to ensure that a company's pension plan does not discriminate against lower-paid employees. The non-discrimination test also applies to health care plans, but the impact on those plans is not discussed in the committee's report.

Under this uniform non-discrimination test, the percentage of highly compensated employees—the prohibited group—covered by a plan would be computed. That percentage would be compared with the percentage of other non-union employees covered by the plan.

In order for a plan to obtain favorable tax qualification, the percentage of prohibited group em-

ployees could not exceed 125% of the percentage of other employees covered by the plan.

For example, if 95% of a company's prohibited group employees were covered under a corporate pension plan, then at least 76% of its non-union employees would have to be covered under the plan.

If a pension plan flunked this 125% test, it would lose its tax-favored status and participants would be taxed on the value of their benefits.

Companies with different units and separate pension plans for each unit would be most likely to fail the 125% test. For example, a company would flunk the test if its highly-paid employees were concentrated in one unit and thus covered under that unit's pension plan.

That could happen easily since a major corporation may have many different units—each with its own pension plan—with widely different levels of employee compensation.

To prevent employees from being taxed on the value of their benefits, a company would have to offer a uniform benefit plan to all employees in different corporate units.

Designing such a plan could be a no-win proposition for a corporation. If benefits for the lower-paid were upgraded to match the highly compensated, a company's benefit costs would soar.

On the other hand, if a company set up a uniform plan that cut down benefits for prohibited group employees to match benefits for the lower-paid, the company might lose its top employees to other corporations that could continue to offer rich benefits.

The Joint Committee questions whether it is appropriate to allow an employer to tailor different compensation packages for employees working in different corporate units.

Opponents of this "flexibility" in corporate benefit design say it encourages companies to provide inadequate benefits for employees in certain industries, according to the report.

A tax policy goal of providing favorable tax treatment to only those plans that provide equitable benefits to lower-paid employees should preclude companies from offering smaller benefits to certain employees just because they work in a certain industry or geographic locale, the report says.

In addition, the report notes that some employers acquiring subsidiaries require the newly acquired entities to adopt the employer's benefit plan within a certain period of time.

"This, they argue, undermines the argument that business reasons, rather than corporate custom, underline the decisions by other employers not to have a uniform plan throughout their controlled group," the report says.

On the other hand, the Joint Committee report notes that requiring companies to offer comparable benefit to employees in different corporate units could reduce a company's ability to compete in the marketplace and distort corporate business decisions.

"Such an employer may have separate plans for each line of business. . . Each plan of such an employer may be designed to provide a level of benefits considered appropriate for that line of business or geographic locale. Often the plans compare with plans of other employers who compete for the same workforce," the report says.

But enforcement of the 125% test could force companies with different business lines to offer a uniform benefit package.

"The employer could be required

to provide comparable benefits to employees in different geographic areas or different lines of business, whether or not those benefits were economically necessary from a business point of view or whether those benefit levels were customary or appropriate for that industry," the report said.

The test also could interfere with corporate mergers and acquisitions, the report says. For example, a company might be reluctant to acquire another firm in a different industry that has its own pension plan and a high percentage of lower-paid employees for fear of flunking the 125% test.

In-service withdrawals

Under the Reagan administration tax package, in-service withdrawals of employee contributions to retirement savings plans would be banned.

Many employers now allow, for example, employees to withdraw funds from their 401(k) accounts to make a downpayment on a primary residence, pay for a child's college expenses or cover uninsured medical bills.

In addition, the administration proposal would impose special taxes on pre-retirement distributions (generally before age 59½), such as when an employee leaves a company and collects accrued benefits.

The tax would be 10% if the distribution were used for the purchase of a first principal residence, a dependent's college expenses or replacement of unemployment benefits.

The tax could be avoided if the distribution were rolled over into

an IRA and not withdrawn until an individual reached age 59½.

Opponents of these restrictions and penalties on pre-retirement withdrawals and distributions argue that lower and moderate-paid employees won't participate in benefit plans unless they have easy access to the benefits.

"They believe that low- and moderate-income people cannot afford to commit savings to an arrangement under which withdrawals cannot be made for an extended period," the report says.

As a result, the level of savings would be reduced, according to the report.

On the other hand, some say restrictions are needed to assure that pension and savings plan assets remain a source of long-term capital for the economy.

In addition, without restrictions, people will treat retirement plans as ordinary savings accounts with favorable tax treatment features.

"It is inappropriate to require taxpayers who are unable to accumulate significant savings to subsidize the general purpose savings of those who are more fortunate," the joint committee report says, citing the arguments of those favoring restrictions.

Vesting

While the Reagan administration does not propose new vesting rules for corporate pension plans, the Joint Committee report says there are arguments to require employers to offer more-rapid vesting schedules. Currently, most major defined benefit plans require an employee to work 10 years before

Continued on next page



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Continued from previous page
he or she is first and fully vested.

Proponents of faster vesting say current schedules do not help employees who frequently change jobs and don't stay with one company long enough to vest.

Women and minorities are especially disadvantaged by the current rules because they tend to be more mobile and stay with an employer a shorter period of time.

In addition, the lower-paid are more mobile and more likely to terminate before vesting.

Accordingly, "More-rapid vesting would enhance the retirement income security of low- and middle-income employees," the report says, citing the proponents' arguments.

But the report also notes that critics say rapid vesting defeats the fundamental purpose of pension plans: providing benefits to long-term employees.

"They argue that deferred vesting is appropriate to preclude the provision of benefits to these transient employees, thereby allowing them to provide better or larger benefits for the more stable, longer-term workforce," the report said.

On the other hand, some say that pension plans are designed to enhance retirement income for all employees, not just for long-term employees, the report says.

Limit on benefits

Under law, a defined benefit plan can provide a maximum benefit of \$90,000 a year to a participant, while the maximum annual contribution to a defined contribution plan cannot exceed \$30,000 per participant. The administration has not recommended any changes to these limits.

But the Joint Committee says some argue that the current limits are "unnecessarily generous, permitting tax-favored retirement savings far in excess of that needed to provide an adequate retirement income."

But others, the Joint Committee report says, argue that the limits are needed to encourage employers to offer pension plans.

"If an employer cannot provide adequate benefits for highly compensated employees, there is less incentive to provide benefits for any employees," according to the report.

In addition, some say cost-of-living adjustments to these maximum limits are not needed because the benefits already are generous, the report notes.

On the other hand, those favoring cost-of-living adjustments say they are necessary to prevent an erosion of benefits for a growing number of participants.

"Without such adjustments, they suggest that as the general level of salaries increase over time, the portion of the workforce affected by these limits would increase from a small minority to the majority of plan participants," the report comments.

Under a provision in the 1984 tax law, maximum benefits and contributions cannot be increased until next January.

In addition, the Joint Committee report included a lengthy and in-depth examination of pros and cons of suggested changes to the tax treatment of 401(k) salary reduction plans.

The committee's report was based on an earlier recommendation by the Reagan administration that would allow the plans to exist but would place severe restrictions on contributions to and withdrawals from the plans.

However, the administration since has changed its position on the plans, which are the fastest-growing employer-sponsored benefit. The administration's current tax proposal calls for elimination of the savings plans (see story, page 1).

Rate of increase in South Florida hospital costs slowing: Study

MIAMI—Although the average cost per hospitalization in South Florida increased 7.4% from 1983 to 1984, that was the smallest annual increase since 1981, according to a report of the South Florida Health Action Coalition.

The coalition's report was based on data from 68 hospitals in Dade, Broward and Palm Beach counties. According to the data, the average charge per hospital admission in 1984 in the three-county area was \$3,946. The average was \$4,073 in Dade County, \$3,526 in Broward County and \$2,575 in Palm Beach County.

The 7.4% increase from 1983 to 1984 represented a stabilization of hospitalization costs in the area, the coalition says. The cumulative increase in average charge per hospital admission rose a total of 79.2% from 1981 through 1984.

This trend toward stabilization of prices also was evident in the 2.4% decline in the average length of hospital stay in 1984 over 1983. In 1984, the average length of stay was 6.13 days.

"This slowdown in the increase of health care costs has come about as a

result of changes in the state's Medicare payment system. A cap also has been placed by the state on hospital revenue increase. And, finally, we are beginning to see the effect of employers' cost-containment efforts," said John C. Erb, executive director of the coalition.

One such employer cost-containment effort noted by the coalition is the increased use of out patient testing and surgery.

In addition, the coalition credits the increased use of alternative health care delivery systems, like preferred provider organizations. The Dade County and the Broward County school boards recently implemented PPOs for their employees. In the first year PPOs were offered, the Dade County system reported savings of \$2.8 million in health care costs, and the Broward County system reported savings of \$2.3 million.

The coalition represents more than 38 major South Florida employers covering more than 300,000 employees and dependents. Copies of the report, "1984 Report on Community Wide Hospital Data Claims Paid," are available on request from the South Florida Health Action Coalition Inc., Suite 330, 7925 N.W. 12th St., Miami, Fla. 33126; 305-592-4936.



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Contest judges

Continued from page 3
 cago. The deadline for returning completed nominating statements is Dec. 6.

The candidates will be judged only on the information provided in the nominating statement, which requires a description of how the candidate meets 10 specific criteria for an outstanding risk manager (see box).

The winners of the 1986 competition will be announced in the April 14, 1986, issue of *Business Insurance*, which coincides with the annual Risk & Insurance Management Society conference.

Ten distinguished leaders in the commercial insurance and risk management professions will judge the nominations for the 1986 Business Insurance Risk Manager of the Year and Risk Management Honor Roll award.

The judges, who recently accepted invitations to serve on the

panel, include two insurance company presidents, two insurance brokerage presidents, a risk management consultant, an academician and four risk managers.

The judges are:

- John H. Bretherick Jr., president of the Continental Corp. in New York. Mr. Bretherick, who is new to the panel, represents the viewpoint of a president of a stock insurance company.

- Warren G. Brockmeier, vp with The Wyatt Co.'s Chicago office. Mr. Brockmeier, who served on the panel last year, represents the risk management consulting viewpoint.

- Eva F. Goodrich, manager of insurance and risk management for Cincinnati Electronics Corp. in Cincinnati. Ms. Goodrich was named to the 1985 Risk Management Honor Roll representing corporations with less than \$300 million in sales.

- Richard M. Inserra, director of insurance and risk management for

American Can Co. in Greenwich, Conn. Mr. Inserra was the recipient of the 1984 *Business Insurance* Risk Manager of the Year award.

- Harold C. Lang, director of insurance and risk management for Leaseway Transportation Corp. in Cleveland. Mr. Lang was the recipient of the 1985 *Business Insurance* Risk Manager of the Year award.

- Richard M. Page, chairman, president and chief executive officer of Fred S. James & Co. Inc. in New York. Mr. Page, who is new to the panel, represents the viewpoint of an international insurance broker.

- Jack B. Riffle, chairman, president and chief executive officer and a director of most of the major companies in the Utica National Insurance Group, including Utica Mutual in Utica, N.Y. Mr. Riffle, who is returning to the panel for a second year, represents the viewpoint of a chief executive of a mutual insurer.

- Thomas M. Scott, president of

Insurance Management Corp. in Kansas City, Mo. Mr. Scott, who is new to the panel this year, represents the viewpoint of an insurance agency.

- Susan N. Weiner, executive director of the division of risk management for the Dade County Public Schools in Florida. Ms. Weiner was named to the 1985 Risk Management Honor Roll representing government entities.

- C. Arthur Williams Jr., Minnesota insurance industry professor of economics and insurance at the University of Minnesota School of Management and author of several books and monographs on risk management and insurance. Professor Williams is serving on the panel for a second year, representing the viewpoint of an insurance academician.

In addition to Mr. Inserra and Mr. Lang, other past winners of the Risk Manager of the Year award have included: Howard T. Weber, director of insurance at 3M Co. in

St. Paul, Minn., in 1978; Edward L. Erickson, director of insurance at American Broadcasting Cos. Inc. in New York, in 1979; Thomas V. Hallett, then risk manager of General Motors Corp. in Detroit, in 1980; Duane E. Allen, then assistant treasurer of Hanna Mining Co. in Cleveland, in 1981; Eckart Russell, then risk and insurance manager of Alcan Aluminum Ltd. in Montreal, in 1982; and John A. O'Connell, executive director/risk manager of Holy Cross Shared Services Inc. in Notre Dame, Ind., in 1983.

To enter a candidate for the 1986 *Business Insurance* Risk Manager of the Year Award, request a nominating form by writing: *Business Insurance* Risk Manager of the Year Award, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

Information supplied in the nominating statements, which must be endorsed by the candidate's superior, will be kept in strictest confidence. Only the names of the winners will be announced. ■

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Judges use 10 criteria

The 10 independent judges who will score the nominations for the 1986 *Business Insurance* Risk Manager of the Year Award and Risk Management Honor Roll will use 10 criteria. The judges will score each candidate according to a scale of one to 10 on how well he or she:

- Established and implements an effective risk management program within the organization.

- Tackled and solved one or more major problems for his or her organization.

- Innovatively applied the diverse tools of risk management and insurance.

- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization (specifically addressing the types of policies purchased and manuscripted policies, if any, developed.)

- Established a workable intelligence system inside and outside the organization, culminating in access to a flow of information about events and activities that affect the organization's risk management and insurance. (How the risk manager secures information on risks from other departments and the use of risk management information systems are addressed in this criterion.)

- Skillfully performs the functions of management in the overall organization and within the risk management/insurance department. (The functions include planning, organizing, directing and controlling.)

- Achieves the most effective program at the optimum cost over the long term.

- Developed technical expertise in any or all of the broad categories included within risk management leading to a better managerial grasp of the operations aspects of the job.

- Exhibits an attitude and performs activities fostering the advancement of the risk management profession (such as professional activities, speaking engagements, teaching and related activities.)

- Is developing his or her career (as exhibited by job history, including current job description, education, honors and memberships.)

Work comp suits

Continued from page 2

The definition has been applied in Michigan courts and by hearing judges to mean that injured workers are considered disabled if they cannot return to the same type of job held at the time of injury.

Employers had wanted this definition changed so that injured workers who can handle light duty or another type of job would not be considered disabled and, thus, would not be eligible for benefits.

Such a definition is used in 32 other states, said James Barrett, president of the Michigan Chamber of Commerce in Lansing.

"We supported many of the changes made (in the legislation) from an administrative standpoint, but were unhappy that the definition of disability was not dealt with in this rewrite," Mr. Barrett said.

Another provision, which has already taken effect, allows both sides in a disputed work comp case to have the case settled by an arbitrator. The decision of the arbitrator may be appealed only on questions of fraud or questions of law.

This provision is one of the few not tied to the provision being challenged in court.

Other provisions in the reform bill will:

- Create a seven-member Appellate Commission to replace the current Appeal Board, which hears appeals of cases decided by the administrative law judges.
- Establish a small-claims procedure effective March 31 for medical-only cases or cases that already have been closed. Only claims for less than \$2,000 can be filed under this system. Attorney involvement is prohibited in these cases.
- Eliminate duplicative "de novo" (new) review of the facts at the appellate level.
- Allow injured workers who were awarded benefits at an initial hearing to continue to receive benefits if the case is appealed. If an injured worker ultimately is denied benefits, the amount of money paid during the appellate process would be reimbursed to the employer or its insurer from the state's general revenues.
- This provision would apply to cases filed after March 31, 1986.
- Mandate that decisions of the Workers Compensation Board of Magistrates, which will replace the administrative law judges, must be

in writing and contain findings of fact and conclusions of law.

In addition, before taking office, the magistrates will have to pass a written exam that tests their knowledge of workers compensation law and their fact-finding skills. Magistrates will be subject to an evaluation and could be replaced every two years.

The provision replacing the administrative law judges with the magistrates is challenged in two lawsuits filed last month in Ingham County Circuit Court in Lansing.

Besides seeking declaratory judgments that the provision violates the state constitution, both suits also seek a temporary and permanent injunction to prohibit the measure from taking effect March 31.

Magistrates would begin hearing cases from that date, but the administrative law judges would continue to hear previously filed cases until March 31, 1987, when they would lose their jobs.

One of the suits was filed Aug. 8 by the Michigan Civil Service Commission against the Michigan Department of Labor, its director, the Michigan Bureau of Workers' Disability Compensation, its director and the governor.

Prior to the creation of the Civil Service Commission in 1941, state employees, including administrative law judges, were under the "spoils system," explains Donald Myers, the commission's deputy director of policy and public affairs. The new law would facilitate a return to this system, he fears.

That argument is also contained in the second suit, filed Aug. 15 by the administrative law judges themselves.

This lawsuit, however, names the Civil Service Commission, its chairman and two commissioners as defendants. It alleges the commission failed to live up to its constitutional duties to protect civil service employees.

Also named as defendants are the governor, the director of the Department of Labor, the director of the Bureau of Workers' Disability Compensation and the state treasurer.

"We regard this (legislation)... as a return to the spoils system," said Erwin B. Ellmann, a constitutional attorney with the Southfield, Mich., firm of Levin, Levin, Garvitt & Dill, who represents the administrative law judges.

The creation of the new seven-member Appellate Commission, which replaces the existing Appeal Board, is not being challenged in court.

Members of the new commission would be appointed by the governor from recommendations from a yet-to-be created business-labor advisory panel.

The new commission would begin March 31, 1986, and hear cases filed after that date. The current Appeal Board would continue to hear existing cases until July 1, 1989.

More than a dozen work comp bills were introduced earlier this year, but legislators were unable to agree on a compromise before the legislative summer recess began July 12.

However, a joint legislative committee subsequently drafted the final legislation amendment, and the Legislature reconvened for a brief afternoon session on July 30 to approve the measure. ■

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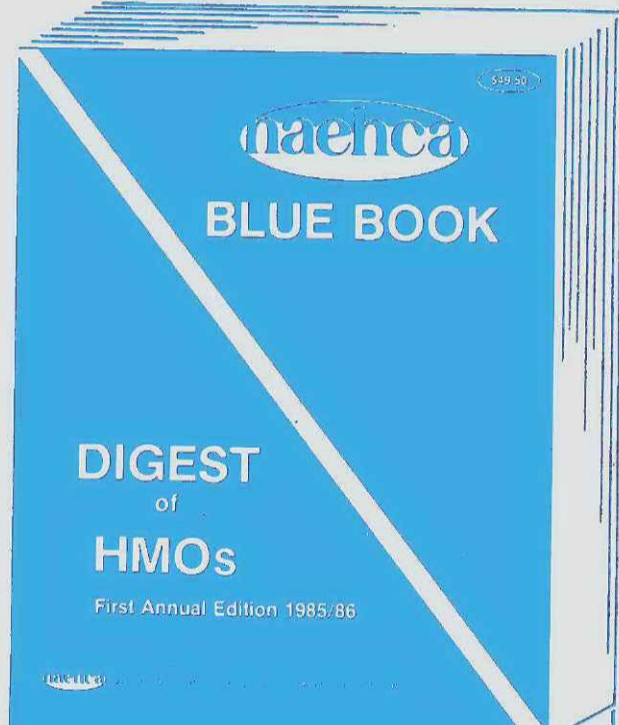
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**business
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update

MONTE CARLO RENDEZ-VOUS REPORT

Issue Date: September 23

Ad Closing: September 11

BI returns from the world gathering of reinsurers in Monte Carlo with the Rendez-Vous Report.

Firm to pay \$2.85 million to employee savings plan

HOUSTON—El Paso Co. has agreed to pay \$2.85 million to an employee savings plan as part of a \$4 million out-of-court settlement over charges of breach of fiduciary responsibilities in the company's unsuccessful efforts to avoid a takeover.

The suit, filed by two former El Paso employees in December 1983, alleged irregularities in the management of Fund A of El Paso's Employees Savings Plan during the 1983 Burlington Northern Inc. takeover of El Paso Natural Gas, a subsidiary of El Paso Co.

The irregularities resulted in a loss to the fund of about \$35.8 million, the suit said.

The suit originally sought to recover \$45.8 million, including \$10 million in punitive damages.

Defendants were Travis Petty, El Paso chairman and president; Richard S. Morris, executive vp; Michael Bracy, vp; T.W. Bittick, president of El Paso Exploration Co.; William Holick Jr., president of El Paso Natural Gas until his retirement in 1983; and J.V. Waggoner, president of El Paso Products Co.

The six served as an investment and administrative committee for the \$100 million plan during the Burlington takeover.

The suit, filed in U.S. District Court in Houston, alleged the trustees used the fund to help ward off early tender offer attempts by Burlington Northern to take over El Paso Natural Gas. After it became clear Burlington would indeed take control of the company, the suit said, the trustees did not invest contributions to the fund in additional El Paso stock as required by the plan guidelines.

Houston attorney John Marshall, who represented the two former employees, said the settlement is considered a partial victory: The company agreed to pay \$2.85 million to Fund A participants, as well as \$750,000 in attorney fees and a "substantial amount" of severance pay to the two former employees.

In addition, the six defendants agreed to give up any right to participate in the settlement proceeds to Fund A. Mr. Petty was the largest shareholder in Fund A, said Mr. Marshall.

"If you look at all the evidence presented, it indicates that trusting management faithfully to carry out the requirements of (the Employee Retirement Income Security Act) is a bad risk," said Mr. Marshall.

El Paso's attorneys declined to comment.

Mr. Marshall said a memorandum from an El Paso Natural Gas attorney indicated the company was "willing to risk damages for using the fund to ward off Burlington's attacks, and estimated that it might cost up to \$70.5 million in damages to the company plan if they used the fund under certain conditions."

"They were willing to risk paying \$70.5 million," he said. "Even though they knew they faced the liability, they were willing to chance it."

Mr. Marshall said ERISA should be amended to make employee benefit plans independent of management influence.

"The conflict between the position of management and the plan is too great, and history shows that they (management) will use the plan for their own benefit . . . I don't think Congress ever realized how powerful this conflict would be," said Mr. Marshall.

"Employees get left out in the cold in things like this."

—Crain News Service

Damage estimated in Wyoming storm

NEW YORK—Wind, hail, tornadoes and flooding caused an estimated \$22.2 million in insured property damage Aug. 1-2 in Wyoming, according to C.E. Hermanson, vp of the Property Claims Services division of American Insurance Services Group Inc.

The most extensive damage from the storm occurred in Cheyenne and in adjacent areas of Laramie County.

The Property Claim Services estimate does not include damage insured under the National Flood Insurance Program.

The storm was assigned Catastrophe No. 77 by Property Claims Services.

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Cleanup suit

Continued from page 3

The 1969 policy, the coverage in question, had limits of \$50,000. Defense costs were not included in the policy limits.

According to the court, the Galaxy plant began emitting odors in the late 1960s, which raised the possibility of potential health hazards stemming from certain drums of material stored on the premises.

To help resolve these problems, Galaxy, with the assistance of state and county officials, disposed of the drums in 1969 on two acres of land, known as the Leslie site, located in northeast Maryland.

The drums were buried in a clay pit that Galaxy and health officials thought would form a natural barrier against any chemical leakage. However, the material in the barrels subsequently leaked into the ground and water in the area, causing damage to individuals and property near the site.

In 1981, the state of Maryland and the U.S. Environmental Protection Agency began investigating the site and subsequently removed the buried drums, disposed of contaminated soil, treated contaminated water and took other cleanup action.

In 1983, the state and the EPA sued Galaxy and Mr. Mraz under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), which created retroactive liability for cleanup costs against those who cause environmental damage. The suit also named other parties that used the dump site.

However, when Mr. Mraz notified Canadian of the suit and sought defense and indemnification for any potential liability under the 1969 policy, the insurer refused to comply.

Galaxy then sought a declaratory judgment from the U.S. District Court in Baltimore requiring Canadian to defend and indemnify Galaxy.

According to court papers, the 1969 policy covered personal injury or property damage caused by an "occurrence" within the policy period.

An occurrence was defined as an "accident, including injurious exposure to conditions, which results during the policy period in bodily injury or property damage neither expected nor intended from the standpoint of the insured."

Property damage was defined as "injury or destruction of tangible property."

Galaxy argued that Canadian must defend it because the policies provided coverage for any liability arising out of the allegations in the complaint brought by the government.

Moreover, Galaxy argued that the 1969 policy provided coverage for Galaxy's operations, that it covered the type of injury and prop-

OSHA approves Nevada safety rule

WASHINGTON—The Occupational Safety and Health Administration has approved a standards supplement covering ethylene oxide safety and commercial diving operations for the Nevada state job safety and health plan.

Nevada's standards are identical to the federal OSHA regulations and were approved automatically.

The Nevada standards supplement and the approved plan are available for inspection and copying at the Office of the Regional Administrator, OSHA, Room 11349, 450 Golden Gate Ave., San Francisco, Calif. 94102; Director, Department of Occupational Safety & Health, 1370 S. Curry St., Carson City, Nev. 89710; and the Office of the State Programs, Room N-3700, 200 Constitution Ave. N.W., Washington, D.C. 20210. ■

erty damage that occurred within the policy period and that all prerequisites for coverage have been met.

Canadian, however, argued that there was no "occurrence" within the meaning of the policies, no damage or loss within the policy period and that it had no potential liability because of numerous exclusions within the policy.

Relying on prior decisions, including an Ohio appellate court ruling, *Buckeye Union Insurance Co. vs. Liberty Solvents & Chemicals*, the court ruled the leakage of material from Galaxy's drums was an occurrence within the meaning of the policy (BI, July 30, 1984).

The Buckeye decision held that the release of hazardous-waste materials alleged in a CERCLA complaint were "occurrences" within the policy definition, a definition similar to that in the Canadian policy. Judge Young ruled in the Galaxy case.

The Buckeye decision also held

that the release of chemicals from a hazardous waste dump where Liberty Solvents had contracted to dispose of its wastes was neither expected nor intended by Liberty Solvents, since it was the result of leakage of the drums after they were dropped, punctured or ruptured.

"A similar conclusion follows here," Judge Young said in the Galaxy opinion. "The drums which were disposed of by Galaxy and Mraz were legally disposed of, and the resulting leakage was unintended and unexpected because the clay pit was supposed to form a natural barrier against any such leakage."

"Thus, under the reasoning used in Buckeye Insurance, the dumping and resulting leakage constitute an 'occurrence' within the policy terms," the court added.

In addition, Judge Young found that under the language of the Canadian policy, the action that must be "unexpected or unintended" is

the leakage, not the actual dumping.

"In this case, the leakage and the resulting damage were indeed unexpected and unintended, and as such, come within the policy definition of 'occurrence.'"

The court also held that for purposes of providing a defense, the occurrence could be construed to have resulted during the 1969 policy period, thus triggering Canadian's defense obligations.

Galaxy contended that the drums began leaking immediately upon disposal and began to cause damage in 1969, when the last policy written by Canadian for Galaxy was in effect.

However, Canadian argued that the EPA and the state did not begin cleanup operations or notify Galaxy of any problem until 1981-1982 and that the damage did not occur until after 1969.

The court noted, however, it was not the date of discovery that determines when the occurrence

takes place.

Instead, the court ruled that because the underlying complaint by the government alleges damages that began with the dumping, that is the date when the duty to defend arises, irrespective of the factual accuracy of those allegations.

"The complaint in Bissell may be construed to allege that environmental damage began to take place immediately in 1969 upon dumping at the Leslie site, creating the potential for liability within the scope of coverage of the 1969 policy," the court said.

"Canadian's duty to defend is triggered by the existence of any potential for liability; the determination of whether there may be actual coverage must await the outcome of the Bissell action."

In addition to these issues, the court also held that property damage, as defined in the policy, took place and that coverage was not precluded under various exclusions in the policy. ■

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update

Fire destroys opera costumes

Continued from page 2
the warehouse.

The fire, which authorities believe was set by two teen-agers, destroyed 58 small businesses in an industrial complex. The blaze, which ravaged 24 square blocks, also destroyed 20 homes.

A spokesman for the Bureau of Alcohol, Tobacco and Firearms in Washington, which investigated the blaze, said property and economic losses stemming from the loss of jobs for those who worked at the 58 businesses could total \$400 million. The bureau said property damage was probably \$30 million to \$40 million.

Most insurers contacted did not know yet if they insured any of the businesses destroyed in the fire.

Matt Rahelich, a supervisor with Underwriters Adjustment Co. in Paramus, N.J., did say his company is adjusting claims for Continental Casualty Co. in Chicago, but he added it was too early to tell how much of a loss Continental might face.

Asbestos claims dropped

SAN FRANCISCO—The asbestos producers and liability insurers that have signed the Wellington agreement have filed dismissals for claims against each other in the massive coverage litigation now pending in a San Francisco Superior Court.

Among the companies filing for the dismissals are producers Armstrong World Industries Inc. and Fibreboard Corp. and insurers Aetna Casualty & Surety Co., Fidelity Casualty Co. of New York, Fireman's Fund Insurance Cos., First State Insurance Co., Hartford Insurance Co., Insurance Co. of North America, Liberty Mutual Insurance Co., Reliance Insurance Co., Royal Insurance Co., United States Fire Insurance Co. and underwriters at Lloyd's of London.

The dismissals apply only to coverage for bodily injury claims and do not affect any litigation between producers and insurers over coverage for the removal of asbestos from buildings.

Also, the producers and insurers that signed the Wellington agreement will still continue to litigate personal injury coverage disputes with those that have not signed the agreement.

In addition to ending coverage litigation over bodily injury claims, the Wellington agreement establishes a claims handling facility to settle bodily injury claims outside the court system. The facility may begin its work later this month (see story, page 57).

PBGC sues over pension plans

PITTSBURGH—The Pension Benefit Guaranty Corp. last week filed suit in U.S. District Court in Pittsburgh to become interim trustee of four underfunded Wheeling-Pittsburgh Steel Corp. pension plans. The plans have unfunded liabilities of more than \$400 million, according to the PBGC.

The PBGC said it was taking the action to protect the agency's insurance program if the plans later are terminated.

In the event of termination, benefit accruals the PBGC would have to guarantee would cease after it became interim trustee.

Wheeling-Pittsburgh has warned that it may terminate the plans because of a strike by the United Steelworkers union.

Wheeling-Pittsburgh, which in April filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Act, would not comment on the PBGC suit (BI, April 29).

Insurers pay Syncom claim

LONDON—Satellite launch underwriters could recoup the money they paid last week to the owner of a disabled satellite following a repair mission by the space shuttle Discovery.

Astronauts aboard the shuttle last week completed electrical repairs to the \$85 million Syncom IV-F3 satellite, which was rendered useless after its rocket engines failed to fire during its April launch (BI, April 22). However, it will not be known for two months whether the satellite will become operable.

As the repair mission was under way, insurers paid the remaining \$75 million of the Syncom claim to the satellite's owner, Hughes Aircraft Co. Underwriters had paid \$10 million of the claim.

About \$40 million of last week's payment was made by London and European underwriters through Lloyd's broker Bowring Aviation Ltd. The rest was made by U.S. and French insurers.

U.S. insurers, represented by underwriting manager International Technology Underwriters Inc., wrote \$27 million of the \$85 million in coverage on the claim.

If Syncom becomes operational and the U.S. Navy agrees to honor a previous agreement to lease the probe, underwriters will recover the entire \$85 million claim. Hughes has agreed to return \$32 million directly to the underwriters and also pay the insurers half of the lease revenues it collects from the Navy (BI, May 27).

Besides paying the Syncom claim, London underwriters also wrote \$1 million in free personal accident coverage for each of the five astronauts aboard the shuttle mission.

"It was our contribution for what these astronauts are doing to make the satellite insurance market a more viable place," said Michael Hemmings, a director of Crawley Warren Co. Ltd., the Lloyd's broker that placed the coverage.

U.K. claims-made form ready

LONDON—As expected, a leading London underwriter of North American casualty risks will require that umbrella liability coverages be written on a claims-made policy form starting next month (BI, July 15).

H.S. Weavers (Underwriting) Agencies Ltd. will implement the new form for all new and renewal umbrella coverage with an inception date of Oct. 1, a spokeswoman for the agency said.

Weavers' claims-made form will be in use three months before the controversial Insurance Services Office commercial general liability form, which is scheduled to be implemented on Jan. 1.

401(k) plans

Continued from page 1

plans, which allow employees to make pretax contributions to retirement savings plans by deferring salary.

However, in May, the Treasury and the administration retreated after a massive lobbying effort by employers and employees. Instead of killing the plans, the administration proposed much lower contribution limits and more complex non-discrimination rules.

Although these changes were loudly criticized by employers, most conceded the restrictions were better than not having 401(k) plans at all. Now, employers face that prospect again.

"We are going to put a full-court press on the tax committees to save the plans," said Stuart J. Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

"We will take our message to Capitol Hill that these plans should be saved," said Kevin O'Brien, counsel for the Washington-based Employers Council on Flexible Compensation.

Within a day of the release of Secretary Baker's letter, benefits lobbying groups, like the ERISA Industry Committee, had special bulletins in the mail encouraging member companies and their employees to write their congressmen while there still is time to save the plans.

Lobbying efforts will be targeted first at the House Ways and Means Committee, which could begin considering the administration's tax reform package next week in closed drafting sessions.

"This is the time to communicate to legislators before the Ways and Means Committee drafts a bill," said Lance Tane, manager of the flexible compensation team at The Wyatt Co. in Washington.

"The future of 401(k) plans is in the laps of employers and employees," Mr. Tane added. If there is an intense employer-employee reaction, the Ways and Means Committee might not include the administration proposal to kill 401(k) plans as part of the committee's tax bill, he added.

"This will test whether the benefits community has clout," observed Edward J. Davey, vp-technical analysis at Johnson & Higgins in New York.

"The battle is not over. Keep the heat on. Don't give up now," he said.

Unfortunately, experts say, few members of Congress understand 401(k) plans and none has shown much interest in the issue.

In fact, Rep. Rostenkowski applauded the administration's efforts to make its tax reform package revenue-neutral.

And, Senate Finance Committee Chairman Robert Packwood, R-Ore.—considered by many to be a champion of employee benefit plans—has given no indication that he will lead the charge to save the plans.

While warning that an end to 401(k) plans would encounter resistance from employers and employees, he acknowledged that the plans deserve "close review."

Meanwhile, few members of the

tax-writing committees have made their views on 401(k) plans very well known yet.

"We have found to our dismay that many congressmen don't understand 401(k) plans," said Philip M. Alden Jr., a vp with consultant Towers, Perrin, Forster & Crosby in New York. "I can't think of any outright champion on the Ways and Means Committee," he added.

Since 1981, when the Internal Revenue Service proposed rules to guide employers in establishing 401(k) programs, the plans have become the fastest-growing employee benefit.

In 1983, 4.8 million employees were eligible to participate in 401(k) plans, according to a survey sponsored by the Employee Benefit Research Institute, a Washington-based benefits think-tank, and the Department of Health and Human Services. Now, EBRI reports in a survey released last week, some 19 million workers are eligible to participate in 401(k) plans.

The plans have grown so rapidly because of their appeal to employers and employees. For an employer, a 401(k) plan is a benefit that can be offered at a relatively low and predictable cost. Adding a 401(k) plan often can reduce pressure on companies to improve their defined benefit plans.

Employees like 401(k) plans because they can fund them with pretax dollars and the savings funds accumulate tax-free interest, until the money is withdrawn.

In addition, employees vest much more rapidly in employer matching contributions to 401(k) plans than they do in contributions to defined benefit plans.

The average salary deferral for employees who also contributed to Individual Retirement Accounts was \$1,720 in 1983, according to EBRI.

But the Treasury, when it originally proposed banning the 401(k) plans last fall, said the plans are unfair because all companies do not offer them and, therefore, not all workers can take advantage of the tax savings they offer.

In place of 401(k) plans, the Treasury Department recommended last fall boosting the maximum annual employee contribution to IRAs to \$2,500 from \$2,000, pointing out that IRAs are available to all workers.

In May, however, the Treasury Department and the administration dropped its hard line on 401(k)s. In its revised tax reform package, the administration proposed instead limiting to \$8,000 the annual maximum amount of salary employees could defer. This maximum also would be offset by any contributions an employee made to an IRA (BI, June 3).

In addition, the administration proposed scrapping the current non-discrimination rule that compares the average salary deferrals made during the year by the highest-paid one-third of eligible employees and the lowest-paid two-thirds.

Instead, the proposal would compare deferrals of each prohibited group member to the average deferrals of non-prohibited group employees.

Prohibited group employees are those who earn more than \$50,000

annually, own more than 1% of the company, fall into the top 10% of all employees in compensation or are related to a member of the prohibited group.

This arrangement would reduce the contributions of the higher-paid employees because they will be contingent on participation by a larger group of lesser-paid employees.

The second Reagan tax plan also makes the salary deferral percentage test stricter.

Under the plan, the salary deferral elected by an individual member of the prohibited group could not exceed the greater of two amounts:

- 125% of the average deferral percentage (ADP) of the non-prohibited group.

- The lesser of 200% of the ADP of the non-prohibited group or the ADP of the non-prohibited group, plus 2%.

By contrast, under the current non-discrimination tests, the average deferral by the higher-paid one-third cannot exceed the greater of:

- 150% of the ADP of the lower-paid two-thirds.

- 250% of the average deferral among the lower-paid two-thirds as long as the difference between the average deferrals does not exceed 3%.

The second Reagan tax reform plan also proposed new non-discrimination tests for matching employer contributions. The formula used would depend, among other things, on whether the matching contribution immediately vested.

Benefit experts and employers were not pleased with these proposed restrictions, but were relieved that the plans would be allowed to continue and assumed they might have a chance to work with Congress to soften the restrictions.

Now, it is unclear what stand Congress will take on 401(k) plans. It could listen to the Reagan administration's new proposals to kill the plans or impose other restrictions on the plans.

Meanwhile, benefit experts worry that if 401(k) plans were on the top of Treasury's hit list of items to be tapped to raise more revenue, other benefit plans may not be far behind.

"The administration is saying: 'We need about \$25 billion. By wiping out these plans, we get \$11.6 billion in one shot.' That's a heck of a way to develop retirement income policy," said Mr. Brahs of the APPWP.

"This was political in the sense that something had to be done to placate Rep. Rostenkowski," said Sylvester Schieber, director of The Wyatt Co.'s research and information center in Washington.

"Treasury obviously has a list of items that can be touched (to make the package revenue-neutral), and 401(k) plans obviously were on that list," he added.

The move to strike 401(k) plans "portends more attacks on benefits," warns J&H's Mr. Davey, noting that freezing maximum pension benefits and contributions or placing an overall cap on the amount of tax-free benefits employers can provide are likely to be the next benefit targets. ■

Blackjack dealers' case

Continued from page 2

to pay workers compensation benefits to the blackjack dealers.

Circus Circus still refused to pay, pending an appeal to the department's appeal officer.

The hotel/casino argued that the decision of the hearing officer was not final and that, therefore, it didn't have to pay work comp benefits to the blackjack dealers.

That argument was taken ultimately to the Supreme Court by the two blackjack dealers and the Department of Industrial Relations.

In addition, the Department of Industrial Relations' appeal officer late last year upheld the hearing officer's decision and ordered Circus Circus to pay benefits to

the dealers.

The hotel/casino last December appealed this decision to the Washoe County Circuit Court, where it still is pending.

Circus Circus paid the medical benefits on both claims earlier this year, noted Barbara Gruenewald, the state industrial claimants' attorney who represents the two blackjack dealers, though disability benefits have not been paid.

In addition to the Supreme Court decision in the Circus Circus case, the Nevada Legislature earlier this year amended the state's workers compensation law to stipulate that if a hearing officer rules in favor of an injured worker, workers compensation benefits must be paid pending an appeal. ■



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Sub-total..... 22,087

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Sub-total..... 23,921

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* Source: Business/Occupational breakdown of qualified circulation, May 6, 1985 issue, as submitted to BPA for June 1985. BPA Publisher's Statement.

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Hurricane Elena

Continued from page 1
but more residential," he explained.

"I don't think it is going to be a material event for the industry or for any particular company," added James Stradtner, a general partner with Alex. Brown & Sons in Baltimore.

The American Insurance Assn. still was compiling damage information late last week and would release no estimates.

Some insurers were hesitant to cite loss figures last week, and those that did said the numbers were preliminary and could change as claims investigations continued.

The Travelers Corp., which sent 66 claims adjusters to the area, said the insurer is expecting from \$15.3 million to \$20.8 million in personal and commercial lines losses.

Those figures are based on the number of risks Travelers insures in the area struck by Elena, according to the spokesman. However, Travelers' losses will be heaviest in personal lines, according to the spokesman, "with some commercial losses."

He said the losses are exclusive of reinsurance.

The losses from the hurricane won't be a crippling blow to the insurer's bottom line this year, the spokesman noted. He said if current loss figures hold up, it would amount to an \$8 million to \$12 million loss after taxes, or 9 cents to 12 cents per share.

United States Fidelity & Guaranty Co. expects its commercial and personal lines losses to total from \$17 million to \$22 million as a result of the hurricane, according to a spokeswoman.

Any of USF&G's losses above \$14.5 million would be reinsured on a sliding scale, the spokeswoman explained.

She said USF&G is "one of the more predominant players in Mississippi," where Elena did extensive damage. Because total figures are not yet in, she noted it was too soon to determine how much of the loss was commercial.

A spokesman for the Federal Emergency Management Agency last week said FEMA engineers completed inspections in Harrison and Jackson counties and found 129 businesses with major damage and 1,235 with less-serious damage. Their inspections in other areas of the hurricane-stricken coast were continuing last week.

Continental Casualty Co. confirmed it had some exposure along the coast, with the majority of its losses in Florida and some claims expected to come from Mississippi.

A spokesman said the insurer had processed around 600 claims by the middle of last week, but the value of those claims was not available. As of midweek, there were no large commercial losses, he said.

Industrial Risk Insurers in Hartford, Conn., said last week it sent extra loss prevention consultants and adjusters from its Atlanta and Houston offices to the Gulf Coast, but loss figures from its exposure were not yet available.

An IRI spokesman said the insurer did not expect its losses to total nearly as much as those from Hurricane Frederic in 1979 and Hurricane Alicia in 1983.

Overall, Frederic caused about \$752.5 million in insured losses and Alicia caused \$675 million in insured losses.

A spokesman for Commercial Union Insurance Co. in Boston said last week that figures were not available on its exposure in the affected area, but the insurer did not expect losses to be great.

John Etling, president of General Re Corp., said it is still too early to tell what the reinsurer's exposure will be. However, he said, "As far as we know, it's nothing of significance. It's not a whopper." Other reinsurers, including

Kemper Reinsurance Co. and American Re-Insurance Co., also said it was too early to estimate their exposure.

After pinballing its way around the Gulf of Mexico, Elena finally hit land on the Mississippi coast, with winds that reached as high as 125 mph, according to the National Hurricane Center.

Ingalls Shipbuilding in Pascagoula, Miss., a unit of Litton Industries, suffered damage to buildings and about half a dozen of the shipyard's 20 shipbuilding cranes, according to a spokesman.

The spokesman said there was "minimal damage" to nine cruisers and one amphibious assault ship in various stages of construction.

Ingalls, which builds ships for the U.S. Navy, does not have a dollar estimate of the damage yet, and the spokesman would not comment on the company's insurance coverage.

Robert Butler, director of insurance and risk management at Fruehauf Corp., a Detroit-based transportation equipment manufacturer, said the hurricane peeled the roof off one of the buildings at the company's Paceco Inc. plant in Gulfport, Miss.

Losses have not yet been determined, he said, but he estimated they would be in the "low six-figure range," perhaps \$100,000 to \$150,000. Mr. Butler said the company's property insurance, written by Industrial Risk Insurers, carries a \$50,000 deductible.

Also, because of power outages, the plant could suffer business interruption losses in excess of the property losses. However, the amount of these losses has not been assessed, he said.

Los Angeles-based Teledyne Inc. suffered "minor" damage at its Teledyne Irby Steel plant in Gulfport and its Teledyne Continental Motors Aircraft Products plant in Mobile, Ala., according to Fred Hartman, manager of insurance.

"Some sheet metal blew off the roof, but it was nothing serious," he said of the damage to the Gulfport plant, adding that the Mobile plant also suffered roof damage.

Although the amount of damage has not been estimated, it is expected to exceed \$100,000 at each plant, according to Mr. Hartman, who would not comment on the company's property insurance.

Mr. Hartman added that Teledyne is self-insured for business interruption losses, although he said no such losses were expected.

Property damage was "insignificant" at First Chemical Corp., a Pascagoula-based chemical manufacturing subsidiary of First Mississippi Corp., according to Lynda McNamee, corporate insurance assistant.

However, she said the company, which is insured at Lloyd's of London, may file a business interruption claim. The plant was closed Aug. 29 after an evacuation order was issued, was restarted later and then was shut down again Aug. 31 because of a storm-related power failure. The power failure was continuing late last week.

Ms. McNamee said the business interruption losses will be covered by the company's policy. However, she said, there is some question about how many deductibles will apply, because the policy defines losses stemming from the same cause within a 72-hour period as a single occurrence for the purpose of figuring the deductible. Ms. McNamee declined to reveal the amount of the deductible.

In Bogalusa, La., Elena blew away six greenhouses belonging to Schilling's Nursery. Owner Larry Schilling had no damage estimate yet, but he said he lost 20,000 square feet of working space and "a good bit of the contents" of those hothouses.

He said his property insurance with Florists' Mutual Insurance Co. in Edwardsville, Ill. would not be

enough to cover the loss.

Elena caused minimal damage to oil drilling rigs, which had been hit hard in 1965 by Hurricane Betsy. The losses were averted because most of the drilling activity in the Gulf Coast takes place just west of where Elena hit the hardest.

"Elena didn't cause much damage to the offshore facilities—she was just in the wrong place," said Greg Gant, vp of Matthews-Daniel Co., a Houston-based marine surveying and adjusting firm.

However, Mr. Gant noted that if Elena had veered west, into the shallower waters of Vermilion Bay, for example, the results could have been "disastrous."

In this area, near the Sabine River at the Texas-Louisiana border, many rigs are moored very close to each other. If only one had been ripped free by the heavy winds, it could have smashed into neighboring rigs and caused substantial damage, said Richard H. Moscicki, director of risk management at The Western Co. of North America, a Fort Worth drilling operator.

The only incident of which drillers were aware last week involved a deep water, semisubmersible floating rig owned by Zapata Corp. in Houston. At the time Elena hit, Exxon USA had contracted for the use of the Zapata Yorktown for oil and gas exploration near Panama City, Fla.

When it was notified of the storm's approach, Zapata ceased operations on the vessel, evacuated the 60-man crew and secured the rig, following usual procedure, a Zapata spokeswoman said.

However, anchoring cables apparently came loose during the storm's high winds, estimated at up to 100 mph, and the Zapata Yorktown was blown about 14 miles away. Despite the mishap, though, preliminary reports indicate that the rig is in "excellent condition," according to the spokeswoman.

The company last week was investigating ways the rig could be returned to its site.

The spokeswoman described the incident as "insignificant" and declined to speculate about what would have happened if the rig had been lost or destroyed by the storm.

"Just to be on the safe side," Zapata had evacuated and secured several other drilling rigs off the Louisiana and Texas coasts, according to the spokeswoman, who said none of those rigs had suffered any

damage from the storm. Zapata operates about 10 drilling rigs in the Gulf of Mexico.

The Western Co. also "wasn't going to take any chances," Mr. Moscicki said. The drilling firm evacuated about five semisubmersible offshore rigs that were operating between Louisiana and the coast of eastern Texas.

Houston-based Global Marine Inc., whose rigs are concentrated off the Texas coast, evacuated and secured the rig it operates off Florida. None of the company's rigs was damaged, said Ronald C. Baron, director of risk management.

"We're fortunate. I think you'll find most people with drilling operations offshore Texas felt almost no impact at all from Elena," he said.

The floating semisubmersible rigs in the Gulf of Mexico carry a replacement value of between \$60 million and \$100 million, depending on their design, according to marine insurance sources.

The oil and drilling companies were first alerted to the storm Aug. 29, when the National Hurricane Center in Miami issued a hurricane watch for the north central Gulf area, stretching from eastern Louisiana to western Florida.

Many drilling firms that evacuated and secured their rigs after that notice didn't put the rigs back to work the following Monday, as they probably would have in any other week, because of the Labor Day holiday.

"If it hadn't been for the Labor Day holiday, more damage might have occurred," speculated William G. Sherar Jr., account manager at specialty broker Sherar Cook & Gardner Inc. in Metairie, La. He said the broker had not been notified of any claims last week.

Business interruption insurance typically does not come into play when weather forces a short, temporary work stoppage, observers say. The drilling firms are most often paid by the oil companies on a per-day basis that might range from \$10,000-\$30,000 daily, which is absorbed by either the oil company or the drilling firm, depending on the contract terms.

Information for this story was contributed by New York Bureau Chief Douglas McLeod, Associate Editor Michael Bradford in New York, Associate Editor Steve Taravella in Los Angeles and London Editor Stacy Shapiro.

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Sep 16	Sep 4
Sep 23	Sep 11
Sep 30	Sep 17
Oct 7	Sep 25
Oct 14	Oct 2
Oct 21	Oct 8
Oct 28	Oct 16
Nov 4	Oct 23
Nov 11	Oct 29
Nov 18	Nov 6
Nov 25	Nov 13
Dec 2	Nov 19
Dec 9	Nov 26
Dec 16	Dec 4
Dec 23	Dec 10
Dec 30	Dec 16

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Jan 6	Dec 20
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Feb 10	Jan 29
Feb 17	Feb 4
Feb 24	Feb 11
Mar 3	Feb 19
Mar 10	Feb 26
Mar 17	Mar 4
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EIL coverage

Continued from page 1

Coast oil terminal operators on whether to initiate captive feasibility studies.

Both groups have held meetings with consultants and brokers and are expected to decide shortly whether they will proceed with the studies.

• A conference sponsored last month by the Chemical Manufacturers Assn. during which chemical company officials explored alternatives to commercial insurance, especially for sudden and accidental pollution risks.

Donald D. Evans, the CMA's deputy general counsel, says the association's staff decided to hold the conference after a number of CMA member companies reported they were having difficulty buying many types of insurance, including workers compensation and sudden and accidental pollution coverage.

While chemical companies are not required by law to buy sudden and accidental pollution insurance, most say such coverage is necessary to protect corporate assets in the event of an accidental release of

chemicals or wastes, like last year's toxic gas leak at the Union Carbide Corp. plant in Bhopal, India.

Brokers and risk management consultants also report an increase in the number of requests for environmental audits, which review the types of environmental exposures faced by a company.

The audits are used by risk managers either to beef up their loss-control programs or to get a better handle on their pollution exposures in cases where companies have been forced to self-insure their pollution risks.

"We are now seeing a lot of requests for environmental audits coming from the risk manager, seeking to use the information for risk evaluation and possible loss control, rather than from the environmental department seeking insurance," explains Lynne M. Miller, president of Risk Science International, a Washington-based environmental risk management consulting unit of Frank B. Hall & Co. Inc.

The result has been "a big surge of activity in the risk assessment business," Ms. Miller says.

Margaret W. Tiller, president of

the newly formed Tiller Consulting Group Inc. in Corona del Mar, Calif., says she is working 12-hour days to keep up with all the business being offered to the firm, which specializes in environmental risk assessment and actuarial work.

"Companies are beginning to realize that since they can't get (pollution liability) insurance, they had better pay more attention to loss control than they have in the past," she says.

Ms. Tiller also reports that risk managers, rather than corporate environmental staffers, now are requesting environmental audits.

However, consultants say the road to finding coverage for pollution liability exposures will be a long and difficult one, because the list of alternatives to the commercial insurance market is short.

"It's not like a casualty program, where you've got a wide range of alternatives available" like retrospectively rated programs and other cash-flow devices, explains James B. Davis, chairman and chief executive officer of Corroon & Black's Advanced Risk Management Services division in Nashville, Tenn.

"Essentially, you've got self-insurance or a captive," says Mr. Davis, who is working with the utility and oil terminal operators' groups on their captive studies.

But both options share one major disadvantage, Mr. Davis and other consultants point out: Pollution liability by its very nature is a catastrophic risk, and neither self-insurance nor a single-parent captive is likely to provide the spread of risk needed to absorb catastrophic losses.

A group or association captive provides the best solution to the pollution insurance crunch, many consultants say.

An association captive provides a better spread of risk and may offer easier access to the reinsurance market, consultants say, though finding reinsurance support for even an association captive is likely to be very difficult.

"Reinsurance is a pipe dream," maintains Mr. Davis, pointing out "there's no conventional market because of the lack of reinsurance support."

Doug Hoffman, a vp with Tillinghast, Nelson & Warren Inc. in Darien, Conn., is more hopeful. "I'd say there are pockets of (reinsurance) capacity out there," although he added that capacity is very limited.

Mr. Hoffman has been working with the National Solid Wastes Management Assn. and the Hazardous Waste Treatment Council on their captive feasibility studies.

Both Mr. Davis and Mr. Hoffman say that without reinsurance, an association captive probably would be able to offer only limited capacity.

"If no reinsurance capacity is available, it would be very difficult to set up a captive to underwrite a significant portion of the risk and maintain viability," Mr. Hoffman says.

"The catastrophic exposure is really there," says Mr. Davis. "You just have to hope you pump enough money into the thing before a catastrophic loss occurs so the money is there."

Hartford is latest EIL dropout

HARTFORD, Conn.—Hartford Insurance Group is the latest insurer to drop out of the dwindling market for environmental impairment liability insurance.

In addition, two other EIL insurance markets say they have substantially reduced the policy limits they offer.

Hartford stopped underwriting EIL insurance on June 1, according to a Hartford spokesman, who said the insurer could not "satisfactorily structure its reinsurance arrangements for the coverage."

The Hartford program previously had offered limits of \$9.5 million per occurrence/\$9.5 million annual aggregate. However, Hartford would write EIL policies only for clients that purchased other types of coverage from it.

Meanwhile, Swett & Crawford Management Co. Ltd. and Travelers Indemnity Co. say they have reduced the EIL limits they offer. Both markets say a lack of reinsurance forced the reduction in limits.

Swett & Crawford, a subsidiary of The St. Paul Cos. Inc., announced last month that it would only be able to offer EIL policy limits of \$1 million per occurrence and \$1 million annual aggregate. Previously, Swett & Crawford had offered limits of \$6 million/\$6 million.

Swett & Crawford also made a number of changes in its policy form, eliminating coverage for punitive damages and including defense costs within policy limits.

The Swett & Crawford coverage is written by St. Paul Surplus Lines Insurance Co.

Travelers Indemnity Co. says it now is offering EIL limits of \$1 million/\$2 million. Previously the insurer, which writes only for clients that purchase other types of coverage from it, had offered EIL limits of \$10 million/\$10 million.

Besides Swett & Crawford and Travelers, the other active EIL markets are the Pollution Liability Insurance Assn., a pool that offers limits of \$6 million/\$9.5 million, and American International Group Inc., which provides limits of \$10 million/\$10 million.

Yet, consultants say membership in an association captive, even if it lacks reinsurance support, is a better alternative than going bare, particularly for smaller companies.

Mac Snow, a senior vp and director with American Risk Management Inc. of Fort Lee, N.J., says that small companies would benefit most from participation in an association captive "because they could be wiped out by a single environmental loss."

Mr. Snow, who worked with the National Solid Wastes Management Assn. on its captive feasibility study, says that larger companies also can tap a group captive to provide excess coverage over a self-insured retention.

"Even if you're a fairly good-sized business, if the option is going bare and running the risk alone, a pooling mechanism may look good to you," Mr. Davis says.

Mr. Hoffman says that the key to making an association captive work is to have broad participation by members and to adequately price the pollution coverage.

"The key to all these studies is the fact that these groups know themselves better (than a commercial insurer) and can set up better controls to reduce the potential for losses," Mr. Hoffman says.

Consultants and brokers agree that companies often will only consider an association captive when there are no other alternatives.

"Often it takes a crisis for members to wake up to the fact that this is a real alternative," Mr. Hoffman maintains.

Whether members of the National Solid Waste Management Assn. feel they have reached that crisis stage will be tested soon, explains Bruce J. Parker, counsel for this association of hazardous-waste-disposal firms.

Mr. Parker says that the NSWMA is nearly finished with work on a captive program that would provide members with environmental impairment liability insurance. But the association members, by their participation, will determine whether the program gets off the ground.

Mr. Parker wouldn't comment on details of the program.

NSWMA members, like all hazardous-waste disposal firms, are facing a congressionally imposed Nov. 8 deadline by which they must meet financial responsibility requirements set forth by the Resource Conservation and Recovery Act or shut down.

Those requirements require companies that dispose of hazardous waste to have EIL insurance with minimum limits of \$3 million per occurrence and \$6 million annual aggregate.

Although all hazardous-waste disposal firms were supposed to meet the requirements earlier this year, the U.S. Environmental Protection Agency announced earlier this year that it would not enforce the requirements if companies made a "good-faith" effort to obtain EIL coverage. However, by law, EPA must enforce the regulations after Nov. 8.

Mr. Parker says that the NSWMA's program should be ready by early 1986 but not by the Nov. 8 deadline. But, he adds that he expects the EPA would take into consideration the efforts of the association's members to set up a captive in any enforcement action.

The EPA said last month that it is considering changing or suspending the requirements prior to the Nov. 8 deadline, partly because so many companies cannot obtain EIL insurance to meet the financial responsibility requirements (BI, Aug. 26).

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NCCI names Appel, Camilleri as new vps

NEW YORK—David Appel and Michael Camilleri are now vps with the National Council on Compensation Insurance, a workers compensation ratemaking and research organization based in New York.

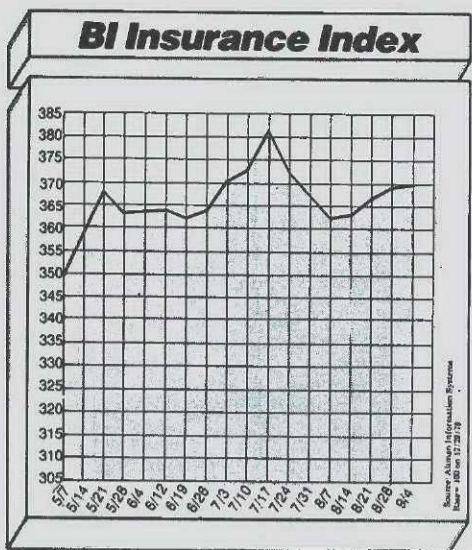
As vp of economic and social research, Mr. Appel is responsible for planning, evaluating and disseminating economic research projects, as well as acting as the NCCI liaison with various government agencies.

Mr. Appel has an undergraduate degree in economics from Brooklyn College and a master's degree and a doctorate in economics from Rutgers University.

He is co-editor and contributor to the recently published book, "Workers Compensation Benefits—Adequacy, Equity and Efficiency."

Mr. Camilleri, in his new position as vp of national affairs, will develop government, consumer and industry programs and monitor all legislation affecting workers comp insurance. Specifically, he will establish and develop NCCI policy and relations with national industry groups, coordinate activity between the NCCI and insurance trade associations, act as liaison between the NCCI and independent rating organizations and agents' associations and help develop NCCI national filing programs.

Mr. Camilleri has an English degree from Long Island University and a law degree from Fordham University Law School in New York. He also serves as an arbitrator for the Civil Court of the city of New York.



Reserve problems show despite insurers' gains

By MYRON M. PICOULT
 Special to Business Insurance

IN MANY WAYS, property/casualty insurers' second-quarter earnings and underwriting results were anticlimactic, given the superb performance of the insurers' stocks since the beginning of the year that was buoyed in part by the anticipation of a strong earnings recovery.

However, there are several points worth noting.

The fragile state of the industry's reserves was once again in the spotlight as Fireman's Fund Insurance Cos. coughed up an additional \$187 million to be added to reserves during the second quarter.

Investors should not lose sight of the fact that, for the most part, all property/casualty insurers play in the same bathtub with the same set of rubber ducks. Hence, it is fallacious to assume that when one player runs "a-fowl of the standards" it is an anomaly.

As we have stated many times in the past, the industry's reserve position has been compromised. The debate is about just how quickly or over how long a period of time the rebuilding process will take place.

Premium growth continues to improve. However, given the magnitude of rate relief being gained, particularly in the commercial insurance market, one would have expected still stronger average gains.

One theory is that the rate of premium increase is being constrained by some companies that are still holding back on growth in the belief that rates will be more adequate as the year progresses. In other instances, there is still evidence that some underwriters continue to reduce unit exposure.

Another factor that has not been discussed extensively is the inability of direct insurers to secure sufficient reinsurance coverages,

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Mr. Picoult

which has curtailed their ability to write certain lines and amounts of exposure.

This latter point raises another interesting question: Just how quickly are we likely to see the major underwriters return to the well for additional capital?

It is quite obvious at this time that many companies felt that the prices of their stocks were higher than they had expected them to be and they took advantage of the window in the stock and bond markets.

The query was answered last month with the announcement from Travelers Corp. of the filing of an offering of 3.9 million common shares and the offering by USF&G Corp. of 2.875 million common shares.

USF&G indicated that the money was earmarked for its property/casualty operation while Travelers' management indicated that the funds are to be used in the life/pension area.

While we have no reason not to believe that is where Travelers will use the funds, one must keep in mind that once the funds go through the front door, no one on the outside really knows where they will surface.

While we are not surprised that we are seeing some companies return to the market for capital, it is sooner than expected. We surmise that some managements may be concerned about the market window closing and the prospective offering of a portion of Fireman's Fund by American Express Co., which may drain funds out of the market.

Our data base, which normally includes 19 of the major publicly held companies and accounts for about 47% of the total premiums for the stock segment of the industry, is somewhat incomplete due to lack of comprehensive data for Fireman's Fund and The Home Insurance Group.

Nevertheless, our survey for the three months ended June 30, 1985, showed the following:

• Net premiums written rose approximately 23.5%. Excluding Kemper Group because of last year's pooling change, the average gain was 26%. Six underwriters were above the average, nine companies' premium increases were below the average and two insurers, Kemper and Crum & Forster, reported that net premiums declined in the second quarter.

The sharpest gain recorded to date was American International Group Inc., with a 64.6% jump in net written premiums. Companies reporting single-digit increases in-

cluded CIGNA Corp. and Continental Corp.

• Pretax net investment income increased 10.7%. Although cash flows are improving and emphasis continues on taxable instruments, reinvestment rates compared with a year ago are down. Ten underwriters' investment income were above the average, four were in the negative category and three were below.

• The combined ratio, after policyholder dividends, again declined to an average of 115.1% from 118.8%. The bulk of the improvement was centered in the expense ratio, although the loss ratio was pared 0.9%. Nine companies were above the average and nine were below. None of the majors was below par, and only GEICO Corp. at 101.8% was in striking distance.

• Premium-to-surplus and reserves-to-surplus ratios appear to have improved slightly between the end of the second and first quarters of 1985. The ratios obviously were affected by the capital infusions of recent stock and bond offerings.

• Total loss reserves rose 12.1%, a little below the first-quarter increments. However, inclusion of the Fireman's Fund and Home numbers may alter the averages some. Paid losses returned to a more normal level, moving up 10.5%. While a somewhat better job is being done on current reserves, past deficiencies still have to be addressed.

• Finally, property/casualty earnings improved. Averages are not meaningful here because many entities went from a loss position to a profit or to a somewhat better profit vs. a negligible gain in the comparable year-earlier period.

Factors to watch over the next few months are actual renewal prices and the trends in the reinsurance marketplace—specifically, how much more difficult that market will become.

With respect to property/casualty earnings, analytical emphasis should be placed on the quality of the earnings as opposed to the quantity.

SAFECO Corp.

SAFECO Corp. announced that it intends to file a registration statement with the Securities and Exchange Commission relating to an offering of \$200 million of 10-year debt securities.

A portion of the offering will be used to purchase more than 3.4 million shares of SAFECO common stock at market from Lincoln National Life Insurance Co. The stock represents about 9.5% of SAFECO's outstanding common shares.

In addition, SAFECO has announced a dividend of 40 cents per share on the company's common stock, payable Oct. 28 to shareholders of record Oct. 11.

The Home Group

The Home Group Inc., which was spun off from City Investing Corp. earlier this year, has begun trading on the American Stock Exchange.

City Investing shareholders of record on July 31 received one share of The Home Group on Sept. 3 for each share of City Investing held.

NAC Re Corp.

New York-based NAC Re Corp., a holding company formed to own the common stock of North American Co. for Property & Casualty Insurance, has announced the filing with the Securities and Exchange Commission of an initial public offering of 2.2 million shares of common stock.

In addition, the company will also allow underwriters the option to purchase up to 330,000 additional common shares to cover over-allotments, if any.

Dillon, Read & Co. Inc., The First Boston Corp. and Oppenheimer & Co. Inc. will manage the underwriting.

Substantially all of the net proceeds from the offering will be contributed to the capital of North American Co. for Property & Casualty Insurance to support premium growth and for general corporate purposes.

British Issues

3 Sept Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence pence
Comm Union	221	N/M	16.9	7.6	227-221
Geni Accident	628	34.9	30.0	4.8	628-615
Gdn Royal Exch	730	52.1	40.0	5.5	740-730
Royal	657	82.1	35.0	5.3	662-647
Sun Alliance	497	199.0	24.3	4.9	503-492

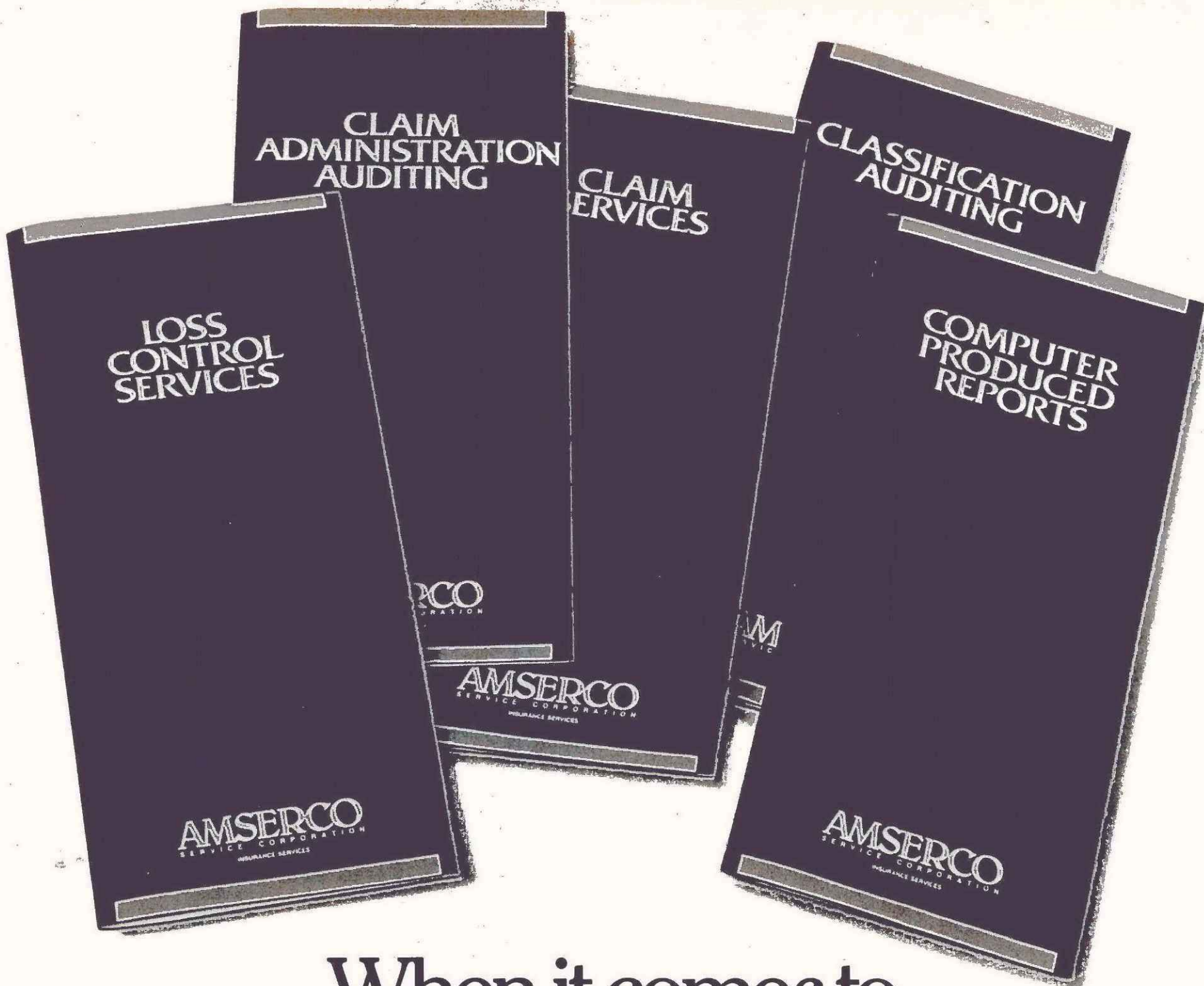
Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low pence pence
CE Heath	648	8.6	37.5	5.8	648-636
Hogg Robinson	288	12.0	14.3	5.0	290-285
JH Minet	205	11.4	11.0	5.4	205-201
Sedg Grp	403	15.3	17.8	4.4	403-391
Stew Wrightson	660	12.9	31.4	4.8	660-644
Willis Faber	713	18.3	22.8	3.2	713-678

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

September 4, 1985 8/29/85 thru 9/4/85

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)		
Alexander & Alexander Svcs	NYSE	27.75	-1.3	0.0	1.00	3.6	28.38	27.75	226.1	Avenco Corp	NYSE	31.00	0.4	13.6	0.60	1.9	31.13	30.75	5.2
Baldwin & Lyons Inc	OTC	60.00	0.0	9.9	0.80	1.3	60.00	60.00	0.0	Business Mens Assurn Co Amer	OTC	27.00	2.9	7.8	1.04	3.9	27.50	26.13	60.0
Corroon & Black Corp	NYSE	48.38	-0.3	0.0	1.00	2.1	48.88	48.38	12.7	Chubb Corp	NYSE	72.50	1.0	17.7	2.20	3.0	73.13	72.50	202.4
Crum E H Cos Inc	OTC	30.75	-1.6	19.8	0.50	1.6	31.25	30.75	41.6	Combined Intl Corp	NYSE	43.50	-1.7	8.2	2.16	5.0	44.38	43.50	156.0
Emett & Chandler Cos Inc	OTC	16.25	0.0	41.7	0.00	0.0	16.50*	16.25	6.7	Continental Corp	NYSE	42.13	-0.9	20.6	2.60	6.2	42.13	41.88	358.0
Gallagher Arthur J & Co	OTC	38.75	1.3	21.6	0.28	0.7	39.00	38.25	31.3	Crown Life Ins Co	OTC	229.50	-3.6	13.8	0.00	0.0	238.00	229.50	0.0
Hall Frank B & Co Inc	NYSE	30.38	0.8	0.0	1.00	3.3	30.38	30.00	223.4	Durham Corp	OTC	40.00	-4.2	7.4	1.28	3.2	42.25*	40.00	24.6
Marsh & McLennan Cos Inc	NYSE	69.88	-1.1	17.5	2.40	3.4	70.75	69.50	71.6	Farmers Group Inc	OTC	61.13	1.2	10.5	1.76	2.9	61.13	60.38	362.9
Poe & Assoc Inc	OTC	8.00	0.0	0.0	0.80	10.0	8.00	8.00	6.3	Freemont Gen Corp	OTC	24.63	0.5	0.0	0.48	1.9	24.88	24.63	248.7
Reed Steinhilber Cos Ltd	OTC	21.88	-0.6	28.4	0.00	0.0	22.00	21.75	302.8	Great West Life Assurn Co	OTC	425.00	0.0	10.9	1.60	0.4	425.00	425.00	0.0
AGENTS/BROKERS	AVERAGE								38.1	Hanover Ins Co	OTC	46.25	0.0	63.4	0.56	1.2	46.25	46.25	27.6
									2.2	Hartford Steam Boiler Insprts	OTC	54.50	2.8	17.2	1.60	2.9	54.50	53.00	13.9
										Kans City Life Ins	OTC	25.75	1.0	10.0	0.87	3.4	25.75	25.75	1.3
										Kemper Corp	OTC	58.25	0.9	16.7	1.80	3.1	58.25	57.63	127.3
										Liberty Corp S C	NYSE	30.50	0.4	13.4	0.72	2.4	30.75	30.38	24.0
										Lincoln Natl Corp Ind	NYSE	43.00	1.5	10.3	1.84	4.3	43.00	42.38	109.6
										Mission Ins Group Inc	NYSE	5.63	-4.3	0.0	0.00	0.0	6.00	5.63*	54.3
										Monumental Corp	OTC	33.00	-2.6	12.1	1.40	4.2	33.25	33.00	51.4
										Nobel Ins Ltd	OTC	12.75	0.0	16.8	0.25	2.0	13.00*	12.75	50.5
										Northwestern Natl Life Ins	OTC	21.25	-4.0	5.5	0.80	3.8	22.25	21.25*	565.6
										Ohio Cas Corp	OTC	61.00	-0.2	22.8	2.80	4.6	61.00	60.75	61.7
										Old Rep Intl Corp	OTC	31.38	-2.0	8.4	0.74	2.4	32.25	31.38	133.3
										Orion Cap Corp	NYSE	25.13	2.6	0.0	0.76	3.0	25.13	24.75	28.9
										Protective Corp	OTC	18.75	-1.3	6.9	0.66	3.5	18.75	18.25	48.1
										Provident Life & Acc Ins Co	OTC	23.25	-2.1	6.3	0.76	3.3	23.75	23.25	124.2
										St Paul Cos Inc	OTC	72.00	0.9	0.0	3.00	4.2	72.00	71.38	262.0
										SAFECO Corp	OTC	39.75	-1.9	12.9	1.60	4.0	40.50	39.75	170.3
										Sri Corp	OTC	20.50	-0.6	60.3	0.80	3.9	20.75	20.50	102.4
										Seibels Bruce Group Inc	OTC	19.25	13.2	0.0	0.80	4.2	19.25	17.75	188.4
										Statesman Group Inc	OTC	4.38	-2.8	0.0	0.15	3.4	4.63	4.38	19.9
										Tokio Marine & Fire Ins Co	OTC	180.75	-7.3	31.3	1.05	0.6	191.50	180.75	10.2
										Torchmark Corp	NYSE	45.38	1.7	9.5	1.20	2.6	46.00	44.63	123.8
										Travelers Corp	NYSE	40.88	-3.0	9.9	2.04	5.0	41.88	40.88	5,489.6
										United Fire & Cas Co	OTC	24.00	0.0	20.9	1.20	5.0	24.00	24.00	1.4
										United States Fid & Gty Co	NYSE	34.13	2.6	142.2	2.20	6.4	34.13	33.63	510.5
										UsLife Corp	NYSE	36.88	-0.7	8.3	1.04	2.8	37.13	36.88	245.0
										Washington Natl Corp	NYSE	24.75	4.2	7.2	1.08	4.4	24.88	24.38	26.1
										Zenith Natl Ins Corp	OTC	21.00	2.4	0.0	0.68	3.2	21.00*	20.50	206.7
										INSURANCE COMPANIES	AVERAGE								



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