

## SUMMARIES

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ZVersWiss 1986 p. 1 - 9:

**Some Comments on the Delimitation of Cartel Supervision and Supervision of the Insurance Industry**

(Zur Abgrenzung von Kartellaufsicht und Fachaufsicht im Bereich des Versicherungswesens)

by Professor Dr. Siegfried Klau e , Berlin

Under German insurance supervision law, the business plans of insurance companies have to be authorised by the Federal Insurance Supervisory Authority. The pertinent authorisation is granted on application. One of the underlying principles of German supervisory law is that terms of business (as laid down in the insurers' business plans) which the insurance companies offer the insured must be equal. This is an effect of the transparency of the market which has always been called for by the Insurance Supervisory Authority. The insured should not be misled by provisions of differing content hidden in the small print.

In practice, the preparation of new business plans/terms of business or modifications of adopted business plans/terms of business often is the result of lengthy negotiations between the professional associations and the Federal Insurance Supervisory Authority. If, finally, a version is available which, in the view of the Supervisory Authority, is ready for authorisation, a so-called collective authorisation procedure is used rather than applications for approval of the new terms being authorised individually. Inclusion of the authorised version in the business plans of all insurance companies is, then, only a matter of form. From the

outset, the professional associations which safeguard their members' interests have a say in the fixing of all essential details and they finally also inform their members that the version prepared in conjunction with the Federal Insurance Supervisory Authority has been approved by means of a collective authorisation procedure.

Except for the rare event that the Federal Insurance Supervisory Authority requests the enterprises involved direct or through their professional associations to make certain alterations to approved business plans or business terms, changes are usually proposed by the insurance companies themselves, represented by their professional backs and committees, of those bodies which, in a co-operative manner, try to further develop business plans and business terms. In a collaborative effort, professional associations and the Supervisory Authority then give concrete form to any new development.

How to deal with the outcome of such co-operation is a controversial issue. Whereas the Supervisory Authority holds the view that governmental control should be confined to the authorisation procedure before the Federal Insurance Supervisory Authority, it is the opinion of those responsible for cartel supervision that the supervision of abuses under cartel law should also extend to the authorised terms and conditions, because the new clauses that were prepared in a co-operative manner constitute cartel agreements within the meaning of section 1 of the 'Act Against Restraints of Competition'. The so-called "double barrier theory" should be applicable, it is argued, because the only yardstick by which the Federal Insurance Supervisory Authority examines applications for the approval of business plans or business terms is the insurance supervisory law, whereas cartel legislation requires the cartel authority to exercise its supervision of abuses in respect of co-operative corporate practices by using the criteria laid down in the 'Act Against Restraints of Competition'.

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ZVersWiss 1986 p. 11 - 34:

**No-Fault Insurance in Germany? The Fascination has Disappeared**

(„No-fault“ in Deutschland? Die Faszination ist geschwunden)

by Dr. Walter R i e g e r , Munich

In Germany the 'no-fault' system for the settlement of traffic accidents has not yet found, and hardly finds, a reaction in the public although accidents and their consequences have considerable social and

economical dimensions. But apparently they represent no real social problems.

No-fault insurance according to the American models is, nevertheless, propagated by a few legal academics (particularly by E. v. Hippel) with undiminished verve in this country as well. A closer look on the details manifests why there is no need for general changes in Germany at the moment.

1. Contrary to the USA no undue hardships in the law of torts are to be found. The so-called transaction costs, in particular the lawyer's fees and their distribution to the insured play a minor role in comparison with the actual payments to the victims.
2. The financial guarantee of the insurers on the one hand and their willingness and competence to settle claims on the other hand prevent social conflicts.
3. In Germany social security nearly always provides for the basic needs and in so far resembles, partly even excels, the no-fault system. This is particularly true for health insurance that provides unlimited benefits for medical expenses but, due to this fact, should not be burdened any further.

In the case of loss of wages as well as of reduction of income a gap develops for self-employed persons, only; generally, the legal pension funds as well as legal accident insurers pay monthly instalments in case of incapacity for work; additionally, all seriously disabled persons will be offered assistance for vocational training.

The German law concerning the liability in the case of traffic accidents has to some extent relinquished the fault principle in favour of strict liability. The injured person, however, is responsible for his fault or proportional negligence and in so far has no, or only a proportional, claim against a third party; optimal collision insurance and private accident insurance available on the free market are to be left to private initiative. This system corresponds to the contemporary idea of self-responsibility and, therefore, should be maintained. Even if several insurers contribute to the settlement of a claim it is guaranteed by way of risk-related premiums and other mechanisms that in the long run the damages on the whole are transferred to the persons responsible for the accidents.

The principle of strict liability (cause-related category) should be maintained namely for reasons of prevention, because it seems more equitable and better understandable to the individual. Besides, it serves in maintaining the contemporary legal policy (civil law, criminal law,

and law concerning traffic offenses). In addition, a no-fault system could not be restricted to traffic accidents only.

Cost arguments as well do not necessitate a reform as the experiences with the Swedish and New Zealand models show.

Up to now there is no evidence at all that the settlement of claims by eliminating the question of fault would bring considerable advantages to a nation's economy. For financial reasons it would be inappropriate to burden each insurance company with the same share of risks since in that case neither a single company nor a single person would be able to practice risk management. Rigidity and unavoidable limitations of benefits which are typical of a uniform system appear questionable as well compared with the flexibility and efficiency of the present compensation law system. Considering these circumstances no-fault insurance could hardly be a solution only for traffic accidents but would bring about new problems.

A correction of the present system would be acceptable and, regarding the different court decisions, even desirable in some respects: Social benefits should be made more uniform and exceeding social benefits should be reduced. In the same way a greater conformity with the conditions of liability claims under the different laws and in respect of types of claims would be desirable.

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ZVersWiss 1986 p. 35 - 77:

### **Trends Towards Amendments with Regard to Matters of Money and Credit**

(Trends zu Novellierungen mit Bezug auf das Gebiet von Geld und Kredit)

by Professor Dr. Dr. O.-Ernst **S t a r k e**, Bonn

Considering the new amendment laws in areas of insurance control (1983), banking control (1984), and cartel control (1980) in the Federal Republic of Germany, as a starting point we must especially examine reasons and causes for amendments in matters of money and credit. First, this leads to political decisions on principles which may entail restriction or intensity in export control — scarcely, however, its absence — second, to external amendment influences from supranational legislation or international agreements and movements but, finally, also to national (internal) amendment impulses. Often these derive from economic developments, namely, at present, from numerous innovations in the finance market, with consequences reaching into broker and civil

law. Furthermore, amendment impulses from legislative problems have implications, particularly in cartel law and data protection. Altogether, it has been established that legislation generally only acts on such impulses by way of reaction, seldom, however, by revising, on its own initiative, complete areas of law on a basis of an all embracing concept. Therefore, we have to draw the conclusion that during the forthcoming parliamentary election period (from 1987) we cannot expect revolutionary reforms in matters of money and credit but that the legislator will take merely into account the changing and real circumstances and adapt to it.

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ZVersWiss 1986 p. 79 - 108:

**The Provisional Cover Note — Investigations into an Insurance Contract of a Special Character**

(Die vorläufige Deckungszusage — Untersuchungen zu einem Versicherungsvertrag eigener Art)

by Dr. Friedhelm G. N i c k e l , Munich

In accordance with the definition of the provisional cover note the paper refers to those situations where a provisional cover note could have an effect. In the following the opinions advocated by legal decisions and the scientific literature are analysed in reference to the contents and the aim of this instrument.

The author defines the provisional cover note as an insurance of a special kind with preliminary legal character; the provisions of the German Insurance Contract Law (VVG) apply accordingly.

In such a way the beginning of the cover note, the duty to pay the premium, the obligations of the insured persons and the possibility to apply the general and the particular insurance terms, the description of risks and individual agreements in connection with the provisional cover note are dealt with.

The paper ends with explanations concerning the duration and termination of the provisional cover note by due or special cancellation, withdrawal, and contestation.

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**Remarks on the Law and Reality in Connection with the Indemnification of Crime Victims. Criminologic, Medical and Psychiatric Comments on the Crime Victims Compensation Act (OEG)**

(Bemerkungen zu Recht und Wirklichkeit der Entschädigung von Verbrechenopfern. Kriminologische, medizinische und psychiatrische Betrachtungen zum Opferentschädigungsgesetz (OEG))

by Professor Dr. Gerhard M ö l l h o f f , Heidelberg

The research work in 'victimology' examines victims under biological, psychological, and social aspects. In the past years prophylactic and therapeutic assignments have emerged as new fields of activity as, for example, the elucidation of the delinquent-victim-relations, the forming of prognoses, finding ways of preventing people to become victims of offenders, and the detection of the wrong-doers in their social conditions.

Attempts to rehabilitate and compensate crime victims extend from the statutory provisions of Hamurabi (1728 - 1688 b. C.) till the present time. Special laws have been enacted in the past twenty years in several Anglo-American and Scandinavian countries when it became evident that the state is unable to protect its citizens adequately against evil-doers in all its regions and that, furthermore, a compensation of the victims through civil actions cannot be enforced practically.

On January 16, 1976, the 'Crime Victims Compensation Act' (OEG) became effective throughout the Federal Republic of Germany with retroactivity beginning May 23, 1949. According to this Act a person, being within the scope of same or on a German ship or airplane, who has suffered a damage to his/her health as a result of a deliberate, unlawful and violant attack directed against him-/herself or a third person or as a result of an attempt to ward off such an attack shall be entitled on application to receive compensation (maintenance) because of the consequences to his/her health and/or economic situation according to the provisions of the 'Federal War Victims Relief Act' (BVG) which shall be applied accordingly.

This legal decision refers to the person only; there is no indemnification for property damage. The idea is that the state should come in when the existence of its citizens without any fault on their part is at stake because of criminal violence.

The following facts lead to an exclusion of indemnification: causation of the damage and active participation in bringing it about, insufficient

cooperation to clarify the crime and to prosecute the culprit, iniquity of the granted indemnification already partly pronounced by a legal judgment under critical appreciation of the claim criteria. The lack of accuracy in the legal definition, however, is an opportunity for the administration for a varied application of the law. Foreigners can only be indemnified if mutuality has been agreed upon with their respective home countries. Besides, as concerns claim limits and findings of the court the standards of the 'BVG' are in force and, above all, "the principle of causality of the fundamental condition".

Payments according to the Crime Victims Compensation Act are the following: therapeutic and medical treatment, rehabilitation in medical, professional and social respects, granting of disablement benefit beginning at 25 % reduced earning power (MdE), in the appropriate circumstances compensatory pensions; for the extremely disabled an allowance and attendance extra pay, husband and child benefit as well as maintenance of survivors. The law is presented in its fundamental aspects.

Since 1976, less than 10 000 applications and 3099 approvals are compared with an incoming yearly figure of approx. 430 000 indictable offences (murder: 2730, robbery: 29 000, dangerous and serious physical injuries: 66 000 - 1984); these facts are discussed in connection with my own research work (1509 cases) in Baden-Württemberg (1976 - 1983) in the context of the Crime Victims Compensation Act (OEG), taking into account especially criminal and medical observations (murder, manslaughter, serious physical injuries, rapes, group and juvenile delinquency, perpetration of penal acts and offender-victim-relations).

In conclusion an account is given relating to the sequelae of psychic impairments with the help of my own observations, of international experiences, and of the highest legal decisions of the 'Federal Social Court' (BSG) falling within the range of the Crime Victims Compensation Act.

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ZVersWiss 1986 p. 133 - 191:

### **Company Crises and Early Warning Systems in Insurance**

(Unternehmenskrisen und Frühwarnsysteme in der Versicherungswirtschaft)

by Dr. Norbert Wittmer, Munich

Under more difficult conditions than ever before, insurance companies are faced with the task of steering clear of crises which threaten their survival. Although none of the larger companies in the Federal

Republic of Germany has yet become bankrupt, there have been some serious problems.

The three factors largely responsible for causing the crises to arise and develop are insufficient premium rates, the allocation of insufficient funds to the claims reserves and poor selection of risks. As non-cancelable insurance policies are widespread — especially in Germany — crises in insurance companies tend to continue for some time. The destructive consequences tend to develop with gradually increasing intensity.

It is essential that the management recognises problems early in order that crises may be anticipated and preventive measures taken. Top management is responsible for the early detection of negative developments. Should the supervisory authorities learn of a crisis, they must act in the interests of the insured.

Early warning systems are special information systems so designed that their users are alerted to impending problems early enough to plan, investigate and implement measures to avert an imminent crisis. They are intended to prevent surprises. Early warning systems embracing the entire company include an environmental analysis with an exploration and diagnosis of leading indicators, deviation between actual and planned values, an evaluation of available information as well as the preparation and assessment of countermeasures.

A system of characteristic values and financial ratios is an appropriate early warning system for a company, since insurance is a long-term business in nature which maintains uniform standards, with individual companies employing similar technical practices. Such a system enables the individual company to ascertain its market position, to recognise trends both in the insurance business in general and in individual companies, and to obtain hints for future actions. Various characteristic values should be combined to an interacting system clarifying functional dependencies. In large firms it would seem advisable to establish financial ratios at branch and regional level and to compare them with the figures for the company as a whole. Further qualitative information is required to supplement a quantitative analysis, for instance about the quality and continuity of management and the level of service. A documentation and retrieval system must be employed to process inter-related information. This is best achieved by an information bank as opposed to a pure data bank. It would be worthwhile building up an internal computer based bank, since the use of a conventional archive would prove too expansive and time consuming.

The success of an early warning system depends on the cultivation of sympathetic attitudes within the company. If an emerging crisis is re-



cognised early enough, contingency plans can be adapted, new strategies prepared and, as more information becomes available, more effective action taken with the ultimate aim of bringing the threat to the firm under control and of partly avoiding, or at least reducing, such difficulties as management stress and internal conflict. Moreover, management can safeguard its own autonomy and prevent the intervention of the supervisory authorities on behalf of the creditors by setting up its own special schemes in the early stages of the crisis. The establishment and extensive use of early warning systems makes further legal measures, similar to § 81 c VAG, superfluous (VAG is the German law concerning the supervision of insurance companies).

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ZVersWiss 1986 p. 193 - 232:

**The Experience Curve as a Management Tool of Strategic Planning in Health Insurance Companies**

(Die Erfahrungskurve als Instrument der strategischen Unternehmensführung in Krankenversicherungsunternehmen)

by Dr. Bernd Kaluza, Mannheim, and Diplomkaufmann Gunter Kürble, Mannheim

Modern health insurance companies in West Germany exist in turbulent, often hostile environments; the authors show that the above problems can be solved by means of strategic planning methods. As one of these methods the experience curve concept is demonstrated. From many industrial studies the Boston Consulting Group has found that the unit cost of a product (expressed in real terms) decreases by some 20 to 30 % with each doubling of cumulative production. The experience curve is the result of combining the following strategic factors: 1) technical progress, 2) economies of scale, 3) industrial rationalization, 4) overhead analysis, and 5) learning curve.

Examples of cost and price experience curves are shown and the implications of cost and price policy discussed.

The authors present results of their empirical analysis of the experience curve phenomenon on the basis of external data of the costs of the private health insurance companies in West Germany. It was shown that the real unit costs in the long run are significantly decreasing for most of the insurance companies.

Finally we examine the importance of the experience curve for strategic decision making in insurance companies. The value of both market share and market growth are analysed.

It is to be hoped that more insurance companies will learn from the experience curve and consider strategic planning techniques as an aid for developing their own strategic plans.

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ZVersWiss 1986 p. 233 - 246:

### **Software-Controlled Automatic Fire Detection Systems — Progress in Safety?**

(Softwaregesteuerte Brandmeldeanlagen — brandschutztechnischer Fortschritt?)

by Professor Dr. Heinz L u c k , Duisburg

Software controlled electronic means are introduced in modern automatic fire detection systems in an increasing manner. The main reason is that the majority of the functions performed in these systems can very well be handled by programmable electronic devices, e.g. microcomputers or special VLSI circuits so-called signal-processors). The result is a considerable improvement in system performance from the point of view of

- decrease in weight, volume and the need of expensive raw materials
- increase in flexibility in terms of system's matching to varying conditions
- high speed handling of a large amount of measured values and data resulting in short reaction times
- fast storage of important system's and environmental parameters
- automatic supervision of important subsystems to secure high over all system reliability

The application of software-controlled electronics in automatic fire detection systems is aimed at the following items:

- a) Improvement and facilitation for system handling in the case of alarm or in fault signal situations, where some measures have to be taken.
- b) Improvement of automatic system monitoring which may result in a higher reliability level with the consequence that the maintenance requirements be reduced.
- c) Improvement of the detection capability.

The higher complexity of modern software-controlled electronics on the other hand introduces some additional failure possibilities which is

based on physical/chemical transient or nontransient deficiencies as well as on man-made failure mechanisms, e.g. design, manufacturing and maintenance failures.

The first are only to be reduced by using system components of high reliability with high resistance environmental influences. The latter can be controlled by a careful use of approved design rules for hard- and software, by a reasonable testing technique and a suitable maintenance procedure.

These items are discussed in the article and the conclusion is that a considerable improvement can be achieved for fire detection systems by the application of software controlled equipment if the technical requirements and the associated testing methods are based on the essentials of the new technology.

It is not possible to deduce the complete set of technical requirements from the fire safety point of view only.

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ZVersWiss 1986 p. 247 - 270:

**News from Technical Research in Fire Insurance. Report on a Seminar Organized by the Insurance and Technology Department of the 'Deutscher Verein für Versicherungswissenschaft' in Cologne, October 24, 1985**

(Aus der technischen Forschung in der Feuerversicherung. Bericht über eine Vortragsveranstaltung der Abteilung für Versicherung und Technik im Deutschen Verein für Versicherungswissenschaft am 24. Oktober 1985 in Köln)

by Dipl.-Ing. Cäsar R o h l f s , Kassel, and Dipl.-Ing. Gerd L i n d e n , Cologne

In this seminar the Department of Insurance and Technology concentrated on the discussion of current questions of loss prevention in fire insurance. Reports were given on the status and the results of research projects and basic studies in the field of fire protection installations, lightning protection of buildings and restoration of damage on electric and electronic equipment.

B. *Watson*, London, reported on research work and studies aimed at optimizing sprinkler protection and carried out in the United States. Summing up in a nutshell he stated that the recently developed so-called ESFR sprinkler (Early Suppression Fast Response) turned out to be a high performance sprinkler head that is specifically suitable for

the protection of storage risks and which is scheduled to be released to production early in 1986. The guidelines which are necessary for its design will be available until that date.

The large scale fire tests with sprinkler systems which have been carried out on behalf of the Comité Européen des Assurances, CEA, in Cardington/UK so far, were the subject of the paper given by Mr. *Young*, London. The initiative to carry out these tests was taken due to a number of spectacular fires involving extraordinarily high losses which were suffered in Europe mid of the seventies in spite of the fact that sprinkler systems had been installed in these buildings. The results of the tests confirm that the limits of application of conventional sprinkler systems for the protection of storage risks, excepting high rack storages with in-rack sprinklers, have to become narrower than originally provided for in the existing CEA model guidelines for the planning and installation of sprinkler systems. The CEA guidelines have been revised correspondingly according to the information given by Mr. *Young*.

*V. Seiffert*, Hannover, reported on the results of research work in the field of CO<sub>2</sub> extinguishing technology which was carried out in the facilities of the 'Verband der Sachversicherer' (VdS) in Cologne. The purpose of this work consisted in obtaining more precise information on the complex physical processes which take place during and after CO<sub>2</sub> flooding to be able to produce improved design methods for CO<sub>2</sub> systems. To solve this problem extensive measurements were taken in the framework of trial flooding tests on installed extinguishing systems and investigations involving all essential CO<sub>2</sub> system components in a test facility of the VdS laboratories were carried out. For dimensioning purposes of a CO<sub>2</sub> system in the planning phase a microcomputer-processed mathematical model was developed the structure of which permits a relatively easy exchange of assumed theoretical values and component specific characteristics.

*H. Luck*, Duisburg, together with his research team for fire detection — actively engaged in the development of basic conceptions for efficiently operating fire detection systems for a long time — discussed the question in his interesting paper whether and how the application of software controlled electronics produces an advantage in terms of fire protection. This paper has been published in ZVersWiss 1986, page 233 - 246.

*J. Wiesinger*, Munich, provided a survey of new findings in research and development in the field of lightning protection of buildings. For the so-called external lightning protection he stressed the point that — by international standardization the uncompromising equipotential bonding was introduced as a binding requirement

- by the so-called lightning sphere procedure a generally recognized and practical method has been found for the dimensioning of lightning protection systems
- buildings exposed to fire hazard should be equipped with insulated lightning protection systems (exposure problems).  
For providing for the so-called internal lightning protection
- overvoltage protection should be applied immediately before the electric and/or electronic devices in the case of complex installations.

*R. Pentenrieder*, Ismaning, reported on research and development projects carried out with the objective of effecting repair work to eliminate damage on electric and electronic devices in a professional way and to extend the limits of the available possibilities of restauration. The speaker explained in the first part of his paper which type of damage is eligible to restauration and up to which extent of damage restauration of individual components is possible at all. In the second part of his contribution he provided a survey of the available ways and means of restauration.

In the discussion many questions regarding practical application were raised. *Pentenrieder* explained in his answers that the relationship between the costs of restauration and the replacement costs ranged between 1 - 2 : 10 depending on the type of equipment and the size of the facility. Equipment causing particular problems for restauration were combinations of mechanical and electronic components in electronic devices as, for example, disk memories, printers etc.; specifically qualified personnel only would be capable of carrying out the disassembly and assembly and perform restauration successfully, he stated. Restauration would be rejected for financial reasons at times; from the technical point of view there are always possibilities to repair almost any damage on electronic and electrical devices, he continued, of course replacing components which cannot be repaired any longer.

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ZVersWiss 1986 p. 321 - 343:

**The Current State and the Possible Future Development in Information Technology in the Insurance Industry**

(Stand und Entwicklungslinien der Informationstechnik in der Versicherungswirtschaft)

by Dipl.-Math. Peter K a k i e s , Hamburg

This article both provides an insight into the state of information technology in the insurance industry today and outlines developments for the future. This is dealt with under the following headings:

- The Significance of Information for the Insurance Industry
- Information Technology
- The Consequences for Business Management
- The Economic Efficiency of Information Technology
- The Effects of Information Technology on the Organisation of Insurance Companies
- Information Technology and the Social Environment
- Future Developments in Information Technology

This publication considers only the private insurance industry in the Federal Republic of Germany, for it is in this field that the author has knowledge and experience. Everything of importance, however, is considered because of the absence of limits to the flow of information about this technology and because of the easy application of innovations in the private insurance industry.

Having commented by way of introduction on information in general and on the scale of the insurance industry in the FRG, the author remarks on the significance of information technology in the insurance world, particularly with regard to the circulation of both money and information.

The author describes the information technology, differentiating between hard- and software. Input- and output devices, storage mediums, central processing units and communication lines (including Videotext and Integrated Services Digital Network (ISDN) are discussed under the title of hardware. The distinction between coded and uncoded information is clarified with particular reference made to the significance of uncoded information for insurance companies. Under software the author considers Operation Systems, Data Base Software and Applica-

tion Programmes. With reference to Data Base the terms Hierarchy, Pointers and Relations are explained.

The influence of information technology on business management are described, these include the automation of contract administration, word processing, the rationalisation of sales and the provision of data for planning. Aside from the current state of affairs both the future possibilities for and the limits to automation are mentioned. The author compares fully automated work processes in a future office with a factory with no workers. References are also made to the recent problems which have arisen with the use of information technology, like response time and availability.

The author discusses the economic efficiency of information technology and the difficulty of obtaining a measurement thereof.

An examination of the effects of information technology on the organisation of insurance companies is made. An explanation is then provided as to why information technology led first of all to a centralisation of a number of work processes and why this influence today is no longer apparent. The author explains how information technology counteracts the former need to train employees for single specialized tasks.

Almost everyone employed in the insurance industry comes into contact with information technology. This has major effects on the general working conditions and on one's job description. This results in every effort being made to increase joint participation in the introduction and use of this technology. All companies in the FRG are bound by law to protect the individual against any infringement of his rights through the storage and processing of computerized data. This has extensive effects on the use of information technology particularly in insurance companies, due to the vast quantity of personal data stored there.

Finally, the author considers the future aspects of this theme, for example the consequences of research into artificial intelligence and of the developments in the sphere of office communications. It is, however, stressed, with reference also to the future, that information technology can only be of use in the exchange of information between human beings.

ZVersWiss 1986 p. 345 - 367:

**Information Value and Cost-Benefit-Analysis for Managerial Computer Applications**

(Informationswert und Kosten-Nutzen-Analyse bei dispositiver EDV-Anwendung)

by Professor Dr. Wolfgang Müller, Frankfurt

The application of information processing and communication technology for managerial planning and decision making tasks is gaining importance in insurance companies. However, the decision to introduce information technology is not only a matter of technical feasibility. It should also consider criteria of economic efficiency, similar to other investment decisions.

In this paper, *Marschak's* information value and cost-benefit-analysis are discussed as two major methods to evaluate information technology projects for management purposes. While the rather limited practical relevance of the information value model is pointed out, cost-benefit-analysis is shown to be a promising approach, although there are still some difficulties to be solved. In order to show the potential of cost-benefit-analysis, a number of empirical evaluation projects carried out on its basis, are briefly described. Although they have not been performed for insurance management decision support systems, they show a picture of what can be and should be done in insurance companies in order to improve the efficiency of managerial information technology.

Finally, strategic planning is discussed as a framework within which information technology can be applied to various management tasks. It is also argued that even small and medium-sized insurance companies may find the combination of information technology and strategic planning in its basic ideas to be an efficient means to improve decision making processes.

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ZVersWiss 1986 p. 369 - 390:

### **Information Requirements and Information Systems for Economic Controlling in Insurance Companies**

(Informationsbedarf und wirtschaftliche Informationssysteme für die Steuerung von Versicherungsunternehmen)

by Dr. Wilhelm K i r c h n e r , Düsseldorf

The situation for insurance companies nowadays is subject to more rapid changes than has been the case in the past. An increase in the volume of insurance business, the trend towards further concentration and a more pronounced division of functions all require appropriate controlling and optimization procedures. Information must flow at all levels of management if difficulties in the adaptation process or coordination problems must be overcome. The objective of strategic controlling is to generate and maintain potential outlets and is generally of a long-term nature. Decisions regarding investment projects aimed at preserving or improving the economic performance of the company are of a medium-term nature. The purpose of operative controlling is to produce satisfactory economic results over a given financial period.

These three information units in turn determine the nature, the quality and size of the information required for controlling support.

The information unit concerning company returns deals with an analysis of long-term trends in the past and long-term projections of future development potentials, and also covers information on qualitative assessments of targets and trends. Information is required on

- market potentials
- competitors
- services
- products

The strategic planning of an insurance company is based on a combination of these four categories of information — e.g. information on market potentials reflected in regions, customer groups, and types of risks.

The information unit concerned with company efficiency provides information on company organisational structures and procedures and includes quantitative and qualitative factors such as personnel, technological status, cooperation partners, and organisational considerations. The company objectives, determined on the basis of strategic requirements, are translated into company efficiency.

The information unit concerned with company returns covers concrete information on volumes, periods, prices, and the value of company assets which are presented for a given business period. Information from the operations' side of the company produces basic data on the effectiveness of strategic action and measures to improve company efficiency.

A systematic organised approach to the processing of information from these three units, presentation of the information on various time scales and in varying details together with the preparation of suitably processed information at decision-making levels of management — e.g. in the form of charts and graphs — ensure that effective support can be provided at all management levels within an insurance company and provide an efficient system to meet problems encountered in adapting and coordinating company economic controlling.

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ZVersWiss 1986 p. 391 - 424:

### **Distribution Processes and Communication**

(Vertriebsverfahren und Kommunikation)

by Dr. Rolf Ulrich, Cologne

By providing insurance coverage insurance companies produce an intangible product which is represented by means of information. This information refers to the policyholder, the risk insured and to possibly occurring losses. Insurance coverage is, therefore, designated as "information product".

These characteristics of an insurance product lead to material as well as territorial distances between insurance company and policyholders. While distribution means to overcome the distances between offerer and demander, distribution processes containing almost exclusively communication processes are the methods to overcome these distances. For its great impact on insurance industry this "market communication" is considered to be a substantial factor of success for all distribution activities.

Considering this background the article first of all describes the communication phenomenon. To allow a more detailed examination, an explanation model for the determining factors and for the relation between distribution processes and communication is presented.

Kind, scope, and intensity of communication in insurance coverage distribution is substantially influenced by the various kinds of offered

products (above all personal insurance versus casual insurance) and by the clientele addressed (especially mass business versus consulting business versus industrial scale business).

The now regarded distribution processes are assigned to the three communication channels available

- to primary communication channels, in case of which insurance company and (prospect) customer get in touch by the natural sense-organs (“personal selling”; “high-touch-selling”). Among this group we find the distribution processes mostly used in insurance industry, i.e. distribution through branches and representatives.
- To secondary communication channels in which one of the parties concerned is using technical equipment while the other keeps on working with his sense-organs only. Here the “direct mailing” has to be mentioned above all.
- To tertiary communication channels, in case of which sender as well as recipient have to use communication facilities to ensure information exchange. They are called “high-tech-selling” or “teleshopping”. Important forms, such as distribution through telephone and “videotex”, in Germany known as “Bildschirmtext” or “Btx”, are still being developed and will reach higher standards with the increasing technical progress.

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ZVersWiss 1986 p. 425 - 445:

### **The Image of Insurance**

(Das Image der Versicherung)

by Arno S u r m i n s k i , Hamburg

The image of the insurance industry is not as good as the companies want it to be and as it could be according to its importance for the economy of the country. This negative image has different reasons some of them being historical events and developments. Up to the middle of the 19th century the insurance industry was reserved for only a few people. The agents were bankers, lawyers, and merchants executing this task in addition to their original profession. On account of the agent's high position in society it usually was not the agent who had to visit his client, but the client had to come to the agent. It was in the second half of the 19th century when insurance became more popular. A lot of new companies strived for quick profit, the first insurance bankruptcies

happened meaning losses for the clients. It was at that time, too, that the structure of the insurance industry changed. The companies engaged a lot of salesmen searching for new clients. The great number of contacts between salesmen and clients necessarily led to some cases of cheating and other grievances effecting the image of the insurance industry. The people deciding on the profession of a salesman sometimes contributed to this affect because they were often people who had already failed in other jobs.

At the turn of the century the reputation of the insurance industry and its salesmen reached the lowest level. The bad image of that time can still be found in literature. In novels as well as in dramas the salesman is often personated as a negative and dubious character.

The lot of insurance salesmen establishing the contact between insurance company and clients for more than a hundred years is mainly responsible for both, the present strength and the negative reputation of this trade branch. The German insurance companies additionally had to cope with other historical events for which they were not responsible. The big inflation after the First World War took away all the savings, among them those in life insurances. This loss was repeated after the Second World War when the monetary reform drastically reduced the savings in life insurance. This negative image formed in the past is extremely consistent and cannot be changed within short, but it needs several decades of hard work to improve the reputation of the insurance industry and its salesmen.

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ZVersWiss 1986 p. 447 - 467:

**An Organisation Structure of an Insurance Company Based on Marketing Principles — with Special Regard to the Field of Conflict between the Indoor and Outdoor Staff**

(Marketingorientierte Organisationsstruktur eines Versicherungsunternehmens — unter besonderer Berücksichtigung des Konfliktpotentials zwischen Innen- und Außendienst)

by Dr. Renate S c h w a b , Vienna

The author describes an organisation structure of an insurance company based on marketing targets and, furthermore, conflicts between indoor and outdoor staff. The article avoids special company characteristics like customer groups, costs, extent of organisation; the attempt is made to suggest a general concept.

It is supposed that insurance companies are often confronted with general economic problems like bad image, new technologies, cut-throat competition, and special aspects like a missing marketing orientation of the management. The results are sincere personnel fluctuations especially within the outdoor staff and a high degree of bureaucracy. The conflicts between the indoor and outdoor staff are based on the different forms of income (salary against sales'commission) and duties (administration against selling). This field of conflict is analysed under structural, communicative, and individual aspects. Other topics under discussion are the structure of the marketing target hierarchy and the target contents.

In the following a team-orientated organisation structure is discussed with regard to marketing and customer aspects and the avoidance of the field of conflict. In the proposed profit-center concept all employees are responsible for profit, customers' management, and control.

Finally, some restrictions of the implementation are discussed.

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ZVersWiss 1986 p. 509 - 571:

### **General Insurance Conditions between Supervision and AGB-Act**

(Allgemeine Versicherungsbedingungen im Spannungsfeld zwischen Aufsicht und AGB-Gesetz)

by Professor Dr. Helmut Schirmer, Berlin

On April 1, 1977, the Act regulating the law of General Terms and Conditions (AGB-Act) has come into force in the Federal Republic of Germany. This Act marks a provisional legislative end of a development over decades in jurisdiction and literature concerning the question of determining a procedure to examine the adequacy with regard to contents of unilaterally fixed general terms and conditions. The most important fields of control under this Act are:

- the inclusion of the General Terms and Conditions (AGB) into the respective contract
- the interpretation of AGB
- the control of an adequacy of contents

The AGB-Act enumerates in two prohibitory catalogues (§§ 10, 11 AGB-Act) all those clauses which may not be included into AGB because they mean an inadequate disadvantage to the respective partner to such

a contract. Furthermore, the AGB-Act includes a general clause in order to give a chance of control of contract clauses — as concerns their adequacy of contents — which are not contained in the prohibitory catalogues.

The AGB-Act does also apply to the General Insurance Conditions (AVB) although an insurer according to the Insurance Supervision Act (VAG) may only include AVB after having received the approval of the Insurance Supervisory Authority: i.e. General Insurance Conditions are not only subjected to an initial control by the Insurance Supervisory Authority but, additionally, to a subsequent examination by the courts of their adequacy of contents according to the AGB-Act. During this examination procedure by the courts the general clause of § 9 AGB-Act is nearly always applied because the clauses contained in the prohibitory catalogues have nearly no importance for AVB.

This article starts by presenting the principles which have been developed by the Insurance Supervisory Authority through decades of an examination practice on the basis of VAG. Then the effect of the AGB-Act on the AVB is followed up. In this context the limitations of a control of contents of AVB on the basis of the AGB-Act are especially examined. The limitation problem arises because AVB have to describe and shape insurance cover as an intangible service, i.e. they do not only contain collateral clauses as in the case of distribution of goods; but they have to describe and regulate the intangible subject matter of the contract itself. However, the AGB-Act cannot have the function to subject the main service of the partner to the contract, i.e. the insurer — who is applying AGB — to a complete control of contents. This article tries to give a brief and systematic survey on all court decisions which have been given since the AGB-Act has come into force.

Finally, a comparison is drawn of the competence and rights of the Insurance Supervisory Authority with regard to an approval of AVB with the chances of control by the courts on the basis of the AGB-Act.

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ZVersWiss 1986 p. 573 - 580:

**Recourse Against the Employer (§ 115 SGB X) in the Light of Sections 116 - 119 SGB X**

(Der Regreß gegen den Arbeitgeber (§ 115 SGB X) im Lichte der §§ 116 - 119 SGB X)

by Professor Dr. Karl Sieg, Hamburg

The recourse of social benefit institutions against a *person liable for damages* has been regulated in detail in the German Code of Social Law (sections 116 - 119 SGB X): however, there is only *one single* provision (sect. 115 SGB X) concerning the recourse against the *employer*. The question arises whether or not the sections 116 - 119 can be applied for an interpretation of sect. 115.

This question has been answered in the affirmative as concerns sect. 116, para. 4 (priority of the employee in relation to the health insurance, if the assets of the employer are insufficient), but is denied with regard to sect. 116, para. 6 (even if the employer is a member of the family of the insured, he is liable to recourse) and with regard to sect. 116, para. 7 (recourse of the health insurance according to civil law if she has paid a sickness benefit for the same period for which the employer continued to pay wages). On the basis of sect. 116, para. 9 the question is discussed how an employer can cover the risk of continued payment of wages during the illness of employees. Sections 118 (legal obligation to comply with final decisions in social security proceedings on the part of the labour courts) and 119 (passing over of claims of an employee with regard to employer's contribution to old age and unemployment insurance) apply accordingly.

All other provisions of sections 116 - 119 cannot be applied for a comparison with sect. 115 because of differences in the basic facts. — Court rulings admit that an employee even if his claim for continued payment of wages has passed to the health insurance must be free in his decision to terminate his employment, even if by doing so he interferes with the claim for recourse of the health insurance.

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