

# How to manage the risk of accounts receivable

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# business insurance

for buyers of employe, property and liability protection/pension investments/financial services



**Recovery of \$118,000** ransom paid by Lawrence W. Nortrup, president of Chicago's Hartford Plaza Bank, for his wife may be possible under a bankers blanket bond on grounds of embezzlement. Mrs. Nortrup, above with her husband at right, was held in their suburban home while he was ordered to give the money to a woman waiting in a car near the downtown bank. Banking insurance experts say an off-premises loss not involving money in transit is not technically covered by a blanket bond. "However," one source said, "if removal of the money was unauthorized and made by an officer of the bank, perhaps the board of directors could declare it an embezzlement and attempt to make a claim against the insurer on that basis. If they are going to recover it would have to be through the bond because no other form of insurance applies to such a situation." —Wide World photo

## Firefighters' pensions singe business wallets

By STEPHEN GILKENSON

**NEW YORK**—A tentative contract agreement reached last week by this city and the Uniformed Firefighters Assn., which will give firemen a full-pay pension after 40 years of service, is being greeted with as much enthusiasm as a pyromaniac on the night of the Firemen's Ball.

Business interests here, led by the New York Chamber of Commerce, had strongly protested any pension improvements for uniformed city employes, charging that they could lead to "economic disaster" for the city (*Business Insurance*, March 29).

While the agreement—the first tentative pact reached by the city and its three uniformed service unions—did not confirm business leaders' worst fears, there is very little rejoicing, for it will add even more momentum to the city's avalanching pension costs.

**POLICE AND FIREMEN** here may now retire at half pay after 20 years of service. There is no age limitation. For each additional year worked the pension increases by 1.6% of the average salary from the date the employe

reached 20 years of service to the date of retirement. Under that formula the retiring firefighter or policeman may receive 85% or more of pay after 40 years of service. The firefighters association, under last week's agreement, has improved on that by raising to 2.5% the computation for years of service after 20.

"We had hoped they would hold the line on all pension plan improvements," Thomas N. Stainback, exec vp of the Chamber of Commerce, told *Business Insurance* last week.

"Obviously some improvements have been made," he added.

Several weeks ago, Mr. Stainback and other business leaders vigorously urged Mayor John V. Lindsay to hold the line on pension improvements for uniformed city employes. The chamber said that improved pensions would make it difficult for city businesses to compete for help and, more importantly, increased pension obligations for the city could lead to a spiraling tax rate that would ultimately force firms to flee the New York city limit.

Despite the fact that improvements were made over the cham-

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## Broker wins \$290,000 libel suit over false credit report

By ANNETTE DUFFY

**OAKLAND, Cal.**—An insurance broker has been awarded \$290,000 in damages in a libel case involving a Retail Credit Co. background investigation report that the reporting service admitted was based on false information. Retail Credit said it is covered by an umbrella policy, including a libel clause, with a \$50,000 deductible and a limit higher than the \$290,000 loss. Marsh & McLennan Inc., Atlanta, are the brokers and the Travelers Insurance Co. is the carrier.

This is the second time the case has been tried. Retail Credit lost the first one too, but the verdict was turned aside because of a technicality in the conduct of the trial. The first suit was for only \$50,000.

The story began seven years ago when Paul F. Roemer, a well-established Oakland insurance broker, asked for authorization to act as an agent for Penn Mutual Life Insurance Co. in San Fran-

cisco. The firm routinely asked the local office of Retail Credit for an "agency qualification report" on Mr. Roemer—including an evaluation of his personal life, integrity and reputation.

**MR. ROEMER** told *Business Insurance* that Retail Credit submitted the report to Penn Mutual on December 16, 1964. According to testimony at the trial, the report said that Mr. Roemer was intelligent, pleasant and a good family man (the father of four); a long-time resident of the community, member of a country club and a veteran of World War II. It estimated his net worth at \$350,000.

But the report went on to quote "sources" at a real estate firm partially owned by Mr. Roemer which said there was "a question of honesty" and "misuse of funds" on Mr. Roemer's part. Retail Credit's report concluded that Mr. Roemer "is by no means recommended."

After receiving the report, Penn Mutual turned down Mr. Roemer's request but did not say

why. He was mystified, but did not discover Penn Mutual's reason until some time later when an acquaintance learned by chance of the report from the "sources" quoted by Retail Credit Co. These "sources" proved to be a former business associate who had had a falling out with Mr. Roemer.

The trial brought to light the fact that this former associate had actually told Retail Credit's investigator that he was "prejudiced" against Mr. Roemer.

**ONCE MR. ROEMER** learned of the report he started to track the matter down. "In August of 1964 my credit was perfect," he told *Business Insurance*. "Just a few months later I was anathema. The report was so bad that Penn Mutual asked Retail Credit to check again, which they supposedly did. On Feb. 21, 1965, they reported that nothing further could be added. So this negative 'research' began to circulate around the industry. On March 11, reports were sent to the Home Insurance Co. and the Commercial Union

Continued on page 2

## Cup of tea led to \$108,000 reward offered by Lloyd's

**LONDON**—Bandits struck at a carefully protected security van as it sped toward the business center of London carrying banknotes worth \$1 million. Their theft was made easy, however, when the four guards stopped the truck so they could have a nice, friendly English cup of tea.

The gang surrounded the van, snatched 28 bags of banknotes and escaped without firing their shotguns.

The insurance market is offering a \$108,000 reward for the recovery of the money, which belonged to Barclays Bank. The risk was insured entirely through Lloyd's on a special premium for the journey by the security firm that carried the cash.

The haul, Britain's biggest since the notorious \$6 million Great Train Robbery in 1963, shocked security and insurance chiefs because of its simplicity. It has also led to barroom jokes about the guards.

Police at Croydon, near London, have sent out an international alert for the robbers. Regulations will also be tightened so that security trucks make no stops.

## No-fault plan in Illinois exempts fleet vehicles

**CHICAGO**—Commercial vehicles are exempted from provisions of a modified no-fault auto insurance plan developed for private passenger cars in Illinois by Gov. Richard B. Ogilvie and Insurance Director James Baylor.

Illinois is the 23d state to consider a no-fault auto insurance plan and the first state to do so since Transportation Sec. John A. Volpe called for states to "experiment."

Four hundred insurance companies writing auto insurance coverage in this state would be required to provide payments within 30 days on a first-party basis to private passenger car insureds up to a \$15,000 individual maximum.

In accidents involving commercial vehicles, the insurer of the private passenger car could subrogate against the commercial vehicle's insurer, but could collect only if the commercial vehicle was at fault.

**"THIS PROVISION,"** said Deputy Insurance Director Vincent Vaccarello, "assures that there will be better distribution of auto accident costs between private passenger car owners and commercial insureds."

Mr. Vaccarello told *Business Insurance* that the proposed Illinois plan, in this regard, differs markedly from a New York insurance reform proposal that would impose "absolute liability" on commercial vehicles. He added that the Illinois reform plan is similar to the Massachusetts no-fault system already in operation.

"But there is an important difference between our plan and the Massachusetts law, which imposes deductibles. We developed, over the past seven months, a plan that gets funds into the hands of those who need it most without penalizing them even as much as two weeks' pay. We believe that a no-fault auto insurance plan should be designed to take care of the poor, the inner-city residents who can't afford to lose wages."

Payments under the Illinois proposal would be:

- Up to \$2,000 per person for hospital, medical or funeral costs.
- For wages lost, up to 85% per person for a full year to a maximum of \$150 per week.
- For service costs due to incapacity of nonemployed persons, such as child care, up to \$12 per day for a full year.
- For "pain and suffering," up

Continued on page 2

# Five defendants to pay \$250,000 for model's injuries from lion bites

NEW YORK—The coliseum may be the traditional spot for being thrown to the lions, but tradition was not enough to comfort model Nell Theobald when she was bitten by a lion five years ago during an auto promotion at the New York Coliseum. Miss Theobald, now 26, sued some five companies involved in various ways for a total of \$1 million. She was awarded \$500,000 damages by a state supreme court trial jury March 24, but it was later reduced to \$250,000 by the court judge. The awards were insured.

The incident occurred in April of 1966 when the lion, being photographed by television and newspaper cameramen with Miss Theobald kneeling by his side, turned savagely and bit her on the left thigh. The model was hospitalized for 47 days.

The five defendants were the Dawn Animal Agency Inc., Grey Public Relations (now Grey & Davis, Inc.), Coliseum Exhibition Corp., the International Auto Show, and Hoffman Motors Corp. All five carry comprehensive general liability policies in sums sufficient to cover the suit, which is to be divided evenly, amounting to \$50,000 each.

**THE LACKAWANNA** Casualty Co., located in Wilkes-Barre, Pa. covers the Dawn Animal Agency for \$250,000 per person and \$500,000 per accident. It is report-

ed that the lion's owner had no coverage, so the agency became liable.

Schiff Terhune Inc., New York, is the broker for Grey Public Relations, which is insured by Insurance Co. of North America for \$1 million. A source at INA said that "flat coverage like this is a little unusual although it is getting more popular."

According to an industry source, Security Mutual Insurance Co. of New York covered the International Auto Show for \$300,000 per person and \$3 million per accident, and also carried a policy for the coliseum. "It is probable that the coliseum was added as an additional insured on the Auto Show's policy for the same amount of coverage," he said.

Hoffman Motors Corp., which imported the BMW car being promoted with the aid of Miss Theobald and the lion, is covered by the Continental Insurance Cos. Continental's lawyer in the case told *Business Insurance* that Hoffman's \$50,000 share in the suit presented no problems in terms of coverage limits. He added that he, too, considered the judgment excessive. "This girl had no loss of earnings or of prospective earnings," he said. "Her medical bills only amounted to \$4,200 and the judge ruled out any psychiatric damage. Even in terms of pain and suffering \$500,000 is too high."

**THE INA** source reported that the motion was still under advisement for the coliseum and the International Auto Show. "They may or may not get off," he said, "but, in any case, the \$500,000 judgment was grossly excessive." The INA spokesman also said he thought the newsman who shot the final picture before the attack should have been involved in the suit. "You might be tempted to bite too if someone shot a flashbulb off seven inches from your eyes," he commented.

The jury of 11 men and one woman had voted, 10 to two, for the \$500,000 award after a trial of two weeks. Justice Bernard Nadel denied motions that the verdict be set aside, but reserved decision on whether the award was "excessive."

## Firemen . . .

*Continued from page 1*

ber's urgings, Mr. Stainback did say that he was at least "pleased that the break in the line took place on the high age level." The firemen had sought half-pay pensions after 15 years and full-pay retirement after 25.

**"IT COULD HAVE** been disastrous for the pension system if the break had come at the lower ages," the chamber official declared.

Mr. Stainback also noted that chamber members are still very much concerned with the fact that pension computations for city uniformed employees include overtime pay as a basis of figuring a man's pension. This can raise an employee's retirement benefits and increase the city's pension obligations considerably, and the chamber had urged that this be rescinded during the union-city talks.

"This is one of the abuses that will have to be rectified," the exec vp said, noting that for practical purposes it probably should be rescinded only for future employees. He added that a study of the city's pension system is now under way by the New York state assembly. Headed by State Sen. Theodore D. Day, the senate committee conducting the inquiry is reportedly very cool to the uniformed employees' demands and, in fact, to what these unions already enjoy in retirement benefits.

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## Broker . . .

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Insurance Co. of America. And, in April of 1965 it was sent to Fireman's Fund."

Mr. Roemer said that agency qualification reports are standard procedure and that something like 83% of Retail Credit Co.'s business comes from this type of work. "They have 48 million files in there," he continued. "Their unconcern for people is incredible." Retail Credit's vp and director testified at the trial that he had drawn up the rules for investigations. Four sources are required, but the Retail Credit vp said it's not so bad if only one source for a fact can be found.

"I don't give a damn about the money," Mr. Roemer said, "it's their attitude and the damage they can do to individuals that gets me. They should have to make disclosures to the people investigated. A man whose life is being examined should have the right to sit down and vindicate himself."

In its defense, Retail Credit had admitted its report on Mr. Roemer was incorrect, but argued that it was made confidentially to subscribers, done in good faith without malice and therefore was privileged.

**THE \$290,000** award made by an Alameda County superior court jury appears to reflect growing public concern about large organizations accumulating confidential information on private individuals.

Several sources in the insurance industry said obtaining libel coverage is a real problem, and that it's getting more difficult all the time.

F. J. Brutzman, insurance manager for Retail Credit Co., told *Business Insurance*, "We've always had libel and slander coverage—like newspapers and such. We're studying the transcript of the trial for grounds to appeal this decision."

The investigating company's general counsel said, "We've put in a claim but we're making a motion for a new trial and any discussion of insurance coverage now would be premature."

## Ford lacks recall cover for Pintos

DETROIT—Automobile companies carry the cost of recall campaigns internally with no recovery from recall insurance. Ford's recent announcement that 220,000 Pintos, the entire production through March 19, will be recalled for modifications was the latest in a long list of automotive programs to correct deficiencies. The Pinto recall will cost the company an estimated \$3 million to \$4 million in man hours, postage, parts and service shop labor.

Some auto manufacturers were surprised to learn of the availability of recall insurance coverage. One source said that insurance carriers probably would not be interested in writing policies for the auto companies anyway, because of the costs involved. Notification to the 160,000 Pinto owners by registered mail cost Ford nearly \$60,000 in postage alone. Ford estimates that the cost of preparing and mailing the notification letters ran approximately \$1 per letter.

Since about 60,000 Pintos were still in dealer hands or in transit, notification on those cars was not as complicated.

## No-fault . . .

*Continued from page 1*

to half of the first \$500 of medical expense and up to the equivalent of additional medical expense.

There would be court-administered arbitration of disputes involving less than \$3,000 with conventional court hearings of cases involving greater amounts.

Optional coverage would be available up to limits of \$50,000 per person and \$100,000 per accident.

Initial reaction to the proposed Illinois system was favorable from auto insurers and unfavorable from plaintiffs' lawyers. Major writers of auto insurance in the state praised the plan as "evolutionary" and indicated they would support the plan before the legislature.

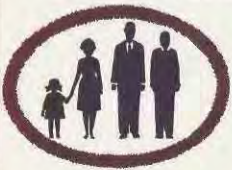
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# Grocers' group plots attack on warehouse fires

NEW YORK—After 18 months of study, the National-American Wholesale Grocers' Assn. (NAWGA) has come up with a fire prevention and protection plan for its members which will, it hopes, put a stop to costly warehouse fires.

The new program, according to Gerald Peck, exec vp of the association, is aimed at total fire protection and prevention rather than at bringing down the cost of fire insurance premiums.

"Quite literally," Mr. Peck told *Business Insurance*, "the program is designed to develop a fire protection system for our in-house operations. It should be dissociated from insurance.

"ONE OF THE long-range objectives of the plan is to open a dialog with the insurance industry," he said.

"One of the main problems has been the lack of standards," he went on. "As it is now, there really are no set standards to follow because there are so many different standards. For example, the insurance companies have been completely free to develop their own standards and this has led to many arbitrary decisions by their field representatives. There have been many cases in which insurance company field men have told our members, 'Do this and this by such and such a date or forget about getting any insurance.' It has just been arbitrary."

He said that the grocers' association had retained the help of professional fire prevention engineers and had joined the National Fire Protection Assn. With the help of the fire prevention engineers, the association is developing a manual for members setting up fire prevention systems.

"Now our members," Mr. Peck pointed out, "with that professional assistance, will be able to both protect themselves against fire in their warehouses and to talk on even terms with insurance company representatives."

NAWGA INITIATED the study after several of its members complained about the way insurance premiums had skyrocketed.

"One operator called us in a state of panic," Mr. Peck recalled. "His insurance premiums had just been summarily doubled by his carrier and he didn't know what to do. His rates had gone from \$100,000 to \$200,000 a year and he was not an isolated case. Many of our members have been driven to the self-insurance route just because they could not afford to pay premiums."

The association then studied its

own members and found "in-house practices that were not good in terms of fire prevention. Our investigations showed that many of the warehouses would burn to the ground if there was a fire even though all the fire protection and prevention equipment worked perfectly. The operators had done all the insurance companies prescribed and the buildings would still burn down."

The great size of warehouses, poor quality of some modern building materials and the use of

plastics are some of the fire hazards in such buildings.

"Another problem we face is that 90% of all the tests that you have to work with in this area were done in 1970. Therefore, we have nothing to work on except projections and extrapolations. Experience is a total vacuum in this industry," he noted. "Take freezers as an example. There is not a word in the fire prevention literature about what to do with freezers. Not a word."

He said NAWGA is targeting a

new set of standards in the fire protection field in order to reduce the possibility of having to suffer another conflagration like the Stop & Shop fire in Boston in 1969 (*Business Insurance*, Aug. 18, 1969). That blaze cost insurance carriers more than \$20 million and reportedly influenced domestic and London insurers to withdraw capacity from the market.

Mr. Peck felt that fire protection and prevention were of supreme importance to the associa-

tion's 600 members. "We're in the educational phase of the program now," he said. "We will distribute the manual to our members and hold briefing sessions to discuss what's in it. After that, we will send out a series of bulletins to keep reminding them."

NAWGA is also in the process of instituting new programs in the areas of sanitation and security for its members. The security program, when completed, will include acts of violence, such as bombings and theft losses. ■

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## Spill-fighting units formed

SAN FRANCISCO—New regional organizations are being created by West Coast oil companies for the sole purpose of fighting and cleaning up oil spills. In northern California, the group will be known as Clean Bay Inc. It will have four counterparts, all equipped with trained manpower to "move swiftly on land or water when a spill is detected."

Funds spent, according to George F. L. Bishop, West Coast operations manager for Phillips Petroleum Corp., will be reimbursed the organization by the member firms, which are Standard Oil Co. of Cal., Union, Sequoia, a Gulf subsidiary, Shell and Humble and Phillips. ■



## washington watch

### Senate labor unit's private pension attack is only first bid for public's ear

WASHINGTON—The private pension plan community had better brace itself for an unprecedented, publicly-oriented, one- to two-year attack on their system from pension reform advocates on Capitol hill, who will try to gain from the general public the kind of support they have been unable to muster in Congress.

The first major volley was fired recently when Senators Harrison Williams (D.—N.J.) and Jacob Javits (R.—N.Y.) released

preliminary data from the labor subcommittee's extensive questionnaire study of private pension plans. The study encompasses the entire range of old pension issues and a few relatively new ones.

Vesting and forfeitures were chosen as the first issues to take to the public with a highly personal approach involving stories such as the one about the man with more than 28 years of continuous employment at a paper mill losing his job and all his

pension rights. Statistically, the preliminary data showed what everyone who understands the private pension system has always known—that relatively few of the many participants who pass in and out of individual plans over the years ever receive benefits.

**OF 51 PLANS** studied, with 11 or more years for vesting, 5% of all participants who have left their jobs since 1950 have received ben-

efits. In 36 plans with 10 years of vesting, 16% of all participants who left since 1950 have received benefits.

The data involve 87 plans that completed the questionnaire sent out by the labor subcommittee last year to 1,500 of the 34,000 private pension plans required to register with the Labor Department under the pension plans disclosure act. So far, 1,000 of the 1,500 plans polled have responded. Of these, the subcommittee says many have either refused to respond in whole or in part, or have provided data that appear questionable in the area of benefits and forfeitures.

Sen. Williams has indicated he will put maximum pressure on the 500 non-respondents to respond and on those that did so inadequately to revise their answers.

In terms of forfeitures, 92% of all active participants since 1950 who left the 51 plans forfeited

without qualifying for benefits; 73% of all active participants since 1950 who left the 36 plans forfeited without qualifying for benefits. The study also indicates, according to Sen. Williams, that "substantial numbers of workers who lost their pension benefits are long service employees."

**IN THE 51 PLANS**, for every two participants who have received a normal, early or deferred retirement benefit since 1950, one forfeited with more than 15 years' service. For each participant who received a benefit, one with more than 10 years' service, three with more than five and 16 with five years or less of service forfeited.

In the 36 plans, for every participant with more than 15 years' service who forfeited since 1950, 24 received a normal, early or deferred retirement benefit. For each participant with more than 10 years' service who forfeited, seven received such benefits; for each with more than five years' service who forfeited, one received such benefit; and for every participant who received a benefit, four employees with five years' service or less forfeited.

Sen. Javits said the preliminary data "make it clear beyond question that we are on the right track." He added that he has "no doubt that we can and must legislate in this field, in this Congress."

Most observers think it is highly unlikely that Congress will pass any legislation dealing with private pension reform this year, but almost no one questions that proponents of such legislation plan to use this Congress to deliver hard blows to what they consider to be the soft underbelly of the \$10 billion system in preparation for a knockout punch within the next two to three years.

**PENSION** legislation supporters on capitol hill have apparently come to realize what they must have is a loud public outcry in their favor and Senators Williams and Javits have set out to get it.

Major legislation does get passed with little or no grassroots public awareness of issues, but this can only happen when either the business community or the labor movement puts heavy pressure behind a measure. Business, of course, has never pushed for pension reform and it is becoming increasingly clear that organized labor is no more than lukewarm to the idea, regardless of what statements union leaders may make in public.

Senators Williams and Javits plan to stir up public sentiment with their questionnaire study and with a series of hearings scheduled to begin very soon. No one, of course, knows for certain but speculation is that, in order to gain maximum publicity, results of the study will be doled out piecemeal in "preliminary reports" similar to the one just released on vesting.

Besides vesting and forfeitures, the study concerns such areas as funding, fiduciary standards and benefit levels. Sen. Williams said he also intends to look into "party-in-interest transactions, interlocking trusteeships, or directorships, and certain investment practices."

Sen. Javits said that preliminary data already reveal "other weaknesses" besides vesting standards in the private pension plan system. "One case," he said, "describes a pension plan with 53% of its assets invested in the securities of the contributing employer. Others describe weaknesses in funding, and failure either to keep adequate records or to disclose what's going on."

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# Touchy Question #61

## Why are insurance companies raising rates just at the time when we are all having to reduce expenses?

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Rates and premiums reflect the going price of all that is bought and sold—luxuries and necessities, comforts and discomforts, diapers and diamond rings; everything that can be lost, damaged, stolen, or destroyed.

Moreover, insured losses have been climbing substantially faster than other costs, because their principal elements have led the inflationary spiral. Hospital and medical fees, auto repair charges, court and jury liability awards (and therefore claim settlement values) have shot up while other costs have crept up.

It follows that when insurance policies are renewed in today's economic climate, it must normally be at higher premiums.

But unlike most of these other rising costs, higher insurance premiums do *not* constitute price inflation.

Price inflation means

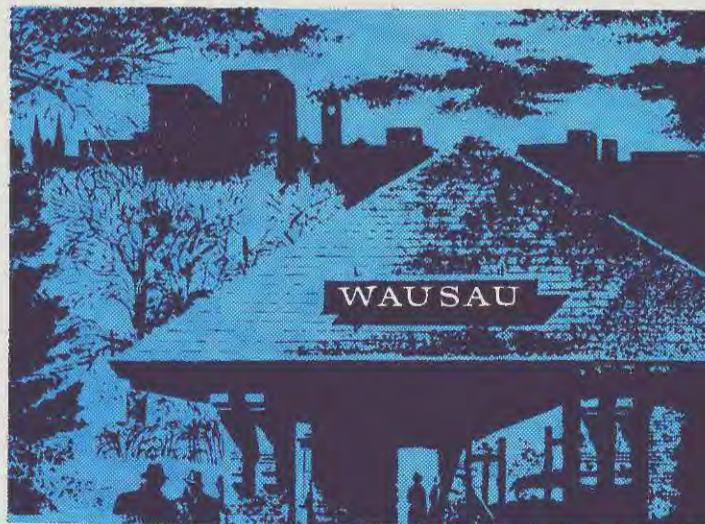
paying more for the same or lesser goods or services. That's not the case here. The insurance buyer who must pay more for his renewal policy is buying protection which must be stretched to cover greater exposures and steeper costs than his old policy covered.

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# Denenberg aims for a no-fault plan; blasts FAIR plan and Blue Cross

PITTSBURGH, Pa.—Pennsylvania's insurance commissioner has said it is inevitable that the state will adopt no-fault auto insurance to pay persons injured, regardless of blame, in accidents.

Speaking at the 45th annual Insurance Day Conference here, Herbert S. Denenberg said he would first try to get auto insurance companies to offer no-fault policies voluntarily. If they don't, he said, the state insurance department is prepared to ask the legislature to make some such plan mandatory.

The commissioner is co-author of a no-fault plan launched last year in Puerto Rico. He insisted that the plan has worked so well

that a similar one would not only provide better coverage but lower insurance rates in Pennsylvania. He pointed out:

**"ALTHOUGH NO-FAULT** insurance may result in payment of more claims, savings would come because the plan could be administered with a minimum of costly legal entanglements."

Dr. Denenberg also leveled a double-barreled blast against writers of fire and hospital insurance. He charged that a syndicate of 430 companies, which provides high-risk fire insurance to homeowners in poverty neighborhoods, is "deliberately keeping from the public" information about the

Fair Access to Insurance Requirements (FAIR) plan.

He criticized the FAIR plan for "not publicizing its operations" and said many people who need the plan most still do not know about its existence.

"As many as 15,000 people in Pennsylvania may be paying too much for their insurance each year because they don't know about the FAIR plan," Dr. Denenberg said.

**HE ALSO POINTED OUT** that many other persons may not have insurance because they were turned down in the regular market and were unaware of the FAIR plan.

(Under the plan, insurance companies agree to sell fire, extended coverage, vandalism and mischief insurance coverage to anyone who meets reasonable underwriting standards but can't get normal protection in the voluntary market. The syndicate of companies shares the claims made against FAIR policies.)

In his continuing battle with soaring costs of hospitalization and corresponding increases in Blue Cross premiums, the commissioner pointed to a new way to help cut drug bills of patients.

"These bills could be cut by 60% to 95% if Blue Cross would pay for prescriptions by generic names (such as aspirin) only, rather than by brand name," he declared. "There is overwhelming agreement by a majority of experts that the more economical prescription by generic name has no medical disadvantages.

"In view of this agreement, I am asking Blue Cross to study and

consider reimbursing only for the cost of the generic drugs instead of their more expensive brand-name equivalents.

"I am confident that the savings from buying generic drugs can be passed on to Blue Cross subscribers in the future," he said.

## Bills provide fire safety port check

AUSTIN, Tex.—Bills permitting the Houston Ship Channel Navigation District to change its name and assume fire protection and safety duties in the port of Houston have received a favorable hearing in house committees.

The bills, sponsored by State Rep. Jim Clark of Houston, would change the name of the navigation district to the Port of Houston Authority, and direct the new body to provide complete fire protection and safety regulations for the 26-mile Houston ship channel and port.

Under Texas house rules, the bills were automatically sent to a subcommittee.

**CAPT. JAMES Baker** of the Lykes Steamship Lines testified that the Houston ship channel is a "horse-and-buggy" facility that has been invaded by 1970 ships.

"We are operating 1970 ships and barges on a channel conceived in the 1930s," Capt. Baker said. "We are in a scare area—although I hesitate to use that term because frankly it tends to drive business away."

Capt. Baker said industry would welcome the effort of the new port authority to provide fire protection and to establish radar navigation control like airport tower control of incoming airplanes.

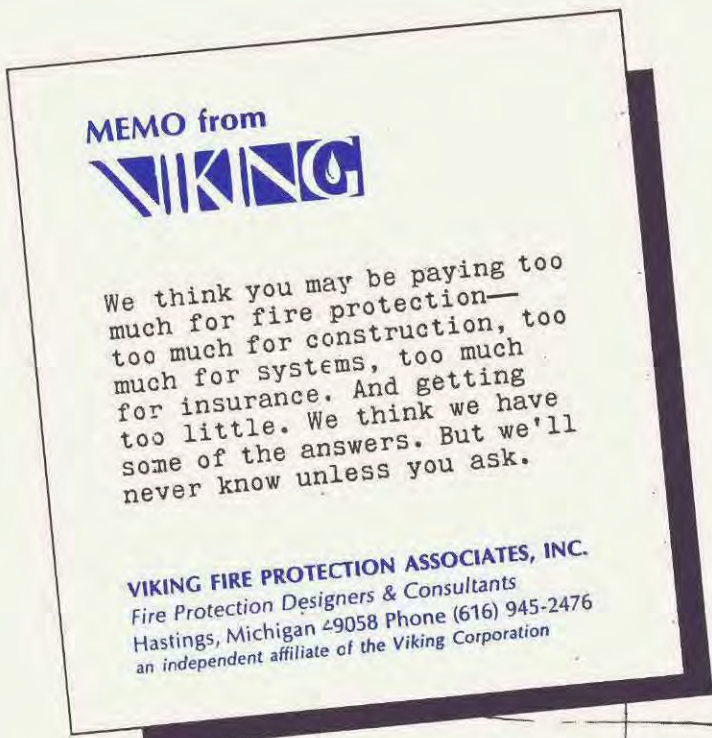
"The problem was created because the city did not want to assume the responsibility," Mr. Clark said, referring to a bill passed by the 1969 legislature, but declared unconstitutional by the attorney general, which would have required the city of Houston to provide fire protection. ■

## Texas seeks \$2 million of premiums

AUSTIN, Tex.—State Atty. Gen. Crawford C. Martin has told 105 insurance companies to return approximately \$2 million in premiums paid by Texas political subdivisions for property damage liability coverage. He threatened to sue them if they don't comply.

Mr. Martin's office issued letters advising the casualty companies that the liability insurance policies issued to local government units violate the Texas constitution. The attorney general said the policies were invalid because the Texas Tort Claims Act of 1969 imposed liability on local government units only for personal injury, not for property damage. The personal injury liability is only in connection with accidents involving government-owned motor vehicles.

Mr. Martin credited the senate interim committee headed by Sen. Oscar Mauzy of Dallas with having ascertained that 1,273 political subdivisions paid premiums totaling \$1,264,322 for property damage liability coverage for 1970. The attorney general said additional premiums paid in 1971 would bring the total of invalid payments to about \$2 million. ■



"How can you have all the answers, Williams, when I don't have any questions?"

# Whirlpool is settling freight damage claims quicker and with less 'hassle'

**BENTON HARBOR, Mich.**—The Whirlpool Corp. has instituted a new freight damage claim handling program for its dealers and distributors. Called the "Get-Well Check," the program is designed to relieve dealers and distributors of the hassle over damage claims on dealer-direct shipments from Whirlpool manufacturing facilities or factory operated warehouses.

Dealers assign their claims to Whirlpool, which then collects from the railroad and truck freight haulers responsible. The corporation self-assumes uncollectible losses.

Basically, according to a spokesman at Whirlpool, "the program merely means a shift in paperwork." Freight haulers, who once received damage claims from dealers and distributors, will now be receiving such claims only from Whirlpool. This shuffling of papers will make life nicer for Whirlpool dealers and distributors, but the possible effects on damage claim collection and hauler's coverage are unclear at this time.

**IN THE PAST**, said the Whirlpool source, a dealer could be saddled with damaged goods for months before a freight carrier paid claims—if he ever did. "The dealer may not open his crates until 60 days after their delivery," said the spokesman. "If the goods are damaged he has to go back and figure out which shipment they came on and who delivered it. People forget, or won't

be specific; by the time a dealer can file a claim he's usually lost weeks, and after filing he often has to wait an extremely long period for results."

A dealer who receives Whirlpool goods with freight damage in excess of \$10 has to file his claim and assign it to the corporation within 90 days after delivery, and Whirlpool will immediately send him a check for the estimated damage. The dealer can forget about settling with the carrier—that problem becomes Whirlpool's. Even if the company never collects, the dealer is unaffected, the Whirlpool spokesman told *Business Insurance*.

The whole business of collecting for such damages is a notoriously complicated one, which is probably one good reason Whirlpool instituted this program to end the confusion for dealers. And it's bound to promote goodwill.

Arnold Breidbard of Helm's Express Inc., one of the trucking companies used by Whirlpool, said, "It is often the sender who loads the truck, and who is therefore most likely to be liable for any product damage."

**MR. BREIDBARD** also noted that the trucker is liable if he loaded the freight or if the damage can be proved to have been caused by mishandling en route. He said that, of course, the dealer himself might be liable if he un-

loaded the truck. Every instance has to be investigated individually to determine liability, and both Whirlpool and Helm's Express admitted that sender and carrier sometimes share the damage.

The Whirlpool spokesman said his company has no product damage insurance. "These claims come out of our operating account," he said. Dick Birtig, safety director for Helm's Express, said that most big truckers are self-insured for such losses because their alternatives are policies with huge deductibles, sometimes upwards of \$1 million. Helm's, for example, is bonded to self-insure by Seaboard Surety Co., according to Mr. Birtig.

The Whirlpool source said that truckers fight damage claims tooth and nail because such claims, if settled, are capable of eating up 7% or more of the hauler's revenue. He also said the "Get-Well Check" program would not solve the problem of deciding

who is at fault for damage, but that the program would give Whirlpool more control over claims and make it more difficult for carriers to avoid paying them, possibly forcing haulers to increase coverage.

"This program is something of a control mechanism and should cut down on damage claims in the long run," he said. "We are in business to sell appliances and we figure this is more effective; we do a heck of a lot more business than the individual distributor and can pressure the haulers more."

In terms of policing dealers, the Whirlpool spokesman said, "We can't be completely sure we're not being taken. If a large number of claims kept coming in from one guy we'd check further." He said that dealer response so far has been "fantastic" but, because the program has been in effect since Feb. 1, "it is too early to have meaningful figures."

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### Faces dim future; asks for \$1 million

**MENLO PARK, Cal.**—This city's self-insurance fund faces a potential loss of \$1 million to a gypsy palm reader.

That's the sum sought by Julia Adams, also known locally as Madam Martha in a suit filed in San Mateo County superior court by Los Gatos attorney Boris Baranowski. Madam Martha, alleges in the suit that a city ordinance that prohibits the practice of palm reading and other occult arts violates her constitutional rights.

In the suit, Mr. Baranowski also charges Menlo Park police "have been harassing Mrs. Adams" since the ordinance went into effect Sept. 1. Police Chief Victor Cizancas denied the charge.

Mrs. Adams is a member of a Menlo Park gypsy clan headed by her husband, George Adams. She has operated a city licensed palmistry studio in Menlo Park for 35 years. Her license was revoked in February and her fee was refunded.

The suit alleges that the actions of the city have "interfered with the protectable right to carry on a legitimate business and the constitutional freedom of religion and association."

### California malpractice

The California district court of appeal this week reversed the decision of a trial court and, in effect, changed the statute of limitations in malpractice actions against attorneys from two years after the last negligent act to the period dating from discovery of the negligence.



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# financial briefs

**Los Angeles Life Insurance Co.** has announced plans to merge with **Great Columbia Life Insurance Co.**, Richland, Wash. The merge company will continue to specialize in marketing group insurance coverage via payroll deductions as well as ordinary life, personal protection and mutual fund investment, also via payroll deduction.

**United Fire Insurance Co.**, and **Associated Life Insurance Co.**, a wholly owned subsidiary, reported 1970 profits reached \$2.17 million, \$2.41 a share, compared with \$1.74 million, \$1.93 a share in 1969.

**American Mutual Insurance Cos.**, Wakefield, Mass., reported total net

premiums of \$211,938,000 in 1970, an increase of 8.5% over 1969. Combined assets were \$287,635,000.

**Interstate National Corp.**, Chicago, reported net income increased 26.4% to \$1,744,314 in 1970 from \$1,380,256 in 1969. Net premiums written increased 45.5% to \$23,947,714 over the previous year.

**Lincoln Consolidated Ind.**, Houston, and its subsidiary, **Lincoln Liberty Life Insurance Co.** reported adjusted earnings totaled \$877,000 or 38 cents per share compared with \$2,262,000 or 95 cents per share in 1968.

**Industrial Indemnity Co.**, San

Francisco, reported assets increased to \$168 million, up 14% from the previous year. Written premiums totaled \$128 million, an increase of 15% over 1968. Underwriting results had a combined loss and expense ratio of 91.8%. Industrial Indemnity is a member of the Crum & Forster Insurance Cos.

**The Statesman Group**, Des Moines, Ia., reported 1970 earnings of \$1,546,457 or 70 cents per common share compared with \$589,618 or 26 cents per share in 1969.

**American Policyholders' Insurance Co.**, Wakefield, Mass., reported net earned premiums increased 12% to \$11.9 million over 1969 and net written premiums reached \$12 million. Assets totaled more than \$17 million, up \$1.4 million from 1969.

**Equity Funding Corp. of America** submitted a formal proposal to acquire **Bankers National Life Insurance Co.**, Parsippany, N. J. Under the terms, Bankers' stockholders would receive \$20 value of Equity Funding common stock plus one share of a new convertible preferred stock for each Bankers' share owned. Equity Funding reported 1970 net earnings from operations before extraordinary items of \$12.7 million on gross revenues of \$60.9 million. Bankers National reported approximately \$2.2 billion of insurance in force and assets of approximately \$167 million at the end of 1970.

**MFB Mutual Insurance Co.**, Providence, R. I., reported assets reached \$439.6 million, 13.2% above 1969. Factory Mutual Insurance in force produced by MFB increased 13.6% from \$105.672 billion to \$120.089 billion with related premium deposits of \$401.200 million.

**Leatherby Companies Inc.**, Fullerton, Cal., admitted assets in 1970 of \$8,328,717 compared with \$2,973,335 in 1968. Net premiums earned totaled \$4,955,445 compared with \$1,724,052 the previous year.

**American Reserve Corp.**, Chicago, reported net income increased 28% to \$3,672,000 or \$2.02 per common share from \$2,832,000 or \$1.71 per share in 1969. Insurance premiums written during 1970 of \$75.2 million were up 39% from the \$54.1 million written in 1969.

**Royal-Globe Insurance Cos.**, New York, reported assets of \$941,533,338 compared with \$851,510,325 in 1969. Net premiums written totaled \$514,577,013 during 1970.

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## Employees must pay Quebec tax

OTTAWA—The department of national revenue has issued rules which make it clear that employees cannot claim tax credit for their contributions to the Quebec medicare plan. Employers, however, can deduct their share of the payments as a business expense.

The department has published a bulletin for tax lawyers and accountants which said that the required contributions by employers are not thought of as taxable income in the hands of employees.

But, in situations where the employer foots the entire bill for medicare payments, employees are required to declare as taxable income what would normally have been their share of the payment. This provision could result in some interesting collective bargaining sessions in the future.

**IT IS POSSIBLE** that unions whose members are paying more taxes because their employers pay their medicare premiums could insist that they receive other benefits, tax-free, to make up for the loss to taxes.

The Income Tax Act lists as tax-free pension plans, group term life insurance, deferred profit plans and supplementary unemployment plans. These are the benefits the unions would probably insist upon.

The Quebec Health Insurance Act (medicare) states that employers must pay 0.8% of their Quebec payroll to the plan. Employees are required to contribute 0.8% of their net income above \$2,000 or \$4,000, if they are married. This includes the income of the spouse in excess of \$250.

However, depending on the nature of his income, and employee's share is limited to about \$125 or \$200 a year.

Eight provinces now have medicare. Nova Scotia and Newfoundland have escaped the arguments about what should and should not be considered taxable benefits by covering medicare costs out of general revenue.

## Discrimination?

Widowers of female judges would be entitled to the same pensions as widows of male judges with passage of a proposed measure now before the Connecticut State Legislature. The bill's sponsor, Rep. George J. Ritter, Hartford Democrat, says its purpose is to eliminate discrimination against spouses of female judges.

# compensation trends

## Proxy fight winners at GAF Corp. get some \$juicy\$ fringe benefits

By JOSEPH S. ROBINSON

NEW YORK—At the annual stockholders' meeting of GAF Corp. on April 16, shareholders will be asked to vote (among other things) for directors. And on this issue we can expect a battle. The reason? There's a juicy plum awarded to the winners in the form of lucrative pay plans.

The opening shot in this war for the greenbacks was fired about a year ago by a dissident stockholder when he commenced a law suit. The charge: GAF's president and other officers were taking extra heavy pay—not only in annual salary, but through excessive incentive plans including stock options.

Stock options are still very much in demand despite changes in the tax rules. Here's an example of why they are useful from the tax angle.

**LET'S SAY** Mr. Jones becomes a vp of Ajax Corp. and is offered an option on 1,000 shares of stock. The option is at the current market price of \$5 per share. Suppose the stock increases in value within the next few years when Mr. Jones exercises his option.

He picks up the 1,000 shares and holds the stock three years as required. He then sells his stock for \$30 per share. The tax result is that Mr. Jones has \$25,000 worth of long-term capital gain—a very comfortable tax shelter.

While the new law cuts some of the glamor from such stock plans, because the gain is subject to a 10% penalty tax imposed on so-called tax preferences, in our example Mr. Jones would escape this tax. The rules give a \$30,000 allowance, and since Mr. Jones only had \$25,000 in gain, he is exempt from the preference tax.

Now let's get back to cases—the GAF case, that is. In its proxy statement, GAF reveals that the president receives \$180,000 in annual salary and that the combined cash pay of all officers and directors as a group easily exceeds \$1 million dollars.

**BUT THAT'S NOT** the whole story. It's the executive incentive compensation extras that add salt to stockholders' wounds.

For instance, as charged in the dissident shareholder's complaint, the president was able to buy 62,000 shares of GAF stock (then selling at \$27+) for less than \$6 per share. He paid less than \$1.30 per share in cash and borrowed the rest from the company at 6% interest. But the interest charge was easily washed out by dividends the president received on these shares. So, in effect, he had a free ride.

In addition, there's the GAF retirement plan for salaried employees based upon compensation and credited service. And since the top brass get the lion's share of salary, they have the chance to pull down big pensions when they retire.

For instance, annual amounts of retirement income commencing at age 65 as illustrated by the company's proxy statement show that a \$50,000-a-year man can pull down almost \$20,000 after 20 years of service and about \$29,000 after 30 years with the company. For the \$100,000-a-year man the figures are doubled.

All in all, there's a lot at stake

in a proxy fight for those in command. On the other side of the coin, how much cream are executives entitled to skim off the top when providing benefits for themselves beyond the fringe? Should it be based on profits? Should stockholders rightfully question the wisdom of executive incentive plans when the results prove that such plans apparently have little or no relationship to company earnings?

Take the GAF case. In the five years since GAF went public, the company has grown from roughly

\$240 million to \$600 million in sales, due largely to acquisitions. But in 1970 earnings, excluding capital gains, were only \$8.3 million—down from \$21 million in 1968 and \$15 million in 1965—before its shares were offered to the public and before it became a conglomerate.

What's the answer? Perhaps the results of GAF's proxy fight this week might tell us some thing.

AT&T stockholders have their annual meeting April 22. Here again, the board of directors will

be asked to amend the pension plan to provide that "Ma Bell" shall not be obliged to pay non-contributory pensions to officers who retire, prematurely or otherwise, upon becoming officers or consultants of another corporation during the time the pensioners serve in such capacity or serve a corporation outside the Bell System.

The reasoning behind this shareholder proposal is that prudent administration requires conservation of funds, not largess at stockholders' expense, when asking for rate increases. A former chairman of the board receives a non-contributory pension of more than \$100,000 while serving as chairman of a paper company for a like amount. A former president of Western Electric took early retirement in five figures to become an officer of a railroad company at \$250,000 a year. Social Security is not paid to those who earn large salaries after retirement

age, and Social Security is contributory.

Management's response to the above argument is that the pension of every employe is a right earned through years of employment in the business. It is not a gratuity, nor is it a form of welfare, according to management, and it would be improper to reduce pension rights for individuals simply and only because their retirement activities provide additional income.

### Shows profit

General Accident Assurance Corp., Perth, Scotland, made a \$4.8 million profit on its American underwriting business last year, compared with a \$2.6 million loss in 1969. This was after allowing claims of \$3.1 million for Hurricane Celia. Sources here say that the good results are due to "toughening up" on the American auto insurance market.



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To help you solve your computer problems of safety/security/insurance, the publisher of *Business Insurance* and the publisher of *Computerworld* are planning an exciting shirtsleeve workshop that promises to go a long way toward giving you peace of mind about your computer installation.

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It will also be of special interest to executives whose corporations are planning to use a computer either on an in-house or share-the-time basis.

The workshop will be equally interesting to insurance carriers, agents and brokers, and safety/security suppliers to the computer industry because it will give them a much deeper insight into the problems that face corporate management and how those problems are being solved.

The workshop will be an extremely busy, full day experience for you. Sessions will be conducted by some of the nation's foremost authorities on the safety/security/insurance problems involved in your computer operation. The distinguished "faculty" is being selected now by the editors of *Business Insurance* and *Computerworld* based on the individual's knowledge, practical experience in the field, and ability to communicate to a workshop audience of management executives.

If you have any doubts about the safety/security/insurance of your computer installation . . . if you wake up worrying whether you are fully and properly protected . . . if you want the assurance of comparing your

computer risk-management methods with those of other companies . . . and if your mind is wide open to absorbing the latest ideas, techniques and methods of "risk-free" computer management—then this one-day workshop is for you!

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Here are the details. Then, simply use the coupon below to send your advance registration promptly.

The Computer Protection/Insurance Workshop will be held at the Pick Congress Hotel overlooking Chicago's beautiful Grant Park, on Monday, June 14. The registration fee for the full day's program (including a continental breakfast, full lunch, two coffee breaks and a special workshop notebook) is \$105—with an *early registration fee of only \$90*. By registering now *before June 1*, you save \$15. *Additional* registrations from your company, when submitted together, cost only \$75 each.

If your plans change later on, you are entitled to a full refund (less a \$15 handling charge) if we are notified before June 14. Use the handy coupon below to send in your Advance Registration *today*. That way you'll avoid the disappointment of an early sell-out, while taking advantage of the substantial discount.

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NOTE: The registration fee includes a continental breakfast, two coffee breaks, full lunch and a special workshop notebook.

Check here if you want the Pick Congress Hotel to send you room information.

## info for buyers

Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they saw the item in *Business Insurance*.

Readers are invited to submit items for inclusion in this column. A sample of the literature should be sent to: Info for Buyers, *Business Insurance*, 740 Rush Street, Chicago 60611.

• **Noise And The New Walsh-Healy Act, No. 500**, is a booklet consisting of three articles dealing with noise pollution, hearing conservation, and hearing protection and the Walsh-Healy Act. The reprinted articles are offered, free of charge to *Business Insurance* readers. Direct requests to Robert M. Paulson, Customer Relations Dept., Sigma Engineering Co., 11320 Burbank Blve., No. Hollywood, Cal. 91601.

• The American Appraisal Co., 525 E. Michigan St., Milwaukee, Wis., 53201, offers a brochure discussing the constantly changing values of property and the problem of providing updated insurance cover. **In Property Values, Change Is Constant** is free of charge by writing the firm.

• A booklet describing its telephone voice scrambler is offered free of charge by Signatron, Inc. 21748 Devenshire St., Chatsworth, Cal. 91311. The scrambler is shaped like a standard telephone handset and once attached to a telephone it scrambles the conversation to protect it from wire-tapping. The scrambler costs about \$295. For more information write Larry Czubiak, Vice President, Marketing at Signatron.

• Insurance Buyers' Council Inc. has published a booklet entitled **Introduction to Pension and Profit-sharing Programs**. The book deals with advantages of a pension or profit-sharing plan, major issues to be resolved and steps to be taken in the development of a plan, provisions to be included in the plan, and the implementation of a pension or profit-sharing plan. Send requests on your business letterhead to the firm at 22 West Road, Baltimore, Md. 21204.

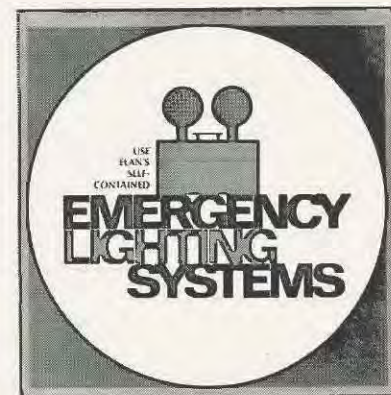
• A manual for the purpose of supplying information and ideas concerning **Representative Forms And Records For The Administration Of Profit Sharing Plans** has been published by the Council of Profit Sharing Industries, 20 North Wacker Dr., Chicago, Ill. 60606. The book is not intended to be a sample forms book that can be adopted to the needs of any particular firm. It is merely an attempt to show what other companies are doing and suggests administrative ideas which might help profit sharing companies appraise their own administration. The manual may be ordered for \$10 per copy. Direct orders to Walter Holan at COPSI.

• A 16 page booklet from the Council of Profit Sharing Industries discusses **Profit Sharing And How It Can Help You**. The publication offers a basic explanation of profit sharing and explains the difference between profit sharing and pensions, the types of profit

sharing plans, profit sharing's purpose, tax advantages and plan administration. Direct requests to Walter Holan, Council of Profit Sharing Industries, Suite 722, 20 N. Wacker Dr., Chicago, Ill. 60606.

• **1970 Survey Of Industrial Pension Plans** is a report of the results of a survey of salaried employe pension plans of major corporations conducted by Trans-america Actuarial Consultants Inc. The survey gives an overview of characteristics of pension programs as they exist in 1970, based on data supplied by 250 of the country's top corporations. The survey is available by writing Daniel F. McGinn, Box 30077, Los Angeles, California, 90003.

• Elan Industries Inc. has released a brochure describing their **Emergency Lighting Systems**. The illustrated brochure tells what the product is and where it can be used. Specifications of all units



plus accessories is included. For a free copy write Worth Ochs, Sales Mgr. Elan Industries Inc., 2429 University Ave., St. Paul, Minn. 55114.

• **A Report On Inflation And Pension Income** by Towers, Perrin, Forster & Crosby. International consultants to management, is available free upon request from the firm. The report deals with company objectives, pension adjustment techniques, nonautomatic pension adjustments, negotiated pension supplements and automatic adjustment formula plans. An index of related social security programs of the world is also included and the 1970 Social Security proposals in the U.S.

• **Improving Your Profit Sharing Plan At No Cost: Coping With The 1969 Tax Reform Act** is an issue of a two-page newsletter showing how various kinds of annuities can help meet employee's needs now that the 1969 Tax Reform Act has changed capital gains treatment of profit sharing and thrift plans. For a copy of the newsletter write Donald R. Marcy, Consultant, Johnson & Higgins, 95 Wall St., New York, N.Y.

• **The Consultative Approach To Safety** is part of the U.S. Dept. of Labor's safety in industry series. The consultative approach to safety in industry is advocated as the modern technique of industrial accident prevention. The bulletin discusses the meaning of safety consultation and suggests how it can be put into practice. The method is a supplement to routine inspection and other educational and promotional means now being used in safety promotion. The bulletin is 15 cents from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

# Hartford's injury rate is four times nation

HARTFORD—By a unique combination of circumstances, Hartford, which fondly calls itself the insurance capital of America, has reached a point where work injuries among municipal employees are almost four times the national average and cost Hartford some \$700,000 a year.

City personnel director Robert Krause cites the fact of absence of an effective safety program as prime reason for the inordinate number of injuries.

He disclosed that a former state police officer, Vincent B. Brescia, on the city payroll since 1966, has been newly assigned to his department for the specific assignment of developing a safety program for city employees.

**PREVIOUSLY**, 80% of the city's on-the-job injuries were caused

by worker carelessness, the remaining 20% traced to such elements as faulty materials and machinery. The personnel department's objective? To make more employees safety-conscious.

*Business Insurance* learned that job injury statistics are compiled according to frequency and severity. Nationally, the municipal employee average registers 24.5 injuries necessitating time off from the job for every million man-hours of work.

The average for Hartford is 98.6. (By category: administration—national, 6.4 injuries per million man-hours; Hartford, 19.5; fire departments—national, 36.3; Hartford, 92.1; police departments—national, 48.8; Hartford, 158; public works—national, 48.2; Hartford, 123.4; and park department—national, 24.7; Hartford 113.3.)

The findings compare with a national average in industry of only 7.5 injuries per million man-hours.

**SEVERITY** statistics are compiled according to days lost from the job per million man-hours, with other factors added for permanent injuries. If an employee loses the tip of a finger to the first joint, days lost are added in along with 50 extra days; in event of whole finger's loss, 100 days would be added in.

Hartford does not "go" with the American standard method of measuring work injuries spelled out by the American Safety Council, and, hence, there is no method to pinpoint severity of city employee work injuries on a comparable level with the national averages.

The frequency rates, however, can be accurately compared with the national average, added Mr. Krause.

As for local specifics, the city picks up the tab for the bulk of Hartford employee injury expenses: Full salary is paid for as long as a year after the injury. At the end of the 12-month time span, the employee receives only what is provided by workmen's compensation. Moreover, Hartford pays for the first year of medical expenses from job injuries, the city insurers assuming costs after that point.

In 1970, Hartford paid \$247,000 in salaries to injured employees for time off the job, \$100,000 in medical expenses, \$20,000 in damages and remainder of the \$700,000 sum went for workmen's compensation premiums. ■

• **Third Country Nationals** is a booklet which discusses the problem of third country national and foreign service employees and difficulties encountered in providing them with adequate group insurance and pension benefits. The brochure then describes the off-shore facilities of Airco that provide an approach to what is becoming an increasing problem for the broker or benefits manager. For a copy write John H. Ellams, Manager, Pensions Marketing, American International Reinsurance Co. Inc., P. O. Box 152, Hamilton, Bermuda.

• **How To Establish A Flexible Corporate Retirement Plan** is a booklet by Certified Portfolios describing the pension and profit-sharing plans available from the firm. CPI are originators and administrators of tax-sheltered pension and profit-sharing plans. Direct requests to Charles R. Billman, president, CPI, 500 Newport Center Dr., Newport Beach, Cal. 92660.

• **Johnson & Higgins** has released **Pension Funding Levels—The Role Of Management Decision**. The booklet discusses the implications inherent to various pension plan cost methods and actuarial assumptions taking into consideration the funding method, the interest assumption, the salary projection assumption, the market value of the assets, and the employee turnover assumption. For a copy write Donald R. Marcy, Consultant, 95 Wall St., New York, N.Y. 10005.

• **The TPF/C Tax Manual** is a valuable book for pension plan administrators, bank trust administrators, accountants, attorneys, consultants, actuaries and others concerned with employer-sponsored pension and profit sharing plans. The reference book contains the Internal Revenue Code, rulings, and releases pertaining to deferred compensation plans established by employers for employees. The cost is \$65 plus any applicable local taxes and mailing charges. Supplements are sold on a four-supplement subscription basis at a cost of \$30. For more information write Joseph A. Banik, Towers, Perrin, Forster & Crosby Inc., Three Penn Center, Philadelphia, Penn. 19102.

• **Insurance Facts** published annually by the Insurance Information Institute can be ordered free of charge by writing John D. Craigie, Insurance Information Institute, 110 William St., New York, N.Y. 10038. The book provides some facts relating to the property and liability insurance business for editors, writers, speakers, teachers, students and insurance people. The book discusses the dimensions of insurance, insurance statistics, facts about losses, and provides a background reference listing state FAIR plans, state regulatory authorities, definitions of insurance terms and national insurance service organizations.

• **Hewitt Information Service Inc.**, an affiliate of Hewitt Associates, has developed a **Profit Sharing Calculator** designed to enable an employee to make his own estimate of the future of his deferred profit sharing account. A calculator for use with savings or thrift plans is also available. Orders of 1 to 99 are 35 cents each, 100 to 499 are 30 cents each with minimum orders of \$10. Send requests for additional price information or orders for either calculator to Howard L. Peck, Hewitt Information Service Inc., Libertyville, Ill. 60048.

## STATEMENT OF ASSETS AND LIABILITIES December 31, 1970 and 1969

ASSETS	1970	1969
Cash in banks and on hand.....	\$ 2,938,007	\$ 2,377,918
Bonds:		
United States Government.....	18,307,388	19,859,310
Canadian Government.....	1,331,934	2,050,400
State, County and Municipal.....	106,570,595	92,089,147
Industrial and Miscellaneous.....	4,690,597	2,448,221
Stocks.....	62,461,904	51,709,731
Total cash and investments.....	196,300,425	170,534,727
Premiums in course of collection (not over 90 days).....	3,191,392	2,641,691
Funds held by ceding insureds.....	24,703,489	13,586,433
Deposits under reinsurance treaties.....	5,152,103	3,035,964
Interest accrued and other admitted assets.....	3,604,802	2,357,807
Federal income tax refund.....	0	708,160
Total admitted assets.....	\$232,952,211	\$192,864,782
<b>LIABILITIES, CAPITAL AND SURPLUS</b>		
Reserve for claims and claim expense.....	\$104,923,211	\$ 77,748,970
Reserve for unearned premiums.....	69,249,125	60,415,756
Funds held under reinsurance treaties.....	9,342,469	7,592,660
Reserve for commissions, taxes and other liabilities.....	2,208,676	1,966,848
Total liabilities.....	185,723,481	147,724,234
Voluntary special reserves.....	2,813,563	1,998,616
Capital stock.....	5,000,000	5,000,000
Gross paid in and contributed surplus.....	5,830,339	5,830,339
Unassigned surplus.....	33,584,828	32,311,593
Surplus to policyholders.....	47,228,730	45,140,548
Total.....	\$232,952,211	\$192,864,782

Securities deposited as required by law are included above as follows: December 31, 1970, \$6,767,818; December 31, 1969, \$5,851,480. Bonds are valued on an amortized basis and stocks at prices prescribed by the National Association of Insurance Commissioners.

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## following the funds

# Where to look for a fund manager— and what to do once you've got one

By ROBERT J. KAMIN

CHICAGO—Reflecting recent sharp advances in various indices of stock market performance, most individual and institutional portfolios have now recovered a good portion, or all, of their 1969 through 1970 declines. Not all portfolios have recovered, however, and many investors are questioning recent performance.

During 1969 and in the early months of 1970, the most severe declines were recorded by the most aggressively invested accounts. If quality oriented, these same portfolios have, since last

spring, recorded the sharpest enhancement. The investor who sold out his holdings at any time last year, however, probably regrets his impatience today.

If he manages his own portfolio, as most of us do, the investor must ultimately rely on his own judgments and conclusions and today he faces numerous questions. Business conditions, government economic and fiscal policies, and the psychology of other investors must all be appraised and evaluated.

Larger portfolios, and many smaller ones, typically seek expert guidance in day-to-day in-

vestment management. To whom do such investors turn?

**THE BROKER:** For most individuals, the "registered representative" or securities salesman is the sole source of investment guidance. The broker's advice is generally free, easily available, and often sensible. Retail securities firms train their salesmen carefully and usually provide backup services ranging in depth from casual market letters to detailed analysis of a client's affairs.

The broker, however, is compensated only when the client ac-

tually buys or sells. As a commission salesman, his objectivity must be questioned, particularly since the client often benefits to the greatest extent by simply retaining his existing holdings. If the broker were compensated for his time and not for his client's transactions, there would be far less volume on the exchanges and perhaps somewhat better results for the individual investor.

### BANK TRUST DEPARTMENT:

In recent years, banks have become increasingly sophisticated in providing day-to-day investment supervision. The large institutions in New York and Chicago manage billions of dollars owned by profit-sharing trusts, pension funds, insurance companies, foundations and individuals.

Typically, minimum acceptable account size and annual management fees vary widely. For direct portfolio supervision (as contrasted to comingling your assets with other modest investors in a

pooled trust fund, substantially equivalent to a mutual fund) most of the larger banks require minimum account size in the lower six figures.

The cost of such supervision, including custody of your securities, will average .5% of the account's market value. Fees will be scaled downward for the larger account, and the cost involved will be a tax deductible expense if the income generated is taxable.

All accounts will benefit from the bank's research services, but the larger portfolio will usually receive the closest attention. Most banks employ a team of managers for each group of accounts; this permits day-to-day supervision, the placing of orders, the calling of clients, and the statistical analysis to be performed by younger, generally less experienced men.

Banks typically are successful in providing a complete service for the conservative investor who wants to minimize risk and avoid criticism. During enthusiastic periods in the general market, results may not parallel what the aggressive investor can achieve on his own; when prices fall, however, the bank's conservatism can cut the decline.

### INVESTMENT COUNSELOR:

In the early 1930s, large investors realized the possible conflict of interest in the brokerage industry, but felt the banks might be too conservative in running equity-oriented accounts. The investment counsel profession filled the need for investors unwilling to accept the mere maintenance of capital or the avoidance of risk.

Choosing an investment manager is little easier than picking stocks yourself, however. Hundreds of investment counsel firms are registered with the Securities and Exchange Commission, as required by the Investment Advisors Act of 1940. Individual firms range from one or two men to 100 or more consultants, and the number of clients served varies accordingly. The larger firms rival the New York City bank trust departments in size and manage up to several billion dollars each.

Fees charged are based on account size and are generally somewhat higher than the banks'. Usually the counsel firm does not physically hold the clients securities, which are deposited with a bank or held with the client's broker. Minimum account size generally ranges from \$100,000 to as high as \$1 million but some newer, smaller firms will accept more modest accounts.

Service is usually far more personally oriented than can be provided by the banks or brokers. Over a period of time, the client and the counselor get to know each other's quirks and personalities quite well and in many cases, investment counsel relationships are measured in decades.

Most of the larger counsel firms manage mutual funds as a part of their service; this permits research costs to be spread more widely, and broadens the prospective client population to include the smallest investor. Conflicts exist here, too: When an attractive security purchase is decided on, are mutual fund or individual purchases completed first? When a security is to be sold, which account receives attention first? In terms of results, the timing can be important.

**MUTUAL FUND:** For the investor of modest means, or for the profit-sharing or pension plan just getting under way, this re-

Continued on page 32

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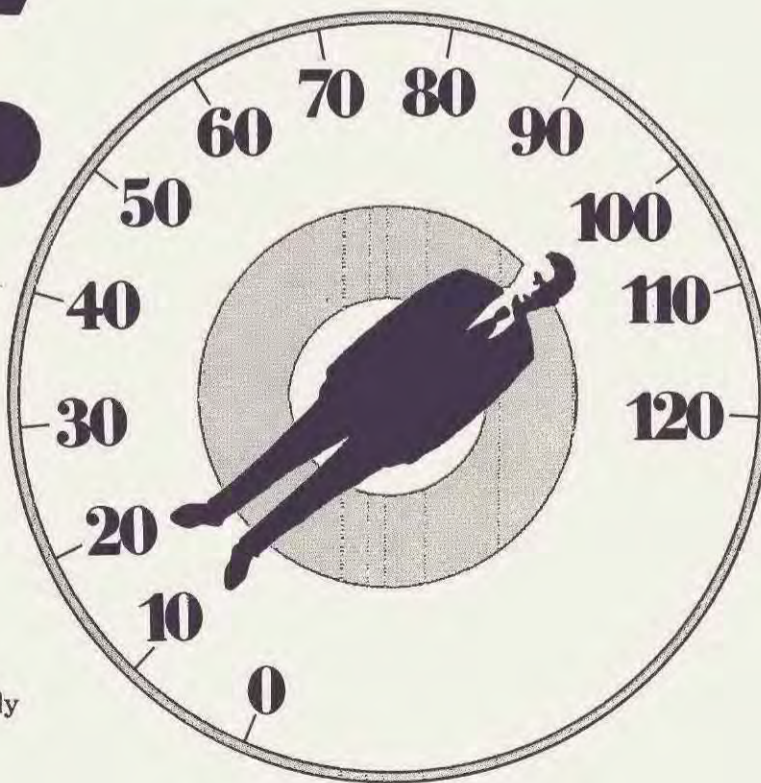
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# opinions

## How to waste \$2 million

**T**RANSPORTATION Sec. John A. Volpe wasted \$2 million of the taxpayers' money and more than two years of the public's time when he recommended to Congress that the 51 state insurance commissioners develop "experimental" no-fault auto insurance programs to solve the pressing problem of auto victim compensation.

In making his hastily-drafted recommendation, Sec. Volpe did nothing to solve the problem and, indeed, inflicted a setback on a knotty national debate that has been raging for nearly a decade. His proposal ignored the important need for some uniformity between the states. It likewise ignored the question of how to distribute liability under no-fault insurance between commercial and private vehicles. Moreover, Sec. Volpe incorporated in his message virtually none of the detailed, sensible reform proposals developed by the department's professional staff and its distinguished advisors.

The result of Sec. Volpe's testimony could well be that the insurance industry, already bickering about auto insurance reform, will impose new and conflicting pressures on state insurance commissioners to adopt confusing plans that will work an especial hardship on those who operate interstate commercial vehicles. Such confusion will serve to make more attractive the proposal for a national no-fault system advanced by Sen. Philip A. Hart (D.—Mich.).

Only in Massachusetts, where the insurance commissioner took a more-or-less firm hand, has a plan that is designed to speed and simplify recoveries for auto accident victims become operative. Even in that state there was monumental legislative confusion and a measure of backtracking in the face of the insurance industry complaints about prospective premium rate adjustments.

Yet, apart from the waste of \$2 million and the delay of more than two years, the most disturbing thing about Sec. Volpe's meaningless testimony is that the federal government may be more vulnerable to insurance industry pressure than are the state insurance commissioners. Insurance companies successfully forced a delay of about five months in the presentation of any DOT conclusions. During that time they put pressure on Sec. Volpe, reportedly through the White House and Commerce Sec. Maurice Stans, to water down the auto study conclusions as drafted by a professional staff. Who wants federal insurance regulation when—at least under the Nixon Administration—a handful of influential objectors can torpedo a study purportedly made in the public interest to attack a critical national problem?

And plaintiffs' attorneys, who would rather never see no-fault insurance adopted, must be gleeful about the turn of events that has followed the early, sensible discussions of no-fault insurance proposed by Professors Keeton and O'Connell.

By the same token, the American Society of Insurance Management, an uncertain trumpet on nearly all legislative matters, has made no intelligent contribution to the auto victim compensation debate. At its recent conference, ASIM presented an aimless panel discussion of the

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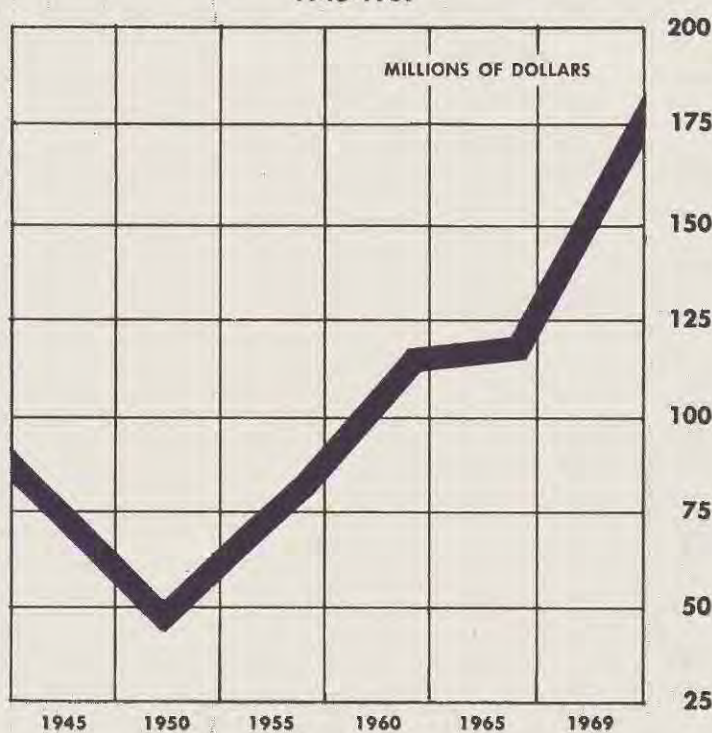
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## PREMIUMS PAID FOR FIDELITY BONDS 1945-1969



Although fidelity bond premium volume nearly tripled between 1945 and 1969 insurance industry sources estimate that only 15% to 20% of the nation's businesses protect themselves with the bonds. Fidelity bonds, in addition to providing financial protection, are an excellent psychological deterrent to loss caused by the fraudulent acts of employes.

Source: Insurance Information Institute

no-fault issues, illuminating none of the underlying problems. When the DOT study was initiated, ASIM shrank back and was unrepresented on the study's advisory committee. Now ASIM wants to make a "survey."

It's time for public indignation about the auto victim compensation problem. There is a need for a nationwide consumer effort—involving both big and small buyers of auto insurance—to study seriously the proposals made in Congress for a federal no-fault auto insurance plan. Happily, there are stirrings among some concerned corporate consumers who don't believe in wasting more millions and more years before we at least start to attack the auto insurance problem.

## Self-righteousness

**E**VERY SO OFTEN something really raises the veins in our neck. Take the other day, for instance.

A *Business Insurance* editor was chasing a story involving a Food and Drug Administration-inspired recall of contaminated intravenous fluids produced by a pharmaceutical house in the Midwest. The recall was begun—and, incidentally, only after the FDA was prodded somewhat by Ralph Nader—when the federal agency linked the contaminated fluids to 350 cases of hospital blood poisoning, including nine deaths.

The story, of course, had significant product liability angles to it. The manufacturer and its insurers might have to pay dearly for the lapse that allowed the fluids to become contaminated. The impact of a case like this upon an already shaky product liability insurance market in the drug field could be substantial.

To find out just how substantial this impact could be this magazine may contact as many as a dozen risk managers in the industry affected. From their comments we may pull together a story. Maybe we won't.

One of those called on this particular day was the risk manager for a large Eastern-based pharmaceutical house. Immediately he was on the defensive; the drug industry couldn't possibly be wrong in this case. (Risk managers in the pharmaceutical profession are notoriously uncompetitive when defending one another. Perhaps it's because they are all in the same rocky boat and if one topples into the water the whole vessel will sink.)

This risk manager made no effort to hide his disdain for Mr. Nader and, in this particular case, his scorn for the FDA. "Why, the FDA didn't even let the firm defend itself," he said of the company involved in the recall. The fact of the matter is that the drug firm chose not to defend itself. Calls from this magazine, for example, were referred to its public relations department head, who wasn't available and did not return the calls.

Now, you may not like Mr. Nader. And not liking him—or at least not admitting it—is apparently fashionable if you are on a corporate executive organization chart somewhere. But we happen to believe Mr. Nader has made a contribution to this world. He has raised a few self-righteous corporate butts. The risk manager who rushed to the defense of his industry just because Mr. Nader had gotten himself involved in the situation was reacting self-righteously.

This is something the drug industry can ill afford at this precarious time in its insurability history.

# Letters

(This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611.)

## Burglary drive info

To the Editor: We read with interest an article entitled "Burglary drive" on page 30 of the March 15 issue of your magazine concerning the Independent Insurance Agents Assn. of San Fernando Valley, Cal.

We would like further information, possibly pamphlets or guidebooks, pertaining to this burglary protection but we have been unable to locate the address of the association. Can you help us?

Harold Rieger

Rieger Agency, Royal Oak, Mich.

Editor's Note: The national office of the Independent Insurance Agents Assn. should be able to help you. Write them at 96 Fulton St., New York, N. Y. 10038.

## D&O—another opinion

To the Editor: In your March 15 editorial "Is D&O worth it?" you again questioned the value of directors and officers liability insurance. While I appreciate that your editorial was intended to represent the insurance buyer's viewpoint, it does a disservice to the buyer's interest, which you are attempting to serve, and in turn does a disservice to your publication.

Lloyd's underwriters and sixteen English insurance carriers filed on Feb. 16, 1971, a complaint for rescission of contract on a class action basis against the Penn Central Co. and its 70 directors and officers who were insureds under a directors and officers liability insurance policy. The complaint states that the chairman of the finance committee of Penn Central executed a proposal for D&O insurance that answered "none known" to Item 10 of the application, which reads:

"No person proposed for this insurance is cognizant of any act, error, or omission which he has reason to suppose might afford valid grounds for any future claim such as would fall within the scope of the proposed insurance, except as follows:"

Further, the complaint continues the proposal in Item 13, provided that:

"... it is agreed that this form shall be the basis of the contract should a policy be issued, and this form will be attached and become part of the policy."

Additionally, the complaint states:

"The declaration to the policies provided that: 'This declaration page along with the completed and signed proposal form... the directors and officers liability form and the company reimbursement for directors and officers liability form shall constitute the contract between the assured(s) and underwriters.'"

Most important to the underwriters' position for rescission is Clause 6 of the policy:

"It is warranted that the particulars and statements contained in the written proposal, copy of which is attached hereto, and the declarations are the basis of this policy, and are to be considered as incorporated in and constituting part of this policy."

While the proposal (application) used in the Penn Central case limits the scope of insurance coverage granted, there are applications in use that do not so re-

Continued on page 18



**Right now your overseas bonding is probably in the hands of a company you never heard of.**

When you need surety bonds for your foreign operations, the easiest thing to do is go to the same company you deal with in the States. The easiest, we said, not the smartest.

Because even the best bonding companies here don't have the facilities, the staff, or the experience to protect your interests over there. And they know it.

The way they get around it is to farm your business out to an independent company in the country in question and pay them a commission to handle it. However good that local company might be, it's not the company you thought you had working for you. Worst of all, you never know just how good

they are until it's too late to do anything about it.

American International Underwriters does more bonding business overseas than any other domestic producer. And in more than 50 countries, we do it through our own offices. Not through local companies.

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Write: American International Underwriters, Dept. A-14, 102 Maiden Lane, New York, N.Y. 10005.

We don't want you to ever suddenly find yourself with a lot of money at stake and a company you never heard of responsible for protecting you.

# Letters

Continued from page 16

strict coverage. Thus, to imply that whatever the holding will be in the Penn Central case will be universally true of all D&O insurance policies just is not a fair reporting of the facts. The applications in use by some companies merely state that the signer declares that to the best of his knowledge and belief the statements set forth therein are true. Also, the application is not incorporated into the policy. There is then no such warranty.

Therefore, under those policies with the more favorable treatment afforded the buyer, the innocent director or officer would have certainty of insurance coverage. The terms of the application would apply separately and

not jointly to each director and officer just as the exclusions do.

The tenor of your reporting in D&O liability insurance protection has consistently been: If one director or officer is dishonest, or has taken a short-swing profit, or is guilty of self-dealing, or is involved in an unjust conflict of interest, no insurance protection is provided any director or officer of the corporation. You have taken this position even though the directors and officers liability policy provides:

"The wrongful act of any insured shall not be imputed to any other insured for the purpose of determining the applicability of the exclusions enumerated in this clause . . ."

Since the liability of directors is joint and several, it is essential to the innocent director that his insurance still respond for his liability for the dishonesty or self-dealing of his fellow director, who at time of loss may be bank-

rupt, dead, or otherwise judgment proof. There are D&O policies that do provide this essential protection to the innocent director; protection that is not available to him under indemnification agreement and not available to him under any other form of insurance to the extent granted under D&O. If other insurance is available the D&O insurance applies as excess insurance.

You report that Rep. Wright Patman questions the propriety of insuring corporate directors and officers for their "wrongdoing." The types of "wrongdoing" that prompted Rep. Patman to question D&O insurance are properly the basis of exclusions under the D&O policy for the offending director.

The policy handles these situations not only under the exclusions clause but also under its definition of "loss," which reads:

"Loss is defined not to include fines or penalties imposed by

law or other matters which may be deemed uninsurable under the law pursuant to which the policy is construed."

No one should profit from his own dishonesty; therefore it is reasonable that the dishonest director or officer must respond on his own for his dishonest act. This is a comfort to the innocent director since D&O insurance does protect his interests by providing the financial resources to clear his name.

What are the merits to underwriters' request for rescission in the Penn Central case? Equity provides the relief to rescind or cancel a contract when such contract has been entered into due to fraud, mistake, undue influence or duress or when the contract is harsh and inequitable.

In the Penn Central case, underwriters charge misrepresentations since the chairman of the finance committee, a person proposed for coverage, and other

directors and officers proposed for coverage, had knowledge that as early as November, 1964, Pennsylvania Railroad Co. had made investments in Executive Jet Aviation Inc., and that in June, 1965, the finance committee chairman and others proposed for coverage had caused the railroad, through subsidiaries, to acquire 58% of the outstanding stock of Executive Jet and to advance from time to time approximately \$21 million to it.

The chairman of the finance committee and other directors and officers proposed for coverage were aware of the railroad's board of directors' lack of fiduciary concern and control over the \$21 million that was invested in Executive Jet. The complaint charges that he and others did not request nor did they receive board approval for the Executive Jet investment.

The complaint enumerates in 21 other paragraphs items to justify their request for rescission.

Paragraph 42 of the complaint states: "The representations made on July 2, 1968, by defendant . . . and the other directors and/or officers proposed for coverage under the subject policies, that no person proposed for the insurance was cognizant of any act, error or omission that he had reason to suppose might afford valid grounds for any future claim such as would fall within the scope of the proposed insurance:

- were false representations
- were material to the risk that plaintiffs were to assume.
- were known by persons proposed for the insurance to be false
- were made in bad faith
- materially affected the acceptance of the risk assumed by plaintiffs

If the facts . . . had been made known to the plaintiffs in the proposal they would not have issued the subject policies."

In count two of the complaint for rescission, plaintiffs state that the facts were withheld with an intent to deceive plaintiffs by concealing from them material matters that, if disclosed, would have resulted in plaintiffs' refusal to issue the subject policies.

Assuming that plaintiffs can prove the charges made, are they entitled to rescission of the policies and rescission to all parties to the policies? In my judgment under the more favorably written D&O policies they must prove that all directors and all officers knew of the false representations.

As to the innocent directors and innocent officers, coverage would apply in the broader form policies. Under the Penn Central's policy form, they have bought a lawsuit.

On Feb. 17, 1971, certain present and former officers of Penn Central asked for a preliminary injunction against underwriters at Lloyd's subscribing to their D&O policy plus the 16 English insurance carriers on the policy to restrain them and their counsel from proceeding against any of them in any legal proceeding.

The officers believe that they have been named as defendants in numerous lawsuits solely by virtue of their position as officers and that they were guilty of no negligence or wrongdoing on their part whatsoever. The officers request the court to enjoin the underwriters and the 16 English insurance companies from proceeding with any litigation seeking to rescind their D&O insurance policy until they can decide whether to propose a declaratory judgment action on the policy.

Had these innocent officers been insured under one or more of the more favorable policies

Continued on page 40

## GENERAL REINSURANCE CORPORATION

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Affiliates in Stockholm, Zurich, Sydney, London, Athens, Madrid and Rio de Janeiro.

### FINANCIAL STATEMENT, December 31, 1970

#### Assets

##### Investments:

United States Government Bonds . . . . .	\$ 20,521,053
Tax Exempt Bonds . . . . .	279,884,544
Other Bonds . . . . .	13,098,981
Preferred Stocks . . . . .	19,347,560
Stocks of Subsidiary and Affiliated Companies . . . . .	27,300,099
Other Common Stocks . . . . .	111,804,323
Total . . . . .	\$471,956,560

Cash in Banks and Office . . . . .	5,781,608
Premium Balances in Course of Collection (not over 90 days due) . . . . .	39,450,753
Accrued Interest and Dividends . . . . .	5,232,312
Other Admitted Assets . . . . .	24,436,391
Total Admitted Assets . . . . .	\$546,857,624

#### Liabilities

Reserve for Claims and Claim Expenses . . . . .	\$224,215,003
Reserve for Unearned Premiums . . . . .	124,265,782
Funds Held Under Reinsurance Treaties . . . . .	18,835,980
Reserve for Commissions, Taxes and Other Liabilities . . . . .	35,049,096
Total Liabilities . . . . .	\$402,365,861

Capital (shares authorized 1,089,000; out- standing 1,089,000; par value \$6.66 2/3 each) . . . . .	\$ 7,260,000
Surplus . . . . .	137,281,763
Surplus to Policyholders . . . . .	\$144,491,763
Total . . . . .	\$546,857,624

Securities in the amount of \$19,156,011 at December 31, 1970 are deposited as required by law. Bonds are stated at amortized values in accordance with the requirements of regulatory authorities and would be approximately \$271,828,686 at December 31, 1970 if valued at market.

### Board of Directors

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The Southern Company  
Atlanta, Georgia

**JEAN-PIERRE BRUDERER**  
Executive Vice President  
Electro-Watt  
Zurich, Switzerland

**HENRY C. BRUNIE**  
Director  
The Bank of New York  
New York, N. Y.

**CHARLES W. BUEK**  
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Officer  
The United States Trust  
Company of New York  
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**JAMES A. CATHCART, JR.**  
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**CARL de GEER**  
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**N. BAXTER JACKSON**  
Honorary Chairman  
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Oyster Bay, N. Y.



# Wis. studies legislation to lower car rates

MADISON, Wis.—Stronger bumpers and insurance rates proportional to an automobile's fragility may be required in Wisconsin as a result of a conference here before the senate commerce, labor, taxation, insurance and banking committees.

No-fault auto insurance, however, is unlikely to be enacted in Wisconsin, according to the conference chairman, State Sen. Gerald Lorge, Republican of Bear Creek. He said there was little evidence of legislative support here for the no-fault concept.

The conference, attended by insurance men, lawyers, and auto company representatives, was called to study possible legislation to reduce the cost of automobile insurance.

**JAMES KILROY**, a Chrysler Corp. spokesman, urged Wisconsin not to legislate bumper standards. He said the federal government was in the process of establishing uniform national requirements.

A summary of findings by the Insurance Institute for Highway Safety showed that repair costs from a five-mile-an-hour, front-end collision involving 1970 models ranged from a low of \$120 on a Volkswagen to a high of \$390 on an American Motors Ambassador. For a five-mile-an-hour, rear-end collision, the range was \$64 for the Volkswagen to \$325 for a Ford Galaxie.

"All the lawyers in this country are against no-fault, but not because they are lawyers," said Gerald T. Hayes, a Milwaukee lawyer who frequently defends insurance companies in damage suits. It is "alien to the very principles that this country was founded on" to allow a person who caused an accident to recover damages, Mr. Hayes said. "We call it the no-responsibility plan." ■

# Mini-met premiums taxed

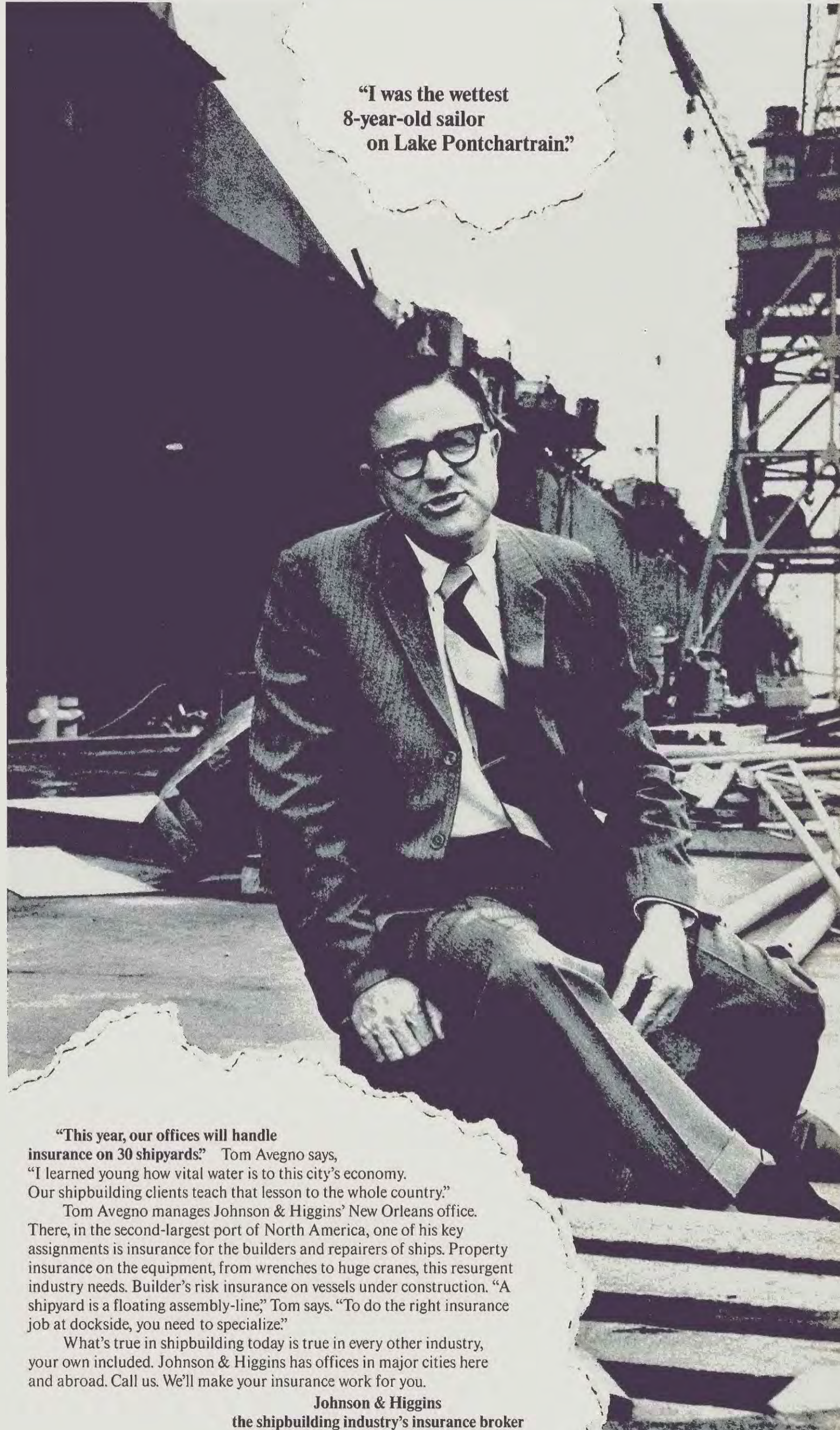
SAN FRANCISCO—The so-called "mini-met" group insurance programs have been ruled by California Insurance Commissioner Richards D. Barger as being subject to premium taxation.

Under the mini-met plans, group insurance programs provide for employe claims to be paid directly from employer's funds up to a fixed amount and after that claims are paid by the insurance company.

The principal purpose of the program is to reduce the employer's insurance costs by passing along savings in premium taxes.

"However," Commissioner Barger ruled this week, "the premium tax savings depend on whether the money that the employer puts into an account to pay claims is part of a self-insured program and not subject to premium tax or whether these deposits are so interwoven into the administration of the entire insurance program as to become premiums."

The purpose of the original procedure adopted in 1968 when Richard Roddis was insurance commissioner was to approve policy forms of the Metropolitan Life Insurance Co. ■



**"I was the wettest 8-year-old sailor on Lake Pontchartrain."**

**"This year, our offices will handle insurance on 30 shipyards,"** Tom Avegno says, "I learned young how vital water is to this city's economy. Our shipbuilding clients teach that lesson to the whole country."

Tom Avegno manages Johnson & Higgins' New Orleans office. There, in the second-largest port of North America, one of his key assignments is insurance for the builders and repairers of ships. Property insurance on the equipment, from wrenches to huge cranes, this resurgent industry needs. Builder's risk insurance on vessels under construction. "A shipyard is a floating assembly-line," Tom says. "To do the right insurance job at dockside, you need to specialize."

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the shipbuilding industry's insurance broker

## for the record

# A prepaid health plan for Milwaukee groups

MILWAUKEE, Wis.—Milwaukee's first group, prepaid, health care program will be put into effect May 1.

Health officials announced that the Compicare program here would offer comprehensive health care for a fixed monthly fee ranging from \$21.90 for individuals to \$57.33 for families.

Participating in the program will be Northpoint Medical Group (a corporation of 19 doctors), Wisconsin Blue Cross, Surgical Care (the Blue Shield plan) and

St. Mary's Hospital.

A BLUE CROSS official said that none of the policies provided by industry are as comprehensive as Compicare. In addition, he said, insurance provided by industry costs between \$32 and \$75 a month, depending on coverage.

Patients requiring hospitalization under the Compicare program will be treated wherever facilities are available.

Doctors are on salary under prepaid plans, officials explained.

Therefore, the physicians are paid no more if their patients are hospitalized than if treatment is obtained at less cost in a clinic, they added. A surgeon receives no more income if he decides to operate than if he doesn't.

Officials noted that the federal government has been encouraging doctors to form prepaid groups. The Marshfield (Wis.) Clinic began enrolling members in its new prepaid group last week.

At least two other groups, besides Northpoint, are being formed in Milwaukee.

BLUE CROSS and Blue Shield will offer Compicare to groups of 100 or more employees as an alternative to conventional health insurance.

Blue Cross will receive the monthly premiums for Compicare and pay Northpoint \$5.25 per person per month. Blue Cross will pay the hospital a set amount for each day a patient is hospitalized and

will pay the fees of doctors who are not members of Northpoint but are called into a case for consultation.

Officials said Compicare would be offered to all major groups of employees in Milwaukee. About 15,000 subscribers would be enough to assure success, they said.

Persons eligible for Medicare and Medicaid may be accepted for Compicare after the first six months or a year of operation, officials said.

## Insurance speculator convicted of mail fraud

MILWAUKEE, Wis.—Smith F. Brandom Jr., a Kansas City insurance speculator, has been convicted by a federal court jury in Kansas City on a charge of using the mails to defraud. Sentencing by Federal Judge William H. Becker has been deferred pending a presentence investigation.

Mr. Brandom, 43, was convicted in Milwaukee in 1968 in connection with the financial collapse of Market Mens Mutual Insurance Co. He was indicted in 1966 on charges of mailing false financial statements to the Wisconsin Insurance Department and after a jury trial was fined \$11,000 and placed on probation for four years by Federal Judge Myron L. Gordon.

Mr. Brandom was a principal stockholder and assistant vice president of Market Mens Management Agency, the firm which operated the defunct casualty insurance company here.

In the Kansas City base, he was indicted Jan. 29 on charges of devising a scheme to mail false documents and letters between April 18, 1962 and Nov. 4, 1965.

Government witnesses testified that false financial statements were furnished to the Missouri Division of Insurance by Midwest Mutual Casualty Co., of which Mr. Brandom was the principal stockholder.

Midwest Mutual Casualty was declared insolvent in November of 1965 and placed in receivership. Two government witnesses testified that they were unable to collect claims against the insurer. The policies of 32,000 persons in 10 states were cancelled in the wake of the Market Mens Mutual collapse.

## \$89,279 paid in freak products suit

LITTLE ROCK, Ark.—The Ford Motor Co. has been hit for \$89,279 for the destruction of a house in a freak products liability suit.

The suit arose when the home of Mr. and Mrs. Robert L. Reid was destroyed by a fire that began in their Lincoln Continental. The car caught fire while parked in the garage attached to the Reid house; the flames spread to the residence. The Lincoln had been purchased April 26, 1967, and had about 1,800 miles on the odometer when it caught fire May 29.

Ford's liability has been affirmed by the Arkansas supreme court, which upheld a circuit court ruling that Ford was liable for damages if the approximate cause was a defect in the company's product.

W. D. Kramer, manager of corporate insurance for Ford, told *Business Insurance*, "We don't purchase insurance for product liability on a low level. An \$89,000 loss is not large enough to warrant such coverage, although we do carry product liability insurance for substantial-size losses."

## Aetna ups pension benefits

HARTFORD—Aetna Life & Casualty, one of Hartford's "big three" insurance companies, has modified its employee pension plan, retroactive to last Jan. 1. Pension credit can now be earned faster and benefits are higher—in some cases as much as 20% higher.

Retirement benefits are more generous for employees retiring before age 65. Early retirement is still available to employees from age 50 who have at least 15 years of service. A new, expanded widow's annuity has been introduced, covering widowers as well as widows of eligible employees over age 50 who die before retirement. It provides a lifetime income of half the normal pension earned at the time of death. In addition, the beneficiary is to receive all group life insurance benefits, rather than part.

Employees who retired before 1968 began receiving bigger

Continued on page 42



# Post more profits with Aetna engineering's total attack on losses.

Our engineering department can help you establish a total loss control program designed to reduce costs.

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In an age of consumerism, we're putting particular emphasis on controlling product liability losses. It's a field where Aetna is a leader. Where we can

offer you a comprehensive program for your engineering, manufacturing and marketing operations. From quality control to record-keeping. It could help you avoid a lawsuit. Or win one.

When you review your property and casualty insurance with your Aetna agent or broker, remember the many ways Aetna engineering can help your P & L look better.



OUR CONCERN IS PEOPLE

LIFE & CASUALTY

# Work comp covers drug addiction—in this case

SAN FRANCISCO—Drug addiction has been held by the California supreme court to be covered by workmen's compensation insurance, under certain circumstances.

The ruling, considered of significance to nearly every business and industry subject to the workmen's compensation program, has already prompted considerable agitation in California.

The court ruled that drug addiction is covered "where it is entirely the result of dependence on medication prescribed for an industrial injury."

**THE ADDICTION**, the court decision states, also is partially compensable with workmen's compensation insurance benefits "even where the personality of the injured worker held a predisposition to addiction."

The ruling came in a case involving a secretary who received compensation and partial permanent disability award for a back injury who later petitioned to reopen her claim on the basis that medication she was given "resulted" in her becoming addicted.

The court indicated evidence had shown that she had taken doses of the prescribed drugs in excess of the amounts prescribed and had also illegally obtained and taken additional drugs.

The workmen's compensation appeals board denied her claim for benefits and she appealed to the Supreme Court which annulled the WCA action, sending the case back for further action.

**"THERE IS NO** evidence," the Supreme Court ruled, "that the claimant was addicted to drugs prior to her injury or prior to the prescription of drugs to relieve the effects of the injury.

"The workmen's compensation referee did not find that she was not now addicted but found that she would be considered addicted in the sense that she was an habitual user and in need of treatment.

"Although the referee was correct in limiting the employer's liability to the effects of the drugs furnished by prescription," the high court ruling declared "such liability extends not only to situations where those drugs by themselves would cause addiction but also to situations where the prescribed drugs light up or aggravate a pre-existing condition resulting in disability.

"In short," the court said, "the fact that the most likely cause of

the addiction is the pre-existing obvious life long neurotic personality problems does not serve to warrant denial of recovery if the addiction resulted in part from the prescribed drugs.

"An employer," the court ruled, "takes the employe as he finds him at the time of employment. Similarly, the finding that her problems would have culminated in addiction even in the absence of this trauma and the treatment rendered, do not furnish a basis for denial of all recovery.

"Even in cases where disability would follow from the normal progress of the pre-existing disease, apportionment is proper where the industrial injury has contributed to the disability." ■

## Annual Safety-Security and Loss Prevention Issue -- June 7

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### Coffin insects cost mortuary \$45,000

SAN FRANCISCO—Insects in the casket may end up costing the Valente-Marini Mortuary here and its insurance carrier some \$45,000.

That's the sum awarded by a superior court jury to Mr. and Mrs. Lawrence Mizzaro who sued the mortuary and the operators of the Italian Cemetery in nearby Colma alleging they had suffered severe nervous shock after discovering the caskets of their entombed relatives were infested with insects.

A \$30,000 general damage verdict was returned against both defendants and a \$12,000 punitive damage verdict against the mortuary as well as a \$30,000 punitive damage verdict against the cemetery.



## london line

# Losses, higher values preceded British insurers' marine rate hike

LONDON—Marine underwriters have hiked their rates on all types of ships so as to make their hull business more profitable. This became effective March 15, by agreement between Lloyd's and the marine insurance companies.

Gilbert V. Bayley, of Lloyd's, who is chairman of the joint hull committee, told *Business Insurance*:

"With the huge values already on risks, and even larger ones now in the quotation stage, the capacity of the market must be enlarged to provide sufficient cover for the shipping industry. The market is moving toward values of more than \$80 million per ship, and the \$100 million ship might occur in the not-too-distant future.

"HULL UNDERWRITING results for 1968, 1969 and 1970 give rise to disquiet, and after getting authoritative figures showing the worldwide rise in cost of ship repairs, it is necessary to take corrective action at this stage."

New rates are in the region of 10% higher, and have been brought in officially by both Lloyd's and the companies because of the need for quick action. There is speculation that rates may have to move higher still before the problem of insurance losses is solved.

Mr. Bayley warned that underwriters might impose alterations in their terms on an "as and when necessary" basis, instead of keeping them to an annual review.

Publicity has been given to casualties to very large vessels, but, although this has been a disturbing feature of the market, remedial action is also necessary on rates for conventional ships.

**MARINE INSURERS** are also pressing for greater safety in the English Channel after a series of disasters in which foreign ships were involved.

They face claims of more than \$30 million for hull losses, with a substantial part carried in the London market. But there are also claims for marine casualties in other parts of the world that threaten to add \$40 million to the existing burden on the marine market.

Government experts are now trying to stop further collisions in the congested sea lanes passing near the British coast to European ports. They may try to improve the traffic flow and will certainly press for more effective control of some sea captains who are blamed for ignoring warnings about wrecked ships.

**HOPES ARE RISING** that the Suez Canal will be re-opened if Israeli-Egyptian peace talks make progress. Smit-Tak Salvage Co., Rotterdam, is getting ready to dredge it and tow away ships trapped when the canal was closed by the 1967 war.

A. H. Chester, chairman of Lloyd's Underwriters Assn., believes there will be many advantages from an insurance point of view in having the canal opened.

He explained that "it will shorten the route from the East to Europe considerably, and that must obviously be an improvement. But giant tankers will still

have to go around the Cape route."

**STEWART SMITH**, worldwide insurance broking group, is extending its interests in France by acquiring a 30% stake in the capital of a leading French broking group. The French group is Societe Intercontinentale D'Assurances Pour le Commerce et L'Industrie. Rothschild Freres, the French side of the Rothschild finance house, also has an interest in that company.

**ROYAL INSURANCE** Group has pulled back its underwriting losses in the U.S. from \$12.7 million in 1969 to \$11 million last year, after including all claims for Hurricane Celia (amounting to \$9.1 million). It handled \$511 million in premiums last year, against \$435 million in 1969. Operating ratios were 101.1 for 1970, and 101.9 in 1969.

**TRANSIT SECURITY** risks have been slammed by Lloyd's List, the authoritative shipping-cum-insur-

ance journal issued by Lloyd's of London, as creating what it terms "an international scandal." It warns insurers "Cargo thefts in the U.S. from sea, land and air shoppers have reached a staggering total. The situation is as bad in London.

"There has been a tendency in some quarters to believe insurance can solve part of the problem by rating, deductibles and security requirements.

"There is a definite limit to what underwriters can achieve. What is really required is for close and more constant attention to security procedures, beginning in offices, where vital information of costly cargoes needs to be made as secure as goods in warehouses or in transit.

"There is increasing need to check credentials of employes and their associates.

"Overnight parking of vehicles is in crying need of national and international organization, for new

developments in procedures mean that more people know the specific movements of valuable loads.

"The government should give a lead by organizing a meeting of interested parties, first on a national, later on an international basis, to attempt to organize procedures so as to control what is an international scandal.

"Airports, because of their vulnerability, are the obvious subject for first steps."

Brokers in the Lloyd's market are taking the view that in 1971 underwriters cannot exist only on peak and catastrophe risks cover. They need to be certain of their "bread and butter" risks.

Michael Adams, chairman of Lloyd's Insurance Brokers Assn., told members at their annual meeting: "Unless we as brokers are successful in channeling a proportion of such business to Lloyd's, we may find that underwriters will take matters into their own hands."



Tomorrow, while your latest shipment is still on the high seas, the new government will depreciate the currency by almost a third. And when that shipment arrives in a damaged condition, you'll be the big loser. Simply because you let your overseas buyer place the insurance.

**Money down the drain.** Since the claim payment is predicated on the prevailing rate in your customer's country, he'll now get only a fraction of the original coverage.

Worse yet, you'll get only a fraction of the original price.

On the other hand, if you'd placed that insurance with an American firm, your loss would have been paid in American dollars. In full. That way, you could have immediately replaced the shipment. And neither you nor your customer would have suffered.

**The problems keep multiplying.** Currency depreciation is only one of the problems of placing your cargo insurance overseas. Should anything happen, most of

# Jungle Aviation obtained insurance in spite of risks in primitive lands

WAXHAW, N.C.—There is a corporation based in this tiny village that sends its employes off into some of the roughest terrain in the world to perform highly dangerous tasks. The employes receive no salary or standard employe benefits. They come into direct contact with the last vestiges of primitive people on earth and try to sell an intangible product to unreceptive, sometimes hostile, customers. And, to the amazement of some, both the company and the tools it uses are insured.

The corporation is Jungle Aviation and Radio Service Inc., the communications and transportation arm of Wycliffe Bible Translators. Wycliffe is an independent, church-supported organ-

ization devoted to translating the Bible into the unwritten languages of primitive people all over the world.

The employes are pilots for the firm's fleet of 30 aircraft. They are missionaries as well as pilots and fly from bases in South America, Central America, New Guinea, Nepal and the Philippines. From these bases, the pilots and radio men keep other missionaries supplied with provisions, medical aid and general contact with the outside world.

**HAROLD GOODALL**, executive director of JAARS, explained the company's insurance program. "Our liability insurance," he said, "is placed in the London market through Parker &

Co., our brokers in Atlanta. They handle our coverage for public liability, property damage and liability for passengers in the planes. The hulls of the aircraft are self-insured."

He pointed out that since the company is totally non-profit, "we pay a minimal amount in premiums and deductibles. We have \$25,000 to \$50,000 liability limits."

Most of the firm's aircraft are small Helio Couriers, single engine, short takeoff and landing planes, specially equipped for makeshift landing strips and rugged terrain service. They have to be. JAARS pilots fly an average of 40 to 50 hours a month, sometimes landing on strips less than 600 feet long with rivers, jungle



The runway made from rock crushed by these New Guinea natives will be much more sophisticated than most used by Jungle Aviation and Radio Service Inc. Liability insurance on the group's flights, all of which are into rough terrain, is for \$25,000 to \$50,000. The amount is minimal because the company is non-profit.

or cliffs at each end. They use few electronic navigational aids, relying mainly on their skill as

pilots and jungle checkpoints, such as rivers, to see them through.

"But we take no foolhardy risks," Mr. Goodall said. The company allows no night flying and instrument flying is strictly prohibited. The company has been in operation since 1948 and "there have been no serious incidents. Surely there are risks involved and not only in the flying. Some natives, who are not aware of your purpose, could give you trouble. Also, we lost two men in Vietnam, but not in connection with the missionary work."

**THE JAARS** pilots fly under what must be considered nightmare conditions and receive no salary from the company. "They are responsible for their own support. Most of them receive their support from either their families or their church, or both."

He noted that "they are covered by a group hospitalization fund, however, which everyone pays into." Aside from that, there are no employe benefits, as such, offered by JAARS. "Our benefits are not spelled out in so many words," Mr. Goodall said. "You could not equate them with those offered by business. Our people derive their main benefits just from doing this kind of work. Many of our pilots have received lucrative offers to fly for business firms, but they won't take them. This kind of job is too dangerous for any amount of money. But they'll do it for us, without pay, because they believe in what we're doing."

Mr. Goodall felt that the main reason for the company's unblemished safety record is the high quality of pilot training and aircraft maintenance. To become a JAARS pilot, an applicant must "have a commercial pilot's license with 300 hours of flying time with instruction or 400 hours if he learned on his own. He must also have an airframe and power-plant mechanic's license. He must pass a physical and, of course, have a thorough working knowledge of the Bible."

Mr. Goodall described the training of a pilot after he is accepted. "It is basically in three stages," he said. "First, he attends linguistics school at the University of Oklahoma. He also logs some 14 hours of flying time with one of our instructors.

**"THE NEXT STAGE** is a three-month stay in southern Mexico where he learns to survive in the wilds. After that, he comes to Waxhaw for technical training, a lot of it being specialized instruction in bush flying."

After his training cycle is completed, a JAARS pilot is assigned to a country to work in. He will spend four years there before returning to the U.S. for a one-year furlough.

Continued on page 24



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## Those 'conservative' life companies take a shot at sophisticated benefits

BOSTON—Life insurance men, especially life insurance men from Boston, were never ones to take a gamble. But now they're finding themselves at the roulette tables, listening to talk of expanded group financial services that provide investment counseling for mutual funds and stocks in addition to plain old fashioned life and health coverage. The stock market? Incredible. But, shocking or not, they're being forced to pick up the dice and throw.

"For the last 120 years we've been hearing that stocks and mutual funds were bad, bad, bad," said a group sales manager at New England Mutual Life Insurance Co. "According to established life insurance religion they

were a big no-no. Too risky. Unsound. But now, we're being forced into a complete turn around. Several companies, including us, are offering mutual fund investment programs on an individual basis and now there is talk of offering investment programs on group basis. In fact, that's one of the hottest issues of discussion around here."

He said it was necessary to keep up with the trend toward more sophisticated employee benefits, but that his company wasn't jumping into it.

"We're sort of in a waiting period right now, trying to figure out which way to go," he said. "You know, when you've been thinking one way for so long it's sometimes a little hard to shake

loose into new territory. But I think personally, that group mutual funds are definitely coming into the picture."

A SPOKESMAN at Massachusetts Mutual Life Insurance Co. also said his company's group services would be expanding, but was not sure what form they would take. At present the company's plan allows for the policyholder to place a percentage of his premium into his employer's investment funds with a portion going into an equities portfolio and the rest into general investment.

"I think in the future we'll be leaning more heavily on the area of equity investments," he said. "They are more profitable to the

salesman than mutual funds."

A Massachusetts General Life Insurance Co. group underwriter felt that the industry was lending a keener ear to public demands.

"Let's face it, the old life insurance company image just isn't very glamorous to most people," he said. Investments turn them on, so we're giving them investments."

HE EXPLAINED that his company offers a "Systems Five Program," which takes \$5 out of an employee's weekly pay, investing half the money in a life policy and the other half in the Dreyfus Fund.

"The beauty of our system is that it's simple and that we deal with small companies," he pointed out. "Most insurance companies only want to deal with large firms in a mutual funds program. Also, with our plan, the employee can remain in it even if he leaves the company."

Massachusetts General, an

eight-year-old firm, has offered its investment plan for only a few years.

"We are considering expansion of our group financial services," he said. "But to what and how far, we don't know yet."

A GROUP LIFE manager at Boston Mutual Insurance Co. said that his firm offered a unique family funding program as well as two mutual fund plans.

"Under family funding, a percentage of the employee's income is taken out and invested in life insurance, mutual funds and used as collateral for loans for family expenses," he explained.

He also pointed out that life companies have had to make some image changes.

"Out in the western states there is a trend toward one-stop shopping," he said. "A guy goes into the bank or to his stock broker and says, 'Here's \$10,000. I want insurance, mutual funds, stocks, bonds. Good-bye.' I think this trend will catch on more and more in the East. It will be important for insurance companies to keep up with it. Like it or not, they will have to expand their services. People expect more than the old life and health song and if they don't get it, they'll take their business someplace else."

## Jungle . . .

Continued from page 23

Mr. Goodall commented that the pilots come to JAARS "from all over. Many of them come from Bible schools, mainly the Moody Bible Institute, and some come from the military. They hear about us through contacts with our people and then we keep in touch with them, sometimes for up to five years."

JAARS missionary-pilots establish contact with tribes deep in jungles by mounting loudspeakers to the aircraft's wings and speaking to the tribesmen in their own language while circling the area. The languages are learned "usually from a tribesman who has fled the tribe. We find them and slowly learn their language," Mr. Goodall noted. This method was used in contacting the Mayoruna tribe of Peru. The Mayorunas were so isolated that for years they were thought to be only a legend.

The same technique was used in establishing relations with the fierce Auca tribe in Ecuador. The Aucas are a headhunting tribe that became famous 12 years ago when they killed five missionaries. Their language has since been taught to Wycliffe translators, who, in turn, have translated the Bible into Aucan. Missionaries now live with the tribe and have taught the Bible's words and meaning to some of the individuals who participated in the killings.

## Expands service

Benefacts Inc., a Baltimore subsidiary of Alexander & Alexander Inc., that provides employee benefit communication print-out forms, has expanded its service to employers with fewer than 500 employees. The firm, which says it is now providing Benefacts reports to employees at "several hundred larger companies," will break benefits down under readings ("Your Security Today," "Your Security Tomorrow" and the "Value of Your Benefits") along with a message from management on the benefit program on simple, declarative computer print-out sheets.

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## Reverse liberation?

# Benefits increased with husbands kept in mind

HARTFORD—Women employes at Travelers Insurance Cos., for the first time in the companies' history, are now able to insure their husbands as dependents under the Travelers group health insurance plan.

A Travelers spokesman told *Business Insurance* that women employes can now also sign up for the first time under a "switch back" plan, which will pay their medical maternity costs if they are not covered under another policy.

Moreover, husbands of women employes will now be entitled to "widower's benefits," a portion of their wives' pensions if their wives die before them.

The spokesman added that the new plan will probably benefit the youngest and oldest employes most since these are the ones most likely to be breadwinners. The young women enrolling in the plan are normally working to send their husbands through college, while the older women work while husbands are retired.

**NOW, FOR \$6 a month**, these women will be able to get medical and surgical insurance for husbands and any dependent children with \$50,000 limits. Travelers male employes have been able to cover their wives in this manner for some time now.

The widower's benefit is a switch on the long-standing "widow's benefit," which gave a widow part of her husband's monthly pension to help maintain a home and support their children. Henceforth, a widower will have the right to some of his wife's pension to be used, presu-

## Lloyd's sought to cover moving rock

SAN FRANCISCO—Insurance coverage from Lloyd's of London is being sought by the Guy W. Atkinson Co. here before it begins an effort to learn why a rock section of Telegraph Hill is moving.

City engineer Robert Levy said that if "the premium rate should be too costly" he will ask the board of supervisors to approve an emergency measure under which the city would assume liability.

Occupants of a \$300,000 four-flat building at 266 Lombard St., perched perilously on top of the rock slide, have moved out under orders from Alfred Goldberg, chief of building inspection. Mr. Goldberg said the building is in danger of toppling over a 200-foot precipice if the rock movement continues its present accelerating pace.

Mr. Goldberg said the building is riding on "perhaps 120,000 tons of rock" and a massive rock slide "could come suddenly and without warning, although homes and apartment buildings below would probably receive no more than a sharp jolt."

The Atkinson company is one of two contractors hired by San Francisco to determine the "why and the where of the slippage." Both firms have refused to begin drilling tests until "some kind of insurance can be obtained to protect us against the severe risks involved."

ably, to hire a housekeeper and compensate him for income loss.

Under the third change, married women will be able to apply for maternity benefits if husbands do not have policies covering costs of health care for childbirth. Although male employes at Travelers have long been able to extend maternity benefits to wives, women employes received no maternity benefits.

Only married women can sign up for maternity benefits. Single women are not eligible. But any single woman who already had dependent children can cover them under the Travelers group health policy.

# How not to cook your corporate goose.

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## Giles on the law

# Goodyear ruled not liable in suit brought over Nancy Sinatra song

By JOHN W. GILES  
Attorney at law

WASHINGTON—You may have heard of Nancy Sinatra and her song "These boots are made for walkin." The song became popular and Goodyear Tire & Rubber Co. decided to use the phrase "wide boots" as a descriptive term for tires. As part of its advertising based on the theme of "wide boots," a number of radio and television commercials containing the music and revised lyrics from the song were produced and exhibited with the permission of the copyright owner. These commercials included the voice of

a female singer who was not shown or identified by name.

What annoyed Miss Sinatra was the fact that the girl who did part of the song, she claimed, deliberately imitated her voice and style. She also claimed that the physical appearance and dress of the girls on the commercials utilized her mannerisms and dress and that Goodyear was trying to deceive the public into thinking that Miss Sinatra was a part of the commercial. Miss Sinatra wanted punitive damages. But she did not get anything.

She based her claim on unfair competition. The court of appeals said "An examination of the cases

decided under the statute (re unfair competition) immediately disclosed an obvious distinction on the facts between this case and the great mass of unfair competition cases. There is no competition between Nancy Sinatra and the Goodyear Tire Co. Miss Sinatra is not in the tire business and Goodyear is not selling phonograph records. There is no passing off of Miss Sinatra's products as its own either by simulation of name, slogan, device or other unfair trade practice." (CA 9. *Sinatra v. Goodyear Tire Co.* 112C/7C.)

\* \* \*

WHAT DOES THE exclusion-

ary clause "excludes property damage coverage for any goods sold, handled or distributed by the insured, or work completed by or for the named insured, out of which the accident arises," mean? Let a recent California case explain it.

A boat company was selling pleasure boats. When a purchaser contracted to buy a boat, the insured would spend anywhere from one to four weeks readying the boat for delivery to the purchaser. Often this procedure would include alterations or additions to the boat to satisfy the requirements of the particular purchaser.

A purchaser contracted to purchase a new boat from the insured. The boat did not contain a hot water heater and the purchaser requested that one be installed. This the insured did, it requiring alterations of the interior to install the heater. The boat was then delivered to the purchaser and one week later the hot

water heater exploded, completely destroying the boat.

Not to complicate this for you, does the exclusionary clause here defeat recovery on the loss of the entire boat or just the loss of the hot water heater? This case says that the loss of the boat must be paid but not the value of the hot water heater. After reviewing the authorities, the court said that the exclusion clause here involved is reasonably susceptible of the interpretation that the electric hot water heater was the product out of which the occurrence arose. This is an important case and contains a review of the authorities in California. (*Owens Pacific Marine, Inc. v. Insurance Co. of N.A. and Home Insurance Co.* Court of Appeal, Second District, Div. I. Nov. 4, 1970. 90 Cal. Rep. 826.)

\* \* \*

**DRUG MANUFACTURERS** face a double responsibility of warning concerning drugs. Here it was held that the "detail men" did not adequately warn the physician of the dangers of the drug, even though the package contained a warning.

Here the death of a child resulted from the use of chloromycetin. The drug was first prescribed for a condition known as "acute catarrhal rhinopharyngotonsillitis." Another physician authorized the renewal of the prescription without examining the child. The mother administered the drug without specifically following the directions on the bottle. The child, when brought back to the original pediatrician was found suffering from aplastic anemia resulting from chloromycetin administration.

The child died a few months later. The packages of the drug contained a definite warning. The court found, on appeal, that the pediatrician had not been adequately warned by the "detail men" in 1960 and prior thereto, as to the possible association of aplastic anemia with chloromycetin. The jury so found. Judgment was against the manufacturer. (Pa. Sup. Ct.—*Incollingo v. Ewing*—1/25/71.)

\* \* \*

**WHEN A RETIREMENT** plan provided that interest of each participant became vested in him after 10 years of participation, a participant, upon resigning his employment, could not have his interest in the plan terminated except for fraud, dishonesty or other act materially inimical to the interests of the company and participant's subsequent employment by a competitor of his original employer was not sufficient justification to terminate his interest in the plan. (*Siegel v. First Perm. Banking & Trust Co.*—248 Fed. Supp. 249.)

\* \* \*

**IN COMPUTING** benefits under a retirement plan to which employes made no contribution, it is proper to compute benefits upon average regular salary of employe, exclusive of bonuses, and also to deduct Social Security benefits from any amounts otherwise payable to employes. (*Needham v. American Bankers Assn.* 288 Fed. 2nd 425.)

## Laws to foil hijackers

Britain plans to introduce new laws later this year to deter aircraft hijackers. Anthony Royle, of the foreign affairs ministry, has told Parliament this will be done as soon as legislative time permits. He hopes that severe penalties will be imposed for hijackers and that there will be proper facilities to prosecute and extradite them from other countries throughout the world.

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For details, write Walter White, Senior Vice President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



# New Bahamas act drove out 'suitcase' insurers

NASSAU, Bahamas—The Bahamas government, which is making a determined effort to rid the country of fraudulent insurance firms, expects to complete the licensing of all bona fide companies by the end of May.

Under terms of the new insurance act brought into force last year, all insurance companies, agents, salesmen and brokers doing business here must be approved by the government.

Since the Nov. 30, 1970, deadline each of the 108 applicant companies has been scrutinized "detail by detail" by the registrar of insurance companies to guarantee that those granted a license meet the minimum capital requirements of the act and are solid and financially solvent.

**BESIDES THE** company applications, 32 agents or agencies representing insurance companies, 14 brokers and 430 insurance salesmen have also asked for licenses.

"The function of the insurance department is to provide the public with information that will enable it to assess the stability and integrity of a particular insurance company," said Charles A. Donaldson, registrar. The insuring public, he pointed out, needs to be made aware that the Bahamas now has a supervising authority over insurance companies operating in the country.

"In the past there was no way of finding out if an insurance company was reputable, but when licenses are finally issued in May, the public need have no qualms about dealing with those companies deemed to be highly reputable by the department.

"They will also have every right to ask an insurance salesman to produce identification showing that he is associated with a licensed insurance company," Mr. Donaldson said. "If there is any doubt about a particular company or salesman, the insurance department will be happy to provide the pertinent information."

**THE GOVERNMENT'S** intention is to rid the Bahamas of those "suitcase" operations whose questionable activities over the past 10 years have earned the islands a black eye in the insurance field.

When the insurance act went into effect in June, 1970, 503 insurance companies were listed in the registry of records office. Of that number, 38 voluntarily terminated their business because, for various reasons, they did not wish to comply with the act.

Forty-one other companies either changed their names or deleted the word "insurance" from their names and an additional 152 insurance companies were struck from the registry because of non-compliance with the insurance act.

## Drexler elected

Fred Drexler, chairman and chief executive of Industrial Indemnity Co., San Francisco, has been elected to a two-year term as president of the California Workmen's Compensation Institute. Insurer members of the institute write 70% of the California workmen's compensation premium volume. Other officers are: Frank E. Raab, Pacific Employers Insurance Co.; Milton M. Thornton, Cypress Insurance Co.; and R. A. Young, State Compensation Insurance Fund, all vps. Richard C. Carniglia, Fireman's Fund American Insurance Co., is secretary-treasurer.

ance act.

From a preliminary look at the standards of the remaining 108 companies that have submitted applications, Mr. Donaldson is confident that the majority of them will be able to comply with the requirements of the insurance act. "Many of these local companies belong to foreign organizations whose requirements for membership are much steeper than those established under our act," he said.

**RESTRAINING** orders have, however, been issued for two local companies. These are under investigation and while the orders present them from soliciting any new business, they are allowed to continue to service their present customers.

The names of these firms will

be released when the department's investigations are complete, at which time a full report will be made to the public.

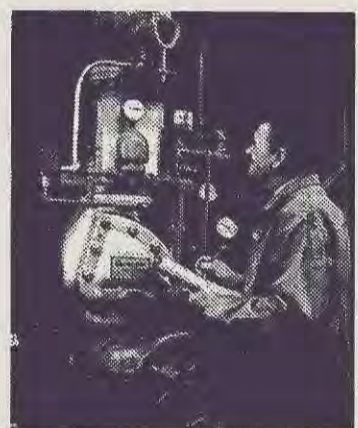
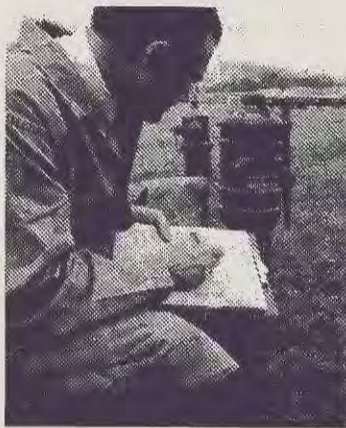
The insurance department is also empowered by the act to investigate the qualifications of insurance salesmen. "In many instances salesmen feel that their knowledge of insurance is sufficient for them to continue selling insurance once they have completed the basic training program of their particular companies," Mr. Donaldson noted.

"The new legislation provides that any person doing insurance business in the Bahamas must prove to the registrar that he has adequate knowledge to give proper service to the public, which may mean that he will be required to pass the examination by the department."



British-American Insurance Co. Ltd. was the first insurer certified under the Bahamas' year-old insurance act. Charles A. Donaldson, registrar, (right) presented the certificate to Jack Bradley, vp.

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(Fire Journal July 1970, Vol. 64, No. 4)

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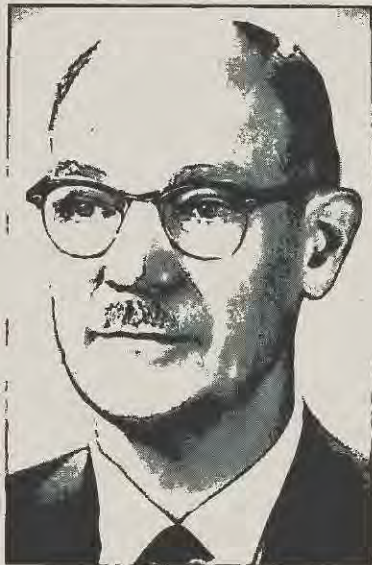


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# business insurance/perspective

## Accounts receivable: Definition and risk solution

by William H. Rodda, President,  
Marine Insurance Handbook Inc.,  
Chicago, Ill.



William H. Rodda

Accounts receivable from customers represent a substantial portion of the assets of retailers and wholesalers as well as many manufacturers and service organizations. It is only the strictly cash-and-carry merchant who does not have assets tied up in accounts receivable. Destruction of the records of these receivables is a serious blow to many merchants every year. Few

**'Charge slips that are to be sent to another organization for collection are not accounts receivable.'**

customers would pay their accounts without an invoice from the merchant.

Fire insurance, as ordinarily written for mercantile establishments, covers only the physical destruction of property. The standard fire insurance policy says, "This policy does not cover accounts, bills, currency, deeds, evidences of debt, money or securities." Extensions of fire insurance as commonly written provide that books of account are covered only for the cost of replacing the books with blank books. The insurance does not cover the information that has been entered in the books.

Safes for record keeping and duplication of records are not complete safeguards for accounts receivable. Records are subject to destruction during working hours when they must be outside the protection of a safe. A sudden emergency would find employees scurrying for exits in order to save their lives, while the records would probably be left to the mercy of the impending peril. Accounts receivable insurance covers the amounts that the insured is unable to collect from customers because of the destruction of his records. It also covers certain extra expenses such as interest charges

on a loan that may be needed because of impaired collections, abnormal collection expenses, and expenses incurred in re-establishing the records.

**CREDIT CARD CHARGE** slips that have been signed by customers and that are to be sent to another organization for collection are not accounts receivable as contemplated by accounts receivable insurance. This is a common misunderstanding. Credit card charge slips in the hands of the merchant are not obligations to be met directly between the merchant and the customer. They are not accounts receivable from the customer to the merchant. These slips are in the nature of securities. The proper insurance for the merchant, the restaurant or gasoline station operator for credit slips is a broad form money and securities policy. This distinction is made in order to clarify the difference between credit card charge slips, which are passed on to another organization for collection, and the direct accounts receivable of the merchant, which are due to him from his customers.

The credit card charge slips do become

accounts receivable when they reach the sponsoring organization (the oil company, the bank sponsoring a credit card system, or some organization like American Express). These organizations may need accounts receivable insurance, depending upon their spread of risk, their methods of handling accounts receivable records and the susceptibility of their records to destruction.

The losses that are covered by the accounts receivable insurance are divided into four parts under the title "Subject of Insurance." The first is: "All sums due the insured from customers, provided the insured is unable to effect collection thereof as the direct result of loss of or damage to records of accounts receivable." There must be a damage or destruction of records as a result of a peril or risk. Book-keeping or billing errors are specifically excluded from coverage.

The second coverage section applies to "interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage." The merchant may have to borrow money to maintain his cash position, and the insurance covers the interest charges on such a loan until such time as the insurance payment reimburses him.

Third is: "Collection expense in excess of normal collection cost and made necessary because of such loss or damage." Here again the coverage is tied to the actual destruction or damage to the records.

**THE FOURTH PORTION** of the coverage includes "other expenses, when reasonably incurred by the insured in re-establishing records of accounts receivable following such loss or damage." The expense of re-establishing the records can be considerable. The word "reasonable" in this clause would be interpreted in the light of the cost in relation to the amount by which the insurance company's loss would

Continued on following page

## Getting the most benefit out of the short work week

by Bion H. Francis,  
Manager of Benefits Planning,  
Colt Industries, New York, N. Y.



Bion H. Francis

**'The four-day week is not so much a shorter work week as a more efficient arrangement to provide more leisure time.'**

This is the fourth of a series of eight thoughtful columns by Bion Francis on the subject of retirement, which he dissects into a series of provocative questions for the employe, the employer, society and, most of all, for those responsible for planning employe benefits programs and compensation schedules.

World War II marked a transition between a six-day week and a five-day week. How much further could this be carried? Is a four-day week practicable? A three-day week? Could we have a shorter work week and maintain, or improve, our standard of living?

There have been several articles recently on this. (See *Business Insurance*, Feb. 1.) The Wall Street Journal ran one (Oct. 15, 1970) that included a prediction that the four-day week will sweep the country.

About 40 corporations with approximately 7,000 employes already have a four-day week.

The change to a four-day week does not necessarily mean a decrease in the work week. If, as the article states, the average work week is now 37.3 hours, a change to four nine-hour days does not reduce the work week greatly. However, commuting time is reduced and time available for personal use is increased. Accordingly, the four-day week is not so much a shorter work week as a more efficient arrangement of the work week to provide more leisure time for employes. A true decrease in the work week should reduce the hours of work significantly. Is this possible?

**ONE IMMEDIATE** possibility was suggested in my March 29 column. If education and improved medical techniques are used to lengthen the working life span,

one-fourth of the worker's present work time could be freed for the educational activities that would make this possible. This in itself would make available one day a week for education. And this improved education, in turn, should increase productivity and bring about a further shortening of the work week.

Let us look at some figures. In preparing this study, I used material from the book "The Year 2000, a Framework for Speculation" by Kahn and Wiener of the Hudson Institute. The following is certainly speculation.

I am presenting a model to show the leisure that could be created by the year 2000 if our increasing productivity is used for this purpose. I do not say that this is the best, or most probable, or even the most productive option available to us. It is simply one of many possibilities.

The Kahn and Wiener book presented on page 124 the following estimate of the increase in Gross National Product:

Low increase: 2.5% a man-hour yearly

High increase: 4% per man-hour yearly  
Both these estimates are low if we change to an economy in which education is continued for life to ward off obsolescence of the working force. But let us forget for the moment the increase in productivity that will result from education and use only the "high" rate of 4%. This is a rate that may be within our grasp even without changes in our educational systems.

**THE ESTIMATE** of GNP prepared by Kahn and Wiener for 1967 was based on assumptions that the work force included approximately 74 million people; that they worked approximately 2000 hours a year; that the GNP was approximately \$5.20 per

Continued on following page

# Accounts...

*Continued from preceding page*

be reduced. Obviously it would not cover expenses in excess of the amount by which the loss was reduced. It would not cover the re-establishment of promotional records that are not related to the collection of accounts receivable.

The accounts receivable policy also protects the accounts receivable records while "being removed to and while at a place of safety because of imminent danger of loss or damage and while being returned from such place." The insured is required to notify the insurance company within ten days if such a move is necessary.

The perils covered are "all risks of loss of or damage to the insured's records of accounts receivable, occurring during the policy period, except as hereinafter provided." This is the broad all-risk type of insurance, and examination of the exclusions will reveal the breadth of coverage. Fraudulent, dishonest or criminal acts of any insured, partner, officer, director or trustee are excluded. This does not apply to employees other than the persons specified.

Acts of other employees are excluded only to the extent of defalcations of such employees when the records have been destroyed or damaged by such employees in order to cover the wrongful taking. For example, an employee might destroy the accounts receivable ledger in order to cover his theft. The loss might be far in excess of the amount of his defalcation. The insurance would pay for the loss except for the amount of the employee's defalcation.

**THERE IS ALSO** an exclusion of loss "the proof of which as to factual existence is dependent upon an audit of records or an inventory computation." This does not preclude the use of audits or inventory computations to prove the amount of a loss. It merely says that there must be other proof that a loss had occurred. It is comparable to the inventory shortage exclusion in many property loss policies. Other exclusions are the usual war damage and nuclear damage exclusions.

There is also an exclusion of loss "due to electrical or magnetic injury, disturbance or erasure of electronic recordings, except by lightning." This is a vital exclusion and reveals that the coverage has not yet caught up with modern accounting and billing methods. Many mercantile operations and professional people report their receivables to a central computer operator for billing. Destruction of the computer records might result in a complete loss of accounts receivable information unless duplicates are kept by the insured.

Two things are needed if the insured uses any electronic process in connection with his accounts receivable. First, any other location of the electronic equipment must be added to the policy as a location under the "location and occupancy of premises." The policy generally covers only at the location occupied by the insured for his business purposes. Secondly, the coverage must be extended to cover electronic damage to the records if there is any possibility that such damage will interfere with collection of accounts receivable. An electronic damage coverage may not be easy to secure. The attitude of underwriters that resulted in this exclusion in the policy makes it difficult to get the coverage needed by the merchant or businessman who is using electronic equipment for his accounts receivable billing. It may be necessary for him to go into the excess and surplus lines market for such coverage.

The accounts receivable policy shows a procedure for determining the receivables if the records are totally destroyed. The procedure is based upon the fact that this is usually a reporting form of insurance, and the insured must report his receivables to the insurance company each month. It is also assumed that general information would be available in financial statements that the insured would have provided regarding past business operations to the insurance company, to financial reporting companies, plus other collateral records that might be available.

Accounts receivable insurance is reasonable in cost for insureds who have good protection for their records. The amount of insurance is based upon the average monthly amounts of accounts receivable and can be flexible in order to include seasonal variations. Rates start at 40% of the 100% coinsurance fire insurance rate for contents at the location where the records are situated. Credits and debits apply for receptacles in which the records are kept, for cycle billing when this results in a lessening of risk. The minimum annual rate is three cents per \$100 of coverage or

would be left unprotected for substantial periods during the business day. Safes and vaults must be open in order to allow access to the records. Other methods are possible to reduce the chances of a large loss, and these are desirable from the standpoint of actual loss.

Duplication of records and separation of the originals and duplicates at different locations is one of the most effective methods. Microfilming can be done at small expense. Accounts receivable records could be microfilmed each day as they are processed, and then the duplicate

**'Cycle billing combined with duplication of records may provide a minimum of exposure to destruction of the records.'**

the full 100% fire contents rate, whichever is less.

Measures that reduce the cost of accounts receivable insurance also reduce the need for it. Substantial credits are applied to insurance rates for protective equipment and procedures. Credits of 10% to 40% are given if records of accounts receivable are kept in vaults, safes or cabinets that bear labels of the appropriate authorities for one-half-hour to four-hour fire resistance. These credits measure the difference in fire risk to the insurance company because the records are kept in such receptacles while not in use. These methods are deficient from the standpoint of reducing the chances of the insured's sustaining a loss because the records

record could be sent to another location at the end of each day. The result would be that no more than one day's accounts would be subjected to destruction in one fire or other catastrophe.

Cycle billing is desirable if the records are kept in such a way that only a portion of the records are exposed at any one time. Cycle billing combined with duplication of records may provide a minimum of exposure to destruction of the records.

**SMALLER BUSINESSES** may find it more economical to make carbon copies of original data than to establish any other duplication procedure. These carbon copies would be easy to make by using one of the interleaved carbon paper sets. For exam-

ple, normal business operations might require four copies of the original document. A five-set interleaved carbon would provide the extra copy for duplicate records. Each day at the close of business this extra set should be taken or sent to another location that would not be subject to the same catastrophe that might affect the main location.

It is especially important that duplicate sets of original records be kept by a business that sends its accounts to a computer or other processing office for the handling of its accounts receivable. Loss in the mails, accidental erasure of electronic records, or destruction of the processing office by a catastrophe are all possibilities.

The loss of accounts receivable records would be a major disaster to a business that obtains most of its income from charge accounts and customer billings. The first step should be the establishment of procedures that cut the possible loss to one day's business. A combination of good safes or vaults, duplication of records, and spread of information among two or more locations can be accomplished for almost every business. The amount of accounts receivable that are then exposed to loss would determine whether insurance is needed.

While fire resistant buildings seldom burn down, the contents frequently burn out. A complete destruction of records at any one location should be considered possible. The question of whether to insure or to assume the risk would be determined on the amount of accounts receivable that would be exposed to a complete burn out at any one location. ■

# Getting...

*Continued from preceding page*

man-hour worked. On this basis the GNP was about \$780 billion in 1967, or about \$10,400 for each worker. What will these figures be in the year 2000?

If output per man-hour increases by 4% each year, this output will increase from \$5.20 per man-hour in 1967 to \$19.00 per man-hour in 2000.

I am assuming that the population of the U.S. in 2000 will be about 318 million. The working force is now about 38% of the population. However, if the span of a working lifetime is increased, the percentage of workers would be increased. On the basis discussed in my last column, the percentage of workers in the year 2000 could be increased to 50% of total population. The number of workers would then be about 159 million.

To summarize, suppose we project the following to the year 2000:

- 159 million workers (half the estimated population)
- A three-day work week

- A total of seven weeks of holidays and vacation each year
- A work day of eight hours
- A GNP of \$10 per man-hour

This will result in a GNP of \$3.26 billion in 2000, or about \$20,520 per worker. This is approximately twice the output per worker in 1967. So we can say that it is within our power to create a standard of living twice as high as that which we now enjoy, and at the same time to achieve a three-day week.

**NOR IS THIS ALL.** We have not yet made an allowance for the effect of a nationwide effort to extend the benefits of education to everyone in order to ward off obsolescence. How much of an allowance shall we make?

Suppose we say that the rate of growth of production per man-hour will increase by only 1%, that is, from 4% a year to 5% a year. Also suppose that we assume a two-day work week in 2000 and keep all the other assumptions unchanged. The GNP in 2000 will then increase to approximately \$18,700 per worker, still almost twice the \$10,400 per worker in 1967.

In fact, if the work day is increased to

nine hours, output in 2000 would be twice that of 1967. (If you worked two days a week, would you be willing to increase your work day to nine hours to maintain your standard of living at twice your present level?)

So, let us summarize the last of these economic and benefit models: Suppose the expanded program of education succeeds in its purpose of warding off obsolescence of workers and permits a substantial lengthening of the work life as discussed in the previous column. Suppose also that this brings about a rate of productivity of 5% a year. Then we can attain an output per worker of twice present levels, and at the same time have a two-day week.

If we attain this, at least one or two days a week should be devoted to the educational activities that make the whole program possible.

It will never work, you say? I will probably agree with some of your objections. Of course, there would be difficulties and disadvantages. Nothing of such far-reaching scope is simple and easy. But instead of the difficulties, let us concentrate on the advantages. They will be discussed in my next column. ■

# Risk management notes

## Employment Records

We have been informed by a prominent workmen's compensation attorney that it is becoming increasingly important that employment records be preserved for an indefinite period. As workmen move from job to job they may make compensation applications which would involve a number of previous employers. If these claims have little foundation, employment records may give evidence of this fact whereas lack of any records greatly weakens an employer's position.

## Self-insuring automobile liability

One large manufacturer is currently in the process of analyzing the potential for self-insuring automobile liability up to a

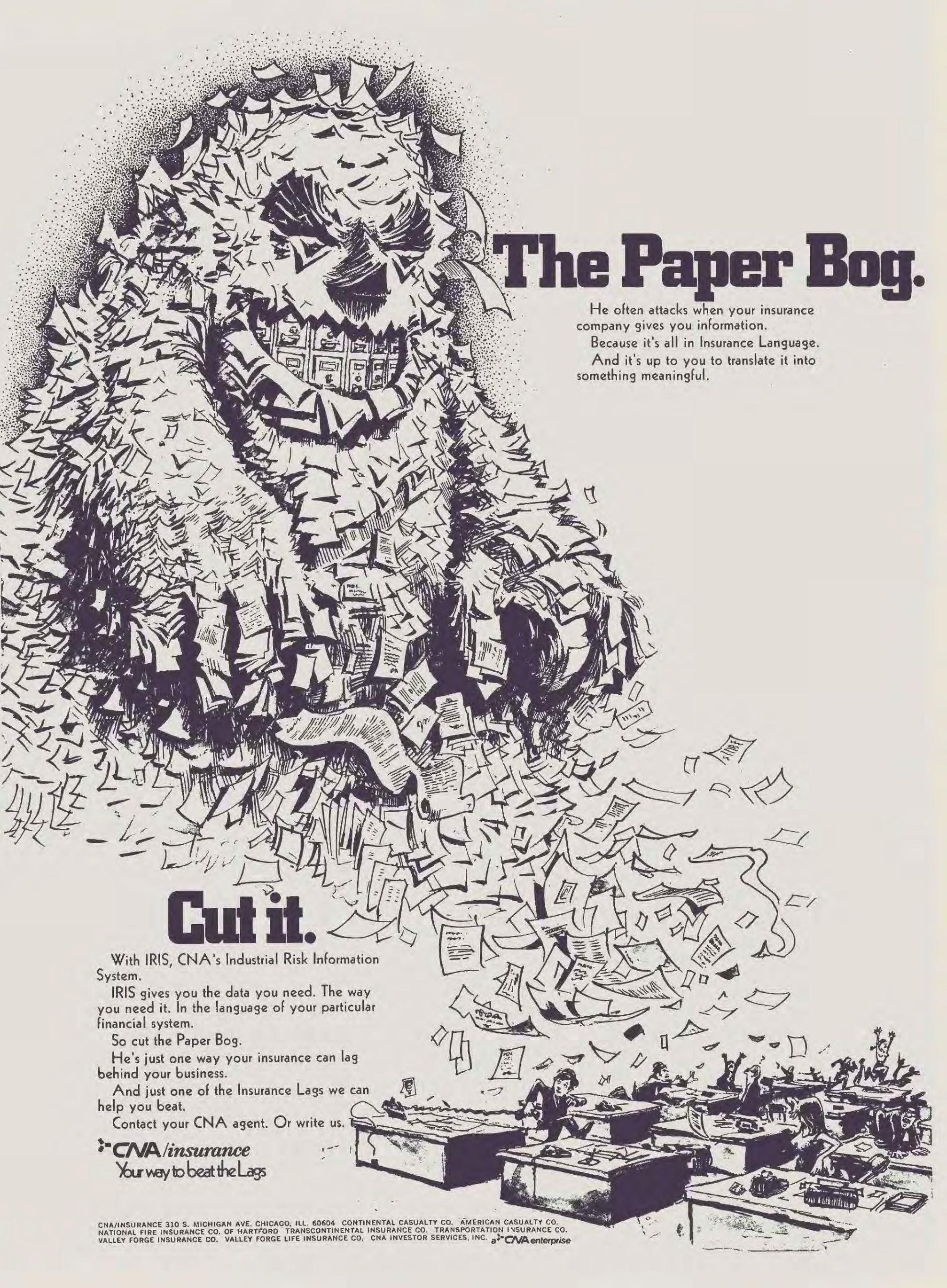
certain retained limit. To do this, he will contract with a nationwide claims organization to provide the necessary claims service. In order to develop a cost comparison between insured and self-insured costs for his management, the risk manager made a study of actual losses paid for a number of years, finding a rather lengthy pay-out period—not too different from that of workmen's compensation.

He found, for example, that for the year 1964, a total of \$32,529 was incurred for actual auto liability claims. However, this amount was paid out over the years as follows:

First Year	\$15,043
Second Year	9,961
Third Year	5,012
Fourth Year	2,513

The actual percentage of incurred losses paid out each year varies quite a bit from year to year, and this particular year shows a first-year payout greater than normal. Over a five-year period, he found only about 32% of incurred losses actually paid. Thus, the cash flow benefits to a self-insurer are significant and not always understood by management. Rarely do they have a clear analysis of actual dollars out in premiums versus actual dollars out under a self-insured plan. A chronological table showing the dates of all such payments would be quite illuminating to most managers.

It is also interesting to compare these figures to the annual prepaid insurance premium required to cover these losses: it was more than \$60,000. ■



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## Funds ...

Continued from page 14

resents an excellent investment vehicle. Some advantages include professional money management, significant diversification and relative ease in effecting purchases and redemptions. For the investor desiring to accumulate capital out of income, the automatic purchase plans now available are particularly effective.

Funds offering every degree of safety or risk can be found. One of the best performers last year was a fund that invests solely in U.S. Treasury securities. Others, typi-

cally organized in the past five years, stress high performance, albeit at substantial risk; such go-go funds were quite adversely affected in 1970, and performed much poorer than the Dow Jones Industrial Average.

As with life insurance or encyclopedias, most mutual funds are sold aggressively, since commissions are extremely lucrative. Your purchase of \$10,000 of fund shares produces \$800 to \$900 in gross loading fees; this is shared, typically, between the salesman, his firm and the mutual fund selling organization. The purchase of 100 shares of a \$100 stock (also involving \$10,000), by contrast, would cost \$64 in broker's com-

missions including the \$15 surcharge.

For the investor who is willing to do his own homework, however, in contacting the mutual fund organization, there are a number of no-load funds managed by competent and professional money managers. By locating such funds, the full amount of one's capital is invested and the sales charge is avoided.

Statistical surveys have compared the load and no-load funds for many years, and no one has ever been able to prove conclusively the superiority of one category over the other. Numerous examples proving whatever one wants to prove can always be cited, since there are several hundred load funds and perhaps 100 no-load funds now available for sale.

Finding the right fund is no easy chore. SEC regulations require submission of a prospectus to a possible purchaser, but the investor will find comparisons very difficult to make. The best performers in good periods also falter in bad years and past performance is no guarantee for the future.

**THE FIDUCIARY** investor has a particularly difficult chore in managing funds under his control. Typically, the trustee for profit-sharing or pension fund accounts, charitable or religious institutions (or anyone responsible for funds that are not his own) has a doubly difficult job. Mistakes are more easily accepted

when you report only to yourself; with someone else's money, prudence must be the first order of business.

With inflation at record levels, the mere maintenance of capital is no longer an adequate result. The "safest" portfolio, committed 10 or 20 years ago to highest quality bonds, has witnessed severe deterioration both in current market value (reflecting sharp increases in yields) and in purchasing power.

It is not by accident that the major portfolios of this country stress quality equities and this policy is not likely to change in the years ahead. Major changes from stagnant to growing fields and from one company to another will continue, but switches from stocks to bonds will be temporary phenomena. There will always be a shortage rather than a surplus of good quality equities available at reasonable prices.

Concerned, then, about the need to maintain the purchasing power of one's funds, how do you choose among the alternatives we have outlined? Moreover, which mutual fund, of the hundreds available, is appropriate? Which bank, or investment counsel firm, can do the best job?

**SOPHISTICATED** investors typically define their requirements as carefully as possible, and then interview the most likely choices. One of the largest companies in the Bell Telephone System recently decided to consider a change in the management of a portion of its pension funds. The treasurer contacted a number of investment advisers and invited them to submit proposals. The three final contestants were visited and one was chosen. If performance is satisfactory, the initial appropriation earmarked for that manager will increase significantly.

An excellent source of prospective money managers can be accumulated from personal conversations with other investors. People are always asked to recommend barbers and babysitters, lawyers and jewelers; investment managers should be no different. Ask around and you will uncover promising sources.

Professional trade associations are another good source. The Investment Counsel Assn. of America (49 Park Ave., New York, N.Y. 10016) will gladly furnish a list of their members. Telephone yellow pages will provide lists of securities dealers and mutual funds located in your own community. Banks that do not manage money will be happy to introduce a prospective investor to their correspondents who do.

Another good technique is to ask persons in collateral professions. Your attorneys or accountants often will have had experience in working with professional money managers. Your broker can recommend mutual funds (including, if pressed, no-load funds) and submit their sales literature to you.

**ONCE A WORKING** list has been secured, contact the people on it. Even if your reference is only the telephone directory listing, your reception will usually be warm and friendly.

Ask all the questions on your mind and don't be hesitant to return for a second interview. Ask for references but don't expect, except under rare circumstances, a listing of clients. (You wouldn't want your own name used without permission.) Explore carefully and patiently since the relationship you inaugurate will be, hopefully, a long-term one. Keep in mind, however, that references furnished will be the most satisfied and not the most unhappy clients.

Once you decide on a particular investment advisory connection, be ready to disclose full details of the account to be managed. List the current holdings, detailing costs and purchase dates. Anticipated capital additions and withdrawals should be projected and statutory limitations fully discussed. The portfolio manager can achieve superior results only if he is fully informed about the client's needs and requirements.

Ideally, the investment manager should be given full discretion over purchases and sales to be completed. If the client, or a committee, is to review proposed changes before they are made, promptness in responding to recommended transactions is imperative. It is only by promptly and fully implementing recommendations that you can measure the effectiveness of the management service.

Appraise results periodically, and discuss the specific figures with the investment manager. Communicate your pleasure or unhappiness with what is happening.

It should take at least a year to determine whether the relationship between client and counselor will operate effectively, and most counsel firms request a full year's trial. If the service is not satisfactory it is usually best to make a change rather than prolong an unsatisfactory relationship. ■

## Dental cover for federal employes

**BOSTON**—In a "first" for the country, dental health insurance is being offered to federal employes in metropolitan Boston.

Sponsored by the John F. Kennedy Federal Employees Assn., the plan covers dental procedures, from a simple filling to dentures and orthodonture.

The initial offer expired March 31 and is applicable to some 48,000 men and women.

**THE JFK ASSN.** represented the employes in offering the program, being provided by the Civil Service Employees Insurance Agency and the Connecticut General Life Insurance Corp.

Cost is \$1 a week for an individual, \$3 a week for a family; the benefits payable, according to Bernard W. MacKenzie, JFK Assn. vp, cover some 75% of all annual dental expenses after the first \$50 (which the member pays himself).

In the case of family coverage, two members of the family are liable for the \$50 deductible.

All members of a family are covered, including children up to age 19.

**THE POLICYHOLDER** will pay the dental bill and then collect from the insurance company, or the company will pay the dentist directly, under the program. (There is no waiting period for coverage. Bills are to be paid up to a \$1,000 annual maximum).

Coverage, Mr. MacKenzie told *Business Insurance*, will include prophylaxis, X-rays, oral surgery, root canal therapy, crowns, dentures and all regular dental work.

The regular premium covers orthodontal work up to \$500, in addition to the \$100 coverage. There is an extra \$25 deductible for orthodontic and periodontal work.

Plan membership is applicable to all belonging to the JFK Assn. And annual dues for that group run \$3. ■

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Memo from  
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# Insurance to guarantee bond interest payment

MILWAUKEE—A new form of insurance, which guarantees the payment of principal and interest on municipal bond obligations, has been developed by the MGIC Investment Corp. here. The Internal Revenue Service, however, must make a tax ruling on the matter before the first policy may be issued.

Frank Carr, who will head MGIC's newly formed subsidiary, AMBAC Investment Corp., if the IRS ruling is favorable, explained the insurance to *Business Insurance*: It's just what it sounds like. The municipal bond guarantee program would insure the payment of principal and interest on municipal obligations.

"This will probably improve the rating of a municipality's bond as well. In other words," he went on, "the issuer buys the insurance, the added protection would presumably give the bond a higher quality and they could sell at lower interest cost."

MR. CARR pointed out that the program is still being put together and "it hasn't had a lot of priority because we've been waiting for the IRS ruling."

The ruling that Mr. Carr and AMBAC are waiting for, and they expect it to go their way, regards tax-exemption. As it is now, municipal bonds have a tax-free status. What the IRS must decide is

whether that status can be retained under the insurance program.

"You have to remember that we're waiting for the government," Mr. Carr noted. "That ruling from the IRS may take some time so I can't honestly say when the operation will really get moving. As I said, this hasn't had a lot of priority so, as of right now, we haven't worked out details such as policy limits."

Mr. Carr did say that the insurance would be "of the greatest benefit to the small- and medium-sized issuer. This coverage isn't for the state of New York or the state of Illinois. It's for the smaller guy with good credit but not a big reputation."

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## Crain buys auto book

DETROIT—Tentative agreement has been reached between Slocum Publishing Co., Detroit, and Crain Communications Inc., headquartered in Chicago, for the sale of Slocum's Automotive News to Crain Communications.

The projected sale embraces all of the assets of Slocum Publishing Co., including the Automotive News building at 965 E. Jefferson, Detroit, with the exception of Automotive News Services Inc., wholly owned subsidiary of Slocum, which is not involved in the transaction.

The 46-year-old Automotive News, described as "the most influential publication in the automotive industry," with a paid circulation in excess of 44,000, will continue to be published from its Detroit headquarters, with no changes in format, personnel or policy presently planned.

Crain Communications Inc. publishes *Business Insurance*, three major business papers in the advertising/promotion field, including Advertising Age, Advertising & Sales Promotion and Industrial Marketing. A subsidiary, American Trade Press, publishes American Laundry Digest and American Drycleaner.

## Comp legislation

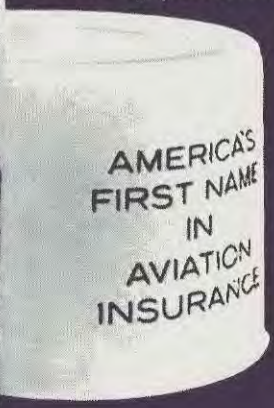
Legislation has been introduced in the Pennsylvania House of Representatives that would liberalize medical benefits under the workmen's compensation program. One bill gives comp claimants unrestricted choice of medical services, another provides that when ward service is called for but not available, the cost of the more expensive care will be borne by the employer rather than the claimant. A third bill in the same package would permit injured workers to recover up to two years after the accident, instead of the current 16 months.

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## San Francisco supervisors ask study of quake risk, construction criteria

SAN FRANCISCO—Prodded by insurance industry spokesmen and residents, this city's board of supervisors plans to strengthen earthquake protection.

Led by supervisors Roger Boas and John Barbagelata, the board's governmental services committee has asked for establishment of a scientific committee to define earthquake risk zones and to establish engineering criteria for construction in those zones. They also have demanded employment of additional building inspectors to enforce an existing San Francisco ordinance adopted in 1969 requiring removal of "parapets and appendages" from buildings. The third measure calls for placement of seismic measuring de-

vices in various San Francisco structures to measure small earth shocks and their affect on the buildings.

Board president Dianne Feinstein, supporting the program, organized a three hour presentation by 10 outside earthquake experts and three city officials who all predicted the Bay Area "can expect a quake as severe as 1906 every 60 to 100 years." The Bay Area, Mrs. Feinstein pointed out, has three major earthquake faults, the San Andreas, the Hayward and the Calaveras.

ROBERT Wallace, assistant chief seismologist, National Center for Earthquake Research, told the board "another great quake in

the Bay Area is inevitable. The San Andreas Fault has not moved substantially since the 1906 quake. Pressure is building up and it is going to break again."

Mr. Wallace showed photos of homes at Daly City built just over the Fault lines and described them as "very definitely in danger."

What most disturbs the insurance industry are predictions by the experts that San Francisco's greatest potential earthquake hazards are in the downtown area built largely on ancient fill.

Mr. Wallace urged the board to "take steps to strengthen school and hospital structures" and also to conduct a building by building survey of the older brick struc-

tures in the downtown area.

ALFRED Goldberg, chief of building inspection, asked for additional inspectors to enforce the parapet ordinance. However, he questioned the need for a geological hazards committee and financing of seismic measuring devices. "These devices cost at least \$2,700 each," he said, "and it would be best to let the federal government buy them."

"This city's disaster plan," Mr. Goldberg added, "is a great piece of paper but it is not operational. I have duties but no staff or equipment."

Mr. Goldberg also warned the city could face total loss of all of its building records, as occurred in the disastrous fire which followed San Francisco's 1906 quake. He asked for approval of a long-standing request for microfilm duplication of records, which are now stored in a city owned warehouse. ■

## Institutions win fee negotiation

NEW YORK—The weight of pension fund, mutual fund and insurance company trading has finally been felt by the stock exchanges. Both the New York and Midwest stock exchanges have approved negotiated fees on orders in excess of \$500,000 and the American Stock Exchange is scheduled to vote on the issue.

Institutional investors now account for more than 60% of all public share volume on the Big Board.

Regional exchanges that have also permitted the negotiated rates, effective immediately, include the Pacific Coast, the Philadelphia-Baltimore-Washington and the Cincinnati.

More flexible rates should lower brokerage commissions for most houses and some Wall Street observers believe this could increase costs for small investors. ■

## Buyer aid to follow U.K. insolvency?

LONDON—Britain may establish an insurance commission as a watchdog for the public against insurance failures as a result of the collapse of the Vehicle and General Insurance Co., which left 800,000 auto clients without cover.

It is the biggest crash in the history of the country's insurance industry, and more than \$10 million in outstanding claims may be involved.

Life and Casualty Insurance Co. of Tennessee had an important stake in the collapsed company. It had bought a \$2.5 million interest in 1965 and was reported to have had a 30% stake in its latest accounts.

**THE COMPANY FAILED**, after a five-year run of success, when its rivals began cutting rates in a bid for clients. Claims also began to overtake Vehicle and General and it suddenly ran out of cash. On the decision of its London board of directors, it closed.

This has triggered off a chain reaction, concerning the position of auto cover in Britain, of demands for a state-run scheme to protect crash victims. But Lloyd's, famed for its ability to meet any claims lodged against it, keeps itself outside the scope of commercial insurance corporates and has emerged unscathed.

Former managing director of Vehicle and General was Anthony Hunt, a London insurance man who worked for American Military International Insurance before it collapsed ten years ago.

Gordon Hayman, chairman of the powerful Federation of Insurance Brokers, has called for an insurance commission to be formed to prevent any further failures in the high-risk area of auto cover. More than 100 members of parliament are backing the demand for a state-run scheme although, commercial insurance companies are successfully resisting any such move. ■

## Cal. painters' injuries

More than 3,000 California painters last year were injured seriously enough to require medical treatment and 810 were disabled and lost time from their jobs.

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# Attempt to legalize group auto in Texas killed in senate committee

AUSTIN, Tex.—A movement to lower Texas car insurance rates by authorizing group car insurance came to an abrupt halt. Sen. Oscar Mauzy's bill to legalize group auto insurance policies had a head on collision with the Texas auto insurance industry. When the bill came up for a vote before the senate insurance committee, the vote was three in favor and seven against, recommending it to the senate. The bill's sponsor said he would bring the matter to the senate floor on a minority report, "when I've got the votes."

The committee put the kiss of death on the bill after hearing Texas insurance industry witnesses declare it could not achieve the announced goal of lower rates for Texas car owners.

Carie Welch, Dallas insurance agent and registered lobbyist for Texas Assn. of Insurance Agents, testified against the bill. He at-

tacked a statement made by Bernard L. Webb, Georgia State University actuarial professor, who stated that group rates at Lockheed Aircraft Corp. written by Travelers are approximately 15% less than rates offered to other individuals by Travelers.

It is true that the rates were lower, Mr. Welch said, but claimed the professor failed to point out that James L. Bentley, Georgia insurance commissioner, has ordered Travelers to bring the rates it offers Lockheed employees into line with the rates it offers other Georgia residents.

"IT DISTURBS me to sit in this committee (the senate insurance committee) and hear that 15% to

30% cuts in prices will be made by mass merchandising programs," Mr. Welch said. "I am unable to substantiate the reasonableness of the percentages given," he added.

Prior to Mr. Welch's testimony, Mr. Webb told the committee:

"Most of these reductions result from reduction of sales commissions paid to agents. Commissions under group or mass merchandising automobile insurance plans generally range from 1% to 5%, as opposed to commissions of approximately 15% for individual policies."

But the insurance agent contended he and his colleagues cannot give quality service unless they are reasonably remunerated for their services. Mr. Welch re-

ferred to reassess given against group insurance policies in a book by Herbert S. Denenberg, professor of insurance at Wharton School of Finance and Commerce at the University of Pennsylvania and Pennsylvania state insurance commissioner.

However, Sen. Oscar Mauzy pointed out that Mr. Welch was reading only the first sentence of each paragraph Mr. Denenberg discounted each argument against group rates after he posed them, Sen. Mauzy said.

The arguments against group rates Mr. Welch gave were these: they lead to deterioration of the insurance-buying public, because group rates are less expensive and individuals just won't buy insurance; they cause unfair rate discrimination, because the general public would have to pay higher rates than group members; they threaten state regulation and they will destroy independent agents.

David B. Irons, representing the Assn. of Texas Fire & Casualty Companies, said Sen. Mauzy's bill could not achieve its purpose because far more people would be ineligible for group insurance than would be eligible.

Mr. Irons also cautioned the committee that no Texas-based casualty insurance company is licensed to do business in all 50 states. "So it would not be possible for any domestic company to write any national group," said Mr. Irons.

Noting that some of the nation's largest companies such as Insurance Company of North America had testified earlier in favor of the bill, Mr. Irons said. "This is a case of the bigs against the littles."

Will D. Davis, who had testified earlier for INA, said: "All the arguments you heard 25 years ago against group health and life insurance are the same arguments heard today against group auto." ■

## Will review part of Social Security Act

WASHINGTON—The Supreme Court has agreed to review the decision of a federal district court in West Virginia that found a section of the Social Security Act unconstitutional. The federal government saved more than \$28 million in 1970 under the disputed section of the act, and claims the overthrow of the section would cause "significant strain" on the Social Security disability fund.

The section in question calls for a reduction in Social Security disability benefits paid to people under 62 who are also receiving benefits under any state workmen's compensation law. A complex formula is used to determine the amount by which the Social Security benefits are reduced.

THE DISTRICT court held the section unconstitutional on two grounds. The first was that it discriminates between workmen's compensation beneficiaries, whose Social Security payments are reduced, and beneficiaries of private insurance policies, whose Social Security payments aren't reduced. The second contention of the district court was that it deprives a Social Security recipient of benefits for which he has partially paid through Social Security taxes.

The Social Security Act is administered by the Department of Health, Education and Welfare, which appealed the lower-court decision directly to the Supreme Court, essentially because it fears fiscal strain on the Social Security disability fund. Also influencing HEW's appeal is the fact that all 50 states have workmen's compensation laws, and that "a large number" of additional cases are pending that also challenge the section.

Finally, HEW told the Supreme Court that the district court ruling, if allowed to stand, will bring other provisions of the Social Security Act into legal dispute. Specifically mentioned were a provision requiring benefit payment reductions for certain recipients with other earnings and a provision in some way limiting payments to children of Social Security beneficiaries. ■

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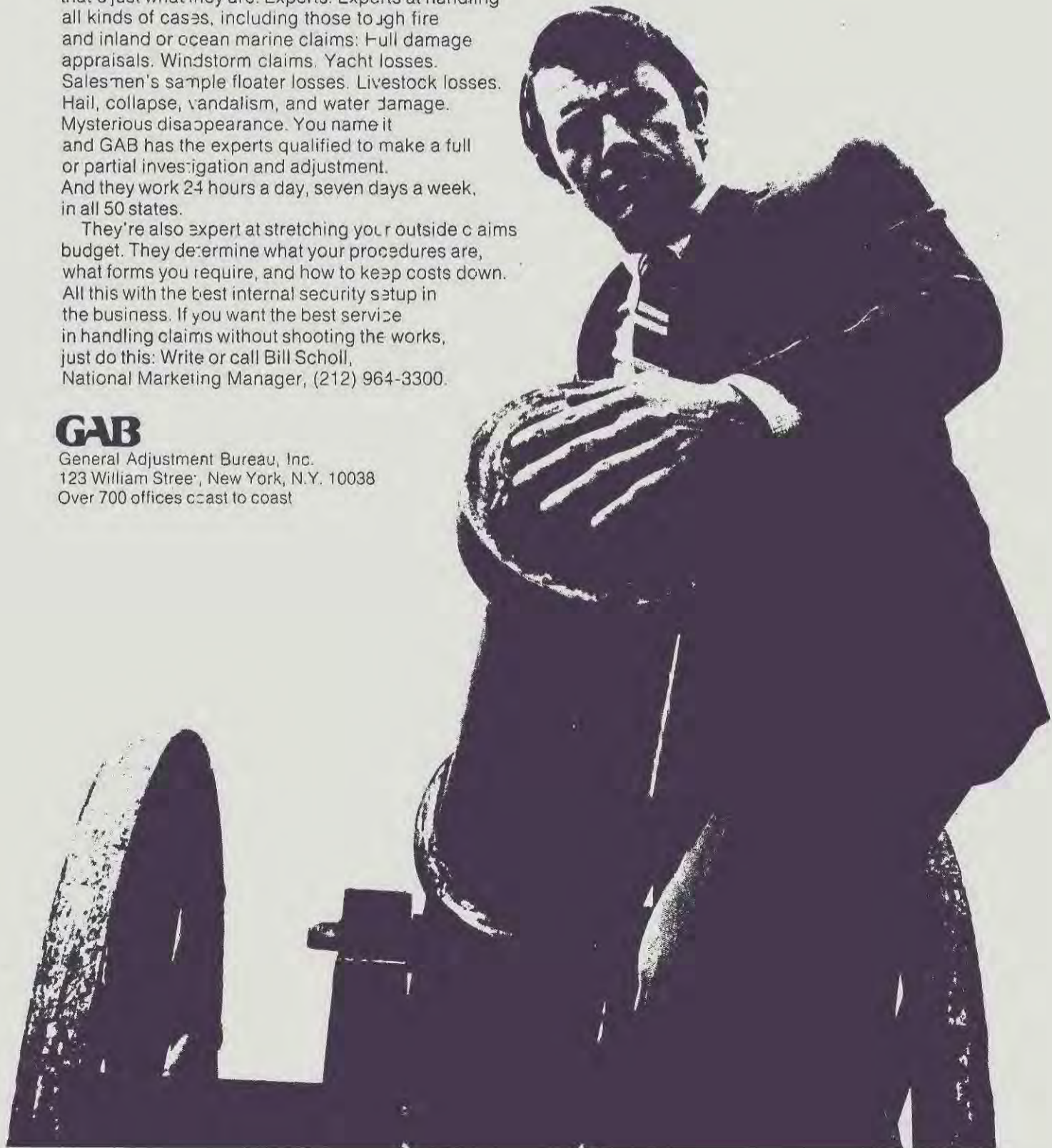
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## Ask shareholder cumulative vote

MADISON, Wis.—The state insurance laws revision committee has called for legislation that would allow cumulative voting by shareholders of both stock and mutual insurance companies.

Cumulative voting permits a shareholder to increase the effect of his vote by adding up the cumulative total according to the number of directors up for election. For instance, if nine directors are to be elected, the owner of one share would have nine votes. He could cast the votes as he wished, even all nine for one

candidate if he desired.

Cumulative voting is neither permitted nor prohibited by state law in Wisconsin. The laws on corporations are silent on that point. The committee's staff was instructed to prepare two bills for introduction in the state legislature—one that would make cumulative voting mandatory and another to make it optional.

**THE PROPOSAL** was offered by Gordon Sinykin, a Madison attorney and committee member. It was criticized by John Visser,

general counsel for Old Line Life Insurance Co. of America, Milwaukee, who said cumulative voting was "the initial device in the takeover of companies."

Paul Rogan, former state insurance commissioner, said he could not understand why cumulative voting should be permitted for insurance companies and not be applied to other Wisconsin corporations. Mr. Visser raised the same question.

"Cumulative voting lends an element of fear in stock companies," he said. ■

## ASIM's Barlow



Treat loss prevention and risks as costs and then keep them at a minimum, Douglas Barlow, general risk manager (corporate) of Massey-Ferguson Inc., told students at Drake University's college of business administration and Des Moines insurance men during a seminar on risk management. Mr. Barlow is national president-designate of the American Society of Insurance Management. He said one of his major problems is persuading plant managers to spend money on risk prevention because human nature "shuns the idea that catastrophes may occur." In minimizing the aggregate cost of risk, he emphasized, risk managers should study the value of such cost components as preventive measures, insurance premiums and losses sustained. He explained that a good risk manager is one who prevents losses; "it is extremely difficult to measure losses that do not take place," he said. Mr. Barlow told the seminar that the risk management section of Massey-Ferguson is responsible for 41 plants in 11 countries and sales offices in 168 countries, although it has only six people. He said the staff was small because the corporation did not want to duplicate the brokers' efforts. "After all," he said, "brokers will live a healthy life with large accounts," such as Massey-Ferguson, if they continue to provide effective service. "Brokers who will survive are those who adopt the principles of risk management unreservedly for both large and small accounts."

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# Planning for '76 ASIM conference

PHILADELPHIA—Eugene E. Marinelli, The Budd Co., 1971 president of the Delaware Valley chapter of the American Society of Insurance Management, held an organizational meeting here to discuss plans and projections for the year in the area of education legislation and marketing in the insurance business.

The 1976 national conference, which will be held here, was discussed. The conference will coincide with the Philadelphia national anniversary in 1976 of the 200th anniversary of the signing of the Declaration of Independence.

**OTHER NEWLY** elected officers for the chapter include: Walter G. Holberg, Philadelphia Electric Co., vp; George F. Harlan, The First Pennsylvania Banking & Trust Co., treasurer; William J. Warren, Berwind Corp., ass't. treasurer; Walter H. Hutchinson, Yellow Cab Co. of Philadelphia Inc., secretary; and John M. Walton III, Lavino Shipping Co., ass't secretary.

Directors for 1971 are: Eugene E. Marinelli; Walter G. Holberg; George F. Gerth, Allegheny Airlines Inc.; Joseph T. Gormally, Pennwalt Corp.; Ernest L. Whalon, International Utilities Corp.; and Richard A. Ehmer, Spatola Wines Inc.

George H. Schmidt, RCA Corp., was elected chapter representative to the national board of directors.

## More cash for Thiokol beneficiaries

BRUNSWICK, Ga.—The number of dead has risen from 25 to 28 as a result of the explosion and fire at the Thiokol Chemical Corp.'s plant near here (*Business Insurance*, Feb. 15). The amount of money payable to the survivors of those killed has also risen.

The Equitable Life Assurance Society of the U.S. has paid out over \$660,000 in benefits under group life insurance policies held by the Thiokol employees.

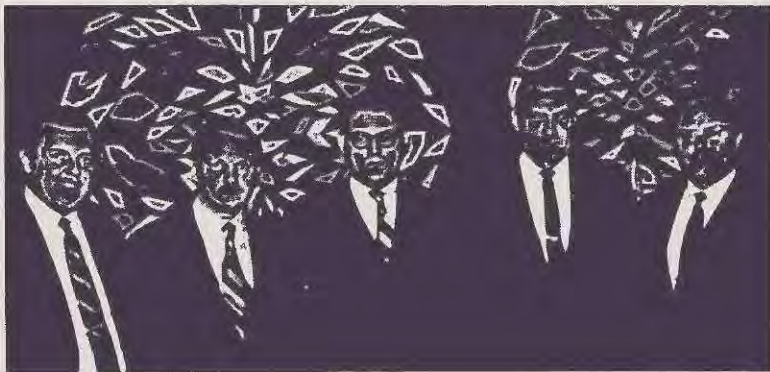
**A SPOKESMAN** for the insurer said that the victims were insured for at least \$7,500 each for both life and accidental death benefits for a minimum total of \$15,000. He also pointed out that many of the employees had purchased additional life coverage on a contributory basis. Taking that excess coverage into consideration, beneficiaries have received, or will receive, benefits ranging from the \$15,000 to a high of \$60,000.

As reported earlier, beneficiaries were also eligible for Georgia state workmen's compensation benefits of 85% of \$50 a week for 400 weeks, or \$17,000. In other words, the minimum amount of life coverage and the workmen's comp together would provide a widow with \$32,000.

Many of the deceased employees were low income workers who were also participants in a poverty program administered by the Coastal Georgia Area Community Action Agency, an affiliate of the Office of Economic Opportunity. ■

## Van Pelt appointed

Samuel Van Pelt has been appointed commissioner of insurance for the state of Nebraska. Mr. Van Pelt has been a practicing attorney for the past 10 years, with Cline, Williams, Wright, Johnson, Oldfather and Thompson and then in private practice.



The Delaware Valley Chapter of the American Society of Insurance Management held its first organizational meeting in Philadelphia. Chairmen of the committees pictured here, are: Ronald H. Kaiser, Lavino Shipping Co., publicity; Marlin H. Henning, I-T-E Imperial Corp., legislative; Richard K. Bartlett, Fidelity Mutual Life Insurance Co., by-laws; William D. Middleton, SKF Industries, Inc., national conferences 1971-72; and David A. Wiley Jr., Matlack Inc., education.

# dates for buyers

**April 15**, 2nd Annual Conference, Risk Management in Practice, Massachusetts Insurance Buyers Assn., an American Society of Insurance Management chapter, Colonial Hilton Inn, Wakefield, Mass.

**May 13-14**, 5th Annual Conference on Employee Benefits, Pension & Welfare News, Statler Hilton Hotel, New York City.

**May 17-21**, Diamond Jubilee Annual Meeting, National Fire Protection Assn., San Francisco Hilton, Cal. For more information write NFPA, 60 Batterymarch St., Boston, Mass. 02110.

**May 19-21**, 25th Annual (Silver Anniversary) Technical Conference and Exhibit, American Society for Quality Control, Conrad Hilton Hotel, Chicago, Ill. For more information write the Registrar, ASQC, 161 W. Wisconsin Ave., Milwaukee, Wis. 53203.

**May 21**, Data Processing Risk Management, Computer related training course, Automation Training Center, Chalfonte Haddon Hall, Atlantic City, N.J. For more information write Automation Training Center, 1930 Issac Newton Square East, Reston, Va.

**June 14**, Computer Protection/Insurance Workshop, Pick Congress Hotel, Chicago, Ill. For more information write Computer Protection/Insurance Workshop, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

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# Banks, Continental reach terms on blanket bonds

NEW YORK—Insurance department personnel in both banks and security houses are probably breathing a little easier these days. Since last December they had faced a shrinking market for blanket bond coverage on government securities but, considering announcements by the government and Continental Insurance Co., the crisis appears to be over. For a while, anyway.

The crisis peaked in December when Continental declared that high losses on this type of insurance, compounded by the Treasury's slowness in repaying for stolen or lost securities, had made the coverage too expensive to write profitably unless terms were changed. During the following negotiations with the banks the insurer agreed to suspend, until the beginning of April, the

provision for a \$50,000 deductible for each individual bearer government security that turned up missing.

With the deadline approaching, the insurance company announced that satisfactory arrangements had been made between themselves and the banks. The arrangements were made individually with the various banks.

**ONE OF THE** settlements included a provision for a deductible of \$100,000 per loss or theft, regardless of the number of securities involved. The coverage will extend to Aug. 1, when it will be renegotiated. So until August, the banks seem to be satisfied.

Continental agreed to suspend the \$50,000 deductible contingent on Congressional action in the se-

curities area. That action, in the meantime, has also begun.

Undersecretary of the Treasury for monetary affairs Paul Volcker has urged passage of a bill that would provide for the immediate redemption of stolen or lost government securities.

The measure, which has already passed the Senate, would allow the Treasury to consider a claim immediately and replace the missing security without waiting for maturity. Until now, and this was one of Continental's complaints, the Treasury could only make payment on missing securities after maturity if they had not been presented for payment by a holder in due course.

**AT THE SAME** time, the government would not take on any financial risk because an indemn-

ity bond would be obtained whenever relief was granted.

Speaking before the House subcommittee on legal and monetary affairs, the undersecretary presented a chart representing claims for lost securities and relief granted by the Treasury between 1966 and 1970. Total claims in 1966 were \$4,023,000. Claims had risen to \$82,394,800 by 1970.

Mr. Volcker, among many others, felt that the loss of insurance by key clearing banks could severely affect the government securities market. He said that the market for the securities had been running a gauntlet between lower insurance and higher losses and that there was danger that "it might cease to function." He felt that there was no doubt that its liquidity could be affected seriously.

The present bill is concerned only with minimizing the financial impact of theft or loss of the securities, according to Mr. Volcker, not with the prevention aspects of loss or theft.

He indicated that other Treasury and federal reserve programs would address themselves to that problem. One such program, another of Continental's demands, includes a computerized "book entry" system for recording any transactions. This system would reduce the reliance on pieces of paper, which are easily lost or stolen, to prove ownership. ■

## Aetna pays \$500,000

### boat claims

ESSEX, Conn.—Owners of pleasure boats have collected more than \$500,000 in claims from the Aetna Insurance Co. from a fire that destroyed a boat shed and close to 50 of the yachts moored at a shipyard here.

Total damage to the boats and the Essex Marine Railway has been estimated to be from \$1 million to \$2.5 million. The Aetna claims have ranged from a low of \$2,000 to a high of \$132,000 for damage to a total of 24 boats, according to a source at the company. He said that 23 of these 24 claims have already been paid. Insurance on the other boats at the yard was spread among "many other companies."

The boat shed, a sort of winter garage for the boats, was totally destroyed by the blaze, the cause of which is not yet known. The shed, a wooden structure approximately 200 feet square, was valued at approximately \$50,000. It was the main storage and repair building for the shipyard. Also burned, but only a partial loss, was the shipyard's office building.

**A SPOKESMAN** for Scholes Insurance Agency of Essex, the marine railway's broker, said that "there was adequate building and contents coverage on the buildings. The coverage was split among several different companies."

The fire also damaged 10 boats outside the building. One yacht was worth \$250,000.

The spokesman at Aetna indicated that the investigation into the cause of the blaze "will probably take quite awhile. The investigators don't really have much to work with but piles of charred wood."

He said that his company was postponing a decision to subrogate against the shipyard pending an investigation. ■

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# O'Malley cracks down on insurers lacking funds

TALLAHASSEE, Fla.—The authority of a Chicago-based company to write insurance in the state of Florida has been revoked by insurance commissioner Thomas O'Malley.

Mr. O'Malley said he took this action against the Institutional Insurance Co. of America because it had a capital impairment of \$23,657 and lacked the \$100,000 surplus required by Florida law. He explained that the law provides for revocation without advance notice of hearing in cases of impairment of required capital or surplus.

In a related move Mr. O'Malley has warned that two insurance

companies were writing policies in the state although they lack required state certificates. He identified the two as North American Health Insurance Co. of Miami Beach and Intercontinental Insurance Corp. Ltd. of the Virgin Islands.

**HE WARNED** state residents against doing business with an uncertificated firm, saying Florida insurance laws do not offer full protection against buyers who do business with unauthorized insurers.

"We are investigating to see how many policies have been issued to Floridians so that we may

take legal action and take steps to see that any premium monies collected by the company are refunded," Mr. O'Malley said.

In continuing action on the First American Insurance Co. case a Florida judge has ordered liquidation of the company, described by state insurance officials as \$2 million in the hole.

Insurance investigators contend that the firm was milked of assets by subsidiary firms and that worthless stock has been used to replace good securities. The insurance commissioner said he knew of 214 claims presumably "settled" by the company that have never been paid. Fifty of those claims, he said, amount to more than \$239,960. (*Business Insurance*, March 24.)

**THAT INABILITY** to pay claims prompted circuit judge Gene Williams to order First American's liquidation. The actual liquidation will be transferred from judge Williams' Miami courtroom to circuit court in Tallahassee, the state's capital.

Judge Williams' order called for all First American policies to continue for 30 days unless they carried an earlier expiration date. If Florida's new guaranty fund is upheld in court, any claims during that 30-day period would be paid by the fund, as would earlier claims not covered by the company's assets. A court suit has challenged that fund and the law apparently will be tested when the First American case reaches Tallahassee.

The fund is backed by most of the insurance industry doing business in the state to pay claims against an insolvent company.

Florida's new insurance commissioner has urged a state senate committee to strip Florida-based insurance firms of all exemptions from the state premium tax.

Mr. O'Malley told the committee that the state "has lost \$24.85 million from preferential tax exemptions" during the past five years.

"I hope you will consider very seriously the repeal of this statute," said the commissioner, a Miamian who defeated longtime insurance commissioner and state treasurer Broward William in the Democratic primary and went on to outpoll his Republican rival in the November general election.

**FLORIDA-BASED** insurance companies enjoy a total exemp-

tion from the state's 2% premium tax. Companies with regional offices in Florida offices that handle business in at least three states pay only 1%. Firms with regional offices also may deduct from the remaining state tax whatever they pay in local property taxes.

Mr. O'Malley voiced his proposal in remarks before the state senate select insurance committee, in his first public statement since assuming office. The committee is not formally considering the tax question.

He urged a return in Florida to closer regulation of auto insurance rates, abandoning the controversial California plan in favor of state approval of rate increases. He also called for adoption of a no-fault program in the state.

He hinted that the state might step in if the industry fails to produce a workable no-fault plan. "I hope," he said at one point, "that Florida doesn't have to go into the insurance business."

## United Bonding failure may send Floridians back to jail

TITUSVILLE, Fla.—An Indiana insurance firm's troubles could send quite a few people back to jail in Brevard County, Fla., and quite probably other areas as well.

Approximately 60 Brevard County residents, out on bond while awaiting court action, may have to go back to jail because of the reported failure of United Bonding Co. of Indiana. State insurance commissioner Thomas O'Malley removed United Bonding from the list of agencies qualified to do business in Florida as of March 31.

Brevard County Sheriff Leigh S. Wilson said the county's budget may lose up to \$23,000 if defendants forfeit their bonds because the county has no recourse to collect the money. "I don't know what the courts will do," he said. "Everything has to be closed

out and new bonds issued by April 15."

He said Florida courts have the option of allowing defendants to remain free without bonds, but cases are judged on their individual merits. "Some people," he said, "are going to have to pay fees twice for bonds."

**THE SHERIFF** said the Brevard defendants "haven't been proven guilty of any crime and they have every right to expect fair treatment. Now they are going to have to find another company and what assurance do they have that it, too, won't go bankrupt and make them repeat the process all over again?"

"From the legal standpoint, if their bonds are no good they could be clapped back in jail to make sure they stay for trial." ■

## Liability for flat falsie falls on manufacturer

LONDON—Curvaceous beauty queen, Miss X, went to her doctor and asked him to give her even more sex appeal to please her customers. And, as he is a leading British cosmetic surgeon, the doctor decided that he could meet her demand for a bigger and better bosom quite simply by providing her with inflatable breasts.

But the plan went bust when one of her busts collapsed just before she was due to go on with her nightclub act—and left her a lopsided chorine until she could blow it up again.

Because she was so upset, she considered suing for professional liability. But the doctor smartly consulted his insurers and found that it was the fault of the false-breast manufacturers and that he was not to blame for any malpractice allegations.

**HIS PROTECTIVE** body, the British Medical Defense Union, which paid out nearly \$500,000 in legal and malpractice claims last year, tells the story in the annual report of its work for 64,000 medical men. Giving its views in strict medical language, it explains in a warning to surgeons who might have "bust conscious" women knocking at their doors:

"The patient was a nightclub entertainer who felt her performance would be enhanced if she had larger breasts. Being a young woman, the surgeon considered her suitable for the insertion of prostheses filled with fluid, which could be increased or diminished in size according to desire.

"Six weeks after the operation, the seam of one of the prostheses sprang a leak. The fluid escaped, but fortunately not during her act, when it might have been embarrassing and diminished her professional reputation."

The Medical Defense Union added, "As the manufacturers have admitted a failure rate of 4% to 5% with these prostheses, they may not be suitable for persons whose livelihood depends upon their physical charms."

The union warned that malpractice and professional indemnity claims against members have doubled in the past five years, so that it may have to resort to self-insurance if it cannot reinsure its normal risks. Subscriptions to the union, which every doctor is advised to join after leaving college, are being raised from \$15 to \$30 a year.

It has now taken out reinsurance with Sun Alliance, at double the premium, after finding that its previous reinsurers are ending this type of business after 60 years because of adverse experience with professional indemnity risks.

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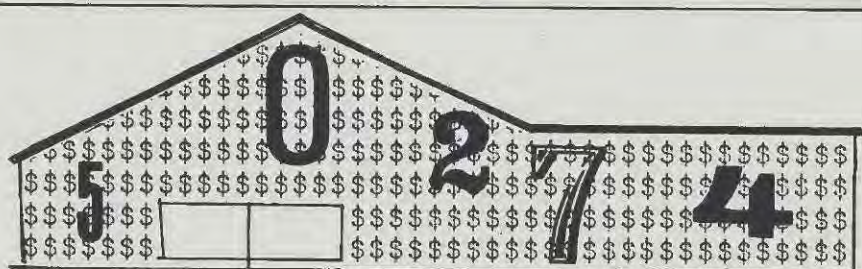
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# letters

Continued from page 18

available, this action would not have been necessary. Their D&O policy would have responded.

Your editorial questioned the seeking out of the Penn Central D&O policy by Lloyd's on the disclosure question—since such dealings likely would have been excluded from coverage anyway. It is apparent to me that Lloyd's underwriters were mindful that even though the non-disclosed items might well be excluded as to some directors and some officers there could be insured responsibility on the part of some other directors and officers.

Also, claims exceeding the policy limits from other events that transpired during the currency of the policy period could very like-

ly exhaust the \$10 million limit and, therefore, this had to influence their decision to seek rescission to avoid all liability.

Underwriters might well have sought to reform the policy by introducing a special exclusion that would eliminate all liability for the undisclosed facts, but allow the policies to respond for all other wrongful acts.

Misrepresentation in an application for insurance is usually grounds for avoidance of a policy if the insurer proves either intent to deceive or materiality. If underwriters, knowing the facts now recited, had issued the policies but excluded the past incidents, reformation would now be in order. If underwriters had declined to write the policy, rescission would be justified.

Rescission or cancellation of insurance is appropriate to all classes of insurance. The availability of the remedy of rescission to the underwriter who has been

deceived by the applicant does not signify that those classes of insurance are not essential to the protection of forthright insureds. Underwriters should be praised for insisting on rescission when it is justified, in order to protect their funds for payment to forthright insureds and prevent sizeable increases in premiums, which surely would follow indiscriminate claims payment.

D&O policies do not exclude practically everything. Specially they do not exclude the charge of conflict of interest. Further, if all your readers ask themselves the question "Am I innocent of the charges made?" where they can answer "Yes" they can expect their D&O insurance to respond.

My sole reason for taking time from my Sunday viewing of the basketball game is to help set the record straight on the blanket condemnation of directors and officers liability insurance by your publication. The disservice

you do your readers by not being specific in your condemnation is to condemn a class of insurance that is essential to their directors and officers financial security. Obliquely, you state that few companies have the problems of Penn Central, but you infer the result would be the same for them under their directors and officers policies. This is not so.

I enjoy reading your magazine so much and find it so factual in other areas that I knew you would benefit from another's point of view.

**Thomas F. Sheehan**

President, Excess Underwriters Inc., Chicago, Ill.

## More than one

To the Editor: This letter is in reference to the Letters to the Editor section of your March 15, 1971, issue in which a letter was printed referring to lease guarantee cover. The letter, written by Marian Saliter of the M. H. Ross Co. Inc., Sherman Oaks, Cal., asked for information regarding lease guarantee insurance.

In your reply you told him to contact New York Guaranty Corp. in New York City. This letter is to inform you that more than one company is involved in the business of writing lease guarantee insurance. Our company is at present licensed to do business in 43 states including the District of Columbia.

If you have further inquiries we recommend that you have your inquirer contact the nearest Small Business Administration office. Lease guarantee insurance is written with the back up support of the SBA and their regional offices are all informed of the names of the

companies doing business in any particular state.

**W. A. Gillison**

Asst. Vice President, Excel Mortgage Insurance Corp., Bettendorf, Ia.

## A vicious circle

To the Editor: The capacity problem is being caused by a vicious circle that insurance companies cannot solve by themselves. The depression in the stock market caused the surplus asset value to decline. This has reduced the companies' capacity to write premium volume under the various state regulations. All of this coming at a time when, due to inflation, there is a need to increase capacity rather than reduce it.

What is necessary is a federal reinsurance program to develop the opportunity for companies to increase capacity with federal government backing. While the states regulate insurance companies, the problem has become national and therefore should be supported on a national basis with a program which will be self supporting through existing carriers.

**Martin Bernstein**

Martin Bernstein Agency, New York, N.Y.

## "Tells it like it is"

To the Editor: I have just read the article "Mass merchandising: How fast will it catch on?" in the March 15 issue of *Business Insurance*. Congratulations on a factual and well written story. This tells it like it is.

**William F. Rowe**

Second Vice President, Travelers Insurance Co., Atlanta, Ga.

## Are your group insurance costs eating you out of house and budget?

One employer has a group insurance program carefully designed to stabilize costs. It has built-in safeguards against inflation. It doesn't waste . . . it stretches . . . the corporate dollar.

Another employer's group insurance program is carelessly designed. It becomes the kind of money-eating monster that makes cost control an exercise in futility. And the difference between the first and the second is almost always a matter of who does the designing. We have a long history of carefully designing sophisticated programs for some of the leading companies in America. We can't tell you more here, but we can if you call us.



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# Harlan speeds customer service by utilizing computer technology

HOUSTON—Termed an insurance industry first, Harlan Inc.'s Harlan Data Center has installed an IBM 1288 Optical Scanner so that when a typist in one of Harlan's 383 coast-to-coast insurance agency offices types a source document, such as an invoice, check or policy application, the typewriter has characters that can be

tomter service.

As a rapidly growing insurance agency organization, relying heavily on the advantages of computer technology, Harlan said it experienced a lack of control between its office and the computer. "For this reason," a spokesman said, "top priority in our planning was given to assuring speed and accuracy in the affiliated agent center computer program."

**HARLAN** Insurance Services was the first IBM customer in the country to receive a production model of the 1288.

The device's electronic eye scans the documents it checks for obvious errors. For example, if

the typist omits the customer number on an invoice, the scanner will detect this, reject the document and issue a "turn-around" document.

In addition to accuracy, the method also eliminates time-lags created by the tedious key-punch method. The volume of work done by ten key-punch operators in a month can be handled by the scanner in one week. This means faster turn-around time between the time data is sent to the computer and the time the office receives its reports.

The 1288 is located at the Harlan Data Center here. Richard L. Glosser, formerly director and exec vp in charge of operations for the American Agency Man-



Customer service is facilitated at Harlan Inc. by their new IBM 1288 Optical Scanner, which allows a document typed in one office to be scanned by the computer and read in any other office.

agement Bureau Inc., a Tampa, Fla., firm owned by Hartford Insurance Co., has joined Harlan Insurance Services as the data center manager.

In naming Mr. Glosser, William E. Harlan, Harlan Inc. president and chief executive officer, also

revealed plans to double the size and data processing capacity of the center. The enlarged center will have 10,000 square feet.

Mr. Glosser has more than 23 years experience in the field of accounting and data processing management.



Richard L. Glosser

optically scanned and read by the computer directly.

By using this approach, the document avoids possible error and time loss due to the traditional key-punch method, which is bypassed when the optical character recognition method is used. It also facilitates faster cus-

## Warranty act hard on Cal. used-car men

SAN FRANCISCO—The new Song-Beverly Consumer Warranty Act, which became effective throughout California on March 1, has prompted a number of Detroit manufacturers, to warn their dealers to "stop using" forms of used car warranty previously recommended by the manufacturers. The manufacturers were concerned that the forms would no longer be valid under the tough new law and may lead to product liability suits.

However, Stephen F. Snow, exec vp of the northern California Motor Car Dealers Assn., told dealers of the area that "the new rules under this new law do not apply to any motor vehicle manufactured prior to March 1, 1971."

The association's legal counsel, Mr. Snow said, "is convinced dealers can continue to use standard forms of used car warranty, which they previously used, and that these forms will be valid now just as they were valid before. As a result, California dealers will have a reprieve from the immediate full effect of this new law. In the meantime our legal counsel and those institutions that prepare warranty programs for dealers, have the matter under study.

"A committee of dealers will confer on the whole problem," Mr. Snow said, "since, within a short time, our industry will have to prepare standardized practices, policies and forms under the new law."

Under the new law all new cars will carry implied warranties by the dealer, in addition to the express new car warranty furnished by the manufacturer. For practical purposes, according to Mr. Snow, the implied warranties will be nearly identical with the manufacturers' warranty.

# Workmen's Comp made to order.



PEG has been up and down the street enough to know that no single comp program will fit every client's needs. You see, we took accident prevention, analyzed it top to bottom, inside and out. Then we added our own new tools of the trade—like the PEG Loss Control Profile and management control by objectives—to get it down to a pretty exacting science.

We call it the PEG Loss Control Program. And,

together with our unbroken record of dividend payments and claims service hustle—it gives us the flexibility we need to provide your company with a comp program that fits. Not just pretty close, but exactly. So next time you need a fast, accurate quote, call your agent or broker. He'll call us. We'll all put our heads together—and get back to you with a custom-shaped program almost before you can say, "Here comes PEG."



PACIFIC EMPLOYERS INSURANCE COMPANY / an INA CORPORATION company.

# Record . . .

Continued from page 20  
monthly pension checks Jan. 1. The boost varies with year of retirement and ranges from 9% to as much as 25%, depending of course, on time since retirement. Employees who have retired since that year have been given an annual cost-of-living pension adjustment. The pension plan liberalizations will cost Aetna more than \$4 million annually.

## Bell named chairman

SAN FRANCISCO—Roy J. Bell, administrative director of

the California Division of Industrial Accidents, has been named chairman of the litigation reduction advisory committee on workmen's compensation. He succeeds former workmen's compensation appeals board chairman Morton R. Colvin.

M. Bell also announced expansion of the scope of the committee to cover the entire field of compensation litigation. Hitherto the committee has confined itself only to litigation reduction procedures. Disposition of claims, he said, totalled 1,766 during the last six months of 1970, or nearly one third of all dispositions achieved since the committee was initiated three years ago. He added that "44% of those dispositions were reached without formal litigation. . . . approaching the even split hoped for when the program was devised." At year end only 4,000 claims remained in an in-pending status.

## N. Y. bill could free builders from liability

ALBANY, N.Y.—A bill approved by the New York senate will free contractors and architects from liability for defects in buildings they erect after a period of eight years.

While arguing that contractors and architects have faced unfair burdens in having to maintain liability for the life of the buildings, the bill's sponsor pointed out that there had been instances in which the descendants of the original builders have been forced to purchase liability insurance to cover claims that might arise many years after a building is completed.

Opponents of the bill, however, contended that the legislation

would encourage builders to use inferior materials in their projects, knowing that after eight years they would not be liable.

## Secretary allowed unemployment benefits

HARTFORD—If you fire your secretary for refusing to take a turn at coffee duty for the office crew, she can collect unemployment compensation in Connecticut. The unemployment compensation division of the state labor department has so ruled.

The action concerns an unnamed secretary who objected to spending two hours a day making and serving coffee. She and other secretaries took a one-week turn each on the coffee duty. The woman claimed that it took her two weeks to catch up on regular work after the coffee stint and she finally refused to serve coffee.

Her superior gave the okay, but then his boss countermanded the decision, told the woman to serve the coffee or quit her job.

She refused, was fired and then applied for state unemployment compensation.

The unemployment compensation division decided that the coffee chore refusal did not constitute unwilful disregard of her employer's interests and subsequently ruled her qualified for benefits.

## Telephone workers get mass auto plan

HARTFORD—Some 10,000 Connecticut telephone workers will have an auto insurance program offered to them on a mass-marketing basis, according to the Connecticut Union of Telephone Workers (CUTW).

The union is sponsoring the insurance program, the largest to date to be underwritten by Century Indemnity Co., a subsidiary of Connecticut General Insurance Corp.'s affiliate, Aetna Insurance Co.

The program is being written through Allen, Russell & Allen Inc., Hartford agency.

Robert E. Hyatt, second vp in charge of Connecticut General's special marketing department, said that the automobile plan is a full-fledged family policy, with continuation of coverage guaranteed for five years.

## Says insurers' burden is too heavy

ATLANTA—Insurance companies are being forced to play "my brother's banker" and shoulder the financial burden of government failure, a New York insurance executive said here.

Speaking at a meeting of the Atlanta Assn. of Independent Insurance Agents, (George B. Rea) Utica Insurance Co. vp of advertising, said the industry is being asked to "be our brother's keeper—or more accurately, our brother's banker."

"It is far easier for the government to call upon the insurance industry to pull bureaucrats' chestnuts out of the fire than it is for government to do something about slums, riots and drunken drivers and other motorized assassins," Mr. Rea said. He said that assigned risk insurance plans are threatening the insurance industry with extinction. Mr. Rea said Utica lost \$391 million on assigned risk plans during the five-year period ending in 1968.

"A healthy insurance industry is vital to the growth of this country but there is a growing shortage of insurance capacity," he said. "The insurance industry is being called up to bear the modern-day version of Kipling's

'white man's burden.'"

## Government to offer fishing fleet cover?

BROWNSVILLE, Tex.—Sen. John Tower (R.—Tex.) predicts passage by Congress of a plan providing for federal underwriting of insurance for Gulf Coast fishing fleets destroyed in hurricanes. He said heavy hurricane losses in the Gulf of Mexico during the past few years had depleted private insurance resources.

"It is difficult, as any boat owner can tell you, to get insur-

ance," the senator told a joint meeting of the Texas Shrimp Assn. and the Gulf States Marine Fisheries Commission.

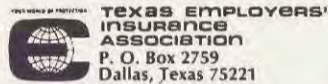
The fishermen were told by Harold Allen, associate director of the National Marine Fisheries Service at St. Petersburg, Fla., that high risk had driven insurance costs up as much as 50% for wooden hull boats the past three years.

Mr. Allen said insurance costs \$3,500 a year on a \$100,000 steel-hull boat and \$4,125 a year for a \$75,000 wooden-hull boat. He said reinsurance after a loss is virtually impossible.

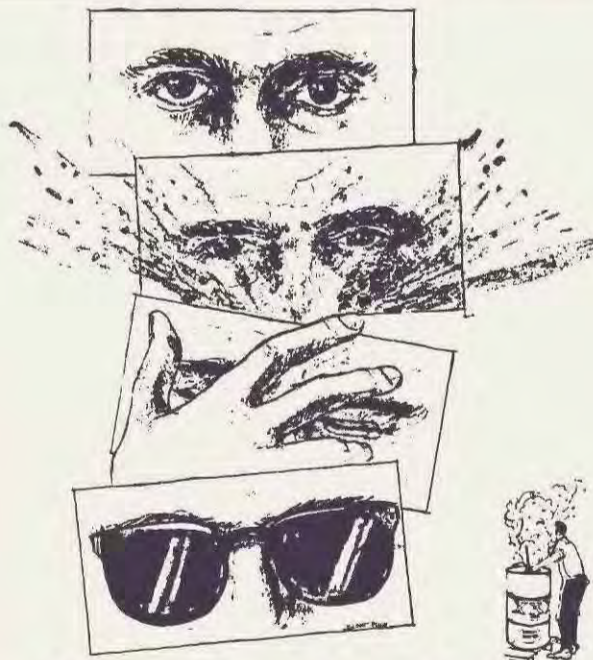
# When are two insurance policies better than one?

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### Misc.

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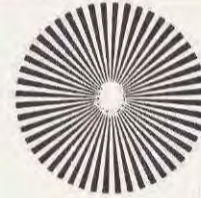
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# Gibbons leads ASIM in Chicago

CHICAGO—William J. Gibbons Jr., director of insurance for Standard K o l l s m a n Industries Inc., Melrose Park, Ill., has been installed as president of the Chicago chapter of the American Society of Insurance Management for 1971.

Mr. Gibbons told *Business Insurance* that he hopes to bring the chapter closer to achieving its purpose, as defined in the bylaws,



William J. Gibbons

of providing a "forum for the discussion of risk management problems and education and the free exchange of ideas" during his term.

The round-table sessions, which traditionally precede each of the chapter's meetings and are devoted to in-depth probes of problem areas, will be expanded from one hour to one and one-half and Mr. Gibbons has placed these under the direction of the education chairman. "We would also like to establish continuity of subject matter in these discussions throughout the year," he added.

While narrowing these sessions down to pinpoint problems more specifically, the new president hopes to widen the scope of topics covered by dinner speakers "in hopes of broadening the audience at monthly meetings," he said.

H. Jay Varner, Bell & Howell Co., was elected vp of the chapter; Geoffrey J. Burns, Continental Illinois National Bank & Trust Co., is treasurer; and Ann Auerbach, Goldblatt Bros. Inc., is secretary.

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Lowell; Fred. C. Church, Inc.
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- MICHIGAN, Detroit; General Underwriters, Inc.

- MISSISSIPPI, Jackson; Fox-Everett, Inc.
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## Old salt collects \$7,000 leisure pay

MOBILE, Ala.—Cyrus M. Crooks is a man who scoffs at the old adage, "All work and no play. . ."

And to prove it, when he returned from nearly six years at sea, he picked up \$7,000 in back vacation pay and promptly announced that he would ship out again without taking a vacation.

The \$7,000 represented back vacation pay due him for a few years prior to the six-year voyage plus the time accrued during that marathon, during which he never left the ship.

The money came to him in the form of several separate checks. One of them, for \$3,600, was the largest vacation check ever issued in the port of Mobile.

The 52-year-old seafarer also scoffs at the idea of retirement. The Transeastern will be leaving shortly for the Persian Gulf and, said Mr. Crooks, "There's too much living left to do."

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