Polaroid develops insurance picture by stages

CAMBRIDGE, MA.—Polaroid Corp.'s property insurance program has been developing this year at the fast but intricately-planned pace oft-associated with its photo products.

Three major changes have occurred since June:

- a tenfold increase in the company's basic property deductible;
- purchase of the corporation's first difference-in-conditions policy;
- revision and broadening of the property policy form by Polaroid's insurer, Allendale Insurance Co., part of the Factory Mutual System.

Galt Grant, manager of insurance administration, manages Polaroid's multimillion-dollar program of property, liability, specialty and employe benefits coverages and gears it to sustain any foreseeable exposure.

The combined premium for all the programs except employe benefits will total about $1.5 million this year, he said.

In the property area, Mr. Grant said he uses Fred. S. James of New England Inc. as consultant on a fee basis, even though Allendale is a direct writer. "We've had a very successful three-way relationship, with Fred. S. James available to us essentially as consultant and a back-up," he said.

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business insurance®

the national newsmagazine for buyers of employe, property and liability protection and financial services

Product liability

Strict liability of manufacturers in product liability cases is gaining acceptance around the nation, said an attorney, citing adoption of the concept by some 29 states. Thus, consumers are increasingly being relieved of the burden of proving manufacturer negligence. **Page 8.**

Lloyd's looking

Lloyd's is seriously studying the market for group legal insurance policies with an eye to possibly merchandising group legal policies in the U.S. **Page 18.**

Benefit restoration

The Department of Labor is cracking down on companies that force older workers into early retirement. Employers are finding themselves liable for sizable back pension and benefits payments. **Page 22.**

Michigan work comp

Michigan joined the growing ranks of states passing legislation to allow groups of employers to form self-insurance pools for workmen's comp. liabilities. **Page 41.**

Self-insured transit

San Francisco's Municipal Railway system allocates some $1.4 million a year for accidents under its self-insured plan. 'Muni' has had a number of accidents involving famous persons. **Page 34.**

No-fault plans

Underwriters are aggressively merchandising new low-cost insurance plans to truck leasing firms in no-fault states. As no-fault laws drive down losses, rate competition among carriers is heating up. **Page 23.**

Tornado losses won't sting: Carriers

CHICAGO—Insured property damage is estimated at $400 million to $500 million in the wake of the worst tornado-spawning storm system in nearly 50 years.

Although insurance industry experts say it is still too early to know the extent of insured commercial losses, insurance markets are expected to be subjected to some strain as a result of the widely scattered damage across a 12-state area.

Nearly 100 twisters ravaged the South and Midwest April 3, wreaking damages estimated to hit more than $1 billion in all, and killing nearly 350 people. Alabama, Kentucky, Ohio, Indiana and Tennessee were declared disaster areas, and federal officials were awaiting further information on destruction in Georgia, Illinois, Michigan and North Carolina.

Utility poles strewn across street in Louisville after tornadoes swept the Midwest. —Wide World

PROPERTY DAMAGE from tornadoes is normally covered under standard property insurance policies or extended coverage insurance policies.

As a natural disaster, the wreckage can be compared with the ravages of Hurricane Betsy in 1965 which caused well over $500 million in insured losses, and Hurricane Agnes, which caused about $98 million in insured losses. The uninsured flooding damages from Hurricane Agnes soared into the billions of dollars.

Several underwriters noted that despite heavy losses, their earnings would not be drastically affected unless further heavy property losses followed in the round of spring storms.

A spokesman for the Insurance Information Institute said that the tornado damages should not have a noticeable effect on property-liability coverage availability or rates. "The companies are supposed to be in shape for this kind of thing," he pointed out. "And the losses are probably going to be pretty well spread around."

An Aetna Casualty & Surety Co. source said the storm damages would have little or no effect on the availability of property-liability coverage in the future, but "rate-wise it might have some effect."

Aetna calculates its rates on a five-year experience system, breaking down losses for each state. The source explained that whenever rates are revised, "those states with the largest claim settlements will be hit hardest by rate changes." But he added that the overall rates increase "could be" less than 1%. This prediction is somewhat premature, however, because "now there are absolutely no estimates on what our losses are."

ON APRIL 7, 8 and 9 another series of tornadoes ripped through several southern states, killing one person and creating more havoc, although the losses were thought to be less substantial than the week earlier.

Spokesmen at Insurance Information Institute said damages from the second sweep of tornadoes in the south were estimated at about $1.3 million. The American Insurance Assn. termed the losses "nowhere near" the earlier $500 million losses. "The losses in the South are relatively small and really have no connection to the earlier disaster," a spokesman added.

The Federal Disaster Assistance Administration in Washington, estimated that 1,600 businesses and 11,000 dwellings were either damaged or destroyed in the

Continued on page 2

New national health insurance bill forms Nixon-Kennedy compromise

WASHINGTON—Sen. Edward M. Kennedy (D-Ma.) picked up a major ally in U.S. Rep. Wilbur Mills (D-Ar.), chairman of the House ways and means committee, and made some important concessions to the private health insurance industry in the latest national health insurance proposal to be introduced.

The Kennedy-Mills bill, unveiled April 2, is considered to be a viable compromise between Sen. Kennedy's earlier national health insurance proposals and the Nixon administration's own comprehensive health insurance proposal.

AN EARLY TEST of Congressional opinion on the bill is to come this month when the ways and means committee begins three days of hearings on the proposal April 24. No hearings have been set on the Senate side.

The bill, introduced as S. 3256 in the Senate and H.R. 13870 in the House, is the first Kennedy-backed national health insurance proposal that provides a role for private insurers.

The new bill specifically allows for deductions, coinsurance, and opportunities in supplemental insurance where the previous Kennedy plans had not.

"The intent was to make a compulsory program," says an aide to Sen. Kennedy's subcommittee on health. "It was aimed more at that good idea than doing in the insurance companies."

"The bill . . . is the first Kennedy-backed national health insurance proposal that provides a role for private insurers."

The Kennedy-Mills program would be funded through a payroll tax schedule that will ultimately benefit employers with lower than average wage levels. Companies with higher-paid workforces would be taxed more, the aide admits. This is a radically-different emphasis than the Nixon administration's national health proposal revealed earlier this year.

The Kennedy-Mills proposed tax of 3% on the employer and 1% on the employe would top out at a $20,000-a-year salary level, making the maximum payable premium per individual $800—$600 payable by the emloyer and $200 by the employe.

The Nixon administration bases its premium rate on the group experience loss record in a given community. The average premium per individual is pegged at about $415 under the administration proposal.

The employer, initially would pay 65%, or about $270, of that premium, if it were at the average figure. That would eventually be moved up to 75%, or about $311 of the average premium, the administration proposes.

"Under the Nixon bill, you pay that premium regardless of whether you are a low wage or high wage firm," the Senate subcommittee aide said. "For the same coverage under the Kennedy-Mills bill, the premiums fluctuate with average salary level."

"If you fall below the median wage level, you do better under

Continued on page 12

Tornado damages . . .

Continued from page 1
spring storms.

Through FDAA, the Small Business Administration is arranging long-term, low-interest loans to assist businesses which sustained damage. The Farmers Home Administration has a similar loan program for farmers with crop losses.

The American Insurance Assn. is helping victims file claims against insurance policies.

Insurance carriers said that catastrophe reserves and reinsurance programs should cushion the heavy losses.

Heaviest damage was in the Cincinnati and Xenia, Oh. area, and around Louisville, Ky.

A LLOYD'S SPOKESMAN said that while the reinsurance market expects to sustain some losses, "there have been worse losses in recent history without major reinsurers going out of business."

Although the insured damages from the tornadoes are estimated to be about the same as losses from Hurricane Betsy in 1965, he said reinsurers still consider Betsy a greater catastrophe. "If you took the losses from Betsy and adjusted them for inflation and then consider the expansion of the reinsurance market in the last ten years or so, I think you'd find that the tornadoes by comparison do not represent a disaster for reinsurance."

However, another reinsurance specialist in New York said that "for the reinsurance market there is a very heavy involvement. Based on reports of losses we've received and heard about—and these are coming in fast, as was expected—there is a heavy burden on the reinsurance field both here and abroad," he added.

"I BELIEVE it's safe to say, nevertheless, that primary insurance companies are proportionately retaining a greater percentage of the losses than they did in the Hurricane Betsy damages," he noted. "In the last seven or eight years, the primary retention requirements in reinsurance contracts have gone up quite a bit," the spokesman added.

Crum & Forster, a New York-based insurance holding company, estimated last week that its member companies sustained net losses of about $5.5 million in U.S. and Canadian tornadoes.

With assets of $1.46 billion in 1973, Crum and Forster owns United States Fire, Westchester Fire, The North River and International Insurance Cos., which comprise the U.S. Group, Constitution Reinsurance Corp., Industrial Indemnity, International Surplus Lines, American Eagle Life Insurance and Securance Life Insurance Cos.

The Travelers Insurance Co. expects "there will be some changes in rates," a company spokesman said. "But we're not expecting any drastic changes.

"We try to regionalize our rates as much as possible," he noted. "You can't apply it across the country."

Availability of property-liability insurance is expected to remain relatively unaffected by the tornadoes. "Our decision is to maintain an open market," the Travelers spokesman said. ■

New BI assoc. editor, Washington

CHICAGO—Richard L. Gordon was named associate editor, Washington, for *Business Insurance* and its sister publication, *Pensions & Investments*.

Mr. Gordon succeeds Tom Walsh, who left the company to join the United Mine Workers welfare and pension department.

Mr. Gordon was an associate editor of *P&I*, based here. Prior to that he had been a reporter for the Trib, the Chicago Tribune's suburban newspaper. He has also worked as a news assistant for the Wall Street Journal's Chicago bureau. He is a graduate of the University of Illinois. ■

Indict 6 for Teamsters insurance kickbacks

CHICAGO—The president of the Illinois Conference of Teamsters, and the former chairman and trustee of the Illinois Teamsters' Employers Welfare Fund were among six persons indicted for a union insurance and pension kickback scheme.

Federal grand juries in Springfield and East St. Louis, Il. also indicted two former state representatives, one of whom is president of the Central National Life Insurance Co. of Jacksonville, Il. According to the indictment, insurance business for the Teamsters was allegedly diverted to Central National Life for three years in return for $15,000 in kickbacks, funneled to Elvin E. Hughes, 59, president of the Illinois Teamsters Conference.

Another $1,875 was allegedly received in kickbacks by Harold L. Gangnath, 52, the former welfare fund chairman and trustee. He was charged with investing $200,000 of the welfare fund money in Central Mutual Fund, headed by Richard Rowe, the brother of Central National Life's president, Harris Rowe.

HARRIS ROWE, a former state representative and chairman of the Morgan County Republican party, allegedly channeled the $15,000 to Mr. Hughes through two insurance brokers named Warren W. Jacoby and George Saal. Mr. Saal is also a former state representative.

Mr. Jacoby allegedly earned about $100,000 in commissions from the insurance conspiracy. He is also charged with failure to file income tax returns for 1968-70.

The Teamsters' current chairman of the Employers Welfare Fund, Robert Barker, declined comment when contacted by *Business Insurance*. "I'm not saying nothing," he declared.

Another spokesman for the Teamsters said the union's group insurance is now carried by the Republic Insurance Co.

Mr. Hughes could reportedly receive a maximum sentence of 24 years in prison and a fine of $60,000. Mr. Jacoby's conviction could lead to 27 years in jail and a $90,000 fine. Richard Rowe could receive a 19-year sentence and $50,000 in fines while his brother Harris could get a maximum 16-year sentence and $40,000 fine.

Mr. Gangnath faces a maximum of 19 years in prison and a $45,000 fine. Mr. Saal could draw eight years and $20,000. ■

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Keeping 300,000 skiers out of trouble

Resort uses safety program as alternative to injuries, claims costs

By TERRY KING

CRYSTAL MOUNTAIN, WA. —In the wake of gas shortages, power cutbacks and operating cost hikes, many of the nation's 522 major ski areas face precarious financial futures.

But the area manager of one of the northwest's largest and most popular ski resorts has found that an intensive safety and loss prevention program can well make the difference between profit and loss.

At Crystal Mountain, 70 miles southeast of Seattle, "concentrated concern for the safety of customers and employes" has resulted in substantial cuts in insurance premiums over the last five years, said Don Christianson, vp and area manager for Crystal Mountain Inc.

"And I think that concern has been largely responsible for the increase in profits we've enjoyed every year since 1968," Mr. Christianson added. Working in concert with president and general manager H. E. Link, Mr. Christianson took over as area manager in 1968. The area had piled up losses every year since opening in 1961 and "we weren't too many steps away from the bank takeover," Mr. Christianson confirms.

HE CREDITS changes in employe attitudes as a major reason for the area's accelerating growth and profitability. About 9,000 persons ski Crystal on a weekend day, and the slopes will accommodate over 300,000 skiers before it closes in late May.

Crystal's insurance costs have been reduced more than 15% since 1968, despite addition of substantial new facilities, a doubling in the number of skiers, and a rate hike for workmen's compensation from under 20 cents per salaried hour to a current rate of 41 cents.

"Workmen's comp is one area we don't have much control over," Mr. Christianson said. Washington state administers its own industrial insurance as a monopoly.

Crystal recruits the majority of its employes—33 year-round and 160 to 170 during the six month skiing season—"as locally as possible," and is a major factor in the economy of Enumclaw, a city of about 5,000 midway between the resort and Seattle.

THE RESORT'S insurance, handled by North Star Agency based in Enumclaw, will cost $61,000 this year, and with new facilities and acquisitions is expected to be in the $70,000 range next year.

Herb Sorensen, who handles the account for North Star, attributes "a combination of good management and good safety," for a reduction in overall premiums from $2.41 per hundred dollars of revenue in 1968 to the current level of $2.05.

"We have day after day when no one is hurt," says Christianson. Crystal has one of the best safety records in the country. While nationally 36 skiers out of every 10,000 are injured, only six have accidents at Crystal. "This includes cut fingers and bloody noses, anything that a person goes into the first aid station for," says Mr. Christianson.

The commitment of management to skiing safety is obvious. For instance, skiers know that the chairlift operator at the top of the mountain will be watching their ascent, not playing cards or reading a book as sometimes happens at other ski areas.

"We guarantee everyone a safe ride uphill. Getting customers on and off the chairlift safely is largely our responsibility also. "Uphill transportation—chairs, rope tows, T-bars—is our primary insurance risk," Mr. Christianson noted.

Since the elevation at the top of the highest chair is about 7,000 feet, non-skiing summer visitors often ride to the top for the breathtaking panorama of wild flowers and mountain peaks, including an unparalleled view of 14,410-foot Mount Rainier.

Ironically, notes Mr. Christianson, "summer poses a bigger risk than winter. People using the lift in winter are usually in good physical shape; skiers are generally pretty agile. But in summer, although we run the lifts twice as slow, we're dealing with a different clientele, a lot of elderly persons who are often not that surefooted. That's why in our ten-year master plan, we're pushing for a gondola lift, to increase safety."

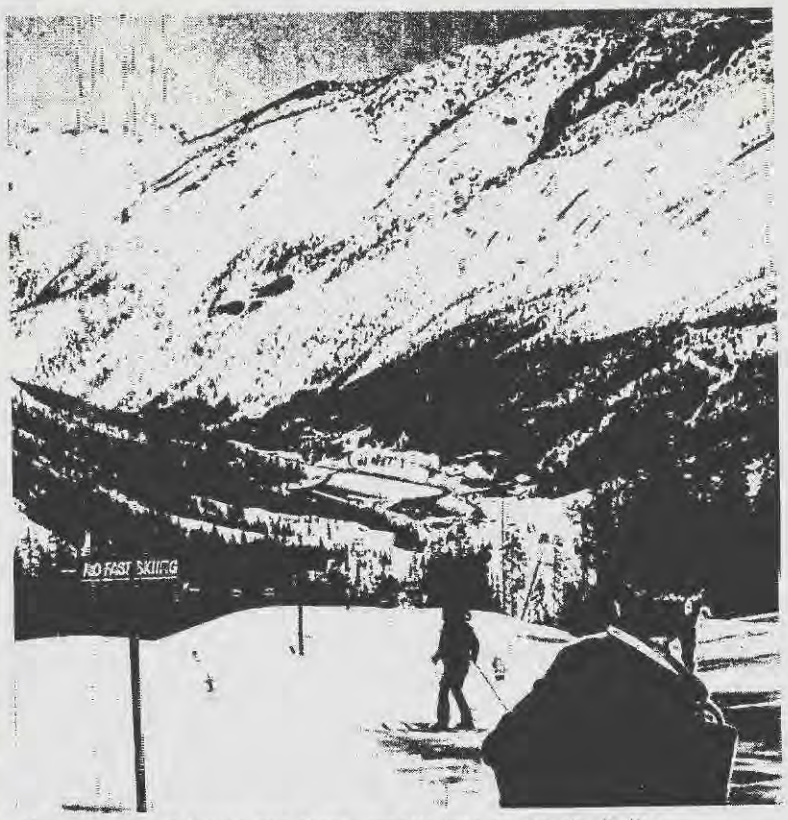
Machinery, buildings, vehicles and all facilities undergo numerous safety inspections. "Before we even turn a wheel in the fall, we have to go through every single piece of equipment, and then, it's inspected, as required by state law. We can't just shut down in the spring and turn it on in the fall," notes Mr. Christianson.

FOLLOWING THE annual inspection, thorough interim inspections are made at least once a week.

Skiers are responsible for their speed on the slopes. The fine print on each ski lift ticket informs skiers that "bare spots, ice, changing snow conditions, bumps, stumps, stones, trees and other hazards and obstructions exist in a ski area. In purchasing this ticket, the purchaser recognizes such dangers whether marked or unmarked and realizes that falls and collisions are common and numerous and that injuries can result. He accepts the hazards of the sport and the dangers of injury incident thereof."

Crystal boasts a 14-member professional ski patrol and 193 volunteers (19 of the latter are doctors). Three years ago Mr. Christianson instigated another six person patrol force "POSSE" or, Promotion of Safe Skiing Enjoyment, to control unsafe skiing practices and hazards of the hill. The idea was so catchy that both Sun Valley and Vail followed suit.

Continued on page 4



Heavy accident losses can throw resorts into economic decline.

Ski safety cuts insurance costs in cliffhanger financial climate.

Japanese union fights hard to keep women's right to 'periodic' disability

TOKYO—A labor dispute over menstrual leave—a unique Japanese benefit—is creating headaches for Japanese personnel managers.

Despite constitutional guarantees, Japanese women still face formidable discrimination in employment. But they do have something women in other countries do not have.

According to the Labor Standards Law, "a woman may not be caused to work if she requests menstrual leave in the likelihood that she would greatly suffer if she had to work on the days of menstruation, or if work on those days would be injurious vis-a-vis her menstruation."

THIS BENEFIT was created during the American occupation 25 years ago, as part of efforts by ministry of labor officials to improve working conditions for women. When it was requested that menstrual leave be provided under labor laws, then being written by Gen. MacArthur's GHQ, the reaction was, in effect, "if the women say they need it, they need it."

Because labor unions were being organized then, and there were many young women in the labor force, this aided union organizers in their work. Management tended to oppose the leaves, especially when unions began to urge all women in their ranks to take the leave every month.

Management, faced with the need to make up for lost labor, prepared documents showing that leave was being misused, and requested that the women provide proof that they were menstruating!

There is still trouble today. Though less than a quarter of all working women utilize this benefit, including those who take menstrual leave only once a year, only about half of all employers provide paid leave. If a woman loses two days a month, that's a good-sized deduction from her pay envelope.

Keio University Hospital, here, is the site of the most widely-publicized dispute at the present time. Women had been given two days with pay until late 1970, when the union was told that management proposed that women who are absent from work, late, or leave early because of menstrual pains shall be given menstrual leave only if they submit an application. Such leave shall be without pay and shall be limited to two days per cycle, management said. Without any negotiations, the hospital unilaterally imposed its plan on workers in April, 1971.

Because of a severe shortage of nurses, the womanpower loss when menstrual leave was taken was a serious problem for the hospital. The hospital also revived old assertions of misuse of leave. But Chizu Hayashi, 35, representative for the plaintiffs in the legal battle which resulted, retorts, "They are criticizing us, saying that some women took menstrual leave during their pregnancies, or in conjunction with holidays in order to take a vacation. We say, if there is proof, let them show it."

KEIO'S UNION surveyed its membership, and found that since the hospital forced the change upon them, the average number of women taking menstrual leave each calendar month has decreased greatly. During January-December, 1968, the average number of women who used menstrual leave was 240, out of about 800 employes. But by April, 1972, the average had fallen to 50.

While use of menstrual leave has thus declined, the union is fighting in the courts to have the hospital's new regulation revoked.

Nippon Television was the scene of another dispute over menstrual leave. In autumn, 1972, the broadcasting company ceased giving women two days of paid leave during each cycle and reduced paid leave to one day when two days' leave are taken, and a half-day when one day's leave is taken. NTV's personnel manager, in defending the change, stated that the firm's business performance had fallen off, necessitating a reduction in benefits.

At the same time, NTV slashed maternity leave by three weeks, reducing it to 15 weeks and evoking complaints not only within the company but also in other broadcasters, where employes had been making NTV's liberal benefits their own targets.

WHILE THIS LABOR-management confrontation continues, two important issues have been raised: If women are given two days off with pay every 28 days, it is tantamount to paying them more than men who are doing the same work and drawing the same salary, and thus does not conform to the guarantee of equal pay for equal work.

Second, organized labor is wary of these latest attempts by management to reduce employe benefits. The head of the women's division of NTV's union says, "The company has limited maternal protection to the time of birth of a child. The influence of menstruation on the body of a woman who will one day give birth to a child is not being considered one whit."

Menstrual leave, she asserts, is not a problem concerning women alone, and if the rights of women are eroded in this area, the next thing which will happen is that the rights of men, too, will be abridged. ■

Ski resort safety . . .

Continued from page 3

Employes meet daily to hear speakers such as the resort's attorney, or insurance broker Herb Sorensen. Sorensen recently briefed them on the need for complete reports after a skiing mishap. He later evaluates the reports, looking for potential liability claims, and for accident trends that might be correctable.

"Very few reports ever result in claims. Most reports are perfunctory. There tend to be more reports when we have deep snow because skiers aren't so sure how to maneuver and may fall in different ways. There may be more strained ligaments then, and perhaps someone will have to be carried off the slopes," says Mr. Sorensen.

Promoters continually ask Crystal to make room for other sports, but "we're not willing to assume insurance risks we feel that we shouldn't," says Mr. Christianson. "We're almost dead set against inner tubes or tobogganing, for instance. Some of the worst accidents occur when there are two or three people on a toboggan, resulting in back injuries. And the guy in the inner tube may make it okay, get out, stand up and then, whammo, is wiped out by the next one coming down."

MR. CHRISTIANSON admits that he does find himself in court every once in a while, "but not often. We don't have more than a half dozen liability claims a year, and we almost never go to court.

"Most claims are about a chair loading situation," he continues, "and we've had several summer claims. One elderly gentleman got on the lift at a dead stop, got off at a dead stop and just fell over. He filed a claim for $25,000 and settled for $2,500. These are nuisance claims. The insurance company says it will cost us so much to go to court, and so we'll offer something less to the claimant, and they usually take it."

The average claim is $1,200, "although once we went as high as $7,000," he notes. It was another summer accident. "A girl got on a lift and was about one chair away when she slipped off and was hanging there. We immediately stopped the lift, but before we could get to her, she let go. The fall caused a compression fracture of the tail bone, and she collected $7,000.

"Now, we have a suit pending that is unique. We were making tests on ski equipment for a manufacturer and had the area completely blocked off. A sign said the lifts were closed, and we didn't even sell tickets that day. But a tourist went through the blockades and got on the lift and somehow managed to fall off. After all those precautions. How can we defend ourselves against incidents like this? We can't relax for one minute."

CRYSTAL'S $5 MILLION blanket liability coverage is spread among several carriers. The federal forest service prescribes basic minimum limits, but broker Sorensen notes that "most ski areas go way beyond those limits." He adds, "ski area liability is a tight market place, a specialty market, and is looked upon as a poor risk. If you flip through the yellow pages and call companies at random and say you're interested in placing coverage for a ski area, they'll say 'thanks for calling,' and hang up."

Of Crystal's premium, liability accounts for about half, followed by about 25% for fire and extended coverage. Lifts and tows take another 12%, and the remainder is accounted for by items such as boiler and machinery, contractors equipment, fidelity and crime.

Concessionaires, such as hotels and restaurants, condominiums, ski shop, etc., provide their own insurance, and Crystal sets a minimum. Employes are offered hospital and medical coverage by Blue Shield and group life by Safeco Life Insurance.

Crystal also carries business interruption insurance, with a $5,000 deductible. So far, the resort hasn't needed it. "The nature of our business is that we can fix problems quickly," says Mr. Christianson. "We sometimes wonder if we need this coverage, but it is recommended by our carrier who points out that a large avalanche could interrupt our business for larger periods."

Avalanche control requires Crystal's diligence. "We do more avalanche control in the northwest than anywhere else in the country, and on a continual basis," notes the area manager. Crystal conducts annual avalanche control training programs for selected employes.

Crack skiers on the avalanche team inspect slopes for potential slides, and if necessary, trigger "safe slides" with 75 caliber recoilless rifles or hand thrown charges before customers are allowed on the slopes. The control is done in conjunction with the forest service. ■

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$420,000 won by using dead man's testimony

ST. PAUL, MN.—A health maintenance organization was ordered by district court here to pay $420,000 in a medical malpractice case using videotaped testimony of a man who already died.

The settlement came in a suit charging that Group Health Inc. and the dying patient's physician, Dr. Nejat Turkbas, were negligent in the treatment of William Bye, a public school social worker. Mr. Bye died of cancer of the colon in May, 1972, two months after making a testimony on videotape of his treatment by Dr. Turkbas. According to Mr. Bye, Dr. Turkbas first diagnosed the illness as an ulcer, and later as a case of the flu.

St. Paul Hospital & Casualty Insurance Co. underwrites malpractice coverage for the HMO, according to Mr. Bye's attorney, Kenneth Green. Group Health had no comment on the case or its insurance coverage.

MR. BYE'S SICKNESS was diagnosed as cancer by another HMO doctor, 11 months after he made his first visit to Dr. Turkbas. The defense reportedly claimed that Mr. Bye's illness would have been terminal even if Dr. Turkbas had recognized the disease immediately.

"The case will probably be appealed to the Minnesota supreme court," Mr. Green said. "A motion for a new trial is pending." But he added that the videotape testimony was never objected to by the defense lawyers. It is the first time a dead man's videotaped testimony has been used in a Minnesota court.

Group Health, the 17-year-old HMO is an independent pre-paid health service with 60,000 members and three area clinics. ■

Sometimes when we cure employee headaches, we also cure a product headache.

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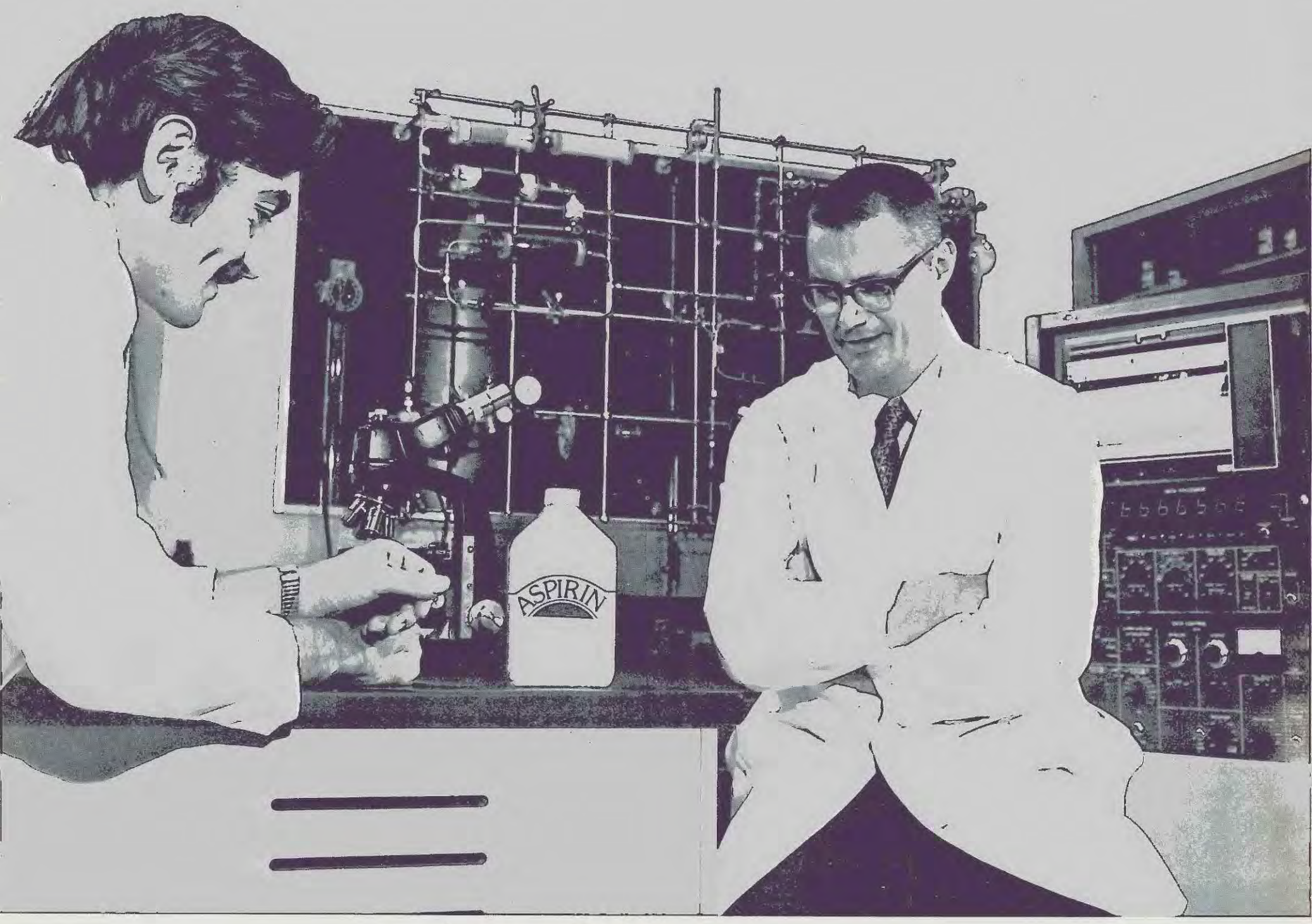

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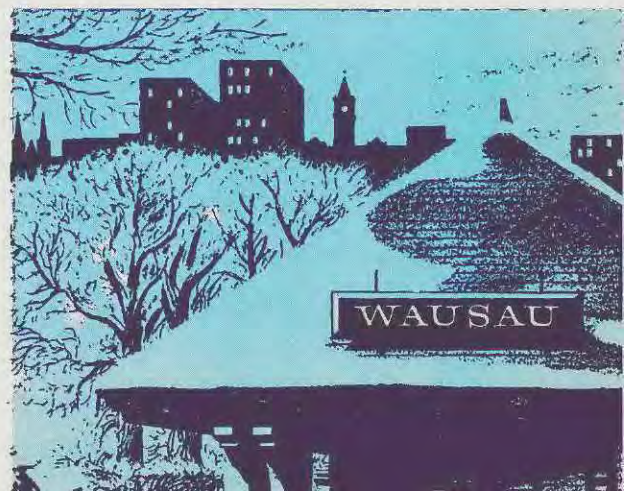

Women's labor group organized to push for equal benefits, wages

CHICAGO—A major step toward organizing women for gains in union representation, better wages and equal employe benefits took place here recently at the founding of the Coalition of Labor Union Women (CLUW).

About 3,200 women from more than 58 unions and collective bargaining labor groups drew up a statement of purpose for the fledgling organization. They also set up a 25-seat steering committee and a national coordinating committee with 200 members.

The CLUW is being designed to organize women on a grass roots level to better represent their interests within the unions, and in labor contract bargaining.

"I THINK IT'S going to have an important impact on the labor movement," said Nancy Pearlman, one of the CLUW members from the American Federation of State, County and Municipal employes. "It's very clear that this is striking a very responsive chord. We had 3,000 women and we only expected about 1,000."

Myra Wolfgang, a member of the national coordinating council and vp of the Hotel, Restaurant Employes and Bartenders Union, told *Business Insurance* that the CLUW has four main points in its statement of purpose. The organization will gain better benefits, wages and union representation for women by: taking political and legislative action; increasing participation of women within their own unions; taking affirmative action in the workplace; and organizing other working women.

Although the CLUW has not yet drawn up a specific platform, Ms. Wolfgang said the organization would seek "improved pension benefits, and improved health coverage for both men and women."

Included in the stand on work safety, she noted, the CLUW would work to expand the federal Occupational Safety and Health Administration while opposing state OSHA control.

THE NEW WOMEN'S organization would also work on "trying to achieve an equal application of pension benefits," Ms. Wolfgang commented. "This is an area that requires a great deal of study."

Women today often receive lower pensions than men in order to compensate for their longer retirements, she pointed out, but this may change. "Maybe the fundamental thrust of equality is that we're going to be dying younger."

The number of women in American unions already constitutes a sizeable minority. About one in five union members is female, a total of 4.3 million dues paying women. In many unions women comprise half the membership. And in the national workforce an estimated 38 million of the 80 million employed Americans are women.

The CLUW leaders say they recognize that the organization's strength lies in tapping this vast pool of working women. "The number one thing we will be doing this year is organizing chapters around the country," explained Addie Wyatt, CLUW vp and director of the Women's Affairs Dept. of the Amalgamated Meat Cutters & Butcher Workmen. The CLUW appointed three "conveners" for each state and the District of Columbia to organize local groups.

"Some are already underway," said Mrs. Pearlman, a convener for Washington, D.C. "New York City, Philadelphia and Washington have already had meetings." Dozens more are expected to organize this year.

IN ADDITION to the local membership drives, CLUW will be busy putting together a national platform. "All of the action programs still have to be discussed by the coordinating council," Ms. Pearlman said, "and decisions will have to be made by its members in the next few months."

But before the CLUW's action programs can be drawn up for discussion, the steering committee has to meet, and 17 of its 25 seats are still unfilled. "There really is a far way we have to go," one CLUW officer admitted.

THE ORGANIZATION plans to achieve its goals on two fronts —in the unions and in state and federal politics. Ms. Wolfgang noted that sex discrimination in the workplace is already being reduced through the efforts of the federal Equal Employment Opportunity Commission (EEOC). "What we're basically concerned about," she added, "is that despite the EEOC's activities there are still a great deal of violations, including many outright differences in benefits for men and women."

In order to be most effective in reducing discrimination, the CLUW will be working "to achieve an equal application of insurance and other benefits to both sexes, within a union contract," Ms. Wolfgang pointed out.

"We are the unions," Ms. Wyatt emphasized. "We realize that we must do much of the work within the unions . . . we will use first and foremost our own union structures."

In the AFL/CIO and many other international unions with female members, no women currently sit on the executive board. Ms. Wyatt explained that the CLUW will press for more women representatives in these labor organizations.

"We're not competing with our union brothers, we're talking about a partnership. We're not talking about taking their place, we're talking about taking our own place."

Hopefully, she added, the CLUW will make progress that cannot be measured in increased wages or benefits. "The proof of success will be our ability to go and achieve our goals. When women are encouraged and inspired to achieve goals within their unions, that's success." ■

American Re reports increased liability losses

American Re-Insurance Co. told shareholders in its annual report that inflation adversely affected its liability classes of business and had an equally serious effect on workmen's compensation results. "The impact of higher revaluation of claims falls heavily on the reinsurer of liability business since the bulk of this line is written on an excess of loss basis," the firm said. American Re also disclosed that because of higher-than-expected inflationary trends, management included in rate negotiations inflation factors higher than in the past.

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Company HMO plans hindered by new law's focus on communities

CHICAGO—Employers seeking to establish their own HMOs under the new federal Health Maintenance Act of 1973 may be largely discouraged by community-oriented regulations, according to an actuarial consultant speaking at an HMO conference here.

"Employers are going to have to think real hard whether they want to set up their own HMOs," William Halvorson of the Milwaukee-based Milliman & Robertson consultant firm told *Business Insurance*. "The government really wants community sponsorship and support.

"The enrollment of approved HMOs has to be a cross-section of the community," he added. "One-third of the policy-making board of the HMO has to be composed of members, and if there are any underserved areas, they too have to be represented on the board."

COMMUNITY participation requirements and $375 million seed money in the federal act are expected to give incentive to local medical groups planning their own HMOs. But nothing in the law prohibits an employer or trade association from starting an HMO. The hitch, Mr. Halvorson pointed out, is that coverage must be available to all residents in the community, not just to certain employes.

The law also is expected to say that no employer may pay to an HMO lower rates than those set for the rest of the HMO's community members. And an HMO's rates, based on a community experience, may be higher than they would be when based on a single company's experience.

Under the HMO act, an employer with 25 or more employes has to offer a pre-paid health plan option if an HMO is available in his area. But an employer who seeks to control the options by setting up his own health maintenance organization may still have to offer his employes membership in an outside plan if there is a local Independent Physicians' Assn. (IPA), Mr. Halvorson explained.

An IPA is a group of fee-for-service doctors who belong to a pre-paid plan that uses their services on a part-time basis. In an area where both an IPA and regular HMO are available, an employer may have to offer his workers the option of joining either health service.

IF AN HMO is located in a company's "area," the employer will have to offer an HMO option to his employes when the traditional health plan comes up for renewal after Jan. 1, 1975. But if there is more than one HMO nearby, the employer can choose the one with the best rates and location.

A big question left open to debate in the planned regulations is the definition of "area." How far away must an HMO be before it is not in the area, and not an optional choice? According to Mr. Halvorson, anywhere within 25 miles of a concentration of employes is "in the area." An area where a company has less than 25 employes will not require the HMO option.

The benefits cost to employers offering an HMO option is not expected to rise immediately, Mr. Halvorson said. According to the law, employes are supposed to pick up any cost for the HMO plan that exceeds the cost of the traditional group health insurance plan.

But in the future, employers may be forced to pick up the extra HMO costs in union negotiations, he added. The employer who is now offering his workers few benefits will be hardest hit by the HMO law. His employes who choose the HMO option will be forced initially to pay a large chunk of the cost. In future labor negotiations, however, these employers will find expanded benefits at the top of the demands list.

EMPLOYERS WHO fail to offer the HMO option according to the proposed regulations will be in trouble, but plans about who will enforce the law with what sort of power are still vague. The Secretary of Health, Education and Welfare (HEW) is responsible for implementing the law, and HEW regional health planning agencies are expected to handle local problems and questions in the law's adoption. But the number of these agencies is unknown, and the mechanics of how they will administer the regulations have not been spelled out.

For employers who dislike the HMO legislation, Mr. Halvorson pointed out to the conference sponsored by Charles D. Spencer & Assoc. that they are facing a dilemma. If the HMO plan fails, Congress may pass more drastic health legislation, he predicted. ■

Growth of S.C. Blues

Blue Cross and Blue Shield of South Carolina said membership has grown in 1974 more than 62% over last year, so that private membership now exceeds 700,000 for the first time. Sales of comprehensive health insurance to 228 new groups among the state's business and industrial firms pushed the number of insureds to 703,603. Among the new groups are employes of Electro Motive Manufacturing in Florence and Sea Coast Industries in Conway.

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ATTENTION: AGENTS/BROKERS

On July 22, *Business Insurance* will publish its third annual Agent/Broker Profiles issue.

Last year's issue contained profiles of 500 leading agents and brokers whose business (property, casualty, employe benefits and related services) is with commercial accounts.

Those profiled last year should be receiving in the mail in a few days a copy of their listing as it appeared last year along with instructions as to how it should be updated for inclusion in the 1974 Profiles issue. Please watch for this and return it completed as soon as possible.

Those who were not included in last year's edition and would like to be considered this year may obtain the necessary questionnaire by writing to *Business Insurance*, Agent/Broker Profiles, 708 Third Ave., New York, N.Y. 10017. Or, if you desire immediate attention, call Ms. Judi Talit at 212-986-5050. To qualify agencies and brokerages must have gross revenues of $150,000 or more annaully, with 50% or more business from commercial accounts.

Consumers gaining in product liability cases

HOUSTON—Strict or absolute liability of manufacturers in product-caused injury and property damage suits is gaining vast popularity in the nation's courts, according to a lawyer speaking at the Property Loss Research Bureau conference here.

Strict tort liability means the consumer does not have to prove a manufacturer was negligent within the confines of the products warranty in order to win damages in court.

James B. Sales, a Houston attorney, said that by year end 1973 29 states had adopted the concept of strict liability, and six other states are using it as a result of decisions in their state or federal courts.

The reasoning, based on a 1963 California supreme court decision in Greenman vs. Yuba Power Products, holds that a manufacturer can be held strictly liable when he places a product on the market that proves to have a damage-causing defect. The defect can be in the product's manufacturer, design or marketing, Mr. Sales explained. And the injured consumer does not have to prove specific negligence or breaches of warranty on the part of the manufacturer.

"It is incumbent upon an injured plaintiff to prove three essentials. One, that the product was defective when it left the control or custody of the supplier. Two, that the defective condition rendered the product unreasonably dangerous. And three, that the product was the cause of the plaintiff's injuries or damages."

The rest of the legal burden is on the manufacturer, Mr. Sales pointed out. In the eyes of the law, one of a manufacturer's greatest responsibilities is to alert consumers to all possible dangers inherent in the product.

"If a product is unavoidably dangerous, the manufacturer has a duty to adequately warn of all forseeable hazards. The failure to provide an adequate warning renders the product defective for the purposes of strict liability."

EVEN IT A SAFETY device is put on a product, the manufacturer can be held liable if it proves to be insufficient protection for the consumer, Mr. Sales noted. "The majority of cases involving defective (product) design concerns either the failure to install safety devices or their inadequacy."

If a product causes damage to non-consumers who either used the product or simply became involved as bystanders, the manufacturer can be held liable for their injuries as well, Mr. Sales told the conference.

"(The liability concept) expressly takes a neutral position as to whether bystanders or strangers injured by the defective product may sue in strict liability. "After an initial reluctance to expand the strict liability doctrine to persons other than consumers and users, the majority of courts reacted quickly to bring strangers and bystanders within the protective shield of the emerging doctrine. The courts have invariably held that damages for personal injuries caused by a defective product are recoverable." ■

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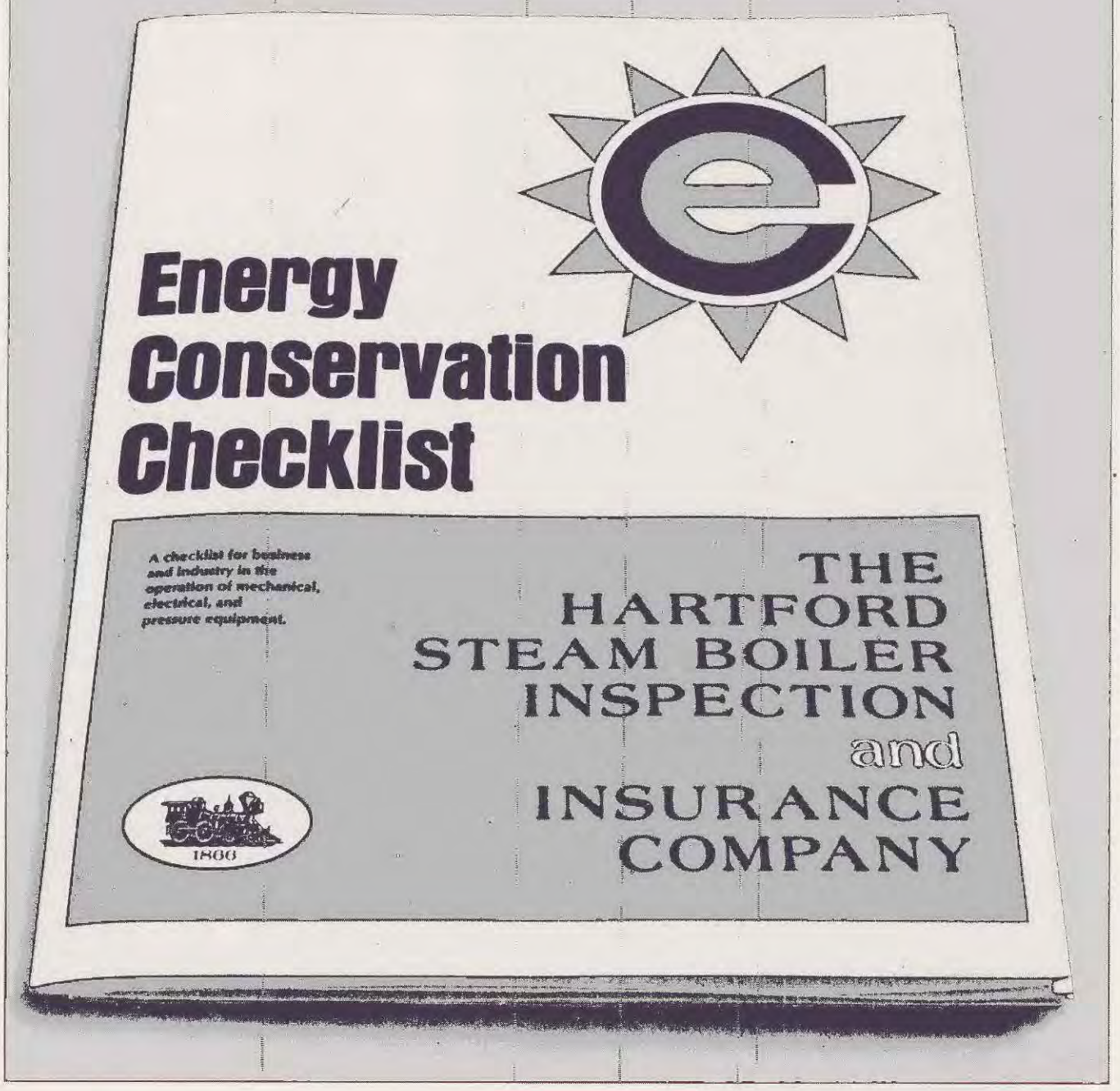

Public support of strikers disputed

LONDON—Vigorous protests against Social Security subsidizing of industrial disputes are being studied by the government under Prime Minister Edward Heath.

The issue surfaced when more than 270,000 miners threatened to strike for higher wages, then said there would be no need to call on their union for strike pay as their family income would be automatically helped out of public funds.

IT IS NOT the first time this problem has arisen. For many years Social Security laws have protected the families of unemployed workers from hardship.

But in the last six years $50 million has been paid out in supplementary benefits to strikers under this rule. When mineworkers decided to use this welfare "loophole" they had to battle with the Tory government over its policy of keeping wages down until the national economy gets better.

Miners used the same tactic two years ago, and drew nearly $15 million from the state during a long strike without touching trade union funds. ■

Nurses win dental plan

Nurses at Providence Hospital, Portland, Or., voted to accept a new two-year contract including added wage and fringe benefits. For the second year the agreement adds a paid dental care plan for nurses and dependents.

Insurer, dentists offer prepaid group plan

WAUSAU, WI.—Employers Insurance of Wausau and dentists in Marathon County have offered a prepaid dental insurance plan on a group basis to residents of the county.

The plan is similar to one made available earlier by Employers and the Marathon County Medical Society for prepaid medical care.

The dental plan is being offered initially to groups of ten or more full-time employes and their dependents. It covers diagnostic and preventive care, basic care, expanded care and orthodontics.

Harold Bliss, a senior vp at Employers, said, "It's the first dental insurance I know of in which a local dental society and an insurance company participate jointly in offering a plan of prepaid dental care with incentives for holding down long range dental care costs."

For groups of less than 400 employes, the plan provides a combination of diagnostic, preventive and basic care for $9.90 per month for families of three or more persons, $6.67 for two persons and $3.30 for single subscribers. Extended care and orthodontics may be included at an extra cost.

THE NON-DEDUCTIBLE plan starts paying with the first dollar of insured costs and goes up to $500 per person per year.

Subscribers can increase their coverage for basic care benefits by making at least one visit per year to a dentist. The coverage increases from 70% the first year to 80% the second and 90% the third. Subscribers may choose their own dentists, who are paid directly. All dentists in Marathon County are participating. ■

Bills in Ohio call for state health care

COLUMBUS—Four health care bills were introduced in the Ohio state legislature calling for a statewide health insurance program and health care quality control.

State representative George Mastics drew up the proposed legislation, based on the findings and recommendations made in January by a state house committee.

The main bill would establish an Ohio health insurance commission to provide health and accident insurance with a competitive schedule of premiums. If carriers like Blue Cross-Blue Shield could not keep their rates close to those set by the state, they would lose much of their business, Mr. Mastics said.

The bill also calls for the establishment of an insurance pool for residents who cannot obtain coverage from private carriers. Losses experienced by the pool would be 75% covered by the state and 25% covered by the private insurance industry.

A SECOND BILL would create the position of state Health Advocate General. Under his direction, all hospitals, private and public health clinics and convalescent homes would have to be licensed. Extensive changes in hospitals would need to be authorized by the Health Advocate General if they cost more than $100,000.

A health care quality board would also be set up to formulate health quality standards and represent consumer interests.

Rep. Mastics submitted a third bill which would give medical malpractice suits priority on a court docket. He explained that malpractice cases need speedy attention in order to protect the public from incompetent doctors. The state superintendent of insurance would also be required to make a study of the medical malpractice issue.

The use of one or more fiscal intermediaries in processing medical claims would be required by the final bill. ■

PRODUCT LIABILITY

That's the subject of the next RISK MANAGEMENT REPORT to be issued in May. Edited by H. Felix Kloman and published by *Business Insurance*, RISK MANAGEMENT REPORTS are published 6 times a year at the low annual rate of $60, which includes an attractive and practical binder which holds several years of the report. RMR are practical working tools for the risk manager and well worth the low rate. You may start with either the March (Vol. No. 2, The Care and Feeding of Agents and Brokers) or May (Vol. Nc. 3, Product Liability) issue. Sorry, Vol. No. 1 is out of print.

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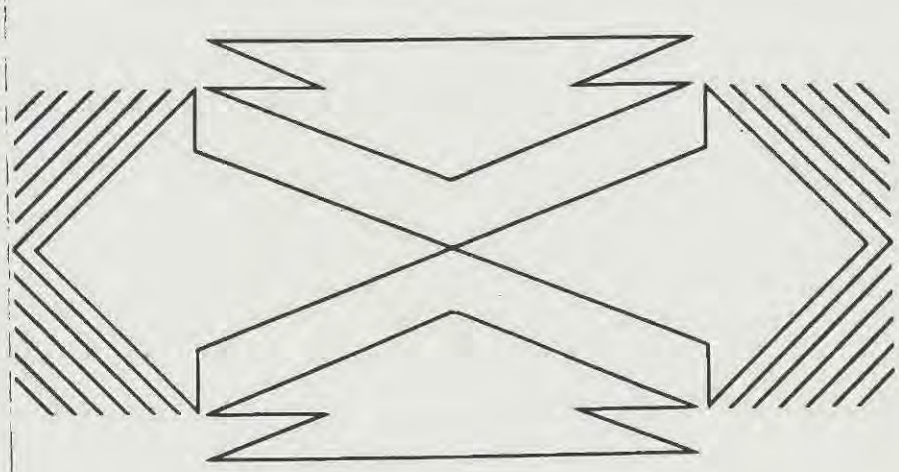

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Rates on hail insurance are lowered for Kansas farmers

TOPEKA—Hail insurance rates on growing crops will be lower for many Kansas farmers in 1974, insurance commissioner Fletcher Bell said.

The new rates are based on the crop-hail experience for the state as a whole but the actual effects will vary among the townships, Mr. Bell said.

Reductions will affect 17% of the 2,561 townships and partial townships in the state. The average statewide decrease will amount to nearly 1%, the commissioner said.

Crop-Hail Insurance Actuarial Assn., a licensed rating organization having one of the most extensive bodies of loss data in the fire/casualty field, developed the rate changes.

The loss and liability figures used are a compilation of each year's experience since 1924. The rates were developed on an average loss basis for each $100 of insurance over a period of time plus the cost of doing business.

The filing approved a revision of the basic crop-hail policy and some coverage endorsements. Expiration dates for soybeans and sorghum crops were extended to Nov. 15 from Oct. 15 and Nov. 1 because of the dates of crop damage in 1973. ■

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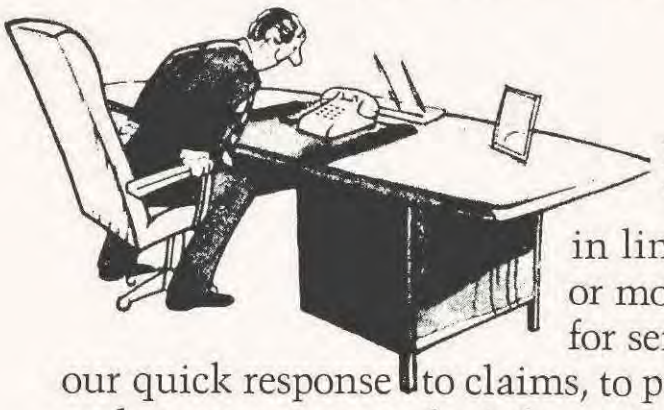

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• **Social Security as Amended December 31, 1973** has been prepared by Huggins & Co. Inc. It describes the benefit changes effective June 1974 after temporary lesser increases effective for March 1974 through May 1974. A summary of old-age, survivors and disability insurance benefits and a summary of medicare benefits are explained. Write Joseph A. Banik, Communications Services, Huggins & Co., 1401 Walnut St., Philadelphia, Pa. 19102.

• The Medical Group Management Assn. has published a **Manual on Insurance.** It provides a clinic administrator with basic information on the concepts of insurance and risk management and it will assist both the fee-for-service and prepaid medical group practice administrator. The major sections include business insurance, insurance for the professional staff and insurance considerations of prepayment. The manual is available for $6.00 from the Medical Group Management Assn., 4101 E. Louisiana Ave., Denver, Co. 80222.

• Risk Treatment Services Co. Inc. has made available to *Business Insurance* readers **OSHA What to Do? Total Loss Control the Answer.** It describes OSHA's record-keeping service, inspections, SBA loans, and a total loss control program. Write Lewis C. Barbe, Risk Treatment Services, 3200 Wilshire Blvd., South Tower, Suite 1208, Los Angeles, Ca. 90010.

• A book of **General Information on Insurance and Bonds** is available from the Hartford Insurance Group. It gives broad-brush treatment to the overall insurance markets, and contains general descriptions of fire, casualty and life policies. For a free copy write William A. Sanderson, The Hartford Insurance Group, Hartford Plaza, Hartford, Ct. 06115.

• A 12-page booklet, **What You Should Know About Changes in the 1973 General Liability Policies,** is available from the General Adjustment Bureau Inc. Each revision of the jacket and the comprehensive general liability part is treated separately, and the exact wording is shown for both the 1966 policy and the corresponding sections of the 1973 editions. Free copies are available by writing Management Services, General Adjustment Bureau, 123 Williams St., New York, N.Y. 10038.

• The National Assn. of Independent Insurance Adjusters has printed the **1973-74 Blue Book of Adjusters** for industry claim/loss executives. The directory of membership contains a complete listing of association officers, committees and member firms. It also lists separately provisional members, international associate members and contains an alphabetized listing of all firms. A free copy of the book may be obtained by writing the NAIIA, 175 W. Jackson Blvd., Chicago, Il. 60604.

• **Comprehensive Health Insurance,** underwritten at Lloyd's of London, has been released by Illinois R. B. Jones Inc. This is a descriptive brochure about a new accident and health plan. For a free copy write T. Cath, Illinois R.B. Jones, 175 W. Jackson Blvd., Chicago, Il. 60604.

• **The Stuyvesant Approach to Group Insurance for Legal Services** describes the need for this type of service and a solution. Also outlined are the four alpha WD series which are Stuyvesant's lower spectrum plans and which might affect a large segment of Americans. For a free copy write Stuvyvesant Insurance Co., G. A. Dziallas, 1105 Hamilton St., Allentown, Pa. 18101.

• **The Love Machine** is a brochure introducing the Optiscan computing automated accounting service based on input of optical character reading rather than

standard methods of keypunching. It is published by Optiscan Computing Inc. For a free copy write Interstate National Corp., Field Operations Dept., 55 E. Monroe St., Chicago, Il. 60603.

• **Directors & Officers Liability** is a brochure offered by American Home Assurance Co. which explains the exposures of corporate and foundation executives, and cites instances of recent suits against officers of companies. For a free copy write American Home Assurance Co., 102 Maiden Lane, New York, N.Y. 10005.

• **Directory—Brown Brothers Adjusters** is planned for the convenience of claims managers, insurance managers, agents and brokers. This directory lists every city and town in seven western states: Arizona, California, Hawaii, Nevada, Oregon, Utah and Washington. It gives current day and night phone numbers and mileage to the nearest Brown Brothers Adjusters branches. For a free copy write Vernon Neufeld, Brown Brothers Adjusters, 545 Sansome St., San Francisco, Ca. 94111.

• **Sound Measurement and Analysis,** released by Bruel & Kjaer Instruments, can be used as an aid to the correct selection of instruments for a certain noise reduction problem. This brochure summarizes what noise is and how it can be measured. For your free copy write B. L. Rhodes, Director of Communications, B. & K. Instruments Inc., 5111 W. 164th St., Cleveland, Oh. 44142.

• **More for Your Premium Dollar** is a booklet published by E. H. Crump Co. Inc. which contains a brief but detailed description of the programs and services available to corporate executives, agents and brokers who may need special handling of special risks. For a free copy write Frank Pidgeon, E. H. Crump Co., 110 Adams Ave., Memphis, Tn. 38103.

• Commerce Clearing House Inc. has published **Playing It Safe with CCH,** a summary of rights and responsibilities under the Occupational Safety and Health Act of 1970. The booklet emphasizes the act's general duty clause and employer responsibility to provide a safe workplace in compliance with OSHA standards. For a free copy write James Golden, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Il. 60646.

• The Diebold VSS-2 video surveillance system is described in a small, colorful brochure entitled **To Stop a Thief . . . To Catch a Thief . . .** Optional accessories are also outlined for the crime prevention and criminal identification system. For a free brochure write Rod Saunders, Advertising Manager, Diebold Inc., 818 Mulberry Rd. S.E., Canton, Oh. 44711.

• **Diebold Insulated Files** describes the complete line of insulated filing cabinets marketed by Diebold Inc. Charts and model illustrations are included in the eight-page pamphlet. A free copy can be obtained by writing Rod Saunders, Advertising Manager, Diebold Inc., 818 Mulberry Rd., Canton, Oh. 44711.

• The Safety First Products Corp. has a brochure on its dry chemical fire extinguishers in portable, wheeled or stationery models. **Interested in Fire Protection? Then Compare** includes charts with performance characteristics of the products. For a free copy write E. T. Robinson, Advertising Manager, Safety First Products Corp., 3684 Meadow Lane, Cornwells Heights, Pa. 19020.

• **Self Insurance, Major Financial Tool**; is a new pamphlet offered by the Self-Insurers' Management Corp. It explores and charts the financial benefits of self insurance for companies. For a free copy write Alvin J. Sims, Self-Insurers' Management Corp., 45 Bromfield St., Boston, Ma. 02108.

• **Flight Sense** is a booklet published by Associated Aviation Underwriters in the belief that the pilot is the key to reducing aircraft accidents. It is a 10-page brochure directed to pilots of single-engine planes, and reviews principal accident causes. For a free copy write R. Miller, vp, Associated Aviation Underwriters, 90 John St., New York, N.Y. 10038.

• The commercial casualty department at American Home Assurance Co. has updated its directory of casualty coverages. The booklet, **Specialized Casualty Protection,** describes the company's non-standard casualty coverages and the markets for each. For a copy write the company, Dept. 12, 102 Maiden Lane, New York, N.Y. 10038.

• A **Circular on Aldon Glide-Slide** offers *Business Insurance* readers illustrations and information on electric machines for opening sliding doors of railroad hopper cars. These can be used to replace hand bars. For a free copy write R. V. Switzer, Aldon Co., 3338 Ravenswood Ave., Chicago, Il. 60656.

• **For Your Healthy Tomorrow,** a brochure published by American Health Profiles Inc., describes, in pictures and text, multiphasic health screening as performed by the health testing firm. For a free copy write American Health Profiles, 4304 Harding Rd., Nashville, Tn. 37205.

• **Automatic Fire Protection Systems** is a brochure by the Norris Industries Fire & Safety Equipment Division. The CO2 kitchen fire extinguisher system is featured. For a free copy write R. C. Elder, Norris Industries, Fire & Safety Div., P.O. Box 2750, Newark, N.J. 07114.

• The National Safety Council has published a 1973 **Accident Facts** book, an annual statistical tool to determine causes of accidents and their prevention. The book is available for $2.80 from the National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611. Orders should include Stock Number 021.53.

OSHA unfair to small businesses: Goldwater

NEWPORT BEACH, CA.—Referring to the Occupational Safety & Health Administration as "a horror," Rep. Barry M. Goldwater Jr. (R-Ca.) told a meeting here that small businessmen have suffered unfairly because of OSHA practices.

Mr. Goldwater, who also attacked the Equal Employment Opportunity Commission, told the 13th personnel administration workshop of the National Assn. of Independent Insurers that federal enforcement agencies did not always act in an ethical manner but often on the basis that the end justifies the means.

"The most devastating impact of EEOC and OSHA has been on the small employer," he said. "At a time of high inflation, low profits and dollar instability, the small employer is hardpressed to even keep his business going, much less have it dictated to by some anti-business bureaucrat from EEOC, OSHA or other agencies."

The small employer, he contended, is intimidated by "questionable edicts" because legal expenses would come out of his pocket and he does not have the wherewithal to go to court.

"EEOC and OSHA handle such expenses through the American taxpayers," he commented. "The irony is that the businessman, through his taxes, pays the salaries of the very people who would put him out of business. This is less than ethical."

After noting that, in his opinion, EEOC and OSHA harassed businessmen, Mr. Goldwater added that the pending no-fault auto insurance bill is another example of federal government encroachment in areas where it does not belong.

Alleging that another ethics problem exists with the proponents of the legislation, who say it will be a bonanza for consumers, Mr. Goldwater added, "But they don't point out that under such a plan a consumer could be forfeiting a constitutionally protected legal recourse." ■

Increased ownership

INA Corp., Philadelphia, increased its ownership in Horace Mann Educators Corp., Springfield, Il.-based insurance and financial security group specializing in serving teachers, so that INA now holds a majority control in Horace Mann.

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No key man coverage on racing star Pete Revson

NEW YORK—Peter Revson, the auto racer who died last month during a practice run around the Kyalami track in Johannesburg, South Africa, just prior to the scheduled South African Grand Prix, was said to be insured, though not under a key-man policy, but under coverage purchased by his team sponsor.

D. A. Cameron, insurance director at Universal Oil Products, told *Business Insurance* that no key-man life insurance was taken out on Peter Revson when UOP bought the auto racing promotion package from Don Nichols, owner of the UOP Shadow and the Phoenix Racing Team.

"WE DIDN'T take out special employe insurance on Revson because he was not considered an employe of the company. He didn't only race for us he raced for others too."

He added that, "as a matter of fact, I checked to see if we needed insurance on Revson and we didn't."

Ben Williams, coordinator of the racing programs at UPO, said that insurance on Revson was handled through his employer, Don Nichols.

He stressed the fact however, that "this coverage is extremely private."

Although Mr. Williams would not divulge any information concerning limits of the policy, he did mention that "the amount of insurance varies in relation to the importance of the driver and the importance of the race." Mr. Revson and the Grand Prix were considered very important. ■

Arizona has premium tax revenue gain

PHOENIX—Arizona insurance premium tax revenue increased to $17,800,000 so far this fiscal year, compared with $16,000,000 in the period last year, insurance director Millard Humphrey said.

Mr. Humphrey said he expects the total to reach $17,900,000.

The fees portion is used to run the department, which is self-sustaining. The premium taxes go into the state general fund, he explained.

"In the last ten years, premium taxes have increased 300%," he asserted. The tax is on gross premiums from all 1,400 insurance companies doing business in the state.

Domestic companies, of which there are some 400, pay 1% while companies based in other states pay 2%. A "retaliatory tax" is applied to companies from states which have a greater than 2% rate. Companies from those states pay their states' rates in Arizona. ■

Health bill . . .

Continued from page 1

the Kennedy-Mills bill. If your salaries are higher than average, the premiums are more expensive."

This would benefit lower paid groups where experience ratings are generally higher than for white collar groups. But many high-wage firms already have expensive insurance programs and the Kennedy-Mills proposal would add only slightly to that, according to the aide.

The major differences between the Kennedy-Mills proposal and the administration plan are in the compulsory nature of the Democrats' proposal and the Nixon plan's reliance on voluntary participation.

The benefit packages are substantially similar, but who the premium dollar is paid to and how it is collected are different. Under the Kennedy-Mills plan, premiums would flow directly to a new independent Social Security Administration that would would be in charge of paying for hospital coverage.

PRIVATE CARRIERS would essentially administer the Nixon health plan, but under the Kennedy-Mills plan they would cover only the health insurance deductibles and coinsurance payments.

This private insurance coverage would include individual medical care costs never exceeding $150 a year under the Kennedy-Mills bill, the same maximum established by the administration bill.

The maximum deductible for a family would never top $300 in the Kennedy-Mills plan, compared with the administration bill's $450 limit. And both plans would require a 25% coinsurance, never costing more than $1,000 under the Kennedy-Mills bill, or $1,500 in the administration's plan.

IN ADDITION to a reduced role for private insurers in the Kennedy-Mills plan, the bill includes a more restricted drug insurance plan.

Shortly after the Kennedy-Mills bill was introduced, United Auto Workers president Leonard Woodcock announced that his union would continue with their official support of the original Kennedy-Griffiths health insurance proposal bill.

"We have high regard for both Sen. Kennedy and Rep. Mills," he stated. "We shall, therefore, carefully review the new proposal to determine its strengths and its limitations.

"It should be understood, however, that we will continue our support for the (Kennedy) health security bill. It is the only proposal we have thus far seen which measures up fully to the needs and aspirations of the American people in personal health care." ■

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Equitable enters property-liability field

The Equitable Life Assurance Society of the U.S., the nation's third largest life insurer, said it plans to enter the property-casualty field through a proposed $36 million purchase of three Texas-based subsidiaries of W. R. Berkley Corp.; Houston General Insurance Co., Trader & General Insurance Co. and Associated Employers General Agency, Inc. Its P/C entry follows the trend of other leading life companies, including Prudential and Metropolitan, into the field.

ASIM officially happy with Denenberg step-in

PITTSBURGH—Though Gov. Milton Shapp did not appoint either of the persons recommended by the local ASIM chapter to replace erstwhile insurance commissioner Herbert Denenberg, the Insurance Buyers Assn. of Pittsburgh is not at all unhappy with the nominee.

Last month, the group sent a letter to the governor listing the criteria it felt a new insurance regulator should meet (*Business Insurance*, April 1, 1974) and two possible choices—former risk manager and special assistant to Mr. Denenberg, Rodney F. Pyfer, and John J. Sheehy, deputy insurance commissioner.

SINCE THAT TIME, the governor named William J. Sheppard to the post. Mr. Sheppard, a 15-year insurance department veteran, had been deputy commissioner in charge of the division of companies.

"We are absolutely delighted that the governor accepted our criteria," said Leland Deck, risk manager for the University of Pittsburgh and chairman of the chapter's legislation committee. "The criteria were really much more important than the individuals involved."

The chapter believed the new commissioner should have extensive technical insurance knowledge combined with consumer orientation. The letter recommended that the new commissioner should have worked during the past five years either as a risk manager or within the insurance department.

AT THE TIME the letter was written, Mr. Deck told *Business Insurance* that the chapter was concerned that Gov. Shapp, who is campaigning for reelection himself, might appoint a political hack to the post. "We wanted him to know a group of responsible citizens was watching him," Mr. Deck said.

"We are pleased that he appointed someone from within," Mr. Deck said of the new appointment. "Mr. Sheppard is not as well known to us as the two we recommended. He worked with the insurance companies most of the time so we didn't see too much of him."

Mr. Deck, who acknowledged Mr. Sheppard's reputation as a consumer advocate, said that the appointment was "an affirmation of the governor's faith in consumerism."

Regarding the chapter's two nominees, Mr. Deck said, "I hope that Mr. Pyfer and Mr. Sheehy are kept on the staff of the reorganized insurance department."

The Pittsburgh chapter was aided in its efforts to get a consumerist named to the insurance commissioner spot by the Central Ohio chapter of ASIM, which, at Mr. Deck's request, also sent a letter to Gov. Shapp recommending the appointment of either Mr. Pyfer or Mr. Sheehy. ■

Canadian no-fault hit by carriers

VANCOUVER, BRITISH COLUMBIA—A unique form of no-fault auto insurance established by government-fiat in Canada's far western province is now under court attack by 36 private insurance carrier groups.

The court action directed against the new Insurance Corp. of British Columbia, which now has $200 million of premiums paid by 1.4 million British Columbia vehicle owners, charges that the provincial government has denied private insurance companies the right to carry on a business licensed by the federal government.

The new insurance company, initiated by British Columbia's Socialist New Democratic Party Premier David Barrett, started operation March 1 after 166 private automobile insurance companies had been ordered to go out of business.

"This province," asserted Bert Warrick, director of the Insurance Bureau of Canada, "has now become the only area in the free world where vehicle owners have no choice in purchasing auto insurance, except through our Moscow Mutual.

"The act of the government," Mr. Warrick added, "is clearly unconstitutional and must be rescinded by the courts."

Premiums under the new plan are paid at the same time vehicle owners register and pay for license plates.

Accident claims are handled directly by corporation adjusters who determine responsibility for the accident. Drivers responsible then pay only the amount of the deductible contained in the policy, which range from $50 to $250. ■

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editorial opinions

Bad attitude

WAS McDONNELL-DOUGLAS CORP. guilty of faulty judgement for not making every effort to check and recheck the cargo door latches on all its DC10 jumbo jets to insure that safety precautions were taken? It seems reasonable that these efforts would include sending someone to foreign lands, if necessary, to check planes that were already delivered and in use.

Instead, McDonnell-Douglas seems to have relied on some not-very-strongly worded letters to customers suggesting further changes in the apparently-faulty door latches.

And, as it happened, Turkish Airlines not only did not make the manufacturer-suggested "further" safety modifications, but also failed to notice that one of its DC10s did not even contain a safety feature that was supposed to have been installed at the factory, but wasn't, for some inexplicable reason.

Aside from the insurance implications of the tragic Paris air disaster of March 3 in which 346 persons were killed, we wonder how committed to safety and loss control McDonnell-Douglas really was.

It seems to us that simple good business sense would dictate that the company would willingly have spent a good deal of money taking the ultimate safety precautions. Why balk at an expense for checking cargo door latches and even reengineering a plane to conceivably prevent the worst civil aviation disaster in history, an accident that now appears may cost McDonnell-Douglas and its insurers well over $100 million?

Yet, we wonder about the manufacturer's commitment to enlightened loss prevention for several reasons:

- testimony before a Congressional subcommittee only two weeks ago indicated that McDonnell-Douglas actively resisted a pending mandatory Federal Aviation Administration ruling on DC10 cargo door latch changes;
- FAA recommendations for total hull redesign of wide-body jets so that they would better withstand the kind of sudden decompression that took place over Paris, causing the crash, were rebuffed by McDonnell-Douglas.

Certainly, McDonnell-Douglas had its reasons for taking both these actions. And we're not passing judgment on their legality.

But we don't believe it served any good purpose to leave this safety issue under the table, which essentially is where McDonnell-Douglas pushed it with a request the FAA not issue a mandatory airworthiness directive for the cargo door latch modifications back in mid-1972. (The FAA concern followed another near-crash of a DC10 over Windsor, Ont. when the cargo door flew off, causing decompression and damage to the main steering mechanism of the plane.)

Certainly the FAA has to share some of the blame for bowing to industry pressure and not issuing a mandatory airworthiness directive when it became aware of imminent danger with the DC10. In agreeing to allow McDonnell-Douglas to make voluntary safety modifications (and thereby avoid some negative publicity about the jet) the FAA ignored recommendations by the National Transportation Safety Board that changes be made in the DC10 door latches and overall design because of safety problems.

The tone of a letter McDonnell-Douglas sent to the FAA just six days before the Paris crash indicates to us a classic case of buck-passing, combined with disregard for safety and loss prevention. The FAA had requested that McDonnell-Douglas redesign the floor of the DC10 to better withstand decompression, and thereby avoid collapse of the floor which had rendered the central cable system of the plane over Windsor ineffective.

McDonnell-Douglas sidestepped a very real safety problem by suggesting that it considered the design problem one that belonged to the entire industry, not just McDonnell-Douglas. The letter also suggested that the government should financially assist any redesign effort, inferring that it was too massive an effort for the mighty McDonnell-Douglas.

John C. Brizendine, president of Douglas Aircraft Co., has said that the letter was taken out of context. The subject was unrelated to the door latch, he said. Mr. Brizendine declared that nothing McDonnell-Douglas could have said or done about the latches or the floor design in the space of six short days could have prevented the Paris tragedy.

Maybe not.

But we wonder whether the company should not have welcomed federal safety regulations and recommendations back in 1972. Wouldn't even a multi-million dollar safety effort have been worth the trouble, in hindsight?

And isn't some review of corporate loss prevention goals in order?

Regulation issue

A RISK MANAGER'S OPTIONS are increasingly limited by state and federal regulation of insurance and self-insurance.

To the extent that underwriters' activities, rates and policies are restricted for the purpose of preventing unfair competition, or to foster better competition, or to prevent further Equity Funding-type scandals, risk managers may well applaud insurance regulation for protecting the interests of consumers.

In other instances, however, the risk manager is not always cheering the regulator. Keeping abreast of changes in no-fault insurance laws, workmen's compensation laws, OSHA regulations, and an endless list of fast-changing employer regulations is imperative. And this makes the risk manager's life most difficult.

On May 27 *Business Insurance* will publish its annual Insurance Regulation issue. We will look closely at the state insurance commissioners and their activities, in the past year, as well as the many forces in Washington molding insurance legislation and regulation.

We will look at the growth of federal insurance plans, and also the increasingly active role ASIM members are playing in the formulation of laws and rulings.

We welcome good ideas and suggestions for coverage of these major "outside forces" affecting risk and insurance management.

letters

This column is a reader's forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *708 Third Ave., New York, N.Y. 10017.*

Bank robbery

To the Editor: A few weeks ago we received an issue of *Business Insurance* which contained an article about a Los Angeles Bank which was sued when someone broke into the bank and took the contents of the safety deposit boxes.

We wanted to give this article to one of our local banks but that particular copy disappeared from our office. Would you kindly send another copy of the issue containing the article.

Seymour Nogi
Man, Levy & Nogi, Inc.,
Scranton, Pa.

Editor's note: That story detailed the implications of a pending Los Angeles court ruling on a suit involving United California Bank. It was in the Feb. 18 issue of BI and has been mailed.

Pension portability

To the Editor: Bion Francis knows insurance, and he has written several interesting articles for your Perspective column. But in his 2/18/74 piece on pension portability, his photograph should have shown some egg on his face.

In the course of debating with himself about the reasonableness of a mandatory vesting law, Mr. Francis stated that the federal government has a rightful place in the private pension picture because its pays 50% of the cost. He based this surprising claim on the fact that the cost of qualified plans is deductible as a business expense on income tax returns. Since the typical corporate tax rate is about 50%, he said, Uncle Sam pays half the tab. Then, since Uncle Sam is really you and I, we therefore pay 50% of pension costs.

Obviously, Mr. Francis has swallowed the old fairy story that, because business expenses are deductible, Uncle Sam is somehow subsidizing those expenses. This is poppycock. All legitimate expenses are deductible. If pension costs are not legitimate business expenses, and therefore proper tax deductions, what costs are?

Mr. Francis should know that qualifications under Section 401 of the Internal Revenue Code for pension plans were not designed to provide tax breaks, but were intended to give Uncle Sam effective control over pension design (and maybe to discourage an occasional chiseler). In truth,

Continued on page 20

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Lloyd's mulling over group legal insurance

LONDON—Underwriters at Lloyd's are considering providing the U.S. market with group coverage for legal costs.

Paul Strover, insurance broker from Colchester, Essex County, made a detailed study of the international problems of group legal insurance after launching his own legal insurance scheme for the U.K. market.

If he finds it wins domestic clients in Britain, he will start on an even fuller review of the American market if his Lloyd's syndicate can offer better and more competitive terms.

BUT IN AN INTERVIEW with *Business Insurance*, he was frank about the difficulties of providing legal risk cover for the U.S. market, where such firms as the St. Paul Cos. are already offering their facilities.

"Too little is known about the nature of the risk, and too much is at stake in guaranteeing more than a restricted amount of cover, for any full profit and loss ratio to be worked out in less than a decade," he believes.

Mr. Strover, who is also a Lloyd's underwriter, said: "Any underwriter who embarks on legal insurance can have his fingers badly burnt if he fails to watch the situation very carefully.

"In my opinion, the only safe approach at the moment is on a stop-loss basis. This is because it is quite impossible to predicate what demands clients will make on legal risk policies, or therefore what the cost will turn out to be to the insurer.

"MY FEELING about the American market is that there are so many uncertainties that it is best to proceed carefully. I would be happy to prepare a scheme for any corporate or trade union that wanted it, but I'd advocate a stop-loss approach in the first place so as to give the right level of cover at the lowest possible cost.

"For example, if I arranged cover for employes of a major corporation on a $3 million premium annual income basis, I would think of operating on a stop-loss understanding of 125%.

"So if claims ran above $3 million, the insured would have to meet the next $1 million out of company funds, although loan facilities from insurers could be available. Then there would be cover again up to, say, a top limit of $7 million before new premium ratings had to be imposed.

"This scheme would give everyone the necessary experience to work out the proper rates, and would give the insured cover at a low cost without being involved in too much risk," Mr. Strover stated

Commenting on some current U.S. legal insurance plans, Mr.

Continued on page 19

Firm guilty in first OSHA criminal suit

OMAHA—A Millard, Nb., construction company was fined $5,000 as a result of the first criminal suit filed under the Occupational Safety and Health Act of 1970.

A U.S. district court jury here found the Turcon Construction Co. guilty on one count of "willful violation" of the act's trench shoring standards. The penalty imposed by district court judge Albert B. Schatz could have run as high as $10,000 and included six months' imprisonment.

A three-count indictment was filed against Turcon and its president, Charles H. Turner, by the U.S. attorney here in October, 1972, after a June 28 trench cave-in that killed a Turcon employe. The cave-in occurred only a few weeks after the firm had been cited by OSHA inspectors for failure to properly slope or shore trenches, failure to remove excavated soil from the edges of the excavation and failure to provide escape ladders.

THE CITATIONS and the notification of proposed penalities for the alleged violations were not contested by Turcon.

The indictment charged the firm with identical violations and also named Mr. Turner as an "aider and abettor." The jury acquitted the firm on the count alleging failure to remove excavated soil and dismissed the count pertaining to escape ladders. Mr. Turner was acquitted on two counts, and the third was dropped.

At the time of the fatal accident Turcon was excavating ten-foot-deep trenches for the installation of sewer pipes in Omaha. Three other persons were involved in the cave-in, but escaped uninjured. ■

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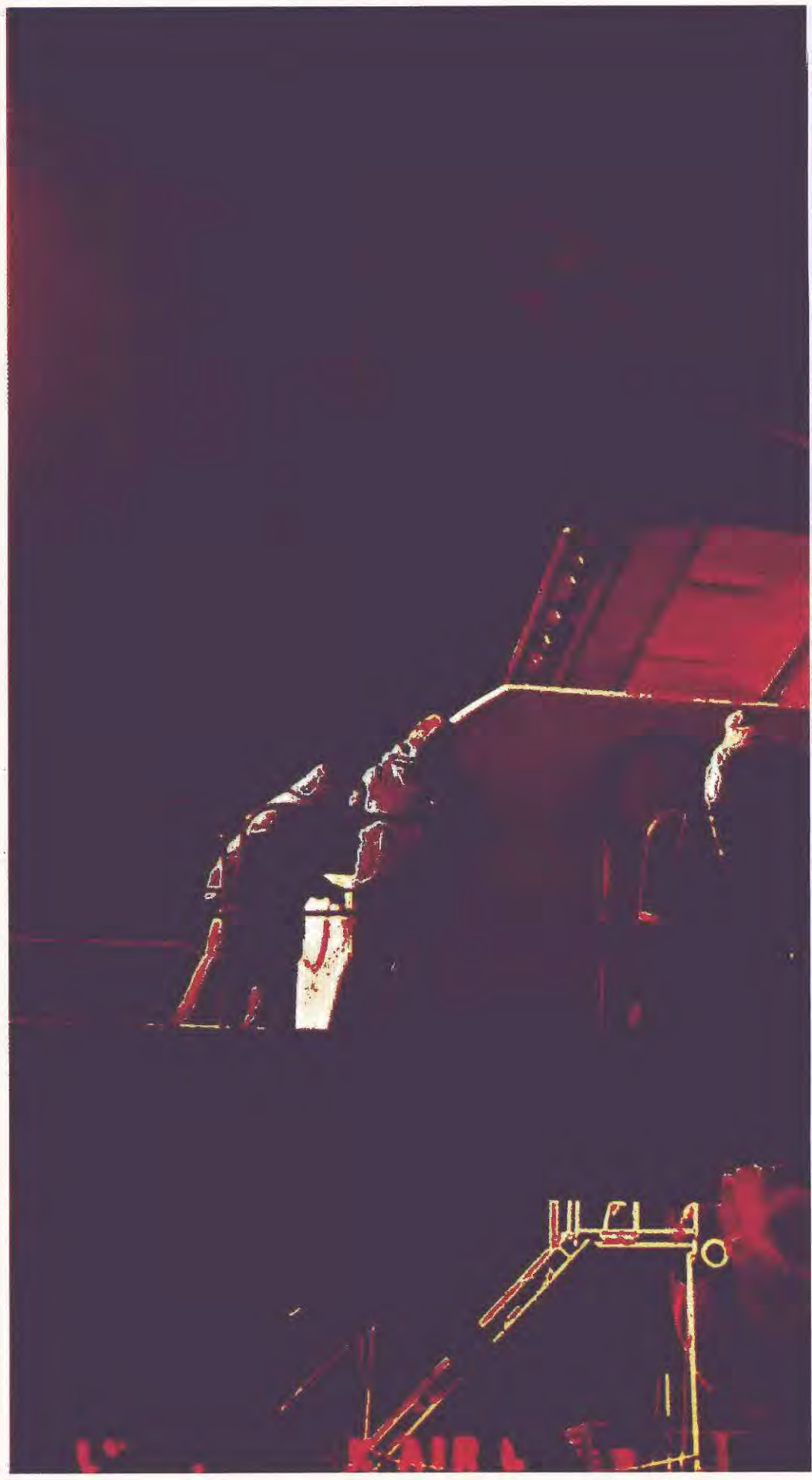


Continued from page 18

Strover said he feels "insurers have a substantial part to play in carrying the fortuitous risk, while their part in covering the inevitable or likely risk obviously gets less each year as experience and funds are built up?

"So I feel that in some offers now being marketed, the limits or benefits are too low, and the premiums higher than people may wish to pay.

"While the open panel system ensures some freedom of choice of lawyers, it has the drawback of being more expensive than the closed panel system. A compromise is needed, perhaps on the lines of the system set up by the California State Bar Assn.

"THERE SEEMS to be no attempt in some cases to arrange the coverage in distinct sections such as:

• cover for unlikely fortuitous events where selection against a fund is unlikely;

• cover of events that are likely or inevitable with selection against the fund."

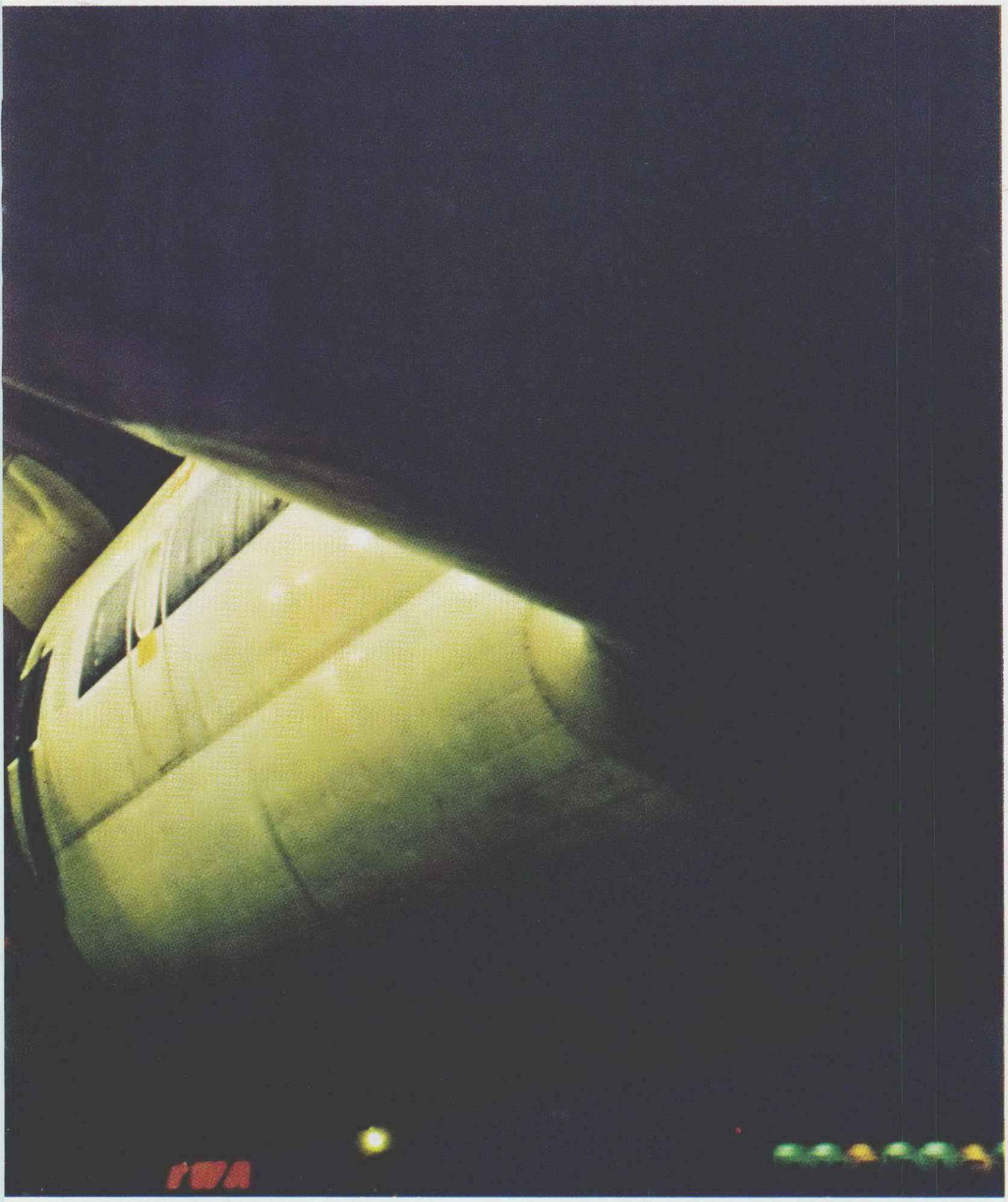
Mr. Strover believes legal insurance contracts should be revised in the following ways:

• One section of a policy should be devoted to fortuitous events for which the limits or benefits are high and the premiums low. "This would give an assured bargaining power at low cost, which in my view is one of the most important features of this class of insurance."

Another section, as an extension or separate contract, would provide coverage for events that are likely, and where selection against the fund is inevitable, at a higher premium with higher deductibles. However, the benefits should also be higher on an optional basis with premiums scaled-up according to the limits required.

• An open panel system with some control by the trustees of the fund, or by the insurance company, over the appointment of lawyers, with the right to negotiate a scale of fees in advance.

• Excess-loss or stop-loss facilities provided by an insurer, with facilities to make loans to bridge the gap between fund contributions and stop-loss contributions. "This facility would be of particular help where funds do not reply on the support of an insurance company." ■



City's agent group hit by antitrust suit

NEW HAVEN, CT.—Three insurance agents, in what has been termed a rare development for the insurance industry in the state, brought suit in U.S. district court here against the suburb of Branford and the Branford Assn. of Independent Insurance Agents on antitrust charges.

The suit charges that the Branford agents' association "exists solely as a device to monopolize the town's fire and casualty insurance business, to split commissions received from the town and to boycott other insurance agents."

The three plaintiffs—Gabriel F. Azzaro, John N. Russell and Roy C. Mobeck—cited the town and the BAIIA with violations of the Clayton and Sherman antitrust acts and seek treble damages totalling $270,000.

The court action contended that the town of Branford, a rapidly growing New Haven suburb, has purchased its insurance coverage according to the suggestions made by the BAIIA and that these purchases have been made exclusively through BAIIA member agencies.

THE THREE AGENTS' litigation emphasized that "no quarrel" is taken with the common practice in many communities of assigning insurance coverage to local agencies, but the suit added that in Branford not all local agencies are considered for the placement of the coverage. The suit charges that only companies with BAIIA membership are given the town's business.

"There is an agreement and understanding between the town and the association," the litigation contended, "that all Branford policies of fire and casualty insurance will be handled by association members."

Mr. Azzaro, Mr. Russell and Mr. Moback asserted that they have requested, but been refused, membership in the local agents' association.

The suit also accused the BAIIA of splitting commissions and brokerage fees from the town's business.

The BAIIA membership is comprised of Richard M. Squeri Agency Inc.; Look Insurance Agency Inc.; Palmer-Plant Inc.; Owens Insurance Agency; Harry M. Anderson Insurance Agency; Doba & Guddo Inc.; Robert G. Corbett Insurance Agency; and Casanova, Barbato & Dendes Inc. ■

Shell Canada in OIL

Shell Canada Limited has been added to the list of companies receiving Oil Insurance Limited (OIL) catastrophe insurance coverage. OIL, based in Hamilton, Bermuda, is a multinational mutual insurance company which insures petroleum companies against catastrophes. Started three years ago by a dozen oil companies, it now has a membership of 26 international oil and gas company groups with gross assets of $70 billion.

letters

Continued from page 16

there is no real tax break in section 401 for the employer. Rather, its retired employes enjoy a modest tax-shelter on benefits received, and the IRS designs pension plans through "tax incentives".

It's the same old story: the power to control. Congress long ago learned to control by "tax incentives" many aspects of our lives which it dared not (or could not) control through legislation.

Whatever the merits of pension legislation, let's not be misled by political fairy stories.

R. W. Stommel
Manager, compensation and employe benefits, Safeco Insurance Cos., Seattle, Wa.

Mr. Francis replies: Mr. Stommel states that "there is no real tax break in section 401 for the employer. Rather, its retired employes enjoy a modest tax-shelter on benefits received." If this is correct, certainly Congress has the right—and duty—to make sure that the "modest tax shelter" is provided for all employes in a fair and equitable manner. This is the main point I wanted to make, and there is no point in confusing it by an argument over who bears the actual burden of the contributions made by employers for pension plans.

Malpractice risks

To the Editor: I read risk manager James L. Groves' letter to the editor in the March 4 issue. He referred to a Jan. 7 story about hospital/medical malpractice. In part, he states—"how many risk managers would like to contend with an exposure created by certain people over which you can exercise only limited control?

I can see where a hospital can be assisted by a malpractice program which can control, to some degree, its losses. However, when an insurance company has a particular physician insured for professional liability, the company is dealing with an individual who does not have a superior looking over his shoulder.

It was absolutely deplorable that John G. Nork, the orthopedic surgeon in California was allowed to continue for years as a licensed surgeon performing unnecessary surgery which left patients crippled for life. He admitted to being on drugs, lying at previous trials, and performing surgery for financial gain. He had several pending claims filed against him as well as many previous settled claims before he admitted his guilt. How long was the California state board of medical examiners aware of his problems? The medical profession cannot or will not police its own!

I believe the insurance carrier as well as agent or producer has a certain obligation to the public. This does not mean that insurance companies should drop out of the malpractice business—it means that the insurance carrier, the producer, and the medical man (or woman) should cooperate.

The insurance carrier should thoroughly investigate and research the reasons for the rise in malpractice suits. An educational program can thus be instituted to prevent losses. If the trend is that there is not a proper doctor-patient relationship or if a second opinion is never mentioned before major surgery than this is what the insurance carrier should "push" for when underwriting malpractice risks. The insurance carrier and producer must establish direct communication with the doctor insured. The insurance carrier is in a position to enforce ethical conduct by these professionals. After all, what doctor will continue his practice without malpractice insurance?

What malpractice insurance carrier will take a definite stand and demand that individual doctors run their medical business in a manner that meets underwriting requirements? It definitely is not right for insurance companies to sit back and just collect premiums and pay out settlements with the attitude that "nothing can be done about this."

The insurance carrier will see a drop in malpractice suits, doctors will see a drop in their malpractice premiums, and the consumer will be happier and healthier ONLY when a carefully planned program is established by the insurance carrier. Direct contact with the individual doctor is a must!

Alice M. Cloud
(formerly assistant vp and account executive with J. A. Montgomery Inc., Wilmington, De.)

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Work comp assessments up $7 million

PORTLAND—Employers and employes in the Portland area will pay an additional $7,000,000-plus yearly to the Oregon Accident Insurance Fund (SAIF) beginning April 1, according to an estimate of the increase in job injury assessments.

Henry Spangler, Portland SAIF district office manager said total assessments would rise from $10,300,000 a year to $18,000,000 because of boosts voted by the recent special session of the legislature.

The estimate is based on a count of 487,900 for the metropolitan area payroll compiled by the Portland Chamber of Commerce.

Mr. Spangler said the legislators instructed the Workmen's Compensation Board to raise the daily assessment against Oregon employers from three to six cents a day or $1.32 a month per worker. The assessment for employes went from five to eight cents daily or $1.76 a month.

With the additional reserve funds, the SAIF will boost benefits to workers hurt before July 1973 to nearly the same level as for those injured after that date.

As an example, the official said a worker hurt since last July 1 and on temporary total disability received $125 a week, against $85 weekly for those hurt prior to that date.

Final exact amount of the increase in benefits is still to be set by the compensation board. However, Mr. Spangler expects the higher benefits to be effective with the May 1 benefit checks.

With the April 1 increase, employe assessments have quadrupled since July 1 while employer assessments have doubled. ■

New Cal-OSHA books

Two new booklets for employers on California's Occupational Safety and Health Act are being distributed from all ten offices of Fireman's Fund American Insurance Cos. in San Francisco as well as from the company's western region loss control department. One booklet, the "Cal-Osha Condensed Text," details sections of the 1974 act that pertain to employers. A companion booklet, "Cal-Osha Pertinent Points," covers specific details.

OSHA staff changes spark ASSE protest

PARK RIDGE, IL.—The American Society of Safety Engineers (ASSE) has formally expressed alarm at the Occupational Safety and Health Administration's recent cutback in the number of its federal safety supervisors.

Protesting against OSHA's reorganization move that decreased the number of supervisory posts, the ASSE requested John H. Stender, assistant secretary of labor, to restore the lost jobs or at least halt further cutbacks.

One Labor department official said OSHA has been shuffling its staff "because there are an awful lot of chiefs and not enough Indians." But he added that the decrease in supervisory posts was only a titular reform, and the number of safety personnel is actually increasing.

The agency has also been in the process of moving from its scattered offices in four Washington buildings to one central location, the official noted.

IN A LETTER to Mr. Stender, ASSE president Michael Krikorian wrote, "We have read with considerable concern recent announcements of actions taken within OSHA headquarters which have the effect of removing from their positions the few remaining safety professionals having supervisory responsibility.

"The result of these actions not only tends to further mitigate the effectiveness of OSHA, but it also removes from office people, who by the fact that they are mostly safety professionals, can assist you in carrying out the objectives of Congress and the President.

"The action also interferes with implementing the law in meaningful ways to reduce accidental injury and illness by providing safe and healthful workplaces."

The OSHA official told *Business Insurance* that the ASSE was prematurely alarmed. "I'm not sure whether they've jumped too quickly or not. Nobody lost money or jobs. Of course, some people were worried when they lost their 'chief of division' titles.

"IN FACT WE'RE taking more people on," he added. "There will be 40 to 50 more brought into the federal office of standards development alone."

The ceiling on the number of federal OSHA inspectors will also rise soon to 900 from 700, the official pointed out. And in the states with operating plans, the total number of inspectors will be climbing to 2,000 from 1,800.

"In view of the fact that almost nobody was involved earlier in the formation of health standards," the official said, "OSHA plans to put new emphasis on occupational health without detracting from the safety area."

The ASSE has also expressed fear that OSHA is reducing safety personnel in order to strengthen its health standards section. In a letter to Rep. Daniel J. Flood, chairman of the House appropriations subcommittee for the departments of labor, and health, education and welfare, Mr. Krikorian complained that work safety was already receiving less attentional than occupational health.

"Today the preponderance (of funds) is spent on occupational health, with minimal amounts going to efforts that affect the safety of workers.

"We recommend that increased funds for safety research and safety professional staff members be included in the NIOSH budget, with the specification that the institute devote effort and funds to accident prevention commensurate with the activities and expenditures for occupational health research." ■

Cox president of INA

Charles K. Cox was elected president and chief operating officer of INA Corp., Philadelphia. His election ends months of speculation about who will succeed John T. Gurash, chairman and chief executive, when he retires in two years. Mr. Cox, 54, was formerly executive vp of the INA insurance group, a position which is now eliminated. All divisions of the insurance group will continue to report to him.

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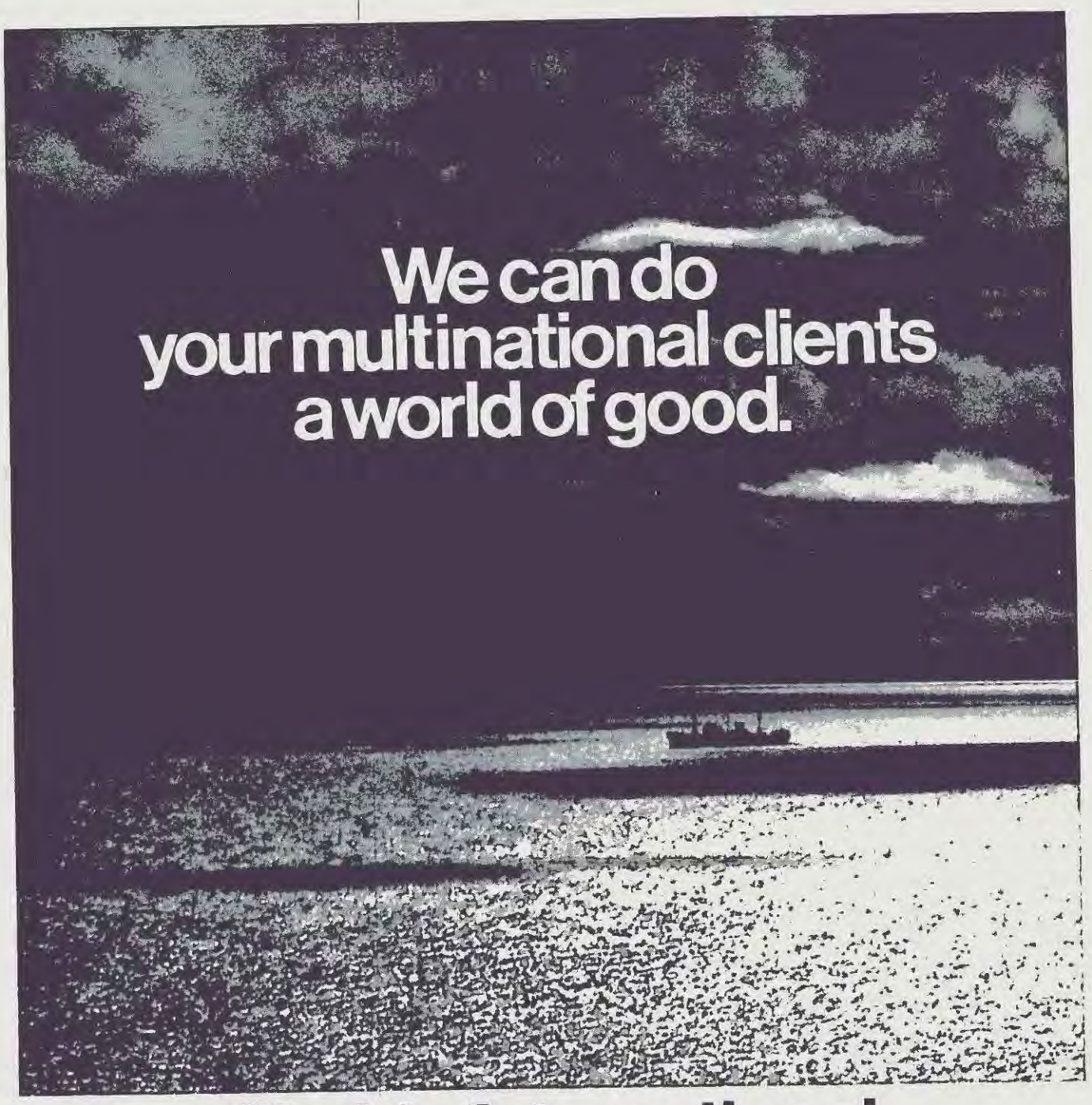

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Age bias in forced retirements faces crackdown

By STEPHEN GOOD

WASHINGTON, D.C.—The Department of Labor is gaining momentum in its crackdown on companies that force older employes into early retirement with small pensions and discontinued benefits during economic slump periods.

Although the federal government has no power to punish companies with unfair retirement practices, it is forcing companies in court to pay for pension and health benefits lost by workers improperly retired. And large settlements can be expensive.

"We are going to make every employer as cognizant of his responsibilities as we possibly can," said one DOL official. "We're going to enforce the (Age Discrimination and Employment) Act to the limits of our resources."

Under the Age Discrimination and Employment Act of 1968 (ADEA), the federal government is authorized to seek recompense in court for employes who are denied benefits or wages through age-related discriminatory practices. A few settlements have already shown that ADEA's clout can be heavy as well as costly to employes. One company paid a record $250,000 for pensions in an out-of-court agreement.

"If you get several hundred plaintiffs in a case, the damages can really build up," the DOL official explained. "We think it could be more expensive than any other law on the books when used against some of these large companies.

UNTIL RECENTLY, most of the ADEA suits were filed against employers who retire older workers, aged 55 to 65 during times of business setbacks. "The recent economic downturn has produced contractions in the work force, and we're finding that workers who are eligible for early retirement are being forced to retire," the official pointed out. "They are considered more retirable than those who are not yet eligible for a pension."

This reasoning is sometimes flawed, the official said. Many surveys show that older employes are often better than their younger colleagues in terms of productivity, job stability, and low absenteeism.

"An older employe may be more expensive to hire or keep," he acknowledged. Their pensions as well as their demand for health care grow yearly. Business will have to ignore that fact."

Damages in a suit are never punitive, he explained. "If a company uses its early retirement option to single out older workers in a discriminatory manner for early retirement, it is against the provisions of the act. What we in essence try to do is find what the employe was deprived of when he was forced to retire, and then restore it to him."

Determining how much should be demanded in damages for the victim of forced retirement is very hard to measure in some cases, the official noted. The retiree may have been incompetent or undesirable due to factors other than age. And it's impossible to know whether or not the retiree actually intended to stay at work until regular retirement age.

"AS OUR LAWSUITS go on we will be sharpening and clarifying what sort of damages we will get, and how they'll be computed," he said.

These clarifications are being hammered out now. Since 1968 ADEA has filed about 200 suits charging age discrimination in the hiring or retiring of employes. The number of complaints addressed to the DOL's age discrimination and equal pay section, located within the wage and hour division, is expected to rise from 2,200 in fiscal 1973 to 2,700 this year.

Congress may soon give ADEA greater power. Bills are now being considered that would extend the act's domain to cover 6.4 million more people employed in companies with 20 or more workers. The act currently applies only to companies with 25 or more employes.

So far in its age discrimination cases, DOL has a spotted record. The biggest award came in a settlement between Pan American World Airways and 29 former employes, settled before the case went to trial. The company paid $250,000.

"Because of their terminations, the 29 didn't have as many years under the pension plan," the official explained. "As part of the settlement the company purchased an annuity to make up the difference."

A PAN AMERICAN spokesman defended the forced retirement practice, telling *Business Insurance*, "This is not uncommon. We have people who either retire of their own volition, or they're forced to retire. This happens especially in times of employe cutbacks."

Another case is being appealed by DOL because the district court in Birmingham, Al. ruled that the company's mandatory retirement policy was legal. Brennan vs. the Taft Broadcasting Co. is now awaiting appeal in the Alabama

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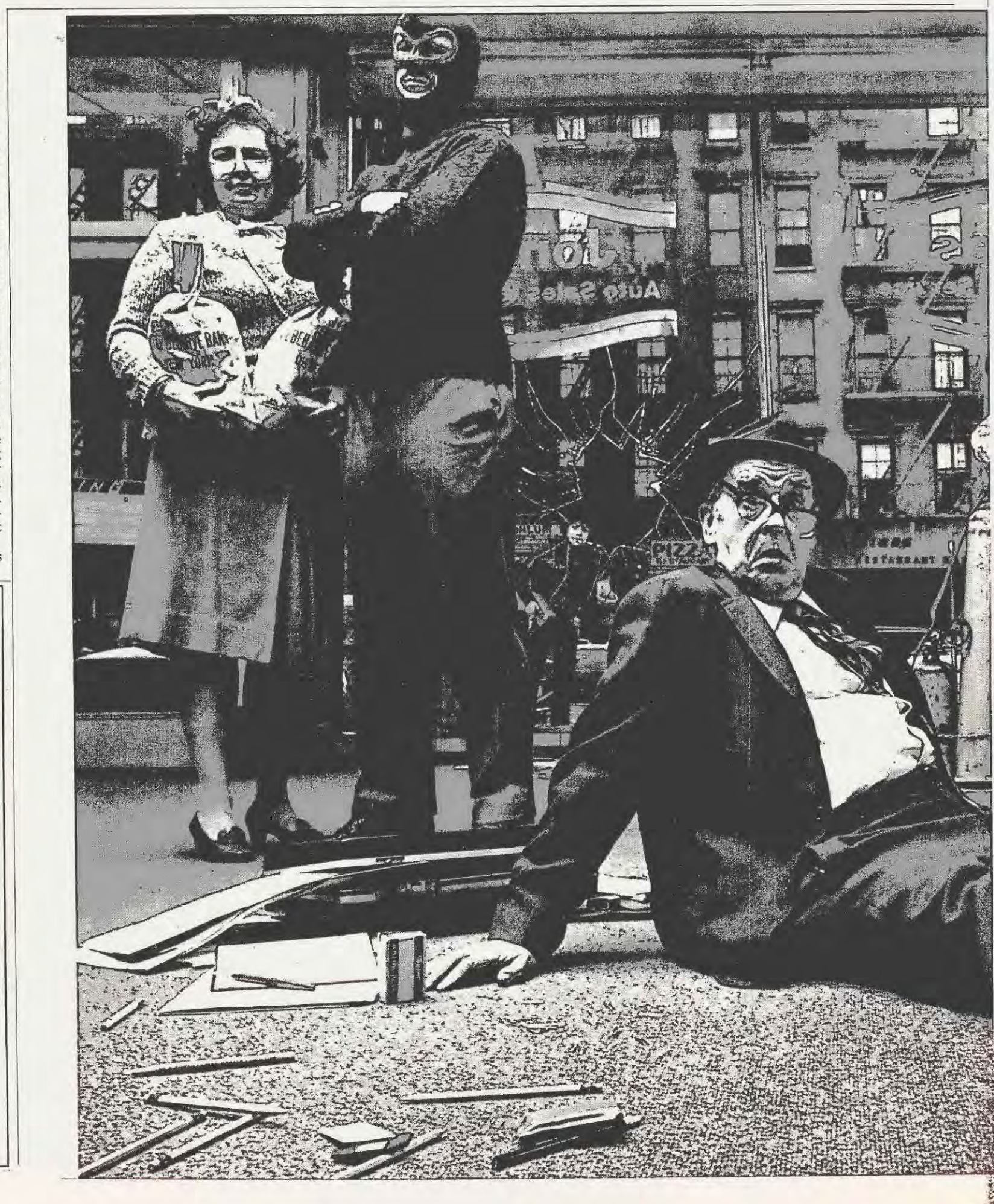

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Continued from page 22

5th district court.

"The issue there is that the radio company has a pension plan providing for mandatory early retirement at the option of the company," the DOL spokesman said. "We have challenged that plan saying it is not a bona fide pension plan in that the provisions which permit early retirement were not properly communicated to the employes. The district court dismissed our complaint," the DOL spokesman explained.

"SEVERAL OTHER" suits are about to be filed, according to the spokesman. But the department is unwilling to discuss them in detail. One large forced retirement suit filed in Louisville's federal district court at the end of 1973 involves the Anaconda Co. Like the Pan American case, it pertains to a cutback in workforce that forced older employes into early retirement. It asks for payment of back benefits which were allegedly wrongfully cut off.

No special industries and neither of the sexes have more than their proportionate share of forced early retirements. "You would find most of the forced retirees are male," the DOL official pointed out, "mostly because of their preponderance in the work force."

As DOL gains more clout under ADEA, and gradually defines what really is an act of age discrimination, it will expand its investigative operations. The Labor department's age discrimination and equal pay section already has the use of 1,000 wage and hour division inspectors at its disposal.

"I'm certain that as our investigations and litigation reveal more and more violations, we will be getting more investigators," the DOL official said. "We would like to get more in order to cover what we know is already out there." ■

Competition is hot for no-fault trucking plans

By JUDI TALIT

NEW YORK—Truck lessors are being bombarded with competitive offers for new low-cost insurance plans in no-fault states like New York, Massachusetts and Florida, where the medical expenses incurred for bodily injury are paid by the truck owner's insurance company, according to industry spokesmen.

Sol Edidin, executive director and general counsel at Car and Truck Rental and Leasing Assn. (CATRALA), told *Business Insurance* that "no-fault is a big bonanza for trucking companies," explaining that under ordinary insurance, the truck operator often had to pay the cost for any bodily injuries.

"Every major insurance company is involved" in marketing low-cost plans for truckers in no-fault states, noted Robert Harris, chairman of a New York-based brokerage firm, Tanenbaum-Haber Co. He insisted that "no-fault is adding fuel to the competition. The insurance market has changed to the point where trucking insurance is highly competitive."

BUT, HE WARNED trucking companies not to buy new insurance plans hastily. "This is a big thing for truckers, a major purchase for them. If they buy too cheap it ends up costing them more."

Mr. Harris explained that "this is a cost-plus purchase thing, usually the insurance company ends up paying the claims so the carrier must be capable of handling this with a no-fault situation."

Meanwhile, however, the executive director at the National Truck Leasing System in Chicago denied any knowledge of new low-cost plans being marketed in the trucking industry.

It has been rumored that in states where a trucking company's insurance carrier pays medical expenses, brokers are getting reduced rates for trucking clients.

A SOURCE AT National Truck Leasing System noted "representatives we have talked to say there will be no rate reduction."

CATRALA and Tanenbaum-Haber, on the other hand, said much conversation has been generated about possible rate reductions on premiums by lower truck mileage and reduced speeds accompanying the energy crisis.

CATRALA's executive director said, "There have been some general suggestions, or general reviews of the rate situations. Lowered speeds seem to have some effect, at least on the severity of accidents."

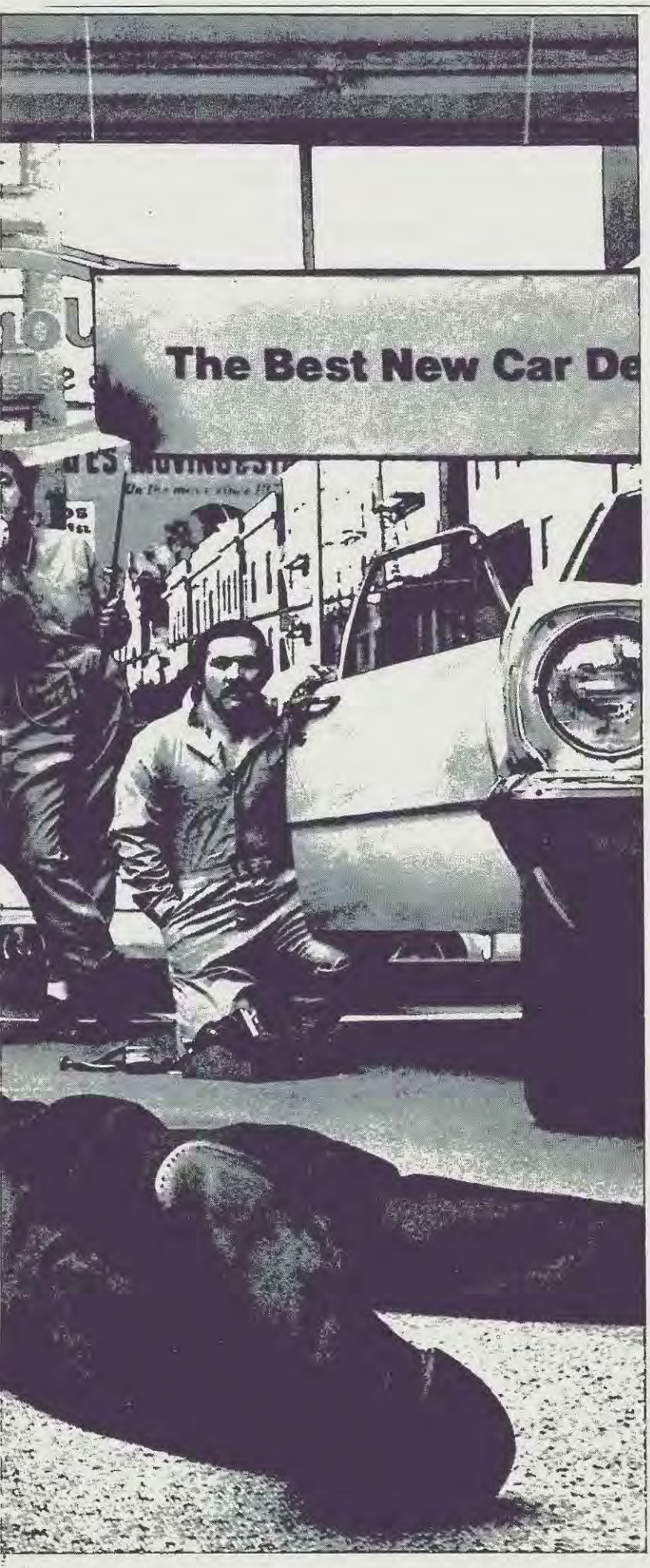
Mr. Harris said "there is a mandatory rate reduction in New York. The average rate reduction—$20-$22 for car owners. But this is not (applicable) technically for trucks because trucking organizations are rated differently. They are experience rated. In New York, negotiated rates should be 16% on basic limits."

"COLLISION AND physical injury for truck lessors are usually self-insured," Mr. Harris noted. "But, the average liability deductible is $5,000- $50,000, depending on the size of the leasing company. Larger companies have much larger deductibles. But, of course, many don't have any deductible at all.

"A great many unresolved problems exist for the truckers going through states with different no-fault requirements," Mr. Harris stated. Often, he continued, "truckers must buy extra cover to include other states."

The solution, he noted is "federal legislation and guidelines. There's a lot of legislation up to regulate no-fault so that truckers can travel from state to state without any change in coverage."

CATRALA's Mr. Edidin supports no-fault. "I think the effect of no-fault has been to reduce insurance costs. The proof is evident from the results so far." ■



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St. Louis ASIM officers

At its March meeting, the St. Louis chapter of the American Society of Insurance Management elected officers for the coming year. President is J. L. Fiedler, insurance manager for The May Department Stores Co. Dan Orlando is vp. He is insurance manager of Edison Brothers Stores Inc. D. L. Holmes, assistant insurance manager for Interco Inc. is treasurer, and William Drum, assistant insurance manager for Ralston Purina Co. is secretary.

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Polaroid...

Continued from page 1

Property, plants and equipment were valued at about $224 million, according to Polaroid's 1972 annual report.

Mr. Grant said that after "excellent experience for many years," he decided in January to increase the basic property deductible to $50,000 from $5,000. All of Polaroid's manufacturing locations—including two in the United Kingdom and the Netherlands—are considered "highly protected risks" by FM standards, "and it's a very comfortable position to be in," Mr. Grant mused.

He added, however, that while he and other risk managers "philosophically" favor high deductibles, "in many cases, the limited credits given for the self-assumption don't make it worthwhile to change."

Galt Grant

Last summer, he directed the purchase of Polaroid's first difference-in-conditions policy, after years of self-insurance. He said "the purchase of the policy, which has a $100,000 deductible, seemed wise because of an apparent relaxing of the DIC market last June."

FM, soon afterwards, announced that as of Feb. 1, some parts of its standard property form would be broadened as well as several new provisions added, at no extra premium deposit, including broader liquid damage, collapse, and volcanic eruptions coverages. Coverages for falling aircraft, missiles, and meteorites, sudden accidental radioactive contamination, and consequential damage and loss, formerly provisions of the FM DIC policy, were added to the basic form.

MR. GRANT SAID he hopes and expects that by the anniversary of the DIC policy in July, Allendale as an FM member, will give an appropriate premium credit for the transfer of the DIC perils after the term started.

Polaroid's domestic transportation policy is underwritten by FM, but its ocean marine coverage is through the Insurance Co. of North America for shipments abroad, he said.

Continental Insurance Cos. writes Polaroid's blanket crime policy, covering robbery, employe dishonesty, loss of money or securities and forgery. While Mr. Grant noted that there is really no way to insure Polaroid's more than 4,000 patents, risk management techniques are used by various corporate specialists, including law and patent departments, to protect inventions and ideas.

"In all areas, really, we pay so much attention to loss prevention and reduction that our experience has been excellent," Mr. Grant said. "We were tuned in very early to the risk management concept which stresses there are only four reasons to buy insurance: only if it's legally required, only if you want an insurer to stand between you and the claimant, only when you need the insurance company's services, and only if it is a catastrophic risk," he added.

Mr. Grant said that he allows local managers at foreign plants to plan their own insurance programs, although they must follow minimum standards. He said he purchases gap policy coverage from FM to bring the overseas programs up to U.S. standards. "We cover the catastrophic exposures, but we leave day-to-day administration to the local managers," he said.

"We were tuned in very early to the risk management concept which stresses there are only four reasons to buy insurance: only if it's legally required, only if you want an insurer to stand between you and the claimant, only when you need the insurance company's services, and only if it is a catastrophic risk."

On the liability side, Mr. Grant works out most of his corporate program through Boit, Dalton & Church, a division of Frank B. Hall and Co. Inc. The basic contract with Travelers Insurance Co. provides first-dollar coverage for comprehensive general liability, including product liability, automobile and workmen's compensation.

With the introduction of its newest product, the SX-70 camera, Polaroid is, for the first time, manufacturing its own cameras.

In the product-liability area, Mr. Grant said that while Timex Corp. supplies a number of Polaroid cameras, and the cameras in turn use flash bulbs made by General Electric Co. and GTE Sylvania, each maker protects his own product liability interests.

American Home Assurance Co. and Fireman's Fund American Insurance Co. write the umbrella layer for the CGL, auto and employer's liability portion of the workmen's compensation, Mr. Grant said. The overseas plants and subsidiaries' liability programs are included under the umbrella, he added.

Polaroid has directors and officers liability coverage from CNA/Insurance Co., but "so far, we've never had to collect on it," Mr. Grant said. The CNA coverage is placed through both Fred S. James and Stewart, Smith (marketing specialists).

"In a program like our statutory workmen's compensation, which involves frequency of loss, we are on a cost-plus basis or retrospective rating basis with Travelers," he noted.

"Mostly, we look to our liability insurers to act for us when we have a liability claim and we don't feel that the use of deductibles makes sense to us at this time," he added. ■

Dun's Five Best-Managed Companies —all Equitable group clients

Congratulations to these five leading firms recently selected by *Dun's* magazine as "the best-managed companies": Citibank... Exxon... Monsanto... J. C. Penney... Weyerhaeuser. It's worth noting that all five are Equitable group clients for life insurance, health insurance, pensions or profit sharing.

Companies like these demand excellence. When they chose Equitable, they had the assurance of quality service and superior performance.

We'd like to discuss our record with you. Write to Mr. James A. Attwood, Executive Vice President, Group Operations, 1285 Avenue of the Americas, New York, New York 10019.

THE EQUITABLE
Life Assurance Society of the United States, N.Y., N.Y.

Blue Cross in Pa. cuts rates again

PITTSBURGH—More than 250,000 Blue Cross group subscribers in western Pennsylvania will save $2.25 million a year in another rate slash announced by the state insurance department.

Former commissioner Herbert S. Denenberg said the latest cut in Blue Cross rates—together with changes announced last December—will result in a total savings of $4.75 million to policyholders.

He said the new savings will come from the elimination of a 4% contingency factor which the western Pennsylvania system had been collecting from "local prospectively-rated master insurance groups."

Local groups are those which have members within western Pennsylvania. ■

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Now we're concentrating on turning our branch offices into risk-management and sales centers. You get your answers where the mail goes faster and phone calls don't cost so much.

Our new Western zone.

To improve our system even more, we're now opening a fourth zone, our Western zone with headquarters in Fresno.

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We're concentrating our efforts to reach small and medium-sized businesses—companies with sales up to about $10 million annually. We have the expert "know-how" and the flexibility to protect and service this kind of business.

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Here's the point.

Remember the independent survey we reported on last year? Conducted by Francis D. Barrett, Jr. & Associates, San Francisco, among agents across the country, it ranked Z-A first in *overall services*. We're going to keep busy trying to live up to that.

George F. McDonnell

President

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If you're investigating a self insurance program—or already have one but aren't sure you're reaping all the benefits you should—get in touch with your agent or broker or any of our 160 offices. We can administer your program better. Not because we're bigger. Because we're better.

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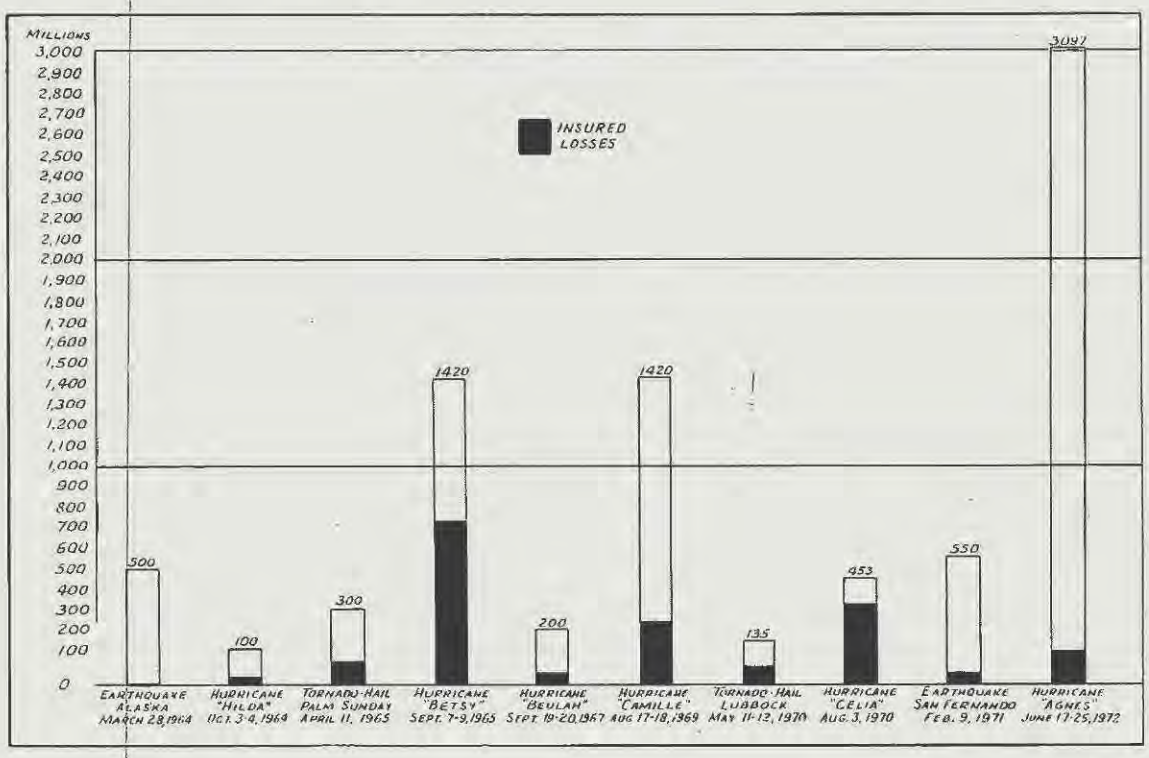
business insurance PERSPECTIVE

Actual Damage compared to Insured Losses for Selected Natural Hazard Disasters, 1964-1972



Risk managers needed for wise and coordinated land use plans

"Man has learned from past mistakes that he must make certain adjustments to his environment . . . or continue to suffer periodic catastrophic losses."

By EUGENE F. JOHNSON
assistant vp,
Rollins Burdick Hunter Co., Chicago., Il.

FOLLOWING THE STOCK MARKET crash of 1929, the United States suffered further damage to its crumbling economy during the drought of the 1930s. A combination of natural hazards—wind and drought—transformed the breadbasket section of mid-America into what was to be later called the "dust bowl."

Seeking solutions to further avert such disasters, the President's Great Plains Drought Area Committee in 1937, developed recommendations to minimize such a reoccurrence. Land use regulation was one of the adjustments suggested for shaping the agricultural structure of the great plains to meet natural climatic hazards. Over the intervening years, following the committee recommendations, various federal-state agencies acted to implement these adjustments.

DURING THE PERIOD 1952-56 another drought more severe than that of the 1930s struck once again across mid-America. Through a combination of factors, of which land-use programs were a part, the force of this drought did not produce the crippling effects of the 1930's. In this case, man had learned from past mistakes that he must make certain adjustments to his environment recognizing the impact of natural hazards or continue to suffer periodic catastrophic losses.

The accompanying table provides insight into the ever-increasing annual cost experienced throughout the United States for various natural hazards. As a nation we have reduced the waste to human lives produced by these events but have failed to check the spiralling dollar cost in property damage.

Presently our society meets the threat of natural hazards in four primary adjustments: building codes, public work projects, insurance and assistance programs. Of the four, building codes and public work projects, comprise the only adjustments that take community corrective action to meet the problem before it occurs.

Insurance deals primarily with structures and is a voluntary adjustment. The accompanying table provides comparison of actual damage data for selected natural hazard disasters vs. insurance losses between 1964-72. Earthquake, flood and hurricane driven water number among the prime natural hazards where insurance has failed to respond meaningfully as a risk transfer adjustment.

Federal-state assistance programs are wasteful in that they do not attempt to take remedial action to correct or mini-

Continued on following page

Large workmen's comp hikes a safe bet

"Workmen's compensation actuarial methods have been historically among the most responsive of all insurance rating systems. Changes in benefit levels or medical fee schedules have usually resulted in changes in rates. . . .'

By RALPH W. LEATHERBY
chairman and president,
Leatherby Insurance Co., Fullerton, Ca.

THE OCCUPATIONAL SAFETY and Health Act of 1970, in addition to establishing stringent requirements for industrial safety, also established the National Commission on State Workmen's Compensation Laws to undertake a comprehensive study and evaluation of the adequacy of existing state compensation systems. The activities of that commission may have more far-reaching implications for the employer than the job safety mandates of OSHA itself.

Those actively involved in workmen's compensation insurance were not dismayed at the commission's findings of inadequacy in most state workmen's compensation laws. During this era of increased social awareness, many states have failed to modernize their laws in this area to provide coverage and benefit levels consistent with the ever-increasing strength of consumerism and social reform.

Through the activities of the commission, Congress has served notice to the states that this situation must be rectified, and legislation, in the form of the Javits-Williams Bill, was introduced in Congress that would require states to meet substantive minimum standards, based on the commission's findings, by 1975.

It's a pretty safe bet that either through voluntary action, or by decree of the federal government, workmen's compensation benefits will be substantially increased in the next few years. And this means cost increases, affecting not only our industry, but the insurance buyer as well.

OF THE ESSENTIAL ELEMENTS being advocated for a modern workmen's compensation system, the changes most likely to affect our industry can be narrowed into three distinct areas. The first of these is that coverage must extend to all classes of employment and be compulsory for all employers. The second is that benefit levels must provide adequate weekly benefits to insure that financial hardship will not be encountered as the result of injury or death for work-related accidents. The third, that full medical treatment and rehabilitation services will be available to an injured workman without cost to him, and without time limitation.

Increasing weekly benefit levels will, naturally, have an effect on cost. Under the proposed legislation, injured workers will receive close to normal take-home pay as compensation. This is substantially higher than the maximum level of benefits in most states today and will have a profound effect on workmen's compensation premiums.

Workmen's compensation actuarial methods have been historically among the most responsive of all insurance rating systems. Changes in benefit levels or medical fee schedules have usually resulted in corresponding changes in rates, and both past experience and future trends enter into the ratemaking process. Past benefit changes have usually been relatively minor with the result that the small rate increases necessary to offset these changes have encountered little resistance at the regulatory level.

Continued on following page

Mr. Leatherby is founder of the 24-year-old Leatherby Co., a local insurance agency. It acquired the Letherby Insurance Co. in 1968, the U.S. branch of Guarantee Co. of North America, an insurance company founded in 1968. The firm is multiple line, but specializes in workmen's compensation. Mr. Leatherby was with the state work comp fund of California in the early 1950s. He is an affiliate member of ASIM, as well as a member of NAII. He is a member of the California Workmen's Compensation Institute, and has 25 years experience in the industry.

business insurance

PERSPECTIVE

Land use...

Continued from preceding page

mize the impact of natural hazards. Indications are that governmental bodies will attempt to shift this ever increasing financial burden, created by natural hazard impact, through reliance upon other social adjustments.

One such social adjustment to be applied is land-use, successful in the 1950s to meet drought, now deals with the recognized natural hazard impact. Through the risk management techniques of avoidance and risk reduction the nation will take corrective action before—not after—the occurrence.

What is land-use? It is a recognition that we as a society are not always technologically advanced to the point of being able to control nature, and that apparent masteries applied in the past may actually result in further dislocation of the environment. Through wise land-use management, natural hazards are recognized with various adjustments then applied to mitigate the blow.

During February, after five years of effort, the Senate-approved Land Use Policy and Planning Assistance Act (S. 268 and H.R. 10294) was indefinitely suspended by the House rules committee. This action came as a surprise and indicated that withdrawal of administration support, was apparently brought about by strong pressure from lobby groups. With approval now doubtful it would seem that this session of Congress will fail to enact land-use legislation.

FEDERAL LEGISLATION would encourage states, through the incentives of grants, to set up a planning process that recognizes areas of critical environmental concern. It would further establish land-use controls in other places of more than local importance. Airports, nuclear power plants, industrial parks and large-scale sub-divisions would be among those affected. Some proponents of federal land-use legislation desire to write sanctions into the act by which states could lose money from federal programs if they refuse to adopt satisfactory risk management and loss control procedures.

At the state level various forms of land-use laws have already been adopted by legislatures in California, Colorado, Delaware, Florida, Hawaii, Maine, Oregon, Vermont and Washington. A recent check indicates that the remaining states were at this time considering some form of land-use programs.

Efforts for adoption and enforcement of land-use legislation centers now with state government. The approach and degree of land-use varies by the individual state. Needless to say the risk manager must caution corporate real estate planners to proceed with caution in acquiring new sites without first consulting applicable land-use requirements.

For the risk manager land-use planning provides broader participation opportunities in corporate expansion programs. Site selection for new facilities or expansion in areas of critical concern necessitate analysis of those sectors covered under existing and proposed land-use programs. It also provides new opportunity to protect corporate assets thru early recognition, evaluation and control of risk associated with site occupancy.

THE BROKER-AGENT will experience demands for engineering service, similar to that created by passage of OSHA. A total engineering service will mean the capability to provide, not only fire-safety, but risk identification, evaluation and control measures in site selection. By this process such risk information obtained can also be presented favorably to underwriters documenting clients' minimization of possible loss potential.

Insurance companies will in the long run find themselves recipients of a better class of business through early recognition and avoidance of vulnerable loss prone areas. In turn, it should be expected that the companies will provide broader coverages with lower rates in recognition of hazard reduction.

Implementation of land-use will require the insurance industry to apply new risk evaluation techniques. Where poor legislation is written, that only broadens the police power of the state creating unproductive detriments to judicious growth, opposition must be mounted. Land-use creates new burdens, but it can also provide the opportunity to expand our various roles in risk analysis and hazard reduction. ■

ANNUAL ESTIMATE OF U.S. LOSSES TO LIFE AND PROPERTY FROM MAJOR NATURAL HAZARDS

NATURAL HAZARD	AVERAGE ANNUAL DEATHS	AVERAGE ANNUAL PROPERTY LOSS
EARTHQUAKE	7 (B)	$ 97 MILLION (1)
FLOOD	100 (B)	1.5 to 2.0 BILLION (2)
HAIL	0 (C)	200 MILLION (5)
HURRICANE	62 (A)	440 MILLION (2)
LIGHTNING	115 (C)	36 MILLION (4)
TORNADO	108 (A)	75 MILLION (5)
TSUNAMI	12 (B)	10 MILLION (2)
WINDSTORM	85 (B)	100 MILLION (3)

SOURCE: (1) (A) Insurance Facts 1973, Insurance Information Institute; (2) (B) Disaster Preparedness, Office of Emergency Preparedness; (3) (C) Assessment of Research on Natural Hazards, University of Colorado; (4) Fire Journal, National Fire Protection Association; (5) Nature's Destructive Forces, General Adjustment Bureau.

Mr. Johnson, assistant vp, Rollins Burdick Hunter Co., Chicago, serves in the company's fire engineering division, research planning and engineering department. He has 20 years of insurance-related experience, including 11 years with the Missouri Inspection Bureau. Mr. Johnson joined Rollins Burdick Hunter in 1966. He holds a BA degree in economics from Drury College, is a CPCU and an associate in risk management of the Insurance Institute of America, member of the American Society of Civil Engineers nuclear structures and materials manual section committee dealing with general structural aspects of nuclear plant site-selection.

Work comp...

Continued from preceding page

However, the rate changes that will result as the states increase benefit levels to meet the minimum essential recommendations established for 1975 will, in some instances, result in very substantial increases. As an example, the 1972 changes to the Longshoremen and Harbor Workers Act resulted in recommendations of 130.5% by the National Council on Compensation Insurance. This recommendation, by the way, has met with considerable resistance in certain jurisdictions from industry and labor groups.

HIGHER REINSURANCE costs to insurance companies also loom on the horizon. The reinsurer receives only a small portion of any rate increase, whereas major benefit changes may greatly increase their loss exposure. This will undoubtedly result in higher reinsurance costs and minimum loss retentions for the insurance companies. The cost of handling claims will surely rise as benefits increase and coverage of medical and rehabilitation services are broadened.

The changes in the insurance marketplace may be as severe as the changes in the workmen's compensation laws themselves. Increased benefits and rising claim and reinsurance costs directly affect the expense side of the ledger, and any failure to obtain needed rate levels will directly affect underwriting results. Eliminating limitations on the duration of indemnity payments on death and disability cases, combined with much higher weekly benefits, will greatly increase loss severity. Yet in spite of OSHA, there is little evidence that loss frequency will diminish to any significant degree. As a result, it is highly unlikely that workmen's compensation will continue to be the consistent profit producer it has been for the past 25 years. We are already beginning to see a sharp reversal of underwriting results in this area.

As this coverage starts producing underwriting losses, insurance companies will be taking a serious look at their marketing practices in workmen's compensation. Dividend payments will diminish, or may cease altogether as profits from which dividends are paid begin to dwindle. Companies that lack expertise and well-trained workmen's compensation staffs may begin to curtail their writings. And those companies experienced in this field will begin to be much more selective in their attempt to secure the insured keenly aware of the problems and interested in controlling losses.

> "The high cost of workmen's compensation insurance, combined with OSHA requirements, will result in increased emphasis on loss prevention and the loss control and safety engineering services."

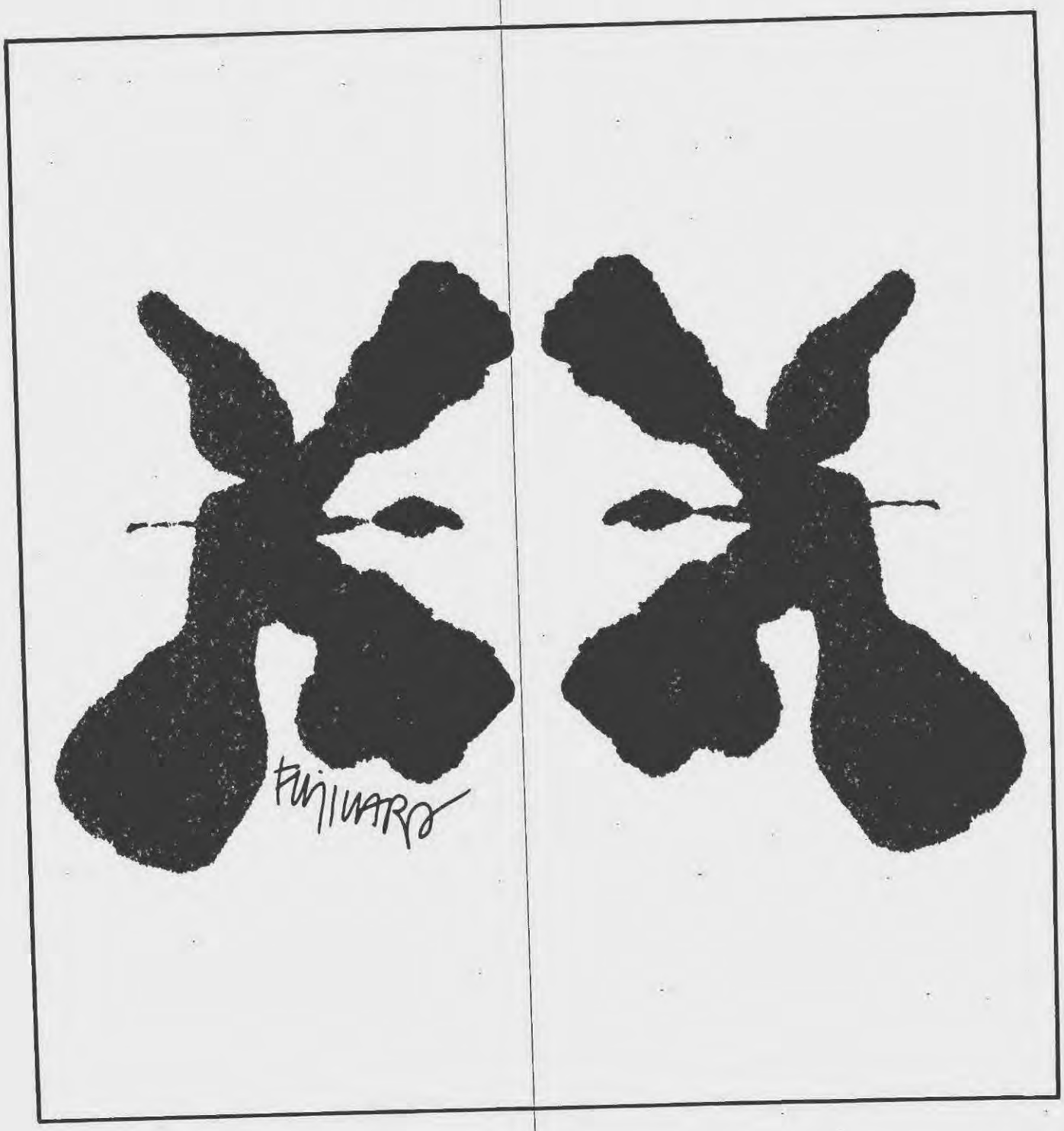
Should rate levels become inadequate, the risk with previous debit experience, but with concerned management eager to correct their situation, will become most attractive to the underwriters.

FROM THE EMPLOYER'S side, the high costs of workmen's compensation insurance, combined with OSHA requirements, will result in increased emphasis on loss prevention and the loss control and safety engineering services. The employer will become more keenly aware of, and interested in, how claims are being handled, and in the progress being made to return an injured worker to the job.

Increasing workmen's compensation insurance costs will lead many buyers to consider self-insurance. However, the same factors that affect the operating expenses of an insurance company will affect the self-insurer. Added emphasis on loss prevention will create additional expense as will the need for greater control over claims. Excess insurance costs will increase dramatically for the same reasons that carrier reinsurance costs will increase. In addition, lifetime indemnity benefits create a long-term liability that a large employer considering self-insurance should not ignore.

These trends toward broader coverage and higher benefits are being received with uncertainty and anxiety by many within the insurance industry. With profits already declining and underwriting losses beginning to appear in increasing numbers, workmen's compensation could easily become more difficult to place. If underwriting losses become prevalent, dividend payments will either be deferred or eliminated, and the present dividend-oriented marketplace will be replaced by buyers seeking markets willing to write their coverage on nonpenalty rating plans. ■

PONYTAILS



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Public funds available for victims of Princess Anne kidnap attempt

LONDON—Compensation for the victims of the kidnap attempt on Princess Anne will come from public funds, even though Queen Elizabeth may make her private arrangements to ensure their welfare.

This is largely because of the set-up of the Criminal Injuries Compensation Board in Britain (*Business Insurance*, Oct. 8) which has made awards totaling $10 million last year to people hurt in muggings and other crimes.

The special role of the Criminal Injuries Compensation Board is to cover crimes where the insurance cover carried by the employer may have limits of risk. Normally the victim would be able to sue a third party who caused his injuries, but if the fault is that of a gunman, then Government-based funds will take over the pay-out responsibilities. They are based on the awards that would usually be made in a corporate lawsuit.

All four—two policemen, a journalist, and the chauffeur—received gunshot wounds in the bizarre $1 million-plus ransom bid. They were praised for their heroism when Princess Anne visited them in the hospital later.

THE TWO POLICEMEN are basically protected by their service with Scotland Yard, which keeps them on its payroll unless they have to be invalided out, and the other two victims have certain rights as industrial workers.

In the case of the chauffeur, he is expected to stay on the Palace staff when he leaves the hospital, and the journalist hopes to resume normal work.

However if they suffer any lasting injuries they will be able to claim cash benefits from the Compensation Board since they were hurt during a criminal incident.

Some of them may have their own insurance cover against injury while on duty, but the Board's expressed purpose is to ensure that none of them lose out in any way.

Buckingham Palace carries its own cover against death or other injuries to employes in the royal household, but this will not stop its chauffeur getting compensation from the Criminal Board.

A Buckingham Palace court official told *Business Insurance:* "We are insured in the normal way for liabilities like any corporate or factory employer, and this applies to incidents while our staff are on duty."

This was confirmed by Leslie Moody, deputy secretary of the Civil Service Union, a trade union which looks after 200 royal employes.

Security on royal occasions is being stepped-up after the near-miss which could conceivably have led to Princess Anne's death.

Roy Jenkins, the Labor Government's new home secretary, told Parliament that secret talks with Police Commissioner Robert Mark, of Scotland Yard, will be used to introduce stricter precautions.

But he added: "I don't think it's easy for bullet-proof autos to be used without them taking on the nature of armored vehicles, and that may not be desirable."

In any case, armor-plating a vehicle against gun attacks is very costly. Sources in London suggest that to armor-plate a Rolls-Royce Phantom auto would hike its cost from $40,000 to $200,000 and double its weight to four tons.

* * *

MOVES TO CLEAR the Suez Canal will help Lloyd's to recover some of the $25 million in claims which it paid on four British vessels trapped in the Great Bitter Lake during the disastrous 1967 Mideast war, as well as on other insured ships.

U.S. and British navy experts are aiding the Egyptians to clear explosives and mines in the next six months. Then dredging will begin to make an exit passage for the trapped vessels.

The ships were accepted by Lloyd's as total losses after negotiations with their owners, but it is believed now that many of them can be re-conditioned. With hull values rising in the meantime, this may well enable underwriters to recoup much of their losses, as well as gaining through the sale of some of their non-perishable cargoes.

* * *

NEW INDUSTRIAL plants can become major fire hazards when they are nearly completed, just as much as if they are fully occupied, says the Fire Protection Assn. More than $7 million damage was done to a brewery plant which was under construction at Runcorn, Cheshire County, because the sprinkler system which could have saved the plant had not been fully installed. The system had not been connected to the water supply except for a temporary link-up for testing purposes. The plant, bigger than four football fields, was destroyed in a blaze which was fueled by a highly combustible roof, even though there were few combustible products on the premises.

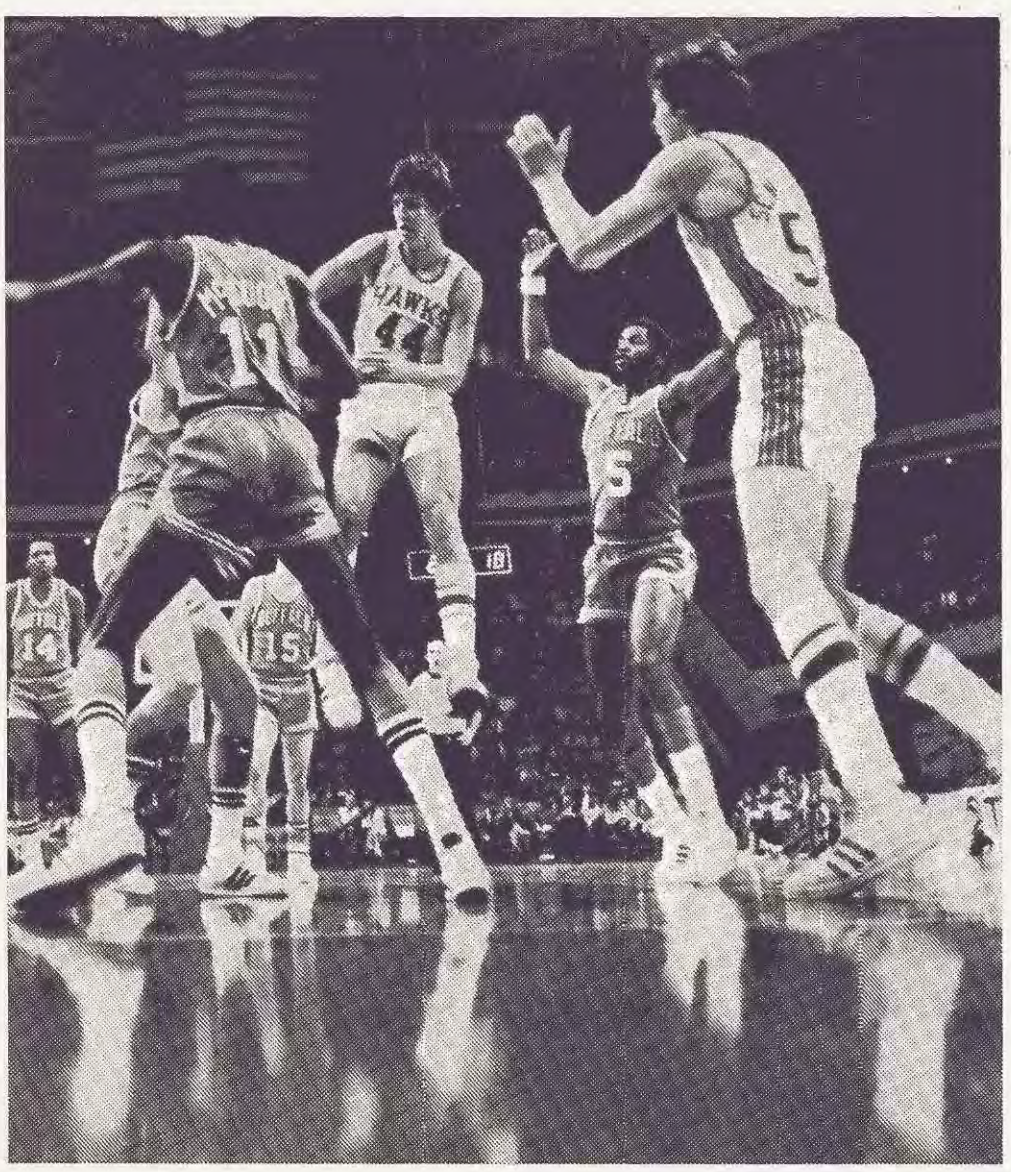
* * *

RISK MANAGERS in the U.S. have reached a situation of good relationships with the insurance industry because they recognize it as a "vital cornerstone" to their work, Walter Woodard, corporate insurance manager for the Boeing Co. in Seattle, said.

Writing in a new London magazine, Insurance, published by the Financial Times group, he comments: "The risk manager has become a truly professional manager in carrying out his responsibilities to his company. The highly professional broker and the forward looking insurance company have profited by participating in this trend. Today the importance of a three-way relationship is recognized."

Meetings between top management of several U.S. insurance companies and risk managers, under the auspices of ASIM, have proved so successful that some companies have asked for second and third round discussions, he notes. ■

FUN INSURANCE



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Home Insurance Companies

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Pact covers alcoholism treatment as sickness

NEW YORK—The treatment of alcoholism as an illness took another step forward when Local 1-S of the Department Store Workers Union, reached a contract with Macy's which provides sickness benefits and health care for workers who undergo treatment for a drinking problem.

"We think this is a landmark agreement, at least in the retailing industry," said Charles Boyd, the union's education director.

"In the past," Mr. Boyd told *Business Insurance*, "if a person was ill because of something considered self-inflicted, he was not entitled to sick pay or health benefits. Under this contract, if a person is undergoing, or is willing to undergo treatment for alcoholism, he gets them both."

The union carries a basic 120-day Blue Cross plan and a Group Health Insurance Inc. in-hospital medical cost plan, according to Mr. Boyd.

REGARDING SICK PAY, anyone with at least six months' service is eligible, after the third day of illness, for two-thirds of their weekly salary for 26 weeks in any 12-month period.

"We also discussed covering drug addiction, and the company was receptive, but the medical aspect was a problem," Mr. Boyd noted. "There is no established treatment for drug addiction agreed upon by the medical profession which would create many problems.

"However," he continued, "the door was left open. If and when a standard treatment is agreed upon, we will get a similar provision for drug addiction in the contract."

In other benefit areas, Mr. Boyd said the basic pension plan for the union's 8,000 members, who work at six Macy's stores in the New York metropolitan area, was improved to $230 a month at age 65, after 40 years of service. The old maximum benefit was $200 a month. There is no Social Security offset.

THE MINIMUM pension, for those with 15 years of service at age 65, is now $2.25 for each year, up from the previous $2. "This is not a spectacular figure," Mr. Boyd said, "but it is still a benefit that someone can get in on at age 50. There aren't many plans that allow that."

The union's retirees are also covered by the health plan, he said, as well as a supplemental health plan which covers many things Medicare does not pay. "All in all," Mr. Boyd said, "I think we have made some strides for the retirees."

The new contract also establishes a disability pension plan, under which anyone with 10 years' service can retire because of a disability and receive a pension based on the number of years worked.

The major medical limit was doubled in the new contract, to $10,000 from the previous $5,000.

The union has provided dental, optical and prescription drug plans for a few years, Mr. Boyd said, noting that the dental and drug plans were improved in the new contract.

"We still do not have family dental coverage," he said, "but this year we got the coverage extended to the member's spouse. Also, the fractional employes (those who work less than 20 hours a week) will now receive dental benefits."

The drug plan is now based on a $1 deductible per prescription as opposed to the old 50% cost sharing basis.

In another fringe benefit area, the employes won an increase in the discount they receive when buying in the store of five percent, from 10% to 15%.

THE UNION also won the largest general wage increase in its history, Mr. Boyd noted—$20 over the two-year contract period. The first year's increase will be $12 with an $8 hike in the second year.

"We wanted to get a cost-of-living clause in the wage agreement," Mr. Boyd said, but the union would have had to give us the "substantial" second-year increase to get it.

The wage agreement is expected to cost Macy's $5 million to $6 million over the contract's two years. ■

Court rules on eye test

OLYMPIA—The Washington state supreme court ruled unanimously that an ophthalmologist may be negligent in not routinely giving a test for glaucoma to everyone treated for eye discomfort.

The decision said a prior standard that tests for glaucoma should automatically be administered only to persons over 40 years did not protect ophthalmologists from liability.

The ruling reversed decisions in King county superior court, Seattle, and the court of appeals. ■

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special emphasis issue

May 27, 1974

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Topics will include significant rulings by the 51 commissioners for their states, or jurisdictions, as well as what's considered for the future.

Stories being planned are:

- **Profiles of commissioners, key people in their offices and how to contact them;**
- **Run down on all state rulings and laws on no-fault;**
- **State-by-state picture of changing workmen's compensation laws;**
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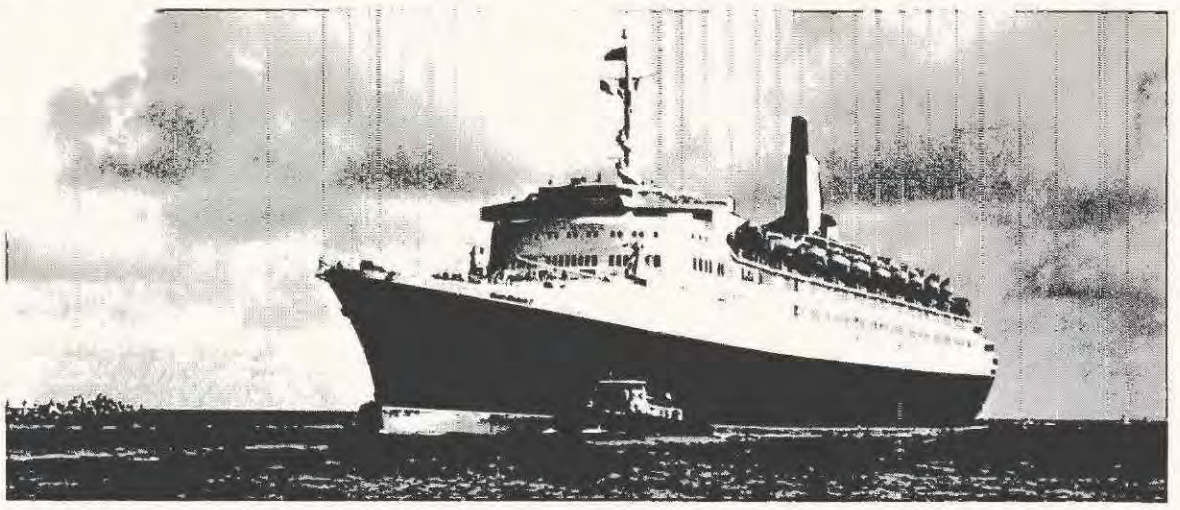

Although breakdown and repair losses for failure of the Elizabeth 2 boilers are covered by insurance, Cunard's passenger refunds, rescue costs and loss of business if future cruises are delayed while the ship is repaired are uninsured, according to spokesmen for Cunard Steamship Co. Ltd., owner of the liner. Marine insurance sources in the U.S. said the breakdown and repair costs would be covered by the huge ship's hull insurance, which is written primarily in London, though the American Hull Insurance Syndicate has a 17% interest in her. Cunard estimated losses for the breakdown at $1.2 million, with $920,000 of that attributed to refunds to the ship's 1,648 passengers.

Loss claims high for mass transit in S.F.

SAN FRANCISCO—Because accident insurance would be "prohibitively expensive" San Francisco's Municipal Railway system self-insures, allocating $1.4 million a year to pay accident claims.

Last year, the self-insurance fund held only half the money required and the city was compelled to tap its general fund for an additional $1.3 million to pay off a total of $2.7 million in claims.

Public utilities attorney William Bourne considers the city fortunate to have kept claims that low. Total claims in 1973 amouted to $3.1 million, but out of court settlements kept payments from the self-insurance fund to the lower level.

With 10% of all the buses operating in California, San Francisco's Municipal Railway system accounted for 40% of all of 1973's bus accidents.

Some of the damage claim settlements involved well known names, such as Carl Henrick Petersen, consul general of Sweden, who was totally disabled when a city bus struck his car. That settlement cost San Francisco $500,000.

PROFESSIONAL football player Nat Mack Burton ended his carer with the Oakland Raiders after a Muncipal Railway bus ran into his car. Mr. Burton settled the claim for $100,000.

Even the wife of San Francisco mayor Joseph Alioto, Angelina Alioto, settled a claim for $1,527 damage to her Rolls Royce suffered in an encounter with a "Muni" bus.

Another substantial settlement, for $148,000, went to a San Francisco Chinese, Ping Wong, who suffered irreversible brain damage after a bus ran into him.

The most recent incident, which probably will require another trip to the self-insurance fund, occurred this month when a supposedly "fail-safe" bus door closed on the foot of nine-year-old Meera McDowell and dragged her a distance until the door opened, at which point she died under the bus wheels.

POLICE REPORTED that a warning bell, which should have informed the driver of anything caught in the door, failed to ring. Muni Railway officials refused to comment. A similar accident ten years ago killed seven-year-old David Geddes whose foot was caught in a door, and who finally was crushed under the wheels.

Martin A. Fellhauer, chairman of the commission's safety and transportation committee, asserted "the reason so many senior citizens are being injured on Muni buses is because the driver takes off like the bus was headed for the moon."

Several students at the University of California's Berkeley graduate school of social welfare presented the city with a series of 14 "safety improvement" suggestions, including a proposal that drivers be certain passengers are seated before starting out. ■

N.Y. Continental group tells of years' losses

The Continental Insurance Companies, division of The Continental Corp., experienced a "severe underwriting problem in 1973" on general liability insurance lines. "The penalizing effect of inflation on outstanding claims and the increasing incidence of professional and products liability claims make this a category to be underwritten with great care," the firm's annual report stated. Continental's Marine Office-Appleton & Cox (MOAC) division had a barely profitable year on marine lines despite severe spring flooding and major cotton losses, but suffered heavy losses on aviation business derived principally from MOAC's 50% interest in Associated Aviation Underwriters. Worldwide, 27 jetliners were lost last year, the report noted. "AAU was also affected by a federal court decision that the destruction of a Boeing 747 by Arab guerillas at Cairo airport in 1970 was not a warlike operation."

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labor beat

Glass-making union gains first dental coverage as part of major medical

PHILADELPHIA—The Glass Bottle Blowers Assn. of the United States & Canada (AFL-CIO) kept the group dental insurance ball rolling by gaining the coverage for the first time in contracts reached with 18 glass container companies late last month.

The new three-year contracts provided that as of April 1, a group dental insurance program would be provided with an annual limit of $1,000, charged against the covered individual's major medical limit. The coverage has a $50 per individual deductible and a $150 per family deductible with 80% coinsurance on most of the dental work performed.

Dental procedures such as orthodontics are excluded under the new plan and other work, like inlays, come under a 50% coinsurance clause.

A spokesman for the union, Lon Vallery, told *Business Insurance* that he was describing the contract reached with Owens-Illinois, the largest employer of the union's members with 15,000 covered by the contract, but that "the rest of the agreements are comparable though they may vary in some instances."

More than 30,000 GBBA members are covered by contracts with Owens-Illinois and other firms, including Anchor Hocking, Indian Head, Glass Container Corp. and National Can.

IN OTHER HEALTH insurance areas, the union got the lifetime maximum on the major medical coverage doubled—from $20,000 to $40,000. The new contracts provide for a $50 deductible on the major medical coverage and 80% coinsurance above that, except for specified maladies. Mental illness coverage, for example, is provided on a 50% coinsurance basis.

"After the employe pays $1,000 in any one year," Mr. Vallery said, "the full lifetime benefit can be restored if he can prove he is again in good health."

Though the union member does not contribute toward his own coverage, he does pay certain amounts for the coverage of his dependents, Mr. Vallery noted. "And the amount of the contributions did not go up with this contract even though the plan was improved," he said.

Life insurance and accidental death and dismemberment benefits, which are based on wages, were also increased under the terms of the new contracts.

Life and AD&D benefits for workers earning less than $4 an hour went to $8,000 from $7,000; for workers in the $4 to $4.50 an hour range the benefits went to $9,000 from the previous $8,000; and for those earning more than $4.50 an hour, the new benefits are $10,000 instead of $9,000.

On the first of this month, the basic retirement payment rose to $8 a month for every year of accredited service from the previous basic payment of $7 a month. That payment will rise to $9 a month in 1975 and $10 a month in 1976.

Union members may now retire before the age of 60 (65 is the normal retirement age but anyone with 30 years of service can retire at 60) if they have 10 years of service. Their monthly retirement benefit will be actually reduced from the $8 basic payment by 6% for every year below age 60.

THE UNION made great strides, in Mr. Vallery's view, in the disability pension area.

"Anyone covered by the new contracts who is forced to retire because of disability will receive the full pension benefit of $8 a month for each year of service if they have 10 or more years in," he explained.

"Previously," he continued, "he would have needed 15 or more years of service and would have received a benefit of only $4 a month for each year."

Also under the new contracts, a surviving spouse of a covered employe who had ten years of service and was at least 55 years of age will receive a survivor's pension of 50% of the benefit earned by the union member.

"We have also negotiated increases for our retirees," Mr. Vallery said, acknowledging the fact that a Supreme Court decision based on a glass industry case in 1971 stated that employers did not have to bargain with unions for retirees benefits.

"The companies have not fought us on it," he said, noting that this contract raised the retirement benefits for retirees to $5 a month for each year of service from the previous $4 a month. "That decision is always there so we have to keep the raises small."

THE COMPANIES will also raise their contributions to the joint employer-GBBA retirement trust to three cents per man hour worked. Under the old contract, the contribution was two cents an hour. The rate will go up to four cents an hour in 1975.

The trust provides health insurance benefits in the amount of $3,000 for retirees and another $3,000 for their spouses, Mr. Vallery said.

"The trust is used as a supplement to Medicare," he explained. "If they use that up, they still have this $3,000 to fall back on."

Mr. Vallery said that an increase in these benefits would be up to the trustees of the fund, but said, "With the increase in contributions, it stands to reason that benefits will be raised. The trust was established in 1966 and benefits have gone up a few times since then."

The contracts contained no provisions for plant safety. "There are a few plants, particularly some old ones, we would like to see cleaned up," he said, "but there are some problems with OSHA.

"You get some of these gung-ho OSHA inspectors from Washington," he continued, "and sometimes they want to close plants up for things like unguarded machines. Our people can't afford to have these plants closed, particularly in small towns where the glass plant might be the only industry." ■

7000 hour veteran. At seventeen, Emily Howell was still an aspiring stewardess who had yet to take her first airplane ride. So she bought a round trip ticket from Denver to Durango to see what flying was like. ☐ "On the return flight, I was the only passenger and they let me ride up front for awhile. That's when I fell in love with flying. I knew right then I wanted to be a pilot." ☐ Within the year, Emily had earned her private ticket and today she's a 7,000 hour veteran. More significantly, she's the first gal ever hired by a scheduled U. S. airline as a flight crew member. ☐ When she's not flying for Frontier, she likes to fly her own Cessna 182 for fun. She insures it with USAIG. ☐ Why USAIG? "It just seemed natural," she says. "I knew they were real pros because a lot of my friends insured with them. When my agent recommended USAIG, I felt like he was recommending an old friend."

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Massachusetts Insurance Buyers seminar

Disclosure of risk and insurance programs may be approaching

WAKEFIELD, MA.—With the increasing significance of risk management as a corporate function, should insurance and risk management data be disclosed in corporate annual reports?

It may just be a question of time before that happens, according to Walter Woodard, president of American Society of Insurance Management and assistant insurance manager at Boeing Co.

Mr. Woodard, responding during a question-answer period at the Massachusetts Insurance Buyers' Assn. fifth annual spring conference, noted that "what we've seen here is the evolution of risk management in the corporation, and with risk management's growth in authority and responsibility, as well as its impact on corporate profit and loss statements. It may only be a question of time before it takes its place in the corporate reports."

JOHN C. BOUDREAU, director of insurance, employe benefits and payroll at Service Corp. of New England Gas and Electric Assn., noted that auditors of corporate financial reports are being criticized and in some cases, prosecuted, for not being specific enough in footnote explanations in annual reports. He said he also thinks "the time will come, perhaps, for insurance and risk management data to be included."

Matthew Lenz Jr., associate professor at the College of Insurance, guest dinner speaker at the conference, added that a certified public accountant could at least certify the adequacy of a company's insurance. "But the risk manager role must be defined so that the C.P.A. understands that the financing and control of risk are related," he said.

"The risk manager's first possible consideration is how much risk he can avoid," said Lawrence Sullivan, attorney and insurance manager at H. P. Hood Inc., speaking on a panel about retention and control of risk. Using the example of an acquisition of an airplane fleet which used old fuel lines manufactured years before: "If the acquisition agreement is worded one way, the new owner would be liable for damages caused by the breakdown of those fuel lines, while a slightly different wording of the contract could make the acquisition risk-free in that respect," he noted.

FOR RISKS which cannot be avoided, there must be engineering from loss prevention and control viewpoints, Mr. Sullivan said. "If you need to transport $500,000 in small bills, you could use either one truck or ten cars," he said. "If you use the truck you have the risk of a large, catastrophic loss, while if you use the cars you run the risk of more, smaller losses," he added, "and most risk managers would probably opt for use of ten cars."

"To understand a risk and clearly identify it, a risk manager must be in contact with all departments in his company, including personnel, sales, traffic and research," said John F. Keating, insurance manager at Ludlow Corp.

"I move where I can in the corporation, even if it means taking on extra duties of another job," he said, "so that I can get a full-time familiarity with the risks."

Mr. Sullivan said risk managers should work for loss reduction by using sprinkler systems and disaster plans such as fire drills and emergency medical programs. "Then, are all important papers protected in a safe? How old is the safe? Is it fireproof? Are copies of the papers filed somewhere else?" he asked.

"How about the data processing center? Is storage in the building adequate? Is the local fire department familiar with the layout of your building?

"ARE TRADE secrets and special processes properly protected? Are you checking all labels and advertising to make sure they are accurate?" Mr. Sullivan continued his checklist.

An even more difficult area to control is the working environment, and morale and education of the employes, he added. "But all of these must be considered before the risk manager goes to insurance as a protection of risks."

Richard W. Zeitler, corporate insurance manager at Lone Star Industries Inc. and president of the Westchester-Fairfield chapter of ASIM, used his own risk management efforts as a case study and cautioned his Massachusetts colleagues to be mindful of possible ways to transfer at least some of the risk. "By making liability insurance requirements to our contractors or subcontractors in advance, even before a building goes out to bid, the risk manager can simplify a lot of potential problems," he said.

The risk manager also has a number of communications responsibilities, William D. Hahn, insurance manager for the Roman Catholic Archdiocese of Boston, noted.

"IN INTERNAL communicaton, it's important to be nontechnical in use of terms, although you must be specific," he said. He said the risk manager should get a corporate policy statement about his responsibilities, to be added to operating manuals, because too often the risk manager has responsibility without the authority to do things to prevent a loss."

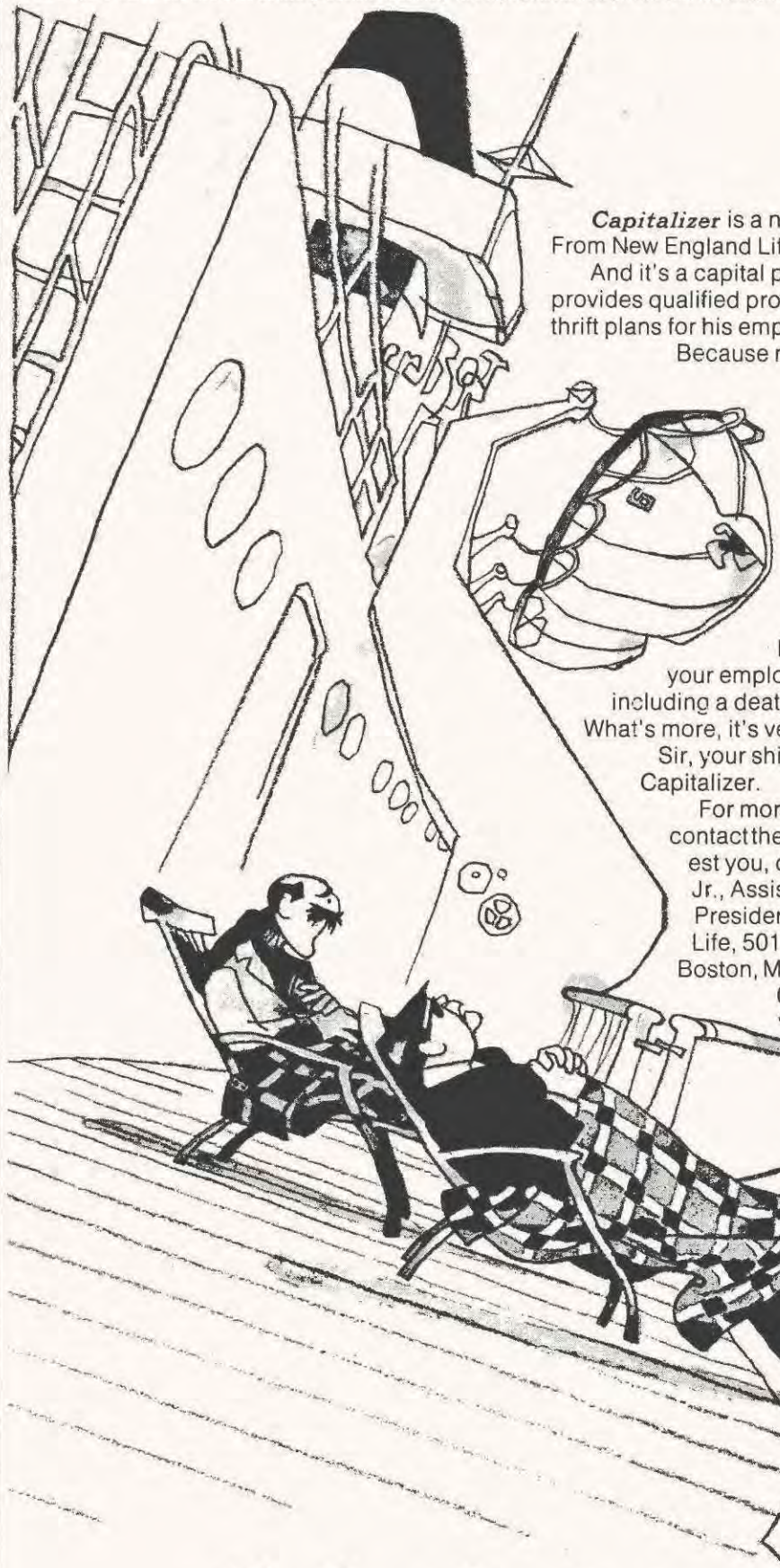
External communication, which acknowledges the risk manager's role with underwriters, brokers, consultants who must be familiar with the needs of his program, Mr. Hahn noted. "Since insurance is only one technique, interview several brokers before you decide which one or two you will get the best services from."

The consultant can help in evaluating the risk management program as well as generate healthy competition to an all-powerful broker situation, he said. "The consultant's opinion can also lend credibility to the risk manager's position when he presents his program to top management," Mr. Hahn noted. ■

Agency acquisition

Insurance Consultants Inc. of St. Louis said it acquired Hall Bros. Agency Inc. of Orlando, Fl. Insurance Consultants is one of the largest insurance agencies in the country and is the major U.S. operating subsidiary of Toronto-based Reed Shaw Osler Ltd. Hall Bros. was founded in 1900.

New England Mutual Life Insurance Company, Boston. Subsidiary: NEL Equity Services Corporation, mutual funds; Affiliate: Loomis, Sayles & Company, Inc., investment counselors.



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State Bar Association endorses group professional liability plan

By VALERIE MACKIE

SAN DIEGO—After six years of searching, the California State Bar Assn. has finally found a new group attorney professional liability program that gives them the coverage they need.

This is the first time a group policy has been offered to California lawyers and the first time the State Bar Association has endorsed a professional liability program.

Barney and Barney Insurance put the package together and geared it to accommodate attorney practices of all types. The Travelers Insurance Co. is the underwriter.

There has been a history in California of legal malpractice insurers phasing out professional coverage or severely restricting the areas of coverage, William Parrish, a member of the Board of Governors of the state of California, said.

"YOUNG PRACTITIONERS and lawyers from small offices have found it extremely difficult to get coverage. Many have found it impossible," Mr. Parrish pointed out. Insurance companies are telling young lawyers to come back after ten years of practice so there is some experience to look at, he said.

Barney and Barney is offering the bar association a group policy guaranteed to remain functional for at least five years. Travelers has also agreed not to raise premiums above a top limit.

This package is broader than any other policy in the state, Mr. Parrish said. "It combines a form of occurance and claims-made-procedures."

In other words, Mr. Parrish explained, a lawyer is covered for any claims that are filed while his policy is effective—even if the claim applies to a period of time before the policy was written. A lawyer is also covered for claims made after the policy has expired if the claim applies to a period of time while the policy was operative. "Let's say if a lawyer did not have a liability policy for 15 years, this policy, in effect, will pick up his past," Mr. Parrish said.

"Travelers plans to lose money for the first two years and then make it after that," Mr. Parrish added.

If Travelers decides not to cover a particular bar association member because of bad risks, it has agreed to keep the policy open until the case is reviewed by a bar association committee, he said.

ONE OF THE primary problems for a California lawyer is getting a policy that covers the issuances of securities, Bruce Moore, a partner at Barney and Barney, said. "This is an extremely volatile field because of class action suits." The Securities & Exchange Commission field has had a sizable number of cases involving major stocks, Mr. Moore said.

About seven independent insurance companies in California provide individual professional liability but they exclude SEC coverage. Under Barney and Barney's program, attorneys can get coverage for any type of security but, of course, it costs, Mr. Moore added.

In the broad sense, premiums are determined by location of the firm (metropolitan and outside areas), nature of practice, specialties followed and what limits are chosen. SEC coverge is optional. Premiums are structured so the attorney with greater exposure pays more than one with a lesser degree of exposure.

In a metropolitan area the cost for the least hazardous specialty coverage should average $375 annually with a deductible of $1,000, Mr. Moore figures. In outside areas, the cost should average $325 with the same limits. Depending on the size of the firm, the optional SEC coverage should increase premiums by about 40%, Mr. Moore said.

Standard deductibles average about $1,000. "For the optional SEC coverage we offer a minimum deductible of $20,000. The reason we can go so low is that we expect to write most of it," Mr. Moore explained. Larger firms probably will use higher deductibles to help lower the rates, he said.

THE AVERAGE limit is $1,000,000 but another advantage of this policy, according to Mr. Moore, is Travelers will write limits over this amount. Many policies in the past were limited to $500,000 or $1,000,000.

Barney and Barney's professional liability program became effective March 15. "We are already entertaining about 800 applications," Mr. Moore said. ■

Canadian mutuals ask to pick up plans

OTTAWA—Mutual insurance companies in Ontario and Quebec asked the federal government to withdraw its proposal to develop a governmental livestock insurance program and allow private insurance carriers to provide the coverage instead.

The Mutual Fire Underwriters Assn. and Federation des Mutuelles d'Incendie Inc. sent a letter to federal Agriculture Minister Eugene Whelan, who had announced last summer the government's intention to develop a livestock insurance program.

Under the government proposal, the livestock coverage would be based on actuarial and administrative principles similar to those of the federal-provincial crop insurance program.

THE ONTARIO Crop Commission and the Quebec Crop Commission offer the coverage, which provides a 50% premium subsidy to farmers. The federal and provincial governments each pay 25% under the program's terms.

Mr. Whelan, according to MFUA president K. W. Campbell, told the underwriting associations that the livestock coverage has not gone beyond the discussion stage and has asked for more information from the mutual insurers.

The Department of Agriculture, he noted, has not yet released the details of its proposal to cover the loss of livestock. However, since the farm mutuals already market a fire, wind and other-damage policy on livestock, he felt that animal mortality would probably be one of the program's key features. ■

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'Unresponsive' carriers foster more regulation

LONDON—Topics ranging from inflation to statutory controls were explored at a world conference of two hundred insurance experts assembled here to argue the market's 1974 prospects.

Aonghais Macdonald, chairman of the British Insurance Association, charged unresponsive underwriters with causing government regulation to be increased.

He pointed out that no-fault liability laws were introduced in the U.S. and Canada, and were under review in Britain and other countries, because the consumer is unhappy with existing arrangments.

"It's being discussed as an international vogue at present, and while I'm not arguing the case for or against it, it's an example of what can happen unless insurers make a greater effort to find the needs of the consumer," he declared.

Sir Henry Mance, who was Lloyd's chairman until 1972, foresaw perils if governments, especially in developing countries, intervened too much with insurance practices. Control of competition might be intended to protect local private industry, but at times it increased the cost of insurance for the local economy, he noted.

W.R. Malinowski, director of the division for invisibles, United Nations Conference on Trade and Development (UNCTAD) replied that in developing countries emergent insurance industries might have to be protected from excessive and uneven competition from large foreign corporations.

Dr. Ehrenfried Schutte, of Munich Reinsurance, pointed to inflationary wage and price factors influencing unfavorable insurance loss trends. In Germany, general third party liability settlements are kept in line with a system of automatically adjusted premiums to the statistical figures of all insurance companies operating in particular classes, he cited.

DR. EUGENIO di Canzano, general manager of Trieste's Assicurazino Generali, complained that "jumbled international legislation" in the aviation field gave rise to the prolonged lawsuits which greatly delayed claimed settlements.

"There's a tendency in the jurisprudence field nowadays to aim at improving the position of the injured party," he said. ■

'Paunch corps' covered by IESC insurance

NEW YORK—While thousands of senior citizens retire to the Florida sun, another thousand retired executives have joined the "paunch corps", serving abroad as training personnel.

The affectionately-dubbed members of the International Executive Service Corps proved that age does not necessarily deter productive activity.

According to one source at IESC, volunteers and spouses are covered under the group's extensive insurance program while abroad. All travel expenses and housing costs are paid for by IESC. However, under the volunteer status, IESC members are not entitled to any salary.

They are, however, along with their spouses, eligible for an accidental death and dismemberment cover designed by American International Underwriters. Under this policy, retirees are entitled to up to $50,000.

In case of accidents overseas, the volunteer is also covered for medical expenses incurred up to $5,000.

Volunteers are entitled to medical coverage up to $2,000, subject to a $25 deductible, for illnesses abroad.

IESC EXPLAINED, however, that while "a heart attack is not covered" under the accidental death or illness policy, it is covered under the regular medical plan.

Despite the advanced age of many of its members, IESC noted that the incidence of death has been relatively low. However, in case of death, the body of the volunteer is shipped home and funeral arrangements are made at IESC's expense.

The IESC noted that if a volunteer has additional medical coverage under Blue Cross, some changes are necessary. "Over 65, Blue Cross changes to Senior Care, which works with Medicare. Overseas, this doesn't cover the volunteer. So, this has to be converted to Blue Cross overseas and then converted back" to Senior Care when the IESC member returns to the states.

Unfortunately, the spokesman said, there is much paperwork involved in the conversions—for both volunteer and IESC.

IESC CAME into being more than ten years ago. A group of American businessmen in 1964 organized the non-profit organization. Since its inception, more than 1,000 retired executives have traveled abroad in trainer positions for IESC.

It was noted that these volunteers are recruited from major manufacturing firms in all areas of business. Just last year, more than 600 retirees were sent overseas, noted an employe at the Manhattan-based IESC.

As a non-profit organization, IESC derives aid for its support from outside sources. At least 40-45% is received from private industry, 10% is from the firms requesting the service, and the remainder is provided through federal aid programs. ■

MGIC writes record amount of D&O cover

MGIC Indemnity Corp. wrote a record $4.1 million in directors' and officers' liability insurance net premiums last year, its parent company, MGIC Investment Corp., said in the just-released annual report. This was up from only $1.8 million in net premiums written for D&O policies in 1972, the firm said. The increase was due in large part to heavy renewal premiums on three-year policies originated in 1970, MGIC said. But premiums written on new D&O covers were up 24% over 1972, "and 1974 should be another good year," the firm predicated. MGIC Indemnity Corp. has written D&O liability covers for savings institutions since early 1970, and for commercial banks since late 1972. "The potential for this product is quite good, since a considerable number of the 19,000 financial institutions considered to be the primary market presently do not have D&O coverage," the report stated.

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Benefit Tax Slants

Position of I.R.S. is not clear on 'separation from service' meaning

By JOSEPH S. ROBINSON
Attorney-At-Law

THE TAXATION of lump sum distributions from qualified pension or profit-sharing plans can vary significantly depending on the circumstances surrounding the payout. For a lump sum distribution to qualify as a long-term capital gain, payments must be made within one taxable year on account of the employe's death or "separation from the service" from the employer. Determining when a "separation from the service" has occurred has been the subject of much litigation.

In a switch of positions arising out of a number of court decisions, Internal Revenue now says that when an individual stays on the same job but for a different employer as a result of a liquidation, merger, consolidation or other reorganization of the former company, he should not be treated as having terminated his employment for tax purposes. This means that if payment of prior pension benefits are made to a worker while on the job with the take-over company, the employe can be hit with ordinary income tax on the distribution. I.R.S. says that "separation from service" occurs only when due to death, retirement, resignation or discharge *(Rev. Rul. 72-440)*.

More recently, I.R.S. relied on the above ruling to hold that a separation of service does not occur when (a) a corporate employe becomes a partner or employe of a partnership that continued the business of the corporation and (b) a partnership employe becomes a partner *(Rev. Ruls. 73-413 and 73-414)*.

Despite the current Internal Revenue position, there are other cases that support the more favorable-to-employe position—that is, separation from service takes place when the company's existence ceases or when there is a real (not merely technical) change in ownership of the business. Thus, the tax picture in the opinion of some, remains muddy *(Smith, 460 F 2d 1005)*.

* * *

THE OPPORTUNITY FOR shifting the burden of insurance premium payments from the personal pocketbook to another source and still maintain benefits is not to be dismissed lightly. And if the proceeds can be sheltered from the insured's taxable estate, the package becomes even more attractive.

Such is the result obtained by switching existing individually-owned life insurance to a qualified employe pension or profit-sharing plan. An employe can pick up a bonus of cash from the pension trust in an amount equal to the value of the policy which he transfers. In the event that the trust lacks sufficient available funds to swing the deal, the trustee can borrow from the policy itself once the employe assigns it over.

Up to recently, there was some concern whether the transfer-for-value rule applied to policy transfers to employes' trusts. However, a recent treasury ruling gave new encouragement to this tax-saving technique. Here are the facts which brought about the ruling.

A pension plan specifically provided that death benefits could be supplied through the purchase of new insurance or by the purchase of existing contracts from participants for its cash value. The insurance contract was to be transferred to the pension trust as part of the employer's required contribution and the trustee would pay the proceeds to the designated beneficiary upon the employe's death. When an employe later passed away, the proceeds were paid in accordance with the terms of the plan.

I.R.S. ruled that because neither the employer nor the trust had a right to retain the policy or proceeds for their own benefit, the transfer resulted in no significant change in the beneficial ownership of the proceeds. Therefore, the transfer-for-value rule did not apply *(Rev. Rul. 73-338)*.

Prudence would indicate that a qualified plan should expressly call for authority in the trustee to buy existing policies from participants. So, if your present plan does not contain such authority, consideration should be given to its amendment in order to achieve similar results.

* * *

ALLOCATION OF COMPANY contributions to a qualified pension or profit-sharing plan on the basis of regular salaries and bonuses does not result in discrimination since the effect is to favor rank and file employes. So says Internal Revenue *(Rev. Rul. 73-449)*.

Some companies feel that if bonus money were otherwise used—e.g.,—as contributions to a deferred profit-sharing plan, it would better serve the employes, resulting in a faster build-up of capital for participants.

The following illustrates the point:

Assume Mr. White is a $40,000 a year, forty year old middle management executive. His company is willing to give him a 15%—or $6,000—annual bonus. Were he to take the $6,000, he'd only have about $3,000 left after taxes with which to save or invest. Assuming a 5% return, he would come out with roughly $100,000 by the time he reached age 65.

Suppose instead, the company deposited the $6,000 annually into a qualified profit-sharing trust. The payments and the income would then be tax free to Mr. White until withdrawn from the trust. Again assuming a 5% yield, he can look forward to receiving at least $285,000 and perhaps more at age 65. Of course, there would be taxes to pay when he finally draws out his share of the fund. But here again Mr. White would receive favorable tax treatment. ■

Agencies combine

Carney-Rutter Inc., the largest insurance agency in Wisconsin, combined operations with The Roberts Co., Milwaukee. The new firm is Carney-Rutter-Roberts Co. with a combined sales volume of over $15 million.

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Consolidated Financial Statement/*DECEMBER 31, 1973*

ASSETS	
Marketable securities:	
Bonds	$555,380,730
Preferred stocks	42,466,683
Common stocks	194,020,393
Investments—unconsolidated overseas subsidiaries	9,789,983
Real estate	16,796,999
Cash in banks and office	4,008,912
Premiums and accounts receivable	78,036,646
Accrued interest and dividends	10,323,903
Other admitted assets	28,004,364
Total	$938,828,613
LIABILITIES, CAPITAL AND SURPLUS	
Claims and benefits reserves	$466,859,723
Life and unearned premium reserves	176,761,559
Temporary construction loan	6,283,579
Reserve for commissions, taxes and other liabilities	39,684,866
Funds held under reinsurance treaties	21,795,019
Mortgage payable	10,000,000
Total Liabilities	721,384,746
Capital (shares authorized and outstanding 5,445,000; par value $2.00 each)	10,890,000
Paid-in capital	4,860,190
Unassigned surplus	201,693,677
Policyholders' surplus	217,443,867
Total	$938,828,613

Bonds are stated at amortized value in accordance with the requirements of regulatory authorities and would be approximately $540,177,101 at December 31, 1973 if valued at market. Stocks are stated at market value except stocks in unconsolidated overseas subsidiaries which are carried at estimated net worth.

The above financial statement is fully consolidated with respect to the parent company and domestic subsidiaries.

General Reinsurance Corporation Subsidiary Companies

Domestic:

General Reassurance Corporation, Greenwich, Conn.; General Reinsurance Life Corporation, New York, N.Y.; North Star Reinsurance Corporation, New York, N.Y.; Herbert Clough Inc., New York, N.Y.

Overseas:

General Reinsurance Corporation (Europe), Zurich; Swedish Atlas Reinsurance Company Ltd., Stockholm; Reinsurance Company of Australasia Ltd., Sydney.

Costs of destroying chickens uninsured

MORTON, MS.—As long as a number of questions raised by the discovery of a cancer-inducing insecticide in millions of chickens here go unanswered, the costs incurred from the forced destruction of the birds will be an out-of-pocket expense for the growers.

When the questions—such as how the insecticide got into a batch of vegetable fat mixed with solid chicken feed, and whether the federal government will compensate the growers—are resolved, the chicken farmers, in one way or another, may be reimbursed for their flocks.

AFTER HIS farm was forced to destroy close to a million broilers, a spokesman for Morton Broiler Farm told *Business Insurance*, "There is poultry insurance available for situations like a hurricane or tornado killing the birds but not for something like this. As of right now, the loss is right out of our pocket and it hurts."

He indicated that it was costing his farm more than $1 per chicken to go through with the destruction of the birds. "And that doesn't count what you've already put into the bird," he added.

MORTON IS THE largest of the five chicken farms in this area which were forced to destroy their flocks after tests turned up traces of dieldrin, an insecticide similar to DDT, in the birds. Most of Morton's birds are sold to the Federal government for use in school lunch programs.

While some of the state's delegation to Washington have already introduced legislation to compensate farmers who lost their flocks, no favorable action has yet been taken.

"We are hoping to get help from the government," the Morton man noted. "We need it."

Another source familiar with the case and the ins-and-outs of poultry insurance said, "What this really looks like is a product liability claim. Normal poultry insurance wouldn't cover it because the insecticide would be considered an inherent vice and thereby excluded.

"But," he continued, "when they find out how the stuff got into the vegetable fat, there will almost certainly be a product liability action."

The distributor of the vegetable fat, Mississippi Vegetable Oil Co., could not be reached for comment.

WHEN ASKED if his farm was considering a suit, the Morton spokesman, after acknowledging that product liability insurance was probably available to his suppliers, said, "I really don't know right now. We just have to wait and see what the government will do about compensation."

He also hinted that no one is sure yet who they should sue because the "Food & Drug Administration hasn't been able to pinpoint the source of the poison yet."

The four million contaminated birds were gassed with carbon monoxide exhaust from trucks.

Another five million chickens ate the tainted feed but tests showed they contained only residual amounts of the insecticide under the government limits—three parts dieldrin to every 10 million parts bird—and did not have to be killed. ■

dates for buyers

April 28-May 1: Health Insurance Assn. of America's 1974 annual meeting/group insurance forum will be held in the Drake Hotel, Chicago. It will feature three panel discussions, three major addresses, elective seminar sessions and functional conferences. Write the Health Insurance Institute, 227 Park Ave., New York, N.Y. 10017.

April 28-May 3: American Society of Insurance Management Inc.'s 12th annual risk management conference will be held at the Four Seasons Sheraton Hotel, Toronto, Canada. The program centers around what is new in property/casualty and employe benefits. Write Ms. Julie De Marco, ASIM, 205 E. 42 St., New York, N.Y. 10017 (212-557-3210).

May 5-8: International Foundation of Employee Benefits meeting, Sahara Tahoe Hotel, Lake Tahoe, Ne. Write the foundation, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wi. 53005.

May 12-14: New York State Society of Certified Public Accountants and the Foundation for Accounting Education Inc. will host the 1974 accounting show at the New York Hilton. Contact the Charles Snitow Organization, 331 Madison Ave., New York, N.Y. 10017 (212-682-4902).

May 14-16: Factory Mutual System's seminar on fire safety and hazard control, at the company office building, Norwood, Ma. For applications write P. G. Lasky, Program Coordinator, Education Dept., Factory Mutual Engineering and Research, 1151 Boston-Providence Turnpike, Norwood, Ma. 02062 (617-762-4300).

May 15-17: Purdue University will have a course on fundamental approaches to noise control, in West Lafayette, In. Lectures will be presented mainly by engineers from the industry who are experts at reducing the noise of fans, compressors, diesel engines, etc. Write Prof. M. J. Crocker, School of Mechanical Engineering, Purdue University, West Lafayette, In. 47907 (317-749-2155).

May 15-17: Advanced Management Research Inc. will sponsor a seminar on finance and accounting for the non-financial executive at the Hyatt Regency O'Hare, Chicago. Learn the language of business and money for better communication skills. Write AMR, 1370 Avenue of the Americas, New York, N.Y. 10019 (212-765-6400).

May 20-24: National Fire Protection Assn.'s annual meeting will be held at the Fountainebleau Hotel in Miami Beach, Fl. Action on nearly 80 proposed and existing standards and codes that affect the industry will be of primary importance. Write NFPA Annual Meeting Office, 470 Atlantic Ave., Boston, Ma. 02210.

May 22-23: Society of Fire Protection Engineers will have its 24th SFPE annual meeting in Miami, Fl. Write Peter Lund, SFPE, 60 Batterymarch St., Boston, Ma. 02110.

May 23-24: Society of Actuaries meeting at the Sheraton-Dallas Hotel, Dallas, Tx. Write Walter S. Rugland, Connecticut General Life Insurance Co., Hartford, Ct. 06115.

June 2-6: Municipal Finance Officers Assn. will have its annual convention in Las Vegas at the Las Vegas Hilton. Write the association, 1313 E. 60th St., Chicago, Il. 60637 (312-324-3400).

June 3-6: International Foundation of Employee Benefit Plans will host a Canadian series of one day seminars in Halifax, Toronto, Edmonton and Vancouver. Employe benefit trust fund problems related to delinquency in contributions will be the subject. Write the foundation, P.O. Box 69, Brookfield, Wi. 53005 (414-786-6700).

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Michigan allows self-insured work comp pool

By PATRICK THOMAS

LANSING, MI.—This state joined a small but growing group of states allowing groups of employers to get together and self-insure their workmen's compensation liabilities.

A bill permitting such employer pools was signed into law last month and is already in effect, according to John Miron, chief deputy director of the Bureau of Workmen's Compensation of the Department of Labor, though no groups have started their programs as yet.

"The rules must be set forth before anyone can begin operating," he said, adding that further guidelines are about six months away.

When the rules and regulations are issued, however, Mr. Miron said he expects them to very closely resemble regulations now in effect in Florida.

THE GROUP funding approach in that state has, according to the man who runs it, four main factors which make it operate smoothly: a strong association, stop-loss insurance, servicing and indemnity agreements.

"You need a good, strong association of employers in the same or similar businesses," noted Allen Norris, administrator of self-insurance at the Florida Bureau of Workmen's Compensation. "It must be a bona fide trade association if it wants to start a fund. In most cases, the executive director of the association is appointed by the trustees as the administrator of the fund."

The Florida law requires an association to have a minimum of ten members who pay at least $50,000 in annual premiums into the fund.

Mr. Norris noted that the law also required the fund participants to purchase stop-loss insurance, "just to make sure the fund doesn't run out of money to pay claims."

The insurance, he explained, protects the fund in the aggregate and in case of a single catastrophic loss. "Say the fund has a $100,000 limit," he said of the aggregate coverage. "After $75,000 the insurance would come in and thus limit the fund's loss to $75,000."

THE INSURANCE coverage must be written by a carrier which meets the Florida board's standards—A or A+ in Best's and an AAA financial rating.

Regarding the servicing the fund needs, Mr. Norris said that the fund could contract with outside firms for safety engineering, underwriting on the bonds required for the administrator as well as the excess coverage and claims adjustment.

The law requires the person doing the adjusting to have an adjuster's license. Mr. Norris said that soon Florida would require the person in the company who underwrites the coverage to have a surplus lines agent's license.

"Service is one of the keys," he commented, "because you must have an effective way to deliver the benefits to the claimants."

The fourth key, the indemnity agreement, binds the employers together with each one sharing the responsibility for the losses of the others.

There are now 13 employer groups taking advantage of the law in Florida, Mr. Norris said. "There used to be more funds in the program," he said, "but in 1966 an excess carrier failed and scared a lot of them out and there were others which didn't have true trade association backing."

So, in 1966, he said, the law, which had been on Florida books since 1937, was amended and patterned somewhat after New York's group self-insurance law.

New York's law is stringent enough that only two groups have so far decided to try it, according to Joseph Lemus, director of self-insurance for the New York board, though a third is now in formation but has not yet begun operation.

A GROUP OF electrical contracting employers and the New York State Restaurant Assn. are the only two groups in the fund (*Business Insurance*, Oct. 11, 1971). Mr. Lemus declined to say who comprised the new group.

Mr. Lemus described the plan as advantageous for any group of employers "once they get the fund established. One of the main advantages is that it removes the profit motive by doing away with brokers and insurance companies."

He also believes self-insuring is important to employers because "the employer is much more interested in his own safety than insurance companies are."

Michigan's Mr. Miron said that the "major driving force" behind getting the legislation passed and signed in the state had been loggers and pulpwood producers. The bill passed easily even though the insurance industry was opposed to it.

In Florida, Mr. Norris said, the story had been the same. "The pulpwooders here had the greatest need for a system like this," he said. "They had been put into the asigned risk plan and whatever coverage they could get was costing them 8% more than they had been paying, when they could get coverage at all."

Mr. Miron, who said the Michigan plan would be a good thing for any employer in a high risk industry or with large concentrations of employes in one location, noted that interest in the new law had been "brisk" since its passage.

EMPLOYERS should be interested in self-insuring workmen's compensation in the views of Mr. Norris and Mr. Lemus.

Not even looking at savings in rates, Mr. Norris said, "There are definite inherent savings in a program like this. All the employers are in the same kind of business and have the same kind of exposures so they are very easy to audit, which can be a saving."

In listing some of the other advantages, he noted, "They can make refunds rapidly and, with approval of the excess insurer, can offer advance discounts."

"Any group in related industries can get together and act like a little mutual insurance company," Mr. Lemus said. "And once they're going it almost has to be to their advantage."

"We are really just here to make sure the funds take in enough money to meet the surplus carrier's requirements and still have enough to operate on their own," Mr. Norris said of his role as overseer in Florida.

He said, that to his knowledge, ten states now have laws permitting group self-insurance and that others, such as Georgia, are seriously looking into the concept. ■

Crain Communications Inc. Chicago will have Centrex direct dialing phone service/April 22

Effective Monday, April 22, 1974, a new Centrex direct inward dialing system will go into operation at the Chicago headquarters of Crain Communications, 740 Rush Street. Each publication and all employees will have their own Direct Dialing number. This modern new system will make it easier and faster for you to reach our editors, salesmen, production staff—anyone you wish to contact at Crain Communications, Chicago. Please note: This new Centrex Direct Dialing system will affect **only** our Chicago office; all other offices in other cities will retain their present phone numbers.

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people

City names risk manager

Dennis Tweedale was named risk manager of the city of Madison, Wi., replacing **Jerry Surfus** who is now chief risk manager for Los Angeles County, Ca. Mr. Tweedale was formerly the assistant director of risk management for the University of Wisconsin system.

H. G. Heile

T. C. Harty

H. Gordon Heile joined the staff of I-T-E Imperial Corp., Spring House, Pa., as insurance manager for the company. He was formerly assistant insurance manager at Scott Paper Co. At I-T-E Imperial, Mr. Heile is responsible for all property and casuality programs. He replaces **Marlin H. Henning,** who left I-T-E to become corporate insurance manager for Keystone Consolidated Industries Inc., Peoria, Il. This is a new position at Keystone, where insurance and risk management was formerly handled by the corporate controler.

* * *

Thomas C. Harty was named to the newly-created position of corporate director of risk management for Standard Alliance Industries Inc., located in Oakbrook, Il. Mr. Harty is assistant secretary of the corporation, which he retains. He joined Standard Alliance in 1967 in the insurance and pension office.

* * *

Glenn A. MacCorkle was promoted by Kaiser Cement and Gypsum Corp., Oakland, Ca., to insurance manager. He was formerly insurance supervisor and succeeds **Robert L. Jones** as insurance manager. Mr. Jones has stepped up to a new position as director of administrative services.

* * *

Earl T. Miller was named manager of insurance for Gardner-Denver Co., Quincy, Il. He succeeds **Floyd Stratman,** who is now manager of the salary and payroll department. Mr. Miller was formerly with Employers Insurance of Texas, and is headquartered in Gardner-Denver's offices in Dallas. He is responsible for property/casualty insurance, as well as employe benefits for the company. He reports to John F. Smith, assistant treasurer of the firm.

* * *

Warren P. Higgins is the new employe benefits manager of Rohm and Haas Co., Philadelphia manufacturer of chemicals, plastics, fibers and health products. He succeeds **Edward M. Morgan Jr.,** who will coordinate and develop activities until his retirement next year. Mr. Higgins has been with Rohm and Haas for 20 years, and was most recently assistant manager of the employe benefits department, to which he was named in 1971.

* * *

William T. Donahue was appointed to the newly-created position of corporate insurance manager for Damon Corp., Needham, Ma. He will be responsible for purchasing and monitoring all property and casualty insurance for the company, which employs over 5,000 persons in 200 facilities around the world. Mr. Donahue was formerly an account executive with Alexander & Alexander Inc. and is a CPCU.

* * *

Don Schieck was chosen to be risk manager for the State of Illinois. He takes over the job April 15. The position has been open since Jan. 1 when **Bud Gibbons** left the state department of finance to join Ebasco Services. Mr. Schieck was formerly assistant risk manager for Rockwell International Corp. Mr. Schieck will report to Elliott Epstein, director of finance for the state. It has not yet been decided whether Mr. Schieck will be based in Springfield or Chicago.

* * *

Max Swietlik, a founder of the Mexican risk managers' organization, died unexpectedly recently in Mexico City. He was controller of General Electric de Mexico. He helped form Asociation Mexicana de Administradores Reisgos, A.C. (AMARAC). Mr. Swietlik attended the 1973 ASIM Risk Management Conference as representative of AMARAC.

* * *

Steven B. Steinberg, CPCU, was named director of risk management for J. Weingarten Inc., Houston. Formerly director of insurance for the supermarket chain, Mr. Steinberg's new position resulted from a combination of the company's safety and insurance departments into a risk management department. Mr. Steinberg is now responsible for the firm's safety and property/casualty insurance programs, as well as employe benefits programs and administration for some 6,500 employes. Before joining the firm in 1972, he was assistant insurance manager at Southern Natural Gas Co., Birmingham, Al. He is a director of the Houston chapter of the American Society of Insurance Management and a member of the Houston chapter of the Society of CPCU. ■

Court upholds carrier right to coordination

WASHINGTON—The U.S. Supreme Court early this month turned away a challenge to the legality of coordinated benefits used in group health plans written by Florida Blue Cross-Blue Shield.

The court refused to hear a suit filed against Blue Cross-Blue Shield by the American Family Life Assurance Co., of Columbus, Ga. Premium costs would have risen had the coordination clauses been nullified by the court, Blue Cross-Blue Shield said.

The suit, originally filed in September, 1971, in the Miami federal district court, alleged that the coordination of benefits clauses used by Blue Cross-Blue Shield were an illegal restraint of trade in violation of section one of the Sherman Antitrust Act.

COORDINATION OF benefits, according to Blue Cross-Blue Shield, prevents duplication of premium payments when members of the same family are covered by separate family health plans.

Under coordination of benefits, the second group plan begins paying benefits only when the first policy's benefits have been exhausted.

In a May, 1972, trial, a federal judge ruled that the coordination clauses were not an illegal restraint of trade. The case was appealed the fifth federal circuit court of appeals in November, 1973, where the appellate judges upheld the ruling of the lower court.

Officials at American Family say the coordination of benefits clause effectively locks them out of a portion of the insurance market. They have similar suits pending in an Atlanta federal court against several large commercial health carriers, a spokesman said.

Blue Cross-Blue Shield officials, however, say the coordination of benefits clause is "the biggest cost containment effort we have going." They report it saved Blue Cross-Blue Shield subscribers $5.9 million in duplicated premium payouts in 1973.

"The fact that 98% of the employers that have group plans with us are willing to support that clause indicates that they are in favor of it," a Blue Cross-Blue Shield spokesman said. ■

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Insurers confident that trade groups are hot market

By JOANNE GAMLIN

LOS ANGELES—"The only way small- to medium-sized businesses in the future will be able to obtain property/casualty insurance at reasonable rates will be through their trade association, franchise or other business group," Kenneth J. Ford, president, MarketDyne International, confidently predicts.

MarketDyne International, a wholly-owned subsidiary of the Insurance Company of North America, was one of the first carriers to jump into the now-hot field of marketing property/casualty as well as workmen's compensation insurance to trade groups on a mass marketing basis. Underwriters now offering trade group policies include the likes of Royal-Globe Insurance Co., Hartford Insurance Group, and Fireman's Fund American Insurance Co.

Small businessmen in Los Angeles who have been persuaded to switch to trade association insurance programs seem to be uniformly glad they did.

GEORGE HENSEL, president of the California Driving School, the largest such school in Los Angeles County, is so pleased with his new automobile liability/physical damage policy from the Famex marketing subsidiary of Firemen's Fund American Insurance Co. that he wonders "whether it shouldn't be kept a secret."

A member of the insurance committee of the Driving Schools of America Assn., Mr. Hensel said the policy covers property damage, bodily injury, medical payments, uninsured motorist and comprehensive liability. Auto collision is self-insured for the California Driving School.

"We get a fleet discount and our serious accident rate is almost nonexistent," he said. "But the premium on that policy is 26.5% lower than what I was receiving from my previous carrier. It is a mere $116 a year."

The $116 premium, Mr. Hensel explained, compares with an annual figure of $158 last year from his former agent, Pacific Insurance of San Diego. The carrier for this policy was the Insurance Co. of the Pacific Coast. Mr. Hensel took pains to point out that the company had been fair. In fact, late last year, he said that Pacific Insurance voluntarily offered to reduce his 1974 premium to $137 a year.

"THIS WOULD HAVE been only 15.3% more than what I was offered by Fireman's Fund and its Famex agent, Richard Schur of First Charter Insurance," said Mr. Hensel. "But there is a catch.

"My new association policy carries a $1 million limit. My old Pacific Insurance policy was for $300,000."

Mr. Hensel noted that a comparison between his Pacific Insurance policy and the new one from Fireman's Fund reveals that only for comprehensive general liability coverage does he pay a higher premium than before. That is, with his new policy, he pays $14 a year in comprehensive versus $10 a year with his Pacific Insurance policy. However, in its bid for his 1974 business, Pacific Insurance, while reducing all other separate premiums, hiked the car premium from $10 to $17.

For his Fireman's Fund policy, Mr. Hensel pays $67 for bodily injury, $21 for property damage, $10 for medical payments and $4 for uninsured motorist.

A smaller businessman, Thomas Bauer of the Thomas Bauer Wing Automotive Service Co., Pasadena, is also quick to praise his Fireman's Fund trade group property/casualty policy. A lower premium, he said, was his prime consideration in adopting the policy which was introduced to him by his association, the Automotive Service Council.

Mr. Bauer's policy covers two buildings and their contents as well as a raft of liability coverages. His total premium is $1,189 a year, but Mr. Bauer guesses that it will rise "unless business is bad all year."

Tom Smith, head of Smith Electric and a member of the National Electrical Contractor's Assn., said that his workmen's compensation policy from MarketDyne has produced a higher dividend than his former policy. Dividends on MarketDyne's workmen's comp programs average about 22.1%, he noted.

"The highest dividend we've paid has been 42.9% on premiums paid," explained MarketDyne president, Kenneth J. Ford. "It usually goes to our banks and savings and loans who are some of our non-affiliated groups."

THE FORMER vice president of INA's Pacific Employers insurance subsidiary, Mr. Ford makes no bones about the fact that MarketDyne organizes groups where none existed before.

Several years ago his subsidiary surveyed the nation's motel owners, Mr. Ford noted. What it found was that out of a total of about 50,000 such individuals, only 5,000 were affiliated with a trade group.

"Consequently, we formed the Motel Safety Assn.," he said, noting the general rule that insurance companies may organize small businessmen into trade groups if the carriers can demonstrate that safety was the goal of that action.

MarketDyne counts as customers trade groups which were in business long before their headquarters officers listened to a MarketDyne sales pitch, of course. Howard Johnson Motel Lodge Operators Council, American Metal Stamping Assn., the National Newspaper Assn. and the National Apartment House Assn. are some groups with policies underwritten by MarketDyne.

"We have 150 groups now and expect to add 24 more in 1974," said Mr. Ford.

The subject of insurance carriers acting as the organizing agent to produce new trade groups is admittedly touchy. A spokesman for a California-based carrier specializing in workmen's compensation charged that "fictitious groups are formed by carriers but it is illegal. They exist only for lower premiums."

John Allen, president of the Famex subsidiary of Fireman's Fund American, said "we considered organizing unaffiliated groups but decided not to do it.

"The problem as we see it is that this practice results in creaming the class. Predictably, only the good risks will be pulled into such groups and that creates the question of who writes the bad risks.

"Ultimately, we believe that the government could intervene to halt such discrimination." ■

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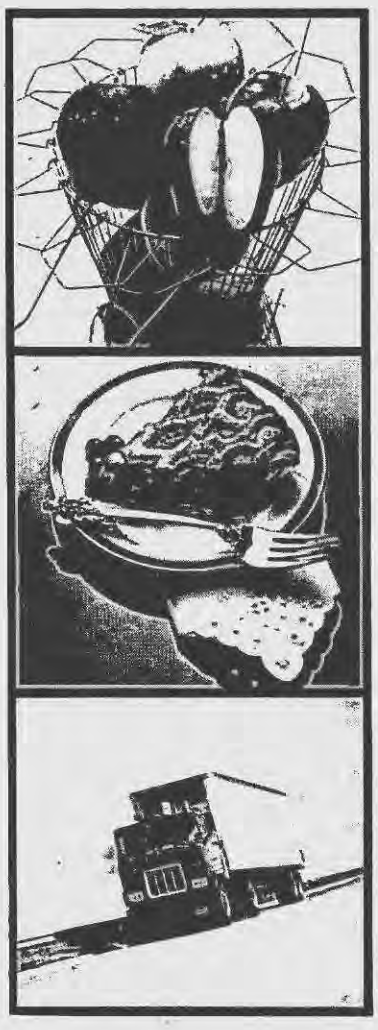

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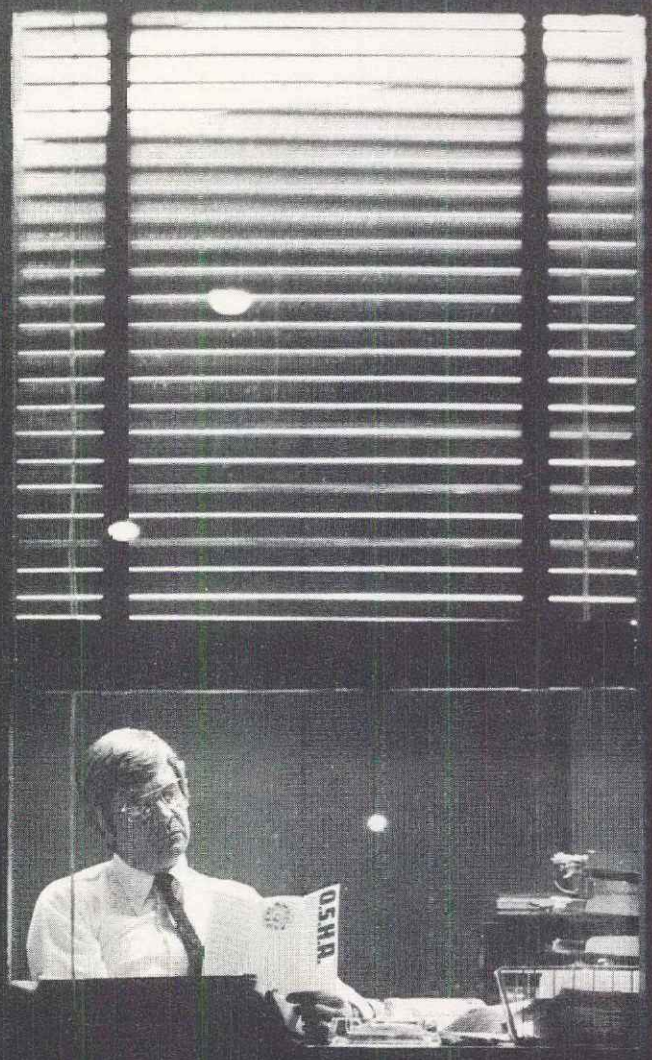

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