ASIM annual conference report

pages 3, 35-54

Labor beat: Shell blasts safety push
page 6

Nixon administration enters pension fray
page 12

New conclusions on group life benefits
page 55

Entire contents copyright 1973 by Crain Communications Inc.

45¢ a copy; $10 a year

April 23, 1973

business insurance®

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

Probe finds no violation as four die in Sears fire

By TOM WALSH

CHICAGO—The International Union of Elevator Constructors (AFL-CIO) has reportedly issued a cease and desist order to its members which prohibits them from performing an elevator maintenance procedure which led to the deaths of four workers April 11 at the Sears Tower, the world's tallest building.

The four elevator mechanics were burned beyond recognition when a highly volatile solvent they were using to remove a protective grease from elevator cables somehow ignited. The Labor department's Occupational Safety and Health Administration, the Illinois department of labor and the Chicago building department have all investigated the accident. No inquiry has uncovered any safety violations.

"It's impossible to cite violations in this case," Edward Stevenson, the Illinois labor department's investigator told *Business Insurance*. "The code stipulates that violations must involve recognizable hazards, and this is the first time an accident like this has happened. It's a very normal procedure that has been going on for 20 years, and there's never been an accident. Now, I suppose, we'll have to find an alternate method of doing this procedure."



Firemen remove body of victim from Sears Tower. —Wide World photo

As of last week, the OSHA report had not been filed, but sources say it, too, is left without precedent. "The only thing it might cite," one source told *Business Insurance*, "is that there were no smoking signs posted in the shaft. But even that won't get them very far because there are no witnesses and no survivors, and there's just no way of know-

Continued on following page

Sen. Long plans health care bill for all citizens

WASHINGTON—Sen. Russell Long (D.-La.), chairman of the Senate finance committee, is moving into a strategic health insurance position between the Nixon administration and Rep. Wilbur Mills, chairman of the House ways & means committee and possibly the last word on whether national health insurance will be acted upon this year.

Sen. Long said in a speech to the Louisiana AFL-CIO released here that he will soon introduce legislation providing general revenue-financed health coverage for the poor and federal Social Security-financed catastrophic cover for all U.S. citizens.

Sen. Long said coverage for low-income families would replace Medicaid and include free hospital care for 60 days, skilled nursing and intermediate care facilities and out-of-hospital doctor visits for a small co-payment. It would be limited to individuals with annual incomes under $2,400, couples with income under $3,600, (under $4,200 with one child, $4,800 with two children and upward by $600 for each additional child).

Sen. Long's catastrophic coverage would cover all but $17.50 a day of hospital costs from the 61st day of hospitalization onward. It would also pay 80% of any doctor costs above $2,000.

As for middle-income and upper-income groups, Sen. Long says their coverage for the first 60 days in-hospital or the first $2,000 in doctor bills should be through private insurance.

The Nixon administration is putting the finishing touches on its 1973 health insurance proposals, and it's expected that in part they also will focus on low income groups, but with coverage handled by private carriers. ■

Colt insured for stud

NEW YORK—Coverage in excess of $6 million has been put together in London and spread among a number of large insurers to cover Secretariat, the horse favored to win the Kentucky Derby.

The policy, *Business Insurance* has learned, covers all risk of mortality from disease or accident and against possible sterility of the horse when it reaches siring age. Johnson & Higgins, brokers for the insured, engineered the policy. An unusually high premium rate of 10% was charged Meadow Stud Inc., the animal's syndicators. (*See story page 56.*)

Equity Funding's demise finds few mourners

By DAVID GRIMM

CHICAGO—With the initial shock waves of the collapse of Equity Funding barely faded, the financial community is scurrying about second-guessing, shoring its bulkheads and taking a long hard look at the secondary storms which are sure to follow.

Immediate casualties of the first revelations that something was amiss with the meteoric mutual fund and, in the main, personal lines life insurance firm were its president, Stanley Goldblum; a securities analyst with Delafield Childs, Inc., New York; the buyers of several large blocks of Equity Funding parent company stock and the approximately 2,000-member Equity Funding sales force.

Beginning April 2, the Wall Street Journal revealed a series of almost horrifying events which were touched off by a tip to securities analyst Raymond L. Dirks from a former Equity Funding employe now working for a large Atlanta insurance brokerage firm.

DIRKS ACTED upon the information and allegedly began informing clients of Delafield Childs of the possibilities of large problems about to surface.

The New York Stock Exchange has brought disciplinary charges against Dirks as the result of the allegations on the basis of several exchange rules forbidding the dissemination of "insider" information.

The stock exchange stopped trading in Equity stock Mar. 27 at about $14.75 after several days of institutional unloading from a previous level of $28. The NYSE claims the dumping came as a result of Dirks' warnings.

Simultaneously, insurance examiners in Illinois and California were finding 36,000 out of 97,000 policies claimed to be on the books of Equity Funding Life were faked by an elaborate computerized system of dummy policies which went as far as to utilize company employes posing as policyholders.

BEGINNING in Illinois, where the life insurance subsidiary is based in the Chicago suburb of Elmhurst, states began to forbid the sale or issuance of insurance policies written on the subsidiary. Many states across the nation followed suit.

A safe deposit box in American National Bank, Chicago, supposed to contain $22 million in Equity Funding Life Insurance Corp. bonds as assets for the policyholders in Illinois was found to be empty, upon drilling initiated by Illinois Insurance Commissioner Fred Mauck in a "quick-take" action later confirmed in DuPage county circuit court.

Illinois examiners had first looked on the Equity Funding Life's activities with a jaundiced eye, reportedly on an anonymous tip, and they were quickly joined by counterparts in Mississippi and California, where the life firm had done much of its business.

EQUITY FUNDING Life, one of four subsidiaries, had accounted for more than half of the firm's business, the probe revealed. Insurance examiners, as the tale unfolded, found approximately two-thirds of the total volume of face amount insurance to be faked by false policy data and policyholder information which was accumulated at "policyholder parties" in which employes gathered, often after normal working hours, to dream up policy files including all pertinent medical data, in preparation for an audit by independent auditors or state inspection units.

These parties had been standing jokes in company circles since the late 1960's, one Equity Funding employe told *Business Insurance*.

These probes led to rumors on Wall Street which were denied by company officials as recently as Mar. 27, when Equity Funding president Goldblum denied any "unusual" situation in the company to the SEC.

Continued on following page

Probe . . .

Continued from preceding page

ing if smoking was involved. They'll never know the source of ignition in this one, I'm afraid."

THE FOUR men were working from a partially constructed elevator platform and using rags soaked in Rule 66, a mineral spirits-based solvent, to remove the rust-inhibitor from the cables. They were working at the 42nd level of the express shaft when the fire erupted and were trapped, the only exits being seven floors above or eight floors below. The shaft is one of 88 in the building.

A Chicago fire department analysis of the solvent determined its flash point—the temperature at which the fumes from the solvent would ignite—at 107 degrees and its ignition point—the temperature at which the fluid itself would ignite—at 470 degrees. The use of such highly flammable solvents is not in violation of Chicago fire regulations, a fire inspector said.

Investigators also noted that the clothing of another elevator crew conducting similar maintenance in an adjoining shaft was "almost saturated" with the flammable cleaner.

The flash fire burned itself out before firemen arrived at the scene of the accident, and fire damage was estimated at $1,000, "well below the deductible," a Sears spokesman said.

Insurance claims made by the survivors of the four workers will be paid under the superstructure's workmen's compensation/general liability policy written by the Continental Insurance Co. and administered by Sears.

Six persons have now been killed during the construction of the building. One steelworker fell to his death on Oct. 30, and another worker died from a fall just four days after the April 11 fire. Two pedestrians were injured slightly a week before the fatal fire when several large scaffolding planks broke loose from the 103rd story and splintered as they hit the street level.

The new building is now being equipped with a massive sprinkler system utilizing some 40,000 sprinkler heads. Because the safety engineers considered the shafts fireproof, no sprinkler heads were to have been installed in them. ■

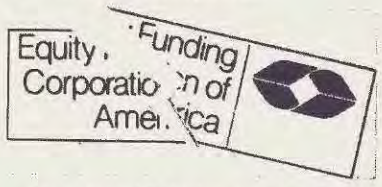
U.S. criminal code lacks provision for insurance firms' asset drain

WASHINGTON—To the surprise of Senate attorneys involved in revising the federal criminal code, the Nixon administration's proposed revision has no plug for the loophole through which insurance companies have been drained of their resources.

The administration's criminal code bill, introduced by Sen. Roman Hruska (R.-Nb.), makes no mention of a provision in code legislation proposed by Sen. John L. McClellan (D.-Ar.) calling for a seven-year prison term for persons convicted of concealing or transferring funds "with intent to deceive."

SOURCES close to the drafting of revises in the McClellan bill say it was understood last fall designers of the administration measure were in agreement with the need for federal law to take up where state jurisdiction leaves off. They say there was discussion of Senate commerce committee hearings three years ago which spotlighted a rash of insurance company insolvencies involving corporate drain.

Multi-business corporations, it was revealed, were shown to have moved resources of the insurers in several states, thus blocking prosecution by authorities in the insurance companies' home states even where false insolvency was suspected.



But Ronald Gainer, chief of the Justice department's criminal code revision unit, said, as he recalled, the provision was left out in the belief states could handle the problem. He said attorney Norman Sepenuk, "who prepared that section of the bill, apparently decided it wasn't necessary, that it may have been getting the federal government into areas which could be adequately policed by the states." Mr. Sepenuk, who has left the Justice department, was away from his Portland, Or., private law office and could not be reached by *Business Insurance*.

Sen. Hruska, who had registered no opposition to the McClellan provision when it was introduced earlier this year, is reported to feel the instances of insurance company bleeding have been on a state-by-state basis and could be handled by state authorities without putting insurance firms into bankruptcy.

SENATE JUDICIARY committee staffers say the two bills may face revision on several points before one or a combination of both come out of committee sessions. They note there is adequate time for change since hearings on the measures don't get under way until later this month.

Other Senate legal sources remain puzzled. "Before the administration bill came out, the anti-bleeding provision seemed to be something everyone agreed with," said one. "The only reason we know of for the administration bill leaving it out is the 'leave it to the states' philosophy" which "doesn't solve the problem" of plundering. ■

Bud Breeding on Aviation Insurance:

"People give AAU an edge..."



"...When you talk to AAU, you get it straight...from people who know their business and are easy to understand. You know every AAU representative, underwriter and adjuster, has extensive aviation experience. You can depend on them for coverage to match your client's needs for fast, fair claims settlements."

Bud Breeding is uniquely qualified to evaluate insurance companies. He's been a pilot for years, writes a substantial volume of aviation insurance through his 50-year-old Oklahoma agency, and is past president of the Oklahoma Association of Independent Agents.

The same knowledgeable AAU specialists are ready to help your agent insure your aircraft by sharing our 43 years experience gained as the nation's number one aviation insurer.

ASSOCIATED AVIATION Underwriters

90 John St., New York, N.Y.

Atlanta • Chicago • Dallas • Denver • Detroit • Kansas City • Los Angeles • San Francisco

Musical shares . . .

Continued from preceding page

Goldblum was allegedly attempting to sell a large block of company stock he had held.

Other traders in the highly touted funding firm were badly burned in the ensuing rout to get out of their holdings. Salomon Brothers filed suit April 11 against Boston Co., two of its subsidiaries, and dozens of clients after the brokerage firm was the last one standing in a furious two-week game of musical shares.

AT ISSUE is $8.3 million in Equity Funding sales swallowed by Salomon customers, based on "insider" information, of which Salomon was allegedly unaware. "We were receiving favorable information on Equity Funding right up until trading was halted," one firm official said.

Late last week, several Big Board firms, including Colonial Penn Group and Mortgage Guaranty Corp. (MGIC), were busy denying reports of any connection with Equity Funding, in order to stifle market weakness in their common stock.

At another level, the Equity Life subsidiary caught Ranger National Life Insurance Co., Houston, with an admitted $8.7 million in reinsurance policies bought from the Illinois-based firm. Ranger National is a subsidiary of Anderson, Clayton & Co., also of Houston.

Ranger National and its parent firm hastened to assure investors and policyholders through a series of ads in the Wall Street Journal business was as usual and there was no need for alarm.

THE REINSURANCE angle of the huge scandal came to light since the basic premise of the company was to use "funding" or playing off one form of collateral against another to enable a client to have his cake and eat it, too. In this case, the mutual fund shares were used as collateral to finance a personal insurance policy.

Because of the sagging stock market and resultant dip in the mutual funds managed by Equity Funding, much cash was needed to keep all the insurance in force, according to state insurance examiners—thus the need for greater and greater amounts of bogus insurance in order to satisfy reserve requirements.

The fake insurance was sold to reinsurers, examiners found, for about $1.80 per policy premium dollar. Lapsed policies were fed into the system as were false death claims, proceeds for which the life subsidiary collected, since there were few genuine beneficiaries. Hartford's Connecticut General was listed as one of the reinsurance firms as was Kentucky Central Life Insurance Co. based in Lexington, Ky.

At the heart of the mammoth hoax was the firm's computer, according to Dick Hirschfield, executive vice-president of Computer Audit Systems, East Orange, N.J., a computer auditing firm.

HIRSCHFIELD said the primary blame in the Equity Funding scandal "of course lies with the internal auditors, if there were any." But he faulted external audit and inspection groups such as Seidman and Seidman and the insurance inspection units, saying, "there's no such thing as a system so intricate it can't be uncovered. What this really

Continued on page 11

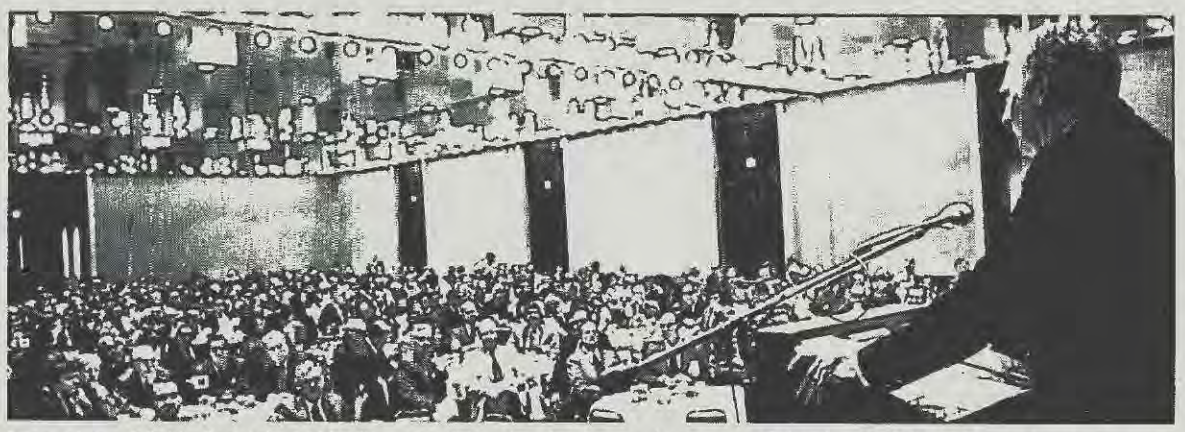
GUIDE TO FEATURES

Washington Watch	4
Labor Beat	6
Info for Buyers	8-9
London Line	10
Opinions	18
For the Record	20
Following the Funds	24
Perspective	43-44
Giles on the Law	56

Vol. 7. No. 9—Business Insurance is published every other Monday at 740 Rush St., Chicago, Il. 60611. Controlled circulation postage paid at Chicago, Il. Copyright 1973 by Crain Communications Inc.

New ASIM president makes it two from Boeing

(For full coverage of the American Society of Insurance Management's 11th annual conference, see pages 35 through 54.)



Incoming ASIM President Walter D. Woodard began his era of high visibility by addressing an ASIM risk management luncheon in Atlanta.

ATLANTA—When Walter D. Woodard is home in Seattle, where he is assistant corporate insurance manager for the Boeing Co., he spends an hour, three days a week, running in a physical fitness program sponsored by Boeing Management Association. He covers about 10 miles a week.

Walt Woodard may not be running as much in the year ahead, but, as new president of the American Society of Insurance Management, he'll certainly be putting some miles behind him.

"I intend," he said, almost with the seriousness of a winning politician the morning after an election, "to be a highly visible president."

In an interview here a few days ago, shortly after his election to head the growing society of risk and employe benefits managers, Mr. Woodard told *Business Insurance* one of the major challenges facing him in the year ahead is the implementation of a new organizational structure adopted by ASIM this month.

"WE HAVE put together an organizational chart drawn from the management philosophies of some of our member companies, and I think it will be of great value to the society in the years ahead," said the lean, soft-spoken Boeing risk man.

While the new organizational structure of ASIM will address itself to better management of activities in public affairs, education, communications and research fields, Mr. Woodard is among the first to admit his primary assignment in the year ahead is to keep ASIM on a steady course toward responsible growth as an influential consumer voice in the insurance regulatory and legislative communities. He noted, however there are restrictions inherent to ASIM which prohibit it from becoming the powerful consumer voice some say it should be.

During one of the conference sessions here earlier this month, for example, J. Richard Barnes, insurance commissioner of Coloradop, had chided ASIM for reacting rather than acting.

"State regulation exists for the service of the insured public," Commissioner Barnes had said. "I deem that ASIM and corporate buyers of insurance are just as much a part of that public as the state resident who insures his automobile or his home." Mr. Barnes noted that often in the past he had considered ASIM as "a group that doesn't act, but reacts. I suggest," he said, "the local people here go back and get acquainted with your insurance commissioners and their staffs."

Corporate insurance consumers, he observed, should be a valuable source of information for insurance regulators who must make decisions affecting consumers of all kinds.

"FRANKLY, I would agree with that observation," Mr. Woodard said the next morning in his suite at the Regency Hyatt

Continued on page 50



Ralph E. Gentry, the Times Mirror Co.'s risk management strategist, views his 'catastrophe board.'

Publisher attacks vehicle claims

By CHARLES WINGIS

LOS ANGELES—A 25% reduction in vehicular traffic accidents is the primary goal set forth this year in a far-reaching loss prevention program here at the Times Mirror Company.

Based upon a concentrated attack on the accident problem being mounted by Ralph E. Gentry, the company's insurance manager, the stated objective appears well within reach in 1973. Moreover, the effects of the program will be widespread, encompassing Times Mirror operations throughout the United States which account for total annual revenues of more than $611 million.

One of the largest publishing companies in the U.S, Times Mirror owns a total of four newspapers in three major areas of the country, largest of which is the Los Angeles Times. It also owns the Dallas Times Herald, Newsday in Long Island, N.Y., and the Daily Pilot in Orange County, Ca.

Other key parts of the Times Mirror organization include nine book publishing companies; eight forest products operations throughout the Northwest; and other companies ranging from magazine publishing to television broadcasting, cable television, commercial printing and eight separate companies in the charts, maps and instruments field.

With 15,000 employes, it is understandable why something like a 25% cut in vehicular accidents takes on added significance as a corporate goal for Ralph Gentry. In the past, this type of accident has cost the company as much as $100,000 in damages annually.

Says Mr. Gentry, "Since we self-insure for all collision and comprehensive vehicle damage, there's actually no insurance policy involved. The exception, of course, would be a catastrophic accident involving a major lawsuit and million dollar damages. In this event we're covered by a public liability policy written by Allstate and others."

The current accident reduction campaign at Times Mirror features a multi-step approach, the first of which deals with driver safety education and accident prevention. "We hope to communicate with every driver, either verbally or in writing, to acquaint him with some basic safety procedures and driver errors," said Mr. Gentry.

"ONE EXAMPLE I cite is the driver who keeps his route sheet on the seat next to him. It can and often does fall off the seat. I tell them that if they stop the vehicle before bending down to pick up the route sheet, there's a good chance that little action will save the company $10,000. I can show them five accidents in our files where the drivers didn't stop before trying to retrieve their route sheets and wound up costing us a total of $50,000."

Other steps in the accident reduction campaign include follow-up interviews conducted by the department heads with driver personnel who have had accidents.

RALPH GENTRY considers himself an insurance manager without an insurance program. "We call it a risk management program here at Times Mirror," he said, "and I think of myself as any other manager attempting to evaluate all the many alternatives on how to best handle a particular risk and maximize my company's profits.

"Of course, we could buy an auto insurance policy to take the risk off our shoulders, but if you consider an insurance policy the only alternative without looking at other ways to reduce premium costs or to reduce risks, you're sure not doing everything you can to maximize profits. So rather than pay an insurance company $100,000 per year for auto damage coverage, we know the Times Mirror is big enough to withstand $100,000 in losses itself, and take whatever benefits may accrue," he said.

corporate profile

THE SELF-INSURANCE aspect of the Times Mirror auto coverage explains a good deal about the company's risk management philosophy. Although it does not currently self-insure for public liability or workmen's compensation, two of the most common self-insurance risks, Mr. Gentry points out, "We use insurance policies in those areas that are as close to self-insurance as I can make it."

He views the role of the modern risk manager as one of examining all the alternative ways of handling the risk to protect the company's assets. Besides

Continued on page 32

Equity revives concern

Accountants E&O market limited

By PAT THOMAS

NEW YORK—"Somewhere they are teaching a new course in law school," an involved insurance broker laughed rather unconvincingly. "It's entitled 'How to Sue an Accountant.'"

The broker's imaginary new course, while perhaps a bit farfetched, does point up a very real problem for accountants—they are, like doctors, lawyers and architects, finding themselves in court at the defendant's table much more often than they used to. For example, two accounting firms which performed audits for the now scandal-ridden Equity



Funding Corp. of America are among the defendants in billions of dollars worth of class action suits filed in behalf of stockholders.

The insurance coverage available to the accounting community comes under a variety of names—professional liability, professional indemnity, errors and omissions—but was basically designed for one purpose. "What we are really saying with this coverage," an insurer told *Business Insurance*, "is that the accountant's service will be of the highest standards. If there is a breach of some sort which leads to claims against the accountant, we will indemnify him."

It was pointed out the market for accountants E&O was limited but not extinguished.

Spokesmen for American Home Assurance Co. and CNA/Insurance Group, both very active E&O writers, felt the market was small because accountants had become more exposed to the suit-conscious public. This concern, they noted, had caused some insurers to desert the market.

(The market for America's "Big Eight" accounting firms—Arthur Andersen & Co. Coopers & Lybrand; Ernst & Ernst; Haskins & Sells; Peat, Marwick, Mitchell & Co.; Price Waterhouse & Co.; Touche Ross & Co. and Arthur Young & Co.—is London through J. H. Minet & Co., Montreal, *Business Insurance* has learned. Sources indicated the domestic market was involved in the excess coverage for the firms, which reportedly carry very high limits and sizable deductibles.)

While there is no standard form for the coverage, most observors agreed willful dishonesty was a universal exclusion. Some forms, such as Lloyd's, exclude claims from securities transactions.

Fraud was another exclusion, but, said a spokesman for a large accounting firm, "Fraud is a popular word in suits but rarely is the auditor in cahoots with the client. In the overwhelming number of cases, the auditor is a victim of the client's fraud."

It was also noted by the insurers the accounting firm might have trouble collecting on a claim if it went beyond the normal scope of its business, such as doing investment consulting.

In the event of a claim, the insurance men all stated that defense costs were covered by E&O.

"DEFENSE COSTS are always covered," said Thomas Tucker of CNA. "The defense is the key in any liability case. I would say at least 20% of the insurer's loss in such a case is defense cost."

Deductibles were given varying degrees of importance by the insurance company men. Their recommendations ranged from perhaps no deductible at all for small firms to an "absolute minimum of $5,000" for larger firms.

"Deductibles might have some appeal," noted Mr. Clifford, "but they wouldn't serve much purpose for a company with a first-dollar defense in his contract."

Because of the legal climate facing accountants these days, the insurers all recommended high limits. "I would say limits should never be less than $100,000," Mr. Tucker advised. "If the accounting firm does much public business, the minimum should be $1 million."

washington watch

OPIC caught in difficult squeeze while denying ITT's Chilean claim

By JOHN REVETT
Washington editor

WASHINGTON—The Overseas Private Investment Corp. was caught in a squeeze when it denied International Telephone & Telegraph Co.'s claim for $92.5 million to cover expropriation of its Chilean telephone subsidiary two years ago.

The quasi-governmental agency, which insures U.S. investors abroad against political risk, was a focal point of both House and Senate subcommittee hearings in the days leading up to its decision that ITT's claim was not valid because of "non-compliance with contractual obligations."

On the Senate side, OPIC became embroiled in the investigation by the foreign relations subcommittee of charges that ITT had meddled in Chilean affairs. Exactly how far ITT went in attempting to block the 1970 election of Socialist Salvadore Allende or how extensively it tried to block him from taking office after his victory is still not clear, but ITT chairman Harold S. Geneen acknowledged that he offered a substantial sum to the Central Intelligence Agency to keep Mr. Allende from becoming president of Chile.

The issue of ITT's claim came up and the fact arose that OPIC's contract stipulates that a seizure is not considered expropriation for claim purposes if there was "provocation or instigation by the investor." The only way this provision can be bypassed is if the provocative action was taken at the "specific request" of the U.S. government.

IT COULD not be determined from the subcommittee's hearings whether a U.S. government request was involved in ITT's anti-Allende activities—Mr. Geneen said he declined a CIA invitation to participate in economic sanctions against the Allende government—but the possibility has stirred a number of subcommittee members to press for a review of the entire OPIC program at a time when the agency is seeking $72.5 million from Congress to build up its reserves and put its operations on an independent financial footing.

Thus, from the point of view of senators concerned about the OPIC program having the potential to encourage mischief abroad, the OPIC denial of ITT's claim had at least a soothing effect.

OPIC officials say the ITT decision was not a result of pressure stemming from the foreign relations unit inquiry, but privately there was general agreement among OPIC spokesmen and Senate staff attorneys that the denial had effectively removed the issue from center stage in the political arena since ITT will now take the issue on appeal to the American Arbitration Assn. in New York. Some Senate staffers believe that granting the ITT claim could have endangered continuation of the OPIC program instead of just souring senators on the agency's money request.

THE OTHER SIDE of the squeeze on OPIC comes from the foreign operations subcommittee of the House appropriations committee, the leadership of which favored payment of the ITT claim.

The issue was raised when Bradford Mills, OPIC president, appeared before the House unit to present a progress report on OPIC during its two years of existence and to push for the $72.5 million appropriation. The subcommittee chairman, Rep. Otto Passman (D-Ia.), asked for the status of the ITT claim. Mr. Mills said it hadn't yet been decided and Rep. Passman let his position on the matter be known. "It's a bonafide claim," said the Congressman, "by a good company that provides a lot of jobs." He said he was sure OPIC would approve the claim "with a smile."

While Rep. Passman was reported "very unhappy" about the denial, a staff source said the money request is still under serious consideration.

"We're in a very tight spot," said one OPIC official. "One side says we're adding to foreign relations problems, the other thinks we're not doing right by U.S. business."

THE POSSIBLE effect of the denial on U.S. business initiative abroad is causing some worry on both sides of Congress. This is the second large claim OPIC has rejected—Anaconda's claim for $154 million to cover copper mines nationalized by Chile was denied on a contract technicality that is now in arbitration—and there is concern among pro-business forces on Capitol Hill that the U.S. political risk program may not be keeping pace with those of other expansion-minded countries as a spur to investment in developing countries.

There was no comment on the OPIC denial of ITT's claim from the Nixon administration, but, whatever its position on this specific issue, the White House has recently shown increased interest in the agency and its future. OPIC is participating in administration discussions on new energy and raw materials policies that could require political risk insurance coverage for U.S. development of foreign raw materials.

OPIC has been criticized for being too cautious toward insuring companies investing in foreign minerals and other raw materials, but there are indications that Nixon administration support for the OPIC money request may be forthcoming. If this added push gets the appropriations measure through Congress, OPIC is reportedly prepared to start insuring raw materials developers against expropriation and other political risks despite its Chilean experiences. ■

IS YOUR INSURANCE DEPARTMENT A PROFIT CENTER FOR YOUR COMPANY?

GROUP VII SERVICES

127 John Street
New York, N. Y. 10038
(212) 248-1570

175 West Jackson Boulevard
Chicago, Illinois 60604
(312) 922-1400

3807 Wilshire Boulevard
Los Angeles, Calif. 90010
(213) 380-1331

Our business is to help you take the gamble out of your business.

The Wausau Story.

If you run a business, you know there are plenty of risks to contend with. You don't need any extra ones.

At Employers Insurance of Wausau, we've got ways of helping you control your own destiny.

Take workmen's compensation insurance. Our computers hold information on 369,000 injuries and 350 million dollars in injury costs covering 200 different kinds of businesses.

What's more, we know which particular types of accidents in each industry represent the greatest threat to life and limb. If you're a Wausau policyholder, we *share* this information with you so you can take steps to protect your employees from accidents in the most efficient way.

By doing so, you're not only saving human suffering, but you're doing something that shows up on the company ledgers. Because when you can exercise control over accidents, you can reduce your workmen's compensation costs. And it's always been true—money saved is just as good as money earned.

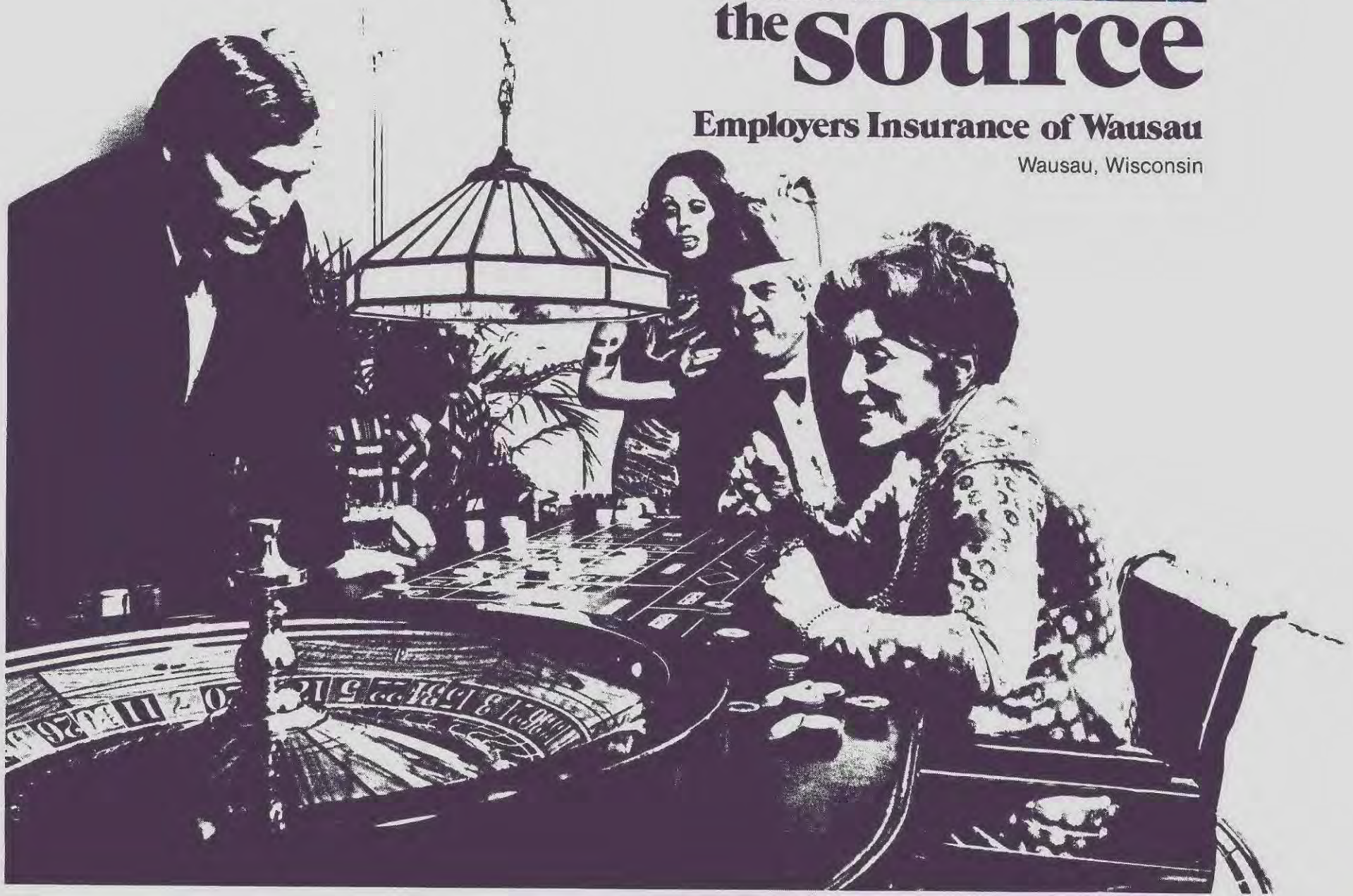
It's our way to help you reduce a risk that all businesses face. All things considered, the insurance company with the best "book" on that risk is your best bet, isn't it?



come to the source

Employers Insurance of Wausau

Wausau, Wisconsin



Learn how you may save your company thousands of dollars at the

business insurance

Corporate Insurance Idea Workshop

Cost Reduction & Control with Bion Francis

New York City · Essex House · June 5, 1973

Bion Francis, Business Insurance columnist and noted expert in the field of insurance, will conduct a fact-filled one day seminar devoted to saving your company money when it purchases insurance services.

Mr. Francis will concentrate on the areas which, unless they are planned and directed with the utmost care, will not only increase your company's overall costs, but will interfere with its relationships with employes, clients and government.

Bion Francis



In just one day, you will pick up more valuable information—expert financial guidance—than you could absorb anywhere else in such little time. Because of its high intensity nature, the Corporate Insurance Idea Workshop will be limited to 30 participants, **so you'll be able to be personally involved in one-on-one discussions on loss prevention . . . self-insurance . . . competitive bidding . . . negotiating insurance contracts . . . development of an insurance program and refinement of an existing program.**

Only 30 registrations will be accepted

Send in your reservation, with payment, today to ensure your place at the workshop.

The fee for the session—payable with registration—is $115 if received before May 5; thereafter the fee is $130. Included with the session is luncheon, workbook, coffee breaks and a copy of Mr. Francis' most recently published booklet, "How To Buy Insurance For a Corporation." Hotel reservations, if necessary, should be made directly with the Essex House, Central Park South, New York City 10020.

business insurance Corporate Insurance Idea Workshop

708 Third Ave., New York, N.Y. 10017 (212) 986-5050

Please enroll me in the Corporate Insurance Idea Workshop to be held on Tuesday, June 5, 1973, in the New York City Essex House. My registration fee of $130 is reduced to only $115 if you receive my registration with payment by May 5. If my plans change and I cannot attend, I will get a complete refund if I notify Business Insurance by May 15th.

PLEASE ENCLOSE COMPLETE PAYMENT. MAKE CHECK PAYABLE TO: BUSINESS INSURANCE WORKSHOP

Name_____

Title_____

Company_____

Address_____

City_____ **State**_____ **Zip**_____

Labor beat

Shell, union at odds over health clauses

By TOM WALSH

HOUSTON—The Shell Oil Co. has charged the Oil, Chemical and Atomic Workers Union with disguising an attempt to gain feather bedding rights as a dispute over health and safety measures.

Some 4,000 members of the 180,000-worker union are entering the third month of a strike against the giant oil refiner, unable to win from the Dutch and English-controlled firm contract provisions somewhat reluctantly agreed to already by all other American-based oil companies.

The union's contract expired Jan. 1, and, in negotiations, workers demanded the establishment of joint labor-management health and safety committees within each facility. The union demands also included the retention by management of a qualified independent industrial health consultant (whose hiring would be subject to union approval); company-paid physical examinations of workers, as frequent and extensive as health surveys indicate are necessary and a management account of annual worker mortality and morbidity rates.

SUCH PROPOSALS, of themselves, are not extraordinary. In the past, similar worker-management safety committees existed, and Shell is quick to point out those plans have been a "positive, beneficial source of improvements." The big difference in the proposed committees—the factor the union says has resulted in a strike—is that they would have clout in the form of built-in binding arbitration procedures.

Under the system now used among the other oil companies, the independent consultant conducts periodic examinations of health and safety conditions in the plants and makes reports to existing joint committees. If agreement cannot be reached over a suggested corrective action, the contract stipulates the dispute will be subject to binding grievance arbitration.

Shell adamantly believes on-the-job safety and health matters are concerns of management and management alone. It lauds its present efforts and suggests extensions of employe safety committees, but it refuses to assent to the arbitration provision.

"The very safeguards the union demands are already available to all employes and the union," a Shell spokesman told *Business Insurance*.

"WHENEVER AN employe questions the health and safety aspects of his job, he can request an immediate inspection of the area by his foreman, and if needed, by the local plant safety organization. If conditions warrant, our industrial hygiene staff can be called in. The employe can also turn to the federal government, and inspectors can be called in as provided for in the OSHA laws of 1970."

The union feels OSHA enforcement capabilities are limited and no objective safety and health action will be taken by Shell's own industrial hygiene staff. Consequently, it wants the arbitration guarantee.

"IT IS OUR conclusion," Shell said, "their (the unions') proposal—in effect to restrict the duties to which OCAW-represented employes can be assigned—is an attempt to add manpower. This is why we believe true health and safety is not an issue. And, while featherbedding proposals may be fair topics for labor disputes, we are convinced employe health and safety is too important to be used by the union to gain featherbedding rights previously denied them."

The oil company also takes offense at the union demands for pension improvements, claiming its program is unmatched in the oil industry and that further changes are unwarranted.

The union says its only asking for token improvements this year, but is engineering a massive study of current pension fund handling and investment to insure workers have done their home-work in demanding changes in the next set of contract talks. The new contract already agreed to by all other companies but Shell stipulates management turn over pension information for review by union pension specialists.

The union has received support for various other large unions, and an effort to boycott Shell products and encourage credit card holders to return them to the company in support of the strike has been termed "significant" by the union and "too minor to concern us" by Shell. ■

'Shirtsleeve' workshop scheduled

NEW YORK—A Corporate Insurance Idea Workshop, presented by *Business Insurance* and conducted by Bion Francis, will be held at the Essex House here on Tuesday, June 5.

Mr. Francis, a contributing editor to this magazine and the author of several books on risk and employe benefit management, will stress cost reduction and control during the day-long shirtsleeve seminar. To help make the seminar more participant-oriented, registration will be limited to 30 people only, on a first come, first serve basis.

According to Mr. Francis, discussion will center on cash dollars in developing a corporate risk management program and will center on three main topics: Loss prevention, self-insurance versus full insurance and how to move from a full-insurance program to self-insurance and competitive bidding as opposed to the negotiation of insurance contracts.

Registration may be made by writing Corporate Insurance Idea Workshop, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017. The fee of $115, payable with registration and made out to *Business Insurance* Workshops. After that date the fee is $130. The fee is tax-deductible for corporations who send representatives, and includes luncheon, workbook, coffee breaks and a copy of "How to Buy Insurance for a Corporation," Mr. Francis' latest book. Hotel reservations, if necessary, should be made directly with Essex House, Central Park South, New York, N.Y. 10020. ■

As a Director or Officer of a corporation—
large or small,
profit or non-profit—
YOU could be
next in line to be sued.



D & O LIABILITY INSURANCE,
therefore, demands your urgent consideration.

The important question:
Where to buy it?

The answer:
More corporations have bought D & O Liability Insurance from us than from any other market.

To learn why they chose our D & O coverage, send this coupon to the *Stewart, Smith* office nearest you TODAY!

Stewart, Smith

116 John Street
New York, New York 10038
(212) 964-6700

147 Milk Street
Boston, Massachusetts 02109
(617) 426-0615

225 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 688-0963

141 West Jackson Boulevard
Chicago, Illinois 60604
(312) 939-5775

117 Majorca Avenue
Coral Gables, Florida 33134
(305) 444-7631

Public Ledger Building
Philadelphia, Pennsylvania 19106
(215) 925-0432

3200 Wilshire Boulevard
Los Angeles, California 90010
(213) 382-6201

277 Forest Avenue
Paramus, New Jersey 07652
(201) 265-9595

Grant Building
Pittsburgh, Pennsylvania 15219
(412) 232-0430

STEWART, SMITH:

Please send me full information about your Directors and Officers Liability protection.

NAME_____

FIRM_____

ADDRESS_____

_____ BI 4/73

STOP TRUCK THEFTS!

WARNING
OUR TRUCKS ARE UNDER
BABACO
PROTECTIVE SERVICE

·NATIONWIDE SERVICE·
·UNDERWRITER APPROVED·

-SELF-POWERED SIREN ALARMS-

call or write for free brochure!

BABACO ALARM SYSTEMS, Inc.
1775 Broadway
New York, N.Y. 10019
Tel. (212) 765-2550



Information. Timely. Accurate. Understandable. And at your finger tips. That's the risk management tool that enables a corporation to effectively control risks and costs of accidental loss. And that's what our computerized RISK MANAGEMENT TOTAL INFORMATION SYSTEM provides. It provides you with the information for an effective:

CASUALTY RISK MANAGEMENT SYSTEM • PROPERTY RISK MANAGEMENT SYSTEM

LOSS CONTROL AND SAFETY MANAGEMENT SYSTEM • OSHA RECORDS MANAGEMENT SYSTEM

More than 500 major corporations are using our service to reduce risks and costs of accidental loss. Ask your insurance agent or broker about our system, or contact us for complete information.

COMPUTER CLAIMS CONTROL A Division of corporate systems corporation

Box 2827, AMARILLO, TEXAS 79105 (806) 376-4223

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• **Employee Benefit Program Services** is available from Valley National Bank of Arizona. The bank, which maintains a complete employe benefit program department, has published this booklet to describe the department's services in particular, and program planning in general. For a copy contact Kelsey L. Moline, Valley National Bank, P.O. Box 71, Phoenix, Az. 85001.

• **How to Save Money and Retail Capital When Financing Insurance** is a kit of information released by AFCO. The kit includes the necessary forms, procedures, requirements, and examples of how insurance cost can be reduced by deferring payments throughout the term of the policy. Free copies are available by writing P. F. Spinella, AFCO, 108 John St., New York, N.Y. 10038.

• Mardix Security Systems is offering reprints of an article, **Personnel Entrance Control,** that gives guidelines for selecting a personnel identification and access control system. The article provides diagrams and cost/-benefit comparisons for various systems and a planning checklist to help decide on the best system for specific security requirements. Copies are available from the company, 900 Stierlin Road, Mountain View, Ca. 94040.

• **How Much Are Your Benefits Worth?** is a reprint of an article by Howard Z. Herzig, president of Benefacts Inc. The article offers suggestions on how to effectively communicate your benefits program. For a copy write Robert Filertson, Benefacts Inc., Hampton Plaza, 300 E. Joppa Rd., Baltimore, Md. 21204.

• **Was It Arson,** a booklet prepared by the General Adjustment Bureau, discusses the detection of arson. It outlines the establishment of motive, the techniques of examining a fire scene, and methods of documenting and preserving evidence. It is available free by writing Management Service, General Adjustment Bureau, Inc., 123 William Street, N.Y., N.Y. 10038.

• **It Doesn't Have to be Complicated** is a brochure which explains Prudential's approach to survivors' benefits. For a free copy, write director of group insurance, Prudential Insurance Co., 3rd Floor, Prudential Plaza, Newark, N.J. 07101.

• **Ready . . . or not?** is a 14-minute color film from Employers Insurance of Wausau which aims at readying individuals to be prepared should they be the first to arrive on the scene of a serious accident. The film may be obtained free by writing Roger Drayna, Employers Insurance of Wausau, 2000 Westwood Drive, Wausau, Wi. 54401.

• An article on **Evaluating Existing Computerized Personnel Data Systems** is available from Benefacts Inc. It explains the importance of checking personnel data systems every two years for modularity, internal efficiency retrievability, benefits applicability and readability. For a free copy write Tom Selby, marketing director, EIS division, Benefacts Inc., Hampton Plaza, 300 E. Joppa R., Baltimore, Md. 21204.

• The General Scientific Equipment Co. has published **Eye and Hearing Safety,** a booklet dealing with many methods of reducing eye and ear risks and injuries. The pamphlet deals extensively with the noise standards under OSHA. Free copies are available by writing General Scientific Equipment Co., Limekiln Pike and Williams Ave., Philadelphia, Pa. 19150.

• **Some Thoughts on Benefit Communication** is a reprint of Howard L. Peck's columns for *Business Insurance* over the past few years. Mr. Peck's comments on benefit statements, getting through to the new breed of worker, recognizing different audience interest needs, and other related topics may be obtained by writing Al Schlachtmeyer, Hewitt Associates, 102 Wilmot Rd. Deerfield, Il., 60015

• **The Risk Manager: New Man in Marine Insurance,** is the title of an article that has been reprinted by Marine Office-Appleton & Cox Corp. The article first appeared in a company publication and describes the growing importance risk managers are having on the marine insurance field. For a copy write A. E. Smith, Marine Office - Appleton & Cox Corp., 80 Maiden Lane N.Y., N.Y. 10038.

• Bankers Security Life Insurance Society has prepared **Major Decisions Management Must Face Sooner Or Later.** The booklet discusses whether a company should have a sick-pay plan, and if so, the type it might choose. For a free copy contact Von E. Wright, Bankers Security Life 1701 Pennsylvania Ave. N.W. Washington, D.C. 20006.

• National Health Care Corp. has issued material on the establishment and administration of its group health care self-funding service. For free samples of this material write Nat'l Health Care Corp., 55 Commercial Wharf Boston, Ma. 02110.

• Market Facilities Management Services has made available **New Concept in Self-Funding Employe Benefits,** a description of new techniques and services offered to the buyer seeking self-funding accident and health programs. For a free copy write Alan Cooper, Market Facilities Management Services, 3425 Wilshire Blvd. Suite 1600, Los Angeles, Ca. 90010

• Illinois R. B. Jones Inc. has issued **Seedmen's Errors and Omissions,** an explanatory brochure as to the need for this coverage, citing examples of losses that would be covered as well as an explanation of the insuring agreements in layman's terms. To order contact T. Cath, Il. R. B. Jones Inc., 175 W. Jackson Blvd., Chicago, Il. 60604.

• **So You Want to Act as Trustee of a Retirement Plan,** an indepth discussion of the dangers and pitfalls of being a self trustee of a corporate retirement plan, has been made available by Certified Portfolios Inc. For your free copy write Jock Begg, Certified Portfolios Inc., 500 Newport Center Dr., Newport Beach, Ca. 92660.

• **Profit Sharing Administrative Service,** a booklet designed to help employes understand the computerized workings of profit-sharing and money purchase plans, has been published by Small, Parker, Ackerman & Blossom Inc. For a free copy write John Blossom, Jr., Small/Parker/Ackerman/Blossom Inc., 1201 North Street Building, Peoria, Il. 61606.

■ Du Pont Co. has released **Library of Programmed Instruction Courses,** a listing of vocational training and safety training self-instruction courses offered by the company. There is a total of 156 courses. To obtain a free copy write A. C. Santora, education & applied tech. division, Du Pont Co., Wilmington, De. 19898.

• A booklet published by the Royal-Globe Insurance Cos. entitled **What Does OHSA Mean to The Business Owner Or Employer** describes the standards, enforcement procedures, citations and penalties under OSHA. For a free copy, write, Joseph Venturelli, Royal-Globe Insurance Co., 150 William Street, N.Y., N.Y. 10038.

• The American Appraisal Co. has released **Buying an Insurance Agency: What Am I Bid? What Are you Asking?** The booklet is a reprint of an article explaining the guidelines for an appraisal of captive insurance agencies in accordance with memorandum #R-28 of the Federal Home Loan Bank Board's office of examination and supervision. For a free copy write the public relations dept., American Appraisal Co., 525 E. Michigan St., Milwaukee, Wi. 53201.

• **TPF/C Forecast . . . For Pension Plans** discusses the pension cost information made available by the TPF/C Forecast and shows how it can be applied to financial decision making. Available from Towers, Perrin, Forster & Crosby, the brochure may be obtained by writing Joseph A. Banik, Principal, Towers, Perrin, Forster & Crosby, Three Penn Center, Philadelphia, Pa. 19102.

• **Kodak Microfilm Products 1972** is available from Eastman Kodak Co. The booklet describes various microfilmers, microfilm readers, readers-printers, processing equipment and accessories available from Kodak. It is available free by writing Arlene Stein, Corp. info. dept., Eastman Kodak Co., 343 State Street, Rochester, N.Y. 14650.

• **How Should Management Appraise Current Pension Legislative Issues?,** a bulletin from Johnson & Higgins, discusses mandatory vesting and funding standards, portability of pension benefits and pension fund reinsurance. For your copy, without charge, write production and coordination dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **A Glossary of Reinsurance Terms,** compiled by the Reinsurance Assn. of America's committee on terminology updates definitions in accordance with changing trade conditions. Copies are available by writing the association, 1025 Connecticut Ave., N.W., Washington, D.C. 20036.

• The Advanced Devices Laboratory has made a booklet on infrared intrusion detection available. **How It Works and How to Use It** describes how the system works, and how it can be applied where environmental hazards have precluded the use of other types of equipment. The booklet is available by writing M.J. Fealy, national marketing manager, at the company, 316 Mathew Street, Santa Clara, Ca. 95050.

• Are you as confused about no-fault as you are about workmen's compensation laws from state to state? General Adjustment Bureau Inc. has expanded its popular **Comparative Analysis of Automobile No-Fault Statutes** to include laws in 10 states. Free copies may be obtained by writing management services, General Adjustment Bureau Inc., 123 William St., New York, N.Y., 10038.



Some different approaches to surplus lines.

The economic climate in recent years has required a wide choice of funding vehicles in order to achieve the best investment results. Consider the flexibility we offer your pension or profit sharing plan through these separate investment accounts:

Our *Separate Equity Securities Account* for long term growth through investment in a diversified portfolio of common stocks of major, well established companies.

Our *Separate Capital Growth Account* for above average, long term growth from a diversified group of equities, primarily common stocks of companies with above average growth rates.

Our *Separate Bond Account* for better than average total return through investment in high grade publicly traded bonds with strong emphasis on broad marketability.

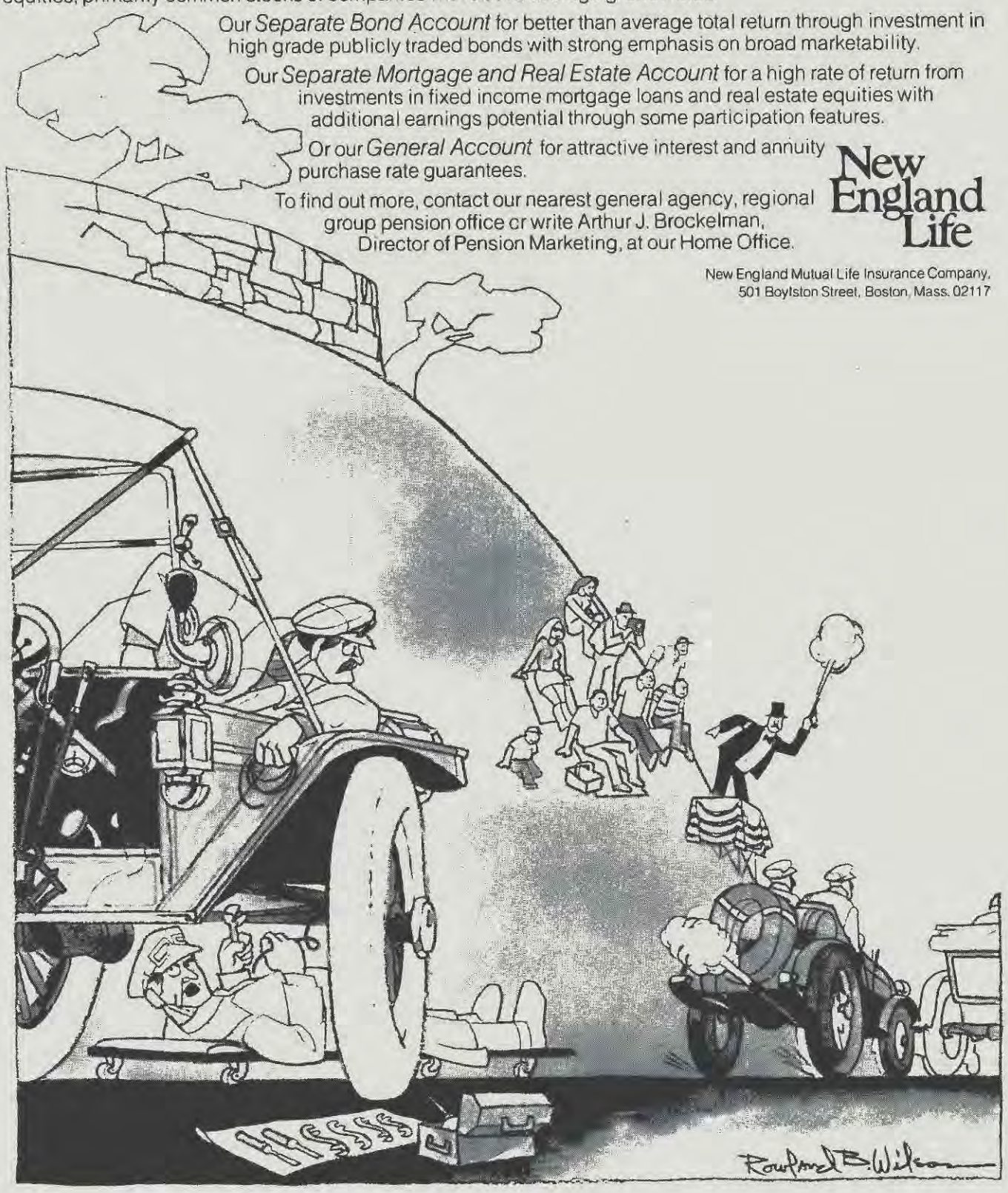
Our *Separate Mortgage and Real Estate Account* for a high rate of return from investments in fixed income mortgage loans and real estate equities with additional earnings potential through some participation features.

Or our *General Account* for attractive interest and annuity purchase rate guarantees.

To find out more, contact our nearest general agency, regional group pension office or write Arthur J. Brockelman, Director of Pension Marketing, at our Home Office.

New England Life

New England Mutual Life Insurance Company,
501 Boylston Street, Boston, Mass. 02117



"It's time we looked into other investment vehicles, Stanley."

london line

London projects $60 million in Eastern claims

LONDON—Insurers in London believe there can be a $60 million claim on the aviation markets for the Lockheed Tri-Star (Eastern Airlines) crash in the Everglades last December.

Fierce rate-cutting, they warn, is coming from new entrants to the aviation insurance industry, and slam U.S. life companies for their actions.

The cost of the Eastern Airlines loss, which was shared substantially between U.K. markets and the American "pools," is now being counted by British underwriters.

Some life companies are also involved.

One expert told *Business Insurance*, "I personally believe, and I think my opinion reflects the views of many other people, that passenger liability losses for this crash could be over $40 million. This is because of the rising cost of liability awards in the U.S. The hull value was just over $18 million, so there could be heavy claims in the end."

It was to this crash that Reginald B. Mills, retiring chairman of the U.D. Aviation Insurance Offices Assn., referred when he told the group's meeting: "The impact of this loss, the first to occur in flight in 1.4 million flying hours accumulated by 280 widebodied jets in airline service, is already becoming apparent.

"THERE WERE only 176 persons aboard the airliner, but of these, 100 were killed and many suffered serious injuries. It would seem timely to remind all insurers that premiums should be maintained at a level which will meet such peak losses," he noted.

"Airline rates, for both hulls and liabilities, have now reached an all-time low. A year ago I reported we were aware in the U.K. market of growing competition throughout the world.

"This situation has not improved in the past 12 months, and in fact has been further aggravated by the formation of the U.S. Life Companies Extended Reinsurance Group. The present rating situation is hardly justifiable in the light of the number of major losses sustained last year."

Some current practices, such as the tendency to cancel and rewrite risks during a normal 12-month period, are causing further concern to well-experienced underwriters in Britain.

MR. MILLS continued, "The market situation today is rather like that of 1965, except the overcapacity position is more acute. The rates most inadequate today are probably those applied to the older type aircraft which have written-down values.

"This association is not a rate-making body, but one of its prime objects is to ensure the basic principles and practices of aviation underwriting are observed.

"Losses so far this year involve seven jet aircraft, with 336 passenger fatalities, not including Russian manufactured aircraft —and this is not a very encouraging start to the year," according to Mr. Mills.

"IT SHOWS the need for a serious reappraisal of present rating structures, and of certain undesirable practices which have been condoned against a background of fierce competition. Insurers would be well advised to act now before there is any further deterioration."

Losses in 1972, he said, included 25 jet aircraft, one of which was wide-bodied, and 19 other aircraft. There were 1,437 passenger fatalities involved in these casualties, in which Russian manufactured aircraft were not included.

* * *

BECAUSE she has nearly doubled in weight from 130 lb. to 240 lb., Mrs. Ann Hawthorne, 37, of Nottingham has been awarded $150,000 damages in a lawsuit in the English courts. She was hurt in an auto crash and sustained brain injuries which affected the "satiety nerve center," controlling the appetite instinct.

* * *

THE BRITISH government is putting up a $50 million indemnity to insure China against loss or damage to art treasures which will come to Britain in the fall for public showing. They include many works of archaeological interest, and will be covered, jointly with the French Government, in transit and while on exhibit. ■

Sometimes, you need more insurance like you need a hole in your bottom line.



Not every insurance source will be so candid with you.

We will, though.

It's no secret that corporate insurance costs are soaring. Some coverages have increased 300% in just three years. Your insurance represents a big chunk of your overhead. And your overhead, if it's high enough, can take a lot of the excitement away from those increased sales and earnings figures you've worked so hard to produce.

Our business is to help you keep your corporate profits—and to *improve* them—through creative insurance management. And we believe in being completely objective with you. We're not out to make a buck. We're more interested in making a relationship. If you need more insurance, we'll tell you. If you need *less*, we'll tell you.

Not every insurance source will be that candid, either.

But then, not every source operates from our position of strength. We're a charter member of the Pinehurst Corporation, a coalition of insurance and insurance-oriented companies. That gives us direct access to the individual and combined capabilities of specialist firms engaged in every aspect of business insurance. Through Pinehurst, we give you the precise programs you need. Precisely priced. With no surprises.

We'd like to show you how creative insurance management successfully helped to seal off bottom line holes in nine out of ten clients situations. Then we'd like to talk candidly about closing off yours. Write or call collect to our president, Ed Jordan.

Emett & Chandler Agencies

Member Company of Pinehurst Corporation

1800 Avenue of the Stars, Los Angeles, CA 90067/(213) 553-4600

Equity . . .

Continued from page 1

means is some of these firms with a single internal auditor for 1,000 employes had damned well better get involved with improving internal programs control."

Peat, Marwick and Mitchell had performed some inspection of the Equity Funding firm's books for reinsurer clients but have denied any direct connection with the floundering firm as an auditor.

Touche Ross has been named auditor of the firm under the rules of Ch. 10 of the federal bankruptcy code, under which the entire Equity Funding financial complex is being reorganized. The revamp is being ordered from federal district court in Los Angeles.

IN THE STATE of New York, Equity Funding Life Insurance Co. of New York (EFNY), which is a wholly owned subsidiary of Bankers National Life of New Jersey, another Equity Funding subsidiary, is reporting no difficulty with the problems at the top of the Equity Funding superstructure.

In a statement released April 12 by New York's insurance department, policies issued by EFNY remain in effect and there is "no evidence that EFNY was connected with the reported irregularities involving Equity Funding Life Insurance Co. of Illinois."

Interlocking directorates between EFNY and parent Equity Funding have been severed, a new president named and another independent auditor retained. The company (EFNY) will remain in business, the report concluded. New sales have been halted temporarily, however, and a company name change is being sought.

Richard D. Barger, past president of the National Association of Insurance Commissioners pointed out long-term troubles for the insurance industry, based on what he called "probably the biggest financial scandal of the economic community of the half-century":

- An erosion of confidence in the insurance business as well as the capability of the states to regulate it;
- A growing demand for federal regulation of the insurance industry;
- A long, hard look at state examinaton procedures by both political elements and concerned citizens.

The former California insuranc commissioner urged a single, comprehensive investigation to clear up the ongoing tangle. Mr. Barger's view on federal controls or regulation of the insurance industry was disputed by Herbert Denenberger, consumer-minded insurance commissioner of Pennsylvania and a critic of federal control.

"THE FEDERAL government is like a senile dinosaur when it comes to regulating anything," Mr. Denenberger said. "The real issue here is whether the insurance examination process is adequate. Maybe this will convince state legislatures more budget is needed to conduct examination of the insurance industry at the state level."

Mr. Denenberg, whose charge state is home to Penn Life, stuck with a reported reserve of $4.8 million for policies reinsured from Equity Funding Life of Illinois, said more solvency funds will probably be demanded as one result of the Equity Funding collapse. Only nine states currently provide policyholders this kind of protection, Mr. Denenberg told *Business Insurance*.

The colorful insurance regulator didn't rule out the possibility of some sort of federal standards or guidelines for the insurance industry, along the lines of those applying to no-fault auto insurance.

"Nothing ever happens in the insurance industry unless there's a catastrophe," he concluded. "Maybe the embarassment will be enough to wake these people up."

IT'S GOING to be difficult to avoid being touched by the results of the Equity Funding scandal, most experts agree. Currently, suits are being filed against 15 persons and five accounting firms by Fidelity Corp., a Virginia financial services firm.

Claiming it had $23 million in-



vested in Equity Funding, Fidelity is accusing Wolfson, Weiner, Herbert Denenberger, consumer-Ratoff & Lapin; its parent since 1970, Seidman and Seidman; gatt & Co., and Coopers and Lybrand of fraud. All are accounting firms.

THE INDIVIDUALS are, in the main, officers of the banks and trust companies which sold Fidelity the Equity Funding shares in an amount equal to 3.5% of its assets. In a separate action, Virginia Supplemental Retirement System has claimed in a suit it lost $1 million in Equity Funding shares.

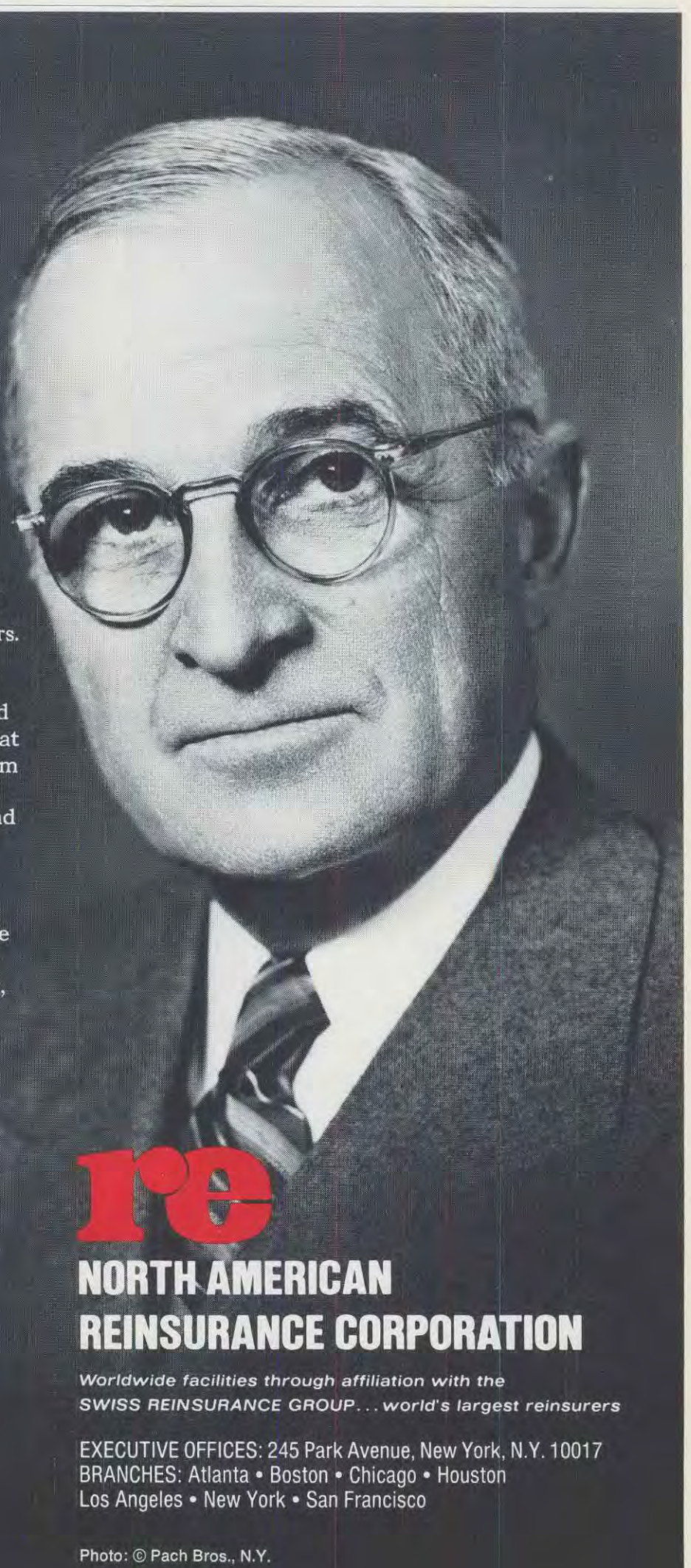
Colleges caught in the middle include Swarthmore, Antioch, Sarah Lawrence, Williams, Amherst, the Hill School, Princeton University and the University of Virginia.

Pension programs claiming losses are the Gilsonite Labs pension plan and Bakery Drivers Local 802, both in New York, and the Ohio State Teachers Retirement System, which stands to lose $10.8 million.

LITTLE COULD be learned of the carriers for executive liability coverage among the Equity Funding firms, but an examiner from Illinois's department of insurance said there was a $360,000 fidelity bond carried by the Equity Funding life subsidiary.

The amount was "the minimum allowable by law and was written by one of the Kemper companies", according to the state official. ■

re Masters Of The Art series



"THE BUCK STOPS HERE"

What a great deal that phrase says. Like all Presidents, Harry Truman had his opponents and his detractors. Few Presidents, however, came to enjoy the respect of so many after leaving office. We think it happened because the stubborn honesty of that phrase "the buck stops here" sets him apart from and above other men of apparently greater talents, skills and intellectual agility.

As a President, Mr. Truman was controversial; but few criticize his decisiveness. At North American Re we admire a willingness to make a decision, to stick to it if you're right, but to admit it if you're wrong. We believe in acting the same way. In reinsurance, "the buck stops with North American Re."

re

NORTH AMERICAN REINSURANCE CORPORATION

Worldwide facilities through affiliation with the SWISS REINSURANCE GROUP . . . world's largest reinsurers

EXECUTIVE OFFICES: 245 Park Avenue, New York, N.Y. 10017
BRANCHES: Atlanta • Boston • Chicago • Houston
Los Angeles • New York • San Francisco

Photo: © Pach Bros., N.Y.

Israel cruise ships could be terrorist targets

LONDON—Cruise ships sailing to Israel for its 25th anniversary celebrations on and around May 7 have become the center of press reports in London that they may be obvious targets for terrorist attacks.

But intensive inquiries by *Business Insurance* have shown that the insurance market is taking the situation in its stride. No signs of any abnormal cover being taken out on the ships are apparent in the Lloyd's market, and, while reinsurance is clearly being carried on some of them, there is no undue anxiety about their likely safety.

The reports began when the Queen Elizabeth Two docked at Southampton under extreme security precautions. Then it became known that it would be taking close on 1,500 passengers to Israel for the anniversary celebrations, and more than a dozen other cruise ships might be in Israeli harbours in early May.

Because of the large number of American passengers, who will clearly be on board the ships at the time, *Business Insurance* checked to see what insurance cover is being taken out.

CUNARD LINE officials denied that there was any extra insurance involved, and explained that in any case the ship is on charter to a U.S. group called Assured Travel.

It was also denied that any special cover had been implemented under war risk policies, as security precautions for the liner are felt to be excellent, though its hull value is around $150 million.

One of the cruise organizers, Oscar Rudwick, said in London: "We do not think there will be any threat from the Arabs."

People still remember the occasion in 1970 when guerrillas hijacked four aircraft, valued at near-$50 million, in Cairo and the Middle East, and blew them up with disastrous results.

So it seemed possible that world markets would be concerned over the presence of hulls worth billions of dollars and thousands of passengers with potential insurance cover on a high scale, all in and around Israel at a vulnerable time.

HOWEVER, sources in London claim that many of the vessels will be carrying tourists of many kinds who will be in Jerusalem as part of its annual Easter pilgrimage.

So the usual cover, such as that placed with the "mutual" clubs run by shipowners, will suffice. Any reinsurance cover that has been taken out either for special risk contingencies, or for passenger liabilities, has been safely absorbed in the Lloyd's market without any noticeable effect on current rates.

The overall hope is that Israeli authorities will be able to carry out their security measures with complete efficiency. ■

White House stepping gingerly into federal pension fund fray

WASHINGTON—The Nixon administration has entered the pension reform battleground but is still on the periphery of the main confrontation between backers of the Williams-Javits pension bill and Senate leaders who advocate slower reform through tax law amendments.

The administration's new pension legislation carries the same vesting standards as its 1972 predecessor—50% vesting when age and service add up to 50 years and 10% annually thereafter until full vesting is achieved —but has a new "portability type" of provision and a limited funding standard.

A Treasury department official who helped prepare both the administration's tax-related pension proposals and fiduciary standards measure said the White House answer to portability would permit employers to settle with departing employes who are vested by contributing vested amounts into individual retirement accounts or by turning the amounts over to the new employer without employe taxation.

This provision, voluntary but thought by the administration to be an attractive one for employers who don't want to keep track of vested former employes until they retire, would not involve creation of a government office to handle voluntary portability as proposed in the Williams-Javits measure. "The transaction would be between the employer and either the worker or the new employer and no one would have to enter into negotiations with the government," the treasury official said.

THE ADMINISTRATION's funding standard would require 5% of the unfunded vested liabilities in a pension plan to be funded annually. Under this provision, 95% of a plan's vested unfunded liabilities would not have to be funded. The Treasury official said it was felt no more than 5% would be necessary "since most plans don't have unfunded vested liabilities anyway."

The Williams-Javits bill would require full funding of all liabilities after 30 years and the House pension reform measure of Rep. John Dent (R.-Pa.) calls for 100% funding after 25 years.

Responding to the new White House bill, Sen. Javits said there was "some improvement" over last year's administration measure but "not enough." He said the "rule of 50" vesting standard would lead to age discrimination in employment and called the funding standards too limited. He noted that the bill calls for no plan termination insurance program. There was no criticism by Williams-Javits backers of the administration's bill to expand pension plan disclosure requirements and increase standards for fiduciaries, which parallels Williams-Javits proposals.

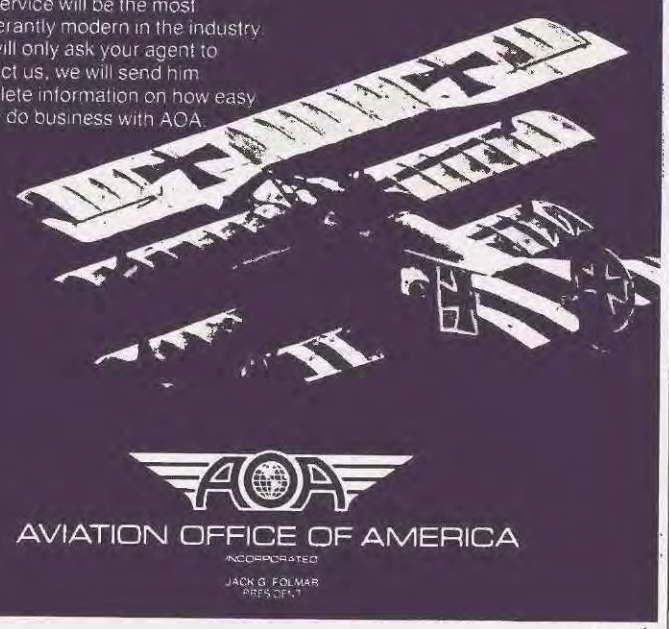
With the exception of fiduciary and disclosure, which go to the Senate labor committee, the administration's pension proposals are headed for the Senate finance committee and could become embroiled in a battle between labor committee and other supporters of the Williams-Javits bill and members of the finance committee. The committee is headed by Sen. Russell Long (D.-La.) who consider Williams-Javits essentially a tax bill and therefore their responsibility Sen. Harrison A. Williams (D.-N.J.) is said to be on the verge of putting his and Sen. Javits' measure onto the Senate floor for a possible jurisdictional showdown if Sen. Long's forces make their expected move to sidetrack the measure for further study.

SENS. WILLIAMS and Javits have 51 senators on their list of co-sponsors but are not certain they can muster a majority vote blocking a finance committee takeover because of sentiment against circumventing the committee system. Said to be working in favor of the Williams and Javits effort is their contention that referral to the finance committee, though its 17 members are more closely divided on the issue this year, is tantamount to killing pension reform in this session since Mr. Long's committee stripped the bill of its major provisions last year.

On the House side, there are no indications yet of a move by tax-law-minded leaders to take jurisdiction of Rep. Dent's bill, which is similar to Williams-Javits in most provisions and could be sent out to the House floor for a vote before summer. However, the administration proposals are with Rep. Wilbur Mills (D.-Ark.) and his ways and means committee and Dent aides are talking of "possible combinations" of Dent and White House proposals entering the picture if the House begins to move on the issue. ■

Legendary aircraft could be part of our business but never obsolescence.

If it flies, we want to quote
If we quote, you can be sure it will be under the most exacting underwriting considerations
If we issue the policy, you can be sure that service will be the most exuberantly modern in the industry
If you will only ask your agent to contact us, we will send him complete information on how easy it is to do business with AOA



AOA
AVIATION OFFICE OF AMERICA
INCORPORATED
JACK G. FOLMAR
PRESIDENT

7025 EASTEX FREEWAY / BEAUMONT, TEXAS 77706 / TELEPHONE (713) 892-7025 / CABLE: FOLMAIRINS ONE MANAGEMENT

Coverage Classics

Please Don't Eat the Daisies

Putting new warning labels on products that have already caused injury can be like locking the barn door after the horses have been stolen. It has been predicted that in the very near future there will be a greater number of product liability cases in the courts than claims involving automobiles.

Carriers and their Reinsurers are well aware of the loss ratio trends on products liability and it is becoming increasingly difficult to get proper underlying limits and/or excess layers from regular markets. There is also an underwriting reluctancy to take on additional products liability exposures since the new carrier is faced with carryover exposure for past products sold by the assured without the benefit of past earned premium income.

Wohlreich & Anderson has been successful in putting together an "in-house" facility for difficult products exposures on either a $300,000 CSL primary basis or for $1,000,000 excess of at least a $100,000 underlying products layer.

Submissions or inquiries should be directed to your local Wohlreich & Anderson office or to the attention of Mr. Frank Conti, Vice President Casualty, Wohlreich & Anderson, New York.

Special Risks and Unusual Situations • Exclusively Through Agents and Brokers

Members of the Howden Swann Group

New York
Wohlreich & Anderson Ltd.
55 John Street
New York, N.Y. 10038
(212) 349-3020

Pennsylvania
Wohlreich & Anderson, Ltd. (Inc.)
570 DeKalb Pike
King of Prussia, Pa. 19406
(215) 265-6210

New Jersey
Wohlreich & Anderson, Ltd.
1 Grand Union Plaza
North Arlington, N.J. 07032
(201) 991-5611

Ohio
Wohlreich & Anderson Agency
662 Hanna Building
Cleveland, Ohio 44115
(216) 241-2917

D.C. Area
Wohlreich & Anderson (D.C.) Ltd.
The Teachers Building
10221 Wincopin Circle
Columbia, Md. 21044
(301) 997-1272

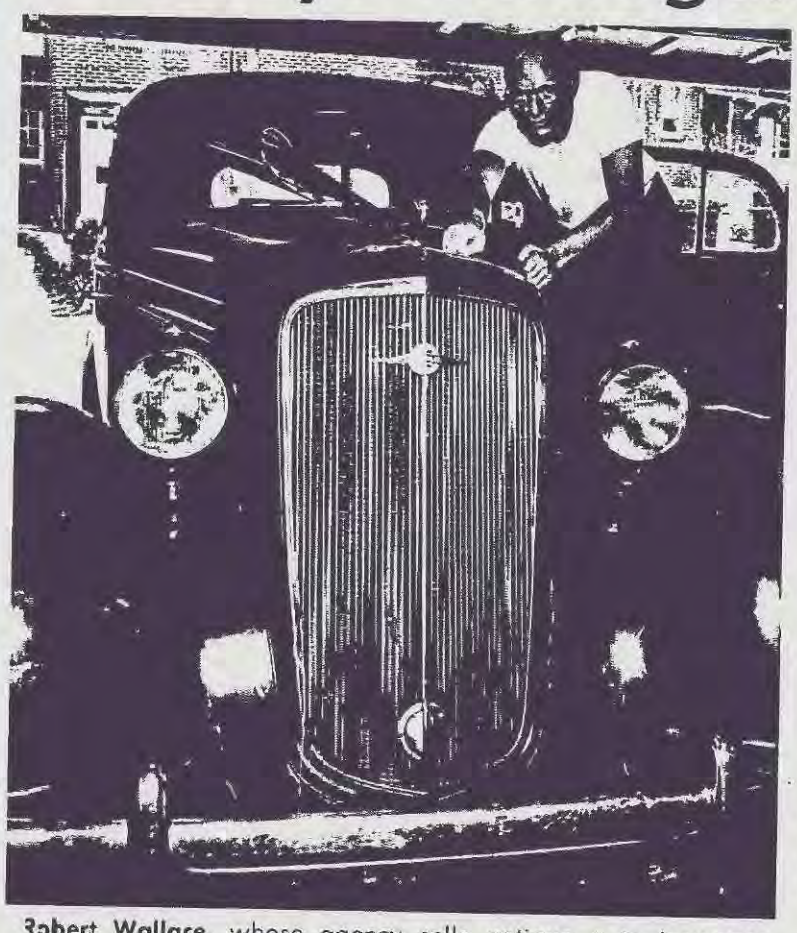
New England
Wohlreich & Anderson (New England) Inc.
One Boston Place
Boston, Mass. 02108
(617) 723-5770

Correspondents In All Other States

Wild 'Duck' flies– connoisseur suing

MILWAUKEE—Joseph L. Marley, 28, filed a $175,000 damage suit in Federal Court here, claiming that he was permanently injured by the stopper from a bottle of Cold Duck. The suit, filed against United Vintners, San Francisco, and its insurer, Aetna Casualty and Surety Co., Hartford, Ct., alleged that when Mr. Marley was about to touch the stopper on a bottle of Italian Swiss Colony Cold Duck the "device burst violently upward . . . striking him in the left eye."

Pennsylvania agent cranks out antique car cover



Robert Wallace, whose agency sells antique auto insurance, shines up his own vintage car, a 1935 Chevrolet.

UPPER DARBY, PA—As a car gets older and older, the smart risk manager should cut coverage on it, until finally all you need is liability cover for that final drive to the scrap yard.

Right?

Wrong, says Robert Wallace, an insurance agent here, who with Edward Deegan has built the J.C. Taylor Agency into the nation's largest source for antique and classic auto insurance.

As Mr. Wallace says, "there's a point of diminishing diminishing, where the value of an older car starts climbing back up . . . and for certain kinds of "classic" cars, the point is coming earlier and earlier every year.

"SOME 1965 cars are already considered 'classics,'" reports the insurance agent. Other cars of more modern vintage that fall into this category are Studebaker's Avanti and Hawks, T-Birds from the 1950s, and, of course, the Edsel.

"Our bread and butter is still the real antique—the Model "T" and so forth," says Mr. Wallace, who himself owns a 1935 Chevrolet. Like many collectors, his car is the same year and model as the first auto he ever owned.

J.C. Taylor Agency got interested in the antique auto field more than a decade ago, when Mr. Wallace began noticing more and more of the old-time vehicles in parades and at festive events. After discussions with a number of carriers, an arrangement was made by J.C. Taylor Agency with the Zurich-American group to provide a special antique auto policy. Zurich has since become the largest single writer of coverage on antique cars.

"I get hundreds of pieces of mail a week on antique auto coverage, and we have thousands of cars insured now," reports Mr. Wallace.

The coverage is available for any antique or classic car that is used as a show vehicle or collectors item. "We've got to be careful not to get somebody's second car," he says. The car must be driven less than 2,500 miles a year to qualify for coverage.

Basic coverages and annual premiums include $300,000 in liability coverage for $18, $1,000 in medical payments at $3.50, comprehensive coverage at $4 per $1,000 of value and collision coverage at $5 per $1,000 of value. All coverages are first dollar with no deductibles. In the states that have "no fault" laws the antique auto policy provides this protection at reduced rates.

Most of the thousands of cars Mr. Wallace's firm provides coverage for are worth a few thousand dollars. He says most car buffs frown on speculators who drive up the price of cars, thereby making it more difficult to get involved in the field.

"We don't cover cars used in advertising or promotional events, but that's available . . . and we do cover cars in parades and antique meets and shows," he says.

Because antique car buffs are often their own restorers, on many occasions Mr. Wallace will agree to pay his own insureds an hourly rate to repair their own vehicles. Getting parts are sometimes a problem, but the auto buffs are a clannish bunch who spend a great deal of time exchanging data on just this point. ■

Carrier benefits told under OSHA adherence

NEW ORLEANS—Strong possibilities for a twofold benefit for carriers were set forth by an insurance executive earlier this month, providing a more rigid adherence to the spirit as well as the letter of the Occupational Safety and Health Act is initiated.

'As the standards are met it is bound to eliminate deaths and injury-producing conditions materially" said W. R. Griffin, director of safety of MFA Insurance Cos., of OSHA and its effect on workmen's comp and general liability. "Another benefit will be some risks which are now listed as undesirable will become desirable and eventually it will make the insurance market much better on workmen's compensation and general liability."

He told an audience at the 19th annual workshop meeting of the National Assn. of Independent Insurers his company has already reaped benefits from OSHA.

"WE MAKE some inspections before we insure a risk and most certainly, we notify the underwriter if the business is not in compliance with the Occupational Safety and Health Act. At a later time we believe our agents can obtain information from the injury records required to be kept under OSHA which will enable us to evaluate a risk much more before insuring it," he noted.

Predicting strict OSHA compliance would become a prerequisite for coverage in the future, Mr. Griffin said because of the concern over the act voiced by businessmen, many safety improvements had taken place.

But, he warned, enforcement could become lax as the states took over the act's enforcement powers.

'It will be to our advantage to be sure in our states enforcement does not become a political plum with resultant laxness of inspection," he stressed "As state insurance commissioners become more and more prone to require insurance companies to remain on risks after they have been written, strong standards and enforcement of standards will help the insurance industry."

Later in the program, Merle W. McCartney, Jr., vp for claims of Nationwide Mutual Insurance Co., predicted the threat of federal intervention in the business and no-fault laws would force insurers to place greater emphasis on the rehabilitation of accident victims.

"With the high limits, or unlimited first-party benefits as we see in New Jersey, Michigan and New York,' he noted, "the liability carrier and/or the writer of personal income protection coverage will be forced to find a way to employ rehabilitation techniques on the seriously injured claimants.

"We have been reluctant to extend $1,000 to $1,500 for rehabilitation expertise on one injured claimant as the whole concept may be rejected by the claimant at any point during his recovery or before settlement," Mr. McCartney continued. "Until we are willing to risk such an expenditure on marginal cases, and until we have experienced some successes and some failures, we haven't made a full exploration of the use of rehabilitation.

Turning his attention to federal intervention, he contended the industry's failure to provide "beneficial' services to the insured was an invitation to the government to step in.

He felt the insurance industry's strong commitment to rehabilitation would result in numerous benefits: the injured would receive a more complete recovery in less time and the insurers would see a reduction in first-party payment costs and the liability exposure. ■

New firemen's contract

City firemen in Bellingham, Wa. have agreed to a new two-year contract with the city, retroactive to January 1, 1973. Each fireman will then get a city-paid $5,000 accidental death and disability policy. Besides a 5.5% across-the-board raise in salary in 1974, city-aid hospital-medical insurance coverage will go to the fireman's spouse or first dependent on January 1, 1974, and in September, 1974, the first child.

With your Texas Workmen's Compensation Coverage, separate may be better.

Placing your Texas Workmen's Compensation coverage separately from your national coverage could prove to be a most profitable decision. Especially if you choose Texas Employers' to write your coverage. In 1971 alone, we returned well over $10.6-million to our policyholders.

It's worth a phone call to learn why separate is better. Call us collect at 214/742-9331, National accounts Division.

TEXAS EMPLOYERS' INSURANCE ASSOCIATION
P. O. Box 2759
Dallas, Texas 75221

Employers Insurance of Texas:
Texas Employers Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.



34 years ago, Bob Schirmer figured out how business, property and people should be protected today.

In 1939, Bob Schirmer created the first independent loss-control engineering service. Along with it, he developed the Schirmer Total Loss-Control Concept.

Today, Schirmer Engineering offers a full range of loss control engineering activities—for today.

Fire and casualty engineering and inspection service.

OSHA services.

Automatic sprinkler system design.

Fixed extinguishing system design.

Alarm and security system design.

Building and fire code analysis.

Broad range of loss control consultation services.

And today, you'll find Schirmer engineers and designers available throughout the United States and also outside the North American continent.

We're bigger today, of course. But you'll find that we operate under the same guiding principles Bob Schirmer set up in 1939:

To take on, and delve into, each customer's problems individually and totally; and to provide him with solutions that are innovative, practical and economical.

Schirmer

Schirmer Engineering, 5940 W. Touhy Avenue, Niles, Ill. 60648

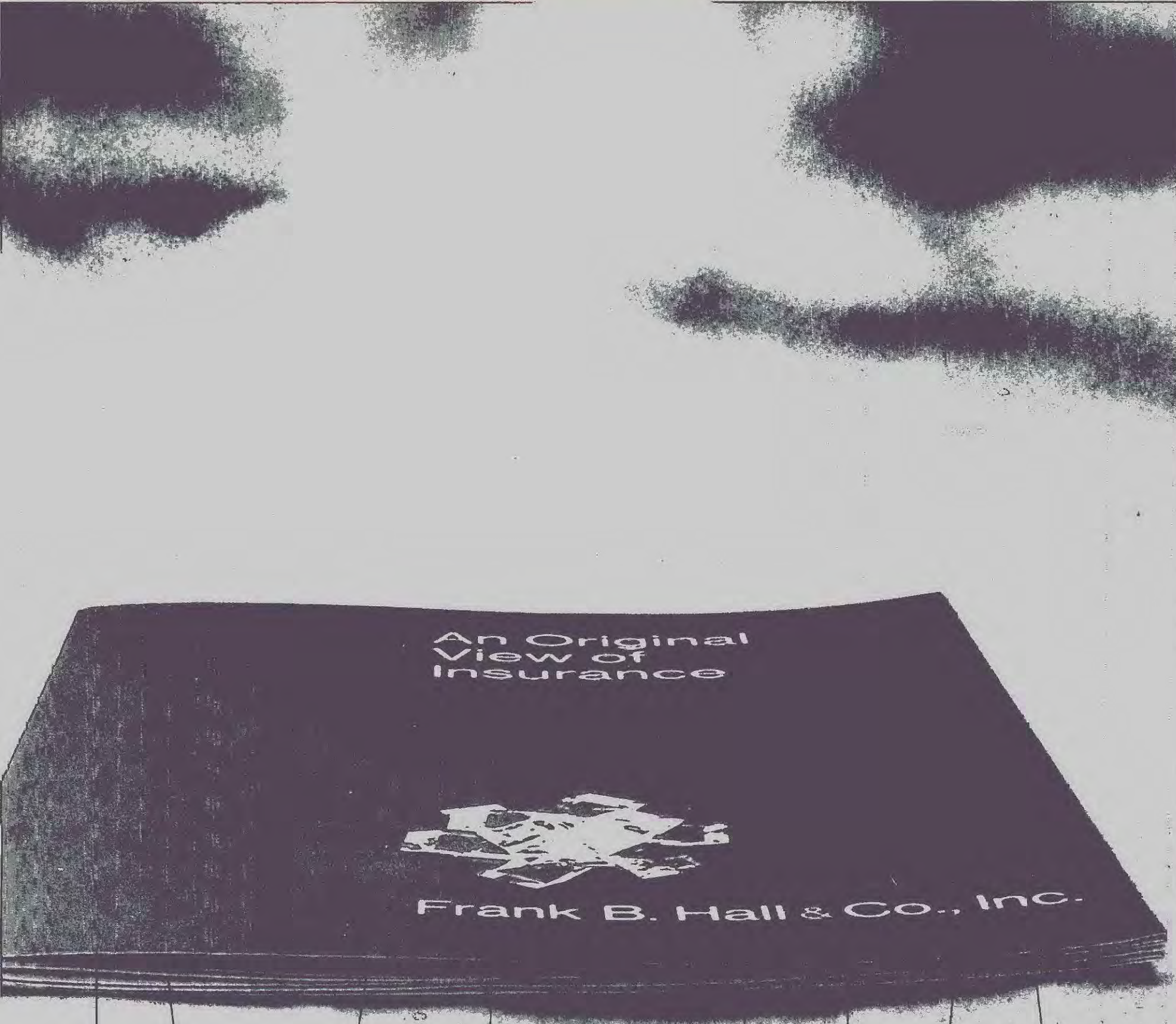
Frank B. Hall's Original View of Insurance.

What's in it for you?

With big business growing bigger and more complex, you can't go by the book when it comes to arranging insurance. Unless it happens to be a very special book—Frank B. Hall's "An Original View of Insurance".

Instead of the same old story, you'll read about a new philosophy. One that steers away from the traditional emphasis on sales or production, and stresses the broker's role as a valuable arm of financial management.

The brochure is filled with information on the services offered by Frank B. Hall. You'll find out how we can work closely with your company to create effective and innovative insurance programs that protect your human, physical and financial resources. How we have specialists in all areas of insurance who can come up with original programs to improve the overall financial management and the cash flow of your organization.



Risk Management Page 2
The Protection of Physical Resources Page 4
Property and Casualty Insurance Page 5
Marine Insurance Page 7
Aviation Insurance—Pioneers Page 8
Association and Franchise Insurance Page 9
The Protection of Human Resources Page 10
The Needs of Multinational Corporations Page 14
Specialized Products and Services Page 17

Frank B. Hall has played a pioneering role in many fields, including aviation and marine insurance. But unsatisfied with past success, we are constantly searching for new and imaginative ways to serve our clients in the United States and throughout the world.

If you're an executive concerned with your company's insurance, send for this free book, and find out what Hall's many innovative insurance programs can mean to you.

Frank B. Hall & Co., Inc., 88 Pine Street, New York, N.Y. 10005
Att: Dept. N

Dear Sirs:
Please send me your free book "An Original View of Insurance".

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip Code_____

An original view of insurance: Frank B. Hall & Co., Inc.

editorial opinions

Crime and punishment

THE CAN OF WORMS opened in Los Angeles the other day when it was disclosed that Equity Funding Corp.'s life insurance subsidiary, Equity Funding Life Insurance Co., had padded its files with a substantial amount of bogus life insurance business (which it then sold to reinsurers at the healthy profit realized from first-year commissions) has raised more questions than it has answered.

There is, for example, the broad question of state insurance regulation. Is it as effective as it could be? Was it a regulator slip-up which led to the perpetration of such a fraud?

Then there is the question facing those who, unwittingly it seems, were accessories to the crime—the auditors who put their signatures to Equity Funding's balance sheet. Do presently accepted practices for insurance company auditing go deep enough, or should major overhauls be effected? And naturally, we also wonder whether there are similar frauds as yet undetected, going on right now. Indeed, the Equity Funding fraud could turn out to be the biggest scandal in the annals of American business history.

Just how deeply the whole sordid mess may shake the public's confidence in the insurance industry is still a moot point. The confidence of investors in Equity Funding stock, once the darling of Wall Street, has been severely shaken by the disclosures, of course, and we'll bet reinsurers throughout the country are taking a searching look into their business dealings with life insurers. Such formidable life insurers as Connecticut General Life Insurance Co. and Phoenix Mutual Life Insurance Co. reinsured fictitious life policies written by Equity Funding Life. "You'd better believe we'll be taking a closer look at who we are taking action from in the future," said an executive at one of the companies the other day.

At this point in time, it does not appear that policyholders of Equity Funding Life will be seriously hurt by the fraud. That is a small blessing. Reinsurers will be more deeply hurt, of course. The real losers, however, will be the large and small investors who watched the stock tumble from $27.50 to $14.75 a share before trading was halted as rumors of the fraud spread. There are, for instance, the bank trust departments, the foundations, college and university endowment funds and the pension funds. Many will be hurt in varying degrees, depending on their position in Equity Funding stock during the tumble. It has been reported, for example, Ford Foundation still holds 168,000 Equity Funding shares. Morgan Guaranty Trust Co. of New York is said to have several hundred thousand shares of Equity Funding. Loews Corp. is also said to be a heavy loser, although it sold its several hundred thousand shares at the last moment (the sale is being challenged by the buyers, however).

While the Equity Funding case is not likely to be sorted out for months and while it may never be fully known just how many millions of dollars have been illegitimately drained from the American public through investment channels, some things should be certain at this point: There must be a full-scale investigation by the proper authorities, since these questions deserve some honest answers.

Corporations can and do purchase crime policies securing company assets which can vanish due to fraud or embezzlement. In this particular case, however—and we don't think we're assuming too much when we call it a crime even before the full facts are in—it is unlikely there is enough insurance available to cover the ultimate loss.

But beyond the insurability of such crimes, two much more probing issues must be resolved here. First, how can such frauds be discovered and, second, how are they to be dealt with? We are not so idealistic as to believe there is an ultimate way to uncover business crime before the damage is done. We do believe, however, the courts in this country have not always provided the proper deterrents; that is, not enough white collar thieves are sitting in U.S. penitentiaries.

It is a sad commentary when a youngster who robs a candy store can spend more time in prison than a businessman who misappropriates $1 million of corporate and investor funds.

Agent/Broker Issue

ON JULY 30 *Business Insurance* will publish its second annual Agent/Broker Profile Issue listing many of the top agents and brokers in the U.S. who do a substantial amount of business with corporate insurance consumers.

Last year's Agent/Broker Profile Issue listed vital data from 350 of the nation's leading agencies and brokerage houses and subsequently became the basis of the 1972 edition of the *Business Insurance* Directory of Commercial Insurance Agents & Brokers. Information listed in this year's issue will provide the basis for the 1973 edition of the directory, which will be published in early fall.

Questionnaires zeroing in on information of interest to commercial insurance buyers (i.e. gross revenues, premium volume, special services available and particular expertise) are now in the hands of several thousand agents and brokers in the U.S. We urge they be filled out and returned soon.

In addition to the profile data, the editors of *Business Insurance* are also planning stories targeted towards the corporate insurance and employe benefit consumer and his relationship with his agent (s) and broker (s). Readers who have provocative story ideas or questions they would like to see addressed in the issue may write to Stephen D. Gilkenson, Editor, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

business insurance

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

G. D. CRAIN JR., *Chairman and founder*
S. R. BERNSTEIN, *Chairman, executive committee*
RANCE CRAIN, *President and editorial director*
ALFRED MALECKI, *Publisher*

STEPHEN D. GILKENSON, *Editor* (New York)
DAVID GRIMM, *Managing Editor* (Chicago)
Associates: Chicago—LESLIE MURRAY, THOMAS WALSH. *New York*—PATRICK A. THOMAS, MARIE KRAKOWIECKI. *Washington*—JOHN REVETT. *Los Angeles*—CHARLES WINGIS. *Editorial Assistants: Chicago*—DIANE DeROCHER. *New York*—JUDI MARIN. *Art Director:* JOE FARACI. *Correspondents: San Francisco:* KENNETH R. MACDONALD (415-474-8532). *Hartford:* ALLEN M. WIDEM (203-232-3101). *Los Angeles:* ROBIN SUHRBIER (213-547-9587).
Contributing editors: ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. J. E. BENOIT, J. E. Benoit & Associates, St. Leonard, Quebec. WARREN G. BROCKMEIER, director of risk management consulting services, The Wyatt Co., Chicago. BION H. FRANCIS, insurance consultant, Milford, Ct. JOHN W. GILES, attorney at law, Washington, D.C. JOSEPH GULLO, vp of insurance, D. H. Overmyer Co., New York. NORMAN HOFFMAN, Walter Kaye Associates Inc., brokers, New York. PAUL C. JOHNSON, insurance division, U.S. Maritime Administration, Washington D.C. CHARLES LEVINSON, director of insurance, United Brands Co., New York. NED MILLER, executive vp, Compensation Planning Corp., New York. JOHN P. OLSEN, assistant counsel, Ingersoll-Rand Co., Woodcliff Lake, N.J. HOWARD L. PECK, partner, Hewitt Associates, Deerfield, Il. MARSHALL W. REAVIS, university professor of business administration, Governors State University, Park Forest South, Il. DAVID WARREN and DONALD McVEIGH, partners, Warren, McVeigh Associates, San Francisco.

Advertising
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA
Chicago—ROBERT L. NIESSE
Los Angeles—DENNIS KOCH
Production manager: Chicago—JOHN JAMKA
Manager, marketing services: New York—DAVID E. COHEN
Assistants to publisher: New York—RONNIE I. DRACHMAN
Chicago—CELIA MALOUHOS

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion.
M. A. HARTENFELD, *executive vice-president;* D. J. CLEARY JR., *senior vice-president;* KEITH CRAIN, ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, *vice presidents,* G. R. CRAIN, *secretary and treasurer,* RICHARD M. DAUGHERTY, *controller.*
Cable address: *CRAINCOM*

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 708 Third Ave., New York 10017 (986-5050); National Press Bldg., Washington, D.C. 20004 (737-7659); 6404 Wilshire Blvd., Los Angeles 90048 (651-3710). 45 cents a copy, $10 a year in U. S., Canada and Pan America. Elsewhere $4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Il. 60611.

BPA Member of Business Publications Audit of Circulation ABP

letters

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

'Small point'

To the Editor: As you may imagine, we follow your news magazine regularly, and I have generally been impressed with the quality of the articles therein. I hope you will not think I am carping on a small point, but it seemed to me that in your issue of March 12 there was a statement on page 61 in an article by Joseph Robinson which might cause some misunderstanding.

In his discussion of split-dollar plans, Mr. Robinson states that if an insured employe were to make gifts to an irrevocable trust of the amount of premiums in excess of those to be borrowed from the corporation, such gifts "should fall well within the annual gift tax exclusion allowance."

As you know, however, such transfers are only eligible for the federal gift tax annual exclusion if they are gifts of a present interest rather than of a future interest. It is the position of the Internal Revenue Service in Revenue Ruling 69-344 that, generally speaking, any gifts to a trust which can purchase life insurance cannot qualify.

It might be possible to design the trust so that the beneficiary each year has a right to call down five percent of the corpus or $5,000, whichever is greater, so as to try to preserve the annual exclusion for gifts to the trust up to these amounts. Nevertheless, since the trust would really own only the protection element of an insurance policy, which is only payable at death, it appears difficult to see how any present interest can be created.

Stanfield D. Hill, J.D.
Senior consultant, The Mutual Life Insurance Co. of N.Y.

Francis series

A 13-part series of articles on buying corporate insurance, authored by *Business Insurance* contributing editor Bion Francis, is available in booklet form. Single copies are $3.50 and may be obtained by sending a check or money order to Bookshelf, Crain Communications, 740 Rush St., Chicago, Il. 60611.

A correction

To the Editor: The London Line column in the March 26 issue (page 10) reported the U.S. results for three British insurers, including Royal Insurance Co. Ltd. The column incorrectly listed the results of Royal's U.S. operations, Royal-Globe Insurance Cos., as being a profit of $4.8 million in 1972, compared with $600,000 for the previous year.

The figures you cite were reported by Royal Insurance Co. Ltd. in pounds sterling, not in dollars as you show them, adjusted to account for differences in statutory reporting. Converted into dollars, the underwriting profit for 1972 was $13.9 million, compared with a profit of $1.8 million for 1971.

William J. Killen
Director of Corporate Communications, Royal-Globe Insurance Cos., New York

Editor's note: Sterling observation.

This kind of bad news overseas has been hurting too many American businessmen at home.



That's why we developed this good news.

Now, a whole new kind of royalty insurance is available.

And it's unlike any royalty insurance you've ever seen before.

(We know. We introduced the form.)

It provides all-risk coverage for most types of foreign royalty arrangements.

Say an American businessman collects overseas royalties from a manufacturing process. Or receives licensing fees for his machinery. Or profits from a franchised product.

His earnings are clearly in danger if bad news hits that foreign business. Fire, windstorm, riots, you name it: they can all cut off his royalties income.

If they do, this new insurance keeps the money coming.

AIU's royalty insurance is good news to you because it's a form of protection that's long been needed.

So send this coupon and we'll tell you all about it.

American International Underwriters
A member company of American International Group
Dept. BI043, 102 Maiden Lane,
New York, N.Y. 10005

Please give me more details about your royalty insurance.

Name_____ (PLEASE PRINT)

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company.

for the record

Medicare slashes payments 15% over 'unnecessary' heart testing

MIAMI BEACH—Medicare payments to Mt. Sinai Hospital have been cut 15% on the basis of a federal investigation which determined the huge medical facility has been improperly charging for the services of unlicensed doctors.

The cutback amounts to $1.7 million per year based on last year's $14 million in Medicare receipts, according to Douglass M. Richard, southeast regional representative of the U.S. bureau of health insurance.

"IT SEEMED an appropriate amount," was Mr. Richard's comment on how the final determination of cutback amount was determined.

The fund slashing may be deeper if the agency feels the hospital, as is also charged, has conducted unnecessary heart impulse explorations, paid for by Medicare until now.

The studies, ordered on elderly heart patients according to the federal charges, are called "His Bundles" and are usually a preparatory step for heart surgery. The government contends these studies were ordered as a matter of routine on elderly patients not ordinarily considered likely candidates for the heart surgery, according to Dr. Warren Jacobs, a Miami Beach cardiologist, whose complaint touched off the federal probe.

MEDICAL students were also being allowed to interpret electrocardiograms without final supervision and approval by a licensed physician, the government claimed. Students were also being used in presurgery anesthesia without an anesthesiologist being present, the report continued.

Alvin M. Goldberg, hospital director, admitted the routine use of medical students but denied they were working without close supervision. He dubbed the Medicare and Blue Cross-Blue Shield, cooperating in the government study and charges, procedures, "arbitrary and secretive."

Mr. Goldberg said of the hospital billing system, "Billing has always and continues to be in strict accord with nationally recognized accounting and cost allocation practices."

He did not deny a report claiming the hospital would be ordered to repay $5-6 million in funds paid for the disputed services since 1968.

Ohio union shelves its auto insurance idea

COLUMBUS—Unity of Ohio Inc. is no more.

Due to lack of support from union locals and a feeling among the Ohio AFL-CIO's executive board that the project was both too costly and too risky, the labor federations have shelved their plan for Unity, which would have been their own automobile insurance company.

The federation started selling stock in the company 16 months ago *Business Insurance*, Dec. 6 1971) but was only able to raise a little less than $2.5 million. It was felt that $5 million would be needed to fund the insurance company adequately.

Stock had been purchased by 9,475 of the union's 700,000 members and 968 of 2,000 locals. Union officials emphasized the fact that those members and locals who had purchased the stock would get their money back.

The insurance company, which was formed because normal automobile insurance companies had cancelled many union members and there was frustration about unfair and arbitrary underwriting practices, had issued no policies.

Malpractice insurer plans to leave field

SAN FRANCISCO—American Mutual Liability, which has been a major writer of physicians' malpractice insurance policies in Northern California for the last quarter century, now plans to withdraw from that field.

Most of the company's policies written through the various county medical society groups expire May 1. After that date the firm will write no new or renewal malpractice policies.

Northern California medical societies, separated into three geographic divisions, are now negotiating with a number of carriers to pick up the coverage being ended by American Mutual.

Proposes increased pension protection

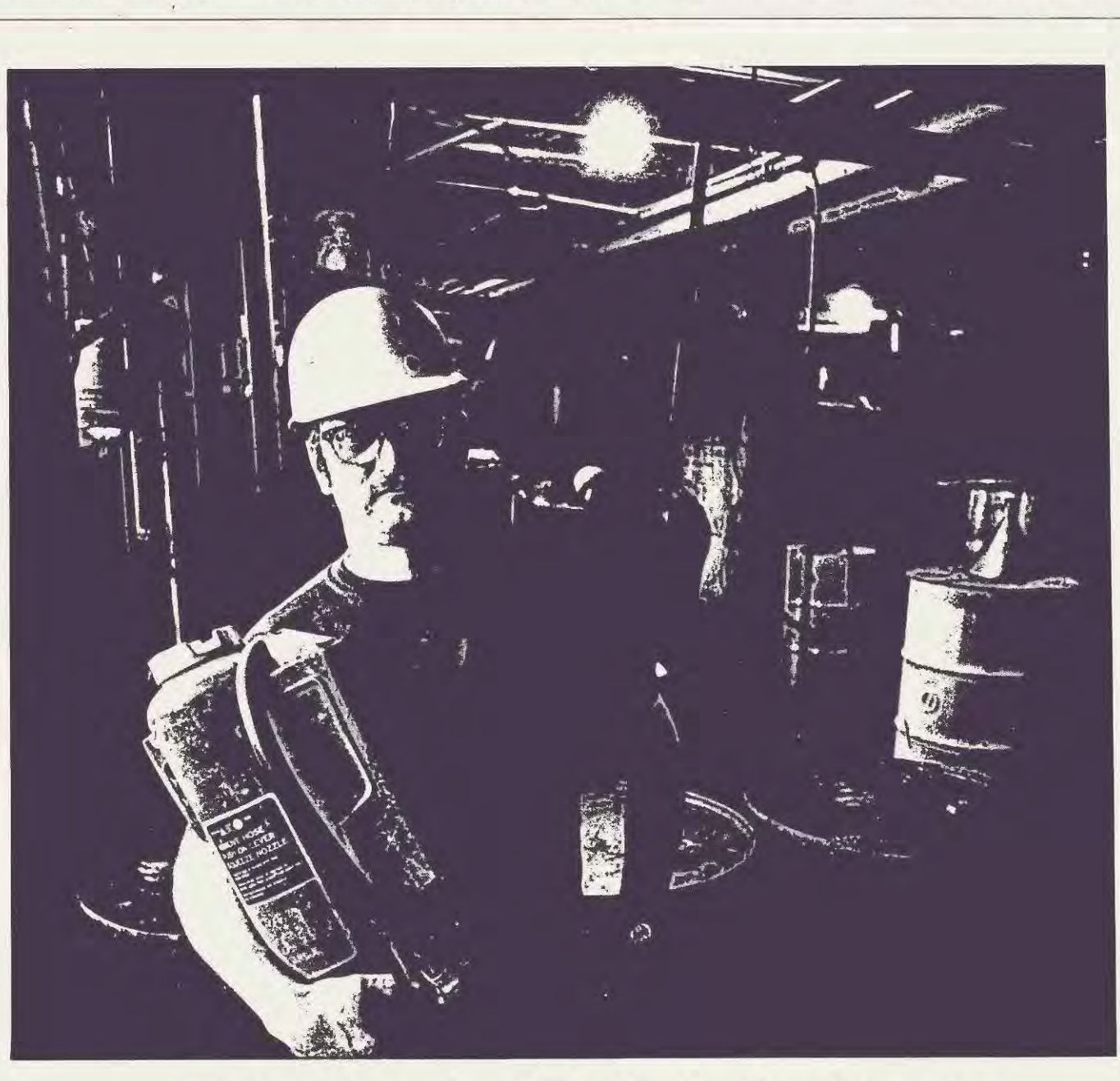
HARTFORD—Proposed statewide legislation, drafted by a West Hartford Republican councilman to protect pension benefits of retired municipal employes and those in private industry from creditors, has been introduced into the current Connecticut legislative session.

Councilman Jules A. Tarlow drafted the proposed two measures and they have been introduced by Nicholas A. Lenge state senator from West Hartford.

One bill would exempt pension benefits of all persons in the private business sector from attachment and the other would protect municipal employes whose pension benefits at present can be attached by creditors.

Mr. Tarlow said he began drafting the proposed legislative

Continued on page 26



Perhaps you should be buying less insurance . . . and more protection!

On almost every page of Business Insurance, advertisers are telling you why you should be buying more insurance. Now let us tell you why it might be wise to buy less.

Start by testing this premise: If your company paid as much attention to putting out fires as it does to insuring against fire losses, the total cost of protecting your business might be substantially reduced.

Ansul's business is helping you put out fires. We'll professionally analyze the fire hazards in your plant; and protect those hazards with the right kind of extinguishing equipment . . . and help train your employees to use the equipment effectively. Then, through our nationwide service network, we'll see that the equipment is maintained in top working order.

With a program like that, isn't there a much better chance that fires will be put out promptly and losses reduced?

One job of the risk manager is to balance the cost of insurance against the cost of reducing or preventing losses. We're all for insurance—and plenty of it—but maybe things have gotten a little out of balance. Maybe you should put more emphasis on fire protection.

If you'd like to explore this intriguing and perhaps cost-saving idea, call us. Let's talk it over. The Ansul Company, Marinette, Wisconsin 54143

Ansul Solves Fire Protection Problems

buried under an avalanche of new policies...



...everytime a pension benefit changes?

Get out from under with Bankers Security's novel, *easy rider* individual pension concept.

With the *easy rider* approach, your first policy is your *only* policy. Any future changes in an employee's pension benefit level are reflected through one, up-to-date rider.

Gone is the landslide of policies and paperwork everytime a single benefit change occurs! Gone are additional issuing costs normally incurred each time a new policy is issued!

Plus, in guaranteed issue cases, your employees need no further evidence of insurability within certain limits as their benefit level rises.

Let Bankers Security whittle your administrative mountain down to size. Talk to us today.

Bankers Security

LIFE INSURANCE SOCIETY'S *easy rider* individual pension concept: your excursion to savings and simplicity

Contact your nearest Bankers Security General Agent or write:

Bankers Security Life Insurance Society, Executive Office, 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Home Office, New York City.


INSURANCE
RENEWAL

Fat Cat

At one time he was the best mouser in town.
Lean, hard, alert and hungry for adventure.
But not anymore. Somewhere along the line he
became satisfied with his success and got soft.
Now he's just another tubby tabby whose
best days are behind him.

Like the cat, a business organization can also
get too fat, too complacent; too satisfied
with maintaining the status quo.
Unreceptive to new ideas and challenges.

No one knows this better than Corroon & Black.
Even though we've been in the insurance brokerage
business for nearly 70 years and are proud
to call some of the biggest names in the business
world our clients, we're not standing pat.
In fact, we're as ambitious today
as the day we started.

Within the last few years we've expanded our
facilities to include 20 offices from coast to coast
and Hawaii. Each is staffed by talented people
thoroughly schooled in the complexities of
today's insurance market and constantly attuned to the
insurance needs of our growing list of clients.

Nationwide, worldwide, Corroon & Black
gives you more for your insurance dollar.
And you can bet your bottom dollar
we'll never become a fat cat.

CORROON & BLACK

We make it our business to understand your business.



Editor's story points up work comp disparity

(Editor's note: This is the final article in a two-part series examining the inequities in workmen's compensation laws among legal jurisdictions in the U.S. The first article appeared in the April 9 edition of *Business Insurance* and examined the medical and rehabilitation benefits received by John McWethy, Chicago-based managing editor of The Wall Street Journal, after an on-the-job car accident left him a quadraplegic. This second article examines how Mr. McWethy's case might of been handled had it come under the jurisdiction of workmen's compensation laws in states other than Illinois.)

By TOM WALSH

CHICAGO—When John McWethy regained consciousness in a St. Louis hospital and learned he would never again have use of his arms and legs, nobody considered him a lucky man.

The Midwest managing editor of The Wall Street Journal had fallen asleep at the wheel of his rented car while heading to the University of Missouri to interview prospective reporters. The car left the road at 70 mph, flipped on its roof and left its driver with a spinal cord so severely damaged he is now a quadraplegic.

But John McWethy was indeed a lucky man. Because he was working in the state of Illinois at the time of his accident, he is now back working with The Wall Street Journal and enjoying every minute of it. Had he been working in another state—a jurisdiction with less liberal workmen's compensation benefits than Illinois—Mr. McWethy's existence might indeed be a grim one.

Under Illinois work comp laws, Mr. McWethy is entitled to unlimited medical benefits for life, permanent total disability benefits of $18,000 and a monthly pension of $270 (15% of the $18,000 death benefit due an Illinois widow with no dependents) after the $18,000 is exhausted. To date, The Wall Street Journal's work comp carrier, The Liberty Mutual Insurance Co., has spent nearly $70,000 for medical and rehabilitation services for Mr. McWethy.

HAD MR. McWethy been working in Tennesse and had an identical accident, the workmen's compensation laws there would have guaranteed him only $5,000 in medical benefits over the first two years of disability. To be granted more medical funds, he or his attorney would have to go to court. His income benefits in Tennessee would be limited to a maximum weekly payment of $55 for a maximum of 550 weeks —not quite 11 years.

Had he been injured while a worker in Louisiana, his medical benefit guarantee would have been a mere $2,500 in special cases. His income benefits there would have been a maximum $49 for 500 weeks.

"If this case had happened in Louisiana, we couldn't have done the things we were able to for him," David Barrie, Liberty Mutual's chief examiner of spinal injury rehabilitation cases, said. "In states where work comp benefits are virtually unlimited, the injured worker, I think, receives the best care a civilian can have in the United States."

Although many work comp laws are sprinkled liberally with exceptions and qualifications, seven jurisdictions—Alabama, Kansas, Louisiana, Montana, New Mexico, South Dakota and Tennessee—did not provide full medical coverage for injured workers as of the first of this year. Some 21 jurisdictions allowed exemptions from the laws based on the number of persons employed by a business. Eight states exclude some occupational diseases, and 16 do not require employers to insure their workers. In only nine states were maximum income benefits for persons with permanent total disabilities equal to two-thirds of the state's average weekly wage.

"HAD THIS accident occurred in a state with less-than-adequate benefits, we might go to the employer and say, 'Look, this guy needs help and his benefits have run out. Will you make up the difference?'" Mr. Barrie said. "Many will cooperate. Or, we'll go to the state division of vocational rehabilitation and say we need more money, and sometimes they'll give it to us.

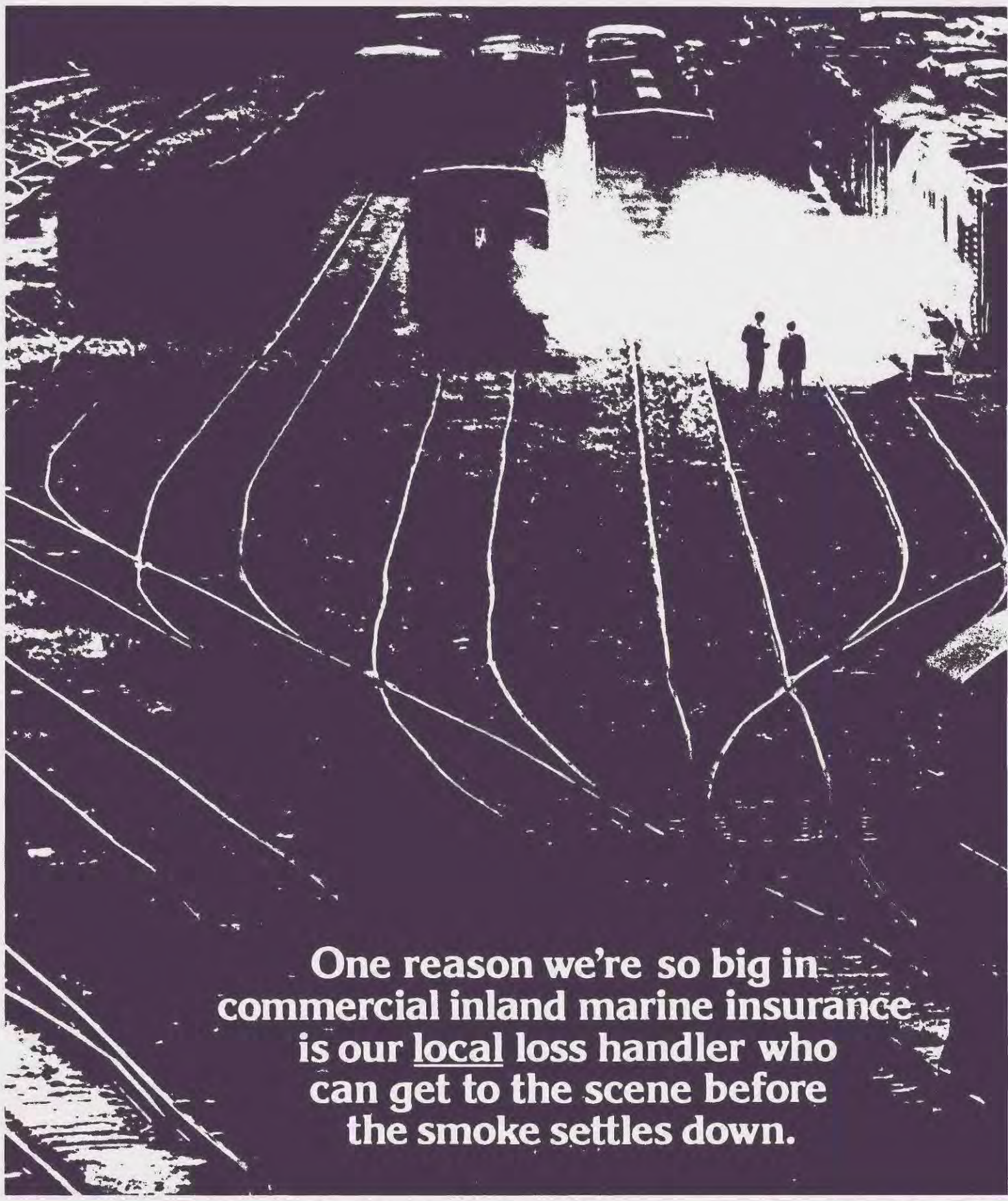
"HAD JOHN McWethy's case occurred in one of these states with low benefits," Mr. Barrie said, "it would have been handled differently. We would be aware of what the limits were and we'd make damn sure every dollar he was entitled to would be spent to his best advantage."

Illinois' work comp legislation, although allowing liberal income benefits, is not among the leaders. Mr. McWethy could have been even more fortunate. California allows for benefits as high as 95% of weekly earnings for 400 weeks and 60% of average weekly earnings at the time of the injury thereafter. New York provides weekly benefits equal to two-thirds of weekly wages for the duration of the disability, with a maximum weekly benefit of $80. Wisconsin provides 70% of earnings weekly for life, with a $70 ceiling.

The existence of blatant inequalities in workmen's compensation laws from state to state is no new revelation. Risk managers who buy the coverage for firms with locations throughout the country know the variations well. Brokers specializing in work comp coverages and the insurers who market it are equipped with a different set of data for each jurisdiction. In Kansas City, Ks., a worker who contracts a deadly occupational disease might discover he has no compensation due him, but would if he was employed across the river in Kansas City, Mo.

LAST JULY, the National Commission on State Workmen's Compensation Laws issued a report on its year-long study of the varying statutes. It concluded the protection afforded by the state-administered programs is "neither adequate nor equitable" and gave the states until July 1, 1975, to comply with 19 of its 80 recommendations it deemed "essential." While suggesting the states continue to have primary responsibility for administering work comp programs, the commission said failure to meet its deadline should prompt Congress to pass legislation guaranteeing equal enforcement in all states, a move

Continued on following page



Marine Office-Appleton & Cox Corp., 80 Maiden Lane, New York, N.Y. 10038. Other offices in: Atlanta, Baltimore, Boston, Calgary (Alberta) Chicago, Cleveland, Columbus, Corpus Christi, Dallas, Detroit, Glens Falls, Greensboro (N.C.), Houston, Indianapolis, Kansas City (Mo.) Little Rock, Los Angeles, Louisville, Milwaukee, Minneapolis, Montreal, New Orleans, Philadelphia, Pittsburgh, Portland (Ore.), Richmond

Shipowners misinterpret liability loophole: Lewis

NEW YORK—A seminar on oil pollution here earlier this month gave Francis A. Lewis, chairman of the Water Quality Insurance Syndicate, the opportunity to warn members of the shipping community of certain aspects of the Water Quality Improvement Act of 1970 and to chide them about their reactions to the insurance coverage available on polluting spills.

"To the uninitiated," he said to the College of Insurance-sponsored gathering, "there is one apparent loophole in the law. They too often assume, because it exempts certain vessels from filing for financial responsiblity, those vessels are free of any liability. This is not the case."

He explained the owner of "any barge which isn't self-propelled and does not carry oil or hazardous substances as cargo or fuel" is still liable for clean-up costs if his vessel causes the spill.

"THE AVERAGE broker, agent and shipowner has failed to recognize in a collision case the guilty vessel has to pay the cost of clean-up, should there be a resulting spill from the innocent vessel," he stressed. "This is all the more reason why a dry cargo non-propelled scow should be insured against that contingency."

He listed three other areas in the law which he felt were dangerous ground for shipowners:

- "A vessel owner or operator is required to immediately notify the appropriate agency of the government of a spill. If he fails to do so immediately, he may be fined up to $10,000;
- "If he spills, whether the oil or hazardous substance is returnable or not returnable, he is subject to a civil penalty which can be imposed by the Coast Guard of up to $5,000 for each offense;
- "Most important of all, if he fails to provide the required evidence of financial responsibility to the government, he is subject to a fine of up to $10,000 in addition."

These fines, he added, are not insurable.

TURNING HIS attention to just what constituted a hazardous substance, Mr. Lewis noted the Environmental Protection Agency had been working on the problem but a list of the substances had not yet been readied.

"WQIS has a major concern at the moment," he said. "In regard to non-returnable hazardous substances, Congress has stipulated for two years the guilty spiller thereof will be subject to a civil penalty of up to $50,000 per discharge. You could call this 'liquidated damages.'

"What is this going to do to us?" Mr. Lewis asked. "As the underwriter views this he could be nicked many times a day for $50,000 a spill. For example: If five barrels of some particularly noxious chemical were separately tipped overboard at five different times. This may sound farfetched —time will prove it one way or another. But, that's what the law currently says."

Earlier in his remarks, the WQIS chairman had traced some of the history leading to both the passage of the act and the formation of the syndicate. He said many problems had been faced and overcome but the syndicate had been the target of a good deal of criticism, mainly over the rates it charged.

"Had WQIS penetrated more deeply into the available tonnage, then our targeted rates would naturally have plummeted, but today the underwriters are still left with essentially the same high-risk potential on a small base," he said.

After stating rates had been dropped in certain categories, Mr. Lewis commented, "You can be sure underwriters are not going to subsidize the shipowning fraternity by naming ridiculous rates just to attract the business. This would certainly be putting the cart before the horse." ■



Sacramento, San Francisco, Seattle, St. Louis, Summit (N.J.), Syracuse, Tampa, Toronto, Tulsa, Vanccuver (B.C.), Winnipeg.
Aviation insurance through Associated Aviation Underwriters.

MOAC Marine insurance is our only business

Editor . . .

Continued from preceding page

which, in effect, would bind workmen's compensation to federal control.

MANY organizations—work comp buyers, sellers and middlemen—are now busy trying to quickly organize groups in each state to push for the necessary reforms. Although some employers seem resigned to the fact work comp will someday be absorbed by Washington as part of the Social Security System, the insurance industry wants no part of what it considers federal "intervention," sources say.

All but one of the 50 state legislatures will convene this year, and some states with standards which do not live up to the commission's recommendations have already amended their laws. Others are indicating they have no desire to change the status quo, despite the fact that it has been made quite clear by the commission and Sen. Jacob Javits of New York that the threat of federal takeover is not an idle one.

AS THINGS stand today, it seems that four things could happen if the states do not beat the 1975 deadline: 1) Nothing, leaving the laws bound to the varying whims of the respective state legislatures; 2) The adoption of non-enforceable standards by Congress; 3) The adoption of standards with teeth, or 4) complete federal takeover of the system.

While all the legislative juggling goes on, though, the present workmen's compensation system remains a life-and-death game of chance for American workers like John McWethy. ■

Mance presented with Lloyd's medal

Lloyd's of London has presented Sir Henry Mance, who has just ended a four-year term as its chairman, with its traditional Gold Medal for his outstanding work for its interests. New chairman Paul Dixey told him, "You inspired the Lloyd's market with confidence after it was recovering from one of the most unprofitable periods in its history, and displayed tireless energy in visiting North America and other countries on its behalf." Sir Henry is the twelfth recipient of the Gold Medal, which was introduced sixty years ago for outstanding work for Lloyd's.

Risk Controls, Inc.

Serving the Insurance needs of commercial enterprises throughout the world.

Our Specialties Include:

- *MASS MERCHANDISING*
- *COMPUTERIZED COST CONTROL*

Headquarters:
Richard T. Miller, CPCU
Vice President & General Manager
9665 Wilshire Boulevard; suite 805
Beverly Hills, Calif. 90212
(213) 278-5260

David B. Sanborn
Manager
3700 Buffalo Speedway
Houston, Texas 77006
(713) 621-9590

James F. Keating
Vice President
Box 554
1767 Morris Ave.
Union, N.J. 07083
(201) 964-7686

A TOTAL SYSTEMS APPROACH TO RISK MANAGEMENT

New liability policy for pension trustees

NEW YORK—Stewart, Smith, the brokers that introduced directors and officers coverage to this country about a decade ago, are introducing a liability policy for trustees involved in the administration of welfare and pension funds jointly administered by labor and management.

American Casualty Co. of Reading, Pa., a member of the CNA group, is the underwriter for the policy. Already approved in California and about 11 other states, the policy provides protection against actual or alleged errors of judgment or other accusations of willful mistake, including investment decisions, by trustees of a jointly administered welfare and pension funds that meets Taft-Hartley requirements.

Two rate schedules function separately for welfare and pension portions of insured funds. The minimum premium for three-year, $1 million coverage for a pension fund is $3,500 with a $5,000 deductible. For welfare funds, the minimum premium for three-year, $1 million coverage is $2,700 with a $500 deductible.

POLICY LIMITS include costs of legal defense. Unlike d&o coverage, the new liability policy provides that the insurer has both the right and the duty to legally defend the insured against accusations of error and omission, a Stewart, Smith spokesman said.

The policy, however, does make certain exclusions similar to exclusions under d&o coverage. They include claims based upon personal profits to trustees to which the trustees are not legally entitled; libel, slander or dishonesty on the part of a trustee; and failure to collect contributions to the fund.

If a fund participant makes a wrongful claim against a trustee in order to receive benefits, the wrongful claim will not be excluded from the policy. But the policy will not provide the money to pay the benefits if the case is lost in court.

The policy is, by definition, limited to trustees of labor/management jointly-administered pension and welfare funds, so most of the prospective insureds will likely be labor union fund administrators. Although at this writing it is not known which unions will subscribe to the policy, a Stewart, Smith representative noted that "some quotes are in the works."

THE LIABILITY policy is apparently one of the first available which offers protection to trustees of jointly-administered pension and welfare funds on such a broad scale. American Home Assurance Co., one of the few domestic insurers to write extensive d&o coverage, for example, does not offer similar coverage.

The Stewart, Smith spokesman said that the First State Insurance Co. of Boston and Lloyd's of London had forms of errors and omission coverage similar to the new liability policy, but on a more limited basis.

He commented that to the best of his knowledge, "there is nothing as broad as our new policy available "to trustees of labor/management jointly-administered pension and welfare funds." ■

Comp hike sought

Pennsylvania Gov. Milton J. Shapp has proposed the state's $100-a-week ceiling on workmen's compensation benefits in Pennsylvania be increased to $150. Maximum benefits under current law are set at two-thirds of the average weekly salary in Pennsylvania, which is $150. The governor said his bill would peg the ceiling to the full average weekly salary.

It's very hard to separate fire damage from machinery and boiler damage.

It's very easy to combine protection in one FMB policy.

If you have a combined loss—wherever it originates—you'll encounter some difficulty when it comes time to adjust damages if your fire protection is written separately from boiler and machinery protection. Two firms, two adjusters, inevitably mean some inconvenience for you in their attempts to arrive at an equitable settlement. But, a single PMMI Fire, Machinery and Boiler policy eliminates adjustment problems.

That's not all. A single policy eliminates the possibility of any gap in coverage. In addition, our FMB policy is written on the basis of an occurrence deductible instead of an object deductible. And, you get the benefit of the full limits of a fire policy in a single, combined policy.

If you haven't reviewed your fire, machinery and boiler protection recently, consider these key advantages of a PMMI/FMB policy:

1. Total coverage in one policy.

2. One adjuster to settle all claims.

3. The best inspection service available to help you prevent losses.

Philadelphia Manufacturers
MUTUAL INSURANCE COMPANY

Philadelphia Manufacturers Mutual Insurance Company
8 Executive Mall, Suite 400
Valley Forge, Pa. 19481

Gentlemen: Please send me more information about the types of coverage you offer:
☐ Combined FMB ☐ Fire Only ☐ Boiler & Machinery Only

Name: _____
Company: _____
Street: _____
City: _____ State: _____ Zip: _____
I need information in a hurry, please call me at: _____

DISTRICT SALES OFFICES: 8 Executive Mall, Valley Forge, Pa. 19481 ▪ Freeman Building, 612 Pasteur Drive, Greensboro, N.C. 27403 ▪ 4317 E. Genesee St., DeWitt, New York 13214 ▪ 1639 Tullie Circle, N.E., Atlanta, Ga. 30329 ▪ 1250 Broadway, New York, N.Y. 10001 ▪ Mercantile Towson Bldg., 409 Washington Avenue, Towson, Md. 21204 ▪ Whittier Financial Bldg., 15111 E. Whittier Blvd., Whittier, Cal. 90603

LifeVestor
wishes your employees a happy retirement...

that helps make it happier for you, too.





When it comes to employee retirement benefits, more and more employers are facing two common problems. Ætna's LifeVestor can solve either one.

Problem #1—How to pay for life insurance benefits that don't retire when your employees do.

Solution: LifeVestor. It lets you prefund retiree benefits so that life insurance is completely paid-up on retirement. And it can actually reduce your long-range term insurance costs.

Problem #2—How to supplement their retirement income without overhauling your pension plan.

Solution: LifeVestor. It's a natural supplement to an existing plan. And employees with varying retirement goals can choose cash or annuities in lieu of paid-up insurance.

No wonder we call it the Problem Solver. LifeVestor is an equity-oriented plan that takes care of a lot of problems. Talk to your Ætna group representative, broker or consultant about it. Oh—and be sure to take him some problems. He'd be lost without them.

Not available in all states.

Ætna
LIFE & CASUALTY

You get *action* with Ætna

Executive committee authorizes new data bank for use by NAIC

SAN FRANCISCO—A new insurance data bank, to be owned by the National Assn. of Insurance Commissioners, was authorized here by the executive committee of NAIC in the closing hours of a week-long meeting of the western zone.

The motion, unanimously adopted under the joint chairmanship of Russell E. Van Hooser, Michigan insurance commissioner and NAIC president, and Fletcher Bell, Kansas insurance commissioner and executive committee chairman, authorizes the NAIC staff to immediately begin establishment of the data bank.

NAIC will not purchase equipment, but will either rent or contract for computer line time and programming services. Previously, such insurance industry data as required by the various state insurance commissioners was programmed into computer operations of Best's Reports and purchased by NAIC.

"We as insurance commissioners have been largely responsible for gathering all the data programmed into that operation," noted Mr. Van Hooser, "but we end up with no ownership of that information."

MR. BELL emphasized, "NAIC has probably been collecting insurance data during most of the more than 100 years of its existence. But the organization has never set up the machinery to put all of the data collected into any sort of meaningful form."

Under Mr. Van Hooser's administration, the Michigan insurance commission, in cooperation with several of the state's educational institutions, has developed its own computerized data program. "Much of what we learned in this process," he said, "naturally will be made available to the NAIC staff in its planning of the new data bank, which probably will continue to be built up over the years ahead.

"This is the computer age," he added, "and insurance departments of every state should have access to their own bank of insurance data."

A proposal that NAIC sponsor development of a consumer's guide for health insurance prompted considerable discussion among the executive committee and was finally referred back to a subcommittee headed by Oscar H. Ritz of Indiana and Ben S. Murphy, vice-chairman, of Wyoming. The sub-committee was asked to proceed with the development of a "model" consumer guide which would then be made available by NAIC to the various state insurance commissioners for their use or adaptation.

SUCH CONSUMER guides on health insurance have been prepared and distributed by Florida, Illinois, Ohio and Pennsylvania.

The executive committee suggested emphasis be placed on "information the consumer should have about this area of insurance but not necessarily with comparison of prices. This is too complex and might tend only to confuse buyers."

NAIC already has approved a number of significant recommendations in this area, including proposed model legislation to regulate health maintenance organizations and model rules to prevent misleading advertising of accident and health insurance.

Concern over the complex question of whether relatively new concepts of variable life insurance policies fall into the category of "securities" or "insurance" was reflected in another unanimous executive committee vote. A recommendation was made to all state insurance commissioners that they refuse to approve issuance of any more variable life policies until after NAIC has had the chance to prepare "adequate" regulations.

The executive committee also recommended that the state insurance commissioners refuse to approve, at present, town rating plans proposed by Insurance Services Office (in terms of fire hazards) until after ISO "makes a full and complete presentation" to NAIC." ■

Don't settle for more

Why ask your client to pay more for less coverage?

Now you can offer increased commercial umbrella coverage (a new, low $250 minimum) and unlimited capacity—at less cost.

It's good news for your small businesses, associations, trade groups and others who need protection against judgments just like big corporations.

The new plan complements primary existing coverages, too, so it's an uncommonly good chance for you to expand current accounts as well as open new ones.

That's why we're called the uncommon carrier. Call or write for more information.

MISSION EQUITIES CORPORATION
Better At What We Do

California's Largest Publicly Owned, Independently Operated Property & Casualty Carrier, Headquarters: Los Angeles (213) 381-6811; San Francisco (415) 982-2940; Fresno (209) 222-2237; Seattle (206) 622-2072; Portland (503) 222-4471; Denver (303) 892-6606; New Orleans (504) 524-1191; Houston (713) 623-8780; Phoenix (602) 254-6621; San Diego (714) 234-8295.



MISSION INSURANCE CO. • SAYRE AND TOSO, INC. • HOLLAND-AMERICA INSURANCE CO. • GEORGE S. KAUSLER, LTD. • DATA TECH CORP.

Record . . .

Continued from page 20

measures last year because he felt there is a gap concerning the attachment of pension benefits for both municipal employes and those in private industry. The existing laws protect state and municipal employes whose pension funds are handled through a state-administered program.

According to Mr. Tarlow, municipal employes whose towns administer the pension program should also be exempt. And as long as state and municipal employes are protected, he said, persons in private industry should also be protected.

New York allows first asbestos-related claim

ROCHESTER—Workmen's compensation for victims of mesothelioma, a rare asbestos-induced cancer, has been allowed for the first time in New York State. Previously, only New Jersey had ruled the disease compensable.

The precedent-setting ruling was made here by a referee for the state workmen's compensation board in the case of Lawrence J. Antczak, 37, of Irondequoit, a Rochester suburb, who died of the disease in 1970.

The referee made the ruling against the Mickiewicz Co. of Irondequoit, a heating and air conditioning firm, where Mr. Antczak had worked with asbestos material for about 20 years.

The federal government recently ruled the disease compensable for workers who were employed during World War II in Navy shipyards.

Temporary receivership of company terminated

BOSTON—Massachusetts state insurance commissioner John G. Ryan has ended his temporary receivership of Century Fire and Marine Insurance Co., Boston, and returned control to its former management.

Mr. Ryan took control of Century last Dec. 21, contending that the firm had made unauthorized loans to affiliated corporations.

In a petition to the state supreme judicial court, the commissioner reported that major difficulties had been corrected and that the firm would limit its writing of business until capital represented by the unauthorized loans was replaced or restored. ■

we're building a new Zurich-American



Not that there was that much wrong with the old one. A national survey by an independent consulting firm showed that Independent Agents rate us Number One in overall services. Also first in commercial casualty underwriting ability, ability to solve underwriting problems, competent field assistance and prompt policy issuance.

That's good. But not good enough.

The survey also spotlighted some weaknesses. And that's where we are building things up.

We've created zone offices to put senior management closer to the front lines and to handle processing more effectively.

We've given our branch managers new authority. The Z-A sales representative is now a field manager with new responsibilities and authority.

But now we are stronger in a wide range of commercial property, liability and package coverages . . . and we are planning to come on even stronger in this field.

We're building brick-solid, and we are planning more changes that will make us even better to do business with and to work for. In the coming months, we will offer faster quotations, policywriting and processing.

If our agents rate us first, it must be because we serve our insureds first. But even being first isn't good enough for us. We want to do still more to improve our commercial underwriting service to our clients and clients-to-be.

To symbolize it all, we've adopted a new corporate trademark that combines the "Z" of our world-wide corporate parent with a very American "A".

Today, we are Number One with Independent Agents . . . Tomorrow, we want to be Number One with Independent Businessmen, too. We know where we are going, but we don't know it all. If you've got some suggestions on how we can blueprint a better Z-A, let us know while the bricks are still going into place.

George F. McDonnell
U. S. Manager

To: George F. McDonnell, U.S. Manager
Zurich-American Insurance Companies
111 W. Jackson Blvd., Chicago, Illinois 60604

If you really want to build a better Z-A, you ought to:

_____

_____

_____

name _____

address _____

city _____ state _____ zip _____

Profit-sharing plan pays out benefits monthly

SAN DIEGO—A profit-sharing plan which pays monthly dividends allows employes to see the fruits of their work immediately.

The Le Baron Hotels have designed a plan to tell employes a good job done today will be rewarded at the end of the month rather then waiting until the end of the year.

According to Francisco P. Almeida, vp of operations for Le Baron the monthly bonus reminds workers efficient work results in better profits. And to have the employes sharing in the profits makes them more inclined to feel a part of the company.

The profit-sharing formula provides for distribution of 15% of pre-tax profits to all employes. Of this amount, 20% goes to the manager, 30% to department heads and the remaining 50% is divided equally among all other employes.

EACH MONTH the employes receive 50% of the designated amount and the remaining 50% is retained by a trustee until the end of the year.

Rather then including the monthly bonus in regular paychecks, the bonus is paid through a separate check, headlining it as an extra.

The plan was begun this year. All employes were immediately eligible. By keeping the plan relatively simple, communicating details to employes is simplified also.

Mr. Almeida explained the communications were achieved through a monthly newsletter and employe group meetings. All communications, he added, to Le Baron employes must be done in both English and Spanish because of the large number of Spanish-speaking people employed.

New employes have a 30-day waiting period before qualifying for the plan. Seasonal employes after the same waiting period qualify for a reduced schedule of benefits.

LE BARON currently employs about 150 workers but with three additional hotels opening by the end of the year the company will employ approximately 1,000.

Typically, hotels experience a high rate of turnover among employes. Mr. Almeida said, "We hope through this plan to reduce the rate of employe turnover by providing an atmosphere of acceptance and a sense of belonging. By sharing in the profits maybe an employe will have the incentive to stay with us."

Such plans, he contends, could help to reduce turnover and also make the hotel industry as a whole more competitive with other industries.

The Le Baron plan is employe-administered by a three-member committee. This committee has the authority to decide whether an unsatisfactory employe should receive a bonus for a particular month. To avoid favoritism, Mr. Almeida said, all three members must concur on the decision.

"And the employe in question can appeal the case to me," he added. This method is an effective way "for us to remind employes to perform efficiently.

BY SHARING company profits with employes, the hotel expects to see a decreasing trend in pilferage, negligence or misuse of hotel property while at the same time improving service to their guests.

Operations which affect profits now affect the employes personally. If profits go down because of pilferage, negligence, poor service to the public or misuse of hotel property, the employes feel like the money is coming directly out of their pockets, the manager stated.

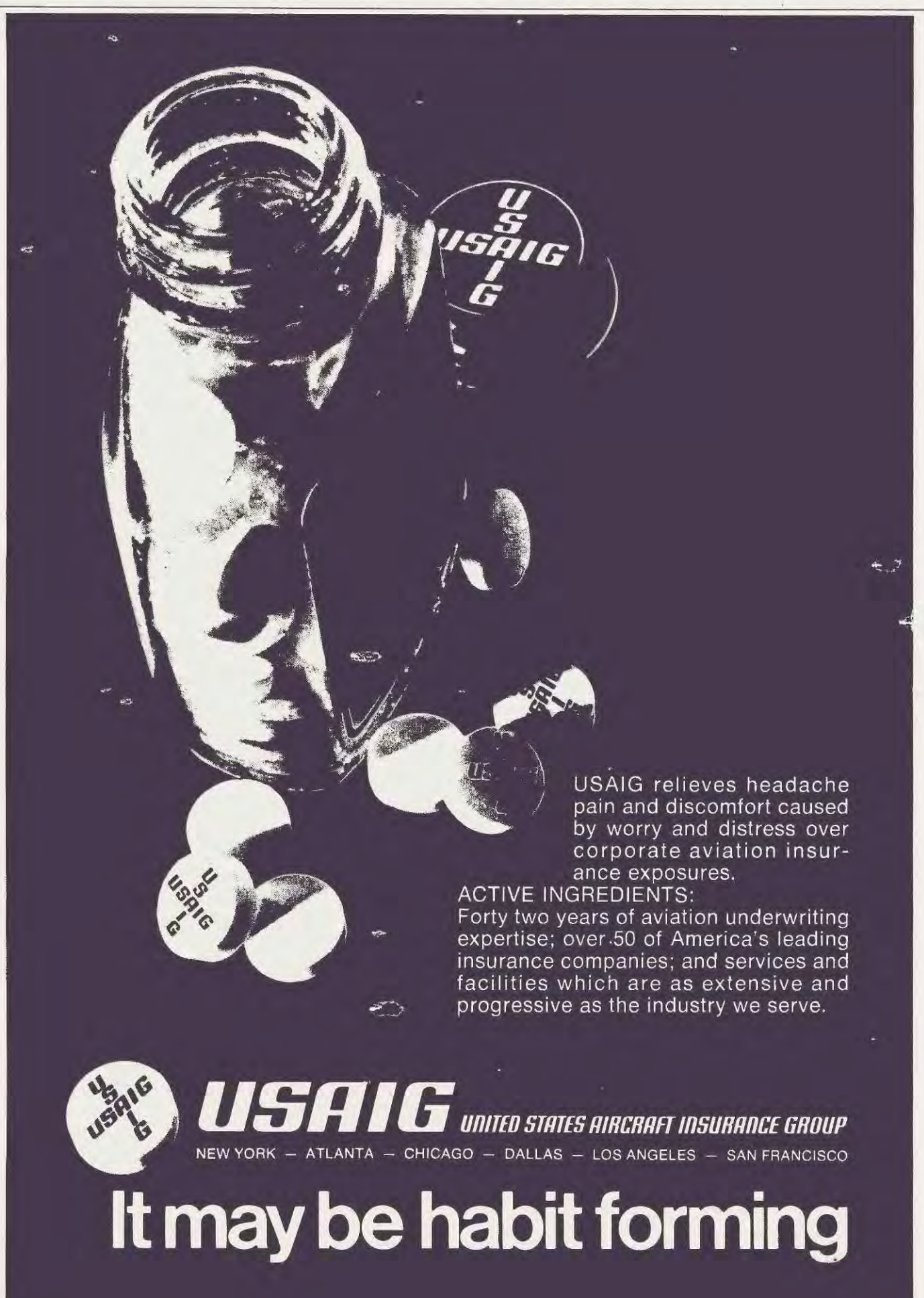
At the same time if profits go up because of efficient, courteous and prompt service to the public, then the employes feel the rewards. The bonus will reflect increasing or decreasing profits.

IN ADDITION to the profit sharing plan, Le Baron provides group life insurance and a hospitalization plan for its employes. The group life is underwritten by Manufacturers Life and the hospitalization is covered by Crown Insurance.

The medical program, according to Mr. Almeida, is based on a schedule of benefits with a $100 deductible per case.

The details of the group life insurance and the medical coverages as well as the profit sharing plan are explained in detail to all new employes.

The profit sharing plan, is the newest of the benefits. Mr. Almeida said, "the results are good for both the employe and the company." ■



Approves tougher jobless rules

HARTFORD—The Connecticut state legislature has approved two measures pertaining to unemployment insurance benefits. Both bills now go to Gov. Thomas J. Meskill for signing.

The first would require an individual to earn $300 or 10 times his weekly benefit rate (up to $92), whichever is greater, before he could qualify for a second year's benefits. A person receiving maximum compensation would have to earn $920 during the first year to qualify for second-year benefits. Under existing Connecticut law, he would have to earn $150.

The second measure would require an individual getting unemployment compensation to accept a job at 15% pay reduction during the first six weeks of receiving benefits and a 25% reduction thereafter, if a job were offered.

In other action, the state legislature approved a measure providing stronger penalty powers for the state insurance department in dealing with unfair labor practices, boosting penalty fines from a maximum of $500 to a maximum of $10,000, a measure exempting land owners from liability if they allow the public free use of their land for recreation (existing law applies to land areas of five acres or more, but the new act is applicable to any amount of property) and a measure freeing from liability landowners whose property is used without permission by all-terrain vehicles, such as snowmobiles or motorcycles. ■

We believe insurance renewals should be a decision. Not a ritual.

The St Paul

Sometime within the next 12 months your company is going to make a decision on whether or not to renew its present insurance.

But will it really be a decision, or just a ritual? We suggest you take time to investigate and compare. Review before you renew.

We're The St. Paul Companies. And we believe that if you're serious about finding the most coverage for your insurance dollar, you'll take the time to see how your present insurance company stacks up against The St. Paul.

Compare them on know-how. The St. Paul has pioneered dozens of innovative coverages including multicover package plans, data processing policies and director's and officer's liability.

Compare them on service. The St. Paul offers 8,600 independent agents and 42 service centers across the U.S. to bring you prompt, efficient service. A kind of service that 88.3% of our independent agents rank tops. And The St. Paul also makes it a rule to contact the claimant on the very same day we receive notice of the claim.

Compare them on flexibility. The St. Paul has had nerve enough to research and write unusual risks, such as insuring an elephant on a raft (they swim), or a man riding an ostrich (we paid).

Compare them on stature. The St. Paul is ranked by Fortune Magazine as 22nd in assets of the 50 largest diversified financial companies in the United States.

Compare. If your present insurance company offers just as much as we do when it comes to coverage, service and reputation, there's no reason to switch.

But if it doesn't, make it a point to call on the company that's been in operation since 1853.

THE ST. PAUL COMPANIES

St. Paul Fire and Marine Insurance Company, St. Paul Mercury Insurance, The St. Paul Insurance Company, St. Paul, Minnesota 55102

Times . . .

Continued from page 3

self-insurance, the alternatives include engineering out loss potential and doing everything possible to keep the loss from occurring and, whenever feasible, transferring the risk to the part best able to control it.

If the foregoing sounds as though it might have been extracted from a textbook to a risk management course sponsored by the American Society of Risk Management, it's certainly understandable. Mr. Gentry observes, "Since I became the Times Mirror insurance manager in 1963 I think every really significant modern risk management practice I know has been learned directly through an ASIM course. In the past 10 years I've found ASIM a constant source of new techniques in a rapidly changing field, and it's critical that we learn as we go along."

Mr. Gentry, who is a national vice president of ASIM and this year's conference chairman, has been with Times Mirror since his graduation from Whittier College in 1954. An accountant by training, he has worked on the company's accounting staff acquiring a financial background and a keen appreciation of assets and cash flow. He reports directly to the controller and the vice president-treasurer.

IN HIS PRESENT position, Mr. Gentry is in charge of the Times Mirror fire and casualty, workman's compensation, and travel accident programs. Employe benefits are administered by Charles Redmond, corporate personnel director. However, Mr. Gentry points out, "The same general risk management techniques in the fire and casualty area are being applied effectively in our employe benefits program."

The 1972 loss prevention effort sought out ways to prevent the recurrence of disastrous fires which earlier destroyed an un-

TIMES MIRROR

sprinklered sawmill in Portland, Or., from a $1.75 million loss. A second blaze in 1969 gutted part of another company property, the Popular Science Book Club warehouse in Old Fargo, Pa. at a cost of $500,000. A sprinkler system in the warehouse was inoperative at the time of the fire, but a firewall saved some of the building and contents.

The concentrated effort to engineer out any similar future loss resulted in the installation of sprinklers in the rebuilt sawmill at Portland, as well as in a high risk slide rule factory operated by the company's charts, maps and instruments group. An early warning fire detection system was also installed in the telephone switch gear room of the L.A. Times building, and a Halon 1301 fire suppression system was installed to protect the computer installation in the building.

He said, "we can buy an insurance policy and pay $100,000 a year to insure the sawmill without sprinklers, or we can put in sprinklers and buy a major $100,000 deductible policy. We're reducing the risk at considerable cost, but we also receive substantial premium credits because of the sprinkler installation. This we've taken steps to prevent another major catastrophe, because there is no way you can fully recover all of your losses in the event one does occur."

Another risk peculiar to the newspaper publishing business is the ever-present danger of a libel action. "Various companies throughout the country write our libel coverage," said Mr. Gentry, "including a group captive company, which is part of a trade association.

"But the key thing in risk management regarding libel insurance is to let your editors and writers know they cannot rely on it to compensate for errors in reporting. My job as risk manager is to stress the importance of this to our staff and that if a libel case goes against us, costs are going to go up.

"During the 10 years I've been the insurance manager, there has not been any substantial libel suit ever successfully brought against the Times."

Said Mr. Gentry, "as a general rule we do not insure for defense costs because we want to be able to control that. And wherever possible we attempt to transfer the risk to where it properly belongs. In the case of an author who submits a manuscript for publication, we transfer the risk to him via his contract which contains a clause that holds the Times harmless in the event of a copyright infringement or a libel.

"Here again, this is a risk management alternative. You attempt to transfer the risk back to the party who has control of it," he said.

NEARLY A DOZEN different carriers are involved in the various covers written for Times Mirror. Mr. Gentry explains, "Our public liability is handled primarily by Allstate with excess liability covers by Lloyd's and other companies. We use Protection Mutual of the Factory Mutual System for our highly protected risk market, our fire program, and Lloyd's and a few other carriers on difference in conditions and non-HPR properties. INA is used for travel accident, and Argonaut for our workmen's comp coverage."

"Marsh & McLennan is our broker and is charged with finding the best markets they can for me. However, I as risk manager am responsible for looking to other markets to see what's available and what I might come up with myself." Mr. Gentry added, "Bill Mortimer, a past president of ASIM who is now with INA, once told me that you don't necessarily do everything the broker may suggest. You make him convince you that it makes sense first."

Times Mirror does not manufacture a product that really demands product liability coverage. Still, says Mr. Gentry, "Any good risk manager knows any product can be deficient in some way or another, so we handled this risk through one of our general liability coverages."

Although the likelihood of a product liability suit against Times-Mirror is somewhat remote, occasionally one does occur and it is generally unusual.

"One claim we have pending against us," reports Ralph Gentry, "has been brought by a lady who contends she got lost in one of the national parks using one of the Gousha road maps produced by a Times Mirror company. She says the map shows a road going through a certain area where there is none. We believe she misinterpreted the map. But it's certainly the the kind of risk we encounter ever day," he said. ■

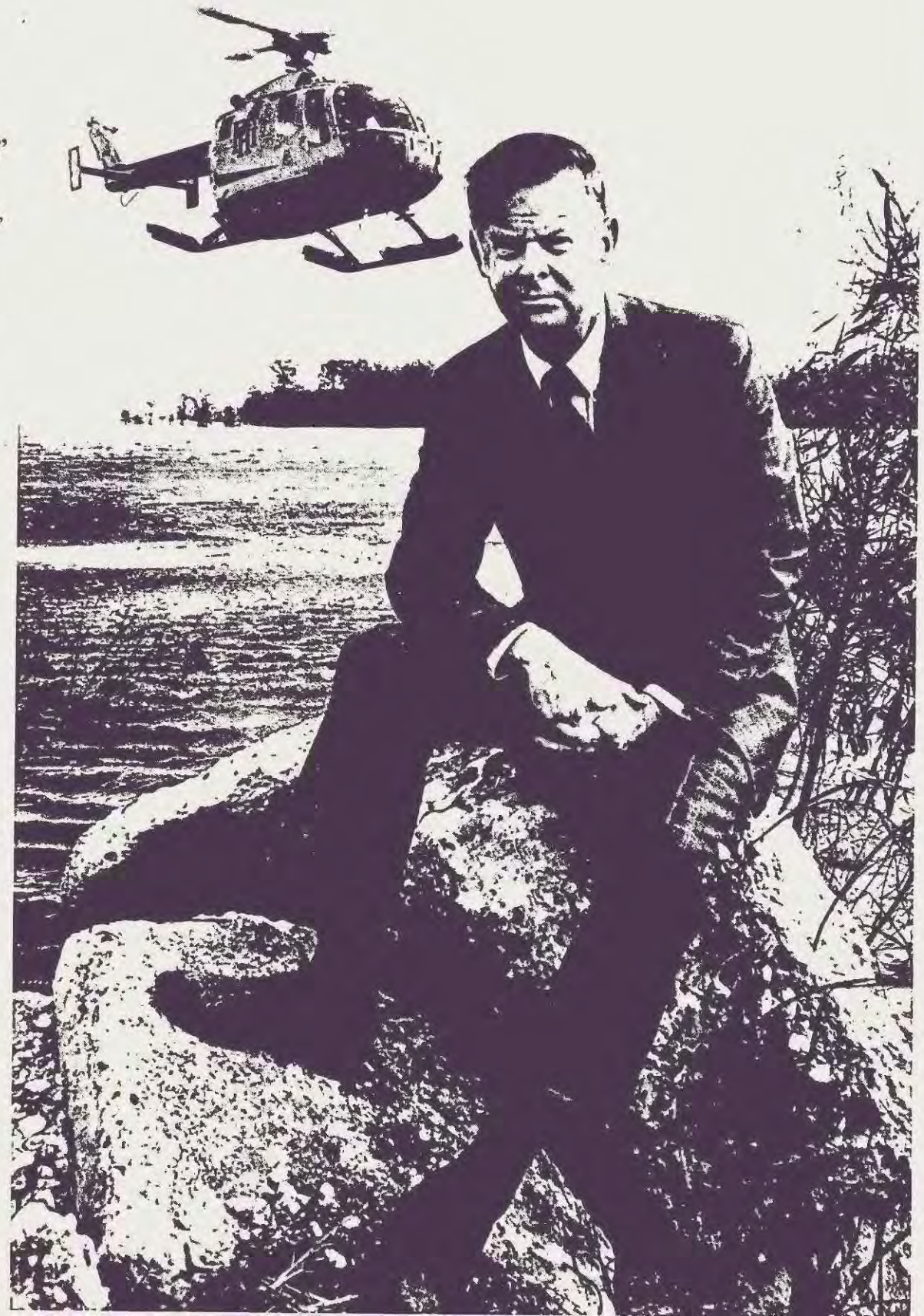
"You don't always need wings to fly."

"This year, we'll insure $40 million worth of commercial helicopters."

Ed Blackwell, Johnson & Higgins, New Orleans, is savvy about the helicopter: "We look beyond its people-moving abilities and see an airborne machine-tool with a thousand new uses. That's what we have to protect."

What's true of helicopters is true of every type of flight equipment, your own included. Johnson & Higgins has offices in major cities here and abroad. Call us. We'll make your insurance work for you.

Johnson & Higgins
the aviation industry's insurance broker



Our plan: Weather Insurance.

What it does is make the sun shine inside a promoter's wallet, even while the weather's poor outside.

What it means is that a man won't lose his shirt on an event he plans, even if he's the only one that shows up.

Weather Insurance is designed to cover events that may be hurt by the weather. It can cover the costs, from the ushers to performers to perishable hot dogs. And because we tailor the coverage to the event, our Weather Insurance is, frankly, a bargain.

Who needs weather insurance? Anyone and everyone who depends on the weather. There's the man who plans a stock car race and needs insurance to cover his losses in case he gets rained out. The resort owner who has to have a big and balmy July 4th or go under. The candy retailer who's stuck with scores of Valentine's Day Hearts after a wet Valentine's Day when everyone stayed home. The department store stuffed with bikinis during a summer that's come on like winter.

Our Weather Insurance takes the heat off the promoter. For more information on Weather Insurance, just mail us this coupon.

And have a good day.

American Home Assurance Company

A member company of American International Group
Dept. BI043, 102 Maiden Lane, New York, N.Y. 10005

Please send me more information about your Weather Insurance.

Name_____ (PLEASE PRINT)

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company.



The Rai ker.

Some promoters swear th weather just by scheduling an ev e a plan.

Wometco's risk program is 'all in the family'

MIAMI—The new risk manager at Wometco Enterprises Inc., the diversified leisure-time company headquartered here, described his company as being organized in a sort of "family concept" which extended to all levels of the firm.

"Because of this family concept," explained Cal B. Rosenbaum, director, corporate risk management and insurance at Wometco, "we like to feel that the risk management department is 5,000 people strong. Safety and the prevention of losses are everybody's business."

And it is that philosophy that leads to what Mr. Rosenbaum said was his biggest problem in the risk management department —communications.

"Keeping the lines of communication open is the largest problem we face," he told *Business Insurance*. "We have to be able to communicate to the people in the company that we really need to know what is going on—if there has been a change of some sort, for example. They have to know that it is more than just idle curiosity on our part.

"THE SECOND problem we face," he continued, "is that of coordinating the programs and designing them to fit each peculiarity of the different operations."



Cal B. Rosenbaum

As an example, he pointed to the insurance problems surrounding the Conch Train, a Wometco attraction. "The Conch Train is really a tram," he said, "which isn't a great problem but it is pulled by a Willys jeep that has an $18,000 superstructure on it."

It was something of a job, he noted, to convince reticent insurance carriers to write the needed coverage. However, the Conch Train is insured, as are the whales and porpoises at the Miami Seaquarium.

Mr. Rosenbaum, who has been with Wometco since 1963 as executive assistant to the senior vp, further pointed out that the company faced every type of exposure, outside of nuclear.

"WE HAVE earthquake exposures in Alaska," he said, "and windstorm exposures in Florida and the Caribbean. The temperature gets to 80° below in Alaska and over 100° above in Arizona. Somewhere, we are exposed to everything."

His own responsibilities within Wometco, a company that operates movie theaters, produces films, slides and outdoor advertising and runs in-plant food service companies to name a few of the firm's operating areas, he described as "the total risk management function—international."

The genial Mr. Rosenbaum is responsible for the benefits for the company's 5,000 employes, the broadcasters liability coverage for Wometco's television stations (one of which he said was the first to put editorials on the air), OSHA and other specialized areas as well as the usual coverages. And he does it with a four-person staff.

"If you are using risk management for your company, you should use it in your own department," he said. "We try to cut red tape and costs in the risk management department.

"WE RELY ON doing business with a multiplicity of brokers, agents and carriers," he continued, adding that the company self-insured virtually nothing. "We look at broker's commissions as service fees, not as sales bonuses. On the same note we are in business to make a profit if we can and we recognize that an insurance carrier will make a profit on us if he can."

Mr. Rosenbaum, who officially took over the risk management department last month, said that he did not believe in empire building. "I have yet to see the organization that can afford to get all the available talent," he said. "One man can't set himself up as judge and jury over everything. One man can't do it all. If he did, things would stop whenever he left his desk."

He felt that risk management "is not just insuring what you know, it's an attempt to crystal-ball gaze as to what will happen in the future."

He commented that, for example, he had no qualms about approaching a broker with what might be a stupid question, like, "Are we covered under certain circumstances?"

"IF WE ARE covered, great," Mr. Rosenbaum said. "If not we discuss it with the broker. He might tell me that what I am asking about has never happened in the history of this coverage. I'll tell him, "wet nurse me, endorse the policy for that contingency. Don't charge me for it because it won't happen, if that's the way you feel, but let my management sleep at night knowing that if it does happen, it's covered."

Mr. Rosenbaum, a past Florida state ASIM president, teaches risk management at the University of Miami and is involved in numerous activities outside the office, including the Dade County citizens safety council and the governor's committee on total employment. He is also director of probation, rehabilitation and drugs for the City of South Miami.

He is a polished public speaker who has appeared before groups ranging from neon sign company executives to hire the handicapped committees. His usual topic, he reported, is money management and hidden profits.

"Most businessmen really don't understand insurance," he said. "They have a broker or agent whom they grew up with or play golf with and they are satisfied to give him the money to get the coverage they think they need. There is really more to it than that." ■



Worker hypnosis. A little-known danger t

Anywhere that light is interrupted or reflected by machine parts, strobe-light hypnosis can strike.

Usually, it's the injured worker who provides the clue—the inability to clearly recall the accident—but by then the damage is done.

To your worker.

And your workmen's compensation rate.

Maybe you don't think that accident prevention really pays off.

But Continental Insurance does.

And to prove it, we have a staff of loss control specialists to help your safety department spot problems before they are problems.

They'll point out potential strobe-light dangers, and tell you how to recognize the accident-prone employee before he has another accident.

Benefits communication requires sound plan

ATLANTA—"Yeah, they gave me this great booklet on benefits—if only I'd gone to law school . . ." This comment, a typical one gleaned from a film strip on benefits communications at the American Society of Insurance Management's risk management seminar, was the type the panel on employe communications aimed at clearing up.

Leonard Zimmerman, president of benefits and communications and administrations services, Kwasha Lipton Inc., told conference members a "no-cost communications system" could be the most expensive of all to a company.

"A no-cost program," Mr. Zimmerman said, "is one where all the communicating is done by employes who may feel cheated, who downgrade the company for ignoring the needs of the employes.

"The no-cost program fosters the feeling the company doesn't care. This type approach will cost the company in the long run, even if tangible dollars and cents can't be measured except in terms of employe dissatisfaction."

ASIM Conference Report

Mr. Zimmerman suggested a complete communications system as a solution to such a dilemma. "Money alone is not the answer," he said, and emphasized effective communications could be handled through a system of impact, clarity, credibility, personal involvement, continuity and meaningful repetition all tied together in a coherent program.

For the program to really get across to the employes, Mr. Zimmerman stressed several elements needed to be incorporated:

A conceptual overview, must reach the worker so he knows the main intent behind the plan. If he sees only complex wording, without having an idea of the goal of the benefit, he might think the wording is designed to camouflage an inadequate benefit.

A BASE reference, somewhere the employe can always turn if he has questions about the benefits, must also be provided, as well as continuous reinforcement of the overall concept and a method of getting feedback and employe reactions to the plans, Mr. Zimmerman said.

Mel Borleis, vp of benefits communications and administrative services, picked up where Mr. Zimmerman left off to illustrate how the elements could be meshed together, through planning, to get a good communications system.

He suggested using films and slides to give employes that conceptual overview of their plans; event-oriented handbooks and booklets to serve as base reference materials; use of payroll "stuffers," bulletins and personal benefits statements for continuous reinforcement and the use of surveys and group discussions for appropriate employe feedback and reaction to the benefit plans.

MR. BORLEIS suggested five objectives communications people should keep in mind in launching any effective program: Management support, improvement of employe attitude, defining the role of the benefits, getting the employes to know the benefits (at least in their overall form) and increasing participation in the plans through such measures as profit-sharing plans.

The law has something to say about benefits, and Theresa B. Stuchiner, general counsel for Kwasha Lipton, told conference members about what the courts have to say and what some of the statutory and regulatory provisions are which govern benefits communications plans.

The Labor department, she noted, has issued regulations which impose two new communication requirements for pension plans (and profit-sharing, stock bonus, thrift and savings plans which provide benefits at or after retirement). The first, form D-1S, which must be filed on or before July 31, 1973, for all pension plans for which a D-1 has previously been filed, states that the information in the plan must be written in simple language that can be understood by a typical participant or beneficiary, according to the Kwasha Lipton attorney.

MS. STUCHINER stressed communications people, in completing the D-1S, should compare the information furnished on the form with what they are saying in their communications program. And any new communications programs should keep the D-1S information in mind.

The other new requirement provides all plan participants be given written notice they are entitled to examine copies of the description of the plan and the latest annual report. While there is no special form for this written notice, it must be presented in a way "calculated to reach the prescribed persons." This could be through prominent posting on bulletin boards for 30 days through newsletters and letters sent to the home for retirees and beneficiaries.

Federal regulations include an IRS provision that each qualified

Continued on following page



Union-negotiated benefits cut urged

U.S. Steel executive claims pensions too high

ATLANTA—A vp of United States Steel Corp. told an American Society of Insurance Management seminar on fringe benefits negotiated by labor unions that combined Social Security and private pension payments are, in some cases, "undesirably high as compared to pre-retirement net income."

Vincent I. Matera, speaking at an afternoon split session of the ASIM risk management conference here, said management can combat the trend of providing higher earnings after retirement by negotiating an end to minimum pensions and concentrating future pension improvements in areas other than increases of post-retirement income.

"We must recognize the unions will demand some improvement in pension plans," he said, "but there are other areas besides the minimum where these improvements could be made. We make a big distinction in the steel industry between people who leave work early because they want to and people who are forced out. We are very reluctant to provide benefits for early retirees, but we are willing to make—and have in the past—improvements for persons forced to leave by closings



Peter B. O'Brien

or whatever. We also could increase survivor benefits. But the situation as it exists today encourages people to retire early and results in a more costly pension program."

Citing a U.S. Steel study, Mr Matera said a typical employe who retires at age 65 with 35 years of service realized net earnings of $598 on-the-job Upon retirement, with Social Security benefits for both him and his wife and his U.S. Steel pension, his net income is $674—an income 110% higher than what he earned as a worker.

"THE QUESTION, I suppose, is, 'Is providing retirement benefits equal to or more than 100% of working income undesirable?' " Mr. Matera said. "I must assume that most of the people here think it is."

The steel exec also said there is a need for unions to recognize the increase in benefits costs resulting from inflation or increased utilization of pre-existing benefits.

"In 1960, we had a hospital and physicians services plan which was non-contributory," he said. "Today, the same program is two or three times as expensive as it was when it started. But the unions ignore this. They see it as something agreed to three or four years back."

The government, he said, should take more seriously the costs of fringe benefits when evaluating a labor settlement and should allow for increase in the costs of preexisting plans.

"The 1971 amendments to the economic stabilization act allowed insurance and pensions to be treated differently than wages," he noted. "This is another attempt to sweep improvements under the rug. The government must realize that a nickel is a nickel regardless of where it's spent. The pay board has ignored the cost-push effects of existing benefits as well."



Vincent I. Matera

In negotiating for new benefits, such as pre-paid legal services, employers, he said, must insist on setting their contribution at a fixed point.

"This pre-paid legal is a good example of a benefit with cost-escalation built in," he told his audience.

ALSO ADDRESSING the seminar was Peter B. O'Brien, vp marketing manager, Johnson & Higgins, who said the major thrust in this year's labor talks will be in the pension area.

"The main reason for this," he said, "is health and life insurance areas have been worked to death. There is also an increased awareness of how these vast pension funds are invested and somewhat of a drive to see they are spent in the public interest."

Mr. O'Brien said labor negotiations have entered a "new era of social responsibility," which forces management to find ways to prevent worker alienation.

"What we have is a new type of worker," he said. "He is better educated and more aware. He's the long-haired, blue-jeaned person who'll use his four weeks vacation to hitch-hike around the country. There's a new breed of maverick workers who don't want to work like robots, and there's the old line, and what we're getting is a blend of the two."

This new movement, he predicted, will see a push toward increased demands for productivity shares, stock purchase plans, volume credits and other forms of profit-sharing. The right to turn down overtime work will become increasingly important, he said, a drastic about-face from the days when workers wanted as many overtime hours as they could get.

"The four-day work week will be the talk of the future," he said, "and I'm sure there will be more emphasis on spreading pension plan risks through reinsurance." ■

R&B
PRITCHARD & BAIRD, INC.
REINSURANCE
FACULTATIVE AND TREATY
299 MADISON AVE., MORRISTOWN, N.J. 07960
3550 WILSHIRE BLVD., LOS ANGELES, CA. 90010

IRS demands aware participants

Continued from preceding page

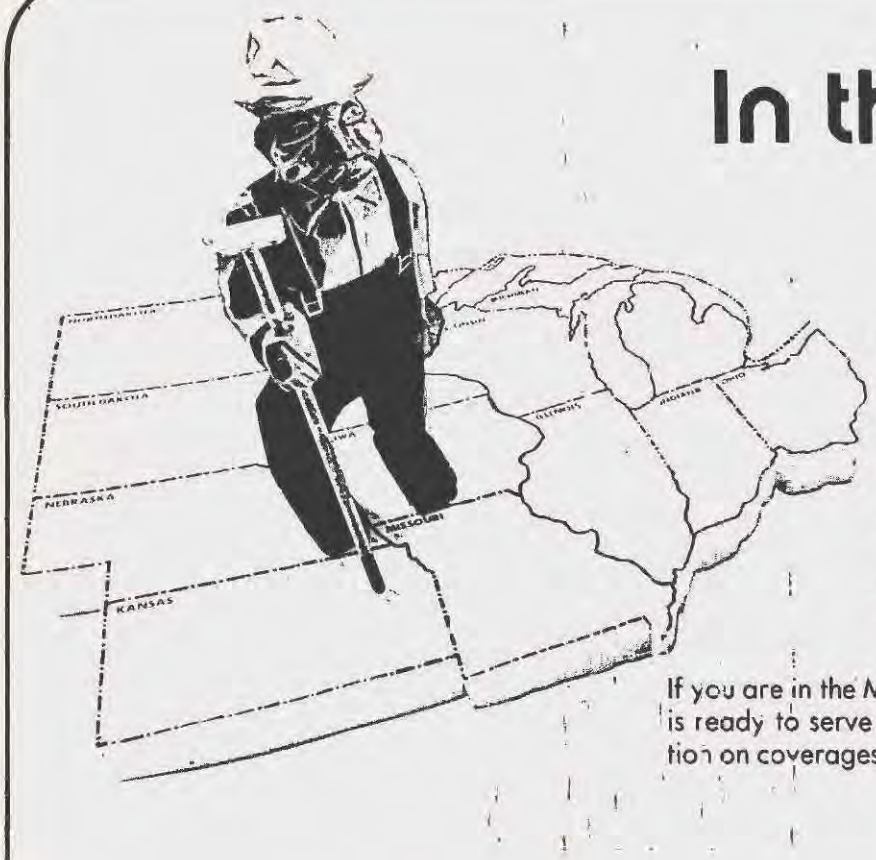
deferred compensation plan must be communicated to participants. A plan is not qualified if it is not communicated to participants, the counsel pointed out. Any change affecting employes' substantive rights must be communicated to those in the plan itself.

The seriousness of the IRS regulation was driven home by Ms. Stuchiner's example of how one company instituted a profit-sharing plan for its employes two days before the end of the company's taxable year. But the employes to be covered under the plan were not told of its existence until March 1, 1971. IRS ruled, since the plan was not communicated in 1970, it did not qualify, and any contribution made by the company in the grace period would not be tax-deductible for 1970.

CITING THE current age of consumerism, which has made the courts more disposed to claims of disgruntled employes, the counsel urged conference members to proceed with caution in their communications programs. She warned them to be aware of state disclosure laws which may require reports to be sent to participants in a retirement plan and to have all communications booklets and materials carefully checked by legal counsel so adequately worded disclaimers to protect against employe claims are included.

"The legal climate for benefits communications may seem confusing," Ms. Stuchiner summed up. " 'Give them the text of the plan,' says IRS. 'Give them an explanation in non-technical language,' say the Labor department and Congressional critics, some of whose bills call for non-technical pension booklets. 'You are bound by what you say in communication,' say the courts.

"Counsel should make sure the communications tell employes about the important features of the plan—particularly the features which could cause employes to lose benefits or reduce their benefits," the attorney warned. "And all communications should contain adequately worded warning or qualifying language—making it clear that the plan itself—and not the booklet, film, statement or other communications media is the offer.' " ■



In the Midwest... it's All-Star

All-Star Insurance Corporation is an expert at tailoring excess/surplus coverages to fit the risks working through an experienced corps of general agents who understand All-Star's professional standards.

All-Star is a growth company with a tradition of service and skilled underwriting to meet today's rapidly changing social and economic conditions.

If you are in the Midwest or anywhere in the United States, All-Star is ready to serve your needs. Contact All-Star today for information on coverages and representatives in your area.

PC
a Post Corporation company

ALL-STAR INSURANCE CORPORATION
The domestic company that specializes in excess/surplus risks.
5401 N. 76th Street P.O. Box 2917 Milwaukee, Wis. 53218
(414) 466-8300 CABLE: ALLSTARWIS MILW TELEX: 2-6879

Modern benefits director is 'big-time spender'

ATLANTA—A new sophisticated era of employe benefits is demanding the modern corporate benefits director to have a working knowledge of a wide variety of ever-expanding corporate functions.

Speaking to the American Society of Insurance Management's 11th annual risk management conference here, Ian Macdonald, McGraw-Hill Inc.'s employe benefits director and E. G. Sherman, Honeywell Inc.'s manager of employe benefits control systems operations, outlined the demands of their positions.

"We are really a bunch of big-time spenders," Mr. Macdonald said, "we account for something between 25 and 40% of total employe compensation, and that's as big as the wildest dreams of Nathan Detroit, Nicely-Nicely Johnson or Big Louis. But we certainly can't act like those Damon Runyon characters, or we'd be pretty small-time pretty quick. So, we have to think like big-time spenders, but not act the part."

"THE BENEFITS director must now have some knowledge of and a working relationship with legal, finance, communications, tax, actuarial, labor relations and public affairs activities of his company," Mr. Sherman said, stating, as benefits become a larger percentage of over-all compensation, top management is becoming more interested in the direction of fringe programs.

"It is vitally important to design the administration of your benefits plan—you must completely know how and why it should be administered as it is—and it is most important that you don't do it," Mr. Macdonald said. "I'm serious. You cannot serve either your management or your fellow employes if you are slogging around in day-to-day administration.

"There are always enough new things, demanding the attention of the benefits director—new plans, new methods, new laws, new needs, new ways of disbursing benefits payments," he said. "So, you see, we are big-time spenders. I'm merely suggesting that we must also be big-time thinkers, savers and planners."

EACH SPEAKER outlined the basic steps involved in formulating, administrating, communication and amending benefit programs so they best fit within management's cost structure and supply the needs of the employes.

"The bedrock of the benefits program can only be established when you know what management considers the overall need, and when you're sure that management has looked at all of the important questions," Mr. Macdonald said. "The benefits director must be aware of all the ramifications of a given point of view and must be able to tell his management of the eventualities of a given choice of action or philosophy."

If management wants to establish a feeling of "family" within the corporation, Mr. Macdonald suggests stock options, profit-sharing and other "community programs" be adopted. If not, the philosophy would probably incorporate life and health insurance and other forms of compensation.

Once such a philosophy is established, decisions need to be made, the speakers said, as to which plans will be company-wide and which will be left to local design.

"Such basic guidelines and policies can be written or can be implemented on an orally accepted basis," Mr. Sherman noted. "In our own company (Honeywell, Inc.) we have a formal compensation manual, a portion of which is allocated to employe benefits. We also develop and issue to divisions and locations employe relations bulletins which set forth policy statements for a number of employe benefits and form the basis of locally developed personnel practice statements."

GATHERING AND evaluating employe feedback on benefit programs and keeping abreast of changes in plans offered by insurers is no minor fact-gathering job, the speakers noted. Once armed with a philosophy and some specific proven plans, the benefits man must attack costs.

"One of the most productive steps you can take if you have insured or partially insured plans is to insist upon a completely detailed breakdown of retention charges from your carrier," Mr. Macdonald said. "Literally tens

ASIM Conference Report

of thousands of dollars may be involved, and a lot of them may be reclaimable at the year-end negotiations with the carrier. The carrier might not be keen to supply great detail in his breakdown —if he's even cheerful about supplying any—and he will be understandably reluctant to risk a reduction of his profits.

"But it is essential," Mr. Macdonald said, "to your cost control program and your responsibility to your own management that you obtain it."

Tax advantages of self-insurance and 501 (c) 9 need to be examined, the speakers said, warning other states may soon follow Missouri's lead in cracking down on such programs.

With the expansion of American firms to other countries, the benefits director must become somewhat of a world expert, the two benefits men noted, another part-time function which demands full-time expertise.

"Obviously he is not going to become an expert in benefit plans in each foreign country," Mr. Sherman said, "but he must now become organized in such a way that he can manage and direct employe benefit activities on a world-wide basis."

"WHEN WE talk about administering an international benefits program, the best approach is to forget everything you know about running one domestically," Mr. Macdonald said. "If your domestic insurance carrier is also multi-national, you might lean on him—not only for advice and guidance, but possibly cost savings, too. Sometimes a multinational carrier can combine operations in several countries into one policy, or can use affiliated carriers and can affect real savings for you." ■

Our new "Anything-Pension-Plan" is everything you could ask for.



Mutual Benefit Life's Anything-Pension-Plan is a new concept in group pension contracts.

It's anything you desire.

We can limit it to straight investment management, if you wish. In which case, all you get is an asset management charge.

Or you may want us to assume certain short or long term risks for a pension fund. Like guaranteeing the preservation of capital with or without a guaranteed fixed rate of return. Or guaranteeing the maximum future cost of pensions.

We'll do it and charge you accordingly.

The Anything-Plan can include expert plan design. And consulting actuarial services. Or superior benefit administration and employee counseling. Or take in guaranteed or self-insured death benefits and/or disability benefits.

In short, it may include as few or as many of these services and guarantees as you require, with charges tailored to whatever you select. And if you want our Anything-Plan to include all of Mutual Benefit's services and guarantees, it becomes—you guessed it—the "Everything Plan."

For more details, write to Director of Group Pension Sales, Mutual Benefit Life, 520 Broad Street, Newark, N. J. 07101. Or contact the Mutual Benefit Life Regional Group and Pension Office in your city.

For the Group Pension Plan that best fits your needs, remember our name. MUTUAL BENEFIT LIFE

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY NEWARK, NEW JERSEY SINCE 1845

Executive early retirement poses hard questions with few answers

ATLANTA—Pointing to a youth-oriented society and advancing technology as contributing factors, Roy S. Good, Chrysler Corp's manager of employe benefits financial administration, discussed the trend toward early retirement of corporate executives as "one of the most perplexing problems confronting pension planners in todays' environment."

Mr. Good told members at the American Society of Insurance Management's annual risk management conference's session on current trends in pension planning and funding, the youth movement is "striking close to the heart of corporations' internal machinery—at their executive personnel policies."

Where it once was a rarity to find corporate executives under the age of 55, the Chrysler man said, the executive suites of



Ray S. Good

many corporations are now filled with highly-placed executives in their 40s or 50s.

TWO REASONS which also add to the situation, from Mr. Good's standpoint, are the erosion of the American work ethic and the current attitude which views early retiremennt as a socially acceptable or even socially desirable goal. Liberalized benefits, which have made employes in poor health financially more able to leave the corporation earlier, have also hastened the move toward early retirement.

Mr. Good said the trend had broad implications for the individual and for corporations, and is becoming increasingly sensitive as some of the largest U.S. corporations begin implementing various schemes to require their top officers to shed line responsibilities at a set age prior to 65—usually age 60. This may not involve true retirement at all, but may require top executives to relinquish line responsibilities to successors and to take over in a consultant capacity.

Two other categories of early retirement were described by Mr. Good. IBM has implemented the first, which requires total retirement of corporate officers at age 60, although other executives and employes can work to age 65. The second, implemented by both Sun Oil Co. and Ford Motor Co., permits specified executives to receive special compensation outside the regular pension plans upon early retirement (often permitted only upon specific corporate request).

COST CONSIDERATIONS are of prime concen in evaluating early retirement programs for corporate executives. The most costly method, Mr. Good noted, is the one which allows key executives to function in a consulting capacity at two-thirds or three-quarters of their former pay, a heavy increase in overhead.

Why is such a scheme used at such a cost? Mr. Good pointed again to the youth-orientation of today's corporations, which feel it would be more costly if young managerial talent is lured away to competitors as it waits to assume the top positions in the corporation.

It would be less costly to provide unreduced retirement benefits to executives at age 60 rather than age 65, instead of using the executive-consultant approach, Mr. Good explained. He noted, however, this cannot be done in many cases, or would be extremely costly, since a qualified pension plan cannot discriminate in favor of top executives. Hence, unreduced benefits at age 60 would have to apply to all of a company's employes.

The benefits man noted proponents for early retirement, as well as opponents, have a battery of valid arguments. Aside from cost considerations, those who favor early retirement point to the use of younger executives as one way to promote the type of managerial flexibility needed to compete in a rapidly changing business environment. They also maintain the presence of younger top management is an indicator employes have the opportunity to climb the corporate ladder on the basis of ability rather than seniority.

THOSE OPPOSED to mandatory early retirement claim a "brain drain" is created when outstanding key executives are forced out of positions while no adequate successors are available.

As for top executives themselves, Mr. Good suggested, since the momentum is definitely on the upswing toward mandatory early retirement, executives should begin preparing themselves by developing second careers early in their working lives.

He also noted finances of the early retiree must be considered since there is usually a substantial difference between salary as an active employe and pension benefits as an early retiree. He proposed a supplement to the early retirement benefits normally provided under the pension plan.

"One way of providing this supplement," Mr. Good said, "would be to determine the salary which the officer would forego by retiring early, apply a predetermined percentage to such lost salary, determine the present value of the resulting amount and pay that value as an annuity over the lifetime of the officer beginning at the date of retirement." ■

Risk degrees continued

The Oregon legislature has approved and Gov. Tom McCall has signed into law senate bill 45 which continues in force present law prohibiting discrimination by insurers between risks of essentially the same degree of hazard in the issuance of burglary, theft, robbery or casualty insurance policies. The new law applies in cities of 300,000 or more population.

THE MARYLAND'S $5,000 CHALLENGE:

Auto leasing benefit offered as one solution to executive income tax bite

ATLANTA—Noting that he was not talking about the vp's Buick that gets a top executive back and forth to the office, a Singer Business Machines employe relations man said here, the impact of income taxes on executive level compensation has enhanced a need for remuneration methods that have little or no tax effect.

One such method of remuneration, said James Birth, director of employe relations, U.S. marketing, Singer Business Machines, is the auto leasing plans that are gaining wider attention as a fringe benefit. Moreover, he observed, to an American Society of Insurance Management audience, such plans are now being extended deeper into management ranks. Singer Business Machines, for example, now has an "executive lease plan" available to those employes earning $20,000 and up annually.

Methods of providing company cars, said Mr. Birch, now extend from giving a car to the executive for his use with all insurance and maintenance paid for by the company to making an existing lease program available and charging the executive for the total company cost of such a program.

However, the Singer man explained, in the first instance, it may be necessary to charge the individual a certain amount for his personal use of the auto to avoid a tax obligation.

"One program I am familiar with made a nominal deduction at year end to cover this personal use and the company subsequently increased the executive's salary by the same amount to offset this deduction," said Mr. Birch.

ASIM Conference Report

POINTING OUT that prime consideration in any plan will be the "financial impact on the company," Mr. Birch emphasized that leasing avoids a serious cash flow problem. "And," he added, "charging the executive the full amount recovers most company costs." Other advantages to leasing programs, he said, include, they are totally optional for the employe, they provide an auto at the lowest possible cost, they can usually be financed at the going prime interest rate and insurance can usually be obtained at group or fleet rates.

"We at Singer Business Machines developed our executive lease plan from an existing fleet leasing program," Mr. Birch explained. "Our field engineering organization leases approximately 2,000 cars in this country for use by our customer services engineers.

"Originally," Mr. Birch said, "executives were given the opportunity to sub-lease a car of their choice under the same plan and under company insurance coverage. The full company cost was charged to the employe plus a small administrative fee."

The Singer man noted, however, that the company has recently improved the program by providing broader insurance coverage with the company paying part of the cost.

"Our program provides leasing capability to individual executives at a price factor of a large fleet operator," he said. "It is limited to executive level employes as established by a corporate salary grading program (generally those in the $20,000 and up category), and provides acquisition price advantage and the convenience of automatic payroll deduction."

THE INSURANCE program arranged through the company provides for basic auto, medical and liability coverage and a personal catastrophe layer of coverage up to $1 million that supplements other personal insurance coverages the employe may have, such as homeowner's liability.

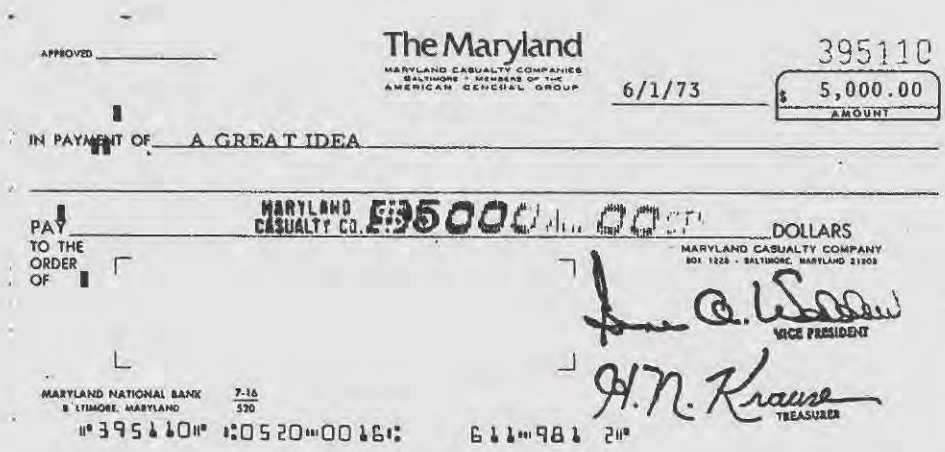
"The high limit 'umbrella' coverage has significantly improved the benefit aspects of our lease auto plan," observed Mr. Birch, adding, "the company also pays the first $200 of annual premiums with the executive picking up the balance. This is a major benefit for those with teenage drivers in the family," he said.

"It is possible," said the Singer man, "to design a plan with little or no cost to the company, which is unlike any other benefits. And," he added, "the program may have little or no impact on the executive's tax obligation."■

Remember some of those great ideas you've had? Well, dust them off.

Tell The Maryland how we can improve our service to agents and clients. If your idea is one of the best 25 we receive, you'll win $25.00 and become eligible for the grand prize of $5,000.

That's how much we'll award to the idea that we think will improve our service the most. The opinion of our judges is final, and all entrants agree to be bound by it.



Give us the best idea on how we can help you and this check is yours.

To be eligible for the competition you must be associated with a licensed insurance agency or brokerage firm.* To enter just write to us on your letterhead, briefly outlining your idea, and mail it to Maryland Casualty Company, Great Ideas, P.O. Box 1228, Baltimore, Maryland 21203. Entries must be postmarked before Midnight, June 30th, 1973.

So enter today. The Maryland wants to give you the best service in the industry, and we're willing to pay $5,000 to find out how we can do it.

The Maryland
People who get things done.

Maryland Casualty Companies, Baltimore. Members of the American General Group

*Employees of Maryland Casualty Company, and their families are ineligible.

Premiums up for glass coverage

SAN FRANCISCO—Insurance premiums for companies which manage businesses from shopping centers to restaurants may rise as result of new California, Hawaii and Washington legislation requiring that plate glass be replaced with safety glass "in all locations presenting hazards to the public."

Such "areas of hazard" are specified as sliding glass doors, framed and unframed glass doors and adjacent fixed glass panels, storm doors and even tub enclosures in hotels and motel bathrooms.

Most insurance company plate glass policy sections limit recovery to "what it would cost to repair or replace the damaged property with other of the nearest obtainable kind and quality."

INSURANCE executives, seeing their costs spiraling upward, now believe that in California, Hawaii and Washington they will be required to replace the plate glass with safety glass. And they want to charge a premium for it.

Industrial Indemnity Co. here may have set the industry pattern with adoption of a new policy.

It provides, "On outstanding business, the charge will be made as of the time of the loss, if a worthwhile premium is involved and this charge will be carried over to the renewal and the glass must be properly described."

On renewal business, Industrial Indemnity proposes that the underwriter will not be required to try to determine which glass is to be replaced by safety glass, for rating purposes. On new business special glass must be so described and be charged for accordingly.■

U.S. Life officer tells ASIM

New world's coming to worker benefit plans

ATLANTA—Pension legislation, the coming of government health care services and the evolution of a young and well-educated work force are demanding greater creativity and team work on the part of legislators, actuaries, consultants, companies and unions to adapt employe benefit programs to the changing times.

"Our collective responsibility is to try to understand the multiplicity of forces at play in the employe benefits area," Charles H. Frost, vp employe relations, U.S. Life Corp., told the American Society of Insurance Management's risk management conference opening luncheon here. "It is only by asking the right questions we can find the best answers in this vital segment of the employe relations area."

Statistics show company benefit costs have jumped by 70% in the 20 years between 1951 and 1971, Mr. Frost noted, and, when viewed as cents per payroll hour per employe, increased from 34.5 cents per payroll hour in 1951 to 143.5 in 1971—an increase of 316%.

"Statistics only tell the story one way," Mr. Frost said. "These improvements have been achieved as the result of an aggressive and productive economy. History makes it clear many of these changes were the result of labor contracts negotiated in basic industries. But, are changes determined during the collective bargaining process the most effective



Charles H. Frost

solutions? To what extent does the passage of time erode their effectiveness?"

Pointing out the response to the post-Depression demand for security has come from government Mr. Frost asked if such action was a result of failure of the private sector to respond to human desires. And, with government action such as short- and long-term implications of the 1972 amendments to the Social Security Act, employe benefit directors are forced to adapt their programs to any changes which result.

"HOW WILL these changes affect plans now integrated with Social Security?" Mr. Frost asked his audience of benefits experts. "How about those plans not now integrated with Social Security? What is the proper pension level? Should there be limits on total pension benefits as related to the employes' final pay? How do we effectively explain these changes to the employe? To what extent will the adoption of a cost-of-living concept in Social Security pensions extend to the private plans? And how soon?"

All these unknowns, Mr. Frost feels, makes it clear benefit experts are "now in a whole new ball game and that now is the time for companies to draw new game plans for their pension programs."

Pension reform movements also supply a quantity of unknowns, Mr. Frost said, pointing out the jurisdictional disputes between lawmakers could bog down reform long enough for the private sector to make voluntary changes.

"Another matter, and perhaps of greater concern to an even larger part of the population, is the delivery of health care services," Mr. Frost said. "Estimates tell of a doubling of the present cost of medical care by the end of this decade. To bring the magnitude of this matter into perspective, consider the fact $75 billion was spent on medical care in the U.S. in 1971.

"Since most seem to believe some form of national health insurance is on the way," he said, "I would ask, therefore, what are the best ways for professional groups such as this to effectively influence the result?"

The luncheon address followed a morning session on communicating benefits to employes, and Mr. Frost used the occasion to warn of an emergence of a better-educated work force which demands "that the level of information given to them about their benefits should be raised and that they, in turn, will understand and accept this increased information."

AS TIMES CHANGE, so must concepts, Mr. Frost noted, asking if perhaps individuals should begin to accept more of the responsibility now tied to group benefit plans. "It seems to me," he said, "there is still room in this changing society in which we live for greater acceptance of the role the individual should play."

Mr. Frost strongly disagreed with the contention extension of employe benefits will result in the total compensation package being greater than it would be otherwise.

"This notion it would cost the company more is, I submit, totally wrong," he said. "If our economic system is to continue to prosper, the total compensation package and all parts thereof, direct and indirect, must be related to productivity."

The changing nature of the work force and of this country's social structure can provide hints for management in developing new, modern approaches to compensating employes, Mr. Frost said.

"Doesn't the new awareness in our young people of their individuality and their desire to more fully participate in the events that control their lives, suggest they will demand a broader participation in the decision-making process?" he asked.

"In the past, you benefit professionals have played important roles in these far-reaching decisions," he said in conclusion. "You have a high level of expertise. You can have a tremendous role in charting the future. And the future, to a great extent, is in your hands." ■

PILOT HELPS YOU THROUGH LIFE...



and Diversified Risks and Major Medical and Long-term Disability and Scholastic Accident and Travel Indemnity and Term Life and Group/Permanent Life and Accidental Death & Dismemberment and Accident & Health Weekly Benefits and Hospital & Surgical and Dependent Life and Credit Life & Health.

Pilot Life

OPPORTUNITY IN WESTERN EUROPE FOR EXPERIENCED AGENTS.
CONTACT R.W. "BOB" DONALDSON, C.L.U., SENIOR VICE PRESIDENT.

PILOT LIFE INSURANCE COMPANY, BOX 2C727, GREENSBORO, N.C. 27420. OUR 70TH YEAR.

Fascination, challenge spurred her risk career

ATLANTA—When Gail Lail was 21 years old she took a job as a secretary with the City of Memphis to help put her husband through law school. Six years later, she's the city's director of insurance.

"I didn't know anything about insurance when I took the job," she said. "Nothing at all. But there I was, the secretary to the insurance director. I never even wanted to be a secretary. I figured I'd just sit there all day long and type. What fun is that?"

The complexities of managing a city's risks, however began to intrigue her. "It was really facinating," she said, "and I asked my boss if he'd teach me something about it. He was delighted that I was interested. He left his job at the end of 1971 to sell insurance in Memphis and now makes pools of money, so, the city asked me if I would like to take over. I said 'sure.' It's a big challenge and a big responsibility, but I love it.'

Mrs. Lail had come to Atlanta to attend her first American Society of Insurance Management risk management conference, the society's 11th. The first two days of her stay she spent huddling with 18 other municipal insurance managers in one of the conference's 22 industry sessions, an experience she found very rewarding.

"IT WAS really great to get together with people who have insurance problems similar to yours, and especially to find some with solutions," she said. "It's really been great for filling me in on a lot of areas that were gray to me and providing me with a lot of general information about municipal risk management."

The two-day session featured presentations by Prof. Nester Roos of the University of Arizona, who analyzed the results of his intensive survey of municipal insurance practices; Samuel Alcorn, senior vp, Baly, Martin & Fay Inc., who outlined legal battles in which sovereign immunity has been overruled by claims courts; and George White, of OSHA region IV of the U.S. Department of Labor, who addressed the seminar on municipal enforcement of OSHA standards.

"It was great once the people there stopped asking me who's secretary I was," Mrs. Lail said with a smile.

As the Memphis' insurance director ("actually it's an overgrown town," she says), Mrs. Lail is responsible for coverages with a premium volume exceeding $540,000 annually, excluding employe benefit plans, which are handled by the personnel department. The city carries a $100,000 deductible on its property coverage and $1 million in excess cover on its self-assumed auto fleet insurance claims over $1,000.

Shelby County self-insures its fleet coverage, Mrs. Lail said, noting that special insurance arrangements are made to cover the Memphis-Shelby Co. Airport and area libraries, so both the county and the city share parts of the risks.

"IN TENNESSEE, any operation which is run for the health

Continued on page 46

Group claims control depends on cooperation

ATLANTA—Group insurance claims control and respective roles played by employers and insurers in policing it was the topic discussed by Joseph W. Duva, SCM Corp.'s director of employe benefits, and Clifford W. Hoch Jr., associate director of group claims services for Prudential Insurance Co. of America, at the American Society of Insurance Managements' risk management conference here.

"Don't accept 'statistical gobbledygook' which gives you data without giving you a real analysis of problem areas in your claims control program," Mr. Duva warned employers.

Asserting that claims costs account for some 90-95% of each premium dollar, Mr. Duva urged employers to learn to control their benefits dollars by establishing an effective system of claims control.

To be truly effective, Mr. Duva

ASIM Conference Report

noted, cooperation between the management of the company and the insurer operating the claims control program is essential. He also stressed the importance of implementing experience rating in a control program, and driving home the realization to employes that money paid out in claims really comes from them rather than an insurance company. This awareness, he feels, makes them want to help cut back on wasteful claims.

GIVING THE insurance company viewpoint of claims control programs, Mr. Hoch of Prudential agreed to the importance of cooperation between the insured and the carrier. "There is another element that I would like to introduce which is also important and provides the wherewithal to measure the scope and direction of your progress. This element is the ability to perform meaningful analytical reviews," Mr. Hoch explained.

He listed a number of methods employed by Prudential to conduct claims control programs:

- A group health claim accounting system which shows the frequency of claims;
- A group insurance benefit payments listing, alphabetizing each coverage of all claims paid for a specific predetermined period;
- Automatic claim analysis system (ACAS), a non-cumulative assessment of relevant data such as claims and dollar amounts by doctor, diagnosis, hospital, department, age, sex;
- Chase (cumulative history of accident and sickness experience) which reports on data cumulatively for a period of four to five years.

Mr. Hoch, emphasizing his belief that a sound claim control program is in the best interest of all concerned, said that to sustain and implement an effective claim control program requires a delicate blending of the goals of the clients, the government, employes, providers and the insurance company involved. ■

Legal cover bill advances

SALEM—Oregon's house of representatives last month approved and sent to the senate House Bill 2289 which authorizes establishment of a non-profit corporation to provide legal insurance. It requires the corporation to maintain capital or surplus of at least $25,000 and file a surety bond of $50,000.

Rep. Stan Bunn, R-Dayton, sponsor, said the plan was to provide legal insurance in the same manner as doctors provide medical insurance, it was reported.

He explained the plan would help low-and middle-income persons pay their legal costs. ■

A Flexible Market for Treaty Reinsurance, Casualty Facultative Reinsurance and Excess Covers.

Call [212] 269-0300

NORTH STAR REINSURANCE CORPORATION

90 William Street, New York, N. Y. 10038

Apple pie.
Blueberry pie.
And fewer road accidents.
We designed a safety engineering program for a pie company.



Atlantic set out to find a way to reduce a pie company's road accidents. Fewer road accidents, lower insurance costs. It was our type of problem.

The company's 269 trucks traveled a total of nearly 12 million miles each year. The solution was a truck "rodeo". All the company's drivers competed in a series of driving tests designed to make them more safety conscious. The result was not only a sharp reduction in accidents but an increase in employee morale and lower insurance rates.

Whatever your business, it's likely that you, too, could benefit from The Atlantic Companies' creative approach to solving insurance problems. Let us put our experience to work for you.

The Atlantic Companies

ATLANTIC MUTUAL INSURANCE COMPANY • CENTENNIAL INSURANCE COMPANY
45 Wall Street, New York, New York 10005 • Underwriters of property, casualty, marine insurance

In 1948, the transistor was introduced to the world.



So was Argonaut.

In 1948, three Bell Laboratories scientists unveiled the tiny transistor and created a whole new era in science and industry. On August 6th of that same year, Argonaut Insurance opened its doors—and created what was to become an exciting and innovative approach to workmen's compensation.

From that first day, twenty five years ago, Argonaut's aim has been "Service With A Purpose." Fresh ideas and individualized service were the competitive edge offered to Argonaut's producers. Argonaut's original San Francisco staff of seven people has grown to over 1,000 across the country and overseas. Assets have climbed from $200,000 to over $390 million. And Argonaut has always matched its growth in premium writings with expanded services.

It's been an eventful twenty five years. We look forward to an even more exciting future. With more ways to expand our services and more ways to provide you with that competitive edge. Ask *your* agent or broker.

CELEBRATING A QUARTER CENTURY OF SERVICE AND GROWTH

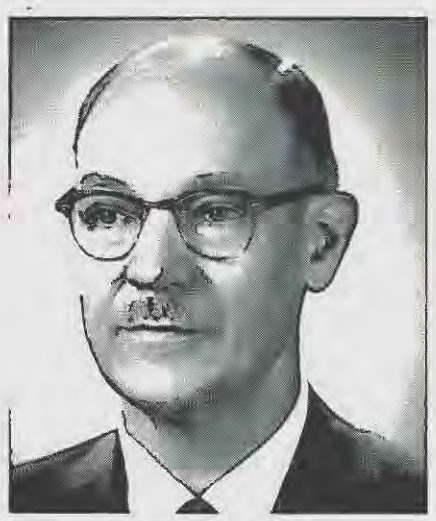
Argonaut Insurance Companies

Home Office: Menlo Park, California · Principal Offices: Atlanta · Boise · Boston · Chicago
Cranford, N. J. · Dallas · Detroit · Honolulu · Kansas City, Mo. · Los Angeles · Miami · Minneapolis
New Orleans · New York · Philadelphia · Portland · San Francisco

business insurance PERSPECTIVE

Avoid erring and omitting when negotiating your E&O policy

"One important question that must be decided by the insured is whether he is willing to allow the insurance company to decide when to settle a case out of court."



William H. Rodda

BY WILLIAM H. RODDA
President,
Marine Insurance Handbook Inc.,
Chicago, Il.

ERRORS AND OMISSIONS insurance, or business malpractice insurance, may be described as a product liability coverage for the person whose product is a professional service to his clients. The exposure to liability because of mistakes and a growing number of lawsuits is increasing as a peril to lawyers, accountants, engineers, architects and insurance agents. A client may sustain a financial loss because the professional man forgets to take some required action, or because he makes a mistake or an error in judgment.

Errors and omissions insurance is similar in its intent to medical malpractice insurance that is written for physicians and surgeons. An important difference is that medical malpractice coverage relates to physical injury to a patient, whereas errors and omissions insurance is intended to cover a claim that results from a financial loss because of the insured's professional negligence. Errors and omissions insurance usually does not relate to a profession or occupation that involves bodily contact with the client. Bodily injury claims usually are excluded from errors and omissions coverage unless the insured's profession is such that bodily injury might result from a mistake. A policy written for an architect or engineer might cover claims resulting from bodily injuries sustained in a building collapse.

What are possible exposures of the professional man to liability because he makes a mistake? A lawyer may forget to file a suit within the time limit for filing, thus preventing his client from taking action against an alleged tort fesor. The client may sue the lawyer for the amount he thinks he could have collected from the other party. Lawyers frequently act in a fiduciary capacity as administrators, executors, or trustees, and an error or omission in the performance of these duties may result in financial loss to the beneficiaries, resulting in a suit.

COLLAPSE OF structures through the years have resulted in suits against architects and engineers on the grounds that mistakes in design or carelessness in the supervision of construction caused the collapse. An accountant may make a mistake in his development of a financial statement for a firm, and this may cause a loss not only to his client but to others who may depend upon the erroneous statement. An insurance agent is particularly vulnerable if he is accused of not placing insurance or of placing it incorrectly, particularly when a loss occurs that is not covered by insurance.

There was a time when a suit for an error or omission in the performance of a professional duty would be upheld only on behalf of the client. That is, there had to be a privity of contract between the negligent professional man and the person who claimed the loss. That principle has been eroded to a point where almost anyone who claims injury from an error or omission can maintain a suit. For example, an investor may depend upon the correctness of a financial statement prepared by the accountant. There may be no contractual connection between the accountant and the investor. But the investor may be able to collect if he can show a financial loss due to a negligently prepared statement that did not reflect the true condition of an organization.

An architect is particularly vulnerable to suits by injured persons with whom he

Continued on following page

How one company coped with benefits communication gap



"We had to find some way to bridge this communication gap and so the benefit information coordinator program was conceived . . ."

BY HOWARD PECK
Partner, Hewitt Assoc.
Deerfield, Il.

YOU MAY HAVE an outstanding array of benefit booklets, a sophisticated computerized individual benefit statement, and a colossal color film about your benefits, but if questions such as "Where does a guy go around here to get an answer to a question about benefits?" are heard about the premises, there is reason to doubt that you have a really effective program of benefit communication.

Such is the conclusion one can reach from a review of the experience of one large employer, 3M Co., St. Paul. This organization's situation, while perhaps unusual, is not unique.

3M IS A multi-division company with some 40,000 domestic employes, more than two-thirds of them at points distant from its headquarters and spread over more than 100 locations. Its communication problems are compounded by a multiplicity of product lines and marketing channels.

Over the years 3M has given more than ordinary attention to the subject of improving employe understanding of its benefits program.

It has employed all the generally-used media and techniques—booklets, brochures, benefit statements, audio-visuals, supervisors' manuals, special claims kits and articles. And it has used these materials and devices well. An outsider, looking at the effort, probably would say, "There is a company that is doing a great job of communicating its benefits."

But a few years ago the company detected a jarring note. Interviews with groups of employes revealed that all was not well. C. Burton Seeker, 3M's manager of branch communications, reported, "We have an ongoing program of employe surveys that reaches into our many locations. A study of the survey results showed us that our people didn't believe it was possible to get a prompt response to a benefit question. In some groups, as high as 90% felt this way. They displayed a high level of frustration.

"We found that even people who felt the printed literature was helpful, when they were in a stress situation—a child going into the hospital, an employe suffering an illness, a worker coming to the sudden realization that retirement was near—wanted to talk to someone. They wanted to be sure they understood the plan, that the literature was current. Sometimes they needed answers to questions the booklets didn't cover."

Mr. Seeker pointed out that since most locations were not staffed with benefit experts, often the answers needed to come from the St. Paul headquarters. Even there it might be found in any one of several offices: Industrial relations, personnel services, group insurance and pensions, and others.

"No wonder some people fumed for weeks until they got an answer," said Mr. Seeker. "We had to find some way to bridge this communication gap and so the benefit information coordinator program was conceived in 1969.

"First, we worked very closely with the benefit administrator in finance and personnel in developing a response mechanism for employe questions about benefits. Second, we secured agreement that resolving benefit information blockage needed line management involvement. Then we got each division or department head in St. Paul and each location manager to designate the individual or individuals who should handle benefit information questions among people in his group.

"These designated individuals became our benefit information coordinators. They were location personnel managers where we had them—or the individuals who handled personnel matters in other cases. The organization is rounded out with secretaries, laboratory scientists, sales managers, and about every possible job description, to make certain all employes were covered."

THE COORDINATORS were equipped with an extensive collection of background material, much of it contained in a loose-leaf handbook which had special sections on all the company benefits as well as on legally-required benefits, information on filing medical and dental claims, lists of available communication materials and order blanks and so forth.

One of the key sections in the handbook was (and is) a page of information sources, including a long list of plans, services, and other aspects of the benefit program on which employes might seek in-

Continued on following page

business insurance

PERSPECTIVE

E&O...

Continued from preceding page

has no contractual relationship. Persons who are injured in the collapse of a building, for example, may sue the architect and may collect if it can be proved that an error in design or negligence in supervision was the cause of the collapse and resultant injury.

IT IS customary today for an architect to supervise the work of construction in addition to his function of designing a structure. This additional function of the architect is an important exposure to liability, for he may fail to see that the contractor is not meeting specifications and be joined with the contractor in a suit alleging improper construction.

Specific provisions of errors and omissions insurance policies differ in order to meet the exposures of a particular profession. There is no standard form, and provisions differ between insurance companies. Some basic principles are followed in most policies, but there are also some trick clauses that should be examined with care to see what effect they have on the coverage needed by an insured.

An errors and omissions insurance policy obligates the insurance company in two respects. The first obligation of the insurance company is to pay the damages that are assessed against the insured for an error covered by the policy, up to the policy limit. The second obligation is that of defending the insured.

One important question that must be decided by the insured is whether he is willing to allow the insurance company to decide when to settle a case out of court. Medical malpractice policies usually reserve the right of settlement to the doctor on the ground that a settlement might be an admission of incompetence. The question of who has the right to authorize settlement is not as well settled in errors and omissions insurance. The insured should check the provisions of any policy that is offered and decide whether the settlement provisions are satisfactory to him.

Some policies give the insured the right to determine when a settlement shall be made, but include the further provision that the insured will have to pay any excess that a court might award above the amount for which the insurance company could have settled the claim out of court. This, obviously, is undesirable from the standpoint of the insured, for he should have the right to decide whether a settlement would give an indication of incompetence. In addition, a provision that would make the insured liable for any amount above that for which the claim could have been settled would leave, him open to a potentially large liability.

POLICIES differ as to whether the costs of litigation are to be within the limit of liability, and also whether the insurance company must continue to defend the insured after payments amounting to the limit of liability have been made. The preferable provision is for the insurance company to pay all costs of litigation in addition to the limit of liability. Furthermore, the insurance company should continue to defend the insured even after the policy limits have been exhausted. Insurance companies may contend that their limitations on the cost of defense are standard, but these provisions are subject to negotiation in arranging coverage.

It is also important that the policy cover claims made against the insured by anyone and not merely claims made by a client. There can be many situations where a claim might be made by someone entirely outside of any client relationship. It has already been noted that an architect might be sued by a person injured in a building collapse or an accountant might be sued by a disgruntled investor.

Some errors and omissions policies exclude claims for bodily injury. This might be an acceptable exclusion to a professional man whose work could not under any circumstances cause an injury to a person other than a purely financial injury, but it certainly would not be satisfactory for an architect or engineer who might be sued for a building collapse.

Another important point is that the policy should cover the liability of the insured's employes as well as his own liability. An insured generally would consider it to be his obligation to arrange for the defense of his employes even if he were not himself named in a claim. In addition, there may be an implication of negligence in his hiring and supervision of his employes if one were found guilty of negligence in connection with one of the insured's jobs.

The time during which coverage is effective is important. Policies usually cover claims that are discovered during the term of the policy, which is satisfactory when a policy is renewed from year to year. A lapse of coverage may occur, however, if a policy expires or is cancelled in one company and the new policy does not cover claims from work that was done during the term of a previous policy. Whenever coverage is transferred from one insurance company to another, it is necessary to have the policies coordinated so that all claims are covered regardless of when the work was done. A desirable provision is to have the policy cover all claims that are made during the policy term regardless of when the work giving rise to the claim was done.

POLICIES may exclude loss that results from destruction of tangible property, an exclusion which would be unacceptable to an insurance agent. A claim against an insurance agent might allege that certain tangible property was destroyed and that it should have been insured. Negligence in the handling of the insurance could be the basis for such a claim. An architect or engineer might also be involved in loss of tangible property. Remember: Each policy should be examined for any exclusion that might remove a needed coverage for a particular insured.

There is also an exclusion of claims resulting from any dishonest or fraudulent act on the part of the insured or any partner in the insured organization. This seems reasonable, for an insurance company could hardly agree to cover a fraudulent act of the insured. However, the insured does need coverage against such dishonest or fraudulent acts on the part of his employes, and the policy should be examined to make certain that the exclusion regarding dishonesty and fraud applies only to the insured and partners and not to employes.

Coverage for fraudulent acts of employes should be coordinated with the coverage of a fidelity bond. A fidelity bond may limit recovery to loss of money, or securities or of theft of tangible property, whereas a loss from some fraudulent error or omission may not involve such acts by employes. The errors and omissions policy should cover any fraudulent error or omission of an employe that is not covered by the fidelity bond.

There may be a provision excluding coverage for any claim resulting from libel, slander, assault and battery, and from personal injury (such as false arrest) as distinct from bodily injury. Some policyholders may need coverage for alleged libel, slander, false arrest, unlawful detainment or other personal injury. This is a coverage that may have to be negotiated with an insurance company because the usual insured would not ask for it.

AN ACCOUNTANT or lawyer may need coverage in connection with the registration of securities or other acts under the jurisdiction of the Securities and Exchange Commission. This again is a coverage that is not usual to errors and omission policies but is very important to the insured who is dealing in such procedures. It, too, may have to be negotiated with insurers.

"The idea of a deductible on a liability policy may be distasteful to some policyholders, but this is a condition of the insurance market. It can be a trading point in the effort to get a high limit policy."

High limits of liability are needed by many professional men. A claim against an insurance agent, for example, might be for the entire value of a property that he should have covered with insurance but failed to do so. Lawyers may handle estates worth millions of dollars. Several years ago a bridge collapse loss amounting to more than $4 million was alleged to have resulted from faulty design. The criterion for limits of liability is to get the highest limit possible within the amount of premium that the insured can reasonably pay.

Premiums increase with the extent of the insured's business, the number of employes and whether the insured operates with branch offices. Coverage for Securities and Exchange Commission activities and the registration of securities may call for a substantial increase—perhaps as much as a 50% increase in some cases.

An insurance company may suggest the use of a deductible. A policy with a limit of $100,000 may have a $1,000 deductible. The insurance company would defend the insured against any claim that was made but the insured would pay the deductible amount for any settlement or court award. It usually is wise for the insured to accept a deductible coverage in order to get a high limit of liability in his policy. The idea of a deductible on a liability policy may be distasteful to some policyholders, but this is a condition of the insurance market. It can be a trading point in the effort to get a high limit policy.

Errors and omissions insurance may be difficult to get, for there are only a dozen or so domestic insurance companies in the United States that regularly write the coverage. Much of the coverage is written under arrangements with associations. One of the insurance agents' associations has a program under which all of their members may secure this coverage, and an association of architects and engineers has a similar arrangement. Any professional man who has such an association program available to him should consider it and make a comparison of coverage and rates with any other policy that he has available. Lloyd's of London writes a substantial amount of the coverage written in this field, and a good insurance agent can secure a quotation from Lloyds. Shopping around in the market, of course, is desirable both from the standpoint of coverage as well as price. ■

William H. Rodda, a CPCU and a member of Phi Beta Kappa, graduated with honors from Rutgers University. He is the president of Marine Insurance Handbook Inc., which publishes the standard inland marine insurance rate book for agents, and he is a consultant to numerous companies in the multiple line insurance field. Mr. Rodda has written numerous books and articles, and several of his books are considered definitive textbooks on important insurance subjects.

Benefits...

Continued from preceding page

formation. With each subject there appear the names and telephone numbers of persons in the St. Paul general office who are best equipped to answer questions on that subject.

EACH BENEFIT coordinator was equipped with a presentation kit, a script plus a set of overhead projector transparencies and flash cards for use with smaller groups or individuals. The information coordinator, therefore, was equipped to make a presentation on virtually any facet of the benefit program.

Another key tool was a thumbed-indexed "Supervisors' Quick Reference to Benefits" which the coordinators distributed to supervisors throughout the company along with instructions on its use.

All benefit information coordinators received an initial intensive two-day training session. Since that initial go-around, Mr. Seeker and Don Brandt, another communications specialist in public relations, have held annual meetings of groups of coordinators on a regional basis.

The appointment of the benefit information coordinators and their functions were widely publicized to employes throughout the company so that virtually every employe should know where to turn for the information that he wants.

Today 3M Co. has about 200 trained people in the benefits information field. Every U.S. employe, wherever he works, has access to a benefit information coordinator who can respond at once.

"We've found", said Mr. Seeker, "that supervisors can handle about 50% of the questions, the benefit information coordinator about 40% more, leaving only about 10% of the questions that have to be referred to the home office. And this 10% gets fast turnaround treatment."

The company's continuing employe surveys show that employes generally feel good about the prompt response they can now get to their questions. And they feel much more comfortable with their knowledge of the 3M benefit program. ■

Howard L. Peck is a partner in the firm of Hewitt Assoc., Deerfield, Il., independent consulting actuaries, analysts, and advisers on pension, profit sharing and employe benefits. He heads the firm's activities in employe communication. Mr. Peck, who has been active in the advertising and communication field since his graduation from Grinnell College, spent several years handling investment securities advertising. He was a program director for Wisconsin radio stations and for 15 years was an account executive and later vice president of a Milwaukee advertising agency. Since joining Hewitt Assoc. in 1952, Mr. Peck has handled employe communication projects for many companies in various parts of the country.

we've had a full service life/equity affiliate for some time.

now it's a push-button operation.



For more than 5 years, brokers have enjoyed the competent, trouble-free administration of life insurance/mutual fund plans placed with NALAC Financial Plans, Inc. But to make things even easier for you, North American has established two great new services. We've set up a toll free telephone system to give you fast, frank answers. And we've established a "Sky Writers" team of life/equity underwriting specialists who will fly anywhere in the country to help you with large-scale proposals or problems. And help you get licensed through our comprehensive, time-saving training program.

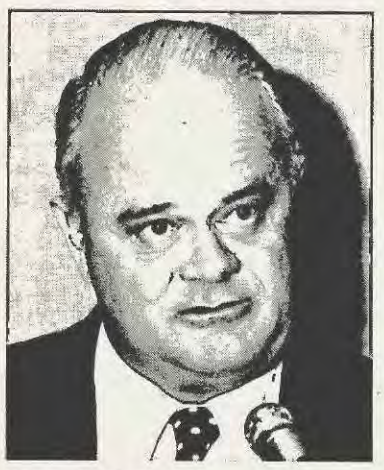
Our custom tailored life/equity plans are available on an employee pay all or an employer participation basis. And they can be an excellent supplement to existing group plans. If these are the kind of products and services you have been looking for, call us at our new toll free number — 1-800/328-7402. NALAC Financial Plans, Inc., mutual funds/insurance marketing. *(Not available in all states.)*

north american
LIFE AND CASUALTY COMPANY
1750 Hennepin Avenue, Minneapolis, Minnesota 55403

ASIM blasted for role in no-fault promotion

ATLANTA—The ASIM was taken to task by one of its members over what he termed a lack of action on the issue of no-fault auto insurance and the education of the public about the new auto liability system.

"ASIM isn't doing enough; in fact they're not doing anything," said John Murphy, vp of insurance & safety for Avis Rent-a-Car, Inc.



John Murphy

A brochure Mr. Murphy prepared claims, under the present system, 45% of persons seriously injured in auto accidents receive no payment from auto liability insurers and 42-45 cents of every dollar is paid out as benefits.

"If you don't help design responsible plans now," he warned, "you'll deserve what you get in the future when you find yourself having large fleets of cars to buy insurance for."

Fast payment of claims and a reduction in the premium rate were the two most important objectives Mr. Murphy said should be reached in instituting no-fault by cutting down on law and medical costs.

Asked if ASIM members should support separate state laws on no-fault or push for uniform legislation throughout the nation, Mr. Murphy said he favored a law similar to the Uniform Motor Vehicles Accident Reparations Act (UMVARA) but without two clauses which discriminate against trucks.

JOHN MCCABE, legislative director of the National Conference of Commissioners on Uniform State Laws, a drafting vehicle for state governments, gave conference members a broader background on UMVARA, which he termed "a high-water mark in the history of no-fault legislation."

An attorney himself, Mr. McCabe said the greatest problem UMVARA raises with the legal system is its provisions in the area of tort restriction. Trial lawyers have traditionally objected to the limitation of court action called for by the act, which would not permit suits except in the case of disability longer than six months or death or for "non-economic detriment" (pain and suffering) which includes permanent disfigurement as well.

However, he urged states to look to UMVARA if they want to be assured of having a system eliminating the defects of the fault system while simultaneously establishing a comprehensive insurance system.

The insurance industry's viewpoint was offered to conferees by George Dewolf, vp legal of the National Association of Independent Insurers, indicating the gap is narrowing between what insurance reformists and insurance industry men want in regard to no-fault. Mr. Dewolf said insurers, who formerly advocated a variety of no-fault laws, were now inclinded to favor passage of modified no-fault laws state to state.

The industry thinks it wise "to test the water before diving in head first" and would therefore like to see a wide degree of experimentation from state to state in various no-fault laws before deciding on one uniform law like UMVARA, the NAII man noted.

The insurance commissioner of Massachusetts, John J. Ryan, principal draftsman of the pioneer no-fault bodily injury plan which became effective in his state in 1970, said:

"NO-FAULT in Massachusetts has worked better than even its ardent advocates expected it to," he said, noting, since the plan was implemented, it has resulted not only in a 50% drop in claims presented to insurers, but has cut back by 58,000 the yearly number of reported injuries. Despite inflationary trends, the commissioner added, no-fault auto legislation has slashed driver premiums until a Boston driver today pays less for his compulsory insurance than he did in 1959.

Claims handling is more efficient and waste has been reduced under the no-fault auto insurance, Commissioner Ryan said.

Other states have studied Massachusetts' law (a modified plan which permits tort action if medical costs exceed $500 or injuries cause loss of body members, permanent or serious disfigurement, involve a fracture or death). ■

Interest groups hurt work comp

ATLANTA—A member of the now-defunct national commission on state workmen's compensation laws told an ASIM risk management conference seminar here lawyers and state employers associations are the two major factors which have led to out-of-date work comp legislation.

William J. Moshofsky, vp government affairs, Georgia-Pacific Corp., served on the commission as one of two employer representatives. He had pushed for reasonable benefits backed by a non-adversary system of settling disputes.

"Lawyers tend to look on this workmen's compensation issue as bread and butter," Mr. Moshofsky, himself a lawyer, said. "Consequently, they will fight every reform movement. They are tied up with labor leaders and have convinced many that only through strict legal protection will workers get a fair shake. I worked for work comp reform in Oregon, and it wasn't until we kicked the lawyers out that we accomplished anything.

"I think when you see what lawyers have done to no-fault," he said, "it becomes clear they must be kept out of this issue as much as possible. Don't turn this thing over to them, or the costs to employers will be astronomical. What needs to happen is a strengthening of state administration so informal handling of grievances is a reality."

STATE EMPLOYERS associations, Mr. Moshofsky said, tend to prove themselves by opposing labor demands *a priori* and trotting back to their members claiming their efforts have saved millions of dollars.

"All this accomplishes," he said, "is a stalemate and a self-perpetuating lack of progress."

Mr. Moshofsky was also critical of employers for their failure to speak out at the commission's hearings last year. From letters he sent to over 50 employer associations, he received only one reply.

"Employers will miss this opportunity to reshape and restructure the administration end of this thing while the benefits are being improved," he said. "If it's not done on the state level, the costs will be phenomenal. Once you get the federal government involved in throwing money at a problem without establishing adequate administrative procedures, it gets very, very expensive and open to rampant abuses."

MR. MOSHOFSKY warned Congress is not kidding when it threatens to absorb the work comp system, citing Sen. Jacob Javits of New York, together with organized labor as spearheads of a push to adopt federal control prior to the commission's July 1, 1975, deadline.

"The only way, at this point, to head off federal intervention," he felt, "is to do something on the state level and do it very quickly. Time is indeed of the essence. We are sitting on a time bomb."

Appearing with Mr. Moshofsky at the seminar was Chet Diehl, work comp administrator, Weyerhauser Co., who outlined some of the costs factors involved if the national commission's "essential" recommendations are adopted by the states.

"In Arkansas, they recently adopted a bill raising the maxi-

from $49 to $63, effective April 1," he said. "The projected cost to employers for this is $29 million. In Texas they are now discussing a similar bill, and its cost impact on industry is estimated at $70 million. There is also, in Texas, a bill in the works which encompasses all the recommendations of the national commission. It's cost impact for employers is estimated to be $125 million."

Among the "essential" recommendations of the commission was an increase in income benefits so they are equal to 66⅔% of the state's average weekly wage by 1975, 133⅓% by 1977, 166⅔% by 1979 and 200% by 1981.

"If this becomes reality," Mr. Diehl said, "we're going to see work comp checks of $300 a week in many instances. The die, I think, is cast. It's up to us to start rallying to get something done to show the monumental cost factor involved for employers. If all of us had been doing our homework 10 or 15 years ago, we wouldn't be in the predicament we are in now." ■

When insurance people meet insurance people, you can be sure Frenkel and Company will be there.

So says Mr. Ralph Korn of the Duplan Corporation in the April 9th issue of the Journal of Commerce:

"The Frenkel people have done an absolutely fantastic job for us," Mr. Korn reported, "and in doing so they prove that size alone is not a recommendation for a broker. Service is the name of the game in the brokerage business, and it's important that the broker be risk management oriented."

Does this tell you something?

Frenkel & Company, Inc. Insurance Brokers Established 1878

156 William Street, New York, N.Y. 10038 Tel.: (212) 267-2200 Cable: Joiner, New York

European Correspondents: Paris . London . Brussels . Amsterdam . Branch: Los Angeles, California

Career . . .

Continued from page 40

and welfare of the community is subject to governmental immunity and doesn't need to be insured," she explained. "When you buy insurance in Tennessee, you lose the immunity to the limit of the policy. The fire department, the police and other operations like that are immune from claims, but something like the stadium wouldn't be."

The city of Memphis has decided the best way to purchase municipal insurance is to leave politics out of the process. In fact, Mrs. Lail does not know if the mayor of Memphis is a Democrat, a Republican or an Independent.

"In Memphis we have an insurance advisory committee made up of four agents and three risk managers," she explained. "I'll write up the specifications, and they will review them and make suggestions. We then send out notices that specs are available to the 125 members of the Shelby County insurance advisory committee. It's done strictly on a low-bid basis, and the firm that writes the coverage is asked to put 50% of the commission into a trust which, at the end of the year, is split up among all the members."

The seven-member panel, she said, is appointed by the mayor and the chairman of the Shelby Co. commission. None of the seven members is allowed to bid on insurance business the panel

ASIM begins drive for New York open rating

ATLANTA—The American Society of Insurance Management's number one legislative priority in the year ahead will be to push for the extension of an open-rating law in New York, according to a legislative official for the society.

At a press conference here that touched on a number of subjects, including ASIM's positions on pension reform legislation, national health insurance and the society's relationship with the National Assn. of Insurance Commissioners, Berry L. Griffin, ASIM's vp-legislation, said that the open rating situation was of top concern to the 2,000-member society of corporate insurance consumers.

A four-year experiment with open rating in the Empire State expires at the end of this year and legislators there are presently considering a recommendation by the state's insurance regulator, Benjamin R. Schenck, to extend the law for another four years. The recommendation, however, is expected to run into stiff opposition. (A related story is on page 49.)

ASIM Conference Report

"WE BELIEVE that the extension of the New York open-rating law is of paramount importance to our membership," said Mr. Griffin. The ASIM vp-legislation said the New York situation is particularly important because if the law is scuttled "other states considering open rating may not follow the enlightened lead of N.Y."

Open rating allows insurance companies to establish rates without prior approval. Large buyers of commercial insurance maintain it has increased capacity in the insurance marketplace by bringing new companies into the market and increasing competition among insurers.

On the subject of pension reform, Mr. Griffin said that the society's legislative committee is presently working on a statement of position and would release it within "60 to 90 days."

"We feel that national legislation on the pension issue is in order," Mr. Griffin said. "We, as risk managers, have a responsibility to our employers, of course, but we also have a definite responsibility to our fellow employes."

ON YET another subject, national health insurance, the ASIM legislative official noted that a position has been drafted and presented to the society's legislative board.

The proposed resolution on the health issue, Mr. Griffin said, will be sent to the various chapters for approval soon.

Asked to elaborate on what reforms the proposal might endorse, Mr. Griffin told *Business Insurance*:

"We will, I think, call for minimum health care standards to cover all citizens of the United States and endorse a means to finance all of this. Undoubtedly, our resolution will include provisions to use existing health insurance facilities. I imagine it will also contain something about the need for greater use of convalescent facilities, outpatient facilities and, generally, more intelligent use of health care dollars."

ON THE subject of its relationship with the National Assn. of Insurance Commissioners, Mr. Griffin noted that ASIM has been invited, as a consumer group, to

Continued on following page



Berry L. Griffin, vp-legislation of ASIM, addresses a press conference during the society's 17th annual risk management conference.

How To Buy Insurance For A Corporation

by Bion H. Francis

As the insurance manager's function becomes more complex, and responsibilities increase, the need for informed decisions becomes extremely important. In response to this, BUSINESS INSURANCE has published a series of articles by Bion H. Francis which will help you deal effectively and confidently with a variety of insurance problems.

Bion Francis brings to the subject of insurance buying and risk management a wide range of practical experience in the field. He is presently an insurance consultant in Milford, Connecticut and a frequent contributor to BUSINESS INSURANCE.

In this booklet, a reprint of a recent series in BUSINESS INSURANCE, Mr. Francis discusses such topics as competitive bidders as opposed to negotiations, methods of selecting bidders, the self-insurance alternative, the role of management, tips for the risk man when handling catastrophe situations, and others. This booklet should be part of the background of anyone who buys insurance or manages risks for a corporation.

Please send me _____ copies
of How To Buy Insurance For A Corporation

Single copy price ..... $3.50 — 101 to 300 copies $3.00
11 to 100 copies ..... $3.25 — Over 300 copies $2.75

Check for $_____ enclosed. Illinois residents please add 5% sales tax.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

SEND TO: Book Department, Business Insurance
740 Rush St., Chicago, Illinois 60611

First State
Insurance Company

Wears well

First State is the largest and oldest domestic company formed to write Surplus Lines, Special-Purpose and Reinsurance Business.

And through the years we've created problem-solving insurance and reinsurance programs for businesses of every description — including over 500 of the world's major corporations. We've also provided them with continuity. Many have been clients since our beginning — many, many more for over twenty years.

***First State* . . . we're here now and shall be here in the future . . . call us, we're ready to listen, ready to create and assist in areas of common interest to agents, brokers and their insureds.**

MULTINATIONAL
PROPERTY and LIABILITY
MULTIPLE LINE THROUGH
AGENTS AND BROKERS

A+:AAAAA, Alfred M. Best, Inc.

FIRST STATE
INSURANCE COMPANY

(a CAMERON and COLBY activity)

60 Batterymarch St., Boston, Mass. 02110 • Telephone 617/357-8400

American marine insurers still losing ground to foreign markets

ATLANTA—American brokers, agents and risk managers were challenged to look to the American market before placing marine insurance outside the country in order to break the force of habit that has seen 50% of U.S. marine premiums and 70% of U.S. exports written overseas.

John A. Potts, executive vp of Marine Office-Appleton and Cox Corp. (MOAC), told the 11th annual Risk Management Conference of the American Society of Insurance Management while the American marine underwriting industry is moving into the world market, and has increased capacity and higher hull limits, it still is losing business to foreign marine markets, particularly in London.

Noting a large number of U.S. vessels insured in Britain, Mr. Potts queried, "but have you ever heard of a British fleet being quoted on here? British ship owners are loyal to the British market. We must cultivate and earn the same kind of loyalty for marine insurance here."

CITING recent international trade agreements in which the government placed marine insurance with foreign markets, the MOAC representative urged, "Let's encourage our government to 'think American insurance' when negotiating international trade deals."

He qualified his remarks by stating the marine insurance industry's opposition to any government restrictions on insurance. "We want freedom in the international insurance markets. All we are really asking is for the American marine market be given an equal chance."

He asked the risk managers in the audience, "Why not place your marine insurance here, where you can discuss your problems with the underwriter over a cup of coffee instead of over 3,000 miles of salt water?" Part of the attraction of using the domestic market, he indicated, would be the ease in communications which insureds would enjoy with the underwriters.

MR. POTTS noted the American marine market was moving toward innovation, examining reinsurance of captive companies, sharing reinsurance with captives, and looking into retrorated plans, large deductibles and even disappearing deductibles.

Some of the problems faced by American marine underwriters include a revolutionary cycle of increased payments involving seamen and others under protection and indemnity claims, Mr. Potts said, pointing out court awards seem to be getting more and more unrealistic.

One problem of past years which no longer plagues the American marine market is capacity, Mr. Potts said. "Most of the major underwriting houses have raised their limits on hull, marine liabilities and cargo. The American Hull Insurance Syndicate recently increased its capacity from $15 million per vessel to $40 million, and they are using it." ■



The concept of the Merit Plan has executive appeal. It offers large amounts of insurance for executives at substantial discounts because of built-in tax advantages.

Merit is a payroll deductible insurance system which offers Term insurance and Cash Fund insurance, non-cancellable with guaranteed level premiums. A flexible benefit schedule means that a corporation can adopt a plan that is suitable to their size and particular needs. Administration of the plan is economical and easy.

The benefits of the Merit Plan extend to agents too. With Merit, agents receive ordinary life commissions on *both* permanent and term portions of the plan. And there is full ordinary commissions on the extra table rating of impaired risks. Merit also opens up a vast new market since the plan will cover companies with as few as two employees.

Get the full details and a complete rundown of all Merit advantages. Write to Director of Merit Sales, P.O. Box 2368, Richmond, Va. 23218 for details and a Fidelity Merit Plan Sales Kit.

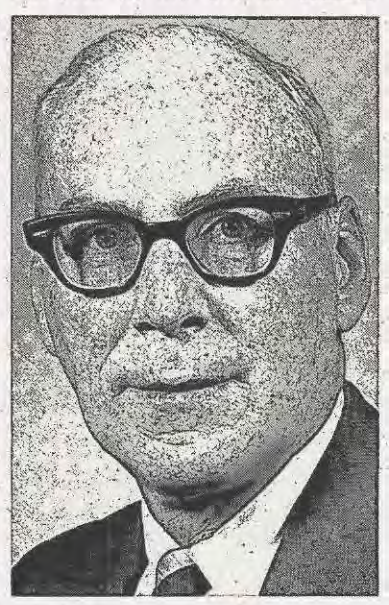
Fidelity Bankers Life
A Fidelity Corporation Company

United's Waller Smith, Canada Packers' Stuart receive ASIM awards

ATLANTA—Waller B. Smith, Director of Insurance for United Air Lines, Chicago, and Donald M. Stuart, insurance manager of Canada Packers Ltd., Toronto, received the two top awards given by the American Society of Insurance Management at its annual conference here at midmonth.

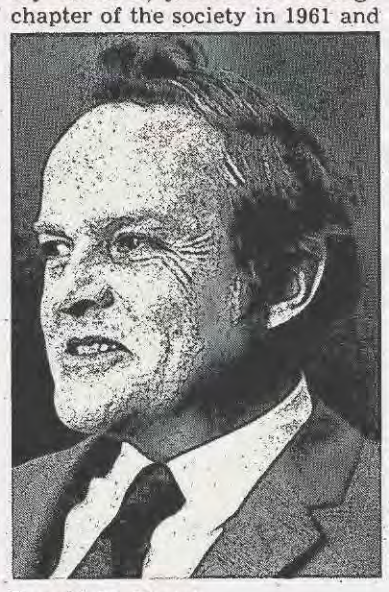
Mr. Smith was given ASIM's President's Award for "outstanding work in the field of risk management and his distinguished services to the society."

Mr. Stuart is the first recipient of the Richard M. Bland Memorial Award, which recognizes "outstanding performance and effort by deputy members of ASIM in areas of legislation and/or regulation." The award was created last year by the Greater Kansas City chapter of ASIM in memory of the late Mr. Bland, a member of the chapter who played major roles at both the national and local levels to influence passage of legislation favorable to corporate insurance consumers.



Waller B. Smith

United Air Lines' Mr. Smith, who is the fifth recipient of the highest award ASIM gives a deputy member, joined the Chicago chapter of the society in 1961 and served as its president four years later. He also served as vp-legislation of the national office for two years beginning in 1966.



Donald M. Stuart

Mr. Stuart, a member of the Ontario Risk and Insurance Management Society, and ASIM chapter, has been active in the legislative field in Canada at the provincial and federal levels. ■

Rating . . .

Continued from preceding page

present a statement at the NAIC's annual meeting in Washington early in June. ASIM last testified before the association's consumer subcommittee at an NAIC meeting held in Atlanta in December.

Mr. Griffin said that ASIM would likely have something to say to the nation's insurance regulators relative to the Equity Funding Corp. scandal. Equity Funding, a huge Los Angeles-based financial services and insurance combine, is currently under investigation for allegedly writing large amounts of fictitious life insurance and then selling many of the policies to reinsurers.

ASIM, Mr. Griffin indicated, is vitally concerned with the question of whether a regulatory gap contributed to the extent of the fraud.

In an unrelated development at the society's annual conference here, it was also announced that ASIM is moving to create a nonprofit, tax-exempt foundation to be known as The Foundation for Risk Management Studies Inc.

THE FOUNDATION, according to E. William Altstaetter, vp-education, is expected to be established within the year and thereafter finance educational and research activities in the general field of insurance and risk management.

The foundation, which was appropriated $10,000 as an initial capital contribution by ASIM's board of directors, will use funds contributed to "promote research activities, grants, scholarships and aids to universities and colleges in the United States and Canada."

It was also revealed here that the Insurance Co. of North America and the Insurance Services Division of INA Corp. pledged an initial grant of $2,500 to the foundation. ■

ASIM vp on open rating

'Cutthroat' premiums aren't prevalent: Griffin

ATLANTA—A top official of the American Society of Insurance Management says his organization's endorsement of open rating has not changed despite the recent state investigation in New York of large commercial insurers who allegedly abused the open-rating law by charging "cutthroat" premium rates against competition.

The New York insurance department's report on competition

ASIM Conference Report

in property and liability insurance which was delivered to the state assembly late last month, claimed some major underwriters have knowingly or at least recklessly set premium rates for commercial lines at levels too low for competition. Superintendent of Insurance Benjamin R. Schenck said his department would investigate these charges of improper rates.

"I DON'T think there's very much to the charges in the report," Berry Griffin, vp of public affairs for ASIM, told *Business Insurance* at the society's annual risk management conference here.

"Although there may be isolated instances of cutthroat competition, to my knowledge, no one has made a charge the large companies are using open rating to take away business from the smaller companies," Mr. Griffin said.

He noted ASIM continues to endorse open rating across the board, even for auto no-fault insurance, slated to go into effect in 1974 in New York. A controversy of sorts is now stirring in the state legislature, where many representatives have called for a return to the prior-approval method of rating for no-fault auto insurance *(Business Insurance,* March 26).

MR. GRIFFIN said open rating had substantially increased capacity and helped the insurance department as well as the consumer. He pointed to the days before the open-rating experiment began in New York, noting the insurance department wasted much administrative time checking out each company to be sure they didn't vary so much as a dollar from their approved rates. This, he said, prevented the department from investigating more meaningful insurance matters. Citing the on-going Equity Funding scandal, he said this was the sort of activity he would rather see insurance departments pursue, not rate approval.

He also said there were built-in provisions in the open-rating law which made it illegal for companies to set rates which are competitively destructive. "ASIM does not advocate violation of the law," he emphasized. If companies were found guilty of charging improper rates, it was because they were violating the open-rating law, not because the open-rating law itself promoted a climate favorable to unethical underwriting practices, he indicated.

Referring to testimony contained in the insurance department's report, Mr. Griffin said it merely showed premium rates set before open rating were overpriced.

One piece of testimony, quoted from an Albany spokesman for the Independent Mutual Insurance Agents of New York State, appears as follows in the report:

"I will state, for example, downstate there was a bus company that put their fleet out to bid. The previous six years it had been at a premium of $58,000. It was put out to bid on a package policy with the same coverage that the $58,000 offered and it was written for $21,000 . . ."

QUESTION: "Would some people say the rate was inadequate?" "Yes, they certainly do."

QUESTION: "Why would a company write it at $21,000 if that was inadequate?"

". . . this business goes in cycles and the companies are hungry."

QUESTION: ". . . Why would a . . . manager get so hungry that he would eat himself out of house and home?"

"All I can do is tell you what is happening throughout the state . . ."

QUESTION: "Do you think it possible that the $58,000 was excessive?" "It could be."

QUESTION: "Was the $58,000 charged under prior approval?" "Yes."

QUESTION: "Are there any more companies writing commercial than were writing before?"

"We have had to make a statement in our office and our agency is a little over $1 million that we won't see company men unless we ask for them because they are right from the very first minute, trying to appoint you as an agent. There is no trouble upstate in getting companies to write business." ■

Warns CGL changes should be in writing

ATLANTA—Risk managers trying to cope with the new changes in the comprehensive general liability policy should be sure any understandings or interpretations from underwriters are given in writing, a seminar at the American Society of Insurance Management's risk management conference was told here.

"When trying to figure out how to proceed in light of these changes, I think it's important to remember how porcupines make love," William G. Pritchard Jr., an Atlanta corporate insurance agent said. "Very carefully. When the first changes were made in 1966, the carriers came out and said that they weren't really changes at all, simply clarifications. Well, here we are, seven years later, reclarifying what was supposedly clarified in 1966. If we had done a good job then, we wouldn't be facing changes in 1973. So, we'd better be pretty damn careful."

THE SEMINAR outlined the 1966 changes and compared them to the most recent amendments, and the speakers made it clear it's difficult to determine at this point if the changes represent a broadening or restricting impact on coverages.

"This question," Mr. Pritchard said, "is one which can only be answered in light of individual exposures."

Mr. Pritchard's firm, Pritchard & Jerden Inc., has found it necessary to amend its risk analysis questionnaire as a result of the changes. The new form asks clients if they are involved in organized racing of vehicles, own or operate snowmobiles or watercraft or are involved in the sale or distribution of alcoholic beverages, all areas affected by new exclusion provisions. The new policy also contains exclusions for systematic dispersal of pollutants, allowing for accidental environmental contamination.

THE 1973 provisions also exclude reoccuring bodily injury and property damage which could have been avoided by preventive measures on the part of the insured.

"One other suggestion, "Mr. Pritchard told more than 100 risk men attending. "Once you get your policies back from the underwriter, go over every inch of them and make sure everything you talked about is included. These new changes are very confusing, and something inadvertently could have been left out." ■

Approve new rail pact

TORONTO—A labor agreement between railways and shopcraft unions incorporating new pension, wage and fringe benefits has been approved by the Canadian public and is now subject to review by union members.

Two firsts for the railway industry were included in the agreement: shift differentials that will add 5¢ an hour to rates for those working on the afternoon shift, 10¢ for night shift workers, and time and a half for work on a general holiday.

The settlement called for an increase in pension benefits at a rate of 2% per year of service, retroactive to 1956, according to Labor Minister John Munro. The cost of the pension improvements were estimated at $45 million per annum, equivalent to a 4% wage increase. Railway spokesmen agreed the cost was high, but expressed hopes for an increase in productivity to cover the costs.

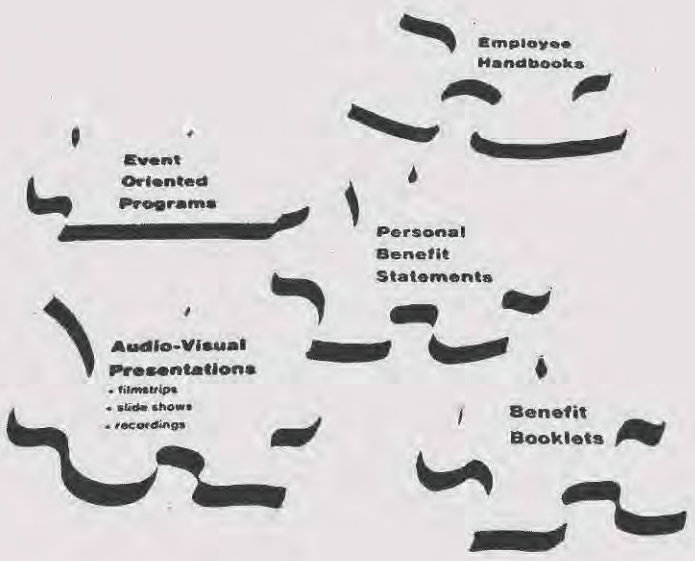
Another provision of the agreement included a retraining program for laid off employes. The program was planned to prepare the worker for alternate duties within the structure of the railways. The settlement also called for a job security plan for laid off employes, offering them increased weekly payments.

Also included in the agreement was a shortened service requirement and waiting period for benefits.

WAGE HIKES were also outlined in the new agreement. A set increase of 7% for 1973 was quoted and a 6.5% increase for 1974. The railways tried to settle short of the said figures, but the unions held firm to the 7% figure as a base settlement. The old wage rate was $4.05 an hour, plus a differential of 30¢ for skilled tradesmen. The skill premium will be incorporated into the basic wage rate Jan. 1, 1974.

Costs of the settlement for 1973 were quoted as $20 million for 20,000 shopcraft employes by George Lach, vp of personnel and labor relations for the Canadian National Railways. ■

Puzzled by Benefit Communications?



Kwasha Lipton Puts It All Together.....

.....with Planned Communications Programs.

Kwasha Lipton Inc.
Benefit Communication Services
429 Sylvan Avenue, Englewood Cliffs, N. J. 07632
(201) 567-0001 (212) 279-6800

8 Key questions about your EMPLOYEE BENEFITS PROGRAM

(CPC's independent counsel can help you answer them)

- Does it have realistic benefit levels and costs?
- Have all financial aspects been completely evaluated?
- Have necessary changes in benefit levels been made?
- Do you have a continuing maintenance program to keep costs in line?
- Are costs presently competitive?
- Have you considered the cash flow and other implications of the following financial devices:
  - Self-Insurance
  - Minimum Premiums
  - Administrative Services Only Agreements
  - Captive Insurance Companies
  - Re-Insurance
  - Interim Accounting
  - 501 (C) 9 Trusts
- Have you made an annual review of financial results and renewing action?
- Are you aware of new developments such as:
  - Health Maintenance Organizations
  - Foreign Insurance
  - Mass Marketing
  - National Health Insurance
  - State and Federal Legislation

Let our successful experience help achieve your EMPLOYEE BENEFITS goals in '73

CPC 1898-1973 75th year

PHONE 312 - 372-8225

CORPORATE POLICYHOLDERS COUNSEL, INC.

20 North Wacker Drive
Chicago, Illinois 60606

Ask for Richard J. Burns
Write for Bulletin B-100

Woodard . . .

Continued from page 3

House here. "It's not the first time it has been voiced, of course. At the same time, however, one must remember ASIM has a membership of over 2,000 corporations; the membership actually belongs to the corporation. It's just not practical to assume we're going to take an early lead—well, while we can have certain innovative goals, we must remember our membership is extremely diverse and just can't assume that what is good for one is good for all. I also have questions in my own mind as to how successful we would be as an innovator."

Asked if this problem might not be resolved by changing ASIM's bylaws to provide for individual rather than corporate memberships, Mr. Woodard said this is a subject under consideration by the society's long-range planning committee.

"IT MIGHT be possible to do that and if that were to be done, I think it would make it easier to react quickly to certain issues. But, at the same time, a major reason for ASIM's existence is to advance the discipline of risk management itself and assist and give educational opportunities to younger members of the society as well as the more experienced professionals," he said, observing it is his feeling corporate membership does much more to accomplish these objectives. "I think," he said, "individual memberships might inhibit this."

Commissioner Barnes had also told an ASIM conference session he had recently made an informal poll of 15 fellow insurance regulators and not one knew of the existence of a local ASIM chapter in his state.

"Somebody's not communicating," said the Colorado regulator.

"I can't believe that," Mr. Woodard responded, "although I do agree some of our local chapters may not be as forceful as they could be. And, of course, it's at the state level where the great volume of legislation occurs. One of our goals is to increase this activity at the local chapter level," he said.



Ocean marine coverage was the topic of one of the intensive seminars held at ASIM's 11th annual risk management conference in Atlanta.



Walter D. Woodard

Walt Woodard, a six-footer who is as lean as a long distance runner, is 51 years old. He is a graduate of the University of Washington where his major study was accounting. He smiles when he reveals that and mentions something about green eye shades.

He joined Boeing in 1948, went immediately into the company's insurance unit and has been there since. He now reports to Elwood B. Paris, corporate insurance manager, who is a former national president of ASIM and served from 1964 to 1965.

"It's the first time in ASIM's history two national presidents have come from the same company," he said, noting this is bound to help him in the year ahead when he's away from his office on business other than Boeing's.

"I'M NOW finding out one corner of my desk in Seattle has Boeing business on it and the other three corners have ASIM business on them. I'm fortunate to have a predecessor who was a national president, and I had the company's blessing when I became secretary of the society three years ago."

Married and the father of two teenage boys, Mr. Woodard makes his home on Mercer Island, a community in Seattle. He owns a 31-foot sailboat for summer recreation and, in the winter, the Woodard family skis. ■

If you don't know...
ASK McGEE
SPECIALISTS IN
OCEAN
INLAND
M.O.P.
LOSS PREVENTION
Wm. H. McGee & Co., Inc.
MARINE UNDERWRITERS
111 John St., New York, N.Y. 10038
Baltimore • Boston • Chicago • Columbus, O. • Dallas
Detroit • Houston • Los Angeles • Newark • New
Orleans • Philadelphia • San Francisco • Seattle
Montreal • Toronto • Vancouver

You can have your own Property Engineering Department
Without fixed overhead - Completely confidential
AN INDEPENDENT PROFESSIONAL SERVICE FOR THE RISK MANAGER, INSURANCE CONSULTANT, INSURANCE BROKER

- Qualify properties for highly protected risk rating (FIA, FM, KEMPER, etc.) and keep them qualified.
- Pre-Engineering Site Studies for proposed facilities, Water Supply testing, Construction Specs.
- Special Hazard Studies.
- Review Insurance Co. Recommendations, develop alternatives.
- Building Appraisal Service.
- Rating Org. Fire Rate Schedule Reports.
- Safety and OSHA Studies.
- Sprinkler System Feasibility Studies and System Design.

Call or write Harvey Sanders, President or Leonard Friedman, Exec. V.P. for brochure and schedule of fees.

RM/i CONSULTANTS, INC.
PROTECTION ENGINEERING CONSULTANTS
450 Seventh Ave., New York, N.Y. 10001 (212) 279-0850

Builders pay huge cost overrun

MIAMI—Three firms building a Miami International Airport parking garage project which went wrong have agreed to pick up $1.8 million worth of the project's cost overrun.

A compromise agreement headed off a lawsuit threatened against the three by the Dade County Port Authority, which operates the airport and had contracted with the firms for three high-rise parking garages in 1970.

The port authority agreed to contribute $250,000 to the overrun, although its attorneys have insisted through two years of negotiations that it should bear no liability.

"They won't tell me how they'll divide the burden," county attorney Stuart Simon told Port Authority commissioners as they agreed to settle the prolonged dispute out of court.

The three firms are Howard, Needles, Tammen and Bergendoff, the port authority's consulting engineer firm; Rader and Associates, architect and engineering firm which designed the trio of nine-story garages and Gust K. Newberg Construction Co., the contracting firm which erected the structures.

Howard, Needles and the Rader firm carry professional liability insurance with Continental Casualty. Newberg is self-insured.

ONE OF the garages was nearing completion and a second was beginning to take form when serious cracks began to appear in the pillars. The port authority ordered the project halted while the firms figured out how they could correct the flaws in the first structure and redesign the other two buildings.

The port authority acknowledged earlier it was responsible for $128,869 more than the $10.28 million original contract price because it had ordered changes in the structures during the work.

But the authority's problems included parking revenues lost during a long delay in completion of the project. They argued the three firms must pick up the rest of the more than $2 million overrun.

Newberg had claimed that additional labor and materials had set him back $1.25 million and that the shutdown ordered by the port authority had cost him another $840,000.

One port authority commissioner, Harvey Ruvin, argued against accepting the negotiated settlement.

"If the county is wrong, it should pay its debts," Commissioner Ruvin argued. "If the county is right, it should not pay one penny."

Simon, though, pointed out it would cost the authority $400,000 just to fight the case in court, with no assurance of a better settlement.

"If the case goes to trial, it will be tried by a jury and it is a complex matter," he said.

"If we could have settled for $250,000 but chose to take it into court and it costs us $1 million, I'd never forgive myself," Simon said. ■

State seeks cost transfer

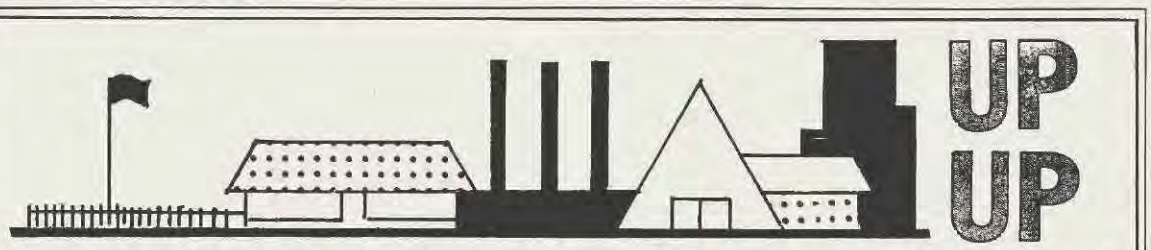
HARRISBURG, PA.—Legislation has been introduced in the Pennsylvania senate that would transfer the state workmen's compensation bureau's administrative costs from the state budget to insurers and self-insurers.

The change was recommended in a study of state government operations by the governor's management review task force, a team of businessmen which reviewed the state bureaucracy.

The bill would establish a workmen's compensation operating expense fund that would be maintained by assessments on insurers, self-insurers and the state workmen's insurance fund. The assessments would be based on the ratio of the insurers' payments of compensation to the total compensation paid in the preceding calendar year.

The amount to be paid each year would be determined by the state labor and industry secretary, who would also serve as the administrator of the fund, and the state budget secretary.

Initially the assessment would be for 200% of the cost of administration for the 1972-73 fiscal year. ■



COSTS HAVE GONE UP!
Would your insurance cover only a fraction of your property's insurable value?
If there is any doubt in your mind, call the professionals.
INDUSTRIAL APPRAISAL COMPANY
NATIONWIDE SERVICE
HOME OFFICE: 222 BOULEVARD OF THE ALLIES, PITTSBURGH, PA. 15222
EXECUTIVE OFFICES: CHICAGO • NEW YORK • LOS ANGELES

How legislative 'wallop' will affect benefits men

ATLANTA—Legislation already passed, bills facing Congress and bills still being formulated are packing a combined wallop on the future of employe benefits, with major implications for those who mold benefit decisions.

This was the gist of the story presented by a three-member panel at the American Society of Insurance Management's annual risk management conference held here earlier this month.

The effect of the new higher levels of Social Security benefits, portable pension legislation and proposals for national health insurance were detailed for conference members attending ASIM's session on government influence on employe benefits.

Paul H. Jackson, consulting actuary of the Wyatt Co., actuaries and employe benefits consultants, suggested directions disability benefit and pension planners should follow to offset inflated benefit levels which have resulted from the 1972 liberalization of Social Security.

LONG-TERM disability plans that take Social Security into account only by offsetting the primary insurance benefit may provide overly-generous payments, the actuary warned. "Where total income benefits begin to approach 100% of net take-home pay, the financial incentive to rehabilitation and return to full-time employment may be seriously impaired, and this can lead to claim abuse and malingering," Mr. Jackson predicted.

"It would be my recommendation," he said, "that any long-term disability program offsetting the primary benefit only should be carefully examined in the light of the new Social Security benefits, and, if the benefit percentage is greater than 50% (of net take-home pay), some modification to prevent over-insurance seems desirable."

As for Social Security's impact on private pension plans, Mr. Jackson indicated the effect would be far greater and more difficult to account for, since, he said, pensions are looked upon as a form of personal savings which should be fully vested and inviolate. "A correction in the benefit formula to cut back benefits when Social Security moves up is not as easy to accomplish as it is in the long-term disability area," he commented.

IN TERMS of practical action for the benefit planner responsible for suggesting changes in a private pension program, Mr. Jackson advised that over the next five- to 10-year period there be imposed "some sort of maximum on the total benefit available under a private pension plan and Social Security, such as 75% or 80% of final gross pay." His scheme would take into account the wife's benefit that is payable on the retiring employe's earnings record.

Mr. Jackson would shift benefit formulas from final-average pay to career-average pay in order to minimize permanent commitment and would hold down on "general benefit improvements such as minimum benefits that affect the lower paid, who will profit the most by Social Security benefits."

The rich, as well as the poor, would come under Mr. Jackson's regulations, because he also suggested establishing "some overall maximum level of income beyond which private pension benefits will not be paid—a maximum that takes into account the total Social Security benefit, including the wife's benefit."

Mr. Jackson offered a final word of advice to benefit planners: "To the extent that Social Security takes over an ever greater area of retirement income needs," he said, "private pension programs must be cut back so that the monies which would otherwise develop redundant benefits can be applied to other fringe benefits programs or put into the employes' paycheck."

While Mr. Jackson would like to see a cut-back on benefits levels, Daniel W. Pettengill, vp of Aetna Life & Casualty group division, promoted the enactment of national health insurance legislation to help relieve the burden of health care costs for the poor and near-poor, as well as to provide access to health care that is necessary, reasonably-priced and of good quality.

Mr. Pettengill, advisor to the National Center for Health Sta-

ASIM Conference Report

tistics, outlined the principal plans that have been proposed to meet the country's health care problems. Moving from the health security act to a "catastrophe-only" bill to the American Medical Assn.-endorsed Medicredit plan to the family health insurance plan, Mr. Pettengill, noting he had saved the best for last, described the national healthcare act, and urged conference members to support it.

"If we want to be sure that Congress passes sound legislation, we need to make our views known this year, next year, and every year until the legislation is enacted," the speaker told the benefits session. He pointed to the National Healthcare Act, introduced by Rep. Omar Burleson (D.—Tx.) and Sen. Thomas J. McIntyre (D.—N.H.), as the only proposed bill that would solve the three problems of cost, accessibility and quality in health care.

Perhaps most important from the benefits standpoint, the bill, as Mr. Pettengill described it, would have the federal government establish minimum benefit standards and would make available to all private insurance which meets these standards.

TAX DEDUCTION incentives for both employers and individuals would encourage adequate purchasing of cover under the bill. Moreover, for the poor, near-poor and self-supporting individual who is uninsurable, each state would purchase a private group plan providing minimum standard benefits with the financial aid of the federal government.

The National Healthcare Act would also improve accessibility of health care, Mr. Pettengill said, by authorizing federal grants and loans to build and

Continued on page 54

WITHOUT MAPS
and navigational aids
one could undertake a journey
and never know
where he is going, or
where he had been.
Similarly, without some point of
reference or control,
one could undertake
the task of risk analysis
without knowing where to begin.

FOR YEARS,
James S. Kemper & Company
has had the know-how to
accomplish this task by
systematically implementing
its concept of
risk and insurance management.
The concept is simple and
straight forward.
Since the function of
risk management is to
protect assets
and income
from accidental loss of
significant amounts, we
use the balance sheet and
profit and loss statement
as the point of reference
and control
for risk determination.

GUIDED AND DIRECTED
by a most comprehensive
risk and insurance
management philosophy
James S. Kemper & Company
offers its customers
a meticulous blend of
hazard identification,
risk analysis,
loss control,
insurance policy format
and risk financing.

Contact one of **James S. Kemper and Company's**
31 offices for *Personalized*
Risk and Insurance Management



business insurance

Where Will **business insurance** be During the Annual Meeting of the National Association of Insurance Commissioners?

We'll be there, right in the bullseye, with the June 4 special Insurance Regulation issue of Business Insurance.

This issue of Business Insurance will zero in on areas of special interest to everyone attending the June 3–8 NAIC meetings, plus the regular helping of news, features, profiles and opinions for our nearly 100,000 regular readers.

Topics will range from the recent controversy over self-insured employe benefit plans, to new improvements on the state level in workmen's compensation benefits, to an update on no-fault regulation.

For you, the marketer of insurance services, going to the NAIC with Business Insurance (we'll have copies for all of the attendees) should be most profitable. Here's your chance to be seen and discussed while the commissioners and their staffs are meeting with consumer representatives and the industry.

Business Insurance will serve these influentials while they're meeting in Washington, D.C., away from their offices; while they must keep up with what's new and vital to their job responsibilities.

Your advertising message in the June 4 special Insurance Regulation issue of Business Insurance will put you right in the middle—where the action is.

Reserve your space now.

June 4—Insurance Regulation Issue
Ad closing, May 22, 1973

New York:
708 Third Avenue
New York 10017
(212) 986-5050

Chicago:
740 Rush Street
Illinois 60611
(312) 337-5200

Los Angeles:
6404 Wilshire Blvd.
California 90048
(213) 651-3710

California doctor claims insurance companies have 'failed miserably'

ATLANTA—Insurance companies have failed miserably, a California health care expert says, in assuring that subscribers to pre-paid health maintenance organizations receive quality medical treatment.

Speaking to a seminar at the American Society of Insurance Management's 11th annual risk management conference, Dr. Charles M. Ross, president of the Interhealth International Group, discussed the performances of the numerous HMO operations in this country and explained a new concept in preventative medicine called "prospective medicine."

"Of the few hundred plans which exist today serving five million individuals, about 40 meet the HMO criteria of being organized systems which accept responsibility before the fact, conduct batteries of diagnostic tests for a voluntarily enrolled set of subscribers and are reimbursed through a negotiated payment with each family in the plan. "The key critereon," he said, "is unlimited services for a fixed amount of financial risk sharing."

SEVERAL hundred new plans are now being developed, he said, many through grants from the Department of Health, Education and Welfare. The Kaiser health plan is still the largest and most effective, he said, operating on the West Coast, in Colorado and Cleveland. Yale and Harvard and other Ivy League schools are beginning to operate large-scale HMOS, and Connecticut General and Equitable Life Insurance companies, Westinghouse Corp. and Litton Industries are all following suit.

HMO plans range in size from 2 million subscribers (Kaiser) to 300,000 (Harvard-Cambridge area), provide one physician for every 1,000 subscribers (as compared to one per 600 in the general population), have growth rates as high as 16% (Kaiser), loss rates as high as two percent monthly, physician turnover ranging from 13 to 25% and allow physicians five hours less duty per week.

"To insurers and insurance buyers, costs," Dr. Ross said, "are perhaps the most important area. The evidence shows pre-paid plans do not hospitalize as much as indemnity programs. A comparison of an equal amount of persons shows that under indemnity they spent some 900 days in the hospital, and, in pre-paid a little over 400. That's a lot of money when you figure hospital costs run anywhere from $130 to $160 a day."

"STATISTICALLY, it's easy to see we have to concentrate on the big causes of death, Dr. Ross said. "In general, five diseases cause 60% of the mortality, about 10 account for 70% and the remaining 30% are represented by about 1,000 different causes. Thus if we focus on this top group, we have pinpointed the most significant area of risk."

Prospective medicine can help lower mortality rates, Dr. Ross claims, by focusing on the agents which can lead to seriou disease, rather than treating th symptoms of the disease once i is contracted. Each patient is ex amined, and a computer analyze his particular situation as com pared with the norm. The resul is a "health hazard appraisal which gives the patient the dat needed to make intelligent choice about what he can do to reduc his own risks.

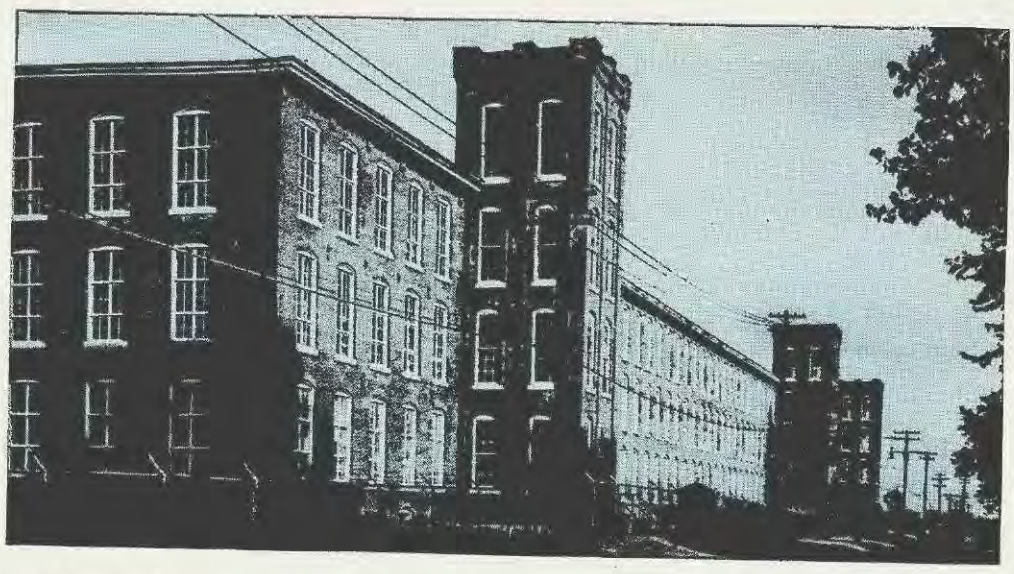
"What we're saying is, if yo smoke or drink or have hig blood pressure, this is what it' do to you," Dr. Ross explained

The program can only be suc cessful, Dr. Ross concluded, if th patient chooses to take the neces sary corrective action. "Ther needs to be more work in th motivational area, and perhap this is where insurance compa nies can play a part."

"It would be nice if companie could set aside five cents o every premium dollar to study effective ways of motivating peo ple to prolong their lives." ■

What is it worth?

Would insurance rebuild it better than it is? on a better site? or maybe not at all!



Will limits based on cost price, book value, amortized value or tax value be adequate to replace your building in the event of a total or even a partial loss? You have undoubtedly found that setting values to keep pace with today's skyrocketing construction costs poses some complex problems, particularly when obsolete but still functioning buildings are involved. To help you solve these intricate problems, and keep you whole in the event of catastrophic loss, Chubb provides Functional Replacement Cost coverage. Under it the building can be replaced by another providing the same function, either on the old site or another better suited to current needs. The style of construction can be changed for the sake of better operations. Though a different location and different construction may cost more than current value, Chubb's Functional Replacement Cost approach will put you back in business. Whether the loss is complete or only partial, it will pay you to THINK CHUBB.

CHUBB

CHUBB/PACIFIC INDEMNITY GROUP
Subsidiary of The Chubb Corporation, 90 John Street, New York, N.Y. 10038

CHUBB & SON INC., *Manager* Federal Insurance Company • Vigilant Insurance Company • Great Northern Insurance Company • The Sea Insurance Company Limited • The London Assurance • Alliance Assurance Company Limited • Sun Insurance Office Limited • The Sumitomo Marine and Fire Insurance Company, Limited • Affiliated with Pacific Indemnity Group through The Chubb Corporation • The Colonial Life Insurance Company of America • United Life and Accident Insurance Company • Aviation Insurance through Associated Aviation Underwriters.

Legislative . . .

Continued from page 51

staff ambulatory health care centers. Cost-quality control problems would be eased by the bill's provision that each health care institution must charge all its patients one scale of rates, prospectively approved by a state control commission.

Thomas H. Paine, of Hewitt Assoc., an employe benefits and actuarial consulting firm, told the benefits conferees that the private pension community has lagged behind in appraising legislative proposals for pension reforms. With time running out for constructive comment on proposed pension bills, Mr. Paine noted that the greatest failing of private plans is generally the loss of accrued benefits that sometimes occurs for long service employes.

PROPOSALS to alleviate the problem of loss to accrued benefits—required vesting, portability, new funding standards, plan termination insurance and an agency to administer new provisions —were discussed by the pensions expert within the framework of the proposed legislation.

Noting that two agencies, the Internal Revenue Service and the Labor department, are concerned with private pensions in a major way today, Mr. Paine pointed out that suggestions for administration and definitions of covered plans are the weakest elements in current pension proposals, although they need close examination by the labor and tax committees in each house of Congress.

Under current proposals to create a new agency within the Labor department to administer vesting qualifications, funding standards and, perhaps, plan termination insurance, Mr. Paine foresees an unnecessary duplication of staffs and processes, and possible conflict. What, he questioned, would happen to the sponsoring employer when the IRS wants to limit his tax-deductible contribution while the Labor department wants him to increase his funding?

Mr. Paine suggested that the private pension community, which is increasingly aware that some legislation will be enacted in 1974, should try to determine "if the time is yet ripe for a plan termination insurance system, and to weigh carefully the merits of alternative approaches, particularly in the areas of funding standards and administrative arrangements." ■

Group life benefits need longer look: Segal Co.

NEW YORK—Citing its age (60 years) and the passivity with which it is universally accepted by working Americans, the Martin E. Segal Co. called for the reexamination of group life insurance as a benefit.

The Segal Co., one of the country's largest employe benefits consulting and actuarial firms, in its April newsletter said group life should be reevaluated for two reasons:

- The first factor mentioned by the company was whether group life meets a real need and if its cost is "reasonably related" to benefits provided.
- Second, improved pension plans and Social Security benefits may have changed the importance of group life in relation to other employe benefits.

The conclusions reached by Segal were based on analysis of 103 group life insurance plans provided by 92 major companies and 51 multi-employer group life programs. The study, according to a Segal spokesman, was undertaken "because it's there. This, we felt, was a neglected area, so we did the study."

THE STUDY showed major need in the group life area was for family income maintenance if the wage earner dies. While some companies have moved to the survivor's income benefits concept, more employers will have to consider this form of coverage if long-term income requirements are to be even partially met.

The typical group life insurance plan, according to the study, provides benefits in the amount of one to two times annual earnings, which, it is presumed, will cover family debts, funeral expenses and pay other bills for a short period of time. But rarely does it go any further.

"In many plans," the newsletter said, "the employe may buy optional coverage at favorable group rates if he thinks the basic coverage is not sufficient for immediate needs or if he wants to add to his estate. (For many low- and middle-income employes, insurance may be the only or major ingredient in the estate.) Survivor's income insurance adds another layer of coverage—a realistic plan for income maintenance for the surviving spouse and children."

Although there is some movement in this direction, the Segal study further stated, "Life insurance benefits do not fit the need to which they seem to apply—continuation of family income until needs are adjusted. Most group life insurance related to employment will support the family at the accustomed level for one to three years. Even where some survivor's benefits are included, the maximum period of payment is 24 months. Present day group life insurance is, in general, a readjustment allowance rather than a partial income maintenance program."

SOME OF the study's other findings include:

- 53% of American households are covered by group insurance;
- Average coverage by group life insurance is higher than average individually purchased insurance coverage by $7,130 to $6,450 in 1971;
- Corporate group life insurance for salaried employes is generally based on earnings;
- Corporate group life plans for two-thirds of hourly-paid employes, on the other hand, is a flat dollar amount, usually between $5,000 and $7,000;
- About 75% of the plans which cover both salaried and hourly employes are tied to earnings;
- Almost all multi-employer group life plans provide flat dollar benefits;
- It is mainly salaried employes who are given the option to buy additional coverage at group rates.

Looking at some of the benefits provided in four different types of plans—corporate salaried, corporate hourly, corporate all-employes and multi-employer, the Segal study noted that the benefits varied as to the plans.

For instance, while only about 40% of the multi-employer plans continued some form of life insurance coverage into the insured's retirement, corporate salaried and corporate hourly plans provided retirement coverage 75% of the time. All but one of the 21 plans studied in the corporate all-employes group continued life coverage on employes.

THE FIGURES in the accidental death and dismemberment category were much closer. AD&D benefits were provided in 70% of both the corporate salaried and corporate all-employes groups while 67% of the corporate hourly employes studied received the benefits. The highest percentage, over 80%, belonged to the multi-employer group.

Few of the plans in any category provided survivor's income benefits in addition to the lump sum group life payment. None of the 51 multi-employer plans provided the benefits. Twenty percent of the corporate all-employes plans provided survivor's benefits while 13% of the corporate salaried plans offered the coverage. Of the 45 hourly plans in the study, 13 provided survivor's income benefits.

The overhaul that group life needs, according to Segal, may well be on the way. "There are indications we are entering a more critical phase," the newsletter said, noting there had been little examination of the "why and for what" of group life.

"Group life insurance programs aimed at meeting the real needs occasioned by the death of a breadwinner are being studied; in some few cases, they are being implemented," it continued. "The next decade may see a complete reevaluation of this very basic employe benefit."

The Segal spokesman told *Business Insurance* that "it is still too early to tell what impact the study will have. We hope the changes come about but we don't expect it to happen overnight. The contracts are written for specified lengths of time so little can be done until it's time to renew. It's then we hope change will happen." ■

Seek insurer expansion

TORONTO, Canada—Canada's farm mutual insurance companies have been asked to expand their range of policy coverages to provide improved service to farmers.

The request was made at the annual meeting of the Mutual Fire Underwriters Assn. by John T. Clement, Ontario minister of consumer and commerical relations.

The ministry's current emphasis on consumer protection has as one of its main thrusts a controlled move to broaden insurance coverage for farmers.

Mr. Clement told the meeting:

"...But the nature of rural Ontario is changing and there are many advantages to your growing with this market segment and offering a wider range in keeping with the needs of your clients."

THE MINISTER also urged the insurance firms to attain goals previously set by the ministry for the Ontario insurance industry, including improved information for the consumer on his coverage in layman's terms and better procedures for the handling of consumer complaints.

Mr. Clement told the underwriters, "My ministry has resolved we will have better disclosure to the consumer one way or the other. One way is for you to provide it under your own initiative. The other way is for the government to require it by regulation and then enforce the regulations by more supervision.

"We are determined to make insurance policies a straightforward contract between the insured and the insurer that is understood by both sides. We don't want a system of continual disagreement and complaint."

MR. CLEMENT pointed out his office actually has received very few complaints concerning companies which are members of the association. But at the same time, he urged the trade group to establish and support an agency for solving consumer problems as a preventive step.

Citing the steady growth of the insurance industry, Mr. Clement said this growth also has been accompanied by less concern for the consumer, resulting in the need for government supervision.

He added, "Whether we like it or not, today's marketplace has tended to be an area of conflict, with business on one side and the consumer on the other. If you recognize this trend now and move at least half-way toward the consumer's position, you will avoid the worst excesses of consumerism and government regulatory overkill." ■

Non-Standard & Specialty Lines Aviation, Marine and International Insurance

J. H. Blades & Co., Inc.
713/526-6551 • P.O. BOX 22003 • Houston 77027
512/826-2378 • P.O. BOX 12085 • San Antonio 78212

J. H. Blades & Co. (International) Ltd.
2-6971 • P.O. BOX 691 • Hamilton, Bermuda

J. H. Blades & Co. Pte. Ltd.
377295 • P.O. BOX 60 TANGLIN POST OFFICE • Singapore 10

WHAT'S A FRELINGHUYSEN ?

That was a question often asked when J. S. Frelinghuysen went into the insurance business in 1883. But people found out in a hurry. The name soon became associated with leadership and success.

That's still true today. J. S. Frelinghuysen is one of the most active insurance brokerage firms in the country, serving the large as well as the smaller corporation. Their capabilities range from utilizing international marketing facilities to bringing a unique and expert approach to self insurance. Along with providing comprehensive supporting services, their experienced staff is always ready to seek out innovative solutions to the insurance problems and needs of their clients. It's no wonder that J. S. Frelinghuysen has been called upon to serve as broker and advisor to some of the largest and most active corporations around the world.

Wherever you are located, if you are considering an insurance broker or consultant for an account review, or a specific quotation, call and find out what a Frelinghuysen can do for you.

J. S. Frelinghuysen Corporation
Earle S. Rynston, Exec. V. P.
20 Vesey Street, New York, New York 10007 (212) 349-2112
A Fidelity Company

Giles on the law

Product liability lawsuits increase almost 400% in past five years

By JOHN W. GILES
Attorney at law

WASHINGTON—Products that did not function as intended resulted in an estimated 500,000 lawsuits during 1972, compared with 100,000 five years ago.

There are predictions that the number might reach one million by 1985. The increase has resulted, in part, from the spread of the doctrine of strict liability, which is now recognized in over half the states. Bystanders, as well as consumers and users, have been the beneficiaries of judgments in this area, and the "citadel of privity" has virtually been abolished.

A recent California decision offers a good guide to what you can expect a plaintiff to prove: The store knew that the product would be used without inspection for defects; a defect existed in the product; the user was unaware of the defect; the product was being used for the purpose for which it was designed and intended and the injuries and damages complained of were proximately caused by the defect. In California the plaintiff does not have to prove that the defect made the product unreasonably dangerous to the user or consumer. (*Cronin* v. *J. B. E. Olsoy Corp.*—104 Cal Reporter 453.)

* * *

MUNICIPAL IMMUNITY from tort liability has recently been tested by the supreme court of Texas and has been upheld. There, an eleven-year old boy was drowned when he slipped into a water hole on a garbage dump maintained by the city of Houston.

The court held that the city, in maintaining a garbage disposal area, was engaged in a "governmental function" and was therefore immune from liability, even though there was no fence or warning signs in the adjacent park to prevent children from going on to the garbage dump.

The Texas court said, "If an exception to governmental immunity is to be allowed in cases where the harm and danger occur on city premises, it seems preferable to avoid categorizing the condition of the land as a nuisance, and to predicate liability upon the maintenance of the condition dangerous to human life and upon the failure of the city to give warning or reasonable protection to persons known to be exposed to a continuing hazard. There is much to command such a rule, but it is contrary to precedent in Texas." (*City of Houston* v. *George*—479 S.W. 2nd 257.)

* * *

ARE YOU ON the job during your coffee break? The Hawaii court says "Yes" for workmen's compensation purposes.

Here the employe left the premises during an authorized coffee break and was killed in an automobile collision. She was on her way to a bank to cash her paycheck and the coffee break gave her an opportunity to cash her check before the bank closed.

The dissenting opinion is important. Justice Levinson points out that at the time of the accident, the decedent was neither on the premises nor under the control of her employer. She was on her own time and was not under the constructive control of her employer.

When she left her employer's premises, the only restriction placed upon her was time. She could go wherever she pleased and do whatever she wanted as long as she returned to work in 15 minutes. The employer did not acquiesce in her activites. Cashing checks was not one of her duties as an employe and the employer derived no benefit from this activity.

The decedent did not attempt to go to the bank so that she could pay for a meal while at work, or purchase some article essential to her employment. The check-cashing activity was not in accordance with custom.

Coffee breaks are not part of employment itself, they are incidents of employment. Drinking coffee or relaxing during a coffee break is in itself one step removed from employment. A trip to a bank to cash a paycheck during a coffee break is still another step removed. In the judge's view, the line must be drawn at that point.

This dissenting opinion contains many important related cases. (*Dependents of Pacheco* v. *Orchids of Hawaii*—502 Pac. 2nd 1399.)

* * *

IS THE "HIJACKING" of an airplane an accident? It is, according the U.S. district court.

The action was for bodily injury and mental anguish allegedly suffered by the plaintiff passenger as the result of the hijacking of an airliner. On motion by the defendant for summary judgment, Judge Tyler held that under the Warsaw Convention and the Montreal Agreement which supplemented the convention, a "hijacking" is within the ambit of the term "accident" as used in the convention, and is sufficient to raise the presumption of liability under the convention as modified. (*Husseri* v. *Swiss Air Transport Co. Ltd.*—351 F. Supp. 702.)

* * *

HERE IS a fish story and a lesson in proximate cause.

The action was by the operator of a trout farm to recover from a gasoline truck driver and his employer for loss of approximately 70,000 fish. The fish were killed, allegedly when gasoline spilled from the truck following a crash, and found its way into the plaintiff's spring-fed trout pool.

On defendant's motion for summary judgment, Judge Miller held that neither the driver nor his employer were liable for the death of the fish, even if the driver were negligent in causing the accident. This was ruled since it could not be foreseen that the gasoline would percolate into subterranean waters, and find its way into trout pools located 2.9 miles from the accident.

The action of the waters was an efficient intervening cause. The opinion is excellent on proximate cause. (*Ozark Industries Inc.* v. *Stubbs Transports Inc.*—351 Fed. Supp. 351.)

* * *

IS BEING struck by lightning and killed compensable under the workmen's compensation law?

The general rule is that the defense of Act of God applies in a compensation case, unless it be shown that the nature of the particular employment in which the employe was engaged, subjected him to risks and hazards from the forces of nature over and above those to which the public generally was exposed. In this case, the employe was struck by lightning while standing in a flat open field in which a tractor-trailer unit and dump truck were also located. The court said the deceased was exposed to greater hazard from danger of lightning than other persons constituting the general public, and thus the accident arose "out of" decedent's employment. (*Reich vs. A. Reich & Sons Gardens Inc.*, September 1972, Missouri Court of Appeals —485 S.W. 2nd 133.) ■

Thoroughbred dead in fire are uninsured

MIAMI—Few of the 35 thoroughbred race horses burned to death in a flash fire at Hialeah Race Course were insured.

Horse owners at Hialeah say that, because of the high cost of mortality insurance, at least three-fourths of the thoroughbreds racing in this country are uninsured.

In case of a fire, however, a special policy with the Horsemen's Benevolent and Protective Association affords HBPA members some protection.

"It's not much," said Eddie Yowell, trainer for 18 thoroughbreds destroyed in the March 30 blaze. "Just enough so that the fire's not a total loss. It gives you something to start over with."

Among the dead horses was Honestous, a four-year-old filly which won $110,000 for 21 in-the-money finishes in 31 races and winner of the Miss Florida Handicap at Miami's Calder track last year.

"Honestous was insured," said Mr. Yowell. "We had no mortalityinsurance whatever on the others we owned. It's pretty expensive. The premiums are as high as seven per cent of the insurance price."

The only other big stakes winner burned to death in the stall fire was Bendmar, a three-year-old filly. Owners said they had recently turned down offers of $225,000 for Honestous and $100,000 for Bendmar. Most of the other horses were two-year-olds untested in competition.

Hialeah Fire Chief W. E. Lynch said he urged race track officials in December to install a sprinkler system in the barns. The system was to be installed in June. ■

License suspension bill

The Washington senate by a vote of 45-0 approved and sent to the house SB 2524 allowing the insurance commissioner to suspend insurers' and brokers' licenses.

House oks fund limits

The Oregon house of representatives approved and sent to the senate HB 5067 which limits expenditures of the state accident insurance fund to $17,900,000.

classified advertising

POSITION WANTED

RISK MANAGER

20 years experience, available on a $200.00 per day fee, plus travel, etc. Formerly with M & M et al. Will travel—write Box 31 Wall Street Station, N.Y.C. 10005

PROPERTY INSURANCE CONSULTANT

One of the nation's foremost independent insurance consulting firms offers an excellent opportunity for person experienced in property insurance and fire protection engineering and interested in the consulting field. Should be capable of evaluating and creating entire corporate property risk programs for medium and large sized corporations. Also able to consult with top level management and write an incisive and authoritative report. Chicago loop headquarters. Send detailed resume in confidence to

CORPORATE POLICYHOLDERS COUNSEL, INC.
20 North Wacker Drive
Chicago, Illinois (60606)

Corporate Insurance Manager

Progressive Fortune 300 Corporation in metropolitan southeast. Requires strong experience all phases property and casualty insurance. Self-insurance background, CPCU and previous corporate insurance administration desirable. "Blue Chip" organization in highly desirable location, new position; salary open. Box 4173, Charlotte, North Carolina 28204.

INSURANCE MANAGER

For Corporate office staff of National Manufacturer located in Dayton, Ohio. This is a new position created by department expansion. Will be responsible for total administration of Company's Property and Casualty Insurance Programs. Requires a thorough working knowledge of these areas acquired from industrial and consulting experience. Salary open.

An Equal Opportunity Employer
Box 352, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

Actuary

Immediate Permanent Positions Available For Men & Women In Washington, D.C. With Internal Revenue Service

The Internal Revenue Service offers challenging career positions to qualified actuaries with a B.A. (including at least 24 semester hours of mathematics) and at least 3 years actuarial experience with Auxiliary Funds and Insured and Trusteed Plans (ASA or FSA preferred).

Depending on your background and training, your starting salary could be in the $16,600 to $22,300 range. In addition, these positions offer the full range of Federal benefits, including low cost hospitalization and life insurance, an excellent retirement plan, paid transportation, and many others. Your duties will include the application of the Internal Revenue Code to qualified plans involving actuarial aspects of qualification and deductability of contributions, development of Internal Revenue Service policies and rules in the area of Pensions, and the application of established policies and rules to individual cases.

A Truly Rewarding Future With Many Opportunities for Advancement.
For immediate consideration, please call or send resume to:

Acting Chief, Employment Section
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224
(202) 964-4063

An Equal Opportunity Employer

WANT AD ORDER BLANK

RATES AND CLOSING TIME: $2.25 per line, minimum charge $9.00. **Cash with order.** Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of $19.50 per column inch, and card discounts on size and frequency.
Mail ads to Business Insurance, 740 N. Rush St., Chicago, Illinois 60611.

Number of Insertions:_____ Amount Enclosed $_____
Issue dates:_____
Name:_____
Company:_____
Address:_____

Clip and Mail This Form To:
WANT AD DEPARTMENT
business insurance
740 Rush St., Chicago, Ill. 60611

The hardest way to learn about insurance is by accident.

There are hidden dangers in every operation. They sit there, patiently awaiting the right set of circumstances. And then, when you least expect it, they happen.

If you're lucky, no one will be injured, your insurance will pay for the loss, and you can correct the situation.

But if you're not lucky, you're going to learn about your insurance the hardest way there is.

At Kemper Insurance we work hard to help our policyholders identify dangers before they become accidents.

And we design our coverage to protect our policyholders against these accidents.

We've helped businesses like yours from coast to coast. And we would like to help you.

Our large staff of loss control representatives is trained to locate potential accident situations. And we can show you how to reduce or possibly eliminate these hazards.

We'll put our loss control representatives to work when we write your business insurance. Whether it's Workmen's Compensation insurance, Boiler and Machinery coverage, General Liability, Fire, Burglary, or a Package Policy.



Because safety pays. In fewer accidents and injuries. And in lower premium costs to you.

If you'd like to know more about business insurance from Kemper, and the money it can save you, contact your nearest Kemper Insurance agent, or write Walter R. White, Kemper Insurance, Long Grove, Illinois 60049.

Kemper
INSURANCE
small enough . . . big enough
for every size insurance need

Lumbermens Mutual Casualty Company, American Motorists Insurance Company, American Manufacturers Mutual Insurance Company.



"I run 517 trucks and cars, and I need a quote on fleet insurance in a hurry. How would Allstate handle it?"

We'd ask for an 8:45 a.m. appointment.

When an Allstate Account Executive comes to call, it will pay you to hear him out. He's a pro, who can tell you about the innovations we're bringing to the commercial insurance business.

At Allstate, we're out to become the biggest and best in the commercial insurance field.

We know insurance is as competitive as your business, so we're capitalizing on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. A management that thinks an insurance company's service should bend to suit the customer instead of the other way around. And the largest full-time staff of claims specialists in the business.

And the price? That's right—very competitive.

But don't take our word for all this. When our Account Executive shows up, put him to the test. Ask him to quote.

Allstate®
BUSINESS INSURANCE

Available in most states.