

Urge employers to monitor national health plan

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ASIM officers endorse federal standards for no-fault plans

By RICHARD BJORKLUND

NEW YORK—Newly elected officers of the American Society of Insurance Management have adopted a statement of principles on auto insurance reform that calls for federal standards to be administered by the states.

Edward P. Lalley of Kraftco Corp., ASIM's vp for legislation, told *Business Insurance* that the group will present its views at hearings to be held next month by Sen. Philip A. Hart (D.—Mich.), chairman of the Senate antitrust and monopoly subcommittee.

As ASIM officers announced their position on no-fault auto insurance, Rep. John Moss (D.—Cal.) introduced HR 7514, a National No-Fault Motor-Vehicle Insurance Act that would eliminate the distinction between ordinary passenger vehicles and larger vehicles. The dropping of this distinction is one of the key demands contained in the new ASIM position paper.

In Washington, Transportation Secretary John A. Volpe, in effect, endorsed the ASIM approach to no-fault auto insurance regulation by telling Rep. Moss's subcommittee that he would approve of federal standards for state no-fault laws if the setting of such standards would not mean that the federal government would "in effect" take over regulatory power.

Here are the "basic principles of possible auto insurance reform upon which all ASIM members should be able to agree," as drafted by the organization's officers:

• **DISCRIMINATION** against commercial vehicles should be vigorously resisted whether it comes in the form of "strict liability" provisions as contained in the New York plan; additional

liability based upon vehicle size or weight and commercial character as contained in early federal no-fault proposals, or retention of the tort system to determine ultimate responsibility as contained in the recently announced no-fault plan for Illinois.

• **MANDATORY COVERAGE** on a first-party basis should be part of a no-fault system of auto insurance, and the system should include "an intelligent integration of benefits" from all other coverages that would respond to provide reimbursement for economic loss.

• **PROPERTY DAMAGE** claims should be treated in the same way as bodily injury claims under a no-fault plan. Under the Massachusetts plan and under bills previously considered by Congress, claims for property damage are left as is. "There appears to be no logical reason for this difference in

treatment," the ASIM position paper says. "This difference in treatment can only be complicating. If the principle of no-fault is proper for one, it should be proper for the other," it states.

• **FEDERAL GUIDELINES** with muscle and time limits behind them should be adopted by Congress and administered by the states, the new ASIM officers believe. Their statement says:

"While it is probable that, philosophically, the overwhelming number of ASIM members would prefer the continued regulation of insurance at the state level, the virtual certainty is that many state legislatures are going to attempt to adopt some form of auto insurance reform.

"It is equally certain that there will be little or no consistency among the states in these reform attempts. In view of the absolute-

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First no-fault plan did produce that 'windfall'

By STEPHEN GILKENSON

BOSTON—The Massachusetts no-fault motor vehicle law that went into effect Jan. 1 appears to be living up to advance billing for corporations with substantial fleets on highways in the state. One such company told *Business Insurance* claims involving its fleet of several hundred vehicles were "off two-thirds" in the first four months of the year.

(Other no-fault stories appear on pages 3 and 10.)

Shortly after the measure cleared the legislature here last summer this magazine reported (Aug. 31) that the bill would likely lead to "windfall" savings for companies with fleets. Based on interviews with risk managers and insurers alike and predicated on the fact that the Bay State law does not exempt fleet vehicles from the no-fault concept, that report was greeted with doubt by some.

However, it now looks like initial predictions will bear up. And from more interviews conducted here a week ago emerges a broader picture of what the law means to corporate fleet insureds, and what it might mean for others in the U.S. if it becomes a model.

AT THE MOMENT, though, no-fault has at least one more maneuver to make here before it can settle down and grow old gracefully. That is a court test of its constitutionality, which will be

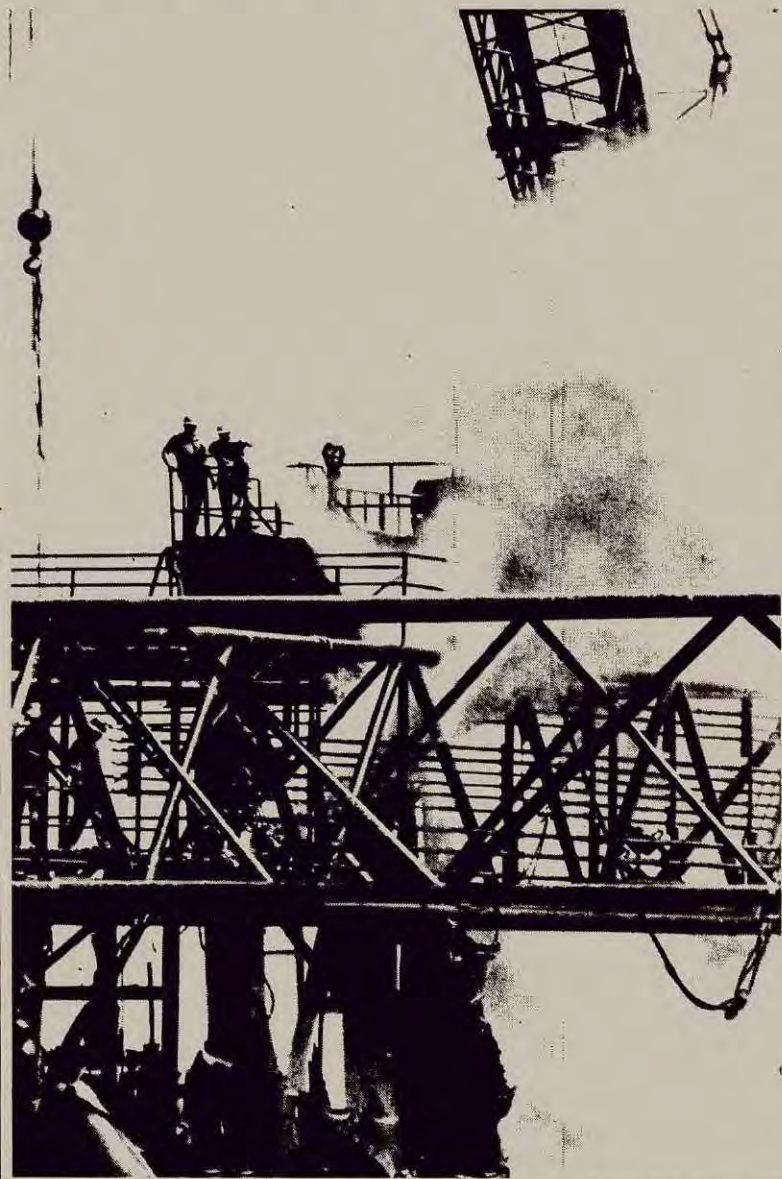
argued May 6. A decision from the state's highest court is expected about a month later.

It is difficult to find anyone who will predict the outcome of that trial, for even the most confident are admitting that the complete lack of any option under the Massachusetts plan does provoke the question of constitutionality. They say, for example, that the law might be more palatable to the judiciary if it contained an option allowing an injured party to waive his first-party benefits and pursue those at fault through the tort system. This would be similar to the option granted under workmen's compensation laws, permitting an injured worker to waive his compensation benefits and stake all on legal redress against his employer.

DESPITE THE doubters, however—and exclusive, perhaps, of trial lawyers, who simply refuse to believe for the time being—there are few persons here who don't seriously agree that auto insurance reform has come to the state and that things will never be the same again.

Under the bare bones of the Massachusetts law, injured parties are compensated for the first \$2,500 of bodily injury losses (including up to \$500 in medical bills and up to \$2,000 in wage loss and "pain and suffering" payments) by their own insurers. If these losses exceed the \$500 or \$2,000

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Red Adair's wild well control specialists sprayed the Shell Oil Co. Gulf of Mexico wells for five days after a 133-day fire and were not able to cap them until April 16. Two Shell employees injured when the fire began last Dec. 1 were fully covered for hospitalization and lost earnings through the company's self-insured workmen's compensation fund. Damage to the platform and equipment was covered by Lloyd's of London. Four employees of Storm Drilling Co., Houston, who were killed were covered by life insurance placed through Adams & Porter. Damage to two of Storm's drilling rigs and related equipment was covered by insurance split between the domestic and foreign markets.

—Wide World photo

Orders barber fund patch up

INDIANAPOLIS—Judge William E. Steckler of the U.S. district court here has approved a plan to resolve the unsound actuarial condition of the Barbers, Beauticians and Allied Industries Pension Plan.

Under Judge Steckler's ruling, the fund is to be monitored by former U.S. Sen. Homer Capehart (R.—Ind.) until members of the plan determine its future. Meanwhile, the actuarial firm of Coates, Herfurth and Englund of San Francisco will complete an analysis of the plan and suggest changes to make the plan actuarially sound.

When the plan has been formulated it will be submitted for approval to Wisconsin Insurance

Commissioner S. C. DuRose before it is submitted to the membership for acceptance or rejection and dissolution of the plan.

COMMISSIONER DuRose must approve the reorganization because Wisconsin is the only state with a statute that establishes fiduciary standards and actuarial status regulation over pension funds. Therefore, the interests of Wisconsin members of the union pension fund were protected in federal court here by Wisconsin Asst. Atty. Gen. John E. Armstrong.

Commissioner DuRose said that the fund was operated under some "unrealistic" actuarial assump-

tions. He told *Business Insurance* that the fund relied upon an annual growth of 11%, a figure far above the actual return to the fund which had "improvident investment policies," according to Mr. Armstrong. Wisconsin officials also pointed out that most barbers active today are "old men" who will make early demands on the fund.

Joseph N. DePaola, president of the barbers' union, and Thomas A. Shaheen, "investment advisor" to the pension fund, were indicted in February on charges of kickbacks on loans made by the fund (*Business Insurance*, March 1, 1971).

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First no-fault plan did produce that 'windfall'

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thresholds the fault system applies. (Thus, the purists say, the law is not true no-fault but a combination of no-fault and tort liability.) Property damage claims, however, are not affected by the bill. In accidents involving two passenger cars, for example, the injured parties would recover from the insurer of the car in which they were riding. The owner of the vehicle would recover property damage claims beyond his deductible from his own insurer, but the insurer may then subrogate against the other insurer on the property claim if he felt his insured was not at fault.

WHILE PROPERTY damage coverage has not been affected by

the law, some insurers are claiming claims have risen dramatically in the past four months and are attributing this to the fact that injured parties are now trying to recover under property losses. In the meantime there have been marked changes on the third-party liability end. Quite simply, there has been a dearth of claims. For example, one underwriter in the Boston office of a very substantial U.S. insurance company, while admittedly not a major auto insurer in the commonwealth, told *Business Insurance* that his office has not had "one . . . not one" bodily injury claim filed against it since Jan. 1. He did say that property damage claims against his company had risen 200%.

Skeptics here discount the lack of liability claims by saying the reason is that attorneys are sitting on them awaiting the outcome of the court test next month and in the meantime their clients are accumulating larger medical bills that could put them over the \$2,000 threshold.

Others believe otherwise. Michael S. Dukakis, an attorney and former state legislator who introduced the first no-fault bill here in 1967 and who has since become the commonwealth's most outspoken proponent of insurance reform, is one of these.

At a meeting of the Massachusetts Insurance Buyers Assn. Mr. Dukakis declared that he is confident the state has "hurdled the psychological barrier." The citizens of the state, he said, have accepted the law, approve of it and, while the tort system of providing pain and suffering dollars for minor injuries "was good while it lasted," they now realize "the party is over."

RISK MANAGERS for corporations operating fleets never did have to hurdle that barrier, since their firms were most often on the giving end in accident cases, but this is not to say they faced the new law last Jan. 1 without anticipation.

Several queried as to how no-fault has affected their companies

did agree that there was a dearth of small claims.

"It used to be that everyone who was hit by a bread truck wanted to own the bakery," said one. He did admit, however, that he is not sure just how many claims might be being held by lawyers until the May legal battle is settled.

That pending test, incidentally, as well as the relatively short three or four months under the measure, has made fleet insureds here somewhat reluctant to talk about their experience. One senses that they are like a person who finds a sum of money and doesn't want to tell anybody for fear the person who lost it will come forward.

ONE SUCH FIRM that has a rather substantial fleet operating in Massachusetts told *Business Insurance* they had noticed "claims are off two-thirds" since the first of the year. Smaller claims for bodily injury have virtually been eliminated under the law.

The firm, like most with fleets its size, is substantially self-insured for such losses. While awaiting the outcome of the court test the company is continuing to set aside reserves and is preparing for some eventual property damage claims under subrogation. "While we don't have the claims and are not spending the dough, I suspect some of these (property damage) claims will come back to us in eight or ten months," a company source said.

Similar sentiment prevails at other companies that have fleet vehicles, although the extent of claim reductions seems directly related to the size of the fleets involved. Small fleets, for example, are not as aware of claim reductions as are the larger fleet owners.

Barbers . . .

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Once the reorganization of the pension fund has been approved by the Wisconsin insurance department, members of the union will vote on how to use the \$20 million fund. An independent agency will mail ballots directly to members' homes to assure an honest expression of views.

Commissioner DuRose said that at his request the National Assn. of Insurance Commissioners has established a committee to develop a model state law to regulate employee welfare and pension funds. A similar proposal for a federal control law is pending before a committee of the U.S. House of Representative. ■

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Similarly, it is also the self-insured fleet that is experiencing the greatest saving.

UNDER NO-FAULT, conventional liability insurance rates dropped automatically by 15% when the new law went into effect Jan. 1. Insureds, however, actually enjoyed savings somewhat less than that because other coverages (comprehensive and collision, for instance) inflated at the same time.

One person close to a corporate self-insured fleet, however, said, based on his company's experience in the past four months, he felt liability rates should have been reduced 60%. He did admit that only time and experience will produce the most accurate actuarial statistics, but insisted that the 15% reduction in January was far too modest.

The same person also said that some auto insurers in Massachusetts may be making attempts to protect their present rate structures.

"I hear through the grapevine that some companies writing in Massachusetts are opening files on every potential claim. That is," he explained, "even for the most minor accidents they are setting up a small reserve and sending an adjuster out to take a statement." Insurers, of course, deny

they are doing anything any differently.

IF THE NO-FAULT law is upheld next month the insurers will finish up the year "with an enormous pot of money," said Mr. Dukakis, in which case he believes there should be some "modest refund of premiums" to insureds. He has asked C. Eugene Farnum, insurance commissioner, to put companies on notice to this effect.

If the no-fault law is not upheld, if it is declared unconstitutional, Mr. Dukakis and many others feel it will be because of a technicality that may be remedied. An amendment to the law, such as an allowance for the injured party to file an affidavit waiving his first-party benefits as he may (but rarely does) under workmen's compensation, might make the measure more palatable to the courts. Legislative observers believe such an amendment could make its way routinely through the state house.

Mr. Dukakis, who was a law student of Prof. Robert E. Keeton of Keeton-O'Connell note when he was at Harvard law school, says he will push for no-fault property damage legislation next. Such a bill has been filed in the legislature and he is "fairly confident" it will pass this session. ■

ASIM . . .

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ly chaotic conditions which this probable course of action envisions, a condition which will fall heavily upon the corporate (interstate) auto user or owner, make it virtually a necessity for his own enlightened self-interest to require the corporate, interstate auto user to support, as a minimum, some form of federal guideline legislation which would have the effect of standardizing the auto insurance law among the several states," the statement concludes.

This four-point program, the first definitive statement by ASIM on auto insurance reform, will be submitted by the officers to the first board of directors meeting called by Douglas A. Barlow of Massey-Ferguson Ltd., ASIM president.

Mr. Lalley said that the position taken by the officers is consonant with the results of a membership survey on no-fault auto insurance taken early this year by ASIM and announced by former president Rollyn L. Storey at the group's national conference in San Francisco in February.

THOUGH ONLY 299 of 1,910 ASIM members responded to the survey, the results indicated the membership favors the principle of no-fault insurance but strongly opposes absolute liability for commercial vehicles.

As reported in Risk Management, the society's publication, the survey found that ASIM members are divided almost evenly on the question of retaining the tort law liability system. They clearly support comparative negligence, compulsory insurance and generally high limits for the no-fault portion of any plan that may be adopted.

ASIM survey respondents would compensate auto victims for wage loss up to two-thirds, or 70% of wages, up to \$1,000 per month. They indicated a preference for a monetary limit of

about \$5,000 for cases to be settled by compulsory arbitration.

Sources close to ASIM indicated that the society's officers took affirmative action on no-fault auto insurance after a "rump group" of past and present ASIM leaders indicated that they would act on their own to protect their companies' interests unless the society took a stand. Both Sen. Hart and Rep. Moss invited the "rump group" to testify before their hearings on no-fault auto insurance.

MR. LALLEY, an advocate of clear legislative stands, said that he believed no-fault auto insurance to be the most important insurance issue to be decided since the country debated about the beginnings of workmen's compensation early in this century.

"We are supposed to be the experts," he challenged, "and it would be ridiculous for us to stand by silently while our corporations' interests are being affected by the testimony of others. Auto insurance is of such great importance that we will have missed a great opportunity if we don't take a stand.

"Let's protect the interests of our stockholders" Mr. Lalley said, "and that means we've got to support a federal standard which is the only standard that can effectively apply to auto insurance."

Mr. Lalley added that he believes the federal government should come up with a model bill with uniform standards that would go beyond the vague "guidelines" presented by Transportation Secretary John A. Volpe in his Congressional testimony on the results of his department's DOT auto insurance study.

This model bill could be imposed on the states by giving state legislatures a time limit for adoption of the model bill. Presumably the federal government could withhold highway funds from those states that did not conform to the federal auto insurance standards within a given period of time. ■

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Regulators cook up their own no-fault plans

NEW YORK—Insurance regulators in several key states still have highly divergent views on the subject of no-fault automobile insurance—even after Washington has told them no-fault is, in effect, their baby and they should get behind the carriage and push.

This is the consensus of a *Business Insurance* survey in which the regulators were asked their reactions to Secretary of Transportation John A. Volpe's comments on the subject, whether they held any surprises for them, what their states were doing about it and how they feel fleet insureds should be treated if no-fault becomes a reality.

The two-year, \$2 million Department of Transportation (DOT) study Secretary Volpe neatly wrapped up one afternoon last month told the states that some form of no-fault insurance is the answer to the auto insurance problem and that the states should begin experimenting to find out exactly what form is best (*Business Insurance*, March 29).

TO BE SURE, insurance commissioners in the various states hold to the states rights doctrine. This is understandable of course, for their very existence depends upon such politics. It is, therefore, highly unlikely that you'll find an insurance regulator shocked or saddened by the conclusions of the DOT study. Nor are there commissioners who'll admit, even privately, that the inconclusiveness of DOT's conclusions harks of a cop-out by a Washington that has been swayed by a powerful insurance lobby.

Commissioners do say, however, that the material gleaned during the two-year inquiry will be invaluable. Some regulators already have no-fault plans waiting in the wings; others are working on such plans. Some (including a former trial lawyer) say they are still not convinced no-fault is the answer to the problem. In one state, of course, there is already a no-fault law on the books; and the talk out of the Massachusetts insurance department these days is mostly optimistic. (See story on page 10.)

But the question that seems to be of most import to corporate insurance consumers is how should commercial vehicles be treated under the many "experimental" no-fault plans DOT feels should be drawn up? This query still appears to have four answers: (1) They should be treated just as private passenger vehicles, as in Massachusetts; (2) They should be exempted from no-fault and held absolutely liable for third-party damages, as in the plan the New York insurance department has curing in Albany; (3) One of the above; (4) Not sure.

Whatever the separate states decide upon it is likely to provide one thing: confusion for corporate risk managers who have fleets engaged in interstate commerce.

Here, in capsule form, are comments of regulators on the subject:

• **PAUL ALTERMATT**, Connecticut insurance commissioner, supports a legislative package promulgated by the Connecticut Bar Assn. that would postpone auto insurance reform pending a complete, in-depth study of the entire situation. While in "general agreement with the proposals and guidelines" revealed in the DOT study, Mr. Altermatt is not eager to "send up any trial balloons."

"He (Sec. Volpe) concedes in his report that results of no-fault

are unknown—or 'unknowable,' as he puts it—at this time. We have no reason to hasten to enact legislation that will only be putting bandages on a problem that may require major surgery." Commissioner Altermatt did express disappointment that DOT did not come up with any model no-fault plans the states could study and perhaps act on and expressed the feeling that, if enacted by the states, no-fault laws should not vary greatly from state to state.

On the subject of how fleets should be treated, he was the most uncertain of the regulators queried. "I'm not sure at this point," he said.

• **HERBERT S. DENENBERG**, Pennsylvania insurance commissioner, has long been an outspoken proponent of no-fault legisla-

tion. He helped write such a plan that has been in effect for more than a year in Puerto Rico.

Commissioner Denenberg seems to feel that the research material provided by the DOT study will be invaluable to the states. And, now that he is on the other side of the political coin (he was for-



spotlight report

merly an insurance professor at the University of Pennsylvania), is not the least bit disappointed that DOT is leaving the no-fault problem up to the states.

"I think a lot of people were looking for a model plan from the federal government. The only peo-

ple I know who might be disturbed wanted a federal plan to begin with," he said.

His own insurance department, Commissioner Denenberg said, is presently at work on a no-fault plan for Pennsylvania which will be submitted to the legislature through the governor's office. He would not give a timetable other than to say it would be "within a matter of months" and did say "certain principles will be borrowed from the Puerto Rican plan" he helped draft. Pressed on how it might treat fleet vehicles, he commented:

"There is something to be said for making fleet owners absolutely liable under no-fault. There are, in fact, some very compelling arguments to do this," he said, mentioning as one that fleet owners are better able to control the

use and abuse of their vehicles. The proposal his department draws up, he admitted, would likely hold commercial fleets absolutely liable.

• **ROBERT L. CLIFFORD**, New Jersey commissioner of insurance, is still not sure no-fault is the solution. "First of all, you have to remember that I came in as insurance commissioner as an outspoken advocate of reforms made within the system. It's always been my feeling that you don't throw out the baby with the bathwater," he said, citing a rather aged cliché. Mr. Clifford was a trial lawyer before being appointed by a new administration last fall.

"I recognize there is a problem—perhaps even a social problem—but I think it can be solved within the framework of the

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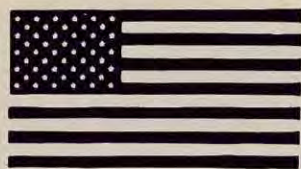
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washington watch

New FDA safety bureau will record consumers' injuries electronically

WASHINGTON—If all goes according to federal plans, manufacturers soon will no longer have to wait for product liability suits to be filed against them to know which of their products are injuring people.

A nationwide electronic system to provide overnight reporting of personal product-related injuries treated in hospital emergency rooms is scheduled to be inaugu-

rated in July by the newly-established bureau of product safety within the Food and Drug Administration (FDA). The system, to be called National Electronic Injury Surveillance System (NEISS), will report injuries occurring in 350 categories of household products including appliances, home workshop tools, recreational equipment and toys.

It is described by FDA as a

"dramatic step forward" in the government's efforts to reduce product-related injuries and deaths.

WHEN FULLY operative, NEISS will collect data on approximately 720,000 emergency room cases each year. Of these, FDA says some 9,000 cases will be selected for "immediate, in-depth field investigation."

Injuries will be reported daily by hospital personnel using teletype equipment. During the night, a computer will "call" each terminal, collecting and sorting data for presentation on the following morning. FDA says it hopes eventually to expand the system to include not only emergency rooms, but also hospital in-patient and physicians' office treatment.

Malcom W. Jensen is director of the new bureau of product safety, which previously had been an office in the bureau of foods. According to FDA, the establishment of a separate product safety bureau will enable the agency to better carry out responsibilities under the federal hazardous substances act, the toy safety act, the flammable fabrics act and the child protection and toy safety act.

Another recent FDA move to improve consumer protection was the establishment of a national

center for toxicological research at the Army's controversial biological warfare plant at Pine Bluff arsenal.

DEMILITARIZATION of the biological warfare unit is expected to take 48 weeks, but eventually the facility will provide a national resource for projecting, through animal studies, the effects on man of an increasing array of chemicals in his environment.

FDA Commissioner Charles Edwards said research activities at the center will "not interfere or compete with the considerable contributions of private laboratories, nor will it relieve manufacturers of their responsibilities for assuring safety of their own products."

FDA will administer the facility, but the environmental protection agency and a number of other government agencies will utilize the center for assessing potential health hazards from chemicals in foods and drugs and from environmental sources, FDA said.

* * *

A BLUE RIBBON advisory council established in May, 1969, to review the status of Social Security cash benefits and health insurance programs has recommended that benefits currently provided the disabled under Social Security be strongly improved and that Medicare be added to the package.

The council, whose recommendations are certain to get close Congressional consideration, said it realized that if Medicare protection is extended to Social Security disability beneficiaries there will be instances in which private health insurance protection for the disabled overlaps the federal coverage. However, it said, "previous experience under Medicare for the aged indicates that private plans will find it possible to provide the disabled with the same kind of complementary insurance protection that they now offer to aged Medicare beneficiaries.

"Employers also could find it more feasible to continue health protection for employes who become disabled if, instead of having the whole job to do, they could build on the Medicare protection furnished under Social Security," the council noted.

The council said the high cost of extending Medicare to Social Security disability beneficiaries has, in the past, stood in the way of such a plan. It added that a "complicating factor" has been that the supplemental medical insurance program, Part B of Medicare, is voluntary and financed in part by premiums.

IF THE PREMIUM for supplementary medical insurance for the disabled were to be made equal to half the cost of their protection, the monthly premium rate would be about \$16.80 compared to \$5.60 per month the aged will be paying in July, 1971, the council said.

Both the cost factor and the problem created by the voluntary aspects of Medicare could be solved by revamping the entire system, the council added.

It suggested combining parts A and B of Medicare, thus eliminating the Part B monthly premium, and paying for the new combined package via a one-third contribution by employes, another third by employers and the rest from general tax revenues. To help limit the cost of providing Medicare coverage to the disabled, the council recommended that protection not be extended to the dependents of Social Security beneficiaries.

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You see, through handling the accounts of our giant clients we've learned something about all our clients.

We know the need for PROFESSIONAL INSURANCE advice isn't limited by a company's size. We know the companies in the forgotten 4,500 require the same degree of expertise and skill that the Fortune 500 do. They find it at PAIGE.

PAIGE is a major insurance brokerage firm. We got big in this business by paying attention to small details. And we plan to get even bigger. By growing even better.

PAIGE. The big insurance broker that stayed small.

PAIGE

Touchy Question #103

What should your workmen's compensation insurer be telling you, and when, about what they're doing with your claims?

Everything worth knowing. As soon as it's knowable.

We believe that to write a compensation policy is to create a partnership. The primary objective of the undertaking is to avoid suffering and death. Carrier and customer should regard themselves as joint venturers in the continuous application of effective loss controls.

No partnership can succeed if either partner is kept in the dark about what the other is doing, and why. The risk manager has as much right to be informed about claims handling as the insurer has to be informed about the operations and exposures.

This doesn't mean that either should drown the other in a sea of useless paper. The insurance buyer who insists on monthly or quarterly tabulations of current losses is not only running up a bill which in the long run he'll have to help pay. He risks overlooking really significant points that get buried in the clutter of trivia.

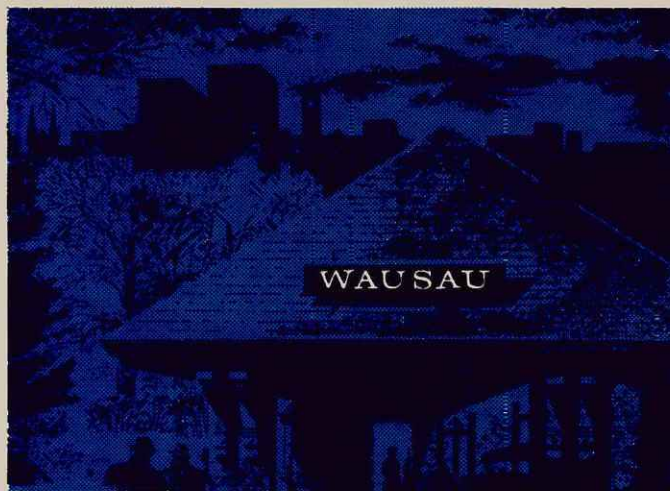
To make sure that he sees *only* what matters but *all* of that, the experienced risk manager relies on the proven precept of "the vital few,"

concentrating on the relatively infrequent, but extremely costly, losses whose impact on his rate structure far outweighs the numerous run-of-the-mill cases. In their early stages, what he wants is not guesses as to what these big claims will ultimately cost, but factual analyses of accident causes and solidly-grounded safety controls to prevent their recurrence.

Eighteen months after policy inception, when cases go into the unit reports for rate-making purposes, he turns his attention to open files reserved on a judgment basis. He reviews, personally with his insurance company's claim manager, any of these big enough substantially to affect his future premiums.

Whether he is dealing with the safety consultant or with the claims representative, the experienced risk manager knows that if he is to give proper attention to the losses that really matter, he can't waste time on those that don't.

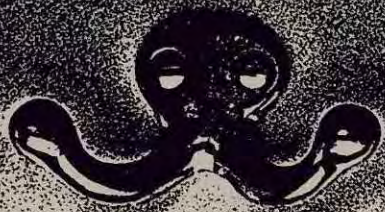
We're not just looking for customers. We're looking for *partners*. If you want someone to *share* the project of getting your workmen's compensation costs down and keeping them there, maybe you're looking for us.



Employers Insurance of Wausau

**We think insurance
ought to work for
a living.**

When you go looking



For bonds, don't forget a hat

You know we write a lot of insurance. You may forget sometimes that we also write a lot of bonds. Employee fidelity bonds. Contract bonds. Fiduciary bonds. License bonds. Public official bonds. You-name-it bonds. Our Fidelity & Surety Department is one of the biggest

in the business. And we've been in the business for more than 75 years, come hell or high risk.

We back our bonds with \$1.7 billion in assets. And we service them with 50 handily located offices around the country.

With all that going for us, you can figure the

price will be right. And our proposal sound. And prompt. (We have a thing about promptness because we know you do.)

So next time you're in the market for bonds, it's just using your head to remember the hat.

Checking bonds? Always check the hat.



FIREMAN'S FUND AMERICAN INSURANCE COMPANIES
HOME OFFICE: SAN FRANCISCO, CALIFORNIA



Aetna to write program

Connecticut doctors can soon buy property, liability cover package

HARTFORD—The 4,000 members of the Connecticut State Medical Society (CSMS) will be able to purchase a "package" of professional liability and property insurance by the fall of this year, *Business Insurance* has learned.

The package, which will be underwritten by Aetna Life & Casualty, includes high-limit malpractice coverage, office liability and property and equipment coverage.

The plan is similar to one arranged almost a year ago to the day by the Hartford Insurance Group for members of the Los Angeles County Medical Assn. That program provides for a

standard \$100,000 of coverage for each doctor named on a master policy. Excess layers up to \$5 million are written on an optional basis under that plan.

Dr. J.A. Fabro, chairman of the Connecticut medical group's professional liability committee, said that the program has become very important to physicians in the state because of skyrocketing malpractice insurance costs. Premiums, he said, have risen 100% in each of the past two years.

ACCORDING TO the Connecticut doctor, the proposal presently worked out between this committee and Aetna contains two im-

portant provisions. One, he said, is that it emphasizes the necessity of a peer review committee. The other is that the contract period would run for five years.

"The peer review committee is especially important," Dr. Fabro said, noting that under the concept a committee would be made up of fellow physicians who would act on fee complaints, judge ethical conduct, evaluate the diagnostic, medical and surgical procedures used in a case and take disciplinary action if necessary.

"Almost as important," he added, "is the five-year contract. Doctors in this state would not

have to worry from year to year whether they would have malpractice coverage the following year."

Aetna, according to the physician, now writes "more than one-half" the malpractice coverage on Connecticut doctors. This, along with the fact that it is a Connecticut-based company and willing to cooperate with the medical group on things like loss control, is one reason the society first approached the company for relief.

"We did not go into this solely with premium cost savings in mind," Dr. Fabro said. "Naturally, we hope we may be able to recover some of that 200% jump in premiums of the past two years. But most of all we are looking for a program that might present some solutions to the national malpractice problem." He emphasized that cooperation between the doctors and the insurer is most important to the success of such a program. ■

Cable car employe injuries rise

SAN FRANCISCO—This city's Municipal Railway self-insurance funds currently are being drained \$4.5 million a year by a rapid increase in industrial accidents involving the system's employes. Both management and the union, that represents the conductors, motormen and gripmen on the famed little cable cars, have asked for a speedup in the present system of medically checking accident claims.

"It seems very strange," said John D. Crowley, general manager of the utility system, "that our employe injuries have doubled during the same years that the number of collisions involving Muni vehicles has decreased. "Our industrial accident rate," Mr. Crowley added, "is now more than three times the national average for transit systems. We must do something to change this situation."

Mr. Crowley, a former Army general who took over the utilities system, of which the Muni Railway is a part, only last November, has called for meetings with Dr. Francis J. Curry, San Francisco director of public health. The two plan to review the adequacy of medical services for industrial accident claims at San Francisco General Hospital.

MR. CROWLEY wants Dr. Curry to speed up the medical process in dealing with Muni industrial accident claims and he also is considering employment of private physicians to do the job. The Transport Workers Union, which represents the Muni's 1,800 conductors and motormen, said "some of our men are off on disability pay because they can't get diagnosis or treatment at the city run hospital.

"Our men do not lose money while they wait," explained Leonard Airriess, international representative for the Union, "but we don't like the system anyway."

Muni employes enjoy the most liberal industrial accident benefits of all city government workers. They are paid full salary from the moment of an accident to the moment they return to work. Other city workers do not receive benefits until eight days following the date of their injury. Then they receive only 75% of their regular pay.

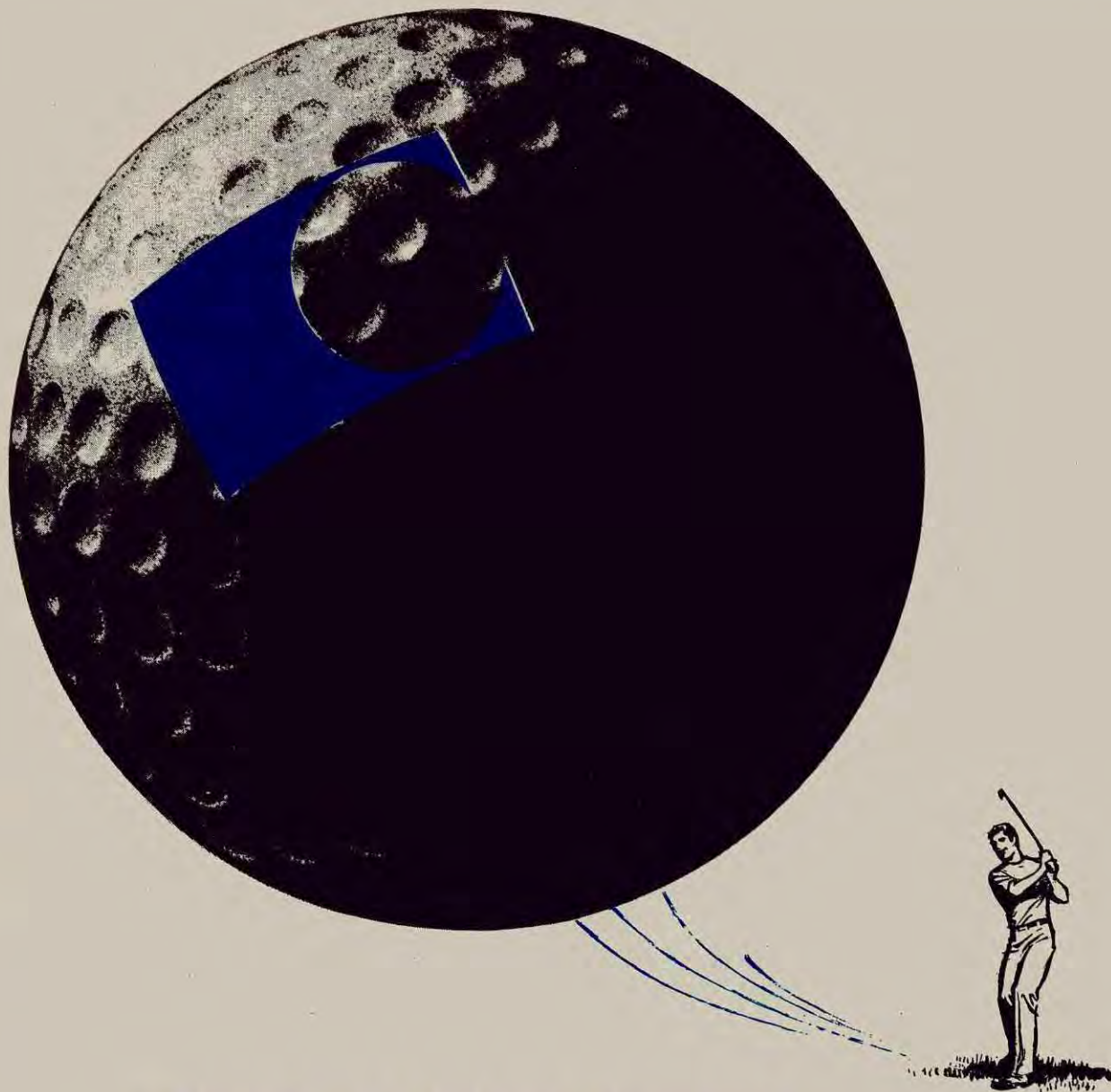
In New York City, which has a similar system and provisions, transit officials finally hired their own physicians to "bring the misuse of industrial accident claims" under control.

Time loss injuries in San Francisco's Municipal Railway system have increased from 282 in 1967 to 687 in 1970. The total burden of the city's unique fringe benefit program for the Muni workers, totaling \$6.3 million a year, falls on property owners.

While most other city employes contribute from nine to ten percent of their gross pay to retirement and health insurance programs, the contribution from Muni workers is refunded totally to them by virtue of their fringe benefit program. ■

Bill to cut suit time

The Oregon senate has passed a bill to shorten the time period in which an injured patient can bring suit against a physician. SB 43 followed malpractice insurance rate hikes and cancellation of the entire Oregon Medical Assn. group coverage plan 18 months ago.



Check our follow through. If you are not getting the proper distance out of your ball perhaps it's your follow through, but don't take our word for it — see a pro. And it's the same with insurance — if you want to be sure you won't be wiped out by a high liability claim see a pro, an independent insurance agent. Chances are he will recommend a Chubb Personal Excess policy. It provides broad catastrophe coverage of a million or more above your regular liability limits at a very reasonable cost.

We offer a quality service that meets both personal and business requirements. When it comes to getting proper protection, check our follow through.



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Underwriter and manager of a group of property and casualty insurance companies. 90 John Street, New York, N.Y. 10038. Branch offices throughout the United States and Canada.

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 • Affiliated with Pacific Indemnity Group through The Chubb Corporation • Life, Personal Health, Group Insurance, Pension and Profit Sharing Plans through The Colonial Life Insurance Company of America • Aviation Insurance through Associated Aviation Underwriters.

Cargo theft organization worldwide

LONDON—There is evidence of a growing organization in more than one country aimed at stealing container loads of cigarets, liquor, and other valuable and easily saleable goods.

This is the opinion of the United Kingdom Mutual Steamship Assurance Assn. (Bermuda) Ltd. in its latest report on cargo insurance to its members. The report declares: "It is plain the hijacking risk is one that must seriously be considered by those interested in the insurance of cargo in transit, both as regards the docks and inland transit. Adequate security is essential."

It also deals with claims against shipowners for damaged steel imports, and says they arise more frequently from the U.S. against ocean carriers than from any other part of the world. This is because steel trading is subject to a buyers' market and competition is intense. So any steel delivered damaged or blemished will almost certainly be the subject of a claim.

THE REPORT comments: "Steel 'middlemen' are extremely claims conscious, and an aggressive attitude may be expected toward carriers for any damage for which they can possibly be held responsible.

"Indeed, if the cargo is discharged in anything other than the condition described in the bills of lading, then claims can be expected. Steel is a commodity that for many years has given rise to extensive claims, particularly in the U.S., both for handling damage and rust damage."

The report deals with a variety of cargo problems. As far as steel is concerned it is based largely on information from the association's surveyor in Antwerp, and deals with loading and stowage methods, and clauses that should be inserted in bills of lading.

It points out that a merchant may have ordered coils of 44 inch width, knowing he has buyers for coils of 20 and 24 inch widths. If they arrive with their edges crimped or cut, he cannot cut them to the required sizes. If he orders beams in 40 feet lengths, knowing he has a market for 10 feet and 20 feet beams, it is no good having material that is not readily marketable on his hands.

The report is published by Thomas R. Miller and Son, of St. Mary Axe, London, E.C. 3., London agents for the association's managers, for \$1. ■

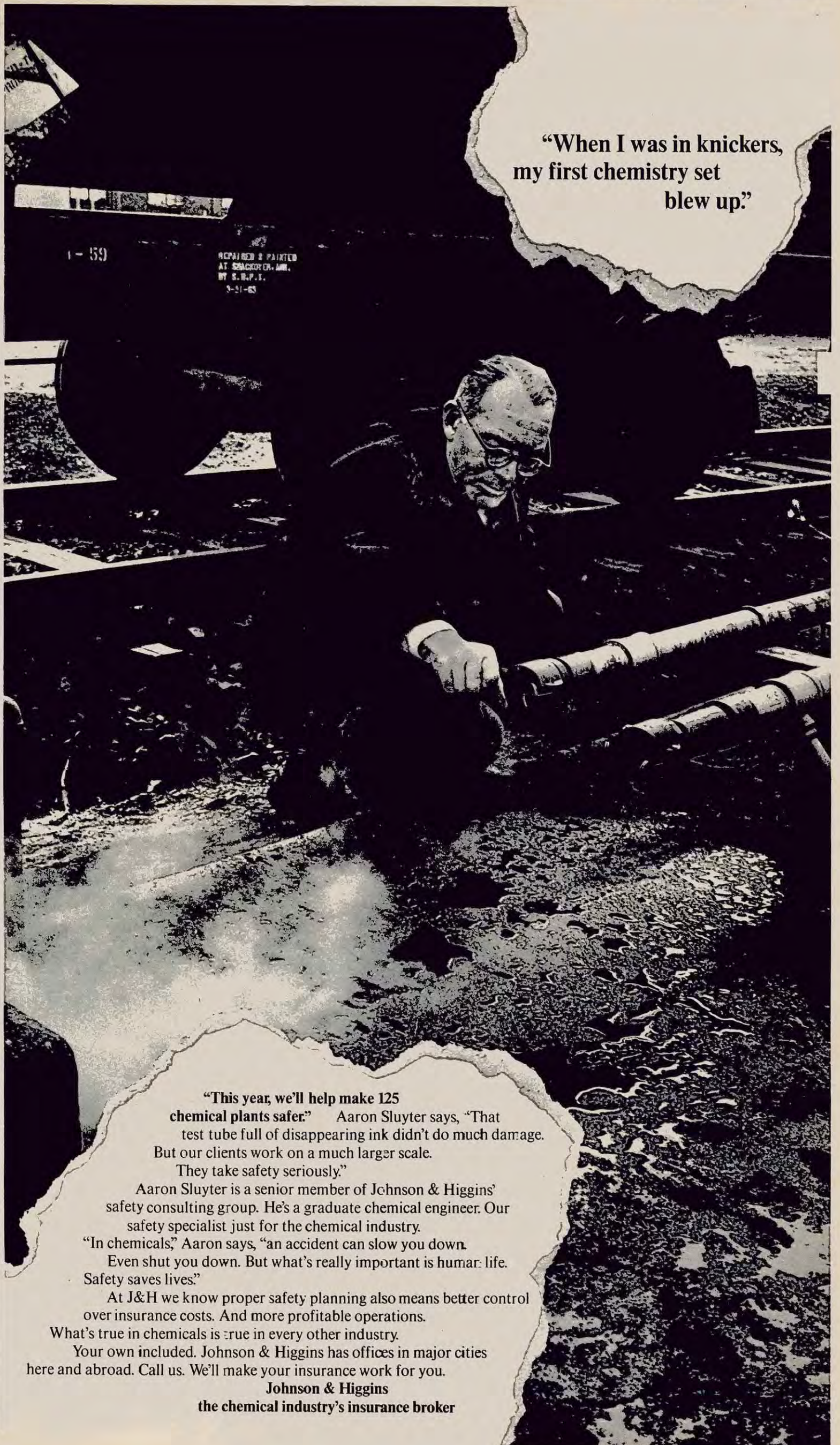
Pension measure is introduced

HARTFORD—Perennial efforts to get a pension for Connecticut legislators are under way again.

Rep. Victor Tudan, Windsor Democrat, has filed a proposed measure in the current legislative session to give legislators with 10 years' service, at the age of 60, a \$10-a-month pension for each year in the legislature. In effect, the minimum pension would be \$60 a month, once the law-maker reached age 60.

In the past, pension bills have caused considerable controversy, but have never gained sufficient support.

Mr. Tudan's bill calls for member contributions of 5% of the legislator's salary. ■



"When I was in knickers, my first chemistry set blew up?"

"This year, we'll help make 125 chemical plants safer," Aaron Sluyter says, "That test tube full of disappearing ink didn't do much damage. But our clients work on a much larger scale. They take safety seriously."

Aaron Sluyter is a senior member of Johnson & Higgins' safety consulting group. He's a graduate chemical engineer. Our safety specialist just for the chemical industry. "In chemicals," Aaron says, "an accident can slow you down. Even shut you down. But what's really important is human life. Safety saves lives."

At J&H we know proper safety planning also means better control over insurance costs. And more profitable operations.

What's true in chemicals is true in every other industry.

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 chemical industry's insurance broker

Farnum ecstatic over early results of Massachusetts no-fault program

BOSTON—Here in the state of Massachusetts, where everything had its beginning almost 200 years ago, no-fault automobile insurance, or a concept as close to the breed as you can find, has weathered its first 100 days.

Bostonians are not known for enthusiastic overreactions, but Commissioner of Insurance C. Eugene Farnum dropped his guard the other day when asked for a summation of those first three months. "Excellent, extraordinary, incredible, unbelievable," he replied, unabashedly.

The law that took effect here

Jan. 1 provides no-fault coverage for losses up to \$2,000 while retaining the liability concept for higher losses. Losses include medical bills and lost earnings lumped together. Under the plan, injured parties recover the first \$2,000 of expenses from their own insurers. Exempted from this are employees injured while driving company-owned vehicles. They recover first under workmen's compensation. Fleet operators, however, are also held harmless when losses are less than \$2,000 in collisions involving their vehicles and private passenger cars.

"THE MOST important thing we've done here," Commissioner Farnum told *Business Insurance*,

"is that we've attacked the real problem: We've knocked out thousands of nuisance claims."

The Massachusetts law, however, has one major hurdle to overcome. A challenge to its constitutionality is to be heard in the state supreme court the week of May 6. A decision on the matter



spotlight report

is expected to be rendered sometime early in June. Some observers say "thousands" of claims are possibly being held up by lawyers pending the outcome.

Asked if he could anticipate the results of that decision, Commissioner Farnum responded: "One-half of my friends are for it and the other half are against it. I believe my friends. Seriously," he added, "it could go either way, but I am confident no-fault is working here and will continue to work." He did say that trial lawyers were still providing the biggest opposition to the measure.

The first-party reparation system will continue to spread, albeit slowly, throughout the country, Commissioner Farnum believes. And he is not at all concerned that the laws may vary from state to state. Might this lead to mass interstate confusion?

"This is pure conjecture on my part," he replied, "but I think this may be one thing the (Sen. Philip A.) Hart committee might address itself to—setting some sort of guidelines that may be followed when accidents occur during interstate travel." ■

Association seeks organ donations

SAN FRANCISCO—Members of the Life Underwriters Assn. here began a citywide campaign to find more people willing to donate their organs for transplants after their death.

Mervyn R. Dowd Jr., president of the group, said all members will "try to interest their insurance clients in a donor card, so if the card carrier is killed in an accident, the card will explain that he wanted to give some or all of his organs.

"To date," Mr. Dowd said, "younger people have proved to be much more receptive to the campaign than their elders."

The association is concentrating on kidney transplants.

No-fault . . .

Continued from page 3 present system," he said. However, he admitted that if no-fault is adopted by the states he is of the inclination it should be done with some federal or common guidelines.

"We're in limbo here in New Jersey. A commission has been studying the problem since last fall and I don't want to jump off the deep end until they come up with a report."

On absolute liability for commercial vehicles: "It makes no sense to me. No sense whatsoever." He added that the argument that fleet insureds are better able to pass on costs of insurance to consumers is also illogical. "You know who pays in the long run. Besides," he added, "it also disregards what I've always considered the basic element of fairness."

JAMES BAYLOR, insurance director in Illinois, said he "very much approves" of DOT Sec. Volpe's approach to the no-fault auto insurance tangle. "It was just accidental that we in Illinois came out with our program right on the heels of Sec. Volpe's call for experimentation by the states," Mr. Baylor said.

"We feel that the Illinois plan, with its provisions for medical payments and substantial wage replacement, meets the Department of Transportation's standards in one way or another," the insurance director asserted. "We have had a generally good reaction to our plan, though some has been negative from those who feel we didn't go far enough and those, like the plaintiffs' lawyers, who feel we went too far."

WILLIAM Y. McCASKILL, Missouri's insurance superintendent, said he approves of Sec. Volpe's position that gives the states an opportunity to act for themselves "so that we'll have a state, rather than a federal, approach to no-fault auto insurance."

Supt. McCaskill added that his department did not sponsor a no-fault proposal in the current session of the Missouri legislature. "We gave first priority to gaining legislation in the solvency area to convince Sen. Warren Magnuson (D.—Wash.) that we are eager to take care of this problem in the states," he said. Two no-fault bills are expected to die in the legislative hopper this year, but Supt. McCaskill confidently expects action on the matter in the 1972 session.

BENJAMIN R. SCHENCK, New York superintendent of insurance, said "That's a tough one" when asked if the DOT conclusions surprised him and never did get around to answering the question directly.

Asked if he had expected a

Continued on page 41

You sell policies to
...and you're in the best spot to
driving habits...about drink 'ng
...and about why car insurance
Talk to them--before t'ey



Loss prevention, insurance experts join faculty of computer workshop

CHICAGO—Nationally known experts on insurance and loss prevention for computers will be panelists and speakers at the computer workshop organized by *Business Insurance* and *Computerworld*.

Here are some of the faculty members for the one-day workshop to be held Monday, June 14, in Chicago's Pick Congress hotel:

- Gordon M. Paine, assistant secretary, St. Paul Fire & Marine Insurance Co., computer liability insurance including errors and omissions coverage.

- Rolf H. Jensen, chairman and professor, fire protection engineering department, Illinois Institute of Technology, on computer fire protection.

- Warren G. Brockmeier, director-western region, risk management department, Ebasco Services Inc., on fire protection and computer risk management.

- Fred Zeleny, chief engineer, Western regional office, Factory Insurance Assn., on computer fire protection.

- Dr. Robert Wiper, industrial psychologist, on care and feeding of computer room employes.

- Herbert T. Walworth, manager, special technical services, Kemper Insurance Cos., on protecting computer room employes.

Other faculty members will include managers of major computer facilities who will tell about the ways they protect their computers and software from intrusion and other perils. Additional speakers and features will be announced later.

The registration fee for those who enroll before June 1 is \$90, a saving of \$15 from the regular workshop fee of \$105. This fee includes admission to all sessions, a continental breakfast, two coffee breaks, lunch and a complete workshop notebook.

Companies may enroll additional personnel for only \$75 each when the registrations accompany the first registration form before June 1.

Register now by completing the coupon on this page. Return it with the low-cost advance registration fee to assure yourself of a reservation.

Send to: Computer Protection/Insurance Workshop
Business Insurance/COMPUTERWORLD
740 Rush Street, Chicago, Ill. 60611

Please enroll me for the Computer Workshop to be held Monday, June 14, 1971, in Chicago. The advance registration fee of \$90 is a saving of \$15 from the regular price, \$105, if postmarked before June 1. If my plans change and I can't attend, I will get a complete refund (less \$15) by notifying you before June 14.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Note: The fee for additional registrants from the same company is only \$75 each when accompanying first registration. 4-26

Some of these drivers

talk about safety...about good

and driving...about safer cars

costs as much as it does.

end up here.



UNITED STATES FIRE INSURANCE COMPANY
THE NORTH RIVER INSURANCE COMPANY
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Solve tanker explosions, Ricker asks

NEW YORK—Industry, government and international bodies have not given sufficient priority to solving the problem of tanker explosions, John B. Ricker, a marine underwriter and first vp of the American Institute of Marine Underwriters, declared here.

In a press conference in which he lashed out at tanker owners, Mr. Ricker predicted a "capacity crunch" unless the problem was solved immediately along with the likelihood that tanker explosions are caused by the sharp increases in the size of individual tanks built into oil carriers.

Mr. Ricker pointed out that the explosion problem has been "treated as secondary" to that of finding out the optimum size of tanks for restricting oil spills at sea. "We are very concerned with ecology," he said, "but we are also concerned with safety of life and an economic crisis that is on the horizon."

HE REFERRED to December of 1969 when the first three of a series of disastrous tanker explosions took place and said, "We have waited now for at least 16 months while the problem worsens. The vessels continue to blow." He said that tanker business had been the best part of the American Hull insurer's "book" until the tanker class went above the 100,000-deadweight-ton size. Mr. Ricker said that the ships are larger now but generally have fewer, hence larger, individual tanks than even standard 16,000 ton tankers. Now tankers are the worst part of the "book" with explosions a serious factor.

Mr. Ricker noted an announcement by the American Hull Insurance syndicate that losses on tankers of over 75,000 tons had averaged 112% of premiums during the period from 1966 to 1970. He agreed with the syndicate in that he felt that premiums would have to go up pending the resolution of the problem.

Pointing out that tank size is on the agenda for the meeting of the Intergovernmental Maritime Consultative Organization, a United Nations agency, but with emphasis on the pollution angle, Mr. Ricker recommended that "the US delegation to the IMCO meeting strongly urge expedited action to determine objectively the causes of these explosions; what if any relation there is between explosion and tank size; and what remedial and preventive measures can be recommended."

YOU ARE INVITED TO ATTEND THIS ONE DAY

COMPUTER PROTECTION INSURANCE WORKSHOP

Monday, June 14, 1971, PICK CONGRESS HOTEL—CHICAGO

Produced jointly by the publisher of BUSINESS INSURANCE news-magazine and the publisher of COMPUTERWORLD newsweekly

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

The workshop, to be held in Chicago on June 14, is a unique opportunity for you and other key executives within your organization who are responsible for the "complete picture"—for the total safety/security/insurance of the computer operation.

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

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

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

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

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

An Early Sell-out Expected

A great deal of interest in this workshop has already been expressed before the decision was made to go ahead with it, and before any announcement was made in Business Insurance or Computerworld.

We sincerely believe that because this workshop offers much-needed, timely information to corporate management about the risks involved in the computer operation—and knowing what to do about those risks—that registrations at the workshop will be spoken for quickly.

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

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

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

MAIL THIS EARLY REGISTRATION FORM TODAY—SAVE \$15

Mail to: **COMPUTER PROTECTION / INSURANCE WORKSHOP**
Business Insurance/Computerworld, 740 Rush Street, Chicago, Illinois 60611

Please register the following for your workshop at the Pick Congress Hotel, Chicago, Monday, June 14, 1971:

I am enclosing a total of \$_____, figured at \$90 for the first registration (if post-marked before June 1), otherwise \$105, and \$75 for each additional registration from the same company. Bill me.

NAME _____ TITLE _____

FIRM _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Additional registrants _____

REFUND GUARANTEE: If my plans change and I cannot attend, I will receive a full refund (less a \$15 service charge) if I notify you before June 14.

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

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

info for buyers

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

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

• **Property Insurance . . . Need For Appraisal Service** is a brochure discussing the various reasons for the need of appraisal service in determining the proper property insurance cover. The brochure also describes the appraisal service offered by American Appraisal Co. For a free copy write the firm at 525 E. Michigan St., Milwaukee, Wis. 53201.

• **The Prototype Planner** is a monthly publication dealing with new developments and trends in the area of corporate master and prototype plans. For price information write Jack McKinley, Editor, *The Prototype Planner*, P. O. Box 171, Kew Gardens, New York 11415.

• **Successful Profit Sharing Plans—Theory And Practice** was written for management, plan administrators, trustees, consultants, attorneys, accountants, and others charged with designing or administering profit sharing plans. The book discusses profit sharing theories and plan objectives giving actual performance data of existing plans. The Council of Profit Sharing Industries, Suite 722, 20 North Wacker Dr., Chicago, Ill. 60606 offers the book for \$6 per copy.

• **On The Move With Latham-Stevens Co.** is a brochure describing the services of the company including factual studies of the client's business, planning, engineering and rating, contracts, office and field staff and a yearly review. For a free copy write John T. Hart Jr., E. C. Michener Assoc. Inc., 1007 N. Front St., Harrisburg, Pa. 17102.

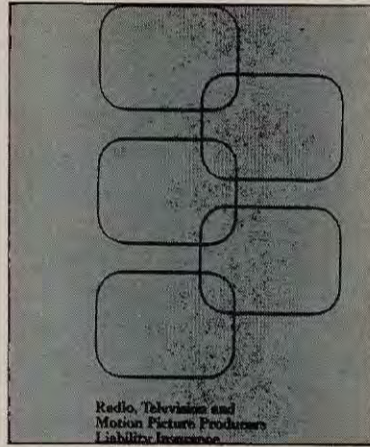
• A guide to the mass or collective marketing of automobile insurance, including the history behind the movement, thorough explanation of plans being offered, a list of the companies offering plans, advantages and disadvantages to the consumer, effects on the employer, effects on the agents, legal ramifications, and an up-to-date listing of rulings regarding mass or collective marketing. **Mass Merchandising Of Automobile Insurance** is available for \$10 from Insurers Press, P.O. Box 1430, Santa Monica, Cal. 90406.

• American District Telegraph Co. has released **Protecting Life, Property And Profits**. The 38-page illustrated book describes its protection services against fire, burglary, holdup and other hazards and the ADT central station which is the nerve center of its protection services, the sprinkler supervisory and waterflow alarm service, the automatic fire alarm system, smoke detection and alarm service, burglar alarm services for premises, ultrasonic and intrusion detection alarm services, camera surveillance system,

and industrial process supervisory service. The book also contains a list of the ADT sales offices in the United States. For a free copy write H. L. Reed, 155 Sixth Ave., New York, N.Y. 10013.

• **The Ansul Clean Agent System** is a brochure describing The Ansul Co.'s newest addition to its total fire protection capability. It describes the development, engineering, and hardware which combined to produce an effective fire protection system which will minimize the interruption of business continuity resulting from fires. For a copy write Larry Coutts, Marketing Communications Supervisor, Fire Protection Div., One Stanton St., Marinette, Wis. 54143.

• **American Home Assurance Co.'s 8-page brochure on Radio, Television And Motion Picture Producers Liability Insurance** shows the need for this coverage through the use of actual court cases. It outlines American



Home's coverage, including the limits of insurance offered. It is free to agents, brokers and buyers by writing American Home Assurance Co. Dept. A 14, 102 Maiden Lane, New York, N.Y. 10005.

• **Stop Unnecessary Water Damage** is a brochure offered by Componentry Research & Development Enterprises Inc. describing how unnecessary water damage may be stopped instantly, without closing the sprinkler control valve, by using a sprinkler-stopper which makes it possible to keep the rest of the sprinkler system functioning, while cutting off the flow where unnecessary water damage is being caused. For a free copy write Arthur Elian, Vice President, Sales, Componentry Research & Development Enterprises Inc., 9 Second Road, Great Neck, N.Y. 11021.

• The Equitable Life Assurance Society of the United States Group Sales Promotion Location 24-E 1285 Avenue of the Americas New York, New York 10019, has released a set of five brochures in a **Profile Of A Pension Program**. The material is not intended as the complete answer to any pension situation, but as an aid to an employer who is in the initial stages of pension planning. Each brochure outlines a typical but different plan including estimated costs for a typical group of employees. Each brochure covers: eligibility for participation, retirement date—normal, early and deferred, pension benefits at normal retirement date, contribution, normal form of pension benefits, optional form of pension benefits, termination of employment, and an estimate of employer annual contributions.

Bills would cut malpractice cover cost

• Transamerica Acutarial Consultants Inc. has published a 24-page booklet discussing the basics in lay terms of pension and profit sharing investment programs. Based on a lecture delivered at the University of California at Berkeley the illustrated **Fundamentals Of Pension And Profit Sharing Fund Investments** is free by writing Daniel F. McGinn, Box 30077, Los Angeles, Cal. 90030.

• Advanced Devices Laboratory Inc. has released a brochure explaining how its **Infrared Intruder Detector** works, how to install it and provides technical specifications on the multiple sensor system. One system provides space protection for up to 8 remotely located areas. The system will detect an intruder when he enters into or moves within any of the areas of protection. For a copy write E. E. Self Customer Services Mgr., 316 Mathew St., Santa Clara, Cal. 95050.

• **The College of Insurance Professional Certificate Programs** is a booklet describing in detail the nine different professional certificate programs offered by the College of Insurance. Certificates are awarded in bonding, casualty insurance, insurance accounting, insurance adjusting, life insurance, multiple line insurance, ocean marine insurance, property insurance and reinsurance. For a copy write the Director of Public Relations, 150 William St., New York, N.Y. 10038.

• The Equitable Life Assurance Society of the United States has released a brochure describing a group pension contract to provide annuities at retirement for employees retiring under a deferred profit sharing or thrift plan. **Annuities Under Profit Sharing And Thrift Plans** is available, free of charge, by writing Group Sales Promotion, Location 24-E, 1285 Avenue of the Americas, New York, N.Y. 10019.

• Markel Service Inc. has released **The Markel Service Road Patrol** booklet describing the only nationwide road patrol service available to commercial fleets. Reports are sent to management describing driver conduct on the highway—many times accompanied by an actual photo of the vehicle in operation taken by the patented Markel safety camera. The booklet also contains letters from companies using the service. For a free copy write Stanley B. Markel, President, P. O. Box 6614, Richmond, Va. 23230.

• The National Fire Protection Assn. has published a 2100-page fire encyclopedia containing a reference volume on every aspect of fire prevention and protection, authoritative information on fire behavior and control, process hazards, buildings and other structures, building equipment, protection systems, water supplies, the public fire service and other subjects. The latest edition of the **Fire Protection Handbook** can be ordered from the NFPA Publications Service Dept., 60 Batterymarch St., Boston, Mass. 02110.

• **International Pension Planning** is a booklet that briefly describes the capabilities of American International Reinsurance Co. and its associates and affiliates in the field of international pension planning. It covers locally written, tax qualified pension plans as well as Airco's facilities for writing off-share plans for third country nationals. For a copy write John H. Ellams, Manager, Pensions Marketing American International Reinsurance Co Inc., P. O. Box 152, Hamilton, Bermuda.

PHOENIX—The Arizona legislative council interim committee on medical malpractice insurance has adopted a fistful of hard-hitting proposals designed to cut off the skyrocketing cost of medical malpractice insurance being passed on to the patient.

Burton Barr, Republican state representative, proposed two draft bills, one that would force all insurance companies in Arizona to share in the burden of insuring for malpractice; the other would take some of the profit away from attorneys who file suits against doctors.

During testimony heard, a state insurance department official said there is only one insurance company in the entire state that will issue such insurance. The department plans to lift all

premium rate restrictions on this insurance to entice other companies back into the market, he stated.

The committee unanimously approved Mr. Barr's proposal for legislation that would set up an "assigned risk pool" for all liability insurance companies operating in the state and require them to share equally in guaranteeing all physicians malpractice insurance.

THE LEGISLATOR'S proposal aimed at attorneys' fees passed by a 3-2 margin. This draft bill would establish a sliding scale of contingency fees for plaintiffs' attorneys on medical malpractice suits to discourage filing of unwarranted suits. Attorneys fees now are unrestricted, he said.

Rep. Stuart Schoenburg (R.—Maricopa) won favorable action on his proposal to require the State Bar of Arizona and state medical association to set up a medical-legal panel to review malpractice actions before they are filed in court. The committee gave unanimous approval to a review panel now operating in Pima county.

In other actions, committee members approved:

• Mr. Schoenburg's rough draft bill that would require insurance companies to fully disclose information on their profits, losses and expenses on medical malpractice insurance.

• Mr. Schoenburg's motion that the legislative medical cost committee be presented with a proposal to require all hospitals

in the state to set up staff review committees for reducing the rate of morbidity and mortality.

• Mr. Barr's resolution that the attorney general study the legality of a statute of limitations on the time that can elapse between an alleged incident of malpractice and filing of a suit. ■

Malpractice rate hike

American Mutual Liability has revised its medical malpractice insurance rates for members of 28 northern and central California medical societies. The average increase amounts to 20.4%, compared with an increase of 37.3% last year and 56% two years ago. The company has also renewed its five-year contract with the medical societies for the sixth consecutive time.

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Giles on the law

Widow of exec under pressure wins comp for fatal heart attack

By JOHN W. GILES
Attorney at law

WASHINGTON—Mental stimulus causing physical injury has been the subject of a number of workmen's compensation cases. One of the leading cases in this group, decided by the New York court of appeals, reads like the typical tragedy of the modern executive, struggling with the impossible strains of high-pressure competition and high-level personal frictions.

The decedent in this case was the director of maintenance and engineering of Trans Caribbean Airways (since merged with American Airlines). He was 33

years old and had no history of heart disease.

Because of corrosion on one of the wings of a Trans Caribbean plane the damaged plane was grounded and taken to Texas for repairs. The president of the corporation allegedly blamed the decedent's negligence for the damage. At a Christmas party, the president, in the presence of the decedent's associates, made no secret of this belief or of the fact that there would be trouble for the decedent if the plane were not fixed up by the end of February. This set the decedent off on a frantic series of trips to speed up the repair work in Texas and try to find replacement parts in

California, parts which he finally obtained from an airline in Oklahoma.

February came and went, and on March 7 the chief pilot turned up in Texas expecting to fly the plane back, only to find that the repair process was not even close to completion. On the same day, the decedent got a repair bill for \$266,000. He turned white, according to the chief pilot. He wrote a letter to his wife, saying he felt "as if it's my money I'm spending."

The pressure continued to mount. For three days the decedent struggled to get the bill reduced, until he told his wife he was on the verge of engaging in

physical violence with the man on the other side of the negotiations. He also told her the president was going to "blow his stack." He got orders to stay in Texas two more days, made an agitated phone call to the vice president, and shortly thereafter suffered a myocardial infarction.

The workmen's compensation board made an award and the court of appeals sustained it. The court clearly recognized that compensation may be awarded for physical injuries resulting from emotional strain. (*Klimas v. Trans Caribbean Airways Inc.* - 176 NE 2nd 714.)

* * *

IF YOU ARE operating a drug chain, it is most important that your druggist does not confuse sleeping pills with contraceptives.

A husband and wife, deciding to limit the size of their very large family, consulted their doctor, who prescribed oral contraceptives for them.

The doctor telephoned a pre-

scription to a pharmacist who, instead of filling the prescription, negligently supplied the wife with a mild tranquilizer. Thinking the pills she ordered were contraceptive pills, the wife took them every day. She subsequently became pregnant and later gave birth to a healthy child. Were the pharmacist and the drug company liable?

The lower court here dismissed the complaint on the ground that whatever damage the husband and wife suffered was more than offset by the benefit to them of having a healthy child. The court of appeals disagreed. The court noted that fundamental conditions of tort liability were present in this case. The conduct of the pharmacist constituted a clear breach of duty. A pharmacist is held to a very high standard of care in filling prescriptions. When he negligently supplies a drug other than that drug requested, he is liable for the harm to the resulting purchaser. The court questioned the benefits of a healthy child under these circumstances. The trial court evidently believed that application of the benefit rule prevents any recovery for the expenses of rearing an unwanted child.

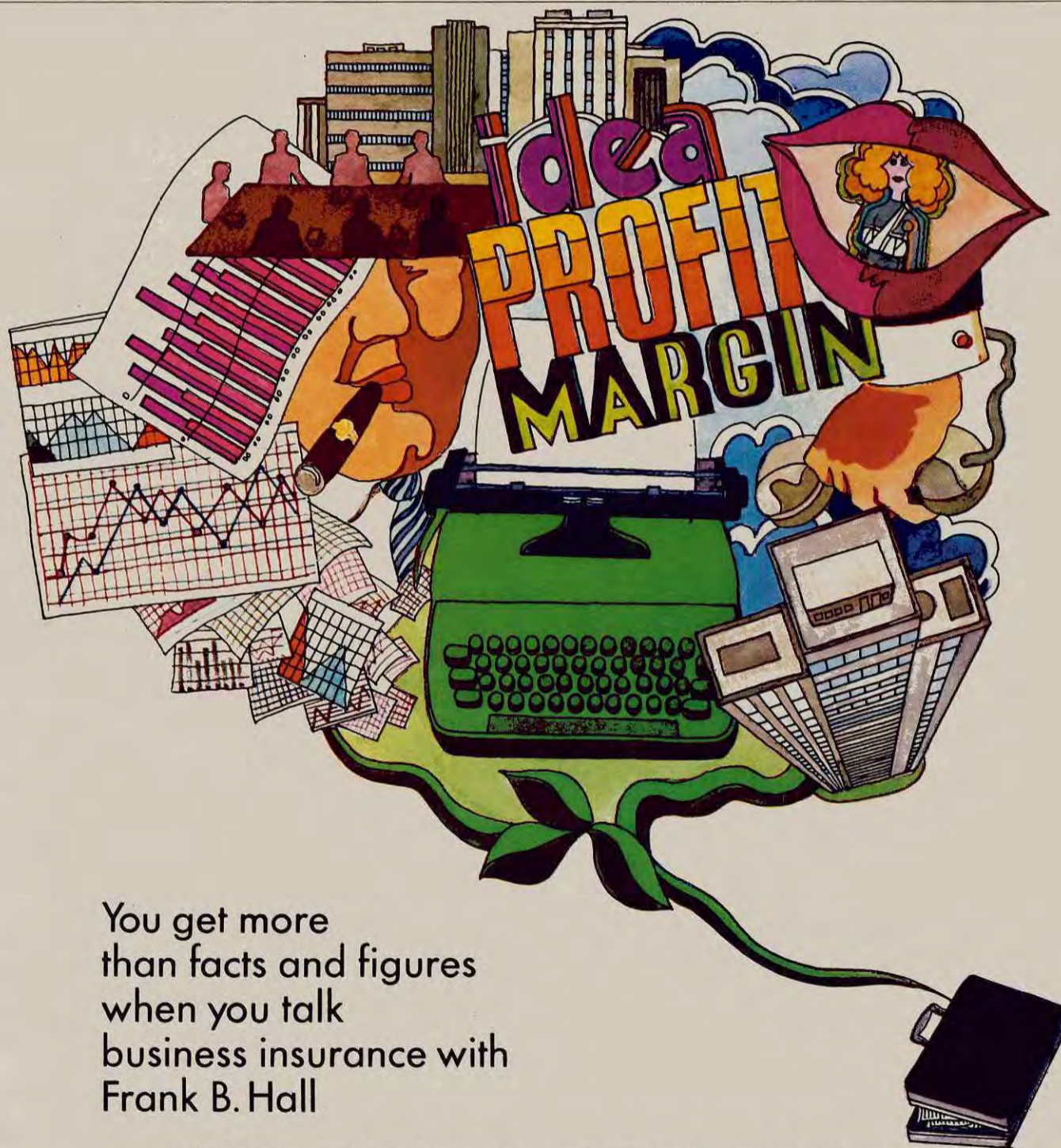
This, said the court of appeals, is unsound. This would be the same as saying that in every case, as a matter of law, the services and companionship of a child have a dollar value greater than the economic costs of his support. There is a growing recognition that the financial "services" parents can expect from their offspring are largely illusory. As to companionship cases decided when "loss of companionship" was a compensable item of damage for the wrongful death of a child, they reveal no tendency on the part of juries to value companionship so highly as to outweigh expenses in every foreseeable case.

It was also argued that parents who seek to recover for the birth of an unwanted child are under a duty to mitigate the damages by placing the child for adoption. To impose such a duty, said the court, is to ignore the very real difference the law recognizes between the avoidance of conception and the disposition of a human organism after conception. Once a child is born, it is obvious that he should be treated with love regardless of whether or not he was wanted when conceived. The court of appeals thought this a proper case for a jury to assess the damages. (*Mich. Ct. App. - Troppi v. Searf* - 2/26/71.)

DEFECTIVE sunglasses can cost a manufacturer \$101,000 when they are shattered in a baseball game.

A 16-year-old high school baseball player brought the action for recovery for loss of his right eye when the sunglasses broke. His mother sued for her expenses for hospitalization, artificial eye and doctor's services. The boy misjudged a fly ball and the ball struck the glasses. The eye had to be removed after nine days. The glasses were advertised as "baseball sunglasses" that would give "instant eye protection."

The thinness of the lenses was shielded by the frames and was not apparent to users. The manufacturer was found liable for three reasons: negligence, breach of implied warranty and strict liability. The court held that the breach of the implied warranty was based on the fact that the glasses were not suitable for the protection of the eyes in a baseball game. The manufacturer was liable for negligence in marketing the glasses without adequate testing. (*Michael Filler v. Rayex Corp.* - U. S. Court of Appeals - 7th Circ. - Nov. 3, 1970.)



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Students take insurers to task—constructively

CUDAHY, Wis.—Four high school seniors here, dismayed by reports of unjust insurance policy cancellations, are working on a remedial bill that they hope to push through the state legislature.

"People have a constitutional right to face their accusers," said Betty Janicek, 18, chairman of the student insurance committee.

Miss Janicek and classmates Patricia Lastufka, David Hendrix and Richard Nemitz began work on the project last October after reading a newspaper account of a Milwaukee woman whose auto insurance policy was cancelled after the company secretly interviewed her neighbors. The woman and her husband, the only drivers of the car, claimed they had just one black mark against them—a speeding ticket issued against the husband five years earlier.

MISS JANICEK said she and the others wrote to insurance commissioners in more than a dozen states and found that only Michigan, New York and Florida were in the process of updating their laws governing investigations by insurance firms. "But none of the reforms are as liberal as they should be," she said.

The only avenue of appeal for Wisconsin policyholders who feel they have been wronged is to the state insurance commissioner, she pointed out. And there is no Wisconsin law to hold an insurance firm liable for labeling innocent policyholders as bad risks, she added.

The students' bill would:

- Require insurance companies to give written reasons for changes in policy classifications.
- Permit the policyholder to see his file and correct any inaccurate information.
- Demand that damaging statements obtained through interviews be signed by the person making the accusations.
- Provide for a fine of between \$100 and \$1,000 for non-compliance.

State Sen. Kurt A. Frank, Mil-

waukee Democrat, who represents Cudahy and is gathering bipartisan support for the bill before he introduces it, said: "Ultimately, it might work to the advantage of insurance firms."

He explained that an insurance company might write off a good risk because of a clerical error.

Mr. Frank, 26, who worked in the claims department of a health insurance company here before he was elected to the legislature last November, said the reasons for dropping policyholders "are probably very legitimate most of the time." But he added that the bill would be an important measure of protection in the exceptional cases of unfair cancellations. ■

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Insurer will cover sterility operation

SYDNEY, Australia—An insurer here is offering to assume a risk to end all risks. However, there is no word yet on whether coverage will be available on a group basis or as an employee benefit.

For the tidy, one-time sum of \$12, Fire and All Risks Insurance Co. will hereafter insure against the failure of the male sterilization operation, vasectomy. The company will pay \$600 should pregnancy occur in the insured's wife. Higher sums may be obtained for proportionately higher premiums to a maximum of \$2,400.

The company does have one underwriting requirement, however. Two negative sperm counts are necessary at intervals of about three and three and one-half months after the operation.

Travelers appoints two

Carl J. Van Heuit has been named regional vp, San Francisco, for the group department of Travelers Insurance Co.s, and Richard K. Sponenbergh has been appointed supervisor of the group pensions department.



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Police unit may turn to self-insurance for coverage

MIAMI, Fla.—The metropolitan Miami sheriff's department is investigating the feasibility of a self-insurance policy after its private insurer refused to renew its insurance policy.

"It looks like we may have to come up with a self-insurance program for ourselves," said Lucian Cantin, manager for the Dade County public safety department's insurance and safety division.

The county's insurer refused to renew its policy because of a large number of claims pending against officers.

JAMES F. Jackson, president of the James F. Jackson Co. of Washington, said 39 pending

claims ranging from false arrest to use of excessive force "make it impossible for us to establish a reasonable rate."

Mr. Jackson's firm supervises the county's \$36,000-a-year policy with American Home Assurance Co. He said the Dade department is the only urban police force insured by his firm that was denied coverage because of "an unusual number of suits for the actions of its men." The company covers police departments in all 50 states.

It was the second time in two years that the department has been denied coverage because of claims, but it is the first time for American Home Assurance to deny cover.

But Mr. Jackson said the decision "has nothing to do with the management or the men in the department.

"EVERY department has the same problem," he said. "But they are somehow magnified in Dade County. Possibly it is due to the wealth in the area or its transient population," Mr. Jackson said.

Mr. Cantin noted that, despite the high number of claims, the county virtually never receives an adverse court decision.

"But the expenses for investigation and defense of the claims are still there," he said. He estimated that it costs "as much as \$5,000 for each claim that goes to court."

Mr. Jackson declined to release figures on the actual cost of maintaining the county's insurance policy. But he said that it was "considerably in excess" of the

\$36,000 premium.

AS SOON AS the policy expired early in December and the county was denied renewal, County Manager Ray Goode reassured deputies that their actions as officers still are covered by insurance, notwithstanding the insurer's action.

"You might say that we are automatically on a self-insurance program until we look at possible alternatives," Mr. Goode said.

The Dade public safety department is a separate entity from the City of Miami's police department.

That department already defends its own claims through the city attorney's office and pays successful claims out of the city's general fund.

No figures were available on either the number of complaints or the costs experienced by the City of Miami department. ■

Pipeline safety rules are urged

WASHINGTON—If natural gas pipeline accidents caused by construction damage are to be prevented, new safety standards are needed, according to the National Transportation Safety Board.

The board said the Federal Office of Pipeline Safety should determine exactly what constitutes a safe maximum operating pressure for low-pressure distribution systems and issue a standard which would require gas utilities to set up programs for the prevention of construction damage to underground facilities.

The board had been investigating a pipeline accident in Burlington, Ia., in 1969 and the recommendations were an outgrowth of that investigation. The board said that about 40% of the gas pipeline accidents in this country are caused when construction equipment damages underground facilities.

THE BURLINGTON case was caused by a bulldozer clearing land for highway construction running over a regulator that reduced gas pressure for distribution to customers of Iowa Southern Utilities Co. The regulator stuck in an open position, gas flowed into the system at four or five times normal pressure and fires broke out in 52 homes. The board said the results could have been catastrophic.

The board felt that the three major factors contributing to the accident were the gas company's failure to prevent the damage, highway construction workers' ignorance of the location of the regulator station and the Iowa State Highway Commission's failure to give revised plans to the gas company showing the area to be cleared.

Other recommendations were that states consider legislation including requirements that gas companies be notified of any excavation or blasting and that coordination be exercised between gas companies and those who issue construction permits. ■

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California ear claims more than doubled

SAN FRANCISCO—Original decisions by the California workmen's compensation appeals board involving hearing loss more than doubled in the past five fiscal years, according to a report by the division of labor statistics and research.

A study by the division confirms what many claims managers have long suspected: that internal ear and hearing claims are on the increase, with the biggest jump occurring in the past year:

Year	Claims
1966	300
1967	369
1968	421
1969	401
1970	620
Percent of increase	106.7

Total original decisions by the board increased only 20% during the same five-year period. Of last year's 620 decisions, 61% were handled by compromise and release and the average settlement was \$2,192, with the median at \$1,467.

Preventi-med group health screening designed to discover unsuspected ills

CHICAGO—A health screening program to reveal previously unsuspected abnormalities has been established by Preventi-med Consultants Inc., here, for group and individual use.

Use of Preventi-med's multi-phasic tests costs from \$18 to \$285, depending on the size of the group and the number of tests performed.

The majority of the corporation's personnel are paramedical. The consultants of Preventi-med are nurses and doctors, including a clinical pathologist, a radiologist and a pulmonary consultant. All personnel are covered by malpractice insurance both for in-house and on-job testing.

Marvin Shachter, resident administrator of the Preventi-med multitest center, said that it costs a hospital between \$90 and \$110 per patient per in-hospital day before any tests are performed but that the cost to his company is only about \$50 for a general run of tests.

THE CENTER is equipped to test for: muscle skeletal condition and obesity; pulmonary function; glaucoma; hearing ability, pitch and volume; visual and ancillary abilities; cardiac status; cervical cancer; metabolic status, blood morphology and urogenital status; throat infections; lung cancer; and thoracic status.

A general health history is filled out by each participant and this information and the results of testing are fed into a computer to obtain an individual health status print-out. The print-out contains the person's name, ad-

Where does back injury money go?

SAN FRANCISCO—Less than 50% of the cost of back injuries, perhaps the greatest hazard for construction industry workers, goes into actual medical treatment or financial support in California.

The remaining 50% or more is absorbed by the medical-legal system and compensation for residual disabilities.

This is the conclusion of the initial report of a major research project conducted by Teknekron Inc. under contract with the California State Disability Insurance Fund. The survey, released to the Journal of Industrial Medicine and Surgery, deals with industrial back injuries and tends to support prior labor union claims of "excessive costs" in health care.

THE REPORT asserts that, in the California cases studied, 25% of the cases absorb 87% of the cost. Physicians' fees, however, accounted for only 11 cents of the total dollar cost. These were equalled by 11 cents for hospital room charges.

A high incidence of untreated emotional disturbances related to the back injuries accounted 40% of the high-cost cases.

The report also charges that typical high-cost cases revealed delays in treatment, multiple or poorly coordinated referrals, use of a vocabulary of uncertainty in physician reports and failure of the injured to meet step-by-step expectations.

The back injury study is part of a larger effort to create a new man-machine integrated system for better case control by the state fund.

dress, age, weight, height, sex, birth date, occupation, Social Security number, and identification number assigned at the testing center. The computerized information is kept for five years.

The person being tested receives a plastic card bearing identification information good for one year. If he returns for additional testing the card is keyed to enable the center to locate previous testing results.

Any number of the tests offered by the center can be performed on a group, Mr. Shachter

told *Business Insurance*. The types of tests to be given the group are arranged by the medical director of the company or union.

PREVENTI-MED is capable of handling 100 to 125 people a day in sets of 25. This includes a consultation period before testing begins and any number of the available tests. And if their contract with a group requires it, the Preventi-med personnel can pack up and establish a portable testing area. The majority of the machinery is portable and the

same tests that are performed at the center can be performed on location.

The center also tests for drug abuse, venereal disease and alcoholism and is currently handling part of the state-supported Illinois drug abuse program. Results are for interpretive study.

The Midwest Operating Engineers Welfare Fund signed 11,000 members with Preventi-med on Feb. 1, 1970. The union had hospitalization insurance with Mutual of Omaha until Oct. 1, 1970, but has since gone to self-insurance. William F. Martin, president-business manager of the local union, told *Business Insurance* that it was "too soon to have this program reflect a reduction in hospitalization costs. But, our going self-insured was influenced by

what we believe this program to be."

The program costs the union \$30 per adult and \$20 per dependent child. For this amount they have the following tests run: blood and urine samples for all ages; electrocardioanalysis (all adults); pulse and blood pressure (members age 40 and up); glaucoma (members and spouses age 35 and up); spirometry (members and spouse); pap smear (wives); phonocardiogram (dependents age three through 22); mononucleosis (dependents age 12 through 22); throat culture (dependents age three through 18); iron deficiency (female dependents age 12 through 22).

The tests found 99 heart disfunctions, 93 lung disfunctions and 30 glaucoma cases.

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opinions

Agents to the rescue

WE ALWAYS FIGURED that in the last reckoning it would be the gallant, enlightened insurance agents who would step in and rescue the beleaguered auto insurance industry from the rising protests against soaring rates.

In a release cleverly marked "hold for release for AM's Friday, April 16," the National Assn. of Mutual Insurance Agents bravely says, "By tax day 1972, taxpayers will have one more significant deduction than they have this year," adding meekly, "if a proposal announced today by NAMIA is adopted by the U.S. Congress."

The proposal: To make auto insurance premiums deductible on 1971 individual income tax returns as an immediate answer to what the agents call the "auto insurance revolt."

In its timely release, NAMIA blames high auto premiums on increasing traffic accidents, fragile automobiles and the spiraling cost of repairing both people and cars. No mention is made of insurance administrative costs, attorneys' contingent fees or, God forbid, of agents' commissions, which have increased with the inflationary spiral even though agents may not be giving any additional service to individual policyholders.

Robert V. McGowan, NAMIA president from North Attleboro, Mass., asserts, "For America's motorists, the only immediate answer to the high cost of auto insurance is to allow them to deduct their premiums from their income tax returns." Presumably he means deducting the premiums from gross income on the income tax returns, but his intention is quite clear. Mr. McGowan and his fellow agents want to get right at the heart of the auto insurance problem by convincing the public that high premiums are truly a blessing in disguise because they are deductible.

In support of its proposal, NAMIA points out that hospitalization insurance premiums have been deductible by the individual taxpayer since 1942. It fails to mention that only a minor percentage of health insurance premiums are really deductible, and then only in conjunction with substantial out-of-pocket medical or drug expenses.

NAMIA claims that its plan would reduce the number of uninsured drivers because more motorists would buy insurance if they could claim their premiums as federal income tax deductions. This is highly doubtful. Most uninsured motorists are poor people who take standard deductions. Further, people who are reckless enough to drive without auto insurance are unlikely to be so prudent about their tax situation as to count on certain things as being deductible.

Another questionable claim for the NAMIA plan is that it would put money back into circulation at a time when it would be most helpful to the economy. Certainly even ever-optimistic insurance agents don't believe that the Internal Revenue Service would order employers to reduce the amount of tax withheld to reflect the deductibility of auto insurance premiums. And surely not even the most flagrant spendthrifts would dip into savings or borrow in order to spend that \$50 or \$75 or \$150 they might not have to pay in federal

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RATIO OF LIFE INSURANCE IN FORCE TO NATIONAL INCOME—1969

Canada	1.83
United States	1.66
New Zealand	1.51
Japan	1.22
Netherlands	1.21
Australia	1.15
United Kingdom	1.10

The ratio of life insurance in force to national income in the U. S. is second only to that of Canada. In 1969 \$1.284 trillion of coverage was in effect in the U. S., representing a 137% increase in the past ten years. Employer-sponsored plans are an important factor in the high ratio for the U. S.

Sources: Institute of Life Insurance, Statistical Office of the United Nations, International Monetary Fund.

income tax in 1972.

The agents say they see their job now as one of convincing "legislators in Washington . . . that a tax break for motorists is in the best interest of the general public." While we're considering what's in the best interest of the general public, we might suggest that there are expenditures now taxable that might come before auto insurance premiums in our list of what should be deductible. Just offhand we can think of such socially useful things as dependents' school tuition, child care under broadened rules for working mothers, contributions for the care of aged relatives or even food up to a certain amount.

It occurs to us that if auto insurance premiums were made deductible the inequities in auto insurance rating system would be carried over in a reverse way on income tax returns. The inner-city resident who pays a high premium for the driving excess of his neighbors would enjoy a larger tax break than his suburban or rural counterpart. But if only a portion of premiums were deductible, then the inner-city car owner would be denied the opportunity to gain back some of the heavy auto insurance burden he bears.

At any rate, the National Assn. of Mutual Insurance Agents says it will make a formal move before the House ways and means committee next month. If we know our Wilbur Mills, a "formal move" will be as far as the agents' proposal will get. Agents who want to come to the rescue of the auto insurance industry might better pay attention to the root causes of the high cost of coverage instead of trying to camouflage the heavy costs as tax deductible.

An endearing benefit

G. D. SEARLE & CO., a leading pharmaceutical manufacturer in Skokie, Ill., has introduced an innovative and, we think, endearing benefit for its employes. Any Searle employe who adopts a child will be eligible for a standard benefit payment of \$400, equal to what Searle pays for a maternity case under its self-insurance program. The company points out that adoption often involves substantial fees and always involves outlays for child care.

James Heidbreder, director of compensation and organizational planning for Searle, explained that he makes a survey of what other employers are doing whenever his company considers instituting a benefit. In this case, Mr. Heidbreder found no other company that pays a stipend for adoption. Searle may be the only company now paying its employes an adoption benefit.

The adoption payment is consistent with Searle's corporate philosophy, which emphasizes the importance of a decent and civilized standard of living for the population we have now. It strikes us as intelligently humane to encourage adoption by employes who will likely become happier and more responsible in their chosen roles as parents. It's an endearing benefit.

How do you think?

HEY, THERE! You with your feet on the desk. You say that's your Thinking Position? Lucky you. You get time to THINK.

The other day we heard an executive say that he spent the whole day at the office trying to undo an error he had made. "If I had time to think once in a while, the mistake wouldn't have been made," he explained. It seems to *Business Insurance* that he's not alone.

People often complain about the lack of time to sit back and actually THINK THROUGH a problem. Can it be that some of us equate being "caught" THINKING with sleeping on the job?

Now, we know that some THINKING is getting done out there. What we propose is to share your THINK secrets with its readers. Do you turn on soft music? Close the door to the office? Take off your shoes? You say your system is entirely different? Well, tell us. *Business Insurance* invites its readers who have developed special THINKING techniques to write and let us put it on the record. Everyone can benefit by sharing this information.

If you're interested, please send your letter to Richard C. Bjorklund, Editor, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

Think about it.

letters

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

Another tribute

To the Editor: I agree with your editorial estimate of Dick Bland's important contributions to corporate insurance management and, not so incidentally, to the business of insurance. (*Business Insurance* March 15, page 16.)

During my term as president of the New York chapter of the American Society of Insurance Management a furor arose over whether ASIM would take over the function of the unauthorized insurance committee. The board of the New York chapter was solidly in favor of accepting the responsibility, but some of the national officers were of a contrary view, and a rather sharp engagement was in process when Dick stood up "on the side of the angels," this being our first meeting. Afterwards I had the honor to nominate Ray Severin to be chairman of the unauthorized insurance committee after its adoption by ASIM and I like to think that these events set ASIM firmly on a path of involvement in legislative matters that has been good for the health of the business.

Later, Dick and Ray and I were together on the American Management Assn. insurance planning council and my rather slight acquaintance with Dick developed into a firm friendship.

As you know, Dick performed an extremely valuable service as chairman of the ASIM committee to study the current comprehensive general liability form and his work, and the work of the committee, was the basis for the education of countless insurance consumers and helped company men, producers and regulators to see the new policy form, as it were, under a microscope.

His name might have been more believable if it had been Dick Bold or Dick Dauntless, but he never let the fact that it was Dick Bland get in the way of our knowing exactly where he stood. He was an American "show me" type who went to great lengths in the service of others and we shall, indeed, miss him.

Donald W. Berry

Vice President, C. B. Lilly Inc., East Orange, N. J.

Earthquakes clarified

To the Editor: Warren G. Brockmeier's article, "Quake coverage problem—the solution is to write more of it," is fascinating and of great interest to us.

Unfortunately, it is badly scrambled at a crucial point in the second column of page 26. Would you please let me know how that part should read?

T. H. Hull

Vice President, Safeco Insurance Cos., Seattle, Wash.

Editor's note: Lines 20, 21 and 22 on page 26 of the March 1 article should have followed line five to read correctly.

Poem for a real mouse

To the Editor: In your March 29 issue I read with interest your article entitled "Coke is the real thing—and so was that mouse." I was particularly amused by the statement from a spokesman "for the bottling company" when he said: "This is the second time in my memory, someone has sued us for a mouse in the bottle."

Continued on page 27

The only thing harder to find than a company willing to write property insurance here is one also willing to write it abroad.

Anyone looking for property insurance these days, no matter where they're looking, has a problem.

And, if they're looking for coverage in more than one place, their problems are compounded.

Because, as everyone knows, there's a capacity squeeze on. A squeeze that's hit just about every part of the world. A lot of insurance companies aren't renewing their old property business, let alone looking for new business.

There is one group, however, that's actively seeking property insurance both here and abroad.

It's The American International Group.

Through its member companies, American Home Assurance Company in the United States and Canada, and American International Underwriters abroad,

AIG has the capacity and the willingness to write all types of property insurance. In fact, they'll consider not only preferred and standard risks, but also the hazardous classes.

Another important point is the fact that if your properties are located both at home and abroad, we'll handle them as one account. Which saves you and your broker a lot of time, energy and paperwork.

So whether you need property insurance over here or over there, have your broker contact the American International Group first. It may be the last contact he'll have to make.

American International Group

Bonding requirements tightened for tour operators under CAB rule

WASHINGTON—The "If It's Tuesday, This Must Be Belgium" crowd has been given added financial protection by the Civil Aeronautics Board's adoption of a rule which will toughen surety bond requirements for tour operators.

"Participants in the tours are protected by the surety bond," said a spokesman at the CAB. "It basically protects them against bad happenings. For example, say they arrive in a city after traveling all day and for some reason or another, they don't have a hotel to stay in. They make a claim against the tour operator and the bond is there to make sure they get paid."

The new bond requirement increases the amount of certain surety bonds that tour operators who arrange tours of 40 or more persons must purchase to protect payments made by travelers. These tours include accommodations as well as air and ground transportation.

AS OF RIGHT now, the bond must be a minimum of \$10,000 for each flight or an amount equal to at least double the air transportation cost for the group. The tour operator has been able to make the choice.

The new rule requires smaller bonds for shorter tours and larger bonds for longer tours.

The rule states "... the tour operator shall furnish a surety bond in one of the following amounts dependent upon the length of the tour: (1) for a tour of two weeks or less, a bond in an amount of not less than the charter price for the air transportation to be furnished in connection with the tour; (2) for a tour of more than two weeks but less than four weeks, a bond in an amount of not less than twice the charter price; and (3) for a tour of four weeks or more, a bond in an amount of not less than three times the charter price: Provided, however, that the liability of the surety to any tour participant shall not exceed the tour price."

The rule gives alternatives to the tour operator and the supplemental air carrier. In lieu of the surety bond described above, "the tour operator shall furnish a surety bond in a minimum amount of \$10,000 per flight up to a maximum of \$200,000 for a series of 20 or more flights, for the protection of the tour participants, the bond to continue in effect until completion of the tour or series of tours."

THE OTHER alternative provided by the ruling makes it possible for the supplemental air carrier and tour operator to "enter into an agreement with a designated bank, the terms of which shall provide that all deposits by tour participants paid to tour operators and their retail travel agents shall be deposited with and maintained by the bank..." That agreement, however, is subject to a great many conditions. The rules were changed "be-

cause the tour operators came to us and wanted the bonding situation eased," according to the CAB spokesman. "We made a study and this is what came of it. The bonding requirement has been toughened but they now have more alternatives."

While the bonding requirement has been made tougher by the ruling, other aspects of the tour business have been made easier. For example, when the rule takes effect on May 8, it will be easier for travel agents to collect their commissions because they will be able to deduct commissions from tour participants' deposits before remitting them to the bank.

The rule also requires that the tour operators submit certain reports to the CAB, thus allowing the board to monitor them more closely.

AT THE same time, the board adopted another rule which would extend bonding requirements to air charters carrying study groups. These groups arrange trips for academic study abroad. However, recognized colleges and secondary schools running their own study tours were exempted from the surety bond requirements by the ruling.

This ruling was passed, according to the spokesman, with the memory of World Academy Inc. fresh in the minds of board members. When that study tour operator went broke last summer, some 3,000 students had to cut short their programs. Many of them were temporarily stranded in foreign countries. ■

N.Y. Senate bill would up death benefit

ALBANY, N.Y.—A bill has been introduced in the legislature here which, quite unbeknownst to its sponsors when they first introduced it, would send the death benefits of a senator who died in February soaring from \$79,515 to \$214,800.

The measure, at first reading, would appear to give the wife of the late Senator Edward J. Speno \$19,500, the remainder of his salary and expense allowances for the year. The problem arises because the bill states that "for all purposes" he shall be considered as having served the full year of 1971. If that is the case, the senator can be considered as having served 20 years for pension and death benefit purposes and his beneficiaries would thus be entitled to the \$214,800.

The late Mr. Speno had entered the senate in 1955. He gained an additional three years for death benefit and pension service when a law was passed in 1969 which allowed legislators to count up to three years military service as state service for retirement purposes.

However, the bill must be passed for the senator's widow to collect the 20 years service amount. If it is not passed, she would be entitled to \$79,515, about half of which was contributed by the senator toward his pension.

Many of the principal sponsors of the bill reported that they were unaware of the full implications of the measure. They felt that the bill would allow Mrs. Speno to collect only her husband's salary and allowance for the year. They also pointed out that Mr. Speno was worth about \$2.3 million. One of the sponsors said that he was "damned annoyed. That's where we get into trouble, by doing things for which there is no defense." ■

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for the record

Texas debates aid for work comp recipients

AUSTIN, Tex.—The state senate insurance committee has approved and sent to the floor for debate a bill designed to protect persons drawing workmen's compensation if the insurance company paying them goes broke.

The bill would require the Texas workmen's compensation assigned risk pool to pay any injured workers whose employers' insurance company goes bankrupt and then spread the loss over the entire industry. "When an insurance company goes insolvent, it hurts the insured," said Sen. Barbara Jordan, the bill's sponsor. "But the person drawing the insurance has absolutely no place to go."

Tony Koriath, a member of the industrial accident board, which handles workmen's compensation cases, said that three insurance companies handling workmen's compensation insurance have gone broke during the last year. "When a person comes in with no arms and no legs, there's still nothing we can do for him," Mr. Koriath said. "These people have absolutely no recourse."

Testifying against the bill was Charles Babb, representing the workmen's compensation insurance pool, who said that he is doing something for the workmen, but doesn't think the assigned risk pool is the agency to do the job. "We are designed to serve the insured who can't get insurance," Mr. Babb said. "We are not designed to solve this problem."

Metal union contract may be pattern

SAN FRANCISCO—A new three-year contract signed with the California Metal Trades Assn. by the Machinists Union for four San Francisco Bay area counties may set a pattern for the state in new demands for insurance benefits.

The contract substantially improves pension, medical and life insurance benefits for 5,000 machinists in San Francisco, San Mateo, Alameda and Contra Costa counties.

Pay increases of 10% are included as well as 7% additional on April 1 of each of the next two years. Pay jumped from \$5.20 to \$5.72 an hour.

The contract is considered by employer groups as "the pattern" which will be followed in negotiations to begin soon in Marin and Santa Clara Counties.

Berkeley, insurer lose People's Park case

ALBANY, Cal.—The City of Berkeley and its insurance carrier, Members Insurance Co., San Francisco, will have to ante up \$500 to Unified School District employee Florence Douthit, the first winner in more than 100 civil and criminal damage suits arising from the 1969 People's Park street demonstration.

A jury in Berkeley-Albany Municipal Judge Lewis Sherman's court, after four days' testimony and one hour of deliberation, awarded \$750 damages to Mrs. Douthit as a victim of false arrest.

The jury gave her \$500 com-

pensatory damages, which the city and the insurance carrier must pay. However, the jury also stipulated that an additional \$250 punitive damages be paid personally by Tom Haley, the Berkeley police sergeant who arrested her.

This was the first verdict favorable to a plaintiff in the May 24, 1969, incident, which involved two days of street disorders. Mrs. Douthit was arrested on a charge of failure to disperse. A former

Continued on page 24

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Larger headquarters for growing trust foundation

BROOKFIELD, Wis.—The National Foundation of Health, Welfare and Pension Plans Inc., has announced plans for a \$630,000 international headquarters building here.

Construction of the three-level building with 22,000 square feet of floor space has begun.

The foundation, which claims to be the largest educational organization in the employe benefit trust fund field, has a current staff of 24 in leased quarters in the neighboring suburb of Elm Grove. The new building will provide working space for 50 persons.

ACCORDING to Lee R. Pola-

check, foundation president, and Martin J. Gallagher, board chairman, the new structure "will become a permanent educational center dedicated to the well-being of the millions of workers covered by joint labor-management, employe benefit trust fund programs." They added that the building "will accommodate the greatly expanded activities required by our organization's rapid growth over the last few years."

The foundation is a 16-year-old, nonprofit, educational organization. Membership in the last seven years has more than tripled to 2,450 employe benefit trust funds and professional firms that

counsel them. The membership embodies 18,000 individual labor and management trustees, administrators and professional advisers in the U.S., Canada, Mexico, Puerto Rico and Australia.

Mr. Polacheck noted that jointly trustee employe benefit plans constitute a relatively young field that is an outgrowth of the Taft-Hartley Act of 1947. That piece of legislation made fringe benefits part of labor contract negotiations and permitted tax-free employer contributions to employe benefit trust funds.

Mr. Polacheck also noted that the U.S. Department of Labor now lists almost 11,000 separate plans and that estimates of the assets of jointly trustee pension plans alone in this country total \$25 billion.

The foundation issues periodicals and research reports. It also conducts seminars, institutes and conferences.

Record . . .

Continued from page 23

reporter for the Berkeley Gazette, she told the jury that Sgt. Haley knew who she was and that he was "meting out independent justice."

Work comp battle on in Oregon

SALEM, Ore.—A mixed reaction to the state workmen's compensation board's handling of appeals was voiced at a hearing of a special Oregon house ways and means subcommittee.

The subcommittee is considering HB 1543, which would provide for a direct appeal of workmen's compensation hearing officers' decisions to the circuit court. At present, the workmen's compensation board must act on

such appeals before they can be taken to court.

Attorneys who represent injured workmen called for the proposed change. It was opposed by Karl Frederick, of Associated Industries of Oregon, and William Callahan, of the workmen's compensation board.

MR. FREDERICK argued that the board decision provides a uniformity that would be lost if eliminated in the appeal process. He pointed to a reduction of workmen's compensation court cases since the present system began in 1965.

Mr. Callahan said that it would be a serious mistake to eliminate the board's review and that this was the only step in the review proceedings to create uniform policy.

However, E.V. Maligon, an attorney, said that more than half of the board's decisions appealed to the circuit court are overruled. "The board is not doing the job properly," he said.

Removal of the board from the appeal process would make the hearings officers more independent, he said.

Howden Swann ups reinsurance capacity

NEW YORK—More capacity has been pumped into the U.S. reinsurance market with the acquisition of the Maritime Insurance Co. of N.Y. by Howden Swann Ltd. early this month. A Howden holding, Wohlreich & Anderson Ltd., New York, will put the additional capacity to work.

"U.S. capital has been slow to organize for the purpose of needed financial investments in reinsurance, resulting in a tremendous lack of U.S. reinsurance capacity," said B. J. Daenzer of the move. Mr. Daenzer is president and a director of W & A and other U.S. affiliates of the Howden Swann Group. He will assume those positions with the new affiliate.

Capital and surplus of Maritime, amounting to more than \$2.1 million, will now be utilized exclusively for reinsurance purposes. The group paid \$2,266,866 for the new affiliate, it was disclosed.

Socialist Workers Party building can't get cover

HOUSTON—Insurance on the local headquarters of the Socialist Workers Party has been canceled because of a bombing of the building on March 12, Debby Leonard, the party's candidate for mayor, said.

Unless another insurance company can be found that will write a new policy, the party must vacate the building, Miss Leonard said. She said the landlord is trying to find another insurance carrier.

James Miller of Houston Fire & Casualty Co. wrote Julian Shapiro, owner Samuel Aronstein's attorney: "None of our companies will write it (a policy) until such time as the parties involved that were bombed are removed from the property."

Freedom of choice

HARRISBURG—Legislation introduced in the Pennsylvania house of representatives would allow employees to select their own physicians under the workmen's compensation program. The bill, which is being studied by the house labor relations committee, would allow the injured workers to choose any "duly licensed practitioner of the healing arts." ■

This ancient mariner found a safe port in Savannah.

Savannah Machine and Shipyard Company has played an important role in world shipping for forty-three years: building, converting and repairing ships. And the company's 540-foot dry dock generally accommodates modern merchantmen.

Recently, however, a three-masted square rigger put in for repairs. The *Cruz del Sur*, star of the film "A High Wind in Jamaica", required work on its hull and top hamper (15 yardarms, 25 sails, and 9 miles of rigging).

The Savannah Machine and Shipyard Company "snapped to", and, today, the 174-foot craft is a floating exhibit at a Savannah maritime museum.

Keeping things shipshape.

The Savannah Machine and Shipyard Company, and its associate Ductile Iron Company of America, employ 1200 people during peak periods. Sheet metal, pipe fitting, wood working, and machine shops—backed by an engineering staff—makes it the largest marine facility in Georgia.

The heavy equipment, involved rigging, and Federal and Maritime exposures create a high risk classification in workmen's compensation insurance. Their insurance broker, William H. Brown of the John D. Carswell Company, recommended Argonaut Insurance with its background in handling large workmen's comp risks, safety engineering, and experience in Federal and Maritime coverage needs.

Argonaut comes aboard.

W. Ballard Powell, who heads Insurance and Safety for the Savannah Machine and Shipyard Company reports progress: "Since signing on with Argonaut in March 1969, we've instituted monthly meetings between safety committees and an Argonaut safety engineer. Every quarter, company, agency, and carrier representatives meet to review claims and to spot potential problem areas. It's working out fine. Together we've been able to effect a sizeable drop in time-loss accidents and expedite the handling of involved claims."

The changing tide of insurance.

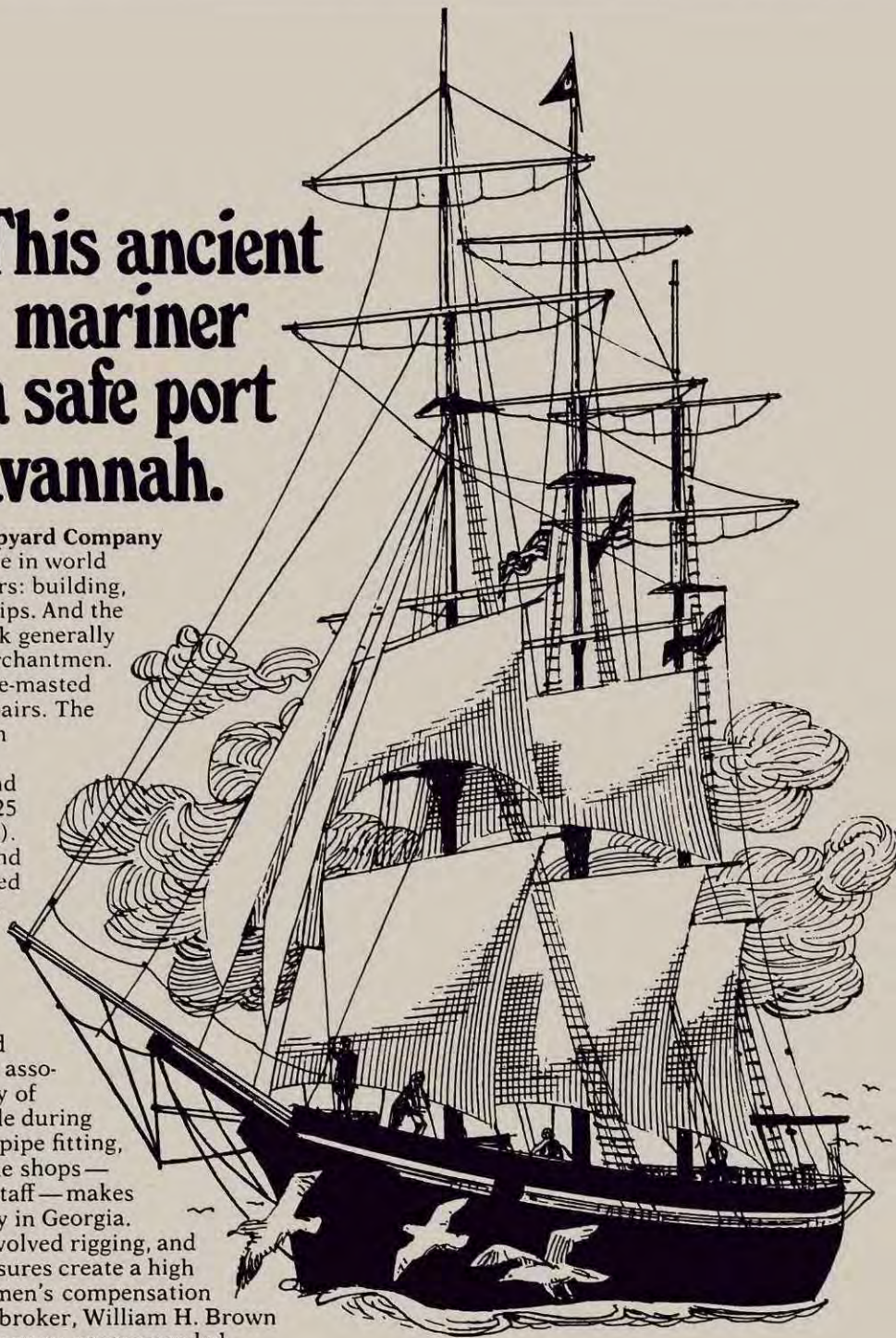
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Connecticut insurers in uproar

Proposed premium sales tax could add 7% to bills

HARTFORD—Connecticut-based insurance company executives are beginning to compare themselves to camels and some of them fully expect to hear the "crack" of breaking vertebrae if a proposed sales tax is passed by the legislature here.

The insurance companies have been mustering their forces in opposition to Republican Gov. Thomas J. Meskill's proposal to raise the sales tax from 5% to 7% and that insurance premiums be subject to it. And, so far, the opposition has been loud.

"The proposal to subject insurance premiums to the sales tax is of great concern to us as well as to the businesses and individuals who would have to pay it," said Roger C. Wilkins, chairman of the Travelers Corp.

"No other state has such a tax. This measure would represent a disastrous blow to the insurance business in Connecticut. Very few individuals would choose to include life insurance in a savings program when they could save 7% by putting the money in a savings bank, mutual fund or other type of investment not subject to sales tax. Businesses are not likely to buy group insurance or commercial casualty and fire coverages if they are large enough to save 7% by self-insurance. We would anticipate a substantial decrease in insurance sales in Connecticut," he added.

The chairman of Aetna Life & Casualty, Olcott D. Smith, picked up the standard at his company's annual meeting:

"Connecticut insurance companies are taxed more heavily than other types of business in the state," he said. "The Connecticut insurance companies currently pay two separate taxes to the state—a premium tax and a tax on interest and dividends.

"The proposal to add a third tax, a sales tax of 7%," he went on, "is the straw which would break the camel's back. The insurance industry does not seek preferential treatment from the state, only equitable treatment."

MR. SMITH pointed out that the premium tax the companies are already paying is not a tax on net income but on gross receipts and that the tax rate is higher for Connecticut's domestic companies than for out-of-state insurers. He noted it was the only state which taxed the worldwide interest and dividend income of its domestic insurance companies.

Perhaps to add an element of suspense to their statements, both Mr. Smith and Mr. Wilkins made a point of saying that if their companies had been based in other states their taxes would not have been nearly so high. Both mentioned Illinois.

Though many companies have taken positions similar to those of Aetna and Travelers, the Insurance Assn. of Connecticut has been leading the fight against the new tax proposal.

When asked what effect the tax, if it is passed, would have on the corporate insurance buyer, a spokesman for the association said, "The bills for all insurance coverage will be higher by 7%. And when the bills for group insurance get higher, it is going to create a rough situation around the bargaining table."

HE POINTED out that the sales of all insurance companies doing business in the state would be subject to the tax. Premium sales for all types of insurance would also be subject to the tax but only

residents of Connecticut would have to pay it.

The fact that the tax would hit all insurance companies, not just the domestics, has raised the spectre of retaliation by other states.

Said Mr. Smith of Aetna, "It (the tax) could trigger retaliatory taxes against Connecticut companies, placing in their path an insurmountable barrier in the national insurance market."

The spokesman for the association pointed out that "all but three states have retaliation statutes. If this tax passes, retaliatory levies will go into effect in other states. We figure that when the

retaliatory laws do go into operation, it will cost Connecticut-based companies an extra \$500 million a year to do business."

FEAR OF retaliation was one of the main reasons a similar sales tax on insurance premiums died a quick death in Pennsylvania last year, according to Philip Gilligan, general counsel for the Insurance Federation of Pennsylvania.

"When the law was passed, other states threatened to retaliate," he said. "The sales tax here would have been 6%, so Pennsylvania-based companies would

have to pay a 6% tax in other states."

He explained the retaliation statute set-up. "Say State A restricts the business of all insurance companies in that state, or foreign companies only. Some of those companies are based in State B. Under the retaliation statute, State B can then restrict the business of State A-based companies operating in State B."

Other reasons for the failure of the tax in Pennsylvania were that it discriminated against city dwellers because they had to buy more insurance than did rural occupants. "Not everyone buys in-

surance," Mr. Gilligan noted, "and those who do, buy it in different amounts. The tax was also unfair to the consumer because of the inequities in insurance rating."

But whatever the reasons, the tax was only on the books in Pennsylvania for seven days before it was repealed.

Earlier this month, no one seemed to be sure as to which way the legislature would go when the tax was to be voted on.

A source said, "They can accept the governor's budget or reject it and adopt one of their own and right now, we don't know which they'll do." ■

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The Ansul System 

Four states review work comp; two enact new insurance programs

OLYMPIA, Wash.—The house labor committee here has begun public hearings on proposed legislative changes in Washington's workmen's compensation insurance program.

The bill would give employers a choice of three optional methods of meeting their workmen's compensation obligations: self-insurance, use of private insurance carriers or continuation with the state fund. Insurance industry spokesmen anticipate easy passage of the bill through the house but difficulty in getting it adopted by the senate. The legislature has been attempting for five years to "modernize" the workmen's compensation law.

In a related move a broad

package of new workmen's compensation bills has been introduced in the California legislature by San Francisco Democrat Assemblyman Willie L. Brown. The proposals would provide death pensions at a rate of maximum temporary disability benefits and would also advance the maximum temporary disability benefit payments to \$150.

Rehabilitation would be made mandatory under the new laws which also would provide for "reasonable and necessary" living expenses and costs of vocational training. Domestic workers would no longer be excluded from coverage and the workmen's compensation appeals board would be reconstituted so as to include two repre-

sentatives each from labor, management and the public as well as one experienced attorney.

Insurance industry spokesmen estimated that raising the temporary disability benefits to \$150 would require \$34,821,807 in additional premiums and would raise the rate by 5.2%. Inclusion of death pensions at the rate proposed would require \$75,076,806 additional premiums and a rate increase of 11.2%.

The Montana legislature also concerned with current workmen's compensation has enacted a "package" of measures designed to improve the state's workmen's compensation insurance law.

THE PACKAGE includes full

occupational disease coverage, unlimited medical and increased benefits. It also includes a "reverse offset" feature in that henceforth Montana workmen's compensation benefits will be reduced when Social Security benefits are paid. Thus Social Security will become the prime coverage with compensation secondary.

The Idaho legislature also has adopted a new workmen's compensation insurance law. It provides for benefit increases in excess of 30%.

The new Idaho law also includes an automatic escalator provision under which benefit payments may be related to fluctuations in the average wage paid throughout the state. It also includes a provision under which payments for specific injuries need no longer be related to the employee's occupation. Broad occupational disease coverage is included as are life pension provisions.

Asks quake laboratories in high rises

SAN FRANCISCO—All new high-rise buildings here will be used as a "collective earthquake research laboratory" under a proposal made by Supervisor Ronald Pelosi to the department of public works.

Mr. Pelosi wants a new city ordinance compelling installation of sophisticated earthquake research instruments in all such buildings so that as the structures undergo future quakes, the instrument-gathered data would help engineers to design "even stronger buildings."

The new law would be modeled on a similar ordinance adopted five years ago by Los Angeles and since that time by more than 15 other California cities.

William K. Cloud of the U.S. Seismological Field Survey here, said 11 northern California buildings, from San Francisco to San Jose, already are equipped with devices to measure movement during quakes. His agency maintains all of the instruments and collects the recorded seismic data every two months.

The law Mr. Pelosi proposes would also require building owners to buy and install three seismic instruments in all high-rise structures of more than 10 floors. The law would not be retroactive.

Provisions of the Los Angeles ordinance are now part of the uniform building code prepared by the International Conference of Building Officials to serve as a model for city, county codes.

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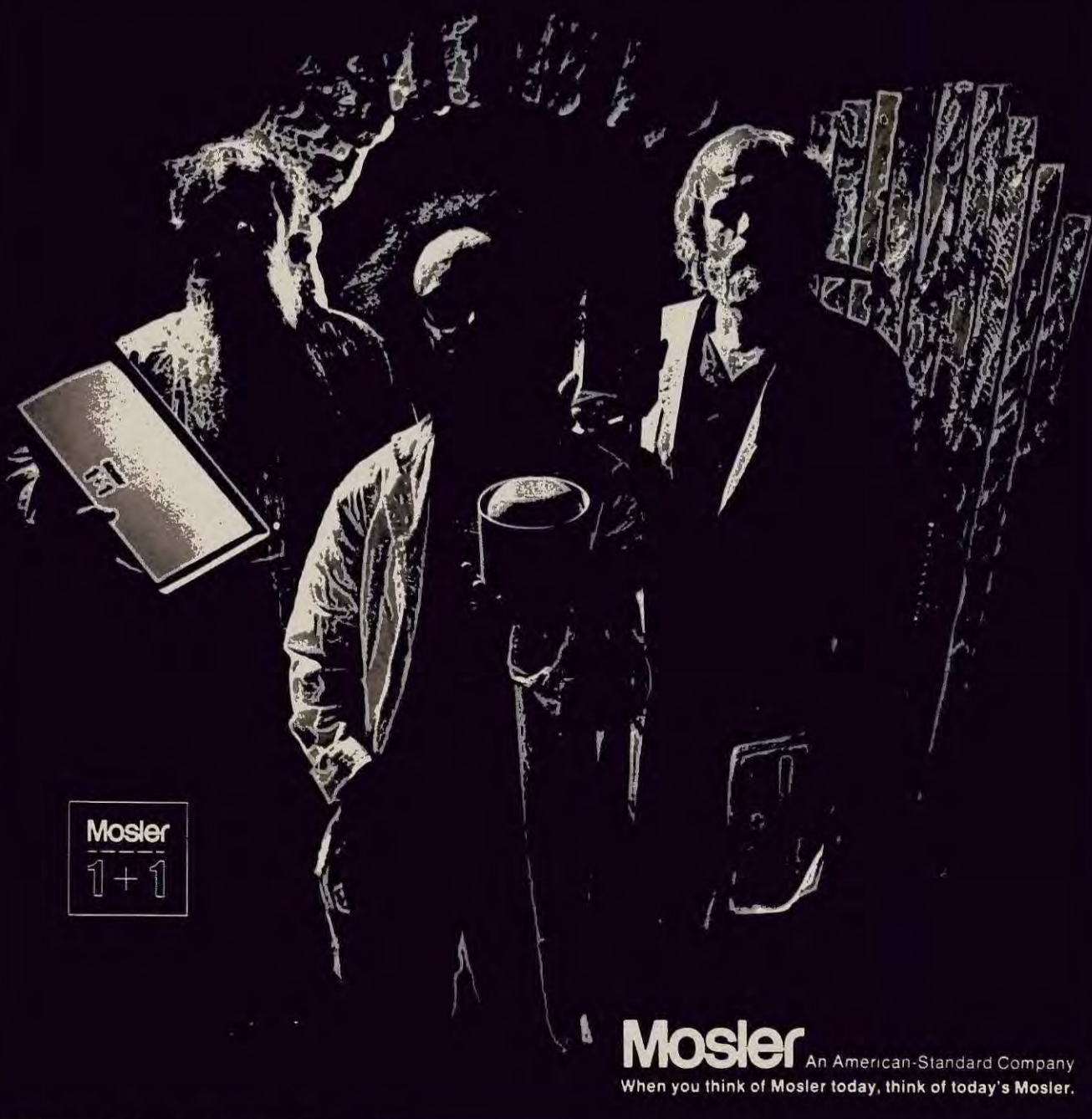
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Persons covered by pensions

NEW YORK—More than 46 million active and retired workers in the United States were covered by major private and government-administered pension plans at the beginning of 1970, according to figures compiled and released early this year by the Institute of Life Insurance's division of statistics and research.

According to the institute, the number of covered workers under all types of plans increased by almost two million in 1969, for a gain of 4.3% over the previous year. Private insured plans, however, registered the most significant gain of all plans. Noninsured plans increased by 3%, while government-administered pension plans gained 2.5%. State and local plans, on the other hand, increased 3.5%.

Benefits paid and the number of retired workers who received benefits also increased. Private plans, which showed the largest increases, paid nearly \$5.7 billion to more than 4.1 million retirees in 1969. Government plans paid \$5.4 billion to 2.1 million retirees.

The "grand total" of benefits paid to retired workers in 1969, the Institute notes, was \$28.7 billion, which compares with \$10.5 billion 10 years earlier.

Assets and reserves held for private retirement plans amounted to \$125.2 billion at the start of 1970. Of this, \$37.9 billion was in insured pension plans. The overall total amounted Government-administered plans registered assets of \$74.8 billion, with Social Security at \$34.2 billion. The overall total amounted to \$234.2 billion.

Texas bill proposal limits medical negligence liability

AUSTIN, Tex.—Several physicians have testified that doctors, hospitals and patients need a proposed law that would limit liability of physicians, hospitals and donors to individuals' negligence for damages occurring from blood transfusions or organ transplants. The bill, by state representative William Braecklein, has the blessings of the Texas Medical Assn.

Dr. Richard E. Halden Jr. told the house judiciary committee that blood is urgently needed and that blood donation drives should be made on college campuses as a volunteer public service. "Only 2 to 3% of those eligible to give blood donate," he said. "Anything that deters donors would be an impediment to the blood program."

Basis for the doctors' concern is an Illinois case, *Cunningham vs. MacNeal Memorial Hospital*, a suit charging negligence which was taken to the Illinois supreme court and sustained.

MANY DOCTORS are afraid to administer badly needed blood transfusions for fear of malpractice suits, Dr. Halden said. "Donors could be sued if some disease like hepatitis were transmitted," he said.

Dr. Atticus J. Gill said there is no way to be certain blood and other tissues are going to be completely compatible. "Patients' best interests require that blood and sometimes tissues be available on an emergency basis," he said.

"Rare side effects do occur from time to time with blood transfusions. There is no certain way to determine if blood and other tissues are going to be incompatible. It's a difficult position to be placed in. You can feel culpable either way, if you do or you don't give blood," Dr. Gill said.

Philip Overton, general counsel for the Texas Medical Assn., said the association wants the doctors not to fear being sued. "The law of the state of Illinois has circulated over the nation and many hospitals and doctors are afraid to give transfusions," Mr. Overton said.

The bill went to a house subcommittee.



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letters

Continued from page 20

Almost 20 years ago when I was in law school, I remember what I considered to be a classic mouse-in-the-bottle case, which I briefed in poetry. For your benefit I thought I would pass it along to you. It is entitled "Ode to a Rodent: Or, Coca-Cola Revisited" and runs as follows:

The remnants of a rodent lie, reposing,
In a Coke bottle, decomposing,
The remnants, by the plaintiff, partially swallowed,
After which, his stomach hollowed.
Was the rodent there by the helluvit,
Or due to persons, deliberately malevolent?
This case occurred way down in Tennessee,
The answer's obvious, canusee?
The company, the bottle had inspected—
So the court, the plaintiff's plea rejected.

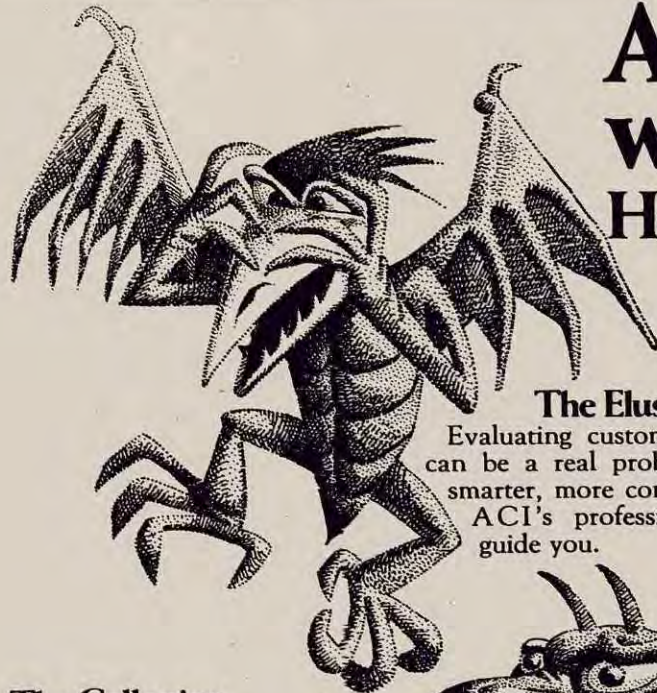
Arthur M. Siegel
Attorney, Cincinnati, O.

Rehab reprint

To the Editor: I have just seen your Feb. 15 article on our hand rehabilitation program here at the Institute and I think it's splendid. Could we have permission to reprint, giving complete credit to Business Insurance?

Howard A. Rusk, M.D.
Director, Institute of Rehabilitation Medicine, New York University Medical Center, New York

Editor's Note: Permission granted.



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Some firms offer employees a unique medical benefit and it costs just \$7

WATERBURY, Conn.—Scovill Manufacturing Co. is one of an increasing number of firms that have a unique insurance program for their employees. Scovill offers any employe with a hidden health problem lifetime membership in the Medic Alert Foundation International, a nonprofit foundation for persons with illnesses such as diabetes, epilepsy, heart disease, glaucoma and numerous allergies.

It is a fact of life that buying insurance for people in precarious health can be an expensive proposition. But the Medic Alert "policy" is meant specifically for people with medical problems, and it pays off in lives saved rather

than in cash benefits, according to the foundation. Moreover, at \$7 per person for lifetime membership this protection looks like a good, inexpensive employe benefit to a number of companies.

Two and one-half years ago, according to Dr. Robert W. Butler, medical director at Scovill, his company made Medic Alert membership available to its employes.

"THE PROGRAM is strictly voluntary," he said in a recent interview with *Business Insurance*, "and is paid for entirely by Scovill. We have something more than 100 members."

Dr. Butler said the benefits ac-

crue when members become ill or suffer accidents and are treated by medical personnel. Doctors, ambulance attendants, police and other emergency personnel are alerted to the individual's problem immediately by an identification disk worn on a chain around the wrist or neck.

Engraved on the back of the disk are the wearer's medical problem, his Medic Alert membership number, and the telephone number of Medic Alert's central file in Turlock, Cal., where detailed medical information on every member is retained for life. This information is available to physicians and other authorized individuals 24 hours a



Proper administration of cruc... as quickly as possible is assured by the Medic Alert bracelet's engraved warning of a hidden medical problem on the reverse side.

day, via a collect telephone call. "There are several medical

problems for which quick recognition and proper treatment are of great, often lifesaving, importance in emergencies," Dr. Butler said.

"DIABETES and epilepsy present the most frequent instances of danger from non-recognition. But many other conditions—allergies, cardiovascular disease, persons on special medication—can produce fatal results unless those in attendance are alerted."

According to Dr. Butler, in less sophisticated times than ours epileptics and diabetics were often jailed when police found them reeling around the streets. "It still does happen sometimes," he said. "Drunkenness was a normal assumption, but sometimes these people would die because they got the jailhouse instead of the medical attention they needed."

Dr. Butler reported that Scovill Medic Alert members suffer most from being allergic to penicillin and next from diabetes and heart conditions.

"Several employes require a disk for more than one condition," he said. "One out of every five persons in the general population has a hidden medical problem, so you can see how valuable the disk can be, especially in the event of shock, delirium, unconsciousness or coma when such persons cannot speak for themselves."

A spokesman for the Medic Alert Foundation reported that 325,000 Americans are now members. "This is a valuable service for companies," he said. "The saving of but one hour that otherwise might be lost due to a medical problem would, in most cases, cover the membership fee. Such a loss costs the company both wages and loss of production, to say nothing of the cost in human suffering."

Business and industrial concerns offering company-paid Medic Alert membership to their employes include IBM World Trade Corp., New England Mutual Life Insurance Co., and Olin Mathieson Chemical Corp. S.C. Johnson & Son in Racine, Wis., goes a step further and extends the offer to retired employes and dependents as well.

California fire claims

Fires in southern California late last year produced 7,109 direct insured claims totaling \$215.9 million. State Insurance Commissioner Richards D. Barger produced the figures after a statewide survey of insurers. Home owners policies accounted for \$11,338,315. The California Fair Plan Assn., created in 1968, produced the highest loss per claim with an average of \$14,320. Reinsurance assumed amounted to \$1,630,951, with reinsurance recoverable totalling \$2,975,179.



Morton and Matthew Kornreich, C.L.U. Mass Mutual Men of the Year 1971

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of MDRT; members of the Mass Mutual Inner Circle; the only twin C.L.U.s in the country; and they have received the N.Q.A. in each of the past 10 years.

While their business is equally divided and they purposely alternate in serving their accounts, they have established independent circles of community activity.

Matt recently received the "Torch of Liberty Award" for the Harrison Division Anti-Defamation League Appeal; he served on the Board of the Mid-Western YM-YWHA, is active with the Young Mens Division Albert Einstein College of Medicine, the United Fund and United Jewish Appeal and the U. of Penn Alumni. Matt and his wife, who was Susanne Lee Cohen, have a son and daughter—William, a sophomore at Franklin and Marshall College, and Kathy, a senior at New Rochelle Academy.

Mort is a Trustee of the Free Synagogue of Westchester and local co-chairman of the Israel Bond Drive. Currently he is in the forefront of the 1971 United Jewish Appeal drive in Harrison, is immediate past president of his country club, and is active in the Penn Alumni of Westchester. Mort and his wife, the former Jo Anne Colnes, have three children—James, a freshman at Alfred University, Thomas, a high school sophomore, and Nancy, a sixth grader.

Their General Agents B. William Steinberg, C.L.U., and Paul Zittell say "They have been named twice as Agency Men of the Year, which is our annual 'Most Valuable Associate Award' given to the person we feel has contributed the most to the agency during the year. We're delighted they received this company recognition."

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business insurance/perspective

Employers must monitor the national health plan

by John V. Deegan,
Employe Benefits Consultant,
New York, N. Y.

The President has called for a new national health program. Certainly we can expect to have some kind of national health care plan operating by mid-1973. Now, while it's in the conceptual stage, is the time for industry to watch its formation and speak up. We should insist on an efficient system, with costs controlled and fairly—rather than just conveniently—financed. For it is industry that will, directly or indirectly, pay some 80% of the bill. This is estimated to start at \$70 billion a year over all, with extraordinary potential for escalation.

Medical care costs for the past 10 years have gone nowhere but up—more than four times faster than the reported consumer index in our economy. Such momentum is difficult to moderate, even harder to reverse. Yet, a mere 10% increase in industry's share of present national health care—more than \$13 billion—would be an increase of \$1.33 billion.

So every aspect of cost should be monitored by industry management. When indicated, aggressive steps should be taken both to structure the plan for lowest cost of operation and to administer it under a prudent and effective system of cost controls.

THE FIRST QUESTION is the structure. While the President and Congress

'Any program that lacks provision for variation in geographic area will raise total cost without raising value delivered.'

agree that a national health care plan is definitely needed, there is real debate on the question of who will collect the premiums and who will pay the claims. Essentially, whatever the technical aspects, the new plan will extend to the remaining minorities the level of health care benefits industry now provides the employed majority.

Industry now provides this care through an assortment of Blue Cross, Blue Shield and private insurance company plans. These vary in cost and amounts of payment for claim roughly parallel to area variations in the cost of living. The President would continue use of this system for the employed majority and their dependents and would expand payment and claim responsibility for the remainder of the population through this existing system. Further competition created among other carriers may also make for savings.

The major alternate plan proposed by some of the legislators would be financed through taxes collected and paid out in a uniform manner on a national basis. They stress the advantage of simplicity of financing through a percentage of payroll, as in Social Security.

Over many years of study of industry

health programs, I have come to believe that any program that lacks provision for variation in geographic area—based on cost and quality of facilities supplied—will raise total cost without raising the value delivered. Any "full federal" plan would require the high costs of top areas and top hospitals to be paid across the map or, if all costs were arbitrarily forced to one level, would flood the superior facilities. It is the inherent variation in legitimate medical costs from area to area, even for the same quality of service, that has caused the Blues and the insurance carriers to continue to function efficiently on state and area levels. "Patchwork" has proved itself the most practical way.

THE LEGISLATIVE proposal would build and staff a totally new bureau. In my opinion, the President's proposal effects economies by using existing facilities, the same ones that are presently serving some 80% of the employed population. Their personnel are already trained and their experience, vital in this field, is available.

As far as industry is concerned, the direct responsibility it bears is for its employees and their families. The major

change for industry will be the extension of present programs to the 20% of employees (largely those with smaller firms) not now protected. For these firms, the additional cost will be high, since currently accepted benefits are at a high level. Most large companies now give the additional protection of major medical, with total cost of protection in some cases, when union negotiated, running to \$600 per year for each employee. Whether the higher levels of reimbursement will be permitted to continue is presently undecided, of course, but will be pertinent.

Aside from this required extension to employees not yet covered, the direct cost to industry of national health care should be less rather than more. It will be, if industry makes sure the program assesses the costs of the remaining portions of the program fairly.

However, the five remaining provisions of the proposed national health care program are a different matter. They are crucial to the total aim of the program and are, at the same time, extremely costly. Yet they are, in my opinion, in no way appropriately or justly financed by any direct tax on industry or on earnings.

PROVISION FOR LOW-INCOME families is essential to any national health care plan, of course. But what it is, in fact, is more or less a replacement and improvement of Medicaid. It is therefore properly supported from general revenues and I urge you to press that this portion be so financed.

For the elderly, the increased Medicare benefits and particularly the plan to include, without additional fee, the benefits for payment of non-hospital costs now under Part B, are necessary and constructive, too. Extension of benefits to include prescription drugs is most important to

Continued on following page

Education that parallels career: Here's how it will benefit everyone

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



Bion H. Francis

'An employe could be constantly studying the problems he will face in the future as an employe and as a citizen.'

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

One of the primary concepts presented in this series of columns is that an education, instead of being something you must obtain in the first 20 years, more or less, of your life, is something that should continue as long as you live. Your education career should be parallel to your working career.

The comparisons in an earlier column assumed that after you started to work, three-fourths of your time would be devoted to work and the remaining fourth to education. The amount of time actually

devoted to education may vary with circumstances and needs. It could be one or two days a week, one or two weeks a month, or one or two or more months a year.

In a period of, say, 40 or 50 years, this could permit everyone to obtain the equivalent of several degrees, depending on ability. You may ask, "But what's in it for me? What are the advantages?"

Improvement in Education

Study for these degrees would be interspersed with periods of living and working. Adult students working with advanced teaching machines under conditions that encourage them to see the importance and relevance of what they are studying could end up with greatly improved educations. How can youngsters do better in schools that are sometimes dominated by drugs and violence, while they study materials that may be out of date in a few years?

Increased Productivity

One obvious advantage could be a great increase in productivity with consequent increases in both standard of living and available leisure.

Most Efficient Use of Human Resources

The fact that each employe is both working and studying would encourage successive careers. Frequently, employes move from one employer to another in the belief that this is the only way to get ahead. But with parallel working and scholastic careers, an employe could be constantly studying the problems that he will face in the future, both as an employe and as a citizen.

This would encourage employes to direct their abilities and skills to the area in which they would be of greatest value. The net result would be the most efficient use of our human resources.

Improved Social Opportunity

Such a system, with its lifetime of study, would make it easier for slow starters, dropouts and the disadvantaged to fit themselves into the system. The present problems that prevent people's going back to school would be eliminated if everyone

Continued on following page

Employers

Continued from preceding page

older people. Nevertheless, again in my opinion, this should not be a direct tax on industry but financed through general revenues until the new, broader Social Security tax base makes it self-supporting.

Perhaps the most essential national health program provision is that which deals with extending existing health facilities. Present facilities are certainly inadequate to support the increased demand that would be made. However, I do not agree that the costs are properly borne by an earnings tax, as in the legislative proposal. Since the benefits will be equally shared by all, they are more properly a general expense and should be financed only indirectly by industry.

The suggested expansion of health maintenance organizations HMOs—which are engaged in preventive medicine as well as in care of the sick—also appears to be properly ascribed to general revenues. While experience shows that these functions will when properly set up, it is important to control the quality of service by maintaining a stated ratio of professionals available to persons served.

IT IS EQUALLY NECESSARY that controls be written in for that part of the program that covers full maternity care

and full well-child services, which will include inoculations. As important as its improvement of the health of up-coming generations will be, this part of the plan is costly. The amount involved is several hundreds of dollars per child and I feel strong limits must be set to prevent over-use or abuse.

So much for what I feel should be industry management's current concern regarding the broad structure of the program and allocation of costs on a fair

private, has served to conduct more and more dollars to providers of medical care—without providing that much more care. Fees automatically paid have proved just as automatically incurred.

Yet experience can be found to prove this is not necessary. Where health service organizations have functioned effectively (the Kaiser Plan, for example), it is amazing how much higher-cost service has been eliminated. Fewer visits cure the same illness. Surgery is less often re-

the American Medical Assn. and local societies will be essential to achieve anything but another runaway program.

In any event, hospitals and other institutional providers should be required to adopt a uniform system of accounting to assign to the health care program only those items required for direct patient care. With all persons covered in a national plan there would be no reason for teaching, research or uncollectable accounts to be charged to an employer's plan.

There is little doubt that this session of Congress is going to enact a national health care plan. Industry now has its chance to state its views. Once established, of course, the plan will be permanent—with little possibility of revision, however prudent.

It will be well worthwhile to work with your public and industrial relations people to present your position. Seek independent advice in the benefits field to assist them with facts.

There are already strong lobbies from present providers of benefits, from labor and from those who feel that government operation best serves their purpose. As major taxpayers, employers might be well advised to establish another lobby to represent them as a whole.

John Deegan is an independent employe benefits consultant in New York City. He is associated with Edward N. Hay & Associates and is an associate consultant with Risk Planning Group, Darien, Conn.

'It will be well worthwhile to work with your public and industrial relations people to present your position.'

basis. There is also a third element of importance. Unless industry, either alone or in conjunction with other taxpayers, is willing to continue to write blank medical service checks for the years to come, it will be essential that, as a major contributor to the program, it insists on full professional cooperation from the start. The effectiveness of any national health care plan will be directly in proportion to the way costs are controlled by specific agreement with medical associations.

To a large extent, the present wide medical protection of employes, irdigent and aged under various plans, public and

quired. In any new national health care program, this same realistic point of view toward unnecessary costs must be enforced. The mere paying of bills will not provide the same control of claim costs as exists. There is no financial incentive to patient or doctor for more than is actually needed.

A PROGRAM SUCH AS a relative value scale, set up to establish a fair and objective level for charges and having appropriate unit values based on available services and local costs, might be a first step. But for this, the full cooperation of

Education

Continued from preceding page

were normally in school throughout his life anyway.

In fact, such a system should be more democratic. The influence of parents on education would be reduced if education continued throughout the lifetime of their children.

Greater Social Mobility

Another advantage would be greater social mobility. If everyone goes to school throughout his life, the fact that someone had been unable to go to college when young would become much less important. He can always get those degrees later if he wants them. This would be a system under which everyone would find it easier to move up the ladder to success.

Social Order

Here, there would be many changes.

The educational burdens placed on parents by our present system would be eased as education for the young is replaced, in large part, by education that continues throughout adult life. The burdens on the middle class would be eased. Under the present system it is the middle class that bears the greatest burden for the education of sons and daughters.

Individual Security

This would be greatly improved. Consider the threat represented by inflation. The best protection against inflation is continued personal earning power.

Suppose we modify our system so that a man goes to school all his life to maintain his knowledge and earning power. Because he does go to school all his life, his working lifetime can be extended. Since retirement is postponed or eliminated, the threat to him of inflation is reduced. The value of his holdings may be reduced, but he is still able to earn a living.

National Security

Consider the situation if we have all facilities operating six days a week by two crews, each working three days a week. In the event of a national emergency, such as war, one crew of workers could take over all production on a six-day week basis. This would immediately make available half the population for other activity without any decrease in our standard of living.

Beyond this is the fact that the strength of the nation would also be improved if continued education and participation in the work force postponed obsolescence and aging.

Elimination of Retirement Need

In fact, our need for retirement may now stem from the inadequacies of our medical and educational systems. These now permit us to become obsolescent in terms of modern production and social systems.

If this situation could be remedied, we

might become the last generation to need large-scale retirement. However, because of the time required for such a large scale change, one or two generations would more probably be required for the change. However, this is something that may be within the grasp of many now living.

Benefits

But the benefits would be many—in the form of improved health and greater happiness as old-timers rotting on the dole are replaced by men still making a contribution. Perhaps not least of the benefits would be a better integration of the generations as youngsters go to work earlier and adults continue their studies longer.

This would permit us to take advantage sooner of the talents and drive of young people. There are fields in science and the arts in which a man's best contribution may be made while he is still young.

At the same time this program would conserve the skills, experience and judgment of our older citizens.

Weathering recession risk

by Gerald W. Wilson,
Analyst of Corporate Insurance,
New York, N. Y.

DEAR GERRY: What can an insurance manager do to weather the recession?

ANSWER: Sorry, but I have no advice on weathering, but I can suggest some general ways to go along with it:

- Start cutting out the fat of dollar swapping. Coverages such as ocean marine cargo and automobile physical damage on passenger cars and some personal property floaters could probably be assumed.

- Tighten up on administration—with lay offs you are likely to get an increase in workmen's compensation and disability claims.

- Revise and reschedule your retirement plans so as to reduce short-run additions to increases in reserves and defer payments, if possible, to trustee accounts—even if this means increasing accrued service liabilities.

- Separate your thinking with regard

to marginal operations. Give minimal insurance and service to marginal operations, especially those that could be discontinued.

- Shave your budget in like manner as other departments.

- Preserve your domain from takeover by higher echelon executives who have been displaced and are now looking for something they think they can handle.

Avoid becoming the adversary victim; i.e., do not raise annoying questions or insist too strongly that efforts be made to plan or anticipate adverse aspects of any contemplated action by the employer. This is avoidance of being the target as the bearer of bad news when all management wants to hear is messages of hope and an end to their troubles.

DEAR GERRY: G. K. Bernstein, insurance administrator with the Department of Housing and Urban Development, said, "If the insurance carriers continue to divest themselves of underwritings in other areas

because they want a guaranteed profit the government will fill the needs of the people." As a former insurance administrator yourself, what do you think of this statement?

ANSWER: It is basically nonsense. The needs of the people are about as definite as the "they" who are always so authoritative. Government has provided insurance or indemnity in two situations. One is when it amounts to a subsidy and is usually in the government's interest, such as war risk, export credit and Price Anderson Indemnity for nuclear incidents. The other is when underwriting has been unprofitable and the traditional modes of insurance have backed off, such as capture and detention, war life, flood, Medicare, riot reinsurance and fire in slum areas. Occasionally insurance companies have miscalculated, such as with war life and war risk, but not very often.

As an insurance buyer it sometimes seems that the carriers handling a limited

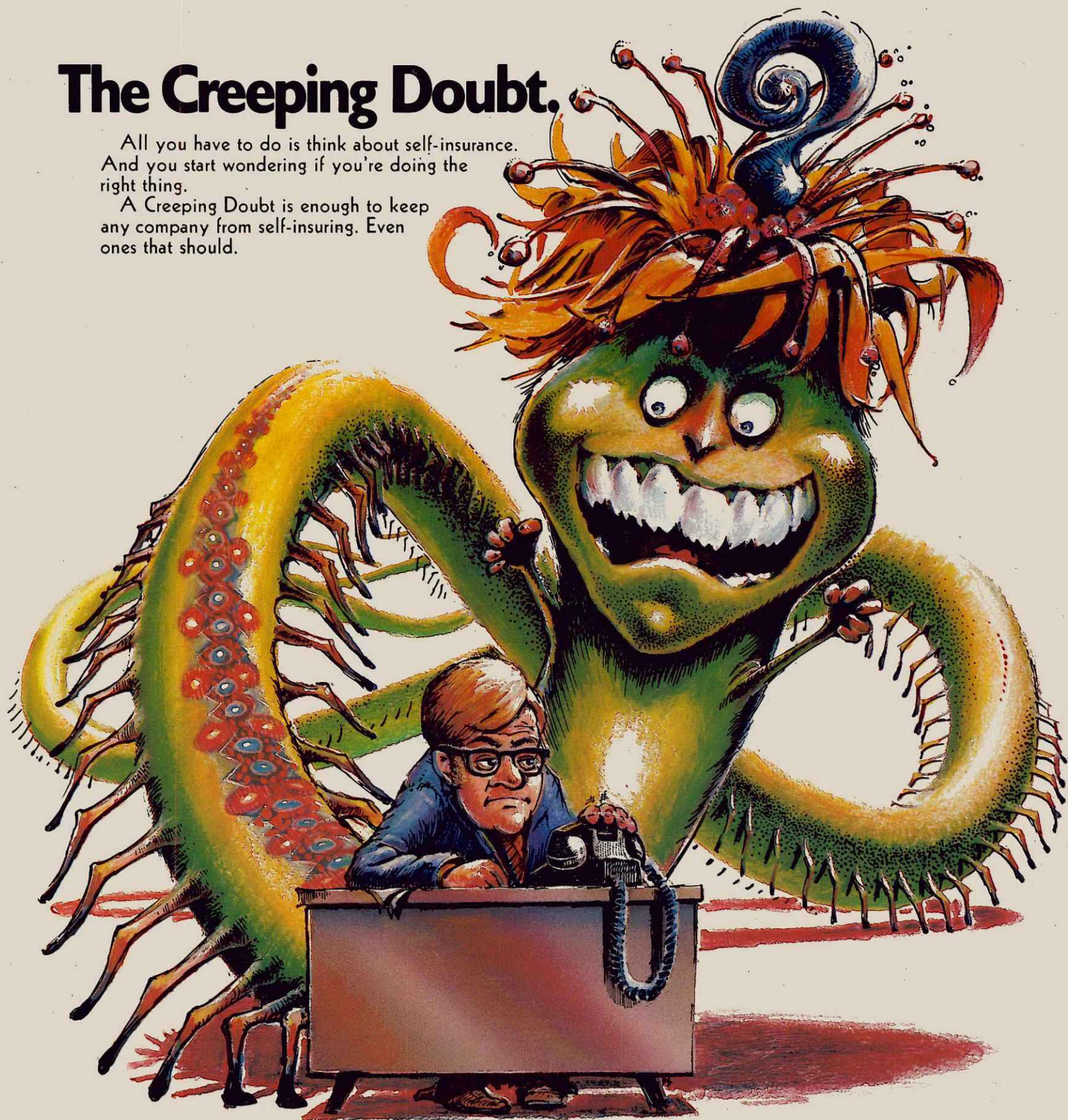
market appear to calculate premium on old "free enterprise" criteria of what the market will bear or even what percent of profit they can call upon for furnishing indemnity. Among all the subsidies given to industry in the way of free use of resources and guaranteed access; such a glaring subsidy as government furnished indemnity, with the purpose of filling in the unprofitable gaps in insurance underwriting, is not likely to be included. Insurance carriers are not unreasonable to require a guaranteed profit for services performed. The problem seems to be in willingness to seek other alternatives or face or define the real problems spotlighted by the withdrawal of insurance.

There is one alternative (and it is a state, not federal, one) and it is the main reason Mr. Bernstein's statement is basically nonsense. When a carrier pulls out of writing a line in a state or an area of a state, but writes it elsewhere, it could be forced not to discriminate against that state's citizens by writing in the area as its participation premiumwise in all lines of insurance within the state. After all, the carrier is admitted to do business in the state; it is guaranteed a profit in underwriting in the state, not that it will not have a loss-leader—to put it in retail terms.

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Silversmiths, and Napoleon, got back antiques at no cost to insurer

MIAMI—A treasure in historic silver, insured for \$500,000 when it disappeared from a museum here in late March, has been recovered virtually intact and will go back on display in May.

Two men are in custody, and others may be involved, in connection with the robbery of the traveling collection from the Vizcaya museum while a security guard was held at gunpoint.

"Everything is there, as far as I can tell," said S. Kirk Millspaugh, president of Samuel Kirk and Sons Co., Baltimore, the silversmiths who own the collection. "A couple of pepper cruets are missing, but these may have been left in Miami."

TWO SUSPECTS were apprehended by the Federal Bureau of Investigation in New Jersey and both returned the silver after reportedly turning down a \$15,000 ransom offer. Richard Andrews, a Miami investigator representing the silversmith's insurance company, said he was in touch with the robbers, through an intermediary, twice and that they had held out for \$25,000 to return the 136 pitchers, goblets and plates stolen from the 220-piece collection.

The two Miami suspects, Edward Smith and Randall C. Mumper, were turned over to federal authorities in Newark. Both were hit with federal charges of trans-

porting stolen property across state lines but could be returned to Miami to face still more serious armed robbery charges and potential life sentences.

Both suspects were held under \$50,000 bond as police sought a third robber and possibly a fourth, the "brains" behind the holdup.

Mr. Andrews, an investigator who often has acted as a go-between for companies and thieves unable to sell their loot, spoke gratefully of the FBI men and their rapid apprehension of the suspects and recovery of the silver.

"I WAS IN CONTACT twice with the thieves' intermediary,"

he said, "and each time he insisted they wanted \$25,000 for the safe return of the antiques. In each case I told them \$15,000 would be as much as we'd pay, and that the pieces had no more value to anyone.

"The antique silver was made back in the early 1800s from melted-down coins. It was not the almost-pure sterling we know today with its 95% silver content. I tried to impress them with the fact that anyone buying that silver would do so merely to melt it down and would know that he would have to process it at least twice to remove the old alloys."

"Our biggest fear," Mr. Millspaugh said, "was that the thieves would melt the pieces down or feel they were getting too hot and throw them into Biscayne Bay. That would have been a loss to history."

The collection, which will resume its tour at Birmingham,

Ala., included a silver set made for Napoleon Bonaparte. That set prompted the strangest call received by Mr. Anderson, who talked with many tipsters seeking to pass along information that could win them the \$15,000 reward.

This middle-of-the-night caller said he was Napoleon and that he wanted his silver set back.

"Before someone hauled him away from the telephone," Mr. Andrews said, "he got off his parting shot—his major complaint was that the theft had 'Put me back in the papers again.'"

Freedom from liability granted

SAN FRANCISCO—The city board of supervisors here has agreed to provide freedom from liability for any damage resulting from a planned drilling test to determine the extent of a potentially disastrous rock movement on Telegraph Hill.

Efforts by Robert Levy, city engineer, to secure private carrier liability insurance on the contractors, Guy F. Atkinson Co., failed. "Not a single insurance company wants to pick up the liability," he said. Without such coverage, Atkinson refused to undertake the job.

The board of supervisors action, however, has the city assuming liability for up to \$10,000. The agreement also exempts Atkinson from liability for any damage that might arise from the drilling.

One building of apartments on Lombard St. was previously evacuated for fear it might fall over the cliff if rocks continued to slide at the present rate of three-fourths of an inch per week. Cracks in the pavement and near the entrance of the building have been widening each day and Mr. Levy said the contractor may have to drill as much as 200 feet into the hill to establish the full extent of the rock movement and devise a way to stop it.

Seeks comp for anxiety

BUFFALO, N.Y.—Laurence Breen, a bus driver for the Niagara Frontier Transit System, has filed for workmen's compensation benefits of \$85 a week because of lost work time attributable to "anxiety" brought about by undue stress in his job.

Mr. Breen, who is seeking a total of \$520 of lost work time and reimbursement of medical expenses, claims he left his job on Nov. 6 because he could no longer withstand threats on his life and attacks on his bus and passengers by vandals on his route. He returned to work Dec. 20, when a new route became available.

David A. Siegel, attorney for Mr. Breen and Local 1342, Amalgamated Transit Union, said the issues that must be decided are:

- Whether or not Mr. Breen suffered an accident and/or an occupational disease.
 - Whether any causal relations existed between the incident that occurred on his bus and his state of anxiety.
 - If a causal relationship existed, is it compensable under the Workmen's Compensation Law?
- The state Workmen's Compensation Board has heard preliminary arguments in Mr. Breen's case.

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Douglas Barlow sets new plans for ASIM

Douglas Barlow, general risk manager, corporate, for Massey-Ferguson Ltd., Toronto, Canada, is the president-elect of the American Society of Insurance Management. He talks about ASIM, the insurance industry and the future in this exclusive interview with *Business Insurance*.

Prior to assuming his present position, Mr. Barlow engaged in insurance brokerage, lectured in insurance at Laval University, served as insurance advisor to the Canadian Department of Defence Production and practiced law. He holds degrees in mathematics



Douglas Barlow

from Bishop's University and in law from both Oxford and McGill.

He sums up his responsibilities at Massey-Ferguson by saying, "I am responsible for risk management—worldwide."

Q. What are the problems facing ASIM at this time?

A. "I can't really think of any problems. There are small things like having to rely on volunteer efforts and initiative but that has been good so far."

Q. What are your aspirations for your term in office?

A. "Rather than aspirations, let's talk about attitudes. I feel that while the committees do essential and important work, the life of ASIM is in the chapters. For this reason, I plan to propose a chapter activities committee, which will serve as a clearing house for ideas, or an idea bank. Using that committee as a center, the various chapters could draw from it virtually anything they might need, including speakers."

"Another thing. The concept of risk management, as opposed to insurance management, has suddenly begun to take hold. There is a marked increase in interest. At the same time, ASIM has become more than a trade association, it has taken on aspects of a professional association, with the accent on education."

"Because of this, the society has the responsibility to meet the demands of corporations for skilled risk managers."

Q. Then, if you were to pick a guideword for your term in office, would it be "education?"

A. "I'm not so sure. I'm not sure because education is a means to an end. And the end is to better meet the need of corporations for risk management."

Q. Will the fact that you are Canadian and most of the people you will be working with Americans hinder your term or anything you would like done?

A. "No, I don't think so. The president of ASIM is a management job and communications are good. I shall, however, be very discreet about questions concerning legislation in the United States, or Canada, for that matter. I would be discreet, recognizing the fact that the counsel and the chairman of the legislative committee would be better informed than I."

ing the fact that the counsel and the chairman of the legislative committee would be better informed than I."

Q. Are the problems the same for a risk manager in Canada as they would be for an American?

A. "At any given moment, no. The difference is one of time. In Canada, we get the acute stage of the problem after it has hit the Americans. By the time the problem reaches us, the trial and error experiments have been done for us. The pioneering in auto insurance reform was done in Canada, but that was an exception. Our scene is really much quieter. I might add that the meeting of the insurance superin-

Continued on page 36

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Wash Watch

Continued from page 4

Regarding the upgrading of current benefits to the disabled under Social Security, the council recommended a change in the workmen's compensation offset treatment. The council said it still goes along with the basic premise that when a disabled worker is eligible for both Social Security disability benefits and workmen's compensation, his combined benefits should be restricted to less than he earned before he became disabled.

HOWEVER, it said, the present method prescribed for determining a disabled worker's previous earnings should be revised to provide a "more accurate measure" of a earnings at the time he became disabled.

Currently the maximum is based on the worker's average earnings over a period of five

years or more. The council recommended it instead be the worker's highest earnings in a period consisting of the year in which he became disabled and the five years immediately preceding that year. Also, the council said, the waiting period for disability insurance benefits under Social Security should be reduced by one month so that benefits would first be payable for the sixth month after total disability occurs.

And, it recommended dropping the current stipulation that no benefits are payable unless the disability is expected to last for at least 12 full calendar months or result in death.

Regarding the Social Security program in general, the council recommended that the law guarantee that, in the absence of Congressional action, Social Security benefits be at least "kept up to date, automatically, with increases in prices," and that the contribution

and benefit base and the retirement test exempt amount be automatically adjusted to increases in earnings levels.

The taxable wage base for Social Security, it added, should be raised to \$12,000 in 1974 and thereafter be automatically "kept up to date" with rising earnings levels.

Barlow . . .

Continued from page 35

tendents of the provinces is annually marked by open discussion in friendly tones."

Q. This is a consumer-oriented age. As president of a large consumer group, where do you stand? Do you think corporations should make more noise in the direction of their insurers?

A. "There is really no easy answer to that. Property and casualty companies have been particularly hard hit over the past few years.

"The insurance business is in a state of flux. This happens periodically throughout history. Times change and the institutions must readjust. The insurance business is now readjusting to changed conditions. They are worried, they are frightened, they are banging their heads together—but this is healthy. Voltaire said, 'If here is no sound of conflict from within an institution, you may know that it is dead.'"

Q. In other words . . .

A. "I think ASIM and insurers can get together and have a meeting of the minds. We have a common interest. Assureds, generally, and particularly corporate and institutional, have an interest in the continuance of the private enterprise system in insurance.

"As a buyer of insurance, I want to know that I am dealing with insurers that are financially sound and that are skilled and interested in their business. An expression of that is that they are making a reasonable profit.

"Along those lines, ASIM has two committees working expressly in relations with insurers. The joint industry-risk management committee is made up of our members and representatives from insurers. We meet once or twice a year and merely exchange views. There are neither decisions nor minutes from these meetings.

"The insurance market liaison committee pulls together specific groups of insurers and risk man-

agers to discuss current major insurance problems. For example, pollution liability and pollution exclusion would be discussed by this committee."

Q. Do you see employe benefits becoming a larger part of the ASIM activities?

A. "Definitely. Employe benefits will be the subject of a study committee assignment. The advance planning committee has the assignment to study employe benefits and to look at the possibility of including benefits managers along with the risk managers who represent our members. Again, it's a question of how we can best serve the corporations.

"My own opinion is that ASIM can do a great deal to help in the employe benefits area. I can't speak further on the subject, though, because I don't want to prejudice the committee."

Q. What is happening with no-fault auto insurance?

A. "There is such a great divergence of opinion about it, that it is difficult to say. I mean, there is divergence among our members. I think all the questionnaires and speeches and what have you are merely for putting the proper emphasis on the problem.

"In six months, opinion in ASIM will become more united, if for no other reason than we are all hearing all this and filling out the questionnaires. The opinion will be definitely united but in what direction, I don't know."

Q. Does ASIM need growth?

A. "There's an old saying that when you go into management you should first decide what you are going to do. Again, what we are going to do is serve the corporations. We can serve more than just our membership with our legislative efforts. But, only the membership is served by our educational efforts. Looking at it that way, it is not a question of needing to grow, but that we ought to grow."

Comp premiums up

California's inspection rating bureau released advance figures indicating workmen's compensation premium volume written during 1970 will approximate \$678 million. This is up from the \$650 million written during the prior year. The loss ratio has been estimated at approximately 6%.



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Reagan group aims for pressure on auto makers

SACRAMENTO—California's legislature will be asked to compel car manufacturers to engineer vehicles capable of withstanding 15-mile-an-hour collisions without noticeable damage.

The recommendation, from the governor's automobile accident study commission, would impose the requirement, within three years, on all manufacturers selling automobiles within California. "Automobiles," the commission decided, "should be at least sturdy enough to withstand the 5-to-10-mile-an-hour bumps that light airplanes easily survive in routine landings."

Thus the commission, appointed by Gov. Ronald Reagan, agreed publicly with a number of major insurance companies that have been pressing similar demands on car manufacturers.

Under the commission's timetable, the manufacturers should be required to reach a goal of five-mile-an-hour collisions without damage by no later than Jan. 1, 1972. The goal would then become 10 miles an hour for damage free collisions the following January and 15 miles an hour by Jan. 1, 1974.

THE COMMISSION'S recommendation noted that "automobiles, especially in the bumper areas, tend to fold up with the slightest nudge.

"Automobile makers," the commission urged, "should take a page from testimony of Dr. William Haddon Jr.," president of the Insurance Institute for Highway Safety. "The California aerospace industry," Dr. Haddon recently told Congressional hearings, "has shown numerous examples of ways of slowing down structures and people gently without doing any damage to the structure.

"In the aircraft industry," he continued, "if one designed light aircraft or even heavy aircraft so that every time they landed, every time they bumped, one had to spend a lot of money to repair a structure, the product would be unusable.

"And yet the public, because it has not known that such design is

\$50,000 judgment is upheld

BRIGHTON, Colo.—The Colorado court of appeals has upheld the verdict of an Adams County jury that granted \$50,000 to a woman injured when she slipped on a piece of produce in a Safeway store.

In an opinion written by Justice Ralph H. Coyte, the court said the evidence presented at the September, 1969, trial of Rose Maria Babish of Adams County justified the large judgment awarded her. In answer to a defense claim that the judgment was excessive, Justice Coyte wrote that the evidence showed Mrs. Babish had a 3% disability because of the fall and would incur future pain and suffering.

Evidence at the woman's trial showed she was shopping in a Safeway store when she slipped on a piece of celery lying in a pool of water. She fell and sustained serious back injuries and, as a result, sued the store for \$75,000. Further evidence revealed the produce section of the floor was strewn with bits of vegetables and water from hoses under the produce counter. ■

completely unnecessary in the automobile, is literally being taxed both in having to pay for the unnecessary expensively constructed and designed front and rear ends in particular vehicles, but also has to pay, often many times over during the life of the car, for the repair of the same unnecessarily expensive and delicate structure."

The commission, in its report to Gov. Reagan, declared that "inasmuch as state regulation of vehicle design and construction as these relate to cost of repair have not yet been pre-empted by federal legislation, this commission believes the California legislature has an obligation to afford this problem careful scrutiny." ■

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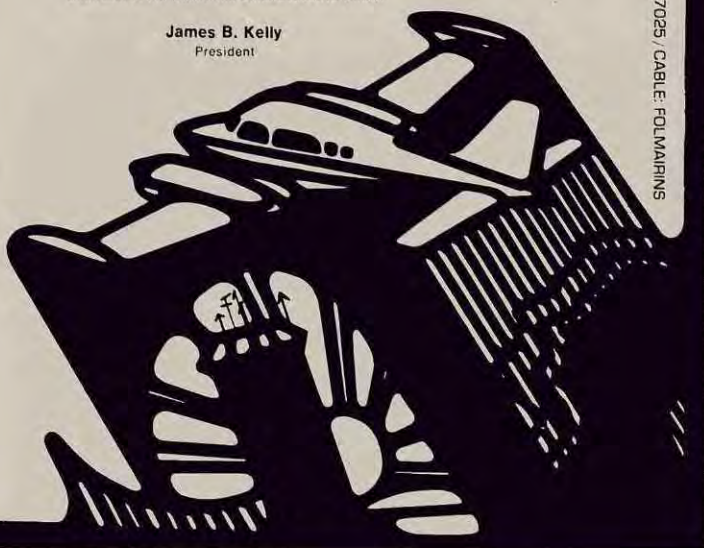
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Opinions vary on amount of savings negotiated rates bring institutions

NEW YORK—Some interesting variations are showing up in the reactions of institutional customers to negotiated commission rates on the New York Stock Exchange.

Negotiated rates on portions of orders over \$500,000 went into effect on April 5 when brokers gave way under pressure from federal regulatory authorities. This is the first time since the exchange's founding in 1792 that it has operated without the umbrella of fixed commissions. A major factor in the change was the mushrooming of institutional trading—and it is the institutional customer who stands to save under the new system of negotiated rates.

Mutual funds, pension funds, banks and other institutions will be paying lower commissions. But estimates on the amount of savings, and what they will mean, varied widely in a survey conducted by *Business Insurance*.

"OH SURE, there'll be savings involved," said a Chase Manhattan Bank officer who oversees common stock investment for pension fund clients. "The first few days presented confusions with the various brokers coming out with different rates," he said. "Of course, the savings go to the accounts, not to the bank." The officer pointed out, however, that

the amount of trading over \$500,000 would determine how much is saved. "The \$500,000 cut-off point is significant but not substantial," he said. "Now if the SEC ever lowers the cut-off to \$100,000 you're talking about a substantial change and large savings."

The reference was to the possibility that price-fixing of sales commissions will end at the \$100,000 mark, a move that the SEC has indicated is still under consideration.

A source at General Electric Co., which has in-house investment management, said the new rate system "is only the beginning. This is an experiment on a limited basis, and we have to wait and see what the results are." The GE source said his company's pension fund had already saved a bit but added that "most of our trades are under \$500,000 and I'll be glad to see the \$100,000 cut-off instituted."

He indicated that he feels the New York Stock Exchange is under pressure right now to lower to that level. He also said that if the negotiated rate experiment had not started GE "would have to be interested in getting a seat. Institutional investors just couldn't have gone on under the expenses of the old system. But reduced rates might make such considerations irrelevant."

A SIMILAR but slightly more uncertain view was expressed by a man at a New York-based insurance company whose pooled equity account has about \$400 million in common stock.

"We have had savings since April 5," he said, "but they are insignificant. The \$500,000 cut-off point really doesn't mean much to us because not that much of our trading is in blocks larger than that."

He did say the lower cut-off point would make an important difference in commission costs to his company's clients, but stressed the experimental nature of the new system and said that side effects of all types and various problems might arise.

"We are waiting to see the effects of negotiated rates on the structure of business. Perhaps institutional customers will bunch orders to top the \$500,000 mark. Maybe there will be a change in liquidity—there are good arguments saying the same amount of stock will be available, and there are good arguments saying there will be less. Even the question of whether we should consider a seat is unanswered; that will depend on the size of our savings," he said.

THE UNCERTAINTY expressed by this insurance company officer was echoed by the vice president of another large East Coast insurance company, the only man interviewed who doubted the value of a \$100,000 cut-off point.

He said his company, whose various investment accounts total more than \$3 billion, had saved 20% on commissions in the first week of negotiated fees, but that ultimately they estimate savings will average about 7%. "It's hard to tell what a normal size trade is," he said. "Most of ours are under \$1 million. Of course, even more are under \$500,000. But I'm not sure about a \$100,000 cut-off point. I think the rates negotiated might not be as low and, consequently, institutional investors might be better off where they are now."

He said that since April 5 there has been a great variety in negotiated rates. "It depends on how badly you want the stock, and on how badly the broker wants to sell it."

He told the story of a trade on a stock that cost his company \$25 in commissions per 100 shares the week of April 5. It was bought the following week for a fee of \$50 per 100 shares on a take-it-or-leave-it basis. "But before negotiated fees went in we would have paid \$74 per hundred. We wanted it—so we took it."

He concluded that "all kinds of variations will occur as traders and institutional investors get a feel for the new system. But as they do, there will be more trades at lower fees." ■

Buys service package

Litton Industries Inc. and its U.S. and foreign subsidiaries have purchased loss prevention and claim adjustment services from American Mutual Corp., Wakefield, Mass. The service package includes a variety of fields: business systems machines, frozen foods, restaurants and guidance systems.

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Hancock-Sentry won't offer commercial cover

BOSTON—The joint venture between John Hancock Mutual Life Insurance Co. and Sentry Insurance Group under which Hancock agents will market property and liability coverage underwritten by Sentry will not have any immediate impact for corporate insureds. And it may never.

"We will not be marketing commercial coverages in the foreseeable future," Frank B. Maher, president of John Hancock, told *Business Insurance*. "This is simply an experimental situation we will be testing in a few midwestern states."

Asked if Hancock may in the future move into the commercial property and liability field, Mr. Maher commented: "That's conceivable. But at the moment it's highly improbable." Asked to clarify that even further, he added, "Let's say it this way: We have no intentions currently to move into commercial lines."

SENTRY, a marketing name for Hardware Dealers Mutual Fire Insurance Co. and Hardware Mutual Casualty Co., Stevens Point, Wis., will underwrite the experiment that will begin in the Midwest this summer. Under terms of the agreement, the initial marketing area will be expanded "as warranted" and is subject to cancellation by either company upon two years' notice.

Hancock will form and provide all of the capital for a subsidiary that will totally reinsure all Sentry policies sold by Hancock's

agents. Sentry will provide all administrative services, such as training of agents and claims handling.

Personal lines initially sold by agents will include private passenger auto coverage, homeowner's policies, fire and extended coverages on dwellings and property-liability coverage for boats.

The joint venture is the second to be announced by major life insurers and property-casualty companies in a year. Last June the Prudential Insurance Co. of America and Kemperco Inc. teamed up under similar conditions. The first policies under that arrangement are to be written June 1 when a one-year pilot program begins in Illinois. ■

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Labor works for national health plan

SAN FRANCISCO—A labor campaign for national health insurance has been launched here by more than 500 AFL-CIO union leaders. Andrew J. Biemiller, AFL-CIO national director of legislation, asserted "the health of Americans must be treated as a natural resource rather than a privilege based on ability to pay."

"To do that," Mr. Biemiller added, "greater emphasis must be given to the prevention of illness and to improvement in the cost, quality and distribution of health care."

He contended these objectives "are successfully met" in the national health insurance legislation introduced in Congress by Sen. Edward M. Kennedy, (D.—Mass.) who was here as a keynote speaker for the labor workshop. Both of California's senators have joined with Sen. Kennedy as co-sponsors of the bill. The House version was introduced by Van Nuys Democrat Congressman James C. Corman.

The labor-backed bill differs from President Nixon's health proposal in that the Kennedy measure would provide a wide range of free medical and hospital care for everyone and provide payments directly from the government instead of through insurance company middlemen.

"If President Nixon wants to cure inflation," Sen. Kennedy told the labor leaders, "why doesn't he look to the cost abuses of the health care industry instead of singling out the construction worker as his special scapegoat for two years of inadequate White House economic policy." ■



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\$35,000 gets Merrill Lynch a benefits film

NEW YORK—The lively techniques of "Sesame Street" are being used these days to explain employe benefits at Merrill Lynch, Pierce, Fenner & Smith Inc. Last year the brokerage firm commissioned Ken Snyder to create an employe benefits film that would be funny and informative—and they got what they wanted in "The Long Happy Life of John Mlpfs."

And, get this, it cost \$35,000, which may be what some employers spend on benefits.

Mr. Snyder, you see, is president of Ken Snyder Enterprises, which creates and produces the educational "commercials" for "Sesame Street." His saga of John Mlpfs has the same sort of hammer-effect and humor as the much-lauded children's show, and manages to hold the attention of Merrill Lynch employes from the just-out-of-high school clerk to the college-educated broker. The film is part of Merrill Lynch's updated communications drive to broaden employe knowledge of and interest in the company's

benefits package, which was enlarged in 1969.

MR. SNYDER'S animated color film recounts the history of a Merrill Lynch "Everyman," one John Mlpfs (pronounced something like "milpfuss"). In the space of a mere 10 minutes John moves from pre-historic times, when he suffers the "slings and arrows of outrageous fortune," to modern days, when he starts to work for Merrill Lynch and is armed against his sea of troubles by such bucklers and broadswords as the deferred profit-sharing plan, comprehensive health plan, life insurance, business travel insurance, supplementary accidental death and dismemberment, a pension plan, sick leave practice and the long-term disability plan. Mr. Mlpfs is even gifted with such extras as paid vacations, holidays, a travel program, a tuition refund program, and scholarships for his children.

The film's action-packed 10 minutes are used to show how Merrill Lynch's benefits program

protects pitfall-prone John Mlpfs—and, by extension, every Merrill Lynch employe—against many of life's greatest hazards.

Believe it or not, all this information is presented with enough flair and imagination to make employe benefits downright titillating. The Mlpfs saga contains a number of old-time movie clips for extra flavor and uses them like "Laugh-In" spots; some of the funniest moments in the film arise from the contrast between cartoon and movie.

For example, when a slightly dubious John Mlpfs appears for his first day of work, he stands before an imposing door marked "M.L.P.F.S. Inc.," briefcase in hand, crooked smile hopefully creasing his face. Suddenly an old movie clip of strangely-speedy convicts in stripes, hammering at boulders and hauling their chained legs along behind, flashes on in black and white. An audience of new employes viewing these proceedings relates very strongly, although at a recent screening some evidenced a bit of uncertainty about whether they were allowed to laugh or not.

AT ANOTHER point in the film, the narrator (Michael Rye, formerly one of radio's Lone Rangers) extolls the virtues of Merrill Lynch's travel program when a huge old Yankee Clipper appears on the screen, heaving furiously from side to side in the throes of a raging sea while the innocent-faced, mascara-eyed heroine squeaks in fear. Here, the laughter wasn't hesitant.

"The Long Happy Life of John Mlpfs" was specifically designed to be part of Merrill Lynch's orientation program for new employes. But when it came out last October screenings were held for old employes, too.

"The reaction of long-time employes to the film is the only way to really test if it increases interest in our benefits package," Pat Moss explained to *Business*

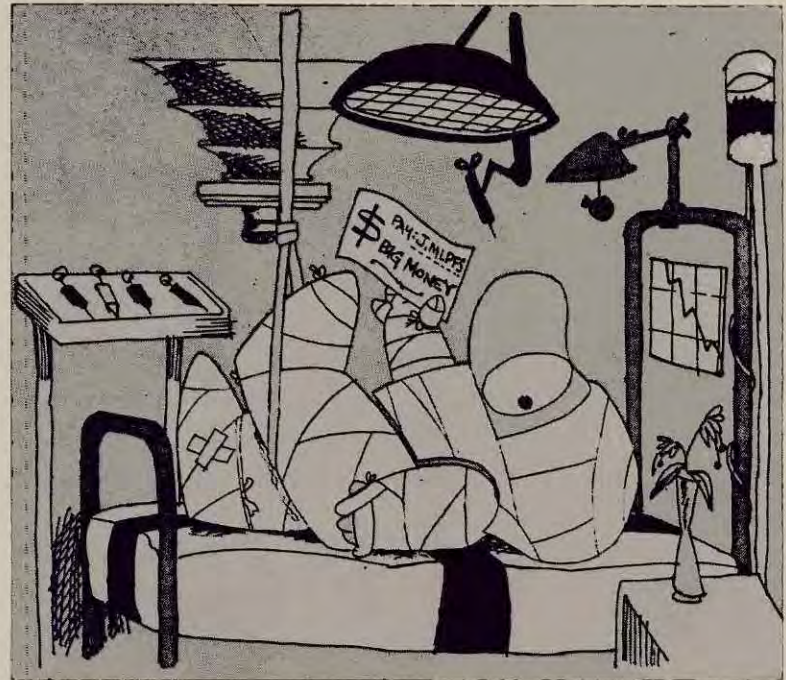
New, better benefits led to film

NEW YORK—The changes in Merrill Lynch's benefits package that brought about their updated communications drive included the addition of two entirely new plans as well as the enlargement of their existing benefits.

New were supplementary accidental death and dismemberment insurance and a long-term disability plan. The former is optional and provides complete coverage on an individual or family basis with amounts determined by the employe's annual compensation, up to \$250,000 maximum coverage.

The long-term disability plan guarantees monthly benefits equal to 60% of the eligible compensation earned the year before disability. Merrill Lynch provides free coverage for all employes on eligible compensation up to \$7,800 and also shares the cost with those who earn more than \$7,800 and want full coverage up to \$40,000. Benefits begin after six months of disability and continue until recovery or age 65, when normal retirement plans take over.

AT THE SAME time Merrill Lynch improved its pension, deferred profit-sharing and medical plans and its life insurance for



In modern times poor hero John's path is strewn with danger, but Merrill Lynch's new benefit film shows how they come to the rescue with "big money."

Insurance. Miss Moss, special projects manager for Merrill Lynch's employe communications department, supervised production of the film. "We've had old-timers sign up after seeing the film—people who have had the opportunity for years but never took advantage of our benefits before. And just in terms of enjoying a humorous film, about 75% of em-

ploye viewers at our sales offices have had enthusiastic responses," she said.

Merrill Lynch, Pierce, Fenner & Smith Inc. is the largest stock brokerage firm in the world. After their take-over of Goodbody & Co. at the end of last year the number of employes at Merrill Lynch was more than

Continued on page 42

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No-fault...

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model plan from the federal government, he replied: "We don't need a model. We have one." He referred to the no-fault plan he and his predecessor, Richard E. Stewart, worked on and submitted to the legislature through Gov. Rockefeller. That bill, incidentally, is bogged down in the New York Assembly. "It's not moving at all," he said the other day, noting that another bill—"a toned-down version of the Massachusetts law"—seems to be making more progress.

Under the bill his department supports fleet vehicles, or those defined as commercial vehicles in the state's motor vehicle statute, are treated as absolutely liable. Like Dick Stewart, however, he does not think this is imperative to the measure and would be willing to concede this proviso.

Superintendent Schenck is still very cool to the Massachusetts law and is not really certain any conclusions may be drawn even after a year's experience under the law and after a court test of its constitutionality.

"I think that state's plan is part fault and part no-fault legislation. If it doesn't work who is to say whether it didn't work because it was too much of a fault system or too much of a no-fault system?" he asked.

Despite the snail's pace at which no-fault appears to be moving, Superintendent Schenck is still confident of the future of the first-party auto repair system. "The speed at which it takes hold will depend upon the extent to which people who don't have a direct stake in it—lawyers, agents and

insurers—get concerned and push for it." They, he said, include both individual and corporate consumers of motor vehicle insurance.

• **PETER F. MULLANEY**, Rhode Island insurance commissioner, does not have his department hard at work on a no-fault measure, nor does he think it especially appropriate for state insurance departments to tackle such problems. "We're doing what everyone else is doing—watching to see what happens in Massachusetts," he told this magazine.

As close as anyone to the Massachusetts situation—in terms of mileage, at any rate—Mr. Mullaney said everyone he has talked to about that plan "seems to feel it is working effectively. They all pooh-pooh the idea that people just haven't been submitting claims until the law is tested in court," he said, adding that the Massachusetts no-fault bill is still the most palatable to him.

On the treatment of fleet insureds under no-fault, Mr. Mullaney said he feels there should be no "discrimination" between commercial fleet vehicles and private passenger cars.

• **OSCAR H. RITZ**, insurance commissioner of Indiana, said "I've been generally against the no-fault concept, but I'm changing my mind. It's obvious that we've got to do something."

Commissioner Ritz is setting up a committee with "everybody represented" that will try to come up with an agreed-upon approach to reforming the auto victim compensation system. "That's the way we generally do things here in Indiana to get a proposal that everyone can live with," he said. The committee is to report to the

commissioner prior to the opening of the Indiana legislative session in January, 1972.

Two bills offering no-fault plans for Indiana were introduced this year but, in Commissioner Ritz's words, "they didn't get very far."

• **LORNE R. WORTHINGTON**, Iowa insurance commissioner and president of the National Assn. of Insurance Commissioners, said he was "generally pleased with the tenor of Transportation Sec. Volpe's remarks." He said he will testify for NAIC on auto insurance plans April 28 before a House interstate commerce committee headed by Rep. John E. Moss (D.—Cal.).

"We have offered in Iowa a three-pronged approach to clearing up the auto insurance problem that includes a number of

highway safety requirements as well as a limited no-fault insurance plan," Commissioner Worthington said.

"Our proposal does not follow very closely the lines of the Massachusetts plan but rather the principles of the plans of the National Assn. of Independent Insurers and the American Mutual Insurance Alliance," he said. "It provides for first-party coverage with the right of subrogation. Under our plan commercial vehicles are not singled out for absolute liability, but their insurers would be subject to subrogation actions by the insurers of first-party claimants."

• **W. FLETCHER BELL**, insurance commissioner of Kansas, said his department has drafted a legis-

lative resolution calling for the creation of a legislative committee to study no-fault auto insurance and related concepts including comparative negligence.

The committee, if authorized, would conduct public hearings this summer and fall leading up to a recommendation to the Kansas legislature when it convenes in January, 1972.

"We'll take a look at this thing," Commissioner Bell added, "but we're not convinced that what they have in Massachusetts is what we want for Kansas. I'd like to see more results before I judge the success of the Massachusetts plan."

Several bills incorporating no-fault insurance were introduced in the Kansas legislature this year, but none was passed, according to the commissioner. ■

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\$35,000 ...

Continued from page 40

21,000. According to Miss Moss, they are presently "hiring like mad" and the movie is being shown about twice a week at the home office alone. Prints of the film are also being circulated among all domestic sales offices.

"ORIGINALLY there was a two-day program for orientation of new employes," Miss Moss said. "It consisted of slides shown on five different screens, but it was too difficult to organize and too complex. We were interested in having a film instead because it would be more contained and versatile but, unfortunately, it would also be more expensive.

"Then, in 1969, employe benefits were improved and enlarged. At that time we decided an updated communications drive was

necessary for employes' knowledge of the improved benefits package.

"We had seven pamphlets designed that really explain the new benefits, and in an attractive manner; the seven are boxed together in a total package. Merrill Lynch made up 35,000 of them at a cost of about \$1 per box.

"But there was still a need for something to explain benefits to new employes—and that's when we finally got going on the film," Miss Moss said. Mr. Snyder had created an animated movie some time before for Merrill Lynch's advertising department, a six-minute story based on "The Three Little Pigs," to help promote an investment plan for outside corporations. Its success suggested that Ken Snyder Enterprises might be well-suited to the benefits project. But Miss Moss spent a few months going to various

other film makers as well. "It was very hard to decide because there are a lot of good, talented film makers. But Ken Snyder was the most imaginative."

THE PROJECT received executive approval in May of last year, and the film was finished by October. Merrill Lynch's budget for the Mlpfs saga was \$35,000, of which \$30,000 went to Ken Snyder Enterprises.

The quality and entertainment value of the finished product are such that Pat Moss has entered it in the American Film Festival, the U.S. Industrial Film Festival and the Atlanta Film Festival. "I'm waiting for application forms to a few others too," she said. "We have no idea how this film compares to others in its field but these festivals are coming up in the spring and we have high hopes."

A Spanish-speaking version of the movie has just been made. "We want to communicate as effectively as possible with our Spanish-speaking people (many in New York offices) right from the

start," said Miss Moss. "They have to be at ease with English eventually, but the first day is too soon to throw a fast-moving film like this at them in a strange language." The voices of Cuban actors were used for the dubbing, which was a difficult procedure because, according to Miss Moss, "Spanish is a rich language that takes 10 words for our one, so it's a problem to fit their dialog into the short spaces of time in the film."

The value of the Snyder film,

in Miss Moss' view, is not in thoroughly explaining all points of Merrill Lynch's benefits package.

"It wasn't meant to be a dry, detailed teaching film," she said, "and certainly couldn't be in the space of 10 minutes. The value of the Mlpfs film is that it captures interest through humor, spoofing both poor little Everyman John and Merrill Lynch, especially at the beginning, then calming down to get some information across. The film builds to a revelation of the package—and it works." ■

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New, better ...

Continued from page 40

employees. Among pension improvements were an increase in the past-service earnings base and a consolidation and increase of the percentages used to determine past-service benefits.

The number-one improvement in the deferred profit-sharing plan was an investment option; three investment funds were made available with varying degrees of volatility for employes to determine what kind of securities their profit-sharing units should buy.

Of the three funds, one is "balanced" and generally conservative, the second is a common stock fund geared to long-term growth of capital and income and the last is a performance fund, designed for growth at an above-average rate with, consequently, above-average risk. No employe may choose to put more than 25% of his shares in the last fund, and all employes must have at least 50% of their shares in the first one. The program is entirely company supported, each employe's share to be paid out fully at retirement.

The firm's comprehensive health plan pays up to \$20,000 for any one cause (formerly the limit was \$15,000), and covers 80% of surgeons' fees; it covers the first \$1,000 plus 80% of any additional hospital bills and 80% of eligible medical costs in a year, after the \$100 deductible has been satisfied. The deductible was lowered in various categories, and a higher private room allowance was made. This plan also takes care of certain maternity, psychiatric and nursing home expenses. Monthly group rates are shared by the employe and Merrill Lynch, either on an individual or family basis.

Merrill Lynch provides \$5,000 worth of life insurance free plus \$5,000 in accidental death and dismemberment for all full-time employes hired prior to age 60. Up to \$150,000 additional insurance is available at group rates for those who want to contribute toward the cost (formerly the limit was \$97,000). Face value and premium are determined by individual income range.

Unchanged in the company's benefits package is business travel insurance, a special comprehensive \$100,000 travel accident policy, provided by Merrill Lynch, which covers each employe while he is traveling on firm business. This insurance pays benefits in the event of accidental death, dismemberment, or total and permanent disability. ■

Akzona's Houston aims for cover consolidation

ASHEVILLE, N.C.—Traynham Houston has been elected assistant treasurer of Akzona Inc., an outgrowth of the position he has held as assistant treasurer of American Enka Corp. since 1954. He will have responsibility for tax, insurance and real estate functions of the company, reporting to Thomas J. Troup, Akzona vp and treasurer.

Akzona consists of seven operating companies: American Enka, manufacturer of man-made fibers; Armour Industrial Chemical Co.; Armour Industrial Products Co.; Armour Leather Co.; Brand Rex Co., manufacturer of wire and cable; International Salt Co. and Organon Inc., manufacturer of diagnostic and pharmaceutical preparations. According to Mr. Houston "Akzona" basically represents a name change for American Enka Corp., which was rechristened last October and made a holding company.

Mr. Houston is now responsible for tax, insurance and real estate functions of all Akzona companies as well as for American Enka. Mr. Houston told *Business Insurance* consolidation of insurance coverage at the different companies is a long-range plan "if possible and if economically feasible." At present, he noted, there are so many carriers for the seven companies that he could not even name them.

"OUR MAIN problem right now is absorbing these changes from our various acquisitions," the assistant treasurer reported. "We're still in the process of getting Akzona organized as a holding company. There are plans to move into new headquarters in a

month or so and we're just going to let things ride until we are reorganized."

According to Mr. Houston the insurance requirements of Akzona are quite varied. "Our number-one insurance problem until quite recently was getting coverage on pharmaceuticals," he said. "Because of drugs like Thalidomide and their tragic consequences insurance companies have backed off strongly from covering drug firms. The contraceptive pill is another thing that scares them."

Mr. Houston said that Akzona does not market contraceptive pills in the U.S. Its parent company, Netherlands-based Akzo Inc., which owns about 60% of Akzona, markets the pill in Europe.

"We did recently find several companies willing to insure our pharmaceuticals," reported Mr. Houston. He also noted that the seven Akzona companies have no great safety problems.

Mr. Houston, a certified public accountant, joined American Enka as tax manager in 1948 after ten years with the U.S. Treasury Department. He was named Enka assistant treasurer in 1954. He is a graduate of Benjamin Franklin University. ■

Windstorm damage

An estimated \$5.4 million of insured damaged to fixed property resulted from the March 26 windstorm that struck the Pacific Northwest, killing two victims in Seattle, Wash. Short duration and spotty nature of the storm held down the volume of damage, according to Washington claims managers and insurance adjusters.

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California unions make significant pension gains

SACRAMENTO—Nearly all of California's estimated 1.58 million union workers, are now employed under 1,224 contracts that either call for employer contributions to a pension trust fund or specify a set of retirement benefits.

The state's department of industrial relations has pointed out that the contracts "call either for such specific pension benefits or they indicate that an existing plan that may have been established unilaterally by the employer will be continued for the duration of the contract."

During the decade of the '60s, according to the department, "there has been a sharp rise in the proportion of organized workers covered by pension plans that supplement Social Security benefits are provided through collective bargaining."

THE RISE WAS greatest in the early part of the decade. In 1969, the ratio was 87%, as compared to 84% in 1966 and 66% in 1958. Between 1966 and 1969, the number of workers covered by pension plan provisions increased by at least 38,000. Auto mechanics, roofers, construction material haulers, electronic production workers and hospital employees comprised the greatest majority of those gaining pensions under collective bargaining.

The average amount per hour employers pay to jointly trustee pension funds has more than doubled between 1958 and 1966, from 8.2 cents to 16.8 cents per hour. The rapid rise continues, having increased to 23.6 cents in 1969 and even higher under contracts most recently negotiated. For more than 90% of the union workers in California with negotiated pensions, the full cost of basic retirement benefits was fully paid for by their employers in 1969.

In 1969, according to the department, 23 of 40 industries in which analyzed union agreements were classified had 90% or more of the members covered by negotiated pension plans. "Although there was considerable variation among the 17 other industries in the prevalence of negotiated pension plans," department executives pointed out, "a majority of organized workers had such plans in all but three."

These three industries are petroleum refining and related industries, railroad transportation and agriculture and fisheries.

IN PETROLEUM refining, most unionized employees not covered under negotiated plans are covered by plans unilaterally established and administered by employers.

In railroad transportation, of course, all interstate railway workers are covered by the Railroad Retirement Act, which provides monthly retirement benefits

exceeding Social Security.

Largely as the result of new pension plans being established, three industries in which less than 50% of the workers had negotiated pension coverage in 1966 reached majority coverage in 1969. These were employees of automobile dealers, garages and service stations, laundering and cleaning and professional, educational and related services.

Employer obligations in California to provide retirement benefits under terms of a collective bargaining agreement usually take either of two forms. Under the method most frequently used, almost always in multi-employer agreements, the employer agrees to make periodic contributions to a fund administered jointly by representatives from both union and management. This arrangement is utilized in 901 agreements, covering 948,640 California workers and it is typical in non-manufacturing industries where multi-employer agreements are more common.

MORE TYPICAL of manufacturing industries is the second method. Where single-employer bargaining units prevail, this is a commitment by the employer to provide specific retirement benefits. This type of obligation appeared in 323 contracts covering a total of 416,260 workers. Thus, 1,224 contracts covering 1,364,900 workers provide some kind of retirement benefits.

Of the 901 with specified contributions to a trust fund, 726 covering 777,560 workers are specified as cents per hour or are convertible to cents per hour; 76 covering 66,750 workers do not specify amount; 60 covering 55,110 workers specify the amount as a percent of payroll and 39 contracts covering 49,220 workers fall into miscellaneous or electrical workers (IBEW) plans providing for both a cents per hour to a local fund and a per cent payment to a national fund.

The average cents per hour contributions remain similar in California's four metropolitan areas although they average somewhat higher in San Jose and San Diego than in San Francisco, Oakland and Los Angeles.

The average cents per hour contribution varies widely by industry. In manufacturing, where a minority-31%-of the employees with negotiated retirement benefits worked under terms of agreements providing a cents per hour contribution, the average employer payment was 17.2 cents per hour.

AMONG THE manufacturing industries, food and kindred products had the highest average contribution rate, 20.7 cents per hour. The lowest, 11.4 cents per hour, was in lumber and wood products,

except for furniture and fixtures when the rate was 11.6 cents per hour.

The average cents per hour contribution in non-manufacturing, where 71% of the employers make such payments, was at the rate of 25 cents per hour. The highest industry average, 52.8 cents per hour, was in water transportation, with 10,510 workers so covered. The lowest, 4.4 cents per hour, was in eating and drinking places, hotels and other lodging places, with 71,690 workers covered.

The largest segment, the construction industry, with 288,800 workers covered, had a rate of 37.2 cents per hour as an average with the lowest in the group 2.5 cents and the highest 90 cents per hour.

Considering California as a whole and the 1,577,310 workers covered by all agreements, only 6% of the workers involved were covered by pension plans where both employer and worker share the cost.

One fringe benefit gaining in

popularity in California, in addition to retirement benefits, is the paid holiday with significant increases during the past four years in the number of such holidays granted by contract. More than 75% of the workers enjoyed con-

tracts entitling them to eight or more annual holidays with pay. Four years earlier, the percentage was 68%. The percentage of workers gaining 10 paid holidays rose even more sharply, from 1% to 15%.

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

Accepting liability for lading losses is sticky point in railroad business

HOUSTON—In a discussion of intermodal transportation at the Southwestern Transportation Round-Up, a railroad executive stated that a sticky point of this type transportation is the acceptance of liability for loss or damage to lading.

"The contents of a closed and sealed car, container or trailer are not generally inspected by the carriers at interchange points because the carrier is liable for shortages if it breaks the seal," said L. C. Hudson, Chicago, Atchison Topeka and Santa Fe Railway Co. vp of traffic.

"Since each carrier does not inspect the contents for loss or damage before accepting the car or container from a connecting carrier, it is not possible to hold any particular carrier liable for damage if more than one carrier handles the shipment.

"ARRANGEMENTS between railroads for settling claims for loss or damage to interline shipments are of long standing," he said. "However, this is not the case when the interline movement is also intermodal." Intermodal is the uniformity of containers with common handling characteristics to permit their transfer from truck, to railroad, to ocean carrier in an origin-to-destination movement of cargo.

"Settlement of claims for loss and damage on container shipments moving in import/export service does present problems," Mr. Hudson added. Santa Fe has no agreement with any ocean carrier concerning loss or damage to the contents of import/export containers, he said. "Thus, if a shipper discovers damage to his shipment, he would not only have to file a claim with Santa Fe, but

with the steamship company and with the insurer of the shipment.

"The major thrust in the area of loss and damage should not be toward making it easier for a shipper to collect from the carrier for loss and damage to his shipment while in transit, but toward lessening the occurrence of loss or damage to shipments."

Concerning transportation claims, George M. Stafford, Interstate Commerce Commission chairman, said the ICC is now "taking a careful look at the possibility of recommending legislation which would give the commission jurisdiction to entertain and settle loss and damage claims" in the household

goods common carrier business. "We have taken what we believe to be significant and useful strides to improve the quality of service which the carriers of household goods provide to their customers," he said.

"We have done this by regulation, establishing formal standards of service which the moving companies must meet," the commissioner said. "We are now exploring, in formal rule-making and fact-finding proceedings, the problems presented by the failure of carriers to provide C.O.D. and freight-collect service." He also cited the possible claims legislation.

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Risk man is named company vp

CARLSTADT, N.J.—Robert McRell was named a vp of Eastern Freightways Inc., Carlstadt, N.J. April 1. He will be responsible for workmen's compensation, liability and cargo insurance, the handling of claims and the company's safety program, reporting to Daniel E. Shevell, president.

Mr. McRell came to Eastern Freightways as risk manager five years ago after a two-year stint with the California-based Argonaut Insurance Co., whose 13 eastern regional offices he set up. Before that he had been with the St. Paul Mutual Insurance Co.

According to Mr. McRell, the rise of someone with an insurance background to a vp position reflects the importance of risk management in the trucking industry. "Trucking companies have a lot of trouble with insurance because of exposures," he said. "Consequently, risk management is an important financial concern for them."

Mr. McRell said that Eastern Freightways, like most trucking companies, is self-insured through a bond. "The company budgets money for protection and, of course, we try to do it as economically as possible. There is a middle ground to be achieved, however you can't afford to be too low cost." Eastern Freightways buys excess catastrophe from Insurance Co. of North America; their broker is Transportation Underwriters in Minneapolis. ■

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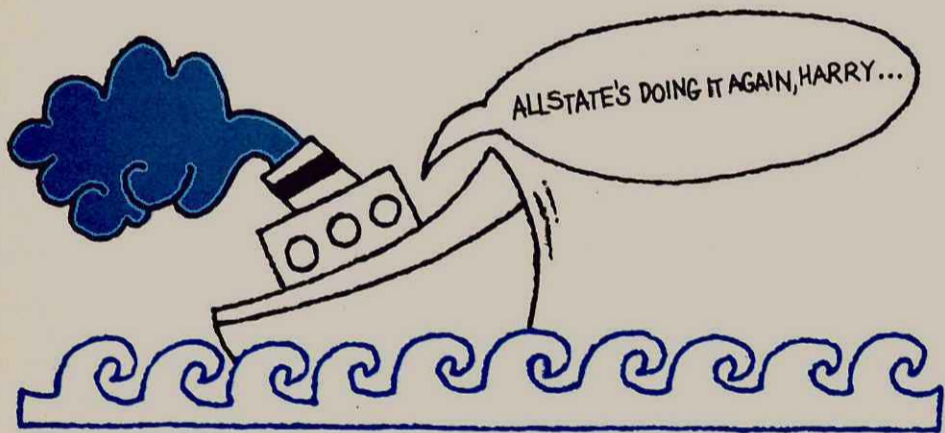
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