ASIM center stage: Much ado about everything

TORONTO—The American Society of Insurance Management has fostered much change in the profession of risk and insurance management. As the society's 12th annual conference opens, we've taken a look at ASIM's past (page 62), and its much-heralded future (page 47).

The society can claim numerous achievements, spotlighted on the pages between 40 and 70. ASIM has fostered the evolution of risk management departments within corporations (page 43), aided members with referrals and advice on such 'alien' problems as managing risks on a giant new domed stadium (page 54), and cooperating with a university doctoral candidate on a new risk study which indicates widespread use of captives and high interest in them (page 48).

Certain to be discussed here this week are captive carriers (and we've tried to provide news updates on pages 49 and 66), recent court decisions on sex, age and race discrimination costing corporations millions (page 46), nationalization of health insurance-Canada's system may be a model for what the U.S. faces (page 56), cash flow plans and high deductibles (pages 68 and 69), and the use of employe benefits as part of a total compensation package to keep workers happy (page 60).

Our guide to dining in Toronto can be found on page 52.

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Week of April 29, 1974

business insurance

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

Hotel security

Hilton Hotels Corp. raised security and safety to a new level with the naming of a corporate director in charge of controlling losses and accidents. **Page 84.**

Disclosure

The subject of risk and insurance accounting and disclosure is currently under consideration by an accounting standards board, with hearings set to start May 13. **Page 2.** The Securities and Exchange Commission, while not active in the disclosure area right now, is not disinterested, either. **Page 6.** Risk managers' views, however, vary all over the lot. **Page 12.**

Restaurant benefits

Anthony's Pier 4 in Boston offers exceptional benefits to its workers, by industry standards, and pays $4 out of every $5 of costs. **Page 22.**

OSHA negotiates

OSHA's movement away from litigation toward negotiation was evident in its first national compliance agreement finalized with American Can Co. **Page 25.**

Negligence law

A ruling on whether or not the new Washington state comparative negligence law is retroactive could greatly increase claims and revive litigation already closed, as well as raise the issue of errors and omissions liability for attorneys. **Page 28.**

E&O insurance

The San Francisco Bay Area Rapid Transit District dropped its $30 million errors and omissions policy, and a state official charges this was a 'violation of public trust' by exposing taxpayers to millions in potential losses. **Page 74.**

Maternity benefits ruling against GE to affect all groups

RICHMOND, VA.—A federal district judge here ruled last week that General Electric Co. was guilty of sex discrimination because it denied disability benefits to its pregnant women employes.

"There is no rational distinction to be drawn between pregnancy-related disabilities and disability arising from any other cause," judge Robert R. Merhinge stated in his ruling. He found GE's benefits policy in violation of the Civil Rights Act of 1964.

The amount of damages to be paid by GE would be determined at a later date, the judge said. This monetary judgment could be costly for the giant manufacturing company. About 100,000 employes at GE are female, and in 1971 alone the company received 5,500 disability benefits claims from women absent due to pregnancy.

Ruth Weyland, associate general counsel in the International Union of Electrical, Radio and Machine Workers and head attorney for the GE women, estimated that the monetary judgement could be as high as $8 million if GE is forced to give full back pay to the pregnant employes. And the company may be expected to pay an estimated $750,000 or more a year from now on if pregnancy is counted as a regular disability.

GE REPORTEDLY plans to appeal the decision. A company spokesman said it is asking for a stay of the payment order until an appeal has been made.

If it loses the appeal, the company said maternity benefits would "raise the costs substantially of the GE insurance plan, and ultimately affect group insurance rates for employers all across the country."

The company's long-time health insurance carrier is the Metropolitan Life Insurance Co. But according to Ms. Weyland, GE is self-insured and Metropolitan only administers the health insurance plan. She added that GE provides its disabled workers with 60% of regular pay or $150 a week, whichever is the lower amount.

In GE's current insurance plan, medical and hospital expenses related to pregnancy are paid by the company. But pregnant employes do not receive disability benefits for the time they are absent from work because of childbirth. GE has no company-wide policy about when a woman must leave work after she has become pregnant.

"(GE) doesn't exclude from coverage any disability because it was voluntarily incurred," the judge said, "other than disabilities arising from childbirth or other pregnancy-related conditions. That this is sex discrimination is self-evident."

Considering pregnancy as a voluntary disability is improper, the judge added. He noted that many athletic injuries could be avoided as well "by appropriate preparation, forebearance and circumspect precaution." And yet they are commonly covered in disability policies, he said.

THE GE DECISION is expected to determine other companies' contract provisions for pregnancy benefits that hinge on whether GE wins or loses its case. Ms. Weyland said that "a great many companies" have written into their labor agreements provisions for maternity benefits contingent on the GE outcome.

The GE lawsuit was originally filed in February 1972 by seven female employes at GE's air conditioner plant in Salem, Va. ■

Council working to cut cargo thefts and losses

SAN FRANCISCO—The office of the U.S. attorney here was charged by the head of the Cargo Protection Council, with "unconscionable delays" in prosecuting arrests for waterfront cargo thefts here and in Oakland.

The council was established several years ago by 25 steamship lines, five stevedore firms, four ocean terminals and a group of marine insurance underwriters. Charles Brusch, executive vp and a former FBI agent, has a $25,000 annual budget and a waterfront office from which he coordinates security with the FBI, U.S. Customs and police of both cities.

Shipping, trucking and insurance company executives credit the council's work with "helping considerably to reduce waterfront losses and insurance payoffs due to cargo thefts as well as other crime at the piers."

THE SAME EXECUTIVES, however, are reluctant to publicize industry losses because "shippers and truckers are afraid of retaliation against their trucks, cargo and personnel." They also admittedly fear increases in their insurance premiums.

Mr. Brusch, in his attack, asserted "the unnecessary time lag between the arrest of the thieves and their actual prosecution and conviction in court has cut into the deterrent effect of our efforts to police the waterfront."

Mr. Brusch said that 15 such cases are now pending "although the actual arrests occurred more than a year ago." He also asserted that "theft on the waterfront here and in Oakland has increased during the last six months.

"When a thief sees another thief get caught by an officer," Mr. Brusch contends, "and the stolen goods are found, but then nothing happens . . . that simply encourages more theft."

A typical case, still pending, is that of a guard accused of theft in September, 1973 and a longshoreman caught stealing in January, 1973. Neither has been taken to

Continued on page 10

Risk mgmt. department is eliminated by apparel maker

By MARY ANN CALLAHAN

NEW YORK—In a startling move late last month, Jonathan Logan Inc., the largest domestic producer of women's apparel with 1973 sales of $361 million, disbanded its two-member corporate insurance and risk management department and placed its entire account (estimated property/casualty premiums: $1.5 million a year) with a single broker and a consultant, *Business Insurance* learned.

Bruce Ebert, corporate risk manager at Jonathan Logan for well over a year, said the decision to disband his department came as a surprise to him. "It was announced to me as a finalized decision and as a cost-saving move, and was not discussed with me in advance," he said. He said he had heard that other Jonathan Logan employes were also let go, in the aftermath of a period of profit slump.

JONATHAN LOGAN had expected to have $400 million in sales last year, but finished below expectations with $361 million.

A spokesman in the Jonathan Logan controller's office commented. "We don't plan to make any changes in the insurance program for a while, so we feel that the broker is capable of supervising our account. We do not consider ourselves to be a heavily insur-

Continued on page 81

Vessels from around the world arrive in San Francisco harbor.

Actg. standards board reviews risk disclosure

By SUSAN ALT

STAMFORD, CT.—The Financial Accounting Standards Board will soon start hearings on possible changes in accounting methods and disclosure requirements for such things as self-insurance reserves, losses (both insured and uninsured), future and present liabilities and details of pending litigation, *Business Insurance* learned.

FASB will open hearings May 13 in New York City's Americana Hotel specifically "to discuss the subject of accounting for future losses." But the discussion memorandum issued by the FASB in December notes that accounting and disclosure for insured, self-insured and noninsured risk management programs is the nub of the issue.

Any new standards regarding these matters that come out of the FASB generally would include not only guidelines for the appropriate accounting treatment of liabilities, reserves and losses but would also deal with matters of disclosure, based on the way the FASB has functioned in the past.

THE DISCUSSION memo described alternative ways of accounting for reserves for future losses, and raised the question of whether future projected losses should be reserved for in advance of their occurrence or expensed only as they occur.

"Another aspect of the problem of accounting for future losses concerns disclosure in the financial statements or notes thereto," the FASB discussion memo stated. "This issue concerns (1.) disclosure relating to future losses that meet whatever criteria might be established for the accrual of future losses in advance of their occurrence, or (2), disclosure of those future losses that do not meet such criteria."

THIS BASICALLY means the discussion will encompass disclosure of projected future losses for which reserves have been established, as well as those retained risks for which there are no reserves. This has nothing to do with how losses are paid, because they are generally paid out of current cash flow and expensed, regardless of whether accruals are present or not.

The objective of this project is to determine whether future losses should be accrued in periods prior to their occurrence, and if so, under what circumstances, the FASB said.

THE BOARD cited as examples of potential disclosure situations such things as future losses which are self-insured, and future losses from expropriations by foreign governments. The FASB emphasized, however, that these are only limited examples and that it is considering a much broader scope of situations. All pending litigation, for instance, would come within the scope of the first example.

Another area the FASB is currently working on which could affect disclosure of risk and insurance programs is a working definition of "materiality." The Securities and Exchange Commission requires disclosure of any and all information that could materially affect a publicly-held corporation's earnings. In the past, there has been little uniformity in interpretations of what is material information.

A survey by this magazine of most of the "Big Eight" accountants indicated a majority are not overly concerned about risk and insurance disclosures. However, there was unanimous agreement that a good case could be made for disclosing corporate self-insurance programs.

"We feel very strongly that a reader (of a corporate annual report) should know if substantial risks have not been shifted, and the company has set up its own reserve to pay any potential losses," said a partner in one of the top five auditing firms.

"PAYING $50,000 in premium to an insurance company is vastly different from taking that same $50,000 and setting it aside in a reserve, and the assumption of risk by the corporation should be disclosed," he added.

An executive at a second CPA firm believes "if there is a case for disclosure in the corporate insurance area, it should be in the area of exposure and coverage, not in what premiums have been paid. I think self-insurance, which to my way of thinking is no insurance, should be disclosed." ■

Crain target of libel suit

CHICAGO—A libel suit asking $400,000 was filed in Cook County circuit court against Crain Communications Inc., publisher of *Business Insurance*.

Insurance Programmers Inc., an insurance agency here, is claiming damages as a result of a story reporting in this paper some city of Chicago insurance contract awards to Heil & Heil and Arthur J. Gallagher insurance brokerage firms. Insurance Programmers Inc. was the reported low bidder on that city business, but was disqualified by the city purchasing agent.

The story complained of appeared in *Business Insurance* Nov. 19, 1973. ■

GUIDE TO FEATURES

Washington Watch 7
Opinions 16
Info for Buyers 36
London Line 38
Giles on the Law 72
Perspective 77
Labor Beat 83
Dates for Buyers 88
People 90

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JOHN A. LINDQUIST, CPCU, Corporate Risk Manager, Anderson Clayton & Company. Listed in **Who's Who in Risk Management,** served as a Casualty Underwriter for Travelers Insurance Company and Corporate Insurance Manager for General Acceptance Corporation. Member of the American Society of Insurance Management

GUYON SAUNDERS, President, Corporate Systems Corporation. A senior partner in Ordway-Saunders Company. Mr. Saunders has specialized in developing management systems for risk and insurance management programs and has had published a number of articles on the application of cost center management techniques to risk and insurance management

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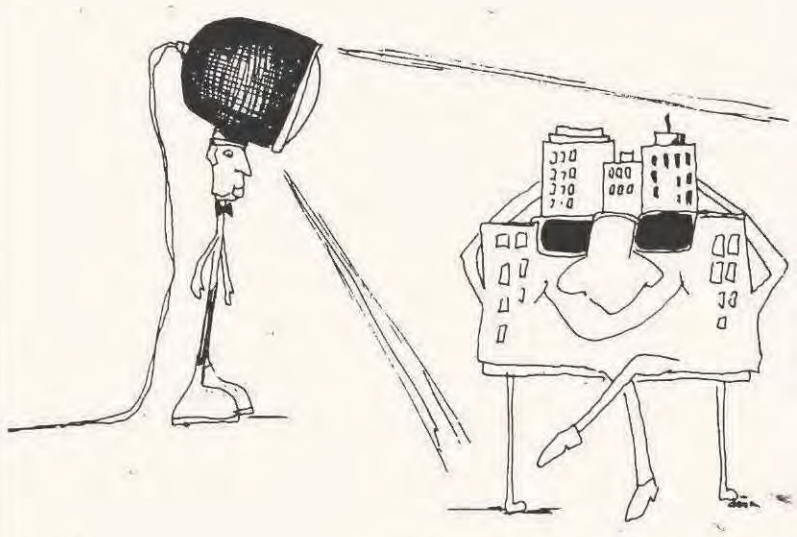

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Moviemakers' millions translate highly competitive insurance biz

Stars and 'casts of millions' get exotic covers

'Extra expense' coverage s part of motion picture extravaganzas like 'The Great Gatsby'.

By JOANNE GAMLIN

HOLLYWOOD—"She is the bane of existence of those who have to insure her. Liz Taylor is *really* something to insure."

That pronouncement was echoed in weary fashion by risk managers for two major movie studios and by a spokesman for one of the three major brokerage firms that deal in cast, negative and extra expense insurance, all part of a package of production coverage that goes with the making of motion pictures, TV movies and theatre productions involving stage performers.

Cast insurance, however, can mean work or no work for an entertainer. People in the clannish insurance end of the entertainment industry are careful to protect the names of performers who have been denied work because they could not obtain cast insurance.

Yet it is known that actor Elliot Gould went jobless for about two years after causing the film, 'Glimpse of Tiger,' to be abandoned. The loss in this case, said an insurance source, was a breathtaking $420,000 "on a premium income of only $8,000." Mr. Gould has subsequently been reinstated as an actor, but not before he was first accepted by the insurance fraternity.

"THE THING about cast insurance is that any loss on any single motion picture can exceed the volume of total premiums," explained Scott Milne, head of the entertainment division of the Albert G. Ruben & Co., full-line brokerage firm, based in Beverly Hills.

" 'Paint Your Wagon', for instance, was insured for $30 million."

The international Ruben agency is expected to generate about $7 million this year from entertainment industry premiums. This amounts to about half of the total premium income anticipated from the industry this year. That could be one reason why Ruben has been the focus of acquisition rumors recently. However, a Ruben spokesman said that no such action appears likely in 1974.

CAST INSURANCE is a relatively recent arrival among the kinds of insurance that protects theatre and film productions. Only 15 years ago, few movie studios bothered with the coverage, which, like business interruption insurance, insures against disruptions caused by death, injury or sickness of vital performers. In movies, this is usually five actors and the director.

Dollars limits are determined by pre- and actual-production costs. For the 'The Exorcist', for instance, cast insurance was written for between $13 and $14 million because overall production costs nearly equalled that sum. By comparison, 60-minute TV movies generally cost under $1 million to produce and therefore their cast insurance policies seldom exceed $800,000.

LIVE STAGE productions, including the fortuities of touring, command cast insurance policies with limits of over $1 million.

"Depending on the status of the movie producer, deductibles can be as low as $2,500 or as high as $100,000 or even $250,000," said one risk manager. "Usually they fall into the $5 to $15,000 range. Smaller, independent producers, settle for lower deductibles."

A man with long experience in the insurance side of the movie business, Mr. Milne said that cast insurance focuses not on stars, but on "performers whose absence would represent a threat to the whole production."

"Suppose, for example, there is a picture featuring a secondary actor in significant segments in both the beginning and end of the picture," he posed. "The actor would have to be covered because if he were struck down, the picture would be jeopardized."

CAST INSURANCE covers the actors and director whether they are at home, on the set or elsewhere during the production period, this risk manager stressed. Another risk manager noted that his movie studio suffered a substantial loss when a picture had to be delayed because an actor became ill when at home.

Several studio risk managers pointed out, however, that cast insurance cannot be invoked in an accident involving both an actor and property unless it takes the actor longer to recover than it takes the set to be repaired. "If a set burned down and an actor were injured in the fire, the studio could not collect under cast insurance unless the actor's recovery exceeded the time required to rebuild the set," one risk manager illustrated.

In such a case, extra expense insurance, a corollary to cast insurance, would come into play. Extra expense is figured on the basis of the total value of all facilities used in a production. If, for insurance, the old costumes used in the party scene in 'The Great Gatsby' had been damaged during filming, it would have caused a costly, three-month delay, one insurance source speculated.

"HOWEVER, JAMES BOND pictures are the ultimate in insurance headaches," observed Mr. Milne of Ruben & Co., noting that no one in his business can attend a Bond movie without being struck by the insurance problems inherent in the film.

"Bond pictures are full of exotic settings such as a floating casino in Hong Kong harbor. In their last picture, they wanted to use an oil derrick."

A virtual double for Burt Reynolds, Mr. Milne is not bashful about acknowledging the star role that Ruben & Co. plays in insuring the entertainment business. His entertainment division, first of all, holds an exclusive contract to underwrite the production insurance package for motion picture insurance with Fireman's Fund American Insurance Co., a carrier with a lengthy history of underwriting movie-making risks.

Ruben also functions widely as an outside broker for the industry.

However, underlining the clique-ish nature of the insurance aspect of the entertainment industry is the fact that Ruben's chief rival, the brokerage firm of Bayly, Martin & Fay Inc., possesses a special relationship with American National General, the exclusive underwriters in show business for Pacific Indemnity.

BESIDES LLOYD'S of London, Pacific Indemnity is the only carrier catering to the make-believe land of movies.

If there is anything disturbing the calm of this highly organized

Continued on page 4

Ruben & Co. is dominant 'specialist'

BEVERLY HILLS—Scott Milne, president of the entertainment division of the Albert G. Ruben & Co. brokerage and executive vp of the parent company, says the Ruben & Co. entertainment division got started about 20 years ago when Mr. Milne and Don Cass, now vp, quit their underwriting jobs at the Los Angeles office of Fireman's Fund American Insurance Co. to join the agency. They had been working with movie industry brokers at Fireman's Fund and were brimming with plans to forge a new relationship between movie moguls and their thenpliant insurers.

"NEPOTISM WAS the guiding principle in the formulation of the insurance end of the entertainment business," Mr. Cass relates. "The only reason brokers in the 1940s and early 1950s had their jobs was that they had a brother in show business."

"As a result, when a loss occurred, these brokers ran for cover."

What Messrs. Milne and Cass set out to do with the Ruben agency entertainment division was to create a specialist for every phase of the field.

At the same time, they noticed in the mid-1950s that the old movie moguls were succumbing to a new breed of independent producers no longer tied to Hollywood.

"So we decided to move out with them," continues Mr Milne. "We wanted to design an agency that would not only be proficient in every phase of show business, but would also be a place where producers from any major country in the world could repair to

Continued on page 5

Bayly, Martin & Fay chases bigger movie $$; diversifies to rock groups

LOS ANGELES—John E. McCormick, vp of Bayly, Martin & Fay Inc. an international, full-line brokerage firm that controls a big piece of the insurance in the entertainment industry, counts as his clients four major movie studios, including MCA and its Universal Studios. He is proud of BMF's heavy involvement in TV, and concert groups, including, since the late 1960s, rock ensembles.

"ROCK GROUPS have achieved a good loss ratio in non-appearance indemnity" observes Mr. McCormick, noting that this type of coverage is to stage performers what cast insurance is to movie actors.

Non-appearance indemnity dollar limits for rock groups often range to $200,000.

That cast insurance applies to animals with indispensable roles as much as it does to two-legged performers is illustrated by coverage of the dolphins in 'Day of the Dolphin' produced by Universal Studios.

"Several dolphins were trained for about three months for the roles," observes Ernie L. Scanlon, Jr., who assists Mr. McCormick. "The loss of the key dolphin performers would have been devastating."

Insuring the picture, 'The Sting' was nearly as smooth as the film's triumph at the Oscar ceremonies, indicates the pair.

Mr. McCormick believes in high deductibles in cast insurance when a producer, such as MCA, is well-heeled enough to afford them. Universal Studios, reportedly has used cast insurance deductible as high as $250,000.

BMF has a non-exclusive relationship for cast insurance coverage with the American National General, the underwriters for the entertainment industry for Pacific Indemnity.

BMF's entertainment division constitutes a slender 5% of total premium income for the full brokerage firm versus a hefty 40% of total premium income contributed by the Ruben division to its parent company.

MR. McCORMICK is also swift to note that, unlike Ruben, BMF maintains full-service offices in London and New York. BMF keeps its name in front of the entertainment industry with gamey, cartoon-style ads in Hollywood Reporter and Variety.

As for the little matter of Ruben's plan to capture the Twentieth Century Fox account this year, Mr. McCormick is unperturbed.

"They've been talking about pulling off that trick for a long time," he says. ■

Rock groups, with covers as freaky as looks, have good loss ratio.

Movie mogul's covers...

Continued from page 3

structure, it is the covert warfare between Bayly, Martin & Fay and Ruben & Co. On the surface, it appears the two firms have the movie business evenly divided. BMF lays claim to MCA, including prosperous Universal Studios, Columbia, 20th Century Fox and Metro-Goldwyn-Mayer. Ruben & Co. weights in with Paramount, Warner Bros., United Artists and American International Studios.

"IF THERE IS any battle between us it is over the independents," claimed Ernie L. Scanlon Jr., who, with John E. McCormick, is in charge of BMF's entertainment division and whose father worked for producer David O. Selznick.

Mr. Scanlon explained, however, that by independents he is referring to movie producers who spring up overnight to create a single production. They are generally interested in only one thing—low rates—he said.

MR. MILNE politely told *Business Insurance* that he disagrees. Noting that Ruben & Co. maintains offices in six cities around the world as well as in New York, he dismissed the four by four division as illusory.

"Paramount, Warner Bros. and United Artists produce most of the hits and are the most viable of the eight studios," he said proudly of Ruben's clients.

"Beyond that, people we define as independents are as big or bigger than MGM," he continued. Naming independent clients who exceed MGM, Mr. Milne cited Carlo Ponti; the EON Co. of London which has the rights to all James Bond pictures; General Electric Co.'s Tomorrow Entertainment division; and Wolper Pictures.

He added: "Our plans call for capturing the Twentieth Century Fox account this year."

William Morris International, the big theatrical agency, is also in the Ruben stable, Mr. Milne added.

Marsh & McLennan, the third important broker in the entertainment business, has been funnelling most of its stage and screen policies through the Ruben agency for about ten years.

"It was a tough pill to swallow at first," admitted a Marsh & McLennan spokesman, recalling that at one time M&M was the premier broker in Hollywood. "But Fireman's Fund wanted it that way to bring some order into the picture and we had to comply." He added that the arrangement has been working well ever since.

Sol Hurok, Jerry Lewis Productions and G.E.'s Tomorrow Entertainment are Marsh & McLennan's chief clients in the industry.

Pointing out that cast insurance problems are not confined to the superstars of the silver screen, the Marsh & McLennan spokesman noted that singer Maria Callas has been no cinch to handle.

"BUT SHE IS insurable," he added, explaining that the imperious star is fond of skipping performances.

Dancer Rudolf Nureyev was responsible for a $90,000 insurance loss, the spokesman continued, when he fell and hurt himself in New York City and cancelled a Washington, D.C., performance. The dancer was part of a Hurok tour carrying a cast insurance limit of $1.5 million.

Mr. Milne and Don Cass, vp, who both worked for Fireman's Fund in the early 1950s, however, insist that cast insurance would not be as profitable as it is if all performers affected the role of the grand diva.

THEY READILY cite examples of actor heroism. One of their premier examples is Mick Jagger:

"When he was playing the role of Ned Kelly, the Australian Robin Hood, Jagger was wounded by some blank ammunition," Mr. Milne recounted. "But he finished the picture, although severely hurt."

Other examples of actors with courage, he said, include:

Norma Crane, who played the lead female role in 'Fiddler on the Roof.' She learned during the course of the filming that she had cancer. But she decided not to abandon the film, and did finish it.

Oliver Reed of 'The Three Musketeers' who suffered a sword wound during the production of that film. Indeed, the sword went through his wrist and came out the elbow, but he decided to tough it out.

Pedro Armendariz, the famous Mexican actor, discovered during the filming of 'From Russia with Love' that he had advanced cancer and only a short time to live. The actor finished the film, then died.

"Too many people believe all actors are flakes," said Mr. Milne. If they were, he said, "we could not insure them and cast insurance would not have such a good long-term loss ratio."

ACTORS TODAY, according to Mr. Cass, are nearly all freelance rather than being under studio contract. As a result, they act like businessmen, not some kind of gods, he stated.

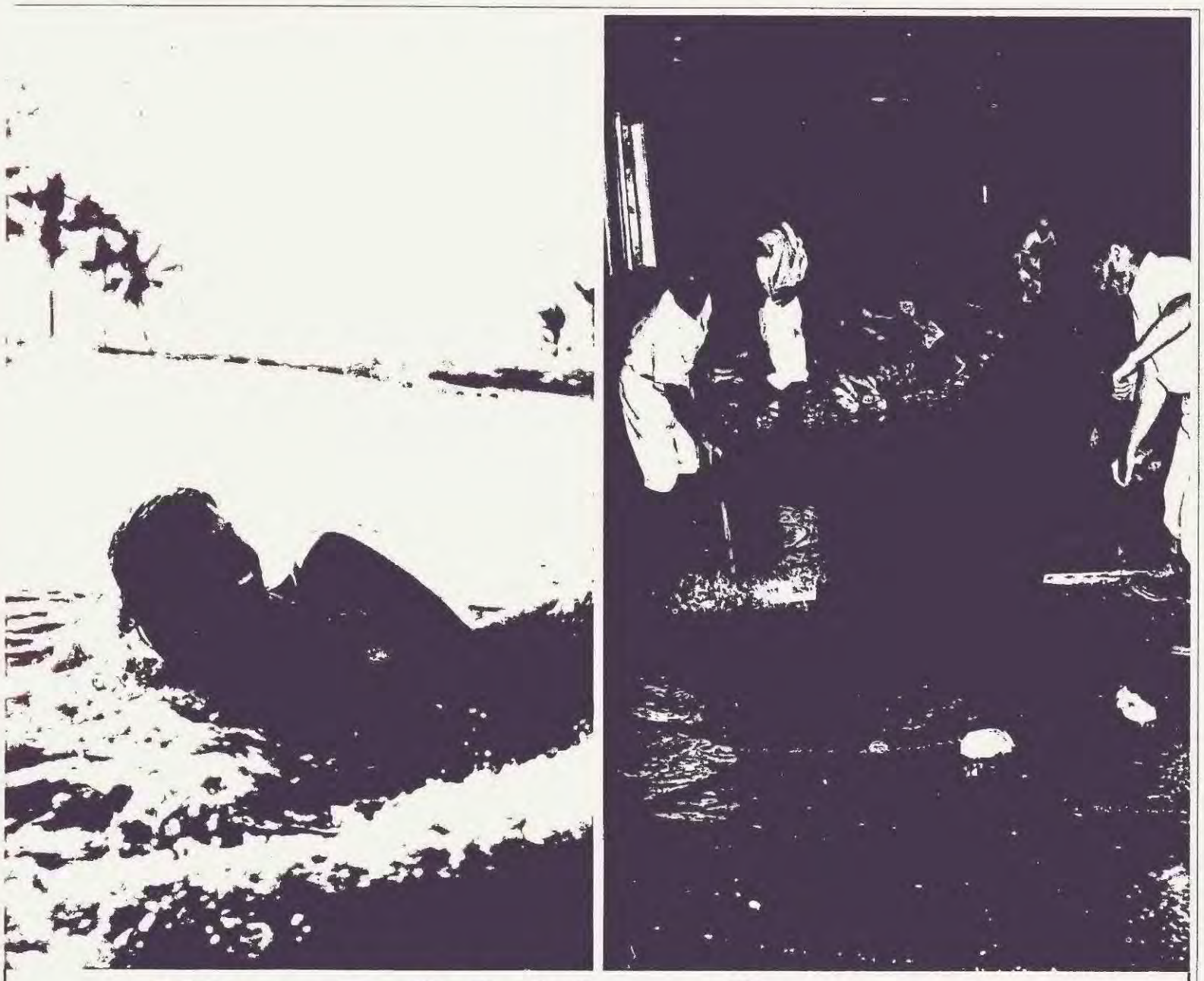
"Studios now treat actors like cattle," the casually-attired Mr. Milne reflected.

The two men are obviously entranced with the excitement of their business. They went on to note that, like Lloyd's, they are asked to insure some of the more weird aspects of the motion picture business.

'The Taking of Pelham: One Two Three,' a motion picture about the hijacking of a New York subway, is one example. The fear was voiced that the picture would ignite a rash of imitations.

"It was thought that the people of New York City would then retaliate by saying: 'Thanks a lot, city of New York, but we're suing you.'

"It was, to be sure, a pretty dubious possibility," Mr. Milne related. "Yet negotiations were delicate." The resulting policy carried a $10 million limit. ■



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Factory Mutual System

BI names assoc. editor in New York

NEW YORK—Judi Talit was named associate editor of *Business Insurance* magazine, replacing Patrick Thomas, who left the magazine April 19 to join the United Mine Workers welfare and pension department.

Ms. Talit was formerly editorial assistant with the magazine, since February of 1973. She was also an editorial assistant for Multi-Media Education Inc., and graduated cum laude in English from the State University of New York. ▸

"Bottom-line" spoken here.

If you're involved in the insurance buying decision at your company, you can bump up against some pretty sticky problems.

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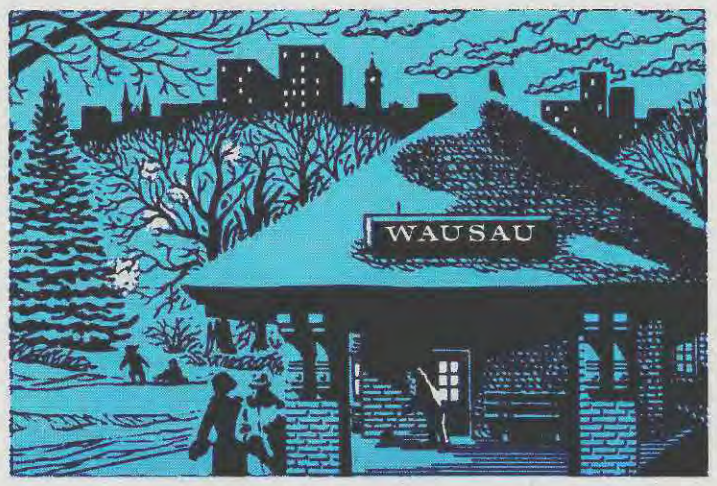

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SEC not yet requiring coverage disclosures

By RICHARD L. GORDON

WASHINGTON—The Securities and Exchange Commission (SEC) apparently is still a long way from requiring significant reporting of corporate risk management policies, but it is not disinterested in risk exposures and insurance coverages.

McDonnell Douglas Corp., says a top SEC official, will be expected to make "substantial disclosures" to the SEC of the impact of the March crash of a DC10 jumbo jet in France, and the subsequent suits, on the company's operations.

The disclosure, however, would not be a part of any SEC plan to scrutinize risk management operations at the company, but rather "just as a part of the general description of the business. It's an outstanding event in the history of the company."

TO OMIT SUCH disclosure in the face of a major event like the French air crash would violate SEC regulations prohibiting omissions of information that might mislead shareholders about the condition of the publicly-held company.

Those regulations operate as an "umbrella" clause guiding companies on a variety of disclosures other than insurance coverages. The language of the regulation makes it a violation to "omit to state any fact necessary in order to make the statements made not misleading."

"We generally refer to that as misrepresentation through omission," says the SEC official.

"But I'm not aware of any developments or thinking at the SEC to require corporate disclosure of insurance coverage and uncovered risk," he says.

"It would be fair to say that we are not interested in the aggregate of claims pending against a company," he says, "but when the claims become actual liabilities, we are very interested."

"In carrying out other reporting requirements, many companies include some description of the insurance coverage they carry and some indication of the uncovered risk they are subject to," he explained. But they are not required to.

Unless, that is, the company is engaged in some particularly hazardous business where risk management and insurance coverage is an important part of a general description of its operations.

The SEC does require disclosure when "substantial" reserves are established to cover self-insurance programs or incurred claims. Litigation must be reported when pending claims total 10% or more of the current assets of a company and its subsidiaries on a consolidated basis.

There could be other incidents less dramatic than the French air crash when the SEC might think disclosure of insurance coverages and liabilities would be warranted.

"Some companies have had employe health problems," notes the SEC official. "That would seem to be an occasion for some disclosure of the aggregate liability."

But the SEC regulatory pipeline is currently empty of any more serious and comprehensive efforts to open up risk management policies to the scrutiny of shareholders. ■

Ruben & Co...

Continued from page 3

discuss their problems with people who will know instantly what they are talking about.

"You cannot communicate in this style by telex or telephone alone."

THUS, RUBEN'S entertainment division opened offices in six cities: London, Munich, Tel Aviv, Hong Kong, Rome and Mexico City.

To top things off, the firm also maintains a posh New York City apartment replete with cook, maid and furnishings provided by the designer who did Joe Namath's pad.

"It's just a little plus that even Marsh & McLennan can enjoy," quips the irreverent Mr. Milne, in reference to the fact that if M&M wants to do business with Fireman's Fund in motion picture policies, it must speak to Ruben & Co. first, under a long-standing exclusivity agreement.

Not that the Ruben office in Beverly Hills is any slouch. It boasts an executive dining room and chef with the improbable name of William Daniel Booner, a man as well known in filmland as William Peter Blatty, author of 'The Exorcist.'

BUT IT IS the intimate knowledge of every facet of movie production—from cameras to costumes—that Messrs. Milne and Cass attribute their division's contribution of $7 million of the parent company's $17 million in premium income this year.

Ruben & Co. won't handle insurance for hard-core porno and motorcycle films. Mr. Milne says that his division did insure some porno films for workmen's compensation, though.

Exuberant about the future and the new offices expected in Australia, Russia and India, the two brokers say without joking that if they are offered second lives, they can easily bark orders from behind movie cameras as producers. ■

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Correspondents In All Other States

washington watch

Most serious debate yet on national health plan; passage this year?

By RICHARD L. GORDON

WASHINGTON—What promises to be the most serious Congressional debate ever on national health insurance opened last week with hearings before the House ways and means committee.

Capitol hill and administration sources told *Business Insurance* the chances for a national health insurance bill going to the White House this year are still only about 50-50 despite the optimism that sprouted earlier this month with the introduction of new legislation by Sen. Edward Kennedy (D-Ma.) and Rep. Wilbur Mills (D-Ar.).

The pressure is on, however, for action soon on national health insurance. The Democratic policy committee has given health insurance top priority for Congressional attention along with tax reform.

With nearly 200 persons requesting to appear before the ways and means committee, hearings there could last through all of next month. Three days of testimony were scheduled for last week with the hearings to resume this week.

The lead-off witness in the hearings was expected to be Caspar Weinberger, secretary of the Department of Health, Education and Welfare.

MR. WEINBERGER'S appearance was expected to be followed last week by an unusual appearance before the ways and means committee of Sen. Russell Long (D-La.), chairman of the Senate finance committee, and Sen. Abraham Ribicoff (D-Cn.), co-sponsors of the Catastrophic Health Insurance and Medical Assistance Reform Act.

National health insurance hearings before Sen. Long's committee are expected to be scheduled for later this spring.

The cautious estimate of the chances for speedy passage of national health insurance is due largely to some serious unbridged gaps in the two major proposals—The Kennedy-Mills Comprehensive Health Insurance Act of 1974.

The nub of the difference is in what role will be established for the private health insurance carriers. The Kennedy-Mills bill would establish an independent Social Security administration to collect premiums and administer the program leaving to the insurance carriers only the writing of supplementary coverage.

"WE STRONGLY disagree with an entirely publicly-financed program," said an HEW aide. "We don't see an independent Social Security administration as desirable."

Trying to find a compromise to solve that problem may not be easy. "It's a tough one," said the HEW aide. "It isn't obvious that there is any way to split the difference and come to an agreement."

While HEW and the Kennedy-Mills backers grope for common ground, big labor has washed its hands of both the administration and Kennedy-Mills proposals.

Acting through the Committee for National Health Insurance, labor made it clear this month that they were sticking to their support of the Health Security Act, originally sponsored by Sen. Kennedy and Rep. Martha W. Griffiths (D-Mi.).

"It's a heath program, not just an insurance program," the committee said in a statement repeating its endorsement of the Health Security Act. "It is the only bill which establishes health care as the right of every American without economic deterrents to early diagnosis and treatment.

"WE WILL NOT compromise on any of the basic principles of health security for we firmly believe that any national health insurance plan which fails to meet these principles holds out hollow promise to the American people."

The chairman of the committee is Leonard Woodcock, United Auto Workers president. Lane Kirkland, secretary-treasurer of the AFL-CIO, is on the committee executive council.

But Congressional sources and labor concede that there is little or no chance for the Health Security Act to pass Congress this year. A spokesman for the committee for national health insurance said it prefers to forget about passage of national health insurance this year in favor of working to elect a Congress in November more receptive to the proposals in the Health Security Act.

The Health Security Act, from which Sen. Kennedy retreated in introducing the Kennedy-Mills bill, would be entirely administered by HEW and would provide no role for private health insurers.

The Kennedy-Mills, bill, however, provides for deductibles and co-insurance leaving those areas open to private insurance carriers while maintaining government control over the actual operation of the insurance program.

THE ADMINISTRATION bill provides for insurance through private carriers, or self-insured arrangements, supervised by the states under federal regulations.

With the Health Security Act generally ruled out and some tough compromises needed to make a deal over the Administration and Kennedy-Mills bills, backers of the Long-Ribicoff bill are holding it out as an obvious way out of the dilemma.

The two senators' appearance before the ways and means committee shows their support for their bill is still very much alive.

"THIS IS THE only middle-of-the-road bill," a Senate aide close to the legislation says. "Twenty-four senators have co-sponsored it."

The Long-Ribicoff bill includes catastrophic illness plans for the general population and federal medical assistance for the poor and medically indigent through the Medicare program.

The bill does not scrap the private insurance system but has provisions to encourage improvement of private health insurance through which private insurers could voluntarily submit health insurance policies for certification

Continued on page 8

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Washington watch . . .

Continued from page 7
to HEW. An emblem would be issued and only "approved" carriers offering those policies could act as Medicare intermediaries.

A certified policy would have to have specified benefits including 60 days hospital coverage, $2,000 medical coverage, with limitations on cost sharing. It could not exclude prexisting conditions, and, for employment group policies, would have to continue coverage for terminated employes.

The bill also would suspend certain anti-trust laws, permitting insurance "pool" arrangements to offer certified insurance.

"My personal opinion," says a Senate aide, "is that the administration proposal isn't going to go anywhere because neither the House ways and means committee nor the Senate finance committee will agree to turn over regulation of the private insurers to the state regulatory agencies."

There are other, perhaps more subtle, intricacies affecting the course of the legislation through the House that aren't directly related to the content of the legislation.

CHIEF AMONG them is a pending reorganization of the standing committees of the House that could remove ways and means authority over national health legislation and place it in a newly formed House health committee that would be created from the present House interstate and foreign commerce committee.

Significantly, there is already a national health insurance bill pending before the public health and environment subcommittee of the House interstate and foreign commerce committee. It is the National Comprehensive Health Benefits Act of 1973 (H.R. 11345), sponsored by Rep. Harley O. Staggers (D-W.V.).

IT IS A three part program including a plan requiring employers to provide private coverage for employes, a plan for individuals, and a federally contracted plan for the poor and aged.

The states would establish a health care plan, supervise carriers and insurers, and promote a system of health maintenance organizations, according to the bill.

Perhaps none of the bills now pending before Congress will emerge intact when final legislation is prepared.

Capitol Hill sources say it's still too early to say if there will be serious differences in the national health insurance proposals eventually approved by the Senate and House.

"But," said one Capitol Hill observer. "the ball is in the Congressional ball park now." ■

GATX captive moves into general lines

CHICAGO—GATX Insurance Co. will expand into casualty, property, marine, aviation and reinsurance business starting May 1, at which time it will no longer be a captive insurance company in concept, *Business Insurance* learned.

Thomas F. Sheehan, formerly president of Excess Underwriters Inc., here, joined GATX Insurance Co. as president and chief executive officer. He is also president of the newly-formed GATX Underwriters Inc., a managing general agency operating as a subsidiary of General American Transportation Corp., parent of GATX Insurance Co.

Arthur Melzer formerly managed the captive carrier. He stays as vp of GATX Insurance Co., and remains insurance manager for the parent corporation.

Mr. Sheehan said the carrier will operate through agents and brokers, and will continue to underwrite the parent company's risk but that will only be a small part of the underwriting business now.

Any business that is done with the parent or its subsidiaries will be at arm's length, with General American Transportation or its divisions treated like any other client would be, Mr. Sheehan pointed out.

THE CARRIER has already set up a casualty department, and after May 1 will specialize in writing unusual coverages for corporations and professional people, ranging from umbrella liability insurance, general liability covers such as excess auto and excess workmen's compensation, to directors' and officers' liability insurance for public, private and not-for-profit companies.

Mr. Sheehan declined to disclose any projection of premium volume to be attained this year or within the firm's first few years of operation.

After the casualty department is started up in May, progress will begin on starting a property department.

By yearend the insurance company also expects to have in operation a marine and aviation department also. ■

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- Stockholders are not the only ones who sue. Many of the claims have come from people who are not stockholders.
- The evidence of litigation, and the uncertainty of how courts will interpret laws, are obvious dangers for corporate executives.

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Hartford tells projected new growth fields

NEW YORK—Hartford Fire Insurance Co. is scheduled to play a key role in its parent company's plan to double the products and services it markets by 1980.

International Telephone & Telegraph Corp. chairman Harold S. Geneen believes "the Hartford's opportunity for accelerated growth will rise appreciably," because of its move into new marketing areas and its association with ITT.

Hartford's progress has been sparked by innovation such as the introduction of split-life insurance, group benefit management services and new ideas in variable annuity policies, Mr. Geneen said.

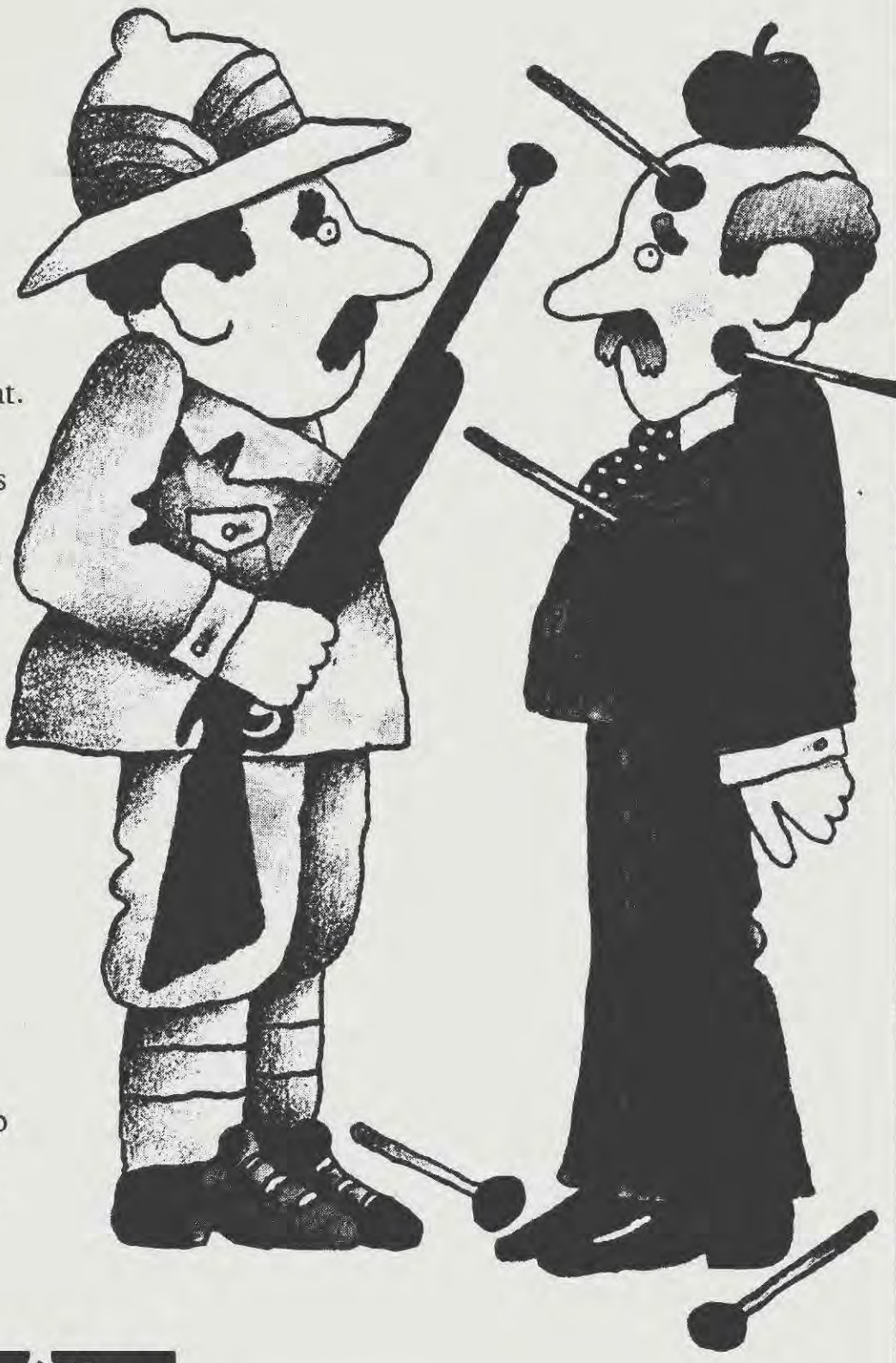
Also variable life insurance is considered a promising new product area when clear regulatory guidelines finally evolve, the company predicted.

DEVELOPMENTS are also foreseen in legal defense coverage, no-fault auto insurance and the extension of that principle to other indemnity areas, and group auto coverage, according to the firm.

On the basis of population trends, Mr. Geneen noted, the insurance industry is expected to achieve $22 billion in 1980 premium income from general liability, surety bonding, builders risk, workmen's compensation and other related coverages, based on forecasts for $37 billion in new commercial and industrial construction.

There should be some 150 million life insurance policies in force by 1980, according to Mr. Geneen. ■

Maybe your profit-sharing or savings plan has been a little off target lately.



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Shippers, police hit cargo thefts...

Continued from page 1
court.

Mr. Brusch reported that two huge cargo containers were burglarized recently on an Oakland dock, with the loss of 45 cases of expensive Scotch whisky which has not been recovered. In a similar incident, two thieves hauled 40 television sets out of a cargo truck at a San Francisco pier and used a rented truck to carry off the loot.

"IN THAT CASE," Mr. Brusch said, "the San Francisco police and the U.S. customs officers cooperated in making both arrests and recovery of the television sets. But the two thieves have not yet been tried or punished."

Minor thefts, according to Mr. Brusch, have become "a major problem at the San Francisco waterfront where ships and trucks unload cargo after cargo of valuable consumer products.

"In addition to the theft from trucks, shippers have lost valuable cargoes of clothing brought in from Hong Kong, Japan, Korea and Taiwan, as well as ski equipment and other products shipped here from Europe."

Mr. Brusch credits "rampaging inflation and the high cost of meat" for a substantial increase in the theft of valuable cargoes of beef and lamb imported from Australia and New Zealand as well as crabmeat, lobster and shrimp from Japan and South Africa.

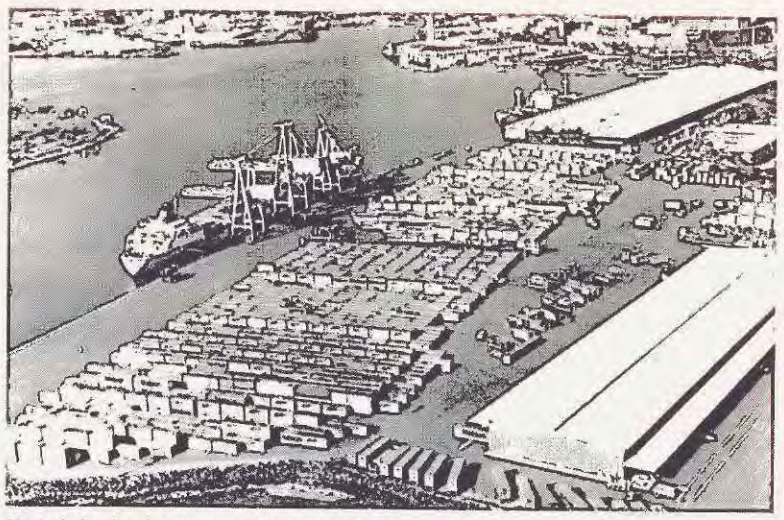
"Thieves know they now have a ready and willing market for such items," Mr. Brusch said. "It seems obvious that as long as meat prices continue to rise, such thefts will continue to increase, at a high cost to consumers and insurance companies."

Other targets for thieves operating on the Oakland and San Francisco waterfronts are radios and small television sets brought in from the Far East.

"THOSE WHO steal the whisky and gin," Mr. Brusch notes, "apparently possess good, or at least expensive tastes; they take only the more costly brands."

Currently, the Senate small business committee headed by Sen. Alan Bible (D-Nv.) has been investigating all categories of cargo thefts.

Sen. Bible charged that thievery and "unexplained" cargo losses are now nearing a staggering $3 billion a year in all phases of the U.S. transportation industry.



Honolulu harbor's container yard improves cargo security.

Eastern trucking industry executives have blamed much of the loss, in their areas at least, on "organized crime" and Mafia-type thieves.

Mr. Brusch does not accept this view in relation to West Coast cargo losses and insists that "we have no reason at all to believe that cargo theft proceeds here are being skimmed out somewhere to some kind of a Mafia organization or ruler."

California highway patrol commissioner Walter Pudinski, however, does believe that truck cargo thefts, as well as truck thefts, in the West "have become a primary occupation of gangs that are pretty well organized."

Late last year the highway patrol broke up a "gang" which officers said had specialized for more than a year in the hijacking of trucks carrying cargo over Highway 99 in the San Joaquin Valley.

MORE THAN 12 members of that "ring" were caught and the Highway Patrol recovered seven trucks and trailers worth more than $200,000 to their substantially insured owners. Commissioner Pudinski said nearly 70% of the cargo, with a wholesale value estimated at another $200,000, was recovered.

"These truck cargo thefts," explained B. R. Smith, CHP inspector in charge of auto thefts, "were accomplished at those typical highway locations where the truck drivers occasionally stop for a cup of coffee or for refueling.

"We even discovered that some members of the theft gang actually were cruising the highway in radio equipped cars, looking for trucks on the road with potentially profitable cargoes that could be stolen."

Another 1973 theft left Oakland and Hayward police "in awe" after a number of $100,000 truck and trailer rigs which had been stolen were found by police buried in a "truck graveyard" not far from the Hayward Airport.

"At least 15 of those rigs," explained Ronald Blair, Hayward police inspector, "had been stolen elsewhere, stripped of all useable parts such as engines and transmissions, and the carcasses were then buried, to avoid detection."

CALIFORNIA NOW has the third highest per capita theft rate in the U.S., with more than 140,000 trucks and automobiles stolen each year, at a cost estimated to exceed $100 million.

Such cargo thefts, according to Commissioner Pudinski, have been increasing at the rate of 8% a year for the last four years. Only one theft in eight has been solved in the past with an arrest and the goods recovery rate has dropped to 80%.

The highway patrol, using a $1.25 million federal anti-crime grant as well as $416,667 in California general funds, increased its vehicle theft investigation unit

Continued on page 11

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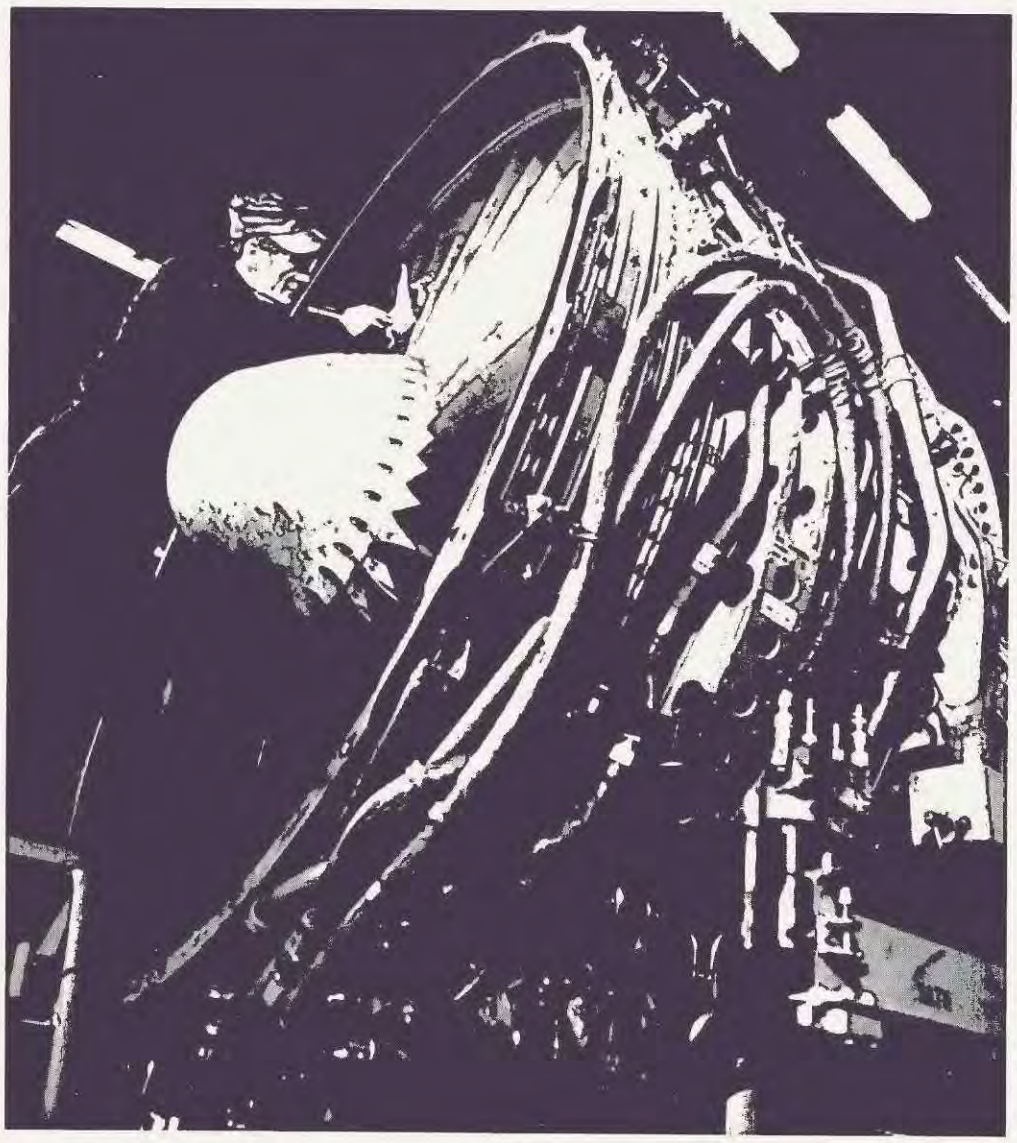

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Containers loaded in Los Angeles.

Continued from page 10

from 47 to nearly 100 officers and started a statewide coordinated campaign with local law enforcement agencies designed to cut losses.

The California council on criminal justice also appropriated an additional $2 million for grants to police in communities which have a high vehicle theft record. Los Angeles county reports 50% of all vehicle thefts in California.

Insurance industry experts here admit that many trucking and shipping firms "go self-insurance and absorb their losses" in substantial cargo or truck equipment thefts simply because they are fearful their insurance carriers will boost their premiums out of sight.

"THIS REALLY doesn't happen very often," insists Myles W. Smith, of the Insurance Information Institute, "unless, of course, the trucking company or the shipping firm has a long and obviously poor record of both losses and failure to take adequate steps to prevent losses."

Mr. Smith's opinion is reinforced by E. J. Halm, Pacific coast division manager of the National Automobile Theft Bureau.

"Early this year," Mr. Halm said, "the NATB ended a two year experimental recording of truck and cargo thefts.

"We discovered, in working with such industry groups as the California Trucking Assn. and with individual companies and shippers, that the problem in the West was not really as great as had been thought.

"Even railroads, such as Southern Pacific," Mr. Halm said, "agreed eventually that cargo theft in this area in actuality is a controllable problem and is not as vast as people have been led to believe."

Out of the NATB two-year program, however, came some solid advice to shippers and truckers, substantiated by spokesmen for marine and cargo insurance underwriters.

THE ADVICE, essentially, was phrased by a spokesman for Royal Globe, one of the biggest in the marine insurance business, who said: "the best method of keeping cargo insurance rates as low as possible is to install and maintain the best possible theft control system, and practically every insurance company offers assistance with such control efforts."

An executive of another major carrier added, "get to know . . . really know . . . your personnel, from the vp down to the lowliest cargo checker.

"And when you find a dishonest employe, regardless of whether it's a vp or a checker, don't just fire him. See that he is arrested and tried and goes to jail!"

Mr. Halm and underwriting officials agree that cargo thefts have been reduced in the West, particularly in California, because of the efforts made by all interested enforcement, protective and investigative agencies.

"There's little question, however," Mr. Halm added, "that current shortages in certain basic commodities will lead to increased thefts of such items and this, of course, will bring the spotlight of additional publicity.

"Sensational charges concerning hundreds of millions of dollars worth of property stolen from the custody of transportation companies," Mr. Halm insists, "are unreliable and have been grossly exaggerated."

As substantiation of this conviction, Mr. Halm offers loss statistics recorded by California's Department of Justice relative to thefts, including cargoes and the values of unrecovered vehicles. The total for the year amounted to $2,251,882.29. ■

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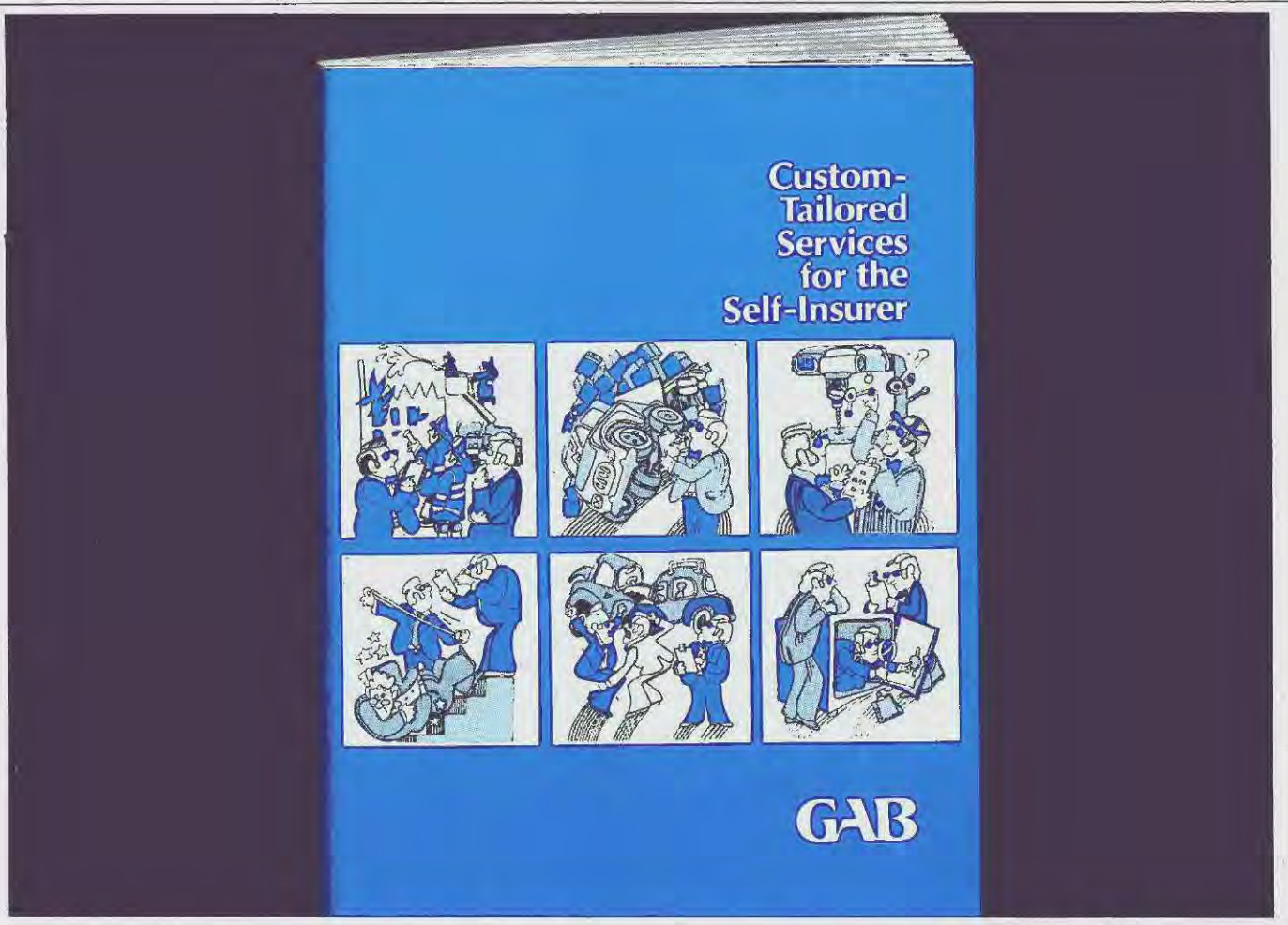

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Public disclosure disliked by most risk managers

A *BI* ROUNDUP

CHICAGO—A random survey of risk managers to determine attitudes about public disclosure of corporate insurance activities showed those opposed to disclosure outnumbered those in favor of it by two to one.

Some surveyed risk managers explained that disclosures would be difficult because of their insurance programs, complicated nature. Others were leery of releasing information that the government or insurers might use for their own purposes.

And a surprising number of risk managers reasoned that their company insurance programs are not significant enough to be put in 10K or annual reports.

Many risk managers added that they would answer specific questions about coverage at shareholders meeting, although they disapproved of any other kind of disclosure.

"I DON'T think the insurance should be (publicly disclosed)," said Sunbeam Corp.'s risk manager Verne Andrews. "I don't think it's any of the government's business how much of the assets are insured and how much you carry on your own. And I don't know how you could ever get uniform reporting.

"The stockholders have a right to know," he added. "We'd be happy to tell them everything, I'm sure, if they really want to know. But would they always understand what you're telling them? A great deal of judgment is exerted in risk management. It's complicated."

The complex business of corporate insurance moved other risk managers to question the wisdom or practicality of disclosure.

"There are many many cost factors that go into risk management," said one food company insurance manager, "and if you don't look at the composite, you're going to get a distorted picture."

Another food producer's spokesman added that "I don't think it would serve anybody any real purpose. There are too many variables, too many differences between industries, and too many people who will be picking these things up and throwing them around without knowing what they entail."

Some of those surveyed told *Business Insurance* that whether or not the insurance is complicated, information about a company's risk management should not be aired publicly.

"We don't bring out insurance information in our annual report," explained Walt Woodard of Boeing, the 1973-74 president of ASIM. "And as far as disclosing our insurance program and its results goes, my superiors feel that this is proprietary information—something we have no desire for all the world to see."

MICHAEL CEDERROTH, risk manager for American Standard Inc. in New York, pointed out that disclosed insurance information could cause problems if it slipped into the wrong hands.

"I don't think there's any real objection to premium disclosures. But based on our size, if we told our premium, other brokers could barrage us with calls saying they have a better deal than our present carrier."

Baxter Laboratories' risk manager Spencer J. Traver is in favor of public disclosures, but he pointed out that some insurance is better left unreported.

"I wouldn't want to disclose any type of coverage which would, say, be illegal in one or more states, like punitive damage coverage you bought offshore. I also wouldn't want to disclose coverage where the confidentiality may affect the welfare of one of the officers."

Mr. Traver noted that it shouldn't be necessary to disclose all the costs, limits and deductibles of a company's insurance program. "I would confine the reporting to the extent of the aggregate liability in insurance assumed by the company."

A number of the surveyed risk managers said that kidnap insurance was impossible to disclose because of carriers' requirements that it be kept confidential. And D&O liability insurance ranked second on the list of coverages that managers wanted kept undisclosed.

RONALD O'NAN, risk manager for Budget Rent-A-Car Corp. explained that his company would not like its liability limits disclosed. "We have many accidents each day and many, many lawsuits. For us, and my industry, we would not want to reveal the limits. Maybe the costs but not the limits."

Arthur P. Bostwick from McGraw-Edison Co. countered that coverage limits mean little in a liability lawsuit, so their disclosure would not be too harmful. "In our law courts the limits of insurance coverage have never been considered material," he said.

Curiously, a few of the risk managers believe that the insurance aspect of corporate financing is not important enough to be disclosed as part of an annual report or other public document.

"In most cases a corporate insurance program is an insignificant cost in the operations," one source said.

Another spokesman for a major pharmaceutical company in New York said "I don't know if the stockholders would be particularly interested. If you opened up (insurance losses) to an annual statement, you'd be putting in additional information that wouldn't particularly add anything."

Playboy Enterprises' Robert E. Mooney echoed the opinion. "I've been in the business for 18 years and I've seen no reason why (insurance) should be disclosed. I don't think the general public would be interested in it."

CAL B. ROSENBAUM, risk manager at Wometco, commented, however, that disclosures might show the public as well as his own company how important an effective insurance program really is.

"Maybe if people could see in the publicized annual report statement the potential danger of not following risk management closely, management would be willing to consider risk management as an ultimate profit center."

One manufacturing company's risk manager said that including insurance in the annual report would be a great idea, but "where do you put your estimates on cost savings through risk management, and even to some degree through self-insurance?"

Whether disclosures laws are ever passed may be unimportant according to one risk manager.

"If there's anyone who's really interested in your insurance, they [illegible] it. There are [illegible] in- [illegible]ud

■

State begins unique deferred compensation plan for its employes

SACRAMENTO, CA.—California's unique new deferred compensation plan for employes of the state has been formally launched with the naming by Lawrence R. Robinson Jr., director, department of general services, of three investment firms which will handle funds accumulated.

The three selected, after review and approval by California's insurance officer Eugene D. Marquart are: Great Western Savings & Loan Assn., for state employe savings and loan accounts; California Western States Life Insurance Co., for fixed and variable annuities; and T. Rowe Price Growth Fund for mutual fund shares.

Under the complex plan made possible under legislation introduced by former San Diego assemblyman Richard Barnes on behalf of the California State Employee Assn., employes of the state will be enabled to defer receipt of part of their paychecks for investment by either of the three companies named by Mr. Robinson.

Funds so invested would be returned to the state workers later, as a supplement to their regular retirement income.

TAXES ON THE funds representing monthly pay will be deducted when they are received later after retirement, rather than being collected during the year originally earned.

This, it was explained, "will provide state employes who choose to participate in the plan a possible substantial cut in their ongoing income taxes as well as equally substantial supplements to their retirement benefits at a later date."

The initial enrollment period for state workers began March 1 and ended April 30, with payroll deductions for participants starting May 30. Enrollment will not be opened again until October and November of 1974 and each succeeding year.

A minimum monthly deduction of $25 is required for participation. The maximum can be the state employe's entire salary, less only deductions required by either state or federal laws.

Mr. Marquart emphasized that deductions from employe paychecks for investment in the deferred compensation plan will not change contributions made by the employe and the state to either the state's own retirement system or to Social Security.

"When participating workers retire from their state jobs," Mr. Marquart explained, "the net value of their contributions under the deferred compensation plan, plus interest earnings and capital gains will be paid to such workers in periodic installments.

"THOSE PAYMENTS, in the retirement years, will be subject to income tax," he pointed out, "but probably at a rate substantially lower than that payable during the employe's working years."

Contributions and their earnings will be returned, in total, to those participating workers who leave their state jobs prior to retirement.

Because of the tax implications of the new law it was necessary for the state to first develop the plan and then obtain approval of the Internal Revenue Service before putting it into effect.

John B. Matheny, president of the state employes' organization, served as a member of the three-man committee reviewing proposals for management of what is expected will become a gigantic investment plan.

The deferred payment plan itself is under control of California's board of control and Mr. Robinson's department of general services.

The plan does not "guarantee" any return or gain on the state employe's original investment of part of his regular paycheck.

Proponents, however, claimed that the plan would "offer the prospect of returns as high as 25 or 35% to an employe or his beneficiary, depending on the worker's current tax bracket, on how much of the pay is deferred and on how that portion is invested."

The state worker has the right to advise the state where he wants his deferred pay to be invested but the state is under no obligation to follow that request.

MR. MARQUART, as insurance officer for the state and a staff executive in the department of general services, will supervise distribution of information about the plan as well as general procedures related to implementation of the plan.

Mr. Marquart cites the example of a state employe who now has 20% of his salary withheld for income taxes.

"Should this employe decide to have $100 a month of his pay set aside under the new plan, his take home pay would be reduced by only $80, because the amount withheld for taxes would also be reduced by $20."

In the event of "extreme financial emergency" the plan permits a state employe to apply for early withdrawal of his funds, subject to approval by the State board of control.

Deferred compensation can, by choice, be split between two or more of the three investment procedures offered, so long as no single choice for less than $25 per month. Amounts deferred also can be increased or decreased but only during the regular annual enrollment period.

What Mr. Marquart describes as "a very minor" administrative charge, which may vary from year to year, will be deducted from the employe's monthly paycheck along with the amount of pay being deferred.

THE STATE WILL hold title to the deferred compensation funds accumulated. However, the employe "has the agreement of the state" to pay the proceeds in case of retirement, termination of employment, death, or early withdrawl for approved financial emergency reasons.

Mr. Marquart explained that "if the employe were to hold title to the funds, the Internal Revenue Service would rule that to be 'constructive receipt' of the funds and those funds would then be subject to current income tax."

Concurrently with the official start of the deferred compensation plan, governor Reagan submitted to the California legislature a 1974-1975 budget which included a fund of $45 million for first year costs of a state employe benefits program. ■

Some losses covered at Kentucky Derby

SAN FRANCISCO—All of those $2 and up bets race fans will place on their favorite horse in the 1974 Kentucky Derby to be run May 4 at Churchill Downs will be insured, by Fireman's Fund American Insurance companies here, against theft, fire and other perils.

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editorial opinions

New horizons

THE AMERICAN Society of Insurance Management is holding its annual conference this week in Toronto.

On like occasions in past years we've noted that the society has reached new milestones. This year yet another has been reached: Almost 2,000 will be registered.

As with most things, ASIM had its humble beginnings. It will probably be noted in Toronto this week, for example, that as a national organization ASIM enteres its 25th year this year.

Elsewhere in this issue, however, we recall that ASIM actually had its origin back in the 1930's when a small group of business insurance buyers began meeting on a somwhat regular basis in New York City. Back then the group was known as the Risk Research Institute.

Perhaps ironically, ASIM's board of directors has considered and voted upon yet another name change for the society (it was originally incorporated on a national scale as the National Insurance Buyers Assn.). And the one mentioned most as the possible successor (at this writing, at least) was one that again makes use of the word risk: Risk and Insurance Management Society (RIMS).

The irony, of course, is that the society may have come full circle in the past 40 years. It's not that the day has finally dawned when ASIM has recognized that the true end of its membership is the management of risks, not just the buying of insurance, for, indeed, this has been recognized. ASIM, in considering the name change, is further recognizing this.

We think Risk and Insurance Management Society is a good description. It will also broaden ASIM's horizon on the international scene. We hope ASIM's board of directors has given it the go-ahead so everyone can begin getting used to it.

Disclosure

WALTER WOODARD, outgoing president of the American Society of Insurance Management, threw out an intriguing idea at the Massachusetts Insurance Buyers' Assn. spring conference the other day when he said that the day may be approaching when corporations will be forced to disclose substantive facts regarding their corporate risk and insurance management programs in annual reports or other documents filed with government agencies.

We're intrigued with the idea, first of all, because we're all for broader corporate disclosure as long as it does not inhibit the basic competitive nature of our free enterprise system.

At this point, the Securities and Exchange Commission requires disclosure by publicly-held firms only of "substantial" reserves established to cover self-insurance programs, incurred claims, or litigation for which damages will be paid by the company and could materially affect results.

The vague word is "substantial." We believe that a company's basic strategy of risk and insurance management is, indeed, substantial by its very nature and does materially affect earnings. We believe it would be a show of enlightened corporate thinking to move toward a posture of fuller disclosure of property and casualty risk management techniques. If these programs affect corporate profits—and we believe that professional risk management can and does help control losses and increase profits—why not say so? Shareholders might be moved to upgrade their views of good corporate management.

Most corporations, apparently, haven't considered corporate self-retentions "substantial;" or major suits filed against the corporation, settlements of which might be covered or uncovered by insurance; or major changes in property risk management programs that might have a very substantial effect on corporate earnings. We've been hard put to find much information about these things in the flood of annual reports we've been reading.

Broader disclosure generally leads to better corporate management, and we must, therefore, conclude that disclosure would be good for the corporate risk and insurance management process.

We do believe, however, that material facts that could affect a corporation's profit and loss statement should be disclosed by companies who sell their stock to the public. And risk management programs today, especially if they do not rely solely on "pure" forms of insurance, are often constructed in ways that do have a very definite impact on the corporate balance sheet.

Mr. Woodard said it when he noted that with the evolution of the risk management process as well as its growth in corporate authority and responsibility has come an impact on corporate profit and loss statements. "It may be only a question of time before (risk management) takes it place in the corporate reports," he said.

Safety valve

ONE OF THE sanest things to come along on the union-management labor fronts in recent history is an agreement worked out between the steel industry and the United Steel Workers earlier this month.

In a "settlement understanding," the union and the steelworkers have decided to extend their 1973 no-strike agreement through 1980.

Called the "Experimental Negotiating Agreement," the union gives up its right to strike in exchange for certain guarantees and the right to arbitration. Both the union and the steel industry's managements appear convinced the agreement paved the way for an early settlement this year.

It seems to us that now that the agreement has been tested by a major union it deserves to be considered by other unions and the industries they bargain with.

Almost invariably in the negotiations over wages and fringe benefits normally sane individuals loose their cool and let personalities enter into things. The agreement hammered out between the steel-workers and the steel industry puts a safety valve on things of this sort. It deserves the consideration of other unions and managements. No one wins in a strike.

letters

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

In other words

To the Editor: The recent article I submitted ("Recent court ruling contradicts precedents for asset valuation", *Business Insurance,* April 1, 1974) contains a sentence in the fourth paragraph which reads: "The court held that the insurer had to pay the claim for total replacement cost (instead of the usual replacement less depreciation standard in the insurance industry) of the hotel".

Contra to this, the controversy was not one of replacement cost versus actual cash value but instead one of actual cash value versus fair market value. In other words the total replacement loss was agreed by both parties to be $25,702.05 and they both further were in harmony on the depreciation or betterment being $1,600, thereby reducing the cost of reproduction less depreciation loss to $24,102.05. Their differences arose when the insurer attempted to settle the loss for a reduced amount of $10,154 by using the $169.547 as actual cash value with a $45,000 policy in force written on a 70% coinsurance basis.

The insured conversely used a $65,000 fair market value in lieu of the $169,547 actual cash value claiming that this was synonymous with actual cash value and by applying the 70% coinsurance factor to this amount was able to present a net figure calling for no co-insurance penalty when compared to the $45,000 amount of insurance carried and hence a reimbursement in full of the $24,102.05 amount.

John C. Lichter
VP, American Appraisal Co. Inc., Milwaukee, Wi.

Self-insurance trends

To the Editor: The article in your March 18, 1974 issue concerning the predicted growth of auto liability insurance is an excellent review of future trends of self-insurance in the liability field. It was very interesting, especially as it indicates that the trend in a smaller corporation is similar to the trend in the larger corporations as reported in the Fortune survey of last year.

Your reporter noted that there was a comparison between predicted growth in auto and general liability programs as indicated by Mr. Finnigan of ESIS versus the growth in the workmen's compensation field as indicated by myself. Actually, there is no dichotomy in thought; in the article

Continued on page 20

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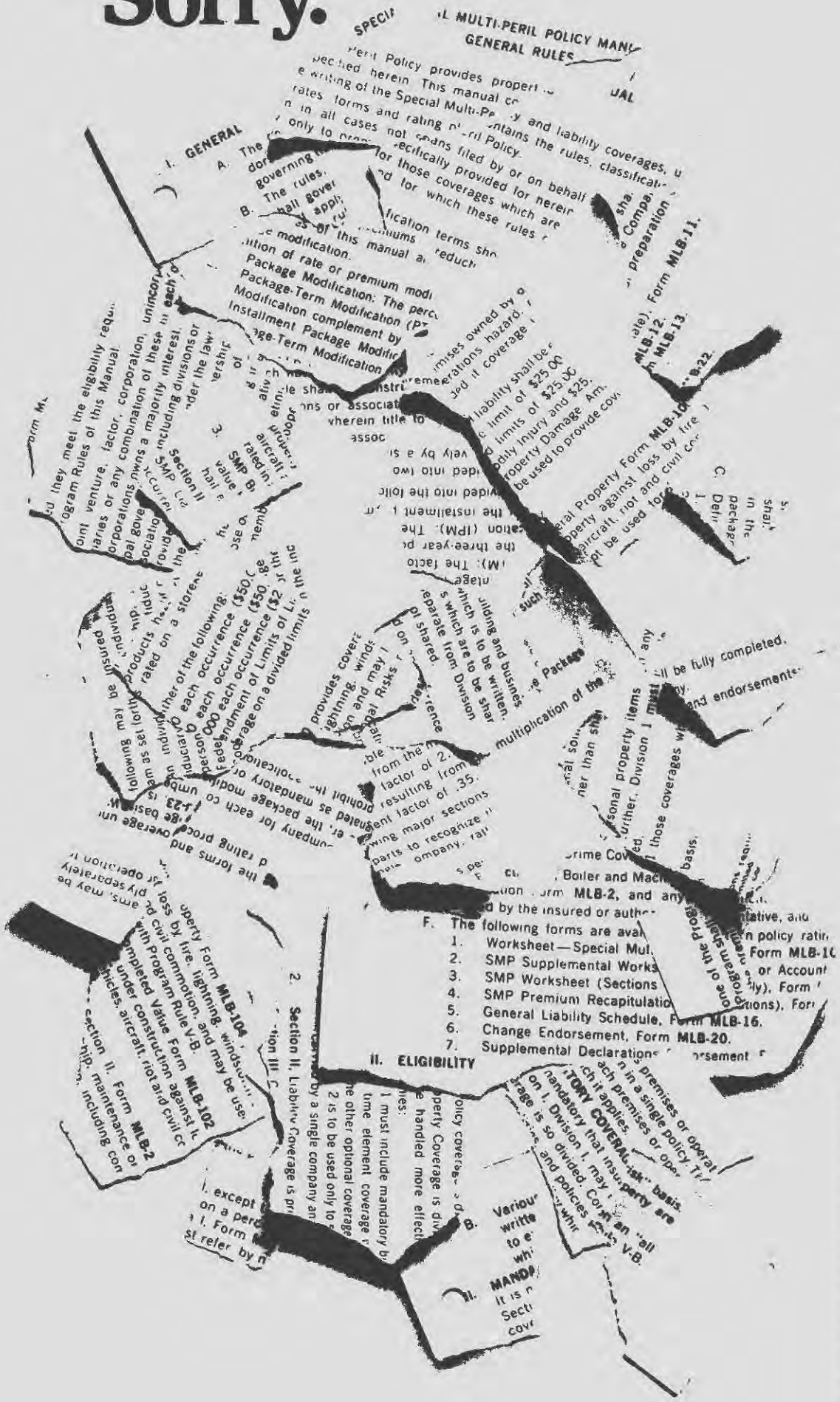
To the fellows who wrote the book on multi-peril coverage. Sorry.



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Carte Blanche offers free group travel insurance

By STEPHEN GOOD

CHICAGO—Carte Blanche, trying to make a name for itself in the credit card world among giants like American Express and Diners Club, now offers $25,000 travel insurance at no charge to its members.

The free group insurance plan, beginning March 1, is a unique credit card offer. While Diners Club and American Express boast their own group insurance plans for card holders, they both have premiums charged to the card's account.

"We've had a very excellent reaction to it," said a Carte Blanche spokesman. "And we haven't raised our fee for membership because of it."

Carte Blanche shares much in common with its big brothers in the credit card industry. Like American Express and Diners

Club, Carte Blanche costs $15 a year for primary members and $10 for each associate member. Many of the same costs are chargeable on all three cards.

But Carte Blanche is relatively young, established in 1959. It also has a tiny membership compared with 6 million American Express cardholders. Carte Blanche members number only about 760,000.

So engaging in services one-upsmanship, Carte Blanche contracted a group accidental death and dismemberment coverage with the Insurance Co. of North America (INA), the spokesman explained. Premiums under the plan are paid by the company according to the number of insured trips taken by members. Whenever a cardholder charges an airline or Amtrak ticket to Carte Blanche, he automatically signs an insurance voucher at the same time. Then in case of death, the $25,000 goes to the cardholder's estate, unless he specifies a certain beneficiary.

The spokesman said that Carte Blanche's free insurance program is the only one it plans to offer now, but "somwhere down the road" an additional insurance option may be added to the coverage program, costing a nominal premium to the cardholder.

AMERICAN EXPRESS'S optional insurance coverage, called the "automatic $100,000 flight protection plan," costs a cardholder $3 per trip. The card company annually mails a form to all members asking them if they want to join the program. Those members who sign and return the form are automatically billed $3 extra on every flight ticket they charge to the card.

The insurance carrier for American Express's coverage plan is Fireman's Fund Insurance Co., a subsidiary of the American Express Co. According to a company source, the entire $3 charge goes to Fireman's Fund.

The $100,000 coverage plan has been in effect since about 1966. Since it began, American Express has paid out some claims, but "only rarely." About 500,000 members are signed up for the plan and each one averages two insured flights a year.

Unlike Carte Blanche or Diners Club, American Express's plan does not cover train travel, only air flights and ground transport between the plane and the airport terminal. But the American Express source was philosophical about the differences between his company's policy and those of Carte Blanche and Diners Club.

"WITH CREDIT CARDS it's like the automobile business and other industries. Nobody can offer the same items as everyone else."

Diners Club is proud of the fact that it was the first credit card company to offer group insurance, even before Carte Blanche was born. And it offers three insurance plans, although none of them are free. They are carried by Beneficial National Life Insurance Co. of New York.

According to a Diners Club spokesman, the cardholder can purchase a general accident in-

surance policy, a hospitalization plan, or flight insurance program similar to American Express.

"We like to leave it up to our members to choose which coverage they'd like to have," the spokesman explained. "We don't know what other kinds of insurance they have and we don't want to be in the position of dictating what sort of insurance they can have."

Diners Club is the only one of the three card companies mak-

Continued on page 19

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Continued from page 18
ing any money from its insurance programs. Although the spokesman would not say how much Carte Blanche reaps each year in "commissions," he noted that "the thing has worked out well for everybody."

The flight insurance, costing $3 a trip, was begun at almost the same time American Express' plan started, about 1966. The Diners Club policyholder can claim $100,000 even if he does not die but loses his sight or his limbs. And as an extra bonus, $1,000 credit is extended to cover all unpaid charges, and the unused portion of this amount is added to the $100,000.

Maximum coverage under the general accident insurance plan extends up to $198,000, the spokesman said. The policy gives a cardholder coverage while using every form of travel conveyance except private plane or motorcycles. Medical expenses for doctors, ambulance fees, x-rays and related services are paid up to $5,500. Disability benefits begin after 30 days and last as long as 12 months, for a maximum of $7,920. And accidental death entitles the beneficiary to the total $198,000. This is Diners Club's oldest insurance plan, begun in the late 1950s.

Cost of the general accident insurance runs $12.70 a month for each person covered. Without the medical expense portion, the plan costs $10 monthly.

The third plan, a medical expense coverage, provides up to $1,000 a month for injuries or sickness for three years. There is no deductible or coinsurance. Special medical expenses like blood transfusions, oxygen, ambulance and iron lung use are also covered for $3,000 the first year, $4,000 the second, $5,000 the third year, and $6,000 for every year thereafter.

Premiums for a male between the ages of 18 and 60 cost $7.35 a month. Women of the same age must pay an $8.55 monthly charge, and children between three months and 19 years are charged $5.05 a month. ■

Texas tells Allstate to pay dividend

DALLAS—Texas insurance commissioner Don Odum ruled recently that Allstate Insurance Co. must pay $4 million in dividends to auto policyholders which had been canceled earlier.

About 270,000 individual policyholders whose coverage expired after Oct. 3, 1973 were affected by the commissioner's decision. But an Allstate spokesman told *Business Insurance* that employers with insured car fleets were not involved in the dispute because their rates and dividends are calculated differently.

The controversy began last May when Allstate gained board permission to pay dividends on policies expiring through June 1, 1974. But when a competitive auto insurance rating law went into effect in 1973, Allstate received state insurance board approval to reduce rates on policies issued after Oct. 3. The carrier then suspended dividends on old policies expiring after that date.

ROBERT CLINES, the board's legal counsel, noted that customers with policies expiring between Oct. 3 and June 1, 1974 would receive neither dividends nor rate reductions.

But customers with policies expiring before Oct. 3 would get dividends, and customers who bought policies after that date were enjoying a rate reduction. This was discriminatory, he said, to those with policies expiring between Oct. 3 and June 1.

Allstate reportedly defended its action, saying it had complied with the board's ruling requiring a carrier to notify the state before reducing or canceling dividends. The company also said it had never guaranteed dividends.

A spokesman for the state insurance department said "we understand it'll be appealed" by Allstate. ■

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Assurex International

letters

Continued from page 16

of February 18, 1973, my observation was noted that over 50% of the revenues produced by Scott Wetzel Services Inc., consisted of complete self-insured packages including all casualty risks.

E. Scott Wetzel Jr.
President, Scott Wetzel Services Inc., Bremerton, Wa.

D&O loss ratios

To the Editor: The letter citing competitive D&O premiums in your March 18 issue suggests, by its unusually prominent placement, your editorial concurrence that leading D&O underwriters are overpricing their product. This sentiment began with *BI*'s presentation, in months past, of the Wyatt Co. report which claimed euphoric loss ratios of 22%. I have been concerned ever since that information published about the Wyatt report may generate unwarranted waves of resentment against D&O underwriters, particularly in the minds of those, who like me, are non-statistically oriented.

Unfortunately, discussion in *BI* and elsewhere has not highlighted the report's admittedly narrow statistical base of less than 300 policies. It should be more heavily stressed that 90% of the 6,438 corporations approached for information in Wyatt failed to reply. The answers of the remaining 10% constitute the entire basis for the report's conclusions. Furthermore, even this minority response must have reported fewer losses than a representative average because:

- The survey mailing included no promise of confidentiality. A significant percentage of companies are unwilling to divulge the existence of claims against their officers or directors, since this is often considered undesirable material for release.
- The survey apparently excluded bankrupt companies and those no longer in business. Substantial losses may have arisen, but contact is no longer possible.
- No provision appears to have been made for offsetting unexpired liability against premium income to allow for incidents reported before policy termination which have not yet resulted in any claims; or for claims of record which carry no reserves.
- Personnel handling that questionnaire for the corporation may do so with incomplete knowledge of existing claims. (It is good practice for the signatory of a D&O application to first canvass his board of directors and staff of officers before replying to application questions regarding claims experience.)

Since the London market undoubtedly has the broadest base of loss information, I recently asked a friendly Lloyds broker to secure at least some specific loss ratio information from underwriters. In reply, I was advised that experience for the 1963-68 period at first appeared to be satisfactory. It has gradually deteriorated over the years as claims have appeared and matured, and that period has, after these many years, now moved into a loss ratio exceeding 100%. This is not surprising to professional insurance men who know that error and omission type claims surface and reach full loss potential slowly.

I WAS further informed that figures for later years show a lower loss ratio, partly attributed to a substantial increase in premium levels which occurred in the years 1968 and 1971.

Unfortunately, even the loss ratios on this basis are higher than they had been for the 1963-68 years when viewed at comparable periods from inception.

Underwriters cannot look forward to profitability when the outstanding claims are finally settled. Furthermore, this does not take into account over a hundred claims that have been advised but carry no reserve. While I am not in a position to obtain information, nor am I at liberty to reveal the source, I can assure you that it is a very knowledgeable channel in the London market.

Losses for six recent years as included in the Wyatt report are probably too fresh for proper evaluation, especially since more than 50% are represented by open claims.

The report projects that these will be settled on the same relative basis as others which had been closed out—an extremely speculative procedure.

AS A BROKER involved in handling D&O placements (and claims!) I am appreciative for having had a constant market for placement of clients' D&O risks. Well intentioned but inexperienced underwriters have made spasmodic hit and run appearances in other professional liability areas, enchanted by premium volume, then disillusioned by skyrocketing reserves and settlements.

If loss ratios are as favorable as Wyatt makes them out to be, a public release of the claims figures will not be necessary to exert downward pressure on premiums. Other insurance companies will soon be on the scene with a competing product to share in the hoped for spoils. As the letter you printed indicates, this has already begun. The burden will be on the new arrivals to demonstrate more than mere rate cutting, to prove that they will supply the type of enduring and reliable market of integrity few others provided in the past.

The fact that more established markets believe a release of loss data will be of greatest value to plaintiff's attorneys, will become of increasingly small consequence.

Our office continues to recommend the purchase of D&O insurance as an important catastrophe buffer. As for the Wyatt report, we are much in favor of its sponsors' stated intention to bolster credibility by accumulating more data in future annual surveys.

We appreciate the considerable effort already expended and the opportunity to review the results. I consider the loss ratio findings intriguing, but not convincing.

Charles W. Pachner
President, Frenkel & Co. Inc., New York, N.Y.

ANOTHER MESSAGE FROM THE PRESIDENTS

The two presidents speaking are (left) Paul F. Stanley, President of R. B. Jones of Oklahoma Inc., and W. F. Gunn, President of R. B. Jones of Texas Inc. Their message is one more part of the R. B. Jones philosophy.

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Lipton sets expanded plan from Travelers

ENGLEWOOD CLIFFS, N.J.—A greatly expanded health benefits program and a new dental program, both underwritten by Travelers Insurance Co., went into effect April 1 at T.J. Lipton Inc. here.

Both benefits programs cover all 6,500 employes at Lipton and its divisions and subsidiaries, which include (Lipton Tea and Soups,) Good Humor Products and Wishbone Salad Dressing, according to Mrs. Jill Kreher, spokesperson in the employe benefits department.

According to Hugh Lackey, personnel coordinator, each employe will get a written statement of the benefits changes and how they will affect the employe and dependents when the new plan went into effect the end of April. The individualized information is provided by a year-old employe information system, a data bank developed by Lipton with Benefacts, Inc. as consultant. (Lipton is a $430-million company.)

THE COMPREHENSIVE health program, which extends lifetime benefits to $250,000 from the old $30,000 limit, includes a much-improved maternity benefit and mental-nervous care benefit, Mrs. Kreher said.

The employe information system's data bank revealed a drop in the average age of employes, Mr. Lackey noted, and the increasing significance of the maternity benefit became apparent. The new benefit provides a flat $500 payment, with a $75 deductible above that. For expenses over $575, Lipton pays 80%, Mrs. Kreher said. The old maternity payment was a flat $320, she added.

The mental-nervous benefit covers the greater of either $15 per visit, or 50% of the doctor's charge, she said, compared to the old benefit, which was the lesser of either $15 a visit or 80% of doctor's fee. The "greater of" phrase substantially broadens the coverage, although there is an annual maximum of $1,500 per year, Mrs. Kreher said.

Other health coverages include hospitalization, surgery, anesthesia and emergency treatment, she noted. The plan pays 100% of the first 120 days of hospital care and 80% after that. Surgery is 80% covered up to $600 a year, and anesthesia is also 80% covered. The emergency treatment clause covers 100% of both hospital and doctor bills, for emergencies including health conditions such as asthma, provided the treatment is within 48 hours.

The new dental plan covers 80% of expenses up to $1,000 a year and is based on a $50 overall annual deductible plus a $50 lifetime deductible for orthodontic treatments. Besides regular dental examinations, fillings, and extractions, the program covers bridgework, crowns and dentures. The orthodontic benefit has a $500 maximum, Mrs. Kreher added. ■

Small cars crash worse

WASHINGTON—Increasingly popular subcompact cars have a greater number of crashes that result in insurance claims than larger cars in other market classes, the Highway Loss Data Institute says in a report on frequency and size of insurance claim payments for 91 different 1973 passenger cars.

Seven of the eight subcompacts included in the report also had an average loss payment, per insured vehicle year, greater than $50. By contrast, says the report, "only five of the 29 full size series, five of the 15 compact series, and six of the 24 intermediate series had average loss payments per insured vehicle year above $50."

Only one of the 15 cars in the luxury, specialty, expensive specialty and sports market classes had an average loss payment per insured vehicle year below $50.

All figures were standardized to minimize differences that might be attributed to driver age and insurance deductible amounts. ■

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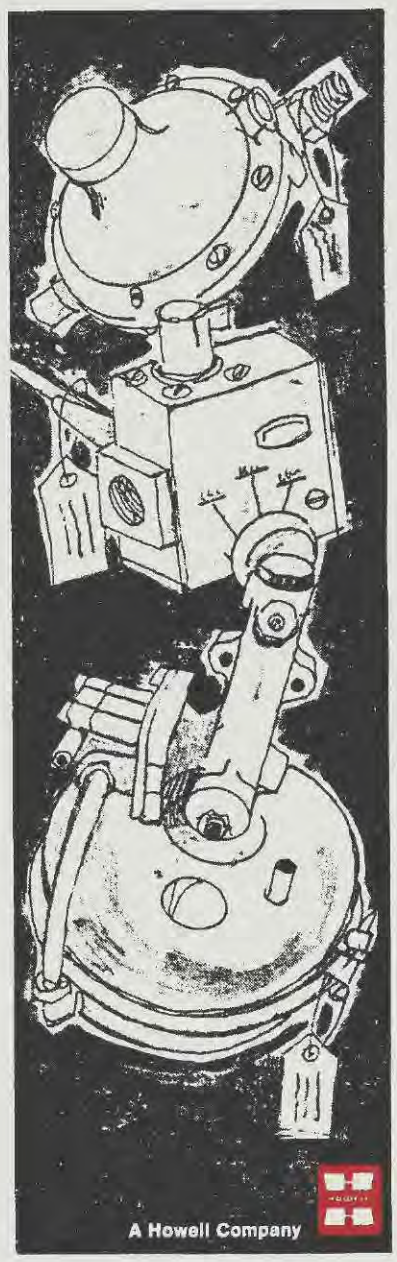

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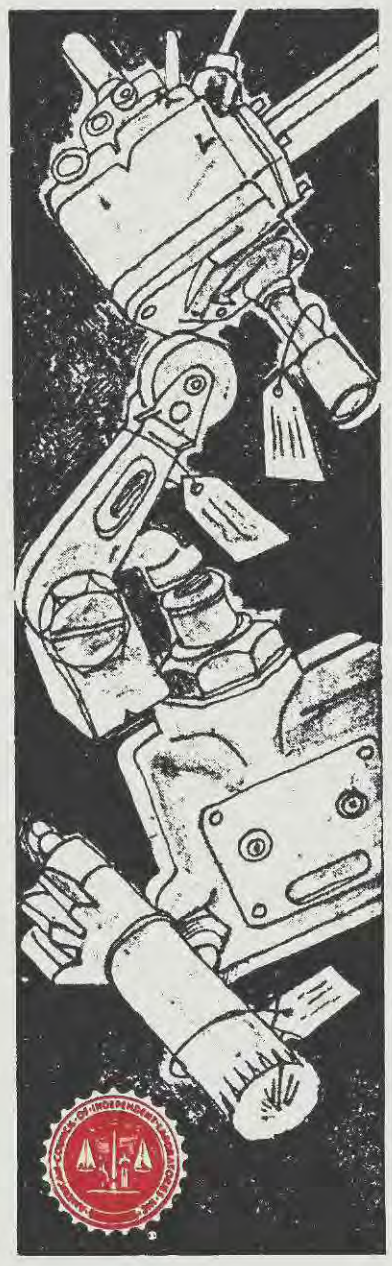


Boston's Pier 4 restaurant offers 'exceptional' benefits and pays 80% of premiums

By MARY ANN CALLAHAN

BOSTON—Anthony's Pier 4 Restaurant, situated just between historic Boston Harbor and the modern Logan Airport skyline, is famous for its colonial mariner setting and its classic New England seafood menus which yield an estimated $9 million in annual gross income.

The privately-held restaurant, founded in 1963, at the edge of the harbor, has a redecorated former Hudson River Dayliner docked alongside, and its dining room, which seats approximately 800, and a cocktail lounge and banquet rooms aboard the ship serve lunch and dinner to an estimated 17,000 a week. Pier 4 is thought to have grossed more in 1973 than any other individual restaurant in the country.

Pier 4 is also where the crew of waiters and waitresses, who dress in 19th century colonial garb, as well as kitchen employes, are provided with an "exceptional" program of life, health, pension and profit-sharing benefits, financed mostly by the restaurant's founder and president, Anthony Athanas.

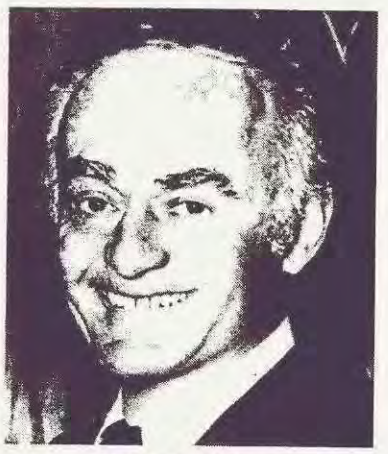
THE BENEFITS program which covers a total of about 375 employes is considered "exceptional for the restaurant industry" according to a source at the National Restaurant Assn.

However, a spokesman at a New York local of the Hotel and Restaurant Employes and Bartenders International Unions, AFL-CIO, said employes at a number of leading restaurants have joined the union and are covered by negotiated benefits in their contracts. A New York restaurant source said the Pier 4 program was perhaps planned to compete with union plans, which incidentally don't usually include profit-sharing, although some food chains, such as McDonald's Corp. do include the benefit.

Mr. Athanas, who described the program at Pier 4 in an interview with *Business Insurance*, said he pays 80% of premiums for both the group health and life insurance programs, with employes who elect to take on the coverages paying the other 20%.

The group health plan, with benefits up to $50,000 per illness, includes medical bills, hospitalization and surgical coverage through Blue Cross and Blue Shield of Massachusetts, Mr. Athanas noted. Based generally on a six month waiting period, and a $25 quarterly deductible, the program, including employe contributions, costs about $6,300 a month, according to a spokeswoman in the restaurant's business office.

The Boston Mutual Life Insurance Co. writes the group life policy with benefits ranging from $2,000 to $30,000 in seven stages, depending on salary.



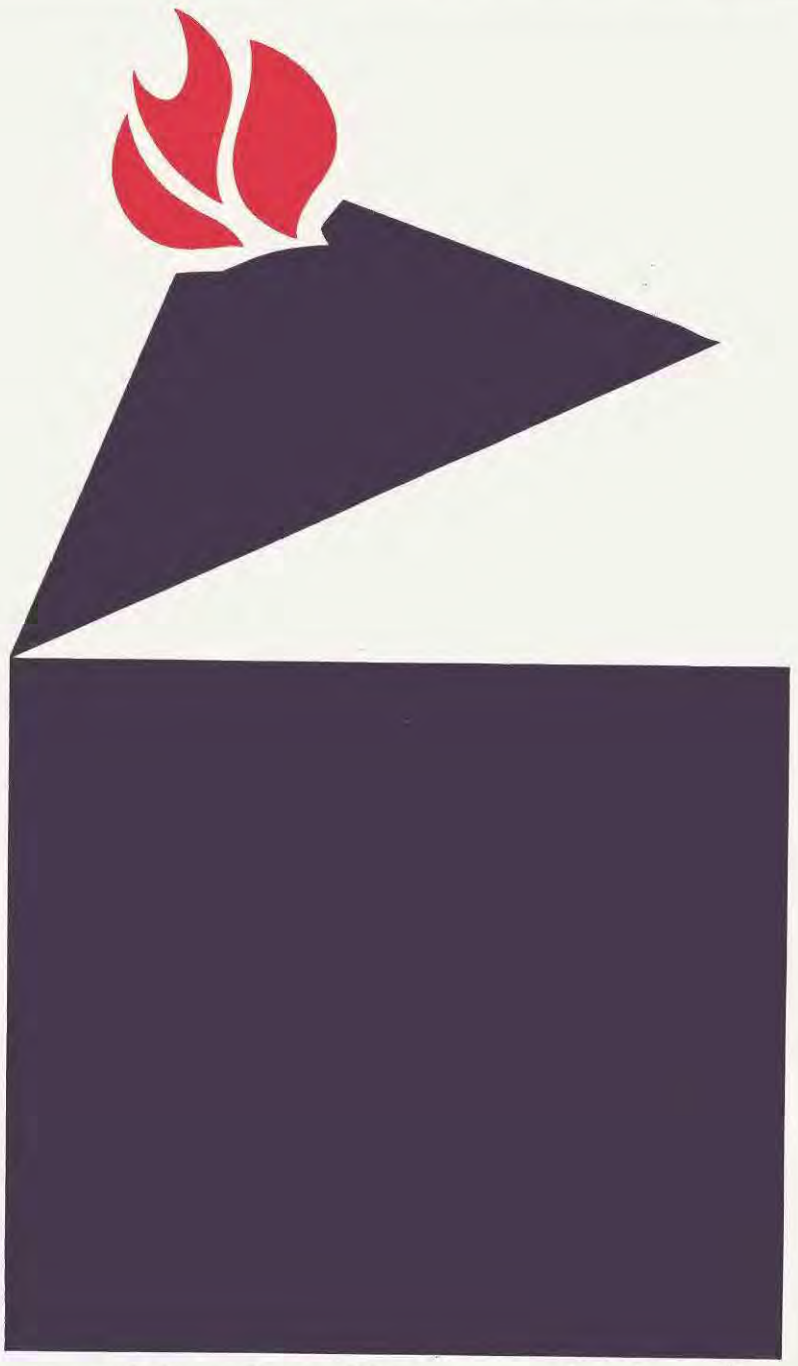
Anthony Athanas

After one and two years, full time employes at Pier 4 begin to accumulate profit-sharing and pension benefits.

The pension plan, based on an undisclosed percentage of salary, includes a survivor's benefit payable if the employe should die before retirement. The pension plan written by Mutual Life Insurance Co. of New York (MONY) through its registered representative Thomas Sotir is based on a standard age 65 retirement. Also, in the event of early retirement from age 60 on, the employe is entitled to a vested percentage of his pension, Mr. Sotir explained.

FOLLOWING THE waiting period of one full year on October 31, the profit-sharing trust fund, based on a varying annual percentage of profits as decided by the restaurant's board, provides a second retirement benefit with full vesting rights after 12 years of participation. An employe with less than 12 years of participation is entitled, however, to collect a percentage of his profit-sharing benefit which increases from 10% in the third year of participation to 20% in the fourth, 30% in the fifth and so on. The New England Merchants National Bank is trustee of the fund, he added.

"When we started out here in 1963, I promised the employes that as soon as we were in business for a while, we would have the profit-sharing," Mr. Athanas said. "We've had the program eight years now." ■



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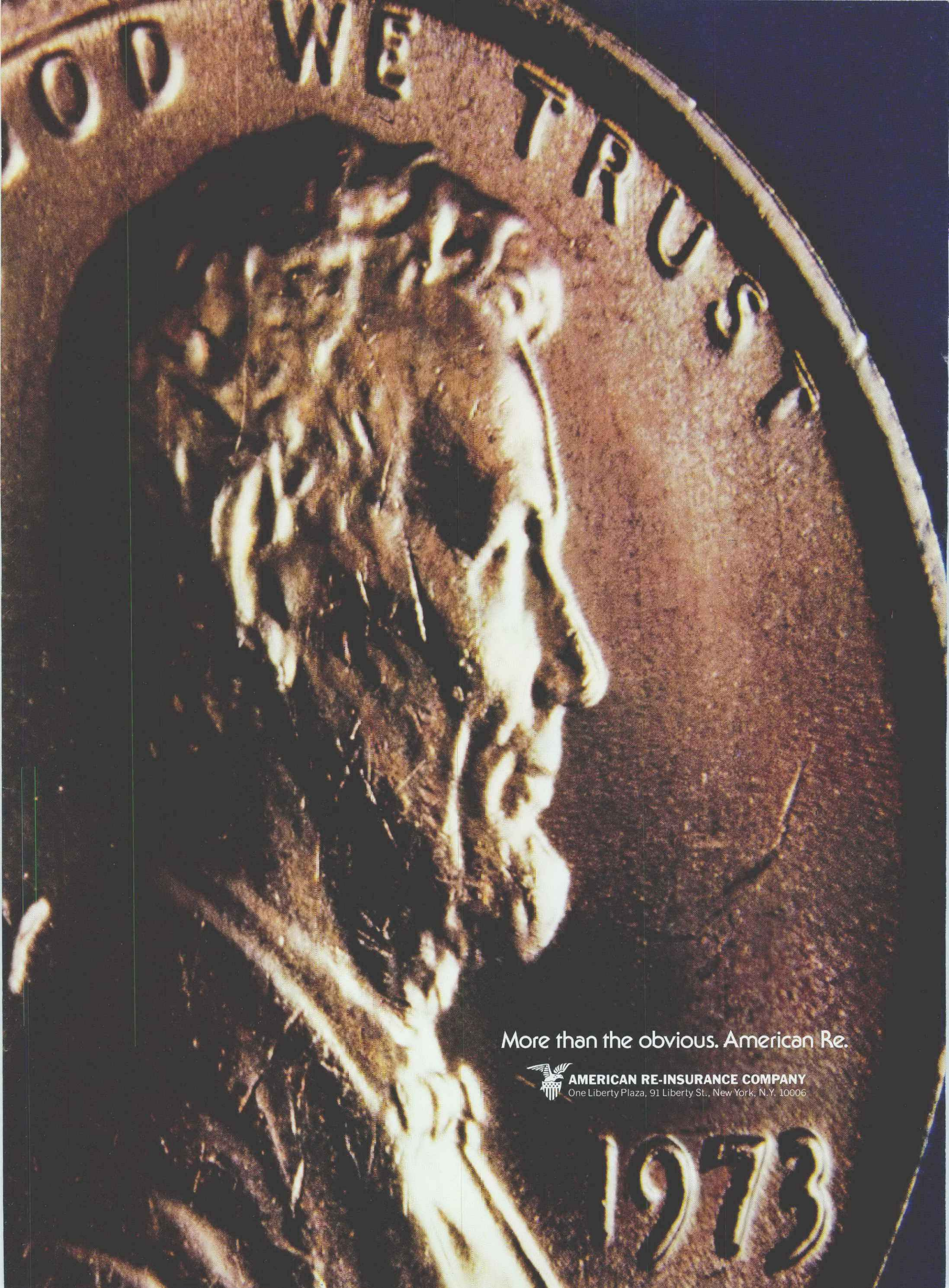
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NFL players tackle problem of buying insurance

CHICAGO—The National Football League (NFL) Players Assn. was forced to purchase its own group policy from Blue Cross recently when its employer-paid plan expired March 31 in the middle of a labor dispute.

The football players officially lost their coverage when the association's four-year contract with the NFL Management Council ended. The managers had offered to continue the original insurance program if the players would honor the expired 1970 contract until the first game of the 1974 season.

But the players refused to accept a continuation of the old contract even when the Management Council threatened to end the insurance coverage. They reportedly let the contract expire due to a disatisfaction with the pre-season game play scale.

The players argued that their employers were still obligated to pay all insurance premiums until next season. The managers, however, justified termination of coverage by pointing out that a cutoff date was legally specified in the old contract (*Business Insurance*, March 18, 1974).

SOME OBSERVERS see this insurance issue as a strong indication that the NFL labor-management power struggle may lead to a strike in the fall.

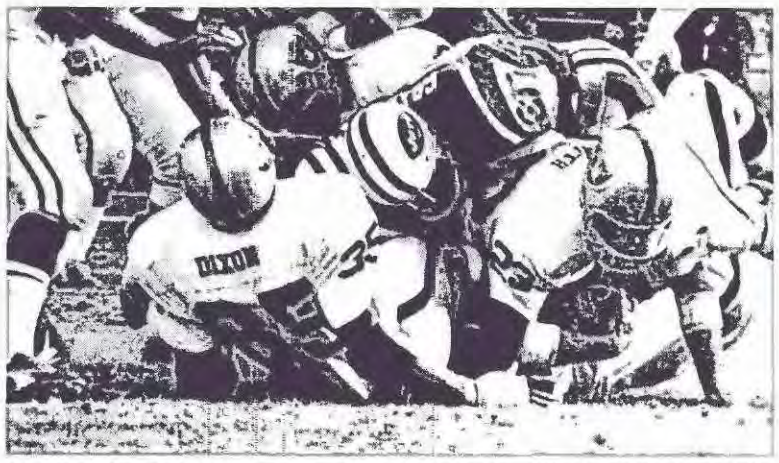
Dick Berthelsen, assistant to the Players Assn. executive director, told *Business Insurance* that "in large part our new coverage is better than the league's."

The association's medical insurance package through the Blue Cross Plan of Rockford offers a major medical maximum of $250,000. The old contract's plan, carried by Lincoln National Life Insurance Co., provided $50,000 major medical.

Mr. Berthelsen also noted that the association's 1,200 players will only pay $200 in coinsurance under the new medical plan after a $25 deductible. The old coverage had the same deductible, but continued coverage with an 8-20 coinsurance arrangement.

Although the players gave up $500 worth of dental coverage a year, Mr. Berthelsen added that the new Blue Cross coverage provides a flat $150 maternity benefit.

"I'D RATHER not disclose the actual premium," Mr. Berthelsen said. He explained that the Players Assn. had already paid for the first month's coverage beginning April 1, expecting that "all the players will want the coverage and will pay for it."



The NFL Management Council paid a $64,000 monthly premium under the Lincoln National Life plan for life insurance as well as the medical coverage. Under the expired contract, players received $20,000 life insurance. The coverage also provided $20,000 for accidental death and dismemberment benefits.

'The only thing the players have right now is $10,000 term life insurance," Mr. Berthelsen said. The group coverage is a fringe benefit of membership in the Players Assn. which the players had before their contract expired.

The Players Assn., once totally reliant on the judgment of the management council for all benefits decisions, has learned a lot by trying its own hand at purchasing insurance, Mr. Berthelsen commented.

"I'm sure it'll help us in negotiations," he added. "Before it was pretty much kept in the owner's bag."

THE BIGGEST problem was finding the best insurance buy. "We shopped around quite a bit before deciding," Mr. Berthelsen noted.

The association has not yet decided whether it will demand the management council to pick up Blue Cross' monthly bill. "I'm sure that it will be a matter for discussion in the contract talks," Mr. Berthelsen commented. "And I think the other side recognizes that."

Meanwhile the issue of whether or not the rescinded coverage was improperly terminated by the managers may be brought to court.

"We believe the termination of the insurance by the owners was illegal," the players' spokesman said. "A representation was made to all the players in a league booklet saying you will have your insurance until the first game of the next season as long as you're under contract through 1973."

But the association has not yet decided whether to bring it to court. The issue will probably be brought up in the demands for a new contract. And if it is not resolved in negotiations, the management council may be faced with a strike at the onset of the football season. ■

James expansions

Fred. S. James & Co. Inc. said it added 31 specialists to ten of its offices in the U.S. during 1973 to handle self-insurance and loss retention programs for clients. At the end of 1973, James counted more than 200 American employers among its clients for James-designed or administered workmen's compensation programs, according to the annual report James secured business insurance coverage for 24 new groups or associations in 1973. The firm also created James Intl. Ltd., based in Bermuda, to manage, captives, the report said.

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OSHA sets first negotiated contract with Am. Can

WASHINGTON—The first national compliance agreement between an employer and the Occupational Safety and Health Administration (OSHA) has been concluded with American Can Co.

An OSHA official described the pact with the can company as a "perceptible movement away from litigation and toward negotiation."

The American Can agreement is a particular example of that "movement" because it involves reduction of employe exposure to noise at 83 American Can container plants—and noise violation cases have been particularly difficult ones for OSHA lawyers to win in court.

THE COMPANY voluntarily agreed to develop feasible engineering and administrative noise controls and to implement such controls as soon as possible at all 83 container plants, OSHA said.

All noise violations in the plants are to be corrected by Dec. 1, 1975 and OSHA retains its right to make inspections and cite violations after that date.

In the meantime, American Can, as part of its hearing conservation program, will continue to provide and insure use of personal protective equipment, including the use of ear plugs and ear muffs.

The company also committed itself to furnishing OSHA, and to unions participating in the agreement, periodic reports about every 90 days, detailing the company's progress in developing the engineering and administrative controls.

Discussions toward a national agreement began in mid-1973 after the company was cited for noise violations at plants in Newman, Ga., Detroit, and North Kansas City, Mo.

THE CITATIONS were originally contested by American Can, but under the agreement they will be settled and that settlement extended to the other 80 plants.

"American Can could have waited until we inspected each of their plants and then contested each and every case, but they didn't do that," said an OSHA official. "Instead they assumed an obligation in a very tough agreement."

Talks were underway toward reaching a similar national compliance pact with concrete block manufacturers, according to the OSHA official.

About 25,000 American Can Co. employes are affected by the national agreement with OSHA. The unions participating in the agreement are the Graphic Arts International Union, International Association of Machinists and Aerospace Workers, International Brotherhood of Electrical Workers, International Brotherhood of Teamsters, United Paperworkers International Union, and United Steelworkers of America. ■

Defense can win liability suit: lawyer

SAN FRANCISCO—Company quality control managers tend to make "very poor witnesses" in product liability court trials, the Insurance Forum of San Francisco was told by attorney Peter W. Fisher whose law firm Maloney, Chase, Fisher and Hurst defends many such cases.

"In spite of this," Mr. Fisher told the meeting, "and despite the growing seriousness of product liability lawsuits and claims, defense cases still are being won in this field.

"Such defense victories," he added, "most frequently occur in those cases where there has been a misuse of the product or where there is an assumption of risk. Producers must always remember that product exposures may be present in any risk.

"Law has now been carried to the point," Mr. Fisher said, "where strict liability in products cases may be applied not only to the manufacturer of the product but also to the retailer and to others along the line of marketing, such as wholesaler and distributor.

"This extends even to the mass producers of homes, the vendors of building lots and the lessors of property as well as franchisors. Not subject to this rule are those with only an isolated sale or lease arrangement, or hospitals with relation to products used for hospital activities, physicians and surgeons and, to some extent, repair workers."

Mr. Fisher warned that "practically any automobile accident can, in addition to damages deriving from the accident itself, become a products liability case." ■

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'Self-inspection best compliance route': Stender

NEW YORK—Businessmen concerned with voluntarily complying with the Occupational Safety & Health Act should make sure that they continuously inspect their own operations, according to the head of the Occupational Safety & Health Administration.

Speaking at an OSHA conference here sponsored by Occupational Hazards magazine, John H. Stender, assistant secretary of Labor for occupational safety and health, told his large audience that OSHA-type self-inspections are a highly important aspect of any voluntary compliance program.

"Under the self-inspection system, the employer designates someone (or a committee) to make periodic . . . inspections," Mr. Stender said. "This is a good way of uncovering hazards and a good way to become familiar with OSHA's standards."

Another element in a good voluntary compliance program which he called the most fluid of all OSHA's programs, is the establishment of a joint labor-management safety committee, which will not only resolve safety disputes but can give a corporate safety and health campaign impetus, continuity and direction.

NOTING THAT OSHA will soon celebrate its third birthday, Mr. Stender took the opportunity to discuss some of the things he feels will happen with the law in the next three years. The biggest challenge in the years ahead, he said, will come in the occupational health area.

"It's no secret that most of OSHA's standards were originally consensus standards, developed by industry and issued through private organizations such as the American National Standards Institute and the National Fire Protection Assn.," he commented.

"It's also well known that very few consensus standards were developed to cover occupational health problems," he continued. "This has left OSHA with a relatively strong body of safety standards, but a relatively weak body of health standards. The development of these health standards will be the major task of the office of standards for the next few years."

In making the distinction between occupational safety and occupational health, Mr. Stender said that the two were not as far apart as was once thought.

"Recently," he commented, "the supreme court of Louisiana ruled, in the case of a sandblaster suffering from silicosis, that the body's chemical reactions to multitudes of particles lodging in the lungs is 'more like a series of injuries than like a disease.'

"THE COURT was hearing the case because the sandblaster, under terms of an insurance policy, had received two years of disability benefits for silicosis on the grounds that it was an occupational illness," Mr. Stender explained. "The sandblaster, however, would have been entitled to lifetime disability benefits for an occupational injury.

"The court ruled in his favor—determining silicosis to be an injury—and the lifetime benefits were granted," he said, adding that the implication of the decision was that long-term hazards must be controlled whether they are classified as injuries or illnesses.

Of all the long-term hazards, Mr. Stender said the most frightening are the carcinogens—asbestos, radiation, coke oven emissions and vinyl chloride—among others.

AS A RESULT of the vinyl chloride discoveries of the past few months, Mr. Stender said the National Institute of Occupational Safety & Health (NIOSH) had lowered its exposure limit to vinyl chloride from 500 parts per million to 50 parts per million.

The vinyl chloride revelations, he emphasized, pointed up the importance of OSHA's getting help from private organizations and universities. NIOSH lists more than 25,000 potentially toxic substances being used in industry today, with more being added all the time. And a list that size is simply too much for OSHA to tackle alone.

"In New York, for example, Dr. Irving Selikoff, at Mt. Sinai Hospital, has been one of the leaders in establishing the relationship between asbestos and cancer," he said. "In part because of his research, OSHA has a very effective asbestos standard in force today. But more of this kind of research is needed."

Mr. Stender predicted that the next three years would show if the concept of state OSHA programs will truly work.

He said that 25 states already have approved plans and that 16 of those are in operation. In all instances, he noted, OSHA has a careful monitoring system in effect to make sure there is no slackening under the state plans.

Mr. Stender believes that state plans are important for two basic reasons—they bring the program closer to the people it protects and they increase the number of inspectors in the field.

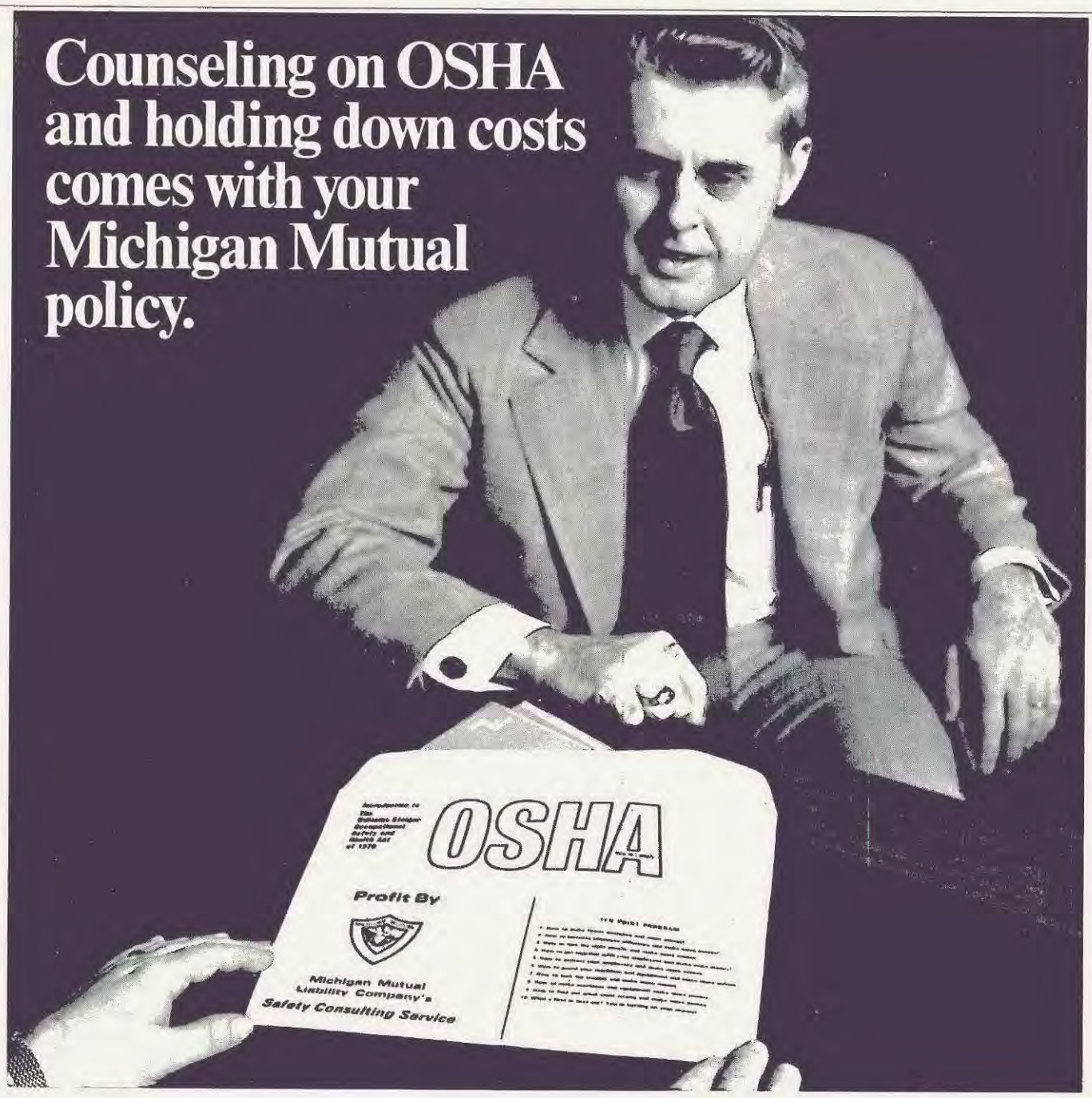
"I see no reason to fear, as some do, that state plans will mean a lessening or weakening of protection," he said, responding to an oft-heard criticism. "If our monitoring program turns up any evidence of this, the state will either correct the deficiency or we will resume federal enforcement until the state plan can get straightened out. Or we may have to reassume full federal jurisdiction."

THE NEXT THREE years will also see OSHA's enforcement capability continue on the increase, he predicted, noting that the number of inspections has gone from 36,000 in 1972 to an expected 90,000 this year.

Pointing to the all-too-familiar statistics on job-related injuries, illnesses and deaths, Mr. Stender said he has no simple solutions.

"OSHA carries the brunt of the responsibility," he said, "but there are changes that must take place in society as a whole if work is to be made truly safe and healthful for all men and women."

Among those changes are a shift in technology so that safe methods of production are developed along with new products; employes must be better motivated to work safely; job training must be expanded to include job safety and health; research must look for the harmful effects of new chemicals as well as new uses for them; unions must fight as hard for safe working conditions as they do for better wages; and machinery must be designed for safety and human life as well as productivity and long life. ■



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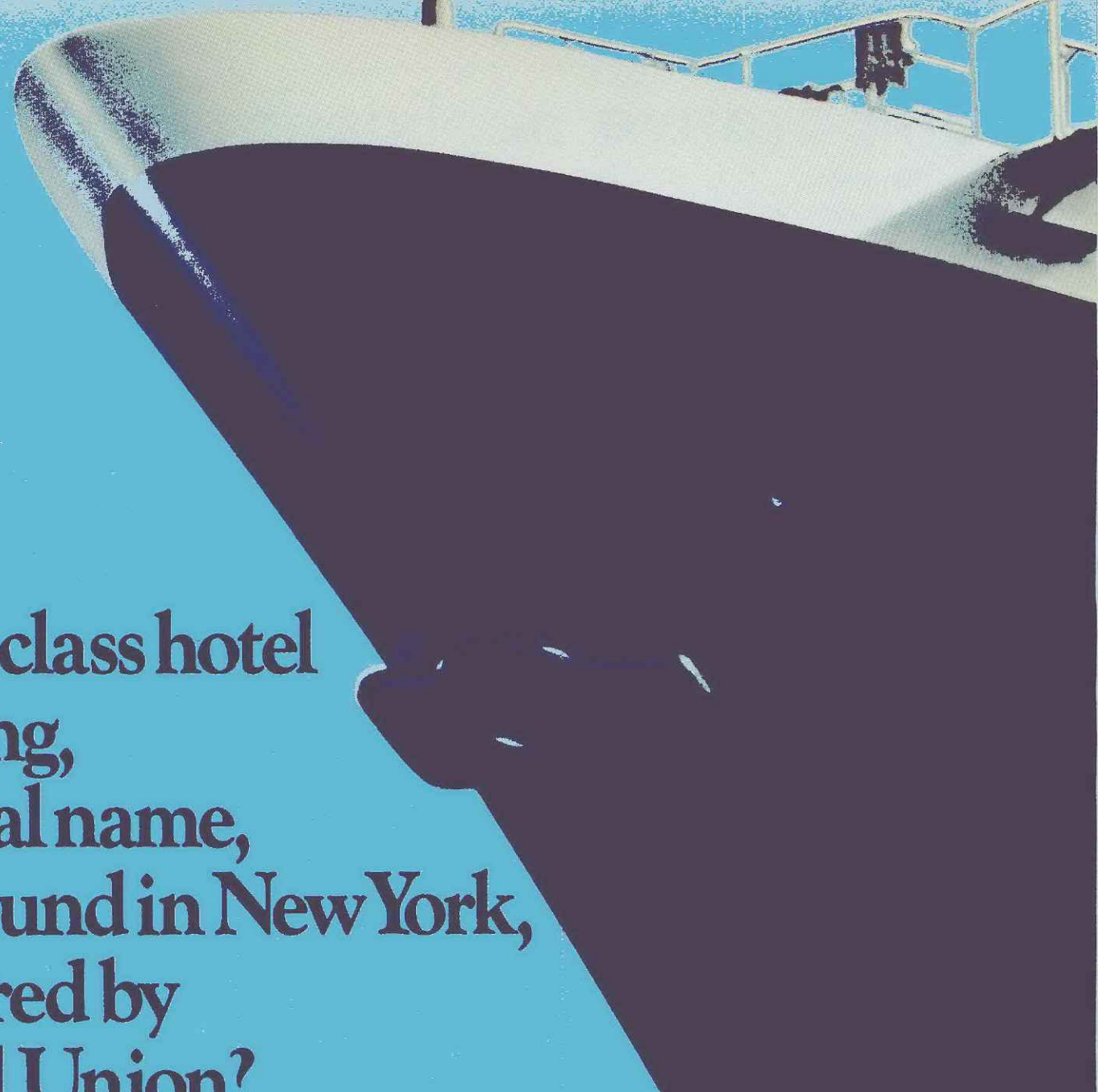

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'Comparative negligence' rule could up costs,

By TERRY KING

SEATTLE—Arguments pending before Washington's supreme court could create a "major upheaval" of litigation and substantially increase overall costs of the state's new comparative negligence law, according to Seattle lawyers and insurance company spokesmen.

At question is whether the April 1 effective date of Washington's new statute negating the defense of contributory negligence shall apply to trials, suits or claims already in process or only to injuries and damages actually incurred on or after that date.

I'll tell you one thing," attorney Robert W. Freedman said, "if the court rules the law is retroactive, every insurance company in this state had better take a hard look at its reserves . . . and every member of the plaintiff's bar had better get into his files because errors and omissions will also be in question."

Mr. Freedman explained that attorneys filing suits and arguing cases between the time the law was signed by the governor April 23, 1973 and this month's effective date might well find themselves the subjects of suits by clients denied recovery under the old law who might now win damages under the new law.

THE LAW ITSELF seems disarmingly simple, clear and to the point: "Contributory negligence shall not bar recovery in an action by any person or his legal representative to recover damages caused by negligence resulting in death or in injury to person or property, but any damages allowed shall be diminished in proportion to the percentage of negligence attributable to the party recovering."

Yet, a "great many imponderables" about court interpretation of the new statute plague state bar members as well as insurance company executives and counsel.

"Sure, we've had almost a year to work on it—to study, to brief our people and get ready—but off the record, I'm really not sure how bad the thing is going to hurt us. Hell, after the dust settles, we may even be better off," is the way one company executive put it.

The consensus among corporate counsel and claims managers seems to be that "if we lay aside the questions of retrospectivity," increased claims and settlement costs under the new law aren't likely to hike casualty expense ratios by more than 15%.

CLAIMS MANAGERS are projecting less than a 10% increase personal injury claims," and the fender benders will likely give us a boost in clerical workload."

But how the law will affect general liability settlements is the "big imponderable."

"The big ones could hurt us," one executive admitted. "The six and seven figure suits where contributory negligence or assumption of risk defenses probably would have barred recovery under the old law. We'll be paying at least some percentage of a lot of these now . . . and even 5% or 10% of a million bucks comes to a hefty settlement."

Nationally, some 30 states now modify the long-standing legal doctrine of contributory negligence. The doctrine, as applied by a great majority of states until recent years, holds that a person whose own negligence, however slightly, has contributed to his injuries or damage to his property cannot maintain a suit for damages.

Although juries generally have been reluctant to apply the doctrine except when convinced that a plaintiff's negligence was a substantive cause of his injuries or damages, the doctrine has long been criticized for its harsh, all-or-nothing effect on verdicts.

Under comparative negligence laws, juries are instructed to determine respective degrees of fault for plaintiffs and defendants as expressed in percentages. Then a jury or judge simply reduces the plaintiff's recovery by the percentage corresponding to his degree of personal negligence.

Thus, in its "pure" form, comparative negligence might allow an injured party to collect damages even though the incident in question was largely of his own doing; theoretically, even if he was 99% at fault he might recover 1% damages attributed to negligence by a defendant.

However, only Washington and three other states now apply comparative negligence in such a pure form: In Florida, it was adopted by the state supreme court as a common law principle in July, 1973; Rhode Island passed a statute effective July, 1972; and Mississippi's pioneer statute has been in effect since 1910.

Modified forms of comparative

Continued on page 29

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negligence laws have been enacted in 25 additional states making the doctrine a general rule in the majority of states.

The most recent trend, however, has been toward a more liberal rule adopted by New Hampshire in 1969. New Hampshire modified the Wisconsin statute to allow recovery so long as plaintiff's negligence was no greater than a defendant's. Thus the injured party is favored in cases where both parties are felt to be equally at fault.

SIX OTHER states have adopted the New Hampshire rule—Connecticut, Nevada, New Jersey, Texas, Vermont and Wisconsin.

Washington's new law was intended to follow the New Hampshire pattern, but a last-minute amendment deleted the "no greater than" proviso which insurance companies generally had supported. Thus, by overwhelming majorities both houses adopted the pure comparative rule.

Long recognized as a complete defense barring recovery in product and general liability actions, a plaintiff's assumption of a known risk is expected only to diminish damages under the new law. In the opinion of Hugh R. McGough, assistant general counsel for the Unigard Insurance Group, "If comparative negligence is to be applied to strict product liability cases, assumption of the risk will probably no longer be a complete defense . . ."

Past decisions have held that even though a plaintiff's injuries might have been reduced or avoided by use of a seat belt, his failure to do so did not constitute contributory negligence. Under the new law, however, Mr. McGough writes that ". . . though not a defense, failure to wear seat belts may be considered 'negligence' for purposes of diminishing damages under the comparative negligence statute."

"It will be more complicated, yes," Bruce Maines of Safeco said. "And it will be more expensive. Initially, it will produce a whole lot of litigation, as any new law does."

Another insurance industry spokesman, who asked to remain anonymous, said, "We have a lawyer-dominated state legislature. This law will produce an increase in lawsuits. The more lawsuits, the more wherewithal for lawyers. They won't admit it, but that's it: a simple fact of life."

HENRY WOODS, former president of the Arkansas Bar Assn., assured seminar participants that, "There is little question but that comparative negligence statutes aid settlements. Claims managers can no longer take an adamant position with respect to an obviously negligent plaintiff, but they must consider the possibility of a recovery in spite of such negligence. On the other hand, attorneys for plaintiffs are inclined to reduce the amount of their demand when they must take into account the possibility that their clients may be charged with substantial contributory negligence."

Mr. Woods backed his opinion with studies showing that a group of trial lawyers by four to one felt that comparative negligence laws promoted settlements.

Insurance companies in Washington are hoping that faster, less costly settlements will at least partially offset other claims expense increases expected under the new law. They express "cautious confidence" about the adequacy of current reserve levels.

"We really don't have that much to go on," one claims manager admitted. "I don't think anybody really knows, especially until the retroactive question is settled." ■

Report Boise Cascade loss reserves set

BOISE, ID.—Boise Cascade Corp. said in its annual report it has established what it considers an "adequate" reserve of some $78 million against possible losses on Latin American investments.

The company received $18 million in cash in 1973 from the 1972 sale of a Panamanian utility to the government, as well as $6 million in cash from the sale of a $7.3 million Argentine steel mill to the government.

Net of the reserve, the company's investment in Latin American ventures declined to $125.8 million at the end of 1973 from $219.7 million at yearend 1972, a reduction of 43%, according to the company officials.

"The after-tax nature of the reserve means that, depending on the tax benefits available to us, the reserve will protect 62% to 79% of our entire investment," Boise Cascade said.

"We are giving priority to converting a substantial part of these assets, either to cash or to investment in our basic business," the firm added. ■

Ruling on DC10 crash suits to follow investigations

LONDON—Talks have been conducted here over the product liability lawsuits lodged against McDonnell-Douglas Corp. after the DC10 owned by Turkish Air Lines crashed near Paris March 3 with the loss of 346 lives (*Business Insurance*, April 15, 1974.)

Now New York lawyer Stuart Speiser has returned to the U.S. with associates from his law firm to pursue the class action filed by Edith Mary Hope, widow of journalist Francis Hope, for $125 million, alleging negligence over the manufacture of the crashed airliner.

While in Europe he had a series of conversations with British lawyers acting for other dependents of victims, and several of them are expected to allow themselves to be joined with Mrs. Hope in the litigation in California.

HE ALSO went to France to check out information about the probable cause of the disaster, blamed on an alleged fault in a cargo door which blew open and caused failure of the control systems through sudden depressurization.

During his ten-day consultations he also met with international law experts to discuss aspects of both Britain and French legal situations that might be relevant to the U.S. lawsuit, filed in Los Angeles.

Meanwhile, talks on behalf of McDonnell-Douglas were held in London between insurance brokers and leading Lloyd's aviation underwriters to discuss the effects of any product liability claim reaching the market as the result of the U.S. lawsuit.

But these were quite separate from Mr. Speiser's visit on behalf of plaintiffs and no information was forthcoming about them.

IT IS BELIEVED to be too soon for Lloyd's underwriters to determine where claims will arise, as relatives of those killed will be entitled to file suits in Britain, France, or even Turkey if they choose to do so instead of joining the class action in the U.S. courts.

Until all these legal problems are sorted out, so that it becomes clear whether or nor the aircraft operator is being sued as well as the DC10 maker, the insurance market will have no idea of the claims it faces.

Certainly tentative compensation terms may be offered by Turkish Air Line, on lines similar to the Warsaw Convention although Turkey is not a signatory, and British Airways, on whose tickets many UK victims were traveling.

So far there is no sign of any lawsuits being started in the British courts, although lawyers are actively checking international law to advise their clients how to get the best recompense for the disaster.

IN NEW YORK, Mr. Speiser said when reached by phone that he had, indeed, been in Europe reviewing the facts of the case against McDonnell-Douglas Corp. He said his firm has within the last week filed further suits against the aircraft manufacturer on behalf of French, Turkish, American and other British passengers asking that they all be joined in the Mary Hope class action against McDonnell-Douglas.

He said further that a ruling is expected Apr. 26 from the Multi-District Litigation Panel in Washington on whether the cases will be litigated in California, where the $125 million product liability suit was filed. The litigation panel is charged with ruling on jurisdictional matters when suits have been filed in multiple districts of the U.S.

In this case, four suits filed against McDonnell-Douglas Corp., in the eastern district and southern district of New York, and the central district of California will be considered by the panel, although substantially more suits than that have been filed against McDonnell-Douglas. ■

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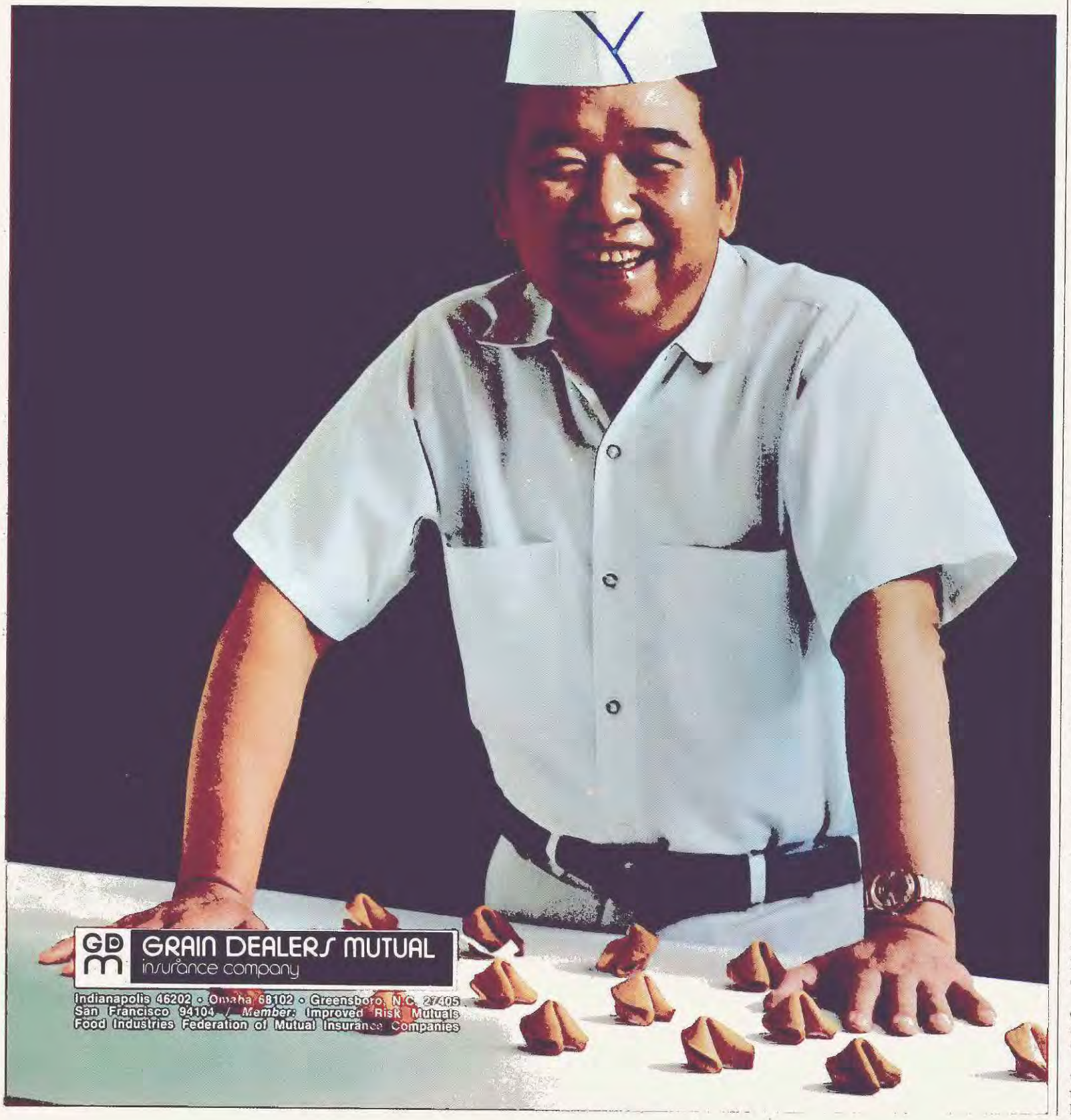

New OSHA mine shaft rule proposal

WASHINGTON, D.C.—The Occupational Safety and Health Administration (OSHA) proposed strict new rules for shaft and tunnel construction in order to cut down the risk of cave-ins, fires and other hazards.

OSHA chief John H. Stender said the proposed rules are a complete revision of current safety standards, based on recommendations made by the agency's standards advisory committee on construction, safety and health.

The proposed rules and standards revisions include:

- establishment of emergency and escape routes to ground level;
- requirements on telephones and other communications equipment using an independent power supply;
- specific rules on lighting, and air quality and ventilation;
- fire regulations concerning welding, cutting and heating operations;
- requirements for jobsite recordkeeping to document and help warn against hazardous conditions like cave-ins, fires, explosions and equipment failures.

Other proposed rule revisions cover scaffolding, vehicles, mechanized equipment, explosives and excavations.

Comments on the proposed regulations will be accepted by OSHA until May 17. A June 26 public hearing is scheduled. ■

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ATTENTION: AGENTS/BROKERS

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

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

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

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

Wyatt seeks data for second D&O study

CHICAGO—Wyatt Co. is starting work on its second annual directors' and officers' liability insurance survey.

Questionnaires on the confidential survey were mailed to all 633 companies that participated in the 1973 study, along with 5,805 other major firms, adding up to a total mailing of 6,438 companies, Warren Brockmeier said.

Mr. Brockmeier said also that Wyatt is seeking with this year's study to develop more information on the source of D&O claims, the nature of allegations, and whether the claim was reimbursable by the corporation, information not learned from last year's survey. (*Business Insurance*, Oct. 22, 1973.)

Corporations that do not carry D&O liability insurance are being asked why not. Mr. Brockmeier noted that this is not an attempt to push D&O insurance, but rather to get an answer several of last year's participants had. They had mentioned to Wyatt Co. that it would be interesting to find out how many corporations don't carry the coverage because they don't want it, and how many don't carry it because they can't get it, Mr. Brockmeier said.

WYATT WILL provide a complimentary summary report to all participants of this year's study. Participants who pay $35 will receive a detailed report and a comparison of their D&O premium with that of other companies.

Mr. Brockmeier told this magazine that some of his recent conversations with leading underwriters of D&O coverage have included underwriter claims that the experience is much worse than Wyatt Co. indicated in its survey released last fall. But, Mr. Brockmeier added, no one has yet been able to provide him with an actual loss ratio.

"THEY TELL ME horror stories about two outstanding claims, one in the amount of $4 million and the other for $6 million. My response to that is that I don't dispute that there are large claims, but frankly, figures like $4 million and $6 million do not shake me up badly," he told this magazine.

"If our survey is correct that 70% of the New York Stock Exchange companies purchase D&O coverage, that would mean about 1,000 of the 1,500 listed firms buying the coverage and paying an average of about $30,000 a year in premium," he continued. That would amount to about $30 million in annual premiums from these companies alone, not to mention what is paid by companies not listed on the big board, Mr. Brockmeier added.

"Out of a total amount of something in excess of $35 million a year in premiums, I can't feel too sorry for the underwriters if they have to pay out $10 million in claims. There we are back to something around a 20% to 25% loss ration," Mr. Brockmeier stated. ■

New plan for pharmacies is approved

SAN FRANCISCO—A new property and casualty insurance program designed specifically for pharmacies was approved by the board of trustees of the California Pharmaceutical Assn. at Sacramento.

Association president Earl Giacolini, Fresno pharmacist, said the plan will be known as the Pharmacy Protector Program, consisting of a special pharmacy plan of property and liability coverage, a group workmen's compensation plan and an umbrella liability plan.

Potential dividends can be earned under all but the umbrella liability plan.

REQUIRING NEARLY two years to develop and put together, the new insurance plan is a joint product of the association's seven-member insurance committee, the insurance administrator, L. K. Lloyd & Assoc. and San Francisco insurance analysts Mund, McLarin & Co.

The association is the California affiliate of the American Pharmaceutical Assn. and it has a membership throughout the state in excess of 6,000.

The new insurance program will be available exclusively to members of the association's Academy of Community Practice and placement of insurance through a pharmacy owner's local insurance agent or broker will also be encouraged.

The plan will offer all risk property insurance with a $100 deductible and $300,000 comprehensive liability protection and optional coverages will include loss of earnings, comprehensive crime, glass, earthquake and flood.

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Group charges health bill is unfair burden

WASHINGTON—The Health Insurance Assn. of America charged this month that the Kennedy-Mills national health insurance proposal (*Business Insurance*, April 15) would raise combined employer-employe Social Security taxes to nearly 16% of wages and salaries.

The Social Security tax rate presently is 11.7% of the first $13,200 in wages, or $1,544, divided equally among employer and employe.

"This is an unconscionable burden for families and businesses on top of other taxes and inflation," the association of private health insurers said.

The association also challenged the limited role allowed private health insurers in the Kennedy-Mills proposal.

CHARGES OF windfall profits have been used to justify the elimination of private insurance from any national health insurance system," Leslie P. Henry, association president, said in a statement. "The charges are not true.

"The overall profit of the health insurance business, group and individual, over the past five years has been less than 1% of total insurance premiums," Mr. Hemry said.

The Kennedy-Mills bill (S. 3286 and H.R. 13870) was submitted earlier this month by Sen. Edward M. Kennedy (D-Ma.) and Rep. Wilbur D. Mills (D-Ar.), chairman of the House ways and means committee.

The bill allots to private carriers a role as administrators and sellers of supplementary insurance but the carreirs say there will be little market for supplementary insurance because the bill limits deductibles to two $150 amounts and limits a family's overall potential liability for deductibles and co-payments to $1,000.

THE NIXON administration's Comprehensive Health Insurance Plan (CHIP), while similar in many ways to the Kennedy-Mills proposal, would have the private health industry operate as both the administrator and collection agency of the national health insurance system.

The Kennedy-Mills plan would establish a new, independent Social Security Administration to collect and pay out the funds. ■

Toxic cleaner covered in damage suit

OAKLAND, CA.—Product liability insurance by a number of private carriers will protect both Clorox Corp. and Lucky Stores Inc. against any loss resulting from a $4-million damage suit filed in Alameda County superior court here on behalf of five-year-old Shelby Scott Brown, Tacoma, who drank some Liquid Plumr at his home in Nov. 1970.

The boy, two-and-a-half-years old at the time, suffered partial destruction of his stomach after drinking from the bottle of cleaning solution.

Mrs. Harry S. Brown, the boy's mother, claimed she bought the Liquid Plumr at a Tacoma store operated by the Lucky chain, headquartered in San Leandro.

The complaint alleges that the drain cleaner "was a product of excessive toxicity that was inadequately packaged and labeled and was unreasonably dangerous.

"Lucky Stores," the suit contends, "carelessly stocked the product and sold it, knowing that prior to 1970 a child had ingested the product and that Lucky had been sued because of that incident."

Liquid Plumr was acquired by Clorox in April 1969 and, according to corporate spokesmen here, immediately began formula changes in the product as well as preparation of new packaging and labels. A child-proof cap was devised in 1972 and labels now prominently feature danger warnings. ■

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Physician service revamps

MADISON, WI.—Efforts to reorganize Wisconsin Physicians Service as a stock insurance corporation have been resumed by the state medical society.

The society filed a petition in Dane county circuit court seeking to overturn a decision by Stanley C. Du Rose Jr., state insurance commissioner, which denied the society a certificate of authority to operate a stock corporation.

Robert W. Warren, state attorney general, ruled the society could not form the company.

The society said it wanted to transfer the assets, liabilities and business operations of Wisconsin Physicians Service to the proposed corporation. WPS is operated under state law as a nonprofit sickness and care plan.

Mr. Warren said that if WPS were allowed to be changed in character it would have to be done according to specific legislative authority. ■

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• Allstate Insurance Co. is offering a **Product Liability Loss Control Plan** pamphlet. It summarizes activities involved in a planned product liability loss control program to meet safety and legal responsibilities while developing an effective claims defense. For a free copy write Q. C. Anderson, Commercial Loss Control Director, Allstate Insurance Co., Allstate Plaza D-1, Northbrook, Il. 60062.

• National Loss Control Service Corp. has a brochure entitled **Toward a More Quiet Evironment.** NATLSCO's noise and vibration consulting service is described along with examples of typical jobs and details of their complete sound laboratory. They are not affiliated with manufacturers of noise control products and so their consultants should be able to choose the best solution for each problem. To obtain a free copy of this brochure write National Loss Control Service Corp., Long Grove, Il. 60049.

• **What IFC Looks Like** is a brochure prepared by American Appraisal Interfirm Comparison. It explains how an IFC analysis shows where and why a firm's overall business compares with that of similar firms. For a free copy write E. K. Harding, American Appraisal Interfirm Comparison, 525 E. Michigan St., Milwaukee, Wi. 53201.

• **A Guide to Property and Liability Insurance on Churches** is designed for the governing body of a church, synagogue, temple, mosques or other place of religious assembly. It's a guide to a complete insurance program for a well run organization and will assist in its maintenance and safety programs. Guides are available free by writing the Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• **Errors and Omissions for Architects and Engineers,** released by Illinois R. B. Jones, is a question and answer brochure which discusses claims and specific needs for this group of people. For a free copy write T. Cath, Illinois R.B. Jones, 175 W Jackson Blvd., Chicago, Il. 60604.

• Literature from Mosler details the company's concept of lock security and explains the variety of lock systems available. Seven different types of locks are shown and their function and applications are explained. For a copy of the literature write Mosler, Dept. LF-73, 1561 Grand Blvd., Hamilton, Oh. 45012.

• Combined Insurance Co. of America has made available to agents and brokers a brochure-worksheet called **Image 10/40.** It describes benefits and rates for a group long term disability plan for companies employing between 10 and 40 people. For a free copy write Ralph Jensen, Combined Insurance Co., 5050 N. Broadway, Chicago, Il. 60640.

• An informative brochure on investigative services provided by Advance Industrial Security Inc. is available and titled **Something Worth Investigating.** Preemployment, internal and insurance investigation services are outlined with information on company methods, policies and consultations. For a free copy write H. M. Smith, Advance Industrial Security, P.O. Box 1709, Atlanta, Ga. 30301.

• **Weather Insurance** is a brochure published by American Home Assurance Co. which gives general information precipitation insurance covering outdoor activities, including snow, hail, and rain. For a copy write American International Group, Dept. 12, 102 Maiden Lane, New York, N.Y. 10005.

• **Flexibility in Compensation and Benefits** is the text of an address delivered before the American pension conference by Thomas H. Paine, partner, Hewitt Assoc. In addition to the text, the material offered also includes recorded excerpts from the question and answer period. A copy may be obtained by writing Al Schlachtmeyer, Hewitt Assoc., 102 Wilmot Rd., Deerfield, Il. 60015.

• **The Third Party at GAB: A Quarter-Century of Casualty Claim Services** lists 11 case histories of widely varying, true life, third party liability claims handled by the General Adjustment Bureau. With the special need in third party losses to develop and preserve evidence within the first few hours or minutes of claim assignment, GAB illustrates the value of the competent professional investigator. For a copy write Management Services, GAB, 123 William St., New York, N.Y. 10038.

• Towers, Perrin, Forster & Crosby offers a pamphlet detailing the capabilities of the TPF/C Retrieval System, which helps users obtain information from their human resource information systems. For a copy write Ms. Miriam Goldfine, Towers, Perrin, Forster & Crosby, 3 Penn Center, Philadelphia, Pa. 19102.

• Coats & Burchard Co. publishes **Fast "Facts",** a brochure describing the property data bank, a computerized property asset control systems utilizing techniques and appraisal research, property economics and financial data to use in developing reports for accounting, insurance, proof of loss and other administrative services. For a copy write Coats & Burchard Co., 4413 N. Ravenswood Ave. Chicago, Il 60640.

• **How to Buy Insurance for a Corporation,** a three-part series authored by *Business Insurance* contributing editor Bion Francis, is now available in booklet form. The booklet discusses the problems to be expected when buying insurance, and offers practical solutions for solving them. Single copies are $3.50 or $3.25 for orders of 11 or more. They may be obtained by sending a check or money order to Bookshelf, Crain Communication, 740 Rush St., Chicago, Il. 60611.

• **Pro Thrift for Complex Plans,** a brochure published by The Connell Co., describes their software system for administering profit-sharing and savings thrift plans with particular emphasis on providing individual tax information and individual participant balances. For a free copy write to the Communications Dept., Connell Co., 275 Wyman St., Waltham, Ma. 02154.

• Unigard Insurance Group has published **Maximate** gilt-edged security for the business account. This kit of sales promotional material is designed to give you an extensive area to cultivate in the medium and large commercial market. Industrial processing, servicing, manufacturing and institutional plants are prime prospects for the policy's features. For a free copy write Charles G. Jones, Unigard Insurance Group, The Financial Center, 1215 4th Ave., Seattle, Wa. 98061.

• **Group Insurance is Great. If you Don't Mind Paying for Claims Before They Happen** has been released by Self-Insurers Service Inc. The pamphlet explains why self-insurance is better and how it works. For a free copy write Robert Burmeister, 111 W. Jackson Blvd., Chicago, Il. 60604.

• **Today's Appraisals and the Valuation Revolution**, available from Marshall & Stevens Inc., contains facts on new tools and techniques of today's professional appraiser. It suggests revolutionary methods which can be used by today's management teams to gain tighter control on ever-changing values for insurance and other purposes. A complete listing of commercial appraisal services provided by the company and world wide associates is included. For a free copy write John Heath Jr., Marshall & Stevens Inc., 1645 Beverly Blvd., Los Angeles, Ca. 90026.

• **Micro-Gen Equipment Corp.** is offering a free booklet outlining the capabilities of Micron Generation equipment for control of smoke odor and other undesirable odors. For free copies of the booklet write the company, 4418 Woodcock Dr., San Antonio, Tx. 82784.

• A full color, sound film entitled **Crisis Management** is available from Charles S. MacCrone Productions. The film deals with the process of evaluating business risk exposure, realigning preventive priorities and capabilities, and utilizing business and police resources to deal effectively with the risk of criminal confrontations. The film may be either purchased or rented. For complete information write Charles S. MacCrone Productions, 8048 Soquel Dr., Aptos Village, Aptos, Ca. 95003.

• **How Major Industrial Corporations View Property/Liability Insurance,** an extensive survey conducted by Fortune magazine's market research department, samples the 1,000 largest U.S. industrial corporations. The practices and attitudes of these companies toward this type of insurance is investigated, along with the major carriers who issue it. Single copies cost $2.25, but at a bulk rate the cost is $1.50. Write to the Fortune Marketing Department, Room 1847, Time & Life Bldg., Rockefeller Center, New York, N.Y. 10020.

• **Employe Information Systems Datapak** is published by Benefacts Inc., a subsidiary of Alexander & Alexander, as a discussion of problems encountered by personnel departments in gathering and compiling "need-to-know" information about large groups of people. The brochure explores the phenomenon of the corporate records explosion and its ramifications. For a free copy of the brochure write Robert Eilertson, Marketing, Benefacts Inc., Hampton Plaza, 300 E. Joppa Rd., Baltimore, Md. 21204.

• Equitable Life Assurance Society of the U.S. has published an extensive survey called **1973 Hospital Room & Board Charges.** The survey is based on data from 1,557 short-term general hospitals, providing weighted average charges for private, semi-private and intensive care accommodations in 581 cities. State and national averages are also included. For your free copy of the survey write John Goddard, Equitable Life Assurance Society of the U.S., 1285 Ave. of the Americas, New York, N.Y. 10019.

Z-A president calls for more group marketing

DALLAS—The president of Zurich-American Insurance Cos. claims the insurance industry is "entering a period when insurance is very likely to join the ranks of other commodities in short supply." Prices will go up or coverage won't be easily available at any price, George McDonnell said.

Tightening markets for insurance, caused by adverse underwriting results in 1973, can be relieved by "the development of a strong capability for commercial group marketing," Mr. McDonnell suggested. Companies are going to be interested in programs that offer a good spread of risk and a relatively larger source of premiums besides individual risks, he added. Mr. McDonnell was speaking at the annual agents conference of Marketing Management Inc.

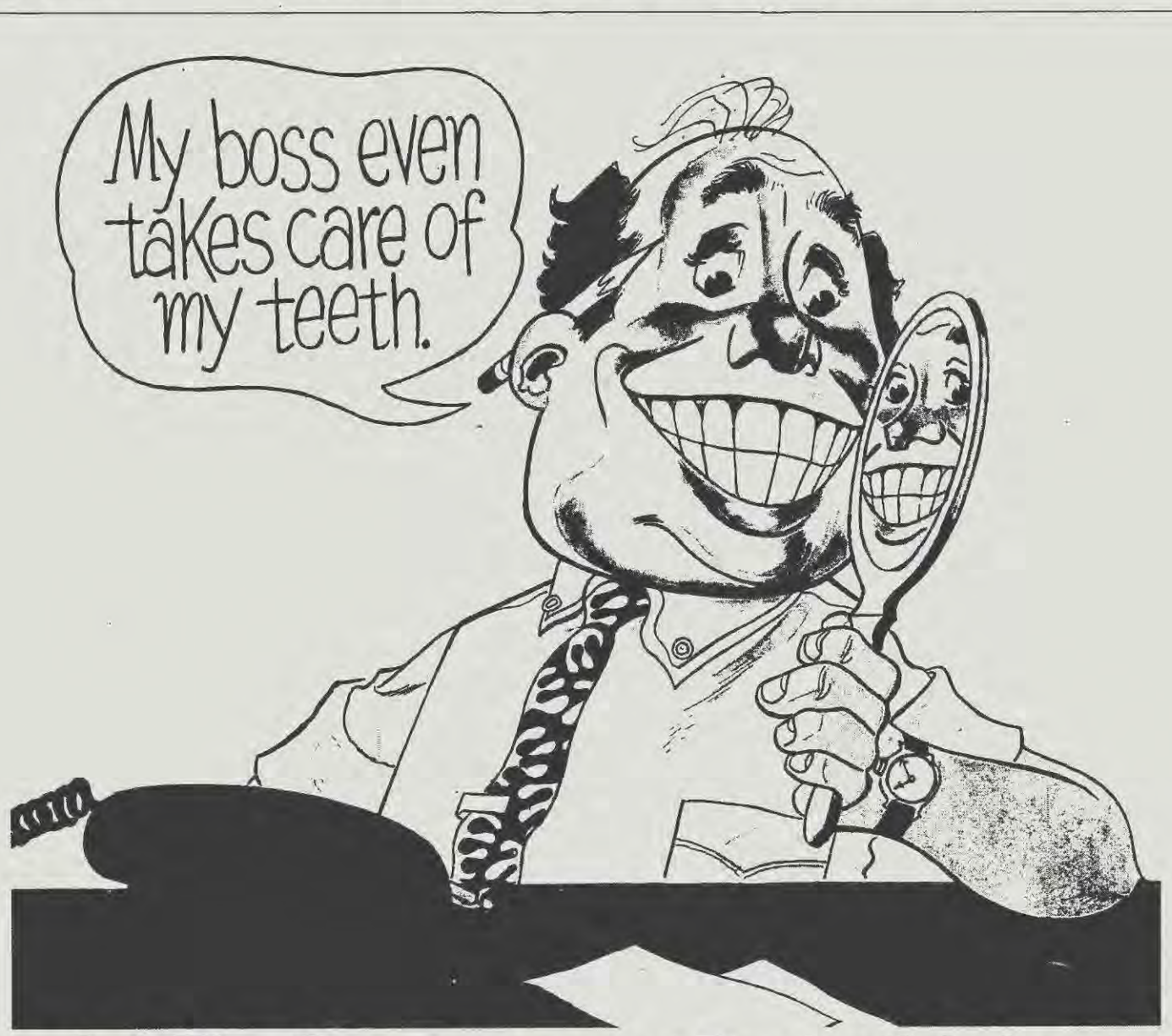
Mr. McDonnell said he recognizes moving ahead with group marketing plans "takes time, money and energy. It's a price you have to pay" if you want to do business in this period of shortages." Insurers should build a strong foundation under any expansion of business, Mr. McDonnell warned.

IN ORDER TO deliver what is promised, insurers should develop a "standard posture on commercial lines group merchandising, Mr. McDonnell proposed. "I don't mean some kind of rigid mold that every account must be forced into. I mean a way of dissolving prejudices about certain classes of business that insurance companies have traditionally looked at as second-class risks."

INSURERS NEED to develop an intelligent way of handling underwriting, engineering, claims services and processing, Mr. McDonnell said, because group mass merchandising of commercial lines "doesn't fall into the normal insurance company marketing pattern."

Accounting systems should be flexible so the marginal risk that is accepted doesn't weigh heavily on a particular branch of office, he said. This calls for "gearing up to use data processing in every way economically and technically feasible."

"If we don't all do this kind of preparatory work," Mr. McDonnell said, "it can hurt our image for a long time." ■



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Insurance on jewelry business is moving from U.S. back to Lloyd's

LONDON—Insurance on jewelry business is moving back to Lloyd's from the U.S., says Ronald C.H. Mumford, a London broker who handles billions of dollars of gem cover every year.

Most of Mr. Mumford's dealings are for British firms, ranging from costly Mayfair jewelers to small East London operators, but his international sources tell him that there is a growing demand for Lloyd's cover.

This is because Lloyd's has a jewelry policy that has been designed through long experience to meet any security problems that might arise.

U.S. companies have been offering favorable rates, but it is thought in the British market that some of them have suffered unexpected losses, and as a result they may not be competing as strongly with Lloyd's as they had been.

Both direct insurance where permitted, or reinsurance, seems to be reaching the U.K. market heavily once again, Mr. Mumford of T. H. March and Co., told *Business Insurance*.

In a speech before an international security conference, he said: "The foreign insured seems to approach security in a more realistic light than his British counterpart. Over the past decade the insistence of insurers on high security standards has prevented crime from getting completely out of hand. Companies which have avoided burglary business like the plague in recent years are now re-entering the field on a selective basis."

* * *

INSURANCE ON the Queen Elizabeth 2, which broke down with many U.S. cruise passengers aboard 270 miles from Bermuda, is confined to boiler repairs.

Costs of these are unlikely to be heavy and will be borne on the marine market. But the Cunard group will have to face uninsured losses in excess of $2 million for transferring its passengers to the Norwegian cruise ship Sea Venture, then flying them home to New York, and refunding their fares. Losses on a cancelled Easter cruise are also included in this total which the company must bear itself.

Officials in London told this magazine, "These losses are not covered by any form of insurance. This is probably a matter of company policy, or perhaps it was expensive to get cover for any consequential losses of this type. We never expected an incident of this kind to happen."

Cunard claimed that since the QE2 went into service in 1968 it has lost less than 24 hours normal sailing time as a result of mechanical trouble. The longest delay in that period was for nine hours while a propeller part was flown out from the U.K.

In that period the ship has made numerous New York-Southampton crossings, and has never been in port longer than twelve hours in any ten-day period.

Estimates of the uninsured loss include $700,000 for fare refunds, $500,000 for the use of the Sea Venture, towing tugs, and air fares home for U.S. passengers, and $700,000 revenue lost on the cancelled Easter cruise. Boiler repairs have been estimated at just over $100,000 but the company says the final cost is not yet known.

* * *

MINERS IN Britain are pressing for higher retirement pensions. They get about $7.50 a week under a 20 year old agreement with the National Coal Board, plus a lump sum of around $1,200, when they retire at 65. But they want higher rates to bring them in line with new wage scales. Their fund has an asset value of more than $300 million, with a membership of 300,000, and paid out benefits of $35 million a year.

* * *

SALVAGE TUGS freed the bulk carrier Elwood Mead, owned by United International Bulk Carriers, of Oakwood, Ca., from rocks off the island of Guernsey where it went aground Dec. 25 (*Business Insurance*, Jan. 21).

But how much Lloyd's will save from the vast claims which face its marine market will not be known until the cost of salvage, and the damage to the ship's hull, is finally settled.

The carrier is believed to have a hull value of $12 million, and was carrying iron ore valued at $25 million when it went aground. It is now being taken to Rotterdam after the success of the salvage operation,. praised as one of the cleverest ever recorded in the marine market. But it was also very expensive, and some it its cargo had to be "ditched" so that the vessel could rise in the water.

* * *

VAST NEW Social Security benefits are planned Harold Wilson's Labor Government. But they will cost Britain another $3 billion a year, which will fall heavily on corporations of every type.

Meanwhile in an effort to extend the welfare-state nature of the country under the new government, changes may be made in the scheme for a two-tier pension plan for industry.

This is slated to start next spring (*Business Insurance*, March 4). Under existing plans, brought into law by the Conservatives under Edward Heath, employers will bring their pension schemes into line with current costs.

If they fail to reach minimum standards, then the state will take over and force companies to run a suitable program for employes. Labor party political campaigners in the new government want even bigger employe benefits to be introduced, but if this is to be achieved the Social Security Act of 1973 will have to be altered by Parliament.

The National Association of Pension Funds, which represents managers of more than $14.5 billion corporate pension schemes, wants the plan to stay as it is. ■

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As ASIM chief, achievements include decentralization

'Wouldn't trade year for anything': Woodard

DETROIT—Walt Woodard figures he hasn't covered as much ground in his past year as Doug Barlow did when he was president of the American Society of Insurance Management, but he isn't far from the record.

Mr. Woodard sat at breakfast in this city on his very last field trip as president of ASIM and proudly told this magazine he visited 24 chapters in the past year, traveling some 75,000 miles along the way.

Doug Barlow's travels took him to more than 35 chapters several years ago when he was president. But Walt Woodard smiles securely when he says he doesn't mind not beating the record.

"FOR ONE THING, my thought has been that the president shouldn't necessarily do all the traveling. True it's good for the ego, but I wanted to give some of the other seven officers who will eventually succeed me a chance, too. It's good for them to trade ideas and suggestions, and hear complaints," he readily proffers.

Walt Woodard

This decentralization is part of Mr. Woodard's basic business philosophy, and he expects to see the direction continued under E. William Altstaetter, who also believes in decentralization.

ASIM is not only alive and well after Mr. Woodard's year as president, but is somewhat more alive and more vocal than ever.

It's not that Mr. Woodard doesn't recognize some inherent problems in the organization; it's that he recognizes they're not insurmountable.

"WE HAVE some built-in problems with our policy of voluntary membership of corporations, represented in turn by one or more individuals. We are so diverse and not in kindred businesses, that there's always the nagging question in my mind that if for instance, I take a position on an issue for ASIM—say on no-fault—will my employer agree with that?" he poses.

The argument comes up from time to time about whether ASIM should retain its corporate membership policy for this reason, but still Mr. Woodard sees no strong movement to change it to individual membership at this time.

Some of the arguments for retaining corporate membership include: risk managers' functions serve the corporation, not individual risk managers, and "another factor is that it's a little bit easier to get the dues in," Mr. Woodard laughs.

He personally believes, and firmly, that ASIM membership should remain corporate.

As Mr. Woodard relaxed at Stouffer's Northland Inn before attending the Detroit chapter's meeting in March, he reflects that he "wouldn't have traded this year, or the last four years, for anything." Since 1967 when he became active in national ASIM, Mr. Woodard says he's acquired a whole new outlook on risk management.

HE'S SEEN how others operate. He's seen other ASIM chapters in action. He's learned who the real professionals are in the field, and he's learned who he can rely on for a continuous stream of criticism, and ideas, and communications about what's happening.

And would you believe that his loyalty is still with his home region of activists or the West Coast? It is. He still looks to the West Coast seminars started in the 1950s, pulling together risk managers from nine coast chapters, as the model for what other regions can do.

ASIM/TORONTO

Mr. Woodard sees a big part of ASIM's function as serving the new people coming into the field, in addition to constantly informing the experienced insurance manager. "One of our jobs is to develop new techniques, new methods," he believes.

He thinks it is remarkable, and good, that ASIM members share their ideas with the fellow members, business people, in many cases, who might be in direct competition in the marketplace.

"ASIM has a role it should be fulfilling much more strongly, too: that of representing the insurance consumers, especially in the legislative and regulative area, by taking stands, and being knowledgeable spokesmen," Mr. Woodard stated.

"One thing I've been stressing with chapters, and I'm not the first to do this, is to say there's only so much that can be done by any national legislative representative. The volume of legislation is in the states, so the responsibility is on the individuals in the chapters to get busy," he continued.

"We have been stressing for some time, the need for chapter action in this area," he emphasized, citing an example of good chapter involvement in the

Continued on page 41

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6. The steam pipes are not properly insulated.
7. The ladder is being improperly used.
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10. The stock is not skidded in a sprinklered area.

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Continued from page 40

northern California chapter of ASIM part in the Williams-Javits workmen's compensation hearings early this year.

"One of our goals is to have an active ongoing legislative program in each chapter," Mr. Woodard said. He thinks ASIM chapters have moved closer to that objective in the past year.

"I THINK Commissioner Barnes of Colorado threw out a good challenge to us when he talked about a survey he made of a number of state commissioners of insurance to see how many of them were aware of the existence of ASIM . . . and reported that very few had ever heard of the group," Mr. Woodard declares.

He is proud of the fact he can estimate that "a majority of the ASIM chapters in the country probably have had a meeting with their state insurance commissioners in the past year," as a result of this increased emphasis on involvement as consumers. And, he added, "in many cases it's more than just minimum activity" in the legislative area.

This, Mr. Woodard believes, has been quite an accomplishment, getting the ASIM "reluctant tigers" to overcome what are basically conservative backgrounds and start appearing before legislative bodies.

ASIM should also be more active in the educational field, Mr. Woodard states. "I don't advocate competition with the American Management Assn. . . . we each have our areas of expertise. However, the AMA has sponsored for many years a basic insurance buying course which is stricly an overview. If I were to hire tomorrow an assistant, I would not send him to that course. It is not what a person new to the field needs.

Now Kemper in Chicago puts on a two-week insurance manager's course . . . Boeing has sent out about nine people through that course over the years. It is closer to what is needed. ASIM now has no facilities for training programs. One of our long-range objectives is to have an advanced series of study programs, and provide more of the problem-solving clinics."

IN THE PAST year, Mr. Woodard also sees ASIM as having built considerably more strength into its New York staff, now up to 11 people.

Mr. Woodard is in favor of ASIM and American Society of Safety Engineers cooperation, "Our common interest is in loss control and eliminating of risk, and as an individual I would not see any great objection to an actual merger of the two groups," Mr. Woodard disclosed.

"I would like to see a furtherance of joint action" between the two groups, he concluded. ■

Rance Crain, center, and William Mortimer of INA Corp., left, present checks supporting new Risk Studies Foundation to Raymond Severin, president of RSF.

wrong with this picture?

BI publisher supports new foundation with grant

NEW YORK—Rance Crain, president of Crain Communications Inc., publishers of *Business Insurance*, presented a check in the amount of $1,500 to Raymond Severin, president of the newly-incorporated Risk Studies Foundation.

The amount represents a grant from the G. D. Crain Jr. foundation. The late Mr. Crain was chairman and founder of Crain Communications Inc.

Mr. Severin, who is also the risk manager at American Metal Climax, accepted financial grants from the Insurance Co. of North America and the Carolinas chapter of the American Society of Insurance Management.

The Risk Studies Foundation Inc. was established in mid-April of last year under the auspices of ASIM as a non-profit educational and scientific research foundation. The foundation, aside from being founded under ASIM's guidance, has nothing to do with the risk managers' group and will function independently.

Through the initiation and coordination of risk management research, the foundation hopes to develop more meaningful insurance concepts, techniques and statistics. Basically, it was founded in hopes of achieving simplification of insurance contracts, the lowering of insurance costs and to limit the danger of injury and damage which accompanies many risk-bearing activities.

THE NINE directors of the new foundation are Mr. Severin; Rollyn Storey of SCM Corp.; Joe T. Panrett of Carnation Corp.; Gerald Surfus of Los Angeles County; Hubert McCommon of Memphis Light, Gas & Water; W. D. Woodard, Boeing Co.; F. X. McCahill Jr. of Bristol-Myers Co.; D. E. Sullivan of Northern Electric Co. Ltd.; and E. W. Altstaetter of Rockwell International Corp.

The aims and purposes of the foundation along with those already listed, are the publishing of risk management related materials, the support of appropriate educational activities and the better understanding of insurance and risk management by the general public.

The foundation, the spokesman noted, will donate funds to colleges and other institutions of higher learning. ■

Chenault sees risk manager's office as a good way-station on road to top

NEW YORK—The president of Bush Universal Inc., a holding company with diverse interests including insurance, thinks the day may soon dawn when risk management will be a main thoroughfare to the executive suite.

Miles S. Chenault has already practiced what he is now preaching. As far as he knows, he is the first former risk manager (Ryder Systems, Luby Leasing and Luby Chevrolet) to reach the highest position in a company.

"Risk management will be one of the best roads to the top in the future," the amiable Mr. Chenault told a visitor to Bush's greenery-festooned offices in Manhattan's financial district.

"There really aren't many variables left in the business world, except in the areas risk managers are concerned with," he commented. "You can't do anything about your taxes, for example. You can't do too much about your supplies and labor is becoming more routine.

"So the people who deal in the variable areas, and have developed flexibility because of it, will be more and more in demand," he predicted.

RISK MANAGERS, in Mr. Chenault's opinion, have three important things going for them in their quest for recognition, and they are "things a risk manager does which will hold him in good stead in the future," he said.

The first is that the risk manager learns to "identify what the real problem is," he pointed out. He must be able to dig into a situation and find its most important aspects.

"And the risk manager is probably the only person in the company who does that as part of his job," Mr. Chenault believes.

"Secondly," he continued, "the risk manager is used to exercising more flexibility in his job and finding solutions to problems. He has more flexibility in his thought processes because he always has lots of options to think about—do we self-assume this risk or do we purchase coverage on it? Do wo go with a high retention?"

The third and, perhaps, most important asset of the risk manager, Mr. Chenault said, is that "in most companies he is in a staff position. He is not a line man. Because of this, the risk manager learns to get things done through other people.

"No matter what he wants to do," he continued, "the risk manager has to go through others. He can't set up a safety program by himself. He has to persuade people and being able to do that is extremely important to a top manager."

DURING HIS TENURE with Ryder, Mr. Chenault was one of the founders of the Florida chapter, American Society of Insurance Management. His association with ASIM, he said, has been a valuable help to him.

"Those three factors I was talking about," he continued, "you don't get out of a book; you get them from other experienced men. You pick up techniques from them and you gain a lot from that exposure.

"Through ASIM I got acquainted with men whose brains I picked all the time," he said.

Mr. Chenault said he is pleased to see ASIM becoming more active, particularly on the political front, since he left the fold.

"Exposing the risk manager to the political aspect of his job is important," he said, "because whether he likes it or not, some political decisions have a direct bearing on what he does."

HE BELIEVES THAT having once been a risk manager has helped his insurance career a great deal.

"I've been on the other side of the desk so I know what the client feels is important," he told *Business Insurance*. "With that knowledge we can do a better job of providing service to both the client and the broker."

It was because of his risk management past, he said, that Bush Universal formed All Risk Management Services Inc., a consulting subsidiary, which works for a fee and does not market insurance lines.

"When I was at Ryder I wanted to talk to someone who did not have a vested interest in selling me some insurance," he said.

Mr. Chenault's career began with the Iowa Kemper Mutual Insurance Co., where he worked his way up from a claims adjuster to general manager and director before leaving the underwriting company in 1959 to join Ryder.

As the Miami-based transportation and truck leasing company's director of insurance, he directed a staff of 28. The company, he said, had a very large retention program and handled its own claims. It also self-insured its medical, major medical and short-term disability benefits.

Miles S. Chenault

Mr. Chenault joined Luby Leasing in 1965 and handled the firm's risk management programs until 1967, when he joined Midland Insurance Co., Bush Universal's insurance subsidiary, as vp. Four months later he was named president of the then-tiny insurer.

He became president of the parent company in May, 1972.

UNDER THE direction of Mr. Chenault and his successor, James Craig, Midland grew from a company with $9 million in assets to more than $60 million. When he joined the company, Mr. Chenault said it was licensed in three states; now it operates in all 50. Midland now employs more than 300, as opposed to only 13 when he began.

As head of Bush Universal, however, Mr. Chenault has more to contend with than insurance. Bush also has interests in stevedoring and real estate, and owns 50% of HMW Industries Inc., makers of Hamilton watches. ■

Risk departments growing out of ASIM forum

By VALERIE MACKIE

DES PLAINES, IL.—DeSoto Inc.'s insurance personnel have stopped passing the buck, Dick Schmidt, corporate director of risk management, told *Business Insurance*.

What used to be four separate insurance operations in this diversified paint, furniture and chemical company, has been organized into a single risk management department. This type of consolidation is at the forefront of innovations being fostered and fertilized by ASIM members breaking new ground and sharing experiences with their peers.

It was difficult to operate effectively under these fragmented conditions, Mr. Schmidt said. "Our functions were similar and yet we reported to four different people and maintained separate files." Whenever there was a problem it was easy to pass it on to the other guy, he said. "Now they can point a finger at one person—me."

DeSoto's safety managers also found themselves duplicating each other's efforts, especially in the area of travel, Mr. Schmidt said.

ASIM/TORONTO

The one-year-old risk management department, typical of others like it around the country, administers employe loss prevention, the Occupational Safety and Health Act, property/casualty, workmen's compensation and the Consumer Product Safety Act. Originally security was in the risk management department, according to Mr. Schmidt, but DeSoto is in the process of changing this.

When the department was first organized, two safety managers joined with the former insurance manager. Mr. Schmidt's job as corporate director of risk management is administrative. "However, we are striving to make the safety managers all-around risk management people."

The idea for the risk management department originated in 1972 when company officials decided safety and loss prevention should be a stated DeSoto corporate objective, Mr. Schmidt said. Prior to 1971 the company had gone ten years without a major property loss. "Then we had a fire that completely destroyed one plant and had a bad explosion in another," he said.

"I didn't think we could achieve the safety results we wanted under our present system." Mr. Schmidt was the insurance manager in the treasurer's department and had nothing at all to do with safety. DeSoto also had a safety manager in the engineering department and a group safety manager in one of the three chemical groups, Mr. Schmidt said.

"I COULD see that by putting our functions together (safety and insurance) we could streamline our operation."

The way the department is set up, the safety managers serve as a liaison between the plants and home office. They are advisors too, Mr. Schmidt added. When safety managers check out plants now, they are looking for a lot more than just safety problems, he said. "As a matter of fact, our safety managers are noticing some fire hazards which the insurance company has not cracked down on."

The company still has a benefits manager in the employe relations department. He designs employe benefits and administers group insurance, Mr. Schmidt said. But the risk management department has taken over administering workmen's compensation, he explained. "We work together, though, because our department purchases all the insurance."

With this new department "our safety program has really gotten off the ground. Unfortunately we had a slight increase in injury frequency during our last policy year, but it cost less." In other words, DeSoto had more injuries but they were less serious than the preceding years.

"IN THE LAST eight months we have turned the corner and are making real progress. Our safety record has markedly improved. By the end of this year's policy (Sept. 30) we should be able to notice our efforts a little more clearly," Mr. Schmidt said.

"What I am aiming for is a full-time safety man in each plant." Right now, none of DeSoto's 45 locations has a safety manager. "Usually the plants know their own particular problems. They just need help to solve them. Our safety managers end up traveling about 50% of the time," he said. Before the risk management department was formed, safety managers travelled a lot more and yet they were communicating less, Mr. Schmidt added.

Another area scheduled to get more attention in the future, according to Mr. Schmidt, is industrial hygiene. "We are more advanced in this area than most companies our size because we have good laboratory capabilities." DeSoto has a hygiene expert working in one of its chemical laboratories and according to Mr. Schmidt, is available to help the department out when needed.

The risk management department also works closely with the engineering department. "Before we even break ground, our engineers sit down with the blueprints and our carrier to work out the problem areas."

Since the department was formed, Mr. Schmidt said he has noticed company officials are looking at insurance in a new way. Insurance as strictly a buying function has now become a professional money-saving effort. "We have tried to show them higher deductibles and self-insurance can save money." ■

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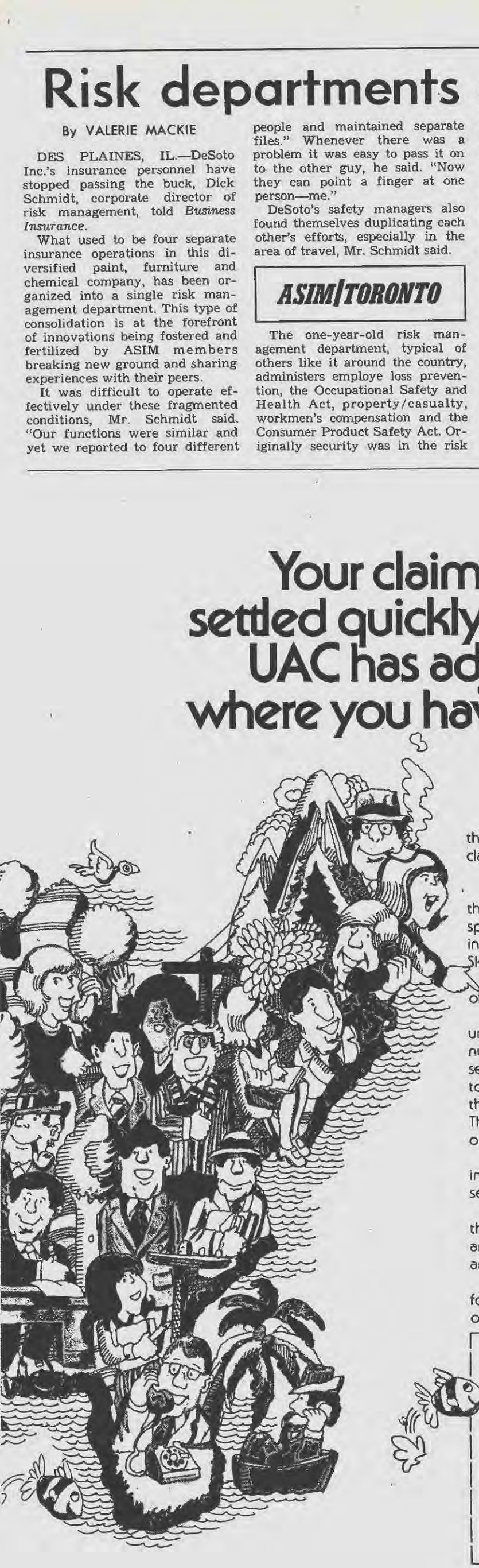

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BI-4/74

HEW names plan director

WASHINGTON—Robert J. Laur, an official with the Health, Education, and Welfare department, was named director of the federal employe program of the Blue Cross and Blue Shield systems effective May 1. ■

Mr. Laur, 39, was formerly director of the office of policy development and planning on the staff of the assistant secretary for health in HEW. He replaces Joseph E. Harvey, who has headed the federal employe program since 1962. Mr. Harvey is to assume new responsibilities to be announced later. ■

A model for other chapters' efforts

S. California chapter proud of its pace-setting educational activism

LOS ANGELES—Continuing education and up-to-date expertise continue to weigh heavily for career advancement in the risk management field.

With this basic fact in mind, members of the southern California chapter, American Society of Insurance Management, have made membership education one of the group's primary and best-accomplished objectives. The varied and well-balanced education program has also been a key factor sparking chapter growth.

Chartered in 1952, shortly after the founding of national ASIM, the chapter had as its first president Joe T. Parrett, insurance manager for Carnation Co., Los Angeles. Mr. Parrett was one of several active members and officers of the southern California chapter who recently singled out the solid education program as the group's number one achievement.

ALSO PRESENT for the round-table discussion with *Business Insurance* were Arthur C. Brunke, assistant insurance manager for Carnation, the chapter's current president, and Ralph E. Gentry, The Times-Mirror Co., past president (1969) and currently vice president-treasurer of national ASIM.

Mr. Parrett led off a summation of the group's activities through the years, by noting, "We're proudest of our contributions to the west coast regional seminar, a two and one-half day conference put on exclusively for western risk managers. It started around 1960 as a joint effort between the northern and southern California chapters and has since been hosted by other chapters in the west."

Historical notes on the southern California chapter of ASIM are gathered by (from left) Ralph E. Gentry, Arthur C. Brunke, and Joe T. Parrett.

Laying claim to being the oldest continuous regional seminar of its kind in the industry, the non-profit conference is limited to ASIM members. "Worksleeve" sessions are part of its basic format. Topics covered are far-ranging—everything that might conceivably be of interest to the buyer of insurance.

Typical subjects have included data processing risks, no-fault auto insurance, auto safety, property conservation, workmen's compensation and OSHA.

"The west coast regional seminar," explained Ralph Gentry, "is directed more at developing management and administrative techniques within our own houses, rather than trying to educate someone about a particular line of insurance. The speakers are drawn from the ASIM chapters and the exchanges may deal with such confidential matters as how a member manages his staff and office, how he buys insurance and handles his risks and whether or not he uses a broker."

HELD CONTINUOUSLY every year since its inception, the seminar has grown steadily in popularity and in recent years its 50-member attendance limit has been waived to meet the demand of interested registrants.

Of the existing chapters that make up ASIM national, the southern California group is one of the oldest, outranked in seniority only by the New York, Chicago, and San Francisco chapters. The five original members of the Los Angeles-based chapter (four of whom are still active) first got together for informal meetings in 1951, a year before becoming formally chartered by ASIM.

Of even longer standing as one of the southern California chapter's main educational events is the annual risk management conference to which all segments of the industry—buyers, sellers and producers—are invited. Begun in 1952, the conference was designed to foster an exchange of ideas among the varied groups in attendance.

Testifying to the popularity of the one-day affair is the fact that the 18th edition of the affair was held last year, making it the oldest continuous educational conference in the ASIM organization.

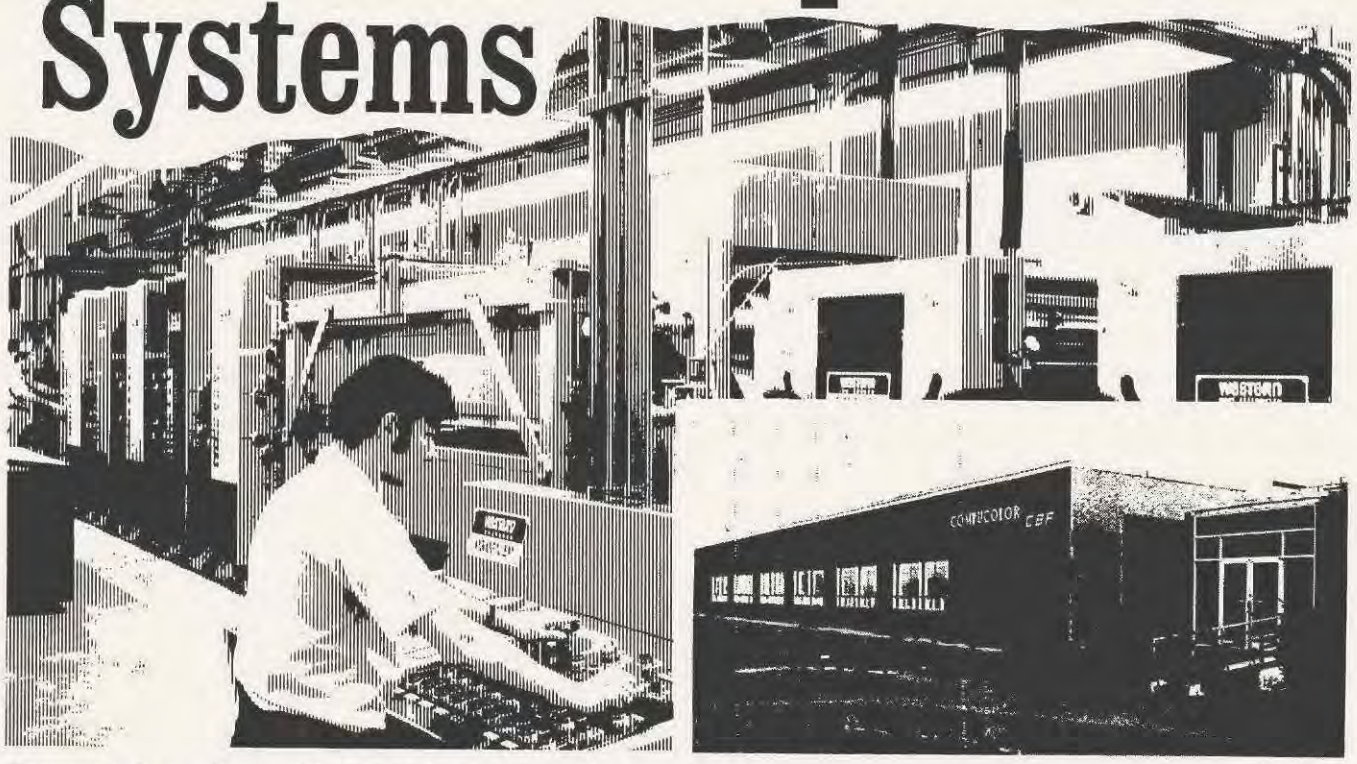
TRADITIONALLY the president of the chapter appoints one of the members as conference chairman and he works throughout the year to develop a suitable program for this open meeting. Conference attendance has been as high as 500 in recent years, leaving little doubt of its success.

Looking back to the early days, Joe Parrett said, "In addition to straight education, the all-day conference was designed to demonstrate to the business community that the risk manager had some stature with his company. Of course, we also wanted to expose ourselves to the insurance industry and, in turn, expose them to our risk management philosophy.

"In those days," said Mr. Parrett, "many risk managers were regarded as little more than insurance buyers, recordkeepers of insurance policies or technicians. ASIM helped to train him in broad business principles, gave

Continued on page 46

Printing Plants lease "Automatic" Sprinkler Systems



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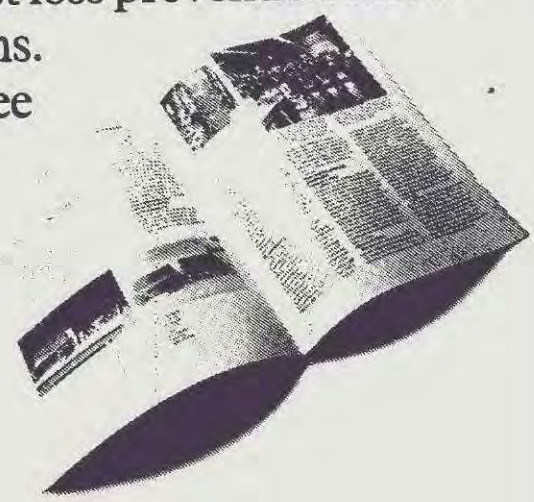

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Discrimination clauses in liability covers are 'hot'

By STEPHEN GOOD

CHICAGO—Discrimination coverage, a special protection that may be written into an employer's comprehensive general liability policy, is receiving more and more attention lately from corporations as well as carriers.

In a recent court agreement, nine major steel companies consented to pay nearly $31 million in back pay to women and minority group workers who were allegedly discriminated against. This is one example of recent settlements that are forcing companies to consider buying discrimination coverage.

Other suits involving racial, religious, and age discrimination are being pressed by the Equal Employment Opportunity Commission (EEOC), an active legal fighter in discrimination cases.

This subject is becoming increasingly important to risk managers, and is surfacing whenever ASIM members get together at meetings and roundtables. Certain officers of ASIM believe risk managers should make a point of checking their policies for such clauses.

"In the last two years discrimination coverage has become more popular," noted Bob Garwood, from Kemper Insurance Co.'s casualty dept. But he added that the increased attention given to work discrimination has brought the risk "very close to becoming uninsurable."

In the past, a few of the larger carriers were sometimes willing to put a discrimination clause into the personal injury portion of a company's comprehensive general liability policy, one source told *Business Insurance*. The "personal injury" could be interpreted as loss of pay or benefits due to race, sex, religion or age discrimination which occurred during the effective time of the policy. In order to be covered, a company would have to be found accidently negligent in its discriminatory practices.

A carrier cannot include discrimination protection in a standard Insurance Service Office (ISO) form. It would have to be written into a special manuscript policy. In New York the coverage is not allowed in any kind of policy, noted Al Hagerty of the Insurance Information Institute. But New York is the only known state that has banned the coverage so far.

The ultimate ban may come from the carriers themselves. "It isn't a logical insurable exposure," commented one insurance company's spokesman.

John Gross, an assistant vp at Marsh & McLennan in New York pointed out that "It's like trying to pick up punitive damages, which aren't normally covered, and I use that reasoning with our insureds."

RATES FOR discrimination insurance, if a company finds a carrier, may be high. "Don't ask me about rates," one West Coast consultant exclaimed. "There isn't any way to rate it."

Kemper's Mr. Garwood noted that "rates depend on the situation. There's no guideline for rating this kind of thing.

"We're just responding to the need of some of our larger policyholders," he added. "But from our standpoint it's done very reluctantly."

If an insured company ever reaches a settlement in a discrimination case, "they can get into some very sticky claims negotiations," another carrier source commented. Calculating how much of the settlement was insured, and determining whether or not the company was consciously discriminatory could lead to legal disputes between the carrier and the insured, more complicated than the discrimination suit itself. ■

California . . .

Continued from page 44

him deserved status and changed all that."

"Before the rise of the risk manager, his company's top executives would have their insurance decisions made outside, in the agency/brokerage ranks, because there was no alternative," Mr. Parrett noted.

"BROKERS AT FIRST did not accept the risk manager, feeling they would be bypassed and the companies would buy their insurance direct. This has all passed, of course. Risk manager and broker realize their interdependence and if a growing company hasn't got a risk manager and needs one, the good brokers are recommending that one be employed," said Mr. Parrett.

Besides the two big annual educational conferences, the Southern California chapter has been a strong supporter of the risk management diploma program developed by ASIM and Insurance Institute of America. An estimated 20 local members have earned the associate in risk management diploma since the course of study was initiated.

The chapter also endorses an insurance certificate program conducted at the University of California, Los Angeles. Successful completion of the UCLA program results in the award of a certificate in insurance and risk management while preparing the student for the ASIM/IIA examination for the associate in risk management diploma.

With a membership that stands near 100, the southern California chapter ranks as one of the biggest groups in ASIM. Prospects for additional new growth appear good, with membership levels rising.

A NUMBER of other things make the southern California chapter just a little different from ASIM chapters elsewhere. Noted current president Art Brunke, "Unlike other chapters we have a meeting every month, come hell or high water. We think this is a good habit to get into because if you start not having one or two meetings during the summertime, you'll probably find good reason for skipping other meetings."

"We've always published a membership directory and our current edition is an exceptionally fine quality publication," Mr. Brunke said.

Ackowledging that much new legislation affecting the insurance industry frequently originates in California, Mr. Parrett noted, "We Californians have been extremely fortunate in having men of consistently high caliber in the insurance commissioner's job. They've been successful in motivating the legislature, and we have an active insurance committee on our state Chamber of Commerce that has also proved very effective in influencing needed legislation." ■

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ASIM future: action on benefits, education

TORONTO—The American Society of Insurance Management, as it assembles here this week for its annual conference, already will be looking ahead to a two-day conference on the new Health Maintenance Act, scheduled to be held in New York in October.

The upcoming HMO conference is an indicator of stronger ASIM involvement in employe benefits, according to William Hopewell, employe benefits director at Beaunit Corp.

But employe benefits will have to share the spotlight here with other topics from an ambitious future agenda drawn from the reports of its national committees, especially in the international, legislative and educational spheres. Mr. Hopewell is in charge of employe benefits at the Toronto conference.

According to Burton J. Carbino, Jr., risk manager at Schlumberger, Ltd. and chairman of ASIM's international committee, the annual international committee report submitted to the national ASIM board "seeks to identify what our future programs should be, so that we can be more responsive to multinational and international ASIM members."

"WE HAVE made our own internal ASIM survey on the heels of the Fortune 500 survey of risk managers," he noted, "and our results have confirmed the rough indicators of the Fortune study in terms of widespread international expansion of large corporations. "We hope to stress more international educational side of risk management both in the U.S., Canada and overseas, we're doing this through preparation of articles and hosting the international problem clinic at the Toronto conference, he noted.

"There are presently 11 international risk management organizations, with three others on the verge of forming, and we've had some informal contacts with about 5 other international groups," Mr. Carbino said. "We are rapidly approaching 20 international risk management associations, and our committee promotes liaison especially in broad subject areas such as legislation, education, and professionalism," he said.

"I don't want to preempt the national board of ASIM by revealing details and time schedules, but I wouldn't be surprised to see a jointly-sponsored international conference in the not-too-distant future," Mr. Carbino said. "It would be a very natural development, as would an international federation of risk management groups," he added, "although the progress of this international cooperation will depend on the rate of maturation of the existing international risk management organization and their willingness to join other groups, including ASIM. Some of the newly-created groups overseas may want to stabilize their own internal operations before getting involved in this kind of program," he said.

"IN DEVELOPING this cooperation, we certainly would not want to convey the false impression that an international federation would be run by American risk managers, however," Mr. Carbino added. "We just hope to contribute," he said.

He noted that the education committee has made an important arrangement with the College of Insurance which will make every ASIM member in the country an automatic member of the library of the College of Insurance in New York.

"While this automatic membership will be particularly good for local New York ASIM members, the College of Insurance is drawing up an index of its collection which will go out in the mail to each ASIM member, and materials can be obtained through the mail," Mr. Sullivan noted. He said he expects the arrangement will go into effect in July.

E. W. Altstaetter, director of insurance and risk management at Rockwell International Corp. and first vp of ASIM, in a speech recently at Ohio State University, also stressed a new interest in consumerism, through technical services for corporations and individuals.

"ASIM is forming a permanent and select committee of deputy members under its vice president for public affairs to engage in continuing study of insurance contracts, both in form and substance," he said.

"Drawing on the best brains in the organization, we will evaluate the existing insurance product, we will design and develop improved forms, coverage and policy language and we will make our work available to not only our membership, but also the general public," he added.

Mr. Altstaetter said ASIM plans to activate a technical services division to supply advice and information to members and the public on problems of a technical risk and insurance picture.

IN THE LEGISLATIVE area, ASIM will get new support from its director of public affairs, William R. Anderson, an attorney, who will keep a close watch on federal and states legal developments, as well as keeping in close touch with other trade associations and the insurance industry.

Further, A. Grant Whitney, risk manager at Belk Stores and chairman of the national joint industry/risk manager committee, has worked vigorously in the last three years to encourage improvements in state workmen's compensation laws in order to stave off federal workmen's compensation legislation.

During that period, nine states have upgraded medical benefits; 13 have broadened their programs to cover all ocupational diseases; 12 have made workmen's compensation laws compulsory; and eight have eliminated numerous exemptions and others reduced the numbers. More than 200 amendments were made to the various state systems during 1973, including amendments in coal mining states in an attempt to conform with the federal criteria for black lung disease in coal miners, according to an ASIM report.

Mr. Whitney will continue to urge states to overhaul this workmen's compensation systems before the deadline of 1975.

Education, a growing part of the ASIM program, is expected to make great strides during 1974-75, according to members of the national committee for education. Daniel Sullivan, risk manager at Northern Ind. who chairs that committee, said he recommends that ASIM hires a trained educator for its New York headquarters staff within the next two years to work with members construction risk management courses both within local chapters and at insurance departments of colleges, universities and graduate schools. ■

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Risk study indicates big rise in captive use

PHILADELPHIA—The initial findings in a study called "Risk Management Practices in Overseas Subsidiaries of Large Multinational Corporations" shows that 71.7% of 160 total respondents discover and evaluate foreign risks through the use of a risk survey by insurance brokers.

Inspections by insurance company engineers and inspectors were conducted by 62.9% of the firms.

The study also shows that captive insurance companies are used by 27.7% of the respondents. An additional 10.7% indicated that the formation of a captive insurer "seemed likely in the next five years."

THE STUDY AND analysis, to be completed this fall, is a doctoral dissertation being prepared by Norman Baglini, a doctoral candidate in the department of risk and insurance at Temple University here. Mr. Baglini is director of underwriting education at the American Institute for Property and Liability Underwriters, also in Philadelphia.

Mr. Baglini said that Wayne Snider, professor of insurance and risk at Temple University, suggested this topic.

"Risk management is new discipline, and most writing on the subject has been limited to domestic operations. Prof. Snider suggested that the multiplicity of overseas regulations seemed to demand that a study show whether or not risk management principles can apply in overseas operations.

"In addition," Mr. Baglini continued, "the American Society of Insurance Management Inc. (ASIM) agreed to provide names and addresses of risk managers. This is a confidential list. Without ASIM's help, the quality of information would not have been as good as it is. Finally, the Richard D. Irwin Foundation provided a grant to help cover expenses.

Total number of respondents in Mr. Baglini's survey was 160. "Of that number," he noted, "150 requested that I send them the initial findings. On April 22, I sent initial findings and 10 pages of tables, initial data, which have not yet been analyzed. Cover letter pointed out the two major findings and explained that the date in the tables has to be further analyzed and interpreted.

"Of course," he continued, "these requests were handled confidentially. I included a self-addressed, stamped postcard with each questionnaire. Respondents who desired to receive the initial data returned postcards to me in a mailing separate from the completed questionnaire."

Mr. Baglini feels it is especially significant that the second finding indicates that a captive insurance company is now used by 27.7% of respondents and that an additional 10.7% indicated that formation of a captive insurer "seemed likely in the next five years".

"FOR ONE THING," he explained, "Fortune published a study on property and liability insurance last November. One of the findings in that study was that only 7% of Fortune's 500 companies use a captive insurer. And, only 1% of Fortune's second 500 companies (companies 500-1,000) use a captive.

"The fact that my findings show a much higher percentage," he speculated, "is that a corporation involved in substantial overseas operations is more likely to use a captive insurance company for many reasons. I'm not yet prepared to suggest reasons; this is the information I'm working on now.

"FURTHERMORE," said Mr. Baglini, "the survey group used by Fortune was similar to the group I used. I selected 390 corporations, large corporations with substantial overseas operations. By and large, they were Fortune 500 companies.

"I got a 42% response. Fortune's response was closer to 60%. Of course, Fortune surveyed the whole Fortune 1,000.

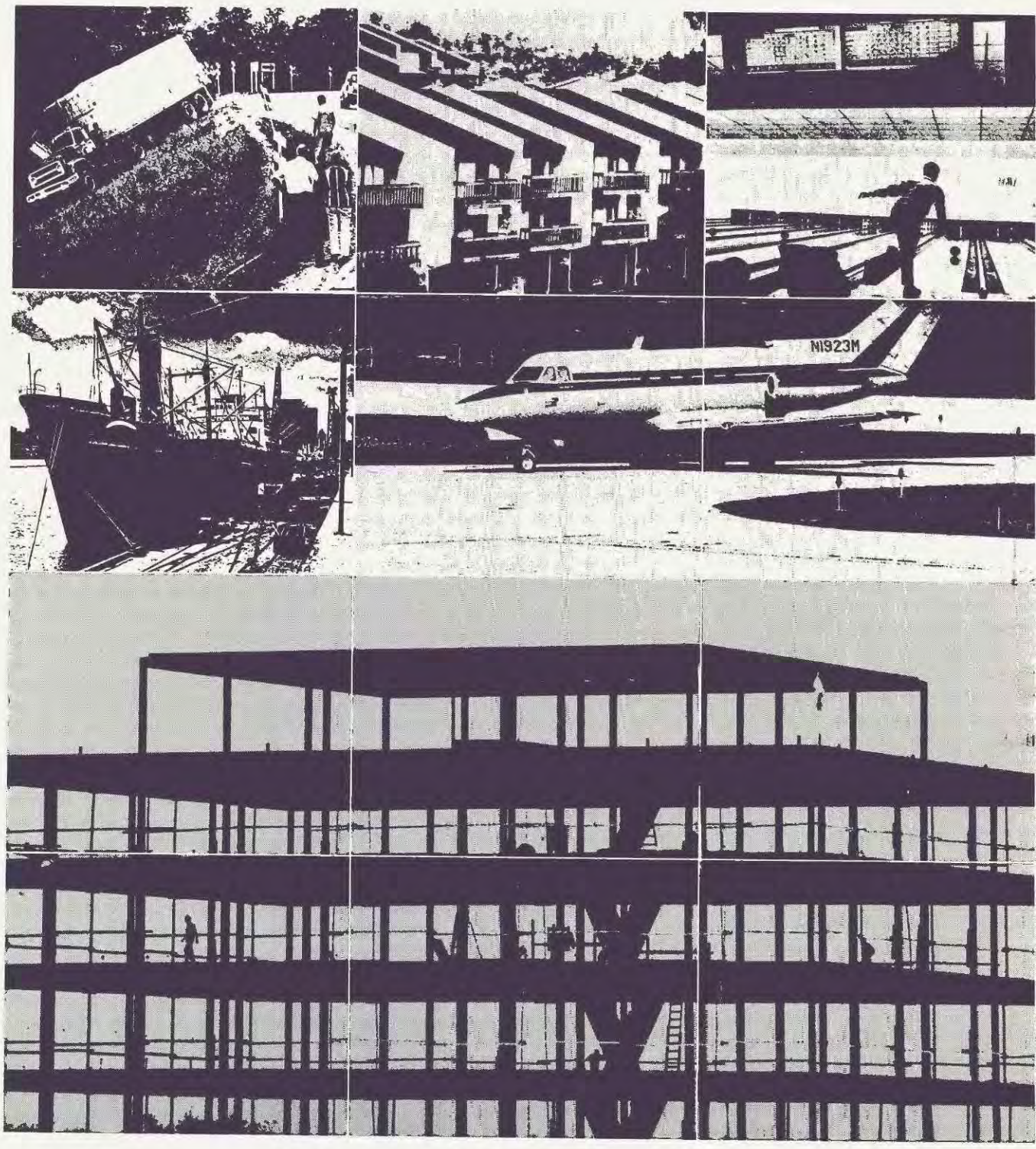
"The latter finding," he further speculated, "might be because a captive is more useful in an overseas operation."

"The questionnaire was developed by Mr. Baglini after one and a half years of study and development of ideas about multinational corporations and how risk management principles might apply to them. He compiled questions that he thought would yield important information on risk management practices and pilot tested the questionnaire among 35-40 risk managers.

"I got a 70% response to the pilot questionnaire. Comments and advice guided me in preparation of a final questionnaire. Finally, I was about to reduce the number of pages in my final questionnaire from seven to four pages."

A computer program was set up to analyze the results, and from that the 20 tables which accompanied the mailing to respondents were developed. ■

Leo Powelson (form left), manager of technical services for Woodward Governor Co., spoke on retirement planning at his company, at a recent meeting of the Rock River, Wi. chapter of ASIM. With him are Bruce Bryant, assistant secretary, Barber Colman Co., past president of the chapter, and Jack Biddick, insurance manager of Parker Pen Co., new president of the group.



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CICA reports steady flow of new applications; will limit size to 100

CHICAGO—The Captive Insurance Companies Assn. is presently receiving a flood of applications for membership in the group, and will probably have at least four more members in the near future, *Business Insurance* learned.

The 18-member group was formed in 1972, but sent out its first membership certificates only last fall. There have been reports circulating in the industry that perhaps CICA would itself form a captive carrier to reinsure its members primary risks, but further investigation showed this was and is apparently not the case.

The trade association was formed to disseminate useful information, to study, advise and make recommendations on pertinent legislation in the interest of the industry, to promote a friendly intercourse of those engaged in the industry, to promote uniformity of rules governing captives, and to promote cooperation of captive insurance company managers in order to improve and stabilize the business.

UP TO NOW, there has been little or no CICA activity in the legislative area, but the association could become very active in this area later on, several members noted.

Members of CICA are required to be captive insurance companies originally incorporated to insure the risks of their parent companies. This does not necessarily limit CICA only to captives whose sole underwriting task is insuring parent company risks, however, members of the group said.

> The Captive Insurance Companies Assn. will be host at suite 376, evenings after 5 pm, in the Four Seasons for risk managers who want more information on captives, and information on membership in CICA.

CICA intends to limit membership to 100, although it is still far from that number now. The group has grown to 18 from ten members a year ago at this time.

The association is required by law to hold an annual meeting. At least one other regular meeting has been scheduled for this year. And special meetings are held whenever necessary. CICA members met three or four times in the last year.

MEETINGS SO far have been mainly organizational meetings, members said. The latest meeting, held in Washington, featured a member-speaker who told of his program to reinsure employe benefits.

President of the association is Harry R. House, president of Verlan, the captive carrier for the National Paint, Varnish & Lacquer Assn. in Washington; vp of CICA is A. Grant Whitney of Belk Insurance, the captive for Belk Stores Corp.

Other members include Robert E. Norton and Francis X. McGrath of National Distillers captive, Elkhorn Insurance Co.; Edward P. Lalley of Ideal Mutual Insurance Co., a division of Kraftco; Dwayne Allen, of Erieview Insurance Co. division of The Hanna Mining Co.; Miles Chenault of Bush Universal's Midland Insurance Co.; J. J. Ryan of Elawood Insurance Co. division of Celanese Corp.; R. W. Rogers of Bellefonte Insurance Co., a division of Armco Steel; Bob Reeves of Ashland Oil Co.; Howard Weber of 3M; A. H. Seiple of TRW Inc.; Steven Graves of Smith Kline Corp. ■

Day-long session on captives planned

TORONTO—The Captive Insurance Companies Assn. will host a day-long session on the use of captive insurance carriers in risk management during the ASIM conference.

Harry R. House, president of CICA, said that some of the topics to be covered April 30 will include an update on offshore versus domiciled captives, hosted by R. C. Lee, director of insurance for Armco Steel Corp.; writing commerical insurance in an insurance subsidiary, with J. H. Blades, chairman of J.H. Blades & Co. Inc.; pooling insurance subsidiaries to write commercial insurance and individual-pool treatment, of mass merchandising, headed by Fred Reiss, chairman of International Risk Management Ltd. division of American Risk Management.

ANOTHER SESSION will cover tax considerations of operating a modified insurance business, by Mrs. Marianne Burge, partner in Price Waterhouse.

Dr. Tom C. Allen, senior vp of the national accounts division of Armistead Miller Wallace Inc., will talk on financial benefits of self-insurance versus captive insurance versus commercial insurance.

In the afternoon, there will be a panel discussion on reinsurance facilities with Mr. Blades, Mr. Reiss and Mr. Lee, as well as Edward Lalley of Ideal Mutual Insurance Co. and D. E. Allen, manager of property insurance for The Hanna Mining Co.

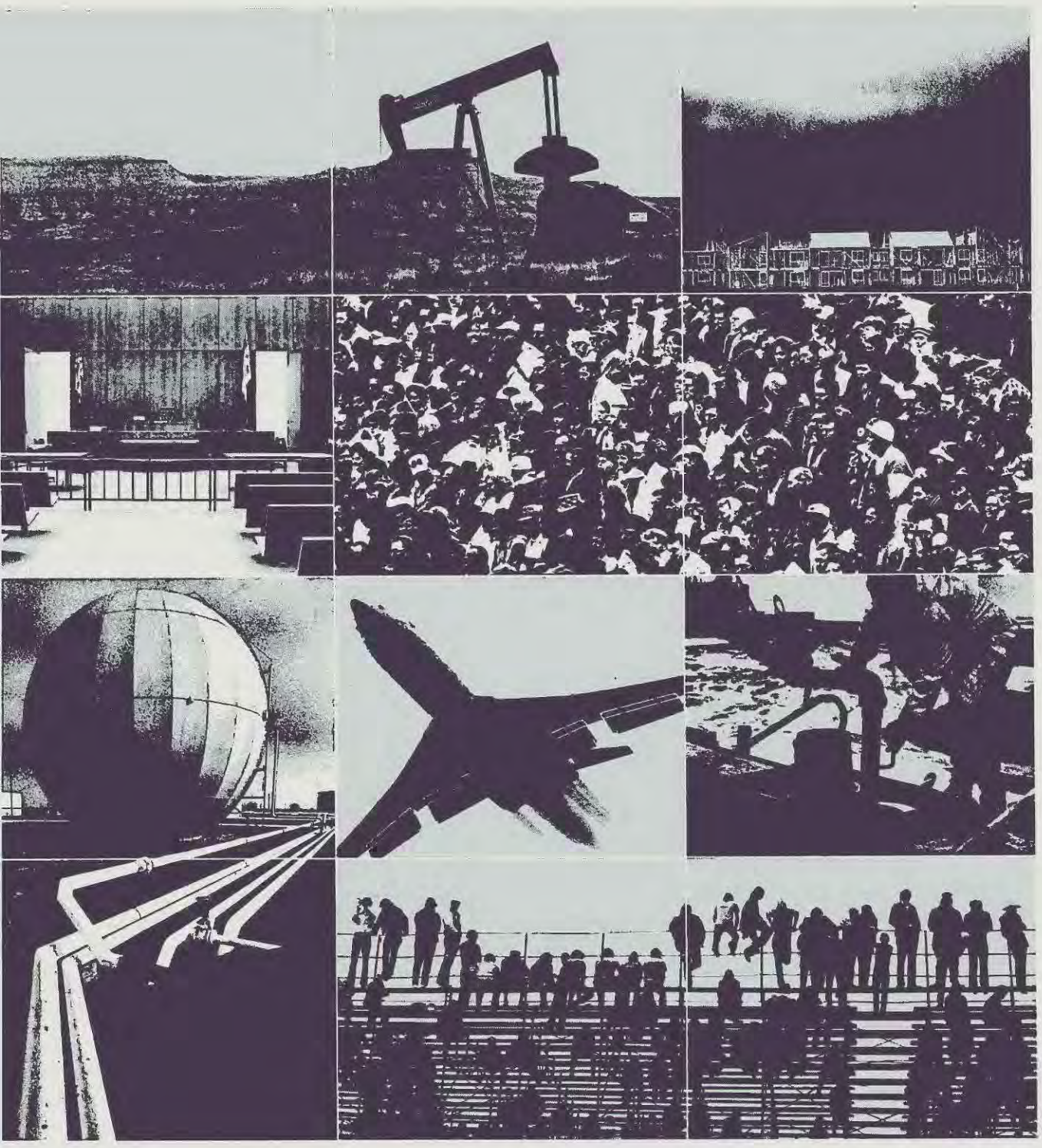
Mr. House said some 150 are already pre-registered for the session. ■

Suit against BART train manufacturer

OAKLAND, CA.—A $1.5 million damage suit against Rohr Corp., Chula Vista, was filed in Alameda County superior court here by Ruth Camposana and her five daughters, survivors of a track foreman for the Bay Area Rapid Transit System who was killed April 4, 1973 while at his job in the transit district's Hayward yard.

The suit contends that Miguel Camposana, 48, died as the result of defects in the BART train manufactured by the Rohr Corp.

The train struck Mr. Camposana while he was at work on switches in the yard and the suit asks damages for loss of "the benefits of company, society, guidance, support and care which would otherwise have been provided by the father and husband." ■



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ASIM has supporters, detractors; admirers say #1 benefit is idea flow

NEW YORK—What has the American Society of Insurance Management done for you lately?

That question, posed by *Business Insurance* on the eve of ASIM's national conference, drew a varied response from 20 risk managers who indicated they regard the association as everything from "a waste of time" to "an invaluable, collective group of experts attuned to the special needs of risk management."

The most popular part of the ASIM program, nationally and at the chapter level, is undoubtedly the mini-seminars or roundtables focusing on specific problem areas, according to those polled, with the opportunity to meet and consult colleagues in the field placing a close second in the minds of the risk men.

Although several said they consider the program to be "generally a waste of time" they did admit they remain members while others, who praised ASIM, echoed William L. Mather, administrative of risk management for the Gillette Co.: "The longer you belong, the better you get to know other risk men in the field. Some have a specialty such as workmen's compensation or construction and it can be very helpful to pick their brains on their particular subject. We also cross-check on producers and underwriters—it's a great way to keep current about which carriers and brokers are aggressively seeking a particular type of business and who are shying away from it.

"And after the meetings, five minutes on the phone with someone you've met through ASIM can often save a lot of time in tracking down a particular answer or solution."

"FOR EXAMPLE, we have certain members of our chapter who are into the construction business for more than we at Gillette are." he noted. "If we are planning some construction, I can draw on their expertise in this area—if, for instance, a contractor wants a certificate of liability coverage and we are not sure this is usual, or ordinary we can check with risk men in the construction company. It's very effective to have this kind of cooperation," Mr. Mather said.

Cooperation can be inter-city not just at the chapter level.

Paul Ozan, assistant general counsel and risk manager at American Greetings in Cleveland gave an example: "We have a plant in the south with a gas line at the edge of our property. When another company bought property on the other side of the gas line, I had a call from its insurance manager, who was a friend I'd met at a national committee meeting.

"HE ASKED ME to tell him how far we had been able to get in our negotiations with an insurance company and, through the information I provided he had a more realistic idea of how far he could expect to get."

At the chapter level, Mr. Ozan also noted a recent survey by a local ASIM member on how other risk managers handle the question of fleet auto insurance. "On a two-page survey, asking about self-insurance and collision insurance, this man told me he got responses from 43 out of 54 requests and could go ahead in planning his auto program with the information as background," Mr. Ozan said.

"I guess you can say I'm very sold on ASIM," he added.

"ASIM is not merely a pooling of resources from which a risk manager can extract the parts which apply to his program," said Peter Lahosky, risk manager at Eastern Freightways, "but it is also an opportunity to avail yourself on an individual basis of the expertise of other risk managers and insurance buyers."

"AFTER MEETINGS, I call on other risk managers and they often call on me for advice, especially in the area of self insurance," Mr. Lahosky added.

Robert James, risk manager at Chemical Bank, said he finds the national conference's industry session on banking to be the most informative. "These meetings are closed to outsiders so conversations are quite candid and frank and we risk managers in the financial field get a chance to study types of insurance such as bonding which other companies are not as concerned with.

"I find I come back with an valuable exchange of ideas that you just can't get while sitting behind your desk," he added.

Philip Baecker, risk manager at Pepsi Co. praised the "complete exchange of ideas and information on such specific subjects as markets, rates, problem coverages, capacity problems in a vast number of areas including safety, quality control, loss prevention, OSHA (Occupational Safety and Health Act), and workmen's compensation."

HE SAID the Fairfield-Westchester chapter of ASIM enjoys "a degree of informality in this mutual exchange and sharing of resources."

Robert Bieber, who was recently appointed director of risk management for Westchester County (NY) after being risk manager for the City of Yonkers, said he finds many ways to apply what guest speakers from the private sector suggest to ASIM audiences. "Their insight can often suggest to me a new approach and with not much available in the public sector, the best source I have is ASIM and I just try to gear it to the county."

Morris Oppman, director of corporate insurance at Arlen Realty & Development Corp. in New York, said he thinks the mini-seminars and round tables where discussions "are almost on a one-to-one basis" have been the most helpful to him.

"I was in risk management for a number of years before I joined ASIM, so I was already familiar with most of the techniques and methods," he said. "ASIM has helped me in the development of my insurance and risk management program, however," he added.

However, another risk manager in New York told *Business Insurance* he finds meetings of the Midtown Insurance Buyers Assn., an ASIM predecessor, to be more productive in terms of his program. He said the group, which is limited to about 35 members, gets into more candid discussions on specific approaches to risk management.

And another, in Chicago, said he goes to ASIM meetings when he can, but usually does not find any applications for his insurance program. He said he never calls ASIM for advice ■

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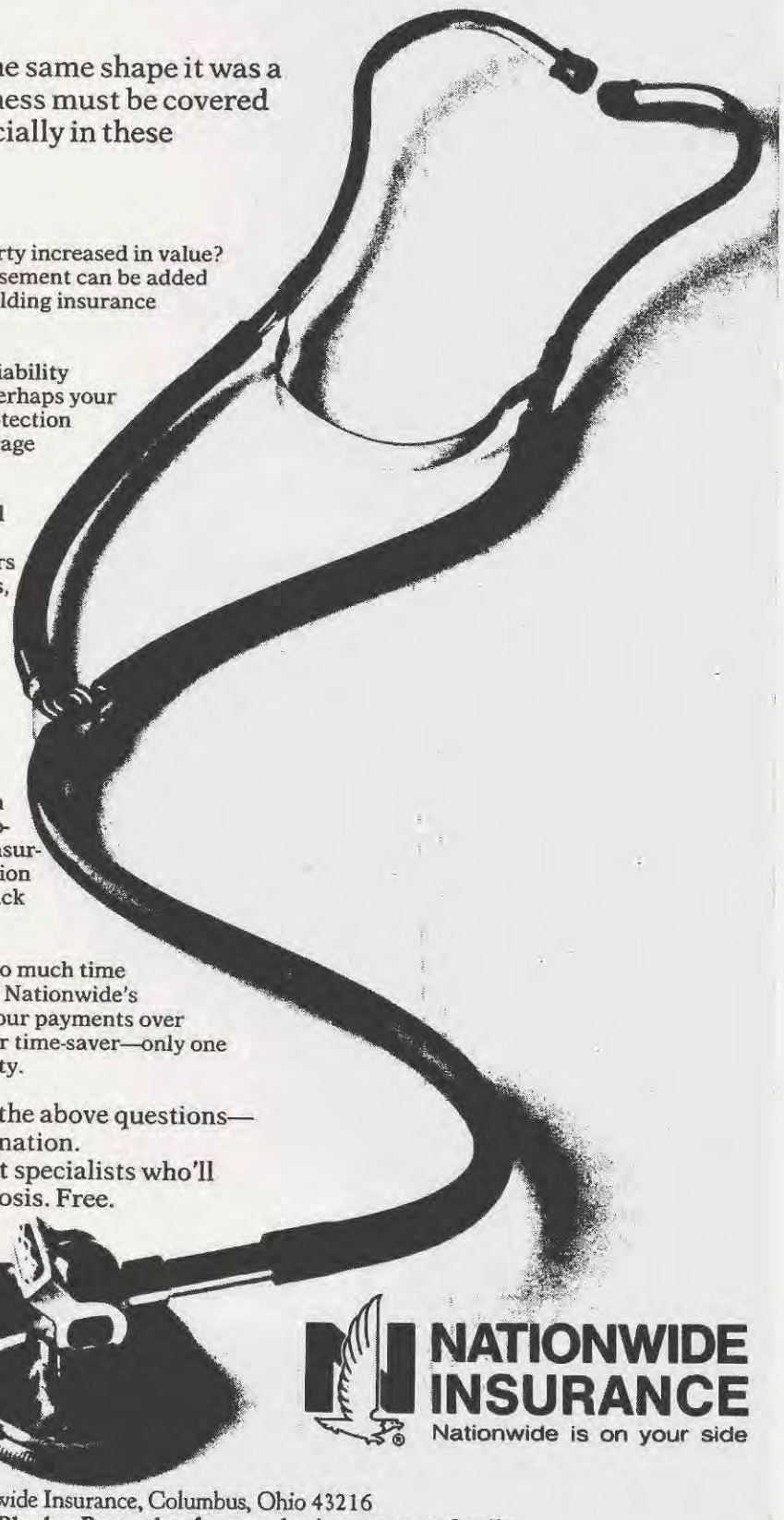

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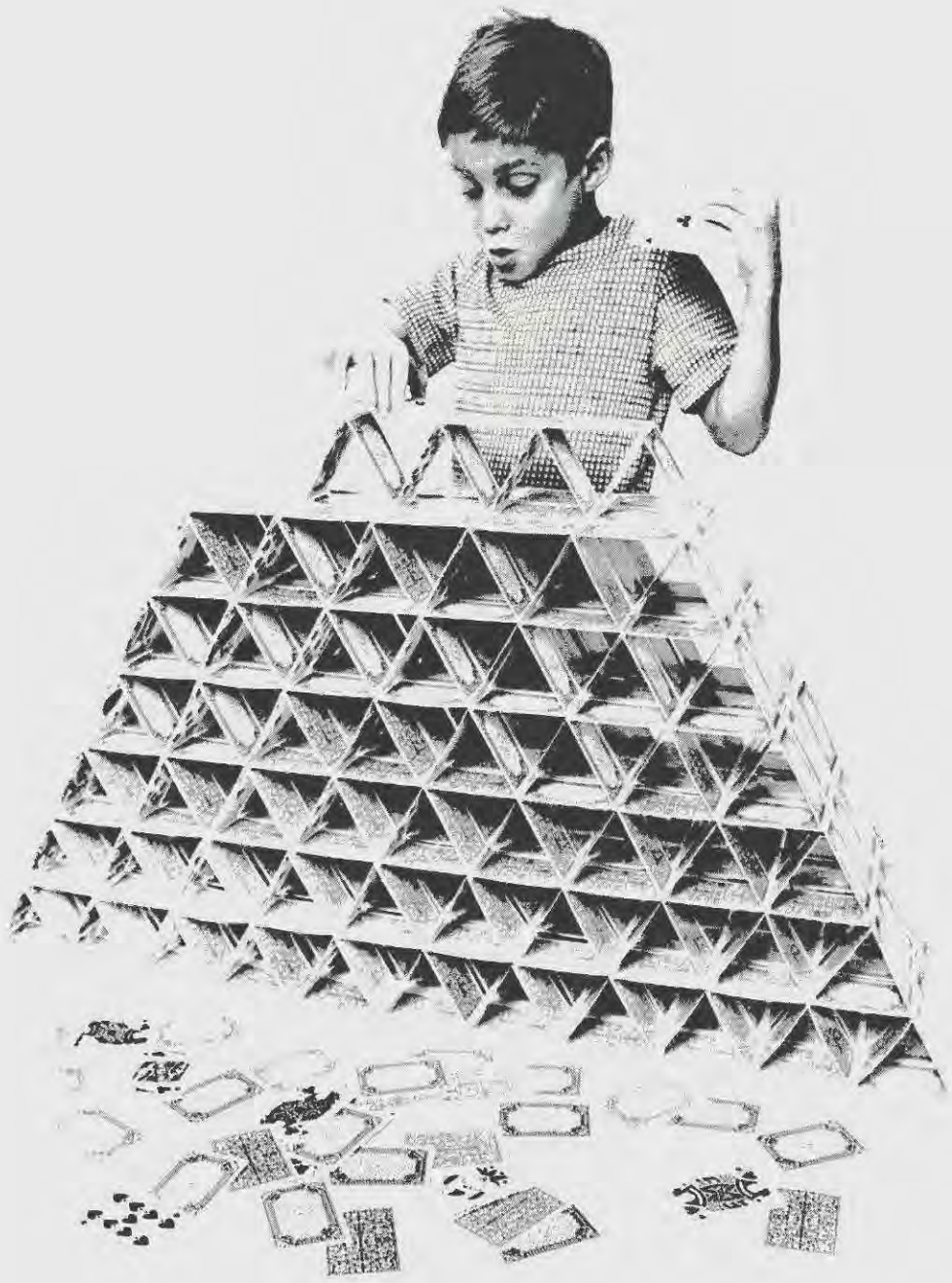

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Feasting in Toronto is international delight

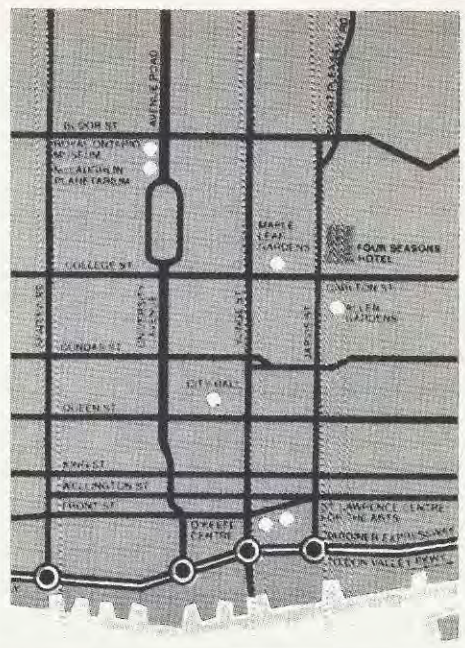
TORONTO—Toronto is a city of fine international dining. Or so say the risk-managers-about-town who told this magazine of many fine eateries, some with dancing and other entertainment.

We would suggest you make reservations at all of the following places. Most require gentlemen to wear jackets and ties, although you can when you call ask what dress is best.

Here is a limited list of recommended places ranked as favorites of some Toronto risk managers.

• **ED'S WAREHOUSE RESTAURANT,** sometimes called Old Ed's, has two sections and is probably the quaintest place around. Located next door to the Royal Alexander Theatre at 270 King St. West, one part of Old Ed's is open only from 5 to 9 pm and costs $2.50 for a great meal. Don't base your judgments on the price . . . it's highly recommended and provides a carnival atmosphere. The other side is higher priced, but also relatively inexpensive, and offers steak and roast beef fare. Decor is antique, and Ed's has one of the biggest and best collections of antique bric-a-brac and Tiffany lamps anywhere, so it's said. (366-6672)

• **CAFE DE L'AUBERGE** at the Inn on the Park is considered one of the finest places to eat in the entire city. Elegant dining and dancing to a full orchestra. Reservations are necessary. The steaks and seafood are excellent. Located in the northeast corner of the city, about five miles from the Four Seasons, at Leslie and Eglinton probably about a $5 cab ride away. (444-2561)



Central business district and Four Seasons headquarters hotel

• **HY'S** is a very good steak house at 73 Richmond St. West, only a couple of blocks and within walking distance from the Four Seasons. There's a second Hy's at 133 Yorkville Ave., a bit farther away. (364-3326)

• **JULIE'S MANSION** is just as it says, a converted mansion, quiet atmosphere, with excellent food in a wide assortment. Located 515 Jarvis St., a cab ride away from the Four Seasons. (964-6606)

• **WINSTON'S** is considered to be one of the finest dining spots in Toronto. Game is a specialty, and it's within walking distance of the Four Seasons about three blocks away. Located at 104 Adelaide St. West. Expensive. (363-1627)

• For Chinese food, you can try the **KONGCHOW TAVERN** at 126 Elizabeth St. within walking distance of the Four Seasons. We're told it's moderately priced, has very good food, and a lot of celebrities visiting Toronto go there. (362-4322)

• **TRUFFLES** in the Hyatt Regency is very expensive but a gorgeous place to eat, says a native. It's a cab ride away (about 1½ miles). (964-6511)

• For great Italian food, try the unusual **OLD SPAGHETTI FACTORY,** about five or six blocks from the Four Seasons at 54 The Esplanade. It's a big place—a converted warehouse, in fact—and actually has an old streetcar inside where you can eat and drink (be sure to make reservations for the streetcar). (864-9761)

• The airport **HOLIDAY INN** has about the best buffet in the city, if you're in the mood. Reservations are definitely necessary. Dinner is on the 12th floor, and there's also a good band. About a seven mile cab ride to the airport. (677-7611)

• **TANAKA OF TOKYO** is the best place for Japanese food cooked and served in family-fashion in the center of the table around which you're seated. Located at 77 Bloor St. West, it's a short cab ride away from the Four Seasons. (964-3868)

• **L'OMELETTE** is, of course, French, and specializes in omelettes but offers other fare as well. Excellent French wine list, we're told. Located at Church and Wellington, it's about eight blocks from the Four Seasons. (863-0438)

• For excellent seafood, try **THE LITTLE MERMAID** at 724 Bay St. It's within walking distance, but you may prefer a short cab ride. (366-9817)

• **GAST HAUS SCHRADER** offers the best German food in town, and also a fine selction of German wines. It's moderately-priced and also offers a friendly pub upstairs where you're likely to find singing and revelry. Located at 120 Church St., about six blocks from the Four Seasons (364-0706) ■

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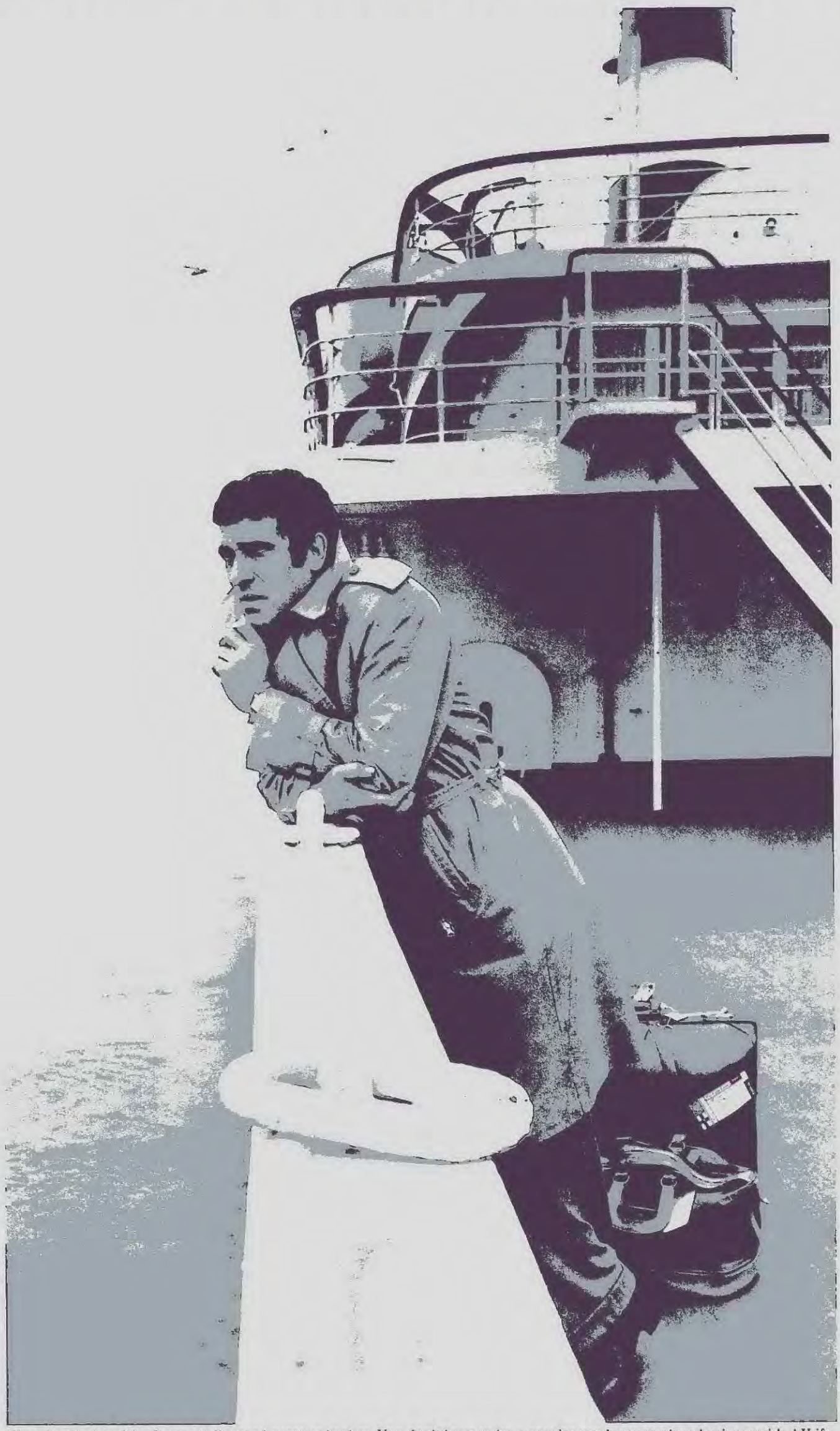

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Risk man turns to ASIM for help on 'alien' project

By HARRIET KING

SEATTLE—A $40-million domed stadium nearing completion adjacent to the downtown area will incorporate solutions to several unique problems—in the structural engineering, in the safe, efficient movement of people, and in development of a first-of-its kind insurance program.

For the latter, it has taken the resourcefulness of Joseph M. Gaidys, insurance officer for King county (which will operate the the stadium) to tailor a program to the special characteristics of the project.

And the stadium is an enormous undertaking: It covers nine acres, has a 65,000 person capacity and can be expanded to 75,000 to 80,000 persons for some special events. Most important, when it opens in June, 1975, it will boast the world's largest reinforced concrete roof, 660 feet in diameter—differing from Houston's Astrodome and New Orleans' Superdome, which both have steel beamed roofs.

"WE JUST DIDN'T have much experience to go on," said Mr. Gaidys, who became involved in the stadium because of its impact on the insurance program, after he joined the county in May, 1971.

"But the smartest thing I did was to join ASIM. I met other risk managers through ASIM seminars and mini-governmental sessions, and when it came time to plan stadium insurance, I called upon ASIM for help."

Dave Howell, assistant managing director of ASIM, responded by putting him in touch with national ASIM members who were risk managers of stadiums. In the process, he received such aids as a chart on liability coverages for eight convention centers and coliseums, and listed deductibles, primary limits and excess limits.

"I called or wrote a number of stadiums and centers, including Nassau county in New York state, for instance. But the contact that paid off the most was the Astrodome in Houston," notes Mr. Gaidys.

"I HAD MET Vince Williams, insurance manager for the Port of Houston, at an ASIM seminar, and Mr. Williams put me in touch with John Easter, financial vp and treasurer of the Astrodome. Consequently, I'm still utilizing my Houston contacts, and since we won't open until next year, I'm still weighing a lot of the advice I've been given, including pros and cons."

He notes that, for instance, Nassau county's risk manager Doug MacLeod sent him copies of leases and agreements with concessionaires, but since Nassau's stadium is smaller, seating only 16,000 persons, "frankly, that's not the way we're going. But we learn from each contact," says Mr. Gaidys.

"I learned a lot, too, about what not to do about fire prevention from McCormick Place in Chicago." The huge convention center, which supposedly was fireproof, was designed and built without a sprinkler system. But fire caused by a faulty electrical hookup during the January, 1971 National Housewares Manufacturers Show, destroying McCormick Place. It has since been rebuilt.

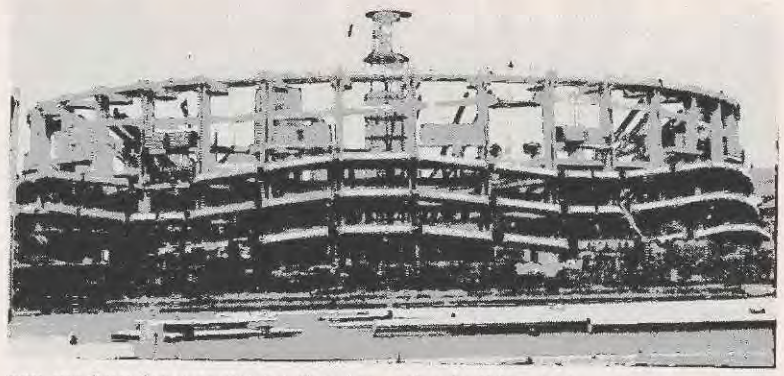
In addition to his ASIM contacts (he's presently membership chairman for the Washington chapter) Mr. Gaidys has another plus going for him.

"I initially got involved in the stadium's design in 1971 since the county planners felt that the building design might affect future insurance and maintenance costs. It's difficult, once a structure is built, to make changes for safety and insurance reasons. It's best to get input at the planning level. This feeling about total involvement is different from the usual attitude of a political body," states Mr. Gaidys.

Architects and the King county design commission are not bound by Mr. Gaidys' recommendations. However, he has been able to draw upon his expertise as a former underwriter to determine what high risk factors could be eliminated or modified in the stadium design.

Before joining the county, Mr. Gaidys spent seven years with CNA's Continental Casualty Co. as a manager of liability, manager of the excess and surplus lines, and of special events. His numerous contacts with other stadium managers provided yet additional expertise.

HE MODESTLY says changes were a joint effort of architects and the King County design commission. "After all, we are looking at three requirements for the stadium—safety, efficiency and an absolute mandate to stay within the $40 million budget as approved through a bond measure by voters. These requirements brought some pressure on us. We were always looking at it in terms of the best way in relation to the cost involved. The cost factor always gets involved and it boils down to how much safety can we buy for our money," notes Mr. Gaidys.



Consequently he and other stadium planners feel there are many "safety plus" factors built in. The reinforced concrete roof, for example, will be six times stronger than code requirements; the building's base twice exceeds what the code requires.

"We're going to give insurance carriers these extra factors so they know what's built into it. We're not going to approach them by saying, 'we have a

Continued on page 55

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Continued from page 54

domed stadium, and here's what we want covered.'" says Mr. Gaidys. "If we go about it the wrong way, I feel that the rates will then be on the high side." And, he states, from experience, "never hide a fault from an underwriter, or they lose faith in you. They may, in fact, actually be able to help you."

Initial bids will ask for $10 million liability limits. "We're not certain we'll end it there, though," says Mr. Gaidys. "We may increase it, or it may drop to $5 million."

While under construction, the general contractor handles all liability for the structure, and injury or damage to the public as well. "We've required the prime contractor to hold us harmless, and there have been a few claims—workmen's compensation type—when one of the structural columns tilted and two or three employes were injured."

THE STADIUM will be versatile, accommodating football, baseball, hockey and other sports, as well as conventions and stage shows, all in air conditioned comfort. The circular structure will rise 240 feet about ground level.

All exits are on the outside of the building. A series of ramps intersect so that in an emergency, if one portion of the ramp is blocked, spectators will always have six other exits.

ASIM/TORONTO

"One big plus factor is that if an emergency should occur, we can evacuate 65,000 persons in less than 20 minutes," says Mr. Gaidys. "If a person is seated, there are no more than 27 steps to an exit. On the upper level, we've widened aisles and congregated railings."

The roof itself is an asset. Originally, planners considered a laminated wood beam roof, but "projected fire insurance rates were fantastic," says Mr. Gaidys. "It would have cost an estimated $100,000 per year for fire and extended coverage, but now, we have it at under $20,000." Designers had construction bids on roofs made of metal, reinforced concrete and laminated beams. Although a metal roof would have been acceptable from a fire-safety standpoint, the reinforced concrete bid was the lowest.

IN CASE OF a fire, heat and smoke sensors in air conditioning ducts in the roof will cause the ducts to reverse themselves, and automatically draw heat and smoke out of the stadium if the temperature rises above a certain level. It sounds an alarm in the process. A number of fire stations are also built below ground level in the arena area, and like an orchestra pit, can be raised when needed.

"We also have nothing inside the stadium that can cause a major explosion," an important factor in obtaining low insurance rates, says Mr. Gaidys. Heating facilities are located outside of the building, about 60 feet away. "We've also eliminated butane and propane tanks for concessionaires because of the explosive characteristics," he says. He recalls that in an eastern stadium, a concessionaire's butane tank exploded, creating a catastrophe. Several persons were killed.

Architects have made complete stress and strain tests on a miniature model of the stadium and the tests indicate that "the stadium can withstand almost anything," states Mr. Gaidys. In the event that an earthquake would occur in the Northwest, the stadium receives added support from the outside network of exit-entrance ramps. They provide a band that serves as structural beams to provide lateral earthquake stability.

The stadium's backup systems include two separate power supplies; if one defaults, the other generator automatically picks up. Also, there are two water supplies, and five banks of interconnected transformers that automatically relay to the other. If all go out, the stadium has an independent auxiliary generator that provides one foot of candlepower to the entire stadium.

Joseph M. Gaidys

Planners learned from the mistakes of others. The railings in another stadium were low so they wouldn't obstruct spectator vision; so low in fact, that in an emergency, they were useless. "Ours will be functional in size, design and sloping and still won't restrict vision," says Mr. Gaidys.

King County will carry all liability coverages for exhibitors and the county, although the exhibitors and concessionaires will have to carry their own property insurance.

"We feel that if we control claims, we can keep abreast of problems, rather than wait for four to six months for a claim to be filed, and then try to figure out which event, the date, which carrier to contact, and try to get the carrier to respond," says Mr. Gaidys.

Exhibitors and concessionaires will pay a fee to cover what the county provides—"we're looking at a base of admissions or receipts," notes the insurance officer.

MR. GAIDYS notes that King County is just now setting up specifications for bids, and considering the types of coverage to be included. Difference in condition coverage, for instance, is something "we're looking at and considering just in case we might have a flood or earthquake, or anything that's not fire and extended coverage, or boiler and machinery coverage."

But, "we're going to allow quite liberal specifications. We don't want to make the mistake of setting up specs that are so

Continued on page 59

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Canada's health care system a model for U.S.

TORONTO—While U.S. politicians loudly debate the national health insurance issue, Canada is operating its own province-run health care programs with apparent success.

Unlike the Nixon administration's health insurance proposal, Canada does not have its private insurers carry the basic coverage. Nor have the Canadian physicians become the employes of a new governmental agency as the Kennedy-Griffiths bill proposes for the U.S.

The Canadian health care model works simply. Each of the 10 provinces is responsible for providing basic health insurance to all its citizens. Doctors are paid by the government according to a fee schedule compiled by the province's medical association. And private insurers are only allowed to cover the benefits not included in the government's health care plan.

Yet according to one Toronto risk manager in a manufacturing firm employing 8,000 Canadians, the government's health care plan works well, and hardly puts a dent in the insurance industry. In fact, it has caused most employer-paid insurance plans to expand, opening up new markets for private insurers.

RISK MANAGERS in Canada have not found their jobs jeopardized or diminished from the era before provincial health care plans began in 1966-72. They still shop for private carriers. They also continue to handle loss claims and work safety problems. But the government programs have eased some of their paperwork.

"I would have to say it takes whole areas of problems off the risk manager's plate," the Toronto source told *Business Insurance*. "The paying of doctor's bills, for example, and the simpler policies . . . I can't think of any province that doesn't have an almost identical plan. It's the method of payment that differs the most between provinces."

The basic coverage, he added, includes most hospital costs and doctor's services. In Ontario's health insurance plan (OHIP), prescription drugs, special nursing, semi-private or private hospital rooms and dental care are not included. Legislation is being considered, however, that would make dental coverage part of the plans in Saskatchewan and Quebec.

"We're tottering on the brink of dental plans," the source commented.

WHEN A NATIVE of Ontario receives medical care, his doctor is paid directly for all costs by the provincial government at the rate of 90% of the Ontario Medical Assn.'s fee schedule. The government reasons that 90% is sufficient because the doctor does not have to handle the billing, and he is paid promptly without lingering debts. If a doctor wants to put a surcharge on the fee schedule, he must advise the patient of any extra costs before the treatment is performed. But this is rarely done.

The monthly health care premium for an Ontario resident costs $11 a month for one person, or $22 a month for a family. About 90% of the population is enrolled in the insurance plan. In some of the provinces, like Nova Scotia and Quebec, premiums are not paid individually, but are taken out of general taxes.

All of the provinces are reimbursed for 50% of the coverage cost by the Canadian federal government under a provision made by the Medical Care Act of 1966-67.

"When the provincial plan came in, the typical thing was that an employer who had a comparable plan would switch to OHIP from his own coverage," the Toronto source explained. He noted that his company simply dropped its Blue Cross and Blue Shield coverage and plugged into the OHIP plan.

ONTARIO EMPLOYERS who paid for their workers' basic coverage before the advent of a provincial health plan automatically began paying all premiums for the government-provided insurance. Where the new health plan did not equal the old coverage, risk managers had to purchase supplementary coverage through a private carrier. Due to labor contract demands for extra benefits like dental care and prescription drugs, more and more coverage has been bought from insurance companies in the last few years. Health insurance carriers who were expecting to hear a death-knell have found their industry revitalized by the market for supplementary benefits.

In provinces like Nova Scotia and Quebec, where employers were relieved of their premium burden by a tax-supported plan, extra coverage for workers was almost required by law.

"Where the program is on a strictly general revenue basis, legislation specifies that the employer has to provide other benefits or a cash rebate to make up for what had been lost in added benefits by the worker," the Toronto source said.

To help workers and employers maintain their coverage when someone is transferred from one province to another, all the provincial health care plans continue in effect for three months after a worker and his family have moved. This provides a buffer time zone while new coverage is being arranged. All the government plans are portable as well. Some provinces offer the coverage to residents traveling anywhere in the world.

ONE PROBLEM with the Canadian health insurance system is that it is being overused by doctors as well as patients. With the whole health care industry supported by the government, some unnecessary medical treatments are being performed.

"There's a certain amount of flack at the moment," the Toronto source pointed out. "Newspapers are finding some abuses in the system. But you're highly susceptible to overuse this way. There's nobody really to police it closely. It's up to each individual doctor for the most part, although the government agencies do inspect fairly heavily.

"It's terribly expensive in terms of absolute costs," he added.

Policing of the system is done by each province's medical licensing board, called the College of Physicians and Surgeons. They have review committees that study doctors' practices when they appear to be suspiciously costly or overactive. But these committees have not found many doctors to be overly abusive of the system. ■

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Canada claims one of largest ASIM chapters; groups foster fellowship

TORONTO—Four groups of risk managers in the provinces are providing the impetus for increasing sophistication of the profession in Canada.

In size they range from very large to very small. But all are growing, and all count many of the large corporations in Canada among their members.

The Ontario Risk & Insurance Management Society is proud of the fact it is the third largest ASIM chapter in North America with 189 members representing some 121 companies.

It is a fast-growing chapter which not only has regular meetings and seminars, but arranges each meeting so that it is a seminar lasting from 10 am to 2 pm. Each seminar session tackles timely issues to risk managers. The latest one was on claims handling.

BRIAN LUCAS, risk manager for McMaster University in Hamilton, Ontario outside Toronto, says that although risk management is basically the same in Canada as in the U.S., the premium discounts have not been so large or readily available as to move Canadian insurance managers toward the concepts of self-insurance and high deductibles as fast as in the U.S. "We've definitely moved more slowly," said Mr. Lucas, president of the Ontario group.

The balance of the Ontario chapter is large companies.

"OUR MEMBERSHIP would probably show that risk management is just now coming to the forefront, especially insofar as self-insurance and use of the captive concept," offered Michael Goulais, risk manager for Dylex Diversified Ltd., a large manufacturer and retailer of apparel. "Many of the Canadian companies are just now hiring risk managers," he added.

Mr. Goulais, who is vp of ORIM, said that the chapter's studies have shown members use captives in a very limited way at present. Mr. Goulais believes that Canadian legislation is probably the reason captives have been slow in coming to the provinces.

ORIM, besides being a big chapter, is also a fast-growing group, gaining about 15 new members every year, it is estimated.

The Montreal Risk & Insurance Assn. has about 100 member companies, and is growing more slowly than the Ontario chapter. Most members are large companies, some broadly based and national, some local or regional. R. D. Grieve, vp of the Montreal group and responsible for insurance for Francon division of Canfarge Ltd. noted that the Montreal association gets together every other year for a major joint seminar with the Ontario group.

Although Mr. Greive says other members of the association are more specialized, he describes his job as that of a financial officer with numerous responsibilities, including bidding on jobs for his contracting company, employe benefits and corporate insurance.

MANY INSURANCE managers in Canada, like those in the U.S., have overlapping responsibilities in other fields.

The British Columbia chapter of ASIM is very small, and being in the western province and away from the financial centers, has a membership of smaller companies involved in local industries such as woods and mining. The chapter is relatively stable in size, not growing much above its 30 or 35 members.

R. S. Badger of MacMillan Bloedel Ltd. attributes the fact that Canadian insurance managers have not been so fast to move to self-insurance and captives as their U.S. counterparts to the fact that workmen's compensation is basically handled by the government. "So in many cases we don't handle any where near the volume of claims U.S. firms face," he adds.

But, he continues, as a result of the exchange of ideas in ASIM, his own company recently initiated a captive insurance company and most of the larger chapter members have moved to higher aggregate deductibles on their insurance policies.

HE DECRIES the fact, though, that ASIM hasn't started its own educational program. He sees a real gap in the risk management education field, as the result of strung-out poorly planned risk management courses offered only by the insurance industry, which many fledgling risk managers don't have time and energy to complete.

"We want to see ASIM more involved in the educational picture. ASIM should sponsor education programs, and provide its own input so that chapters like ours can conduct their own classes in risk management, not leave it up to the industry," Mr. Greive believes.

Alberta Risk and Insurance Management Society is eight years old and has 36 member companies. Liek a bigger chapter, the Alberta group aims for four or five mini-seminar sessions per season, says R. Nobes, president of the group and insurance manager for Canadian Utilities Ltd

His view of risk management in Canada is that the function differs little from the U.S., but that the legislative environment differs greatly and affects risk management, "Particularly in the area of Medicare, where so much of the cost here is actually born by the state," he said. And in some provinces where the government has taken over automobile insurance, the risk managers alternatives have changed. Brokers in those provinces are not so active in the auto insurance field.

AND E. C. MINAKER, vp of the chapter and insurance manager for Trimac Transportation System, sees the difference between Canadian and U.S. Risk management, if there is any, being in a different motivation for using various alternatives.

For instance, he sees high deductibles and self-insurance growing in Canada, like in the U.S., but for different reasons. "In the U.S. it was because of runaway costs, more claims, and tight markets that these things grew. In Canada, premium costs were so high that we have been motivated to save money by self-insuring and going to deductibles," he said.

His own company, for example, figures that 90 to 95% of claims should fall within the self-insurance retention in property, liability and physical damage areas.■

Parliament buildings in Ottawa, capitol of Canada.

Canadian to manage U.S. risks soon

ONTARIO, CANADA—Michael Goulais has eight people working in his insurance department for Dylex Diversified Ltd., in Toronto.

Mr. Goulais is typical of the increasingly sophisticated Canadian risk managers. He believes his membership in the Ontario Risk & Insurance Management Society (he's vp of the group) will help him when his firm opens its first plant in the U.S., and Mr. Goulais will need to become expert in risk management for the states as well.

DYLEX MANUFACTURES and retails apparel of all kinds, employing about 3,000 people across Canada, and operating a chain of about 200 retail stores across Canada. Mr. Goulais manages property and casualty risks for the firm, and keeps track of risks in men's wear, women's wear and family wear stores operated by Dylex.

He manages insurance and fire protection for five clothing manufacturing plants. When Dylex moves into the U.S., it will be with an apparel production facility, and that will require Mr. Goulais to be familiar with insurance laws in the states. ■

Public inspections

The Pennsylvania state justice department ruled that the public has the right to inspect rate filings by fire, marine casualty and surety companies in the commonwealth. The ruling, which was requested by former insurance commissioner Herbert Denenberg, has the weight of law unless overturned by the courts. The state attorney general recommended that the insurance department adopt a regulation to implement his office's opinion.

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Domed stadium . . .

Continued from page 55

rigid that we can't take advantage of a better idea that a carrier may have."

He favors awarding contracts to companies maintaining Seattle offices since, "As a public body, we want to keep the money flow as close to home as we can. I like wherever possible to give to local businesses. But if another company, not local, saved me 10% and provided all the needed services, I couldn't afford to pass up that savings."

ASIM/TORONTO

In liability coverage, Mr. Gaidys is still studying the crime exposures and security measures. "We know that ticket booths will be very well built, and there will be key, full time security. We'll probably hire outside guards when the occasion warrants. Although we haven't yet gone over it in great detail, we'll use outside armored cars—and make sure we get adequate coverage."

HE NOTES that in other aspects of his job as county insurance officer where he works with an annual insurance budget of $500,000, he already corrected one security problem. County employes carried large sums of money about on a regular and routine basis. When this was discovered by Mr. Gaidys, "we made changes, and fast," he states.

He is very much aware of one potential problem that perplexes many building and risk managers: the bomb scare. "So far, we don't have a solution. But remember, we're not through yet, and will handle many problems as we go along."

Pedestrian safety outside the arena is also being studied. Bus passengers, for instance, will be dispatched directly into the stadium so that passengers won't wander through a maze of cars. Wherever possible, other pedestrians will be routed so they don't cross vehicular traffic. The stadium, expected to be an outstanding visitor attraction itself, is being constructed on the edge of a prime Seattle tourist area—Pioneer Square with its quaint shops and historic buildings. This area is expected to generate even more foot traffic. "Our goal is a plan that will reduce accidents," says Mr. Gaidys.

"Fred. S. James & Co., our broker, has experts available and I utilize them. And most carriers are willing to give answers immediately if I give them a call. In the past, I needed to talk to an actuary, so I contacted Northwest Mutual. They helped me even though they weren't on the risk. And if I find out, for instance, that Safeco has a better loss prevention program available than what we're using, I'll ask them for it." ■

City's insurer settles false arrest suit

LAS VEGAS—City commissioners declined to contribute to an out-of-court settlement of $9,500 made last week to a young woman who sued the city for false arrest.

The liability insurance company which was representing the city had asked for a $2,000 donation to the settlement, according to city attorney Carl Lovell.

BUT CITY commissioner George Franklin objected to the idea pointing to the hefty premium paid for the policy.

The insurance company agreed to pay Joyce Lenhart of Las Vegas, who was arrested July 24, 1969 for allegedly smoking marijuana with some friends. There was two days of testimony last week before the insurance company agreed to settle.

According to that testimony no marijuana was ever found and none of the persons arrested were ever charged with a crime. Yet Miss Lenhart, who had undergone oral surgery earlier in the day, was denied her prescribed medicine while being held at the jail after the arrest. ■

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Benefits increasingly seen as key to attract, hold good employes

By PATRICK THOMAS

NEW YORK—To the risk manager with employe benefits responsibilities added to his company's property/casualty insurance duties, the benefits side seems to be taking on more importance all the time, according to a number of such risk men surveyed by *Business Insurance*.

"In view of the increases in costs in just about everything, including medical care," said the risk manager for a large East Coast diversified corporation, "the employe benefits function has become vitally important. Benefits are an item that management should be giving much more attention to."

Robert Rich, director of corporate insurance at Gold Kist Inc., Atlanta, believes that "some benefits fall into what I should be doing, but not all of them. Any insured benefit should at least be coordinated with the risk management department."

OTHER RISK MEN believe benefits are much more than just a necessary evil—something that the company should offer to help itself as well as its employes.

"Benefits are something you should do, not something you offer because you feel you have to," noted Thomas McKeon, director of insurance for the YMCA of Greater New York. "The full life of the employes should be taken into consideration, particularly when you have many lower paid people.

"It's the old saw about benefits being a good way to get good employes and keep them," he continued. "It's true."

"Benefits are a very good way of attracting quality employes and holding on to them," commented Arthur Seitter, insurance manager for American District Telegraph Co. "Benefits contribute to a feeling of security. This is not true with all employes, though, because money still speaks pretty loudly.

"But things are changing a bit," Mr. Seitter said. "I think people are looking to fringes more now than they did ten years ago. I have young employes asking me about retirement and that never used to happen."

CHARLES COLBERT, Denver & Rio Grande Rail Road's insurance manager, agreed.

"I think benefits have reached the status where people look to them as well as to salary," he noted. "We have had people ask about benefits while they were interviewing for jobs with us and I know that we kept some good people from leaving when we began a new benefits program a while ago."

Mr. Rich said benefits are gaining prominence in the recruiting process all the time, though money is still the number one priority item for most people, with satisfaction second and benefits third.

All of the risk men believe that when their companies added new benefits in the future, those new plans will have to include items competitive with other industries and other companies.

"Staying competitive in benefits will be in my mind when new benefits are proposed," said ADT's Mr. Seitter. "In any case, when you might be hiring people over 40, you have to consider benefits because those people are going to."

"Yes, you have to stay competitive with other companies in the benefits area," noted Mr. Colbert, "but you also have to see what your management can reasonably afford. You might just expand on what you already have because of wearing the two hats.

"What you really have to do," he continued, "is make sure that the new benefit for the employes is also a benefit to management."

The risk man for an Eastern company explained that benefits competition is really only important for employes at "the clerical level."

"What I mean is," he said, "an executive isn't going to leave our company because another firm offered him a better major medical plan than ours."

The risk men agreed that a good health plan is probably the most important item in a benefits package—at least from the employes' point of view.

"I think benefits have reached the status where people look to them as well as to salary."

"To keep the employes happy —and to get good people—you have to offer a rich health plan," said Mr. McKeon. "It should cover eyes, teeth and prosthetics as well as regular medical and hospital care. Life insurance and pensions aren't as important, particularly to young people. They don't seem to see tomorrow."

"Health care is primary," said Mr. Colbert, adding that life insurance and pensions, in his opinion, were also primary parts of the package.

"Long-term disability is probably the fourth most important item," he said. "Anything beyond that—like dental—is cream."

Mr. Rich, while agreeing, brought up an interesting point.

"A comprehensive medical plan is most important, and that includes dental coverage," he said. "What is really needed is something to compete with the new health maintenance organization legislation."

Looking into the future, the risk managers presented a set of rather divergent opinions as to what they thought the next important benefits would be.

Many of them mentioned dental coverage as the number one new benefit, though most of them conceded that it is not really a new coverage and at least one of them had reservations about it.

"I think dental insurance will be very important in the future," noted one of the risk managers, "but it will be interesting to see how the dental profession reacts to it. The dentists have to make out an estimate report—it is similar to auto collision estimating. And they just might react negatively, like they have with Medicare patients. They don't want to do the paperwork, so they refuse to see people."

MR. SEITTER said he leans toward group prepaid legal insurance as the coming thing.

"Group legal is really interesting," he told *Business Insurance*. "Fifty years ago, group health insurance was considered a radical idea, like legal is now. But I think it will be very important, if just to take care of the employe's little problems, like buying a house or making out a

Continued on page 61

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View benefits . . .

Continued from page 60

will. It should be done on a payroll deduction basis."

One of the eastern men also looks to the further growth of mass marketing of auto and homeowners' insurance to employes.

"AS PEOPLE begin to really understand this," he noted, "mass marketing will really become a pressure factor. But with all the new things, you have to make sure your basic medical coverages are satisfied."

Mr. McKeon said he finds himself leaning toward the institution of transplant coverage as medical technology progressed. He felt that both donors and recipients of organs should be covered by one plan.

With a few exceptions, the risk men agreed that there was no longer much of a gap between the benefits plans for white collar workers and those for blue collar employes.

The main exception was the risk man for a company in the Southeast.

"There is a gap between the two in the benefits area and there always will be as long as blue

ASIM/TORONTO

collar workers rely on unions to negotiate their benefits for them," he said. "In this part of the country, management is kind of down on labor unions so the people who aren't organized get better benefits.

"Any labor organization that comes in here looking for a fight for benefits will be fought against," he noted.

"There is still a gap between white collar and blue collar benefits," noted one manager, adding that the gap is somewhat temporary because salaried people are beginning to ask for the same or better benefits than the union had negotiated with employers for its people.

MR. SEITTER said the gap was negligible in the basic benefits, such as hospitalization and major medical coverages, but there was still a vast difference in benefits like stock options and other perquisites provided to executives.

But Mr. McKeon, commenting on his own organization, seemed to sum up the feelings of many of those surveyed.

"There is no longer a real total benefits gap between the two groups," he noted. "The common denominator is now the average person." ■

ASIM staff counsel will shape new role

NEW YORK—William R. Anderson, an attorney and formerly associate counsel at National Assn. of Insurance Agents, was named director of public affairs for the American Society of Insurance Management, effective April 15.

Mr. Anderson, whose new post is comparable in part to the ASIM counsel position formerly held by James E. Bailey, will work closely with Ralph Korn, incoming vp-public affairs, in legislative review at federal and state levels and liaison with the insurance industry and trade associations.

Berry L. Griffin, Jr., 1973-4 vp-public affairs, said Mr. Anderson's appointment represents a change from the retention of legal counsel in Washington, D.C. to hiring of a practicing attorney to be on the ASIM staff. Although in most respects the job is similar, ASIM thought the public affairs title better fits the role, Mr. Griffin noted.

WHILE AT NAIA, Mr. Anderson was involved in the legal and legislative affairs of that organization, specifically automobile reparations, insurance regulations, insurance agency contracts and profit sharing regulations.

Working closely with NAIA's Washington, D.C. office, he was active in the association's extensive litigation with the Federal Reserve Board.

Mr. Anderson is a graduate of the Fordham University School of Law and the University of Virginia, and a member of the New York State Bar Assn. A resident of Merrick, L.I., he will work at ASIM's New York national headquarters.

This move by ASIM culminates many months of discussion about the future role of ASIM's counsel. ■

Canadian benefits cost 34% of pay

ALBERTA, CANADA—R. Nobes, benefits manager for Canadian Utilities Ltd. and president of the local chapter of the Alberta Risk and Insurance Management Society, administers and plans benefits for some 2,200 employes throughout the province, spending about 22% of payroll on benefits.

He told *Business Insurance* that in Canada, legislated benefits cost another 12% or so on top of the 22% benefits cost, so that benefits payments for firms in Canada are generally quite high.

He said that besides legislated benefits, his utility company provides basically a salary continuance and long-term disability insurance program.

"We have a two-year elimination period," he added, meaning the utility self-insures all claims up to two years of payments, after which an insurance carrier takes over. ■

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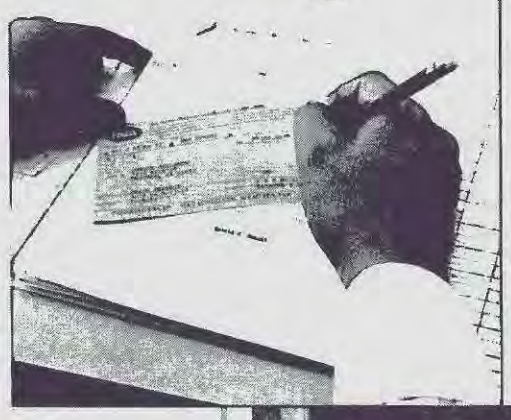

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Is ASIM's evolution indicator of future?

ASIM, nearly 25 years old, still true to origin as risk research group

By JUDI TALIT

NEW YORK—Back in the 1930's when the term risk manager was seldom heard, a small group of corporate insurance buyers banded together to form an insurance division of the American Management Assn.

Under the auspices of the AMA, the Insurance Buyers of New York was formed.

All was calm with the insurance buyers' group until the members actively voiced some views on legislative issues. A quarrel ensued and ties with AMA were severed.

But, as it is said, from chaos comes order, and in 1935, the small group of insurance buyers, including A.M. Schmidt, Alex F. Bracker, George Rogers, Harry Goodell and Kenneth C. Bell organized the Risk Research Institute, now the New York chapter of the American Society of Insurance Management.

ASIM/TORONTO

Members were recruited from New York and contacts were made in Minneapolis, Chicago, and San Francisco.

Barely on its feet, Risk Research Institute started holding monthly meetings in the 1930s and began publication of booklets on such issues as workmen's compensation and burglary.

Conscicus of the need for legislative action, the RRI actively participated in reform and subsequently was partially responsible for the revision of the New York standard fire policy passed by the state legislature in 1943.

That year, Winthrop Clement stepped in as managing director of RRI. Under his direction, the group's membership grew from 52 to 185.

BY 1947, the group introduced multiple line legislation in New York State which ultimately led to the enactment of Public Law 15, which makes insurance subject to the Sherman and Clayton Acts, according to an anniversary issue of Risk Management in Nov. 1971.

Fifteen years after the start of RRI, the organization was strong enough to go national, as contact with other groups in the country flourished.

So, under the laws of the state of Illinois on Nov. 21, 1950, the National Insurance Buyers Assn. was incorporated.

The incorporators, Ray Bass, Kenneth Bong, John Burke, Harry Goodell and George Rogers became the association's first board of directors.

The objectives then, as stated in a press release late in 1950, noted that "NIBA's principal efforts will be directed toward the securing of simpler and more adequate policy forms, insurance coverage for all insurable risks, adjustments of inequities in rates and adequate recognition for all factors entering into risk rating. The entire program is being designed to meet the needs of all buyers of insurance and will be valuable to both large and small buyers."

ACCORDING TO one past ASIM president serving some 20 years later, Rollyn L. Storey, insurance manager at SCM Corp., told *Business Insurance* that the objectives have not changed. "The objectives are the same, principally, the betterment of individual deputy members of ASIM, the improvement of the insurance market, improved insurance company supervision by various departments of insurance, a more open insurance market and education, as well as activism."

Within three years from the birth of NIBA, membership grew, with representatives from 34 states. The board of directors expanded to 18, and headquarters moved from downtown New York City, uptown to the Martinique Hotel.

One early NIBA president, Harry Goodell said that because of the association's initiative, multiple line underwriting had expanded and liability insurance contracts broadened. Committees were established to study matters of employe benefits and flood insurance, as well as review legislative proposals.

Under Mr. Goodell's presidency, the group gained recognition from insurance commissioners and top management began to note the value of insurance programs, noted the Journal of Commerce, Jan. 1964.

AS NIBA grew stronger, so did its endeavors. Efforts were made to introduce courses at universities, specifically geared to the interests of the insurance buyer. Ohio State and Columbia Universities were among the institutions to offer such courses.

Communication efforts were spurred in March, 1954, with the first issue of The National Insurance Buyer, edited by Peter Burke. It was initially a quarterly magazine designed to inform chapter members of new developments in the insurance industry, noted one ASIM source. Within two years, the National Insurance Buyer went bimonthly.

The fifties were marked as "a period of growth," noted a member of ASIM. During that period, seminars sponsored by single chapters or groups were encouraged.

According to another spokesman at ASIM, 1955 was a major turning point for NIBA. That year, a membership poll was taken and it found that most members spent more time administering and managing insurance programs than actually buying insurance. Therefore, it was decided that the association be renamed the American Society of Insurance Management.

Frazier S. Wilson, an early ASIM president, explained to *Business Insurance* that during his term in 1956-7, insurance management was just coming into its own and little recognition was given to it. "Insurance was too new an industry, it wasn't treated with much respect," he said.

Under Mr. Wilson's direction, corporations were spurred to expand their insurance departments

Continued on page 65

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ASIM history . . .

Continued from page 62

by incorporating knowledgeable personnel.

Mr. Wilson said that the biggest accomplishment of his presidency "was an increase in the number of national chapters and the growth of recognition of chapters by corporation management."

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By the 1960s the term risk manager was becoming better-defined and ASIM, was ready to embark on its first national conference, held Feb. 20-22, 1963, in New Orleans.

The national conference subsequently became an annual event, and since 1963, ASIM has traveled through the U.S. and Canada for conferences.

With each conference, membership grew, according to statistics; not only risk manager members, but among insurance companies, brokers and consultants, as well as the academic community.

It followed that with the legislative consciousness of the society a legislative committee would be established. In 1960, it was set up and headed by Frank Hornby Jr.

TWO YEARS later, the "Legisletter" began publication in an effort to keep members abreast of the issues.

In 1966, Mr. Hornby became ASIM's president. He said membership while he was president was about 1400.

He said, too, that the objectives "were the same as they are today, to obtain status for risk managers, improve the knowledge and skills of the risk manager, improve the consumer's status in the insurance market and make people more aware of what's available."

As one early president noted, "The objective of the society is education, not politics." Thus, in 1965, the Insurance Institute of America's Diploma Program in Risk Management was officially underway.

In an article in one of the ASIM publications, it was noted that "the need for college-level studies in the emerging discipline of risk management was recognized with ASIM leading the way."

One ASIM member described "The 1970s as marked by the expansion of communication efforts, the entire concept of the news bureau." It was during this time that the National Insurance Buyer became Risk Management magazine, and an information index of all articles published was made available.

Rollyn Storey, ASIM president during the early 1970s called it an organizational period. "It was a time when we got a more workable organization. We were given job descriptions, more control and direction, reporting back on what we were doing."

He added that it was also marked as a period of growth. "We moved the headquarters into larger facilities and added additional staff people."

Since that time, the society has not changed much, he said. "It's grown up a bit more, gotten a little bigger, a little braver." ■

Hospital gets Blue Cross payments

MILWAUKEE—Payments will be resumed by Wisconsin Blue Cross to the financially troubled, black owned Misericordia Community Hospital, according to Leo E. Suycott, president of the insurer.

Blue Cross halted payments to the hospital last year after Misericordia's application for recognition was rejected by the Comprehensive Health Planning Agency of Southeastern Wisconsin on grounds that the hospital was not needed.

Mr. Suycott said Blue Cross changed its mind after consultation with Stanley C. DuRose Jr., state insurance commissioner. Both said they were afraid that denial of payments could force the hospital out of business. ■

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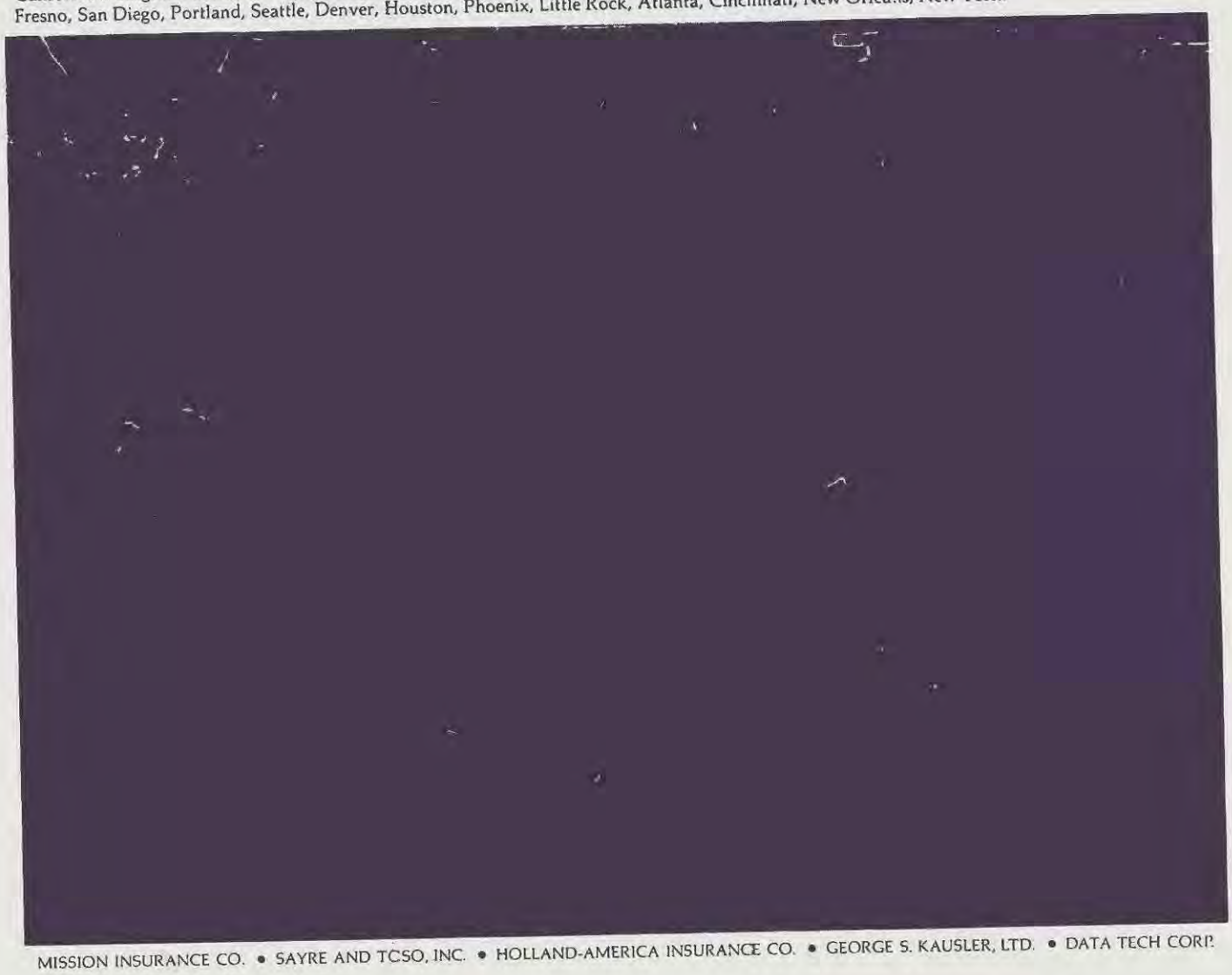

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Government aiming for yearend passage

Bermuda legislation may raise minimum funding for captives

HAMILTON, BERMUDA—The government here is still considering passage of legislation regulating the minimum capitalization of captive insurance companies.

But, as far as anyone knows, the bill is in committee and has not been drafted in final form, and probably won't be passed before the end of 1974. And even when it does, it likely won't affect the operations of captives here in any substantial way, experts predict.

Chester Butterfield, an attorney and partner in Conyers, Dill & Pearman, believes any insurance legislation forthcoming will be "split," with one set of provisions for carriers dealing only outside Bermuda, and another set regulating carriers doing business with the local public.

"THE ONLY THING I can think of offhand which will apply to captives of U.S. firms is that the $120,000 capitalization be fully paid at the time of applications for registration. But the government already insists on this anyway," Mr. Butterfield said.

There's been "no intimation," in Mr. Butterfield's view, that this minimum capitalization will be raised. "The government is still accepting applications for registration under the $120,000 rule," he added.

Some observers expect, however, that new minimum capitalization laws will increase and possibly double the funding now required, raising it to as high as $240,000.

Winston Kempe, financial secretary of Bermuda, acknowledged that there is indeed insurance legislation which has been drafted and "is under consideration by various insurance groups here," according to the practice in Bermuda. He said he was not ready to disclose specific provisions of the legislation until a final bill is drafted.

"We want to insure that the insurance business here is on a solid basis. We don't want insurance companies set up in Bermuda that will fold up overnight," he explained the philosophy of the legislation.

At the moment, Bermuda's minimum capitalization requirement of $120,000 is similar to the requirement in the United Kingdom, he noted. Although he declined to comment on reports the regulated minimum capital would rise, possibly double, he conceded that the proposal has been to raise the capitial requirement.

"WE WANT something realistic, and a requirement that will be good for the insurance business," he further added, indicating that a doubling of the required capital, because it might drive insurance business out of Bermuda, is not likely.

Several "international business associations" and the Bermuda Chamber of Commerce are presently debating the provisions of the legislation, Mr. Kempe disclosed.

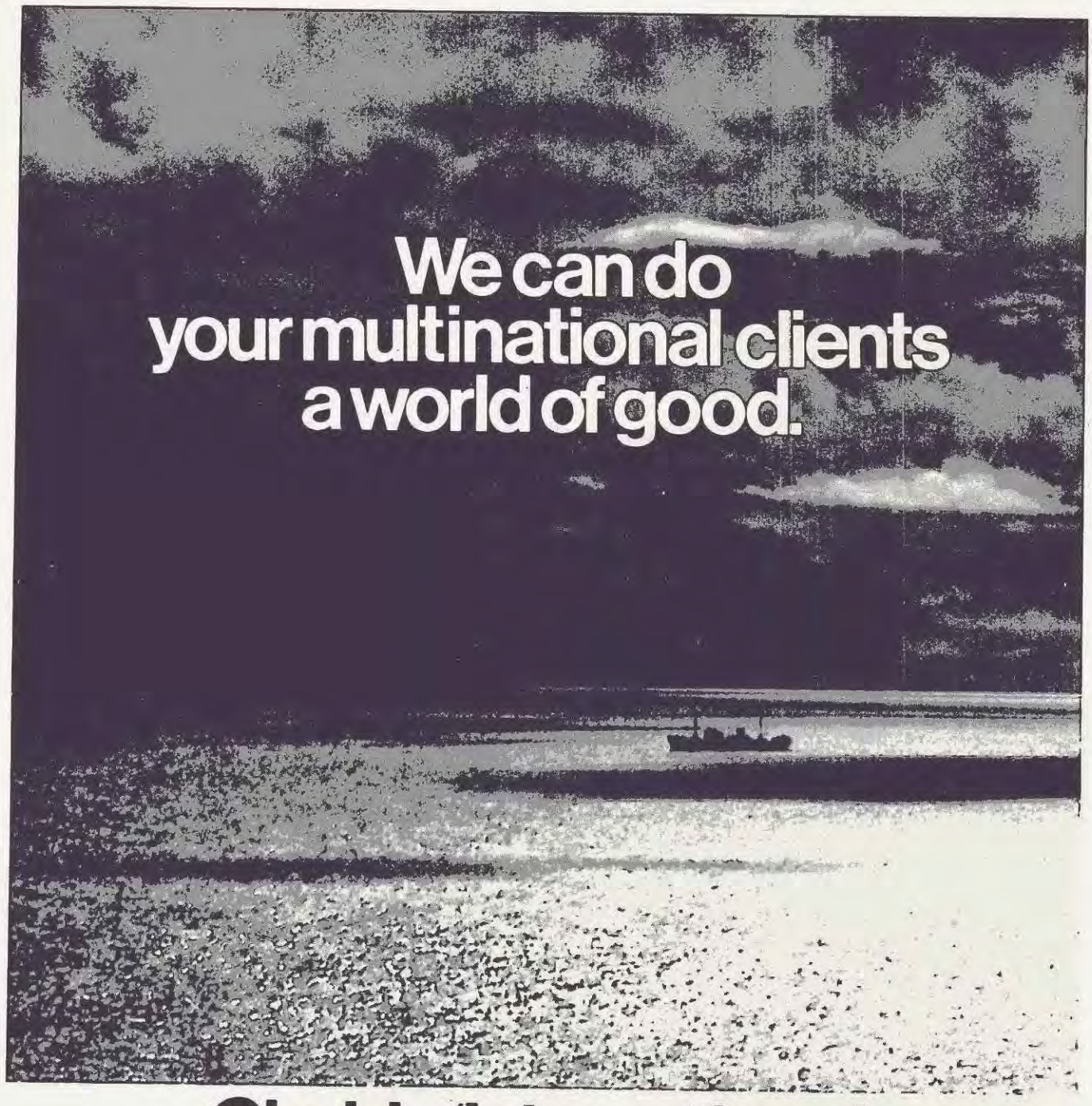
Bermuda, while it supposedly has not had any trouble in the past with insurance companies being unable to meet policyholders' claims, is concerned for the ability of locally-registered carriers to meet potential liabilities. The safeguards, some sources say, have been requested also by some underwriters themselves, lest fly-by-night captives give the entire industry a bad name and cause a worldwide regulatory backlash.

It is reasonable to assume that there will be some kind of insurance legislation before the end of 1974, Mr. Kempe also said.

ONCE THE DEBATE has ended over a final draft, the bill has to go through the House of Assembly and through the Legislative Council, which should take about two months once the bill in its revised form is reported out.

One change Mr. Kempe said is likely to be legislated is that the minimum capitalization be "fully paid up," a rule that is already being enforced when applications are received although it is not law.

Mr. Kempe said that John Codrington, who is taking over as financial secretary May 1, will be in charge of the legislation. ■



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Railroad settles for $200,000

LOS ANGELES, CA.—Union Pacific Railroad employe Lynn F. Guy, who turned down a $700,000 settlement offer after he lost his legs in a train accident, was awarded $200,000 by a superior court jury.

A verdict of more than $1 million had been expected.

Mr. Guy's attorney, Heber Teerlink, indicated the decision will be appealed. He confirmed the railroad privately offered $700,000 to settle the negligence case. Mr. Guy's civil suit sought more than $2 million in damages.

The accident occurred March 11, 1971, near Baker, Ore., as Mr. Guy, then 18, was walking the track checking for loose spikes and damaged rails. It was his second day on the job which he had taken to earn money for college.

WHEN A TRAIN approached, Mr. Guy said his partner screamed "hot rail." Mr. Guy claimed he tried to jump clear but the train ran over him, mangling his legs. One leg was later amputated above the knee and the other below.

His attorneys said the railroad was negligent because it failed to teach the new employe any safety rules, and had him walking the track on Thursday despite the fact engineers normally expected men on the track on Fridays. They claimed the engineer failed to sound a whistle and that the train could not be heard in the rainy, windy weather.

The railroad countered that Mr. Guy had tried to board the train and his negligent action caused him to fall under the wheels. Railroad attorneys presented a statement by Mr. Guy's onetime bartender girlfriend that said Mr. Guy had told her he tried to "hop" the train. She later refuted the statement.

The charge of contributory negligence and acknowledgement that Mr. Guy can earn a living reportedly influenced the jury in arriving at the verdict. ■

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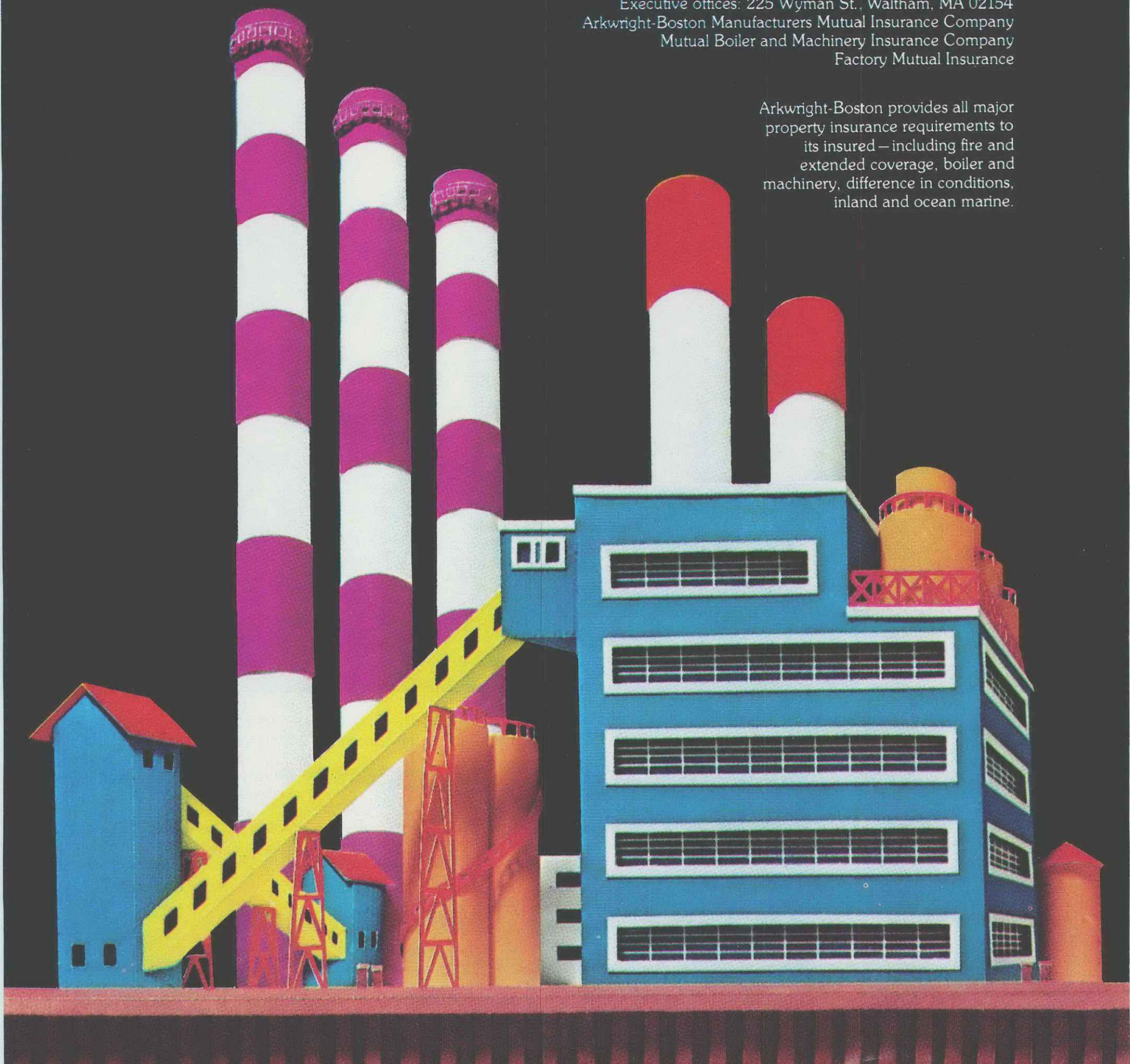

'High deductibles best way to go': Managers at firms with big cash flow

LOS ANGELES—High deductibles in the property and casualty area are the only way to go, providing a company is large, harbors a strong cash flow and possesses the ability to absorb losses without a whimper.

That's the consensus of a survey of risk managers belonging to the southern California chapter of ASIM. While almost all of those speaking for companies fitting this description said they approve of the idea of building a cash flow with high deductibles in the primary layers of the p/c area, some expressed measured skepticism about the same principle's being applied to their group health plans.

Indeed, a spokesman for a service administrator gave short shrift to the notion of self-insuring group health plans. The reason, he said, is that up to 90% of the premium dollar is consumed in covering direct losses.

SAID A RISK manager for a local government unit: "The complexities of inter-personal relationships between doctors and employes makes me wonder about the advantages of any form of self-insurance in health and medical plans.

"If companies do attempt to self insure health benefits, I would advise them to hire a claims administrator. Otherwise, they could splurge a heck of a lot of money on claims handling."

As it would happen, risk managers for two different firms told *Business Insurance* that this is exactly the route they chose for their firms. Both said they have relied on administrative services-only programs in the health area for two years.

Agreeing that group health premiums, like all medical costs, have been galloping in recent years, one of these spokesmen said it was precisely when his company's carrier decided two years ago to hike premiums that his corporation resolved to go the ASO route.

The other risk manager said that his firm's ASO program enfolds the second as well as the first layer of risk.

SELF-INSURANCE or self-retention in the catrastrophic excess layers was a murky subject to most of the risk managers in the survey, including an oil company spokesman. Yet one risk manager did point out that he had heard of directors' and officers' liability coverage being covered in the second layer on a participatory basis—that is, with the insured company assuming 10 to 20% of the second layer, usually on top of maintaining a high deductible in the first layer.

His company, he added, will have no part of such coverage. Despite the fact that it is publicly held, he said his firm investigated D&O insurance and decided that it was not worth the cost.

It was pointed out by another risk manager that on occasion a company can be compelled to retain an excess layer if it cannot find a carrier that will provide the coverage it requires. However, whether a corporation will self-assume in such a case, it was said, hinges on a spectrum of complex factors.

"We had to take over responsibility for a couple of excess layers or portions of layers when the carrier who was supposed to provide this coverage backed out," said a risk manager for a multinational corporation. "When the original carrier withdrew, a gap of $1 million to $2 million was opened up. Our company had to step in."

Along the same lines, a giant utility company's risk manager speculated that if in 1977 the bill which directs that the Atomic

ASIM/TORONTO

Energy Commission supply coverage for the excess layers of nuclear liability insurance for nuclear generators is phased out, then the utilities themselves may have to fill the gap.

"WHAT WOULD happen is that the utilities would have to pick up any loss in excess of the $100 million coverage provided by the federal pool of 49 private carriers," he said.

"By that time, of course, there will be many more nuclear plants on line. At present there are merely 30."

While most risk managers were in favor of higher deductibles in the primary layer of property and casualty coverage, a spokesman for a regional bank did argue a presentable case against them.

"The point is," he said, "how do you determine how much loss you can absorb without disturbing your company's capital structure?"

Noting that his firm is relatively small, he said that in his case he is happy with lower deductibles in the property area because "about all we cover are building contents.

"Consequently, high deductibles would be stupid."

As for the buildings themselves, most of them are leased, he said.

"At one time, we did accept a $500,000 deductible in bankers blanket bond," he added. "But that was because we had had a tremendous loss and, frankly, we had trouble getting any coverage at all."

THAT WAS SOME time ago. At present, he said that his BBB policy carries a more moderate $250,000 deductible, "which is on the low side for a bank of our size."

This risk manager was nearly alone in his praise of lower deductibles, though. More typical was the risk manager for a government unit who said that even in government higher deductibles are being regarded favorably.

"We plan to move into higher deductibles in the areas of automobile and general liability, property and medical malpractice," he pointed out.

"TO BE SURE, we have been self-insured in workmen's compensation for a long time," he added, agreeing with the view that this area is especially suited for self-insurance because of its high number of predictable small losses.

A risk manager for a conglomerate said that outside of employe benefits he thinks high deductibles are a "good idea per se."

"We figure that over a three to four year period we will spend less money paying for our own losses than we would pay out in

Continued on page 69

It's still not easy to forget 1949. 42,375 healthy young Americans were struck down by "infantile paralysis."

In 1949 a polio vaccine was only a dream.

The polio epidemic had begun its first year of inconceivable virulence. By the end of 1952, 118,979 more people, mostly children, would become polio statistics. At that time, the Sister Kenny method of therapy was helping to restore mobility to the suffering. Participating mothers of the March of Dimes were collecting money for research and a cure that was 6 years away.

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Deductibles . .

Continued from page 68

premiums," he elaborated.

Still there can be problems for the unwary, he conceded. Probably the major one, he said, is the possibility that a risk manager will leap to the conclusion that he "can save up to 50% on premiums without examining the loss possibilities."

He said his company maintains a substantial self-insurance program in the property-casualty area, administered by the ESIS division of INA.

NOTING THAT what is conceived of as a high deductible varies from industry to industry, another risk manager pointed out that his firm five years ago raised its deductibles in the property and casualty area to $50,000.

"This move was regarded as outrageous by many of our competitors," explained the risk manager who works for a mining company. "But we're comfortable with that figure and we intend to stick with it."

The ultimate compliment bestowed on high deductibles, however, was voiced by the risk manager for a multinational firm that maintains $5,000 deductibles for all risks and $25,000 figures for floods.

Acknowledging that the only time his engineering company insures buildings is during the construction stage, when it sometimes takes first dollar builder's all-risk policies, this spokesman said that he fears he will not be able to afford such coverage in the future.

"I doubt that we can hold the line next year," he asserted, because the surcharge on low deductibles is growing insupportable.

"That's why in the future my objective will be to insure for catastrophic loss only." ■

Cash flow plans spark interest of risk men

CHICAGO—The rapid rate of inflation and a growing sophistication among risk managers are steering more companies toward cash flow insurance plans, according to observers interviewed recently by *Business Insurance*.

The number of ways a company can keep money in its own coffers is almost limitless. But all cash flow plans have one idea in common—the longer funds tagged for insurance can be retained, the better.

"A lot of companies are pretty interested now, what with the high cost of money today," said Arthur M. Clark, a consultant at Wyatt Co. in New York. "Due to the outlook for inflation and the higher borrowing costs, more companies are going to consider this than ever before."

A substantial number of companies are using or exploring self-insurance, he added. "If you get big enough you can hire your own specialist to handle your claims. Then there's no sense buying coverage on the outside when you can use your own people, because the employe is going to do better for you. He's motivated to save money because you're his boss."

BESIDES SELF-INSURANCE, a number of companies are using higher deductibles. Mr. Clark called it "a way of enhancing cash flow," because money reserved to pay claims is kept in use until needed to cover a loss.

"Smaller companies have a problem," he added, "in that they often can't have a spread of risk. They have to buy insurance over a real low deductible."

Many of the larger insurance companies are recognizing their clients' desires to start cash flow plans and some of them are offering retrospective or "retro" programs, Mr. Clark explained. Among the carriers working with cash flow plans are Hartford, INA, Kemper, Aetna Life & Casualty and Firemen's Fund.

"THE PROGRAMS that are basically offered by insurance companies are services like claims handling and loss prevention," Mr. Clark noted. "For this they charge a flat fee for administration of the program. An average monthly paid claims figure is calculated. The carrier would then require a deposit equal to about two months' worth of claims put into an account."

As each month's claims were tallied, he continued, the company would put that amount into the account. The carrier, meanwhile, would withdraw whatever was needed to pay processed claims. Interest gained by the balance in the account would be kept by the insured, and could be plowed back into the company.

Another way of using the retrospective plan is by calculating paid claims instead of incurred claims. Especially in large suits where the litigation could last from five to eight years, many companies have found it wise to keep and use money ultimately budgeted for paying the settlement.

Mr. Clark noted that some companies have found ways to cut back their property coverage in the most rudimentary kind of cash flow scheme, where premium dollars are simply not spent. One popular move is the elimination of collision or comprehensive insurance on older fleet vehicles. If they are more than six years old, Mr. Clark said, vehicles are not usually worth the coverage.

BECAUSE CARRIERS are forced to work increasingly as insurance administrators and less as insurers, "some carriers to a degree fear this will put them out of business," he commented. "But that's kind of short-sighted. Some are thinking now that a little bit of the cake is better than none."

Marsh & McLennan's Jack Crosby in New York said cash flow plans should not be considered a risk manager's panacea.

"I'm not willing to come out and say this is the answer to everybody's insurance requirement. There are any number of available means for taking care of risk as a payment and I don't think there's any one plan you can just take off the shelf. It has to be individually designed to meet the needs of both the insured and the insurer."

Captives are another way a company can regain its insurance premiums in a circuitous manner, he added. "Reinsurance back in the captives is a cash flow plan."

United Air Line's risk manager Waller Smith said that the principle of cash flow "should be one of the primary tools of our trade."

"Very often, an insurance company won't earn the most for you," he explained. And the funds a company "expenses" each year for paying claims should be earning the most money possible, whether it's held in the cash flow for a week or a month.

"There are so many ways of killing a cat," he noted. "When a loss occurs why even take the money from an insurance carrier when you can take it from somewhere else?" ■

There was one company that had the perseverance to stand up to the harsh reality of a possible persistent crisis. Continental Casualty Company, a member of CNA/insurance.

In June of 1949, one month before the epidemic would begin to take on drastic momentum, Continental Casualty first announced its famous "polio policy." A policy that provided comprehensive coverage for children from three months to 19 years and their parents too. Hours before the offices were opened, thousands of people were lined up. Policemen had to be used to keep the waiting crowds organized. Mountains of applications were accepted at a furious rate.

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Metropolitan study shows men who are top executives live longer

NEW YORK—Top executives in large corporations tend to live longer than the white male population in general, according to a recent study based on actuarial tables compiled by Metropolitan Life Insurance Co.

Corporate heads tend to die at a rate 37% slower than average, the study revealed, suggesting that longevity might be an intangible benefit enjoyed by employes on the highest rung of the business ladder.

The exact causes for this longevity record have not been determined, said Mrs. Bianca Cody, senior statistics analyst at Metropolitan. The study does not reveal how causes of death differ between the top executives and general employes, nor does the study say how corporate ranking affects blacks or women, because only white males were studied. But the long life expectancy is probably due more to an individual's reaction to stress than anything else.

"THIS FAVORABLE longevity is believed to reflect in large measure the physical and emotional fitness of business executives for positions of responsibility," the study reported.

"Many of those people who attain high status can cope with and even thrive on stressful situations by harnessing tensions for productive use. In addition the greater sharing of responsibilities in the corporate structure of large industries probably decreases effects of stress.

"It may well be that work satisfaction, together with public recognition of accomplishments, is an important determinant of health and longevity."

Mrs. Cody noted that the survey did not determine whether top executives had more or less daily stress than their business underlings.

The subjects of this study were 1,078 board chairmen, company presidents and executive vice presidents from Fortune 500's largest industrial companies. The study lasted from 1957 to 1972.

During those 15 years the business leaders' longevity for ages 45 to 54 was the least of all age groups, only 24% dying later than normal. Between 55 and 64 the executives expired 36% slower than the average rate. For ages 65 to 74 and from 85 years and up, the executives died 41% slower than normal. Between 75 and 84, the top executives were 33% behind in mortality rates.

THIS STUDY supports the findings of two other surveys taken earlier, Mrs. Cody said. One showed that business managers, officials and proprietors had a mortality rate about 10% below the average of the general population. The other study, done by Metropolitan in 1950-51, showed that business executives listed in Who's Who tended to die later than average.

Mrs. Cody explained that the most recent survey combined with earlier findings suggests that the higher an executive is in the business world, the more likely he is to surpass the average age expectancy.

According to another Metropolitan source, the new study will not affect life insurance or key man coverage rates because "this is something that's been known by the actuaries for a long time." ■

Malpractice suits worse for hospitals

CHICAGO—Most medical malpractice suits stem from injuries suffered in hospitals, and 15% of the hospitals receive more than one-half of the claims, according to a study by the St. Paul Cos.

Surgical procedures account for more than half of the malpractice claims, the study adds. Physicians practicing orthopedic surgery and anesthesiology are hardest hit by malpractice suits.

Hospitals themselves have been sued for errors including:

- mismatching blood types or administering the wrong drugs;
- moving a patient improperly, resulting in injury or death;
- prematurely discharging a patient, and failing to admit a person who needs immediate medical attention;
- burning patients with hot water bottles, heat lamps and other devices;
- leaving a patient alone without safeguards and allowing him to fall from bed;
- the failure of one resident physician to notify the patient's doctor of a significant adverse change in the patient's condition.

THE REPORT NOTES that 19% of all medical malpractice injuries leave permanent effects, another 18% cause death, and the rest are temporary. But 12% cause psychological scars regardless of the physical damage's extent.

No matter how well-written a legal informed consent document may be, a suit can result if the patient claims he was not given adequate information about the proposed treatment. A patient's satisfaction with his doctor's personal communications were found to be more important than any signed document.

A suit-prone physician often takes on more work than he can adequately handle, the report concludes. This type of doctor is in trouble if he does not stop long enough to recognize his professional limitations. ■

Auto shops liable for extra tanks

SAN FRANCISCO—Auto shops which install extra gasoline tanks on passenger cars have been warned by Leonard M. Ring, president of the Assn. of Trial Lawyers, that they "carry equal liability" with vehicle owners for any injuries or damages caused by the extra gas tank.

"The family car," Mr. Ring said, "is not designed to carry an extra gasoline tank, no matter how severe the gas shortage might become. The extra tank converts an ordinary automobile into a mobile fire-bomb.

Liability would not exist on pickup trucks when the extra gas tank installation involves "accepted auto industry parts and procedures," Mr. Ring said. ■

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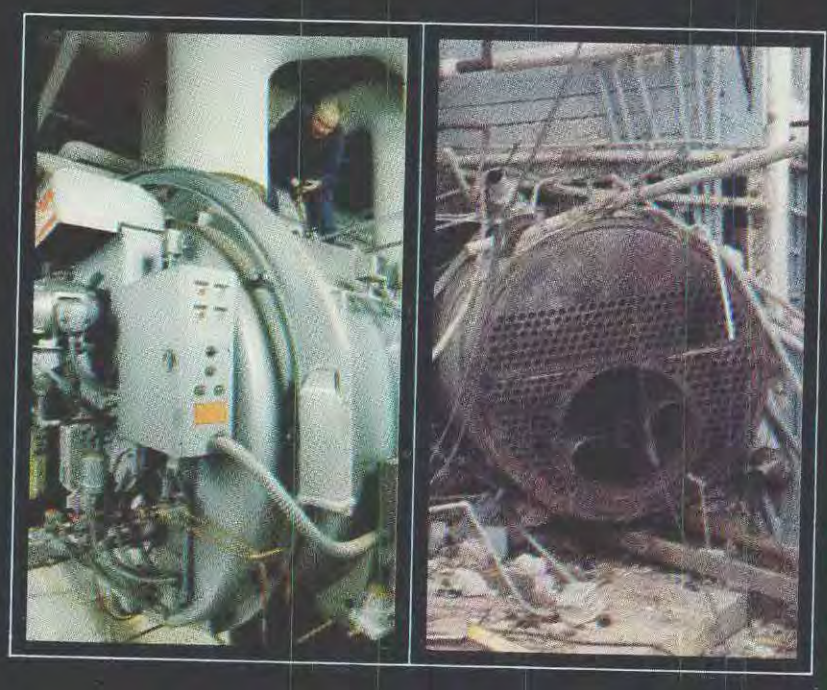

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Actuaries don't foresee NHI until 1975-76

NEW YORK—It is unlikely that a national health insurance program will be enacted by Congress before 1975 or 1976, according to predictions made at a recent Society of Actuaries regional meeting here.

The NHI program that is finally approved will more likely resemble the administration's Comprehensive Health Insurance Plan (CHIP) than the Kennedy-Griffiths bill, predicted Robert J. Meyers, professor of Actuary Science at Temple University and former chief actuary for the Social Security administration.

But quick action on any bill is unlikely because other congressional issues are more urgent, and the whole NHI subject is a complex one, Mr. Meyers added.

Speaking at a wrap-up panel discussion, the professor noted that the NHI benefits package will probably undergo numerous modifications before its final shape is evolved. But there is little doubt that employers will ultimately be required to provide the basic health insurance while the federal government aids other citizens, Mr. Meyers said.

PROFITS OF private insurers will likely be cut back and regulations will probably give the government more control, commented Wendell A. Milliman of the Seattle-based Milliman & Robertson consulting firm.

"The federal government will become much more concerned with the pricing practice, the profits and the solvency of entities providing medical expense insurance," he warned.

"Any opportunity for substantial profits to an insurance company under a universal health insurance program will, at best be short-lived. To the extent that such opportunities do exist, exploitation of them will be a modern counterpart to the fable of killing the goose that laid the golden egg."

AS A RESULT of an NHI program, insurance companies may be prodded to identify and control abuses of medical expense coverage, Mr. Milliman added.

"Insurance companies and Blue Cross-Blue Shield organizations have the mechanical capacity to readily identify statistical abnormalities which may indicate abuse. One of the substantial challenges will be how to take advantage of this capacity without getting enmeshed with functions which belong in the hands of the medical profession." ■

Liberty Life tax case to be reviewed

MADISON, WI.—The state asked for a rehearing of the National Liberty Life Insurance Co. tax case, saying the Wisconsin supreme court apparently was unaware that it relied heavily on an article written by a company officer in deciding in favor of the firm.

John Armstrong, assistant state attorney general, said in a brief for a rehearing that the article cited by the high court in its decision "can scarcely be regarded as the product of an independent, disinterested scholar."

MR. ARMSTRONG pointed out that the article was written by William A. Patty, vp and general counsel of the Valley Forge (Pa.) insurer.

The supreme court ruled Feb. 26 that National Liberty Life was not required to pay the state a 3% gross tax on premiums collected from Wisconsin residents. The high court said a state law imposing the tax on out-of-state mail order insurance firms was invalid if the firms do not maintain offices or sales agents in Wisconsin.

Stanley C. Du Rose Jr., state insurance commissioner, considers the ruling critical because it strikes down tax collections totaling $22 million year. ■

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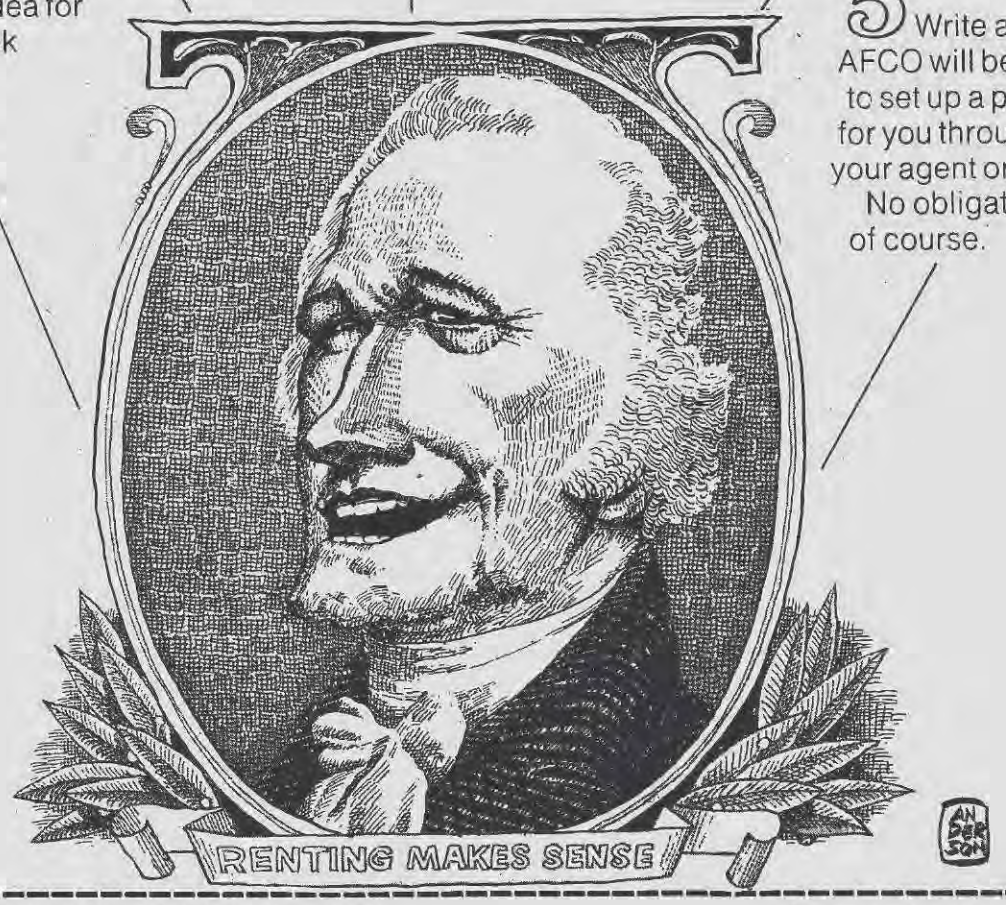

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Giles on the law

Liability against manufacturer extends to include bystanders

By JOHN W. GILES
Attorney at law

WASHINGTON—Can a bystander avail himself of strict tort liability if he is injured?

Here the action was for breach of warranty for strict liability against the manufacturer of a trailer coupler, when the trailer became uncoupled and collided with the decedent's oncoming automobile.

In sustaining liability the court said, "Perhaps the issue is best presented by the language in 2 Harper & James, The Law of Torts (1956) p. 1572 a.6, where the authors' question why bystanders and other persons who happen to be in the path of harm should be excluded from recovery on a warranty theory.

The writers state: "Such injury is often a perfectly foreseeable risk of the maker's enterprise, and the considerations for imposing such risks on the maker without regard to his fault do not stop with those who undertake to use the chattel. Such a restriction is only the distorted shadow of a vanishing privity which is itself a reflection of the habit of viewing the problem as a commercial one between traders, rather than as a part of the accident problem."

It is both reasonable and just to extend to bystanders the protection against a defective manufactured article. To restrict recovery to those who are users is unrealistic in view of the fact that bystanders have less opportunity to detect any defect than their purchasers or users. We should not and do not hesitate to extend the ambit of implied warranty to include bystanders. (*Ciampichini* v. *Ring Bros. Inc*, 1973—339 N.Y. Supp. 2nd 716.)

* * *

WAS THE DEATH in the following case caused by the negligence of the pharmacist or by the suicide of the dead man?

Sometimes it is difficult to determine this in a liability case. Here the widow sued the psychiatrist, the general practitioner, the mental health foundation and the pharmacist for the decedent's wrongful death as the result of an overdose of sleeping pills.

The supreme court of Oklahoma held that the only reasonable inference which could be drawn from the facts was that the decedent voluntarily committed suicide, that the voluntary suicide was the intervening cause which relieved the pharmacist from liability for refilling "non-refillable prescription", that the mental health foundation, at which decedent was an outpatient, did not fail to use reasonable care under the circumstances to prevent harm to the decedent and that the psychiatrist and the general practitioner were not negligent in allowing the decedent to possess large quantities of sleeping pills. (*Runyon* v. *Reed*—510 Pac. 2nd 943.)

* * *

IT LOOKS AS IF sovereign immunity is getting less and less sovereign.

Louisiana has now joined the procession of states which have abrogated the doctrine of sovereign immunity. While the supreme court of Louisiana recognized that the doctrine is derived from jurisprudence, rather than from the constitution, the court has expressed the belief that the doctrine is unfair and tends towards governmental irresponsibility. Furthermore, the doctrine is an unnecessary exception to the policy of the state. (*Board of Commissioners of the Port of New Orleans* v. *Splendour Shipping and Enterprising Co.*—273 So. 2nd 191.)

* * *

IN THE FOLLOWING rather bizarre case an amputee sought to recover from a hospital, claiming that because of his great fear of fire, he suffered mental anguish when informed, four weeks after his leg was amputated, that the hospital had cremated his leg?

The Kentucky court of appeals denied recovery. The court observed that when one consents to and authorizes an operation while a patient in a hospital, he thereby accepts all the rules, regulations and the modus operandi of that hospital. A patient can, of course, by specific reservation, demand, or by objection avoid, this implied acceptance of the hospital's normal procedures.

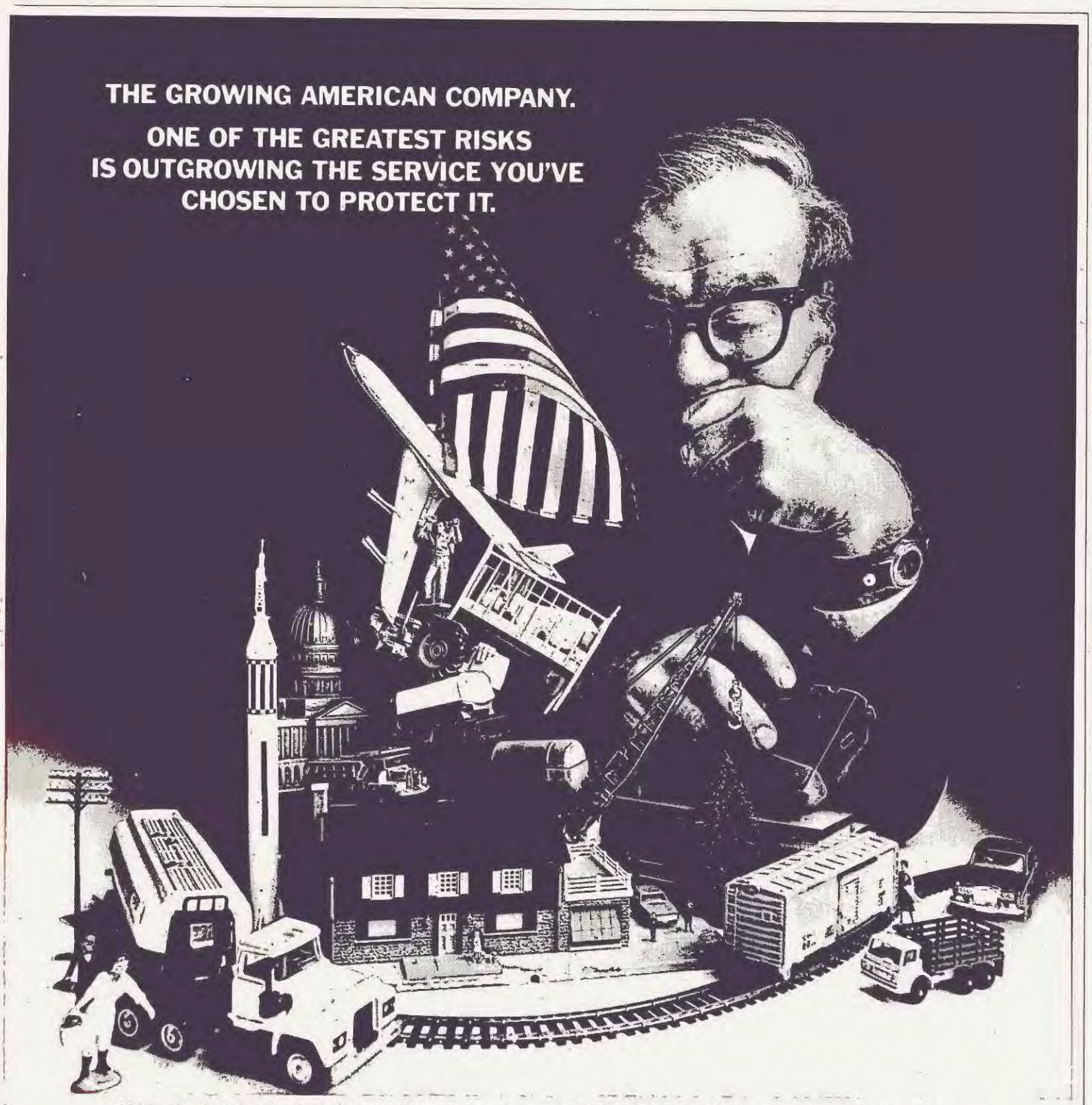
The patient, in this case, did not take such action. Here, after the operation was completed, the surgeon delivered the leg to the hospital. The leg was then examined to determine if the original diagnosis was correct, and if anything was overlooked. It was only after the normal post-operative procedures were met, that the dismembered leg was disposed of by cremation. Four weeks after the operation, the patient inquired about the disposition of his leg. He cannot now condemn the hospital for his own negligence. A hospital cannot be expected to retain an amputated extremity indefinitely. (*Browning* v. *Norton*—Children's Hospital, 1/8/74—Ky. Ct. of Appeals.)

* * *

RHODE ISLAND now says that in a tort action for negligence a manufacturer or supplier, whether or not privity exists is of no moment.

A church filed suit against a builder, architects and brick manufacturer to recover the cost of repairing the church's exterior bricks which was beginning to "spall". "Spall" means breaking off, chipping or flaking. The architects filed a third party complaint against the manufacturer.

The lower court granted the motion of the manufacturer on the ground that there was no privity of contract between the parties. The supreme court of Rhode Island reversed and said that in a tort action for negligence against a manufacturer or supplier, whether or not privity exists is of no moment; in such circumstances, liability or nonliability can be determined by the application of the usual principles of tort law regardless of the lack of a contractual relationship between the parties or whether damages are sought for injuries to persons or property. The court cited a long list of authorities from other states to support its view. (*Temple Sinai-Sunburn Reform Temple* v. *Richmond*, 1973—308 At. 2nd 508.) ■



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BART's decision to drop E&O is called 'violation of taxpayer trust'

SAN FRANCISCO—Charges by California state senator Alfred A. Alquist that the Bay Area Rapid Transit District "exposed taxpayers to millions of dollars potential losses" by dropping a $30 million insurance policy on errors and omissions in design and construction have been described here by BART spokesmen as "based on either lack of knowledge or lack of information."

Sen. Alquist is chairman of the senate public utilities and corporations committee which has been critical of BART's operating deficiencies.

"Permitting this policy to expire," Mr. Alquist said, "is an insult to sound fiscal management and a violation of the taxpayers' trust."

The errors and omissions policy to which he referred was part of the "wrap-up" insurance program put together by Leland J. Hoagland, as partner and insurance director of Transit Insurance Administrators, before the start of construction of the $1.5 billion 75 mile BART system to link Alameda, Contra Costa and San Francisco counties.

THE "WRAP—UP" insurance program was ended the first of this year when BART shifted to in-house insurance controls with Mr. Hoagland as manager of its insurance and safety program.

"The over-all program was brought to an end," Mr. Hoagland explained, "in order to save taxpayers the high premium cost for insurance covering hazards that had substantially dwindled away as the design and construction work came to an end."

The only construction work remaining, Mr. Hoagland pointed out, is in completion of San Francisco's Market street subway portion of BART. At least 66 of the 75 miles of BART track are now in use and the system carries in excess of 70,000 passengers a day.

"All of the future construction work required to complete less than 10% of the system," Mr. Hoagland explained, "will be handled in the conventional insurance manner, with contractors required to provide their own insurance protection programs."

The current furor arose when Sen. Alquist posed a series of questions to BART general manager B. R. Stokes, who told the senator "the district's errors and omissions policy, for a $30 million liability, less $250,000 deductible, was placed in effect Aug. 1, 1964 and expired Dec. 31, 1973.

"THE TOTAL PREMIUM paid during that period for such coverage was $625,278," Mr. Stokes wrote to Sen. Alquist. "Of this, 80% was paid by the engineering and design consultants, Parsons-Brinckerhoff-Tudor-Bechtel."

The original wrap-up policy, involving a combine of some 46 insurance carriers, was originally for seven years but renewals gave it a life of nine years and five months. No claims have been made by BART against PBTB under the policy, on which the design-engineering firm had paid premiums slightly in excess of $500,000.

San Francisco supervisor Quentin Kopp, who represents his city on the BART board of directors, seemed to agree with Sen. Alquist, asserting "I would like to have coverage now. There may be errors not ascertainable during the one year grace period of the expired policy."

BART spokesmen as well as insurance industry executives here agreed that "Senator Alquist and Supervisor Kopp reveal their unfamiliarity with the way insurance policies work. In actuality, BART saved a considerable sum of money by refusing to continue to pay out huge premiums for insurance against minimal exposures."

BART still has the right to file errors and omissions claims against PBTB through 1976 and, it was pointed out, any taxpayer claim in this area of coverage would not be against Bart but would have to be filed against the designers and engineers or the contractors who built the system.

Sen Alquist, in his complaint, contended that BART should have filed such an errors and omissions claim when it became necessary to spend $183,500 to rebuild train stations said to have been improperly designed for the provision of space for toll gates.

THIS WAS a sum well below the $250,000 deductible and therefore had to come from BART's self-insurance funds, however.

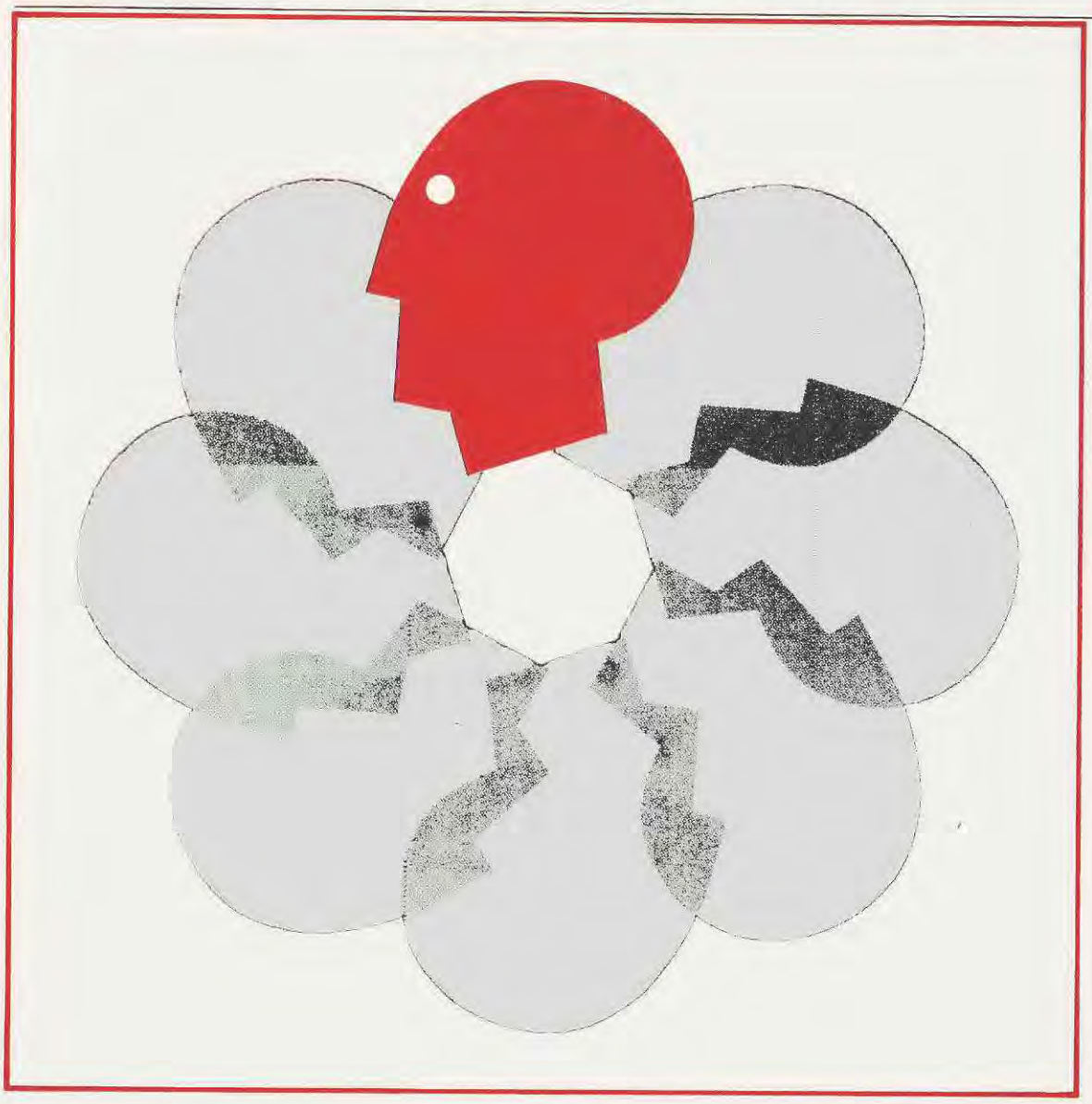
BART directors have firmly refused to approve the filing of lawsuits or claims against any of the contractors until all work on the system has been completed.

BART has asked all the contractors to agree to waivers of the statute of limitations so that such suits could be filed at some future date, if necessary.

The sole exception to this board of directors reluctance to take legal action was a recent BART vote to sue Rohr Industries Inc. of Southern California because of alleged "poor performance" of the $150 million fleet of trains that firm manufactured. ■

Agency acquisition

Tanenbaum-Harber Co. Inc., insurance broker based in New York, acquired Freeman Brokerage Corp., L. D. Landau Co. Inc., Thompson Brokerage Co. Inc. and Hirsh & Freeman Inc., all of which are being merged into Tanenbaum-Harber.



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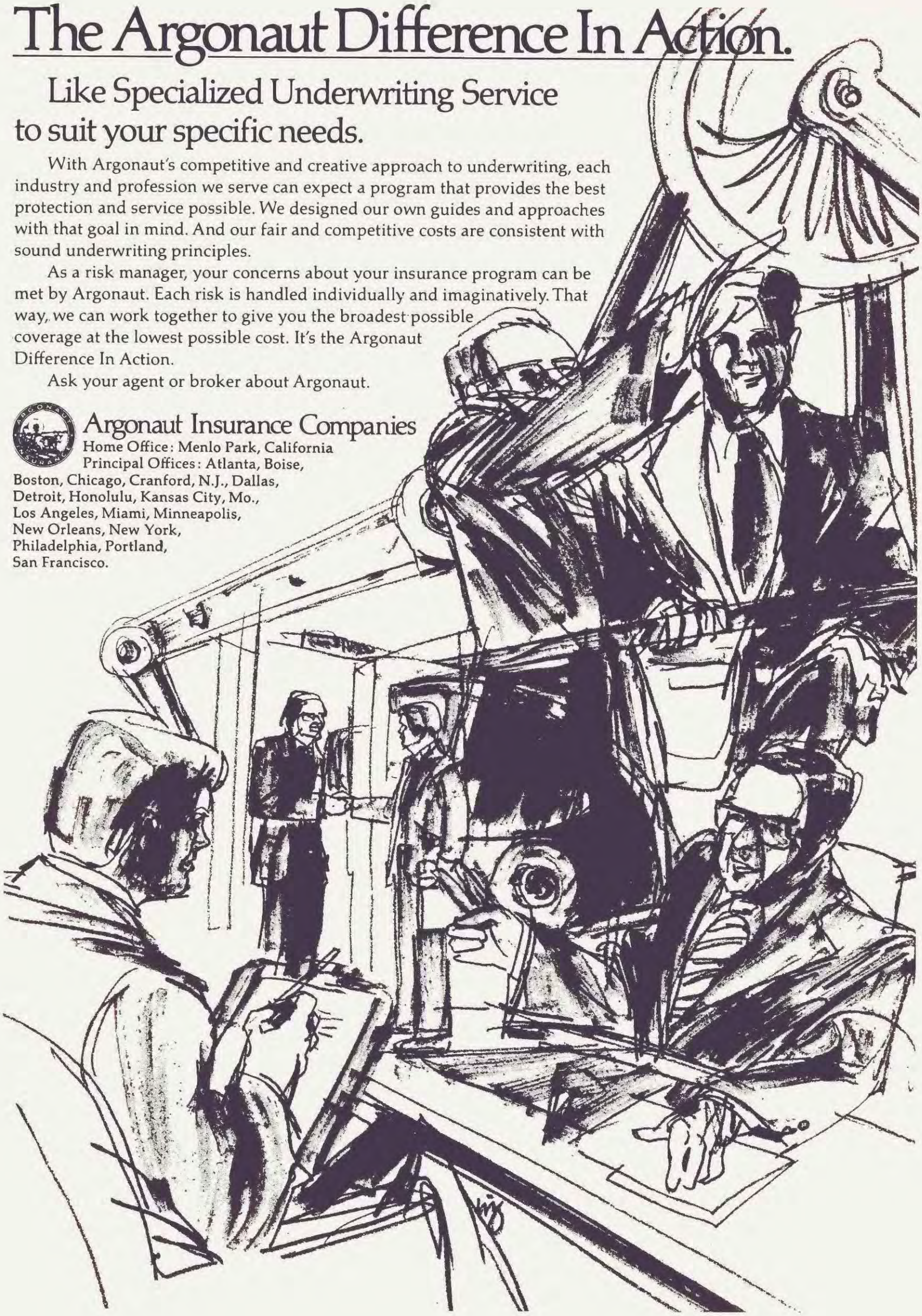

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business insurance PERSPECTIVE

By ROBERT E. ABRAHAMSON
Corporate insurance manager
Control Data Corp.
Minneapolis

ASIM international efforts help risk managers to make choices

"Today ASIM has over 2,200 members (both in the United States and Canada) and on the basis of this strong membership, controls in excess of $9 billion in commercial and industrial insurance premiums."

THE AMERICAN SOCIETY of Insurance Management-ASIM was twenty-three years old last November. Initially it was known as the National Insurance Buyers Assn. and was the outgrowth of the Risk Research Institute (now the New York Chapter and ASIM's largest), formed in 1935. NIBA became ASIM in 1955.

Today ASIM has over 2,200 members (both in the United States and Canada) and on the basis of this strong membership, controls in excess of $9 billion in commercial and industrial insurance premiums.

An active operating committee of ASIM that devotes its time exclusively to risk management and related activities in other countries is the International Cooperative Committee. It is composed of corporate risk managers from multinational firms that have some knowledge and interest in risk management problems of other countries.

THE ACTUAL WORK of the committee is directed towards the establishment of meaningful liaison and cooperation with risk manager associations and with individuals in foreign countries who are interested in the risk management concept. In their travels outside of the United States, International Cooperative Committee members come in personal contact with risk manager organizations, individual risk managers, brokers and insurers, and educators. Once contacts are made, they often develop into a meaningful exchange of information and ideas which ultimately benefits the parties involved.

An underlying responsibility of the International Cooperative Committee is work involving the actual development of risk manager organizations in countries where none now exists. This would involve initially creating an awareness of the existence of ASIM, its aim, goals and objectives with our professional peers in other countries. Once there has been an expression of interest, there would be encouragement directed towards the actual development and formal establishment of a risk/insurance manager association.

In discussions with risk managers in those countries where there are not a sufficient number of large firms to merit the establishment of an organization, an International Cooperative Committee member may suggest an affiliation with the American Society of Insurance Management whereby participants can attend and participate in ASIM's annual risk management conference as non-members.

Another underlying responsibility of the International Cooperative Committee is that of serving as a global coordinating force within the growing number of risk management organizations that have already been established throughout the world. Records indicate they now exist in the United States, Canada, Mexico, England, France, Germany, Switzerland, Italy, the Netherlands, and Australia.

THE PREMIER INSURANCE consumer oriented association to be established was West Germany's Deutscher Versicherungs-Schutzverband E.V. (DVS), which in English translates to German Insurance Protection Assn. It was formed in 1901 as a counter-balance to a syndicate (Assn. of Private Fire Insurance Cos.) which had previously ruled fire insurance unopposed in Germany. Although DVS's objective is the protection of the interests of the insurance consumer in industry and commerce, unlike ASIM, it is composed of industrial associations and chambers of commerce, as well as individual firms. Like ASIM, DVS's work is financed from membership fees alone without any support from insurance companies.

In addition to its work in the various areas of casualty and property insurance coverages, the insurance policy terms and conditions, rate making, etc., DVS provides a valuable consulting service to its members. Since insurance brokers are a relatively small factor in Germany (most assureds work directly with insurers) the consulting role of DVS is an important one.

In the 72 years of its existence DVS has continued to receive the respect of its members because of its achievements and, ultimately, because of the advantages it has gained for them.

It is without question an influential organization and one that devotes its activities to the exclusive interests of its members. Over the years it has gained the recognition of certain governmental bodies, in a tightly controlled West German insurance market, as the representative of the consumer.

In part because of the proximity of the United States to Mexico, ASIM's affiliation with the relatively newly formed Asociacion Mexicana de Administradores de Riesgos, A.C. (AMARAC) should become a close one. ASIM members have had a number of meetings with the Assn. of Mexican Risk Administrators and in April of 1973 participated in a well-attended and highly successful seminar with them in Mexico City.

This was the first risk management seminar ever held in Mexico. More recently another all-Mexican and equally successful seminar sponsored by AMARAC was held in September 1973.

THE MAJOR INSURANCE brokers in Mexico City headed by Phillips & Asociados, a Johnson & Higgins affiliate, have all pledged their support on behalf of AMARAC.

The initial opposition to the formation of a Mexican risk manager organization by the Asociacion Mexicana de Instituciones de Seguros (Assn. of Mexican Insurance Institutions) and some of their member insurance companies has been overcome, and AMARAC has been accepted into the professional climate of the business community in Mexico. Its astute leaders and dedicated members make AMARAC a potentially influential force within the realm of risk management and insurance circles in Mexico.

The latest professional risk management organization to be established is the Swiss Assn. of Risk and Insurance Managers (IRM) which was formally constituted

Continued on following page

Good loss prevention requires knowledge of hazards, control

"Suppose (your company) does not have a loss prevention manager? . . . Suppose you find that, either by design or default, you are holding the loss prevention baby, what does this mean? What must you do?"

BY BION H. FRANCIS
insurance consultant
Milford, Ct.

IF YOUR COMPANY is big enough to have an insurance manager, it is probably big enough to have a loss prevention manager. But suppose it does not have a loss prevention manager? You may find the job in your lap if only because somebody in your company must answer the letters from the insurance companies transmitting inspection reports and safety recommendations. Suppose you find that, either by design or default, you are holding the loss prevention baby, what does this mean? What must you do?

Your first step might be to visit your local fire department. Is its equipment compatible with yours? There have been losses resulting from the fact that fire department hoses could not be attached to plant hydrants.

Do you have special hazards which your local fire department should know about? If your local fire department is a volunteer fire department, do you encourage your employes to support it? Should you support it?

You may find that your local fire department is inspecting your plant regularly. Does the fire department have recommendations?

Fire is not the only hazard you have to deal with. How about your plant equipment? Do your ladders have defective rungs? Do your chains have weak links? Some of this may seem obvious, but many insurance managers know only too well how serious an accident can result from a bad ladder. Even one fall from a ladder is too many.

TO HELP IN SELECTING a ladder to meet your needs, the ladder industry has adopted a standard color coding on brand labels. Red, blue and yellow coding indicate ladders intended for light medium, and heavy duty respectively.

Do you deal with dangerous materials? Should your employes have protective equipment? What kinds? Should they have safety glasses, helmets, gloves, safety shoes, ear plugs, metallic outerwear? There can be important differences in this equipment. What kind should your employes have? Will they actually use this equipment? How can you encourage them to use it?

Continued on following page

business insurance

PERSPECTIVE

International...

Continued from preceding page
in Berne, Switzerland in October of 1973. Here, the leading Swiss insurance broker, East-West International of Geneva (a Marsh and McLennan affiliate) played an instrumental role in the formation of IRM, together with the astute risk manager of Hoffman LaRoche, one of the world's largest pharmaceutical companies.

JUST AS IN MEXICO, there was quiet opposition from some of the leading Swiss insurance companies. They felt that the proposed association could conceivably force them into a more consumer-oriented attitude, particularly in the field of property insurance where some of their largest assureds had for some time requested the introduction of high deductibles. The Swiss Fire Insurance Assn., however, with its quasi-monopoly had in the past successfully resisted any individual approach by a customer in that direction. The insurers seemed to fear for their unique position in Switzerland where there are tariff associations in practically all lines of insurance; therefore, no price competition, no new coverage developments and a general resistance to change.

As in Germany and Austria, the majority of the insurance contracted for in Switzerland is done so on a direct basis with the insurance company. The insurance broker is a minority group in the country, so unlike the United States, for example, the large Swiss assured has not had the support of the large volume of business of brokers and also their professional associations, and the influence they wield in respect of their corporate clients.

The new Swiss Assn. of Insurance and Risk Managers will become an extremely valuable vehicle in helping to represent and further the interests of industry and commerce in Switzerland. This is manifested by the fact that they don't have a broker (or consultant) contingent to lean on for support. Ultimately this means that IRM by sheer virtue of its exclusivity, will become the dominant insurance-oriented force in Switzerland to further the cause of risk management practices and principles there.

A little-known group of risk managers in Europe is one domiciled in the Netherlands. This organization is known as Assurantie-Overlegorgaan Grootonderremingen (A.O.G.) and translated, this means Insurance Discussion Group—Big Enterprises. AOG was formed in 1970 by a select group of large Dutch firms that have full-time insurance managers. Until the actual formation of AOG a small group of Dutch risk managers had been meeting periodically in order to establish a free exchange of ideas on topics of mutual interest to large insurance buyers, such as tariffication, foreign markets the function of insurance brokers, etc.

I WAS FIRST made aware of the existence of AOG by the brokerage firm of Bekouw-Mendes in Amsterdam, the Alexander & Alexander affiliate in Holland. In my initial contact with AOG I found out that the impetus for their formation was the development of the Common Market in Europe. They were distressed with information that led them to believe that there was the possibility of a common insurance market being formed in Europe. Their principal objection was that the only discussion of such a market was that between the European Commission in Brussels and the representatives of European insurance companies. In a meeting that I had in Amsterdam this past September with AOG, one of their members said that "we were and still are of the opinion that such a discussion has also to be taken place with the insurance buyers and especially the big buyers such as we are." They have since been accepted as partners in the discussions being held in Brussels.

AOG has established contact with some of the other risk/insurance manager organizations in Europe and the United Kingdom which will mean further involvement by more risk manager groups in the common insurance market discussions. Its formation could conceivably have a measurable impact on some of the insurance programs of the large multinational American firms with common market subsidiaries.

AOG is comprised of the following large firms: AKSO, Nederlandsche Scheeprarit (KLM), Shell, Dow Chemical, Esso, Phillips, Staatsmijnen, Steenkolen Handels Unit, Hoogovens, Royal Dutch Airlines Vereniging and Unilever. The member companies comprising AOG purportedly control an estimated 70% to 80% of commercial industrial insurance premiums in the Netherlands. AKSO, for example, is a giant multinational firm with 200 diversified manufacturing operations, an estimated $3.5 billion in annual sales, and 100,000 employes worldwide.

IN CONTRAST TO ASIM, AOG is seemingly informal from the standpoint of organization, but this does give them the degree of flexibility that they desire. The eleven member companies that comprise the group meet about six or seven times a year for all-day closed sessions at various prescheduled places within Holland.

This is in contrast to the nine monthly dinner ro luncheon meetings, regional seminars and one annual conference that ASIM chapters have each year.

AOG is in every sense of the word a professional organization of dedicated risk managers. It was with an element of national pride that the small core group I met with, cited their achievements since their formal organization. It is these achievements that have already gained them the respect of insurance brokers and insurers in Holland and also risk manager groups in other countries.

In Italy a small group of insurance managers of industrial and commercial firms who had been in contact because of business reasons began to consider the establishment of a professional organization in 1972. This evolved into the formation in June of that year of the Associazione Nationale Responsabili Assicurazioni, "A.N.R.A." (National Assn. of Risk Managers), with headquarters in the industrial city of Milan.

ANRA is comprised of individuals and not of the firms in which the members are employed, which is a similarity with the United Kingdom's AIMIC (Assn. of Insurance Managers in Industry and Commerce). The president of the Italian association has stated that "although this leaves greater freedom of action to individual members, it is nonetheless linked with the interests of commercial and industrial concerns, as the members of ANRA work in these concerns and in their interests."

"As in Germany and Austria, the majority of the insurance contracted for in Switzerland is done so on a direct basis with the insurance company. The insurance broker is a minority group in the country. . ."

In contrast to DVS in West Germany, ANRA is not oriented to provide a specific service to members, but rather to assist them in the transition from being an insurance buyer or insurance manager to that of being a risk manager. This is the altruism which is inherent in most of the risk manager associations.

Even prior to the formal organization of ANRA there had been liaison established with Italian insurance managers by ASIM. This relationship now has grown and continues to be maintained through the efforts of the International Cooperative Committee.

The Assn. of Insurance Managers in Industry and Commerce (AIMIC) in the United Kingdom is the second largest risk manager organization in the world. Its membership which now is in excess of 400, is comprised of individuals, not companies. In this respect they are like ANRA, the Italian association, but unlike ASIM.

It was during the reign of the astute Douglas Barlow (then general risk manager, corporate, of Massey-Ferguson Ltd., Toronto, Canada) as president of the American Society of Insurance Management, that an already good relationship with AIMIC became an even better one. This important liaison has been maintained and there continues to be a regular exchange of visiting officers of AIMIC and ASIM at their respective annual conferences. AIMIC is also one of the regular contacts of ASIM's International Cooperative Committee.

Groupement des Assures du Commerce da l'Industrie, (Assn. of Insureds in Commerce and Industry), GACI was officially formed in Paris, France in May, 1973.

IN CONTRAST TO Germany or Switzerland where the direct writing insurance company prevails, France has for years had a very strong and influential broker contingent. The initial broker opposition to GACI, France's new risk manager organization, in part was in defense of what purportedly was an invasion of their private domain. In the eyes of the brokers, unification of the buyers of insurance was synonymous with opposition from the buyers. Because of this, GACI has proceeded very cautiously, but is gradually developing into a very meaningful movement.

The purposes of the French association are spelled out in a well-written document which constitutes their formal constitution and by-laws. Their articles of purpose, membership, administration and operation are similar to that of other risk manager organizations while still being adaptable to the specific needs of the corporate insurance buyer in France.

Japan, through the efforts of Meijc University in Tokyo has already fostered some interest in the development of a risk manager association there; a recent seminar in Minneapolis with a Japanese industrial trade group has furthered this interest. Brazil has been in the throes of an economic boom with an emphasis on industrialization and it is expected that the contact made with Brazilian risk managers in March will

Continued on page 80

Loss control...

Continued from preceding page
You can go further than this. If you deal with dangerous materials which can spatter and burn, you can install deluge showers to protect face, or eyes, or body. Do you need them? Are they installed where they will be needed? Are employes taught how to use them?

IN WRITING THIS, I may seem to emphasize the importance of equipment, but employe attitudes can be equally important. The safest plant in the world can be a dangerous trap if the people in it want it that way. I know an employe who lost both hands in a plant accident. There were machinery guards designed to protect him against exactly such an accident but he had tied back the guards because they were in his way.

So let me repeat again—employes are one of the most important factors in all of this. Do you have a plant fire brigade? Does it have regular drills? I know a plant which has superb experience, regularly, year after year. Why? I believe the most important reason is that it has a plant fire chief who not only knows his business, but who does an outstanding job in communicating to others the importance of the job of loss prevention. Each year, he trains a group of employes. The plant now has thousands of employes with training as a fire fighter. They operate safely. If a fire starts, they come and put it out.

In this, a caution is necessary. This same plant fire chief once told me: "If they're not trained—or not trained properly—all I want them to do is to get themselves out. A man who is not trained properly, can be a menace to himself and others. I don't want him trying to do something he's not trained to do."

The training of a plant fire brigade need not be limited to fighting fires. The possibilities include first aid, mouth to mouth resuscitation, and safe practices of all kinds. One obvious and important possibility is training employes how to lift weights. Should they lift with the back? Or with their legs? Back accidents can be difficult and expensive to deal with.

One of the things a loss prevention manager should do frequently is simply to walk around the plant and look at it. Use your intelligence and imagination. What changes are taking place? Will these changes increase or decrease the hazards? The changes may be located where you can't see them readily (for example an oil cellar) or where you do see them so often that you may not pay much attention (for example, the loading docks in your shipping area).

IN ONE RESPECT the loading docks are especially important. Accidents here can involve not only your employes but also the employes of both your suppliers and your customers.

Do you load and unload trucks properly? Are truck cargoes stowed properly to avoid shifting? I have known of extreme situations where truck cargos have toppled off the trucks on to passing vehicles, resulting in deaths and serious injuries. Proper loading can be even more important when we are dealing with dangerous materials.

The possibility of serious driving accidents is not limited to trucks. Do you have salesmen or executives who drive on company business? Their attention may be focused on sales and executive problems rather than on driving problems. Do you monitor their driving records? If their driving record deteriorates, what should you do about it? What can you do?

Is there anything else? Each plant may have its own individual problems. At times in the past I have managed the insurance of plants producing arms, ammunition, dynamite, missile fuel, nuclear fuel, drugs, chemicals, lumber, metals, metal fabrications, fertilizer, pesticides.

EACH HAD ITS OWN hazards. On occasion the hazards were so extreme as to require working out safeguards, operating methods and restrictions.

I have put the emphasis on the safety problems on manufacturing operations, primarily because this has been the area of my experience. There are, of course, other kinds of commercial or industrial organizations.

This does not change the principles involved, although the methods of loss prevention may be different. For example, a major bank or financial institution may find that its fidelity policy is more important than in a manufacturing organization and that its loss prevention techniques may start with its internal and exernal audiors.

Similarly, an airline may put its emphasis on hull insurance and various forms of liability insurance, while loss prevention activities would concentrate on maintenance of planes in addition to training of pilots.

In any event, it is important to determine the major hazards and then to work out the most effective method of dealing with them. This should be done whether or not insurance is carried. ■

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Perspective . . .

Continued from page 78

spur their interest in a professional organization. Personal contact and a correspondent relationship has been established with the insurance manager of a large industrial conglomerate domiciled in Israel. The recent activities of American corporations via joint ventures in the Soviet Union, Romania, Poland and other Eastern European countries will serve to introduce risk management there.

Many corporate risk managers know London and other cities in foreign countries well, but what can they expect in some of the eastern European cities? Bucharest, Romania, for example, will be an interesting place to conduct business and to visit. It should prove to be especially intriguing for those risk managers with an interest in history. The city was a palatial winter residence for princes of the area when Columbus was still learning about navigation. This was the time when most of Romania was a part of the Ottoman (Turkish) Empire. Previous temporary owners included the Goths, Huns, Aviars, Slavs and Mongols. In the second and third centuries A.D. the area was a province of Rome. The country's geography also offers some drama. Its 92,000 square miles, the area of New York and Pennsylvania combined, offers the contrasts of the not-so-black Black Sea, the blue Danube River and the beautiful Carpathian mountains. In many respects it is still an ancient city, however, with an influx of modern architecture.

LIKE THE Champs Elysee in Paris or the Dizengoff in Tel Aviv, Bucharest's broad boulevards and its many cafes are teeming with people. They are sipping the country's yet unrecognized, but excellent wines and also the ubiquitous cups of the heavily sugared coffee which is the last legacy of almost four hundred years of Ottoman rule. As in Vienna, the inevitable gypsy violins play and small talk turns not to risk management, insurance or computers, but to getting on the waiting list for a Dacia (the ancient name of Romania), the new Romanian compact automobile which is being manufactured with the assistant of Renault. ■

Agents and brokers, now into more professional liability, face larger risks

SAN FRANCISCO—Emergence of insurance agents and brokers as "true professionals" has resulted in substantially increased liability exposure, according to Victor B. Levit, chairman of the insurance committee of the San Francisco Bar Assn.

Mr. Levit, a partner in the San Francisco-Los Angeles law firm of Long and Levit, addressed the April membership meeting of the Western Assn. of Insurance Brokers and the Insurance Brokers Assn. of California, and predicted an expansion of agent/broker liability in the years ahead.

"Today," Mr. Levit said, "the insurance broker is held to a professional standard by the courts and his clients. It is essential that brokers learn ways to minimize their exposure to liability claims; by improved record-keeping and by protecting themselves with adequate errors and omissions insurance."

INSURANCE BROKER liability, Mr. Levit explained, may be predicated on breach of contract, where contributory negligence of the insured would not be a defense, or negligence, as a tort. Punitive damages may be awarded, he added, where there is fraud, malice or oppression on the part of the producer.

Mr. Levit cited a number of situations exposing agents to liability, such as agreement to obtain insurance and failure to do so; providing insurance in an inadequate amount or failing to provide necessary coverage.

Broker liability can now arise, Mr. Levit said, even from failure to periodically review the insurance program to see that adequate insurance is continued, such as in instances where the insured's operation may double in size.

"Failure to review an expiring policy," Mr. Levit said, "or to maintain insurance in force where instructed to do so or where a relationship with an insured would require this, can sometimes prove costly to insurance agents."

Mr. Levit emphasized that currently the courts "do not draw any fine distinctions between agents and brokers, in imposing liability. It is well recognized that many are both agents and brokers and that a broker often acts as agent for the insurer.

Mr. Levit also warned that "those agents and brokers who advertise themselves as specialists and experts will probably be held, by the courts, to even a higher standard of diligence and care, and those who attain designation as CPCU to a much higher standard than the average agent or broker.

"I have no doubt," Mr. Levit said, "that other states will follow California's lead in licensing specialists. When any professional attempts to deal with a problem he is not competent to handle and does an inadequate job, he will be held liable for the consequences."

Most producers, he said, "are deficient in keeping adequate memoranda in their files, as well as letters and data that might refute claims arising when memories have become hazy.

"IT MAY BE your word," he warned the brokers, "against an insured who has suffered substantial loss which he may claim he told you to insure."

"One of the big issues today is whether the policy is a claims-made or an occurence policy. The trend is definitely toward claims-made policies in all fields." He noted, however, that the state bar of California recently concluded a five-year contract with Travelers for an occurrence policy for all lawyers in California.

A claims-made policy only covers claims made during the policy term or which the insurer is notified exist during the policy term, he noted. Under such a policy an insurer can more realistically fix premiums because it knows no claims can develop at the end of the policy term. An occurrence policy, by contrast, covers all acts during the policy term even if the claim is not made for many years. ■

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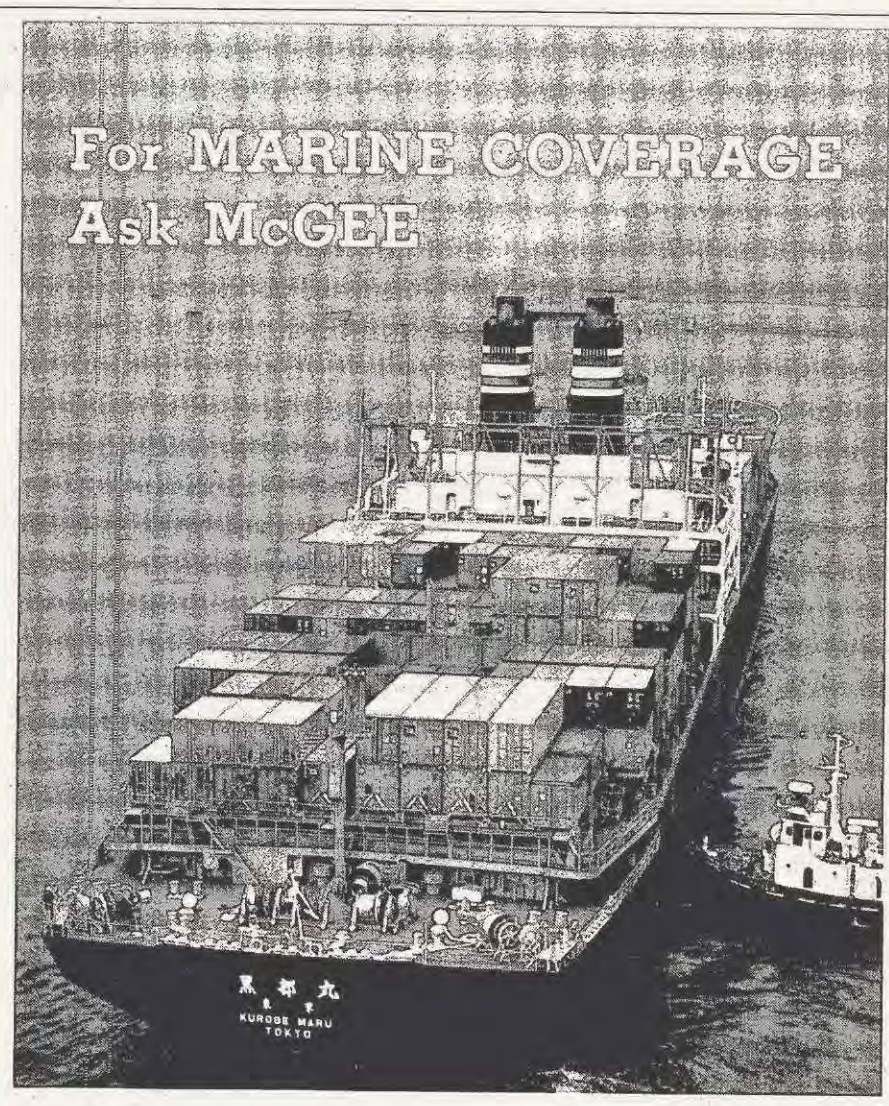

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Jonathan Logan insurance . . .

Continued from page 1

ance-based industry and since the whole program is set, we don't feel we need an insurance department to administer it. We don't intend to hire any new insurance personnel," he added, although he would not comment on whether or not the decision was economically motivated.

The broker, Leonard E. Newman Agency, of White Plains, N.Y., and New York City, and consultant Joseph F. Albert, of Needham Heights, Ma. became familiar with the Jonathan Logan accounts while working on a fee basis for Mr. Ebert. Although Mr. Newman confirmed that he has taken over the account, he said it was too soon to say whether he would like to make any changes.

WHAT MAKES the corporate decision most surprising is the fact that Mr. Ebert had negotiated most of the insurance program through direct-writing carriers, principally Allendale Mutual Insurance Co. of the Factory Mutual System and Allstate Insurance Co. Only minor parts of the program are placed through Mr. Newman's agency with Insurance Co. of North America, American Home Assurance Co., and Continental Insurance Cos., according to Mr. Ebert who was interviewed by *Business Insurance* only a short time ago on the details of his program. (January 7, 1974.)

In that interview, Mr. Ebert stressed his special efforts to cut Jonathan Logan's insurance costs by using cash flow techniques and considering greater self-insurance. At the time he said he preferred to use the broker and consultant on a fee basis rather than ask Jonathan Logan to pay salaries of extra fulltime personnel in his department. He and an assistant secretary worked out all the details of property/casualty and special coverages, as well as employe benefits.

Walter Woodard, outgoing national president of the American Society of Insurance Management, reacted sharply to news of Jonathan Logan's decision. While hesitant to criticize Jonathan Logan itself until he could check out the details of the decision, Mr. Woodard, an assistant insurance manager, said that "Any company that sets up its insurance program and than feels it is static, had better be willing to admit that its operations are static. I don't know about this particular company, but perhaps that's the case.

"ONE OF THE key parts of risk management has to be keeping track of the changes in a company's operations, as any change may have a definite impact and may indicate a necessary change in the insurance program."

"If a company decides to turn its insurance program over to a broker, it must realize that the broker must be brought into its full confidence, much like the corporation's attorney or certified public accountant," he said.

Mr. Woodard continued: "When you consider the impact such a decision may have in the area of risk and loss prevention and how this may reflect at the bottom line of the profit-and-loss statement, you have to wonder how it is made."

Jonathan Logan Inc. lists a vacancy in its treasurer's office, according to Standard & Poor's, although a source at the company said that the corporate secretary, B. Wulken doubles as vp, finance.

According to Mr. Ebert last December, the Jonathan Logan property package for 300 locations, which came up for renewal January 1, had a $250-million blanket limit, based on a $25,000 deductible and about $360,000 in annual premiums over a five-year term. He considered moving to a higher deductible in efforts to save premium costs for the property package.

Jonathan Logan since 1960, has catapulted from a specialized manufacturer of junior dresses with $25 million in annual sales to a widely-diversified giant in the apparel field today. The firm capitalized early on the popularity of double-knit fabrics.

Through continuing diversification, the corporation now has 14 merchandising divisions, including such famous labels as Butte Knits, Act III, Bleecker Street, Modern Juniors, Rose Marie Reid, and Jonathan Logan itself. Jonathan Logan introduced its Misty Harbor line of women's raincoats several years ago and followed with Harbor Master raincoats for men. Another diversification came in June when Jonathan Logan acquired Villager Industries. ■

Risk report zeros in on liability

CHICAGO—"The Challenge of Product Safety" is the subject of the third installment of Risk Managment Reports, which will be released later this week.

The reports published by *Business Insurance* and edited by H. Felix Kloman, are issued every-other-month.

"What is urgently needed," says the report of the product liability problem, "is more management involvement in the products area on a planning-ahead basis by the risk and insurance management function. Anticipate, don't just react!"

The report also details how eight corporations are approaching their product liability problems, and suggests six minimum standards for all companies with a products liability exposure.

Risk Management Reports is available to *Business Insurance* subscribers for $60 annually. Elsewhere in this issue is a coupon detailing how to subscribe. ■

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A 26-story New York City office building which suffered extensive damage when an apparent gas leak set off an explosion here last week, injuring close to 100 people, was insured by the Commerce and Industry Insurance Co., a member of the American Home Group, *Business Insurance* learned. Utility spokesmen have denied that a gas leak caused the explosion, saying there is not yet enough evidence of cause. Adjustors Toplis and Harding were hired to investigate the extent of damage on the $4 million building. However, sources there noted that "we haven't done anything yet. No one is allowed in the building except officials." The insureds Brause Realty and 45th Assoc., were unavailable for comment.
—Wide World

OPIC paying claims

WASHINGTON—The Overseas Private Investment Corp. (OPIC) wrote a new policy guaranteeing a portion of the compensation owed to Cerro Corp. by the government of Chile for a copper mine seized in 1971.

OPIC had insured $14.2 million of Cerro's original investment in the Chilean Rio Blanco copper mine, in which Cerro had 70% equity ownership of the Compania Minera Andina, S.A., operator of the mine.

Under agreements completed earlier this year, Cerro was paid $3.2 million in cash and received $38.6 million in 17-year notes, plus interest, to pay for the mine.

The notes are fully guaranteed by the Central Bank of Chile, but OPIC has additionally written a policy to guarantee up to $12 million of the Chilean government's debt to Cerro. ■

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labor beat

UAW gives up cost-of-living clause for flat 5% inflation adjustment

WASHINGTON—The United Steelworkers of America may have given up the cost-of-living escalator in pensions they won in previous labor agreements this year, but their contract with the major steel companies provides a flat 5% inflation adjustment that some union people feel will be every bit as good as the escalator.

Rather than the 65% of the previous year's rise in the consummer price index won by aluminum and can workers, workers in the basic steel industry will receive an increase of 5% in their basic pensions, beginning in August 1976 and continuing throughout the life of the three-year contract.

Steel industry executives have termed the agreement with the steelworkers inflationary and increases in steel prices have been predicted to offset the contract's costs. Estimates of those costs have ranged as high as $300 million more than the steel companies are now paying in pensions alone.

In addition to the inflation adjustment, the 350,000 USW members covered by the agreement also saw their retirement age lowered to 62 from the previous 65.

THE MINIMUM pension was increased to $11 for each of the first 15 years of service, up from the old contract's $8. The rate for the next 15 years on the job rose to $12.50 from $9 and the rate for every year beyond 30 went to $14 from $10.

Under the old contract, a 30-year employe would have received a minimum pension of $265 a month. The same worker, under the new pact's terms, will receive a monthly pension of $332.50.

Those workers who receive pensions based on a percentage of earnings will see improvements under the new contract. The formula by which the pension is calculated was changed so average earnings will be calculated on the highest 60 consecutive months of continuous service within the last 120 months. The worker receives 1.1% for each year of service up to 30 years and 1.2% for each year over 30.

Under the old contract, the measuring period was the last 120 continuous months of service.

ALSO, THE 39 cent cost-of-living adjustment rolled into the wage agreement as of May 1 this year will be reflected in wages used for calculating the pension.

The agreement contains the provision that an employe cannot retire with more than 90% of his top earnings while on the job.

As in the other agreements, workers who retire because of prolonged layoffs, as long as they fall within the "magic number" of 70/80 (age and years of service combined), will receive full pensions for life, the inflation adjustment and an extra $230 a month until they reach the new normal retirement age of 62.

USW members receiving disability pensions will also receive the $230 a month for any month in which unreduced Social Security benefits are not received. This will continue until the pensioner reaches age 62.

Under the new contract, workers who retired under prior contracts will receive increases in their monthly pensions of from $15 to $60 a month with the highest amount going to those who now receive the lowest benefits.

The pact also provides for deferred vested pensions for any employes with more than 15 years on the job no matter what the reason for their termination.

In other benefit areas, the steelworkers will receive a company-paid dental plan in the second year of the contract. Beginning August, 1975, steelworkers and their dependents will have 100% of their "reasonable and customary" dental bills paid by the steel producers.

OTHER DENTAL work, excluding orthodontics and bridgework, will carry an 85% coinsurance feature. The companies will pay 50% of the orthodonic and bridgework costs.

The dental coverage will carry an annual limit of $750 per individual for most dental work. The orthodontic limit is $500 in any individual's lifetime.

Sickness and accident benefits will be increased in the first year, depending on classification, to $104 a week from $87 a week in the lowest class; in the highest classification, the weekly benefit will rise to $149 from $129.

These benefits will rise another $5 in the contract's second year and another $5 in the third year.

The second year of the contract also brings with it a medical care insurance program for retirees, paid by the steel producers. The comprehensive coverage, ranging from 120 days hospitalization to emergency treatment to anesthesia and radiation therapy, will be available to pensioners, their dependents, surviving spouses receiving survivor's benefits and their dependents.

Active employes will also receive medical care coverage improvement in the second year of the new pact, including treatment for alcoholism and drug addiction, which are covered under the plan's hospital expenses provisions. Other improvements range from coverage of pap smear tests to hydrotherapy and well-baby care.

THE CONTRACTS, reached under the controversial no-strike Experimental Negotiating Agreement (ENA), also provide wage increases totaling at least 60¢ an hour over the three year period.

At the time the contract signing was announced, the union and steel companies also said an agreement had been reached to halt racial and sex discrimination in the steel industry.

The USW, nine steel companies and three federal agencies announced that some 45,000 persons (mostly minority group males but about 4,000 women) would receive almost $31 million in back pay, based on differences in earnings by women and minority group members. ■

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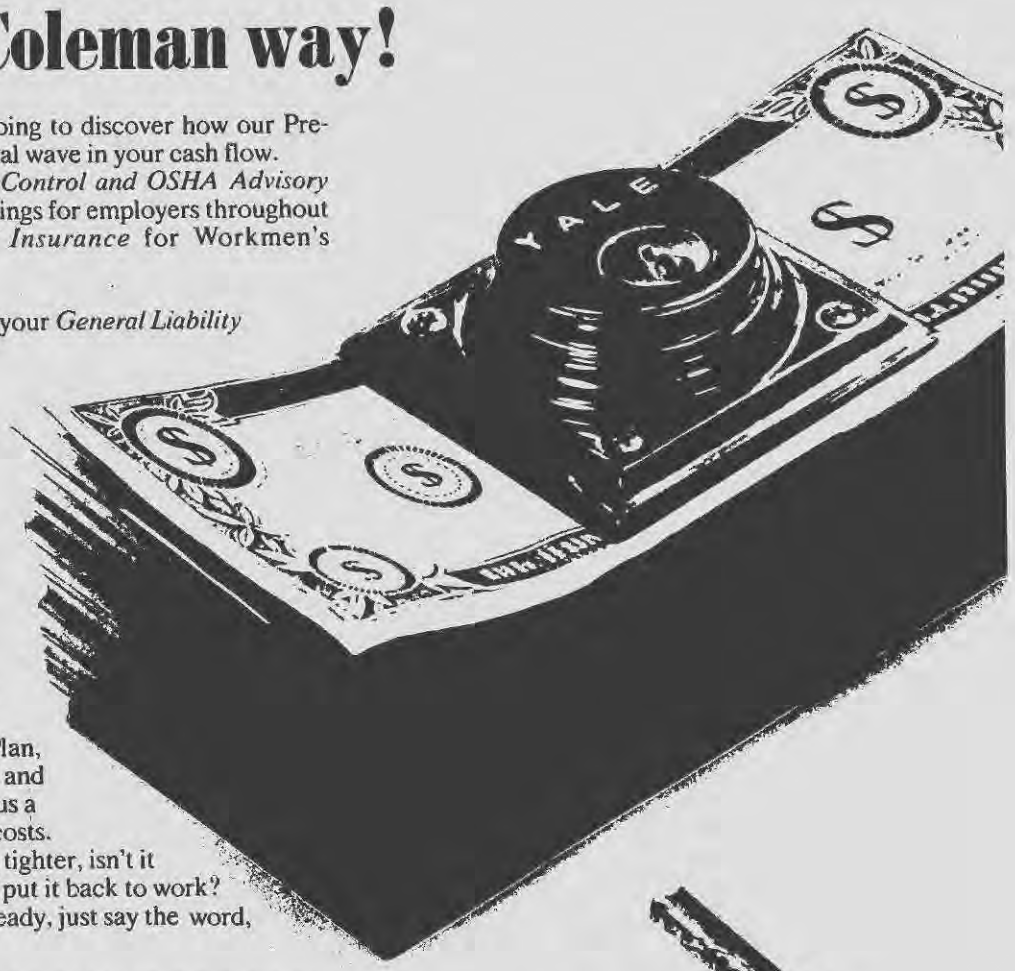

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Security gets top priority at Hilton; think hotel should be like home

By SUSAN ALT

CHICAGO—Hilton Hotels Corp., like innkeepers the world over, feels an obligation to provide tenants with shelter as safe and secure as home.

This isn't the easiest task around, given the rising crime rate. But it was precisely the problem of soaring crime rates which prompted William Edwards, Hilton's executive vp and chief executive officer, to put new emphasis just a year ago on corporate security programs.

He created the new position of director of corporate security and centralized responsibility for safety and security, previously handled by directors of security for each of the Hilton hotels.

Art Bilek thus joined the ranks of safety and security directors for hotel chains around the world. Hilton was far from the first to recognize the extreme importance of safety and security in hotels. For example, ITT-Sheraton in Boston has had a corporate director of safety and security for several years.

The Conrad Hilton, Chicago, one of the company's most famous hotels.

BUT HILTON, in raising security to a new level, recognized the importance of a top level commitment to loss prevention. At Hilton Hotels Corp., insurance is seen as a step that's taken to cover the company if loss prevention fails. Hilton would rather do whatever it can to prevent a loss or accident.

Mr. Bilek works alongside Hilton's insurance manager, Frank Crall. Over the long term, the company foresees that Mr. Bilek's area of responsibility will greatly affect both the cost and the management of Hilton's insurance program, although no statistics are available to date on the effect new safety and security programs have had on claims or insurance rates.

Hilton counts a total of 45 hotels on the mainland U.S. and Hawaii under its management, with 19 more under construction that will be managed by the corporation. (The international division was spun off and sold to TWA in 1970.) Some of these are wholly-owned, some partially-owned and some not owned at all; but all are managed by Hilton. Mr. Bilek works with all of them. He also works on request with operators of Hilton Inns, franchised properties neither owned nor operated by Hilton but paying to use the name.

Hilton boasts a whopping $300-odd million in property, most of this hotels. Hilton's $345 million in annual sales come basically from playing host to thousands of visitors.

HILTON SELF-INSURES a major part of its fire, catastrophe, and liability exposures, which makes the company all that much more concerned about reducing risks, notes Mr. Bilek. The firm's property and casualty self-insurance program is administered by the Lucas Co. in Las Vegas, brokers.

Despite its size, Hilton has little idea what its total corporate losses annually amount to. Nor does the company know how many claims are filed for specific types of losses. Mr. Bilek bemoans the lack of company statistics on such things as dollar losses due to internal theft, the total dollar cost of security officers, losses due to guest thefts of towels, ashtrays and the like.

His major goal for 1974 is to set up loss reporting and control systems for all managed properties. He's already working with the corporate controller to set up a property (i.e. supplies) reporting system.

Fire protection and prevention, OSHA compliance, security and safety are Mr. Bilek's specific areas of responsibility. He defines security as anything relating to a criminal incident; OSHA as everything relating to employes' well-being; safety, everything relating to a possible accident on a Hilton-owned or Hilton-managed property.

FIRESAFETY responsibilities include making sure a fire doesn't occur, but if it does, seeing to it that the right things happen in the hotel—the way employes and managers react—so that it's dealt with properly, he explained.

Since October of last year, Hilton employes and managers have been reading Mr. Bilek's new biweekly safety and security newsletter, a first in the hotel industry, he proudly claims.

Through the newsletter, he instructs Hilton hotel employes that the safety and security responsibility belongs to each employe of a hotel, not just a local

Continued on page 85

Grand old Waldorf-Astoria Hotel in New York city.

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Continued from page 84

director of safety or director of security. "We see safety and security as a property responsibility rather than a specific person's responsibility. The director of safety and security on the property is only the liaison between the property and the corporate management," Mr. Bilek stated.

Unlike some other hotel chains, Hilton's corporate director of safety and security does not manage the security directors of individual Hilton hotels around the country, Mr. Bilek noted. The Hilton hotel security managers each report to the property manager of their specific hotel, he said.

MR. BILEK'S ROLE is an advisory one, for the most part. He is charged with studying internal company trends, crime trends, and trends in the communities where hotels are situated in order

Art Bilek

to identify areas for concern. In the security field, Mr. Bilek's 'bible' is a handbook on "Crime in the U.S." issued quarterly by the FBI. (Mr. Bilek's background includes a stint as chairman of the Illinois Law Enforcement Commission and a four-year period as chief of Cook County's Sheriff's Police, Chicago.)

For safety news, the publication Mr. Bilek most often reads in the National Fire Codes published by the Fire Protection Assn., to keep abreast of changing codes, particularly in the area of lifesafety obligations for owners and managers of high-rise buildings.

Mr. Bilek keeps up with new firesafety laws, hardware, detection and prevention systems, and occurrence/loss records, and relays the information in condensed form to property managers, explaining how each change relates to their specific hotels.

HE ALSO recommends new loss prevention methods. Not many months ago, a robbery and murder took place in a men's washroom of the Playboy Towers Hotel in downtown Chicago. Hotel washrooms, easily accessible, are notorious security risks for hotel owners. Following the incident, the president of Hilton Hotels forthrightly conceded that "the same thing could happen here," meaning in the Conrad Hilton, the corporation's biggest property and the home of Hilton's executive offices, also in downtown Chicago.

Mr. Bilek's response was to get on the phone with hotel security directors from around the city and form the new Security Directors' Assn., a group of 23 hotel and motel security experts concentrating on preventing recurrence of the Playboy incident.

President of the local group is Tom Drew Brown, a security director of the Marriott O'Hare. The group has so far provided such a valuable forum for ideas about loss prevention that Mr. Bilek would like to see similar groups formed in other cities with similarly high concentrations of hotels.

AS A RESULT of a strong corporate commitment to preventing losses and reducing risks, Mr. Bilek takes an unusually active part in planning new hotels. He is not involved in site selection, but begins his participation soon after.

Take, for example, New Orleans, where Hilton is beginning construction of a giant 1,200-room hotel complex which will include a shopping mall (40 shops), six restaurants, 12 tennis courts, a 12-story condominium, a dock for berthing passenger cruise ships and two parking garages about six blocks away from the French Quarter.

Mr. Bilek's first job was to conduct a "criminogenic" survey of the location. As Mr. Bilek relates it, he walked the grounds and the neighborhood in the daytime, evening and midnight hours. He visited the superintendent of police, and visited the nearby Marriott, talking with its security officers. He checked nearby fire houses, looked at FBI and local crime reports, talked with union officers in the city. He rounded up figures and compiled a total study of the environment, including the city's growth history and projections, residential and business patterns.

THE SECOND PHASE of security planning involved working with architects after the first set of plans had been drawn. Mr. Bilek met with architects twice a month after that. He was also charged with bringing in consultants and working with them. One such specialist was the "lifesafety" consultant, Rolf Jensen Co. of Deerfield, Il. who determined what was necessary in terms of guest and employe safety, sprinkler systems, smoke removal systems, exits, interpretation of local building codes, and selection of fire and intrusion sensors.

Mr. Bilek specifically acted as consultant on everything that related to crime prevention, making recommendations for sophisticated electronic systems such as coaxial cable and closed circuit television systems for the new property.

Mr. Bilek explained that after he made a recommendation what kind of security systems were best for the new property (and Jensen had done the same thing for firesafety systems), the actual decision about coordination of electronic communication systems was left up to Herbert Blum Inc., Dallas, construction and engineering consultants.

Next, Mr. Bilek worked with the builder of the hotel on the actual hardware and its installation. "In hotels with painted rooms, I want sprinklers and a combustion detector in the room where paint is stored. The detector is costly, but worth it.

"I LIKE TO HAVE a chemical (sprinkler) system in kitchens, and regular (water) sprinklers in guest rooms. I also wrestle with the questions of alarms versus guards, internal guards versus contract guard service, traffic patterns in the buildings, tv theft alarms, key-lock systems, and internal security to prevent washroom robberies," he said.

During the construction phase, Mr. Bilek functions chiefly as overseer, seeing that the correct systems are installed properly. From there, he begins working with the vp in charge of new properties, a corporate official who begins ordering supplies and furnishings for the pre-operational hotel. Mr. Bilek sets up an internal security operation for the period when these goods start flowing into the hotel. This time before a hotel is completed, when a half dozen different work crews are on the property, while costly supplies are being received, is probably the single worst period for risk of theft, Mr. Bilek said. ■

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Broker zeroes in on U.S.-Japanese joint ventures

By CHARLES WINGIS

LOS ANGELES—Spurred by the rising tide of consumer concern and lawsuits involving product safety, Japanese manufacturers selling to the U.S. market are showing signs of awakening to the need for product liability coverage, a thoroughly unfamiliar area for most of them.

An acknowledged world leader in international hull and cargo markets, the Japanese insurance industry has been notably weak in the liability field. "I would guess the Japanese are about 15 years behind the U.S. in the concept of liability," said an executive of Bayly, Martin & Fay Inc., an international insurance brokerage firm based here.

The speaker was BM&F's Al Kadowaki, newly-appointed vp and director of the firm's insurance business with U.S.-Japanese joint ventures in this country. He emphasized, however, that considerable progress is being made in erasing the liability lag as more and more Japanese trading companies "bear down and do their homework and gain the needed sophistication in this neglected area."

Mr. Kadowaki, who directs BM&F's west coast operations in the Japanese-American business community, lists communications with Japanese firms as the number one problem.

"IT'S DIFFICULT for the Japanese businessman to understand why lawyers and contracts are necessary to close a deal here, while a verbal committment and a handshake have closed many a multimillion dollar transaction in Japan."

Sam Alcorn, a BM&F vp with wide experience in the company's international operations, agrees with Al Kadowaki on this point. Mr. Alcorn told *BI*, "It's not unusual for the average businessman coming from Japan to be totally unaware that he can be sued over a defective product. It's not until the insurance man and a Japanese-speaking attorney get together and let him know that this can be really important, that you start getting through to them."

The two BM&F executives point out, however, that the Japanese, in recognition of their lack of sophistication in this area, are currently engaged in a continuing all-out educational effort to close the gap.

There are definite signs of a new awareness of the need for this knowhow in the land where there is no consumer products safety act, and no vast array of governmental standards that create automatic liability in the U.S.

Said Mr. Alcorn, "I recently answered a 30-page questionnaire from one Japan's big five insurance companies. They wanted to know everything that might pertain to the creation of liability here in the U. S., including all laws and statutes, what our court system is, how much the government is involved, even the positions of our political parties."

Mr. Kadowaki added, "You get some idea of the communications problem that exists when you consider that out of all the west coast brokerage houses there are probably only five or six Japanese-speaking insurance men (Mr. Kadowaki is one of them) with as much as an average 12 years of experience working with Japanese companies.

"OUR FIRM regards it part of our service and responsibility to create a better understanding and help make the Japanese a little more sophisticated regarding liability insurance," he added.

The Anchorage office of BM&F is presently handling a full range of insurance needs for an Alaskan catering company, a wholly owned subsidiary of Japan Air Lines. The covers, placed with American insurance carriers, include liability workmen's compensation and group insurance.

Typically, this is the way insurance is handled for a Japanese-U.S. joint venture. Because of regulations and restrictions set forth by Japan's Ministry of Finance, Japanese underwriters do no direct writing in the U.S., finding it easier to establish connections with a financially strong American carrier and let the U.S. underwriter issue the policy.

The number of Japanese insurance companies doing business in the U.S. has actually been very limited, said Mr. Alcorn, and basically in the marine and cargo field under agency type operations.

Yet more and more Japanese insurers are coming into this country on a reinsurance basis, aligning themselves with major American insurance companies via reinsurance treaties.

AMONG THE insurance carriers that have established such treaties are Chubb Federal Insurance Co. and Sumitomo Marine and Fire; Continental Insurance Co. and Taisho Marine and Fire; and INA and Yasuda Marine and Fire. This type of arrangement also represents a valuable learning experience for the Japanese companies, said Mr. Kadowaki, "because they can observe how the Americans are handling it without actually being on the front line writing it themselves."

In placing coverage for its Japanese clients, explained Mr. Alcorn, "We would normally look to a U.S. company which had an established reinsurance relationship with a Japanese company. In terms of a particular client, we might even take a look at what financial group it is within in Japan, and which insurance company was part of the Japanese section."

When it comes to banking, Japanese conglomerates tend to identify with a particular bank which will handle all of its banking needs, said Mr. Alcorn. The same type of relationship exists between the conglomerate and its insurance company which handles all of its insurance.

"This is quite unlike the U.S.," he said, "where a recent survey showed that the average major corporation in this country had something like ten different insurance companies involved in its risk management program."

Continued on page 87

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Al Kadowaki

Continued from page 86

Currently there are 22 domestic companies writing non-life insurance in Japan, with lines of business including fire, marine (hull and cargo), transportation, personal accident, fidelity, burtic companies writing non-life inglary, automobile, aviation, windstorm and flood, animal, plate glass, fidelity bond, workmen's compensation, compulsory automobile liability building endowment policies, nuclear energy (property damage and liability) and earthquake.

Said Mr. Alcorn, "The Japanese are familiar with such liability insurance coverages, but not when you get into the areas of product liability, umbrella liability and some of the more exotic covers we have here in the U.S. On the other hand, the Japanese know more about earthquake prediction and how to cope with earthquakes on a day to day basis than any firm in the U.S. market."

REGARDING the Japanese expertise on earthquakes, he said, "They're far in advance of any U.S. firm in research on the types of structures that will withstand the shocks, and they're very sophisticated in computerized analysis of building construction features. They have to be, because Japan is earthquake country."

Mr. Alcorn added, "Bayly, Martin & Fay made a massive mailing to all of our clients and prospects in the Sylmar area following the 1971 San Fernando earthquake.

"The response was something like a low two/tenths of 1%. On the other hand, we don't have any problem selling earthquake insurance to the Japanese companies that come over here to do business."

Japanese electronics and automotive manufacturers were in the vanguard of that country's U.S. trade expansion during the 1960s. Now, with the Japanese acquisition of substantial areas of western land and business properties, there has been a related expansion of the Japanese banking industry in the West to serve the growing need of the land developments expected to be soon forthcoming.

With the large Japanese population already living in the West, the BM&F executives see the increase in Japanese banking accounting for the gradual shift of the U.S. financial center from New York City to the West Coast.

MR. ALCORN sees members of the Japanese insurance industry taking a new aggressive attitude in the liability field. "They've been taking some of their newer managers, fellows that have been in training, and bringing them into positions to strengthen their liability posture.

"Every year," Mr. Alcorn explained, "the Japanese insurance companies send their brightest young trainees to San Francisco for the Insurance Institute of the Pacific conducted by Ben Masters and sponsored by the Insurance education Assn. The school has done outstanding work with these students and their progress is clearly evident."

Continuing, he said, "I began corresponding with one of these students about seven years ago and have watched his movement through the Japanese company by change of job title. So far he has moved from client contact and account executive capacity through all the various departments. He was recently made assistant manager of the aviation group, which represents a brand new field for this particular insurance company. No question but what the Japanese are catching up fast in the liability field."

The Japanese are also displaying a more aggressive posture in terms of wanting to participate in the U.S. insurance market. Said Mr. Alcorn, "They not only want to follow their companies into the U.S., but they also want to compete with Lloyd's. We see them signing on treaties in this country, now offering increased support of American companies, and going into insurance pools that were born in the United States."

Commenting on this, Mr. Alcorn said, "We think this is an extremely healthy trend because we see a continuing need for increased capacity in U.S. aviation insurance and other fields. We think there will be a need for even greater capacity in the next ten years and we are optimistic that the Japanese insurance companies will be able to fill a major segment of that need.

"We are studying very carefully the possibility of opening an office in Japan and we want to do it the right way," said Mr. Alcorn. "We're taking a good look at the whole insurance system in Japan. And we have yet to make the critical decision of affiliation, of which major Japanese financial group we want to be identified with." BM&F hopes to have the Japanese branch operating by sometime in 1975. ■

INA honored

Insurance Co. of North American was awarded a special citation for outstanding service to aviation safety, from the Flight Safety Foundation at the foundation's annual corporate aircraft safety seminar. INA was cited specifically for its' sponsorship of over 120 FAA-conducted aircraft accident prevention clinics for general aviation. The clinics have been attended by over 65,000 pilots throughout the country.

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special emphasis issue

May 27, 1974

On May 27, the editors of BUSINESS INSURANCE will cover the most important insurance regulation stories of the year, plus all the late breaking news affecting asset conservation.

For this reason, this issue will be distributed at the annual NAIC meeting to help inform corporate consumers of insurance and the commissioners and their staffs of the interaction of the regulatory forces that mold the insurance business.

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

Stories being planned are:

- **Profiles of commissioners, key people in their offices and how to contact them;**
- **Run down on all state rulings and laws on no-fault;**
- **State-by-state picture of changing workmen's compensation laws;**
- **Current picture of what's happening with OSHA;**
- **Differences in state laws governing health and life insurance;**
- **State regulations on admitted and non-admitted insurance operations, with the latest information of domicile "pup" insurance underwriters.**

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Nixon still opposed to federal no-fault

WASHINGTON—President Nixon repeated his opposition to federal legislation that would impose no-fault auto insurance upon the states.

The latest policy position was made known in a letter to Sen. Roman Hruska (R-Nb.), a leading Senate critic of no-fault, from Mr. Nixon's Congressional aide, William Timmons.

The letter expressed the results of a new assessment of White House policy on no-fault, a White House aide told *Business Insurance*, that was completed this month.

"THE PRESIDENT has consistently supported the concept, but we've always said that it was a responsibility of the states," according to the aide. "While we wish it were spreading more rapidly, we still believe it is not the prerogative of the federal government to get involved."

The White House was unwilling to say just how far its opposition would go, however. "It's really too early to talk veto. We just wouldn't want to come out with a threat like that this early. We're still working with people in Congress," the aide said.

Congressional action on two no-fault bills, S. 354 in the Senate and H.R. 10 in the House, is expected to get underway again in late April after being delayed by campaign financing legislation in the Senate and an energy bill in the House.

Senate debate on no-fault was expected to begin soon after Congress returned from the Easter recess April 22.

The house commerce and finance subcommittee of the interstate and foreign commerce committee was expected to begin hearings on the House version of no-fault during the week of April 22 also.

Hearings on no-fault during the first week of April were cancelled in the House to allow for more time for hearings on the energy bill.

THE SENATE BILL is expected to draw criticism from the trucking industry because it allows states to set their own provisions for subrogation of claims as long as such reimbursement is not based on fault but rather on the propensity of a vehicle to cause damage because of its weight or design.

Trucking officials say that would place an unfair portion of auto collision claims on them because of the size of their equipment. ■

dates for buyers

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

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

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

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

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

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

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

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

May 29-31: American Management Assn. is offering a seminar on insurance management and its role in financial planning for the small company in New York City. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

June 2-5: Insurance Accounting and Statistical Assn.'s annual meeting will be held at the Palmer House, Chicago. Subjects will cover accounting, data processing, statistics and management and supervision. Write E. C. Carlson, Insurance Accounting and Statistical Assn., 406 W. 34th St., Kansas City, Mo. 64111.

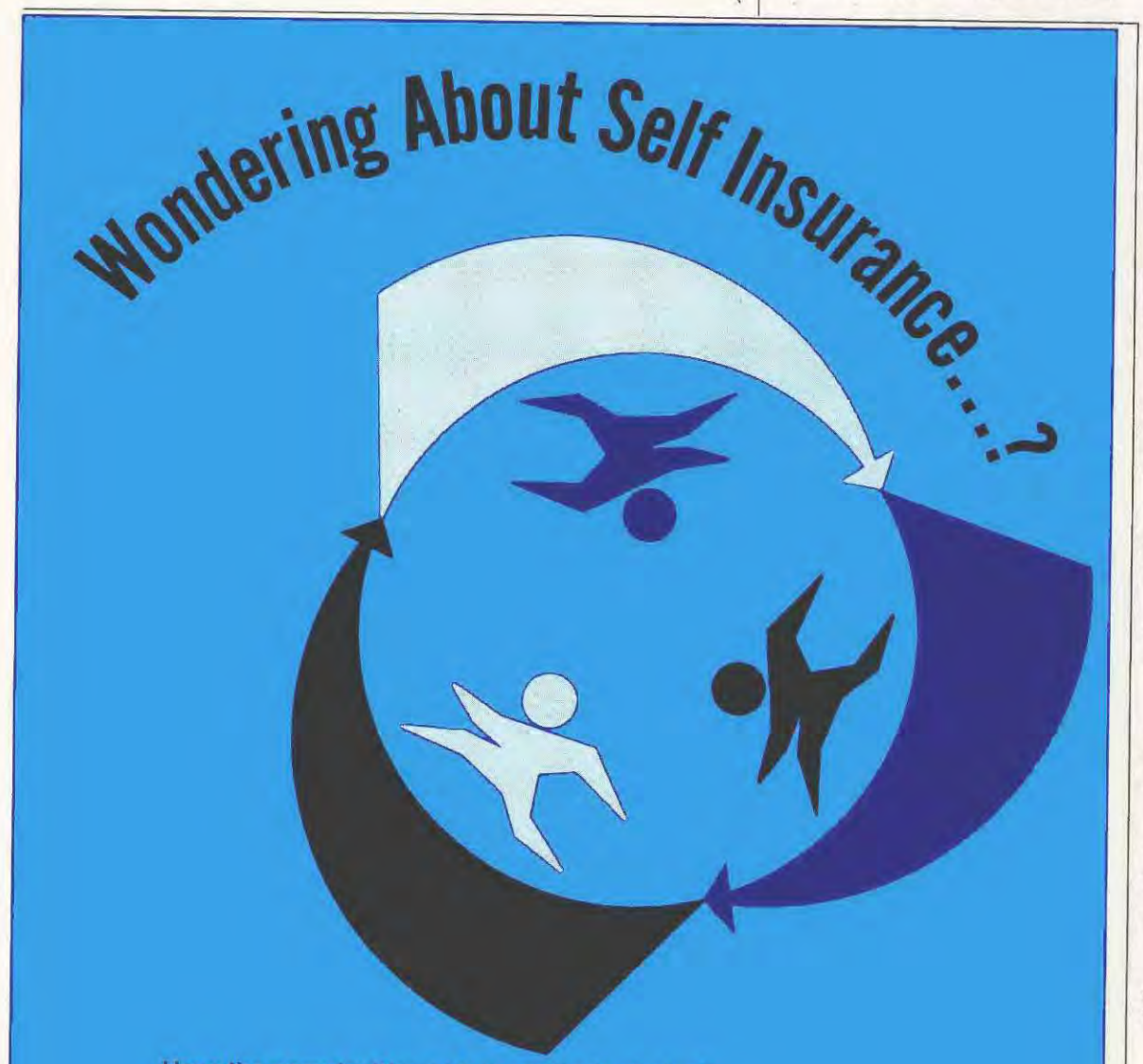
June 2-6: Municipal Finance Officers Assn. will have its annual convention in Las Vegas at the Las Vegas Hilton. Write the association, 1313 E. 60th St., Chicago, Il. 60637 (312-324-3400).

June 2-8: National Assn. of Insurance Commissioners annual meeting will be held at the San Francisco Hilton Hotel. One of the issues will be the affects of the energy crisis on the industry. Write the NAIC, P.O. Box 3902, Rincon Annex, San Francisco, Ca. 94119 (415-392-3185).

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

June 13-14: American Management Assn. is having a seminar on product liability in New York City. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

July 7-10: International Foundation of Employe Benefit Plans meeting will be at the Bayshore Inn, Vancouver, Canada. Write the foundation, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wi. 53005.



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William B. Morrison, Vice President—Special Services

Bethlehem has benefit rise; profiles risk dept.

BETHLEHEM, PA.—Bethlehem Steel Corp. disclosed in its annual report that employe insurance programs in 1973 paid out benefits to some 24,948 employes, up 16% from the year earlier.

Bethlehem said it paid $27.1 million in life insurance and accident benefits last year, versus $25.9 million in the same benefits the year before, an increase of 4.6%.

Hospital, surgical and medical benefits totaled $54.4 million in 1973, Bethlehem reported, up from $52.1 million the year before, a 4.4% gain.

THE NUMBER of retirees during the year qualifying for new pensions declined to 3,532 from 4,385. Added to the 33,341 retirees as of the end of 1973 already getting pensions, these total pensioners received $94 million in benefits during the year, versus $80.7 million the year before, and increase of 16.4%.

In its March employe magazine, Bethlehem included a department profile of its finance division, a 200-person operation managed by Dave Adams IV, vp of finance. Under him in the finance group is included claims handling and insurance management, among other things.

A brief profile of the claims operation said, "Joe Bowe and his people handle customer claims regarding the quality and quantity of the things the rest of us make but sometimes don't make quite right. Joe's staff must make recommendations as to settlement on other employe's mistakes.

"If we'd make fewer errors in product quality or quantity we could help reduce Joe's workload," the profile continued. "Almost two-thirds of the customer claims against Bethlehem in 1973 were the result of human errors throughout the company."

The article said of Bethlehem's insurance department: "Although Bethlehem self-insures the risk of loss or damage to its own property, it also buys additional outside insurance to protect itself against catastrophes, and obtains other insurance as required by law, by contracts or as prescribed by its customers. Wilmer Hough's section is, in reality, Bethlehem's insurance agent." ■

FM affiliate touts risk management

BOSTON—In its newly-released annual report, Factory Mutual's affiliate Arkwright-Boston Manufacturers Mutual Insurance Co. made one of the first statements ever seen in an underwriter's report on the importance of risk and insurance managers to corporate policyholders' operations.

"The insurance manager of most of our policyholders is the corporate officer to whom management looks for direct advice and counsel on its property protection problems. Our objective is to support the insurance manager in his very important staff role in as many ways as we can," the company said. ■

Reliance reports poor underwriting results

Reliance Group Inc., parent company of nine insurance carriers, said in its annual report that casualty lines last year were, overall, unprofitable. Commercial auto results were unsatisfactory, as were workmen's compensation. General liability lines were unprofitable, Reliance said, underscoring the impact of inflation, claims frequency, and increased litigation in such areas as product liability. Property lines were profitable, the firm said. Reliance predicts passage by midyear of no-fault laws in some 19 states, with consideration and possibly passage of no-fault laws in 12 to 14 additional states by yearend.

PRODUCT LIABILITY

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

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Hunter Long leaves Exxon

A. Hunter Long, formerly senior financial analyst in the risk management division of Exxon Corp., only last week joined the corporate staff of Frank B. Hall & Co.'s national services offices in New York. Mr. Long, a leading member of ASIM, chaired its national publications committee, and served as chairman of the national advisory committee for the risk management program of the Insurance Institute of America (IIA) and the faculty advisory committee in risk management at the College of Insurance. Exxon Corp. has not yet named a successor to Mr. Long.

* * *

Richard Zeitler was named insurance manager for Johns-Manville Corp., Denver, Co., to succeed Fred Ingham, who recently left to join Union Carbide. Mr. Zeitler was formerly insurance manager for Lone Star Cement Inc. based in Greenwich, Ct. His replacement has not been named.

* * *

Taylor Whatley was named to the newly-created post of corporate risk and insurance manager for Campbell Industries, San Diego. He will be responsible for the purchase and management of property, casualty and benefits programs for the nearly-$75 million firm involved in shipbuilding and furniture manufacturing. Mr. Whatley was formerly vp of sales for the Albert G. Ruben & Co. agency.

* * *

Frank J. Butterworth left his position as corporate risk manager for Employers Overload Co., Minneapolis, to join John M. Kemper & Co. general agency in Torrance, Ca. Mr. Butterfield is a past president of the Minnesota Chapter of ASIM and a past president of the local CPCU chapter. He was a risk manager since 1967. Employers Overload, a temporary help service, named **Carol Karvonen** administrative assistant to the corporate controller, to handle insurance matters.

* * *

J. Al Friday, formerly insurance manager for Colonial Stores Inc., Atlanta, was named director of national accounts at Armistead Miller Wallace Inc., Nashville, Tn. In his new position, Mr. Friday will act mainly as a risk management consultant. He is succeeded at Colonial Stores by **Dennis McGovern,** who will be responsible for property, casualty and employe group insurance. Mr. McGovern was formerly with American Mutual Insurance Co., Virginia Beach, Va.

* * *

John Devitt was named manager of the insurance division of the American Management Assn., replacing Merritt Fabel, who left to join a nearby utility as risk manager. Mr. Devitt has been with the AMA for over five years, most recently as group programs manager in the management systems and sciences division. He is assisted in the insurance department by Sal Nicosia.

* * *

Art Widtman died April 7 following a heart attack suffered before speaking at an ASIM Chicago chapter meeting. Mr. Widtman was consultant for Wyatt Co., and was scheduled to talk on one of his specialties, directors' and officers' liability insurance. He was a former member of ASIM, having been insurance manager for A. O. Smith Co., Milwaukee, for some years. He was also an instructor in the Insurance School's risk management diploma program. He was president of the Wisconsin Chapter of ASIM in 1958-9, and nationally active in the group for several years in the late 1950s and early 1960s. ■

Insurer must defend client without cover

SPOKANE, WA.—Although an insurance policy issued by Aetna Casualty and Surety Co. was held not to cover a loss claimed by a Spokane equipment dealer, the insurer has been directed to defend the client in litigation scheduled soon in Hawaii.

Superior court judge William J. Grant, in a memcrandum opinion, ruled the obligation was incurred because Aetna Casualty at one time accepted liability of a claim that was filed in 1969 by R.A. Hanson Co. Inc., and took exclusive control of litigation in which Hanson is involved.

At the same time, the judge dismissed Hanson's action against Aetna Insurance Co., which held a similar policy but never accepted the defense of the action against Hanson, it was reported.

Hanson, in 1969, manufactured a specialized heavy-duty machine for Jack Merriman for use in Hawaii.

Mr. Merriman subsequently filed an action against Hanson in U.S. district court in Hawaii, claiming a breach of expressed or implied warranty.

Hanson contended the two insurers should defend the action under terms of the policies which provided for such action in cases of property damage.

"To hold that by the language of these policies an accident is a failure of a manufacturer's product to perform as expected, would be an unreasonable construction of the policies," the judge wrote, rejecting the argument on which the claim was based. ■

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