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April 9, 1973

# business insurance

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

## Equity Funding scandal involves no group life cover

CHICAGO—The multi-million dollar Equity Funding Corp. of America scandal did not involve the writing of fictitious group coverages, *Business Insurance* has learned.

The scandal centers around the discovery by the Illinois insurance department that some \$22 million in assets of the Equity Funding Life Insurance Co., one of four life subsidiaries of the parent firm, did not exist.

Meanwhile, employes of the California-based corporation had told the California insurance department of the issuance of phony individual life policies and the fabrication of false death claims to collect on the policies.

The Illinois department and the federal Securities and Exchange Commission have since ordered an end to the sale of Equity policies and stock trading.

The SEC also filed suit against Equity in Los Angeles district court, charging it with presenting "false and fictitious" earnings. A court order turned the operation of the firm over to a court-ap-

pointed board and approved an SEC request for a special investigation.

Indications from reinsurers queried by *Business Insurance*, including some involved in backing the Equity policies, have shown that no group life business was involved.

"It would have been awfully damn difficult—and even more gutsy—to write a fictitious group policy," said the corporate counsel of one reinsurer who several days after the disclosures was still shaking his head.

Another reinsurer, Phoenix Mutual Life Insurance Co. of Hartford, noted that it spotted irregularities with Equity Funding's book of business as early as a year ago, "but," a spokesman told *Business Insurance*, "we had no reason to believe at the time that any of the business we were reinsuring was phony.

"We became concerned," he said, "with the high percentage of Equity Funding life policies being reinsured. To us, this

*Continued on following page*



Rubble of a three-bedroom home in Abbeville, S.C., where two died when a tornado struck April 1. Property losses throughout the state are running in the millions. —Wide World photo

## Costly tornadoes rake South

ATLANTA—The tornadoes which ravaged the nation's Southeast last week left in their wake commercial losses described by insurance industry sources as "isolated" but rather costly. The twisters also killed at least eight persons and destroyed millions of dollars worth of residential and personal property.

Insurance sources told *Business Insurance* that most of the losses would probably be insured because "the fire and extended coverage policy will take care of windstorm losses. This type of

thing is not like floods" where, in many cases, a special policy is needed to provide the protection.

In Georgia, where at least two persons died and 5,000 to 6,000 were left homeless, damage is expected to go well over the \$100 million mark. A source here said that most of the commercial losses were small manufacturing companies whose facilities happened to be in the path.

**IN CONYERS, Ga.**, just west of here, a twister touched down at an industrial park, leaving damage, covered by Allendale Insurance, somewhere in the area of \$10 million, according to a spokesman for the Factory Mutual System.

"One large building, worth about \$2 million was flattened," he explained. "Then there are partially flattened ones and those with less severe damage. Right now, we're not even guessing about business interruption claims."

In Athens, Ga., a tornado injured a minimum of 88 persons and destroyed a trailer park.

Six persons died in South Carolina as two twisters danced about the countryside. Automobiles and mobile homes seemed particular targets of the winds in South Carolina and Athens.

**IN POPULOUS** Fairfax County, Va., a tornado touched down in three different places, leaving behind 19 injured persons and a great deal of property damage. One of the largest single losses, according to insurance industry sources, was the Pickett shopping center in Fairfax City. The center contains 32 businesses of various types, most of which were reportedly damaged by the twister. Preliminary estimates set the damage at the center at about \$3 million.

A high school across the street

from the center was damaged to the tune of more than \$2 million.

Georgia Gov. Jimmy Carter said that he would tell state insurance commissioner Johnnie Caldwell (*see story, page 46*) to prod insurance companies to expedite claims payments. The governor also asked the state labor commissioner to work closely with the Civil Defense in an effort to expedite unemployment benefit payments to brokers whose companies were damaged or destroyed by winds. ■

## ASIM/ATLANTA

The American Society of Insurance Management expects a record turnout for its annual conference being held this week in Atlanta.

For this issue, *Business Insurance* sent a reporter to Atlanta for several days last month to gather material zeroing in on risk and employe benefit management in the Southeast. Reports begin on page 34 with a wrap-up story drawn from interviews with several risk men in the Atlanta area. On page 36 there's a piece on how ASIM insures its risks (yes, it does have a few); on page 38 some light is shed on Underground Atlanta's insurance program; Metropolitan Atlanta's Rapid Transit System, the largest construction project in the Southeast, is looked at on page 40, and on page 50 there's a corporate profile on Colonial Stores Inc., a 435-store chain based in Atlanta. And for ASIMers visiting Atlanta this week, there's a dining guide on page 53.

## Work comp analysis

### Therapy costs aid carrier, too

(Editor's note: This is the first of two articles written to illustrate the inequities of state workmen's compensation laws. This article focuses on the totally disabling injuries suffered by John McWethy, midwest managing editor of *The Wall Street Journal*, and the medical and rehabilitation benefits he is receiving through *The Liberty Mutual Insurance Co.*, the newspaper's work comp carrier. The second article will show how less-generous work comp laws could have left the quadriplegic Mr. McWethy with less-than-adequate benefits. It will appear in the next issue of *Business Insurance*.)



Giving a man back his livelihood.

By TOM WALSH

CHICAGO—It was a chilly but clear Monday afternoon, Feb. 22, 1971, and John McWethy, the *Wall Street Journal's* midwest managing editor of 16 years, was driving down Interstate 70, just south of St. Louis, on a recruiting trip to the journalism school of the University of Missouri in Columbia.

He hadn't been drinking, wasn't particularly tired and had only been driving a short time. But, somehow, he fell asleep at 70 miles per hour.

"I still can recollect snapping awake for a second as the wheels hit the median strip and trying to get the car back on the road," he said two years later. "The next thing I remember is being in a hospital and being asked for my phone number."

The rented car had flipped, crushing the roof. When he was pulled from the wreckage, his only visible injuries were minor scratches, but his internal injuries—a broken neck and a dislocated spinal cord—were later termed by his rehabilitation physician, "the most severe a person can endure and still survive."

Today 62-year-old John McWethy is quadriplegic—paralyzed from the chest down, able only to move his head and his arms. And today, \$67,507.72 worth of painstaking, intensive medical treatment and an immeasurable amount of personal

*Continued on page 86*

# Advisor group's breakup laid to interest conflict

TUCSON—The Pima County Board of Supervisors March 19 formally passed a resolution dissolving the county insurance advisory committee, which the county attorney's office has said serves in a conflict of interest.

Four members of the insurer's group, who share the majority of commissions on more than \$600,000 of insurance they recommend and sell to the county each year, had asked for a meeting with the board, in a letter in which they reportedly refer to "various innuendoes and false conclusions that may" have been contained in two articles about the committee in the Arizona Daily Star. (See story page 72.)

In a staff meeting, the five-

man board voted to have a resolution abolishing the insurance committee placed on their agenda at their next meeting.

Board Chairman Joe Castillo said March 15 no meeting has been scheduled with the committee and "the issue has already been settled," it was reported.

Earlier, the board asked its legal counsel, Rose Silver, to investigate whether the committee was acting legally. The request came after the board learned the Star was working on a story about the committee.

A letter, signed by the four committee members—Winston Reynolds, Carl Miller, Albert W. Gibson and T.E. Downey—was distributed to members of the

board.

"The newspaper articles (Daily Star, March 10 and 14) imply that the Insurance Advisory Committee members were being overcompensated for the time and effort devoted to looking after the best interests of the county," the letter stated.

"NOT SO," it continued. "In each and every case where the premium charge for insurance would be effected by the rate of commission, the committee has negotiated a commission reduction to rock bottom."

A review of insurance records for three fiscal years revealed that in 28 of 44 cases, a commission of from 16% to 25% was charged.

The members of the committee share all commissions equally, except those for fire insurance in which they each share a 10% portion with the remainder going to various other local insurance agents.

Richard Stapp, contract administrator for the city, who handles all Tucson's insurance contracts, said last week the highest commission rate charge for any city insurance "is in the order of 8%."

Dr. Nestor R. Roos, an insurance professor at University of Arizona College of Business, also noted that commissions paid by

governments are "usually less than 15% and can go as low as 5%," when competitive bidding is used.

**THE COMMITTEE** did not use competitive bidding.

Kenneth Scharman, county manager, said March 15 after the committee is dissolved, a new system of purchasing insurance, using competitive bidding, will be formed.

Mr. Scharman said he, Mrs. Silver, and Peter Larson, finance director, meet this month

to work out recommendations for a new insurance buying arrangement which the board wants submitted to them at that time.

The largest insurance premium paid by Pima County amounts to slightly more than \$400,000 per year for workers' compensation. The annual premium for general liability has been \$170,000 for the past two years. During this fiscal year, the county is carrying 26 other insurance policies with premiums ranging from \$65 to \$35,000, continued the Star's coverage.

## Income cover plan hit

CARSON CITY, NV.—Class warfare erupted during legislative hearings on three bills to create state disability insurance.

Robert Archie, state employment security director, said the insurance was vital for workers who were injured off the job and could not collect unemployment insurance or Nevada Industrial Commission benefits.

But representatives of insurance companies and employers groups felt the coverage was not needed and would raise taxes.

Mr. Archie said Gov. O'Callaghan wants disability insurance "for people who are injured through no fault of their own."

"They can't get NIC benefits if they're injured off the job. They can't get unemployment if they're not actively seeking work... and you can't seek work if you are disabled," Mr. Archie commented.

Sen. Coe Swobe asked for a showing of hands and several hundred indicated they were opposed to the disability measures, SB 194, SB307, and AB 457.

However, Stan Drakulich, chairman of the senate commerce and labor committee, said the hand count was "very unfair" because the room was packed with representatives of management.

Employment Security Director Archie said although workers weren't present "I have a long list of people who wouldn't get paid" when they were injured.

SB194 provides for a one per cent contribution from employees beginning in July, 1973, with a maximum of \$94 per person the first year. Workers would be eligible for payments in April, 1974, after the insurance fund had been built up.

Robert Long, unemployment insurance administrator, estimated 200,000 workers would be covered under SB194.

The insurance fund would be administered by Long's department for private business employees. State and local government workers would decide whether to join the plan.

Other bills considered were SB307 and AB457. They would require contributions by employers as well as workers.

Insurance company representatives said private plans offer the best way to deal with temporary disability insurance and "two-thirds of workers have these plans."

Rowland Oakes, executive secretary to the Nevada Associated General Contractors, said the firms he represented already provided off-the-job disability for their employees.

Oakes claimed one of the bills was as bad as the other and "it's a question of whether you are going to shoot us or hang us." ■

## Equity . . .

Continued from preceding page

meant the possibility existed. The underwriters were being relieved of some of the responsibility for writing good business or for writing business that would stay in force long enough for us to make money on it."

Phoenix Mutual had carried about \$3 million in Equity reinsurance premiums, all business, officials say, generated in 1970 and 1971. Phoenix, alarmed by Equity's high percentage of reinsurance, quit reinsuring its policies in 1972. The reinsurer also passed along over \$2 million in Equity business to other reinsurers. Ranger National Life, Connecticut General and Kentucky Central insurance companies also reinsured Equity coverages.

Reinsurers generally feel that the ultimate loss on their part due to the scheme will be minimal—in fact, they point to some positive aspects. Some business they have been carrying on their books has generated reserves that can now be released back into their corporate treasuries. The real losers in the fraud, should all the allegations hold up, will be the Equity Funding stockholders, who had their stock prices inflated because of the writing of non-existent business.

**REINSURERS MIGHT**, some sources noted, be able to recover what losses they may suffer if investigations show the insurance fraud was covered up by some of the large auditing firms involved. Most carry errors and omissions coverage, but, as things stand now, it's a moot point, they say, whether any errors or omissions were committed, according to standard auditing procedures.

Aside from the SEC suit, Equity—or what is left of it—and various accounting firms, which have worked with Equity's books, face class-action suits filed by stockholders. The company has also incurred the wrath of many sizeable banks which backed the mutual fund corporation. ■

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## INA vp warns industry must adapt or perish

BUFFALO, NY—The casualty and property insurance industry is on the endangered species list and it must adapt quickly to its environment, according to Donald H. Garlock, senior vp of Insurance Co. of North America, speaking before 600 insurance executives and agents at the 25th annual Buffalo Insurance Day meeting here last month.

"If we don't (adapt), we are all doomed to extinction like the great blue whale, whooping crane and giant panda," said Mr. Garlock at the meeting in Hotel Statler Hilton.

Many observers are predicting the insurance industry will be losing money within a few years, despite "two of the most successful years our industry has enjoyed," said the speaker. He suggested there are "disquieting signs that all is not well."

"The entry or re-entry into the market of marginal carriers, who seek to write the simplest risk such as apartments and office buildings at the lowest prices, has introduced a disturbing ele-

## B. I. names managing editor

CHICAGO—David P. Grimm has been named managing editor of *Business Insurance*. He will be based in Chicago and have overall charge of production of the magazine and direct editorial coverage in the Midwest, according to Stephen D. Gilkenson, editor.

Mr. Grimm, a graduate of Loras College, Dubuque, Ia., joins *Business Insurance* from the Rockford (Illinois) Morning Star where he held a variety of positions during the last three years. His experience includes copy and photo desk work, fea-



David P. Grimm

tures and new reporting. Earlier in his career he was involved with the marketing of mutual funds, insurance and pension and profit-sharing plans for Investors Diversified Services Inc., Minneapolis. At that time he was a Securities and Exchange Commission registered representative.

"Dave brings to *Business Insurance* a wide variety of news sense and judgment," said Mr. Gilkenson. "In addition, his experience on the insurance and pension and profit-sharing end will be invaluable to the magazine's future growth."

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ment—cut throat competition," said Mr. Garlock.

Apartments and office buildings have been profitable for INA but the firm has instructed its underwriters "not to try to slug it out toe to toe for business they believe has no profit potential," said Mr. Garlock.

Any other course would be suicidal, he charged. Yet, "many companies seem to be stressing premium growth more for the sake of investment funds than the underwriting results they will achieve," he added.

"In December alone our special accounts department lost 11 accounts, seven of them solely because we were unwilling to meet the market price. I should add

that we nevertheless managed to record a 17.3% premium increase in the large risk area during 1972, chiefly by stressing imaginative approaches to attract less obvious classes in the \$200-600,000 range rather than the super jumbos. By placing our market emphasis where the competition is less ferocious, we feel we are controlling our environment as best we can."

Mr. Garlock said when the industry cannot control the environment, it must adjust to it. The change in emphasis from sales to new product development to financial management represents such attempts to adapt.

Some agents, he said, "will always resent change and these companies and individuals who seek to be the architects of change. Some underwriters are equally resistant to new developments. Both of these groups of dinosaurs are going to find the road increasingly difficult."

## San Francisco claim settlement self-insured

SAN FRANCISCO—This city's self-insurance fund will be tapped for \$503,370 to pay an out-of-court settlement of a \$4,010,000 suit by Carl Hendrick Petersen, Sweden's consul general here from 1966 to 1972.

The city's public utilities commission approved the settlement with the 58-year-old former diplomat, now at his home in Sweden, on the recommendation of William Bourne, deputy city attorney.

Mr. Peterson suffered brain damage and partial paralysis Oct. 9, 1971, when his automobile was struck by a Municipal Railway trolley bus. Mr. Bourne said "the case shows sufficient evidence of the likelihood of city

liability."

The utilities commission also approved 180 other out-of-court settlements and judgments against the San Francisco Municipal Railway, totalling \$718,671. Some claims were filed in 1967.

Attorney Bruce E. Krell recently filed a \$1 million punitive class action suit in superior court here against the city for its failure to pay off damage claims from its self-insurance fund.

Mr. Krell's action asked for a court order for immediate payment of all judgments and settlements, interest at seven percent annually to all members of the class and \$10 a day damages to each person for having waited for payment.

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# Beneficiaries sue in denied homicide claim

ST. LOUIS—The beneficiaries of a \$2 million key man life insurance policy on Victor G. Null, an obscure St. Louis inventor murdered Nov. 8, 1972 (*Business Insurance*, Dec. 4, 1972), have filed a countersuit against a Lloyd's of London suit filed in

February which asks the policy be ruled void. Lloyd's and 22 co-insurers insured the St. Louis rotary-turbine engine inventor just two months before he was found in the H.C.S. Turbine Co. offices with four bullets in his head.

Written through Robert Green of Bowes & Co., St. Louis, the policy named Mr. Null's five partners as beneficiaries and carried a \$5,000 annual premium. Lloyd's has filed suit asking the policy be ruled void, alleging the turbine firm gave false infor-

mation in requesting the policy. According to the suit, the firm said Mr. Null had never been denied coverage by another insurer. In investigating the murder, St. Louis police learned James H. Calvert, retired 73-year-old contractor who owns 43% of the

firm, once attempted to obtain a \$500,000 life policy on Mr. Null in 1971 from the Prudential Insurance Co. He was refused, police said, because Prudential said it does not write policies insuring the head of a company in favor of the company and its partners. Mr. Null owned 50% of the business.

The countersuit, filed by Mr. Calvert, seeks dismissal of the Lloyd's suit, claiming, by accepting the policy, Lloyd's waived the claim "that these beneficiaries did not have an insurance interest in the life of the insured," and the turbine firm "complied with all the provisions" of the Lloyd's policy.

Lloyd's has withheld payment of the giant claim, pending further investigation of the case. The countersuit charges that Lloyd's refusal to pay is "without reasonable grounds."

No hearing has yet been set on either suit. The countersuit requests a jury trial.

## The Results

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People Conservation

## LA Life's conservator appointed

SACRAMENTO — California Insurance Commissioner Gleeson L. Payne has been named conservator of the financially troubled Los Angeles Life Insurance Co., which has an excess of liabilities over assets of \$1.7 million.

An insurance commission examination of Los Angeles Life on June 16, 1971, disclosed the company needed \$886,650 to bring its surplus up to statutory requirements. Stockholders provided the sum but on March 31, 1972, the company was ordered to stop writing new life or disability insurance.

"The company's problems," Mr. Payne explained, "were caused primarily by writing group disability insurance at inadequate rates."

One group policy issued to a Teamster's Union, cost Los Angeles Life more than \$500,000 in 1971, with claims exceeding premium income by that total.

"AN ACTUARIAL analysis of this group disability insurance plan," the commissioner said, "indicated the rates needed to be increased by as much as 300%. By the time the rates were increased, the loss had grown an additional \$200,000."

"Other group disability policies issued by the company," Mr. Payne continued, "also bore inadequate premiums, producing substantial losses for the company the latter part of 1972."

Payne pointed out accident and health group insurance was unprofitable for the industry as a whole during this same period. "due to a very high rate of inflation in medical care costs."

Los Angeles Life also lost nearly \$700,000 in the foreclosure on the company's home office building.

Mr. Payne announced Standard Life Insurance Co. of Oregon has agreed to reinsure, assume and rewrite certain disability programs and term life insurance policies issued to the Los Angeles County Employees Assn.

"Under this plan," Mr. Payne said, "a large group of the company's policyholders will be fully protected."

## Big D comes to little W.

Ray Wallace, president of Dallas-based Trinity Industries, Inc., visits Wausau, Wisconsin, home of Employers Insurance of Wausau.

"I grew up in a small town and my Wausau visit reminded me of some of the good things I connect with that way of living. For one thing, it seems to foster an attitude of being helpful and useful that shapes your life in whatever you do later.

"Now, at Trinity, we don't believe in standing still. We're growing. Moving into new areas. Through it all, Employers of Wausau has worked closely with us in helping us to control our insurance costs. I'll tell you this, we've shared some stress together. It took faith on both sides to reach our goals.

"The people of Employers' Dallas office bring the Wausau Insurance spirit not only to the Southwest, but right into our various companies—by arranging for safety seminars, counseling with our own insurance specialists, and taking the extra time and effort to really understand our problems.

"So I'd say the Wausau people have that helpful characteristic in abundance—and I believe they come by it naturally."

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# washington watch

## Product safety law's drafters fear they may have created a monster

By JOHN REVETT  
Washington editor

WASHINGTON—Now that the Consumer Product Safety Commission is becoming a reality, backers of the establishing legislation are beginning to worry about side-effects of CPSC development. (See story page 74.)

Supporters are not yet holding their heads and moaning "My God, what have we done," but there is now an ironic concern

about the agency itself causing a hazard by bringing about a sharp increase in product liability lawsuits.

"SOME PEOPLE are sure to jump on the bandwagon to see what they can get whether the product or misuse of it caused their injury," said an official of the Food & Drug Administration's Bureau of Product Safety, which will form the staff nucleus of CPSC. "And of course, there will

be suits by people who really were hurt by products but in the past might not have taken legal steps. Either way, we'll be digging into a lot of products and accidents, and we're bound to stir things up."

CPSC'S initial task will be to set safety standards for the vast number of products covered by the product safety act—everything from electric eggbeaters to razor blades and their packages. Only cars, firearms, and food and

drugs, all regulated elsewhere, are excluded.

According to estimates by CPSC commission nominees, the number of standards they will have to set may well reach 10,000. This would be 9,750 more than the Occupational Safety & Health Administration has set to cover the nation's workers.

ESTIMATES from the insurance industry, though it generally backed creation of the product safety agency on a loss-reduction/public service basis, point to legal battles with consumers as perhaps the agency's main effect on manufacturers—at the outset, at least. Arthur Spiegelman, vp-engineering and safety service, American Insurance Assn., is sticking by his prediction (*Business Insurance*, March 26) that product liability lawsuits will more than double, to a total exceeding 1 million a year, by 1985.

"The agency might actually

add to the rate of increase initially, because it will be making people more aware of the inadequacies of products," said Mr. Spiegelman.

Michael Lemow, counsel to the House commerce and finance subcommittee, which wrote the bulk of the safety law, acknowledged that "a problem is definitely there. The new agency is supposed to stop accidents, but there are also great social forces acting to generate lawsuits. It's a question of which force will win out."

A Senate commerce committee source said it "would seem that the program would eventually cut down on household accidents" and another Bureau of Product Safety staff member cautioned, products "won't all become safe overnight. There will be a period when things will be tough on manufacturers."

ONE POSSIBLE solution for the makers of products covered by the act is to press for rapid establishment of standards. Once they are put on the books, it would be difficult for persons injured by misuse of a product or in some freakish way to put together a case against the manufacturer, if the maker had complied with CPSC standards.

But Mr. Spiegelman says he won't be convinced product liability law suits will go anywhere but up until the agency sets "really" safe standards and enforces them vigorously.

No one could fairly comment on the administration's sincerity at this point. It must be assumed when the president signed the product safety law into effect he intended to implement it fully.

There, however, are reports that House finance and commerce subcommittee members already doubt White House intentions because of its three-month delay in getting CPSC started. There are also rumors, denied by administration sources, that Republican members of the commission had to agree to White House pre-clearance of major actions before they were nominated.

The only real basis for complaint about the agency so far is the reported list of nominees themselves, but there is no controversy at this point on the proposed members of the CPSC commission.

So far, they are: Richard O. Simpson, chairman, previously acting assistant commerce secretary for science and technology; Lawrence Kushner, deputy director, National Bureau of Standards; Barbara Franklin, a staff assistant to the president; and Constance Newman, director of the VISTA anti-poverty program. According to Senate commerce committee sources, the four reported nominees should be confirmed without difficulty.

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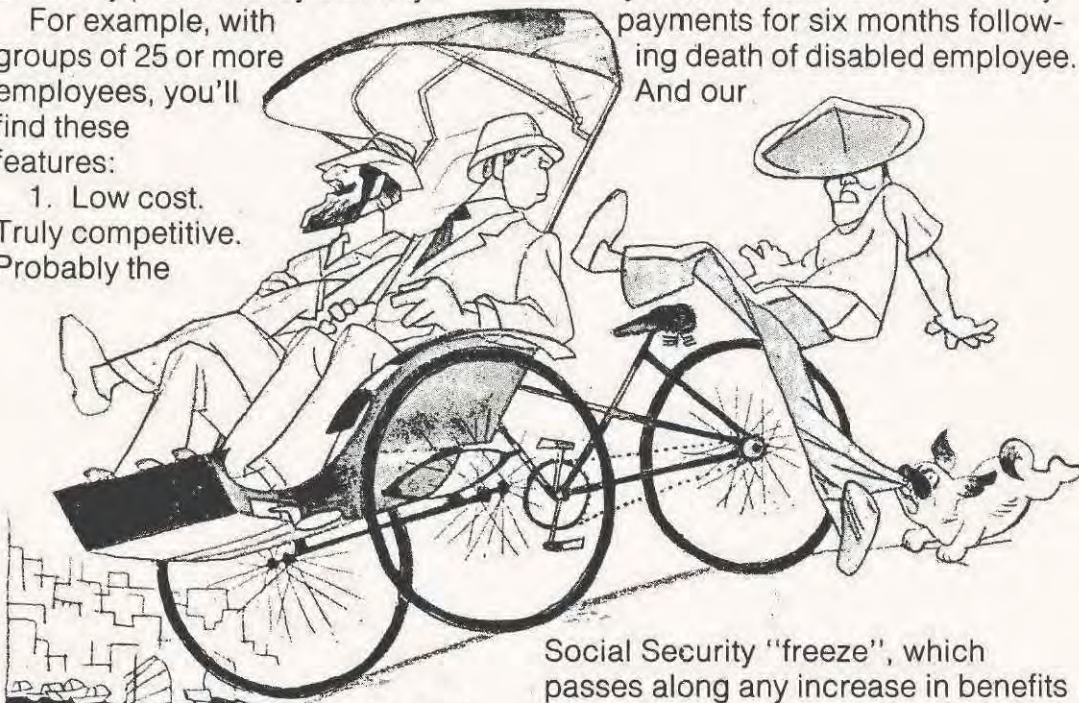
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# Corporate Insurance Idea Workshop is set June 5 in New York

NEW YORK—Bion H. Francis, a *Business Insurance* contributing editor, the author of several books on insurance and employee benefit management and a man with more than 30 years of practical experience in corporate insurance management, will conduct a Corporate Insurance Idea Workshop at the Essex House here on Tuesday, June 5. The workshop is being presented by *Business Insurance*.

Subtitled "Cost Reduction and Control," the workshop will be strictly limited to 30 registrants. According to Mr. Francis, the emphasis during the eight-hour shirtsleeve session will be on the savings of hard cash dollars in developing or refining a corporate insurance program. The workshop, therefore, will zero in on money-saving ideas that could trim insurance costs substantially



Bion H. Francis

for corporations concerned with the rising expense of insurance protection.

To be held in a small, informal atmosphere, the session will be broken down into three major segments. They are: (1) loss prevention, (2) the steps to take when moving from a program of full insurance to a program of self-insurance, or whether to self-insure at all, and 3) competitive bidding vs. negotiating of insurance contracts.

"The three categories are all interrelated," said Mr. Francis. "If the program of loss prevention is successful you can save substantial amounts of money through self-insurance."

AS FOR competitive bidding, Mr. Francis indicated there are times when the procedure can save a corporation hard dollars. However, he cautioned, there are other times when it may not. "And, yes," he said, "there are times when there is an alternative to competitive bidding." These subjects, he said, will be dealt with in detail during the Idea Workshop.

Registration—again, limited to 30 persons on a first come, first served basis—may be made by writing Corporate Insurance Idea Workshop, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

The fee for the day-long session, payable with registration and made out to Business Insurance Workshops, is \$115 if received before May 5; thereafter the fee is \$130. Included in the fee, tax deductible for corporations who send representatives, are luncheon, workbook, coffee breaks, and a copy of Mr. Francis' most recently published booklet, "How to Buy Insurance for a Corporation." Hotel reservations, if necessary, should be made directly with the Essex House, Central Park South, New York, N.Y. 10020.



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## info for buyers

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

• Marsh & McLennan has issued **Claims Guide for Goods and Merchandise**. The brochure is intended to serve as a guide in the handling of losses and damage to property while in transit. Copies are available without charge by writing to S. Hobart Lockett, marine claims dept., Marsh & McLennan Inc., 1221 Avenue of the Americas, New York, N.Y. 10020.

• **Group Survivor Benefit**, a brochure available from Confederation Life Insurance Co., briefly outlines the history and development of the group survivor benefit approach. For free copies write the group promotion dept., Confederation Life Insurance Co., 321 Bloor St. E., Toronto, Ontario, Canada M4W 1H1.

• **Money**, a corporate brochure produced by the Oakland Financial Group Inc., describes the company's synergistic approach to executive financial planning and counseling as a corporate benefit. For your copy write the company at 17368 W. Twelve Mile Rd., Southfield, Mi. 48076.

• The Insurance Buyers' Council Inc. has prepared a booklet concerning a corporate medical reimbursement benefit that is for the exclusive use of executives and key employees. The booklet outlines the advantages of the benefit, the steps to be taken for its implementation, and a prototype plan document. Copies are available at \$3.00 each from Insurance Buyers' Council Inc., 22 West Rd., Baltimore, Md. 21204.

• The Institute of Life Insurance has released the latest edition of **Life Insurance Buying**. Prepared by the Institute from data supplied by the Life Insurance Agency Management Association, this statistical study presents an analysis of ordinary life insurance purchases in the United States in 1971. Copies are available at 25¢ each from the Institute, 277 Park Ave., New York, N.Y. 10017.

• **What Is it, Anyway?**, a leaflet issued by American Title Insurance Co., describes the role of title insurance and a title insurance company in providing title protection to individuals and companies. For free copies write James W. Robinson, American Title Insurance Co., 150 S.E. 3rd Ave., Suite 448, Miami, Fl. 33131.

• **Helping You Become A Preferred Risk**, a booklet published by the Commerce & Industry Insurance Co., is addressed primarily to retail store owners. The brochure discusses those safety systems that qualify a retail store owner for preferred risk status. For your copy write James Burgess, Commerce & Industry Insurance Co., 125 Maiden Lane, New York, N.Y. 10038.

• A packet of risk management articles written by Felix Kroman, president of Risk Planning Group, have been made available to readers of *Business Insurance*. The articles discuss: Captive insurance companies; risk manage-

ment score sheet. For copies write Risk Planning Group, 24 Old Kings Hwy. S., Darien, Ct. 00820.

• **What You Should Know About Health Care** is a comprehensive guide for people needing or anticipating a need for home health care services themselves, for a family member or a client. The free book is published by Homemakers Home and Health Care Service Inc. To get it write Ronald Rosenberg, Homemakers Home and Health Care Services, Inc. Kalamazoo, Mi., 49001

• Underwriters Salvage Co. has released **Salvor Operation Principles**, a booklet setting forth the purposes, the areas of service and the standards practiced by the professional salvor. The booklet includes a section on the salvor and the adjuster. For a free copy write Burr Williamson, Underwriters Salvage Co. 125 Entin Rd., Clifton, N.J. 07014.

• **Planning For The Bomb Threat**, a booklet prepared by Guardsmark Inc. discusses some general precautions that should be taken in anticipation of a possible bomb threat. In addition to

### PLANNING FOR THE BOMB THREAT



sections on advance planning, the booklet also contains material on evacuation, search and bomb disposal. For copies contact E. W. Holden, Guardsmark Inc., 22 S. 2nd St., Memphis, Tn. 38103.

• **General Information on Insurance and Bonds** is a booklet available through the Hartford Insurance Group. It provides a general description of all policies written by the insurance group and is free. To obtain a copy contact William A. Sanderson, The Hartford Insurance Group, Hartford Plaza, Hartford, Ct. 06115.

• **ImpleFacts Inc.** has released a brochure describing the company's computer service designed to handle the record keeping and communications of profit-sharing and savings plans. For a free copy write Louis Valentino, vp, ImpleFacts Inc., 1775 Broadway, New York, N.Y. 10019.

• **Environmental Control Through Glass** is a booklet available from Globe-Amerada Glass Co. It describes a variety of insulated glass panes and their protective uses in

blocking out noise, insulating room temperature, controlling glare and withstanding bullets. It is available free by writing Mark L. Green, Globe-Amerada Glass Co., 2001 Greenleaf Ave., Elk Grove Village, Ill. 60007.

• **Extended Medical Expense Plan for Firms with Two to 25 Employees** is a Metropolitan Life Insurance Co. booklet which describes the firm's employee benefit plans for small companies. The plan includes in-full base medical benefits plus a high maximum major medical benefit. For a copy, write Donald Shapiro, Metropolitan Life Insurance Co., 90 Park Ave., New York, N.Y., 10016.

• Philadelphia Manufacturers Mutual Insurance Co. is offering a booklet, **DIC**, that presents guidelines for dealing with serious industrial property loss hazards covered under difference in conditions insurance. The booklet contains case histories of typical DIC losses, recommendations for preventing losses and a "cause and effect" table listing common risks and actual loss experience. For a free copy of the booklet write Mrs. Sheila Krase, Philadelphia Manufacturers Mutual Insurance Co., 1339 Chestnut St., Philadelphia, Pa. 19107

• **The Floods of June '72**, released by General Adjustment Bureau, provides eyewitness testimony to the four catastrophes that struck in one month—throughout the East Coast, in South Dakota, Arizona and California. To obtain the free 28-page pictorial report write management services, GAB, 123 William St., New York, N.Y. 10038.

• **The Pension Plan for a Business with Fewer than 100 Employees** outlines similarities and differences between small and large company pension plans. Produced by Johnson & Higgins, the booklet is available by writing production and coordination dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **System 7**, describing an approach to the design, organization, production, distribution and evaluation of total compensation employee statements, is being offered by Towers, Perrin, Forster & Crosby. For your free copy write Joseph A. Banik, Towers, Perrin, Forster & Crosby, Three Penn Center, Philadelphia, Pa. 19102.

• **The Measure of Compliance**, a brochure from Du Pont Co., discusses a new measurement method for use in determining personal noise exposure as outlined in the Occupational Safety and Health Act. For free copies contact J. B. Partain, ed. & applied tech. div., Du Pont Co., Wilmington, De. 19898.

• **National Trust "Profit" Plan** explains the benefits for executive groups and small businesses (Canadian) of initiating deferred profit-sharing plans. The brochure, available from National Trust Co. Ltd., discusses the plan as an alternative or supplement to a regular corporate pension plan. For free copies write R. Rambo, National Trust Co., 21 King St. E., Toronto 1, Ontario, Canada.

• **Employee Information Systems** is a Benefacts Inc. brochure describing the ever-increasing demands upon the corporate personnel department by management and government for "need to know" information about employees, the problems that are

being encountered gathering this information from outdated filing systems, and some practical solutions to those problems. For a free copy write Tom Selby, marketing director, EIS Division, Benefacts Inc., Hampton Plaza, 300 E. Joppa Rd., Baltimore, Md. 21204.

• Commercial Union has put out a **Profile Kit**. It's a compendium of brochures describing the products and facilities of the Commercial Union Cos. including a profile book that discusses company history, resources and philosophy. It is available free by writing A. R. Eovine, advertising manager, Commercial Union Co., 110 Milk St., Boston, Ma. 02107.

• Advisor Security has a brochure explaining the ultrasonic principle and its function as a security system. For a copy write E.J. McLeod, Advisor Security, 130 Slicoln St., Boston, Ma. 02135.

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group, and mass merchandising of personal lines, association business, and other retail coverages, we have developed over 100 million dollars of premium.

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We're nationwide. We rank within the top ten brokerage firms in the country and we're growing because businessmen like our style. So maybe you owe it to yourself to investigate our approach to your corporate protection needs. Look into our record. Make comparisons. If you can prove you need it, we might even consider selling you insurance. We'll certainly sell you an idea.



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# london line

## Marine underwriter warns of false optimism, cites 1965 experience

LONDON—British marine underwriters are thinking back fearfully on the dire days of eight years ago when they faced a lean period thru shock losses. And the clarion call of market leaders now is: Prevent the mistakes of the past.

This was expressed at the annual meeting of the Institute of London Underwriters by its chairman, William J. Claydon, who declared, "Relative absence of catastrophic losses last year has tended to generate an excessive spirit of optimism in some overseas markets and, indeed, in some sections of the London market."

"I must temper this optimism with a warning that the catastrophe content of our hull rates must be maintained at a level to meet multiple losses when they come. So remember 1965!"

That, of course, was the year of various major losses, including some in the U.S.

Referring to the work of the U.K.'s joint hull committee, he said: "The influence of this committee extends to most parts of the world, but from time to time its advice has been ignored by those who would think only in terms of premium income. To achieve this, such people have been prepared to indulge in irresponsible rate cutting."

"The committee is not a rate-fixing body, nor does it aim to restrict competition. It is a committee of very experienced underwriters whose main purpose is to give guidance to the London marine market in the rating of hull business."

As for cargo ratings, Mr. Claydon, manager and underwriter of the Scottish Lion Insurance Co., warned, "In this field, too, the catastrophe content of our rates must be maintained at a level to meet major losses when they occur. We are being called upon to insure high accumulations of cargo in container vessels or large bulk carriers."

**FUTURE** developments in the American reinsurance market were outlined by Stanford Miller, president of Employers' Reinsurance Corp. of Kansas City, at an international seminar held by the U.K. Reinsurance Offices Assn. at Brighton, Sussex County.

He said, "A radical change is under consideration in the U.S.

market. Under study by a group of large primary companies is a highly refined communications and accounting system for handling reinsurance. It would operate somewhat as does Lloyd's of London, but on a much more modern basis. That is, it would be computerized and provide an almost instantaneous system for exchanging information on facultative cases. Reinsurers will be permitted to participate.

"The new plan has made con-

siderable progress" he continued, "having been flow charted at considerable cost so far. Funds have been poured in since the idea had its first germination by its influential sponsors three years ago and if it comes to pass will make a big change in reinsurance matters."

Mr. Miller said reinsurance brokers appeared to enjoy lack of regulation in the U.S. on a scale unique in a country where insurance activities of almost every

other sort were burdened with regulatory rules.

"Freedom of action permitted reinsurance brokers is a matter of envy to the rest of us, but the high degree of professionalism and integrity which pervades the reinsurance brokerage business is a credit to such a free system," he commented.

\* \* \*

**LAWYERS** will be compelled to take out insurance against professional negligence risks under legislation now proposed by the British government. They will have the option of forming a mutual insurance pool within their own professional organization, the Law Society, or of arranging group insurance cover with Lloyd's or insurance companies. The scheme has been adopted so as to protect clients who place their legal business with non-insured lawyers.

\* \* \*

British government scientists are producing a series of advisory studies for works safety officers and chemical plant operators on the best means of detecting poisonous substances in the air.

More than twenty booklets have been put on sale listing simple and rapid methods for compliance with this country's Factories Act, which states in legislation:

"Before a person without breathing apparatus can enter any confined space where fumes are liable to be present, the space must be tested and certified safe for entry by a responsible person."

The tests are made as simple and straightforward as possible in order that they can be operated by comparatively unskilled personnel, even though they are mainly intended for the guidance of safety officers. Most of the tests depend on color reaction.



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## State regulation issue

THE JUNE 4 issue of *Business Insurance* will contain a special emphasis section on insurance regulation.

*Business Insurance* will be zeroing in on areas of special interest to corporate executives about the ever-changing field of regulation. The special emphasis issue will probe into the recent controversy over self-insured employee benefit plans, new improvements on the state level in workmen's compensation benefits, recent efforts to regulate employee pension plans, updated no-fault regulations and other areas of interest to persons attending the annual meeting of the National Assoc. of Insurance Commissioners, June 3-8 in Washington, D.C.

*Business Insurance* is already busy researching stories for this special emphasis issue, and readers are invited to submit story suggestions for consideration.

## Continental will cover embezzlement of \$1.5 million from Union Dime bank

NEW YORK—The Continental Insurance Co. wrote the standard banker's blanket bond policy covering last month's computer-engineered embezzlement of an estimated \$1.5 million from the Union Dime Savings Bank here.

A Continental spokeswoman confirmed the underwriter "is responsible for the entire loss," noting it has been Union Dime's insurer for over 20 years. Johnson & Higgins is the broker.

"The net loss to the bank is not yet verified," said William Swezey, vp of Union Dime's Park Avenue branch, from which the money was stolen. "The figure of \$1.5 million was the amount the accused told the prosecutors he took. Naturally, we're hoping it's

lower."

Although final figures are not yet certain, banking officials have characterized the alleged embezzlement as one of the biggest in recent years, and likely the biggest ever from a savings bank.

**THE ACCUSED** teller, Roswell Steffen of Parlin, N.J., was arrested after federal, state and police authorities discovered his involvement with a large-scale bookmaking operation they were investigating. According to district attorney Frank S. Hogan, the embezzlement might never have been uncovered if the 41-year-old teller had not been discovered making \$30,000 in daily

bets on horseraces and basketball games.

Tipped off by the betting, detectives then discovered a sophisticated computerized embezzlement underway at Union Dime.

**MR. STEFFEN** allegedly used the bank's computer for the last three years to shuffle hundreds of individual accounts and then fed false information to the computer so the accounts always appeared to be up to date.

District attorney Hogan accused the teller of taking thousands of dollars from the accounts, then redepositing briefly the amounts taken from each account whenever quarterly interest payments were due, so everything would seem normal. ■

## High court to hear safety dispute case

WASHINGTON—The Supreme Court will hear a United Mine Workers vs. Gateway Coal Co. case to determine whether safety disputes between labor and management are of a nature that cannot be included in compulsory arbitration clauses in labor contracts.

The lower court had ruled that safety disputes must be stated specifically and were not covered by compulsory arbitration, but Gateway, the Bituminous Coal Operations Assn., the National Assn. of Manufacturers and the Chamber of Commerce appealed.

The high court will rule on the arbitration issue even though the labor contract signed in 1971 with the coal operators does indeed include safety as an arbitration subject. (The case, however, arose under the 1968 contract, which did not.)

The coal operators and their supporters feel that the Supreme Court should overturn the lower court rulings because, they contend, the lower court decisions run against the policy of promoting labor stability by encouraging arbitration. ■

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## Insurance is big consumer hope: Nader

CHICAGO—Consumer crusader Ralph Nader told a gathering of insurance agents here the insurance industry "is the only industry in the country which has a solid, vested interest in health and safety," and, as such, could emerge as a giant consumer protection agency.

"There is a need for the insurance industry to ingratiate its trust in the consumers mind," Mr. Nader told a meeting of CNA's Pacers National Advisory Panel. "And what better way is there than being a symbol of health and safety? Such a stance would not only save lives, but could begin to tame unsafe technology."

Citing the insurance industry's avoidance of underwriting nuclear power plant risks, Mr. Nader suggested the industry come forth and explain to the public why it considers something so dangerous as to be uninsurable.

"In doing this," he said, "the companies are not only doing a service to themselves, but to the country. If even one of these nuclear plants goes, the loss involved will have either a direct or an indirect effect on the industry. The Atomic Energy Commission in 1967 estimated a plant blast 30 miles from an urban area and only containing one-fifth the power of the plants being built today would cause \$7 billion in damage.

**THE SAME** situation exists with the earthquake problem," he said. "This is an area which seems to have been taken over by clairvoyants and seers, and people laugh. But it's a pretty sick joke. Something catastrophic is going to happen, and who is in a better position to bring this out in the open than the insurance industry?"

Mr. Nader also suggested the industry concentrate more effort toward designing risks out of new technology.

"So much more can be done in the design area," he claimed. "About 7,000 trainmen were being killed every year hooking up trains, and then someone designed the automatic coupler and designed the risks out of the procedure. Lloyd's of London pioneered this area centuries ago with lifeboats and lighthouses, and now, years later, there is a lot lacking.

"The insurance industry has to be willing to enter controversies with companies in the area of safety," he said. "All the obstacles—controversy, making enemies, whatever—can be overcome. Once it is made completely clear by the industry it won't tolerate unsafe technology, the stance will become custom."

In his other remarks, Mr. Nader praised the efforts of consumer-oriented insurance commissioners following the lead of Pennsylvania's Herbert S. Denenberg, contending the emergence of group-legal coverages will aid consumerism and asked for simplification of insurance policy language so policies are readily understandable to the consumer.

### Worker funds broader

The Oregon house of representatives has sent to the senate, HB 2224 which requires employers to make agreed payments to employee funds to include dental, pension, vacation, apprenticeship and industry funds.



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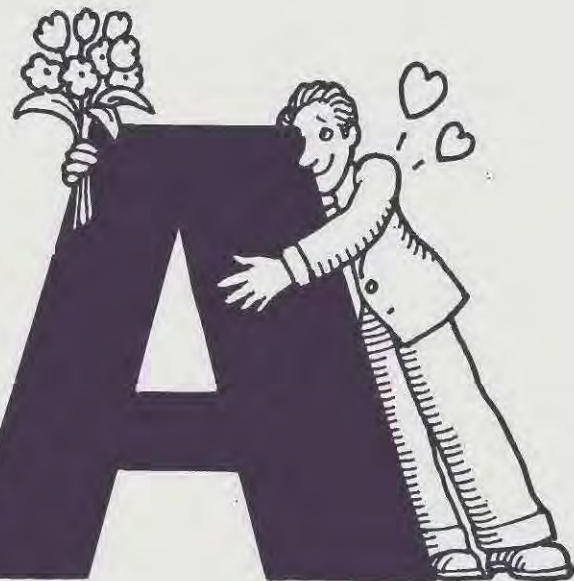
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# How to live with OSHA and like it.



How to avoid  
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Premises Inspection Guide



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on OSHA and Related Health Questions

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We've got some good news for businessmen worried by requirements and penalties of the Occupational Safety and Health Act. Believe us, things aren't as bad as you may think. In fact, Aetna believes you can look at OSHA as an opportunity to reduce lost man hours and increase efficiency, a chance to boost production and profit margins.

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First, there's our new kit, complete, thorough and comprehensive. It goes miles beyond just answering your basic questions—it details the *physical* help we can give you. From setting up in-house OSHA programs, to showing you how to prepare for an OSHA inspection or even simulating one for you. We can also conduct seminars across the country where you can discuss any problem areas with our experts.

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# \$4 million bond theft prompts \$10,000 reward

ATLANTA — Robinson-Humphrey Co. Inc. here is in for massive paperwork and indemnity problems if it can't locate about \$4 million in municipal bearer bonds which were stolen from the company's 2 Peachtree St. office March 16.

Although statements from the firm's officers are doing their best to inform security holders that the theft will undoubtedly have no major repercussions upon them or the firm itself, a \$10,000 reward is being offered for information leading to the

apprehension of the thief or thieves and return of the securities.

If the reward, advertised in several leading nationally-circulated securities publications and business periodicals, does its job, it will save the firm a lot of money in indemnification premiums later on and its carrier a substantial payout to replace the certificates for their owners.

Atlanta law enforcement agencies and the FBI are working on the case, described by one prober as the largest securities theft in

Atlanta in a long time, possibly the largest ever. As yet, there are few concrete leads, law enforcement men indicated.

ACCORDING to a Robinson-Humphrey spokesman, Carl Mahoney, all possible avenues have been used to alert the financial and securities communities and lists of the bond serial numbers and other identification data was sent out as soon as the theft was discovered.

For this reason, the likelihood of the bonds being readily liquid-

ated is remote, Mr. Mahoney said, since any brokerage house or lending institution is bound to be on the alert for them if someone attempts to cash them or use them for collateral on a loan.

From the Atlanta firm's point of view, however, the difficulty is with the mammoth amount of paperwork which will be involved in having the bonds reprinted and reissued if they are not returned.

Atlanta area insurance brokers and carriers were reticent about estimating the possible expense

involved in replacement. A representative of Marsh and McLennan's Atlanta branch said, "it depends nearly entirely on the experience of the insured."

BROKERAGE houses in the Chicago area with low experience in replacing lost or stolen certificates can pay as much as five percent of the face amount of the security for its replacement. This would mean the Atlanta firm, at this rate, would be facing a big jump in premiums since its carrier would have a possible \$200,000 combined claim expense.

An Atlanta FBI agent said knowledge of the intricacies of the brokerage business may have made the theft attractive to whomever is responsible for it. "Knowing it would cost this much to replace them might have led them to use the bonds as a lever for extortion," he surmised.

In other large cities, according to a Chicago securities broker, the securities theft has been used by organized crime as a method of obtaining money illegally.

"The mob takes the stolen securities and then puts the heat on a legitimate businessman to use them for collateral on a loan from legitimate lines of credit, which is never repaid," he explained.

THE ATLANTA FBI agent told Business Insurance there was a question of whether the securities which, as bearer bonds, are negotiable, would really be cashed illegally if an attempt at liquidation was made. If some sort of valid ownership of the securities could be established, a criminal offense might be doubtful, he commented.

All the bonds were issues of southern states, including Georgia and those surrounding it, according to the victimized brokerage house. "They were mostly in \$5,000 to \$10,000 denominations," he said.

The Chicago area broker pointed out that this type of security nearly always carries a coupon which must be clipped from the bond's face in order to secure payment of interest. "This is about all the evidence of ownership the municipality or issuing agency ever wants to see," he said.

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# Railroad bigwigs may settle with stockholders

PHILADELPHIA—An agreement in principle, which involves the assignment of rights to a controversial insurance policy, was reached late last month between 20 former directors of the Penn Central Co., the estates of two other former directors and a number of stockholders who had filed derivative suits against the bankrupt company's erstwhile directors.

The proposed settlement involves an as yet undisclosed amount of cash and the defendants' rights to a \$10 million directors and officers liability policy, written by Lloyd's of London in July, 1968, after the merger of the Penn Central and New York Central railroads.

Stewart, Smith (Pennsylvania) Inc. was the broker.

However, in February, 1971, Lloyd's claimed the d & o coverage had been obtained under false pretenses and brought suit here in an effort to rescind the policy. Penn Central filed a motion to dismiss the suit but that effort was denied late in 1971 (*Business Insurance*, Dec. 6, 1971).

The suit will come to trial on June 4.

LLOYD'S, and 16 of its underwriting syndicates, charged in the suit David C. Bevan, who was the railroad's top financial officer until his ouster in June, 1970, gave false and misleading information in his application for the d & o coverage, an act of fraud under which the policy may be rescinded.

The suit specifically charged that Mr. Bevan had answered, "none known," to an item in the application which read, "No person proposed for this insurance is cognizant of any act, error or omission which he has reason to suppose might afford valid grounds for any future claim such as would fall within the scope of the proposed insurance . . ."

Lloyd's contended that Mr. Bevan, and other officers and directors, were indeed cognizant, at the time of the application, of at least three situations which should have been noted in response to the application item:

- Alleged investments by the railroad in Executive Jet Aviation—Lloyd's charged that Mr. Bevan and others made the investments without the approval of the board of directors, among other allegations;
- Alleged conflicts of interest

## Comp fund promotion

The Arizona state compensation fund has announced the promotion of Fred W. Orlie to field services manager of the state compensation fund field service department.

of certain directors who "took advantage of their fiduciary responsibilities over sizable railroad investment assets" for their personal gain by investing in Penphil Corp.;

- Alleged illegal activities of Howard Butcher III, a railroad

director and a senior officer in the stock brokerage firm of Butcher & Sherrerd, which, it is also alleged, was involved in illegal activities.

**THE AGREEMENT** in principle between the former directors

and stockholders will, if enacted, settle 18 derivative suits against the former officers but there are other suits still outstanding, one of which alleges conspiracy on the part of three former directors and asks a minimum of \$66 million in damages.

It was reported the 22-man group of former officers had proposed a cash settlement of close to \$2.5 million several weeks ago but that the claimants rejected the offer. That proposal did not contain assignment of the Lloyd's policy.



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# United pilots join suit parade against bank

CHICAGO—United Air Lines pilots, late last month, were the latest group to file suit against Continental Illinois National Bank and Trust Co. to try and retrieve \$7 million in stock trading losses suffered by the pilots' pension fund while under Continental

management during the late 1960's and early 1970's.

At the center of the allegations is the reorganization of the Penn Central Co. under federal bankruptcy laws. Continental is accused in the suit of being a creditor of the railroad at the time of

stock purchases for the trust account of the Air Line Pilots Assn. pension fund.

According to an ALPA spokesman in Washington, each air carrier's pilot pension fund is administered separately. Portions of the management of the United

pilots' fund were switched from Continental in 1971 to Morgan Guaranty and First National Bank of Denver.

The fund currently lists assets of over \$100 million. At the time of the alleged stock losses, the pension fund assets were approx-

imately \$14 million, according to an attorney for the ALPA.

Continental Illinois spokesmen declined comment on the latest suit.

The bank, according to the suit, is said to have bought stock in Management Assistance Inc., Trans World Airlines, U.S. Freight Co. and Lum's Inc. (now Caesar's World Inc.), in addition to about 27,000 shares in Penn Central Transportation Co. of which Penn Central is the parent company.

The transportation firm investment cost the pension fund about \$1.7 million in mid-1968, suit specifications charge, and was sold in June, 1970, for \$287,436.

Continental trust managers weren't quite so lucky with Management Assistance, a computer leasing company, the pilots contend, since the entire investment of \$488,300 made in 1965 and 1966 was lost.

The suit claims pension fund losses of \$2.3 million in rival air carrier TWA from a \$3.1 million total investment, \$2 million of \$2.5 million in Lum's, a fast food franchiser, and \$862,200 of \$1.3 million in piggyback trailer concern U.S. Freight.

Specifically, the pilots claim conflict of interest, breach of fiduciary duty, and fraud was involved in handling of their funds. Conflict of interest stems from commercial loans made to Penn Central by the bank, alleges the suit, and three of the four other firms. The bank owned senior debt securities of the fifth company, the suit contends.

This, the pilots say, prevented the bank from selling the stocks held at a proper time for the orderly management of the trust fund, due to the possible violation of federal securities laws regarding "insider" information available to it as a creditor.

**THE SUIT** also claims the bank failed to reveal its commercial banking relationships with the five companies at the time of the investments and is accused of fraud.

That Continental failed to reveal these commercial banking ties at the time of the investments makes their dealings fraudulent, the suit claims.

The bank also, it is charged, failed to make "adequate study and analysis" of the financial condition and investment quality of the five companies.

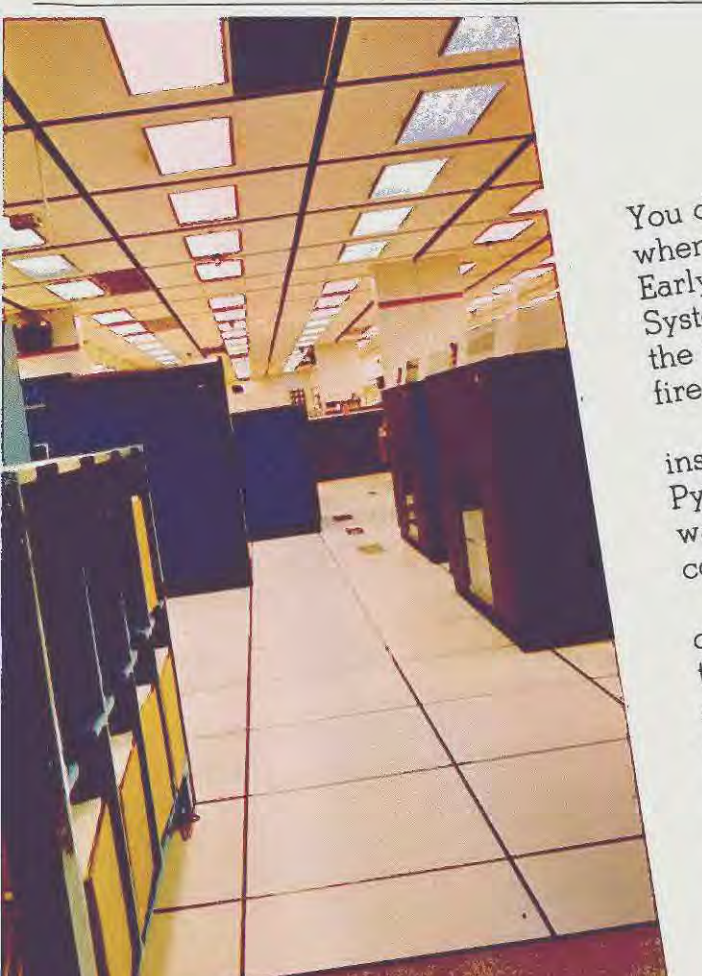
The pilots' action is the latest in a series of suits against Continental which began in 1971 with a class action initiated by Elizabeth Russell on behalf of participants in Continental Investment Service, a collective investment fund for small accounts. It seeks \$7.5 million in damages.

Two other unions have begun litigation against Continental Bank. Last October, the Chicago-based Bakery Drivers, Local 734, and the District Council of Carpenters filed class actions on behalf of all Continental's trust accounts. This action charges the giant bank with breach of fiduciary duty and asks \$20 million in damages.

The actions are still pending. ■

## Work comp record high

Income and medical benefits paid to injured workers under state workmen's compensation climbed to record levels during 1972 according to an "Analysis of Workmen's Compensation Laws" published by the Chamber of Commerce of the United States. Job-injury benefits paid by employers came to \$3.4 billion.



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# editorial opinions

## ASIM attains its majority

**T**HIS WEEK, in Atlanta, Ga., the American Society of Insurance Management is holding its annual conference. To be certain, this little bit of information is not likely to make the six o'clock news (except in Atlanta), for, indeed, associations and societies seem to hold meetings and conventions these days with the regularity of crocuses popping their heads through moist soil on warm April mornings.

That more than 1,500 members of ASIM should be in Atlanta this week, however, is something short of a milestone for the society and, more auspiciously, for the state of insurance and risk management in the 2,000-member corporations which make up ASIM's growing membership roster.

As recently as a few years ago, ASIM conferences were little more than social get-togethers—"a trip out of town for the guy in the office who buys insurance," if you will—that, yes, afforded some lower management people the opportunity to sit around with their peers and discuss mutual problems. Most of the problems at the time, however, revolved around the insurance manager's internal struggles within his own company. There were some great story-swapping sessions, a few dull speeches and the usual nights on the town which always seem to happen whenever the American male gets away from the wife and kids for a few days.

Incidentally, perhaps as much as anything else, an indicator of ASIM's maturity may be the 700 wives who are in Atlanta this week with their husbands.

From what we've observed in recent years, ASIM conferences are getting to be serious business. Yes, there is still time for the social amenities, the inevitable business entertainment over fine meals and wines and the relaxation attendant to getting out from under one's desk. Beyond that, though, we feel much will get done at this week's employe benefit and property liability sessions. The program is chock-full of formal and informal segments touching upon almost every conceivable issue facing risk and employe benefits management.

While this magazine has cajoled, prodded and even locked horns with ASIM from time to time—and will continue to do so, for indeed that is a function of an independent journalistic medium dedicated to the interests of many instead of a select few—we can't help but feel more than a little pleased that ASIM is so alive and well in Atlanta this week.

Much of the credit belongs to some enlightened leadership in recent years. True, some of them have had the benefit of coming along just as the society passed through its awkward adolescence (ASIM will be 23 years old in November), but for the most part men like Douglas Barlow, last year's president and Robert McGowan, this year's outgoing ASIM president, have exhibited the ability to oil up a fine piece of machinery and keep it running smoothly.

We can't help but wish it a long, productive life—and enough new oil to keep it that way.

## Confronting the health care dilemma

**T**HE UNITED AUTO WORKERS union, at a recent convention in Detroit, firmed up the demands it will make in upcoming contract talks with General Motors, Ford and Chrysler. The issues this time around are largely non-wage, namely pension and insurance improvements, and will no doubt again prompt cries from management about the high price tag on items once truly considered "fringe" benefits.

"The corporations will complain again about the mounting cost of health care insurance," UAW president Leonard Woodcock predicted, noting that the present contract has cost the three automakers an additional 20 cents per hour for each of their 800,000 union employes. "But why," Mr. Woodcock asks, "do they not join us in our fight for health security programs in the Congress of the United States? Is their allegiance to the insurance companies of America given greater weight than their concern for their corporate treasuries, to say nothing about the welfare of their employes?"

While we don't think for a moment that corporations in this country have pledged allegiance to insurance companies at the expense of their own treasuries—although, indeed, there have been times we're sure they've paid insur-

ance company invoices without a second look—the sometimes enigmatic but always rhetorical Mr. Woodcock, we think, is harping on a good point when he slaps business and industry's wrists for not getting involved in the problem before now.

Rising costs are a good indicator of the inevitability of a new health delivery system in this country, as well as the need for one. Undoubtedly, the establishment of such a system, whatever its form, will be accompanied by some initial disruption and reorganization of present group health insurance methods. Such reorganization might require some costly revision of present operations, but, surely, once established, the savings reaped from a new and more efficient system will outweigh the costs of adapting to such a system. Some enlightened companies are now moving in this direction by participating in prepaid group practice plans and health maintenance organizations.

Rather than fighting a concept which is sure to be a reality sooner than later, corporations concerned about the high cost of "fringes" should move to cut those costs by throwing their support behind such solutions to the problem instead of ignoring them.

## letters

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

### Steam coverage

To the Editor: I read William Rodda's article on explosion insurance (Feb. 26). In it, he admirably covered practically all phases of explosion insurance and because he did it is, I feel, well worth the reading.

However, I must take exception to one statement in his article. He said, regarding the extended coverage endorsement, "the important point is that the extended coverage endorsement or the comparable provisions of the more limited package policies do not cover steam explosion of the insured's equipment."

Almost every conventional extended coverage endorsement I have seen in my nearly 40 years in the business does cover explosion of steam equipment other than—as he states earlier in his article—steam boilers, steam pipes, steam turbines and steam engines. These are the only excluded steam objects. For example, a hot water storage tank heated by steam pipes within the tank would be covered under this endorsement. We have found cases where this is a more economical method, providing adequate coverage, sometimes far more than enough because of the high policy limits.

However, some fire insurance companies do not bother to inspect these objects, or, if they do, their inspections are seldom comparable to those of a legitimate boiler insurance company.

So in those instances where by strategic location, age or other vital determinants inspections are essential, the objects, of course, should be covered by a boiler and machinery inspection company.

Robert W. Page

Robert Page Assoc., Insurance Consultants, Boston

Mr. Rodda's reply: "Mr. Page is correct in that there are types of steam equipment for which an explosion would be covered under an extended coverage endorsement. The important point to remember, however, and the thrust of my article, is that one must compare his equipment with the exact wording of the exclusion. Take the example of an explosion of a steam sterilizer in a hospital. Just where do the pipes end and where does the equipment begin? It could develop into a real problem if not worked out ahead of time with the insurer."

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### Info response

To the Editor: Your Info for Buyers column has on several occasions included the note regarding our S.E.C. liability policy and the booklet we provide on this subject.

Your records may well so reflect, but we want to acknowledge to you that we received a very substantial number of responses.

We appreciate your inclusion of the item and are grateful for the widespread attention it has received.

William J. Zeiter,

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## School self-insurance approved in Arkansas

LITTLE ROCK—The Arkansas general assembly has approved a self-insurance program for schools, but only after amending the measure to make the program optional. The original bill would have made it mandatory for schools to acquire insurance through the self-insurance plan.

Insurance officials and several legislators insisted that a mandatory program would be unfair to insurance companies and against "the American way" of business.

Two million dollars of state funds will be placed in the self-insurance plan to start it.

Arkansas education director A. W. Ford said a mandatory self-insurance plan would enable the

state's school districts to insure their property at 15% savings at the outset and that it would mean a drop of about 40% in insurance rates after five years. Educators fought the amendment to allow the plan to be optional, saying that it would cause the plan to draw the high-risk schools while low-risk schools would turn to private companies.

School officials have been pushing for self-insurance for several years because of the increasing premiums and of the canceling of policies in a number of school districts.

Arkansas State Insurance Commissioner Ark Monroe III said the plan approved by the

general assembly would "perpetuate the problem that the bill was designed to overcome."

Gov. Dale Bumpers' plan called for mandatory self-insurance for the schools. He said he signed the bill "reluctantly."

"Failure to make the plan mandatory will allow the companies the option of accepting only the good risks and rejecting the poorer risks," said Mr. Monroe. "If only the poorer risks are covered in the plan, the plan would be left with an adverse selection of the school insurance business and will increase the likelihood of a poor loss record."

Mr. Monroe said a poor loss ratio would increase the cost of reinsurance and companies would hesitate to make bids unless good risks were included.

The present law also prohibits a school district from electing to join the state program after its current insurance expires or after July 1, 1976.

## Allegheny crash results in state's highest award

HARTFORD—The widow of a Gales Ferry, Ct., plane crash victim has been awarded \$369,000 by a U.S. district court jury here, marking the highest sum ever seen for a single death in Connecticut. Michael Perry was killed in an Allegheny Airlines crash on approach to the Tweed-New Haven airport the morning of June 7, 1971.

He was the father of five children, was 37 years old when the plane crashed; only three of the 21 passengers and crew members survived.

**THE CONVAIR 580** crash was the worst air disaster in Connecticut history. Both the hull and pri-

mary liability coverage on the airplane were written by the U.S. Aircraft Insurance Group.

Five months later, Mrs. Rosemarie Perry filed suit in behalf of her husband's estate, seeking \$675,000, mostly for loss of earnings caused by his death. The court action charged that negligence on the part of Allegheny caused the crash.

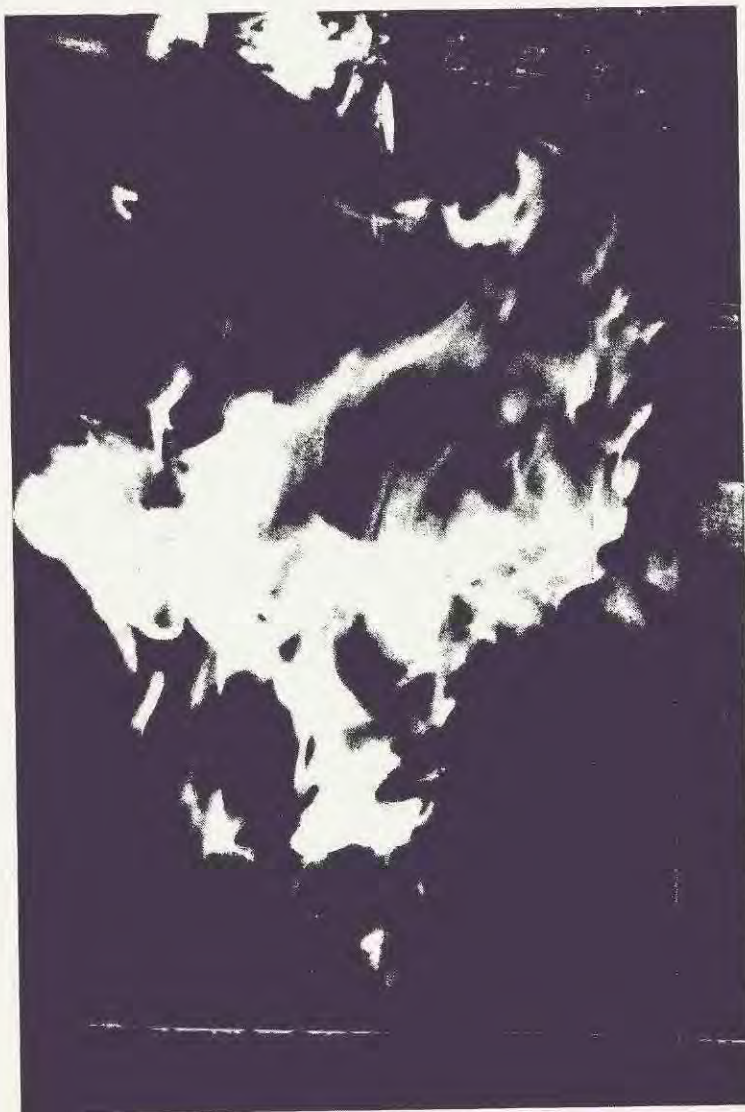
The plane came in low through a thick fog, clipped three beach houses and crashed in a swamp nearly a mile short of the runway. Allegheny has not contested the negligence charge; a federal investigation of the accident concluded that the pilot came in too low for a visual landing in that day's unusually bad weather conditions.

**HOWEVER**, the airline did challenge the amount sought by Mrs. Perry.

The deceased was a welding engineer supervisor for the General Dynamics Corp., Electric Boat Division, Groton, Ct., earning \$18,600 a year.

Atty. William Moller, representing the airline, said that Allegheny is "seriously considering" an appeal of the \$369,000 award to the 2nd circuit court of appeals, which is located in New York City.

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## Miami crash suits go to single judge

MIAMI—All lawsuits growing out of the Dec. 29 Eastern Airlines jumbo jet crash north of Miami will be heard by one judge.

Circuit Judge Harvie S. DuVal will preside over all pre-trial matters and will appoint a committee to conduct pre-trial questioning of witnesses.

In a move to prevent a legal snarl which could tie up the Dade County courts for years, Eastern's attorneys and those representing victims and survivors have agreed to the consolidation.

The crash killed 101 passengers and crewmen and left many others severely injured.

The consolidation will continue only until the case comes to trial. If an outside settlement has not been reached by that time, the cases will be distributed among all the circuit court judges for individual trials.

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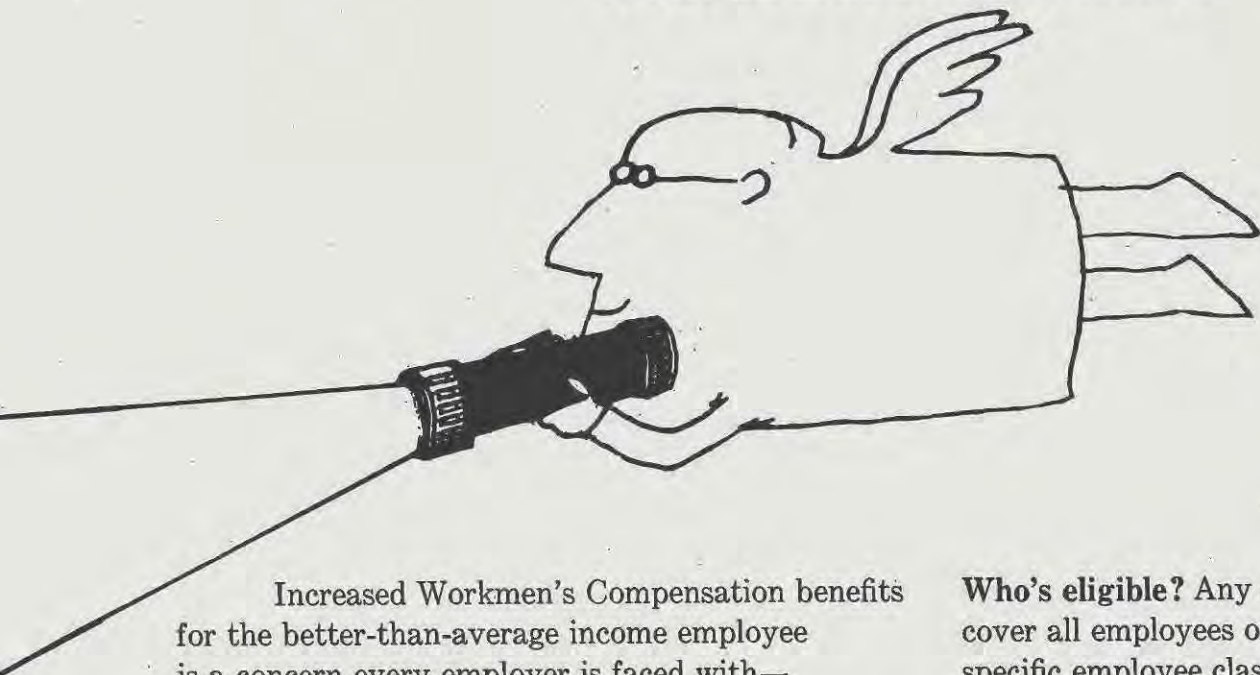
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# Liverpool keeping stiff upper lip over U.S. group's higher hull cover

LONDON—Recent comments by the head of the Liverpool Underwriter's Assn. concerning marine risk cover are not intended to be "a swipe at the American Hull Insurance Syndicate,"—at least not directly.

Peter Quaile, chairman of the key British insurers' group, had been expressing views publicly about the recent move of the American syndicate to increase underwriting capacity from \$15

million to \$40 million per vessel (*Business Insurance*, Jan. 15.)

Mr. Quaile alluded to an historical perspective when he contended in several speeches propitious times lead to expanded world-wide capacity and intensified competition. Subsequent lower rates and higher underwriting losses appear as a result, he has said, and capacity falls off, leading to an ultimate lack of competition as a corrective measure.

Specifically, Mr. Quaile told *Business Insurance*, "One must also wonder at those underwriters abroad, who, as well as seeking a share of their national business, are now scrambling for a wider participation in the international portfolio.

"INCREASED capacity in the British market," he continued, "and aggressive competition from overseas are already endangering

the good work done so recently to restore profitability."

The comments, delivered at an annual meeting of the underwriter's association in the Merseyside shipping center, were designed to illuminate the cycle of profit and loss, an historically common situation, "but in the last 20 years, the game has been played against a more dramatic background of inflation, political unrest, and social change."

Only two years ago, Mr. Quaile continued, there was much talk of insufficient capacity, but now the position is largely reversed.

"I don't blame the U.S. syndicate for building up its own capacity," he admitted, "especially

with big risks like liquefied natural gas (LNG) carriers coming more and more on the domestic scene.

"IT IS perfectly proper and sensible to do so, and I certainly don't complain about it, provided it is done with common sense and a responsible approach to the situation."

"What I do not like," he explained, "and no one in the long-experienced U.K. market really likes, is irresponsible competition from newcomers to the marine insurance scene who may be quick to retire when the damage reverts to their own disadvantage."

"If rates are forced below an economic level, it then becomes difficult to build up adequate reserves for the gigantic risks we now face if catastrophe occurs," Mr. Quaile summarized.

"AS FAR as I can foresee," he stated, "the American Hull Syndicate is setting out to provide capacity for its own large ships now being built, or likely to be built, and does not seem to be planning to use the extra capacity to start a sort of 'trade war' with us in Britain.

"I must respect their intentions, and I am sure they share our view not to weaken the market too much. I admire them for their professional ability and I regard them as a first-class body of insurers," Mr. Quaile said.

Yet, he said, "There is an outside market in America which is bent on developing capacity as well, and I am not sure where that may lead."

THE association group head also slashed at the effects on self-insurance on the financially turned-around hull underwriting market. "This (self-insurance) can create difficulty in leading to a reduction in the volume of premium income in an already weakening market," he said.

Mr. Quaile complained about the reinsurance side of the market which assisted hull cover on catastrophe risks for mutual or P. and I. clubs (protection and indemnity), saying "If ever I saw a case of digging one's own grave, this is surely it."

## Guynn named president

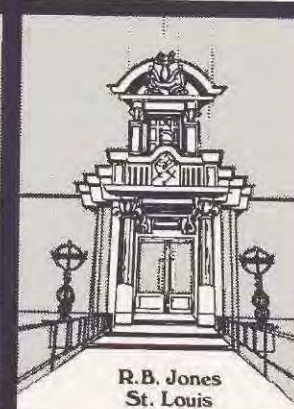
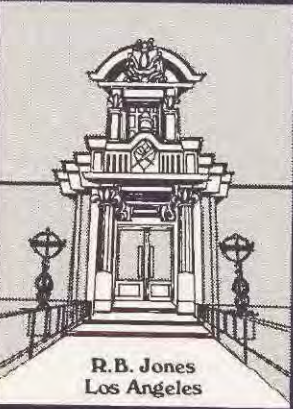
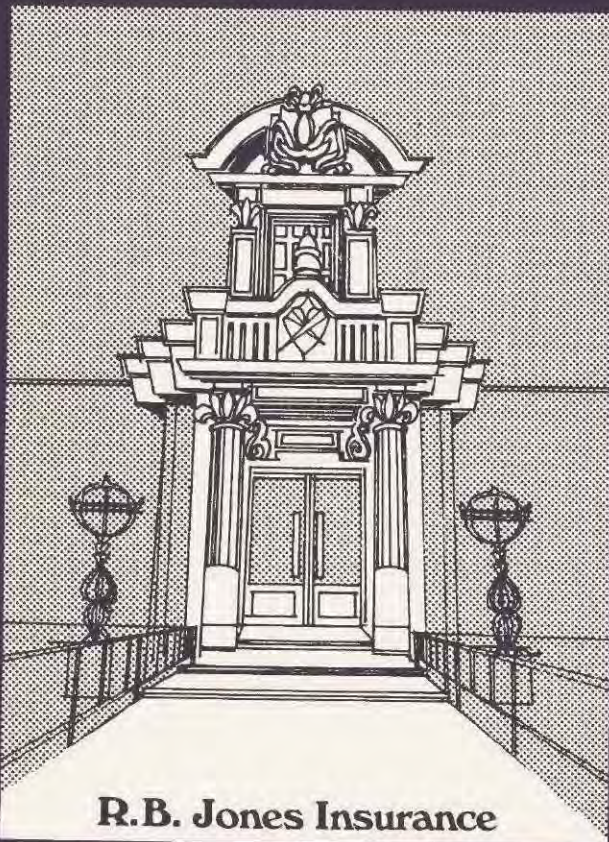
Forrest D. Guynn, president and chief executive officer of Old Line Life Insurance Company of America, Milwaukee, has been named to the same positions at North American Life Insurance Co. of Chicago.

Both insurers are subsidiaries of USLife Corp., New York, which acquired Old Line Life in December. Mr. Guynn succeeds Leslie O. Copeland who will remain on the boards of North American Life and Old Line Life.

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- IN WINNIPEG** — Jack Smith, Room 503 Britannia House, 338 Broadway Ave. (204) 942-1373.

# 'Minamata disease' polluter lacks cover; hit for \$3.6 million award

MINAMATA, JAPAN—The Chisso Corp., a major Japanese chemical company, is not insured for the \$3.6 million in damages it was ordered to pay 30 families here afflicted with mercury poisoning which resulted from Chisso's waste pollution of a nearby bay, *Business Insurance* has learned.

The ruling by a Kumanoto district court was the last of four major cases which set Japanese legal precedent by making industrial concerns liable for the effects of their pollution. The amount decided against Chisso is

four times greater than damages awarded in an earlier case.

JAPANESE insurance sources said the reason Chisso was not covered was because at the time of the initial pollution, over 20 years ago, liability insurance for large industrial firms in Japan was largely restricted, and not common practice.

"Pollution insurance wasn't available, or even contemplated, not even in the United States at that time," another international underwriter asserted.

About four years ago, the

Japanese government was concerned that a business hit with demands for compensation in pollution cases would go bankrupt. There was some talk about establishing a "public nuisance insurance scheme fund" in which business firms would participate to help pay off such compensation claims (*Business Insurance*, Jan. 20, 1969).

BUT WITH national opinion swaying against polluters, it appears that no such fund was ever set up. Asked about the existence of a public liability fund, a Japa-

nese news source said: "Negative. The government has nothing to do with the decision against Chisso, and won't help pay for it. It was purely a civil suit and the Chisso Corp. is responsible for paying the whole compensation."

According to a Japanese insurer, the only assistance Chisso might expect from the government would be a loan to help pay the damages to victims.

In 1959, Chisso made an agreement with the fishermen in the area and paid them \$100,000 in compensation for damage to their fishing grounds, on the condition that the citizens would give up the right to make further claims against the company. The Kumanoto court ruling, however, declared the agreement void on the grounds it violated "public order."

Organic mercury waste from Chisso's acetaldehyde plant in this small fishing town got into the marine life, and caused the first death 20 years ago from what is now known as "Minamata disease." Since then the government has estimated that some 397 victims, 68 of whom died, contracted the sickness.

DEBILITATING effects include brain damage, paralysis, loss of hearing and speech, blindness, mental retardation and crippling. Until the court ruling this month, Chisso did not admit legal responsibility for the disease, and pinpointing the liability was complicated because 70% of the local economy depended on Chisso, the only big industry in town.

The three other court cases which held industries liable for their pollution-caused diseases were decided against the Showa Denko Co., the Mitsui Mining and Smelting Co. and six petrochemical companies in central Japan.

September of 1971, the Showa Denko Co. was ordered to pay \$810,000 in damages for having caused Minamata disease in 330 victims in Niigata, Japan.

IN THE second case, in July, 1972, \$285,000 was ordered paid by the six petrochemical companies for air pollution that caused "Yokkaichi asthma" which struck 1,054 victims, killing 76.

The Mitsui Mining and Smelting Co. was ordered by a district court in August 1972 to pay \$480,000 for dumping cadmium waste into water used for rice paddy irrigation. The waste caused "itai-itai" (ouch-ouch) illness that makes the skin and bones painful to the touch. The government found 265 victims, 47 of whom died.

The decisions in the four celebrated cases have raised a public outcry against pollution around the world, and observers believe the Japanese will soon begin slowing their industrial expansion to improve their natural environment.

## State not anxious to self-insure

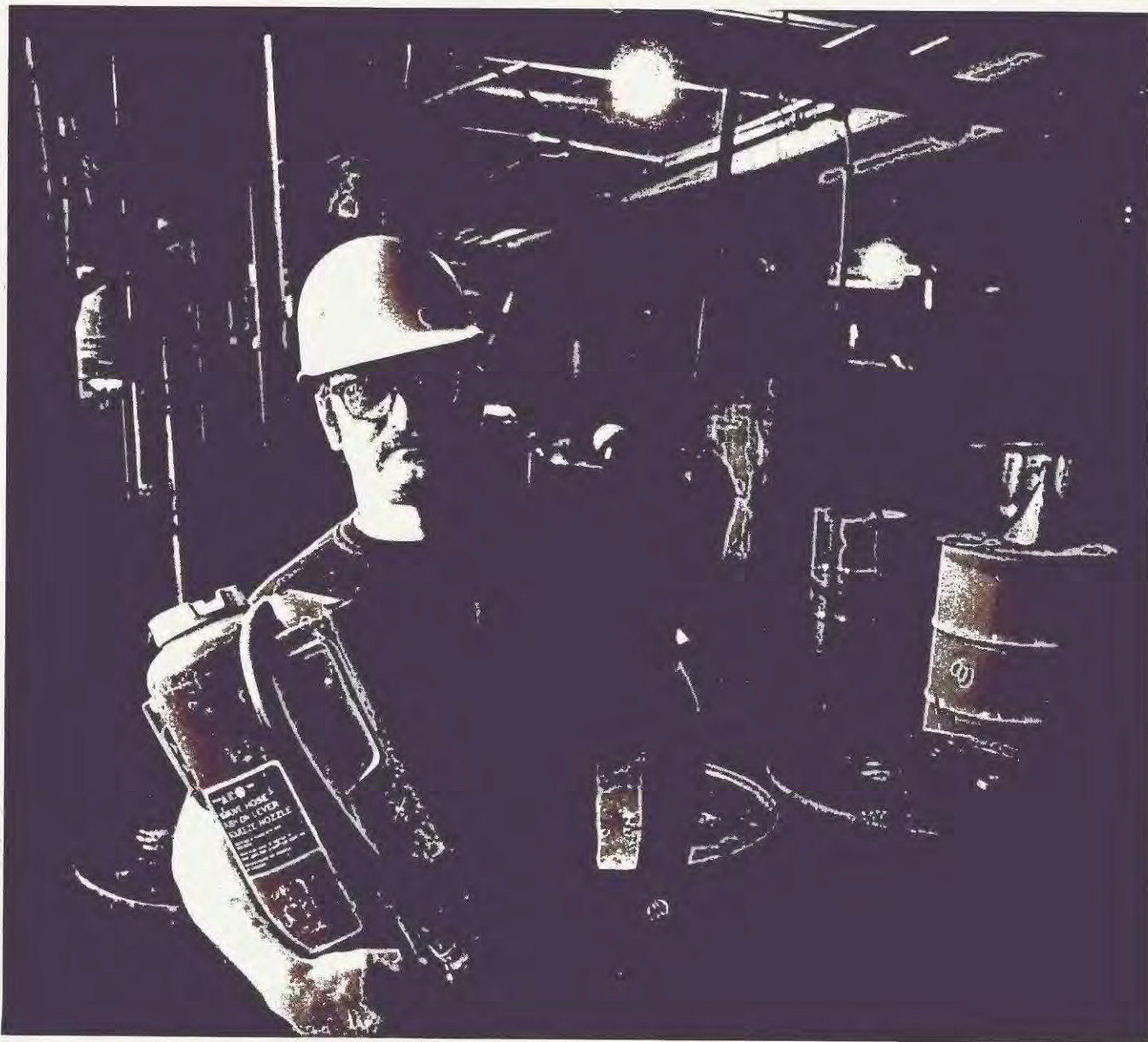
CARSON CITY, NV.—Gov. Mike O'Callaghan's administration has introduced a bill in the Nevada legislature to allow the state to insure itself against property damage.

However, state budget director Howard Barret testified, "We're not pushing very strongly" on the bill which was recommended by the governor's study committee. It has drawn opposition from private insurance industry representatives in testimony before the Senate committee on federal, state and local governments.

The bill has some advantages, said Mr. Barret, but he added he was "reluctant" to move into the new area where the state would self-insure its buildings against property damage. The bill provides a \$1 million fund for self-insurance.

Mr. Barret also said the state may not be able to attract a qualified person who would be used only part-time for the job of handling the insurance program.

The state paid \$254,000 last year in premiums to a private company for a policy which carried a \$1,000 deductible clause. In the event a building was destroyed, the insurance company would have replaced the structure. Losses last year on state buildings were \$14,000.



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

# Second Colorado captive chartered under Amfac of Hawaii's banner

DENVER—Incorporation papers for the second captive insurance subsidiary to be chartered in Colorado under a law passed last year have been issued by the state.

The captive is ARMS Insurance Co., a wholly-owned subsidiary of Amfac Inc., a major Honolulu-based conglomerate listed on the New York Stock Exchange.

The parent company operates in the retail dry goods, electrical supply, food processing and agribusiness, real estate, investment and hotel areas in Hawaii, the continental United States, Australia, Japan, Uruguay and the West Indies.

The insurance subsidiary will

underwrite high-cost risks of the parent firm for which coverage isn't readily available in domestic markets or is determined to be prohibitively expensive, officials said.

ARMS INSURANCE will be represented in Colorado by Frank B. Hall Management Co., whose president, Charles H. Groves of Denver, is listed as one of the captive's incorporators. The management firm is a subsidiary of Frank B. Hall & Co. of New York, a national insurance brokerage firm.

Hall's Denver management company was instrumental in chartering of the state's first captive insurance subsidiary, OSG

Insurance Inc., last August. OSG Insurance is an affiliate of Overseas Ships Holding Co., a member of the Maritime Overseas Corp.

Neither ARMS Insurance nor OSG Insurance has been granted an operating certificate by the state insurance division, and the financial structure, corporate organization and operational procedures of both companies are being studied by the insurance commissioner.

Colorado's captive law was the first adopted by any state and is designed to attract captives previously domiciled offshore for tax advantage reasons.

The law requires the self-insurance subsidiaries to pay an

annual 1% premium tax and allows them to satisfy capital and surplus requirements with letters of credit from national and state banks in lieu of reserve accounts against losses.

ARMS Insurance will be capitalized at \$1 million, including 500 shares of \$1,000 per value common stock and \$500,000 in surplus guaranteed by letters of credit from a large Denver bank.

The board of directors includes five officers of Amfac Inc., the parent company. Joe E. Bridges of Honolulu will be president.

Directors are Karl H. Berg, Amfac senior vp for agriculture; C.E.S. Burns, senior vp for administration; E. Laurence Gay, senior vp for finance; Thomas R. d'Arcambal, vp and controller; Daniel A. Curry, vp and secretary, and Mr. Bridges.

Amfac subsidiaries include the Joseph Magnin retail stores, Wilhelm Foods and Edson Electric Supply.

# OSHA cites five firms in explosion

WASHINGTON—Eleven citations have been issued by the Occupational Safety and Health Administration to companies implicated in the Weirton, W. Va., coke oven explosion which killed 19 and injured ten others in December (*Business Insurance*, Jan. 1).

Proposed penalties total \$6,200. "An exhaustive OSHA investigation into the tragic accident preceded the citations," according to Chain Robbins, deputy assistant secretary of labor and OSHA administrator.

The explosion and consequent fire happened while Koppers Co. was building coke ovens in a new plant for Weirton Steel, a division of National Steel Corp.

Koppers was cited for four serious alleged violations of federal job safety and health laws and one nonserious violation; Weirton Steel received three citations for alleged serious violations; and one alleged serious violation each was cited to Bowers Tile and Marble, Yobe Electric and the George V. Hamilton Co.

**THE CITATIONS** against Koppers alleged the company:

- Failed to provide adequate means of lessening workers' exposure to flammable, combustible, explosive and asphyxiating concentrations of coke oven gas;
- Did not warn workers entering the coke oven basement of the dangers involved, which safety precautions to take or the need for protective and emergency equipment;
- Failed to provide a safe exit from the area should a fire or smoke hazard occur;
- Neglected to prohibit smoking in the vicinity of coke oven gas piping system and to conspicuously post 'no smoking' or 'open flame' signs;
- Failed to set up a fire alarm system.

The citations against Weirton Steel alleged the company:

- Failed to establish adequate controls limiting employee exposure to flammable, combustible and asphyxiating concentrations of coke oven gas, thereby neglecting to provide a workplace free from recognized hazards likely to cause death or serious injury;
- Did not warn workers entering the coke oven basement of the hazards involved, the precautions to be taken or the necessary protective and emergency equipment;
- Made employees work in the coke oven battery basement before adequate exit facilities were completed.

The proposed fines for Koppers amount to \$2,450, and for Weirton, \$2,100.

## Terminate talks

LaBow, Haynes Co., Inc., Seattle, and Rollins Burdick Hunter Co., multinational insurance brokerage firms, announced they have mutually agreed to terminate merger discussions.

## School cover

Gov. Milton J. Shapp of Pennsylvania has signed into law legislation permitting school districts to purchase liability insurance for school directors in the same way they do for school employees. The coverage would apply only to school-related activities.



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In addition, a Prudential Group Survivor Benefits Plan can be designed to dovetail with other death benefits in order to

keep the cost down. Such benefits taken into consideration might include Social Security, Group Life Insurance and death benefits that come under Pension Plans.

For further information about Prudential's Group Survivor Benefits Life Insurance—the extra dimension in fringe benefits that relates insurance coverage directly to employee and beneficiary needs—talk to your Prudential agent or broker . . . or call the Prudential Group Office or Home Office nearest you. While you're at it, ask for a free copy of our informative booklet on Group Survivor Benefits.

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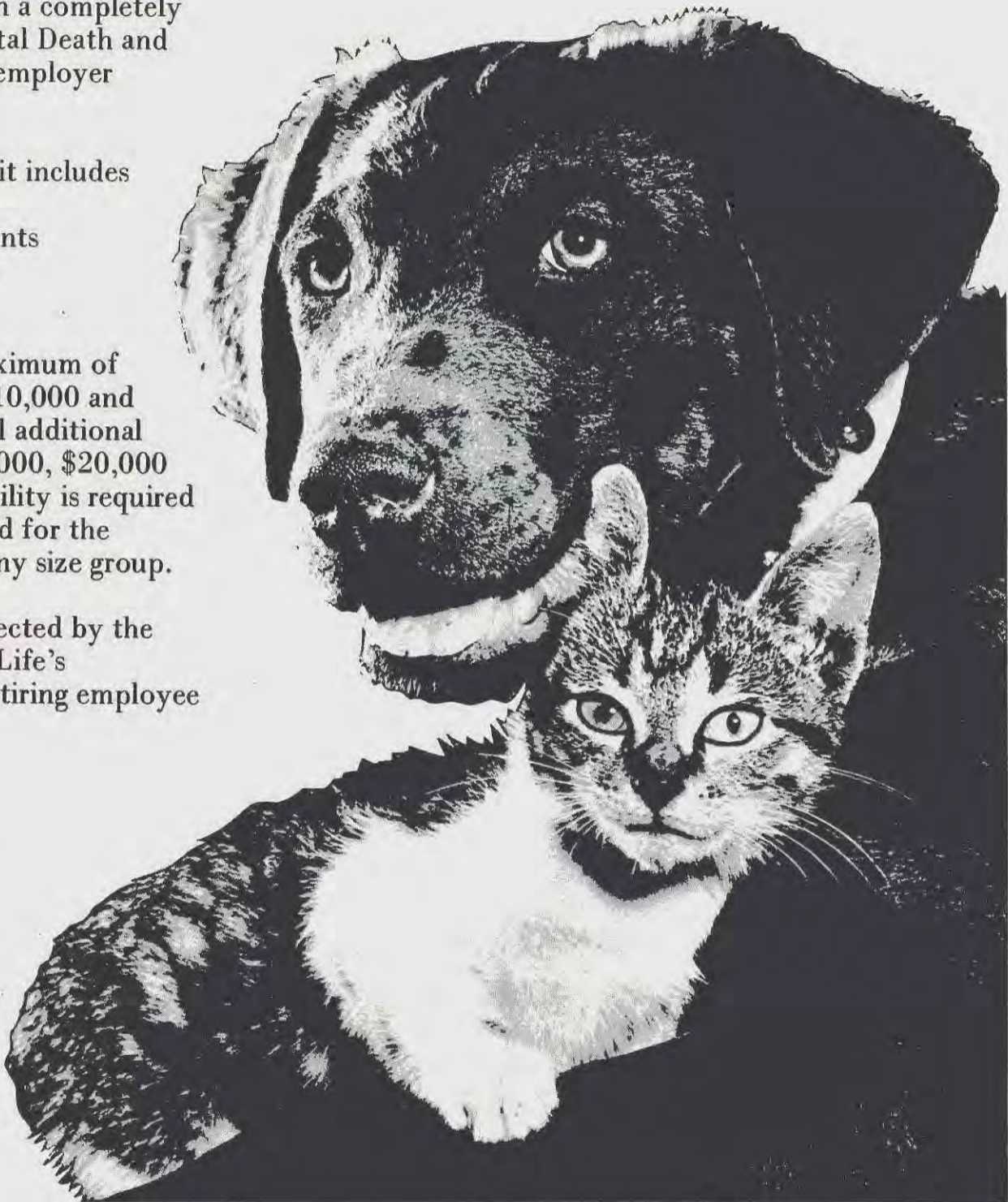
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The cash-value coverage can be elected by the individual employee. It is Crown Life’s BI-GOLI-plus, which offers the retiring employee an annuity option as an alternative to the cash-out.

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# ASIM/ATLANTA

## 'Southern glow' lightens the load

By PATRICK THOMAS

ATLANTA—The spirit of risk management is alive and well and doing many things in Atlanta—but it is not hiding. At the corporate headquarters of the Coca-Cola Co., Fuqua Industries Inc. and Gold Kist Inc. here, risk management practitioners discussed with *Business Insurance* some of the things that were on their minds, both about business in general and conducting business in the South.

for a company down here is the same as it is anywhere else in this country," said William Quay, insurance manager for Coca-Cola. "The brokers have been here for years and now they are expanding to keep up with the growth of the area. There is also a great profusion of direct writers in the Atlanta area. Either way, you don't have to go far."

Mr. Quay, who emphasized that his comments were his own and not those of Coca-Cola, expressed opinions ranging from the necessity of uniform laws in

the workmen's compensation and no-fault auto areas to the need for communication between risk men and top management.

**REGARDING** those uniform laws, he thinks that, yes, they could be helpful but, no, they were not a total necessity, notably when it came to autos.

"If the laws are going to be changed, uniformity would be a good thing, particularly as to the degree of liability assigned to larger, commercial vehicles," he commented. "But I really don't think no-fault is the solution to the problem."

"If you want to do away with the court congestion and the delays in auto reparations cases," he continued, "the answer is to do away with the contingent fee system for lawyers. If they are not going to get rich, they are not going to get involved."

Turning his attention to the problems faced by risk men in many companies today, Mr. Quay, a founder of the American Society of Insurance Management's Atlanta chapter, noted, "It

is my contention that the risk manager touches every facet of the business; whatever that business may be. If you have a new product, your risk manager is deeply involved, as he is if you open a new plant. If you are running a new promotion, your risk man had better know what it's about. He is involved in all of it but many higher executives don't realize it."

**THE PROBLEM**, then, is communication, said Mr. Quay.

"The risk man must know what's going on at all times," he continued. "Top management is not tuned in to risk management in many companies, and they must be educated."

"In truth, the good risk man must be an engineer, an insurance expert, a financial analyst, an attorney, a safety engineer and a salesman. On top of all that, he should be a vice president to keep the lines of communication open."

"Titles are funny," he said. "I don't really know what they mean. This used to be a paper shuffling job. The insurance company would write the coverage and you would shuffle the paper. That's pretty much changed these days but the titles haven't."

Robert Spencer, however, has the title. He is a vice president at Fuqua Industries, as well as its risk manager, and he says the designation helps get things done.

**HE ADMITS** that his situation is unique—Fuqua does around \$430 million in sales annually, has 14,000 employees in 37 states, working in 21 subsidiaries, and there are only 32 persons in the home office staff here.

"And of that 32, seven of them are in the insurance department," Mr. Spencer pointed out, adding the small size of the staff eliminated communications problems. "There is no hierarchy here. The authority that flows out of this office is all it takes."

He said that the 21 subsidiaries operated "pretty much independently" and that his office acted as a kind of service center. "We take care of the problems the subsidiaries can't handle themselves," he said. "When insurance coverage is purchased, we have more buying power when we pool and we come up with greater savings."

Fuqua self-administers its group insurance, Mr. Spencer commented, adding that one of his problems had been communicating the benefits to employees. He reported that he was looking into the possibility of sending employee benefits statements out. "Something like this takes a lot of startup time on the computers," he said. "We've looked at outside services but we think we can do it just as well ourselves."

**THE COMPANY'S** computers also do casualty loss runs every month because, Mr. Spencer pointed out, "insurance company loss runs are just too slow. By the time you get them, a problem could be out of hand."

Mr. Spencer felt that Fuqua had moved to the risk management concept when it was decided that the firm would fund its own predictable losses and



Robert Rich



William Quay

buy excess coverage over that. This, too, he said, would need time to develop but that the only real need was experience.

He noted that the company started a "sizeable retention program on our property two years ago." He reported that Fuqua's largest single property exposure in one spot is a manufacturing plant worth \$15 million. The program, so far, has been very much to his liking.

He spends most of his time involved in the loss prevention area, he told *Business Insurance*, and that amount of work has evidently paid dividends, especially in the product liability field.

**"OUR BIGGEST** product liability risk is the lawn mower," he said. "There have been a lot of suits but very few judgments against us. There have been two product liability suits against our snowmobiles but we won both of those. Other products cause a few problems, but we haven't had any trouble getting coverage because we have a good loss history and tremendous quality control."

"There is a quality control department in each subsidiary. When Fuqua bought some of the smaller operations, they didn't have safety or quality control departments but they do now," he continued.

Mr. Spencer noted that the insurance market was favorable to buyers at the moment and would probably stay that way "as long as you keep it orderly."

**PUT SOMETIMES** things just go bad on you.

"You remember that capacity crunch everyone was in a couple of years ago?" asked Robert Rich, director-corporate insurance.

*Continued on page 55*

## RETROSPECTIVE RATING

by John R. Stafford

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## B.I. in Atlanta

The stories on the following several pages are oriented towards Atlanta, Ga., and the American Society of Insurance Management, which is holding its annual conference there this week. They were developed and written by Patrick Thomas, *Business Insurance* associate editor. Mr. Thomas spent several days in Atlanta last month gathering material for this section. The next issue of *Business Insurance* will report highlights from the meeting.

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# Yes, indeed, ASIM has its own risks to cover

NEW YORK—While you couldn't exactly call Raymond Cox a moonlighter, it is still true the winner of last year's American Society of Insurance Management President's Award holds down two tasks.

Mr. Cox spends most of his time as corporate insurance manager for City Stores Co., and that is as it should be. City Stores employs about 18,000 persons and has sales in the area of \$370 million.

But Mr. Cox also takes care of the insurance matters for another organization—the American Society of Insurance Management, a job facilitated by the fact that City Stores and ASIM's national headquarters are located in the same building on Fifth Avenue here.

Property coverage on the huge

society of risk managers has not been a problem in that very little is actually owned, Mr. Cox told *Business Insurance*.

**ASIM HAS** robbery and burglary coverage, written by Lumbermens Mutual Casualty Co., a member of the Kemper group. "This policy covers all our operations in regard to office contents, such as furniture," he said. "But there is very little exposure in this area because cash would be the main target of a robber and the office just doesn't keep that much hard cash around."

Little cash passes through the office, a situation which also reduces fidelity problems to a minimum, Mr. Cox noted, as well as minimizing the limit on the society's fidelity bond. The bond, written by Insurance Co. of

North America, covers all 46 ASIM chapters around the country, in addition to the national headquarters here and has a limit of \$50,000. It covers dishonesty, disappearance and destruction.

"All the dues are paid by check," Mr. Cox said, "and the national office requires two sig-

## ASIM/ATLANTA

natures, the managing, and one other director's, on checks before they can be cashed. That makes it pretty tough to go South with the money.

"We did have a fidelity claim once," Mr. Cox recalled. "It was a number of years ago and only involved \$400 or \$500 but we never collected on it. We got the

money back ourselves instead. You know, I've been a member of this society for 23 years and that's the only claim I can remember."

**AT THIS** point, he explained, all of ASIM's coverages were on a first dollar basis. "We basically don't use deductibles because the amount of risk isn't great enough to warrant them," he said.

The organization has a "very broad" comprehensive general liability policy, written by Lumbermens Mutual Casualty, which provides limits of \$100,000/\$500,000 and another \$5,000 on property damage. There is a \$1 million umbrella over the basic limits, Mr. Cox said. The liability policy, like the fidelity bond, covers all ASIM chapters and operations.

The society, Mr. Cox explained, does not purchase travel accident coverage for its employees although some ASIM figures, notably Ron Judd, managing director, travel "extensively."

"That's one coverage they have to buy themselves," Mr. Cox said.

He pointed out the society's nine national office employees had basic hospital-medical coverage provided by Blue Cross and a "modest group life insurance" underwritten by Travelers.

The national office employees can also qualify for a pension, based on service and earnings, after serving with the society for a minimum of three years and if they are at least 30 years of age.

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Raymond Cox

Insurance Co. through the American Society of Assn. Executives.

The pension plan is a contributory one, funded on a pay-as-you-go basis," Mr. Cox said.

**ASIM** also has a special policy with Lloyd's of London, which is renegotiated annually about this time of year. It covers the annual conference, which, this year, will bring together about 1,500 participants.

"The conference chairman usually negotiates this policy each year. We feel it's safe to assume he knows a little something about insurance," Mr. Cox said.

This year's conference chairman is Ralph Gentry, who, as risk manager for the Times Mirror Co. in Los Angeles, does indeed know a little something about insurance.

Mr. Gentry explained that the policy provided event interruption coverage under which ASIM would be indemnified if, for some reason it had to make refunds or lost revenue.

Obtaining the coverage was not a great problem, he indicated. "I'll just walk into the broker's office, show him a copy of last year's policy and say, 'Duplicate this, please.'"

The event interruption coverage is there every year, but has never been needed.

**ais**  
AFFILIATED INSURANCE SERVICES

IN TULSA IS



# Step from classroom to risk man 'overwhelming'

ATLANTA—"I didn't start out with any kind of an interest in corporate insurance at all," recollected Carlton Revels, assistant manager—corporate insurance at Gold Kist Inc. here.

The young Mr. Revels is something of a rarity in risk management ranks these days—he has never been anything else. He got the position with Gold Kist after studying risk and insurance management at the University of Georgia under Dr. E. J. Leverett. "While I was in school I just started thinking that insurance was one thing that all business people needed, in one way or another. I talked to Dr. Leverett about it and the more I studied insurance, the more interesting the corporate side looked."

**MR. REVELS'** immediate superior at Gold Kist, Robert Rich, the large farmers cooperative's director of corporate insurance, is a believer in young people and spends a good deal of his time lecturing in risk management at colleges around the South. He told *Business Insurance* that, in his opinion, more college students should be encouraged to consider risk management as a career and that they should be employed as soon as they graduate.

He apparently practices what he preaches.

"Gold Kist was looking when I got out of school so I applied," Mr. Revels said. "I really thought the odds were against it but I got the job.

"I was promptly overwhelmed," he confessed. "I felt totally inadequate. We deal with so many different coverages here and they are all so big. School just hadn't prepared me for what I stepped into."

**THREE YEARS** and an ulcer later, Mr. Revels said he had his feet on the ground, "but it took that long. By then I had contacts both in and out of the office and I was confident that I could analyze a situation and things would work out."

Mr. Revels, who has been with Gold Kist for five years now, spelled out what he thought were the differences in what is learned in the classroom and what is learned in the real world.

"You, of course, get a great deal of theory in school but there are many differences in theory and practice," he commented. "Theory is something that is always there; you deal with it every day. But the problem is that you have to deviate from it so often to get the job done.

"In school, you are working with perfect models," he continued, "and in the outside world, you aren't. Outside of the classroom, you are given certain frameworks within which you must work and you must get results within these frameworks."

As an example, he said that many of Gold Kist's risk management problems were not the fault of, or found in, the insurance marketplace. "A larger amount of the problems are within our organization," he said, "but this is the framework within which we must work."

Mr. Revels was candid about learning.

"I've been here at Gold Kist for five years and I've done nothing but insurance and risk management. In that time, I've learned a lot but there is certainly much more to be learned.

"You don't have the time in

college to pick up everything and the risk management courses just don't go deep enough," he said. "They can't, really, because the acid test is solving a problem and the problems you face on the job, the severe ones, are usually spontaneous.

"In this particular field, you can't specialize, either," he observed. "If you are thinking of an insurance industry career in school, you can emphasize one line, life insurance, say. But a risk manager works with all of it."

If he had any regrets about his decision to go the risk management route, he didn't mention them. ■

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# Underground Atlanta seeing risk daylight

ATLANTA—Immediately after the end of the War Between the States, the South entered an era in its history most Southerners would just as soon forget—Reconstruction. In 1967, Atlanta, which had been especially hard hit during the Civil War and Reconstruction, entered another era—call it Refurbishment—and this time everyone concerned seems rather happy about it.

The Refurbishment took place, and, for that matter, is still going on, in the heart of downtown Atlanta. From forgotten old buildings—long hidden under the city's viaduct system, has grown Underground Atlanta, a complex of shops, restaurants and saloons offering everything from a plate of spaghetti to a personalized Lt. Gov. Lester Maddox axe handle.

While the Underground is the culmination of dreams for the people involved with it, for A. F. Irby & Co., a subsidiary of Fred S. James & Co. and the Underground's broker, the dreams, for a while anyway, closely resembled nightmares.

"THE MAIN problem, from an insurance standpoint, when work actually started, was that no one knew what the property was actually worth," explained Quill O. Healey of Irby. "Some of the buildings were fully restored, some were partially restored and all of them were old. And sometimes there is a great deal of difference in the values placed on property by real estate firms and insurance companies."

To compound the problems, the

Underground is located in a downtown area in a large city—not, according to Mr. Healey, a geographical locale usually smiled upon by underwriters. It is full of restaurants and caba-

## ASIM/ATLANTA

rets, which, again, are not the favorite risks of many insurers. Added to these difficulties in the beginning was an extensive renovation schedule and work was starting at a time when, in Mr. Healey's words, "there was no real insurance market."

"It really was a nightmare," he said. "We put together a pro rata distribution policy under which each underwriter in on the risk

took a dollar amount of the total limit instead of the usual percentage.

The property coverage on the tourist attraction complex is now placed in the Georgia Property Insurance Facility, the Peach State's FAIR Plan assigned risk insurer.

The insured value of the Underground is now \$3.7 million, Mr. Healey said, based on a General Adjustment Bureau appraisal made 18 months ago. That figure, he added, did not include the improvements made by tenants. The property value, however, is expected to "skyrocket" in the near future because Underground Atlanta sits next to what will be the main station for Metropolitan Atlanta Rapid Transit Authority trains

when the mass transit system is completed.

THE PEOPLE at Underground Atlanta went to work and persuaded all the tenants to comply with a fire engineering program. "The entire Underground is now almost totally sprinklered," Mr. Healey said. "The Atlanta Fire Department has been a great help. They have a written plan, for example, on what to do in case a fire ever breaks out in the Underground. They can be on it in minutes."

Looking at the property, as well as other coverages, needed because the Underground is what it is, Mr. Healey pointed out, "Underground Atlanta's property insurance program has matured as the project itself has grown up. On the property side, the Underground is now to the point where other insurers—Factory Mutual System companies for

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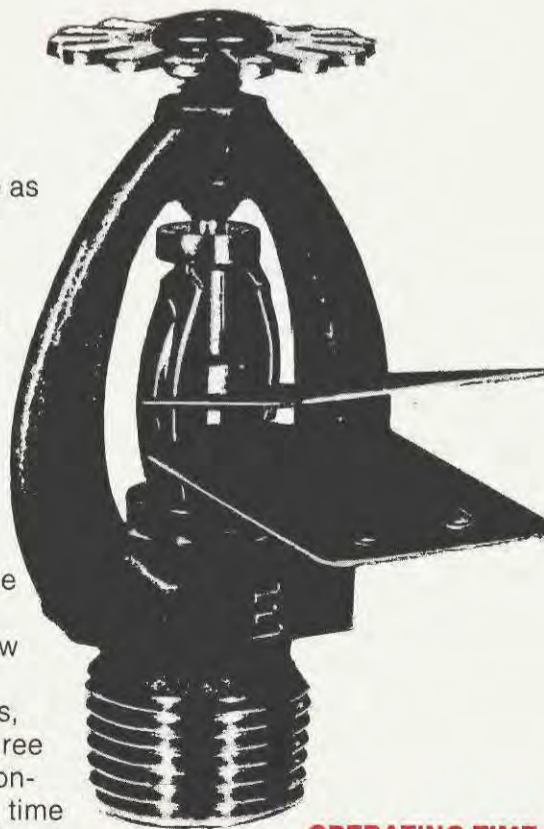
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Quill O. Healey

instance—have shown some interest.

"The project has really grown enough now so that the people at Underground can start analyzing their risks," he continued. "They can now start thinking risk management. As an example, up to now they have not gotten into loss of use coverage but that will come as the risk management philosophy takes hold."

"They have been worried from the beginning about keeping their heads above water," he said, adding that the Underground was founded and put together by two young Atlanta businessmen "with a lot of moxie," but not a huge operating budget. "Now they've made it they can start thinking about more than cost."

ON THE LIABILITY end of the scale, Mr. Healey reported that Underground Atlanta carried a liability policy underwritten by The Travelers.

"This coverage is written on a gross receipts basis by The Travelers and has a limit of \$4 million," he explained. "The Underground then has an excess liability policy with the CNA/Insurance Group that puts another \$3 million on top of the primary \$4 million."

Pointing to what he termed "more of the risk management philosophy showing up," Mr. Healey said the liability coverage on the Underground was "from the first dollar—on a guaranteed cost program, where the loss experience has no bearing on the premium charged by the insurance company, rather than a retro."

He noted that Underground Atlanta's loss experience, however, had been very good. The biggest problem from a liability standpoint has been "slips and falls," but with something approaching three million visitors annually, slips and falls are a legitimate concern.

UNDERGROUND Atlanta Inc.'s eight employees are covered for

Continued on page 44

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# Cover for mass transit project is big, intricate—and completed

ATLANTA—Work on the largest construction project in America's Southeast, the \$1.32 billion Metropolitan Atlanta Rapid Transit Authority, will not actually begin until the latter part of 1973, but MARTA Insurance Managers, the joint venture of Georgia-based insurance firms responsible for the project's coverage, has been working feverishly over the last few months to ensure that all will be ready when the first holes are dug.

The work the members of MARTA Insurance Managers (*Business Insurance*, Nov. 20, 1972) have done has apparently already paid off. For example, mention the rapid transit sys-

tem's property insurance program, which went into effect Mar. 1, and the MIM representatives will probably smile in satisfaction before they talk about it.

"We have arranged one, single policy," said Quill O. Healey, chairman of MIM's marketing committee, "which covers all property for MARTA and the engineering joint venture on the project."

He then explained that the single policy actually covered existing transit buildings, buses, builder's risk, business interruption, extra expense, valuable papers, accounts receivable and first party errors and omissions. Excluded are war risks, infidelity

of employees, failure to follow specifications and loss to property while it is waterborne (except on inland waterways).

"THE ENTIRE policy is rather unique," Mr. Healey said, "but the really unique thing about it is incorporating the first party errors and omissions coverage (e & o) for MARTA and the engineers in the property policy. E & o is hard to find and expensive when you do find it. We think we've saved a great deal of money by doing it this way."

The property coverage, written so the insurance companies need not use all the massive amounts of premium expected to be paid and the excess will be returned to MARTA, with a limit of \$30 million per occurrence and is broken down among a number of insurance carriers.

The first layer of property coverage, which has a \$5 million limit, is written by five companies: Chubb & Son Inc. (Federal Insurance Co.) has the lead with 40% of the risk; American Home Assurance Co., 20%; Crum & Forster (U.S. Fire Insurance Co.), 20%; Harbor Insurance Co., 15%; and the remaining 5% is in the London market.

The \$25 million second layer is split among nine insurers: the London market leads with 36% of the risk; Home Insurance Co., Lumbermens Mutual Casualty

## ASIM/ATLANTA

Co., American Home Assurance Co., Harbor Insurance Co. and U.S. Fire Insurance Co. all follow with 10% each; Federal Insurance Co., 7%; Safeco Insurance Co., 4%; and Cotton States Insurance Co., 3%.

**THE DEDUCTIBLES** on the property coverage range from \$1,000 for fire, lightning and extended coverage on vandalism and malicious mischief to \$250,000 per occurrence on the e & o coverage and the business interruption.

"One way to keep everybody interested in the project," Eugene Oberdorfer II, MIM chairman told *Business Insurance*, "is to keep them involved at different levels. That's why Chubb has the lead on the primary layer but is still involved in the second layer, though further down. The same is true for the London market. They've got the smallest percentage of the primary layer but by far the largest percentage of the second."

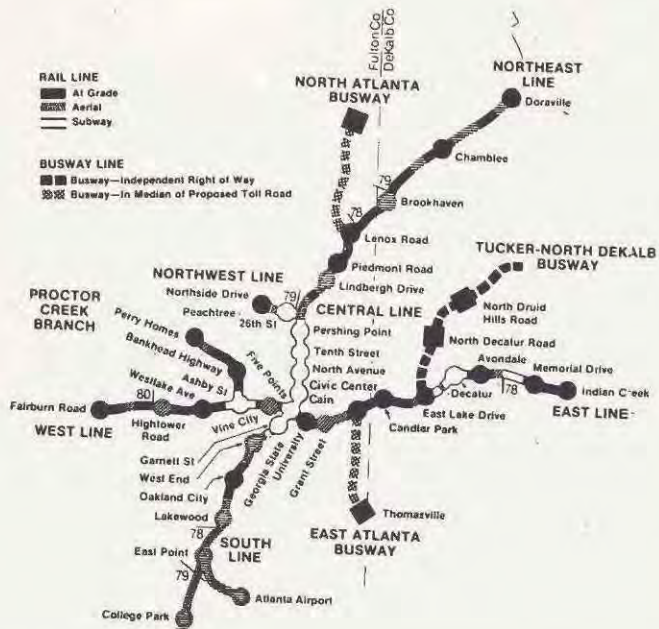
The joint venture, according to Mr. Healey, is also emphatic in its desire for control.

"We need the control and we've got it," he said. "MIM retains the Prudential Insurance Co. of America, Allstate Insurance Co. and Employers Reinsurance Corp. as reinsurers. If the insurance companies involved in MARTA's coverage want to reinsure, they reinsure with those companies. That way, if there's a large claim, no one gets out of it by saying they lost their reinsurance."

**THE PROPERTY** coverage, like MARTA's other aspects, was designed to last over the eight years it is expected to construct the rapid transit system.

Workmen's compensation for MARTA, the engineering joint

Continued on page 44



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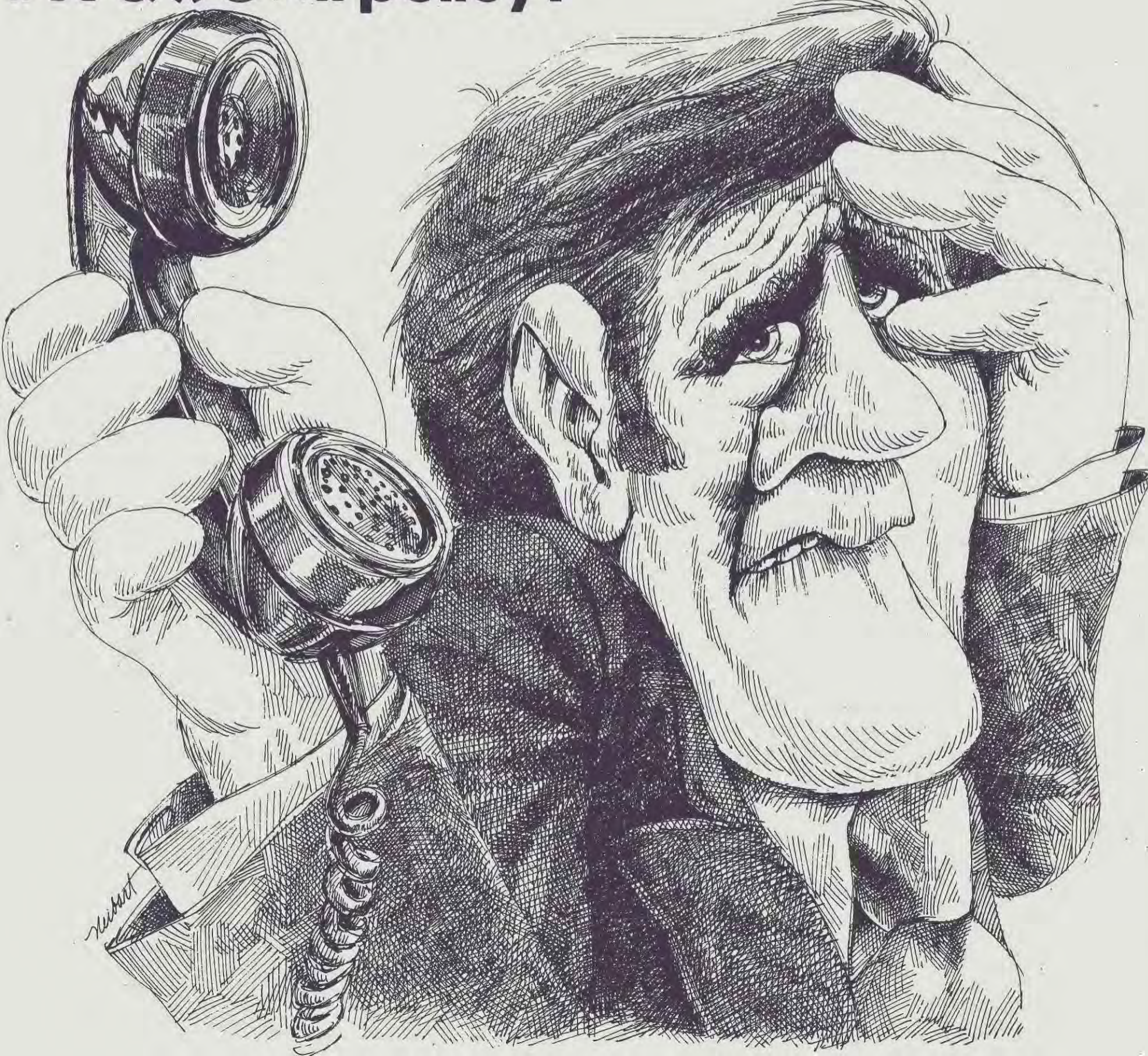
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 For delight in music...  
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 sets were already...  
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 numbers like a be...  
 looking off a winter's...  
 about my life-style...  
 tell you about my...  
 life-style. Since 1967...  
 but write, write...  
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 in three years...  
 chessy of game...

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 & Ins. Co.  
 Enterprise  
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\$666.8 million, our net worth is \$4 billion and our assets are over \$1.4 billion. For over 75 years, we've been working insurance only through independent agents. And while everything in our experience proven the value to you of using the just as important for you to get the best insurance in the country. But, as we said, only Crum & Forster. We...

**CALL**

# MARTA . . .

Continued from page 38

venture and contractors and subcontractors "of any tier whose contract is \$10,000 or more," according to MIM documents, will be self-insured up to \$50,000 per occurrence. The excess, up to limits of \$5 million, will be written by Argonaut Insurance Co.

"Argonaut will settle the claims," Mr. Healey commented, "and then MARTA will reimburse the insurer for the amount of the settlement, under the retention program."

MARTA actually has two casualty programs in operation, Mr. Healey pointed out, both of them primarily written by Argonaut.

"THE OPERATIONAL end—the buses which are now on the road—is self-insured up to \$50,000 per loss," he continued.

"The limit is then \$5 million on top of that, all of it written by Argonaut.

"When MARTA purchased the Atlanta Transit System, which owned the bus fleet, it inherited a top-notch claims staff. They take care of the day-to-day claims handling on the operations side."

Though construction has not started, the liability insurance program for construction risks is ready, or just about, say the MIM members.

Argonaut has the first \$5 million, Mr. Healey noted. The second layer—\$20 million worth—will apparently be placed in the London market and a \$75 million third layer will be written by a number of insurers including Continental Casualty Co., American Home Assurance Co. and Crum & Froster. This will give MARTA a limit of \$100 million, if needed.

"Argonaut agreed to our form,"

Mr. Healey exclaimed. "There is the \$50,000 per loss deductible but there are almost no exclusions. This policy was designed specifically for MARTA and its coordinated liability coverage."

Safety is a matter which concerns everyone at MIM, as well

ing safety specifications right into MARTA's contracts, according to Mr. Oberdorfer.

"In a project like this, safety is too important to gloss over," Mr. Healey said. "The safety man is in the budget all the way down the line."

T. M. Alexander, president of Alexander & Co., Atlanta's largest black-owned insurance agency, told *Business Insurance* that he thought a huge construction industry problem—that of bonding for minority contractors—could be overcome for the MARTA project.

"THE MINORITY contractors here have the skills needed," he said, "but not the financial resources the bonding companies apparently want. But there is a program here in Atlanta, through the Small Business Administration, which will be continued to get the surety coverage the minority contractors need."



Logo of the MARTA Insurance Managers

as MARTA. MARTA Insurance Managers' full-time safety director, Russell Dugger, and a safety representative from Argonaut have spent the last while design-

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Earl Novell, former risk manager of the Perini Corp., a Framingham, Ma., construction firm, was named managing director of MIM late last year and directed the venture's operations until he was sidelined with a heart attack. He is expected to return to work.

Mr. Novell, according to his associates at MIM, is in a strange position. He has the dual responsibility of working for both the client and the brokers at the same time. "We're not the enemy anymore," Mr. Oberdorfer laughed while describing the situation.

MIM, Mr. Healey pointed out, handles the coverage for MARTA on a fixed-fee basis.

"But this is more than just a client relationship with all the parties concerned," he said. "Everybody has deep roots in Atlanta. We all feel that MARTA is a civic thing as much as anything else. It will be responsible for the redevelopment of the whole downtown area. And that is important to everyone who lives here."

## Underground

Continued from page 40

workmen's compensation benefits by the Travelers, according to Mr. Healey.

The 85 tenants of Underground Atlanta, who deal in everything from candles to carpeting to Dixieland jazz, are responsible for the insurance on their own contents and whatever other coverages they might need, Mr. Healey noted.

"We are trying to appeal to families," said William Russell, Underground Atlanta's financial man, while illustrating some of the problems that have been faced where insurance coverage would not have helped.

"One of the tenants decided to bring in some go-go girls," he continued, noting that the family image would have been tarnished by the presence of scantily clad dancers. "Between our talking to him about it and the fact that the place didn't really do very well, he sold out. There's a pizza parlor where the go-go girls were."

That statement just about sums up the way things are going for Underground Atlanta. The people behind it almost bubble with the feeling of success. The spot is already a landmark and the people at A. F. Irby & Co. are having fewer nightmares all the time.

## Legislation proposed for police, fire survivors

The dependent survivors of Wisconsin police officers, firemen and prison guards killed in the line of duty would receive compensation from the state under legislation proposed by Gov. Patrick J. Lucey. The governor said his bill would provide each dependent with the equivalent of the slain officer's pay for one year. Benefits would be retroactive to Jan. 1, 1973, and the plan would be administered by the Policemen and Firemen Compensation Commission.

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# Georgia's insurance commissioner, comptroller, fire commissioner, etc.

ATLANTA—The door to Johnnie L. Caldwell's office under the golden dome of the Georgia State Capitol building here has a pane of glass in it but a visitor still has trouble seeing inside—most of the glass is covered with a list of Mr. Caldwell's numerous functions.

First, he is the Peach State's comptroller general. But the list just begins there. Statute provides the state's comptroller also be the state's fire commissioner, industrial loan commissioner and insurance commissioner.

In his position as insurance commissioner, the personable Mr. Caldwell keeps on top of the things concerning insurance buyers—no-fault auto insurance,

mass marketing, group insurance—and he has misgivings as well as positive attitudes.

"There just isn't enough information available to know exactly what no-fault auto insurance will do for the people," he told *Business Insurance*.

## ASIM/ATLANTA

"Sure, Massachusetts has had it for a little while but that doesn't constitute history."

**STILL**, the no-fault bill Mr. Caldwell sponsored made it through the Georgia House of Representatives. It was amended

but it got through. His aides think the Senate will pass it next session.

His proposal provides for basic no-fault benefits up to a \$5,000 limit per person per accident. Work loss or survivors' income benefits would be available up to \$200 a week and the "pain and suffering" suit threshold is \$500 in medical bills. Suit can also be brought if the accident victim is out of work for more than 30 days.

"I think the threshold has to be low," Mr. Caldwell explained, "because I'm wary of some of the wording surrounding no-fault. For example, say you broke your leg and your medical bills amounted to \$900. But your leg is



Johnnie L. Caldwell

still functional—you can still walk on it—and you didn't lose the limb. But you can't play baseball.

"If the threshold were more than the \$900 you'd be out of

luck and you deserve compensation."

**HE SAID** that his bill included commercial vehicles under the definition of vehicle and would not treat them differently from private passenger vehicles. "Commercial vehicles, many of them anyway," he said, "could do a lot more damage because of their size." The bill permits subrogation from the first dollar to help rectify that problem.

He felt that a total of \$5,000 in benefits was not too low because "you've reached the suit threshold if your bills get up that high. I think \$5,000 is realistic while \$50,000 isn't. That's closer to a cancer policy and you know about those."

Turning his attention to corporate insurance matters, Mr. Caldwell, gesturing animatedly with his pipe, stated, "There is a dire need for group insurance master policyholders to give their groups notice when changes in coverage occur. We had a case last year where the risk manager at a company got word from the group insurer in September the policy would be cancelled in November. I think the group was not participating 75%."

"Well, the employer didn't say anything to the employees about it," he continued. "The word leaked out after a short while and the employees made a lot of noise. The insurance company decided to extend the coverage but this kind of thing has to be stopped. We are working on something that would require a group master policy holder to notify his group."

**ANOTHER** problem in the group insurance area Mr. Caldwell said he was working on was, "Risk manager need to be certain an expiring group policy extends to take care of those insureds who go to the hospital the day the policy expires. Either that, or be sure the new policy picks those people up."

He said there had been problems of that nature since he took office two years ago and that "this is something I quite frankly didn't know could even happen."

Mr. Caldwell did not seem terribly upset after he lost a court case earlier this year which allowed mass marketed property and casualty policies to be sold in his state (*Business Insurance*, Jan. 29).

"I didn't initiate that suit," he contended. "I inherited it from my predecessor. Originally, the Georgia Assn. of Independent Insurance Agents sued Travelers over mass marketing at Lockheed Georgia. The court ruled in favor of the agents. By that time, I was insurance commissioner and had no choice but to back up the court. Travelers appealed and won."

Personally, his feelings toward the mass marketing con-

Continued on page 52



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### Consolidated Financial Statement / DECEMBER 31, 1972

#### ASSETS

Marketable securities:	
Bonds	\$465,093,997
Preferred stocks	45,727,033
Common stocks	202,605,145
Investments—unconsolidated overseas subsidiaries	9,196,085
Real estate	6,573,603
Cash in banks and office	6,665,400
Premiums and accounts receivable	77,519,975
Accrued interest and dividends	8,383,468
Other admitted assets	39,956,974
<b>Total</b>	<b>\$861,921,680</b>

#### LIABILITIES, CAPITAL AND SURPLUS

Claims and benefits reserves	\$380,392,083
Life and unearned premium reserves	164,897,424
Temporary construction loan	5,895,718
Federal and foreign income taxes payable—current	635,104
Reserve for commissions, taxes and other liabilities	37,421,649
Funds held under reinsurance treaties	37,875,930
<b>Total Liabilities</b>	<b>627,126,908</b>
Capital (shares authorized, issued and outstanding 2,722,500; par value \$2.66 2/3 each)	7,260,000
Paid-in capital	8,493,190
Unassigned surplus	219,044,582
Policyholders' surplus	234,794,772
<b>Total</b>	<b>\$861,921,680</b>

Bonds are stated at amortized value in accordance with the requirements of regulatory authorities and would be approximately \$466,590,915 at December 31, 1972 if valued at market. Stocks are stated at market value except stocks in unconsolidated overseas subsidiaries which are carried at estimated net worth.

The above financial statement is fully consolidated with respect to the parent company and domestic subsidiaries. Overseas subsidiaries are included on an equity accounting basis.

### General Reinsurance Corporation Subsidiary Companies

#### Domestic:

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

#### Overseas:

Inter-Reinsurance Corporation, Zurich; Swedish Atlas Reinsurance Company Ltd., Stockholm; Reinsurance Underwriting Services Ltd., London; Companhia de Seguros Argos Fluminense, Rio de Janeiro; Reinsurance Company of Australasia Ltd., Sydney.

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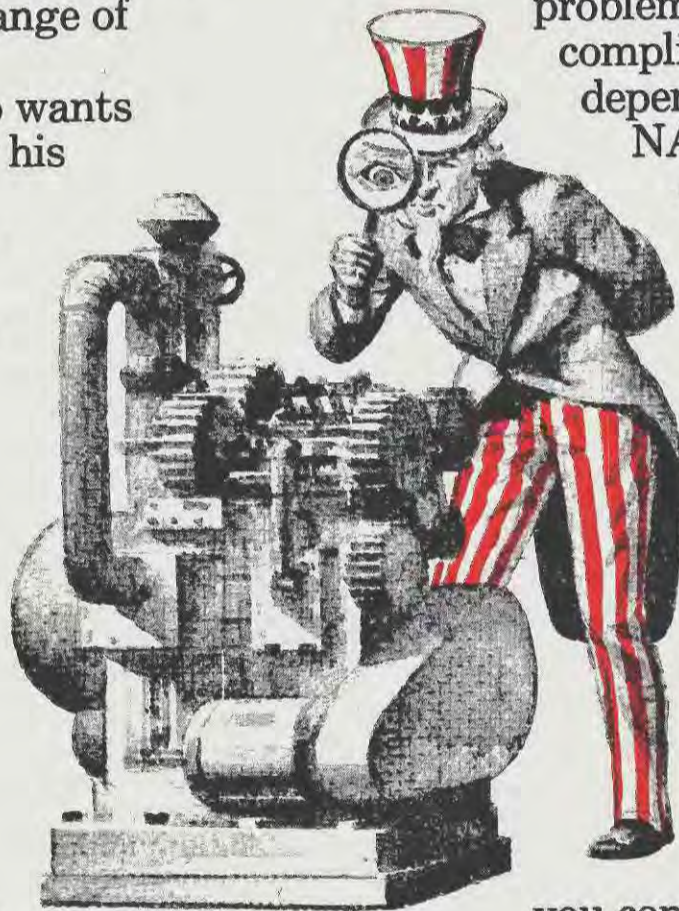
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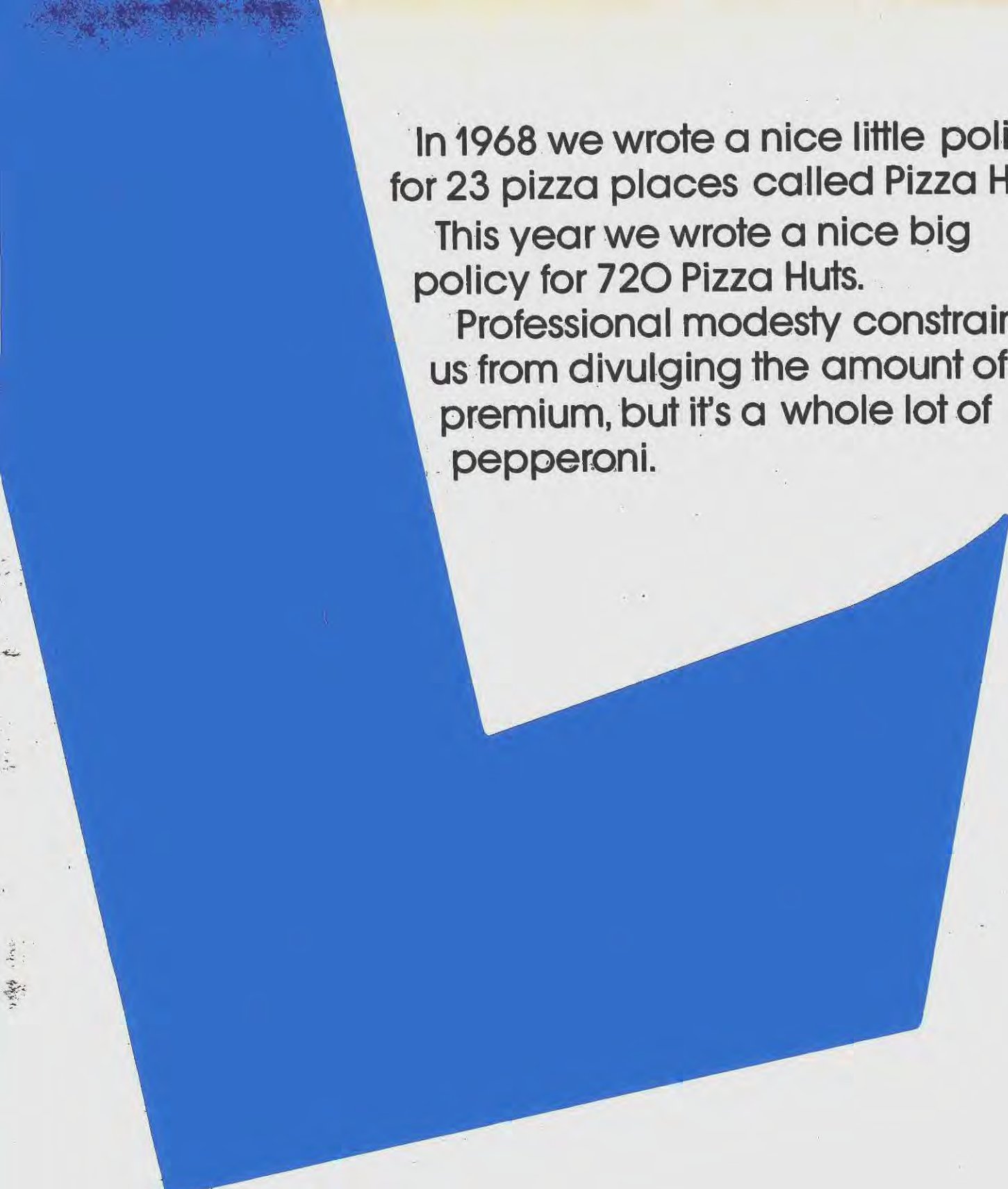


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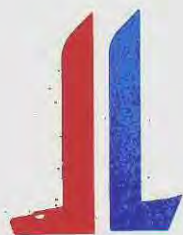
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# Colonial Stores' Al Friday wears many hats on the Georgia risk scene

ATLANTA—J. Al Friday is the kind of man who smiles in the face of a mountain of work. As corporate insurance administrator at Colonial Stores Inc., he is responsible for the property and casualty coverage for his company's 435 stores and six massive warehouses and the benefits for 5,000 to 6,000 employees.

As president of the American Society of Insurance Management's Atlanta chapter, he, with a little help from his friends (notably Barney Carnes, Delta Air Lines' insurance manager), put together the ladies' program for this year's ASIM conference here. This, he said, was a monumental effort. He also testified at

legislative hearings in Georgia, the outcome of which he feels is important to risk men.

"I wear so many hats, some days I don't know which way to turn," he told *Business Insurance*, with a smile.

"Between five and six years ago, the corporate insurance administrator's job was created here at Colonial," he said of his biggest job. "I'm responsible for everything—casualty, property and benefits, but I think putting all the coverages in one barrel here has been worthwhile in terms of both the coverage we are getting and the dollars we've saved."

Looking at some of Coloni-

al's liability programs, all of which are underwritten by the Continental Insurance Cos. through Johnson & Higgins, Mr. Friday noted coverage was provided "on a cost-plus basis. We

## corporate profile

retain the first \$2,500 but they take care of the claims handling."

Public liability apparently had been something of a problem—an almost inescapable one for a

company with 435 food stores in six states. "The biggest single problem," he explained, "has been a high incidence of older women falling down on the store premises. We've instituted a floor maintenance and policing program to try and combat that."

Product liability has not reared its head in Colonial's direction a great deal but, said Mr. Friday, "It's starting to pick up. We manufacture our own jams, jellies, mayonnaise and salad dressings so we aren't immune. Our attitude is that we'd rather make corrections now than after a claim. For that reason, this department maintains a very close relationship with the quality control department."

Colonial, he reported, reviews losses every three months and has established an incentive program at the division level to upgrade loss control.

"Claims from each of our six

divisions are charged back to the division from corporate headquarters here," he said. "From division, some of the claims are then charged back to the store that had the loss. I would call that an incentive. The divisions appreciate it—which is good—because, in this way, a division with a good loss record doesn't have to get stuck paying a percentage of a not-so-good division's losses."

**THE COMPANY** has a fleet of 750 vehicles but Mr. Friday indicated auto losses were not one of his major problems. "Our experience here has been very good," he noted. "Our drivers have been at it a long time, they are very experienced. And they don't have to drive many long hauls."

The company aircraft is insured by the United States Aircraft Insurance Group for \$15 million in liability with a \$5 million umbrella.

The workmen's compensation for Colonial is written by Continental in five of the states in which the company does business. The food store chain is self-insured for workmen's compensation in Ohio.

"**WE STARTED** self-insuring in May of 1971," he commented. "We set up a fund for the purpose so it's true self-insurance. In



J. Al Friday

Ohio, you have a choice—you can self-insure or you can go through the state workmen's compensation fund. We are happy we decided to do it ourselves. Last year, we saved \$75,000 by self-insuring and we think it will get better as we get more used to doing it."

Workmen's compensation coverage, he noted, in the other areas was all experience-rated. A new computer-ordering system, in which much of the loading work was done mechanically, had cut much of the handling usually required and had, therefore, helped in the claims area.

**MR. FRIDAY** has strong feelings about workmen's compensation legislation and has made his views known, as ASIM Atlanta chapter head, to the Georgia legislature.

"There is much more to it than merely a benefit," he stressed. "Certainly the benefit should be improved but the laws should also be strengthened so that costs can be lowered and we can get people back to work, instead of paying them to stay away. The system should be changed so that we can drop the malingerers who take advantage of politically-appointed workmen's compensation commissioners."

"When things like this are being discussed by state legislatures, the ASIM chapters should be there. We are in a position to apply some leverage and we should do it."

Turning his attention to Colonial Stores' property coverage, Mr. Friday stated that Factory Insurance Assn. wrote the fire insurance on the home office here, all six of the company's huge warehouses and the jam

Continued on page 52



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# Colonial . . .

Continued from page 50

manufacturing and dairy processing facilities. The broker on property insurance is the Bradford Co., a small, local firm.

The limits on the warehouses range from \$15 million to \$20 million, "depending on the inventory," according to Mr. Friday. The deductible on warehouse protection is \$1,000.

The store locations are a different matter, he indicated.

"We don't own most of the buildings our stores are in," he explained, "so we are really only responsible for the contents."

**AMERICAN HOME** Assurance Co. is the property insurer on the store locations. The limits are "mainly, \$1 million per store" with a \$25,000 deductible. Colonial has established a self-insurance fund to take care of the de-

ductible provision.

"There was a bit of a problem with the stores because, a few years ago, supermarkets had a pretty bad reputation with underwriters," Mr. Friday said. "If there was a riot anywhere, liquor stores and supermarkets were the first places looted. None of our stores were involved in a riot, but we had a couple of unfortunate losses when riots were happening frequently so we got lumped in.

"We've been upgrading our stores on the premise that it's better to spend money improving our facilities than handing it over to an insurance company," he continued. "Many of our stores are hiring off-duty firemen to come in and inspect for fire hazards, which has been a great help."

When he began highlighting the benefits available to Colonial employees, Mr. Friday winced a little and said, "We severed a

relationship with Travelers a few months ago that went back 44 years. That's the kind of thing you really hate to do but we felt we had to."

**THOSE FEW** months ago, Colonial moved its comprehensive medical, life insurance and accidental death and dismemberment coverage from Travelers to Provident Life & Accident Insurance Co., Chattanooga, Tn. "If we disagree with them, they are willing to sit down and talk about it," Mr. Friday said, "and that is very important." The broker is Johnson & Higgins.

He indicated that most of Colonial's employees were covered by union employee benefit plans and that he administered the plans for the non-union workers.

After reporting that they had all the usual benefits, Mr. Friday said that he was very happy with the company's self-administered pension plan, which includes all

employees.

"It includes an early retirement due to disability provision," he said, "with no age limit on it. After 10 years with Colonial, the employee is 50% vested in the plan and 30% vested after eight years."

**COLONIAL**, which employs 80% co-insurance in its group insurance, provides an "automatic family protection benefit," under which the employee's spouse receives a set portion of the employee's benefits if he should die. The benefit is good for the life of the spouse.

Long-term disability coverage for Colonial is written on a direct basis by American Mutual Insurance Co. "The maximum benefit under this coverage," Mr. Friday noted, "is 60% of monthly earnings up to \$1,500 a month for a permanent total disability."

Of his position with the ASIM Atlanta chapter, Mr. Friday

again emphasized his feelings about getting involved. He mentioned legislative discussions revolving around an OSHA program for the state of Georgia and said that an Atlanta ASIM member should sit on the board of any such program.

"We must try to get things done on the state level," he said. "Not too many major corporations are headquartered here (he did note that Coca-Cola, Delta Air Lines and Colonial were exceptions to the rule), so our chapter is sort of small. We'd like to recruit more treasurers, assistant treasurers and financial vice presidents from smaller companies. They would help us and we could help them.

"We may be small but we should make our voices heard," he continued. "Only by doing that can we really provide a better climate for our companies and more help for our employees."

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# Caldwell . . .

Continued from page 46

cept are mixed.

"I think there is a definite trend in this direction," he commented. "If people who buy mass marketed coverage can get protected cheaper, then I'm all for it.

"But," he continued, "I have serious doubts that the service an individual will get will be very good. Say the individual buys the mass marketed coverage through some central place—his company's risk benefits department, for example. This individual may live some distance from where that central place is located.

"The problem is that the average corporate risk management department is not staffed to handle claims, much less claims of this sort. The risk manager doesn't have time.

**WHEN A** visitor walks from the outer office into Mr. Caldwell's private one, he must pass a framed poem on the wall. It is entitled "I Do Not Choose to Be A Common Man," and Johnnie Caldwell has adopted it as his creed. And while he may not choose to be one, Mr. Caldwell apparently feels he represents the common man.

"We are working on an insurance shoppers guide of our own," he said, looking rather heated. "I think Mr. Denenberg's guides are a fraud on the public. He is a professor of insurance and knows the ins and outs of the industry very well. But his guides are disillusioning to someone who doesn't really understand as well as he does.

"If, for example, you are going to talk about life insurance in terms of cost," he said, "you might mention things like dividends. Mr. Denenberg did not do that."



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# Dining in Atlanta more than grits, blackeyes

ATLANTA—For the benefit of those who have never visited Atlanta before, let us do away with what could be a horrendous preconceived notion: Dining in Atlanta is merely a matter of shoveling down some grits and blackeyed peas.

If grits are among your personal favorites, they can be found in abundance, but Atlanta's gastronomic variety is almost endless.

During a visit here early last month, *Business Insurance* received recommendations as to the better restaurants in the city from a group of Atlanta-based business people. The following compilation, listed in order of the number of times the restaurant was mentioned, reflects their preferences. (Reservations are recommended at all the places. It was pointed out time and again while restaurants were being discussed that the word "expensive" was extremely relative. In other words, a restaurant that is ex-

served "superb chateaubriand." Prices are moderate to expensive. The restaurant can be found at 669 W. Peachtree St. NE.

Also recommended were the restaurants in both the Regency and Stouffers hotels. Located atop Stouffers Atlanta Inn, 590 West offers diners a panoramic view of Atlanta, as does the Polaris, the cocktail lounge on top of the Regency. Food at 590 West is excellent and the prices are expensive. The same description could suffice for Hugo's, located in the Regency.

Atlantis, the night club inside the Regency, is the only club in Atlanta offering "name" entertainment. ■

## ASIM/ATLANTA

pensive by Atlanta standards may be in the moderate range in New York. The prices here are Atlanta-oriented.)

• The Midnight Sun—This Scandinavian restaurant, located in Peachtree Center, was mentioned by almost everyone. Comments ranged from, "Probably the finest restaurant in Atlanta" to "the only place in town where you can get steak tartar." Prices are on the expensive side "but worth every penny," according to one Atlantan.

• Chateau Fleur De Lis—An expensive French restaurant located at 2470 Chesire Bridge Rd. NE, the Chateau was noted for its decor almost as much as its food, which was described as "super." A 10-minute cab ride from the Regency.

• McKinnon's Louisiane—Everyone who recommended this Creole-cuisine restaurant did so with a smile. It's prices are "reasonable" and it is considered a "fun" place to eat. Food and atmosphere are both excellent. Located at 2100 Chesire Bridge Rd. NE, it is 10 to 15 minutes away from the Regency.

• Coach & Six—Prices range from reasonable to expensive at this restaurant at 1776 Peachtree St. NW. The meat dishes are considered good enough so that lamb chops, veal and steaks were recommended by three different persons. It, too, is 10 to 15 minutes from the Regency.

• Pittypat's Porch—Walking into Pittypat's is like "stepping onto the set of *Gone With the Wind*," according to one Atlantan. The restaurant, at 25 Cain St. NW, offers a "more traditional Southern flavor" in its menu as well as the antebellum atmosphere. It is within walking distance of the Regency and its prices are moderate.

• Victoria Station—This picturesque restaurant, which is actually "a couple of old railroad cars hooked together," was recommended for its prime rib and its salad bar, as well as its atmosphere. Prices are expensive. It is a 10-minute drive to 631 Lindbergh Dr. NE from the Regency.

• The Abbey—Described as "unusual" by all who recommended it, The Abbey used to be a church. Cocktails are served in the pulpit before diners are



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# Retiring ASIM chief planning to stay home

CHICAGO—When Robert D. McGowan became president of the American Society of Insurance Management in May, 1971, the organization planned to direct stress, under his leadership, on education. Now, as the society prepares to elect new officers, it seems that the person most educated over the last 11 months was Mr. McGowan himself.

"I have seen four countries, learned my way around 30 different airports, flown some 45,000 miles in 15 different kinds of aircraft and have had all kinds of rewarding contacts with risk managers from all over," the 49-year-old risk man for Rand McNally & Co. said, recalling a year which has seen the organization grow to 47 chapters with over 2,100 members.

"It's been a very gratifying year for me when I look and see the position that ASIM is now in," he said, puffing on a corn cob pipe. "It wasn't too many years ago when nobody knew what a risk manager was. People would ask you what you did, and when you told them you were a risk manager, they'd laugh. Now, though, we've educated them to a point where both risk management and ASIM are highly respected."

Mr. McGowan began as an accountant and evolved into a risk manager. He came to Rand McNally, and the multitude of risks inherent in book and map publishing, in 1953. Now, as the firm's assistant treasurer, he commands a specialized risk management department he designed years ago.

"**WE WERE** not only interested in educating our members this year," he said, "but also educating management. We tried to give management an idea of what we do and a better understanding of what risk management is. Likewise with industry—we tried to make the insurance industry aware that we are here and help it learn about how we function."

Under Mr. McGowan's administration, ASIM has continued to work with the Insurance Institute of America in promoting and administering the risk management diploma program.

"ASIM has always helped encourage members and others to know the field," he said. "We feel that anybody we can help will actually be as much of an asset to us as we have been to them. It was surprising to me how many companies last year had diploma recipients and how some companies even conducted their own classes to help train their own people. Many chapters, too, organized their own study programs, where everyone got together a few nights a week to study."

ASIM also helped encourage risk management training in colleges and universities through mutual cooperation with the American Risk and Insurance Assoc., an organization comprised mostly of business professors.

"**WE GOT TOGETHER** near Chicago and simply figured out how we could help one another," Mr. McGowan said. "We had a seminar with a panel of risk managers and said, 'How about including these courses in your programs?' We were interested in trying to develop future risk managers so that, in the future, when a company goes to hire a risk manager, it can find someone who already has the background and won't have to train someone who is an accountant.

"They were very receptive to us," he said. "Many are very eager to incorporate risk management into their programs, and some schools now even have masters programs in risk management. We are very pleased with these developments."

Another successful program, he said, involved meetings between ASIM's insurance marketing liaison committee and the top management of major insurance companies.

"I don't want to drop any names," he said, "but we had a day-long discussion with Kemper, and James S. Kemper Jr. attended. We discussed, again, how we can help one another, and we reviewed the entire process: writing, claims service, financing insurance costs and everything in between. They were very profit-

able to all parties concerned."

The McGowan administration will continue its educational get-togethers with a committee meeting with the CPCU association during this week's forum in Atlanta and a meeting this fall with the Insurance Information Institute of product liability coverages.

"We are also beginning some preliminary discussions with other associations and saying to them, 'Let's sit down and figure out what we can do to help each other,'" he said.

**MR. MCGOWAN** also cited the business press and ASIM's expanding publications division as contributors to the better education of persons and organizations not familiar with risk managers

*Continued on following page*



**Bob McGowan**, retiring ASIM president (left), listens to Philip P. Gehrke, newly-elected president of the Chicago chapter. Mr. McGowan's exhaustive travels carried him worldwide.



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## McGowan . . .

Continued from preceding page

and their duties.

Producing a complete catalog of his travels, Mr. McGowan noted that he had visited London twice during his presidency and said ASIM and its British counterpart—the Assn. of Insurance Management in Industry and Commerce—have begun exchanging information and working very closely.

"Their chairman will be attending the Atlanta forum," he said.

One trip Mr. McGowan took to visit chapters on the West Coast turned out to be a gastronomical nightmare.

"I had breakfast in Los Angeles, flew to San Diego for lunch and wound up in San Francisco for dinner," he recalled. "The next day I flew to a

luncheon in Portland, a dinner in Vancouver, British Columbia, and the next day wound up in Seattle for lunch. Believe me," he said, "when I came home, there were things I told my wife not to cook for months."

He is a veteran of circling Chicago's O'Hare International Airport and says somewhere out there is a shocked stewardess who once almost closed him in a plane's door as the ever-hustling Mr. McGowan, a little late, hopped aboard.

**HIS TRAVELS** and his duties as president of the ASIM have made vast demands on his time, and often, he discovered, he had to sacrifice much of what free time he had to get his work at Rand McNally done.

"I wound up in here both on Thanksgiving and the day after, both company holidays," he said. "I was leaving for London that weekend, and had all kinds of

things to do. One thing I discovered was that you can get more work done when you're alone."

Balloting for new ASIM officers began March 15 when the nominating committee mailed ballots to the national representatives of each chapter. The chapters are now in the process of approving the committee's eight recommended successors for the eight open offices, and Mr. McGowan predicts the results will be tabulated by the time of the Atlanta forum.

Walter D. Woodard, risk manager of the Boeing Corp., and Mr. McGowan's first vp, is expected to be the next president.

"He has helped me greatly," the retiring president said. "We have discussed at length the things he has planned, and he will continue many of my programs as well as his own fine plans. I know ASIM can only grow under the direction of Walt and his group next year." ■

## Atlanta . . .

Continued from page 34

ance at Gold Kist Inc. "I'm still there."

Mr. Rich pointed out that Gold Kist, a farmers cooperative that did \$500 million in sales last year, had suffered four bad fire losses last calendar year. "These were all old buildings," he said, "not designed as highly protected risks. We are building new ones which will qualify for HPR but we have had problems with these old ones."

Gold Kist, which Mr. Rich said deals with brokers as well as direct writers, retains "a sizable portion" of its risk, as part of a risk management program. "A risk management department, which is functioning properly," he noted, "does not need many broker services. If you need insurance coverage, you simply go

to the hottest market at that particular time for that particular cover."

**WHEN THE** company moved to the risk management concept, Mr. Rich said his first commitment was to management. He set up a sort of educational program in which he traced, with visual aids, one cover over a five-year period. This show evidently impressed top management and the risk management program went ahead.

The results—a savings of \$418,000 the first year—didn't hurt, either. "We now have management backing," he said happily, "which makes for great communications."

"When you do move to a risk management concept," he advised, "you must truly manage the risks. And to do that, you must get everyone involved from the chairman to the janitor and everyone in between. They are all risk managers to some degree."

Mr. Rich, while explaining some of his (and Gold Kist's) problems, mentioned product liability, a major concern for most food producers.

"**OUR SEVERITY** has been very low in this area," he noted, "while the frequency has been rather high. The most frequent problem involves our pecan operations. Many times shells are left in the nut meats and people break teeth."

As employe benefits administrator for Gold Kist's 10,000 employes, Mr. Rich seems resistant to a definite trend—mass merchandising.

"I'm very much against mass merchandising," he said strongly. "The reasons are simple. I just don't feel that I'm the person to tell an employe what the insurance limits on his home and car should be. That and the fact that I don't have enough time to go out and survey an employe's home. Risk people should not be put in that position."

One of Mr. Rich's favorite activities outside of bass fishing is lecturing college classes on risk management. "I work very closely with Dr. E. J. Leverett at the University of Georgia," he said.

Mr. Rich also helps place students in risk management positions after graduation but said he had run into problems. However, he did manage to place one University of Georgia graduate in the office next to his (see story on page 37).

Regarding doing business in the South, Mr. Rich agreed with Mr. Quay—there really aren't any differences except that "Atlanta still has that old Southern glow. The corporate atmosphere is more relaxed here and we don't mind looking around for a certain coverage if we have to." ■



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# FCIA, AIU open offices in Atlanta, citing growth

ATLANTA—The fact that Atlanta is one of the fastest growing cities in the country—perhaps the fastest—is somewhat difficult to deny. The signs of growth are everywhere—rampant construction, traffic mayhem, proclamations welcoming newcomers on billboards. And as the city grows up, it is reaching outward.

Enter America International Underwriters and the Foreign Credit Insurance Assn., which both want in on that outward reach and have opened branch offices here in an effort to attract Atlanta's international business.

"Atlanta will soon be the hub of the South, if it isn't already,"

said Thomas Hardell, southeast regional manager for AIU. "It's a rapidly growing city with dynamic leadership. And it's already internationally oriented."

Mr. Hardell pointed to contracting and textiles as the two largest fields to branch overseas from Atlanta. "Contracting is always the first to move," he said. "Fixed properties are tied up under annual policies but a contractor can go as soon as there's a job."

**AIU HAD** been in Miami for 10 years before moving to Atlanta last February. The office here handles Florida, South Carolina and Tennessee as well as Georgia

while the Miami office had been responsible for Florida only.

"The growth is here," Mr. Hardell stated, "which is why we are."

He said that he expected a minimum increase of 20% over last year's business and added that none of the business that had been written in Florida had been lost since the move here.

"One problem with Florida is that it is difficult to cover any-

## ASIM/ATLANTA

thing north from there," commented Helen Foster of FCIA. "Our new Atlanta branch office will cover a seven-state area." States covered are Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.

She, too, mentioned the city's fantastic growth rate as a consideration in the decision to open an office here. "Also," she said, "Atlanta's airport is the second busiest in the country. The city may not be a seaport but we expect it to become a center for air freighting."

Both Mr. Hardell and Ms. Foster pointed out that many companies were headquartered in Atlanta and that many others had regional headquarters in the Peach State capital. Of those regional offices, a good number were involved internationally, they said.

Both offices here are small but offer everything that AIU or FCIA offices anywhere offer. Mr. Hardell said that his four-person operation would be expanded to a staff of 12 or more within the next three years. ■

# Big brokers moving into Atlanta area

ATLANTA—As Atlanta continues to evolve, to become more sophisticated and more cosmopolitan, many of the clichés associated with the South have been cast off. One of those clichés—that a Southerner instinctively mistrusts strangers and would rather leave his business home than deal with someone he doesn't know—is dying, though somewhat slowly, according to a number of risk men and insurance industry people here.

Most of the businessmen surveyed by *Business Insurance* felt that the large, national insurance brokerage firms had made a dent in Atlanta by buying out the smaller, local firms at a rapid rate rather than facing toe-to-toe confrontations in the battle for corporate insurance dollars.

"Branch offices of the big, national brokers have become very popular here," said William Quay, insurance manager of Coca-Cola Co. "The big brokers have really bought up a lot of the small brokers. It's to the point now where if you are dealing with a small, local operation in Atlanta, you are dealing with an agent."

**ROBERT SPENCER**, vp and insurance manager of Fuqua Industries concurred but added, "They may have been bought out by a national broker but they are still local brokers. They retain their ties to the community. There might not be many local brokers left in name, but, in spirit, there are still many of them here."

"The major brokers certainly dominate the scene here," commented J. Al Friday, insurance administrator for Colonial Stores. "They are dominant because they really sell themselves. They tell you that if the office here can't get something done, the office in New York can and that's pretty tough competition for the little guys."

"The locals do all right, though," he continued, pointing out that his company still did business with a very small (two-man) local firm. "They can still compete in the price area but the big boys can offer more, and better, service and facilities."

Mr. Friday, too, mentioned the fact that the local firms were being purchased and, thus, disappearing. "It's funny," he said. "The way it's been going, if you are the owner of a moderately successful brokerage house down here, you can probably retire early because you will do well when you are bought out."

**ROBERT RICH**, director-corporate insurance at Gold Kist Inc., pointed out that local agents and brokers had teamed up to stay alive and had retained a good deal of corporate insurance business.

"The houses here have a great deal of expertise," he said, indicating that the teaming up he mentioned had not hurt the situation in that area. "The people are highly qualified and many of the houses, both national and local, are doing extremely well."

"Maybe it used to be that it ran against a Southerner's grain to take his money North," noted Thomas Hardell, southeast regional manager for American International Underwriters here, "but there really aren't any Southern traditionals left." ■

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## Self-insurance growth tied to firm finances

SAN FRANCISCO—Company mergers and the growth of "huge, well-financed" corporations have stimulated expansion of the concept of self-insurance, the San Francisco Insurance Forum has been told by Albert H. Crowley, special accounts supervisor for The Hartford Co.

"Self-Insurance Today" was the topic of Crowley's address to the forum.

"There are many more companies today than ever before," he said, "which are financially capable of taking care of their own risks with self-insurance. Of course, an additional factor has been that 'tight money' made corporate heads more interested in cash flow arrangements.

"Many brokers," Crowley added, "have also abandoned traditional practices and are now willing to accept fees instead of commissions just as insurance carriers have ceased to insist on writing only first dollar coverage."

MR. CROWLEY told the forum his company "writes excess as a means of generating other first dollar lines. However, the accounts must prove stability. Hartford also has found," he said, "that self-insurance arrangements often become the source of sales for our loss control and claims services."

Jack Wells, insurance manager, Kaiser Steel, told the forum, "We try to assume our own risks whenever this is possible."

Mr. Wells added that considerable non-insurance among larger corporations results from "the unavailability of many types of coverages, such as machinery breakdown, as well as the fact that self insurance eliminates the costs of collecting small losses.

"Kaiser Steel," Wells said, "buys deductibles to control claims, eliminate adjusters and to reduce premiums as well as to gain acceptance for lines where the underwriters might get nervous about small losses.

"WE HAVE found, however, that large deductibles do not stabilize losses and do not spread losses. They may, in fact," he continued, "cause insurance managers to re-do every policy

they have, simply to conform with a maximum deductible.

"Our basic approach at Kaiser Steel," he said, "is to insure that part of the risk that the company believes it cannot handle itself and to look to the carrier of that insurance for all of the inspection, engineering and filing services."

George Morris, vp, Johnson & Higgins, covered the area of broker use and the kinds of advice brokers can provide clients considering self-insurance.

"This advice," Mr. Morris explained, "has to include the factor of whether the broker can still sell the client quality, rather than simply the cheapest services."

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## Bidding credited

# Yonkers, N.Y., trimmed \$250,000 from insurance expenses last year

YONKERS, N.Y.—With the use of risk management in municipal government here (*Business Insurance*, Oct. 23, 1972), insurance manager Robert M. Bieber has been able to save the city about \$250,000 in insurance costs for 1972.

Mr. Bieber has passed on a list of before-and-after figures clearly showing how competitive bidding helped cut city insurance rates. They reflect the savings enjoyed by Yonkers after it took bids from local insurance brokers, from some large brokers outside the city and from some direct writers.

A number of brokers were allowed to submit quotations for coverage of the city's functions. However, Mr. Bieber noted that it was not open to everyone because "the insurance market has a tendency to tighten up when many different brokers start requesting specific quotations for the same risk."

The insurance administrator elaborated how, if specific brokerage firms could not compete in the bidding, they dropped out of the picture, leaving those brokers who could offer the broadest insurance markets to come through. This way, he said,

the city was able to obtain significant savings in cost plus the most comprehensive coverage available.

YONKERS realized these savings in 1972 on its various forms of insurance after it began using competitive bidding:

- City fire insurance ..\$ 16,200
- Board of education fire insurance ...\$151,816
- Inland marine (used for voting machines) ..\$ 1,286
- Auto fleet insurance \$ 65,000
- Museum fine arts floater .....\$ 1,980

- Library boiler insurance .....\$ 1,335
- Skating rink liability .....\$ 9,675
- Leased premises liability .....\$ 2,060

The figures for savings have increased impact when compared to sums originally spent on Yonkers' insurance programs. On such a seemingly standard coverage as skating rink liability, for instance, the pre-competitive bidding price tag is \$10,000 as compared to the 1972 expenditure of only \$325. That comes to more than a 90% savings.

Mr. Bieber gave a further explanation of how risk management augmented the savings. On fire insurance, for example, the city switched from insuring separate facilities to insuring everything under a broad blanket coverage. For city fire insurance, they now carry a \$30 million policy with a \$50,000 deductible, while the fire insurance for the

board of education has a \$70 million limit, with a \$100,000 deductible.

In the inland marine policy which formerly covered most mechanical equipment, Yonkers decided to continue coverage only for the city's valuable voting machines, and to self-assume the risks for smaller items like camera and radio equipment, which have a good spread of risks.

SAVINGS IN the auto insurance program, Mr. Bieber said, were a direct result of the installation of a fleet safety program which reduced preventable accidents 45% from the previous year. The primary policy for the fleet covers \$100,000 of exposure, bodily injury and property damage exposure.

The insurance manager said Yonkers has been able to expand its liability coverage through an umbrella liability policy which covers workmen's compensation, general liability and auto liability, with a \$100,000 self-retention limit.

Mr. Bieber said that Yonkers was also able to collect \$12,000 from the insurance companies of persons who had caused damage to city property. In 1971, the amount the city anticipated it could collect was only \$1,000.

Marsh & McLennan of White Plains was successful in obtaining a significant part of the city's insurance business, Mr. Bieber revealed. They act as broker for Yonkers with such underwriters as Federal Insurance Co., CNA/Insurance Group, the American Insurance Co., Hartford Steam Boiler Inspection & Insurance Co., Insurance Co. of North America, Commerce and Industry Insurance Co., Midland Insurance Co., Unigard Insurance Co., American Home Assurance Co., and the North River Insurance Co.

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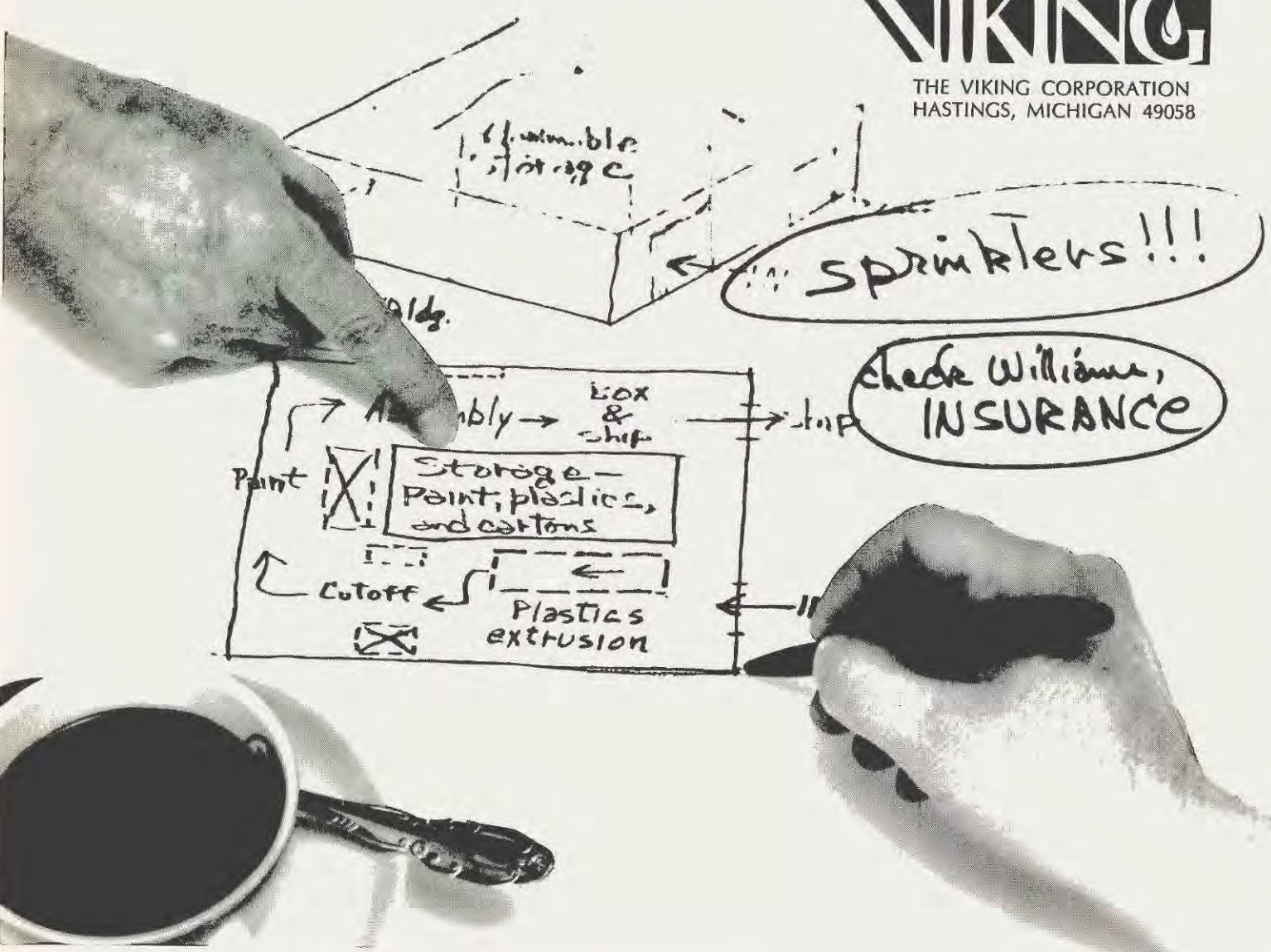
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## Investment restrictions loosened

PHOENIX—The Arizona senate agriculture, commerce and labor committee last month approved a bill loosening restrictions on investments by the state retirement system.

The bill would permit the system to invest not more than 4% of its assets in the preferred stock of any company, nor more than 20% of assets in all preferred stocks.

In addition, the measure would permit the system to invest 4% of its assets in any company's common stock and 7% in any combination of one firm's stocks.

Currently, the system is limited to investing two-thirds of one percent of assets in any firm's preferred stock, 10% in all preferred stock, 1% in any firm's common stock and no combination greater than 5% in one company's stock.

Joe Markey, a member of the retirement system board and its investment advisory council, said that since the investment council began operation in 1971, the retirement system's position moved from a deficit of \$80 million to a \$3 million profit, and investments are now yielding 5.15% a year.

But he added that 7% more could be earned if the system could put more money into a small number of "blue-chip" stocks.

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Inspector checks controls of steam boiler



## Agent/Broker questionnaires

The *Business Insurance* Agent/Broker Profile Issue questionnaires will be mailed out within a week.

Information gathered from the questionnaires will be published in profile form in the July 30 issue of *Business Insurance* and subsequently be the basis for the 1973 edition of the *Business Insurance* Directory of Commercial Insurance Agents & Brokers.

Last year's Agent/Broker Profile Issue listed vital data of interest to corporate insurance consumers from 350 of the nation's leading agencies and insurance brokerage houses. To qualify, agents or brokers must do a substantial amount of commercial business and must have gross revenues of \$150,000 or more annually.

Qualifying agents and brokers are urged to watch for their questionnaire and return it promptly. If it has not reached your firm by April 30, please write *Business Insurance*, Agent/Broker Profiles, 708 Third Ave., New York, N.Y. 10017.

## Law new U.S. Industries vp

### Risk man named to higher post

NEW YORK—S. Peter Law, corporate director of insurance at U.S. Industries, has been named a vice president of the company.

Mr. Law, who joined U.S. Industries in late 1971, will remain corporate director of insurance and a member of the huge corporation's planning group.

"Basically," Mr. Law told *Business Insurance*, "I don't have any new responsibilities. I still handle our group coverage, pensions, property and casualty and loss prevention and I'm still a member of the planning group. There really isn't enough time for new duties."

While he didn't exactly see himself as a pioneer, as the number of risk men who have been promoted of late indicates something of a trend, Mr. Law noted that he hoped more risk managers would be elevated to vp status within the near future.

"This is simply a recognition of the things we have been doing in this department over the last little while," he said.

One of the things he has been doing is using a captive insurance company for a rather unique purpose. "We have been reinsuring our group benefit plan," he said,

"which is not all that out of the ordinary. But we have also been reinsuring our workmen's compensation program through our captive, which is.

"If you believe in self-insurance at all," he continued, "this has to work. With 50,000 employ-



S. Peter Law

U.S. Industries' captive, which is domiciled in Bermuda, is Diversity Insurance Co. Ltd.

Mr. Law reported that he has six persons on his staff in the corporate office here but that the company is broken down into six company groups with "umpteenth divisions reporting to them.

"Four of the six groups, and soon five of them, have risk managers who administer the plans we come up with here and who are also in charge of administering the loss prevention program," he commented.

When he took over, the company's insurance program was decentralized but has since been re-centralized which "gives the company group risk men the chance to concentrate on risk management, rather than strictly purchasing insurance."

About his new status, Mr. Law said, "When you speak as vice president of the company, rather than simply director of insurance, people listen better. But, there hasn't been enough time to say, 'All our communications problems have been solved because I'm the vice president.' I think it will help but it hasn't been the cure-all."



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## Pre-retirement office sought in Connecticut

HARTFORD—A proposal to establish a pre-retirement office in the state department of the aging, with a \$50,000 budget, has been submitted to the current Connecticut legislative session.

Charles Rietdyke, a former Scovill Mfg. Co. officer, who directed one of the nation's first industrial pre-retirement programs told the legislative committee on corrections, welfare and humane institutions: "When you are retired, it is a tremendous shock."

He remarked that many senior citizens are "miserable" because they retired with no idea of what retirement years would be like.

Mr. Rietdyke estimated 7.5% of Connecticut workers aged 50-65 received inadequate information on retirement.

"Joe and Mary Doakes," he said, "work all their lives and they develop a rhythmic, repetitive living pattern, and, suddenly, retirement shatters that pattern into smithereens. No wonder they are lost, no wonder they cannot orient themselves."

Mr. Rietdyke said that the government is pouring money into programs to alleviate the problems of the aging, but this, in effect, is a method attacking the

cure. A pre-retirement office would help prevent problems, he said.

The Scovill program, launched in 1964 at the urging of the United Auto Workers, provides retiring workers with counseling in money management, health, use of leisure time, and the general help in adjustment to retirement years.

"What do you do," he asked, "with the extra eight hours a day, with the prestige that went with the job down the drain?"

"When ignorance is replaced with knowledge, when understanding replaces fear, then life for the elderly will hold more promise, more happiness, more security, more dignity," he said. ■

## Advocates sprinklers

WASHINGTON—At Senate hearings concerning the problem of fires in homes for the elderly, Richard E. Bland, chairman of the President's Commission on Fire Prevention recommended automatic sprinkler systems be made mandatory in homes for the aged and other institutional centers.

Late last year, Mr. Bland was prompted to request federal laws requiring sprinkler systems in all high-rise units. This action was pressed by two fire disasters—one in Georgia and one in New Orleans (*Business Insurance*, Dec. 18, 1972). In Atlanta, a nursing home burned and nine residents were killed. Mr. Bland expressed his dismay for these "useless deaths," charging that they could have been prevented if there had been a sprinkler system in the building.

Mr. Bland said that, at this point, the only problem in installation of automatic sprinkler systems seems to be the cost. It was his opinion that "some of the fire retardance requirements of building construction can be set aside if automatic suppression and control systems are required." ■

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# Liability form, new product law linked by insurer

NEW YORK—While he admitted the Consumer Product Safety Act would bring even more emphasis to product liability insurance, Francis C. Garber, product management associate director for the Travelers Insurance Cos., added, "In the long run we would look for diminished claim activity as a direct result of the application of the new law."

Mr. Garber told a Travelers-sponsored seminar on the new act here the changes in the general liability policy form which took effect this year could also "have a dramatic impact" on consumer, or industrial product manufacturers.

"We have all heard of, and some of us have seen first hand, the application of strict liability and now, with a federal agency

which has the ability to identify unsafe products publicizing their findings, this, in combination with strict liability, is an issue worthy of some concern," he said of the new law.

"ON THE bright side," he continued, "when a product is subject to a safety standard, the manufacturer must certify such a standard has been complied with. This certification of products should provide an additional dimension to defense of these cases, but it must be recognized certification does not mean immunity."

Mr. Garber told the businessmen the law also addressed itself to such things as product recall, injunction and condemnation, and establishes procedures.

"There is no coverage under

the basic policy for recall with the basic exclusion being unchanged in the new form," he noted, tying the new law and the general liability form together. "Legal expense coverage in connection with the injunctive proceedings has been debated for some time, and at present, there remains some question as to whether or not it should be considered as insurance, since the insurance carrier has no basic interest in the outcome of the case. This is because no covered bodily injury or property damage is involved. At present these expenses are not covered."

Explaining some of the form changes, Mr. Garber said the old form "provided product liability coverage for bodily injury and property damage except where

the product simply failed to perform its intended purpose because of a design error, which was not accompanied by an active malfunction. It was basically the intent to make coverage available where so-called bench error was involved regardless of the presence or absence of an active malfunction."

AS AN EXAMPLE, he used an insecticide which was supposed to protect tomato plants from insects, but the bugs had a feast anyway.

Under the old policy, he explained, if design error caused the insecticide to fail, the coverage would not apply because there was no active malfunction. If it failed because it had been improperly mixed by a factory work-

er (a bench error), the cover would be available because there would be no need to prove active malfunction.

"The final example," he said, "is the situation where the insecticide not only killed the insects as it was supposed to do, but also killed the tomato plant. We would normally consider the killing of the plant to be an active malfunction and, therefore, coverage would exist whether it was due to either bench error or design error."

Noting the old policy caused problems in determining whether design error or active malfunction were involved, Mr. Garber pointed out the new policy eliminated these two concerns.

"THE FIRST point you should be aware of is the new 'so-called' business risk exclusion is applicable to property damage coverage only," he said. "Therefore, if we are dealing with a bodily injury loss the exclusion need not be considered."

"The second point," he continued, "is where there has been physical injury to tangible property which would include the loss of use thereof, then again the business risk exclusion will not apply. The exclusion applies only to loss of use of property which has not been physically injured."

"The third point involves the exclusion itself. Coverage is excluded for a delay in, or lack of performance by the named insured on any contract or agreement, and for the failure of his product to meet a level of performance, quality, fitness or durability warranted or represented by the named insured."

"I would like to point out there is no longer any effort being made anywhere in the policy to distinguish between design and bench error as a criteria for establishing coverage."

MR. GARBER felt the inclusion of the word "physical" in the definition of property damage in the new policy was important. He said the policy does not define the term but it would be safe to assume it means an injury which is discernible to the senses. In other words, insurers would be looking for a dent, for example, or something which burned.

"Where there are products which were designed to prevent physical injury from happening, as in the insecticide, the business risk exclusion will have little or no application and coverage is significantly broader," he said.

"Again, coverage is broader in the sense the business risk exclusion no longer applies to bodily injury. Where coverage was formerly available for loss of use claims when there was no physical injury arising out of bench errors, coverage is now excluded."

"Getting back to the former intent of product liability insurance which was to exclude coverage when the loss involved mere failure to perform arising out of a design error," he said, "we find now it is possible to end up guaranteeing performance in some cases." ■

## Oregon okays rate law

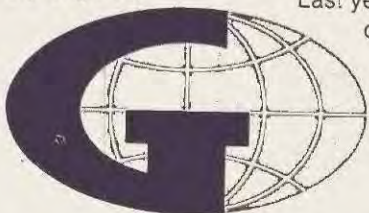
The Oregon legislature has approved and forwarded to Gov. Tom McCall a bill prohibiting insurance companies from charging different rates in different parts of a city. The bill extends a law passed in 1971 that had a March 31, 1973, expiration date. Federal legislation had been expected on the subject but was never passed.



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California auto case

# Ruling could have effect on leasing practices

SAN FRANCISCO—Universal Underwriters Insurance Co., Kansas City, will have to pay \$154,539 to Richard William Metz and his guardian, Elmo Metz, because the carrier insured a new Lincoln Continental owned by National Auto Leasing Corp., Los Angeles.

An additional \$100,000 must be paid Mr. Metz by Allstate Insurance Co. and Reserve Insurance Co. because they insured Gomer Hamlin who leased the Lincoln Continental, which severely injured young Metz in a June, 1966, collision with a motorcycle.

The order compelling the Los Angeles car leasing firm's insurance carrier to pay the \$154,539, plus seven percent interest from Dec. 30, 1968, resulted from a complex case decided by the California supreme court.

The supreme court ruling, written by Justice Marshall F. McComb was unanimous and may have a wide ranging effect on vehicle leasing practices.

ON MAY 21, 1965, at Los Angeles, Mr. Hamlin leased a Lincoln Continental from National Auto Leasing Corp., for 36 months, at \$140.40 per month, according to court documents.

Under the lease agreement (considered typical in the vehicle leasing business), Mr. Hamlin purchased \$100,000/\$300,000 liability insurance to protect both himself and National.

The coverage involved \$10,000/\$20,000 under an Allstate policy and \$90,000/\$280,000 under a policy issued by Reserve, which stated that its insurance was excess insurance.

National, together with Onger Bros. Ltd. and Danny McGroo Inc., was also a named insured under the \$250,000/\$500,000 policy issued by Universal.

ON JUNE 23, 1966, while driving the Lincoln Continental, Hamlin collided with a motorcycle operated by Richard Metz, who was severely injured. A Los Angeles jury held Mr. Hamlin responsible and awarded young Metz and his father \$254,593.74.

Both Allstate and Reserve have paid, in partial satisfaction of the judgment, the limits of their policies, with Allstate paying Metz \$10,000 and Reserve \$90,000.

In a declaratory relief action filed by Reserve, Mr. Metz filed a cross-complaint seeking the balance of the judgment after crediting the amounts paid by Allstate and Reserve.

In a request for summary judgment against Universal, the trial court entered judgment in favor of Mr. Metz for \$162,749.38, including interest.

JUSTICE McCOMB noted in his supreme court ruling that "the summary judgment should have been for no more than \$154,593.74 bearing interest at 7% from Dec. 30, 1968.

"Inclusion in the amount of the judgment of interest which had accrued at the time judgment was entered," Justice McComb noted, "would make the judgment debtor liable thereafter for interest on interest, if the judgment was not immediately paid."

Justice McComb also said "Universal's policy agreed to pay, within the coverage limits, all sums which the insured shall become legally obligated to pay as damage for bodily injury caused by accident and arising out of the

ownership, maintenance or use of any automobile.

"Thus," the ruling declared, "coverage is provided for permissive users, as required by law."

HOWEVER, in the main body of the Universal policy, was the phrase, "It is agreed that there is no automobile liability or medical payment coverage applicable to any vehicle while rented to others by the named insured (National Auto Leasing), or any vehicle used for ambulance, newspaper collection or delivery, transport of explosives, liquefied gas, gas, gasoline or oil, long haul truck, haulaway, exhibition, racing, emergency vehicles or public passenger carrying."

A "garage" endorsement attached to the Universal policy states that the insurance afforded applies to certain hazards, including the "automobile hazard" which is defined to exclude any automobile while rented to others by National.

"It appears," Justice McComb said, "that by the language of both the basic policy and the garage endorsement, the parties have agreed that there is no coverage for vehicles owned by a named insured while such vehicles are rented to others under lease agreements such as that entered into by National with Hamlin.

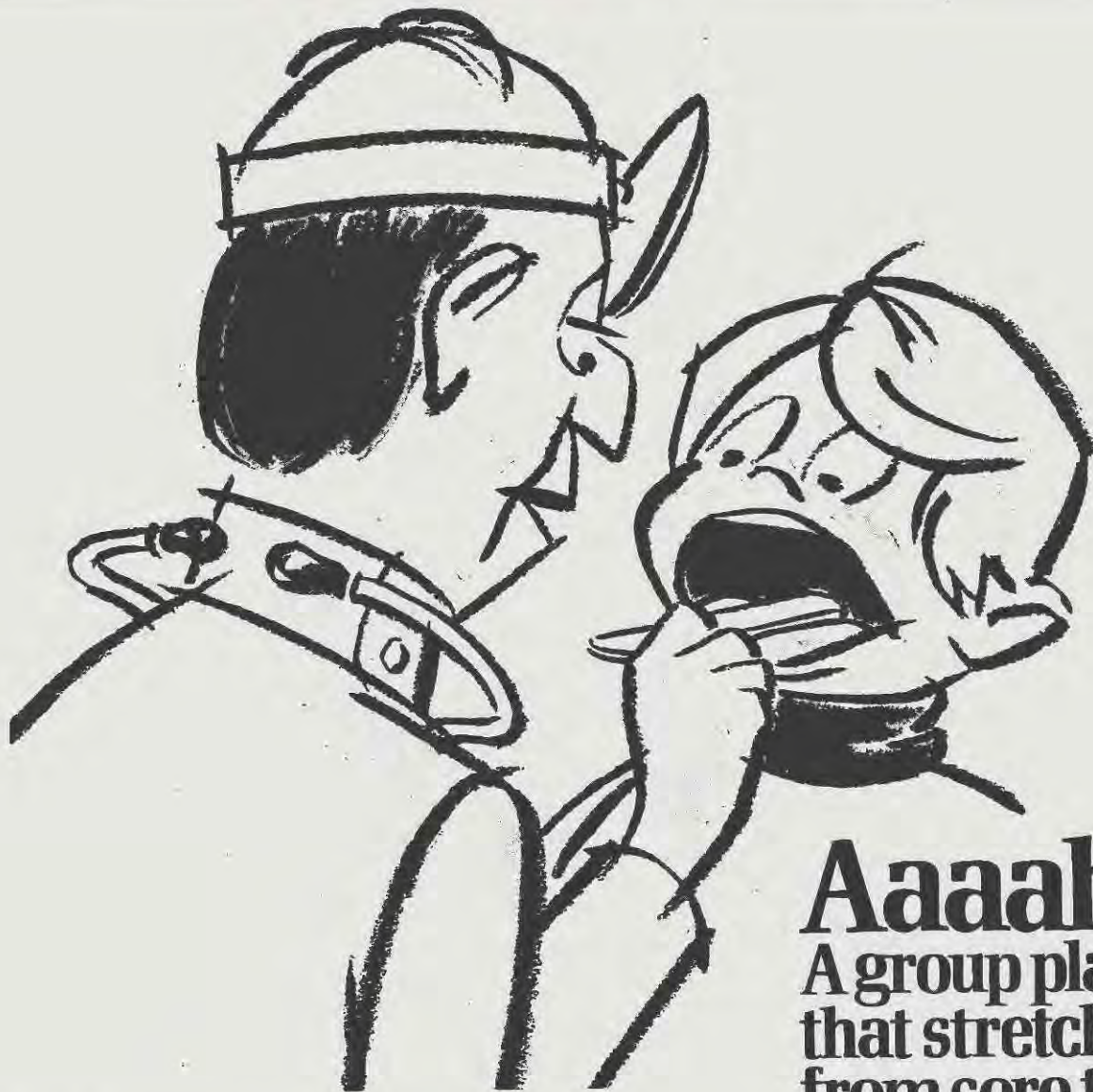
"The garage endorsement makes coverage available to a

permissive user but further provides that no insurance shall not be applicable if there is any other valid and collectible insurance applicable to the same loss covering such person as a named insured under a policy with limits of liability at least equal to the requirements of the financial responsibility law.

"THIS PROVISIO continues to state that in the event there is such other valid and collectible insurance, the two or more policies shall not be construed as providing cumulative or concurrent coverage and only that policy which covers the liability of such persons as a named insured shall apply."

Another endorsement in the Universal policy provides, in part, that, where a person who is not insured under the policy becomes insured in accordance with the financial responsibility laws, the insurance afforded by the policy for bodily injury liability or for property damage liability shall comply with the provisions of such law to the extent of the coverage and limits of liability required by the law but in no event in excess of \$10,000/\$20,000 and that such insurance shall be in excess to any other insurance available to the insured.

Justice McComb pointed out a section of California's insurance code permitted "such an escape  
Continued on following page



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# \$1 million limit MediPlan a first for national trade association members

WASHINGTON—The National Assn. of Plumbing-Heating-Cooling Contractors (PHCC) has become the first national trade association to offer its members a \$1 million limit hospital and medical plan. This was accomplished through a renewal of its "MediPlan" (originally written by the Prudential Insurance Co. of America) with the John Hancock Mutual Life Insurance Co.

John Hancock was selected through competitive bidding, NAPHCC sources noted, after the Prudential proposed to raise its premium rates on MediPlan a full 100% when the program contract expired in November.

Details of the new MediPlan

were negotiated with the underwriter by members of the NAPHCC insurance committee and broker I.W. Katz Associates, West Hartford, Ct.

The revised MediPlan is available to all union or non-union members of NAPHCC, and their dependents. The unusual and key feature of the coverage is the availability of its \$1 million limit to small businesses, even one-man operations, noted Arthur Ellis, vp of I.W. Katz Associates.

**MEDIPLAN** is made up of four separate, flexible programs among which the trade member may choose, depending on the amount of coverage needed. At

the lowest level of the plan there is a \$50,000 per-person limit. The other three levels offer the \$1 million per-person limit.

Mr. Ellis said the reason for four stages to MediPlan was to provide flexibility in meeting the varying hospital costs in different sections of the country. In New York or Boston, where hospital costs are high, he explained, a member is able to elect the \$1 million limit and extensive coverage. Yet a member who lives in a part of the country where hospital expenses are more modest, may choose a more inexpensive level of MediPlan and still get adequate coverage.

Premiums may be paid by the

employer, by the employee or by a combination, according to which MediPlan stage the participant belongs.

At its highest and most expensive level MediPlan provides for room and board, \$100 a day; 100% of hospital and miscellaneous expenses; a \$900 surgical schedule, plus all excess covered by major medical.

**ON MAJOR** medical, the plan pays for 80% of expenses for the first \$5,000 incurred. After \$5,000 has been spent, the plan pays for 100% of remaining expenses.

There is \$100 deductible per person per calendar year, but no deductible for in-hospital coverage or surgical costs. Any services not covered by the basic plan are subject to whichever is lower—a \$100 deductible per person, or a \$200 deductible per family. Mr. Ellis pointed to this feature as another cost-cutting option not available on many

trade association medical plans.

Any benefits not covered by basic accident—lab and x-ray or in-hospital doctor's visits, for example—are eligible for coverage under the medical provisions of MediPlan.

In addition, each insured is covered by \$5,000 life insurance and may elect additional life insurance for a weekly income of up to \$100.

I. W. Katz, president of the brokerage and a member of NAPHCC's insurance committee, has reported that more than 4,000 families are covered by MediPlan benefits. Over \$1 million in claims have already been paid since the program was initiated in 1970 with the Prudential, its former underwriter. ■

## Ruling . . .

*Continued from preceding page*

clause where two or more policies are applicable to the same loss and one of such policies affords coverage to a named insured engaged in selling, repairing, servicing, delivering, testing, road testing, parking or storing automobiles.

During the Los Angeles trial, Universal attorneys contended the company's policy was not intended to cover leased cars and that National maintained no stock of cars but purchased them after securing orders.

**UNIVERSAL ALSO** contended the premium was calculated on the basis of the exclusion of leased cars and that the premium would have been \$240 per car more if it had been intended to extend coverage to leased cars.

The five-member supreme court unanimously rejected the exclusion of vehicles "while rented to others" as a valid exclusion under California law.

"The result of such exclusion," Justice McComb ruled, "would be to exclude a class of drivers using an insured vehicle with the consent of the insured."

Universal pointed out that "an insurer is not required to insure all cars owned by a particular insured" and urged that it has excluded coverage for leased cars while providing coverage for non-leased cars.

Justice McComb, however, stated that "by the terms of the policy, the vehicle itself is not excluded from coverage, except while rented to others. It is clear that it was insured for any period when the lease was not in effect.

"Under the policy there is an exclusion of certain vehicles used for specified purposes but vehicles rented to others were purportedly excluded only while so rented.

"Assuming that National was the owner of the Lincoln Continental," Justice McComb declared, "Hamlin, who leased it, unless excluded by other provisions of Universal's policy, would have coverage thereunder, since there was no valid exclusion of the Lincoln from coverage."

The supreme court also rejected Universal's contention the two endorsements limited its coverage of Mr. Hamlin as permitted.

"**THIS CONTENTION,**" Justice McComb wrote, "is not relevant to Universal's liability in the present appeal. The trial court rendered judgment in favor of Richard and Elmo Metz and against National and Hamlin. The judgment is now final.

"Whatever Universal's liability or lack of liability, as an insurer of Hamlin (who was insured by Allstate and Reserve) Universal is obligated as National's insurer to pay the balance of the judgment against National." ■

### Statement of assets and liabilities

December 31, 1972 and 1971

ASSETS	1972	1971
Cash in banks and on hand	\$ 3,963,912	\$ 5,125,508
Bonds:		
United States Government	11,944,111	15,462,960
Foreign Governments	762,432	250,919
State, County and Municipal	146,820,584	130,439,868
Industrial and Miscellaneous	5,542,361	6,145,990
Stocks	110,094,927	82,610,698
Total cash and investments	279,128,327	240,035,943
Premiums in course of collection . . . admitted	7,220,330	5,501,820
Funds held by ceding insureds	36,180,126	22,347,570
Deposits under reinsurance treaties	5,956,734	5,112,353
Interest accrued and other admitted assets	5,365,602	3,102,224
Federal income tax refund	1,032,322	0
Total admitted assets	\$334,883,441	\$276,099,910
<b>LIABILITIES, CAPITAL AND SURPLUS</b>		
Reserve for claims and claim expense	\$143,644,815	\$119,508,084
Reserve for unearned premiums	95,466,101	77,056,367
Funds held under reinsurance treaties	15,190,524	12,238,713
Reserve for commissions, taxes and other liabilities	4,626,804	4,198,794
Ceded reinsurance balances payable	2,381,957	1,622,221
Total liabilities	261,310,201	214,624,179
Voluntary special reserves	1,127,911	2,639,535
Capital stock	4,980,000	4,980,000
Gross paid in and contributed surplus	5,830,339	5,830,339
Unassigned surplus	61,634,990	48,025,857
Surplus to policyholders	73,573,240	61,475,731
Total	\$334,883,441	\$276,099,910

Securities deposited as required by law are included above as follows: December 31, 1972, \$9,420,835; December 31, 1971, \$7,853,767. Bonds are valued on an amortized basis and stocks at prices prescribed by the National Association of Insurance Commissioners.



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# INA has largest share of new Portland bridge

PORTLAND, OR.—A total of 36 different San Francisco insurance underwriters were canvassed before insurance was obtained for the new Fremont Bridge now under construction at Swan Island here.

Insurance Co. of North America, one of 24 carriers who indicated interest, now provides 50% of the insurance on the bridge ironwork. INA writes about 25% of all bridge construction in the country.

"Getting some \$22 million insurance coverage for the Fremont Bridge steel work," explained Hans M. Davalos, "was no small task."

Mr. Davalos is deputy underwriter in Portland for the INA firm.

"ALL 24 of the underwriters who were interested," he said, "made special trips to Portland to visit the fabrication site on Swan Island and to inspect the ironwork at the west end of the bridge."

During the meeting at Portland, Mr. Davalos added, executives of San Francisco-based Murphy Pacific Enterprises, prime contractor on the bridge, explained all of the technical aspects of the project.

As a result of the inspection trip and technical sessions, 13 underwriters agreed to provide \$22 million of insurance coverage for the center span and ironwork at each end of the bridge's footing structures.

Of the 13, INA took the largest share, \$10.5 million in coverage. The broker is Coroon & Black-Miller & Ames.

"OUR ENGINEERS got together with engineers from Murphy-Pacific," Mr. Davalos said, "and after they had gone over the whole project, I decided we would cover it."

The 13 policies cover all risks as well as direct physical loss to the bridge with very few exceptions, such as a direct hit between a ship and the center span, or earthquake damage, common cover in Oregon.

The state of Oregon did not require earthquake insurance coverage for the bridge, being built for the Oregon Highway Division.

The 900-ft. center span hoist turned out to be unique in bridge construction. Previously, the heaviest lift of this type had been about 1,100 tons. The lift for the Fremont Bridge was 6,000 tons, put in place 180 feet above the Willamette River.

The new bridge may also be-

come the last steel bridge to be built by San Francisco's Murphy-Pacific.

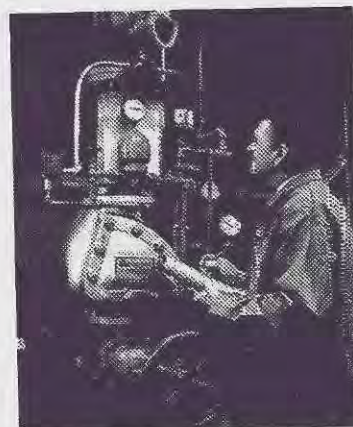
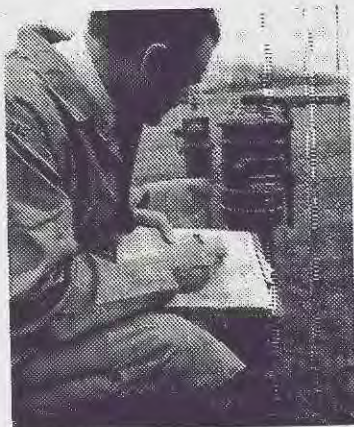
"THE GROWING popularity of concrete bridges," explained Al Tokola, project manager for the San Francisco firm, "might very well kill off Murphy-Pacific, which as specialized in steel construction."

"Building concrete bridges," Mr. Tokola continued, "involves dealing with different equipment, different materials and different kinds of workers. On steel bridges, ironworkers are used. On concrete bridges, it's a job for carpenters and concrete experts."



Hydraulic jacks begin lifting the 900-foot center section of the Fremont Bridge from barges on the Willamette River in Portland, Or. Watching are Phillip C. Monahan, INA, and Hans Davalos, of the agency.

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



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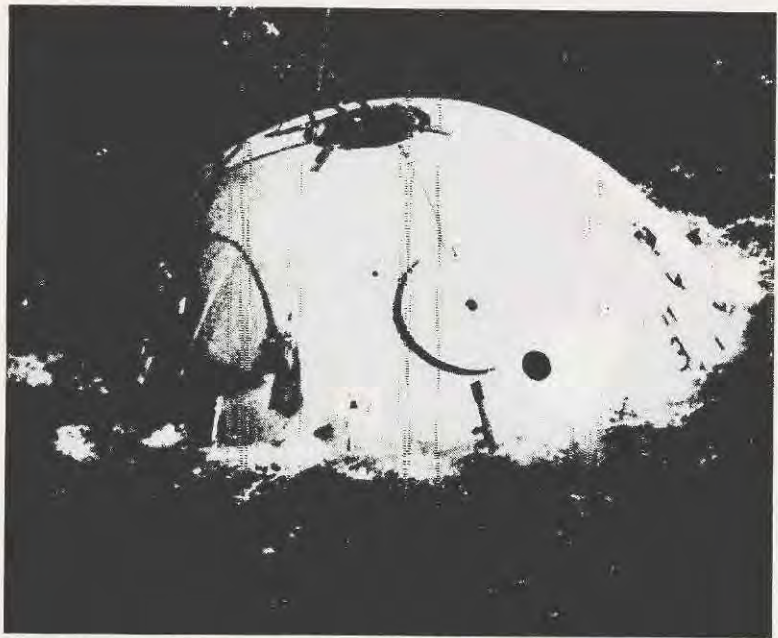
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A Seadome is lowered into the ocean for the first step in installation. Professional divers will anchor it permanently to the ocean floor.

## Fireman's fund writes coverage on unusual underwater 'hardhats'

SAN FRANCISCO—What looks like a giant hardhat, is made by Houston's Oceaneering International Inc., is rarely seen, is made to be sunk in the ocean and protects something as sensitive as the human head?

The firm calls them "Seadomes," and they are fiberglass guardians of undersea oil well pumps, valves and other equipment and they protect the gear from anchor cables, trawler nets and other towed devices which often snag equipment.

To find "insurance protection" almost as unique as that given the underwater equipment, Oceaneering International, turned to Peirano Brothers Insurance Agency, Stockton, Ca., which, in turn,

went to Fireman's Fund American Insurance Cos. to match the unusual Seadome risk with unusual underwriting.

Phil Noble, now at Fireman's home office here, put together the coverage while he was at the company's Sacramento branch.

"THE BASIC Seadome," Mr. Noble explained, "looks much like a turtle shell or the top of the hardhat worn by construction workers, except for that hatch in the top, permitting divers access to the equipment inside. Those outside can see what's going on inside the Seadome. If murky water obscures the view, the Seadome can be flushed and filled with clear water.

"On the surface, the Seadome is an ungainly pile of fiberglass and metal. Installed, it becomes an almost natural feature of the seascape, planted three feet into the ocean floor and anchored by 16 turnscrews boring through the mud and slime to solid floor," he continued.

"Sacks of concrete line the sides of the Seadome so its walls slope gently to the ocean floor, eliminating protuberances that could snag anchor lines or fishing nets."

Five Seadomes have been installed at locations off the coast of Louisiana. Three were positioned over manually operated valves at depths no greater than 50 feet, while two were lowered over radio controlled units in water up to 135 feet in depth.

ABLE TO withstand a 40 foot wave in 50 feet of water, the Seadomes are sectioned like grapefruit, manufactured in one place and assembled in another location.

For Fireman's Fund, the risk begins when the manufactured Seadome, not yet assembled, is loaded onto a common carrier and is taken overland to dockside. Coverage doesn't end until one year after the Seadome has been installed.

Because of the unique nature of the risk, a manuscript policy was prepared, providing protection against all risks from the time the Seadome leaves the factory onward, including "all risk" land transportation, extended to cover the Seadomes while on derrick barges, from fire, lightning, explosion, theft and "perils of the sea."

The policy covers labor costs, material, equipment, machinery and appurtenances of which Oceaneering has an interest.

The Seadomes actually have variable values, depending on their location. When Fireman's Fund first becomes liable, at the factory, a dome is worth about \$16,500. During its average of 50 days on the barge, the value literally skyrockets, to an ultimate insured value of \$51,000 when it is in place on the ocean floor.

"This escalation of value," Mr. Noble explained, "is attributed to costs of assembly and mobilization. At the factory it is loaded onto common carrier in pieces. Because of its resilient material, the risk is not as great at this point as risks encountered later."

Once the pieces are loaded onto the derrick barge, the costs being to soar.

Workmen begin assembling the Seadomes as the barge casts off, so that it will be ready for installation when the barge arrives on target.

Once at the installation site, professional diver-engineers install the dome. The average time at sea is about 50 days per installation.

"The biggest single threat," Mr. Noble pointed out, "seems to rest with Mother Nature. So, our loss control experts keep their fingers on the pulse of long-range weather conditions."

To date, not one claim has been filed on the policy. ■

### Rental guarantee ok

The Washington legislature has approved and Gov. Dan Evans has signed into law Senate Bill 2179 which allows use of rental guarantee insurance in place of surety bonds in lease of port district property.

### "The information explosion starts here."

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# Product safety act highlighted by Travelers exec

NEW YORK—An insurance company engineer told an audience of businessmen here that one of the main reasons the Consumer Product Safety Act was made into law was a general feeling in Congress that American society had become so complex that the individual could not adequately protect himself.

David E. Nash, secretary, engineering division of The Travelers Insurance Cos., told the gathering that Congress listed six reasons why the act was passed:

- An unacceptable number of consumer products which present unreasonable risks of injury;
- Product complexities result in the inability of the users to anticipate and safeguard themselves adequately;
- The public should be protected against unreasonable risks of injury from consumer products;
- State and local controls are inadequate;
- Interstate and foreign controls are needed.

From that point, Mr. Nash, speaking at a seminar sponsored by his company, highlighted some of the act's provisions, which are contained in 34 sections.

**TURNING TO** the section on definitions, Mr. Nash felt that the most important definition was the one defining consumer product, which is described as an article or component part thereof produced or distributed:

- For sale to consumers for use in or around a permanent or temporary household or residence, a school, in recreation or otherwise;
- For the personal use, consumption or enjoyment of a consumer in or around a permanent or temporary household or residence, a school, in recreation or otherwise.

"One of the interesting parts of this definition," Mr. Nash noted, "is the inclusion of 'component parts thereof.' 'Otherwise' is not specific in its intent. Congressional hearings made the point that they are applying the law to products that are available for sale, but such products do not actually have to be sold to a consumer."

He pointed out that products excluded from the act's coverage, such as aircraft, tobacco and food, were regulated by other federal acts. Industrial products, he said, would not be covered unless they received widespread consumer use.

**THE PUBLIC** disclosure of information section of the act, according to Mr. Nash, "states that the public rights against disclosure of information which are protected by law shall not be violated. However, trade secrets which are protected by law may be disclosed when necessary to other offices and employees of the commission."

He said that Congress had been strongly desirous of industry's aid in the standards-making process and that the act gives manufacturers, or anyone else for that matter, the chance to submit standards.

"Standards are frequently looked at as being a problem," he commented. "I would like to point out one advantage of standards—they will apply equally to all manufacturers, foreign and domestic, which will minimize competitive differences between producers of similar products."

Standards will become effective somewhere between 30 and 180 days after they are promul-

gated by the commission and will apply only to products manufactured after the effective date. Stockpiling of products before the effective date of a standard to circumvent the rule will be prohibited.

**LOOKING AT** the "Imminent Hazards" section, Mr. Nash said, "This means a consumer product which presents imminent and unreasonable risk of death, serious illness or severe personal injury. The commission may file an action in court for seizure of an imminently hazardous consumer product, or it may file an action against any manufacturer, distributor or retailer of such product, or both.

"The court shall have jurisdiction to declare the product imminently dangerous," he continued,

"grant temporary or permanent relief to protect the public; mandate notification to purchasers; require public notice; require recall, repair, replacement or refund. The product is subject to seizure and condemnation by any U.S. district court."

Mr. Nash pointed out that the commission required notice of a new product before it was generally distributed, but did not require prior approval of a new product.

Another section of the act requires that every manufacturer, distributor and private labeler of a consumer product shall certify compliance to the act and standards and the certificate must be based on testing.

**THE ACT** provides for inspection of plants or other premises

where products are being made, held or transported to ensure the safety of the products.

Imported products must comply with the act's provisions or they may be denied admission to this country. However, products to be exported from this country are not subject to the act. "Congress did not feel they could impose our standards on other countries and any attempt to do so could impose an economic hardship on United States manufacturers," Mr. Nash commented.

While discussing the new law's teeth, Mr. Nash pointed out that violators would be subject to a civil penalty not to exceed \$2,000 for each violation up to a maximum of \$500,000 for any related series of violations. Criminal penalties, consisting of up to \$50,000 in fines or one year's im-

prisonment, can be levied against any person who willfully violates the prohibitions in the act after receiving notice of noncompliance.

"Any person who sustains injury from a product known to be in violation of a safety rule may recover all appropriate damages including the cost of the suit and reasonable attorney fees from any person who knowingly violated such rule," he said, adding that this was in addition to remedies already available under other federal or state laws.

**"COMPLIANCE** with consumer product safety rules or other rules or orders under the act shall not relieve any person from liability at common law or under statutory law to any other person.

*Continued on following page*

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# Broker predicts growing trend to more self-insured workmen's comp

NEW YORK—"If you're trying to provide workmen's compensation coverage for a manufacturing plant you've got to be ready to make payments for losses and claims that come up. Insurance for workmen's comp is just a matter of what to do with the money in the meantime."

This, in a nutshell, is the guiding philosophy that Beach M. Clark, vp of Bayly, Martin & Fay, follows in overseeing the self-insured workmen's compensation programs at Bigelow-Sanford Inc.'s seven carpet plants and related operations in Georgia and South Carolina.

What Mr. Clark prefers to do with the money in the meantime is not to make premium pay-

ments to an insurer, but to channel these funds into the cash-flow of Sperry and Hutchinson Co., Bigelow's and Bayly, Martin & Fay's parent organization.

Translated into yearly savings on insurance premiums, the self-insured workmen's compensation program slices off 15% of costs, or about \$20,000, Mr. Clark estimated. This amount is then used for investment by S&H.

**RATHER THAN** setting aside an actual self-insurance fund to pay workmen's compensation claims, a "paper reserve" is maintained on Bigelow-Sanford's books, and any payments that need to be made from current revenues, in the same way

payroll is provided.

Loss prevention and claims handling have grown more sophisticated since the plants switched to the self-insured workmen's compensation programs administered by Bayly, Martin & Fay. Safety inspections, which were a three-times-a-year affair before, are now conducted monthly. Mr. Clark pointed out that they are done by a trained staff of safety engineers.

To make the processing of claims quicker and legally accurate, Mr. Clark retains attorneys in several locations near the plants. They immediately give a legal review to all compensation claims made against Bigelow-Sanford.

Mr. Clark feels there is a growing trend toward more self-insured programs like the one he manages for Bigelow-Sanford, because businesses are growing increasingly aware of the value of being able to manage their own money.

"**PERSPECTIVE** is important when you're talking about the costs of self-insuring," the brokerage vp stressed. He noted that in terms of overall budget, a carpet manufacturing plant was apt to spend more money on lubricating a loom than on making out workmen's compensation payments under a self-insured program. This, he said, was because "by a conservative estimate, 90% of all the workmen's compensation claims can be taken care of with medical bills that are under \$50."

Enthusiastic about self-insurance, Mr. Clark feels more and more businesses will switch to

self-insured compensation plans, even extending their self-assumed risks to some employee benefits.

He indicated that the recent outlawing of Monsanto's self-insured plans in Missouri (*Business Insurance*, March 12) would probably do little to deter other businesses from initiating self-insured plans of their own, because, he said, there are a number of ways, all legal, in which a company could circumvent the kind of technicalities that hung Monsanto.

Mr. Clark cited constant surveillance of self-insured programs as a key factor in their success. Since he has supervised the programs for Bigelow-Sanford that began early this year, they have indeed worked well. And in May, to keep the operation running smoothly, Mr. Clark will participate in a review meeting with the law firms he uses, and with key Bigelow personnel to go over the operation. ■

## If you're thinking about a self-insurance program,

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## Safety . . .

*Continued from preceding page*

son," he continued. "I think it is evident that minimum compliance with the consumer product safety act will not be adequate to protect the manufacturer, wholesaler or retailer from product losses."

The law encourages cooperation between federal and state governments in areas such as data collection but there is no provision for the states to take over the administration of the law. On a similar note, the federal standards are paramount and no state or municipal governments will be allowed to establish standards of their own unless they are identical to the federal rules.

He also pointed out that the act's jurisdiction was limited, in that it had no authority to regulate risks which were already under the jurisdiction of the Occupational Safety and Health Act of 1970, the Atomic Energy Act of 1954 or the Clean Air Act. However, some functions of the Federal Hazardous Substance Act, the Poison Prevention Packaging Act and the Flammable Fabrics Act will be transferred to the new consumer product law.

Mr. Nash summed up the act's highlights by reiterating the fact that Congress wanted industry's help.

"The act provides the framework and authority to accomplish its stated purpose," he said. "The way in which the act is implemented is the all important activity that is yet to evolve. There is the opportunity for you to be a factor in the implementation and I would like to strongly suggest that you take advantage of this opportunity." ■

**ais**

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# Court overturns mine safety penalty system

WASHINGTON—The United States district court here has overturned the U.S. Bureau of Mines' method of punishing mine safety violators with expensive civil penalties. The ruling takes the weight of \$19.3 million in as yet unpaid fines off coal companies cited as violators.

Over the last two years, the bureau levied \$24 million in fines against coal operators for safety violations but, since it must go to court to collect, has managed to collect only \$4.7 million.

Judge Aubrey E. Robinson Jr. said the mine bureau's cash penalty system followed neither the requirements of the Federal Coal Mine Health and Safety Act of 1969 nor Congressional intent, as had been the contention of the National Independent Coal Operators Assn., a group small, non-union mine operators in Kentucky, Virginia and Tennessee.

THE BUREAU of Mines, according to the judge, had not

## Task force named to study comp

SACRAMENTO—A seven member task force on workmen's compensation has been appointed by Gov. Ronald Reagan.

H. Edward White, director of the California department of industrial relations, which has jurisdiction over the division of industrial accidents and the workmen's compensation appeals board, was named chairman.

The new "task force," composed of representatives of organized labor, management, state government and the public, will review the work of the National Commission on State Workmen's Compensation Laws.

The task force must submit recommendations to Gov. Reagan within 90 days.

State government will be represented on the task force by California insurance commissioner Gleeson L. Payne. Public representative will be Robert Gray, executive director, industrial relations section, California Institute of Technology, Pasadena.

ORGANIZED labor will be represented by John Henning, executive secretary and treasurer of the California Labor Federation, AFL-CIO, and Gerard O'Hara, a Teamsters union lobbyist here.

Kevin Twohy, counsel, California Self Insurers Assn. and E. L. Miller, executive director of management counseling for the Merchants and Manufacturers Assn., will represent management.

The task force consultant named by Gov. Reagan will be Clarence G. Johnson, San Francisco attorney and former senior vp, Industrial Indemnity Co. He is now executive director of the National Program to Improve State Workmen's Compensation, a consortium of insurance carriers attempting to stimulate compensation improvements in the various states.

The new task force will schedule public hearings to be held "as soon as possible" in San Francisco and in Los Angeles. ■

safety enforcement efforts by the federal government.

The procedure that Judge Robinson struck down went into operation in January, 1971, when the bureau, responding to charges that it had been lax in enforcing safety standards, changed its methods of enforcement. At that time, the penalty administration was taken over by Edward D. Failor, a lobbyist with no mining experience. Mr. Failor left the bureau to work for President Nixon's re-election last summer.

The attorney for the National Independent Coal Operators Assn. said that many of the group's smaller members had been forced to close down their mines in fear of the bureau's "illegal and unreasonable" fines.

He called the decision a great victory for the small operators but said the large mine owners were really in the position to benefit most from the withdrawal of the penalties. ■

# Youth hired illegally to receive no benefits

LITTLE ROCK—Workmen's compensation benefits cannot be paid to the parents of a 16-year-old boy who was hired illegally and killed on the job because the boy didn't support the family or the parents, the Arkansas supreme court has ruled.

HOWEVER, the court cautioned that it was unable to determine all of the facts in the case because the plaintiffs, Mr. and Mrs. L. C. Rowe, had not presented the necessary affidavits from a lower court decision in a tort action that favored the insurance company and its policy holder, Druyvesteyn Construction Co.

The Rowes had filed suit with the Arkansas Workmen's Compensation Commission, charging Druyvesteyn with negligence in the death of their son in a ditch cave-in in July, 1969.

The commission had directed Druyvesteyn and its insurance carrier to pay funeral expenses, but it rejected the claim for death benefits because the parents were not supported by the boy's income. The parents contended that they were entitled to double-death benefits provided by law because, as a minor, the boy was illegally employed.

The supreme court said the state's work comp law provided no exceptions for instances where a person was hired illegally. ■

## GAB wants your property damage problems.



This store belongs to a self-insured paint company with 1,500 similar locations. The ashes were barely cool when the GAB adjuster went into action, making initial loss and repair estimates. Through the risk manager, GAB arranged for crews to clean up, salvage, make repairs and put the store back in business. In fact, GAB cut the usual downtime in half—got the store in operation again twice as fast as the company after a previous fire in another location.

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## GAB The Action Adjusters

# Bitten by Liza Minnelli's dog, wardrobe mistress gets \$7,500

MIAMI—What's a bite from Liza Minnelli's dog worth to a nightclub wardrobe mistress who claimed it impaired her ability?

A circuit court jury here, handing down an award after a trial, has decided it is worth \$7,500.

The bitten woman, 50-year-old Rita Stander, had asked for \$27,760. Miss Minelli's insurance firm had offered \$3,500 to settle the case out of court but Mrs. Stander had refused.

Mrs. Stander said she was bitten on the wrist just before the Deauville Hotel's midnight show on March 26, 1964.

**SHE TESTIFIED** that she was seated in front of the singer,

picking lint from Liza's velvet costume, when the mangy Puerto Rican mongrel named Ocho bit her.

"I was getting up and I put my hand on his head and said, 'Nice boy,' and in that split second there it was"—five teeth marks in her palm and wrist. "I was shocked and fell back in the seat."

Mrs. Stander said the manager glared at her "as if I were going to cost them a whole house of people."

Miss Minnelli took the stand to testify that she had warned the victim not to touch the dog. Jerry Fisher, the star's drummer, and Jack French, her musical conductor, also testified that she had

warned everybody in the dressing room that the 30-pound dog was afraid of strangers.

**MRS. STANDER** denied that she had been warned and said that it took her by surprise when the dog grabbed her in a "death grip" as she worked on the star's gown.

Three physicians who testified, said the bite resulted in swelling, infection and a permanent disability creating a need for extensive treatment and possible future surgery.

An orthopedic surgeon estimated "a minimal disability of 5% to 10%." He indicated that such an injury would be, obviously, more serious for a vio-

linist than a garbage collector.

He was asked what the effect would be for a wardrobe mistress.

"I HAVE never dressed a girl," he replied.

Mrs. Stander, who said she supports two children, told the jury that the injury impairs her ability so that she can no longer make a seven-second costume change.

"It is very difficult to lift a pot or hook a bra," she said.

At one point, attorneys for Miss Minnelli tried to introduce a photo of the star, looking cuddly and beautiful, as she snuggled the dog up to her.

"What is this? A production of 'Love Story?'" demanded Mrs. Stander's attorney.

Ocho's photo was introduced into evidence, with Miss Minnelli scissored out.

The three-man, three-woman jury deliberated an hour before deciding on the award.

## Arizona legislature gets question

PHOENIX—The Arizona state personnel commission chairman Oscar Gonzales of Tucson said last month it was up to the legislature to determine if some state employes would continue to be given health insurance outside the main state insurance group.

He commented after the commission received a recommendation from its insurance advisory committee against fragmenting state employes into multiple insurance groups.

The commission has given temporary approval to several separate groups, at the University of Arizona, Dept. of Public Safety, Northern Arizona University and State Compensation Fund, on grounds that they might suffer financially from immediate transfer into the main state group, said Harold Bennett, commission director.

But he added that the commission had directed that the separate groups be phased into the main group over the next 14 months. Whether this decision should stand or be reversed is up to the legislature, said the chairman.

Mr. Gonzales said also that the commission's insurance advisory committee would be asked to give further study to the possibility of getting state employes a better group insurance rate by delaying their re-enrollment in the group until after Oct. 1, when the group will complete a full year's operating experience.

The committee also endorsed the commission's request for a \$60,000 legislative appropriation to pay for insurance plan administration.

Mr. Bennett noted that if the commission does not receive funds for insurance administration, the money will have to be made up by personnel lay-offs and other cuts in commission functions outside the insurance field, according to the Arizona Republic.

## Consumer bill support

CARSON CITY, NV.—A bill setting up an unfair trade practices act for the insurance industry in Nevada has been introduced by the state senate commerce and labor committee.

Dick Rottman, insurance commissioner, said the bill "would make the law more consumer-oriented."

Persons or companies found guilty of unfair competition or deception could be fined up to \$50,000. According to Mr. Rottman, one part of the bill provides that a policy owner would receive his money back if his life insurance company became insolvent.

The bill gives the state insurance commissioner more discretionary powers in regulating insurance companies and increases the financial reserves a company must hold to be able to do business in Nevada.

The measure also states, "No mortgage company or mortgage holding company or its parent, subsidiaries or affiliates may directly or indirectly be licensed to sell insurance in this state, except as to credit life and health insurance, or be licensed or admitted as an insurer."

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# HMO's called private medicine's savior, but strings are attached

PHILADELPHIA—"A health maintenance organization furnishes the clearest cut hope on the scene today for discipline on the buyer's side of the medical market and thus for the preservation of private medicine—if the HMO, in exchange for pre-payments, promises its subscribers to provide medical services in, as well as out, of the hospital."

Using that statement as his premise, Curtis R. Henderson, vp of Johnson & Higgins of Pennsylvania, discussed the HMO and some of its problems with members of the Delaware Valley chapter of the American Society of Insurance Management here.

Continuing, Mr. Henderson said, "Thus the decision whether a specific procedure be performed in or out of the hospital will be made by a physician who is not only professionally, but financially, responsible. When he does decide a procedure should be done in a hospital, he will be operating

under a financial or business discipline to limit the length of hospital stay and to select carefully the procedures he orders within the hospital."

HAVING THUS set the scene for in-hospital treatment, Mr. Henderson warned in-hospital services could prove risky for the HMO. Small organizations' actual experience probably would not be very close to what was expected and large HMO's could still be hit by catastrophes, such as riots or epidemics.

To manage the risks, he suggested the HMO grade the monthly payment schedule for age and sex of the subscriber and

dependents to protect against the possibility of basing rates on average distribution and then having mostly old people and young married women on the subscriber list.

A second point in HMO risk management suggested by Mr. Henderson was to "charge a rate high enough to give the HMO a cushion." This, he said, would necessarily involve experience rating.

Lastly, he advised the HMO plans be laid carefully to reduce the cost of reinsurance. This goal could be facilitated by "designing the plan to reduce the HMO's risk as much as possible, to minimize the insurance company's

administrative involvement and to give the insurance company clear, complete information about the risk it is assuming."

TURNING HIS attention to "relative value schedules," which describe the charge for medical reserves in terms of dollar-valued units, Mr. Henderson noted that these schedules had a number of important uses, including:

- "If the experience rating formula is stated in terms of relative value schedules and specified unit values, the experience rating formula can be operated without reviewing the HMO's cost or profit picture;

- The schedules will make it possible to separate price risk from frequency and duration risk;

- When a subscriber is treated away from home, the relative value schedule prescribes what the HMO pays the physicians and hospitals.

Mr. Henderson told the risk

managers that "providers and purchasers of medical care in any community will be better served if there is a simple, uniform, generally recognized description of benefits," and that comparisons would be greatly facilitated if all HMO's in any community used uniform patterns.

"I think everyone agrees that life would be easier for all parties in the community," he said, looking at another aspect of medical care, "if all the hospitals in that community provided uniform service and charged a uniform rate. But in real life neither is likely to happen.

"The obstacles to reaching a uniform rate are so substantial, I suggest employers and employees alike simply recognize that employees are used to paying differing prices for housing, clothing, food and everything else they buy. Thus they can very well pay differing prices for medical services."

## Disability pay hike for Canada vets

OTTAWA—Indications are that Canada's veterans are in for a substantial boost in disability pension benefits.

A proposal has been made in the Commons calling for a hike of about 20% in veterans' pensions and tying the benefits to advances in the standard of living.

The proposal has received the approval of the Commons veterans affairs committee. With widespread support for the plan in the legislature, there is hope that approval will come soon and that initial payments at the higher level might be made as early as April 1.

The proposal was contained in a report prepared by representatives of veterans' organizations, the Canadian Pension Commission and the Veterans Affairs Department.

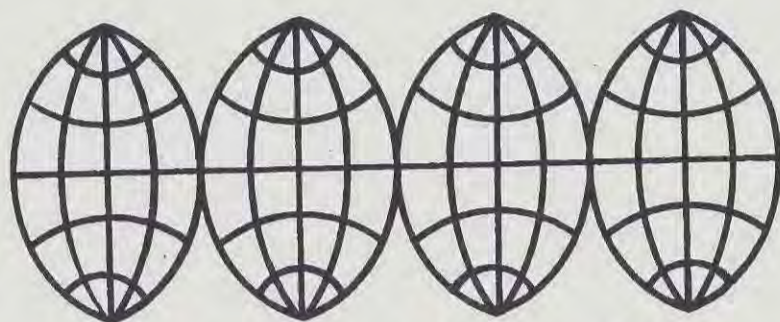
THE PLAN calls for Canada's 128,000 recipients of veterans' disability pensions to receive payments equal to the after-tax pay of a composite of five categories of unskilled public servants. Because pensions would continue to be based on this composite, they would increase as the pay of public servants increased. The new program would supplant one under which the pension went up as the cost of living index rose.

Strong endorsement of the plan came from Stanley Knowles, (NDP, Winnipeg North Centre), who has been working for such a plan for years. The legislator said he will continue to push to have "standard-of-living increases" applied to other pensions in place of cost-of-living increases.

It was Mr. Knowles' opinion that the standard of living index advances about twice as fast as the cost of living index. Under the present setup, the single pensioner with 100% disability now receives \$3,793 a year. This veteran, under the new plan, would get more than \$4,500 annually.

Veterans' pensions in Canada are paid on behalf of persons who sustained disability as a result of service in the armed forces. They are not war veterans' allowances, which also are due to be increased.

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# Arizona county told to get bids after hint of conflict of interest

TUCSON—The insurance advisory committee of Pima County (Az.) may be in a conflict of interest and should be replaced by a plan to buy insurance through competitive bidding, according to an opinion by Rose Silver, legal counsel of the county board of supervisors.

In a six-page opinion released March 13, Mrs. Silver said, "There appears to be a conflict of interest" on the part of the four insurance agents who are members of the committee and who also sell fire and liability insurance to the county.

The opinion recommended seven other methods of insurance buying to the board, all with

competitive bidding, it was reported.

Competitive bidding has not been used by the committee.

**JOE CASTILLO**, chairman of the board, said the body probably will work out new insurance-buying practices in the next 30 days.

The opinion stated that "the only evidence of the insurance committee ever having been appointed at all that this office has been able to find" exists in two memos dated in 1961 and 1966.

Secretaries in the county clerk's office said the committee is believed to have been formed by the board in 1947 and 1948,

but records to that effect have not yet been located.

Since 1964, the committee has consisted of four men: Carl Miller, Winston Reynolds, Albert Gibson, and T.E. Downey, all independent insurance agents.

**ALL OF THE** county's fire and liability insurance for the past several years has been written by one of the members of the committee. And the four share equally all commissions (except those realized from fire insurance) on insurance recommended by the committee.

Each of the members also received 10% of the commissions gained by sale of fire insurance,

while the remaining 60% is distributed among numerous local agents.

Mr. Miller noted that each of the committee members received about \$5,000 annually in commissions on county insurance. The largest commission for this fiscal year is \$19,045 paid for the county's employes compensation insurance, followed by a \$5,200 commission for the county's general liability policy.

While the rate of commission on these two largest policies is 1% or 3%, commissions for the majority of the county's policies run between 16% and 25%, according to insurance records for three years.

**THE COMMITTEE** has operated under an administrative plan since 1966.

Mrs. Silver recommended that the board use either Ben Gazzaway, safety director, or hire an outside consultant for a short

period of time each year on a fixed fee, to determine the county's insurance needs.

Five other suggestions were also listed, although the above were termed "the cheapest, most expert and most practicable." ■

## Carriers cool to discount for medicals

MADISON, WI.—A bill requiring insurance companies to provide a 10% discount on accident and health policy premiums to policyholders getting annual medical exams ultimately would benefit the insurance companies, legislators have been told here.

Dale McKenna, state senator, told a senate industry, labor, taxation and banking committee that insurance companies might be able to reduce premiums if the bill were adopted.

William H. Durkin, lobbyist for the Wisconsin Insurance Alliance, praised the bill for its well-intentioned concept but opposed it saying he felt it would be unworkable.

Mr. Durkin said the major drawback was that it failed to consider group accident and health policies which constitute the bulk of the coverage. There would be "administrative nightmares" also in the area of individual policies, he added. ■

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## Plant loss to cost INA \$20,000

CHICAGO—An updated version of the old burning bush story will cost Insurance Company of North America \$20,000.

Some 3,000 tropical plants were destroyed on March 2 when a fire in the Hyatt-Regency O'Hare hotel destroyed the Blue Max nightclub and caused an estimated \$1.5 million damage. Preliminary indications point to arson as the cause, as the fire apparently was ignited at five different areas at about 4:20 a.m.

The hotel's terrace area had housed almost 6,000 tropical plants purchased from a Chicago plant rental company. The \$20,000 variety included: ficus, decora, balfouriana, Schefflera, aralia, drazaba marginata, and other types. A hanging grape ivy was the most extensively damaged. INA underwrites the fire and business interruption coverage through Marsh & McLennan's San Francisco office. ■

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## OSHA review commission is a court, nothing less, its head states

ST. LOUIS—Robert D. Moran, chairman of the Occupational Safety and Health Review Commission, told a meeting of the National Home Improvement Council, "the Occupational Safety and Health Review Commission is a court, nothing more—and certainly nothing less."

The review commission was established, he stressed "to adjudicate disputed enforcement action. We are a court and function solely as a court of occupational safety and health."

He explained to the home improvement contractors once the OSHA director received a protest of a penalty from an employer, he had seven days in which to forward it to the commission.

"AT THIS point," Mr. Moran commented, "I'd like to reemphasize when the case has reached us, it has reached a court, in fact, if not in name. The commission is not a part of the Labor Department; it is a wholly separate, wholly independent agency which had nothing to do with the development of the standard under which the employer is charged, nothing to do with the inspection that uncovered the alleged violation and nothing to do with the decision to cite the employer. When the employer protests, that's the first we hear of the case."

He explained review commission judges were qualified, experienced jurists with career tenure and no duties other than deciding OSHA cases. "I might add," Mr. Moran said, "each judge is his own man. No one, including the chairman of the review commission who appoints him, can discipline or reward a judge as a result of his actions in a case."

He said most protests by employers were settled before they reached the formal hearing stage

but those which do get that far are usually heard outside of Washington, D.C. Most hearings are held in the community in which the alleged violation occurred, or very close to it, to allay travel expenses for small businessmen.

An employer can handle his own case, Mr. Moran pointed out, and added a number of employers had done so.

AFTER A judge makes his decision, it becomes final in 30 days unless one of the three commission members uses his right of discretionary review, which happens about 10% of the time. Then the decision is made by the commission member. His deci-

sion, or the judge's, can be appealed by any involved party to the U.S. Court of Appeals within 60 days.

Mr. Moran touched on the prime contractor-sub contractor relationship under OSHA, a delicate subject with his particular audience.

Pointing out the act refers only to "each employer" and each employer is responsible for his own employees, Mr. Moran commented, "Each employer, be he general contractor or sub, is responsible for the exposure of his employees to any hazards . . .

"And each employer is responsible for the hazards to which his employees may be exposed wherever his employees happen to be

working and regardless of who created the hazards or who may be formally or informally responsible for their elimination or prevention."

AS AN EXAMPLE, a situation where the general contractor had agreed to provide hard hats for the sub contractors' employees. "If he should fail to provide the hats, then it would be up to each sub to see to it his employees got hats from another source or to prohibit them from going into hard hat areas until the general contractor met his obligation and supplied the protective gear," he said.

If the sub contractor allowed his employees to work without the hard hats, he would be in violation of the act even though he is not responsible for providing the equipment.

On the other hand, Mr. Moran noted in cases where a hazard existed at a job site but the sub

contractor's employees were not exposed to the hazard, the sub contractor would not be in violation of OSHA provisions.

"The employer's obligation under this act is to provide for the job safety of his own employees," Mr. Moran emphasized. "If a contractor fails to comply with a safety standard, he is not in violation of the act unless some of his own employees are thereby exposed to a hazard."

"If Contractor A has scrupulously complied with all safety standards," he continued, "and his employees are working in an area which is hazardous because Contractor B has failed to erect perimeter protection, for example, Contractor A is in violation. Contractor B is also, if he has employees working there."

"You violate the act when you expose your employees to hazards," he said, "regardless of who created the hazardous conditions."

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## No-fault plan past hurdle in Nevada

CARSON CITY—The Nevada assembly has adopted a no-fault automobile liability insurance plan in a 34-4 vote.

It was described by chief sponsor Randy Capurro, state assemblyman, as the "most meaningful consumer legislation of the session." Opponents said it would "encourage connivery and chicanery."

Mr. Capurro, who with 26 others sponsored the measure, beat down four attempts to amend it. He said the choice was to support a compulsory liability system "which gives nothing but the right to sue with nothing received, or a system under which people can recover economic loss every time."

The bill would enact the Nevada Automobile Reparations Reform Act with typical no-fault requirements.

If medical expenses exceed \$2,500, the insured could sue to collect additional damages, but if he received a judgment for damages, he would be required to return the amount the company has paid out in medical expenses. The attorney fee would be limited to a "reasonable amount according to services actually rendered."

The measure is similar to the Florida no-fault plan.

## An interview with product safety head

## Consumer education is key to product safety

(Malcolm W. Jensen, director of the Food and Drug Administration's bureau of product safety, is a noted product safety expert and a 20-year veteran of the federal government. The following interview with him, first printed by the Better Business Bureau and reprinted here with permission, should provide further insight into the workings of the newly-established Consumer Product Safety Commission to corporate risk men, insurers and brokers.—Ed.)

**Q.** What is the new act going to mean to the average person on a real basis?

**A.** I think on a real basis it's covered by an addition to authority. What the new statute does is, first, establish an independent agency. That has significance, but not nearly as much significance as the fact that the new act authorizes the coverage by the government of consumer products, across-the-board, that

have not heretofore been covered. Specifically, all of those products other than food, drugs, cosmetics, medical devices, devices that give off radiation, motor vehicles, boats, firearms, and tobacco.

Everything else is covered by the new commission. The consumer can now be assured that the government does have authority to impose safety standards for essentially everything that is used in and about the household and places of temporary residence.

**Q.** What will be the extent of citizen participation—what can the individual do to make sure the agency is doing its job and to help it do its job?

**A.** The act prescribes participation on the part of citizens in two ways. One: the consumer has the right to petition the commission to take a particular look at a specific product. There is nothing in the act that will remove the right of a citizen to seek civil relief in the case of an injury. Two: the development of consumer product safety standards—participation of private citizens is a mandate. It must take place.

**Q.** Is the idea to set up standards according to individual petitions? In other words, if a child has been injured on his tricycle, will there already be standards set up for tricycles, or will it be a case by case situation?

**A.** The way a safety program works is that there are flows of input from several directions. These include consumer requests and complaints. Obviously they include requests from Congressmen, information from manufacturers, marketers, importers, from people who are profession-

ally involved with children and adults, such as general practitioners, pediatricians, psychologists.

In addition, we have conceived and developed what we call the National Electronic Injury Surveillance System, NEISS. The purpose of this is to give us good information on the frequency and the severity of product-related injuries. Even that is insufficient because a person can be hurt, in relation to a product, where the product will make no contribution at all. For instance, if there is glass on the sidewalk and a youngster is running along barefoot and cuts his foot, the glass bottle didn't really contribute except by its existence. So, as part of the NEISS system, we have what we call "in-depth investigation." A product that is involved in a number of injuries, or upon which there have been a number of consumer complaints is identified for our in-depth investigations.

We take every single injury in which that product is involved and have a professional investigator go to the hospital, interview the patient and get back to the point of the injury to develop a chronological sequence of what transpired. Once that is done, a preliminary determination is made as to approaches to the problem. Principally, they take two directions. One is the development of safety standards and the other is education.

Education itself takes many forms—it isn't merely the creation of a television short or textbook or pamphlet. For example, we expect to learn from our NEISS reports that among faults of the bicycle is the way that it is permitted to be ridden. And it may be that it will become advisable to develop model ordinance

—to require registration of bikes, safety examination, specific determination and enforcement of where and when they can be ridden. Once the ordinance is developed, we would see to it that

will suffocate the child.

We are great believers in consumer education, although we have not done nearly enough because of the limitations on resources available to us. We also are believers that it is essential that we rally all of the forces that have capability and interest in consumer education and the Better Business Bureaus are an outstanding example. The largest single area, it seems to us, that needs to be emphasized in the product safety realm, is consumer education.



Malcolm W. Jensen

cities and counties make it an effective law.

**Q.** How do you see the role of consumer education contributing to the success of the agency? For example, the Council of Better Business Bureaus is very interested in consumer education and we would like to do all that we can to make sure that the agency will succeed.

**A.** It occurs to me that one of the real disservices that the outspoken consumer advocates provide to people is developing the general belief that if government does its job and industry does its job, there will be no injuries. It's a matter of simple fact: there is no such thing as a safe product. The daintiest lady's handkerchief—if it gets into a child's throat,

**Q.** The testing laboratories. I understand there are going to be three?

**A.** The final decisions on staff budget requests and programs will be made by the Consumer Product Safety Commission, a five-person commission to be nominated by the President and confirmed by the Senate. What I can talk about are our beliefs and how these will be presented to that commission. We believe in a staff, not greatly larger than the one we have now, in the neighborhood of 600 people.

We now utilize the field resources of the Food and Drug Administration—people who are generalists. There is no single person in the whole country who is a qualified professional product-safety field inspector. The FDA has regional offices and district offices and resident offices. Our feeling is that for our particular types of products, this would be wasteful.

We believe that the way it should be approached is to maintain a highly skilled and highly mobile staff in each of ten "sub-capitals" of the country. By highly mobile, I mean even using private airplanes. If you spread people around, the most expensive item is not the people, but the space and facilities necessary to take the people.

FDA has 20 district laboratories around the country. We believe this is wrong for our purposes. Because of the mobility available to us and the efficiency of the transportation system, we would like to see a compliance laboratory right here in Washington covering the east; one, perhaps, in Los Angeles covering the far west and one in Kansas City or Chicago covering the mid-west. A sample could reach one of these laboratories in about three hours from anywhere in the United States. You're able to get better quality people because you need fewer of them, and we believe we'll render a better service that way than spreading our capabilities all over the country.

**Q.** What will be the procedure for the individual who believes that the agency should pursue a product?

**A.** I hope that this agency will be sufficiently responsible to consumer desires so that a simple letter or telephone call will start the process. That individual will either receive a report on what the situation is and why that particular product is not one that deserves standard attention or he'll receive information that says, "Yes, we appreciate it and let us tell you what we're going to do about it." I think that the less formal the communication with the consumer, the more responsive the agency will be.

Continued on following page

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# Product . . .

Continued from preceding page

**Q.** What kind of satisfaction can the customer expect? If a child falls off his bike and breaks an arm, can the parents expect the agency to get the "Acme Bicycle Company" to pay for their child's hospitalization, or can they just expect to see the "Acme Bicycle" off the market?

**A.** There will be no interference of the agency or of the federal government in private, legal matters. The law is very specific in that even the existence of a safety standard cannot be assumed to relieve the manufacturer of normal liability. If your child falls off the bicycle and breaks his arm, and investigation demonstrates that the bicycle itself contributed to the accident, then you may well expect the agency to respond to that situation by doing something about the bicycle. If you want to sue the company, that is your right.

**Q.** What kind of muscle can we expect from the new agency as opposed, for example, to the Federal Trade Commission?

**A.** The Consumer Product Safety Commission has much stronger and much broader weapons than the Federal Trade Commission has available to it. For example, for a violation with intent—the fine under the new Product Safety Act is as high as \$50,000.

The agency will not be nearly as much concerned about the producer of a product, except for his legal responsibilities, as it

**"If you want to sue the company, that is your right."**

will be about the product itself. If that product is banned and ordered off the market, it's off the market whether it's made by that company or 14 other companies. It's the product that causes injuries, not the manufacturer who puts it out.

**Q.** The commission will have no jurisdiction over advertising, is that correct?

**A.** Specifically, that is correct. But, let me amend that a little bit. We have no jurisdiction over advertising now. A recent case demonstrates what a government agency that is concerned and has a broad authority in safety can do.

It concerned a razor blade ad which appeared on TV during the Olympics. A man was shown taking a double-edged blade and breaking it between his fingers. Because this appeared to us as possible enticement to a child to try that at home and hurt himself, we called the president of the company and explained the situation. We explained the great advantage to his company in removing that advertisement.

Since it takes a period of time to make a new one, we asked them to put an overlay on, which said, essentially, "Caution . . . Razors are sharp. Don't try this at home." Their response was immediate. Of course, now that commercial is off. So although there is no authority specified in the act which relates to advertising, the agency will feel a general responsibility for safety considerations and certainly will attempt to involve itself in any advertisement which might lead to an accident situation.

**Q.** How do you think the commission will promote the use of industry self-regulation?

**A.** My basic philosophy is that the government itself is not big enough, nor could it ever get big enough, to regulate consumer products. It is literally impossible. The commission, if it does its job well, will identify problem areas. It will identify trends, lend engineering expertise to the extent that suggestions on product changes will develop and provide leadership and coordination for action by the industry.

The Congress built into the statute sufficient procedural safeguards that one could not anticipate a final safety standard any earlier than six months after an effort started. We're told that 43,000 new types of products would be under the auspices of the commission. So, if there is to be product safety in this nation, that product safety will result

from activity on the part of the people themselves—importers, manufacturers, distributors and retailers.

Additionally, I think that there is insufficient expertise in the government to develop a proper safety standard or, essentially, any other standard. A good standard results from careful, well-motivated cooperation among

form to a standard—voluntarily, without any imposition of the federal authority, by those affected. In each case, it is essential, in our view, the users, the household consumers, be involved in the process.

**Q.** Along those lines, do you think the businessman is going to feel alienated from the

**"If there is to be product safety in this nation, that product safety will result from activity on the part of the people themselves."**

those who are to be affected by it. So, you have two types of voluntary action: One is voluntary participation in the development of safety standards that is intended to be mandated. The other is the agreement to con-

sumer because of the pressure he feels from the government and this new commission, or do you think it can go the other way and really open a forum for dialogue between the consumer and the businessman?

**A.** My very deep hope is that this will provide an opportunity to start closing that gap, which has been broadening over the years and broadening obviously for two reasons.

One is that the consumer spokesman was born, and is talking loudly and, in many cases, seems to have as one of his aims, the complete division of the consumer from the businessman.

The other is because of the imposition of government into the system. We feel that there are ways, and some of these are beginning to show great hope, to bring the businessman and household consumer together, so that each can understand the problems, desires and motivations of the other. Together they can solve the problem.

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Continued on following page



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# Product . . .

Continued from preceding page

sults from the work, they become not only sympathetic—they become allies. Then, next time, it's much easier. It should be the aim of the commission to work toward that if they really want to do something about product safety in this country.

**Q.** Will the agency have inspectors that periodically come to manufacturing points or will they, in effect, be waiting for someone to complain?

**A.** Oh, no! There will be irregular, unannounced visits to manufacturers, to the customs houses and to retailers, too. We hope, also, to have our field people deeply involved in community affairs—not even wait for

Mrs. Jones to say, "Gee Whiz! Something happened." We want to be out there and let Mrs. Jones and all her fellow Mrs. Joneses recognize that there is someone who has an interest and who needs to have the information.

**Q.** Can the agency become so successful that it will put itself out of business?

**A.** I would pray that it could! It is highly improbable, obviously, because the products are invented so rapidly. There are 5,000 totally new toys put on the market every year and even though we want most of our standards to be generic, there always are products which surprise the heck out of us.

I do not see the Consumer Product Safety Commission as one which will continue to grow. One of its responsibilities is the implementation of the Poison Prevention Packaging Act. I would think that 18 months—two years—down the road, that work which is now mounting rapidly, will not only have leveled off, but will have decreased because here it is possible to impose requirements on the basis of toxicity of the product. Then you need have only surveillance and appliance, and a capability to respond rapidly to something new.

**Q.** What kind of situation do you think the agency will be in 10

will have reached a stage where the businessman will accept his responsibility to participate in the affairs of government.

One of my deepest concerns in my over 20 years of government work, has been communicating with, meeting with, dealing with producers and marketers. The average businessman, if there is an average anything, sits back and hopes that government will never quite reach him. He hasn't recognized that, inevitably, gov-

only then will it be that kind of government."

**Q.** Will the commission really try to get consumers to use it? Will there be any publicity?

**A.** That's an extremely difficult problem—one that many people have tried to address themselves to. I have a notion that there is a way to go about that which has not been tried yet that I want very much to explore. You really can't find a Mr. or

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## "Products are invented so rapidly and . . . even though we want most of our standards to be generic, there always are products which surprise the heck out of us."

years as compared to, say, two years from now?

**A.** First, of course, I think the next 10 years will provide a wealth of experience on how to do a better job. Secondly, I would hope that its credibility will have reached a level where even the outspoken consumer advocates will recognize that there is this agency of government that is trying very hard to do something for consumers. Thirdly, and probably most important of all, it

trade association. They are quite satisfied to send the happy news back home and never really say, "Look, friend, government is not something off here in Washington that's remote unto itself. Government is you. It's good or it's bad, it's responsive or unresponsive, responsible or irresponsible because you make it that way. When you decide you want to get in there and make it the best possible government as it relates to your product, then and

ernment is there. And, the imposition of the affairs of the people, as these are interpreted by the government, involve the government in his business.

We will become a better government—this will be a better agency—just as soon as the people who are regulated by it realize that they have a whale of a contribution to make and make that contribution before the fact, instead of reacting to a situation.

I say this not only in connection with the individual manager of a business, but with his Washington representative with his

Mrs. Jones who is technically competent; who is willing and able to devote time to render an opinion; and who is willing to trust the results of a consensus process.

Maybe something worth exploring, something which I definitely intend to explore, is to utilize retired people. The extension of life expectancy makes available in this country a tremendous wealth of talent. These are people who have no commercial axe to grind whatsoever. They may be the best of all examples of household consumers. Because they are usually living on a fixed income, anything inflationary impacts them greatly. A bad product is a really bad product to these folks. They may not be as physically adept or have great manual dexterity. But, still, they have a tremendous wealth of talent.

It seems to me that we should attempt to develop a series of talent banks and organizations with which we can communicate. If we could go to these people and say, "Could you identify among yourselves, individuals who have experience in any number of disciplines like home economics, electrical engineering, mechanical engineering, and so forth, who are physically and mentally able to participate, on a part-time basis, in the affairs of government—and who are anxious to see that government is more responsive to the people."

Once you get those banks, I think you've got to find some resources, and I think this is totally possible, to pay their travel expenses and a nominal fee for attending a meeting. The government provides up to \$200 a day for consulting services. I think that's too high. Let's say 50 bucks a day. Maybe 10 bucks to evaluate a standard and express an opinion on it. So that professionally, these people are involved. But, there is no commercial leaning whatsoever—and I think that's critical.

**Q.** And how about young people who will be, in effect, growing up with the commission and will be preparing to become consumers?

**A.** Part of this, I think, is getting the product safety system in the schools. As far as I know, there is not a decent text on consumer economics, let alone consumer product safety, that's available to the school system. We would hope that our people ought to be deeply involved in the development of curricula.

We have to let the young people know: One—it's their government, it's not ours. Two—they have got to participate, they've got to get the knowledge. Three—that it is an area of great concern—and it clearly is. Product safety is not only glamorous now—it's something we have to worry about. ■

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# Grappling with disasters—plant men tell how

By MARIE KRAKOWIECKI

(Additional coverage of the American Management Assn.'s disaster conference, p. 80-81.)

NEW YORK—Nobody at the American Management Assn.'s recent session on natural disaster as a major insurance risk yelled, "Batten down the hatches!" but the spirit was there as key men from Western Electric Co., Inc. and Standard Brands Foods described precautions their companies take for tornado watches and emergency catastrophe procedures.

Robert P. Hall, assistant manager of plant facilities engineering at Western Electric's Kansas City Works in Missouri, stressed the primary purpose of WE's tornado watch system is for protection of personnel. "The emphasis on employe protection arises from the need to relieve employe anxiety during periods the area is threatened by a tornado, and to provide adequate shelter for the prevention of bodily injury or death should the facility become the target of such a storm," he said.

The 345-acre plant facility, he explained, is located in a portion of the country accurately, if not affectionately, known as "tornado alley." In 1957, a major tornado hit the area where the plant was built in 1958. The now-historic Ruskin Heights tornado killed 44 people, injured hundreds, wrecked homes—and, left an indelible impression in the minds of the work force which came to WE's new plant.

**TENSION BEGAN** mounting among the employes when, in 1959, severe weather conditions started to plague the area, Mr. Hall said. Western Electric moved quickly to alleviate the workers' fears by setting up a weather monitoring system in conjunction with local radio stations, by starting drills to teach the employes how to take shelter in the event of a tornado and by starting a system in which guards would alert the workers as soon as any adverse tornado reports came in from the monitoring system. All this was done in WE's pilot plant.

When the company moved to its new permanent facilities in 1961, some changes were made in the plan, including provisions for evacuation warnings over the public address system. In 1966 a turning point was reached. A tornado touched down in a nearby town, cutting a path of destruction a quarter mile wide and two miles long. Then, only a few weeks later, a major tornado hit Topeka, Ks., resulting in a multi-million dollar disaster.

Western Electric re-evaluated its emergency procedures after the experience of these two storms. Most important, they became aware of the sophisticated warning systems available and worked with the local civil defense, fire department, and meteorologists in learning how tornado behavior patterns operate, and how to work a warning system.

Mr. Hall said the company also incorporated tornado shelter areas into the design of the plant building. He noted tremendous pressure differential is created in a tornado, so it is essential shelter areas be as far from perimeter walls as possible. Because the outside pressure drops rapidly as the storm passes, the walls of a building will readily explode unless this pressure differential can be relieved.

The company met the situation by providing shelter areas in interior portions of the plant

buildings, some with masonry walls. An observer's post was stationed in a plexiglass dome atop the three level office building. Mr. Hall remarked all precautions WE took should mesh together in the event of a tornado to protect the lives of more than 5,500 employes at the Kansas City Works.

**THE FLOODS** which followed hurricane Agnes last summer provided a testing ground for the disaster recovery system set up by Standard Brands Foods, the largest domestic subsidiary of Standard Brands Inc., in Wilkes-Barre, Pa.

Michael Ratchford, regional controller for Standard Brands, explained when the company first considered a plan for disaster recovery, they feared it would

be so complex operational people wouldn't cooperate. But when the management reviewed their major computer center and realized operations could not be delayed more than five or six hours without hurting business, they decided to simplify the disaster plan drastically.

They established two primary goals—to have the absolute ability to restore operations under any circumstances and to minimize business interruption and interruption in services.

**SOME PROBLEMS** faced by management in setting up the disaster procedures included finding out which essential data held only in Wilkes-Barre needed to be duplicated in another location; setting up a sequence by which the most time-critical operations could

be first restored to operations; and perhaps most importantly, trying to convince the operational people of the critical importance of disaster precautions.

Mr. Ratchford described a basic checklist devised to serve as a management guide in any emergency. The checklist, lists the equipment present, its operational time, relative value for services, which equipment needs to be the first restored to operations, what is required to restart operations, special notes on which documents and correspondence are most vital to be preserved and where back-up operations for the services in that office are located.

With every office filling these forms out, the plans for evacuation and restarting operations could be "walked through" a number of times by management before

any catastrophe actually hit.

The regional controller noted back-up operations were exhaustively studied, and effectively implemented through use of the checklist. For the critical data processing operations, Standard Brands established a set-up with IBM whereby the entire services could be duplicated within two or three days in another location.

**SINCE THE** management realized any plan would mean nothing without the cooperation of the operational people, they got the people involved, almost forcefully, by convincing them of the potential money loss involved if the checklist precautions were not adhered to.

Ironically, flood damage was not anticipated by Standard Brands. *Continued on following page*



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# 'Flood it, shake it, quake it—but improve your firm disaster cover'

NEW YORK—Some updated approaches for indemnifying the victims of floods, hurricanes, windstorms and earthquakes were offered here by William Goodall, in remarks to an American Management Assn.'s briefing session late last month on natural disasters as a major insurance risk.

Mr. Goodall, vice chairman of Allendale Insurance, proposed that more of the burden of covering the cost of long term property rehabilitation go to private insurance, and less to the present system of federal grants and loans. Both federal and state governments, he said, have vested interests in any consideration of natural disasters, but by their full shouldering of grant and aid programs, disaster loan funds, temporary housing and reduced interest loans, they may be fostering self-defeat.

Noting how overdependence on governmental relief programs in natural disasters can backfire, Mr. Goodall said: "To an impor-

tant degree, the certainty that relief of this kind will be at hand mitigates against the full utilization of such constructive programs as the National Flood Insurance Act and, more importantly, would probably mitigate against sound action by the citizenry as a whole in the direction of assuming responsibility for minimizing the potential impact of a disaster before the fact."

**MR. GOODALL** spelled out a number of specific guidelines to give natural disaster coverage a more comprehensive scope, including:

- Identification of the amount of capacity which private insurance could furnish under a pool-

ing arrangement designed to pick up where the basic \$200,000 limit now available under the joint federal-private insurance program leaves off.

- Reinforcing the pooling concept would be the possibility of the federal government's assumption of the excess above a predetermined aggregate amount, analogous to the Price-Anderson back-up of atomic pools.

- A system which would allow direct insurers and/or reinsurers to accumulate tax-free catastrophe reserves to "spread over a period of time the ultimate impact on property owners and taxpayers."

Using a possible \$5 billion property damage disaster as a

frame of reference ("the question is not 'will it happen?' but 'when?'"), Mr. Goodall said: "The total mobilization of both the direct insurance and reinsurance markets will be needed when contemplating a tremendous single loss."

Mr. Goodall illustrated the shortcomings of the present systems of natural disaster insurance to highlight the need for new methods. He indicated that despite recent publicity about the potential for major earthquakes in California, less than 10% of those who carry fire insurance in that state also carry earthquake cover.

**FOR FLOOD** perils, which the Allendale man termed "the prevalent and costly form of catastrophe," he noted that only about 5% of the losses suffered last August from floods following hurricane Agnes were covered by insurance. Not only that, but the

insured losses of over \$100 million on business property paid by private insurers were still 20 times as much as the loss paid on residential property under the National Flood Insurance Program.

Noting that "loss prevention efforts are outside the competence of private insurers," Mr. Goodall urged that the several branches of government act as the prime movers—with technical support from the insurance industry—in developing broadly based regulations for land use control, flood control projects, building codes adaptable to varying soil conditions and development of early warning systems.

"The problem we are all studying is not one which will be solved by a brilliant flash of inspiration," Mr. Goodall said. "It will take unrelenting effort by hundreds of individuals within government, insurance and financial circles." ■

## Grappling . . .

Continued from preceding page

Brands as the type of disaster likely to affect them. Mr. Ratchford remarked official watchers of the river in Wilkes-Barre saw no danger for the plant in their night June 22 broadcast. Yet the plant was struck with water later and evacuation proceedings started. With them, the disaster procedures got their test.

They worked. Mr. Ratchford, reserved six rooms in a nearby hotel and installed phones before the phone company stopped services. These rooms served as Standard Brands headquarters during the entire emergency period. The company had full phone service and a working base, while many other local concerns had to stand in line for two hours or more just to make a toll call to their businesses outside Wilkes-Barre.

The duplication of services was put into effect smoothly. Mr. Ratchford noted during the planning stages of the disaster procedures a key element was recognizing which people of the company were its primary resources. Assuming many key men would be hit with family disasters and unable to work, Standard Brands set up relief plans to aid workers' families, and trained other employees for backup skills.

Mr. Ratchford had a number of suggestions for businesses looking to set up similar procedures: make the plan a management plan, with responsible leaders; make it simple so operational people can carry it out; get or force employees to get involved with it; keep the plan current, under a periodic check; and be sure to consider the people in the plant as your primary resources in any emergency.

One final tip from the regional controller. "Don't put a lot of faith in early warning systems," Mr. Ratchford cautioned. "Standard Brands didn't get any early warning before the floods hit." ■

## Pension proposal

State Senator Lawrence J. DeNardis has introduced a bill into the current legislative session to enable the town of Hamden, Ct., to provide pensions for the widows of three former chief executives and for a former second selectman.



# Risk men and insurers disagree on adequacy of natural disaster cover

NEW YORK—One of the first questions posed to insurers at the American Management Assn.'s briefing session on natural disasters late last month was "Is the industry providing enough capacity to cover businesses against exposures from floods, earthquakes, windstorms and other natural disasters?"

An impartial listener could hear answers given at length and still leave the conference without a definite idea of what is really happening in today's coverages for natural catastrophes.

Opinions of industry representatives (who made up about 85% of the conference registrants) differed radically from conference members who represented the risk

managers' or corporate buyers' point of view.

One of the liveliest exchanges followed remarks given by a panel, "The underwriters' evaluation of the natural disaster as an insurance risk." The overview, given in the discussion by C.R. Rauter, assistant vp of Lumbermens Mutual Casualty Co., Michael Morrison, senior vp of American Home Assurance Co., Rodney Neitzel, property manager of Midland Insurance Co. and Robert J. Vairo, vp of Firemen's Fund American Insurance Co., was private insurance, in general, does offer adequate capacity for natural disaster cover, but buyers and many brokers do not take advantage of it.

This stance provoked some audible mumbling from risk managers on the floor until Edward Lloyd, director of insurance for Dan River Inc., spoke out on the problems some face in securing coverage.

"Our problem in getting flood insurance and/or DIC coverage is underwriters are quoting minimum deductibles which exceed any historical loss in our area since 1901, including Hurricane Agnes. I won't buy coverage I can never collect on," he said.

One corporate insurance man told the insurers, "In your rhetoric you talk beautifully, but in practice it's a different story." He said in his company's location, the historical loss ratio was only

45%, but insurers tried to raise his deductible five times the amount it was originally, and were pushing for a "greatly increased premium rate" as well.

Another source of contention between the industry men and risk management sources concerned attitudes toward building standards for new construction. One panel member noted the insurance industry was generally satisfied with the codes being used for new buildings in California, as such codes apply to the risk of earthquake damage.

**BUT THE CHIEF** of the office of federal building technology for the department of commerce's national bureau of standards, Samuel Kramer, questioned the validity of such a viewpoint in the absence of nationally accepted land-use planning and construction standards.

Mr. Kramer later remarked to *Business Insurance* his bureau "is in direct opposition to the in-

urance people who say they feel present building codes for new buildings are adequate." He noted the bureau of standards had issued an extensive report, "Building Practices for Disaster Mitigation," which recommends the formation of a special commission to prescribe building codes and zoning regulations designed to better cope with disaster situations. ■

## Prepaid legal in works in upstate N.Y.

ROCHESTER—Residents of the Rochester, N.Y., area may soon be able to buy legal insurance on the same basis as they now buy health insurance.

A program has been set in motion by the Monroe County Bar Assn. opening the door to sale of legal insurance to consumers. Trustees of the association emphasized that the plan for prepaid legal services is only an initial draft and could be revised.

Anthony R. Palermo, president of the bar association, said opinions from attorneys and residents of the county will be evaluated and could lead to changes in the first draft.

Mr. Palermo explained that the thinking behind legal insurance is to encourage middle income persons to see a lawyer before they get into legal difficulty. He likened the procedure to that of having periodic medical check-ups.

**UNDER THE** initial proposal by the bar association the plan would pay up to \$70 worth of legal consultation a year, as much as \$500 for legal fees, up to \$150 for expenses and up to \$100 for court costs.

The plan provides, however, that if the insured party initiates the legal proceedings, he must pay \$50 of the fees before the insurance will pay anything. If the insured person is the defendant, the plan will pay 80% of legal expenses up to \$2,250. The insured can consult any lawyer.

There is no coverage for minor traffic infractions, business matters, tax returns, class actions, probate and estate administration and small claims cases, except under the \$70 consultation allowance.

Mr. Palermo said that the annual cost to the consumer for the legal insurance might be \$150.

At this point the association is not certain how the program will be administered. A non-profit corporation set up by the bar association, a private insurance company or an independent non-profit corporation could operate the program. ■

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## PERSPECTIVE

## San Francisco bidding study says large brokers stifle markets

BY FRANCIS D. BARRETT JR.  
and ROOSEVELT CARRIE

THIS ARTICLE reports the results of an investigation into how the city government of San Francisco purchases its insurance. The results of this investigation produced a startling finding: The city government of San Francisco spends about \$1.7 million in premium volume annually, and of this sum about \$1.6 million or 94% of the total premium dollars spent is placed through four brokerage houses. In fact, all the city's premium volume is placed through eleven brokers, or .096% of all the brokers in the city of San Francisco, and .003% of all the brokers and agents in the San Francisco Bay Area. The questions to be answered are, how did such a situation come about and is such a situation reasonable?

This study was conducted for the Bay Area Assn. of Black Insurance Brokers and Agents Inc., which was interested in finding out whether any minority brokers or agents were participating in any of the city's insurance business. The answer to this question was quite simple: No. However, we did proceed with a complete investigation because the data uncovered during the initial stages of the study seemed surprisingly interesting.

As a first step, we contacted four insurance purchasing agents for the city of San Francisco—the city of San Francisco purchasing department, The San Francisco redevelopment agency, The San Francisco housing authority and the San Francisco school district. In each case we asked for an interview with the person responsible for placing insurance business for the city, and, after conducting the interview, asked for permission to review the insurance policies that the city had purchased. In all cases we were given a courteous interview and the insurance files of the city were made available to us.

The chart on this page shows how each department placed its insurance and the percent of that department's total premium volume that went to each participating agency or brokerage firm. The figures outlined in the chart document some of the statistics presented earlier. Only eleven brokerage firms or agencies are placing city business and a closer examination of the figures show that, essentially, only four brokerage firms are placing more than 10% of premium for the city. These firms are:

Broker	City Premium Volume Written	Percent of Total
MarshMac	\$ 517,264	30.6%
Curtis Day	612,024	36.2
Goldman	271,696	16.1
J & H	181,508	10.7
Total	\$1,582,492	93.6%

We can see, therefore, that of all business purchased by these departments of the city, 93.6% is placed through four brokerage houses with the remaining 6.4% of the city's premium volume being spread among seven other brokerage firms.

CURIOSLY enough, had we conducted this study four months earlier, the results would have been even more surprising. Curtis Day has just recently picked up \$162,173 in premium volume that had not previously been placed by the city, and this brokerage firm had beaten Marsh & McLennan out of \$301,500 of current city business. If we make adjustments for these recent developments, we find that just a few months back Marsh & McLennan was placing 54% of these departments' insurance business. This is mentioned because, during the second stage of this study, we interviewed brokers and agents that were on the list to bid on city insurance, the people in the city departments responsible for purchasing insurance, the city's insurance consultant and the mayor of San Francisco. Marsh & McLennan was a frequent topic of conversation.

Our purpose in interviewing those responsible for purchasing insurance for the city was to determine the objectivity and fairness of the purchasing system. Each department's purchasing method differed.

The purchasing department for the city of San Francisco has retained the risk management firm of Mund McLaurin for about 10 years. The firm prepares the bid specifications for the city's insurance and sends these specifications to those agents or brokers on the current bid list and to others who would like to bid on the city's insurance. In each bid circumstance, the bid is opened by the consultant firm and the insurance awarded on the basis of price, based on the specifications.

Apparently, the redevelopment agency follows this same format except that the bids are evaluated by a redevelopment employe. We were unable to ascertain how this agency decides which brokers or agents should be invited to bid.

The housing authority presents a confusing situation. From what we could find out, a bid system is required and usually implemented, but on the latest bid, involving over \$100,000 in premium volume, the decision as to who should be awarded the insurance was given to the city's consultant, Mund McLaurin.

Placement of the city's school insurance

business is a special case. The Goldman firm has placed all this business with Insurance Co. of North America for about eight years without the business going out for competitive bidding throughout this period of time.

During the course of our interviews, we deliberately registered surprise that so few brokers were involved in the business and asked if some of the larger brokerage firms such as Marsh & McLennan were able to block markets so that other brokers were effectively eliminated from competition for the business. We deliberately did not specify what we meant by "blocking markets" as we were trying to figure out for ourselves what this oft-used term means.

We followed this stage of the study by interviewing the 25 brokerage firms that had been invited to bid on the most recent piece of city insurance business put out by the city's purchasing department. Here again, we asked why so few brokers participated on city business, asked the brokers if they considered the placement procedures to be fair and asked about the process of blocking markets by which competitive bidders cannot even get quotes from insurance carriers.

When we put these 30 or so interviews

together, we had what might be called a composite of accusations against large brokerage firms, especially Marsh & McLennan. According to the composite:

• We found no evidence to support the allegation that larger firms have a head start in locking up markets.

• We found partially true the allegation that larger brokerage firms have a tremendous influence on insurance company underwriters and exert this influence through parties, lunches, boat trips and the like. Because of their size, the larger firms have more money and personnel to spend on such entertainments. However, all agents and brokers engage in some form of this type of underwriter "hard sell."

• Larger brokerage firms have tremendous power over insurance companies, because they do a great volume of business nationally and can force companies to give better quotes than smaller agents and brokers can get. However, the blame for this might well be leveled at the insurers for acquiescing to such demands. INA, as an inverse example, will give the same quote to all interested bidders and allow the bidder to indicate the amount of commission, which eliminates this form of pressure.

• Larger brokers can block markets because they are already on the business, and go to their present carriers prior to the new specifications coming out to make sure that, when the specifications are released, all they have to do is update the renewal quote. Nonetheless, we feel any agent or broker with a brain would do the same.

Continued on following page

## San Francisco Premium Placement

Broker	Premium Volume	Percent of Total Premium Volume
<b>A. CITY PURCHASING DEPARTMENT</b>		
1. Marsh & McLennan	\$ 494,270	43.2%
2. Johnson & Higgins	62,158	5.4
3. Marsh & McLennan and Johnson & Higgins	46,188	4.0
4. Curtis Day	449,851	39.4
5. Goldman	21,696	1.9
6. Bailey, Martin & Faye	16,348	1.4
7. Devoto Lewis	22,500	2.0
8. Kaine & McAuliffe	29,997	2.7
TOTAL	\$1,143,008	100%
<b>B. SAN FRANCISCO SCHOOL DISTRICT</b>		
1. Goldman	\$ 250,000	100%
TOTAL	\$ 250,000	100%
<b>C. REDEVELOPMENT AGENCY</b>		
1. Johnson & Higgins	\$ 84,367	96.8%
2. Primary International	2,682	3.0
3. Tittle	183	.2
TOTAL	\$ 87,178	100%
<b>D. HOUSING AUTHORITY</b>		
1. Johnson & Higgins	\$ 11,889	5.6%
2. Booth Insurance	35,900	17.0
3. Curtis Day	162,173	76.9
4. Fred. S. James	1,000	.5
TOTAL	\$ 210,962	100%
Grand total premium volume for all four departments	\$1,691,148	



Barrett

Carrie

Francis D. Barrett Jr. is president of Francis D. Barrett Jr. & Assoc., which specializes in research and planning for the insurance industry. He was a multi-peril underwriter and special agent for Continental of New York and Reliance Insurance Cos. and worked in the research departments of Allstat and Fireman's Fund American Insurance Cos.

Roosevelt Carrie is president of the Bay Area Assn. of Black Insurance Brokers and Agents Inc. He has been recognized for years as a leader in eliminating discriminatory practices in marketing, underwriting and hiring from the insurance industry. He is also past president of the National Assn. for the Advancement of Colored People (NAACP), San Francisco chapter.

## business insurance

## PERSPECTIVE

## Study . . .

Continued from preceding page

• The larger brokers block markets by not releasing their markets once a bid has been won by another broker or agent. We determined that such a procedure is followed because an agent can give what is called a desk bid, where he just bids on the business without the commitment of any companies to cover the bid. If he wins, the agent or broker then tries to find companies to cover the bid. Brokerage firms who are competing on such business think that they would be cutting their own throats by releasing their markets to one who had no markets during the bidding period.

• There is no doubt that larger brokers have better contacts in the reinsurance market.

• Likewise, they are so large they can afford to take the business at a low cost and absorb much of the expense in their overhead.

• Larger brokers do indeed have superior facilities for handling large accounts.

The reason we have presented this

composite of our respondents' opinions of Marsh & McLennan's or other large brokers' ability to win city business is that practically all the comments we received attacked Marsh & McLennan's size and ability to block markets.

In answer to our question, "A lot of people say that you have the market blocked. Do you?" a spokesman for Marsh & McLennan replied:

"What? That we have the market

**"When we put these 30 or so interviews together we got what might be called a composite of accusations against large brokerage firms. . ."**

blocked? How about when we lose one? We didn't block it that time? Baloney! There is no way we can block the market. The public business—sure we go after it—it's good business, it's our kind of business. We're equipped to handle it, to service it. But there is no way we can block markets. I just had one of our guys in here to see me about a month ago; one

of my own men, bitching like hell that our mail service was so damn lousy that he just got some specs in and everybody in the street had had them for days, and what the hell is going on in the mail room.

"We can also voice the same bitch that when we finally get the specs we find the market is blocked all over the state. Now that's funny. This is a favorite lament of all brokers (that the market is blocked). Any guy who doesn't win on a bid can turn to me and say, 'They had the markets all tied up.' That's the favorite excuse. I'm sitting here with three of our brilliant vice presidents, and each one of them at one time or another has used the same excuse—'The markets are blocked. How the hell are we going to compete?'"

It seems clear that the general complaint that Marsh & McLennan can block markets is barely denied by Marsh &

markets than other smaller brokers and agents. This is undoubtedly true, but is it fair? Is it, in this case, in the interest of the city of San Francisco?

It appears that because of Marsh & McLennan's size competition is stifled. When it reaches the point that other brokers are not even interested in bidding on city business because they think they will not be able to obtain a quote from companies, then surely competition is stifled to the point that the city might not get a more competitive bid. This in turn curtails the opportunity for smaller agencies to grow and further stifles competition.

The question in our minds is not whether present practices are unethical or immoral, because blocking markets and growing big seems to have the endorsement of the insurance community. Instead, we wonder whether large brokerage firms like Marsh & McLennan have already stifled competition to the point where they are in violation of the anti-trust laws.

Our study has shown that only 26 brokerage firms are on the list that the city uses for the purpose of soliciting bids (.007% of all the agents in the San Francisco Bay Area); that only 11 agents or brokers participate in placing city business (.003% of all the agents in this area) and that only four agents and brokers place 94% of the city's business (.001% of all the agents and brokers in this area). Not surprisingly, the agents and brokers that turned up placing city business were for the most part the larger brokerage houses. If similar situations exist in other cities, anti-trust laws may well come into play there as well. ■

## Four-day week could encourage education and multiple careers



BY BION FRANCIS  
Insurance consultant,  
Milford, Ct.

This is the fourth and final article of a series on the four-day work week. Previous articles appeared in Business Insurance Jan. 29, Feb. 26 and March 26.

WHEN EDUCATION was largely a matter of limited training in the three Rs, it was a task which could be accomplished in a few winters when the labor of youngsters could most easily be spared from farming activities. Since then, our increasing productivity has been used not only to gain a higher standard of living, and a shorter work week, but also to increase the time devoted to education.

In doing this, one thing has remained unchanged—the concentration of the period of education in the years before a young man or woman goes to work. Is this the right way to arrange an education, should the young go to work earlier, or continue their education longer?

We don't usually ask these questions,

**"With educational and working careers running side by side, employes and students may see more clearly the value and relevance of what they are doing. . ."**

not because they are unimportant, but because of the natural inertia of tradition. Yet they should be asked, for there is increasing evidence that the traditional period of schooling in early life can not be relied upon to prepare for a lifetime of activity in any important skill or profession. Even beyond this is the rich, complex and rapidly evolving nature of our industrial society. Indeed, many of the things we now must do are jobs which did not even exist a few years ago.

More and more, it is becoming evident that we should actually go to school all our lives. The educational process may take any one of several forms—a day or two a week, one week out of a month, a month or more each year. Should we encourage continuing education of this sort, the average worker may receive, over his working life, two or three college degrees or the equivalent in whatever study or experience he believes is best suited to his skills, abilities and goals.

WITH EDUCATION and working careers running side by side, employes and students may see more clearly the value and relevance of what they are doing and learning at the moment. Part of the problem of our school systems involves students sensing there is something wrong with the system itself. It uses years of their time to impart a large degree of knowledge that will be obsolete before they can use it, while other forms of knowledge which they will need is not taught because it has not yet been discovered. Why not begin a work-education?

Consider one possible change at the other end of the working life. Why is retirement necessary? One reason is the obsolescence of the past education of many

McLennan, nor for that matter is market blocking denied by other brokerage firms and agencies that we have interviewed. If an agent or broker can lock up a company to give him a quote on a piece of business, it is merely considered good business practice. The real complaint against Marsh & McLennan is that, because of their size, they are better able to block

retiring employes. If their skills are merely the surviving ruins of a limited education of 40 or 50 years ago, naturally the value of the elderly worker to his employer is limited and his employer may well prefer a replacement.

**BUT SUPPOSE** you arrive at age 65 after going to school all your life. You have a fresh college degree, the product of an up-to-date educational standard. Because of medical advances and a high standard of living, you are in good physical condition. Why should you have to retire from a job which pays well and takes only two or three days a week?

You may say that I am talking about something which is far in the future, but keep in mind I am talking about the conditions which, at retirement, will face many employes who are working right now. Of course the continuing educational process will require planning. Yet isn't it worthwhile planning? Ask the employes whose retirement we are talking about.

These two factors—earlier entry of the young into the working force and postponement of what is now the "normal" retirement age—could make it possible, with a continuing rise in productivity, to reduce the work week by still another day, even to three work days per week.

Obviously, far reaching changes of this nature cannot be made quickly and much of this will come about in any event. Still, if we can see the objectives and alternatives ahead, we can plan more intelligently for them.

Let's take another look at the four-day work week. If it is simply another stage in our industrial evolution, our next objective may be the three-day week. However, there is something else which

may come first: When we attain the four-day week, it will shut our offices and factories for three days of the week. Management, though, will certainly look at that idle equipment and wonder how to make it busy again. How about a four-day week plus a two-day week? In fact, that two-day work week might attract a number of housewives, students, retirees and others for whom even a four-day work week would be impracticable.

Much of this may seem visionary, but remember the length of our work week is one of the basic features of our industrial economy. In the last 50 years, we have shortened it to the point where any further significant change may have effects difficult now to visualize.

Our system is capable of much greater flexibility of operation. If we utilize the possibilities suggested in this article, there can be many advantages:

• Earlier entry into the work force will improve the morale and motivation of the young.

• Educational opportunities and longer work life will improve the morale, motivation and productivity of workers generally.

• Morale of all workers will be improved by parallel careers of work and study. If they are blocked in one career, they can abandon that one or shift to the other with greater ease.

• Much of our present waste of talent will be curtailed. I have read estimates that we now waste 60% to 75% of the abilities of our gifted people, largely because they spend much of their lives in environments where they cannot develop their potential. Much of this waste will end, for with two parallel careers, gifted people will increasingly be able to select an educational or other kind of career that will encourage self-realization.

• We would use our equipment more efficiently, whether for production or education.

Beyond all this remains a question we should consider carefully. If we do carry out the shift to the four-day work week, we will have more leisure time available than any nation in history has ever had. I have recommended that we use a portion of our leisure for education because this will increase productivity still further.

Yet, and perhaps more importantly, we should remember that how we utilize that leisure time will be a telling indication of this country's character and its concern for the quality of its citizens lives. ■

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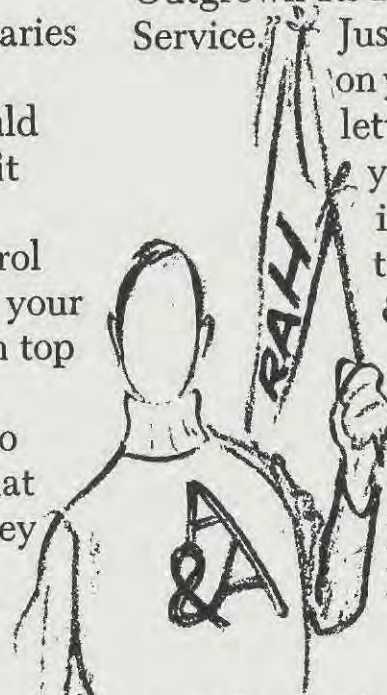
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# Crash-disabled editor is 'back in the slot,' due to long therapy

Continued from page 1

courage later, John McWethy is still managing the Wall Street Journal's stable of Chicago-based writers.

"THE WHOLE time I was in the hospital," Mr. McWethy said, recalling his seven months of intensive treatment, "I wanted to get back to work. And being back at the job has been the most helpful thing to me. I'm in seventh heaven here, and Liberty Mutual is happy to have me back to work."

The Liberty Mutual Insurance Co. provides coverage for all employees of the Dow Jones Co., owner of the Wall Street Journal. To date, the insurer has paid \$73,429.72 in medical and disability benefits to Mr. McWethy and the doctors and the institutions that have treated him, and, under Illinois law, he is entitled to unlimited medical benefits, \$18,000 in permanent injury benefits and a monthly pension of \$270 (15% of the \$18,000 death benefit due a widow with no dependent children) after the \$18,000 injury benefits are exhausted.

Like other giant work comp insurers, Liberty Mutual was eager to spend the huge sums necessary to rehabilitate Mr. McWethy, because it is financially to the company's advantage to have him back at work. In fact, the company is so proud of its handling of his case that it outlines it in promotional brochures.

"The successful rehabilitation is dramatized even more when one considers the claim savings involved in this case," the brochure reads. "His progress, enhanced by the facilities of the rehabilitation institute and the assistance of our rehabilitation nurse, reduced the hospitalization

cost potential by \$9,000. In addition, if the claimant had been confined to a nursing home, the cost would have been roughly \$200 per week—as opposed to the present weekly maintenance cost of \$125. A savings of \$3,900 a year."

David Barrie, Liberty Mutual's chief rehabilitation examiner and the director of the company's spinal cord injury program, says his own studies show rehabilitation—when uninhibited by low ceilings on some state work comp laws—provides the best care for the injured worker at the lowest price for the insurer.

"I'VE JUST compiled figures from 400 cases between 1955 and 1966, and my figures indicate that rehabilitation efforts on our part have saved the company \$7 million without depriving anyone of full benefits under the law."

One of the cornerstones of rehabilitation programs offered by Liberty Mutual and other work comp insurers is a staff of non-adversary rehabilitation nurses.

"Our nursing program was the first, and it began in 1945," Mr. Barrie said. "Now we have 85 nurses throughout the country—50 full-time and the rest part-time—who are there to be professional counselors, co-ordinators of medical services, friends, confidants or anything else to help the patient recover. They do not get involved in the legal aspects of a case. They are simply there to assure everything happens smoothly and to work out any problems the patient might have. They are invaluable additions to any claims department, and all major companies now have them."

Mr. McWethy had nothing but praise for the Liberty Mutual nurses who helped see him through his seven months of demanding training.

"I was hospitalized in St. Louis for six weeks, and spent most of the time in traction," Mr. McWethy said. "Then they transferred me to the Rehabilitation Institute of Chicago, and I had all kinds of little problems. My nurse from Liberty Mutual would appear every few weeks and help me solve them.

"I REMEMBER I had this occupational therapist I was unhappy with," he said, "Geez, she was a dumb clunk. She was some part-time student who didn't know what she was doing. This treatment was costing a lot, and I wasn't getting anything out of it because of her, so I told the Liberty Mutual nurse, and she went down and talked to a doctor and straightened it out. The next day I had the best therapist in the joint."

"First we worked on sitting up," he recalled, "and gradually strengthening the vertebrae in my back. In a few weeks, with the help of neck braces, I could sit upright. It took a lot of physical exercise to bring back what muscles I had left. There was a lot of work, too, with these special splints which allow me to grip by converting movement in my wrist extensor muscles into a gripping action."

Mr. McWethy cannot move his hands, but, through the use of the splints, he can use a pencil

Continued on following page

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# McWethy ...

Continued from preceding page

after placing it into a ring on the splint with his mouth.

"I won't win any penmanship contests," he says, exhibiting his writing technique on a pile of expense vouchers awaiting his initialed approval. "But, without these splints, I'd be helpless. It took literally months to develop the muscles needed to do this. It took weeks of exercise to develop my shoulder muscles to a point where I can make this wheelchair go by myself."

**MR. McWETHY** was discharged on Nov. 1, 1971, and returned to work. But minor bladder, skin and leg problems developed, and he paid short return visits to the Chicago institute to solve them. In early May of 1972, Liberty Mutual decided to send him to the Craig Institute in Denver to help him solve minor problems, "a lot of things that sound so little to people who are not quads," he said.

"I had had trouble sleeping the whole night through," Mr. McWethy said. "I couldn't turn over in bed, and, every night at two or three a.m., my wife, Mary, would have to get up and turn me over. Then it would take me a half-hour to get back to sleep. It was miserable. But, at Craig, they developed a way using foam rubber pads as a fulcrum so that I could get in the right position and roll myself back and forth all night long. That was just one of the things they did for me, but that alone was worth the time."

Mr. McWethy's condition also necessitated some changes in his suburban home, and the cost of those modifications were also covered by Liberty Mutual.

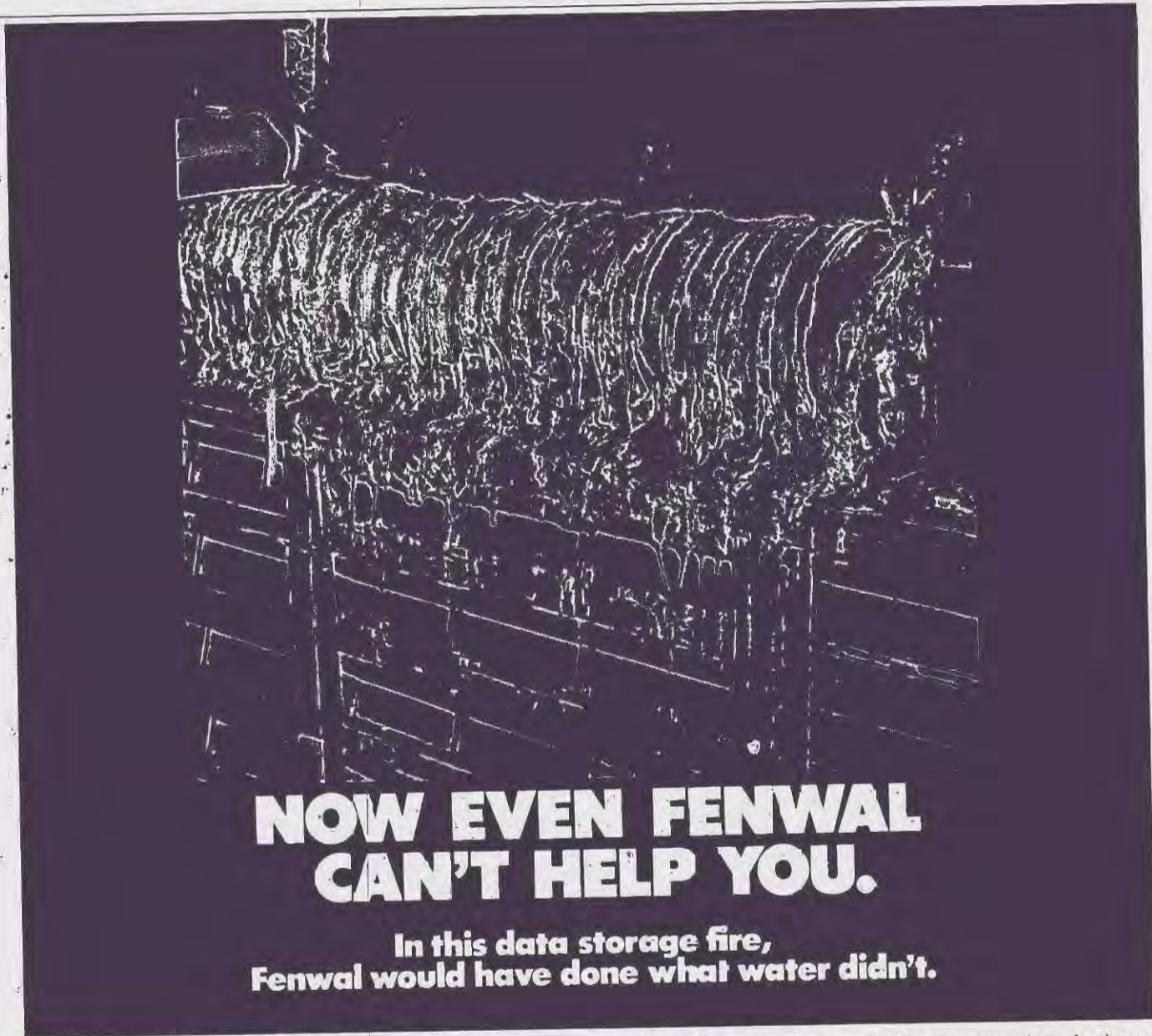
"They had to put in a lift, replace a bathtub with a shower, take up the carpets and other things to help me get around," he said. "But when it had to be done, the Liberty Mutual nurse I had at the time got a hold of the proper people."

"If Mr. McWethy had been employed in Louisiana, where they have a \$25,000 limit on medical expenses, we wouldn't have been able to make any alterations in his home," Mr. Barry said. "Not only that, but that \$25,000 wouldn't have gone very far at all. We couldn't have done anywhere near as much for him if the situation had occurred in one of the states that doesn't have lifetime benefits." ■

*(Part two of this series will examine workmen's compensation laws in other states and will attempt to show how benefit limits would have deprived persons like John McWethy of a chance to recover from work-related injuries and to lead a financially solvent life.)*



**Writing** is a four-step process for quadriplegic John McWethy. First, he must grasp the pen with his left hand, transfer it to his mouth and slip it through a ring on his right-hand splint. Once positioned, the splint converts wrist movements to the necessary grip. "I won't win any penmanship contests," he says.



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## First Wisconsin hearings

# Bar groups faulting no-fault

APPLETON, WI.—Numerous objections to no-fault auto insurance plans were raised at a hearing conducted here by the state senate committee on judiciary and insurance.

The hearing was the first of several to determine public sentiment on the seven no-fault insurance bills under consideration by the legislative committee.

Gerald Lorge, state senator, committee chairman, questioned the need for no-fault insurance. He said there seemed to be no compelling reason to change what he called Wisconsin's excellent auto insurance regulations.

Sen. Roger Murphy, a committee member, said: "I'm not convinced we need no-fault."

James Ghiardi, a law professor at Marquette University and a director of the recently formed Wisconsin No-Fault Insurance Co., Milwaukee, said he had no quarrel with no-fault insurance but urged that whatever plan finally is agreed upon permit law-

suits for damages in excess of the amount paid by the insurance company.

**MR. GHIARDI**, representing the Wisconsin State Bar Assn., said a plan proposed by that organization was superior because it would not deny a person the right to take a personal injury case to court. He also said the proposal recommended by the governor's task force on no-fault insurance would be detrimental because of its threshold clause.

This provision means nobody could sue for medical expenses unless they exceeded \$1,000. Property damage claims would be handled under the existing system of determining who was at fault.

Sen. William Bablitch, another committee member, said he favored the threshold clause because it would hold down the administrative costs of answering lawsuits and provide adequate compensation for persons seri-

ously injured.

Other criticisms of no-fault insurance included doubts it would alleviate court dockets, wouldn't necessarily assure prompt payments of benefits, nor would it reduce premium costs and wouldn't readily cut down administrative overhead expenses.

Allen Gruenisen, vice president of American Family Mutual

Insurance Co., Madison, said he favored the task force's recommendations which are designed to reduce the cost of insurance and increase benefits.

W. S. Durkin, representing the Wisconsin Insurance Alliance, presented a position paper which stated that no-fault insurance was "an idea whose time has come." He opposed the bar association's plan, saying it probably would increase premium costs because of a provision requiring personal injury coverage of \$3,000. He and Mr. Bablitch criticized the bar association bill for having no rehabilitation or survivor benefits unless purchased under higher

premium rates.

Deploring the bar association bill in an earlier statement, Mr. Bablitch branded it as a hoax which uses the no-fault label "in an effort to sell a bill of goods to an awaiting public."

**SAYING** it was difficult to be proud of his membership in the State Bar Assn. while it proposed a no-fault bill which would do little if anything to improve the present system of compensation, Mr. Bablitch charged that some lawyers opposed the threshold concept because it might mean a reduction of their income. ■

## Builder's fiddling, yeshiva sues

HARTFORD—The Yeshiva of Hartford, a Jewish religious educational facility, has filed a \$1.4 million suit in Hartford County superior court against the builders of its new school in suburban Bloomfield, claiming the work was "completely inadequate, incompetent and excessively costly."

The court action names Colony Construction Co. Inc. of Hartford, and Gerald N. Sciarra and Fred Gordon, both of West Hartford, who control Colony Construction, as defendants, and also names Maryland Casualty Insurance Co.

of Baltimore, which wrote a performance bond on the job.

The suit charges a new contractor has been hired to finish the work on the school. The project was originally scheduled for completion in September, 1972.

It was alleged a contract was signed on Nov. 10, 1971, specifying Colony as general contractor for \$850,000.

In March, 1972, the suit says, Colony asked for a time extension until Aug. 1, 1973, which was given after Colony agreed to pay \$10,000 towards interim expenses for the school. The \$10,000

has not been paid, it is claimed.

The Yeshiva charges last summer "the progress of construction, the management . . . of construction, and the methods used by Colony, Sciarra and Gordon were found to be completely inadequate, incompetent, and excessively costly," and by last fall, Yeshiva realized Colony could not do the job for \$850,000.

Last November, Colony asked the Yeshiva to raise the cost to \$1,493,000, it is claimed. By that point, according to the Yeshiva, Colony had been paid \$352,777 towards construction. ■



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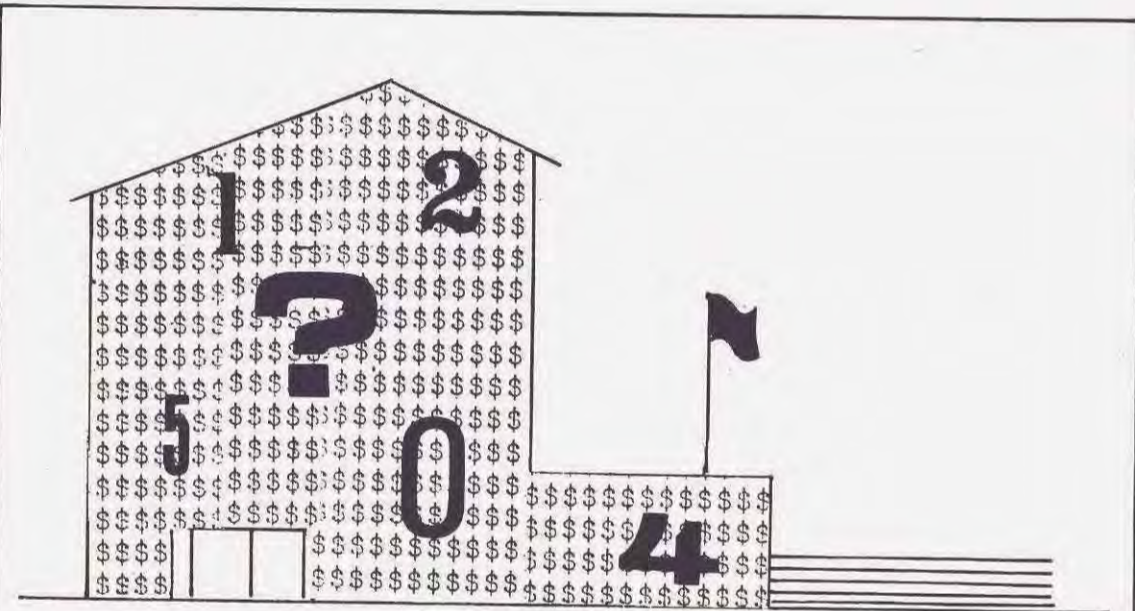
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- Evaluate financial aspects of program
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# Woodcock asks sound base for UAW benefits

By TOM WALSH

DETROIT—While promising that the United Auto Workers union push for wage improvements in upcoming contract talks "will not be bound by any set figure dreamed up in back rooms," Leonard Woodcock, union president, said settlements with General Motors, Ford and Chrysler can only come about "after a great deal of work has been done in the technical areas of pensions and insurance."

Contracts affecting some 800,000 autoworkers expire at midnight, Sept. 14, and the union gathered more than 3,000 delegates in Detroit late last month at a special collective bargaining convention to discuss contract demands. After two days of debate, the delegates voted overwhelmingly to support the union's collective bargaining program and the varied collection of demands it contains.

Termed by Mr. Woodcock as "the general policy of this union as it enters negotiations," the program asks for voluntary overtime; the right to strike over health and safety issues; retirement after 30 years of service regardless of age for production workers with an increase in monthly benefits from \$500 to \$650; retirement after 25 years of service regardless of age for 140,000 forge and foundry workers with increased benefits; prepaid family dental care; joint ad-

ministration of group life, sickness and accident and extended disability insurance programs; prepaid eye care and physician's outpatient services; use of pension funds for mortgage loans and "socially useful purposes" plus other fringe measures.

Mr. Woodcock also made it clear the union will demand an industry-wide pension reinsur-

**Other stories covering the United Auto Workers convention, as reported by Business Insurance associate editor Tom Walsh, appear on pages 90, 92 and 93.**

ance fund to insure UAW pension benefits if the Williams-Javits bill fails to survive Congressional approval.

**THE ISSUE** most likely to lead to serious dispute between the union and the automakers is voluntary overtime. Workers at the Big Three auto plants now must work as many overtime hours as management production demands require, and a GM executive recently told the UAW that, if it is serious about pressing the issue, the two factions are on a "collision course."

"This convention has got to say to General Motors and to Ford and to Chrysler, 'If we are on a collision course on this question, then so be it,'" Mr. Woodcock said. "I am saying to them on the 22nd of March, you have got six months, a little less than six

months, to figure a way out because we are deadly serious about this matter."

Tying voluntary overtime to the issue of safety, Mr. Woodcock said "bone-tired individuals forced to work long, long hours" are more prone to accidents and produce cars of substandard quality.

"The American Motors Corp. builds cars with voluntary overtime. The International Harvester Co. builds trucks with voluntary overtime," he noted. "And here is where we have an obligation to the family, to the well-being of children."

While commending the theory behind the Occupational Safety and Health Administration, Mr. Woodcock criticized its lack of size and warned management that if the federal job protection force didn't begin having a greater impact on worker safety, the union will take safety measures into its own hands.

"**STRONG** implementation of a good law, the Occupational Safety and Health Act of 1970, can help relieve a sore problem," he said. "But, there are only, for example, 50 industrial hygienists on the federal payroll, which is one industrial hygienist for every million workers in the United States."

In stressing the need for further union-management experimentation in the job enrichment field, Mr. Woodcock said a neces-

sary first step would be "a much stronger in-plant presence on health and safety measures."

"Safety and health plans must be jointly administered," he said. "It is not a matter—it can no longer be a matter—for unilater-

al management determination. The union must be able to function at the workplace through its own, trained personnel. There must be a way provided to shut down unsafe operations pending

*Continued on following page*

## Pension reinsurance push sought

DETROIT—United Auto Workers President Leonard Woodcock has warned the nation's automakers that failure to support the Williams-Javits bill for pension reinsurance will result in a union push for an industry-wide pension reinsurance fund to underwrite UAW pension plans.

"Pension reinsurance is a sound device which would bring security to thousands of workers who have given a lifetime of work to a given employer," Mr. Woodcock said. "Here, the companies are silent. We want a strong push for S-4, the Williams-Javits bill, now pending before the Senate of the United States."

"In this regard, I would like to say that we have a pension reinsurance problem because no pension plan we have is at any given point in time fully funded," he said. "The General Motors plan, as of this minute, the Ford plan, as of this minute, huge as are the sums in those funds, have less than half of the necessary money to pay off the benefits now prescribed by those agreements."

"When this year we add new benefits, as we will, to the pension program, then those new benefits, as far as their past service cost is concerned, will be paid off over a term of the next 30 years. And where the General Motors plan, for example, is now 48% mature, when those new benefits are added, that 48% will sink substantially. So, the question is a very real one."

"**IT IS** true, as the administration has said, that not many pension plans fold up at any given period. They use that excuse to say nothing should be done," Mr. Woodcock charged. "But pension reinsurance is exactly like the guarantee of bank accounts, whether savings accounts or checking accounts or whatever. That system works. The Federal Deposit Insurance Corporation system works precisely because

at any given point there are not many banks that are in trouble.

"The same thing, then, is true in the pension reinsurance field," he said. "By a small tax on the existing funds we can guarantee and underwrite the benefits of all funds, so that if workers are abandoned by their companies, at least they will get the pension benefits for which they have paid and on which they are counting."

Union records show that some 99 UAW pension plans have been terminated between 1958 and 1968. Of 40 plans reviewed in a

special study, 39% of the 25,254 workers covered received no benefits, 73.4% received no benefits or less than full benefits and 26.6%, mostly retired workers or those eligible for retirement, received full benefits.

UAW members in the parts industry are the most vulnerable, experience has shown, to pension plan failures, and representatives from this sector of the union presented adamant demands that pension guarantees be the top priority in the upcoming talks.

*Continued on page 93*

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# Fringes . . .

Continued from preceding page

their correction. These are matters of simple human rights which must be strongly implemented."

In the 1970 negotiations, the UAW won the right for workers to retire after 30 years service at age 56 with \$500 monthly pensions. This year, the union is seeking an elimination of the age requirement and an increase in benefits to \$650. For some 140,000 forge and foundry workers, the union will seek retirement options after 25 years of service, a demand not originally in the bargaining program but added due to delegate support. The forge and foundry workers, the delegates told Mr. Woodcock, deserved a better option because

many, they claimed, didn't survive 30 years.

Prioritywise, Mr. Woodcock said, "30-and-Out must be brought all the way up to \$650. The deficiencies in the present program, whereby the basic pension benefit is reduced and whereby, because of the operation of the system, the Social Security benefit for the individual is shortchanged, must be remedied. A retiring worker is entitled to stability of income."

Since the last contract with the Big Three was settled, he noted, the Supreme Court ruled bargaining for benefits for retired workers is not mandatory. The union, however, will continue to fight for benefits of its retirees.

"Over the years we have developed, I think, nine classes of retirees by benefit amounts depending upon the date of the retirement of the individual. The

further back the individual retired, the lower is his total pension. Obviously, we have got to move toward equalizing these benefits. When that job is done, then we must tackle the question of increases across the board."

Effective July 1, 1971, the UAW won a prepaid dental care package from International Harvester which provided no deductible; 100% of the cost of "reasonable and customary" oral exams; 75% of the cost of fillings, x-rays, extractions and anesthetics used; 50% of the cost of dentures, and an allowance for a maximum benefit of \$750 per year per family.

"A FAMILY dental plan is a very top priority in health care," Mr. Woodcock said. "It is time the automakers woke up."

Although he played up profit sharing as a possible demand in an earlier convention, Mr. Woodcock now termed it a "question which is beyond the basic demands we are making. But," he said, "it is a very sensible mechanism to some very sensible things."

He told the convention several hundred GM executives had recently split among themselves \$101 million in a profit-sharing plan. "Had that \$101 million been paid out to all GM hourly-rated workers, this would have been the equivalent of 11 cents per hour. But, instead, a few hundred with already big salaries get that \$101 million."

## Foundry retirees like 'last man' club

DETROIT—Last December, when a United Auto Workers local threw what it had planned to be the first annual Christmas party for retired forge and foundry workers, hardly anybody showed up.

Most were dead.

"I was surprised at the small number of persons who turned out, and I was surprised that those who did were in a younger age category than the normal retiree," the local's president said. "And it became very evident to me that the reason for the low attendance was that not too many forge and foundry workers are surviving the retirement age. Those who do survive are being forced out at an early age due to disability or are not in good health when they retire."

While the majority of the 800,000 workers affected by the upcoming contract talks with the Big Three automakers are content for pushing for retirement with full benefits after 30 years of service, the union's 140,000 workers whose jobs surround them with intense heat and smoke want out after 25 years. They found support last month at the UAW's special convention, and their demand was added at the last minute to the union's basic contract demands.

"I WORK at a plant where we produce 90% of the railroad locomotives used throughout the world," one worker said. "I'm a welder, and I get down under the hood and work for a half-hour at a time. When I raise that hood, I'm eating more smoke, carbon and dirt than any other worker in any factory today. I consider my job the most hazardous to the health in the U.S. The smoke, fumes, dirt, grime and noise in our plants is simply physically overwhelming us."

Why does he put up with it?

"I got a family to feed."

The union now has promised to push for six years of pension credit for five years service for the 140,000 workers and has also threatened to shut down any operation it deems unsafe.

"In order for my job to be safe," the burly welder said, "I'd need either a spacesuit or an aqua lung."



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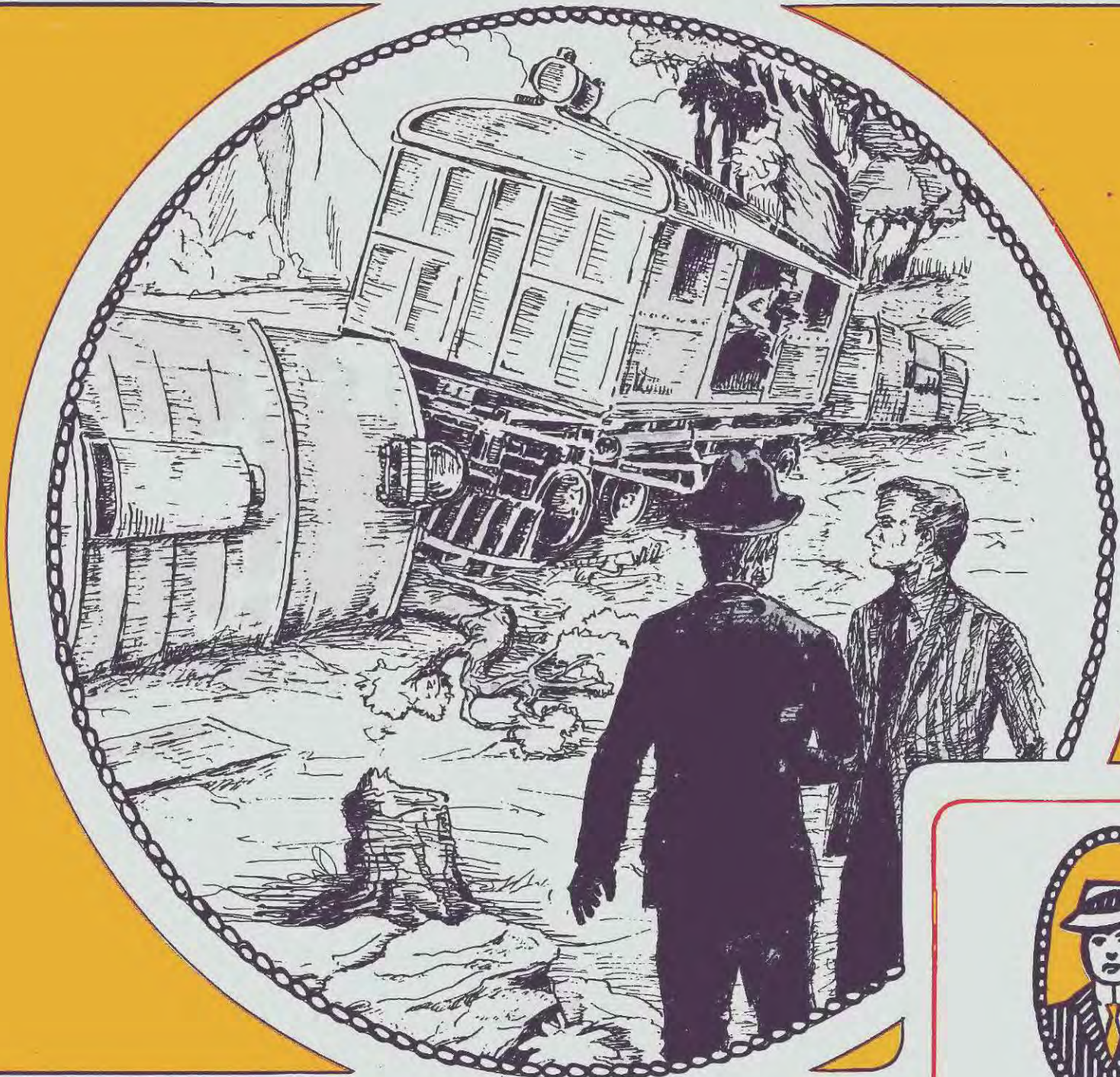
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The train shuddered to a halt. Tom Swift and his friend, Ned Newton stared at the lightning-shattered tree trunks.

"This is the worst weather I've ever seen," said Tom stormily. "We must clear the tracks."

He glanced at the men climbing off the cars. "Some of the boys may be hurt," he winced. "Good thing we have Midland's Workmen's Compensation coverage," he observed protectively.

"First thing we got after we started this Short Line," replied Ned. "Midland did such a great job for our trucking, maritime and fast-food operations," agreed Tom comprehensively. "It figures they would know all the angles here too," he concluded acutely. "They even took care of our Property coverage," he went on expansively. "But let's clear the tracks. The weather is acting up," he said dramatically.

"Those trees weren't so heavy," said Tom lightly once the job was done. "Now we must tally up the damage,"

he said appraisingly, "and get in touch with Midland right away."

"Don't tell me they have squads of reps out here?" asked Ned rightly. "No. There's no safety in misplaced numbers," replied Tom tellingly. "What we need is help from very few, very expert generals. Not a legion of spear carriers like the other companies have," he said pointedly.

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Leonard Woodcock addresses the 3,000 delegates to the United Auto Workers' special collective bargaining convention on contract demands.

## Union rank and file wants voice in expediting its medical claims

DETROIT—It had been a long drive for Dick Rumkowski from Toledo to Detroit, and it had been a two-day wait for the debate on the United Auto Workers contract proposals to meander through the convention hall to his region. But he finally had his say, and his complaint was not unlike others which had surfaced in the days of discussion:

Workers want a voice in okaying sickness and accident claims.

Group life and sickness/accident insurance are paid for and administered entirely by the automakers and their carriers, and the 3,000 convention delegates made it quite clear they were tired of being at the mercy of

management's red tape. As a unit chairman at the Dana Corp., a major producer of truck transmissions, Mr. Rumkowski was responsible to some 2,000 workers. He claimed to have seen many cases where payment to his unit's members had been delayed by administrative tactics he considers ridiculous.

"When we negotiate in the contract with the company, we state that a man has the right, if he has a proper release from a doctor, that for the amount of time he is off he will receive benefits," Mr. Rumkowski explained. "We've had guys—even with open heart surgery—who, after 30 days, will get a letter

from the carrier saying that they want to reaffirm that the man is continuing on sick leave. Here's a guy where it's understandable that he's got a heart problem.

"OR, MAYBE it's a simple thing—say a broken leg—and the man puts in for 45 or 60 days sick leave," he said. "After 30 days he'll get this letter asking the doctor to reaffirm that he should be on for an additional 15 or 30 days. Fine. But you can't get to your doctor. You call your doctor—and this has happened time and time again—and the doctor says, 'Look, you're not that serious. I know your problem. I'll see you in a few weeks.' You say, 'Hey, that's my money,' and he says, 'Well, that may be your money, but I don't have the time. These guys can't even get in to see their doctors, and their checks are held up.

"After they finally get in—two weeks later—they can get the slip, send it to New York to Metropolitan, and they send it back. It's six weeks before the man collects another check."

What can be done to speed things up?

"Well," he said, "The company, as long as it has people right there who work in insurance, could call the doctor and say, 'Hey, this guy has a problem, he needs to be extended and how about helping us out?' They (the company) could pay us and later be reimbursed by the insurance company.

"IF THEY (the UAW leadership) would only give us a crack at negotiating with the carrier at least or make the company responsible for what the carrier says . . . The company should be able to tell the carrier that, if it can contact the physician and get a verbal confirmation, then the worker is all set."

Mr. Rumkowski's complaints came not in protest to the union's proposals for improvements in the sickness and accident area, but as examples of why improvements need to be won. The resolution committee—among the 800 resolutions submitted from the rank and file membership—received many similar complaints and drafted a proposal which very clearly states that the union will negotiate this year for joint administration of sickness and accident benefits.

"In the last few years, (worker) access to benefits rightly theirs by contract, has often been denied by a corporation-insurance company administration which is more concerned with dollars than with need and equity," the resolution reads in part. "The UAW does not wish to support insurance claims without merit. However, too many with merit are being delayed and rejected. In 1973, we must negotiate for joint administration of group life, sickness and accident, and extended disability benefits with an arbitration procedure to resolve disputed claims promptly.

"We shall insist that increases be made in group life, sickness and accident and extended disability benefits to reflect not only base rate wage increases, but, in addition, cost of living adjustment."

For Dick Rumkowski and the other delegates who came to Detroit to protest the red tape that had tied up their sickness and accident benefits, the ride home seemed a lot less long. ■

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# labor beat

## UAW repays 'premium' property strike loan

By TOM WALSH

DETROIT—The United Auto Workers union has now regained ownership of its Solidarity House headquarters and other properties it "sold" to the Teamsters for \$25 million in 1970 to help finance the UAW's 67-day strike against General Motors and pay insurance premiums for UAW members.

"In General Motors and in Ford and Chrysler, when an individual is absent for the whole month, he or she is responsible for payment of insurance premiums or (the insurance) gets cancelled out," UAW President Leonard Woodcock explained. "When we have a strike—and this was particularly true when we had single plant strikes—we say to the companies, 'You pay the premiums so that our people are protected and we will reimburse you for those premiums after you have paid them.'"

UAW workers struck the GM operation on September 14, 1970, so premium payments for the month of September were assured. But, when October came and quickly went without any settlement of the dispute, GM contacted the UAW leadership, Mr. Woodcock said, and asked the union "to sign the normal instrument whereby you guarantee to reimburse us for the insur-

ance premiums." The UAW signed.

In late October, the union held a convention and pledged to the strikers that it would use what funds it had left to pay weekly strike benefits. GM, the union leaders vowed, could simply wait for its reimbursement. GM re-



sponded by saying it wanted its money immediately.

"WE HAD taken all the money on hand and sent it out to all the centers where the strike was continuing," Mr. Woodcock recalled. "So, we didn't have any money. We didn't even have any property because we had loaned Solidarity House and Black Link and the Miller Retiree Building to the Teamsters for \$25 million."

But GM wanted its \$32 million and wanted it right away.

"Well," Mr. Woodcock said, "I said, 'We don't have any money and we don't have any property. What are you going to do about it?'"

There wasn't much GM could do about it, but the world's largest auto maker and the UAW subsequently entered into an agreement specifying that the UAW would pay the prime rate of interest on the insurance premium loan.

By the time the strike ended, the UAW was almost \$80 million in debt. Today it only owes an estimated \$5 million, and, in the event of a strike over current contract demands, the union estimates it could generate another \$80 million

\* \* \*

**WHILE THE** majority of UAW brass was huddling with the rank and file in Cobo Hall over upcoming contract demands, Tony Connole, an administrative assistant to UAW vp Douglas Fraser, was across town protesting a proposed increase in Michigan Blue Cross-Blue Shield rates.

Testifying at a two-hour hearing before Russell E. VanHooser, Michigan insurance commissioner, Mr. Connole attacked the proposed 7.69% increase sought by Blue Shield and the 9.61% increase sought by Blue Cross as being unsubstantiated.

"These proposals should be postponed," Mr. Connole said, "until a full explanation with supporting documentation is made available to the public for the proposed increases."

### Agreement reached.

Alexander Ellis Jr., president of Fairfield & Ellis Inc., a Boston-based international insurance broker, has announced it has negotiated through its Montreal affiliate, Fairfield & Ellis Ltd. with Dale and Company Ltd., a Canadian broker, for co-operative service of the Fairfield & Ellis U.S.-related Canadian business. Fairfield & Ellis will remain responsible for these accounts.

Mr. Connole criticized the giant health insurers for their failure to provide facts and figures to show that increases in Michigan are warranted by increases in hospital and doctor charges for services.

"THE FAILURE to make such information available so that the public can react on the basis of informed judgement is essentially the fault of the Blues," he charged. "But the insurance bureau as well must share responsibility here, unless it intends to turn such hearings into merely annual rituals, offering no real opportunity for public scrutiny of the stewardship of these major agencies in our state."

In a prepared statement, the UAW singled out Blue Cross-Blue Shield for increasing premium rates "far ahead of inflation and the general economy" and said union members are "frightened and angry with the never-ending escalation in medical care prices and insurance premiums."

Paul Piellusch, a senior Blue Shield vp, defended the proposed increases as necessary due to "increased utilization of benefits by our membership."

"In the period from January, 1971, to June, 1972, overall utilization of benefits increased by 10.98% on an annual basis," he said, claiming that actuaries had recommended a 12% annual increase and that the proposed increase would result in a loss of \$12.35 million.

"Because of our present finan-

cial condition, we feel we can absorb such a loss," he asserted.

Commissioner VanHooser postponed a ruling on the increases, promising review of the testimony and a reauditing of the Blue Cross-Blue Shield requests. The insurance bureau's decision on the proposals should come sometime late this month, he said. ■

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## Pension . . .

Continued from page 89

Some delegates to the convention suggested adoption of a plan which allows for portable pension credits between UAW shops, thereby allowing workers increased job mobility without losing pension security. Such a program, some delegates claimed, would also aid the union in organization.

"What person would hesitate to join this union if, in joining, they would be protected by a UAW pension plan," one delegate asked Mr. Woodcock.

The UAW president said he is awaiting a verdict on the Williams-Javits bill from the Senate before pushing for industry guarantees. His announcement of such a plan at the convention was the union's first indication to the automakers that the union considered such reinsurance a serious item of negotiation, and, he said, he has had no indication just how the automakers will respond to the concept of pension reinsurance. ■



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# Massachusetts okays mass merchandising

BOSTON—The Travelers Indemnity Co. of America, one of the Travelers Cos., has pioneered mass marketing in the state of Massachusetts, it was revealed here late this month when Insurance Commissioner John G. Ryan approved the insurer's plan to sell group auto insurance at low costs. Immediately thereafter, the company was given permission to mass market life insurance.

Commissioner Ryan took the action in spite of strong opposition from producers and mutual companies, which had contended that legislative authority was needed for approval of the mass-selling technique. The commissioner felt that nothing in the state's present law prohibited mass marketing, though he has unsuccessfully sought legislative approval.

Legislation specifically permitting utilization of the type of selling here has been defeated in the legislature several times over the past few years.

A spokesman for Travelers told *Business Insurance* that "the original filing was for auto insurance only but we have now received approval to mass market life insurance and the filing for homeowners is in. "We're keeping our fingers crossed."

**THE COMPANY** had "a couple" of customers for the payroll deducted coverage waiting in the wings but, according to the spokesman, "Our only real plan of attack is to move as aggressively as we possibly can now that the door is open."

The approved auto plan mandates reductions of 4% on compulsory coverage, 11% on other liability exposures and 16% on collision coverage. The reduction plan will be available to anyone insuring with Travelers, not just employe groups.

Noting that the reductions were based directly on insurer paid commissions, Commissioner Ryan said, "Commissions to agents are peculiarly subject to the control of companies in that they are a matter of private contract between companies and agents willing to serve them.

"A reduction in charges to the buyer," he continued, "based directly on reduction in commissions paid to an agent is an exact reflection in charges to the con-

sumers."

The state's insurance regulator pointed out in his decision that there was no reason to doubt that Travelers would use "normal underwriting standards." He also felt that "cream-skimming"

would be difficult because Massachusetts closely regulates the refusal of coverage.

The Travelers man indicated that the huge insurer was now mass marketing coverages in 48 states.

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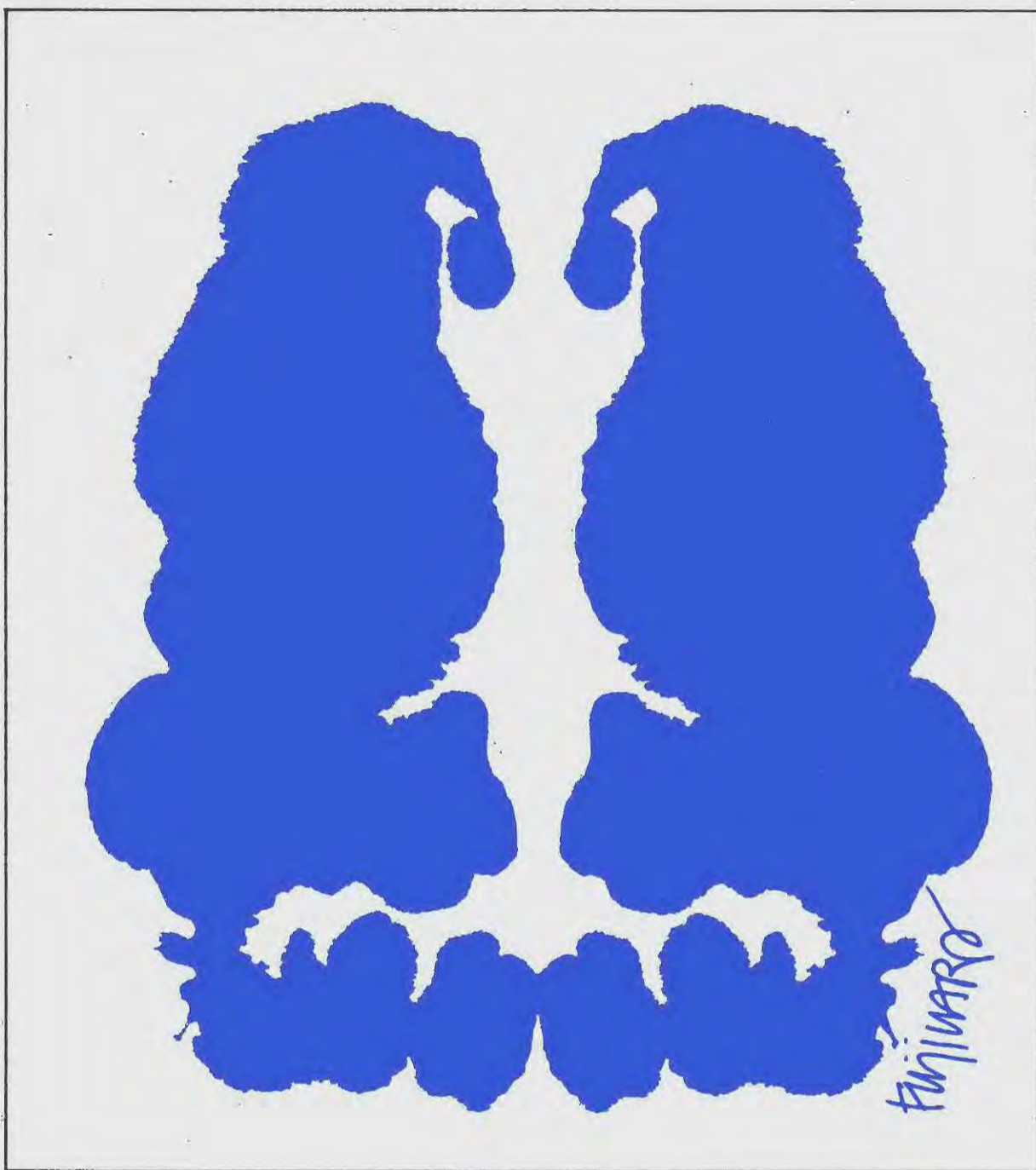
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