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business insurance

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

SOUTHEAST

Air group, London hold Boston jet's crash cover

BOSTON—United States Aircraft Insurance Group has 25% of the hull and liability cover on the Delta Air Lines DC-9 that crashed late last month at Logan International Airport here killing all but one of the 89 persons on board. The remaining coverage is vertically placed in the London market, aviation sources have concurred.

Loss estimates range between \$12 million and \$25 million, according to one knowledgeable industry expert. While he said it would be impossible to pinpoint the extent of liability, he noted hull cover "is adequate for the accident." Presumably, the limits would be in the \$2.5 million range, the approximate value of a Douglas DC-9.

LIABILITY will be trickier to settle because of complications of a Massachusetts statute which limits liability in the event of "wrongful death." A similar statute exists in New Hampshire, the residence of some of the crash victims. The source indicated there would be some question as



Firemen sift through wreckage of Delta Air Lines DC-9 at Boston's Logan International Airport. —Wide World photo

to the extent the Massachusetts statute might apply to non-residents.

The crack-up was the first Delta crash in more than 20 years involving fatalities for one of the airline's scheduled passenger flights. The pilot, landing by instruments in a heavy fog, slammed into a three-foot high seawall about 800 feet from the foot of the runway. The impact was so great the jetliner almost totally disintegrated.

The National Transportation Safety Board is conducting an in-

vestigation into the cause of the wreckage. John H. Reed, head of the agency, said his group was "most impatient" to see a federal rule requiring planes to carry a device which would set off a warning when a plane became dangerously close to the ground.

"We have just gone over our statistics and they show that over the past five years about 46% of airline crashes occurred in the approach-and-landing phase of the flight," Mr. Reed emphasized in calling for the use of ground proximity warning devices. ■

Senate's action on pension reform will begin Sept. 11

By TOM WALSH

WASHINGTON—After months of hassling between the Senate's labor and finance committees over various forms of pension reform legislation, the Senate will debate and vote on the Williams-Javits bill (S. 4) Sept. 11.

"When S. 4 is called up, there will be, no doubt, a move either to amend it or tack on the finance committee amendment," a labor committee source told *Business Insurance*. "When this happens, we'll either have a battle royal or harmony, sweetness, and light. Whatever happens will depend on how well we can work out the various lawyer-type reservations we have between now and then."

The major point of controversy, apparently, is establishing what department will have jurisdiction over pension plans. The Williams-Javits proposal, as an amendment to the welfare and pension plans disclosure act, asks that pension reforms be handled through an Office of Pensions and Welfare Plan Administration to be headed

by an assistant secretary of Labor. The finance committee, on the other hand, is drawing up its own proposals which are written to amend the Internal Revenue Service code and thereby place jurisdiction within an IRS-affiliated office of pension plan administration.

AS THINGS stand now, sources say, the final versions of the Senate bill—whatever that might be—will be tacked on as an amendment to a previously-passed House tax bill, thereby not allowing the House to vote on pension reform and provide only a chance to work out any difficulties in conference.

"There is a real danger the House might be upset that it wasn't given a chance to vote on a pension reform bill of its own," a Senate staffer said.

There have now been five House bills dealing with pension reform introduced, although two are now in the process of being consolidated into a single pro-

Continued on page 2

Energy no crisis to risk managers for time being

By PATRICK THOMAS

NEW YORK—From the corporate risk manager's point of view, the national energy crisis is, for the most part, a tempest in a Teapot Dome.

There are, of course, vehement exceptions to this bumper sticker kind of generality but when *Business Insurance* surveyed a number of risk managers from various industries around the country, their opinions seemed to indicate the popularity of two basic attitudes toward energy troubles—"leave it alone and it will go away" or "yes, there is a problem but it isn't mine."

Most of the risk men said their companies had experienced no problems due to energy shortages and the majority of them felt fairly certain there would be none in the future. And, for this reason, few of them were making plans. (See related editorial on page 16

and the Perspective section, page 33).

"We haven't been affected by the energy crisis at all," reported Charles Colbert, insurance manager at Denver & Rio Grande Railroad, though he acknowledged that the city of Denver was not the best place in the country in which to hurriedly search for an open gasoline filling station.

"**WE HAVE** direct lines to our suppliers," he continued. "Our storage capacity has been increased but that's not taken care of in this department."

Mr. Colbert, like the majority of the risk men queried, aimed most of his comments at the possibility of gasoline and other fuel shortages. On the whole, again with exceptions, electricity shortages were not even considered within the realm of possibility.

"No, I'm not worried about the energy crisis," said the risk man at a chemical firm. "We haven't been affected and I frankly haven't given it much thought. Granted, this is a potential can of worms, but it's human nature to think it will just go away. Perhaps I should be more involved, but I've been busy enough keeping up with the critical daily things. I've got to worry about fortuitous loss."

"**WE HAVEN'T** had any real problems," commented Ray Boettcher, risk manager for George A. Hormel & Co., Austin, Mn. Mr. Boettcher pointed out most of Hormel's plants were located in small cities and received power from local sources. "We manufacture our own steam. The boilers use fuel oil but our tanks are always filled."

"I haven't conversed with our engineers on this subject and I talk to them all the time," he continued.

"They are usually one step ahead of the game and the energy crisis has just never come up."

Then there is a group of risk men who have thought about it but have not become involved. The most common expression among this school is that the energy crisis is an operational problem more than a risk management one.

"We look to be affected by the energy crisis," noted Jack Christenson of Weyerhaeuser Co., Tacoma, Wa. "A study group has been appointed to meet the challenge. We will probably end up generating more of our own power but whatever we do, it will be a business decision by the operating group."

"The risk manager's office has not been affected too much," he said, adding that he did not want to get involved. "Sometimes you can muddy the water."

JOHN MURPHY, risk manager at Avis Rent-A-Car System Inc., voiced a similar, though stronger, opinion.

"We do consider this a problem but it is not the function of the insurance type," he stressed. "It is not insurable, it is not fundable. It is an operational problem. There is really only one risk manager at any company and that's the president. This company lives on gasoline and therefore it is far too important for the insurance department to mess with."

Of all the risk men interviewed, only three had done anything active about the possibility of energy shortages.

In Atlanta, Robert Rich, corporate risk manager at Gold Kist Inc., took action even though his company has not yet felt the energy crisis shock waves.

"We anticipate problems in our processing oper-

Continued on page 40



Wide World photo

Pension bill begun by House members

WASHINGTON—Yet another pension reform bill has been introduced in the House by Reps. Lawrence G. Williams (R-Pa.) and John N. Erlenborn (R-Ill.).

Named the "Multiprotection of Employment Retirement Income and Trust Act (MERIT)," the bill would permit administrators of each private and public pension plan to choose one of three vesting plans it sets forth. The three options, Rep. Williams said, were written into the measure because single-employer plans, multi-employer plans and private and public plans cannot, he claims, be

regulated under the guidelines. Pension trustees, under the bill, could choose the following options: A graded 15-year vesting plan, which assures workers of 30% of pension rights after eight years' service, rising by 10% per year until 100% vesting is achieved after 15 years; a 10-year plan which requires full vesting after 10 years on the job or the "Rule of 50," whereby pension rights would be 50% vested when the worker's age plus service equal 50.

THE MERIT bill, its sponsors claim, would allow flexibility in

selection of a vesting standard, would retain pension plans in the private sector and would give federal protection through administration by the Secretary of Labor.

The bill also requires pension plan administrators to provide each worker who leaves his job a statement of his benefits and instructions detailing how they may be collected. The same data must also be given labor.

The bill is pending before the House committee on labor and education's labor subcommittee. ■

Group legal ready to sign

WASHINGTON—The House-Senate conference compromise on legislation allowing prepaid group legal services as a negotiable benefit has been delivered to the White House and is now "awaiting the President's action," *Business Insurance* was told.

The House passed its version of the legal services legislation in mid-June by a vote of 257 to 149. That bill included language requiring use of "open panel" legal programs, which provide participants the opportunity to choose any legal counsel they desire. The Senate version of the bill required "closed panel" plans which draw legal help from a predetermined panel of lawyers.

In conference, the two factions compromised to allow either plan.

The matter of whether employer contributions to such a fringe benefit will be considered tax-deductible was not resolved. ■

Senate vote . . .

Continued from page 1
posal.

The Williams-Javits bill survived the finance committee intact, although Sen. Russell B. Long (D-La.), the committee chairman, said the committee staff, with Treasury department help, will draft amendments.

THE MOST controversial amendments, sources predict, will be those dealing with tax reform elements. Differences between the labor and finance committee stipulations on vesting, funding and termination insurance are not major, and both sides seem optimistic about accommodations.

Some of the basic differences:

- Eligibility—W-J: One-year's service, age 25. Finance committee: one year's service, age 30.

- Vesting standards—W-J: 30% vesting after eight years with 10% vesting each year thereafter until full vesting is achieved after 15 years. Finance committee: 25% vesting after five years, 5% annual vesting for the next five years and 10% vesting for the following five years until full vesting after 15 years.

- Administration—W-J: an office within the Labor department to be known as the Office of Pension and Welfare Plan Administration. Finance committee: an office within the IRS to be known as the Office of Pension Plan Administration.

- Funding—W-J: 100% of the amount required to provide present and past service benefits with existing and new plans to be fully funded over a 30-year period, experience deficiency to be liquidated within five years except when the required amount exceeds the allowable tax deduction. Finance committee: payment of current or normal pension costs and the amortization over a 30-year period of unfunded accrued liabilities, without regard to whether such past service liabilities are vested or unvested; experience deficiencies to be liquidated over a period of 15 years or the average remaining working life of the covered employees, whichever is shorter.

- Portability—W-J: central

portability fund to be established and administered by the Secretary of Labor with voluntary participation by registered plans. Finance committee: central portability fund to be established and administered by a private corporation under the trusteeship of the Secretaries of Labor, Commerce, and Treasury, with Treasury being the managing trustee.

- Termination insurance—W-J: funded by a percentage of unfunded vested liability, maximum rate for the first three years of 0.2% for multi-employer plans or 0.4% for plans not meeting certain funding requirements or not in multi-employer plans categories; program to be administered by the Secretary of Labor. Finance committee: funded by a premium of 50 cents per pension plan participant insuring the vested benefits provided under the plans up to 50% of the average monthly wage in the last five years, but not more than \$750 per month; program to be administered in the same manner as central portability fund.

- Fiduciary standards—W-J: bill includes list of restrictions, limits investments in employer stock to 10% of assets in fund and prohibits persons from serving as fiduciary for five years after conviction and imprisonment for certain crimes. Finance committee: essentially the same provisions except for an imposition of excise taxes where there is a violation of the rules. ■



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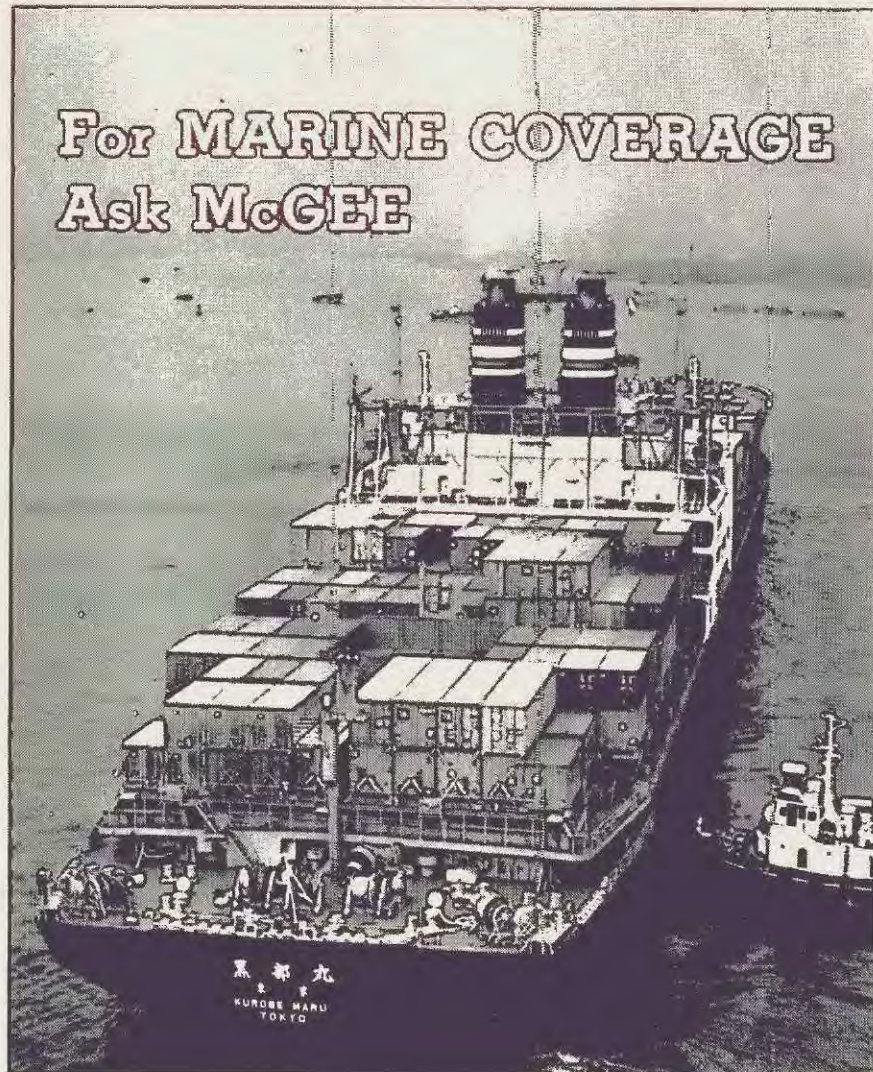
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Concert cover placed in Missouri

Rock promoters counting cash; Lester Seasongood counts sheep

By MARIE KRAKOWIECKI

WATKINS GLEN, N.Y.—As 600,000 elated young people churned in the mud here to the sounds of the largest rock festival ever held in the United States, Lester Seasongood couldn't sleep at his home in Missouri. It wasn't the music of the Grateful Dead, the Allman Brothers or The Band that kept Mr. Seasongood awake. It was the insurance coverage for the one-day concert he was concerned about. He placed it.

"I watched television all weekend to follow the Watkins Glen rock festival and see what kind of liability experience might pop up," confessed the broker, a senior vp at Lester Seasongood Insurance Consultants Inc., St. Louis, Mo. He told *Business Insurance* the \$1 million liability coverage was placed in layers, with Progressive American Insurance Co. of Florida writing

executive director of the Grand Prix Corp., helped pave the legal way for the concert and then asked Mr. Seasongood, broker for the racing events there, to handle the insurance.

"I USUALLY handle races, but for the concert there was only the human race to worry about," commented Mr. Seasongood. He pointed out when the coverage was being negotiated with the carriers no one expected the human liability to be as high as it was. Rock promoters Jim Koplick

and Shelley Finkel originally estimated the concert could accommodate 150,000. The record turnout of 600,000 exceeded even the celebrated Woodstock Festival in 1969 which saw some 400,000 gathered for the three day event.

The insurers of the event became understandably nervous when the huge numbers of people began doing things that looked like they might involve liability. A 35-year-old enthusiast died when he parachuted into the crowd holding lighted flares in his hand. The flares ignited his

clothing and he had burned to death by the time he hit the ground.

Mr. Seasongood noted the parachute death would not come under the liability policy because of its bizarre circumstances, but was indicative of the kind of totally unexpected behavior insurers are wary of at rock concerts.

"WE DIDN'T have any major experiences, but a lot of small claims came up," he said, noting it was this type of experience which is causing more and more special events carriers to shy away from covering rock concerts. The London market, it seems, is especially hesitant.

"I wouldn't have even offered this to London," Mr. Seasongood said, recalling how he placed the Watkins Glen cover. "Lloyds shies away from anything that has the tag 'rock concert' attached to it. And some insurers

are still trying to straighten up liability claims resulting from the Woodstock event in 1969."

One thing a broker or insurer can do before taking on a rock concert is to examine the experience record of the groups to be performing. Mr. Seasongood explained he carefully looked over the groups and had to satisfy himself they had "a good track record" before he placed coverage.

One thing rock concert coverage will probably not include is the clean-up task faced by the town after the rock fans move on. Mr. Seasongood said Watkins Glen was not covered under the policy for clean-up costs. Unfortunately, the small town was covered under multilayers of garbage once the guitar strains ended. But it was up to the town and the Grand Prix Corp. to face the music of the clean-up—not the insurers. ■



A few brave fans managed to escape the madding crowd at the Watkins Glen rock festival. American Insurance Co. of Florida carried the primary liability layer.—Wide World photo

primary coverage and American Home Assurance Co., New York, picking up the second layer.

Property damage was solely with American Home. The \$500,000 policy covered such esoteric materials as 1,000 portable toilets and 6,000 cases of soft drinks as well as the more standard protection of stages and audio equipment. A \$5,000 deductible was applicable.

Mr. Seasongood usually specializes in placing coverage for auto racing events, not rock concerts. He became involved with the "Summer Jam," as the festival was billed, through his association with the Grand Prix Corp. of Watkins Glen.

That corporation sponsors annual auto races at the Watkins Glen race track. Malcolm Currie,

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washington watch

Sen. Hart's pension bill seeks greater equity for job switchers

By TOM WALSH
Washington editor

WASHINGTON—With more than a little bit of help from consumer activist Ralph Nader, Sen. Philip A. Hart (D-Mi.) has introduced a pension reform bill designed, the Senator says, to allow all workers to participate in a pension plan, provide full equity for workers who frequently change jobs and disperse the size

of institutional investments fueled by pension funds.

As drafted by Mr. Nader and Karen W. Ferguson, an attorney with the Public Interest Research Group here, The Retirement Benefit Fund Act (S.2235) sets forth a pension program featuring long-term investment and low administrative costs, thereby allowing increases in the average amount of pension benefits paid without an increase in employer

costs and permitting smaller companies which do not now operate a pension fund because of the administrative costs to begin doing so.

The system provides that the Securities and Exchange Commission license a number of closely-regulated competitive funds, thereby allowing individual employees to select which fund will receive contributions. All contributions would be imme-

diately vested and fully funded, and benefits would grow with each contribution, irrespective of job changes.

The bill states contributions made both on the behalf of the employe and his or her spouse are tax-deductible, but the amount of contribution would be limited, thereby closing possible tax loopholes. Each employe would receive a "passbook" showing the total amount credited to his account and projecting annuities due at different retirement dates. A participant in such a plan could retire at any time, and payments would begin immediately, based on the size of his account and projected earnings.

FUND participants would have the power to vote for the fund's officers, but, to protect against domination by a few financial institutions, the Nader-Ferguson plan stipulates stiff requirements

on permissible affiliations of fund officers and directors. The bill also stipulates funds could be used to make investments in areas of long-range value to retirees.

At last count, there were some 10 pension reform bills facing Congress, but Sen. Hart, a co-sponsor of the S. 4 pension bill sponsored by Sens. Harrison Williams (D-N.J.) and Jacob Javits (R-N.Y.), said he was introducing his bill "not as a perfect piece of legislation, but as a vehicle for discussion on how best to move to a better pension system."

"There are controversial policy choices which need to be studied, the most important of which is whether the best route for the future lies toward a nationalized pension system rather than a private pension system," Sen. Hart said.

"IT IS my hope, then, that those who take the time to study this proposal will do so mindful of the two problems it seeks to answer—better pension payments for more people and dispersal of market power exercised by institutional investors fueled by pension funds."

The Senator said his first concern was seeing that a pension reform bill containing vesting and funding requirements and a federal pension reinsurance program be passed this year.

"Such provisions are needed," he said, "to protect the long-service employees covered by pension plans who will lose out because their employer shuts the plant gates, or because the pension plan goes broke, or because of unduly restrictive qualification requirements."

Although necessary, such pension reforms do not, he charged, cope with the problems of a mobile work force or provide pension plan opportunities to all workers.

"WE CAN'T get there" commented the Senator, "unless we come up with a system that insures an employe that he will benefit from every pension contribution made on his behalf."

The other pending pension reform bills, the Senator said, do not attempt to diminish the role pension funds are playing in the growing dominance by institutional investors in the nation's securities market.

"The dominant institutions tend to favor a few companies for understandable reasons," Sen. Hart said. "With individual investors leaving the market, the unfavored firms find it difficult to raise funds needed to compete. And pension plans reportedly are of the fastest growing sector of institutional investors."

The bill is now being reviewed by the Senate finance committee, and it is not expected to come up for a floor vote until the current dispute over the Williams-Javits bill has been resolved.

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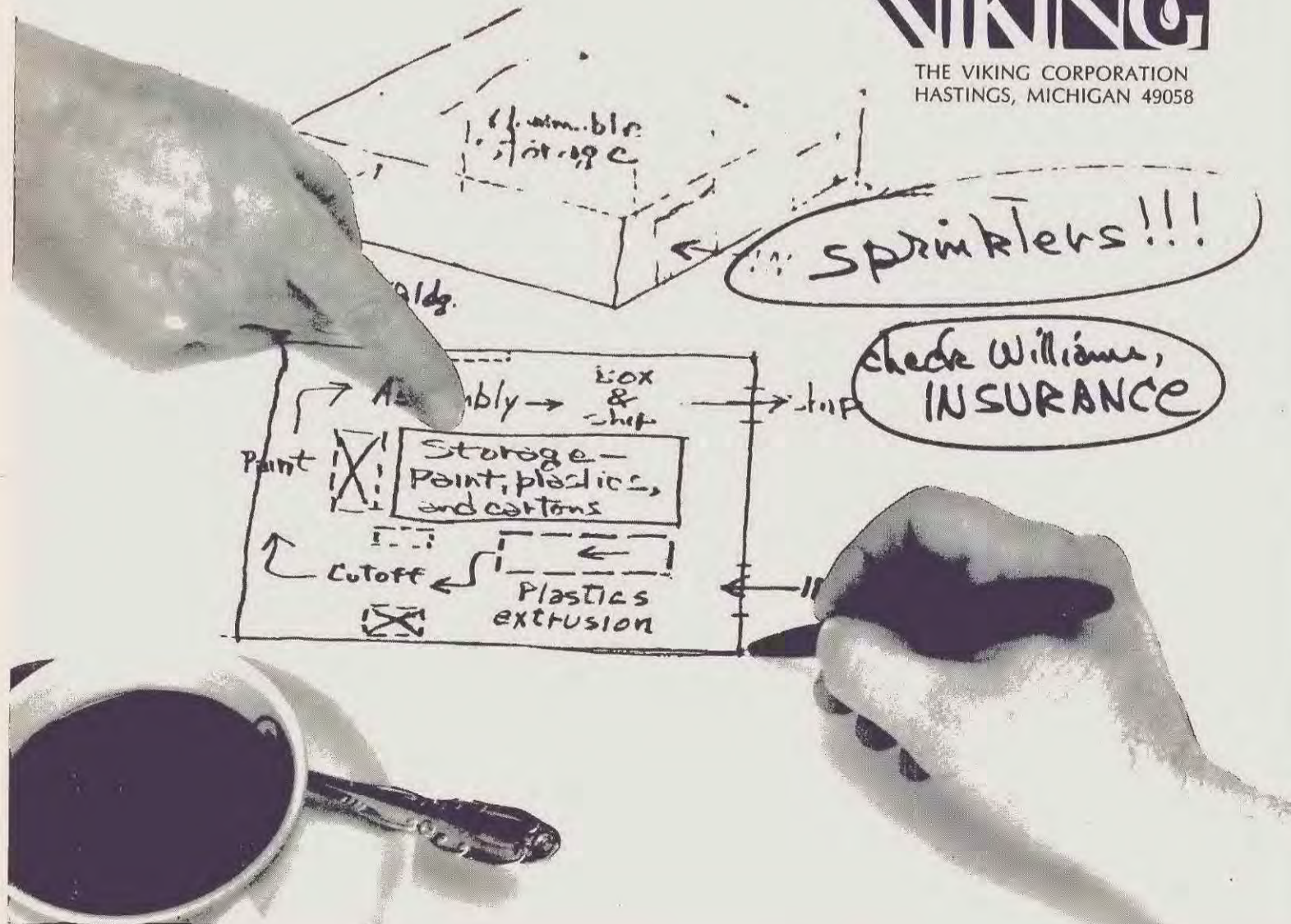
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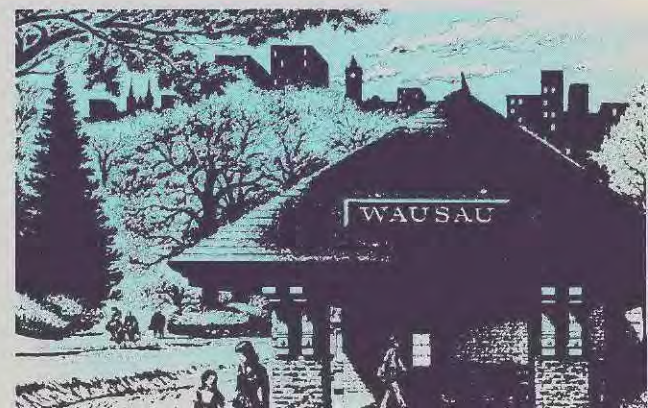
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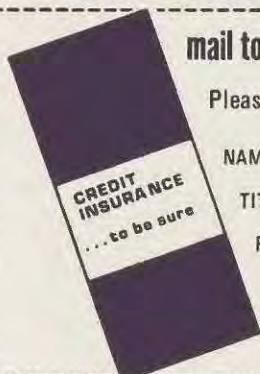
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• **What You Always Wanted to Know About Your E&O Exposure**, a booklet available from Employers Reinsurance Corp., deals with insurance agents and brokers vulnerability to errors, omissions and negligent acts. A free copy may be obtained by writing the company, P. O. Box 2088, Kansas City, Mo. 64142.

• **This is OSHA**, a U.S. Dept. of Labor film on job safety and health, is available on a free loan or purchase basis throughout the country. The 16mm color film reports progress in the agency's first two years and covers standards-setting, inspections, training and education, state programs and voluntary compliance. The film may be obtained by free loan from any of 27 film libraries of the Modern Talking Picture Service in 19 states and D.C. For additional information write the U.S. Dept. of Labor, Occupational Safety and Health Administration, Washington, D.C. 20210.

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

• **Business as Usual? Not Necessarily. Profits as Usual? Yes.** This new brochure, available from Commerce & Industry Insurance Co., outlines the advantages of three special forms of business interruption insurance developed for retailers, wholesalers and manufacturers. For a free copy write the company, Dept. 12, 102 Maiden Lane, New York, N.Y. 10038.

• Employers Insurance of Wausau has published a booklet, **Navigating OSHA With the Vital Few**, which explains how OSHA's unfamiliar waters can be sailed with the guidance of a reliable priority computerized system. For a free copy, write Roger Drayna, Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, WI. 54401.

• **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 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.

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

itt Associates, 102 Wilmot Rd., Deerfield, Il., 60015.

• **UK Medical Plans—Group Cover for Employees** is available from Marsh & McLennan Benefits International. It describes and analyzes the present UK medical situation, including the reasons that many employers are now adopting private medical plans in the UK. For a free copy write the company at 1221 Avenue of the Americas, New York, N.Y. 10020.

• A packet of risk management articles written by Felix Kloman, president of Risk Planning Group, have been made available to readers of *Business Insurance*. The articles discuss: Captive insurance companies, risk management administration and a risk management score sheet. For copies write the company, 24 Old Kings Hwy. S., Darien, Ct. 00820.

• The Overseas Private Investment Corp. has published a booklet on Yugoslavia and the opportunities it offers for new market development. Titled **A Profile of Yugoslavia for U.S. Investors**, the brochure sketches the nation's history, political organization, social structure and



geographical makeup. Subjects covered in the brochure include Yugoslav investment laws, transfer of profits, repatriation of investment and various management responsibilities and functions. For a copy write OPIC, 1129 20th St. N.W., Washington, D.C. 20527.

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

• **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.

• The complexities of coinsurance are explained in a General Adjustment Bureau folder called **Eight Facts About Coinsurance of Importance to You**. The booklet is free and may be had by writing Management Services, GAB, 123 William St., New York, N.Y.

• **No-Fault Auto Insurance**, a pamphlet issued by Royal-Globe Insurance Cos., is a concise description of what no-fault is and what it does. The pamphlet answers frequently asked questions about no-fault insurance and the present tort system. For free copies write Joseph Venturelli, Royal-Globe, 150 William St., New York, N.Y. 10038.

• **Six Services for Self-Insurers** was prepared by Underwriters Adjusting Co. for agents, brokers and corporate risk managers who are interested in self-insured programs. UAC's capabilities in the following categories are described: Workmen's compensation, transportation, automobile, general liability/casualty/bonding, property and dial-a-claim. For free copies write Robert L. Tatro, UAC, 224 S. Wacker Dr., Chicago, Ill. 60606.

• **A Report to Ship Operators** is issued by U.S.P.&I. Agency and describes a new approach to the settlement of marine protection and indemnity claims which results in lower costs and more realistic payments. For a free copy contact Marcel J. Koster, U.S.P.&I. Agency Inc., 59 John St., New York, N.Y. 10038.

• **Travel-Pak**, a brochure prepared by James W. Barrett Co. Inc., describes a personal effects and personal liability insurance plan conceived especially for Americans and third country nationals living outside their home country. Underwritten by Insurance Co. of North America, the plan also provides marine insurance coverage at no additional cost. For copies write the Manager, Internat'l. Programs, James W. Barrett Co. Inc., 1140 Connecticut Ave., NW, Washington D.C. 20036.

• Burns International Security Services Inc. has released **Complete Scope of Investigative Services**, a booklet summarizing the organization's full scope of investigative services, including laboratory capabilities. Insurance investigations are included. For a free copy write A. W. Burner, Burns, 320 Old Briarcliff Rd., Briarcliff Manor, N.Y. 10510.

• **Kota Kinabalu**, a booklet published by American International Underwriters, describes the insurance problems of Americans who have been transferred abroad, for instance, to Kota Kinabalu, Malaysia. The booklet goes on to describe an insurance program alternative for the company that has transferred such employees. For free copies contact John Phair, AIU, 102 Maiden Lane, New York, N.Y. 10005.

• **Small Talk**, a pamphlet prepared by State Mutual Life Assurance Co. of America describes the company's new group master pension plan. The plan is designed to meet the needs of the small employer group market and provides for three coverage options. For a free copy of the pamphlet write Group Marketing Division, State Mutual of America, 440 Lincoln St., Worcester, Ma. 01605.

• Sapperstein, Hochberg & Haberman Inc. has made available **The Need For a Public Insurance Adjuster**, an outline of what the function of a public insurance adjuster is, and also, a short history of the company. Included are commonly asked questions about public insurance adjusters and a typical operating procedure in the preparation of a claim. For a free copy write Edwin Hochberg, SH&H, 116 John St., New York, N.Y. 10038.

• **True Group Insurance Benefits For Small Employers**, a brochure from Gulf Life Insurance Co., describes a plan for groups of at least five but no more than 20 employees. In addition to general information the brochure includes a schedule of life benefits, optional health plans and special major medical benefits. Copies may be obtained by contacting Gene Vaden, Gulf Life Insurance Co., 1301 Gulf Life Dr., Jacksonville, Fl. 32207.

• The Metropolitan Life Insurance Co. is offering a free booklet entitled **Deferred Compensation—An Electronically Prepared Personal Illustration**. The publication illustrates and explains the cash flow to employers through a deferred compensation program funded with life insurance. For a copy, write Donald Shapiro, Metropolitan Life Insurance Co., 90 Park Ave., New York, N.Y., 10016.

\$10 million per plant

39 Canadian carriers organize factory pool

TORONTO—In a move to provide direct competition with the U.S.-originated Factory Mutual System, a pooling arrangement of 39 Canadian-based property and casualty stock insurance firms has been organized.

The new association will handle insurance for industrial properties with unit value of \$10 million or more.

Known as Canadian Industrial Risks Insurers (CIRI), the new organization at first will offer property damage and business interruption coverages on single-building industrial units.

The orbit of business activities

will include three provinces which have government insurance corporations—British Columbia, Manitoba and Saskatchewan.

DIRECT DAMAGE coverage in the industrial plant segment will be provided by CIRI, excepting property in the oil, gas and petrochemical risk divisions. It is estimated that this segment provides an annual premium market in Canada of around \$40 million.

CIRI is now in the initial stages of organization and is in touch with big brokerage firms to detail the scope of the new insur-

ance pool, according to R. A. Eima, CIRI chairman. The organization will get reinsurance support from the Factory Insurance Assn., the equivalent pooling group in the U.S.

Named underwriting manager of the pool is Harry Hougas, a former FIA senior official.

CIRI has retained the services of the engineering division of the Canadian Underwriters Assn. to provide inspection and engineering services.

In its program of offering big risk insurance, CIRI acts as a single underwriting agent for its 39 member firms. Each of these members is limited to 8% or less of the total sum insured.

Committed for about one-third of the total business written are these six firms: Aetna Casualty and Surety Co., Aetna Insurance Co., Fireman's Fund Insurance Co., Hartford Fire Insurance Co. of North America and Royal Insurance Group. ■

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labor beat

UMWA chief suggests lifetime pension benefits to halt red tape

By TOM WALSH

WASHINGTON—Arnold Miller, president of the United Mine Workers of America union, (UMWA) told a House general subcommittee on labor the red tape inherent in administering payments of black lung benefits could be eliminated by providing a lifetime pension to every unemployed miner who has reached age 50 and has worked 20 years in coal mining prior to Dec. 30, 1972.

Title IV of the Federal Coal Mine Health and Safety Act of 1969 established the benefits for miners suffering from pneumoconiosis, a respiratory disease contracted through inhalation of coal dust. The act also contains language which would transfer the administration of the health and safety program to the states on Jan. 1, 1974, from the Social Security Administration.

REP. Carl D. Perkins (D-Ky.), chairman of the House committee

on education and labor, has opposed such a transfer with a bill asking for a two-year extension of SSA authority over the plan. Mr. Miller and a group of overall-clad miners appeared at the subcommittee hearings to support continued federal jurisdiction and to ask Congress for a new and more liberal benefits program.

"The UMWA supports keeping the black lung program under federal jurisdiction permanently, with the establishment of a na-

tional black lung benefits fund similar to the Social Security trust fund," Mr. Miller told the handful of subcommittee members present. "The black lung benefits fund would be supported by payments from coal operators based on an experience-rated formula and be administered by the Social Security Administration."

NO STATE has yet met the minimum standards set forth by the Labor department for administering the black lung program on the state level, Mr. Miller said, noting that some blame must be taken by the Department of Labor.

"It might be argued," he added, "that the Department of Labor is partly at fault for lack of state compliance because it did not publish the federal standards for amending state compensation laws until March, 1971, leaving state legislators little time in

which to act. However, to place the black lung program into the state workmen's compensation system at this time would be detrimental to the disabled worker. In general, state compensation systems are a nightmare loaded at every turn with difficulty for the claimant—resulting in delays, limited and reduced payments and much frustration.

"The adversary system of handling workmen's compensation claims with the 'automatic employer protest,' numerical exemptions, a mixed bag of medical benefits, uneven and temporary and permanent total disability benefits, faulty appeals procedures, the method of financing compensation funds and the make-up of compensation boards often favoring the employer all contribute to dislike and distrust of state workmen's compensation systems by coal miners," the union president told the subcommittee.

Mr. Miller said the union is not happy with the way the Social Security Administration has administered the program, but, he said, the union "will continue to work for a more meaningful attitude by them in processing black lung claims.

"ONE VERY simple way to eliminate the red tape and remove most of the barriers against miners qualifying for Black Lung would be to provide that any miner who worked in the coal mines for 20 years before Dec. 30, 1972, and is now unable to obtain employment in the coal industry will be considered eligible to receive black lung benefits," Mr. Miller said. "Such a provision should also include an irrebuttable presumption that his inability to work arose out of such employment."

Citing what he termed "the horrendous record of fatalities and injuries" in coal mining, Mr. Miller claimed it was about time for miners to receive a substantial pension.

"I don't think it is unusual to urge as a matter of public policy that a coal miner who has worked 20 years in the mines and attained the age of 50 be granted a lifetime benefit or pension," Mr. Miller told the subcommittee. "Many responsible businesses commonly provide such benefits to their employes as a means of insuring job security, high morale and production efficiency and something an employe can count on as retirement income when his working days are over.

"AS YOU KNOW, the UMWA, though its welfare and retirement fund, has attempted to provide this security for the coal miner, but we have not as yet been able to award the miner sufficient benefits to meet reasonable cost-of-living requirements when he retires. And the fund can only financially assist the coal miner who meets the pension requirements of the fund with little in the way of medical and other benefits available to him.

"I would hope," he said, "that in the near future representatives of the coal industry, with a little help from Congress, will establish a benefit plan for employes giving them a retirement pension sufficient to meet their future financial and medical needs."

Rep. John H. Dent (D-Pa.), chairman of the subcommittee, made no direct comment on Mr. Miller's pension proposal, but simply thanked him for his testimony.

Addressing Mr. Miller, he commented, "I see very few differences between your aims and ours."

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Consolidated to cover Zeppelin hotel zap

NEW YORK—Consolidated Mutual Insurance Co., Brooklyn, is the insurer on the largest hotel cash robbery ever in New York City, *Business Insurance* has learned.

At the Drake Hotel here late last month, \$203,000 belonging to the British rock group, Led Zeppelin, mysteriously vanished from the hotel safe deposit box. The ensuing flurry left insurers, hotel officials and the performers themselves equally mum on the details cloaking the missing money.

Typical coverage for this kind of loss would be under a form of liability policy called innkeepers' cover, which a hotel would take to protect against losses of about \$1,000 for a single guest and between \$15,000 and \$25,000 for an aggregate loss. Many hotels also carry separate policies to protect against safe deposit box thefts such as the one that zapped the

The questionable circumstances surrounding the theft framed the caution of the official spokesmen.

Only two keys to the safe deposit box were held.

Zeppelin manager Robert Cole had one, while Drake Hotel management had the other. There were no signs of forced entry.

Mr. Cole reported the loss on the evening of the group's last concert at Madison Square Garden. They performed as scheduled without mentioning the loss to their audience. Then, in the whirlwind of reports surrounding the incident, Led Zeppelin hurriedly checked out of the Drake and flew back to England without comment. ■



Led Zeppelin's John Bonham

Zeppelin's receipts. Some hotel sources said limits for safe deposit box policies could range between \$25,000 and \$5 million.

The limits of the Drake policy with Consolidated Mutual are not clear yet. A Consolidated spokesman hedged questions on limits, citing the "attorney-client" relationship of the case, which he hinted might soon involve litigation.

NAMIA ups group life for members

WASHINGTON—The trustees of the National Assn. of Mutual Insurance Agents' group life and comprehensive medical program have increased certain of the plan's benefits and are said to be considering more changes.

Effective last month, group plan participants under age 40 saw their life insurance benefits increased with no corresponding jump in premium costs.

While group life benefits remained unchanged for enrollees over 40, those plan members between ages 30 and 39 received a benefit increase of 25% to a maximum of \$25,000 in coverage. At the same time, plan members under 30 received a 50% hike in benefits, up to a maximum of \$30,000.

Another change in the plan, underwritten by Metropolitan Life Insurance Co., which went into effect last month, guaranteed the continuation of medical care coverage for mentally or physically handicapped dependent children past the usual cutoff age of 23. ■

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Freeze blamed for health plan profits

By TOM WALSH
Washington editor

WASHINGTON—The Committee for National Health Insurance has asked President Nixon to roll back health insurance premiums under Phase IV because of windfall profits made by insurers during Phases II and III of the administration's economic stabilization program.

Leonard Woodcock, president of the United Auto Workers (UAW) union and chairman of the committee, late last month charged the six largest health insurers have "increased their net gain from group health operations to \$140.1 million last year from \$31.9 million in 1971—a 350% increase."

"One year ago," the UAW chieftain told a news conference,

"we warned that Phases I and II had created a windfall situation for health insurance carriers. We said the public would be fleeced of hundreds of millions of dollars unless the regulations were changed to end the favoritism toward insurance companies. The administration rejected our complaint and continued to permit outrageous increases in health insurance premiums under Phases II and III. After taxes, they (the six top carriers) converted a \$6 million loss in 1971 to an \$81.7 million gain in 1972—all at the expense of working men and women and the business community."

USING the net gain figures for the six largest health carriers, Mr. Woodcock warned the profits represent only the iceberg's tip.

"Hundreds of other insurance companies, writing individual policies as well as group, are sharing unreasonably healthy profits from the sick regulations," Mr. Woodcock said. "The level of profits is far beyond the previous records for the stockholder-owned companies. Aetna, for example, had anticipated \$15 million group health profits in 1972. In reality, its net gain after taxes was \$27.3 million.

Mr. Woodcock attributed the windfall to two factors, saying:

- "The cost assumptions used in determining the price of health insurance policies in 1971 and 1972 were inflated as a result of permissive regulations. The regulations permitted the setting of premiums at 62.5% of the previous year's rate of increase, while the rates of increase for

PROFITS OF HEALTH CARRIERS

Net Gain from Operations (\$millions)

	Before Taxes			After Taxes		
	1970	1971	1972	1970	1971	1972
Aetna Life	\$ 7.1	\$ 21.0	\$39.7	\$.7	\$ 13.2	\$27.3
Connecticut						
General	-31.4	- 2.4	20.9	-35.3	- 7.5	14.0
Equitable						
Life N.Y.	- 4.9	5.4	14.9	- 8.4	1.3	8.6
Metropolitan	- 9.7	- 4.3	25.0	-20.3	-13.1	13.0
Prudential	4.6	.2	6.2	1.3	- 4.3	1.6
Travelers	-18.9	12.0	33.4	-18.9	4.4	17.2
Totals	-53.2	31.9	140.1	-80.9	- 6.0	81.7

hospital and physician prices were cut back by more than 50%.

- "The high unemployment rates of 1971 and 1972 created an atmosphere of reluctance among marginally-employed workers to leave their jobs for elective surgery. Many workers who might have entered hospitals for this type of surgery did not do so in

1971 and 1972 for fear there would be no job waiting for them when they came out of the hospital. Hospital patient days per 1,000 population actually decreased from 1,198 in 1970 to 1,188 in 1971, to 1,174 in 1972."

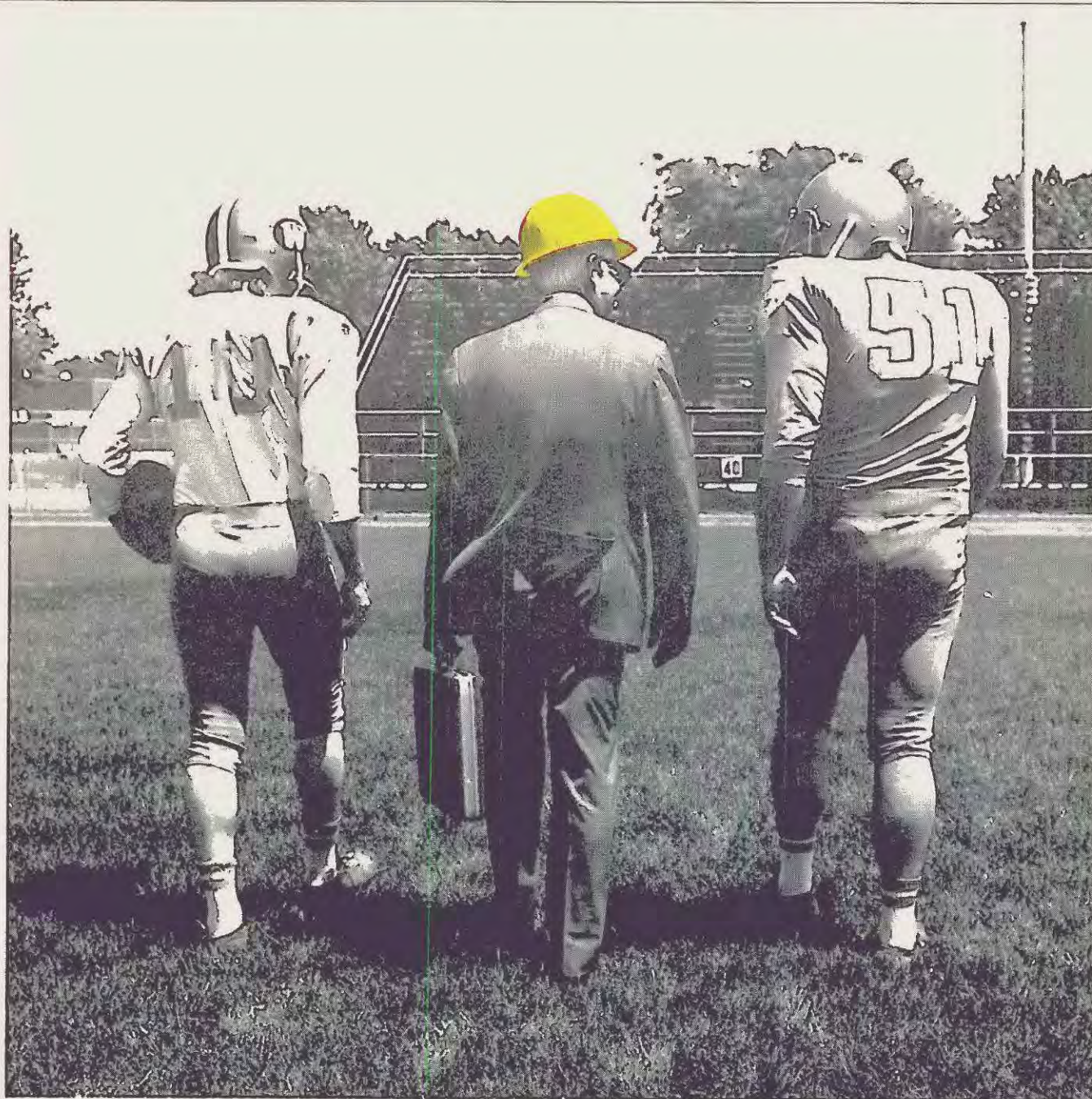
Mr. Woodcock attacked the Nixon administration's two national health insurance alternatives as sellouts to the insurance industry. The insurers, he said, have no incentive to hold health care costs down, for, the higher the costs, the greater the future premiums and resultant profits. The Nixon proposals, he claimed, "apply the same band-aids and patches to the problem and will only assure continued runaway inflation."

"PRICE CONTROLS will not control health care costs," Mr. Woodcock said. "The Cost of Living Council's own reports confirm that fact. While hospital charges and physician fees were reportedly held within the respective 6% and 2.5% increase guidelines, overall spending for health care increased 10.3% last year. Meanwhile, hospitals across the country are starved for necessary operating funds.

"If the administration is sincere about controlling health costs, it must deal not merely with symptoms, but with a creaky and ailing health care system," Mr. Woodcock said. "We urge the administration to go back and reconsider its position so that, when it does introduce a national health insurance bill, as promised in September, it will not merely pour more money into a wasteful and archaic system, but assure basic reforms that are vitally needed.

"The last thing we need is another plan developed for its salability to the insurance companies and the AMA," he said. "Instead, we urgently need a real health security plan that will work in the interests of the American people."

Mr. Woodcock's comments drew only an inquiry from a low-level White House staff member asking where the committee obtained statistics for the speech. ■



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Abortion policy protest

The Milwaukee Catholic Priest Senate, the official representative body of the archdiocese, has formally protested a Blue Shield policy of allowing payments of benefits for abortions. A resolution adopted by the senate states that priests and lay employees covered by the agency were put in the position of condoning abortion.

Pension group renamed

The largest employe benefits education organization in the country, the National Foundation of Health, Welfare and Pension Plans has changed its name to the International Foundation of Employe Benefit Plans. The 18,000-member group, which is headquartered in Brookfield, Wi., announced the name change after 19 years of operations.

Aviation claims men hear first arbitration case

HOUSTON—The Aviation Claims Managers Council successfully concluded their 1973 ACMC Conference here, highlighted by significant progress on aviation claims issues.

Designed to help aviation insurers avoid unnecessary court cases, the ACMC heard their first arbitration case at this meeting. Participation by insurers is voluntary, with no issue restrictions on the aviation claims. The first arbitration dealt with the claims of two insurers on a bodily injury case. Under prearrangement, the two companies had settled 50%-50%, binding final settlement to the ACMC decision. The result of the Houston arbitration found one insurer 100% liable.

Progress was reported on the

finalization of a nationwide theft bureau affiliation for the aviation industry.

"We're trying to get the NATB and other organizations interested in setting up a special aviation category with a coordinating system similar to that used for car thefts," said ACMC secretary, David C. Burchfield of Crump Aviation Underwriters. "We would like to be able to submit ID numbers off data plates and different parts of totaled aircraft. This would keep the plates out of the hands of people who want

the plates for stolen craft. We've had as much as \$1,000 bids on totaled aircraft, which leads us to believe this is important."

THE GENERAL session closed with a review and exchange of the techniques used by companies in recovering aircraft confiscated in foreign countries.

"Normally our problems are in Mexico," commented ACMC President, Ronald W. Devall, OMNI Aviation Managers. "This involves getting the right people to go down there or getting the right people in

Mexico to see the craft are released through the proper channels. Problems in this area vary, depending upon the individual circumstances."

Seminars headed by Francis M. McDermott, Air Transportation Consultant (discussing aircraft litigation, FAA regulations and use of National Transportation Safety Board Reports) and C. R. "Bud" Ursell, Aeronautical Engineer (discussing aircraft structural and mechanical failure and accident reconstruction) highlighted the meeting.

New members attending the conference were Charles Clay, with International Aviation Underwriters, and J. N. Beers, Airway Insurance. The ACMC ranks now include nine out of the 30 insurers in the aviation field.

"We are expecting one of the top three major insurers which do not belong to be at our next meeting scheduled for Philadelphia in February," reported Mr. Burchfield. "They have expressed an interest particularly since this meeting will be closer to the New York area."

Allegations don't affect product cover

NEW YORK—Consumerism is still flexing its muscles but so far the poke Consumer Reports magazine took at the microwave oven in a recent issue has not made any dents in the production liability insurance of leading manufacturers.

Amana Refrigeration Inc., a subsidiary of Raytheon Co., has its microwave units covered by Raytheon's comprehensive product liability policy. Russ Gooley, Raytheon insurance manager, told *Business Insurance* the product liability insurance, underwritten by the CNA/Insurance Group, has not been affected by Consumer Report's charge.

"The recent adverse publicity on the microwave has not affected our insurance at all," said Mr. Gooley. "I don't think the underwriters are at all concerned with that publicity because we have not had any claims filed for radiation leakage. Of course, we look at the literature that comes out and Amana is keeping pace with the technological changes in the microwave, but we feel that they have had a good product from the start."

Nor has the Litton Industries Inc. product liability policy been singed yet by the adverse publicity conflagration lit by Consumer Reports. A Litton spokesman declined to discuss the company's coverage, but added, "I can say there has been no effect on the microwave's covering policy due to the negative publicity."

LITTON'S Atherton division, which produces the Litton microwaves, is building an addition to its plant to triple production.

Amana has filed a complaint with the Federal Trade Commission against the Consumer Reports article warning the public about "measurable radiation leakage" in the 15 leading microwave models. A former associate director of Consumers Union, the magazine's publisher, charged at a news conference called by a leading microwave manufacturer the microwave article was published to increase magazine sales. The Consumers Union firmly denied the allegation.

First produced industrially 25 years ago, the first domestic kitchen-countertop microwave did not appear on the market until as late as 1967. Although considered as primarily a complementary cooking device, 1.5 million units are expected to be sold by 1976.

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editorial opinions

Confronting the energy situation

SO, YOU'RE THE risk manager for an industrial company. Sitting in your air conditioned office you can hear the hum of machinery grinding out 10,000 widgets a minute in the plant below. All of a sudden the lights dim, flutter, then go out entirely. The circulation of cool air stops and the machinery groans to a halt. The energy crisis has hit Ace Widget Co.

This is one problem the president of the company will get involved in, of course. But will he turn to his risk manager and ask him what contingency plans have been drawn up for just such a situation?

On the Perspective pages of this issue of *Business Insurance*, Marshall Reavis, a contributing editor, has taken a look at the energy crisis and how it applies—or should apply—to risk management. Mr. Reavis addresses the question practically by citing some of the risks inherent to the energy crisis (from the loss of power for production to the loss of power sources for fire protection equipment). He also discusses the assumption, control, elimination or transfer of such risks, pointing out that in 1970 industrial consumers of energy accounted for 42% of all such resources and that such users of energy will likely be hit the hardest should such a crisis actually materialize in the years ahead.

"As a wise and prudent risk manager," Mr. Reavis writes, "now is the time to review the 'energy confusion' risks in your firm. Draw up your preparedness plan now, not after a plant has been shut down."

Also in this issue is a report by associate editor Patrick Thomas on whether or not risk managers are indeed proceeding along the lines Mr. Reavis suggests. Mr. Thomas interviewed a broad cross section of risk men in a variety of businesses and industries. His conclusion:

"For the most part, risk managers, while not exactly burying their heads in the sand, seem much more concerned with other things. Whether they don't believe there is actually an energy crisis or they feel it is someone else's problem, most of the risk men surveyed indicated they had more pressing things to worry about."

Next month, on Sept. 17 and 18, the American Society of Insurance Management and the American Management Assn. will hold a joint seminar at the Americana Hotel in New York zeroing in on contingency planning for production operations so a company may maintain its profitability should a crisis develop. We think it would be worth looking in on.

Risk management should not leave this problem to the corporate production head, for the ramifications of reduced or restricted power and fuel supplies go far beyond the oper-

ation of boilers and machinery.

Moreover, we see a tremendous opportunity for risk management professionals—yes, even those struggling for that identity within their own companies—to also get involved in the subject of energy conservation. We noticed a short news item the other day pointing out that the Defense department has put into effect new regulations designed to cut energy consumption 7% in the Pentagon, the world's largest office building. Half the fluorescent light tubes in hallways and other nonworking areas have been removed, and thermostats were cut back to a cooling range of 76 to 78 degrees and a heating range of 70 to 74 degrees. Power conservation can and should go beyond merely putting the lights out in your office after you leave.

If you'll pardon the pun, we think it's a subject risk managers should be charged up over.

Safety and security

ON OCTOBER 8 *Business Insurance* will publish its annual special Safety and Security issue.

Safety and security, of course, are two subjects getting right to the nitty gritty of risk management, for there are few things more basic to a company wishing to stay in business than protecting its human assets (employees) and material assets (money, property and even trade secrets).

On the side of the former, of course, there has been the enormous impact of the Occupational Safety and Health Act on business and industry in this country since the law became effective two years ago. OSHA, therefore, will be scrutinized in detail on the pages of the Oct. 8 issue. As for security, well, that's a subject running all the way from burglar alarms to electronic bugs picking up information from corporate offices which may lead to the loss of trade secrets. These, too, will be subjects our editors will be looking into for this special issue.

Other articles on tap for the issue include an in-depth report on nuclear power plant risks and a look at a leading toy manufacturer's non-playful safety program.

Readers with suggestions, comments or solutions to particular safety and security-related problems they have solved for their companies are invited to pass them along for inclusion or further development. They may be sent to Leslie Murray, the special issue editor, *Business Insurance*, 740 Rush Street, Chicago, Il. 60611.

letters

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

Up-to-dating

To the Editor: In the June 18 issue of *Business Insurance*, there was an article on page 36 under the headline "Mauck asks group life bid probe." The story reported on an investigation that was being conducted regarding the awarding of the group life insurance program for State of Illinois employes to the Crown Life Insurance Co. of Canada.

While the article appears to be accurate in every respect, the story as printed was necessarily incomplete. After the items reported occurred, further important developments have taken place.

Here is a brief summary of the more important items:

On Friday morning, June 8, the Illinois insurance advisory commission met for more than three hours to review the decision to award the group life insurance program to Crown Life Insurance Co. of Canada. At that meeting it was reported that the Illinois Bureau of Investigation had not found irregular bidding procedures in connection with the awarding of the contract to Crown Life.

At the same meeting the well-known actuarial consulting firm, A. S. Hansen Inc., provided a detailed comparison of the competing bids of Golden Rule Life Insurance Co. and Crown Life. Actuarial representatives of Golden Rule then testified and replied to questions from the commissioners; I did the same on behalf of Crown Life. At the conclusion of the meeting the advisory commission voted 7 to 1 to support Personnel Director Nolan Jones' decision to award the plan to Crown Life.

The following Monday, June 11, Golden Rule's lawsuit against state officials was terminated and Tuesday, June 12, a signed application for coverage was delivered to Crown Life Insurance Co. representatives. The enrollment of state employes is now proceeding and Crown Life is on risk effective July 1.

L. G. Rollerson

Senior group vp, Crown Life Insurance Co., Toronto, Ontario, Canada

On general average

To the Editor: With the recently renewed relationship the U.S. has enjoyed with mainland China, the rediscovery of an age old method of medical treatment called "acupuncture" has come to light. While this method has merit in specific incidents, no one with any knowledge of medicine would dare to suggest that this is the cure-all to medical technology and that all other forms of medical treatment should now be eliminated.

The same philosophy would also apply to the article by James O. Moore on general average, appearing in the June 18 issue of *Business Insurance*.

It is regrettable that Mr. Moore, a gentleman I do not know, has taken to providing statistics which would lead one to believe that practically the entire marine industry are of his opinion—for the elimination of general average.

Since Mr. Moore has very con-

Continued on page 46

business insurance

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

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Contributing editors: ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis; J. E. BENOIT, J. E. Benoit & Associates, St. Leonard, Quebec; WARREN G. BROCKMEIER, director of risk management consulting services, The Wyatt Co., Chicago; BION H. FRANCIS, insurance consultant, Milford, Ct.; JOHN W. GILES, attorney at law, Washington, D.C.; JOSEPH GULLO, vp of insurance, D. H. Overmyer Co., New York; NORMAN HOFFMAN, Walter Kaye Associates Inc., brokers, New York; PAUL C. JOHNSON, insurance division, U.S. Maritime Administration, Washington D.C.; CHARLES LEVINSON, director of insurance, United Brands Co., New York; NED MILLER, executive vp, Compensation Planning Corp., New York; JOHN P. OLSEN, assistant counsel, Ingersoll-Rand Co., Woodcliff Lake, N.J.; HOWARD L. PECK, partner, Hewitt Associates, Deerfield, Il.; MARSHALL W. REAVIS, university professor of business administration, Governors State University, Park Forest South, Il.; DAVID WARREN and DONN McVEIGH, partners Warren, McVeigh Associates, San Francisco.

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When you have tough questions about commercial umbrella you don't want double talk.

"Uh, er..."

"Maybe I'd better check..."

"Well, that depends..."

"Yes, sir. That's a good question!"

"Y'see, it's this way..."

"We'll have to clear it through the home office."

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QUESTION:

Look, the one thing I must have is service. Smart, fast service. When I need it, where'll you be?

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QUESTION:

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QUESTION:

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london line

Lloyd's coverage of Japanese jet is biggest air hijack loss to date

LONDON—Lloyd's of London has experienced its biggest aircraft hijack loss so far by bearing the brunt of the coverage on a \$24 million Japan Air Lines jumbo jet hijacked in Amsterdam. It was blown up four days later by terrorists on Libya's Benghazi airfield (*Business Insurance*, July 30).

The plane was insured for that amount with the Tokyo Marine and Fire Insurance Co., but no less than 90% of the risk was

placed in London reinsurance markets, mainly with Lloyd's. Since the airline's coverage was comprehensively for war risks, including hijacking perils, on its scheduled flights, there will be no hesitancy in paying the claim, according to insurance spokesmen here.

IN 1970, Lloyd's paid \$8.5 million for the destruction of a domestic BOAC airliner, while judgment is still forthcoming on

another jumbo jet destroyed by guerillas—a Pan American airliner blown up at Cairo airport by terrorists in Sept., 1970.

The Pan Am judgment may have an effect on TWA claims involving its Boeing 707, estimated at \$8.5 million, which was hijacked and destroyed at Amman airfield about the same time as part of the Middle East conflict.

Judge Frankel, of U.S. District Court, New York, is expected to deliver his decision soon.

The vital aspect of the case is determining which type of coverage applied to the Pan Am craft at the time it was lost. In turn, this could affect TWA.

In the lawsuit, Pan Am has sued the U.S. all-risks syndicate for the aircraft's \$24 million hull value, but until judgment is delivered, underwriters do not know whether it is covered under that policy. At the same time, then, the airline is suing Lloyd's underwriters for \$14 million—and the U.S. government for \$10 million—for compensation under special war risk policies in case the all-risk policy does not apply.

THE INCIDENTS involving the Pan Am and TWA planes occurred so suddenly, together with the hijacking of a BOAC VC-10 and a Swissair DC8, in late 1970, that no one had completely visualized the insurance outcome of Middle East guerrilla warfare until that moment.

Then it was found that the BOAC airliner, worth \$8.5 million, was fully covered for all risks, and war risks including hijacking, with Lloyd's. The money was paid out in London, as the policies were clearly specified. The Swiss aviation pool covered its own national airliner.

But legal experts clashed over the wording of the various policies under which the U.S. airlines had been operating, as some were with domestic insurers for all risks, and others with Lloyd's for war risks. They wanted to know under which policy hijacking was covered.

For the sake of getting a decisive outcome, the parties went to the court for a ruling on the interpretation of the policies.

SINCE the recent Japan Air Lines catastrophe, Lloyd's underwriters are looking closely at the likely perils of more hijackings, especially by terrorists who care little about the consequences of their actions.

Cancellation clauses of current war risk policies can be brought into effect at relevant times if the market fears it is necessary to do so.

Higher ratings for war risks, or special perils, can then be introduced. But at the moment, market capacity is such that the losses are being absorbed by a wide spread of placement in this field. Many airlines have chosen to take out war risk cover through Lloyd's, and useful premium income is still being attained.

"It's a bad loss, it's true, and there's no denying the market will feel it heavily. But then, that's what Lloyd's is always prepared for, and so it should be able to absorb it at the moment," one leading underwriting source told *Business Insurance*.

Because war risks were involved, much of the cover was passed to the marine market operators, as well as to the traditional aviation underwriters.

* * *

VARIG (Brazil) Air Lines' Boeing 707, which crashed near Paris, resulting in the death of 122 people, had an insured hull value of \$6 million. About half of that was placed in London with Lloyd's and the companies' market.

* * *

FEARS THAT marine insurance is returning to a "loss cycle" were expressed by F. B. Morris, president of the Irish Institute of Marine Underwriters, in his annual report.

He told underwriters that four years ago steps were taken to put it on a sounder basis after several very poor years, but now there are signs the exact opposite is true—extra capacity has brought intense competition into rates and conditions.

Casualties have reached record totals in the first part of 1973, according to Mr. Morris, and there is the additional problem of some national markets seeking a bigger share of business previously placed with other markets.

* * *

FORD'S of Dagenham (England) has agreed to hike accident insurance benefits for auto workers who went on strike for better conditions. The workers stayed out for five days before management consented to raise total disability cover from \$2,500 to \$3,750 for drivers who deliver new vehicles to sales centers in other U.K. towns.

The amount seems small, but will mean immediate aid for victims of driving accidents who have to wait until their cases are settled in civil courts, and who would otherwise be without money until their full legal compensation is paid.

Continued on page 38

A church.

A shoe store.

An ice cream franchise.

We designed an insurance policy for each.



Atlantic has a flexible, designed-for-the-purpose insurance policy. We call it The Atlantic Companies' Safeguard Policy.

We created it to handle different insurance needs in different ways. That means one kind of policy for an all-glass church, another kind for a brick church. In fact, we've put The Atlantic Companies' Safeguard Policy to work for 600 different churches... 1,000 shoe stores... 1,640 ice cream shops and scores and scores of other businesses.

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Brokers covered for massive securities theft

By ROBERT SNYDER

NEW YORK—The brokerage firms of Merrill, Lynch, Pierce, Fenner & Smith and Hayden Stone Inc. apparently have sustained no loss from securities thefts headlined in July indictments.

Merrill Lynch, a \$465,575 victim of an \$18 million illegal international securities plot, would not disclose its underwriter but a spokesman told *Business Insurance* theft coverage had been purchased. No deductible exists for the broker's policy, the spokesman said.

An indictment, charging 16 people in the United States and abroad with racketeering and conspiracy to distribute the stolen securities belonging to Merrill Lynch along with stolen U.S. Treasury bonds and counterfeit securities, listed the son of a British Lord, Ernest Shinwell, a reputed Mafia lieutenant, Vincent Rizzo, an Austrian, Leopold Ledl, and a reputed contact in the Vatican among the defendants.

Other defendants cited were Tommaso Amato, Remegio Begni, William Benjamin, Mario Foligni, Louis Gittleman, Hyman T. Grant, Evelyn Jacobs, Jerry Marc Jacobs, Manuel Richard Jacobs, Dominick Mantell, Patty Marino, Marina Neubert and Peter Raia.

The stolen Merrill Lynch bonds included common shares of National Aviation Co., Unishops Inc., General Portland Cement Co. and IBM.

ROGER BERLIND, chief executive director of Hayden Stone Inc., reported his company was insured by Continental Insurance Co. for the \$800,000 theft from a Hayden Stone messenger in November, 1972. The policy includes a deductible, he noted.

More than \$200,000 of the hijacked Hayden Stone securities turned up when a chance FBI inspection at an airport surveillance point, triggered by an informant's tip, discovered \$1.7 million in stolen and counterfeit

securities carried by a man arrested on charges of possessing stolen traveler's checks. Authorities have not completed an inventory to trace ownership of the stolen securities.

If reports from Security Validation Corp., which represents 133 firms, or about 10% of the industry, can be projected industrywide, as much as \$50 billion in securities may unaccountably have disappeared in the past three years.

In his report to the Senate permanent subcommittee on investigation, W. Henry DuPont, president of the private computer company whose business keeps track of lost, stolen or otherwise missing securities for Wall Street firms, said Security Validation Corp. received reports of more than \$5.3 billion in wayward

securities.

"The losses paid out each year are not an accurate measure of the stolen or otherwise missing securities," insists a source at the Surety Assn. of America.

"AS MUCH as \$500,000 or \$1 million may be paid out, but as much as \$100 million may be outstanding. We have no way of knowing the total dollar amount of missing securities," he said.

According to the surety official, after a securities theft, the police are immediately notified and furnished with stock certificate numbers, owner's name and number of shares represented by each certificate. Police then funnel the information into an FBI computer, which cross-checks with data contained in their headquarters files.

However, often times broker firms are unaware of the theft. Sometimes sold by forging ownership certificates or through brokerage-house contacts, securities may simply be thought missing in the back rooms of brokerages—if not a common, then hardly a rare occurrence on Wall Street.

The incredible loss figures document the specialized insurance needs of stock brokers. However, those same losses have intimidated some insurance companies, said the surety executive. While some insurance companies have jacked up premiums, others have even dropped broker's coverage entirely.

"HIGH LIMITS are generally taken out," commented an insurance official from INA about the

coverage need. "Usually between \$5 million and \$20 million, sometimes even higher. And deductibles are usually required."

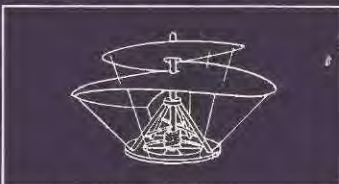
The insurance executive pointed out closer security is being instituted in brokerage houses. As a preventive measure, he cited segregated duties with a "need-for-access" policy towards the handling of the securities.

Robert Ruesch, vp of fidelity and surety for Continental Insurance Co., stressed the advantages of the new treasury note book-entry system, "This eliminates need for physical transactions of treasury notes by having location, owner and value recorded by computer. Transactions are no more than computer transactions. This keeps the notes off the street and away from exposure to theft."

FLORENCE 1500 A.D.

Leonardo da Vinci, acknowledged by many as the most versatile genius of all time, combined his artistic talents with his knowledge of physics and mathematics to produce over 150 detailed drawings of flying machines... all forgotten for centuries, but recognized now as the earliest precursors of the science of aeronautical engineering.

USAIG, America's first aircraft insurance group, provided the aviation industry with the financial stability needed to change Leonardo's visionary concepts into everyday experience. Today, after 40 years of continuous operation, USAIG services and facilities are as extensive and progressive as the industry we serve.



United States Aircraft Insurance Group

USAIG

Ghetto area 'political risk' cover urged

WASHINGTON—A domestic version of "political risk" insurance should be offered to businessmen willing to expand in ghetto areas in this country, Congress was told last month by the president of the New York Urban Coalition.

Dr. Eugene S. Callender urged the formation of a domestic operation similar to the Overseas Private Investment Corp., which would have the authority to grant loans and tax incentives to lure businesses to start operations in riot-prone city areas.

In calling for the new insurance agency, Dr. Callender said urban ghettos compared to "small underprivileged foreign countries in our midst."

He addressed the Senate foreign relations subcommittee on multinational corporations in hearings expected to be critical of OPIC, which took over insurance programs of the agency for international development in 1971. OPIC basically covered U.S. firms investing in developing countries against political risks like expropriation.

Legislator's non-integrated pension stance infuriates reform advocates

ALBANY—The state legislature is not going to integrate New York public employe pension costs with Social Security, even though age minimums for retirement have been hiked and the benefits base is lowered for most civil servants hired after July 1.

In a special legislative session, both houses passed a reform bill in yet another attempt to deflate annual public pension costs, which have reportedly ballooned from \$750 million to nearly \$2 billion.

The commotion over the bill, ranging from partisan bickering to minority charges of discrimination to labor threats of strikes is still whirling. But when the dust settles, the singular lack of

integration with Social Security promises to be the feature most irritating to those who have advocated across-the-board pension reform, particularly the permanent state commission on public employe pensions.

THE CHAIRMAN of this commission, Otto Kinzel, has already blasted the lack of Social Security integration. "New career public employes," he declared in a statement against proposals by a legislative committee on pensions that formed the cornerstone of the new bill, "like their current counterparts, will continue in future years to retire with more spendable income in retirement than they received working."

While backing down on the integration question, the new legislation does "have some commendable features," according to Dr. Joseph Metz, executive director of the permanent pension commission. He pointed to the bill's setting a minimum retirement age of 62 rather than 55, and benefits based on the average salary of the three highest consecutive years.

"In some cases now a final average salary is the highest one-year salary or even what an employe earns on the last day of service," explained Gov. Nelson Rockefeller before the bill's passage in the Republican-majority legislature.

A minimum retirement age of

62 years for all government workers except policemen, firemen, correctional officers and sanitationmen, who will have no minimum age requirement, has been set. Transit workers will have a 55-year minimum.

TEACHERS will also be allowed to retire at age 55 if they have completed 30 years of service. The final salary base on the highest three years' consecutive wages, will be exclusive of termination pay, lump-sum payments for sick leave and vacation credits.

Maximum benefits for all public employes except policemen, firemen and teachers will be limited to 60% of the first \$12,000 of the final salary and 50% of the amount over \$12,000.

The measure, which passed the senate 37 to 22, is expected to save some \$600 million in taxes in the next decade, but has not won the wholehearted support of the people it involves.

The bill had not yet been signed into law, in fact, when Democrats of both houses issued a statement calling the pension proposal, passed by Republican leaders, a "false economy measure which will reduce individual pension benefits without significantly relieving the burden borne by the state and its localities."

AND ALTHOUGH opposition to some pension cutbacks has been easing on the New York civil servants' labor front, the news broadcasts announcing the bill's passage were accompanied by impassioned disavowals by labor leaders who said their constituents were being "robbed."

Still others argued during the almost three hours of debate in the Senate that the measure would be discriminatory, since it closes the current eight pension systems just at a time when minority-group members were joining the government in large numbers.

Attempts to amend the bill to boost the assumed interest rate on the investments of pension funds from the current actuarial figure of 4.5% to 5% were defeated.

The new bill is one attempt to answer a crisis in the public pension area that dates to the mid 1960s and peaked in 1971. It is, in effect, a compromise between what was recommended by the Kinzel commission and what industry and political reformers, with Gov. Rockefeller at the lead, found they could get passed among constituents with any kind of expediency.

Boat Builders lease "Automatic" Sprinkler Systems-

Trojan Yacht saves 86.8% (\$65,995) annually in insurance premiums by installing "Automatic" Sprinkler Fire Protection Systems.



The Trojan Yacht Division of Whittaker Corporation, Lancaster, Pa. has protected its Elkton, Md.; Kinzer, Pa.; and Lancaster, Pa. facilities with "Automatic" Sprinkler Fire Protection Systems.

The 48,000 sq. ft. Elkton manufacturing unit and the 42,000 sq. ft. Kinzer woodworking plant leased their "Automatic" Sprinkler Systems, while the 140,000 sq. ft. Lancaster manufacturing facility installation was purchased.

All "Automatic" Sprinkler jobs were under the direct supervision of Mr. John Scott, Trojan's Production Manager, who says "We scheduled sprinkler installation to avoid conflicts with production. Everything went together smoothly with minimum fuss and bother. I was impressed with "Automatic's" professionalism and expertise!"

According to Trojan Yacht's parent, The Whittaker Corporation, the following insurance premium savings apply:

SUMMARY OF COSTS AND SAVINGS	
Annual insurance premiums* without sprinkler protection	\$76,000.
Annual insurance premiums* with sprinkler protection	10,005.
	Annual savings \$65,995.

*Includes All Property and Business Interruption Insurance Premiums.

As with Trojan Yacht, where insurance premium savings more than cover sprinkler systems lease costs for their Elkton, Md. and Kinzer, Pa. plants, it can pay you well in protection and premium reduction to install "Automatic" Sprinklers. We can tailor the job to both your physical and fiscal requirements. For complete information, contact Mr. R. Pardee, Manager of Marketing Services, "Automatic" Sprinkler Corporation of America, Box 180, Cleveland, Ohio 44147.



OSHA shifts marine duties in N.Y., N.J.

NEW YORK—The OSHA maritime safety and health inspection jurisdictions in New York and New Jersey have been consolidated into three area offices.

Under the move made by OSHA to "more effectively distribute workloads, thereby increasing OSHA's maritime inspection capabilities," the following offices will now have jurisdiction in the two states:

- The New York City office, at 90 Church Street, Room 1405, N.Y.C., 10007, will now be responsible for shipbuilding, ship repairing and shipbreaking inspections throughout New York state, plus marine handling inspections in both New York and New Jersey (except Camden). The office's phone number is (212) 264-9840.

- The Philadelphia office, at Suite 4456, William J. Greene Jr. Federal Building, 600 Arch Street, Philadelphia, 19106, will be responsible for marine cargo handling inspections in Camden and all maritime activities in Philadelphia and Wilmington. The phone number of the office is (215) 597-4955.

- The Newark office, at Room 1435C, Federal Office Building, 970 Broad Street, Newark, 07102, will handle shipbuilding, ship repairing and shipbreaking inspections in New Jersey. The phone number for the office is (201) 645-5930.

Health plan vp retires

Sam G. Hufford, vp and regional manager, Kaiser-Permanente Medical Care Program, has announced his retirement August 1. In 1945 he became the first manager in Oregon of the health plan which now boasts more than 180,000 members.

Environment says a lot about a company, too.

Arkwright-Boston provides all major property insurance requirements to its insured – including fire and extended coverage, boiler and machinery, difference in conditions, transit, ocean and inland marine.

At Arkwright-Boston, it's a professional environment which goes back more than one hundred years.

Throughout that time, the company's personnel at all levels have caught the spirit of competence so vital to providing the finest in property conservation and insurance to the nation's major industries.

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Arkwright-Boston – when you're serious about property conservation.

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Arkwright-Boston Manufacturers Mutual Insurance Company
Mutual Boiler and Machinery Insurance Company
Factory Mutual Insurance



California malpractice premiums highest in nation

SAN FRANCISCO—A Midwestern doctor has abandoned plans to help out a close friend and colleague by taking over a Los Angeles practice for two years while his friend served a tour of volunteer duty on the medical ship Hope.

"I thought it would be a fine way of spending a couple of years in sunny Southern California," he explained, "but then I learned that the premium for my malpractice insurance there would amount to \$975 a month.

"My friend's practice just isn't large enough or wealthy enough to permit passing that kind of a cost along to the patients without giving me ulcers. He'd be better off just giving up his patients and I don't blame him for wanting to be aboard the Hope."

The Midwesterner really should not have been so astonished. Doctors in this area pay an average \$2,000 a year for their malpractice insurance and claim their annual insurance bills are among the highest in the U.S.

A check among the insurance carriers who provide medical malpractice coverage discloses that obstetricians have the biggest reason to complain; premiums in the neighborhood of \$4,600 a year to protect them up to \$1 million for any one loss and \$3 million aggregate for one year.

"I remember well," one successful obstetrician recalled, "in 1967 when my insurance bills for practice in San Francisco were only about \$1,200 a year."

THE SAME obstetrician admitted "this is one major reason why hospital and medical bills are so high. I can't pay premiums like this myself, so part of the premium goes into every bill I send a patient."

Medical societies throughout California, as well as individual physicians, are so disturbed they are now calling on their legislators to "pass a law or do something to cut down these insurance costs."

One of the reasons medical malpractice premiums have shot skyhigh is the equally high judgments being awarded by juries and judges in lawsuits.

A superior court in Glendora, Ca., June 4, handed down a judgment that could provide the highest malpractice settlement ever reached in the United States. The malpractice suit was settled with the purchase of an annuity policy which could pay over \$21 million to a 3-year-old boy if he lives to age 68. The boy suffered brain damage and became quadriplegic following delay in treatment. (*Business Insurance*, June 18, 1973.)

Last February, a San Francisco jury returned an award of \$4 million, for a 13-year-old boy who had become a "helpless cripple" as a result of an alleged malpractice. The attorney's fee in that case has been estimated at \$1 million.

DOCTORS as well as lawyers and insurance company spokesmen now estimate the average \$2,000 a year medical malpractice insurance premium adds at least \$1.50 to each patient's bill for each medical service.

James Boccardo and Bruce Walkup, two San Francisco attorneys who have won large awards in such lawsuits, however, contend "the doctors and the hospitals shouldn't complain. Malpractice verdicts against hospitals and doctors are comparatively rare.

"Doctors who practice good

medicine," Mr. Boccardo has been quoted as saying, "have nothing to worry about. Big awards, as occasional as they are, actually have the valuable effect of making physicians and hospitals more cautious."

To answer the demand for legislative action, the California assembly at Sacramento has established a 6-member "study committee" headed by Assemblyman Henry Waxman.

"There's no question," Assemblyman Waxman said, "that public concern has increased substantially. The medical, legal and insurance professions are equally concerned over the recent and rapid jump in malpractice claims.

"This increase," the assemblyman points out, "has come not only in the number of claims and

lawsuits filed each year, but also in the dollar amounts awarded for injuries suffered as a result of medical malpractice.

"**OUR COMMITTEE**," he said, "intends to investigate the entire range of problems, including the causes of claims, the effect on treatment, health care costs, the impact of insurance and the effectiveness of attorneys."

Mr. Waxman pointed to reports of a national study commission which has found that malpractice insurance costs have even been an influence in restraining doctors from providing emergency care as "good Samaritans."

"This has occurred," the report said, "regardless of the fact that the legal risks in giving on-the-spot emergency care are minimal if not non-existent. Half of the

doctors contacted, however, reported they would not provide such assistance even if laws protecting them were enacted, because of insurance problems."

Insurance industry spokesmen say the number of medical malpractice claims in Northern California have increased from 10 per 100 physicians in 1970 to the current 21 claims per 100 doctors.

In addition, in 1968 the average medical malpractice claim settlement amounted to \$2,000. Currently, the average is in the neighborhood of \$8,000.

In contrast, however, in Northern California only 3.1% of medical malpractice lawsuits produced verdicts in favor of the claimant while 33.5% of the claims were settled before or during trial.

The medical malpractice

field has resulted in the establishment of the Inner Circle of Advocates, by some 30 attorneys in San Francisco. To be admitted as a member, attorneys must have won claims of \$1 million or more by jury verdict for one claimant only.

Mr. Boccardo and Mr. Walkup were among the attorneys who founded the Inner Circle.

Mr. Walkup is the attorney who represented Kelly Niles, the 13-year-old San Rafael boy who was paralyzed and made mute by a fight during a high school baseball game.

The \$4 million award was won against Mt. Zion Hospital here, the attending physician, the high school and several insurance carriers.

Another member of the Inner
Continued on page 24



The Astros. And the Oilers. And the University of Houston Cougars. Rodeos and revivals. Houston's Astrodome plays

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But it took CNA to insure what it covers.

Mass marketing eyed with cautious optimism

By PATRICK THOMAS

NEW YORK—Mass marketing, while not a significant source of income for major insurance brokers at the present time, is the fastest growing sector of their business and will account for about 10% of revenues within two years, according to an analysis of the industry by a stock brokerage firm.

The view seeing mass marketing as a force in the brokerage industry was shared, with qualifications, by a number of brokerage officials—though they remained guardedly non-committal about whether the growth rate would be as rapid as predicted by Kidder, Peabody & Co. in a research report issued earlier this year.

Most of the executives said the

concept was coming of age but expressed some of the same reservations about it as did the analysis, particularly regarding payroll deduction mass marketing. Association mass marketing was given a fairly clean bill of health by the securities firm.

"Despite advantages for the insured," the analysis said, "the development of payroll deduction plans has faced several obstacles, the most important of which is the ability to profitably underwrite personal lines in view of the restrictions on underwriting . . ."

INTERESTINGLY, the most damning criticism in this regard came from the president of Ter Bush & Powell Inc., the broker with the largest single mass marketing account ever written—over 200,000 members of the New York

State Civil Service Employees Assn.

"We have the largest account," J. W. Campo told *Business Insurance*, "but we don't have the answer yet as to how this can be done profitably. We went into it thinking it was the wave of the future but it just isn't working."

Mr. Campo acknowledged his firm handled numerous mass marketing accounts but said the company was not making much money on them, including the historic large one.

"The problem to be overcome," Mr. Campo noted, "is that we have to get property and casualty underwriters to think like life and health underwriters. These personal lines are now being individually underwritten and this is just not right. This kind of coverage should be group written on a master policy."

The Kidder Peabody analysis felt the enactment of automobile no-fault laws would alleviate some of the burdens. "Such laws reduce the premium on the underwriting function somewhat," it noted. "In effect, the insurance company will spread the risks up to the specified limit over a larger universe—that of all the drivers in the state, rather than the insured members of a mass-merchandising group only."

Another problem faced by payroll deduction plans has been the employer's fear that he may, one day, have to pay for the coverage.

"When this is an additional benefit, paid for by the employer, it will really take off," said Mr. Campo.

"Payroll deduction scares people," commented Howard Miller,

vp of Brokerage Resources Inc. "I think mass marketing of personal lines will one day be a force but some way has to be found to make employers less frightened of the payroll deduction concept for it. They don't want to open the door if they think they'll get stuck with the whole bill next year."

"**TWO CONDITIONS** need to be met before mass merchandising will really grow," said William Hoyt, vp of Marsh & McLennan. "First, you have to have a product that can be sold without custom tailoring. You have to be able to sell to both an 18-year-old kid and a 40-year-old married woman."

"Then," he summed up, "you must be able to aggregate people in each class into large groups to mass merchandise to. Employer/employee groups may be the answer, with the coverage made part of a benefit program."

Most of the comments regarding mass marketing were optimistic about the coverage's future, though some of it tentative.

"It does seem to be the coming thing," noted Crawford A. Black of Corroon & Black Corp., adding that his firm had not had enough experience with mass marketing to make any predictions about its growth rate. "Many of our clients say they loathe the very concept for one reason or another. And we have heard from many who, have involved themselves that they are disillusioned with it."

THE REPORT said association mass marketing plans had been actively sought by brokers because of profitability and other factors. It felt this form of marketing would continue to prosper, at the expense of franchise mass market plans.

The analysis painted a bright financial picture for the industry, its first sentence being, "The major insurance brokers appear to be in a position to achieve superior earnings growth over the next few years." It predicted the major brokers would post annual earnings gains of 12%-15% during the next several years.

While acknowledging the presence of self-insurance and the use of captives, the report did not expect brokers to suffer because of it, a point adhered to by most of the executives.

"Brokers have not and should not experience any meaningful adverse effects from the (self-insurance) trend in view of the nature of the coverages placed with captive insurance companies and the relative size of the activity," the analysis stated.

"**SELF-INSURANCE** and captives theoretically don't either hurt or help the broker," said James Stewart, chairman of Frank B. Hall & Co. "If a corporation goes to self-insurance, it must choose a broker to do the whole job. That same broker, working for the same company before may have only received a commission based on one portion of the risk—say, the fire insurance."

"But now," he continued, "with the self-insurance program, even though commissions may be less point-by-point on the various coverages, the broker is now in charge of the entire package, so his commission probably won't change appreciably in either direction."

"In past years, many brokers were reluctant to get into self-insurance, thinking they would lose business," was the feeling of

Continued on page 24

events that would go on inside once it was finished.

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Store worker union puts hemostat on needless surgery by screening

NEW YORK—"You know, too often there's a tendency to go to the knife when there really is no need for it," said Eleanor Tilson, administrator for the security plan for the 12,000 member United Store Workers here.

Mrs. Tilson was explaining the genesis of a very successful pre-surgical screening plan adopted in February, 1972, by the union which has already cut the number of elective operations by 19%.

The plan, which requires a second medical opinion be obtained before any union member undergoes surgery, is an integral part of the self-insured health plan sponsored by the union.

It is financed entirely by con-

tributions from employer stores—Gimbels and Bloomingdale's—in amounts equal to 5.5% of each member's salary. "We take a very strong stance that this is our members' money anyway. When negotiations were carried out, our members decided to take the money in this form rather than in the form of a pay increase," Mrs. Tilson emphasized.

SHE SAID the reason this "second-opinion" approach is so unique (and successful) is that it is mandatory. "A person has to go for a second opinion when surgery is advised or we will not pay for surgical schedule benefits under the health plan," the fund administrator explained.

"Of course, once they get the second opinion, they can make up their own minds about whether or not they want to take the surgery. We just want to make sure they seek another opinion," she said. The union will pay benefits in full for any member who then decides to go ahead with the surgery recommended by their first doctor.

The second consultations are provided by a panel of doctors from Cornell Medical School, the teaching affiliate of New York Hospital. Of 289 members who were told they required surgery, 51 were later told under the second opinion plan they did not require operations.

"In one case," Mrs. Tilson said,

"a member was told she needed heart surgery. But when she was diagnosed by the second doctor, it turned out that an operation would not have been as effective as medical therapy, which was prescribed."

Giving further reasons for the initiation of the program, Mrs. Tilson said: "We listened to all the discussions about how there is too much surgery performed in this country and how it is pushing up the cost of medical care, and we decided to see if there isn't something to it.

"ALL WE were trying to do is to give the patient more information on which to make a decision—whether or not he wants to have an operation—and we have provided a means to do that."

The results of the "second opinion" plan have turned up other benefits for the members of the United Store Workers.

Through association with Dr. Michael Alderman of the Cornell program, the union was informed about a hypertension plan which was subsequently applied to Gimbels workers in an in-store effort.

Families of the 12,000 union members are also covered under the pre-surgical screening program.

Because about 80% of the Store Workers' members are women, Mrs. Tilson said the most typical operations second opinions are given for are dilation and curettages and hysterectomies. The consultations, however, cover a broad range of other prescribed surgery.

Mrs. Tilson noted three or four other labor unions are adopting similar clauses in their medical/surgical coverages to require second opinions on a mandatory basis to help cope with what some see as the growing problem of unnecessary radical surgery. ■

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Optimism . . .

Continued from page 23

Fred. S. James vs David Oliver. "But we've felt whatever is best for our customers is the best thing for us to do. We're firmly into captive management. For a broker to avoid self-insurance and the use of captives would be like a doctor who discovered a patient with heart trouble not referring him to a cardiologist because he was afraid of losing business."

The brokers may be going along with the trend but some of them are not bubbly about it.

"THE BIG broker can be helped, really, by self-insurance," said Frank Schiff, president of Schiff Terhune International. "But while it is an essential facet of the business, it is not the way to generate big profits. I mean, it isn't going to increase my revenues that much."

Richard Miller, president of Synercon Corp., expressed what he called "guarded caution" about what was happening.

Pointing out his firm had set-up captives for clients, and had one of its own he said, "The need for a captive is less now than it was three or four years ago because domestic carriers are more sensitive to the needs of buyers. Plus the fact that they are very competitive at the moment."

"However," he added, "I think we're just about at the end of that. The market could tighten up any time." ■

Highest . . .

Continued from page 22

Circle is Tucson attorney Richard Grand, who recently won \$3.2 million for a client burned in an auto collision.

Mr. Walkup, who asked for the \$1 million fee for his services said it was "justified, because I lived with that case for two years and all of the 14 attorneys in our office participated in handling the lawsuit."

San Francisco courts, in the past, have approved legal fees amounting to as much as 40% of the net award. Mr. Walkup, however, had asked for only 25% of the Niles award, asserting he personally had spent \$33,000 on his handling of the case.

Earlier, Mr. Walkup told *Business Insurance* he had rejected a before-the-verdict settlement offer of \$1.6 million and an after-the-verdict offer from the hospital of \$3.35 million. The award has since been appealed. ■

Fat Cat

At one time he was the best mouser in town.
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UAW actuary charges federal plan to insure pensions far too costly

WASHINGTON—The senior actuarial consultant of the United Auto Workers (UAW) union has told the general labor subcommittee of the House education and labor committee that federal pension termination insurance could be funded at a cost to private pension plans lower than has been proposed in a number of bills before Congress.

Claude Poulin of the UAW's Social Security department told the House subcommittee federal protection could be offered to all pension plans at a cost of approximately one-tenth of one percent of vested unfunded liabilities.

Most of the proposed premium rates—including those incorporated in bills sponsored by Senators Harrison Williams and Jacob Javits (S.4), Senator Lloyd Bentsen (S.1179) and Rep. John Dent (H.R.2 and H.R. 462)—are two-tenths of one percent or more of vested unfunded liabilities. A number of the current proposals would be applicable only to plans

covering 25 or more employees.

Based on a study of pension plan terminations between 1955 and 1965, the two-tenths of one percent figure is demonstrated as adequate, Mr. Poulin said, but, based on the results of a joint study conducted last year by the Labor and Treasury departments, it appears, he said, the two-tenths of one percent figure is too high. His estimate—at half the price—could fund a program meeting the specifications set forth in the Williams-Javits bill, but covering all private pension plans regardless of the number of persons participating.

UNDER HIS plan, all vested rights of a participant, past and

future, would be protected.

Utilizing projections from the Labor-Treasury study, Mr. Poulin estimated his plan would more than cover expected net losses of \$26 million in vested liabilities for an entire year.

"Assuming a rough estimate of \$20 million per annum for administrative costs once the program is fully functioning, and assuming the desirability of setting up a reserve fund equal to one year of losses, it is our judgement that an annual premium of one-tenth of one percent of all vested unfunded liabilities would be ample to meet the costs of a pension plan termination insurance program which would cover the S.4 proposal and go beyond it in

covering all plans, not only those with 25 or more employees," he told the subcommittee. "This would produce annual revenues of \$120 million against estimated losses of \$26 million and administrative costs of \$20 million."

He also told the group it "probably would be sound public policy" to require annual or biennial review of premium rates to make adjustments based on experience.

THE PROSPECT of any of the various proposed forms of termination insurance surviving Congressional scrutiny intact remains uncertain, sources say. Although these proposals are strongly supported by labor and certain high-ranking Congressmen, the Nixon Administration feels termination insurance is unnecessary, and it is possible the administrative problems inherent in such a program might turn the Treasury department

against it as well.

The UAW has been a very active lobbyist for some form of protection, and, during the UAW special bargaining convention in Detroit last April, union president Leonard Woodcock told the delegates failure by the automakers to support the Williams-Javits measure would result in a union push for an industry-wide pension reinsurance fund to underwrite UAW pension plans (*Business Insurance*, April 9).

"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 told the convention. "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." ■

Electricians' pact calls for favored work

SEATTLE, WA.—A new one-year contract giving work preference to persons residing in the Puget Sound area has been reached with construction electricians.

Affecting about 1,000 electrical workers and 42 employers in King County and the Olympia Peninsula, the contract also establishes a local pension program. Maynard Sundt, manager of the Puget Sound chapter of the National Electrical Contractors' Assn., said employers will contribute 40¢ an hour.

Details are being drafted by a four-member committee, divided evenly between labor and management. A national pension plan for electricians established in 1946 will become a supplement to the local plan, it was reported.

Mr. Sundt said reciprocal agreements with other local plans will be worked out so employees can work in other parts of Washington without losing pension credits.

The contract provides for a pay hike of 1.5¢ an hour to raise wages to \$8.55 an hour, and increases the employer contribution from 2¢ to 3¢ an hour to the apprenticeship training committee fund.

Costs are subject to approval by the construction industry stabilization committee. ■

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Jerry Mulhall discusses the Workmen's Comp program with Wesley Le Blanc (left), insurance manager of After-Six, Inc., and Agent Ed Johnson, Vice President of Baer Insurance Agency, Inc., in the Philadelphia After-Six cutting room.



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Pension subcommittee hearings

Woodcock urges Congress to pass pension reinsurance laws

WASHINGTON—Testifying before the Senate finance committee's private pension plans subcommittee, United Auto Workers (UAW) union president Leonard Woodcock strongly supported the Williams-Javits pension reform bill and urged Congress to pass some form of pension reinsurance to protect workers from pension plan insolvencies.

Likening pension reinsurance to government programs which reinsure bank deposits and home mortgages, the UAW president told the subcommittee comprehensive reform legislation is "the

only appropriate remedy for the well-documented shortcomings" in the private pension system.

The UAW, he said, is supporting the Williams-Javits measure (S.4), which, he termed, "the most effective response to the problems that have been identified, for a number of reasons, because:

- It covers "all necessary items of pension reform including plan termination insurance, vesting, funding, disclosure and fiduciary responsibility;"

- It would "entrust the basic responsibility" for protecting

workers' pension rights to the Labor department, which Mr. Woodcock said, has historically acted as protector of the worker;

- It would shield a pension termination insurance fund from "one-sided decisions by solvent employers" to terminate a pension plan, and

- It provides for a "reasonable vesting schedule" and offers what Mr. Woodcock considers more flexibility in vesting approaches.

"IT APPEARS inevitable that pension plans will continue to

terminate with significant attending benefit losses," he said, noting other pension reform bills are "at best unresponsive to the overriding concerns of workers for the safety of their pensions."

Pension reform seeking the support of the UAW must include, he said, pension reinsurance provisions which allow for mandatory coverage promptly after legislation is enacted, protection of workers and their beneficiaries against loss of vested funds, uniform premium rates based on each plan's unfunded vested liabilities and safeguards to prevent abuse and unloading of liabilities.

In order to please the 1.5 million-member union, vesting standards, Mr. Woodcock said, must allow for full vesting after 10 years of service and recognition of all service, including service before enactment of legislation.

Pension reform legislation should also, Mr. Woodcock sug-

gested, contain provisions to make sure employers contribute sufficient funding to meet current service costs and to amortize unfunded past service costs over not more than a 30-year period.

The union also asks federal standards be adopted to insure pension plan financial reports are readily understandable. ■

U.S., Russia plan joint liability cover

NEW YORK—Chubb & Son Inc., a major American underwriter, has joined hands with a Soviet firm to offer its customers insurance for American persons, properties and liabilities located in Russia and East European countries.

Chubb announced an agreement with Black Sea and Baltic General Insurance Company Ltd. to co-insure American interests in Socialist countries. Stephen Bonsal, asst. vp of Chubb, said the conditions of the new program would be considered individually by the participating insurers. "There's no tariff. There's no standard policy form," Mr. Bonsal emphasized. "As covered risks develop, the two companies will get together to consider the individual needs of our customers."

"We're really working with a new program," Mr. Bonsal replied to an inquiry about the type of client the program has attracted. "Like any other insurance company, we are not entering a new program because there are big accounts to be had, but in anticipation of our customer's needs. We, as a firm with an American-based market, are extending our services to American persons with interests in East European countries and Russia."

"We expect Black Sea & Baltic would handle all the claims adjusting in their territory," the Chubb vp commented, "but, of course, we'd be prepared to offer any possible help." ■

Supervisor named

Stephen C. Way has been named acting supervisor of industrial insurance by William C. Jacobs, director of the Washington dept. of labor and industries. Mr. Way has served as assistant attorney general for the department for the past two years.

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Pre-paid legal is hung in closet during Canada bar group meeting

VICTORIA—Lacking the stabilizing ballast of detailed implementation plans, a very modest pre-paid legal care program under consideration at the annual meeting of the British Columbia branch of the Canadian Bar Assn. was swamped by dissension.

Drafted by a committee headed by Vancouver lawyer Sholto Heberton, the two-pronged package

proposed both a basic and a comprehensive plan. Both plans were limited in design to groups, an initial imposition to simplify administrative paperwork and to avoid overtaxing the service with "legal hypochondriacs."

The basic plan estimated a \$3-monthly fee for the member and his family. Besides enabling members to have one-half hour legal consultations up to four

times a year in any legal area, the plan would have paid for the writing of a will, excluding tax planning.

The comprehensive plan, costing \$6 a month, would have included similar services plus real estate legal work, aid in uncontested matrimonial matters, limited criminal defense work and legal help in "meritorious" instances, such as consumer pro-

tection. For the latter service, members would pay \$50 plus one third of the remaining fee.

THE INHERENT weakness which tripped the proposed plan was its lack of implementation details. While the committee leaned towards avoiding a capitalizing plan and administrative paperwork by having insurance companies as carriers, several lawyers disputed maximum flexibility could only be achieved if the bar group was to maintain control.

Although the majority attending the meeting saw prepaid legal care as a service to make lawyers accessible to middle-income fam-

ilies who neither qualify for legal aid nor can afford to use lawyers routinely, some lawyers argued no need existed for the program.

"I don't see how you can sit out there and say there is no need," said Mr. Heberton. "We know the use of lawyers rises with income. We don't need a survey of need."

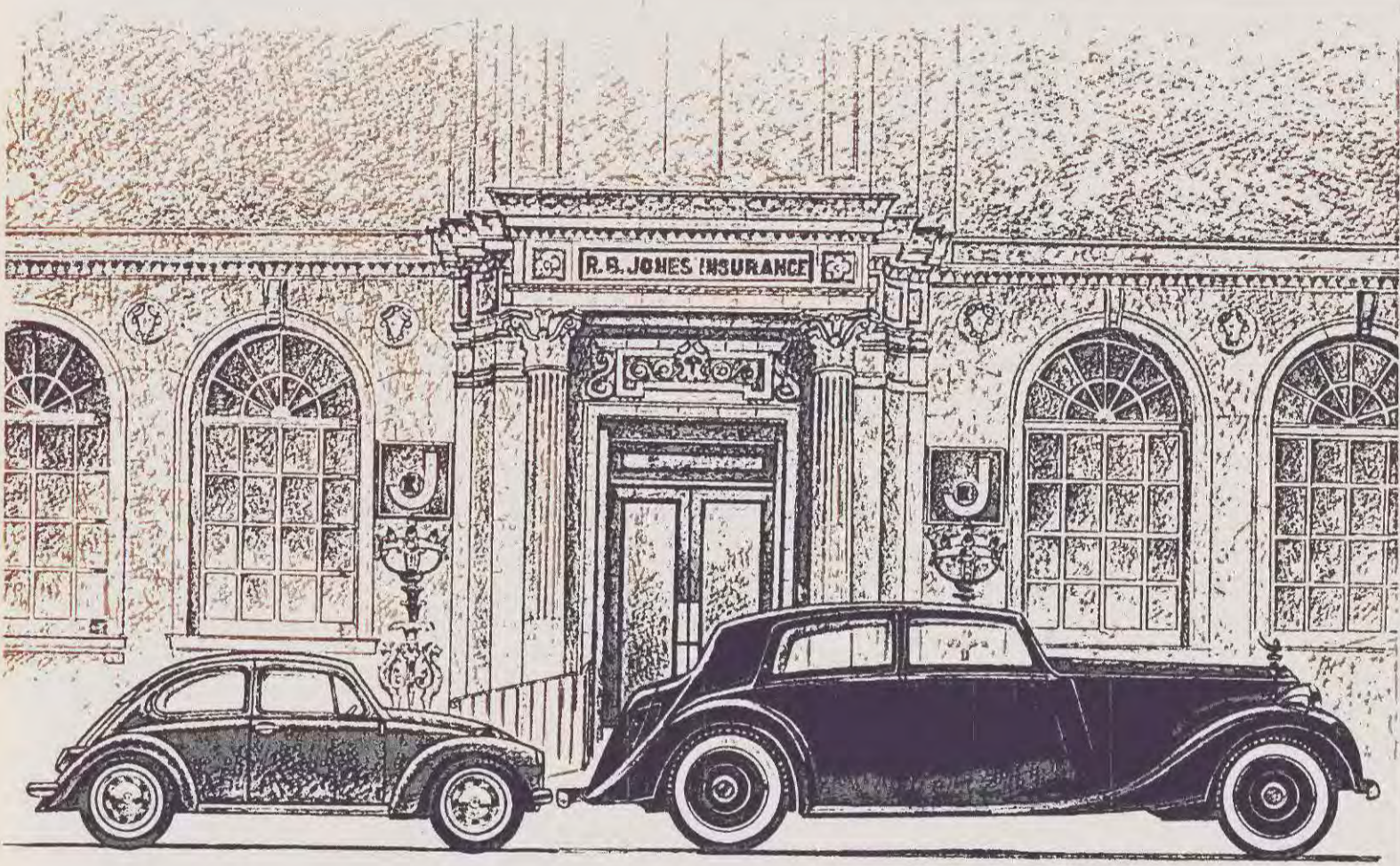
He referred to the results of a study on California middle-income families which showed 25% of the people had legal problems but only 4% sought legal solutions.

OF THE LAWYERS who agreed with the need for such a plan, some argued the committee's plan was too modest to attract significant public interest. Mr. Heberton replied the program was directed towards encouraging people to seek preventive legal work, cutting off legal problems before they emerged as major difficulties.

"A prepaid legal plan will make lawyers more attractive to people in need," said another member of Mr. Heberton's committee, Vancouver labor lawyer Rory McDonald.

EVEN the final resolution was qualified by the association "Resolved that the British Columbia branch of the Canadian Bar Association prepare a prepaid legal services plan suitable for implementation in British Columbia." The word suitable inserted during the debate is significant of the association's reluctance to undertake a program without detailed consideration.

The setback failed to curb the conviction Mr. Heberton and his colleagues have in the growing interest in prepaid legal services. While several West Coast trade unions are already offering limited free legal care, the Heberton committee has been in contact with organizations such as credit unions who desire such a plan for their members. But, however imminent Canadian prepaid legal care may be, six months to a year will pass before a more detailed plan is placed before the bar group.



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OPTIONAL coverage includes income protection for heart or circulatory malfunctions incurred in the line of duty, as well as insurance for contagious or infectious diseases contracted at work and double indemnity of \$100 a week to pay the costs of accidents requiring hospitalization. The Hartford's expanded program can cover deputized bystanders, first aid and rescue squad members, ladies' auxiliaries and junior firemen.

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Hartford has coverage on its own trademark

GILLETTE, NJ—What do a 12-point stag, a Kodiak bear, a great horned owl, a 12-ft. python and a 900-lb. bouncing baby elephant have in common?

Well, as the assets and liabilities of a new corporation, this menagerie is all covered under the corporate insurance of the Animal Kingdom Talent Service. Earl Hammond, as owner of the company and as trainer of the red deer stag that stars in the Hartford Insurance Group's commercials and the bear which advertises Hamm's beer, has diverse insurance needs.

"His is a unique profession," commented P. D. Paxton, account executive of Ham & Gordon Agency Inc. of New Providence, N.J., Mr. Hammond's insurance agent. "We've never had an animal trainer for a client before, so it did pose a few problems," he admitted. "However, Mr. Hammond did operate a similar business in Nashville, Tn., before coming to Gillette, so we were able to review his previous coverage in advising his present insurance needs. The policy on the bear took some shopping, but we found the market and were able to get him covered."

THE HARTFORD writes the Hammond corporate insurance. Under general liability, there is insurance up to \$100,000 per person, \$300,000 per occurrence and \$100,000 property damage. In addition to the general liability, automobile liability is covered on both owned and unowned cars. A million dollar umbrella policy serves to back up and cushion the coverage.

Actors who appear with the animals are protected by workmen's compensation underwritten by The Hartford. However, Mr. Hammond feels accidents are the exception in his profession.

"When you are working on set, accidents are pretty rare. Number one, the trainer should have control on the set. He should be able to tell actors what they can do and what they can't do around the animal. And I'm a stickler on that," he asserted.

Mortality insurance was felt necessary to fully protect the stag and the bear. Before either policy could be written, a veterinarian's examination was needed. Nearby Summit Dog & Cat Hospital supplied the certificates of health. Both mortality policies are renewable annually.

THE FLESH-and-blood symbol of The Hartford is covered by a \$10,000 livestock mortality policy. Not too surprisingly, the policy is written by the Hartford Group. The stag's insurance excludes theft, mysterious disappearance, straying and theft with the principal as an accessory.

Earl Hammond examined over 100 stags in the search for the star of six Hartford commercials. The stag is wild and timid with humans, but was won over by Mr. Hammond with cookies and apples. The animal was conditioned by the reward system for his TV debut, and for safety reasons filming was done behind metal screens.

More than pleased with the red deer's performance, Channing Barlow, vp of public relations and advertising of The Hartford, commented, "Since insurance advertising has generally lost much of its freshness, we believe the televising of a live stag to represent the strength and uniqueness of our company, is a major advertising breakthrough."

The red stag was shown wandering along a typical residential street, an automobile junkyard and a private home construction to illustrate the different types of coverage offered by The Hartford.

THE STAR of the Hamm's beer commercial, a 287 lb.-Kodiak bear with a fancy for marshmallows, is also covered by a \$10,000 animal mortality policy. The coverage is placed through a special risk market, the Marmorstein Agency Inc., Jersey City, N.J., a local agent of Lloyd's of London. The policy excludes death by poisoning and stipulates

Continued on page 31



Earl Hammond, owner of the Animal Kingdom Talent Service, offers a few delectables to the Hartford Insurance Group's living symbol, a 12-point red deer stag.

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Ontario work comp board is raked by employer and safety groups

TORONTO—Employer groups in this province got a chance to say what they felt about the Ontario Workmen's Compensation Board at a meeting of a special task force which is investigating the board's activities.

The Ontario General Contractors Assn. and the Industrial Accident Prevention Assn. took the opportunity to blast the board for everything from being annoying to operating a useless safety program.

Robert Fenton, executive director of the contractors' group, criticized the board's "human relations" failings and said many employers felt the board was impossible to penetrate, even for

the answer to a simple question.

"We have repeatedly gotten the impression there is something less than a desire to communicate or a willingness to help," Mr. Fenton's brief pointed out.

THIS IMPRESSION was created, the brief went on to say, from "within the board structure and personnel. As an example, it would be encouraging if people within the board organization would not regard contractors' request for information, representations and other such contact as automatically arising from bad motives."

He also charged employer appeals were sometimes flatly re-

jected by nameless persons who gave no reasons for rejecting the appeal.

His brief contended the board was remote from both employers and the public and urged a closer relationship between the board and the Ministry of Labor. Though the board should keep its autonomy, the brief said, this relationship would foster closer relations with the legislature and, hence, the public.

The board has been called on the carpet previously for the role played by its safety division. Mr. Fenton said his association's internal safety education program was superior to the board's and asked that the board leave full

responsibility for provincial safety programs to the various safety associations.

"**WE ARE** genuinely convinced that to assign any safety education responsibilities to the board would bring about a progressive deterioration in the efforts of the safety associations to reduce accidents," he noted. "Safety education is the kind of activity which does not belong in a bureaucratic environment."

Also taking aim at the safety function of the board was Robert Loftus, spokesman for the Industrial Accident Prevention Assn. Mr. Loftus said he thought the board firmly believed it was doing a good job in safety education but added, "There is, in fact, nothing coming from the safety director that is of any use to us at all."

Mr. Loftus, while appreciative of the autonomy given the safety

associations by the board, felt the associations would do well to get together and show some coordination among themselves.

Another witness, a spokesman for the Mines Accident Prevention Assn., charged the board's appeals process with being time-consuming and cumbersome.

Stating the superficiality of some of the board's investigations of claims made appeals almost a certainty, he commented, "There have been times when the investigation by the board was simply too casual to even be taken seriously."

It was his feeling that the board should initiate a major training program for its investigators. ■

Court orders fund bolster

SPRINGFIELD, IL.—The State of Illinois has been ordered by an Illinois claims court to pour \$2.6 billion into a teacher pension fund which has been depleted by years of underfunding.

Ruling in favor of a suit filed by the Illinois Education Assn. (IEA), the court ordered increases in payments to the State Universities Retirement System and the downstate Teachers Retirement System.

Illinois Gov. Daniel Walker has yet to sign a bill passed by the legislature to provide \$96 million to five state pension plans, including the two named in the court order. The politically beleaguered governor has threatened to veto massive pension funding legislation on the grounds such action would force the state to increase taxes, a situation Gov. Walker promised in his campaign to avoid.

In its suit, the IEA charged the two pension plans were being funded at a 30% level and the shortage was caused by the state spending pension funds on other priorities. ■

Trademark . . .

Continued from page 30
the bear is not to be housed with other bears.

Hamm's retained the bear by the week during its training and afterwards by the commercial. The Nordic-appearing co-star in the Hamm's commercial is none other than Earl Hammond, with a beard and dyed-blond hair.

Mrs. Hammond, a former New Yorker who used to help train animals for on-stage appearances at the Metropolitan Opera, takes great pride in her 900-lb. pampered house pet, an Asian elephant named Mignon. Although Mignon consumes almost \$20 in groceries a day, she just about pays her own way.

Booked an average of twice a week, the elephant makes guest appearances at parties, sales promotion events and Republican gatherings. A certificate of insurance generally must be produced when the animal goes on show and all of the menagerie are covered by Hartford's general liability policy.

When fully adult, Mignon will weigh almost four tons—too much for any house pet. Before then, the Hammonds hope to construct their own animal preserve, where animals can be studied and trained through the reward system. Included in their plans, is a house with an inner court-yard for the animals.

"If you are going to keep animals out in the barn, you might as well not bother to have them," said Mrs. Hammond. ■

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PERSPECTIVE



Skilled risk management vital when facing 'energy confusion'

"Whether you have considered it or not, the energy crisis is . . . a static risk. A risk manager should study the effect of the energy confusion on the firm, utilizing the standard risk management approach. This involves applying to the energy risk four risk management techniques . . ."

ulation may be the answer, but such an approach is always slow.

IN THE PAST, energy concerns of the risk manager generally have been limited to a secondary power source for fire protection systems, emergency power and lighting for some key operations in a select group of industries, or both.

In addition management has perhaps considered fuel as a cost factor in some site selections because of production processes, or a factor in selecting power equipment fuels, especially if they could possibly burn waste materials. Since the birth of environmental agencies, management has shown concern over fuels with respect to polluting water or air. Yet there has been little active participation in energy conservation efforts.

A risk manager is faced with the responsibility to advise management on any static or pure risks which may affect the financial well being of the firm. (Static or pure risks are those which can cause loss with no gain or profit as opposed to dynamic risks from which the firm desires to gain profit as a result of those enterprising activities in which it is engaged.)

Whether you have considered it or not, the energy crisis is just such a static risk. A risk manager should study the effect of the energy confusion on the firm, utilizing the standard risk management approach. This involves applying to the energy risk the four risk management techniques: Assume, control, eliminate or transfer of risk.

First, in connection with assumption of risk, if you continue to do nothing, you can assume the risk by ignorance. If you study the problem and then still do nothing, you can assume the risk through intent.

WHAT are some of the risks you may assume? Some relate to the production process, where you may face a limit or restriction on energy. For example, in some parts of the country, industries may be asked to curtail production for a limited period of time. In other areas, a sudden and unexpected curtailment of power may occur. With no preparedness plan, you may lose power for production, climate control and fire protection at virtually any time, day or night, open or closed—which means a massive assumption of risk.

However, the business establishment has been assuming the energy risk through apparent ignorance for many years in a variety of ways. Huge facilities—production, research and clerical—are built today with virtually no windows that open, relying instead on a controlled year-round climate. When electric power ceases, all ventilation and lighting is lost. If a two-power source for fire protection is not provided, fire protection is lost as well. Employees can't even punch out on the timeclock. Data processing equipment halts. In offices, typewriters are inoperable—in some places we even have electric pencil sharpeners and staplers that cease to work. Thus, no work can be accomplished. The plant is shut down. Is this just a personnel problem? A production problem? No.

AS RISK MANAGER, you must be concerned about the possibility of additional
Continued on following page

BY MARSHALL W. REAVIS
Professor of business administration,
Governors State University,
Park Forest South, Ill.

WE HAVE BEEN exposed to a great deal of publicity this year about the growing "energy crisis" in this country. Everyone from country and western musicians to bespectacled scientists have peered into our living rooms via television to warn us to slow down and conserve fuel this summer. Some of us have even been exposed to closed service stations, limited purchases and higher prices for gasoline. While this may affect you as a "civilian" what does it mean to you as a risk manager?

For one thing, the "energy crisis" we face involves a great deal more than just gasoline to run motor vehicles. Instead, we are dealing with a total concept which involves the combined energy needed for

the activities of all businesses and the comforts of all individuals; that is, heating, cooling, lighting, industrial processes plus transportation.

As background, let us first identify what the "energy crisis", or as I prefer, the "energy confusion," is all about. Basically, it is a situation where there are in this country energy resources available that are not being used fully, while, at the same time, relatively limited resources are being used at a rapidly increasing rate. Also, regulations have been imposed recently which prevent the use of abundant energy sources while other regulations force us to waste limited energy sources.

AS AN example, the nation's known coal reserves exceed 500 billion tons—enough to last, at the current rate of production, for 800 years or more. Much of this, however, is bituminous coal, containing up to 10% sulphur, a percentage that makes such fuel wholly unacceptable for

use in many areas because of environmental protection controls.

On the other hand, it has been estimated that some 800 million gallons of jet fuel could be conserved each year without a decrease in passenger mileage if the regulatory bodies responsible would allow airlines to consolidate runs and work out optimum flight schedules.

Further, we are all familiar with conflicts over nuclear-powered electrical generating sites. These battles have resulted in some generators either not being constructed or their capacity being severely limited. The environmentalists claim that the process water will raise the temperature of the cooling basin, harming aquatic life. Thus, in some parts of our country, the fish have been cool while the people have been hot, because energy sources were limited and supply could not meet the demand.

This, then is energy confusion: Many sources, many rules, many problems. New legislation involving research and/or reg-

BOOK REVIEW

Authors' plea for change begs for credible interpretations

"An erroneous idea given to a reader not familiar with sprinkler rating, as applied to the analytic schedule, is that this rating plan is used solely to develop automatic sprinkler rates. This is not the case . . ."

"PROPERTY INSURANCE RATING: A PLEA FOR CHANGE," by Tom C. Allen and Richard M. Duvall; published for the American Society of Insurance Management by the Journal of Commerce. Available from the American Society of Insurance Management, 500 Fifth Ave., New York, N.Y. 10036; \$15.00 pre-paid (paper).

Reviewed by
EUGENE F. JOHNSON

In their book, "Property Insurance Rating: A Plea For Change," Tom C. Allen, Nashville, Director of Research and Planning for Armistead Miller Wallace Inc., and Richard M. Duvall, Finance Professor

at the University of Tennessee at Knoxville, charge that the entire national board property insurance rating system is based upon unsubstantiated hypothesis and should be founded on empirical data.

The material for their book was based on a detailed study of insurance losses suffered by more than 10,000 retail establishments in the United States. Unfortunately, the great amount of statistical work presented is marred by the authors' interpretations, which lack credibility.

In the book's conclusion, the authors state, "For years the risk managers of major firms have been told that in order for their buildings to qualify as highly protected properties, they must install roof vents." Qualification for highly protected rating does not require venting,

as stated. To class as "superior," the property should have a reliable water supply, automatic sprinklers, central station sprinkler supervisory or watchman service. Construction requirements vary, and venting is often recommended as an alternative to improve a weakness in the total fire protection system.

THEY GO on to say, "A recent test in the rack storage series has cast doubt not only upon their value, but has tentatively indicated that their operation may increase the severity of loss." The indicated test was at the F. M. laboratory building which did not have roof vents. Exterior wall venting was used and reliable test information not gathered for such conclusive statements. One should remember that the primary purpose of the tests was to ascertain guidelines for automatic sprinklers in rack storage.

For more information on this subject, I would recommend reading data from the British full scale fire ventilation tests conducted at Victoria Barracks, Portsmouth, England in 1966. These tests, conducted with full instrumentation, showed
Continued on following page

business insurance

PERSPECTIVE

Energy...

Continued from preceding page

raw materials stockpiling or being diverted because of energy loss. There is the protection of work in process and machinery during the shutdown as well as the possibility of additional finished goods being stockpiled during the crisis. Your on- and off-premises values may skyrocket above the limits of your coverage in a matter of hours if not carefully watched.

If your firm relies on satellite plants, or has multiple operations relying on one another, the closing of a plant in one area which makes components for a plant in another area may cause the second plant to be shut down as well. You may be involved with people problems as well as property woes when plants shut down, for costly layoffs, callbacks and startups are all risks to be considered.

Transportation risks must be eyed, too. Energy restrictions can cause delays in shipments into and out of suppliers, plants, warehouses and customers. What if you can't ship component parts from one plant to another plant because of gasoline shortages? Many risk managers have been through transportation strikes and are well aware of what happens when you can't move goods from one place to another, but in situations such as a strike, you may have had lead time. Consider your problems if a gasoline shortage occurred right now!

A frightening situation might occur if your plant manager, operating his own fleet, decided to stockpile 55-gallon drums of gasoline in order to keep his trucks running. Or envision the salesman who has to abandon a car and fly back to home base because he's unable to buy gasoline.

NOW CONSIDER the possibility of materials shipped to or from your plants being stalled in vehicles along highways. In-transit goods would certainly be affected by various conditions and risks.

What are some control techniques the risk manager can apply? They involve both loss control (people) and property preservation (places and things).

Property preservation involves everything from plant site selection to construction to operations to maintenance. Many plants were constructed in the South during the past 20 years because of the climate or labor. Often, these plants have contracts with energy companies stating such power sources as natural gas can be diverted during the cold months to other parts of the country. More often than not, boilers in these plants, as well as others around the country, cannot be shifted from one fuel to another without considerable modifications. What happens if fuel is curtailed for a long period?

In the future, such quarantines may be put on electrical power or fuel oil. As a risk manager, you should know who in your organization can enter into these agreements, as well as who has entered into these agreements in the past. You should determine just what effect they would have on you, not only from a fire protection standpoint, but from the stance of materials handling and shipping, as well as employees' status.

The risk management technique to eliminate risk may be popular when facing the energy confusion. Some manufacturers may want to eliminate the risk of loss of power by contracting additional operations out, or storing off-premises, particularly if they're utilizing cold storage or some other temperature control process. Those contracts with outside firms should be reviewed for any hold harmless agreements with relationship to loss or damage as a result of power failures or power restrictions.

Consider that an operation might have to be eliminated entirely. A plant may have to be vacated as a result of a continuing power restriction.

The last risk management technique to review is transfer. Some responsibility can be transferred by contract and a very limited amount may be transferred by insurance contract to professional risk bear-

ers and that is generally with regard to failure, but not restriction, of power.

"Industry will be the target, and as a result of any cutbacks, risks will increase. As a wise and prudent risk manager, now is the time to review the energy confusion risks in your firm. Draw up your preparedness plan now . . ."

A **VERY** thorough review of new plant sites should be made. Also, equipment requiring single power sources, continuous flow processes and machines which have important temperature restrictions, where a power loss could be critical, should be reviewed at the time of purchase.

Many of you will recall the blackout

in New York City in 1965. One unfortunate firm had a continuous flow process which, when the power was lost, gummed up. It cost over \$75,000 to clean before the firm could operate again, plus about three weeks lost production time. That blackout taught us to have two sources of power for our fire protection. Perhaps the "energy confusion" will teach us we may have

to have two power sources, or at least conversion ability on our boilers. Maybe the situation will become so severe we will have to turn to massive standby generators for key production units.

Whether or not the current energy confusion is a fabrication—or the fault of government or fuel producers—industry is the largest energy user and will be attacked first when a power shortage occurs. Industrial uses of energy (process

steam, direct heat, electric drive, fuel used as raw materials and electrolyte processes) accounted for 42% of the energy resources used in the United States in 1970.

Comments have been made that electric lighting in today's plant could be reduced as much as 10%, that additional insulation could reduce air conditioning requirements and that more efficient transportation methods can and should be used. In other words, industry is blamed—not the regulators or the power suppliers. Industry will be the target, and as a result of any cutbacks, risks will increase. As a wise and prudent risk manager, now is the time to review the energy confusion risks in your firm. Draw up your preparedness plan now, not after a plant has been shut down. ■

Mr. Reavis is university professor of business administration at Governors State University, Park Forest South, Ill., and has had extensive risk management and insurance experience. He holds an AB and MBA from Indiana University and is currently a candidate for a PhD in business at the University of Georgia. A former corporate risk manager for Baxter Laboratories, he holds the CPCU designation and is currently working toward the CLU designation.

Authors' plea for change begs for credible interpretations

Continued from preceding page

that fire venting intensifies the fire, but that this sacrifice is of momentary significance and is warranted by the overall contribution to heat and smoke dissipation. An analogy may be drawn to the justifiable acceptance of water damage in conjunction with use of hose streams or automatic sprinklers to accomplish fire control.

Also in their conclusion, the two authors state, "The public in various metropolitan areas are asked to vote for a tax increase in order to upgrade their town facilities from N.B. 5 to meet the requirements of N.B. 3." They add, "From society's viewpoint, if the expenditure does not reduce either the probability of loss or its associated severity, it is a wasteful expenditure." How quickly forgotten are the lessons of the Chicago fire, 1871, Boston, 1872, San Francisco, 1906, and so forth. A select group statistically surveyed for a short period of time cannot reflect viable data for such a statement.

THERE is a difference in N.B. Class 1 through 10, noticeable to one in the field, which a catastrophic event will periodically underscore. Chicago over the Memorial Day holiday this year came close to a modern-day holocaust when a \$40 million fire nearly destroyed an industrial park (*Business Insurance*, June 4). A full-scale disaster was averted by the strength of the city's fire personnel training, equipment and back-up defenses, which a lesser city might have failed to provide under similar circumstances.

An erroneous idea given to a reader not familiar with sprinkler rating, as ap-

plied to the analytic schedule, is that this rating plan is used solely to develop automatic sprinkler rates. This is not the case; the analytic schedule applies to construction charges only and all other credits or charges coming from the sprinkler rating schedule, a separate manual.

The authors' lack of clarity is carried forth in the conclusion, where they state, "National Board Classifications appear to exert a slight discernable influence for the fire peril for sprinkler protected units over N.B. Classes 1 through 8." The main text says, "It would seem that the number of different classes of both factors (sprinklered and non-sprinklered) could be drastically reduced for rate making purposes."

IN SPRINKLER rating, the National Board Classification 1 through 10 is not applied. A basis rate that is the same for all classes is used in developing sprinkler rates. This rating system is predicated on the premise that the automatic sprinklers will contain the fire and require minimal fire department response.

"I do agree with the authors that reliable information should be accumulated which could provide the risk manager guidance in making sound business judgments . . ."

Three examples of analytic rating were set forth in the book, using frame, masonry and fire-resistive construction. I assume from the occupancy charges shown that the authors selected item 2236—"Supermarkets." Such specific occupancy would generate a frame charge of 160% and fire-resistive charge of 110% as correctly shown. The masonry charge would generate a charge of 140% rather than 120% as used.

A sweeping statement is made that, "Most states today have a civil disorder

loading of 2% and/or 4% based on the population of the various counties." If one assumes that this statement was verified as of March, 1972, when the "Acknowledgement" section was written, we find that of the 50 states only 15 had such a charge as described. At the apex of civil disorder loading, incorporating a rate increase of 2% and/or 4%, only 27 states required such a charge.

As to automatic sprinkler protection, Mr. Allen and Mr. Duvall conclude, "Protection in the form of sprinklers is extremely important." For extended coverage, difference in conditions, crime, vandalism, plate glass and miscellaneous, "the factor of sprinkler protection seems to bear little relationship in limiting the size of loss resulting from one of these perils." This finding does not surprise us, as automatic sprinkler systems were designed to fight fires rather than support buildings from collapse, flood, snow, or earthquakes.

I DO agree with the authors that reliable information should be accumulated which could provide the risk manager guidance in making sound business judgments as to protection costs versus risk transfer costs. Yet I don't think a rating system which has endured for more than sixty years is as bad as the authors would have us believe.

Change is long overdue, but cannot be brought about by over simplification—even though it is desired—due to the complexity of modern construction and occupancy. Each risk has its own identity, though it falls into a general grouping, which requires consideration through use of various contributing disciplines to arrive at a fair and equitable rate. ■

Mr. Johnson, assistant vp, Rollins Burdick Hunter Co., Chicago, serves in the company's fire engineering division, research, planning and engineering department. He has had 17 years of insurance-related experience, including 11 years with the Missouri Inspection Bureau, where he was engineering supervisor of the St. Louis office. Mr. Johnson joined Rollins Burdick Hunter in 1965. He holds a BA degree in economics from Drury College, is a CPCU and a member of the National Fire Protection Assn.



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Plagiarism cover for publishers no open book

By ROBERT SNYDER

NEW YORK—While plagiarism allegations have brought added notice of Norman Mailer's "Marilyn," a biography of Marilyn Monroe, to the public, publication of the book has brought new attention to the specialized insurance needs of publishing houses.

The buyers of this type of policy were reticent in discussing their policies. A New York broker handling this type of insurance noted, "This is a very difficult sort of topic. Publishing houses don't want to publicize their deficiencies. If they couldn't

get the limits or the premiums they wanted, which happens in a lot of cases, I can see why they'd be reluctant to discuss it."

"Plagiarism would be covered under our publisher's liability policy," said Robert Wheeler, ass't. manager of Seaboard Surety, "but we only offer it for hardcover books. We write a standard publisher's liability policy—it's on a blanket basis."

"We are even selective of the publishers we will cover," he stressed, "because there is a great deal of litigation coming out of this area."

According to the Seaboard official, their policy indemnifies

"causes which include libel, slander, defamation, invasion of privacy, infringement of property rights, infringement of copyright, unfair competition, and plagiarism."

AN EXECUTIVE from Random House, whose libel protection is written by Seaboard, commented, "Plagiarism is an up-and-coming area. There's no real need for separate policies until the risk situation pulls the cost of the entire contract up. This is probably going to come about, but as of yet I see no real need for such insurance."

When asked if his premiums

were high, he replied, "We have an excellent record in this area so our coverage is reasonable."

A spokesman for a major publishing house in New York told *Business Insurance*, "I don't think any liability policy is designed for illegal acts, so I believe that determining cognizance of the act on the publisher's behalf is important for a successful suit. Plagiarism would be picked up under our personal injury coverage. Our umbrella policy would back it up. There is a gap here, but it is a self-insured gap."

"This is the sort of thing we try to avoid in production. The individual who would plagiarize

should be ruled out through quality control—the filtering, through which our editors should stop-up any loss.

Like several other publishing houses, Prentice-Hall is a self-insurer. "We've studied the situation and based on our own loss experience we've decided we're better off self-insuring. Premiums are so prohibitive I can't see how many publishing houses would carry such insurance," pointed out a company official.

"TV NETWORKS do," he added, "but they have a tremendous exposure to protect and are also better off dollar-wise. Probably publishing houses owned by NBC or CBS would be covered because they feel they could be added under the network's blanket policy."

A source at a major libel underwriter commented, "A personal injury policy would cover for incidental exposure of this nature. However, a publisher's primary business thrust is in this area and he needs special protection."

If there is an insurable risk, libel writers contend general policies cannot answer the risk satisfactorily as would a policy written specifically to cover those risks.

Standard form for newspaper libel reserves the prerogative for the insurance company to require retraction. Jack Anderson, controversial columnist syndicated in 700 national and international newspapers, is reported to have refused coverage because the insurance companies which have approached him want the right to require such retractions.

"Publishing presents a real practical problem on this respect," said the insurance official. "No real format for retraction is available."

"To reduce risks, though, anything from simple employe orientation to the use of law firms on retainer can be used," he commented.

TIME INC., for example, is reported to have an in-house staff of lawyers going over all articles looking for libelous statements.

"As a base for rates," the executive commented, "you measure off approximately the number of books and the number of copies per book. Obviously, if they are publishing a book with high potential for libel, you take this into consideration. Higher deductibles would lower the premium."

"Book publishers usually take out a policy with limits of several million dollars," he added. "With the exception of maybe a few educational book publishers, policies would probably start at \$1 million and go up. Sometimes companies use umbrellas to extend their policies."

Most publishing houses feel no need as yet for special risk insurance in the plagiarism field. Meanwhile, most cling to their libel policies or self-insurance while regarding the rising risks and continuing litigation.

The most recent storm of litigation is rocking the publishing world with waves of suit and countersuit. Darkening legal clouds are menacing Norman Mailer and his publisher, Grosset & Dunlap.

Plagiarism allegations have woven a mesh of charges both here and abroad about Mr. Mailer's book, "Marilyn." Maurice Zolotow, an earlier biographer of

Continued on page 44



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**Phase IV won't affect
UAW talks: Woodcock**

DETROIT—The wait is over for the United Auto Workers union (UAW) after months of second-guessing what form of economic controls would govern current negotiations with the Big Three automakers.

Phase IV in all probability will not affect the contract talks, UAW president Leonard Woodcock predicted, terming it "an acceptable position we can live with."

"Phase IV underscores the need for modernization of the cost-of-living formula for an ongoing protective escalator," he told a press conference. "It is as important as the removal of the cap on the cost-of-living in 1970."

Mr. Woodcock said he didn't foresee any changes in the current bargaining under Phase IV, although he noted it may prompt the automakers to stiffen their resistance.

"That is their decision," he said.

CONTRACTS affecting some 800,000 autoworkers expire at midnight, Sept. 14, and the two sides began meeting to shape the new three-year work agreement on July 16. The union is pushing hard for early retirement liberalizations, in-plant safety and health concessions and a wide assortment of insurance fringes. The UAW has also pledged to negotiate an end to voluntary overtime—the issue, the automakers say, most likely to lead to any talk breakdowns.

Having survived the waiting with the previous 5.5% wage increase guidelines intact, Mr. Woodcock predicted the union would follow the lead of earlier negotiations which were agreed to with wage-benefit figures high-

er than the federal standard without government complaint.

"**WAGES** and other benefits settled to date have been on the plus side (of 5.5%)," Mr. Woodcock said. The union, he said, interprets the Phase IV statement as permitting "a continuation of flexible implementation on the plus-side versus the old, flat rule."

"The government should get out of the control business as soon as possible," he said, "hopefully in a few months. Phase IV is less onerous than the freeze plan. The freeze was a mistake; it hampered supply. We're moving toward a more normal situation now."

London Line...

Continued from page 18

BRITISH underwriters have completed successful negotiations with the government of Pakistan over compensation claims and the release of cargoes worth nearly \$4 million which were involved in the Indo-Pakistan disputes of 1965 and 1971.

Some of the cargoes were covered on the U.S. market under reinsurance clauses, but the majority were covered at Lloyd's or on the U.K. market.

It took long and patient talks between U.K. underwriters and the Pakistan representatives before the agreement was reached. The insurance market will now step up its hopes that India, and to a lesser degree, Bangladesh, will settle equally substantial claims over cargoes held in those countries during the vital periods.

The U.S. is not directly concerned in these efforts, as in the past it has run its own negotiations over domestic cargoes, but may well be interested in the outcome through reinsurance cover.

Claims for 1965 centered on cargoes worth nearly \$2 million, seized mainly in Karachi, and 1971 claims also covered cargoes similarly seized in Karachi, largely on the vessel City of Colombo while on its way to Indian ports.

* * *

LAWYERS in Britain are pressing for new laws, to be introduced in Parliament, which will give an unborn child the right to sue for damages.

Effectively this will mean, of course, that parents will bring action on behalf of malformed infants, such as thalidomide victims, who grow up but sustained injury while in their mother's womb.

It would mean a dramatic step forward in liability legislation, and insurers are watching the new moves with close attention.

The right of a child to recover damages for injuries received before birth has never been granted in the past under English laws, which have set the pace for many countries.

However, the move is being regarded as in line with modern thinking, even though it may lead to the growth of negligence claims, especially against doctors. The right to sue will not arise until after the child is born, but can then be post-dated to events which occurred before birth, such as an auto accident in which the baby's pregnant mother was injured.

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Committee okays national no-fault; bill up for full Senate vote this year

WASHINGTON—The administration-opposed National No-Fault Motor Vehicle Insurance Act has been approved by the Senate Commerce Committee and should, it sponsors say, come up for a full Senate vote this year.

Sponsored primarily by the com-

mittee's chairman, Sen. Warren G. Magnuson (D-Wa.), the bill requires each state to enact a no-fault statute to meet federal standards. As approved by the committee, the bill allows the states greater flexibility than a previously-passed bill and provides

great leeway to states in handling commercial no-fault automobile insurance.

BRIEFLY, the bill requires every car owner to at least purchase coverage for himself and his family, and it provides payment of all medical and rehabilitation expenses, at least \$15,000 in wage losses and "reasonable" levels of replacement services loss and survivor's loss. The bill limits the accident victim's right to sue to cases involving serious injury. Deductibles, under the bill, cannot exceed \$100.

"The bill has been designed in such a way as to leave all insurance regulatory matters to the state," Sen. Magnuson said, ex-

plaining how the bill differs from last year's version.

"An amendment by Sen. Norris Cotton (R-N.H.) which permits a state to lower work loss benefits in order to assure cost savings in rural states was accepted by the committee. The committee also decided to leave to the states the decision as to whether property damage should be included under the no-fault plan.

"All in all," he said, "the bill follows the basic approach of the bill reported last year, but it has been technically perfected, and the benefit level standards have been relaxed to avoid any arguments about cost-increases."

LAST year's version also contained a \$50,000 ceiling on medical and rehabilitation payments. This year's version requires medical and rehabilitation costs be "reasonable."

"One provision of possible

importance to risk managers requires states to allow coordination of health and auto coverages. In effect, such a plan would require employers providing group health coverages to pass along to employees any cost reductions resulting from no-fault insurance either in the form of direct payments or substitute benefits.

FOLLOWING approval of the no-fault bill, Illinois-based State Farm Life and Accident Assurance Co., the nation's largest auto insurer and previously an adamant opponent to the bill, announced its support for the measure.

"Now, with the support of both the American Insurance Assn. and State Farm, it will be much harder for the lawyers and other segments of the insurance industry to stop the bill," Sen. Magnuson said. State Farm's reversal, he claimed, represents "a major breakthrough."

9 'pups' will domicile

CHICAGO—So far, nine out of 21 "pup" insurers have agreed to establish some offices in Illinois, according to Fred Mauck, Illinois insurance commissioner.

The others, according to Commissioner Mauck, will face action by his office if compliance to the Illinois premium tax (2% of gross premiums collected in the state) isn't adhered to.

Four firms have decided to locate their domiciles elsewhere, Mr. Mauck said. Two firms, INA Insurance Co. of Illinois and National Surety Corp., known as Firemen's Fund still contend they are complying with Illinois law and intend to continue doing business in the state.

FIVE OTHER FIRMS have responded through their legal departments, contesting the orders and charges with lawsuits.

One firm, Republic Vanguard Insurance Co., Dallas, Tx., has not yet had time to comply with the state's instructions, Mr. Mauck indicated.

The nine complying insurers

are: Aetna Casualty and Surety Co. of Illinois; Aetna Life Insurance Co. of Illinois; Argonaut Midwest Insurance Co.; Home Insurance Co. of Illinois; Illinois Employers of Wausau; International Insurance Co.; Midland Casualty Co.; Royal Globe Insurance Co.; and St. Paul Insurance Co. of Illinois.

The firms suing are: Travelers Indemnity Co. of Illinois; Travers Insurance Co.; Reliance Insurance Co. of Illinois; Reliance Standard Life Insurance Co.; and General Casualty Co. of Illinois.

The firms which have, according to Mr. Mauck, decided to "redomicile" are: Gamble Alden Insurance Co.; Bankers United Life Assurance Co.; and Protective Life Insurance Co.

An examination of the pup insurers operations in Illinois revealed the state had lost \$5,460,000 in tax revenues in 1972 to out-of-state companies.

Without his office's action on the matter, as much as \$10 million to \$11 million would have been lost, Mr. Mauck contended. ■

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Risk managers yawn at energy crisis

Continued from page 1
 ations which use gas," he told *Business Insurance*, "and we have to haul feed to our chickens and get the birds to processors. We have a huge amount of birds in the field and if we couldn't get feed to them we'd have problems. So, I'm getting more catastrophe mortality insurance on the chickens."

Joseph Holwerda, Colt Industries' insurance manager, and Woody Anderson at Kaiser Industries said they were involved to somewhat lesser degrees.

"My job is so broad I do have the energy problem," Mr. Holwerda noted. "At the moment we're conducting a survey so we can determine whether the problem should be handled at corpo-

rate headquarters or let the plants flounder on their own.

"However," he added, "everybody is involved—engineering, manufacturing—there is a great deal of cross-fertilization. Usually, very high level people are in charge of something like this. In many cases the risk manager could be the last to hear about things because he has so many other things on his mind."

MR. ANDERSON felt Kaiser would be affected and said he was in the planning stages of the risk management ramifications of providing secondary sources of power to the firm's facilities.

"We are replacing natural gas with propane gas," he commented. "And six 30,000-gallon propane gas tanks are something to worry about."

Aside from the planning stages, he said, "Risk managers aren't really seeing the crisis yet."

Interestingly, the two risk men who had been hit by the crunch were not at all terrified.

"We faced a critical problem in getting diesel fuel for our buses," reported Earl Novell, managing director of MARTA Insurance Managers, the joint venture handling the risks for the Metropolitan Atlanta Rapid Transit Authority. "A new contract with the supplier was

reached before we actually had to curtail service but it was close. From the risk management standpoint, we were constantly appraised of what was going on and we are ready to move. But we never reached the point where we had a plan for this type of thing when it happened and now we're in good shape."

The risk manager for a company faced with the problem of having "certain facilities not operating at capacity" due to a shortage of electrical power said his department had "no direct involvement in the company's plans."

"The workload hasn't increased for this department at all," he noted. "This is more of an operational problem. Power is a raw material for us so insurance coverage is out. I mean we couldn't get coverage for other raw materials, that I know of. Maybe Lloyd's."

SO WHAT about insurance coverage? Varying opinions were heard as to what form of coverage might be available—if at all.

Those who thought power shortages were insurable said the only road to protection was through contingent business interruption coverage, but they had no intention of buying it.

"I don't really think something like this is transferable," said Weyerhaeuser's Mr. Christenson. "Contingent business interruption might do the trick but that is an extremely selective coverage."

"If you are relying on outside power," Mr. Boettcher at Hormel pointed out, "business interruption won't cover you. All risk isn't broad enough. Contingent business interruption would take care of it. No, we don't buy that particular coverage."

On the other side, some risk men felt the energy crisis runoff could not be insured.

"I WOULD be very skeptical about insurance on this because it is not a fortuitous situation," was the opinion of John Beahrs, insurance manager for Matson Navigation Co., San Francisco. "Let's face it, this is nothing that people haven't known about."

"As far as I know," said Stanley Tarr, risk manager at Rutgers University, New Brunswick, N.J., "It wouldn't be insurable in cases

where we couldn't get power to light and heat our buildings." Mr. Tarr indicated that losses due to someone else's economic problems could not be covered like fire and windstorm losses.

"We aren't doing anything firm about the energy crisis," said Robert Bieber, risk man for the city of Yonkers, N.Y. "Emergency power systems for communications and alarm and fire protection systems are already in existence. Water pumping and refuse disposal concern me a bit but we do have back-up. And the energy situation now had nothing to do with it."

AT DENVER & Rio Grande, Mr. Colbert, who was not worried about the supply of electrical power, noted the railroad did have standby power for switches and other important items but agreed with Mr. Bieber. "Our installing standby power was not spurred on by the energy crisis."

There were some risk men who felt the energy crisis was pretty much over—thanks, mainly, they said, to passage of the Alaska pipeline bill—and others who were not too sure it ever existed.

"I don't think most risk men would be worried," stated a risk man at a large transportation company who wished to remain anonymous. "Now that the pipeline problem has been taken care of, it's just a matter of gearing up. I think the whole crisis was set up by the oil companies in the first place."

Of a somewhat different opinion was Mr. Bieber.

"At this point," he said, "the concept of the energy crisis is more verbal than anything real out there in the world. I mean, it certainly hasn't reached the point the food situation has. I'm really not a firm believer that there is an energy crisis."

Mr. Tarr, who detailed the devastation a research institution would be faced with if power suddenly stopped, said the whole thing was "unthinkable."

"We are looking into it," he noted, "but no one really knows where it's going at the moment. Right now, we don't know if it's just a scare or if it's for real. It would be kind of iffy to make any sort of plan when you don't know exactly what form a catastrophe might take." ■

Publish Agent/Broker Profiles as Directory

Because of the demand for the profiles, tables, charts and analyses contained in the July 30 issue, this information will be published in the form of a 6" x 9" desk-top directory. The second annual *Business Insurance Directory of Commercial Insurance Agents & Brokers*, September, 1973, edition will contain this important information for use by corporate insurance buyers, financial institutions, consultants and government officials. Readers may order copies by filling in this coupon and mailing it to: *Business Insurance*, 740 Rush Street, Chicago, Ill. 60611. Please send me _____ copy (s) of the *Business Insurance Directory of Commercial Insurance Agents & Brokers*, September 1973 edition.

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Deductibles, captives considered in new City Investing risk plan

NEW YORK—Insurance buying and risk management procedures promise to take on a new look at City Investing Co. and the Eltra Corp. since two prominent figures in the field have taken positions with these companies.

Peter J. Mullen became the director of risk management for City Investing Co., Beverly Hills, Ca., this spring. Formerly manager of corporate insurance for the North American Philips Corp. here, and vice president of DCF International, Ltd., its reinsurance subsidiary, Mr. Mullen said he is in the process of developing a new risk management philosophy for City Investing.

"In the past," he said, "the

subsidiaries bought their insurance autonomously. I plan to consolidate this approach." He said he would examine use of higher deductibles and possibly reinsurance captives for City Investing's subsidiaries, which include financial services, manufacturing, housing and land development.

"LOSS PREVENTION has to be increased across the board—it could save a hell of a lot of money," Mr. Mullen expanded when asked how he would deal with exposures ranging from the Home Insurance Co. to Sterling Forest Gardens (a ski area in New York), both owned by City

Investing.

Mr. Mullen, who has been widely praised in risk management circles for his expertise in handling North American Philips' insurance department, said his new position would be much broader in scope. "It's three times larger—more diversified from a financial and manufacturing viewpoint," he said of City Investing's operations. He will be responsible for handling employee benefits for the parent company and its subsidiaries in addition to creating a new risk management approach for them.

Mr. Mullen, for the time being, is the risk management department at City Investing. He

said, however, he expects three more people to help him turn the department into "a profit center." The department has its own budget, over which Mr. Mullen has control.

Mr. Mullen said he is "basically replacing" the position formerly held at City Investing by William F. Quinn Jr., the 1972-73 president of the New York chapter of the American Society of Insurance Management. Mr. Quinn has also had prior experience with Rheem Manufacturing Co. and Standard Brands, Inc.

Mr. Quinn has joined Eltra Corp., New York, as director of rate insurance. His responsibility will be the total corporate general insurance and employee benefits, including group plans and pensions for the 25,000 employees in the diversified company.

"THE RISK management philosophy at Eltra will be changing," Mr. Quinn noted. "We're



Peter J. Mullen

presently pulling together concepts for greater assumption of risks and better use of money, particularly in the property area."

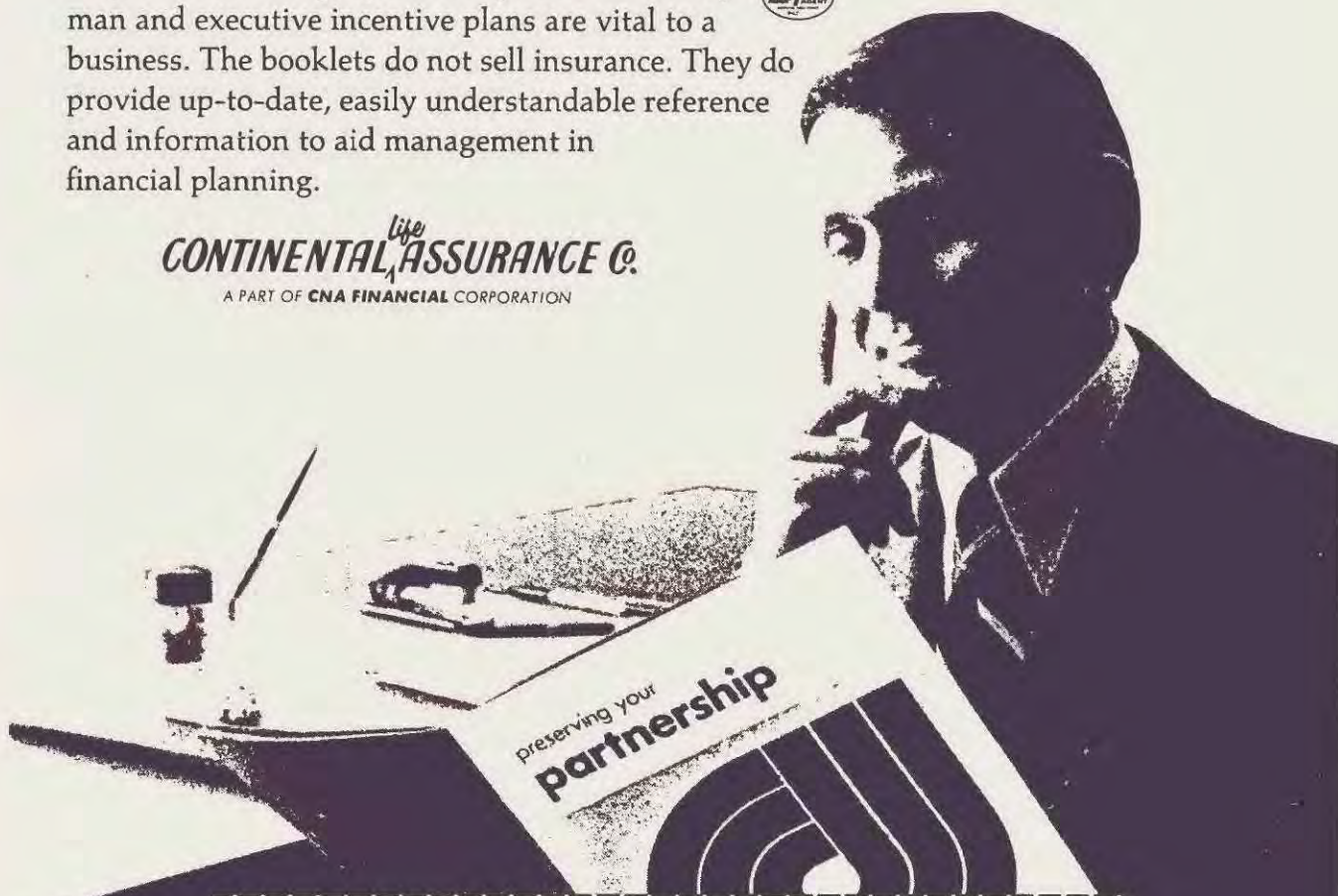
Other areas of the company's insurance program will also come under Mr. Quinn's scrutiny as he modifies programs, and the insurance department along with

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William F. Quinn

them. Until his arrival at Eltra, the insurance department has been headquartered in Toledo, Oh. Mr. Quinn presently has five members at the Toledo branch, but is at work setting up the organization of the department to bring the key functions and personnel into the New York office.

Eltra, which is projecting 1973 sales in excess of \$600 million, has operations in electrical, communications, consumer, general industrial fields as well as leasing and real estate interests.

Reinsurance bill passed

BOSTON—Legislation enabling the Commonwealth of Massachusetts to end its assigned risk plan for auto liability by next March was signed late last month by Gov. Francis Sargent.

The new plan calls for a reinsurance facility modeled after one recently passed in North Carolina and under consideration in South Carolina. A hearing is scheduled on similar reinsurance facility legislation in New York.

The Massachusetts plan becomes effective in November although the pool isn't operative until March, 1974.

Gov. Sargent has reportedly expressed some concern over "loose construction" of the measure and failure of the legislature to include an amendment he had sought which would have permitted insurance commissioner John G. Ryan to establish and formulate the reinsurance plan.

IN THE new plan, service is the same to all insureds, as opposed to the assigned risk pool tendency to treat some persons as second class citizens.

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David safe from giant rumblings

By CHARLES WINGIS

GLENDALE, CA.—A new statue of David, one to replace a predecessor destroyed in the Feb. 9, 1971, earthquake here, has been erected at Forest Lawn Memorial Park.

The delicate emplacement took place last month, more than two years after the Sylmar tremor snapped the ankles of the first Forest Lawn David and sent it crashing to the ground.

An exact reproduction in white Carrera marble of Michelangelo's original, the statue now rests on a 10,000 pound "earthquake-proof" block especially designed to prevent a repetition of the 1971 disaster. The predecessor David, set in place at Forest Lawn in 1939, was the only park statue damaged by the quake.

The new David has been faithfully reproduced by Italian craftsmen to duplicate every detail of its predecessor but one: It does not wear a figleaf. According to Forest Lawn spokesmen, the figleaf was never part of Michelangelo's original sculpture, housed in Florence, Italy.

At the time of the quake, the statue of David and more than 1,000 other pieces of statuary and works of art displayed at the park were fully covered by an inland marine policy provided by a group of 10 different insurance carriers. Since then the carrier has changed, says John Llewellyn, vp in charge of Forest Lawn's risk management program.

Full coverage of the art displays is currently covered by an inland marine fine arts form from the Hartford Insurance Group.

Hartford took over the risk this past spring, he said.

Following the 1971 earthquake, Mr. Llewellyn noted, a couple of the previous carriers "got nervous and backed out of the earthquake market completely. Coverage finally went to Hartford on the basis of competitive bidding."

MR. LLEWELLYN also mentioned that Forest Lawn makes use of self-insurance, but only to a very minor degree. "Our self insurance is not extensive, simply because it's not economically practical for our needs," he said.

In keeping with long-established Forest Lawn policy, Mr. Llewellyn is hesitant to discuss specifics when it comes to placing values on the statue of David and the other works of art at Forest Lawn: "We just don't feel

that type of publicity is important. What's important is that they're great works of art that can be enjoyed by everyone who visits the memorial park."

Great pains have been taken to prevent a recurrence of the 1971 mishap. The statue now rests on a 5-ton pedestal block designed to "float" on teflon-coated stainless steel panels laid over a polished granite slab. In the event of an earthquake, the statue can move with the earth, moving backwards or forwards or to one side as much as an inch or two, depending on the tremor's severity.

Two sizable crane rigs were needed to raise the statue onto its pedestal, located in the open-air Court of David, through which more than one million visitors pass every year.

The weight of the statue is dis-



David

tributed with an accuracy which permits the whole work to balance on a small portion of the base on which the right leg rests. Most of the weight is at the top and when the ground began to shake in 1971, the statue built up enough momentum to cause it to snap off at the ankles and smash into many pieces.

After the fall, park officers found a number of people interested in obtaining pieces of the statue. But rather than selling the pieces to someone who might use them later in a way Forest Lawn would not approve of, a minor salvage value was agreed upon with the insurance carriers. ■

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GAB The Action Adjusters

Judge rules: Pay pensions

ROCHESTER, N.Y.—The question as to whether former employees of a bankrupt Rochester manufacturing concern will get their pensions has been settled.

They will.

James H. Boomer, state supreme court justice, ruled that pension payments should be made to 138 former employees of Yawman & Erbe Mfg. Co., or their beneficiaries. The pension payments had been ordered stopped when the firm filed for bankruptcy.

The trust fund totals \$326,510. It will be distributed by the Metropolitan Life Insurance Co.

In September, each pensioner will receive a payment to cover benefits not paid since June, 1972. In October, annuity payments will begin.

It is estimated that former employees of the office furniture manufacturing firm will get about 37% of the amount that would have been paid if the program had been fully funded. ■

Book . . .

Continued from page 36

Miss Monroe, has threatened a \$6 million libel suit. In return, Mr. Mailer said at a press conference unless Mr. Zolotow withdraws his accusation of plagiarism and extends an apology, suit would be imminent. Harcourt, Brace and Jovanovich, Mr. Zolotow's American publisher, is reported to be considering suit against both Mr. Mailer and Grosset & Dunlap. Meanwhile, abroad, an injunction against the British edition of Mr. Mailer's book will be brought if Mr. Zolotow's British publishers don't receive financial settlement.

Facts concerning Marilyn Monroe's life are not subject to copyright, only the style and language of the earlier biographer. The legal dispute will zero in on whether Mr. Mailer's version crosses an undefined legal boundary allowing limited and "fair" quotations. ■

Scuba diving safety

Breathe out and watch your teachers liability

By ROBIN SUHRBIER

SANTA ANA, CA.—Promoting safety through education is the best insurance scuba diving instructors have to guard against teachers liability claims.

For Pete Drino, president of Havin' Fun Scuba Diving Inc., a scuba diving instructional company here that means developing a training program for students exceeding minimum requirements set by the National Assn. of Underwater Instructors (NAUI).

Mr. Drino's firm is in the business to teach—not to sell—scuba diving equipment. In just one year since the conception of Havin' Fun, the school has produced 3,200 certified divers. NAUI certification is received only through scuba diving instructors who verify to NAUI that a diver has met all the requirements for his or her certification.

Retail dive shops now require divers to show their certification cards before purchasing air for their tanks, an "effective method to keep the untrained diver out of the water," according to Jon Hardy, projects director for NAUI. The association serves as a central core for training instructors around the world, offers refresher courses, acts as a clearinghouse for information and serves as a self-regulating body for diving instructors.

FOR THE eleven instructors of the Havin' Fun Scuba Diving School, Mr. Drino arranged group teachers liability coverage through Ronald Young of the Albert G. Ruben Co.

An instructor's liability doesn't end once a student completes a course: He's open to a liability claim resulting from negligence in instruction for a number of years beyond the course. Because of this, Mr. Drino and Sandy Hochman general manager of Havin' Fun, agreed the best assurance against a suit is having highly-trained instructors who are paid to teach.

Often retail dive shops include diving instruction as an extra, but "they are in the business to sell diving equipment; Havin' Fun is in the business of teaching," Mr. Drino and Mr. Hochman said. Havin' Fun works through public school systems arranging with high schools to offer scuba diving as an alternative to regular physical education courses.

"Offering diving instruction through the public schools has resulted in a very favorable premium for the high limits of liability he carries," said Mr. Young, who has been instrumental in redirecting insurers' thoughts about the scuba diving industry, which today is a \$70 million business.

ACCORDING TO Ted H. Butler, vp, Ruben Co., Mr. Young sold the insurers on the merits of working with the scuba diving industry. With the help of NAUI, an extensive educational campaign began to change the image insurers had of scuba diving. Diving equipment today employs the latest in technological advances making equipment lighter and easier to handle.

Mr. Young arranged Mr. Drino's entire corporate insurance program which includes, in addition to instructors liability, coverage for products liability, premises and non-owned auto.

Havin' Fun is one of three or four firms world-wide devoted strictly to the teaching of scuba

diving, since, according to Mr. Hardy, most diving instruction is offered through the retail dive shops or other institutions. NAUI mass markets instructors liability coverage to its members, a program also arranged by Mr. Young. The coverage carries a \$100,000 combined single limit with no deductible and also offers an excess liability contract which provides another \$200,000 limit. "The annual premium is very good when compared to a doctor or lawyer's professional liability policy on comparable coverages," Mr. Hardy commented.

To guard against liability claims and to promote scuba diving as a safe and fun sport, Mr. Drino has

structured his teaching program around NAUI's suggested format but goes beyond the minimum requirements. All of his instructors are graduates of the NAUI underwater instructors certification course, a week-long program "where we teach how to teach," Mr. Hardy noted. The course is designed to test a prospective instructor's knowledge and ability to teach skin and scuba diving. (Skin diving is diving with a mask, snorkel and fins; scuba diving uses a self-contained underwater breathing apparatus, hence, SCUBA.)

"YOU LIVE, eat and sleep scuba diving for a week," said Mr.

Hochman, a newly-certified instructor.

NAUI re-certifies underwater instructors annually. Instructors must demonstrate to the association what they have done during the past year, such as how many dives they made and how much time they spent teaching.

As a further cross check on instructors, NAUI sends a questionnaire to each diving student it certifies, designed to evaluate the course of instruction a student received.

The course offered by Havin' Fun is 30 to 35 hours long compared to the NAUI minimum of 24 hours. "We have a captive audience and the resources to go

beyond the minimums," said Mr. Drino.

A TYPICAL course takes a student from plain swimming to skin diving and finally to scuba diving, "a natural progression," Mr. Hochman added. A course offers in-classroom discussions, poolside training and three ocean dives.

But there's more to diving than just plain diving," Mr. Hochman explained. Havin' Fun's program combines practical discussions of applying general sciences to scuba diving, a basic knowledge of life saving and a general description of marine biology with actual ocean diving situations stressing

Continued on page 46

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Okay divers, where's your buddy?



Every certified scuba diver must be familiar with life saving procedures. Pete Drino, president of Havin' Fun Scuba Diving Inc., demonstrates a rescue technique on Sandy Hochman, general manager.

Continued from page 45

how to respond in an emergency.

"Always buddy dive is the basic rule. We drill this into the students," Mr. Drino explained. "Our course teaches how to buddy breathe, how to communicate underwater with hand signals and how to aid one another in an emergency situation."

"Training not to panic is what the course is all about," Mr. Hochman added. "We are teaching students how to cope with new equipment in a new environment. If they know how to handle emergency situations this helps to preclude panic."

Minimum age to receive scuba diving instruction is 15. Mr. Drino's instructors review all applications including medical histories. If an instructor is hesitant about any aspect of the medical

history, a further medical check can be run. Mr. Hardy explained that scuba diving can be taught to almost anyone, even those with certain physical deformities, but to become certified by NAUI, a diver must meet strict requirements.

ALL SCUBA diving equipment, for courses taught at public schools, is checked daily to be sure everything is in working order. At the first class meeting, certain ground rules are spelled out and if anyone breaks a rule, he's automatically dismissed from the class.

"However, the students we get are taking the course because they want to, so discipline hasn't been a problem," Mr. Hochman said.

The schools have some rescue equipment, including a first aid kit located at the pool. Instructors

familiarize students with the location of the rescue equipment and the location of the nearest phone. When an instructor has his class at the ocean, he has with him either a life raft or surf board for quick rescues.

Some schools have stipulated that a student have had life saving instruction as a prerequisite to taking scuba diving instruction. In the first year of operation, Mr. Drino's instructors reported no accidents in any of their classes. ■

Letters . . .

Continued from page 16

veniently neglected to mention specifically how he arrived at the percentages for and against, the elimination of general average and since Mr. Moore has also felt it is his duty to ostracize the adjusting profession on the pretense of general average abuses, completely disregarding the equity and legality of general average, we would suggest Mr. Moore do his homework and proceed on the basis of promoting the simplification of general average and the York Antwerp Rules, 1950.

In addition, I would suggest that anyone desirous of acquiring a more detailed knowledge of average adjusting do some reading on the subject. In this connection, I would take this opportunity of quoting an extract from the general remarks of one of the reports prepared by the committee set up by the Association Internationale de Dispatcheurs Européens to study the simplification of general average and York Antwerp Rules, 1950:

"I. York-Antwerp Rules have achieved a unification of maritime law as has never been attained by any other set of rules, be they embodied in an international convention or not. This uniformity should not be disturbed as this would mean that maritime commerce would be lead back to the chaos of divergent national laws, points of private international law being raised and unforeseen claims being lodged. In modifying York-Antwerp Rules the balance which now exists between the interests of all parties concerned should be preserved; if not, Shipowners in their Bills of Lading might well diverge from the new Rules proposed either for their own benefit or urged upon by shippers.

"II. A second point that should be stressed is the need of avoiding lawsuits on Master's decisions. As long as the results of such decisions are borne proportionately by all parties concerned in the common adventure there is no incentive to a Master to take one measure in preference to another and he can be guided by good seamanship only. If however, damage resulting from his decisions will have to be borne by either ship or cargo it might be contended that he has been influenced by other than nautical motives and a desire to cause as little damage as possible. Such doubts as to the Master's impartiality should be avoided. General Average therefore should not be eliminated, especially not in those situations where generally the Master will have the choice between a measure inflicting damage on cargo (e.g. by jettison of cargo to refloat a vessel) and a measure inflicting damage on his principal (e.g. getting the vessel refloated by tug assistance)."

John J. Picarella

Average adjuster, New York

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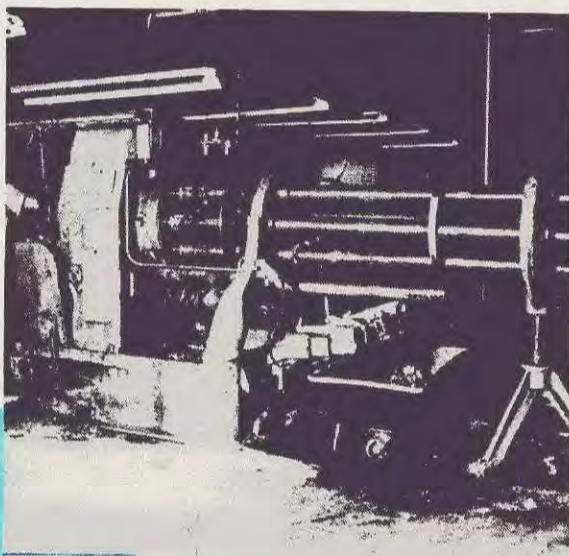
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American business helps London achieve highest profits in years

LONDON—Major insurance companies in Britain are recording their most profitable results for many years out of American business in 1972. Revaluation of currency exchange rates helped to achieve this, but their main success is in the business of property cover, where windstorm losses were low.

Effective results show overall

NJ court rule could trim insurer profit

TRENTON, N.J.—A New Jersey supreme court decision handed down earlier this month has put state insurers in the position of seeing their reserves for unearned premiums and reserves for losses whittled down to meet a new set of rate-making formulas. The ruling may affect property and casualty insurance as well as auto liability.

Under the formula outlined in the nine-page decision, insurers are allowed a "reasonable profit factor of 3.5%." The twist comes in with the deductions from that profit they will now be required to make. All investment income from policyholder-supplied funds must be deducted. The two main funds involved are the reserves for unearned premiums and for losses.

SINCE investment returns on these two funds can amount to more than 2.5%, especially for auto bodily injury and property damage liability, net profit, it has been estimated, to the insurer would be sliced to less than 1% with the deductions.

Carriers will therefore be forced to tap another source to get the bulk of their profits on behalf of stockholders—the investment of stockholder-supplied capital funds. Under the high court ruling, only investment income from interest, dividends and rents goes to the policyholder, while capital gains and losses which may arise belong to the company and the company's stockholders.

FORMER STATE insurance commissioner Robert L. Clifford devised the New Jersey formula based on a study of 4,000 pages of testimony taken in hearings between 1970 and 1971 and on briefs by counsel in the case. The hearings were generated by a demand by the high court, which requested information about insurance company profitability in connection with a New York Insurance Services Office appeal of a 1968 rate increase application case.

The ISO, obviously displeased with the New Jersey ruling, said it would review, and possibly seek a rehearing of the supreme court decision.

The court noted the 3.5% profit factor applied to all insurers regardless of their actual ratios of premium to net worth, so carrier writing at a three-to-one ratio or a four-to-one ratio would obtain a much greater return on net worth than a carrier operating at one-to-one. However, the court noted, industry competition would serve to smooth out disparities.

profits for these corporates of \$52 million, compared with \$20 million in 1971. This represents a three percent profit on premiums last year, against 1.3% in 1971.

THE figures were released by the British Insurance Assn., on behalf of its 300 UK members and do not include any results for Lloyd's, which reports its global results later this year.

Comment from the BIA on these figures: "Fire and accident insurance showed a substantial improvement in underwriting profit. The rise in fire losses was contained, and the only hurricane of note, Agnes, cost BIA members \$5 million. Auto insur-

ance showed an increase in profit from \$6 million to \$22.5 million on a premium income up by 11%."

Its premium income from U.S. business now totals \$1.7 billion, a rise of 12.5%. But profits slumped in the rest of the world, apart from the UK market, and areas most responsible for this loss were Australia, Canada, and Western Europe. Strong competition in Canada hit both auto and property cover.

WORLD RESULTS for Lloyd's wide spread insurance risks in the past three years will be published in the fall when it reveals its returns on its premium in-

come of nearly \$2 billion.

But there is every sign the profits it began to make five years ago, after a severe spell of losses, are still being held well into the end of its 1970 accounts *Business Insurance* has learned.

Naturally competition from the U.S. in several of its markets may now have to be faced, but Paul Dixey, chairman of Lloyd's, declares in his latest report to its members:

"GLOBAL results for the end-1970 account are not yet complete, but there is every indication they will at least equal the end-1969 account and will probably exceed it."

Lloyd's has its special three-year accounting system, which means that it is virtually now closing its books for its profits-and-losses up to the end of 1970, and will then move on to later years in turn.

Dealing with the up-to-date

world markets, Mr. Dixey predicted: "Increased capacity in Lloyd's, which shows the confidence people have in its future, comes at a time of increased competition from all directions.

"REFERRING in particular to competition in the U.S., the most substantial entry into the lists has been the life insurers. They have thrown their massive capital resources into the property and casualty markets, often setting rates lower than those which prevailed until recently.

"We are going to need all our remarkable capacity for inventiveness and adaptability to meet these changing circumstances."

One other task for Lloyd's is to insure that its special position is recognized in the insurance regulations now being drawn up in the European economic community, so that its ability to trade throughout the world is not affected.



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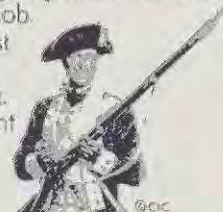
possibility at a cost that could be even lower than stand-by electrical equipment.

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Suit demands pensions for workers of shut plants

DETROIT—The United Auto Workers (UAW) union has filed suit in district court here seeking \$16 million from Federal-Mogul Corp. to pay pension benefits to more than 3,000 workers affected by the roller bearing manufacturer's decision to close two Detroit plants.

The 1.5 million member labor bloc says the \$16 million represents Federal-Mogul's total liability for unpaid past pension service costs in behalf of some 2,000 current workers, 700 retir-

ees and 500 former employees with vested pension benefits.

In its complaint, the union charges the company with violating the federal Age Discrimination in Employment Act. The corporation, the union claims, is moving its Detroit plants to Alabama and Illinois to avoid the expense of providing pension and insurance benefits to older workers.

THE UAW told the court the 2,000 workers at the two Detroit

plants average 50 years of age and 21 years of service and "will be put out of work when the plants are closed" later this year or early 1974.

"The plant closings and relocations will force these workers into a state of unemployment limbo—too young to retire and too old, realistically, to find equivalent employment in a high unemployment job market."

The union has asked the court to order Federal-Mogul to pay these employees cash equivalents for the benefits they will lose.

The union is also seeking a judgment which will force the corporation to pay health insurance premiums for the 700 retirees for the rest of their lives. The UAW has been told, the complaint says, Federal-Mogul will stop paying those premiums when the current contract expires Feb. 28, 1974.

Federal-Mogul's response to the suit does not attempt to refute the charges made, but simply points out its lawyers have reviewed the situation and feel the UAW has no firm legal stance.

"A detailed response to these counts and claims will be made by counsel in due course to the court," a spokesman told *Business Insurance*. "At this juncture, we would simply point out that the entire course of our collective

bargaining discussions with the UAW, including the initial announcement in 1971 of our intended course of action, was fully reviewed with counsel as it transpired, and we are confident that we are not in default with respect to any of our collective bargaining or other legal obligations."

THE FIRM claims that, since the announcement of the plant closings, a variety of collective bargaining huddles have taken place between UAW officials and Federal-Mogul representatives.

"Although no complete termination agreement has been either reached or proposed by the parties, arrangements for prefer-

ential hiring consideration to terminated employees have been affected with the UAW and Chrysler Corp., Ford Motor Co. and General Motors Corp.," the Federal-Mogul representative said. "Company representatives continue to be available for any further collective bargaining."

"We are not aware," *Business Insurance* was told, "of any legal basis for the various claims."

UAW president Leonard Woodcock has termed the suit, "a vitally important case not only for the 3,000 people who would be affected by its outcome but for all other workers throughout the U.S. affected by similar 'runaway' decisions by management."

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MANAGER GENERAL INSURANCE

Whirlpool Corporation is seeking a well qualified individual for the position of Manager of General Insurance. This position includes responsibilities for all property, business interruption and related insurance coverages, as well as the responsibilities for loss prevention and loss investigation. Other insurance responsibilities will be added as the individual develops.

We prefer a candidate to have a college degree or its equivalent and at least five years experience in general insurance, loss prevention engineering and loss adjustment areas.

This challenging position offers an excellent starting salary, substantial bonus and comprehensive benefits program. Please forward a complete resume, including salary history, to:

Mr. C. H. Orme
Personnel Manager

WHIRLPOOL CORPORATION

Administrative Center
Benton Harbor, Michigan 49022
an equal opportunity employer



PONYTAILS



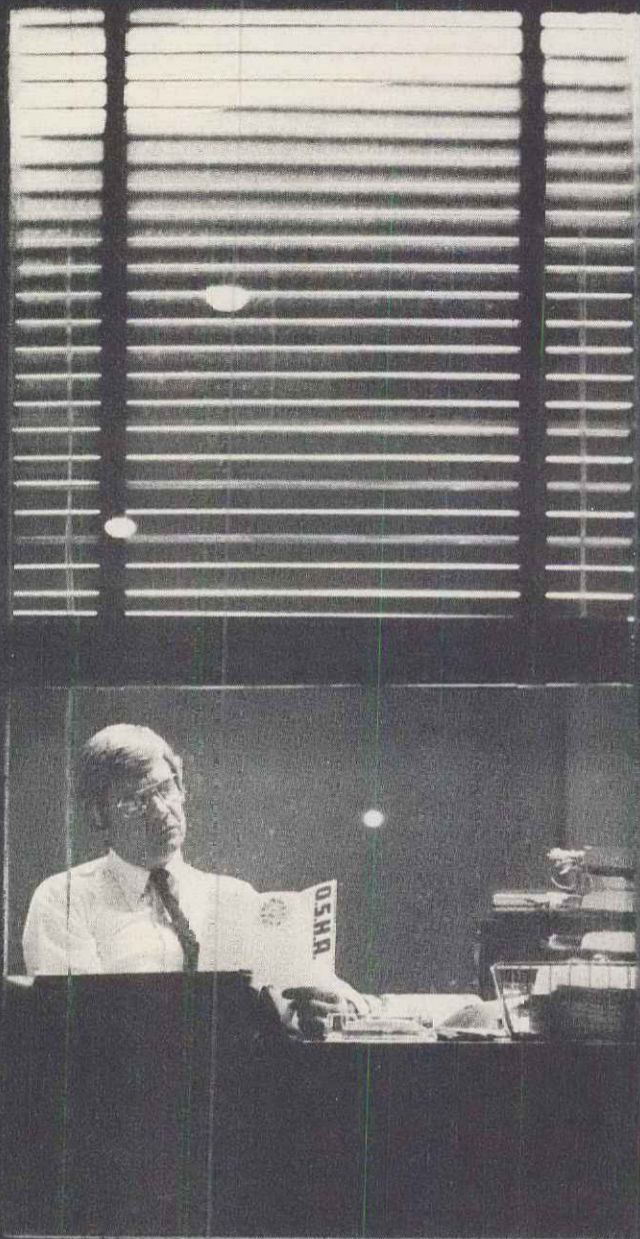
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When we look at the employee-insurance picture,
we see a number of things. Workmen's Compensation.
Group and Business Life. Disability Income. Pensions.
When we coordinate them, hone them, turn them to an employer's
unique needs — that makes the difference. And we can do it for you.
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With the practical, common sense help you need. Expertise we collect from working every day with lots of businesses. We’d take a long, careful look at your loss potential areas.

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And, finally, we’d help you put our recommendations and programs into practice. And it would be good, hard-headed help backed by Allstate’s loss control and training services.

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