

## Lauds case study of a risk

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# business insurance

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

## Convention city insists on riot cover by Republicans

MIAMI BEACH—With the Republican National Convention almost a week away, the GOP was scurrying around last week trying to rework a \$20 million liability insurance package that apparently had been signed, sealed and delivered, *Business Insurance* has learned.

The risk management problem facing the Republicans last week appeared to be complex and still somewhat vague. In essence, however, it involved the purchase of riot and civil commotion coverage that would protect Miami Beach from liabilities that might arise as a result of next week's convention.

According to information pieced together from several knowledgeable sources, the City of Miami Beach has insisted that this coverage be provided for the city by the Republicans for the duration of the once-every-four-years political meet. The Republicans, however, have not been able to obtain this coverage for the city from their underwriters, although they have been able to obtain the coverage for themselves under a comprehensive general liability policy written by Holland-America Insurance Co., a California-based subsidiary of Mission Equities Insurance Group. That policy was wrapped up by Marsh & McLennan Inc. with the assistance of Sayre & Toso Inc., another Mission Equities subsidiary.

**IN THE MEANTIME**, Miami Beach, which self-admittedly has been unable to obtain riot and civil commotion coverage for both of this summer's conventions in that city, has been putting pressure on the Republicans to obtain the coverage in its behalf, apparently because, some observers said, of the two conventions the Republican confab is predicted to be potentially riskier in terms of riots and civil commotion. The city did not have coverage for riot and civil commotion, nor did the Democratic party, in July.

The scenario for the Republicans' insurance problems last week began when the GOP approached the city to host the convention. Earlier, the Republicans had planned to meet in San Diego. When those plans were changed, and during the negotiations with Miami Beach, one of the contractual agreements made between the city and the Republicans specified that the GOP purchase the liability insurance for the week-long meeting with provisions of course for the insurance protection to run from a date before the convention began (Aug. 7) to a few days after it was over (Sept. 1).

The Republicans, sources point out, agreed and proceeded to purchase the \$20 million comprehensive general liability policy from Holland-America Insurance Co. with the city listed as an additional insured. Sources note, however, that under that contract the city has lower liability limits than those of the Republican National Committee. The city's limits are

\$1 million per person/\$3 million per occurrence for third-person liability and \$100,000 for property damage.

The comprehensive general liability policy written by Holland-America covers the Republicans and the City of Miami Beach for premises and operations, elevator-escalators, personal injury, product liability, contractual liability, contingent malpractice and excess hired and non-owned autos.

Sources told *Business Insurance* that everything appeared to be going smoothly until early this month when the city discovered there was a rider attached to the policy excluding the municipality from liability arising from riot and civil commotion. These same sources point out, however, that the exclusion applies only to the city and not to the Republicans. The Republican National Committee, under the \$20 million limit of the policy, does have protection for claims arising out of riots and other civil disturbances. Insurance sources say, however, Miami Beach is in greater need of such

*Continued on page 2*



The Grand Old Party is undergoing grand new problems in attaining suitable riot and civil commotion cover for Miami Beach.—Wide World photo

### Hart-Magnuson still alive, backers claim

WASHINGTON—Senate no-fault auto insurance advocates say the Hart-Magnuson federal no-fault standards bill will be re-introduced in January, at which time they expect to have "at least the two more votes we need" for passage.

"Eagleton killed it in this vote," a commerce committee source said of the 49-46 roll call that sidetracked the measure to the anti-no-fault Senate judiciary committee for this session. "We thought Tom Eagleton was ours so nobody lobbied him. At the last minute he took the trial lawyers' side."

In addition to Sen. Eagleton (D.-Mo.), who had just stepped down from a Democratic platform that endorses federal no-fault standards, Sen. Frank Church (D.-Id.) voted to sidetrack the bill "but has assured us of his vote if it is needed to win," the commerce source said, adding that, "Church would have voted with us this time if Eagleton hadn't gone the other way."

Backers of the Nixon Administration position on state-by-state enactment of no-fault legislation say that even if passed by the Senate the Hart-Magnuson bill has rough going ahead. (See earlier story on page 4.)

## Institutional membership conflict resurrected by proposed SEC rule

WASHINGTON—The Securities and Exchange Commission has rekindled the controversy over institutional memberships in stock exchanges with a proposed rule that would require 80% of members' transactions to be public.

Sen. Harrison A. Williams (D.-N.J.) reportedly will strongly denounce the proposed rule, which he feels will force pension plans and insurance companies handling fund investments into paying broker commissions and thus depleting their assets.

The PBW/Stock Exchange (formerly Philadelphia-Baltimore-Washington exchange) was said to be preparing a statement in line with its previous objection to an SEC proposal that exchanges voluntarily adopt rules that would limit institutional membership. PBW has said it will go to court rather than drop its 48 mutual fund and pension fund members.

Of the two other major regional exchanges, the Midwest

exchange is said to favor maintenance of its 50%-public rule for institutional members and the Pacific Coast exchange is reportedly only mildly opposed to the SEC position that institutional investors have been "undermining the public character" of the stock market and should be tightly restricted in how much non-public business they can transact (20% under the proposed rule) without brokers.

**THE NEW YORK** and American exchange have rules barring institutional memberships entirely, a fact that one SEC official said "makes our proposed rule much less restrictive than some people seem to think." He called the SEC proposal "a middle-of-the-road course between the very restrictive position of the big exchanges and the wide open policies of regionals like PBW."

A staff attorney at the Senate securities subcommittee, chaired by Sen. Williams, said the pen-

sion reform-minded legislator "is strongly opposed to this rule."

However, the staff member did not rule out the possibility of a compromise involving removal by the SEC of fixed broker rates for all but under-\$100,000 transactions, which would permit commissions on the bulk of pension and other fund investments to be negotiated at lower broker rates (*Business Insurance*, June 19).

"This is still in the talking stage," the staff lawyer said. "If it doesn't work out, then the rule itself will be the focal point" of efforts to ease transaction costs for funds," he stated.

What the subcommittee is seeking from SEC is a "strong commitment" that it will lower the cutoff level for fixed broker rates. The SEC spokesman said the commission "is still monitoring" the present \$300,000 cutoff level and has not decided yet whether a reduction should be made.

# Mortimer is director of INA's new risk services

NEW YORK—William S. Mortimer, formerly director of risk management and insurance at Norton Simon Inc., has left that company and joined the Insurance Co. of North America, *Business Insurance* has learned.

Mr. Mortimer, who will move to the company's headquarters in Philadelphia, has been named director of planning for risk management services, a new post.

The former Norton Simon risk man, who has a long and varied career in insurance management from the corporate viewpoint, told this magazine last week that, for the time being at least, he will be maintaining a low profile and spending most of his time in corporate planning and research for INA. Other company officials noted that his first assignment is to "coordinate and pull together" company planning and development in the area of risk management services that risk and insurance managers are demanding

more of these days. These range from occupational health and safety services to the development of captive insurance companies.

**MR. MORTIMER** had been with Norton Simon since 1961. Prior to that he was insurance manager of Hunt Foods and Industries, now a Norton Simon subsidiary. Before that he was in a similar post with Douglas Aircraft Corp. His early insurance background was with agents and brokers. He is a Chartered Property & Casualty Underwriter, a past national president of the American Society of Insurance Management, a member of the American Management Assn. insurance planning council and a member of the New York State insurance department's insurance consumer advisory council.

His feelings on leaving corporate risk management, a field to which many in the business feel

he has made a strong contribution in recent years:

"I'm somewhat sad about leaving corporate risk management but at the same time I really feel I'll be able to do more for risk management in terms of its total development here at INA." ■

## BI names new editors

CHICAGO—Stephen D. Gilkenson has been named editor of *Business Insurance*, effective immediately. He replaces Richard C. Bjorklund, who has resigned.

Also effective immediately, Teresa A. Norton has been named managing editor of the magazine.

Mr. Gilkenson, who will be based in New York, joined *Busi-*



Stephen D. Gilkenson

*ness Insurance* in August, 1969, as Eastern editor. For nine years prior to that he was with the Providence (R.I.) Journal-Bulletin in a variety of editorial posts, the most recent as assistant Sunday editor. He is a graduate of Providence College with a bachelor of arts degree in political science.

Miss Norton has been an associate editor of *Business Insurance* since March, 1968. She is a graduate of Northwestern University's Medill School of Journalism, with



Teresa Norton

a bachelor of science degree. She will continue to be based in Chicago.

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## Convention...

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protection since the city is solely responsible for maintaining order outside the convention hall.

When the city discovered it was excluded under the terms of the Holland-America policy, sources told this magazine, the city began putting pressure on the party to have the exclusion rescinded or obtain the coverage elsewhere. One source pointed out that the city even made a threat—albeit veiled—to revoke the convention permit if the coverage is not obtained. Such an eventuality, of course, is remote, although it is believed that the Republicans would be extremely embarrassed if the city were to cancel the permit or publicly threaten to do so.

Holland-America, however, refused to rescind the exclusion or write it on an add-on basis, and it is believed that other underwriters have refused as well.

At last reports, the Republicans were still trying to obtain the coverage and had contacted several other insurance brokers to help them in the search. It is still possible that the whole package could be moved from Holland-America to another insurer, although sources noted that the \$20 million policy went into effect Aug. 7 with the original conditions applying, and will presumably remain in effect unless full coverage is obtained elsewhere.

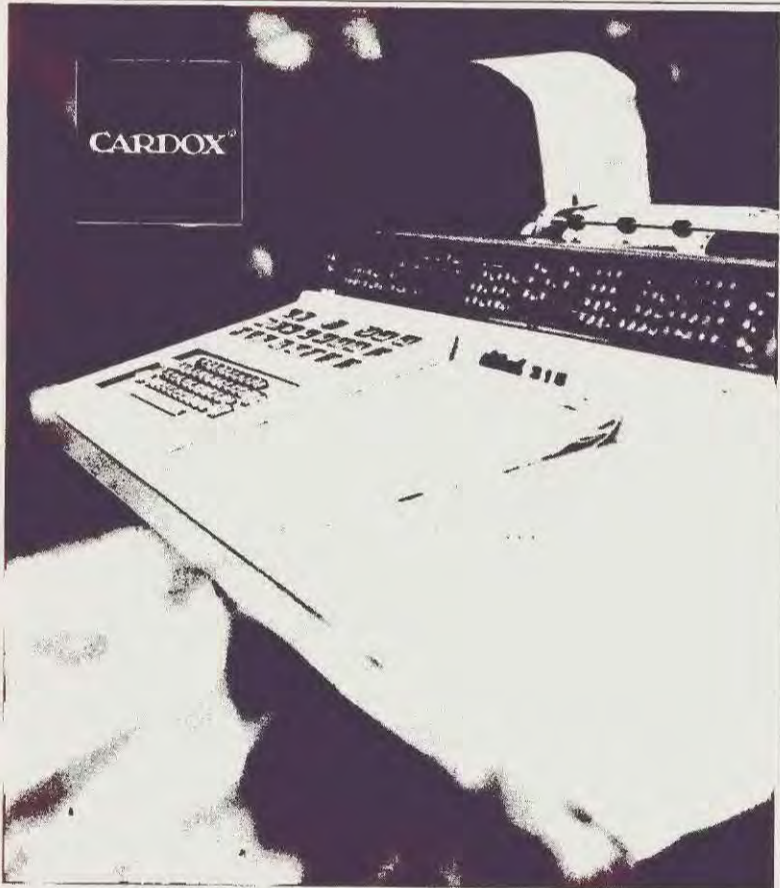
It was also reported that the Republicans' frantic search for ideal coverage is at least the third move the GOP has made while trying to refine its insurance problems. Sources noted that in June the GOP negotiated and preliminarily approved a policy writ-

ten by Insurance Co. of North America through another broker. That policy was canceled, informants said, when Holland-America came up with a more attractive premium.

Convention negotiations have been one area in which the Democrats have had a distinct advantage. "Miami Beach was in the position of wooing the Democrats to win their business," explained Joseph Wanick, city attorney, citing one reason why the city did not insist that the Democrats provide insurance coverage for the city for their convention. "But the Republicans," he added, "were like waifs in the storm after they canceled their original convention site." The city, therefore, used this as leverage in its negotiations with the party, which ultimately led to a different insurance arrangement.

**WHEN THE CITY** courted the Democrats it offered to provide the comprehensive general liability policy for the party. In addition, Miami Beach signed a hold harmless agreement with the party, agreeing not to subrogate against the Democrats for damage incurred during the convention.

The tables were completely turned by the time the Republicans talked to city fathers. To obtain Miami Beach as a convention site, the GOP not only had to purchase the insurance but had to sign a similar hold harmless agreement—but this time, the party had to agree not to subrogate against the city, a source noted. Under the contract provisions, the Republicans have agreed not to subrogate on behalf of any committee member or employe for claims arising out of the convention. ■



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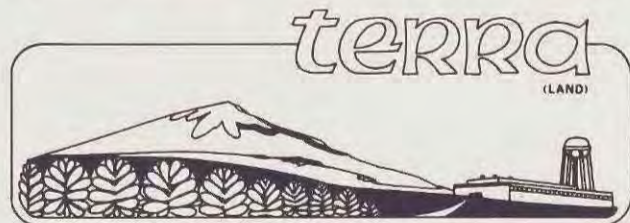
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## following the funds

# First variable life policy sold, tied to pension

LITTLE ROCK, AR.—After waiting about four years for the roadblocks to fall, Aetna Variable Annuity Life Insurance Co., a subsidiary of Aetna Life & Casualty, has made the country's first reported sale of a variable life insurance policy.

The coverage, which was sold as part of a qualified corporate pension plan, was purchased by the Arkansas Neurological Clinic Ltd. here. The noncontributory plan will cover the clinic's three full-time professional staff members.

The thing that makes the sale of this policy a landmark of sorts is the fact that its death benefit and cash value will vary with stock market conditions because premiums are invested in a separate portfolio of equity securities. It should be noted, however, that the death benefit will never be less than the initial face value of the policy, no matter how bad investment performance may be.

The company described variable life as a product which, hopefully, will provide a death benefit that over a long period of time will reflect changes in the cost of living and will protect against erosion caused by inflation.

**UNDER THE** variable life concept the insurance company assumes the mortality and expense risks while the insured assumes the investment risk. Because of this, the cash value and death benefit may vary but, the company points out, the premium will remain fixed.

Aetna said that the assets of variable life contracts would be primarily invested in common stocks, and preferred stocks and debt securities that are convertible into stock, though real estate might also be an investment area.

While the possibility exists that the sale may add to the enmity between the securities and life insurance industries, Aetna officials do not expect trouble.

"I really can't see getting any flak from the securities people," William Lusk, Aetna's national director of marketing and agencies told *Business Insurance*. "I mean, we've been selling variable annuities since 1954."

**WHILE THE** securities industry has been wary of variable life (the Securities & Exchange Commission is now holding hearings on the subject) fearing that it will cut into their business, life insurance people feel that it is merely another life insurance product.

Variable life has been sold in Canada and Europe for years but can only be sold in this country, based on 1970 exemptions in the federal securities laws, in connection with IRS-qualified corporate

### Comments transposed

Richard Ackerman, risk manager of ITT Sheraton Corp., was wrongly quoted in the July 31 issue of *Business Insurance* as being dissatisfied with brokers' overseas operations. In fact, Mr. Ackerman said, "We have been specifically pleased with operations on a worldwide basis. They've always had a man on the spot when we've needed him. Our entire program reflects good service." The wrongly attributed quote in the July 31 issue was a result of transposed comments.

pension and profit-sharing plans. Sale of the coverage on any other basis must await the outcome of the SEC hearings.

After Aetna had announced the sale here, the SEC put out an order that granted the company exemptions from the Investment Company Act needed to market the coverage as part of qualified pension plans. The order contained two conditions to which Aetna agreed. First, that the order could be modified by the commission after the completion of the hearings and, second, that variable life could not be extend-

ed to individual professional pension plans.

Mr. Lusk said that the company was seeking regulatory approvals from the insurance departments in all states to offer the product as part of qualified pension plans. He noted that approval had already been granted in 25 states.

"**APPROVAL WAS** granted in Arkansas about four years ago," he explained, "but we had to wait for the SEC. From here on, it's just a matter of expanding our marketing operation to get

in."

The fact that the historic sale was made to an organization with only three employees did not seem to bother the insurer.

"Variable life can be used by any company, regardless of size," asserted Ken Price, the man who set up the clinic's plan in Aetna's Little Rock office. "It just happens that the first one was small."

He explained that the clinic's variable life policy was combined with "an investment fund" as part of its pension plan.

Mr. Lusk indicated that inter-

est in the variable life concept had been very high and that he considered "every kind of company—no matter what they do or what their size" as a prospect.

He believed that variable life would become immensely popular because of the need for protection against the effects of inflation. He said that inflation had reduced the purchasing power of \$10,000 to \$6,500 since 1954 and that an employee would have to have bought a \$17,000 life insurance policy in 1954 to give his beneficiary \$10,000 of buying power today.

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## washington watch

### Hart-Magnuson only the first clash in state vs. federal standards war

By JOHN REVETT  
Washington Editor

WASHINGTON—The Senate battle over Hart-Magnuson federal no-fault insurance standards has been billed as the main clash on the subject but comparable if not bigger fights may be ahead.

First, there is sure to be the continuing opposition of the Nixon Administration and many Republicans in the House. This despite what is becoming a real

problem in the Administration: failure of states to act in line with the President's belief that states should have the right to decide on their own kind of no-fault. As a White House consumer official put it, "We're all very unhappy with the way the states are proceeding—or rather, not proceeding—but we're not ready to throw in the towel. In any case, we couldn't possibly go along with the Hart-Magnuson bill."

(There was, incidentally, a hint from this official that Administration insiders may have a closely guarded alternative to Hart-Magnuson in reserve: "If we decided to go to federal standards they would be minimal, very flexible, so the states could tailor no-fault laws to their needs. Our problem is we can't get the states to experiment with (no-fault). Our standards bill would just be enough to get them moving.")

Short of that, the Administration is hopeful that continued pressure on state legislators and governors will lead to action. The Department of Transportation hopes that "a real shot in the arm for the idea of state no-fault" will come out of a meeting of the National Conference of Commissioners on Uniform State Laws. A special committee of the conference is proposing full endorsement and active support of state action on a "model" state no-fault bill. Oddly enough, the model, as described by an enthusiastic DOT official, is stricter than the Senate legislation in suggesting no coverage limit on medical costs. The Hart-Magnuson bill puts a \$75,000 ceiling on medical, but the model doesn't have to be followed.

On another front, the Senate legislation meets head-on with a pending House no-fault bill that's more rigid in three main areas. The bill, introduced by

Reps. John E. Moss (D.-Ca.), Bob Eckhardt (D.-Tx.) and Charles J. Carney (D.-Oh.), would create a federal no-fault law—not standards for states to meet—that would go into effect on passage. It would also completely eliminate law suits and remove all restrictions on the amount of damages that can be recovered. The Senate bill has a \$125,000 total recovery limit, after which tort liability could be instituted.

The House and Senate measures were described as "incompatible" by a staff attorney of the House commerce and finance subcommittee, where the Moss-Eckhardt-Carney legislation awaits action. Rep. Moss, subcommittee chairman, is said to be eager to move the bill but unable to generate the enthusiasm of a majority of the subcommittee's six other members, including three Republicans who side with the White House position.

Senate staff members feel the differences can be ironed out, however, resulting in "something fairly close" to the Hart-Magnuson bill going to the House floor for a vote. These sources also cite indications of "a kind of groundswell" of support for federal no-fault standards. They stress endorsements by Pennsylvania Insurance Commissioner Herbert Denenberg and New York Commissioner Benjamin R. Schenck. Russell Van Hooser, Michigan insurance commissioner and NAIC president, has said federal standards may now be needed because of state inaction.

**THE DEATH OF** Sen. Allen J. Ellender (D.-La.) could, in a somewhat circuitous way, cause problems for a piece of insurance-related legislation that is at present in draft form.

The measure is Sen. John L. McClellan's federal criminal code revision. In it, the Arkansas Democrat has included a prison term penalty for persons convicted of draining companies while concealing their holdings and declaring bankruptcy. The provision applies to insurance companies as well as others and brings them into the bankruptcy framework where fraud is involved.

Sen. Ellender was chairman of the Senate appropriations committee, and Sen. McClellan will now take over the reigns as the committee's ranking Democrat. Senate judiciary committee staff attorneys say this will take away a good deal of the time Sen. McClellan has been devoting to his criminal laws subcommittee chairmanship. The added duties "won't affect his introduction of the revision bill," said one judiciary staff member, "but it could cut down on the time he can spend lobbying for it, and that could be a problem." ■

### Munro asks uniformity

OTTAWA—Welfare Minister John Munro has told Commons he wants to retain uniformity between the Quebec Pension Plan and Canada Pension Plan, despite Quebec's plans to change its system.

Mr. Munro said he met Quebec Social Affairs Minister Claude Castonguay and discussed how the two programs "can be brought together" to preserve their uniformity.

Quebec administers its own pension plan, with benefits similar to those under the federal plan operating in the other nine provinces. Uniformity means workers can easily transfer their benefits and payments from one region to another if they move. ■

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V.P. for product management, a claim's supervisor, a stenographer, a safety consultant, a telephone operator, a computer programmer and an underwriter. The idea-exchange is as free as we can make it.

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# Guenther pleased with middle course

WASHINGTON—Despite bitter union and business criticism of his leadership, Occupational Health and Safety Administration director George Guenther claims OSHA is doing a good job. According to Mr. Guenther's reasoning, the very fact that both sides—labor and management—are complaining indicates OSHA is probably steering a prudent middle course. As long as both are complaining, Mr. Guenther recently told a House subcommittee, "we must be doing something right."

This reasoning, as OSHA critics at the House hearings pointed out, omits one possibility: OSHA may be doing everything wrong.

To find out what OSHA is doing right, or wrong, the chairman of the House subcommittee on environmental problems affecting small businesses, Rep. William L. Hungate (D.-Mo.) has held three days of hearings.

**JUST PRIOR** to the hearings, both the House and Senate passed, as part of their appropriations measures, restrictive lan-

guage that would, in effect, prohibit OSHA inspectors from carrying out compliance activities in small businesses.

The appropriations action and the small business subcommittee hearings are both a reflection of long-time feelings on Capitol Hill that OSHA has unnecessarily harassed millions of small businessmen.

During the hearings, a number of small businessmen and trade associations discussed the following complaints about the implementation of the safety and

- health act:
- Businessmen are being treated rudely by OSHA inspectors.
  - The standards—written basically for big businesses—do not take into consideration differences in resources and operational problems of small businessmen.
  - OSHA personnel should be able to consult with small businessmen in their workplaces.
  - Many standards (such as those dealing with ice water on the job, and toilet seats) do not relate to employee safety and health.
  - The small business administration is dragging its feet on approving OSHA loans. (To date only eight loans have been approved).
  - Standards are written in such technical language that the average businessmen cannot understand them.

**OF ALL THE** issues raised by the businessmen, however, the thing that bothers them most is OSHA's apparent refusal to send a safety expert to a plant to consult with management even if requested. If the OSHA area office sends such a representative to a plant, Mr. Guenther emphasized in his testimony, he must inspect the plant and issue citations and penalties if appropriate.

Guenther claims that sections eight and nine of the Act do not permit the kind of consultive visits requested by the businessmen. He did tell the committee, however, that the administration would now support an amendment to the act to allow OSHA personnel to consult with businessmen at their workplaces.

On the subject of small business exemption from the act, Guenther said the administration would support an amendment to the act allowing "administrative declination." In effect, this language would allow OSHA administrators to decline to assert jurisdiction over certain kinds of classes of establishments. The original Nixon Administration job safety and health bill contained such a clause.

As it stands now, the small business exemption language in the pending appropriations bill has succeeded mainly in muddling the issue.

**FOR EXAMPLE,** the House language forbids federal inspections of establishments under 25 employees while the senate language restricts inspections in under 15 employees.

If President Nixon ultimately vetoes the pending Labor-Hew appropriations bill (as now seems quite likely) OSHA will be operating under a continuing resolution allowing funds to be spent at the same rate as fiscal year 1972.

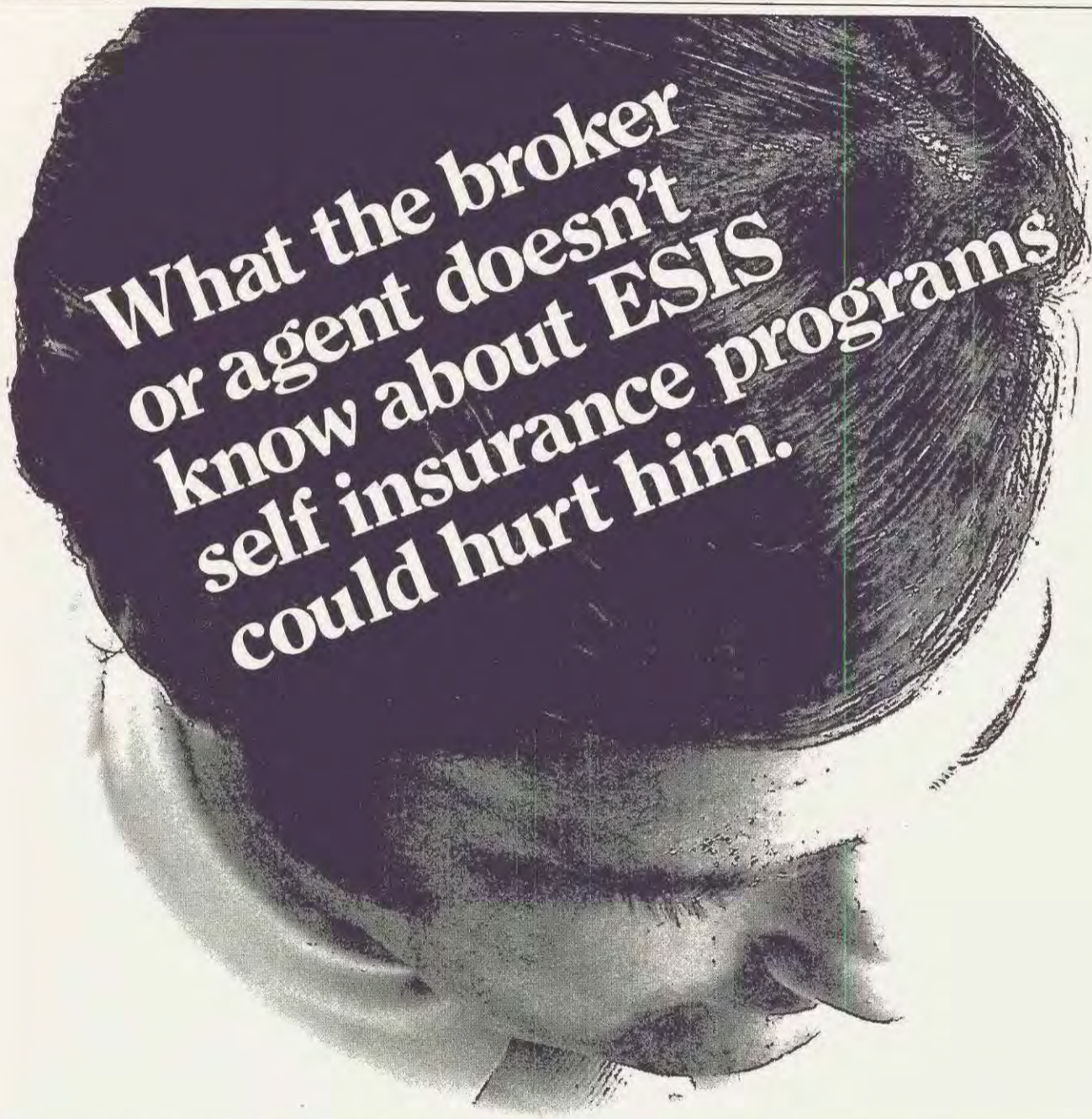
Until such time as the appropriations bill is finally approved, OSHA can safely disregard the restrictions in inspections in the vetoed bill.

However, in the end, the 1973 appropriations bill will likely contain some language restricting federal personnel from inspecting small businesses.

**THIS CREATES** another difficult problem for OSHA officials: What do you do about the states? Since the appropriations language (as now written) deals only with federal inspectors, can OSHA still continue to require approved state safety and health plans to cover and inspect small businesses?

The proposed elimination of small businesses from safety in-

Continued on page 43



When a corporation matures to the extent that it can enjoy the cash flow advantages of self insurance, it's only a matter of time. And, ESIS believes that this is a generally unfulfilled opportunity for the broker or agent.

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# Finds risk management case study a 'fine addition' to tiny risk library

By EDWARD D. HANSEN  
risk manager  
Trans Union Corp.

ON THE AFTERNOON of Wednesday, Nov. 5, 1969, at the meeting of the fall insurance conference of the American Management Assn. at the Drake Hotel here a panel of distinguished insurance practitioners presented a program to the several hundred attendees.

Your reviewer had looked forward to that meeting, but left at the conclusion extremely disappointed. Perhaps for the first time a group of experts had put together a case study in risk management. However, with a minimum amount of printed material distributed to the attendees, the panelists had spent too much time soliciting and answering the multitude of questions that came forth from the meeting. No conclusions were reached—perhaps none were expected. Many attendees left wondering about the point of the whole exercise.

While I agreed that such a meeting was not the place for that presentation, I remember thinking that the enormous amount of research and time put into the making up of that case study certainly merited some kind of presentation other than the one it had been given.

**FOR THE RECORD**, the panelists at that 1969 meeting were (with their present business affiliations): Edwin S. Overman, president, American Institute for Property and Liability Underwriters and Insurance Institute of America; A. Hawthorne Criddle, exec vp, Fred. S. James and Co. Inc.; William T. Deeks, special commercial accounts division, Philadelphia, Aetna Casualty and Surety Co.; Gerald R. Hartman, associate professor of insurance and risk and director of the program in actuarial science, Temple University; Bob A. Hedges, professor of insurance and risk and associate dean, Temple University; John A. Simkiss Jr., president, Simkiss Agency Inc.; and James R. Taylor, risk manager, ICI America Inc.

Now, Jerry S. Rosenbloom, Ph.D., associate professor of insurance and risk, Temple University, has prepared "A Case Study in Risk Management." This 160-page book is recognized by this reviewer as the fitting vehicle for the presentation of that wealth of information which first saw the light of day in November, 1969. It is a fine addition to the woefully small amount of literature available on the newly emerging discipline of thought referred to as "risk—its analysis and treatment."

Dr. Rosenbloom acknowledges that the major share of credit for this work must go to the research committee of the Philadelphia chapter of the Society of Chartered Property & Casualty Underwriters. The members of that committee are listed in the book as being those eight original panelists, plus Donald H. Geyer of Booth, Potter, Seal and Co. Inc. and Ernest L. Whalon, insurance manager, International Utilities Corp.

**THE RESEARCH** committee undertook this case study with two primary purposes. The first was to discover practical guidelines or methodology by which one could employ, for a compli-

cated commercial risk, a full range of available methods for treating risk, including insurance. The second was the development of useful literature on the "hows" and "whys" of risk management that could serve as study material for corporate risk managers; insurance company personnel; agents, brokers and consultants; students of insurance and related subjects; persons responsible for the management of property; and management personnel in general.

The committee selected for its study a medium-sized corporation—the Special Chemical Co. that had annual sales of \$100 million to \$160 million and divi-

sions located throughout the U.S. The study excluded any consideration of the risks of the foreign operations of the company. In addition, since employee benefits were handled outside the risk management department, the committee decided to eliminate the discussion of employee benefits from the case study.

**EACH MEMBER** of the research committee was assigned an area of responsibility (bonding and crime; fire and allied lines; liability exposures and others). The committee met approximately every two weeks for a three-year period.

What has emerged from what

must have been volumes of data about Special Chemical Co. is Dr. Rosenbloom's skillfully organized book, "A Case Study in Risk Management."

**FIRST**, an overall analysis of Special Chemical Co. was made. Its origins, its growth, its markets, its products, its employees, balance sheet information and income statement for the past ten years, projected future developments and its approach to risk are but a few of the characteristics of this company examined. There are chapters on "Property Damage Risks," on "Indirect or Consequential Risks," on the "Crime Exposure," and on "Liability and Workmen's Compensation Exposures." That each of these chapters is an in-depth look at its subject will indicate the thoroughness of the study. Questions at the end of each chapter become beneficial in

making the material meaningful and applicable to the reader's own risk management situations.

Dr. Rosenbloom may be too modest and generous in his acknowledgement of credit to the research committee. While it is sometimes difficult to determine from the text that which has come from the committee and that which Dr. Rosenbloom has contributed, I am inclined to credit the committee with the statistical data about Special Chemical Co. and Dr. Rosenbloom with those portions concerning risk management philosophy and methodology—chapters one and nine, primarily. The book would be incomplete without both as each complements the other.

*A Case Study in Risk Management* by Jerry S. Rosenbloom; Published in June, 1972, by Appleton-Century-Crofts Educational Division, Meredith Corp., \$7.95.

## A VALUABLE ADDITION TO YOUR EMPLOYEE BENEFITS AT NO COST TO YOU

**New plan gives employees big money security not provided by ordinary group programs.**

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The startling fact is that 40% of all married women have little or no life insurance. If an employee's wife dies and there are small children in the family, the husband faces out-of-pocket costs of as much as \$8,000 a year or more, just to pay for the household responsibilities his wife used to handle. Such heavy added expenses and the pressures at home can cause excessive tardiness and absenteeism. A financially troubled employee means added worries for the employer, too.

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## Benefits communication contest deadline is set for August 25

Mail to: Benefits Communications Awards  
c/o Business Insurance  
740 Rush Street  
Chicago 60611

Please send me additional information and an entry blank for the Business Insurance Benefits Communication Awards competition. We are considering entering in one or more categories.

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

CHICAGO—Entries in the Business Insurance Benefits Communication Awards Competition, honoring excellence in conveying the benefits story to employees, are still being accepted.

The competition is open to companies of all sizes. However, entries must be submitted to the magazine by Aug. 25.

Winning entries in five categories of competition will be chosen by a panel of judges, and awards will be presented to employers submitting them. In addition, citations will go to the insurance brokers, advertising and public relations agencies and benefits consultants who assisted in the preparation of the material.

Judging will be in these five categories:

- Booklets.
- Employee publications.
- Computerized benefit statements.
- Letters and other special printed material.
- Visual and audiovisual aids.

Awards will be made on the basis of graphic appeal, effectiveness of copy, accuracy in conveying the nature of the benefits and use of novel techniques in telling the benefits story. Entrants are invited to submit supporting statements telling how the entry fit into the company's benefits communication campaign and how it was received by employees.

The competition will be judged by five specialists in various fields. They are:

- Harold Gully, manager, public relations department, Leo Burnett Co. Inc., a leading national advertising agency.
- George K. Gunderson, vp, Lithographers & Photoengravers Union, local 245, and member of the board of directors of the National Foundation of Health, Welfare and Pension Plans.

• Louis A. Lerner, publisher of the Lerner Newspapers, Chicago, and member of the National Commission on Libraries and Informational Science.

• Ned A. Miller, Compensation Planning Corp., New York, and a contributing editor of *Business Insurance*.

• William A. Robinson, president of William A. Robinson Co., Northbrook, Ill., marketing consultant.

The awards and citations will be presented at an awards banquet to be held Tuesday, Oct. 24, in the Hyatt Regency O'Hare near O'Hare airport in Chicago.

Entry blanks for the competition may be obtained by completing the coupon on this page and mailing it to *Business Insurance*, 740 Rush St., Chicago, Ill. 60611. Entries must be accompanied with a \$30 fee. Winning entries will be shown at the Benefits Communication Workshop to be held Oct. 24-25 at the Hyatt Regency O'Hare.

### Ohio starts fight against bogus ads

COLUMBUS, OH.—The Ohio department of insurance has come up with a program to fight deception in insurance advertising which the state's governor, John J. Gilligan, has called "the strongest and most elaborate in the country."

The ambitious program goes beyond merely establishing guidelines for the advertising of accident and sickness insurance. It establishes new guidelines on the solicitation of life insurance and annuity contracts and involves a massive public service campaign, which will utilize newspapers, radio and television to alert the public to beware of deceptive ads.

**THE MEDIA** campaign will also be used as a vehicle for the distribution of free brochures, issued by the insurance department, which will help the public better understand insurance.

The insurance department has also established a "hot-line" by which the state's inhabitants can call the department to voice complaints or request information on a round-the-clock basis.

Governor Gilligan, a former insurance agent, pointed out that the department had received hundreds of complaints about deceptive insurance advertising since it began an investigation into the subject last May. The program was prompted by an allegedly misleading advertising campaign in which Art Linkletter recommended the coverage.

"We've stopped the misleading advertising by such companies as Union Fidelity Life and National Home Life," Governor Gilligan said, "and they won't be back until they comply with Ohio's new standards."

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# Then you wouldn't have to tie up all that cash for insurance premiums.

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A Top Security policy‡ can put all commercial hazards under the Z-A armor. Not only the basics, such as fire and lightning, wind, explosion, sprinkler leakage, riot, vandalism . . . and sonic boom. But optional coverages, too, such as glass, building collapse, burglary and robbery, fidelity bond, business interruption, product liability, elevator collision.

Boiler and machinery can be included, too—because Z-A writes it (not everyone does).

Today armor belongs in museums. Z-A's Top Security policy belongs in your protection program.

For your own top security—call your Independent Agent or Broker about it . . . or call us for the name of our nearest representative.



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‡(Not available in all states)



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We don't have to tell you that life insurance is a tested device for generating cash when you need it, nor that it can guard effectively against estate shrinkage.

But we should remind you that inexperience can hurt you badly. Meticulous, experienced programming is vital. Your life underwriter . . . working with your lawyer . . . working with your accountant . . . to achieve the

liquidity you want while keeping a watchful eye focused on maximum tax advantages.

Mistakes are costly and easy to make. Call in the professional from Provident Mutual. He'll work with his professional counterparts. There won't be any obligation, but there may be some surprises in store for you—in terms of just how flexible a device life insurance can be.



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## info for buyers

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

• **BABACO: The First Name in Motor Cargo Protection** is a booklet produced by Babaco Alarm Systems Inc. The brochure describes alarm systems designed to combat thefts and hijackings of trucks, tractors, and trailers. For your free copy write the company at 1775 Broadway, New York, N.Y. 10019.

• **Security for Business and Industry** is a comprehensive 300-page book detailing how to prevent losses due to burglary, employe theft, embezzlement, vandalism and fire. Written by Charles F. Hemphill Jr., the book is applicable to firms of all sizes. For price information write the publisher, Dow Jones-Irwin Inc., 1818 Ridge Rd., Homewood, Ill. 60430.

• The Mission Equities Insurance Group has made available **Mission for the Seventies**, a brochure describing the company's corporate set-up, coverages, offices and officers with an introduction by Mission's president. Copies of the book are available from David L. Arrillaga, Advertising Manager, P.O. Box 60004, Los Angeles, Ca. 90060.

• A 35-page monograph on the problem of professional liability for insurance agents and brokers has been published by the Defense Research Institute of Milwaukee. Written by attorney Joseph R. O'Connor, associate counsel for the State Farm Insurance Co., the publication analyzes the nature of liability and the responsibilities of practitioners in the field and examines the defenses and the insurance protection available to an agent or broker. Copies of **Liability of Insurance Agents and Brokers** may be obtained by non-members of DRI for a handling fee of \$2.00 each, prepaid, from the institute, 1212 W. Wisconsin Ave., Milwaukee, Wi.

• A revised third edition of **Insurance for Contractors** is available from Fred S. James & Co., 1 N. La Salle St., Chicago, Ill. 60602 at \$3 per copy. The 109-page booklet is of wide interest to general, prime and sub-contractors, owners, architects, engineers and those charged with properly insuring contract specification. A wide variety of topics is discussed, including hold-harmless clauses, directors'/officers' liability, protective liability and employe benefit liability. Quantity prices are available from the company upon request.

• The provisions of the 1966 comprehensive general liability program and proposed changes have been compared and analyzed in a booklet recently published by the Society of Chartered Property & Casualty Underwriters. The booklet includes a short historical note and a summary of the changes and their possible implications. Copies are available from the Society of CPCU at \$1.75 for members and \$2.75 for non-members. Bulk discounts are available. For copies or more information write **GGL Changes**, Society of CPCU, P.O. Box 566, Media, Pa. 19063.

• **The Legal Liability of Owners and Operators of General Aviation Aircraft** is a summary of the law from United States Aircraft Insurance Group. The booklet covers increasing activity and hazards, extent of liability, degree of care, collisions, proximate cause, statutory provisions and vicarious liability. To order, write USAIG at 110 William St., New York, N.Y. 10038.

• The American Society of Insurance Management has published a cumulative index of its publication, **Risk Management**, formerly *The National Insurance Buyer*. Authored by Tom C. Allen and Richard M. Duvall of the University of Tennessee, the book indexes by subject and author all articles appearing in either publication from March, 1954, to October, 1971. The 103-page, loose-leaf index is available from ASIM, 500 Fifth Ave., New York, N.Y. 10036 for \$10. Reprints of individual articles may be obtained from ASIM for \$2.

• The National Fire Protection Assn. has made available over 40 educational and campaign items for **Fire Prevention Week 1972** (Oct. 8-14). Items being offered range from the national "Fire Hurts" poster to illustrated fold-



ers and booklets to children's games and coloring books. A sample packet of Fire Prevention Week materials, including a price list and order form, is available by writing NFPA's public information services department.

• **Will You Be Ready When This Man Knocks on Your Door?** is a new booklet describing the OSHA record keeping service offered by Harlan Inc. The automated service provides an employer with a monthly log of injuries and illnesses plus an annual summary, with an employer's workmen's compensation or other accident report used as input data. For your free copy, write Harlan Inc., OSHA Recordkeeping, P.O. Box 52650, Houston, Tx. 77052.

• The 1972 edition of **Analysis of Workmen's Compensation Laws** details workmen's compensation laws in the 50 states, District of Columbia, Guam, Puerto Rico and

Canada, and outlines legislative changes and judicial and administrative interpretations of the laws through 1971. Copies are \$1.50 and can be obtained from the Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20006. Quantity rates are available.

The publication and education division of American Appraisal Co. Inc. has made available its **Commercial Building Cost Guide**, including instructions, cost estimating forms and simplified cost tables. For price information, including bulk rates, write the company at 525 E. Michigan St., Milwaukee, Wis. 53201.

Insurance Co. of North America has published its ninth edition of **Ports of the World**, which describes port conditions, facilities and cargo loss control methods at 174 world ports. Copies of the 70-page book are available by writing Communications Services, Insurance Co. of North America, 8th floor, 1600 Arch St., Philadelphia, Pa. 19101.

The significance to management of group auto insurance as an employee benefit is explained in a new report entitled **Automobile Insurance on the Payroll Deduction Plan**. The report was prepared for insurance executives, risk managers and benefit plan administrators. Price information is available by writing Haig G. Neville, Haig G. Neville Associates, One Northland Plaza, Southfield, Mi. 48075.

A **Survey of Communications Practices in 19 Major U.S. Banks** has been made available by Towers, Perrin, Forster & Crosby free to *Business Insurance* readers by writing Joseph A. Banik, Towers, Perrin, Forster & Crosby, 3 Penn Center, Philadelphia, Pa. 19102. The survey covers, in depth, the goals, attitudes and practices of banks throughout the country in terms of internal employee communications.

**Family Financial Planning with Mutual Funds**, a booklet explaining in everyday language what mutual funds are and how they fit into a family's financial program, has been made available by Fund/Aids Inc. The brochure includes information on dollar-cost averaging, the mutual fund prospectus, investment plans and a checklist for buyers. Sample copies are available for 25¢. For further information and quantity prices write the company at 1007 Fifth Ave., San Diego, Ca. 92101.

Alexander & Alexander has released a revised edition of its brochure, **Notes on Old Age Benefits Under Social Security**, based on 1971 amendments. The pamphlet contains notes and tables for calculating maximum primary old age Social Security benefits at retirement for ages 55 to 70. Single copies are available to *Business Insurance* readers by writing the Consulting Actuarial Division, Alexander & Alexander, 2 N. Riverside Plaza, Chicago, Il. 60606.

**Guide to Property Conservation**, a booklet produced by the engineering staff of the combined property department of Kemper Insurance is available free to *Business Insurance* readers. The pamphlet is applicable to almost any plant situation and covers such topics as plant security, cutting and welding regulations, problems of expansion, what happens when a loss occurs and what to do in case of disaster. Copies are available by writing the advertising and public rela-

tions department, Kemper Insurance, Long Grove, Il. 60049.

**Effective Communication of Employee Benefits**, a book by Richard M. Coffin and Michael S. Shaw, propounds the authors' thesis that most employees neither understand their benefits nor appreciate their value because management has never made the facts clear to them. To order copies write the American Management Assn. 135 W. 50th St., New York, N. Y. 10020. Copies are \$6.

Communitronics Inc., a subsidiary of Fred. S. James & Co., has made available literature on their new program of employee benefits communications. A descriptive booklet and sample of a computer-prepared individual employee benefit report outline methods which enable employee awareness of benefits as a "second paycheck." For copies write

Thomas W. Freeman, senior vp, Communitronics Inc., 2001 McKinney Ave., Dallas, Tx. 75201.

**Vanguard One** is a brochure offered by Bankers Security Life to explain the company's individual term life plan of special interest to inflation-conscious business executives. The plan was developed to provide benefits which increase automatically, according to the Consumer Price Index, during each four-year renewal period. A copy of the free brochure may be obtained by writing A. C. Fluke, Bankers Security Life Insurance Society, 1701 Pennsylvania Ave., N. W., Washington, D.C. 20006.

**Carrying a Carrier?**, a brochure offered by Self-Insurers Service Company Inc., discusses various aspects of self-insurance and the services offered by SIS-CO. The booklet is available from the company, Suite 248,

3605 North 7th Ave., Phoenix, Ar. 85013.

The National Foundation of Health, Welfare and Pension Plans Inc. has made available a **Textbook for Welfare, Pension Trustees and Administrators**, the proceedings of the 16th annual educational conference. The 517-page book covers pension and welfare plans, administration and legal topics. For price information write James Neitzel, Editor, at the foundation, P. O. Box 69, Brookfield, Wi. 53005.

The industrial risk information system (IRIS) developed by CNA insurance is described in a booklet for the large corporate risk managers and their agents and brokers. IRIS is a risk control analysis designed to tell a company where its insurance money is working and how to make changes. The system pinpoints problem areas and pre-

dicts cost factors for future planning. For a free copy write John Norkus, CNA Insurance, 310 S. Michigan Ave., Chicago, Il., 60604.

Valuation Counselors Inc. has made available **Services to Meet Key Property Insurance Policy Obligations**, a checklist of policy obligations for risk managers including a description of the company's services. For a free copy write the company at 230 W. Monroe St., Chicago, Il. 60606.

**Airkem Emergency Smoke Odor Removal Service** is a brochure describing how Airkem's service removes residual smoke odors from buildings and contents after fires. For your free copy contact Lawrence J. Mulcahy, marketing mgr., Smoke Odor Service, Airwick Industries, 111 Commerce Rd., Carlstadt, N.J., 07072.

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# OSHA making it difficult for safety consultants to buy errors insurance

See related story on page 6.  
 WASHINGTON—One of the more bizarre consequences of the Occupational Safety and Health Act of 1970 is that insurance underwriters are cancelling errors and omission insurance for safety consultants, according to Capitol Hill testimony of one insurance industry safety expert.

"Every safety engineer I know has had his insurance cancelled," Lewis C. Barbe, vp, loss control division, of the Fort Worth-based Houston General Insurance Co., told the House small business subcommittee on environmental problems affecting small businesses.

Mr. Barbe said he personally

was told by underwriters at Lloyd's of London that they "cannot insure against the whims of law enforcement officials of the Department of Labor."

Lloyd's was so adamant, he said, they would not even issue an errors and omissions policy for a \$6,000 annual premium, when the policy contained a \$1,000 deductible and only a \$50,000 maximum liability.

**MR. BARBE** is a graduate of an engineering school, a certified safety professional, and a member of the National Fire Protection Assn., the American Society of Testing Materials, and the American Industrial Hygiene Assn.

Because of the errors and omissions insurance cancellations around the nation, Mr. Barbe told the subcommittee, safety professionals and consultants are forced to write disclaimers into their contracts. In effect, these clauses, inform their clients they cannot guarantee that implementation of their recommendations will enable the firms to meet federal job safety and health act requirements.

Such a situation, he said, paves the way for entry into the safety and health consulting field of a number of individuals and firms with minimum qualifications and experience who seek to capitalize on the business sector's cur-

rent anxiety and uncertainty about OSHA standards and requirements.

The fact that first class, reputable safety consultants must write disclaimers into their contracts makes it easier for firms with bad reputations or outright charlatans to enter the field, Mr. Barbe pointed out.

**AT ONE POINT**, Mr. Barbe told the subcommittee he agrees with the insurance companies' refusal to write this kind of insurance. For example, he said, how can an insurance company actuarially project the impact of the "general duty clause" in the safety and health act, as well as calculate the effect of 40,000 pages of regulations and the various subjective interpretations of Labor department enforcement personnel?

Subcommittee member, Congressman Bob Bergland (D.-Minn.), was particularly con-

cerned with the problem raised by Mr. Barbe's testimony. He said the cancellation of the errors and omissions insurance creates an enormous problem for safety professionals and for employers who want to get the advise of a competent safety engineer.

One possible consequence, the Congressman suggested, is that consulting and engineering firms may decide not to continue in business.

Further, he said, the cancellation of this insurance leaves employers that have hired safety engineers, and that have subsequently implemented costly recommendations with little protection if the system they installed fails to meet OSHA requirements.

**THE SITUATION**, he added, is further complicated by OSHA's present interpretation of the act, referring to the agency's insistence that the act forbids Department of Labor personnel from consulting with businessmen at their places of employment without conducting, at the same time, a full inspection.

OSHA Administrator, Assistant Secretary of Labor George Guenther, took another view of the risk insurance cancellation. He told the subcommittee the problem stems from the way the contracts between an employer and an engineering firm are worded.

Mr. Guenther said firms offering engineering services under contracts which include a guarantee that the firm will not have any problems with OSHA "have placed themselves in a position of liability in that situation."

If I were a consultant in a situation such as this, Mr. Guenther told the subcommittee, I would tell the employer, "we will do the best we can, but with no guarantees."

## Nuclear pools make refunds

NEW YORK—The two American nuclear liability insurance pools have—for the sixth straight year—paid a refund to the nuclear industry on insurance premiums. This year, the pools are distributing \$1,167,152 to 324 nuclear risks.

This year's refund brings to \$3,734,888 the total of premium refunds paid by the Nuclear Energy Liability Insurance Assn. (NELIA) and Mutual Atomic Energy Liability Underwriters (MAELU) since 1966.

The pools, it was noted, have never had a liability claim arising from the operations of a nuclear reactor. The enviable loss record was the primary reason that the pools last January increased the maximum liability limits available from \$82 million to \$95 million.

The refund for 1971 represents 95.1% of premiums placed in a loss reserve fund in 1962. Under the rating scheme employed by NELIA and MAELU, a substantial portion of the premiums received from nuclear insureds in the U.S. is placed in a loss reserve fund and if not utilized for losses is returned to insureds after 10 years.

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# editorial opinions

## Commission delay is timid

**R**ISK AND INSURANCE managers—and, indeed, the employers they report to—have a very definite stake in the recommendations made late last month by the National Commission on State Workmen's Compensation laws.

That there is a general consensus among business, industry and labor that minimum standards such as those suggested by the commission should be adopted by the states is a point that needn't be rehashed. The commission has completed its broad look into the state system and issued its report and recommendations. It is a searching and comprehensive document and, somewhat remarkably for such government panels, took only one year to complete. It has, moreover, been received insofar as its substantive recommendations are concerned with unanimity from all concerned with reforming the system. It is, as the American Mutual Insurance Alliance put it when announcing its support of the commission report, "a clear-cut blueprint for action."

However, we believe the commission was somewhat timid on at least one point in its recommendations. That is the recommendation that the federal government wait three years—until 1975—before enacting federal legislation that would force the adoption of minimum benefit standards by employers. Pressures already building indicate an earlier deadline would have been more effective in bringing response to needed changes.

**THIS IS A** view shared by Sen. Jacob K. Javits (R.-N.Y.) and labor (*Business Insurance*, July 31). We feel that employers, in their own best interests, should also support earlier implementations of the recommendations.

Immediately after the report was submitted to the President, for instance, Sen. Javits announced his intentions to introduce legislation that would establish minimum federal standards for state workmen's compensation laws and provide for earlier and stronger federal action. It is difficult to predict,

of course, whether legislation such as this could move through Congress rapidly and be rushed into law. That possibility is unlikely in the months immediately ahead but three years—the implied ultimatum given the states by the commission report—is a long way off and it is not unreasonable to assume that such legislation could be passed sometime within the next year or two.

The commission recommended that if the states do not comply with the minimum standards proposed—and 48 do not meet the substantive recommendations as of today—then federal legislation would be enacted under which employers would be required to provide benefits in accordance with the standards or, if they refuse to comply, they would be subject to fines and suits in the federal district courts by injured workers, with the assistance of local U.S. attorneys.

What this means for the employers most deeply affected by the adoption of federal minimum standards is that there would be an enormous amount of confusion and misunderstanding. Trying to comply quickly with a federal law, while at the same time observing state statutes, would also be tantamount to trying to serve two masters. Also, the legal ramifications of such a move, with employers being subject to fines and suits in the federal district courts if they refused to meet standards imposed by the Congress, would create new problems without addressing the real problem.

**THE BLUEPRINTS HAVE** been drawn, there is a clear need for improvements in the workmen's compensation system and those improvements will very probably be forced on employers by the federal government if the states fail to act promptly. The three-year delay recommended by the commission only gives state legislatures more of what they have already had too much of—time, time to delay and further put off workmen's com-

penation improvements while injured workers attempt to subsist on inadequate benefits. With the three-year delay comes also the danger that workmen's legislation will evolve into a situation much like that which has held up no-fault legislation, with various interest groups getting into a needless, senseless fray that only delays the inevitable.

The possibility of federal action such as that proposed by Sen. Javits, were it to supercede state action, also leaves employers with another threat: dual authority. If federal minimum standards were adopted by Congress they would, it is presumed, hold the employer culpable if they are not met. Suppose, for example, a state's level of maximum benefits is and has been set at \$75 per week and the state continues to drag its feet on workmen's compensation reforms. If federal standards (as suggested by the commission) were to increase that minimum benefit level 100% of the average weekly wage, and if that average weekly wage were to be \$100, then employers who do not meet the standard would have to buy additional coverage from workmen's compensation carriers. This is fine but would create a situation under which the employer would still have to comply with state authority while also having to contend with federal authority.

It therefore behooves employers and their risk and insurance managers to become eager to see a quick, orderly change in the workmen's compensation system at the state level. Insurance companies, which are so well organized and influential at the state level, also have an opportunity to assist and prod state legislatures into action. If the National Commission on State Workmen's Compensation can in one short year identify the problems and draw up the blueprint for skeletal legislation that offers a reasoned, humane solution to workmen's compensation inequities, the various states can certainly respond before 1975.

# letters

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

## On captives

To the Editor: This most interesting subject, the new Colorado law giving permission for a large concern to start its own insurance company, is a project "devotedly to be wish for," and we hope it will be found useful.

The writer's recollection is that about 25 years ago, the Standard Oil Co. (don't ask me which one), abandoned their self-insurance program (world-wide then), because they were running in the red. There, with widely scattered holding and premiums of probably well over half a million dollars, they lost money. Can 1972 provide any better spread of risk, absence of large values subject to one fire, wind, riot or what have you, and other exposures that self-insurance of values must contemplate.

Don't misunderstand me, the Colorado law sounds good to me and I hope the above won't be considered as that of a prophet of doom.

John Singreen

Singreen Agency, New Orleans, La.

## 'Well done'

To the Editor: Congratulations on your July 31 Agent/Broker Profiles issue. It was extremely well done.

R. E. Gallagher

President, Arthur J. Gallagher & Co., Chicago, Ill.

## New program

To the Editor: The article relative to the AWA plan for warehousemen's legal liability insurance in *Business Insurance* of July 17 is replete with incorrect statements and misleading inferences. I'm surprised that you did not check it out.

On behalf of Fireman's Fund our office is offering a new nationwide program of warehousemen's legal liability insurance for preferred accounts. It is not identical with the AWA plan. In our opinion it offers broader coverage with more flexible rating. It is backed by a company that has been writing this difficult class of insurance for over 30 years—and that will still be writing it when other companies new to the field have withdrawn, as has happened so often in the past.

The many warehousemen that have switched to our new program through their local agent will be surprised to learn that we have "made an unsuccessful attempt to regain this business".

John S. Perry

Vice President, Intercontinental Agencies Ltd., Chicago, Ill.

## Contractor liability

To the Editor: You have been getting quite a response to our "Risk Management Notes" item on recommending an owner to ask a contractor to name him on his liability policy. Donn McVeigh answered one query but since he is out of town, I'll respond to the letters appearing in your July 31 edition.

The first point to make is that generalizations are nearly always wrong in certain cases. Though it

Continued on page 46

# business insurance

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# Attempts to pass no-fault bill in California smothered in committee

SACRAMENTO—A senate judiciary committee composed entirely of lawyers, several of them members of the American Trial Lawyers Assn., killed California's last no-fault auto insurance bill.

The measure, a compromise worked out by Alfred Song, democratic senator from Monterey Park, and Jack Fenton, democratic assemblyman from Montebello, received a six to five vote, one short of the seven votes required to send the bill to the

floor of the senate.

John Kehoe, recently named by Gov. Ronald Reagan as director of the California division of consumer affairs, charged that the auto insurance reform legislation was scuttled by "trial lawyers riding across the country like the Dalton brothers shooting down no-fault."

**THE BILL**, last active major no-fault measure of the current legislative session, had been vigorously opposed by the California Rural Legal Assistance, Farmers Insurance Group, an association of auto insurance salesmen, the California Consumer Federation and the trial lawyers association, which has raised a "war chest"

for a nationwide campaign against no-fault and in defense of the existing tort liability system.

Mr. Kehoe said the Fenton-Song compromise bill met objectives sought by Gov. Reagan, including provision for "premium savings for consumers as well as real potentials for holding the line in rising car insurance costs." He added the warning that "unless California enacts a no-fault auto insurance program this year the field will definitely be preempted by the federal government."

Herb Hafit, representing the Trial Lawyers, told the committee prior to the vote that the Song-Fenton bill "would compel

80% of California's car owners to buy more insurance, not less.

"Court congestion would remain unchecked," he added, "and 19 million Californians would lose the power to seek more damage settlement in court."

**THE BILL** would have been effective for five years, starting in 1974 and would have granted \$5,000 per person as the maximum sum recoverable for a single accident. It would have permitted court action for additional damages when basic medical costs exceeded \$1,000.

Louis W. Niggeman, chairman of Fireman's Fund American Insurance Co., issued a statement following the action:

"We are very disappointed that the legislature has failed for another year to enact a meaningful no-fault auto insurance law in California. It means another year of tragedy for the thousands of California accident victims who

are paid too little, too late, if they are paid anything at all. It also means another year of millions of wasted premium dollars that could have been saved through no-fault.

"No-fault has the broadest cross-section of public support of any major consumer issue. Yet it went down to defeat. We have to ask, why?"

"We must also ask whether individual states will ever come to grips with the need to reform the auto insurance system. Fireman's Fund believed the states could and should do the job. We will have to reassess our position. The record of the states has not been good.

"Perhaps the only hope for getting good no-fault laws in the near future is for Congress to get into the act and establish federal no-fault standards. The California legislature has given added weight to arguments for federal action."

## Tells labor of pension plan controls

SEASIDE, OR.—The Oregon AFL-CIO convention here heard Rep. Wendell Wyatt (R.-Or.) urge federal laws to regulate private pension funds.

He told the 370 leaders representing more than 100,000 union members in the state that he has introduced a bill in Congress setting up protections against loss of funds should a pension plan collapse. He claimed federal law should give workers the right to pension payments based on the length of their employment whatever happens to the company or the worker's job.

Rep. Wyatt said private pension funds, now totaling in excess of \$128 billion, make up the "largest sum of unregulated capital" in the nation. But he said present inadequate laws provide "absolutely no remedy for worker whose funds have been squandered either criminally or negligently."

The government should require either full funding of pension plans or set up an insurance corporation to protect investors in the plan, he asserted. Companies also should be restricted on how they can use money in pension funds, he added.

## Asking for work comp rate increase

HARRISBURG — Workmen's compensation insurance underwriters have filed jointly for an .6% annual rate increase in the state, according to Herbert S. Denenberg, insurance commissioner.

The filing, made by the Pennsylvania Compensation Rating Bureau representing 205 companies, translates into an annual increase of \$1.322 million.

The filing comes two months after Commissioner Denenberg's department granted a 38.6% rate hike totalling \$63 million to cover the cost of more liberal benefits mandated by the new compensation law in the state.

"Before even considering any further rate increase," said Mr. Denenberg, "we want to take a complete look at the operations of all workmen's compensation insurance companies. Are they paying claims promptly? Have they achieved all necessary economies? Are they fully complying with the new spirit of the liberalized workmen's compensation law?"



# No-fault: 'philosophical drift' from responsibility

LITTLE ROCK—No-fault insurance is faulty to a severe degree and is a significant "philosophical drift toward the idea that people should bear no responsibility for their wrongful acts, whether they be crime or whether they be negligent or unlawful acts resulting in death or injury," according to the new president of the Arkansas Bar Assn.

Henry Woods of Little Rock, the new ABA president, recently addressed the Arkansas Trial Lawyers Assn., speaking against no-fault. The Arkansas lawyers have voted to fight no-fault plans that will be submitted for consideration in the 1973 Arkansas general assembly.

Mr. Woods, one of the state's most successful personal-injury

trail lawyers, says there are about 150 plans being advanced in the no-fault concept and most of them contain the following features:

- The insurance is compulsory. In order to operate an automobile, the driver and owner must be covered.

- The systems do away with the fault concept and permit the injured party to recover damages without regard to his fault in the accident. "In other words, he can get drunk, run off the highway and hit a tree, and he can still recover for his damages," Mr. Woods said.

- They eliminate recovery for general damages, pain and suffering and loss of consortium, mental anguish, disfigurement, and permanency of the injury.

Recovery is limited to purely economic loss in terms of medical expenses and wage loss.

- They abolish the collateral source rule and deny recovery from a no-fault carrier, if there are other insurance benefits, or pensions, which pay the loss.

Mr. Woods said that proponents of no-fault insist that in the "great majority of cases" the automobile accident is the fault of no one. "Contrary, however, to the belief of these individuals, a recent survey conducted by the Liberty Mutual Insurance Company demonstrated that in over 90% of all automobile accidents, fault could be easily assessed, usually from the facts contained in the accident report," he said.

Professor Robert Keaton of Harvard University is viewed by

Mr. Woods as "the principal exponent" of the position that "it is impossible to apply a rational judgment in allocating responsibility between the parties on the basis of fault."

According to Mr. Woods, Mr. Keaton visited an insurance conference in Arkansas and Mr. Woods challenged him to research his files on accident claims he had handled for clients. "I was prepared to demonstrate that in virtually every case, on the basis of initial statements and the police report, fault could be easily determined," he said. "He did not accept my challenge."

**SECOND**, Mr. Woods said, proponents state that no-fault will eliminate court congestion and delay. "This is one of the most

ridiculous arguments to make," he said. "Of course, in Arkansas court congestion is no problem. As a matter of fact, we can get to trial in Arkansas many times before we want it."

Automobile litigation makes up only 15% of the court dockets nationwide, 94% of automobile liability claims are settled without any suit being filed, 4% result in suits that are settled without trial and only 2% result in a trial with a final verdict, Mr. Woods reported. Court congestion is confined to 13 urban areas, he said.

Proponents of no-fault claim that there are exorbitant recoveries for pain and suffering, he said, but that was "rarely" a true reflection of the situation. "Only in cases in which excruciating pain and suffering is objectively established can a jury be persuaded to make substantial awards for pain and suffering," Mr. Woods said.

He said the present plans would eliminate pain and suffering and other general damages.

**"IT IS IMMEDIATELY** obvious that these systems discriminate against women and children who are generally not wage earners and who generally are not responsible for the payment of medical expenses," Mr. Woods said. "I suggest that this discrimination against women and children should be called to the attention of those who are so sensitive about women's rights."

In another area, Mr. Woods said, proponents claim that injured motorists are receiving a windfall from collateral sources, that is, they should not be allowed to collect from such things as their Blue Cross-Blue Shield, Social Security, health and accident insurances, their union health and accident fund, and "in addition collect from tortfeasor."

"If a man is well-protected by Blue Cross coverage and by fringe benefits from his employer, he does not need the protection which no-fault insurance provides him," Mr. Woods said. "The benefits it will provide are already covered in his other insurance program."

"Nevertheless," Mr. Woods continued, "he will be compelled to buy the same insurance and actually receive not one dime of benefit therefrom. Could anything be more unfair?"

**ACCORDING** to Arkansas insurance agents, more than 30% of the state's motorists are driving uninsured vehicles.

Mr. Woods said that proponents of no-fault say that some motorists are uninsured and therefore a small percentage of those injured in automobile accidents have no means of securing reimbursement for their damages. "One good answer is uninsured motorist coverage, which is virtually mandatory in Arkansas, since the insurance company must include it in its policy unless turned down in writing," he said.

It is said that even without litigation, there is a great deal of delay in payment of claims by the insurance company and that no-fault will speed up the process, Mr. Woods said.

"We are not told exactly how the process is going to be speeded up," he said. "However, under the present system by virtue of the widely used advance payment plan, insurance benefits are now begun almost immediately,

*Continued on page 40*

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## New York insurance agents brandish legal sword to battle 184 insurers

NEW YORK—Insurance agents in the New York area are gearing up for the next round in a battle against insurers following the U.S. district court's dismissal of a \$3.75 billion class action suit by the agents' association against 184 casualty insurance companies in the state for antitrust violations.

The court ruled that the suit, brought by the Independent Insurance Agents' Assn. of Nassau, Suffolk and Queens counties, was invalid because the organization lacked the standing to sue.

"We certainly don't intend to drop the case, though," noted Frederick Fagelson, attorney for the group. "We are exploring the options open to us now."

The agents are seeking restitution under the Sherman and Clayton acts for supposedly illegal coercion by the insurance companies forcing them to tie in various types of insurance or face contract cancellations (*Business Insurance*, 1971).

It was alleged that insurance companies had been resorting to those actions to offset heavy losses in homeowners and auto coverage over the last few years. As a result, many agents found contracts terminated due to "unbalanced books of business" unless they wrote a considerable amount of other coverages.

"Unbalanced books of business" is a charge by the company that

the agent is not writing enough desirable coverage to offset less attractive risks. The suit charged that these terminations have not only injured the agents' business but have resulted in policy cancellations and nonrenewals for hundreds of thousands of innocent insureds who had previously met policy standards.

"As it stands now, we can either appeal the suit exactly as it reads or appeal on the basis of a new complaint," he noted.

One alternative he said, would be a revision of the wording of the charge based on the court's objections. Another option would be to have individual agents file the suit rather than the group.

Specific complaints in the suit which are trebled under the provisions of the Sherman and Clayton acts include:

- \$500 million for policyholders whose coverage was canceled or nonrenewed because of agency cancellations. This amount is trebled to \$1.5 billion.

- \$500 million for injury and destruction to agency business as a result of the agency terminations, trebled to \$1.5 billion.

- \$250 million for damages resulting from practices of the insurance companies which forced agents into illegal business practices to avoid cancellation, trebled to \$750 million.

Among the insurers named in the suit were Aetna Life & Casualty, Connecticut General Insurance Group, Maryland Casualty Co., Chubb Corp., CNA Financial Corp., Crum & Forster, Travelers Insurance Co. and Globe Indemnity Co. ■

## To recover some flood damage loss

NEW YORK—General Cigar Co Inc., which sustained an estimated \$1 million worth of property damage in two Pennsylvania plants as a result of Hurricane Agnes, will recover about \$250,000 from insurance, *Business Insurance* has learned.

"We have a \$2 million difference in conditions policy with the Home Insurance Co. with a property damage limit of \$250,000," said a spokesman at the company's New York home office. "The deductible is only \$5,000."

Business interruption coverage might also come into play, although this is doubtful, he noted. "Actually, we've been able to carry on business as usual even though the plants are closed," he explained.

IF A BUSINESS interruption loss is sustained, the spokesman commented, interpretation of the policy might be open to debate. "We are discussing this with the insurance company now, as to whether business interruption would be applicable only to the \$250,000 flood damage limit or if the \$2 million limit would apply," he noted.

The cigar manufacturing and tobacco-processing plants in Kingston suffered damage to finished products as well as equipment and packing gear. The cost of just cleaning up the debris left by Agnes will constitute a major part of the \$1 million loss estimate, General Cigar reported.

"It's hard to tell right now, but I think the plants will be ready to operate again in the early part of August," the company source said.

It is more difficult for General Cigar to estimate the toll Agnes's heavy rainfall took on its Connecticut shade-grown wrapper crop.

Marsh & McLennan Inc. is the broker for General Cigar. ■

## Tanker casualty report

The International Chamber of Shipping has agreed to start a "tanker casualty reporting" scheme among more than 20 maritime nations so that safety lessons learned from casualties on board tankers can be promptly circulated to reduce future accident risks.

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# for the record

## State board rescinds maternity benefits

MADISON, WI. — A proposed rule that would have required fringe benefit plans to cover women on maternity leave has been rescinded by the Wisconsin industry, labor and human relations commission.

In its place, however, the commission adopted federal Equal Employment Opportunities Commission guidelines on the subject. Though similar in language to the state rule, the federal guidelines will not have the force of law, as a rule would have. Commissioners said that issuance of the guidelines served notice that any maternity leave cases submitted to the group would be decided as if the rule were in effect.

The commission had been under heavy industry pressure to back off from its earlier position. It had postponed the effective date from June 1 to Sept. 1 at the request of a legislative committee that reviews administrative rules.

The committee also told the agency to work out a compromise, which turned out to be the adoption of the equal employment opportunities guidelines.

Philip Lerman, commission chairman, voted against rescinding the rule, but was opposed by the two other commissioners, John C. Zinos and William Johnson.

All three approved substituting the guidelines.

Mr. Zinos said he thought Wisconsin should apply the guidelines only to those firms with 25 or more employees, as does the federal statute. The other commissioners asserted that the guidelines should apply to all state firms, regardless of number of employees. The commission decided to ask for an opinion from the attorney general's office.

Democratic Senator Jack Fenton is similar to legislation Fenton introduced unsuccessfully last year.

The 1971 measure was approved by the legislature but was vetoed by Gov. Ronald Reagan on grounds that farm laborers would draw several million dollars more out of the state unemployment insurance system than paid in by employers.

Fenton told the legislature "farm workers remain the largest group of California workers still

*Continued on page 20*

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ANNALS OF AMERICAN BUSINESS NO. 5



Photo © 1971 David Phillips

### \$100,000 paid in hijacking death

OMAHA, NB.—In what is believed to be the first air travel insurance death payment to be made because of an attempted hijacking, Tele-Trip Co., Inc. has paid \$100,000 to the daughter of a man who was killed during the skyjack try in San Francisco July 5.

Tele-Trip, a subsidiary of Mutual of Omaha, made the payment to the daughter of E.H. Stanley Carter, a Canadian citizen, who died as a result of wounds suffered in a gun battle between FBI agents and the hijackers. Other passengers on the flight were wounded during the fight.

Mr. Carter, a retired Canadian National Railways employe, was on his way to San Diego with his wife when the attempted hijacking took place.

### California farm workers may get benefits

SACRAMENTO — Unemployment insurance payments would be extended to 235,000 California farm labor workers under legislation approved 42 to 24 by the assembly and sent to the senate.

The proposal, by Montebello

## Failure of the Scraggs Insurance Agency!

### Could Ansul Have Prevented the Debacle?

Three generations of Scraggs had capably served the insurance needs of Twelvetees County. Consequently the failure of the tradition encrusted agency came as a great shock to local citizens. Records of the Trustee in Bankruptcy reveal that the firm was done in by an unfortunate combination of circumstances.

### Clyde Scraggs Emerges a Broken Man.

First was the steady decline, over a period of years, in the writing of new business. Clyde Scraggs, grandson of the founder, was quoted as saying, "We had insured everything in the county that was safe to insure; there

were no further worlds to conquer."

When the Twelvetees Stanchion factory was destroyed by fire, the agency's doom was sealed. The blaze served to erode the confidence of several large insurance underwriters in the business judgment of the Scraggs management. Young Scraggs stoutly maintained to the end that the factory had been adequately protected by the finest water buckets money could buy.

### From This We Learn a Lesson.

Had Scraggs been aware of the unique products and services of The Ansul Company he might have averted the disaster.

For example, Ansul's "clean agent" systems might have been just the

ticket for the Stanchion plant. By knowing about and recommending Ansul's wide range of services—hazard analysis, training, maintenance—and its line of precision engineered equipment, he might have been able to write fire insurance on hazards otherwise uninsurable. Or he might have been able to provide extended coverages—because he would have known that the danger of serious fire loss would be greatly reduced.

The Ansul System is a good thing to know about—a fact to which many successful insurance men will testify. The Ansul Company, Marinette, Wisconsin 54143.

**THE ANSUL SYSTEM.**



## Record . . .

Continued from page 19

not covered by this kind of insurance." He estimated his measure would pay farm workers \$32 million a year in insurance benefits.

## Ford assures UAW of pension continuance

FOSTORIA, OH.—Ford Motor Co. has assured the 1,226 United Auto Workers members at its Autolite spark plug division here that their wage and pension benefits will continue no matter who buys the plant.

Ford, acting under a Supreme Court order to divest itself of the plant, sent a letter to UAW vp Ken Bannon which stated that whoever purchased the operation would be required "to assume the wage and pension obligations of the company existing as of the date of acquisition. The existing obligations would include continuance of all wage and pension provisions for whatever period remained of the term of the existing collective bargaining agreement and the retirement plan agreement."

The company also told Mr. Bannon, who is director of the UAW Ford Department, that it "plans to inform the union and the affected employees when a date for the sale is established."

The court ordered the divestment of the Autolite plant on March 29. Ford was given 18 months from that date in which to comply.

## Loss of artificial limb ruled not compensable

BUFFALO, N.Y.—A pipe fitter in a chemical plant has been denied workmen's compensation benefits to cover the loss of an artificial limb. Walter H. Hackett damaged his artificial leg beyond repair while climbing a ladder at the Almor Corp. in Warsaw, N.Y.

Donald Kreuter, financial secretary for local 8-215 of the Oil, Chemical & Atomic Workers, AFL-CIO, which represents the plant workers, presented the case for Mr. Hackett before Almor's workmen's compensation carrier, which subsequently denied payment. Replacement of the artificial limb would cost approximately \$1,000.

A spokesman for the state workmen's compensation board confirmed that the cost to replace the leg was legally not covered, explaining that an artificial limb is considered property and therefore not insurable under workmen's compensation. As an aside, and without explanation, the spokesman noted that the same replacement cost would be paid to a volunteer fireman if he damaged an artificial limb while fighting a fire.

## Broward school board retains Guarantee Trust

FORT LAUDERDALE, FL.—Despite heated protests against such a move, the Broward County school board accepted the bid of a Chicago insurance firm to sell student insurance during the next school year. The board, as in the past three years, voted to authorize the Guarantee Trust Life Insurance Co. of Chicago, the low bidder, to sell the insurance.

Leonard Stafford, spokesman for the second lowest bidder, Volunteer State Life Insurance Co. of Chattanooga, asked the board to reconsider accepting Guarantee Life's bid. "We were the low bidder in the first bidding," Mr. Stafford declared, "only to see you reject all bids and advertise for new bids after an eleventh hour decision. Our bids deviated from specifications because we offered you an option for annual renewal at the same rates."

During the recently completed school year, approximately one half of Broward County's pupils took the insurance, with their parents paying a total of \$110,000 in premiums.

Guarantee Trust premium rates for the 1972-1973 school year will be \$1.10 per student (a 15¢ reduction) for at-school insurance for kindergarten through eighth grade, \$1.75 per student (a 25¢ reduction) for the same insurance for high school students and \$10 per student for 24-hour insurance for kindergarten through senior high school.

The 24-hour premium in the past school year was \$10 per student for kindergarten through eighth grade and \$12.50 per student for high school.

## Work comp ruling suspended for 90 days

OLYMPIA—A 90-day suspension has been placed on a controversial rule that would have permitted nonlawyers to represent parties at hearings of the Washington state board of industrial insurance appeals.

The suspension came after Slade Gorton, state attorney gen-

eral, issued an opinion saying that for nonattorneys to argue cases would be "unauthorized practice of law," it was reported. The rule would have gone into effect July 17.

Richard H. Powell, board member, said comment is being sought from interested parties. He said a public hearing will be held prior to October to repeal the rule, modify it or take some other action.

The rule, which was sought by both labor and industry, was adopted after a public hearing May 19. After it was adopted, the state bar association requested a legal opinion from Mr. Gorton's office.

"I believe labor will press for statutory changes similar to laws in California," Mr. Powell said. In California, a party in a workmen's compensation appeal may represent himself, engage an attorney or be represented by any other person of his choosing.

At a recent meeting of the Washington Machinists Council, members called for a change in the Industrial Insurance Act to provide specifically that an injured workman or his dependent may be represented by a nonattorney if desired.

The resolution also commended the board for passing the rule, calling it a "courageous and timely action." It condemned the efforts of those opposed to the lay representation at such hearings, said John C. Ranger, secretary-treasurer of the council, which represents 50,000 workers covered by the law.

The resolution was referred to the Washington state labor council convention scheduled to begin in Seattle August 28.

## State commission may pay \$20 per employe

PHOENIX—The Arizona personnel commission may expend up to \$20 per month per state employe for health and accident insurance from October, 1972, until July 1, 1973, under a new law enacted by the Arizona legislature, Gary K. Nelson, state attorney general, ruled July 10.

The opinion, in answer to questions posed by Harold C. Bennett, director of the commission, declared that the per-employe payments would have to revert back to \$15 per month next July 1 unless additional appropriations are provided.

Peter C. Gulatto, assistant attorney general who wrote the opinion, said the law, which cannot be implemented until October 1, provided \$180 per fiscal year or \$15 per month per employe, but said it was the intention of the legislature that the employe receive the greatest benefit possible within the funds provided.

He held that the \$45 per employe that cannot be used from July 1 to October 1, 1972, can be pro-rated over the next nine months to provide \$5 additional each month.

"In no event, however, may the expenditures for the coverage exceed \$180 per employe for the fiscal year," Mr. Gulatto asserted. "In addition, it should be specifically noted that in the absence of amendment . . . the rate of expenditure per employe . . . would revert to \$15 per month." ■

## Who will enforce?

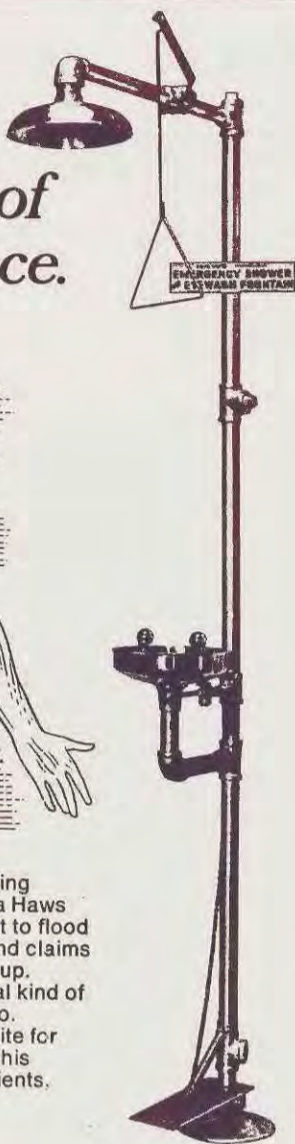
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## Face technological hazards now, says British factory inspection chief

LONDON—Everyone can see the obvious risk of a dangerous stairway in a factory plant. Everyone can spot the folly of locking a safety exit in a building exposed to fire perils.

But are you so clever that you can locate the peril in a tiny speck of dust, in what seems to be a clean and tidy workshop floor, which can kill plant employees in 20 years' time or less, and bring surprise liability claims to your management?

This challenge was put to delegates at an industrial safety seminar by Bryan Harvey, chief inspector of factories for the British government, to convince them of the need to deal immediately with technological hazards. Developing his theme for an early-warning system in plant safety by corporate management, he declared:

"THE TINY speck of dust I am telling you about might be invisible to the naked eye. But it might come from a new process, or new chemical, used in the plant which could set it moving in some subtle way.

"The process might have aspects which are not yet appreciated but which could result in a bitter toll of disease and death a generation hence.

"Ordinary people are nowadays far more conscious of their health than ever before. There are increasing areas of industry where severe risks arise, and where fear of them involves the emotion of workers. One of the tasks facing us in the future is not only to control those hazards, but to be able to reassure people that their risks are properly controlled.

"This is a much more difficult and challenging problem than some we have solved—so let's face it."

Monitoring potential hazards by test-instruments is one effective way of dealing with this problem, he suggested. "Unless we can show how big the risk is, and how much our precautions have achieved, we cannot provide reassurance for employees," he said. "The ordinary worker in the future will be entitled to know that the hazard is under proper control. This means industrial hygiene techniques of monitoring must be continually improved, and industry itself must take up the need to monitor the environment.

"New production techniques must be matched by equal developments in control techniques. We must start now in the technological revolution to build into new processes and new plant the devices to prevent them becoming a serious health threat to their operators."

**BUSINESS** executive Oliver Jessel, who runs major London finance and commercial corporates, has taken out a \$2.6 million insurance policy on his own life.

The purpose is to protect his corporate interests from unexpected problems if he dies suddenly. For under British law taxes might be levied in the form of "death duties," payable to the state, on his property and other financial interests left in his will. As these could amount to substantial demands on one of his major business interests, Jessel Trust, he chose this insurance step to protect its future. He explains: "I travel around a lot in helicopters and jets, and stockholders in that company could face a complete shambles if death duties had to be met suddenly."

Cost of the insurance is \$12,000 a year.

ALCAN, the big aluminium

corporate, has spent \$2 million to buy farmland in northern England so that it can prove to local residents that there will be no pollution danger from a new \$170 million smelting plant in the district.

It will take over farming the land so as to refute fears that fall-out from fluoride fumes can imperil livestock or crops, and will install an advanced control system against pollution in the plant, which is due for full pro-

duction in 1974.

**THERE IS A** certain amount of curiosity in British business circles over a "catch your hijacker" suggestion that British European Airways has put to all its staff.

Airline officials propose that any would-be hijacker who dials their international bases with bomb threats should face a long series of questions that might trap him.

They include: "Can we please have your full name and address?" and "What number are you calling from?" The quiz lists 18 major questions, and 55 supplementary queries, which staff are supposed to put to callers who claim to have planted bombs.

But one telephone girl at the airline's U. K. base said uncertainly: "Can you imagine a hijacker, or his accomplice on the ground, staying on the line long enough while we grab a quiz form and then ask him to answer all these questions? If he's really

serious in his ransom demands, would he stay on the line to give us his correct name and address and his full life history?"

However, a British European Airways spokesman claimed: "With bomb threats getting so serious, we must try every effort to keep suspects talking on the telephone, even if this does seem a silly paper quiz. Anything that will keep him long enough to allow police to trace the call is valuable in our opinion."

**CORPORATE** management representatives in major Western European countries are being urged to consult more frequently with their insurers over fire protection possibilities.

This follows a meeting of the European Insurance Committee in Stockholm where sixteen countries were represented. Delegates pointed to an alarming hike in fire losses in industrial and commercial premises.

Continued on page 32

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# New ASIM chief views role as 'asset manager'

NEW YORK—To single out the primary insurance interest of William F. Quinn Jr., new president of the New York chapter of the American Society of Insurance Management, requires close attention. At the moment, however, employe benefits seem to occupy most of his time and he appears intensely interested in the application of risk management principles to employe benefit planning.

As director of insurance for City Investing Co. here, he is actively involved with all lines of coverage for a wide variety of subsidiaries in the areas of financial services, manufacturing, housing and land development.

"The function of the insurance or risk manager has been evolving rather rapidly over the course of the last five or ten years," said Mr. Quinn during an interview with *Business Insurance*.

"The practitioners are becoming more professional in their approach and the scope of their activities has been under constant re-evaluation by the managements of their respective companies. But when all the dust settles," he continued, "to be successful within your corporate environment you must look upon yourself as an asset manager in the broadest possible terms."

MR. QUINN noted that this includes "planning for the protection of the assets in terms of brick and mortar, earning power, application of risk elimination or reduction principles, and self-insurance. However," he added, "it must also consider the employes of the company as one of the most valuable assets since they are the ones that make the wheel of progress turn. This, of course, requires a commitment to the importance of employe benefit planning."

Mr. Quinn, who had headed the insurance department of Rheem Manufacturing Co., a City Investing subsidiary, has been director of insurance for the parent company since January. Since that time he has been deeply involved in the design, administration and financial aspects of the employe benefit program of the parent company and other subsidiaries.

He is dedicated to the premise that employe benefits not only require a serious commitment in terms of design and financing, but also to the notion that to achieve maximum effect and return on the investment a major effort must be made in terms of communicating those benefits to the employes and their dependents.

City Investing and its subsidiaries employ 26,000 people. The benefits program Mr. Quinn hopes to eventually see utilized in all the company's subsidiaries is basically one he developed for Rheem Manufacturing. City Investing and other subsidiaries have already adopted the plan and still others will as separate policies come up for renewal.

**ONE COVERAGE** Mr. Quinn is extremely happy with the hospital-surgical major medical plan.

"In principle the same plan applies from the mail room to the chairman of the board and it is designed to eliminate discrimination by virtue of salary or geographical location," he said, adding that the concept of reasonable and customary benefits is used. This, he said, eliminates geographical discrimination. Employes with claims are treated

fairly whether they are hospitalized in New York City or in Fort Smith, Ar., he emphasized.

"One of the important by-products of this concept is to allow the maximum flexibility of intracompany personnel changes. A man who is transferred does not suffer any change in his benefit structure," the City Investing insurance director said.

City Investing's major health policies are with Connecticut General Life Insurance Co. An important factor in the benefit program, Mr. Quinn pointed out, is in the administration of the plan, which applies the principles of risk management.

"THEY," Mr. Quinn said of his insurer, "have a mandate from our company to investigate and



William F. Quinn Jr.

control costs. We have a claims cost control system. We quickly pay every nickel we should, but

not one cent more."

Mr. Quinn thinks this is the key factor to the control of employe benefit costs. He recalls a time a few years ago—prior to the time he and his broker (Fred S. James & Co.) negotiated the contract with Connecticut General for Rheem Manufacturing—when soaring medical costs were piling up deficit after deficit on the health insurance ledger. Mr. Quinn feels that this was partially as a result of complacency on the part of the previous insurer, one of the giants in the industry, which had had the business for over 25 years.

"Sometimes a move to a new insurer—coupled with that clear mandate to control costs—provides a fresh beginning for a benefit plan," he said, noting that since Connecticut General got the

business two years ago there have been no deficits and premiums have been held almost at the level originally negotiated. Mr. Quinn is happy with the fact that there has been only one rate increase—a relatively miniscule 3.5% jump—during a period when Blue Cross/Blue Shield has increased rate structures in some cases as much as 90%.

Mr. Quinn hopes, in the coming year, to apply some of his intense interests in benefits to his presidency of the New York ASIM chapter. He would like, for example, to devote more time—either at regular luncheon meetings, or in miniseminar sessions—to benefit planning.

**ANOTHER** activity considered important by the New York  
*Continued on page 32*

# THE MARYLAND'S 48-HOUR GUARANTEE.

# Corning offers assistance programs to employes hit by Hurricane Agnes

CORNING, N.Y.—Recovery efforts at Corning Glass Works, which suffered extensive flood damage during Hurricane Agnes, included more than plans to repair manufacturing plants, administrative offices and the company's famed glass museum. Corning, the major employer in the area, had 6,000 jobless workers who needed help. Many were homeless and others sustained major property losses.

The company was fortunate. When the dikes that engineers said "could withstand anything" broke and the Chemung River overran its banks, Corning was fully insured for losses which were estimated to be in the millions of dollars.

"We had property and business

interruption coverage on the plants placed through Johnson & Higgins Inc. with the majority of companies that write difference in conditions policies," noted a spokesman at Corning. "The Corning Museum of Glass was insured in the same manner through Huntington T. Block Insurance, Washington, D. C."

In the entire town, however, there was no residential flood insurance. Amory Houghton Jr., chairman of the board, first assured townspeople that Corning was not going to relocate.

"We are not only going to rebuild what we have lost, but we are going to add significantly to our manufacturing facilities and plants. And that's a fact—not a rumor," he announced.

Then, Corning began a financial assistance program by immediately releasing vacation checks to eligible employes and releasing that part of a pay settlement not awaiting final approval by the Pay Board in Washington.

**IN ADDITION**, Corning made interest-free loans of up to \$1,000 available to all employes and retirees who suffered flood losses. Five weeks after Hurricane Agnes, the company reported that 1,973 people had applied for loans totaling \$1,600,000; 376 of the loans went to retirees or their spouses.

All Corning employes are back on the payroll now, although many are engaged in community recovery work rather than plant

jobs. "We have to rebuild the town," explained the spokesman, "so Corning executives and other personnel are working in various capacities through organizations such as the Chamber of Commerce. One executive's task is to get the city's heating system back in shape before winter hits."

Corning is also providing summer jobs for youth in the area after the flood has been this from Corning Glass Works Foundation to underwrite the Youth Emergency Service (YES). Composed of over 300 young people, the organization provides help to flood-stricken families.

"One of the few bright spots after the flood has been this community program by Corning. YES gives the kids a chance to work while they are out during school vacation. They not only have an opportunity to learn while helping the community, but they are paid for their work," he noted.

# American Home offers hijack cover

NEW YORK—With the proliferation of aviation hijacks, the American Home Assurance Co. has decided that the individual passenger might want some insurance against costly delays and missed connections caused by air piracy.

While the airlines assume many immediate expenses for hijack victims such as picking up the tab for hotel accommodations and meals as well as providing airline tickets to the intended destination, other losses such as missed business conferences or emotional wear and tear are not easy to assess. The airlines are also reluctant to compensate travelers for these intangibles.

To provide financial assistance to distressed passengers, American Home has developed a hijack rider which can be attached to a standard travel accident policy.

Coverage will provide an indemnity of \$100 a day for a maximum of 20 days for delay due to hijacking. "There will be a deductible period of 12 hours before the policy becomes effective to assure that only those that are truly inconvenienced receive indemnification," explained a spokesman at American Home. "There is no dollar deductible, though."

**THE RIDER** will be marketed initially on overseas flights and will be available through insurance brokers or travel agents. "We hope to have this ready to go any day now," the source said. "It will take longer to work out the details for domestic coverage, since this has to be approved state to state."

The short-term rider will cover a traveler for a 60-day period for a cost of about \$2. Eventually, American Home hopes to introduce the coverage as a rider for annual policies.

Hijack insurance will be made available to multi-employer groups at reduced rates, the spokesman noted.

# Will decide on pensions

SALEM—Oregon voters will have an opportunity to decide on repeal of the pension plan for Oregon governors.

Clay Myers, secretary of state, said petitions filed by sponsor Herschel Soles of Portland contained 62,217 valid signatures, substantially more than the 39,984 required.

The measure's title on the general election ballot in November will be "Repeal Governors' Retirement Act," said Mr. Myers.

The pension approved by the legislature makes ex-governors who have served at least two years eligible at age 62 for benefits equal to 45% of their salaries.

**THE LAW** establishing the pension fund for governors requires that the governor pay 7% of his salary into it. It does not allow payment to federal officeholders.

Robert Davis, executive assistant to Gov. McCall, said that an attorney general's opinion written in 1970 indicates that Gov. McCall may have vested pension rights because he is paying into the pension fund.

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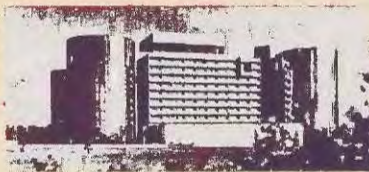
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nent of the management quality control team. In short, this is an opportunity for you to absorb, in a comprehensive form, a massive amount of valuable information dealing with one of the biggest problems of the 70's! Many Business Insurance readers have already stated that they want to see us repeat the most successful Product Liability Workshop held earlier this year . . . so enrollments must be accepted on a first-come, first-served basis. **Don't wait.** Mail the registration form today, or telephone your enrollment toll-free from anywhere in the U.S. Remember you save \$25 if your tuition is paid by September 29!

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- The Federal Government's Concern With Product Liability

The Product Liability Workshop will be held at the new Hyatt Regency O'Hare, less than five minutes from Chicago's O'Hare airport. The hotel has reserved for the workshop a block of modern rooms at attractive rates. Registration for the workshop starts at 3 p.m., October 23, followed by a get-acquainted period at 5 p.m., dinner at 6 p.m., and opening-evening work sessions at 7:30 p.m. Because of the intensive nature of the workshop, on the following day registrants will be kept busy until the workshop adjourns promptly at 4:30 p.m.



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Product Liability Workshop and Benefits Communications Workshop	\$200.00	\$250.00

Fee for each workshop includes participation in all sessions; one dinner, breakfast, lunch, cocktail social and coffee breaks; plus detailed workshop of the meetings. Accommodations at Hyatt Regency O'Hare are not included in the fee, and should be arranged separately. Hotel information will be sent automatically with registration acknowledgement. There is a \$25 service charge for cancellations received between October 6 and October 13.

# Audit charges laxity in building safety checks

NEW YORK—The ongoing enmity between officials of New York State and those who govern New York City had more fodder added to it when State Controller Arthur Levitt charged the city's buildings department with negligence and inefficiency when it came to inspections of both boilers and elevators.

Mr. Levitt based his charges on a detailed 10-month audit, conducted by his staff, which showed that, since November, 1969, at least seven persons had died and 35 more were injured in accidents which involved boilers and elevators that had not been inspected or were awaiting long-overdue safety checks. He blamed the laxity on both top administration and the individual inspectors.

While generally denouncing the report, Joseph Stein, the city's buildings commissioner, admitted that some of the observations were valid but pointed to "many substantial distortions and errors." He claimed that the persons who made the audit were inexperienced and knew nothing about the construction industry.

THE CONTROLLER'S audit said that city inspectors worked almost autonomously—setting their own schedules, choosing which boilers and elevators they wanted to inspect, sometimes saying they had inspected boilers and elevators which had not actually been checked—and, as a

result, elevators were inspected every 17 months in Manhattan. Law requires that elevators be inspected every three months.

At the same time, the report alleged that boilers, which should be inspected annually, are actually checked at intervals averaging about 28 months.

Many boilers, according to the audit, were not being inspected at all because of what it said were "incomplete and inaccurate records" at the buildings department. For example, the auditors found boilers which the buildings department had listed as being inspected by insurance companies and exempt from city safety checks. However, some of these boilers were not being inspected because the insurers had cancelled coverage because of unsafe conditions.

MR. LEVITT pointed out that boiler accidents over the past three years had killed 15 persons and injured 63 others while, over the same time span, elevator mishaps had killed 35 persons and injured 143 more. He did not attribute all the accidents to mechanical defects and lack of inspection, however.

Mr. Stein, in his rebuttal, criticized the audit's overlooking "anything dealing with inspectorial demeanor and performance relating to bribes from the construction industry, an item to which the department has obviously given top priority." ■

# File complaints over group medical plan rates

MADISON, WI.—Approximately 50 state employees have filed complaints with the state insurance commission over rates charged them by some Madison doctors under a group medical plan run by Surgical Care-Blue Shield.

Stanley DuRose, insurance commissioner, said the dispute centers around the rates charged by two different health care plans. The rates under the Blue Shield plan are lower than some under the Wisconsin Physicians Service (WPS) plan that was used until a year ago to insure the 41,000 state employees.

The Blue Shield plan, sponsored by the Medical Society of Milwaukee County, pays "customary, usual and reasonable charge" that generally is less than the old plan, Mr. DuRose said.

HE SAID the complaints charge that some doctors are telling patients to sign agreements, prior to receiving medical services, to pay any balance beyond what the insurance plan would pay. "I feel it is highly questionable for doctors . . . to tell a patient that he will be responsible for additional fees or to get the patient to sign an additional fee waiver," the commissioner said.

The head of a group of University of Wisconsin physicians wrote letters in June to Mr. DuRose and the state attorney general's office complaining that patients were being told by Milwaukee insurance plan officials that the doctors' attempts to collect on bills were "somehow either unethical or illegal."

The two fee schedules differ on what is a "customary, usual and

reasonable" fee for surgical procedure.

WPS had the contract for more than 10 years until underbid by Blue Shield in July, 1971. WPS, sponsored by the State Medical Society of Wisconsin, has a higher fee schedule. ■

# U.K. studies lead in baby foods peril

LONDON—Lead perils are being studied by government experts in Britain, with new regulations being introduced to control the amount of lead that might creep into baby foods.

James Prior, food minister, has ruled that lead in baby foods must now be limited to .5 parts per million, because some baby foods have been found by scientists to contain twice as much lead as the normal adult might get in his diet.

There have been no known cases of poisoning so far, but the mean lead concentration for baby food in cans is about six times the concentration of such foods in glass jars. As a result, massive safety factors are being built into the new rules.

Peter Walker, environment minister, has arranged for the amount of lead in gasoline to be progressively lowered in the next few years, and is consulting automobile engineers to make sure this will not affect engine performance.

# dates for buyers

**September 10-14**, International Assn. of Industrial Accident Boards and Commissions annual convention, Royal York Hotel, Toronto. For more information write William R. Kerr, Convention Coordinator, 90 Harbour St., Toronto, Ont., Canada.

**September 11-13**, American Management Assn. course, "Principles and Practices of Insurance Buying," Hilton Inn, Atlanta. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**September 13-14**, American Management Assn. briefing session, "Earthquake—A Major Insurance Risk," Stanford Court Hotel, San Francisco. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**September 17-22**, College of Insurance management seminar for the corporate risk manager, Nassau Inn, Princeton, N.J. For more information write the College of Insurance, 150 William St., New York, N.Y. 10038.

**September 18-20**, American Management Assn. orientation seminar, "Cash Flow and the Corporate Insurance Function," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**September 18-20**, American Management Assn. workshop seminar, "Modernizing Your Approach to Workmen's Compensation Costs and Coverages," AMA management center, Chicago. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**September 20-22**, American Management Assn. workshop seminar, "Modernizing the Group Insurance Plan," AMA management center, Chicago. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**September 21**, Dallas-Fort Worth and Houston ASIM chapters' fall seminar, "Risk Management Concepts," Statler Hilton, Dallas. For more information write B. F. Arnecke, Insurance Manager, Dallas Power and Light, 1506 Commerce, Dallas, Tx. 75201.

**September 21**, Massachusetts Assn. of Self-Insurers 2nd annual seminar, Marriot Hotel, Newton, Ma. For more information write Alvin J. Sims, Seminar Chairman, 22 Batterymarch St., Boston, Ma. 02109.

**September 25-29**, American Management Assn. course, "System Safety Analysis," AMA headquarters, New York City. For more information write John Gregory at the AMA, 135 W. 50th St., New York, N.Y. 10020.

**October 2-4**, Society of Chartered Property and Casualty Underwriters annual meeting, New York Hilton, New York City. For more information write CPCU, P.O. Box 566, Media, Pa. 19063.

**October 23-24**, Business Insurance Product Liability Workshop, Regency Hyatt House, Chicago. **October 24-25**, Business Insurance Employe Benefits Communication Workshop, Regency Hyatt House, Chicago. For more information write Workshops, Business Insurance, 740 Rush St., Chicago, Il. 60611.

## Fireman's Fund, others had June to remember

SAN FRANCISCO—Fireman's Fund American Insurance Cos. here contends that, as an all-round miserable month, June will be hard to beat. The same, of course, is true of most other large property insurers and reinsurers.

Within 17 days, storms created severe floods from Arizona to the Eastern seaboard and a California river levee broke, under a cloudless sky, and inundated an entire town and surrounding farmland.

Property loss may eventually reach \$2 billion and at least 340 persons are known dead.

Agnes, which began as a hurricane and ended a tropical storm over much of the east coast, may cost Fireman's Fund as much as \$5 million, according to preliminary estimates.

The largest single loss of June occurred at Piper Aircraft in Lock Haven, Pa., where more than 120 airplanes were caught in flood waters. Fireman's Fund share of Piper's total estimated \$10 million loss could reach \$1.5 million.

In Springboro, Pa., water damage to data processing equipment owned by P.H. Glatfelder Co. may mean a claim of \$100,000.

Claims of \$190,000 each have been presented Fireman's Fund by London Fog, whose raincoat manufacturing plant near Baltimore was rained out and by the Fairfax County Water Authority in Virginia. The Water Authority has already received from Fireman's Fund a \$75,000 advance so repairs to a damaged pumping station could get underway.

The Arizona tornado and

floods will cost Fireman's Fund an estimated \$294,000, with more than 200 claims filed, most under home-owners' policies.

Fireman's Fund losses in the Rapid City disaster are estimated at \$141,000 with the two largest being car dealerships at close to \$31,000 each.

## Hospital is held equally liable

TUCSON—The Arizona court of appeals has ruled that Tucson General hospital was equally liable for injury to a patient in a malpractice suit against a surgeon.

Judge Lawrence Howard said in an opinion that the hospital also was liable in the \$150,000 award by a superior court jury for Henry Zimbelman, 65, because it failed to suspend Dr. Coy Purcell, who performed incorrect surgery on Mr. Zimbelman.

Judge Howard said since the doctor has twice before been convicted of malpractice, the hospital should have suspended him. If it had done so, the judge ruled, Mr. Zimbelman would not have been injured in surgery by Dr. Purcell.

The jury had found that Dr. Purcell performed the incorrect type of surgery on the plaintiff, causing him eventually to lose a kidney and suffer other permanent disabilities, according to reports here.

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how to translate your benefits program into effective brochures, computer printouts, letters, employe publications and audio-visuals. They will discuss how to meet proposed changes in state and federal legislation concerning employe benefits communication. Since so many Business Insurance readers have already expressed a desire to be enrolled in this workshop, reservations must be accepted on a first-come, first-served basis. **Don't wait.** Mail the registration form today, or telephone your enrollment toll-free from anywhere in the U.S. Remember—you save \$25 if your tuition is paid by September 29!

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- How To Write Booklets And Prepare Audio-Visuals
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- How To Explain The Different Benefits, Including Payroll Deduction Or Mass Merchandising Plans

The Benefits Communication Workshop will be held at the new Hyatt Regency O'Hare, less than five minutes from Chicago's O'Hare airport. The hotel has reserved for the Workshop a block of modern rooms at attractive rates. Registration for the workshop starts at 3 p.m., October 24, followed by a get-acquainted cocktail/social and the Benefits Communication Awards Banquet. Because of the intensive nature of the workshop, on the following day registrants will be kept busy until the workshop adjourns promptly at 4:30 p.m.



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Benefits Communication Workshop	\$115.00	\$140.00
Benefits Communication Workshop and Product Liability Workshop	\$200.00	\$250.00

Fee for each workshop includes participation in all sessions; one dinner, breakfast, lunch, cocktail social and coffee breaks; plus detailed workbook of the meetings. Accommodations at Hyatt Regency O'Hare are not included in the fee, and should be arranged separately. Hotel information will be sent automatically with registration acknowledgement. There is a \$25 service charge for cancellations received between October 6 and October 13.

## New Jersey auto insurance law deletes truck, buses from no-fault

TRENTON, N.J.—New Jersey's Automobile Insurance Reform Act, which has been signed by

Gov. William Cahill and will go into effect Jan. 1, 1973, is "pretty heavily geared to the private passenger auto," according to an insurance department spokesman, though all vehicles which require registration must carry liability insurance after the effective date of the law.

Will this aspect of the act, which is referred to as "no-fault," cause any problems for fleet owners in New Jersey who self-insure their vehicles?

"No, this will have no effect on self-insurers," the department spokesman noted. "There are certain requirements that must be met before a company can self-insure in this state, such as demonstrating financial responsi-

bility. If they have met these requirements, the provisions of the act will automatically be met. It's just as if they had liability coverage through an insurance carrier."

**ASIDE FROM** that one provision, many commercial vehicles, such as large trucks and buses, will not qualify for the no-fault aspects of the law. The coverage on these vehicles, as well as on motorcycles, will remain as it has been in the past.

The law, which applies only to bodily injury coverage, ups the liability insurance limits in the state from \$10,000/\$20,000 to \$15,000/\$30,000 and \$5,000 for property damage. The insurance will be compulsory.

The no-fault provision will provide for medical expense payments and lost income benefits from the driver's own insurer, regardless of fault. Lost wages will be paid up to a maximum of \$100 a week.

The act provides that the insurer pay all medical expenses and leaves the door open for "pain and suffering" suits after medical treatment costs have exceeded \$200 on a "serious injury." The insurance department has defined serious injuries as "fractures as well as injuries leading to permanent disability, significant disfigurement, permanent loss of any bodily function or injuries causing death." However, the act also considers bruises, sprains, strains and contusions as serious injuries if the medical treatment costs rise above the \$200 level.

**NEW JERSEY** Insurance Commissioner Richard C. McDonough

expects the bodily injury insurance premium rate in the state to decrease by about 15%, though, with many persons having to purchase higher limits, the decrease might not be visible.

**IN AN EFFORT** to keep the public informed regarding the new law and its ramifications, the insurance department has published a five-page "fact sheet" which answers many of the questions that could arise as the law goes into operation.

Commissioner McDonough has also initiated a consumer education program to help familiarize the state's residents with the act's provisions. As part of the program, an advisory committee comprised of representatives from the insurance department, automobile insurance companies, agents and brokers and insurance trade associations has been formed to help get the message across.

## Retirement plan hiked at Travelers

HARTFORD—The Travelers Insurance Co. has announced a retirement plan increase which will affect all employees who retire with 26 years or more of continuous service with the company.

Formerly, employees were eligible for 50% of final average salary after 25 years of service, regardless of the number of additional years of service past the eligibility cut-off.

Under the new plan, which will cost them nothing, employees will receive an extra .67% for each year of service past 25 years, up to a maximum of 60% of final average salary for 40 years of service.

**NORMAL RETIREMENT** age at Travelers is 65; however, employees aged 55 through 64 who elect to retire early will also be eligible for the .67% annual hike.

Of the 29,000 employees at Travelers, 1,750 are currently eligible to retire with increased pensions. The raise, which becomes effective October 1, will automatically increase other retirement benefits such as a spouse's annuity allowance.

"Since the inception of this plan in 1954, the company has taken steps to provide these benefits at a level which would satisfy the hopes and needs of our people," Roger C. Wilkins, chairman of the board, and Morrison H. Beach, president, told employees.

## Brazil crop cover has years to go

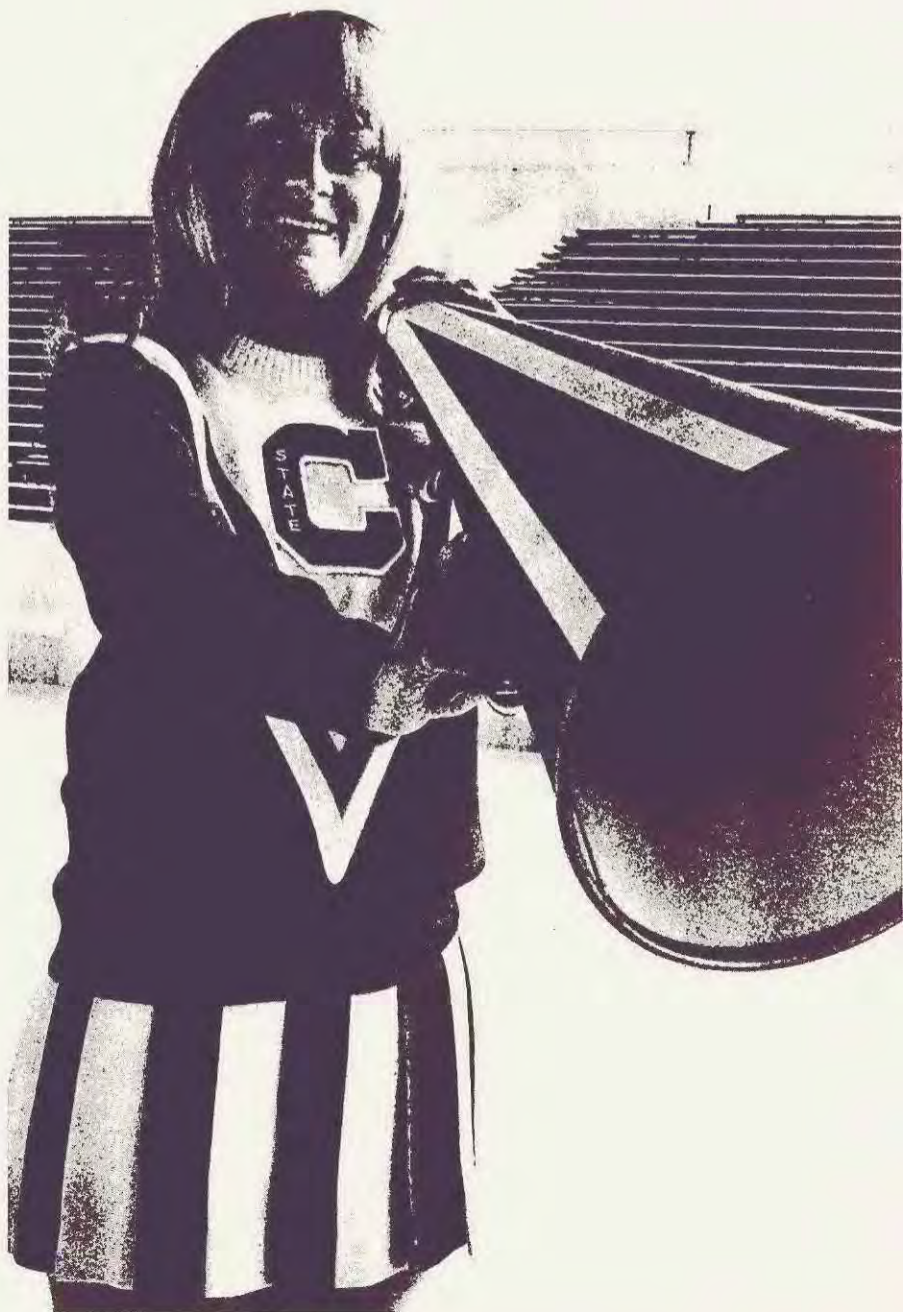
SAO PAULO, BRAZIL—"The implantation of rural insurance in the whole country will only be possible after we know the results of the experiment now being made in Sao Paulo by that state's insurance company," according to Antonio Augusto Castelo Costa, director of Companhia Uniao de Seguros Gerais.

"At present," he added, "neither the specialized government bureaus nor the private technical organizations have adequate statistics on Brazilian agricultural production, so as to be able to calculate technically the risks that could come up in each sector. For the private insurance sector, normal rural insurance operations can only be begun when the Sao Paulo experiment begun in 1970 presents an adequate risk evaluation."

Mr. Castelo Costa said that the obtaining of these results would take at least four years. In spite of the big coffee production in Sao Paulo, there are other crops that can balance coffee risks but such is not the case in some other states, such as Parana where the recent frost destroyed from 40% to 50% of the coffee crop.

# The amateurs meet the pros on Home grounds.

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# California job injury rate reported the lowest in latest statistical year

SAN FRANCISCO—Working in California industry and business is getting to be a bit less hazardous. The state's job injury rate (number of lost-time injuries per 1,000 workers) dropped to an all-time low of 30.5 in 1970, the latest year for which statistics are available. The prior low of 30.8 was recorded in 1967.

California workers disabled by on-the-job accidents totaled 213,262 in 1970, down more than 2% from 218,242 the prior year, but up substantially from 70,076 in 1931, the first year for which records were accumulated.

The drop came in spite of a slight increase in the number of

workers exposed to the risk of work injury in 1969 and 1970. Workers in industries covered by the California workmen's compensation insurance law numbered 6,983,000 in 1970, compared with 6,897,300 in 1969.

William C. Hern, director of the state industrial relations department, credited much of the job safety gains to "public interest in protecting the work environment."

**THIS HAD** been stimulated, Hern added, "by the comprehensive U. S. Occupational Safety and Health Act and much more attention paid by the mass media to job safety problems and pro-

grams.

"A climate of opinion favorable to safety gains," he said, "appeared to draw strength from the greatly heightened concern in the U. S. with improving the entire environment in which man lives and works"

The insurance, finance and real estate fields continued their historic position as the lowest work injury group, with the rate dropping fractionally from 8.4 disabling injuries in 1969 to 8.3 in 1970 more.

There were 3,118 lost-time on the-job injuries in 1970 among insurance, real estate and finance people, with 14 deaths, as compared with 3,026 injuries and 15

deaths in 1969.

**OF THIS** total, there were 697 injuries among insurance carriers, agents and brokers and two deaths. In 1969 the totals were 663 injuries and five deaths.

Although the construction industry shared in the across the board drop in injury rates, the decline was the smallest for any of the major industry groups, slightly more than 1%. With a rate in 1970 of 71 disabling injuries per 1,000 workers (21,952 injuries and 122 fatalities) construction continued to rank as the most hazardous of the major industry divisions in California.

The work fatality rate for all industries combined remained the same in 1970 as in 1969, with 1.1 deaths per 10,000 workers. Job connected injuries claimed the lives of 750 California workers in 1970, down slightly from the 759 fatalities of 1969.

Heart injury, heart disease or strokes accounted for 92 job connected fatalities in 1970, down from the 99 similar deaths in 1969 but above the 84 reported in 1968.

**OF THE** 92 cardio-vascular fatalities, 40 involved fire or police protection forces or correctional personnel, whose deaths were work connected, only one fewer than the 1969 total but 10 more than the 31 policemen, firemen or correctional people who died in 1968.

During 1970 a total of 65 workers died as the result of violent criminal acts encountered on their jobs. This was up from 55 in 1969 and 41 in 1968.

"The mounting violence throughout society," Mr. Hern said, "is reflected in the fact that criminal acts such as assaults, holdups and shootings now represent the fourth most important source of deaths for which workmen's compensation insurance benefits are payable."

In 1970, 12 food or liquor store clerks, seven service station attendants, five cab drivers, two bartenders, and a cashier for a drive-in movie, were fatal victims of violent crime, while six security officers working for plants or private protection services were killed in robberies. One automobile reposessor was shot and one was fatally beaten to death while attempting to repossess automobiles in 1970.

**MR. HERN ADDED** that work connected back injuries continued as the most common "as well as the most frequently litigated" kinds of on the job injuries.

The number of back injuries in California as a proportion of total lost time work injuries has risen from a low of 17.6% in 1950 to a high of 24.1% in 1970. Total back injuries in 1950 amounted to 24,087; by 1970 this had risen to 51,417.

Lost-time back injury claims heard by California's workmen's compensation appeals board have risen from 13,793 in 1963 to 23,322 in 1970. These were contested cases, representing 36% of the 1963 total back injury cases of 38,355 to 45.8% of 1970's 50,893.

Workmen's compensation insurance carriers have seen payroll coverage rise from \$2.3 billion in 1940 to \$39.8 billion in 1969 and total incurred losses grow from 1940's \$19.3 billion to \$372.3 billion in 1969. ■

## Risk man is CPCU chief

CLOSTER, N.J.—Joseph M. Ahearn, risk manager of Baker Industries Inc., Cedar Knolls, N.J., has been elected first vp of the North Jersey chapter of the Society of Chartered Property and Casualty Underwriters.

Mr. Ahearn, who admitted he found himself to be in the overwhelming occupational minority among CPCUs, said that the actual designation did not mean anything in the performance of his duties but that what he had learned in obtaining the title was "most helpful everyday."

His background includes employment at two insurance companies, where he worked in claims, underwriting and sales, an insurance consulting firm and the last three years at Baker Industries.

Ralph J. Ursillo of S. Kornreich & Sons Inc., New York, was elected president of the CPCU group. ■



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## Court rules air travel insurers must hike cover

NEW YORK—The battle over individual air trip accident insurance sold in vending machines or through travel agents is drawing to a close as six major insurers have agreed to refrain from further court action to halt the state insurance department's move to increase the amount of coverage.

The companies lost a bid in the New York state court of appeals to reverse the 1970 state of New York insurance department decision that policy forms providing \$7,500 in coverage for every 25 cents in premiums must be increased to include at least \$12,500 in benefits for each 25 cents.

Striking out against the costliness of air accident insurance, the department charged that too little of the premium dollar went to pay claims. According to state statistics, only 25¢ of each premium dollar was being paid back in benefits, while 50¢ was allocated for booth rental expenses and selling costs.

**THE JULY 7** court decision upholding the insurance department resulted from a request for judicial review by the six companies. Following the defeat, the insurance firms agreed to halt further appeals.

The companies which signed the stipulation are; Commercial Insurance Co. of Newark, N. J., Companian Life Insurance Co., Fidelity & Casualty Co., Mutual of Omaha Insurance Co., The Travelers Insurance Cos. and Bankers Multiple Line Insurance Co.

Under the stipulation, the insurance department will withdraw approval of the current air trip ticket policy forms on Sept. 1. The companies will then have the option of submitting to the policy increase or dropping the line of coverage.

A spokesman at the Continental Insurance Cos., parent of Fidelity & Casualty, pointed out, "Even though we have signed the stipulation, we haven't agreed to write that amount of coverage (\$12,500) at that amount of premium (25¢).

"**AT THIS** time, we have not reached a decision on the matter, but there is a possibility that we will discontinue the coverage. This is still under determination," he added.

The Travelers Insurance Cos., which is not a prime writer and only picks up the second or third layer of air trip coverage, is also considering withdrawing from the field. "It's still quite early, but no definite decision has been made to continue underwriting these policies. We are looking at both options," explained a company source.

By discontinuing booth or

### ATLA on no-fault

Marvin E. Lewis, head of the American Trial Lawyers Assn., told the Idaho Bar Assn. that ATLA is "opposed to putting a lock on the courtroom door and letting the insurance companies decide how much compensation (auto) accident victims would get; that would be like letting the wolves watch the sheep." He said the law organization favors the no-fault insurance plans of Maryland, Oregon, Delaware and South Dakota. "The plans give people at least \$2,500 for their economic losses, which covers about 99% of the accident victims," Mr. Lewis declared.

vending machine coverage, especially in airports, companies may not only avoid added costs but may ease the pressure of consumerist who have attacked accident policy marketing.

According to one insurance source, various groups have increased efforts to have the booths removed from air terminals. They charge that the readily accessible machines offer a temptation to air plane extortionists, who could purchase coverage for themselves or other passengers and then sabotage the plane.

Corporate travel accident policies will be unaffected by the insurance department's decision which applies only to individual policies.



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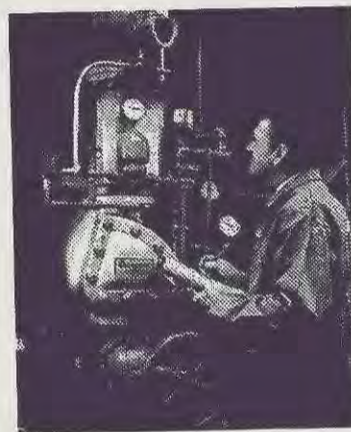
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\*The National Fire Protection Association rates automatic sprinkler systems with a 96.2% satisfactory performance record since 1925. It also points out that "... above all, sprinkler systems must be maintained in good operating condition."

(Fire Journal July 1970, Vol. 64, No. 4)



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# Insurance regulators assailed over loss of notes from insurance firm

CHICAGO—Cook County State's Atty. Edward V. Hanrahan angrily denounced the Illinois insurance department after his office gained indictments against two men who allegedly embezzled a total of \$250,000 from a Missouri insurance company now under conservatorship.

The indictments, delivered by a Cook County grand jury, charge that Samuel S. Sarcinelli, 38, board chairman of Metro Casualty Co., Kansas City, Mo., and Allan D. Martinelli, 32, treasurer of the company, stole a certificate of deposit valued at \$50,000 issued by Garfield Ridge Trust and Savings Bank of Chicago.

A separate indictment charges that Mr. Sarcinelli unlawfully took another Metro Casualty certificate of deposit valued at \$200,000. Both men face a hearing before Circuit Court Judge George Dolezal on Aug. 25.

**IN A STATEMENT** accompanying the indictments, Mr. Hanrahan said, "This indictment raises serious questions about effectiveness of supervision by the Illinois department of insurance which is charged with supervising state insurance companies so as to prevent this type of misconduct which jeopardizes the interests of policyholders."

Mr. Hanrahan, who is himself

on trial for alleged obstruction of justice and other counts involving a state's attorney's police raid on a Black Panther apartment, mistakenly said that Metro Casualty "became a Missouri company" in 1971.

In fact, Missouri authorities say, the company was licensed in Kansas City in June of 1964 and in 1971 reinsured the business of Metro Inter-Insurance Exchange of Chicago and then changed its name to Metro Casualty Co.

Ellery J. Holler, general counsel of the Missouri insurance division, told *Business Insurance* that the company has been placed in conservatorship by the Cole County circuit court and

that every effort is being made to see if the company can be rehabilitated.

**BOTH ILLINOIS** and Missouri have issued "cease and desist" orders preventing the company from writing additional business, most of which was concentrated in high-risk auto writings and coverage of taxicab companies.

Mr. Holler said that there is no basis for the charge that the Illinois department lacked effectiveness. "They've cooperated with us in this case 100%," he maintained.

Sources close to insurance regulation point out that the primary responsibility for examining the assets of insurers rests with the domiciliary state (in this case, Missouri). Illinois would have secondary responsibility, unless there is an indication that officials knew of the financial impairment and allowed the

company to operate.

Political observers here say that there is no obvious election-year motive in Mr. Hanrahan's attack on the Illinois insurance department. The Cook County prosecutor, a Democrat, is not allied politically with Dan Walker, November opponent of Republican Gov. Richard B. Ogilvie, who appointed Illinois Insurance Director James R. Baylor.

**MR. HANRAHAN'S** office, however, said that it discovered the alleged theft of the certificates of deposit during an investigation of a \$1 million fund-raising party for Gov. Ogilvie to which Mr. Sarcinelli is said to have contributed about \$1,000.

The thrust of the state's attorney's investigation of the insurance department in connection with the dinner is the allegation that insurance executives and insurance companies regulated by the state were solicited for contributions to Gov. Ogilvie's re-election campaign.

*Business Insurance* learned that Mr. Baylor and several of his top deputies testified before the grand jury in connection with the investigation of the Ogilvie fund-raising dinner. No indictments of public officials in connection with the fund-raising event have been returned.

Missouri officials disputed a claim by Mr. Hanrahan that the investigation of the fund-raising event resulted in the "cease and desist" order issued by the Missouri insurance division. ■

## Work on portability agreement

OTTAWA—Health Minister John Munro says he is confident an agreement will be reached with the Italian government to build greater portability into government pension schemes for individuals leaving one of the countries to live in the other.

Mr. Munro recently returned from Rome where meetings went "extremely well." He discussed the problems of Italians coming to Canada and losing their earlier pension contributions, and those later returning to Italy without full benefits of the Canada Pension Plan.

"We indicated to them that we are prepared to consider portability," he said. "We're working on that type of arrangement."

He said the principle concern of the Italian government is that a fair number of Italian-born Canadians return to Italy in retirement and the Rome government would like their Canadian pensions to come with them.

On the other hand, he said, the Canadian government would like working Italians who come to Canada to be able to bring their earlier contributions to add to the Canada Pension Plan, he said adding, "This would involve a transfer of funds."

He said the principle concern was happy that Canada had reduced to 20 years from 25 years the length of time individuals must live in Canada before being able to take their pensions out of the country.

This period could be further shortened if there were agreement for a transfer of funds, thereby making the pension schemes portable in both directions.

The country in which the individual spent the greater part of his working life would pay the pension, with a cash transfer from the other country. ■

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# Safety bill diluted by California legislature

SACRAMENTO, CA.—Employer groups throughout the state have apparently wielded enough muscle in the state legislature to see some changes they wanted made in an occupational safety and health bill which is currently pending.

The bill, which would originally have called for felony penalties, including a state prison sentence for a second conviction of safety violations, passed the assembly by a healthy margin but was amended by the senate industrial relations committee.

The amendments, which reduce the penalties and impose a maximum fine of \$500 or six months in jail, were agreed to by the bill's author, Democratic Sen. Jack Fenton, in order to keep the bill alive at all. Even with this, more amendments before passage are considered a possibility.

Though the employers are not

fond of Sen. Fenton's bill, they would like to see the legislature pass a safety bill which will come up to Occupational Safety and Health Act requirements which would eliminate the need for both state and federal safety inspections. More legislation would be needed to institute Gov. Ronald Reagan's plan, still being worked on, which would turn OSHA inspection powers over to the state.

Another safety bill, also opposed by employer groups and given little chance of survival, would require mines and tunnels to be inspected twice a year rather than the present once a year check. ■

# Air fatalities in U.S. down

NEW YORK—Metropolitan Life Insurance Co. statistical analysis has revealed that fatalities per million passenger miles among certified U.S. airlines have shown a general downward trend in the past few years.

The study, based on the years 1957-71, revealed that there was the equivalent of one fatal passenger accident per 950,000 U.S. airline departures on domestic and international flights combined. The study was confined to those flights on a scheduled and specified route basis.

According to Met the danger of flying on scheduled lines in Western Europe has been about three times higher than in the U.S. However, it noted that this differential "has been narrowing."

Fatalities on U.S. domestic flights between 1957 and 1971 have varied from a high of 326 in 1960 to none in 1970. Last year there were 174 passenger fatalities, with one accident accounting for 104 deaths. ■

# Bay Co. mass plan is written

TORONTO—Charge account customers of Hudson's Bay Co., Winnipeg, will have some special features available to them in a mass merchandised insurance program worked out by Reed Shaw Osler Ltd., Toronto-based insurance broker.

The program enables Bay customers to buy automobile and life insurance and have the premiums charged to their Bay account.

One of the special features of the arrangement is that the premiums may be paid monthly with no interest or carrying charge. The monthly payment is one-twelfth of the annual premium.

The auto insurance will be underwritten by Canadian Indemnity Co., Winnipeg. The life coverage is provided by Commercial Life Assurance Co. of Canada, Toronto, through Charles A. Kench & Associates Ltd., a Reed Shaw subsidiary.

The life insurance will be 20-year term from age 18-50; after 50, it is term to age 70. ■



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# Not many in Arizona had federal flood cover

PHOENIX—Millard Humphrey, Arizona state insurance director, said that most flood victims in Arizona had the opportunity to purchase federally sponsored flood insurance but declined to do so before the devastating June rain storm.

"It is very sad that more people could not or chose not to participate," he said, adding that only 247 Arizona residents signed up for the insurance after it was first offered more than a year ago. He said the insurance, backed by the federal government, would have allowed coverage up to \$17,500 for homes and \$20,000 for small businesses.

Flood and windstorm damage occurring in the state totaled about \$10.8 million, less than one-fourth of original estimates for Maricopa County alone, according to a report by federal-local assessment teams to Gov. Jack Williams.

**REVISED** estimates by the American Insurance Assn. put insurance losses at \$7.7 million, up from a previous estimate of \$6.5 million.

The report that Col. Carl N. Smith, state emergency services director, transmitted to the governor contained these damage estimates:

Maricopa County, \$9.3 million, including homes, \$4.9 million; businesses, \$1.9 million; streets, roads and related facilities, \$240,000; dikes, levees and drainage facilities, \$326,000; public buildings, \$20,000; schools, \$176,000; public utilities, \$213,000; federal facilities \$8,000; recreational facilities, \$99,000; agriculture, \$150,000; private utilities, \$975,000 and public repairs, \$245,000.

**PIMA COUNTY** (Tucson): \$746,000, including homes, \$532,000; schools, 28,000; and private utilities, \$195,000. No business losses were noted in the county.

Pinal County: \$760,000, includ-

ing homes, \$419,000; businesses, \$30,000; schools, \$43,000; and private utilities, \$270,500.

In Maricopa County, 4,197 homes and 237 businesses were damaged or destroyed, as well as 99 homes and three businesses in Pinal County and 99 homes in Pima County, the report noted. ■

## Line . . .

Continued from page 21

They declared in a joint statement after the conference: "Fire protection must be strengthened in various ways as losses cannot be combatted merely by laying down adequate premium rates. It is essential to divide and separate property at risk. There must be lesser use of combustible materials in plant construction, and installation of automatic sprinkler equipment should be encouraged.

"**NEGLIGENCE** and inadequate fire protection endangers human life as well as industrial property, causing severe losses to national economies and representing a danger to the operation of national and international fire insurance markets." ■

## New . . .

Continued from page 22

ASIM head is in the legislative area.

"The activities of the New York chapter and, in fact, the national organization in the field of legislation have brought ASIM additional recognition as a positive contributing force in our society," he asserted.

Representatives of the New York chapter, he said, citing an example, this past spring appeared at New York State legislative hearings in support of the Gordon no-fault insurance proposal.

"We were disappointed that the Gordon bill failed to get through the legislature, but even more disappointing was the fact that one of the reasons for the lack of success was the Laverne-sponsored bill. (That measure, an extremely watered down auto reform bill, took much of the pressure over the more progressive Gordon bill.) The Laverne measure was not as responsive to the needs of the insurance buying public in this state," he said.

**AS FAR AS** Mr. Quinn's responsibilities at City Investing are concerned—he was named director of insurance in January—"this is a period of investigation, exploration, or, if you will, fact finding.

"There are literally dozens of companies within the City Investing organization and, at this point in time, no major revision or consolidation has been affected. In addition to a wide range of types of risk, City Investing includes several entities which offer a new dimension and challenge to risk management," Mr. Quinn said, referring to the fact that the Home Insurance Co. is a subsidiary and within the Home there are a number of insurance companies whose activities include not only general insurance

and life insurance, but also a premium financing subsidiary, THICO.

"Still another interesting avenue which will be fully explored is Scott Wetzel Services Inc., a company whose principal activity is the administration of self-insurance programs in the field of general liability, workmen's compensation and even employe benefit self-administration.

"All things considered," he said, "the challenges of risk management here at City Investing are unique, but the solutions will be rewarding to all concerned."

**MR. QUINN** noted, however, that there may be less consolidation of insurance programs in the property and liability area than in the employe benefits area.

"The philosophy of City Investing has been that when they acquire a company they are purchasing highly qualified management. Consequently, insurance has been left in their hands," he said. He will be studying a full range of possibilities in the future, however. Some subsidiaries, for example, offer opportunities of self-insurance. A motel chain is one of these. With 100 locations, he said, it offers an excellent spread of risk.

City Investing and its subsidiary firms work through a wide variety of insurance brokers, said the insurance director. Included are some small family-owned firms as well as some of the nation's major brokerage houses.

The risk man said he is oriented toward a fee arrangement with his brokers but that he often goes along with the commission system.

"The important aspect, no matter what form of compensation is being used, is that you are receiving the best service for your money," he said.

Johnson & Higgins, Fred. S. James & Co. and Frank B. Hall & Co. Inc. figure prominently in City Investing's insurance programs, he said. ■

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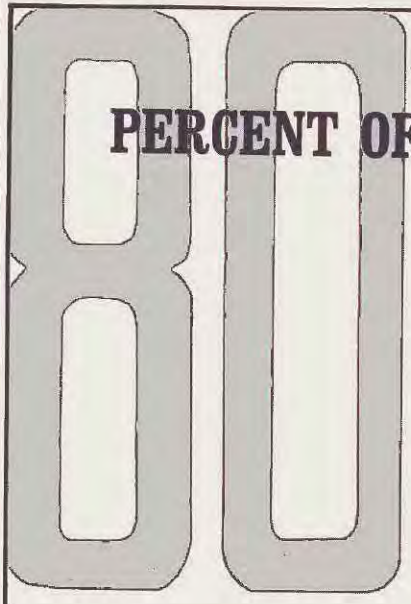


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# Inquiry finds sabotage was cause of fire that destroyed ocean liner

HONG KONG—A marine court ruling that sabotage was the probable cause of the January fire which destroyed the \$8 million Queen Elizabeth luxury liner "will throw the question of insurance liability into the courts," noted one marine expert.

Renamed the Seawise University, the Cunard vessel was being refitted by a Chinese firm headed by shipping magnate C. Y. Tung to become a floating college.

Mr. Tung, who had acquired the ship from an American syndicate for \$3.2 million in September, 1970, arranged an insurance package through a Chinese company he directed for between

\$6.25 million and \$8 million. The hull insurance was based on the estimated refitted value, and varied according to the progress of conversion work. At the time of the blaze, reconstruction was nearly complete, and the ship was valued at close to \$8 million.

The Chinese company had reinsured 75% of the policy in the London market. Lloyd's carried 50% of the amount, or about \$3 million, with other London companies underwriting the remaining 50%.

**SABOTAGE** was not covered in the hull insurance, although it might be covered under a war risk policy which was also placed in the London market.

"At present, the situation is confusing because the court ruling is vague," said one marine underwriter. "However, it looks like Lloyd's and the other hull insurers will try to prove it was a war risk, and the owners will try to collect on the hull policy."

One marine source explained that arson could apply to war risk coverage under certain circumstances. "Hong Kong hardly seems like the typical place for an act of war. Of course, it all hinges on intent. If the ship was sabotaged because of war, the policy would come into play. As yet, though, there is no conclusive proof regarding the fire," he noted.

According to the Hong Kong

court of inquiry, the fire broke out almost simultaneously in three separate locations. It did not appear to result from electrical wiring failure, the court said, or from workmen's carelessness, since employees were on their lunch break at the time.

"WHILE THERE is no direct and conclusive evidence on the matter, the court is also satisfied that by far the most likely cause of the fire was a series of deliberate acts by a person or persons unknown," the ruling stated.

"The speed with which each outbreak of fire gained and became uncontrollable denotes an initial outbreak of considerable size and of great immediate speed indicating the possibility of the use of some highly flammable agent," the court commented.

The 83,000-ton liner, which went into operation during World War II, was originally sold for \$7.75 million to an American

group that planned to outfit the ship for use as a tourist attraction. Mr. Tung acquired the vessel in 1970 after the group went bankrupt.

The ship was scheduled to resume operations this year under a two-year charter with Chapman College of Orange, Ca., sponsor of World Campus Afloat. Ownership of the vessel was being transferred to a newly-created subsidiary of the Tung group, Seawise Foundation Ltd., a non-profit organization.

The Tung organization was extremely fortunate, the court reported, that no fatalities resulted from the blaze. "Considering the size of the ship, the disasterously rapid advance of the fires, the general lack of coordination resulting from various causes already mentioned, the lack of light at all levels and the steady encroachment of smoke, it is an astonishing fact that not a single soul was lost," noted the court. ■

## State court will decide pension veto

OLYMPIA—The Washington state supreme court has been asked to decide whether a governor can veto pension fund appropriations made by the legislature.

The ultimate decision of the court on the question could mean the addition of millions of dollars to state budgets in coming years over which the legislature and governor might have no control, it was reported.

George M. Mack, attorney for the Washington Education Assn. and affected teachers, told the court the governor cannot veto a legislative appropriation for the teachers' retirement fund because it would break a legislative contract with teachers to provide full pensions.

**SPECIFICALLY**, the suit attacks Gov. Dan Evans' 1971 veto of a \$20 million teachers' retirement fund appropriation and asks that the \$20 million be restored in addition to the \$20 million appropriated in a 1972 supplemental budget.

The budget also appropriated an additional \$63 million contingent on state revenues reaching a specified level.

Asst. Atty. Gen. Robert F. Hauth, representing Gov. Evans and other state officials, argued, however, that the second \$20 million was replacement for the first because it was requested by the governor in his budget message to the 1972 session and the court is forced to take judicial notice of that fact. ■

## OSHA Oregon

Oregon Gov. Tom McCall has announced that hearings on the state occupational safety and health plan have been held looking toward the time when the state will have full control over safety and health in industry. If the U.S. Secretary of Labor and the Oregon legislature approve, it will mean state control of occupational safety and health measures in Oregon.

## Urge family planning

Britain's free national health service is being urged to include nationwide family planning facilities, including direct advice on contraceptives, in its range of public services. The extra cost is put at between \$100 million and \$150 million a year.

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# DuRose bucks for higher loss-credit ratio on credit coverage in Wisconsin

MADISON, WI.—Insurance and banking industry interests have objected to proposals which Stanley C. Du Rose, state insurance commissioner, said would reduce consumer borrowing costs by \$3 million to \$4 million a year.

Credit insurance in the life, sickness and accident fields is a \$30 million-a-year business in Wisconsin, observers said.

Mr. Du Rose has contended that loss-credit ratios are generally too low and rates are too high because of an absence of competition. He proposed a minimum ratio claims paid to premiums collected of 60%. That would be tied to lower permissible rates per \$100 worth of insurance.

**THE PROBLEM**, he said, is that the credit insurance system developed reverse competition. Lenders buy the insurance and are reimbursed by the insurance company with a commission, or some other payment, for "selling" it to their customers, he said.

"Thus it is to the benefit of the creditor for the credit life insurance or credit accident and sickness insurance rate to be as high as possible so that the creditor's commission payment will be as high as possible," Mr. Du Rose said in his opening statement at a public hearing on his proposals.

Robert Tyler, representing Old Republic Life Insurance Co., filed an objection to the commission-

er's authority in the field and said it would be the basis for a formal objection by the firm if the rules are issued.

Bryan Koontz of the Wisconsin Bankers Assn. contended that the rules "would have the ultimate effect of denying the availability of insurance."

**LOUIS MILAN**, lobbyist for the Wisconsin Automotive Trades Assn., said he would appeal to the state legislature's joint committee for review of administrative rules if Mr. Du Rose goes ahead with his proposals.

Besides the opposition of the industry, Mr. Du Rose is faced with another problem—the consumer credit reform bill passed

by the 1971 legislature calls for a 50% loss-credit ratio as of Sept. 1, 1972. Mr. Du Rose said he would try to have the law amended in the 1973 legislature but that meanwhile he would enforce the insurance laws as they stand today.

Credit insurance companies presently pay about 50% in-claims on the premium dollar, observers noted. The effect of the Du Rose proposals would be to cut the amount of money available to the companies for administrative costs—including profits and commissions to lenders.

At the end of 1971 there was \$1.3 billion worth of credit life insurance in force in Wisconsin, an increase of \$111 million during the year, observers added.

"I'm not proposing to cut it off," Mr. Du Rose said. "I'm proposing to put a squeeze on it. This doesn't figure to hurt their profits. There's no evidence to suggest excessive profits for the companies. The suggestion involves excessive commissions. They're sending it back to the lenders. We have letters suggesting lenders are getting 50% or more of the dollar premium." ■

# Insurer asks uniformity in Canadian no-fault laws

**MONTREAL**—The lack of uniformity from province to province in the payments of no-fault accident benefits auto insurance is a key weakness in the no-fault system in Canada, according to Ian D. Mair, senior vp, fire and casualty, Prudential Assurance Co. Ltd. of Montreal.

He told the 10th national conference of the Canadian Federation of Insurance Adjusters in Montreal that the need for uniformity in all provinces extends to both the waiting period, which varies from zero to seven days in some jurisdictions, and in the amount of weekly payments and death payments.

"Those provinces retaining the weekly indemnity at \$35 should certainly increase that amount to a minimum \$50, and probably even that figure is inadequate today."

"It is interesting to note that Saskatchewan, which was the first to write this coverage, held to \$25 from the date of introduction until this year, when they must have recently appreciated that that was a totally inadequate payment, and have set the new level at \$60 a week, which is still below that in Ontario at

\$70."

**MR. MAIR** told the adjusters that Prudential Assurance, as a company, is advocating that the industry should increase the medical and rehabilitation limit to \$5,000 and increase loss of income payments to 75% of income up to a maximum of \$750 a month, subject to a three- or eight-day waiting period.

"As an offset, we feel that some change should be made in the law with regard to pain and suffering. We have proposed that, where medical and hospital costs do not exceed \$500, pain and suffering recovery would be limited to 50% of such costs." Where medical and hospital bills are in excess of \$500, an allowance up to an equivalent amount of the billings would be permitted under the pain and suffering.

However, the limitations would not apply to legal suits in respect to loss of a body function, loss of a body member, disfigurement, total and permanent disability and death.

"In these general areas, damages are difficult to determine and therefore would remain under tort," Mr. Mair said. ■

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## PERSPECTIVE

## A few basics of designing executive fringe benefit plans

"The benefits portions must be visibly shown with visible pricing. Not to do so could result in financial indigestion with a long-term belly ache."

BY NED A. MILLER  
vice president,  
Compensation Planning Corp.,  
New York

IN THE FOUR YEARS *Business Insurance* has been published, we have all seen articles from fringe benefit consultants describing and extolling the virtues of pensions, profit-sharing programs, phantom stock options, and exotic deferred compensation plans. We have seen corporations developing fringes in other areas such as paid vacations, lodges, country club dues, apartments in town and unlimited expense accounts. In fact, a recent article on the subject indicated there were approximately 27 different types of fringe benefits.

Why so many? And why is the number growing?

The recent tax reform acts have had

great effect, directly and indirectly, on our key corporate executive. The acts made sweeping changes in the tax aspects of qualified retirement plans, investment interest credits, stock options, as well as adding taxable elements to split dollar plans and group insurance. All of these costs affected our executive and his concern with providing financial security for himself and his family.

The tax acts however did spur the executive into some basic creative thinking in this area. Both he and his corporation are now more receptive to the design and implementation of individually tailored fringe benefit programs.

WE KNOW THAT fringe benefits, according to the U.S. Chamber of Commerce in its latest reports, cost an additional 29% of salary. That figure includes the mandatory costs of Social Security, workmen's compensation, and payments for "time not worked" (such as vacations and

sick pay). Approximately 8% is allocated for the life, health and retirement programs for each employee.

If the corporation is large enough with enough employees so as to nullify any effect of adverse selection against the insurance carrier, a tailor-made program for each key executive could be developed. Here's how this could possibly work.

Let's assume our corporation has 1,000 employees and we are concerned with 10 key men all of different ages and family responsibilities.

Our first step would be to develop a compensation credit for each key employee. This could be based on an applicable percentage of his salary in relation to the fringe benefits discussed above.

Next, the risk manager should isolate the fringe benefits that may appeal to each man and place a price tag on each item. In short, the risk manager should

develop a fringe benefit cafeteria line with the benefits clearly wrapped, from appetizer and entree through dessert. The benefits portions must be visibly shown with visible pricing. Not to do so could result in financial indigestion with a long-term belly ache.

WHAT ARE SOME of the considerations that first come to mind?

The younger employee, for example, might elect higher life insurance coverage, a fully insured dental program with orthodontia, and, possibly, dependent life insurance.

The older employee might elect as his "entree" a fully paid financial consulting service for himself. This service is the latest paid-in-full benefit being offered by some corporations. The service allows the executive to meet with a team of financial planners who prepare a comprehensive estate plan in light of existing and possible future tax considerations.

Another alternative is that the older employee might also choose an "executive equity life insurance plan." This concept is designed only for the highly placed executive who receives at least \$100,000 in corporate group life insurance.

Group insurance, as we know, is usually one year renewable term insurance with a cutback or cutoff at retirement or some specific age. In addition, our executive is paying a tax on the "additional compensation" of non-contributory group insurance over \$50,000.

A 45-year-old executive receiving  
*Continued on following page*

## Conflicts of interest—when is the fine line finally crossed?



BY CLIFF C. JONES  
chairman of the board,  
R. B. Jones Corp.,  
Kansas City, Mo.

LIKE SEX, THE SUBJECT of conflicts of interest has long been on our minds, but only in this liberated age is it being discussed openly between risk managers and their brokers. Even insurance consultants sometimes like to talk about the conflict of interest faced by a broker. I'd like to examine this situation

"... it was understood by all concerned that the producer's role was to sell all the insurance he ethically could, while the buyer bought until he reached either the limit of his budget or of his desire."

It is difficult to think of any buyer-seller relationship, no matter how professional, in which there is not the potential for, at the very least, a conflict of purpose. For example, is it a self-serving purpose that motivates the lawyer to advise his client to sue? What is perhaps the subconscious purpose behind a surgeon's desire to operate on a patient? A very familiar situation is the realtor who frequently is the agent for both the buyer and the seller.

One point in favor of the broker that is not often mentioned is that the relationship between the buyer and the broker is normally a continuing one. A lawyer, a surgeon or a real estate agent may be needed only once or twice in an individual's career. An insurance connection is a continuing necessity. It is not a one-time arrangement or an assignment of short duration. It is to the broker's benefit for it to go on and on, therefore he tends to avoid a short-term windfall since it might jeopardize his retaining the account. If it is not in the insured's best interest, it truly is not to the broker's long-term interest either.

We accept some of the foregoing

situations because they represent the norm, and no alternatives are readily available. However, change is in the air, and alternate methods of providing many types of services are being tried.

Years ago, business insurance was frequently bought in the same way personal lines, such as homeowner's and life, are usually purchased today. More often than not, the interested head of a household either calls a friend for the insurance on his home, or else the first salesman to contact him makes the sale. Such a buyer may have little or no experience to assist him in making comparisons or in arriving at his decision. If he is ready to buy, and he likes the salesman, he gives the order.

In the days before risk managers, the president of a company or an influential director, was a friend worth cultivating for the aspiring insurance producer. That was the era when corporate insurance accounts sometimes really were changed because of a likeable golf partner.

And so it was that the idea of conflicts of interest was not given much thought, because there was relatively little misunderstanding of purpose. It is probably an

over-simplified portrayal, but it was understood by all concerned that the producer's role was to sell all the insurance he ethically could, while the buyer bought until he reached either the limit of his budget or of his desire.

LOOKING NOW at the industry today, the professionalism of the industry has been considerably upgraded. Nevertheless, it is virtually impossible to construct any type of broker or consultant arrangement that can be guaranteed free from all potential conflicts of interest or conflicts of purpose.

An insurance consultant, for example, has the potential for enormously troublesome cross-purposes. He holds himself out to be objective and under no need to sell anything for his remuneration. But in many cases he must make recommendations as to program improvements, whether entirely sound or not, if he expects to have a satisfied risk manager for future repeat business. He may, therefore, feel the compulsion to make cost-cutting and other recommendations without weighing as carefully as he might the basic validity of his ideas. Without belaboring the point, I think it is apparent that the hiring of a consultant may change the kind of conflicts of purpose, but in no way diminishes them.

Insurance agents and brokers may also have aims and ambitions that can run counter to those of their clients. It has long been argued that the paying of commissions by insurance companies to their agents or brokers tends to diminish the incentive to reduce premium costs or to find other ways of transferring the risk or eliminating it. This argument, of course, neglects the important role of competition.

Some large corporate accounts are serviced on a fee basis, and where the fee is

*Continued on following page*

## business insurance

## PERSPECTIVE

## Basics...

Continued from preceding page

\$150,000 of free group insurance would pay a tax on the additional compensation of \$480 at age 45, going up to \$1,320 on age 55 and \$1,959 at age 65. The corporation throughout this 20-year period paid a tax deductible cost of \$31,698 using New York Table Y rate with a 25% discount for the additional \$100,000 of coverage and will recover not one penny.

**TO SUM UP**, the executive would be paying tax on \$22,860 of additional compensation. The corporation has spent \$31,698 for this group coverage with no return of capital.

Under the typical group insurance design, the following alternatives must take

place at age 65 (or 70).

- The group insurance will be severely cut back in coverage or disappear. The executive will be unhappy.

OR

- The group insurance will stay substantially in force each year carrying with it its extremely high premium costs.

The fringe benefit described next solves both alternatives.

The executive equity program is a new variation of split dollar wherein the insured key executive pays as his split the amount of money on \$100,000 of additional death protection being charged as extra earnings. The balance of the premium would be paid by the corporation. (not tax deductible). The bottom line, however, is that the corporation would receive its contributions back and the executive at age 65 has a paid up insurance policy with cash values equal to two or three

times his cumulative contribution.

At age 65, our 45-year-old with the \$100,000 policy has cash value in his policy of almost \$60,000 instead of zero. Over the same period, the corporation has paid in \$76,000. From the fifth year on, the corporation's cumulative expense is fully collateralized by the insurance policy's cash values over and above the values belonging to the key executive.

Obviously, the executive and the corporation have many options at retirement. They will be treated by me in another paper. Properly designed, the plan provides both death protection and retirement values. Both items are staples in any man's financial diet. All other fringe benefits should be coordinated with this one.

The executive equity plan could be the roast beef in our compensation cafeteria. Remember, one never orders the wine until the proper entree is chosen. ■

## Benefits communication workshop Oct. 24-25

**B**usiness Insurance will sponsor an employe benefits communication workshop Oct. 24-25 at the Hyatt Regency O'Hare near Chicago. During the workshop faculty and participants will examine how best to relate to employes the story behind the \$100 billion that U.S. businessmen spend on benefits each year.

Winners of a communication contest sponsored by this magazine will be presented awards at the workshop and entries will be on display. Competition categories include: booklets, employe publications, computerized benefit statements, letters and other special printed material, visual and audiovisual aids.

The benefits communication workshop is being held in conjunction with a product liability workshop on Oct. 23-24. For registration and entry information, see coupons on pages 8 and 44 in this issue.

# Avoiding settlement hassles depends on your preparedness



BY BION H. FRANCIS  
insurance consultant,  
Milford, Ct.

This is the eleventh of a series of articles by Bion Francis on buying corporate insurance. Mr. Francis discusses the problems to be expected, how to recognize them and how to surmount them.

**T**HERE ARE MANY KINDS of disputes that can arise during settlement of an insurance claim. Sometimes a minor change in the policy can eliminate a costly court suit. Frequently, the best time to settle an insurance claim is when the policy is issued. When you buy insurance, somewhere along the way you should sit down and ask yourself: What can I do now that would help settle any future claims under this insurance?

The following is not intended to be an exhaustive check list, but simply representative of questions you might ask:

- Are there any problems resulting from the use of more than one insurance company? Suppose that a customer truck is loading from your shipping dock and something falls on the driver, killing him. Is your liability covered by your auto insurance or by your premises insurance? If the two kinds of insurance are with different insurance companies, you might find yourself in a dispute between the two. If you have both kinds of insur-

ance with the same insurance company, this company is responsible for the claim, no matter which policy applies, and the problem does not exist.

- Will the necessary records be available to settle the loss? As an extreme example, could the same fire that destroys your plant and equipment also destroy the plant records that you need to settle the loss? If this can be a problem, you should work it out with the controller or one of his assistants.

- Is information a factor? Your fidelity policy may provide that an employe is not covered for a fidelity loss if he has caused a similar loss before, and your corporation hired him with knowledge of this. If your corporation is large with dozens of officers in scattered locations, how can you tell which officer had knowledge about the previous activity of what employe? One way to take care of this situation would be to amend the policy to provide that only your knowledge as insurance manager could affect the situation.

Or suppose that an insurance inspector uncovers a situation at some plant so serious that he believes the plant should be shut down immediately. There are policies that may give the inspector the power to cancel insurance in such an emergency. If an inspector gives notice of cancellation at a plant, when will you find out about it? This may take a surprising length of time if a long line of communications is involved. If the insurance gives anyone the right to cancel, the notice of cancellation, or at least a copy of it, should go to you before the notice becomes effective.

- Do your claims require special techniques? I once supervised the insurance of a drug company that retained a sample from each "batch" of drugs it produced. This was helpful for defense, but it served another purpose.

The liability insurance had a deductible of \$100,000. Suppose that this deductible applied separately to each claim. If hundreds of people used the drugs from a single batch, that batch could result in millions of dollars of liability not covered by liability insurance. For this reason, the insurance company and the drug company agreed that the deductible would apply separately to each batch, rather than to each claim.

**TO REDUCE THE POSSIBILITY** of disputes, you should of course also check the policy itself. I am sure that you do this already so I will mention here only two items for consideration in checking the policy.

I once discussed this matter of checking an insurance policy with an insurance buyer who was an old-timer in the field. He laughed, "What I do," he said, "is concentrate on finding out what the policy does not cover. I know what it is supposed to cover. What I want to find out is what it does not cover." It's an interesting viewpoint at any rate. Try it sometime.

The final item in this discussion of claim settlement when the policy is written is something in which I may be in disagreement with some insurance man-

agers. There are insurance and risk managers who pride themselves on not using printed policy forms. They insist on manuscript policies written specifically for them and their corporations.

Before adopting this practice, there is one aspect of it that should be considered carefully. If an insurance policy is ambiguous, the courts usually follow the procedure of construing the policy strictly against the insurance company. The reasoning of the courts is that the policy was written by the insurance company, and the insurance company presumably knew what it was doing.

For a manuscript policy, the situation may be different. The policy is in manuscript form because the insurance buyer or insurance manager insisted upon it. The courts could reason that this manager is, himself, a professional who played an important part in the preparation of the policy. Under these conditions, if the manuscript policy is ambiguous, will the courts continue to construe the policy strictly against the insurance company?

In view of this, I would prefer to work with a printed policy, modified by endorsements to meet the needs of the corporation I represent. ■

## Conflicts...

Continued from preceding page

not related to the amount of premium dollars, the potentially opposing interests of the two parties are sometimes said to be reduced to nearly the minimum. But, the conflicts faced by the consultant reappear here in precisely the same manner. The broker knows that the more activity and the more insurance placed, the greater fee he can command.

**THERE ARE OTHER** problems with the fee approach. The professional insurance brokerage team of producer, account servicer and placer will have to become much more proficient in their time accounting if fees are to be anything more than a negotiated percentage of premiums. The national brokerage firms are perfecting computer management information systems that can detail client profitability, but such sophisticated programs depend upon the training of all individuals involved to keep accurate records of their time.

For a large risk manager it would seem the wisest course is to have a national broker who is not overly dependent on that one account. The income or year-end result of that brokerage will not rise or fall on the business of one client. They

can be expected to be above the overt attempt to generate more commissions for their own sake.

What is truly important in any arrangement is the character and integrity of the principals. A consultant, with all of his temptations, can perform as honorably as a trustworthy agent with the built-in, self-serving mechanisms of his system.

It is not an impossible task to find such character. I doubt if it is in any greater or less abundance today than before. All that is required to find it in any occupation is a little intelligent searching. For the basic nature of any individual is hard to hide.

As Samuel Butler wrote in "The Way of All Flesh":

"Every man's work, whether it be literature or music or pictures or architecture or anything else, is always a portrait of himself, and the more he tries to conceal himself the more clearly will his character appear in spite of him." ■

Cliff C. Jones is chairman of the board of R. B. Jones Corp., Kansas City, Mo. He received his AB in economics from Princeton University in 1941. In 1968 he served as president of the National Assn. of Casualty & Surety Agents and is presently a director of Business Men's Assurance Co., Butler Manufacturing Co. and Commerce Trust Co. Mr. Jones is also chairman of Jones Plans Inc., the management company for the David L. Babson Fund.

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# No-fault . . .

Continued from page 17

even in serious cases."

He said the advance payments are made quickly to keep the claimant "away from a lawyer and away from the courthouse. Why hurry if these are no longer

available?"

Mr. Woods said the no-fault advocates had "dangled" the prospects of lower rates before the public, but "this siren song" has become muted. "We are now hearing less and less about rate reduction, particularly since the disastrous experience in Massachusetts," he said.

**HE PREDICTED** that since Massachusetts had included property damage in its no-fault plan, insurance rates would be "substantially higher" than before the plan went into effect.

"If property damage is eliminated, substantial reductions can be made in insurance premiums," Mr. Woods stated.

He claimed there wasn't a great uprising among American consumers for no-fault plans. "The Department of Transportation study showed that 65% of the American public is perfectly satisfied with the present American system," he said.

**MR. WOODS** noted that three parts of the Arkansas Constitution, in his opinion and others, bar a no-fault law. The most serious hurdle would be amendment 26, which says in part "provided that otherwise no other law shall be enacted limiting the amount to be recovered for injuries resulting in death or for injuries to persons or property."

The answer is "not too difficult" to find who is behind the current surge in favor of no-fault, Mr. Woods said. They are insurance companies which are spending millions of dollars in advertising in support of no-fault.

# Tax break suggested for companies that had disaster losses this year

**NEW YORK**—Victims of Hurricane Agnes and residents in other Presidentially-declared disaster areas during the first six months of this year may claim disaster losses by filing amended 1971 tax returns under a July 1, 1972, federal tax law.

The bill, which also increased social security benefits and taxes, extended the allowable period for disaster relief to six calendar months after the previous taxable year.

Under the old law, amended returns could only be filed on disaster losses if they occurred within 3.5 months after the year's end for individuals or within 2.5 months for corporations.

"This means that businesses operating on a January 31 fiscal year will be covered by disasters occurring through July 31," explained Warren Shine of S. D. Leidesdorf & Co., an international accounting firm here. "Individuals operating on a December 31 fiscal deadline will be covered through June 30."

**THE NEW** legislation affects only those counties in the Presidentially declared disaster states that have been specifically designated as disaster areas by the Office of Emergency Preparedness.

Special care must be made in determining the amount of deductible loss, Mr. Shine said. "The actual deductible loss is the difference between the fair mar-

ket value of the property immediately before and immediately after the casualty, less any insurance claims or other potential reimbursements directly related to the property for which there is a 'reasonable prospect of recovery,'" he noted.

Also, casualty deductions may be worth more in 1972, Mr. Shine reported, depending on a company's tax bracket. The loss may not be split between two years.

"Suppose a corporation had a pre-taxable income of \$25,000 in 1971 and an income of \$100,000 in 1972. If the firm sustained casualty losses of \$25,000 in a disaster, it would be much more advantageous to declare the loss on the 1972 return," he commented.

"**IN 1971**, the corporation would get a tax refund on the \$25,000 loss at a rate of 22%, but in 1972, the \$25,000 loss would reduce the amount of income

taxed at 48%," Mr. Shine pointed out.

Neither individuals nor businesses can recover estimated tax payments already made for the current year, but they may reduce or eliminate future payments with regard to losses. Another alternative is to claim a refund next year, he added.

The deadline for filing amended 1971 returns has not yet been established by the Internal Revenue Service, "but indications are that the deadline won't be before September 15, for calendar year taxpayers," Mr. Shine said.

Since April 15, counties in the following states have been declared disaster areas by OEP: Tennessee, Texas, Kentucky, North Dakota, Washington, South Dakota, New York, Florida, Virginia, Maryland, California, West Virginia and Arizona. The entire state of Pennsylvania was classified as a disaster area.

# New York may cease extra jobless benefits

**NEW YORK**—The end of July may possibly bring with it the end of New York State's extended unemployment benefits program, according to the state labor department.

While the state will continue to provide the basic 26 weeks of normal unemployment insurance,

a spokesman for the division of employment said that there was "a good chance" that the 13 weeks of extended unemployment benefits may cease to be available. The continuation of the benefits is dependent on how a study on unemployment figures comes out.

However, there is little doubt that the federally financed "emergency benefits," a second 13 week benefit period, will end.

Funding for the emergency benefits end in July and the state labor department has indicated that New York will not meet the eligibility requirement to have the program continued. Eligibility for the benefits is based on a formula predicated on the rate of insured unemployment in the state plus a rate at which persons are using up their regular unemployment benefits. The state is eligible if the formula shows a figure of 6.5% or higher.

**THE STATE** pays the first 13 weeks of extended unemployment benefits and is then reimbursed for half of that amount by the federal government. To make the benefits available, state law and federal requirements demand certain "trigger" levels of unemployment.

New York state law requires, since January, 1971, a rate of 4% insured unemployment and unemployment must be running 20% higher than similar periods in the past two years. And this may be the heart of the matter.

"If we stop the program it will be because the unemployment levels will no longer be running 20% above the past two years," the employment division man pointed out.

The department is now checking the unemployment figures to see if the program can continue.

# U. K. accidents down

Deaths from industrial accidents are dropping in Britain through safety campaign measures, Government officials are now waiting to see whether the same trend can be achieved in injury rates in non-fatal categories.

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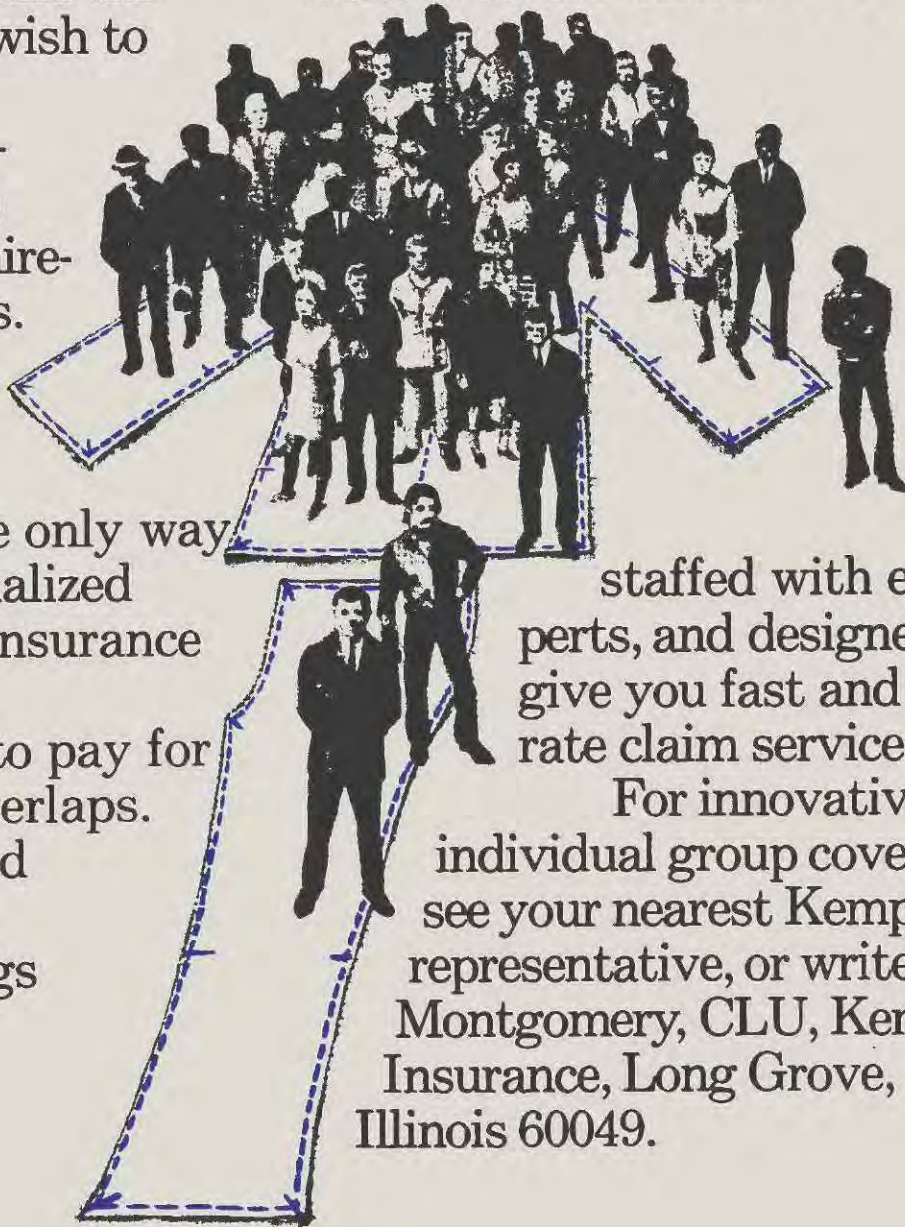
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# U.S. health insurers pay \$18.5 billion annually

NEW YORK—The American health insurance industry is now paying out an estimated \$18.5 billion in benefits annually, as compared with \$11.1 billion in 1967, five years ago.

According to figures of the Health Insurance Institute, the total includes \$9.5 billion annually from the insurance companies. The balance includes health benefits delivered by Blue Cross and other nonprofit insurers.

The institute estimates that Americans are now receiving benefits of more than \$50 million a day from private health insurers, including more than \$26 million from the insurance companies writing health care coverages.

Moreover, at the beginning of this year about 187 million persons were protected by some form of private health insurance, which translates to more than nine out of every 10 Americans. Included in this figure are the more than four out of every five workers covered by group health plans that also include major medical coverage.

It is also estimated that more than nine out of 10 employees covered by such plans have maximum benefits of \$10,000 or more; seven out of 10 have maximums of \$20,000, and one out of four have maximum benefits of \$50,000 or more.

In addition, the institute reported, major medical plans con-

tinue to expand, with one company announcing recently that its maximum was up to \$250,000.

Disability income insurance, which was owned by 38 million people in 1950, is now owned by about 72 million people, it was further reported.

In 1950, insurance companies paid \$383 million in disability income benefits. Last year the companies paid \$1.8 billion for both short term (periods up to two years) and long term disability (for periods beyond two years up to age 65 or life).

## Plant vacation safety

Safety rules for factory plants during vacation periods are advocated by the British Fire Protection Assn. It recommends that managements make a final all-around check before any shut-downs, and gives the warning: "Fire has a flying start in a deserted building."

# Bernstein announces 50% federal rate cut

WASHINGTON—Federal Insurance Administrator George K. Bernstein has announced that the government has cut 50% from its crime insurance premium rates for both businesses and residences.

The new rate reduction will apply to all residences and to businesses whose gross is less than \$100,000 yearly. Business concerns with gross receipts between \$100,000 and \$1 million will receive smaller reductions and those firms whose gross exceeds \$1 million will see no rate cut at all unless they purchase more than \$1,000 in coverage.

As an example of the new rates, a business with gross re-

ceipts under \$100,000 in a high-crime area, such as New York City, can buy \$1,000 worth of robbery and burglary insurance for an annual premium of \$100. At the same time, robbery coverage alone will cost \$72 a year and the same amount of burglary insurance only will cost \$60.

The federal crime insurance program was established about a year ago by the Department of Housing and Urban Development to enable businesses and individuals in high-crime areas to purchase insurance, which was usually not obtainable from private insurance companies.

MR. BERNSTEIN indicated that the rate cut, effective the first of August, was made in response to requests from many areas of concern, including businessmen, and to the fact that sales of the coverage had been going rather slowly.

He asserted that the program had had trouble from the very beginning because of a lack of publicity, the high rates and lack of cooperation from brokers and agents.

The new regulations contain a section designed to overcome the resistance by the producers. The rules call for a minimum commission of \$15 for each commercial policy sold and \$5 for each residential policy.



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## Air bag cars get cover from Allstate

WASHINGTON—Ford Motor Co. will sell the government 150 air bag-equipped cars, but it took an offer of product liability coverage at rock-bottom cost to swing the deal.

Since early this year, Ford has been demanding a "hold harmless" contract clause in the sale to reflect its lingering doubts about air bag safety systems, according to Douglas Toms, national highway traffic safety administrator, who testified in favor of air bags at a Senate hearing on auto safety legislation.

MR. TOMS said the government was unable to grant the freedom-from-liability request because of procurement regulations and was about to break off negotiations when Allstate Insurance Co. offered product coverage for the car maker.

A legal aide to Mr. Toms said the amount Ford will pay couldn't be revealed but said it will be "a negligible premium," with Allstate absorbing most of the cost.

Allstate has extensively tested air bag-equipped Mercury Montereys purchased from Ford (after granting the company's "hold harmless" request) and strongly backs air bag systems to comply with federal "passive" safety measures for cars that go into effect in August, 1975.

The 150 cars purchased by the highway safety administration will be assigned to the General Services Administration transportation pool for daily use "and also as a continuing test, though we're satisfied with previous tryouts" a highway administration spokesman said.

# USW members receive pension increase in contract agreement

PITTSBURGH—Close to 500,000 members of the United Steelworkers of America will receive increased pension benefits in addition to a substantial pay raise in the second year of a three-year contract. The increase, effective August 1, has been approved by the Pay Board, which estimates the package to constitute about a 6% boost.

Both retirees and current employees will benefit from the contract, according to a USW spokesman. "We have two systems for figuring benefits and this will affect both," he commented.

"The first method provides a figure for the basic minimum pension, and the second is a percentage based on an employee's salary and years of service. After the two are computed, an employee receives whichever amount is higher."

Prior to August 1, the basic pension was \$6.50 per month for each year of service. An employee with 30 years of service would be eligible for \$195 per month under this system, he noted.

## Task force is named

SEATTLE—A task force to study the possibility of establishing a prepaid legal insurance program for city employees will be named, said Councilwoman J. Williams.

Interest in setting up such a program was expressed by John Blair, president, Seattle Civil Service League, who wrote to City Council, it was reported.

Prepaid legal insurance would be similar to health and accident insurance programs where employers and employees share the costs of premiums, said Mrs. Williams.

The Washington legislature passed a law allowing attorneys to participate in prepaid legal insurance programs beginning this year.

City budget director R. W. Wilkinson Jr. told Mrs. Williams that his office would study the proposal. ■

## Guenther ...

Continued from page 6  
specifications greatly reduces OSHA's potential workload. For example, the House version of the appropriations bill would reduce the number of covered establishments from 4.1 million to 750,000 and the number of covered workers from 57 million to 22 million.

The surprise move on the part of the House and Senate triggered strong protests from union groups and from the National Advisory Council on Occupational Safety and Health.

To no one's surprise, the Administration acquiesced mildly to the wishes of Congress and registered no formal protest. Safety and health professionals, unions, and some members of Congress feel the small business exclusion critically weakens the act. If the president vetoes the pending bill they can be expected to fight vigorously to eliminate the language from any subsequent versions. They contend that employees working in small- and medium-sized establishments need the protection and enforcement of the federal act since it is likely that most of these workers are not organized and are therefore not even covered by safety and health clauses. ■

**THE NEW CONTRACT**, however, provides a monthly rate of \$8 for each year of service for the first 15 years, \$9 per month for the next 15 years and \$10 monthly for each additional year.

"So, for 30 years of service, you multiply 15 times \$8 and 15 times \$9 for a total monthly pension of \$255," the USW source explained.

"The second formula essentially benefits higher wage earners," he pointed out. "Under the old system, a steelworker was eligible for a pension of 1% of his average monthly earnings over the last 10 years of service. If an employee averaged \$700 monthly, his pen-

sion base would be \$7 rather than \$6.50."

The new contract provides for an increase of 1.1% of the last 10 years' monthly average for an employee who has 30 years of service. After 30 years, he is entitled to 1.2% for each additional year.

"**ANOTHER** significant improvement is that the maximum number of years that could be credited toward pension benefits has been abolished. Formerly, if an employee continued to work past 35 years he did not receive extra pension credit," said the spokesman.

Vesting rights of USW mem-

bers have also been strengthened. "The old contract allowed vesting for employees 40 years of age with 15 years of service if they were out of work due to layoff, disability or shutdown. Now, the same age and service requirements are in effect, but an employee is vested if his work is terminated for any reason besides justifiable discharge," he commented.

In effect, this means an employee has the right to quit without forfeiting his pension, the spokesman asserted. Normal retirement age is 65, however, an early retirement scheme is available for employees with 30 years of service regardless of age.

The increase applies to all employees retiring after Aug. 1, 1972. "In addition, those employees who retired during the first year of the contract agreement (after July 31, 1971) will have their

benefits recalculated to receive the increase after Aug. 1," explained the spokesman. "This isn't really retroactive since they will only receive the increase on future payments."

All workers who retired prior to July 31, 1971, will receive a flat increase of \$15 per month. ■

## Liquid natural gas risk

Risks in the expanding insurance market for liquid natural gas carriers throughout the world can be absorbed by underwriters as long as they can keep premiums at a profitable level. But Thomas B. Duncan, chairman of Lloyd's Underwriters Assn., expressing this view at a Greek insurance conference, warned his audience: "Some hull underwriters might be forced out of the market in the event of bad figures."



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## October workshops feature solid advice, registrant participation

CHICAGO—Two billion-dollar questions facing business will be reviewed at *Business Insurance* workshops in October at the Hyatt Regency O'Hare near Chicago's O'Hare airport.

On Oct. 23-24 the pressing question of what to do about product liability claims will be examined at the *Business Insurance* Product Liability Workshop. Faculty members and workshop participants will discuss product liability claims prevention, insurance and defense against suits that are lodged.

On Oct. 24-25 *Business Insurance* will sponsor a Benefits Communication Workshop where participants will get "how to" ideas about telling their employees

about benefits that now cost U.S. businesses more than \$100 billion a year.

Faculty members for the Bene-

fits Communication Workshop include Dr. Charles McDermid, president of Management Psychologists of Chicago, who will

### Register by telephone

CHICAGO—Listfax telephone numbers have been established for *Business Insurance's* Product Liability and Employee Benefits Communications Workshops. Those who call in may have their reservations confirmed immediately at early registration prices stated on this page.

To register toll-free, call 800-243-6000. Connecticut registrants have their own number: 1-800-882-6500.

An operator will confirm your registration in either or both workshops.

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review methods of listening to employes about benefits; Howard Peck, partner in Hewitt Associates, benefits consultants of Deerfield, Ill., who will discuss how to describe benefits to employes, and Elward T. McCaffrey, manager of Halltech Associates, New York, who will tell about how to report benefits.

Panelists and discussion leaders will also cover such subjects as the design and execution of a company benefits communications program and the legal responsibilities of employers in describing and reporting benefits to employes.

Product Liability Workshop sessions will begin at 6 p.m. on Monday, Oct. 23, and continue through 4:30 p.m. on Tuesday, Oct. 24. Cocktails, dinner, continental breakfast and lunch will be served to workshop participants.

The Benefits Communication Workshop will begin on Tuesday evening, Oct. 24, with an awards banquet for the *Business Insurance* Benefits Communication Awards competition. Employers who submit winning awards will receive recognition along with consultants and others who helped them prepare winning entries. Details on the awards competition appear on page 14 of this issue.

**BENEFITS** Communication Workshop sessions will continue until the evening of Wednesday, Oct. 25.

Registrations for both workshops may be made by mail, using the coupon on this page, or by phone, using the number listed in the box accompanying this article.

Fees for early registration for the workshops are \$115 for each workshop or \$200 for both workshops if tuition is paid by Sept. 29. After that date the fees are increased to \$140 and \$250 respectively.

### Reveal Canadian unemployment figures

Three of every 10 persons who applied for unemployment insurance benefits in the last nine months of 1971 did not get them, the annual report of the unemployment insurance commission of Canada says. During the last nine months of 1971, there were 2.2 million claims, of which 293,638 or 13.3% were judged to be from persons not entitled to benefits and 422,414 or 19.1% were disqualified. Reasons for disqualification included separation from employment without just cause and failure to prove availability for work.

## Sophisticated thieves a danger: ADT exec

ST. LOUIS—An official of an electronic protection device company told a group of security men here that many of today's burglars are so sophisticated that the prospect of greatly increased losses was definitely on the horizon.

Joseph M. O'Malley, manager of special sales for ADT (American District Telegraph Co.), told a gathering of security directors from National Retail Merchants Assn. member firms that modern burglars were not only getting better at breaking into a store, they were also becoming more selective regarding the items they steal.

Indicating that standard entry points such as doors and windows are passe, Mr. O'Malley said, "The definite trend today is to secure entry by either creating a new opening in the roof or the wall or by hiding in the premises during business hours."

IF THE second technique is used, the hidden thief will emerge from his hiding place after the store empties and then goes to work on an unprotected or partially protected safe, or stacks stolen goods near a door "preparatory to a very quick exit," he commented.

Another approach is to stay in the store all night and, after business hours begin the next

## Jobless plan may curtail claims abuse

HARTFORD—Connecticut state labor commissioner Jack A. Fusari has disclosed that a program instituted last January, requesting employers to report to his department any cases of jobless persons refusing job offers, has resulted in the disqualification of "hundreds of claimants" for unemployment compensation funds.

The program has a two-pronged effect: It encourages the claimant to accept a suitable job offer and it notifies the state labor department when a suitable job offer is refused by a claimant.

The commissioner is appealing to all employers to make "full use" of the labor department-issued forms for reporting cases of those jobless refusing offers.

"The abuses," he said, "are few, but it only takes a few to hurt the unemployment compensation fund. It is to the advantage of the employer to see that these funds are given solely to people who are entitled to benefits during periods of involuntary unemployment."

## Get dental pact

Bartenders and culinary workers have ratified a new three-year contract affecting 1,500 employees of restaurants and taverns in Southcenter and East King County. Retroactive to July 1, the contract is between Local 596, Culinary Alliance & Bartenders Union, and the State Tavern Assn. and the East King County and Green River chapter of the State Restaurant Assn. Improvements in health and welfare include the addition of a dental plan. Also spelled out in the contract is an option of splitting a 4% increase between wages and fringe benefits.

floor mats and floor traps.

"FIFTEEN years ago, the thinking was if the perimeter was secure, the store was secure," he continued. "This is not true today."

He told the security men that determined burglars had a veritable arsenal of sophisticated equipment at their command. Among the items he mentioned were electronic equipment that could compromise alarm transmission lines, thermal lances that could cut through the strongest walls and highly powerful explosives.

Even with these, and other, items at his command, "the average thief is far from being a wizard," Mr. O'Malley noted, adding that alarm systems provided by his company alone were responsible for the capture of more than 5,000 burglars last year.

morning, leave the premises posing as a customer with a number of large purchases.

Mr. O'Malley believes the best way to stop the thieves who do not use doors and windows is to install individual alarm systems for safes and other storage areas and use advanced electronic protection systems on the interior of the premises.

He admitted that some electronic interior protection systems, notably ultrasonic and microwave varieties, were simply not feasible in certain stores. If that were the case, Mr. O'Malley advised that "some form of interior trap should be employed, such as invisible photo electric beams,

## Orders halt on sale of contact lens 'insurance'

SALEM—The office of the Oregon insurance commissioner has ordered makers of contact lenses in the state to stop insuring the lenses.

Duane Robinson, deputy insurance commissioner, said a letter ordering an end to insurance plans "forthwith," has been sent to everybody in the state who has "anything to do with making contact lenses."

Many optometrists, opticians and ophthalmologists have offered insurance for the lenses worn under the eyelid. For a fee, they agreed to replace lost, broken or stolen lenses at a lower price than that of a new lens or at no additional cost.

"They were swelling insurance without being licensed companies or licensed agents," Mr. Robinson stated. "The same man usually was the agent, the company and the underwriter. It amounted to 13 or 14 violations of the insurance code in one transaction."

MR. ROBINSON and Frank Howatt, acting insurance commissioner, said no evidence of criminal activity has been found in contact lens insurance. "The doctors are doing it more for the convenience of their clients than anything else," they stated.

Mr. Robinson noted that 26 companies insure contact lenses and three or four specialize in it. ■

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# Letters

Continued from page 14

is common practice in California for contractors to name owners on their policies, we do not recommend it in every case. Mr. Wiley, of Fred. S. James & Co., is quite right in pointing out the merits of the owner's protective policy and it is sometimes preferable. However, from a practical standpoint, owners prefer not to take out separate policies for every construction job and do not

want losses to be charged to their own CGL cover. Asking the contractor to add him as additional insured is the most expedient course for an owner on run-of-the-mill construction work. It gives him the full limits of the contractor's umbrella (if the contractor's coverage is properly written) and costs him no more (sometimes less, and sometimes nothing) than a separate policy of owner's protection.

Further, and here I differ with Mr. Wiley, it helps place responsibility where it belongs—on the contractor. Since the contractor is the initiator of action on a con-

struction job, it is he who should have primary responsibility.

There is no secret to how insurers write the coverage. Though adding the owner as additional insured on the basic liability policy is prohibited in the liability manual, an endorsement can be added providing special owner's protective cover for the particular job concerned and naming the owner for that endorsement only. At least, this is the case in California, and it is often done, though the situation could be different in states with more restrictive insurance regulation.

David Warren

Warren, McVeigh & Associates,  
San Francisco, Ca.

## No federal no-fault

To the Editor: Thanks to a friend I have a copy of your June 19 issue and your editorial in which you urge the adoption of "the Magnuson-Hart (sic) plan," which (you say) would set a "desirable national standard for state no-fault auto insurance statutes."

One wonders if *Business Insurance*, as a champion of the buyer of insurance, has troubled to read either the Hart-Magnuson Bill—S.945—OR the pre-directed report of the Department of Transportation to the Congress and the President?

Section 4: of S.945 provides—"Any person who knowingly violates the provisions of subsection

(a)—operate(s) or uses(s) a motor vehicle upon any public street, road, or highway at any time unless such motor vehicle is insured under a *qualifying* no-fault policy—of this section shall be *punished* by a fine not to exceed \$1,000 or imprisonment for a period of not to exceed six months, or both."

Remembering that the very essence of no-fault at all levels is its compulsory provisions to insure one's self through this prescribed "qualifying" contract; and that this above provision makes it a criminal offense to fail to buy this specified contract; and that all true no-fault plans and laws make it a criminal offense in some degree to fail to buy this specified contract; and that this issue, when presented, must inevitably be decided by the courts as qualifying as a Bill of Attainder (United States v. Lovett, 328 U.S. 303,315—1946), specifically forbidden to the Congress under Article I, Section 9, Par 3. of the Constitution, does the editor of *Business Insurance* still endorse S.945—or any other no-fault attack upon the civil rights of citizens—as a desirable "standard" of any kind for any thoughtful and informed person, much less a widely circulated publication professing to advise buyers of insurance?

Have not the promoters of no-fault been less than candid in failing to call attention to this sleeper criminal penalty? And have not the editors, who take such pride in informing the public, demonstrated monolithic carelessness in endorsing a revolutionary law on the basis of proponent handouts without at least assigning someone to check it out?

The worst that can happen to anyone failing to comply with a financial responsibility or compulsory liability law is the loss of one's driver license and the privilege to drive—hardly a criminal offense.

Up to now the report of DOT—"Motor Vehicle Crash Losses And Their Compensation In The United States"—has been accepted with little or no question as something at least semi-sacred. As the end report of a \$2 million "study" it is considerably less than objective from the citi-

zen point of view as well as for counselors of insurance buyers. Its preface reveals clearly its preoccupation with building a case against automobile bodily injury liability insurance by Public Law 90-313, a joint resolution of the Congress, which financed the project and assigned it to DOT to satisfy. It is distinguished more for what the report omits than what it includes. For example, it admits that cost of insurance is a primary concern yet you will search its 30 tables in vain for either a premium table or a table of cost comparison with any other financial service.

The DOT report demonstrates a strange lack of familiarity with widely known insurance terminology. For example, Tables 6, 7, 8, 13 and 14 use the term "personal injury," meaning liable and slander, false arrest, invasion of privacy, etc., instead of "bodily injury." Surely such profound \$2 million expertise should know that much about liability insurance.

Further, the report professes great concern for the "compensation" and "reparation" of the "victim" but almost totally ignores all available first-party coverages except to say (p. 104) they "are essentially voluntary."

When one considers the political source (Senate commerce committee, chaired by Sen. Warren Magnuson) of the \$2 million appropriation, and the former high political position of the current president of the American Insurance Assn. as chief counsel of the Department of Commerce, from whence he started his campaign for no-fault, one can begin to understand a lot of things about this purported panacea, including the possibility that someone in DOT is trying to tell us something if we have the wit to see it. If the daily press ever stumbles on to this intriguing story, and projects its aims and eventualities, the ITT/Hartford story will fade to insignificance. What position will trade journal editors take then?

Yours for responsible editorial advice,

Stanley W. Lebens

Yakima Insurance Associates,  
Yakima, Wa.



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# Government accuses Holmes' man in thefts

NEW YORK—The Federal government has accused a Holmes Protection Co. maintenance man with disconnecting the alarm systems at two banks here, which enabled two teams of burglars to enter the banks and escape with \$31,000 in cash and jewelry.

A spokesman for Holmes, Frank Fritz, vp of operations and general counsel, told *Business Insurance* that he doubted the incident would create liability or bonding problems for the company.

"It is not too often that a company is found liable in situations like this," Mr. Fritz said. "To find a company liable it would have to be proven that the firm was negligent in hiring the individual in the first place and/or that it was negligent in continuing him in its employ if there was reason to feel that he was a

risk."

He then explained that Holmes employes, who are bonded by INA, undergo exhaustive pre-employment checks, including a "secret" clearance from the Federal government, and that they were checked from time to time during their employment. "Our internal security program is rigid," he pointed out.

**IN ATTEMPTING** to describe what may have gone wrong, Mr. Fritz said, "There are just too many people (Holmes employes approximately 1,500 persons) to keep an eye on everyone. Human nature being what it is, someone is bound to succumb to temptation if it is put before him. Un-

fortunately, it can happen. There are bad judges and bad cops, too.

"This is something that is always a possibility," he continued, "though this particular case has not come to trial and there is the presumption of innocence. But, when one of our losses looks peculiar, we have to look at the possibility that one of our own people has gone sour.

"This is not something we are overjoyed about. It is highly embarrassing to us but we can't bury our heads in the sand. While we may be embarrassed, we are more concerned that the crimes are solved and that if one of our people has gone bad, we want him brought to justice," he said.

The government indictments in both burglary cases name the Holmes employe as a co-conspirator but not a defendant. An assistant U.S. Attorney, Peter R. Schlam, who pointed out that he could not say much about the case, said, "The Holmes employe

has not been charged with the crime. He is involved but is not being charged. Draw your own conclusions."

The indictments allege that the Holmes man received a total of \$64,000 from two different teams of burglars for "defeating" the two bank alarm systems. In one case, it is alleged that he was intro-

duced to the burglars by a New York City policeman.

The two banks, a Manufacturers Hanover Trust Co. branch which lost \$115,000 to one set of burglars and a Chase Manhattan branch which lost \$200,000 in cash and jewelry to the other team, were both protected by the Holmes firm. ■

# Senator cites need for risk man

PHOENIX—The Arizona Governor's Advisory Committee on Insurance will undertake a report on how to reduce the state's expense for insurance.

Senate Majority Leader Dave Kret said last month that Frank Middleton, a Phoenix insurance agent and chairman of the advisory committee, volunteered to prepare the report during the upcoming three months.

Sen. Kret, an advocate of state self-insuring program, said a special legislative committee will meet in the fall to evaluate Mr. Middleton's report and prepare legislation for the 1973 regular session.

The lawmaker said school districts, community colleges and the state universities are each "going their own way on insurance." The governor is responsible for insuring other state buildings, it was reported.

Pooled risks and the hiring of a risk manager offer "terrific evidence" of savings, said the senator. A risk manager, he said, could work out plans for public buildings to conform to local ordinances and thus lower insurance premiums.

He said recommendations received to date include one under which state-owned vehicles would be covered by a state-operated program. Other studies would determine whether insurance would be handled through self-insurance plan or through competitive bids which, he added, "is not generally done now." ■

# Bidding asked

A check into the legality of holding competitive bidding on all Erie County, N.Y., insurance services was requested by County Legislator Raymond F. Gallagher. "With properly drawn bidding specifications it may be possible for the county to receive quality insurance services at rates lower than those presently being paid," Mr. Gallagher said, noting that for a number of years it "has been the practice of county administrators to choose county insurance brokers without the use of competitive bidding."

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# Pensions & Investments

Special Issue

Publishing Date: October 9

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## Court dismisses suit against OSHA powers

ATLANTA—The federal district court here has dismissed a suit brought against the Secretary of Labor by four Atlanta companies which challenged the constitutionality of the Occupational Safety and Health Act for

failure to exhaust administrative remedies.

The suit (*Business Insurance*, June 19, 1972), brought by the Lance Roofing Co. and three other subcontractors, alleged that OSHA was unconstitutional because it delegated legislative and judicial powers to the Secretary of Labor; it imposed penalties on employers without the procedural safeguards guaranteed by the Fifth, Sixth and Seventh Amendments (due process and right to trial clauses); and it provided for unreasonable search and seizure on the employer's premises.

John Lance, president of Lance Roofing Co., earlier told *Business Insurance* that the decision in the Atlanta court would be appealed no matter what the outcome. "They are not trying a case, they are trying the law," he said.

APPARENTLY, the case will be headed for the Supreme Court, at least according to the subcontractors' attorney, who announced following the decision that he would immediately appeal. In his opinion, the constitutional issues involved in the case are far more important than whether or not administrative remedies have been exhausted.

The roofing industry was high on the Labor Department's priority list under the "worst-first" approach to inspections. All four of the complainants in the suit had been cited under OSHA provisions for violations and Mr. Lance claimed the distinction of having his firm the first in the nation to be inspected after the law took effect.

## Study toxic hazards in London

LONDON—Risk factors in the movement of highly toxic chemicals should be treated like those in the field of nuclear materials, according to the annual report of the Chamber of Shipping.

It accepts that regulations already exist to prevent pollution from oil spills, but holds that nuclear conventions are the more appropriate guideline for the "truly frightening properties" of some chemical materials.

The report comments: "Catastrophe risk is inevitable in the carriage of some exceptional commodities. Relatively minor incidents of pollution are already covered by liability systems, but if governments are looking for compensation in the event of a major catastrophe, can it be of any value unless there is reliable insurance in the background?"

Because of the size of the problem, the chamber suggests, there are few sources able to provide, or guarantee, insurance at this level except governments themselves.

## Introduce hotel fire safety laws in U.K.

LONDON—Government legislation has been introduced in Britain to check fire hazards in hotels in the country. This is the result of a series of fires in smaller establishments that alerted the nation to the need for safety precautions, though most major hotels are well protected.

Under the scheme, every hotel or rooming house owner who has accommodation for more than six staff members or guests, or has sleeping accommodation either above or below the main entrance floor, must apply for a fire safety certificate from his city authority. This, covers hotels ranging from luxury grades to the tiniest township.

Fire officers will then inspect the premises to check safety precautions. Owners will have to ensure that there are proper escape routes, emergency lighting, adequate alarm systems for guests and competent fire training for staff.

SOME SMALL rooming houses, with only a few guests, may have to meet bills of \$5,000 to deal with safety requirements.

But they will willingly have to pay out the cash, for they face fines up to \$1,000—and even two years in jail—if they refuse to bring their buildings up to the correct standard to protect people's lives.

James Tye, head of the British Safety Council, points out: "The purpose of the new law is to ensure the provision of adequate means of escape and related fire precautions. It is concerned solely

with the protection of life if a fire breaks out. People occupying a building must be able to escape safely and quickly."

Seminars for hotel keepers are being held by his organization so as to help them comply urgently with the new rules.

## Blight threat is studied

LONDON—Health experts are studying a report that faulty potatoes can cause just as much damage to unborn children as the drug thalidomide produced when it was first marketed for mothers 10 years ago.

Dr. James Renwick, of the London School of Hygiene, claims that blemished potatoes contain a "blight fungus" with alkaloid content which puts pregnant mothers in peril.

He believes this can lead to brain damage and other deformities, such as spina bifida and anencephaly, and that storing potatoes in centrally-heated premises can bring on the fungus.

His research is based on the prevalence of these two child ailments in countries, such as Ireland, where potatoes are a regular diet.

But British government scientists feel it is too early to make definite conclusions on his claim and there are no special moves to put the public on the alert.

# Travelers has comprehensive cover package deal for Datsun dealerships

HARTFORD—Travelers Insurance Cos. has developed a special automobile dealership insurance program, Dealer Cover Inc., in cooperation with the Nissan Motor Corp. in the U.S. to provide comprehensive coverage to Nissan's Datsun dealerships, *Business Insurance* has learned.

John Tidwell, Nissan's national dealer development manager, noted, "All U.S. auto manufacturers have policies for the small group of dealers that are factory-owned, but leave the vast number of independent dealers to acquire their own insurance."

Under the new plan, all dealerships which sell Datsuns will be eligible for the coverage, even if they are not primarily Datsun dealers.

Fifteen companies have already signed up for the program, following the July 1 announcement that the plan was available to over 902 U. S. Datsun dealers.

**THE PACKAGE** is offered in nine sections which include property and earnings insurance, general and non-owned automobile liability, automobile physical damage insurance, blanket crime insurance, catastrophe umbrella liability, automobile physical damage insurance, blanket crime insurance, catastrophe umbrella liability, lease contingent and daily rental coverage. In addition, the plan contains workmen's compensation coverage and surety bonds.

"All coverages are not mandatory," explained a spokesman at Travelers. "Optional coverages include such things as mechanics' tools insurance, earthquake protection, fire legal liability, comprehensive personal liability and, of course, umbrella coverage."

## Short week gets trial run in N.Y.

NEW YORK—More than 800 employees of a health firm here are participating in a summer experiment with the three-day and four-day work week. It is the first unionized company in the city to do so and it may become permanent.

Group Health Inc. and the Office and Professional Employees International Union agreed to test the plan early this month. Under the program, most employees work four-day shifts, starting on Monday or Tuesday, for nine hours a day the first three days and eight hours the fourth. Thirty persons in the electronic data processing section, however, are working two 12-hour shifts, one 11-hour shift, then four days off.

Under present plans the union will meet to discuss the program in mid-August. Union leaders will then meet with management to decide if it should be made permanent. When first announced, about 97% of the employee force voted in favor of the experiment.

It has been estimated that there are now about 500,000 workers in 1,400 companies around the nation with shortened work weeks.

"We regard this as the first step," said the union's leader, Howard Coughlin. "Ultimately, what we're looking for is eight hours of work four days a week."

Limits of protection vary greatly from section to section. "Under buildings coverage it is quite open, but we have set a limit of \$500,000 for contents insurance, although this could be negotiated for a higher amount. Crime coverage is for \$25,000 per occurrence and the umbrella is being offered for \$1 million," he noted.

The minimum deductible under the first section is \$100 but an insured can elect a \$250 or \$500 deductible. If a dealer does carry tools coverage, the minimum deductible is \$100.

Local brokers will be handling the program on a nationwide basis, the source said. "Each dealership will be rated individually,

according to the risk."

**THE DEALER'S** record of performance, reflecting his handling of manpower and merchandise in motion, is to be used to evaluate the entire operating risk. A dealership's location, physical characteristics and capital exposure will also be taken into consideration.

"At present, the program is designed only for Datsun dealers. The Nissan organization provided tremendous support," the Travelers spokesman commented. "Undoubtedly, as we progress others may become interested. There is a possibility of expansion, but presently we are concerned only with the Datsun group."

## Publish Agent/Broker Profiles as Directory

Because of the demand for the profiles, tables, charts and analyses contained in the July 31 issue, this information will be published in the form of a 6" x 9" desk-top directory. The annual *Business Insurance Directory of Commercial Insurance Agents & Brokers*, September, 1972, 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.

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# U.K. makes new moves to set industrial safety on wider scale

LONDON—New moves to get industrial safety accepted on a wider scale are being planned by the British government.

It intends to set up a national safety and health authority which will protect working people in every corporate plant. The plans are scheduled by a Parliamentary committee which in the past two years has examined more than 200 different submissions from both employers and employes on the subject.

In a statement welcoming the

proposals, Maurice Macmillan, employment secretary, said: "The recommendations are far-reaching and will obviously require careful study by all concerned. But the British government is convinced that safety reform is now a matter of considerable urgency and it will take early action to achieve the objectives."

**THE PROPOSALS**, which make interesting comparison with OSHA moves in the field of employe protection, were drawn up by a team of seven government-appointed experts who have visited the U.S. to see how it has handled the problem. They want to see much more self-regulation of health and safety by industry, and intend to harmonize all the existing mass of laws which protect Britain's 24 million working population.

But employes will also be pressed to develop and monitor their own safety and health measures to achieve a better organization at plant level.

Insurance companies in the U.S. were praised by the British experts, who say: "During our visit to America we formed the impression that U.S. insurance companies play a rather more active role in accident prevention activities than do insurance companies in Britain."

"In Chicago we were able to meet officials of the American

Mutual Insurance Alliance. The alliance is a trade association of insurance companies which seeks to feed information to member companies and to coordinate their activities.

**"THERE ARE OTHER** similar insurance alliances. As one of its main activities the accident and fire prevention department of the alliance provides a safety advisory and information service. Through its member companies it issues to policyholders a great deal of literature on various aspects of occupational health and safety.

"It has developed a 'profit by losscontrol' program, specifically designed to assist small policyholders to institute a loss control system."

To this extent the American insurance industry is setting a lead for Britain, declares the committee, which points out:

"It is apparent that in some areas in the U.K. the insurance market is making a valuable contribution towards higher standards of safety and health at work places. But we suspect that considerable room remains for developing further ways and means of counteracting the disincentive effect of the basic principle of 'spreading the risk.'"

"There is much scope for fruitful discussion between the insurance industry and the national

authority which we propose should be set up to deal with the problem."

The British Insurance Assn. has indicated it will welcome more contact along these lines.

**RISK MANAGEMENT** is also making progress, according to the U.K. committee, which reports: "Direct contribution of the insurance companies to good safety and health performance lies more in the field of cover against damage to premises, plant and equipment."

"Various types of preventive activities are being undertaken in Britain. Engineering insurance companies ask surveyors to undertake statutory inspections of equipment such as boilers, pressure vessels, cranes and electrical equipment."

"Some insurance companies employ specialist staff to survey premises and plant, and in general the larger companies appear to be paying increasing attention to risk management, impressing upon their customers the need to reduce risks rather than merely to insure against them."

The attitude of insurance com-

panies towards plant injury claims is also reviewed by the committee, which points out that risk cover against employe-accident claims is now essential in Britain by law.

**BUT INSURANCE** premiums in this field are still not adjusted very much in the light of individual claims' experience. Ratings as far as working people are concerned are not yet designed to be a major incentive towards adopting safe working practices, although if there is a higher than normal incidence of claims, then higher premiums are charged. This is an incentive for an employer to improve safety measures.

The committee expresses the view: "It seems in Britain that the competitive nature of the insurance market must limit the scope for premium-rating penalties or incentives."

The committee, under the chairmanship of Lord Robens, who was head of Britain's National Coal Board for ten years, makes a detailed technical review of safety factors in industry.

## U.K. insurers fear rate battle with Americans

LONDON—Insurers in Britain are developing a growing concern at the threat of a rating war with U.S. life insurance corporates who have entered the aviation field, and fear they will spread their business efforts to other types of world risks.

Julius A. S. Neave, chairman of the Reinsurance Offices Assn., told its annual meeting in London: "Brighter underwriting prospects have attracted many newcomers to the London reinsurance scene."

"They are welcomed for the strength and capacity they provide, but it is not out of place to warn them that they will not remain so popular if by over optimism they are tempted to undermine by transactions at unsound rates the improved situation which this association and other insurers have achieved."

**"RECENTLY**, capacity for aviation coverage has been found from among the large U.S. life offices. The terms offered are below those regarded as prudent by specialists in this field," he said.

"This development is surprising. It is not the competition that is the object of criticism, so much as the way in which this specialist field has been entered. If the authorities have permitted the use of these funds for capacity that is not strictly needed, the reinsurers will be concerned at the possibility of ventures into

other underwriting areas by such financially powerful but non-specialist underwriters.

"The right to take advantage of all investment opportunities is not disputed," he continued, "but the scale of the involvement on terms that do not find favour with the market generally gives rise to some concern."

Lloyd's List, the London insurance and shipping journal, reflects the view of the Lloyd's aviation market which is also becoming disturbed about premium prospects. It recently commented, "It does not help that some insurers particularly abroad are offering rates regarded by experts in the aviation field as far below those which are prudent. Few major airlines are making profits, and the fact there are still too many empty seats simply aggravates the situation. The confidence of the market in its ability to meet liability problems is no reason why everybody concerned should not be made very aware of the risks involved in aviation cover."

### OSHA meetings

A series of day-long seminars will be held throughout California and Nevada between now and September by the Occupational Safety and Health Administration. The seminars are designed to acquaint employers and employes with OSHA.



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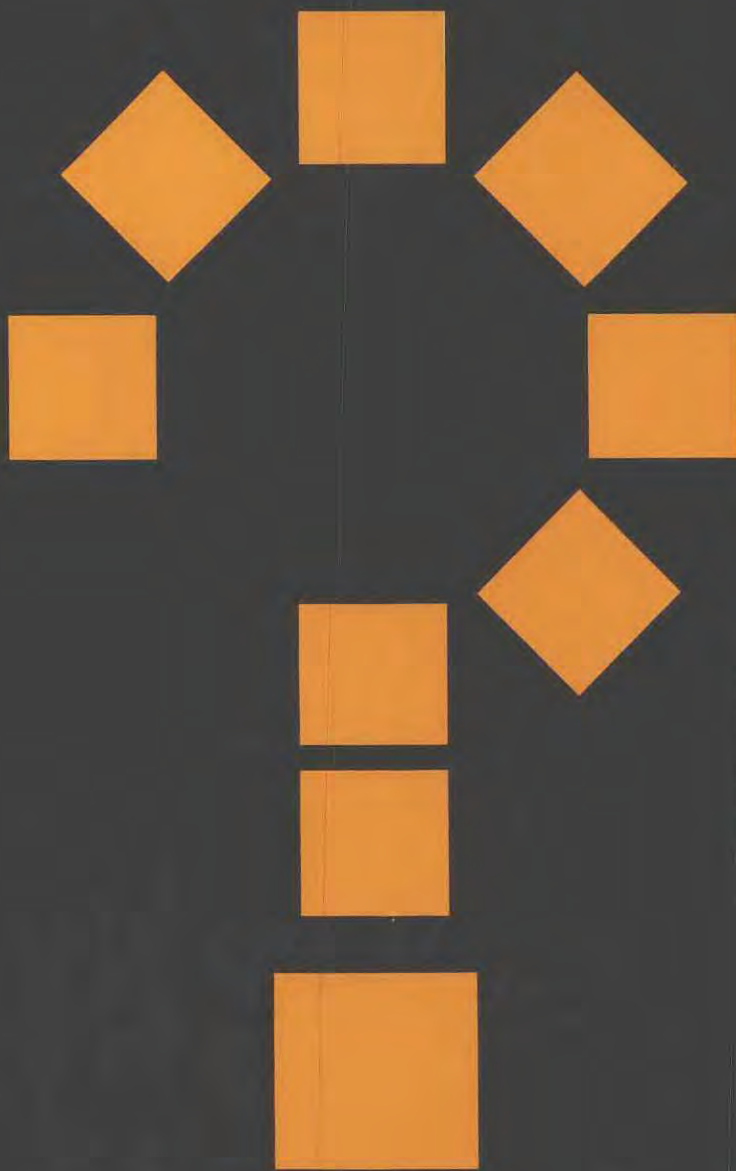
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