Ralph Nader enters fray over pension plans

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Howard Johnson motel fire in New Orleans, which killed six people, was covered by a motel package policy written by Insurance Co. of North America. —Wide World photo

Motel package policy covers New Orleans fire

NEW ORLEANS, La.—Five guests and one security officer died here in a fire that broke out in an 18-story Howard Johnson motel in the early morning hours on July 23. Insurance Co. of North America, the insurer for both franchise and corporate-owned Howard Johnson nationwide, covered the loss with a motel package policy including both fire and liability with an all-peril deductible of $1,000. Marsh & McLennan of Louisiana Inc. is the broker.

A spokesman at INA told *Business Insurance* that property damage should amount to no more than $150,000. "Three or four rooms on the twelfth floor are extensively smoke-damaged," he said, and the INA policy will more than cover property damage.

According to a source at Marsh & McLennan, the guests who died were being evacuated from the fifteenth floor when the elevator stopped on the twelfth floor and the doors opened. Arson possibilities are being investigated. ■

Continue Wilson case

ST. LOUIS—Federal District Judge John K. Regan continued until Oct. 18 the mail fraud charges pending against Philip M. Wilson and three of his associates in an international insurance and financial ring.

The continuance was granted at the request of federal prosecutors under instructions from the Justice department.

Mr. Wilson, Charles Earl Brown, Monte Schuff and William E. Fox are free on $20,000 bonds in connection with a 16-count indictment alleging that they used the mails to defraud insurance brokers and policyholders. They are also charged with using the mails to defraud Braniff Airways Inc. when they paid $22,000 for airline tickets with checks drawn on the Bank of Sark Ltd., Guernsey, Channel Islands (*Business Insurance*, March 1, 1971).

Government prosecutors charged that the Bank of Sark "hasn't a quarter on deposit." Mr. Wilson and his associates have pleaded not guilty to all 16 counts in the indictment.

Mr. Wilson was convicted of contempt of court earlier this year in Los Angeles after he refused to answer questions relating to the Bank of Sark. He is now under indictment in California for perjury, also in connection with Bank of Sark.

Chile's expropriation revives foreign investment coverage

By JOHN REVETT

WASHINGTON—Delicate—at times non-existent—negotiations that started in 1962 to create an International Investment Insurance Agency to cover losses abroad have been jolted to life by the Chilean copper expropriation.

There could be action on the proposed Triple IA this year, but whether the agency will be a reality within the next five months, or the next 10 months, is the subject of some skepticism. This is mainly because of reluctance on the part of Latin American countries, whose antennae for detecting threats to national sovereignty seem to be picking something up.

Pressure for creation of the Triple IA has been intensified by the Nixon Administration, the U.S. Chamber of Commerce, and to a lesser extent, or perhaps just less overtly, by World Bank officials who would run the new agency.

ALL THREE are stressing that without a workable system for major coverage—a system in which underdeveloped countries would participate as members—business will be reluctant to venture into countries that either want or could benefit from investments.

As the Chilean situation stands now, there is reason to wonder if Anaconda, Kennecott and Cerro Corp., the three U.S. copper companies involved, will get out with anything near the compensation they seek. Book value estimates range from $500 million to $700 million, with Anaconda's alone put at $450 million.

Chile's president, Socialist Salvador Allende, has set the values much lower, stating the Anaconda properties are worth only $180 million. Moreover, he is said to be seeking to reduce the value further and could eliminate compensation entirely by proving alleged mismanagement and taking of excess profit.

Chile's copper nationalization law gave the government's comptroller general 90 days (from July 11) to set the value and President Allende 30 days after that to determine "excess profits" since 1955. The copper companies have the right of appeal to a special tribunal, but this hasn't raised any hopes. As a measure of the popularity of the move in Chile, not one of the 158 senators and deputies in the Chilean congress voted against the expropriation measure.

ANACONDA, Kennecott and Cerro are covered for the expropriation, but for only $120 million in total. The coverage is with the Overseas Private Investment Corp., created last year to handle the primary U.S. bilateral foreign investment insurance scheme. OPIC, which took over the program from the U.S. Agency for International Development, has total unallocated reserves of $82 million and would have to go to Congress for more if Chile and the copper companies remain as far apart as they are on compensation.

In a report to members of its international committee and foreign trade policy panel, the U.S. chamber called the OPIC program "fragile" at a time when "more and more countries are considering the use of expropriation as an acceptable tactic toward foreign investments.

"Faced with failure of bilateral insurance schemes and ineffectiveness of bilateral political solutions, businessmen must investigate multilateral insurance mechanisms," the report continued. It called the proposed Triple IA "energetically sponsored" and took a favorable view of its creation as part of the World Bank, thus insuring "full investor confidence."

Unless U.S. investors press for a unilateral scheme, "they may inherit a world with fewer sources of supply (of raw materials, especially), narrower market potential, and a business evironment totally dependent on the whims and fancy of irresponsible government," the chamber report concluded.

BOTH WORLD BANK and chamber officials agree that the main difficulties in bringing the

Continued on page 2

Illinois gets insolvency fund–29 failures late

CHICAGO—After calling Illinois' record of 29 insurance company failures since 1959 "unenviable," Gov. Richard B. Ogilvie approved protective legislation establishing a state insurance guaranty fund.

Previous Illinois failures have involved some 300,000 policyholders and claimants, he noted. The new law makes Illinois the twentyseventh state with a guaranty fund.

Al Verb, special deputy for liquidation in the state insurance department, told *Business Insurance* that the fund includes all insurance carriers except those that write health and accident coverage and that all companies writing business in Illinois will be required to contribute to it.

A POST assessment process, he explained, will be used to keep the fund up to par and, following an insolvency, members will be assessed according to the amount of business they write in Illinois that is in the same line as the insolvent company's.

"One thing I would like to make clear," Mr. Verb pointed out, "is that our fund, like all the other state guaranty funds, requires the policyholder or the claimant to be a resident of Illinois in order to collect." Otherwise, he must go to his own state's fund—if it has one—for redress.

Vincent Vaccarello, chief deputy director of insurance, noted that the Illinois law is unique because it requires property and liability insurers in the state to establish a policyholder security deposit account of up to $10 million. The deposit must be made in a bank approved by the department of insurance, he added, and it must be in approved securities.

The amount required on deposit, Mr. Vaccarello told *Business Insurance*, is 65% of the company's total premiums in property and liability lines. One-half of that amount must be on deposit by Dec. 31, 1971, and the other half by Dec. 31, 1972. A certified statement from the bank confirming the deposit must be received by the department at least once a year.

"Any insurance company that does not make a minimum of 80% of the requirement by each of the two deadlines," he said, "cannot write business in Illinois." ■

Auto rate drop not for fleets

CHICAGO—The 10% average auto liability rate reduction announced here by Kemper Insurance is for private passenger cars in Illinois and will not affect commercial vehicle rates.

A spokesman in the fleet underwriting department told *Business Insurance* that fleet rates, based on that category's loss experience, are constantly reviewed and that if a rate drop is indicated Kemper will implement it.

Senate committee views two product safety bills

WASHINGTON—A bipartisan drive appeared to assure that "strong, effective product safety legislation," as one committee member put it, would come out of hearings on two product safety bills currently before the Senate commerce committee.

The hearings included considerable discussion of product liability aspects of the subject, but there was no scheduled testimony from insurance industry witnesses.

Sen. Frank E. Moss (D.—Utah), consumer subcommittee chairman, said significant differences exist between the bills under consideration—one sponsored by himself and the commerce committee chairman, Sen. Warren G. Magnuson (D.—Wash.), and the other proposed by the Nixon Administration—but that national product safety legislation was "an idea whose time has come." He said the strongest points in each bill could be used to achieve "our shared objectives."

Elliott L. Richardson, Health, Education and Welfare secretary, spoke in favor of points in the Administration bill, but made several concessions that reflected his eagerness to have a law put into effect.

ARNOLD B. ELKIND, chairman of the National Commission on Product Safety until its active period expired last September, was a leadoff witness for the Magnuson-Moss bill. Mr. Elkind, whose commission did the spade work on product safety legislation, urged the committee to provide "some safeguard" in its final bill to protect injured consumers who might be confronted in law suits by the defense that the products involved were covered by a government standard.

"If a jury hears there's a standard, it's reluctant to act," said Mr. Elkind, noting that the Magnuson-Moss bill would entitle an injured person to sue in U.S. district court for treble the damages sustained plus attorney fees and court costs while the Administration bill would not afford this opportunity.

On another point, the Administration bill was considered somewhat pioneering. Its provision for enforcing standards set would open the way for suits by insurance companies that might seek enforcemet as well as by consumer advocates pressing for it.

According to commerce committee staffers, product liability aspects of the proposed legislation were not expected to play an important part in the remainder of the hearing sessions. It was explained that one reason insurance industry witnesses were not listed was that no insurance men had asked to appear. ■

The Oregon Dental Assn. received a dividend of 26.5% on its workmen's compensation insurance premium from Industrial Indemnity Co. William T. Waste, Industrial Indemnity's division manager at Portland right, presented the dividend check to Dr. James W. Tinkle, president of the dental association. The presentation brings to $43,000 the total dividends earned by the association which has been with Industrial since 1966. In making the presentation, Mr. Waste noted that the dividend was made possible by the excellent safety practices carried out by the members of the association. In addition, members achieved savings on their workmen's compensation insurance through participation in the group.

U.K. auto cover losses

Statistics issued by the British Insurance Assn. show that companies covering auto liability in Britain met a $75 million loss last year, the worst that has ever hit them, out of premium income of $510 million.

New malpractice plan uses risk management

CHICAGO—Risk management concepts will be introduced into a cooperative program to provide medical professional liability insurance in 26 states where it is not presently offered on an organized basis.

The program, announced jointly by the American Medical Assn., CNA Insurance and Marsh & McLennan Inc., insurance brokers, will provide for "peer review" of doctors who apply for coverage in the program. Also, the first $100,000 layer of coverage is subject to profit-sharing and a cost-plus formula under which members may receive a credit reflecting income from the premiums collected for this layer of coverage.

Coverage up to $1 million will be provided on a traditional insurance basis, and a further $4 million layer may be available to applicants meeting certain additional eligibility requirements.

A spokesman for CNA Insurance said that premium rates will be developed for individual states based on malpractice claim experience. These rates will be debited or credited for the individual risk according to the doctor's type of practice and determinations of an eligibility review panel of the local medical society.

The program is designed to provide personal professional liability coverage for members of the American Medical Assn. and does not extend to providing liability coverage for hospitals or other institutions.

Dr. Carl Hoffman, president-elect of AMA and chairman of its professional liability committee, said that malpractice claims are "epidemic" and frequently arise from treatment performed in hospitals. He attributed the rise in claims not to greater carelessness by doctors but rather to general claims consciousness and the use of "allied personnel." ■

Insurance exec indicted on pension loan payoff

NEW YORK—An insurance executive who is also a special consultant to a Teamster pension fund has been indicted on charges of obtaining a $55,000 kickback to approve a pension fund loan to a financially floundering textile firm.

Indicted by a federal grand jury here last month was Allen M. Dorfman, who, according to the indictment, serves as president of the "American Overseas Insurance Co. in Chicago" and as special consultant to the Central States, Southeast and Southwest Areas Pension Fund of the International Brotherhood of Teamsters. Investigation by *Business Insurance* revealed no American Overseas in Chicago.

Mr. Dorfman, who was acquitted as a co-defendant in the 1964 jury-tampering trial that convicted former Teamster prexy James R. Hoffa, was indicted by the same federal jury here that questioned Mr. Hoffa last April when he was brought to New York from federal prison in Lewisburg, Pa.

The federal prosecutor in charge of the kickback case, Richard Ben-Veniste, said that the two-count indictment charged Mr. Dorfman with conspiring to obtain an illegal payment and with receiving it in 1967 to influence a loan from the union fund to Neisco Inc., a North Carolina textile concern. Neisco, court records show, is now in bankruptcy.

The indictment accuses the insurance executive of soliciting and receiving $55,000 as a kickback to influence a loan to Neisco that is believed to have amounted to $1.5 million.

Mr. Dorfman was a former insurance agent in New York State, but in 1954 he lost that right after his Chicago agency was criticized by a Congressional committee investigating union racketeering. ■

Investment . . .

Continued from page 1

Triple IA into being lie in its loss-sharing and dispute settlement provisions.

Losses under the multilateral setup would be shared by agency members and the host country. This mutual liability is being stressed as a means of improving the investment climate, but several Latin American countries have indicated that it grates against their concept of sovereignty "sobre todo."

It was explained by a World Bank official that "in the view of some of them, the agency, by taking the place of a company to get compensation, would put the foreign company at the same level as the sovereign state." There are also differences over the Triple IA principle of having all participating countries make a financial commitment for loss sharing or sharing of administrative expenses.

On settling disputes, the question centers on mechanism. The Nixon Administration favors increased use of the International Center for the Settlement of Disputes, created by the World Bank in 1965 and sponsored by 62 countries, none of them Latin American. The alternative being considered is an arbitration unit within Triple IA, which would handle only Triple IA matters.

According to the World Bank, there is also the problem of getting countries together on what limit there should be on their liabilities. "There's a general consensus that there should be some liability on the part of developing countries, but the question is how much," said a spokesman. "We're dealing here with countries as advanced as Spain and as underdeveloped as Upper Volta. It gets complex." ■

GUIDE TO FEATURES

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Waterbeds afloat even without insurance

(Business Insurance associate editor Annette Duffy, in one of the most sensual assignments to come her way, delved into the insurance-related problems of waterbeds recently. It took some research, of course, and in the true journalistic spirit she spent several afternoons romping on beds for sale in the New York area. The result, for readers, follows. And for Miss Duffy? She ended up buying a waterbed—from a retailer that has product liability insurance.)

By ANNETTE DUFFY

NEW YORK—A recent bicycle tour of Manhattan waterbed stores acquainted *Business Insurance* with a collection of friendly, hirsute businessmen, most of them in their 20s, busily selling waves to sleep on but not quite as successful at convincing the insurance industry to back them up.

"No product liability insurance," Michael Lorberblatt said succinctly over the phone, "but plenty of confidence." We set out for Michael's downtown loft, headquarters for his Dura-Seal Waterbed Co., to be filled in on further details, and arrived to find the elvator entrance blocked by a very pregnant grey cat. "Emma," said a lanky, ponytailed youth who had appeared from the depths of the loft, "you can't stay there." He carefully moved Emma away. "Want a beer?" he asked, escorting us to a big round waterbed where two customers and a stocky salesman in levis were already drinking beer and examining the bed.

"I'm David," said the salesman. "Michael is out right now, but I'll tell you whatever you need to know. We don't have product liability insurance, but we've had no need for it either. No dissatisfied customers, you see. We sell our beds with a frame and liner. Any leak is almost always a pin-prick that just dribbles water. The water is caught by the vinyl liner inside the frame, and the hole can be easily patched—like a punctured inner tube. No damage, no insoluble problem. If a freak bed appears with a badly sealed seam, the leakage is noticeable while they're still filling the bed—also inside the frame and liner. The customer returns the waterbag, we give him another—for nothing of course—and that's that. We've been selling between three and six beds a day, and there's been no problem."

WHAT ABOUT the story of the California man whose balcony collapsed under the weight of his waterbed? "A king-size bed might weigh 1,600 pounds when it's filled," David explained, "but that displaces to about 50 or 60 pounds per square foot. You know, a refrigerator weighs more than that per square foot when it's filled with food. Most floors are more than strong enough to handle these weights, and you can check if you're not sure about your own place."

At $79 for a king-size model with frame and liner, Dura-Seal's waterbed is the cheapest in town, but the price does not include an electric heater. "We use a one-inch foam pad to insulate sleepers from the bed," David said. "You need something because at room temperature the water is about 28° colder than your body. But an electrical unit stuck beneath 200 gallons of water seems like a bad idea. Nobody has Underwriter's Laboratory approval yet for a heater, although several are trying; a lot of trouble was caused out in California by people using gutter ice melters and coil heaters under that water-filled vinyl bag."

The vinyl plastic used to make waterbed bags is 20/1,000 of an inch thick, and mainly produced by Union Carbide Corp. and the Pantasote Co. The various waterbed manufacturers buy the plastic from them, and then seal the seams themselves.

"I've got a friend with a thermatron," David said happily. "That's the machine that seals the seams. My friend is really into plastic housing—geodesic domes, you know, and styrofoam sculpture. He'd wanted a thermatron for a long time, and then he found some straight company that didn't know about waterbeds and had lots of these machines and was going bankrupt. The company had an auction and my friend got one for one-fourth regular price. He says it works fine. We're going to start manufacturing our own beds with it soon."

THE TALL BOY looked up from a nearby rectangular waterbed where he was playing with Emma and another cat. "Michael also makes tee-shirts," he said, "with things on them." Things? "Like the Mickey Mouse tee-shirt. He sells them to boutiques. Now he's gonna make a tee-shirt with a 50-cent food stamp on it. Isn't that great?"

We spoke to Michael again by phone a few days later, and he confirmed that the thermatron was in operation. "Dura-Seal is manufacturing its own bags now," he said. "The company has more or less gotten off the ground, and there are certain things we should do, like stamping warnings and explicit instructions on our slips. We are going to explore the legal aspects of liability and other things, but most waterbed companies are too young to afford the high premiums that insurance companies are demanding for product liability insurance."

Continued on page 32

Waterbed owner Annette Duffy looks pretty comfortable, but some sellers are not so comfortable about their inability to get product liability cover. —Business Insurance photo

washington watch

Court access is still a problem in consumer protection bill passage

WASHINGTON—Washington's many consumerists are currently predicting passage by this Congress of an omnibus consumer protection bill. They base their optimism largely on the expressed willingness of the Administration and of Sen. Warren Magnuson (D.-Wash.) and his associates to compromise on provisions in their respective measures in order to assure enactment of a law before the 1972 elections.

To hear many consumer buffs tell it, the only major difference between the Magnuson bill and the Administration's is the question of who will administer the program—the Department of Health, Education, and Welfare as proposed by the Administration, or Sen. Magnuson's hoped-for independent consumer protection agency.

From the corporate risk manager's standpoint, nothing could be further from the truth. An even more important difference between the two bills is the issue of an injured consumer's access to the federal courts.

THIS HAS YET to be resolved, and regardless of the friendly sounding rhetoric from the two sides, debate over this issue is certain to be hot and heavy and could bog down the entire matter indefinitely.

Sen. Magnuson's bill would entitle a person injured by reason of any knowing or willful violation of a consumer product safety standard to sue in the U. S. district courts, without regard to the amount in controversy, for three times the damages sustained.

This has been considered an anathema to the business community since the National Product Safety Commission proposed it over a year ago.

The Administration's counter-proposal would provide consumers with a statutory right to bring suit to enforce the provisions of the proposed new law—not exactly an idea that excites the treble-damage advocates.

ONE AREA FOR possible business community concern is the rather poor argument advanced by the Administration against the Magnuson treble damage provision during recent hearings before the Senator's commerce committee.

HEW Secretary Elliot Richardson carried the ball for the Administration, and the strongest thing he could manage to say against the treble damage provisions was that its value as a club to make business comply with the law was "debatable."

Noting that a person now injured by a defective product would ordinarily have a tort remedy in a state court or, in certain cases, in federal court, Secretary Richardson said, "It is problematical whether increasing the damages payable as the result of legal action would exert sufficient influence measureably to increase compliance with a product safety law."

To further drive this supposedly pro-business point home, he added that "judgments against large manufacturers resulting from such actions could in all probability be absorbed in the cost to the consumer of the manufacturer's products."

Secretary Richardson then made the point that it seems undesirable to multiply the use of the U. S. district courts as forums for individual tort claims particularly under circumstances in which the current limitations on the minimum amount in controversy would not apply.

* * *

SEN. HARRISON Williams (D.-N. J.) has introduced legislation to boost benefits under the Longshoremen's and Harbor Workers' Compensation Act. It is not his first attempt at such a move, but it is the first time since he took over the chairmanship of the full Senate labor committee, which placed him in a much stronger position to do something about his wishes.

Significance of the Williams proposal extends beyond the Longshoremen's Act since sentiment in Washington has been growing in favor of a bill to establish minimum federal standards for state workmen's compensation laws, and, if passed, such requirements would most likely conform to the federal longshoremen's statute.

The principal provision in the Williams proposal would remove the maximum limit on the amount payable weekly to a totally disabled worker. Under the current law, a worker receives two-thirds of his wage as weekly compensation, but this is subject to a $70 maximum. In 1969, Sen. Williams introduced legislation which would have set the maximum at $132.

THE NEW BILL would raise the minimum payment to $54 from the current $18. The 1969 bill called for a $36 minimum.

Other provisions in the new Williams proposal are quite similar to those proposed in 1969. These would permit the payment of compensation without a waiting period when the disability exceeds 14 days rather than 28 days presently required; extend compensation on behalf of dependents to those in a student status from 18 to 23 years old; extend the time for giving notice of injury and filing claim with respect to latent injury; limit the liability of employers with respect to subsequent injuries suffered by employes with preexisting physical impairments, thereby encouraging the employment of handicapped persons; extend benefits—not to exceed $3,500—to cases of disfigurement of the neck and other normally exposed parts of the body likely to handicap the employe in securing or maintaining employment; and, make provision for further financing of special funds by increasing payments from $1,000 to $5,000 from employers in fatal injury cases in which there are no survivors and by assessments upon insurance carriers and upon self-insurers. ■

Touchy Question #63

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Insurance doesn't *pay* losses. All it does is distribute them. The losses are paid by the covered group. Insured or not, every loss is exactly that—a loss; something gone; something of which we are forever deprived, not to be restored by any process of taking money out of one pocket and putting it into another, which is all that the indemnity function of insurance can accomplish.

When losses multiply in number and pyramid in size, they may become too heavy even for the combined support of the whole group. Premiums get bigger and bigger, and may ultimately become prohibitive.

Employers Insurance of Wausau is in the business of preventing this from happening to our family of business policyholders. Our total goal is to hold insurance rates and premiums *down*. Since the only way to reduce costs is to reduce exposures, we have made the quality of our loss control services and of the specialists who deliver them unique within our industry.

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Employers Insurance of Wausau

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info for buyers

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

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

• **A Theoretical and Practical Approach to Risk Management**, a series of six articles by Dr. Tom C. Allen and Dr. Richard M. Duvall of the department of finance at the University of Tennessee, has been published in book form. The book establishes a theoretical base which would allow for the use of a quantitative methodology and incorporates techniques of operations research associated with cost and benefit analysis as tools for the risk manager. Copies are available at $3 for American Society of Insurance Management members and students ($5 for non-members and libraries) on a pre-paid basis from ASIM, 500 Fifth Ave., N.Y., N.Y. 10036.

• **The Valuation Consultant** is a professionally written quarterly, published by the national appraisal firm of Marshall and Stevens, that features contemporary rulings and regulations on values and their application to current business purposes. To receive the publication regularly write John Heath, Vice President, 1645 Beverly Blvd., Los Angeles, Cal. 90026.

• Johnson & Higgins has produced a special two-page bulletin on automated multiphasic health screening entitled **Multiphasic Screening: A Step in Preventive Health Care.** The bulletin deals with examination procedure, costs and the effect of test results, and details six points an employer considering multiphasic screening should consider. Copies are available free by writing Donald R. Marcy, Consultant, Johnson & Higgins, 95 Wall St., N.Y., N.Y. 10005.

• **It's Called a Salary Reduction Plan but Everyone Comes Out Ahead** is the title of a folder for corporate executives and employes from Certified Portfolios, Inc., administrators of tax-sheltered pension and profit-sharing plans. The booklet explains the mechanics of the plan in detail and includes typical questions and answers. For a copy of the folder write Charles R. Billman, Certified Portfolios Inc., 500 Newport Center Dr., Newport Beach, Cal. 92660.

• **For a Small Businessman There's No Such Thing as a Small Disaster** is Commerce and Industry Insurance Co.'s new folder containing material on fire insurance for the preferred small or medium-size business. As Commerce and Industry sees it: "It's a protection and service package for the small and medium-size business that only big business usually gets." It is available free of charge to agents, brokers and buyers by writing Commerce and Industry Insurance Co., Dept. A 14, 102 Maiden Lane, N.Y., N.Y. 10005.

• Airkem Division of Airwick Industries has released **SOS on the Move.** This brochure for the insurance claim man shows how Airkem smoke odor service serves to diminish salvage and business interruption claims and the total loss payment. It describes the products, process and people. For a copy write Lawrence J. Mulcahy, Market Manager, Smoke Odor Service, Airkem Division of Airwick Industries Inc., 111 Commerce Rd., Carlstadt, N.J. 07072.

• Phelps Time Recording Lock Corp. has released a brochure explaining the use of the firm's door lock and interlocking door control. **On Guard No. 110** is available by writing Mike McGreen, General Manager, Phelps Time Recording Lock Corp., 53 Park Place, N.Y., N.Y. 10007.

• **Veil of Steel** is a brochure describing features of Kane Screens and their possible applications to provide security and protection against violence, theft and burglary. Direct requests to Robert Snow, President, Kane Manufacturing Corp., P.O. Box 641, Kane, Pa. 16735.

• **The Changing Goals of Compensation** by Fred Cook, a consultant with Towers, Perrin, Forster & Crosby Inc., is a reprint of an article of Business Management. The material deals with balancing the priorities of business management. For a copy write Towers, Perrin, Forster & Crosby Inc., Three Penn Center, Philadelphia, Pa. 19102.

The Aug. 30 issue of *Business Insurance* will feature a special report on international insurance and risk management, and will include an international Info for Buyers section. Items relating to this topic are welcome for inclusion in the Aug. 30 column. Sample items should be sent, along with price and quantity information and the name and address of your company, to: Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611 by Aug. 11, 1971.

• The mass coverages department of Bankers Security Life Insurance Society, 1701 Pennsylvania Ave., N. W., Washington, D. C. 10006, is offering a booklet discussing the importance of group ordinary (permanent) life insurance as part of the fringe benefit program and compares it with group term insurance. Also included are cost comparisons for both employer and employe under each plan. For copies of **Go . . . Employer's Introduction to Group Ordinary**, write the firm.

• **The Facts about Smoking and Health** has been published by the U.S. Dept. of Health, Education, and Welfare. The leaflet presents a summary of the current knowledge about smoking and health, drawn from comprehensive reports by health agencies and services. It is sold by the Superintedent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 at 15 cents for single orders, $11.25 per 100.

• **Successful Profit-sharing Plans—Theory and Practice** was written for management, plan administrators, trustees, consultants, attorneys, accountants, and others

charged with designing or administering profit sharing plans. The book discusses profit sharing theories and plan objectives giving actual performance data of existing plans. The Council of Profit Sharing Industries, Suite 722, 20 North Wacker Dr., Chicago, Ill. 60606 offers the book for $6 per copy.

• **Group 10/35** by the Bankers Life and Casualty Co. explains their complete group insurance product for employers with from 10 to 35 employes including possible benefit combinations of accidental death and dismemberment, disability income, medical care, dependent life and dependent medical care. For a copy of the booklet write Don E. Packard, Bankers Life & Casualty Co., 4444 W. Lawrence Ave., Chicago, Ill. 60630.

• **Standards for the Installation of Combustion Safeguards for High Pressure Boilers in Grain Handling Properties** has been published by the Mill Mutual Fire Prevention Bureau. The booklet deals with the minimum standards for providing a safe installation and safe operation of fuel burners installed in automatic and semi-automatic fired high pressure boilers. Also included is a list of definitions of terminology and a list of the Mill Mutuals and their regional offices. For a copy write Donald D. Mauger, Assistant Manager, Mill Mutual Fire Prevention Bureau, 2 North Riverside Plaza, Chicago, Ill. 60606.

• **Saf-T-Climb Fall Prevention Device** is a brochure offered by Air Space Devices Inc. that describes, through illustrations and copy, the multiple uses of their climbing equipment for any vertical structure. Complete specifications are included as well as brief case studies. For a copy write Air Space Devices Inc., P. O. Box 338 Paramount, Cal. 90723.

• American Home Assurance Co.'s **Specialized Casualty Guide** is a brief technical outline of all the products presently being underwritten in the commercial casualty department. It explains what the product covers, the market, insurance requirements, and the company's capacity on each line. It is free to agents and brokers by writing American Home Assurance Co., Dept. A 14, 102 Maiden Lane, N. Y., N. Y. 10005.

• Sylvania Electric Products Inc. has made available an article on its **Low-Light-Level TV Surveillance System.** The article is taken from the proceedings of the 1970 Carnahan conference on electronic crime countermeasures taken from information given by D. T. Heckel, product manager of the night surveillance equipment of the company. The article describes in laymen's language the principle of light amplification and how LLLTV cameras function. Photographs are included that show the actual hardware. For a free copy write D. T. Heckel, Sylvania Electric Products Inc., Electric-Optics Organization, P. O. Box 188, Mt. View, Cal. 94040.

• **Security Equipment Catalog** provides a complete description, product by product, of various types of security equipment by Normda Industries and how to use it. It allows the reader to understand and select combinations of security devices to fit any circumstance. Direct requests to C. H. Peterson, Normda Industries, Inc., P. O. Box 20706, San Diego, Cal. 92120.

Benefit program flies high at American

NEW YORK—Despite sagging profits in the airline business, employe benefit programs continue to land and take off. American Airlines recently announced several improvements in fringes beginning next Jan. 1. They include a dental insurance plan, group health insurance improvements and an increase in the airline's retirement program.

Dental benefits, which have not been completely worked out as yet according to a company source, will become effective for all employes next year. In addition, the group health plan, written by The Travelers Insurance Cos., has been modified with the first $50 of covered medical expenses incurred within a calendar year satisfying the deductible provision for that calendar year. The deductible period had previously been renewed on a 90-day basis.

Under the improved retirement plan, American Airlines employes may retire at age 62 with no actuarial reduction in benefits if they have at least 15 years of participation in the plan. This change, however, does not become effective until July 1, 1972.

EFFECTIVE Jan. 1, 1972, minimum monthly benefits under the plan are increased from $15 per year of credited service to: $17.25 if final average salary (best five consecutive calendar years out of the final 10) is less than $10,000; $17.50 if final average is between $10,000 and $12,000; and $17.75 if final average salary is $12,000 or more.

Other changes in the American Airlines package include a sixth week of vacation after 25 years of service; a tenth holiday, the Friday after Thanksgiving, beginning in 1972; and an increase in the maximum unused sick leave accumulation, from 70 to 80 workdays in 1972 and to 90 workdays in 1973.

The announcement of the improved benefits, incidentally, was communicated to employes the same day president George A. Spater told company personnel that "domestic system passenger miles have been running about 8% below last year's poor showing" in the first half of the year and that "it compels cost reduction steps we had hoped to avoid." Included are schedule cuts and workforce reductions. ■

Healy: From Fuller brush man to CNA sleuth

By THOMAS WALSH

NEW YORK—Joe Healy has a criminal's mind, a cop's job and more stories than Uncle Remus.

"They call me the 'chief investigator,' but that doesn't mean a hell of a lot," he says. "I'm the only one they've got."

"They" are the 11 CNA-owned insurance companies whose fishy high-priced death, accident and dismemberment claims are stacked on his desk, awaiting the once-over by this Johnny-Dollar-type who knows all the tricks of the insurance fraud trade. Harlem-born and Bronx-raised, he survived a Korean tank command and returned to New York as a troubleshooter for a brokerage firm, a job which required him to track down the owners of unclaimed stocks and bonds. Thirteen years ago, after spending six months selling Fuller brushes, he started with Continental as a claims adjuster in Syracuse.

"THEY USED to farm out a lot of their investigative work to private detectives back then," he said. "I started to do some of it myself because I thought they were doing a sloppy job. Some vp saw my work and shipped me off to Chicago for three years. I hated it, so they finally let me come back."

Now he's 38, six-foot-two and at least 220 pounds, smokes Tijuana Smalls, drinks canned Manhattans and wears an American flag lapel pin—a symbol of his conservative political views, which two years ago prompted an unsuccessful bid for a seat in the New York state assembly. Last year he handled "a couple of hundred" claims investigations and traveled more than 100,000 miles in the process.

"All of the cases that I get are reported to Chicago. They're all in the high indemnity class. Usually nothing under $50,000. They'll usually run a cursory investigation and, if certain things show up, I'll get it. Things like recent policy purchase, stabbings, shootings, people with eight travel policies who die in a plane crash or one-car fatal accidents. You'd be surprised how many homicides and suicides are chalked up as one-car accidents. You just kill a guy, put him behind the wheel and tow his car into an abutment. Or you pick a bridge and slam into it at 80 miles an hour. The police will often write it off as failure to keep control of the car."

Joe Healy's job as chief investigator for CNA's 11 insurance companies is not one-sided. He turns up evidence in favor of the insured as well as the insurer.

Aside from investigating the "official" accounts of an accident or death, Mr. Healy also finds it imperative to intensively research the policyholder's background and lifestyle.

"MOST OF THE people who will try to defraud us are white-collar workers, college-educated people. The blue-collar worker either can't afford a double-indemnity policy or doesn't read it well enough to take advantage of it. Also, in the case of intentional dismemberment, blue-collar workers usually won't be involved. They need their limbs to work. But, I like the clever man. The one with the good scheme. He makes you work, and he makes you use your head. You have to know enough about him to understand his motivations, to understand how he thinks."

The information hunt usually begins in the subject's home town with family, friends, ministers and even barbers, but many cases, he said, have been broken through information gathered by luck.

"There was an airline bombing case a few years ago. Forty-five people died, and we were pretty heavily involved. One guy was too well insured, you know, and I talked with all the people who knew him and didn't get much. I was sitting in this little gin mill and this girl who turned out to be a nurse said she had read about the crash and said her boss had been treating the guy. Turned out her boss was a psychiatrist. I went out to track him down, but he had blown his brains out with a .45, apparently out of guilt. Another psychiatrist described my bombing suspect as suicidal, so that gave me the motive I needed. You've got to just keep pushing and sooner or later you'll run into some luck—like this nurse."

The motive wasn't enough, though, and it took some luckless drudgery to close the case.

"PEOPLE think this job is a lot of glamour and fun," Mr. Healy said. "After I had the motive I spent a week and a half in hardware stores all over the state trying to find the place the guy bought the dynamite. I finally hit it on the 65th store."

Mr. Healy's investigations have saved CNA countless thousands of dollars on claims and policies voided because of the information they have uncovered. His job, though, is to establish the truth, he says, regardless of what it may cost his employer.

"We had one claim on a 60-year-old man in North Carolina. We had $50,000 on it, and the coroner and police called it suicide. In my opinion it was an accident. They found him in a lake with a tie wrapped around his neck—you know not in his collar, so they figured suicide.

Continued on page 28

Why we're making scratch pads out of perfectly good letterheads.

Like you, we love planning. And hate waste.

Even so, we do have a few MFB Mutual letterheads left over. So we're turning them into scratch pads for Allendale Mutual Insurance Company – the new name for an old company (dating from 1835).

Only the name is different. We're still the world's largest mutual insurer of industrial property. We still offer loss prevention engineering second to none. We're still so organized – and diversified – we can tailor your protection package to your needs. Exactly. With no embarrassing gaps. With no expensive overlapping. Call us. You need us. Allendale Mutual Insurance Company, Providence, R.I. 02904. *Affiliates:* New Providence Corporation, Underwriting Manager for Affiliated F M Insurance Company and Appalachian Insurance Company.

Factory Mutual System

Allendale Insurance

opinions

No-fault is no-fault is . . .

ONE OF THE many things that have clouded the great national debate over auto victim compensation reform has been the confusion in language used in describing various legislative proposals.

Most objectionable of these mistakes in terminology has been the adoption of the phrase "modified no-fault" to describe plans that are actually fault plans embodying some form of advance payments to auto accident victims. *Business Insurance*, along with numerous newspapers and magazines, has been guilty of slipping into this convenient mistake in language.

In our July 19 editorial column, for example, we took exception to the Illinois plan that provides for advance payments for medical expenses and lost wages up to $15,000. Yet the plan permits suits for these damages already paid by the victims' own insurance companies. Therefore, the Illinois plan (like the plans adopted in Delaware and Oregon) is a statutory advance fee plan, and we will call these and similar plans by this name in the future. The Massachusetts and Florida plans do not permit suits for damages already paid as first-party benefts. These plans allow suits for pain and suffering and permit subrogation. These we will call partial or limited no-fault plans.

The only true no-fault plans that have come to our attention are the Rockefeller-Stewart plan in New York and the Davies plan in Minnesota, both bogged down in legislatures under pressure from plaintiffs' attorneys, and the Magnuson-Hart plan, pending before Congress. There are others of course in the plethora of reform bills offered in more than 20 states, but the New York and Congressional no-fault bills are no-fault models.

Standards for no-fault bills that are truly no-fault bills are set forth in "Motor Vehicle Crash Losses and Their Compensation in the United States," the final volume of the report of the Department of Transportation auto insurance and compensation study. It says, in part:

"The goal of the system should be that no recovery for any loss of a type covered by the applicable required coverage would be permitted in any private action for damages."

This has been a goal of those who have championed no-fault plans as the answer to the high cost and red tape of our present auto victim compensation system.

This goal is subverted by those plaintiffs' lawyers who don't want to lose their lucrative fees and by some auto insurers who now realize that a true no-fault plan would cut their cash flow and their tax advantage in reserving for claims.

From now on, let's call statutory advance payments by its real name. While insurers have practiced it for more than a decade some now want to put it into law under the guise of no-fault insurance.

Getting a guy off the hook

ENTERPRISING daily newspaper reporters who have been taught by crusty city editors that they are the watchdogs of the public trust rub the palms of their hands together and chomp at the bit when they get a whiff of a story that puts an elected or appointed government official in a compromising position.

The editors of *Business Insurance* have had daily newspaper experience and it is difficult, if not downright impossible, to forget crusty old city editors. And so, when the scent of a rather juicy story wafted across our desks recently, we were ready, to use a journalistic colloquialism, to "hot type hell out of it."

The story involved Richard E. Stewart, New York's former superintendent of insurance who, late last year, resigned that post to join First National City Bank as senior vp and general counsel.

Mr. Stewart, or so the story went as it was widely circulated within the industry, made a ruling favorable to banks less than a month before he resigned the job to take an executive position with the bank. The ruling—or, more precisely, the insurance department circular letter that registered its approval on the subject—allowed banks to act as the middleman in wholesale life insurance contracts written on bank depositors. First National City, four months after Richard Stewart joined, announced its intention to become the first New York bank to do just that.

Of course, the implication that was drawn from this "juxtaposition of events" was that Mr. Stewart was guilty of a measure of impropriety.

This magazine does not make a business of chasing rumors. But because of the innuendo in this particular story we decided to dig a little deeper than the reports then making the rounds. The result was the front page story in *Business Insurance's* last issue, for which we talked with Mr. Stewart, his successor in the N.Y. insurance department and the insurer that is underwriting this new form of wholesale life—as well as representatives from interest groups opposed to tie-in sales of life insurance to savings depositors.

From the facts assembled in that story it looks as if Mr. Stewart's reputation as an insurance regulator has withstood a frontal assault of sorts.

Once in awhile, even for those who remember crusty old city editors, it's a nice warm feeling to get a guy off the hook.

business insurance

for buyers of employe, property and liability protection, pension investments, financial services

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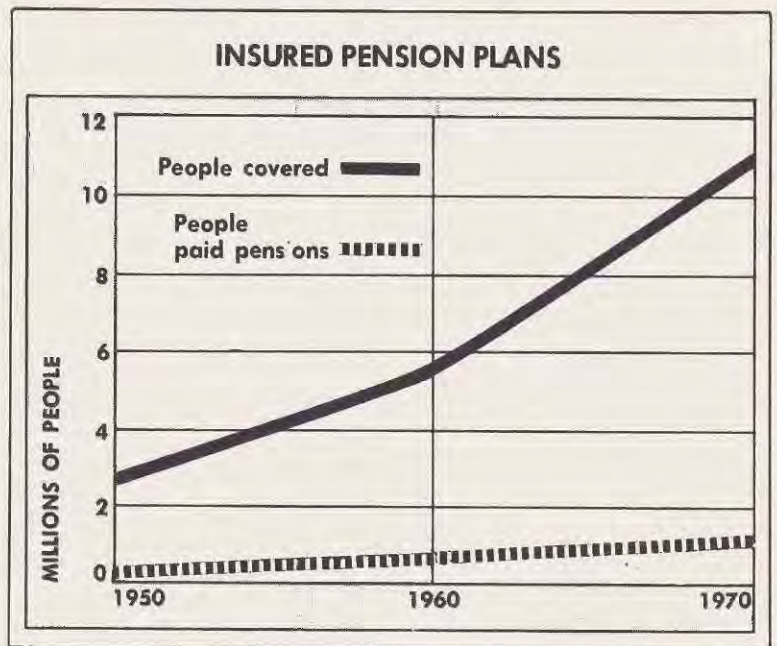

The number of people covered by insured pensions has doubled since 1960 and the number receiving pensions has more than doubled in that time. The nearly 11 million people covered at the end of 1970 included 9.8 million active workers and 1.2 million retired people. Source: Institute of Life Insurance

Insurers should step in

INSURANCE companies that handle product liability coverage for consumer goods companies could save themselves a lot of money in damage claims—and create much good will—by taking out ads to warn consumers of unsafe or tainted products being recalled by their policyholders.

Inspiration for this suggestion stems from the Bon Vivant soup situation, where the death of a New York man and the serious illness of his wife were linked to poisonous bacteria in a can of Bon Vivant vichyssoise. Bon Vivant itself, far from running ads warning of the danger, has canceled advertising.

The important thing, from both a humanitarian and a dollars-and-cents point of view, is to get the rest of the company's soup stock off the shelves of grocery stores and consumers' cupboards as fast as possible, in order to prevent further illness or even death. What's needed is a radio, television and print saturation "alert."

Sears, Roebuck & Co. last summer acted in an extremely responsible manner when it ran newspaper ads across the country warning consumers that one model of its Touch-'n-Go blender might have been unsafe. Of course, Sears executives probably were acutely aware of the dangers of product liability suits through contracts with their Allstate Insurance subsidiary.

It would have been hoped that Bon Vivant would have acted in an equally responsible way, but apparently the company's executives have no such intention. They aren't even answering their phones.

The next best thing would be for Bon Vivant's product liability insurer—which stands to lose hundreds of thousands of dollars in any legal action brought by the dead man's family—to move quickly to plaster Bon Vivant's distribution area with warning ads.

Reprinted from Advertising Age, July 19, 1971.

letters

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

Plaudits for Francis

To the Editor: You recently concluded a series of fascinating columns in *Business Insurance.* I'm referring to the eight columns in your Perspective section by Bion H. Francis. My reason for writing is to commend you for running these articles and to inquire as to the possibility of acquiring a reprint of them in total. I expect that quite a few people have admired the columns enough to write you about them and some may also share my desire to have copies.

Daniel J. Sawyer
Hartford Steam Boiler Inspection and Insurance Co., New York, N.Y.

Editor's note: Mr. Sawyer is one of a number of readers who have expressed interest in obtaining reprints of Bion Francis' series on career advancement through education, retirement and other subjects of interest to employes and executives. We would like to hear from other readers interested in obtaining copies of the series. If there is enough interest, we will reprint the series and offer it to readers.

'Agencies' clarified . . .

To the Editor: With reference to the article "Collection agency caused $12,000 worth of anguish" there can certainly be no quarrel with the facts as stated. The legal decision is obviously a matter for the courts and is not within our province to dispute.

However, there is a technical matter that we feel you would want to have brought to your attention—the distinct and absolute difference between "collection agency" and the collection department of a creditor. A collection agency is a specific entity, governed by appropriate regulations. Malfunction jeopardizes its license.

You will recognize, therefore, that your heading is in error. The action referred to did not involve a "collection agency." As you point out, it had to do with GMAC.

Our concern to point out the difference is involved in our effort to clarify the stereotype of "collection agency." We have uncovered that perhaps 90% of consumer complaints refer to collection departments and not to collection agencies.

We hope you will accept this in the spirit in which it is written: a constructive contribution for accuracy in journalism.

Max Ferber
Chairman, Public Relations Committee, California Assn. of Collectors, Los Angeles, Cal.

. . . and clarified again

To the Editor: The headline of the article "Collection agency caused $12,000 worth of anguish," (*Business Insurance,* June 21) published in your magazine indicates to me that you are on a committed course of advancing the cause of irresponsible journalism. Any thinking person should realize that GMAC is not a collection agency. The fact that they do collect money does not justify the use of the phrase

Continued on page 28

There are two ways to find out if you have the right overseas contractors insurance.

A disaster or a phone call.

NEW YORK (212) 344-9200
CHICAGO (312) 939-5858
DALLAS (214) 748-5551
DENVER (303) 825-9115
DISTRICT OF COLUMBIA (202) 737-6855
HOUSTON (713) 224-1736
LOS ANGELES (213) 385-5221
MIAMI (305) 448-1703
NEW ORLEANS (504) 529-2601
PITTSBURGH (412) 261-4955
PORTLAND (503) 228-0133
SAN FRANCISCO (415) 982-7200
SEATTLE (206) 622-4616
TULSA (918) 587-8481

Most overseas contractors take out overseas Contractors All Risk insurance.

But what they don't do is take the time to find out how complete it is.

As a result, many of them have to find out the hard way. Which is a shame.

Because with a simple phone call to his agent or broker, any contractor can find out the easy way. All he has to do is compare his current plan with the plan he can get from AIU.

A very tough comparison. But one that could save him a lot of money in the long run.

You see, for one thing, unlike other companies who handle C.A.R., the people at AIU are willing to discuss all types, sizes and varieties of risks. In fact, we write risks that other people won't even consider. Like wet risks and petrochemical installations.

Furthermore, we can add to our basic policy a lot of things a lot of other companies won't. Such as inland and ocean marine. Installation floaters. And the very important Third Party Liability.

We'll even write contractors' policies in English or the local language. Or both. And in most cases we can settle claims in dollars or the local currency. Or both.

And we've got more experience writing overseas business for contractors than any other company. And we've got it in over 130 countries.

Another important feature is at AIU we even have our own staff of engineers all around the world, ready and able to come and talk directly to a contractor's engineers in their own language.

Now if you're a contractor, and your present coverage stacks up against what AIU can offer you, that's fine with us. But if it can't, ask for our new brochure and learn a little bit more about our coverage. Give us a phone call. Because that's all it will take today.

Tomorrow might be another story.

American International Underwriters

A member company of American International Group
Dept. A-14, 102 Maiden Lane, New York, N.Y. 10005

london line

Crime breakthrough identifies glove prints—if Sherlock had only known

LONDON—Scotland Yard has made a crime breakthrough that will help trap thieves in major robberies and aid loss prevention. It now claims that it can identify a criminal by his glove prints.

The British courts have upheld this claim, which is regarded as being as important scientifically as the discovery of the fingerprint system many years ago.

Insurers are watching for further evidence that it is foolproof, as it will have a vital effect on thefts from offices and commercial premises by "walk in" robbers who feel they are safe if they wear gloves.

THE DISCOVERY was revealed at London's criminal sessions court after Gerald Lambourne, head of the Yard's famous fingerprint bureau, had worked for years to build up a scientific process that would solve the classic problem of criminals who wear gloves. He finally created a technique that matches the seaming, texture, and indentations on all kinds of gloves into a pattern that can be recorded by photo processes.

Glove marks that were left after a construction office was robbed in London were used to trace a criminal, whose own gloves were found to match them exactly.

Prosecution counsellor Colin Hart Leverton told Judge Noakes at the trial court: "This means that from now on criminals will receive no protection from gloves they wear when committing crimes. The chances of finding matching gloves are the same as one man's fingerprints matching another. This applies to gloves whether they are man-made or natural, whether they are leather, nylon or rubber."

Praising Scotland Yard for its scientific discovery, he added: "This is the first time in crime investigation in Britain, and possibly throughout the world, that a criminal has been brought to trial and convicted solely on the evidence of glove prints."

* * *

RUBBER WORKERS in London have won two major court awards against British industrial companies because they contracted bladder cancer from a chemical product on which they worked nearly 30 years ago.

Altogether, 450 cases of such cancer in the rubber industry were discovered by last fall. The two men who shared $50,000 damages in the high court have set the pace for other litigation to follow.

Judge O'Connor held that Imperial Chemical Industries and Dunlop Rubber Co. were both negligent for not sufficiently foreseeing, or screening, the potential hazards of the product Nonox S, on which the two workmen had been engaged. He ruled that its dangers were such that its production should have stopped in 1940, but it was still being made nearly 10 years later. Now fears of its health effects have been fulfilled 20 years later, with the cancer having stayed latent all that time.

* * *

RISK MANAGERS here were reminded of the difference between U.S. and British laws when they were given advice on export business contracts at an educational seminar of the Assn. of Insurance Managers in Industry and Commerce.

The suggestion that listing in a local telephone directory is regarded by many U.S. courts as providing proof of jurisdiction was put to them. Mr. Brian Cookson, executive secretary of the British Aircraft Corporation, told them:

"Export business arrangements may give rise to unexpected forms of legal liability. It is unlikely that a local court concerned with a claim by one of its own nationals will refuse to deal with the matter.

"The most favored test is one of contact. Are there sufficient points of contact within the court's jurisdiction?"

THEN HE pointed out that "a popular evidentiary point" in the U.S. was a phone book listing, and few judges seemed to have been concerned with the view that some exporters might hold that this was a rather liberal definition of "permanent establishment."

He warned them that although British law still recognized the right of a seller to contract out of his liability in negligence to a buyer, U.S. courts in many states had gone dramatically in another direction.

Such courts were ready to attach liability to a seller regardless of whether he was responsible for the item within his product which was proven to have been negligently designed or manufactured.

This could make life difficult for a foreign exporter, who might find it hard in his own country to recover his losses from the actual culprit who had made or supplied the original goods.

* * *

AMATEUR FOOTBALLER Alan Edmund Lewis, 27, of Eastbourne, near London, has been awarded $12,000 damages because he was kicked on the shin in a match three years ago.

He will never play football again, and had two operations before his leg got better.

Roger Brookshaw, the player who kicked him in a big league match, was uninsured. So it will take 40 years to pay off the damages at the rate of $30 a month. Now sportsmen are pressing for all amateur sports teams to be forced to take out insurance to cover accident injuries.

* * *

LAWYERS have won a rehearing for a Lloyd's syndicate which was ordered to pay $150,000 to a Panama shipping firm whose vessel, the Anita, was seized in Saigon five years ago. (*Business Insurance*, Aug. 31, 1970.)

The underwriters failed in a claim that as it was carrying

Continued on page 16

International call

The *Business Insurance* International Issue to be published Aug. 30 will carry a special service supplement, a handy guide to special international services available to employe benefits administrators and risk managers. Insurance carriers, insurance brokers, special advisory organizations and other firms operating in the areas of international employe benefits and international property-liability insurance are invited to contribute.

Business Insurance readers who offer special international services are invited to send a brief description of their services with the name of the company, its address and phone number to Leslie Murray, Editorial Assistant, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611. Items submitted to the guide should be in our office no later than Aug. 13.

Federal intervention is a threat to workmen's comp, attorneys hear

NEW YORK—The crystal ball seemed to be cracked so three fortune tellers had to view the future of workmen's compensation through somewhat of a mist at the American Bar Assn. convention. Mist? Or was that a veil of tears?

Sterling L. Hilen, an attorney, Andrew Kalmykow, counsel for the American Insurance Assn., and John V. Keaney, chairman of the Maine Industrial Accident Commission all told the insurance, negligence and law section that the federal government formed a threat to state-administered workmen's compensation programs.

Mr. Hilen said that a national health insurance system was inevitable and that such a system could lead to the end of state workmen's compensation plans. He said that the way to stave off the federal intervention was to upgrade the present compensation programs.

WHILE TELLING the assembled lawyers that the American people were no longer afraid of federal intervention, he noted: "There is little question that a large segment of the population views our healthcare system as inadequate and with considerable justification.

"As a result we will unquestionably have a national health act," he went on. "This act, however it may turn out, will contain within it the seeds of similar pressures in the field of workmen's compensation, because the two are intimately linked. Passage of a national health act could further undermine our present workmen's compensation system."

He pointed out that the two major proposals, Sen. Edward Kennedy's and the Administration's, did not directly affect workmen's compensation but should be considered dangerous because the present system works unevenly.

"This nation has 50 different workmen's compensation systems —some good, many only mediocre. From Capitol Hill, the valleys are more visible than the peaks. In cases where a given state has unreasonable limitations on medical benefits for injured workmen, the temptation to extend to them national health coverage will be well-nigh irresistable. It is not inconceivable that in some states the legislatures themselves might propose such a move, eliminating medical benefits entirely from their workmen's compensation law.

MR. HILEN said that the cost of work-incurred injuries should be calculated as part of the cost of the manufactured product and, in an effort to control costs, an employer should spend time and money developing a good safety program. He felt that tax-supported health insurance would deprive the employer of this safety incentive.

Urging cooperation among all those involved in workmen's compensation, Mr. Hilen suggested, "The way to prevent further encroachments is to correct the deficiencies which inspire them in the first place—make workmen's compensation live up to its promise in every state. To permit, through inaction, a federal takeover which would destroy the present strengths of workmen's compensation is unjustifiable; to allow the system to destroy itself because of correctable deficiencies should be unthinkable."

Mr. Kalmykow said that "if sufficient effort is not made to keep workmen's compensation benefits current with today's wages and prices, other alternatives will be sought which may well prove less satisfactory from the point of view of both employers and employes."

Commenting on the Occupational Safety and Health Act and the Federal Coal Mine Health and Safety Act, he said that OSH "is of the most far-reaching potential importance. It gives the federal government, for the first time, the power to go into virtually every place of private employment in the country and indicate how it shall be operated from a safety and health viewpoint."

HE MENTIONED numerous other bills pending in the Congress, and commented on the newly appointed presidential commission to study workmen's compensation. "While Congress has not always followed the recommendations of national commissions, there appears little doubt that the findings and recommendations of this commission will have a profound effect on workmen's compensation. At the very least, they will stimulate further Congressional action."

He also felt that there had been a marked trend toward duplication of workmen's compensation and Social Security legislation.

"This year," he said, "the House passed a bill which would have permitted combined benefits of up to 100% of average current wage. In many cases, this would have exceeded take-home pay since combined benefits would be tax-exempt.

"The Senate finance committee, aware of these undesirable possibilities, eliminated the provision from the bill it reported. But it was restored on the floor of the Senate and the bill passed as it had passed the House.

"FORTUNATELY," he continued, "it failed of actual enactment when the conference committee was unable to reconcile differences in the closing days of the session. Thus, a serious adverse effect on workmen's compensation was narrowly avoided."

Mr. Kalmykow concluded his statements by pointing out "that Congressional attention is seriously focused on the operation of the workmen's compensation system. This is a time of questioning and appraisal. Values must be demonstrated, not assumed. It is essential that the value of workmen's compensation be apparent without doubt. Concentrated effort is necessary to this end. I think it can be achieved."

Mr. Keaney told those assembled that the only way to avert a federal takeover of the workmen's compensation system is ongoing review and legislative action at the state level resulting in the updating of the various state systems.

He reported that 41 states would probably change their workmen's compensation laws this year but that the threat of federal intervention, if not immediate takeover, remained.

"WE FEEL THAT states are best equipped to determine the course of and run the workmen's

Continued on page 33

for the record

$190,000 for women in discrimination case

LOUISVILLE, Ky.—Score one for liberated women.

In the largest settlement ever ordered in a sex-discrimination case under the 1964 Civil Rights Act, the Anaconda Aluminum Co. here will pay $190,000 in back wages and court costs to 276 women.

Until 1967, Anaconda's collective bargaining agreement with the Aluminum Workers International Union classified jobs as "male" and "female," with the female jobs generally paying less. The classifications were then amended to read "light" and "heavy," with the women generally being restricted to the lower-paying "light" category.

In July, 1967, after laying off 175 women and 50 men in 1965, the company began hiring new male employes for the "heavy" jobs rather than calling women who had "light" category seniority. The settlement was granted to compensate the women for lost seniority rights and wages.

Title VII of the act requires each individual to be judged on his or her ability to perform the work, and prohibits employers from assuming all women cannot do heavy work.

The equal employment opportunity commission has termed the settlement "a clear indication to employers and unions that sex discrimination is awfully expensive."

New catastrophe pool for Texans

AUSTIN, Tex.—All counties touching the Gulf of Mexico along the Texas coast are now eligible for a new catastrophe property insurance pool.

Ned Price, State board of insurance board chairman said businesses and homeowners in the most endangered counties can buy insurance before the hurricane season starts.

The eligible counties are Cameron, Willacy, Kenedy, Nueces, San Patricio, Aransas, Refugio, Calhoun, Matagorda, Brazoria, Galveston, Chambers, Jefferson.

A new state law authorizes all property insurance companies in Texas to share evenly the risk of coverage for buildings in areas subject to hurricanes and hailstorms. Insurance trade associations and the insurance board won passage of the law after coastal residents complained that they could not get insurance.

Work comp pensions raised in Washington

OLYMPIA, Wash.—Washington's 7,000 workmen's compensation pensioners are receiving larger monthly checks, said Phillip T. Bork, supervisor of industrial insurance, state department of labor and industries. The increased benefits result from enactment of house bill 735, which reformed the state's workmen's compensation law.

Totally, permanently disabled workers who were injured before Aug. 6, 1965, will receive the following increases: if single at time of injury, up $20 per month; married at time of injury, up $25 per month; woman worker with invalid husband, up $25 per month; woman worker with able-bodied husband, up $20 per month.

All widows and invalid widowers whose pension benefits are based on injuries occuring before July 1, 1971, will receive a total of $185 per month, Mr. Bork explained.

In the past, such increases for pensioners whose benefits were based on older and lower benefit schedules were funded from the state's general fund. Under the new law, these increases are provided by an assessment of 5 cents per work day against the current business and labor force; 2.5 cents is deducted from the wage of each worker and matched by an equal amount from his employer.

Searle wins pill suit, appeals two others

SKOKIE, Ill.—G. D. Searle & Co., pharmaceutical manufacturer, won a $1.5 million suit that alleged Enovid, its oral contraceptive, brought death to one woman and injury to another.

The suit was filed jointly by Robert H. Lawson, Sandy, Ore., and Mr. and Mrs. Karl Holmes, Carpentersville, Ill. Dangerous blood clotting as a result of taking Enovid was charged by the plaintiffs. Plaintiffs' attorney had introduced scientific studies indicating that the drug increased the likelihood of clotting between four and nine times and the attorney for Searle introduced contradictory evidence during the trial.

Verdicts against Searle in two other pill suits are being appealed.

Vote better work comp benefits in California

SACRAMENTO, Cal.—The California assembly has defeated modifying amendments and has passed along to the senate a major liberalization of California's workmen's compensation insurance program. Under the program benefits would be increased by an estimated $60.2 million a year and employer premiums would rise by $96.8 million.

The vote was 50-12 after a 40-34 defeat of amendments that Pail Priolo, Pacific Palisades Republican assemblyman, said would "more equitably adjust a program under which major disabilities often are under-compensated and minor injuries over-compensated."

The final bill increases maximum weekly compensation for temporary disability from the current $87.50 to $105 and boosts the maximum for permanent disability from $52 to $70 a week. The bill also would raise death benefits for widows from $20,000 to $25,000 and for widows with

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London Line

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smuggled goods it was excluded from their marine risks policy, which covered total loss under a war-risk clause that excepted smuggling seizures. But a high court judge ruled that although it was seized because it was secretly carrying contraband, the Vietnamese court had no valid legal powers to do this and Lloyd's must pay up as if it were a full war-risk loss.

Three superior court appeal judges have now made a different ruling, which agrees that the Saigon court, which was set up as a wartime emergency to deal with contraband, was right. They feel that although it was a military court in many ways it acted quite properly within its country's laws.

The effect is that Lloyd's can delay their $150,000 pay-out until Britain's supreme court, under five top appeal judges, gives a final ruling on the complications of Vietnamese wartime powers.

* * *

BIGGER COURT awards in the errors and omissions field are causing anxiety to Lloyd's underwriters, who feel that they will start losing money unless premiums are moved to a new level.

The idea that there will have to be some effective limit imposed by law on the degree of liability has been put forward by Charles N. Close-Smith, of Lloyd's, who told *Business Insurance*:

"In the past few years law courts in the U.S. have tended to widen the interpretation of professional error. I don't mind what the law is, provided I can produce an adequate rating and wording to cover the public. But if the public want this kind of court awards, which are moving sharply higher in the U.S., then they must pay the appropriate costs for the privilege.

"If they don't want to pay the increased fees to cover these higher premiums, then there will have to be legal limits of liability, just as happened in the last century to make investment in joint stock companies acceptable.

"The problem now needs a political solution being imposed on it, rather than being allowed to drift. A decision by politicians to do nothing will mean still higher court awards and the anti-social difficulties that will follow them." ■

speaking of security

Historic documents get tight security at Washington's National Archives

By CAROL RATISHER

WASHINGTON—At 10 p.m. every night the Declaration of Independence, the Constitution and the Bill of Rights are lowered into a fireproof, bombproof vault located 20 feet below the floor of the main exhibit hall of the National Archives. The documents stay locked in the steel and concrete vault until the building is opened to visitors the next morning.

While on display, an airtight glass and bronze case protects the documents from heat and cold, sunlight and moisture. During the day, a guard is stationed at the display case at all times, and at night an alarm system protects the documents. At the approach of an intruder, a light is flashed on a board in the guard room, pinpointing his location, and an alarm sounds. The Archives' security force is provided by the Justice department.

Dr. Virginia Purdy, Archives exhibits director, reports that nobody has ever tried to get into the Archives after closing, and nobody has ever tried to steal or damage the Constitution or the Declaration of Independence. This is partly because these and other documents on display have no cash value, Dr. Purdy points out, unlike the precious gems or other valuables in art museum collections. Minor damage to display cases has been the only problem to date.

THE ARCHIVES' major concern in keeping the documents sealed in a vault overnight and under 24-hour guard is protection from possible fire, bomb attack or other shock, Dr. Purdy notes. During an emergency, other precautions may be taken. During World War II the Declaration and Constitution were sealed in a vault at Ft. Knox, Ky.

Damage to the documents by exposure to temperature changes, dampness, light and the inevitable process of aging is another serious concern. Current exhibit procedures, developed in 1951 after much government research, are designed to preserve the documents for centuries.

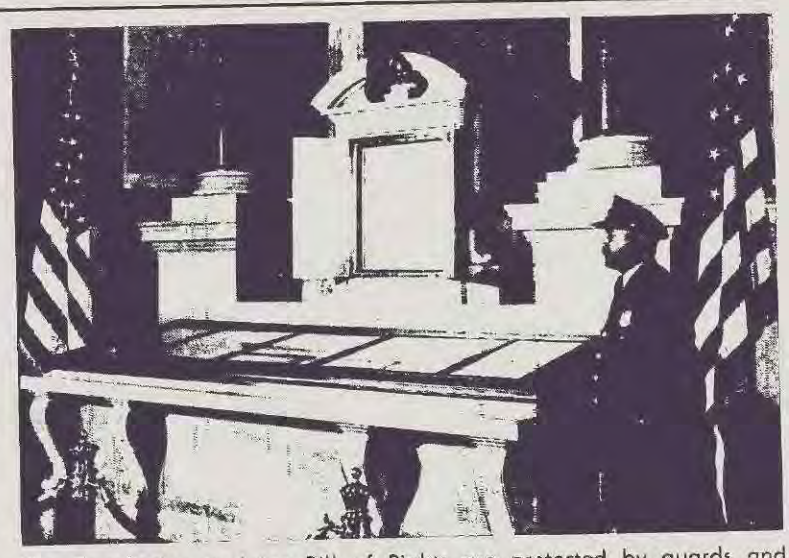
The pages of the Declaration and Constitution are sealed into individual airtight thermopane glass and bronze cases containing helium and small amounts of water vapor. Special laminated glass filters with a plastic interlayer block out harmful light rays. A leak detector built into the case also serves to prevent the parchment from coming into contact with air.

The Declaration of Independence, however, already bears the marks of the overzealous handdling and poor display procedures of the past. Between 1776 and 1800 the Declaration more or less followed the Continental Congress and was stored or displayed in Philadelphia, Baltimore, Philadelphia again, Lancaster, Pa., York, Pa., Philadelphia, Princeton, Annapolis, Trenton, New York, Philadelphia, then Washington, D.C.

WHILE IN Washington, the Declaration was displayed in a glass frame opposite a tall window in the Patent Office for 35 years, where direct sunlight further faded the document. Earlier, a facsimile made in 1820 damaged the document by lifting some of the ink from the parchment onto the engraving plate. By 1876 a Philadelphia newspaper called it "faded and timeworn" and noted that many of the signatures were "wholly invisible," a description that still fits.

There's no insurance on the Declaration or Constitution, or any other objects or documents on display at the Archives. These run from Washington's inaugural address and the Louisiana Purchase Treaty signed by Napolean Bonaparte, to a pair of hand-carved ivory lamps presented to President Kennedy by India's late Prime Minister Nehru. The Archives feels there is no way to insure something that's not replaceable, a policy followed by many museums.

The National Archives does require insurance when a document is on loan to another institution, Dr. Purdy explains. In that case, "wall-to-wall insurance" covering the exhibit from the time it leaves the Archives until the time it is returned is arranged by the Archives and the premium paid by the borrowing museum. The Archives must also approve the exhibit conditions, and requires 24-hour guards.



The Constitution and the Bill of Rights are protected by guards and specia casing during the day and a fireproof vault at night.
—National Archives photo

Last January, the state of

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How we helped one big business that was really 570 small ones.

A supermarket chain with 570 stores spread across 15 states. That's big business.

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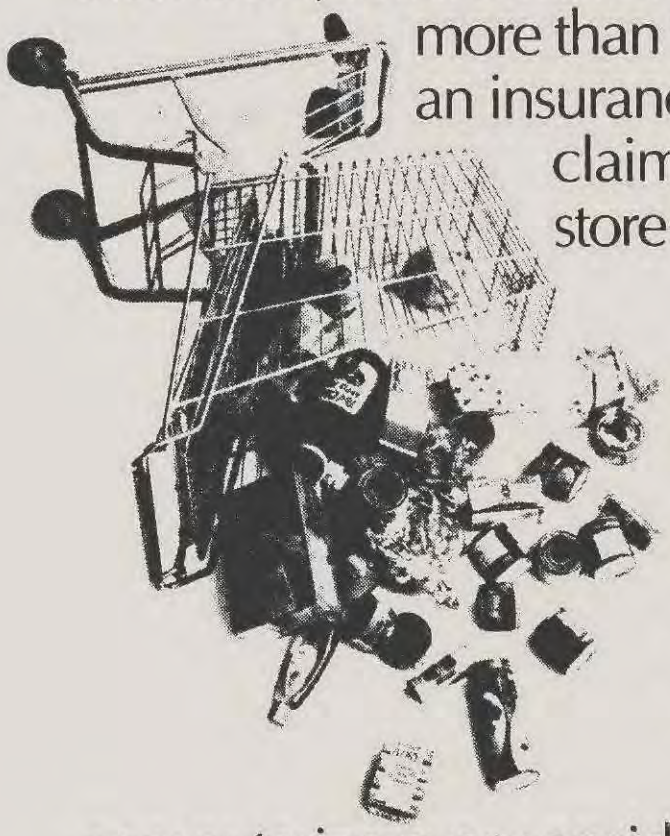

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Giles on the law

Air crash exclusion case proves the value of 'getting it in writing'

By JOHN W. GILES
Attorney at law

WASHINGTON—As we read a case like this one, we are constantly reminded of the occasional danger of relying on the oral statement of a broker. It is very convenient, but it often results in expensive lawsuits. Policies must be read.

Here, the insured's airplane crashed in Alaska and the insurance company refused payment. The plane crashed in a lake and one passenger was killed. The insured was a traveling salesman whose territory consisted of 10 north central states and the state of Alaska. He used the plane in his business.

The court found that the broker had no authority to bind the insurer on aviation risks. The policy excluded such risks. At all times before and after the loss, the broker contended that coverage existed and contended that the insurer made a mistake in not including the state of Alaska in the policy.

The court decided that the policy expressly excluded Alaska, hence relieving the insurer, but it did hold the broker liable because of the insured's previous experience with him and because of the broker's assurances that Alaska was included in the coverage.

This is fine if the broker is financially solvent and able to personally pay the loss, but can you always depend on this? (*Hall* v. *Charlton*, Kansas City Court of Appeals, Mo., 6/2/69.)

* * *

THE DEFENDANT insurance company cancelled plaintiff dentist's professional liability policy after the plaintiff had testified as an expert witness in a successful malpractice suit brought against a fellow dentist, also insured by defendant insurance company.

Cancellation was accomplished in exact compliance with the terms of the contract, which required 10 days' notice and the refund of all unearned premiums.

Plaintiff sued for breach of contract, but his suit was dismissed for failure to state a claim upon which relief might be granted. The court of appeals held that the exercise of an option to cancel a medical malpractice policy because the insured testified adversely to the insurer violates public policy and is therefore a breach of contract. *L'Orange* v. *Medical Protective Company*, 394 Fed 2nd S7, 6th Cir. 1968.)

* * *

DEPARTMENT STORES and merchants in Massachusetts must now be careful with their language to debtors. Massachusetts has joined the ranks of the states which look with disfavor on causing undue mental distress to their customers who are delinquent in paying their bills.

The case involved a woman who really did not guarantee her son's indebtedness, but the store said she did—and their collection methods caused her to have not one, but two heart attacks.

Here is the way the supreme judicial court of Massachusetts now looks at it:

"Considering the weight of judicial authority as reflected in the most recent statement of the law in Restatement 2nd, Torts, Section 46 . . . we hold that the law in this commonwealth should be, and is, that one who, without a privilege to do so, by extreme and outrageous conduct intentionally causes severe emotional strain to another, with bodily harm resulting from such distress, is subject to liability for such emotional distress and bodily harm even though he has committed no heretofore recognized common law tort."

(Mass. Sup. Judicial Ct., *George* v. *Jordan Marsh Co.*, 4/12/71.)

* * *

THE U. S. DISTRICT court in eastern Louisiana has held that when an automobile was stolen and a collision occurred in which one child was injured and another killed, the automobile manufacturer was not liable.

It was urged that the manufacturer was negligent in designing the ignition lock, which the thief, in a few seconds, had been able to pry off the cap of the switch and start the automobile with a screwdriver. (*Dean* v. *General Motors Corp.*, 4/30/69.)

* * *

THE SUPREME COURT of Illinois has pointed out three adequate defenses to a suit involving product liability. They are:

- Use of the product after discovery of the defect.
- Failure to exercise due care for one's safety, which would include failure to discover the defect in the product or to guard against the possibility of its existence, as determined by the objective reasonable-man standard.
- Use of the product in a manner that could not reasonably have been foreseen by the manufacturer.

In the Illinois case it was held that an Illinois workman's failure to read and prove his exercise of due care for his own safety as a reasonable man barred his recovery against the manufacturer of a trenching machine that injured him. (Ill. Supreme Ct., *William V. Brown Mfg. Co. Inc.*, 5/28/69.)

* * *

IS A CHARITABLE hospital in Texas immune from suit by a paying patient?

The action was for damages by the patient, who received an adulterated blood transfusion resulting in his becoming infected with serum hepatitis.

The court said the cause of action would stand and that the doctrine of charitable immunity should not be applied to bar the suit of a paying patient seeking to recover damages as the result of negligence on the part of an employe of a charitable hospital.

Now some 25 states have abandoned the doctrine of charitable immunity. (Tex. Ct. of Civil Appeals, Fourth Supreme Judicial District, 7/9/69.)

* * *

THE RULE in Kentucky now is that the statute of limitations may no longer bar the maintenance of a medical malpractice action by a woman who became pregnant after a purported surgical sterilization, since the statute should run from the date of the discovery of the injury, not from the date of the operation.

Here the wife's operation was performed on Sep. 24, 1966. She

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following the funds

Black-owned brokerage firm looks for some token institutional business

NEW YORK—"Breaking the color line in any business is tough," Willie Daniels told *Business Insurance* a week after his company had become the first black-controlled member firm in the 179-year history of the New York Stock Exchange. "The difference on Wall Street is that once any man can increase capital he's important; he's got power that doesn't depend on his being white or black." Mr. Daniels broke into one of his quick grins. "I guess you could call it 'green power,' " he said.

Willie Daniels, 33, is president of Daniels & Bell Inc. The company was formed on May 7 and formally approved for Big Board membership on June 24 by the NYSE's board of governors.

Interviewed at the company's Wall Street offices, Mr. Daniels told *Business Insurance* that the uniqueness of Daniels & Bell "might serve as a door opener for

Willie Daniels

a certain amount of business—token as we say—particularly among major financial institutions that are socially involved." But he emphasized that such door openers could only be a first stage of growth. "We want to take it beyond that," the slim black man said seriously. "If there are going to be second and third stages, and beyond, we're going to have to prove our competitive edge."

THE NEW COMPANY will specialize in handling transactions for institutional investors—mutual and pension funds, banks and insurance companies. According to Mr. Daniels, his company will seek to attract institutional customers both with quality executions of institutional transactions and "with a customized array of financial and statistical services." Asked about the three-month-old negotiated rate system for transactions of more than $500,000, Mr. Daniels commented that "Daniels & Bell is starting at the bottom of a transition period for brokerage firms and will hopefully grow right along with older firms in experience on negotiated rates."

Daniels & Bell's president also said the company's research staff would be sensitive to the needs of professional money managers, both domestic and international. In addition, he noted that "the company will prepare certain economic reports, with emphasis on social or racial aspects."

A report of that type helped to get Daniels & Bell itself underway. In the summer of 1968, Mr. Daniels undertook an in-depth research and feasibility study of black ownership of business within the capitalistic system. Based on his findings he and his associates started to engineer the opening of a black-controlled member firm of the NYSE. (His associates are Travers Jerome Bell Jr., also black, 30, exec vp; Milton P. Aeder, 41, vp finance; and Raymond C. Forbes, 44, vp and NYSE floor broker.)

Mr. Daniels started as a trainee in 1960 in the research department of Francis I. DuPont & Co. (now DuPont, Glore Forgan & Co.) and rose to the position of securities analyst by 1963. In 1966 he joined Standard & Poor's Corp. as a senior financial statistician. Later he shifted his emphasis to money management and institutional marketing, working at such firms as Bache & Co. Inc., Shearson, Hammill & Co. Inc., and Smith, Barney & Co. Inc. He was educated at Florida A & M University, Tallahassee, and the New York Institute of Finance.

EDUCATING and training black brokers is a whole new territory, according to Mr. Daniels. "There are 50,000 brokers in this country," he said. "Fifty of them are black. So if we want to hire black brokers we're going to have to plant them and nurture them like young trees; we have to develop the field. This company represents a major breakthrough in efforts to further black capitalism and to provide more blacks with opportunities to move into areas heretofore limited to them."

Mr. Daniels told *Business Insurance*, "We have no capital for a training program on a large scale. Not now. But we can hire a limited number of people and train them to be brokers or researchers." According to Mr Daniels, the firm now has, outside of the four principles, four registered representatives, of whom two are black.

"We've had some good letters and phone calls from black businessmen since the exchange announced our membership," he said. "There's a good flow of resumes coming here from blacks too—which tells me we've reached a group that's ready to be reached."

Mr. Daniels emphasized the importance of time and development for Daniels & Bell. "We're not a cash rich company," he said, "and we have to take one step at a time. In terms of big training classes, and in terms of money management, we have to wait. We're not money managers yet, although hopefully we'll get into that in two or three years. Right now this is a brokerage firm with the power to execute orders to buy and sell."

According to figures released at the time Daniels & Bell received Big Board approval, the company is being financed at somewhat more than $1 million, largely by a group of major New York City banks. Also involved in backing the new firm is Noel Fund Inc., a private venture capital partnership that is partially owned by Dan W. Lufkin, chairman of the executive committee of Donaldson, Lufkin & Jenrette Inc., and a member of the board of governors of the NYSE. ■

Lloyd's new life arm to start in U.K. market

LONDON—First details of the new life assurance corporate that Lloyd's is forming in Britain have now been given to *Business Insurance*.

It will begin operations Jan. 1, 1972, with nearly $5 million capital, and will then compete progressively with other British companies in the hope of capturing business.

Sir Henry S. Mance, Lloyd's chairman, informed *Business Insurance:* "The whole enterprise is a new step of great significance for the benefit of the Lloyd's community and its members. Not only will our image be improved by being able to offer a comprehensive insurance in the name of Lloyd's, but we intend to earn as high a reputation for the life service as is already held by our existing activities.

"Financial benefit to Lloyd's members will be substantial in the long-term."

THE SCHEME (first reported in *Business Insurance* on Dec. 7, 1970) will be centered on the U.K. market initially, but will attract overseas interest once it catches on.

Fixing its capital at nominal value of $4.8 million will not restrict its scope, as this is the initial figure required for its formation. But it can expand as far as it likes in the years ahead provided its assets from premiums and investments balance its potential claims.

How far will it successfully compete with other British insurance firms, which last year earned nearly $4 billion in premium income mainly from the domestic U.K. market? The main impression in London is that if it can show the enterprise usually associated with Lloyd's, it may offer some bright new ideas in the life risk field, as well as proffering a "package deal" tied in with the general insurance facilities that major conglomerates now desire for pensions, and similar benefits, for their personnel.

But it is emphasized that as it is a new project, it will operate under the normal British rules for corporate liability. This will not affect its financial safeguards, but it will be supplementary to the present set-up that Lloyd's traditionally accepts for all other types of worldwide risks.

Sir Henry Mance, an underwriter of long experience, will become chairman of the board of directors of the new company, Lloyd's Life Assurance Ltd., which will also include several directors with knowledge of life assurance. Capital will be subscribed by existing members of Lloyd's. ■

Giles . . .

Continued from page 20

became pregnant November 1967. She was examined by the defendant doctor on Dec. 23, 1967, and on Jan. 19, 1968, but it was not until Feb. 25, 1968, that it was first determined that she was pregnant. A child was born from the pregnancy on Aug. 16, 1968, and on Nov. 1, 1968, this malpractice action was commenced. Was the action timely?

The Kentucky court now says it was. The court followed the reasoning of the supreme court of Delaware in Layton v. Allen (246 At. 22nd 794) in which that court said: "Where a choice must be made between the defendant's problems of lost evidence, faded memories and missing witnesses on the one hand, and a deprivation to the plaintiff of any and all remedy for the wrong done her, on the other, the law must be construed in favor of the blamelessly ignorant plaintiff and against the interests and convenience of the wrongdoer."

THE COURT pointed out that California holds that limitation commences to run not from the date of the operation but from the discovery of the injury, since while the physician-patient relation continues, the plaintiff is not ordinarily put on notice of the negligent conduct of the physician upon whose skill, judgment and advice he continues to rely.

Other states that have held that the cause "accrues" from the discovery of the injury are Pennsylvania, Colorado, Louisiana, Missouri, North Carolina and Texas.

The court notes that it is possible that the adoption of the rule that the cause of action accrues upon the discovery of the injury may result in great hardship to physicians and surgeons because of the possibility that a cause of action may accrue long after the operation. However, measured against the total loss of a plaintiff's cause of action brought under the former rule, the change is less likely to produce injustice. (Kentucky Ct. of Appeals, *Tomlinson v. Siehl*, 6/5/70.) ■

Historic . . .

Continued from page 22

Maryland borrowed the Treaty of Paris, the agreement that ended the American Revolution, for a three-week display at the State House at Annapolis, Dr. Purdy recalls. The Maryland state archivist arrived in Washington in a police car with two state troopers and personally carried the document, packed in a plexiglass box, to the state capital. All-risk insurance coverage was written by the Aetna Insurance Co. through Washington broker Huntington Block.

THE NATIONAL Archives is also the final respository for all permanently valuable records of all federal agencies from colonial times to the present. Included here are records of both houses of Congress, presidential papers, military records and diplomatic correspondence.

Its holdings amount to 900,000 cubic feet of records, including 1.5 million maps, 4.5 million pictures, 45 million feet of film and 200,000 rolls of microfilm.

These documents are stored in 196 air-conditioned, humidity-controlled stack areas protected by guards and an alarm system. The floors are made of re-enforced concrete and daylight is shut out. Only staff members are permitted direct access to the stacks, but the public may consult documents brought by the staff into a central search room.

The Archives receives some 635,000 requests for information contained in its records each year from government, industry and the public, by mail, phone or personal visit. ■

Lack of false arrest cover in Dade County led to insurance revamp

MIAMI—Metropolitan Miami, with a police force that has operated without false-arrest insurance since it lost its coverage late last year, thinks it has found a happy alternative.

Dade County's insurance manager advised Metro commissioners that he has negotiated a new policy that provides broad coverage for both the public safety and corrections and rehabilitation departments while eliminating a confused defense situation that existed in the past.

What's more, Lucian C. Cantin reported that he had negotiated the policy at a saving.

THE TRICK, he explained, was accomplished by placing coverage for all claims arising out of law enforcement activities with a single insuror. At the same time, he pulled the two departments out of the county's comprehensive general liability policy, which had afforded coverage for claims arising out of operation of the jail and, under certain circumstances, assault and battery by county employes.

The new policy, purchased from the Appalachian Insurance Co. through Hunt-Everett and Associates of Miami, covers those claims along with false arrest, malicious prosecution or false imprisonment claims—previously covered under the police profession liability policy lost in December because of what an insuror considered excessive litigation.

Under the Appalachian policy, Metro commissioners themselves are covered along with the law enforcement departments since they frequently are named defendants in county lawsuits. Individual officers are covered as well as the departments themselves, Mr. Cantin said.

"This is the broadest coverage available and even includes claims alleging violation of civil rights," he added.

The liability limit is $100,000 per occurrence and the flat annual premium is $35,000, he said.

THAT COST is offset by the elimination of two departments entirely from the general liability coverage, which will reduce the county's premium approximately $55,000 a year—providing a net saving of $20,000. Under the former police profession liability policy, the county paid $36,000 a year to American Home Assurance Co.

That company refused to renew its coverage on Dec. 13 because of a large number of claims pending against officers. Thirty-nine claims, ranging from false arrest to use of excessive force, prompted the firm to withdraw, even though the insuror conceded that the county virtually never lost a case in court.

Because of a weak market for the type of coverage the county needed, it did not replace the coverage right away, leaving defense to the county attorney's office.

But Mr. Cantin expressed concern over the possible result should a court rule against the county, particularly if the suit named an individual employe as a defendant. He was delighted over the new policy, which not only ends that worry but provides a bonus:

"NOT ONLY will this arrangement result in a saving of about $20,000," he said, "it will free innumerable man-hours for the county attorney and will also eliminate the redundancy and complexity of defense." He explained that, when coverage was divided betewen police profession and general liability policies, one unhappy result was "different aspects of the same lawsuit being defended by different law firms."

For instance, a single plaintiff might claim false arrest, assault in the jail after the arrest and violation of civil rights. Such a suit would require one law firm to defend the first count, a second law firm on the second and the county attorney on the third.

"The situation," said Mr. Cantin, "obviously left much to be desired."

Even when the county was without police profession coverage, non-concurrency existed between the general liability carrier and the county attorney—that is, portions of a lawsuit had to be defended by the insurance company's attorney and portions by the county attorney.

"In both cases the results have been satisfactory," Mr. Cantin said, "but the mechanics have been complex and cumbersome."

Appalachian is a subsidiary of MFB Mutual Insurance Co. of Providence, R.I. ■

Insurer will test the short workweek

BOSTON—Another name, and this is a large one, was added to the roster of companies toying with the idea of the four-day week when John Hancock Mutual Life Insurance Co. announced that it had decided to experiment with the concept.

Many smaller firms have already switched to the shorter workweek while John Hancock, with 6,000 employes in its home office alone, is probably the biggest company to take the plunge so far. However, only 290 of the insurer's employes will be given the extra day off.

The company is considering the entire venture as an experiment that will be closely watched by management. The experiment will run for three months, between Sept. 7 and Dec. 3, and a broad cross-section of employes will participate. If management feels the experiment is successful, more employes will be shifted to the program.

THE EMPLOYES will work slightly longer days during the trial period but their workweek will be shortened by some 205 hours.

John Hancock's employes will receive the extra day off at any time during the week, Monday through Friday, as opposed to Monday or Friday alone. Each of the departments participating in the experiment will stay in operation the full five-day week with about 20% of the work force taking the day off on any given day.

The company said that if any one of the departments has any trouble putting the four-day week into operation, the experiment for that department could be terminated.

Whether the experiment might spread to the company's 16,500-man field sales force was not indicated. ■

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business insurance/perspective

Covering riot, malicious mischief and insurrection

by Wiliam H. Rodda,
President,
Marine Insurance Handbook Inc.,
Chicago, Ill.

William H. Rodda

'There must be immediate connection of time and place with the riot for looting to be covered by extended coverage.'

LOSSES TO PROPERTY from social disturbances can be extremely costly. How much protection is afforded by fire insurance, extended coverage or vandalism and malicious mischief coverage?

The standard fire insurance policy in its basic provisions excludes loss occurring "as a result of explosion or riot, unless fire ensue, and in that event for loss by fire only." The intent is clear. If there is no fire, there is no coverage under the fire insurance policy for riot damage. There could be a question of fact as to which peril caused the damage if fire does ensue and the property is destroyed or substantially destroyed. Testimony would be sought to determine how much damage was done by the rioters before the fire took over the job of destruction. This is a question of fact that might eventually be put into the hands of a jury to determine.

Coverage of damage done by riot is provided by the extended coverage endorsement to the fire policy. This covers "riot, riot attending a strike and civil commotion." What is a riot? A riot under the common law is an assemblage of three or more persons in a public place creating a tumultuous disturbance for a common purpose. The purpose of the riot could be lawful but it would still be a riot if the action to accomplish it is violent and tumultuous. Some states have enacted laws that define riot somewhat differently. One state has a law that defines such a disturbance by two or more people as mob action. The essential features of a riot are violence or tumult, open defiance of authority, and the use of weapons or other means to carry out the purpose by such violence.

THE EXTENDED COVERAGE endorsement, when attached to a policy covering direct damage by fire, excludes "loss resulting from damage to or destruction of the described property owing to change in temperature or humidity or interruption of operations." These are consequential losses. Coverage for them might be available separately but they are not covered by the direct damage insurance. It should also be noted that this endorsement does not cover losses that result from a strike. It does cover direct loss by acts of striking employes of the owner or occupants of the described buildings while occupied by said striking employes. Such acts of striking employes need not be conducted in a tumultuous manner. This is the only exception to the general rule that damage covered by the endorsement must be the result of what would be considered a riot.

Civil commotion usually is considered to be a serious and prolonged disturbance. A court spoke of civil commotion as an uprising "among a mass of people which occasions a serious and prolonged disturbance and an infraction of civil order, not attaining the status of war or insurrection." The distinction might be made that a riot could occur and be suppressed or lose its momentum within a short time but it would be considered a civil commotion if it lasted over a longer period of time. Of course, such times are not precise. In fact, they do not need to be as far as insurance is concerned. The coverare granted by the extended coverage endorsement is against both riot and civil commotion. There is no question about coverage for damage that occurs as a result of actual rioting or from a more prolonged disturbance that might be classed as a civil commotion. Questions arise regarding losses from looting, vandalism that may not be connected with a riot and the point at which a riot becomes an insurrection.

Let us look first at the question of looting. The extended coverage endorsement states that it covers "direct loss from pillage and looting occurring during and at the immediate place of a riot, riot attending a strike or civil commotion." The question regarding loss from pillage and looting is whether it takes place at the actual time of the riot and at the immediate place of the riot. Two situations may be described as excluded from coverage. First, there would be no coverage for theft losses that occurred at a place remote from the actual riot and that took place in a stealthy manner not constituting a riot. Breaking and entering for the purpose of theft at a place several blocks from any disturbance would be burglary rather than looting as the result of riot.

A second situation would be after the riot has been quieted. An insurance company would not be liable for theft losses that occurred several days after the riot had ended even though the loss might be through open windows or doors that resulted from the riot. Again it is a question of fact to be determined as to when the riot ended. The point is that there must be an immediate connection of time and place with the riot for looting to be covered under the extended coverage endorsement.

WHEN DOES A RIOT become insurrection? This is an important question from an insurance coverage standpoint. The standard fire insurance policy excludes loss from insurrection, rebellion, revolution, civil war and usurped power. This is reinforced in most policy forms by a specific exclusion of loss from "insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combatting or defending against such an occurrence."

A question was raised whether the April, 1968, occurrences were riots or insurrection. The acting governor of Illinois, in requesting President Johnson to send federal troops to help quell the disturbances in Chicago, referred to the situation as "this insurrection." It appears that the word "insurrection" was used in order to justify the request for federal troops. The U.S. Constitution gives Congress the power to suppress insurrections. This is expanded in the U.S. code to give the President the authority to use the armed forces to suppress an insurrection. The acting governor had already mobilized the national guard. It was his judgment that additional forces were needed and he asked the President to send in federal troops. His thought appeared to be that the President could not send federal troops unless there were an insurrection.

Did his use of the word "insurrection" make it in fact an insurrection, as far as the exclusion in the insurance policies was concerned?

Continued on following page

For those who still confuse 'liability' and 'insurance'

by Paul C. Johnson,
Special Assistant to the Chief,
Division of Insurance,
U.S. Department of Commerce,
Washington, D.C.

ANYONE WHO HAS EVER been hit by an automobile belonging to a destitute uninsured driver develops in a few days a clear definition in his mind of the different concepts represented by the terms "liability" and "insurance." The clarity of that definition depends upon the amount of damage involved and his own financial ability to pay for his damage.

How in the world there can be so much confusion surrounding the two terms "liability" and "insurance" is difficult to comprehend. I frequently hear traffic managers talk about "carrier insurance" when they mean to say "carrier liability." I have even heard of carrier's representatives advising shippers that "carriers insure the the goods under the Interstate Commerce Act or the Warsaw Convention" so there is no need for insurance. Let us see if once and for all we can define clearly the terms "liability" and "insurance," so that we can work with them.

"Liability" is a compulsion arising out of law, equity or contract. "Liability for loss or damage" is therefore the compulsion arising out of law, equity or contract for loss or damage to the person or property of others.

"Insurance" on the other hand is an economic device whereby risk of loss is transferred by one party, who does not wish to bear the risk of loss, to another party, who is content to bear the risk of loss for a fee known as the premium.

IT TAKES MANY hundreds of pages of reading and 20 years to understand why the device exists in the unintelligible form we have today. Basically, however, and always true, the advantage to the insured is that he substitutes a known expense (premium) for a far greater allowance for possible loss (reserves for contingencies), thus freeing funds.

Human nature being what it is, aberrations develop over the years so that you find a company president who will insure his own car against collision ($7,500 average maximum loss) but, in order to cut down costs, will not insure his firm's boilers while being transported by an interstate common carrier (maximum loss $60,000 or more). This is what takes hundreds of pages of reading and 20 years to learn. A bit of training in psychology and anthropology also doesn't hurt in understanding such contradictions.

A "policy of insurance" or an "insurance contract" is an agreement formalizing the terms under which an insurer undertakes to bear certain risks of loss and respond in the event of certain losses to the party insured.

Parenthetically, my legal friends can doubtless find fault with these definitions but don't let them confuse you with "res ipsa loquitur," "habeas corpus" and "stare decisis." Better still, if you wish to do a little extra reading, find a copy of "Words and Phrases" or "Corpus Juris" and read the approximately 100 pages on the different definitions given by the courts to these terms. In spite of the fact that you will never use most of it, it will help you recognize help from your attorney when he is providing it. You might even help him. This is great for your ego (bad for his).

WE SHOULD NOW BE ABLE to see that a person, a carrier or an automobile operator can become legally liable to pay $100,000 for damages to you because he caused that much damage—but that is not

Continued on following page

Covering...

Continued from preceding page

There are few cases in which the question of the insurrection exclusion has been raised. A Puerto Rican case is the only one generally cited. Twenty years ago the Liberating Army of the National party created an incident in which considerable damage was done to property. Several persons were convicted of conspiracy to bring about the independence of Puerto Rico by force and violence and by armed revolution against the U.S. Here was an actual conviction for armed revolution. The question was before the courts as to whether the damage was excluded from insurance coverage as an insurrection. It is interesting that the court of appeals noted the improbability of success of this particular revolution. It said that "an insurrection aimed to accomplish the overthrow of the constituted government is no less an insurrection because the chances of success are forlorn." The court also said that to be an insurrection there must be an action specifically intended to overthrow the constituted government.

HOW DOES THIS APPLY to the incidents in the U.S. during April, 1968, and other similar disturbances? The consensus was that there was no attempt at nor any objective of taking over the government. Accordingly, by the standard set forth in the Puerto Rican case, there was no insurrection, but only a riot or civil commotion. As far as we know, there was no denial of liability by any insurance company for the riot losses on the basis of the insurrection exclusion.

A more important question and one that has reached the courts on several occasions is the setting of a dividing line between riot and civil commotion damage and damage from vandalism and malicious mischief. This comes about because the extended coverage endorsement does not cover damage by vandalism and malicious mischief. Such coverage is provided in a separate endorsement or separate insuring clause. Vandalism and malicious mischief is defined in the policy as meaning "only the wilful and malicious damage to or destruction of the property covered." An exclusion applying specifically to this coverage excludes loss by "pilferage, theft or larceny except for wilful damage to buildings covered hereunder caused by burglars." Theft of property is not covered even though there is coincidental damage that may be considered to be from vandalism or malicious mischief.

Vandalism originally meant the wilful or ignorant destruction of artistic treasures, and was so named from the Vandals, a Germanic people who ravaged large parts of Europe in the Fifth Century. The term "malicious mischief" was added to the coverage in order to make clear that any such malicious destruction of property was intended to be covered regardless of its artistic value.

A court considered a case in 1936 in which the interior of a house was damaged at night with no disturbance. The owner asked his insurance company to pay for the damage as a riot loss. The court said, "It is clear that no riot occurred. The acts were done stealthily, not in the presence of the party injured or persons in authority. There is no evidence that they were done in defiance of constituted authority but rather, on the other hand, the stealth with which the acts were committed indicated an attempt to evade, rather than defy, the owner or officers of the law."

'The extended coverage endorsement does not cover damage by vandalism and malicious mischief.'

A DIFFERENT DECISION was reached by a court in a case involving the forceful entering of a building, the terrorizing of persons in the building, and the destruction of the property. Here, the court took notice of the fact that there was a sufficient number of people to constitute a riot (six in number); they defied the authority of the persons in charge of the premises; they had a common purpose (the destruction of the premises), and the acts were committed with violence or threat of violence.

Claims have been presented to insurance companies under vandalism coverage for damage done by animals. We do not find a court decision on this point, but it seems to be the general opinion that animals are not capable of malicious damage. They are merely following their natural instincts when their actions destroy property.

Reasonably complete insurance for damage to property from the related hazards of riot, civil commotion, vandalism and malicious mischief would include:

- Fire insurance, which covers loss by fire, including the fire loss that may result from rioting.
- Extended coverage, which includes coverage for riot and civil commotion, including looting at the time and place of the riot but excluding other theft.
- Vandalism and malicious mischief coverage, which excludes pilferage, theft or larceny.

Coverage against loss from insurrection generally is not written. This is a war damage coverage that private insurers do not write to cover property on land.

The only theft coverage provided by the above policies is that from looting at the time and place of a riot. A property owner who wants theft insurance for other situations would have to buy one of the burglary, robbery or theft policies that cover those perils specifically or one of the broad form packages of insurance that include such coverage. ■

William H. Rodda, a CPCU and a member of Phi Beta Kappa, graduated with honors from Rutgers University. He is the president of Marine Insurance Handbook Inc., which publishes the standard inland marine insurance rate book for agents. He is a consultant to companies in the multiple line insurance field. He is the author of several of the principal textbooks on insurance subjects.

Confuse...

Continued from preceding page

insurance for you. This is clear in the example described in the opening paragraph. It should also be clear why another fellow's liability to you cannot be substituted for your own insurance program as if there were no difference involved.

On the other hand, if your damages from this other party were not recoverable because he is destitute, it would be a very nice thing for you to have insurance covering your own risk of such damage because you could now collect under the policy or contract of insurance and care less about the other fellow's ability to pay. Let your insurance company try to get their money back in subrogation. You are home free.

If your imagination is on the beam you can now see how, under the contract of insurance, an insurer can become "liable" to pay you for a loss.

What is an insurer? Loosely, it is anyone who agrees to bear the risk of loss of another. Fortunately, in most countries insurers are strong financial institutions that specialize in the business of insurance. Most frequently these are regulated, controlled or watched so that the contract of insurance accomplishes the intent of both parties to the contract, namely the willingness and ability to effect the transfer of risk from the insured to the insurer, and to provide claims and other services.

NOW, ONE COMES TO THE AREA of confusion with regard to carriers (transporters). The questions arise: "Does not a carrier obligate himself under the contract of transportation to bear the risk of loss to the goods? If so, isn't that insurance? And if so, why do I need to buy separate insurance?"

First of all, any carrier would not obligate himself to bear the risk of loss to the goods if he could help it. The law says that he will respond for loss or damage to the goods. His business is to carry goods from one place to another. He wants no part of loss or damage, and indeed many centuries ago he was not responsible. The carrier's attitude develops from his lack of control over many of the hazards of transportation plus the cost of claims. The carrier has never been held liable for acts of God, acts of the public enemy, acts of public authority, acts of the shipper or inherent vice of the goods. However, in recent times he is generally held liable for his negligence, but unless law forbids it he can agree with the shipper that the goods have a very low value. In the U.S., domestic air carriers limit their liability for goods in air freight to 50 cents per pound. Of course, the shipper can declare a higher value and pay extra freight (valuation charge).

A carrier may for business reasons decide to take a positive and generous attitude toward claims for loss or damage, and indeed this is the formal attitude of many or all of them. Should the shipper still take out insurance? My answer is, "Absolutely yes."

The shipper has the ownership and risk of loss to the goods anyway and, if he fails to insure, he has the additional risk of possible carrier insolvency. Unless the shipper himself qualifies financially as a self-insurer he must insure the goods. The generosity, wealth, promptness and other qualities of the carrier only make his insurance cost less. It might be thought that a carrier operating $25 million aircraft or ships can well afford to respond for your particular shipment. One should remember, however, that in a crash or a sinking the entire cargo is lost and that is the time that there is weeping and gnashing of teeth if the carrier is insolvent and shipper failed to understand the difference between "liability" and "insurance."

Perhaps you now think that I have a magnificent grasp of the obvious.

I hope so. ■

Paul C. Johnson is special assistant to the chief of the U.S. Maritime Adminstration insurance division. Raised in Prince Edward Island, Canada, he studied at the Petit Seminaire de Ste-Therese, Quebec, the U.S. Merchant Marine Academy, Georgetown School of Foreign Service and Temple University. After serving as a naval officer, he became a marine underwriter for Insurance Co. of North America and later director of insurance for Sea-Land Service Inc. of Elizabeth, N.J. Mr. Johnson has recently been named to the American Maritime Law Assn.

Risk management notes

Look out for 'unbridled obscurity' in ocean marine policy language

prepared by Warren, McVeigh & Assoc., risk management consultants, San Francisco—Los Angeles, Cal.

AN INSURANCE POLICY is a legal document, which must often be interpreted by lay people, including attorneys and judges. As such, it should portray its terms as clearly, concisely and accurately as possible. Unfortunately, this almost never occurs in contracts of insurance, and the worst offenders are ocean marine policies.

We have recently had occasion to review three large ocean cargo policies (different insurance companies and brokers) for three different clients. All three have one factor in common: unbridled obscurity.

WE RECOGNIZE THE long traditions of maritime law and the many court decisions which contribute to underwriters' knowledge of what the words mean, but these are not reasons for duplicating the same subject in different parts of the policy, piling on endorsements rather than reconstituting the original wording, or using obfuscatory language in specially tailored portions.

Since there are not state laws restricting policy forms in ocean marine, underwriters are free to write whatever they want, but they are even timid about using the American language; for example, American marine policies often use the British "whilst" instead of the American "while," even in manuscript endorsements. So far, we haven't seen "kings and princes" referenced anywhere but the basic policy, but it wouldn't be surprising. In spite of such excessive conservatism, local underwriters don't even know what the policy wording means and have to refer to their home office, who may even then give an equivocal answer. We therefore question whether underwriters themselves are getting any benefit from their barnacled phraseology.

The situation would greatly improve if more insureds would send back obscure policies like a diner sends back a badly cooked steak. Tell the broker to reissue it in understandable form and with no endorsements. There is no objection to endorsing a policy for changes after it has been written, but the original policy itself should be unendorsed. Because it makes more work for the broker, he may resist, but it is done every day for large accounts. There is no good reason why it shouldn't be done for everyone. ■

The Paper Bog.

He often attacks when your insurance company gives you information.

Because it's all in Insurance Language.

And it's up to you to translate it into something meaningful.

Cut it.

With IRIS, CNA's Industrial Risk Information System.

IRIS gives you the data you need. The way you need it. In the language of your particular financial system.

So cut the Paper Bog.

He's just one way your insurance can lag behind your business.

And just one of the Insurance Lags we can help you beat.

Contact your CNA agent. Or write us.

CNA/*insurance*
Your way to beat the Lags

letters

Continued from page 12

"collection agency" any more so than a bank, peanut vendor or shoe store. The newsboys delivering papers collect money for the sale of same. Would you classify them as a collection agency? Obviously, the term is a very specific one, describing the business conducted by approximately 5,000 reputable agency owners throughout the U.S. Your headlines attempt to condemn collection agencies, when in fact no collection agency was involved in Mrs. Wilson's case.

Collection agencies provide a valuable service to business, the economy and consumers. When a business sustains a loss, the costs must be passed on to other customers.

Your headlines do a grave injustice to our industry. Do you have the courage to rectify your mistake by printing a retraction?

John Graves
Vice President, American Financial, Los Angeles, Cal.

Editor's note: No, John Graves, there is a responsible journalist somewhere and we are glad to print your letter by way of retraction. We do, at least now, understand that GMAC is not a collection agency and we are sincerely apologetic for an unintended slur on agencies that are "a valuable service to business."

Pension information

To the Editor: I am interested in purchasing a primer on pension programs, one that explains the details of a pension plan and all pertinent aspects.

Will you please send any appropriate information on how I can locate such a book?

Robert N. Gibbs
Industrial Relations Manager, Standard Armament, St. Louis, Mo.

Editor's note: Three items from our Info for Buyers column may be of help. "Fundamentals of Pension and Profit-Sharing Fund Investments," an illustrated booklet discussing the basics of pension and profit-sharing investment programs, is available free by writing Daniel F. McGinn, Transamerica Actuarial Consultants, Box 30077, Los Angeles, Cal. 90030. "The Trustees Handbook," with a chapter on investment of funds, is designed as a basic guide for trusteees and administrators of jointly managed employe benefit funds established under the Taft-Hartley Act of 1947. The book may be obtained from the National Foundation of Health, Welfare and Pension Plans Inc., 910 Elm Grove Rd., Box 898, Elm Grove, Wis. 53122, for $6 per single copy for members and $7.50 per copy for non-members. "Paying for Your Pension" is a pamphlet designed to clearly explain pension funds to employes. Samples and price information are available by writing Mrs. Retta Renich, Hewitt Information Service Inc., Libertyville, Ill. 60048.

CPCU post

Lawrence MacIver, assistant manager of the insurance department of Allen-Bradley Co., Milwaukee, has been elected treasurer of the Wisconsin chapter of the Society of Chartered Property and Casualty Underwriters.

Equitable employe-transfer program cuts costs, helps mortgage business

NEW YORK—The seasoned veteran of the corporate labyrinth may have learned to take them in stride, but transfers traditionally inflict some degree of mental—if not financial—anguish on the rookie executive.

Employers can tell him it's his ticket to the top and assure him the company will assume some burden of the cost, but when his wife has just finished planting the garden, his daughter has just talked some high school football captain out of his class ring, and he's just invested $1,600 in aluminum siding, the news will come as a mixed blessing.

Many employe-transfer services are available to employers to help ease their employes' moving pains. Some are merely referral services which direct companies to realtors and movers and depend on commission for survival. Others—due to their size and other profitable business adventures—are able to charge a flat fee and assume complete responsibility for seeing that their client's young executive and his tribe survive the move mentally and financially intact.

THE EQUITABLE Life Assurance Society of the U.S. ranks as the nation's third largest life company with assets in excess of $14 billion. As of last May, it has entered the transfer field (the first life company to do so) and is now serving nearly 30 corporation-clients which range in size from American Telephone and Telegraph to Kentucky Fried Chicken.

What's in it for Equitable?

"We have a mortgage portfolio worth about $2 billion," vp Ralph Hardison said in an interview with *Business Insurance*. The program provides us with a continuing source of good mortgages. These people who are moving up are usually well-payed and are good risks. Although we don't try to pressure these people into buying life insurance, the program is also a good source for other Equitable services."

There are two parts to the Equitable relocation scheme. The first they call "Home-Purchase" and costs the employer a minimum of $600; the second is named "Home-Search" and starts at $250.

THE HOME purchasing service does just that. Equitable will have the employe's present home appraised by two more independent sources and will offer to buy the property for the average of the appraisals. If the offer is accepted, the Equitable people handle all closing details and resale to the point of offering qualified prospective buyers mortgage financing at ratios up to 90%. If the home is sold within four months, the cost to the client is $600. A charge of $50 is made for each additional month the home remains on the market.

If the employe is unhappy with the Equitable offer, he may attempt to sell the home himself and, at any time, accept the original offer. If the offer is not accepted, the cost to the employer is $100 plus the costs of property appraisals. If the offer is accepted but closing does not occur, the charge is $250 plus appraisal costs and any other expenses.

"On the average we are able to move the property within 60 days," Mr. Hardison said. "Very seldom do we sell one for profit. If we carry out the intent of the program—which is to satisfy the employe that is being transferred—then we should be selling very close to what we paid for it."

The second phase of the program attempts to orient the employe to his new surroundings. He is requested to complete a confidential profile of housing requirements which is forwarded to the Equitable branch office located in whatever major city in the U.S. or Puerto Rico he will be transferred to. There a "relocation counselor" takes to the field and locates homes which fit the profile demands.

THE TO-BE-TRANSFERRED employe and his wife are then flown in (at company expense) and given a three-hour orientation to the area and a slide presentation of available, pre-selected real estate. If any meet approval, the counselor will take the couple on a tour of the homes and will assist them in evaluating the properties. If the employe decides to purchase one of the homes, the Equitable agent will, if desired, arrange financing.

The $250 charge covers the orientation session and slide show and one full day of looking at real estate. An additional $100 is charged for each additional eight hours of property hunting.

"The average time required is about four days," Mr. Hardison said. "This represents a big savings to the companies. These fellas used to come in on expense accounts, and, not knowing their way around at all, would spend anywhere from a few days up to a month trying to find a suitable home."

Obviously Equitable isn't in the transfer business for the relatively small profits which remain from the fees after the bills are paid. Each move allows the company two chances at securing mortgage customers, and, perhaps through later contacts, life insurance sales could follow. The transfer savings available to employers may also prompt them to look twice at other Equitable employe benefit programs. ■

Healy . . .

Continued from page 10

Well, I found out that he hated wearing a tie and kept it around his neck while he was driving to the office. Once he had to go in, he'd tie it in the car.

"The police also said that he was headed away from the office, which might have discounted that, but I found out that three times a week he used to like to buy this cheap, 29-cent gas. And the gas station was the opposite direction from the office. The police also found all his identification and change in the car, which they thought was strange, but I found out that he always kept his change on the floor mat for parking meters and always kept all his credit cards on the visor. This man was also deathly afraid of water and couldn't swim, and they found his car near the lake. I talked with the garage mechanics and they said the car couldn't be driven when they found it—the bearings in a front wheel were gone. There were also only three hubcaps on the car, and I later found out they found the other one in the lake.

"SO IT SEEMED logical that he was on his way to get gas when the wheel locked, flipping the hub cap off into the lake. He was trying to get the hub cap, slipped and fell in, and, being a life-long nonswimmer, drowned. I went out to the lake, and the bank looked solid as hell, but I fell through to my knees. We paid. We could have said, hell, it was suicide so no coverage, but we paid it. It was the only fair, right thing to do. He also had two teenage boys who respected him, and suicide is a hell of a stigma. I got a bigger kick out of breaking this case than the airplane bombing, which beat the FBI."

Dismemberment claims appear on his desk about a dozen times a year, and very often the evidence clearly indicates intentional maiming on the part of the policyholder.

"It's usually professional people in these cases," Mr. Healy said. "They feel they have to keep up with society, and, when they run short of money, they'll put out an eye or blow off a limb; claim it's an accident and collect."

In one case, an employe of a car dealership took a shotgun to an arm and a leg in an effort to collect $400,000. Mr. Healy's investigation centered on the speculation that the man wanted to purchase either his own dealership or another business with a price tag approaching the amount of the claim.

"ON A WILD hunch, after finding out this guy was from another town, I flew there. I visited the tax adjuster and asked him if there were any properties available for around a half a million dollars. There were two ranches, and when I visited the broker and showed him the picture of this guy, he identified him. Said he had told him he was going to be coming into some money. I confronted him with what I had and, although he wouldn't admit it, we settled for a lot less than $400,000."

Often Mr. Healy's fact-findings have led to the criminal convictions of CNA policyholders.

"One guy I sent to prison sends me a Christmas card every year," he said. "Makes my wife nervous. Hell, it makes me nervous, too."

He has never had his life threatened, but admits receiving phone calls he termed "weird."

"I never pin myself into an area where there is no escape," he said. "I try to stay out in the open. You know, question people in public places. Even when we deal with people who are involved in the syndicate—and we seem to insure quite a few of those—we just explain that we're interested in this specific case and not in their activities in general. They seem to cooperate with me."

MR. HEALY is not allowed to offer money for information, he says, although many people request it.

"The industry is very staid in that respect," he said. "They don't dig that at all. Sometimes I'll take somebody out for dinner or a few drinks, but that's all. Usually you can find out for yourself anything they can offer."

The phone rings. Once.

"Healy," he barks into the receiver with cop-like sharpness. "Yeah. He's here . . . O. K."

"My wife," he says. "She told me to tell you she's made me everything I am." ■

Pennsylvania insurance department feels its no-fault plan is 'most liberal'

HARRISBURG, Pa.—Pennsylvania has joined the ranks of those states pushing for no-fault auto insurance legislation and spokesmen for the insurance department feel that their proposal already submitted to the general assembly, is the most liberal so far.

Under the proposal, announced jointly by Gov. Milton J. Shapp and Herbert S. Denenberg, insurance commissioner, commercial vehicle owners are being treated differently in only one area—size.

"The proposal contains a provision which states that vehicles larger than passenger cars are responsible for a larger share of the damage," Dr. Denenberg told *Business Insurance*. "They will be assigned responsibility based on the severity of damage.

"IT'S ONLY FAIR that they pick up a proportional share of the damage they cause," he went on. "It would be a windfall if they didn't. However, I think they'll still come out better."

The no-fault plan will provide that benefits be paid within 30 days or be subject to penalties and will provide payment for all hospital and medical expenses. Wage loss and other economic loss up to $36,000 will also be covered.

"The bill retains the right of accident victims to sue with limited provisions," said a source at the insurance department. "The people involved will be able to sue for pain and suffering if the injury causes death, loss of an eye or limb, permanent and total disability, permanent and partial disability of 70% or more and permanent, severe and irreparable disfigurement."

The benefits provided by the bill will be considered primary and will not be reduced by other hospital, medical or disability coverage. The benefits will be reduced by the amount of any workmen's comp, unemployment compensation or Social Security benefits paid to the victim, however.

THE PROPOSAL makes auto insurance compulsory in Pennsylvania and provides for an automatic insurance cost reduction of at least 10%. "This bill contains special provisions giving the insurance commissioner the power to prohibit arbitrary and unfair cancellation of automobile insurance and to pay victims of uninsured motorists," announced Gov. Shapp.

"The present system discourages rehabilitation of the accident victim," Dr. Denenberg said. "The proposed law, by providing full rehabilitation benefits, should greatly encourage the use of rehabilitation programs.

"The present system also discourages auto safety," he continued. "The present liability insurance premium cannot fully reflect safety features because it involves payments to a third party that is unknown until after the accident occurs. Under no-fault, benefits are paid by the driver's own insurance company and the premium can, therefore, more adequately reflect safety features."

Another sore spot in the present system mentioned by Dr. Denenberg, who is not known for his reticence when discussing the legal profession, was lawyers. In his statement when announcing the bill, he said, "Lawyers do as well as the auto accident victims —sometimes even better. About half the expenses associated with auto liability insurance involve legal fees and claims adjustment expenses."

Later, during an interview, he put it in a different way. "Under this bill, everyone will come out better but the lawyers. If you want to benefit lawyers, do what we've been doing. If you want to benefit the public, pass a good no-fault law."

With somewhere near 70 persons in the legislature doing some kind of negligence work (about 30% of the legislators are attorneys), the insurance department said it expected a long, hard fight to get the bill passed. ■

New info director

Donna Kendall, former marketing officer for Commercial and Farmers National Bank, has been named public information director of Western Insurance Information Service, Los Angeles. She succeeds Ann Kronenbitter, who resigned. Miss Kendall was also public relations assistant for Title Insurance and Trust Co.

Calls states no-fault laboratories

DALLAS—The Nixon Administration favors state action instead of federal on no-fault insurance but "will surely have to reassess" this position if state laws are not enacted, a no-fault conference of the Texas Assn. of Insurance Agents was told by Virginia Knauer, special assistant to the president for consumer affairs.

"The problem is too great to go unresolved," said Mrs. Knauer. "The inefficiency in the system is too great, and consumer dissatisfaction and the suffering which gives rise to it have deep roots."

That inaction by the states would be likely to bring federal involvement was underlined by Mrs. Knauer and she stated that "a model no-fault bill is under active preparation."

(**SOURCES** in Washington said the model state bill is being drafted by the White House consumer affairs office and other Administration officials including Sec. of Transportation John Volpe, and will be sent to the legislatures of 45 states—all but Massachusetts, Delaware, Florida, Illinois and Oregon, which have already enacted no-fault laws.)

It was also reported that the Senate commerce committee plans to hold hearings soon in its continuing push for a federal no-fault law.

Mrs. Knauer said the Nixon Administration has "preferred to allow" for state experimentation. "There may be many ways of implementing (the Administration's) general guidelines, and the great laboratory of 50 states may produce formulas better than those which we have in mind."

She stated that if the states, with insurance industry backing, don't respond to what she said was widespread demand for no-fault laws, then "consumers, consumer organizations, and aligned interests will undoubtedly seek a detailed, compulsory federal solution much more vigorously than they have in the past." ■

Insurer says vaccinating horses in epidemic does not void coverage

SAN FRANCISCO—Use of the government's experimental vaccine to control the horse disease epidemic in the Southwest, it was disclosed here this week, will not void one insurer's coverage on the animals.

"Some of our policyholders," explained Garret Redmond, vp of Fireman's Fund American Insurance Cos., "have been asking if use of the unproven vaccine would be considered a breach of the insurance contract. We are taking the position that it is better to use the vaccine, even though its effect on horses is not entirely clear, than to do nothing and just let the horses die. If a horse dies as a result of an innoculation, the insurance policy will pay the loss."

Death from the disease, called Venezuelan equine encephalomyelitis, is covered by horse insurance policies.

FIREMAN'S Fund, however, has not yet been able to establish just how many horse death claims will be attributable to the disease. The company is not cancelling any policies.

"We are continuing our policies in force," Mr. Redmond said, "and we are accepting new and renewal business. The only change we are making is to exclude coverage for the disease in new and renewal policies in the five quarantine states."

These are Texas, Louisiana, Oklahoma, Arkansas and New Mexico. The exclusion does not apply to existing policies and will be lifted, he added, when the epidemic passes.

About 50 horses from a unit of the Ringling Bros. and Barnum & Bailey Circus were put under a 14-day quarantine in Texas and Arthur D. Cook Jr., tax and insurance manager, told *Business Insurance* that the circus will have to pick up the transportation costs of getting them back. "We're not covered for horse epidemics," he said, adding that they are not concerned about the costs involved.

The disease has killed about 800 horses in Texas.

"Arlington Park racetrack, in Arlington Park, Ill., has established preventive measures in an effort to combat the disease, which, according to the Illinois agriculature department, may hit the state this summer. Peter Kosiba Jr., racing secretary, said all shipment of horses from the Southwest was being restricted and all incoming vans are being sprayed with .5% malathione before entering the grounds.

The grounds are sprayed twice daily with malathione and pyrethrins, said James Logsdon, an Illinois state veterinarian. He added that cool weather has been a help in preventing the spread of the mosquitoes that carry the disease but that protective measures will be taken until the first frost. ■

Dental surgery covered

A new law in Oregon requires an insurer to pay a dentist for surgery covered under a health insurance policy if the same service by a physician would be compensible.

Rozploch new risk man at Aldon

CONCORDVILLE, Pa.—Albin S. Rozploch has taken over as manager of personnel and insurance at Aldon Industries, manufacturers of rugs and carpeting.

He will be responsible for employe benefits and general insurance for Aldon, as well as risk management, personnel and insurance management. He also serves as corporate safety advisor for the company's four plants in Georgia.

Mr. Rozploch, and the staff of two persons who work directly under him, take care of all the company's insurance needs, from workmen's compensation to fire to liability.

"ALL THE insurance is taken care of here in Concordville," he said, "though we do get some help from the personnel managers at the southern plants. They take part in the administration of workmen's comp and employe benefits programs."

He also reported that Aldon's coverage was "fairly routine. We have no jumbo limits or huge exposures."

His time, he said, was split "almost equally" between his insurance and personnel duties, though insurance could have the edge. Of the time spent on insurance matters, he noted that most of his hours were spent with "employe benefits. That is by far the liveliest area of our coverages."

Aldon Industries' 1,000 employes have their benefits written by Metropolitan Life Insurance Co. and Blue Cross-Blue Shield, according to Mr. Rozploch. He said that the company has a "modified self-insurance plan for workmen's comp in Georgia." The firm's fire coverage is written by MFB Mutual Insurance Co. and the liability is handled primarily by the Home Insurance Co.

The company deals direct with some companies and with others through their broker, Ralph C. Blumberg Inc., Philadelphia.

Mr. Rozploch is a member of the Delaware Valley chapter of the American Society of Insurance Management and numerous personnel administration groups. ■

Substantial benefits increase for CWA

WASHINGTON—Besides winning raises of 33.3% over three years, 400,000 Communications Workers of America gained substantial benefits increases in their recent contract settlement with the Bell telephone system.

Bell, which had previously paid nothing toward workers' Medicaid care, will pick up the entire $5.30-a-month premium. Basic benefits under the Blue Cross-Blue Shield health and hospitalization coverage changed from a set fee formula to 80% of a doctor's "usual, customary and reasonable" charges, according to the new CWA contract, and employes will have the right to stay with the Blues or select a group practice plan. The amount paid by CWA members for their "extraordinary medical emergency" coverage was cut from 3% to 2%.

Workers also won an increase in maximum life insurance benefits of $20,000, raising the limit to $50,000.

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Waterbeds . . .

Continued from page 3

Barry Endelson at The Water Shed told a similar story. "Lloyd's is outrageous," he said. "If I could get product liability at a rate I'd be delighted to buy it. But Lloyd's wanted a $2,000 premium paid in front, and more later based on my sales. I would like to have it, but frankly I can't afford thousands of dollars in premiums. My broker is looking. When the beds are more accepted, maybe things will change."

According to Mr. Endelson, The Water Shed sells about 1,000 waterbeds a month, wholesale and retail. The king-size model with unfinished wooden frame is $99; the finished formica-framed bed is $200 without heater, $250 with. A warranty form goes with each bed proclaiming that the "water mattress is warranted for five years against defects in manufacture." The form also states very clearly that the mattress must be "installed in a frame built in accordance with our instructions and lined with a plastic safety liner." The use of liquid fillers other than water is forbidden (one hotel recently announced its honeymoon suite would have a champagne-filled waterbed) as is the use of an "unauthorized heating element, pad, wire, coil, or blanket." Mr. Endelson showed us a long, flat heating unit that The Water Shed will sell to customers who demand it, but said he prefers to use an insulating pad.

"INSURANCE BROKERS? Man—their heads groove in a different world." This was Harry's comment when we dropped in at Wave of the Future, his Lexington Ave. waterbed store. Underneath his shaggy hair and scraggly beard, Harry has not yet passed beyond the pale of credibility into the dim land of the over-30's, but he is one of the few waterbed men in this town who has managed to get product liability for his much-loved bed.

"I've been in the toy business," said Harry, "but there came a day when somebody let me use his waterbed. After that I knew, that's all, I just knew. So I opened Wave of the Future with one of my good friends, Tom, and here we are." Harry is 27, Tom 23.

"Don't let appearances deceive you," one of Wave's employes said later. "Harry is a real businessman. He can size things up when I don't even know what to look for. And he's a good man, too. I wouldn't work for him otherwise. In his toy store he never sold bad toys—no guns, no bad vibrations."

According to Harry, Wave of the Future sells between 3,500 and 5,000 waterbeds a week in its five retail stores (three in Michigan, one in Pittsburgh). Starting price: $89.50.

"THE ROYAL-GLOBE Insurance Cos. insure Harry's bed for $100,000 per person and $300,000 per incident," said a source at the Rogall Co., Pittsburgh, brokers for Wave of the Future. "There's a deductible of between $100 and $250."

"The layman has product liability in an improper light," the broker commented. "He thinks it says 'this is a good product and will perform as promised.' Product liability is somewhat akin to workmanship, but it doesn't mean just what the layman thinks. What could happen, after all? A floor might collapse under the weight—but that's nothing inherently wrong with the article. Only an idiot would put a heavy bed on a flimsy floor.

"In the last year or two the whole area of product liability has come under fire," he continued. "Defending a case costs a lot, so many insurance companies want to get out. I think a lot of these beds could qualify, but the insurance industry feels better standing back and waiting. After a few years' experience they'll ease up."

Then there is the case of Aquarius Products Inc., the first waterbed company on the east coast by everyone's admission. Aquarius ran an ad last April in New York's weekly "Village Voice" that said, "Each Aquarius Aqua Bed is covered by product liability insurance, are the others? In New York City alone we have THOUSANDS OF HAPPY CUSTOMERS that must mean something."

AQUARIUS' president happily referred us to his broker, who promptly blew up. "They said what? To be very candid, they should not have put that into the ad. I'm not saying they do or don't have product liability insurance, but they have been advised not to advertise like that."

Aquarius' vp of advertising, later declared that his company's product liability insurance had been cancelled.

"They never had product liability insurance in the first place," commented the broker. "The Hartford writes their compensation and general liability, but not products. They never did. We might have been able to push it, but that advertisement made it pretty hard. After that we could only offer them coverage through an excess market with a stiff premium. We gave them a price for $100,000/$300,000 of coverage at $5,000 annually, based on a prediction of $500,000 in sales, to be checked by an audit. Aquarius was predicting even more than $500,000 in business, so the premium could have been up to $7,000."

Aquarius' motto is directed toward the wildly imaginative: "Two things are better on an Aqua Bed. One of them is sleeping." Interestingly, one of the principals informed us that 24% of Aquarius' customers are over 40 years old. "They need help sleeping," he said. The Aqua Bed goes for $199, king size, with frame, liner, and electric heater. The company feels the heater is very important, although an insistent customer can get the unheated system for $120.

Dan Bolletino sports the tie-dyed jeans and bushy hair of his young competitors, but clearly falls into the middle-aged category. However, the exuberance with which he leaped across the Bon Bazar showroom and onto his waterbed to demonstrate its strength belied his age.

BON BAZAR, basically a Greenwich Village fabrics store, went into waterbeds as a sideline nearly a year ago and managed to get product liability coverage of $100,000/$300,000 last fall from the Empire Mutual Insurance Co. "I don't want to take chances," Mr. Bolletino commented. "We're not looking for trouble—that's why we don't just sell bags without frames and liners. Unless somebody is grossly negligent, there should be no trouble. It's the guys who are just selling bags that cause problems."

"I really like this bed," Mr. Bolletino said simply. "I think it will catch on with adults, too, and become a really normal form of bedding." Bon Bazar charges $129 for its bed, he explained, and sells three or four a day.

Located in a side street just across from the recently defunct Fillmore East rock emporium, the Foggy Bottom waterbed store looks like yet another movie prop in the lower east side's fantasy of a hippie world with its water-

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Nader wants employes to choose own pension fund administrators

WASHINGTON—Consumer advocate Ralph Nader has entered the debate over private pension plan legislation with a recommendation for a system under which employes would select their own pension fund administrators from a new breed of "private, competitive, cooperative, insured financial institutions, licensed and regulated by the Securities and Exchange Commission."

Mr. Nader's proposal came at a legislative conference of the Assn. of Private Pension and Welfare Plans, which also heard Rep. John N. Erlenborn (R.-Ill.) caution government to "go slowly in intruding itself into this (pension) area" and "maybe not move at all."

The Nader recommendation, which has been picked up by the Senate labor committee, and according to its chairman, Sen. Harrison A. Williams (D.-N.J.), "is being considered very carefully" in a subcommittee study to determine the need for pension plan reform, calls for a system that would permit an employe to collect on retirement or disability the amount accumulated from contributions of his own and of employers during his working years. Employers would not be obligated to make pension contributions, but if they chose to the contributions would have to be for all employes over 25 and for those under 25 who have worked for more than three years.

"PENSION FUND administrators, investment managers, actuaries, and other persons with the necessary expertise who joined together to form corporations would be eligible to apply for licenses" to run the funds, said Mr. Nader.

He introduced the plan as one that appears "deceptively simple" and added that because it "so completely takes care of both the objections to the present system and the objections to the currently proposed revisions . . . it seems immediately suspect."

Stressing "questions of social policy" that he saw as having a part in pension funds, Mr. Nader said that under his proposed system, elected directors of the funds would send out annual or semi-annual questionnaires to "enable members to help decide how their funds can be best invested. It would enable members to help decide whether they wish to invest in companies that are notorious polluters or who flagrantly violate our laws governing civil rights or labor relations, or whether they would possibly be willing to accept a slightly lower return on their investments in order to foster the construction of moderately priced housing" or invest in other ways that might bring them indirect benefits.

"There is no reason why democracy can't be inflicted on pension fund investment decisions," Mr. Nader stated.

IN CONTRAST to Mr. Nader, who said "meaningful legislation can be enacted in 1971 or early 1972," Rep. Erlenborn expressed fear that private pension plans "may become a political football" because of "a tendency" of Congress to enlarge Social Security benefits during election years and "arrange for the higher taxes to take effect in the odd-numbered years."

While he felt that federal law should perhaps protect workers released shortly before retirement and denied pensions, and acknowledged that many workers "would welcome" portability, reinsurance, and vesting, Rep. Erlenborn contended that "there would be a price . . . and some workers might prefer not to pay the price and not to have these added features. The price might be smaller pensions, or more rigid work rules, or lower wages, or fewer coffee breaks. It is even possible that part of the price might be fewer pension plans."

He was critical of what he called "replacing the (fund) manager's investment judgment with a noble-sounding law" and added that "I tend toward the opinion that the investment of pension funds had best stay in the hands of the trustees and that they ought to invest the money so as to protect the pensioners."

Two aids to the Senate labor subcommittee looking into pensions also addressed the meeting. Frank Cummings, administrative assistant to Sen. Jacob Javits (R.-N.Y.), said legislation sought by Sen. Javits aims for "a minimum standard, similar to the minimum wage law." He said a "substantial percentage of the forfeiture rate" in pensions involves "people who have been with a company for 15 years or more, up to 25 years, and after all, that's a lifetime of work, or at least half of one. It's a long time to work and get nothing."

Mario Noto, special counsel to the subcommittee, said the study being conducted by Sen. Williams is aimed at "finding out what is needed" in line with what he said were Sen. Williams' efforts to "make the promise of the golden years of workers a reality."

In addition to proposing a new system for pensions, Mr. Nader announced that he has sent out questionnaires to 800 people who have written to him and to government officials asking their views on pension reform. The questionnaires seek to determine what changes are wanted.

Mr. Nader also petitioned the Labor department to require companies with pension plans to tell employes under what circumstances they won't receive benefits. ■

Federal . . .

Continued from page 15

compensation program," he declared. "If the federal government gains any greater control of it through the acquiescence of the states, business and industry, it will soon control all of the program. The present welfare situation is a perfect example of where the federal role has continued to enlarge to the point that the states are now asking the federal government to take over all of the program, because of the excessive cost."

He also urged great cooperation among all parties involved and said that the federal government did, indeed, have a part, that of obtaining and disseminating statistics.

He summed up what he, and perhaps the other speakers, had been saying. "Just because that state system has been in existence for more than half a century, just because it is our nation's oldest social insurance program—just because it is a state system—are not justifiable reasons for its continued existence." ■

Waterbeds . . .

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on-the-brain-man cartoon symbol beckoning passersby to "Come on in. The water's fine."

Product liability insurance? "No," said Stanley Lewicki, one of Foggy Bottom's three principals, "the premium is so high that the waterbed's price structure would be elevated out of sight." Mr. Lewicki briefly described the other two principals. "My nephew and his friend Marty got into waterbeds on the West Coast and brought the idea back with them. They're both in their early 20s. Like, they could be my sons."

THE FOGGY BOTTOM king-size bed, frame, liner and pad go for $119. For the mere price of walking into the store, a lot of helpful literature can also be obtained. One interesting item: "Orthopedists and obstetricians are recommending the waterbed to patients who have back problems. If it's prescribed by your physician it's tax deductible."

Our travels finally brought us to Klein Sleep's midtown showroom, where waterbeds from $200 on up have been added to the regular lines of bedding sold by this store for many years. Herb Klein, as it turned out, got into the manufacturing and wholesaling end of the business when the beds he retailed for The Water Bed Place sold well. He is now a principal in Dynamic Liquids Inc., the corporate structure of the former Water Bed Place.

"We do have product liability insurance," Vincent Patrick, president of Dynamic Liquids, told *Business Insurance*. "The Hartford covers us for $100,000/$300,000 on personal injury and $25,000/$50,000 on property damage. Wholesalers or distributors can be put on the policy for a nominal fee, but I can't put every retailer on the policy."

"We're pretty strongly against electric heaters," said Mr. Patrick. "We stopped selling them for safety reasons, and that week our sales jumped, which shows how little the idea appealed to customers. We have worked for a while on a good pad, light and thin enough not to insulate the wave action, but one that really keeps you warm. Our fourth generation quilt is now being developed from reflective materials, and it should be the best yet." Mr. Patrick said he used to be a consulting engineer before his son, Glen, got him interested in waterbeds.

"You know," he said, "for waterbed people, what they're doing is more than a business venture. It's sort of an attempt, well, you might say it's a test by fire to beat the establishment with commitment and love." ■

Record . . .

Continued from page 16

dependent children from $23,000 to $28,000.

It also would reduce from 49 to 28 days the period a temporarily disabled worker must be disabled before receiving benefits for the first seven days of his injury. Jack Fenton, Montebello Democratic assemblyman, claims the state treasury would net $976,000 a year from taxes on the increased insurance premiums.

Hartford forms broker-dealer unit

HARTFORD—Hartford Fire Insurance Co. has formed a broker-dealer subsidiary, Hartford Securities Co. Inc., which has been admitted as the first domestic institutional member-corporation on the Boston Stock Exchange.

Hartford Securities is licensed to conduct a general broker-dealer business, said William M. Griffin, president of the new concern and senior vp of Hartford Fire. For the time being, however, it will serve as broker-dealer solely for Hartford Fire-managed portfolios.

"Establishment of a broker-dealer does not mean a change in the Hartford's investment," said Mr. Griffin. "We are not, at this time, considering marketing equity plans or financial services, such as research and portfolio counseling, through this company." ■

Work comp meetings

The National Program to Improve State Workmen's Compensation, meeting in San Francisco, has announced plans for four to six meetings throughout the U.S. to "develop programs which will lead to improving and preserving" state compensation systems. A workmen's compensation seminar is also planned for the southeastern states.

It's hard to get fired up about distant storms and earthquakes when junior shows up for work.

It's going to take time to calm down the crew today, now that they've seen their future president! Meantime, a storm is working up—one which is going to raise havoc in the area, and the plant isn't ready for it. Losses will be crippling. Plant protection is serious business. Ask an Arkwright-Boston man to check your plant protection. He'll give it to you straight, with no hot heir!

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Some people were fixed in their ways. Others thought our ways were just too new.

But even then there were many who liked our pluck and signed up. They were nice enough to spread the word about us, and things started happening.

Now a lot of people are saying, "Glad to do business insurance with you."

We've become known as mavericks and boat rockers. Our people are recognized as hand-picked specialists who have brought some fair-size savings to company after company—big companies, small companies, and companies just the size of yours.

Fresh thinking has a place in business insurance after all. Isn't it time you call Allstate? We're in the book.

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Saving money is hard work. Most people can't seem to manage it by themselves. That's why our Group Department offers The Travelers Employee Savings & Investment Program... to help you help your people save money.

You get a new, attractive and competitive employee benefit program at a low and predictable cost to your company.

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Employee acceptance is high. And our computer-accurate reports to employees reinforce their acceptance and emphasize your support of the plan.

Find out more about this new Travelers benefit program. Call your Travelers Group man today.

THE TRAVELERS

The Travelers Insurance Companies
Hartford, Connecticut

Most insurers optimistic that vaccine and buffer zone will halt VEE spread

CHICAGO—All horses in the southern states from Florida to California are being inoculated against the Venezuelan horse disease that crept into the U.S. from Mexico. Insurers interviewed by *Business Insurance* displayed great faith in the vaccine being used to create the buffer area and indicated that the initial fear of an epidemic may have been exaggerated.

Frank Harding, president of American Live Stock Insurance Co., Geneva, Ill., said that the actual number of deaths from Venezuelan equine encephalomyelitis were "well under" the numbers being reported. Texas, he added, has more than 500,000 horses and old age deaths for one month alone might be as high as 1% of that figure, well more than the number of deaths that he predicts from VEE (as the disease is called.)

American Live Stock has stopped writing new business in Texas, Louisiana, Oklahoma, Arkansas and New Mexico (the five states quarantined by the government) for 10 days but is writing it again. The new business is subject to a certificate of vaccination of 14 days duration before attachment of the insurance, Mr. Harding said.

INSURERS interviewed explained that the vaccine being used on the horses in the buffer zone was developed by the government during World War II in connection with chemical warfare and was designed for use on humans. In the early days of the VEE outbreak, many horse owners feared the vaccine was too experimental to trust but the insurers pointed out that it had been in use for two years on horses in Central and South America.

Vaccinations in the buffer states are being given at the expense of the government, with veterinarians being reimbursed $4 per shot.

Mr. Harding noted that the KING Ranch in Texas, with 2,400 horses, and the Callahan Ranch, another large Texas concern, had both vaccinated before the spread of the disease and have lost no stock.

Al Vita, of Frelinghuysen Livestock Agency in New York, handles American Home Assurance Co.'s livestock underwriting and said that new business is still being written in Texas and its border states subject to a 21-day-old certificate of vaccination. American Home has lost only two horses, he said, and Frelinghuysen is considering "dropping the requirement in all states but Texas," the only state to have had confirmed cases of VEE.

Hartford Fire Insurance Co. is writing no new business in the five-state affected area but, according to John Clark, livestock underwriting superintendent, they hope to lift that ban by "at least the end of August." The company is writing renewal business, he said, based on a 14-day-old vaccination certificate.

Fireman's Fund American Insurance Cos. is excluding coverage for VEE in its new and renewal business in the affected area until the epidemic passes. (*Business Insurance*, August 2.) ■

Wall Street thefts prompt risk reviews

WASHINGTON—Insuring securities may become even more difficult and more expensive if criminal activity in the Wall Street financial district continues at present rates, insurance industry spokesmen warn.

Testifying before a Senate investigations subcommittee, industry representatives claimed that, during the 1964-68 period, $166.15 million in lost claims were paid to commercial banks for missing government and private securities and another $27.77 million were paid in stockbroker claims.

Blaming the thefts largely on organized crime, testimony indicated that the thievery is growing worse.

John F. Beardsley of the Hartford Insurance Group claimed that losses incurred by his company alone have totaled $15.4 million since 1966. James M. Condon of the Continental Insurance Cos. estimated his firm's losses to be over $20 million in the last two years.

A new computer network will soom eliminate all paper Treasury bills, notes and bonds and will record all ownerships and transactions in a central data bank, but will not trim the soaring theft rate, the industry people said. More curtailment of coverage and the establishment of higher deductibles may soon result, they warned. ■

for the record

Third Connecticut town leaves pension system

NEWINGTON, Conn.—A third Connecticut town—the Hartford suburb of Newington—has scrapped town participation in the state-conducted retirement plan.

Windsor and Darien pulled out of the state retirement plan earlier, contending they can do better handling employe pension plans on their own (*Business Insurance*, July 19).

Newington's town council has decided to allow a private insurance company to handle its employe pensions, much in the manner of Windsor and Darien. After months of deliberations with the Newington town employes' union, the council has finally authorized town manager Peter M. Curry to enter into a contract with the Connecticut General Life Insurance Co.

NEWINGTON'S town employes in the past belonged to the state plan. Under the new arrangement, their retirement will be at age 65 or after 30 years of service. Police employes will gain earlier retirement benefits.

The plan is to cost Newington some $80,000 annually.

The plan resulted from protracted negotiations with the employes union and was approved some months ago by the union and the town council. The town then designated Mr. Curry to solicit proposals from insurance carriers.

Connecticut General, Travelers Insurance Cos. and Aetna Life & Casualty responded.

The firm of Martin E. Segal, which specializes in health and pension programs, was named to evaluate the proposals.

Aetna, *Business Insurance* learned, was disqualified because it would only offer to underwrite long-term disability coverage in conjunction with group life insurance. This was not acceptable to the town's program.

Another major facet was the spouse benefit provision.

The Segal report added: "Based on their competitive position and the desire of the town to have one carrier, we would recommend that the town consider Connecticut General as the underwriter of the pension, long-term disability and spouse program."

Checkup package a new fringe benefit

MILWAUKEE, Wis.—A hospital here has designed a package program intended to encourage businesses to offer physical examinations as fringe benefits to their top executives.

Kenneth S. Jamron, executive director of Deaconess Hospital, said the program will provide comprehensive exams at minimum cost and loss of time.

Both the company and the individual would benefit through such a program, Mr. Jamron said —the company by helping to keep its managers healthy, the individuals by getting checkups, which they normally might neglect. Voluntary physical exams are not covered in most insurance policies, the director pointed out.

Under the program, each executive is admitted to the hospital for a battery of diagnostic tests and X-rays over a 24-hour period.

Mr. Jamron said a Milwaukee banking institution is the first firm to participate in the program.

Outhouse blast not worth $125,000

SACRAMENTO, Cal.—It was an upsetting experience, U.S. District Judge Thomas MacBride

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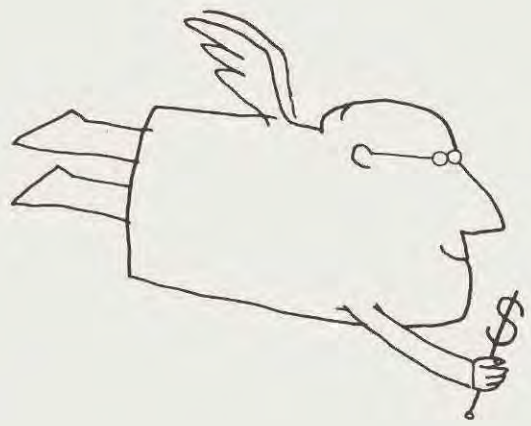

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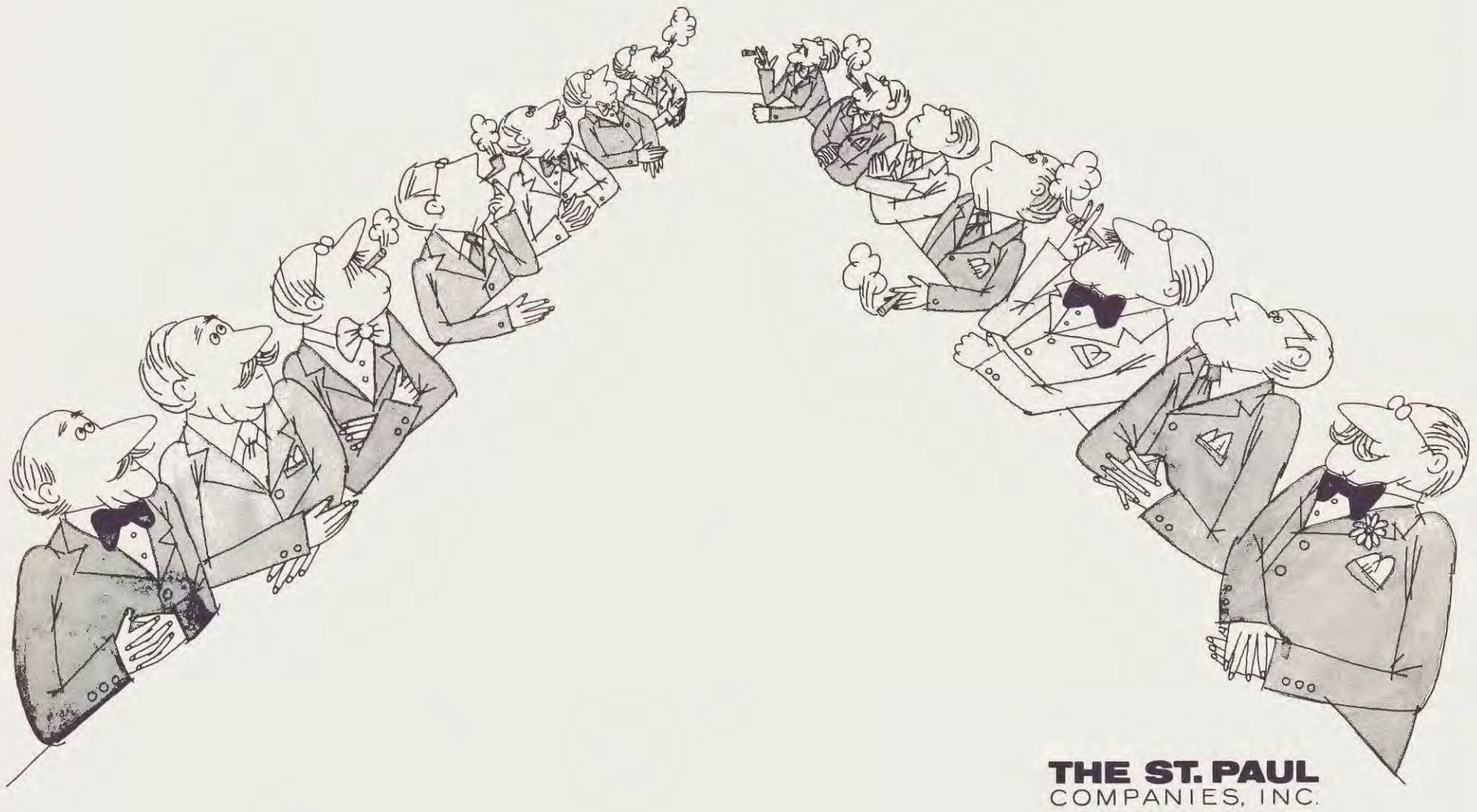

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Corporate cover: Difference in size is difference in kind

by Bion H. Francis,
insurance consultant,
Bridgeport, Conn.

Bion H. Francis

'The demands and pressures of professional risk managers are an important factor in the advance of the insurance industry.'

THE SIZE OF a corporation may have a substantial influence on its risk program. This is not simply a matter of differences in the amount of insurance. When the differences in amount become large, the result is a true difference in kind. The reasons for this are not always appreciated by some (and these may include such people as directors and officers). Let us review this matter of the effect of size on the insurance program.

Capacity

As the size of individual plants and operations increases, the amounts of insurance needed for proper protection also increase. It may become increasingly difficult to obtain the amounts of insurance required. In recent years, problems of insurance capacity have become well known. Here, I will mention only the possibility that the risk manager of a large corporation may have to concern himself with the reinsurance back of his insurance programs.

Service

Large corporations with property and operations all over the country may need the services of inspectors, claim adjusters and others operating from many different locations.

As a result, large manufacturing or sales corporations may be limited to the insurance companies and brokerage organizations that can provide national service. The growth of individual corporations and their consolidation through mergers and acquisitions has increased the demand for large amounts of insurance, serviced by insurance corporations operating on a national basis.

This can work in reverse. Large manufacturing corporations usually have stronger staff departments than do small corporations. This might mean that the large corporation has the resources to provide the claim and inspection service that a small corporation must usually obtain from an insurance company. However, even when corporate staff departments are large, they may prefer to have the cooperation of the insurer in these service functions. In such situations, the service to be performed by the insurance company should be spelled out in detail in the insurance agreement.

Spread of Risk

A small corporation with a single plant has no spread of risk within itself. When such a corporation insures its property and operations, the insurer performs the function of spreading risk over a large number of other insureds.

Suppose that we have 100 separate companies each of which operates a factory; another 100 companies, each of which operates a warehouse and a few trucks; and still another 100 companies each of which operates a retail store. If these companies are all insured by the same insurer, the insurer is spreading the risk over all of these insured companies. Now suppose that all of these 300 companies are consolidated in a single operating corporation. Obviously that corporation within itself can perform the same function of spreading risk that was formerly performed by the insurance company.

I once attended a seminar on self-insurance. At the end of the seminar everyone was impressed by one conclusion that emerged from the discussion. This was that large national corporations, regardless of the form taken by their insurance programs, in fact, assume their own risk, except for the catastrophe hazard.

Among small corporations with little or no spread of risk, the premium in any year may be substantially more or less than losses. For a very large corporation, the cost of the risk program should include payment for average losses based on experience, an allowance for expenses and reserve, and the cost of the catastrophe protection that represents the true insurance element purchased by the large policyholder.

Influence on Policy Terms

Because the insurance purchased by a large corporation is essentially purchased on a cost-plus basis except for the catastrophe element, the insured should have substantial freedom in modifying the terms of this insurance. Because of the complexity of their operations, the hazards that may be involved, and the tendency to require higher standards of protection from the large corporation, this greater freedom to modify policy terms is necessary for the large corporation.

Only one who has struggled with the problems involved in safeguarding hundreds of millions of dollars of property, a correspnding flow of sales and income, and many thousands of lives together with the equally important problem of not subjecting the corporation to competitive financial handicaps, can realize the full weight and burden of the responsibility.

Hundreds of professional full-time risk managers in the U.S. are constantly reviewing, and studying, their policies, and judging them in the light of inadequacies that may be found on actual loss settlements. There is a constant demand for policy improvements from this group of professional risk managers.

Many of the policies purchased by these men are individually written to suit the needs of their companies. The power of these men to demand individually drafted policies has undoubtedly been facilitated by the cost-plus situation discussed previously. The demands and pressures of this group of professional risk managers are an important factor in the advance of the insurance industry, and in the long run are of benefit to all insureds.

In summary then, as the size of a corporation increases, the insurance element in its insurance program becomes less important, except in dealing with catastrophe. At the same time, the service elements in the insurance program become increasingly important.

Finally, but not less important, the role of the professional full-time risk managers of the large operating companies, together with the assistance and backing of insurance companies, brokers, agents and others, is undoubtedly an important factor in the continuing growth and development of insurance. ■

U.S. can learn from Canada's 'rash' of pension legislation

by John Seltzer,
Vice President and General Manager,
Murray G. Bulger & Associates Ltd.,
Toronto, Canada

DURING THE PAST FIVE YEARS Canada has passed an unprecedented amount of legislation directed at pension plan issues, which are of current concern in the U.S. Laws now establish minimum standards of vesting, portability, solvency and funding; prescribe tests for the proper investment quality of funds; and require communication to members of their entitlement to benefits.

Despite all this, Canada still faces many pension problems, some of which have been caused by the rash of legislation. Perhaps the U.S. can learn from Canada's experience.

The Provincial Pension Benefits Acts in effect in Ontario, Quebec, Alberta and Saskatchewan apply to most organizations with a majority of employes in those provinces. A comparable federal Pension Benefits Standards Act applies to organizations under federal jurisdiction such as banks, railways, shipping companies and communications companies, and employers in the Yukon and Northwest Territories.

These acts are similar. They legislate in three main areas:

- On vesting they require that the benefits accrued after the act came into effect, including past service benefits granted after that date, must vest in the plan member in the form of a pension after age 45 and 10 years' service. The employe cannot take out his own contributions towards these vested benefits after age 45 and 10 years' service. A plan can allow a lump sum cash-out of 25% of the vested benefit when the pension is less than $10 a month more, or the employe has a short life expectancy due to ill health.
- On funding and solvency, they require that current service benefits must be funded each year as they arise, that unfunded liabilities must be funded in 15 years or by a date 25 years after the act came into effect, whichever is the longer period, and that actuarial deficiencies must be funded within five years from determination in equal annual installments. Actuarial valuations must be made and reported to the government at least every three years; and asset statements of the fund must be reported to the government every year. Investments are restricted to those permitted to life insurance companies with a 7% "basket clause." In addition, a fund cannot hold more than 30% of the common shares of a company or hold more than 10% in the securities of any one corporation.
- On disclosure and communications, written explanation of his rights and benefits must be given to each member.

IN CANADA, it is dangerous for employers to take advantage of a substantial rise in equity prices to revalue their funds at full market value and reduce contributions or materially increase benefits from the resulting unrealized capital appreciation. A subsequent substantial drop in market values (as actually recently occurred) would result in an acturial deficiency. Under the pension benefits acts, this deficiency would have to be funded within five years in equal annual installments. Such an eventuality could occur at a point when the corporation was least able to make extra contributions. Therefore, most funds in Canada need to be conservatively valued and funded even during a stock market rise.

Few employers are now faced with a pension squeeze of being required to put up more money in a period of little, if any, profits to meet higher pension payments from a pension fund depleted by asset depreciation. There have been no instances of Canadian pension plans being discontinued with the discovery of inadequate resources causing a reduction in or a loss of previously promised benefits. There is, therefore, no pressure in Canada for pension insurance facilities.

Layoff in Canada has been considerable, but its effect on pension plans has not yet been apparent. Early retirement provisions have not frequently been used to soften the effect of layoffs because most of the employes laid off are not eligible for early retirement. Nor have laid off employes been

Continued on following page

Learn . . .

Continued from preceding page
causing a larger cash drain on pension funds. (In Canada, most plans require employes to contribute because such contributions are tax deductible by the employe.)

This may be due to the fact that many laid-off employes take their money out on termination anyway and that the "locking-in" requirements of the pension benefits acts are beginning to operate. However, plan layoffs and shutdowns have undoubtedly pushed the Canadian Labour Congress and the International Assn. of Machinists to start this year their respective multi-employer plans for small employers. Laid-off workers in such a plan can transfer benefits to another participating employer or keep their pension credits in suspense until they resume work. These labor multi-employer plans may be open to non-union employes. Associations of small employers may well start similar plans to prevent future labor control or sponsorship.

THE NEED FOR RESIDENTIAL housing within the means of the average Canadian is paramount. Trusteed pension plans in Canada amounted to $10 billion at the end of 1969. Of this, mortgages amounted to almost 11% with total mortgage purchases by trusteed funds in 1970 amounting to more than $175 million: but the Canadian government is committed to putting more than $1 billion into housing in 1971. It is, therefore, trying very hard to encourage greater investment of pension funds in mortgages, particularly National Housing Act mortgages, which are secured not only by the mortgaged property but are also insured by the federal government against losses arising out of default.

The federal government's persuasion has included conferences on mortgage investments for trusteed plans. One of the more imaginative government-sponsored efforts is the establishment by Central Mortgage & Housing Corp., which administers the National Housing Act, of a project team to explore ways for increasing the access of private savings to housing finance. Some of the possibilities the team is now exploring are variable interest rate mortgages, central mortgage banks and real estate investment trusts.

The increasing need of governments for money will intensify the trend for them to take over or direct private pension fund investment and administration. The funds of six trusteed pension plans administered by British Columbia and two large plans administered by Ontario are not employed in the capital markets but are used by those provinces for their own purposes. In addition, payments to the Canada Pension Plan, the federal government civil service and armed forces plans and to nine provincial government plans are administered on a pay-as-you-go basis with employe contributions going into the consolidated reserve funds of the governments concerned.

If the pension liabilities of these plans were fully funded, the total assets of Canadian trusteed plans at the end of 1969 would have been closer to $21 billion and net income available for investment from contributions and investment income would have been much more than $2 billion instead of the actual $1 billion.

GOVERNMENT DIRECTION of pension funds is further evidenced by the recent Quebec provincial law by which the administration and investment management of all pension plans of the construction industry in that province are taken over by the Quebec Deposit & Investment Fund, a government body. Despite this disquieting situation, there appears to be little opposition to, or even knowledge of, this trend.

As in most countries, the income tax laws have a great effect on the form and amount of pension benefits. In Canada, the actual law relating to company pension plans has always been very brief. The qualifications for registration and the amount of tax deductible company contributions have largely been left to the discretion of the federal tax authorities, based on a gradually evolving set of rules that became known only as they were applied to particular cases.

In February, the department of national revenue released a new information circular about company pension plans. Pension plans will be required to comply with this circular by Dec. 31, 1971, in order for contributions to the plans to be tax deductible for 1971 and subsequent years. This is a radical departure from the previous practice of the department of national revenue. Formerly, new rules on pension plans have not affected existing plans until such a plan is subsequently amended.

Employers should take a long hard look at their pension plans. If they do not do this, they may find that their plans have lost their tax advantages.

THE EXTENT OF THE CHANGES required will depend on the kind of plan, the method of funding, the eligibility provisions, whether past service pensions are provided, size of contributions and the amount and type of benefits. The circular has rules that affect each of these areas.

'The increasing need of governments for money will intensify the trend for them to take over private pension investment.'

The plan must be funded through an insurance company, a corporate pension society, a federal or provincial government, or a trust administered by a trust company or at least three trustees resident in Canada, one of whom must not be a shareholder, partner, proprietor or employe of the employer.

The new circular divides pension plans into two groups. A "definite benefit" plan defines the benefits to be paid to each member regardless of the cost. A "money purchase" plan defines the contribution placed to the credit of each member and the pension is whatever amount these contributions plus investment yield will provide. A typical definite benefit plan would promise a pension of 2% of average pay over the five years before retirement for each year of employment. A typical money purchase plan would require an employe to contribute 5% of pay to the pension plan, with his employer matching this contribution. Under the new rules, some employes can get larger possible pensions from a definite benefit plan than a money purchase plan; for others the reverse will apply.

The maximum pension allowed from a plan that defines the benefit to be paid to each member is 70% of the average of best five years' salary, 2% of this average for each year of service, and $40,000 a year. This restriction does not apply to money purchase plans. The money purchase plan has been in disfavor for some time. It may be used more frequently in future for employes who would otherwise be limited in the amount of pension they could get from a definite benefit pension plan.

EMPLOYERS WHO WISH to provide larger pensions from a definite benefit plan can do so by setting up a company pension plan fully purchased by employer contributions on a tax deductible basis and establishing a separate voluntary saving plan fully purchased by employe contributions on a tax deductible basis (under Section 79B of the Canadian Income Tax Act which is not covered by the 70%-2%-$40,000 rule). Employers may also want to consider individual deferred compensation arrangements for employes whose pensions would otherwise be limited by this rule. Such arrangements provide tax deductiblility of benefits when paid instead of tax deductibility of contributions and do not have to meet the maximum pension rule.

The ability of employes to get their money out of a plan while still employed has largely disappeared. In the past, some employers have allowed employes to get their money back when an increase in Social Security benefits or collective bargaining have demonstrated that the company pension plan may be providing too large benefits. Employers may now want to consider establishing plans that are fully purchased by employer contributions to forestall complaints from employes who may find their own contributions locked in. Employe contributions could then be made voluntarily to a separate tax deductible savings program not governed by the new circular.

The new rules allow a larger disability pension to be paid directly from a plan than has been the case in the recent past. However, there are substantial tax advantages to the employe by having death and disability benefits before retirement paid from separate insurance contracts and not as a part of the company pension plan, provided insurance coverage can be obtained on the employes in question. The new rule will enable a reasonable amount of disability benefit to be provided from the pension plan in circumstances where the employes concerned have been unable to get insurance protection because of their occupation or state of health.

Many of the new rules prohibit the purchase of pensions in the year in which the benefit is considered to accrue. (Employer contributions that would otherwise be non-tax deductible can be deducted if paid after the year for which the benefits are credited; pensions resulting from inflation can only be purchased as pay actually increases because of inflation; cost-of-living pension increases can only be purchased as they are paid.) Since the Provincial Pension Benefits Acts require that benefits be funded as they accrue, there is going to have to be some very complicated wording in insurance contracts and trust deeds or some rearrangement of the actuarial assumptions and techniques to meet both the new federal circular and the provincial legislation. This can materially increase the expense of installing and administering definite benefit pension plans. The smaller employer may find the money purchase plan increasingly attractive for its lower cost.

The information required by the department of national revenue is considerably more detailed for plans that are not funded through a fully insured contract. Companies that have established plans through other means may want to reconsider the merits of the fully insured approaches to funding company pension plans.

The new circular is certainly an improvement over the tax department's previous method of largely unpublished practice. However, the detailed nature of the rules and their immediate application should cause employers and employes to question established kinds of plans and the usual ways of paying for them. ■

Risk management notes

Here's how to figure insurance company loss-handling costs

prepared by Warren, McVeigh & Assoc., risk management consultants, San Francisco—Los Angeles, Cal.

ANYONE WHO IS interested in knowing how much it costs for an insurance company to handle losses can figure it out from the following table. Subtracting the loss ratio from 100 gives the cost to the insured of transferring these losses. California experience for 1970 should be enlightening.

Coverage	Loss ratio	Premium volume
Fire	49 %	$ 189 million
Extended coverage	36 %	55
Homeowners multiple peril	64 %	241
Commercial multiple peril	49 %	167
Earthquake	0 %	6
Ocean marine	58 %	45
Inland marine	55 %	80
Accident & health	75 %	114
Workmen's compensation	60 %	671
General liability (bodily injury)	52 %	226
General liability (property damage)	52.5%	58
Auto bodily injury	67 %	793
Auto property damage	65 %	$ 312 million
Auto physical damage	60 %	586
Fidelity	63.5%	14
Surety	13 %	48
Glass	57 %	5
Theft	44.5%	11
All other	35 %	40
TOTALS FOR 1970	59.5%	$3,661 million

This 59.5% loss ratio reflects an earned premium volume of more than $3.5 billion in a state relatively free of overly restrictive state regulation. By way of reference, the California totals for the three prior years were: 1969, 62.5%; 1968, 58%; 1967, 56.5%.

Evaluating Total Risk Management Costs

The ultimate goal of risk management is to minimize total costs over a long period of time. To measure the effectiveness of cost minimization, it is necessary to have some measure of costs from year to year. In order to attain this measure, it is first necessary to break the function of risk management into measurable components. Each component can then be analyzed and measured and the sum taken to equal total risk management costs. We have traditionally considered the elements of risk management in four categories, as follows:

- Uninsured Losses
- Loss prevention costs
- Insurance premiums
- Administration

A more detailed breakdown appears on the cover of the ASIM Annual Conference brochure for their 1971 Annual Meeting which breaks total costs into eight elements as follows:

- Losses
- Loss adjustment costs
- Legal defense
- Loss prevention, engineering and inspection
- Administration and risk management
- Acquisition costs
- Insurer's retention
- Safety and loss prevention equipment

This is a most interesting breakdown because it focuses attention on some elements which are not often quantified; for example, legal defense and acquisition costs. A famous scientist once said that we know very little about a subject until we can express it in figures. The first step, of course, is to find out what the subjects are that we want to express. The eight categories listed by ASIM might be an excellent start. ■

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Record . . .

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agreed, but an explosion in an outhouse in El Dorado National Forest does not entitle Clyde Meadows to $125,000.

That was the sum Mr. Meadows asked in suing the federal government after he was injured in the explosion in an outdoor toilet maintained by the forest service. "The explosion," Judge MacBride wrote, "must have been a terrifying experience for Mr. Meadows, but the government cannot be the insurer for all persons who use its toilets."

Mr. Meadows was burned in July, 1967, when he lit a match and dropped it down inside the outdoor toilet.

Judge MacBride ruled that the blast that followed "was caused by gasoline someone, a prior sitter perhaps, had dumped into the toilet and not by the buildup of explosive methane gas from sewage" as Mr. Meadows had claimed.

Oppenheimer services pension fund investors

NEW YORK—A new computer-programmed service for corporate employe benefit plans, designed to handle plan accounting and personalized accounting for plan participants, has been set up by the Oppenheimer Management Corp. for pension and profit-sharing plans investing in either or both of the corporation's funds, Oppenheimer Fund or Oppenheimer AIM Fund.

Donald W. Spiro, president of Oppenheimer Management, said that the special institutional accounting system, as it is called, is geared for co-contributory thrift plans where employe accounts are fully vested, though he hoped that this base would broaden. The plan is available for a small fee per year per employe account to plans with 50 employes or more.

The service includes individual and collective confirmations of new investments, liquidations, withdrawals and dividends and distributions reinvested as well as complete record keeping and accounting. Each participating employe receives statements summarizing yearly transactions in his account and semi-annual reports of fund portfolio changes.

"As many employe plan trustees have told us," Mr. Spiro said, "efficiency of accounting and administrative services is almost as important to a plan's success as the investment outlets it selects. We are convinced that the mutual fund sponsor firm capable of providing effective service in these areas is the one most likely to achieve preeminence in the pension and profit-sharing field."

Wisconsin fire plan suffers heavy losses

MILWAUKEE, Wis.—The Wisconsin Insurance Plan, which provides fire insurance for property owners who cannot obtain coverage, may need a rate increase to offset heavy losses, according to the plan's manager.

Frank J. Schwoegler, the manager, said that $155,700,000 in insurance had been written under the plan since it began on Jan. 1, 1969. The plan has 8,500 policyholders, about 70% of them in Milwaukee, primarily in the inner city.

For every dollar received in premiums, $1.54 has been paid in claims and expenses, Mr. Schwoegler said. He said the plan could not continue to sustain the heavy loss.

Property insurance companies operating in Wisconsin are required to participate in the plan. They have been assessed $200,000 to keep the program solvent, Mr. Schwoegler said.

Employes: Watch your language

MADISON, Wis.—No matter how mad you are at your boss, you can't insult him in public and expect to hold onto your job.

Dane County Circuit Court Judge William Sachtjen ruled in an appeal of a decision by the Wisconsin department of industry, labor and human relations that an employer has a right to fire an employe for a public insult. The case concerned a woman who had pushed her boss and called him "stupid" after working hours in a cocktail lounge. He fired her, and she tried to collect unemployment compensation benefits but was turned down.

She complained that the discharge for miscodnuct took place after working hours.

Judge Sachtjen differed, holding that it was misconduct connected with her employment. "It is difficult to depict a more flagrant case of insubordination toward a superior," he wrote. "To be called stupid by a subordinate in a public place is a demeaning insult justifying discharge."

He added, "An employe has no license to exercise any freedom of speech after working hours when the language is critical of his superiors. To hold otherwise would result in a complete breakdown in the employer-employe relationship."

Connecticut to study no-fault insurance

HARTFORD—A bill that may put the highly-controversial no-fault insurance on the agenda for action in next February's state legislative session has been signed by Gov. Thomas J. Meskill.

Attempts to pass legislation to allow for such a system of handling automobile accident claims in Connecticut failed during the recently-concluded 1971 session.

The bill establishes a 32-member committee to look into no-fault in a study project financed by a $35,000 appropriation. ■

letters

Continued from page 12

Mr. Stewart or the present superintendent of insurance in this lawsuit. It is a matter of what authority the insurance department has.

I did note some statements in your story appearing in *Business Insurance*, July 19, which I think ought to be clarified. You are correct in stating that "banks, for example, have sought to change the law in a way to allow them to market life policies that are tied to savings accounts . . . ." The state life underwriters assert this is the only basis on which this plan should be authorized, namely, change of the law by legislation—and not by a circular letter.

It is not true, as you further state in that same sentence, ". . . as savings banks have been allowed to do for years." The savings banks amended the law through the legislature to permit them to market life insurance. Even today, they do not have the authority to tie the life insurance they market to the amount of money that is on deposit in the savings bank. Nor can the savings banks cancel or alter policies unilaterally because of any change in the savings account. This is the crux of the concept that the legislation declined to approve and that Governor Rockefeller vetoed. It is untrue to say that the savings banks have been allowed to do this for years.

Your "inside story" is also accurate when you state that the circular letter provides, "banks would thereafter be allowed to market such coverage to depositors." You will be interested to know that the attorneys for the First National City Bank vehemently deny that insurance is being marketed by their clerks. The state association contends that the FNCB is marketing this life insurance through unlicensed bank personnel.

On page 2, you state that this concept has been allowed in several other states—California, Michigan and Indiana. We are well aware that this program has a record of failure; but we are also aware it was done under existing law in these states, permitting life insurance to be tied to savings accounts, which does not exist in the New York law. In fact, the New York insurance law does not mention wholesale life insurance—that we can find—so the guidelines and circular letter seek to regulate and legislate something that is not part of the insurance law.

So far as timing is concerned, you mention that the "insurance department began taking a formal look at the subject in May, 1969." The facts are that previous superintendents have been looking at and rejecting this subject since 1950; and one of the deputy superintendents set forth guidelines for the department in a letter dated February, 1957, to the president of another New York City bank, refusing permission for this type of plan.

On page 33, we also agree with Mr. Stewart where you quote him as saying, "I think we are using it more for competitive banking reasons than anything else, to stabilize savings accounts." You further state that the state life underwriters think otherwise—when, quite the contrary, we agree with Mr. Stewart's quotation. It is because life insurance is being used to preserve or stabilize or attract savings accounts that makes it illegal under the promotion or tie-in sale features prohibited by the insurance statute; and for this very reason, we have made it a point of our lawsuit.

Finally, we were happy to join with Superintendent Stewart in supporting him in many fine changes he made during his term of office. But, we would point out that his "decisions" on such things as holding companies and variable life insurance were done by legislation—not by a circular letter!

I would conclude by repeating that our lawsuit does not involve any "juxtaposition of events" and our relationships during his four years in office were cooperative and respectful of his personal character.

Spencer L. McCarty
Managing Director, New York State Association of Life Underwriters, Albany, N.Y.

ITT and Justice Dept. settle antitrust actions

WASHINGTON — International Telephone & Telegraph Co. will retain its interest in the Hartford Fire Insurance Co. under the terms of an agreement with the Justice department, which had filed an antitrust suit when the merger was announced two years ago.

Under the terms of the agreement, which must still be approved by three local courts where litigation is pending, ITT must divest itself of Canteen Corp. and the fire protection arm of Grinnell Corp. The agreement also gives ITT the choice of disposing of Hartford Fire or four other operations—Avis Rent-A-Car, ITT-Levitt & Sons Inc. and subsidiaries, ITT-Hamilton Life Insurance Co. and ITT Life Insurance Co. of New York. Harold S. Geneen, ITT chairman and president, said the huge conglomerate would opt for the latter choice and divest itself of the four smaller companies.

The agreement would end litigation in three individual antitrust actions. They challenge ITT's acquisition of Canteen, Grinnell and Hartford Fire. Courts where those suits are still pending, however, must approve the ITT-Justice department settlement before it is firm.

The settlement requires ITT to divest itself of Canteen, a vending machine operation, and Grinnell's fire protection division within two years. The other four companies, including Avis, must be cut loose from the parent within three years.

The proposal also places certain limits on ITT's future growth through domestic acquisitions. For example, the company would not be able to acquire any company in this country with assets of more than $100 million, it would not be able to buy "leading firms in concentrated U.S. markets" without Justice department or court approval and it would not be able to acquire any "substantial interest in any domestic company in the automatic fire-sprinkler business or any domestic insurance companies with assets of more than $10 million."

In addition, the agreement prohibits ITT and all its subsidiaries from engaging in reciprocity, or use of the concern's economic muscle as a purchaser of goods and supplies to promote sales of the concern's products. ■

Challenges...

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snowball."

Mr. Chance's legal counsel is Robert M. Robson, former Idaho state attorney general.

A Hartford spokesman denied violation of Mr. Cotter's "finding and final order." The spokesman added that the Chance situation is a matter of an insurance company and an agent.

Robert W. Rahn, Hartford Group counsel, asserted: "We want to clear up the fact that ITT has nothing to do whatsoever with the subject of the suit. This was a local decision made at our local office handling business in Idaho.

"We have no change in the underwriting philosophy that we adhere to," Mr. Rahn insisted. "We are continuing to write personal lines in Idaho. In fact, in the first five months of this year, we have written 6% more business than last year in Idaho. It's all agency business."

Replying to a question if the increase in Idaho business was by independent agents and not by agents directly for Hartford Fire, Mr. Rahn said, "That's my understanding." ■

East Coast office

Risk Controls Inc., Los Angeles, the quasi-captive insurance brokerage and risk management firm set up by the Signal Cos., has established an East Coast office at 1767 Morris Ave., Union, N.J. The vp in charge of eastern operations is James F. Keating, formerly vp and general manager of the David Cronheim Inc. Agency in Newark, N.J. Mr. Keating will have a staff of seven.

dates for buyers

September 12-16, 57th annual convention of the International Association of Industrial Accident Boards and Commissions, Statler Hilton Hotel, Boston, Mass. For more information write IAIABC 57th Annual Convention, Leverett Saltonstall Building, 17th Floor, 100 Cambridge St., Boston, Mass. 02202.

September 14-16, 17th annual seminar, American Society for Industrial Security, Conrad Hilton Hotel, Chicago, Ill. For more information write ASIS, Room 404-NADA Building, 200 K. St., N.W. Washington, D.C. 20006.

September 29-October 1, American Management Assn.'s "Managing Captive Insurance Companies" seminar, Princess Hotel, Hamilton, Bermuda. For more information write Mr. Merritt Fabel, AMA, 135 W. 50th St., New York, N. Y. 10020.

October 4-6, 4th annual Canadian conference sponsored by the National Foundation of Health, Welfare and Pension Plans, instructional and briefing program for representatives of employe benefit plans, Bayshore Inn, Vancouver, B.C. For more information write the National Foundation, P.O. Box 898, Elm Grove, Wis. 53122.

Apollo 15 astronauts covered by Travelers

HARTFORD—Apollo 15 astronauts David R. Scott, James B. Irwin and Alfred M. Worden each traveled to the moon with $50,000 worth of Travelers Insurance Co. coverage protecting them from any accident or "diseases endemic to the lunar surface or its environs."

The space travel policy, the same coverage provided by Travelers for the Apollo 11, 12 and 14 flights, went into effect as the crew entered its "Endeavor" command module and expired after the astronauts cleared their postflight physical exams.

The coverage was arranged through the life department of Harlan Insurance Services of Houston.

Acquisition agreement between broker, S&H

LOS ANGELES—Bayly, Martin & Fay Inc., commercial insurance broker, has agreed in principle to acquisition by Sperry and Hutchinson Co. for an undisclosed amount of cash.

John Dillon, senior vp and director of the brokerage, told *Business Insurance* that it has not been resolved whether Sperry & Hutchinson will use them to handle its insurance or that of its subsidiaries and that this was "not part of the acquisition negotiations." He added, however, that the possibility did exist.

The final transaction is subject to approval of the boards of directors of both companies which Mr. Dillon estimated would take place in two or three months.

Bayly, Martin & Fay places property, liability, marine, life and other coverages for commercial clients and offers related services such as employe benefit programs, prepaid medical and hospital plans, self-insurance and actuarial consulting. Some of their major clients include Mobil Oil, Standard Oil, Beckman Instruments, Western Gear Corp. and American Cement.

Martin Reinsurance Co., a subsidiary of Bayly, Martin & Fay, reinsures property, liability, marine and other coverages.

According to Mr. Dillon the firm's present officers and employes will continue to operate the brokerage's 10 offices.

In November of 1971 an agreement in principle for acquisition of John C. Paige & Co., Boston insurance broker, by Sperry and Hutchinson was called off. At that time Daniel A. Carpenter, head of the Boston partnership, told *Business Insurance* that "it was just a case in which things didn't work out the way we thought they would originally." ■

Dow names Kirkland

MIDLAND, Mich.—Jack M. Kirkland has been appointed director of corporate insurance for the Dow Chemical Co., replacing Nils Munson, who has become management assistant in the professional personnel department. Mr. Kirkland will be responsible for all aspects of Dow's worldwide insurance programs, with the exception of pension funds, and will report to James H. Hanes, director of industrial relations.

The new director of insurance came to Dow in 1967 after 25 years as an Air Force officer in procurement and program management. Before appointment to his new position, Mr. Kirkland had been contract manager at Kennedy Space Center for Catalytic-Dow, a joint venture of the Catalytic Construction Co. and Dow Chemical, supplying facilities and support services to the National Aeronautics and Space Administration.

"My duties at the Kennedy Space Center included government affairs and environmental control systems," Mr. Kirkland told *Business Insurance*. He also said he does not foresee any major changes in Dow Chemical's present insurance program

Brokers for Dow Chemical, according to Mr. Kirkland, include Marsh & McLennan, Alexander & Alexander and Fairfield & Ellis. A major insurer, he said, is the Fireman's Fund Insurance Co. ■

Redcoats revered by rebellious peers

BOSTON—Six young redcoats, minus blunderbusses, are on the lookout for shoplifters and purse snatchers in a supermarket here.

The boys, all between the ages of 12 and 18, wear red jackets as they patrol the aisles, and have been credited with a 90% decrease in the rate of shoplifting.

According to the store manager, Larry McCarthy, the boys' friendly but businesslike relationship with their teenage peers explains much of their success.

No-fault conference: A Tower of Babel

By MAURINE BLOCK

DALLAS—Almost as many reforms of the auto accident reparations system and no-fault plan modifications as there are makes of automobiles were discussed at the first national no-fault conference here July 22 to 23. Equally diverse were the opinions expressed as to rate reductions resulting from no-fault, with perhaps most foreseeing at least stabilization of prices.

Although the Texas Assn. of Insurance Agents, sponsors of the conference, stated it would take no official stand on the question, it was clearly indicated by almost every speaker that no-fault insurance is needed.

Two major points of departure emerged: Whether no-fault will be provided by state or federal laws, and what degree of the tort liability system limitation or elimination will be enacted.

AS MELVIN L. Stark, vp, government affairs, American Insurance Assn., pointed out, "It is especially noteworthy that the theme of the conference is directed to the positive aspects of change, with recognition of the fact that debate over the feasibility or wisdom of change is no longer germane to a meaningful discussion of the issue. At this point in time, we are concerned with how to best achieve genuine reform of the underlying system, not whether that reform should or should not be pursued."

S. Lynn Sutcliffe, 27-year-old staff counsel, U.S. Senate commerce committee, and Roy Evans, secretary-treasurer of the Texas AFL-CIO, Austin, advocated no-fault legislation on the federal level. Mrs. Virginia H. Knauer, special assistant to the President for consumer affairs, Richard F. Walsh, deputy director, policy and plans development, Department of Transportation, and Mr. Stark favored the Administration's policy of leaving it to the states to implement solutions under broad federal guidelines.

Predicting passage of a federal no-fault auto insurance bill by late 1972 and taking effect for U.S. drivers by spring, 1974, Mr. Sutcliffe summarized the newly redrafted version of the Hart-Magnuson bill. The bill would create a mandatory auto accident reparations system which would insure all passengers and pedestrians against basic economic loss resulting from auto accidents.

The dependency of the auto insurance system on the tort liability system would be eliminated; benefits would be paid to auto accident victims without regard to fault. Licensing standards and law enforcement efforts would serve as the main factor for controlling irresponsible driver behavior; "illusionary reliance" on the insurance mechanism to create a safe driver environment would cease.

If policyholders wanted to receive payment for damages (including pain and suffering) in excess of their basic economic loss resulting from injury or death, or if they wanted to protect their vehicles from physical damage, then they could, at their option, elect such coverages.

REASONABLE fees would be paid to the attorney of any policyholder who could not reach agreement with an insurance company concerning the level of economic loss benefits due him.

An auto accident victim not covered by a policy of insurance could recover from an assigned claims fund, unless he was responsible for the failure of cover.

Finally, the bill would provide for the rationalization of insurance classification systems and provide for the dissemination of price and quality information that would stimulate a competitive price environment in the auto insurance market.

In addition, the basic insurance policy, under the bill, would cover losses incurred if a vehicle caused damage to any other property other than a motor vehicle in use—for example, a parked car or a fence.

EVERY insurance company doing business in a particular jurisdiction would be required to accept every insurance applicant who has a valid driver's license and who pays a premium based upon an applicant's proper classification. Cancellation of the basic policy would be prohibited unless the policyholder had failed to pay the premium or had had his license revoked.

All medical and rehabilitation costs would be paid to auto accident victims by the insurer issuing the qualifying no-fault policy. All wage loss after income taxes would be paid until the victim could resume work. There is a $1,000 per month limitation on the wage replacement provisions. For those earning more than $1,000 per month, a provision would permit them to buy greater income replacement protection.

Benefits would also be paid for loss of future anticipated earnings or for impairment of earning capacity resulting from injuries sustained in an auto accident. The policy would also provide benefits to pay for any services that an injured person would have performed for his or her own benefit or for the family, but for the injury. A housewife, suffering an injury which prevented her from doing normal housework, would receive benefits to pay someone to clean her house until she recovered.

Insurers of qualifying no-fault policies would have to offer collision insurance (with a range of deductibles) to pay for property damages to the policyholder's auto, coverage to pay for tangible loss in excess of that provided by the qualifying no-fault policy, and coverage to pay for intangible loss (pain and suffering, inconvenience, loss of enjoyment of life) measured by the state tort law that would have been applicable to the accident had that law not been preempted by the bill. The decision would be up to the policyholder to buy these coverages.

BENEFITS an insurer is required to pay under a qualifying no-fault policy would be primary—the amount paid would not be reduced by any benefits from other sources paid to cover the same loss—unless collateral benefits were provided by public health insurance or by some private insurance or plan which specifically provided that its benefits were to be primary to the qualifying no-fault benefits. If a person had collateral benefits which were primary, the insurer of the qualifying no-fault policy would be required to give that person a standardized rate reduction reflecting the amount of his primary collateral benefits.

To facilitate the setting of rates, the bill provides that the DOT secretary, in consultation with state regulatory authorities, would establish a uniform classification system. This system would delineate the various risk exposures relevant to setting rates set by state regulatory agencies and related provisions. Thus, rates set by state regulatory authorities would have national uniformity as to classifications which reflect factors relevant to a first party no-fault system.

Also, the federal government, in consultation with the states, would promulgate a uniform statistical plan whereby insurance companies would report their claims and loss data and actual rates or premiums of each class of risk in each rating category within coverage provided by the bill. The federal government would

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No-fault . . .

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analyze this information and make it available to state insurance authorities and to the general public.

Mr. Sutcliff told *Business Insurance* that none of the present state no-fault plans, except Florida, comes close to the provisions of the Hart-Magnuson bill. As to how much it would cost policyholders, he said not more than at present, but probably less. "It will tend to stabilize costs, with only inflation bearing influence," he said. He added that in some cases, such as the nonwage earner, students, etc., a percentage of savings will be reflected.

STATING HIS opposition to a state approach to no-fault, Mr. Evans shared the national AFL-CIO position that "the Hart-Magnuson and Moss proposals are not complete panaceas, but they're a step in the right direction." He predicted, "No satisfactory system is likely to evolve at the state level soon—if ever. We couldn't even pass a group insurance bill in Texas."

Because of lawyer-dominated legislatures and legislative committees, plus other selfish interests in the insurance system, such as medical insurance companies and agents, auto repair, banks and savings and loans, "there is no more difficult piece of lobby than a change in injury insurance," he declared.

Mrs. Knauer presented the Administration's policy: "Some would sweep away state regulation of automobile insurance and impose a federal solution now. We in the administration have preferred not to do this. This is not because we lack any clear notion of what kind of replacement system we would think desirable." She then reviewed the basic principles Transportation Secretary John Volpe recommended to Congress.

"While we have these guidelines clearly in mind," she said, "we have not wished to impose them on all the states in rigorous detail. The Administration has preferred to allow room for state experimentation.

Stressing that follow-up is up to insurance agents and companies, state regulators and legislators and the bar, she warned that if they do not respond, consumers and aligned interests "will undoubtedly seek a detailed, compulsory federal solution much more vigorously than they have in the past.

Discussing the findings of the DOT study, Mr Walsh stated the administration's position: "Given the rather remarkable degree of consensus, in Washington at least, that a first party, no-fault solution is necessary, interest has gravitated to the issue of whether reform should take place at the state level or the federal level. Obviously, good arguments can be mounted on both sides. Federal pre-emption was one of the alternatives that the administration looked at closely, but in the end rejected.

"One reason, of course, was the present administration believes strongly that the functions of government should be performed, and the effective decisions of the government made, as close to the people as possible.

"But there were other reasons which transcend political philosophy. We still have much to learn about the practical workings of various features of some of the proposals, and some degree of experimentation appears to be the only way to test the worth of the various alternatives. Moreover, the nature of the problem, although fundamentally the same everywhere, does differ in degree in its outward manifestations, and in public sensitivity from one part of the country to another.

"THE ADMINISTRATION'S approach to auto insurance reform seeks to use the unique ability of the federal government, especially the Congress to consider an issue and then establish in broad policy terms the national wish concerning an important national issue, leaving detailed implementation of that policy to levels of government closer to the problem and the people. The Administration proposes that this be done by the adoption of a concurrent resolution recommending reform along the principles outlined earlier.

"We hope the Congress, after listening to the views of the other interested parties, will now see fit to enact the concurrent resolution we propose, setting forth the principles of the reparations system toward which the states should strive. We hope that the states will act on their own initiative, guided by the example and experience of their peers, the details of the model legislation now being drafted, and the large body of research and commentary now in the public domain.

"As many of you know, the Administration's proposed concurrent resolution is not the only insurance reform legislation before the Congress. One bill, the Hart-Magnuson bill, would take away from the states all decision on reform of the reparation system and involve a single, immediate and rather far-reaching solution. If evolutionary, state-by-state implementation of reform is to be taken seriously as a viable and credible alternative to a federally-imposed solution, there will have to be a continuation and a strengthening of the recent trend of positive action by the states.

MR. STARK reviewed the highlights of no-fault legislation, state-by-state. He noted that 34 states have considered no-fault in some form, "but most did not even get to committee hearing level." He said that prospects for meaningful no-fault legislation are good in California, Michigan and Pennsylvania.

In addition to Massachusetts, he said three states deserve to be mentioned: Delaware, Florida and Illinois. Without question the strongest bill is the Florida bill. Next, he rated Massachusetts as "good, but only a light step in moving to no-fault." Illinois is also significant, but light. Delaware has the lightest approach.

He termed the proposals in Minnesota, New Hampshire, Oregon and S. Dakota as examples of no-fault "being used semantically where it has no application."

Mr. Stark summarized the AIA's stance as follows. "The American Insurance Assn. believes the optimum solutions to the deficiences and criticisms of the present reparations system would be the complete elimination of fault as a predicate for establishing a claim for injuries, and the elimination of general damages or 'pain and suffering' as an element of loss. We favor a first party system of insurance, primary in nature, with claim being made against one's own insurance company on a contractual basis whereby the gamble of collection will be succeeded by the certainty of collection, irrespective of fault.

"WE SUPPORT payment of all reasonable medical, hospital and rehabilitation expenses and a program of income loss reinbursement under a basic mandatory insurance policy that would pay up to $750 per month, so long as the injured party can demonstrate continued economic loss. We favor the elimination of all payments for non-economic or unmeasurable damages. We believe automobile property damage should also be included within a first party mechanism.

"In moving to accomplish the objectives and goals that the AIA supports, we have declared our preference for a state-by-state legislative approach. We made this clear in our testimony before two Congressional committees earlier this year and our staff has been working vigorously to bring about such a result. Despite the well publicized findings of the DOT, with its statements of principles that should be included within a responsive legislative proposal, we constantly are met with legislative counterproposals well below the quality level of what the DOT study felt to be aceptable at a minimum.

"If, in the course of continuing state legislative activity, we find that the genuineness of reform is persistently violated and if we determine that the interests of the American public are not well served by sham tactics or false color reform, we shall of necessity review our policy position regarding enactment of such legislation so that quality, consistency and uniformity might be properly recognized. Any such re-evaluation might include support for a stronger Federal role.

THE ONLY speaker who addressed himself to the specifics of commercial vehicles under no-fault—Jack Davies, state senator and professor of law, William Mitchell College of Law, St. Paul, Minn.—regards it "not as a moral or ethical issue, but purely a matter of allocating cost."

Trucks, buses and motorcycles should pay more, he said, because they injure more. A semitrailer truck should pay more than a pickup and a pickup more than a car. A commercial auto can be treated like any other auto because it creates no special risk. The oversized vehicle is the problem. And the commercial operator will pass on the cost to the consumer, so it is not a matter of justice.

"Appropriate cost allocation is good economics, and the law ought to recognize good economics," he said. Rejecting alternatives of covering only the driver of the truck or placing the total allocation on the truck, he termed rational allocation the obvious choice, "if possible."

Implementation is a problem. Deciding in each case how much damage the weight of the truck caused is too expensive and is the main defect with the fault system generally. He also rejected as being too artificial and bureaucratic the adjustment of premiums among commercial vehicles to reflect extra costs, with pooled surcharges redistributed so passenger car rates can be lowered an appropriate amount.

A THIRD method he outlined was the Minnesota bill. The obligation of the large vehicle arises case by case because of involvement in an accident. But the extent of the extra large vehicle obligation would be determined in advance by having the insurance commissioner rate vehicles on damage that type of vehicle generally does to passengers of other vehicles. The rating would be the same as would occur if premium dollars passed back and forth between truck insurers and auto insurers.

He said it would work like this: An Aetna insured collides with a Freightways semi. Aetna pays its insured, then sends a bill to Freightways or Freightways' insurer for 60% of the payments (or 50 or 25 or whatever percentage the semi has been rated at).

"One advantage," he said, "is that a truck company which by good driver screening and vehicle maintenance keeps its accident involvement lower than the industry average will be rewarded by lower premiums as it is experience rated. There is no need to give up that inducement to good management, any more than it is necessary to give up experience rating of drivers generally under no-fault. The Minnesota bill authorizes increased rates based on the insured's accident involvement and traffic offenses."

Prof. Robert E. Keeton of Harvard University examined five alternate paths to no-fault, including basic protection, scaled-down no-fault, limitation of tort action and no tort limitation whatsoever. He said that a few years ago he thought it highly unlikely that there would be a federal no-fault law, but believes the likelihood is far greater now. "Quick and effective action by the states is the only means of cutting off federal legislation," he said.

MASSACHUSETTS has enjoyed no-fault coverage at premiums 40% less than traditional liability coverage would have cost, he pointed out. At the same time, number of claims dropped 60% during the first three months under the new system. Massachusetts insurance company profits are "fantastically good" and probably will result in another substantial rate reduction next year, he said.

The decreased claims are partly because people used to file personal injury claims to be sure they would be paid for their auto damages. Another reason is that under no-fault, accident victims must deal with their own rather than another insurance company and often will forego making claims for minor expenses to avoid having the claims on their

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Gulf Central acted fast on rupture claims, area got free fertilizer

BATESVILLE, Ark.—Police sirens screamed through the early morning hours of July 5 to awaken about 50 families in the little Independence County community of Floral in an effort to get them out of the area before toxic anhydrous ammonia fumes settled in the small town.

The fumes came from a three-year-old pipeline owned by the Gulf Central Pipeline Co. of Houston, Tex. About 51 tons of anhydrous ammonia, a fertilizer, is pumped through the pipe each hour from sources along the Gulf Coast to points in the Midwest.

Company officials reacted quickly to the problem, settling claims and repairing the broken pipe. The pipe, which was built to federal specifications, was found to be only 14 inches below the earth's surface at the point of rupture, when it should have been 24 inches deep into the earth.

No figure on the amount of damage claims was released by the company.

THE FUMES began spewing into the atmosphere from a ruptured pipeline sometime around 9:30 p.m. on July 5 four miles from Floral. Arkansas state police and deputy sheriffs went door-to-door to get people out of the sparsely settled area.

No deaths were reported from the incident, but a 6-year-old child was treated and released from a Batesville hospital after being overcome by the fumes.

About 10,000 acres were affected immediately by the overdose of the fertilizer, which was a liquid in the pipe and became a gas when exposed to the air. Fish in ponds and a creek in the area were killed. Cattle were blinded and gardens were destroyed. Timber lands were turned a strange white color.

The Arkansas pollution control commission and the Arkansas game and fish commission expressed alarm at the eruption from an obviously faulty pipe, and at the fact they were not notified of the rupture.

Gulf Central sent a team of experts into the area to determine the cause of the rupture. The company also restocked the streams and ponds with fish and paid other expenses that families had incurred. Several days after the rupture had been repaired the trees, flowers and other life began to return to normal.

As one high state official said, "Except for the immediate damage to the area, about 30,000 acres got free fertilizer. It was an accident, something that no one could have prevented. Fortunately, no one was hurt seriously." ■

Patriots' Plunkett is worth $250,000

FOXBORO, Mass.—The New England Patriots, in an effort to cover themselves if history decides to repeat itself, have placed "somewhere near $250,000" worth of insurance on the continued good health of their most important rookie, Jim Plunkett.

Upton Bell, general manager of the football club, explained that the policy was with the American Home Insurance Co.

He said that the team could collect from the insurer in the event "Jim was hurt in one of the all-star games this summer and was out for any length of time." Mr. Bell said that the amount was "over-and-above the insurance provided by the games. Players in the all-star games are automatically covered for $24,000 if they get hurt."

The Patriots felt that their new quarterback was worth more than that. They may have felt it because last year they lost their first draft choice, linebacker Phil Olsen, for the entire season when he was injured in an all-star game.

The insurance policy was in effect during the Coaches All-America and College All-Star games, though it proved to be unnecessary—though other terms would have liked it. Mr Plunkett came out of the game unscathed but a number of the other teams' players were not so fortunate.

OKs mass marketing in Washington

OLYMPIA, Wash.—The Washington state supreme court has upheld lower court approval of an order issued by Karl V. Hermann, state insurance commissioner, allowing mass marketing of casualty insurance.

The independent insurance agents and brokers of the state had sought to quash the order on the basis of unfair discrimination between insureds with like risk and exposure factors and expense elements, it was reported.

Justice Charles Stafford, writing the unanimous opinion, said Standard National Insurance Co.'s request to mass market casualty insurance does not create a new product, but a new method of selling an old product. "Under such a plan, personal automobile and homeowner's policies are sold to persons who have available to them a central billing and collection facility provided by membership in some group, such as a union or a common employer," the court held.

UNDER THE Georgia company's proposal, the reduced cost of marketing insurance would be passed on as a savings to the public in the form of lower premiums.

The brokers' organization had told the high court the term "expense elements" in state law does not refer to expenses of acquiring and maintaining policies or in collecting premiums.

In the ruling, however, the court said statutes must be construed "so no word, clause or sentence is superfluous, void or insignificant."

The supreme court also said statutes do not prohibit discrimination, only unfair discrimination. Rates based on age, miles a car is driven, preferred risk and other variables were listed as examples of discrimination in the industry, according to the Portland Oregonian. ■

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insurance records, he said.

Frank W. Fournier, executive director, Administration de Compensaciones por Accidentes de Automoviles, San Juan, Puerto Rico, said the government there had to institute no-fault insurance 18 months ago because the private insurance system simply wasn't working.

Although Puerto Rico's 2,700,000 population had one of the lowest per capita incomes of U.S. territories or states, it had the sixth highest liability insurance rate and nine of every 10 accident victims went without compensation for their injuries.

"The private sector failed to come up with an alternative," Mr. Fournier said, so the national government instituted no-fault to provide medical treatment for accident injuries "as a right." As a result, 88% of premium dollars now goes to paying claims, opposed to about half that amount before.

The number of accident claimants has dropped 20 percent under the no-fault system, although the number of cars on the island has increased measurably, he said.

Tracing the history of no-fault in Canada, Don McGhee, president, Ontario Insurance Agents Assn. and vp, Adam McNee Insurance Ltd., London, Ontario, was highly critical of socialistic government programs in Saskatchewan, first introduced in 1946; Manitoba, British Columbia, and one currently being offered by the socialist opposition party in Ontario. Of the last named, he said, "should such a disaster overtake the private insurance industry as a result of a change in our province, it would only be a matter of time before the entire automobile insurance industry in Canada fell under government control."

He said that the OIAA supports proposed enrichment of existing no-fault benefits which are presently included in the standard automobile policy on an optional basis at a flat premium of $9. No-fault benefits to become a mandatory part of the third cover as of Jan. 1, 1972 are: death-primary dependent $5,000, secondary dependent $1,000; medical payments $5,000; loss of income, maximum $70 weekly and funeral expense $500.

Speaking of the passage in Manotoba of Bill 56 which will provide a government monopoly for the sale of compulsory third party cover, he said "private insurance companies and their agents will be allowed to sell only supplementary automobile cover. It goes without saying that a large number of companies are already pulling out of Manitoba as the premium income from automobile insurance formed the major part of their respective underwriting portfolios. There is, of course, no compensation to companies for loss of business on the books, and for the agents who are in the audience today, it will be of interest to hear of the scale of compensation offered by the government.

"Agents can sell the basic plan along with the vehicle license plate at a commission rate of 7% for the first year, reducing to 6% in the second year and thereafter at a rate of 5%. Needless to say, the agents of Manitoba are somewhat less than enthusiastic about their future prospects, but it must be admitted that these terms are a little more munificent than the recommendations of one of the cabinet ministers who was asked what compensation would be paid to agents following the government takeover and replied, 'Let's put the bastards on welfare.'" ■

Wash watch

Continued from page 4

IN THE SENATE, a Labor committee subcommittee is already in the midst of a major study of private pensions that won't be finished until February, 1972, at the earliest.

Chairman Harrison Williams (D.-N. J.) has indicated he definitely favors legislation, but he also appears to be in no hurry. He was just reelected to a six-year term and named chairman of the full committee on Labor and Public Welfare in 1972, and he is getting all the national press play a happy senator could want from his investigation into private pensions.

To get as much press mileage as possible out of the study, results and conclusions are being released in bits and pieces. The first section was made public in early April. The recent hearings on individual case histories followed. Another section of the study is due out any day now.

Sen. Williams said this section will reflect to what extent private pension plans are providing for death and survivorship benefits and "even more important, the average monthly annuity which retired persons in this country are receiving for their retirement years."

THE SENATOR says he won't be able to say what type of legislation is required until the study is completed. But, he has stated that the study so far has convinced him that "there is a need for corrective legislation" of some sort.

It has been established, Sen. Williams claims, that "private pension plans have problems in lack of adequate vesting provisions, premature termination of plans, insufficient funding to meet pension responsibilities, and of the need for stringent fiduciary requirements."

It is also apparent, he continues, that there is a "need for employers, and pension plan administrators and trustees to specifically inform workers of the circumstances or conditions under which they may not receive pensions, in addition to those which make them eligible." ■

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740 Rush St., Chicago, Ill. 60611

Why our softball team is out of uniform.

Our heroes are still blushing. There they stand with M-F-B across their chests when it should be A-L-L-E-N-D-A-L-E.

These athletes are not only out of uniform; they are out-of-date. July 1, 1971 we changed our name from MFB Mutual Insurance Company to Allendale Mutual Insurance Company. But nothing else changed. Our softball team is still tops (like the complete, policyholder-oriented property protection we provide). We're still creative insurance problem-solvers, custom-making coverages to match exposures. We still make good risks better through effective loss prevention engineering. And we're still the almost uniform choice of the leaders in U.S. and Canadian industry. Allendale Mutual Insurance Company.

Providence, R.I. 02904. *Affiliates:* New Providence Corporation, Underwriting Manager for Affiliated F M Insurance Company and Appalachian Insurance Company.

Factory Mutual System

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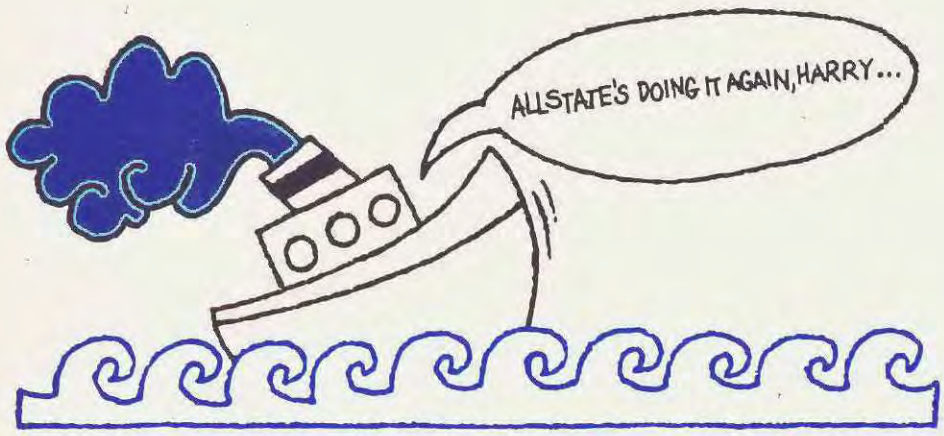
Guess who's making waves in group life and health these days?

The old boat-rocker.



Allstate never believed that playing follow-the-leader is good enough.

So it's no surprise that our fresh thinking and up-to-date approach to group insurance makes such welcome good sense, today. Groups (and group insurers) know where we're headed . . . again.

A big reason is our claims service. Trained specialists and a private wire set-up enable us to settle claims in a hurry.

Keeping it smooth and quick is sending more than a few groups our way. Employers know sluggish claims waste time, money and employee morale.

Our competition knows employers know.

So if you want to speed-up your present claims service, try telling your group man you're taking a bid from Allstate.

Better still, call or write Allstate's Group Department. We have some other ways to improve on the status quo. Chances are, we may even save you money.

It's called rocking the boat.

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