

# Santa Barbara oil spill settled for \$19.7 million

By STEPHEN GOOD

LOS ANGELES—Back in 1969, drilling platform A spilled almost two million gallons of oil into the Santa Barbara channel. Last month four oil companies agreed to pay damages totaling \$9.7 million in an out-of-court settlement with the state of California, Santa Barbara County and two coastal cities.

The payment will be shared equally by Union Oil Co. of California, Gulf Oil Corp., Mobil Oil Corp. and Texaco Inc. The Peter Bawden Drilling Co. of Orange, Ca., will pay an undisclosed portion of the damages.

Liability insurance coverage is spread out over many

layers and carried by numerous American insurers as well as the London market.

When the settlement is divided, the state of California will receive \$4 million, including \$226,285 already paid for damage to wildlife. Another \$4.5 million will go to the city of Santa Barbara. Santa Barbara County will be given \$775,000, and the city of Carpinteria will receive the final \$200,000.

The now-infamous Santa Barbara oil spill, which covered 200 square miles before the well was capped in early 1969, caused untold millions of dollars damages to the Santa Barbara coastline and wildlife. (*Business Insurance*, Feb. 17, 1969.) It also brought swift legislative action, with

regulations, penalties and monitoring systems established for offshore drilling operations. And the insurance market underwent a dramatic flux when insurers and insureds alike discovered the extensive liabilities involved in offshore oil drilling.

"They realized the potential for recovery and the setting of legal precedents was just impossible to believe," said A. Barry Cappello, city attorney for Santa Barbara. "In a smaller case it cost \$6,000 to \$7,000 an acre to clean up. If you multiplied that by 200 square miles, we would own all of the oil companies."

Mr. Cappello noted that "we received penny for penny

Continued on page 2

Entire contents copyright 1974 by Crain Communications Inc.

50¢ a copy; \$12 a year

Week of August 5, 1974

# business insurance

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

## Propane explosion rips city, causes over \$15m damages

DECATUR, IL.—Damages to the Norfolk & Western Railway yard were estimated at \$8.7 million after a propane-fueled holocaust here killed seven persons and injured about 150.

Decatur city officials said the blast also caused an estimated \$8.5 million in additional damages to schools, businesses and homes as far as one and one-half miles away from the railway yard.

Roy E. Foutz, Norfolk & Western's assistant insurance manager, said the company is "self-insured for part of it (the property and liability losses). Then we have excess catastrophic coverage on top of that." Insurers include both foreign and domestic companies, he added, noting specifically that some of the railroad's insurance is with Lloyd's.

**THE INCIDENT** was apparently caused by a freight switching operation after midnight on July 19, when five tank cars full of propane fuel accidentally rolled into a boxcar on a siding. Investi-

gators suspect the tank cars were rolling too fast, and a coupler on the idle boxcar punctured a hole in the leading tank car when they collided.

Liquified petroleum gas from the damaged tank car turned into clouds of propane gas as it seeped out into the railway yard. Because propane is heavier than air, the gas drifted and settled in low spots where, as one observer put it, the vapors waited to be ignited.

**THE FIRST** explosion rocked Decatur at 5:03 a.m. Investigators believe the flash was touched off more than 100 yards away from the punctured tank car.

A bunkhouse for railway employes situated near the switching tracks was demolished in the subsequent explosions. All seven fatalities were railway employes who were sleeping in the bunkhouse and suffered severe burns.

According to Charles Gallagher, an official of the United Transportation Workers union, at least 12 employes were in the bunkhouse when the explosions began. Mr. Gallagher linked the deaths directly to the building's location, which was within 25 feet of the switching tracks.

The bunkhouse was engulfed in flames when the propane gas ig-

nited, he noted. One worker who tried to escape saw a fireball outside the door and dove under a carpet back in the bunkhouse. He finally escaped with minor bruises.

The union had served a strike notice on the railroad in 1964 over the issue of the bunkhouse's location, Mr. Gallagher pointed out. But no strike was ever called. Last December, "railroad officials advised they were going to expand the facilities," he said. "With the highly volatile material they had on the tracks, we felt it was unsafe."

Among the employes injured in the blast, "two more men may not make it," Mr. Gallagher added. One of them is still on the critical list.

**MAJOR MEDICAL** coverage is \$100,000 for non-union employes and \$250,000 for union workers, a Norfolk & Western spokesman told *Business Insurance*. The company provides straight term life valued at twice an employe's salary if he is non-union, or at a flat \$6,000 if he is a union member.

Benefits coverage for non-union employes is with The Equitable Life Assurance Society, the spokesman said. Coverage in the union contract is provided by The Travelers Insurance Co.

In late August, three days of



An aerial view of burning Decatur railroad yard following early-morning explosion which caused over \$15 million damage. —Wide World

public hearings will be held by the National Transportation Safety Board in Decatur. So far, no explanation for the blast has been officially accepted by the board, an NTSB official noted, although NTSB investigators were on the scene right afterward.

Soon after the blast, the city of Decatur requested that it be declared a disaster area, said Richard J. Lutovsky, assistant to the city manager. The damage tally is a "low-end" estimate, he explained. The Insurance Information Institute said insured property losses had risen above \$5 million within several days after the fire.

The city has made no move to

sue the railroad, but a bill is being drawn up for damages and services, Mr. Lutovsky added. Because part of the switching yards are outside the city limits, police and fire-fighting costs between \$25,000 and \$35,000 will be charged against the railroad.

Decatur is having a bad year, Mr. Lutovsky lamented. In December the city was hit by a 30-inch snow storm. Then a tornado struck in early April, and Decatur was declared a disaster area. While clean-up work was going on, a flood washed through and the city was again declared a disaster area. The switching yard fire occurred two months later. ■

### in this issue

#### Loss control

Port of New York security efforts are expected to pay off for shippers who use port facilities and look for lower cargo rates. **Page 4.**

#### Factory Mutual

FM launched a program to fight losses resulting from closed sprinkler valves, citing growing risks as jumbo factories are built. **Page 8.**

#### Benefits in back seat

In the aftermath of federal controls, wage gains take on primary importance for most of the record number of employes on strike. **Page 11.**

#### HMO study

HMOs surveyed by researchers disclosed that they favor the federally-mandated dual choice option. **Page 29.**

## Argument over benefit adequacy and projections

# Study criticizes AT&T benefit plans, payments

By RICHARD L. GORDON

WASHINGTON—A massive study of American Telephone & Telegraph Co. pension plans found that Bell System retirement benefits, together with Social Security benefits, "more than adequately meet income replacement standards," *Business Insurance* learned.

A study of that pension system by the Federal Communications Commission and now in the hands of union leaders suggests that AT&T and its Bell System subsidiaries have been funneling hundreds of millions of unnecessary dollars every year into their combined pension funds.

AT&T has used very conserva-

tive actuarial assumptions as the basis for its contributions, the study says. These assumptions could be changed without harming existing benefit schedules, the study contends.

**SUCH CONSERVATIVE** assumptions have cost AT&T some \$335.6 million in 1972 alone, or 31.5% of the total pension contribution for that year. That translates into 19.8 cents per hour per union employe, union officials say.

"If they wanted to take that money and distribute it through our contract, we could probably get a settlement very early," Glenn B. Watts, newly elected president of the Communications

Workers of America said at a press conference.

AT&T is presently in its first negotiations with several unions following the expiration of most contracts July 17. The unions are expected to argue that reductions in annual pension contributions could be applied to benefit increases of 20% or more without additional cost to AT&T.

The CWA represents about 500,000 Bell workers. Other unions bargaining with Bell are the International Brotherhood of Electrical Workers and the Alliance of Independent Telephone Unions. (*See related story, page 26.*)

The FCC study, prepared by the New York actuarial firm of

William A. Dreher & Assoc., will be revealed to the public later this summer at hearings on an AT&T request for \$560 million in rate increases. William A. Dreher, president of the firm, declined to comment on the study, or on the critique of the study prepared for the CWA by Martin E. Segal Co., actuarial consultants.

**THE SEGAL STUDY**, obtained by *Business Insurance*, argues that Dreher's benefit projections are inaccurate but agrees that AT&T has overfunded its plan.

The unions recently rejected an AT&T proposal that among other things tied pension benefits

Continued on page 2

# Oil spill changed the insurance markets . . .

Continued from page 1

all our damages, and we were very pleased with the settlement." The other recipients "would confirm that as well," he added.

Ed DuBiel, deputy attorney general for the state of California, thought the settlement was fair, but fell far short compared to actual losses. Damage to wildlife alone was estimated to be between \$10 million and \$100 million, he said. "We're very generous."

"ON ALL SETTLEMENTS we felt we got the most. Who knows? We could have come out with nothing, or \$3 billion. I don't think anybody else could tell you."

Transport liability insurance will be feeling the effects of the Santa Barbara incident for a long time to come, Mr. DuBiel noted.

"I'm hoping the Santa Barbara oil spill will bring out more controls. I'm almost sure the state of California will increase its activities in this area of oil spills. We plan to prosecute, for example, truck carriers of oil for spilling their shipments. We're going to say 'look boys, this is going to be it.'"

"This is the type of thing underwriters haven't thought about," he added.

But the threat of oil spills has already inspired a lot of insurance footwork. A big step taken by the oil industry in 1970-71 was the establishment of Oil Insurance Ltd. (OIL), a Bermuda captive.

"I think as a result of Santa Barbara, OIL was formed," a spokesman for the captive said. "The industry saw the need because of the high cost of catastrophic insurance in the market." He noted that the captive has not been forced to cover "anything comparable to the Santa Barbara spillage."

**THE CAPTIVE** dislikes revealing its membership roster, but the OIL spokesman said Mobil was not a member because it had its own captive. A source at Mobil noted that "we've had captives going way back to the mid-1950s. We're not one of the Johnny-come-latelys."

Mobil was insured with Lloyd's and "numerous companies here in the U.S." for the Santa Barbara spill, the source said. It was

the largest settlement Mobil has ever had "as spill settlements go." He estimated that the company had a \$2 million deductible on the loss.

Union Oil had a deductible of only \$100,000, a company spokesman said. Its insurers included Lloyd's and various American companies, he added. In 1969 this magazine reported that Union's primary coverage was with the Aetna Casualty & Surety Co.

Today Union is a member of OIL, but the spokesman pointed out that "we do have other insurance in addition to OIL. I assume it would be for excess coverage."

**GULF OIL** and Texaco reportedly had primary coverage with Travelers when the spill occurred.

As a result of oil pollution incidents like the one off Santa Barbara, the U.S. Coast Guard has been recording the frequency and size of oil spills since 1970. The risk of oil spillage does not seem to be abating, but there is "no way of knowing whether rates are increasing or decreasing," a Coast Guard source noted.

In 1970 there was no penalty assessed if a discharge went unreported. In the years 1971-72, with more thorough reporting, the number of discharges appeared to rise from 8,736 to 9,931. And the number of gallons spilled rose from 8.84 million to 18.81 million.

"It's better to go by the number of incidents," the Coast Guard officer said, "because the number of gallons lost in a few big incidents can inflate the statistics quite a bit."

The Santa Barbara spill was small compared to the world's largest, he noted. When the Torrey Canyon tanker sank off Britain's coast in 1967, it dumped an estimated 100,000 tons or 25.2 million gallons of oil into the sea. Damages and expenses were set at \$6.96 million by Britain.

## Mullen leaving City Investing for James

Peter J. Mullen is leaving City Investing Co. Inc., Beverly Hills, Ca. as director of risk management, to join Fred. S. James & Co. Inc. as vp, financial services of the Los Angeles office. Mr. Mullen, who was with City Investing for just a year, will be designing risk management plans similar to those he was responsible for at North American Phillips Corp. and Champion International where he has held insurance management positions before joining City Investing. Daniel R. McCarthy was named risk manager of City Investing, a diversified conglomerate, to replace Mr. Mullen. Mr. McCarthy was formerly manager of insurance for Southern California Edison Co., Rosemead, Ca. The utility has not yet named a replacement.

## GUIDE TO FEATURES

Info for Buyers . . . . .	6
Dates for Buyers . . . . .	8
Opinions . . . . .	14
Giles on the Law . . . . .	20
Perspective . . . . .	23
Labor Beat . . . . .	26
London Line . . . . .	32
Washington Watch . . . . .	33
People . . . . .	34

Vol. 8 No. 16—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1974 by Crain Communications Inc.

# AT&T benefits . . .

Continued from page 1

to Social Security levels, a source of much union displeasure. The unions also were alarmed that the benefit projections in the Dreher study were based on pensions tied to Social Security, making them inadequate, according to the union.

"We spent 30 years trying to get rid of a Social Security kicker in our pension plans and only succeeded several years ago," said an IBEW official. "We told them that that was a strike issue by itself."

The Segal report told the CWA that the AT&T benefits, as projected in the Dreher study, do nothing to make retirement feasible before age 62, the thrust of major CWA pension proposals since 1968.

"In fact, Dreher's figures show that the bulk of the retirement income standard (\$5,970 out of \$6,680) is expected to come from Social Security by 1984 for the married employee who retires at age 65 earning \$10,000 per year," Segal concludes.

**SEGAL TOLD** the CWA that Bell's pension system may "suffer from the lack of outside ideas and experience," and suggests that an outside actuary for the plan, as distinguished from the company, could be the equivalent of having the fund audited by an outside accountant rather than the company itself.

Segal also said that Dreher's conclusion that benefits are adequate cannot be accepted because present benefits, especially for single women, are not adequate even at age 65 and clearly not adequate for rank and file employees to retire before age 62.

The report on the Dreher study done for the CWA argues that Dreher uses only income replacement as its benefit standard and does not survey benefits provided by other private and governmental pension plans.

"Most public employe plans also have more generous formulas than the Bell System," Segal's study said.

The Bell System pension plan now provides 1% of final average pay per year of service to age 55,

and 1.5% for years of service between ages 55 and 65.

Martin E. Segal's analysis argued that because most women are two or three years younger than their husbands when the husband retires, the couple is generally not immediately eligible for full Social Security benefits. In cases of early retirement, they might not be eligible for Social Security at all.

**SOME EMPLOYEES**, particularly women, will not have spouses eligible for Social Security when the employe retires, the Segal analysis states.

Women employes aged 65 would receive a primary Social Security benefit of about \$290 a month in 1975, or about \$232 a month for women retiring at age 62. The CWA report emphasized that about three-fourths of these women will not have spouses receiving additional retirement benefits.

Segal's analysis for the CWA also rejected the FCC report's claim that household costs could drop 15% after retirement because it will no longer be necessary to pay for work-related transportation and clothing.

"Since the company does not reimburse employes for these expenses during the working period, we cannot see any reason for an income maintenance standard to be reduced for them after retirement," the CWA report from Segal said.

## Marsh & McL. names

### Jamaica correspondent

Marsh & McLennan International Inc., insurance broker, and Fraser Fontaine & Kong Ltd. of Kingston Jamaica, agreed to a correspondent relationship which would offer Marsh & McLennan a geographic touchpoint in Jamaica. According to a joint agreement insurance dealings in Jamaica would be handled by local nationals, rather than expatriates. A spokesman for Marsh & McLennan stressed the company's strong philosophy of employing nationals rather than exporting U.S. employes.

# Cayman Underwriters Services, Limited

Managers of  
Offshore Insurance Companies  
(exclusively)

P.O. Box 1062, Grand Cayman, B.W.I.

Phone 9-6344, Telex: CP321 CAYUNDSER

## Name your Element where coverage is needed



Southern Marine is there with skill, resources and the ability to meet unusual risks!

# SOUTHERN MARINE & AVIATION UNDERWRITERS, INC.

610 POYDRAS ST., (504) 524-4131, NEW ORLEANS 70130

Branch Offices in LOS ANGELES / HOUSTON / ATLANTA / TULSA

Serving insurance agents and brokers only — no direct business

# Pension termination rule, if effective immediately, could spell trouble

By RICHARD L. GORDON

WASHINGTON—A worried Labor department official said last month turmoil could result if the final version of pension reform legislation calls for immediate availability of termination and contingent liability insurance for pension fund benefits.

"Labor has no authority or cash to set up a program," J. Vernon Ballard, director of the department's office of labor-management and welfare-pension reports told a Washington conference sponsored by the International Foundation of Employee Benefit Plans.

"We had been expecting that there would be a large lead time for termination insurance," he said, "perhaps until 1976.

criticize us in oversight (hearings) later on," he said.

Mr. Ballard's concerns were among many being expressed at the conference as pension reform entered its final, tumultuous drafting stages and found itself in a neck and neck race to beat the impeachment issue to the floor of the House of Representatives this month.

**HE INDICATED** that even after 25 meetings of the conference committee that authored the final compromise, there still remained considerable confusion among the drafters of the legislation as to just what had been agreed to in the conference committee sessions.

"It's really disconcerting that we are getting new drafts of the legislation at this late date with language that we haven't had to cope with before," Mr. Ballard said.

"If you were to ask the conferees what they had agreed on, you would get different answers," he said. "The fact is that conferees don't know what they agreed on," he charged.

He said the whole package of new disclosure regulations was agreed to "in five minutes" during one of the closed door conference committee sessions.

Mr. Ballard said it appears now that the bulk of the new reporting requirements will not come into force until 1976 or

even later than that.

The new requirements will probably apply to plan years which begin after Jan. 1, 1975 with such documents as the annual financial report not due until 270 days after the end of the plan year.

**FOR PLANS** whose fiscal year begins before the end of this year, they would continue to file the D-2 form now in use for their 1974 results.

The reporting language now in the bill requires that all plans, regardless of size, file disclosure reports with the Labor department.

The currently in force Welfare and Pension Plan Disclosure Act only requires disclosure reports from plans with more than 26 participants.

Mr. Ballard said the expanded reporting requirement, which would include most H.R. 10, or Keogh, plans for individuals,

could swell the volume of reports that flow into his office to about four million from the present 180,000 a year.

It's also unclear at this time, he said, just what role the labor department will take in being of assistance to plan participants in obtaining plan benefits.

Language that would have required arbitration of benefit disputes between plan officials and plan participants had been dropped in the last round of conference committee sessions, but Mr. Ballard said it was still uncertain whether the Labor department would merely offer advice to participants in benefits disputes or actually go to court in actions against the plans on behalf of the participants.

"It's not clear in the legislation just what is intended," he said.

Legislative draftsmen were aiming for a late July or early August completion of the final version of the bill. ■

"**IF THE LAW** is passed and we're expected to do something immediately, it's an impossibility," he said.

Mr. Ballard said there is great pressure to have termination insurance effective immediately, or perhaps even have a retroactive feature, in order to protect benefits as soon as possible.

"This is a political area in the bill and it appears now it will be effective immediately," he said.

The law would require that the Labor department set up a Pension Benefit Guaranty Corp. through which all tax-qualified pension plans would be required to purchase benefit insurance for the plan participants.

Initial premiums are set at \$1 per plan participant for single employer plans and 50 cents per participant in multi-employer plans.

**POSSIBLY THE** most controversial feature of the proposal is one that would allow the corporation to collect from the sponsoring employer or employers the amount of money it would have to spend to make good on vested benefits in plans which were terminated while in an underfunded condition.

The corporation's power would take the form of a lien on the employer or employers' assets with a ceiling set at 30% of a sponsoring company's net worth.

Pension plan sponsoring firms seeking protection from this obligation could purchase "contingent liability" insurance for an additional premium. Most backers of the bill hope that contingent coverage would be provided through private insurers for through banks in the form of letters of credit.

"I am against an effective date that would make this impossible to administer. The very people who put this burden upon us will

## Medics plan peer review

SAN FRANCISCO—A new Federation of California Medical Care Foundations was established here, with a \$194,000 federal grant, to plan a network of peer review organizations to control quality and cost of treatment of Medicare and Medi-Cal patients.

A new center to provide technical advice and services to 28 groups of health care facilities established by California county medical societies will be directed by H. Harold Leavey, former board chairman, California Western States Life Insurance Co. ■

## Fees vs. insurance commissions. Up with realism. In with James.

The time-honored way to pay for professional risk management is through insurance commissions, of course.

This is fine when it works. When commissions cover the cost of engineering a safer place to work and safer working habits. The cost of claims control. Of determining what to insure and what to self-insure. Of creating a protective package precisely for your operation and then placing that coverage.

We serve many corporate clients on this basis. Successfully.

But there are certain situations in which commissions won't work. For the client. Or for us.



For example, the administration of self-insurance plans requires the more sophisticated fee approach.

Does this mean that fees inevitably increase risk management cost? Not at all. Because even a large fee, properly applied, can generate substantial savings in self-assumed risk and insurance premiums. So a fee might mean you pay James a little more, and save a lot at the bottom line.

If your goal is effective risk management and you're wondering which approach is right for your company, ask James. The answer you get will be unbiased.

And realistic.

## James Risk Management

Fred. S. James & Co., Inc.

Insurance Brokers and Consultants since 1858

**MORE THAN 80 OFFICES TO SERVE YOU THROUGHOUT THE WORLD**

# Containers, new programs cut N.Y. port loss

By JUDI TALIT

NEW YORK—Despite tighter security controls at the port of New York and only one reported container loss last year, major shippers have not yet seen a reduction in their insurance premiums.

However, shippers are optimistic that increased security at the port will have a positive effect on insurance costs when renewal time rolls around.

Marine underwriters are not so sure. They explained that other factors beside port security must be considered in a warehouse-to-warehouse type of policy. In addition, all policies are experience-rated, so one good year may not portend others.

One marine underwriter said most losses occur outside the

port. He added, "containerization is fairly new and still remains to prove itself. We do have losses. Many losses are attributable to water damage, materials not properly stowed in containers, and movement causing breakage." Thus, port security has only an indirect effect on marine insurance costs.

**CHAIRMAN OF** the New York-New Jersey Port Security Council William McRoberts, praised the port security program, and inferred it might reduce insurance costs.

He attributed favorable loss experience to "the healthy concern of the shipping industry for good security and vigorous application of security techniques at all port areas."

"Over the course of the years,

people thought piers and docks were like general stores, just there to be ripped off. But the shipping fraternity decided the image was wrong and steps were taken to change it," he said.

Since it is the port's business to make money on ocean-bound cargo, increased security was needed to protect this income, he added.

Last year alone, 750,000 containers passed through the port, valued at more than \$16 billion.

Security programs are being improved all the time at the port. Mr. McRoberts said, "it's a never-ending job."

**A MEMBER OF** the council, the security bureau, investigates container losses, working closely with the law enforcement agencies.

Jerry Sullivan, executive vp of the bureau, described the port's security program.

One device used is known as a regiscope. It works much like a check cashing security measure used in supermarkets. At the port, a photograph is taken of the truckman and the container document. It "acts as a deterrent" making the truckman easily identifiable.

Another security device used is closed circuit television, with sets located at entrances and exits.

The port also uses color coding on containers. The numbers are read electronically by an optical scanner. If the container is moved out of its proper sequence, an alarm is triggered.

In the larger container areas, a parking slot is designated for each container. If the vessel is

not in its proper slot, it is recorded.

Internal controls between the security staff and the container is moved out of its proper sequence, the computer records it. Different codes are used for arriving and departing containers.

An inventory is taken, using computerized records of the date the container arrived and what parking slot it was assigned.

**OTHER SECURITY** controls described by William McRoberts include camera use, improved fencing and lighting, guard programs, and laser beams.

Mr. Sullivan explained why container losses were previously high. Because containerization became popular in a very short time, "the industry was not really equipped for it," he notes. Controls were not strict, and container ships were often adaptations of older vessels, which allowed thefts.

Now, he said, "new areas of problems have arisen. Because rates are not uniform, sometimes you may get a better rate from your insurer if you also have other insurance with them."

The insurers can afford to be cocky, he contends. If your experience is not up to par, they can either "up your deductible and your premium or drop you," Mr. Sullivan said.

The problem is that there are no rate schedules to follow. He said some marine insurers are putting one together, although marine underwriters, when contacted, said they know nothing about this.

## Bring us your problems

We're not as old as the venerable lady shown here, but in our way we, too, have solved many problems for people just by showing a welcome door.

When you find yourself with surplus/excess accounts that are high risk, complex, and hard to place, don't worry about them. Bring them to us.

We're innovative, flexible, and our capacity hasn't been stretched yet.

With over 65 years' experience, we understand your needs and problems. And we have the responsiveness, flexibility, and professionalism to help you solve them.

Call. Our full facility is at your service when you do.



Headquarters: Los Angeles. Offices: San Francisco, New York, Seattle, Portland, San Diego, Denver, Houston, Atlanta, Phoenix, New Orleans.



## One-half of population has no-fault

CHICAGO—More than one-half of the nation's population is now covered by some form of no-fault auto insurance law, the American Mutual Insurance Alliance (AMIA) reported recently.

Pennsylvania's passage of a no-fault law last month brought the number of states covered by no-fault legislation to 23, with 52.9% of the population, or 111 million people.

Compulsory no-fault benefits totaling \$15,000 are provided by the new Pennsylvania law, and the right to sue in serious cases is permitted. But the legislation does not take effect until one year after state governor Milton Shapp's approval.

**AMIA'S VP**, F. A. Holderman, said the success of state-by-state no-fault legislation means there is gradually "less need for federal intrusion. The trade association has supported state no-fault reform without federal intervention."

Besides Pennsylvania, 14 states have enacted no-fault legislation with some restrictions on the right to sue in minor cases. In this category are the 83 million residents of Colorado, Connecticut, Florida, Georgia, Hawaii, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York and Utah.

Another eight states, with 28 million residents, have no-fault legislation without restrictions on the right to sue. These states are: Arkansas, Delaware, Maryland, Oregon, South Carolina, South Dakota, Texas and Virginia.

# When one man's floor is another man's ceiling, you better be careful about tearing up the floor.



Our construction specialist was checking the plans of a policyholder's road building job in West Virginia when he saw something that bothered him. There were three coal mines that either passed beneath or adjoined the roadway. However, since the mines were all well below grade level, no problems were apparent at first. In fact, our policyholder, the Frank Mashuda Co., Inc., Evans City, Pennsylvania, had already begun construction work.

But it's an insurance company's responsibility to look beyond the obvious. It's a job for experts. And we had the right expert on the right job.

The Employers man not only knew the construction business, he knew coal mines. And he was worried about damage to the mines from blasting, and the vibrations caused by heavy equipment.

Work was halted. Our man and the project

engineer hiked the area. And together they went down into the mines. The mine operators said if their underground haulways were collapsed by overhead construction, the loss could exceed 70 million dollars. That's when we called in independent mining engineers and blasting experts. They advised extensive precautions.

Next we had a meeting with state authorities and they okayed the extra work needed to protect the mines. Done. And in the end, everyone gained. The mines, now reinforced, are in better shape than before. West Virginia has a handsome new stretch of Interstate 79. We have a happy policyholder because he was able to do a good job while protecting himself against serious loss.

Insurance should work for a living. That's the Wausau way of doing business in 228 offices across the country.



**COME TO THE SOURCE**  
**Get the Wausau Story**



**EMPLOYERS INSURANCE OF WAUSAU** Wausau, Wisconsin

## State accident rate rises

HARTFORD—The state labor department, in its first annual survey of 11,300 employers by the department's occupational safety and health unit, found that the state's occupational accident and illness rate of 11.2% is above the national rate of 10.9%, with one out of every 11 Connecticut workers injured or becoming ill on the job during 1972.

The survey, based on annual private non-farm employment of

1,014,500, showed that 91,500 persons suffered work-related illness and injury in 1972.

An estimated 361,300 workdays were lost, occupational injury accounting for over 95% of the cases.

**COMPANIES WITH** less than 20 or with 500-plus workers had lower accident incidence rates than mid-sized. The highest rate occurred in firms employing 100 to 249.

The highest accident rate of all

other surveyed industries occurred in the contract construction industry, with 9,800, or 25.4% injuries and illnesses per 100 full-time workers; this resulted in loss of some 42,600 workdays.

Finance, insurance and real estate reported the lowest incidence rate (2.6%).

Manufacturing, employing 39% of the private non-farm sector, reported 54% of total injuries and illnesses and 192,400 lost workdays.

## info for buyers

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

- The General Adjustment Bureau has published a comprehensive **Guide to Services**. It lists and explains the various functions the GAB performs for its customers in the United States and abroad. Among the services described are loss and claims control, value appraisal, underwriting and inspection, loss control and safety engineering. Free copies may be obtained by writing Management Service, GAB, 123 William St., New York, N.Y. 10038.

- **The Executive Summary**, released by Health Application Systems, gives a summary of what the company can do for corporate health benefit officers, medical foundation officers and insurance company executives. The brochure explains how HAS can help with a program planning, structuring, processing and financing. For a free copy of the brochure write L. N. Kendrick, Health Application System, 1633 Bayshore Highway, Burlingame, Ca. 94010.

- OSHA has issued a new **Field Operations Manual** for use by compliance officers in conducting workplace inspections. The loose-leaf booklet contains four new chapters reflecting changes in the compliance policy. For a subscription rate of \$8.00, the booklet may be ordered from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Orders should specify Volume V, OSHA Field Operations Manual, OSHA 2081.

- **Emergency Steam Plan Analysis**, by Nationwide Boiler Rentals Inc., offers help to plant management. The booklet shows how to analyze your steam system and to prepare for a loss or shortage of steam. It also describes use of mobile boilers to fill temporary steam needs. For a free copy write Nationwide Boiler Rentals Inc., 175 S. San Antonio Rd., Los Altos, Ca. 94022.

- Hartford Steam Boiler offers informative safety and operational efficiency material, log programs for boilers and for air-conditioning and refrigeration systems. They offer technical bulletins on boiler maintenance, and analysis of boiler accidents and a quarterly magazine, **The Locomotive**, which describes power equipment operation and maintenance. For free copies write J. R. Eklund, Dept. B, Hartford Steam Boiler Inspection and Insurance Co., Hartford, Ct. 06102.

- **Seedsman Errors and Omissions**, underwritten by Lloyd's of London, discusses a specially developed insurance program exclusively for members of the American Seed Trade Assn. For a free copy of the brochure write T. Cath, Illinois R. B. Jones, 175 W. Jackson Blvd., Chicago, Ill. 60604.

- Haws Drinking Faucet Co. has published a 12-page brochure called **Haws Safety Equipment—Catalog No. 571**. This is a mini-

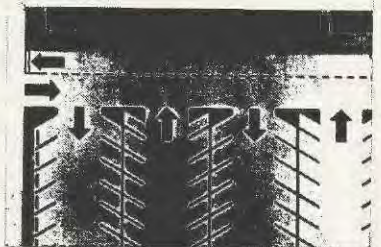
form reproduction of 40 pages of the company's safety equipment catalog. The product line of emergency eyewash equipment, drench and decontamination showers are described. For a free copy write R. D. Johnathan, Haws Drinking Faucet Co., Fourth and Page Sts., Berkeley, Ca. 94710.

- Fire prevention tips for restaurants, whether they serve exotic flaming concoctions or hamburgers, are listed in **Insurance and Restaurant Fires**, published by the Insurance Information Institute. The booklet also explains how a restaurant's construction, type of cooking facilities, decor and location are evaluated by insurance companies in calculating fire insurance premiums. For 25 cents a copy, the booklet may be obtained by writing the institute, 110 William St., New York, N.Y. 10038.

- **I.Q. Your Defense Against Dishonesty . . .** is a national study which shows that most firms are under insured for infidelity losses. This folder, released by Kemper Insurance, provides an uncomplicated formula to determine the minimum amount of honesty insurance a company should carry. For a free copy write Public Relations D-1, Kemper Insurance Group, Long Grove, Ill. 60040.

- **How to Plan Parking Areas** is a brochure that provides detailed information and diagrams for planning and laying out parking facilities for maximum efficiency, control and security. Released by Federal Western Parking and Security Controls,

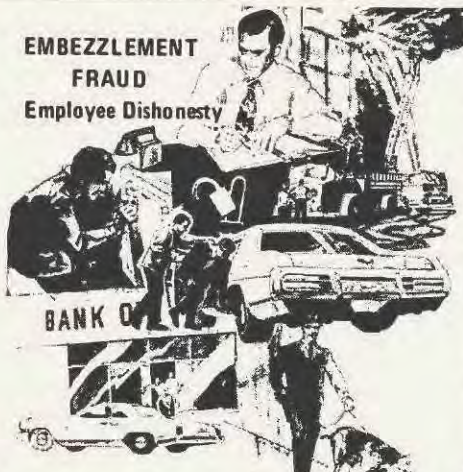
### How To Plan Parking Areas



the brochure illustrates and describes parking control equipment including gates, vehicle detectors, coin and token control units. For a copy write, Federal Western Parking and Security Controls, Division Federal Sign & Signal Corp., 2700 W. 36th Place, Chicago, Ill. 60632.

- **Special Risk-Excess & Surplus Lines Kit** provides information and applications regarding Interstate National Corp.'s The emphasis is on non-standard lines of insurance. For a copy write Interstate National Corp., Field Operations Dept., 55 East Monroe St., Chicago, Ill. 60603.

- A new public information pamphlet, **When Quality and Stability Count**, has been distrib-



**EMBEZZLEMENT  
FRAUD  
Employee Dishonesty**

### Send today for the PROTECTION OF ASSETS MANUAL

Reference handbook and guide for preventive security.

The Protection of Assets Manual, written by two of the most outstanding authors in the field of security, T. J. Walsh and R. J. Healy, offers preventive measures and procedures for coping with potential perils and business hazards. The manual and monthly supplements explain how to protect against: Kidnapping, Fire, Theft, Burglary, Robbery, Fraud, Embezzlement, Employee Dishonesty, and much more.

The Manual and service is now subscribed to by: Business Managers, Insurance Executives, Bankers, Security Dealers, Brokers, Local and Federal Security Agencies, and others directly or indirectly involved with security handling and procedures.

If YOU have anything worth protecting—people, places, ideas—YOU need The Protection of Assets Manual.

Send For  
30 Day  
On-Approval  
Subscription

Subscription  
First Year **\$135.00\***  
(Including monthly supplements)  
Annual renewal only \$75.00.  
\* Plus shipping and local taxes.  
On prepaid order, we pay shipping.



Published by:



INSURORS PRESS PRODUCTS

1661 9th Street / P.O. Box 1256 / Santa Monica, CA 90406

# WHEN YOU CALL, WE ANSWER.



Promptly.  
You're not left  
in limbo for weeks  
or months waiting  
for service. You'll like

our quick response to claims, to proposal requests, and to your requests for information and programs. You'll like the absence of red tape, the speed and accuracy of our computers, the ready availability of Pilot Group personnel in regional offices throughout the country.

You'll also like the portfolio of group plans we give you to work with. Pilot can give you complete custom-designed programs, faster action, better service. You, in turn, can give your clients complete custom-designed programs, faster action, and better service. Your clients are happier. So are you. So are we.

Call. You'll like the way we answer.

GROUP DIVISION, PILOT LIFE INSURANCE COMPANY  
BOX 20727, GREENSBORO, N.C. 27420.



uted by the Kemper Insurance Group. This illustrates how the chances of being disabled far exceed the chances of death in every age category. This pamphlet also describes how disability income protection provides incentive for a disabled person to return to work. For a free copy write John Lavino, Kemper, Long Grove, Il. 60049.

• Eastman Kodak Co. offers a booklet entitled **The Management of Information** which describes various microfilm systems, their uses and benefits. The book includes details of how such things as accident reports, claim files, deeds, and insurance files can be put on microfilm for fast information retrieval and compact filing. For a free copy write Arlene Kwasney, corporate information assistant, Eastman Kodak Co., 343 State St., Rochester, N.Y. 14650.

• Koppers Co. Inc. has made available to *Business Insurance* readers a brochure called **Questions and Answers on Non-Com Fire Protected Wood**. This 14-page brochure contains complete information on specifications and applications. For a free copy write Linn Noah, Koppers Co. Inc., 1900 Koppers Bldg., Pittsburgh, Pa. 15219.

• Kemper Insurance Group published **Winterizing Your Plant**. The pamphlet provides the fire protection that you rely on to keep you in a business which is extremely vulnerable to ice, snow and freezing temperatures. For a copy write Public Relations, D-1, Kemper Insurance Group, Long Grove, Il. 60049.

• A 250-page book entitled **The Handbook of Property Conservation**, is being sold by the Factory Mutual System for \$4.95 a copy, of \$4.00 each for ten or more copies. Chapters include information on organizing for emergencies, automatic sprinklers, controlling hazards, and safe-guarding new construction. Inquiries and requests for the book should be addressed to the Director of Publications, Factory Mutual Engineering and Research, 1151 Boston-Providence Turnpike, Norwood, Ma. 02062.

• Kwasha Lipton Inc. has made available **Benefit Communications**, a booklet describing the company's approach to total benefit communications. It includes a definition of communication objectives, program analysis and design, media selection, production, program implementation and follow-up. For a copy of the booklet write Leonard Zimmerman, Kwasha Lipton Inc., 429 Sylvan Ave., Englewood Cliffs, N. J. 07632.

• **Engineered High Speed Fire Protection Systems** is a new, revised pamphlet offered by Fenwal Inc. The Fenwal Hanlon and high-speed water deluge systems are featured along with various detection devices. For a free copy write George Crosby Jr., Manager of Advertising and P.R., Fenwal Inc., Protection Systems Division, 400 Main St., Ashland, Ma. 01721.

• Walter Kiddie & Co. Inc. has a brochure titled **Fire Extinguishing Systems and Equipment**. The 12-page publication covers carbon dioxide, Halon 1301, dry chemical, Hi-Ex foam and Sentinel pre-engineered dry chemical extinguishing systems. Advantages, applications and system components are described in detail. For a free copy write Advertising Manager, Walter Kiddie & Co. Inc., 675 Main St., Belleville, N. J. 017109.

• Burns International Security Services Inc. has published a **Security Handbook for Businessmen Overseas**, which is a study by their investigation bureau. The 36-page handbook discusses preventive security, family, office, residence, servants and air travel security. It even explains how to behave in case of a kidnapping. A single copy costs \$5.00, but for multiple copies the price is \$3.50. Write Ashley W. Burner, Burns International Security Services, Briarcliff Manor, N.Y. 10510.

• American Appraisal Assoc. Inc. offers a brochure describing its personnel advisory services, including computerized personnel systems, employe benefits, fair employment practices, in-service training programs, and manager compensation and salary administration. For a free copy write E. J. Francione, American Appraisal Assoc. Inc., 525 E. Michigan St., Milwaukee, Wi. 53201.



# Stop truck thieves COLD!

with **ELECTRONIC 90**  
The NEW Sound of **BABACO!**

- Electronic Sound
- Constant Energy Source
- Disabling Device

Write or Call For Free Brochure

**BABACO ALARM SYSTEMS, Inc.**  
1775 Broadway  
New York, N.Y. 10019

Tel. (212) **977-7530**



## Fire: Comforting... or disastrous

It's no comfort when a disastrous loss occurs. And, when a loss does happen, it's no fun trying to separate the boiler and machinery damage from the resulting fire damage.

Why not protect your business against combined losses with a single policy? At PMMI, our Fire, Machinery, and Boiler Policy provides complete coverage—giving you the benefit of the full limits for the boiler and machinery as indicated in the fire policy with no increase in premium. It's protection no company should be without.

We use the word "protection" much more than the word "insurance." We have good reason. When we sell you insurance, our

expert engineers will work closely with you to protect your business against unnecessary loss.

We think you'll agree that it's better for your business to prevent a loss before it occurs, rather than to simply insure against it and take your chances.

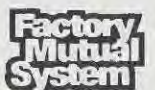
So, before fire or boiler and machinery losses cause you to examine your current coverage, call your nearest PMMI Account Representative. Ask him how PMMI can help protect your business from loss with our combined Fire-Boiler policy.

**PMMI . . . Your Partner in Protection.**



**Philadelphia Manufacturers**  
MUTUAL INSURANCE COMPANY

Philadelphia Manufacturers Mutual Insurance Company #8 Executive Mall, Box 824, Valley Forge, Pa. 19482  
DISTRICT OFFICES: Atlanta, Ga.; DeWitt (Syracuse) N.Y.; Greensboro, N.C.; Houston, Tex.; Whittier (Los Angeles), Ca.; New York City, N.Y.; Southfield (Detroit), Mich.; Towson (Baltimore), Md.; Valley Forge (Philadelphia), Pa.



## dates for buyers

**Sept. 4:** The National Safety Council is sponsoring in Chicago a key man development course called the supervisor and accident prevention with OSHA provisions. Write the Training Dept., National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611.

**Sept. 22-24:** The Institute of Risk Management Consultants Inc. will hold its second annual meeting at the Highlands Inn, Carmel, Ca. The theme of the meeting is risk management in the future. Write David Warren, Institute of Risk Management Consultants, 680 Beach St., San Francisco, Ca. 94109.

**Sept. 22-26:** Management Laboratories of America Inc. will sponsor a seminar on reinsurance at the University of Dallas. The seminar will focus on reinsurance transactions for captives. Write University of Dallas, Management Laboratories of America, Irving, Texas 75061.

**Sept. 26-27:** The University of Wisconsin is offering an institute on product liability for claims personnel, to discuss the legal and engineering aspects of products cases to acquaint claims people with the state of product liability. Write Prof. Moll, Department of Engineering, University of Wisconsin, 432 N. Lake St., Madison, Wi. 53706 (608-262-2061).

**Sept. 30-Oct. 3:** The National Safety Council's 1974 national safety congress and exposition will be held in Chicago. A program featuring some 200 sessions with over 300 exhibitors is being planned. Write the National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611.

## FM highlights recent fire losses in campaign

NEW YORK—Facing alarming increases in dollar losses from industrial fires, (103% in the past five years), Factory Mutual System previewed a major fire prevention campaign recently at a press conference—the first in FM's 139 year history.

As previously reported, FM will present its "Red Tag Alert" program which focuses on the problem of improperly closed sprinkler valves to policyholders in the fall. (*Business Insurance*, Feb. 18). FM claims improperly closed valves accounted for 37% of all large industrial fires in the past five years.

At the base of the sprinkler valve problem is human error in judgment and/or failure of in-

dividuals to follow correct procedures, FM spokesmen stated. These errors accounted for 73% of all industrial fire losses from 1969 to 1973.

**SUCH WAS** the case in FM's biggest loss in 1973: Wabasso Ltd., a Canadian textile firm which suffered losses in excess of \$15 million in a fire which destroyed half the main plant March 21, 1973.

During construction work at the plant located in Three Rivers, Quebec, the sprinkler valve system was shut off. As a result, a fire in a pressing machine quickly spread through air ducts throughout the plant. Area firemen fought the blaze for almost

24 hours before it was completely extinguished.

The plant was insured with FM as part of a global policy of "some \$70 million with a \$10,000 deductible," R.G.H. Knight, vp-operations for Wabasso, told *Business Insurance*. He estimated FM has paid out \$10 million in claims from the fire so far.

The business interruption loss, however, is almost incalculable. Almost a year and a half later, Wabasso is still looking forward to the completion of a new plant. Spiralling construction costs, material shortages, and soaring interest rates have all been major stumbling blocks, Mr. Knight admitted.

Having been out of the market for such an extended period, Wabasso officials estimate it will take one to five years to recoup its position.

A recent survey by the Insurance Information Institute showed that the amount of business interruption insurance written is negligible when compared to the need for coverage.

**THE SURVEY** found 40% of businesses sustaining extensive fire losses were forced to close despite having adequate insurance coverage on both the building and the contents. Less than 20% of the businesses surveyed were able to resume full operations with unimpaired credit ratings.

It is paradoxical, the Institute noted, that most businesses don't have the insurance to protect the very purpose for which they are in business—to have a continuous income.

Against today's economic background, indirect losses such as those sustained by Wabasso are unrecoverable, FM said.

Adding fuel to the already volatile problem is the trend towards construction of super-sized plants. Jones & Laughlin Steel Co. has scheduled a \$200 million plant expansion at Aliquippa, Pa.; completion of a new brewery for the Joseph Schlitz Co. at Lysander, N.Y. will cost "well over \$100 million," a company spokesman said. The plant will occupy a 193 acre site, have a capacity for 5.8 million barrels and will employ 600 persons.

In addition, Weyerhaeuser Co. will break ground this fall for a \$213 million containerboard mill in Columbus, Miss.

Both the Weyerhaeuser mill and the Schlitz brewery are insured by FM as part of blanket policies held by the respective companies, spokesmen told this magazine.

Such super-plants are vulnerable to disaster, FM spokesmen said. According to a study by the National Fire Protection Assn., the best of today's protection systems and the largest and most modern-equipped fire departments might not be able to keep a fire in such structures under control.

"Industry seems hell-bent on a program of fire loss which will outstrip the worst of national records unless something is done soon," Roger M. Freeman Jr., president of Allendale Insurance, one of the four FM companies, stated.

**JACK RHODES**, vp and chief operating officer of the FM Research Corp. said industry's improperly closed valve record has been growing at an annual rate between 35 and 45%. Routine inspection of FM insured plants in 1973 revealed 1,600 instances of improperly closed valves, FM officials said.

FM officials urged industry to develop and enforce a well-structured property conservation program; to "think loss prevention and property conservation," and in so doing reduce the possibility of loss. ■

## Most brokers choose Stewart, Smith for DIRECTORS and OFFICERS LIABILITY INSURANCE

### Because...

#### 1. WE PIONEERED ITS DEVELOPMENT

and so we have had more experience with it than anyone else.

#### 2. WE STILL LEAD THE FIELD

in dollar volume and number of firms insured.

#### 3. SIZE IS NO PROBLEM

Our facilities are complete for large, small, and moderate size companies, financial institutions, and non-profit organizations.

#### 4. WE KNOW WHAT IT'S ALL ABOUT

Our experts are always available to discuss this complex form of insurance with brokers and their clients.

Ask the Stewart, Smith office nearest you for our Directors and Officers Liability brochure.



## Stewart, Smith

A member of the Stewart Wrightson Insurance Group

116 John Street  
New York, New York 10038  
(212) 964-6700

141 West Jackson Boulevard  
Chicago, Illinois 60604  
(312) 939-5775

3200 Wilshire Boulevard  
Los Angeles, California 90010  
(213) 382-6201

# Benefits take a backseat to pay in aftermath of wage-price controls

CHICAGO—In the wave of strikes currently washing over the U.S., wages far outrank fringe benefits on the priority lists of organized labor.

Inflation and termination of wage-price controls have set the stage for strikes by hundreds of labor groups seeking better pay to bolster their shrunken buying power.

The federal mediation and conciliation service said there were 588 ongoing strikes recorded as of July 15, involving 231,000 employees. According to the service, this is the highest total since the strike epidemic following the Korean War.

"MOST OF THE strikes, better than two-thirds, involve cost-of-living wage increases," explained a service spokesman. Commenting on the push for more fringe benefits, he noted that "we haven't seen a great deal of that as a strike issue. What is happening is suppliers to the steel and auto industries are being asked to match the big companies' contracts."

But the spokesman said his agency "didn't have any hard data" on what strike demands were most prevalent.

Tom Wood, an employe benefits consultant at Hewitt Assoc. in Deerfield, Ill., said there is "a

tremendous effort to catch up in wages and even move ahead. Benefits are secondary, but where they are hooked to what happens to the economy they're a predominant issue." Pensions, he added, are the most important issue in many strikes.

IN A SURVEY recently compiled by Hewitt, 56 out of 113 major industrial firms reported that they have increased their retirement pension amounts since 1970. Mr. Wood added that the most common form of pension plan boost was a percentage increase linked to the employe's year of retirement.

Overall, union pressure on employers to increase employe

benefits has "lessened to some degree," Mr. Wood noted, except "where they're directly related to the economy and inflation."

This is a turn-around, he said, from the "substantial movement in the benefits field during the period of the (wage-price) freeze." But the surge in benefit demands was tempered then as well, because "there were theoretical limits set by the pay board on how much benefits could be increased."

Nat Goldfinger, director of the AFL-CIO research department, said he believed wages have always been uppermost in the minds of striking workers. "It's my impression that demands for non-wage benefits are not a

major factor" in the current rash of strikes, he explained. The recently-lifted wage freeze is "an obvious factor" in the strike wave, but it comes in second compared to the problems of "raging inflation."

But Mr. Goldfinger discounted federal mediation and conciliation service statistics as "worthless." The 588 strikes are only those reported to the service, he explained, and it is not mandatory to alert the service when a strike is called. The increased number reported to the service may be due to a greater use of mediation in contract disputes, as well as to the general upsurge in strikes.

"THE BUREAU of Labor Statistics report for May shows there was an upturn in the prevalence of strikes from a very low level in 1972-73," Mr. Goldfinger pointed out. "Idle-man days in May resulted in a loss of .4% of

available working time in man hours, the highest since 1971." The strike wave was only beginning then, however, because wage-price controls were not lifted until April 30.

Mario Leo, vp of research for the management consulting firm of Towers, Perrin, Forster & Crosby, predicted that inflation would continue to put pressure on the wage side of strike demands. Most hospitalization coverage is already based on "reasonable and customary costs," so coverage will rise with the cost of care. Many other fringe benefits are based on income level, so wage increases will cause a corresponding jump in the value of benefits, he noted.

Even the pension issue may be set aside by unions desperate for direct wage increases, Mr. Leo added. Pensions and retirement problems can be deferred, he said, but buying power is always an immediate concern.

## Give your company an insurance physical.

Your company may not be in the same shape it was a year ago—and a growing business must be covered by increased insurance—especially in these inflationary times!

**PROPERTY:** Has your present property increased in value? Nationwide's Inflation Protection endorsement can be added to a Wall of Protection® plan to keep building insurance in line with rising costs.

**LIABILITY:** Do you need additional liability coverage? If your business is growing, perhaps your liability is, too. Nationwide's Wall of Protection can give your business the liability coverage you need in one plan.

**PAPERS:** Do you have documents and valuable papers that aren't protected by insurance? Nationwide's Valuable Papers Endorsement protects vital plans, charts, papers inside the safe or desk.

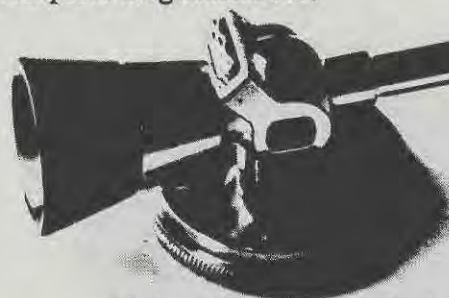
**VEHICLES:** Have you added new business vehicles? Nationwide can cover these—as well as non-owned cars and trucks used for your business.

**EMPLOYEES:** Have you added employees? Nationwide's Wall of Protection plan takes a total approach to benefit programs: individually tailored group life insurance, hospitalization, disability and pension coverages. One plan, not an unrelated stack of policies.

**CONVENIENCE:** Are you spending too much time and capital on your insurance problems? Nationwide's Wall of Protection plan lets you spread your payments over the year without tying up capital. Another time-saver—only one annual audit on your property and liability.

If you've answered yes to any of the above questions—your insurance needs further examination.

Give Nationwide a call. We've got specialists who'll be glad to give you a complete diagnosis. Free.



**NATIONWIDE INSURANCE**  
Nationwide is on your side

Nationwide Insurance, Columbus, Ohio 43216

Part of Nationwide's Blanket Protection for your business or your family.

Nationwide Mutual Insurance Co. Nationwide Mutual Fire Insurance Co. Nationwide Life Insurance Co. An equal opportunity employer.

LOOKING FOR

JOB

OPPORTUNITIES . . .

or

PERSONNEL

AVAILABLE . . .

or

BUSINESS

OPPORTUNITIES . . .

the

Classified Section

on page 34

is the place to look!

**AGENTS—BROKERS—RISK MANAGERS**

**OUR MARKETS FOR...**

**AGGREGATE EXCESS—SPECIFIC EXCESS  
SELF-INSURERS BONDS**

**WORKMEN'S COMPENSATION SELF-INSURANCE  
STOP-LOSS COVERAGES AND ADMINISTRATION**

**.... ARE BROAD, FLEXIBLE AND READY**

**TRY US**

**CALL (803) 242-4350**

**YOUR DIRECT LINE TO SAVING**

**HEWITT, COLEMAN & ASSOCIATES, INC.**

**BOX 3665, GREENVILLE, S.C. 29608**

**Industry speakers state  
pro, con no-fault case**

WASHINGTON—Proposed federal no-fault automobile insurance regulations were alternately supported and opposed by insurance industry representatives who spoke before the subcommittee on commerce and finance of the House commerce committee.

Frazier P. Shippo, senior vp, Aetna Life and Casualty Co., called on Congress to set federal guidelines for states to follow, citing the states' "dismal record of accomplishment" in the area of no-fault auto insurance.

Representing the National Assn. of Mutual Insurance Agents, Paul A. Hoover, chairman of NAMIA's federal legislation committee, agreed. He told the subcommittee NAMIA's efforts at passage of no-

fault legislation at the state level were "beaten back by the massive efforts of trial lawyers who make up a great majority of state legislatures."

The National Assn. of Insurance Agents, (NAIA), however, put its support behind a plan to shelve proposed federal legislation and allow states additional time to resolve the no-fault auto insurance problem.

NAMIA issued a statement supporting the state level no-fault auto insurance program proposed by Rep. G. V. Montgomery, (D-Miss.). Rep. Montgomery stated that "benefits in a federal guidelines bill may be inappropriate in many states."

To date, only 14 states have enacted some form of no-fault legislation, Mr. Shippo told the subcommittee. "Every other state has rejected no-fault legislation at least once and 24 states have rejected no-fault during three or more legislative sessions."

THE AETNA executive noted that "reasonable national standards are embodied in the no-fault proposals before Congress."

NAMIA's representative offered four provisions for federal no-fault guidelines:

- limiting medical, rehabilitation, work loss and replacement services to an aggregate \$50,000 per individual injured in an accident;

- a numerical threshold for pain, suffering and inconvenience, ("We believe the threshold approach should be tested before common law tort rights are totally done away with.");

- an intercompany arbitration system for allocation of loss on the basis of fault "to prevent disputes between insurers from burdening the court";

- keeping automobile insurance as the primary source of recovery in car accidents. "Injecting the health care system into the auto reparations system would be unfair to the non-driving public."

"Key states such as California, Ohio, Illinois, Wisconsin and North Carolina are more questionable as to passage of meaningful no-fault bills this year," Mr. Hoover noted, "for this reason, NAMIA endorses national minimum guidelines as necessary."

**Like our lighthouse,  
our Group LTD stands alone.**



Since the beginning, we've shown the way. Over the years we have gained a reputation for stability and professional competence unequaled in the industry.

And our LTD does literally stand alone. We'll write it alone all the way down to 10 life cases, without the usual requirement of other coverages in the bargain.

So if you're in LTD, you ought to be talking with us, because Unionmutual is LTD and LTD is Unionmutual. Contact one of our field offices listed below or write: Bob Stevenson, Vice President (Group Marketing), Union Mutual Life Insurance Company, 2211 Congress Street, Portland, Maine 04102.



**Unionmutual**



They call us the "Up Group"

**Group and Pension Offices:** Atlanta 404-451-7171/Augusta 207-622-5883  
Boston 617-523-5140/Chicago 312-427-9380/Columbus 614-486-7784  
Detroit 313-357-5757/Los Angeles 213-384-2571/New York 212-557-1700  
Northern N.J. 201-654-5353/Philadelphia 215-563-6378  
Portland 207-773-1758/Richmond 804-644-9725/San Francisco 415-982-2702  
Seattle 206-622-2461/Syracuse 315-475-2131

**St. Paul to  
drop medical  
group client**

BALTIMORE, MD.—After being refused a rate increase by the state insurance commissioner, St. Paul Fire and Marine Insurance Co. informed the Medical and Chirurgical Faculty of Maryland it will discontinue writing physicians' and surgeons' professional liability insurance in the state as of Jan. 1, 1975.

The decision means the loss of \$4.5 million in annual premiums paid by 3,600 of the society's members. The company had been the sponsor-endorsed insurer for the state medical group for 14 years.

Thomas J. Hatem, Maryland's insurance commissioner, disapproved the insurance company's request for a 48% rate increase May 28. It was the second rate increase asked by the company this year.

## Property protection for electric utilities: it takes skillful craftsmanship

You know all about the pitfalls of insuring your power plants and other properties on a piecemeal basis. Consider for a moment our package plan.

Utilities can get complete property coverages from one stable market — fire, boiler and machinery, builder's risk, difference in conditions and extra expense, with maximum limits of loss as needed.

Complete engineering services are included.  Plant and equipment inspections for both fire and boiler and

machinery protection.  Consultation on new plant protection design, including nuclear facilities.  Appraisals and expediting of repairs.

These coverages and services are adapted carefully to the special needs of the utilities. The net cost can be lower. The overall protection level should be higher.

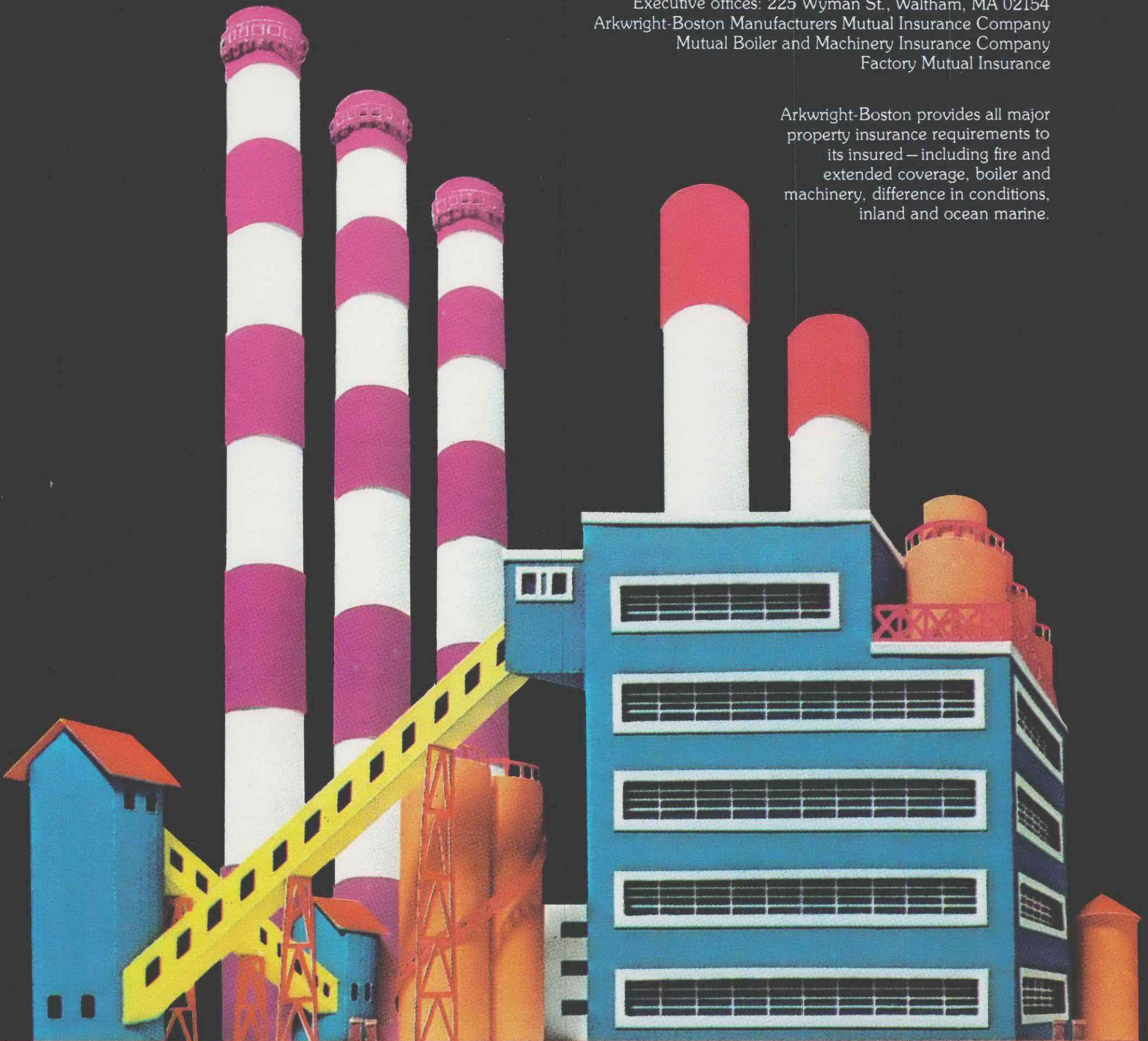
Arkwright-Boston. When you're serious about protecting your assets.

### Arkwright-Boston Insurance

Executive offices: 225 Wyman St., Waltham, MA 02154  
Arkwright-Boston Manufacturers Mutual Insurance Company  
Mutual Boiler and Machinery Insurance Company  
Factory Mutual Insurance



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



# editorial opinions

## The Wabasso story in living color

**A**N ALARMING increase in the number of large industrial fires due to the negligence of improperly closed sprinkler valves has led Factory Mutual System companies, with about \$300 billion in industrial insured values on its books, to mount an ambitious—and commendable—campaign and bring it to industrial insureds.

It is a subject, of course, in which Factory Mutual firms have a large vested interest. Last year, about 20% of all Factory Mutual industrial fire losses stemmed from fires that occurred while sprinkler valves had been shut down for one reason or another. Being a system of mutual companies, however, the ultimate beneficiaries of the campaign should be policyholders.

One such loss on Factory Mutual books last year—the system includes Allendale Insurance, Arkwright-Boston Insurance, Philadelphia Manufacturers Insurance and Protection Mutual Insurance—occurred at a plant owned by Wabasso Ltd., a Canada-based textile manufacturer. The loss from the fire itself—the most costly single fire for Factory Mutual in its 139-year history—was about \$15 million. Business interruption losses have pushed that figure up another \$5 million since then.

The Wabasso fire occurred when the plant's sprinkler system was shut down for repairs. It swiftly spread and within 24 hours the economy of a city—Three Rivers, Quebec—had been severely affected and a rather thriving company had lost its competitive edge. It will take five years to completely rebuild. All because of a closed valve.

## Tragic reminder

**T**HE TRAGEDY OF THE lives lost in a Port Chester, N.Y., singles' bar a little more than a month ago runs deepest in terms of its human costs: 24 young lives snuffed out and another 32 injured. But there are other costs involved as well and, unfortunate a reminder as this may be, businessmen would be wise to review their own situation in terms of similar perils.

The fire occurred in a building owned by an electrical contracting firm. The building was sub-divided into the bar, a bowling alley, a clothing store and a barber shop. The fire apparently began in the bowling alley.

So far, lawsuits seeking damages in the neighborhood of \$40 million have been filed. One suit names the building's owner, the electrical contracting firm, as defendant; another names the village of Port Chester.

To be sure, the ultimate liabilities may not be decided for years. Arson has been charged in the case and this might possibly relieve some of the burden of negligence from the shoulders of defendants.

Nonetheless, the tragedy should serve as a stark reminder to the relatively small businessman: That the same multi-million-dollar liability exposures that exist for the Fortune 500 company exist for the small business in many cases.

It would be wise to re-examine those liability limits.

To bring attention to the seriousness of improperly closed sprinkler valves, the Factory Mutual System has made a film documenting what happened, why it happened and the consequences for Wabasso. Wabasso executives appear in the film. They quite candidly admit their own stupidity on the subject of sprinkler system risk management. They are to be commended for unselfishly putting it on record—in living color no less—in the interest of bringing the message home to other industrialists.

Factory Mutual will take the film on the road next month and show it at luncheons around the country.

Risk managers should hope that their bosses and their bosses get to see it. The improperly closed sprinkler valve would rankle even the most fledgling of risk managers. He just wouldn't tolerate it. But the risk manager cannot be everywhere at all times. He needs the support of top management to get his policies and procedures implemented.

We'll bet more than a few top executives who see the Factory Mutual film will go back to their offices and fire off a memo or two to the appropriate people. We hope so.

## Safety/security

**S**EPTEMBER 30 is the date of our annual in-depth look at safety and security.

This issue of *Business Insurance* is at the heart of a major responsibility of risk managers . . . preventing losses, or at the very least, reducing the risk of losses to manageable levels, to be retained or insured.

Stories will focus on some of the thorniest industrial safety problems as disclosed by the National Safety Council annual accident survey, involving companies striving to improve safety records through better loss prevention systems.

Subjects of growing importance to risk managers to be covered in the issue are:

- the attack on retail industry stock shortages through integration of multiple security systems;
- update on the computer security market and what advances have been made in computer fraud prevention in the wake of Equity Funding;
- the changing role of the corporate safety engineer in risk management;
- a report on the growth of in-plant health testing systems and staff doctors and health nurses to screen hearing, sight, nervous disorders, effects of exposure to industrial chemicals, and other potentially costly occupational hazards;
- a look at steps manufacturers are taking to insure product safety following more than a year of Consumer Product Safety Commission activism;

We will also view the measures taken by companies involved in the security industry to insure their own security.

Readers with suggestions, comments or solutions to particular safety and security-related problems are invited to contribute to our annual safety and security issue. Please send ideas to Susan Alt, managing editor.

# letters

## More on D&O

To the Editor: I think your editorial in the June 24 issue of *Business Insurance* on the subject of Directors and Officers Liability is quite good.

I think Mr. Hamilton has an excellent point when he states that the underwriter who quotes a premium well below the range of quotations from other carriers appears irresponsible, in terms of responsibility to his employer, stockholders, etc.

However, the underwriter quoting at the high end of the range also appears to be irresponsible, in terms of responsibility to the insuring public.

I am concerned that there may now be excessive rate cutting in the Directors and Officers Liability field, and we hope to be able to provide some definitive information on this point within the next six to eight weeks, as a result of our 1974 Directors and Officers Liability Survey.

However, I think it might be worth noting that as a general rule, extremes in one direction will lead to extremes in the opposite direction. Excessively high premiums will tend to result in a pendulum swing to regrettably inadequate premium levels, and excessively restricted coverages will tend to lead to a pendulum swing to irresponsibly broadened coverages. Underwriters and the insuring public alike would be much better served by adequate, and not excessive, rates, which would lead to a stable and predictable market. It is our hope that the 1974 Wyatt Directors and Officers Survey, with a base of participation which certainly cannot be challenged, will aid everyone in the establishment of where this rate level should be.

We still would readily yield the floor to underwriters should they carry to make public the earned premium and incurred loss figures for this very controversial coverage.

Warren G. Brockmeier

Director, Risk Management Services, The Wyatt Co., Chicago, Ill.

## National health issue

To the Editor: I thank you for the opportunity to discuss the national health insurance issue in my article "National Health Issue Defies Easy Solutions", which appeared in your Perspective section in the issue of June 24.

Unfortunately, the article as printed contains two significant typographical errors. In pointing out that the Mills-Kennedy program would be underfinanced, despite a hefty increase in Social Security taxes, the printed text states that "realistically the addi-

Continued on page 18

# business insurance

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

G. D. CRAIN JR.  
founder (1885-1973)

MRS. G. D. CRAIN JR.  
chairman of the board  
RANCE CRAIN  
president and editorial director

S. R. BERNSTEIN  
chairman, executive committee  
KEITH E. CRAIN  
secretary-treasurer

ALFRED MALECKI, publisher

STEPHEN D. GILKENSON, Editor (New York)  
SUSAN ALT, Managing editor (Chicago)

Associates: Washington—RICHARD GORDON. New York—JUDI TALIT, MARGARET LeROUX. Chicago—STEPHEN GOOD. Los Angeles—CHARLES P. WINGIS. Editorial production chief: Chicago—DIANE DeROCHER. Editorial assistants: Chicago—VALERIE MACKIE. New York—LINDA MOSKOWITZ. Washington—DINAH DAVIS. Art director: JOE FARACI. Correspondents San Francisco—KENNETH MACDONALD (415-474-8532). Hartford—ALLEN M. WIDEM (203-232-3101). Los Angeles—JOANNE GAMLIN (213-874-7312).

DONALD A. WALSH, Advertising director (New York)

District managers: New York—CHARLES A. HORVATH, JACK FORREST. Chicago—ROBERT L. NIESSE. Los Angeles—DENNIS KOCH. Production manager: Chicago—JOHN JAMKA. Manager, marketing services New York—DAVID E. COHEN. Assistant promotion manager: RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS. NEW YORK—HOLLIS PIVOR.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing, M. A. HARTENFELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, vice presidents; MERRILEE P. CRAIN, assistant secretary; RICHARD M. DAUGHERTY, controller.

Cable address: CRAINCOM

Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 50 cents a copy, \$12 a year in U.S., Canada and Pan America. Foreign \$4 a year extra. WILLIAM STRONG, circulation director. ROGER DEGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Ill. 60611.



Member of Business Publications Audit of Circulation



# The Third Country National.

## When it comes to getting insurance, he's The Man Without a Country.



Because, he can't get adequate insurance coverage in the country where he works, in his own country or in his company's homeland.

A serious situation? Darn right. Because Third Country Nationals tend to be highly skilled technicians or specialists. And keeping them happy—and protected—is vitally important.

But it's not difficult.

AILife has been doing it for years.

With a plan that enables you to offer a full range of benefits in a single, specially-tailored policy. Now, regardless of the nationality of your TCNs—or how widely scattered they are—you can provide them with pension benefits, life coverage, medical disability, or accident. In any amounts.

Don't worry about local laws or different customs. We'll take care of everything. And don't worry about the size of your TCN contingent. We insure as many TCNs as a company has—or as few as ten.

For more information—mail the coupon today.

**ailife**

American International Life  
Assurance Company

Dept. #084, 102 Maiden Lane, New York, N.Y. 10005

Please send me a copy of your free brochure about "New Concepts" in Third Country National insurance coverage.


Name \_\_\_\_\_  
(please print)

Title \_\_\_\_\_

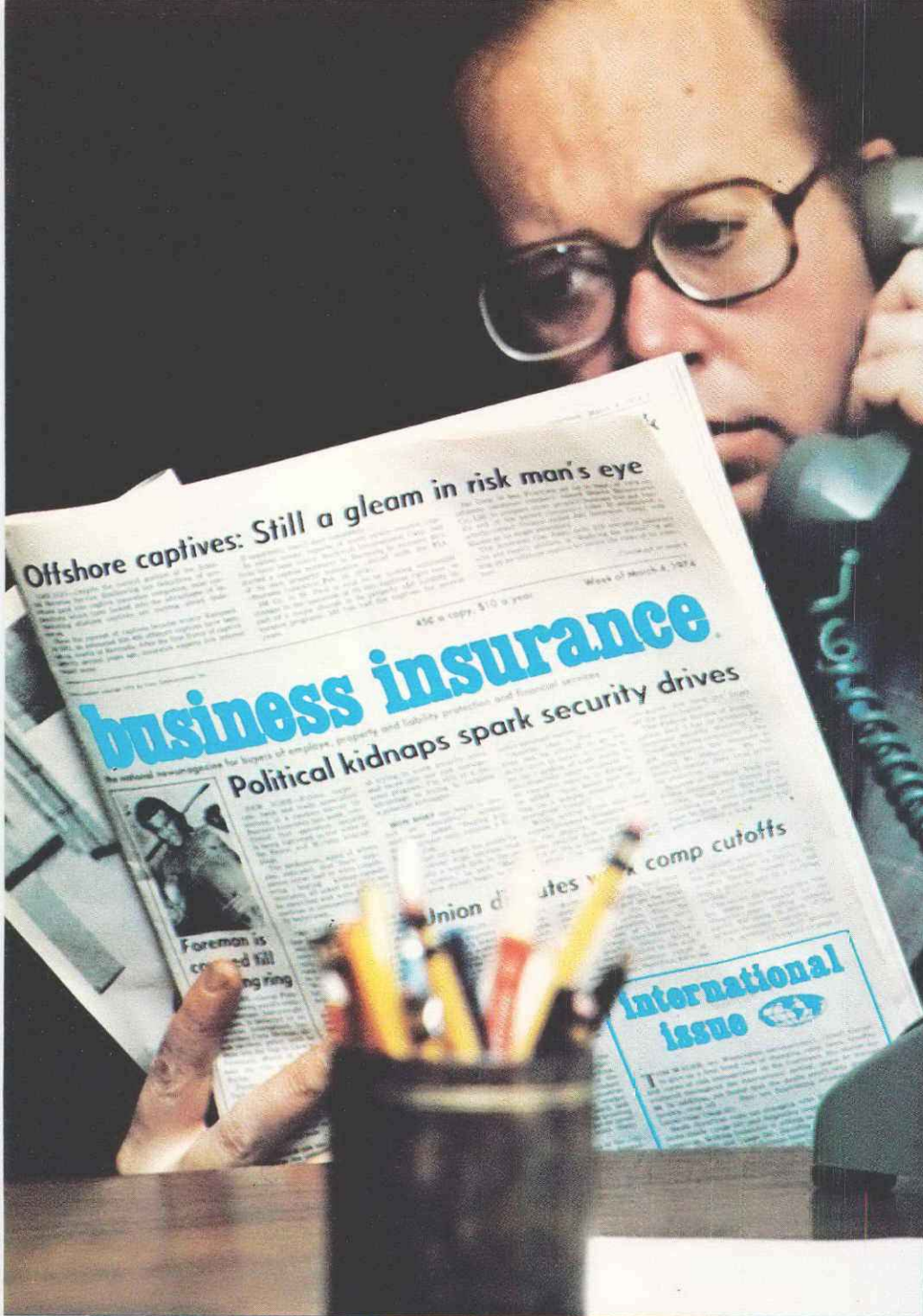
Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

 A Member Company of  
American International Group

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with AILife.



# The Monday morning ritual.

Perhaps even more predictably than morning coffee, thousands of leading business men and women follow a unique Monday morning ritual. They're the 181,000 readers (not including passalong) who devour the news, features and special reports of Crain Communications' newsmagazines.

**Business Insurance: the newsmagazine corporate consumers of insurance read.**

The people responsible for protecting hundreds of billions of dollars in property assets and nearly 50 million people need help. They get it every other Monday when Business Insurance arrives. Business Insurance helps because it goes where the news in insurance, employee benefits and asset conservation programs is made. And reports back to its 36,000 readers quickly, accurately and without bias.

Since no other newsmagazine was designed to help corporate consumers of insurance and employee benefits, Business Insurance is "the newsmagazine that just had to be." So it's no wonder it's become a Monday morning ritual.

**Advertising Age: the advertising publication marketing people read.**

Each week, Ad Age monitors scores of advertising campaigns and reports on the most important, the most significant and the most unusual. Because to marketing people, advertising is the tip-off to what their competitors are doing.

One marketing man called Ad Age one of the few legal ways to gather marketing intelligence. Which is one of the many reasons 67,000 subscribers in both advertising and marketing positions follow the Ad Age ritual every Monday morning.

**Pensions & Investments: the newsmagazine pension fund officers read.**

Every other Monday morning, Pensions & Investments briefs pension fund administrators/managers responsible for investing the largest pool of private capital in the world... \$300 billion. More than 25,000 readers turn first to Pensions & Investments for the latest developments in world money markets, corporate happenings, legislation and regulation, and other matters affecting pension, profit-sharing, endowment and foundation funds.

Pensions & Investments is still in its first year. But because it gives fund administrators/managers what they need—lively, timely and authoritative coverage of the world—it's already become a Monday morning ritual.

**Automotive News: the trade paper Henry Ford II reads.**

In the auto industry, the ritual occurs in the loftiest places: in the offices of Ford's Henry Ford II, G.M.'s Edward Cole, Chrysler's Lynn Townsend, AMC's William Luneburg to name a few. Each Monday, Detroit's titans (as well as 53,000 other readers who are industry executives) turn to Automotive News, the one publication that covers the industry from top to bottom. Because no other publication has the depth of coverage of Automotive News, no other publication has the influence in the industry of Automotive News.

**The Crain effect.**  
When we publish, things start to happen.

# Predict slow progress for HMOs, also expected to bring woes for insurers

NEW YORK—HMO progress is still uncertain, say insurers, corporations and medical groups. And the picture won't come into focus until the regulations of the Health Maintenance Act of 1973 are published, probably not until yearend, experts add.

Speaking at a conference on the subject sponsored by the American Management Assn., representatives of the various sectors agreed that, for the present, problems can only be imagined.

Health maintenance organizations will have some serious effects on insurance companies. Doug Halbert, assistant vp, Aetna Life & Casualty Co. said, "the real concern at Aetna is what kind of expertise we have in this

new type of care. As I am sure other insurers feel, the question (arises) whether it's adequate."

HMOs do not generally generate much premium volume for insurers. Mr. Halbert added, "insurers see it as a threat to the overall market. Therefore, there are horrible conflicts in marketing a regular plan and HMO."

**BUT, THEY** do offer an "opportunity for diversification—health care management, delivery—not to the exclusion of Blue Cross-Blue Shield or other systems, just bringing forth another alternative," Mr. Halbert added.

However, he continued, "there may not be much HMOs can offer in extra benefits." His suggestion

was that the employe opt only for the basics from the HMO and buy specialty coverage and extras from the primary insurer.

Mr. Halbert cited another problem in implementing an HMO plan, if carriers make two dangerous assumptions. "They automatically assume the policyholder wants HMOs and that the employe will buy the HMO. Aetna will never make that assumption," according to Mr. Halbert.

Costs of implementing such a plan could be exorbitant for the small employer, he contended. "The small employer doesn't have the ability to handle increasing costs, just for administration. That's going to cost the small employer more, no matter how you cut it,"

the Aetna speaker said.

The costs would be higher for the large employer, as well, he claimed. "In some cases, HMO premiums are lower than indemnity premiums, but in the long run, new plans will have much higher premiums."

Setting up an HMO can be profitable to businesses. However, one of the speakers said, "there isn't much under the act to encourage the private sector to move into this area for profit."

**FOLLOWING THIS** for-profit approach to HMOs, Aetna has begun construction on its own ambulatory care center in Tampa, Florida. It is a wholly-owned project, operated by the insurer. It will offer ambulatory care on a prepaid basis.

Another alternative to this approach was discussed by the Aetna speaker. He said an insurer could also choose to contract a medical group and act as under-

writer for the HMO.

An insurer might also choose to act as a consultant to the HMO facility on a fee basis instead, he added.

Dr. Karl Pickard, medical director of Diagnostic Health Services Inc. stressed the advantages of group practices. He said, "you can't get quality control medical care from solo practices. There is no such thing (in solo practice) as peer evaluation, although it may be coming with PRSOs, but the group has to have peer evaluation."

He cited some advantages for medical staffers participating in group practices:

- known yearly income;
- vacation and sick leave with pay;
- practices are covered when one doctor is away;
- pension and life insurance benefits;
- accessible cross consultations with other doctors;
- tremendous fund of material.

Dr. Pickard did mention some disadvantages of group practices, as well; including specialists may not make as much money, doctors do not like peer evaluation, and there is no free choice of doctors by the patient.

## Letters . . .

*Continued from page 14*  
tional payroll tax should be set at 2.5%. This is incorrect. The correct figure is 5.2%.

Also, there is a lost decimal in stating the cost of the National Healthcare Act (Burlison-McIntyre bill). The additional revenues required to pay for the Healthcare program in 1976 would be \$8.1 billion, not \$81 billion as it appears in the article.

**William S. Thomas**

Executive vp, Metropolitan Life Insurance Co., New York, N.Y.

## Automaker reply

To the Editor: The article appearing on page 30 of the June 24, 1974 issue of Business Insurance, captioned "American Motors Liable for Damages," was correctly reported. However, the caption itself was misleading and inaccurate.

Whether American Motors Corp. is liable in damages to the plaintiff remains to be determined in the lower court to which the lawsuit has been remanded for a trial of the issues. The Washington State Supreme Court merely held that the defendant was not entitled to judgment as a matter of law on the duty question related to enhancement of injuries allegedly caused by a product defect.

**L. J. Kovich**

Attorney & Counselor, American Motors Corp., Plymouth, Mi.

## Regulation correction

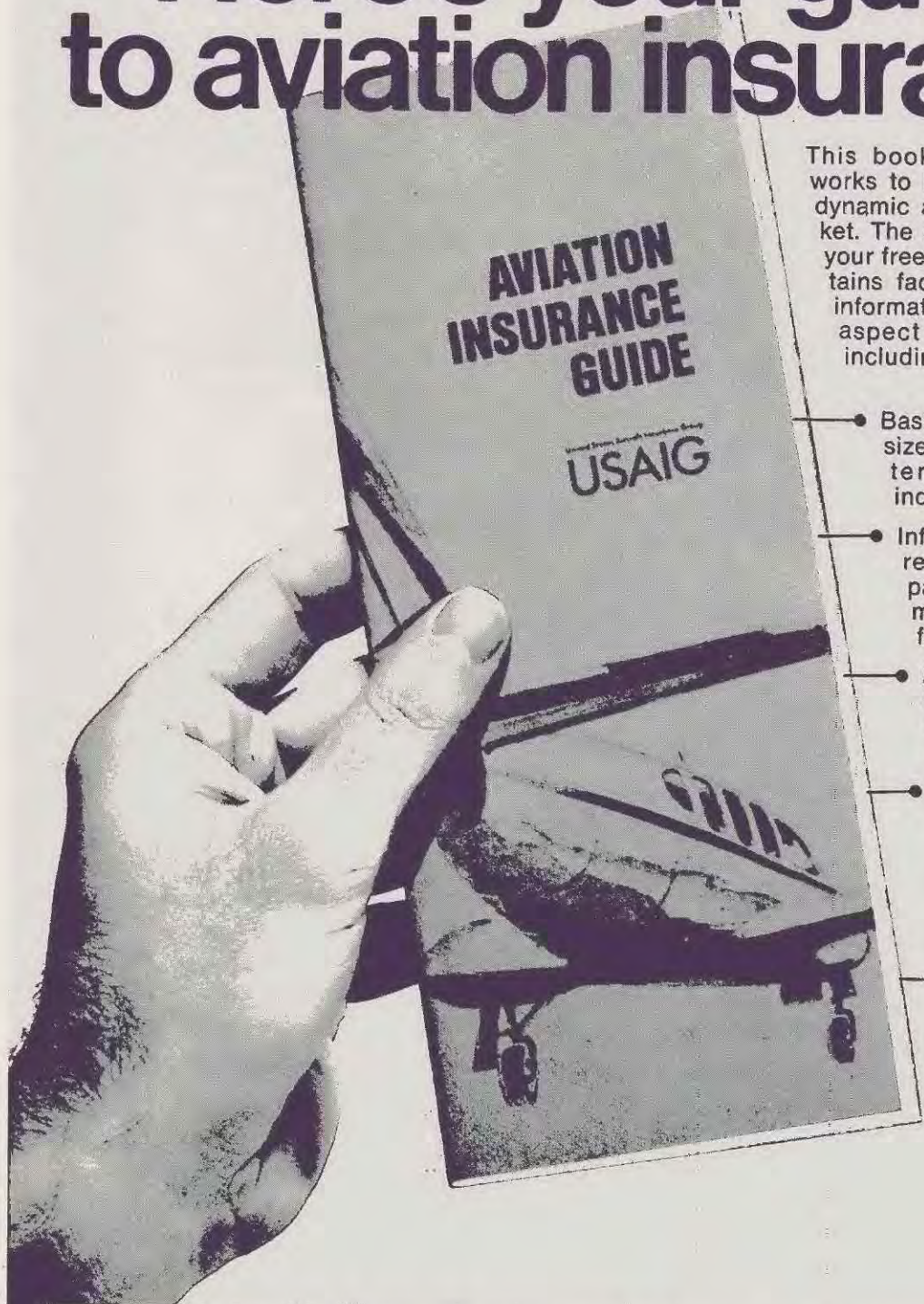
To the Editor: We wish to call to your attention that on page 30 of your magazine for May 27, 1974, under reference directory, you show James J. McNamee as director of insurance for the state of Alaska. This is an error, as John J. O'Shea is still our director. While at one time Mr. McNamee was our deputy director, he is no longer employed by the state of Alaska.

Also, since we have moved into the new State Office Building our phone number has now been changed to 907/465-2515. Our mailing address remains the same.

**John J. O'Shea,**

Director of insurance, State of Alaska, Dept. of Commerce, Juneau, Ak.

# Here's your guide to aviation insurance.



This booklet tells how USAIG works to help you penetrate the dynamic aviation insurance market. The coupon below gets you your free copy. You'll find it contains facts, figures and helpful information on just about every aspect of aviation insurance, including . . .

- Basic market data on the size, scope and growth potential of the aviation industry.
- Information on agency representation, commission payments, premium payments and premium financing.
- Rates and underwriting. Each risk is unique. USAIG tells you how to give personal attention.
- Coverages and claims. Nine pages describing the types of coverages provided by USAIG and what to do if your client has a claim.
- Sales aids and services. A composite listing of the valuable marketing tools available from USAIG.

**USAIG**  
UNITED STATES AIRCRAFT INSURANCE GROUP

110 WILLIAM STREET  
NEW YORK, NEW YORK 10038

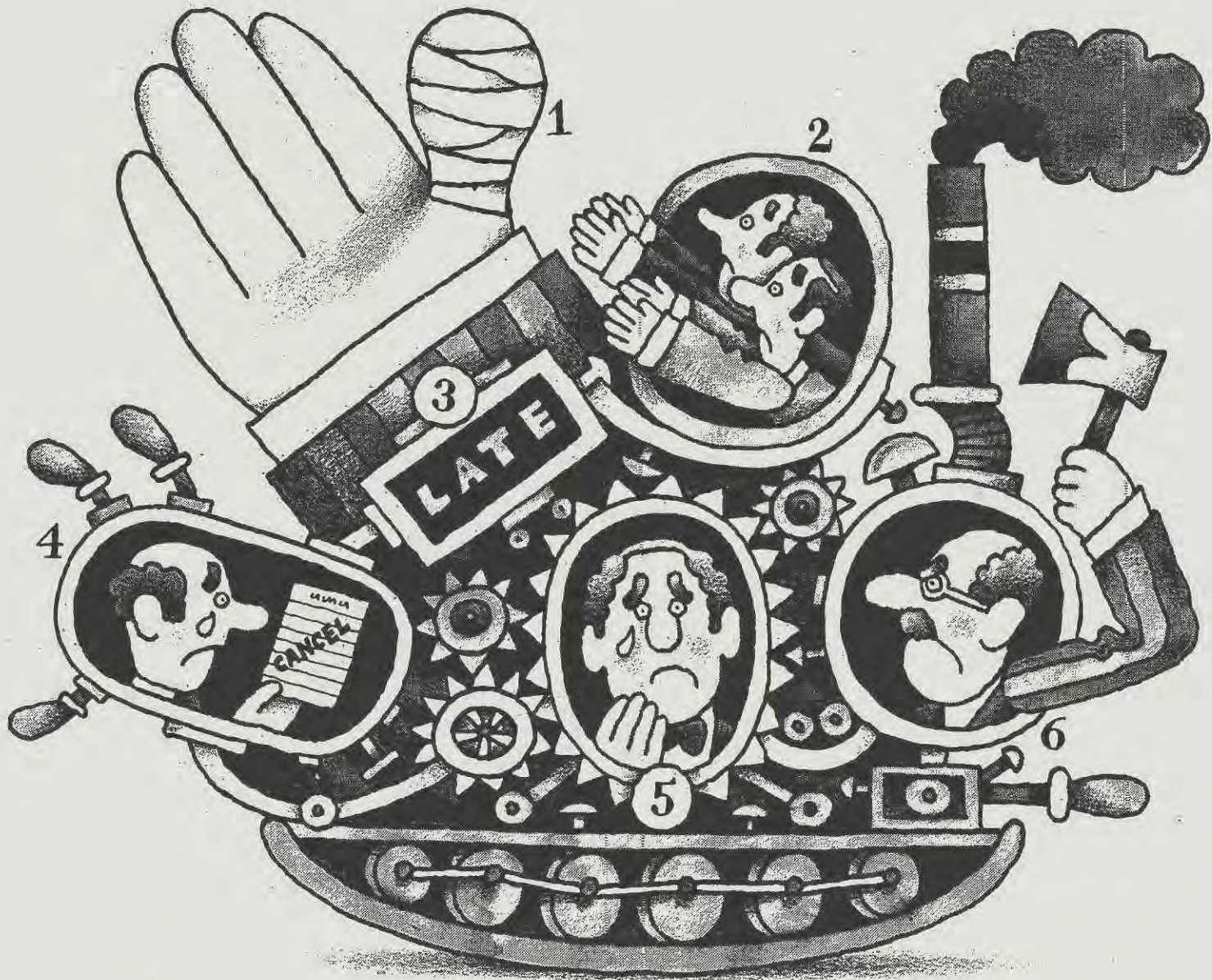
I believe that every agent and broker should know how to write aviation insurance. Please send me the booklet that tells me how: USAIG's Aviation Insurance Guide.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

# The busted thumb boat-rocking machine



(1) Charlie busts his thumb. (2) Willie and Stan rush over to Charlie; their job goes to pot. (3) Shipment to customer is late. (4) Customer's cancellation leaves manager grief stricken (already weakened by sight of Charlie's replacement). (5) Now the front office is grief stricken. (6) Big Boss descending to axe everybody who is rocking the boat.

## ÆTNA CLAIM STATUS REPORTS CAN HELP YOU KEEP THINGS ON AN EVEN KEEL.

On-the-job accidents cost and cost and cost. Add up lost production time, replacement and retraining time, possibly ruined materials or equipment, and the hidden costs can be five times the amount of the actual insurance claim.

We can help. Because Ætna can now supply smaller and medium-sized operations as well as the larger ones with periodic loss-analysis data. The kind that can help reduce such profit-eating accidents. Through our Ætna Claim Status Reports. These reports will tell you what happened,

where it happened, and when it happened. Plus the dollar amount of each claim, breakdowns by coverage and status, and totals. In brief, the things you have to know to tighten up loss control.

Talk to your local Ætna Life & Casualty agent or broker about receiving these reports. Claim Status Reports. One more way to show you we're not your average insurance company.



You get **action** with Ætna

## Giles on the law

# Employer who tries to restrict former worker may lose suit

By JOHN W. GILES  
Attorney at Law

WASHINGTON—Are you restricting the activities of your employees after they leave your employ? If so, you should carefully consult counsel. A recent case in the U. S. court of appeals discusses the situation, particu-

larly in Virginia. The rules everywhere are generally the same.

Here the employer brought suit against a former employe seeking enforcement of a covenant not to compete and damages for its breach. The employe filed a counterclaim alleging that the non-competition provision was unenforceable as a matter of law

and that he was entitled to severance compensation. The court of appeals held that (1) because of the limitless geographical application and too broad encompassment of activities in which the former employe was not engaged, the non-competition covenant was unenforceable and void (2) although the covenant was ancil-

lary to the otherwise valid contract of employment between the parties, the contract's severance compensation clause, the principal consideration for the covenant, was so interwoven with the covenant as to be also unenforceable. Under Virginia law, the criteria to be used as a guide to a decision by the courts passing on non-competition contracts are:

- Is the restraint, from the standpoint of the employer, reasonable in the sense that it is no greater than necessary to protect the employer in some legitimate business interest?

- From the standpoint of the employe is the restraint reasonable in the sense that it is not

unduly harsh and oppressive in curtailing his legitimate efforts to earn a living?

- Is the restraint reasonable from the standpoint of a sound public policy?

IN VIRGINIA, as in most states, the employer has the burden of proving that the restraint is reasonable and the contract is valid. Since the restraint sought to be imposed restricted the employe in the exercise of a gainful occupation, it was a restraint in trade. The restraint here prevented the employe from engaging in any "aspect of the school picture business either directly or indirectly" throughout the fifty states, or indeed anywhere in the world. This was clearly far too broad. Contrast this with a proper Virginia holding that the agreement of a limited partner not to compete within 50 miles of Norfolk after dissolution of the partnership, was an enforceable agreement. Greater latitude is allowed in determining the reasonableness of a restrictive covenant when the contract relates to the sale of a business than is those ancillary to an employment contract. You simply cannot tie up people so that they cannot possibly earn a living with the knowledge they have accumulated through the years. (*Alston Studios, Inc. v. Lloyd V. Gress & Associates*. 492 Fed. 2nd 279. 1974)

\* \* \*

**CAN YOU TERMINATE** an employment contract at will, without any liability? The New Hampshire supreme court says no. This was an action in damages to recover for an oral contract of employment. The jury verdict was for \$2,500. On appeal, the Supreme Court held that a termination by an employer of a contract at will is not in the best interests of the economic system or the public good, where the termination is motivated by bad faith or malice or based on retaliation, and such termination constitutes a breach of the employment contract. The evidence supported the finding that the defendant, through its agents, acted maliciously in terminating the employment, but the plaintiff was not entitled to recover damages attributable to mental suffering caused by the job dismissal.

There was dissenting opinion to the effect that not a single case has been found that supports the broad rule laid down by the court to support an action for breach of contract in this case.

In fact, the law everywhere, uniformly supported by scores of cases, is that an employment contract for an indefinite period is one at will, and is terminable at any time by either party regardless of motive whether it be for "good cause, bad cause or no cause" and for "any reason or no reason". We believe that this is the better view. (*Monge v. Beebe Rubber Co.*—316 At. 2nd 549. Feb. 1974.) ■

## Victory to join Integon

Integon Life Insurance Corp. of Winston-Salem, N.C. reached an agreement to the buy shares of Victory Life Insurance Co. of Topeka, Ks. that are owned by officers, directors and a principal shareholder, Lincoln American Corp. As soon as certain conditions are met, one of them being approval by regulatory authorities, shares will be sold for \$100. A similar offer will be made to all other shareholders of Victory Life. Officials of Victory Life said joining forces with Integon "can strengthen both companies, particularly our agent training and the addition of new products."

## ANOTHER MESSAGE FROM THE PRESIDENTS

Professionalism in insurance isn't an exclusively male domain. We know—we've been building a highly professional insurance business since 1889, and it includes a number of female insurance experts. We're proud of our women, and of the great contribution they make to our organization... here, and in each of our 17 offices.

The two presidents speaking are (left) Cliff C. Jones, President of R. B. Jones Corporation, and Patricia R. Zahn, President of R. B. Jones of Iowa Inc. Their message is one more part of the R. B. Jones philosophy.

**J R. B. JONES INSURANCE**  
301 West 11th Street  
Kansas City, Missouri 64105  
816/842-1230

Atlanta    Chattanooga    Dallas    Jefferson City    Kansas City    New York    St. Louis    Tulsa    Wichita  
Brisbane    Chicago    Fort Worth    Joplin    Los Angeles    San Diego    Sydney    Waterloo    43463c

# Refuses to replace roadside hazards with more roadside hazards

COLUMBUS, OH.—Routine claims by state and local highway departments for damage caused to roadside fixtures in auto accidents will not be paid if the money will be used merely to replace a "hazardous" fixture with one equally unsafe, Nationwide Mutual Insurance Co. declared.

Nationwide is the fifth largest auto insurer in the United States with about three million policies in effect.

The company's ban on claim payments for hazardous fixtures would affect 23 states east of the Mississippi, excluding Wisconsin, New York, and New Jersey.

**NATIONWIDE IS** the first major auto insurer to adopt such a policy and it is expected to produce some friction with highway department officials and has produced some concern in the office of at least one state insurance commissioner.

The nation's two largest auto underwriters, State Farm Mutual Automobile Insurance Co., and Allstate Insurance Co., told *Business Insurance* they are not at this time prepared to follow Nationwide's lead.

John E. Fisher, Nationwide president, told 23 state governors in a recent letter that the company will pay for replacement of hazardous fixtures if the damaged units are replaced by devices that are safe and properly installed.

"The company will withhold payment," he said, "for the replacement of hazardous fixtures if the damaged units are replaced by devices that are not safe or are located in unsafe areas."

The roadside fixtures targeted by Nationwide include immovable signposts and light poles, improperly installed guardrails that impale victims or guide them into concrete abutments or bridge pillars, and other roadside hazards that make an accident almost inevitable once an auto leaves the highway.

**"JUST AS A MOTORIST** would not replace a faulty tire on his car with another faulty tire," Mr. Fisher said, insurance companies should not waste policyholder funds to replace a mistake with another mistake.

"We've had some pretty horrible accidents both in property damage and personal injury," said Donald Messmer, a regional claims director for Nationwide. He said that seven people had been killed in accidents along an Ohio Interstate through collisions with fixed poles.

Those poles were replaced by new poles, but poles that were still fixed rather than breakaway.

"We decided that rather than just go paying for it, we have more responsibility to our policyholders," he said. "The highway departments have told us they didn't have the money or didn't have the power and we know they do."

Nationwide has already refused a highway department claim in Ohio arising from damage to a "blunt-end" guard rail struck in a fatal accident.

"We refused to pay, but they just dropped the case," he said. "We told them we were prepared to go to court and fight."

South Carolina insurance commissioner Howard B. Clark is

concerned about the Nationwide move, however.

"The judgment about what kind of highway fixture should be installed is a governmental decision," Mr. Clark said.

The insurance carrier can and should call dangerous conditions to the attention of the highway department, he said, "but if a highway department makes a judgment in one direction and Nationwide in the other, it's perfectly clear that the final decision is the highway department's."

Mr. Clark said he was concerned that any prolonged dispute between an insurer and highway department officials might work to do the inconvenience of the policyholder.

He applauded their aim, but suggested that the means was not appropriate.

Nationwide officials, however, have said they have received enthusiastic responses from officials in other states.

"I'M VERY sympathetic with their approach," said Thomas C. Morrill, State Farm vp and former chairman of the Institute for Highway Safety.

"Insurance companies don't write their own laws as to who owes what, but it (the Nationwide ban) has the virtue of putting public officials on notice."

And anyway, said Allstate's vp and general counsel, Donald L. Schaffer, "who is going to tell them (highway officials) what to do. They've been building lousy roads for years."

He applauded their aim, but suggested that the means was not appropriate.

Nationwide officials, however, have said they have received enthusiastic responses from officials in other states.

"I'M VERY sympathetic with their approach," said Thomas C. Morrill, State Farm vp and former chairman of the Institute for Highway Safety.

"Insurance companies don't write their own laws as to who owes what, but it (the Nationwide ban) has the virtue of putting public officials on notice."

And anyway, said Allstate's vp and general counsel, Donald L. Schaffer, "who is going to tell them (highway officials) what to do. They've been building lousy roads for years."

He applauded their aim, but suggested that the means was not appropriate.

Nationwide officials, however, have said they have received enthusiastic responses from officials in other states.

"I'M VERY sympathetic with their approach," said Thomas C. Morrill, State Farm vp and former chairman of the Institute for Highway Safety.

"Insurance companies don't write their own laws as to who owes what, but it (the Nationwide ban) has the virtue of putting public officials on notice."

And anyway, said Allstate's vp and general counsel, Donald L. Schaffer, "who is going to tell them (highway officials) what to do. They've been building lousy roads for years."

He applauded their aim, but suggested that the means was not appropriate.

Nationwide officials, however, have said they have received enthusiastic responses from officials in other states.

"I'M VERY sympathetic with their approach," said Thomas C. Morrill, State Farm vp and former chairman of the Institute for Highway Safety.

"Insurance companies don't write their own laws as to who owes what, but it (the Nationwide ban) has the virtue of putting public officials on notice."

And anyway, said Allstate's vp and general counsel, Donald L. Schaffer, "who is going to tell them (highway officials) what to do. They've been building lousy roads for years."

He applauded their aim, but suggested that the means was not appropriate.

Nationwide officials, however, have said they have received enthusiastic responses from officials in other states.

# Utility discloses risk facts in annual report

MINEOLA, N.Y.—Long Island Lighting Co. said in its annual report that reserves for claims and damages approximately totaled \$3.2 million in 1973, against \$3.8 million in 1972.

The utility also disclosed in a footnote that the reserves for claims and damages "consist of reserves for self-insured losses arising from extraordinary storm losses, and from certain equipment damage. Provisions to the reserves are derived from an analysis or based upon experience and risk of loss."

In a further disclosure in its annual report, Long Island Lighting said it renewed its indemnification insurance written by American Home Assurance Co. which pro-

vides protection for the company, its directors and its officers against claims arising from acts performed in the normal course of duty.

"The insurance does not protect against a dishonest act or a breach of trust," the report continues. "The renewal of this policy became effective on August 26, 1973, providing basic coverage up to \$5 million per year for a period of three years at an annual premium of \$23,567."

"No payments have been made, nor are any claims pending, under any policy of indemnification insurance issued to the company for directors and officers," Long Island Lighting Co.'s annual report told shareholders.

## profile Percy E. Roberts

Percy E. Roberts, founder and senior partner of Roberts & Eastland, Baton Rouge, Louisiana, has headed that outstanding independent insurance agency for more than 51 years. During that time, Mr. Roberts has earned just about every accolade the insurance industry can bestow. But, in addition to being an outstanding insurance man, Percy Roberts is a great citizen as well.

His accomplishments are quite literally too numerous to mention: Past president, Baton Rouge Insurance Exchange • President, Citizens Savings and Loan Association • Organized the first cub scout den in Baton Rouge • Served on the

Rationing Board in World War II • Served twelve years in the State Legislature • Former Chairman, L.S.U. Board of Supervisors • Former President, L.S.U. Alumni Federation • Set up the organization which raised sufficient funds to build Baton Rouge General Hospital — and much, much more.

"At Roberts & Eastland," says Mr. Roberts, "we strive to give our policyholders the best possible coverage for their premium dollars. To help us do so, we depend upon alert companies such as the Gulf Group. We know that Gulf will consider our requests and will do everything possible to accommodate. It's truly a pleasure to do business with them."

### GULF INSURANCE GROUP



GULF INSURANCE COMPANY  
ATLANTIC INSURANCE COMPANY  
SELECT INSURANCE COMPANY  
INS. CO. OF THE PACIFIC COAST

### The pro-agent companies

Executive Offices: P. O. Box 1771  
Dallas, Texas 75221 (214) 526-5281



# Maybe the best company to buy insurance from is your own.

Self-insurance isn't for everyone. But if your company can afford it, the best place to get insurance might be from yourself.

Because self-insurance can be an economical means of self-protection. Without tying up large sums of money in insurance payments.

If self-insurance interests you, we should too.

We're the largest administrator of self-insurance in the United States. With offices in 160 cities.

And we've got more experience in the business than any other self-insurance service.

We'll work with your agent or broker to reduce your costs by efficiently administering claims, loss control and handling related clerical work usually involved in insurance coverage.

Our business is taking care of your self-insurance program. To leave you free for your own business.

For further information write: ESIS, INC., 4050 Wilshire Blvd., Los Angeles, California 90005.



**ESIS, INC.**

**Employers Self Insurance Service.**

an INA Corporation Company

## business insurance

## PERSPECTIVE

## It's good to offer aid to person in distress, but use 'reasonable care'



BY WILLIAM H. RODDA  
President, Marine Insurance Handbook,  
Inc., Chicago, Illinois

**T**HE HOTEL OR MOTEL operator or the merchant occasionally has a guest or customer who becomes sick on his premises. What obligation does the businessman have to such a person? Does he have a duty to provide care or first aid? Generally the so-called Good Samaritan rule applies that there is no legal obligation to help but if help is volunteered it must be given with reasonable care.

An Illinois case that was decided by a United States district court illustrates the principle. A guest in a hotel while hurriedly dressing in his room got his feet tangled in his shorts and fell, striking his head. There was no indication or claim that the hotel was negligent in any way in connection with the fall. A friend helped the injured man into bed and called the hotel desk when the man developed a severe headache and nausea. Testimony was not clear whether the desk clerk said he would send help or whether he said he would send a doctor. The help who appeared was a practical nurse who advised the guest to stay in bed for twelve hours. The next day the guest became semi-conscious and later in a hospital was diagnosed as having a subdural hematoma.

Suit was instituted against the hotel for negligent handling of the situation. The court said, "The operator of a hotel owes no duty to provide any service for a guest who may be ill or injured. If, however, it undertakes to provide such service for any person, it must exercise care to provide

such services as it has undertaken to give." The court further indicated that having undertaken to help the guest, it should have sent a doctor, or at least a licensed professional nurse.

A distinction should be made between (1) the situation described here in which customer or guest becomes ill or suffers an accident without any negligence by the proprietor and (2) the situation where an accident occurs that may have resulted from the proprietor's negligence. From a practical standpoint, the proprietor who anticipates an allegation of negligence may find it wise to go all-out to provide assistance. This discussion, however, is limited to the situation where a guest or customer becomes ill or suffers an accident for which the proprietor clearly has no responsibility.

**THE HOTEL** operator or the merchant is in the position of a bystander when a guest or customer becomes ill. The bystander has no legal obligation to help a person who is in jeopardy or is unable to look out for himself. He may stand on a river bank and watch a person drown without raising a finger to help and not incur any liability. However, if he does attempt to help, then he must act with reasonable care.

A Louisiana man decided to take a friend to a hospital when she suffered an apparent heart attack. He ran through a red traffic light at 30 miles an hour, with a resulting accident and injuries to the sick woman. His defense was that he was on a mission of rescue and that the law permitted some extraordinary acts under those circumstances. The Louisiana court of ap-

peals decided that going through a red light at 30 miles an hour constituted negligence even under the circumstances of a rescue mission.

A South Dakota case illustrates another point in connection with Good Samaritan cases. A man was injured in a fall. His friends stopped a nose bleed with cold towels, then took him to his room and put him to bed. The next morning he was found unconscious and later died in a hospital. The man's widow sued his friends on the theory that having assumed charge of an injured person they were responsible for the fact that he was not given adequate care.

**THE COURT** decided for the defendants on two points. First, no liability could attach to their acts unless there was a causal connection between their acts and the death. No evidence was introduced to show that his injuries were aggravated by his being left alone. Second, there is no duty on the part of the Good Samaritan to secure immediate medical attention for an injured person unless there is a known emergency. The criterion is whether the acts of the Good Samaritan were reasonable in the light of the known facts. The Good Samaritan is not charged with the expert knowledge that would be expected of a doctor.

A businessman must decide whether he should provide for emergency care on his premises. Should he set up a first aid station for the benefit of invitees? Many large stores do have a doctor or nurse on duty primarily to treat their employees who may be sick or injured. Should this facility be extended to customers? The proprietor of the smaller store, hotel or motel also has the problem of what to do when sickness is reported to him. What should he do if a customer collapses in the middle of his store?

It is important that the decision be made in advance of an incident. A plan should be established and instructions given to all employees so that assistance

*Continued on following page*

"The important point to remember is that the establishment must do with care whatever it undertakes to do. Anyone sent to aid the ill person must be qualified . . ."

## Loss figures provide good management tool

"Perhaps the most important requirement in reducing losses is to develop among top operating management a real concern about loss prevention . . . not simply lip service."

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

**I**N MY LAST COLUMN, I described some of the features of the loss prevention job. But suppose a company has a loss prevention manager. Does this mean that the insurance manager has no responsibilities for loss prevention? If he has responsibilities, what are they?

One of your most important tools should be your record of premiums and losses for at least the last three to five years. Study these figures. Do they indicate that changes are taking place in your experience? Is the ratio of losses to premiums rising? If your experience is growing sour, you should know about it as soon as your insurance companies do.

**SUPPOSE YOU** find that your experience is going sour. What can you do about it? Here are some suggestions.

Study the losses. Is there any type of loss which is developing a frequency? Eye injuries? Accidental falls? Burns?

Storage fires? Product suits? If so, why? The first few losses may be accidents, but after that, if they continue, they are no longer accidents. They have become a part of your operating expense.

There should never be a frequency of the same kind of accident if this is something which could be avoided. Insurance companies believe that if your loss frequency increases, sooner or later the severity of your loss experience will rise.

If you find that in some way, your experience is going bad, prepare a study to show the reasons for this, and what will happen to insurance costs if the trend continues. Show it to the operating head of the plant or division involved. If you have recommendations, include them. His income probably depends on his operating results. If his operating costs are going to rise, he will want to know about it in time to take effective action.

What kind of action? What can he do? One possibility is this: As soon as there is evidence of a developing frequency of any one type of loss, the operating head of the

division involved could appoint a committee to examine the reasons for each loss.

This committee should have power to ask the necessary questions. How did the loss happen? What should be done to make certain that it will not happen again? The division manager might attend the first few meetings of the committee to indicate his concern with loss prevention.

**IF IT IS** found that the cause of the deteriorating loss experience is a matter of housekeeping or of operating procedures, the committee may be able to make necessary changes on its own responsibility. If a substantial cost is involved, it may be necessary to clear the changes through budgetary and financial controls.

Suppose there is a plant owned by a company which competes with you. There is a severe explosion in the competing plant. Why not prepare a report to show what this loss would have meant financially if it had been your plant?

There is a tendency to think of a severe loss as something which never happens to



you. But a picture of a well known plant, now broken and covered with debris can have a sobering effect. "That might have happened to us!"

Even if the loss is covered, what will be the effect on production and delivery schedules? Can we hold our customers?

The insurance manager necessarily must play an important role in determining what to do about recommendations received from insurance companies.

*Continued on following page*

## business insurance

## PERSPECTIVE

## Aid . . .

Continued from preceding page

can be given without involving the store in a lawsuit.

The decision might be that it would be good public relations to render first aid to guests or customers. This would require that a trained or professional staff be available at all times when such assistance is to be offered.

It is important that no charge be made for any emergency service that is offered. The doctor who renders emergency service as a Good Samaritan does not establish a doctor-patient relationship with the injured person if he makes no charge and does not provide continuing care.

**MANAGEMENT OF** hotels and apartment houses have questioned whether they should install such emergency equipment as oxygen apparatus for the treatment of their tenants and guests. In one community, municipal authorities asked an apartment management to install oxygen equipment because the fire department inhalator squad was making frequent runs to the particular apartment complex. Management decided not to comply with the request. They feared that the presence of the apparatus might lead to its use by unqualified personnel and resultant suits.

The answer to the problem may be simplest in a community that maintains an emergency service. The best procedure

there may be to call the recognized emergency service and then merely to protect the sick or injured person from any additional peril. This may be the safest procedure for a hotel or motel. It is increasingly difficult to secure a doctor on call. One large hotel chain has established a rule that an ill person will be told to call a doctor from a medical society emergency number, or to have a friend do it for him. They insist as far as possible that the person or an acquaintance do the calling. The hotel will supply the number or the name of the service, and may go to the extent of making the call if the sick person

### "A decision . . . to render first aid to guests or customers . . . would require that trained or professional staff be available at all times . . ."

is actually unable to do so. In the case of an unconscious person, the hotel calls the fire department or the recognized service in the community to take the person to a hospital. Hotel personnel are instructed to avoid promising any particular service or treatment but to make it clear that they are merely acting to get the service on behalf of the victim.

**THE IMPORTANT** point to remember is that the establishment must do with care whatever it undertakes to do. A doctor must be secured if an indication is given that a doctor will be called. Anyone who is sent to aid the ill person must be qualified, and at least a registered nurse, according to the Illinois decision mentioned

above.

What is the relationship of liability insurance to this problem? Insurance payment for medical care is tied to an accident in the usual liability coverage. For example, the insurance company agrees to pay for "expenses incurred by the insured first aid to others at the time of an accident, for bodily injury to which this policy applies." A supplementary coverage which may be purchased would also pay the medical expenses of a person who sustains bodily injury, but only if it arises out of a condition of the insured premises or out of the insured's operations. Thus, liability insurance payment for first aid or for medical expenses is tied to an accident for which the insured might be liable. There is no coverage under the usual liability policy for medical assistance to a guest or customer who becomes ill on the insured's premises if there is no indication of an occurrence for which the insured might be liable.

Would liability insurance cover the insured's negligence if he volunteers to as-

sured does volunteer and his efforts result in a suit because of unfortunate results. Any doubt as to an insurer's reaction to a claim for negligence under a Good Samaritan situation should be resolved with the insurer before the establishing of any emergency service for guests or customers.

What should be done if an officious customer or bystander attempts to render first aid or otherwise take charge of a sick person? The businessman might be incurring liability for the acts of such a volunteer if he appears to give tacit approval, or even if he merely permits the act. Yet he can hardly restrain such a volunteer by force. The best action may be to inform the volunteer clearly and forceably that the emergency squad has been called (or whatever action has been taken), and then add that anything which is done by the volunteer is strictly the responsibility of such a person. Even the most officious person tends to back off when he is faced with such a heavy responsibility.

**THE QUESTION** whether to provide an emergency service in a business establishment probably should be decided as a matter of public relations. A large store with an image of service to customers may very properly decide that an emergency service is justified and desirable.

It is important that the service which is set up be on a professional basis. A doctor or at least a registered nurse would appear to be necessary. It is also important that the service include means for transfer of the person to a hospital if it appears that further treatment is indicated. ■

*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, and he is a consultant to numerous companies in the multiple line insurance field. Mr. Rodda has written numerous books and articles, and several of his books are considered definitive textbooks on important insurance subjects.*

## Loss control...

Continued from preceding page

Suppose that one of the insurance companies which insures you inspects one of your plans and makes some recommendations. What should you do about them?

If these recommendations deal only with minor housekeeping or operating practices, they should usually be put into effect immediately without argument. But again, if an important cost is involved, it may be necessary to obtain approval from budgetary and financial controls.

**THE OPERATING** head of the plant involved may also enter the picture. The cost of carrying out the recommendations of the insurance company may be charged against his operating costs. If important money is involved, you may well hear from him: "We're not going to carry out any recommendations that won't show a two year payout in lower costs or reduced premiums (with modification of language to fit individual situations)."

If situations like this arise, the insurance manager must play an important part in working out an accommodation among all parties involved. He should see that the recommendations of the insurance company are properly presented. If management disagrees with the insurance company and believes that the recommendations are not necessary, or that alternative changes are better, the insurance manager should see to it that these alternatives in turn are properly considered by the insurance company.

In any event, the recommendations of the insurance company should not simply be ignored. Keep in mind that the inspections and recommendations of the insurance companies are carried out to protect you and your company and can be an important part of what you are paying for.

The proper use of deductibles can be

another important tool in loss prevention. It is usual to consider that the primary purpose of deductibles is to reduce insurance premiums. However, if you have a loss and cannot submit a claim because the loss is less than the deductible, who bears the burden of the loss?

Obviously, your company as a whole must bear the burden, but suppose there are several operating divisions? A frequent practice is to charge the loss back to the operating division involved. Again, this may affect the compensation of the plant or division manager. This situation

will certainly encourage the operating managers to reduce losses, but they may feel—especially in smaller divisions—that they are not adequately protected by the insurance program.

**IN ALL OF THIS**, it is important to develop a good relationship with operating management. Avoid a critical attitude. Occasionally it may be well to try to look at yourself through the eyes of operating management. To them, you may be a problem which is preventing them from doing their job as they see it. It is up to

you to make them feel that you are there to help them do the job that they have. ■

*Mr. Francis is a consultant with nearly 40 years experience in the insurance field, most of that as corporate insurance buyer or benefits planner. He was benefits manager of Colt Industries in New York most recently, and has also worked in pension planning, group benefits and general insurance posts with Crucible Steel in Pittsburgh, and Olin Corp. He is a past president of the Pittsburgh Insurance Buyers Assn.*

## RISK MANAGEMENT NOTES

## Pirated trade secrets: A new risk

By WARREN, McVEIGH, GRIFFIN  
& HUNTINGTON  
risk management consultants  
San Francisco—Newport Beach

**I**N AN ARTICLE titled "How to Guard Trade Secrets," the New York Times of September 30, 1973, reported the following:

"Within the last few years the courts have added a new dimension to their punitive powers—holding top executives personally responsible for the corporation's misdeeds in the area of trade secrets.

"One corporate vice president argued that he was acting for his company when he pirated a technician from a competitor. The judge, however, held the executive personally liable and ordered that he pay damages for his actions. The vice president, the court declared, cannot hide behind the corporate cloak and escape personal financial responsibility for his unlawful acts.

"When the president of the company ar-

gued that he was unaware of the actions of his subordinate, the court scoffed at his defense and held him, too, personally liable. As president of the company he 'should have known' that a competitor's blueprints had been used to develop and market the product, the court declared."

As risk manager, you may wish to pass this information along to your corporate officers—and to check your D&O coverage, remembering that it does not cover dishonest acts, though it could, under some conditions, cover illegal acts.

#### Positive contributions of risk management

Total costs of risk management are often considered as the sum of four cost elements: (1) uninsured losses, (2) loss prevention costs, (3) insurance premiums, and (4) administrative costs. The goal is to minimize their total, all of which represent money going out.

Looking at the other side of the picture, there are at least two areas in which risk management makes a positive contribu-

tion to corporate income. The first is loss recoveries from insurance companies. Those who have never participated in the adjusting of a major claim find it hard to visualize the many areas in which decisions and compromises must be made, often involving large amounts of money. A strong and knowledgeable negotiator on the company side can make a highly significant difference in the amount of claims recovered from an insurance company.

This is true both of property and liability claims.

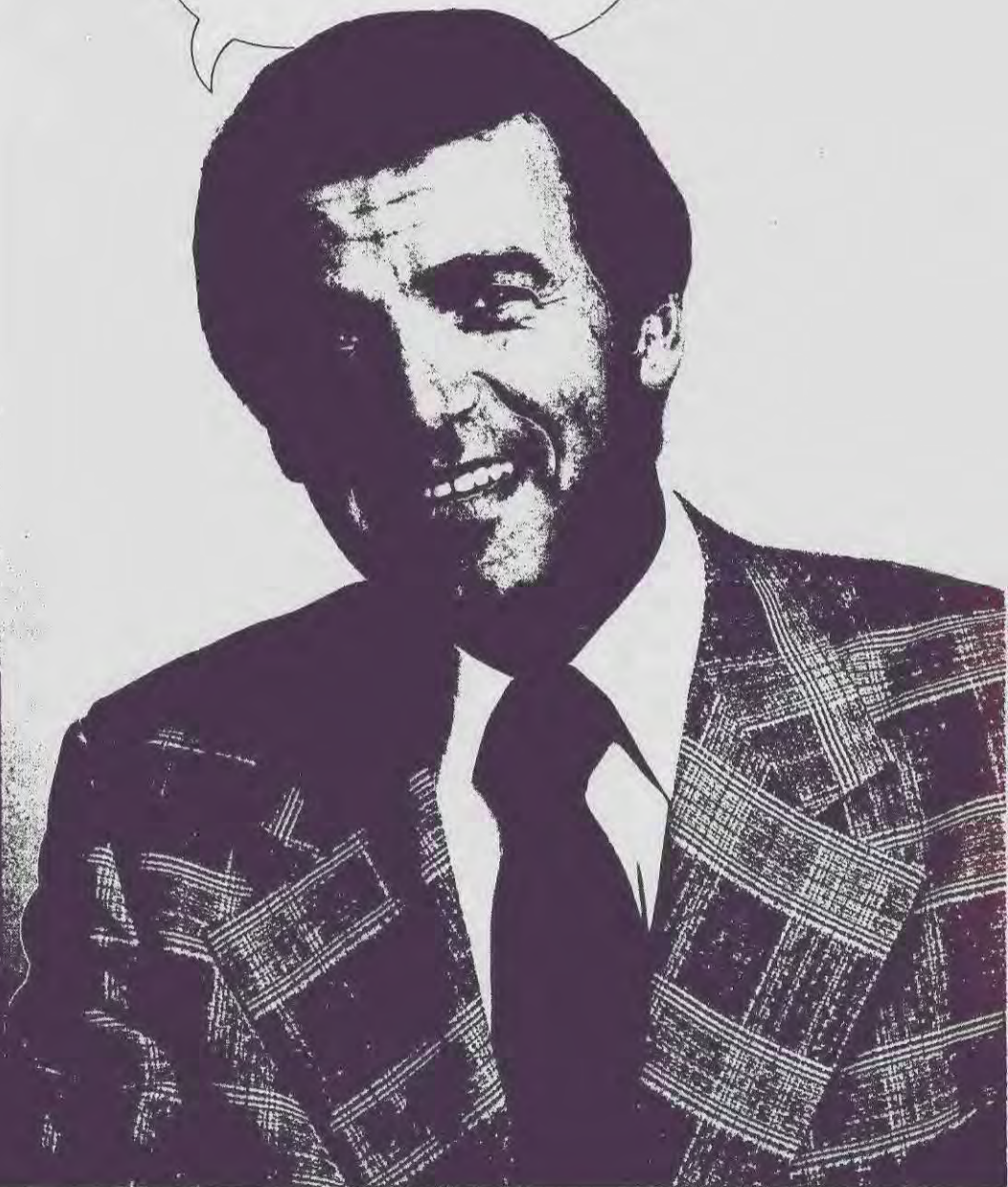
The second area of positive contribution consists of subrogation recoveries. Prompt and vigorous claims administration with emphasis on recovering from responsible parties requires skilled direction but again offers a substantial return.

Both these elements are not susceptible to exact measurement but should be estimated by those in the best position to do so in order to have the clearest possible idea of the risk management department's value to the corporation. ■

# All Group Account Executives are not created equal.

"I'M PRETTY SURE  
I KNOW WHAT THE  
ANSWER WILL BE—  
BUT LET ME CHECK  
WITH THE HOME OFFICE  
AND I'LL GET BACK TO  
YOU IN A DAY OR SO!"

"WE CAN SETTLE  
THE FINANCIAL  
DETAILS RIGHT NOW!"



A Continental Assurance Major Group Account Executive is different from others. He has the responsibility and the authority for making decisions—and he makes them!

He has complete underwriting and financial authority and he uses it—*on the spot!*

He knows service is what keeps your account with Continental. You see him regularly or whenever you have a problem or question—not just at renewal time.

You know your Continental man will give you superior service because he's a profit center. We've given him bottom-line responsibility—so, he'll hustle to keep you happy.

The real difference in insurance companies—and in insurance account executives—is in service. We've equipped our Account Executives to give you superior service.

That's the difference.

**At Continental, when you buy group,  
you deal with an individual.**

**CONTINENTAL<sup>Life</sup> ASSURANCE CO.**  
A PART OF CNA FINANCIAL CORPORATION

Call your nearest Continental Assurance Company Major Group Office: Atlanta, Boston, Chicago, Dallas, Detroit, Indianapolis, Kansas City, Los Angeles, New York, Pittsburgh, Salt Lake City, San Francisco

# labor beat

## AT&T workers, in first contract talks, are driving tough benefits bargain

WASHINGTON—A new dental plan plus improvements in pension and medical insurance formulas were part of an American Telephone & Telegraph Co. (AT&T) contract offer rejected last month by three telephone company unions representing about 750,000 workers.

The three unions called for strike votes to be taken by local units as first-time-ever national contract bargaining with AT&T hit its first major snag. (The largest of the three unions voted

July 29 to strike.)

Union officials called the pension improvements inadequate but indicated the major stumbling blocks were in the area of salary and union security. The unions are seeking to maintain and improve "agency" shop agreements that require all hourly employees to pay union dues whether or not they are union members.

The dental plan would provide, effective Jan. 1, 1976, 100% payment for diagnostic and pre-

ventive services such as examinations, X-rays, and clinical tests. It provides 50% of costs for services such as filling teeth, treating gums, or restorative work.

**THE AT&T dental proposal** had a \$500 a year maximum benefit per person with a life time deductible of \$50.

It would cover employees, spouses, and children to age 19, or age 23 if they remain in school.

In the basic medical area, the

benefit proposal would have increased coverage for surgical expenses to 90% of cost from 80% of costs effective July 1, 1975.

Changes in the extraordinary medical expense plan would have reduced an employee's deductible to 1% of pay, with a maximum deductible of \$150 and minimum deductible of \$25.

**DEDUCTIBLES** for the plan are now 2% of pay with a maximum of \$250, according to AT&T officials.

The proposal would also provide active employees with payment for 100% of all medical costs after the first \$5,000 of expense, a change from 80% coverage of costs over \$5,000.

For pensioners and their dependents, lifetime benefits under the extraordinary expenses plan would be increased to \$10,000 per dependent from \$5,000.

AT&T pensions are based on employee's last five years of ser-

vice multiplied by credits now earned at a rate of 1% a year to age 55 and 1.5% a year from age 55 to age 65.

AT&T's pension proposal in the rejected package would have set up two alternate formulas, but neither met the union's announced demand for a 1.5% credit accumulation rate for all service years.

One formula proposed by AT&T would increase the rate to 1.1% for years of service prior to age 55, leaving the 1.5% rate for years after that age unchanged.

On Jan. 1, 1976, the pension formula would be changed to raise the rate to 1.12% for years to age 52, and then 1.5% after that point to increase the benefit for employees seeking to retire early at age 62.

**THE SECOND AT&T proposal** would have tied pension benefits to Social Security benefits. The company would calculate the amount by which the final average salary would exceed the existing Social Security benefit. The employees would then be given an additional 0.2% a year credit to be calculated not against final average pay, but against the difference in the final average pay and the Social Security benefit.

Some union officials have expressed bitter opposition to the Social Security-related proposal. "We told them (AT&T) that was a strike issue by itself," a negotiator for the International Brotherhood of Electrical Workers told *Business Insurance*.

Minimum pension levels would also have been raised under the rejected AT&T offer. Minimums for retiring employees with 20 to 29 years of service would be \$160, up from \$135; for 30 to 39 years service, \$180, up from \$140; and for 40 years or more, \$200, up from \$145.

The other unions involved in the negotiations are the Communications Workers of America and the Alliance of Independent Telephone Unions.

Union officials have confidently predicted that their members would vote to authorize a strike. The voting was to be completed late last month (July).

Most Bell labor contracts expired July 17. The company and the unions are extending them on a day-by-day basis with a 48-hour cancellation notice required.

## Illinois Blue Cross urges building law

CHICAGO—Robert S. Petersen, senior vp of the Blue Cross plan, has called on the Illinois house of representatives to pass a law that would require government agency approval for all new health care facility building and expansions.

"Mandatory planning of all health care facility proposals is essential to the development and maintenance of an efficient and economical health care delivery system," he said.

"Our past experience has shown that the construction of unnecessary health care facilities can increase the price of health care—and, as a result, Blue Cross plan rates—more than any other single item."

Last year, Mr. Petersen noted, Blue Cross warned that it might refuse to enter into a contract with any health facility that is built or expanded without the authorization of state health planning agencies.




*trust us...*

Trust Crown Life to come up with a completely practical Group Life and Accidental Death and Dismemberment package for the employer with 1 - 24 employees.

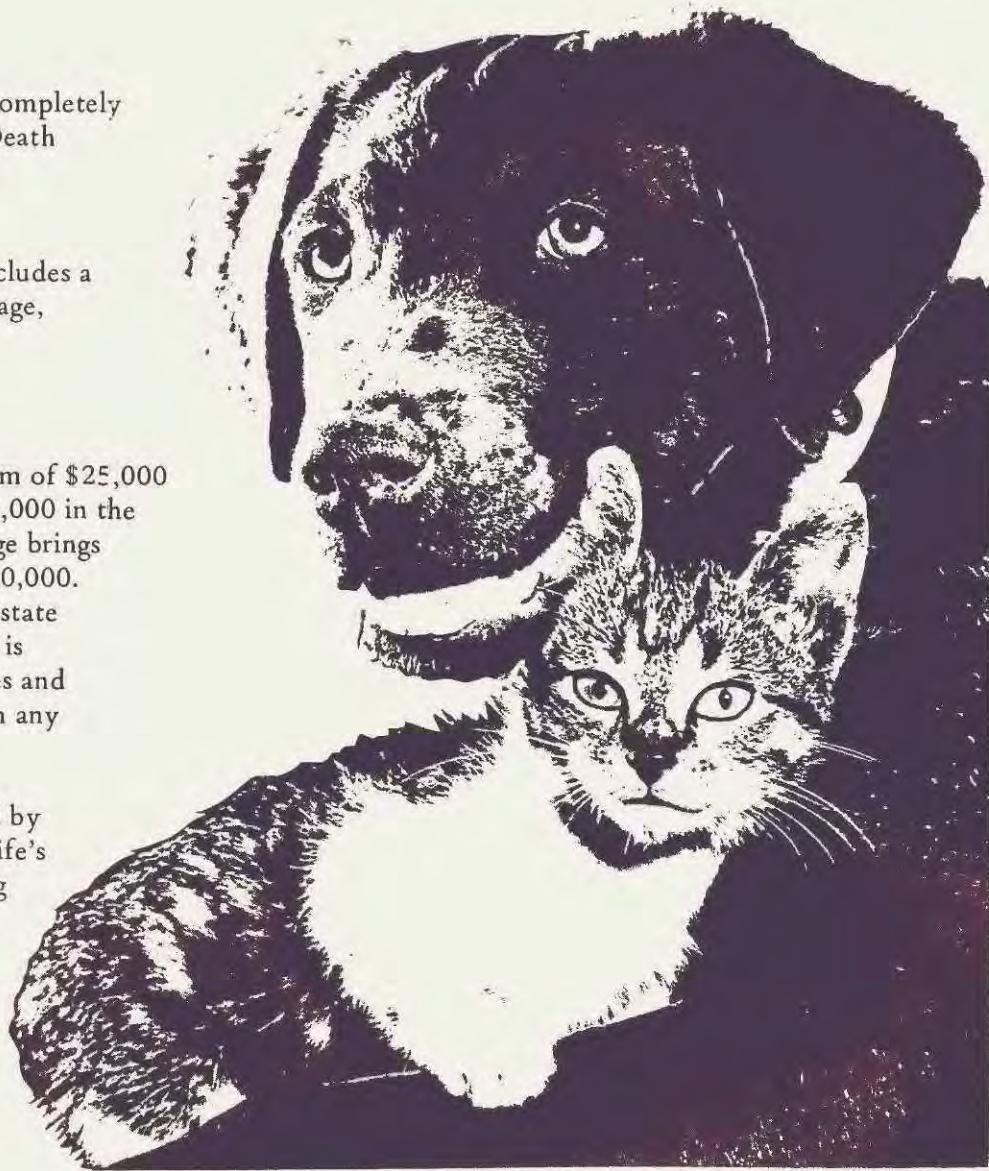
Called the "Crown Group Trust" it includes a choice of term or cash-value life coverage, plus matching amounts of 24-hour Accidental Death and Dismemberment benefits.


The basic schedule provides a maximum of \$25,000 for the top class, with \$10,000 and \$5,000 in the other two. Optional additional coverage brings the totals to \$50,000, \$20,000 and \$10,000. Total coverage is subject to individual state requirements. Evidence of insurability is required for groups of 1 - 4 employees and for the optional additional coverage on any size group.

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

Straightforward and uncluttered in concept and operation, CGT  is just right for "trust-worthy" companies and their employee benefit counselors.

Your Crown Life General Agents and Group Offices can give you the full story, or you can get it by sending us the coupon!



TO FIND OUT more about CGT , please mail us this coupon.

(This coverage not available to employers located in the state of New York.)

GROUP MARKETING DEPARTMENT

**CROWN**

LIFE INSURANCE COMPANY / TORONTO, CANADA

NAME .....

COMPANY .....

ADDRESS .....

CITY .....

STATE ..... ZIP .....

# HMOs: Dual choice is best of federal act

MINNEAPOLIS—Health maintenance organizations consider the mandatory offering of a dual choice in employe health benefits plans to be the best feature of the HMO Act of 1973, according to a recent survey.

The dual choice feature of the act would require employers to offer HMO coverage to groups of 25 or more employes working near an HMO, for a cost equal to the employer's traditional health plan. The act's provision is currently expected to go into effect Jan. 1, 1975 (*Business Insurance*, April 15).

In a survey made by the Inter-Study research center, 62% of the HMO respondents said the dual choice provision in employe health benefit plans is a significantly positive feature of the HMO Act.

IN RESPONSE to another question, 40% of the HMOs said the act's open enrollment for certified organizations, along with community rating requirements, are negative features.

The HMO Act has community-oriented regulations which intend to bring local sponsorship and support into the planning and operation of certified HMO's. Where an HMO is set up by an employer, the organization must be open to community members even though rates based on community experience may be higher than those based on a single company's experience.

The open enrollment and community rating are expected to increase the annual cost per HMO enrollee more than any other feature in the act. Survey esti-

# Playboy sets captive for reinsurance

CHICAGO—Playboy Enterprises Inc. is in the process of setting up a captive insurance underwriting subsidiary, said Robert E. Mooney, corporate insurance manager.

He told *Business Insurance* that the captive would be set up offshore in Bermuda, primarily to underwrite personal life, health, accident and auto lines that Playboy intends to begin mass marketing to its cardholders in the near future.

"But we will probably also use the captive facilities for reinsurance of our corporate programs," said Mr. Mooney. He expressed some interest in going to higher self-insured deductibles on several corporate programs, using the captive.

It will be managed, he said, by American International Group's Bermuda branch.

Playboy recently hired Ed Condon from Banker's Life & Casualty Insurance Co. to manage Playboy's entry into mass marketed personal lines. ■

# Harlan appointments

Harlan Inc. insurance brokers appointed Charles E. Loudon treasurer of international insurance and risk management. Mr. Loudon, a Chinese linguist, joined Harlan in 1970. The brokerage also announced the election of C. S. Pennywell II as assistant vp.

mates foresee an average increase of 20.5% in the yearly cost per person with open enrollment and community rating.

According to the survey, the second most negative feature in the HMO Act is a requirement that a medical group must engage in prepaid group practice as its principal professional activity. About 37% of the respondents thought this was significantly disadvantageous to the HMO.

In all, 51% of the 97 HMOs answering the InterStudy questionnaire said they would seek certification under the new act. Another 45% said they were undecided. Fully 71% of the respondents said they would have to upgrade their minimum bene-

fit package for certification under the act.

Taking a census of the HMOs state by state, California was found to have the greatest number of organizations, with 67 operating now and 78 more in the formational and planning stages. Illinois has eight operating HMOs, a distant second. Minnesota has seven HMOs and New York and Pennsylvania both boast six. New York also has 20 HMOs in formational and planning stages, ranking the state behind Michigan's 23 and barely ahead of the District of Columbia's startling total of 19.

Alabama, Arkansas, Delaware, Montana and South Dakota have no HMOs at all, the survey noted. Iowa, Mississippi, North Dakota, Oklahoma, South Carolina, Vermont and Wyoming each has only one HMO in the formational or planning stage. And Alaska has a single operational HMO, with no more planned. ■

# Claims for ambulatory care Blue Cross record

WASHINGTON—Ambulatory claims by national Blue Cross plans set a new record in 1973, and have more than doubled over the past decade, the Blue Cross Assn. said this month.

In 1964, only 80 out of every 1,000 subscribers submitted claims for health care other than hospitalization. The 1973 report showed 198 ambulatory services per 1,000 subscribers.

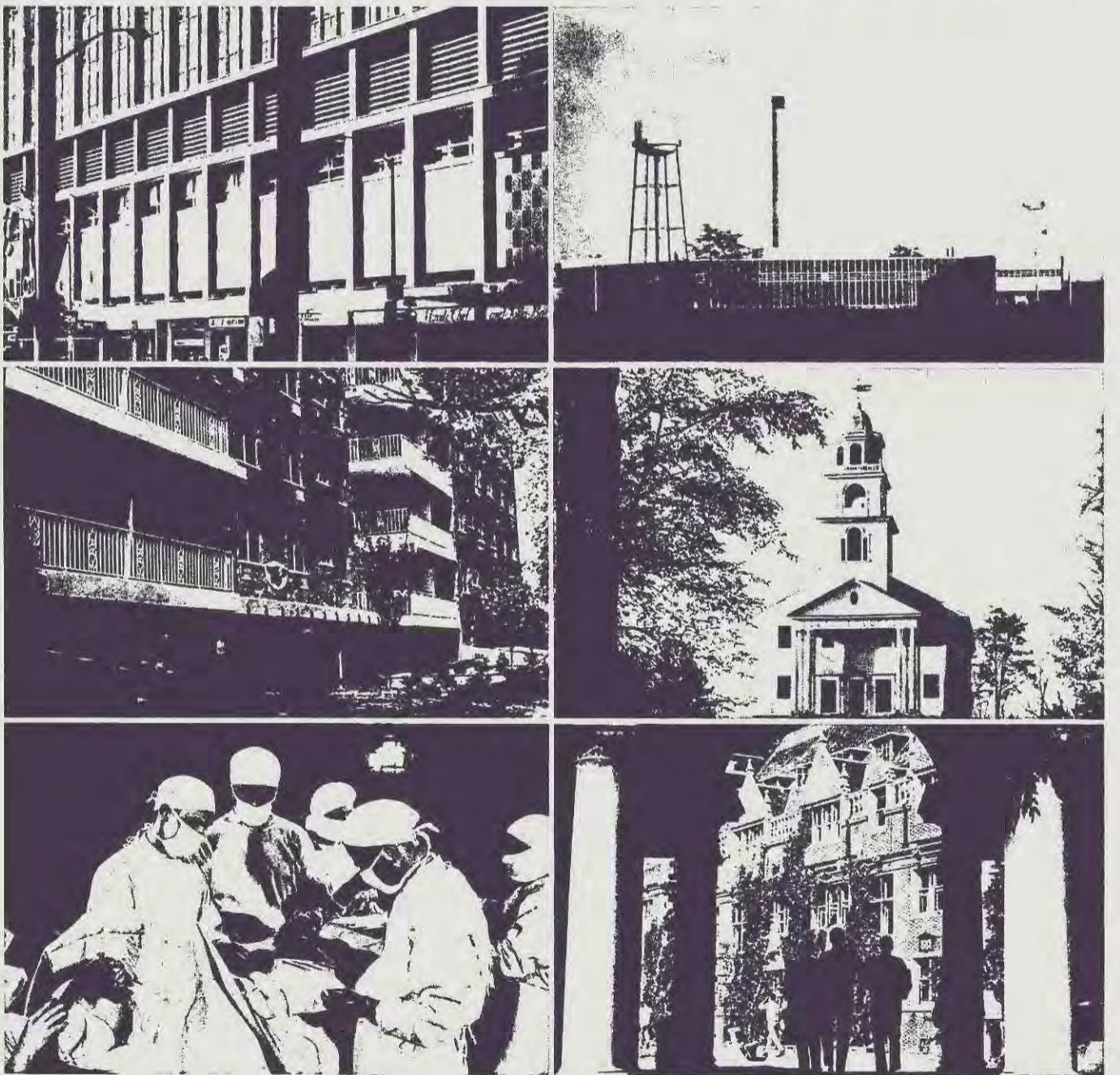
"This is especially significant in light of public and professional consensus that increased emphasis is needed on ambulatory care," Walter J. McNerney, association president, said. "This avoids overuse of the most expensive component in health care, the hospital bed." ■

The claims paid for ambulatory care by the Blue Cross system have "ultimately reflected upon the number of days patients now stay in hospitals," he said, and here, too, he noted a "marked change."

In 1964, the system reported that Blue Cross subscribers who had to enter hospitals spent an average of eight days before discharge. By 1973, the average length of stay had dropped to 6.9 days per subscriber, he said.

A Rand Corp. report issued last month said that health care analysts feared a crunch on the availability of ambulatory services in the event national health care is enacted (*Business Insurance*, June 24). ■

# What do they all have working for them?



# Chubb Boiler & Machinery Insurance.

Whether or not you have a boiler, there's a Chubb policy that protects your heating, cooling and power producing machinery and equipment. With offices nation-wide, we can offer close-at-hand service in engineering, inspections and claims.



**CHUBB/PACIFIC INDEMNITY GROUP**  
Subsidiaries of The Chubb Corporation, 100 William St., New York, N.Y. 10038

**CHUBB & SON INC.**, Manager: Federal Insurance Company + Vigilant Insurance Company + Great Northern Insurance Company + The Sea Insurance Company Limited + The London Assurance + Alliance Assurance Company Limited + Sun Insurance Office Limited + The Sumitomo Marine and Fire Insurance Company, Limited + Affiliated through THE CHUBB CORPORATION: Pacific Indemnity Group + The Colonial Life Insurance Company of America + United Life and Accident Insurance Company Aviation insurance through Associated Aviation Underwriters.

## Florida says Allstate is late with appeal

TALLAHASSEE, FL.—A legal dispute between the state insurance department and Allstate Insurance Co. over court appeals may result in the revocation of Allstate's license to operate in Florida.

According to the insurance department, Allstate failed to appeal within 60 days after a court judgment was rendered against the carrier in Duval County circuit court.

But Allstate insists that it did appeal within 60 days of the case's post-trial motions.

**THE INSURANCE** company was originally charged with nine violations of state statutes (*Business Insurance*, May 27). Among

the alleged violations, the insurance department claimed Allstate overcharged employers in group auto coverages, issued package policies to small businesses without itemizing rates or explaining total premiums in writing, and used an unapproved rating schedule.

On April 18, a final judgment amounting to \$250,000 was rendered in connection with the alleged violations charged against Allstate. The carrier was told to satisfy the judgment or appeal within 60 days. Allstate filed an appeal July 9, 82 days after the judgment.

But Allstate insists it acted within the 60 day time limit, measured from the post-trial mo-

tion. A spokesman for the carrier said the commissioner, Thomas D. O'Malley, "jumped the gun" by declaring the 60 day period expired.

"We believe Commissioner O'Malley has been misinformed in connection with this particular claim," the spokesman stated. "No final judgment has yet been rendered in the case.

"**AFTER TRIAL**, the jury returned a \$250,000 verdict, and the period for appeal of the trial order did not expire until July 19. We intend to appeal this verdict, and unless our appeal is denied, no final judgment can be entered and no payment is due.

"We assume when the commissioner learns these facts he will withdraw his orders for a hearing."

A spokesman for the Florida insurance department insisted "the commissioner has not been misinformed. The department

believes Allstate had 60 days to appeal after the April 18 judgment date, because "that's what the law would indicate."

A hearing was set for August 15, and a formal notice and order to show cause filed by the state says the carrier has been "given notice that the insurance commissioner intends to revoke its certificate of authority to do business in the state of Florida . . ."

Allstate's spokesman said the carrier's representatives will appear if the hearing date stands firm, but he added that "we have a right of appeal in the case." Citing Allstate's record in the past, the spokesman said the underwriter has always paid legally-levied fines and "we have never had a license revoked."

Commissioner O'Malley had declared in June that Allstate may be found so "incompetent or untrustworthy" that it could be forced to quit operating in the state. ■

## Playboy sued for \$2 million in shooting

CHICAGO—Playboy Enterprises was sued for \$2 million in Cook County circuit court here, for actual and punitive damages arising out of the shooting death just a year ago of a Playboy Towers patron in a men's room.

David Hill, 34, was an executive with American Home Assurance Co. The suit was filed by his wife, asking \$2 million actual damages and \$500,000 punitive damages from Playboy for negligence.

Mr. Hill was accosted June 3, 1973 in Playboy's North Michigan Avenue headquarters hotel and club here. He was forced to disrobe, was robbed, and then was shot when he tried to escape from the men's room where he was being held. The men's room is one flight down from the main-floor lobby.

Robert E. Mooney, corporate insurance manager for Playboy, declined comment on the suit, except to say that Playboy intends to fight the suit and believes it has a good defense.

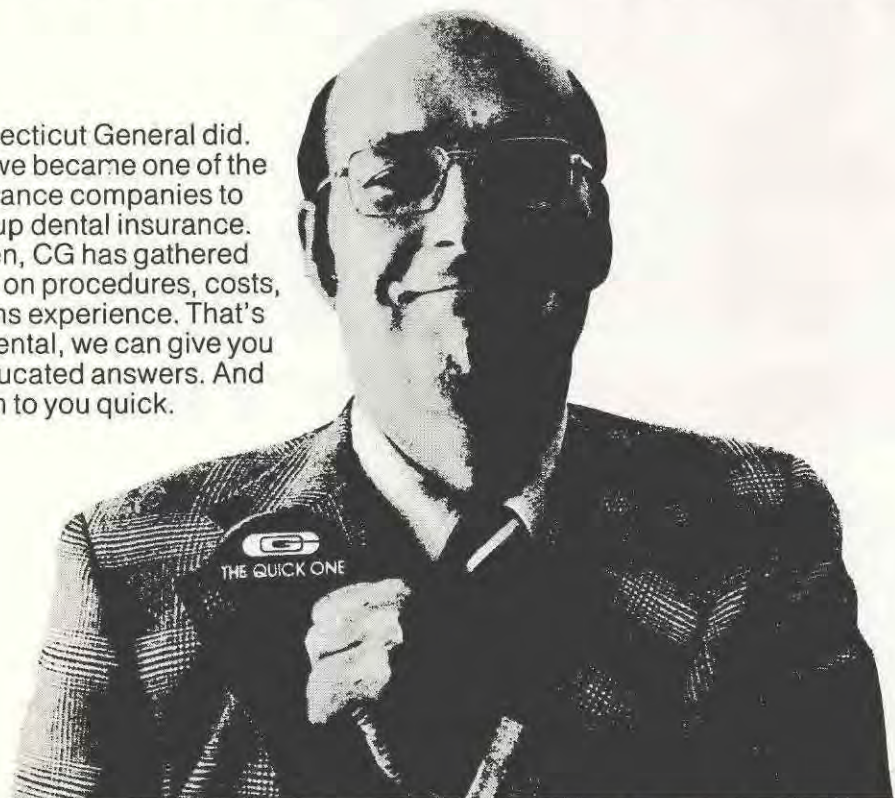
Playboy is self-insured for general liability up to \$2,500 per occurrence and fully insured beyond that with St. Paul Fire & Marine up to \$1 million per occurrence. The firm then has other liability umbrellas up to \$20 million. ■



John St. George, Group Office, Chicago

## QUICK, WHO HELPED GROUP DENTAL INSURANCE GET OFF THE GROUND?

Connecticut General did. In 1964, we became one of the first insurance companies to offer group dental insurance. Since then, CG has gathered vast data on procedures, costs, and claims experience. That's why, in dental, we can give you better educated answers. And give them to you quick.



CONNECTICUT GENERAL LIFE INSURANCE COMPANY, HARTFORD

## S.C. groups can pool on work comp

GREENVILLE, S.C.—Groups of employers in business of a similar nature in South Carolina will be able to pool their liabilities to qualify as group self-insurers for workmen's compensation payments under a bill passed by the state legislature.

The legislation, geared towards groups like trade associations, was passed to clarify a 1964 law under which group self-insurers had been operating in the state.

"The state insurance commissioner took the attitude that group self-insurers were illegal," R. P. Hewitt, president, Hewitt, Coleman and Assoc., sponsors of the legislation, told *Business Insurance*.

**THE NEW LAW**, which goes into effect Aug. 1, permits an average saving of 50% for groups such as trade associations who make workmen's compensation payments, Mr. Hewitt estimated.

The South Carolina legislation is patterned after Florida regulations where one self-insured group, the Florida Auto Dealers Assn. has realized a 45% savings on premiums, Mr. Hewitt said.

North Carolina also permits self-insured groups. The North Carolina Forestry Assn. reduced its workmen's compensation premium costs by 70%, he added.

The South Carolina Industrial Commission may require deposit of an acceptable security, identity or bond to secure payment of compensation liabilities as they are incurred, Mr. Hewitt explained.

The law also states that the industrial commission will have exclusive jurisdiction over group self-insurers; they will not be regulated by the department of insurance. ■

# State licensing of agents/brokers to toughen

NEW YORK—"There are those who recognize their law is inadequate. There are still states that don't require examinations. Gradually, more and more are requiring them. There are probably about 15 that do not."

That was the word from Colorado's insurance commissioner, J. Richard Barnes, as he reflected on the need to upgrade state licensing statutes for agents and brokers.

Heading up the NAIC subcommittee on licensing, Commissioner Barnes has been pushing for uniform licensing for about five years.

**THE BILL HASN'T** been passed in Colorado yet. It hasn't even come up for a legislative vote. Colorado is only planning an open hearing to discuss it next January. But, the commissioner was confident of its passage.

Although the associations involved would like to see some modifications in the NAIC model bill, they generally endorsed the bill in principle.

Executive vp of the National Assn. of Insurance Agents, Arthur Blum, told *Business Insurance* about the changes he'd like to see. "We think it is not forceful enough in the area of education. We encourage the granting of a broker's or agent's license if the person passed the CPCU or CLU course, subject only to a test on the state law. We feel the amount of controlled business is too high. We encourage them to lower this."

Confused about the section of the bill on consultant's licensing, associate general counsel of the National Assn. of Life Underwriters, William Albus said, "apparently, they prohibit simultaneous holding of licenses."

**ALTHOUGH** Florida's deputy commissioner said he wasn't against the model bill, he questioned his state's need for it. "If you have something all ready, why change it? We have had our agent qualification law for years and we think it's a good one."

Requirements for that state include 240 hours of classroom training prior to the general lines examination.

Flagrant violations in most states go undiscovered until a claim complaint comes in and the state insurance department investigates it. The most common violation Commissioner Barnes cited "is an agent selling without benefit of license and the company accepting it. A very typical thing that happens is a

## Az. passes law on state risk mgmt.

PHOENIX—The Arizona legislature approved and Gov. Jack Williams signed into law a measure aimed at ending scandals in the awarding of state insurance contracts.

The insurance bill will transfer from the governor's office to the state department of administration the power to award state insurance contracts, and develop a risk management program for state buildings, which is seen as the first step toward self-insurance of all state facilities.

The bill was a direct outgrowth of last fall's scandal involving two state legislators and members of the governor's insurance advisory committee.

company will hire a man and not wait until he is licensed. They'll just put him to work. It happens too often that the agent will not even seek licensing. A licensed agent's name is used on the form and the non-licensed agent pockets the money."

**ONE CPCU** pointed out extensive omissions he noticed in the state statutes. He said they "are nearly void of specific examples of incompetency or untrustworthiness, acts of commission or omission for which a licensee and his company would be liable."

The underwriter stressed that there is a lack of consumer protection from unfair and deceptive practices, as well.

A NALU study supported this view. The study showed that only 27 claims were filed against 23,

280 agents of eight life insurance companies over a three-year period, a substantially low figure.

The NAIC model bill proposes:

- The commissioner shall not grant, renew, continue or permit to continue any license if he finds that the license is being or will be used for the writing of controlled business.

- Each applicant for a broker's license must have not less than two years experience as an insurance agent or comparable employment during the three year period prior to application.

- After completion and filing of the application the commissioner shall subject each applicant to a written examination testing the applicant's competency in the field he is seeking licensing.

- An applicant must be deemed

by the commissioner to be competent, trustworthy, financially responsible and have a good personal and business reputation.

- Prior to issuance of a license the applicant must file a bond in the penal sum of not less than

\$20,000 with an authorized corporate surety, approved by the commissioner.

- An applicant may qualify for a non-resident license if he holds a like license in the U.S., Canada, or other foreign country. ■



### MATTHEWS-DANIEL COMPANY

7015 GULF FREEWAY, SUITE 232  
P.O. BOX 26836, HOUSTON, TEXAS 77032  
TELEPHONE 713 644-1971

---

**SURVEYORS • ADJUSTERS**

**DRILLING RIGS • WELL SERVICE UNITS**

**SPECIALIZED PETROLEUM SERVICE EQUIPMENT**

**COMMERCIAL HULLS • OFFSHORE STRUCTURES**

# FUN INSURANCE



Atlanta's "Magnificent Omni" plays host to professional sports, family shows, the circus and more. The Omni needs insurance protection, and they have it with multiple line coverage from The Home.

Totally modern and ultra-comfortable, The Omni is the pride of Atlanta and the Southeast and is the home of the NBA Hawks and the NHL Flames.

Through our local representative, the Garlington-Hardwick Agency, Home provides a complete multiple line package including \$20,000,000 worth of coverage on this new structure and its contents; \$4,500,000 for business interruption; comprehensive liability plus a complete Workmen's Comp program.

Whether you need to protect something as magnificent as "The Omni" or a nuts-and-bolts assembly plant, The Home has the multiple line coverage and facilities for you. Contact your broker or look for your Home agent in the Yellow Pages.



## Home Insurance Companies

A CITY INVESTING COMPANY GROUP



# london line

## Nypro disaster spurs industrial safety efforts across Britain

LONDON—Demands for greater safety in chemical plants and other industrial centers where new processes are used are being made in Britain after the \$100 million disaster at the Flixborough Nypro factory June 1. The

Nypro catastrophe is thought to be the largest industrial loss ever.

Parliament is readying a Health and Safety and Work Act which will cover many aspects of occupational risks like those already enforced in the U.S.

Problems and hazards of new technological processes will now be included into it so that public anxiety is allayed and the risks of explosions hitting urban townships are minimized.

**MICHAEL FOOT**, chief spokesman on industrial safety, told Parliament: "The factory inspectors have been worried for some time about the increase in risks associated with some new technologies. Warnings have been given about these, and our job is now to make sure they are translated into practical effect."

The government will set up a Health and Safety Commission, to include representatives of both corporate management and trade unions, to deal with this matter.

Factory owners will have to warn employees about specific health hazards, and will also have to warn the public in local townships of any perils they may face from risky plant processes.

Insurance claims for the disaster, in which 28 people lost their lives, are largely covered by U.K. insurance firms and reinsurance market.



### AMERICAN NATIONAL GENERAL AGENCIES, INC.

#### Underwriting Managers

##### Errors & Omissions

Authors & Arrangers  
Composers & Lyricists  
Writers & Directors  
Recording Studio Operators  
Individual Performers  
Musical Groups  
Talent Agencies  
Business Managers  
Personal Managers  
Motion Picture Producers  
Motion Picture Distributors  
Exhibitors Contingent Coverage  
Radio & TV Producers  
Radio & TV Broadcasters

Book Publishers  
Magazine Publishers  
Advertising Agents  
Advertisers Liability  
Music & Record Publishers  
Televison Commercials  
Theatrical Stage & Road Shows  
Rock Concerts & Tours  
Nightclub & Hotel Shows  
Telethons of All Kinds  
Film Laboratories  
CATV & Microwave Systems  
Film Exchanges  
Marine Surveyors E & O

SERVING ONLY INDEPENDENT BROKERS AND AGENTS WORLDWIDE

3200 Wilshire Blvd., South Tower, Ste. 1208, Los Angeles, California 90010

(213) 386-8490 Telex No. 67-7088

SEATTLE  
(206) 623-7533

SAN DIEGO  
(714) 232-0179

SAN FRANCISCO  
(415) 956-4055

PHOENIX  
(602) 258-8261

A subsidiary of The Sperry and Hutchinson Company



## IF THERE'S A WAY TO IMPROVE CARGO COVERAGE YOU CAN BET TALBOT BIRD WILL FIND IT

What separates the men from the boys these days is the ability to make a quick decision and change course when a new opportunity appears. So if you want to improve your cargo coverage take a hard look at us. We have outstanding specialists on our staff who can help you innovate with coverage, service and imaginative insurance ideas. **We expedite with expertise.**

### TALBOT, BIRD & CO., INC.

156 William Street, New York, N.Y. 10038

#### COMPANIES INCLUDE:

CALEDONIAN INSURANCE COMPANY • CHRISTIANIA GENERAL INSURANCE CORPORATION OF N.Y.  
EAGLE STAR INSURANCE CO., LTD. • MARYLAND CASUALTY COMPANY  
NORTHWESTERN NATIONAL INSURANCE COMPANY • SERVICE FIRE INSURANCE COMPANY OF NEW YORK  
SWITZERLAND GENERAL INSURANCE CORPORATION OF NEW YORK  
THE YASUDA FIRE & MARINE INSURANCE COMPANY OF AMERICA

Suggestions that more aviation business ought to be placed with Lloyd's were made by Geoffrey P. Eliot, one of its leading figures in this market, when he surveyed the growth of aviation risks at a conference here.

Mr. Eliot, currently on the committee of Lloyd's, pointed out that world aviation premium income last year was estimated to be well over \$1.2 billion. Though half that sum reached the London market either directly or by way of reinsurance, the proportion placed between Lloyd's, which got 20%, and the company market, which acquired 80%, was getting out of balance.

"We're slowly being left off slips in favor of big lines from the companies, much of whose risk is then redistributed by way of reinsurance with worldwide companies," he protested. "Why not have two slips, one for Lloyd's and one for the companies, with each signing down to 50%?"

Lack of restriction on reinsurance in the company market meant that some lines of business were redistributed to foreign companies out of reach of U.K. audit requirements, he claimed.

He felt that enormous lines were being written on slips by the British insurance companies because of this unrestricted reinsurance factor.

\*\*\*

**FORECASTS THAT** premium rates will harden in the U.S. market later this year were made by E. J. Gordon Henry, chairman of the Stewart Wrightson insurance group, when its annual returns for 1973 were released here. Profits were lower than anticipated because of heavy rate reductions in aviation business and other sectors of its U.S. operations. Mr. Henry commented: "Our involvement in the North American market makes us vulnerable to rate fluctuations. The effect of capacity on rates is a feature that has been seen before. But I think pressures for higher premiums will mount, and a

hardening of rates in this market is likely in the third quarter this year." Mr. Henry added: "A lot of U.S. business has been handled on uneconomic terms in the past, but I am confident about the future, as major brokers, including a large network of surplus line brokers, are coming to us to place certain types of business."

\*\*\*

**COMMERCIAL UNION** insurance group advised business firms involved in Britain's three-day working week at the start of this year to review their business interruption coverage.

Profits might be higher than expected, because inflation has pushed up selling prices as well as plant costs to new peaks, so that sums assured ought to be increased at frequent intervals to provide full coverage, the group points out.

Raw materials, if in short supply, will take longer to replace in the event of fire and rebuilding destroyed plants can be delayed, which means business interruption periods will lengthen.

The effect of the three-day week, in any case, may not hit profits as much as was at one time feared, and consequential loss policies should be reviewed to take account of future gross profits and other costs which may well rise sharply.

\*\*\*

**SAFETY CHECKS** on a major oil drilling platform to be towed into the North Sea off the British coastline, are being carried out by Lloyd's Register on an international basis. The platform, ordered by Occidental of Britain Inc., will be 500 feet high, and will be the largest sea structure ever installed by being floated out on a flat-bottomed barge. Sections of the platform are being built in Japan, France and Scotland.

Robert Huskisson, Lloyd's Register chairman, said at its annual meeting that nuclear propulsion for ships was an aspect of engineering that was being kept under review.



## An IAC appraisal could lighten your insurance burden

Both before and after a loss. An IAC appraisal places proper values on properties, ruling out the excess costs of uncollectable over insurance, the after-loss disaster of under insurance, and the penalties of coinsurance.

Industrial Appraisal Company. For independent, objective, well-supported appraisals of all kinds of tangible and intangible property. Needed to peg insurance costs at a realistic minimum, and for a multitude of other solid business reasons. Call one of our 28 offices. Or write for brochure 500.

### Industrial Appraisal Company

222 Boulevard of the Allies • Pittsburgh, PA 15222 • (412) 471-2566  
New York • Chicago • Los Angeles • Philadelphia & 24 other cities.



## washington watch

### National health hearings terminate

WASHINGTON—The House ways and means committee ended its weeks-long series of public hearings on national health insurance with no noticeable consensus of members on what form a national health program should eventually take.

Committee members are expected to reveal in more detail their stands when the committee begins actual markup meetings on its own national health insurance bill.

No definite date has been set for those important sessions, *Business Insurance* was told, but it's almost certain the committee will finish its work on a tax reform bill first, and that could take it into August.

ON THAT time schedule, national health insurance could run into even more delays, this time from the major political cloud hanging over Washington—impeachment.

The major issue still to be settled is the method of financing for a national health system—through private insurance carriers, as recommended by Sen. Long, the Nixon administration, and others, or through a new Social Security tax, as recommended by Sen. Edward Kennedy (D-Ma.), Rep. Wilbur Mills (D-Ar.), chairman of the House ways and means committee, and backed by the nation's major labor groups.

Whatever the financing method eventually adopted, there is now a possibility for a "phasing-in" of national health insurance coverages, rather than immediate implementation of complete coverage.

SEN. KENNEDY, one of the final witnesses before the ways and means committee this month, urged a phasing in, but only as part of a more comprehensive package of benefits.

"I predict that if we pass catastrophic alone," he said, "this committee and the Congress will cripple the movement for national health insurance, and that the nation will be so consumed by the inflation we cause that we may never get around to primary care—and to the millions of Americans who need it."

Sen. Kennedy said it would be "tragic" to swamp doctors and the Social Security system with more than they can handle, "but it would be equally disastrous to offer them one small piece of the program."

He suggested a phase-in period of up to five years, if necessary, beginning with care for children.

In the continuing legislative game of cost-comparisons, health, education and welfare secretary Caspar W. Weinberger told a group of health writers in Washington that the administration's Comprehensive Health Insurance Plan (CHIP) was less expensive than other comprehensive plans.

Mr. Weinberger said a new study for Congress revealed that CHIP would boost the \$103 billion the nation is expected to spend on health care in fiscal year 1975 by "only" \$6.5 billion.

THE SECRETARY said the Kennedy-Mills bill would add \$8.3 billion to the cost and the original Kennedy-Griffiths health security bills would add \$13 billion. He also denied that the private

insurance industry, included as underwriters under the CHIP proposal, would reap "windfall profits" from national health insurance.

"The new study shows that CHIP would move the private insurance share just slightly upward from 32 to 34 percent of the total," he said. "Most of this would involve the conversion of individual policies into less expensive group coverage."

He said, "The study also shows

that CHIP's premium costs would be among the lowest for any plan relying on private insurance. Our \$600 annual premium for family coverage compares, for example, with \$1,000 for the Ullman bill supported by the American Hospital Association; with the \$970 for the Fulton-Broyhill bill backed by the American Medical Association; and the \$920 for the Burlison bill supported by the Health Insurance Assn. of America." ■

**Umbrellas . . .**  
if it's big or unusual  
we'd like to quote.



**J. H. BLADES & CO., INC.**

713/526-6551 P. O. BOX 22003 HOUSTON 77027  
512/826-2378 P. O. BOX 12085 SAN ANTONIO 78212

To reach us toll free, simply ask your local operator in the following cities to call the number listed for your city.

New Orleans - Enterprise 7021

Los Angeles - Zenith 9-0216

Dallas, Austin or Corpus Christi - Enterprise 70216



### It started out as a small fire

But small fires can rapidly turn into large costly blazes . . . the kind that shut down entire plants and destroy hard to replace machinery. In today's world of shortages and long lead times, you can't afford to lose one machine—much less an entire plant.

That's where Ansul can help. We can't prevent fires. But we can put out the fire before it has a chance to cause severe damage.

Our people are fire protection experts. We analyze your fire protection needs, specify the correct equipment and train your people to use it.

To learn how we can help you, call your Ansul Man, he's in the Yellow Pages or write for our current literature file.

The Ansul Company, Marinette, Wisconsin 54143

**Ansul Solves Fire Protection Problems**



# people

## Varner leaves Bell & Howell to join Clark

H. Jay Varner is joining Clark Equipment Co. in Buchanan, Mi. as manager of corporate insurance, a newly-created position. Mr. Varner, a former president of the Chicago ASIM chapter during 1972-73, has been with Bell & Howell Corp., Chicago, for over seven years as risk manager. No replacement has yet been named. Ken Murphy, who formerly was responsible for both corporate insurance and employee benefits at Clark Equipment Co., will now manage benefits exclusively.

Raymond A. Severin recently disclosed his intention to take early retirement in October after nearly 19 years with AMAX Inc. (formerly American Metal Climax Inc.) as director of corporate insurance in charge of the risk management department. The firm is based in New York. Mr. Severin will announce his future plans at a later date. A successor has not yet been named. Mr. Severin earlier this year was named the first president of the newly-established Risk Studies Foundation.

Donald J. Rader retired as insurance manager for Foss Launch & Tug, Seattle, Wa., a division of Dillingham Co. Mr. Rader was in the insurance business for 41 years, and is a past president (two terms) of the Washington state chapter of ASIM. In the 1950s, Mr. Rader was insurance buyer for Pacific American Fisheries. He plans to do risk management consulting work with

smaller firms which don't have full-time insurance managers. Mr. Rader was succeeded by Walter Beaumont, formerly the assistant insurance manager at Foss Launch & Tug.

David Evert joined Control Data Corp., Minneapolis, as assistant manager in the corporate insurance department, reporting to Robert E. Abrahamson. He was previously with CNA Financial in a supervisory capacity. His position at Control Data is newly-created.

Si Knudsen was named risk manager for Cudahy Foods Co., Phoenix, Az., a division of General Host Corp. Mr. Knudsen was formerly manager of loss prevention for the company, and he retains responsibility for loss control along with taking over the risk manager spot. He succeeds Hyden N. Guffrey, who was with Cudahy for 45 years until his recent retirement.

Margaret Dineen was promoted to manager of benefits administration for Hooker Chemicals & Plastics Corp., Niagara Falls, N.Y., a division of Occidental Petroleum Corp. Miss Dineen was formerly supervisor of employee benefits administration. She administers all group insurance and retirement programs.

Don H. Hansen was promoted to manager of corporate insurance for United Airlines Inc., Elk Grove Village, Il. He was previously insurance manager at the San Francisco offices of United, where he was an active member of ASIM. Mr. Hansen's position has remained unfilled since Waller B. Smith was named five years ago to the position of director of insurance.

Joseph I. Cline was named insurance administrator for A-T-O Inc., Willoughby, Oh., reporting to Mell D. Furman, corporate risk manager. The position is not newly-created, but Mr. Furman

refused to comment on who Mr. Cline succeeds. Mr. Cline was previously with Virginia Electric & Power Co., Richmond, as assistant to the manager of insurance, Stewart Foulke. Mr. Foulke said the utility does not plan to replace Mr. Cline for economy reasons.

Henry P. Devlin will be joining The Wyatt Co., Chicago, as consultant on property/casualty claims administration, insurance programs and risk management. Mr. Devlin was formerly insurance claims supervisor for Ford Motor Co., Detroit. Ford has not yet named a replacement.

Donald W. Brown was named risk manager for the state of West Virginia, to replace Joseph Delia who left the company to take another position, as reported. Mr. Brown was formerly administrative assistant to the state insurance commissioner.

## Az. to probe risk dept.

PHOENIX—The Arizona legislative council authorized an investigation of the state insurance department at a cost of \$10,000.

The in-depth investigation was approved despite strong opposition by one legislator who said the probe might become a "witch hunt."

The study will not be aimed at "allegations of mismanagement of the department or its funds," but will concentrate on legislative changes needed to modernize the department. One possible study area will be a determination of whether the department should be allowed to turn down proposed reductions in premiums.

# classified advertising

RATES AND CLOSING TIME: \$2.50 per line, minimum charge \$10.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$21.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.

## Assistant Director CORPORATE INSURANCE

Outstanding opportunity with multi-national Fortune 500 Corporation for individual with thorough knowledge of the insurance marketplace. The Assistant Director will have heavy contact with field units and must have a good understanding of corporate operations.

Bachelors Degree required; MBA desirable. Must have minimum 5 years experience in insurance marketing or brokerage operations plus some industrial background. Substantial travel from our NYC Headquarters.

Excellent compensation and benefits package. Send detailed resume including current salary to:

Box 484, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

An Equal Opportunity Employer (m/f)

## COMMERCIAL INSURANCE SALES OPPORTUNITY

### What'll it take to get you to move to Allstate?

We can offer a great opportunity to an individual with sales experience to sell our packaged casualty and property lines. If you're who we're looking for, we're willing to do a lot to get you.

To start with, we'll offer you a guaranteed monthly income. Plus a unique incentive compensation plan that recognizes individual performance. No need to relocate. We have offices throughout the country.

We'll give you outstanding insurance products to sell. Back you with an aggressive underwriting policy, and a national advertising campaign.

You'll also get Allstate employee benefits. Sears discounts. Sears Profit Sharing.

Interested? Write: Mr. Robert Kerrigan, Commercial Insurance Dept. D-1, Allstate Insurance Company, Allstate Plaza, Northbrook, Illinois 60062. You may find it a very moving experience.



ALLSTATE INSURANCE COMPANIES  
An Equal Opportunity Employer

## ASSISTANT INSURANCE MANAGER

Are you working in the industrial insurance department of a medium—large size company—longing for more challenge, broader responsibilities? This could be your ideal spot.

We're looking for a comer to fill a newly created position occasioned by our expanding employee benefit programs (hospital, life insurance; retire plan), property insurance, workmen's compensation

You'll report directly to the Assistant Treasurer—Taxes and Insurance of an international corporation (Fortune 1000 Industrial) with corporate offices in a northwest suburb. You'll join a group with an excellent record and reputation in a high growth industry.

On the job, you'll determine insurance values, distribute costs, evaluate changes, recommend coverage improvements, review loss records, collect actuarial data, maintain control records, make reports.

To qualify for this opportunity, you must have a bachelor's degree, preferably in Accounting, plus at least one year of industrial insurance department experience.

Send resume, salary requirements to:

Box 486, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

An Equal Opportunity Employer M/F

## business insurance

Directory of Commercial Insurance Agents & Brokers 1974 Edition



The Directory contains comprehensive, up-to-date information—including financial data—on leading insurance agents and brokers serving corporate consumers of insurance and employee benefit plans; and editorial features which analyze the agency and brokerage business.

The Directory is available at \$4.95 per copy; \$3.95 per copy on orders of ten or more. Make checks or money orders payable to Business Insurance and mail, with coupon, to Business Insurance Directory, 740 Rush Street, Chicago, Illinois 60611. (Illinois residents add 5% sales tax.)

Special merchandising opportunities are available for Directory advertisers. For more information call (212) 986-5050.

Please send me \_\_\_\_\_ copy(s) of the Business Insurance Directory of Commercial Insurance Agents & Brokers, 1974 edition.

Bill Me /  Bill My Company

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

## business insurance

740 Rush St., Chicago, Ill. 60611

our classified section gets results . . . for more information about placing classified ads

contact  
Michelle Eisemann

BUSINESS INSURANCE  
708 Third Avenue  
New York 10017  
Phone: (212) 986-5050

### RISK ANALYST

Exciting groundfloor opportunity with excellent promotional potential for degreed person with minimum of 1-2 years risk management experience. The successful candidate will establish a formal insurance department for our multi-national firm. Excellent salary & fringe program. Send resume with salary requirement to the corporate personnel manager:

BANDAG, INCORPORATED  
1056 HERSHEY AVENUE  
MUSCATINE, IOWA 52761  
An Equal Opportunity Employer M/F

INSURANCE FEE PD. to \$30,000

### INT'L. BNFTS. FORTUNE "500" CO

Fortune "500" co expanding their int'l bnfts dept, seeks 2 expd consultants. Corp ofcs located in NY & Midwest. Midwest position requires relocation & travel to Europe, Pacific & Far East areas. Must be familiar with all pension and group insurance plans.

Call Mitchell Harris  
WILLIAM HARRIS  
(212) 349-3610

150 Bway. agency N.Y., N.Y.



## "It's hard writing ads for an insurance company that won't let me brag even a little."

My ads get shot down a lot because I like to hyperbolize and boast now and then.

So this time I'm giving you pure fact, with what I consider undue modesty.

First, The St. Paul is not the capital of Minnesota. We're a property and liability insurance company from Saint Paul with assets of \$1,099,747,000 as of Dec. 31, 1973.

We offer a complete multi-line capability.

We can innovate and bend. So your company gets insurance shaped to its own peculiar needs.

Service? One of 45 service centers throughout the U.S. and Canada will contact you the same day it receives your claim. In most cases.

In addition, we've enlisted over 8,600 of the best professional independent agents we could find.

We're learning to speak your language. 282 of our folks, probably more than any other company, have received the IIA's Associate of Risk Management diploma.

A. M. Best Company, the prestigious insurance industry analysts, sums it up best.

The St. Paul is "one of the most successful risk underwriters in the country." Their words, not mine. Compare what we can do for you with what you've got.

Call an independent agent for The St. Paul today. He's in the Yellow Pages.

And may modesty prevail.

**THE ST. PAUL  
COMPANIES**



*Serving you around the world... around the clock*  
St. Paul, Minnesota 55102



**"We get 90 claims a week on group health insurance.  
Slow pay means 90 unhappy employees.**

**How would Allstate handle it?"**

*Our specialists on your company's account begin processing your claim as it's received. They use our Direct Control system to keep things moving.*

*Making sure claims don't drag is just one of the ways we stay so healthy in a very tough business.*

Whenever an Allstate Account Executive shows up, have your secretary show him in. He brings you know-how, and news about the innovations we're bringing to group insurance.

Insurance is as competitive as your business, so we capitalize on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. A management that thinks an

insurance company's service should bend to suit the customer instead of the other way around. And a full-time staff of claims specialists.

The price? That's right—very competitive.

But don't take our word for all this. When our Account Executive shows up, put him to the test.

Ask him to quote.

**Allstate**<sup>®</sup>  
GROUP INSURANCE