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business insurance

for buyers of employee, property and liability protection

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December 16, 1968

Self-insured Sears recalls poison jewelry

CHICAGO — An anonymous U.S. Dept. of Agriculture bean identification specialist started a nationwide campaign to recall toxic jewelry pins when he walked into a Sears, Roebuck Co. store in Silver Springs, Md., and reported the danger.

The pins, according to a statement issued by Sears, are decorated with a tropical bean that, if chewed or swallowed, "may cause death because of extreme toxicity."

A spokesman for Sears here told *Business Insurance* that the firm did not have products liability insurance nor recall or recapture coverage. He said, "We have a substantial self-insurance program, and anything that would arise about something like this we would handle ourselves."

Another spokesman for Sears said that no deaths or injuries caused by the beans have been reported.

The pins were imported from Japan by Alster Co., New York. Reportedly, Alster sold the pins to about 30 companies besides Sears. The Food and Drug Administration, according to Sears, is tracking down the pins sold to the other firms.

The president of Alster acknowledged to *Business Insurance* that his firm did have product recall coverage.



Volunteers of America sidewalk Santas are covered by workmen's comp and their red chimneys are protected by liability insurance. Aetna Insurance Co. is the carrier.

—Wide World photo

'Good faith' guards Christmas offerings

NEW YORK—The spirit of Christmas is the only protection for money collected by "Sidewalk Santas" and the Christmas kettles—familiar sights during the Yuletide season—but Santas and kettles themselves are fully protected by insurance.

The "Sidewalk Santas" with their little red chimneys are part of the Volunteers of America fund raising program, while the

"potbelly" kettles are linked with the Salvation Army Christmas fund.

The Salvation Army said that the kettles are covered by liability protection and the workers protected under workmen's compensation—but that the proceeds are protected by "good faith."

For more than 150 locations in New York City, the Salvation

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NAIC omits industrial insured exemption from model regulatory bill

LOS ANGELES — The National Assn. of Insurance Commissioners has left to individual state legislatures the decision of whether to include an exemption for industrial insureds in statutes regulating the operations of unauthorized insurers.

NAIC's position, adopted at the group's annual meeting held here, was a setback for the American Society of Insurance Management which had advocated adoption of the exclusion before the NAIC and to an "all-industry" committee which recommended inclusion of the industrial insured exemption in a model bill drafted by an NAIC subcommittee.

In essence, the industrial insured exclusion would mean that restrictions applied to the operations of unauthorized insurers would not obtain in instances where the insured was a corporate buyer with a full-time insurance buyer spending more than \$25,000 annually on insurance.

Waller Smith, manager of corporate insurance and claims for United Air Lines and a legislative spokesman for ASIM, explained that corporate buyers did not seek discriminatory favoritism in seeking the industrial insured exclusion nor did they attempt to evade taxes.

"ALL WE SAID," Mr. Smith explained, "was that states can

regulate insurers and tax them in any way they want, but the burden of checking on the status of insurers should not be placed on the buyer.

"Unless the industrial insured exclusion is adopted in all 50 states, it will become the responsibility of insurance buyers for national organizations to make sure that the companies they do business with are authorized nationwide. That's like making sure that your auto insurer is licensed in every state you pass through on your vacation."

Mr. Smith was one of a number of witnesses who testified before an NAIC subcommittee charged with making recommendations to draft model legislation dealing with unauthorized insurers. The subcommittee, headed by Oregon Insurance Commissioner James R. Faulstich, made its report to the NAIC which adopted the model bill without the industrial insured exemption.

However, the Faulstich subcommittee, in rejecting in part the all-industry recommendation, said: "The subcommittee made such deletions without prejudice to the exemptions involved and in the belief that each state should decide for itself whether its statute should contain the (educational and religious) and (industrial insured)

Continued on page 30

Missouri's unregulated farm mutuals pose problem for buyers

ST. LOUIS—Irregularities in the operations of at least two unregulated farm mutual companies located here have drawn the attention of U.S. Post Office officials, the Missouri insurance department and insurance associations on state and national levels.

Complaints from insureds to the Missouri insurance department have centered recently around Farmers and Merchants Mutual Fire Insurance Co. and Bankers Security Mutual Insurance Co., both of which operate as unregulated farm mutual companies because of a loophole in Missouri's insurance laws. Missouri is the only state that does not require farm mutuals to come under insurance department regulation.

Buyers of corporate insurance programs have complained to the Missouri insurance department that the two companies have been involved in selling insurance in places as far away as California and Ethiopia, despite a provision in their charters that

limits their underwriting to their home county and adjacent counties.

The insurance department is able to do nothing about the complaints except to build extensive files of letters from insureds who have been disappointed in attempts to collect on claims and from those who question the underwriting capacities of the companies.

QUESTIONABLE PRACTICES by certain farm mutuals in Missouri led to the enactment of reform legislation in 1953 that required that farm mutuals organized after passage of the law come under the jurisdiction of the insurance department. This

law, however, did not affect more than 100 existing farm mutuals including Farmers and Merchants, organized in 1946, and Bankers Security, organized early in 1953.

Members of the legislative committee of the Missouri Assn. of Farm Mutuals are now considering the submission of additional "reform" legislation that would amend the 1953 statute by requiring farm mutuals:

- To conform to standard requirements regarding surplus and other factors assuring company stability.
- To submit regular annual statements to the department of insurance.

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info for buyers/a special section

One of the most popular features of *Business Insurance* throughout its first full year of publication has been the Info for Buyers column that has highlighted items of information for corporate executives responsible for risk management and employee benefits. Thousands of items ordered through Info for Buyers have helped risk management and employee benefits departments do better jobs for their companies. Beginning on page eight of this issue of *Business Insurance* we have gathered approximately 300 Info for Buyers items under various categories to allow readers a chance to choose new materials and to order important items they may have missed.

Subjects include: general educational, pages 8, 9, 10; personal safety, pages 10, 14, 15, 16; fire safety, pages 16, 17, 18; road safety, page 18; security, pages 18 and 19; electronic data processing insurance, page 19; civil disorder, page 20; rehabilitation, page 20; employee benefits, pages 21 and 22; appraisal, page 22; social security, pensions and saving plans, pages 22 and 23; liability, page 23.

Each free item is numbered so that the reader may simply fill in the reader service card and send it to *Business Insurance*. Listings for information with a price include the name and address of the supplier so the reader may make a direct request.

(Mailing label here)

'Avaricious insured' bigger foe in riot losses than arsonist: Wrend

NEW YORK—"There is no question in my mind that the type of insureds most frequently encountered in riot areas are insureds who are not in the least interested in the measure of either value or loss, but only in the amount they can squeeze out of the contract or adjustment."

These words were spoken by J. T. Wrend, manager of the Mutual Loss Research Bureau, as he discussed the problems insurance companies have faced in the aftermath of numerous riots that have taken place in this country in recent years.

Mr. Wrend spoke here at the Mutual Insurance Technical Conference.

"To substantiate this assertion,

of the 800 losses generated by the King riots in Chicago last April, more than 25% still remain open," Mr. Wrend said.

HE CHARGED that many claims were inflated and that poor records, and sometimes two different sets of records, were kept in order to deceive the insurance company.

"I feel that your loss ratios are higher because of the avaricious insured than because of the arsonist," he said.

Another problem the insurance company faces, according to Mr. Wrend, is whether or not the civil disorder claims should be paid under riot coverages included in many policies, or

whether or not payment would be withheld under policy language excluding losses caused by insurrection.

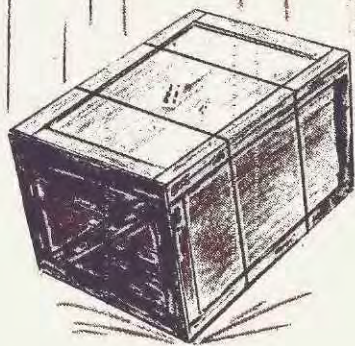
He pointed to many recent riots as having had "earmarks of insurrection."

"THERE WAS EVIDENCE of outside planning, outside agitation and armed resistance to authority," he said.

However, he also said the chances of success in maintaining insurrection as a defense in riot situations are very remote.

The time and place of looting play a great part in determining whether or not a property is covered under the riot provisions, he noted.

impact



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"If looting occurs outside the riot area, or if there is a time lag of several hours before the looting incident, it is not covered," Mr. Wrend said.

HE POINTED OUT THAT it is important for the adjuster to determine the specific facts as to the origin of each loss, its location with respect to other losses occurring during the disturbances, the nature of the breaking and entering, the number of intruders involved, and especially whether or not the act was committed quietly.

There is always the possibility that developments in any of these areas will permit the company to withhold the riot loss claim payment.

Mr. Wrend listed other coverages that many businessmen have bought to insure losses in addition to extended coverage. These include mercantile open stock burglary, safe burglary, plate glass, cleaners and dyers, furriers, marine, special multiperil and automobile physical damage policies.

This creates the obvious problem of duplicate payments, and Mr. Wrend indicated steps have been taken to try to avoid this pitfall.

SUCH PROTECTION has come in the form of a master file of claimants, which permits the adjuster to cross-check claims to make sure that there are no duplicates.

He said it was not unusual for large laundry fires to develop thousands of individual claims.

Another problem for the insurer is the business interruption claim. "We must determine whether there is liability under business interruption policies for claims made by the owners of concerns which suffered no physical damage, but nevertheless experienced a reduction in gross earnings by reason of orders of civil authorities imposing curfew and other restrictions on the conduct of business in certain prescribed areas."

SOME INSURANCE companies will pay only if the interruption occurred within the riot area; others will pay if the business is within the area of the curfew,

while still others will recognize only physical damage.

Mr. Wrend expressed optimism that there will be a lessening of the more serious riots in the future. He noted that there were fewer deaths during recent riots than in 1967. He also pointed to the commitment to "law and order" by politicians in the last election.

He recommended that insurers work to improve the environmental conditions that lead to riots, advocating better merchant-consumer relations in ghetto areas.

"An effort to encourage the employment of 'have not' people would do much to help our cause," he said.

MR. WREND also stressed the keeping of exact inventory and duplicate records as essential for the businessman in order to facilitate the job of the adjuster.

"Insureds should be encouraged to keep high-value goods, such as jewelry, perfumes, sports equipment and appliances, in out-of-the-way places. Empty cash-register drawers should be left open at the close of the working day," Mr. Wrend said.

Automatic sprinkler systems, solid panel window protectors, and shatter-proof plate glass fronts, according to Mr. Wrend, do much to minimize losses during an uprising.

However, to persuade insureds to take these more expensive precautions, underwriters may have to offer coverage at reduced prices.

Blaiberg must look to Lloyd's

CAPETOWN, South Africa—Lloyd's of London seems to be the last hope for Philip Blaiberg, the world's longest surviving heart transplant patient.

A leading life company here refused Blaiberg insurance because, according to the company, it could not assess the likelihood of Blaiberg living more than a few days.

Lloyd's, tradition has it, insures anything and anybody—at a price.

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Only insurance for shoplifting is watchful eye, retailer says

By ROBIN MENZ

NEW YORK—Busy sidewalks, crowded stores and bustling shoppers during the holiday-season create a field day for professional shoplifters who thrive on crowds to obscure their acts.

From the day after Thanksgiving to Christmas Eve, shoplifters (amateur and pro), price switchers, counterfeiters, quick change artists, back area thieves and refunders are working double time because of the crowds.

The best insurance a merchant has for such devious acts is a good security force, installation of modern detection devices, education of employees and the public and proper merchandising display, according to J. L. Wisse chief security officer, J. J. Newberry, New York, a chain of 680 U.S. and Canadian variety and department stores.

NEWBERRY'S INSURANCE division pointed out that there really is no other insurance protection for shoplifting; losses are considered a part of a store's overall yearly shrinkage.

According to the FBI Uniform Crime Report for 1967, shoplifting from 1960 to 1967 increased 112%. The report pointed out that there was not much difference from city to suburbia; however, there has been a decided drop in rural areas because shopping centers are largely absent.

This year the National Retail Merchants Assn. has started a nationwide campaign directed toward teenagers—a group which is responsible for more than 50% of the shoplifting.

A three-part program is de-



A thick directory or catalogue, which has a portion cut away, is often used to shoplift jewelry from a crowded counter.

—Wide World photo

signed to deter the youngsters from shoplifting by telling them the consequences. The national association said that shoplifting is not a seasonal problem—"it's with the merchant year round."

LIKE MOST STORES, Newberry must contend not just with the teenager or amateur but with professionals. For the first

time this year the chain is testing a sound alarm system, in which a wire is attached to a piece of merchandise and if it is cut or broken, the alarm immediately goes off. Such a device, Mr. Wisse said, is best for appliance or furniture departments.

The sound alarm system is being tested in about 100 New-

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'Get up and sound off,' ASIM asks risk managers for '69 meeting

NEW YORK—The American Society of Insurance Management, at its annual meeting here Feb. 17-19, wants risk managers to get up on their feet and sound off.

This was described as the unofficial theme of the conference by Robert E. Rich, director of insurance and employee benefits of the Cotton Producers Assn., Atlanta, and chairman of the 1969 meeting.

Mr. Rich said that on the basis of questionnaires sent out right after the annual conference last February, the "overwhelming majority" of ASIM members wanted a session where they could quiz veteran risk managers.

On the last day of the conference, Mr. Rich said, members—especially part-time or new buyers—will get an opportunity to ask six "distinguished" risk managers how they'd go about solving a particular insurance problem.

The six who will participate in the three-hour session haven't been named as yet, but Mr. Rich said they will be "objective, outspoken" men.

Another new feature at the '69 conference—a session aimed at involving inactive members—will be a series of clinics covering insurance problems on an industry-by-industry basis. The clinics, sponsored by 11 different ASIM chapters, will deal with transportation; government and education; financial institutions; gas, oil and chemical; utilities and off-shore drilling; marine and marine coverages; food processors; iron, coal and steel; manufacturers and suppliers; retailers and wholesalers; and construction.

The conference will get under way with a look at six foreign insurance markets, from the point of view of "what they're doing to absorb reinsurance now that London has tightened up," Mr. Rich explained. The session will spotlight the insurance markets in Switzerland, Belgium, Germany, France, Japan and England.

Another ASIM split session, sponsored by various ASIM chapters, will tackle such key areas as insurance programs for franchise operations; employee benefits; risk management dur-

ing mergers and acquisitions; fidelity and surety bonds; products liability and products recall; self insurance and self funding media; compensation and fellow employee suits; marine coverages; problems North of the border (by the Montreal chapter); and the hard-to-place risk.

In addition James S. Kemper Jr., president of Lumbermans Mutual Casualty and an outspoken foe of any no-fault auto compensation scheme, will examine the auto insurance situation. Clyde Wilson, of his own firm in Houston, will discuss crime insurance, and A. Worley Brown, president of Rock City Packaging Co., will deliver a talk entitled, "Do we really need a federal safety bill?"

Employees get 4-day work week each May

PLEASANTVILLE, N.Y.—The Reader's Digest is putting its 2,800 employees on a four-day work week each May.

DeWitt Wallace, co-chairman of the magazine, said the purpose of the new benefit will be to give workers "a substantial amount of additional leisure."

The employees currently work a 35-hour week.

Court rules Newark liable for riot losses

NEWARK—A superior court judge has ruled that business firms hit by losses from riots in this city last year can sue the city for property damage—but not for business interruption losses.

A source told *Business Insurance* that Newark does not have liability coverage but that city insurance fund officials and legal authorities will meet soon to discuss such coverage.

The ruling, by Judge Samuel Lerner, held that the municipal immunity claimed by the city did not apply.

Philip E. Gordon, corporation counsel for Newark, said the city will appeal the ruling but that if it is upheld and future riots occur, "cities could go bankrupt."

THE SUIT WAS filed collectively by 450 plaintiffs—mostly insurance companies which had paid off claims on businesses hit by riot damage—who designated a committee of attorneys to present their case. The ruling in effect means that the insurers are free to subrogate against the city.

The city had claimed that payments should be made only to the property owners and not to the insurance companies which covered their losses.

Judge Lerner said that in each of the 450 claims against the city, the effect of the rioting must be shown. He added, however, that business interruption losses cannot be part of the claim.

The judge stated that the riot statute was not intended to be so broad as to cover losses of an "intangible nature" such as loss of good will or business interruption.

UNDER A RIOT statute which was enacted 100 years ago the city "in effect is a wrongdoer," Judge Lerner stated. "The legislature has designated it as such for failure to enforce the laws and control its inhabitants."

Judge Lerner also answered the city's argument that it should not be held liable for losses from theft and looting but only for losses from physical damage. "The loss to the owner is the same whether the personal prop-

erty is totally destroyed, or removed or stolen.

"For all practical purposes, he has been deprived of its value and use in either event."

EARLIER, A STATE insurance official had predicted that most of the 4,000 individual claims against Newark for riot losses would be thrown out of court.

Horace J. Bryant, deputy commissioner in the state department of banking and insurance, told a meeting of the State League of Municipalities that the question is whether the 100-year-old property liability law meant that insurance companies should be "bailed out" by the cities for riot losses.

He said that most of the 4,000 claims against the city have already been paid off by insurance companies, which in turn are attempting to be reimbursed for their losses by the city.

MR. BRYANT SAID total claims represent about \$10,000,000, all but \$2,000,000 of which were filed by insurers. Another \$1,000,000 worth of property was underinsured and the last \$1,000,000 was uninsured.

He said that the courts may find claims valid in the underinsured and noninsured categories.

The state, however, has moved to limit the liability of municipalities for claims filed by noninsured property owners. Legislation passed by both the assembly and the senate would limit the liability of municipalities for damage during riots to \$10,000 per location.

The U.S. Supreme Court, for its part, has agreed to review a case which could have a bearing on whether state and municipal governments across the country can be held liable for riot damage to private property.

Although the case doesn't specifically concern riots similar to the 1967 Newark disturbances, legal experts think the decision may help to define the government's responsibility for protecting private property during riots.

Safety-insurance unit under scrutiny at ITT?

NEW YORK — A combined safety-insurance service may be in the cards at International Telephone & Telegraph Co.

ITT has agreed in principle to buy Grinnell Corp., Providence, manufacturer of fire protection systems and equipment. ITT, which already has a stake in the life insurance business, recently bought a 6% interest in Hartford Fire Insurance Co.

Industry observers speculate that if ITT's investment in Hartford Fire turns into a buyout offer, ITT would be in a position to offer a combined insurance-safety service.

Officials at Walter Kidde & Co., which derives 40% to 45% of its sales from safety, security and protection systems, acknowledged that this opportunity for "cross pollination" played a part in the firm's decision to acquire Crum & Forster insurance companies. The boards of both Kidde and C&F earlier this month approved the deal.

ITT operates Abbey Life Insurance Co., ITT Life and ITT

Life of New York and has a joint venture with Great International Life of Georgia.

Druggist pays for stomach remedy error

ITZEHOE, West Germany—A druggist who had refilled a woman's prescription three times here was ordered by a district court to pay half the support costs for 18 years of a baby borne by the woman.

The druggist, evidence showed, mistakenly sold the woman stomach remedy instead of contraceptive pills.

In awarding half the support costs to the woman and her husband, the court imposed the other half of the support on the parents.

The court reasoned that the parents should have read carefully the label on the stomach remedy bottle — especially since they twice brought the empty bottles back for refilling.



washington watch

With public, Congressional push, Nixon may back safety-health bill

WASHINGTON—Normally it could be assumed that the issue of occupational health and safety would be a very minor one under the conservative, business-oriented Nixon administration. Surprisingly, however, political analysts predict a great deal of action in this area in the 91st Congress and hold that there is a good chance that some sort of federal safety legislation will eventually bear Mr. Nixon's signature.

This thinking exists among the lobbyists for the business community as well as for the labor camp. The reasoning behind it is the knowledge that occupational health and safety in many industries and states is little more than a myth, and that little if anything is being done to remedy the situation in these areas.

It is beginning to appear, they hold, that the health and safety conscious states and industries are getting healthier and safer

while the unsafe and unhealthy ones are getting worse. Sooner or later, they say, the unsafe and unhealthy areas will lead the entire business community to some sort of federal control.

MR. NIXON could of course actively fight any federal moves into this area. But it is unlikely that he will. Almost every day the papers carry a story of an industrial, construction or mine disaster or a report on a new

study linking lung cancer and other diseases to some sort of industrial dust or other unhealthy condition. These are emotion-packed stories, the kind politicians have trouble ignoring, even if they want to.

There is a good deal of speculation that Mr. Nixon will take the bull by the horns and introduce his own safety legislation. It would probably take the form of a task force.

This could be risky, however, in that it would be an admission by the White House that some form of legislation is needed. And, despite a weak start, the momentum for a full federal safety program is already strong and promises to continue even stronger.

Sen. Ralph Yarborough (D., Tex.), who is certain to head the all-important labor committee, has promised to place industrial safety on the top of the committee's priority list and he will have bipartisan support from

Sen. Jacob Javits (R., N.Y.).

WHEN THE JOHNSON administration introduced the occupational health and safety bill in late Jan., 1968, critics charged that it was hastily and poorly written. The Labor Department, which had drafted the bill in less than a week, admitted privately that this was so, but held that it was at least a step in the right direction.

The House labor committee promptly held hearings and in June reported out a completely revised "clean" bill which was surprisingly well written and responsive to the specific criticisms raised at the hearings. The new bill was, of course, not as strong as the proponents of the original proposal wanted, and their willingness to compromise to such a degree can be interpreted as a display of determination to get a bill passed in this area.

The new bill, though much milder than the original, was still not acceptable to the business community and it did not pass. But it will be taken up again with renewed vigor in the 91st Congress.

Besides charging that the original bill was hastily and poorly written, critics charged that the Labor Department should be ashamed to ask for legislative authority to set up an occupational health and safety program for all industries when it had failed to develop a meaningful program within the authority it already had been granted by Congress, namely the Walsh-Healey Act. Walsh-Healey was passed in 1936 and gave the Labor Department the power to set safety standards for plants performing government contract work.

AGAIN THE LABOR Department agreed—at least privately—with its critics. And, in September, it proposed extensive revisions of the safety and health standards of the Walsh-Healey Act. With few minor changes, these proposals will go into effect early next year.

In essence, the proposed revisions would:

- Limit the level of occupational noise to 85 decibels, establishing the first federal occupational noise regulations.
- Make acceptable under the act safety and health standards developed under the consensus principle by nationally recognized standard-setting agencies, such as the U.S. Standards Institute.
- Adopt radiation standards developed by the Atomic Energy Commission.
- Adopt certain safety and health standards developed by the Compressed Gas Assn., the National Committee on Traffic Safety and the American Conference of Governmental Industrial Hygienists.
- Establish threshold limits for exposure to toxic materials.

One of the questions being asked by industry concerning a federal program is how long it would take to have it fully operational. It is assumed that Walsh-Healey standards would be adopted initially and that its safety inspection teams would be utilized. But this would fall far short of the requirements called for by the revised Johnson administration bill.

The Department of Health, Education and Welfare recently published the first federal timetable for instituting a complete federal safety inspection team and standards for some highly controversial areas of safety.

The five-year program "to
Continued on page 32

S&H stamps approval on insurance by

Paige O'Brien Russell

The Sperry and Hutchinson Company looks to pastures as green as its trading stamps for growth into the Seventies. By purchasing Bigelow-Sanford, Inc., among their other interests, S&H put a new title on their door: *Acquisition-Minded*. S&H knows the value of imaginative insurance coverage, too. They rely on the knowledge and experience we offer.

Paige O'Brien Russell



Our graduates have something planned after the ceremony.

We run an informal school for people who've had more than their share of hard knocks. Rehabilitation. And the idea is to get our students out in the world again.

Our involvement goes back to everyday claim service. But the closer we get to cases, the more dissatisfied we become. It isn't always enough just paying the bills. Someone's got to point the way.

That's what we've been doing since 1928. Now, 40 years later, we've worked with literally thousands of people who've been severely injured on the job—or just incapacitated for awhile. Either way, we feel we have a moral obligation to the injured employee and an economic obligation to his employer.

Our job—as we see it—is to get working people back working again. To do it, we find the right people: psychologists for deter-

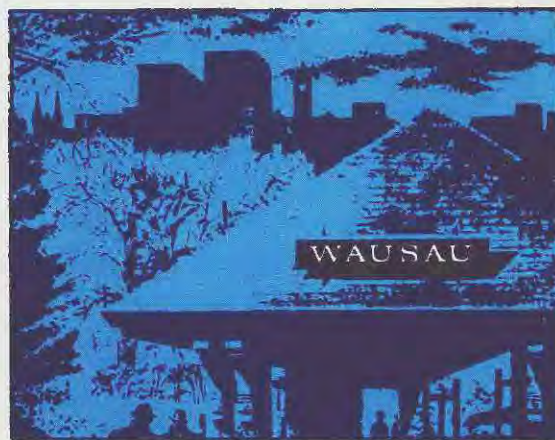
mination. Therapists for muscles. Nurses to teach how to use a fork again. Dress. Write with a pencil. Type.

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Texas Instruments offers people at least \$20,000 life insurance

DALLAS—Texas Instruments Inc. offers its employees a diversified, well-rounded benefit program—including a \$20,000 life insurance maximum.

Other features of the plan are accidental death, medical, short- and long-term disability income and travel accident insurance.

After the first year of employment the company provides a 30-day enrollment period at which time the employee can choose his area of insurance, and the company pays for medical, basic life and short-term disability.

TEXAS INSTRUMENTS believes its comprehensive medical plan is "quite unusual," accord-

ing to H. L. Hankins, corporate benefits manager, "because reimbursement is a function of usual and customary charges for necessary medical expense, virtually without regard for the type of medical expense involved."

"Perhaps even more unusual is that the coinsurance diminishes as medical costs increase in a given case. The plan provides 100% reimbursement for most medical costs in excess of \$1,500 per case," Mr. Hankins explained.

Connecticut General Life Insurance Co. is Texas Instruments' carrier.

The amount of basic life insurance is determined by the

employee's job grade and length of service, and supplemental amounts are available of at least \$20,000 or of up to twice annual salary or \$50,000, whichever is greater.

The amount of basic life coverage increases after the first year of service and again after five, ten, 15 and 20 years.

An employee who qualifies for an increase in coverage due to reclassification or promotion is automatically given the appropriate increase in his basic life and his supplemental life is also adjusted accordingly.

AN EMPLOYEE MAY elect accidental death coverage in an amount equal to his total group life insurance, equal to twice his total group life insurance or equal to five times his total group life insurance.

Also, travel-accident insurance equal to five times the employee's annual straight-time earnings, with a minimum benefit of \$25,000 and maximum of \$250,000, will be paid if the employee dies in an accident while traveling on company business.

Texas Instruments' comprehensive medical insurance plan is paid for on a coinsurance basis with cost to the employee decreasing as the total cost increases. The employee is reimbursed 80% of the first \$500 of covered expenses, 90% of the next \$1,000, and 100% of covered expenses beyond that, up to \$50,000 or 26 months, whichever occurs first.

Exclusions under this plan include, dental work, cosmetic surgery, eyeglasses, hearing aids, anything covered by workmen's compensation or public programs.

Mr. Hankins told *Business Insurance* that the "avoidance of many technical parameters and exclusions has improved our medical plan in the eyes of our employees. On the other hand, after some 15 months experience we are not yet confronted with the need for a premium increase," he stated.

"We recognize that our plan is not perfect, of course, and presume that further improvements will be made in time; however, this is little more than recognizing the evolutionary nature of most benefit plans."

Court upholds heart award

TRENTON—The appellate division of superior court here has upheld a workmen's compensation award to the widow and children of a Bell Telephone Co. employee who suffered a fatal heart attack while on the job.

But Judge Edward Gaulkin, in a six-page dissenting opinion, said the case was "a battle of experts" and the decision that the Bell employee, Joseph Pankiewicz, died because of his job was "a mere conclusion, not supported by the facts."

Judge Gaulkin said that Bell has requested a ruling to show which heart attack deaths the firm should pay without going through the courts.

Although no such rule exists at present, the judge said that "if one is to be found I think the (state) supreme court must do it."

The award of \$27,714 went to Mr. Pankiewicz' widow and her four sons.

"By All Means, Don't Say 'If I Can,' Say 'I Will'"

Abraham Lincoln

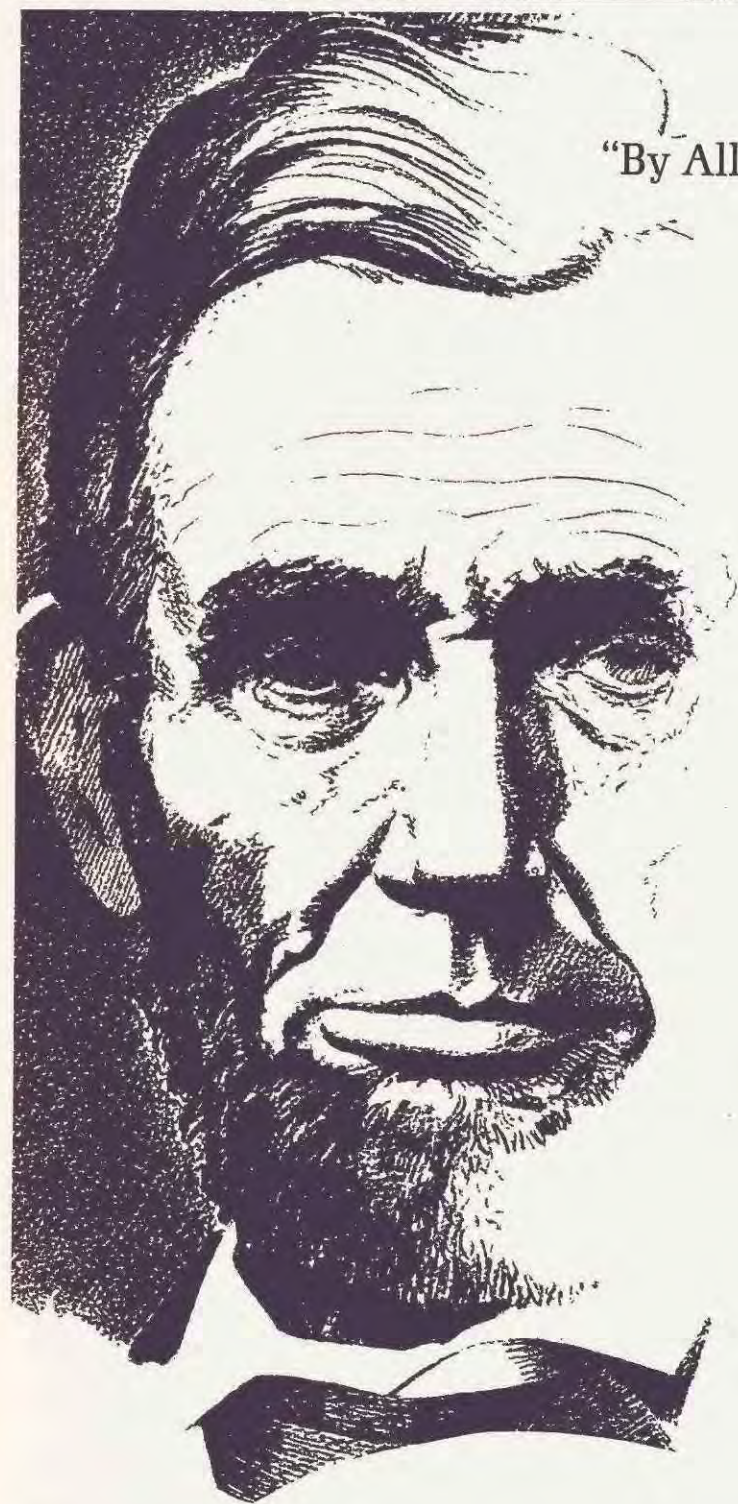
Lincoln lived in a log cabin, went to school for twelve months and by today's standards might have been declared culturally deprived, poverty stricken, oppressed and a victim of his environment. However, being part of a free society, he worked hard, studied and became President of the greatest country on earth.

He believed in private property and said, "Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence."

Regarding laws he counseled, "Bad laws, if they exist, should be repealed as soon as possible; still, while they continue in force . . . they should be religiously observed."

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Court upholds \$305,000 award, but sidesteps constitutional issue

WASHINGTON—The Supreme Court has ruled that a \$305,000 damage award to an injured railroad worker is not excessive, but the court sidestepped the issue of whether court reviews of such awards are unconstitutional or prohibited by the Federal Employers Liability Act.

In two separate dissents, however, Justices Harlan and Stewart contended that personal injury cases were unsuitable for the Supreme Court and should be confined to the courts of appeals.

They said that a decision by the court of appeals for the second circuit—which lowered the damage award to \$200,000—should be left standing.

PLAINTIFF IN THE case, Carl F. Grunenthal, was a foreman of a track gang for the Long Island Railroad when a 300-pound railroad tie being lifted by the gang fell and severely crushed his right foot.

ALG makes bid for U.S. risk complex

NEW YORK—American International Group is making an offer which would pull three partially owned insurance companies under one umbrella to form a domestic complex with assets of over a half billion dollars. The move reportedly is in anticipation of American International going public.

American International is a wholly owned subsidiary of American International Reinsurance Co., which in turn is an affiliate of the C. V. Starr & Co. interests.

Brought into the American International fold would be American Home Assurance, National Union Fire Insurance Co. and New Hampshire Insurance Co. American International now owns over 50% of American Home, 58% of National Union and 13% of New Hampshire (other companies in the Starr group own an additional 24% of New Hampshire).

In addition, American International plans to buy 100% of American Life Insurance Co. from American International Reinsurance Co. American Life writes business in over 65 countries, all outside the U.S.

Purpose of the consolidation, according to M. R. Greenberg, president of American International, would be to effect accounting, earnings and tax economics made possible by at least 80% ownership of the companies in the consolidation. "It would give us far greater flexibility than now exists," Mr. Greenberg told *Business Insurance*.

Also, he said, the consolidation "could certainly lead to improved market capacity. We could look at our retentions and reinsurance differently."

Francis named at Colt

NEW YORK—Bion H. Francis, corporate director of employee benefits at Crucible Steel Corp., Pittsburgh, has been named manager of benefits planning for Colt industries. Colt, a conglomerate, recently purchased Crucible. Mr. Francis, a *Business Insurance* columnist, served at Wellington Sears Co., West Point Mfg. Co., and Olin Mathieson Chemical Co. prior to joining Crucible.

Mr. Grunenthal sued the railroad for damages under the Federal Employers Liability Act, and a jury in the district court for the southern district of New York awarded him \$305,000.

The Long Island Railroad appealed the award to the court of appeals for the second circuit,

and that court (with one judge dissenting) ordered the district court to grant the railroad a new trial unless Mr. Grunenthal agreed to pay back \$105,000 of the award.

THE SUPREME COURT decision, written by Justice Brennan,

reversed the opinion of the appeals court. It noted Mr. Grunenthal's argument that the court of appeals exceeded its powers in reviewing the award.

"We have no occasion in this case to consider that argument, for assuming, without deciding, that the court of appeals was empowered to review the denial and invoked the correct standard of review, the action of the trial judge, as we view the evidence, should not have been disturbed."

The court concluded that the trial judge did not abuse his dis-

cretion in finding "nothing untoward, inordinate, unreasonable or outrageous—nothing indicative of a run-away jury or one that lost its head."

IN HIS DISSENT Justice Harlan said, like Justice Stewart, he was at "an utter loss to understand how the court manages to review the district court's decision and find it proper while at the same time proclaiming that it has avoided decision of the issue whether appellate courts ever may review such actions."

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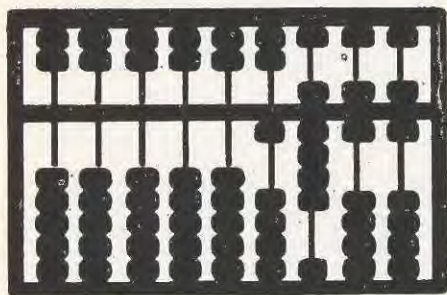
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Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information which has a price is listed so that readers can write directly to the publisher, simply saying that they saw the item in *Business Insurance*. Free literature is numbered so that the reader can fill in the appropriate information on the reader service card.

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

• **All Risk Management** is a 20-page brochure explaining a new concept from American Mutual Insurance Cos. All risk management uses the traditional services of insurance not just to protect assets but to help build them. It makes insurance a force for profit instead of just protection. The program begins with an analysis of total business operations rather than review of insurance policies, and maintains a working balance of all the customer's productive assets within the change and growth of his operations. The booklet is free by writing 230 on the reader service card.

• The American Home Group has prepared a brochure, **Sorry, You're Not Covered**, which explains in detail the need for umbrella protection as well as its market potential. It is available free from the group by writing 298 on the reader service card.

• **Compensation without Fault** is a research report compiled by Fellows of the Insurance Institute of Canada. The 16-page summary deals with the background of CWF, gives arguments pro and con, discusses features of all the most important proposals and studies (including the Keeton-O'Connell plan), and describes the few plans actually in force and those available from private insurers in the U.S. and Canada. Copies are obtainable for \$1.75 from Mr. S. Stronge, FIIC, Dominion of Canada Group 165 University Ave., Toronto, Canada. Please include cash with order.

• **Wrapping Up the Packages** is a discussion by agents and company men of the entire question of commercial and industrial package policies. It considers eight cases ranging from apartment houses to manufacturing risks as far as eligibility and acceptability for packaging. It is available for \$1.00 from the Chicago Board of Underwriters, 175 W. Jackson Blvd., Chicago, Ill. 60604.

• **Do You Really Understand Co-insurance?** is presented by the American Appraisal Company in an effort to define more clearly the frequently misunderstood co-insurance clause applied to fire insurance policies. The seven-page booklet is free by writing 299 on the reader service card.

• **The World's Principal Export Credit Insurance Systems**, 1968 revised edition by Francis X. Scafuro, sets out the types of policies, coverages, requirements and premium rates for this insurance in 35 countries. The publication costs \$20. Write: International Export Credits Institute, c/o International Section, N.Y. Board of Trade, 642 Fifth Ave., New York, N.Y. 10019.

• The paperback booklet, **Insurance for Contractors**, by Walter T. Derk, is written with the prime objective of being understandable to novices when it comes to liability insurance affecting owners, architects, engineers, general contractors and the myriad of subcontractor trades. At this point there are some 30,000 copies of the guide in circulation. Copies are available from any office of Fred S. James & Co. at \$2. Their principal office is at 1 N. La Salle St., Chicago, Ill. 60602.

EDUCATIONAL

• The Defense Research Institute, Inc., 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233, has published **The New Comprehensive General Liability Insurance Policy** (\$1.00 each, prepaid). The monograph gives an in-depth analysis of the new standard provisions for the general liability insurance policy which became effective in most states Oct. 1, 1966. It explains policy definitions, coverages and exclusions in the new forms and points to the differences between them and prior coverages. The monograph offers invaluable assistance to anyone faced with a problem which involves the interpretation of the provisions of the new policy.

• **Captive Insurance Companies** enumerates three factors which explain today's increased interest in this area. The bulletin, designed as a point of departure for development and evaluation of a self-insured program, is free to members of the Insurance Division of the American Management Assn. A price of \$2 is charged members of other divisions and the bulletin is available to nonmembers for \$3 by writing AMA, 135 West 50th St. New York, N.Y. 10020.

• Businesses which have questions about possible federal taxation on certain claim recoveries may find help in an article from the Shelby Mutual Insurance Co., **Tax Talk**. Although written for the company magazine in 1965, there have been no changes in the IRS laws so the example is still current. The article is free by writing 239 on the reader service card.

• **Professional Studies in Risk Management** describes the six-semester program in risk management developed by the Insurance Institute of America in association with the American Society of Insurance Management. The program is designed for persons involved with the responsibility for planning, implementing and controlling risk management activities for business firms. The descriptive brochure is available free by indicating 172 on the reader service card.

• **Insurer's Duty to Defend** (\$1.00 each, prepaid) is reprinted from the Defense Law Journal. This article was authored by William E. Knepper, Columbus, O., attorney, and it examines obligations to defend insureds against personal injury claims outside of insurance coverage. Order it from the Defense Research Institute, Inc., 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233.

• **The Harvest Years Corporate Retirement Program** sample kit includes a copy of "Harvest Years," a monthly publication geared to provide employees with up-to-date detailed information on retirement housing, financial planning, use of leisure, facts on Social Security and Medicare, an index of articles that appeared in 1967; a copy of the bi-monthly newsletter; and a partial list of corporations using the Harvest Years program. The kit, prepared by the Harvest Years Publishing Co., is offered free. Write 138 on your reader service card.

• **A Guide to Property & Casualty Insurance on Churches** is directed to the clergy and laymen charged with church management. This 32-page booklet, published by Insurance Information Institute, lists various insurance coverages and also includes information on loss prevention, insurance planning and inspection suggestions. Write 159 on the reader service card for a free copy.

• **The Story behind Underwriters' Laboratories Inc.** discusses the background and facilities of the organization and steps in testing for public safety and follow-up services. This booklet and a smaller one, **Facts about Underwriters' Laboratories Inc.**, are free by writing 114 on your reader service card.

• **AFIA Guide Europe** features detailed information on insurance requirements and forms for 14 countries. The illustrated, 32-page booklet provides information of value to agents, brokers and insureds. It is free from the American Foreign Insurance Assn. by writing 166 on the reader service card.

• A booklet entitled **Johnson & Higgins Announces EURO BEN** is available by writing 108 on the reader service card. It explains the new association and its advantages and notes the long experience in international operations which some of J&H's European partners have had.

• **What to Do about the Employee with a Drinking Problem** describes how costs can be reduced and valued employees retained through updated policies and procedures which utilize current knowledge about the disease of alcoholism. This booklet, released by Kemper Insurance Group, is available free by writing 143 on the reader service card.

• The Insurance Information Institute offers a pamphlet entitled **How to Save on Fire Insurance Costs when You Build or Remodel**. A check list of construction mistakes and an explanation of the function of the fire insurance rating bureau are included. The pamphlet is free by writing 160 on the reader service card.

• The sixth revision of **Basic Insurance Books** is offered by the Insurance Information Institute and the Library of the Insurance Society of New York, Inc. It is a selective bibliography of the property, liability, marine and surety insurance fields. The 20-page pamphlet includes title of the book, author, publisher, price and a brief description. Also included are lists of publications, reference books, periodicals and publishers' addresses. Copies may be obtained by indicating 156 on the reader service card.

• The Defense Research Institute has gone into its second printing of **Excessive Medical Treatment in Personal Injury Cases**. Based on the writings of physicians in the fields of surgery, neuropsychiatry, neurosurgery and orthopedic surgery, the monograph examines the relationship of overtreatment of patients and their subsequent seeking of compensation for accidental personal injuries through lawsuits in the courts. Copies are available for \$1 each, prepaid, upon request to the DRI at 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233.

• Employers Insurance of Wausau has released **Three Giant Steps to Management Control of Injury Costs**. The booklet details successful procedures for highly accurate estimation of total injury costs and apportionment. Write 149 on the reader service card.

• The newly revised **Worldwide Directory** has been released by the American International Underwriters Agency, Inc. This booklet, valuable when handling clients' requests for overseas coverage, is free by writing 164 on the reader service card.

• Basic facts relating to property and liability insurance are contained in **Insurance Facts 1968**, a yearbook published by the Insurance Information Institute. Single copies are available free of charge by writing 157 on the reader service card.

• **Valued Form Business Interruption** is a one-page booklet designed for brokers, agents and insurance buyers to use as reference material or for presentations. A free copy may be obtained from The American Home Group by marking 137 on the reader service card.

• The **College of Insurance** offers two brochures, one describing its one-year Multiple Line Certificate Program. The other details its nine professional certificate programs, which include: bonding, casualty insurance, insurance accounting, insurance adjusting, life insurance, multiple line insurance, ocean marine insurance, property insurance and reinsurance. Copies of the brochures may be obtained by writing 139 on your reader service card.

• **Prudential Group Insurance Highlights**, a 24-page booklet, describes how the employer and employee benefit from the Prudential group plan. The booklet lists eight vital emergencies and the protection afforded by this group insurance. Published by the Prudential Insurance Co. of America, a free copy is available by writing 141 on the reader service card.

• Employers Insurance of Wausau offers a pamphlet, **Self-analysis of Services You Should Be Receiving from Your Casualty Insurance Carrier**. It lists 16 questions prepared by the Associated General Contractors of America as a guide to services contractors should get from a casualty insurance carrier. It is free by writing 154 on your reader service card.

• **Guide for the Family of the Alcoholic** is a 12-page brochure which explains the role of the family in rehabilitation of an alcoholic member. It attempts to aid the non-alcoholic in understanding and facing the serious illness and suggests how the destructive impact of the disease upon the family can be limited. Benefits managers may wish to offer this to personnel workers for use in counseling. It is free from the Kemper Insurance Cos. by writing 118 on the reader service card.

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We expect that before long, other insurance companies will get brave and come through with annuities to individuals, based on the Consumer Price Index.

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EDUCATIONAL (cont'd.)

- Fred S. James & Co. has published the second edition of **Insurance for Contractors** which has been revised to include the new policy forms and entirely new material on contract bonds, architects' and engineers' professional liability, contractors' equipment floaters, builders' risk insurance, employee benefit liability, uniform hold harmless clauses and composite rating. Copies are available for \$2 each from Fred S. James & Co., 1 N. LaSalle St., Chicago, Ill. 60602.
- The main features of Prudential's group term and paid-up life insurance plan are described in a 12-page brochure. Copies are available free of charge. Write 140 on the reader service card.
- **Facts You Should Know about Aviation Insurance** is a guidebook in question-and-answer form which covers some of the basic facts about aviation insurance. Its eight pages include illustrations of cases involving this type of insurance and the solutions arrived at. The booklet is free from Associated Aviation Underwriters by showing 162 on the reader service card.
- An eight-page, illustrated brochure, **Aetna Life & Casualty Worldwide**, is available by writing 112 on the reader service card. It details Aetna's reciprocal arrangement with Assicurazioni Generali di Trieste e Venezia, which enables them to provide insurance coverages and services to corporate insurance buyers in every country in the free world.
- **The New Insurance Rating Board** booklet tells of the need for consolidating the National Automobile Underwriters Assn. and the National Bureau of Casualty Underwriters and includes the functions, membership, territories and committees of the board. Prepared by Insurance Information Institute, a free copy is available by writing in 158 on the reader service card.
- **Have You Ever Thought of Your Own Insurance Company?** is an eight-page leaflet, from EBS Management Consultants, Inc., on captive insurance companies and other self-funding techniques. Advantages and problems involved in these methods of self-insurance in a time of rising insurance costs and difficult risk placement are reviewed. For a complimentary copy, write 126 on the reader service card.
- The American Foreign Insurance Assn. has published the **AFIA Guide Pacific**, a comprehensive treatment of the insurance markets in Australia, Guam, Hong Kong, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, and Thailand. The guide lists insurance requirements and summaries of fire, marine and casualty classes and is available by writing 165 on the reader service card. A new **AFIA Guide Latin America** is also available.
- A new edition of the booklet **Summary of State Regulations and Taxes Affecting General Contractors** is available at 35¢ a copy to members of the American Insurance Association and at 60¢ to others. It is a useful tool for builders, contractors and lawyers. Write the Publication Division, American Insurance Association, 85 John St., New York 10038.
- **Plugging the Gaps**, published by the Chicago Board of Underwriters, is a humorous one-act play dealing with areas of potential loss not covered such as aircraft non-ownership, transportation of machinery, leased office equipment and personal injury. It includes a discussion of differences in conditions, commercial and personal umbrellas and contractual liability. Copies are obtainable at \$1 each from Chicago Board of Underwriters, Room 1030, 175 W. Jackson Blvd., Chicago, Ill. 60604.
- The **1968 Life Insurance Fact Book** contains industry aggregates which, in most cases, are complete through the end of 1967. Sources of data are tabulations of annual statements, surveys made by the Institute of Life Insurance, and statistics compiled by other life insurance organizations, commercial publishers and government agencies. Individual copies are free by writing 115 on your reader service card.
- **Guide to Insurance Services and Facilities** is designed to help businessmen understand the function of insurance brokers in general and the specific services of Despard & Co. Copies are available without charge by writing in 146 on the reader service card.

SAFETY/PERSONAL

• **Industrial Noise and Hearing Loss** discusses the problem of hearing loss in industry and suggests a program to minimize the problem and effectively reduce compensation costs to the employer. The ten-page brochure, released by Maico Electronics, Inc., is free by writing 133 on the reader service card.

• General Scientific Equipment Co. has published a booklet called **Guide to Eye Safety**. It points out where risks are, how to reduce injury, first aid techniques and do's and don'ts for eye safety. A free copy is available by writing 122 on your reader service card.

• **Striking the Windshield** is an illustrated booklet by Libbey-Owens-Ford Co. which presents recent automobile accident investigations which indicate that the new (post-1965) laminated windshield markedly reduces the number and severity of facial lacerations caused by head-to-glass impact. The 80-page item is free by writing 123 on the reader service card.

• **Accident Prevention in Every Dimension**, a four-page brochure issued by Michigan Mutual Liability Co., lists the safety services and facilities available to policyholders that aid in cutting down loss in the fields of manufacturing, construction and transportation. Fill in 124 on reader service card.

• A 15-page summary on the findings of Social Research Inc., Chicago research specialists, engaged to conduct a special study among industrial employees to determine their attitudes toward safety activities and safety media, is presented in **When You're Speaking of Safety Is Anybody Listening?** Released through Employers Insurance of Wausau, a free copy may be obtained by writing 151 on the reader service card.

Johnson & Higgins helps protect your profits in many ways. By helping you eliminate risks. By keeping your coverage on target—you pay for no more, you get no less than you need. And by doing our best in today's tight insurance market to buy you the right amount of coverage at realistic prices.

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areas. If you have a "package" plan, even one "tailored" to your business, you may still be paying — and paying dearly — for some things you just don't need. The complexities of risk are many. Clearing them away is our cup of tea.

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opinions

Insurance as a marketing tool

Corporations across the country are beginning to eye insurance as a marketing and merchandising tool.

This statement will come as nothing new to the nation's oil companies, of course, which have long offered insurance deals to their credit card holders as a way of activating dormant accounts.

But what we have in mind is the way progressive companies, in order to solidify relations with their dealers and distributors, are setting up employee benefit plans for them. Indeed, we reported in our last issue that Marsh & McLennan is establishing a new subsidiary to handle this area. Other companies, such as Modern American Co. in Dallas, and the Percy H. Goodwin Co., San Diego, have specialized in dealer accounts for some time.

Another trend to keep in mind is that many companies are considering the possibility of setting up captive life insurance operations, not only to offer employee benefits to their own employees but also to offer such programs to their dealers and distributors.

As we pointed out in our special group life and health issue last month, any company with a "captive" market—such as a good-sized dealer operation or a number of high-traffic locations, could start such a captive life company.

For instance, we pointed out, Continental Trailways operates CT Life & Accident Co. to provide not only insurance for Continental's employees but also for its bus passengers at depots in 33 states. And Greyhound Corp., which operates General Fire & Casualty, offers travel-accident policies to its bus passengers as well as employee benefits and group auto to its own people.

A disadvantage of life captives, *Business Insurance* was told, is that although the premiums paid into them are larger than property and liability payments, the net retention is considerably smaller. Less than 5% is held as net retention, and some 95% is paid out in the form of benefits and reserves.

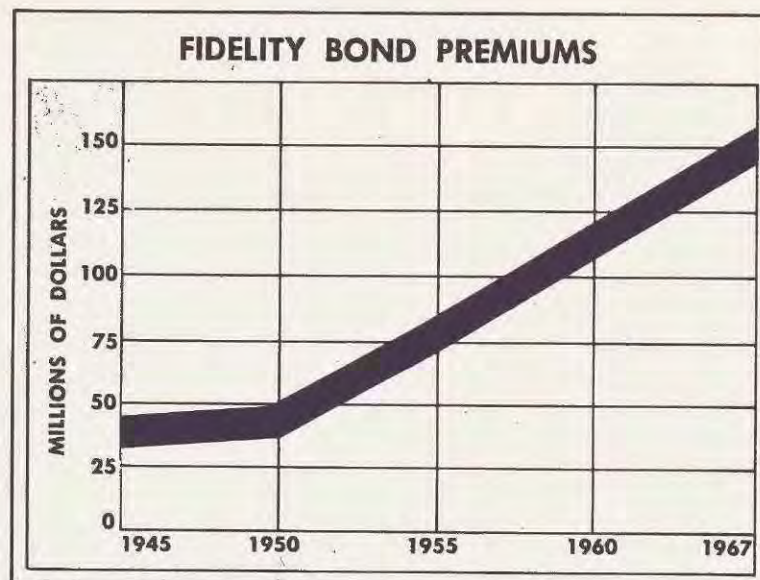
Also, we were informed, setting up a life captive takes "substantial" capital and is restricted as to the investments it can make.

It seems to us that using insurance as a marketing tool gives corporate insurance managers real ammunition to show top management that insurance can be a profit booster. We've pointed out in past editorials how a well-conceived risk management program can also brighten the profits picture, but perhaps a solid insurance merchandising program to dealers will provide more immediate—and less indirect—results.

The hazards of certification

One of the chief hazards of a move by the Insurance Consultants Society to study the possibility of certifying the adequacy of their clients' insurance programs is that it opens them up to liability should anything go wrong with the coverage.

This probably wouldn't have been much of a cause for worry before last spring; after all, accountants had been certifying their



Fidelity bonds, which cover mercantile, financial and other businesses against losses caused by dishonest or fraudulent acts of employees, protect only about 20% of U.S. businesses. However, the premium volume for such bonds has increased more than threefold since the end of World War II, from \$45,390,000 in 1945 to more than \$150,000,000 last year. Growing losses from embezzlements and other forms of employee dishonesty have caused an increasing number of business insurance buyers to consider the purchase of fidelity bonds and other crime insurance coverages.

Source: Insurance Information Institute

clients' financial statements and stock underwriters had been preparing proxies without any serious legal repercussions.

But a decision handed down last spring by a Federal district judge left both stock underwriters and accountants feeling anything but secure. In the decision, which has shaken up the legal and financial communities as much as any ruling this year, Judge Edward C. McLean held corporate directors, stock underwriters, and accountants all liable for "false and misleading information" contained in a stock offering prospectus.

This decision, which involved the BarChris Construction Co., held that it wasn't enough for directors, underwriters, and accountants to accept information provided them at face value. Judge McLean argued that they are required to ascertain the accuracy of the data for themselves—or be liable for any inaccuracies contained in the underwriting prospectus.

Based on this ruling, we have visions of an insurance consultant being held liable for the sort of fraud scheme perpetrated by the ex-assistant treasurer of Crane Co., who set up a "paper" insurance carrier in Antigua and diverted \$870,000 of Crane's excess insurance premiums to the phony insurer.

Another hangup to the certification scheme is that there is presently no formalized up-to-date method of analyzing exposures, although the American Management Assn. is working on such a project.

Insurance buyers and consultants have long wanted their job to take on the aura of the trusted financial advisor, whose colleagues are the CPA, the lawyer and the tax man. Such a certification program would help them achieve this standing.

We're not at all sure, however, the insurance business should take on the mystique of a profession. We have always viewed insurance to be a dynamic, changing business, ready to adapt itself to new risks and new needs. We don't think the business lends itself to a body of knowledge that is static enough to stand still for professional certification.

Close the loophole

Complaints to the Missouri department of insurance indicate that at least two insurance companies are taking advantage of a wide loophole in the state's insurance regulatory laws to sell questionable coverage to businesses out of state.

Both firms are chartered as farm mutuals in Missouri and as such are totally exempt from the authority of the state insurance department. They file no annual statements and their investments are not subject to audit by responsible authorities. Farm mutuals in Missouri need only file a notice of incorporation with the secretary of state.

Theoretically such companies are allowed to write only property insurance coverages in their home counties and adjacent counties. But in practice some Missouri farm mutuals have solicited business in other states and complaints have come from as far away as Ethiopia.

Among the states only Missouri exempts farm mutuals from insurance department regulation. And, though we have heard arguments for nonregulation from farm mutual operators, we believe that it is in the best interests of both insurance buyers and insurance carriers that the Missouri loophole be closed promptly.

We suggest that the American Society of Insurance Management, in cooperation with the National Association of Insurance Commissioners and major insurance trade associations, move now to correct this problem. Insurance regulation nationwide is, after all, only as strong as its weakest link.

letters

It's \$8 billion

To the Editor: Please check the figures used in your Nov. 18 story on the appointment of James Bailey as legislative counsel for the American Society of Insurance Management.

There are 1,700 member companies in ASIM, including some of America's largest; \$8,000,000 is a very small part of their annual premium outlay.

R. W. apHUGH

Corporate Insurance Manager, Foremost-McKesson Inc.; San Francisco, Calif.

Editor's note: Mr. apHUGH and other *Business Insurance* readers are more alert than we were when the \$8,000,000 crept into our Nov. 18 issue. Actually, the amount spent on corporate insurance by members of ASIM is \$8 billion annually. In aggregate, buyers of employee, property and liability protection for businesses spend more than \$20 billion each year, or about half of the nation's entire expenditure on insurance.

Not a 'rebate'

To the Editor: The word "rebate," according to Webster's New World Dictionary, means "to give back (part of a payment)." Rebating in the insurance industry is the offering of something of monetary value, ultra vires to the contract, as inducement to buy. IT IS ILLEGAL.

Could the state of Connecticut as reported in *Business Insurance*, Nov. 4, possibly have received a rebate? To alleviate the connotation of illegality connected with the return of \$544,614 would not "retrospective adjustment" or "return premium" be a more suited term?

Proper terminology, especially in a trade publication, is most important.

Steven B. Steinberg,

Insurance Manager, Eugene Kardon Enterprises, New York.

'Practical value'

To the Editor: As a part-time insurance buyer, I appreciate the information contained in your publication. Every issue contains articles of practical value to us, as well as additional articles of general interest. It is the only publication that I have received that covers the field of insurance in such a comprehensive, interesting and readable form.

Walter A. Dearth Jr.

Supervisor-Employee Relations, General Crushed Stone Co., Easton, Pa.

'Challenging'

To the Editor: Seldom has an insurance industry publication reaped such praise as has yours. I can make this statement because of personal observation and comments I have heard from those in the industry with whom I have dealings. Also, the publication itself has reprinted with each issue a series of letters praising the complete job it is doing. The excellence of the reporting of current events in the industry, and the challenging and thought-provoking problems are always presented in such a way that not many can quarrel with *Business Insurance's* editorial policy.

As long as the quality of your magazine does not alter from its present level, you can depend on me to write a letter of support

Continued on page 00

business insurance

for buyers of employee, property and liability protection

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THE NEED: Authoritative estimates are that over 80,000 heart patients per year might benefit from heart transplant procedures and that over 7,000 deaths from kidney ailments could be prevented annually through transplant techniques or the use of artificial kidneys.

info for buyers

SAFETY/PERSONAL (cont'd.)

• The Bureau of Labor Statistics, U.S. Department of Labor, has published **Work Injuries and Work Injury Rates in Hospitals**. The 60-page study is illustrated with charts and tables and is available free by indicating 200 on the reader service card.

• **The Myth of the Hidden Alcoholic** reveals, through an industry example, the part others play in concealing the difficulties of an alcoholic. The pamphlet, useful as an employee handout or for benefits and safety managers, may be obtained from the Chicago Council on Alcoholism by writing 234 on the reader service card.

• **Fail-Safe**, a descent control device produced by Atlas Safety Equipment Co., Inc., is described in a brochure, 218 on the reader service card. Operational in 45 seconds or less, the control can be positioned for two methods of descent control: by a person below point of descent or by a person lowering himself.

• Uniflex, a division of Medical Supply Co., has released informational literature on **Instant Cold Pak**. The product is fast acting and simple to use, fits into the hand and turns into an on-the-spot emergency treatment with a slight pressure on the part of the holder. For more details write 214 on the reader service card.

• Providing safety information for employees' off-duty hours is one way to decrease lost-time accidents for the company. **Technical Bulletin No. L80** from Shooting Equipment, Inc. notes the lack of restrictions in this sport and emphasizes the individual's responsibility. SEI Range Design Guide, Part 1 (**Bulletin L74**), lists a safety code and diagrams and charts on range specifications and typical space requirements. Both items are free by writing 253 on the reader service card.

• **VigilPane** is a specially laminated safety glass designed for use in storefronts. The glass, produced by Libbey-Owens-Ford Co., reduces the possibility of window breakage and theft because even though it will shatter, it will not fall out of the window frame. For further information on this new product, write 201 on the reader service card.

• Information on **Saf-T-Climb** is provided free by Air Space Devices Inc. It has been proven in more than 17 years of use throughout the world to meet or exceed all U.S. government specifications for safety climbing equipment, including the new federal specification dated June 22, 1967. For the explanatory brochure write 240 on the reader service card.

• **Lite-Saver** is a device about the size of a quarter which reduces hazards in replacement of incandescent bulbs in high or hard-to-reach places. It extends the life of the average 25 to 100 watt bulb up to 100 times. There is no waste or loss in heat and the device is easy to install. Cost is \$1.20 each. For net prices or more information write Mr. Steven Munson, Safety Products Dir., Terado Corp., 1068 Raymond Ave., St. Paul, Minn. 55108.

• The **Electro-Alarm** safety sentinel installed in a crane cab will warn on proximity to dangerous high lines and free operator from worry of hitting high-volt wires. The device does not use photo-cells in its circuits and fail-safe features warn the crew in the event of failure of the device itself. Information is free by indicating 188 on the reader service card.

• **Danger Is Your Companion** is a 16-minute, black and white, sound film for sale through your local chapter of the American Red Cross. It points out the possibility of accidents and shows what is being done to combat carelessness and to train people to give emergency first aid. Stock #321514, cost \$24.75.

• **If You Smoke** is a new pamphlet prepared by the National Clearinghouse for Smoking and Health. Used as an employee handout it would point out five positive steps to help slow down the harmful effects of smoking, while reminding smokers that these are merely a compromise and do not make smoking safe. Single copies are available free from the clearinghouse at 4040 N. Fairfax Dr., Arlington, Va. 22203. Quantity orders are 5¢ a copy. \$2.50 per 100 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• The National Safety Council has released two pamphlets which emphasize for employees how to avoid falls while on the ground, using ladders or simple office equipment like swivel, tilt-back chairs. The proper way to use a ladder or scaffold is illustrated and pictures are used to demonstrate the proper way to take a fall. Sample copies of **Don't Fall Down on the Job** and **A Visit to Office Falls** are available to businesses by writing 249 on the reader service card.

• A new film is available on burglary-resistant glass. The film is a color demonstration of **Secur-Lite**, by Amerada Glass Co. An interlayer of lamination holds the glass firmly in place even after it has shattered, which happens only after repeated heavy blows. For further information, write 252 on the reader service card.

• Three pamphlets published by the National Society for the Prevention of Blindness, Inc. would make excellent and effective employee handouts. **First Aid for Eye Emergencies** is a small flier, easily posted, which tells what to do for specks, blows, cuts and burns. **Why Safety Glasses?** explains what the glasses are made of, how to get them and who needs them. **20 Questions on Eye Safety** details important facts on the subject. All are free by indicating 209 on the reader service card.

• **Injury Rates by Industry, 1964 and 1965** is a break-down report issued by the U.S. Department of Labor. Trends in work-injury experiences are summarized in the introduction to the 30-page bulletin. The item is free by writing 199 on your reader service card.

• **Noise Control** is an illustrated booklet published by E. D. Bullard Co. describing Com-Fits. These ear plugs are packaged in a non-breakable case and fit all ear sizes. For a copy of the booklet, write 215 on the reader service card.



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SAFETY/PERSONAL (cont'd.)

• Information is now available on the **Atlas Sure-Stop Rope Grab**. The flier illustrates ways in which this safety device guards against slips and fatal falls. To receive a free copy write 217 on the reader service card.

• Se-Kure Controls, Inc. has released informative material on its protective devices. Traffic safety and elevator mirrors and detector reflectors, for safer walking around corners, are some of the items described. A cord control which allows customers to touch, but not purloin, items on display is also illustrated along with closed-circuit television equipment. To receive the material, write 198 on the reader service card.

• The H. E. Douglass Engineering Sales Co. has released a chart illustrating the effectiveness of **Sound Sentry** in protecting hearing by reducing sound intensity. These canal caps have been designed to combine maximum hearing protection with comfort and safety. The caps are made of neoprene and attenuate all frequencies throughout the audio range to sound levels that can be tolerated comfortably. Only extremely loud noise levels overcome the protection of the Sound Sentry. For a copy of the chart, write 220 on the reader service card.

• Several new instructional films and slide presentations have been produced by the National Society for the Prevention of Blindness, Inc. **Rx for Eye Safety** is a color slide unit dealing with prevention of eye damage and loss of sight through safety eyeglasses, first-aid procedures, and other proved sight conservation measures. **Don't Push Your Luck** is an award-winning film depicting the true story of one on-the-job accident which needlessly caused a man to lose his sight. Also included in the descriptive brochure are brief listings for other films. **Eye and Face Protection in Chemical Laboratories** is a 16 mm color/sound picture based on safety-shielding investigations and research. For more information write 210 on the reader service card.

• **Cap-mounted Hearing Protectors**, produced by Safeline Products, are described in an illustrated flier, 222 on the reader service card. The protectors adjust automatically to fit anyone and can be mounted on any leading safety cap. Ordering information is included in the literature.

• **Where Do You Wear a 3M Filter Mask?** is a color flier telling the various elements against which the mask will protect workers. Performance facts on the mask are also listed for areas such as ease of breathing, weight, filtering area, strap pressure and speech intelligibility. For a free copy of the brochure, write 211 on the reader service card.

• The Wagner Sign Service, Inc., has published a four-page brochure describing uses of its signs for safety slogans and incentives in and around the plant. The **Changeable Attraction Board** is an effective means of communication with employees and can be changed daily or more often. For information on different styles, write 223 on the reader service card.

• Use of colored hose for quick and safe identification of what is what in the plant is advanced by Uniroyal in a release on **Uniroyal P-5120 Oil Hose**. This is part of the first system of functionally colored hose. Orange, for instance, is used for petroleum products. Write 221 on the reader service card to receive a free copy of the explanatory flier.

• A booklet and an article will provide information on how to care for sling chains properly. **Sling Chains: Care, Use and Inspection**, illustrates correct lifting procedures and contains a chart showing maximum allowable wear at any point of link with various sizes of chain. Further safety methods are detailed in **Inspecting Sling Chains**, by G. F. Grace of the Columbus McKinnon Corp. Copies of both are free by writing 219 on the reader service card.

• The Inter-American Safety Council 1969 Catalog of safety films, and posters has been released by the New York-based group. Posters and films are designed to reach Spanish- and Portuguese-speaking employees to facilitate plant safety. The illustrated 52-page catalog is printed in Spanish with English translation sheets and order forms. It is free by writing 183 on the reader service card.

• Information on the **American Industrial Hygiene Assn.**, a group composed of professionals trained in the recognition and control of health hazards and the prevention of illness related thereto, is available by writing 212 on the reader service card. Any company or organization having an interest in industrial hygiene may become an Industrial Associate and keep up to date on the latest developments in the field.

• According to the National Safety Council, injuries to the trunk comprise 28% of all work injuries and 33% of all compensation. A unique wooden training aid, called **Lifty**, has been devised to demonstrate to employees why lifting should be done with the legs and not the back and to show how to prevent hernias and back injuries. The 24" high "Lifty" is painted green, white and red and is available for \$24.50 by writing Training Aids, 235 Iroquois Rd., Hillside, Ill.

• **Testing for Public Safety**, among other things, tells how Underwriters' Laboratories Inc. tests various materials, devices, constructions and methods to combat life, fire and casualty hazards. Released by Underwriters Laboratories Inc., the booklet is available by writing 174 on the reader service card.

• **You REALLY Don't Have an Employee Drinking Problem . . .** presents seven pertinent facts on alcoholism and answers eight revealing questions about the disease. It is free from the Illinois State Chamber of Commerce by writing 225 on the reader service card.

• A portable odorant measurement instrument, **Odorometer**, is described in a brochure released by Johnson-Williams Products, Bacharach Instrument Co. The machine is a safeguard against explosions and the danger of people being overcome by gas by insuring that the odorant level is sufficient to enable the gas to be detected by its distinctive smell. The smell does not necessarily indicate the degree of flammability but it does warn of the presence of gas. The brochure may be obtained by writing 205 on the reader service card.

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info for buyers

SAFETY/PERSONAL (cont'd.)

• A 35-page booklet, **A Basic Outline for a Company Program on Alcoholism**, is provided as a public service by the Christopher D. Smithers Foundation, Inc. It discusses recent progress in the study of alcoholism and provides a chart on the stages of the disease and what businessmen should do about them. Write 227 on the reader service card.

• A handy **Emergency First Aid Instruction** sheet is offered by the Mid-America Chapter of the American Red Cross. The item, which could be used as an employee handout or placed in centrally located work areas, lists emergency treatment for wounds, burns, stoppage of

breathing, heart attack, heat exhaustion, shock and other accidents and illnesses. The instructions are quickly read and easily understood. For free copies write 231 on the reader service card.

• **APA Guidelines for Psychiatric Services Covered under Health Insurance Plans** is a 32-page booklet designed to aid parties negotiating to improve coverage for mental disorders. A free copy of this booklet, released by the American Psychiatric Association, may be obtained by writing 179 on the reader service card.

SAFETY/FIRE

• With the use and production of plastics steadily increasing it is

necessary to understand their fire hazards and how they react in a fire. Plastics manufacturers and converters emphasize the harmlessness of their products but more and more cases occur which involve plastics, directly or indirectly. **Fire Insurance of Plastics** is a 26-page book prepared by Swiss Reinsurance Co., Zurich, which discusses, with examples, these hazards and presents a classification of toxicity, corrosiveness, combustibility and smoking potential of the most common plastics. Copies are \$1 each from the North American Reinsurance Corp., 245 Park Ave., New York, N. Y. 10017.

• A one-page pamphlet on the **Atlas Fire Escape Ladder** would make a useful employee handout and keep workers informed of easy and inexpensive ways to protect their families from home fires. For a sample, write 206 on the reader service card.

• Guardsman Corp. has made available information on its **Fire Detector & Alarm Units**. These are made in five anodized colors, are completely mechanical, unconditionally guaranteed and have a permanent thermostat (bi-metallic). To receive the literature, write 196 on the reader service card.

• **Fire-Alert, Model FT-100**, has been designed by Walter Kidde Co., Inc. to detect a fire in its incipient stage for positive early warning. Utilizing an ionization chamber and solid state circuitry, the mechanism operates on a sampling basis and signals alarm when definite products of combustion, visible or invisible, are detected. A sensitivity control permits adjustment of the device over a wide range of the detection spectrum. For more facts, write 216 on the reader service card.

• The National Fire Protection Assoc. has published the **Life Safety Code 1967**, dealing with life safety from fire and like emergencies. The booklet is available from National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110, for \$1.50.

• **You and Emergency Fire Control** is an illustrated employee educational folder released by the National Fire Protection Association. It urges employees to be prepared for any kind of emergency which might hit their business and advises giving priority to learning how to operate portable extinguishers and other fire fighting equipment and to knowing fire exit routes. Another booklet, **Here's Your Inspection 'Tool' Kit**, provides a check list for ridding work areas of common but dangerous fire hazards. Sample copies of both are free by writing 167 on the reader service card.

• **Firesafety Fundamentals — Vol. 1, When Fire Strikes**, gives step-by-step action to take after discovery of a fire. It discusses the four types of fire and the various kinds of extinguishers commonly used and their operation. The automatic sprinkler system is explained and points on prevention are listed. Single copies of the booklet are free from the Publications Dept., Factory Mutual Engineering Corp., by writing 229 on the reader service card.

• The National Fire Protection Assn. offers its booklets **Installation of Portable Fire Extinguishers and Maintenance and Use of Portable Fire Extinguishers** for \$1.00 (new 1968 editions) each. The guidebooks are available by writing Mr. Deuel Richardson, Public Relations Mgr., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110.

• Three booklets produced by Honeywell will be of particular interest to the man responsible for the corporate safety program. **Fire Detection and Alarm** explains the reasons for and approaches to fire protection and compares the advantages of watchmen and various automatic systems. **Building Security** reviews security systems designed to protect areas, buildings or objects from burglars, intruders and fire. It also discusses the technology of these systems and equipment monitoring. **Preventive Maintenance** is a guide on maintenance for automatic control systems and mechanical systems and tells how a scientific program can prevent costly and unexpected building system failures. All are available by indicating 104 on the reader service card.

• **Fire Attack 2—Planning, Assigning, Operating** is written by Warren Y. Kimball, chief fire service specialist for the National Fire Protection Assn. The 240-page book is especially for company officers, training officers, chiefs and their deputies and discusses the best possible decisions in organizing and operating their forces. The illustrated book is hard bound and is a sequel to **Fire Attack 1—Command Decisions and Company Operations**. Chapters are devoted to fire flow under various conditions, initial attack operations, effective organization and design and arrangement of equipment. Copies are available from the association at 60 Batterymarch St., Boston, Mass. 02110 for \$6.50.

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SAFETY/FIRE (cont'd.)

• An illustrated 27-page booklet, **Safe Schools**, is available from the American Insurance Association for 20¢. It explains specific fire hazards in new and existing buildings and lists recommendations for their elimination. Details of necessary fire protection equipment are given and it is recommended that fire drills be conducted monthly. A program for accident prevention and rules for precautions in various types of classes are provided. Write the association at 85 John St., New York 10038.

• **Ansul Fire Protection Products** is an 11-page booklet available free by writing 213 on the reader service card. The equipment selector index lists fires by class and categorizes at a glance the types of equipment needed to solve their particular problems.

• **NFPA Standards-making System** is a concise description of the processes involved in developing standards for fire prevention and protection. The 16-page booklet covers the ten basic steps in the system, reasons for some technical committee procedures, amendment of standards and their correlation with those of other organizations. For a free copy write 169 on the reader service card.

• **Design Data** is an informational booklet for safety managers on fire resistance of gypsum products. Material is presented in chart form and fire protection requirements for insurance are explained. A flame spread rating list is included. Single copies are free from the Gypsum Assn. by writing 241 on your reader service card.

• The **Ansul Magnum Model 450/100TW Quick Dash** is a rescue vehicle utilizing fire-extinguishing and securing agents. The model is designed for use with minimum manpower and can protect a wide range of hazards and retain maximum mobility as a solid, compact, integrated fire-fighting system. For more detailed facts, write 204 on the reader service card.

• **Automatic Fire Protection Systems** is a pamphlet that has been published by Safety First Products Corp. describing its free-flow and uni-chem, all-purpose (ABC) dry chemical. The product increases the dry chemical flow rate, which automatically increases the fire extinguishing power. At the same time, it simplifies piping layouts and eliminates complicated calculations. For a copy of the pamphlet, write 207 on the reader service card.

• Designed for mailings, handouts and distribution to employees is a folder covering a ten-point program of safety practices which will keep workshops safe from fire. Released by National Fire Protection Assn., a sample copy is available without charge by writing 168 on the reader service card.

• **Recommendations for General Management Responsibility for Effects of Fire on Operations** (1967 edition) covers the responsibilities of the president, members of the executive committee and others in policy-making positions. Also outlined in this National Fire Protection Assn. booklet is a method for evaluation of loss possibilities. The booklet is available at 50¢ per copy. Write: National Fire Protection Assn., 60 Batterymarch St., Boston 02110.

• **Operation EDITH, Exit Drills in the Home**, a 16-page booklet on home fire safety, which can be used for employee distribution, is available at 2¢ per copy from American Mutual Insurance Alliance, Room 2140, 20 N. Wacker Dr., Chicago 60606. Single copies are available free by sending a stamped, self-addressed envelope.

• A revised edition of the **Industrial Fire Brigades Training Manual**, 150 pages, is available for \$5.00 a copy from the National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110. It covers organizing and training a property fire brigade, fire fighting practice with automatic sprinklers, fire causes and hazards, fire extinguishers, and many other subjects important for plant protection. The book is illustrated with photos and drawings. For information on quantity order discounts, contact the association.

• A useful manual on fire protection is available from the Albi Manufacturing Co. The brochure explains technical aspects of fire protection and their relation to code and insurance requirements. **Specifying Fire Protection with Intumescent Coatings** also provides a quick reference to the area of operations of leading organizations involved in fire prevention and fire protection activities. A copy is free by writing 116 on your reader service card.

• Information on fire, explosion and health hazard characteristics of chemicals and materials is available in the second edition of the **Fire Protection Guide on Hazardous Materials**. This 800-page book, recently published by National Fire Protection Assn., is sold for \$4.75. Write: Publications Service Dept., National Fire Protection Assn., 60 Batterymarch St., Boston 02110.

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SAFETY/FIRE (cont'd.)

• An article entitled **How to Buy a Fire Engine** is available in single copies from American La-France, a division of Automatic Sprinkler Corp. of America. The company is the world's largest manufacturer of fire apparatus. The article is written in layman's terms and will be of interest to those considering formation of a company fire brigade. Write 238 on the reader service card.

• For information on different fire detection devices and how and where to use them, write for the new booklet **Pyr-A-Larm Fire & Smoke Detection System**. It explains the principal cause in large-loss fires and points out the special application problems of hospitals, computers, schools, manufacturing areas, warehouses and utilities. The booklet, 254 on the reader service card, is published by Pyrotronics, Inc.

SAFETY/ROAD

• For a number of years, efforts to control drunken drivers have been based on a blanket approach—"If you drink, don't drive; if you drive, don't drink." Many experts now say this approach is inappropriate for certain large groups of drinking drivers. **The New Strategy against Drunken Drivers** is a four-page reprint from the Journal of American Insurance which explains this new thinking. Single copies of the American Mutual Insurance Alliance booklet are available free by writing 129 on the reader service card.

• Several films on traffic safety, crime prevention and training are presented in a brochure from Edcom Productions. All films are 16mm and can be purchased directly from Edcom or through the Highway Safety Foundation. The price listing is available by writing 121 on your reader service card.

• **What You Can Do about Drinking and Driving** is a short brochure released by the Insurance Institute for Highway Safety. The letter-size leaflet, used as an employee handout, provides facts on the misuse of alcohol and focuses attention on the national highway safety standard on alcohol in relation to highway safety. The IIHS offers the leaflets in lots up to 1,000 at no cost by writing 250 on the reader service card.

• Material on the Markel Service, Inc. **Road Patrol Service** is free by writing 189 on the reader service card. The service is offered nationwide to truck fleet operators and the cost is \$3.50 per report, the maximum number of which can be specified in advance.

• **Driver Engineering Service** gives a detailed explanation of the driver training program offered by Allstate Insurance Co. for company personnel. The two-day course includes six hours behind the wheel of a simulator trainer, ten hours of classroom instruction and testing and two hours on the road. For a free copy, write 181 on the reader service card.

SECURITY

• **Embezzlement Controls for Business Enterprises** features a check list of internal control procedures compiled by the Fidelity

and Deposit Co. Other chapters are devoted to fraud exposure, cash receipts and disbursements, electronic data processing and honesty insurance protection. Individual copies are free by writing 228 on the reader service card.

• For information on the new Detex entry control system, **Dentco**, write 110 on the reader service card. Authorized personnel only are permitted to enter areas when an electro-magnetic card control sensor is mounted next to the door. A coded card inserted in the unit completes a low-voltage electric circuit, which opens the door. It is practically impossible to decipher the code card so the danger of duplicates would be at a minimum. Code changes are easily made.

• Normda Industries, Inc. manufactures a **Silent Sentry Intruder Detector** and **Automatic Telephone Dialer** which work on an AC outlet. The detector unit fills a 14' x 18' room with a wall-to-wall ultrasonic screen that detects the slightest motion. The alarm is an electronic signal that's sent along a single-pair telephone line to a central switchboard or monitoring station. The intruder does not know that he has been detected until he is apprehended. For further details write 103 on the reader service card.

• **Does Your Company Need "A Changing of the Guard"?** is a booklet published by the William J. Burns International Detective Agency Inc. and available by writing 236 on your reader service card. It explains four basic techniques for guard replacement developed through working with hundreds of clients.

• **Detex Property Protection Manual** is a pocket-sized guide for both employers of protection personnel and the guards themselves. It includes information on dangers to watch for, how to set up a guard's tour and first aid, among other things. Prepared by the Detex Corp., single copies are available free by writing 135 on the reader service card.

• A catalog and 12-minute record entitled **Instant Photo ID Systems** have been released by Avant Inc. The catalog gives detailed cost analyses for four basic instant photo ID systems, including the initial equipment, supplies and estimated labor involved. The record analyzes pitfalls to be avoided and is based on eight years' experience with more than 65,000,000 users to date. The information is available from the company by writing 120 on the reader service card.

• **Ten Ways to Increase Profits with Concord Closed Circuit Television Systems** is free by writing 191 on the reader service card. Communication of employee benefits is one of the possible uses for these closed circuit televisions. Discussion is given to surveillance, security and production control facets of the television circuits, which are manufactured by Concord Electronics Corp.

• An upward-acting security door, designed to meet the demands of industries, wholesalers and retailers, is detailed in a four-page brochure offered by the Crawford Door Co. **Crawford Security Door** describes the wood sandwich construction, tamperproof locking device, and exclusive vertical cable support. The brochure is available free by writing 187 on the reader service card.

How
these shoes
from Italy
helped save
medicine
for Peru



SECURITY (cont'd.)

• An intruder detection system designed for total-premise protection utilizes special microphones or existing intercoms to give early warning of forced entry through doors, walls, roofs and windows. **Detectalarm** units can also draw attention to intruders who stay behind after buildings are closed. Vibration, smoke, fire, flooding and freezer monitoring sensors can be added to this security system. For more details, write 255 on the reader service card. This booklet is released by Alarmtronics Engineering, Inc.

• The electric wastebasket **Executive Furniture Model** is a teakwood basket that performs ordinary duties and can also shred important papers immediately after use. For an illustrated brochure write 245 on the reader service card.

• Descriptive literature and prices for **Security Locks and Access Control Systems** is free by noting 190 on the reader service card. Two years of field trials have proved that these locks eliminate access and key control problems and users are assured of positively locked doors at all times. Optional electrical features permit local and remote supervision of entry, exit and security of doors during operating as well as off-duty hours with one composite installation.

• **Record Retention Timetable** is a chart which lists over 125 different types of office records, together with a list of government authorities and the specified time the law demands that records be kept. Along with the chart, released by Electric Wastebasket Corp., is a two-page article describing the steps in a paper disposal program. Write 134 on the reader service card.

• **Microwave Intruder Detector** protects plants, storage areas, warehouses and many other facilities from intruders. The protected area is filled with a microwave energy field. Human movement within the field triggers the alarm circuits. A single unit can protect a corridor up to 300' long or an open area of up to 10,000 square feet. Standard single zone system costs approximately \$700. Descriptive literature, price lists and application notes are available from Advanced Devices Laboratory by writing 192 on the reader service card.

• The many uses for a two-way radio, as a security measure for company guards or to cut down on driver mileage and therefore on costs, are explained in a General Electric Co. booklet, **What You Should Know about Two-way Radio**. The item, which describes operation and legal aspects, is free by writing 233 on the reader service card.

• A free bulletin, **Burglars or Vandals Can Break into Your Building Tonight!**, has been published by "Automatic" Vandalarm. The four pages explain a new approach to alarm systems using sound detection at points of entry. This method can detect mechanical failures and disasters as well as vandals. To receive a copy, write 232 on the reader service card.

• **How to Reduce Embezzlement Losses** is a 52-page, illustrated book released by Royal-Globe Insurance Cos. It organizes materials familiar to accountants and others in the field in such a manner that those involved in establishment of internal controls can check current systems against safeguards presented in the book. The book stresses separation of duties and periodic review to ensure that the system remains effective, along with surprise audits as an embezzlement deterrent. The guide is

available for \$1 from Miss M. Jordan, Fidelity-Burglary Dept., Royal-Globe Insurance Cos., 150 William St., New York 10038.

• **Detex Exit Alarm No. 504R** is a self-contained exit alarm which sounds whenever a protected door is opened by unauthorized persons. Keys are issued to authorized personnel so that the alarm can be temporarily disarmed. An outside key switch is also available for authorized entry. For further details write 109 on the reader service card.

EDP INSURANCE

• Information on a new EDP record vault is available from Wright Line. The vault, manufactured by Schwab Safe Co., carries the Underwriters' 150°, two-hour label for storage of EDP media. Interior temperature and humidity can be held well below the 150°F 85% R.H. limit at which read out errors and losses can occur even when the vault is exposed to a raging fire for up to two hours. For material on the **Data-bank Safe** write 246 on the reader service card.

• **Electronic Computer Systems** gives an indication of the major areas of consideration and a basis for an intelligent evaluation of fire protection requirements for electronic computer systems. This 30-page booklet is sold for 75¢ (new 1968 edition) by National Fire Protection Assn., 60 Batterymarch St., Boston 02110.

• A copy of an article by Haig G. Neville, Total Insurance Planning Center, is free by writing 208 on your reader service card. The article, **Insurance for Data Processing**, discusses what the risk is, the importance of backup arrangements and the coverage available. It deals with errors and omissions liability and loss arising from interruption.

• **Standard for the Protection of Electronic Computer/Data Processing Equipment (NFPA No. 75)** is now available for 75¢ from the National Fire Protection Assn. The 36-page booklet reflects 1968 changes for the minimum requirements for protection of equipment from damage by fire and its associated effects. It applies specifically to installations which require special construction or protection. Write the association at 60 Batterymarch St., Boston, Mass. 02110.



An East Coast importer of Italian shoes suffered severe losses from pilferage. He called MOA for help.

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CIVIL DISORDER

• **Riot and Your Business** is a six-page booklet which discusses the riot problem and business, a long-range protection plan and emergency protective measures. Released by Kemper Insurance Cos., a free copy may be obtained by writing 142 on the reader service card.

• **The Dangerous Years** is a 27-minute documentary film exploring juvenile crime in our country. Interviews and real-life situations are employed in seeking a solution to this present-day problem. The film, together with two supplementary brochures, is offered by Kemper Insurance. For information on ordering write

145 on the reader service card.

• Insurance Company of North America has prepared **Urban Unrest & Crime Control: Recommendations for Policyholders**. The five-page brochure, free by writing 194 on the reader service card, discusses the fact that business survival is at stake and lists protective measures to be taken for customer and employee safety.

• **What You Can Do if Riots Occur Again** is a fold-out brochure of tips for business, commercial and industrial establishments. It is released by the Travelers Insurance Cos. and contains a list of 16 things that can be done now and six things that can be done

when you learn of an impending riot. For a free copy write 113 on the reader service card.

• **Riots—Potential and Preparedness** is an illustrated paper released by the Kemper Insurance combined property department. It defines an emergency program as one which will "establish procedures to insure an orderly transition from a state of normality to one of readiness, with a minimum of confusion, when confronting emergency situations." Topics covered include starting points, riot potentials, local emergency plans and drills. For a free copy write 243 on the reader service card.

• **Property Protection during Civil Disturbances** is a detailed check list from Factory Insurance Assn. Organizational planning and protective equipment are the two main topics of the

brochure, which was designed to help plant managements develop appropriate emergency plans. Copies may be obtained by writing 117 on the reader service card.

• EBS Management-Consultants Inc. has made available copies of an article entitled **Riot and Civil Commotion—Insurable or Not?** The paper, by Warren G. Brockmeier, J.D., shows concern for the corporate insurance buyer and his problems and discusses, among other things, municipal liability and individual riot-loss prevention. It ends with a proposed solution to the problem. The article is available by writing 111 on the reader service card.

• **Company Planning with Respect to Riots or Other Civil Disorders** is a 14-page memorandum on insurance involvements in riot in urban slum areas. The study, made by a council of insurance managers of leading companies, is a guideline manual and suggests a checklist for company planning and offers a section on emergency procedures. The report is available to MAPI members for \$1 and to others for \$2. Write Insurance Council, Machinery & Allied Products Institute, 1200 Eighteenth St., N.W., Washington, D.C.

• A pamphlet outlining steps that can be taken by businessmen to protect their employees and property in times of civil disorder has been published by the American Insurance Association. **Riots** contains suggested loss prevention procedures for both large and small properties, including protection of store fronts and merchandise, provision for fire-fighting equipment, maintenance of vital bookkeeping information and communications procedures. Single copies may be obtained free by writing 163 on your reader service card.

• **Is There a Hole in Your Umbrella?** discusses the fact that certain risks of loss are not covered by the ordinary umbrella policy unless special features are included in the contract. The booklet, published by the Chicago Board of Underwriters, costs \$1. You may obtain a copy by writing the board at 175 W. Jackson Blvd., Chicago, Ill. 60604.

REHABILITATION

• **What a Man Is Worth** describes the nature, work and

goals of the Insurance Company of North America MEND Institute, established in 1966. The program is a pioneering effort to salvage and rehabilitate the disabled and retarded and to find ways to prevent accidents and losses that would cause people to become disabled. A copy is available by writing 193 on the reader service card.

• **Scope, Objectives and Functions of Occupational Health Programs** is free on an individual basis from the Council on Occupational Health of the American Medical Assn. The eight-page brochure details objectives, activities, organization and staffing of occupational health programs. To receive your free copy write 203 on the reader service card.

• Individual copies of **Employment of the Handicapped**, a policy statement of the American Medical Assn., are free by writing 202 on the reader service card. Points necessary for the successful employment of the handicapped are listed in the four-page brochure.

• **Guide for Emergency Care and Health Services for Construction Workers** has been devised by Employers Insurance of Wausau to help contractors minimize medical and compensation insurance costs and to bring about earlier return to productive work of their rehabilitated employees. Single copies of the six-page booklet are available free by writing 150 on the reader service card.

• **Hiring the Handicapped: Facts & Myths** is a pamphlet which explains away the misconceptions about handicapped workers from the insurance point of view. Single copies of the brochure, released by the American Mutual Insurance Alliance, are free by indicating 128 on the reader service card.

• **A Business of Questions**, released by Insurance Company of North America, is a 27-page booklet that asks questions about rehabilitation, the inner city, industry, the automobile explosion and modern business and answers them from INA's point of view. Copies are available at no charge by writing 195 on the reader service card.



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• A series of informative booklets and brochures explaining benefits and features of mutual funds from the investor's point of view is available to insurance companies which have entered or are planning to enter the mutual fund field. A catalog and price list may be obtained from the Investment Co. Institute by writing 300 on the reader service card. The materials included are: Mutual Fund Fact Book; The Money Managers; Investing Made Easy; A Woman's Guide to Mutual Funds; Professional Money Management for the Professional Man through Mutual Funds; Planning Your Retirement through Mutual Funds; Mutual Fund Shares—An Aid to Profit Sharing and Pension Plans; Retirement Plans for the Self-employed through Mutual Funds.

• **25 Questions to Ask in Selecting the Bank to Manage Your Employee Benefit Fund** is a 15-page booklet offered by The Northern Trust Company. It answers the frequently-asked questions of those considering the establishment or up-dating of a benefit fund about their prospective corporate trustees or investment advisors. It is free by writing 182 on the reader service card.

• **Employee Consultation Service Program** is an eight-page booklet describing the free services offered by the Michigan Life Insurance Co. in getting employees to understand and appreciate the value of fringe benefits provided for them through Social Security, workmen's compensation, vacation benefits, and group insurance. The program helps employees to see and understand the total compensation program. A copy is free by writing 102 on the reader service card.

• A 22-page book published by Avocational Guidance Inc., **Industry's Undeveloped Asset: The Employee's Non-working Hours**, discusses the relationship between satisfactory leisure time and employee mental health and on-the-job productivity. The company, a subsidiary of Computer Research Inc., puts forth the limits of traditional approaches to non-working time activities in comparison with the computer and scientific method to development of dormant talents and aptitude testing. The book may be obtained by writing 242 on the reader service card.

• **The Total Approach to Employee Benefits** offers the professional risk manager insight and assistance in resolving specific questions related to funding, administration, plan design, communication and cost control. Written by Arthur J. Deric, this book, published by American Management Assn. Inc., is available to members in hardcover at \$5 per copy; \$7.50 per copy to nonmembers. Write: American Management Assn. Inc., 135 W. 50th St., New York, N. Y. 10020.

• **Your Insurance Program: An Impartial View** is an explanatory brochure put out by Corporate Policyholders Counsel, Inc. Reasons for using an insurance consultant are detailed and objectives of the CPC team approach to developing a property and casualty program are listed. Employee benefit programs are also discussed. For a free copy write 248 on the reader service card.

• **A Modern Concept in Employee Relations for the Forward-looking Employer** is information compiled by Northwestern National Life Insurance Co. It explains why some fringe benefits are appreciated and why some are not and is designed to educate employees both to their benefits and to their employer's costs. The solutions presented are now being used by nearly 50 employers coast to coast. For your free copy write 176 on your reader service card.

• **Benefits for Active and Retired Workers Age 65 and over, Early 1968 (Bulletin 1502-1)** is a supplement to **Digest of 100 Selected Health and Insurance Plans under Collective Bargaining, Early 1966 (Bulletin 1502)**. It also updates benefits for retirees. The 98 plans in Bulletin 1502-1 are representative of all plans under collective bargaining and the number of workers covered ranges from 1,000 to several hundred thousand. It is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 for 40¢.

• **Employee Benefit Awareness** is designed to help employees better understand the nature, effectiveness and value of their group life and health insurance benefits. Published by Northwestern Life Insurance Co., a copy of the booklet may be obtained by writing 175 on the reader service card.

• In response to expansion of government activity in the U.S. and Canada, new private coverages, changes in valuation laws and regulations and changes in the annual statement blank, the Society of Actuaries has released a new edition of its textbook, **Health Insurance Provided through Individual Policies**. The most substantial changes are in chapters on benefits and policy provisions, policy forms and annual statements. The volume may be ordered from the Society of Actuaries, 208 S. La Salle St., Chicago 60604.

• **Dental Prepayment—A Method of Financing the Cost of Dental Services** answers 14 questions about dental prepayment ranging from its definition to an explanation of types of plans. It is available free from the Council on Dental Care Programs by writing 180 on the reader service card.

• **Health Insurance for People 65 or Older** is a brief explanation of Medicare and includes 1967 amendments. As well as discussing what is covered under Medicare, a list of those things not covered is given. Procedure for dropping out and re-enrolling is detailed. The booklet is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 for 10¢ a copy.

• **Sourcebook of International Insurance and Employee Benefit Management**, published by the American Management Assn., describes Social Security programs, insurance laws, customs, regulations and practices of various countries. The publication costs \$7 for AMA members and \$10.50 for nonmembers. Write: American Management Assn. Inc., 135 W. 150th St., New York, N. Y. 10020.

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EMPLOYEE BENEFITS (cont'd.)

• **International Insurance and Employee Benefit and Pension Management** offers seven separate articles highlighting various phases of international insurance. Published by American Management Assn., copies are \$4.50 to nonmembers and \$3 to members. Write: American Management Assn., 135 W. 50th St., New York, N. Y. 10020.

• The Union Mutual Life Insurance Co. has put together a descriptive folder on long term disability. It gives an employer some basic knowledge on the long term disability product. The booklet explains why LTD is the fastest growing employee benefit and how the benefit works. Copies can be obtained by writing

186 on the reader service card.

• For a free copy of the Lincoln National Life Insurance Co.'s booklet on its **Group Ordinary Life**, write 251 on the reader service card. The booklet uses a sample case to explain the rider attached to this group term life insurance. The rider gives each employee the option of having insurance with permanent values . . . both cash and paid-up . . . instead of the term plan alone.

APPRAISAL

• The **Boeckh Building Valuation Manual**, a three-volume set, will help insurance managers make decisions on proper coverage and valuations without the help of outside counsel. Each volume discusses depreciation

and valuation of land and includes information on land description and measurements. Material is organized according to occupancy and computer-produced cost tables reflect all unit-in-place costs converted to costs per square foot of floor or ground area. The complete set is \$99. Individual volumes are: Vol. I, Residential & Agricultural, \$38; Vol. II, Commercial, and Vol. III, Industrial & Institutional, \$44 each. To order the manual or to get additional information, write the Boeckh Div., The American Appraisal Co., 525 E. Michigan St., Milwaukee, Wis. 53201.

• **Ashes Are Not Evidence** describes the industrial appraisal services of the Fidelity Appraisal Co. Its 28 pages detail the coin-surance clause, variable insurance values, adjustment procedure and the various forms of

appraisals. The pamphlet may be obtained by writing 101 on the reader service card.

• Recently, factors other than the cost of reproduction less physical depreciation have been added to valuation consideration. The case-study method is used in **Values for Insurance Purposes** to point out these changes in determining property values. The 12-page booklet is free by writing 177 on the reader service card.

SOCIAL SECURITY/PENSIONS/SAVING PLANS

• **Private Pension Plans and Public Interest** acquaints readers with the issues which affect the future of private pension plans and serves as an information source on these issues. Published by Financial Executives Institute, a limited number of copies are available. For your free copy, write 155 on the reader service card.

• Hewitt Information Service, Inc. has revised their edition of an employee handout entitled **How the Stock Market Affects Your Profit Sharing Account**. The 12-page booklet answers questions on investment securities and their changeable prices through charts, graphs and analogies. Sample copies are free by writing 131 on the reader service card. A companion booklet, **How the Stock Market Affects Your Savings Plan Account**, is also offered.

• **Notes on Old Age Benefits under Social Security Based on 1967 Amendments (\$7,800 Maximum Earnings)** includes tables of maximum primary benefits for all years of birth and all retirement ages between 55 and 70. It is free by writing 130 on the reader service card. It is published by the consulting actuarial division of Alexander & Alexander Inc.

• The board of directors of the National Foundation of Health, Welfare & Pensions Plans, Inc. has made available copies of its seminar summary on **Reciprocity Portability**. The book discusses in detail two basic types of reciprocity, the "money-follows-the-man" type and "pro rata." A cost analysis of pension reciprocity

and variations from the basic plans are also included. Cost of the book is \$2.75 for foundation members and \$3.75 for nonmembers. Write the foundation at P.O. Box 898, Elm Grove, Wis. 53122.

• **1967 Study of Employee Savings Plans** is a 132-page comprehensive survey of employee savings plans which qualify for tax advantages. The book, released by Bankers Trust Co., is believed to include all saving plans adopted by large corporations in the United States, and also plans of several medium-size and small companies. It is free by writing 161 on the reader service card.

• The National Foundation of Health, Welfare & Pension Plans, Inc. has released its research report **Measuring and Reporting Investment Performance of Pension Funds**. The 34-page book, attempts to formulate professionally acceptable guidelines which boards of trustees could use to measure accurately the investment performance of their pension trust funds. Single copies are \$1.25; five or more copies are 75¢ each. Write Mr. Lee R. Polacheck, president, P.O. Box 898, Elm Grove, Wis. 53122.

• **Private and Public Pension Plans in the United States** is a new edition of an historical and statistical analysis of the American pension system. The booklet, released by the Institute of Life Insurance, covers insured and uninsured pension plans, retirement plans for civilian employees of government agencies, the railroad retirement system and the Social Security system. A free copy is available by writing in 299 on the reader service card.

• The National Foundation of Health, Welfare & Pension Plans, Inc. has published a collection of statements and opinions on **Trustees' New Responsibility in the Medicare Age**. The comments in the 113-page book are gleaned from seminars held by the foundation and do not necessarily represent the views of the foundation. Copies of the book are \$2.75 for members and \$3.75 for nonmembers. Write Mr. Lee R. Polacheck, president, P.O. Box 898, Elm Grove, Wis. 53122.

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SOCIAL SECURITY/ PENSIONS/SAVING PLANS (cont'd.)

• The Council of Profit Sharing Industries has released a 158-page, hard-bound book, **Successful Profit Sharing Plans, Theory and Practice**. Material is presented from the point of view of existing theory and management objectives, and a review of current practices and actual plans of the Council's 1,500 member companies are presented. The book is designed to be used by those concerned with management and operation of profit sharing plans and for those considering installation of a profit sharing plan. It sells for \$6.00. Write the council at 29 W. Wacker Dr., Chicago 60606.

• The American Society of Pension Actuaries has released a new instruction manual, **Actuarial Calculations of the Auxiliary Fund in Pension Plans Utilizing Whole Life Insurance**. The manual is written to enable the layman to compute the annual costs of any combination plan using simple arithmetic and is supplied free of charge to ASPA members. Single copies may be purchased for \$12 by writing: American Society of Pension Actuaries, 304 Sinclair Building, Fort Worth, Tex. 76102.

• **Comparing and Appraising Investment Performance of Pension Funds** is an 80-page book offered by the National Foundation of Health, Welfare & Pension Plans. The book is the sequel to **Measuring and Reporting Investment Performance of Pension Funds** and attempts to correct the fact that, often, invalid and/or inappropriate measurements are made and used for purposes of comparison. This research study explains how to reach valid conclusions drawn from valid comparisons. Single copies are \$1.25, and five or more copies sell for 75¢ by writing Mr. Lee R. Polachek, president, P.O. Box 898 Elm Grove, Wis. 53122.

• **What Every Businessman Should Know about Pension and Profit Sharing Plans** details the factors which induce a retirement plan, the factors which aid in choosing the type of plan best suited to the company and the funding of a retirement plan. This 40-page booklet, offered by the Provident Mutual Life Insurance Co. of Philadelphia, may be obtained by writing 185 on the reader service card.

• **The Handbook on Negotiated Multi-Employer Pension Plans** serves as a basic guide on plans negotiated between employers and trade unions. This 56-page booklet, published by the Institute of Life Insurance, includes legal requirements, plan design, cost analysis, financing, administration and a brief history of the development of such pension plans. For a free copy write 170 on the reader service card.

• **Recent Improvements in Social Security Disability Insurance Benefits** defines disability and benefits for workers disabled while young. Special provisions for the blind and new benefits for disabled survivors are also discussed. Copies are ten cents each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• **The FIAC Taxicon** is a check list to show an individual's tax liabilities in various pension and profit sharing plans offered by most employers. Prepared by the

First Investment Annuity Co. of America, the brochure also describes investment annuities as an addition to pension plans. The chart may be obtained by showing 226 on the reader service card.

• A free collection of pamphlets is offered by the Phoenix Mutual Life Insurance Co. **Facts You Should Know to Help Your Growing Business** contains seven pamphlets dealing with partnership, key executives, pensions, HR-10, the sole proprietor, and profit sharing. They are free by writing 224 on the reader service card.

LIABILITY

• **Product Liability** describes the problem from its beginnings in the 13th Century to the present when product liability cases have assumed massive propor-

tions. Also included in this booklet, issued by Kemper Insurance Group, is a detailed product liability loss control program and an outline of action to be taken if a product liability claim is made. Copies are available free of charge by writing 144 on the reader service card.

• The St. Paul Insurance Cos. have published a booklet entitled **The St. Paul's Umbrella Excess Liability Protection**. The brochure explains the protection and is illustrated with a chart. It is free by writing 237 on the reader service card.

• Basic precautions recommended to avoid product liability claims are offered in **The Gathering Storm: Product Liability**. Published by Employers Insurance of Wausau, a free copy is available by writing 148 on the reader service card.

• A new edition of the booklet **Statutes Affecting Liability Insurance** contains digests of state statutes relating to negligence actions and liability insurance coverage of interest and importance for claims work. All laws enacted during 1967 and a table of time limitations are included. Cost is \$3 plus applicable sales tax. Write: Editor, Law Publications, American Insurance Association, 85 John St., New York 10038.

• Eleven steps management can take to help protect the company against products liability losses have been outlined by the safety department of Michigan Mutual Insurance Co. in the pamphlet **Products Liability—A Guide for Management**. A copy is free by writing 105 on the reader service card.

• The Machinery & Allied Prod-

ucts Institute (MAPI) has published **Memorandum G-44, Products Liability, a Review for Executives**. The memo, available by marking 106 on the reader service card, discusses the nature and dimensions of the problem, considers the state of the law, identifies the common products liability hazards and suggests how they may be anticipated and avoided. A more comprehensive treatment of the subject is available in a book, **Products Liability and Reliability: Some Management Considerations**, which is reviewed in the memo. Price information is included.

• An area of growing corporate concern, the liability of officers and directors for errors and omissions, is reviewed in **Directors and Officers Liability Insurance**. The booklet, released by EBS Management Consultants Inc., is available free by writing 127 on the reader service card.

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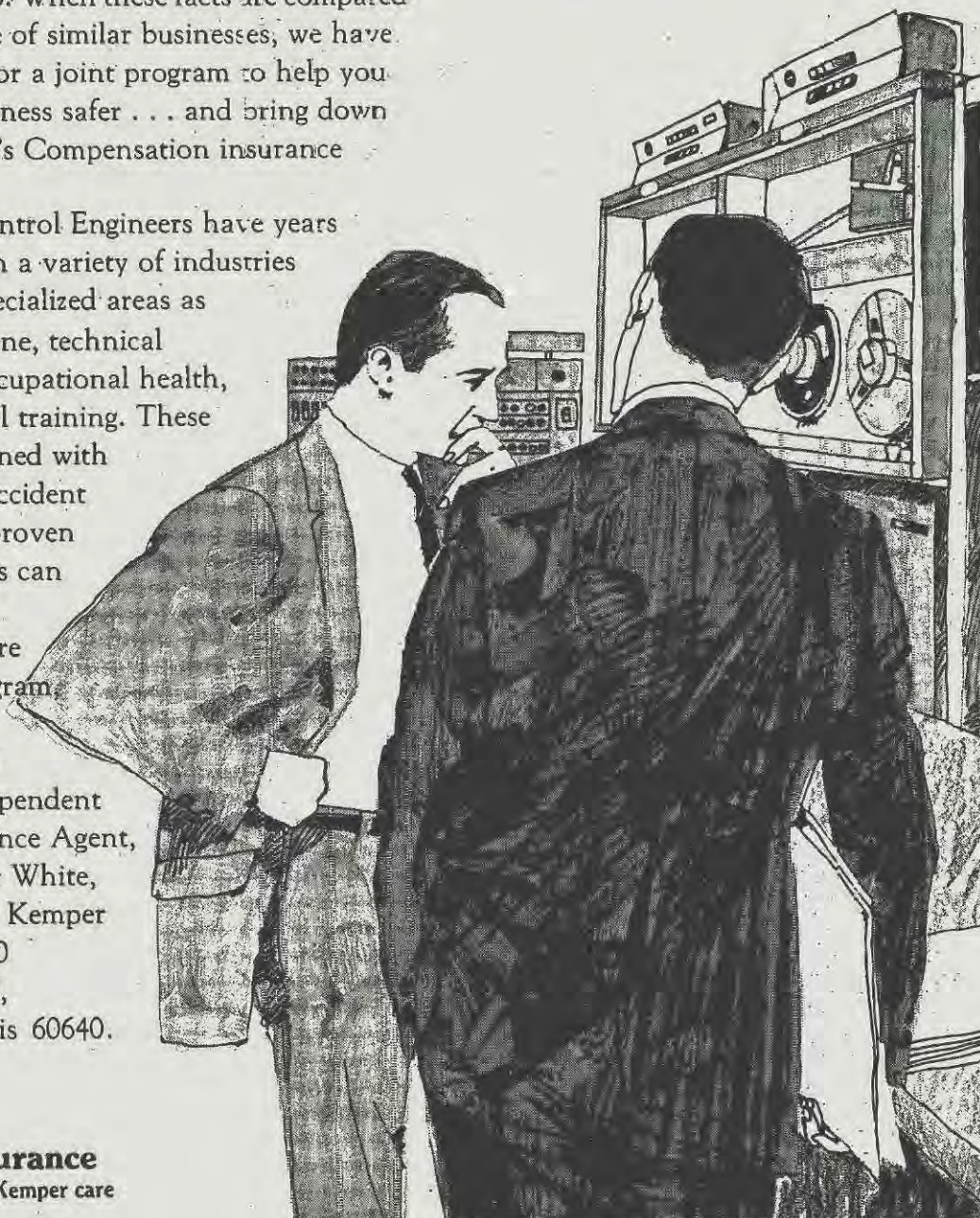
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A systematic approach to exposure analysis

by H. Felix Kloman,
assistant vp,
Alexander & Alexander



H. Felix Kloman

The evolution of insurance management into "risk management" depends heavily on a broader and more logical system for analysis of exposure to loss. The risk management process of risk discovery, loss control or prevention, self-assumption of risk and risk transfer begins with this logical and systematic analysis, yet there exist insufficient tools to do the job properly.

A definition of the scope of the risk management function and of "risk" itself is a proper starting point. The focus of risk management is on the "pure" rather than "speculative" risk; that is, on those fortuitous occurrences which can produce only a loss and never a profit. The effective management of these risks will enable corporate management to undertake other, more speculative, risks which can produce either profit or loss, hopefully the former.

Unfortunately, there is no clear-cut dividing line between "pure" and "speculative" risk. Some risk managers tend to restrict their activities to the management of those risks for which insurance is available. Others go well beyond such a restriction, arguing that certain aspects of the insurance technique, such as spread of risk, can be thoughtfully applied even though insurance is not used or is not available.

THE TREND IS CLEARLY towards the latter interpretation, as risk managers assume greater responsibility for the grey area between "pure" and "speculative" risk.

Risk has been defined as the chance of loss. It is a "combination of hazards which can be measured by probability and is therefore an objective state." However, there is always present the modifying subjective factor of uncertainty, a state of mind which is measured by the degree of belief. The 4-year-old child who steps from the second floor window secure in his confidence that he can fly will just as certainly crash to the ground

below, a victim of some irresistible laws of probability. Subjective certainty (or uncertainty) seldom affects the true objective state of risk.

Thus effective risk management is absolutely dependent upon knowledge and information—accurate and relevant information! Lack of knowledge may increase the subjective certainty that loss will not occur, but this is a weak shield indeed. Only through a thorough and painstaking and continuing evaluation of exposures to loss can the risk manager objectively analyze and effectively manage those risks for which he is responsible. As pointed out in a recent issue of *Financial Executive*, "No amount of intelligence, know-how, technical skill or ability can produce a sound decision if the basic data is inadequate."

THE RISK MANAGER HAS many sources for this data. The annual report, including the balance sheet and earnings statement, can be supplemented by reports of securities analysts, ratio analyses for selected industries, other outside reports, plus internal statistics, charts, maps, blueprints and contracts.

Liaison and communication with sources outside his corporation is a necessity, as new exposures may be created by such things as changes in the weather, climate or technology. For instance, scientists now recognize the significant effects of the sunspot cycle on the paths of hurricanes and on the accident susceptibility of various individuals. New interpretations of old statutes may create new exposures where none existed previously, as, for example, in the ruling that a heart attack may be compensable under compensation laws.

The bulk of a risk manager's information, however, will come from internal sources in answers to questionnaires and through personal interviews. These sources may include personnel at various plants who have no direct connection with insurance, including such functions as accounting, legal, sales, purchasing, traffic, research and engineering, personnel, industrial relations, quality control and advertising. The creation of a network of data sources who look with favor and interest on the inquiries of the risk manager is an ideal seldom achieved but worthy of effort.

Information is communication and it is definitely a two-way proposition. Not only must the risk manager ask for data, he must indicate why the information is necessary, what he has done with it, and how his decisions and actions can benefit directly those who supply his data. Once a risk manager's sources understand his objectives, the information-seeking part of his job is more than half completed.

Numerous "risk analysis" or "exposure" questionnaires have been developed over the years to assist the risk manager in his first steps toward the discovery of exposures to loss and his subsequent evaluation of the financial risk to his corporation. The term "exposure questionnaire" is probably more appropriate, since "risk" analysis cannot begin

until the exposures have been set forth in a clear and logical manner. The function of this "exposure questionnaire" then is to supply the risk manager with the information on which he can make an effective and economic management decision.

It should be used as a guide, not as a crutch. There is also the practical limitation that too much time devoted to the accumulation of information will not only leave the major portion of his responsibility undone, but will unnecessarily alienate others within the organization who want to get on with their own jobs. Thus an "exposure questionnaire" should be as brief and succinct as possible.

Unfortunately, most standard questionnaires which are readily available to risk managers have the common failing of being overly-long and of over-emphasizing the accumulation of "underwriting" information, rather than the broader aspects of risk. Dependence upon such questionnaires may lead to solid data for the types of insurance which are generally available in the market, but unusual exposures may well be overlooked. These forms may also lead to preconceptions which can be dangerous. The problem is to find a form which will lead the questioner to look beyond the obvious.

Of the various forms now in use, that distributed by the American Management Assn. is perhaps the most familiar. Drawn up through the efforts of insurance managers, brokers, company men and a chapter of the Society of CPCU, this questionnaire is quite complete and it has a particularly strong section on responsibilities for real or personal property assumed under contract, as well as hold harmless agreements. Its weakness is that it is out-of-date on some new exposures including EDP and directors and officers liability.

It is also organized from an insurance point of view, including, for example, a full page for plate glass—an asset whose exposures to loss are generally self-assumed by most corporations. The AMA questionnaire is in the process of revision and a new form should be issued early in 1969.

ANOTHER QUESTIONNAIRE of interest has been distributed by the Machinery and Allied Products Institute. It approaches the exposure problem from the point of view of assets and the "insurable" exposures which affect those assets. It also includes a stimulating section for a subjective evaluation of the "maximum probable loss" for each exposure. Its weakness is that it seems too closely tied to traditional insurance coverages or policy forms.

A third approach coming into more use is that of the "asset-exposure" check list, in which all assets, physical and intangible, are listed and compared to a thorough list of exposures to loss—direct, indirect and third-party. Traditionally-available insurance is not necessarily considered in this evaluation, as the list goes well beyond what the market nor-

mally offers. The value of this approach is that the risk manager gets a wider view of the exposure problem. Good will may be an "uninsurable" asset, but its value is certainly affected by numerous exposures, and the risk manager should consider risk implications to this asset when making recommendations.

The difficulty of this form, however, is that it is hard to use in conversation, when posing questions. None of these forms includes questions on the administration of the program, reports to management or losses self-assumed.

HOW CAN A QUESTIONNAIRE be used? It is well recognized that a thorough periodic review of exposures is essential (once every three to five years). A questionnaire for this type of survey must be complete to the point of including a re-evaluation of the corporate philosophy on self-assumption of risk and the actual administration of the program.

A new acquisition or completion of a new plant will certainly require an exposure study. Quarterly or annual reviews can be accomplished by shorter questionnaires sent by mail to plants and divisions. It is obvious that each different type of study calls for a separate and distinct questionnaire, and that this questionnaire can best be used as a guide to conversation in personal interviews. When the mail must be used, be certain that there is complete understanding on terminology and how questions are to be answered.

For a full-scale periodic re-evaluation of all exposures, the following procedure is quite effective: A preliminary letter setting forth the specifics of the study and the date of arrival of the "team" is mailed over the signature of a top officer to the chief executive of the plant or division. On arrival, the study team reviews briefly, with that executive, the purposes and expected benefits of the study, followed by a staff meeting attended by representatives from various departments (such as sales, purchasing, traffic and accounting). Again the purposes of the study are outlined, perhaps supplemented by the use of a short film-strip. Plant inspections and short sessions with key departmental personnel follow, after which the team gives a brief resume to the executive officer before departure.

A COPY OF THE FINAL report, or pertinent recommendations, is later sent to that same officer. In all these meetings and conversations, the risk manager and his team should reiterate the importance of local personnel's ability to recognize exposures and related risk, the value of exposure reduction and minimization techniques and, finally the necessity of keeping the risk manager advised of any new developments.

Insurance need not enter the conversation and when it does, the risk manager should point out that it is the last line of defense for the corporation, used only after all other preventive or self-assumption techniques have been exhausted.

In conclusion, the best approach seems to be that of preparing in advance separate sets of questions directly related to the knowledge and job responsibilities of the person being questioned. The AMA, MAPI, asset-exposure list and similar forms can be used as guides to such sets of questions. If used correctly and with thoughtful imagination, the resulting exposure questionnaire can be a substantial aid to the logical discovery, analysis and evaluation of exposures to fortuitous loss, on which rests effective risk management decision-making. The questionnaire cannot be a crutch but should be rather a critical stimulus to probe beyond the superficial and obvious. ■

GE's methods of evaluating and communicating benefits

by E. S. Willis,
manager of employee benefits,
General Electric Co.

We have more than 30 of these specific principles which are reviewed from time to time, but being basic, of course, they rarely require changes.

Next is the gathering of basic information on benefits. This is primarily concerned with the levels of benefits and emerging trends. For regular comparisons as part of the management of benefits, it is desirable to gather cost data also.

On level of benefits, there are many surveys going on by associations or companies which are useful. We are engaged in a survey of perhaps 300 or 400 companies—what we call conspicuous or trend setters, product competitors, and then local labor competitors. Each participating company will receive a copy of the survey which I am sure will be most useful.

WHEN BENEFITS ARE DEVELOPED and negotiated locally, the local people can make necessary—and probably limited—surveys. The benefit manager for the company should, however, review these and should use them to evaluate

Last of three parts

the local components' recommendations.

There are various sources of information on current trends and settlements which are very useful for regular, continuing measures. These include Department of Labor publications, Bureau of National Affairs, union newspapers and, naturally, the daily papers. The latter feature the major settlements.

Then, consultants are always available for information or to check programs. Be sure you understand what bias, if any, the consultants have, of course. Some, for example, are attached to insurance, some to trusts and some are neutral observers. Knowing their predilection helps in evaluating their suggestions and comments. We also receive a lot of help from insurance companies on trends, ideas and procedures.

THEN, THERE SHOULD BE a good feedback on your own company's benefits. This comes several ways in our company. First, we receive a large volume of phone calls and correspondence asking questions or commenting. As these assume certain patterns, it is helpful in diagnosing problems.

Second, we carry out regional seminars about every two years which are attended by both relations and accounting personnel who administer benefits. These are two-way meetings. The seminar speakers are the consultants in our central benefit organization, each of whom is assigned certain areas such as insurance or pensions or pay for time not worked. We cover each of the benefit areas, explaining recent changes, or giving interpretations of portions where it is obvious there are difficult points. Finally, the seminars are opened up to questions and comments. This gives a good, down-to-earth and on-the-spot exchange.

One set of regional seminars was held in 21 locations throughout the country, with over 700 attendees. This year in the interest of time we condensed it to seven locations: Phoenix, Ariz. for the west; Atlanta, Ga.; Pittsfield, Mass.; Syracuse, N.Y.; Cleveland, O. and Louisville, Ky. These locations took into account the spread of plants and were minimal in number. I expect next time we will include about 12 locations as a happy medium.

Finally, prior to negotiations we have our operating departments—now about 150—through employee relations manager,

send in detailed recommendations as to items they consider appropriate for consideration as benefit changes or improvements. We used an eight-page questionnaire listing all the benefit plans and their principal features as a check list with an opportunity to make a specific recommendation or no recommendation on each and indicate priority of the recommendation. These will go through a computer and be tabulated several different ways such as by region, by main group, by union or non-union, by major unions, by priorities, etc.

SINCE OUR DEVELOPMENT, planning and negotiations with two principal unions are centrally handled, this kind of information is important. On the other hand, if negotiations are local and there are variations locally, then surveys and assessments are local, but probably should take into account industry and conspicuous companies. I do believe, even then, in review and control centrally because there should be overall management to assure continued sound policy.

Then, as we get closer to negotiations we carefully review the union demands, both as published usually in advance and as presented and discussed across the bargaining table. We have also had in the last two negotiations a benefits subcommittee to study benefits with the union. No bargaining was done and all discussion was off the record. This was quite helpful to both sides and develops a better understanding of philosophy and principles as well as operating details and recommendations.

It is perhaps obvious from my comments that all changes are considered and negotiated on a level of benefits basis. We endeavor to meet needs and desires for specific benefit items, but naturally gear them to the most economical basis—the most for the corporate and employee money. There are available cost surveys like the U.S. Chamber's biennial analysis, local studies or data from Disclosure Act filings, etc., all of which are useful to match with your costs or estimates.

After reviewing all these sources, then naturally comes the evaluation and development of specific changes or plans. Here is where having cognizance of all benefits is particularly useful, because it may be that existing features of several plans can be coordinated—or consolidated—into one new arrangement that is more useful or practical. This evaluation also balances the level of benefit with the cost.

Approvals are a difficult job for all of us. In fact, we feel that internal negotiations are tougher than union negotiations! However, part of this operation is acquainting the top executives with data on the surveys so their background permits appropriate evaluation of the proposals you as benefit manager are making. Our orientation program consists of several meetings with top executives to show them how the GE plans compare feature by feature with product competitors and labor competitors.

WE USED SLIDES LAST time with three colors, one for each of these three types of companies, set up in three groupings of bar charts on each slide—"Less liberal than GE," "The same as GE," and "More liberal than GE." We summarized these in overall profiles for each of the three types of companies so that they could readily evaluate our overall status as well as the detailed feature comparison. This same review included summaries of the department recommendations, union demands and direct surveys of employee opinions. Thus, executives have a background almost as complete as our own prior to asking them to "sign the order," and this orientation is important.

As I indicated earlier, direct participa-

tion by the benefit manager in negotiations is more or less indispensable to effective control of benefits and to his understanding of union demands and thinking. Also before and during negotiations there is considerable work in communications to employees. This is, of course, an outgrowth of the year-round communications that should go on in the benefit field which I will discuss.

Following negotiations, the benefits manager is responsible for preparing necessary language changes in contracts and booklets and issuing these along with appropriate manuals, information letters, etc., to assure that employees and plan administrators have adequate information for understanding by the employees and for administration so that plans are effective, useful and appreciated. Thereafter, the benefits manager is responsible for any further interpretations of and counseling on the plans.

Returning to the communication field, the benefit manager should see to it that regular communications are released on the plans. These can take all forms, from an initial orientation program for new employees to the folder given a retiring employee showing what benefits he takes into retirement. In between are regular news stories, internal and external, on the plans.

For example, a happy case of an employee back at work after a serious accident who was helped by thousands of dollars of insurance benefits, or large suggestion awards, or the pensioner who leaves for a round-the-world trip, or just a series of short articles giving simplified explanations of the plans.

In addition, we publish financial details of the pension and insurance plan and this year distributed the list of investments in the mutual fund established a year earlier as one of the investment media in our savings plan. At GE the pension and insurance financial details were published periodically long before the Federal Disclosure Act required availability of data, and now we capitalize on this as a positive measure in meeting the act's requirements.

EVERY THREE YEARS employees are given a statement showing their personal status in pension, insurance and savings. All of these steps are necessary to gain appreciation by employees and help in the motivation and retention of employees.

Periodically, releases are made for outside publication so that others will know of our benefits. We find that if a neighbor tells an employee how good his benefits are this carries heavy weight with the employee. Also, since benefits are to help attract desirable employees, we want them known outside.

We use a pension board for pension and other benefit plan administration direction. It is composed of six officers who thus become well acquainted with benefit matters. The benefits manager should serve as secretary, making up agendas, presenting cases and generally being the leader of discussion in this group. It is another string in his bow.

SIMILARLY, BECAUSE WE ARE self-trusted, the benefits manager is secretary of the trustees, thus tying together the relations and financial aspects. Even where outside trustees are used, the benefits managers should arrange a tie-in, because knowledge of and use of trust information is important in the full job of managing benefits, and the financial side should know of the relations aspects.

Incidentally, the benefits manager should have a part in acquisitions or spin-offs because benefits are always involved.

And now I come to a somewhat more intangible, but equally important area. We call it statutory benefits. Otherwise it is known as government benefits, legislated benefits and so on. Representing

one-fourth of our total benefit costs, we have one man in our benefit organization assigned primarily to this area, some companies have more, but unfortunately many companies have none. The size and need for affirmative action and expression in this area requires that it be a part of the benefits manager's job.

THE MANAGER SHOULD RECOGNIZE the problems and direct the work in this area with appropriate government components and with various associations which involve themselves in it, such as the Council of Employee Benefits, National Assn. of Manufacturers, Chamber of Commerce, state or local manufacturers, industry or other types of associations active in these fields. It seems to me that all too often the same faces appear again and again on this indicating that only a few companies get involved. Actually, every benefit manager should be involved in these functions to help assure that our legislated dollars are well spent and do not encroach on the private area.

Statutory activity is broad, of course. It involves assuring that state unemployment compensation is applicable to persons laid off, that workmen's compensation is not overreacting in areas like radiation or heart attacks, that Social Security moves with wage levels but not beyond and that it continues on a sound employee-employer tax base rather than partly through general revenues where control would be lost, that the Federal government does not take over unemployment, that pension regulation doesn't kill the burgeoning private pension plans, that IRS integration rules are reasonable, that disclosure serves its purpose and does not merely become regulation by fiat of the Secretary of Labor, that state compulsory disability laws don't expand—and so on.

Finally, I want to mention the area I covered earlier. The job of the benefit manager includes the development and planning for foreign benefits. He needs to evaluate the practices and laws in each country and determine what, if anything, is needed in each country for the native employees there. He needs to have a share, just as domestically, in deciding the financing arrangement. If he has many locations he is faced with third country national problems.

This foreign benefit work should generally follow the basic principles he develops for his company and certainly be as consistent as possible with the domestic policy. He will learn new approaches from abroad and may take part in updating what are frequently old practices abroad if his company has taken over some affiliate or if the affiliate established earlier has simply grown like Top-sy.

In closing, I want to repeat that the fragmented approach to benefits that developed before it became a profession in this new era is no longer appropriate. The job of the benefit manager is now broad and should include the whole field. The benefits manager should be a member of the management team with responsibilities for planning, developing and broad administration of the entire gamut of benefits so that they will positively enhance and improve the relations of the company in attracting, motivating and retaining desirable employees and at the most economic cost levels possible. ■

E. S. Willis is manager of employee benefits for General Electric Co. After graduation from Oberlin College, he served in financial positions at GE until he entered the Army in 1942. He attained the rank of Lt. Colonel in the Army and was awarded the Legion of Merit. Returning to GE, he served in management engineering assignments, then as assistant to the president of a large affiliate, following which he took over responsibility for the company's employee benefit planning and development. He is also serving as president and member of the Board of Unemployment Benefit Advisors, and has been active in many other organizations such as the U.S. Chamber of Commerce, American Pension Conference, etc.

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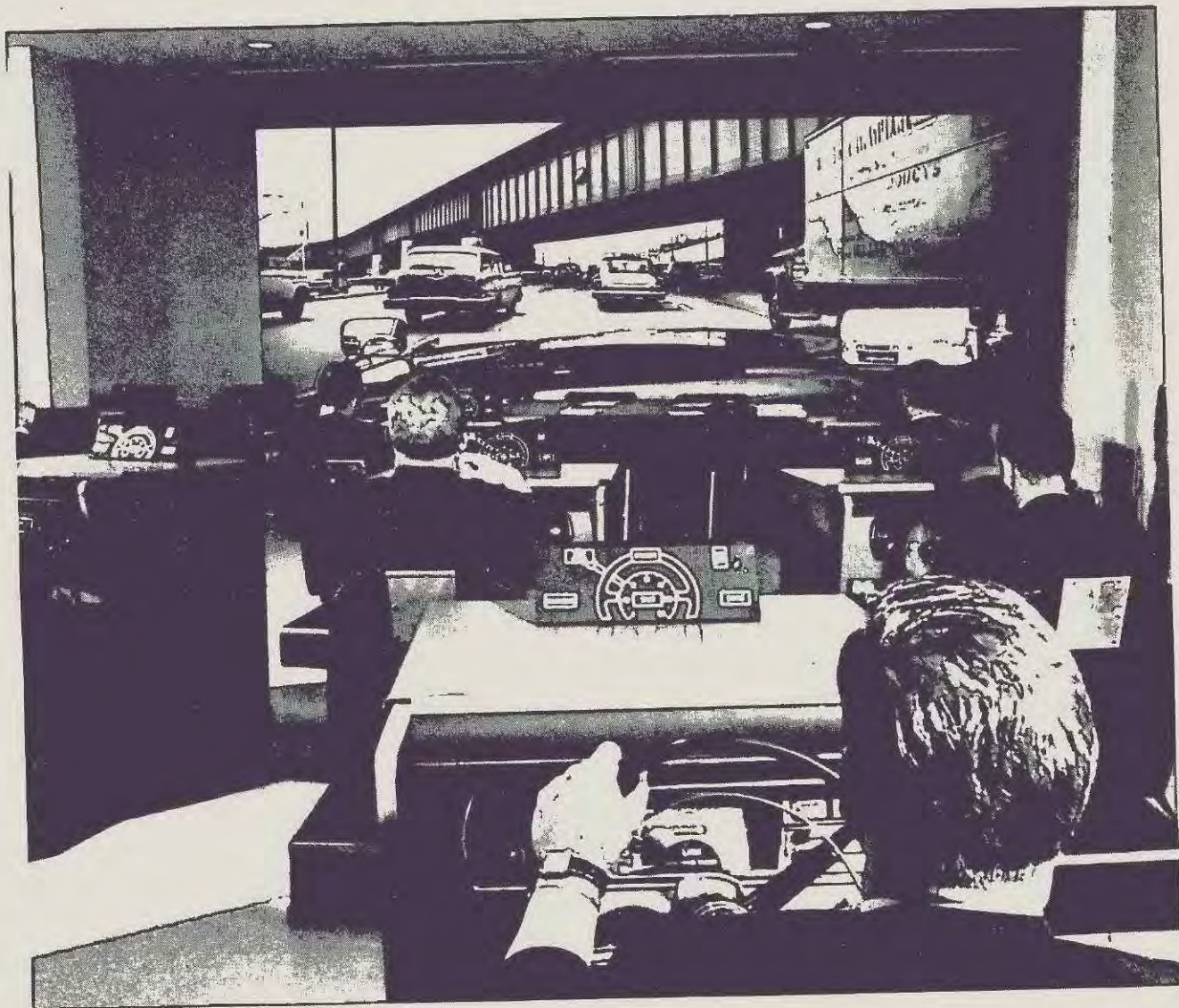
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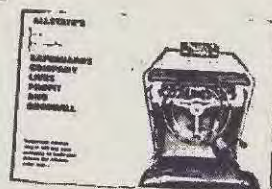
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CG sets new pay plan to cut paper logjam

HARTFORD—The Connecticut General Life Insurance Co. has developed a direct payment system, eliminating most group health insurance paperwork for both patient and employer.

The new approach revolves around a wallet-sized plastic card that looks like a credit card.

When a person insured by his company under a CG group plan checks into a hospital, he displays the card at the admission office, the card guaranteeing payment of benefits listed on reverse side.

AND ONCE THE patient checks out of the hospital, the doctor concerned sends bills directly to CG, which proceeds to pay them.

It is noted that, depending on individual hospital administrative practices, the patient might not even have to stop by at the hospital administrative base.

Listed on the plastic card are the employee's name, employer's

name, employer's group insurance account number and expiration date; reverse side carries a summary of benefits guaranteed by CG and instructions for the hospital or doctor on billing procedure.

THE EMPLOYEE, under prevailing plans, receives a partially completed claim form from employer, this to be submitted to admission office; the hospital completes the form for mailing to employer when the patient is discharged.

The employer sends the form to the insurance company, and the latter mails a check for insured expenses either to hospital or to employer, who then pays hospital.

CG president Henry Roberts categorizes the new concept—now available to larger corporate customers (500 or more employees, although this figure is negotiable)—“a breakthrough in the logjam of paperwork that

Fishing pool folds; claims pass premiums

OTTAWA—An experimental federal insurance plan for fishermen has been cancelled because it paid out more in claims than it collected in premiums.

It was reported that the plan paid during 1967-68 \$26,313 in claims but collected only \$7,089 in premiums.

The plan, called the fixed fishing gear and shore installations indemnity regulation, was designed to cover such things as weirs, fish traps, working and storage buildings. It was introduced in 1966.

drives up administrative costs of employers and hospitals. It is possible this idea will usher in a new era in the health insurance claim payment field.”

GENERALLY, TWO CARDS are issued to each employee—one for himself, one for his wife.

The system's initial test has been conducted with 2,000 employees of VASCO, a Teledyne tool and specialty steel manufacturer based in Latrobe, Pa.

Industrial relations director Kenneth D. Bowman disclosed: “We haven't had a negative comment yet. The noise from employees on insurance claims can be tremendous.

“WE FEEL THAT the lack of employee comment is the best indication of the plan's success. They are no longer bothered by the business of filling out claim forms.”

Conservative estimates by VASCO point to savings of some \$5,000 annually in administrative costs and a 90% reduction in amount of paperwork.

CG has some 13,000 group clients, covering between 2.5 and 3 million people under group plans.

Urges yearly revisions for insurance inflation

CHICAGO—Annual insurance contracts or automatic annual adjustment of insurance amounts and premiums are among the possibilities for meeting the problem of the effect of inflation on insurance.

Ambrose B. Kelly, general counsel of the Factory Mutual Cos., Providence, R.I., suggested the measures in a speech to the Chicago chapter of the American Society of Insurance Management.

Mr. Kelly charged that the insurance business “for too long” has ignored the effects of inflation on its business.

“Insurance for the past ten years has been an island of loss in a period of prosperity,” the insurance executive added. “Inflation has been the major factor in this situation.”

MR. KELLY WENT ON, “Granting that inflation will continue, and all the experts seem to feel that it will, what can an insurance company do?” He offered these possibilities:

- Issue contracts for a term of one year or review values and premiums on an annual date.

- If contracts are to be issued for a period longer than one year, adopt an indexation clause similar to those used in Europe providing for an automatic adjustment of the amount of insurance and the premium annually. Mr. Kelly noted that this system has recently been adopted for homeowners policies by State Farm and Hartford.

- Introduce a trend factor in all rating formulas so that experience figures will be modified in accordance with the prevailing rise of inflation.

- Change the investment statutes and the investment practices of insurers so that they are

in a position to move with the economy in a period of inflation.

Mr. Kelly conceded that there is growing pressure from insurance regulators to consider underwriting and investment income together in determining rates. “Yet,” he warned, “insurance companies must be allowed to liberalize their investment portfolios, even though the investment income debate will be the battleground of the next three years.”

Widow wins \$225,000

GREAT NECK, L.I.—During a trial in which a widow of a 58-year-old restaurateur won \$225,000, a Rutgers University physiologist challenged the reliability of brain tests for indicating alcoholic content.

Dr. Daniel Greenberg testified that blood tests are more reliable than brain tests in indicating alcohol. During the trial, it was brought out that the victim had alcohol in his brain; however, no blood test was performed.

The suit was against Statewide Excavators Corp. of Hempstead. The restaurateur was killed when his car crashed into a disabled tractor trailer loaded with sand at an entrance to the Long Island Expressway near New Hyde Park.

It was contended, during the trial, that the disabled trailer truck had been parked at the spot for more than 10 hours and should have been removed as a hazard during that period.

The judge who heard the case denied a defense motion to set the verdict aside as excessive.



Fire Here? "Poppycock!"

Tasty confections with the catchy names of "Poppycock" and "Fiddlefaddle" flow in a steady stream at Cvaline Division of Wander Corporation in Villa Park, Illinois. The heart of this operation is an array of poppers, a peanut cooker and conveyors which pour endless supplies of popcorn and peanuts into storage hoppers and packaging equipment, all automatically. But, what happens if highly combustible popcorn and cooking oil are ignited by malfunction of the basic heat source or its controls?

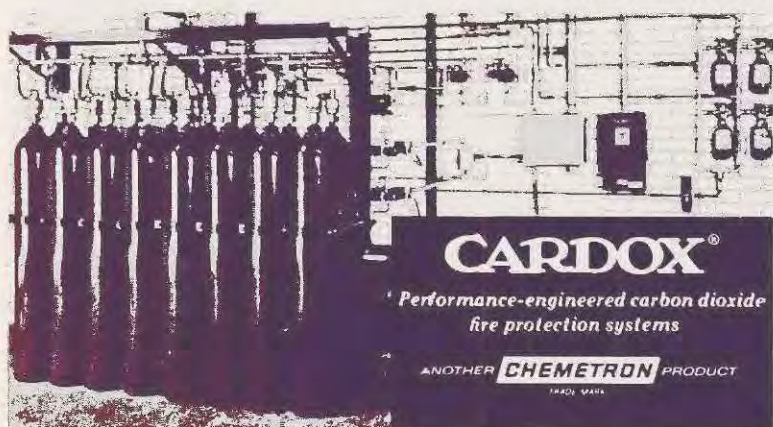
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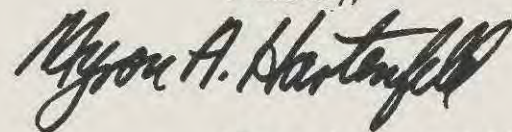
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We're delighted with the intense reader and advertiser interest BI has received during its first year, and we promise you continuing effort to make future issues as informative and helpful as possible.

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Missouri...

Continued from page 1

• To list their officers and directors in corporate statements filed with the Missouri secretary of state.

Under existing regulations Missouri farm mutuals need only file corporate organization papers with the secretary of state. Only those companies organized after 1953 are under scrutiny of insurance regulators.

OFFICIALS OF the Missouri insurance department express misgivings about accepting statements of any kind from farm mutuals.

"Right now," said one department official, "we won't accept statements from farm mutuals because we have no power to regulate them. Some who might get their hands on such compa-

nies would like us to accept statements because it would give them the color of authority."

The problem of Missouri's unregulated farm mutuals is viewed as serious by responsible executives of insurance trade associations, including Harold W. Walters, executive secretary of the National Assn. of Mutual Insurance Cos., Indianapolis.

"We'd like to see Missouri's farm mutuals under state insurance department jurisdiction," said Mr. Walters, whose association includes 1,120 mutual companies throughout the country. "There have been problems over the years because these companies are unregulated. Improvement is needed and we are sure that it will eventually come."

MR. WALTERS' VIEW, however, is not shared by John Staple, secretary of the Missouri Assn. of Farm Mutuals. Mr. Staple told *Business Insurance*

If you're suspicious call postal authorities

WASHINGTON—Post Office department officials advised *Business Insurance* readers who are suspicious of any insurance mail-order sales solicitation to call the postal inspector's office in the nearest major city.

"We don't go out looking for such schemes," a spokesman said. "We must depend upon the public to make complaints."

He added that postal inspectors often are able to crack down on insurance schemes because operators of such companies eventually use the mail in some way to further their operations.

that he and most farm mutual operators in Missouri are opposed to placing their companies

under insurance department regulation.

"First of all," he contended, "there are more than 100 companies involved and the vast majority have operated successfully and without taint, some for more than a century. Furthermore, the insurance department is already overworked and it doesn't have the personnel to regulate scores of farm mutual companies."

Mr. Staple doubted that the Farmers and Merchants and Bankers Security were actually incorporated as farm mutuals. But a check by *Business Insurance* with the Missouri secretary of state revealed that both companies are "on file" as authorized farm mutuals. But the secretary of state's office has no authority to regulate the companies and, in fact, knows nothing more about them than their addresses and dates of incorporation.

Meanwhile, the Post Office department is turning its attention to mail-order insurance frauds. Postal inspectors in both Chicago and St. Louis are actively investigating illegitimate solicitation of insurance customers. Because of postal regulations, they will not be specific about their investigations until indictments are returned.

POSTMASTER GENERAL W. Marvin Watson announced in September that the department is investigating a number of mail-order insurance schemes. Announcing the indictment of an Arkansas mail-order insurance operator, Mr. Watson said, "This is not, unfortunately, an isolated case. At the present time our inspectors have 63 questionable operations of this kind under investigation. A total of 37 promoters are now under indictment in these cases and awaiting trial."

Mr. Watson added that insurance "milking" schemes are "too prevalent, particularly in the high-risk auto insurance field."

Inspectors in the Chicago regional office told *Business Insurance* that questionable mail-order insurance sales operations have spilled over from personal lines and into the lucrative area of corporate insurance programs. Some companies under investigation sell through legitimate agents and brokers who, like their clients, are unaware that the policies are illegally written and frequently worthless.

Postal authorities warned of these two common ploys:

- The adoption of a company name that is similar to that of a respected insurer.
- The unfounded claim that a questionable company is "reinsured 100%" by a responsible insurance company. In such cases the companies listed as "reinsurers" have no knowledge of the listing.

'Good faith'...

Continued from page 1

Army has arranged coverage through the Royal Indemnity Co. The organization explained that each geographic area arranges for its own coverage with limits based on locations.

Likewise, workmen's comp coverage for the Salvation Army workers is handled state by state. Both liability coverage and workmen's comp apply through Christmas Eve.

The "Sidewalk Santas" who aid in the fund-raising program for the Volunteers of America are covered by liability insurance underwritten by Aetna, but the contributions to the annual campaign are not insured.

NAIC...

Continued from page 1

exemptions. The subcommittee believed these decisions could best be made by legislatures of the various states."

An insurance industry representative who opposed the industrial insured exclusion told *Business Insurance* that the adoption of the model bill without the industrial insured exclusion was "not surprising" because "the commissioners were very concerned about leakage of premium taxes."

REGULATION OF unauthorized insurers, a matter that has vexed insurance commissioners for more than 80 years, became a legal issue with the efforts of Wisconsin and Texas to legislate regulation and taxes for out-of-state insurers who wrote coverage on risks partly within Wisconsin or Texas jurisdiction.

State legislatures for several years have considered restrictive statutes aimed at controlling mail-order insurance operations and, not incidentally, at increasing premium taxes.

Corporate buyers opposed restrictive legislation because they want freedom and access to all available insurance markets.

"We consider such restrictive legislation to be interference with interstate commerce," Mr. Smith told *Business Insurance*.

Mr. Smith added that the adoption by NAIC of a model bill that does not include the industrial insured exemption means that ASIM will have to make its fight on a state-by-state basis. Last year ASIM was successful in combatting all unauthorized insurer bills that did not contain the industrial insured exemption.

Discussions about the exemption became so heated, it was learned, that some corporate buyers suggested that ASIM promote federal insurance regulation to bypass any restrictions on their freedom of purchase imposed by NAIC and its members. At another point some risk managers suggested a boycott against companies that opposed the industrial insured exclusion.

Cooler heads prevailed and ASIM eventually won inclusion of the exemption in the recommendation of the all-industry committee composed of carriers, producers and corporate buyers. ASIM, however, lost its argument before the NAIC subcommittee when the exclusion was opposed by the American Insurance Assn. and the American Mutual Insurance Alliance.

Matson and Travelers settle the bill

SAN FRANCISCO—Officials of Matson Navigation Co. and the Brandt Marine Department of Travelers Indemnity Co. here were busy last week totting up bills of lading for 22 containers which washed off the deck of a Matson ship in high seas.

The loss was the biggest containerization mishap suffered by Matson and the second biggest in marine history. The only bigger one occurred in 1967 when Sea-Land Service Inc. lost 57 containers in one accident, with a cargo loss of \$900,000. Travelers is also the insurer for Sea-Land.

Nineteen of the Matson containers held general cargo and three were loaded with live pigs. The Honolulu-bound ship, the Hawaiian Builder, had 50 containers in all lashed to the deck.

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speaking of safety

Make safety programs as exciting as sales campaign: Harrington

CHICAGO—The three A's of industry—alcoholism, absenteeism and accidents—are costing billions of dollars a year, the American Management Assn.'s fall insurance conference was told.

In an effort to reduce these dollars, risk managers, safety directors, general managers, personnel managers and members of the medical profession were urged to work as an industrial team on accidents, accident prevention and rehabilitation.

Frank G. Harrington, senior vp, Insurance Co. of North America contended that "we have been content to live with outworn traditions that say that safety lacks sex appeal, that insurance is doom and gloom, and who wants to be bothered with this dull subject."

HE MENTIONED one risk manager who believes that accident prevention programs ought to be just as bright, exciting and motivating as a successful sales campaign.

The INA executive referred to a major corporation where for the first time in 35 years the safety director met with the insurance people. "I heard the general counsel say that he lived in dread of the day when a plaintiff's attorney would quiz one of the corporation's executives in court on the extent and modernity of the company's safety programs and compare the modest cost sums spent in safety education, safety films, against the appropriations for general advertising."

Mr. Harrington emphasized the "Friday syndrome" and its effect on insurance dollars. The noticeable rise in accidents on Fridays, he said, comes from the fact that many company schools let out on that day and employees are anxious to return home.

"We went over the case of a major manufacturer that in the past four years has seen 53 of its bright young men killed in accidents, 48 of them in automobiles, mostly on Fridays after work," he said. The insurance on the men who were killed cost \$100,000 in addition to costs for recruiting, training and replacing employees.

HE URGED EMPLOYERS to dismiss company schools on Tuesdays, requesting attendees to be back at their jobs on Wednesday, Thursday or Friday.

"We figured out that if each of the 53 men had taken an extra night in a motel, had made an extra long-distance call to his wife and had bought his family a box of candy, the total cost might have been about \$1,500," the insurance executive said. He added that even if the number was increased a hundred times to cover the large number of men who attend company schools, the figure still makes economic sense.

He briefly referred to an alcoholic program at one of the aviation companies. The program, he said, is designed to identify workers with alcohol problems and rehabilitate them.

THE VICE PRESIDENT and general manager, in approving the program, said that it might save the company \$4,000,000, or \$40,000,000 or \$400,000,000 de-

pending upon the kind of accident that it prevented," Mr. Harrington told his listeners.

HE REPORTED THAT at the end of the first six months of the program, the medical director identified 35 men with drinking problems. A year later, he had 34 men "dry" for at least six months and only one man who slipped but who is back in the program and making progress.

Mr. Harrington pointed to the vast differences in the sums of money spent to study people as consumers and people as em-

ployes. He said that almost \$17 billion a year is spent on research and development in the U.S. He noted, however, that less than \$1 billion is spent on the study of people and particularly people in a work environment or people in their emotional environment.

He quoted Clarence Randall, a businessman, who said, "We spend millions of dollars to find the best lubricant to cut down friction in machines, but how much do we spend to find the best lubricant to cut down friction in men?"

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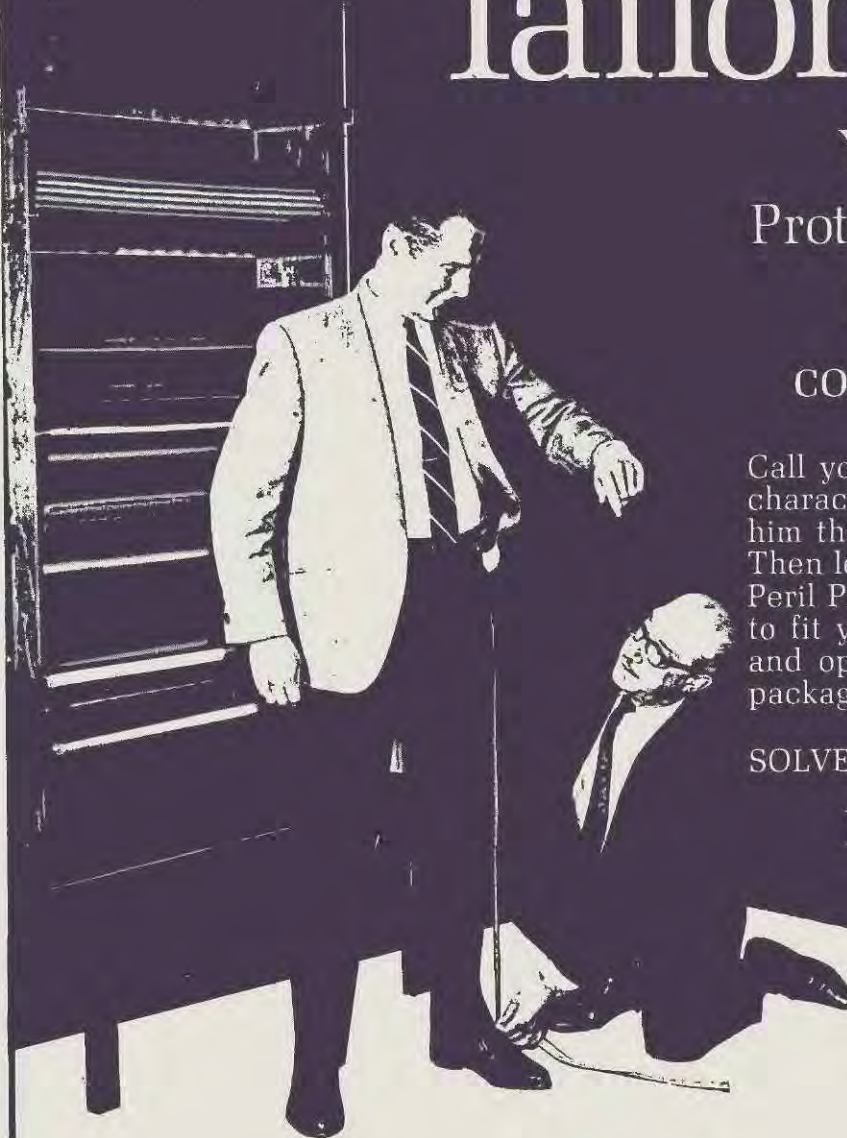
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New President to ease pension integration tax?

NEW YORK—The employe benefit fraternity is hoping the Nixon administration will provide employers a possible avenue of relief from the Treasury department's new tax rulings on pension integration—rules which

they haven't embraced with the kindest remarks.

Another alternative, they suggest, might be a congressional declaration that declares the rules illegal. But employe benefits managers are skeptical that any action will be taken; "it's pretty hard to undo what's been done; we'll just have to learn to live with the rules," one employe benefits manager for a Southern-based firm said.

The new rules apply to pension integration with Social Security. They lower the maximum benefits receivable under integrated plans to 30% of wages above the new \$7,800 Social Security wage base from the presently allowable 37½% of wages over the old \$4,800 wage base.

Employers with integrated

pension plans will be faced with the choice of lowering from 37½% to 30% benefits paid on wages in excess of \$7,800, or adding a 7½% pension on wages below this figure.

Employers must revise their pension plans by 1972 to comply with the new rulings.

Andy Melgard, senior associate, U.S. Chamber of Commerce, mentioned action by the new administration or Congress or a court test as three possibilities for the future. A court test, he said, "is not too likely because you run the risk of losing tax qualifications of plans—plus it takes too long."

But, he said, approaches to the new administration for modification will depend on the final impact. Mr. Melgard cautioned that

no one can really draw final conclusions yet. He said he understands that a supplemental revenue ruling should be out before the end of this year.

"THIS MAY HELP to answer some unanswered questions," he added.

Immediate reaction to the new rules was blunt: "We hate them." One benefits man promptly replied, "That bunch of eggheads from Harvard only looks at theory; what do they know of industry's problems?" The employe benefits manager for a Southern firm said he'd like to get some of the government men to work in industry for a while so "they'd know what's really happening."

Most benefits managers view the new rules as an attempt to

limit retirement pay for people over \$7,800 income level. But, as was pointed out, "with inflation, most of our people, even those in the factory, will soon be making over \$10,000." The Treasury department is trying "to limit what we do for our people," was another reaction.

Benefits managers questioned the rationale behind the thinking of the Treasury department. Mr. Melgard said that "for three years the Treasury department has pursued its own course and largely disregarded all the suggestions made by employer groups, trusts, actuaries and other interested parties."

Mr. Melgard contended that employers desire simple rules of what's discriminatory and what's not discriminatory. ■

Wash Watch...

Continued from page 4

insure elimination or control of those conditions in the work environment which cause or contribute to disease and injury"—as it is called by HEW—could of course be scrapped by a Nixon secretary. But the list of objectives and the time allotted to each gives a good insight into what to expect if a strong safety bill is passed.

The following is the HEW list of objectives:

- To establish an operative national monitoring system by 1972. This monitoring system will be designed to provide critical information related to a complete understanding of the magnitude and severity of all occupational health problems.

- To develop interim criteria and standards for the control of known hazards in the working environment by 1973.

A. A program for governmental employees not covered by the division of federal employe health will be established by 1972.

B. A program for private employees will be enlarged with the cooperation of industry and labor by 1972 in order to extend full coverage by 1973.

- To develop, through research, data sufficient to establish levels of tolerance for noise and other occupational stresses by 1973.

- To improve the quality of professional personnel and increase the output of skilled occupational health personnel by a factor of ten by 1972 through the provision of short-term training and research training grants.

- To establish by 1970, through state and local agencies, a control program to adequately protect the worker from hazardous chemicals, materials and processes involved in the production of goods for interstate commerce.

- To develop surveillance and standards necessary to assure that research done under federal grants and contracts is conducted under safe and healthful conditions by 1974.

- To develop the capability to evaluate new instruments and methods for control of occupational health hazards by 1971.

- To strengthen and expand the program scientific reference service to create a national resource for the accumulation and dissemination of urban and industrial health knowledge by 1970.

- To develop criteria for an interim standard for respirable bituminous coal dust, to protect the health of soft coal miners, by early 1969; to establish criteria for a firm standard by 1971.

- To develop criteria for an interim standard for respirable asbestos fibers, to protect workers in the asbestos-producing and asbestos-using industries by 1972.

- To develop criteria as a basis for an exposure standard for workers using beryllium ores and alloys, by 1974.

- To develop criteria as a basis for improving the existing alpha-radiation exposure standard for underground uranium miners by 1971. ■

R.E. Lee & Son builds the past for America...

the future for youth...



Monticello, home of Thomas Jefferson. R. E. Lee, Sr., pictured above with his son, has been responsible for all restoration of this famous landmark for the past 33 years.



The Arts & Sciences Building of the University of Virginia is a \$1,117,000 project scheduled for completion in December of 1968. Pictured above (left to right) are Donald Haislip, Safety Engineer of Thomas Ruthertford Bonding & Insurance, J. A. Kessler, Jr., President of R. E. Lee & Son and F. J. Warner, Lee's job superintendent.

Fire at Lander cosmetics company wipes out Christmas inventory

BINGHAMTON, N.Y.—A fire at the Lander Co. here last month wiped out the Christmas business of the cosmetics manufacturing firm and hit the company with a loss of between \$1,000,000 and \$1,500,000.

That was the estimate given by manager A. Burr Craft as he supervised the salvage and clean-up chores.

Mr. Craft trudged through the five floors and cellar of the brick warehouse and talked of the body blow the company suffered.

Police say it was capricious arson.

Kevin M. Gathany, 17, of Susquehanna, Pa., an employee of Lander Co. at the time, has been

charged by city detectives with second degree arson in connection with the fire. He is free on \$5,000 cash bail, awaiting grand jury action.

MR. CRAFT, the manager, picked up a sodden cardboard box and tossed it to a reporter.

Without any tone in his voice, he said, "The State Board of Pharmacy condemned all the lipstick."

He pulled the top off a lipstick and said, so quietly it was hard to hear, "When you open it, the water comes out."

"The Christmas business was killed," he said. "We had all this ready for the Christmas busi-

ness. Now the only business is what the discount houses around Boston will get. The salvagers are taking all the stuff that wasn't damaged."

AT THE LOADING docks, huge tractor-trailers, hired by the salvage company, were taking on cartons of bubble bath, hair rinse, soap and after-shave lotions.

"We're thinking about buying some farmland out of town to bury the mouthwash," Mr. Craft said as he sloughed through a puddle of rainwater that falls continually from the ruined fifth floor.

"The state and federal people

measured the water level and said the mouthwash was done."

He was looking at bottles full of red liquid, labeled for Woolworth's and W. T. Grant's stores.

"That's the stuff we've got to break up and bury," he said.

Carl Ruddy, a wide-shouldered New Yorker in charge of the salvage for the insurance company, bustled to the loading docks with his assistant, Michael Mentuck of Marblehead, Mass.

They are always at the scene of disasters, picking up for the insurance companies what is redeemable and salable.

"THIS ONE IS major," he said. "We still are trying to make guesses at how major."

Mr. Craft had said to a reporter, "in excess of a million dollars," as he wandered up and down the old stairways in a building of a company that lives from Christmas to Christmas and has to mark down the

Christmas of 1968 as a festival that never happened.

"Our customers and our salesmen," he said, "keep asking, 'Where is the merchandise?'"

"WE STARTED THE day after the fire getting ready for next Christmas," he said. "The people here were wonderful. They pitched in and started working all over again."

It was a bitter development in the life of the company, which dates from World War I, in Binghamton.

The fire broke out in the midst of a merger deal with the Scott Chemical Co. of Paterson, N.J.

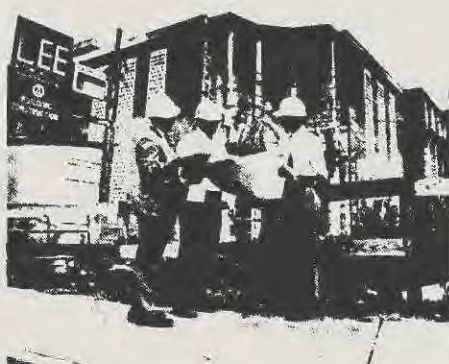
The deal between Scott and Squibb Beech-Nut, owner of Lander Co., probably will go through, but the continuity of operation suffered greatly when, according to police, an employee of Lander Co. tossed a match in a pile of cardboard cartons and walked outside to watch the flames that kept firemen busy for 24 hours.

Bobo Bubbles, the Liquid Bubble Bath; Purple Passion Lipstick and Barbie Toiletries were all but ruined. What wasn't destroyed is heading for the Christmas shoppers in the Boston area.

"We figure 45 truckloads at 12 tons a truck," Mr. Craft said. "That is 540 tons of cosmetics. The insurance company will get what it can out of the sale."

MFB Mutual Insurance Co., Providence, is the underwriter for Squibb-Beech Nut's blanket fire policy.

R. E. Lee & Son's Industrial Policy was tailored by John L. Clarke (pictured below to the left), J. Carey Minor and Donald Haislip of Thomas Rutherford Bonding & Insurance, Roanoke, Virginia. With Mr. Clarke in front of the nearly completed Charlottesville City Hall—another Lee project—are Jack Horn, V.P. and Project Manager and R. E. Lee, Jr., Treasurer of the Lee organization.



R. E. Lee & Son, Inc. of Charlottesville, Virginia covers a wide range of construction projects. Everything from historical restorations to school buildings.

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letters

Continued from page 12

annually, biannually or when special circumstances require the replenishment of editorial ego.

D. M. Watson

Insurance Department, Northrup, King & Co., Minneapolis, Minn.

'Most helpful'

To the Editor: I find *Business Insurance* most helpful to me as the buyer of insurance in our company. Your coverage has given me a considerably better understanding of what others are doing in this protection, as well as employee benefit plans.

It is my intention to continue reading this publication as a continuing education in the field of business insurance.

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Secretary-Treasurer, J. M. McDonald Co., Hastings, Nebr.

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Shoplifting...

Continued from page 3

berry stores.

Several companies are testing another type of alarm device called the "wafer." It's about the size of a plastic credit card and when attached to a garment, it can only be removed with a special tool. If the merchandise is carried away from the depart-

ment area, an alarm is triggered.

This is considered a "marvelous deterrent" by the stores testing the device.

"We've also installed television in one store and hope to in other stores," Mr. Wisse said. The scanners hang from the ceiling with hidden receivers. With the scanners in complete view of the public, shoppers are alerted as to what the store is doing.

"What we're trying to do is keep the honest person honest;

he's the opportunist so we're trying to take away the opportunity," Mr. Wisse contended. The average shoplifter is the housewife or the juvenile who is basically an honest person but for some unknown reason loses his identity when he gets into a department store.

Merchants have yet another front to fight—the employee. One merchant estimated that for every \$1 of merchandise taken by the customer, \$15 is taken by the employee. An employee also has access to a store's layout and security measures.

The best way to combat internal theft, according to Mr. Wisse, is to establish and enforce strong operational procedures. "A breakdown of enforcement only encourages internal theft," he said.

During the Christmas season, merchants about double their staffs by hiring high school and college students to help take the load off regular personnel. "We have to make our part-time help aware of the store's procedures as well as educating them to spot shoplifters," Mr. Wisse said.

EMPLOYEES ARE WARNED to beware of women with open handbags, persons wearing loose, baggy clothing, persons carrying loosely folded umbrellas, large shopping bags and folded newspapers, baby carriages or carts wheeling through the store or customers who attempt to divert employees attention through conversation.

Newberry's has a staff of plain clothes and uniform men on the security force. The uniform men again remind the customer to "remain honest," Mr. Wisse said.

The security force at each store is educated about shoplifting laws pertaining in that state. The laws are basically the same in all states but there do exist variations. Staring a merchant in

the face is the possibility of a false arrest suit, so "we warn our people to act only when they are 100% right; you have to be sure the person still has the merchandise when he leaves the store," Mr. Wisse said.

The NRMA said that 33 states have built into their shoplifting laws a protection for suits against false arrest. Prior to the built-in protection, merchants had nothing to go on and were virtually afraid to make an accusation.

DURING 1965 THERE were around 200,000 arrests for shoplifting; however, it is estimated that there are about 150,000 shoplifting incidents a week.

Newberry posts notices throughout its stores reminding shoppers of shoplifting penalties. Other posters tell customers that "this store is protected by see-through mirrors."

The problem of price switching can be met head on by employing new methods of marking garments. Newberry uses such devices as plastic lines to attach prices or metal tags.

"This is a real tough problem to prosecute," Mr. Wisse contended, because the customer can claim, "It's my word against yours."

DRESSING ROOMS ARE also popular places for switching prices or shoplifting garments. Employees are warned about leaving clothing in the rooms or leaving a customer unattended.

Many department stores are employing checkers in fitting rooms who check the number of garments a customer takes in and out.

"But the professional knows his way around these people; our employees have to be geared toward the professional tricks," Mr. Wisse said.

The firm conducts special training of security force through movies, letters, store meetings, etc. "We try to get them to be suspicious of everyone," he said.

When stores have a particularly high incident of shoplifting or are located in bad areas, shop-

ping bags are not given to customers.

Mr. Wisse contended that in the area of security, there's no competition among retailers; "we're all fighting a common battle."

Nationwide files group auto in Ohio

COLUMBUS, O.—Nationwide Mutual Insurance Co. has filed a group-type auto insurance plan with the state insurance department. The insurer has been selling group auto in Indiana for the past six months.

Nationwide's plan—which calls for rates 10% below the base rate of its conventional auto policy—is similar to one filed by Transportation Insurance Co., a CNA subsidiary, which was approved earlier.

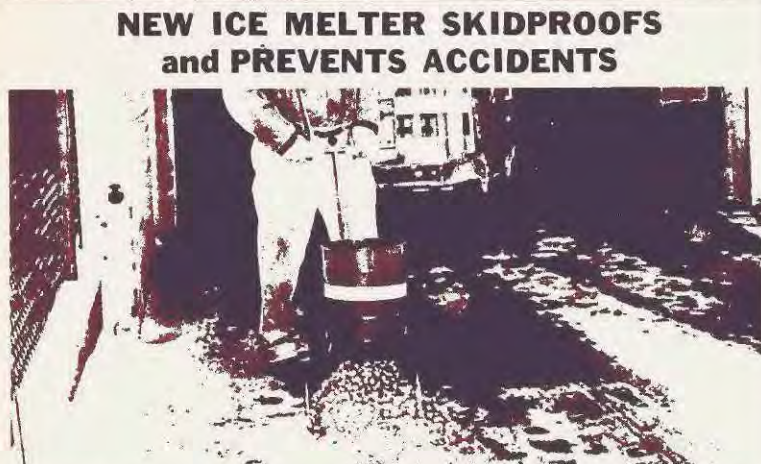
Policyholders under Nationwide would receive the firm's standard five-year noncancellable guarantee, good if they pay their premiums on time and maintain a valid driver's license.

Bowman Doss, president of Nationwide, said that company policy "calls for our agents to retain their traditional role within the mass marketing program itself. They are the ones who will contact individual members of organizations which accept our plan."

"They are the ones who will counsel clients and write the business. In the mass marketing operation, the agents' positions will be as important as ever."

Birge to retire

Charles A. Birge Jr., former superintendent of safety rules, Missouri-Kansas-Texas Railroad Co., Denison, Tex., and assigned to special duties since June 15, is retiring. Downing Miller, who became superintendent of rules safety on June 15, will continue in that capacity for the M-K-T.



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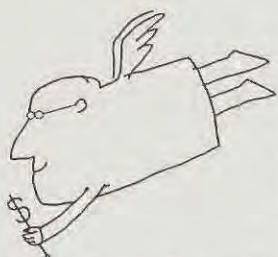
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