

\$200 million work comp suit

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Lloyd's and USAIG 'vertically' cover United plane crash

CHICAGO—Lloyd's of London and United States Aircraft Insurance Group share liability cover on the crash of a United Air Lines Boeing 737 here in which 45 people were killed and at least 16 injured. The tragedy occurred when the jetliner slammed into a block of small homes on approach to Chicago's Midway airport.

According to Waller Smith, United's manager of corporate insurance and claims, the airline and its insurers have instituted an advance payment program for victims' families and survivors that goes beyond normal immediate expense provisions. "We're applying on a large scale what a number of auto liability carriers and others have been doing," Mr. Smith explained, adding that this is one of the first times an airline and its carriers have done so.

AS AN EXAMPLE, he noted that open-ended charge accounts in Chicago department stores had been instituted for residents of the severely damaged or destroyed houses and that each family member had been automatically given \$100 cash. "At this point," the UAL man commented, "we'll supply almost any reasonable amount of money asked for with no questions asked."

Mr. Smith asserted that the cash advances and other means of assistance supplied were not intended to mitigate future settlements. "These are advances which will be deducted from any settle-

ment in the future," he said, "and they in no way are intended to prejudice the rights of these people to pursue us on liability later on. No, it's not a give-away program, but at this point no one's asking questions when financial assistance is requested."

HE CREDITED the conception of the advance payment procedure to Edward Carlson, United's president, and Frank J. Lynch, senior vp of USAIG. Both men, Mr. Smith said, agreed within 24 hours of the disaster that "we have to do what's right and take care of these people." He explained that Mr. Carlson had come to United from the hotel business where management is particularly sensitive to immediately alleviating customer grievances. The risk man characterized Mr. Carlson as "customer conscious" and dubbed Mr. Lynch "one of the new breed."

Liability cover is shared from first dollar to \$100,000,000 on a vertical basis—as opposed to a horizontally layered plan—with Lloyd's covering 65% and USAIG insuring 35%. The policy insures for both public liability and property damage and passenger liability.

HULL COVER on the aircraft, which has an insured value of \$3 million, is self-insured by United since that figure does not meet the airline's annual aggregate de-

Continued on page 2



United Air Lines and its insurers have instituted a 'no questions asked' advance payment program for families of victims and survivors of the crash of a Boeing 737 that killed 45 people. —Wide World photo

Drive is set for comp reforms

CHICAGO—American Society of Insurance Management officials have begun gathering a committee of risk managers, insurers, agents, brokers and representatives of various employer and professional associations to spearhead a push to retain state control of workmen's compensation laws.

Faced with the possibility of federal takeover of the work comp system, ASIM sponsored a conference here on the topic attended by over 40 representatives of insurance companies, consumers and associations involved in the present system. After discussing the recommendations of the National Commission on State Workmen's Compensation Laws and recent

Congressional efforts to make work comp a federally-administered program, the group agreed that something needs to be done . . . and done quickly.

THE NATIONAL Commission put forth recommendations to alleviate inequities in state laws, including 19 it termed "essential." The commission also recommended that the states be given until July, 1975, to amend present laws to meet the standards of the 19 recommendations. If nothing is done by then, the commission said, Congress should step in and clean up the work comp mess.

(Other stories on the ASIM conference are on pages 33 and 34.)

John F. Burton Jr., chair-

man of the now-defunct national commission, spoke at the conference and warned those attending that it is not unlikely that a successor commission will not be named by President Nixon to help in the drive to preserve state control of work comp. The commission had suggested that a new group be named to provide data and other assistance to those interested in updating and retaining the present system.

With a deadline set by the first commission and the possibility that no new commission will be around to help, ASIM is hurriedly reviewing the assets of various groups interested in saving the present system and will soon name

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'Life' passes on; released employees get varied benefits

By PATRICK THOMAS

NEW YORK—When Life magazine ceases publication on Dec. 29, some advocates of photojournalism may feel left out in the cold but Time Inc., Life's parent corporation, is attempting to ensure that the dying magazine's 320 employees feel the chill as little as possible.

It was expected that some of the employees would opt for early retirement but, according to a spokesman at Time Inc., "this all happened so fast that we're really not too sure of who will be doing what."

Time Inc. employees are eligible for early retirement at ages 57, 58 and 59 after 20 years of service. The benefit for this option is 30% of salary to age 65. At 60 years of age, early retirement becomes the choice of the company as well as the employee.

All employees vest in the Time Inc. pension plan

after 10 continuous years of service with the company, the spokesman told *Business Insurance*. "Any Life employee who has vested in the plan will be eligible for a pension," he commented. "Most of them won't receive a full pension but they'll certainly get pro-rated benefits."

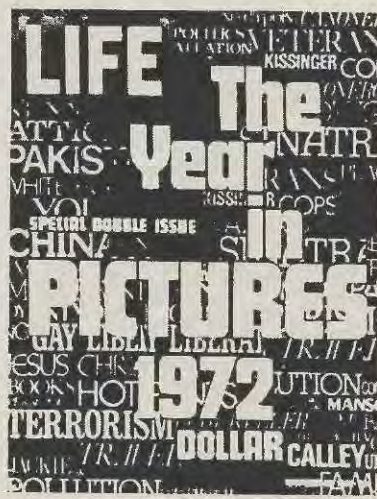
The corporation's profit-sharing plan will also come into play. The spokesman said that Life employees were eligible for the voluntary plan after two years and were free to contribute up to 10% of their salaries to the program. Outgoing Life employees will receive accumulated profit sharing in the amount of from 5% to 10% of each year's salary, plus investment interest.

All employees will be kept on the payroll until the end of this year and job committees have been formed at the company to find employment for those whose jobs will disappear. Time Inc. hopes to absorb as many employees as possible.

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Wide World photo



Wide World photo

Recommends 10-point program

Report tackles N.Y.'s pension woes

NEW YORK—The New York chamber of commerce, after an intensive two-year study, has released a detailed report recommending a 10-point program to check mushrooming public pensions that, some say, threaten to bankrupt the nation's largest city.

Put out by a task force of the chamber's committee on labor-management relations, the new report is entitled, "Bringing Reality to the City's Pensions—Recommendations for Correcting an Unsound System." It attempts the formidable task of persuading the state legislature to halt further liberalization of pension benefits that are already seriously straining municipal revenues.

"We're making a wide distribution of the study," Theodore J. Lynch, a chamber of commerce representative, told *Business Insurance*. "It's going out to the city council, to Albany and to many business organizations which have a stake in what happens to city pension funds. The state pension commission headed by Otto Kinzel will also receive copies of our recommendations."

MR. LYNCH said he expected that "some action might be taken by the legislature" after it reads the report's proposals. But he made it clear that the chamber of commerce intends to fight for the reforms even if it has to fight city labor unions to do so.

Unions presumably will fight the study's proposal to eliminate a constitutional guarantee that locks in pension benefits.

The 10 major recommendations detailed in the report incorporate features that propose to:

- Halt any further improvements or liberalization in present pension systems now protected by the constitutional guarantee.

- Eliminate those provisions of the present pension system which are not covered by the constitutional guarantee. Most importantly, this would include the provision for "pension payment for increased take-home pay."

- Restrict overtime included in the pension compensation base.

- Adopt new, sounder pension plans for all new employees.

- Keep participation in current pension systems to present employees.

- Eliminate the constitutional guarantee for employees hired after the effective date of amendment.

- Switch control of the city pension from the city actuary to the state comptroller.

- Under the comptroller's authority, make the arrangement for pension contributions parallel to the arrangement of municipalities participating in the state retirement systems.

- Amend article 16, section 5 of the state constitution to eliminate the tax exemption of state and local public retirement benefits, at least for employees hired after the effective date of the amendment.

- Create a special task force to examine collective bargaining processes of public employees and to correct the present deficiencies and imbalance of power.

One of the problems the cham-

ber might have in persuading the legislature to adopt its suggested reforms is the legislature's self-interest in its own pension plans. Earlier this year, the legislature recommended that other public pensions be closed out, but, when state pension commissioner Otto Kinzel recommended they close their own pension plan, they voted it down. ■

Drive set . . .

Continued from page 1

a seven- to nine-member panel of strategists to design a broad program for implementing changes.

"The committee actually has already been picked," A. Grant Whitney, chairman of ASIM's joint industry risk management committee and insurance manager of Belk Stores, told *Business Insurance*. "By that I mean we know who we'd like. We cannot announce the names, though, until these people have been contacted and agree to serve on the committee. I can say that if those people will serve, we'll have one hell of a bang-up committee."

Mr. Burton suggested that ASIM invite representatives of labor, medical and legal professions and industrial groups to serve on the committee, but ASIM considers labor somewhat of an adversary and will approach union groups with the program after it is drawn up, Mr. Whitney said. Representatives of the American Bar Assn. and the American Medical Assn. have been asked to serve. ■

One-shot deductible policy for satellite

OTTAWA—An insurance consortium including Lloyd's of London is underwriting a \$30 million "one-shot deductible" policy taken out by Telesat Canada in conjunction with its satellite launchings.

More than 100 insurance firms are reported included in the consortium, although none of them are Canadian.

D.A. Golden, president of Telesat, said the policy insures that the firm will be able to afford a second try if the first effort to orbit a two-satellite domestic communications system fails.

The unusual policy provides that Telesat would receive \$15 million per failed launching, but only on the second or third failure.

Golden admits that the Thor-Delta rocket system being used in the launches has suffered some problems and failures in recent tests and that the insurance protection may well be needed.

Under an agreement with the U.S. National Aeronautics and Space Administration, Telesat Canada must pay regardless of whether or not the launch is successful.

It was pointed out that Telesat has three satellites—one built as a spare—which can be launched.

While Telesat officials declined to say what premium is being paid under the contract, one commented: "Coverage like this doesn't come cheaply." ■

Life . . .

Continued from page 1

Those who leave the company will be given severance pay amounting to three weeks pay for every year of service. Employees with short time will receive one and a half weeks pay for each six months with the company.

At the same time, "notice pay" will also be given. "There will be a minimum of four weeks notice pay for an employee with less than one year of service," the spokesman indicated, "rising to a maxi-

mum of 20 weeks for an employee of 30 years or more."

In other words, an employee who had been with the company for 10 years would be eligible for approximately 30 weeks of severance pay, 12 weeks of notice pay, whatever profit sharing he may have earned over the years and a pension.

Regarding group life and health insurance, the Time man pointed out that the coverages were written by the Prudential Insurance Co. of America and would be convertible after 30 days for the employees who left the company.

Time Inc. set up an after-tax net reserve of approximately \$7 million to cover the 36-year-old magazine's various closing commitments, including severance pay and unexpired printing contracts.

Corporate officials said they were suspending publication of Life because of continuing losses over the past few years and a rather bleak-looking future. The magazine had lost some \$30 million over the past four years. ■

Air crash . . .

Continued from page 1

ductible, Mr. Smith stated.

He added that workmen's compensation cover for three crew members killed in the crash is self-insured and that the company will pay benefits on the state of California scale if applicable-state benefits do not reach California compensation levels.

Survivors of the dead crew members are covered under the airline's group insurance plans. Mr. Smith noted that the group life program offers a "generous schedule" scaled to seniority and salary. ■

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Continental, Federal insurers on Southern high-rise building fires

By MARIE KRAKOWIECKI

NEW YORK—Continental Insurance Co. and Federal Insurance Co. played major roles in providing coverages in two serious high-rise fires that struck the South within a day of each other late last month.

Continental wrote the entire cover for the suspected-arson blaze in a New Orleans skyscraper that killed four and caused damages speculated by sources to be in the \$5 million range. C. A. Spurl & Co., New Orleans, is the broker on the case for the burned Rault Center Building, a 16-story structure in downtown New Orleans.

A Continental spokesman told *Business Insurance* that his company had written a special multi-peril (SMP) policy that covers building contents as well as business interruption and liability. Although the liability cover is

were the only insurers involved. An industry expert in nursing home insurance outlined the kind of policy that would typically be written for such a structure.

ALTHOUGH the Baptist Towers is technically not a nursing home, it was designed specifically as an apartment dwelling for the elderly who can care for themselves. Many, however, suffer from varying degrees of infirmity, and each occupant has a buzzer set-up connected to the main switchboard which would alert building aides if assistance were needed. The industry source said that typical coverage for a residential dwelling of this type would probably include a \$100,-

000-\$300,000 policy for liability, with an all-risk property umbrella over that amount.

Both the New Orleans and Atlanta tragedies were heightened by the lack of sprinkler systems in the buildings. Fire extension ladders were three stories short of reaching victims trapped in the Rault Center Building's private top-floor club, the Lamp-lighter. Rescues were attempted with helicopters and ropes, but for some it was too late. Several people, including a woman seven-months pregnant, made a desperate attempt to escape the flames by jumping to a roof nine stories below. Three people died when they jumped and a man caught inside the building died

of smoke inhalation.

Commenting on the deaths, a member of the presidential fire prevention commission said the fire could have been brought under control if a water sprinkler system had been installed in the building.

IN ATLANTA, fire marshal Jim Seagraves echoed the same thought about the sprinkler-less Baptist Towers. "Sensibly, such an old age home should fall into the same category with a nursing home, which is required to have a sprinkler system," he noted. He emphasized the immobility of many of the occupants, and their incapacity to escape down stairwells when the elevator was stopped by smoke.

Mr. Seagraves called for increased fire safety measures to be incorporated into institutions where old people live. He suggested standards which included the use of an ionization-type fire

alarm capable of detecting combustible materials before smoke becomes visible and the implementation of a fire partition that would resist flames for two hours while the elderly waited for staff members to retrieve them.

Richard E. Bland, chairman of the national commission of fire prevention and control, was prompted by the New Orleans disaster to call for federal laws requiring sprinkler systems in all high-rise units.

"There are no federal laws requiring sprinkler systems or fire escapes or fire towers on high rise buildings," Mr. Bland said.

"If there is to be a significant decrease in this kind of fire and a resultant saving of lives, and if the local and state regulatory agencies do not see fit to enforce existing advisory standards, then perhaps the federal government is obligated to generate and enforce all reasonable regulations."



Three people leaped to their deaths from a New Orleans high-rise when a fire started on the top floors of the building.

—Wide World photo

included in the SMP policy for the Rault Center Building, its limits are separate and distinct from those for property damage.

The spokesman asserted that policy limits were "adequate" to meet the losses sustained. He called a brokerage source's estimate of a possible \$5 million in damages "over-estimated," but noted that it was still too early to confirm the exact amount of damage.

Fire officials in New Orleans pegged arson as the probable cause of the blaze. However, the Continental spokesman said since the building's owner, Joseph Rault, was not under suspicion, the insurance coverage would in no way be affected.

The Federal Insurance Co., a Chubb & Son member headquartered in New Jersey, wrote the main fire coverage for an Atlanta, Ga. home for the aged that burned one day after the New Orleans high-rise. Nine elderly people died in the early-morning fire at the Baptist Towers, an 11-story structure less than a year old. Federal Insurance representatives would not disclose whether the policy they wrote would cover liability for deaths involved, but stated they

They're not kidding about flame safety

The pressure is coming from all quarters for full time flame safety on combustion equipment.

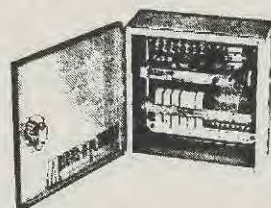
FACT: National Fire Protection Association standards now advise pilots and electronic flame detection on any system firing at less than 1400°F.

FACT: NFPA recommendations are being enforced as "regulations" in many phases of the Occupational Health and Safety Act of 1970. OSHA will spend \$64 million implementing this law in the next fiscal period.

FACT: Associations of equipment manufacturers and factory insurers have issued joint requirements for flame supervision on *all* gas fired processing equipment, whether it operates at *high or low temperatures*.

FACT: The courts mean business too. In product liability cases, manufacturers who fail to use the latest state-of-the-art in building equipment are often left without an adequate defense.

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washington watch

Government works to pull together national fire prevention and control

By JOHN REVETT
Washington editor

WASHINGTON—With the recent rash of high-rise fires still smoldering in the background, at least figuratively, the federal government is reaching out in several directions to pull together a national fire prevention and control apparatus.

While the government efforts are aimed at developing programs to deal with all kinds of fires,

there is particular emphasis at present on the kind that caused death and extensive damage in Atlanta and New Orleans and property loss in Chicago.

ALL STARTED in big new buildings and involved a plush new breed of fire hazard—sophisticated materials and fabrics that have have been developed and put into use in furniture and decorations at a very fast rate that regulators have been unable to

keep pace with.

There is also the problem of building construction, for while many of the new high-rises are considered fire-resistant insofar as basic materials are concerned, some of their insulation, wiring and other permanent fixture materials are under suspicion. And concern continues to grow about the lack of escape routes as demonstrated in New Orleans, where four people died trying to jump to safety.

The Federal Trade Commission and National Commission on Fire Prevention are leading initial federal efforts to learn the extent of fire hazards posed by building design and materials such as plastic foam and other synthetics in furniture, rugs and wall coverings.

About to enter the picture is the product safety agency approved by Congress and President Nixon two months ago.

THE FTC is conducting an extensive investigation of the flammability and toxicity of plastics used both in construction and interiors of buildings and homes. FTC staff members won't comment on the "in-progress" investigation. But it's understood that a preliminary check of the number of new, unregulated products entering the construction and furnishings market, plus indications that some will burn and cause highly toxic smoke, caused the Senate commerce committee to

press for the full-scale probe and ask that it be completed as soon as possible.

The timing is seen as important by commerce committee staff sources. Reportedly, Sen. Warren Magnuson (D.-Wa.), committee chairman and a fire commission member, wants an FTC report on its investigation when the National Commission on Fire Prevention comes out with its final report and recommendations for improving fire prevention and control.

THE FTC expects to finish its work early next year, though the project is somewhat complicated. Normally, the FTC becomes involved in fire problems only when using its regulatory powers under the Flammable Fabrics Act. But since more than only fabrics are involved in fires with high degrees of heat and smoke toxicity, the FTC is taking the more difficult route of investigating with an eye for unfair trade practices stemming from false or misleading sales and promotion claims having to do with fire safety.

It's understood that Sen. Magnuson wants to have both the FTC and the fire prevention commission reports for his committee to consider when it takes up a bill sponsored by Sen. Charles McC. Mathias (R.-Md.) calling for establishment of a national fire academy as the hub of government fire prevention and training activities. The academy concept is expected to be strongly supported in the fire commission's report, and it's thought that results of the FTC investigation would also point to a legislative need.

SEN. MAGNUSON is also said to want the FTC's findings to see if preliminary indications bear out and the dangers are substantial enough to call for a recommendation that the new product safety agency immediately take responsibility for regulation.

At this point a controversy of some size could develop over jurisdiction, since some members of the fire commission fear that synthetic fire-hazard products could "get lost" in a big new federal agency receiving numerous complaints and suggestions. They would rather have the FTC and the Commerce department, which does some fire hazard regulating through its bureau of standards, handle the matter in cooperation with a national fire academy.

Senate commerce staffers, who view passage of the product safety agency bill as a major victory of Sen. Magnuson and his commerce committee allies last session say control over products that could cause fires or make them worse for trapped people not only belongs in the new agency but should be one of its main areas of concern.

WHILE THERE are differences over details of regulating what goes into the "fire load" of a structure, described by a fire commission official as just about everything inside a building, there appears to be agreement between commission members and Congress that the new, fire-escapeless buildings should be required to have built-in protection such as sprinkler and fire detection systems. This will be recommended in the commission's report.

Several other proposals are under consideration, including one stemming from a Helicopter Pilots Assn. suggestion that all buildings above a certain height be required to have rooftop heliports for evacuation. But built-in protection is certain to get strong backing in the commission report, which is expected to stress that if local or state governments don't require it, federal standards should be set.



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Checking ocean marine? Always check the hat!



Diseases added to work comp in Pennsylvania

HARRISBURG, PA.—Pennsylvania's workmen's compensation program will soon include occupational diseases as well as occupational injuries under legislation signed into law by Gov. Milton J. Shapp.

Beginning June 30, 1973, the state's employers must cover the insurable liability for occupational diseases, except for those diseases related to coal mining, which are covered by the federal government. Under the new law,

the employers will have the option to choose their coverage from private insurance companies, the state insurance fund or they may self-insure.

The law, which will be administered by the state department of labor and industry, will provide workmen's comp benefits of \$94 a week for the amount of time the victim is unable to work. There is no limit on the total amount that can be paid.

Presently, occupational disease

benefits are paid by the state in the amount of \$60 weekly to a maximum of \$12,750.

Gov. Shapp, who said the law would correct "a deplorable injustice," pointed out that the legislation also provided for counseling of workers crippled by occupational diseases and that other services would get them back on the job.

"The employers of those afflicted will, for the first time, be required to bear the financial responsibility for compensation," the governor said of the bill. "They will have to be insured against such diseases, just as employers have had to be insured for decades against occupational injuries."

info for buyers

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• **Was It Arson?** A 16-page, illustrated booklet just released by General Adjustment Bureau, is designed as a basic primer for insurance personnel, public officials and law officers. The booklet explains clues to look for in establishing arson motive, the techniques of examining the fire scene, how to protect and document the evidence, key sections of a model arson law and a glossary of arson terminology. Copies are available by writing Management Services, GAB, 123 William St., New York, N.Y. 10038.

• **Pensions & Investments**, reprinted from a special emphasis issue of *Business Insurance*, features profiles of the nation's top 50 employee benefit and/or pension fund plans. The profiles detail asset value, employer-employee contributions, investment income, and include a breakdown of investment distribution. Readers can obtain this reprint by sending \$2 to Reprint Department, *Business Insurance*, 630 Third Ave., New York, N.Y. 10016.

• **Property Insurance . . . Need for Appraisal Service**, is a brochure released by American Appraisal which discusses insurance and value, value requisites for proof of loss, how to keep value current and appraisal service for insurance. For a free copy write E. J. Francione Jr. at the company, 525 E. Michigan St., Milwaukee, Wis. 53201.

• **The Management Approach to Funds Evaluation** describes A. G. Becker & Co.'s funds evaluation service that measures, compares and evaluates the past and current performance of retirement and other non-taxable funds. For copies write Robert Brehm, Corporate Services, A. G. Becker & Co. Inc., Two First National Pages, Chicago, Ill. 60640.

• **Brief Bank Index Supplement 1971** has been produced by the Defense Research Institute Inc. Available to institute members, the index is an up-dated listing of briefs available through the institute's brief bank service. Single copies are available to DRI members for a handling fee of \$1 each, prepaid. Write DRI, 1000 W. Wells St., Milwaukee, Wis. 53233.

• **Advance Industrial Security Inc.** has released **Positive Security With Advance**, a comprehensive brochure detailing the company's organization, services and methods. For a copy write E. Stanley Reynolds, Advance Industrial Security Inc. P. O. Box 1709, Atlanta, Ga. 30301.

• The 1972 edition of the **Business Insurance Directory of Commercial Insurance Agents & Brokers**, published by Crain Communications, Inc., contains profiles—including financial information—on leading brokers and agents who serve commercial consumers of insurance and employee benefits plans. The directory also contains charts, tables and editorial features which analyze the agency and brokerage

business. Copies are \$4.95 or \$3.95 on orders of ten or more. They may be obtained by sending a check or money order to *Business Insurance Directory*, 740 N. Rush St., Chicago, Ill. 60611.

• **Deferred Compensation Administrators Inc.** has made available **PLANTAX—Personalized Computer Calculations Comparing Tax Consequences of Profit Sharing Distributions**. The brochure is a computer prepared analysis of federal income taxes attributable to distributions from qualified pension, profit sharing and thrift plans. It makes possible a comparison of the tax consequences between various alternatives of receiving the distribution and between various dates of distribution. For a sample copy, write Craig Johnson, Deferred Compensation Administrators, 1624 Cargill Bldg. Minneapolis, Minn. 55402.

• **First Investment Annuity Co. of America** has released **Now That You're Retiring . . .** a booklet discussing the possibilities for those receiving a retirement plan distribution. The pamphlet compares the lump-sum, monthly payment and combination options with the investment annuity. For a sample copy, write the company, 1845 Walnut St., Philadelphia, 19103.

• **Captives: Bermuda, Colorado, Taxes and Beyond**, an article by Marianne Burge originally appearing in *Business Insurance*, discusses captive insurance companies as one alternative for risk managers. Reprints are available at \$1 a copy by writing Reprint Manager, *Business Insurance*, 630 Third Ave., New York, N.Y. 10017.

• **Insurance Agent's Action Guide to Catastrophes**, produced by the General Adjustment Bureau Inc., is a handbook of procedures for insurance agents in such disasters as hurricanes, explosions, hail and windstorms. It suggests priorities, protective tips for clients and customers, gives proven advice on communications, transportation, repairs and how to expedite equitable claims handling. Copies are available without charge by writing Cliff Reedy, GAB, 123 William St., New York, N.Y. 10038.

• **The Risk Management Manual** is bi-monthly supplemented and covers exposure identification, risk analysis and evaluation, risk control (avoidance, elimination and reduction), retention, non-insurance transfer of risk, insurance, valuations, marketing, disaster planning, loss handling and communications. Inquiries on price information should be sent to Jeanne Chesley, Promotions Manager, Insurors Press Inc., P. O. Box 1430, Santa Monica, Ca. 90406.

• **Now That You Have a Retirement Plan Distribution Coming** is a booklet from Investment Annuity Administrators, Inc. describing a new annuity which allows the annuitant or his investment advisor to invest his deferred or immediate annuity reserves as he chooses—in stocks,

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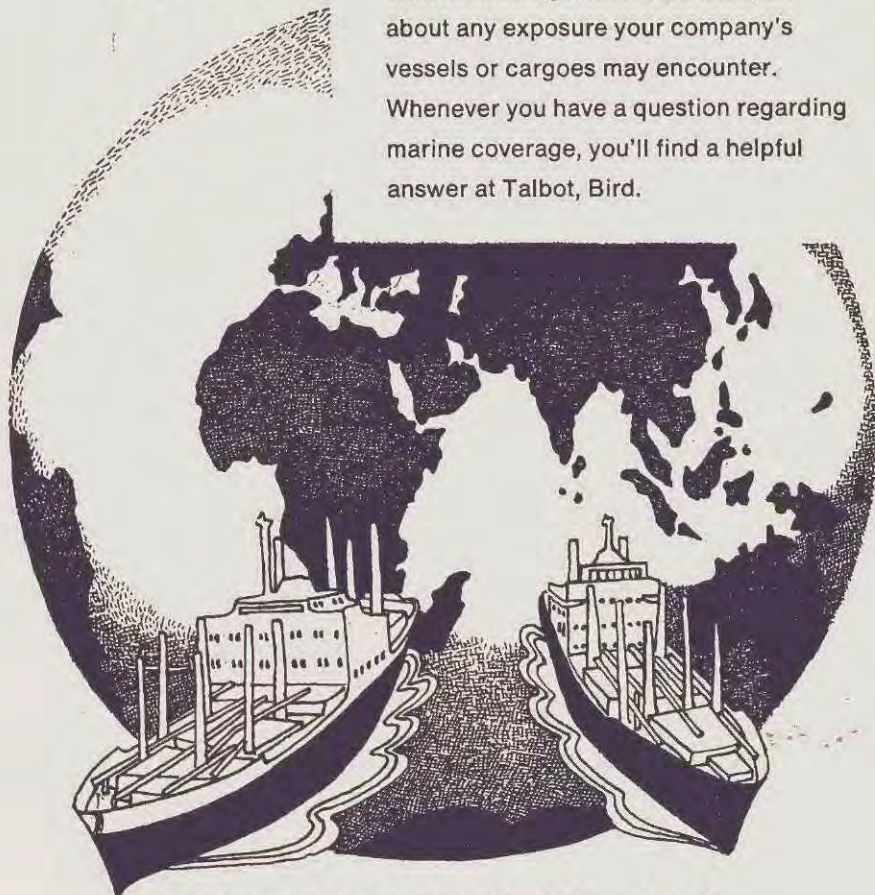
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• Insurance consultant Donald G. Shapiro has made available **The Variable Annuity**, a booklet describing how the variable annuity works during payment and payout periods and its risk and rewards. Sample plans are included, along with dollar cost averaging and an explanation of federal taxation. For your copy write Mr. Shapiro at 90 Park Ave., New York, N.Y. 10016.

• The Swiss Life Insurance and Pension Co. has produced a pamphlet, **Risk Premium**, describing the nature and incidence of risk in relation to employee benefit plans and the actuarial determination of risk premiums. To receive a copy without charge, write the company's international department, General Guisan Quai 40, 8022 Zurich, Switzerland.

• The United States Aircraft Insurance Group has made available the **Legal Liability of Manufacturers of Aircraft and Aircraft Components**. The pamphlet discusses the increasing scope of liability, sources of liability, aircraft design, fabrication and testing, components, aircraft repair, and safety features. Copies may be obtained by contacting USAIG, 110 William St., New York, N.Y. 10038.

• **Dear Grandma** is a booklet released by Libbey-Owens-Ford describing the company's super shock absorber windshield designed to significantly reduce the severity of bodily injuries from windshield-oriented accidents. For a free copy contact D. W. Leeds, p.r. dept., Libbey-Owens-Ford Co., 811 Madison Ave., Toledo, Oh. 43624.

• Towers, Perrin, Forster & Crosby has made available a brochure detailing its consulting services in such areas as employee benefits, actuarial services, executive compensation and communications. A partial list of clients is also included. For a free copy write Joseph A. Banik, TPF/C, 3 Penn Center, Philadelphia, Pa. 19102.

• **Employee Benefits Trends and Practices in the Far East** is a brochure produced by Marsh & McLennan International. The booklet offers a country-by-country look at the current benefits situation and the new trends which appear to be developing in the Far East. For your copy write the company, 70 Pine St., New York, N.Y. 10005.

• **The Problem of Total Remuneration in the European Economic Community and United Kingdom** is a revised brochure on wages, salaries, benefits and other forms of employee remuneration in the Common Market countries and U.K. Available from Towers, Perrin, Forster & Crosby, you can order a free copy by contacting Joseph A. Banik at TPF/C, Three Penn Center, Philadelphia, Pa. 19102.

• **The Haws Safety Equipment Catalog** illustrates and explains the company's emergency wash fountains, drench showers and stalls. Released by the Haws Drinking Faucet Co., copies are available by writing R. D. Jon-

athan, at the company, 1443 4th St., Berkeley, Ca. 94710.

• **Environmental Surveillance Products**, released by the Mine Safety Appliances Co., is for use in evaluating potentially hazardous atmospheres and describes the company's portable combustible gas instruments, toxic gas instruments and combustible gas/oxygen instruments. For a free copy write F. C. Ferguson, adv. mgr., Mine Safety Appliances Co., 201 N. Braddock Ave., Pittsburgh, Pa., 15208.

• **First Investment Annuity Co.** of American has made available **A Guide to Your Personal Investment Annuity Policy**. The pamphlet describes the policy in an extensive and direct question-and-answer format and includes a specimen custodian fee schedule. For your free copy write the company at 1845 Walnut St., Philadelphia, Pa. 19103.

Dixey named chairman of Lloyd's of London

LONDON—Paul Dixey, 57, has been elected chairman of Lloyd's of London. He runs a marine syndicate which his father formed the year the Titanic went down, and has been active in the Lloyd's market for more than thirty-five years.

When he takes office Jan. 1 he will begin a series of visits to European capitals to link up with Britain's entry to the common market of major West European nations.

There is no immediate sign of any visit to the United States, but this will doubtless take place later in his term of office so that full contact with the American market can be maintained.

As a Marine underwriter he was a member of the U.K. delegation to Indonesia in 1958 which successfully negotiated the release of 42 Dutch merchant ships that had been seized by President Sukarno.

BEFORE ending his four-year term of office Sir Henry Mance, retiring chairman of Lloyd's, reviewed future prospects of competition from U.S. insurance firms, especially in 1973.

He said, "Sections of the U.S. market, which provides more than half of Lloyd's business, seem prepared to write more for premium than for profit.

"But British underwriters will

be cautious about taking part in a rate-war just in an effort to keep business at all costs. It may well need another spell of bad disasters to discourage this sort of competition. Powerful financial resources are backing it in many ways, and it will call for great skill on the part of long-established and professional underwriters at Lloyd's to cope with it.

"Severe losses can follow a period where acute competition produces falling premium rates and wider terms of cover. But in the long experience of Lloyd's, underwriters know that it is sometimes better to lose business to other markets rather than write it at unsuitable premiums.

"There has been a remarkable absence of any major insurance loss for the last two years.

"I am sure that Lloyd's underwriters will be able to get a balance between quoting competitive premiums and keeping their lead in world markets."

What do we have in common?



Different people know us by different names. What they may not know is that we are the same. We are the property casualty division of Integrated Resources Inc. We all started with solid roots in General insurance in the early 1900's. Since then our growth has been dynamic. Imagination and innovation have brought us to the vanguard of insurance and financial products and services today. Our growing network of offices and representatives allows us to conduct on-the-spot dialog with any client or supplier. That dialog is backed by a cumulative expertise that extends throughout the realm of property, casualty and employee benefits into related areas of mutual funds, equities, and tax preferred investments. Next time you wonder "What do all those names have in common? . . . Remember, the answer is . . .

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Ex-football player sues team, league for \$200 million over work comp

MIAMI—A former Miami Dolphin, knocked out of professional football by a 1971 injury, has filed a \$200 million class action against the Dolphins and other National Football League teams.

Maxie Williams, a onetime offensive tackle and guard, alleges he was "wrongfully and illegally" deprived of workman's compensation by a clause in the Dolphin contract approved by the league.

Mr. Williams, now living in Lenoir, N.C., contends in his federal court suit that he and other

injured NFL players have suffered losses exceeding \$50 million because of the clause. His suit asks an additional \$150 million for himself and other players in punitive damages on the grounds that the contract displays "malicious and wanton disregard" of their rights.

Mr. Williams also asks for an accounting of all "illegally paid" workmen's compensation and a court order setting up a trust in that amount in favor of himself and the class.

Ironically, the suit initially was assigned to U.S. District Court Judge Peter Fay. Mr. Fay promptly excused himself and asked that the suit be assigned to another judge. Mr. Fay is part

owner of the Dolphins team.

In his suit, Mr. Williams cites a contract clause specifying that any money paid to a player while he is entitled to workmen's compensation shall be deemed an advance payment of benefits and if any future compensation is awarded the club is entitled to reimbursement. To accomplish this, Mr. Williams says, workmen's compensation checks are mailed directly to the club instead of to the injured players.

Upon receipt of the check, he says, NFL member teams forward the checks to injured players and "direct, demand and coerce" them into endorsing the benefits over to the team. He contends that the provision violates Florida laws

which specify that compensation "shall be paid periodically, promptly and in the usual manner and directly to persons entitled" to it.

Florida statutes also provide that, "No assignment, release or commutation of compensation . . . shall be valid and such compensation and benefits shall be exempted from all claims of creditors and from levy, execution or attachment."

Mr. Williams, who was injured in September 1971 while under contract to the Dolphins, says the clause reimbursing the club is illegal because it constitutes assignment or release of benefits.

Further, according to the suit, Florida law provides that "no agreement by a player to waive his right to compensation shall be valid unless he has rejected" certain provisions of the law.

The class specified in Williams' suit is composed of all injured players entitled to workmen's compensation who are being com-

pelled to release the checks to their individual clubs.

He does not specify in the complaint exactly what his injuries were or how much money he feels that he is personally entitled to in workmen's compensation benefits. He spent some time on the Dolphin's injured reserve list before being released.

Williams' attorneys said that two issues of law are to be decided in the case.

ONE, THEY SAY, is whether a football club or similar employer "can cause an employee to effectively and validly assign, release, waive or commute his right to compensation benefits due him."

Secondly, Mr. Williams wants to determine in court whether the compensation carrier "can properly discharge its responsibility under Florida law by delivering compensation payments to the employer rather than making them directly to (the) persons entitled (to them)."

Ice-Pac for the ice assn.

LAS VEGAS—A new insurance plan called Ice-Pac, developed for the National Ice Assn., was unveiled at the group's six day convention held here last month.

Over 700 members from the 50 states and Mexico heard Pierre Hill, assistant to the association's president, tell them of Ice-Pac.

"We have just adopted an insurance program for our members where they can realize substantial savings in all phases. It will be handled by Marketing Management Inc., Birmingham, Al."

Mr. Hill said members will pay premiums for "the new program that is so flexible it can cover whatever they want it to cover, from workmen's compensation to liability to you name it."

"If a customer says they are poisoned by the ice, the insurance program covers it. What so often happens is that an ice company will have two or three insurance companies who don't know a thing about the ice business. One insures machinery. Another company insures the premises. Someone else will insure workmen's compensation," Mr. Hill explained.

HE STRESSED, "Now we're going to lump everything into one policy. They (members) can pick and choose the coverage they need."

The originating agent for the Ice-Pac plan is Rex Rankin, of Your Insurance Man Agency, Decatur, Al. The carrier of property, liability and workmen's compensation coverage is Zurich American Insurance Cos. Western Life Insurance Co., a part of the St. Paul Fire and Marine Insurance group, carries the life and health coverage.

The ice association represents manufacturers of bulk ice which is sold to restaurants, hotels, motels, grocery stores, etc.

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Oil spill cover written in London; may spread to two voluntary plans

NEW YORK—A London protection and indemnity club has a direct stake in the clean-up costs for a 14-mile oil slick that fouled the East River earlier this month, and sources have indicated the possible involvement of two voluntary international plans for oil pollution.

The United Kingdom Mutual Steamship Assurance Assn. Ltd. of London wrote the entire protection and indemnity policy for the Vita, a 659-foot tanker owned by Shell Bermuda (Overseas) Ltd., London, which ran aground in heavy fog and leaked 350,000 gallons of heavy fuel oil.

A spokesman for the tanker's charterer, the Asiatic Petroleum Corp., New York, said the vessel

had additional coverage under the TOVALOP and CRISTAL plans in London and Bermuda.

TOVALOP, the Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution, begun in 1969, covers the costs of oil spills with limits equal to either \$100 per gross ton of the vessel involved, or \$10 million, whichever is less.

CRISTAL is a supplemental plan that takes up where TOVALOP coverage leaves off. Standing for Contract Regarding an Interim Supplement to Tanker Liability for Oil Pollution, CRISTAL will cover cleanup costs up to a \$30 million limit.

Uncertainty over the costs for the 350,000 gallon spill has even

knowledgeable marine sources confused about just where the coverage of the United Kingdom club would end and the responsibility of TOVALOP and CRISTAL would take over, it at all.

A representative for Lamorte, Burns & Co., Inc., the marine adjuster here which confirmed the London club's involvement, placed preliminary cleanup estimates at a mere \$165,000. He admitted that CRISTAL representatives had already made inquiries about the spill however. CRISTAL covers only those costs which exceed a \$10 million limit.

Other informed sources gave divergent estimates on the cost to clean up the East River slick. One hull insurance claimsman

thought the pricetag would be in the \$250,000 bracket. And a water pollution officer from the Coast Guard gave a general figure that ran astoundingly higher than either industry estimate. When contacted by a researcher, the water pollution official said—including costs of equipment and personnel—the price per gallon to clean up an oil spill could be about \$50. Considering the 350,000-gallon scope of the Vita mess, the resultant cost would exceed the industry estimates by a wide, if debatable, margin.

NO MATTER which plan or plans is found ultimately responsible for cleaning the oil spill, it seems that other damage to the environment will not be compensated. Neither the U.K. club policy nor TOVALOP nor CRISTAL will pick up the tab for environmental destruction.

An industry source commented on the environmental aspect of

the case by noting "It's lucky the spill happened in the East River. No fish are alive there, just ducks."

Numerous ducks were trapped in the river's gooey coating and were unable to fly. Some drowned or were killed when waves battered them against sea walls. Rescue efforts by the National Audubon Society and some local children managed to save a number of the birds.

Coast Guard officials said completion of the oil spill cleanup would take about one week. ■

No-fault in New York

ROCHESTER, N.Y.—The chief executive of New York state expects his no-fault insurance plan will be adopted by the 1973 state legislature.

Gov. Nelson Rockefeller said on a visit here he is "very optimistic" about the bill's chances.

The governor was accompanied by Benjamin Schneck, state insurance superintendent, who said he felt there was a good chance the bill would pass early in the legislative session.

The bill died last year in the legislature after prolonged lobbying efforts.

The insurance superintendent said that the no-fault issue was getting "high priority" in the legislative agenda, adding, "I think we have a good shot at it early in the next session." ■

As a businessman, you're also probably a landlord, a tenant, or both. So you're involved in real estate whether you like it or not. But when you're buying property or negotiating a lease, if you knew all the hazards to which owners and tenants are exposed, you'd do more than consult the lawyers and accountants. You'd call in an insurance expert, too.

Who owns "improvements and betterments"?

The structural changes to the premises that a tenant makes to suit his needs may not be removable at the termination of his lease because they're part of the building. They're called "improvements and betterments" and, unless the lease says otherwise, they become the property of the landlord. In contrast, "trade fixtures" and "contents" belong to the tenant.

The terms of leases vary. Definitions vary from state to state. So check to see what you do and do not own. And to what hazards you're exposed.

To help keep things simple, the insurance industry permits a tenant to cover improvements under his contents policy.

On the other hand, that makes it even more important to watch for a coinsurance deficiency. So when deciding on the amount of insurance, be sure to include the value of your improvements if improvements and betterments are covered by your policy.

But that, in turn, raises other questions. Since you're really insuring the use of the improvements how do you figure their value for insurance purposes? And what value do you insure for when you renew the lease? If there's a loss and you decide *not* to make replacements, how much of the original cost can you collect? (And suppose you're the landlord. How do the tenant's improvements affect your own coinsurance requirements?)

Unfortunately, the answers are often, "It depends". The best advice is to buy Improvements and Betterments insurance, and buy it from a knowledgeable insurance company which can dig up your answers.

Your legal liability in case of fire.

If a fire is caused by negligence on your premises, you may be liable for damage to the building and to the property of other tenants. So you carry liability insurance.

But your Liability policy does *not* cover property belonging to others which is in your custody or control. Which could include the whole building, if you're a general lessee.

You're safe so far as the building is concerned if your lease specifically holds you harmless in such cases. But does it? Or if the building owner waives his rights of subrogation. But has he? If not, you'd better buy Fire Legal Liability insurance (at only half of the building's fire rate).

For your liability for personal property of others in your care, custody or control, your fire contents policy may provide only limited protection. So if you have valuable customers' goods on your premises, specific additional coverage may be necessary.

There's interest in the leasehold.

Many leases automatically become cancellable by either party if 50% of the premises are destroyed by fire. And leases often contain other, often unnoticed, cancellation clauses.

If you had to find new quarters unexpectedly, you might have to pay a lot more rent. Or suppose you've

sublet to someone at a higher rental than you pay your landlord and thus stand to lose the difference if a fire cancels your lease.

Leasehold Interest insurance is designed to protect you against just such specific exposures.

When you buy it, remember that if you have an option to renew your lease, the value of your Leasehold Interest goes up. And *that* exposure is insurable also.

Another tip: if the building's fire rate goes down for any reason, the new rate should also be applied to your Leasehold Interest policy.

Landlords need protection, too.

The building owner has similar...and insurable...interests. The rent, for instance. If you occupy the building yourself, it's the "rental value" you should protect.

If your property is no longer fit for occupancy due to damage, most states relieve your tenant of his obligation to pay rent. By statute. And even if the lease continues the tenant's obligation, there's the question of his ability to pay.

The owner's exposure to loss is clear. And so is the need for protection. Rent insurance is fairly uncomplicated, but a few angles are worth considering.

After rebuilding, you may not find new tenants easily. Extend your coverage beyond the reconstruction period by adding an "Extended Period of Indemnity" endorsement.

The amount of insurance needed can be a problem if you confuse "rental income" with rental *value* as defined in the policy. Rental value is the rental income *plus* expenses which would normally be borne by the owner, but are assumed by the tenant. Examples are taxes and maintenance costs.

The case for Title Insurance.

The need for a title search before buying real property is obvious. But it's not enough. There are hidden risks that no search can reveal.

For example, there could have been fraud or forgery in the execution of a deed somewhere along the line. Or conveyance by a mental incompetent or a minor. Or execution under an expired power of attorney.

Title insurance pays you for losses resulting from title defects. It defends your title in legal actions and pays court costs.

As our affiliate, American Title Insurance Company, says—it doesn't make sense to buy property without it.

There are many other hazards to owners and tenants, but we think we've made our point.

We're not suggesting that you should become an expert in real estate insurance. We do suggest that if you don't know one, you should find one.

Just look in the Yellow Pages under "Continental Insurance".



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Benefits are not an issue at CBS strike

NEW YORK—If you want to talk to the life and health benefits man at the Columbia Broadcasting System, chances are you won't be able to. During the strike that technicians are waging, Tom McVeigh is wearing a different hat at CBS—he's acting as a cameraman.

Although *Business Insurance* could not talk to the benefits man as he grappled with close-up shots and zoom lenses, we did discover that employee benefits of the strikers are not at issue in the conflict.

A CBS spokesman confirmed that the major point of contention continues to be a matter of jurisdiction over electronic equipment. The International Brotherhood of Electrical Workers is fighting for an agreement that if any non-union workers operate the devices in question, the jobs will be duplicated for IBEW members. ■

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Distillers Co. discusses \$12 million settlement for thalidomide victims

LONDON—The seemingly endless financial discussions surrounding settlements for the families and children who were victims of the drug thalidomide have taken another turn as the company which sold the drug in England confirmed that it was negotiating a \$12 million settlement offer.

Distillers Co. (Biochemicals) Ltd., which marketed the child-deforming drug here, said the \$12 million in compensation was being discussed with representatives of 386 children who were maimed by the German-made drug. The parents in each case would also receive \$7,200.

Lloyd's of London, it is expected, will pick up a good deal

of the tab as Distillers' product liability insurance carrier, though, according to some observers, Lloyd's reticence to pay off is one reason why the 11-year-old thalidomide tragedy is still financially unsettled.

THE INSURER and Distillers wrangled for years over what the insurance policy actually provided. (Lloyd's contended that there was a \$600,000 limit on any one accident or series of accidents arising out of one event each year. Distillers, of course, thought it was entitled to much more.) This hassle has kept a good deal of money out of the hands of the children and their families.

There will still be an insurance

battle over product liability when all claims are settled. Keith Joseph, Britain's social services minister, has revealed he will be personally liable for a share of any claim as a former member of an insurance syndicate.

If the \$12 million offer is accepted, negligence suits against Distillers would be withdrawn by the parents of 266 of the children. The parents of the other 120 children have not brought suit but would share in the compensation.

THIS OFFER, which the company said is still not a formal one, follows an attempt last year to establish a \$7,800,000 trust fund for the children. That offer was negated when parents of seven of

the children rejected it.

The \$12 million could be paid as a lump sum or a trust fund could be established, but this is one of the areas that has yet to be firmed up. The amount would work out to about \$31,200 per child.

SIXTY-TWO children whose parents settled their claims against Distillers in 1968 will be excluded from the settlement. The company is thought to have paid close to \$2,400,000 in those cases.

Also, the British government will probably add another \$7.2 million for the children's future welfare, following a lengthy debate in Parliament.

But there is now growing argument that even this sum will not be enough to allow for inflation by the time the crippled infants get older. Some politicians are demanding that a \$50 million fund be created for the children,

or more than tenfold the initial compensation that was planned for them (*Business Insurance*, Nov. 6).

Two U.S. lawyers have arrived in London to advise parents of British thalidomide children on their claims. The lawyers, James Butler and Robert Fry, have already won a lawsuit in California for a thalidomide victim.

ALSO, THE German government last month ended another legal hassle and set up a \$15,000,000 trust fund for the 2,600 thalidomide-deformed children there. The fund provided a lump sum payment of \$6,720 for each child plus a lifetime pension of between \$33.60 and \$151.20 a month, depending upon the degree of deformity.

35 states to go.

Most of our nation's drunken drivers, habitual speeders, and hit-and-run offenders are free to drive on our highways whenever they like. These people are involved in more than half the traffic deaths and injuries which occur each year, yet they continue to hold valid licenses to operate a motor vehicle.

It takes tough laws and strict enforcement to keep them off the streets and highways permanently. Only 15 states have such laws and enforcement. The traffic toll is steadily decreasing within their borders but is increasing sharply in the remaining thirty-

five states.

What can you, as a concerned citizen, do to help? One way is to join your independent insurance agents in working for safer highways.

The Independent Insurance Agents in Indiana, for example, spear-headed a successful effort to mobilize the public to take action. They used local radio, newspapers and television. They talked at social functions and mass meetings wherever they could get anyone to listen. They outlined the problem and the solution again and again.

Finally, they submitted peti-

tions, bearing more than 150,000 signatures and demanding action, to the state legislature. This excellent and well-run campaign has resulted in new strict laws removing the habitual traffic offender from the roads in Indiana. In our judgment, such a campaign can and should be run in all states.

If your state is one of the 35 still to go, call the independent insurance agent in your town. He has the campaign package and the know how.

Just tell him you want to help put your state on the map.

You can make the difference.

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Allen Funt uninsured for \$1.25 million loss

NEW YORK—King of the double take, film producer Allen Funt, was uninsured for an embezzlement of over \$1.25 million that presumably left him as open-mouthed as any of the gawking victims he has captured over the years on his Candid Camera program.

Seymour Goldes, an accountant and Mr. Funt's "close friend for many years," was indicted earlier this month and charged on 44 counts of grand larceny in connection with stealing \$1,285,826 from the producer from February 1968 to August 1972.

A representative for A. A. Funt Productions told *Business Insurance* that Mr. Goldes, as business manager, had also been responsible for handling the account's insurance.

Manhattan district attorney Frank S. Hogan said that Mr. Goldes regularly wrote checks to himself drawn from Mr. Funt's accounts. He managed to hide the drained cash by juggling the books and attributing larger costs to production fees and employee salaries.

Mr. Funt uncloaked the ruse last summer when he discovered \$300,000 missing from one of his bank accounts. When the accountant explained it by saying he "forgot" to tell Mr. Funt about buying stocks for \$200,000, the producer notified the district attorney about the missing money.

Mr. Goldes, who specialized in television and motion picture accounts, is also accused of stealing \$30,000 from two other clients.

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following the funds

Connecticut, almost a member, will fight for PBW stock exchange seat

HARTFORD—With approval for a seat on the Philadelphia-Baltimore-Washington (PBW) stock exchange finally within its grasp, the state of Connecticut faces the possibility of seeing its membership dashed by a proposed rule of the Securities and Exchange Commission. The rule would limit exchange membership to firms doing 80% of their business with the public or "unaffiliated" persons.

Should such a restriction be passed, it would automatically eliminate the state's affiliate, Connecticut Nutmeg Securities Inc., from operating within the PBW. Connecticut Nutmeg was originally set up to handle the state pension funds through the PBW exchange (*Business Insurance*, Nov. 20). By its nature, it could not go into the public brokerage business to meet the SEC's 80% requirement—19b—proposed at public hearings late last month.

The SEC announced it would hold public hearings on the question of institutional membership in stock exchanges mere days after the PBW board of governors initially approved Connecticut's seat on the exchange. During the week-long hearings held in Washington, matters were complicated for Connecticut by its own fuzzy status on the PBW.

THE BOARD of governors had given tentative approval to Connecticut's seat, but was slated to vote one more time before the state's membership could be finalized. Consequently, in the negotiations carried out in Washington, Connecticut's role in the PBW was clouded. Did it fall under guidelines for a "present member" or a "non-member?" The question was open to interpretation, argument and opinion.

Lobbying against Connecticut was a group of 50 New York Stock Exchange firms calling themselves the Committee for the Martin Report. They testified on behalf of the SEC proposal to allow stock exchange membership only if the affiliate does at least 80% of its securities business with unaffiliated investors.

A spokesman for the Connecticut state treasurer's office told *Business Insurance* that the state believed that pressure from Big Board members was most instrumental in hurting Connecticut's potential membership on the PBW.

And things weren't looking any better for the state on the basis of support from the exchange itself. Elkins Wetherill, president of the PBW, had originally threatened to fight the SEC all the way to the Supreme Court if necessary, to prevent the expulsion of institutional members that could not comply with the 80% requirement. But in an about-face at the hearings, Mr. Wetherill, professing to be a realist, said that the PBW would accept the SEC's decree if the commission would allow a three-year "grace

period" before implementation of proposal 19b.

As outlined by Mr. Wetherill, the provision for the grace period states that "all institutional members who had submitted their applications for membership to an exchange by Feb. 2, 1972, the date of the commission's policy statement, would be allowed to retain their membership on that exchange for three years from the date the rule is adopted without any restrictions, and thereafter only if they meet the 80% requirement, and the other

provisions of the rule as now proposed."

A state spokesman said that if such a three-year grace period were enacted, he presumed that Connecticut would be allowed on the PBW for that amount of time, but would then face expulsion.

However, even such tentative, temporary membership for Connecticut seems uncertain as the state had applied for membership on the exchange after Feb. 2, the stated cut-off date (*Business Insurance*, Aug. 28).

What the final outcome will be

is not yet certain. A Connecticut official said the state is preparing to fight for its right to membership on the PBW exchange. State treasurer Robert I. Berdon, leader of the drive for an exchange seat, is rounding up ammunition to use against the SEC and the PBW if Connecticut is thwarted.

State officials in Hartford, in fact, are literally spoiling for a battle. And in this case, the battle might encompass an anti-trust suit whipped up with the help of the Justice department or a drive for a congressional investigation with Sen. Harrison Williams (D.-N.J.) at the helm.

JOHN EINHORN, an assistant to Mr. Berdon, told *Business Insurance* that the treasurer's office was already in the process of compiling letters to be sent to the Congressional committees involved to initiate investigation into what Mr. Berdon charged were "secret negotiations" between the SEC and the PBW.

"If the SEC passes its 19b proposal, we won't let it end there," Mr. Einhorn asserted. "Although we haven't worked out any details or a plan of action yet, with the help of the justice department, we might seek an anti-trust action."

Testifying before the SEC hearings, Mr. Berdon summed up the state's position on the SEC's role in deciding who may or may not join a stock exchange: "If the Securities and Exchange Commission adopts rules or regulations or issues any order which would prohibit the state of Connecticut, through its corporate affiliate, Connecticut Nutmeg Securities Inc., to obtain membership on an exchange, it is my belief that such action would not be within the jurisdiction of the commission, would be in violation of the federal anti-trust laws and would be unconstitutional."

The decision of the SEC is expected late this month. ■



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Dow's placement program an optional benefit

By PATRICK THOMAS

MIDLAND, MI.—Retirement. For some it's an endless round of happy checkers and shuffleboard games. For others, it's park benches or the chance to be alone. For still others, it's the afternoon

television soap operas.

For Nils Munson, for 26 years the director of insurance at Dow Chemical Co. here, it's teaching the fundamentals of insurance to college students in Virginia.

Mr. Munson, and others who have left Dow for a variety of

reasons over the past few years, benefitted from an informal program devised at Dow in 1968. The program, called Outplacement and Retirement Planning, uses the many facets of the Dow organization to help employees who leave find other employment.

"THE CONCEPT was born in 1968 and 1969 when Dow, and other companies, went through a work force reduction," Stephen H. Phillips, placement supervisor at Dow Chemical U.S.A., told *Business Insurance*. "The decision was made at the time not to simply throw people out effective five o'clock Friday."

"They were given ample notice—like three months—and the company decided to help them," he continued. "It started with helping them write up resumes."

Then other companies started calling Dow. You know, they wondered if we had a left-handed framus operator, and we did. It's grown from there."

Explaining that if a person wanted to leave Dow and needed help getting another job it was his job to help that person, Mr. Phillips pointed out that Dow's recruiters and sales force gave him tips as to employment opportunities in their areas.

In Mr. Munson's case, the Dow recruiter at Hampton Institute, a predominantly black college in Hampton, Va., heard that the school was looking for an insurance professor and passed the information along to Mr. Phillips.

"They talked to the college and set an interview up for me without my requesting it," said Mr. Munson, who began his teach-

ing career in September of this year.

"In Nils' case, all I did was play matchmaker," Mr. Phillips commented.

Dow also made an endowment to the college from which Mr. Munson's salary is paid. Under the two-year agreement, he is also free to continue his education (he is three examinations away from a law degree) and he can consult on the outside.

Mr. Phillips pointed out that retirees, early retirees (as was Mr. Munson), persons who lose their jobs due to business curtailments and those who have run out of opportunity are eligible for his aid. More than 30 received assistance in 1972.

"THEY RANGE from research scientists to the insurance director to clerks," Mr. Phillips said, "though the preponderance are from the middle levels. The program is for anybody who wants it but you can't force it. There are many people who want to go to Florida and sit on the business end of a fishing pole when they leave the company."

In his efforts to further the program, Mr. Phillips has built up "a good rapport" with a number of associations and social service organizations. He wants to upgrade the system by which leads are funnelled to him from the recruiters and sales force.

To acquaint Dow industrial relations personnel with what type of employment is available for an employee who may be looking for it when he leaves Dow, Mr. Phillips publishes a newsletter in which he passes on information. One, for example, read: "Merchandising manager—Grand Rapids manufacturer of home improvement supplies. Consumer products background would probably be of value. \$15-19K."

MR. PHILLIPS said that he had helped one employee buy a liquor store and go into business for himself after he retired from Dow. Others have gone into consulting or are now working for the federal government.

"I can't say there is definitely a trend," he noted, "but many retirees seem to want to go into the social service arena. I don't know why, really. My pet theory is that as they get older, they look back and realize that they have acquired a hell of a lot of knowledge over the years and they want to share it. They have saved and they receive their retirement benefits and the profit motive isn't so strong."

"There is also the appreciation

Continued on page 21



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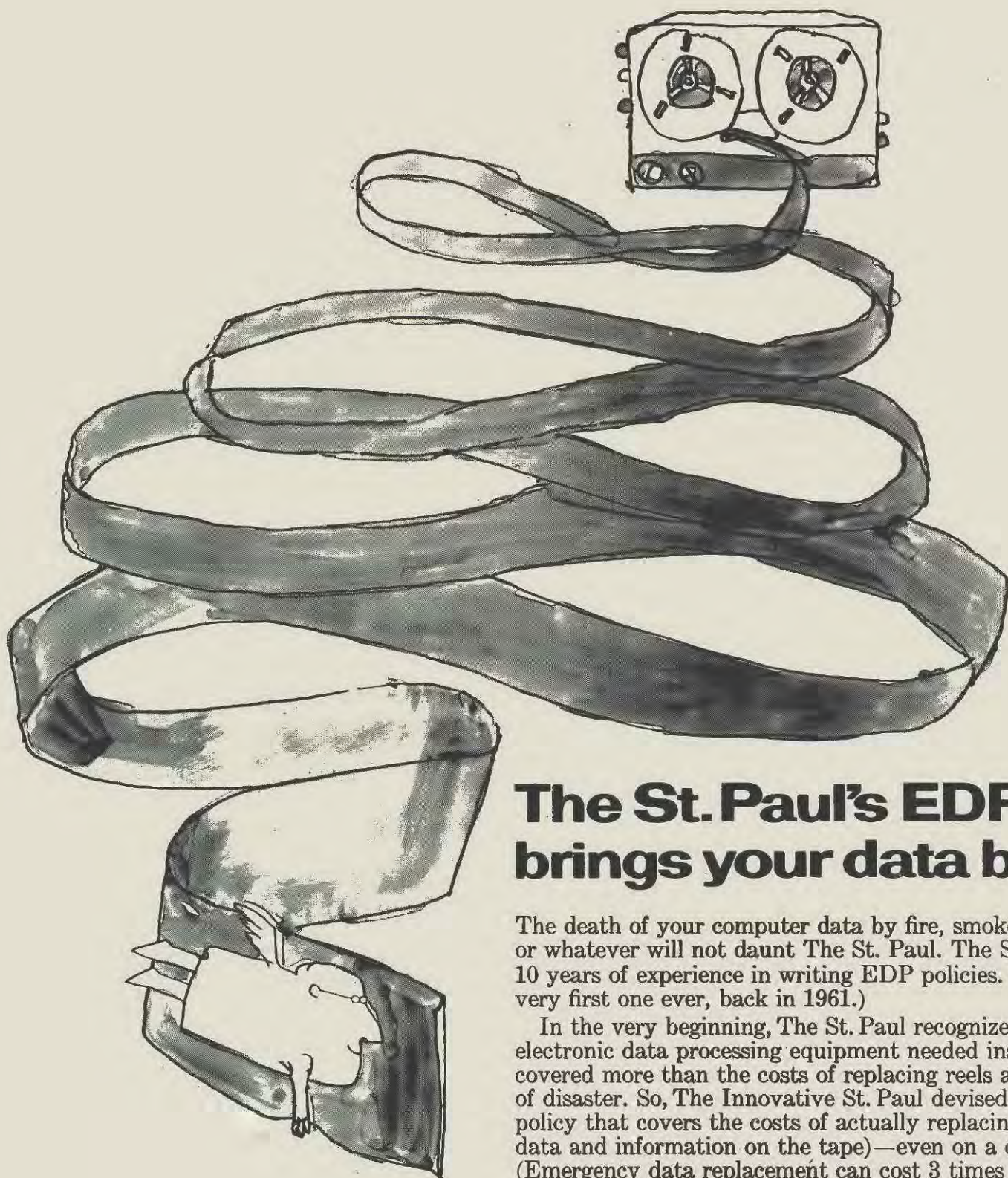


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editorial opinions

Is it necessary?

PUT THIS UNDER the "Is this coverage really necessary?" category:

A Los Angeles insurance broker, J. W. Torre and Co., Inc., has developed a new product designed to pay expenses relating to compliance with the Occupational Safety and Health Act of 1970.

The OSHA compliance policy will pay increased costs necessary to comply with OSHA standards, should a citation be issued by government authorities. It would not pay fines, however, and would only pay those costs attributable to a citation that was brought about as a result of a fortuitous event, such as an accident involving an employee.

Says J. W. Torre, whose firm developed the coverage and found a market at Lloyd's of London:

"Basically, all our program is designed to do is provide the insured client owner with an extended period in which he will have an opportunity to bring his client into line with federal standards, little by little. If he gets inspected in the term and gets nailed with a citation and it is very costly, then we agree to pay to bring the client into compliance."

If we read this right, it seems that the newly developed policy will merely buy a little extra sleep time for an employer who feels his facility is not up to snuff. Those who fear an OSHA compliance inspection might have an adverse effect on company earnings may now insure this risk.

All sounds rather nifty, doesn't it?

Perhaps so. However, we think the OSHA compliance cover tends to defy the intent and spirit, if not the actual wording, of the Occupational Safety and Health Act. Employers contemplating the purchase of such insurance, however, should consider the fact that if OSHA compliance coverage becomes a runaway best seller, a lot of people—unions, legislators and others who have fought hard for occupational safety and health—will be putting whatever pressures they can on companies that purchase it.

Beyond that, though, there's the very simple question to consider: Is this coverage really necessary?

Poor underwriting

THE RECENT murder of Victor Null, an obscure St. Louis inventor of a rotary-turbine engine of questionable worth (*Business Insurance*, Dec. 4), brings to light a rather bizarre case with an expensive price tag: More than \$2 million in key man life insurance.

Mr. Null's murder is expected to cost Lloyd's of London \$2 million and the New England Life Insurance Co. \$350,000 through key man policies written on a man who a few months before his death had trouble feeding his family. Despite Mr. Null's objections, the policies were written at the request of his business partners.

One of the late Mr. Null's business partners, who stands

to collect \$1.1 million, has spent time in prison for embezzlement. Moreover, the partner's son, who handles his father's financial affairs, was a beneficiary in life policies he had written on two former business associates who were later shot, one fatally.

While the case is still under investigation and while our purpose is not to suggest larceny in the insuring of Mr. Null's life, there does seem to be room here to question the judgment of the underwriters who wrote the policies on Mr. Null's life. One question: How closely do underwriters look at the backgrounds of beneficiaries in business life insurance cases?

That Lloyd's of London figures so heavily in the loss also leads us to another point, one which we have touched upon from time to time in the past, and that is the looseness with which underwriters at Lloyd's sometimes operate.

To be certain, the flexibility of Lloyd's throughout its long history has been of great value to those in need of insurance. Of the insurance syndicates operating at Lloyd's it has often been said, "They will insure anything—for a price." In addition, Lloyd's underwriters have consistently done business with a handshake and a lot of faith, although some severe losses in recent years have caused them to tighten their underwriting belts in some lines.

For the most part, though, Lloyd's underwriters continue to have blind faith in their correspondents here and in other parts of the world. A while back, for example, one Lloyd's correspondent told us, "I can still get a \$10 million industrial plant insured for flood without being asked how close it is to a river."

Perhaps it is time for Lloyd's to join the 20th century. It needn't forget its coffee house heritage, of course, but it might press on into the future. Those are ungentlemanly words for the gentlemen at Lloyd's perhaps, but we'll use them in the interest of better underwriting, better loss experience and better rates for the better risks that help pay losses such as the one under investigation in St. Louis.

International issue

ON MARCH 12 *Business Insurance* will publish its annual international issue devoted to news and features on risk management and employee benefits for the U.S. corporation that has assets or employees to protect in foreign jurisdictions.

The international issue has been a fixture of this magazine for the past five years. As U.S. companies have increased commerce with foreign countries, so too has the need for objective reporting of new developments and trends in the area of international risk and employee benefit management. It is complex business, of course, and the editors of B.I. are already at work planning the March 12 edition.

Readers with interesting story ideas and/or subject matter they would like to see addressed in this edition are invited to write Stephen D. Gilkenson, editor, *Business Insurance*, 630 Third Ave., New York, N.Y. 10017.

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letters

This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 630 Third Ave., New York, N.Y. 10017.

General average

To the Editor: I suspect your contribution of the article "General average termed needless and wasteful," which appeared in *Business Insurance*, Sept. 11, is deliberately "pulling the leg" of your readers. Yet this is hardly seemly for an article purporting to have been written by an insurance manager, who would ordinarily be presumed to have some knowledge of a subject before he rushes into print. Perhaps Mr. Moore is an ill-advised newcomer or has earned his manager-ship in fields of insurance other than ocean marine.

The article is full of so many misrepresentations, half-truths, etc., that anyone who honestly professes to know something of the history and practice of general average would hardly design to disabuse the author, although that might be only fair to readers who might otherwise be misinformed.

I shall not attempt to deal with Mr. Moore's points item by item. This would require a book and there are already sundry books which your contributor could read with profit. His contention is not new and as a practicing average adjuster, a member of the Assn. of Average Adjusters of the United States since 1928 and a former chairman of that association, I have read many articles advocating abolition of general average.

Mr. Moore does not mention that the institution of general average is recognized world wide as founded in basic equity and that it has formed the subject of countless law suits in the maritime jurisdiction. It is by no means confined to cargo jettison, although jettison is a classic example of its equity. In more modern times—if a code dating back to 1890, revised in 1924 and 1950, and which is now under revision can be considered modern—the York-Antwerp Rules have formed a part of international law subscribed to by all maritime nations as a codification of an institution which has, as Mr. Moore indicates, been universally recognized for thousands of years.

Of course, general average has been abused on occasion, but so has the Golden Rule. I have not heard of any occasion wherein the abolition of the latter has been seriously advocated. Simplification is certainly desirable and means toward this end have recently been under discussion. I am reminded of an old cartoon entitled, "A Picture of Paris by One Who Has Never Been There." I suggest that Mr. Moore learn something about his subject before expounding on it.

A. E. Backman

Average adjuster, San Rafael, Ca.

Editor's note: The article referred to by Mr. Backman invited responses to the question: "General average: Should it be abolished, amended or kept as is?" Of the more than 50 responses received by Mr. Moore from maritime underwriters, shipping company executives, etc., Mr. Backman's was the only negative one.

A misimpression

To the Editor: After reading the article appearing on page 29 of your Nov. 20 issue, I am afraid that there may be a misimpression.

Continued on page 20

ALL APARTMENT HOUSES AND CONDOMINIUMS ARE NOT CREATED EQUAL

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Las Vegas police and firemen fight against city's new insurance plan

LAS VEGAS—The president of the Las Vegas Police Protective Assn. (LVPPA) has lashed out against a group insurance plan the city is promoting for all its 1,400 employees.

"The city is trying to take away from us what we already have," claimed Willis Diess, a burglary detective and director of the 392 member police group since 1968.

He asserted, "police will be paying double the premium and receiving half the benefits" under the new group insurance policy.

Also opposing the insurance plan is a group representing the city's 236 firemen. Fire Capt. Julius Conigliaro, secretary-treasurer of firefighters local 1285, has called the new insurance plan, "absolutely ridiculous." He claimed firemen, too, will be receiving "less benefits at a higher premium."

Both Mr. Diess and Mr. Conigliaro have threatened that their groups will seek a court injunction, if necessary, to block city

adoption of the insurance plan.

The new insurance plan lumps the city's policemen, firemen and 749 non-uniformed employees into a single policy. The city's cost of the deal has been estimated at \$465,000. Bids on the plan will be opened Dec. 21 and the policy will take effect Jan. 1, 1973.

Bids received are to reflect a single employee monthly premium of \$26.99, which will be paid by the city. Married employees and those with dependents are responsible for the cost of their increased coverage.

For several years now, the city has allowed both the LVPPA and local 1285 to negotiate their own insurance policies and both police

men and firemen believe these policies are far superior to any group plan they would receive from the city.

According to Mr. Diess, the cost of coverage under the new group policy would rise to a point police wouldn't be able to afford.

HE SAID his present life and health insurance now costs \$43.93 for himself, his wife and two children. Of this amount, the city pays \$21.76 and Diess \$22.17.

He claimed a similar policy for a non-uniformed city employee with spouse and three children now costs \$76.71 monthly, with the city paying \$26.99 and the employee \$49.72.

Mr. Diess asserted that police probably would get stuck with a similar tab under the new insurance policy and also would receive what they believe to be lesser coverage.

Present coverage received by police that they would not receive under the new policy, said Mr. Diess, is: "The immediate payment of claims," which he defined as the insurance company paying the initial outlay of cash when claims are filed, rather than the police officer.

"This is the only police agency in the state which has an insurance policy that provides for the immediate payment of claims," he said.

HE ALSO claimed that officers who retire from the force are kept on the insurance rolls of the LVPPA at full coverage while under the new policy they could be dropped.

The new policy provides that

city employees who reach the age of 65 are dropped 50% on their \$5,000 life insurance and accidental death and dismemberment policy. If they are on Medicare, then they are dropped completely from the insurance rolls.

According to Mr. Diess, the main reason city officials are promoting the group policy is to provide better coverage for non-uniformed employees.

City manager Art Trelease has conceded that policemen and firemen object to this philosophy and believe their benefits would drop under a group plan because the non-uniformed employees are poorer risks.

City records indicate non-uniformed employees through August 1972 paid \$221,182 in premiums and received \$241,594 in claims. During a comparable period firemen paid \$73,885 in premiums and received \$30,428 in claims. Police paid \$144,237 and received \$231,342 in claims. ■

letters

Continued from page 18

sion in connection with the acquisition by Johnson & Higgins of an interest in Wilson, McBride & Co. of Cleveland, Oh.

Wilson, McBride & Co. continues as an independent entity and is not, as is reported in the article, being operated as a branch office of Johnson & Higgins. A majority of its directors and all of its operating officers are residents of Ohio and have no affiliation with Johnson & Higgins.

Wilson, McBride & Co., does, however, have access to the full national and international facilities of Johnson & Higgins.

Richard I. Purnell

President, Johnson & Higgins, New York, N.Y.

Leasor's insurance

To the Editor: We read Mr. Rodda's article "Insurance problems are inherent when leasing, renting equipment" (*Business Insurance*, Oct. 23) with much interest.

We wish to point out that we have a printed policy form which covers the contractor for all such contingencies—and more. This policy form has been available for more than a year in all of our companies and is available through all of our producers.

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Dow ...

Continued from page 16

factor," he continued. "Not being appreciated is, I think, a huge fear with just about everybody. The social services offer a chance to be appreciated."

The program, he reported, was picking up steam at Dow, though to his knowledge the concept was not particularly popular at other companies.

"THE GOAL of the program," he said, "is to make sure that those who leave the company, leave happy."

This program, and the attitude behind it, have been an unqualified success with Nils Munson, who now teaches the principles of insurance and life insurance to juniors and seniors at Hampton.

"These kids are serious and they are challenging," he told

Business Insurance. "Next semester, I start teaching property insurance. What I'm trying to do in the elective courses is appraise them that insurance could be a major."

He pointed out that the students must make their own decisions as to whether the insurance company side or the risk management side of the field looked more attractive. "I'm not giving them direction in that area," he said, "though they should understand that the self-satisfaction that comes from risk management is due to dedication to the company and a sense of teamwork accomplishment. With selling insurance, the satisfaction is the remuneration."

HE SAID he hoped to continue in the position after the two-year contract expired and the Dow endowment ran out. "It looks promising," he said.

Regarding the out-placement program, Mr. Munson had nothing but praise.



Nils Munson

ing but praise.

"Dow encourages men over 50 to retire early," he pointed out, "by giving good early retirement benefits and this help. This opens

up positions for younger men.

"In my case," he continued, "Dow could have sent an accountant or a management man but the company seems to realize that insurance is an important part of the business community. So they sent an insurance man."

He noted that his appointment augmented Dow's contributions to colleges over the years. "The company has donated to many different colleges in different ways for a number of years," he said.

Another aspect was the fact that Dow now had another voice on campus. "Dow is actively looking for qualified black students, as is all industry. Minorities are no longer showcases, they are competitive employees," he said.

Mr. Phillips concurred.

"Getting another recruiter on the campus is far from being the main motive of the program," he noted, "but it is a serendipity to it."

N.Y. is not insured for liability claim

ALBANY, N. Y.—New York state is uninsured for one of the largest liability awards of its kind made last month through a court of claims settlement.

The award, totaling \$732,326, was granted to a couple who sustained injuries due to the alleged failure of the state to heed warnings regarding the lack of traffic controls at an arterial state highway intersection in Massena, N.Y.

A spokeswoman for the state's claims department explained to *Business Insurance* that New York was uninsured because of the nature of the accident. She said the state is covered for vehicular accidents, but not for those that are caused by traffic controls or lack of them.

Court testimony showed that only a single stop sign was in position on one of the two roads forming the junction where a couple drove out from a shopping center and suffered a collision with another car Aug. 6, 1968.

BESIDES one missing stop sign, the court also found that there was no traffic light, no traffic control signal or sign of any kind. Witnesses testified that there had been numerous accidents at this intersection, including one fatality.

Testimony also charged that nine accidents occurred at the intersection at New York 37 and Stephenville Road in Massena, N. Y. since the August 1968 collision.

Court of claims judge Adolph Orlando awarded \$692,344 to the husband, who sustained skull fractures and other injuries which made him almost a total cripple, and \$39,982 to his wife.

Said Judge Orlando in his ruling: "The state's liability is based upon manifold acts of commission and omission. The state did fail in its duty to keep the highway in a safe condition and to appraise all travelers of any dangerous condition prevailing on the highway."

A short time ago, The Maryland ran an ad guaranteeing to give our agents and brokers action on their correspondence within 48 hours.

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succeeded with me." R. Fuller Johns, R. Stuart Cottrell Inc., Richmond, Va.

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\$5 billion annual sales aid insurance director

PITTSBURGH—Westinghouse Electric Corp. has \$5 billion in sales annually; and Richard P. Ackerman, director of insurance, says that should make his job easier.

In his position at Westinghouse, Mr. Ackerman will administer the company's property and casualty insurance plans. He came to the Pittsburgh-based corporation from ITT Sheraton Corp., Boston, where he worked as director of

will lie in the area of using Westinghouse's large financial resources to take advantage of such things as self-insurance and captives.

Working with a staff of eight people in the home office and "insurance representatives in most of our divisions," Mr. Ackerman will apply risk management principles to property, casualty and product liability insurance programs. He will also be involved in having Westinghouse facilities comply with OSHA regulations, "only as ancillary functions to the (insurance) department."

"Essentially the insurance part of what I'm doing is in good

shape," he said. Product liability, however, is an area in which Mr. Ackerman expects to encounter difficulty. The area "will avail us of the greatest opportunity of the future" to apply risk management principles, he said, and to be "creative" in an approach to the problem.

We will encounter "more and more difficulty in this area and we'll have to use more and more creativity to cope with it," Mr. Ackerman added.

Another area of challenge to Mr. Ackerman and his department is nuclear power generation, as he explained that nuclear facilities present a new problem to insurance managers.

A third area of growing challenge, he said, is Westinghouse's expanding foreign interests and insurance problems it poses. He listed Brazil, Argentina, Peru, France, England and Spain as a sampling of the countries that Westinghouse has facilities in. ■

Repeal of legislature's new pension plan urged

HARTFORD—Connecticut state senator-elect Nicholas A. Lenge is urging repeal of the controversial state legislative pension "package" which was approved by the 1972 legislative session.

The pension was part of a massive compensation measure, providing pay raises for legislators, judges and top elected officials as well as pension revisions for governors.

The Pension provision included in the "package" calls for a contribution of 10% of annual compensation. It is voluntary, and, to become eligible, state lawmakers must log 10 years of service. It would pay off after the individual reaches age 65, but

there is an early retirement provision taking effect at age 55.

Under the new salary plan for legislators, taking effect Jan. 3, their compensation jumps from the present \$5,500 per 2-year term to \$13,000 per term.

Should this remain in effect, and applying the pension formula, a legislator could anticipate an annual pension of \$1,375 at age 65, or \$114.58 monthly. The individual contribution would be \$550 per year, based on an average salary of \$5,500 per year. The individual is also authorized \$1,000 in annual expenses.

Thus, an individual's total contribution over the 10-year period would be \$5,500. ■



Richard P. Ackerman

corporate insurance and safety.

Mr. Ackerman explained that Westinghouse as a large company with \$5 billion in sales, can do many things a company with only \$5 million in sales cannot. Some of those things, he said, have to do with administering corporate insurance programs and saving money in the process.

"My main opportunities, I hesitate to call them problems,"

Insurance for lunar travel

CHICAGO—CNA is rapidly gaining experience in the insurance of lunar travel.

When Apollo 17 took off for the moon this month, each of three astronauts were covered for \$50,000 by CNA against accidental death from disease which might be of lunar origin.

This is the second moon voyage that CNA has insured. Apollo 16, was CNA's first.

Policies for both missions were sold by Harlan Insurance Services, a Houston-based agency. They were issued by the Houston branch of CNA's commercial-specialized risks division. The U.S. manned flight space center is in Houston. ■



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Giles on the law

Addition to belief that someone is liable for almost everything

By JOHN W. GILES
Attorney at law

WASHINGTON—If you are tired of discovering that almost everyday someone is liable for almost everything that happens, your fatigue will not be relieved by this decision.

An Ohio court has ruled that the duty of a hospital to its patients requires it to use reasonable care to prevent a patient from committing suicide, if the patient's emotional and mental condition is such that a reasonably prudent person would anticipate that the patient would commit

suicide unless prevented, and provided that the hospital has knowledge of that condition.

The court further said that, in caring for patients in a hospital, a nurse must exercise the standard of care that a reasonably prudent person not specifically trained would exercise under the circumstances, as well as the standard of care that a specially trained and skillful nurse would exercise under the circumstances, although the former is usually included in the latter.

However, there was a dissenting opinion. It stated that the treatment and care of an emo-

tionally disturbed person in a general hospital under the care of an attending physician, who is a specialist in that field, involves a standard of care not within the common knowledge of jurors. Jurors cannot be allowed to speculate on the standard of care required.

In this case, there was not only an absence of expert testimony as to what the standard of care was, and whether that standard was absent or met by the defendant, but there was affirmative evidence that the defendant (hospital) followed the orders of the attending physician and vio-

lated none of its duties toward the patient. The hospital thus won its case. (*Johnson v. Grant Hospital*, February 1972—286 N.E. 2nd 308.)

* * *

ALTHOUGH there was no medical examination of the deceased, this "binding receipt" permitted recovery on a life insurance policy.

An application for a life insurance policy was completed and a conditional receipt issued by the defendant insurance company which set forth that the coverage would be effective from the date of the application or of a required medical examination, whichever was later. This showed that the defendant accepted the risk by creating a temporary contract of insurance, subject to the condition subsequent: That the application at the time of the commencement of the conditional coverage was not an insurable risk.

Since the defendant insurance company did not reject the application prior to the applicant's death, and did not, at the trial, prove that the applicant was uninsurable at the time the conditional insurance coverage commenced, the insurance company was liable for the face value of the policy for which the application had been made.

The facts disclosed that the applicant (deceased) did not submit any medical information to the defendant company in connection with his application for insurance, nor did he undergo a physical examination for this purpose. The insurance policy was never issued by the defendant nor did the defendant take any other action on the application. The application for insurance was dated July 25, 1967, and the insured was killed in a trucking accident on Jan. 10, 1968.

The applicant had paid a quarterly premium. The court noted that in cases of this kind there are two distinct parts: An offer by the applicant to purchase a life insurance policy, and an offer by the company to provide interim insurance pending the company's consideration of the applicant's prior offer. The latter offer is accepted by the applicant by an advance payment of the initial premium on the policy applied for. The application and receipt together constitute a contract, as soon as the application is submitted, the premium paid and the conditional receipt issued. (*Damm v. National Insurance Co. of America*, Supreme Court of North Dakota, Sept. 20, 1972—200 N.W. 2nd 616.)

* * *

DOES THE TIME limitation for the commencement of an action after a loss as provided in the policy apply to: A cause of action alleging a breach of warranty, and to a cause of action alleging negligence in failing to prepare the policy of full coverage?

The supreme court of Wisconsin says that it does. Here the action was against a multi-peril insurer for water damage to insured property. The defense was that the action had not been brought within 12 months as required by the policy. The lower court sustained this defense.

On appeal, the court held that, if the policy does not fully or accurately state the agreement of the insurer and the insured, the remedy is to reform the contract to conform to the agreement. If a party chooses to call his cause of action misrepresentation, fraud, breach of warranty, negligence or mistake, the terms of the policy, as they are, still control the obligation to pay for the loss, and, under such circumstances, an action to resolve a dispute as to the liability of the insurer to pay the loss is an action on the policy.

Hence, the time limitation for

Continued on page 24

These transportation notables may know something about productivity you don't.

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Charges discrimination against insurers by SEC

WASHINGTON—A charge of discrimination against insurers managing pension funds has been added to criticism of the Securities & Exchange Commission's proposed exchange membership limitation rule.

The rule, which would require, as a condition of membership on all exchanges, that 80% of a members' business consist of public transactions excluding those for "affiliated persons," would set up a double standard for life insurance companies and other exchange members, a spokesman for the American Life Convention and the Life Insurance Assn. of America said.

Appearing at the opening of SEC hearings on the proposed

rule, the spokesman, Harold F. Bigler, vp-equity investments, Connecticut General Life Insurance Co., said the definition of "affiliated persons" would "merely perpetuate the double standard of the New York Stock Exchange rule by treating pension fund accounts of member firms as unaffiliated business while treating essentially the same funds managed by life companies as affiliated business."

Life companies "would be required to diversify into the public or retail brokerage business in order to qualify for exchange membership," said Mr. Bigler.

He stated that without memberships life companies might no longer be able to "effectively

compete for pension fund business with member firms which currently reduce or eliminate advisory fees, either directly or indirectly, through brokerage commissions," including those from pension funds.

Criticism of the proposed all-exchange membership rule, similar to one proposed by the New York Stock Exchange that's awaiting further SEC study, has also come from Sen. Harrison A. Williams Jr. (D-N.J.), who opposes the rule on grounds it would force insurance companies handling pension funds to pay broker commissions and thus deplete pension fund assets.

Questioning the SEC's objective in proposing the rule, Mr. Bigler said if the aim was to nurture a sound securities market for public investors, this could be achieved without prohibiting exchange member firms from offering both brokerage and advisory services to the same customer.

Giles...

Continued from page 23

commencement of an action after loss, as provided in the subject policy, applied to the cause of action alleging a breach of warranty as well as the cause of action alleging negligence in failing to prepare a policy of full coverage. (*Skrupky v. Hartford Fire Insurance Co.*, Supreme Court of Wisconsin, Oct. 5, 1972—201 N.W. 2nd 40.)

IS \$27,500 too much for an 18-year old boy to receive whose big toe was smashed and ultimately amputated at the first joint? The Wisconsin Supreme Court says "no," and confirmed the award.

The action was against the insurer and the owner and driver of a tractor-trailer unit for injuries sustained by an automobile dealer's employee in unloading a trailer. Judgment in the lower

court was for the plaintiff. On appeal, the court said that it appeared that the defendant driver who shoved a cylinder from a truck was in exclusive control of the truck and that the accident could not have ordinarily happened but for the negligence of someone.

Concerning the \$27,500 award to the plaintiff who was hospitalized for six weeks, the court found that such an award was high but not excessive.

The court stated that two conditions must be present before the *res ipsa loquitur* doctrine (negligence is assumed unless proven otherwise) is applicable: The event or accident must be of a kind which does not ordinarily occur in the absence of someone's negligence, and the agency or instrumentality causing the harm must have been within the exclusive control of the defendant. (*Turtenwald v. Aetna Casualty & Surety Co.*, Supreme Court of Wisconsin, Oct. 3, 1972—201 N.W. 2nd 1.)

IS A PERSON injured or killed by a tornado or a severe storm ever entitled to workmen's compensation?

The answer is "yes." The Michigan Supreme Court recently considered awards made to two claimants for damages caused by a tornado. One claimant had been injured when the tornado destroyed the residence in which he was working for his employer; the other claimant was the widow of a man killed when the tornado destroyed the motel in which he was staying on a business trip.

The court considered a long list of cases showing an evolutionary trend, and held that state law no longer required the establishment of a proximately causal connection between employment and injury to entitle a claimant to compensation, and, therefore, that an "act of God" was no longer a defense to a claim for a work-connected injury. Hence, the claimants were entitled to compensation. (*Whetro v. Awkerman*, 174 N.W. 2nd 783; see also 42 ALR. 3rd 375.)

Marine underwriters

John B. Ricker Jr. has been re-elected chairman of the board of the American Institute of Marine Underwriters at its annual meeting in New York. Mr. Ricker is chairman and president of the Marine Office-Appleton & Cox Corp. Re-elected with Mr. Ricker were: Robert W. Hahn, vp of the Great American Insurance Co., as deputy chairman; Robert A. Murphy, director and senior vp of Chubb & Son Inc., as vice chairman; and John E. Greene, secretary of the Hartford Insurance Group, as treasurer; and Carl E. McDowell, as president.

Don't make a federal case out of it



Here's new help in interpreting and complying with OSHA regulations

How does OSHA apply to your company? What are your responsibilities and how can you best meet them? Are you doing all you should to protect your employees from occupational safety and health hazards, and yourself from OSHA's teeth? Commercial Union Companies can help. A new CU Data Pack provides a convenient summary of basic OSHA information, together with a suggested Loss Prevention plan.

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OSHA rejects plan on standards

WASHINGTON—In response to recommendations made by the House small business sub-committee, the Occupational Safety and Health Administration (OSHA), among its other comments, rejected the suggestion that it formulate separate standards for "distinct industries and businesses and categories therein."

Instead, assistant labor secretary George C. Guenther reported, the administration will attempt to provide relevant standards on an industry-by-industry basis.

In his comments to subcommittee chairman William L. Hungate (D.-Mo.), Mr. Guenther denounced the feasibility of the subcommittee's key proposal and stated that a pilot project of 40 to 50 industries will be initiated to experiment with the development of special publications for industries.

He also reported that OSHA is considering the future development of more performance standards than exist at present, allowing employers more flexibility in meeting the requirements of the standards.

STANDARDS for special conditions which exist in certain industries, such as agriculture, construction and maritime, will be formulated as the need arises.

In answer to the recommendation that all existing health and safety standards be revised and clarified, OSHA said it was in the process of doing so.

Mr. Guenther pointed to the new "Guide to Standards," and to a new subscription service on OSHA standards, to be available in 1973, in defense of OSHA's public information program.

In answer to another subcommittee criticism, he described an OSHA program directive series in the Office of Standards which insures consistent application of standards across the country.

The subcommittee had also expressed the need for accurate, regularly published statistics on occupational injuries and deaths, to which Mr. Guenther replied that the 1971 survey would be ready "in the next few months." ■

Health care, pension bills

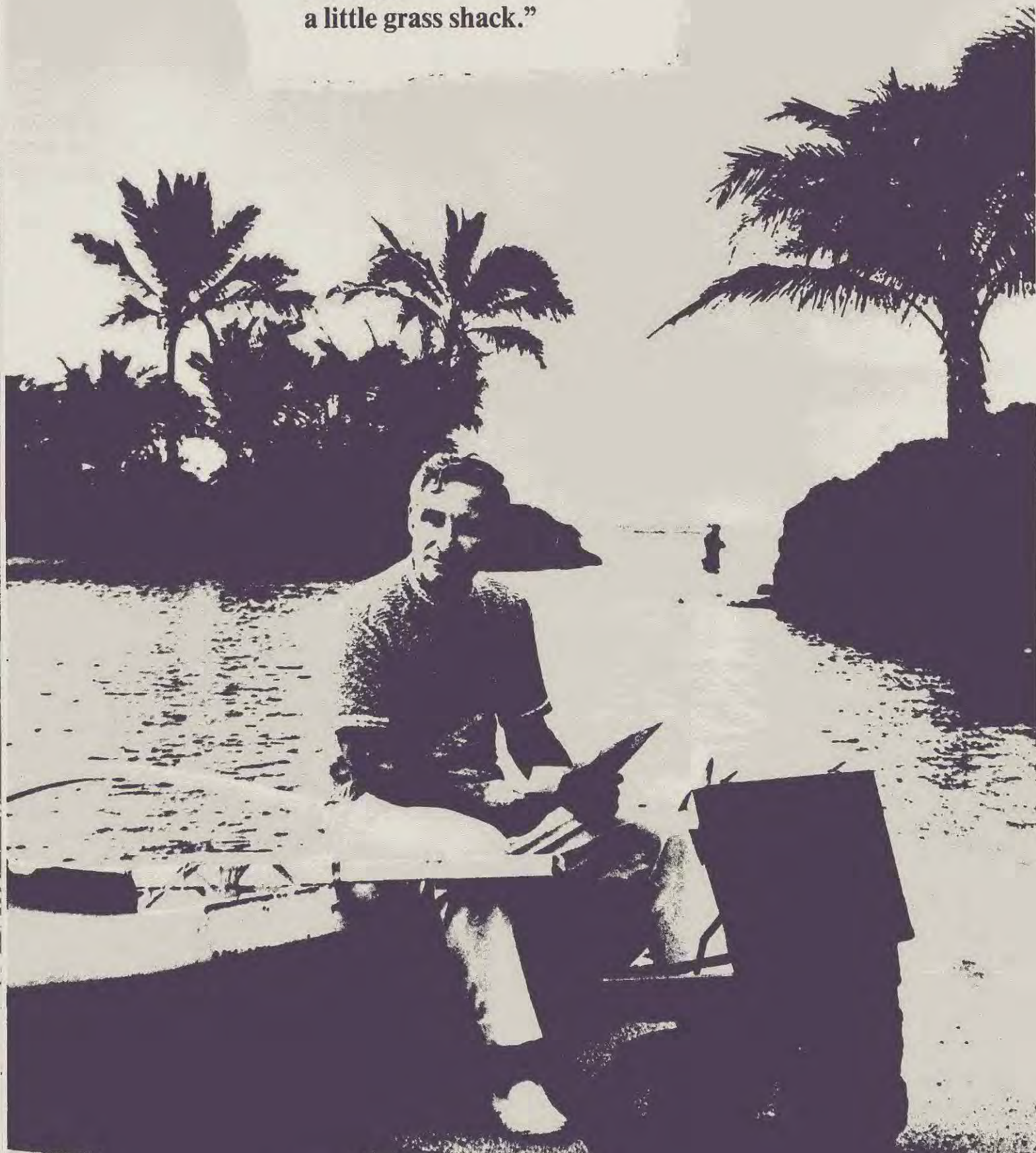
HARTFORD—A number of proposed measures applicable to health care and pension income have been submitted to the January Connecticut state legislative session.

Morris Cohen, Democratic State Rep., is offering a "package" to set up a special state council on hospitals—consumer oriented—to attempt to control health care costs. A similar proposal died in committee at the 1972 session.

THE 1973 version, like its predecessor, would absorb certain existing health care agencies. Mr. Cohen seeks \$175,000 to finance council operations.

Several proposals are also on file pertaining to retirement and labor-related programs, including authority for retired municipal and state employees to work for the municipality or state without loss of retirement or pension income. Another would permit those involuntarily retired, 62 or over, and available for work, to compensation. ■

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PERSPECTIVE



BY WILLIAM H. RODDA

President,
Marine Insurance Handbook Inc.,
Chicago, IL.

INSURANCE OF BUILDINGS under construction follows special patterns that differ in many respects from insurance on completed structures. These special patterns are designed to protect insurance companies from risks that they consider uninsurable but they can cause trouble to owners or builders whose properties do not fit into the average patterns. Many of these gaps in coverage can be eliminated through negotiation with the insurance company. Exposures to loss that the insurance company feels are too great may be reduced by deductibles or other special conditions to a degree that is acceptable without penalizing the insured.

There are three general forms of builders' risk insurance, and one or more of these may be unsuitable for a particular project. The older form is essentially an extension of a fire insurance, or fire and extended coverage policy to cover a building that is to be constructed. The original amount of insurance is a nominal value when construction starts. But the policy is endorsed from time to time to cover larger amounts as the work progresses. It is obvious that proper coverage depends upon the regular addition of endorsements to the policy. Failure on the part of the owner, the builder or the insurance agent to see that the endorsement is issued will result in an inadequate amount of insurance should a loss occur. The procedure is simple, and the insured pays only for the amount of insurance he needs as the building rises, but he can face a lack of proper insurance if somebody forgets.

A second form of builders' risk insurance is a reporting form under which the insured periodically reports the structure's increasing value to the insurance company. The amount of insurance increases automatically between reports and the structure is always fully covered as long as the reports are made on time.

THE DANGER in using this form is the possibility that the insured will be late in making his reports. Late reporting results in a penalty, as in this example. The completed cost of a projected building is \$100,000 and the increase in value as construction progresses is \$10,000 per month. The insured is late in making his report for the third month of construction. He thus far has reported values of \$20,000 (for the first and second months). The late reporting for the third month freezes his insurance at \$20,000 until he catches up with his reporting. Even though he may have a value of \$30,000 or more by the end of the third month, he has only \$20,000 insurance.

The reporting form of builders' risk insurance has the advantage that premiums

Three forms of builders' risk insurance; each has its merits

"There are other possible deficiencies in the coverage of any form of builders' risk policy, depending upon the needs of the insured. It is important that the policy be written to cover the interests of all parties who would be hurt financially by damage to the building."

are paid on the actual value of the structure. The amount of insurance is always equal to the value if the reports are made on time. The question here is whether the insured has his procedures set up so that reports will be made on time.

The third variety is the completed value form. A provisional amount of insurance is set for the anticipated value of the finished structure. Thus the amount of insurance is always adequate to cover the value that has been put into the building, provided that there has been no increase in the anticipated value. This is a convenient form because it does not require any reports by the insured.

There are a couple of objections to using this form. The premium cost is likely to be higher than for the reporting form. The premium for the completed value form is based upon 55% of the completed value. This would result in a five percent

additional charge if the construction progresses at a regular pace from start to finish, because the average value over a period of construction would be approximately 50% of the completed value. The extra five percent is to take care of variations from an average construction rate.

THIS DIFFERENCE in cost between a reporting form policy and a completed value policy may be a determining factor in deciding between the two policies where the premium is large. The convenience of the completed value form makes it desirable where the premium difference is not excessive.

The completed value form does have another inherent possibility of trouble. It contains a 100% coinsurance clause related to the anticipated completed value. This poses no problem if the building is put up as planned with no increases in

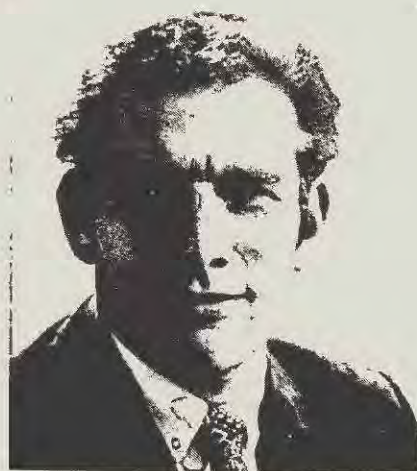
value beyond the original intentions. However, there is a penalty if the project is changed to a higher value during the construction period without a corresponding increase in the amount of insurance.

For example, a building may have been projected as having a completed value of \$100,000 with insurance bought on this basis. But during construction the owner decides to enlarge the structure so that the completed value will be \$150,000, and he fails to increase the provisional amount of insurance. The result is that any loss would be adjusted in the proportion that the \$100,000 provisional amount of insurance bears to the \$150,000 completed value. That is, only two thirds of any loss would be payable under these facts. It is essential that the provisional amount of insurance be increased if there is an increase in the anticipated completed value.

There are other possible deficiencies in the coverage of any form of builders' risk policy, depending upon the needs of the insured. It is important that the policy be written to cover the interests of all parties who would be hurt financially by damage to the building. This is dependent primarily upon the wording of the construction contract. The builder may be the sole party of interest if the contract makes him fully responsible for the presentation of a com-

Continued on following page

What to do when setting up a municipal accident review board



BY ROBERT M. BIEBER

Insurance and safety administrator,
Yonkers, N.Y.

THE MOST DIFFICULT barrier to overcome when setting up municipal accident review boards for various departments is the unions involved. The heads of the major unions seem to believe that such accident review boards are fault-finding rather than fact-finding.

In Yonkers, N.Y., however, I think we

"Since each of the departments had their own particular problems with regards to its type of operation, the review boards were made up of management and supervisory personnel from their own departments."

have solved the problem through mutual communication and understanding of what our goal should be: The reduction or elimination of accidents on the street involving city-owned vehicles. To be certain, the approach we have used is rather simplistic and basic, but there is no reason that it will not work for other municipalities with similar problems. In addition, there are some basic pointers here for corporations with fleets to manage.

Prior to the actual development of Yonkers' accident review boards, union officials were contacted and meetings were set up to outline how the board would work. Some of the areas discussed at these initial meetings were: Testing of drivers, including visual acuity, night blindness and reaction time; motor vehicle abstracts from the state of New York; and physical examinations.

The selling point of the program was that such a board could help determine defects or shortcomings in a driver's ability to drive, plus a determined desire to spot

some possible physical defects. The findings of the accident review board, we consistently pointed out, could possibly save the driver's life and the lives of his family, not to mention the lives of his co-workers and those he might be involved in an accident with. With this in mind, union representatives were willing to try the program out.

The review boards were first started up in the department of public works, which consisted of a fleet of over 400 vehicles. It then branched out into the police bureau and it now exists in the fire bureau. The total reviewed fleet now numbers more than 500 vehicles.

Since each of the departments had their own particular problems with regards to its type of operation, the review boards were made up of management and supervisory personnel from their own departments. The only exception was the insurance and safety administrator who sat in on all accident review boards.

Continued on following page

business insurance

PERSPECTIVE

Builders...

Continued from preceding page

pleted structure to the owner.

On the other hand, the contract may provide that the owner will be responsible for any damage by insurable perils. Both the owner and builder have an interest under many contracts. The policy can be written in the name of the owner, or the contractor, or both, depending upon the particular case. These facts must be determined and the policy written accordingly.

Commonly written forms of builders' risk policies do not provide coverage for property in transit to the building site. Coverage applies only at the building site and within 100 feet of it. The contractor, the owner, or the supplier, may need a transit insurance policy to cover materials and supplies en route to the building. The necessity for this coverage depends upon whether the insured is responsible for any loss that might occur in transit.

Builders' risk insurance ordinarily does not cover the contractor's machinery and equipment. It covers material and supplies, and may cover temporary sheds and structures that are necessary to the job, but not machinery and equipment. It is expected that the contractor will have a contractors' equipment floater to cover his machinery and equipment.

WINDSTORM coverage under both the specified perils form and the "all risks" form is questionable in one respect. There is an exclusion of damage by rain, snow, sand or dust, whether driven by wind or not, to the interior of buildings unless these elements enter through openings made in the walls or roof by the wind. There is no clarification regarding damage that may be done before the walls and roof are installed. An insured may find it desirable to have this exclusion deleted or clarified prior to the installation of the walls and roof. This may be especially important where the lower floors of a high rise are to be completed

before the roof is put on.

The specified perils that are covered under many builders' risk policies omit the peril of vandalism. This is an important reason why the "all risks" policy is superior to the specified perils policy. Vandalism has become a major cause of loss in many communities.

Loss from earthquake, landslide, mudslide and the sinking or rising of the ground are excluded by most policies. So also are flood and water damage. The insured should consider whether these are perils that might threaten a particular project. Coverage may be available through a specialty insurance market if it is not available from the regular insurance carrier.

There is also an exclusion from coverage of loss from error, omission or deficiency in design, specifications, workmanship or materials. The application of

"The specified perils that are covered under many builders' risk policies omit the peril of vandalism. This is an important reason why the 'all risks' policy is superior to the specified perils policy."

this exclusion to some situations is not clear. It is not clear, for example, whether a collapse due to the premature removal of forms from poured concrete would be considered as resulting from an error or omission in workmanship.

EXPLOSION of steam boilers, steam pipes, steam turbines and steam engines is excluded if the steam equipment is under the control of the insured. It is necessary that the insured secure steam boiler and machinery insurance wherever this hazard exists.

Theft coverage of most builders' risk policies is limited to theft of property that has become an integral part of the building. It does not cover theft of materials and supplies from the building site. Broad

form builders' risk insurance, including coverage for theft of materials and supplies, might be available for projects that are fenced and guarded. Even so, a deductible probably would be required in order to avoid small pilferage losses.

DEDUCTIBLE clauses on a builder's risk policy make the coverage easier to secure but they can be costly to the insured. One contractor had a \$1,000 deductible on a policy covering a new housing development. Over a period of several nights he experienced the theft of two furnaces from nearly completed dwellings, an expensive set of lighting fixtures and quantities of wallboard, bricks and expensive paneling. His claim, when presented to the insurance company, was denied because none of the individual losses exceeded the \$1,000 deductible.

A tricky provision that appears in prac-

tically all builders' risk policies is the "Occupancy clause." It says that the building under construction "shall not be occupied without obtaining the consent of the (insurance) company endorsed hereon with proper rate adjustment, except that machinery may be set up and operated for the purpose of testing the same without prejudice to this policy." This means that no part of the building may be occupied by the owners without having permission from the insurance company. The insurance could be voided if the builder lets the owner move into even a portion of the structure without the required permission. The courts have had occasion to rule on this question of whether a structure has become occupied.

In one case a dwelling had been rented

to a prospective buyer for a time, and then these occupants moved out. Two weeks later the house was damaged by a fire while it was unoccupied. The insurance company denied liability, contending that the insurance had been voided by the occupancy even though the building was unoccupied at the time of the fire. The court agreed. It was held that the actual occupancy of the building showed that it was completed and that it was no longer under construction.

In another case the building was occupied by the owner although minor work remained to be completed. The court determined that the builder's risk policy no longer covered the property even though by its terms it was still in effect. The minor items yet to be done did not make the building still under construction.

IN A THIRD case the determining factor regarding coverage under the policy was the fact that permanent insurance had been arranged. However, the court did comment that a structure is not "occupied" until it is substantially in use for the purpose for which it was intended. Partial occupancy might not be interpreted as occupancy under the wording of the policy. This confusion regarding what constitutes occupancy makes it imperative that permission be secured for any occupancy of a structure that is being built.

Builders' risk insurance is not a coverage that can be bought and forgotten. The insurance company should be kept informed of any changes in construction and in values. Clarification must be obtained if the owner wishes to occupy the building and if there is any question regarding continuation of the builder's risk coverage. Variations of coverage that can save premiums and at the same time make certain of adequate protection are: The choice of a proper coinsurance percentage; the determination of who shall constitute the insured and whether subcontractors should be covered; the amount and application of any deductibles and the perils that need to be covered for the particular project.

Review...

Continued from preceding page

The department of public works' problem was that 33% of its accidents were attributed to unsafe following distance, 20% to unsafe backing and 16% due to misjudging clearances. These types of accidents probably resulted from the use of large vehicles in small streets. However, these vehicles travel at slow rates of speed,

"The board also reviews... better methods of evaluating new and old drivers..."

thus minimizing the severity of any damage.

The police bureau's problem was that of the smaller but faster moving vehicle operating under emergency conditions. These problems were as follows: 33% of accidents involved emergency right-of-way situations at intersections, 22% involved misjudged clearance and 11% involved unsafe starting and stopping.

The fire bureau, which consists of large vehicles moving at higher than normal rates of speed under emergency conditions, create the most severe hazard. Most of their accidents were minor in nature, such as hitting parked cars and collisions at intersections. But the probability exists that vehicles carrying great tonnage and operating under emergency conditions in

all streets of the city, could cause accidents involving a large number of injuries and property damage.

The department of public works board was chaired by the manager of the vehicle maintenance division plus the supervisors of refuse collection, city cleaning, sewer maintenance and refuse disposal, as well as the insurance and safety administrator and union representatives.

The police bureau's board consisted of a deputy chief, captain in charge of training, sergeant responsible for city safety activities, commanding officer of planning and development, union representatives and the insurance and safety administrator.

The fire bureau's board consisted of the fire chief, two assistant fire chiefs, union representatives, the officer in charge of the fire apparatus involved in the accident, the captain responsible for training and the insurance and safety administrator.

EACH OF THE BOARDS now reviews past accidents with the individuals involved to determine preventability. Then the board determines how such an accident could be prevented in the future. The result of the board's determination of the accident may involve retraining, testing, physical examination or possible transfer of the driver to a nondriving responsibility. The board retains a continuous record of drivers' accidents to establish any frequency for any one driver.

Copies of the minutes of each board meeting for each department are forwarded to the respective commissioner responsible

for that bureau or department. The board also reviews training methods, better methods of evaluating new and old drivers and maintenance procedures.

The board should meet monthly. Any new board, however, should review the accidents from the beginning of the year. The new board should convene as many times as necessary to completely review all the past accidents. This helps to determine drivers' attitudes, type of accident, plus allows the board to develop a positive

Francis booklet available

A 13-part series of articles on buying corporate insurance, which was authored by *Business Insurance* contributing editor Bion Francis, is now available in booklet form.

The series, which appeared on the *Perspective* pages of this magazine in issues earlier this year, looks into the problems to be expected when buying insurance, how to recognize them and offers practical advice on how to surmount them.

"How to Buy Insurance for a Corporation" may be obtained by writing Bookshelf, Crain Communications, 740 Rush St., Chicago, IL 60611. Single copies are \$3.50; ordered in lots of 11 or more the price is \$3.25. A check or money order should accompany the request.

approach towards its junction.

Since the boards are relatively new, set disciplinary measures have not been defined. The problem of what can be done to the habitual accident repeater or individuals found acting negligently, thus causing an accident, has not been completely resolved, but it now seems likely that the following procedures will be adopted:

- First accident. Verbal reprimand by top official of bureau or department.

- Second accident. A written reprimand which would be placed into his personnel folder, thus hindering or holding up possible promotion.

- Over two accidents. Change of duty to a less desirable job in a less desirable location, plus a second written reprimand placed in personnel folder.

- Over three accidents. The suspension from the job without pay.

The disciplinary measures described indicate the measures to which Yonkers has decided to go to reduce the cost of loss in bodily injury and property damage claims.

Mr. Bieber is a graduate of New York University, with a masters degree in industrial safety. He also has a business administration degree from the College of Insurance and an associate in risk management degree from the Insurance Institute of America. He is a member of the American Society of Insurance Management and the American Society of Safety Engineers.

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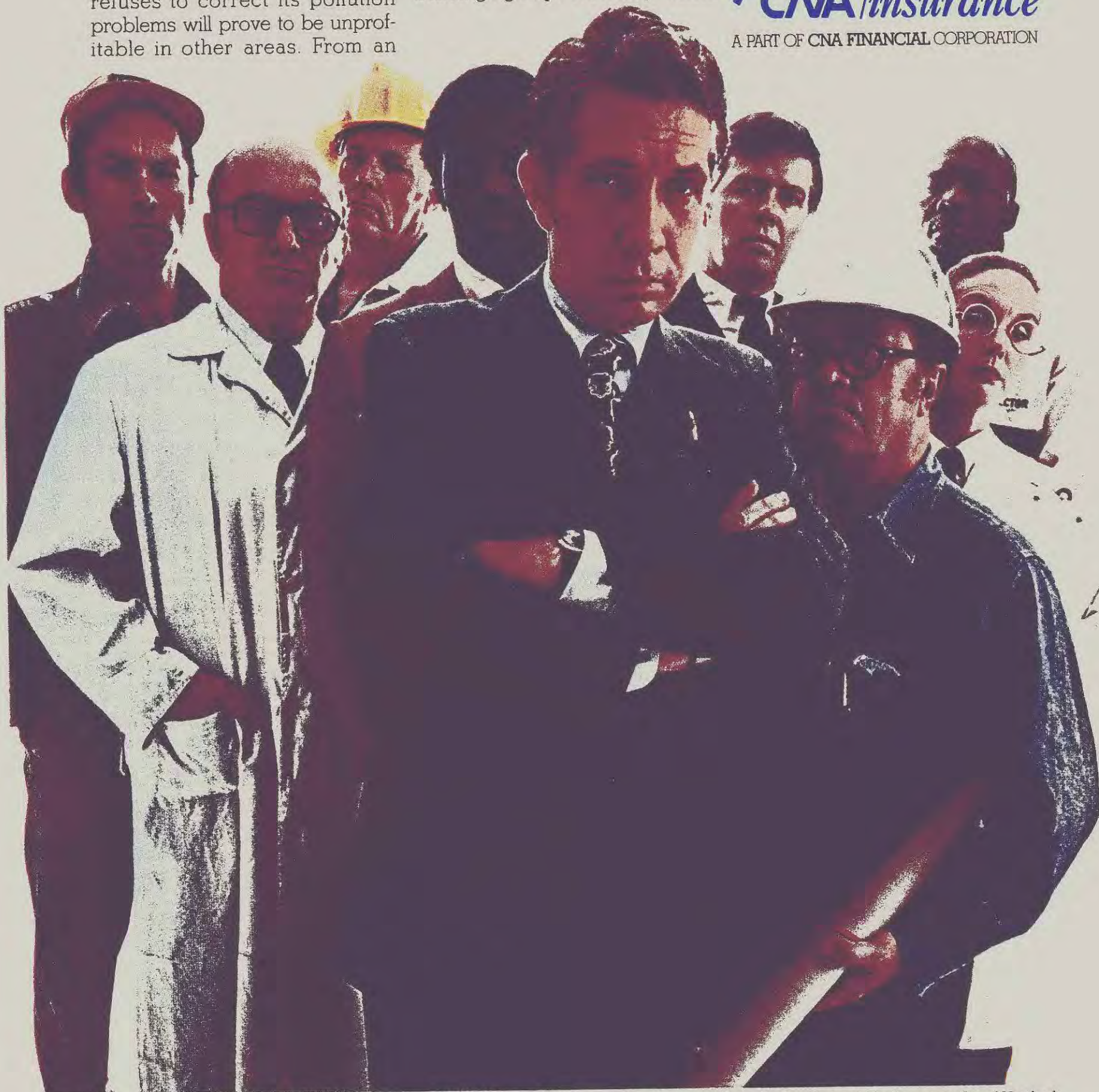
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Agent/Broker Directory Available Now

Because of the demand for the profiles tables, charts and analyses contained in the July 31 issue, this information has been published in the form of a 6" x 9" desk-top directory. The annual *Business Insurance Directory of Commercial Insurance Agents & Brokers*, September, 1972, edition contains this important information for use by corporate insurance buyers, financial institutions, consultants and government officials. Readers may order copies by filling in this coupon and mailing it to: *Business Insurance*, 740 Rush Street, Chicago, Ill. 60611.

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Pre-paid patients obtain the same care as others

CHICAGO—A physician whose clinic has joined a health maintenance organization (HMO) asserted that pre-paid medical patients are being treated no differently than fee-for-service patients.

Speaking at a workshop sponsored by the Institute of Medicine in Chicago, Dr. Robert M. Kohlenbrener, president of North Suburban Clinic, Skokie, Ill., said, "I have no reason to consider whether the patient on my schedule is pre-paid or fee-for-service."

His clinic is associated with Intergroup Prepaid Health Services Inc., an HMO made up of 10 group-practice health centers in the Chicago area, serving about 2,000 subscribers.

Dr. Kohlenbrener's clinic continues to treat fee-for-service patients as well as Intergroup subscribers.

He also emphasized that HMO members are not part of a "discount or bargain plan."

BUT, HE ADDED, the premium rate for Intergroup is competitive with other health insurance packages, which makes it "attractive and marketable." Single people are charged \$15 to \$19 per month. The fee for families is \$55 per month. He credits the low rates to CNA, which provided a feasibility study based on fee-for-service experience and an actuarial analysis of that experience.

Insurance subsidiaries of CNA

Financial Corp. funded the Intergroup program but, Dr. Kohlenbrener stressed, "CNA is not Intergroup."

Dr. Kohlenbrener went on to explain that the economics of a pre-paid plan will only work if unnecessary hospital costs are avoided. To achieve this, Intergroup, he said, will contract only with medical groups that have diagnostic services in an office setting.

When a subscriber needs hospital care, however, he is admitted to the hospital where his Intergroup doctor is a staff member. Dr. Kohlenbrener said, "The hospital considers him a fully insured patient with major medical coverage. Intergroup is the plan funding the hospital care."

Started in late 1971 by physicians, Intergroup is offered to groups composed of 10 or more employed persons, with or without families. "Physicians assist in marketing, acting as consultants," Dr. Kohlenbrener said, "and the salesman have no other insurance or service to sell besides Intergroup."

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Old Line Life sold to U.S. Life

MILWAUKEE—The acquisition of Old Line Life Insurance Co. of America here by U.S. Life Corp., New York, has received final regulatory agency approval.

Stanley C. DuRose, state insurance commissioner, gave his approval after the Securities and Exchange Commission authorized the transaction.

Life Insurance Investors Inc., Nashville, Tenn., which owns 8% of Old Line Life's stock, obtained permission from the SEC to participate in the deal. SEC approval was necessary according to the 1940 Investment Company Act.

SEC approval of the acquisition was given despite the SEC's recent filing of a suit against J. C. Bradford Sr., and his son, J. C. Bradford Jr., directors of Life Insurance Investors, and several of their companies.

The SEC charged the Bradfords with trading in Old Line Life stock last spring on inside information about the acquisition. According to the SEC suit, the Bradfords learned that U.S. Life was preparing to make an acquisition offer to Old Line Life and on the basis of that information they purchased 8,625 shares of Old Line Life stock between April 21 and 27. Public announcement of the acquisition plan was made June 29. The younger Bradford, a director of Old Line Life since 1963, resigned from that position Aug. 15.

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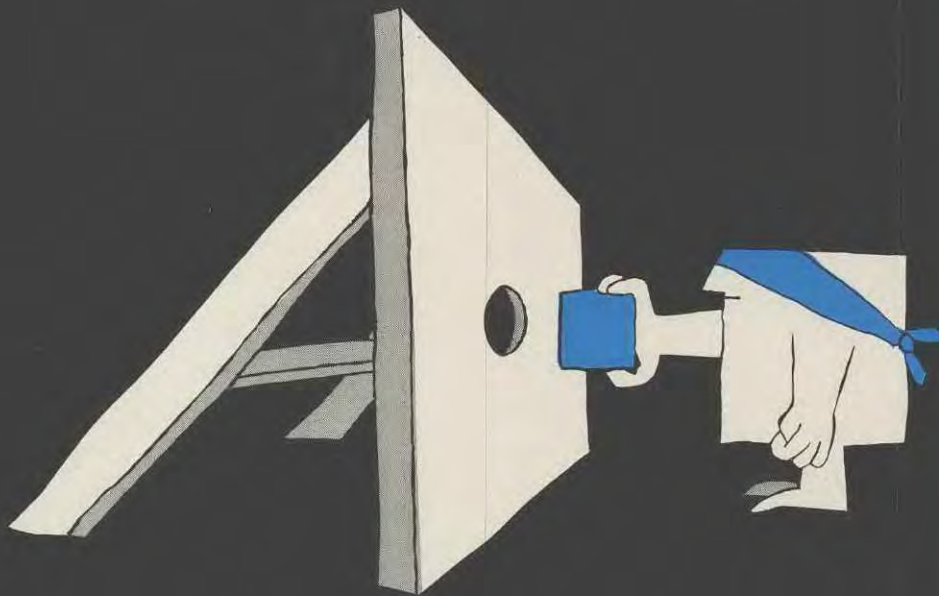
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Key man policies are a \$ solution to \$ problems

CHICAGO—Why would a corporation purchase \$10 million of life insurance for its president?

Robert J. Hofbauer, manager of advance sales for Continental Assurance Co. here says, "It's a dollar solution to the dollar problems of a corporation."

The agent who sold the \$10 million policy, Carl Haas, New York, agreed with Mr. Hofbauer and said, "It's one of the best investments a business can make." The investment he is talking about is a key man insurance policy. This specific policy will prevent a tax drain on the company upon the president's death. Mr. Hofbauer explained such policies can be used three ways:

- For "pure and simple indemnification of the loss of the most valuable asset a company has—an employee."

- To provide a corporation with surplus capital in case a majority or sole stockholder sells his shares to the company. He would do this to provide himself (or family) with the necessary funds to pay estate taxes upon his death.

- As a "fringe benefit" that could be offered to perspective employees as an inducement to switch employers, or offered to current employees to keep them from being lured elsewhere.

Though the third example is not really a true key man policy, Mr. Hofbauer said it is the most rapidly growing plan of the three. He cited George Allen, coach of the Washington Redskins football team, as someone who had a large, "perhaps \$500,000" life insurance policy dangled in front of him as an enticement to sign with the team.

The original key man policies were used, Mr. Hofbauer said, as solutions to money problems: financial security for a corporation

in case a key employee died or for a corporation if its owner died and his inheritors had to sell his stock to pay estate taxes. The corporation could then buy the stock with the payments from the policy and keep itself in business.

Key man policies are "being sold every day," he said. "They can be payable on death, retirement or disability." The policy's face value can be paid upon death, at age 70 after retirement or after three years of disability, Mr. Hofbauer revealed, depending on the specific policy.

He said, "It's really no different than any other life insurance policy. It's just a matter of what your dollars are going to do for you."

What seems like a logical solution to problems of financial security, the key man policy is having "less and less" trouble in selling itself, Mr. Hofbauer said. The problem it first had, he said, was getting people to recognize they had a problem; that something had to be done about it; and finally what to do about it.

Mr. Hofbauer did say, however, he doubted that the words "key man" could be used in an advertisement. He guessed that state insurance departments would prohibit its use, just as they have the use of allegedly misleading terms in many health and life insurance ads already.

Casino change girl is awarded benefits

LAS VEGAS—A decision by the Nevada Industrial Commission to award benefits to a change girl here could set a precedent for similar cases in the future.

The commission ruled that Joan F. Hilton, a change girl in the casino at the Fremont Hotel, probably developed painful calcium spurs on her heels as a result of the excessive weight of her change belt. She was awarded a lump sum payment of \$2,589 covering a period of nearly a year back to the time the claim was filed. In addition, the commission agreed to provide medical benefits for her.

Originally, the commission denied the claim and refused to accept liability for her condition. However, it reversed itself at a recent adversary hearing during which Mike Pisanella, of Culinary Workers Union local 226, appeared on her behalf.

At the adversary hearing, it was established that two doctors who examined the change girl diagnosed the cause of the spurs as probably stemming from carrying the change belt, which aggravated a latent condition.

Al Bramlet, secretary-treasurer for local 226, commenting on the case said, "The union has long argued that employers should reduce the weight of the belts by requiring that change girls carry no more coins than essential to their basic work. The action by the commission is very gratifying and indicates a growing awareness by the commission of the problems that can arise among the change girls."

Insurance legislators

Illinois State Rep. Bernard E. Epton, Chicago, was named chairman of the National Conference of Insurance Legislators.

W & A Newsletter



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Work comp is a bargain, says G.E. employe relations director

CHICAGO—"Workmen's compensation is basically a damn good bargain," Russell H. Hubbard, General Electric's corporate employe relations director, believes, "and it won't bankrupt anybody to kick in a little more to keep it going on the state level."

Speaking to a group of industrial insurance buyers, sellers and strategists, gathered by the American Society of Insurance Management, Mr. Hubbard urged the various groups represented to correct a "normal employer syndrome against change" and thereby help in the preservation of workmen's comp administration on the state level.

"The good news is that the problem we face has been identified," Mr. Hubbard said. "The National Commission on State Workmen's Compensation Laws has made it clear to us all that the laws must be changed so that they are desirable for both employers and employees. That change must come about by 1975, or the state system may be jeopardized. The bad news is that we have to get in there and do something about it. The next two or three years represent our last clear chance to protect, update and change the state system."

LIKENING federal takeover of the comp system to reinvention of the wheel, Mr. Hubbard told the group that all that is needed is for the wheel to be oiled.

"The state system preserves initiative at the state level to make improvements where necessary," he said. "The state system leads to more effective administration of the program than would be possible under a federal system, and it prompts better medical attention. There has been no indications that there are better brains in Washington or that administration on the federal level would lead to more economical workmen's compensation or would increase employer interest and understanding."

One of the essential steps in getting state laws revised before the deadline, Mr. Hubbard feels, is removing employer misconceptions about workmen's comp.

"Employers need to know what the recommendations of the national commission mean to their pocketbooks. All these figures given in millions and billions simply hinder this understanding. Costs need to be expressed in terms which put them in their proper perspective. The fact is that, for most employers, work-

men's compensation is a minor cost, and, fortunately, it is a controllable cost."

MR. HUBBARD criticized the tactic of discussing comp costs after lumping them together with other employe benefit costs and suggested that if the comp costs were evaluated on their own merits, comp changes might not be such an emotional issue.

"The U.S. Chamber of Commerce tells us that 31% of our payrolls are going to employe benefits," he said. "But where are workmen's comp costs in this? Approximately one percent, or

four cents per hour versus \$1.22 per hour for other employe benefits. That's \$80 a year compared to \$702 per employe per year for Social Security taxes which, by the way, are up 80% since 1970.

"In 1940, workmen's compensation took 1.19% of payroll. In 1950, .89%. In 1960, .93%. In 1970, 1.13%. There's a slight increase in the last 20 years, but it's damn small."

Mr. Hubbard evaluates the costs of implementing the national commission's seven categories of recommendations as representing a 20% to 25% increase.

Continued on page 39

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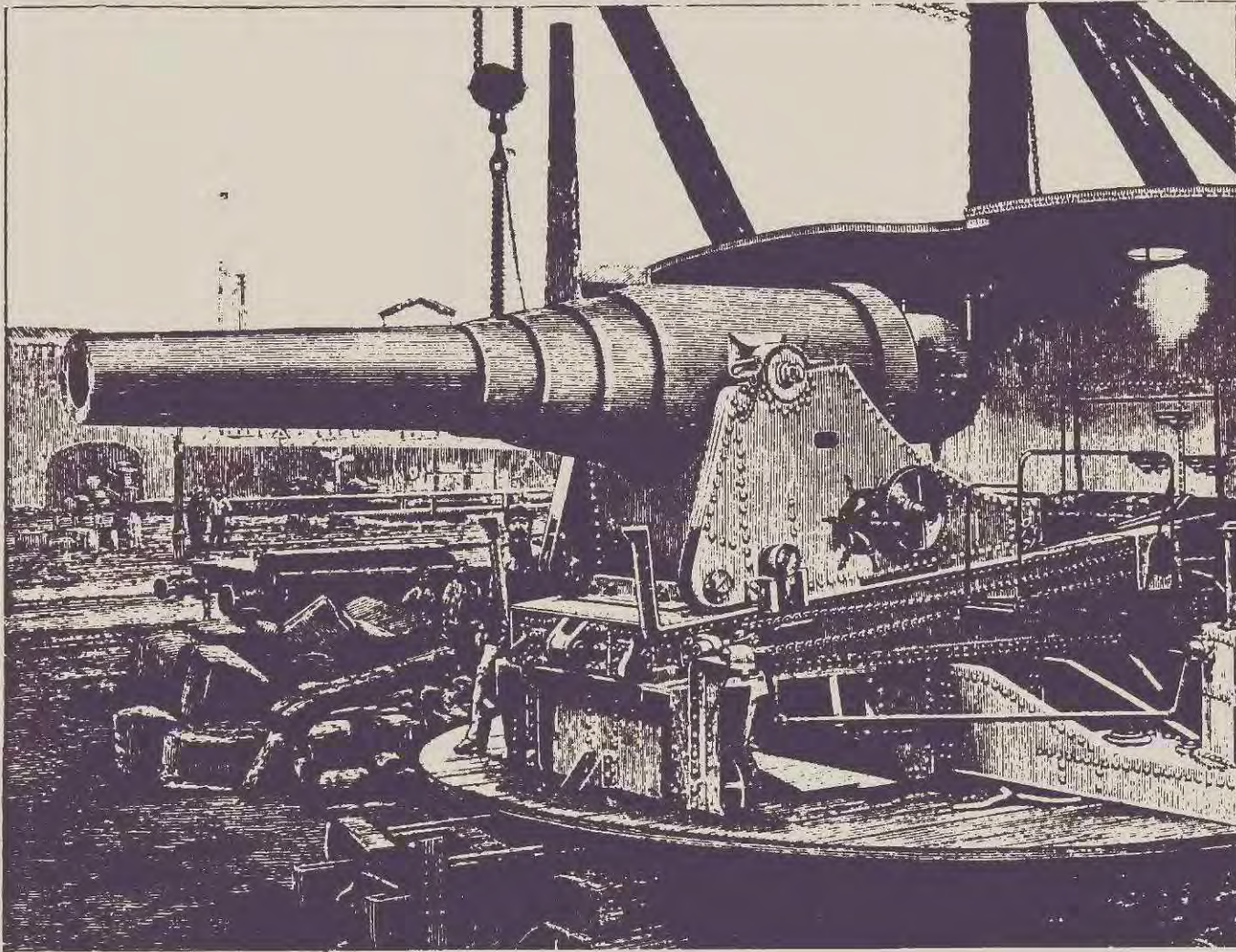
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ASIM conference

Work comp commission director warns new panel is not assured

CHICAGO—John F. Burton Jr., the chairman of the now defunct National Commission on State Workmen's Compensation Laws, told a gathering of industrial insurance buyers, sellers and middlemen interested in repairing work comp inequities that there is a definite possibility that President Nixon will not name a successor commission to aid state law reforms.

In presenting some 80 recommendations for state law improvements, the commission rejected federal takeover of the workmen's compensation system, but urged three courses of action:

That states should immediately broaden benefits, coverages and rehabilitation programs; that the President should appoint a new commission to provide the states with encouragement and technical assistance through consultation and data reporting, and that voluntary compliance with the commission's 19 "essential" recommendations be made by July 1, 1975, or else legal incentives should be passed by Congress.

"If no successor commission is to be appointed, this group should be thinking what kind of umbrella group—a national coordinator—should be established," Mr.

Burton told the American Society of Insurance Management-sponsored meeting. "The reactions from business and insurance people to the commission's recommendations have been good, but some states need attorney and labor support. Some program is needed to get all these people involved. If nothing else, perhaps what is needed are state mini-commissions.

"I FELT a successor commission was necessary to continue looking at issues we didn't have time for," Mr. Burton said. "In the administration area of state

programs, a big question is: How long does it take for each state to pay a case, and what portion of the payment goes to lawyers? The data gathering in these areas is archaic, and a successor committee, for one thing, could help gather better data about these and other areas. There is also great deviation between practice and statutory guidelines in the area of permanent partial disability. Another committee could continue studying this—probably the most abused area of workmen's compensation."

Reviewing the work of his commission, which was created by the Occupational Safety and Health Act of 1970, Mr. Burton said present workmen's compensation laws contain problems in benefits and administration "that, once looked at, proved much more serious and difficult to solve than any of the commissioners imagined. Our jobs turned out to be a real clash between

not turning the program into something contrary to employer interests, yet making the system fair and adequate. We uncovered many serious faults, and we have proposed many serious solutions."

Reviewing the commission's recommendations, Mr. Burton said that two areas—increased maximum weekly benefits and removal of time and payment limits—will cost employers more than they are presently spending, but that improvements in administration and definitions of "disability" will cut employer costs.

"STRICTER definitions of 'total disability' will bring claims down in many states," he said. "In some states, total disability is defined as not being able to return to the same job. The person may be holding a different job—or be capable of holding a different job—but is collecting full compensation. Also, with administrative reforms, there is a greater chance that rehabilitation mechanisms will be utilized, which should bring costs down, too."

Realizing the commission's recommendations would not be taken seriously if not accompanied by cost estimates, the National Council on Compensation Insurance asked the commission to cost-out its recommendations for all states.

"By 1975," Mr. Burton reported, "We estimate the cost of implementing our 19 essential recommendations would increase by less than 50% in 46 states and less than 70% in all states. If all our recommendations were adopted, the increase in cost to the employer would be less than 50% in 41 states and less than 90% in all states. As a proportion of payroll costs, the full set of recommendations in 39 states would be less than 1.5%, and, for 42 states—that's all we were able to cost-out in this area—less than 2%."

MR. BURTON stressed that the percentages applied to an "average" employer and overstated costs to employers who elect to fund compensation programs with private trusts. The figures, he said, also assume the injury rate will remain the same, noting that employers might push to reduce injuries if they face increased benefits without limitations.

"It is a generous estimate that the average employer will spend 2% or less of his payroll as compared to the 1.1% he's paying now," Mr. Burton said. "Government data shows that employers spend 22% of their payrolls on benefits. I think it's worth two percent to have a fair and adequate workmen's compensation program."

Mr. Burton, who is now an
Continued on page 39

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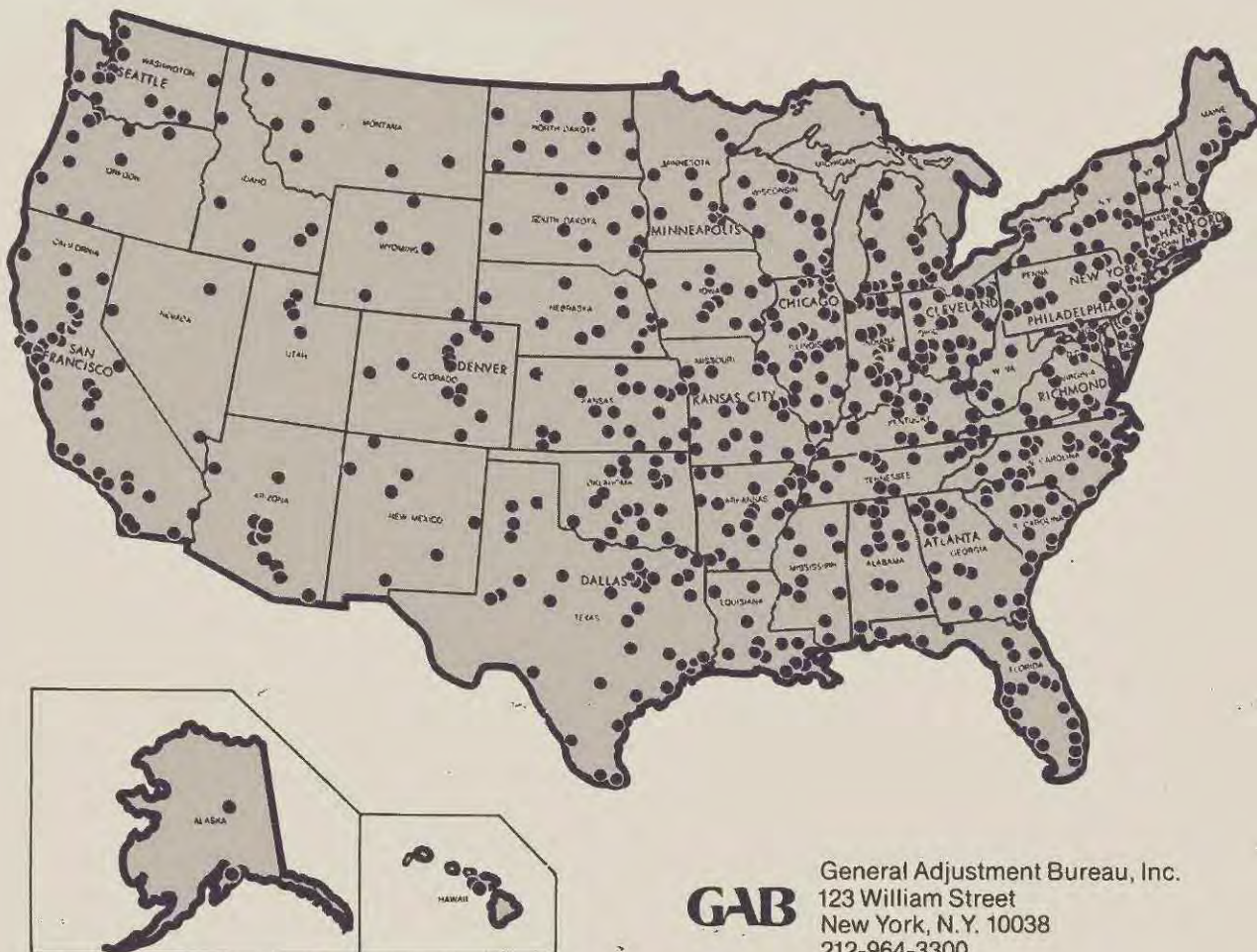
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Worker's safety is the goal of OSHA inspectors

This is the second of three articles, reprinted with permission from the Chicago Daily News. With the lessons of OSHA being learned daily by business and industry, this series, we feel, puts into perspective many of the problems facing corporate risk and safety men.

By STEVE YAHN

CHICAGO—Without advance notice, inspector Larry Bieschke opened the front door of the Illinois State Journal-Register newspaper plant in Springfield, and he and his partner, Ed Largent, were ready to begin another federal safety and health investigation.

Mr. Bieschke and Mr. Largent were at the Springfield plant because two weeks earlier—unknown to the company—the newspaper's pressmen had filed a complaint with the Occupational Safety and Health Administration (OSHA). The federal agency has power to enforce more than 22,000 safety and health regulations that affect any company with one or more employees in addition to the owner.

The pressmen said the Journal-Register's management wasn't properly controlling the ink mist coming off the presses and was ignoring other conditions damaging to the workers' health.

Inside the plant, Mr. Bieschke and Mr. Largent first informed management and labor that each had the right to have representatives accompany them on their inspection.

THE TWO OSHA investigators explained that "no advance notice" is standard policy in Illinois. National OSHA policy makes the practice optional, but, says Illinois director Bill Funcheon, "We want to see conditions at as close to normal as possible."

So, with apprehensive management officials at their side, for the next six hours Mr. Bieschke and Mr. Largent toured the three-story concrete building.

They asked if each shift had at least one person trained in first aid, as the law requires. They checked all wall fire extinguishers, finding one that wasn't mounted properly. They also tested air-pressure hoses used for cleaning machines and looked for ungrounded electrical receptacles, oily rags in open pails and damaged equipment.

In the pressroom, Mr. Largent took a number of ink-mist samples, which later would be sent to an OSHA laboratory in Salt Lake City. Bieschke climbed above the huge, rolling presses to look for unguarded walkways—and also to find a better view for satisfying his curiosity about how newspapers' presses run.

In addition, the inspectors examined the company's "OSHA 100" forms—detailed accident reports required by OSHA regulations. These records showed that in the last half of 1971, the Journal-Register had 13 recordable injuries, 5 of which resulted in lost work time.

DURING ALL of this, it's common practice among Illinois OSHA compliance officers to snap pictures. Taking photographs is another optional technique, but, again, Funcheon requires use of the cameras. ("The corporation lawyers really sweat when they see you taking those pictures," says one OSHA inspector.)

At the end of their inspection, Mr. Bieschke and Mr. Largent spent two hours with management in a customary "closing conference."

Employe representatives usually are barred from this final conference unless they get permission from the company.

In their talk with publisher John P. Clarke and two other Journal-Register officials, the inspectors reviewed what they believed to be five violations. Company officials said they could correct most of the problems in 15 days, asking for 30 days on the air-pressure hoses.

They got it, and late that afternoon Mr. Largent drove out to U.S. 66 and headed north for

Chicago, while Mr. Bieschke drove south, fearing a snowstorm but wanting to get to another inspection the next day in Carbondale.

FIVE DAYS later, a finished report was on Mr. Funcheon's desk. For the Journal-Register's failure to insure that its pressmen wore protective ear equipment, Mr. Funcheon levied a \$45 fine. For the air-pressure hoses that were above the standard of 30 P.S.I., the fine was \$30.

Later, after deciding that the

concentration of ink mist around the presses was "well below the threshold limit value for air contaminants," Funcheon sent out a judgment with the \$75 in fines covering the minor violations.

At this point, in some OSHA areas around the country, there is no procedural step between agreeing to OSHA's settlement terms or filing a written appeal within 15 working days.

But, in Illinois, there is Mr. Funcheon's "informal conference." He has his inspectors make it clear at all closing conference

sessions that he is willing to meet with company officials in his office to discuss possible revisions in case citations. Last year, he conducted 29 such informal conferences out of a total of 36 contested cases.

For the Journal-Register's management and the pressmen's Local 30 in Springfield, OSHA's \$75 fine and the fixed air-pressure hoses were the end of the line.

But, for companies like Interlake Inc. in Chicago, deciding whether or not to fight a proposed

Continued on page 40

"Liberty lies in the hearts of men and women; when it dies there, no constitution, no law, no court can save it... While it lies there, it needs no constitution, no law, no court to save it."

—LEARNED HAND

During Judge Hand's lifetime he was described as "The Great Judge", "Tenth Justice of the Supreme Court", "unquestionably first among American judges". Of him it was said that "his comment upon any legal question carried such great weight that an expressed doubt by him was a source of danger to the acceptance of any proposition..."

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Workers haven't rushed to early retirement plan

CHICAGO—Figures released by the Ford Motor Co. show that only one-fourth of workers eligible for retirement under the 30-and-out program opted to leave the company in the first year of the controversial early retirement plan.

The plan, which allows workers 58 years old retirement after 30 years service, was negotiated by the United Auto Workers two years ago over protests by the car makers that it would rob them of many skilled workers. The initial phase of the plan went into effect on Oct. 1, 1971, and the second phase, which lowers the minimum age requirement to age 56, began on Oct. 1 of this year. None of the car makers has released figures indicating if the retirement percentages have increased since phase two began.

Of the 2,033 workers who left the company during phase one, 946 were below 60 years of age. Of the 946, only 187 were classified by Ford as "skilled workers."

RETIRED AUTO workers receive a basic monthly pension of \$7.05 for each year of service, plus Social Security benefits, but early retirees, not being eligible for the federal funds, receive a supplement to up monthly pensions to not more than \$500. The supplement decreases at age 62 when partial federal benefits begin and ends at age 65 when full federal benefits start.

Union officials say there are many reasons why more workers have not jumped at the opportunity to leave the assembly line a few years early. Most importantly, they say, the maximum \$500 monthly pension is a huge drop in earnings for a skilled, veteran auto worker who enjoys a pay advantage over unskilled workers, but no advantage in the pension area. Other workers

would just as soon hang in there and collect the additional \$7.05 monthly pension payoff as long as possible. Others face too many financial demands and cannot survive on the pension income.

Unless a major push for early retirement develops during the second phase, UAW negotiators are expected to greet the auto makers in 1973 with a new 30-and-out demand—removal of age limits to make the plan 30-and-out, regardless of age. The rank and file workers are also seeking elimination of pension penalties, but the auto makers are sure to take a hard line in this area, union officials predict.

Water authority defers offer of county's advice

BUFFALO, N.Y.—A hassle has developed here over insurance policies of the Erie County Water Authority.

John C. Caputi, controller for the Erie County Water Authority, has been directed by the authority to determine what services would be provided by the Erie County insurance adviser through a resolution adopted Nov. 21 by the county legislature.

The action by the authority came in the wake of an objection to wording in the resolution by Jerome D. Van de Water, vice chairman. This resolution called for use of the county services to "handle the water authority insurance negotiations and to provide the lowest cost and optimum coverage to the taxpayers."

Mr. Van de Water said "the word 'handle' is too vague, and optimum coverage is determined by recommendation of the authority's consulting engineers as required by law under the authority's general bond resolution."

Also objecting to the resolution was Paul A. Stephan, authority chairman. He found fault with that part mentioning a report that the water authority had used its insurance program as a political patronage tool. Mr. Stephan said the authority had made no profits on its insurance programs.

It was decided by the authority to defer action on the offer by the county legislature.

Fireman's Fund sells farm and ranch cover

SAN FRANCISCO—A new approach to farm and ranch insurance packaging has been introduced in Illinois by Fireman's Fund American Insurance Cos.

Called Farmers and Ranchers Multiguard, the package will be marketed in more than 30 additional states, according to Fireman's vp, Dwight F. Alverson.

"The Multiguard concept," Mr. Alverson explained, "combines familiar farm package features within a broader packaging concept making available the full range of property and liability coverages. It features streamlined rating structures for the basic plan and an optional rating plan designed to permit large deductible options and to recognize individual risk characteristics."

"The face of U.S. agriculture is changing," Mr. Alverson declared, Continued on following page



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Record...

Continued from preceding page

"and farming and ranching have become a science, developing technologies all their own. This new policy meets those changes, providing protection against a multitude of risks."

Beyond the basic plan package, property coverage that is available extends to livestock, mobile agricultural equipment and personal property floaters and a variety of additional inland marine coverages including farm transit insurance.

Work comp is sole remedy for employee

HARTFORD—The Connecticut supreme court has supported a lower court ruling that a public school employee, like other municipal workers, may not sue the

municipality that employs him in the event of injury.

He may only collect workmen's compensation from the state.

The decision came in connection with an appeal by Rickey P. Mase of Meriden, a part-time bus driver who was injured on the job in December 1968, when he fell on a Meriden sidewalk.

Mr. Mase acknowledged that he had been collecting benefits under the state workmen's compensation act.

The high court, however, agreed with the ruling of superior court Judge Harold M. Mulvey that Mr. Mase was in the same category as other municipal workers.

Maternity benefits liberalized by board

AVON, CT.—Backing a tentative position adopted at a recent meeting, the town's board of ed-

ucation is now offering pregnant teachers a more liberalized maternity leave policy. At the same time the board reserved decision on sick leave benefits, pending the outcome of many Connecticut court cases involving pregnant teachers.

School superintendent Herbert F. Pandiscio offered the board an "interim policy" on maternity leaves which the board voted to present to the teachers' association for contract revision. The board decided it could not adopt the policy without first consulting the teachers.

The temporary policy, which has no financial effect on the board, would allow a pregnant teacher to stay on the job until her physician ruled otherwise.

Under the existing plan, teachers are compelled to leave the job at least three months before the expected date of delivery and are not allowed to resume teaching until four months after birth. ■

Court says state liable for park accident victims

ALBANY, N.Y.—State governments operating public parks must be mindful of their liability in providing facilities for the picnicking public.

This fact emerged from an unusual court of claims suit here in which a family was awarded nearly \$100,000 as a result of tree accident in the Harriman State Park operated by the Palisades Interstate Park Commission.

The accident was the first of its kind despite the fact that an average of six million persons visit the state park each year.

The incident occurred on May 31, 1969, when the family of Bruce Levy sat down at a provided picnic table to have their lunch.

A "dead" tree fell across the table, seriously injuring the mother and causing less injury to the daughter. The falling tree caused several fractures to the mother. The court awarded \$90,000 for these injuries.

An award of \$2,000 was made to the daughter for her injuries and the father was awarded \$7,000 for medical expenses. The decision was handed down by Judge Milton Alpert.

Judge Albert ruled: "It was indeed a dead tree and had been for some time. The state is not the insurer of those who use its park and recreational facilities. But, it is required to exert reasonable care in the maintenance of its parks." ■

Creation of new pension plan asked

TORONTO—The Canadian Tax Foundation's annual tax conference heard a proposal that the federal government allow creation of a non-registered pension plan providing deferred income to retired workers without suffering double taxation or loss of Canada Pension Plan benefits.

The proposal was made by a Toronto pension plan consultant, Laurence E. Coward, executive vp and director of William M. Mercer Ltd.

Mr. Coward pointed out that a difficult problem is faced by employers who would like to supplement pensions beyond what is permitted in a registered plan.

HE EXPLAINED that an unregistered pension plan can result in double taxation, noting that a retirement allowance may not be granted prior to retirement without causing the risk of immediate tax liability. A deferred compensation agreement usually results in the forfeiture of approximately \$7,000 on Canada Pension Plan benefits, he added.

"What is needed," said Mr. Coward, "is an above-board, unassailable, legally-enforceable plan to provide deferred income for employees—a plan that involves neither tax shelter nor penalty. It is hoped that the inter-departmental committee set up (by the federal government) to advise on retirement plan taxation may find a way to remove the inconsistencies and limitations of the present law." ■



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New Life, a new product, attacks group term life

PHILADELPHIA—Donald A. Zimmerman, president of Group Marketing Consultants Inc., an insurance industry consulting outfit here, is one of the driving forces behind an insurance product that some persons have called a "revolutionary" factor in the group insurance field.

In a day when just about everyone with something to sell has added the word "revolutionary" to his lexicon, Mr. Zimmerman himself is somewhat less grandiose when talking about his firm's infant product, New Life Perma-

nent Group Insurance.

"New Life is not a cure-all in this area," he told *Business Insurance*, "and we don't claim that it is. But, wherever the inadequacies of group term life insurance come to light, New Life can be utilized and it can be effective. New Life was designed to compete with and replace group term life insurance."

MR. ZIMMERMAN said that New Life was the first established group program which provided individual issue permanent life insurance at costs competitive with group term coverage. He listed six "deficiencies" of group term:

- Increasing costs each year on permanent insureds.
- Unpredictable costs due to experience rating.
- Lack of pre-funding for post age 65 death benefits.
- Tendency of voluntary plans to phase themselves out.
- Non-portability.
- Group term is not appreciated by employees as much as other benefits.

In explaining how New Life eliminates these problems, Mr. Zimmerman handled the first two together.

"Group term is rated by age and by experience," he said. "The

cost increases due to the age factor are disproportionate. For example the increase between the ages of 20 and 30 is much lower than the increase between 30 and 40. New Life increases in cost during the first 10 years but then the rate is frozen. It will never go up again.

"EXPERIENCE rating is done away with because New Life provides that filed, permanent rate," he continued. "The experience is not a factor."

The third problem—pre-funding for death benefits after age 65—was overcome by New Life's establishment of an individually allocated retired life reserve.

"Group term does not anticipate pure mortality," Mr. Zimmerman explained. "It was designed to cover someone during his working years, not his retirement years and it becomes ineffective when called on to insure pure mortality."

"A company gets preferential tax treatment if it sets money aside for these retired life reserves. It just hasn't been done much. One reason is that brokers don't get commissions on life reserves so, naturally, they don't go out of their way to push them. New Life does set up the reserves."

He felt that voluntary group term plans tended to phase themselves out because a vicious circle

was created when younger employees did not participate as heavily in the plans as did older workers, thus raising the average age of the group. The rates would then go up and more young workers would pull out of the plan.

With group term age bracketing, the costs would continue to go up and more money would be asked when certain plateaus were reached.

Mr. Zimmerman pointed out that his product countered this problem with the permanent, filed rate which supported only one age bracket.

New Life was portable, he said, in comparison to group term, which can be converted but is not portable. A piece of the GMC literature stated that while group term converts, it becomes ordinary life insurance when it is converted and "New Life lives on for the insured at the originating age rate for as long as he wishes."

THE LAST deficiency, that of appreciation, was admittedly a rather subjective evaluation on Mr. Zimmerman's part. "Group term benefits are never seen in the employee's lifetime," he commented. "With New Life, he can get the cash value of the reserve and, I think it's safe to say that people appreciate the benefits they can see during their lifetimes more than invisible ones."

He pointed out that New Life was developed about four years ago so it is not really brand new but, when compared to group

term, which began in 1911, the coverage is barely off the ground. Group Marketing Consultants, he reported, is now fully computerized and that the product has made great advances over the past 18 months.

The coverage is now being underwritten by, among other insurers, members of the Unicom Group, San Francisco Life Insurance Co., United Life & Accident Insurance Co. and Intercontinental Life Insurance Co.

Mr. Zimmerman said the company is a marketing arm of insurers selling a specialty product exclusively through brokers.

HE SAID that New Life was being utilized by a number of clients in 32 states and had proven rather popular among unions and associations of employers. He also mentioned Western Airlines as a prominent New Life user.

Reiterating the fact that New Life was not a cure-all in the group life field, he said that group term might be the better coverage for certain types of groups. Among these he listed young groups, those with "a high female content," those with high turnover and those "with no commitment to post age 65 benefits."

Brokerage firms merge

Ingram, Armistead, Wallace Inc. and Richard M. Miller and Co., Inc. will merge, effective Jan. 1, forming Armistead Miller Wallace Inc.



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Business crime fighting hampered by 'Catch-22'

NEW YORK—American business, in the opinion of Saul D. Astor, is being hampered by the courts and labor unions in its efforts to combat the growing number of business crimes which already cost in the neighborhood of \$16 billion a year.

Mr. Astor, president of Management Safeguards Inc., a New York-headquartered internal security firm, told a group of businessmen that "Catch-22" was the situation where unions and courts seemingly denied business the tools to fight crime with.

"And when it comes to preventing crimes committed by employees of companies," he noted, extending the reference to Joseph Heller's book, "business then finds

itself faced with a Catch-22a, b, c, d and e as well."

Mr. Astor's "catches" are:

- Catch-22a—Labor unions assure business that an employee caught stealing may be fired but advise employees not to answer any questions concerning theft.

- Catch-22b—Unions encourage employers to carefully screen job applicants but are trying to ban the use of the polygraph lie detector as part of the screening.

- Catch-22c—Courts rule against employers for failing to thoroughly check out an employee, yet, in many localities, the law prohibits the police from revealing a person's criminal record to an employer.

- Catch-22d—The use of the polygraph by employers is restricted in many states but the government is free to use it.

- Catch-22e—A business may insure itself against loss by purchasing a fidelity bond but inventory shortages and even employee confessions do not constitute proof of loss to many insurance companies. "According to the insurance companies, you have to catch the employee in the act. But, if you apprehend somebody who is in the process of committing a theft, you have recovered the goods and the insurance companies then say they don't owe you anything," he said.

Mr. Astor, who felt that "internal theft is the most insidious crime suffered by American business today," commented that the only hope of reversing the trend of criminality in the business world was for labor and management to join forces and persuade their legislatures to strengthen criminal restraints. ■

Burton ...

Continued from page 34

associate professor of industrial relations public policy in the University of Chicago's graduate school of business, noted that other "game plans if you're Republican or scenarios if you're Democrat" are possible and that the race to amend state laws by July, 1975, might be preempted.

"THERE COULD be federal action sooner as seen by the bill introduced by Sen. Jacob Javits (R-N.Y.) and Sen. Harrison Williams (D-N.J.). This means you have two of the four parties in the country lined up behind federal standards; the four parties being the northern Democrats, the southern Democrats, the Republicans and Sen. Javits. Anyway, the prospects are greater than nil.

"Another possibility," Mr. Burton said, "is that federal intervention in this area might never

occur. Mr. Nixon has often voiced his disapproval with taking workmen's compensation out of state hands. But, then again, he did sign the Coal Mine & Safety Act. There is also the possibility that his influence with Congress will be pretty dim by 1975.

"THE THIRD possibility is that there may be very drastic federal intervention either in the form of direct federal takeover or absorption of workmen's compensation by the Social Security Administration.

"The commission proposes the least possible federal intervention," Mr. Burton stressed, "with the assurance that a system evolves which is fair to workers, employers and society. The members of the commission are still doing what they can to reach this goal, but they need allies. There is a need for reform, and the support of industry and insurance companies is essential. Join us if you haven't already." ■

G.E. exec ...

Continued from page 33

"When these recommendations were evaluated in New York and a price tag put on them, it was shown that compliance with the recommendation to increase benefits to two-thirds of the gross weekly wage would represent a six percent increase on four cents per hour. That's 48 cents a year on an \$80 cost. That, I think, is a very small amount. The same study showed that implementation of all the recommendations—not just the essential ones—would represent a 18.6% increase, or less than one cent per hour."

IN PLANNING their push for amendment of state statutes, Mr. Hubbard urged the groups attending the ASIM-sponsored discussion to avoid sweeping generalities about benefit costs.

"What is needed now is for someone to go into each state, look at the comp laws and say 'you're great' or 'you're lousy,'" he said. "It's more appropriate for employers to do this than national and state associations who have been fighting with insurance commissioners for years to save every nickel.

"The AFL-CIO has said that it's waited 60 years for the states to act, and that it doesn't think they will," Mr. Hubbard said in conclusion. "I don't think that's true. There have been many advances made in the last two or three years, and there will be many many more in the next two or three years. I said before that everybody knows what to do, but they don't know how. I think meetings like this indicate that we do know how and that we'll do it." ■

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OSHA...

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OSHA penalty is more difficult. The South Side steelmaker happened to run into one of OSHA's most experienced and thorough investigators. In a 150-page report, compliance officer Milo Plant tagged Interlake with two serious safety citations and 86 other safety and health violations carrying possible fines of \$2,585.

IF INTERLAKE decides to contest, it must file a written appeal with the Occupational Safety and Health Review Commission, a three-man board in Washington. It has powers similar to the National Labor Relations Board and is completely independent of the OSHA administrative agency.

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The commission, whose members are appointed by the President to six-year terms, first decides if the contests are valid according to OSHA standards (of 1,412 contests filed in OSHA's first year, about 100 were invalid).

Next, the commission assigns valid cases to area hearing examiners—called "review judges"—who make a settlement ruling. The three-man national commission then has the power to review these area decisions, but has done so in only 32 cases to date.

Beyond the three-man commission, a company or the OSHA agency in the Labor Department can take a case into U.S. circuit court. So far, only Dale Madden Construction of Seattle has reached the federal circuit court level. Its case is pending in the ninth circuit court in San Francisco.

After watching OSHA inspector Plant painstakingly work his way around the Interlake steel mill for two weeks, more than one Interlake executive must have wondered: "How did they hear about us?"

MR. FUNCHEON explains that, by law, there are certain priority cases. They are:

- Catastrophes and fatalities. Companies must report fatalities within 48 hours or face a penalty of \$500.
- Complaints by employees or their representatives (it was an employee complaint that drew OSHA investigators to Interlake).
- Target industries—"the worst first" (longshoring, roofing and sheet metal, meat and meat products, mobile homes and recreational vehicles, and lumber and wood products).

After the priority cases, Mr. Funcheon selects a general sampling of companies from thick manufacturing guides he keeps in his office.

Mr. Funcheon's staff made 598 inspections in the fiscal year ended July 1. Random samples accounted for 282 cases and 135 were in target-industries inspections, 67 in construction, nine in maritime. Seventeen were fatalities. There were no target health investigations.

Mr. Funcheon says that no violations were found in about 10 percent of these cases. Nationally, the figure is about 25 percent. Inspections prompted by employee complaints are a special situation. A recent report by a Ralph Nader study group charges that, although there are many rights in the OSHA act for the worker, OSHA officials haven't aggressively communicated these rights to workers.

IN ILLINOIS, however, each month more employees are getting through to OSHA. Employee complaints in the last fiscal year reached 201—168 of which were valid. That rate is on the rise this year, Mr. Funcheon says.

Frank Breitsameter, an Illinois compliance officer who also arranges seminar programs in the area, has worked hard to get out the OSHA message—free of charge—to labor as well as management groups. He set up 76 speeches and seminars last year, drawing more than 14,500 people.

Mr. Breitsameter says an employee's main concern usually is whether he has the right to keep his name confidential if he files a complaint. He does. Occasionally, even anonymous tips will be investigated if the complaint sounds serious enough.

In OSHA's early days last year, an inspector often checked only the specific charges cited in an employee's complaint. But after an intensive lobbying campaign by organized labor, OSHA's national director, George Guenther, ruled that when an OSHA inspector goes into a plant, a full investigation must be conducted.

The only exception to the full-investigation rule in Illinois is when Mr. Funcheon doesn't have enough manpower or equipment. And that happens more than Mr. Funcheon likes.

The reopening of the Illinois State Journal-Register newspaper case in Springfield, for example, shows some of the problems caused by a shortage of staff and research facilities. Three months after the Journal-Register paid its \$75 fine, Alexander Rohan, president of the pressmen's international union, wrote Mr. Funcheon a letter.

"The major health tests made of the pressroom environment were to take on-the-spot minor air-sampling tests, which they claim show that the concentration of ink mist was below the TLV (threshold limit value) for air contaminants," Mr. Rohan said.

"It is ridiculous to make such a judgment without conclusive laboratory tests. . . . This gives us cause for great concern as to how seriously the Labor department is implementing the OSHA Act of 1970 and if inspectors are, in fact, receiving proper training in this field."

It gave Mr. Funcheon cause for concern, too. He ordered more extensive tests of the Journal-Register's ink-mist situation, which Ed Largent now is conducting.

Sampling of OSHA cases

CHICAGO—In an effort to assess the OSHA enforcement performance in Illinois, The Daily News studied a number of closed, uncontested cases on file in OSHA's Illinois office. The cases were selected to give a sampling of different sizes and types of companies.

Here are two:

• Caterpillar Tractor Co., East Peoria, Ill., manufactures earth-moving tractors, motors and transmissions in about 30 separate buildings with 14,800 employees. Basis for inspection: an employee complaint. An eight-day inspection, citing 27 violations with fines of \$615. No advance notice. Sample of violations: belt-drive mechanisms not effectively guarded on broach No. 155 in Bldg. KK; oxygen cylinders not separated from fuel-gas cylinders in the tool room. Company estimated its cost of compliance, in addition to fines, at \$95,000.

• Fasano Pie Co., Bedford Park, Ill., wholesale pie bakery with one structural steel and masonry building with 235 employees. Basis for inspection: employee complaint. A one-day inspection, with 27 violations totaling \$270 in penalties. No advance notice. Sample of violations: no wheel blocks for trucks while they were being unloaded; no guards for belt pulleys on floor grinder in maintenance shop; no markings to identify purposes of disconnect switches. Company estimated compliance costs at \$2,500.

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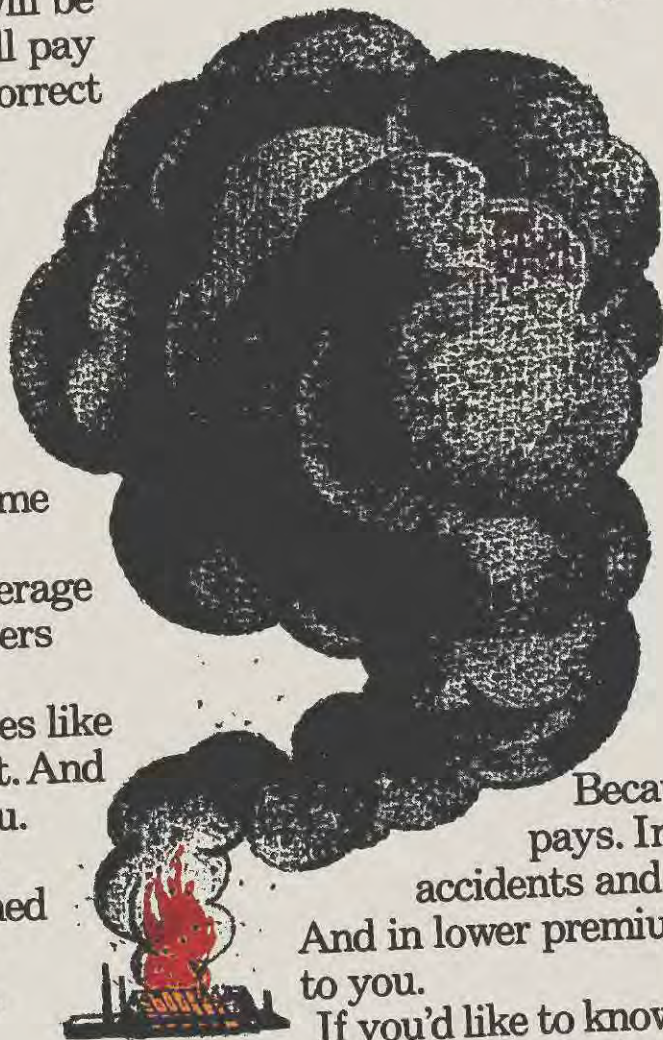
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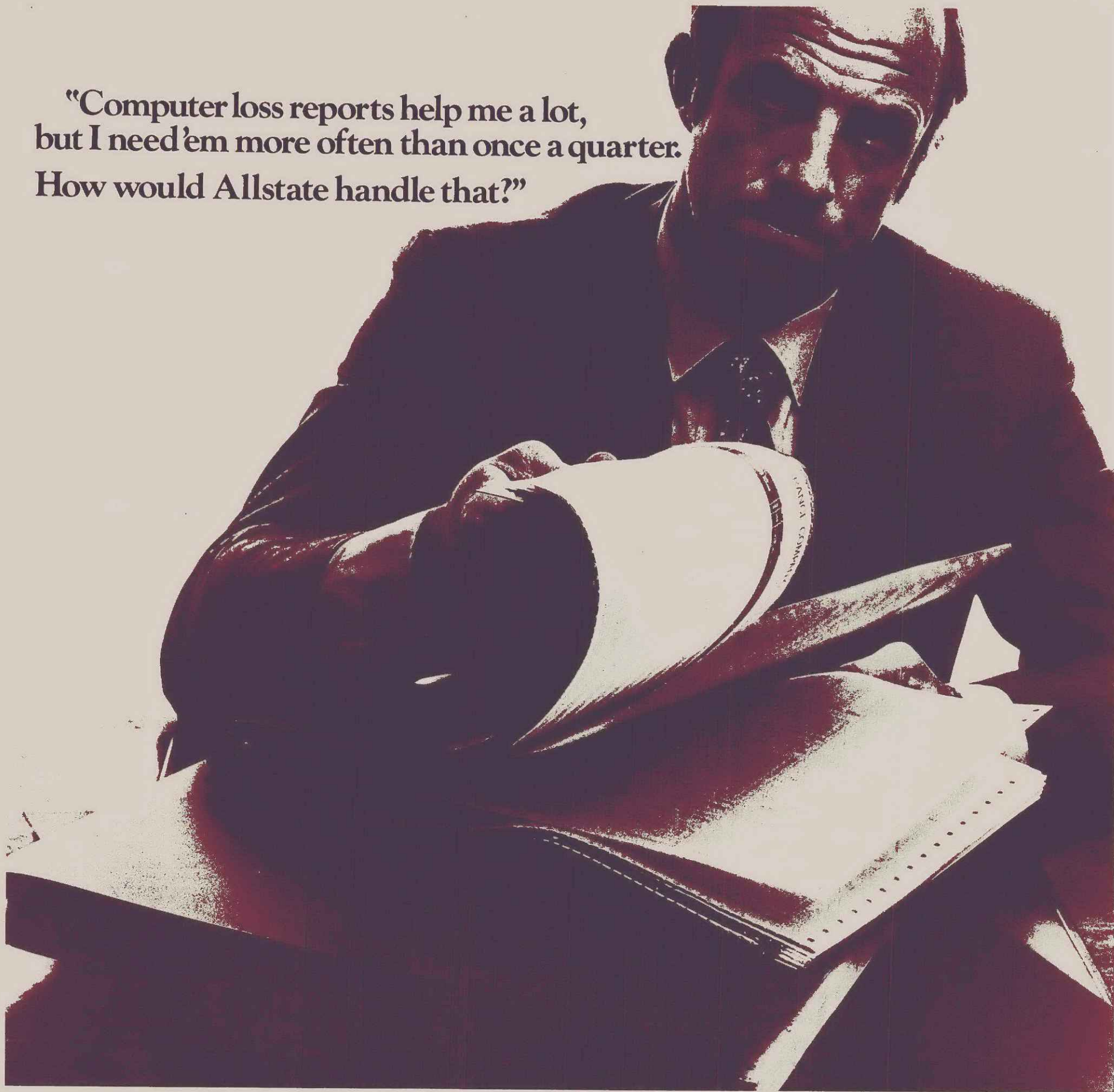
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