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



Unidentified relatives of laborers wait anxiously as 22 bodies and eight injured men are taken from water tunnel hit by an unexplained blast in Port Huron, Mich. —Wide World photo

Industry, labor favor decision against bargaining on retirees

By STEPHEN GILKENSON

NEW YORK—A Supreme Court decision ruling that employers are not required by law to bargain with unions on benefits for retired workers is being greeted with warm applause by employe benefit people and, ironically, with a muffled sigh of relief from some top labor union officials.

The decisive six-to-one decision, handed down Dec. 8, reverses an earlier ruling by the National Labor Relations Board that had said mandatory bargaining did indeed extend to benefits for retired workers as well as active employees.

The case involved a dispute between PPG Industries Inc. and the Allied Chemical and Alkali Workers, representing 190 workers at PPG's Barberton, Ohio, plant. The Labor Relations Act requires employers to negotiate over "wages, hours and other terms and conditions of employment" and courts have held this to include such things as pension and insurance benefits for active employees.

PPG and the chemical workers union had negotiated a group health insurance plan and agreed to extend it to retired workers, with PPG paying \$4 a month

toward the premium. After the passage of Medicare, however, PPG proposed to substitute what was then the \$3 monthly supplemental Medicare subscription for its \$4 contribution for employes over age 65.

DESPITE UNION objections to any unilateral change by PPG, the company offered the switch to the retired workers, and the union then filed unfair labor practice charges with the NLRB.

The NLRB, however, ruled that retired workers were "employees" within the meaning of the law and also observed that bargaining on retired worker benefits "is an established aspect of labor-management relations." It then ordered PPG to bargain with the chemical workers, but the U.S. sixth circuit court of appeals in Cincinnati rejected the NLRB's reasoning and the Supreme Court agreed to hear the case.

Calling the decision "appropriate and especially forceful in view of the decisiveness of the Court's mind," one top employe benefits man here said: "I've always thought unions would get themselves in trouble when they put retirees into bargaining units because it puts them (union leaders) right in the middle."

An employe benefit consultant agreed, noting that bargaining for retired employes "puts too much pressure on negotiations. Few union leaders are willing to take money out of a pay package for active employes and give it to retired employes."

IN A SOMEWHAT expected irony, most top union men are also willing to live with the decision. Said an employe benefits specialist with the United Auto Workers: "I tend to go along with this one. I think the best job can be done for retired employes by working out informal agreements on benefits after retirement. This has been done many times in the past and I don't expect that the Supreme Court's decision will disturb any of these agreements or prohibit others from being made."

Writing the Court's opinion Justice William J. Brennan noted that employers' obligation to bargain on "terms and conditions of employment" doesn't extend to retired workers, who are no longer employes and share few of the interests of active workers. He added that retirees aren't "employees" under the law, even if by common practice companies

Continued on page 2

Tunnel blast survivors will get \$75 a week

PORT HURON, Mich.—Families of 22 workers killed in a water tunnel explosion here will receive workmen's compensation benefits of \$75 to \$102 a week for 500 weeks from Employers Insurance of Wausau, workmen's compensation carrier for Greenfield & Associates, tunnel contractors. The \$102 payment will go to families with five or more dependent survivors.

Spokesmen for Laborers Union 763 said the families of eligible union members will also get a \$3,000 union accidental death benefit in addition to a \$750 burial payment from workmen's com-

pensation and Social Security benefits.

Union officials said the typical worker on the water tunnel project earned \$230 a week, though most got additional pay for overtime.

Roger Draina, an Employers Insurance spokesman, said the insurer's claimsmen were in Port Huron within hours of the accident to make prompt payments to families of the dead workmen.

Employers' losses will be met in part by a general reinsurance treaty covering catastrophic losses.

Santa's in icy mood over product liability suits

By PATRICK THOMAS

NORTH POLE—Much has been written during the past few years concerning the meteoric rise in the popularity of product liability suits, but perhaps no example could more forcefully point out the current state of affairs than the plight of a man once thought to be untouchable, Santa Claus.

"Ho, ho, ho—bullfeathers," an uncharacteristically sullen Mr. Claus screamed at *Business Insurance* from behind a cluttered desk in his workshop. "I may as well get out of this business. We'll be tied-up in court so often next year, there won't be any time to make toys."

Mr. Claus was bemoaning the fact that he, his firm and his chief elf have been hit by a record number of product liability suits, which will be self-insured. "As everyone knows, this has not been the best of years for business and I had to cut a few corners. I let my product liability policy with North Pole Indemnity Co. lapse because premiums were going up. I looked at a product recall policy offered by Callback Casualty Co. but decided to spend the money on skyjack insurance instead." Mr. Claus, however, refused to say where he found the market for skyjack perils.

The situation here at the North Pole, at least according to Santa Claus, has been rather unique and, for this reason, he still feels product suits are grossly unfair.

"What many people don't realize," he noted, "is that we really don't make all the toys ourselves. We've been farming out much of the actual manufacturing work for about 200 years. The toy companies have



been a great boon to us."

He felt that the reason the suits were being aimed at him was "because these people and their attorneys are sharpies. They've researched this field and they know that if they sue me, they will get fast results. The way things are now, they'd have to stand in line to sue the manufacturers."

He pointed out that the complaints encompassed almost every nuance of product liability from failure to give proper warning to defective design.

"Look at this one, for example," he wailed, waving a sheet of paper in the air. His hands, as well as his belly, shook like a bowl full of jelly as he described the particular case.

"I'd like to punch this kid in the face," he said. "The suit alleges failure to give warning. How were the elves supposed to know that you should mark 'Do Not Eat' on a basketball. A six-year-old kid swallows a basketball and I get sued."

"Another one," he continued. "Some family in the Midwest says they got botulism from eating Mrs. Claus's popcorn balls. We're going to fight that one all the way."

The Christmas present syndrome, as it is called here,

has always been the cause of some litigation but this year the number of complaints rose to unexpected heights. "It's that fellow in Washington's fault," Mr. Claus opined. "Old what's his name—Nader. He's whipped the masses into some kind of frenzy. Don't get me wrong, I can understand people wanting to get safe products, but why me? I have a good record up here. You can see by the number of elves here that I was one of the first to hire minority groups."

"It's got so bad that I'm figuring on going to that *Business Insurance* Product Liability Workshop in Chicago next month just to find out what other fellows are doing about these headaches."

With all the bad news, was there anything Mr. Claus felt good about?

"WELL," HE SAID, "I feel better flying over Massachusetts now that their 'no-fault' law seems to be working. That eases my mind a bit. And I'm fairly happy with the productivity of the elves since we shifted to the four-day week."

Mr. Claus also mentioned another suit brought against him. "Some guy alleged that the reindeer littered his roof," he said with a twinkle, "but I was ready for him. While my pollution coverage excludes that situation, my livestock blanket policy with my new Bermuda captive pays clean-up costs."

"Things could be worse, I guess," he sighed, adding that he sometimes wished the government would settle the pension business because he just might consider... well, maybe next year.

Administration pension plan includes tax breaks

WASHINGTON—The Nixon administration has recommended to Congress a private pension reform plan that includes a "rule of 50" (combined age and job years) for vesting and tax deductions for all employee pension contributions.

There is no portability provision in the Administration proposals; funding requirements were mentioned as the subject of "a further study" of plans that terminate. This is to be conducted

by the Treasury and Labor departments and will last a year. A bill aimed at protecting employees against unlawful acts of trustees will be resubmitted.

Reaction was mixed in Congress, where there was praise for the tax provision but concern about the lack of portability and lack of requirements that would "really expand" pension coverage.

SENATE LABOR committee sources had been eager to see if

their guess had been right on a broader tax deduction from the White House than had been indicated (See story on page 4). They called the proposed deduction "a major step in the right direction" but felt portability had been "cavalierly" omitted.

A House general labor subcommittee spokesman said the administration's "interest in pensions is welcome, but a fundamental problem hasn't been reached—the 40 million people not covered." He added that the subcommittee will soon be considering an amendment to current proposals that would require pension plans to be set up by employers with more than 25 employees "or something along those lines."

Presidential Assistant Peter M. Flanigan presented the Administration's plan, calling it "the biggest step forward in the opportunity for individual Americans to provide for their own retirement security since the enactment of Social Security."

Major points in the plan as outlined by Mr. Flanigan included:

- A tax deduction limited to 20% of income or \$1,500, whichever is less. An employee contributing with his employer to a plan would be able to deduct his share under the plan agreement, then deduct more up to the limit if he

chose to boost his own contribution.

- Vesting under "the rule of 50." An employee whose age plus years of participation in a pension plan totals 50 would be vested at 50% of the accrued benefits due him. He would receive an additional 10% vesting each year after reaching the "rule of 50" level and would thus be fully vested five years later. According to the Administration, this would raise the percentage of vested workers 45 or older from 60% to 92%. Under 45 the increase would be from 13% to 18%.

The Administration said that in connection with the pension proposals, President Nixon also plans to return to Congress his employe benefits protection bill which was rejected last year. Labor Undersecretary Laurence Silberman said the bill would prevent trustees from dealing with plans "in any other way than a trustee under common law" and prohibit specific transactions "mainly in the area of self-dealing." It would also require trustees to state to employes their rights under pension plans.

ON THE TAX deduction proposal, Mr. Flanigan said the Administration expects it would be used by 14 million people "and that 73% of the benefits will go

to people who are earning \$15,000 or less." The cost of the deduction in terms of decreased revenues was estimated at \$300 million in the first year, increasing to \$480 million in the fourth year.

He said a ceiling was put on the deduction to maintain the incentive to employers "to create company-wide retirement plans for all their employes."

"Even if that doesn't happen," Mr. Flanigan added, "this encourages the individual to set aside an amount of money that can result in a very significant addition to his retirement income."

Detail Roche GM benefits

DETROIT—James M. Roche, former statistician for the Cadillac Motor Car division of General Motors, will retire Dec. 31 after 44 years' service with the company. But his retirement income will be well above the \$6,000 annual pension now being paid to some 2,700 retired GM workers.

Mr. Roche is not retiring under provisions of the precedent-setting "30 and out" pension program that went into effect last Oct. 1. A chairman of the board, chief executive officer, chairman of the executive committee, and a major stockholder, Mr. Roche has a retirement plan that is significantly more remunerative.

In his first year of retirement, Mr. Roche's GM benefits will total an estimated \$511,000. A continuing part of his retirement income will be the basic annual benefits of \$88,075, including \$50,000 in noncontributory and contributory benefits, and \$38,075 in insured contributory benefits.

HIS FIRST-YEAR income also will include an estimated \$356,000 in deferred bonus payments, and approximately \$68,000 in GM stock dividends, assuming a normal dividend payment of \$4 a share.

The aggregate bonus payment will include \$78,750 from 1967, \$85,500 from 1968, and \$81,000 from 1969. Because of the United Auto Workers strike against GM in 1970, and the adverse effect of the strike on GM's earnings for the year, there were no bonuses awarded in 1970. But a dramatic rebound in sales and earnings during 1971 should prompt a return to the substantial incentive payments of other years. A bonus award of \$550,000 for 1971 should result in a one-fifth payment of \$110,000 for Mr. Roche.

Industry ...

Continued from page 1

have negotiated with unions over retirees' benefits in the past.

"The benefits which active workers may reap by including retired employes under the same health insurance contract are speculative and insubstantial at best," Justice Brennan wrote. "As the (NLRB) itself acknowledges in its brief, the relationship between the inclusion of retirees and the overall insurance rate is uncertain. Adding individuals increases the group experience and thereby generally tends to lower the rate, but including pensioners, who are likely to have higher medical expenses, may more than offset that effect."

Justice William O. Douglas dissented in the case, but did not write an opinion.

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Super Info issue coming up on January 3, 1972

CHICAGO—*Business Insurance's* annual Info for Buyers issue to be published Jan. 3, 1972, will carry hundreds of items of interest to buyers of corporate insurance, employe benefits and related items, including safety and security systems.

Info for Buyers, a key meeting place for buyers and sellers, lists booklets, films, books, leaflets and other material useful in making insurance buying decisions and in selecting loss control systems. Last year more than 28,000 items were ordered by readers from the listings in the annual Info for Buyers issue.

Be sure to see the Jan. 3 issue of *Business Insurance* and use the handy order forms to obtain Info for Buyers items that interest you.

The Jan. 3 issue will also carry forecasts for 1972 by corporate insurance buyers and employe benefits administrators.

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Warns of increased tax burden by 'exorbitant retirement systems'

NEW YORK—The 23rd national conference of the Tax Foundation Inc. heard Rep. Martha W. Griffiths (D.-Mich.) say we must "awaken to the tax burden placed on the average taxpayer" by what she called exorbitant retirement systems.

Speaking on the growth of government employe pension plans and their impact on government budgets, Rep. Griffiths said: "Granting of liberal future retirement benefits stores up vast unmeasurable problems for the future.

"Suppose after 20 years we allow public employes to retire at half pay," she continued. "Eventually we would be paying two employes in effect for each job done, assuming a 40-year work life."

SHE ADDED that such payments could eventually double the payroll for public employes and she called for a method of estimating future burden from present grants and benefits in order to develop standards for federal, state and local retirement systems.

"It is totally unfair to give a public worker retirement benefits after 20 or 30 years of work that are so high we are in effect paying to do each job two or three times," she said. Speaking over a special telephone hook-up from Washington, Rep. Griffiths said a White House Conference on Aging meeting in Washington heard testimony proving that in the next few years medical progress will permit workers to do productive jobs up until the time they are 80. "It is time for everybody to wake up," she commented, "and make objections to

Third health plan for state employes

DENVER—Colorado state employes will have a third option in health plans with enrollment to begin next May and coverage to become effective July 1, 1972, according to Herbert Dunham, state controller.

Mr. Dunham told the interim committee on hospitals at a legislative hearing the third choice was to be offered because of increases in costs of the Blue Cross-Blue Shield plan and a Prudential policy, which are now offered.

THE KAISER health care plan, as a third alternative, will cost \$47.50 for a family.

Mr. Dunham said the 1972 bid from the Blues and Prudential reflected "a sharp increase" in premiums over 1971. He explained that for a family coverage next year, Prudential's monthly premium is increasing from \$26.60 to \$34.58, or about 30%. The monthly premium for the family plan under the Blues is jumping from \$39.55 to \$54.24, an increase of some 27%, it was reported.

He pointed out the state's Prudential plan carries a deductible clause, which accounts for the difference in rates compared to the Blues' plans. ■

Mance re-elected

Sir Henry Mance, chairman of Lloyd's of London, has been re-elected to the top post for the fourth successive year. His deputy chairmen for 1972 will be Paul Dixey and Jack N. Creswell.

these high pensions paid after 20 years of service."

AS A MEMBER of the House ways and means committee, Rep. Griffiths said she has heard testimony indicating costs for civil service retirement are likely to triple in the 1970s. According to Rep. Griffiths, the federal employment retirement fund spent \$1.2 billion in 1962 and payments to retirement trusts are expected to double by 1972. Cleveland Mayor Carl Stokes, she said, testified before the House committee that more than 60% of his city's budget was earmarked for retirement pensions for fire and law enforcement employes.

Earlier on the day of the con-

ference, Dr. Charles Moeller Jr., vp and economist for Metropolitan Life Insurance Co., told the tax foundation that a continuation of the inflationary spiral of recent years is the "greatest single danger to the viability of the private pension system."

HE POINTED out that as a result of inflation pension benefits soon become inadequate and said that many recent retirees' benefits, swollen by inflated salaries close to their job termination, get much larger pension benefits than originally expected.

Dr. Moeller said that "inflation-related cost pressures on corporations and on pension funds get translated into per-

formance pressures on pension fund managers. Time horizons for performance measurement become shorter and risk exposure in portfolios also tends to become greater."

Dr. Moeller declared that as inflationary forces rise, together with proposals for further expansion in the public retirement program and loosening of cost control in the system, "we cannot escape a feeling of uneasiness." One proposal, he said, that contributes to this uneasiness is the notion of raising additional funds for the Social Security system in whole or in part from general revenues. "This weakening of the direct relationship between benefits and employer-employe contributions is contrary to sound legislative accountability," he said.

Putting Social Security financing under general revenues, he pointed out, would lessen the very important advantage of cost

control. Such a development would adversely affect the rate of saving, he said, not only through displacement of private pension funds, but also because the graduated personal income tax draws a higher proportion from the income levels where the saving rate is comparatively high.

"Any new and large burden upon our general revenue system can only be a detriment to a vigorous rate of economic growth," he said.

Dr. Moeller also warned against proposals for putting automatic cost-of-living escalation into the Social Security system. "If the Congress uses the program to make automatic adjustments," he said, "it could not only discourage private efforts to do so, but could make it appear to many that Social Security is superior to private efforts and thereby discourage all private pension plans." ■

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washington watch

Administration takes hard look at tax deductions for pension plans

By JOHN REVETT

WASHINGTON—It seemed significant that Canada's Prime Minister Trudeau was in town as the Nixon administration put final touches on its pension legislation proposals.

The visual contrast between long-haired Mr. Trudeau and American officials wasn't unlike differences between retirement plans in the two countries, the main one stemming from Cana-

da's portability provision and its tax deduction for employee contributions to either their own or employers' plans.

But as the time neared for the White House to unveil its plan, there was considerable talk of the Administration's proposals being broader than originally thought. No one was sure, but there had been reports that the Nixon plan might include an across-the-board tax deduction for employee contributions.

Portability? Transfer of pension funds from one job to another? Maybe not. But tax deductions, perhaps extending beyond contributions to personal retirement-savings programs was one item being watched for.

It may have been wishful thinking on the part of some in Congress—mainly those who hope the Administration's ideas can fit into a measure such as one Javits bill—but then again the president's sideburns are said

to have grown a bit, and his views on China are no longer much different from Mr. Trudeau's.

Could pensions at home be more difficult to deal with? At the moment they are the subject of more soul-searching and fact-hunting than most foreign policy decisions. The Administration is said to have taken an especially hard look at the government income aspect.

"If Nixon goes as far as tax deductions for everyone under pension plans, goes as far as Canada has gone, there would be one big problem, and that's revenues," said one of the Javits bill architects. "It would mean quite a substantial revenue loss. On the other hand, deductions of this kind could create a tremendous boom in private pension plans and people who might otherwise be in need of help from the government later would be covered."

The possibility of a broad tax

deduction provision for employees developed out of a report that the Administration planned to permit individuals to claim tax deductions to "personal" retirement-savings programs of their own choice. The aim being to encourage personal retirement-benefit programs.

It was also understood that the White House legislation would provide for employees covered by private plans to receive vested rights to half their pensions when their age plus years of employment with a company reach 50. In each succeeding year, employees under private plans would receive rights to another 10% and thus could have their full pensions five years later. This would work out to initial vesting after 15 years with a company for an employee who started at age 20 and vested after five years for an employee starting with a company at 45.

Regarding tax deduction, the Administration has indicated this much: It would be available to those not covered by private pension plan and to employees currently under plans but who want to supplement their benefits.

This, say Senate sources, is getting very close to going all the way. They feel that mention of what kind of "individual" plans would qualify for deductions is almost pointedly missing from otherwise specific reports coming unofficially from the Administration's pension people. If a surprise is coming, they feel this is it.

Another reason given for the idea that the White House may have something innovative in mind is President Nixon's address to the White House Conference on the Aging. He gave no details but said he would propose "a new program to reform the private pension system." It's felt that critics who say the Administration wants only a "rock bottom minimum" of reform would get too much fresh ammunition if the Nixon program doesn't include something inspired.

A WEAK SET of proposals could also be either brushed aside or absorbed and stripped of their identity when the Senate and House take up pension bills in earnest, probably sometime next year. The rough timetable offered by Congressional staffers has voting on bills taking place somewhere between July and October. It could be sooner in the Senate, where the Labor subcommittee is close to completing its study of some 1,500 private pension plans.

In the House, the general labor subcommittee has approved the proposal of its chairman, Rep. John Dent (D.-Pa.), also a pension bill sponsor, for a \$100,000, six-month study of its own. To complaints that this is wasteful in view of the Senate investigation, members of the group hired to conduct the House study say it will be different. "It will not be a witch hunt," said one. "We don't want a bill that regulates the good plans but one that gives more people more coverage."

On another employee benefits matter, the House banking committee is said to be considering excluding all fringe benefits from its bill approving President Nixon's authority to continue price and wage controls. This would overrule the Pay Board, which has said the 5.5% wage hike limit under Phase II includes everything involving an employer contribution, and would go one large step farther than the Senate, which has ruled out restrictions on pension coverage and other fringe benefits for workers in companies with fewer than 1,000 employees.

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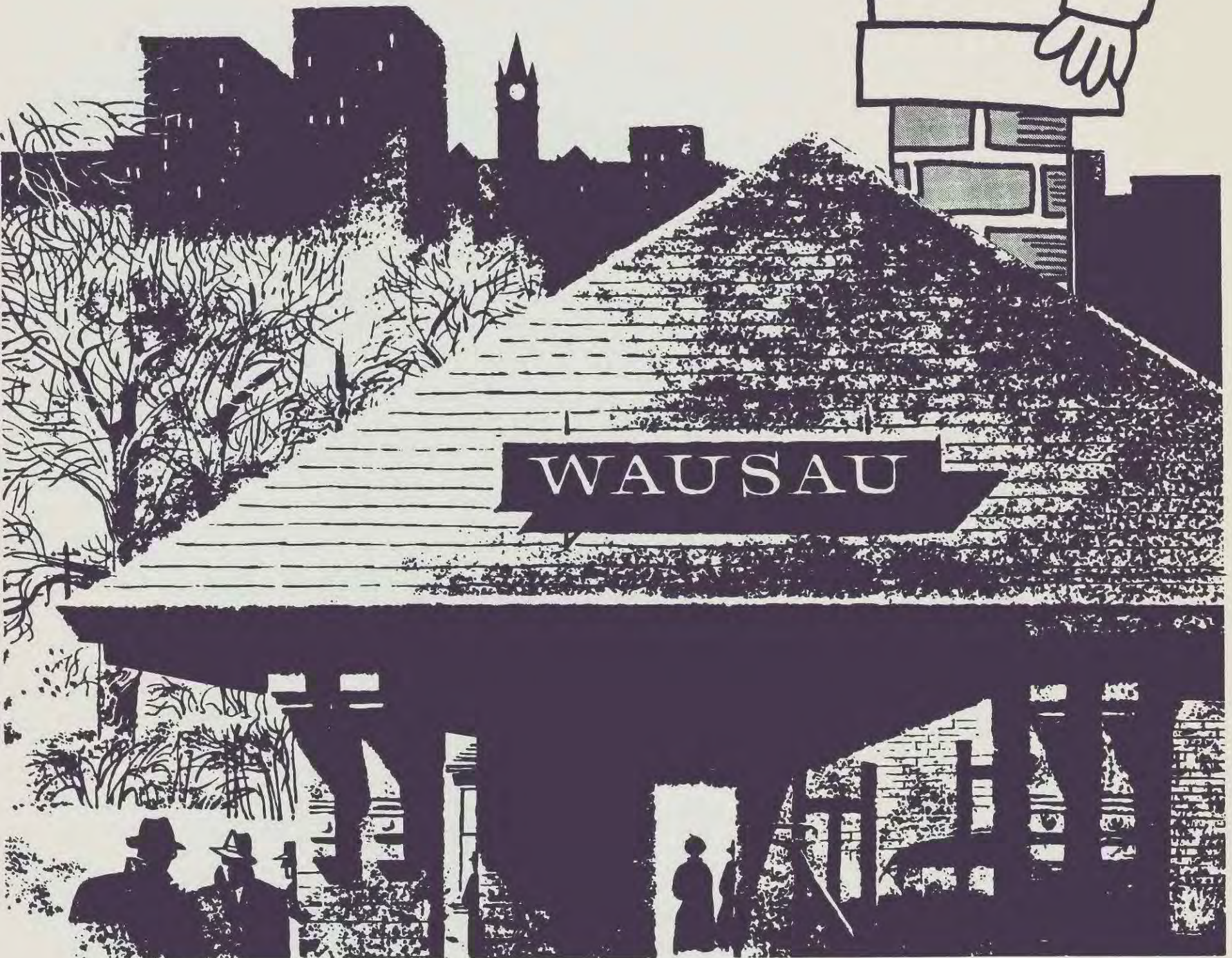
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Lloyd's underwriters alert to India-Pakistan conflict

LONDON—Marine underwriters at Lloyd's are keeping close watch on the conflict between India and Pakistan so as to maintain suitable war risk rates.

The outbreak of war has presented them with the biggest test of their capabilities since the Arab-Israeli conflict, and they are taking a realistic view of the situation with past experiences in mind. The Middle East flare-up presented them with problems such as ships trapped in the Suez Canal and the blowing-up of aircraft costing millions of dollars by guerrillas.

War risk rates to India and Pakistan ports rose rapidly within three days of the outbreak of war. On Dec. 6 the Institute of London Underwriters notified both Lloyd's and company underwriters of late changes.

THESE WILL be reviewed as the conflict ebbs and flows, and will be passed to underwriters in foreign countries as the latest guide-line from the London market.

In the U.S.A. these rates are passed for guidance to the American Institute of Marine Underwriters in New York, and also to a marine underwriters' board in San Francisco.

But sources in London pointed out to *Business Insurance* that they can only be used as an informal assessment of the Lloyd's market attitude if they might otherwise conflict with U.S. anti-trust laws. Most foreign countries throughout the world recognize them as an invaluable basis for preparing war-risk rates since they are drawn up by experts on the war risks rating

committee of the Institute of London Underwriters.

RATES RECOMMENDED by the war risks rating committee on Dec. 6 were on the basis of ten dollars per \$100 (10%) for cargoes shipped after Dec. 7 to the East coast of India north of Madras and East Pakistan, compared with one dollar per \$100 (1%) which had operated previously.

To West Pakistan and the west coast of India north of Goa the rate rose from 25 cents per \$100 (.25%) to five dollars (5%), and to \$2.50 per \$100 (2.5%) for the southern coasts of India.

The tremendous effect on the insurance market is shown by the fact that war risk cargo rates are normally down to .05% in world markets until hostilities

break out.

Rates for air cargoes rose Dec. 7 to \$10 per \$100 (10%) for postal sendings to East Pakistan, to \$7.50 (7.5%) for war, strike, riot and civil commotion risks, and \$5 (5%) for war only, with lesser rates of \$2 (2%), 62½ cents (0.625%) and 50 cents (.50%) for West Pakistan and India.

Business Insurance was told that these were regarded as minimum rates for cargo war risks, and that underwriters could quote higher rates for new business. But on "open cover" business with clients already insured it was expected that these rates would be accepted as the general market attitude.

HULL COVER for both ships and aircraft is quite a separate issue, however, and underwriters

at Lloyd's may have to embark on special negotiations for such risks.

Hi-jackings in the Mediterranean area in the Arab-Israeli zone of conflict caused heavy losses in the aircraft market and led to special arrangements being made in the U.S.A.

It is assumed that similar arrangements for war-risk cover for aircraft under American control may have to apply.

Benefits now exempt from freeze

WASHINGTON—House and Senate conferees have overruled the Pay Board and ordered fringe benefits exempt from controls unless increases are "unreasonably inconsistent" with Phase II guidelines.

This leaves the Pay Board with some jurisdiction over fringe benefits; it could step in if a hike posed a serious inflationary threat.

The Pay Board had ruled that fringe benefits were to be included in the 5.5% general wage increase limit despite appeals from the insurance industry for separate treatment and a benefits increase limit of about 16% of wage increases (*Business Insurance*, Nov. 22).

The exemption, an amendment to legislation extending presidential economic control powers to April 30, 1973, specifically lists employer contributions to pension and retirement plans, group life insurance, and group disability and health insurance.

To include fringe benefits within the 5.5% limit might "discourage development of new plans or expansion of existing ones," a report on the conference decision said.

The Senate's bill extending presidential controls had excluded all employee benefits provided by companies with fewer than 1,000 employees. The House bill, after consideration by the House banking committee of a total fringe benefit exemption, had exempted all but health plans for companies of any size.

Opponents of a total exemption for fringe benefits say unions can now press employers for huge fringe benefit packages, but those in agreement with the move point to the "unreasonably inconsistent" clause as protection against this. ■

ITT in new merger

ITT (International Telephone and Telegraph Corp.) has agreed to a multi-million dollar merger with the Minnesota National Life Insurance Co., now partially owned by the Hartford Insurance Group, an ITT subsidiary. HIT owned 60% of Minnesota Life's stock and this passed on to ITT when HIT and ITT merged. In exchange for the remaining 40%, ITT is offering Minnesota Life stockholders an exchange of 1,713 shares of ITT common stock for every Minnesota Life share. At current market prices, this makes the merger worth approximately \$2.6 million.

Writes state cover

Wyoming state officials have announced that Equitable Life Assurance Society was the apparent low bidder for a one-year health and hospitalization insurance contract covering the state's 6,000 employees.



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info for buyers

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

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

attention of the Public Relations Dept., 4050 Wilshire Blvd., Los Angeles, Cal. 90015.

• **What Is the Color of Safety?** is a 16-page booklet describing and illustrating the use of daylight fluorescent color for safety applications. Areas covered include drivers of slow-moving vehicles, factory workers, highway workers and utility workers. The booklet is available, free of charge, from the Day-Glo Color Corp., 4732 St. Clair Ave., Cleveland, Ohio 44103.

• National Loss Control Service Corp., part of the Kemper Insurance Group, has prepared a booklet describing its **Occupational Safety & Health Act Survey Service**. Available at no charge, the item contains a summary of initially adopted standards of the 1970 federal act and probable future standards. It also contains requirements for recording and reporting of occupational injuries and illnesses and sample reporting forms. For a copy of the booklet write: National Loss Control Service Corp., Long Grove, Ill. 60049.

• The Mardix Security Systems Co. has made available information on their electronic entrance—automatic control of personnel and vehicle traffic. Electroguards take the place of human guards or of Mardix videoguards when fully automatic entrance and exit control of personnel and vehicle traffic is required. Electroguards of two types, stand-alone and central computer control, are operated by the use of coded cards and ten-digit keyboards. For more information write, R. C. Hix, Mardix Security Systems, 900 Stierlin Rd., Mt. View, Cal. 94040.

• **Risk Control** is a book prepared to assist managers to develop a practical program of risk control in plants, buildings and operations they supervise. The book shows how to identify risks, how to eliminate or avoid them and how to deal effectively with emergencies. The Financial Group of the Kennecott Copper Corp. prepared the book. For more information write George V. Austin, Manager, Insurance Division, 161 E. 42nd St., New York, N. Y. 10017.

• **Some Suggestions for Reducing Securities Thefts from Stock Brokerage Firms** deal with the security officer, personnel, treasuries, negotiable bonds, electronic data processing vault count, replacement and reporting missing securities and messengers. The booklet is prepared and offered by Marsh & McLennan Inc. Direct requests to E. A. Diemand, Advertising and Sales Promotion Manager, 231 S. LaSalle, Chicago, Ill. 60604.

• America's Insurance Center has published a booklet describing the coverage afforded for business interruption on a valued form for a maximum of 90 days with a three-day delay for all types of mercantile and manufacturing risks located in urban areas. **Valued Use and Occupancy Coverage** is free by writing Marko Popin, Vice President, Specialty Lines Division, America's Insurance Center, 562 Boulevard, Kenilworth, N. J. 07033.

• American International's **Guide to International Employee Benefits** is a descriptive brochure which explains American Inter-

• **Flood Adjusters Handbook** is now available from the Mutual Loss Research Bureau, 20 N. Wacker Dr., Chicago, Ill. 60606. Designed for use by insurance adjusters handling flood or water damage losses, the 90-page manual covers basic facts about flood losses, safety tips for adjusters, emergency procedures, worksheets and forms. Single copies are \$2.50.

• The National Safety Council has made available **Accident Facts—1971**, a booklet listing extensive accident statistics pertaining to the U.S. Copies may be obtained by writing the council, 425 N. Michigan Ave., Chicago, Ill. 60611. Payment of \$2.65 for one copy must accompany the order, and please specify stock no. 021.71 when ordering. Quantity prices are available on request.

• A subscription cassette tape program, **Foundation Forum**, has been instituted by the National Foundation of Health, Welfare and Pension Plans. The series is basically a news and information service in the employe benefits field, and each cassette is a one hour presentation of news items, interviews, in-depth reports, book reviews and such standard features as a digest of legal and legislative developments in Washington, a report from Wall Street and an idea roundup. For price information write the foundation, P.O. Box 69, Brookfield, Wis. 53005.

• American International Underwriters **International Holiday Package Policy** provides coverage for the following hazards faced by the overseas traveler: legal liability protection, medical payments, automobile physical damage, automobile marine, personal effects, personal accident and sickness. Included in the brochure are rate tables and a list of special features. Copies are free to agents, brokers and buyers by writing American International Underwriters, Dept. A 14, 102 Maiden Lane, New York, N. Y. 10005.

• The Swiss Life Insurance and Pension Co. has made available, **Life Network in European Countries**, a speech given by Mr. Rene Virchaux, vp of Swiss Life, at the European employe benefit conference describing the Swiss Life facilities available to international benefit plans in Europe. For a copy write International Dept., Swiss Life Insurance and Pension Co., 40 General Guisan Quai, 8022 Zurich, Switzerland.

• **What's All This about Self-Insurance?** is a brochure describing the services offered by Employers Self Insurance Service such as claims, information and engineering services, and a coordinated rehabilitation program. For a free copy write the firm to the

national Life's approach to the area of international employee benefits. It describes the experience of the company in this area, the products currently being written, the territories and countries where licensed, and the general way the company does business overseas. It is free to agents, brokers and buyers by writing American International Group, Dept. A 14, 102 Maiden Lane, New York, N. Y. 10005.

- Westinghouse Electric Corp. has released a brochure describing its **Periguard System** which is concealed underground in paths around a guarded area, detects the footsteps of the intruder as he approaches and flashes a warning signal to a security center to bring assistance. For a copy of the brochure write Alan Zimmerman, Specialty Electronics Division, Westinghouse Electric Corp., 7800 Susquehanna St., Pittsburgh, Pa. 15221.

- The new **Valued Form Business Interruption** 12-page explanatory brochure by the American International Group describes what valued form is as compared with regular business interruption coverage, the advantages of this form, the market for it, and the various features included in the policy form. Domestically, valued form is written by American Home Assurance Co., overseas the coverage is written by American International Underwriters. The booklet is free to agents, brokers and buyers by writing the firm to the attention of Dept. A 14, 102 Maiden Lane, New York, N. Y. 10005.

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

- A checklist to prevent the major problems of fuel shortage—the interruption of processes, frozen tanks and pipes, costly water damage, and impaired fire protection—is provided by Improved Risk Mutuals in **Fuel Shortage Predicted**. For a copy write S. G. Johnson, Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

- Haws Drinking Faucet Co. has released a 60-page safety equipment catalog containing their latest designs in decontamination equipment, including eye-wash and eye/face-wash fountains, drench showers and complete decontamination stations. It also features new stainless steel and plastic decontamination stations for use in highly corrosive atmospheres. **Catalog of Emergency Drench Shower & Eye/Face-Wash Equipment** is available free of charge by writing R. D. Jonathan, Haws Drinking Faucet Co., 1443 Fourth St., Berkeley, Cal. 94710.

- The Pension Planning Company, Inc. 355 Lexington Ave., N.Y., N.Y. 10017 has made available an attractive brochure describing its **Payplus** employee statements, a plan designed to give each employee a detailed annual summary of all his fringe benefits. The brochure and sample statements can be obtained by writing Mr. James Kahn, President, at the above address.

Industry blow to liberal Wisconsin life insurance fund may prove fatal

MADISON, Wis.—A state senate committee has recommended defeat of a bill to liberalize the State Life Insurance Fund after the proposal was battered verbally by insurance industry spokesmen.

The bill, which would increase the maximum amount of a policy to \$20,000 from the present \$10,000, was introduced by Mark Lipscomb, Democratic senator from Milwaukee, who said: "If we've got something good, there's no reason why we shouldn't make it better." Mr. Lipscomb noted that the state fund was established by the 1911 legislature to aid the poor and provide life insurance at rates lower than those charged by private carriers.

His bill also would remove a requirement that policyholders be residents of Wisconsin. In addition, the bill would provide more favorable rates for non-smokers and let the state insurance commissioner issue other types of policies.

Critics of the bill registered opposition to the idea that a state should be in the life insurance business.

W. Warren Barberg, Eau Claire, representing the Wisconsin Assn. of Life Underwriters, said: "The needs of the citizens are adequately met by private insurers." J. F. Koehler, Milwaukee, representing the International Union of Life Insurance Agents, said the bill would give

the insurance commissioner dictatorial powers.

The senate commerce, labor, insurance, taxation and banking committee, which conducted the hearing on the bill, voted 3-0 to defeat the measure.

ANOTHER BILL which would liberalize the state fund came under attack at a meeting of the state legislative council. The bill had been written by the council's insurance laws revision committee. Expanding the fund, as recommended by the council's bill, would be another step toward socialism, according to Edward C. Schroder, Appleton, speaking for the Fox Valley Assn. of Life Underwriters.

A \$5,000 increase in the face value of a policy, as called for by the bill, was "no more needed than the state life fund itself is needed," he said.

"Government is not needed in this field," Mr. Schroder added. "Government is to do for people what people can't do for themselves. The state should not go socialistic and compete with free enterprise."

The council's bill also would allow 1% of the premiums paid to the state to be used for advertising the fund. It would permit revisions in the operation of the state property and indemnity funds and would provide for the establishment of other state operated funds.

The council deferred action on the bill because Stanley C. Du Rose, state insurance commissioner, and Spencer Kimball, head of the committee staff, were out of the state on insurance business and unable to attend. ■



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opinions

New mood at NAIC

THERE WAS A distinctly different mood at the annual meeting of the National Assn. of Insurance Commissioners in Miami Beach early this month. Unlike previous meetings of NAIC, this session gave one the feeling that the insurance commissioners were at last in charge of their own meeting and that they take a fresh view of their responsibility to regulate the industry for the benefit of policyholders.

To be sure, there were old-time insurance industry representatives sitting inside and outside the commissioners' meeting rooms grouching about resolutions that were adopted. Some spokesmen for carriers and agents, the old prophets of gloom and doom, predicted that state regulation and perhaps even the entire insurance industry will soon collapse because the commissioners had the temerity to decide issues for themselves.

On the other hand, some of the "new breed" commissioners charged that important decisions were made in "smoke-filled" rooms populated by influential industry representatives and big-state commissioners who fall under the sway of the industry. We don't agree with that assessment any more than we agree with the old fogies who foresee the death knell of the industry in the resolutions adopted in Miami Beach.

Consider some of the steps taken by NAIC that will benefit corporate insurance buyers:

- NAIC is going ahead with a long-discussed profitability study that will develop measurements of profitability by coordinating data on an industry-wide basis. The product of the study will be a set of standards to be used in ratemaking, taxation and the measurement of unrealized profits. Regulators will have a better way to tell whether the industry is too profitable or not profitable enough. And the final report, because it calls for industry-wide reports, averts the problem of opening certain companies to additional tax review by the Internal Revenue Service.

- At long last the NAIC is setting in motion plans to create a central computer data bank on "anyone with whom there have been any problems." It will constitute a library of de-licensed agents and brokers and presumably company officers who have been in hot water in any jurisdiction in the country. Vincent Vaccarello, chief deputy director of insurance in Illinois and a prime mover in the data bank program, said that officers and directors of insurance companies will be required to supply their Social Security numbers as an additional means of checking their backgrounds. *Business Insurance* has editorialized a number of times on the need to identify and weed out the "bad guys" in the insurance business on a national basis. The data bank is a good first step.

- A proposal has been made to NAIC that it specifically invite to its annual meetings consumer groups to represent the interests of policyholders as the interests of insurers and agents are now represented by their spokesmen. We think the proposal should be adopted and then be given wide publicity.

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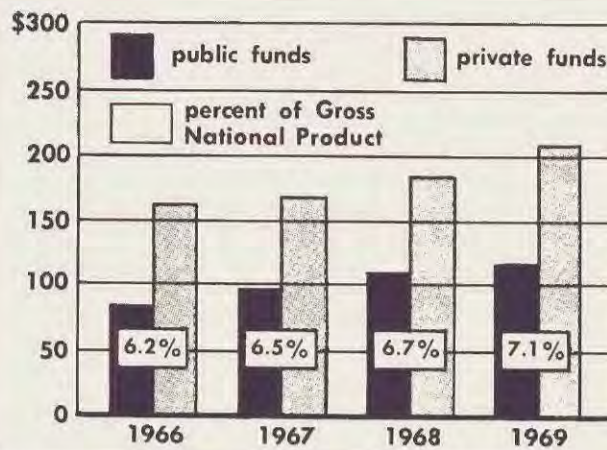
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NATIONAL PER CAPITA HEALTH EXPENDITURES



The continuous rise in the health portion of the Gross National Product, from 6.2% in 1966 to 7.4% in 1971, is the result of the slowdown in the general economy along with the continued increase in health spending. Unemployment and price increases led to a curtailment of overall consumer expenditures but not to a corresponding reduction in spending for medical care.

Source: Social Security Administration

The American Society of Insurance Management has generally been represented at the NAIC meetings, but its spokesmen seldom raise their voices to support or defeat critical resolutions. It's about time that the insurance commissioners pay at least some attention to the requirements of policyholders instead of listening too carefully to the endless parade of industry representatives who prowl NAIC's hallways.

There was another welcome show of independence by the commissioners in the way the press was handled in Miami Beach. Instead of organizing a "press and publications committee" staffed by insurance industry lobbyists and public relations men, the host insurance department (Florida) provided a simple press room with typewriters and an efficient receptionist. There was, happily, no effort to stack the news coverage in favor of the insurance industry's positions.

Charles K. Cox, president of the Insurance Co. of North America and chairman of the blue-ribbon industry committee that developed the profitability study report, reflected the "new look" in relationships between the insurance industry and the newly independent insurance commissioners. "It is the best possible policy for insurers to work with the commissioners," he said. "After all, they are the regulatory officials and they are working for the benefit of our policyholders."

Two bright fellows

WE COMMEND to your attention the "Battle Lines" Perspective section on pages 21 and 22 of this issue of *Business Insurance*. On these pages two of the brightest fellows we know take differing positions on the important matter of reform of the auto victim compensation system.

Thomas C. Morrill vp of State Farm, eloquently defends the position that the system should be reformed through experimentation on a state-by-state basis. William S. Mortimer, director of risk management and insurance for Norton Simon Inc., clearly states the arguments for taking federal action to assure a no-fault reparations system that is both uniform and effective.

We advise our friends in the insurance industry to read carefully Mr. Morrill's admonition against calling laws "no-fault" when they are in truth modified no-fault laws or statutes designed chiefly to increase medical pay provisions. He also delivers a sage warning against promising consumers that "no-fault" auto insurance will provide lower insurance premiums. His advice ought to be listened to by Richard B. Ogilvie, governor of Mr. Morrill's home state of Illinois. Gov. Ogilvie rashly told the American Management Assn.'s insurance conference that the new Illinois auto insurance law "affords a very real possibility that the consumer will benefit in the form of future rate savings."

Mr. Morrill and Mr. Mortimer are realists and they know that no-fault laws are designed to meet more completely the economic losses of victims of auto accidents. Therefore, the costs to consumers under no-fault auto insurance plans could well be higher than the costs of the present wasteful system. Moreover, the cost of auto insurance depends upon many factors other than the structure of the auto victim compensation statutes.

Risk managers whose companies operate commercial vehicle fleets ought to pay attention to Mr. Morrill's comments on the need to adjust the premiums paid for trucks to reflect their greater capacity to inflict damage and injury. While it is recognized that the experience under the new Massachusetts auto insurance law is incomplete, a recent reduction in fleet insurance premiums there suggests that there is some truth to the theory that commercial vehicles will get a windfall if some actuarially fair adjustment is not made to balance premiums with losses inflicted by large commercial vehicles.

Mr. Mortimer's statement is meaningful reading for those in the insurance industry and outside of it because he relates his demand for a broad, federal no-fault law to the whole society's demand for meeting the real needs of people, including the unfortunate victims of auto accidents.

letters

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

Backs IHS plan

To the Editor: We wish to commend Mr. James Kemper for his proposed creation of an Insurance Institute for Human Safety as outlined in your editorial in the Nov. 22, 1971, issue of *Business Insurance*.

The insurance industry can now renew its commitment to its policyholders not only by the old traditional concept of reducing premium but also by helping to discover the factors that generate premium fluctuation in and by helping to stabilize them or indeed eliminate them.

One would say that this is a tall order—surely it is. We all can take heart that men of the industry such as Mr. Kemper and Dr. Haddon are willing to admit that there are problems which can be met if we all pull together.

Michael G. Klein

Assistant to the Insurance Manager, Pennsylvania State University, University Park, Pa.

Product risks

To the Editor: I am writing a term paper on product liability and risk. Your publication was referenced in the National Observer. Please send me information in the areas of minimizing risk of loss and product liability.

Edward Bedeski

Glen Ridge, N. J.

Editor's note: An index of all articles published in *Business Insurance* on product liability is on its way. A selection of these articles will appear in the workbook that will be distributed to participants in the Business Insurance Product Liability Workshop to be held Monday and Tuesday, Jan. 17 and 18 at the Regency Hyatt House in Chicago.

ICS address

To the Editor: I read with interest your article concerning Insurance Consultants' Society. If possible, please furnish me with the address for the ICS at your earliest convenience. Thank you.

Joe R. Street

Risk Consultants Inc., Dallas, Tex.

Editor's note: For information on the Insurance Consultants' Society write to its president, Leonard J. Silver, First Insurance Management Cos., 835 Glenside Ave., Wyncote, Pa. 19095.

Since you've asked

To the Editor: I am looking for a good insurance publication that not only gives news about insurance companies and personalities, but also occasionally discusses protection, and the lack of it, afforded under various property and casualty insurance policies and lines of insurance.

An acquaintance of mine spoke very highly of your publication, but I don't know whether it contains the material that would be helpful to insurance buyers, particularly with respect to insurance coverages and the things to look out for in so-called standard policies.

I would appreciate some candid information about your publica-
Continued on page 24



Right now your overseas bonding is probably in the hands of a company you never heard of.

When you need surety bonds for your foreign operations, the easiest thing to do is go to the same company you deal with in the States. The easiest, we said, not the smartest.

Because even the best bonding companies here don't have the facilities, the staff, or the experience to protect your interests over there. And they know it.

The way they get around it is to farm your business out to an independent company in the country in question and pay them a commission to handle it. However good that local company might be, it's not the company you thought you had working for you. Worst of all, you never know just how good

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Tank car derailment testimony sharply divergent

HOUSTON—The National Transportation Safety Board inquiry into a tank car derailment here Oct. 19, which resulted in one death and 37 injuries, has been completed, and it will be at least several months before an opinion will be handed down as to the probable cause.

Testimony was heard from railroad, fire department and chemical company officials.

The hearing opened with two railroad officials advancing sharply divergent testimony. Spokesmen for the Missouri Pacific Railroad Co. and the Atchison, Topeka and Santa Fe Railway Co. squared off against one another on the question of whether the accident was caused by weak track or faulty train equipment.

The Missouri Pacific train de-

railed on Santa Fe tracks. James R. Fitzgerald, assistant general manager of Santa Fe, said the accident was caused by "impact within the train." Gerald M. Holzmann, general manager of Missouri Pacific, said the accident was the result of track moving out of line as the train passed over it.

BOTH MEN testified their railroads had conducted investigations into the incident. But neither railroad submitted an account of their investigation as requested by the safety board.

Train conductor Armstead O. Pinkston said he tried to get a list of the train's contents to fire department officials but was told by police not to go close to the burning cars. Mr. Pinkston said he did not tell officers he pos-

sessed the train's manifest, however. Fire Chief C. R. Cook said shortly after the accident that his men lost more than three hours fighting the fire because they did not know what kind of chemical was burning.

Mr. Holzmann and Mr. Fitzgerald said neither Missouri Pacific nor Santa Fe had worked out emergency procedures with fire fighting officials on their routes.

Documents introduced as evidence showed Missouri Pacific's loss from the accident was more than \$375,000. Santa Fe showed a \$50,000 loss.

L. P. FOWLER, a gang foreman for the Santa Fe, said that a railroad crew spiked only every other tie being installed near the derailment site, following orders

from company officials. But a Santa Fe manual of maintenance procedures, an exhibit at the inquiry, states that track should be secured to each tie under the track with at least four spikes.

Testimony from three persons, unconnected with the railroads, who witnessed the derailment was inconsistent.

A Santa Fe spokesman, trainmaster M. W. Gibson, testified that his survey of the accident site shortly after the derailment convinced him that the train was at fault. He said three cars were derailed in identical manner. "This indicates to me a severe impact" caused by uneven braking forces, he said. Mr. Gibson said he did not find anything that might have caused the internal impact, however.

Dor. J. Roderique, general car

inspector for Missouri Pacific, testified his inspection of the train wreckage found no evidence of a train mechanical problem.

A chemical company witness testified that firemen should have allowed the tank cars to burn instead of trying to cool them with an insufficient water supply. M. E. Sutherland of Union Carbide Corp. said fire officials had used good judgment in fighting the blaze, however.

Chief Cook said the inquiry had pointed out the need to develop communications between shippers of hazardous materials and fire officials. "We have no control of the location in which these things might occur," he said. Therefore there is a need to work out signals with experts in dangerous cargo before these accidents happen, he added.

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'Sluggish' response to comp change

OLYMPIA, Wash.—Gov. Dan Evans has warned Washington state business executives against what he described as "sluggish response" to recently enacted changes in the state's workmen's compensation insurance requirements.

It was also announced the department of labor and industries will "take a second look" at three categories of higher premiums for the workmen's compensation coverage.

"**WE DON'T** want to see employers penalized for failure to comply with the new law," Gov. Evans said. "We have made many varied appeals to employers but the response has been slow." Gov. Evans said only about 10% of the estimated 35,000 employers who will be affected by the legislative changes have utilized pre-registration procedures to avoid penalties.

Nearly every employer in Washington, large or small, will henceforth be covered under the workmen's compensation insurance program, which provides fines of up to \$100 a day for non-compliance.

Memorex wins comp case appeal

SAN FRANCISCO—A district court of appeals here has upheld a workmen's compensation appeals board decision denying benefits to the widow of a Memorex Corp. employe killed while returning home from an educational course sponsored by Memorex.

The employe was fatally injured in an auto accident while returning from Notre Dame College in Belmont, a suburb of San Francisco.

Memorex had a policy of reimbursing employes completely for the cost of educational courses related to their work and partially for other courses.

In earlier testimony, the workmen's compensation appeals board denied the claim after hearing conflicting evidence as to whether the Memorex activity was expected of the worker as part of his job.

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Following the Funds

Payroll-deducted mutual funds may be here

WASHINGTON—Employee purchases of mutual funds by payroll deduction could be the "glamor benefit" of the '70s.

That, at least, is the way funds and their broker/service organizations see it as they prepare new plans with which they hope to cultivate the payroll deduction area.

According to some sources in the business, there isn't much time left for mutual funds by payroll deduction to take off, if indeed it is going to. After a few years of mild interest associated with the glitter of the funds during the 1960s, skeptics are wondering. "If the idea doesn't start

to take hold in bigger companies within the next year or so, we can't be sure where it's going," said an official of one servicing organization.

THE BULK of mutual fund selling by payroll deduction at present is among companies with from 20 to 100 employees—where growth is still taking place in some areas. At least two funds, Dreyfus and Oppenheimer, are about to start looking for more expansion through larger companies and plan to ease requirements to help bring it off.

Oppenheimer intends to waive its minimum initial purchase and

offer employees the opportunity to make an approximate \$250 minimum purchase over a period of time. "The only hitch is that if an employee doesn't put in the amount over the specified period he has to drop out," and Oppenheimer said.

One aim of the plan is to beef up the amounts in employee accounts. Though the fund doesn't seem particularly bothered by the finding, it did take note in a study that about 92% of its payroll deduction accounts amounted to between 7% and 8% of assets.

Dreyfus will take a heavily marketing-oriented approach and hopes to reach "perhaps millions"

of employees in larger companies and organizations of 100 or more members set up (in line with government requirements) for some purpose other than the purchase of mutual funds.

NOW AWAITING Securities and Exchange Commission approval, the Dreyfus payroll deduction plan has a \$20-a-month minimum investment and a \$200-a-month maximum. The minimum is \$5 lower than the minimum a buyer could arrange for on his own, but the \$20 purchase carries an extra charge of 95¢ to cover marketing of the plan and administration.

In the past, according to Dreyfus executives, the fund absorbed high expenses just trying to tell large employe groups what it had to offer and as a result couldn't lower the minimum and make a strong offer. "It would go something like this," said one Dreyfus man. "We'd say this is a great employe benefit. The employer would say, 'Sure, using my payroll facilities for your benefit.' They'd ask, 'What's in it for me and my employees? What are you offering that they can't get right out on the street?'"

With its new \$20 minimum the fund expects to overcome this. With the \$200 maximum Dreyfus goes a step farther. "We want this to be a plan for the middle-income guy, who hasn't been focused on before, the \$10,000-to-\$16,000-man," said the fund executive. "As for his boss or the high income employe in general, we're saying he should get his advice and servicing outside of this plan."

Dreyfus will make its offer to employe groups and other prospective organizations including business and professional associations, via mass meetings at which audio-visual presentations will be made and through the use of pamphlets and brochures and personal interviews.

The moves by Dreyfus and Oppenheimer to expand into larger employe groups are viewed as holding considerable potential for the future of the working man's participation in the stock market. Started about four years ago by Planned Equity, Denver, a broker-dealer that offered investment opportunities in a subsidiary fund, payroll deduction investments have mainly been a benefit of upper management employes in small companies. These programs are seen as a kind of jumping-off point in the optimistic view the big funds are taking. As a Dreyfus man put it, "One thing the small payroll plan did for us was show us that the man in the street who hadn't really invested before was ready."

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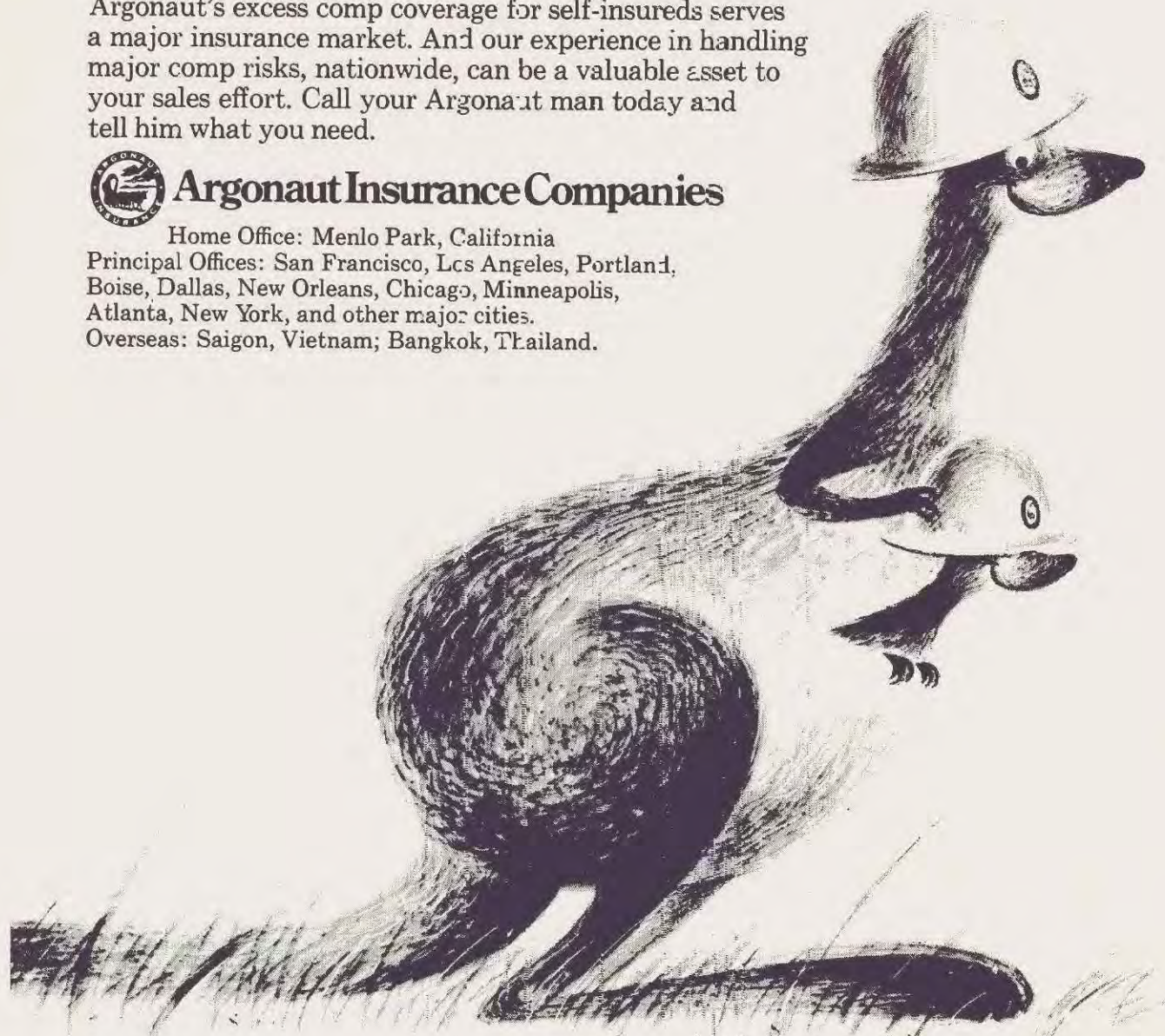
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Wins 'death by fright' suit

MILWAUKEE, Wis.—The widow of a woman who was "scared to death" at the scene of a spectacular gasoline truck fire here has been awarded \$65,000 in damages.

A county court jury awarded the damages to Louis J. Terzan, who had sued Texaco Inc., Travelers Insurance Co. and John McCorkel, Milwaukee, the driver of the truck. The jury found Mr. McCorkel 75% negligent and Texaco 25% negligent.

Mr. Terzan testified that the truck overturned across the street from his tavern, exploded and started a fire that burned out of control for hours. He said his wife, Charline, 65, became hysterical when the flames blew across the street toward their tavern. He said she collapsed of a heart attack outside the tavern and was dead within half an hour.

His attorney, Clifford Meldman, told the jury that Mrs. Terzan literally had been scared to death. He said Mrs. Terzan "was afraid she was going to be burned to death. . . Charline Terzan was frightened to death as a result of that flaming explosion."



Why grown-up businessmen still believe in Santa Claus.

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Travelers-Walston deal could lead to group life sales by stock brokers

HARTFORD—An announcement that the Travelers Corp. has tentatively agreed to have its life insurance products sold by salesmen of the stock brokerage firm of Walston & Co. will have little immediate effect on group insurance programs, though it may in the future. All of which means that one day your friendly institutional securities salesman

may be knocking on two corporate office doors—the pension fund manager's and the employee benefit manager's.

"That the natural progression," said William B. Snyder, a Travelers' vp, when asked if the agreement would likely lead to the sale of group life and health products by securities salesmen.

The agreement between Travelers and Walston is the first announced since the New York Stock Exchange gave its provisional blessing to life insurance sales in mid-November. Other such agreements are expected shortly. Various stock brokerage houses—E. F. Hutton & Co. Inc., Eastman Dillon, Union Securities & Co. Inc., duPont Glore Forgan Inc., Paine, Webber Jackson & Curtis Inc. among them—are at present negotiating with insurers on the same subject.

ACCORDING to the Travelers, when the plan is formally approved the insurance company will take steps to train Walston's 1,627 account executives in the ways of selling life insurance. Walston has 103 offices throughout the U.S. serving approximately 410,000 clients.

Noting that many of Walston's account executives serve institutional clients, Traveler's Mr. Snyder said that the agreement between the insurer and brokerage house should give these account men "a greater opportunity to make business insurance sales

to institutional clients.

"The basic problem at first," Mr. Snyder said "is that the securities salesman will have to acquire the fundamentals of life insurance. Once he escalates these skills he should be able to reach the business insurance market."

Asked if Travelers had gotten any flak from its agency sales force, Mr. Snyder admitted that the company had, but added:

"I think it's a natural reaction. They don't want any more competition brought into the market and the point they make is that securities salesmen are not adequately trained to sell life insurance. Our simple point of view is that neither Walston nor the Travelers is going to allow untrained life salesmen to sell insurance. And, I think the more thoughtful agent is not as concerned with the additional competition."

THE NEW YORK Stock Exchange is expected to give formal approval to the concept of life insurance sales by securities salesman around the middle of this month.

When it does, and perhaps even before, there is expected to be a rash of similar announcements made by other insurance companies and brokerage houses.

George L. Ball, senior vp of E. F. Hutton, for example, has said that a tentative deal has been worked out between his company

and the Connecticut General Insurance Co. Connecticut General is said to also have deals cooking with Eastman Dillon, Thomson & McKinnon and, possibly, Shearson Hammill & Co. Inc. DuPont Glore Forgan is also understood to be negotiating on a similar arrangement with the John Hancock Mutual Life Insurance Co.

Employee benefits brokers—the large ones at least—appear to be nonplussed by Travelers-Walston deal.

Said one employee benefits specialist for a large New York insurance broker:

"I think it would be terribly naive of us to greet a development of this sort with a shrug of the shoulders and a 'who gives a damn' attitude. It is a broadening—and, because of a sophistication of the new competition—a very real threat of future competition in the financial services business. But at the moment I think we're all sitting back with about as much concern as the busy jug milk store on the corner has for the horse-drawn milk wagon." ■

Divide crime cover

The Insurance Brokers Assn. of California board of governors has approved a request to the California FAIR Plan governing committee that crime insurance coverage be made "divisible as between burglary and holdup, to be more salable and more readily available in areas where it is most needed." At a recent meeting plans also were discussed to assist in legal actions against "the incursion" of banks into the insurance business and a fund raising program to finance this effort was established.

CSC given contract for OSHA study

LOS ANGELES—Computer Sciences Corp., the largest independent U.S. computer services company, is beginning the first of a series of occupational health and safety studies to be conducted among the nation's major industries under the Occupational Safety and Health Act of 1970.

The National Institute for Occupational Safety and Health, a newly created organization within the Department of Health, Education, and Welfare, has awarded Computer Sciences a 15-month research contract to assist in studies leading to development of new federal standards for effective employee health services and safety programs.

According to William R. Gruver, a spokesman for CSC, the company will collect and analyze data on the health and safety programs provided to employees by the nation's 8,000 nonfederal hospitals.

These hospitals, the first industry group to be surveyed under provisions of OSHA according to Mr. Gruver, employ more than three million persons who constitute one of the country's largest work forces. The study will examine the ways in which employee health and safety programs are organized and operated, as well as details of the services provided.

Mr. Gruver said that medical systems specialists at CSC's facilities here are completing pre-survey tests of the extensive questionnaire developed by the company, preparatory to launching the survey by mail early next year. He added that this team of specialists will also visit representative hospitals across the country to validate the hospitals' responses to the survey questionnaire by on-site studies and observations.

A spokesman for HEW said the published results of the study will provide hospitals with a better understanding of how to organize and operate employee health and safety programs. ■

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6,000 turkeys insured for \$12,810

HAMILTON, Ontario—A supreme court judge talked turkey and awarded a Beamsville farmer \$12,810 for the loss of almost 6,000 gobblers that suffocated in a barn in 1969 after lightning struck a transformer fuse, interrupting power and causing the turkeys' ventilating fans to stop.

Howick Farmers Mutual Fire Insurance Co. and Farmers Central Mutual Fire Insurance Co. had denied that farmer Solomon Arfin was covered for the loss under terms of the policy insuring the birds. The insurers' lawyer said that Mr. Arfin's loss would have been covered only if the turkeys were struck by lightning and died as a result.

Mr. Arfin testified that his 14,000 turkeys were cackling and happy when he inspected their barn at 1 am on the morning of Aug. 3, 1969. He said that he saw a bolt of lightning as he walked back to his home, and that when he returned to the barn at 7 am almost 6,000 of the birds were dead.

dates for buyers

January 10-12, American Management Assn. seminar, "Communicating Employee Benefits," Ambassador Hotel, Los Angeles. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

January 12-14, American Management Assn. workshop seminar, "Mass Merchandising in the Insurance Industry," Ambassador Hotel, Los Angeles. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

January 17-18, Business Insurance Product Liability Workshop, Regency Hyatt House, Chicago. For more information write Product Liability Workshop, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or call 800-243-6000, toll free (Connecticut registrants should call 1-800-942-0655).

January 17-19, American Management Assn. orientation, "Insurance Management and its Role in Financial Planning for the Smaller Company," Sheraton Lincoln Hotel, Houston. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

January 19-21, American Management Assn. workshop, "Modern Corporate Insurance Management," Sheraton Lincoln Hotel, Houston. For more information write the AMA, 135 W. 50th St., New York.

Hoagland is new BART risk manager

SAN FRANCISCO—Leland J. Hoagland, who has directed the Transit Insurance Administrators program for the Bay Area Rapid Transit System, has been named insurance manager for BART.

When the huge, billion-dollar San Francisco Bay Area rapid transit system moved from the financing to the construction phase, all aspects of the insurance program were handled by TIA. This constituted a partnership of Mr. Hoagland; Fred S. James & Co.; Kindler, Laucci & Day; Levison Insurance; Putnam, Knudsen & Weaver; John T. Schroder, Insuror and Transwest Insurance Brokers.

CONSTRUCTION of the system is now nearing completion and the insurance program will shift from construction to operational problems.

In joining the staff of BART, Mr. Hoagland will take with him the personnel administering the functions of the present service office of TIA. Partners in the program have agreed to acquire his interest in the partnership.

TIA will provide "all professional services necessary" to the existing program and will procure any new insurance required by the district. ■

Seeks refund guaranty

MADISON, Wis.—A bill has been introduced in the state assembly to establish a guaranty association to protect the policyholders of life and health insurance firms in financial trouble.

The bill would create a pool of money to refund policyholders on the net value of their policies if their insurer fell into hard times.

The fund would be developed by assessing other life and health companies doing business in the state. The assessment would be charged only when the money is needed, not to build up a standing fund.

The bill also provides for the rehabilitation of a financially troubled insurer, rather than liquidation. The measure was submitted by John McCormick, Democratic representative from Milwaukee, and Gerald Lorge, Republican senator from Bear Creek. ■

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business insurance/perspective

Battle lines: Two views on no-fault

THIS PERSPECTIVE section contains two of the most cogent statements that have appeared on the two sides in the great national debate over auto insurance reform and how to achieve it.

Thomas C. Morrill, vp of State Farm Mutual Automobile Insurance Co., represents the side of the insurers who favor state-by-state experimentation to arrive, hopefully, at a workable system of auto victim compensation reform.

William S. Mortimer, director of insurance for Norton Simon Inc., takes the position that the only way to achieve meaningful no-fault auto insurance

is through adoption by Congress of standards to be administered by the states.

The statement by Mr. Morrill is an adaptation of a speech he presented to the Executives' Club of Chicago. Mr. Mortimer's position was presented as part of a panel on no-fault insurance at the American Management Assn.'s insurance and employe benefits conference.

Because both men are acknowledged leaders in their fields, *Business Insurance* believes that they well represent the opposing camps in the continuing discussion of how to reform our auto victim compensation system.

Morrill asks change on 'solid concepts'

by Thomas C. Morrill,
vice president,
State Farm Mutual Automobile Insurance
Co., Bloomington, Ill.

JOHAN KENNETH GALBRAITH may not be either the best or worst authority to quote to a business audience, but when he said in 1962 that "criticism is the engine of change," he expressed what is happening now to the business of automobile insurance.

To be on either extremity of the automobile insurance reform movement is to risk defeat or, worse, compromise. To be in the middle, as my company essentially is, is to risk abuse from all directions.

The State Farm stance has been to try to help guide events so that change will be based on solid concepts.

Illinois has an automobile insurance reform law. It will affect us all on Jan. 1, 1972. It is a good law. It holds to the middle of the road. It puts into effect the most important of the new concepts while holding on to much of the old. We should all hope that the legislature will let the law stand as it is for a reasonable trial period, and then change it only on the basis of experience and informed judgment.

The Illinois lawmakers have out-scored their counterparts in other states with such new laws in two ways: They have not claimed that this is a "no-fault" law, and they have not promised that it will lower insurance rates. Illinois calls its law "modified no-fault," which is what all such laws so far enacted really are. And although other states have mandated price cuts by law, no one can mandate a cut in claim costs, and these must ultimately set the price in every case.

For those of us that have a business at stake, the most frightening half-truth is the use of the term "no-fault" to describe laws that merely modify or limit some aspects of tort law, or even, as in Illinois, preserve loss shifting on a fault basis from the first dollar.

IF YOU DO NOT understand all that there is to know about "no-fault," take comfort. You are not alone. What scares us is that even the most determined advocates of either reform or the status quo do not seem to understand all the issues or are unable to relate their theories to how

people actually respond to crash losses in the everyday world. Let us examine a few of the pieces of this elaborate "no-fault" puzzle.

First, the motor vehicle is the greatest producer of trauma in our society except for war, and that qualification is in doubt.

Appalling as the numbers are when we hear them, it has to be astonishing that so many people are able to guide a ton or more of metal at high speed through complex traffic situations year after year without a single mishap.

With this elemental fact in mind, we can examine some of the issues. A considerable part of the criticism of automobile insurance has focused on the cost. Among our policy holders, for example, the average car owner has an injury claim to report once every 42 years.

This may account for the playback that we get from research interviews. These consistently show little or no apprehension of personal injury in an automobile crash either to be sustained or inflicted.

BUT ON THE CONTRARY, these interviews show an overpowering concern about the risk of damage to their precious vehicles, who will pay for it, who will see to the repairs, what they will drive in the meantime.

Yet, in common with almost all who advocate great change in insurance methods, Undersecretary of Transportation Charles D. Baker has said that "we are concerned with bent people, not bent metal." Well, those of us who are spending a good part of our working lives trying to eliminate and mitigate human injury and death in vehicle crashes fully share that concern, but we will overlook the sobering half of the truth if we do not recognize that people are really concerned about vehicle damage, that bent metal is most of the cost, and that almost all of the reform proposals are aimed exclusively at bodily injury claims.

The two kinds of damage are handled quite differently under the traditional tort laws that all but a few states still retain. If you have an injury claim, you can go after the guilty party, if there is one, and attempt to recover your dollar losses: medical bills, therapy, loss of earnings. If you have protected yourself through automobile medical payments insurance, hospital or surgical insurance,

Continued on following page

Present system 'inhumane,' says Mortimer

by William S. Mortimer,
director of risk management and
insurance, Norton Simon Inc.,
New York

IT IS TIME for all of us who want the present inefficient and inhumane tort liability-insurance system changed to make every possible effort to effect meaningful no-fault. Those who want the status quo, while few in number, are loud in voice, and will spend substantial sums of money to protect their special golden goose. Of course this is not unexpected. Short term self interest is always propagandized heavily while the general public seldom is able to mount the heavily endowed campaigns of the special interest groups. If society wants this needed change, and it does when it is properly informed, we risk managers are the best qualified group of consumers available to lead the way.

I am going to speak on the subject from the broad viewpoint of society because I believe it is society's problem and the solution must be one best for society.

Before going further, I wish to state that I strongly favor a complete no-fault approach to the automobile insurance problem subject to tort action above \$36,000 of economic loss and for death, disfigurement, etc. Here are the reasons why.

FIRST, THE tort system and its ailing friend the automobile liability insurance mechanism, which I guess might be called the tort-insurance system, are so wasteful that it is a miracle they still exist.

I want to mention a few facts from the DOT study to point up the degree of waste that exists in case any of you may have forgotten them. In 1970, \$6.6 billion was spent for automobile bodily injury premiums. Just \$2.8 billion, or 42% of that amount, was paid to claimants. During the same period the compensable economic loss was \$6.8 billion. So the net payment was about 40% of what was needed.

This is only part of the problem. Even the \$2.8 billion was distributed in a grossly unfair basis. Those who suffered the greatest loss received the least payment. Those with economic loss of \$25,000 or more received on average less than 5% of their loss. Those with serious injuries, but with less than \$25,000 loss received 46% of their loss. The nonseriously injured

person on the other hand received 126% of his loss. And this is the system some people are proud of. One wonders why.

There is another problem. Not only is the system wasteful and unfair but also untimely. The seriously injured person, again, even when he is able to wrest any money out of the system, receives it years after his accident. The slightly injured person receives more money than his economic loss and receives it quicker.

I WANT TO generally discuss my concept of what I think auto insurance should do. First, let's face several basic facts. One, the insurance industry is not the risk bearer. Its function is to run the insurance mechanism for society which is the risk bearer. Under the present system insurance pays for 16% of the cost of economic loss from automobile accidents. This brings up another point: Some of the loudest proponents of the status quo state that they want to continue the tort system so that the cost of automobile losses is borne by automobile users. If that is really what they want, they should back a change in the system.

I believe that automobile insurance's prime objective should be to assume the burden of economic loss for all persons innocent or otherwise who suffer loss as the result of automotive accidents. Further it should be done as efficiently, economically and fairly as possible.

The proliferation of plans in the early days was a search for direction and, I think, honestly made. The DOT study clearly showed the tort system and the resulting insurance system to be totally incapable now or ever of solving the problem of efficiently indemnifying the automobile victim no matter what changes are made. Any plan other than the one that eliminates the tort system, if not completely, practically so, is, I feel, a deliberate attempt to maintain all or as much as possible of the present system for personal benefit. We need a plan that eliminates the tort system except for the catastrophic loss.

Even the most naive person realizes that there is no chance of any change that will seriously weaken the tort system being passed in any state in this country. The state legislatures are so heavily populated with lawyers that any legislation that may seriously affect the legal profes-

Continued on following page

Morrill...

Continued from preceding page

disability income insurance, you can collect on all of these without showing who is at fault, and then collect the entire amount all over again from a solvent tort-feasor or his insurer. This, of course, is called in law the collateral benefits or collateral source rule. It means that you can collect two, three or more times for the same costs, depending only on how many sources of recovery you can find. Double recovery is expensive and wasteful.

Then you may know, or your lawyer will tell you, that you are entitled to be paid for not only your real costs but also for your psychic loss, otherwise known in the law as general damages, pain and suffering in lay language or, more recently "non-economic detriment" to the scholar.

Which would you think costs insurers more money—the real losses or the psychic losses? The answer is that on the average, and a very good rule of thumb, for every \$1 that an insurer pays out for an injury, 60¢ goes for the psychic loss and only 40¢ for the money loss. Pain, suffering, disability and disfigurement represent human misery, and no person not so afflicted should be callous about them. But dollars do not equate with these miseries, and are a questionable element in the present process. All reforms call for more victims to receive more of their out-of-pocket losses quickly and without complications. If more should be spent in this way, then it is reasonable to look on general damages—60% of present injury claims—as a tempting source to meet the new demands.

The present system is criticized on the ground that there is too much friction in the settlement of injury claims, that the system foments litigation and the courts are clogged with automobile suits. Some

of this is true, but even though critics lean on the court data produced in the Department of Transportation study of automobile insurance, there must be some secret surprise that only 14% of all court calendars represent automobile lawsuits, and that the authors of the court study made no finding that the conditions of our courts were the fault of the tort system.

THE WHOLE ISSUE of general damages is interesting to think about. In a way, these payments represent a kind of retribution or revenge. There is no logical connection between pain or grief and dollars. An economic form of compensation for a noneconomic detriment is a contradiction. But it is well-rooted in law that one who suffers grievous harm through the neglect or carelessness of another is entitled to a magnitude of compensation comparable to the magnitude of his suffering.

What must be crystal clear is that general damage costs must come down if the price of insurance is to be reduced, and that every exception to statutory limitation on general damages will cost the customer money, even though it will reward the seriously injured victim. This is one of the hard choices that confront us.

There is one final aspect of these new laws to examine—vehicle damage insurance. Remember that this is two-thirds of the insurance cost for most people, that it does not carry with it double recoveries, general damages or much litigation, that today's collision and comprehensive insurance coverages are already "no-fault" so far as the customer is concerned, and are sold in very large amounts—aided by the mandates of the finance companies.

That is why we are concerned that the U.S. Department of Transportation has let a contract to the National Conference of Commissioners on Uniform Laws to draft a no-fault law to serve, apparently, as a "model" for the states.

It is proposed to require insurers on a formula basis to pass large sums of money

back and forth, so that those who insure more than an average share of heavier vehicles with dangerous loads (and have few losses to pay) will pick up some of the costs of those who insure more loss victims than loss causers. If you happen to notice a resemblance between a fault system and a "loss causer" system, then you have grasped the point. Is this an admission by the theorists that the world is not yet ready to assume crash burdens on a no-fault basis?

The U.S. Senate Commerce committee has before it a bill in print form, a serious working draft of that committee, which contains provisions that also go beyond anything known to date, and so extraordinary that they must be seen as revolutionary, not evolutionary. Remember that the provisions to cover out-of-pocket losses of victims have a top limit in each of the state laws so far enacted. The Commerce committee draft does not.

THAT DRAFT provides that everyone must buy insurance which covers "net economic loss." This is defined as all medical and therapeutic expense, including rehabilitation expense—no limit. It includes all loss of earnings up to \$1,000 per month, but with no time limit whatsoever on the duration of the payments—in other words, for life.

The draft defines "monthly earnings" as one-twelfth annual earnings, which is fair enough, but then it extends the definition to say that monthly earnings means also, if the victim is unemployed, one-twelfth of what such a person would have reasonably earned if regularly employed, and, these payments in all cases are to be increased from time to time as they predictably would have increased except for the injury. Remember, this is without time limit.

The appeal of this kind of guarantee must be balanced against the cost. Lifetime benefits would put the cost of first-party injury insurance far beyond anything we have known thus far.

Fortunately indeed, some good things

are going for us now in the highway safety arena. The National Highway Traffic Safety Administration of the Department of Transportation, now in its fifth year, is now sufficiently financed and expertly staffed to begin to make a difference. The Insurance Institute for Highway Safety, which in many ways can fairly be called the best friend and severest critic of the federal safety effort, has become a significant force under the leadership of Dr. William Haddon Jr., who was the first director of the federal highway safety agency.

Perhaps you can appreciate why some of us feel that the automobile insurance system cannot now be the only perfect process in an imperfect world. We need to move vigorously toward a better system, and that almost everyone in our business supports. But we have a right to be wary of the untried, the professors' theories, the political gimmickry. We need to be cautious of some of the time bombs that seem to be ticking away in new laws.

If this seems at all reasonable to you, then you may share the position that my company now asserts: The strong support of meaningful experimentation in automobile insurance reform on a state-by-state basis.

Thomas C. Morrill, vp of State Farm Mutual Automobile Insurance Co., Bloomington, Ill., also serves on the boards of several State Farm affiliates in the fields of life and property-liability as well as investment management. Educated at Central College of Arts and Sciences and Northwestern University, Mr. Morrill was associated with Alfred M. Best Co. Inc. from 1929 until 1945 when he joined the New York insurance department. In 1950 he joined State Farm Mutual where he was elected vp in 1952 and chairman of the board of State Farm Fire and Casualty Co. in 1970. He served two terms as chairman of the board of governors of the Insurance Institute for Highway Safety and is now serving on the National Highway Safety Advisory Committee.

Mortimer...

Continued from preceding page

sion or any part of it has no chance of passage notwithstanding its benefit to society. There are many lawyers who realize the need for a change in the tort system as far as automobile accidents are concerned. However, they are still a minority.

It is naive to argue that there is a choice between federal legislation and legislation in the state capitols. The only choice is between federal no-fault legislation or maintenance of the present negligence system, the system which the Department of Transportation's \$2 million study so painstakingly criticized.

"The third means being used by the opponents of no-fault to confuse the issue is to talk about costs. It seems that anybody can get any figures he wants, the result only depending on what he wishes to prove. Most figures used attempt to show the effect on individual auto policies costs. This is entirely the wrong approach. The significant figure is what is the cost to society as a whole. As I mentioned, only 42% of the \$6.6 billion in automobile premium was paid in benefits. Even that was paid unfairly so that only 16% was actually paid to cover economic loss. The difference of 26% or \$1.7 billion was overpaid to claimants with little or no economic loss. The next result is that society, this means you and I, had to assume \$5.7 billion in economic loss that was not reimbursed by the existing automobile liability insurance system.

There were some amazing figures presented recently at the Senate Commerce committee hearing from the insurance associations. One which was particularly interesting was the statement that the bodily injury coverage provided under the Magnuson-Hart plan would cost \$257

for every \$100 spent under the present plan. I want to particularly mention this figure because the opponents of no-fault will use it and because it is totally incorrect.

The \$257 dollar figure intrigued me enough so that I tried to figure how it was determined. I got reasonably close by using the same figure I mentioned previously. I took the 1970 premium times 257 and got \$16.9 billion. I then, as a check, divided 42%, the percent of payments to claimants, into 6.8 billion, the estimated economic loss for 1970, and got 16.1 billion. It would appear that this \$257 is based on continuing all the waste and inefficiencies of the present system in the new plan. By eliminating this waste, the cost of insurance to cover all economic loss would be approximately \$8 billion or a 21% increase over the present premium cost.

Now that I have discussed the problems of the present system, the goals for change and the strategy and tactics of the opposition to change, I would like to discuss the reasons for their opposition, some obvious and others less so. First, the trial lawyers.

What is their argument favoring the continuation of their own private gold mine?

• Plaintiffs' lawyers say that the no-fault concept menaces fundamental rights.

The fact: The fundamental rights are primarily illusory as indicated by the reduced actual recoveries of the seriously injured.

• Plaintiffs' lawyers say that the tort system acts as a detriment to careless driving.

The fact: The tort-insurance system is of little or no use as a deterrent. The irresponsibles who cause most of the losses are likewise irresponsible about purchasing insurance.

• Plaintiffs' lawyers say that the careless driver receives reimbursement for his expenses along with the innocent victims.

The fact: The negligent driver is reimbursed now to some extent either through

first party insurance or by society through welfare, Medicaid or Social Security.

• Plaintiffs' lawyers say that it reduces the rights of innocent accident victims to get full payment for their injuries, pain and suffering, disfigurement, etc.

The fact: The pain and suffering argument is also called the jack pot theory. The chance for the big dollar recovery, a lot for a little concept. A small minority of the legal profession realize the waste and unfairness of the tort-insurance system and hint that a substantial change is needed. These lawyers are usually found in government, industry and in universities, but a few law firms doing extensive tort work recognize that change is a must.

The insurance industry is somewhat fragmented. The AIA favors the no-fault concept probably because it sees that change is needed and because it understands that the industry cannot continue to successfully insure the tort system and effectively serve society.

THE OTHER two major insurance associations, however, along with the trial lawyers, are leading the fight to stop no-fault by every means possible. They are promoting so called no-fault plans which really are not no-fault. The Illinois plan has the full backing of these two associations as their candidate for the real solution to the tort-insurance system. All it really is, is a combination of liability and first-party insurance with a provision to limit pain and suffering recoveries as a percentage of economic loss.

What are their reasons for opposing no-fault? The voiced reasons are pretty much the same as the trial lawyers.

What other reason might they have? The National Assn. of Independent Insurers now writes more than 55% of all automobile insurance. Their share goes up each year. Do they believe they will lose part of their share of the market if real no-fault comes into being? They could be

right. Real no-fault will lend itself to wide scale marketing on a group basis and the NAI does not have a very large volume of the present group insurance in force.

No-fault may well open the door to make it easy for the large life insurance companies to get into the no-fault automobile insurance which would be primarily the first party coverage they now write in group plans.

The plans strongly favored by both the the NAI and the American National Insurance Alliance are really dual protection plans which are nothing more than plans requiring the purchase of both liability and first-party insurance.

Concluding that there is short sighted economic self interest on the part of some segment of the insurance industry, I still believe the major factor in their rear guard deliberate attempts to block meaningful change is done due to fear of federal regulation.

William S. Mortimer, director of risk management and insurance for Norton Simon Inc., New York, received a bachelor's degree in business administration from Butler University. He has since received a designation as a Chartered Property and Casualty Underwriter and a Risk Management Certificate. Prior to joining Norton Simon in 1961, Mr. Mortimer was associated with Douglas Aircraft Co., Alexander & Alexander, Insurance Audit and Inspection Co., the Department of the Army and the Office of Naval Material. A past national president of the American Society of Insurance Management, Mr. Mortimer continues to be active in the society as well as the insurance division planning council of the American Management Assn. and the advisory committee for the risk management program of the Insurance Institute of America.

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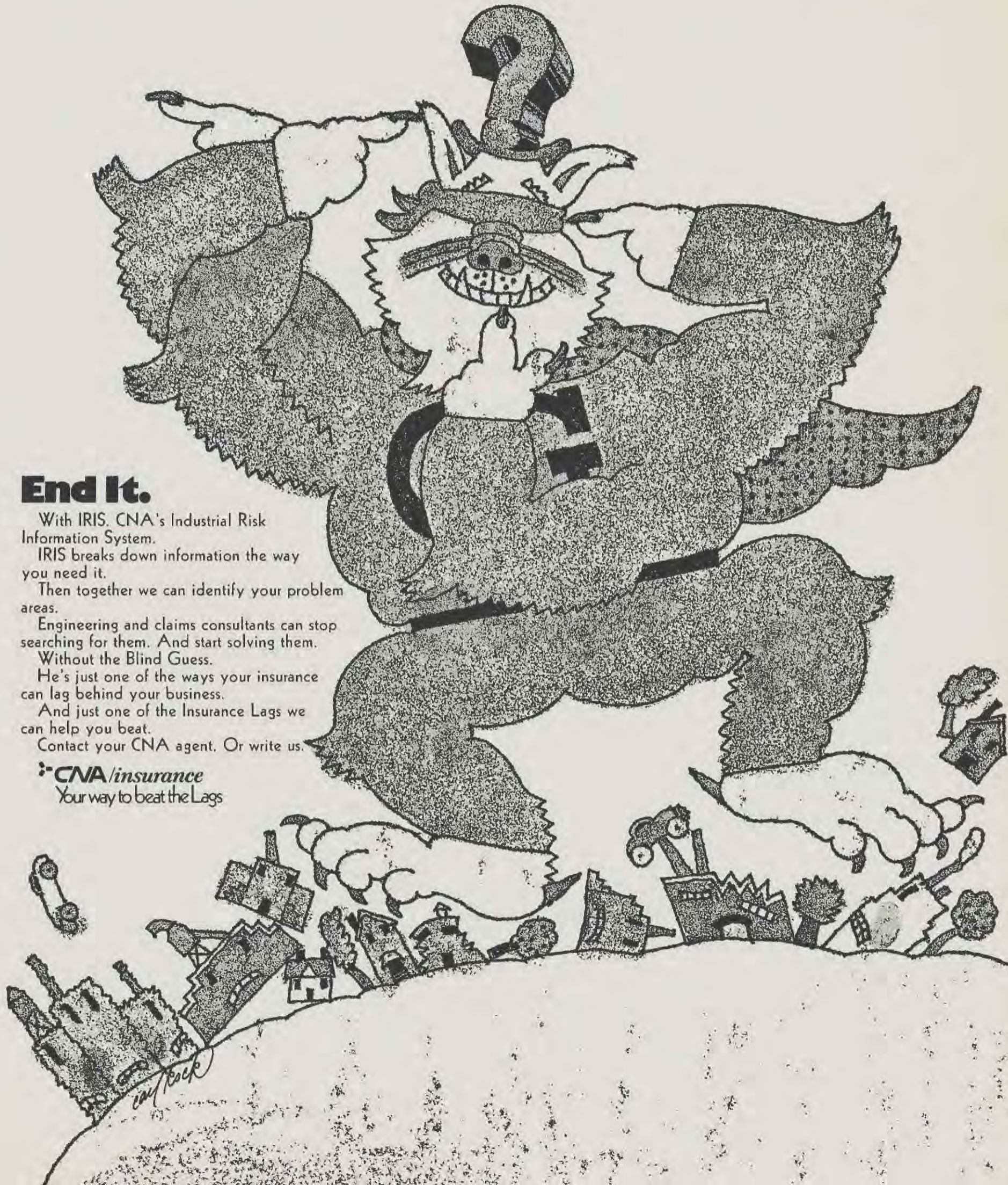
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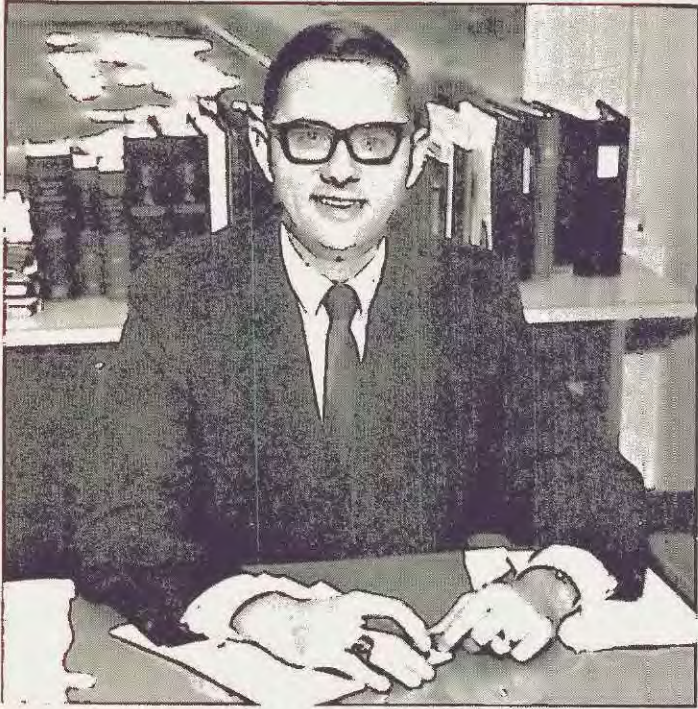
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Cristy Award winner



Getting the Associate in Risk Management Diploma was a three-year project for Thomas R. Frank but it paid off when he received the Cristy Award for the highest average grade in the six required examinations. Mr. Frank has been insurance manager, legal department, at Allied Van Lines Inc., Chicago, since 1969. Prior to that he was corporate insurance administrator for the Chicago Tribune. One of his biggest programs at Allied, he told *Business Insurance*, has been institution of a blanket workmen's compensation plan to cover all 800 Allied agents starting Jan. 1, 1972. Mr. Frank is a member of the finance committee of the American Society of Insurance Management, which makes the Cristy Award, and a director of the Chicago chapter.



london line

U.S. broker tells British insurers of growing importance of loss control

LONDON—The first American broker ever to address the Insurance Institute of London is William F. Souder, chairman, Marsh & McLennan Inc., Chicago.

He told British members of the Institute. "Loss prevention, long recognized as an essential element of any sound risk management program, has assumed even more importance today. The modern insurance buyer recognizes that risk costs can only be realistically reduced through the control and elimination of losses. But when losses do occur, it is recognized that prompt and equitable settlement is an extremely important element of any risk management program."

Dealing with charges in corporate insurance over the years, he said: "The requirements of corporate clients have had a marked effect on the administration of risk management programs, and the persons responsible for such programs are for the most part professionals."

"THIS NEW BREED of insurance buyers has the intelligence and knowledge to recognize that insurance underwriters cannot be expected to solve all the problems, nor to absorb all the risks inherent in today's industrial and commercial activities. They recognize that risk sharing can only be achieved on an equitable basis, and the indiscriminate transfer of risk to insurance underwriters is, in the long run, self defeating.

"It is within this climate that the American broker feels the real challenge today is to refine and expand the professionalism of his staff and to offer those improved techniques throughout the rest of the world."

Applying computer sciences to risk management was reviewed by Mr. Souder, who quoted this example:

"A most interesting challenge was posed by one of our major clients, an airline. The line had received two alternative proposals for renewal of their coverage which appeared on the surface to be equal. Both involved elements of self-insurance and retrospective rating so that the final result could only be determined after the fact.

"Using a computer-based simulation of a credible number of realistic loss pattern possibilities, we were able to demonstrate that

one plan would be significantly superior to the other for a large percentage of the time."

Since then the same type of analytical technique had been used to develop solutions to other comparable problems, he explained.

* * *

AMERICAN Airlines is suing underwriters at Lloyd's over the loss of two Coronado aircraft, worth \$5.5 million, which were destroyed by Israeli raiders at Beirut Airport three years ago.

The claim is being contested in the British courts by Lloyd's syndicates and by insurance companies that were also involved in the risk-cover contracts.

Interest in the case lies in the strict meaning of a war risks clause that was involved in the cover, and High Court Justice Alan Mocatta will be asked to settle whether the insurers are liable.

The case arises from the incident when Israeli helicopters flew in from the sea and landed soldiers who blew up 13 aircraft at Beirut Airport on Dec. 28, 1968. They included three belonging to Lebanese International Airways, which has now gone insolvent, so American Airlines is suing over the two Coronados in which they have a \$5.5 million interest. A Beirut bank is suing insurers over a third Coronado.

JUSTICE Mocatta may have to decide the tricky point in law whether the incident was provoked or not. The insurers suggest that the damage was done by members of the Israel armed forces on Israeli government orders, in retaliation for damage done by Arabs to an Israeli aircraft at Athens airport only two

days previously.

But American Airlines' attorneys claim that it is nonsense for them to suffer loss on this account since there was open conflict between Israel and Arab countries, and it would be idiotic to suggest that the airline itself provoked the guerrillas to attack.

Technical points on the wording of the underwriters' slip in this particular transaction are also to be heard in the court action, as well as the general issue over liability for so called "unprovoked incidents" in the Middle East trouble zones.

Michael J. Mustill, counselor for American Airlines, will emphasize that a provocation clause should apply only as an exclusion to the policy if the insured brings his own misfortune on himself, and not if it arises through factors outside his control.

* * *

GAMING BOSS Istvan Raffay was burned to death in Birmingham, England, when he tried to collect \$150,000 through fraud on an insurance company.

He planned to set fire to a loss-making country club and "strip joint" so that he could trick the insurers out of the policy money by arson. After the premises had been soaked in gasoline he tried to ignite the club with copies of the local newspaper which he lit like a homemade torch.

The club "went up like a bomb, and he went up with it," according to lawyers at the district court, when two accomplices who survived the blast were jailed for five years for plotting the swindle with Mr. Raffay. ■

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letters

Continued from page 12
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Eugene Dougherty
Indianapolis, Ind.

Editor's note: You've come to the right place. For only \$10 a year you can have a magazine every other Monday that contains material helpful to insurance buyers, even to providing data on "protection, and the lack of it, afforded under various property and casualty insurance policies." A current issue of *Business Insurance* is on its way under separate cover. Try it. You'll like it.

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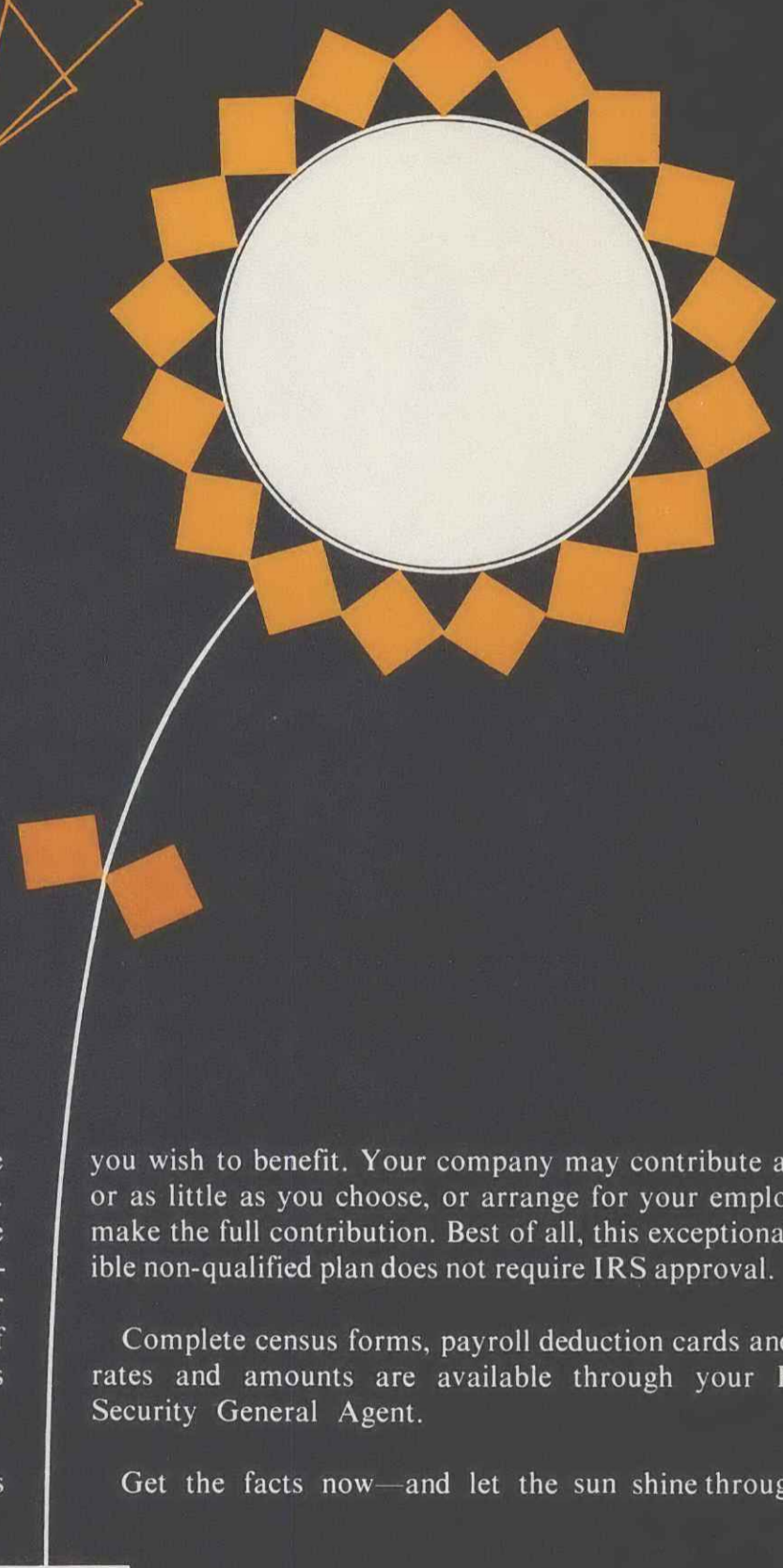
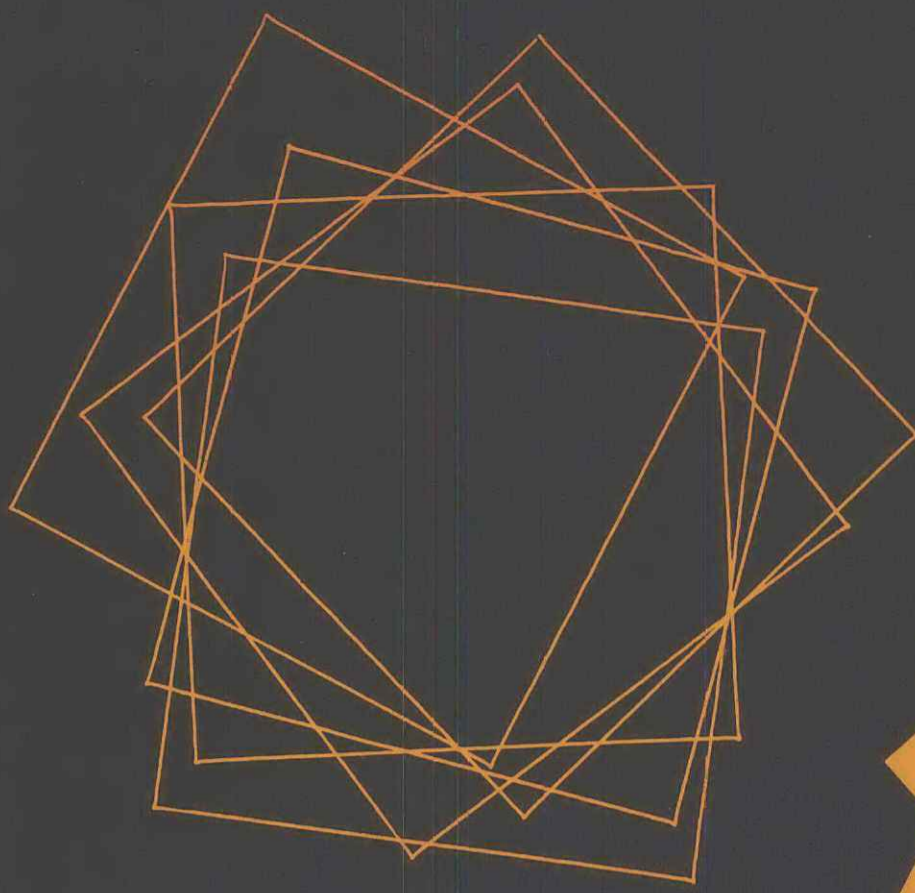
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Coccia, Corboy will give plaintiff, defense views

CHICAGO—Participants in the Business Insurance Product Liability Workshop will learn firsthand about trends in product liability law from two of the nation's top trial lawyers.

Appearing on the workshop program at the Regency Hyatt House here Jan. 17 and 18 will be Michel A. Coccia, chairman of the product liability committee of the Defense Research Institute, and Philip H. Corboy, a member of the board of governors of the American Trial Lawyers Assn. Mr. Coccia and Mr. Corboy, recognized as being among the top defense and plaintiffs' lawyers in the country, will discuss with workshop registrants the methods

they use in trying product liability cases.

Out of the discussion will come clear ideas of what the corporate risk manager and other corporate officials can do to prevent product liability claims and how they can cooperate in defending against product liability suits that may be lodged against their firms. Mr. Coccia, a member of the Chicago law firm of Baker & McKenzie, will review ways of defending clients; Mr. Corboy, a prominent Chicago plaintiffs' lawyer, will tell how he approaches product liability claims.

FACULTY MEMBERS who will join Mr. Coccia and Mr. Corboy include Garrett Redmond, vp, Fireman's Fund American Insurance Cos.; Robert B. Johnson, vp, Continental Casualty Co.; Donal Breting, vp, Underwriters' Laboratories; Lynn Sutcliffe, counsel, U.S. Senate Commerce committee, and Reuben Robertson III, a Nader's Raider and consultant to the Center for the Study of Responsive Law.

Four risk managers forming a panel to discuss ways in which they control product liability are Edward D. Hansen, Trans Union Corp.; Norman Hoffman, National Industries Corp.; Donald Stehr, Jos. Schlitz Brewing Co., and William J. Gibbons Jr., Standard Kollsman Industries Inc.

From the discussion sessions,

Toll-free number set for workshop

CHICAGO—Enrollments for the Product Liability Workshop may be made by phoning 800-243-6000 toll-free from anywhere in the U.S. Connecticut registrants should call 1-800-942-0655. A Listfax operator will take all necessary information and your enrollment will be confirmed promptly by Business Insurance.

workshop participants will get an overview of the product liability field including viewpoints of consumerists, government officials, independent testing laboratories, underwriters of product liability and product withdrawal expense insurance, and corporate risk managers who quarterback the product quality control team.

MORE THAN 100 persons have already registered for the Business Insurance Product Liability Workshop. To enable as many as possible to register, the early registration period has been extended to Thursday, Dec. 30. Any registration postmarked on or before that date will qualify for the reduced tuition charge of \$110 for the first registrant from a company and \$100 for each additional registrant from the same company. After Dec. 30 the tuition fees will be \$135 and \$125 respectively.

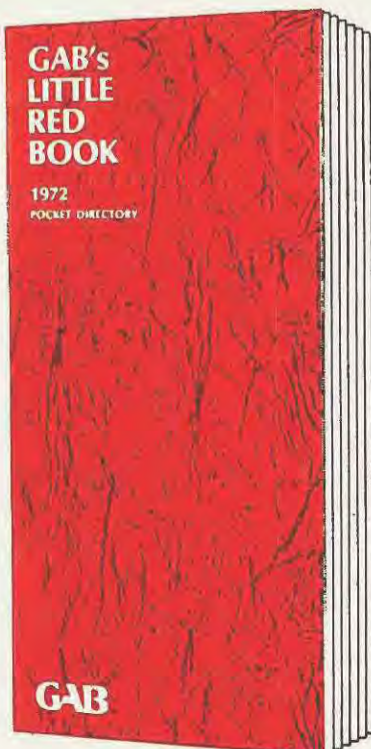
Tuition covers participation in all sessions, one dinner, breakfast, lunch, get-acquainted social period, coffee and a detailed workbook featuring selected articles on product liability from Business Insurance.

Workshop participants may enroll by mailing the coupon on this page. Those who want to take advantage of the early registration discount should call, before Dec. 30, the Listfax number listed in the box on this page. It enables registrants to call toll-free to obtain their reservations.

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COPSI members told to use their weight to change Tax Reform Act

PASADENA, Cal.—At the annual conference of the Council of Profit Sharing Industries here Rep. Spark M. Matsunaga (D.-Ha.) said that he has always been opposed to the Tax Reform Act of 1969 because it discontinued the capital gains treatment for lump-sum distributions from deferred payment plans.

"In fact, I felt so strongly about this that I attempted, in June, 1969, to obtain a modified closed rule so that a floor amendment could be offered to what became the Tax Reform Act of 1969, to continue capital gains treatment of lump-sum distributions," he said.

Rep. Matsunaga introduced H.R. 7893 in April, 1971, to restore pre-1969 capital gains treatment for lump-sum distributions from pension, profit-sharing and stock bonus plans. One of the Congressman's aides told *Business Insurance* it is in the ways and means committee awaiting reports from "appropriate executive agencies."

"I BELIEVE that events which followed the enactment of the Tax Reform Act of 1969 have proven the correctness of my position and yours," he told COPSI members; "through sad experience the government has learned:

- "That the necessity of identifying separately that portion of the lump-sum distribution attributable to employer contributions for plan years after 1969 is by no means free of difficulty.

- "That the problem becomes even more complex when the ordinary income portion of the lump-sum distribution must be subjected to the seven-year averaging rule.

- "That because the ordinary income treatment applies only to employer contributions for benefits accrued for plan years after 1969, it will be many years before the new provision can have an appreciable effect.

- "That because the 1969 Tax Reform Act increased the alternative rate at which capital gains may be taxed and included the capital gains deduction as a preference item for purposes of the minimum tax, the complex tax-

ing method of lump-sum distributions provided in that Act may be somewhat futile in the ordinary case. Thus, the relatively simple capital gains treatment would likely produce virtually as much tax as the very complex present arrangement and with infinitely less difficulty and with demonstrably greater equity."

REP. MATSUNAGA said that a spokesman for the Treasury department told him that the complicated procedure under the new regulations boosts employees' other income into higher tax brackets and generally results in a higher tax than the basic seven-year averaging proposal but

that the result is a tax that provides less revenue than capital gains treatment under the new rates.

The Congressman urged members of profit-sharing industries to "launch a widespread campaign of lobbying and letter writing" because "while there are many members of Congress who believe in the social merits of the deferred profit-sharing plan, there are even more who know little or nothing about its benefits to society.

"Collectively you outnumber all of us in Congress," he chided COPSI members; "you certainly should have no difficulty in convincing at least a majority." ■

Police group exec says no more cover offerings

WASHINGTON—The International Assn. of Chiefs of Police is easing out of the insurance sponsorship business, according to its executive director, Quinn Tamm.

Statements by Mr. Tamm were in conflict with those of other IACP sources, who said the organization is looking for a way to offer its members insurance coverage that includes liability and expenses stemming from suits charging police officers with rights violations.

"Now that the program is established, there's a question as to whether we want to continue sponsoring it," Mr. Tamm said of the police professional liability insurance program that IACP has promoted to members since 1967. "We were just instrumental in getting it started," he added.

THE PROGRAM, handled by James Jackson & Associates, Silver Spring, Md., and underwritten by American Home Insurance Co., New York, does not include coverage of civil rights or Constitutional rights violation allegations. American Home doesn't write such coverage in line with New York state regulations against it.

United Artists suing Lloyd's on tv series

LOS ANGELES—United Artists Corp. is suing underwriters at Lloyd's of London and a number of independent insurance firms for \$297,165 in Los Angeles superior court over an alleged breach of insurance contract involving the now defunct Sea Hunt television series.

According to one of United Artists' staff attorneys, the policy involved protected UA against charges of "infringement of copyright, plagiarism, piracy or infringement of property rights, invasion of the rights of privacy or libel, slander or defamation."

The policy, said the attorney, was purchased in 1957 by Ziv Television Programs Inc. He said that United Artists succeeded to the policy by reason of corporate mergers.

THE SOURCE OF the dispute is a 1959 suit filed against Ziv by Frank Donahue, William Webb and Richard Boss, who owned a television production entitled Underwater Legion, and who claimed that Sea Hunt was based on their property. Ziv at that time requested Lloyd's assume responsibility for defense, but Lloyd's refused. Ziv lost the first trial for \$250,000.

In a second trial the plaintiff, now part of United Artists, lost a judgment of \$200,000 with court costs of \$2,961. In addition it cost UA \$62,698 for its own attorney

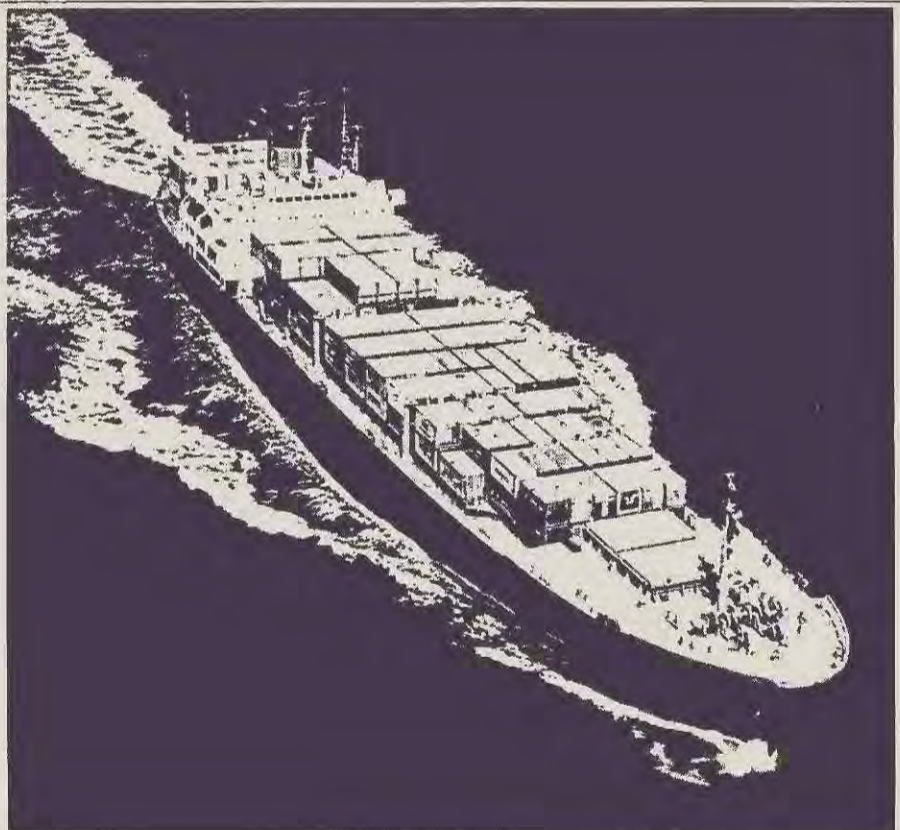
fees plus interest of \$34,466 lost on the total amount.

"Lloyd's accepted a huge premium to write us plagiarism insurance in 1957," said the United Artists attorney, "and the policy was in full force and effect at the time of the acts complained of by the Underwater Legion people. Lloyd's was bound to defend us and has consistently refused. That's why we are suing them."

"Our position is that this case was not plagiarism but breach of contract," said an attorney at the firm of Mendes & Mount in New York, which is involved with Lloyd's defense.

"BOSS, DONAHUE and Webb submitted their program to Ivan Tors at Ziv with the understanding that if Ziv used it they'd pay for it," continued the Lloyd's attorney. "They used it and didn't pay for it. Our position is based on breach of contract; it may not have been an express contract, but it was certainly implied by the understanding between Ziv and Messrs. Boss, Donahue and Webb. Neither an implied nor an express contract is covered by Lloyd's policy.

"Furthermore," he said, "during the course of the court hearing the understanding between the plaintiffs and Ziv was called a contract, and the suit was tried as breach of contract—so how it can be plagiarism I don't know."



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The Product Liability Workshop will be held at the new Regency Hyatt House, less than five minutes from Chicago's O'Hare airport. The hotel has reserved for the workshop a block of modern rooms at attractive rates. Registration for the workshop starts at 3 p.m., Jan. 17, followed by a get-acquainted period at 5 p.m., dinner at 6 p.m., and opening-evening work sessions at 7:30 p.m. Because of the intensive nature of the course, on the following day registrants will be kept busy until the workshop adjourns promptly at 4 p.m.



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Fee includes participation in all sessions; one dinner, breakfast, lunch, cocktail social and coffee breaks; plus a detailed workbook of the meetings. Accommodations at Regency Hyatt House are not included in the fee, and should be arranged separately. Hotel information will be sent automatically with registration acknowledgment. There is a \$25 service charge for cancellations received between January 4 and January 12.

Presents pointers on phony no-fault plans

LAS VEGAS—Auto reparations reform plans that deceptively use the no-fault label sow confusion and misunderstanding among the public and threaten to be counter-productive to true reform efforts, a Nevada seminar on auto accident compensation systems was told here.

Melvin L. Stark, vp for governmental affairs of the American Insurance Assn., told the seminar that the insurance industry must establish an auto accident reparations reform dialogue that offers clarity and education to the public. He charged that "some sophisticated persons and organizations" are using "evasion and artfulness" in their discussions of no-fault "to frustrate the goals of genuine reparations reform."

Accuracy of understanding of the no-fault dialogue, Mr. Stark said, will be achieved only when the public understands that the term applies to the "abolition, restriction or modification of the common law remedy which allows the maintenance of a tort action for the recovery of general or intangible damages."

Any plan that falls short of the excision in whole or in part of the tort liability remedy merely masquerades as no-fault reform, he said. He offered some guidelines for the detection of what he called "pseudo-reform" plans, plans that he said offer:

- The overlay or addition of

first-party benefits only, whether medical or loss of earnings or a combination of both.

- First-party benefits on a voluntary basis, but with liability insurance compulsory, and no restriction of the tort remedy.

- Retention of the tort remedy from the first dollar of economic loss.

- Proposals, enlarging the area of recovery under the existing tort system, such as comparative negligence laws, direct action remedies against the insurer, abolition of guest statutes, removal of governmental and eleemosynary immunity, and similar measures in the absence of tort restrictions.

- Procedural stop-gaps such as enforced arbitration, limitations on contingent fees, moderation of litigation discovery proceedings, and the like, in the absence of tort restrictions.

"Whatever our role," Mr. Stark said, "members of the insurance community above all others, have an urgent obligation to speak fairly and accurately on the topic of auto accident reparations reform. Not only must our dialogue seek clarity and education for all, but our actions in the furnishing of services and protection to the public demand fairness and frankness. Failing that, we may be damaged by a 'boomerang' phenomenon inherent in an issue of this character so replete with volatility and social significance." ■

Foul golf ball will cost Montreal \$32,956

MONTREAL—A superior court judge here has ordered the city of Montreal to pay \$32,956 damage to a motorist whose left eye was irreparably injured when a golf ball struck him as he drove past a municipal golf course.

In the judgment that favored Lucien Menard, a 53-year-old Montreal Catholic School Commission employee, Justice Marcel Nichols ruled that the city neglected to carry out its duty to provide safety for users of a public highway.

Montreal, according to earlier published reports, has a multi-million dollar third-party liability insurance policy with Lloyd's of London, although it was not immediately known whether the coverage would respond in this particular case.

THE ACCIDENT occurred in July, 1969, while Mr. Menard was driving on a highway adjacent to the golf course. In his opinion, Justice Nichols pointed out that during the previous five years there were 12 claims against the city for damages caused by balls driven out of bounds by players on the city-owned course. One of the earlier claimants, in fact, was a motorcycle policeman who was struck on the jaw by a ball as he passed the course in 1968.

"The danger thus existed to the knowledge of the defendant, and yet it was not until the end of 1969 that the course manager, on his own initiative, undertook the construction of certain sand traps which obliged players to play their balls towards the inner part of the course," Justice Nichols said.

"Whoever undertakes to build a golf course in the heart of a city, near main arteries and other

roads, must set up the fairways in such a way as to avoid creating undue danger," he added.

The damages included \$30,000 for the disability suffered by the victim's loss of the eye and resultant loss of enjoyment of life. Various amounts for medical and hospital expenses made up the balance. ■

Air crash negligence suits brought

NEW HAVEN—Negligence suits have been filed in U.S. district court here against Allegheny Airlines by the estate of two victims of the June 7 air crash near Tweed-New Haven airport that killed 28 persons. Allegheny's primary liability insurance is written by U.S. Aviation Insurance Group.

The suits are the first to have been filed in connection with the mishap.

The estate of Michael Perry, Gales Ferry, Conn., is seeking \$675,000 damages and \$225,000 punitive damages. The estate of Ernest F. Kerber, Waterford, Conn., wants \$450,000 damages, \$150,000 punitive damages.

It is charged that careful landing procedures were not followed when the Corvaire 580 twin-engine propjet was attempting to land. The plane hit three beach houses and then crashed into a swamp on the East Haven side of the airport, exploding into flames.

There were three survivors, including the co-pilot and two passengers. ■

Preventing abuse of overseas health cover plans

By SPENCER RUSSELL
vice president, group sales
American Life Insurance Co.

NEW YORK—U.S. insurance companies are rarely presented with the opportunity of creating local practice in the health insurance industry, but sometimes the international insurer does enjoy such a privilege. At home, by the time the full impact and possible harmful effects of certain trends are recognized, they are already firmly established practices—but, having once experienced this, it should be possible to recognize and resist such tendencies abroad. Therefore, the opportunity of bringing insurance to other countries also includes the responsibility of bringing control and rationale in the administration of the programs.

In this respect, steps must be taken to curb abuse of group health programs in many areas of the world if domestic and foreign companies are to continue offering them at rates the populace can afford. A much higher degree of cooperation among the parties involved must be achieved. Unfortunately, in certain areas, it is becoming more common to use a group health policy or certificate as a license to make excessive charges. In the U.S. we are used to a highly sophisticated form of abuse, whereas in other areas greed often manifests itself without ingenuity in the simple form of relating charges directly to the maximum benefit shown in the insurance policy or certificate. Some establishments have not set charges and find it more profitable and easier to base their fees according to the ability of the individual to pay.

Local medical associations, policyholders, hospitals and claimants must work with the carriers toward preservation of the "reasonable and customary" approach to covered charges. Generally, when contacted individually, the parties involved indicate a genuine willingness to help curb abuses. Constant reminders, however, are necessary as is a continuing educational program.

IN MANY overseas areas, doctors own or operate private clinics with a limited number of private, semi-private and ward accommodations available. Given the opportunity, the doctor may keep the patient overnight (or for several nights, if rooms are available) for a condition that (in the absence of group insurance) would not normally require confinement. A recent claim illustrates the problem dramatically. A one-year old child suffered a fracture which would ordinarily be taken care of on an out-patient basis. The doctor, in this case, hospitalized the child for 30 days in his clinic. Total charges by the clinic amounted to five times that which the condition would have called for in the absence of insurance.

In another instance, two children were flown to the U.S. for treatment of otitis externa and bilateral cerumen with the resulting claim for air fare because "treatment by a specialist" was necessary. Charges for the actual treatment amounted to slightly more than a routine office visit. This came from an area in which medical facilities are more than adequate and treatment by a specialist was available locally, if required.

Recent years have seen the outgrowth of hospital specialists such as, radiologists, anesthesiologists, and X-ray technicians. In years past, these costs were

part of the hospital's auxiliary charges and the services were provided by hospital employees, whenever possible. Today, separate bills are presented for these services and their cost has risen substantially. The actual cost for use of the hospital equipment is still included in the hospital bill.

The areas most commonly involved in overcharges are:

- Extended days of hospital confinement for illnesses or surgery beyond the normal period of convalescence.

- Charges for hospital confinement at higher rates, when covered by insurance.

- Surgery.

- Anesthesia and its administration.

- Drugs administered by the physician.

- Air transportation when ill-

ness could have been treated locally.

- Unnecessary diagnostic laboratory and X-ray fees.

A lack of adequate emergency care facilities has had an adverse effect on medical care costs. Understaffed clinics and hospitals frequently admit the accident victim as a bed patient rather than provide treatment on an emergency out-patient basis. Expenses for room and board and hospital special services are, therefore, incurred unnecessarily.

Many of the abuses are caused by misunderstandings that are too often the result of poor communication. More face-to-face contact will help carriers, doctors and policyholders understand the problem and work together toward a solution. The understanding can be reached only through

a free exchange of information among all parties involved. Each policy today is dependent upon the other.

The patient should have the care that the physician determines he needs, but should not necessarily have the care he wants, particularly if he is not directly paying all of the associated expenses. In this regard, there is sufficient evidence that the physician, the hospital and the insurer must learn to cooperate in solving the problems relating to furnishing and financing medical care if the availability of this care is to continue at a reasonable cost. Cost of new specialized equipment, which is quickly outmoded, due to new methods developed through research, puts quite a strain on the individual hospitals. Cooperation among hos-

pitals and doctors in setting up centralized facilities or agreements for sharing expensive equipment would greatly reduce expenditures. This saving could then be passed down to the patients. The best of medical care is of no value if one cannot afford to pay for it.

Unions are becoming more prevalent in many overseas areas and are instrumental in setting trends in insurance programs. In bargaining for Health Programs, management must be conscious of the employees' needs for adequate medical attention. Care must be exercised in the determination of what is adequate and what the company and the employee can afford to pay. Without some expert insurance advice, bargaining can become more

Continued on page 30

What is it worth?

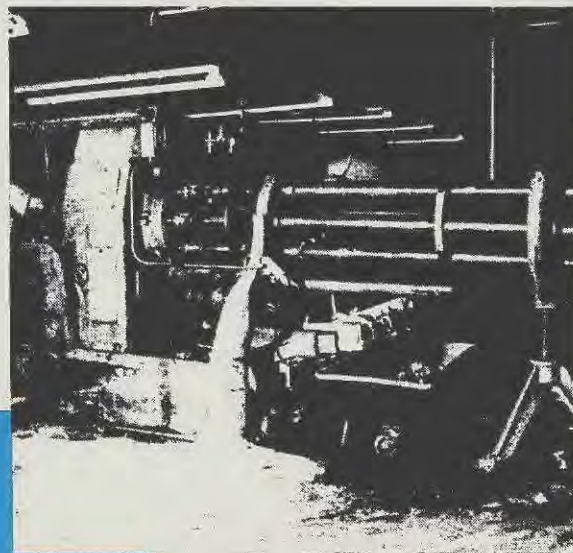
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amortized value?

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Overseas . . .

Continued from page 29

emotional than practical. Each one of us wants a full protection plan, but can we afford it? Small claims should be eliminated if administrative costs are to be maintained at a practical level. Reasonableness must prevail and management and union must look beyond the one- or two-year contract so as not to jeopardize the future of adequate medical care at a reasonable cost.

The American Medical Assn. (through its committee on insurance and prepayment plans of the

council of medical services) adopted, in 1958, the following statement regarding the problem of financing medical care.

- "The individual physician should advise hospitalization only when definitely indicated for the best care of the patient's condition and should return each patient to his home environment as soon as efficient professional care permits.

- "Many hospital staffs have found that an Admission Review Committee has assisted materially in assuring a more efficient utilization of hospital facilities.

- "The subscriber should expect hospitalization only when warranted, thereby avoiding the inevitable rise in premium rates resulting from excessive utilization.

- "The insurance company or prepayment plan should clearly delineate, in the policy, the risks assumed. In the selling of these policies the subscriber should receive a complete explanation of the nature and extent of the coverage provided.

- "Prepayment plans, insurance companies, and, in the case of group plans, management and union officials should improve educational procedures to inform subscribers of the advantages of health insurance and dangers of increased cost by unnecessary

utilization.

"Efforts should be made to revise coverage so that hospitalization is not the sole requisite for obtaining some types of benefits.

- "The hospital administrators should accelerate their studies and seek to improve management practices designed to stabilize hospital costs.

- "The key to an ever-increasing number of Americans protected by voluntary health insurance and to continue improvement in this protection is efficient utilization consistent with good health care. To accomplish this we must all 'use' not 'abuse' our insurance and prepayment plan contracts."

Many physicians are well aware that their attitudes and influence have a pronounced effect on the cost problems that exist. Unfortunately, a few physicians do not have such an awareness. Perhaps it should be mentioned that many of the individual doctors and small hospitals do not pad or overcharge for personal gain. In many of the areas, there is borderline poverty and the great bulk of the public must be given free medical care. This can only be accomplished under the "Robin Hood" concept of charging exorbitant fees to the rich clients to provide basic care for the poor. Obviously, the insurance company admirably fits the role of the rich. If the individual doctor or the hospital will have no personal gain, then this form of charity actually attains certain moral heights.

It must be admitted that a few insurers also are not in tune with the effort to solve peaceably the cost problem between the purveyors and those who pay the bill. A point of understanding must be reached generally that will encourage a closer relationship between medical care expenditures and an appropriate level of medical service.

ALTHOUGH duplication of benefits is not the serious problem in these areas that it is in the U.S., the steadily growing number of group health insurance plans overseas will inevitably lead to duplication of coverage. Carriers, both domestic and foreign, must review their contracts and include coordination of benefits provisions, if they are not already present. When two carriers are involved and neither has a coordination of benefits provision, persons with duplicate coverage stand to make a profit, because they may be paid by both insurance companies to the extent their total benefits allow. If only one of the carriers has the provision in its contract, the one without the provision would be considered the primary carrier and would be required to discharge its obligation first. The secondary carrier would then pay its benefits toward unpaid charges.

If both carriers utilize the coordination of benefits provision, it is then possible for 100% payment of covered expenses in the event of duplicate coverage, with the resulting control of insurance costs by limiting recovery to expenses actually incurred. Cooperative cost control techniques should be designed to save the carrier money with the resulting stabilization of premium payments for the policyholder.

It is doubtful that there are many new ways to curb abuse of group health programs but in no event should this be allowed to introduce lethargy.

If insurance companies can jointly administer their policies strictly in accordance with the provisions and at the same time educate the other parties, while performing a much needed service, there should exist sufficient control to curb abuse. ■

Arizona workers may get new group health

PHOENIX—Medical insurers are awaiting details of a proposed group health plan for Arizona's 22,000 state employees, most of them now covered by intra-agency policies by Blue Cross-Blue Shield. The plan will be outlined in a state personnel commission report due Jan. 10 when the state legislature convenes here.

Ted Hawkins, state finance director, says a statewide plan would offer lower premium rates and improved benefits.

According to Ron Hernes of the state personnel commission, Blue Cross-Blue Shield is the only company now permitted to make employe payroll deductions through use of a state-owned computer. But it does not offer a statewide plan for all workers, he added. Once the specifications of a statewide plan are worked out it will be put up for bids.

THE COMMISSION'S report is based on a study financed with \$20,000 appropriated earlier this

year. It will include data showing provisions, terms, coverages and costs of several proposals for an anticipated effective coverage date of July 1, 1972.

Burton Barr, house majority leader, said the plan will probably have a variety of provisions for preventive medicine for state employes and their families, such as lab testing and immunization.

ANOTHER STRONG probability, he added, is that the state government will pay up to \$15 a month for each employe insured. (Present Blue Cross-Blue Shield premiums are fully paid by the insured.)

At the maximum \$15-a-month share, set by an amendment to house bill 6, the state would pay about \$396,000 a year if all employes participated. Not all the money would come from the state general fund, however; some would come from department fees and other sources, Mr. Hernes said. He added that there may not be 100% participation. ■

Golden Gate insurance situation not so golden

SAN FRANCISCO—Lack of world insurance capacity to cover a potential \$200 million loss in the event of complete destruction of the world-famed Golden Gate Bridge may lead to elimination of earthquake insurance on the bridge.

Directors of the bridge district will meet here soon to act on a series of recommendations adopted by the board's insurance committee. The recommendations consist, essentially, of advice provided by Warren, McVeigh & Associates, San Francisco-based insurance consultants for the bridge district.

Among possible changes recommended by Donn P. McVeigh would be establishment of a co-broker relationship with Bayly, Martin & Fay Inc. added to Marsh & McLennan, the insurance broker for the bridge since 1939.

THE CALIFORNIA toll bridge authority earlier this year dropped earthquake insurance coverage on the eight-mile-long San Francisco-Oakland Bay Bridge. Warren, McVeigh recommended that the Golden Gate Bridge, operated by its own district authority, take the same action.

The Golden Gate Bridge now has an estimated replacement value of approximately \$200 million. Earthquake insurance has dwindled to \$32 million and each year, at renewal time, the district finds it more and more difficult to obtain such insurance.

"It is possible," Mr. McVeigh told *Business Insurance*, "that the \$200,000 a year all-risk insurance premium the bridge district now pays might be cut by splitting the policy." The current insurance coverage is for all-risk protection and the major share of the premium covers the perils of earthquake and floods.

Mr. McVeigh has suggested two policies in order to segregate the earthquake peril from other perils, such as the potential of a huge airplane crashing into the bridge.

"THERE JUST ISN'T enough insurance capacity in the world,

including London," he said, "to cover complete destruction of the Golden Gate Bridge should that ever occur, from whatever cause, there would be really only three alternatives."

He listed these as issuance by the bridge district of another bond issue to cover replacement (the first bond issue for construction has been paid in full); financial assistance from the state or aid under the 1969 Federal Public Disaster Act.

The federal act "conceivably" would cover bridge losses due to earthquake or flood "inasmuch as any disaster of sufficient magnitude to really destroy the bridge would be so widespread and catastrophic that the federal government would have to step in."

J. B. Wright, senior vp of Marsh & McLennan, indicated he is opposed to entering a "joint venture" with Bayly, Martin & Fay and argued that the insurance program should be "kept as it is."

Mr. Wright told the insurance committee that the Los Angeles school district, which suffered a \$20 million loss in the earthquake earlier this year, had asked for \$15 million under the federal disaster act and to date had received less than \$1 million. ■

There to stay

Britain's ambassador to the U.S., the Rt. Hon. Earl of Cromer, told a San Francisco audience recently that "Sir Francis Drake was not the first of our young men to Go West. I mean that we opened up business here at San Francisco consulate-general on the heels of the 'Forty-niners' and have stayed open for business here continuously ever since. Even the Great Earthquake did not stop us. We stayed open. When the British consulate building began to creak, the consul took the office documents by pony and cart to Oakland and responded for business later the same day; the British insurance companies were the promptest of all in meeting the claims that came out of the disaster."

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Fairness doctrine cited in rejection of Travelers, Fireman's Fund tv ads

WASHINGTON—Travelers Insurance back in October bought \$366,000 worth of time on NBC-TV, but the commercials they planned to run on that network may never appear. After buying the time, Travelers submitted some commercials on no-fault auto insurance. The NBC-TV continuity people sent them back and said they couldn't run them unless Travelers changed the

copy strategy—and NBC-TV suggested the changes that should be made.

Travelers made the changes requested in the copy, according to George Hinckley, vp-marketing services department. But the second time around the commercials were rejected again, this time by a higher echelon of NBC-TV brass, Mr. Hinckley said. This time the reason given was that the no-fault auto insurance issue was "too controversial."

The other two tv networks, ABC-TV and CBS-TV, also turned down the commercials, Mr. Hinckley noted. He then took the tv ad money and invested it in running the same no-fault insurance copy in print media, he

said. NBC Television said it rejected the Travelers order because of the likelihood that it would present problems under the fairness doctrine. Sources at the network said the whole no-fault insurance concept is "under review from the legal, broadcast standards and sales viewpoints."

CBS-TV censors turned down the Travelers copy, as they have other no-fault commercials from other insurance companies, because the network said it sells time for goods and services but not for controversial issues.

ABC Television said it turned down the business because it dealt with a controversial issue covered in legislation now pend-

ing in about 20 states.

ALL THREE major networks also have turned down educational advertising on no-fault insurance offered by Fireman's Fund American Insurance Cos., San Francisco. Fireman's Fund, one of the nation's largest property-liability insurers and a major writer of automobile insurance, proposed to spend between \$500,000 and \$600,000 on the series of tv ads about the no-fault concept.

John Nyquist, assistant vp and advertising manager of Fireman's Fund, remarked that the series was turned down because of "the controversial nature of the subject. Their reasoning," he said, "was that the American Trial Lawyers Assn. could request and obtain free time to answer the Fireman's Fund position."

Another factor, he said, was that the national networks felt that although they might accept

the no-fault series nationally it might be "shot down" at the local level by lawyers and state legislators who own tv stations.

WHAT FIREMAN'S Fund had in mind, according to Mr. Nyquist, was an educational ad series that would discuss the issues of no-fault auto insurance without reference to particular state laws or state legislative proposals. More than 30 states have considered statutes loosely described as "no-fault" proposals.

Mr. Nyquist said that a "possible interesting development" is that NBC is considering allowing the Fireman's Fund series to debut on the "Today" and "Tonight" shows by using either live announcements or quick tapes. Trying the ads on these shows would make it easier to permit plaintiffs' lawyers to get equal time if they got a ruling that they were entitled to answer Fireman's Fund.

No-fault law backed by Denenberg

HARRISBURG, Pa.—"The National Safety Council should show the losses of the families of the survivors of those killed in auto accidents, and how much our lawsuit system pays them," said Insurance Commissioner Herbert Denenberg, reflecting on the figures supplied by the National Safety Council which predicted that between 620 and 720 persons would be killed in automobile accidents over the Thanksgiving holiday. "We will supply the figures the National Safety Council omitted.

conomic loss for each including all future lost wages \$89,523," he contending that his estimates based on figures from the Dept. of Transportation as the National Safety Council. Each surviving family member from auto liability insurance only about 6% of that \$6,000."

outspoken commissioner something that should be done. He made the no-fault law that Pennsylvania legislators will have a chance to vote on.

The pittance recovered by the families of those killed in auto accidents shows how inadequately and unfairly our auto liability insurance performs," he emphasized. "It shows how much we need a good no-fault auto insurance system like that proposed by the Shapp Administration.

"A system that pays only \$5,929 to a family for a death, and pays attorneys fees of 30%, 40% and 50% is not worth saving. We need a good no-fault law now."

again referring to the National Safety Council holiday statistics, the commissioner noted that the council also neglected to point out that more than 6,000 persons would be injured seriously and 50,000 more injured slightly over the Thanksgiving holiday.

Nevada law change

Changes in Nevada insurance department regulations necessitated by legislative changes become effective Jan. 1. The insurance department, however, will no longer provide copies of the new regulations. Henceforth they may be purchased in looseleaf form, for \$10, from the National Insurance Law Service, 85 Fourth Ave., New York, N.Y. 10003.

On work comp board

Gordon Sloan, former Oregon state supreme court justice, was appointed by Gov. Tom McCall to a \$22,000-a-year position on the three-man workmen's compensation board. The new appointee has no labor connections.



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