

Gold bugs see thefts, counterfeiting as major risks

By JUDI TALIT

NEW YORK—Retailers and refiners of gold are tightening up both insurance and security programs in preparation for a possible gold rush after Dec. 31, when U.S. citizens will be allowed to buy, sell and hold gold.

Gold suppliers contacted by *Business Insurance* indicated the risk areas will concern security of the bullion while in the possession of suppliers and the security involved in transporting the gold.

The approach being taken by suppliers is basically one of: "Once it leaves our care and custody, it's someone else's risk."

Refiners are trying to pass some of the responsibility for fakes and thefts on to the retailers; retailers in turn are looking to their insurers in hope of getting the best package on their property coverage to include this additional risk. Retailers include everyone from stock brokers and banks to major department stores.

One supplier said, "we may put the gold in the hands of the banks on con-

signment. We'd retain title to the gold, but the insurance problems would be shifted to the bank. Then we don't have control of the security in that situation."

Counterfeiting is a major concern of retailers as well as refiners of gold.

Engelhard Minerals & Chemicals Corp., the largest refiner and fabricator of precious metals in the U.S., warned the public that the "best protection against possible counterfeiting or fraud is the mark stamped on the gold bar itself, of a rec-

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business insurance

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

Gas utilities set new 'mutual' for liability risks

By MARIE KRAKOWIECKI

BERMUDA—A new mutual insurance company that will provide \$1 million in basic liability coverage plus \$50 million in excess coverage for gas utilities is readied for domicile here, culminating nearly seven years' preparation.

The company, General Assurance Services Ltd. (GAS), was formed as a result of studies conducted by insurance specialists of the American Gas Assn., Arlington, Va., in conjunction with the outside consulting firms Ebasco Risk Management Consultants, Inc. and Booz, Allen & Hamilton Inc.

Following the preliminary studies, Ebasco was chosen to manage the operation. Frank Derfus, Ebasco assistant vp, said that GAS will begin operations shortly after Jan. 1, 1975, and that Ebasco's Bermuda office will handle underwritings.

By late December, approximately 20 gas utilities filed applications to participate in the liability coverage offered by GAS, Mr. Derfus revealed.

EBASCO'S PRELIMINARY estimates indicate that utilities which come to GAS to get their liability coverages will enjoy an overall average cost savings in the area of 20%.

Despite these predicted savings, premium costs for the average utility will be "in the six figures," said sources close to the industry. They added, however, that there can be great cost variation from utility to utility.

Mr. Derfus said the most common risk GAS will protect utilities against will be explosions. "But we have done feasibility studies that show gas utilities' loss ratio experience is very low—in the area of 27% pure loss ratio," he added.

Despite this discovered low loss ratio, the gas industry had been facing difficulty in obtaining liability insurance, according to Philip Borish, financial director of the AGA. That prompted an AGA insurance committee of 40 risk managers to initiate a study seven years ago that eventually resulted in the formation of GAS.

AFTER ABOUT three years, Mr. Borish said, a smaller task force took over the job. People chosen to sit on the GAS board of directors reflect the insurance concentration of the task force. One member, for example, is Gordon Hanau, manager of insurance of Consolidated Natural Gas Service Co. in Pittsburgh.

Although such Bermuda-based insurers catering to a single market are generally thought of as captives, both Mr. Derfus and Mr. Borish dislike this nomenclature for GAS.

"The word 'captive' is anathema to us," Mr. Borish emphasized.

"'Captive' implies an insurer owned by a parent company. The AGA does not play any such ownership role in GAS. Any gas utility may participate, not just an AGA member firm."

GAS UTILITIES which obtain insurance coverage from GAS will be stock owners in the newly-formed mutual liability insurance company. Coverages initially will mandate minimum deductibles of \$100,000. GAS will then write \$1 million above the amount of the deductible, according to Mr. Borish.

He noted that insureds could assume higher deductibles if they wished, but that \$1 million would be the highest coverage GAS would agree to, at least in its beginning years.

Insureds wishing to get excess coverage can arrange for an additional \$50 million in coverage, Mr. Derfus noted. Upon request, GAS will work through

Lloyd's of London to buy excess coverage for an insured. The first \$1 million of coverage provided for the insured by GAS would be considered the deductible by Lloyd's, he said.

The question of reinsurance is apparently still being debated. Mr. Borish, who served as a staff executive when the AGA began its preliminary proposal studies to form GAS, told *Business Insurance* that the company is not sure whether it will have an aggregate stop-loss limit after the first million dollars of coverage.

"A reinsurance treaty is being investigated," he offered.

Capitalization for the fledgling mutual insurance company will come solely from premium income, and will follow general guidelines set down by the Bermuda government.

The Bermuda government requires \$250,000 capitalization to launch a venture like GAS, Mr. Derfus said. But he noted

the board of directors wants \$3 million pledged in premiums for the first year of operations before GAS begins active coverage.

SOME 300 GAS utilities make up the membership of the AGA, and will form the nucleus of companies eligible for liability coverage by GAS, although gas utilities across the nation, including non-members of AGA, are also eligible.

The 300 AGA members represent over 92% of the gas sold to 160 million customers, Mr. Borish said.

Policy writing will be done out of Bermuda, where GAS is chartered and domiciled. U.S. engineering services will be provided by individual contractors, Mr. Borish said. Ebasco will handle inspections and claims services for the operation. Applyby, Spurling & Kempe in Hamilton, Bermuda, is the law firm representing GAS.

Christmas means merry thoughts of... crime losses

OMAHA—Merchants here may have fewer losses from shoplifting and phony checks during this year's Christmas rush if they attended the second annual prevention clinic sponsored by Omaha National Bank.

Seventy-five Omaha area retailers attended the free clinic to hear about the detection and prevention of check fraud and shoplifting from representatives of local federal law enforcement agencies and the security departments of Sears, Roebuck & Co. and the Omaha National.

"RETAIL STORES are the hardest hit by theft and fraud during the Christmas shopping season and that's why the clinic is a timely service," said Marcus Ford, Omaha National's vp and director of the bank's loss prevention department.

Ead checks cost merchants and banks an estimated "\$400 million to \$1 billion" each year, he said.

Shoplifters will realize a projected net profit between \$8 billion and \$10 billion in 1975, according to one of the clinic's speakers, Duane Berry, security director for Sears, Roebuck & Co. in Omaha.

Mr. Ford said losses from check frauds and forgeries are down this year at Omaha National. "I attribute this (reduction of loss) to an intensive in-house training program for clerks and tellers," he said.

Continued on page 2

Biff, bam, pow! Mr. Claus has tough job

Santa requires special insurance

NEW YORK—Whether seated on his throne lending an ear to children's gift requests or bounding onto a shopping center parking lot from a helicopter or parachute—today's version of a reindeer-drawn sleigh—most department store Santas are insured virtually to the last Ho! Ho! Ho!

A spokesman for Western Temporary Services Inc., a major supplier of commercial St. Nicks, said

the Santas are covered under a \$1 million per employe per accident policy with Zurich Insurance Co.

The policy also includes property damage coverage up to \$1 million and a \$100,000 coverage for dishonesty.

Though not as spectacularly dangerous as a parachute arrival, a more common risk facing department store Santas is their youthful visitors.

SANTAS HAVE THEIR whiskers pulled and shins bruised, "but so far we haven't had any claims filed by Santas for such injuries," the Western spokesman said.

One New York Santa, however, quit after his first day on the job this season, the spokesman related, after a youthful disbeliever interrupted his belly-laugh with a fast right jab.

For the department stores, traffic control at the holiday season is a major consideration.

"We have our insurance company send a representative to check out the location before we land a Santa in a parking lot of a shopping center," Fred Van Lieu, corporate risk manager for Allied Stores told *Business Insurance*.

Santa's throne display is covered under Allied's comprehensive general liability policy, Mr. Van Lieu said. And Santa himself, if he's not supplied by an agency, is covered under Allied's workers' compensation policy.



Shoplifting prevention clinic . . .

Continued from page 1

A sound check cashing policy is a must for cutting down on bad checks. Employees should be instructed to be suspicious of third-party checks, checks drawn on banks in other cities and low serial numbers on checks. The latter indicates a new account, which may have been set up for the purpose of fraud, Mr. Ford said.

Payroll checks are also suspicious if the dollar amount indicated is an even number, he said. With the numerous deductions possible, it is highly unlikely that the net pay amount would be an even figure.

Payroll, government, cashier and other types of 'official' checks are known to "lull merchants into a false sense of security," said

Mr. Ford, but there is much stealing and counterfeiting of these checks.

Check frauds and forgeries are usually covered under the company's blanket bond, but the amount lost is usually less than the deductible so, in effect, the loss is not insured, said Mr. Ford.

THE AMOUNT of shoplifting increases greatly during the Christmas season because "there are more people shopping so there are more dishonest people shopping," said Mr. Berry.

"The crowds give the shoplifter the cover needed to work," he said, adding that more amateurs shoplift during Christmas than at other times. "A professional doesn't care what day it is—Christmas, New Year's, it's all the

same to him because he steals every day," the Sear's security director said.

Items high on shoplifters' Christmas lists are leather coats, men's and women's knit suits and leather gloves, according to Mr. Berry.

Two years ago, he installed locking hangers for leather coats in the Sears store. "The hangers were expensive, but we haven't lost a coat since we've had them," he said. Before the hangers were used, eight coats were stolen in one year at the store.

Mr. Berry also blames the economy for part of the theft increase. "When the economy goes down, the crime rate goes up," he said.

"People will pick up almost anything they can get," said Mr. Berry. He cited the recent case of a boy caught stealing a tape cassette. The boy's explanation was that he was going to give it to his mother. Many Christmas shoplifters steal items they want

to give as presents, he said.

About 95% of the people Mr. Berry catches are prosecuted, he said. All adults are automatically prosecuted, but he sometimes releases adolescents, depending on "the attitude of the person, the attitude of the parents and the item which was stolen."

SHOPLIFTING losses are not insured, Mr. Berry said, adding that the losses are added into the cost of next year's merchandise. Estimating shoplifting losses is difficult because loss from theft is included with loss from damage.

Quoting current statistics, Mr. Berry said there are "100,000 shoplifting cases every week or the equivalent of one every 18 seconds."

Other speakers at the clinic were sergeant Al Temin, checks and fraud division of the Omaha police department; special agent Jim Felix of the Federal Bureau of Investigation; George Wruck, Retail Merchants Assn. of Omaha; Pat Smythe, Small Business Administration.

Next year's clinic will focus also on internal security ■

in this issue

Latest pension rules

The Labor Department issued a massive list of proposed regulations under the pension reform law, setting procedural requirements for everything from benefits claims handling to multi-lingual disclosure for non-English speaking beneficiaries. Comments were invited until Jan. 6. **Page 4.**

Ripe for takeover . . .

Banks are ripe for risk management, says Bob James in his master's thesis on the subject, done for the Stonier Graduate School of Banking at Rutgers, and published by the American Bankers Assn. Banks must apply principles of risk management instead of looking solely to risk transfer, he urges. **Page 12.**

Aviation loss tally

London expects global airline losses to hit \$150 million for 1974, up substantially from levels of the last two years. **Page 16.**

Automakers' woes

Group benefits will continue for a month in some cases, and for up to 13 months in others for laid-off auto worker casualties of the recession. **Page 27.**

IRS benefit rules

Tax-qualified benefits regulations are still stalled by squabbling between the Treasury Department and IRS. **Page 25.**

Pension termination

Ins and outs of plan termination insurance are discussed in the fifth in a series of articles detailing the impact of the federal pension reform law. **Page 28.**

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Funds provided for pension law staffing

WASHINGTON—The \$8.7 billion supplemental appropriations bill, containing \$8.15 million for administration of the new pension reform law, passed after the failure of an anti-desegregation amendment.

The bill will provide for the creation of 350 new positions within the Labor Department for the enforcement of the Employee Retirement Income Security Act of 1974.

Action on the bill was delayed when Rep. Marjorie S. Holt (R-Md.) introduced an amendment that the federal government contended would stop enforcement of school desegregation orders by the U.S. Department of Health, Education and Welfare (HEW). The amendment would have prohibited the threat of fund cutoffs to force school integration.

Most of the money in the bill is for aid to public schools. Funds for housing programs and a pen-

sion for former President Nixon are also included.

A Senate filibuster, designed to save the Holt amendment, was stopped by a cloture petition that passed 56-27, only one vote more than the two-thirds majority it needed to pass.

FOLLOWING THAT vote, the Senate adopted by a 55-27 vote an amendment, sponsored by Senate majority leader Mike Mansfield (D-Mt.) and minority leader Hugh Scott (R-Pa.), that would not allow any part of the Holt amendment to stop enforcement of anti-discrimination laws, thus nullifying the Holt plan.

The supplemental appropriations bill then passed the House with ease, 224-136.

Of the \$8.15 million earmarked for pension reform administration, \$1.5 million will be transferred from the Labor Department Man-

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Series reprints

The series of articles that have elaborated the cost aspects, vesting provisions, fiduciary standards, funding requirements, reporting and disclosure aspects and termination insurance provisions of the new Employee Retirement Income Security Act of 1974 is being made available in reprint form to *Business Insurance* readers. Copies of single articles are \$1 each, the entire series of six articles is \$4. Checks, money orders or cash must accompany order, made payable to *Business Insurance*. Address orders, Reprint Manager, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

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Correspondents In All Other States

FAA to require warning devices by Dec. '75

By RICHARD GORDON

WASHINGTON—The Federal Aviation Administration (FAA) said it will order the nation's 2,250 commercial jet airliners to be equipped with ground proximity warning devices (GPWD's) by Dec. 1, 1975.

The announcement came nine days after a Trans World Airlines Boeing 727 airliner crashed into a wooded mountaintop during bad weather conditions at Upperville, Va., killing all 92 passengers and crew members in the worst U.S. aviation disaster this year.

The National Transportation Safety Board, in a preliminary report on the crash, said the pilots apparently descended to 1,800 feet after receiving approach clearance from Dulles International Airport outside Washington, "although they were in an area where the published en route instrument altitude was 3,400 feet."

The GPWD is triggered whenever the aircraft flies below electronically computed safe terrain clearance levels. The warning consists of flashing lights in the cockpit, a whooping siren, and a voice command to the flight crew to "pull up! pull up!"

"FOR REASONS which perhaps we will never know," Rep. Harley O. Staggers (D-W.V.) told the House this month, "the flight crew was apparently unaware of their peril. Our information is that the crew and passengers never knew what hit them.

"It pains me to say this," Rep. Staggers said, "but I believe this loss was unnecessary. I believe that, had this aircraft carried a ground proximity warning system, a timely warning, and an unmistakable one, would have been sounded in sufficient time to alert the pilot to avoid the peak of this mountain.

"This is a strong statement, I know, but it is based on ample evidence. Furthermore, at my request, members of my staff flew over the crash site in a plane equipped with a GPWD. The flight path simulated as closely as possible, the path of the plane which crashed.

"I am advised by my staff that as the plane approached the mountain, retracing the steps of the TWA aircraft, that approximately 14 seconds before the estimated time of impact, the device sounded its alarm.

"EVEN HALF of this warning time, according to our information, would have been more than adequate to avoid the crash," he said.

Rep. Staggers heads the investigations subcommittee of the House interstate and foreign commerce committee. The subcommittee has been pushing the FAA to require GPWD's to be installed as quickly as possible.

Despite pressure from the NTSB for such a move, (*Business Insurance*, Oct. 3, 1973) the FAA did not begin to move in this direction until last September.

In hearings before the subcommittee in September FAA Administrator Alexander Butterfield said it appeared unlikely that all American commercial jet liners could be equipped with GPWD's until late in 1976.

REP. STAGGERS and other members of the subcommittee said at the time they were unsatisfied with that schedule and this month Mr. Butterfield visited the Sundstrand Corp., the only maker of the device at present, to examine its manufacturing capabilities.

Satisfied that the equipment would be available, Mr. Butterfield notified Rep. Staggers that

it would be possible to move up the equipment installation deadline to Dec. 1, 1975.

The device itself is a 16-pound computer costing about \$10,000 which uses data from other cockpit instruments to detect dangerous terrain clearances.

"When we consider that such aircraft commonly carry hundreds of passengers and cost \$15 to \$30 million, the cost of this device is trivial," Rep. Staggers said.

"We have documented case after case," he said, "wherein experienced and conscientious pilots, when confronted with weather emergencies, or other distracting situations, have lost track of the aircraft's precise altitude with fatal consequences.

"This is not an indictment of the flight crews, it is merely a rec-

ognition of the fact that they are human like the rest of us," he said.

Crashes of mechanically sound aircraft into the earth or ocean now account for about 56% of all commercial airplane crashes, according to the aviation safety officials. Various sources estimate that GPWD's could prevent anywhere from 75% to 90% of these losses.

THE NATIONAL Transportation Safety Board estimates that 15 domestic air crashes since 1968, involving 490 deaths, might have been prevented by GPWD's. Still under investigation are another five crashes, which killed 179 persons. That figure does not include the deaths from the TWA crash.

Aviation Insurance Underwrit-

ers ((AAU) was the primary insurer for TWA in the Upperville, Va., crash. The London market also participates and has a piece of the liability and hull coverage for TWA (*Business Insurance*, Dec. 9, 1974).

AAU estimates the hull value of a 727 at between \$3 million and \$7 million. The destroyed TWA plane was a "stretch" 727, one of the more expensive models of this aircraft.

Liability limits for a U.S. airliner doing heavy domestic business fall between \$100 million and \$200 million. TWA falls into this category.

The Upperville crash was the second this year for TWA. A Boeing 707 crashed into the Ionian Sea off the coast of Greece Sept. 8, killing 88 passengers and crewman.

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New Lloyd's chairman

Havelock H. Hudson, 55, was elected chairman of Lloyd's of London for 1975. He is a marine underwriter with Hudson and Vernon Ltd., and has been engaged at Lloyd's since 1938. In 1952 he became an underwriting member of Lloyd's, and has served on its committee at various times, as well as on the board of Lloyd's Register of Shipping. Leslie R. Dew and A. W. Higgins were elected deputy chairmen for 1975.



washington watch

Labor Department issues proposed regulations for pension reform law

WASHINGTON—Pension and employe benefit plan officials, in denying a claim, must provide a beneficiary or participant, the Labor Department proposed, with the following information:

- the specific reasons for the denial;
- specific references to pertinent plan provisions;
- description of any additional material or information necessary for the claimant to perfect the

claim, an explanation of why such material is needed, and;

- an explanation of the plan's review procedure.

This proposed regulation under the pension reform law provides that the plan must give claimants at least 60 days from receipt of the notice of denial in which to request a review.

Plan provision for review under this proposal must include the right of a claimant to re-

quest review, have representation, review pertinent documents relating to the denial, and submit issues and comments in writing.

Decisions on review must be issued, the department suggested, within 60 days after receipt of a request for review unless special circumstances, such as the need under a plan procedure to hold a hearing, would make the rendering of a decision within the 60 day limit unfeasible.

Plan officials and other interested parties may comment on this proposal and all those following, until Jan. 6 by writing the Office of Employee Benefits Security, Labor Management Services Administration, P.O. Box 176, Washington, D.C. 20044.

Tests scheduled for multiemployer plans

The Labor Department wants all new multiemployer pension or welfare plans to pass a "substantial business purposes" test before being allowed under the Employee Retirement Income Security Act.

Fund officials will have until Jan. 6 to comment on this proposed department regulation.

The department is apparently concerned that multiemployer plans may be established to take advantage of differences in financial treatment accorded multiem-

ployer plans over single employer plans by the pension reform law.

Single employer plans are required to amortize past service liabilities over 30 years. Multiemployer plans are allowed to fund on a less expensive 40-year schedule.

Experience gains and losses for single employer plans must be amortized in 15 years. Multiemployer plans have 20 years.

Premiums for coverage by the Pension Benefit Guaranty Corp. are also expected to be lower for multiemployer plans than for single employer plans. Initial premiums for multiemployer plans are 50 cents per plan participant. Single employer plans pay \$1 per participant.

The department proposed that multiemployer plans established since the signing of the pension law on Sept. 2, 1974, could meet the substantial business purposes test if any of the following four situations apply:

- the extent to which the plan consists of a substantial number of unaffiliated contributing employers and covers a substantial portion of the industry in terms of employes or a substantial number of the employes in the industry in a particular geographic area;

- the extent to which the plan provides benefits more reasonably related to employes' years of service in the industry under consideration than could a single employer plan, because the employes' relationships with any particular employer in the industry generally are short term although service in the industry is long term;

- the extent to which there now exists a pattern of collective bargaining on matters other than employe benefits plans between the employe organization and the group of employers seeking multiemployer plan status for the plan;

- the extent to which the administrative burden and expense of providing coverage through a number of single employer plans would be greater than under one plan.

The department said it would assume that multiemployer plans established prior to the pension law's enactment were established for "substantial business purposes" because there were no legislatively produced financial incentives in effect at the time.

Charges to plan participants allowed

Pension and employe benefit plans may charge participants and beneficiaries for copies of documents other than summary plan descriptions, but the Labor Department this month suggested the charge be no more than the actual cost of reproduction.

It proposed that the ceiling on document costs be 20 cents a page, arguing that a cost higher than that would defeat the disclosure rights won in the law.

Even for summary plan descriptions, funds are not required to supply more than one copy free to each participant.

No charge for handling costs or postage would be permitted under the proposal. These costs, said the department, are associated with performance of a service function of the plan and are more appropriately met from the plan's funds than by a particular participant.

The department also proposed that reports or documents that must be supplied to participants and beneficiaries by law should be mailed first class. The use of first class mail is necessary in order to ensure that material mailed to an out of date address will be forwarded to the correct address.

Continued on page 6

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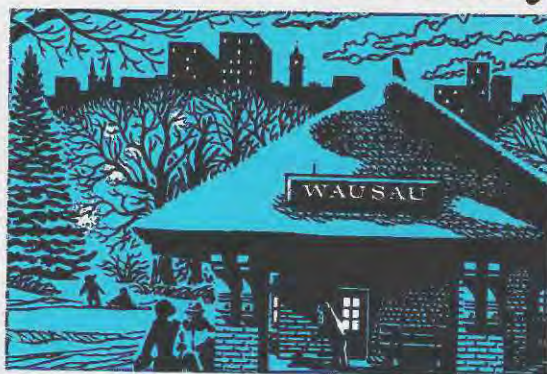
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Regulations...

Continued from page 4

The department said that the use of other means of delivery, such as personal delivery, may be sufficiently effective to be acceptable under its proposal, but a random distribution to employees would be unacceptable.

Reports or documents that must be supplied upon written request from a participant or beneficiary must be mailed or personally delivered to the person who requested it, according to the proposal. Use of first class mail would not be necessary, however, since the requester can supply a correct address and eliminate the need for forwarding.

Exempt benefits

The Labor Department said this month that it anticipates issuance of regulations that will make it

clear that a number of benefits are not covered by the filing and disclosure rules in the law.

These programs would include certain employer practices (whether by a collective bargaining agreement or not) under which employees are paid as a part of their regular compensation directly by the employer and under which no separate fund is established.

Examples of the employer practices that might receive this treatment are payment of overtime pay, vacation pay, shift premiums, Sunday premiums, holiday premiums, jury duty or military duty, make-up pay, and pay while absent on account of illness or excused absences.

Plan summary requirements

A requirement that pension plans in existence on Jan. 1, 1975

supply participants with new summary plan descriptions by April 30, 1975, would be scrapped under an alternative procedure proposed by the Labor Department.

The department said it expected most pension funds in existence on Jan. 1 would have already furnished plan summaries to the great majority of participants and beneficiaries.

The department proposed that these summaries could be used as "interim summary descriptions" until changes required by the pension reform law had been adopted.

Plan officials would have to see that all participants and beneficiaries did receive at least the interim plan description by April 30, however, and would have to supply any supplementary statements adding essential facts not in the interim descriptions.

The department said that pension plans that use the alternative must later furnish a completely updated summary plan description

reflecting major changes made in the plan to comply with the pension reform law.

These updated summaries would include, among others, vesting, funding, participation and fiduciary responsibility provisions. These changes would otherwise be reported separately.

Under this alternative, the following deadlines would apply:

- On or before April 30, 1975—the 120th day after Jan. 1, 1975—all persons who would otherwise receive summary plan descriptions must have been furnished on interim summary plan description and supplemental statements. This includes all who are participants or beneficiaries receiving benefits from the plan as of Jan. 31, 1975.

- For all who become participants or beneficiaries receiving benefits from the plan after Jan. 31, 1975, and before the 31st day of the plan year that begins in 1976, interim summary plan des-

criptions and supplementary statements must be furnished within 90 days after they become participants or beneficiaries.

- On or before the 120th day of the plan year that begins in 1976, updated summary plan descriptions must be furnished to all who are participants or beneficiaries receiving benefits from the plan as of the 31st day of that plan year.

The act would normally require such beneficiaries or participants to be furnished with an updated summary within 90 days.

The deadline for the next five year or 10-year updating of the plan description will be based on the starting date of the plan year that begins in 1976, rather than in 1975.

This alternative still requires that copies of the interim summary descriptions and supplemental statements be on file by April 30, 1975.

Reports consolidated

The Labor Department has proposed consolidating two reporting requirements into one form for pension and employee benefit plans in existence on Jan. 1, 1975.

The new pension reform law requires a "plan description" and a "summary plan description" be filed by April 30, 1975, for plans in existence Jan. 1 and written 120 days of establishment of any plan after Jan. 1.

The department has developed a "Plan Description Form EBS-L" and is suggesting that filing it be sufficient to meet both filing requirements.

If the plan administrator uses this option, he need only file form EBS-1, but must clearly mark that it is being used as the summary description as well, the department said in its proposal.

Reports to differ

Where pension or benefit plans provide different benefits for various classes of participants and beneficiaries, plan administrators should be allowed to supply different summary plan descriptions, the Labor Department suggested.

Each summary plan description must, however, provide all the information pertinent to members of the class to which it is addressed, the department said.

The cover of the plan summary description must contain a statement clearly identifying the class to which it is addressed, but must also outline the plan's coverage of other classes.

The Labor Department said this proposed requirement is intended to inform recipients of descriptions covering only part of a plan about the information which is not being made available to them.

The department said this should help to alert participants who may have received a summary plan description not applicable to them, or may need an additional description because they fall into more than one class for purposes of plan information.

Multi-lingual reports

Where pension or benefit plan participants may be literate only in a language other than English, the Labor Department has proposed that employers be required to prominently display a note, in the language best understood by these persons, offering them assistance, to learn of their rights and obligations.

This would apply when plans cover one or more facilities where a majority of the participants are not literate in English, but in some other language.

The department suggested that the assistance may be oral or written, and may involve interpretation of plan in whole or part. ■

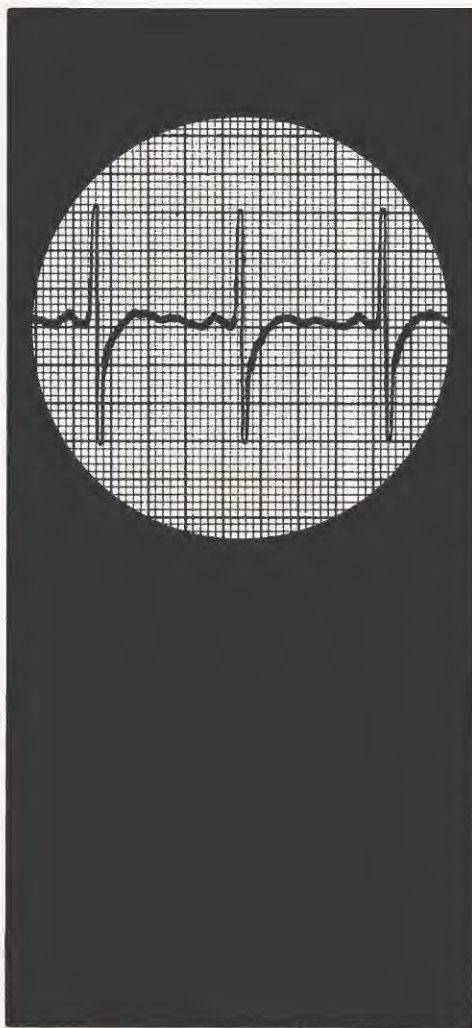
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Gold security . . .

Continued from page 1

ognized refiner—plus the integrity of the seller" of gold coins and bars.

Engelhard bars are marked with the weight, the gold's purity and a registered serial number.

Nevertheless, the company warned, it must be recognized that gold is subject to the danger of counterfeiting. "This is particularly true once gold has left the physical possession of the financial institutions. For our part, we will distribute our gold bars directly to leading financial institutions. If there is no break in the chain of physical possession between a financial institution and (the customer) this will be a strong additional assurance against the risk of counterfeiting."

Other suppliers agreed. The only solution to avoiding counter-

feit gold is to buy from a reputable refiner and keep the bars at the bank, they conclude.

The American Numismatic Assn. found that roughly 33% of all coins involved in lab studies are fakes. However, that figure may be misleading, an association source said, "since the certification service in Washington, D.C. only receives coins that are already suspect of being phony."

THE SUPPLIERS' risk will not come close to that of the retailers, some said. The suppliers of gold have long been security conscious, so it is the retailers who need to beef up security.

"As a supplier, our risk is the exaggerated buildup of inventories. This is an extremely unusual buildup of values. We will, if need be, redo our security, re-

view and make appropriate changes so that it is virtually 150% impossible for gold to be stolen while it's in our hands," one large retailer said.

The transit risk is a big one. "If the gold falls into the wrong hands, it can be melted down and no longer has the identity or logo of the supplier," one industry source lamented.

Fire damage is not a big risk, one risk manager said. "Fire is not as big a risk as the risk of inside or outside thefts. Gold could melt down in a fire, but it doesn't do anymore than that."

Engelhard Industries' group vp John R. Toedtman told *Business Insurance* how they are handling the situation.

"As one of the world's most substantial organizations dealing in precious metals, Engelhard Mineral & Chemical Co. maintains more than adequate insurance coverage with regard to the upcoming gold program. Other

risk areas of interest are the insurance risks covered by transportation and shipping companies, as well as insurance coverage in those places, those institutions or organizations that plan to store gold," he said.

Merrill Lynch announced it will be retailing gold in a joint venture with a London bullion dealer and a U.S. refiner.

A NUMBER of other stock brokerage firms are moving in this direction, too. "Insurance companies are probably looking to London for a lot of reinsurance right now concerning transportation risks," one securities brokerage firm said, noting that domestic companies are somewhat more reluctant to underwrite gold-related risks at this time because of their unfamiliarity with the gold field.

However, domestic companies may not be as wary as some insurance specialists have indi-

cated. "I'm not sure if it's much more of a risk than stocks and bonds," one brokerage firm said.

And Frank B. Hall said it has "a substantial number of accounts with this risk" which are underwritten in the U.S.

"To our knowledge, certain of the domestics are very familiar with insurance of precious metals. Underwriters who are active in the jewelry market are not afraid of precious metals," Hall said.

The coverage can be handled either on a jeweler's block policy for a smaller risk or on a property policy. The jeweler's block "might fit very well for a smaller risk," Frank B. Hall said.

But property coverage on a broader policy is handled on an inland marine form, Hall noted. "This would cover transportation risk, location on all risks and theft on premises and hijacking which might prove to be a very serious loss," it was added.

STOCKBROKERS' all-risk insurance is broad enough to cover "anything to include precious metals under its stockbrokers' blanket bond coverage," the insurance broker continued.

The problem for the retailer is "one of protection," Hall continued. "The underwriter's concern is going to be that the client have adequate security. The refiners have no problem with security. They've been living with this situation all along."

Banks will be retailing gold, too. First National Bank of Chicago announced that it will start the new merchandising plan at the end of December.

"I don't foresee any upping of limits," one bank source said. "All institutions will look to their blanket bond covers to insure the gold risk."

Banks see theft as the biggest risk for them. "Robbery, hold-up, theft, mysterious disappearance are risks. I think you have to know who you're doing business with" to solve these problems, one bank source concluded. ■

Financial Officers and Risk Managers:

The Institute of Risk Cost Control Announces an **Advanced Seminar**

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ADVANTAGES AND DISADVANTAGES OF SELF INSURANCE by BILL McINTYRE, CPCU, President of RIMCO, one of the largest risk consulting firms in the United States. Formerly with Wayne Durham & Co., of Abilene, Texas, a general insurance agency. Holds a diploma in risk management from the Insurance Institute of America and a degree in accounting from Abilene Christian College. Vice President of the Insurance Consultants Society.

RISK MANAGEMENT FOR RESULTS by JOHN A. LINDQUIST, CPCU, Corporate Risk Manager, Anderson Clayton & Company. Listed in *Who's Who in Risk Management*, served as a Casualty Underwriter for Travelers Insurance Company and Corporate Insurance Manager for General Acceptance Corporation. Member of the American Society of Insurance Management.

ALLOCATING RISK COSTS by GUYON SAUNDERS, President, Corporate Systems Corporation. A senior partner in Ordway-Saunders Company, Mr. Saunders has specialized in developing management systems for risk and insurance management programs and has had published a number of articles on the application of cost center management techniques to risk and insurance management.



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Insurer pays Stop & Shop \$10 million

NEW YORK—A five-year battle between Stop & Shop Inc. and its excess underwriter, Transportation Mutual Insurance Co., recently ended with the insurer paying Stop & Shop \$10 million on its property coverage.

The \$10 million is the last payment for property damage and business interruption which resulted when a distribution center was hit by a fire in 1969. The fire destroyed one-third of the company's food inventories and shut down the warehouse for over a year. (*Business Insurance*, Aug. 8, 1969).

Transportation Mutual held the top third on the grocery chain's property coverage, on a \$30 million policy, which included a business interruption clause on all three layers.

THE TWO insurers sharing limits up to \$20 million had already paid out that portion of the loss prior to this settlement. Names of the two insurers were withheld by the food chain.

Stop & Shop Inc. has since upped its limits on property coverage. It now has blanket coverage with Factory Mutual for "several hundred million dollars," a company source said.

The fire experienced five years ago is estimated to have produced losses of "more than \$30 million including business interruption." ■

Pick judges for B.I. employe benefits communications awards competition

NEW YORK—Five judges have been chosen to sit on the panel for the third *Business Insurance* Employe Benefits Communications Awards Competition.

The panel consists of a group of professional communicators not involved in the administration of employe benefits.

They include: Douglas L. Alligood, director, corporate advertising at RCA Corp; Tony Cappiello, communications director and principal of Ries Cappiello Colwell; Rita Epstein, editor of Risk Management magazine and director of the American Society of Insurance Management ASIM's news bureau; Jo Foxworth, president of Jo Foxworth Inc.; and William H. Scherman, vp and promotion director of Newsweek.

Entries for the competition will be accepted until Feb. 24, 1975. Winners will be honored at an award ceremony during the American Society of Insurance Management's Employe Benefits conference luncheon, Tuesday, April 22, in Dallas, Tx.

Mr. Alligood joined RCA Corp. in 1971. Prior to that, he was an account executive at Batten, Barton, Durstine & Osborn, Inc. He began his business career with WCHB, a Detroit radio station. Mr. Alligood is a founding member, past president and board chairman of Group for Advertising Progress, Inc. (GAP), an organization formed to aid minority group people seeking advertising careers. He is also an active member of the National Communications Committee, Boy Scouts of America, Hastings Recreation Commission and the Little League of Hastings.

PRIOR TO teaming up with two other partners 10 years ago to form their own advertising agency, Mr. Cappiello put in 21 years as an art director, designer and creative director. He was chairman of the Art Directors Club's 50th annual exhibition. He has written a number of articles published in *Print* magazine, *A. D. Assistant Graphic Arts Buyer*, *Editor's Notebook* and *Industrial Marketing*. He is listed in "Who's Who in America" and "Who's Who in Advertising".

Ms. Epstein joined ASIM in 1970 as editor of *Risk Management* magazine. She was previously associated with *Travel Agent*, a newsmagazine, and editor of *Cowles Communications*. She is a graduate of Sir George Williams University in Montreal. She is an active participant in the Society

Okay state OSHA plan

WASHINGTON—A state-run occupational safety and health organization has been approved for Arizona by the U.S. Occupational Safety and Health Administration (OSHA).

The Arizona agency is the Division of Occupational Safety and Health, Arizona Industrial Commission.

Federal enforcement of the Occupational Safety and Health Act will continue in Arizona, however, until the new Arizona plan produces standards and regulations acceptable to OSHA officials.

Arizona originally submitted a proposal to set up its own safety and health program in September, 1972.

of National Assn. Publications; the Insurance Advertising Conference and The American Risk and Insurance Assn.

BEFORE FORMING her own advertising and public relations firm, Ms. Foxworth was an officer in the Interpublic Group of Companies, serving as creative director of McCann-Erickson, executive vp of Johnstone Inc. and head of Calkins & Holden. She graduated from the University of Missouri. She has received a number of awards including twice being named national advertising woman of the year. She is a columnist for *Advertising Age*.

Prior to joining Newsweek, Mr. Scherman spent 18 years at

Time Inc. He was asst. promotion manager and copy chief for Time. Sports Illustrated's promotion manager and general promotion manager for Life. He was also a copywriter and assistant advertising manager and direct mail manager for Simon and Schuster. He is a graduate of Dartmouth College.

Judges will consider entries in four categories: booklets; personal communications, such as letters and computerized benefits statements; audio-visual; and total communications program.

Any interested parties should request entry blanks, rules and other information as soon as possible by filling out and returning the coupon on this page.

Employe Benefits Communications Awards Competition

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Union has the experience, and the flexibility to write imaginative policies that keep costs down.

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In short, we think we offer the best deal, and the best services, of any Workmen's Comp writer in the business. After all, we insure a lot of our competition. We're probably

insuring your competition, too. So maybe you ought to ask your Independent Agent about us.



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Saves money, eases market scarcity

Rutgers graduate thesis says that banks are ripe for risk management

By PAUL R. MERRION

NEW BRUNSWICK, N.J.—Risk management for banks, necessitated by growing exposures and a shrinking insurance market, is a concept whose time has come, says John R. James in his thesis submitted to the Stonier graduate school of banking at Rutgers University.

"However, perhaps due to the conservative nature of many bankers, it is unusual to find a planned risk management function in existence, even though proper risk management can minimize the costs of protecting against fortuitous risks while transferring or limiting the catastrophic loss," Mr. James wrote in his recently published thesis, "Risk Management in Banking."

Problems such as required deductibles and difficult-to-obtain fire and extended coverage (especially in inner-city locations) may "come as a rude shock to those bankers who are not well versed with the problems occurring within the insurance industry, and for some it is the first realization that banks are no longer a prime risk in the eyes of many insurance underwriters," he wrote.

INDUSTRYWIDE ACTION to reduce losses is the answer to the problem, and risk management is the best vehicle for that purpose, Mr. James says in his thesis.

"When the proposition is accepted that insurance should only be used to protect against those losses which could jeopardize the financial structure of the bank, that there are benefits to be gained from expending funds on risk control, and that assumption of part or all of a risk can also reap long-term financial benefits in the form of reduced expense, the risk management concept will have become recognized," he wrote.

Mr. James said there is a tendency to include all "pure" risks (i.e., those that can result only in a loss) in a comprehensive program of risk management for banks, even though all risks may not be insurable. These risks include: Electrical service breakdown, postal strikes, transportation strikes, disruption of heating services and breakdowns of telephone service, any of which can result in a severe loss for a bank (original source: Dr. H. Wayne Snider of Temple University).

"An awareness of these pure risks should be conveyed to bank management so that in the initial stages of planning they are considered and, if the project is approved, some contingent emergency plan may be established," Mr. James wrote.

DISCOVERING sources of loss from pure risks is accomplished by a sophisticated analysis of accounting statements, Mr. James wrote. Potential property, liability and personnel losses can be identified by examining the profit and loss statement, the balance sheet, payroll records and other employe information. But while "analysis of financial records would usually indicate discovery of risks after it exists, . . . timely communication can uncover risk even before it becomes a reality, which affords the opportunity to manage the risk from the moment of its inception," he wrote. In this way, losses that

occur between the existence and the discovery of a risk can be reduced.

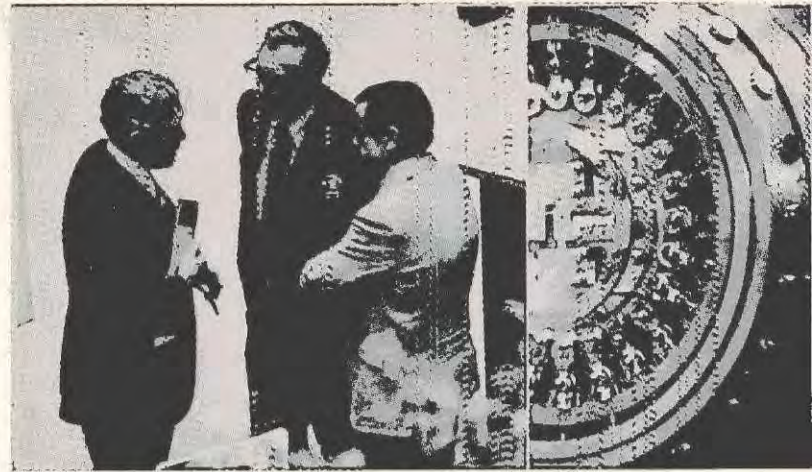
Bank personnel losses can be handled by developing "competent future management at all levels" and purchasing key-man life insurance to provide funds for the attraction of equivalent talent, he wrote. Also, the risk management approach would help to ensure that top executives do not travel together in large numbers.

Property losses at banks are mostly due to fire, crime and internal error or omission, Mr. James said. Federal Bureau of

Investigation statistics show that crime is a major problem for banks, and criminal risks require the most constant attention as far as risk management is concerned, he wrote.

"**THESE LOSS** trends (due to crime) were partially responsible for the passing of the Bank Protection Act of 1968, and have resulted in some banks taking a greater interest in risk management as a formalized function," he wrote.

Employe dishonesty is another major source of loss. "In December 1970, the frequency of



Banks are faced with more risks and a shrinking insurance market . . .

losses involving U.S. government securities caused some insurance underwriters to withdraw coverage on these securities, while others imposed substantial restrictions on the coverages afforded

under bankers' blanket bonds," Mr. James wrote.

Also, social unrest activities by those who view banks as part of the "establishment" present a potential loss that could be more

reasons why the
Up Group keeps
coming up with
more of the
"Pension Pie".



Risk management principles can and should be applied to lessen the cost of protecting against risks.

far-reaching than any other direct damage risk, he wrote.

"Centralized functions and high concentrations of value in limited areas increase the possibility that a bomb explosion

could disrupt activities to the point" where the future of the bank may be put into jeopardy, Mr. James wrote.

In assessing potential losses, not only the value of the property

itself but the loss of business while the facilities are unuseable must be considered, he wrote.

"Consequential risks, while often difficult to identify, are capable of generating greater eco-

omic loss than the direct risk with which they are associated," according to Mr. James.

BESIDES THE normal liability risks incurred by general bank operations, special forms of liability risks may occur, such as a products liability risk if any type of property is distributed for use outside of the bank; a lawsuit for the false arrest of an alleged forger or bank robber, if not specifically covered by insurance; or the risk incurred by an employee who rents an airplane while on bank business or entertains customers aboard his yacht, unless covered by insurance, according to Mr. James.

The risk management approach would develop a system whereby the existence of these risks is communicated before damages can occur, he wrote.

Once the risks of the bank are identified, the next step is to attempt to control them. For in-

stance, banks in shopping centers or other locations with a common roof and/or flooring with another structure should install a fire wall around the bank to reduce the risk of a spreading fire and the consequent loss of business, Mr. James wrote. Also, a fire wall may qualify the bank for a lower premium, besides protecting against the loss of competitive advantage during reconstruction.

The computer center must be well protected because it is "perhaps the single most vital function of the bank," in Mr. James' opinion. Even if not required by the underwriter, stringent firesafety and security measures should be employed in any loss prevention program, he said in his thesis. In addition, a bank that uses computer services off its premises should review those facilities as thoroughly as if they were its own; "the total loss of a service bureau would be no less damaging to the bank than if it lost its own facility," Mr. James wrote.

IN HIS DISCUSSION of various risk assumption methods, he had this to say:

- Funded reserve: "It ties up funds which could otherwise be used for more profitable purposes."

- Book reserve, current account: "This type of reserve works well for those losses which occur frequently during the course of the accounting period."

- Captive insurance company: "Captive insurance companies should simply be recognized as a financing device for the assumption of risk. Whether or not such a device is appropriate for an individual bank or even the industry as a whole has yet to be determined."

- Chronological stabilization plan: "This plan may work well for a non-financial operation which needs to stabilize its expenses but it would not appear to have much application for a financial institution. Bank losses are not usually unstable and generally do not warrant use of this approach."

- Self-insurance: "It is nonsensical for a corporation to insure all risks from the first dollar of value when deductibles as high as \$250 or more are willingly being assumed by individuals for collision coverage on their automobiles. In some cases the premium savings and prior loss experience may be sufficiently great to warrant self-insuring the entire risk."

THE PROBLEM of risk transfer has become more acute in recent years, according to Mr. James. As loss experience increased, underwriters tightened up on their previously generous interpretation of policies, with the result that "underwriters assumed the role of determining which extensions of coverage were to be afforded the bank rather than the bank determining which extensions were necessary for its operations."

The question of whether to buy insurance for protection or for account relationship purposes has only one answer in view of risk management principles: "Protection must come first," Mr. James wrote.

"In most banks the required components (for a risk management program) are already in existence although they may be in dormant form. It is only necessary to establish the internal organization and to find an imaginative bank officer possessing initiative and willingness to accept the assignment before a viable risk management function can become a reality," Mr. James summarized.

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editorial opinions

Evolution of the benefits manager

THE ROLE AND responsibilities of employe benefits managers have changed dramatically in the last 20 years. It is awesome to consider, for example, as a benefits executive for General Motors pointed out in the last issue of this magazine, that in 1953 pension and insurance costs for an hourly-rate employe were about 4% of total payroll costs, and all benefits and payments except wages amounted to about 17% of payroll.

By 1973 pension, insurance and supplemental unemployment benefits grew to 15% of payroll while all benefits grew to more than 35%. During the same time, the cost of pensions in terms of cents per hour worked increased more than 600% and insurance almost 2000%, while at the same time base wages jumped about 170%.

Only a part of these increases, points out Victor M. Zink, director of GM's employe benefits section, is due to new benefits; higher wage rates, higher prices for services and increased utilization were also responsible, he said.

Nonetheless, the impact on employe benefits management, as well as the corporate bottom line, has been astounding. Any company making the top 500 of the business directories can hardly afford to manage benefits by the seat of its pants—or by a clerk out of the personnel office.

Which lends to a point of discussion in the past year or so: Should employe benefits be brought under the umbrella of risk management in the corporation where a professional risk management department flourishes?

Perhaps Mr. Zink gives a clue to the answer of that—albeit indirectly—when he says that after 20 years of experience in the development and negotiations of employe benefits, “I still have more questions than answers.” He asks:

“Is it still proper in view of our changing work force to assume for benefit plan purposes that our average employe

is a family man who will stay with us until he retires?”

“Is it still consistent to insist on the one hand that employes are primarily responsible for their own welfare and on the other hand to provide a relatively fixed set of benefits?”

“Is it still reasonable to increase benefits (and in the process, increase fixed costs) at a time when the business itself is experiencing difficulty?”

“Is it still feasible to try to control health insurance costs solely through the carriers when the charge patterns are essentially determined by a delivery system controlled by the providers?”

“Is it still sensible to follow industry pattern when that pattern may not be best for our company and our employes?”

It's a formidable list of questions, Mr. Zink. And they lead us to the notion that answering them—and others that will certainly replace these as they fall—requires the full attention of at least one corporate executive and a staff at most corporations. Whether or not that person reports to a risk management executive ultimately depends upon the qualifications and experience of the latter.

Nevertheless, two things are certain about the state of employe benefits: First, benefits management is not merely buying insurance; it's financial management with a lot of humanity thrown in. Second, an old tenet still applies. Mr. Zink re-emphasizes it when he recalls the memo of a GM vp written 50 years ago. The vp pointed to four constant worries of employes—what happens when they get sick, when they lose their job, when they're too old to work and when they die—and went on to say that anything done to allviate those fears would be beneficial not only to the workers but to General Motors as well.

GM and benefits management have come a long way in 50 years, but that's still a good way to look at it.

International issue to focus on London

ON MARCH 10 *Business Insurance* will publish its annual International Issue with special emphasis for U.S.-based corporate insurance consumers with risks to manage and people to protect abroad.

This issue is an especially rewarding one for our editors to put together, for it compresses the world and reveals to us that the nature of risk management is truly worldwide: there are few language, political or diplomatic barriers when insuring products, plants and people in the stream of international commerce. Indeed, it is one of the few fields where political skirmishes may be going on between countries but it's business as usual for insureds and insurers.

A particular focus of this issue will be the London market, which is still the undisputed center of world insurance markets despite challenges in recent years from American and other markets. If our preliminary research is on target it seems that London is taking advantage of current market turbulence in this country and regrouping to play an even larger role in the future.

Our London correspondent will be joined next month by a

Business Insurance staffer from this country. They will be making a detailed examination of what's ahead for the London market. Among the items now on our storyboard: An overview of Lloyd's, its' changes in recent years and its future adaptations to world economies and risks; a look at how U.S. brokers and risk managers are working with Lloyd's and the London markets; and an examination of the London market's leading role as a worldwide reinsurer. We'll also be meeting with British risk and employe benefits managers for their views of the changing risk and benefits picture in the United Kingdom.

Beyond this emphasis on London, we'll be pursuing other stories with an international flavor: Details of how some recent ventures by U.S. corporations abroad have been insured; the hot spots for changing employe benefits legislation affecting third-country nationals; and the up-and-coming Far East insurance market.

Readers with suggestions or possible contributions may submit them to Susan Alt, Managing Editor, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

letters

This column is a readers' forum. Letters are welcome. Address letters to the Editor of *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

Risk survey reprints

To the Editor: The Nov. 25, 1974 issue of *Business Insurance* printed an article entitled “Top execs: Risk manager's influence climbing.”

Is this article available in booklet form? If the article is available in booklet form, please forward six copies to my attention and bill me.

Roy L. Vickrey
Insurance manager, Hallmark Cards Inc., Kansas City, Mo.

Editor's note: We appreciate the interest in our risk management survey. We will make reprints available either in booklet or folder form if demand is strong enough. Other readers, please indicate your interest in such reprints by writing to Susan Alt, Managing Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. In the meantime, we've sent along several copies of the Nov. 25 issue to Mr. Vickrey.

Not inconsequential

To the Editor: Your article in the November 11, 1974 issue, “Demand grows for risk consultants' counsel” refers to the Insurance Consultants' Society as being seven years old. To the best of my recollection the ICS was founded in 1963 and is now the oldest risk consultants' professional society in the country.

Further, as a matter of keeping the record consistent and correct, I was somewhat surprised to see that First Insurance Management Co. was omitted from reference in the group that included Warren, McVeigh, Griffin & Huntington, Risk Planning Group, Wyatt Co., Betterley Assn., RIMCO and Corporate Policyholders Counsel. Our firm was established in 1959, is known in New York State as First Risk Management Co., operates in Puerto Rico as First Insurance Management (P.R.) Inc., maintains a service office in Copenhagen and has a subsidiary, First Financial Management Co., which specializes in employe benefits and pension consulting. Our executive professional staff consists of three holders of the CPCU designation (all of whom also hold the IIA diploma in risk management) and one man who is a CLU and an attorney. We service accounts in most parts of the United States and have served clients in more than fifteen nations abroad. Our officers have also held positions as secretary, treasurer, vp and president of the

Continued on page 16

business insurance

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

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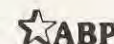
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letters

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Insurance Consultants' Society. Though we are no Ebasco, and though we generally maintain a low corporate profile, I think that our contributions to the profession have not been inconsequential.

Leonard J. Silver

President, First Insurance Management Co., Wyncote, Pa.

D&O and pension act

The editorial appearing in the November 11th issue of *Business Insurance* ("Another Gap in D&O Liability") accurately quotes my conversation with you, but contains in it inference that the directors' and officers' liability policy may be the logical vehicle for insuring claims under the Pension Reform Act. While I do

feel that there are some instances where such coverage can be claimed, it would seem that the better procedure is to develop a policy form specifically tailored to coverage of trustees and other fiduciaries, and properly insuring liabilities arising under the Act, rather than relying on directors' and officers' policies for this purpose.

Among other reasons for feeling that specifically designed policies will be in the interest of all concerned is the fact that the exposures under the Pension Reform Act were truly not contemplated by underwriters in issuing D&O policies, they are somewhat unique, and the Act in Section 410 contains provisions making recourse by an insurer of a plan against a fiduciary mandatory.

Underwriters, agents, consultants, and risk managers have a lot of work to do in arriving at a full understanding of the implications of the Pension Reform Act and the

fiduciary responsibilities under it. It will be far better to work in close harmony in designing appropriate programs of insurance for this purpose, rather than seek to adapt policy forms on an ill-fitted basis—nobody is ever too comfortable in hand-me-down clothes inherited from an older brother or sister. I just hope that as experience develops under the new forms, the results of that experience will be shared more openly with the insurance-buying public than has been the case with respect to directors' and officers' insurance.

Warren G. Brockmeier

Director, risk management services, The Wyatt Co., Chicago, Ill.

Accounts receivable

To the Editor: I continue to search the pages of *Business Insurance* for anything pertaining to limited risk coverage of a firm's

accounts receivable.

The field seems to be very small while the market must be large.

K. W. Norwine

vp, The Pilliod Cabinet Co., Swanston, Oh.

Editor's note: We're looking into such coverage. Perhaps a reader with further information can help Mr. Norwine.

454 to go

To the Editor: Thank you for your November 11th article describing Risk Management Information Systems operated by Corporate Systems Corp. Unfortunately, an error either of enthusiasm on the part of one of our customers or a decimal point on the impression that we were serving many more companies in the Fortune 500 than actually we are.

Corporate Systems does provide risk management information sys-

tems for 46 of the 500 largest industrial corporations in addition to just under 700 other corporate accounts in the United States and Canada. We're shooting for the rest of the 500 but, we're still quite a ways off.

Guyon H. Saunders

President, Corporate Systems Corp., Amarillo, Tx.

Thank you

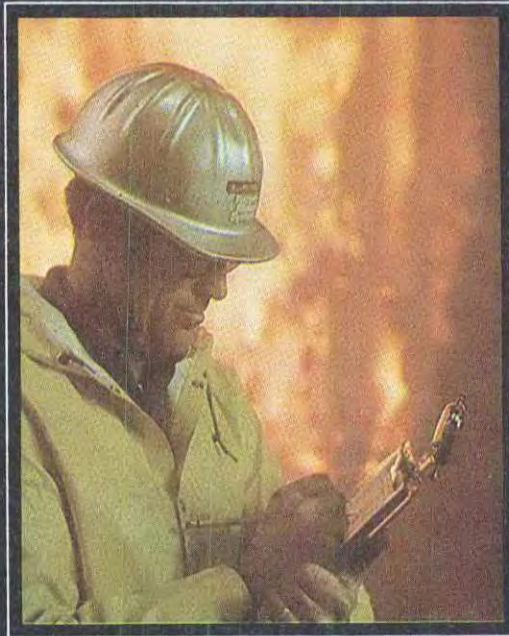
To the Editor: Congratulations for an extremely well written article concerning D&O Liability in the October 28th issue of *Business Insurance*. This is indeed one of the finest pieces of reporting and writing that *Business Insurance* has come up with for a long time.

Please keep up this objective and factual form of reporting, you serve the industry well.

William P. Davis, III

President, Insurance Buyers' Council Inc., Baltimore, Md.

ABOUT ONCE A WEEK THIS MAN SETS A MAJOR FIRE IN OUR PLANT.



Not only that, he gets paid for it. He's not a professional arsonist. He's Al Reynolds and he works at the Factory Mutual Test Center in West Gloucester, R.I.

To date, Al's burned everything from rack-stored cups to aerosol cans of paint spray. And we've learned something new from every fire.

The result has been the development of a whole new set of fire safeguards and protection standards, as well as several effective alternatives for quenching fires in a

variety of situations.

Al will continue to set fires in our plant because there's still a great deal we want to know about fire protection. What we learn we pass on to the Factory Mutual Policyholders.

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\$150 million expected '74 airline losses

LONDON—Airline underwriters expect global total losses of major aircraft to hit \$150 million by the end of 1974. This is hull value, tripled in the past four weeks by the two U.S. airline losses (TWA and Northwest Airlines) and a DC8 crash in Sri Lanka (Ceylon) coupled with the Lufthansa jumbo jet disaster in Nairobi.

Walter C. Corbett, of Excess Insurance in London, speculated to *Business Insurance* that competition in aviation premiums might start to die down as claims go on rising.

As chairman of the Aviation Insurance Officers Assn. he said: "Some of the more vigorous insurers, who have kept rates unduly low in the hope of benefiting from expanded income, are now finding that the world aviation is slowing down in its rate of growth.

"THIS CAN certainly make them review their position in 1975 and lead to an upward trend in ratings if they decide aviation is no longer the growth industry they hoped it would be when they first entered the market aggressively."

Jet losses last year totalled \$115 million, compared with \$105 million in 1972. Insurers believe the improved safety factor noticeable in the sixties when new and sturdier jets were being put into operation is now levelling off.

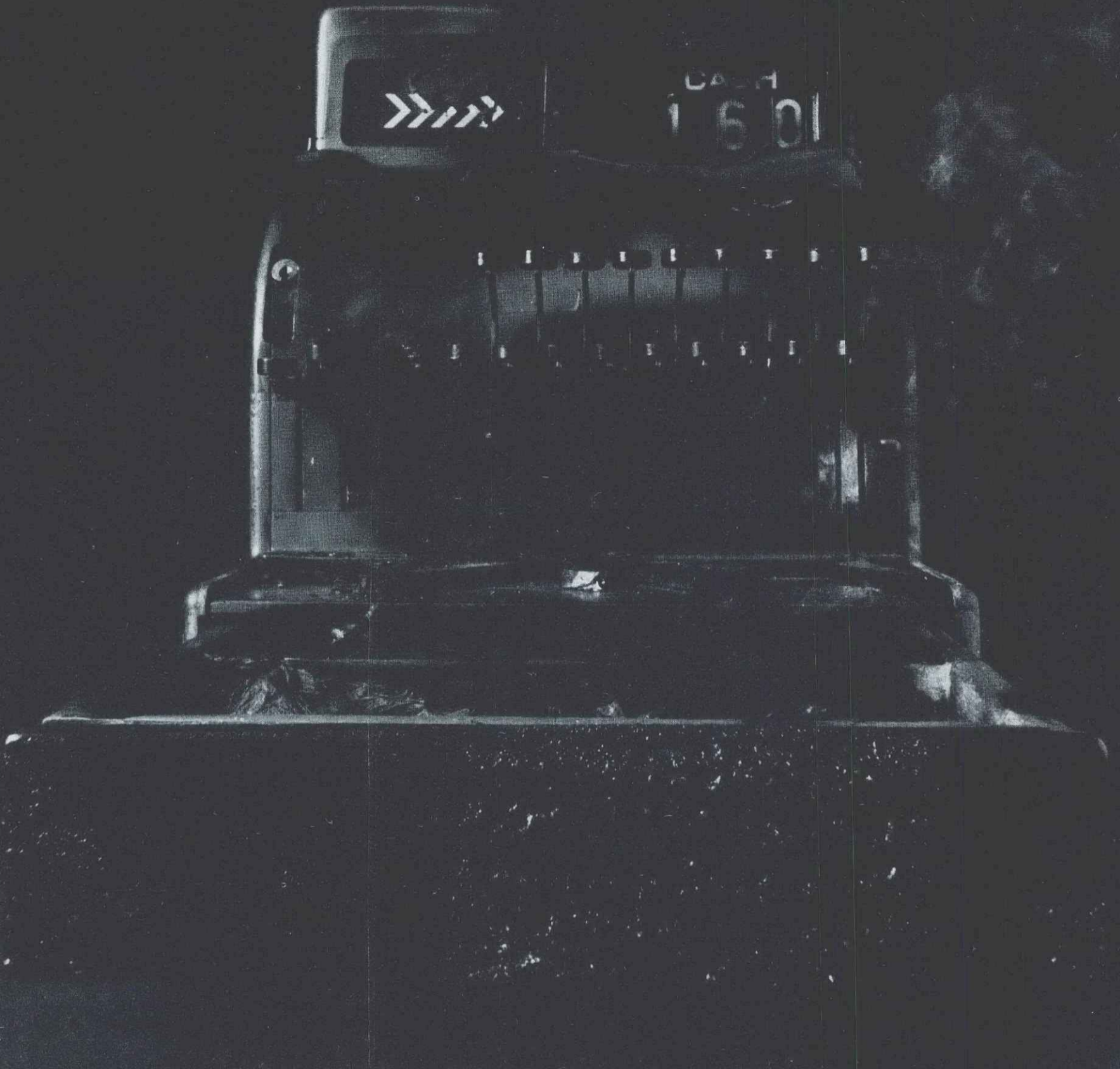
Mr. Corbett also feels that since reinsurance is becoming more expensive, this could help to discipline the market.

Values of the crashed aircraft were: Lufthansa, Boeing 747—\$26.5 million; TWA, 727—\$6.4 million; Northwest Airlines, 727—\$5.7 million; and Royal Dutch, DC8 in Sri-Lanka—\$6 million. ■

Life company acquired

Houston-based First Continental Life Group Inc. recently announced completion of the acquisition of Signal Life Insurance Co., a San Antonio-based firm. The transaction involved an exchange of stock and First Continental said it anticipates to operate Signal as a wholly-owned subsidiary. Signal experienced operating losses in recent years and the acquisition is anticipated to improve the company's financial outlook, according to a spokesman.

We protect your business where it's most vulnerable.



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Even the best commercial fire policy around can't pay your employees or your on-going bills when disaster pulls your earnings out from under.

And it can't help you keep operating so your loyal customers stay loyal customers.

Our new combined Blanket Earnings and Extra Expenses policy can.

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We'll cover the expense of setting up a temporary operation from your present quarters or new location nearby if it's possible.

Otherwise, we foot the bill to expedite repairs.

Even if it means overtime. Because the sooner you get back in business the fewer customers you lose.

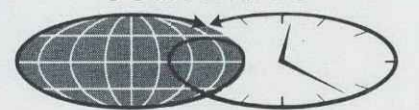
We've also done away with the old bugaboo, the standard co-insurance clause.

And we're the only company to offer such broad coverage for any number of locations under one policy with one limit, making it an ideal remedy for claims headaches.

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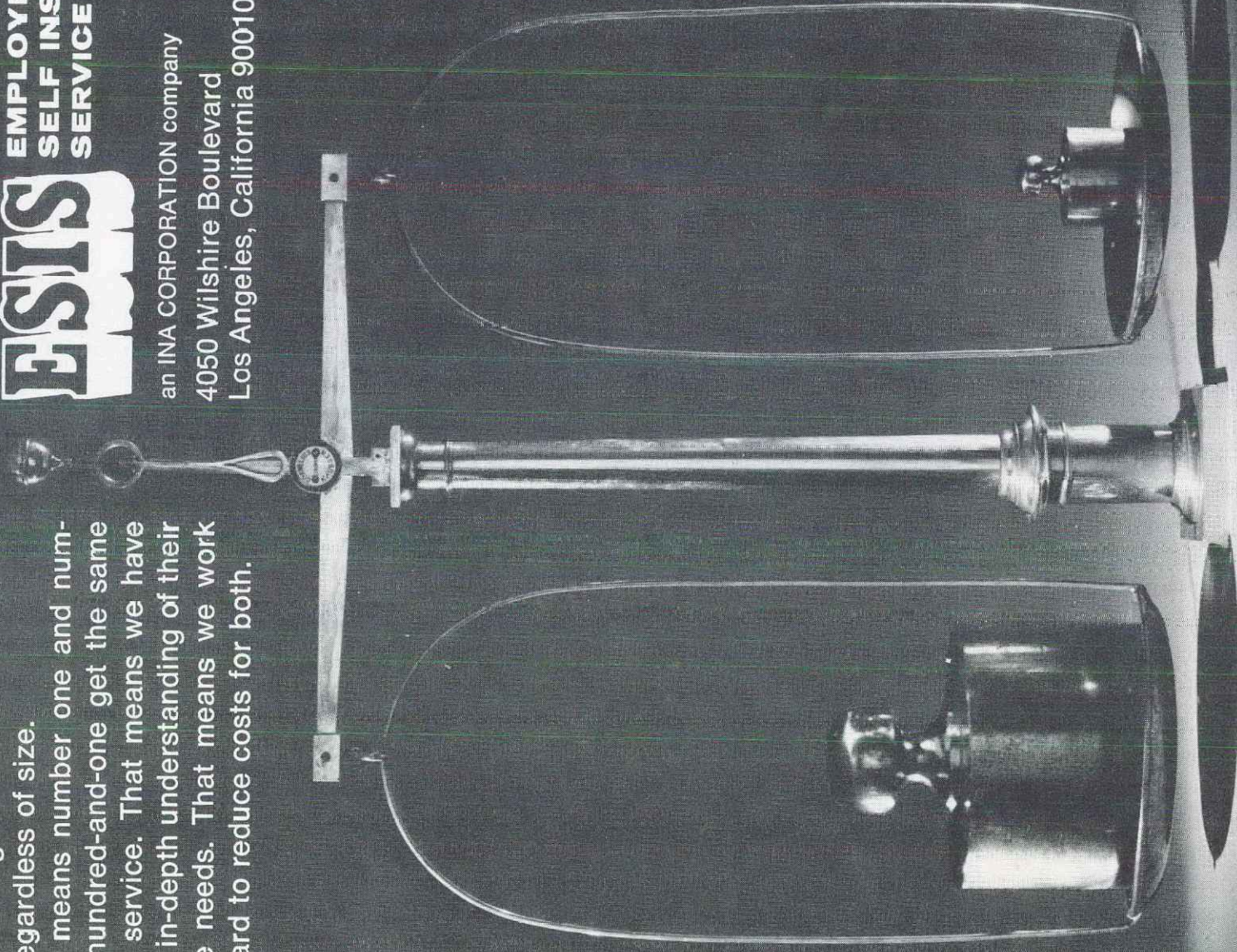
That means number one and number one hundred-and-one get the same thorough service. That means we have the same in-depth understanding of their corporate needs. That means we work just as hard to reduce costs for both.

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business insurance

PERSPECTIVE

Employers improve cash flow by self-insuring their unemployment benefits

By THOMAS E. SITTER
Benefits Consultant
The Stever Cos., Los Angeles

THE CALIFORNIA UNEMPLOYMENT Insurance Code provides for a mandatory plan of disability benefits supported entirely by employees via a payroll tax.

The current tax is 1% of pay up to \$9,000. For many companies, this tax generates an amount far in excess of the benefits that will ever be paid to their employees.

This article will examine an alternative way of providing this required benefit. An alternative which may represent substantial cost savings both to the company and its employees.

Under the California Unemployment Insurance Code, disability benefits are payable when an employee cannot work because of sickness or non-occupational injury. The state plan provides the following benefits:

- **Disability Weekly Payments**—Approximately 55% of pay up to a maximum weekly benefit of \$119 for 26 weeks. Benefits commence the first day of disability if hospitalized, the eighth day if not hospitalized.

- **Hospital Benefits**—\$12 per day for the first 20 days of hospital confinement.

The state plan benefits are provided from the State Disability Insurance Fund. The fund has these features:

- The fund is accumulated entirely from employee contribution amounting to 1% of the first \$9,000 of each participating employee's annual wages.

- The state administers the fund and pays benefits from one commingled fund presently covering about six million par-

ticipants in California.

- The state does not provide claims accounting by individual employer. The entire liability is pooled. The young members of the work force help to subsidize the older sector, the low claims at one company subsidize the high claims incident at another.

THE VALUE THAT a particular company receives may bear little if any relationship to the tax that its employees pay. For some employers, the state disability benefits are entirely forfeited because of the company's liberal sick leave policy. Other employers, because of their favorable employee makeup (e.g., age, health characteristics, etc.) file very few claims. And using the state fund, there is no tax reduction or dividend in the event a particular company has good claims experience. In short, many companies get a very poor return on the tax.

Though the primary way in which these benefits are funded is to utilize the state fund, the state allows a company to apply for approval of a "Voluntary Plan". This is the designation given to a plan other than the "State Fund Plan", and the "Voluntary Plan" may be either *insured* or *self-insured*.

In the late '50s and early '60s, insurance companies had well over 50% of employees in California insured for state disability benefits. This circumstance existed because most large employers with high personnel selection standards realized that the total claims for their group would be far less than the tax being levied—and, they wanted to participate in a system where costs (tax) followed their own claims experience. The state fund was left with the small employers and groups whose make-up necessitated a higher insured cost than the tax.

Disability benefits

Under the California Unemployment Insurance Code, disability benefits are payable when an employee cannot work because of sickness or non-occupational injury. The plan provides weekly disability benefits and hospital benefits. These benefits are provided by the state disability insurance fund. Mr. Sitter examines an alternative way of providing this benefit.

This imbalance continued until 1962, when specific legislation was enacted requiring insurance carriers to maintain the same underwriting characteristics (age, female content, etc.) as existed under the state fund. The carriers responded with mass cancellations, and consequently, this is no longer an option as the carriers will no longer underwrite this line of coverage.

IN 1962, MOST insured employers were not aware of self-insurance as an alternative and joined the state plan. However, since 1962, over 300 self-insured "Voluntary Plans" have been approved and these plans cover over 400,000 participants or almost 7% of the eligible work force.

Self-insured plans have these general characteristics:

- The same employee contributions can be collected as under the state plan (1% of \$9,000).

- Funds are held by the employer in either a separate savings account or a ledger account.

- Set-up and administration expenses are recoverable from plan funds.

- The self-insured plan must contain at least one provision that is superior to the state's. This improvement provision may be designed to reduce employer cost: Make disability payments of 80% of pay rather than the state's 55%. This would further

Continued on following page



Considering a captive? Weigh tax questions

"Despite the acknowledged tax benefits available to offshore insurance companies . . . it is the non-tax benefits that have inspired American corporations to create their own foreign insurance companies."

By WALTER H. DIAMOND, Principal
Hauser, O'Connor & Hyland,
Int'l Accounting Firm
New York, N. Y.

WITHIN THE PAST several years an increasing number of American companies with operations abroad have found it feasible to establish foreign-based insurance companies, or what are generally known as foreign "captive" insurance companies. From the inception of the 1962 amendments to the Internal Revenue Code, which under Section 952 excluded from current United States taxation income derived from insurance of non-United States risks, until the now infamous "memorandum" in early 1972 of the Internal Revenue Service, more than 600 United States enterprises have established their own in-

urance company operations.

For those businessmen who are not familiar with the IRS "memorandum", it instructed Revenue Service agents to take a critical look at offshore insurance companies. The Treasury's principal argument is that deductions for premiums paid to foreign-based insurance companies under Section 162 of the code do not represent eligible expenses because they are merely expenses of self-insurance which are not deductible. Among the other issues raised by the IRS are whether premium payments from foreign subsidiaries should be treated as constructive dividends and whether deductions should be disallowed because they are not at arm's length under Sections 482 or do not qualify for determining effective tax rates under the foreign tax credit or minimum distribution

regulations of Sections 901 and 963.

Although the Treasury has taken a strong position to deflate the use of a foreign-based insurance company, it has not issued any rulings. IRS advised its agents to make certain the offshore insurance subsidiary is a bona fide operating company, adequately staffed and capitalized, and whose transactions always are at arm's length, with disposition of unearned premiums and accumulated reserves totally in compliance with the code regulations.

Before we can analyze the benefits that may be derived from foreign insurance companies, it is necessary to understand the background of the tax implications as established by Congress but apparently disregarded by the Treasury.

IT IS GENERALLY realized that under Section 952 (Subpart F Income Defined), the term "Subpart F Income" means, in the case of any controlled foreign corporation, the sum of:

- the income derived from the insurance of United States risks (as determined under Section 953) and;

- the foreign base company income (as determined under Section 954).

Under Section 953 (income from insurance of United States risks) and 953 (a) for purposes of Section 952 (a) (1), the term "income derived from the insurance of the United States risks" means that income which:

(1) is attributable to the reinsurance or the issuing of any insurance or annuity contract.

(a) In connection with property in, or liability arising out of activity in, or in connection with the lives or health of residents of, the United States; or;

(b) in connection with risks not included in subparagraph (a) as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect to reinsurance or issuing of insurance, or annuity contract in connection with property in,—the United States and;

(2) would (subject to modifications under special rules) be taxed under subchapter L if such income were income of a domestic corporation.

Continued on following page

business insurance

PERSPECTIVE

Self-insuring . .

Continued from preceding page

reduce the employer's sick leave liability; make hospital room and board payments of \$50 per day rather than the state's \$12 per day. This could further reduce employer cost for employe hospitalization.

OR, IT MAY BE designed merely to comply with the law while representing only a nominal (if any) cost liability: Make hospital payments for 21 days rather than the state's 20 days, or liberalize the state's definition of earnings by using the earnings in effect at date of disablement. This produces administrative savings which largely offset the costs of the improvement.

The state levies the following assessments against self-insured funds:

- an unemployed disabled assessment, for employes who terminate employment and are disabled before going to work for another employer;
- the added administration cost for monitoring the self-insured plan;
- a direct charge for refunds which result from over-withholding when an employe works for more than one employer in one calendar year.

A deficit resulting from claims and assessments exceeding fund assets would be financed by the employer.

Any surplus can be returned to employes in cash, benefits, reduced contributions or used through a variety of techniques to reduce the employer's cost for other benefits such as sick leave or long term disability.

There are three principal advantages which would induce an employer to self-insure.

Reduction in Sick-Leave Costs

The overlapping payments of the state plan and the employer's sick-leave plan are eliminated. The elimination of this overlap reduces the company's cost for providing sick leave benefits.

Capture of Surplus Funds

The cost of providing this required benefit is often far less than the total tax. The excess funds remain with the company rather than the state.

Funds are held by the Employer

Since benefits are not paid until reported, the employer can retain these funds for investment.

We will elaborate on these issues to enable each employer to apply them to his own situation.

Because of the levels of sick leave benefits provided by many employers and the decentralized system of reporting sick leave at certain multi-location companies, the state disability benefit is not collected.

The employe has no incentive to apply to the state for benefits while he is receiving normal pay from his employer; consequently he does not file with the state. Though an employe does file, he may still forfeit his benefit if he is receiving his full pay from his employer's sick leave plan. The code states that in no event will an employe receive more than his normal wages from all sources. It is often impractical for an employer to attempt to directly reduce sick leave payments by the anticipated state benefit. Benefits from the state fund not only lag behind current pay approximately three weeks but many sick leaves are not even reported to payroll.

We estimate that approximately 25% (or one fourth of one per cent of payroll) of the typical company's state disability tax is forfeited.

If a self-insured fund is established, both benefits are paid from one source—integration is simple. Hence forfeiture of the state benefit is precluded and if benefits are not filed for, the credit will accrue to the self-insured plan fund, rather than

the state's.

As with any health or disability insurance coverage, the utilization of the state benefit and the total claim payments made to one group may vary considerably from the claim payments paid to another. Though the 1% tax is uniformly applied to all employes, if rated individually, one group might require a rate of only one fourth of 1%, while another might necessitate a rate of 2.5%.

CONSEQUENTLY, THIS pooled rate is excessive for many companies. That is, the 1% tax generates an amount far greater than the total claim payments that would typically emerge for a particular employer. We assisted a company in using its own experience for the prior year, in order to calculate the number of days employes were hospitalized, and the weekly disability payments received from the state. Comparing the total of these payments with the tax paid is an easy way for a company to determine the value presently being received.

These claim payments can fluctuate from year to year. Only larger employers can assume that total claims will remain fairly stable from year to year and can thus attach a greater degree of credibility to this type of claim-loss analysis. We believe that companies with 250 employes or more have this kind of stability. The smaller companies have the potential to group together to self-insure, perhaps under an industry association's sponsorship, thus eliminating the large fluctuation in claims from year year, while achieving the benefits of self-insurance.

If certain industries were to establish separate tax rates to cover the state disability benefits, they would be as low as

.5 of 1% of taxable wages, or only half of the present State rate. This is due largely to the age make-up, the low level of occupational hazard, and the personnel selection standards used by most employers in that particular industry. This is generally demonstrated by comparing the health and disability rates which prevail in various industries. There is frequently a 20% to 40% variance for comparable benefits.

IF SELF-INSURED, this variance translates to a savings or surplus with respect to state disability insurance. A savings or surplus which can be distributed in any manner which the employer chooses. It can be returned to employes in cash, or by reducing subsequent contributions. It also may reduce the company's cost by improving the plan's benefits. For example, an employer might modify the state plan to pay disability benefits for one year rather than 26 weeks. This would result in a cost reduction for the company's long term disability insurance, since it would then pay benefits for a shorter duration.

All of the contributions made by employes are held by the employer. These funds may be deposited in a savings account or merely recorded as a ledger entry and invested along with the general assets of the company.

We believe that self-insurance of state disability offers many employers an opportunity to realize substantial savings. Savings that will not only recur each year but will grow as the benefits continue to increase.

We believe that this is an excellent example of a legislated program which in many cases is not subjected to critical analysis. Employers should tailor the design and financing of their own sick leave, long term disability, etc. programs to achieve maximum value from these legislated benefits. Cost increases in Social Security and California U.C.D., for example, should result in cost reductions for the employer, particularly where he has voluntarily provided generous protection for his employes in the areas in which the state and federal governments continue to legislate improvements. ■

STATE DISABILITY INSURANCE FUND PROTECTION YEARLY FIGURES

Contribution to Fund	Claim Payments	Special Assessments	Surplus or Savings
\$75,000	\$39,276	\$8,100	\$27,624
		Interest Earned per year on Savings	1,269
		Total Savings for the Year	\$28,893

Example:

- Total Employes = 800
- Total Payroll = \$8,000,000/Year.
- Claim payments made monthly in equal amounts.

Captives . . .

Continued from preceding page

In the case of a controlled foreign corporation, this section covering United States risks is not applicable unless the total premium and other consideration in respect of all reinsurance and issuing of insurance and annuity contracts is more than 5%.

ALTHOUGH INCOME derived from the insurance of risks outside the United States would not be Subpart F Income to a controlled foreign corporation, it is just as important to the success of a controlled foreign insurance company in respect to tax treatment not to be taxed currently on its income from investments of its unearned premiums or accumulated reserves. Certain income under Section 954 (c) (3) (B), i.e., dividends, interest and gains from the sale or exchange of stock or securities—derived from the investments made by an insurance company of its unearned premiums or reserves ordinary and necessary for the proper conduct of its insurance business, and which are received from a person other than a related person, is not included in foreign personal holding company income.

Despite the acknowledged tax benefits available to offshore insurance companies under the controlled foreign corporation regulations, which clearly indicate that income derived from insurance and/or reinsurance of non-United States risks is not taxable currently, it is the non-tax benefits that have inspired American corporations to create their own foreign insurance companies. Although there are numerous reasons for their decisions, here are the five major non-tax incentives that stimulated most large firms to organize an offshore insurance company.

First, there is a distinct trend toward self-insurance because corporate insurance managers have become more cost-conscious. They realize there is no profit

in trading dollars since any insurance re-payment to cover a loss in reality is the insured's dollars, after the insurer has retained sufficient amounts to offset expenses, commissions, taxes and hopefully some earnings.

Second, the political atmosphere within the world has changed drastically in the past decade. Nationalization, expropriation and seizure of privately-owned properties by foreign governments, which in recent years too often have been condoned by international agencies and arbitrators, not only has forced up premium costs but also limited the availability of certain insurance. This condition has been aggravated by the post World War II rash of labor unrest, strikes, riots, destruction from mini-wars, breach of contracts and other unusual interferences.

Third, the rapidly changing world resulting from the industrial and scientific revolution has created an insurance market with somewhat limited capacity. In other words, the world has moved at such a rapid rate that the insurance market has not been able to keep pace with potential single catastrophe losses as jumbo jets, supertankers, skylabs or crude oil pollution disasters.

FOURTH, as insurance costs and losses became more frequent and broader in scope, the insurance carriers were compelled to demand larger "deductibles." Thus, the insured soon found that its own liability on each policy, which it had to bear without any recourse, was becoming a problem, both from the risk and capital aspect.

Finally, many corporate treasurers, comptrollers and insurance managers, recognizing the possible tax and non-tax benefits, familiarized themselves with the techniques of operating offshore insurance subsidiaries. A number of insurance managers acquired a specialized knowledge of these operations. As a result, they became experts in the field. Some even started their own risk management firms, promot-

ing offshoot insurance and preparing feasibility studies for clients. The majority of corporate insurance managers who remained with their own companies soon realized that they could convince their executive committees and boards of directors that owning a foreign insurance company was not an undue risk.

IN SUMMARY, surveys made by these risk management firms reveal there are six basic motives for organizing a foreign insurance company. These are:

- Direct savings in the net cost of insurance;
- Coverage for risks not usually insurable;
- Broader and simpler insurance contracts;
- Unlocking for use funds previously frozen in advance premiums;
- Accumulation of earnings from investment of premiums and reserves in one hundred cent dollars when an overseas insurance company is properly organized; and

• Reduction or elimination of several taxes, depending upon the domicile and ownership of the offshore insurance company.

Furthermore, these studies show that there are five basic prerequisites for success of these foreign insurance companies: (a) a sufficient volume and spread of risk, with latest estimated minimum foreign assets to be covered at \$20 million to \$30 million and premiums amounting to \$500,000; (2) a sound and lasting reinsurance program; (3) competent loss prevention engineering and other services; (4) proper corporate structure; and (5) capable management services. If the prospective self-foreign insurer fully complies with these five requirements, then, according to feasibility studies, you have an excellent chance to register a savings or earnings after all development, management, reinsurance, engineering and other costs, of from 25% to 50% ratio of net profits to current annual premium. ■

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Amendment curtails right of workers to sue

HOUSTON—The commissioner of the port authority here recently called "lamentable" the two-year-old amendment to the longshoremen's and harbor workers' compensation act because it "drastically curtails the rights of a

longshoreman to sue the vessel or its owners for injuries suffered while performing longshore operations."

Warner F. Brock, senior partner in the law firm of Brock & Williams and serving in his second

year as commissioner of the port authority, told the audience at the Marine Insurance Seminar that he will "fight to restore (the longshoreman's) remedy of unseaworthiness and to provide for contribution between ship owner and stevedore based on their respective responsibility for creating the condition or permitting it to continue."

"Insurance companies, claims men and defense counsel will undoubtedly conjure up other areas in which to question coverage," Mr. Brock said, adding that "several years will probably elapse before the marine insurance industry will conclude that the act means coverage has been expanded by Congress and affirmed by the judicial process."

He then cited several court decisions which support his viewpoint and said, "common to all these decisions is the conclusion that unless specifically excluded by act, the legislative history and the act itself indicate a Congressional desire for a statute that provides coverage for injuries suffered by all employees engaged in maritime commerce."

PRIOR TO WHAT he called "this Draconian amendment," a longshoreman injured on a vessel "could recover workmen's compensation from his stevedoring employer under the longshoremen's and harbor workers' compensation act, and maintain a third-party action against the vessel or its owners for damages caused by negligence or an unseaworthy condition of the vessel or crew," Mr. Brock continued.

"While the retrograde amendment still allows the longshoreman to bring a third-party action against the vessel for negligence, it eliminates his former unseaworthiness remedy which was a species of strict liability," he said. Mr. Brock mentioned that "one

of the evils of the resulting situation was lack of uniform compensation. If a longshoreman was injured on the vessel, he was covered under the federal act. If he was injured on the wharf, he was covered by the state act," he explained.

"Many carriers are still denying coverage under the federal act to maritime-related employees who are injured on the wharf or pier even though not specifically excluded by the express terms of the amendment," Mr. Brock said.

COMMENTING on safety regulations, Mr. Brock said, "in my opinion the insurance industry that provides coverage for all of the various maritime-related employers should be more diligent in the establishment of effective and modern safety programs, consistent with the use of today's ships and the innovations in the handling of cargo today and the new ideas that will develop in the future."

He called for better enforcement of all safety rules and regulations "whether devised by the marine insurance industry or Congress or the Department of Labor."

"We should be able to say that we've reduced the number of accidents," Mr. Brock said.

Referring to a survey conducted about the Houston port authority, Mr. Brock charged that the port authority had done a "poor job of buying coverage." He added that the marine insurance industry had also done "a poor job of selling."

For example, he said, "in many instances we had double coverage. In about 50% of the areas of exposure, we had no coverage and a loss in some of these areas could have been catastrophic," Mr. Brock said. "We had coverage on cameras valued at less than \$1,000. The deductibles averaged about \$500 (while) the port's net income is about \$2 million." ■



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Bank seeks customers for financial counseling

SAN FRANCISCO—An executive financial counseling program, staffed by 10 people who are attorneys or CPAs, was initiated by Bank of America.

Peter Mazonas, vp of executive financial counseling, who heads the program, said the program now has three corporate clients, and its goal is to add seven or eight more.

Mr. Mazonas, who said policy forbids his revealing the names of the three clients who are current customers, said that the service is aimed at large corporations boasting sales of \$500 million or more.

"The program is a fringe

benefit," he asserted, "and for this reason, we must aim at companies that are large enough to pay for the service out of their current employee benefit programs."

The program's fees are \$4,000 a head for an initial, intensive financial evaluation, plus a \$1,500 follow-up charge. Only corporations that agree to enroll at least five executives are accepted.

"To make sure the corporations can afford our service, we do a thorough investigation of the prospective client's employee benefit program," he said. "The corporation must be able to amortize our costs over the cost of the entire benefits package."

Once a corporation signs up—Mr. Mazonas believes there are at least 75 companies that fulfill his program's requirements on the West Coast—its top executives receive three immediate services: current income planning, tax advice and retirement planning.

"Our aim is to maximize their current portfolios. To do this, we use laws already on the tax books. We do not believe that tax shelters are necessary to mitigate tax liabilities," he emphasized, adding that if an executive so requested, his group would recommend such an investment vehicle.

"SO FAR, we haven't encountered the need for a tax shelter," he underlined. "The most commonplace financial problem we've discovered among the men we're counseling is the fact that they've exhausted the tax deductions that stemmed from the high risk investments they made during the 1960s."

"For this reason, it is our job to find fresh modes of shrinking their tax liabilities in the tax laws. What we want to do is to maximize their disposable income."

Mr. Mazonas is frank about another goal that lurks in the background of his new enterprise: to solidify and cement the relationship between his bank and the corporate giants his program solicits.

Although the counseling program is an autonomous unit of the Bank of America, Mr. Mazonas is quick to admit that "the only way we could afford to have this program is by being a part of the largest bank in America." ■

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Regs on tax-qualified benefits are stalled

WASHINGTON—The Treasury Department and the Internal Revenue Service (IRS) have yet to agree on a new regulation to extend tax exempt status for such newly developed employe benefits as prepaid group legal plans, group auto insurance or group life insurance.

A year ago Treasury Department officials told this magazine they hoped to have a new public consideration "soon." (*Business Insurance*, Dec. 3, 1973).

TREASURY lawyers said this month that a proposal was being shifted back and forth between Treasury's tax policy office and the IRS legislation and regulation's division, but they would not speculate on when it might be ready for public disclosure.

The Treasury officials also declined to discuss the draft under consideration.

The legal question involved

concerns what employe benefits are proper for inclusion in 501 (c) (9) tax exempt trusts. Specifically, the question is whether employer contributions to such a trust would be taxable as income to the trust.

Treasury officials said last year that they were also discussing such benefits as child care and housing in addition to the prepaid legal and insurance plans.

At least one large employe benefits consulting firm has predicted in internal memos to its staff that the future of many types of consumer insurance coverages lies in mass marketing through employe plans.

In an unrelated action, two

new top deputies have been named as aides to Frederic W. Hickman, Treasury's assistant secretary for tax policy.

Ernest S. Christian Jr. was named deputy assistant secretary last month to replace John H. Hall, who resigned earlier this year to resume private law practice in Los Angeles. Mr. Hall was a key Treasury official in development of the pension reform bill.

MR. CHRISTIAN joined the Treasury in 1970 and had served as Tax Counsel to the assistant secretary for tax policy and then as Tax Legislative Counsel for the Treasury.

The other tax policy staff shift brings George S. Tolley into the Treasury as deputy assistant secretary for tax policy from his position as professor of economics at the University of Chicago.

Mr. Tolley, 49, replaced Oswald

H. Brownlee, who resigned to join the faculty at the University of Minnesota.

Mr. Tolley has taught econom-

ics for more than 25 years and has extensive experience in public policy, the Treasury Department said.

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Wabasso and insurers settle fire claim

TORONTO, ONTARIO—Wabasso Ltd. of Montreal reached agreement with insurers on the claim for property damage, loss of profit and other insurable expenses occasioned by a fire at its Trois-Rivieres plant in March, 1973.

The Wabasso loss was publicized as Factory Mutual System's biggest for 1973. (*Business Insurance*, Aug. 5, 1974.)

The claim totalled \$19.2 million; an advance payment of \$11.4 million has been received.

Wabasso's profit for the nine months ended Sept. 28 of \$7.31 a share, including extraordinary items equal to \$1.24 a share, was adjusted to reflect the excess of the amount recovered for loss of profit over that accrued on a conservative basis since the date of the fire that are non-recoverable or not yet involved.

IN ADDITION, Wabasso is in the process of allocating recoverable amounts to the various components of the complex claim, other than loss of profit.

"It is estimated at this time that the amount recovered for fixed assets destroyed or damaged will exceed the book value by an amount in excess of \$5 million," Wabasso said. The excess will be treated as an extraordinary item in yearend financial statements.

Wabasso expects \$1 million will be spent above the amount recovered for the old plant, insured for replacement value.

Reliance's outlook

Reliance Group said its third quarter results were "severely impacted by persistent double-digit inflation and record high interest rates." For the September quarter, the report noted that operating income from continuing operations was \$53,000, down from \$8.2 million last year. The total net loss for the quarter was \$1.8 million, according to the insurance company's report. "Unbridled inflation continues to seriously impact underwriting results throughout the property-casualty insurance industry, and Reliance is no exception."



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Benefits to continue for laid-off auto workers

DETROIT—Auto workers will keep their group life and hospital, surgical, medical and drug benefits for a minimum of one month and a maximum of 13 months after they are laid off, according to benefit managers at the Big Three auto manufacturers.

Premiums will be paid for one month for all employees who worked the month previous to their layoff, and will continue for up to 12 months dependent upon the number of credit units each employe with more than one year of service has accrued.

Credit units, which are also used in figuring supplemental unemployment benefits, are accrued at the rate of one-half unit per week to a maximum of 52 units. Fifty-two units will give the maximum 12 months coverage, after which the employe can pick up the premiums himself.

BUT THE maximum coverage period may be less than one year if the credit units are cancelled at a rate faster than one per week. The cancellation rate is determined by length of service and may be changed to reflect the financial status of the funds that are used to pay the premiums.

Chrysler Corp. and Ford Motor Co. are currently cancelling credit units at a rate of one

per week for all employes, but General Motors Corp. is using a 1.67 unit per week rate for employes with one to five years of service, with a diminishing scale until the rate reaches one unit per week for those with 25 years of service or more.

Spokesmen at the Big Three said the cancellation rate can be changed whenever the fund is depleted enough to warrant a change. Employes who have been laid off previously, though, will keep the cancellation rate that was in effect when they stopped working.

Dental insurance coverage will continue for one month after the employe is laid off, with no continuance afterwards as in the other plans.

Chrysler temporarily laid off 71,000 hourly and salaried work-

ers on Dec. 2. They are expected to return to work in January. Thirty-nine thousand white collar and 28,700 blue collar workers will be laid off indefinitely on Dec. 20, according to a company spokesman. Total layoffs as of the end of December will amount to about 50% of the Chrysler workforce, he said.

GENERAL MOTORS had a total of 43,000 hourly employes on indefinite layoff at the beginning of December, and the company expects this figure to reach 64,000 by the end of January, a spokesman there said. Temporary layoffs as of early December had 30,000 employes out of work, he said, with an increase to 41,000 seen by the end of January. Approximately 28% of the General Motors workforce will be out of

work at that time.

Ford Motor Co. had 15,500 employes indefinitely laid off and 21,400 temporarily laid off as of early December. These figures represent approximately 25% of the Ford workforce.

All employe groups (salaried, hourly, union, non-union) are covered by the same type of plans, but the groups may have different cancellation rates because they have separate funds, one of the spokesmen said. ■

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Goodrich Co. reduces vinyl chloride level

AKRON—It is still too early to tell what impact a multi-million dollar program to reduce worker exposure to vinyl chloride will have on B.F. Goodrich Co.'s insurance costs, the firm told *Business Insurance*.

Over the next three to four years, the firm will be reducing exposure "to the lowest level attainable" in its six processing plants. Plans were disclosed in the company's third quarter report.

The \$42 million expenditure is directly linked to the reduction of the cancer-producing substance that was found earlier this year to have killed six vinyl chloride workers at a B.F. Goodrich plant. (*Business Insurance*, July 22, 1974.)

The \$42 million does not include previously disclosed plans to expand the Louisville, Ky. plant where vinyl chloride is processed into polyvinyl chloride plastic, the company said.

Despite this large payout, B.F. Goodrich contends that it will not be able to meet federal standards for vinyl chloride exposure without the use of respirators by some employes. Standards become mandatory next month.

Federal standards require that exposure levels in the air be limited to one part vinyl chloride to every million parts of air, averaged over an eight-hour period.

Levels of the chemical may exceed one part per million for short periods of time, but must average no more than five parts per million for any 15-minute interval in an eight-hour period.

B.F. Goodrich and a number of other companies using the chemical have filed a petition in federal court asking for a review of federal standards.

The use of respirators by some employes could limit the company's productivity at its six processing plants. However the expansion of the Louisville plant should offset any capacity reductions. ■

The ins and outs of plan termination insurance

By MICHAEL MUDRY
vp and director,
Huggins & Co. Inc.
Philadelphia

This is the fifth of a series of articles on the impact of the Employee Retirement Income Security

Act of 1974. The final article will look at the actuarial and funding implications of the Act. Because of its value to financial and benefits managers, the series is being run in Business Insurance and its sister publication, Pensions & Investments.

FROM ONE POINT of view, the plan termination insurance provision of the pension reform act does not apply to most employers because their plans are not likely to be terminated in the foreseeable future, or because their plans will have all vested liabilities covered by assets at plan termination.

On the other hand, this part of the act is already in effect and requires both immediate premium payments to cover termination insurance and later premium payments to cover the contingent employer liability.

It is important to keep in mind that there are or will be two separate areas of insurance under the act—one for plan termination insurance and the second for the contingent employer liability which could arise at the time a

plan terminates.

The purpose of plan termination insurance is to guarantee plan participants some minimum amount of benefits in case a plan terminates before an employer has fully funded all accrued vested benefits. The provisions of the act relating to plan termination insurance became effective Sept. 2, 1974 for all covered plans in some respects.

IN FACT any plans that terminated after June 30, 1974 and before Sept. 2, 1974 and which were other than negotiated multiemployer plans, are covered retroactively if they would have been covered on Sept. 2, 1974 had they still been in existence.

To qualify for this retroactive coverage, notice must have been filed with the Secretary of

Labor before Sept. 13, 1974, although a delay for such filing until Oct. 31, 1974 may have been allowed if reasonable cause was shown for the delay in filing.

Although negotiated multiemployer plans are already subject to premium payment requirements for plan termination insurance, they will not be covered for benefit guarantees until Jan. 1, 1978. However, the act does make provision for possible earlier protection under the benefit guarantees under certain circumstances if such negotiated multiemployer plans have been in effect for at least five years.

Subject to specific exclusions, plan termination insurance coverage applies to all pension plans which qualify under the Internal Revenue Code or have, in practice, met such qualification standards for the preceding five plan years. Most of the exclusions which I mentioned in connection with funding standards apply here also.

THESE INCLUDE profit-sharing, thrift, savings, stock bonus and welfare plans, government plans, church plans, plans under workmen's compensation, unemployment compensation and disability insurance law, and several minor exclusions. Also excluded are plans covering only individuals owning, directly or indirectly, more than 10% of a business, plans for professional service employers who have never had more than 25 active participants and money purchase pension plans.

However, level premium insurance contract plans, which are excluded from the funding section of the act, are covered for plan termination insurance.

The plan termination insurance is administered by a new Pension Benefit Guaranty Corp., established within the Department of Labor. This corporation (PBGC) is governed by a board consisting of the Secretaries of Labor, Treasury and Commerce.

Provision is also made under the act for a seven-man advisory committee to be appointed by the President and representing the interests of labor, management and the public. Premiums are paid to PBGC by plan administrators and PBGC pays out, at plan termination, any benefit guaranteed under the act which cannot be met from plan assets.

It also has the right to collect from the employer at plan termination any liability it has incurred up to 30% of the employer's net worth. This 30% liability is what I have referred to as the contingent employer liability and will be treated at greater depth later.

PBGC IS required to set up four funds for the purpose of insuring benefits guaranteed by plan termination insurance. These cover, first, basic benefits for negotiated multiemployer plans; second, basic benefits for all other covered plans; third, non-basic benefits under covered negotiated multi-employer plans and fourth, non-basic benefits under all other covered plans.

Basic benefits are any vested benefits which are guaranteed by the act, subject to specified limits. Non-basic benefits are any vested benefits in excess of basic benefits but which do not exceed the maximum allowable individual benefits under the act for qualified plans of \$75,000 or 100% of pay.

At this time, only the two funds related to coverage of basic bene-

Continued on page 30



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	(THOUSANDS)													
	10	25	50	75	100	300	500	1000	3000	5000	5010	5050	5100	5300
Auto B. I. Per Person	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Auto B. I. Per Occurrence	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Auto P. D. Per Occurrence	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
General Liability B. I. Per Occurrence	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Aggregate Products B. I.	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
General Liability P. D. Per Occurrence	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
General Liability P.D. Aggregate	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Personal Injury (e.g. Libel, Slander, etc.)	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Blanket Contractual B. I.	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Blanket Contractual P. D.	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Advertising Liability	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Care, Custody & Control	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Aircraft (Non-owned)	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Watercraft (Non-owned)	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Malpractice (Incidental Medical)	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA
Worldwide	EXISTING	EXISTING	EXISTING	EXISTING	EXISTING	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA	UMBRELLA

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Plan termination . . .

Continued from page 28

fits are in operation. Non-basic benefits will be covered when and if PBGC decides to make such non-basic insurance available.

For the plan termination insurance related to basic benefits, the annual premium rate through the first full plan year for each participant covered at any time during the plan year is 50¢ for negotiated multiemployer plans and \$1.00 for other plans. Within 270 days after Sept. 2, 1974, new rates applicable to the third full plan year must be developed by PBGC. PBGC can set these future rates using one or more of the following bases:

- the number of participants,
- the present value of basic benefits, or
- the present value of the unfunded basic benefits.

SEPARATE RATES must be used for negotiated multiemployer plans and for other plans. Furthermore, limitations on the size of the rate are imposed. These rates for the third full plan year can also be elected by the plan to be applicable to the second full plan year, subject to a minimum insurance premium of one-half the \$1 and the 50¢ rates previously mentioned.

The premiums are payable by the plan administrators. For practical purposes this means, for a negotiated multiemployer plan, that the plan itself must pay the premium, while for other plans the employers must pay the premiums. Premiums are payable within 30 days after the beginning of a plan year.

A penalty of up to 100% can be imposed for late payment beyond the 30-day period. As you are all probably aware because of forms you have been receiving, the premium for the partial year from Sept. 2, 1974 to the end of the plan year then in effect was due by Oct. 2, but PBGC has indicated that no interest or penalty would be imposed if payment for this first year was made by Dec. 1, 1974.

As previously mentioned, the benefits which are currently being insured are basic benefits. The basic benefits that are guaranteed are the least of:

- a participant's vested benefits under the plan,
- \$750 per month, and
- 100% of the highest average monthly compensation during any five consecutive calendar year period of employment.

The \$750 limit will be adjusted in the future to reflect any proportional changes in the Social Security wage base up to the date the plan terminates.

If any plan benefit has been in force less than five years, 20% of full coverage is provided for each complete year in force. Furthermore, in the case of an individual owning more than 10% of any business, the insurance benefits are reduced proportionately to the extent the individual has less than 30 years of participation in the plan.

THE ACT requires that certain events be reported to PBGC by the plan administrator, by the Treasury Department and/or by the Labor Department.

A few of them are the adoption of plan amendments reducing benefits; a reduction of more than 20% in the number of plan participants since the beginning of a plan year, or of more than 25% since the beginning of the preceding plan year; the inability of a plan to pay benefits, and a merger, consolidation or transfer of plan assets.

Now let us look into the termination process. First of all, the plan administrator can initiate termination of a plan if he notifies PBGC at least 10 days before the proposed termination date.

However, no termination payments may be made for 90 days after the proposed termination date unless PBGC authorizes them. The 90-day period gives PBGC time to decide whether plan assets are sufficient to satisfy all benefits insured by PBGC and may be extended by written agreement between PBGC and the plan administrator.

IF THE ASSETS are found to be sufficient, PBGC must give notice to the plan administrator to proceed with termination payments. If PBGC deems the assets to be insufficient to pay the full benefits insured by PBGC, it must itself institute termination proceedings.

Also, PBGC may institute termination proceedings if the plan has not met minimum funding standards, the plan is unable to pay benefits due, payments in excess of \$10,000 are made to any living individual owning more than 10% of a business and produce an unfunded vested liability or, the cost to PBGC would be expected to increase unreasonably if the plan is not terminated.

If the assets are sufficient to cover all plan liabilities at termination, the act allows continuation of the present practice of returning the excess to the employer.

If, however, plan assets are not sufficient to cover benefits insured by PBGC, the contingent employer liability provision of the act becomes applicable. As previously mentioned, this places an obligation on the employer to fund the insufficiency.

Even though PBGC has already collected a premium for plan termination insurance, if it actually makes any payments to terminated plan members under the guarantees, it will then turn around and collect these payments back from the employer, up to a maximum of 30% of the employer's net worth.

Under plans operated by more than one employer, liabilities for repayment are first prorated on the basis of the contributions made by each employer during the five-year period preceding termination. The 30% limitation is then applied separately to each employer.

THE ACT ALSO contains a provision whereby, if an employer who withdraws from a continuing plan has made at least 10% of the employer contributions in each of the two preceding years or in each of the second and third preceding years, such employer must either make escrow deposits or furnish a bond.

A similar provision is applicable if the employer under a single employer plan closes a facility which results in more than a 20% decrease in the number of plan participants. The escrow payment is returned without interest, or the bond is cancelled if the plan does not terminate in the five-year period following withdrawal.

If the plan is terminated in that five-year period, the amount in escrow, or the bond, is used to cover any employer liability, with any excess being refunded to the employer.

The contingent employer liability provisions of the act became effective on Sept. 2, 1974. However, PBGC does have au-

thority to waive or reduce any contingent employer liability for plans terminating through May 30, 1975 to avoid imposing unreasonable hardship on an employer.

The plans subject to or exempt from the contingent employer liability are the same as those covered or not subject to coverage, respectively, under the plan termination insurance.

Probably as the result of intense pressure by employers who objected to the potential added liability of up to 30% of net worth if a plan should terminate, the act requires PBGC to provide all covered employers with an insurance coverage against this contingent 30% liability.

PBGC can either provide the entire insurance against the contingent employer liability or else allow it to be provided in whole or in part by private insurance companies. Each insurer, including PBGC itself, would set its own premium rates.

HOWEVER, IF a private insurer is used, PBGC can also require employers to pay a reinsurance premium or other reasonable fee in order to assure the liquidity and adequacy of PBGC's assets. PBGC must provide this insurance against the contingent employer liability by Sept. 2, 1977 and has until that date to try to develop a satisfactory arrangement with private insurers.

All premiums are payable by the covered employers. Furthermore, no coverage is available until premiums have been paid for at least five years. However, once premiums are established it appears that an employer will be able to pay them retroactively to Sept. 2, 1974, in which case the retroactive period would be considered part of the required five years.

PBGC is also directed to give consideration to the use of private industry guarantees, indemnities or letters of credit, as supplements or alternatives to the use of insurance for the contingent employer liability.

The contingent employer liability of up to 30% of net worth has received considerable attention because of the possibility that accountants may include it in the company balance sheet. If it is considered as a balance sheet liability, there is fear that it could diminish the borrowing capacity of an employer. It could also affect income from stock offerings or the price a purchaser would be willing to pay for the company.

There are indications that the constitutionality of the contingent employer liability as it relates to existing plans will be challenged in the courts. Most employers would undoubtedly prefer the present practice of showing any unfunded liabilities related to a pension plan in a footnote, as required under APB Opinion No. 8, rather than as an actual liability in the balance sheet.

IF A PLAN is terminated, the act also authorizes the recapture of certain large benefit payments which commenced within the three-year period immediately preceding the termination date. Such a recapture is not allowed, however, if the participant died before the termination date or if the benefit payments related to a disability.

It would be ideal if some practical suggestions could substantially cut employer costs but unfortunately, employers are going to have to live with plan termination insurance and the contingent employer liability. Since initial premiums for plan termination insurance are based on the number of plan participants, costs might be reduced somewhat

by deferring as long as possible the time when an employee begins participating in a pension plan.

However, there should not be a huge cost savings from this because it is unlikely that the added cost to your pension plan for plan termination insurance coverage, even if all employees were covered immediately, would be much in excess of 1% of present costs. In many cases, it should be substantially less than 1%.

THE PREMIUM for plan termination insurance is payable even if a participant is in the plan for only one day, so costs could be cut by attempting to reduce the amount of turnover among plan participants. However, it is unlikely this savings would justify a substantial change in present hiring procedures.

One drastic, but impractical, action that could be taken is to terminate the pension plan en-

tirely. In my opinion, this would be tantamount to cutting off someone's head in order to cure a case of dandruff, especially considering the fact that the contingent employer liability is already in effect, so that any unfunded guaranteed benefits would still have to be covered by an employer, up to 30% of his net worth.

If an employer were to terminate a plan, he might then adopt a money purchase plan which is exempt under the act. He could thus avoid future payment of premiums for both plan termination insurance and the contingent employer liability.

In summary, for the most part, employers are stuck with the various coverages which are required for these insurances as long as they maintain a defined-benefit pension plan, so it is not advisable to attempt to fight them or to dodge them. ■

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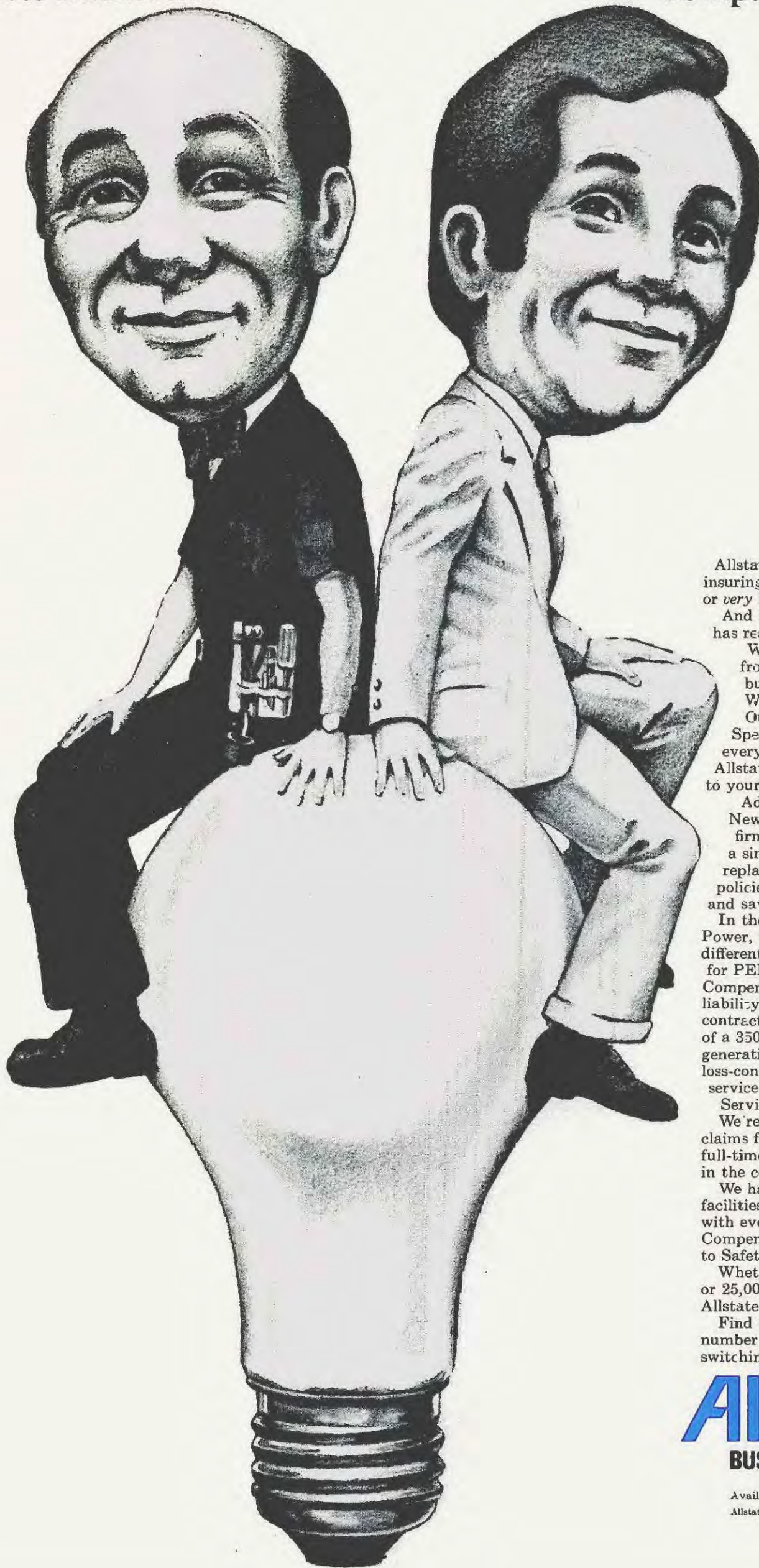
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