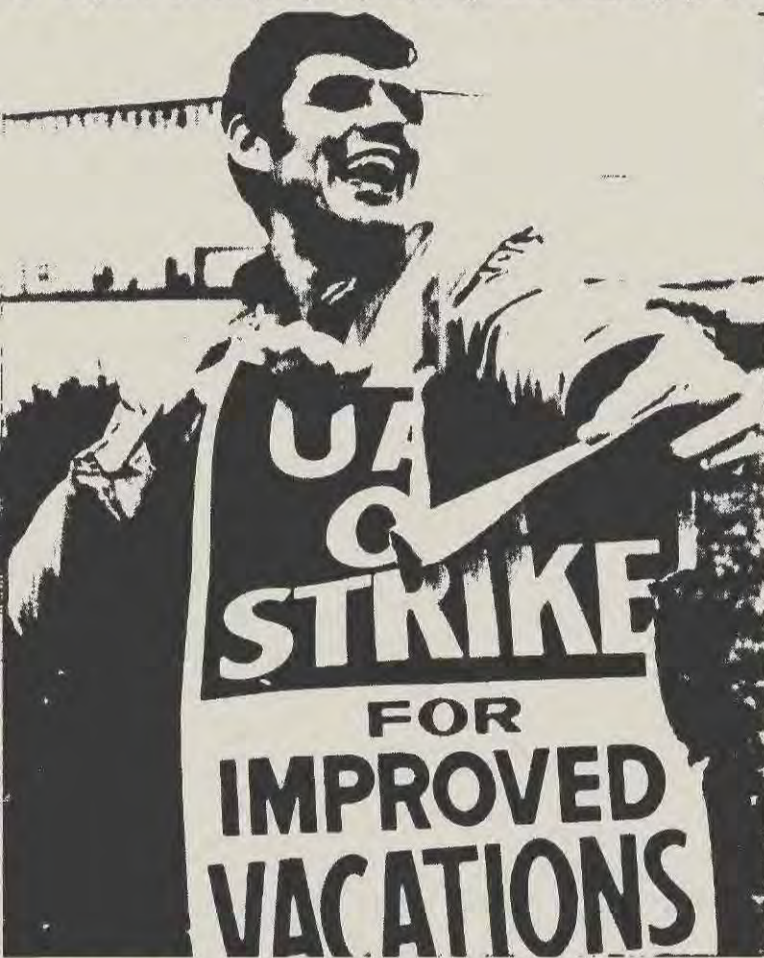


business insurance

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



An elated picket at a GM plant tears his sign when agreement was reached between the United Auto Workers and General Motors. —Wide World photo

Detail UAW's life and health benefits in GM agreement

DETROIT—When the United Auto Workers laid out its list of demands to the automobile companies last summer, two major issues stood out as the union's top priority goals: higher wages and better pensions. Everything else was either secondary in importance, or else related in some way to wages or pensions.

And when General Motors made its second offer to the union just days before the Sept. 14 strike deadline, the GM proposals, "responsive to the priorities the union established," also concentrated on wages and pensions.

So when the union and GM reached agreement in November, capping a two-month strike that shut down virtually all GM production in the U.S. and Canada, the meat of the new contract was, of course, in wages and pensions. True, the final terms were not exactly what the union had asked for, but they never are in the collective bargaining process.

The UAW never looked for, and GM never offered, any dramatic improvements in the employe benefits area—except for

the 30-and-out early retirement plan that the union pressed so hard to win. The union did demand a company-paid dental care plan in the early stages of bargaining, but the dental plan clearly took a back seat to the more important 30-and-out goal.

GM'S EFFORTS in the benefits bargaining were toward "house-keeping" improvements in the administration and application of benefits. GM did push for a change in the health care program, with employes paying a part of future increases in premiums, but the corporation gave up on this goal somewhere along the line, and GM will continue to pay the entire amount of premiums.

From the outset, both sides realized that the major sources of discontent among production workers were in the core of hard cash, and not in the fringe areas. But the union also realized that a hefty boost in the basic hourly wage rate would lead to increased insurance coverage, since the coverage schedule is linked

directly to the hourly rate.

The wage increase, by GM reckoning, will amount to \$2.4 billion more than the three-year life of the new contract, or about \$6,000 for each hourly-rate worker covered by the contract. An integral part of the wage package was the restoration of unrestricted cost-of-living allowances, a demand that was high on the UAW list. GM estimated that, during the third year of the new agreement, the average hourly-rate employe will be working at an annual rate of between \$12,000 and \$13,000, assuming the same hours worked as the average of the past three years, and assuming a 4 per cent rise in the cost of living by then.

The wage increase ranges from 49¢ to 61¢ an hour for the first year of the contract, beginning Nov. 23, 1970. The contract also calls for a 3 per cent general improvement factor increase in each of the next two years of the agreement.

THE FINAL WAGE package represents a give-and-take for
Continued on page 67

Limits bond coverage

NEW YORK—The Continental Insurance Co. will soon exclude from coverage under the blanket bond policy government securities in bearer form for stock brokerage firms. The move, which takes effect Jan. 1, may well spell the end of the Treasury business on Wall Street, according to one broker.

Continental will exclude Treasury bills and other government securities in bearer instrument form. They are the most easily

negotiable form of security and therefore the most easily susceptible to theft.

In addition, the company, which writes a huge share of the blanket bond business (for both banks as well as brokers) in New York, plans to severely limit the blanket bond coverage of these securities currently available to banks.

EXPLAINED Carroll R. Young, vp of bonding for Continental
Continued on page 2

Special aviation risk pact to cover excess property loss of airlines near?

NEW YORK—Insurance managers for five major U. S. air carriers met here and are reportedly close to a formal proposal to set up a special aviation risk pact to cover excess property losses resulting from hijackings, strikes, riots, civil commotion, sabotage and labor disturbances.

The meeting, the third held by a quintet of airline insurance people representing Pan American, TWA, American, United and Eastern, came about as a result of recent moves by underwriters at Lloyd's of London to severely limit coverage for airline property losses of a sabotage nature. London has already excluded coverage for war risk but that gap has been plugged for international flights by the federal government through an indemnification program.

Within the past few months, however, Lloyd's has also proposed limited hull coverage for losses resulting from strikes, riots, civil commotion, sabotage and labor disturbances to an aggregate of close to \$25 million per year per airline. A U. S. carrier that was to have a \$23 million 747 blown up in a hangar at JFK International Airport by a radical group for example, would practically exhaust its hull coverage for that year.

At least two major U. S. airlines are known to be operating with this form of policy now, and others must face the same policy limitations when their coverages come up for renewal between January and March.

THE SPECIAL aviation risk pact being considered by the group would likely be designed after a strike indemnification agreement among many carriers that has been in effect for some time, according to sources close to the discussions. Under that arrange-

ment, a struck airline receives revenues from cooperating airlines when its aircraft are kept on the ground by labor problems. Revenues are based on past passenger averaging and each cooperating airline pays a pro rata share.

That pact, however, is not funded. Payments are made by member carriers while a labor stoppage is on.

Most of those discussing the possibility of such a pact to cover excess property losses seem to
Continued on page 2

Wilson on trial Feb. 8

ST. LOUIS—The trial of Philip M. Wilson and three of his associates on 16 counts of mail fraud has been continued at the request of the U.S. government from Dec. 7 to Feb. 8 by order of Federal District Judge James Meredith.

Mr. Wilson, operator of "minimutual" insurance companies here, was indicted with Charles Earl Brown, Monte Schuff and William E. Fox on July 23. Each is free on \$20,000 and Mr. Wilson has been given the permission of the court to work in the south for Caribbean Book Distributors Inc.

Among the companies operated by Mr. Wilson and his associates were Trans-American Excess Underwriters Ltd., Bankers Security Mutual Insurance Co. and Farmers and Merchants Mutual Insurance Co., all headquartered in St. Louis.

The indictment of Mr. Wilson and his associates came about two years after *Business Insurance* first disclosed the nature of their illegal "minimutual" operations that extended to Ethiopia and to major underwriting of commercial insurance risks.

life & health benefits



A special *Business Insurance* report on employe life and health benefits is contained in a section from page 27 to page 53. Other stories relating to life and health benefits are found on pages 3, 66, 67 and 69. A special Info for Buyers column appears on page 70.

London covers chartered Viet-bound Capitol airliner

ANCHORAGE—Both hull and liability insurance on a \$12-million Capitol International Airways Inc. DC-8, which crashed on take-off here killing 47 of 229 persons aboard, was written in the London market, *Business Insurance* has learned.

Most of those killed, as well as most of the passengers, were military personnel bound for Camranh Bay, South Vietnam. The plane carried 219 passengers, including at least one child, a military dependent.

A spokesman at the Pentagon said that "all standard military survivors benefits will apply in this case. Those servicemen killed were covered by servicemen's group life, which is practically universal, for \$10,000."

He went on to say, "as far as dependents go, however, any insurance coverage on them would have to be private. Military insurance does not cover them."

ONE INSURANCE industry spokesman said that the fact that the flight was a military charter would have no bearing on the possibility of civil court action if the airline is held to be liable in the crash. He said that he thought the provisions of the Montreal Agreement would ap-

ply, which would put a maximum recovery limit per passenger at \$75,000.

"If they are liable, the liability would be absolute, up to the \$75,000," he said. "This only applies to the airline. If somebody wanted to sue the manufacturer of the airplane, it would be a different story." ■

Fourth DC-8 crash

NEW YORK—The Capitol International Airways Inc. DC-8 that crashed in Alaska was the fourth DC-8 "stretch" type aircraft to crash in the past five months. It was valued at \$1.5 million. The total loss on the hulls of the four aircraft was approximately \$48.5 million.

An airline insurance source told *Business Insurance* that "the Capitol loss will be the largest hull claim ever paid by the insurance industry, excluding the war-risk 747 loss in Egypt."

The hull insurance on all the aircraft except the Air Canada plane was written in the London market. Associated Aviation Underwriters had the cover on that plane.

Securities . . .

Continued from page 1

"Money center banks (those with \$1 billion or more in deposits) will have their coverage for these bearer instrument securities somewhat reduced due to a new formula that will revise the extent of the coverage. In addition, we will require a \$50,000 deductible for each instrument to be covered. Such coverage will also include a 25% participation in any loss by the insured."

A Hartford source pointed out that Continental had recently suffered "more than \$5 million" in losses from stolen or missing government securities. While he would not confirm this figure, Mr. Young did explain that a "combination of both recent losses as well as the cumulative record was responsible for our taking this action."

Meanwhile the Surety Assn. of America, the bonding community's policy-development organization, meets Dec. 8 to decide what action its members will take regarding Continental's move. Albert Griffith, assistant vp of Fidelity of United States Fidelity & Guarantee, Baltimore, and chairman of the association's advisory committee, declined to discuss Continental's move.

However, sources at several other companies queried speculated that the association would fall in line with Continental's pos-

ition. "It's no secret how big the losses have been in these types of securities. It's playing with fire," said one New York insurance source.

INSURANCE CO. of North America's vp of bonding, Hugh Sinclair, confirmed that his company was reconsidering its position regarding the easily negotiated government securities.

"At the beginning of this year," he told *Business Insurance*, "we refused to insure these securities unless they were actually domiciled in a separate bank custodial account. The customers have been quite cooperative about this new rule. Our losses seem to have decreased noticeably in this area. But the Continental obviously has its reasons for doing this with its own clients. We're trying to keep an open mind about this thing. We're mulling it over to decide whether we will change ourselves," he said.

A Fireman's Fund American bonding source declined to comment on Continental's move, but did say his company was considering similar action.

"It's a little early for us to know, really. We've been using a loss prevention questionnaire to try to reduce our problem." ■

ASIM: 'We want able regulators'

WASHINGTON—The American Society of Insurance Management, through its legislative counsel James E. Bailey, has asked 12 governors-elect to appoint as insurance commissioner "someone able, experienced and knowledgeable in the field of insurance—not a political type appointee."

In a telegram to the newly elected governors, Mr. Bailey said ASIM represents 2,900 risk managers in 1,850 of the nation's "most prestigious" corporations. ASIM members, he said, are responsible for \$8.5 billion in insurance premiums.

"We support state regulation of insurance under capable commissioners with adequate professional staffs," the telegram concluded.

Mr. Bailey told *Business Insurance* that he received a friendly reply from Gov.-elect Kenneth M. Curtis of Maine.

A not-so-friendly reply came from Nebraska's Gov.-elect J. James Exon, who termed the telegram "presumptuous." He added that he did not need the advice of "a highly paid counsel of a special interest group."

Gov.-elect Exon added that if ASIM has members in Nebraska, he would gladly listen to them. And he firmly denied that he would use the insurance commissioner's office for political purposes. ■

Airline pact . . .

Continued from page 1
prefer this type of arrangement, sources told *Business Insurance*.

One airline insurance manager involved in the discussion told this magazine last week that whatever develops out of the discussions it would be premature to accept it as a firm plan.

"The discussions are still very much at the insurance management level," he said. "Anything that develops must be taken to our top management." ■

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More health, life claims in economic downturn

NEW YORK—A Yale University researcher has reported that there are "strong relationships between falling employment rates and increases in heart disease mortality" for various forms of heart disease in different age groups, which may or may not be strongly influencing group and individual life insurance payouts.

M. Harvey Brenner, Ph.D., assistant professor of public health and sociology at Yale, presented data linking heart disease to changes in employment. Mr. Brenner has interpreted the data to mean that "people with a background that predisposes heart disease show sharply increased death rates at times of economic stress." He went on to say that, "such people are, in effect, playing Russian roulette with six bullets, and the stress of unemployment and an unhealthy economy is the trigger."

As indicators of economic change, Mr. Brenner used the New York state and national employment index. He discovered that death rates seem to be more affected by short-term swings in the economy than by long-term downward trends. The study also revealed that deaths from heart disease, especially diseases of the coronary arteries, lag behind the economy by one to two years. Thus, according to his calculations, the current economic downturn should lead to an increase in deaths from heart disease within a "matter of months."

OTHER THAN stress as the cause of more heart disease, the Yale professor suggested that during periods of economic downturn more individuals might not have the money to buy the medical services that are needed. The long-range impact of the study will be "to demonstrate that most of the suffering through economic instability may well be greater than the cost of controlling such instability in the first place—that allowing unchecked fluctuations in the economy may be a bad investment, quite apart from the unnecessary human suffering involved."

Several large life insurance companies were queried by *Business Insurance* on two points: Had they noticed recently that claims for death from heart disease had increased as a percent of all deaths? And, if so, what income groups were most affected? Monthly mortality figures by cause of death would form a valid, subtle picture, but because life insurance is a long-term proposition, statistics are kept on a yearly basis.

Intuitively, however, the majority of companies felt that Mr. Brenner's study was valid. As a spokesman from Connecticut General said, "This is one of those generally accepted truths that is extremely difficult to prove."

NONE OF THE companies could supply monthly figures on claims given for death from heart disease. However, several did note that 1969 showed a significant increase in overall mortality. For instance, Travelers Life Insurance Co. noted a 5% increase in mortality last year that has since returned to normal.

An acting spokesman was enthusiastic about Mr. Brenner's study. "While we can't prove that economic downturns cause more deaths from heart disease, we do know that psychological distress is a contributing factor in heart disease fatalities. And if you accept the argument that economic crisis can lead to psychological crisis, you might assume that

psychological factors would play a larger than normal role in heart disease deaths in a distressed economy."

Although Hartford Life and Accident Insurance Co. felt that the study was beyond the scope of information they could provide, they made some interesting observations. Contrary to many other life insurance companies, Hartford's 1969 and 1970 statistics showed improvements for overall mortality.

Economic downturns have produced some extraordinary effects. Hartford statisticians have noticed a substantially greater use of health programs. Why? "Individuals tend to use health benefit programs when they are not enthused by the work they are doing. If people are generally discouraged, or not as busy as they would like to be, they don't feel as well." The Hartford spokesman went on to say, "The profit squeeze has brought on a

noticeable increase in the use of hospital benefits."

HE ADDED, "The same thing is true with disability, both short and long term. More workers are absent for longer periods of time. More people feel bad, and it's tougher to get them back on the job. And of course, sometimes there isn't a job to go back to."

In the course of seeking reactions to Mr. Brenner's study, *Business Insurance* also discovered some interesting trends that

are not related to swings in the economy. Hartford Life and Accident pointed out that experience differed with mortality rates by age between large and small companies. Those companies with less than 150 employees have fewer instances of mortality than those with more than 150. The evidence suggests that there is more pressure on the employee who works in a large firm than in the smaller, which provides a low-keyed environment.

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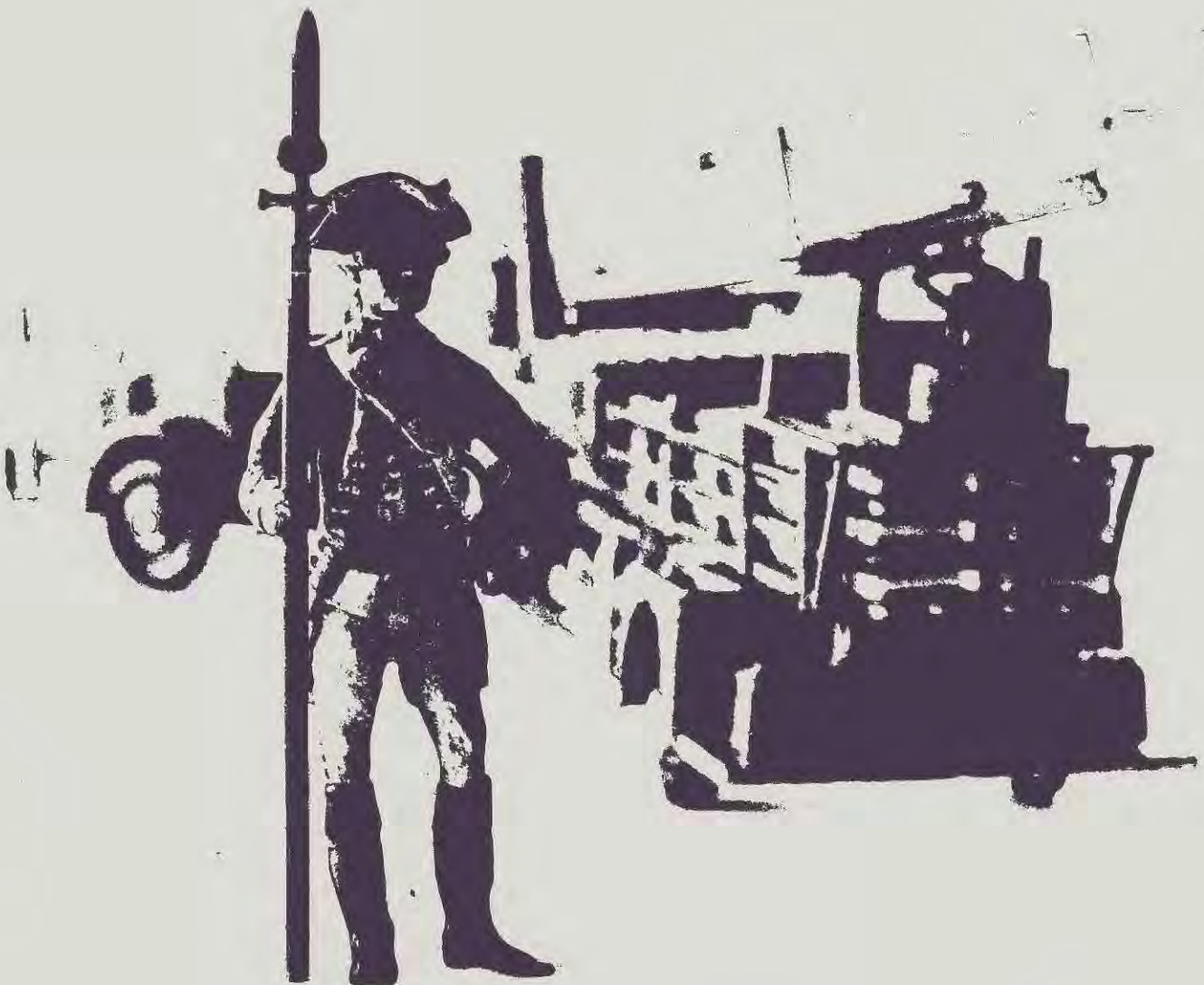
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washington watch

Unions may try to block U.S. safety bill that calls for 5-member board

WASHINGTON—After almost three years of debate, the Senate and House have passed occupational health and safety measures, and it looks now as if President Nixon will be signing such a bill into law before the first of the year.

Ironically, if an industrial safety law is not signed this year, it will not be the fault of the business community, but will be because of opposition by organized labor, which has indicated it

would rather have no law than one which places standards setting authority outside the Labor Department.

Labor got its way on this issue in the Senate, but the House adopted the Administration-business community proposal, which calls for the establishment of a five-man independent board to set standards.

It is almost impossible to say how Senate and House conferees will resolve this key issue, which

could decide the fate of the entire measure this Congress.

LABOR HAS expressed confidence that it has a very good chance of getting its way in conference. But, it has indicated it will make every effort to block approval of any plan for standards setting authority other than its own, and take its chances starting the entire debate over again in the 92nd Congress.

On the other hand, there is

some doubt whether the House would accept a compromise proposal giving the Labor Department standards setting authority, although the Administration has indicated it will not lead a blocking effort against such a bill.

The House vote was 200 to 172 in favor of the Administration approach. The Senate vote was 41 to 39 against it.

The conferees, admittedly, have a tough job ahead of them. But, their task will be aided somewhat by the fact that there are numerous important issues connected with the job safety measure which can be played off against one another to form a compromise bill with something in it for everyone.

NUMEROUS compromises have already been offered—and a number accepted—on a host of issues.

For example, liberal Senate Democrats agreed to a provision in the Administration bill to es-

tablish a three-member occupational safety and health review commission to deal with disputes that might arise when the Labor Department accuses a plant of standards violations.

This was a trade off to win the basic issue of who would set the standards.

One area where liberal Democrats have indicated a willingness to soften their stand is over the wording of the general provision in the law regarding the basic employer responsibility to maintain a safe plant.

THE LIBERALS' Senate-passed bill would require employers to furnish employment "which is free from recognized hazards so as to provide safe and healthful working conditions."

The Administration language holds that the employers must furnish employment free from "readily apparent" hazards "which are causing or are likely to cause death or serious harm."

The controversy over the breadth of the Labor Department's authority to close down plants to another area where liberal Democrats would probably be willing to negotiate. The Senate bill would give the department the power to order the temporary shutdown of a plant when inspectors find conditions that threaten workers with "imminent danger," if there is not time to first obtain a court order.

An amendment to require the court order first, in all cases—as contained in the House-passed bill—failed in the senate by a narrow 42 to 40 vote. ■

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County to self-insure all vehicles

SALT LAKE CITY—Salt Lake County will start the new year with a self-insurance program on county-owned vehicles.

During a six-month pilot period its 580 trucks, cars and motorcycles will be covered against comprehensive losses, running into stationary objects, collision or upset.

The new program, it is estimated, will save the county one third of what had been paid on collision coverage. Insurance premiums for six months had been \$68,621. In an effort to place more responsibility on individual drivers, each department will set aside part of its budget to repair and replace damaged vehicles.

The state of Utah has already adopted a similar program that self-insures all vehicles except highway department cars. County purchasing agent William T. South, who headed a committee proposing the program stressed the fact that liability coverage will still be purchased for the vehicles, however. Mr. South went on to suggest that if the program is expanded beyond controlled risks, a special fund should be set up to cover large losses. ■

Seek pension increase

Retired Ontario teachers have received the support of active members of the Ontario Teachers Federation in a drive for improved pension benefits. Noting that 48% of retired teachers covered under the government administered pension fund receive less than \$3,000 a year in pension benefits, the retirees are seeking escalation of pensions by 2.5% a year for the last 20 years to match the average annual rise in the cost of living.

Touchy Question #86

**What does your company do
about the worker or executive
who drinks too much?**

If yours is like most companies, you call it a "personal problem" and hope it will go away.

Alcoholism isn't a personal problem. It's a corporate problem. And it won't go away. If it isn't arrested, it gets worse. If the drinker doesn't cure himself, he will eventually fall or be pushed out of the company. But he will be succeeded by other drinkers, and the corporate problem will remain.

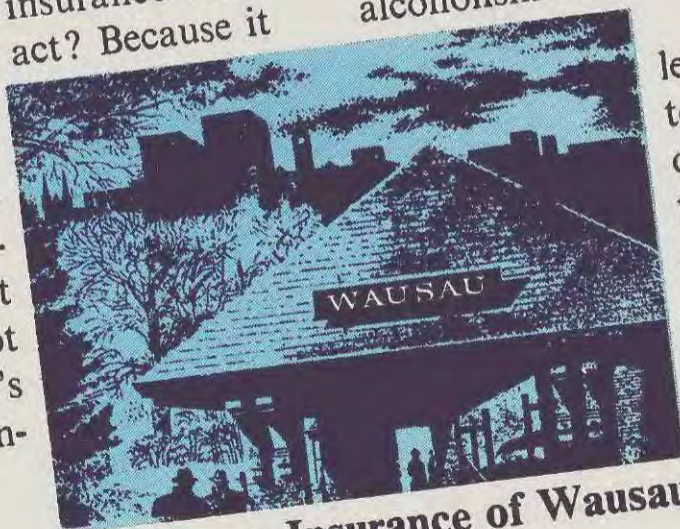
Why should an all-lines insurance company get into this particular act? Because it belongs there. The problem of the employee who drinks too much is definitely a problem for the employer's insurance carrier. He's more apt to get hurt. He's more apt to hurt someone else. He's more apt to expose his em-

ployer to claims or lawsuits of every kind. (We know. Don't think we've never had employees who drank too much.)

We offer our policyholders specialized consultation on management systems to deal with problems arising from emotional disturbances and the misuse of drugs or alcohol by their employees. Our safety and health consultants are trained in this field by Mr. James S. Ray of our staff, an experienced counselor on alcoholism and related problems.

The solution to the problem of the worker who drinks too much is seldom to get rid of the worker. It's to resolve the problem for the company as well as the individual.

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following the funds

W. Germany views pension reform rules affecting U.S. branches there

CHICAGO—While the U. S. Congress considers proposals for new government regulation of funding, vesting and other provisions of private pension plans, the German Social Democratic government—in cooperation with labor unions—is pressing for similar pension reforms.

A German visitor, Gerhard Roper, vp of Victoria Life Insurance Co., Dusseldorf, explained that the dual union-government effort comes about because the new minister of labor under the Social Democrats is a former miner sympathetic to workers' pension needs.

First among the proposed regulations would be new requirements for funding private pension funds, most of which have been supported by "book reserves" since World War II.

"In the days following the war," Mr. Roper explained, "it was felt that the German economy needed to plow as much money as possible into rebuilding the nation. Therefore, many employers funded their pension plans with 'book reserves' to avoid diverting funds into insurance premiums or other deposits. Now there is a concern about possible insolvencies among in-

adequately funded pension programs."

"DIRECTLY INSURED plans are more attractive to prospective employees than 'book reserve' programs," Mr. Roper said, "especially those offered by American companies that locate in Germany. Our economy has virtually no unemployment and thus there is keen competition for qualified employees."

Mr. Roper explained that young people typically do not ask about the funding of pension programs, but that professional people like accountants are be-

coming very choosy about funding provisions before they agree to take a job. Most professionals are aware that only 20% of Germany's pension funds are reinsured against unfunded liability.

Another key proposal in the pension reform package would make workers eligible for pensioned retirement after they reach 45 years of age and 15 years of service to their employers.

The German Assn. of Life Insurance Cos. has proposed a plan of direct insurance of pensions that would operate independently of where an insured was employed. Such a plan would make pensions portable among insurance companies as well as among employers.

ANOTHER REFORM proposal would encourage creation of private pension plans by German employers with fewer than 200 employees. A survey indicates that 90% of employers with more

than 200 employees have pension programs. However, the new proposal would use tax incentives and other means to encourage small companies to institute pension programs.

German pension reform advocates also propose that pension plans be integrated with social security in such a way that increases in social security stipends do not cut into earned private pension payments. "Private pensions in Germany are coming more and more to be regarded as remuneration for work," Mr. Roper explained, "and those covered by private pensions are bothered by the idea that there should be a maximum total payment of social security benefits and private pensions. When that situation obtains, the private pension eventually dwindles to nothing as social security is increased."

Finally, German pension reform proposals include a plan whereby private pension programs should be dynamic and grow with employees' salaries, at least up until the time of retirement.

Mr. Roper, who visited with international benefits personnel at Marsh & McLennan Inc. here, said that changes in German private pension regulation must be heeded by U. S. firms that open offices in West Germany.

"In our full-employment economy," he said, "our people expect the very best in benefits when they take employment with an American firm." ■

\$500,000 sought by ball player

BRIDGEPORT, Conn.—A \$500,000 suit has been filed in Fairfield County superior court by the guardian of a former high school student who was left paralyzed from the neck down after suffering injuries in a football practice session.

The action is brought by Tiber Guttman of New York City, on behalf of Harry Hirsch.

Defendants are the suburban town of Fairfield and its board of education chairman, Lincoln Craighead.

Also named are two board of education employes, Ferdinand Tetreau and Robert Anderson; plus the Riddle Co. of Des Plaines, Ill., and the Raleigh Equipment Co. of New Rochelle, N. Y., manufacturers of protective equipment young Hirsch was wearing at the time of the accident.

Mr. Guttman charges that on Sept. 5, 1967, young Hirsch was practicing football with the Andrew Warde High School squad and received a blow in the head which left him a paraplegic.

The suit also claims that the youth was carried off the practice field in an improper manner; that his equipment was not properly fitted; and that the practice session was not properly supervised. ■

\$56,017 refund

C. Wallace Industries Inc., Houston, has earned a \$56,017 dividend from its insurer as a result of good loss experience. The firm, a large mechanical contracting company, writes its workmen's comp, general liability, auto liability, physical damage and various property covers with the Glens Falls Insurance Group. It has been a Glens Falls policyholder for three years.

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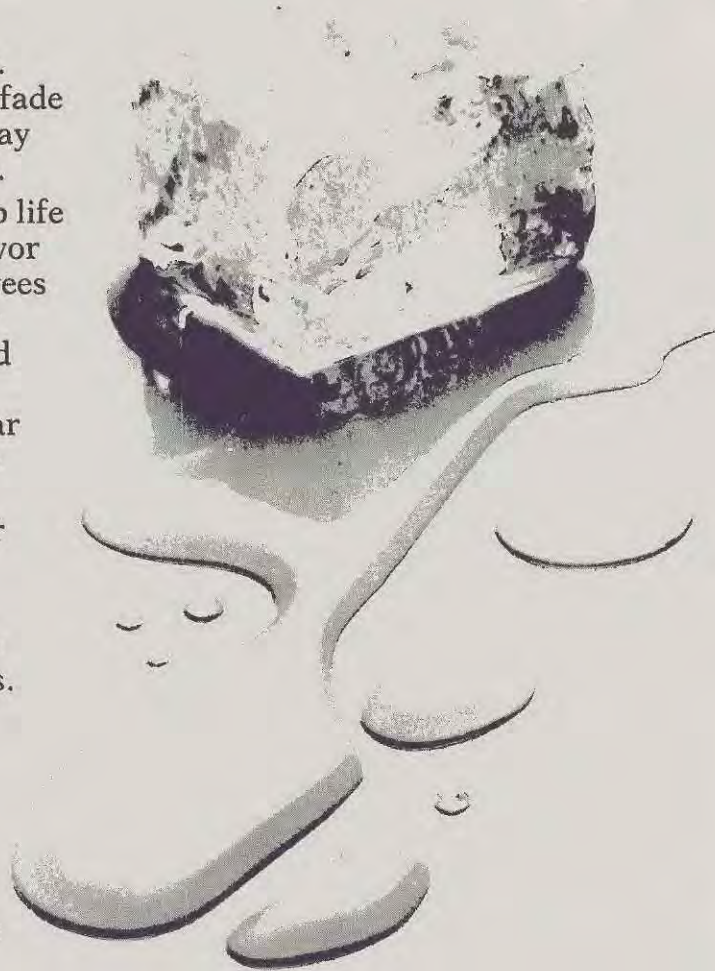
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Survivor Income benefits help attract—and keep—good employees. For all the details on this flexible supplement to group life plans, contact your own broker or any Aetna Group Representative.



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LIFE & CASUALTY



Stockholder sues over receivership handling

MIAMI—North American Guaranty Insurance Co.'s major stockholder has sued the state of Florida for \$10 million as a result of the firm's fall into receivership in 1967.

Northeast Bancshares Inc. charged that the state "maliciously and capriciously" placed the company in receivership and asked to be allowed to intervene in the case. An attorney for the Florida insurance department replied that Northeast Bancshares apparently was confused.

The holding company is headed by S. Mort Zimmerman, an executive also involved in the collapse of Miami's State Fire and Casualty Co.

North American Guaranty did most of its business in Florida, although its base was in Arkansas. Broward Williams, Florida's treasurer, was named receiver for the firm in 1967.

NORTHEAST Bancshares contends that the Florida insurance department disallowed two blocs of stock which actually were worth at least \$1.4 million. Arkansas insurance officials also rejected the stock as an asset.

The complainant also contends that the Florida department "has withdrawn in cash approximately \$130,000 in payment for alleged services . . . but has failed to report to this court what, if anything, has been accomplished by such alleged services." Finally, it asked that the Florida department be held in contempt of court for failing to make that report.

Insurance department attorney Kathryn Gregory said the stock was disallowed because it was restricted to being "for investment purposes only" and therefore could not be sold by North American. "An insurance company must have stock that can be liquidated to pay claims and that's why it was disallowed," she said.

She said the \$130,000 reimbursed the state for receivership expenses over a three-year period and was approved by a specific court order.

\$131,788 crash award

MIDDLETOWN, Conn.—A Middlesex County superior court jury has awarded \$131,788 to the father of a Cromwell, Conn., nurse who was killed in 1967 in a plane crash off Westbrook, Conn. on Long Island Sound.

The sum goes to Martin Planeta, administrator of the deceased's estate.

Miss Irene Planeta was killed when the light float plane in which she was a passenger crashed.

The verdict went against Robert J. Berube of Hartford, Hartford Airmotive Inc., Donald E. Joy Jr. of Hartland, Conn., (an Airmotive officer) and Acqua Aero Corp. of Rockville, Conn. Mr. Berube was the plane's pilot. The defendant firms were owners and leasers of the plane.

The court action charged Mr. Berube with operating the craft in an inattentive manner and failing to exercise reasonable control. In addition, the defendants were charged with violation of state statutes on plane liability.

Mr. Berube escaped with minor injuries.

"They are really confused about the report," she said. According to her, the report covers nearly 15,000 claims being settled by the department.

The state charged last month that three law firms had received preferential payments totaling \$28,648 from North American just before state officials placed it in receivership. (*Business Insurance* Nov. 23.) One of the law firms was that of Carey Matthews, Dade County (Miami) state representative, who was representing the Zimmerman interests in North American at the time.

Mr. Matthews, active in legislative affairs involving insurance, denied that any preference was shown.



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Hold employer liable for company picnic injury

ALLENTOWN, Pa.—When an employe is injured at a picnic, sponsored and paid for by the employer, is the employe covered under the state's workmen's compensation law?

An employer sponsored an employes' picnic on his premises for the purpose of generating friendly relations with his employes. He paid all the expenses of the picnic and directed and supervised the activities.

An employe was swimming in the pool when he decided to dive off a pier. He hit bottom with his head and broke his neck. He sued in a lower court to participate in the workmen's compensation fund, contending that the injury arose in the course of his employment.

THE WORKMEN'S compensation bureau claimed that to be covered he must have been, at the time of injury, engaged in the performance of the duty he is employed to perform. The jury decided he was not covered. Later a court of appeals affirmed that decision.

He appealed to the supreme court of Ohio (24 OS 2c 10) which held: "An injured employe need not be in the actual performance of his duties in order for his injury to be in the course of employment and thus compensable. The more compelling question presented in this case is whether an injury, which is sustained by an employe of a small business while attending a picnic

that is sponsored, supervised and paid for by the employer, and that is given by the employer for the purpose of generating friendly relations with his employes, is sustained in the course of employment. We think that it is.

"A rule recognized, and often applied by this court, is that an employe, to be entitled to compensation, need not necessarily be engaged in the actual performance of work for his employer at the time of injury. It is sufficient if he is engaged in a pursuit or undertaking consistent with his contract of hire and that in some logical manner pertains to or is incidental to his employment."

The opinion concludes that that standard was met because the meal was part of the employer's compensation. The employer's involvement with the affair, which he gave primarily as a business function, created a substantial connection between the activity and the employment. (Kohlmayer

v. Keller, Adm. Bureau of Workmen's Compensation, Ohio Supreme Court No. 70-68, 9/24/70.)

Better service and greater interest in the job on the part of the employes were outgrowths of the affair. The expense of the picnic may furnish the basis for an income tax deduction. Tangible business benefits are even more likely to be realized when a small business is involved.

Business-related benefits, even though not immediately measurable, which may be expected to flow to the employer from sponsoring a purely social event, are sufficiently related to the performance of the required duties of the employe.

Fleet rates up

A 6.9% average increase in commercial automobile insurance rates has been adopted by the Washington State Insurance Rating Board.

Ads are used to catch thief

NEW YORK—To catch a thief, as far as the New York Clearing House Assn. is concerned, it does pay to advertise.

The association, which represents 10 member New York banks with close to 800 branches became alarmed about the increasing number of armed bank robberies and, with its advertising agency, Ted Bates & Co.,

WANTED FOR BANK ROBBERY!

\$10,000 REWARD



THE NEW YORK CLEARING HOUSE ASSOCIATION

came up with an unusual campaign to help combat the problem.

A Clearing House Assn. official told *Business Insurance* that the campaign was designed and implemented without assistance from insurers covering the victimized banks.

Using unretouched photographs of robbers taken by hidden bank cameras during actual holdups, the association ran full-page ads in the three city daily newspapers. A \$10,000 reward for information leading to the arrest and conviction of any of the six individuals shown in the ad was offered.

Within hours after the papers were published, local FBI and police officers began receiving telephone calls. One call led to the arrest of a suspect. Police credited the newspaper ads, but declined to identify the individual who had furnished the information leading to the arrest.

The same ad has appeared two more times in the New York News. The only difference is that the word "apprehended" is printed across the photo of the arrested suspect.

Girdles and garters unsafe at any speed

LONDON—A British sports car manufacturer has concluded a study to end all safety studies.

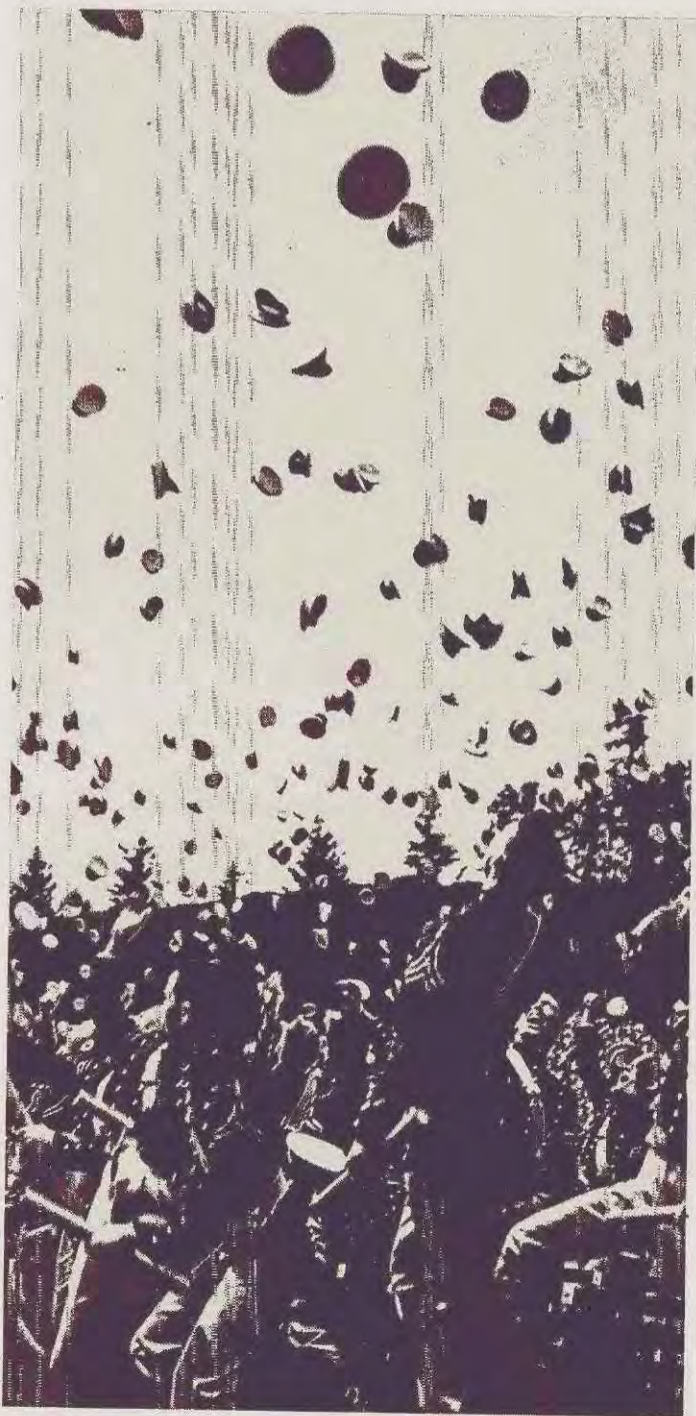
British Leyland has passed the word to the National Safety Council in the U.S. that girdles and garters are menaces to driving. Girdles are dangerous, the company said, because they "quickly become uncomfortable and result in squirming by the wearer behind the wheel."

The survey also notes that garters tend to lift a woman's feet from the pedals and "to overcome this she often pushes up against the pull of her garters and winds up going faster than she intends."

So, if any of your fleet drivers wear—well, enough said—tell them to try panty hose, which the British motor car manufacturer deems much safer.

Unionmutual graduates into the pension business.

(No, we haven't flipped our lids.)



Sure, we know, for years now a handful of giants have had the Group pension business pretty much to themselves.

We're out to change that. And we figure we're up to it. We're approaching the pension business with the same determination and the same competence with which we achieved such outstanding success in the Group Insurance field.

When you come up with the answers, you come up with the business. It's as simple as that — which is why we've become known in the trade as the "Up Group".

So ask your agent, broker or consultant to find out about the breath of fresh air we've brought to the Group pension business. He can contact one of our field offices or write to Mr. Robert W. Stevenson, Vice President (Group Marketing), Union Mutual Life Insurance Company, 400 Congress Street, Portland, Maine 04112.



Unionmutual

Up. They call us the "Up Group"

Seeks enjoinder of state fund's activity

PORTLAND, Ore.—Employee Benefits Insurance Co., Portland, has sought to have the state accident insurance fund of Oregon, a state agency, enjoined from allegedly exceeding its statutory authority in marketing a specific workmen's compensation insurance program.

The action, filed Nov. 10 in Multnomah County circuit court, has important overtones regarding the maintenance of a competitive marketplace for both private workmen's compensation writers and the state fund, according to Roy Green, EBI senior vp and actuary. Mr. Green had been actuary and executive secretary for the Oregon industrial accident commission, predecessor of the state fund, for 17 years prior to his association with EBI in July, 1969.

Specifically, EBI seeks a declaratory judgment that the state fund is marketing a self-insurance workmen's compensation plan while neither having the authority to do so nor conforming to statutory requirements on payments of regular premiums by program participants.

MR. GREEN observed that private insurance companies are required to exact regular premium payments from customers and that these premiums are used to establish reserves for payment of future claims.

He said the state fund, under programs known as cash flow plans, requires only nominal reg-

ACLU files suit against state official

MADISON, Wis.—The Wisconsin Branch of the American Civil Liberties Union Foundation has filed a suit here against the state insurance commissioner on behalf of a Milwaukee man whose auto insurance was cancelled after he was accused of performing a homosexual act.

The ACLU unit said the suit was filed against Commissioner Stanley C. Du Rose because he failed to order a hearing on the case. The policyholder, an accountant, was not identified.

The suit, filed in a Dane County court, seeks to force Mr. Du Rose to hold a hearing on the cancellation of the policy by American Family Mutual. The suit notes that Mr. Du Rose had indicated the company could deny insurance as long as it was not because of age, residence, race, color, creed, national origin, ancestry or occupation.

The suit also said that the policyholder, who was accused four years ago of indecent exposure and performance of an unnatural sex act, was not named, "in respect of his privacy."

The suit further notes that the charges against the policyholder later were dismissed.

Announces agreement

Commercial Union of London announced that it has entered into agreement with Connecticut General Life, Hartford, Conn., for the two companies to provide mutual assistance in writing and administering group life, permanent health and pension schemes for companies that operate in both Britain and USA.

More money makes patrolmen 'stylish'

HOUSTON—The clothing allowance for Houston Police Dept. plainclothes officers is being upped from \$225 to \$350 a year so they won't become conspicuous because of out-of-fashion attire.

Officers should dress as conservatively as possible, but fast-changing styles may this increasingly hard, said A. J. Burke, Houston Police Officers Assn. president.

"It is imperative that officers be 'stylish' so they look like the average person on the street and not stick out as a police officer," said Mr. Burke.

This added benefit for these employes adds \$53,000 a year to the city's expenses.

Cotter denies his ITT ruling had been leaked

HARTFORD—Former State Insurance Commissioner William R. Cotter has voiced a strong-worded denial of a copyrighted story in the Hartford Courant, local morning daily that insisted his May 23 decision approving merger of the Hartford Fire Insurance Co. with International Telephone & Telegraph Corp. had been leaked in advance.

Mr. Cotter, elected to Congress (first district, which is metropolitan Hartford), told *Business Insurance* he was "incensed over the unfounded implications and innuendoes" in the newspaper story.

The Courant said it had learned "from several sources that it was

known in certain circles in Hartford that the merger would be approved several days before the Cotter May 23 announcement. The paper said that several people—particularly lawyers with offices in an undisclosed place—had profited in the stock market by the advance information.

MR. COTTER asserted that the newspaper story was "a vicious attack based on a so-called anonymous letter, unsubstantiated rumors and an incredible twisting of facts."

The letter referred to was allegedly written to consumer advocate Ralph Nader about stock profiting.

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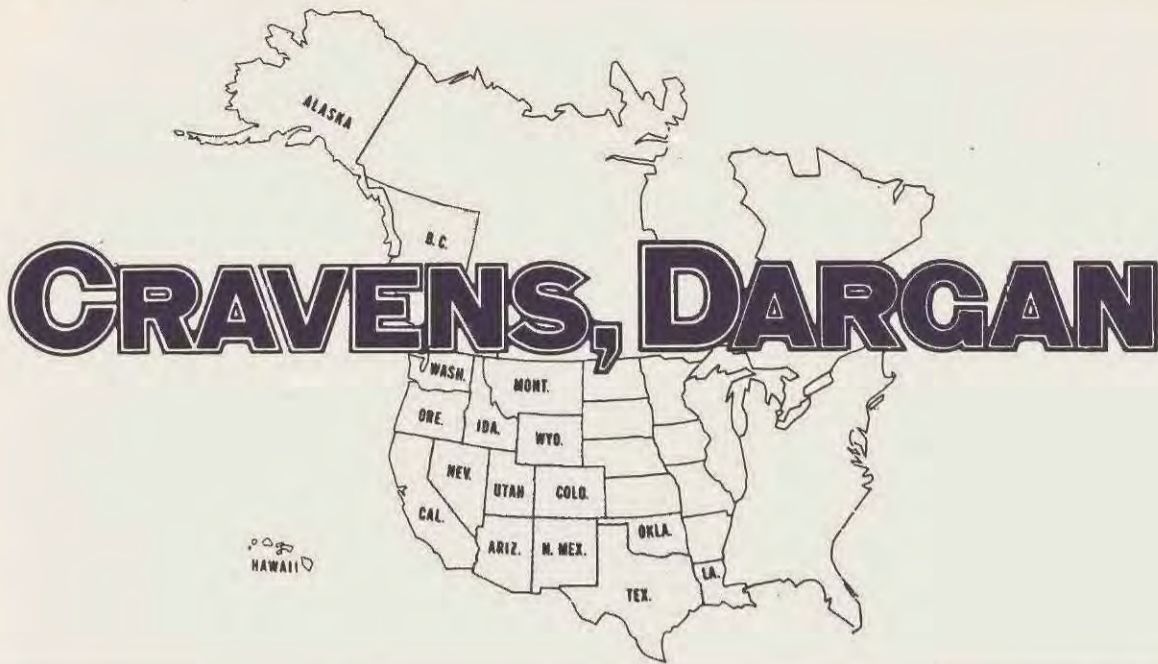
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Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they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

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

• That National Foundation of Health, Welfare and Pension Plans has released **Presenting the National Foundation** outlining the organization's educational aims in the field of jointly trustee employe benefit funds. The booklet explains the Foundation's activities, publications and committee functions and contains a list of officers, directors and committee members. Single copies are free upon request by writing the Foundation at P. O. Box 898, Elm Grove, Wis. 53122.

• **'Humanly impossible' protection—night and day** is a 16-page booklet released by the National Fire Protection Assn., 60 Battery-march St., Boston, Mass. 02110, to educate property owners in the value of automatic protection. The publication discusses the six types of automatic protection systems; carbon dioxide, dry chemical, foam, Halon, sprinkler, and water spray. Copies are available in units of 25; 25 to 100 copies are 15 cents each.

• Control Dynamics Series 2000 is an electronic surveillance motion detection system that provides continuous transmission of ultra-high frequency waves completely saturating the area under surveillance with electromagnetic energy. The system has a built in logic circuitry making it possible to read signals directly into a computer for centralized control of multiple system installations. For more information write Mr. Dan Larson, President, Control Dynamics, 810 West Collins Ave., Orange Cal. 92667.

• The Department of Health, Education and Welfare, Social and Rehabilitation Service, has published **Legal rights of the disabled and disadvantaged** for the National Citizens Conference on Rehabilitation of the Disabled and Disadvantaged, one of a series of five papers prepared by the department for the conference. The book defines the disabled and disadvantaged and divides them into the following categories; the mentally retarded, the mentally ill, alcoholics and drug addicts, the physically handicapped and the aged. The book also contains some specific needs of the disadvantaged and disabled and suggestions for their implementation. Single copies are 50 cents and may be ordered from the Superintendent of Documents U. S. Government Printing Office, Washington, D. C. 20402.

• **Recent developments in trustee liability insurance** is a research report by David Livingston by the National Foundation of Health, Welfare and Pension Plans, Inc., P. O. Box 898, Elm Grove, Wis. 53122. According to the paper only three major underwriters provide liability in-

surance coverage for trustees. Key provisions in each of the available policies are outlined and compared item by item in the article summarizing the study findings. Reprints are available for 25 cents.

• The latest edition of **Guide on building areas and heights**, (NFPA No. 206m) has been published by the National Fire Protection Assn. The 12-page text explains the necessary considerations in limiting building heights and areas from the standpoints of safety to adjoining property, safety to firemen, opportunity for successful extinguishment or containment of a fire and prevention of excessive demands on fire fighting facilities including water supply systems. Single copies of the recommended code are 50 cents and may be ordered from NFPA at 60 Battery-march St., Boston, Mass. 02110.

• The 1970 edition of **A list of worthwhile life and health insurance books** has been published jointly by the Institute of Life Insurance and the Health Insurance Institute. The 80-page booklet provides a reference guide to current writings on personal insurance including 445 book titles and a list of 27 periodicals. Items of special interest to the management of insurance companies are contained in sections on investments, actuarial mathematics, estate planning, gerontology, Social Security and Medicare. Single copies may be ordered from either organization for 25¢ each. Both at 277 Park Ave., N. Y., N. Y. 10017.

• Bliss Portland Co. has released two brochures describing their Super Jet-X water-powered nozzle that can send a steady flow of foam up to 30 feet to control class A and B fires, the nozzle can supply up to 1500 cubic feet of foam per minute; and their Jet-X-15 generator that provides foam dispersion for vast industrial complexes where rapid fire control is essential and for high piles stock and high hazard areas where inside firefighting is impossible. Inquires should be addressed to Mr. Clifford Fox, Advertising Dept., Bliss Portland Co., 80 Second Street, S. Portland, Maine 04106.

• The Chamber of Commerce of the U. S. has prepared and published a 1970 edition of **Analysis of workmen's compensation laws**. The analysis is a ready reference to the statutory provisions of the laws of the 50 states, the District of Columbia, Guam and Puerto Rico and Canadian provinces. Fourteen charts are presented to aid employers, employees, insurance firms, agents and brokers in locating specific provisions of workmen's compensation laws. Orders up to 9 copies are \$1.50 each, 100 copies or more are 75¢ each. Direct orders to the Commerce at 1615 H. Street, N. W., Washington, D. C. 20006.

• How much life insurance do you need? Bankers Security Life Insurance Society, 1701 Pennsylvania Avenue, N. W., Washington, D. C. 20006, offers a computerized Family Financial Planner questionnaire service. The answers are fed to a computer and a print-out showing how much insurance is needed in response to the questionnaire is returned to the reader. Copies of the brochure may be obtained free of cost from the Agency Department of the firm.

Pollution order raises bond question

• The Polaroid Corp. has made available a booklet describing their ID-2 Land Identification System which produces full color ID cards and badges on the spot. The subjects' image and data are recorded simultaneously on one piece of film. The film is laminated with a sheet of clear plastic which is chemically bonded to the face. A photographically reproduced validating signature of seal overlaps the photo and data portions of the card, making it difficult to alter the subject photo. For more information or a copy of the booklet write the firm to the attention of Adrian E. Van Dorpe, Industrial Marketing Dept., Cambridge, Mass. 02139.

• A detailed outline of its **International group and pension activities** has been published in booklet form by Swiss Life Insurance and Pension Co., International Dept. The booklet describes where, when, and how the firm provides its services internationally. For free copies write the firm at General Guisan Quai 40, 8022 Zurich, Switzerland.

• A guide to **Social Security in Western Europe** is a booklet covering both state and occupational benefits in 18 European countries. The guide highlights the country by country differences in Social Security and taxation practice which prevail in the area of national sovereignty. Copies may be obtained free of charge by writing Noble Lowndes International Ltd., 32, Lowndes St., London, S. W. 1, England.

• **Plant movement, transfer, and relocation allowances**, bulletin No. 1425-10, is part of the major collective bargaining agreements services published by the U. S. Department of Labor. This report is concerned with management's and labor's solutions to three important collective bargaining issues: the protection afforded employees displaced by plant shutdowns and plant movements; the rights and options of workers in transfers between plants or companies that are party to a common agreement; and the factors governing payment of relocation allowances when these are available to employees. Single copies are \$1.25 from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

• The National Fire Protection Assn. has released the following 1970 editions of previously published manuals: **Manual for fire protection for archives and record centers** (NFPA No. 232A-M-T) 32 pages, \$1; **Standard for the protection of records** (NFPA No. 232), 100 pages, \$1.50; and **Recommended practice for protection of library collections from fire**, (NFPA No. 910), 32 pages, 75¢. When ordering the publications, list the accompanying NFPA numbers for easy identification. Direct orders to the NFPA Publications service Dept., 60 Batterymarch St., Boston, Mass. 02110.

• The 1970 edition of **Accident facts** has been released by the National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611. The publication contains information and statistics on work, motor-vehicle, public, home, farm, and school accidents. Also included is an index with references to subjects of interest discussed in earlier editions of Accident facts that the reader may want to refer to. Single copies are \$2.40, orders of 2 to 9 copies are \$1.95 each. Specify stock no. 021.70 when ordering.

CONSHOHOCKEN, Pa.—The order to comply with air pollution control standards recently sent to Alan Wood Steel Co. here may well be the precedent for anti-pollution performance bonds, said a bond underwriter the other day. The steel company has been told by the Pennsylvania Bureau of Air Pollution Control to post a \$300,000 performance bond to insure that the company will meet the 18-month compliance deadline set by the agency.

"We've issued a number of compliance orders to Jones & Laughlin, Crucible, Bethlehem and Babcock & Wilcox to name a few of them," James K. Hambright, director of the division of abatement and compliance of the Pennsylvania Bureau of Air Pollution Control told *Business In-*

Insurance.

"Alan Wood is really no worse than any large integrated steel manufacturing operation. They are not controlled against their polluting potential as well as we feel is necessary," he explained, indicating that there was no special penalty in Alan Wood's being singled out for the compliance order.

"**THE BOND IS** merely a performance bond requirement," Mr. Hambright continued. "We've added this as a new twist to try to insure that our schedule for compliance is met to our specifications. This is the first time we've tried it and I admit we're quite anxious to see just how well it works," he declared.

Mr. Hambright revealed that

the Pennsylvania Bureau of Air Pollution Control expected to see its new "device" tested in court. "If it holds up," he said, "we plan to use it at our own discretion." He declined to reveal any bureau guidelines for the requirement of such a performance bond, however.

He explained that the steel company had been required to:

- Make improvements in the operation of its coke ovens.

- Install a pollution control device in its center plant operation to clean the particulate matter out of the smoke stacks before it is released into the air.

- To make arrangements to remove particulate matter from transfer points from the basic oxygen furnace.

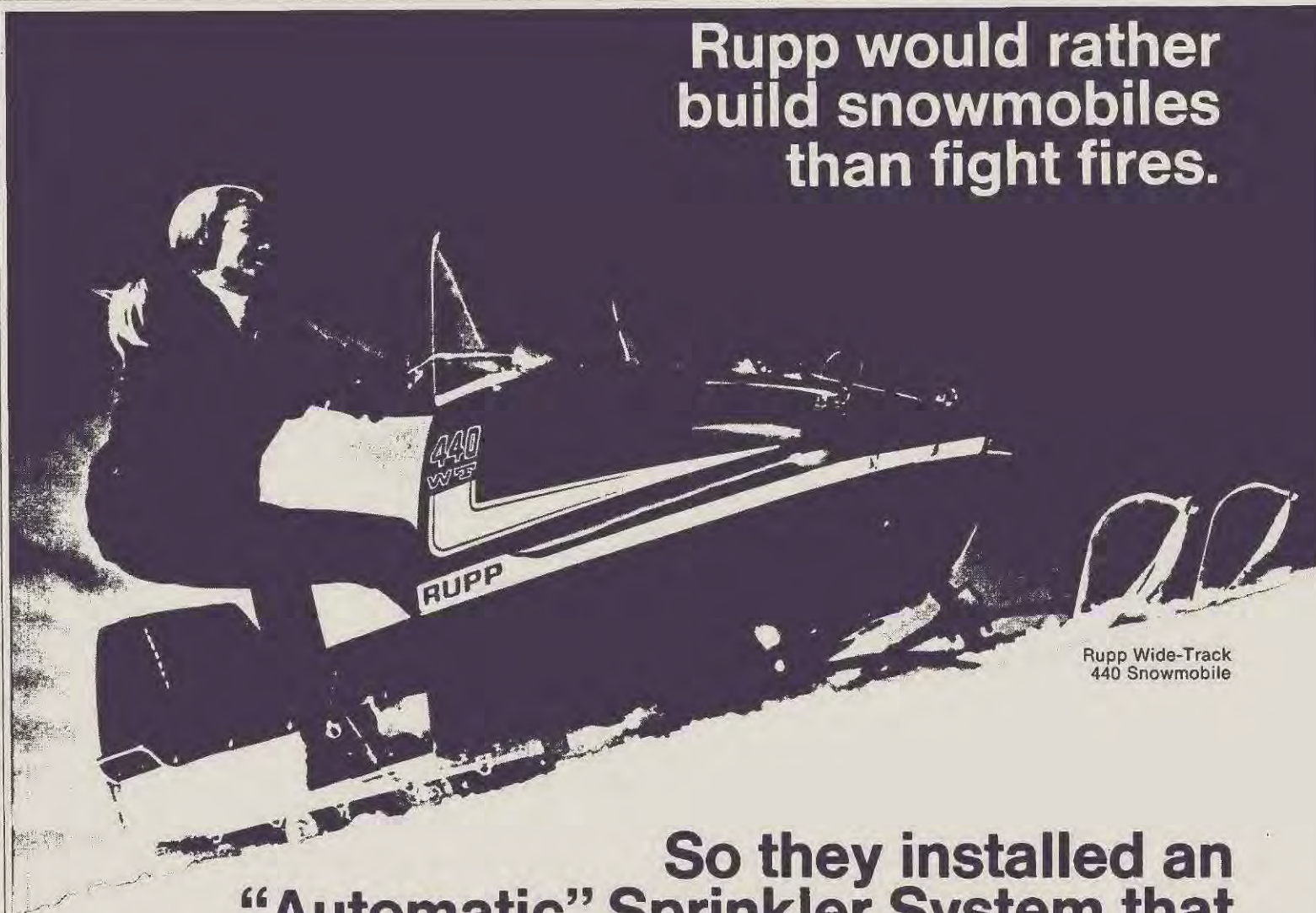
Mr. Hambright noted that the

pollution control bureau's aim was to systematically decrease the level of particulate matter in the atmosphere over the state. He also mentioned the fact that Alan Wood was surrounded by a residential area.

MEANWHILE Alan Wood Steel Co. is in a quandry about just how to respond to the order. The bureau allowed the company 30 days in which it could exercise its right to appeal the order. The company has looked into the availability of a performance bond to conform to the bureau's requirements.

"I don't know just what we're going to do as yet," Victor Monomere, Alan Wood's treasurer told *Business Insurance*. He pointed

Continued on page 64



Rupp Wide-Track
440 Snowmobile

Rupp would rather build snowmobiles than fight fires.

So they installed an "Automatic" Sprinkler System that cut their fire insurance costs over 80%!

Rupp Industries, Inc., Mansfield, Ohio prefers to concentrate their efforts (and money) on what they do best. Manufacturing a broad line of recreational fun machines. They left the fire protection to us, "Automatic" Sprinkler Corporation of America, because that's what we do best.

We can't guarantee an "Automatic" Sprinkler System will cut *your* fire insurance costs 80%, but insurance premium savings of 40% to 90% are common.

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Find out about your potential savings by calling R. L. Pardee, (216) 526-9900. Or, write "Automatic" Sprinkler Corporation of America, Box 180, Cleveland, Ohio 44147.

LOOK AT THE FACTS . . .

Capital investment, Sprinkler System	\$58,972
Annual fire insurance premium, before sprinklers	\$29,507
Annual fire insurance premium, after sprinklers	\$ 4,708
Gross Insurance premium savings	\$24,799
Cost of money per year	\$ 5,995
*Net savings on insurance per year	\$18,804
Annual pre-tax rate of return on investment (excluding effect of depreciation)	32%
Net pay-back period	3.14 years

*Part of savings was used to increase the company's fire insurance coverage.



"Automatic" Sprinkler
CORPORATION OF AMERICA

Division of A-T-O Inc.

Drugs a community, not a company, problem

NEW YORK—"There's no running from this problem of 'internal pollution,'" said the New York commissioner of addiction services. "It's not like a frontier that you can retreat from. We have to face the fact that drugs have simply proliferated everywhere," he told an American Management Assn. conference on drugs and industry the other day.

Graham S. Finney, addiction services agency head of six weeks, noted that a "popular notion" is that New York City has more than its share of drug problems. He pointed out that the city had a sizeable number of deprived people and was central to the supply of drugs. "We believe that New York is simply in the forefront. It gets the first exposure to a problem before it fans out over the rest of the country.

That's why we have to face it and try to stop it here."

He pointed out that the city government agreed that it was primarily the community's—and not necessarily the corporation's—responsibility to deal with the drug problem. Private enterprise can only support the community's efforts with its resources and augment them with its limited ability to cope with its employees who have only marginal involvement with drugs.

MR. FINNEY pointed out that currently his agency employs over 1,000 people with a fiscal year 1969 budget of \$18 million. "By the end of fiscal year 1971 our budget will have tripled to \$60 million," he said.

Noting that the demands for

treatment in New York are nearly "limitless," Mr. Finney went on to say, "We probably can never fully satisfy these demands on us." He revealed that only between 10% and 15% of the alleged 100,000 addicts in New York are in a treatment situation.

Mr. Finney stated that his large budget was the reflection of the community's overall concern with drugs. "But most people are very ostrich-like in their own approach (or non-approach) to drugs," he declared.

Methods currently being sponsored in the city include several different versions of the "drug-free therapeutic communities" such as Odyssey House, Daytop, Encounter and the Phoenix House. In addition, a chemical form of therapy (involving a substance

called methadone that blocks the addict's craving for heroin for a period of time) was also being tried. Unfortunately, Mr. Finney admitted, there is a high degree of partisanship between one form of treatment and another. "The competition between our various projects is pretty fierce," he said.

BUT JUST AS there are a myriad of reasons why a person goes through the arduous process of becoming an addict, there are just as many avenues being explored upon which to bring him back to the world of the living, he pointed out.

Mr. Finney attacked a "popular conviction" that drug abuse was class-oriented. "There are not only no class guidelines for drug use anymore, there are not even any age lines left. Also, there's an

emerging pattern we've found of people just taking any and every drug indiscriminately; whatever they can get their hands on, they want to try it. And this is on the increase," noted Mr. Finney.

He said that he felt that "drugs are a problem that has swept across our entire society. The problem lies not in the drugs, however, but in the people and their society," said Mr. Finney.

There are several directions being pursued by the agency for addiction control. A comprehensive approach is the goal, putting together private as well as public monies in a program of "sound investments," he said. Some of the directions the city's program is looking at include a dialogue over the results obtained from one city to another, new research "not only into which dangerous drug is the more dangerous, nor only into new treatment methods, but more specifically into drug antagonists which have a blockading effect on the taking of addictive drugs and prevent the user from obtaining the drugs' 'high' effects," Mr. Finney explained.

"**WE ALSO HAVE** to do a lot more training. Ex-addicts have been excellent in our rehabilitation efforts. But, unfortunately, there are simply not enough of them. When you mention drugs suddenly you're broaching a subject matter that has no experts of its own," he said.

He added that demands for treatment were far outstripping available personnel. "It's getting economically profitable to be an addict—as soon as you kick the habit your future is just about made, there's such a demand," Mr. Finney noted.

The city is considering the establishment of a training institute at which young lawyers, vocational rehabilitation specialists, ministers, social workers as well as "street people" would be brought into an interdisciplinary program to be trained to fight addiction, and to rehabilitate the addict.

The biggest problem perhaps is coming up with a workable method of educating the kids about the various dangers of drugs. "It's not enough to have a drug education class sandwiched in between a fifth period of phys-ed and seventh period of trigonometry. Fighting drugs must be built into the life of the school. To fight drugs with kids we must counter boredom and cope with the impersonality and bigness of the school situation as well," Mr. Finney pointed out.

THE CITY HAS several other approaches to this problem under research. These include peer-group programs where kids talk to kids about drug abuse, groups of street workers teaching the kids at the drug source. Mr. Finney also voiced the need for a central diagnostic referral and intake center in every city.

Mr. Finney discussed the cost of rehabilitation in the city in comparison with the costs of addiction. He pointed out that the total cost of rehabilitation in a therapeutic community for an 18-month to 24-month period was about \$3,700. He noted also that the cost of keeping an addict on methadone (chemical drug antagonist) was about \$1,500 a year.

Mr. Finney compared these figures with the fact that the average heroin habit cost the addict between \$35 and \$40 per day on the street. Since few addicts make enough to support this kind of habit (it comes out to \$14,600 per year) they must steal.

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opinions

A national crisis

HEALTH CARE COSTS, already at the crisis stage, are destined to rise to more perilous heights during the decade of the '70s, according to a new study by the Department of Health, Education, and Welfare. Detailed in the graph on this page is the projection of national health care expenditures through the years 1975 and 1980.

Taking even the low estimate of expenditures for these years, we will be paying \$110.7 billion for health care annually by 1975 and more than \$155 billion by 1980. These are staggering figures. More understandable, perhaps, is the fact that health expenditures as a percentage of gross national product, which stood at 6.6% in 1968, are expected to climb to 7.9% in 1975 and to 8% or more by 1980.

The question is: Can we afford to pay an ever increasing percentage of our gross national product for health care? For the consumer the question is whether he can take additional dollars out of his budget to meet climbing costs of health insurance, hospital and medical care. For the corporate executive the question is whether his company can afford an increasing contribution to employ health care programs, whether insured or self-insured.

A more pragmatic question for individuals, companies and the entire society is: What we can do now to lighten the burden of paying to keep ourselves healthy? Some answers are offered in articles in this issue of *Business Insurance* in a special section on employ life and health benefits. They include:

- Multiphasic testing, usually by employ groups, to detect illnesses before they require hospitalization or extensive medical treatment.
- Use of paramedical personnel by hospitals in situations where more highly paid professional personnel are not needed.
- Group purchasing by hospitals to cut the cost of supplies and services.
- Facility sharing by hospitals to avert costly duplication of sophisticated treatment devices.

Yet these and similar cost-cutting improvements on a sporadic basis obviously would not counteract the massive inflationary pressures on our health care system, inflationary pressures that would grow greater if innovations in financing and broadening health care are adopted by Congress during the decade ahead.

Therefore we heard with some interest the proposal of the American Hospital Assn. to create what it calls the AMERIPLAN, an organized system for delivery of health services involving the establishment of health care corporations. These corporations, which would invite registrants from the communities they serve, would deliver health maintenance, primary care, specialty care, restorative care and health-related custodial care. Every practicing physician would have the option of participating in the health care corporation, but would be subject to "professional peer review." Other features of the program would be in-service education and training for health manpower, state legislation to regulate construction or duplication of facilities and services, and mechanisms by which the community could express its health needs to be delivered by the corporation.

AMERIPLAN may be only the hospitals' effort to avoid distasteful

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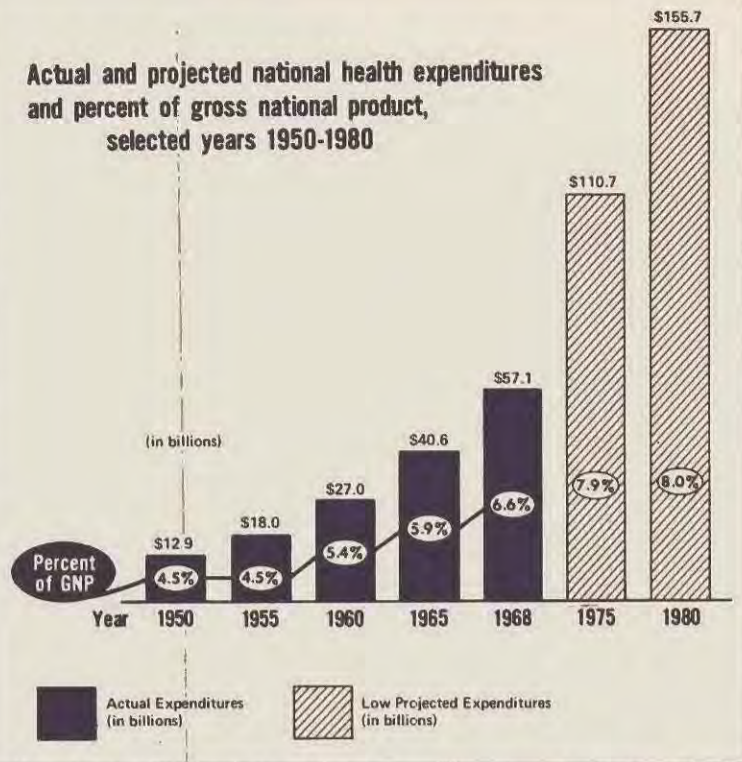
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2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308
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Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights, M. A. HARTENFELD, executive vice-president: RANCE CRAIN, KEITH CRAIN, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, JR., LOUIS F. DEMARCO, ALFRED MALECKI, WILLIAM STRONG, vice-presidents. G. R. CRAIN, secretary and treasurer. J. H. TERRY, assistant secretary and assistant treasurer.
Cable address: CRAINCOM

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (771-8242). 45 cents a copy, \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.

Actual and projected national health expenditures and percent of gross national product, selected years 1950-1980



This graph relates to the editorial "A national crisis" in the Opinions column on this page.

Source: Office of Research and Statistics, Social Security Administration, Department of Health, Education, and Welfare

—to them—government action in the area of hospital care costs, but it is, on its merits, a discussible proposal for improving the health care delivery system. Businessmen concerned with the rising cost of employ health care programs ought to be active in the discussions of AMERIPLAN and the promotion of any worthy means of cutting health care costs. Because of the volume of their health care expenditures, buyers of employ benefits have a great stake in meeting this national crisis.

Case of abandonment

WE WARNED OUR readers months ago that the property insurance companies were planning to drop their efforts to investigate arson, a service they provided policyholders for more than 100 years. Mutual companies all but disbanded the Mutual Investigation Bureau about four years ago. Now comes the official announcement from the American Insurance Assn. that it has discontinued its fraud and arson service.

Though we learned long ago that fire insurers had lost their zeal for arson investigation, we find the announcement incredible, particularly at this time. Last year the nation's fire losses amounted to \$2.44 billion, a record high. The National Fire Protection Assn. rates 56,300 of 1969's building fires as being "suspicious or definitely incendiary," and these fires took a toll of \$179 million. NFPA said that arson was notably higher at educational institutions, as any newspaper reader could easily tell.

These figures alone, though they are woefully incomplete, give evidence enough of why the stock and mutual companies owe it to their policyholders to continue their fraud and arson services to back up police and fire department efforts. Many communities where arsonists operate are not served by expert arson investigators, though some able investigators are attached to the offices of state fire marshals and large-city police and fire departments. The truth is that insurance companies were providing an important service that public agencies may not or cannot replace.

Perhaps what bothers us most about the abandonment of insurance arson investigations is that it shows once more that insurance companies have come to view themselves increasingly as financial conduits with little responsibility to prevent losses or resist unwarranted claims. Auto insurers are now making an all-industry effort to give publicity to claims frauds by fake accident victims, attorneys and doctors. There may be a great deal of publicity value in this effort to generate sympathy for the insurance companies. But the industry, which weeps regularly about being a "whipping boy," abdicates its responsibility to detect fraudulent fires which, we conservatively estimate, cost policyholders more than \$500 million a year in unwarranted losses.

The auto insurance industry supports the National Automobile Theft Bureau, another aggregation of specialists that supports police agencies in the recovery of stolen vehicle and the apprehension of auto thieves. Presumably NATB's efforts pay off. And we believe the efforts of insurance arson investigators also result in lower loss ratios, especially in these times of business recession and social unrest.

Arson is a difficult crime to prove, but through its unique arson service, the property insurance industry had a way to take the profit out of arson through expert investigation the results of which could be introduced in court to block false claims, many of them from hoodlums. It is a false economy for the insurance industry to disband a unique service that actually saved money. It is an ironic economy at a time when the industry gladly sends \$50,000-a-year executives on speechmaking trips to complain about loss ratios and how society's excesses are imposed on insurers. What is the insurance industry going to do about the social evil of arson? The answer is obvious: Nothing!

letters

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

Impossible market

To the Editor: For many months I have intended to write to see if your readers can offer a solution to one of our Florida problems.

Historically, the area in which we operate has been free from windstorm except for minor damage. By this, I mean only fringe hurricane winds have been experienced. As the Florida Association of Insurance Agents points out, windstorm premiums have been profitable in our entire state for 40 of the last 46 years. In my area, the Florida west coast, it is an even better record.

So the line we cannot place in any market at any sensible price is open lot protection—fire and wind plus a few combined additional coverages.

Despite the undeniably profitable record of our own agency on this line for both mobile home dealers and auto dealers—the market remains impossible. The prejudice of reinsurers and underwriters is beyond any logical explanation.

We do know about the capacity crunch in fire lines, but at least can find companies to spread with, but on the open lot we cannot find the first taker. When you have an excellent track record and still no market, it is no wonder the government interferes. We must ask them to do so if the present trend prevails.

John A. Weichel

President, Bradenton Insurance Inc., Bradenton, Fla.

Editor's note: Comments and advice are welcome.

Using company car

To the Editor: Certainly, Dear Gerry must have a lot of forms in his "bag of goodies" if he has one to protect his corporation against loss arising out of personally owned cars used on company business. I would like to know what form Dear Gerry uses to cover personal use of company-owned cars.

Admittedly, corporate policy is inconsistent in either instance, and corporate attempts to control the exposure vary from the ridiculous to the sublime. I would like to know a little bit more about Dear Gerry's over-all control techniques before I categorize them unfairly.

Wallace B. Hofferth

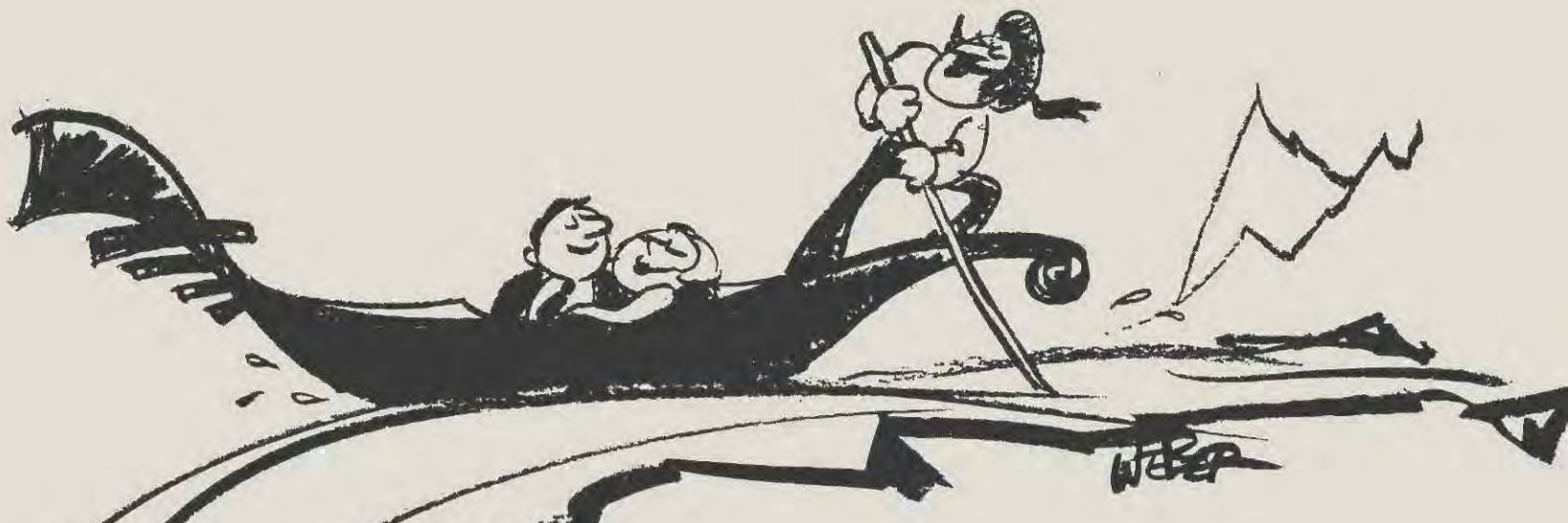
Insurance Manager, Armstrong Cork Co., Lancaster, Pa.

Certification clarified

To the Editor: In reference to your article on the Insurance Consultants' Society risk certification program, I would like to clarify one point. In your article (page 36, Nov. 9) you state: "The society, made up of 25 member companies from the U.S. and Canada, has worked for two years on a body of standards and ethics that will put risk consultants in a position to certify their work." This is not exactly correct.

The purpose of the Insurance Consultants' Society certification program is not to have consultants either certify their own work (which would be unethical) or to act as watchdogs on their colleagues, but to certify (fully, subject to listed exceptions or refuse to certify) the asset pro-

Continued on page 20



Most overseas tour groups take in at least 6 major cities and 1 minor accident.

Probably the only thing that's growing as fast as the number of Americans traveling abroad these days is the number of accidents they're having.

One of the reasons for this is that many of them are traveling in 7-to-14 day excursion groups. Which means they're trying to do a lot and see a lot in a limited amount of time. In cases like these haste doesn't make waste. It makes accidents.

And while there are many companies who write group travel insurance abroad, only one group of American companies specializes in it.

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Our 24-Hour All-Risk Policy Abroad has been designed exclusively for the needs of the foreign traveler. It covers all the things you'd expect it to cover and a lot of the things you wouldn't.

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Another unique thing about dealing with AIU is that we'll issue the policy here and honor it there. So if someone gets sick or has an accident in Milan he won't have to wait until he's home in Milwaukee to have his claim settled.

Our people on-the-spot will take care of him on-the-spot.

He can even have his medical bills paid in the local currency if he desires.

So if you've got a group traveling abroad in the near future why not have a chat with the company that's been over there for a long time.

Contact your agent or broker or drop us a line about how many people are going where for how long and on which airline. We'll tell you how much protection they'll need when they get there.

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N.Y. Shipping Assn. sues three members on benefit contributions

NEW YORK—The running battle between container and conventional shipping firms has entered the benefit and pension fund arena. The New York Shipping Assn. has filed a \$3 million suit in the state supreme court against three of its member shipping firms. The trade association also suspended the firms' memberships. They are United States Lines, Seatrain Lines and Transamerican Trailer Transport.

The suit arose over the disputed benefit contributions of the three firms, all of which are heavily involved in containerization. "Traditionally, all fringe benefits for the workforce have been funded by an assessment per man hour worked," R. D.

Carter, president of Transamerican Trailer Transport told *Business Insurance*. "In 1968, a contract was negotiated that was particularly dear in cost. The high cost of the package was blamed on the 'innovators,' that is, the containerization firms.

"Since conventional shipping had the preponderant voting power in the New York Shipping Assn. they managed to shift the burden for the increased benefits cost to the container people. Their contention was that increased productivity was driving the number of actual man hours worked down.

"THE 1968 contract guaranteed 40 million man hours per year to

the union. That figure hasn't been equaled again since 1968. This was blamed on the container companies that were said to be handling 2.5 tons per man hour, whereas the conventional shipping firms were handling only .5 tons per man hour worked," Mr. Carter pointed out.

"The upshot was that a new benefit assessment was arrived at by a New York Shipping Assn. study group whereby the shortfall in benefits contributions created by the New York port's failure to reach the guaranteed 40 million man hours mark would be augmented by a \$1.23 assessment per ton," he explained. Additionally, he noted that the assessment was, in a sense, a penal-

ty for growth in cargo volume.

United States Lines and Seatrain have agreed to pay current and future assessments under the new formula. (The previous assessment formula consisted of a contribution of 93.1 cents per man hour worked. The new formula stipulates an hourly contribution of \$1.63 for 40 million man hours a year, any shortage of which is offset by \$1.23 per ton handled.) These two firms have refused to make contributions retroactive to Oct. 1, 1969.

United States Lines and Seatrain contend that since the federal maritime commission's tentative approval of the new formula dates from March 29, they are not liable for payments during the earlier period prior to that date. Transamerican Trailer's position is somewhat different, however. The firm operates trailer ships that carry cargo back and forth between New York and Puerto Rico.

"THERE'S AN excepted cargo status (exempted from the tonnage assessment) granted for all intercoastal domestic trade. Puerto Rico is considered a domestic trade area, we feel, and our trailer operations here, and back as well, are therefore within the excepted cargo status. Our assessment is higher than the New York Shipping Assn.-International Longshoremen's Assn.'s \$1.63 per hour worked. We're paying \$2.41 per man hour. That doesn't include the tonnage assessment. Transamerican also has to pay \$1.00 per ton in royalties. We simply can't afford the New York tonnage assessment as well," he said.

Mr. Carter pointed out that Puerto Rican tonnage has increased every year since 1958. "This has meant a corresponding increase in manpower requirements each year. Puerto Rican cargo has not been responsible for one hour's loss and therefore shouldn't be penalized for any such loss," he said.

A spokesman for the New York Shipping Assn. pointed out that there were some 13 different employee benefit funds it contributed to for longshoremen's association members under the current labor contract. He noted that nearly \$50 million per year is paid into these funds by the 129 member firms that include 73 steamship lines as well as the stevedore companies serving their manpower requirements.

Aside from those already on pensions, the dock workforce in the New York area numbers nearly 19,000 members whose average age is between 48 and 49 years of age, according to the shipping association spokesman. An ILA union member in good standing can retire on a \$300-per-month pension at age 62 after 25 years of active service. ■

Pensions increased by N.Y. firm

PLATTSBURGH, N.Y.—United Pulp and Paper Workers Union Local 387 has a new two-year contract with the Georgia-Pacific Co. which provides for a "basic improvement" in the pension program as well as substantial wage increases.

The union's chief negotiator, Mario Scarselletta, said the new pension provisions, which replace the former plan the Georgia-Pacific Co. had with the Paper Industry Union-Management Pension Plan, provide a \$55 monthly benefit for all persons taking their pensions the first year of the contract. The provisions are applicable to all members of the union.

He went on to point out that retirees will receive at least \$66 a month in the second year of the agreement and, pending actuarial calculations, the monthly benefit in the second year will probably go as high as \$77. Also won are improved life and health insurance coverages.

The general wage increases will amount to 19 cents an hour the first year of the agreement and 20 cents the second year. Adjustments range from five to eight cents and from six to 15 cents for four electrician A in the first year. Adjustments range from five to seven cents an hour in the same classifications in the second year.

The new contract will provide an immediate 11 cents adjustment over and above the general wage hike because it provides for equalization of the base rate for all workers, Mr. Scarselletta noted. ■

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Corporate safety men in N.Y. are angry over non-professional status

NEW YORK—There are angry people walking the shining halls of companies and the other day they got together for lunch and discussed the source of the anger. They are all members of the Metropolitan Chapter of the American Society of Safety Engineers and they talked about what they call "professionalization," or licensing.

The group is comprised mainly of safety consultants and corporate safety directors. Their titles are many but they are all directly involved with safety and their companies span the business spectrum in the greater New York area. They are angry because they feel that for too long their profession has not been recognized as just that, a profession. And they feel that now is the time to do something about it.

What they are doing is proposing an amendment to the state's "omnibus" education bill, an amendment that would create the legal title of Certified Safety Professional. "The aims of this proposed legislation," said Robert J. O'Donnell, director of the Greater New York Safety Council, "are peer recognition and legal standing for safety professionals."

What, then, will a certified safety professional be expected to do if the legislation passes? A section of the proposed amendment gives this definition:

"The practice as a certified safety professional is defined as performing professional service such as utilizing the expertise derived from a knowledge of the various arts and sciences, in addition to professional experience, to create and develop procedures, processes, standards, training programs, administrative and measurement systems to achieve an optimal loss control as reduction of hazards and exposures which are detrimental to people or cause property damage, by the utilization of investigations, establishment of controls, study, evaluation, examination, research, organizational planning and consultation with integrity and with regard for the welfare of others, and which service also requires the application of special safety training and experience."

"Anyone wishing to become a certified safety professional will have to meet rigid standards," Rich Moscato, safety and medical director of Crane Co., told *Business Insurance*. "This will really separate the men from the boys."

They will have to have a degree in engineering or something acceptable to the board and at least four years' experience in the professional safety field. Without the degree, two years of experience can be substituted for each of the academic years. They will also have to pass an examination, which will not be a pushover. At least, that's the way it sits right now. There may be some changes made before the bill is voted on."

Mr. O'Donnell and some of the others present pointed up some of the problems facing safety professionals.

"SAFETY IS being recognized now as never before," Mr. O'Donnell said. "It is a vast, bur-

geoning field and we've got to know who is to perform the functions. Professional engineers are licensed and other groups, such as industrial hygienists, are looking at safety as part of their regimentation."

He pointed out that licensing was necessary and gave a case history to emphasize the situation.

"The Greater New York Safety Council has been acting in a consultative position with the city for 18 months," he noted. "And we have not been paid. We have not been paid because a dictate from the comptroller's office says that if you use 1% professional engineering terms and practices in your dealings, you have to be

licensed. The only way we can get our money is to admit to the board of estimate that we are an illegitimate group."

Members of the professionalization committee said that many members of the legislature in Albany did not even know that safety professionals existed. They have made trips to the state capitol to remedy that situation.

One of the committee members related the story of a court case in which his testimony was not valued because he was not a member of a certified group. "Your qualifications don't seem to matter," he said. "You've got to have a license. If you're a member of the club, you have more latitude when testifying. They won't listen to you but they'll listen to a masseur if he's got a license."

"WE FEEL WE are worthy of legal standing," Mr. O'Donnell said, "because there are enough

of us doing a good job, with the government making it tougher all the time."

Another member said, "the bill is dead if we use the term 'engineer.' That's a title, not a definition of what we can do. We are not engineers. We investigate a situation and determine what must be done. We are not experts in everything. That's why we are using the term 'safety professional.'"

These angry people want recognition as members of an autonomous and respected profession and they appear ready to fight a long, hard fight. They feel that the 1971 session of the state legislature will give the bill a chance.

"This will be the vanguard effort in a key state in the country to give legal recognition to safety people," Mr. O'Donnell emphasized.

After that, the aim is for recognition in all states and on the national level.



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Conn. agent to head state insurance?

HARTFORD — Reliable sources here have speculated that Edwin H. May Jr. a former congressman and Republican state chairman, is being considered by incoming Gov. Thomas J. Meskill for the post of state insurance commissioner.

The job pays \$24,700, and is currently held by Robert F. Claffey of Hartford, who stepped into the niche when commissioner William R. Cotter resigned this past fall to successfully run for the Congressional seat at one time held by Mr. May.

Mr. May, who is in the insurance agency field here, has discussed the possibility of the state assignment with Mr. Meskill.

letters

Continued from page 16

tection program of firms or organizations (usually other than a consultant's normal client who retains said consultant on an annual basis).

These certification reports are intended to be given to a firm's management, accounting firm, bankers or security underwriters, depending upon who engaged the consultant, who is accredited to certify and who is to perform the audit.

Leonard J. Silver
President, Insurance Consultants' Society, Wyncote, Pa.

Don't forget the stamp

To the Editor: On page 48 of

your Oct. 12 issue you record the fact that Sir Alan Herbert wrote out a check on the back of a cow. The story might be better introduced by explaining that the text of the law describes a check as a "written order to pay" without establishing upon what it should be written; and that therefore a cow, or any other surface, must be accepted by a British bank. It is (or was) also essential, I understand, that the cow bear a two pence stamp.

George N. Jones
Mid-Atlantic Insurance Co. Ltd.,
Hamilton, Bermuda

Restatement of facts

To the Editor: In the Oct. 12 issue of *Business Insurance* an article entitled "Master or individually tailored retirement plan" by Robert Dyer, vp of Certified Portfolios Inc. (CPI), left several erroneous impressions and mis-

stated several facts that I would like to correct. My sources of information are based on extensive research and a comprehensive survey of some 1,000 master and prototype corporate retirement plans (hereafter referred to as prototype plans) presently on the market.

The article leaves the impression that a "retirement service organization," such as CPI, may act as a sponsor of a prototype plan. This is not true. Actually in CPI's situation, the sponsor is the Commonwealth National Bank in San Francisco and CPI is merely putting its name on the plan documents. In fact, there are only half a dozen retirement service organizations that are offering prototype plans in conjunction with banks.

The article discusses the nominal charges of a retirement service organization for in-house actuarial services and for develop-

ing a complete plan proposal. CPI's fee schedule, from which I am quoting, has a minimum fee of \$150 for a plan study. Comparable services may be obtained free of charge from any insurance company or mutual fund prototype plan sponsor. (If the plan is initiated, this fee is credited toward the "set-up" charge) CPI also charges a minimum set-up fee of \$400. Yet this fee is usually absorbed by most insurance companies and mutual funds. On the other hand, the local bar associations in some states will permit their members to charge as little as \$400-500 for drafting, reviewing, and submitting an individually tailored plan.

The author does differentiate between a master and a prototype plan and between a standard and a variable plan. However, Rev. Proc. 68-45 states that all standard plans must provide for full and immediate vesting. In

addition, this ruling provides that in the event of a trustee standard plan, the trustee must be a bank. This does not necessarily mean that the bank will have complete investment authority over the plan assets. For example, the First Investment Annuity Co. offers several standard plans but the custodian bank, acting in a trusteeship capacity, does not have any investment authority.

Who will be named trustee? Banks are the only recipients of trust powers as corporate entities. Associations and insurance companies may not be named as trustees of retirement programs.

The subject matter of master and prototype corporate retirement plans is complex indeed and a certain degree of lack of expertise can be expected from the banks, mutual funds and life insurance companies, but for CPI this should be "their bag."

Jack McKinley
President, McKinley & Co., New York, N. Y.

An additional fact

To the Editor: Let me express my appreciation for the opportunity to join your excellent group at the *Business Insurance* Management Idea Workshop in Atlanta.

While I am writing this letter, I would like to raise one point. In the article in *Business Insurance* it correctly stated that we dropped international brokers when we developed our multi-nation benefit approach. However, it should be mentioned that Marsh & McLennan is coordinating our multi-nation property and liability coverage.

Gordon L. Dolbee
Assistant Personnel Manager,
Upjohn International Inc., Kalamazoo, Mich.

Psychology reprint

To the Editor: An article from your Aug. 31 edition, "Psychology can keep rehabilitation claims down," which refers to the work of Dr. Norman Hickman with the Oregon workmen's compensation commission, would make an excellent addition to our intramural publication of the Policyholders service division, *First Notice*.

May we have your permission to reprint the article with credit to *Business Insurance*?

Jane A. Hyde
Editor, Public Relations, Insurance Co. of North America, Philadelphia, Pa.
Editor's Note: Permission granted.

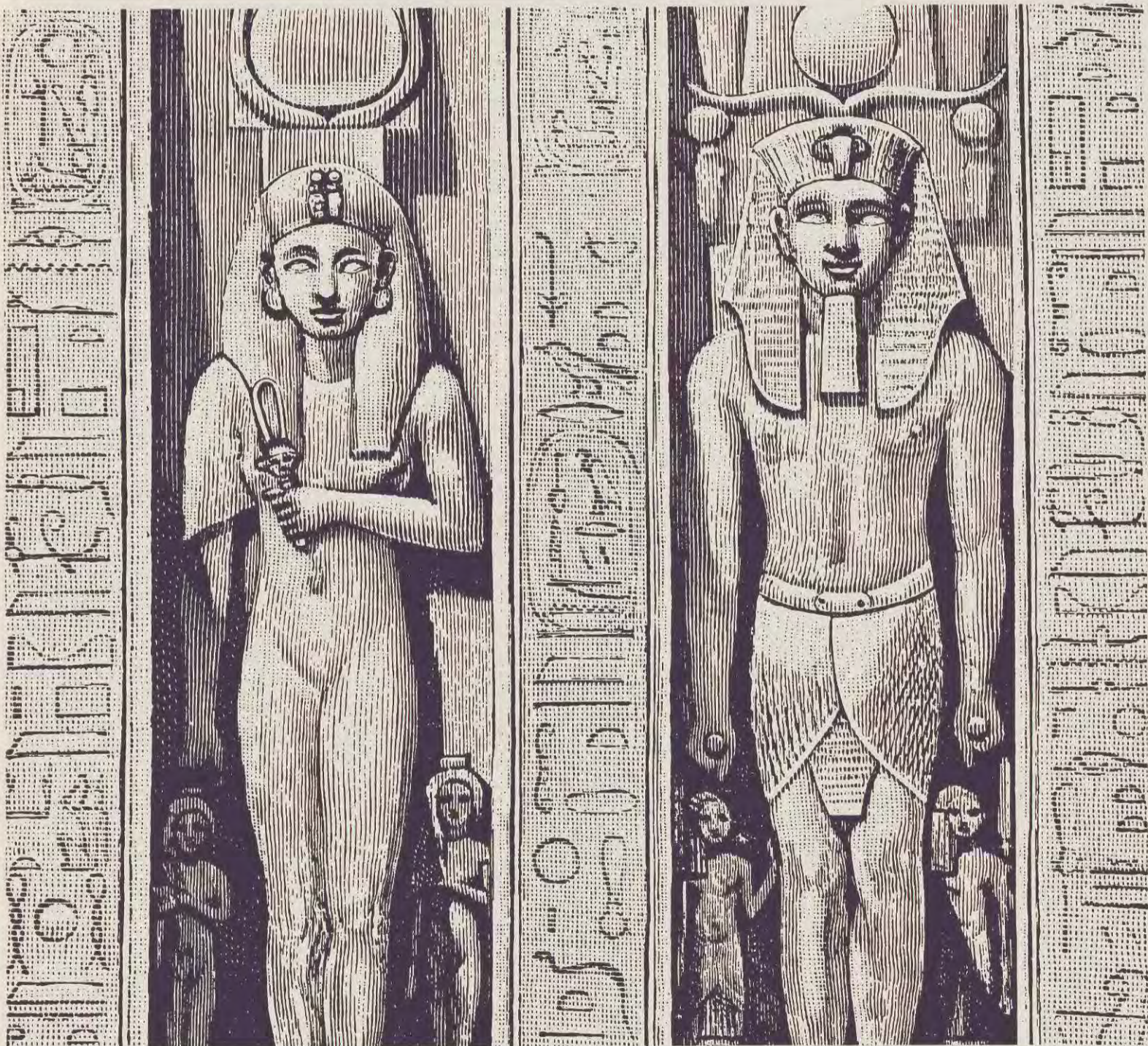
\$14,617 malpractice judgment

TORONTO—A doctor here has lost an appeal of a malpractice suit and must now pay a patient \$14,617 as a result of his alleged negligence in removing a wart from her right index finger.

Mrs. Irene Browne won the sum from Dr. Marius Wilhelmson, Toronto. Mrs. Browne, 59, alleged that the doctor had injected a substance into her finger thought to be a local anesthetic prior to removing the wart. The substance injected, however, turned out to be a solution used to treat varicose veins.

Dr. Wilhelmson, a general practitioner, admitted liability at the original trial. However, he appealed the assessment and was turned down.

Mrs. Browne, who had worked part-time for the doctor as a secretary, later had part of the finger in question amputated. ■



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ASIM conference has 'What price...' theme

NEW YORK—The annual conference of the American Society of Insurance Management, to be held in the City by the Bay in February, could stretch into a two-week session, which is indicative perhaps of the problems facing insurance managers as they enter 1971.

Although the annual ASIM confab does not officially get under way at the San Francisco Hilton until 9 a.m. Feb. 24, a Wednesday, it will be preceded, as was last year's conference, by two days of specialty sessions for risk managers in particular industries and for employe benefits people. The latter will group for the first time under the aegis of ASIM.

The second week of activities is slated to begin after the official conference closing on Friday. Risk managers able to keep up the pace may hop from San

cause they are all from the drug field—the industry that has had to face up to the products liability problem in this country first. "They've had at least a three-year jump on the rest of us," he remarked.

THE SECOND major problem to be attacked during the official three-day session is "What price product use?"

"This is the problem involving the 'witless boob doctrine' American trial lawyers have come up with in recent years," Mr. Lalley

commented.

As an example, he told of a recent conversation with the insurance manager for a producer of machinery equipment. His company, Mr. Lalley related, had sold a piece of machinery to a company 10 years ago. Two years later that firm resold it to another, smaller firm. The smaller firm had used it for eight years when, a few months ago, a newly hired employe caught and severed a hand in it.

The injured employe, Mr. Lal-

ley said, is now suing the manufacturer of the machine. "And they're going to pay," he noted, saying that this clearly illustrates the "witless boob doctrine," which seems to hold that all products, no matter how old or how long parted with the original manufacturer must be made safe enough for even the most witless person to operate.

"**PRODUCTS** liability and use is the time bomb of American industry. I'm convinced of that,"

said Mr. Lalley. Moreover, he added, he feels that if no-fault auto insurance gains wide acceptance there's "no question the trial lawyer now in the auto negligence field will begin zeroing in on products."

Other subjects to be dealt with in detail during the three-day conference are communications problems risk managers face with their managements and "What Price Honesty?". The latter will feature a talk by Norman Jaspens,

Continued on page 54



Edward P. Lalley

Francisco to Hawaii where a week of "formal but informally structured sessions" will be held close to the beaches of Waikiki.

CONFERENCE vp this year is Edward P. Lalley, insurance manager of Kraftco Corp.

Mr. Lalley said that the planning for the February conference began shortly after this year's sessions in Miami concluded in April.

"We," he said of the planning committee, "all sat around and said we've got to zero in on what will be the most exciting topic that will hit us in February 1971. Is it pollution?"

"Well, we concluded that pollution would probably not be the most exciting, most critical, most crucial problem on everyone's mind in early 1971. But we did conclude that product liability would be," Mr. Lalley told *Business Insurance*.

"**OF COURSE,**" he continued, "the overall theme of the conference will be the price or the cost of a risk today, but we've narrowed it down a little further into two general categories."

Those categories, the conference vp noted, are: "What price products liability?" and "What price product use?" And, he added, the latter is an entirely different aspect of the former problem.

"What price products liability?" for example, will be the subject of a two-hour session Feb. 24. It will be a panel discussion program in which Tommy Lambert, an official of the American Trial Lawyers Assn., discusses products liability with three ASIM members. The members are Donald Arbogast of Eli Lilly Co., Dan McCoy of Upjohn Co. and James Anderson of Squibb Beech-Nut Inc.

According to Mr. Lalley the three ASIM members of the panel are especially well-chosen be-



A big promotion, \$4,000 more in salary, and his wife is in tears

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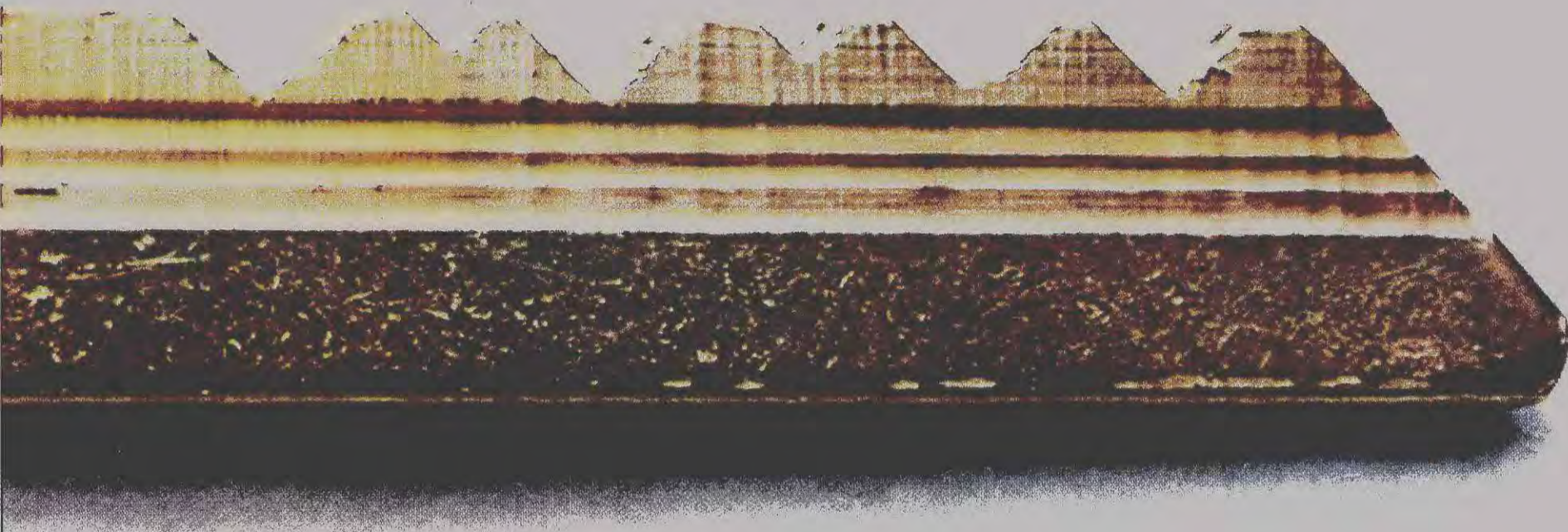
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No insurance cover for poor business judgment

NEW YORK—The mini-midi controversy may lead some to wonder how clothing stores protect themselves against loss when a line just won't sell. *Business Insurance* has conducted a cursory survey of department stores, manufacturers, insurance companies and discount outlets. The question: "Is there such a thing as inventory insurance?" The answer: An overwhelming, "No."

The insurance manager at Macy's was quite taken aback by the question. "There's no such thing. You can't buy a policy to insure your own business judgment." He went on to say, "Besides, the whole nature of such a thing is contrary to the very definition of merchant. If you can't

sell clothing, you shouldn't be in the business."

E. J. Korvette, another department store here, had never heard of inventory insurance. "Sometimes you can return books or greeting cards to the manufacturer and get credit, but not clothes. If you mark clothes down low enough, someone's bound to buy. You just keep marking them down until they reach a certain level, then you write it off on the books and give the clothes to charity."

BROOKS BROTHERS was not available for comment, but sources familiar with their marketing approach told us that when an item won't sell, Brooks

holds a private employe sale, then they have a special customer sale. They do not resell because they don't want customers discovering Brooks Brothers' clothes in a discount store in Brooklyn. The clothes are given to charity. Barney's and Rogers Peet, two other men's retail shops here, follow the same pattern as Brooks.

The manager of Gentlemen's Resale Shop recalls hard times in men's apparel when the Nehru jacket came out. "Insurance to cover losses like that would have been worth everyone's while. But who'd ever give it to you? The risks would be too high."

He went on to explain, "We were flooded with Nehrus. They were very cheap, but there was nothing you could do to move them. If they were suits, you could try selling the slacks. But the jackets had no lapels, so you couldn't put new collars on them. Manufacturers and department stores lost money."

Jonathan Logan, a women's clothing manufacturer, felt that inventory insurance would be impractical. "The real challenge in the clothing industry is to predict the market, and to do it right. It's no different than going to Las Vegas. We never get stuck because our production is geared toward reorders." We asked, do you think some kind of insurance would be a good idea? "Are you kidding? It's inconceivable."

HOW DO THE insurance companies feel?

Said insurance men at the Insurance Co. of North America in Philadelphia, "That's a business risk. There's nothing more to say about it." Sources close to Lloyd's of London said, "Never heard of it. You can't insure everything. You have to take a loss on something. Lloyd's doesn't write everything that comes their way, you know." He added, "They wouldn't go out on a crazy limb like that."

Apparently there is but one policy used by clothing stores when merchandise won't sell. And it's not an insurance policy. Have a "holiday sale", then a "post holiday sale." Then have an "end of the season sale," then a "close out sale" and, finally, "a final close out sale." Then, if the clothes haven't been stolen or shopworn, give them away. ■



"No baby, there is no such thing as 'inventory insurance' if your midis don't sell. So bug off and stick with a winner."

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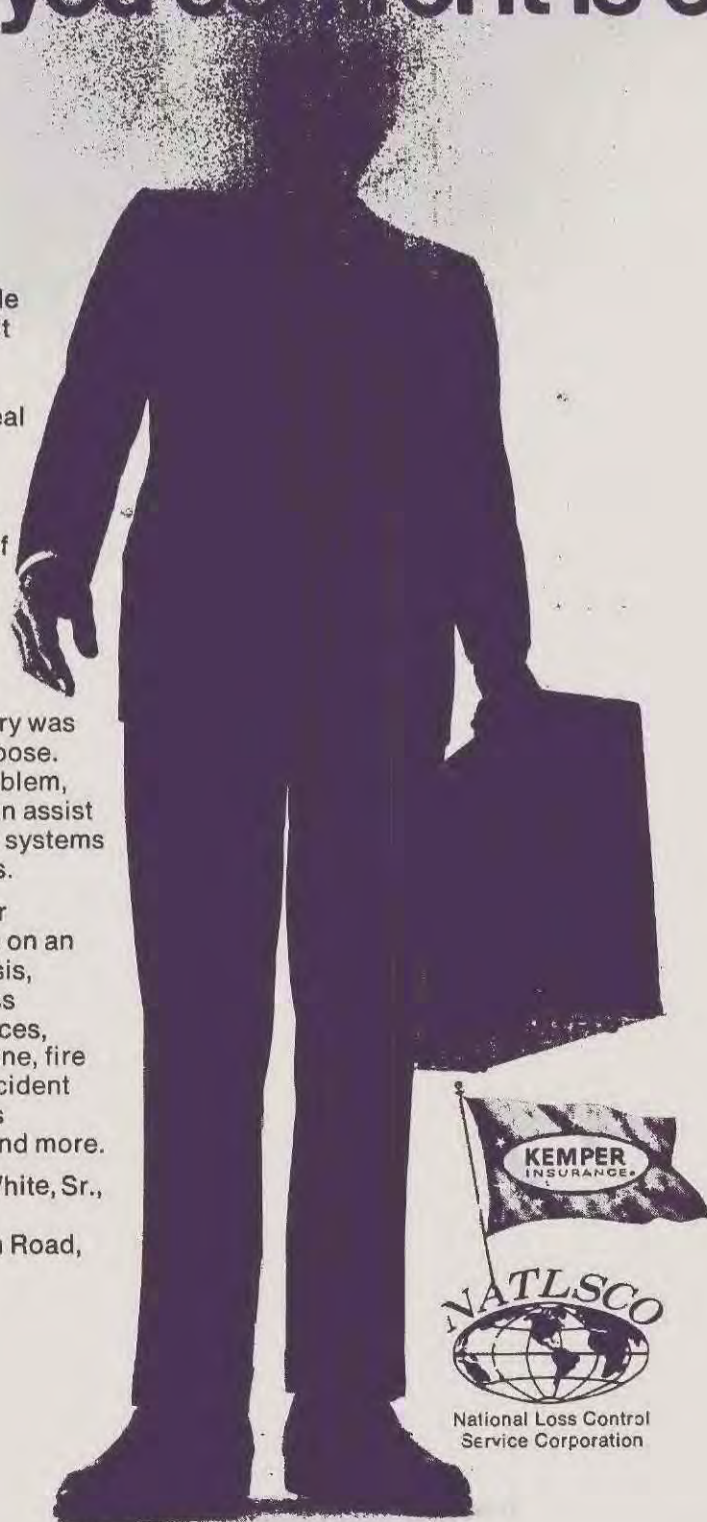
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For details, write Walter White, Sr., Vice President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



'Reporting form' policy keeps up cover on inventory

NEW YORK—Though merchants can't insure themselves against buying unsalable maxicoats, the property insurance industry has developed a means to protect the value of store inventory at times when merchants are overstocked or understocked.

The mechanism is a reporting form insurance contract under which the merchant pays a deposit premium to cover 75% of the anticipated premium on average inventory. The merchant then submits a reporting form each month that tells the insurer the actual value of inventory.

At the end of the policy period, the monthly reports are averaged to find what the insurer's earned premium should be on inventories actually in stock at the insured's store. At this point an adjustment is made through either a rebate to the insured or an additional premium payment to the insurer.

But throughout the policy period there is full coverage for the maximum value of merchandise in stock, provided that the insured files regular monthly reports. If he fails to file and suffers a loss, he may be subject to a coinsurance penalty.

Named secretary

Leonard J. Kendall Jr. has been named secretary group department, Travelers Insurance Cos.

Urges industry to work together on halting appalling cargo losses

NEW YORK—The U.S. attorney for New Jersey, Frederick B. Lacey, has called upon the insurance industry, unions and managements to band together and assume the leadership in the fight to control mounting cargo losses at airports and docks where "organized crime is at the heart of the raping and plundering."

"Failing this," said the U.S. attorney in a strongly worded speech, "organized crime is going to not just raid you. It's going to take you over."

Speaking at the anniversary dinner of the American Institute of Marine Underwriters at the Pierre Hotel here, Mr. Lacey declared:

"YOU KNOW—and I know—the situation is grave. I'd like to lance a few sores, for I am concerned with what I see happening. Decent and well-intentioned people are fighting against—not with—each other in attempting to resolve your problems.

"The losses are staggering, the picture appalling, the outlook bleak," Mr. Lacey went on. "Senate investigations have estimated \$1.2 billion was lost through cargo thefts from sea, land and air shippers in 1969. These thefts are

Asks world pool to cover major risks

GENOA—World insurers were urged to pool their resources in covering major risks by Paul Dixey, prominent Lloyd's underwriter, when he addressed an international transport congress here.

They were advised that the big claims they will have to face in the 1970s can only be met if they display full co-operation and complete understanding in all insurance markets.

Mr. Dixey, who serves on the committee of Lloyd's, stressed the need for better risk prevention by business managements in every country.

HE WARNED the congress: "Underwriters must be professional in their approach to this problem. By increasing premiums, and by exhortation and advice, they can encourage and coerce the lazy and careless businessman.

"The insured businessman cannot be expected to reduce the size or value of his property. But by expert management he can often reduce the number of units that are at risk from one loss.

"Above all, by good management, he can improve his security. There is no longer the determination by underwriters to get insurance business at any cost, or writing it at uneconomic rates. They are studying, and acting on, statistics available to them instead of burying their heads in the sands and hoping for things to be better tomorrow."

Mr. Dixey pressed for governments throughout the world to allow freedom of insurance, and explained; "While everyone welcomes proper measures to protect the public from insurers who have inadequate resources, this must not be used as an excuse to force reputable insurers into a straightjacket of local tariffs, fixed rate rate schedules, and penal deposits."

not petty pilfering. This is the work of organized crime.

"How has this come about?" Mr. Lacey asked. "You and your insureds, unions and management, all are to blame. You are fighting against each other, just as law enforcement has done in the past. Your various segments are chained by mutual antagonisms. Some of your security concepts show an obsession with obsolete ideas of law enforcement. None of your segments wants to make concessions without demanding greater ones from the others.

"I warn you," Mr. Lacey went on, "you all had better get together," or organized crime will

certainly "take you over."

Speaking of the insurance industry in particular, Mr. Lacey said:

"Your industry must do more than shake its collective head when a loss occurs, pay the coverage and increase rates. You must assume the leadership in cargo protection, in throwing out undesirables from the shipping and air freight industry. You must urge and prod; you must recommend security measures that can best be employed."

Insurance leaders, Mr. Lacey suggested, should appoint inspection committees and provide direct supervision of handling storage and security of all cargo to

augment the guard forces employed by the shipping industry who are all too often intimidated by fellow workers."

Mr. Lacey, who is a federal judge designee, also recommended that marine underwriters "insist upon adequate "crib" areas (security cages for temporary storage of valuable cargo). Other security devices, such as the regiscope, which has proved to be an invaluable security measure to those few who utilize it, can be demanded by underwriters. With such precautions," he added, "the risk of loss lessens and insurance rates could be adjusted accordingly."

(A REGISCOPE is a device that records on film a person and the documents he presents to prove his authorization. Many of the major airlines are now using them at airports. A truck driver, for example, will present his documents or identification—such as

a union card—at a central desk before he is allowed to pick up merchandise. The document is photographed along with the person who presents it.)

Turning to the container method of cargo shipment, Mr. Lacey observed, "one striking feature of our society is that we create new problems by our scientific and technical advances." Containers, he said, reduce petty thievery on the docks and at airports, "but play right to the strength of organized crime."

Mr. Lacey noted that whatever the insurance industry ultimately comes up with in the form of recommendations and suggestions they will have behind them "a compelling force: financial reward. If the risk of loss is lessened, should not the rates paid to insure against such loss be less? Correspondingly, if the risks are greater, should not the rates be higher?"

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Life & health benefits/a special report



A patient's vision is tested during a battery of examinations.

Hospitals' head tells 'whys' behind rising health costs

By EDWIN L. CROSBY, M.D.
Executive President,
American Hospital Assn.

CHICAGO—You don't have to be a doctor to recognize some of the ailments that are currently afflicting the health care industry in America. Health care costs are rising to an intolerable level. Residents of city ghettos and rural areas are finding it increasingly difficult to gain access to medical treatment. Health insurance coverage is uneven and tends to encourage treatment in already overburdened hospitals.

Why are hospital costs rising so fast? What are the major problems involved in providing health care for our growing population? What stake do businessmen have in the health care industry? What can businessmen do to help control rising health care costs? These are the questions this article will attempt to answer.

The two major concerns of the health care field today are cost and availability. All of the other issues relate back to those two major considerations. Running a close third is the shortage of doctors, nurses, and allied health personnel.

The rising cost of hospital care is a serious problem. Of the \$63 billion spent on health care last year, hospitals received the largest chunk—\$24 billion, or 38% of the entire sum. The national average cost of maintaining one patient for one day in a hospital jumped from about \$48 in 1966 to about \$70 last year. American Hospital Assn. projections indicate that these costs will rise to more than \$81 this year; \$93 by 1971, and just more than \$105 by 1972.

A HOSPITAL room charge has many components. Included must be such considerations as food, plant maintenance (including depreciation, fuel, water, etc.), housekeeping services, nursing services and maintenance of medical records. But of all the elements which make up the cost of a hospital stay, the largest one is people—the hospital staff. About two-thirds of the average hospital's expenses goes to meet the payroll.

Until very recently, the hospital employe was probably the



Dr. Edwin L. Crosby

most underpaid member of our society. Wages were usually much lower than a man or woman could earn in the local factory.

Today, a hospital must increase salaries in order to attract and keep personnel, and the earnings of employes must be competitive for the area. Hospital workers are no longer willing to subsidize the cost of health care by accepting substandard wages. The federal minimum wage law now applies to hospitals, and this year the minimum wage for hospital employes is \$1.45 an hour. This will rise to \$1.60 in 1971.

The increase in wages involves all levels of hospital personnel. Nurses are finally being paid what they deserve. Interns and residents, who are mostly young

married men, will no longer work for nothing. Their average pay this year ranges from \$6,900 for interns to \$9,800 for senior residents.

HOSPITAL PERSONNEL also work shorter hours today. Hours used to be brutally long, with many jobs being covered for 24 hours by two people working 12-hour shifts. Now it takes five workers to provide that same 24-hour, seven-day coverage that three workers used to do. Consequently, the number of hospital employes per patient in all hospitals has grown from one and one-half back in 1946 to almost three today.

Oddly enough, advancements in medicine and technology have also added to payroll costs. Back in the 1940s, a hospital didn't have to employ skilled technicians to operate a heart-lung oxygenator or an artificial kidney machine, because neither the machines nor the occupations existed. Today, a large modern hospital may have more than 200 different job classifications.

A hospital's business is to serve people—one at a time. This service cannot be automated. To be sure, you can automate some of the supportive functions in a hospital, and you can share such services as laundry with other hospitals, but you cannot supplant people. Nor can a hospital meet the health needs of a community without modern equipment.

Another factor in the rising cost of hospital care is that our patterns of health insurance tend to encourage unnecessary hospitalization. Patients are often admitted to hospitals for services which could be handled on an out-patient basis, except that their insurance would not cover such treatment.

SIMILARLY, a patient who

Continued on page 40

Multiphasic testing no cure-all, but it has a place in health system

NEW YORK—Multiphasic testing is not being mentioned as a cure-all for the nation's health woes, but there is a growing consensus among those studying the problem that the concept should play a vital role in the ideal health system—whatever it is.

If you liken that ideal health system to a precision football team, multiphasic testing would be the spotter high above the field in the press box. He's the guy who sees the hole between the defensive guard and tackle and has the coach fill it before the opposition can blitz.

Simply, multiphasic testing is a form of preventive medicine. The patient is subject to a battery of tests, which can be given by a general practitioner at great time and expense on a regular basis. As some remark, however, "Just try and find a doctor who does them."

OR, ON THE other hand, a multiphasic test can be done as efficiently and less expensively by

paramedical personnel in an independent environment equipped with the latest testing devices. Results of the tests, which often put a finger on the medical problems before they get out of control, are then furnished to a competent medical professional.

In recent years a number of independent multiphasic testing services have sprung up around the country. The Kaiser plan on the West Coast, for example, has utilized the concept in its preventive care program. Other, independent companies have begun similar services for which they charge a fee.

Some of these, to be sure, have been little more than "cattle barns," in the words of one medical person who has no particular disdain for multiphasic testing but believes they should be better controlled. "They herd you in, in a line, take a battery of tests and then send you home with the results—sometimes to fret and never see a doctor out of fear that the results show you to be a terminal case," he said.

At the other extreme, however, there are multiphasic testing services popping up that are getting the respect and support of the most meticulous members of the medical profession.

A CASE IN point is Health Service Systems, a new firm that has set up an elaborate and efficient multiphasic testing center staffed by registered nurses at the terminus of a heavily traveled subway line here. HSS, as its young management is calling it, is located at 175-61 Hillside Ave. in the Jamaica section of Queens. The company is a newly formed division of Food and Drug Research Laboratories Inc., Maspeth, N.Y., a 40-year-old research service for food and pharmaceutical houses.

Continued on page 38

Equitable's Attwood feels group life is still responsive to employes' needs

NEW YORK—Equitable Life Assurance Society of the U.S. doesn't seem to have made up its mind about financial services as yet, according to its senior vp of group operations, James A. Attwood.

On the one hand, it feels that traditional group life insurance, when tied to a man's earnings, can be quite responsive to the rise in the cost of living, since wages always seem to rise accordingly.

On the other hand, the huge life company sees the split-dollar benefit, packages of life coverage and mutual funds, possibly some group-marketed casualty coverages as well as survivors' benefits as indeed helping to supplement the employe's diversified and changing protection/investment needs.

"WE HAVE a survivor's income plan at the Equitable through which, using a formula based on an employe's years with the company and his salary at the time of his death, we pay his widow a monthly benefit. For ex-

ample, if the employe has been with the company for less than 20 years we will pay the monthly benefit to the widow for twice the number of years that her deceased husband has served. If he's worked more than 20 years, on the other hand, we'll pay the widow this benefit for life," Mr. Attwood explained.

To demonstrate how "responsive" such a policy could be to the economic climate, Mr. Attwood pointed out that "we've tied a cost-of-living escalator to the benefit so that it rises according to what happens to the consumer price index up to a maximum of 3% per year. There's also a minimum established below which any negative fluctuation of the benefit, in keeping with the cost of living, would bring it below that level," he said.

Mr. Attwood told *Business Insurance* that he felt group life mented by a whole range of other financial services, "The ideal benefits world would be to have a good group life program and a final pay pension plan, along with a good saving plan," he said.

Mr. Attwood acknowledged that the Equitable is pondering whether the company should expand its services beyond the group life, health and pension fields in which it now operates. For example, the Equitable is currently considering a split-dollar benefit (life and mutual funds) as an individualized product. Other things that the company is looking at include group auto coverage, mutual fund marketing and group homeowners.

"WE'RE CURRENTLY marketing a salary allotment (or payroll-deduction) individual life policy on an individual basis through the employer. We're giving him a 3% premium discount because of this technique of cost cutting," Mr. Attwood explained.

"We'll see the cafeteria of benefits come of age in the next five to ten years, I think," said Mr. Attwood. "Either employers will think of it as the next step on their own or the unions will surely demand it. And we will see the

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GROWTH IN GROUP VARIABLE ANNUITY PLANS

	1968	1969
Number of plans	1,806	3,849
Persons covered	187,000	227,000

A recent but significant trend in employe benefit plans has been the development of pensions based upon the performance of a common stock pool. When such a plan is administered by an insurance company, it is called a variable annuity. Over the past two years, these plans have shown marked increases.

Source: Institute of Life Insurance

N.Y. legislation to include major proposals on improving health care

NEW YORK—The next session of the New York state legislature will find proposals, backed by the Lindsay administration in New York City, for major changes in both public and private health care.

The proposals, drawn up by the city's Health Services Administration, run the gamut from financial incentives for hospitals to provide comprehensive care to families without the typical outpatient assembly line atmosphere to the creation of a new job title in medicine, the physician's assistant. The plans also call for a massive alcoholism treatment program and the elimination of conflicts between state and city

mental health programs.

Tentative versions of the measures have already been drawn up and the Health Services Administration has begun a promotion program to gain support from government agencies, citizens groups, legislative leaders and medical societies.

A SPOKESMAN for the administration, while explaining the family care proposal, said that a state fund would be created for use by hospitals, both public and private, that submit acceptable plans for ambulatory care units. The city wants the ambulatory care units set up in urban poverty pockets but they would be

equally appropriate in rural areas where comprehensive medical care was not readily at hand.

Under the proposal, families would be seen regularly by the same doctors—teams of specialists—and not be examined by a

life & health benefits

different physician every time they want care.

The spokesman said the final version of the bill would probably call for matching contributions by local governments.

Regarding the proposal for providing physicians' assistants, the biggest source of such personnel would be medical corpsmen discharged from the military. They are trained to perform many duties in the military that can only be performed by licensed physicians in civilian life. They do many of the duties of registered nurses but can also treat burns, stitch cuts and make physical examinations.

THE BILL would provide for two types of assistants, generalists and specialists. The generalist would take courses, take an examination and be registered by the state. His duties would not be defined in the law but in regulations to follow. The specialist would receive less training and would be limited in his duties to performing one or two specialized functions, such as the taking of a patient's medical history.

Other states now have physicians' assistants and the laws vary as to what the assistant can do.

Another proposal would consolidate the city and state mental health programs. At the moment, the city programs get 50% of their funds from the state. Because of this, the city often tries to get its patients in state hospitals where the state foots the entire bill and the state tries to get its patients in city hospitals where the city would share in the cost.

The bill calls for the state to finance 90% of the programs and the cities to finance the other 10%.

ANOTHER manpower bill would provide scholarships to medical schools for students with limited funds on the promise that the students practice, after graduation, for a specified time in rural areas where there is a shortage of medical personnel.

The alcoholism legislation, which could ask for total state financial backing, is the first large effort to deal with the alcoholism problem (there are an estimated 250,000 to 300,000 alcoholics in New York City alone.) The bill calls for cities to submit plans for local programs involving training, construction, prevention, experimentation and community education.

Another piece of legislation provides for a review of professional standards under the Medicaid and Medicare programs. The bill, according to the spokesman, would extend cost control to the whole spectrum, including payments by health insurance companies and the patients themselves.

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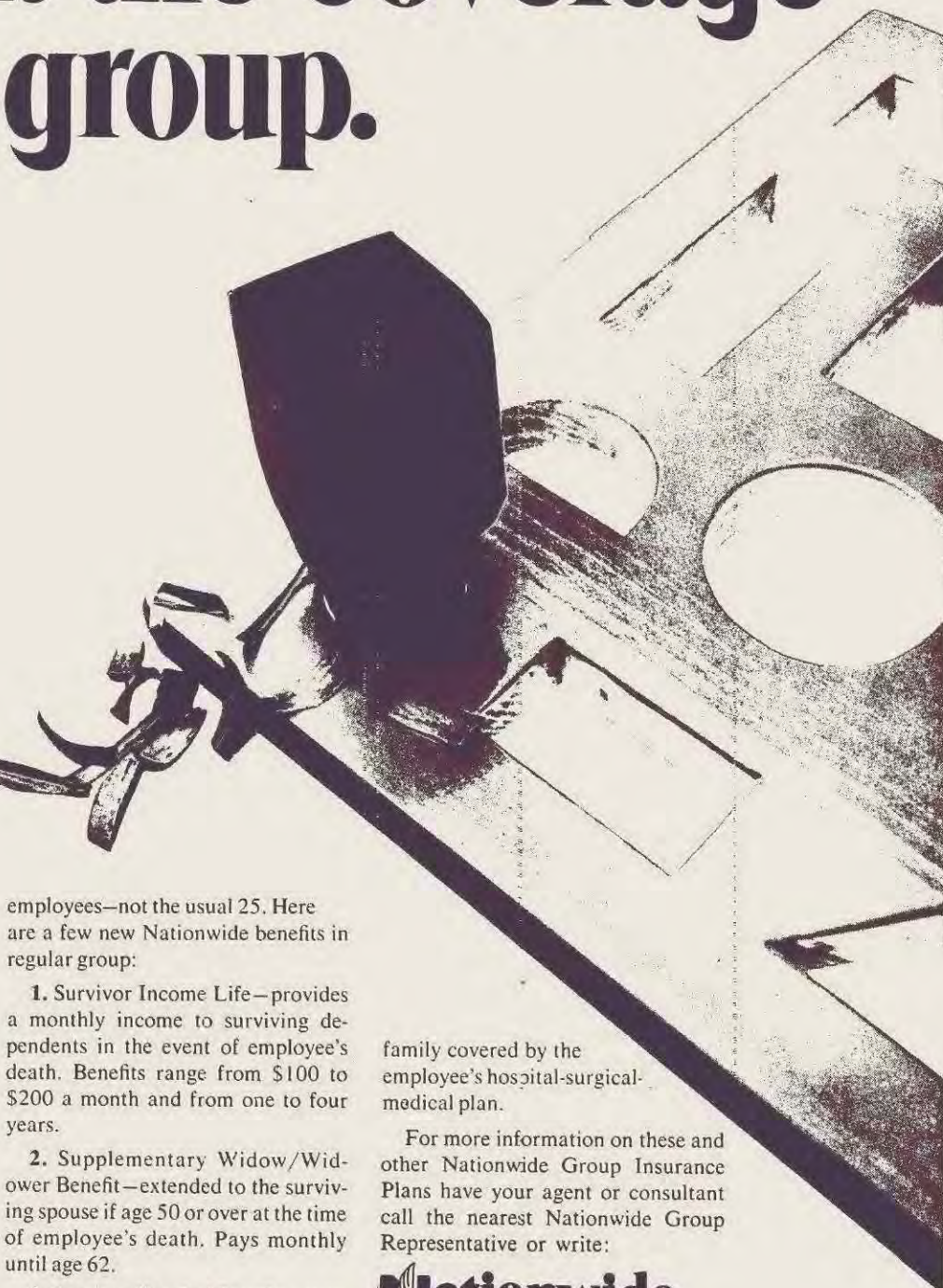
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3. Survivor Hospital Benefits—pays premium payments for the surviving

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Group life . . .

Continued from page 27

employe himself wanting to choose how he wants that 31% of his payroll to be spent," he predicted.

The big place where much change and improvement is needed is in communication techniques, apparently. "In instituting a more flexible benefit program for our own employes we found we had to make films and hold numerous meetings as well as print various and sundry explanatory brochures. We even had to set up counseling services in order to get the message of what alternatives we had to offer in the way of benefits across so that employes could get what they wanted from their benefit dollars," Mr. Attwood explained.

He pointed out that benefits would always be some sort of mix between compensation and protection. "When you increase one side of this combination, of necessity you have to decrease the other," he said.

COMMENTING on a universal subject of interest, Mr. Attwood acknowledged that he felt that there was a spot in the marketplace for variable individual life insurance.

He noted that the Equitable would probably be into some form of equity products within the next two years, marketing them in a payroll deduction approach.

From its life and health activities, Mr. Attwood predicted that the Equitable might go into the casualty field to really take advantage of its payroll deduction approach in four to five years. "There are consumer demands to get these forms of casualty coverage on a much broader basis than that on which they are currently available," he explained.

An illegitimate stepchild, group ordinary, should be in the family

NEW YORK—Group ordinary life insurance is not exactly an idea whose time has come. The idea has been around for a long time but, according to W. Scane Bowler, "it's so obvious and has been sitting in front of our noses for so long that it's a wonder no one has done anything with it."

Mr. Bowler is chairman of the board and chief executive officer of Pioneer Western Corp. He holds the same positions for Western Reserve Life Assurance Co. What he said was not exactly true, for, he admitted, some companies have done something with group ordinary life. Occidental Life Insurance Co. of California, for instance. However, most companies have shunned the product in their pitches for a corporation's group insurance business.

"The name itself," said Mr. Bowler of group ordinary, "has perhaps created a problem because it has been generally

life & health benefits

scorned by the 'ordinary' department, only tolerated by the 'group' department, and too often treated as though it were an illegitimate stepchild at the family reunion. Only a handful of companies presently have a group ordinary product in their portfolio."

MR. BOWLER wonders why. Group ordinary, he said, is "sexy from both the employer's and the employee's points of view" and can become a meaningful employee benefit that offers the employer a "fixed cost" group life benefit and the employee a group life policy in which he builds up cash value.

Western Reserve Life added the policy form to its portfolio about four months ago. The response thus far has not been overwhelming, Mr. Bowler admitted. Thus far only a handful of companies have added it to their benefit programs and the typical group is about 30 to 35 employees. Where it has been accepted, however, the response from both employer and employee has been good—roughly 80% to 90% participation, Mr. Bowler said.

Group ordinary, he explained, is really ordinary life insurance. The corporate employer pays a portion of the cost, just as he does with conventional group term life insurance. The employee then purchases ordinary life coverage and receives full credit for the employer's contribution. The employer's contribution is tax deductible to the employer and, except for amounts of insurance in excess of \$50,000, is not considered as income to the employee.

According to Mr. Bowler, employees enrolled under group ordinary plans buy permanent cash value life insurance at a discount (depending on age at entry) of anywhere between 40% and 70%. "Very few employees turn down the opportunity to participate," he said. "Our records show that 80% to 90%—and often 100%—of eligible employees enroll for group ordinary."

"FOR THE AVERAGE workers," the Western Reserve chairman went on, "group ordinary is often the only opportunity to purchase cash value life insurance. The fact his employer is paying a portion of the cost is an extremely powerful motivation."



W. Scane Bowler

In addition, he said, group ordinary is an effective way of

bridging the "protection gap" that exists in the middle and lower strata of the economy.

What's in it for the employer? "Well," said Mr. Bowler, "in most instances he's already providing group term life insurance for his employees. But the biggest objection to group term life is the rising costs built into the policy. Each year, as his employees grow older, the annual rate goes up—not dramatically, just steadily. Costs may be low in the beginning but they begin to climb and climb. The '0' table rates illustrate that \$10,000 face amount for a man age 35 is only \$2.70 a month. By age 65 the employer's premium for conventional term is

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NUMBER OF AMERICANS WITH DISABILITY INCOME INSURANCE (IN MILLIONS)

	1955	1965	1966	1967	1968	1969
Insurance company coverage	30	38	41	44	48	49
Employer/employee policies	19	27	29	31	35	37
Individual policies	14	15	16	16	17	17
Formal paid sick leave plans	8.5	11.7	12.5	13.3	13.8	15.5
Other plans	1.1	1.1	1.1	1.1	1.1	1.1
Total number covered (accounts for duplication of coverage)	40	51	54	58	62	66

The numbers from 1963 to 1969 for insurance companies, group and individual policies are a total of those with short-term and long-term disability income protection. The category "Formal paid sick leave plans" refers to people with formal paid sick leave plans but without insurance company coverage. The category "Other plans" includes union-administered plans and the Federal Mutual Benefit Assn.

Source: Health Insurance Council



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Drug firm offers credit life as part of package

NEW YORK—McKesson & Robbins Drug Co. has come up with a new twist in its campaign to win the hot competition among drug companies to provide comprehensive services: credit life insurance.

"A year ago we started the credit life insurance program to cover pharmacists' debts to us for our financing of drugstore fixtures, receivables, inventory and leasing of fixtures to them," explained James M. Peters, director of financial management with McKesson & Robbins. So far the program has placed credit life insurance, worth substantially more than \$2.2 million, with 250 of the drug company's customers.

Mr. Peters explained to *Busi-*

ness Insurance that McKesson & Robbins was attempting to provide a complete range of services as well as products to druggists everywhere in the U.S. He pointed out that in addition to a full line of drugs and now credit life insurance, the company also provides computer credit services to individual druggists so they can run their own credit operation.

THE CREDIT life policies are being written for McKesson & Robbins by the Prudential, he noted. There are actually two forms of policies. The first is referred to as the group policy and covers the debt to McKesson & Robbins up to \$15,000. "I believe that in about 12 states the insur-

ance regulations limit us to group only so that's it, in those locales," Mr. Peters pointed out.

For those with debts of more than \$15,000 another policy called an individual credit life policy is written for the excess amount over \$15,000. The cost of the credit life coverage is 38 cents per \$100 for a 12-month period,

life & health benefits

Mr. Peters noted, adding that there are 50 excess individual policies in effect so far.

No medical examination is required for placing the primary layer of coverage. However, a medical questionnaire is prerequisite to the excess policy.

In those areas in which the individual credit life policy can-

not be marketed, Mr. Peters noted that his company asks that a portion of the pharmacist's personal life insurance be assigned to the company to cover the remainder of the debt. He explained that this coverage was of great benefit to McKesson & Robbins' customers, providing them with a greater degree of security than in case of their death their survivors won't be stuck with another large debt.

In addition, the coverage helps to facilitate the placing of the contracts covering inventory, fixtures or other goods placed with the druggist on credit with CIT Financial Corp. This financial company in turn provides the cash for the financing of these credit arrangements.

Mr. Peters explained that in supplying a new moderate-to-large-sized drugstore with fixtures and the necessary inventory the tab often runs to \$50,000 or more.

Stepchild . . .

Continued from page 29

\$32.80 a month. This cost has increased 1,200%."

HOWEVER, Mr. Bowler pointed out, with group ordinary plans the employer's costs can be frozen either at the employee's age of entry or at a predetermined future age.

"But cost is only part of the story," Mr. Bowler continued. All an employer gets for his conventional term insurance dollar is protection; a temporary benefit in which coverage often reduces or terminates at age 65 or 70. Another part of the story, the Western Reserve man said, is the ability of an employe to borrow on the cash value of his group ordinary policy.

"This solves a side problem for some of the smaller more paternal employers," he noted. "What do you say to an employe when he comes to you and says he needs to borrow some ready cash. It he's a loyal employe you can't very well turn him down but this produces bookkeeping headaches that aren't there when he can turn to an insurance plan he has cash value in."

Group ordinary, however, is not without its disadvantages for the employer, although Mr. Bowler believes his company has done away with one major drawback.

"EMPLOYERS are reluctant to pay more on a level premium basis than they would for conventional term insurance," he said. And although the level premium will save dollars over a period of years, the employer resents the fact that if an employe terminates during the early policy years, he has paid more for group ordinary than he would have paid for conventional term insurance.

However, in the case of Western Reserve, Mr. Bowler said, that obstacle has been removed. "If the employe terminates in the early policy years, we provide a termination refund to the employer. The refund consists of the difference between the employer's actual contribution for group ordinary and what he would have paid on a tabular basis for yearly renewable term insurance."

What's in it for Mr. Bowler and his company?

Quite frankly, he admits, it is mostly a case of gaining an entree to a whole new list of insurance and mutual fund prospects. Pioneer Western Corp. is also a holding company of Fund Research & Management Inc., a Boston-based firm which manages and distributes the Pioneer Funds. It also owns Equity Planning Systems, a company that designs and sells marketing programs on a franchise basis to life insurance companies. **Thirteen** American insurance companies with a combined sales force of more than 5,000 currently hold Equity Planning franchises. Equity Planning is strong in the area of estate planning.

"ASK ANY AGENCY what is the biggest problem facing his field force today and he is virtually certain to reply, 'Prospecting,'" Mr. Bowler said.

"Once the group ordinary sale is made to the employer . . . (the agent) has a built-in supply of preferred prospects whom he can approach with prestige, on company time and during daylight hours," Mr. Bowler said.

All of which may present another problem. But this one is for your time study man.



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much of the detail work after the sale is closed, including employee communications and IRS reports.

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Equitable's employe benefits are all underwritten by Equitable, naturally

NEW YORK—Most people probably think if anyone has a decent employe benefit program an insurance company ought to. Here's what Equitable Life Assurance Society of the U.S. offers salaried permanent employes (and, quite naturally, they're all underwritten by Equitable):

As soon as you've signed on as a salaried employe at Equitable an employe is entitled to noncontributory sick pay coverage and a basic death benefit equal to one year's salary with a \$20,000 limit, also paid for entirely by the company. In addition, there's an optional death benefit, accidental death and dismemberment benefits coverage, and a noncontribu-

tory retirement plan if you're 25 or more.

Also, an employe is immediately entitled to the pre-65 comprehensive health insurance plan that includes benefits for physician's visits, X-ray and laboratory expenses, hospital and nursing home expenses, surgical expenses, nursing care costs, ambulance services, psychiatric treatment and dental costs.

WHEN YOU have your first eligible dependent (child or wife) you automatically come in line for dependent health and death benefits. After the first nine months of coverage you or your wife becomes eligible for basic

maternity benefits. Sick-pay benefits are increased after the first year. You are also entitled to the long-term disability benefits (noncontributory) and enrollment into the investment plan if you're over 21 and working in the U.S.

After three years, if you've been married at least a year, you're eligible for the spouse's benefit. Your sick pay benefits

life & health benefits

are increased again after five

years. At age 55 you will have an early retirement option (if you have 10 or more years service) under the retirement plan, and your group life insurance continues, subject to reductions starting at 66 years of age. Even though you've retired your spouse's benefit continues. In addition a post-65 health insurance plan replaces the pre-65 coverage.

The basic maternity benefit in Equitable's employe benefit package is available to employes and dependent wives with nine months or more of coverage. The benefit provides for a lump sum for all hospital and surgical expenses combined with respect to any one pregnancy through the normal delivery of a child or children (\$300), caesarian section (\$450), operation for extra-uterine pregnancy (\$450) or miscarriage (\$150). The company also offers a \$150 allowance for abortion, where legal, to all female employes.

Equitable's contributory package (at a cost of .75% of salary up to \$100,000 per year) includes health benefits covering a wide variety of medical and dental expenses resulting from non-occupational illness or injury. The health benefits plan includes a calendar year deductible of \$75 for an individual or \$150 for a family. The plan indemnifies charges for health services at 80% and 100% of the first \$1,000 of hospital covered charges (average semiprivate rate).

THERE'S ALSO a limitation of \$35,000 for each insured person's lifetime reimbursement. The special maternity expense coverage is not subject to the deductible.

In addition to the health benefits program the contributory package includes a spouse's benefit payable on your death in monthly installments. It's equal to 35% of the first \$650 of your monthly rate of salary at death plus 25% of the remainder of your monthly rate of salary. The benefit is coordinated with Social Security with a 75% offset feature.

A cost of living adjustment is included whereby the payments are adjusted based on changes in the Consumer Price Index up to a maximum of 3% per year. No adjustment will be allowed to bring the benefit below what would have been payable without the cost of living feature.

The contributory package includes an optional single sum death benefit equal to an additional year's salary up to \$100,000 maximum. This benefit is available only to those employes who are not eligible for the spouse's benefit. These employes must up their contribution an additional one-half of 1% of their salary. An accidental death and dismemberment benefit can be obtained in the contributory package equal to two years' salary to a maximum benefit of \$100,000.

EQUITABLE'S retirement plan includes an early retirement option if you wish to retire after reaching the age of 55, and after 10 years of active service with the company. If you retire early, you are allowed an option to "even out your income" before and after social security begins.

The benefit formula for Equitable's retirement plan is complicated. It begins with a best five years of last ten years average salary. From this is taken a benefit percentage. This percentage is determined by computing 2% for each of the first 20 years of credited service plus 1% for each of the next credited 20 years.

The resultant benefit is coordinated with 60% of your estimated Social Security benefits multiplied by the ratio of your actual credited service to the credited service you would have had if you had continued until normal retirement date.

The early retirement reduction with 20 or more years' service is 60% of final pension at age 55, 64% at age 56, 68% at age 57 and so on. For other early retirements (less than 20 years service) the early factor is 50% of final pension at age 55, 53½% at age 56, 56½% at age 57 and so on.

In addition to the Equitable retirement plan, the insurance company also provides its employes with an investment plan. This plan provides for an investment by you of up to 10% of your salary with an Equitable contribution of up to 3% of your salary. In your investment program you would have the opportunity to invest in an equity program (consisting primarily of common stocks) as well as a fixed income program (consisting primarily of bonds and mortgages).

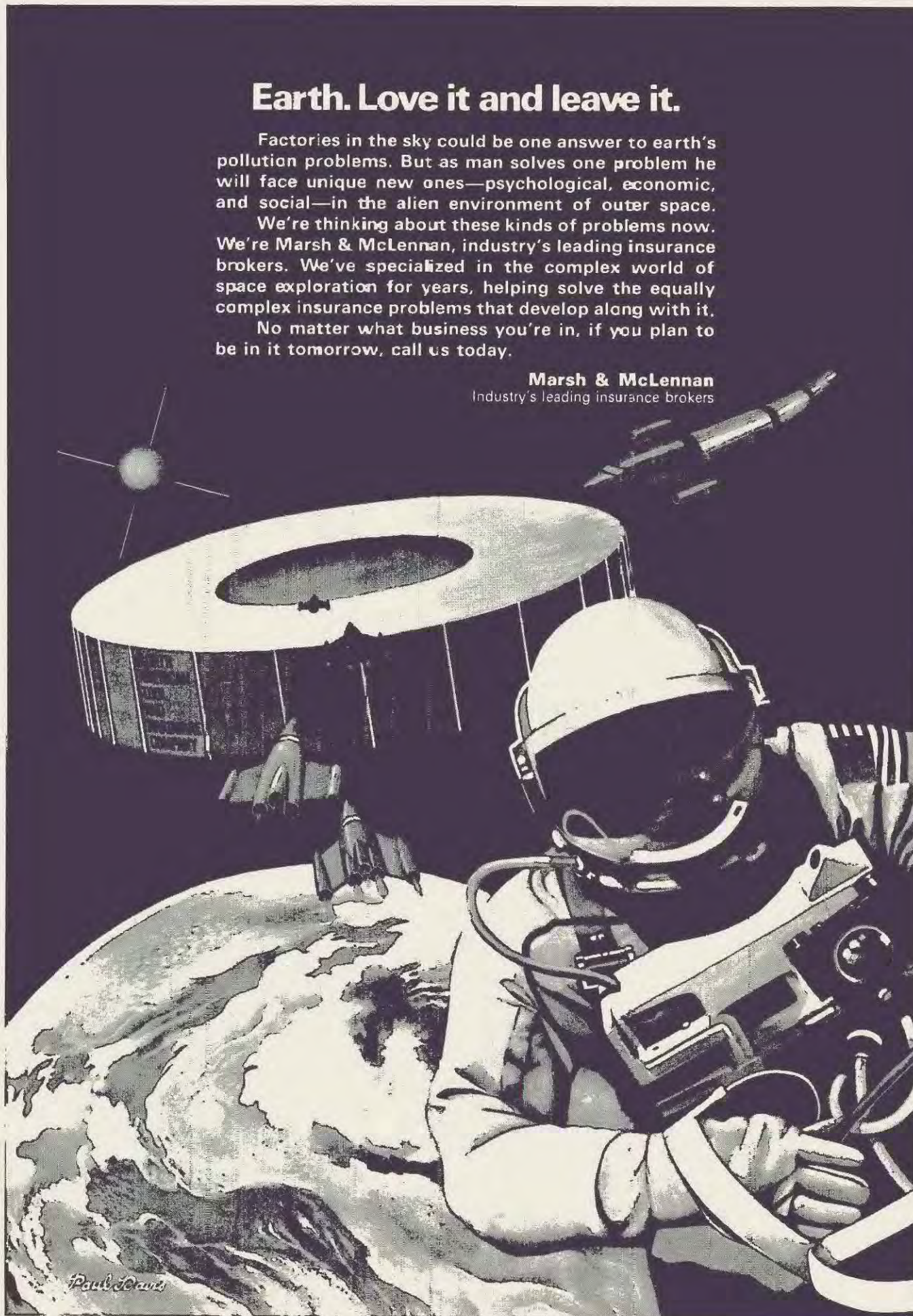
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Mental illness costs \$10 billion

HOUSTON—A group of local executives were told mental illness is industry's most expensive health problem, costing American business an estimated \$10 billion a year.

Dr. Robert L. Sutherland, president-emeritus of the Hogg Foundation for Mental Health, told representatives from major corporations the "real issue here is how can someone tell the boss, 'Look, I've got an emotional problem,' and keep this from affecting his records, position and promotion in the company?"

Dr. Sutherland and Dr. Moody C. Bettis, clinical professor in the department of psychiatry and associate professor in the department of community health at Baylor college of medicine here, conducted a seminar sponsored by the Houston-Harris County Mental Health Assn.

life & health benefits

"This is a problem of stigma," Dr. Bettis warned, "so don't use the words psychiatrist, mental health or disturbed."

"PEOPLE DO not choose to be mentally ill or troubled. This is a naturalistic problem, not a moralistic one," he said.

Dr. Bettis cited the Army's change from the term "psycho-neurosis" to "exhaustion syndromes," which almost overnight reduced medical discharges and permitted the Army to rehabilitate men and return them to combat during World War II.

During the Korean conflict, Dr. Bettis said, the Army also initiated a system of detecting persons with problems by a comprehensive network of mental hygiene facilities.

"That system proved effective in Korea," he added, "and it still is effective in Vietnam today."

The system, according to Dr. Bettis, should be used by large businesses today.

"The earlier you begin the system," he said, "the smaller the problems, the less skill required, the less time lost by the employe and the less expense to your company." ■

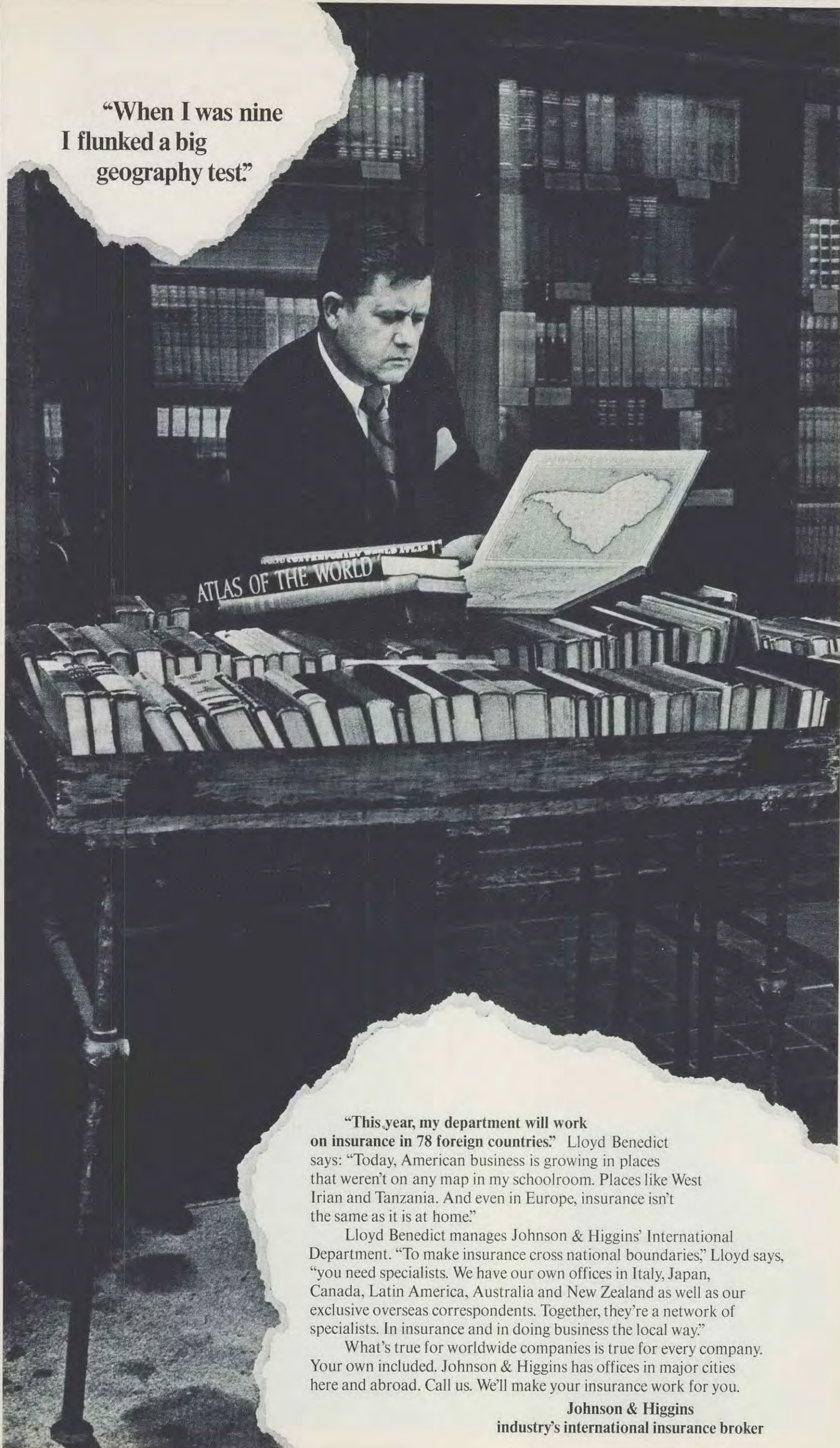
Retirement option

BOSTON—Ninety percent of Massachusetts state public employes would have the option of retiring at age 60 and be required to retire at age 65 under a bill submitted to the state legislature by George V. Kenneally, Boston Democratic senator.

At present, these employes may retire at age 55 after 20 years of service and are compelled to leave at age 70.

In addition, Mr. Kenneally submitted a proposed measure that would have the retirement allowance formula for school custodians include overtime pay for work at night ordered by the school committee, for which a pension deduction shall be made. The measure would also consider hypertension or heart disease suffered by janitors or custodians to have been suffered in line of duty if the individual employe had a physical examination, which did not disclose the disease, while employed. ■

"When I was nine I flunked a big geography test."



"This year, my department will work on insurance in 78 foreign countries," Lloyd Benedict says: "Today, American business is growing in places that weren't on any map in my schoolroom. Places like West Irian and Tanzania. And even in Europe, insurance isn't the same as it is at home."

Lloyd Benedict manages Johnson & Higgins' International Department. "To make insurance cross national boundaries," Lloyd says, "you need specialists. We have our own offices in Italy, Japan, Canada, Latin America, Australia and New Zealand as well as our exclusive overseas correspondents. Together, they're a network of specialists. In insurance and in doing business the local way."

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Group life: A benefit employees understand

NEW YORK—Contrary to what you are likely to hear from some, group life insurance does not appear to be a dead issue. True, you might not hear a lot about it; but, like Baby Huey, it just keeps growing.

From its meager beginnings back in 1911 when the Equitable Life Assurance Society of the U.S. issued the first master policy, group life insurance has grown into a multi-billion dollar industry affecting the lives of some 75 million working people in this country alone. But it is usually handled quietly and without fanfare.

In an effort to ascertain just what shape group life is in today, *Business Insurance* conducted a survey among benefits and insurance managers in a cross-section

of American business and industry.

TO A MAN, those interviewed felt that group life was a benefit that had fully matured and was generally taken for granted by employees. "Yes, it is taken for granted," said Eerbert Hadley, employee benefits manager at American-Standard. "Employees expect group life in any job they go to and they are beginning to expect it on a non-contributory basis."

Though they all agreed that it was somewhat taken for granted, they differed as to the degree of indifference exhibited by employees. "True, the younger employees seem to take it for granted," Ellsworth Woodland of Chemical Bank, New York, pointed

ed out; "the older employees and those with limited service, and expecting a limited pension, appreciate it more."

William Kohnke, employee benefits manager at Uniroyal Inc., agreed that the benefit was taken for granted but was quick to add that "the amount you give isn't." Agreeing with him was Tom McVeigh of CBS. "The employees expect a benefit but I think they are pleasantly surprised when they find out how much it is," he said.

At the other end of the spectrum was Alexander Stanich, employee benefits manager for E. R. Squibb & Sons Inc., who noted: "In terms of impact group life insurance isn't even significant."

THOSE POLLED also agreed

that group life was the benefit that raised the least amount of questions from employees as to what kind of coverage they had because it is the easiest benefit to understand.

"There are always questions about forms," E.C. Curry of Eastern Airlines pointed out, "but rarely about the insurance coverage itself. We use our own form rather than hospital forms and most of the questions we get are about how to fill out the forms."

"It raises the fewest questions because it is expressed in nice, round terms," the benefits man at a large, Midwestern heavy equipment company said. "There are formulas for pensions and some other benefits, but not so with group life. Let's be realistic; you've got to be pretty stupid not

to understand it."

Mr. McVeigh of CBS said that he had recently given a talk about insurance "and spent about two minutes on life. The main thing to say about group life is 'Make sure you've got the right beneficiary on the card.'"

A SPOKESMAN for a fabrics concern thought the reason for the small amount of questions was that "people just naturally assume that they will get sick. That's why they are always interested in the group health plans. But nobody figures they're

life & health benefits



really going to die. They'd rather not think about it.

"We all think we're going to live forever," he went on. "That's the reason you don't hear much about group life plans—good or bad. But if you come up with a bad group health program, I guarantee you'll hear about it and you'll hear plenty."

The insurance industry seems to be promoting the idea that the split-dollar plan, a life insurance-equity combination that ties group life and mutual funds together in one pretty package, is the plan who's time has come in

Continued on page 44

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NEW YORK—When you think that today almost 75 million persons are covered by group life insurance worth around \$483 billion, it is difficult to imagine that a little more than 60 years ago the concept of group life was just a gleam in someone's eye. But, then again, so was a trip to the moon.

The gleaming eyes in the case of group life at least, belonged to someone at Montgomery Ward & Co., who asked the Equitable Life Assurance Society of the U.S. to provide the coverage. Thus it was the Equitable that actually invented the coverage, though it was not Montgomery Ward who received the first policy.

That bit of historical dignity belongs to the, then, Pantasote Leather Co., New York. The story goes that one of Equitable's directors, who was also the head of Pantasote, liked the idea of group insurance and guided his company in ahead of Montgomery Ward. That first master policy, issued to Pantasote back in June 1911, provided coverage for a whopping 121 employees.

OTHER COMPANIES also liked the idea and received coverage before the Montgomery Ward policy could be worked out. Austin-Nichols & Co. Inc., liquor distributors, asked for and got the coverage from Equitable for their truck drivers. The Mercantile Trust Co. of St. Louis also provided group life for its employees before Montgomery Ward.

Ironically, the Pantasote Co., which has since dropped the word leather from its name, is no longer covered by the Equitable. Their coverage is now mostly with the John Hancock Mutual Life Insurance Co., though the Equitable retained them for more than 50 years.

Continued on page 44



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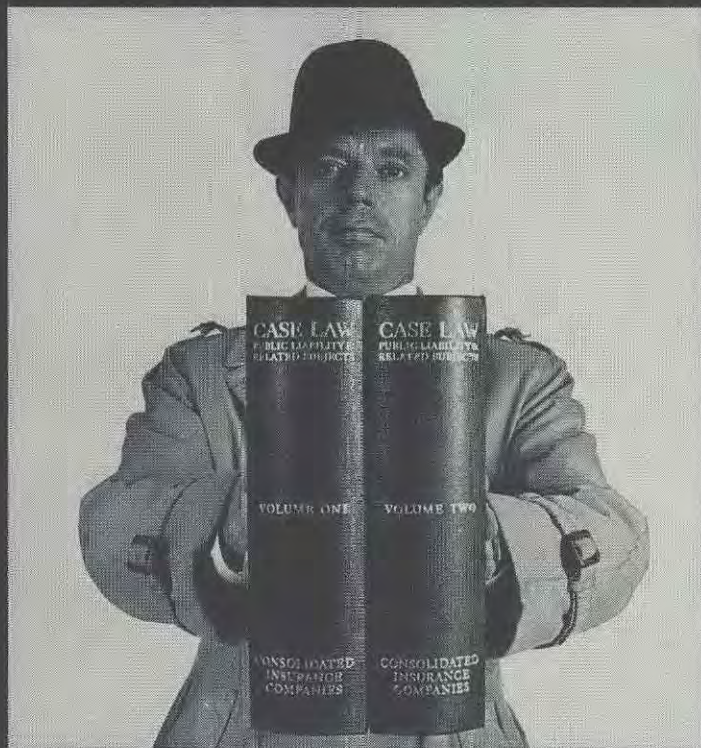
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Overcrowding, cost rise hit Britain's health plan

LONDON—Health service charges are to rise by \$125 million in Britain's state-run medical system so that the Conservative Government can lop six cents off income tax next April.

But though the tax-cut will aid national economy, it will lead to a political row over the charges for social services which give free medicare for everyone.

It costs more than \$4.5 billion a year to run the nation's National Health Service which was built up as part of the so-called "welfare state" since the war.

NOW IT HAS GOT so overloaded that many people are turning to private health insurance schemes to give them freer choice of doctors and hospitals.

Public hospitals are having to turn away patients because they

have no beds for new cases. Typical examples are a mother of eight children, who has had to wait 18 months for a sterilization operation she needs, and a man of 89 with a broken neck who was sent home by a hospital and died two days later.

The new charges will mean that millions of people will have to pay 50 cents instead of 30 cents as a "basic charge" for drugs in doctors' prescriptions, with the rest of the cost met by the national exchequer.

There will also be major changes in free sickness and accident benefits. These will no longer be paid for the first three days that employees are laid off work through illness or accident, so saving the country \$50 million a year.

Political opponents of the

Conservative Government under the new Prime Minister Edward Heath claim that he is raiding the needy, but in fact more than half the population will still get free drugs because their wages are low and the rest of medicare is unchanged.

Drugs for doctors' prescriptions cost \$400 million a year, and this does not include expensive drugs

life & health benefits

needed for hospital treatment.

Delays in hospital treatment under the free medicare scheme have caused two million people to turn to private-sector medicine provided by provident associa-

tions in the past few years.

Biggest of these is the British United Provident Assn., which now has 1.5 million members, compared with only 38,000 when it set up in practice in 1948.

IT HAS A PREMIUM income of \$35 million and as it is non-profit making runs so cheaply that the average family man need invest only two dollars a week to cover himself and his family for private medical treatment. Eighty five per cent of its income is paid out in claims.

Extra payments provide extra facilities such as home-nursing after major illness, and substantial discounts are offered for people who join through corporate-sponsored groups.

Thousands of British firms now run these groups so as to help

their employes, and in some cases pay either the whole or part of their subscriptions.

The schemes run by these "provident associations" have a wide range of premiums and benefits tailored to meet all tastes.

ERIC ROBERTS, BUPA general manager, declares: "Despite the undoubted benefits of the free National Health Service, more and more people are choosing to supplement their state cover by private provision.

"Most people, if they are honest about it, will admit they would like on occasion to be able to have private medical treatment.

"Many would say that this is a luxury that only the rich can afford. This is not so, because the schemes give unusually good value for money.

"Personal factors in health facilities, such as speed, convenience, comfort and freedom of choice, are the basic reasons why the private health sector will continue to expand."

PRESENT provident associations in Britain are the sequel to smaller organizations which grew up 50 years ago for white-collar workers before free medical and hospital care spread to all citizens. They are now getting popular again because of disenchantment with the crowded facilities of the National Health Service. Yet their subscribers still have to pay national taxation, for Britain's overall health service costs, on top of their private premiums.

Some months ago BUPA announced that it had been given affiliate membership of the National Assn. of Blue Shield Clubs. This provided facilities for U.S. and Canadian Blue Shield subscribers who live in Britain for a year or more to transfer to BUPA, while preserving their Blue Shield rights on return to their own country.

Reciprocal arrangements for British members of BUPA were planned in reciprocity, and BUPA also joined the European organization of non-profit making health insurance funds.

It was felt that increasing international mobility of businessmen had created a clear need for co-operative effort among the world's private health insurance funds. ■



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Chiropractic problems

AUSTIN, Tex.—Texas chiropractors have asked the Texas legislature to compel health insurance companies to include chiropractic services in their coverages.

Dr. H. L. Rudeseal, president of the Texas State Chiropractic Assn., made the appeal before the senate insurance study committee. He said chiropractors have a "constant problem" of patients being told "that their policy only covers a doctor of medicine and therefore will not pay for chiropractic services.

"We feel that this is an injustice to all Texans and the insured and certainly takes away from the freedom of choice of doctors," Dr. Rudeseal said.

Joe Peal, associate general counsel for the Health Insurance Assn. of America, Chicago, opposed the chiropractors' request, saying a law would be a "mandate" to include chiropractic in health policies. "Freedom of choice cuts both ways," Mr. Peal said. ■

Real battle on national health has 'not yet begun'

WASHINGTON—Soon after the first of the year President Nixon will send to Congress his long-expected health message, which will probably propose a complete revamping and broadening of the Medicare and Medicaid programs and a federal plan to insure all Americans against the costs of catastrophic illnesses.

The minor skirmishes over national health insurance will thus end, and the main bout will begin.

It is not an entirely partisan fight. Nor are the lines clearly drawn between liberal and conservative.

The final outcome is impossible to predict. Most observers agree, however, that eventually all Americans will be guaranteed health care and that the major share of the costs will be paid by industry—either through contributions to a national kitty based on a percentage of payroll, or to private health insurers and health maintenance organizations for highly comprehensive coverage for all employees and their families.

life & health benefits

THE MOST powerful force in favor of a completely federalized health care program is the Committee of 100 for National Health Insurance. It boasts such members as Sen. Edward Kennedy (D.—Mass.), Mrs. Mary Lasker, New York City philanthropist and powerful health lobbyist, Dr. Michael DeBakey, noted heart surgeon, and Whitney Young, executive director of the Urban League. The committee, of course, has the powerful support of the United Auto Workers and it is rumored that AFL-CIO President George Meany is considering throwing his considerable lobbying clout behind it.

The committee's national health plan would draw funds from three sources—40% from federal general revenues, 35% from a tax of 3.5% on employers' payrolls and 25% from a 2.1% tax on individual income up to \$15,000 a year. Employers could pay all or part of their employees' "health security tax," and they would be expected to preserve obligations under existing collective bargaining agreements.

The plan would virtually eliminate the role of private health insurers, since payments would go direct from the government to the provider. It would cover all health care services with no deductibles, cut-offs or co-insurance—with four initial exceptions.

THE EXCEPTIONS involve nursing home and other custodial care, psychiatric treatment, dental care and certain medicines and appliances. They are temporary and are dictated, according to the committee, by inadequacies in existing resources or in management potentials.

Congresswoman Martha Griffiths (D.—Mich.) has introduced a similar plan, which has gained considerable support and is certain to be considered during the upcoming debate. Benefits under the Griffiths plan would be financed under the Social Security program, with employees paying 1% of their wages up to \$15,000, employers paying 3% and the government matching the employers' share out of general revenues.

The plan would offer comprehensive health benefits, including hospitalization as required and without limits; physician services, including surgery, subject to a \$2 cost-sharing charge per visit after the first visit; preventive care and physical examinations; nursing home care as required and without limits; home health services subject to a \$2 charge per visit; and rehabilitation services.

Also, the plan would cover comprehensive dental services for

all children under the age of 16, subject to a \$2 charge per visit after the first visit; eye care including an allowance for eyeglasses and frames; and prescription drugs.

Like the committee's plan, the Griffiths proposal skirts the private insurers by having the government pay the provider direct.

A THIRD MAJOR highly federalized national health insurance scheme has been proposed by Sen. Jacob Javits (R.—N. Y.).

But, unlike the committee's and Rep. Griffiths' approaches, the Javits plan bends over backward to provide a place for the private insurance industry.

Benefits and financing for the Javits plan would phase in over about a five-year period. When fully effective, the plan would provide all Americans with about 80% of their personal health care costs and would be financed by a tax on employers, employees and self-employed of 3.3% of total wages—in addition to a large

contribution from federal general revenues.

Individuals and employers would have the option of electing out of the federal program by buying an approved comprehensive private insurance plan.

The Javits program would work basically as Medicare does now, with private insurance companies acting as fiscal agents for the government plan and as private insurers and underwriters for private plans.

Continued on page 50



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Multiphasic...

Continued from page 27

With systems such as the one it has developed, however, HSS says doctors can now be concerned with preventive medicine without maintaining costly equipment and staff personnel. The doctor can now, it says, "devote his time to medical examination, diagnosis and treatment, as well as to preventive medicine" without time-consuming testing to occupy his time.

According to Thomas W. Luciani, the multiphasic testing center is a pilot for what will eventually become a network of similar centers in the New York area and elsewhere around the country. "We haven't established any other locations as yet. We want to work the bugs out here and proceed from there," Mr. Luciani told *Business Insurance* during an interview the other afternoon.

The fee for a multiphasic test at Health Service Systems is \$67. This includes a standard battery of at least 12 physiological and 22 clinical laboratory tests, such as electrocardiogram, full chest X-ray, hearing, vision and pulmonary examinations, urinalysis and blood chemistry. The complete battery takes two hours and is administered in private examination rooms by individual nurses.

Twenty-one different chemistry tests are done on the blood alone, Mr. Luciani said, noting that these, among other things, would determine cholesterol levels, white blood count and blood protein levels.

HSS THEN sends the test package to the named physician, and only the doctor named by the patient (no results are given to patients). The report summarizes and flags significant data in addition to giving detailed results.

"We are not a diagnostic center," Mr. Luciani emphasized. "We are a testing center. We are not practicing medicine. That job belongs to the doctor."

WHILE multiphasic testing must always involve the doctor on the professional level, Mr. Luciani sees other uses for the concept.

He suggests, for example, that

such a program be used by corporations concerned enough about their employees' well-being to spend \$67 a year and have a battery of tests done on each employee annually, with the results furnished either to the individual's private physician or the company doctor. He feels this would be a fairly inexpensive employee benefit and one that would ultimately be repaid in savings on group health insurance contracts when enough medical conditions are flagged before an employee has to spend time in a hospital at the expense of major medical plans.

Mr. Luciani also sees a future for multiphasic testing in the area of pre-employment medical checks and insurance company physical exams prior to issuing life insurance policies.

Health Service Systems has received generally good response from the medical community in

the New York borough where its first center has been established, he reported, adding, "what we have to sell to the doctors more than anything else is integrity."

THE COMPANY, which is publicly owned (sold over the counter), has a medical advisory board that has assisted in the two-year planning phase of the pilot center. Dr. Ralph E. Schlossman, a Queens physician, is medical director.

"This is the kind of service medicine requires to cope with the mushrooming demand for preventive as well as curative practices," said Dr. Schlossman.

Daniel N. Schochet, who is president of Food and Drug Research Laboratories as well as head of the new subsidiary, said the multiphasic testing concept "relieves busy doctors of paramedical chores they can confidently leave to a professional health test



A registered nurse readies equipment for a multiphasic test. Testing is done in individual examination modules at Health Service Systems.

center.

"They," Mr. Schochet said of today's physicians, "need the results of testing, not the headaches of doing it, nor of maintaining equipment. The cost of good

medical care can be reduced to the extent that individual doctors do not have to invest in expensive equipment, train themselves and their personnel to use it and then amortize the investment." ■



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Up in Northern Canada, where the roads end and the endless snow begins, the Hudson's Bay Company still serves the native Eskimos and Indians. Until recently, the only way to ship them even the proverbial refrigerator was by dog sled.

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Unique service provides 'instant' hospital credit

By TERESA NORTON

CHICAGO—Members of 8,000 group hospitalization plans, and their dependents, receive instant credit when they enter Chicago metropolitan area hospitals that participate in a unique Insurance Information Service.

At any of 89 hospitals in the program it takes only one phone call, and a few minutes, to verify a patient's insurance coverage and let him know approximately what part of his hospitalization costs are not met by his group plan.

The system that makes this "one-call verification" possible, and keeps it up to date and running smoothly, was conceived in 1954 by the Chicago Hospital Council and the Health Insurance Council. "Our program is a re-

sponse to the individual patient's needs," Howard F. Cook, executive director of the Chicago Hospital Council, told *Business Insurance*.

"UNTIL RIGHT after World War II Blue Cross was the big hospitalization insurer," he said. "Now, however, there are about 1,000 commercial insurers writing group hospitalization plans, each with several different policy types. (In 1969 there were 71 million Americans covered for hospitalization by Blue Cross, as opposed to 104 million covered under commercial plans.) Hospitals were unfamiliar with the many commercial insurers and their policies and many of them had to request down payments from entering patients as surety against the fact that they might



Howard F. Cook

not be covered by insurance.

"With the increase in commercial plans," Mr. Cook continued, "it also became harder for the individual employe to understand his own coverage. Ninety-five

percent of the people don't know the name of their group insurer—but they do know the name of their employer. Our Insurance Information Service is based on that fact."

The system is actually no more than an elaborate card file with insurance companies feeding information to the hospitals and the Chicago Hospital Council acting as the middleman. Ninety-two insurers and a few corporations that self-insure their group hospital plans belong to the verification program and supply information on each of their Chicago area group plans to the hospital council.

The council compiles the facts on duplicate group hospitalization information cards, sending one set to the 89 participating hospitals and keeping the master

set in their own offices. The cards detail the number of days of coverage, the daily benefit and the limit on miscellaneous expenses for employes and their dependents.

BUT THE THING that makes the system tick is that cards are filed not under the insurance company name but under the employer's name. Once the hospital knows that, all they have to

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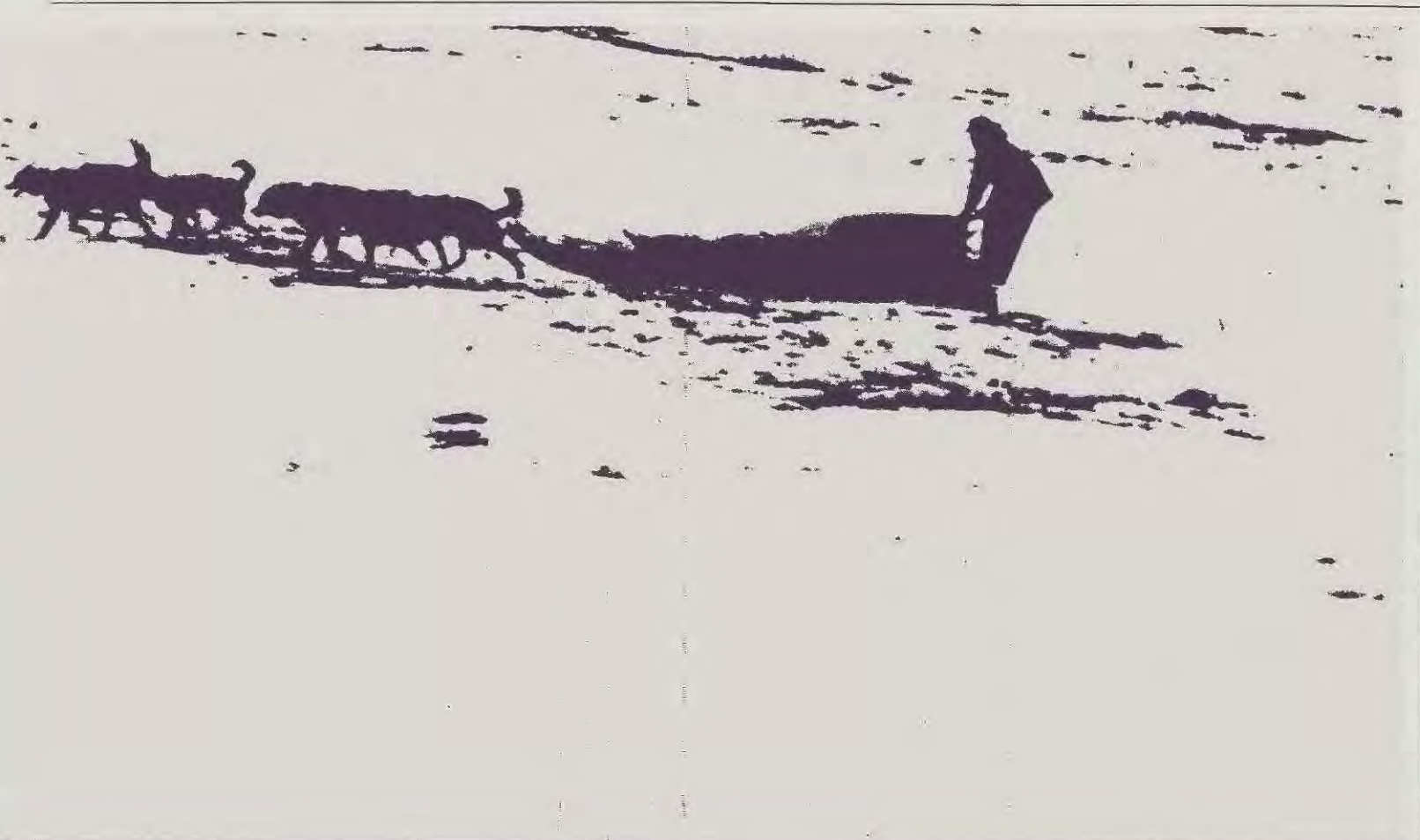
do is call the insurance contact listed on the card to verify the employe's eligibility. Then the patient is told what his coverage is and what costs, if any, will have to come out of his own pocket.

"For instance," Mr. Cook said, "if an employe finds out that his plan pays \$40 a day for hospital facilities and service and the charge for a private room is \$60 a day, he can decide right away whether he wants to pay the extra money or go into a semiprivate room. Also, if he finds that his total bill is not paid by the group plan he can make arrangements as soon as possible for the extra funds he will need."

The whole problem of employes not knowing who their insurance carriers were and hospitals not being able to keep up to date with policies and their changes, said Mr. Cook, was brought to the council's attention by newspapers, insurance companies, hospitals and the patients themselves.

In the past three years the number of group policy cards in the Chicago council's file has increased from 5,000 to 8,000. "A card could represent anywhere from five to 500 employes," a council spokesman said, "so it is difficult to estimate the number of people who are benefited by this system. However, there are 4 million people in the Chicago

Continued on page 50



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Group purchasing can save hospitals money

By STEPHEN GILKENSON

NEW YORK—Much has been said about hospitals sharing facilities, about group practice by doctors and about the use of paramedical personnel and the roles those concepts may play in driving down or at least holding the line on burgeoning hospital costs.

However, there is a seldom discussed practice that has been going on for more than 40 years that may play an even more vital role in future hospital cost reductions. That practice is group purchasing.

Group purchasing is not new. But to use an old and tired cliché, "there is still much more to be done." In the view of many in and out of the medical profession the practice needs to be refined and, more importantly, ex-

tended to every health institution in this country, from Bangor to San Diego, from Seattle to Miami.

TO BE SURE, even the smallest hospitals in this country have not sent out to the corner drug store for six rectal thermometers and a dozen bottles of aspirin every time they needed those supplies. But practices not much more sophisticated than that have been going on at some health institutions. Hospitals, most agree, have traditionally been poorly managed institutions that have failed to recognize the fact that they are in business. One of the cardinal rules of a good businessman, of course, is to use the purchasing power he does have to get the most for his dollar.

In some instances this is being done on the hospital level. Here

in New York City, for example, three groups of affiliated hospitals have used combined purchasing power for many years. All three are backed by religious organizations and therein lies a rather ironic paradox: the business of religion has been better run than the business of health care.

The three are: the Federation

life & health benefits

of Jewish Philanthropies, which has a Joint Purchasing Corp. subsidiary; the Catholic Archdiocese of New York, which operates a wing called Institutional Commodities Services; and the Feder-

ation of Protestant Welfare Agencies Inc. which also operates a group purchasing subdivision.

The three groups purchase goods for about 30 hospitals in the New York metropolitan area, as well as numerous other institutions operated by the Jewish, Catholic and Protestant faiths. (Their purchasing efforts are not unique to the New York area. Similar efforts have also been going on by similar agencies in other large metropolitan areas for years.)

ON A BROADER front, however, there is a nonprofit group purchasing company called Hospital Bureau Inc., which has been functioning as an extension of the purchasing departments of voluntary hospitals in this country since 1910. Its dramatic growth in

the past 10 years indicates that Hospital Bureau may play an even more significant role in the future of hospital purchasing efficiency in the years ahead.

Located in Pleasantville, N.Y., the firm is supported by member hospitals that subscribe to its services. In effect, Hospital Bureau Inc. negotiates the lowest possible price for quality hospital commodities. The commodities, which include everything from coffee to textiles and light bulbs to generic pharmaceuticals, are then available to member hospitals at the negotiated price plus a service charge (3.69% of purchase price in 1969).

At present Hospital Bureau negotiates for some 793 member health institutions in more than 40 states. Roughly 98% are hospitals. Some nursing homes participate. In all about 180,000 hospital beds are represented.

According to Joseph J. Brady, executive vp of the nonprofit firm, the bureau's growth is illustrated dramatically by the fact that its membership has almost doubled in the last 10 years, from 400 institutions in 1960 to the present 793. Moreover, the most dramatic growth has occurred in the last three years. In 1967 the firm represented 580 hospitals, and was responsible for purchase agreements totaling \$8 million. That figure grew to \$12 million for the year 1969, said Mr. Brady. The growth, the executive vp readily admits, is perhaps most directly attributed to increased pressures on hospitals to become cost conscious.

DESCRIBING Hospital Bureau Inc. as "the oldest and only national hospital purchasing group in existence," Mr. Brady said that all of its members are nonprofit, voluntary hospitals or health care institutions.

"We purchase mostly bulk commodity items, such as coffee, textiles, light bulbs, food stuffs of all kinds, a line of generic pharmaceuticals such as aspirin, uniforms and crutches," he told *Business Insurance*.

A new field the firm has gotten into recently is furniture and other hospital equipment.

"Subscribers to the service become members. They own the company. We, in effect, become an extension of the individual hospital's purchasing department.

"Take crutches," Mr. Brady said, using an example of how Hospital Bureau operates. "We have a board of directors and a regional advisors group. Say they develop the need to do something in the area of purchasing large quantities of crutches. We then ascertain what companies are capable—in terms of size, distribution system and quality—of becoming potential vendors," he said, noting that Hospital Bureau is also likely to run tests on a number of crutches to determine their quality.


"**SUPPOSE**," Mr. Brady went on, "both ABC Co. and XYZ Co. produce top quality crutches, have equally good distribution facilities and also have a set system of product recall should that be necessary. We would then negotiate a price with them and this price would be shown on an agreement sheet." Agreement sheets are then provided to all member hospitals. The hospitals' purchasing departments may then make their own individual purchasing decisions based on whether or not the price on the agreement sheet is below those they have obtained on their own. Hospital Bureau prices are usu-

Continued on page 71

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	20	20,508.00	11,700	7,018.65	5,508.00	1,510.65
AGE**	50	17,754.00	5,820	2,754.60	2,754.00	.60
	55	19,131.00	8,790	4,706.25	4,131.00	575.25
	60	20,508.00	11,700	7,018.65	5,508.00	1,510.65
	61	20,783.40	12,315	7,542.75	5,783.40	1,759.35
	62	21,058.80	12,945	8,094.45	6,058.80	2,035.65
	63	21,334.20	13,605	8,676.75	6,334.20	2,342.55
	64	21,609.60	14,295	9,293.55	6,609.60	2,683.95
	65	PAID-UP	15,000	9,949.35	6,885.00	3,064.35

If you die before your Permanent Value Insurance is fully paid up and during a period for which premiums have been paid your family or other beneficiary will receive the face amount of your insurance . . . plus . . . the return of all additional premiums you have paid.

FOOTNOTES

* Value at end of year shown.

** Policy anniversary nearest the age shown.

(1) Based on birthdate nearest effective date of Permanent Value Life Insurance. (Assuming proposal date is effective date.)

(2) Your additional premium to replace Group Term Life Insurance with Permanent Value Group Life Insurance.

(3) Determined by subtracting age shown from 65. If Permanent Value is to become effective at age 56 or after, premiums will be payable for 10 years.

(4) Refers to the additional premium paid by the employee to provide Permanent Value Group Life Insurance in place of Group Term Life Insurance.

Employee to complete this portion of PV/Group Life Insurance Application				Policyholder's Use	
Name	Social Security No.	Effective Date	Elect on No.		
WALSH JAMES E	328-26-2838	5/01/70	1		
Amt. of Ins. Elected	Birth Date	Sex	Age on Nearest Birthday	Rate #/1000 at Age	
\$15,000.00	2/24/30	MALE	40	\$1.53	
Policyholder's Name (Employer)			Premium For This Election (Rate #/1000 X Amt. of Ins.)		
MID STATES STEEL INC			\$22.95		
I hereby elect Permanent Value Group Life Insurance as indicated above and authorize my employer to make the necessary deductions from my earnings. I understand that a portion of my Group Term Life Insurance will be replaced by an amount equal to this election. Also, the beneficiary designated on my Group Term Life will apply to this insurance.			Total Ins. on Previous Election	Group No.	
			0	63971	
			Total Amt. of Permanent Insurance Elected		
			\$15,000.00		
Date		Signature	Administrator's Initials	1st Deduction Remitted on Report For:	
			Mo.	Yr.	

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dropped dramatically. To make matters worse, the geographical
Continued on page 72

Psychiatric health benefits slow catching on

By GEORGE LANGWORTH

NEW YORK—Virtually all new group health insurance coverage being written today includes psychiatric/psychological services in some way, according to the Health Insurance Institute. But employers look at psychiatric care coverage as an expensive benefit with a low level of utilization, and a good subject for a hefty co-insurance feature, according to some queries by *Business Insurance*.

"The employe pretty much has complete control in this situation," remarked one employe benefit consultant the other day. "Psychiatric service is a fashion item among higher income employes, although it's not quite as popular now as it was perhaps five years ago," he said. The consultant pointed out that most insurance company contracts that include psychiatric coverage have specific limitations.

"Typically, they will pay half the rate of fees and limit the number of visits in which they will participate," he noted for example, a typical schedule of benefits might provide for a \$20 participation in the cost of each visit up to a limit of 50 visits.

"WHAT IT really does is give the insured an opportunity to really trade dollars with the insurer. I feel that some people are beginning to question the value of psychiatric service coverage. Nobody contests the value of the service but there seems to be some question of just how effective the insurance is for the cost," he pointed out.

Life & health benefits

Helen Avnet of the Group Insurance Institute has pointed out that in 1969 all new group plans written included some form of psychiatric service coverage, typically under the major medical umbrella. Some 84% of the 1969 group plans had provisions for some degree of out-patient coverage. Five percent offered a complete schedule of benefits including both in-and out-patient care.

She noted that of 53 companies writing such group health plans, 48 included psychiatric services coverage in their major medical insurance programs for their own employes. Mrs. Avnet estimated that there were some 60 million currently receiving psychiatric protection of some sort in the U.S. today.

Health Insurance Plan of Greater New York Inc. (HIP) offers a rather comprehensive mental health program as one of its "rider" benefits. A HIP spokesman pointed out that there were only 11 individual employer groups currently offering the program as a coverage benefit to their employes.

"THERE ARE two reasons why we aren't being used much by employers," said Martha Friedlander, a mental health administrator for HIP.

"First of all many people want to select their own psychiatrists or psychologists. We have our own mental health centers.

"Also," she continued, "we have our own psychiatric beds at LaGuardia Hospital as well as at other hospitals in the area. So you can see, we're pretty heavily invested in our own plant."

The other reason Miss Friedlander cited for employers appar-

ently avoiding the HIP mental health program was that when such a service isn't utilized it gets to be quite expensive. "We have about 170,000 enrolled eligible beneficiaries of the mental health program. About 100,000 of those are Medicaid recipients. But we have a utilization rate (those who actually come in for treatment) of between 1% and 1.5% (between 1,700 and 2,300 a year, in other words)," she explained.

MISS FRIEDLANDER pointed

out that this rate was quite in keeping with the experience of most community mental health centers of the type run by the HIP mental health program. "We've been available to the public officially for two years now," she added.

The complete HIP mental health program offers a variety of services. Benefits include a complete range of psychotherapy for both adults as well as children in an out-patient care situation. This range includes psycho-

therapy in the individual, group or family setting.

The HIP plan also provides for psychiatric care in a general hospital when the patient is a bed-patient, as long as the hospital utilizes admitted HIP mental health program staff psychiatrists as residents. In cases where the patient is confined to hospitals outside the purview of the HIP psychiatric team, psychiatric care must be paid for by the patient, although the hospital bed is generally paid for under the HIP

medical plan.

The HIP mental health program covers drugs prescribed by a psychiatrist for mental or nervous disorders (such as tranquilizers, for example). The one stipulation is that the drugs must be obtained from a HIP mental health center, Miss Friedlander pointed out.

HIP MENTAL health plan costs are quite low. They range from 90¢ per month for a single *Continued on page 73*

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SONY

Group life . . .

Continued from page 34
the '70s.

When asked if younger employees at their companies were losing interest in group life and becoming more interested in the group life-equity combinations, the respondents answered, "No" in a variety of ways.

MR. HADLEY seemed to sum up the feelings of the others when he said, "We have no split-dollar plan and our employees have not raised the question."

The fabrics spokesman said his company was "taking a good hard look at a market-basket approach to benefits but we have not considered a split-dollar plan. We are considering a trade-off

concept in which a young employee could trade some of his group life for more maternity, say, but no one has even mentioned a split-dollar plan. The main thing is, however, that younger employees would definitely like an option."

"There has been absolutely no move away from group life," reported the heavy equipment source. "The split-dollar plan is another hot, new gimmick from the insurance companies to insure their own preservation. They're in business to sell insurance and they probably think this idea will help them. I don't know."

Mr. Kohnke at Uniroyal agreed. "No, I don't think the split-dollar plan is the coming thing. We've run into it in smaller businesses we've looked at during the past five or six years but our employees have not even mentioned it. We have had no pressure in that area."

MR. HADLEY explained that he did not think the split-dollar plan had come of age because "employees like what they can get free. They don't mess around; they can get life insurance cheaper at a savings bank. Face it. The split-dollar plan won't get big because life insurance is so entrenched. How do you change something without it looking like you are taking something away?"

"The insurance industry is interested in selling insurance," Mr. Stanich mused. "That's the reason for the big push for split-dollar plans. Our employees have shown no interest in them."

"Savings bank insurance is another story, however," he continued. "I wouldn't mind it myself. If you are under about 35 years old, you are actually better off buying savings bank insurance. There's no overhead, no sales force to pay, no brokerage fees—just straight protection for a

small sales charge. It also saves you group rating and experience."

Others among the respondents mentioned savings bank insurance but none of them reported a great crush among the younger employees to get it.

ALSO REGARDING the split-dollar plan, Mr. Curry at Eastern Airlines noted, "We have heard no mention of a split-dollar plan. It has not been negotiated by the unions and our non-union employees have no option. I doubt if the split-dollar plan is the coming thing because the pilots have not mentioned it and if anyone is up on benefits, pilots are."

Not only did none of the interviewees report a rush by their own employees to get in on a split-dollar plan, none of them could think of a company that to their knowledge, had substituted a split-dollar plan for group life in-

surance.

The last question posed to the benefits and insurance managers dealt with how the premiums for the coverage were paid and the answers spanned a wide variety of approaches to payment.

Not surprisingly, most of the managers reported that the insurance was paid for wholly by the company but some of them noted that employees had options for further coverage.

THE SPOKESMAN for the heavy equipment company said that "two times annual salary basic life insurance is provided to

life & health benefits

the employee at no cost to him. If he wants more coverage, he can go an additional two times salary but he will pay the full group rate for it."

Mr. Hadley pointed out that American Standard provides one time salary at no cost to the employee and the worker has the option to "go another one time salary on his own."

Among those companies that did not pay the entire cost of coverage, E.R. Squibb & Sons Inc. reported a co-contributory program with the company paying approximately 30% of the premium.

Mr. Woodland at Chemical Bank pointed out that, at the present time, the employees of the bank paid the entire cost of their group life insurance but that a revision was forthcoming. "In the future," he said, "the bank will provide one time salary at no cost and the employee will be able to go another two or three times salary on his own. The employees have three times salary coverage now and the same amount will cost no more after the revision."

So it appears that group life insurance today is the silent force in the benefits world. It has been around for long enough that people seem to expect it and a great number of them do have it.

As one man pointed out, "It's not just group life, it's all benefits. They've just got to be meaningful to the employee." Group life, apparently, still is. ■

Look . . .

Continued from page 44

A spokesman at Pantasote reported that the change was made in 1966 at the same time a union contract made it possible for the unions at each separate plant to determine which company would handle the coverage.

By July 1912, after the Montgomery Ward policy had been issued and other companies had joined the ranks, there were 12,000 individual certificates in force providing \$13 million worth of coverage. And the race was on.

In 1969, there were 289,000 master policies covering those 75 million workers.

A recent development, according to a source at the Institute of Life Insurance, is the concept of group permanent life insurance. Under this set-up, the employee is covered his entire life. His employer pays the term insurance and he pays the difference between term and straight life insurance under a group rate. If his employment is terminated, he walks out with the policy and its cash values.

It's been a long way since somebody at Montgomery Ward & Co. had that idea. ■

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Most Boston firms wary of expanding employe group benefits

BOSTON—Although the typical Boston employer is thinking recession economics, going the sure, straight life and health coverage route rather than wandering into speculative fields of employe investment counselling and mutual funds, two firms here are seeing a broader picture and are expanding their group financial services.

Raytheon Co., an electronics manufacturer, has a new investment program in the planning stage, and New England Telephone and Telegraph has been offering one for the past year and a half.

"During a recession people need investment counselling more than at any other time," said Raytheon's employe benefits manager. "They want it from a reliable source and are more willing to accept the services of a firm recommended by their company rather than go to an unknown broker."

HE EXPLAINED that starting in 1971 the company will offer

life & health benefits

the services of an outside investment firm to its top level executives.

"This would be entirely optional with the employe paying the bulk of the fee," he said. "They will be used as guinea pigs, so to speak, to see how efficient the firm is and if the plan should be expanded to other employe levels."

He noted that company employe life coverage, written by Equitable, offers all workers a maximum life and aid-to-dependents benefit of three times regular salary.

"This is quite unusual and more than the average factory worker gets," he said. "We still want to broaden the base of benefits, however, and are looking at these investment services very seriously. It is now a definite trend on the executive level of business. Whether it filters down to lower levels is hard to say."

SINCE SPRING of 1969, New England Telephone has been participating in the Bell System's savings plan, which is an investment program for employes on the management level. This is in addition to the regular life and health coverage written by John Hancock.

"Two, four or six percent is deducted from an employe's gross income," the New England Telephone benefits man explained. "The company matches that with one, two or three percent. The money is then invested in an equities portfolio, AT&T stock or government bonds."

He also felt that investment services was a trend on the executive level. But he pointed out that the stock market would understandably stop a lot of companies from going into these services.

"Back in the spring of 1969 the stock market wasn't as rotten as it is now," he said. "It was a lot easier for us to make the decision than it is for firm's trying to make it today."

THEY AREN'T making the de-

cision, according to a survey of about 10 Boston industries.

"Sure, these mutual fund deals sound glamorous, but we wouldn't put that type of thing into effect now," said a spokesman in the employe benefits office of Jordan Marsh, one of the city's largest department stores.

The store is insured by Equitable Insurance Co. of North America, and Blue Cross, and gives its workers life, health and accident coverage with salary continuance. It also has a profit-

Continued on page 46

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Lloyd's is forming new long-term life company to handle group risk

LONDON—Lloyd's is planning to add a new dimension to the traditional risk underwriting that has made it famous. It intends to go into the field of long-term life assurance with a separate new company, provisionally named Lloyd's Life Assurance Ltd.

Suggestions are that at first it might seek business only from the British market, and would not plan involvement with American insurance set-ups.

But if the idea catches on successfully, it would be surprising if it turned away business from any source that approached it, as long as it could offer competitive rates.

FURTHER information reaching *Business Insurance* suggests that the proposed company will be an independent organization in a legal sense and will operate along the lines of ordinary Brit-

life & health benefits

ish companies that specialize in long-term life assurance. It will be run strictly in accord with any state or federal laws regarding group life or long-term assurance, in the same way any

insurance company must do.

This clear distinction is being drawn by Lloyd's so that there can be no uncertainty in the long run about its purpose, for Lloyd's accepts that it holds a unique position in world insurance markets with special responsibilities over the risks it currently accepts.

These are confined to short-term life assurance, namely up to five or seven years at the most, as far as direct placement of life risks through Lloyd's brokers is concerned, and usually these are exceptional risks in any case.

It does not intend to compete in any unorthodox way for busi-



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TOTAL	\$1.878	5.872	9.888	10.834	12.227	14.127
Group Health	.629	2.895	4.861	5.392	6.081	6.931
Group Life	.559	1.867	3.215	3.452	3.929	4.289
Group Annuities	.690	1.110	1.812	1.990	2.217	2.907

Source: Institute of Life Insurance

ness, or to cut across the insurance laws of any country, *Business Insurance* is reliably informed, as far as long-term life assurance is concerned.

The purpose of the project is to enable Lloyd's brokers to be able to offer wider service to clients, including a complete package deal with major corporations if they are called on to do so. Unlike the traditional unlimited liability of Lloyd's with the risks it now accepts, the new company will be a normal U.K. limited company with legal responsibilities to provide the funds and facilities for long-term life cover in the normal way.

This is the only way that Lloyd's can break into the long-term life market, which its members have clearly wanted to do for some time, without infringing its own historic set-up.

In effect, therefore, if the new company is formed, Lloyd's brokers, or their correspondents or

agents abroad, will be able to offer a dual service to customers. They will be able to place traditional risks with Lloyd's syndicates, and group pension or long-term life programs with the separate new company. This could be naturally profitable for them.

THE DECISION to move into life assurance was announced by Henry S. Mance, Lloyd's chairman, to members of Lloyd's at a private meeting.

The plan is for the British company to be promoted by the committee of Lloyd's. Its equity stock will be financed by underwriting agents from underwriters' premium trust funds.

Since 1959 the idea of Lloyd's members sharing in the rapidly expanding life market has been under constant review, and the decision to enter this potentially lucrative field reflects the increasing problems associated with its traditional underwriting risks. ■

G.E. has supplemental life program for senior execs

NEW YORK—General Electric Co. has instituted a supplemental life insurance program "to provide senior executives with additional coverage," which it purchased from Northwestern Mutual Insurance Co., it was learned.

"There was a certain liquidity problem for our senior officers with the pension payout in case of death," explained a source at GE. "The supplemental coverage was obtained to assuage this shortcoming," he said.

Under the new program, officers of the company, division general managers and deputy division general managers can now purchase individual life insurance policies from Northwestern Mutual, subject to a medical examination. GE participates in the payment of the premiums as well as the receipt of the policy proceeds.

SUCH A POLICY will be paid up at age 65 or at the end of ten

years if the participant is age 55 or over when the policy is issued.

The executive retains the option to discontinue the plan at any time prior to death and to take over the policy by reimbursing GE for the portion of the premiums that it has paid.

If the executive does not choose to take over the policy, it's surrendered by the company, which in turn receives the available cash-surrender value of the premiums that it has paid. In each of these cases the company buys an accompanying policy whereby it is the sole beneficiary and owner.

GE thereby reserves the right to receive the proceeds from death benefits or cash-surrender value under both policies. This provides the medium through which GE expects compensation for the cost of its investment in the policies plus another percentage for the use of the company's money. ■

Boston . . .

Continued from page 45
sharing program.

"Our employees are quite happy with these benefits," he noted. "In fact, I think they'd be very wary of anything speculative, such as stocks. In these times, people want something they can count on."

H.P. & SONS, a dairy, Polaroid, and Little Brown Publishing Co. agreed.

"Maybe eventually we'll expand our financial services beyond the straight life coverage, but this is definitely not the time," the Little Brown benefits manager said.

The Polaroid manager said he hadn't even considered offering employees an investment program. They are covered by John Hancock Life Insurance Co.

"Talking to you now is the first time I've discussed the idea," he said. "It's never come up, which is pretty indicative as to just how bad the economic picture is." ■

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Players were insured for \$15,000 by group plan

HUNTINGTON, W. Va.—Thirty-seven members of the Marshall University football squad and 12 members of the university staff who were killed near here when their chartered plane crashed Nov. 14 were enrolled under a group accident insurance contract written by Aetna Casualty & Surety Co. Benefits for each were \$15,000 under the plan, which was developed by the National Collegiate Athletic Assn.

life & health benefits

Similarly, 14 members of the Wichita State University football team and several members of the school's athletic staff killed in an early-October crash of their chartered plane were also insured under the same program. Wichita State, however, had subscribed for higher benefits under the plan. Beneficiaries of each player received \$25,000, while members of the university's staff were insured for varying amounts from \$50,000 to \$150,000.

The group insurance plan, which was worked out for the NCAA by Professional Service Inc., Kansas City, is part of a disaster insurance cover that any NCAA college may use to protect athletes, coaches and staff members on a flight. Universities may cover athletes and staff for any sum from \$5,000 to \$250,000, with a maximum loss set at \$3 million per accident.

According to the NCAA, a total of 38,787 athletes and 4,288 staff members from 156 NCAA-member institutions are covered under the program this academic year. The program covers all sports.

A total of 75 persons were killed in the chartered Southern Airways DC9 crash near here last month. According to Marshall's director of finance, Joseph C. Peters, the university had made no special insurance arrangements for the 26 others on the flight

Blames high health costs on insurance

LAREDO, Tex.—The commissioner of mental health and mental retardation in Texas predicts the U.S. will have some form of national health insurance in two to five years.

Dr. David Wade, Austin, said in a talk here that he is not advocating such health coverage however. But, he added, "none of the current proposals for national health insurance would reduce health costs, but they would distribute them differently."

Dr. Wade said he thinks insurance is one of the causes rather than the ultimate answer to health care costs.

"Since most plans restrict payments to episodes of hospitalization, patients who could have been treated more cheaply in a physician's office or at less expensive facilities are directed to the hospitals," he said.

Dr. Wade said higher room rates, an accelerated demand for health care services, a shortage of physicians and advanced technology have also contributed to rising health care costs.

who were not affiliated with the university. They included fans of the school's football team.

Nor, the university official told *Business Insurance*, did the institution have a nonowned aircraft cover, which would insure the school against third-party liability claims that may be filed against it by survivors of those killed. "We are a state agency," Mr. Peters said, noting that approval would have been needed to get such a cover.

The hull of the Southern Airways craft was insured by Associated Aviation Underwriters (AAU) for \$4.5 million (*Business Insurance*, Nov. 23). AAU also wrote the primary liability cover.

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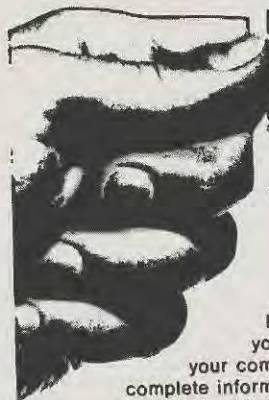
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Health care for poor top priority, prof says

CHICAGO—One goal for national health insurance today should be to beef up the health services of the poor by subsidizing their existing health premiums while letting the middle class shift for themselves for the time being. However, this approach, while technically feasible, is not politically expedient because middle income groups would not support it.

This is the opinion of Odin W. Anderson, professor of sociology at the Graduate School of Business & Sociology and associate director of the Center for Health Administration Studies, University of Chicago. Mr. Anderson spoke at a meeting of the American Man-

agement Assn.'s employe benefit and pension conference here.

Mr. Anderson, Richard H. Hoffman, vp and associate actuary, The Equitable Life Assurance Society of the United States and Richard E. Shoemaker, assistant

life & health benefits

director, Social Security Dept., American Federation of Labor and Congress of Industrial Organizations, discussed national health insurance and its implica-

tions for quality health care delivery in the future.

Mr. Anderson said that it seems to be a universal assumption that if the government controls health services the cost for the program will be contained.

MOST IMPORTANT, Mr. Anderson stressed that any type of health service provided should be kept open for comprehensive care and treatment, innovation and change.

Richard Hoffman presented the insurance industry's approaches and ideas in the area of national health insurance.

The intricacies of making a national health program work, according to Mr. Hoffman, are delivery, financing and cost.

Mr. Hoffman said to achieve an extraordinary increase in health care services, extended to the entire population, a reallocation of national resources is needed.

THE DELIVERY of these services, he added, has to be improved to make health care easily accessible to everyone.

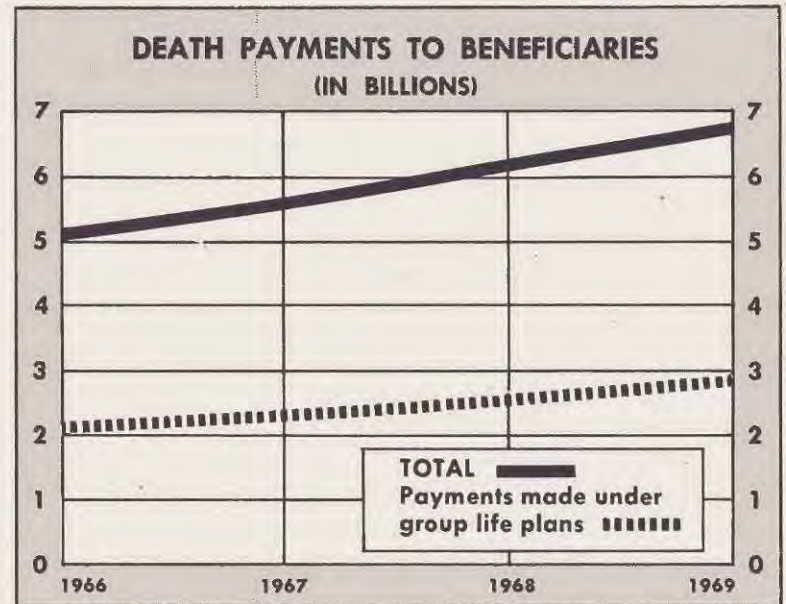
Difficult adjustments are needed by both the consumer and the provider of health services, Mr. Hoffman said. He stressed group practice and pluralistic approaches such as ambulatory care and nursing homes are needed to provide comprehensive health care benefits.

Richard Shoemaker predicts that within 107 years health care services will consume the entire Gross National Product. In 1950 national health care services

comprised 4% of GNP, in 1970 it is expected to comprise 7% and in 1971 9.3%.

One thing that labor and management have to understand, Mr. Shoemaker said, is that doctors run the health care system. And any proposal for a national health care system that doesn't put a fiscal handle on physicians will not succeed.

MR. SHOEMAKER said that government and private insurance plans have underwritten the cost and escalation of the price of health care services with their various approaches to funding health care.



Source: Institute of Life Insurance

Out of every dollar of life insurance benefits, 58 cents was paid to living policy holders in 1966. This figure dropped to 57 cents in 1969. Living payments include matured endowments, disability payments, annuity payments, surrender values and policy dividends.



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Banker's Security

Long-term disability will lead way in '70s

WASHINGTON—Banker's Security Life Insurance Co. is approaching the marketplace during the first half of the 1970s with a long term disability insurance plan leading the way. After 1975, the life company figures that the market's emphasis will turn more to split-dollar, equity-type products—and so will Banker's Security life.

"We are using a mass-marketing technique to produce new prospects with which we are doing individual financial planning," explained Leslie Schultz, president of the company. He noted that financial counseling was a benefit that more and more unions were vying for.

"We see that it's particularly important today among the executives of a company," Mr. Shultz explained. He said that he felt that most employes would eventually reach the level of sophistication where they demanded more than just a plain life insurance package—their needs are more diversified than that.

Life & health benefits

HE DISAGREED with some competitor's decisions on a combination decreasing term life insurance policy integrated into one package with a mutual fund. "We have a broker/dealer but we just don't go in for this split product. We think the individual needs flexibility than this package provides him. So we're going into more individualized financial planning instead," Mr. Schultz explained.

Unlike other life companies that are going into the casualty business to take fuller advantage of

Government assistance is sought

NIAGARA FALLS, Ont.—When employers cut off premium payments on medical and hospital coverage for workers during a strike, the provincial government should be responsible for providing the coverage, according to Larry Sefton, District 6 director of the United Steelworkers of America.

Mr. Sefton made his feelings known on the eve of a regional conference of the union, representing 80,000 workers in Ontario and a total of 120,000 in the district. District 6 extends from Ontario to British Columbia.

He said that there was no reason for workers to be cut off during a strike, particularly if the objective of the provincial medical and hospital plans is to provide universal coverage. In the past, medical and hospital premiums for strikers have been paid by the union.

Mr. Sefton also urged, during a press conference, central labor bodies to renew pressure on the federal government to pay unemployment insurance to striking workers.

"The tradition in this country is that the government gives the workers nothing. It's just disgraceful that these services are not provided," he said.

their marketing channels, Banker's Security Life doesn't anticipate such a move in its future.

"Long-term disability is the fastest growing line of coverage today. It's the coverage least prevalent among employers. Everyone seems to have some firm of group life insurance today," he explained.

Mr. Shultz predicted that the complicated split-dollar benefits thus far introduced would take several years to catch on, and after the cobwebs have been cleared. "They should come into their own between 1975 and 1980 and that's when we'll be looking harder at them."

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Continued from page 39

area with some form of hospital coverage, so that does give you an idea of the importance of the information service."

ONE EMPLOYEE at the hospital council handles issuance of new cards, revises existing cards and keeps the master file up to date. There are about 50 card changes a week, half of which are benefit changes with the other half involving membership and eligibility corrections. It takes approximately one week from the time an insurance company sends in a change to have new cards printed and get them to the hospitals.

"An insurance company pays an entry fee of \$25 to participate," said Mr. Cook, "and \$6 for each group added and each revision of policy benefits for an existing group. This isn't a money-making proposition. It's subsidized by the Chicago Hospital Council, the Health Insurance Council and the hospitals. Each hospital gets 1,000 cards when it joins and is billed at cost for the revised cards sent by the council.

And every year the insurance companies are assessed \$1.50 for each card they have in the files to cover maintenance costs."

Last year the program had an income of \$23,875 and expenditures of \$22,685 and was able to reduce its operating deficit to \$3,500.

A council spokesman described

life & health benefits

its role in the program as that of "legman."

"We run the program and jog the insurance companies to keep the information coming in on time so that the hospitals have up-to-date facts. Generally, we have had an excellent relationship with the insureds," he explained.

Mr. Cook described the Chicago program as one that "serves the patient well." To his knowledge, he said, it is the only one of its kind in existence in the country today although in the past five or six years many individual employers have established verification-of-benefit agreements with hospitals on a localized basis. ■

Health plan...

Continued from page 37

A basic premise behind all three of these plans is that only through federal dominance can the current health care system be made to work efficiently.

ALL THREE plans call for innovative federal cost controls, fundamental changes in almost all areas of health delivery and place maximum emphasis on encouraging the establishment of pre-paid health maintenance organizations.

The Nixon Administration believes that the current health care delivery system can be made to work without a complete federal takeover. It envisions the government providing health funds only for those individuals who cannot be—or are not—covered through the private sector: the old, the poor and the near poor.

Also, the Administration is actively working up a proposal for a federally financed plan to insure all Americans against the costs of catastrophic illness. Details of the plan will not be known until sometime next year. But current speculation is that the proposed program will call for the government to pay all of a family's medical expenses over \$2,000 a year and all hospital costs after 60 days in the hospital.

The plan would cost an estimated \$3 billion and would be financed by an increase in Social Security deductions. From this base, the Administration feels it would have enough fiscal clout in the health care field to bring the entire system into line by instituting strict cost controls and checks and balances on federal layouts.

TWO MAJOR Administration proposals along these lines are currently being considered by Congress as part of the Social

Security-Medicare-Medicaid amendments.

One would place tight controls over doctor and hospital fees by establishing throughout the nation local professional standards review organizations to evaluate the performance of health care providers in federally-supported programs. Another would foster the establishment of health maintenance organizations (HMOs), such as the Kaiser plans in California, by allowing Medicare beneficiaries the option of having their health care provided by such a plan.

The private sector is brought into action by a provision that in order for an HMO to qualify to sign up Medicare beneficiaries at least half of the group's enrollees must be under 65.

Thus, if the government can spur the formation of such practices by waving its multi-billion dollar Medicare purse strings in front of the medical profession, it can be anticipated that such groups will begin to hard-sell corporations on their plans in order to meet their 50%-under-65 quotas.

A NUMBER OF large corporations are investigating the idea of starting their own HMOs, including Texas Instruments, Brunswick Corp., and Westinghouse. Initially, these firms are concerned with employee health care, but the HMOs would also be used as prototypes for investigating the possibility of operating other units for profit.

The push for HMOs has not gone unobserved by the insurance industry, potentially the biggest loser in an all-out trend toward such units nationwide.

Close to two-thirds of the 70 Blue Cross Association member-plans have either established or are negotiating affiliations with pre-paid group practice plans. And, virtually all the progressive private insurance companies are exploring the possibility of such a move.

Many observers feel that the formation of a viable, strong system of HMOs throughout the nation is the real key to averting a national health insurance system of the kind proposed by the Committee of 100. Thus, many private carriers see their survival not only linked to the success of HMOs but on their being a part of the HMO system.

THE INSURANCE industry has its own ideas for a national health insurance scheme, but legislatively these plans are not likely to get far since they fundamentally revolve around subsidizing health insurance premiums within the current health care delivery system—the real culprit, as most people see it.

Aetna Insurance Co.'s plan has received the most publicity. Under this program, Medicare, Medicaid and other federal health programs would be abolished and the tax law would be amended to provide tax advantages to individuals not enrolled in private health insurance plans.

The federal, state and local governments would pay the premiums for the indigent. The Social Security Administration would pay for persons over 65. Income tax credits would be given for purchase of individual policies via a sliding scale.

The American Medical Assn. has proposed a similar plan—with similar chances for adoption by Congress.

Under the AMA proposal, Medicaid would remain intact for the aged, but a new Medi-credit plan would replace Medicaid, covering all individuals, rich and poor, under 65. Medi-credit would provide income tax credits for purchase of private insurance plans, which qualify by providing 60 days of inpatient hospital service, plus a full range of outpatient and physician services in hospital, home or office. The patient would be responsible for paying certain deductible and co-insurance payments. ■

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Dental plan signs up first company program

SYRACUSE, N.Y.—Blue Shield of Central New York has signed up its first company under a new dental prepayment program. Deluxe Check Printers, a 110-employee firm here, has initiated the program, which goes into effect the first of the year.

"We're only able to offer the program to groups of 100 or more because of the high cost," said Robert Acker, the director of utilization review for Blue Shield here.

Mr. Acker described the new dental plan as an indemnity program whereby the employee is reimbursed for up to 75% of his dental costs. Dental services to be covered under the basic contract include simple extractions, fillings, cleaning, fluoride applications, denture repairs and periodic examinations. The printing

can be brought under control as we normalize the treatment schedule and improve the overall dental health of an employee. We expect that we will have this cost problem under control by year three of the contract," he said.

Blue Shield requires that the employer pay the dental plan premium at least for the employee (\$6.53 per month). Total coverage for an entire family is \$18.99 per month. "We felt that this was too large an amount to come exclusively from the employee," Mr. Acker said in explanation.

He noted that the 625 dentists in the area had been consulted on the plan and had voiced their approval of it.

Life & health benefits

The firm's program also provides for treatment in prosthetics (false teeth and bridge work), periodontics (treatment of tissue supporting the teeth), and orthodontics (straightening of the teeth).

"This dental program is part of an overall health program that, together with an accident and sickness policy, is aimed at providing the insured with complete health protection," Mr. Acker explained. He pointed out that the dental program accentuated preventative care as a means of insuring better dental health as well as applying some long-range cost controls.

"THIS PROGRAM is designed to run under a three-year contract. We expect that as soon as the insureds get their identification cards we'll be hit pretty hard. Because the services will suddenly be available in an area where nothing like this has ever existed before, we feel people will use it to the hilt," Mr. Acker explained.

Blue Shield has instituted a new twist in requiring a preauthorization treatment plan. Mr. Acker explained that once an insured goes to a dentist, Blue Shield requires that the insured obtain a treatment program schedule from the dentist. This schedule would be a timetable for an annual program of dental preventive medicine. The schedule is kept on file by Blue Shield. The insurer periodically checks the timetable and sees that the preventative dental care prescribed by the dentist is done according to schedule.

"In this way," Mr. Acker pointed out, "we feel that dental costs

Anderson heads IF&C

DALLAS—T. C. Anderson has been named president of Industrial Fire & Casualty Co. here, an affiliate of Holiday Inns Inc. IF&C is active in the excess/surplus insurance market with both treaty and facultative reinsurance.

Mr. Anderson has been executive vp of IF&C since 1965.

Holiday Inns Inc. is the Memphis-based parent company of Tco Industries Inc. (Continental Trailways). Both operations are self-insured for property-liability coverage, Mr. Anderson said.

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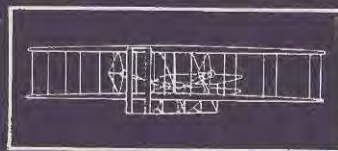
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Pitney-Bowes anti-drug plan just 5% effective

NEW YORK—"Don't ask me what we're doing about our drug problem! Don't go to Western Electric or Olin Corp. just because you've heard they're starting their own drug programs. You're not going to solve this with a phone call and an instant formula. You've got to become the expert."

This was the message a speaker sent out to uncertain businessmen the other day during a coffee break at an American Management Assn. conference on drugs and industry here.

"I've tried to get this across—nobody's talking about 80% of your employe population. This isn't 10%, it's not even 5%, in most cases," said Raymond F.

Sasso, manager of employe policies and services for Pitney-Bowes Inc., Stamford, Conn.

Mr. Sasso was somewhat frustrated with the welter of "over-concern" and misplaced fears being whipped up among the public over drugs. It's not a case of crime prevention, adequate security or even Pinkerton abilities of culprit detection, he noted. "If a company is really sincere enough about any personal problem, be it drugs, alcohol or whatever, it can't be something new to the company's philosophy. It just doesn't work that way," he pointed out.

"HOW WELL a company re-

spects its people as individual human beings—that's got to come from the president right down to the supervisor. Is the company treating individuals fairly and in-

life & health benefits

volving itself with the individual who's making a commitment to the company? These are the first questions you ask when you discover such a problems as drugs," Mr. Sasso said.

Apparently, Mr. Sasso believes

that businessmen have become uncertain about the drug problem to the extent that they are in a quandary about just what response to make. "But you've first got to understand that drugs are simply another problem," he said.

"Look, in any given 1,000 employes you're bound to have a diabetic who's got to go downstairs and take a shot of insulin every day, there's one fellow with a coronary condition who has got to take it easier on the lifting, say. You've got one of those great social drinkers. And now, a heroin addict turns up. If you look at the diabetic with scorn or impatience because he's got to shoot up with insulin or

give the heart case a hard time because he's got to take it easy, you're not going to be able to handle the addict either," Mr. Sasso explained.

"The company and the supervisor have simply got to remember that each guy's an individual with his own unique problems. You've got to treat him that way," he told *Business Insurance*.

MR. SASSO'S drug program at Pitney-Bowes began three years ago. He says his company has refused to print a detailed account of how it is organized and how it works because so far the program has achieved a 95% failure rate. "Until we do a hell of a lot better we don't see any point in giving it out," Mr. Sasso said.

He believes that each company has got to educate itself about its own problem. Indeed, the company must find out for itself to what extent it's really got a drug problem among its personnel. "Just like any other management problem, as managers, we've got to do the leg work in order to really confront the problem," Mr. Sasso remarked.

"The first step is observation. Look at each specific area, each specific location. See for yourself just how much of a drug problem is really there," he said. He then told of how Pitney-Bowes hired an ex-addict "not as a narcotics agent, but as an employe relations assistant. He sat by the entrance and wrote down those people he saw coming in each morning who he thought might be on drugs. You'd be surprised at how often he was right. Those guys really know their business," Mr. Sasso said.

Since Pitney Bowes started its program three years ago the company has identified some 45 drug users. Pitney Bowes is the largest employer in Stamford, with 40,000 employes there. "We've only been successful in 5% of the cases," Mr. Sasso repeated, "but, we feel that that 5% certainly made this program worth it. Obviously, though, we've got a long way to go."

MR. SASSO pointed out the extreme difficulty his plant had in trying to find out something about industry and drug abuse. He said that he was currently working on a thesis about drug abuse as an industrial problem. "We noticed some typical signs that point to the distinct possibility of drug problems, such as growing absenteeism and falling productivity levels in some areas, for instance," he said.

"Our big problem area was the fact that in trying to come up with as many 'bodies' as possible we had been rather lax about our screening process and our hiring age level was at about 19 years of age for the last few years. You can count on some incidence of drugs when you're hiring this age level, I can tell you," he said.

Mr. Sasso and his staff developed a questionnaire aimed at Pitney Bowes' supervisory personnel. It's primary job was to try to ascertain what the supervisor felt and knew about drugs and the drug scene. Mr. Sasso described the results of pointing out the supervisors' "appalling ignorance" about drugs and how and why people use them.

"We put three people on the research staff and found out just how extensive our drug problem was. When we had some data we felt was trustworthy we, of

Continued on page 56

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ITT makes further inroads into U. K. insurance market—buys Abbey Life

LONDON—International Telephone and Telegraph is making a further move into the British insurance market by buying full control of Abbey Life Assurance, one of the top five corporations in Britain in life business.

Some months ago it bought London and Edinburgh General Insurance and two associates for about \$7 million (*Business Insurance* Aug. 3) from Mercury Insurance Holdings.

The new purchase comes through ITT deciding to exercise further stock options over Abbey Life, in which it has already had

life & health benefits

a 50% interest since 1964. It will now take up the remaining 50% stake, currently held by Georgia International, an American group, for a reported price of nearly \$40 million.

Abbey Life has assets valued at nearly \$80 million now, but ITT's original 50% stake, six years ago, cost it only \$130,000, according to financial sources here.

Mafia operators are being hunted by Interpol after reports that they are organizing airline ticket frauds throughout the world. Forged tickets have been recovered from the Philippines and other countries, and it is feared that some may be used on routes from North America to the Far East.

Britain's state airline, British Overseas Airways Corp., has sent details of the fake vouchers to all its own overseas staff. Details are being passed to the security section of the International Air Transport Assn. at Geneva.

Parliament here is being pressed to start world talks with other maritime countries to limit the size of future bulk oil tankers because of pollution fears.

The crippled Pacific Glory, which caused the threat when it caught fire after a collision with the tanker Allegro, has been taken to Holland for repairs after posting a \$2.5 million bond for any insurance claims.

But Seatrade, a new shipping journal published from Colchester, near London, quotes a Japanese tanker expert, Gengo Tsuboi, who doubts whether million-ton tankers will be built for at least another eight or ten years, even though some are reputed to be on order.

World aviation insurers fear that 1970 has been worse for underwriters than last year as 15 jets have been lost, in addition to the four aircraft destroyed by hijackers in the Middle East.

They examined the problem of hijacking and war risks at their recent convention at Kyoto, Japan, and decided that while cover for some of these risks was available, it should not be allowed to prejudice the market capacity for conventional perils. This aspect is stressed in the official report of the meeting, issued by the International Union of Aviation Insurers.

Delegates were reminded that coverage for aircraft with a high density of passengers needs to be underwritten with care, especially because of the rising trend of passenger liability claims, particularly in the U.S. courts.

* * *
Britain does not intend to seek

recovery of the cost of aircraft recently destroyed in the Middle East from the countries that harbored their hijackers.

As much as \$50 million in insurance pay-outs may be involved, much of which was either placed directly with Lloyd's, or through reinsurance with the London market. But despite this

colossal burden on local underwriters Foreign Secretary Sir Alec Douglas Home has decided it would not be the right policy for the British government to seek direct recompense.

He told Parliament, when problems of the Middle East hijackings were being debated: "In all the circumstances of this case the British government does not intend to pursue a claim against the Jordanian government in respect of British-owned aircraft." He took the same stand over losses suffered with aircraft from other countries that were insured in the British market.

A TWA 707, a BOAC VC10, and a Swissair DC8 were blown up outside Amman, while a Pan Am 747 was destroyed in Cairo, in September.

* * *

Robert J. Kiln, a prominent Lloyd's underwriter, estimated at an international conference in Monaco that reinsurance accounted for 40% of Lloyd's global business of \$1.5 billion a year.

As marine reinsurance is not very large, this meant that non-marine reinsurance volume was about \$600 million a year and made Lloyd's one of the biggest non-life markets in the international reinsurance field.

He feared that restrictive practices in European insurance were limiting the use of Lloyd's ideas and capacity, and said it would be a pity if government-sponsored pools were introduced to meet a problem that only existed through failure to use Lloyd's and worldwide reinsurance markets correctly.

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ASIM . . .

Continued from page 21

author of "The Thief in the White Collar." Mr. Jaspen, who has actively investigated employee dishonesty, will deal with the

problem of conserving corporate assets from fraudulent acts by employees.

The industry sessions, which will precede the formal conference on Monday and Tuesday, will number 20 this year. The sessions were first tried last year and with considerable positive

response, the conference vp said.

Risk managers who choose to arrive in San Francisco two days early will be able to attend sessions geared exclusively to their industries. For example, the following sessions are planned: food processing, trucking, computers and data processing, universities, non-profit and religious institutions, iron and steel, construction, amusements, publishing and printing, banking, tobacco, municipal government, oil, retail stores, brewers, extractive industries and utilities. Others may be added to this list, said Mr. Lalley.

THESE SESSIONS are run independently of ASIM. "All we furnish is the meeting room and the coffee breaks," said Mr. Lalley. More informal than the regular conference sessions, the industry meetings are roundtable discussions. For example, he said, the sessions last year for risk managers in the construction industry worked in this way:

The corporate insurance managers sat down together on Monday to discuss mutual problems. On Tuesday morning construction underwriters were invited in for more discussion. On Tuesday afternoon brokers specializing in construction risks sat down with the risk managers after the underwriters had left.

This year, Mr. Lalley noted, the construction session will feature appearances by "top engineers" from both the Factory Insurance Assn. and the Factory Mutual System. "They've been asked to outline the philosophies, if you will, behind the recent tightening up of engineering and fire prevention specifications," the K-aftco insurance manager said.

While the industry sessions are going on, there will be two days of meetings for those interested in new developments in employee benefits.

"**ABOUT 40%** of our members have no employee benefit responsibility whatsoever. However," he added, "60% of us are involved in the decision-making or administration of employee benefits."

For those so involved ASIM has planned sessions dealing with the following: organizing the benefits department and designing the benefits package, total compensation, legislative aspects of employee benefits, taxes, measuring competition and performance, motivation, profit sharing and executive counseling.

One has been submitted by the Factory Mutual System and accepted by the ASIM committee responsible for the quality of the exhibits. It is a visual presentation featuring current research projects now under way at the FM Research Center in West Gloucester, R.I. These include new ways to protect such things as automated, high-piled rack storage, aircraft fuel and rubber tires.

The sessions that will take place the following week in Hawaii have not been detailed as yet. However, Mr. Lalley noted that they are likely to be formal meetings informally structured so attendees can bounce new ideas off one another and discuss in more detail problems that had been dealt with from the podium the week before.

Further information on the entire conference agenda—some of which is open to members only—is available from ASIM, 500 Fifth Ave., New York, N.Y. 10036.

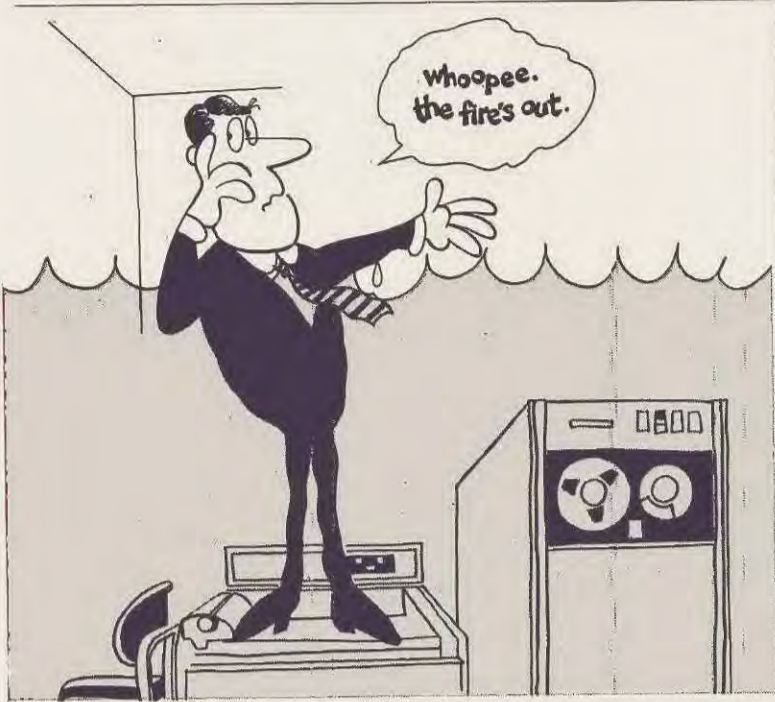
Stolen jewels were on loan

LONDON—Insurers have been called in after the dramatic theft of \$500,000 worth of gems from the famous French society beauty Vicomtesse Jacqueline de Ribes while she was staying at the internationally-renowned Claridge's Hotel for a party given by the American Ambassador to London, Wallis Annenberg.

It is now known that one of the main items stolen, a gold diamond and emerald necklace worth more than \$350,000, belonged to a well-known Paris jeweler, Louis Gerard, who had loaned it to the vicomtesse so that she could decide if she wished to wear it for the occasion. A representative of Douglas Jackson and Co., loss adjusters, of London, has flown to Paris to contact insurance interests there over the position.

President Nixon has stayed at the hotel, as well as many world dignitaries over the past years, and the robbery caused Interpol to be alerted.

The vicomtesse, variously described as the best-dressed, most beautiful and most photographed woman in international society, was robbed while staying at Claridge's for the Ambassador's party for members of the Royal Family including Princess Alexandra, and show-business stars, including Bob Hope and Frank Sinatra. Police believe an international gang may have been involved.



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benefit tax slants

New revenue rulings have made tax life clearer, easier for affluent execs

By JOSEPH S. ROBINSON.

(This is the second in a series of three articles concerning employee benefit plans under the Tax Reform Act.)

NEW YORK—Some of the employee "extras" that have evolved over the years have not been affected by the Tax Reform Act. Among them are employer-sponsored life and health insurance.

While the new tax act did not disturb group insurance plans, a series of revenue rulings and court decisions made tax life easier for affluent executives. These rulings permitted a shift in ownership of the employee's certificate and proceeds from the employee's estate to the named beneficiary under certain conditions.

The Treasury Department has spelled out the circumstances under which it recognizes an effective assignment of group life insurance for proper tax avoidance. Here are the conditions:

- State law must permit the assignment of group insurance, including the right to convert to permanent insurance if the employee leaves the company.
- The employee must irrevocably assign all his rights and interest in the policy to his wife or other beneficiary.

TO COME WITHIN the Treasury ruling, the master policy must specifically allow the right of the employee to assign over his interest. If a master policy does not contain permissive language to that effect, it can be amended accordingly. (See Rev. Rul. 69-51.)

The tax court also recognized effective assignments of group life insurance to remove policy proceeds from the estate of the insured. The court held that such group insurance transfer to the insured's wife was not to be included among the insured's taxable assets.

The Treasury has announced its acquiescence to this decision. (See *Gorby*, 53 T.C. 80, Acq. I.R.B. 1970-18, P.5.)

To illustrate the significance of the ruling to a company executive, let's assume that Bob Cole has \$200,000 in group insurance on top of \$200,000 in other assets. Let's also assume that Mr. Cole's expenses and debts would amount to 10% were he to die. If he had effectively transferred the ownership of his group life insurance to his children while alive and left half of his estate to his wife, he could have saved roughly \$24,000 in death taxes. Here's how the figures shape up.

MR. COLE'S gross estate would be \$200,000 (since the group insurance would be out of his estate). After deducting expenses of 10%, or \$20,000, the marital deduction would have come to \$90,000 (50% of the "adjusted gross estate" of \$180,000). Deducting the \$60,000 flat estate exemption, his taxable estate would have been reduced to just \$30,000. The tax on that is only \$3,000. On the other hand, assuming the \$200,000 insurance was left in his estate, the tax could have zoomed to \$26,700—a difference of \$23,700.

Split-dollar insurance is an excellent fringe benefit, particularly for young executives. Because the company pays a substantial part of the premium, the executive can buy more coverage than he might normally afford. The

firm pays that part of the premium covering the build-up in cash-surrender value of the policy while the executive pays excess. He assigns the cash surrender value to the company. Unfortunately, in the earlier years, the part that the executive pays is

the biggest part of the premium.

But there's a way to avoid the drain on the young executive. Here's how. The company takes out the policy. At the point at which the increase in cash-surrender value is close to the premium, the company borrows the

cash value and turns the policy over to the executive, subject to the loan.

After that, the only cost to the executive will be the interest on the policy loan. But until this point is reached a term policy can be taken out in order to provide current protection. If the company pays the premium on the term policy, the executive must report it as income.

KEY-MAN INSURANCE is not strictly an employee benefit type of deal. It is used primarily to protect the corporation should an important profit-maker die. More and more companies are swinging toward this device. Balance sheets reflect this.

Management knows that the death of a key man can be disruptive—even to the smoothest-running business. Experience has taught that finding and training a suitable replacement might take months—and can cost the company a bundle. So men in charge of company finances seek to protect and indemnify their firm against financial loss through insurance. With the company as the beneficiary, everybody—creditors, employees and stockholders alike—are covered for loss of productivity as well as profit.

It is common for health and accident plans to be funded by insurance such as hospital ex-

Continued on page 69



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Retirement law won't affect French pension

PARIS—French corporate executives will be made to retire at 65 under a new law recently agreed to by the French cabinet. French pensions, either in funding levels or in benefits amounts won't be affected, however.

The cabinet agreed late last month here to the draft of a bill to be submitted to the National Assembly which will:

- Make age 65 the limit for the chief executive and/or chief operating officers of a French company.

- Control the participation on the board of directors of a company of those directors 70 years of age or older to no more than one-third of the board.

A spokesman for an international employe benefits consortium told *Business Insurance* that this move by the government would have no discernible effect on the structure of pension plans or their funding levels. "With few exceptions French corporate pensions are based on age 65 as the normal retirement date. I can't see this new law changing the pension plans or their funding," the spokesman said.

He explained that the government pension program here is based on age 65 as the normal retirement age. He pointed out that there was an early retirement provision in the government program allowing retirement on a

reduced pension at age 60 and a slightly increased pension for those who elected to remain in active employment until age 70. "But by and large, almost everybody retires at 65 for pension purposes," he said.

In the U.S., a required retirement at 65 is becoming more and more popular among corporations. It has never been the subject of proposed legislation in America, however. It is thought that this requirement results in younger U.S. executives compared to their European counterparts.

France emerges in sharp contrast to the U.S., according to a European Business recent survey that revealed that 25% of French company presidents are over 65 and nearly 50% are over 60. *L'Expansion*, a French business magazine, recently pointed out that 35% of the 230 members of France's 40 largest firms are over 70 and 70% are over 60. ■

Drug plan . . .

Continued from page 52

course, went to top management and told them we needed a program. Out of this meeting emerged a series of what we call 'un-freezing supervisory group sessions.' It was mandatory, from the president on down, for everyone to attend these meetings," Mr. Sasso said.

"THIS PROGRAM was really a general awareness program about trying to understand the problem employe. We covered alcoholism, mental health (something rarely discussed or dealt with by most companies) and, of course, drug abuse," he explained. Such subjects as the emotional problem of simple, everyday living as well as the history, myths and effects of various drugs. Alcoholism was approached as a disease and the dangerous symptoms that warn of addiction were brought out and discussed at length.

"Your most important point to communicate to the employe is that you can be trusted, that the company has a stake in him, that you, his employer, care about him with no strings attached. When we're dealing with an addict that we're trying to clean up, we don't give a damn about the pusher. That would be fatal to the program; we're trying to help the individual," Mr. Sasso explained.

After the first meeting, the company waited six months before following up with another companywide gathering, and six months after that another meeting was held. Rather than being satisfied with having partially penetrated the supervisory level of personnel, Pitney-Bowes then turned its attention to the employe himself. Another questionnaire was prepared asking questions such as: "Do you feel there

is a drug problem in the company? Have you ever taken drugs before? What do you think about the drug scene?"

Mr. Sasso describes the 65% response from the rank and file as "really amazing. We began instructing the employes through a regular educational program. Gradually it became known that our house organs were no longer insipid or stupid or grossly naive. They became, simply factual and relevant. Our education program is called, 'Keep Off the Grass,'" he said.

THE PROGRAM resulted in a gradual discovery by the employe that a rapport was being built up between themselves and the company, Mr. Sasso recalled. "We started getting calls, referrals of people in trouble with drugs—feedback. We began to be able to get our message to the employe's relatives as well," he said.

Most of a company's drug problem is community-related, it was learned. "A man can't have a problem until eight o'clock in the morning and then interrupt it until five o'clock that afternoon," Mr. Sasso declared.

"But, you have to understand; a company just can't get itself adequately equipped to really handle this drug problem. We can't handle an addict who's over the deep end. The reason why we have a 95% failure rate is because usually we get an addict after it's already too late for our semi-skilled abilities to get to him. It's really the community's responsibility.

"Pitney-Bowes, for example, contributes money to several community efforts against drugs like Daytop and Encounter Nine, two therapeutic community approaches. But we don't see ours as the primary responsibility for dealing with drug abuse in the community at all," he said. ■

Propose safety plan in Houston

The Houston Ship Channel, whose hazardous conditions make obtaining insurance difficult, has a proposed safety plan.

The head of the Port Commission recommended that the Harris County navigation district be given overall authority for traffic

safety and fire protection on the ship channel with the option of financing its work through county taxes. Fentress Bracewell, chairman of the district, testified before a Texas House of Representatives interim study committee looking into the problem.



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Asbestos pollution: The fallout affects industry

NEW YORK—Asbestos "pollution" is certainly not something people have been losing sleep over. In fact few thought much about it until late last month when New York City proposed a new air pollution code banning, among other things, asbestos fireproofing sprays used on the steel girders of office buildings.

The movement to ban such sprays began last April when New York City's department of air resources forced contractors to stop work on several large buildings, including the World Trade Center, where such sprays were being used. Work was resumed only when builders complied with new application regulations. If the City Council passes the new code, spraying regulations will pertain to non-asbestos materials.

Only within the past three years have politicians, health experts and environmentalists started hammering home the fact that the "snowy fallout" from asbestos fireproofing sprays could be harmful to the public and the environment. Since cries to ban such sprays have arisen, the public is starting to focus attention on the safety hazards within the industry. Asbestos workers have always suffered from asbestosis, a disease contracted when tiny asbestos fibers become lodged in the tissue surrounding the lung.

ASBESTOS, a fibrous stone, has more than 3,000 uses. It looks very fragile, but has the tensile strength of piano wire. Because its fibers are soft and pliable, it can be woven and spun into textiles used for theater curtains, pot holders, fireproof felts and filters for gas masks. Nearly 95% of the asbestos produced in the U.S. is used by the cement industry, which combines it with other raw materials such as Portland cement, asphalt, vinyl and plastics. Asbestos cement pipes, insulation board, shingles and clapboard are heat and weather resistant.

Cheaply produced, these products have flooded "under-developed" countries. Woven asbestos friction materials are used in the brake linings and clutch facings of cars, trucks, tractors and airplanes. It is also an essential ingredient in some putties, paints, clays, and in the fireproofing insulation that is sprayed on structural steel girders.

Because asbestos is such a diverse, ubiquitous material, occupational hazards are widespread. Dr. Irving Selikoff of Mount Sinai Hospital, a pioneer in studying the affects of asbestos on workers, said two years ago that "there are 36,000 insulation workers. All in all, including asbestos-textile workers and people engaged in manufacturing other asbestos products, there are probably more than 100,000 workers who are regularly exposed."

Dr. Selikoff went on to explain that "insulation workers are probably sharing their exposure to some extent with more than 3.5 million other construction workers." Many construction workers do not even handle asbestos materials. But steam fitters, electricians, plumbers, welders, carpenters, iron workers, masons and tilers are all inhaling the same dust.

THE CONTROVERSIAL fireproofing sprays, containing 15% to 30% asbestos, rock wool and a colloidal clay binder, have been used to insulate and fireproof steel girders in high-rise buildings for the past 15 years. The issue reached its peak last month when New York City proposed to

ban asbestos sprays. Major cities that have already adopted the new spraying regulations will undoubtedly follow suit.

The spraying regulations require that: any sprayed areas be completely enclosed by tarpaulins; that the area be vacuumed after application, and that insulation in air circulation ducts be coated with a sealant to prevent erosion of asbestos-containing material into the air of the building.

Since the passage of these laws, more and more contractors and architects are specifying non-asbestos sprays. According to one contractor, "New regulations have increased application costs of asbestos insulation by as much as 100% and by 300% for non-asbestos insulation. Why? Because

you have to use so much more to insure adequate fireproofing protection," he said.

The manufacturers of these sprays are quite naturally on the defensive. As one executive put it: "It's so easy to attack the obvious. We probably consume less than 1% of the asbestos marketed in the world today."

BUT DESPITE cries of protest, the majority are busy developing new products. U.S. Mineral Products, a New Jersey corporation, is among the first to come up with an approved nonasbestos fireproofing spray. Though company spokesmen will not say what Cafco Blaze Shield contains, they explain that it has no asbestos, free crystals or silica—"which ought to keep the people, politi-

cians and the government happy." The company is still marketing their original spray, but are phasing it out as the government and market demands.

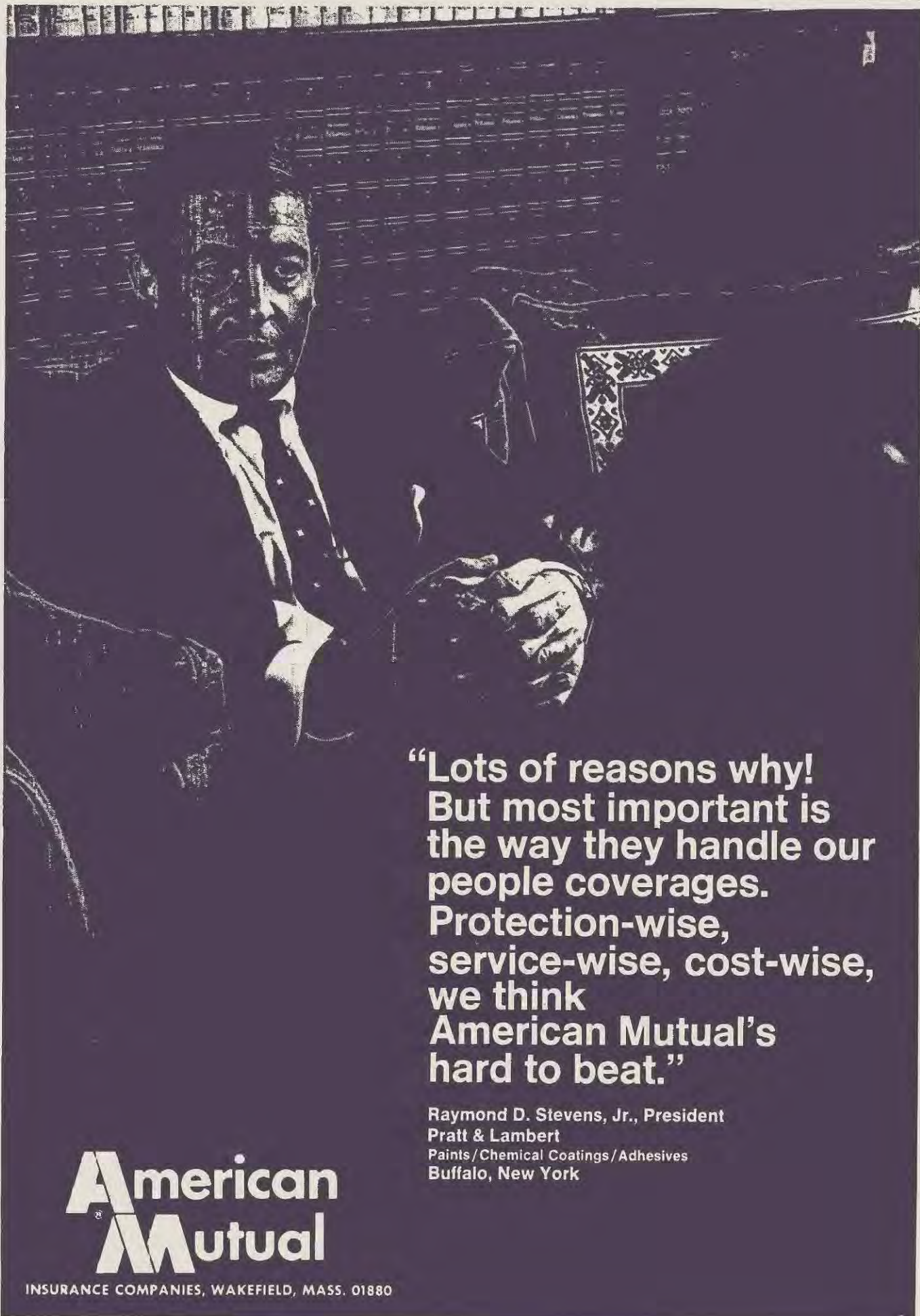
More than a year ago a division of W. R. Grace Co. in Massachusetts, started working on a non-fibrous spray with a gypsum base. This product, unlike most sprays is premixed on the ground, pumped wet up to the site and sprayed. Underwriters Laboratories, which sets guidelines for materials used in construction, has approved this spray for application on certain steel configurations.

Among companies still working on new fireproofing techniques is the Philip Carey Corp. of Linden, N.J. The company maintains that business has never been better

though sales in the New York area have suffered. However, others in the industry are not sure new techniques are needed. "You jump into one thing, and the cure might cause more problems than we already have," they say. "History tells us that asbestos fireproofing sprays work, and we should not risk the lives of people working and living in buildings requiring this type of insulation," they add. Executives at Keene Corp. Princeton, N.J., are also working on a new spray, but "are not yet convinced that asbestos isn't an essential fire retardant."

The majority of these manufacturers belong to the Sprayed Mineral Fiber Manufacturers Assn., which has a booklet available.

Continued on page 58



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School bombing scares have had unusual and hazardous backfire

BOSTON, Mass.—After nearly a month of cancelled classes, evacuations and school shut-downs because of phoned bomb threats at area universities and colleges, many students here have decided to mobilize against the disruption by refusing to leave buildings that receive bomb warnings.

While the move is uniting students and administrators, and might even prove to knock some wind out of vice president Spiro Agnew's speeches, the new form of protest is giving insurance men just as many heebies as the old did, maybe more.

The recent bombing of Harvard University's Center for International Affairs triggered the problem of phoned bomb threats to other schools, most specifically Northeastern, Boston University and Boston State College. After meetings between faculty, administrators and students, Boston University and Northeastern issued statements saying a person could remain in a threatened building at his own risk.

"WE ARE VERY foolhardy people," acting Boston University president, Calvin Lee announced

to a cheering crowd of students at the school's Marsh Chapel which received a bomb threat ten minutes before he started speaking. "But I'm glad you stayed. We cannot allow ourselves to be intimidated by threats to the point of paralysis."

Gerald Miller, assistant business manager for the university expressed the same attitude, and said the school's private carriers would cover for liability damages.

"We're not sitting around with our tail between our legs," he said. "We've talked it over with our insurers and they will cover

in this case. We are covered by several companies, which are re-insured."

While Mr. Miller spoke confidently, other insurance managers and liability underwriters did not. There was a lot of coughing, grumbling and stuttering when *Business Insurance* asked about coverage for bomb protestors. Northeastern's insurance manager would make no comment at all.

A SPOKESMAN in the insurance department of Massachusetts state colleges said that Boston State College was still requiring its students to evacuate threatened buildings. That school was closed for a week because of crank bomb scare calls. He said the Commonwealth of Massachusetts self-insures its 11 colleges.

"The Commonwealth, in its great wisdom, gambles," he said. "There is no fund specifically for insurance. When something comes up, it pays. The colleges have institutional immunity. In other words, you can't sue a college unless it allows you to. Whether immunity would be waived for bomb injuries or not, I don't know."

A Continental Insurance Co. liability underwriter whistled through his teeth.

"You can forget about institutional immunity," he said. "That's been shot full of holes. People can sue the individual president of the university if they want to. As far as coverage, well an insurer may say he covers, but whether he pays or not, at least in this type of situation, would have to be decided in the courts. And that would be one of the hairiest legal tangles the courts have ever seen."

CONTINENTAL insures several colleges, high schools and grade schools in Boston, but has had no bomb problems. Like other underwriters, he felt that schools allowing a bomb scare evacuation option were opening Pandora's Box.

"Just speculating, I think there would be liability on the university's part if it issued a statement

condoning a situation in which people were eventually injured. Again, that's only a guess. It's impossible to answer this type of question and frankly, I don't like to think about it."

A Fireman's Fund underwriter said that by giving students a bomb scare option, schools might automatically waive their liability coverage, and a Home Insurance Co. man felt that even if a school required building evacuation, it would still be found at fault in a liability suit.

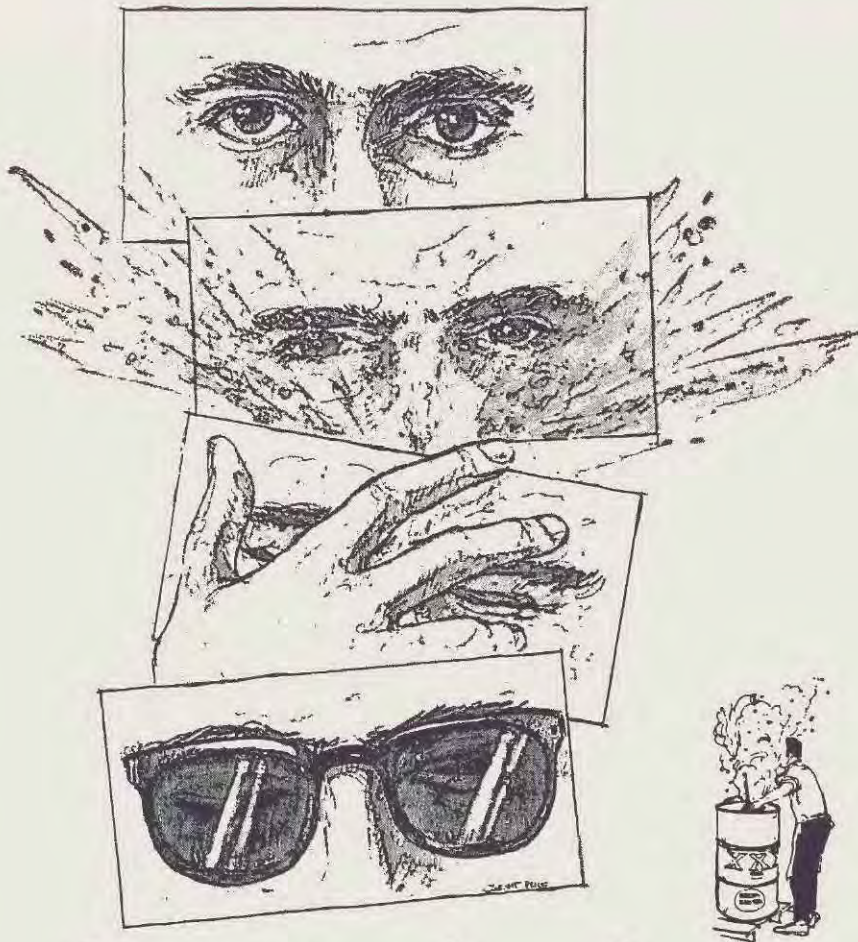
Although not many colleges and universities can afford it, the London market is offering bomb scare insurance. Harvard University, which has commercial liability coverage and still requires its students to evacuate threatened buildings, is looking into acquiring this special insurance.

"THE PREMIUM would be \$25,000, maximum for \$500,000 worth of coverage," said Sterling Smith, Harvard insurance manager. "It would pay benefits for death or dismemberment or disability. It's for students and employees of the university who injure themselves while running out of a building that has received a bomb threat. I think this might also cover for persons willfully staying in a threatened building and injured if a bomb happened to explode, but I'm not positive."

The bombing of the Center for International Affairs, which, according to a note, was blown up by a radical group known as "Proud Eagle Tribe," was Harvard's first bombing. The \$25,000 loss was covered by the school's self-insurance pool.

Robert Mullin, director of purchasing and insurance, explained that each of the school's 250 buildings contributed to the pool and was charged a premium according to its loss experience and fire rating.

HE AND OTHER university officials interviewed felt that whether it's coverage for bomb scare options or just basic property insurance, underwriters were just not up for listening to the educational community. ■



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Asbestos . . .

Continued from page 57
 able detailing dust control, clean-up and respiratory devices for workers. The book has been sent to all state and local health and building officials in the hope that "control of application" will be the key solution to the industry's problems.

DEVELOPMENT of new techniques is possible within the fire-proof insulation industry, but there is no substitute for asbestos in the myriad of other key industries. One result of the regulations to protect the public and the environment is new devices to protect men who work with asbestos products. Representatives from Johns-Manville Corp., the largest U.S. asbestos producer, have worked closely with Dr. Selikoff and insulation workers. The long-term objective is to eliminate the generation of asbestos dusts on the job sites, but in the meantime it is essential to develop better protection against breathing dust that is unavoidably created by working with insulation materials.

After two years of research Minnesota Mining and Manufacturing Co. came up with a disposable respirator that seems acceptable to workers and the U.S. Bureau of Mines. The bureau sets standards for such equipment.

The new half-mask has met criteria for efficiency of dust removal, resistance to breathing and adequacy of face fit. Certain procedures, however, such as tearing out insulation in confined spaces, require more protection than the disposable half-masks afford. To solve this problem, a light weight battery operated device supplying filtered air to a respirator was developed. This respirator is still being tested by workers at the World Trade Center in New York.

Careless handling and shipping of asbestos products also creates dust. Recently a new coating process consisting of a thin wax-like material was marketed. The coating, applied with a gun-type device, dries within 10 seconds and contains no harmful materials.

Dust control within the cement industry has been advanced since the advent of plastic mixing bags. To avoid dust dispersal, water is added to the prepackaged cement through a tube. To mix the cement, the plastic bag is kneaded or let settle over night.

Dust generated in the cutting of insulating materials such as pipe covering and wall board has had top priority within industrial hygiene programs. Recently the Howard C. Forrest Co. of Houston, a major supplier of saws to the insulation industry, came up with a dust-collecting device for band saws. ■

North Stars' insurance cover leaves no loopholes

By ROBIN MENZ SUHRBIER

BLOOMINGTON, Minn.— Keeping up with Minnesota's unruly winter weather has proba-

bly become the major headache for managers of the Metropolitan Sports Center, home of the North Stars Hockey Team. "Clearing sidewalks surround-

ing the sports arena from snow and ice is almost a 24-hour job for the maintenance department," according to Orrin Wichelmann, controller for the North Stars Financial Corp., owners of the hockey team and operators of the sports arena. "We are not liable for injury from a flying puck during a hockey game but we are liable for injury from falls on slippery sidewalks," he added.

With 15,000 fans rushing in and out of the arena, a slippery sidewalk could present quite a hazard. And it doesn't take a blizzard to create slippery conditions.

HOCKEY FANS ARE forewarned via their tickets that they assume any risk in being hit by a puck but the same protection is "not afforded us for slippery sidewalks," Mr. Wichelmann said. As with most sports events, he continued, there are certain risks that the spectators must assume and with hockey, it's the possibility of being injured by the puck. Although the puck flies out of the ice rink frequently, it rarely hits a spectator.

To protect the public from the ice rink, a Plexiglas screen has been built around all four sides of the rink, with the goal ends being built up as much as 10 feet high. This, according to Mr. Wichelmann, is usually enough to stop the puck.

The design of the building itself includes wide aisles and sufficient room between rows to allow for easy access to and from seats. Hand rails and guards rails have been used to prevent falling and slipping.

The corporation's basic liability coverage is under an all-risk policy with limits of \$100,000 and \$300,000. The excess coverage carries a \$7 million limit. Both policies are underwritten by the Hartford Insurance Co., through Wire Wilson, a Minneapolis-based broker.

BOTH POLICIES COVER all events held at the sports center whether promoted by the North Stars Corp. or not. "For those events not promoted by us, we require the sponsor to show us a certificate of insurance; this provides a buffer between us and them in case of a liability case," Mr. Wichelmann said.

So far in its three years of operation, the North Stars have maintained a good claims record. The excess liability limit was just recently raised to its present figure because of the possibility of a bomb scare. Prior to that the limit was \$3 million. The North Star Corp. management has developed a plan of evacuation in case a bomb threat is made during an event.

Mr. Wichelmann pointed out that there are exit doors on all four sides of the building and that the concourse is located in the middle; that is, half way between the top and bottom sections of seats. This arrangement provides for fast access to the outside in case an evacuation for fire or bomb threat were necessary.

"So far we haven't had any reason to evacuate," he said.

THE FIRE AND extended coverage policy is also written through the Hartford Insurance Co. Limits are based on the cost of building plus equipment. The building is completely sprinklered.

The corporation's business interruption coverage with the Hartford pays when a perfor-

mance is cancelled due to building shutdown. Should a particular group not show up "then it becomes a legal situation between us and that group and is not covered under our business interruption policy," Mr. Wichelmann explained. The policy which carries a \$10,000 deductible covers only when the building is physically damaged.

THE PLAYERS themselves are well padded from neck to toe with their heads still being the only part of the body fully exposed. Helmets have been designed for hockey players but are not yet mandatory. Two North Star players wear them.

As for life insurance, the National Hockey League carries catastrophe insurance on the team and the North Star Corp. carries individual life coverage on the players, naming the corporation as the beneficiary. In the event a major portion of the team is lost, the NHL would see to it that the team is restocked.

The individual policies carried

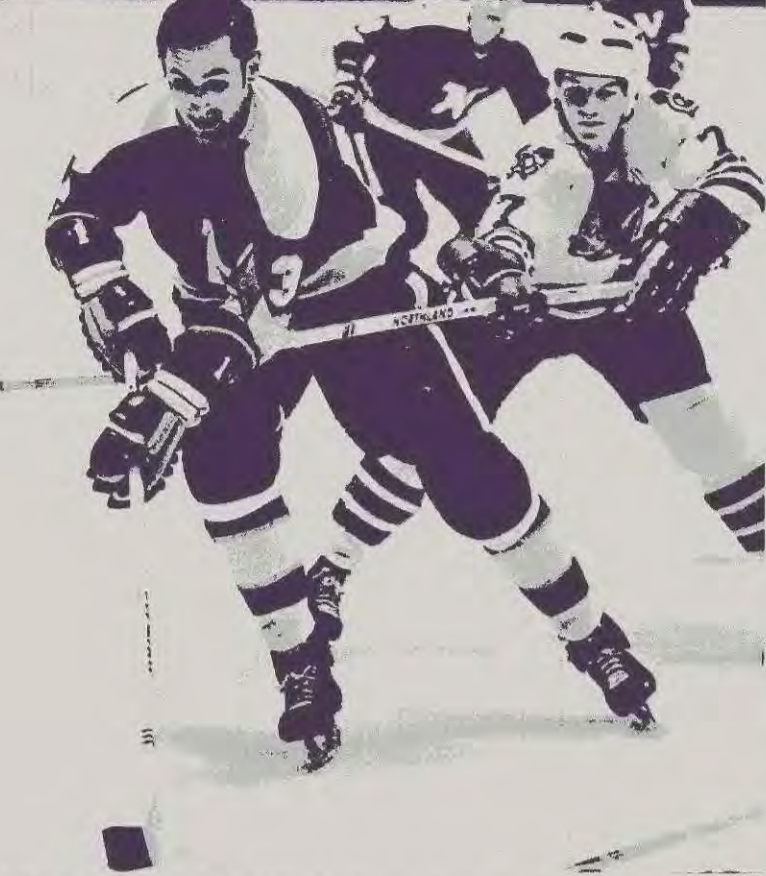
by the North Stars pay in case of accidental death only. The amount of life insurance varies from player to player.

Workmen's compensation for the hockey players is on a retrospective adjustment basis through the Twin City Fire Insurance Co., a subsidiary of Hartford. Mr. Wichelmann emphasized that hockey is not really as fierce a sport as it may appear. Most injuries suffered are cuts, bruises and broken bones.

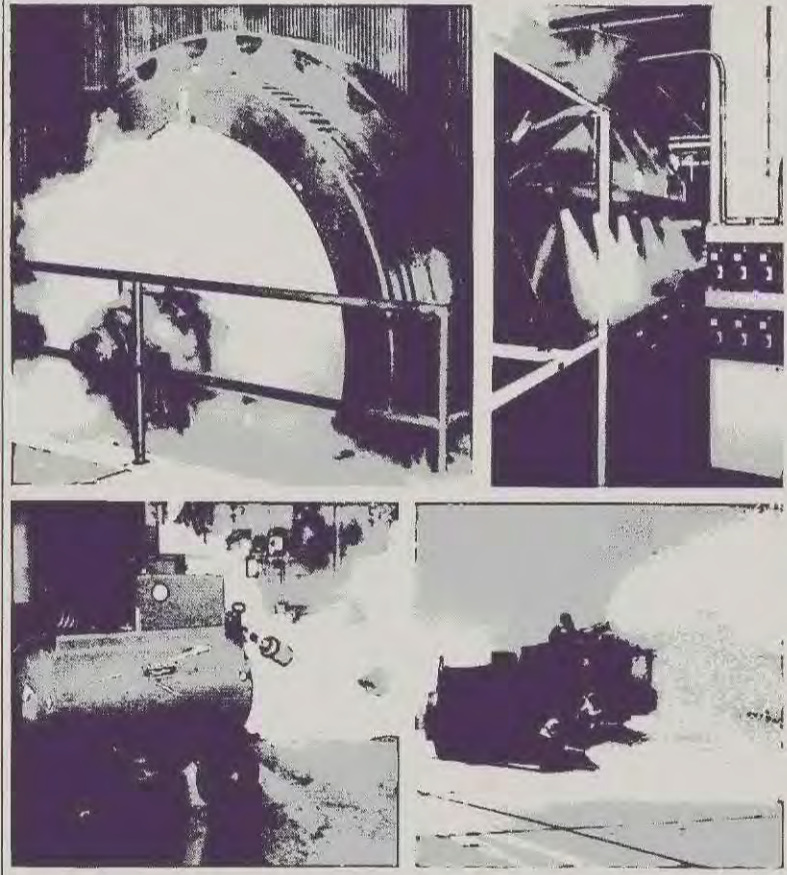
Several key-man life policies are carried on non-players such as the coach, the general manager of the North Stars and the team owner.

The corporation has theft and vandalism coverage on players' personal effects left in the dressing room and maintains an equipment floater on hockey sticks, skates and uniforms. This floater among other things covers during travel to and from out-of-town games.

These policies are underwritten by the Hartford and carry deductibles of about \$100.



John Miszuk and Pit Martin battle to maintain control of the hockey puck during a fast, heated game. The players themselves are well-padded from neck to toe with their heads still the only part of the body fully exposed. This year several hockey players have elected to wear helmets, but for the most part hockey players are not too receptive to the idea of wearing head gear.



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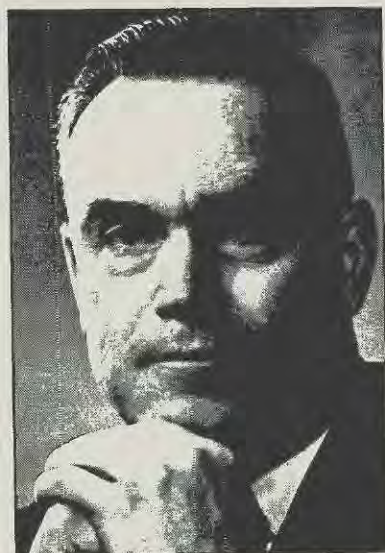
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The tax implications of insurance and self-insurance

by David Warren,
Warren, McVeigh & Associates,
San Francisco, Cal.



David Warren

RISK MANAGERS generally agree that decisions regarding self-insurance versus insurance should be made on the merits of the situation, as indicated by all cost elements of (1) probable loss absorptions, (2) cost of protective meas-

'The risk manager should have a clear knowledge of the tax results of his decisions. Their magnitude can be considerable.'

ures, (3) administrative expenses, and (4) insurance premiums.

The effect of federal income taxes in decision-making is not normally considered. In most cases, this is proper; however, there are situations where a full knowledge of tax implications would bear on such decision-making, and there are always tax considerations for self-insured losses. The risk manager should therefore have a clear knowledge of the tax results of his decisions. Their magnitude can be considerable inasmuch as the difference between capital gain treatment and ordinary income treatment is about one quarter the total amount involved.

To clarify our terms at the outset, consider how a business corporation handles its asset accounting. When property is purchased, it is entered into the company books at purchase price which at the time of purchase is nearly always the same as replacement cost. Each year following the purchase, the asset is depreciated at a rate

acceptable to the Internal Revenue Service. This rate is nearly always greater than actual (or physical) depreciation. For example, the IRS will allow a ten-year depreciation period for tax purposes for many items of equipment which may in practice be used for 20 years and then have considerable salvage value. Actual depreciation rarely exceeds 50%.

For accounting purposes, if straight-line tax depreciation is used (more rapid depreciation techniques usually are used, but we will consider straight-line for the case of simplicity) with a ten-year life, the \$10,000 machine will be depreciated \$1,000 the first year, \$1,000 the second, and so on until it is depreciated to zero at the end of ten years. If the machine has a physical depreciation of 4% the first year, its actual cash value (replacement cost less physical depreciation) at the end of the first year would be \$9,600. The IRS uses the term, "adjusted tax basis" for the figure of cost less accrued tax depreci-

tion, but we will use the simpler term, "book value".

IF PROPERTY is not insured, losses from fire, wind or other casualty are deductible from income in the year in which the casualty occurs. An exception occurs in the case of theft or embezzlement where the loss is deductible in the year of discovery.

The deduction, however, may not exceed the book value. In the example above, if the machine were destroyed at the end of the first year, the actual loss would be \$9,600, the replacement value would be \$10,000 (assuming no inflation), but the actual amount deductible from taxable income would be \$9,000, which is the book value. To be precise, the amount of the deduction is the difference between the fair market value of the property immediately before the loss and the fair market value immediately following the loss. Fair market value is usually equivalent to actual cash value. In no case, however, may the deduction exceed the book value.

In most cases the machine will be replaced, calling for an expenditure of \$10,000 from working capital. It is entered on the books at \$10,000 and a new ten-year depreciation begins. The \$9,000 loss is deducted from current income for the year. If the corporation has a profit in excess of \$25,000, the deduction means that \$9,000 less profit is realized so 48% of \$9,000, or \$4,023, is not paid in taxes which otherwise would be paid.

Now suppose the machine had been insured for the replacement cost of \$10,000. Here there would be insurance proceeds of \$10,000 which is considered an involuntary conversion. With the book value at \$9,000 and insurance recovery of \$10,000, a \$1,000 gain has occurred. Section 1231 of the Internal Revenue Code provides that

Continued on following page

Health cover to meet high pet-care costs is here

by Charles F. Levinson,
insurance manager,
The Fort of New York Authority



Charles F. Levinson

THE HIGH COST OF living has even extended to the area of the treatment of house pets for sickness or accident. If Queenie won't eat her food or Tom Cat got badly bruised in a fight last night the resulting bill from the veterinarian

to the worried owner could be staggering.

Much as the owner considers her pet a member of the family the broad cover of Medicaid, Medicare or dad's health insurance at work will not cover the situation.

When the vet charged only a few dollars for his work, there was no problem. Now, bills for \$40 or \$50 are not unusual and medicines such as antibiotics cost just as much as they do for humans. A tumor or a broken leg can run about \$100 or more. Charges for a visit can run \$15. Anesthesia charges run about \$25. There is not even the tax benefit available for human medical expense.

The problem is particularly acute for the retired person or anyone on a limited income whose sole comfort and companion is their faithful cat or dog. The potential large expense involved is a catastrophe.

MUCH WORK has been done in this area by the local humane societies. In some areas they have their own animal hospitals. Even here where the charges are at cost, typical charges for a sick dog

would be \$11 for examination and shot plus \$10 for x-ray plus another \$10 if the animal needs anesthesia.

Where no hospital exists the local humane society usually depends on regular veterinarians who are loath to examine a large number of animals at a humane society center for a small fee when they know that ordinarily most of those animals will come to them at their regular fees.

While both the humane society and local veterinarians would probably make special deals for people with minimal incomes, there is a hesitancy on the part of most people to ask for charity.

The insurance industry has recently come up with a health insurance plan for cats and dogs that may solve the problem of large sum expenditures. They call it the Pet-A-Care Plan.

IT WILL furnish coverage to pet owners with a limit of \$100 per accident or illness with a \$10 deductible applying to nonaccident treatments on vet fees, medication, hospitalization and surgery.

Excluded from coverage are the normal things that are done usually on a

voluntary basis such as standard shots, spaying, docking, whelping, castration or any pet grooming feature.

Coverage of this type has been popular for many years in the British Isles. Actual writing of this business in the U.S. is now actively done by only one insurer on a pilot plan by mail in the cities of Cincinnati, Philadelphia, Portland, Oregon, and Des Moines, Iowa.

There are 25 million dogs and 28 million cats in the U.S. and the test area is expected to develop a potential market of 250,000 pets in the test area.

HOWEVER, in my opinion, there is a definite need and soon this carrier and other companies will be writing health insurance on pets all over the U.S. The cost runs approximately \$18 per year with a policy fee of \$4 charged only the first year. One serious illness or accident in a dog's life could pay back in a claim all the money that has been paid in. There is no limit to the number of claims that can be paid in one year up to a total of \$300 in amount for that year.

I am also sure that as more and more pet owners buy this coverage the annual insurance charge will drop.

For some time a large volume of insurance coverage has been written to cover loss to the owners of valuable horses, livestock and zoo animals through premature death. Here monetary loss is compensated to the owner. Most owners of house pets are not interested in anything but keeping their pet alive and well. Health insurance for pets will furnish the funds to do this without seriously hurting the limited income owner in his already-pinched pocket-book.

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Fund studies assured principal, growth rate

HOUSTON—The Neuwirth Bond Fund's investment advisors are studying a plan where purchases would have a guarantee of principal and annual rate of growth.

Martin D. Sass, president and a director of Neuwirth Management & Research Corp., New York, investment advisor to the Neuwirth Funds, said his firm is negotiating with three major insurance companies to provide such coverage.

He declined to name the trio, for he said no deal has been firmed up yet. "We're really wide open," he said of the specific insurance company.

In Houston as a participant on a money managers' forum, Mr. Sass said the fund may possibly have to go to the London market for such coverage.

HE SAID THE cost of insurance could be charged into the

fund "or we could make it an option, the alternative we are leaning toward."

He looks to a possible one-half percent cost for insurance which would guarantee the principal and approximately a 5½% yield on the amount of investment. It might be a 6% yield, he said. "If the principal appreciates," said Mr. Sass, "it's gravy for the investor."

"We would like to fix it so the purchaser has a fixed yield on his original investment," Mr. Sass added.

He said the fund, in registration with the Securities & Exchange Commission, is a "low-load." It will charge a 1½% fee. The fund is aimed at individuals as well as commercial clients such as pension funds.

Mr. Sass said it will seek "strictly high grade" bonds. He said a realistic yield on the funds is a "comfortable 8½ percent." ■

Pollution . . .

Continued from page 13

out that the company felt that the bond was "neither needed nor appropriate" to insure the company's nonperformance with the state agency's specifications.

"We just don't know whether there's a bond purchase necessary or not," he said.

A New York broker speculated on just how a bonding company might react to such an unusual bonding request. "I don't think we've ever heard of such a case," said a source at Marsh & McLennan, Inc. "Granting such a request would ultimately result on who was asking for the bond. We'd want to look at some background financial information on the company, first of all," he explained.

THE FINANCIAL strength or stability of the company would, in fact, be the chief factor a company would rely on in deciding whether to agree to bond such a requirement, he said. "A bond of this type is really not insurance as such, but an extension of credit. If a claim were paid out by the

bonding company, it would, of course, expect reimbursement from the plaintiff company," he pointed out.

The next criterion that would be scrutinized by the bonding company considering such a bond would be the difficulty of the requirements asked for by the regulatory agency. "Obviously, if they're going to cost the company a mammoth amount of money, or if they're patently infeasible, then this part would become an important factor also," he said.

Additionally, the source pointed out that the bonding company would have to actually see the actual agency's order to determine whether any specific language were stipulated for the performance bond. He added, however, that if the company were solid and financially established enough, there would be much less attention paid to these additional factors.

"The anti-pollution bond is a brand new ball-game. Many of us probably would be puzzled about just how to price the thing," said Charles H. Fulton, bond manager for Transamerica Insurance Co. in Pittsburgh.

HE ESTIMATED that the premium factor for such an anti-pollution performance bond would probably be "pretty stiff." "I'd figure about 2% of the principle. You see, a big steel company won't have much difficulty buying a bond of this type, because of their obvious financial stability. But anti-pollution bonds are going to involve a lot of other companies, companies much smaller, such as tallow-rendering plants, for example. "Here's where we're going to have some fun, I'm afraid," he said.

"I'm pretty sure that these smaller companies will find it very difficult to buy the anti-pollution bond. They will probably have to put up some collateral security themselves in order to obtain one," he mused.

The bond requires Alan Wood to pay \$500 a day for the first 15 days and \$1,000 a day thereafter if any deadline is missed. The \$300,000 advance bond presumably would cover any such violations.

Alan Wood, ironically, held its annual meeting this year on Earth Day, April 22. The steel company had billed itself as "an industry leader in pollution control . . . far ahead of Federal and local legislation." Harleston Wood, the firm's president, had worn an Earth Day button during the meeting. ■

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D-12

gain if the destroyed property is replaced by other property similar or related in service or use to the property so converted

process is an intuitive one rather dependent on the experience and knowledge of the practitioner. The use of data

compensation unemployment and disability in the category of other employee benefit plans such as retirement, group medi-

case control. One indication of whipsaw is the late blooming pre-retirement or lay-off back injury frequency. ■

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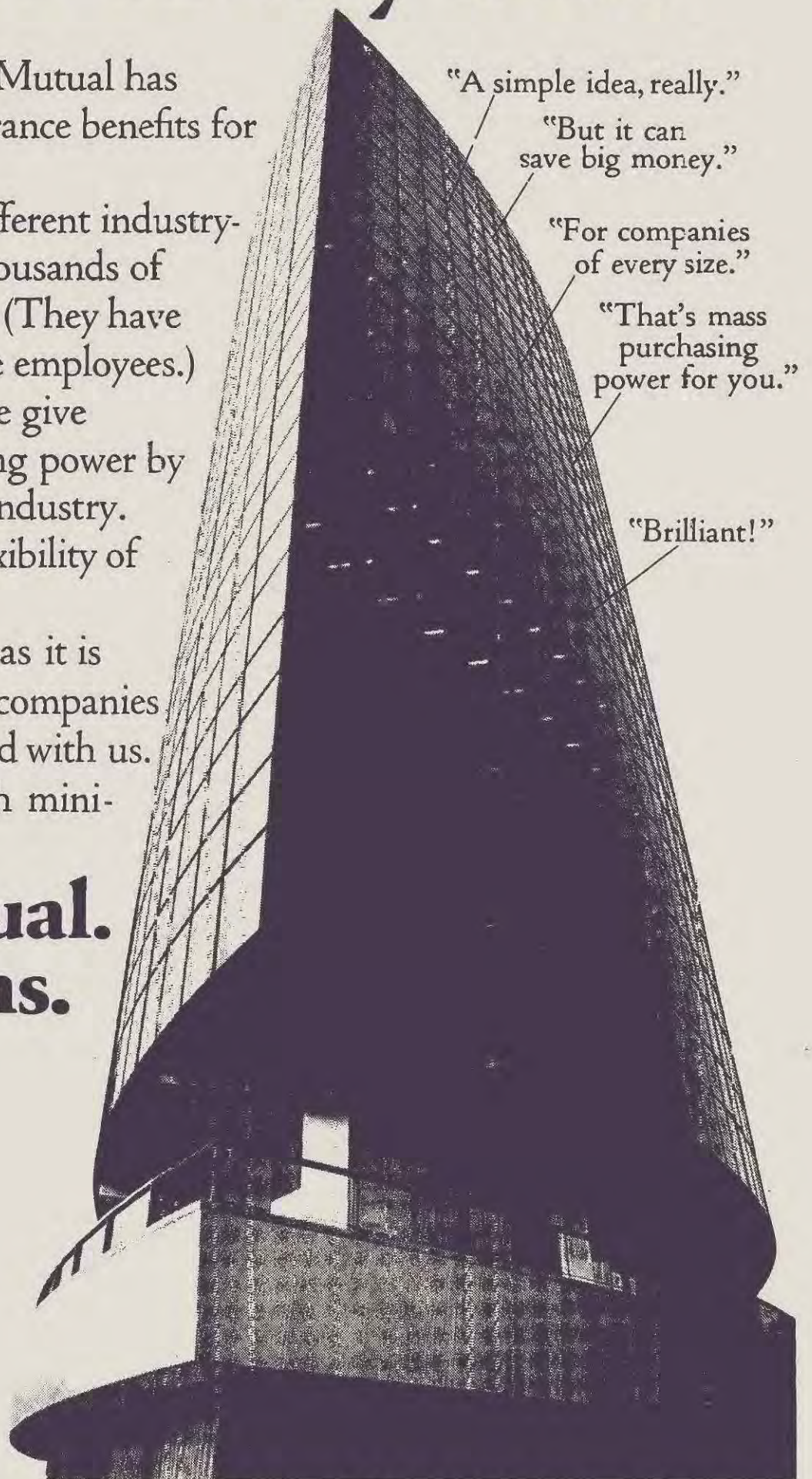
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Insurance for catastrophic illness is a real possibility in 92d Congress

WASHINGTON—Enactment of a federally financed plan to insure most of the nation's population against the costs of catastrophic illness has emerged as a very real possibility in the 92d Congress.

Such a plan has the grudging support of most Congressional liberals, although they would rather see an all-out national health insurance program instead. Conservatives are rallying to the cause, thinking it may delay national health insurance for at least five years or possibly even block it entirely by eliminating most of the basic need for it among middle Americans.

Conservative Senate Finance Committee Chairman Russell

Long (D.—La.) has proposed that a catastrophic illness plan be enacted this year as part of the Social Security amendment package on which his committee is working. The chances are very slim for enactment this year, and Sen. Long knows it. Most observers think the move was an exercise in one-upsmanship—getting a Democratically introduced plan on record and before the public before the White House endorses the idea and claims it as its own.

THIS VIEW was supported by the especially stern response given the Long proposal by the Administration. Secretary of Health Education and Welfare Elliot Richardson said the plan had "not

received anything like adequate consideration" and that Congress should wait because the White House would introduce draft legislation along the same lines next year.

This was the first public indication that the much-talked-about upcoming White House health message would include such a program. But, it is probable that Sen. Long had information that such a move was likely. Sen. Long said he thought the Administration was being "foolish" in not endorsing his program right now and pushing for enactment this Congress.

The Long proposal would cost an estimated \$2.5 billion a year and would be financed through a Social Security tax hike of .25%

each for employes and employers. It would pay for 80% of a family's medical costs over \$2,000 a year and 80% of all hospital costs after the first 60 days of a stay in a hospital.

The plan does not include persons 65 and over who are already covered by Medicare or persons on welfare receiving Medicaid. It

life & health benefits

is designed specifically to cover persons working in jobs covered by Social Security and there would be no income test for eligibility.

THE WHITE HOUSE is understood to be considering a plan that would pay the entire amount over \$2,000 or 60 days, not just

80%. It also would finance the program through increased Social Security deductions. Estimated cost would be \$3 billion.

Not all proponents of national health insurance view the catastrophic illness coverage as a threat to their program. Many see it as the means of opening the first serious Congressional debate over national health coverage—a debate they feel they will win.

The real issue, they say, is not how much the government should pay, or what benefits it should cover, but how the government can work to pull the skyrocketing costs of the nation's health care into line.

This can only be done, they hold, through a fully federalized system of health insurance and adding another \$3 billion to the government's total health tab will only cause this truth to be more self evident, possibly actually speeding the emergence of national health cover.



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Challenges group health contract

BOSTON—A Massachusetts state employe union has filed suit in Suffolk County superior court, Boston, challenging the health insurance policy for some 70,000 state employes granted to Aetna Life & Casualty, Hartford.

Howard V. Doyle, president, council 41, American Federation of State, County and Municipal Employes, said that the contract, awarded by the Massachusetts group insurance commission, provides a 30% premium increase, which, he asserted, was exorbitant. The contract, moreover, was granted without open competitive bidding, he charges.

A Blue Cross spokesman told *Business Insurance* that his company's plan could save the state \$1.4 million and save employes \$470,000.

William J. Burke, executive secretary of the group insurance commission, said that the Aetna bid had been "carefully reviewed" by the commission and a private actuarial consultant. The original Aetna contract was awarded on a competitive basis in 1969 and covered the 1970 calendar year. The new contract, for 1971, was renewed without bidding.

Aetna has said only that the group insurance commission was set up to get the best insurance at the best price for employes and assumes it was doing just that.

Dispute over 19 cent socks goes to court

HOUSTON—A 19 cent pair of disputed socks has resulted in a suit for \$75,000 here.

An attorney for Mrs. Antonia Armero Bartarse sued K-Mart Enterprises alleging that while shopping with her husband and nine children at a south side K-Mart store Aug. 7, she was wrongfully arrested and imprisoned on a charge of shoplifting the socks.

The case came to court Oct. 15, the suit states, and was dismissed.

But, the suit alleges, Mrs. Bartarse, 38, of Bellaire, Tex., a Houston suburb, was again wrongfully arrested and imprisoned on the same charge Nov. 3.

The suit asks \$20,000 for mental anguish and embarrassment, \$50,000 for punitive and exemplary damages, and \$5,000 for loss of income and deprivation.

UAW pact ...

Continued from page 1

both sides. UAW's early asking price figured to an average of about 61½¢ an hour, while the GM offer climbed from a range of 26¢ to 48¢ in early September, to 36¢ to 48¢ before the strike.

The much-publicized 30-and-out early retirement plan was a breakthrough for the UAW (*Business Insurance*, Nov. 23) and, along with the basic wage increase, gave the union its two-pronged probe. The union had asked for retirement at any age with \$500 a month after 30 years' service. GM's counter offer was \$500 a month after 30 years beginning at age 58, and reduced by 8% a year for each year prior to 58.

The final form was a compromise—it does not go into effect until October, 1971 (score one for GM), has the age 58 limitation (score another for GM) for the first year, but the age drops to 56 the following year (score one for the union). But the fact that GM recognized the importance of earlier retirement was a major score for the union.

The wage increases, and the transfer of cost-of-living allowances to the base wage rates, resulted in increased life insurance, sickness and accident, and extended disability coverage for all hourly-rate employees, and not just the members of the UAW. Just a few days after the GM-UAW agreement was reached, GM signed a similar contract with the International Union of Electrical Radio and Machine Workers, outlining the same basic wage, pension and insurance changes, in all, some 440,000 hourly workers are represented by 18 different unions at GM, and all of them will end up with basically the same package.

Here are the specifics on employee benefits contained in the UAW-GM pact:

LIFE INSURANCE

The GM group life insurance

schedule of benefits was not changed in the new agreement, although the general wage increases made it necessary to add three new brackets at the top of the scale, and delete the bottom bracket, since no one falls in that lowest bracket any more.

Under the old agreement, life insurance coverage ranged from \$7,000 to \$13,000 with an additional 50% for accidental death. Under the new agreement, the range is from \$7,500 to \$14,500. An employee with an auto assembler classification before the settlement had \$8,000 life insurance; the assembler working as a Nov. 23 will have \$9,500 in life insurance.

THE TOP THREE brackets in the life insurance schedule were added to accommodate a group of highly skilled technicians at the General Motors technical center in Warren, Mich., who are members of the UAW, working in styling and other experimental areas. But there are fewer than 100 employees in this category, according to GM, and they will not reach the top two brackets of the insurance schedule until the second and third years of the new labor contract, as their hourly rate goes up.

Survivor income benefits, for example, were improved by increasing both transition and bridge monthly benefits from \$150 to \$175, and lowering the age for bridge eligibility for the surviving widow or widower from 50 to 48. This increases the maximum transition benefit from \$3,600 to \$4,200. The higher monthly bridge benefit, coupled with the lower eligibility age, boosts the maximum from \$18,000 to \$25,200.

Eligible survivors now will be permitted to waive any right to survivor income benefits in order to receive a survivor benefit under the new pension plan. In some cases, the pension benefit could be more attractive, and language was written into the insurance agreement to avoid duplication.

Many of the changes in the life insurance and survivor income benefits are what GM refers to as "no-cost items" of "house-keeping."

Other "clean-up" items written into the UAW-GM insurance agreement provide for coverage for returning veterans who are laid off, employees on disability leave of absence, and employees who retire from layoff or leave of absence.

THE ITEM FOR returning veterans was proposed by GM to cover the large numbers of servicemen who were expected to be returning from Viet Nam during a period of reduced employment, and who would be put on lay off because of low seniority. Such an employee would have his life insurance reinstated based on his rate of pay the last day worked prior to military service, and continued under the same provisions for other laid-off workers.

An employee who retires without insurance during a layoff or leave of absence will have his insurance reinstated, and paid by GM, when he retires, and a laid-off worker who is disabled and cannot return to work following the layoff will have his life insurance continued while he is on disability leave.

SICKNESS AND ACCIDENT

General Motors made more significant gains in cleaning up some of its administrative headaches in sickness and accident coverage. Usually it's the union that claims credit for gains and concessions in collective bargaining, but here is a case in which the corporation had some definite goals in mind.

Last July, when GM cranked its negotiating committee into high gear, the company stated pointedly that GM's sickness

life & health benefits

and accident claims experience had "deteriorated badly during the course of the 1967 agreement." Specifically, the company was concerned about paying sickness and accident claims to short-service employees, about paying claims after termination of employment, about sickness and accident payments for paid holiday, and other forms of over payment.

GM WON ITS battle to clean up the sickness and accident ad-

ministrative details, but the company conceded on two points. A major concession: Effective April 1, 1971, the Social Security disability insurance "carve-out" from sickness and accident benefits will be eliminated for employees at work on or after the effective date (Nov. 23) of the new agreement.

The GM assembler whose life insurance coverage will go up from \$8,000 to \$9,500 will see his sickness and accident benefits rise from \$90 to \$105, with no reduction when he becomes eligible for disability insurance benefit. The disability insurance benefit carve-out led to frequent plant-level administrative problems.

The other concession, labeled a "catch-up" item, putting GM in step with the other major corporations, was the extension of sickness and accident benefits through

the day of the first medical examination by the Metropolitan Life Insurance Co. examining physician, instead of up to the day of the examination.

BUT ON THE OTHER side of the coin, GM was successful in
Continued on page 68

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Glasser muses about lost dental plan

CHICAGO—Melvin Glasser, social security director of the UAW International union, said at the American Management Assn. benefits conference here that his union waited until this year to demand a dental care program which was not part of the final UAW-GM pact.

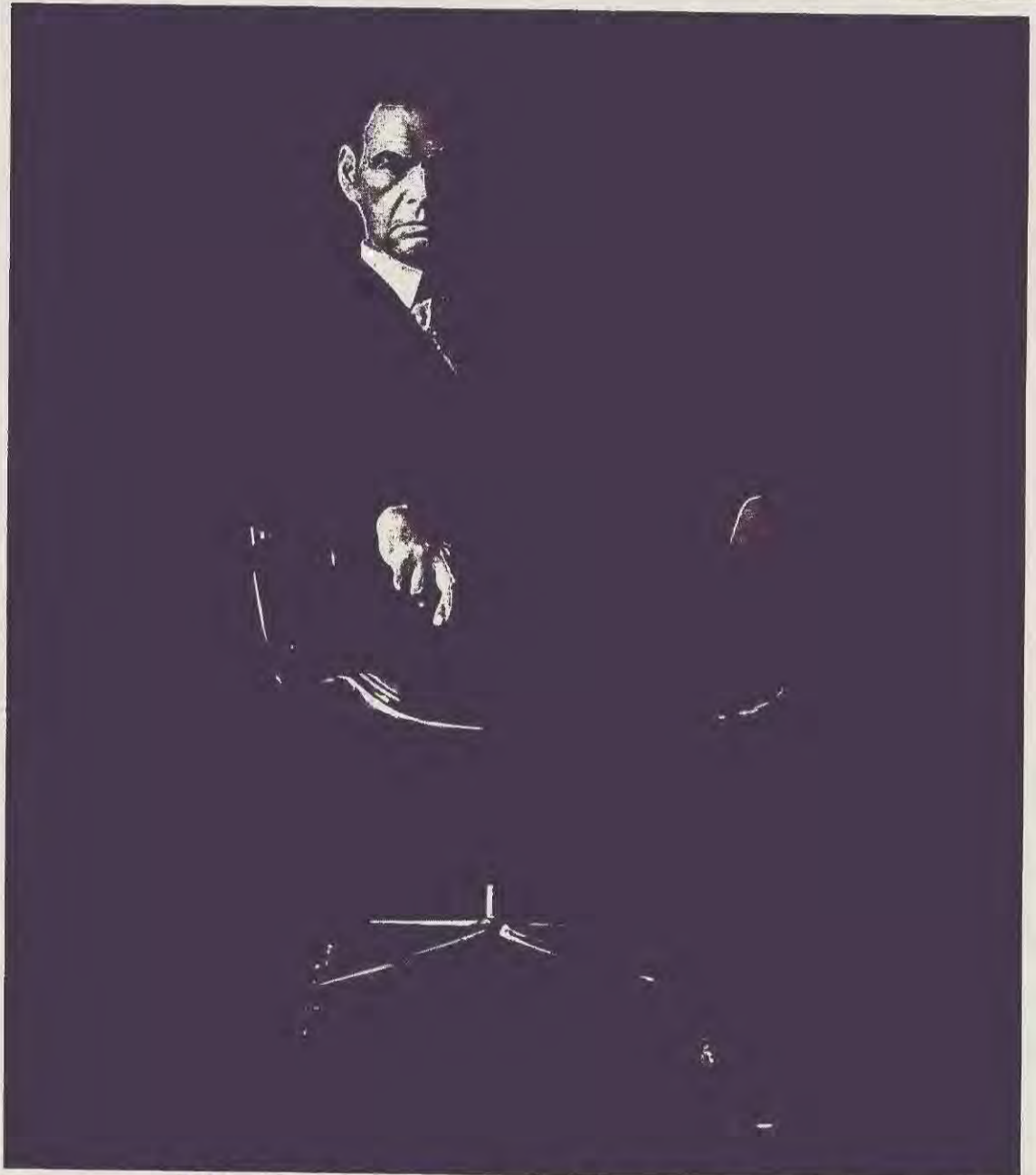
"We didn't want to present a program with built-in inflation and lack of quality control," he explained. Mr. Glasser said both problems are partially solved by the introduction of a pre-authorization provision under which expenditures of more than \$50 must be approved before the work is done.

UAW asked for a dental plan developed by the DELTA program of the American Dental Assn.

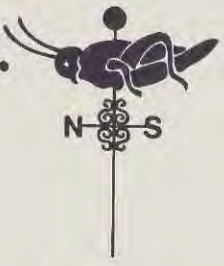
"The plan," Mr. Glasser explained, "has a baseline of scheduled fees and a pre-authorization provision because that's where the money is."

In answer to a question from *Business Insurance*, Mr. Glasser said that the winning of a modified 30-and-out pension program should not result in a serious loss of expertise at auto makers' plants.

"More than 80% of our members are unskilled workers, anyway, and if the 30-and-out provision begins to bind, we'll work it out," he said.



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UAW pact...

Continued from page 67

getting rid of the 14-day restriction on Metropolitan in cases where the employe does not immediately file a claim. Beginning in January, the insurance company will have the right to demand a medical examination any time benefits are payable to an employe.

GM also was successful in streamlining the coverage period for sickness and accident benefits. Beginning April 1, 1971, sickness and accident insurance will become effective the first day of the second month after the date of hiring, instead of the first day of the next month. If the employe becomes disabled during the first year on the job, sickness and accident benefits will be paid on a time-for-time basis (10 weeks of sickness and acci-

dent for 10 weeks of seniority, for example), instead of a full 52 weeks of benefits.

"This will give us considerable relief in providing coverage on those people who don't stay around very long" explained a GM spokesman. The corporation has found that its heaviest turnover of hourly workers is in the first 30 to 60 days.

At the other end of the scale, all group insurance coverages will cease when the worker quits,

or when he is fired and files no grievance. Currently, sickness and accident runs through the end of the month of termination.

NEW LANGUAGE was written into the 1970 insurance agreement to provide for recover of overpayments of sickness and accident benefits and extended disability benefits from future wages or other benefit payments, other than life insurance.

GM also scored on its disputed holiday issue, eliminating sickness and accident benefits for holidays not worked but paid. Under the old agreement, the Metropolitan must pay sickness and accident benefits for each day of disability, unless evidence can be obtained that the employe is not totally disabled on the holiday itself. The new agreement states that no benefits will be paid for any day in which an employe receives holiday pay from the company.

EXTENDED DISABILITY

Very little was done in amending the extended disability portion of the insurance agreement. The major change was the increase in the range of extended disability benefit benefits in the life insurance schedule as the hourly rate of pay increases. The assembler, for example, will find his extended disability benefit rising from \$305 a month to \$370.

Parallel to the elimination of the Social Security disability insurance benefit carve-out from sickness and accident payments, GM agreed to freeze the amount of governmental benefits deducted from extended disability ben-

efits at the amount applicable when benefits begin. This will give the worker the benefit of any increases in Social Security, workmen's compensation, or other state payments.

HEALTH-SURGICAL-MEDICAL-DRUG

Although neither side got the big target it was shooting for, both GM and the union gained some minor concessions in the areas of health care coverage and the UAW did win one major victory in extension of drug expense benefits to retirees, surviving spouses, and sponsored dependents.

THE UAW WENT into negotiations with a demand for a company-paid dental care program, supported by a 7¢ an hour contribution by GM. The union trimmed a penny off the price of the program just before the strike began, but kept the issue on the bargaining list as the strike developed.

GM went into negotiations with a major proposal that the employes should bear part of the rising cost of health-medical-surgical-drug coverage. GM estimated that the increase for the year beginning Oct 1, 1970 would be \$76 million for unchanged coverage. The corporation offered to pay the increased rates in full through the month of September, 1971, if employes would pay any new increases for the second and third year of the contract.

GM pointed to a 44 per cent increase in rates for hospital and surgical-medical coverage for

Continued on page 74



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Security in the '70s by accident or design

By E. S. WILLIS

(This article by Mr. Willis, employe benefits administrator for General Electric Co., is based on a speech he gave to the 1970 Canadian Pension Conference.)

NEW YORK—Benefits are destined to be a very dynamic part of compensation and they are well on their way to proliferation like the fallout effect of atomic bombs.

I am sure you have all seen the many papers, speeches, and articles on benefits of the future that are rampant these days. The best known is perhaps the detailed paper by the Institute for the Future, but there are many others, including a presentation recently to the Canadian Pension Conference.

A reading of any history of benefits readily indicates the haphazard growth which has seemed to prevail so far. This is certainly evidenced in some of the imbalance that exist in such areas as reducing productivity through excessive time off or by encouraging retirement at ages far too young for an employe to leave the work force permanently. The future sometimes seems to be one of increased demands for more and more, with new areas developing as the old hazards are filled in by a protective plan. All of this is occurring in a race by labor, government and to a lesser extent management to compete for the loyalty of the employe.

THIS MAKES FOR a bleak picture unless all of us can develop a long-range projection, built on study, reason, calm analysis and cost consciousness. The principal encouragement I see is the gradual realization that benefits are a direct cost and labor settlements need to be costed with *both* wages and benefits. All too often, however, we see an announcement of a settlement at say "x%" for wages plus additional "adjustments in fringe benefits" rather than "y% including the cost of wages and benefits."

The mere fact that the cost of benefits as a percentage of wages has risen from about 12% in the U.S. two years ago to a probable 30% this year, at a growth rate almost three times that of wages in the past 30 years, indicates we have a behemoth by his brontosaurus. And we need only look to Europe to see the proportions that can be attained.

But you and I didn't come here to cry in the wilderness. We came to explore the problem and see what can be done, or at least point out some roads for travel.

Tax slants . . .

Continued from page 55
pense, major medical, disability income and policies. The premiums are generally deductible by the corporation, but not taxable to the employe. (See Treas. Reg. Sec. 1.162-10 (a); I.R.C. Sec. 106.)

Amounts paid by an employer to reimburse an employe for medical and dental expenses are not taxed to the employe. Closely related are provisions as to the non-taxability of payments for the loss of a limb or for permanent disfigurement. The effect of this provision together with the non-taxability of medical expense reimbursements, is that neither the benefit from, nor contributions to, an accident or health plan are includable in an employe's income. (See I.R.C. Sec. 105 (b).) ■

First, it seems to me is the problem of governmental intervention. Here in Canada you have accepted the government's role, especially in the health area, far more readily—or at least sooner—than in the United States. I personally regret deeply the continued takeover of medical insurance by government, because I believe it will lead to higher costs and higher taxes, lessened individual responsibility, and probably lower level care. The provision by business of insurance on a sound basis and the insertion of a cost control such as the famous old profit motive in hospital care would be, I think, far more effective. I still have some hope for the U.S., but the hope is faint!

IN BOTH OUR countries, the

government is pressing for more benefits. It has an insatiable maw. Being a political creature, government looks for things to do that are popular with people. Further inherently it creates more work for its bureaucracy. All of this means that in the

life & health benefits

seventies—unless we design well—government will have taken over much of the benefit field—medical, retirement and all. Amazingly, labor seems to favor this, although it would lose bargaining strength if government took over. And since benefits are

a key element in negotiations both labor and management will lose a most necessary aspect of successful negotiations.

The second big area that will need careful design as opposed to chance is development of leisure time. So far, chance, seemingly low costs and everyone's natural laziness has combined to give more leisure time—pay for time not worked. There are constant demands for longer vacations, more holidays, sick pay and ever earlier retirement. There is a point beyond which productivity can't stand more absences.

With vacations, holidays and sick pay, a longer-service employe even in my conservative company, works only 85% of the productive days in a year—or on a weekly basis he is producing on a 34-hour week schedule. Start-

ing at 25 and working 35 years, under present schedules, he would be off 12% of the time and then by retiring at 60, as he can under our pension plan, there could be further loss of 1,300 days of production. If we had been so misguided as to allow age 55 retirement, we would have lost another 1,300 days. Thus we would have had him at the plant only 65% of the total available from his age 25 to age 65. Companies more liberal than we would have less productivity—and there is a difficult question as to where do we go from here? Pressures keep building for more time off and earlier retirement.

We need to assess this aspect carefully. What are the real cost parameters? What rates of pay can we provide for short working

Continued on page 71

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new plan design and installation; employee communications; appraisal of insurance proposals; and plan analysis in mergers and acquisitions. Direct requests to the firm at 529 Fifth Ave., New York, N. Y. 10017.

- **The Narcotic Addict Rehabilitation Act of 1966**, is a pamphlet distributed by the U. S. Dept. of Health, Education and Welfare explaining who is and who is not eligible for rehabilitative treatment and how non-profit organizations may obtain grants for rehabilitative purposes under this act. Copies are available at \$5 per 100 or 10¢ each from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402

- A manual for the purpose of supplying information and ideas concerning **Representative forms and records for the administration of profit sharing plans**, has

been published by the Council of Profit Sharing Industries, 20 North Wacker Dr., Chicago, Ill. The book is not intended to be a sample forms book that can be adopted to the needs of any particular firm. It is merely an attempt to show what other companies are doing and suggests administrative ideas which might help profit sharing companies appraise their own administration. The manual may be ordered for \$10 per copy. Direct orders to Walter Holan at COPSI

- **The size and shape of the medical care dollar** has been released by the U. S. Department of Health, Education, and Welfare. The 1969 edition contains 15 charts presenting the background facts relating to the medical care dollar: who pays; what and how much is bought; for whom it is spent, and how and why it has grown. Medical care outlays include those spent for health services and supplies, such as hospital care, physicians' service, drugs, and those for medical-facilities, construction and research. Single copies are 40¢. Di-

rect orders to the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

- **Financing rehabilitation services** is one of a series of five papers prepared for the use of delegates to the National Citizens Conference on Rehabilitation of the Disabled and Disadvantaged by the U.S. Department of Health, Education, and Welfare. The booklet discusses the basics of rehabilitation funding, how to obtain additional funds and contains a list of federal programs and amounts of appropriations. Copies are 25¢ each and may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

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tics data in booklet form can be obtained for 45¢ per copy from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402. **Regional utilization of short-stay hospitals, United States 1965** covers discharged patients, days of care, and average length of stay for the four major geographic regions—Northeast, North Central, South, and West.

- Pension plan administrators and attorneys faced with the need to revise plans having excess or step-rate benefit formulas, so as to maintain qualified status under Revenue Ruling 69-4, may obtain the A. S. Hansen, Inc. 69-4 Slide Rule, free. The instructions with the Slide Rule will show how to determine combinations of benefit rates and integration levels. The Slide Rule may be obtained from the firm at 200 Park Avenue, N. Y., N. Y. 10017.

- An introduction to **Deferred Compensation Administrators Inc.**, is a booklet offered free of charge by the company describing its services. Some of their services include: studies and reports on existing employee benefit plans, negotiations for union pension plans, comprehensive insur-

ance reports, employe communications, deferred compensation for key executives, and pre-retirement counseling. For a copy write the firm at 1624 Cargill Building, Northstar Center, Minneapolis, Minn. 55402.

- **More effective employe benefits communications** is a brochure released by Halltech Associates, describing how their reports are vital to the success of an employe benefits program. The brochure outlines their role in helping employes to understand and to be aware of their benefits program and its specific meaning to them. The booklet is available by writing Mr. Edward McCaffrey a Halltech Associates, 176 Broadway, New York, N. Y. 10038.

- **Life insurance price measurement** is a 22-page booklet written by Joseph M. Belth, a professor of insurance at Indiana University. The booklet is divided into four sections: Section I describes the level-price method; Section II describes the benefits-premiums method; Section III compares selected data from 15 major companies gathered in 1968-69; and Section IV contains the author's conclusions. The booklet is available for \$1 from the Bureau of Business Research, Indiana University, Bloomington, Ind. 47401.

- The National Safety Council has collected 15 articles originally published in National Safety News in **Fundamentals of industrial hygiene** (stock No. 151.11). The 120-page booklet contains important facts for the care of employes in industrial organizations. Single copies are \$4.60, orders of 10 are \$2.00. Send orders to the Council at 425 N. Michigan Ave., Chicago, Ill. 60611.

- Business life insurance may be more efficiently purchased under the minimum deposit plan than under a term insurance plan. The advantage depends largely on the firms opportunity cost of capital. **Buying whole life insurance and investing the difference as compared to term** illustrates numerous situations. The book may be obtained for \$5 from Dr. Stuart Schwarzschild, 78 Carlton Dr., N. E. Atlanta, Ga. 30303. Dr. Schwarzschild is a professor of insurance at the School of Business Administration, Georgia State University.



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Continued from page 42
ally lower, Mr. Brady said.

There are 65 categories on which Hospital Bureau currently has "agreement sheets." These may be fairly simple classifications, such as EKG paper for electrocardiogram machines (Hospital Bureau was responsible for negotiating the price on over 125,000 rolls of EKG paper last year, for example), or they may run into more complicated agreement sheets where a great number of products are catalogued under one heading.

"All in all, we can handle about 25% of what a hospital needs to operate on a day to day basis," Mr. Brady said of the member hospitals' group purchasing needs. On these items, he estimates, hospitals save an average of between 16% and 20%.

"We can best perform in the area of bulk commodity items," he continued, noting that through his offices last year 100,000 thermometers and 1 million pounds of coffee were sold last year.

HOSPITAL BUREAU does not get into things like X-ray machines (X-ray film, yes; \$2 million worth last year), heart monitors or complicated equipment now being used by hospitals in the delivery of health care. The "technical aspects and service requirements" of such things would require far more sophisticated services than Hospital Bureau is now capable of delivering, Mr. Brady told this magazine.

Of the almost 800 hospitals the firm now represents, roughly half have more than 200 beds. Some are relatively small, like institutions in Slidell, La., and Tomar, Wisc., for example. Others are more formidable. The Mayo Clinic in Rochester, Minn., and Roosevelt Hospital in New York City, subscribe, for instance.

And while its 800-member hospitals represent little more than 10% of the 7,000 hospitals in this country, Mr. Brady believes that will change considerably in the years ahead.

"We have hardly scratched the surface," he said of group purchasing. "But," he added, "our projected growth for the future is even greater than it was in the past 10 years. We are predicting an annual growth rate (new hospital participation) of between 15% and 18%," he said.

IF GROUP purchasing by hospitals does not grow in the 1970s—and consequently Hospital Bureau Inc.—it may be another sad failure of the health delivery system. And one that affects economics; the economics of health insurers, the economics of corporations that provide health insurance for their employees, the economics of individuals who buy their own and the economics of government, which provides for those who cannot provide for themselves.

Said Mr. Brady, using a hard dollar example:

"Suppose a hospital purchases \$1 million dollars of supplies and equipment a year. And," he added parenthetically, "that's a small hospital. We can do the purchasing for about 25% of that, or \$250,000. Now," he added, doing a little quick figuring in his head, "if we can reduce costs by 16% to 20% on that \$250,000 the hospital has saved \$40,000. It's only a drop in the bucket, but every little bit helps."

Royal's Celia claims

Hurricane Celia claims totaled \$9 million for the Royal Insurance group of London, but it has still cut its underwriting loss in the U. S. by \$5.3 million.

Continued from page 69

careers? Then, there is the side question of whether employes can effectively use more time off? Lying around gets monotonous—and it certainly leads to lethargy as the steel companies have found in their long vacation programs.

AS TO EARLY retirement, when an individual retires at, say 50, and goes to work elsewhere as they generally do—the economy doesn't necessarily suffer, except through duplication of wages and pension payments. On the other hand, why should a company finance the loss of its most skilled people—for they are the ones who, generally, go. Somehow, the age for early retirement keeps moving down—to 55 and 50—and I believe this is where we seriously need *some design*. Where does management feel it really

wants to go? What is there in it for the employer with a good pension plan, except higher pension costs and, as I must reiterate, loss of his skilled personnel. It is sad, that as health advances lengthen life—and we arrive at say age 65—in better physical condition, we are simultaneously retiring people earlier. This area needs real exploration and decision as to what we're accomplishing by early—what we call euphemistically—retirement.

Early vesting is important and plans should incorporate this so that on final retirement an employe is likely to have private pension supplements covering all—or nearly all—of his periods of employment. I know government fiat here in Canada requires certain vesting, but I believe there should be lower requirements as fast as practical on a voluntary basis. This audience doesn't need to be reminded that vesting is the sound solution for the catchword

"portability." I feel I should point this out as a key item in pension planning because the uninformed and the demagogues all too often push portability as some magic, and actually it really means mostly another unnecessary government program. Early vesting, of course, does not mean we need early retirement. They are different, of course.

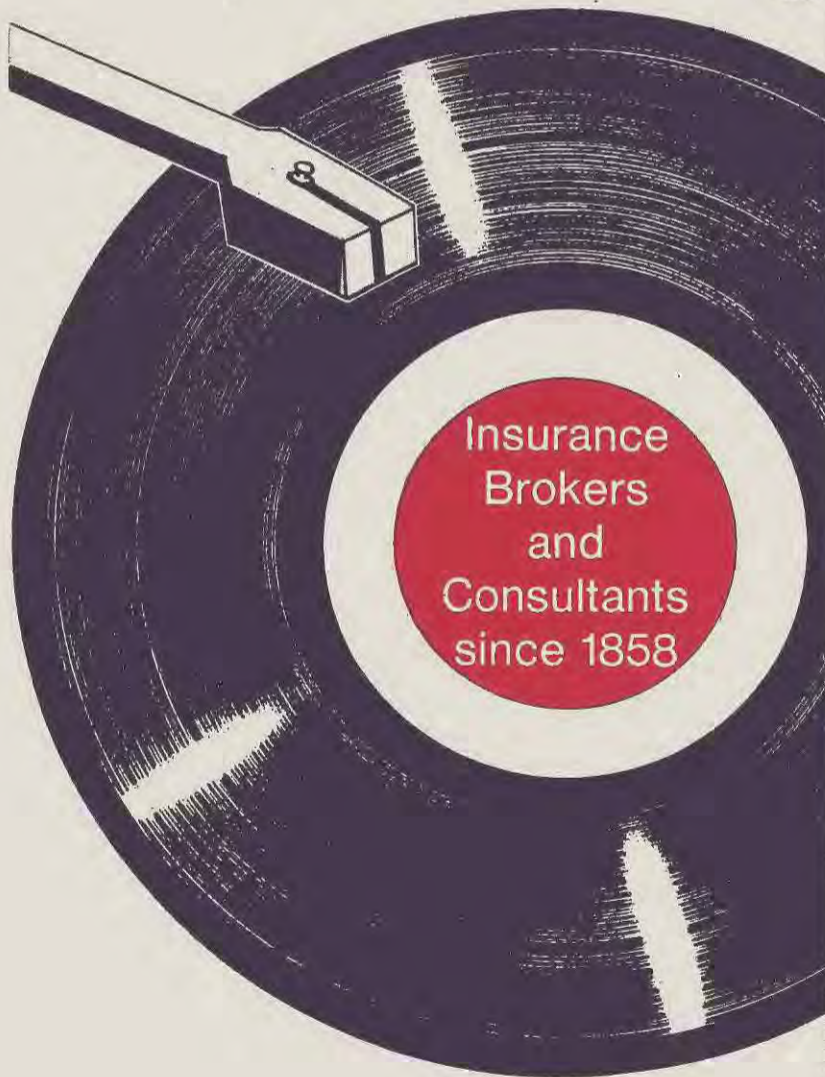
For the future, there are some constructive benefits we ought to design into our systems. First is savings plans. With paternalism—government and private—being built up so much, it is important to take all the steps we can to preserve and increase personal responsibility. Savings plans are a key building block in this kind of program. They also may ultimately save costs in pensions, guaranteed income and other emergency type plans. Further, when a savings plan includes company stock it helps make employes shareowners and that

should encourage more interest in the welfare of the company as well as the economy.

A newer area in benefits is that of training and education. With a full speed economy and tight employment, we need to utilize all available people to the fullest extent. Add to this the extensive changes in technology and it is important to have trained and skilled personnel available. While many people follow the old saying that "you can't teach an old dog new tricks," I am sure most of you recognize the fallaciousness of that premise. People can learn at all ages, in fact with more experience they can often learn faster. Part of the trick is to get them in the habit or mood—those are the words—to be receptive to training by having it available and applying training constantly. Our society is becoming more oriented to training—and more nudges will help. With

Continued on page 74

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Hospitals' . . .

Continued from page 40

distribution of physicians is extremely uneven.

The job of turning out physicians for our growing population falls on the nation's 101 medical schools. Even though 16 new schools were opened in the last 10 years, the number of graduates this year will total 8,000—only 1,000 more than in 1960.

RECENTLY, critical attention has also been directed to the shortage of nurses and allied health personnel. Manpower data collected from all hospitals in the U.S. indicate that an additional 257,000 professional and technical employees would be necessary to provide optimum patient care. In other words, a total staff expansion of almost 20% will be needed to meet future health needs.

The crisis, however, is not simply one of numbers. It is true that substantially increased numbers of health manpower will be needed, but if additional personnel are employed in the present manner and within the present patterns and systems of care, they will not avert or even perhaps alleviate the crisis. They may well sharpen it, because of the added inflationary impact. Unless we improve the system through which health care is provided, it will continue to become less satisfactory even though there are massive increases in expendi-

tures and in numbers of health personnel.

These, then, are the major issues in the health care field today. Many people believe that some form of national health insurance is the ultimate answer to our problems. The advent of some form of national health insurance is probably inevitable. Several proposals have been introduced in Congress and are now being considered. Essentially, these proposals fall into two categories: those calling for a total restructuring of our health care delivery system, and those seeking to improve the current system's financing mechanism.

AMERIPLAN, a broad program recommending a restructuring of both the health care delivery system and the methods of financing, was recently proposed by an AHA special committee on the provision of health services. Among other things, this program recommends establishment of health care corporations responsible for providing comprehensive care to a defined population. AMERIPLAN would use both federal government and private financing and, once implemented, would make Medicare and Medicaid no longer necessary.

EVEN THOUGH the proposals being discussed have significant differences in scope and intent, and even though most analysts agree that passage of a sweeping legislative program is not probable in the immediate future, these proposals do share the common purpose of serving notice on the health care field that there is a groundswell of discontent with the system and that we had better begin to find solutions to our problems. If we fail to find solutions, the danger is that overzealous reformers will blindly discard the best of our system in their efforts to provide better health care for all.

What stake do businessmen have in the health care industry? What can businessmen do about rising health care costs? The most obvious reason businessmen should be concerned and involved is that we all desire high quality health care services for ourselves and our families whenever and wherever illness or accidents occur.

Businessmen can influence medical care costs by their choice of health insurance coverage for their employees. Today, much of a hospital's income is provided by "third-party payers," such as Blue Cross and other group insurers. In 1969, \$13 billion of the \$63 billion spent on health care came from management. Employers are paying an increasingly greater share of these rapidly rising health insurance premiums for their employees. In this position, employers should exercise a strong influence on forms of coverage. For instance, only 51% of Americans under 65 years of age have any insurance for x-rays and laboratory tests outside the hospital, and only 4% for visits to doctors' offices. Perhaps if employers push for this type of coverage from their insurers we can change these patterns of coverage.

Businessmen can also work with insurers to design health benefit plans which include incentives to minimize the inclination of employees to seek hospitalization and of physicians to recommend it unless absolutely necessary.

INVESTMENT OF capital into the health care industry should also be considered by businessmen. The unmet capital needs of health care institutions are expanding at a rate that has serious implications for the entire industry.

Studies by the Department of Health, Education, and Welfare indicate that the industry will need about \$20 billion of new invested capital over the next five years. Unlike the situation that existed a decade ago, most of the need today is for modernization and expansion of existing facilities, rather than the construction of new ones.

The shortage of capital has been caused by such factors as the increased demand for health care, increased competition for debt capital, rapid technological advances, and pressures on government and philanthropic support—the traditional sources of capital funding in the industry. Whatever the causes, the shortage of capital is a serious one and it has prevented the implementation of a number of needed health care programs.

Quality health care is a right for all Americans. As such, the capital needs of the industry will be met—either through private capital or public tax dollars. The AHA has long supported the concept of operating and improving our country's health care system through a joint private-public effort. The alternative to solving our problems through a partnership of efforts by business, government and health care professionals is the assumption of full responsibility by government, which no one really desires.

AN IMPORTANT consideration is that the safety and general credit of health care institutions is well established. Life insurance companies currently hold more than \$1 billion in hospital debt with no record of default. An investment in a health care institution or group of institutions is a safe investment in the future.

This concludes my look at some of the major problems of the health care field. By no means has this article discussed all aspects of the subject, nor has it revealed any earth shaking plans to solve the so-called "health care crisis." Hopefully, it has shown that the issues confronting hospitals and the health field are immense in nature and extremely complicated and, as such, do not lend themselves to simple solutions. It will behoove all of us to work together in the future in an effort to remedy these problems.

Several years ago when John Gardner took over as Secretary of Health, Education, and Welfare, he said that, "We are all faced with a series of great opportunities—brilliantly disguised as insoluble problems."

I am convinced that we can solve all our problems within the traditional framework of our pluralistic system and, indeed, turn these challenges into great opportunities.

Dr. Crosby, a graduate of Union College and Albany (N. Y.) Medical College, received a doctor of public health degree from Johns Hopkins University in 1937. From 1937 he was affiliated with Johns Hopkins Hospital, which named him its director in 1946. In 1952 he was named director of the Joint Commission on Accreditation of Hospitals. From 1954 until last month he was director and exec vp of the American Hospital Assn., which named him its executive president in November. This article was written by Dr. Crosby especially for this life and health benefits issue of Business Insurance.

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Psychiatric...

Continued from page 43

person to \$1.80 per month for two people (that is, an employee and his wife) and \$2.70 per month for three or more (an employee, his wife and their two children, for example). For those seeking such coverage who are over 65 there is no cost. Typically, the HIP mental health program is offered as a rider benefit along with the HIP major medical care insurance plan.

HIP employees are given the mental health benefit on a non-contributory basis. Other employee groups enrolled in the plan include New York state and federal government employees. The average amount of utilization per case was 14½ sessions in 1969, Miss Friedlander pointed out.

Blue Cross-Blue Shield (Associated Hospital Services, Inc.) takes a somewhat different tack than does the HIP plan. Rather than setting up and running its own mental health program complete with centers and staffs, Blue Cross normally writes a provision into its major medical programs to cover in-hospital psychiatric care. The limits are normally the same as the major medical coverage, incorporating a co-insurance feature (20% by the individual) or a deductible on the number of visits.

"We've noted a rather high utilization of out-of-hospital psychiatric care where the beneficiary is going to his own psychiatrist," a Blue Cross source told *Business Insurance*. He agreed with the employee benefit consultant's opinion that most corporate buyers of the benefit thought it was expensive:

"The employers are saying, 'yes, we love it, but we are just a little bit afraid of it because of its cost.'"

THE BLUE Cross source pointed out that there is "already quite a lot of this coverage in existence. The beneficiary is going to see his psychologist or psychiatrist two or maybe three times per week in some cases. These treatment programs are lasting anywhere from one to two years in many instances," he said.

However, a lot of restrictions are being placed on the coverage, the Blue Cross spokesman pointed out. "There are few plans as generous with coverage of psychiatric care as the federal employee health program. It provides for an 80% co-insurance feature with no limit.

"Most of our experience so far has been with in-hospital care. But the interest in out-patient psychiatric care is real; everybody realizes it but it's the cost that stops most people. Typically, out-patient psychiatric care gets 50% co-insurance treatment. And recently that's being further controlled by placing a limitation on the number of visits covered," he explained.

The Blue Cross spokesman predicted that as out-patient psychiatric care, because of its slowly growing appeal among employee groups, increases in coverage, a higher level of co-insurance will be used to try to keep the costs under some kind of control.

THE EMPLOYE benefits director at a steel manufacturing company acknowledged that his company had just instituted a psychiatric care coverage plan for its hourly wage employees this past

August. "We haven't really had time to see what kind of experience we're going to have," he said.

He explained that his company's hourly wage psychiatric care coverage participated in the cost of 31 days of in-hospital psychiatric care subject to a \$50 deductible (in keeping with the company's major medical care program). There is a \$1,000 limit for psychiatric care in any one year.

The steel company employee benefit man noted that it seemed to be a "little slow in catching on" among the hourly wage employees so far. "We don't know whether it's an awareness problem or what yet," he said. The source said that it had not been decided whether supplementary employee communications should be used to familiarize the employees with the new health care service.

"We've had a psychiatric care coverage for our salaried people

since 1956," he pointed out. "We've noticed that some of the individual cases do get rather expensive, but we really haven't kept extensive experience records on the benefit. The salaried people have made it quite clear, however, that they're very glad to have it. They and we feel it's essential," the steel company source said.

HE POINTED out that the difference between the hourly wage psychiatric care benefit and that of the salaried employees was the absence of the \$1,000 limitation in any one year in the salaried version of the employee benefit.

He noted that his company felt that the psychiatric service benefit it had installed was sufficient for the moment although it did not quite compare with the three-year-old UAW-automobile manufacturers' plan.

"They have a much more liber-

al formula whereby they pay for the total costs of the first three visits and then 90% of the costs of the next two, then 80% for another increment and then 50% for the rest. That's pretty expensive. The one thing that seems to be working in their favor is that the wage employees are slow to take advantage of the benefit, it seems," the steel company spokesman said.

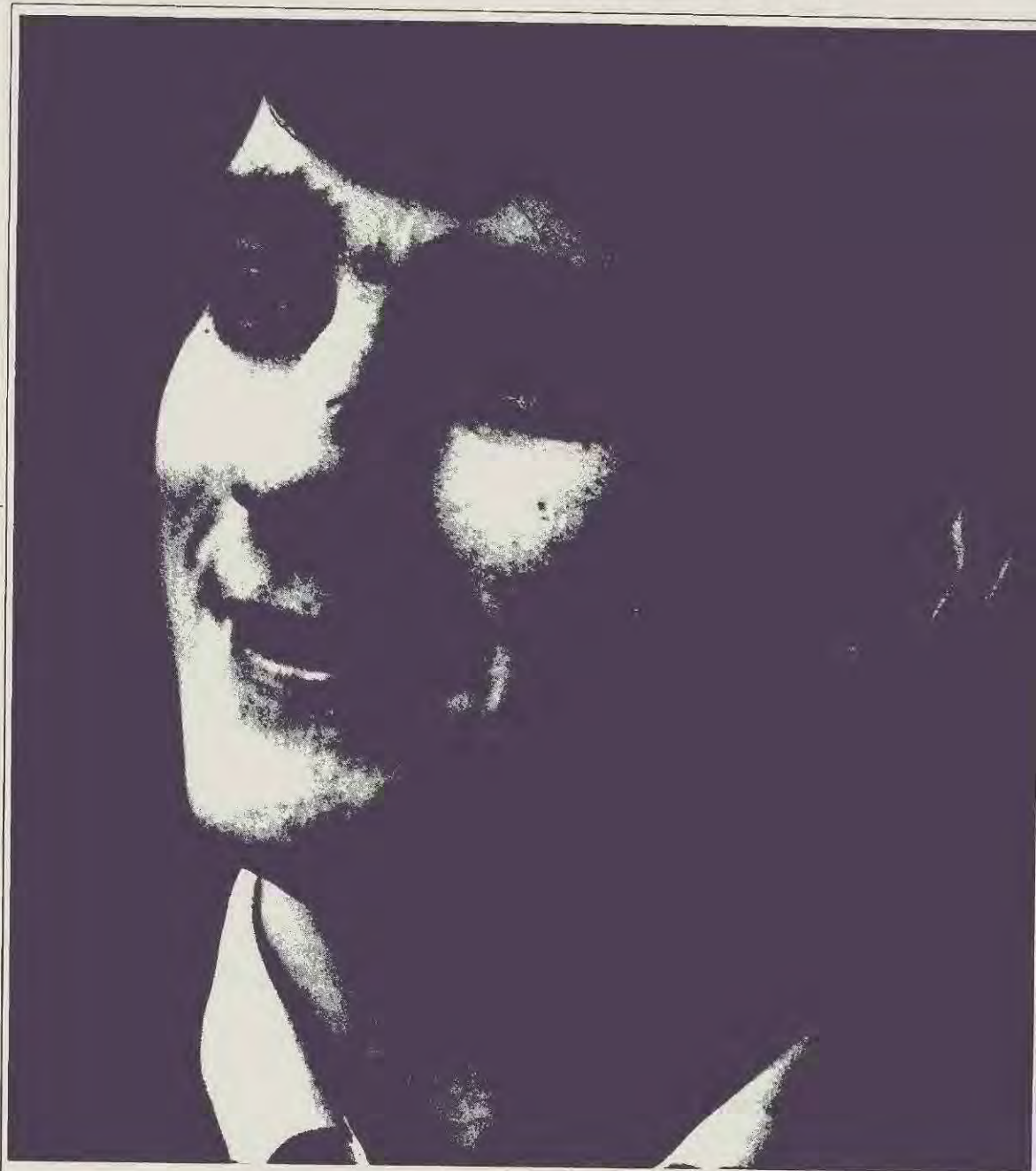
The auto industry's psychiatric services benefit currently covers about 2.75 million employees and their dependents, according to Mrs. Avnet. The average hospital stay under the psychiatric care plan is about 12.6 days, while the average claim costs about \$603 per patient. Outpatient psychiatric care visits are averaging about 8.5 per claim. And the utilization rate of the auto industry's psychiatric services coverage is about 6.6 claimants for each 1,000 eligible persons.

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Security...

Continued from page 71

the new modern training procedures, this is easier and more effective than ever before. To internal training I would add tuition refund programs as well. But again this requires planning—of manpower and of training programs. And that is design not accident.

Another suggestion is practicable, however. This is to establish group plans where the group basis is cheaper for employees than individual plans. Then the employee can buy the plan or not as he chooses. These include optional additional life insurance and, maybe, agents for individual policies will dispute me here—dependent life insurance, umbrella liability insurance, auto or home-owner insurance, etc. I believe these can be worthwhile employee-pay-all options, but I fear may become "paid-all-for-employees" if we get sloppy or careless and let our design fall apart.

Housing is another mentioned item, but after the old company housing experience in steel towns and even in some European areas, I feel we should exclude this one from our design. Just turn back the pages of history and see how unsatisfactory this can become—from almost any angle you want to look at it. There is even a mournful popular song on the subject of company houses.

Finally, there is the popular topic these days of options—"a smorgasbord of benefits" as many call it. This is a subject all to itself. Briefly, I should point out several factors:

1. The largest number of options are available to the individual in spending his own pay however he wants.
2. Government plans are not built for—nor can they really provide—options; so as government takes over the opportunity for individual options reduces.
3. Private options are possible but some have limitations.

• In this class, for example, are the group plans we make available on a reduced cost basis—employee-pay-all plans. An employee can "shop" among the various plans of this type without any particular trouble or actuarial cost variations.

• Within some plans like savings plans we can offer options. Our savings plan, for example, offers four options: an employee can invest in U.S. Government bonds, GE stock, a mutual fund we established, or he can put 1% into low cost life insurance. This option has no effect on costs—it just needs a computer to keep track of each person's elections.

• However, many plans have such cost variations that to put them in a smorgasbord is not only impractical but definitely unsound. For example, if employees have a choice of say pay or pensions, the young person at 25 or 30 will usually take pay. Then when he is about 50, he suddenly realizes he will need a pension. Not only is it many times as expensive then, but he would expect upon retirement at age 65 to have a pension commensurate with his 35 or 40 years of service. You can see the problem here.

Now, having pointed out some of the areas where design is needed and urgent, I have one more point to make.

Design comes through solid planning, basic principles and a firm informed operation. So if we are not to fall victim to the accidental in our security area, we need an organization manned to meet the challenge and needs of the '70s and even '80s. I always remember a man from one of our leading industries telling me they

had no benefit organization—the benefits were designed at the bargaining table. One need only look at the hodge-podge of unsound, expensive benefits in his industry to recognize their lack of planning.

The organization needs to analyze trends and practices outside, the operation of existing plans and then take time to plan and develop sound programs. This is positive, dynamic design and not careless accident. It will produce—if enough of us do it—an overall economy that will continue the industrial progress on which our two sister nations are built and on which they will expand. ■

Union looking at health plan

PITTSBURGH—United Steel Workers officials here are taking a good look at a new insurance plan that would replace Blue Cross and Blue Shield.

They are investigating the possibility of substituting the present health insurance program with a union-sponsored plan.

William Moran, director of USW District 9, and Joseph Odcich, District 15 director, outline the new plan to some 500 delegates attending a wage conference. Mr. Moran told the group:

"BLUE CROSS and Blue Shield were good things 30 years ago but we've been pouring too much money back into labor agreements to buy medical protection."

Mr. Moran envisioned a plan for medical treatment facilities such as unions have set up in a five-county area in New Jersey.

He pointed out that these unions have their own medical centers, adding:

"The New Jersey plan calls for a monthly premium of \$45 which provides hospital care, office and home visits by the physician, and this includes the whole family."

HE ALSO noted that the Allegheny County (La.) labor council has a proposal in the works for all unions in the area to join into a similar medical health plan.

Mr. Odcich said his district already has earmarked \$6,000 to study such a health program that could also include eye and dental care as well.

The officials said it was imperative to look into another health plan because Blue Cross and Blue Shield premiums are expected to increase further.

They further emphasized that an overall look at their current health insurance program is necessary before contract talks. ■

UAW pact...

Continued from page 68

December, 1969, over December, 1967. The company paid \$230 million for health care coverage during 1969, and the company contribution for the same coverage went up another \$43 million in 1970. Also, the drug expense benefit went into effect during 1970, at a cost of \$17 million to the company.

But the UAW backed down on its demand for a dental care package—the plan had no teeth in it, according to UAW President Leonard Woodcock. And GM gave up in its effort to get employee participation in the health-medical-surgical-drug contributions. No one will say for certain that the two sides dropped their individual demands in a one-for-one trade off. Best conclusion, according to labor observers, is that the two sides pressed their demands as long as they could, and then dropped them as agreement on the bigger issues came into sight.

THE UAW PRESSED vigorously for extension of the drug expense benefit to retirees, surviving spouses, and dependents. Earlier in the negotiations, the union wanted to lower the initial payment from \$2.00 for each prescription or refill to \$1.00.

The corridor was reduced from 90 days to 60 days for hospital benefits, including nervous and mental, tuberculosis, and convalescent care facility. This was done to correspond to the medicare 60-day corridor. The new agreement also provides that hospital duration will not be reduced because of days of care in a convalescent facility.

Hemodialysis benefits now are provided in the home as well as in the hospital outpatient department. The new contract also removes the lifetime limit for each condition on outpatient physical therapy, making it a 60-day limit per condition, renewable annually, or sooner if related surgery is performed.

New surgical-medical benefits provide nonaccident medical emergency benefits, regardless of where service is rendered, up to \$15. Another provision removes the age 12 limit for correction of birth defects.

In minor concessions, GM agreed to increased payment (from \$45 to \$50) for psychological testing without employee co-payment. And agreed to provide benefits for medically necessary sterilization procedures in or out of the hospital to cover a recent trend toward performing vasectomies in physicians' offices. ■

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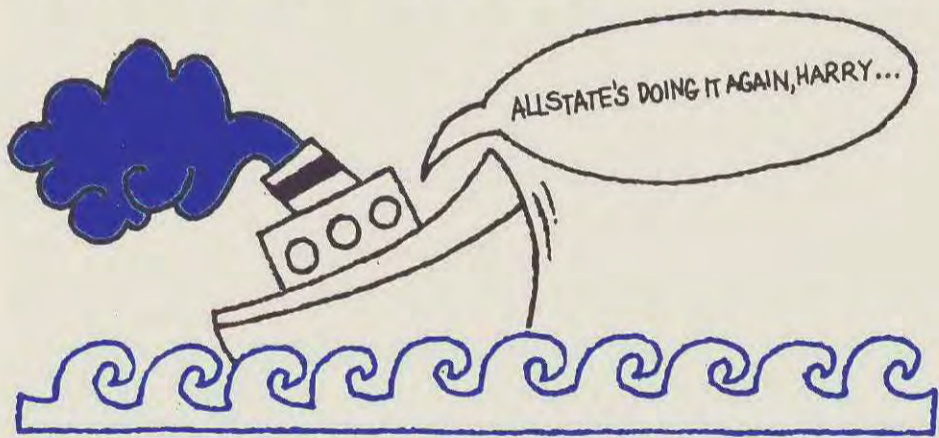
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